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Comparative Advantages and Disadvantages of Garment Subcontracting Models in Vietnam: FDI Manufacturers, Traditional Fashion Brands and Ultra-Fast Fashion Platforms

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ABSTRACT: Purpose: This study compares the advantages and disadvantages of three subcontracting models available to Vietnamese garment enterprises: subcontracting for foreign direct investment (FDI) garment manufacturers, for traditional international fashion brands, and for fast and ultra-fast fashion buyers, exemplified by Shein. Design/methodology/approach: A qualitative comparative design was applied, combining a systematic review of academic and grey literature with documentary analysis of industry data. An analytical framework of eight criteria, grounded in global value chain (GVC) governance theory, transaction cost economics and the resource-based view, was used to code the evidence and to assess each model on a five-point scale. Findings: No model dominates across all criteria. FDI subcontracting offers stable overflow orders, low capital requirements and short payment cycles, but confines firms to low-value cut–make–trim (CMT) activities under captive governance with weak bargaining power. Traditional-brand subcontracting provides large, predictable orders and the strongest potential for process, product and functional upgrading, yet requires high compliance costs, substantial working capital and exposure to buyer power. Fast and ultra-fast fashion subcontracting offers fast-growing demand, low capacity thresholds and digital integration, but imposes small batches, extremely short lead times, uncertain reorders and significant labour, environmental and reputational risks, aggravated by Vietnam's dependence on imported fabrics. Originality/value: The study provides a supplier-side comparison of three customer segments and recommends a portfolio-based customer strategy, together with policies to develop upstream supporting industries, SME access to finance and sustainability compliance capacity.

KEYWORDS: garment subcontracting, global value chain, FDI, fast fashion, ultra-fast fashion, Shein, industrial upgrading, Vietnam

INTRODUCTION

The textile and garment industry is one of the pillars of Vietnam's export-led growth model. According to the Vietnam Textile and Apparel Association (VITAS), the sector generated export turnover of approximately US$44 billion in 2024, employed close to three million workers, and comprised more than 7,000 enterprises, most of which are small and medium-sized enterprises (SMEs). Despite this impressive scale, the industry remains structurally concentrated in the lowest value-adding stage of the global apparel value chain. Industry estimates consistently indicate that roughly 60–65% of Vietnamese garment firms still operate under the cut–make–trim (CMT) mode, around 30% under free-on-board (FOB) arrangements, and only a small minority have progressed to original design manufacturing (ODM) or original brand manufacturing (OBM). Foreign-invested enterprises (FIEs), predominantly from the Republic of Korea, Taiwan (China), China, Hong Kong (China) and Japan, account for more than 60% of the sector's export value, which means that a large share of domestic firms participate in global value chains (GVCs) indirectly, as second-tier subcontractors of FDI manufacturers rather than as direct suppliers of international brands.

Over the last decade, the structure of demand in the global apparel market has undergone profound change. Traditional brands and retailers, which typically operate seasonal collections and long planning horizons, have been challenged by fast fashion retailers that compress the design-to-shelf cycle to a few weeks (Bhardwaj & Fairhurst, 2010; Caro & Martínez-de-Albéniz, 2015). More recently, digitally native ultra-fast fashion platforms such as Shein and Temu have pushed this logic further through a test-and-repeat model in which thousands of new stock-keeping units (SKUs) are released daily, initial orders are extremely small, and replenishment is triggered by real-time sales data. These shifts in buyer strategies are transmitted directly to the manufacturing tier, altering order size, lead time, price pressure, quality requirements and compliance expectations for subcontracting firms in producing countries.

For Vietnamese garment subcontractors, the choice of which type of customer to serve has therefore become a strategic decision with significant implications for capacity utilisation, cash flow, margins, technological upgrading and long-term competitiveness. Three customer segments can be distinguished: (i) FDI garment manufacturers located in Vietnam that outsource part of their orders to local firms (hereafter "FDI subcontracting"); (ii) traditional international fashion brands and retailers sourcing directly or through buying agents (hereafter "traditional-brand subcontracting"); and (iii) fast fashion and ultra-fast fashion brands, of which Shein is the most prominent example (hereafter "fast-fashion subcontracting"). Each segment imposes a distinct governance structure and a distinct bundle of risks and opportunities.

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Although a rich literature exists on GVC participation and upgrading of the Vietnamese garment industry (Nadvi et al., 2004; Goto et al., 2011), and on the operational logic of fast fashion (Christopher et al., 2004; Cachon & Swinney, 2011), few studies have systematically compared these three subcontracting models from the perspective of the supplier firm. Existing research tends either to treat "export garment firms" as a homogeneous group or to focus on buyer-side strategies. This paper addresses this gap by asking three research questions: (RQ1) What are the main structural characteristics of the three subcontracting models? (RQ2) What are the comparative advantages and disadvantages of each model for Vietnamese garment SMEs? (RQ3) What strategic and policy implications follow for firms seeking sustainable upgrading? The study contributes to the literature by integrating GVC governance theory, transaction cost economics and the resource-based view into a single comparative framework, and by providing practical recommendations for portfolio-based customer strategies in the post-pandemic context.

LITERATURE REVIEW

Global value chain governance and supplier positioning

The GVC approach provides the dominant analytical lens for studying apparel production in developing countries. Gereffi (1999) characterised the apparel chain as a buyer-driven commodity chain in which lead firms, namely brands and large retailers, control design, marketing and retail while outsourcing manufacturing to networks of independent suppliers. Gereffi, Humphrey and Sturgeon (2005) subsequently proposed five governance types (market, modular, relational, captive and hierarchy), determined by the complexity of transactions, the codifiability of information and the capabilities of suppliers. In the apparel industry, relationships between brands and full-package suppliers tend to be relational or modular, whereas relationships involving CMT subcontractors are often captive, characterised by high dependence on a dominant buyer and limited supplier autonomy.

A key concept within this literature is "triangle manufacturing", whereby an East Asian intermediary manufacturer receives orders from a Western buyer and allocates production to its own overseas plants or to local subcontractors in lower-cost countries (Gereffi, 1999). Vietnamese firms supplying FDI manufacturers occupy precisely this position. Nadvi et al. (2004) and Goto et al. (2011) observed that such firms benefit from stable order flows but face strong constraints on functional upgrading because design, sourcing and buyer relationships remain under the control of the intermediary.

Industrial upgrading

Humphrey and Schmitz (2002) distinguished four forms of upgrading: process upgrading (more efficient transformation of inputs into outputs), product upgrading (moving into more sophisticated product lines), functional upgrading (acquiring new functions such as design or marketing) and inter-sectoral upgrading. In apparel, the typical trajectory runs from assembly (CMT) to OEM/FOB, then to ODM and OBM (Gereffi & Frederick, 2010; Fernandez-Stark et al., 2011). The type of buyer strongly conditions the upgrading path: buyers with high compliance and quality standards may transfer knowledge and push process upgrading, but they may also restrict functional upgrading in order to protect their core competencies (Humphrey & Schmitz, 2002). Frederick and Gereffi (2011) further showed that Asian suppliers outperformed competitors in other regions largely because they were able to offer full-package services and shorter lead times.

Fast fashion and ultra-fast fashion supply chains

Fast fashion is a business model that combines quick response (QR) production with enhanced product design in order to capture emerging trends and reduce markdown risk (Cachon & Swinney, 2011). Firms such as Zara rely on postponement, small batch sizes and proximity sourcing to achieve design-to-store lead times of two to five weeks (Ferdows et al., 2004). Christopher, Lowson and Peck (2004) emphasised that such agility requires suppliers capable of rapid changeovers, flexible capacity and tight information sharing. Ultra-fast fashion represents a further radicalisation of this model. Shein's "small order, quick response" approach typically places initial orders of only 100–200 pieces per style, evaluates sell-through within days through its digital platform, and reorders successful items, often with total lead times of around 10–14 days from design to dispatch. Its supplier base has been concentrated in clusters around Guangzhou, China, but the company has publicly announced plans to diversify production to other countries, including in Southeast Asia, in response to trade tensions and tariff risks.

The literature has also highlighted the social and environmental externalities of fast fashion. Niinimäki et al. (2020) documented the large carbon, water and chemical footprint associated with accelerated consumption and short product lifespans, while the Ellen MacArthur Foundation (2017) called for a transition to a circular textiles economy. On the labour side, investigations by civil society organisations have reported excessive working hours among suppliers of ultra-fast fashion platforms (Public Eye, 2021), and Anner (2020) demonstrated how aggressive purchasing practices, including price squeezing and short lead times, are transmitted into wage and working-time violations at supplier level.

Transaction cost and resource-based perspectives

Transaction cost economics (Williamson, 1985) suggests that suppliers making relationship-specific investments, such as dedicated production lines or certifications required by a particular buyer, face hold-up risks that must be balanced against the efficiency gains of the relationship. The resource-based view (Barney, 1991) adds that sustainable competitive advantage stems from resources that are valuable, rare, inimitable and non-substitutable. From these perspectives, the choice of customer segment affects not only short-term profitability but also the accumulation of strategic resources such as technical know-how, compliance capabilities, digital integration and customer relationships.

Research gap

The reviewed studies offer valuable insights into buyer strategies and upgrading trajectories, yet they rarely compare different types of customers from the perspective of the same group of supplier firms. In particular, the implications of supplying ultra-fast fashion platforms for Vietnamese SMEs remain largely unexplored, since this phenomenon is recent and evolving rapidly. This study responds to the gap by developing a multi-criteria comparative framework applicable to the three subcontracting models.

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MATERIALS AND METHODS

Research design

The study adopts a qualitative comparative research design that combines a systematic review of academic and grey literature with documentary analysis of secondary data. This design is appropriate for exploratory research questions concerning emerging phenomena where reliable firm-level quantitative data are scarce, as is the case for the ultra-fast fashion segment in Vietnam. The unit of analysis is the subcontracting model, defined by the type of customer served by a Vietnamese garment enterprise.

Data sources

Three categories of sources were used. First, peer-reviewed articles on GVC governance, apparel upgrading, fast fashion supply chain management and sustainability were identified through Scopus, Web of Science and Google Scholar using combinations of the keywords "garment subcontracting", "CMT", "FOB", "global value chain", "fast fashion", "ultra-fast fashion", "Shein" and "Vietnam" for the period 1999–2025. Second, industry and statistical data were collected from VITAS, the General Statistics Office of Vietnam (GSO), and international trade databases. Third, grey literature, including company disclosures, sustainability reports, reports of non-governmental organisations and specialised trade press, was used to characterise the sourcing practices of the three buyer groups. After screening for relevance and credibility, 46 documents were retained for in-depth analysis.

Analytical framework and procedures

Drawing on the theoretical perspectives reviewed above, an analytical framework comprising eight comparison criteria was constructed: (1) order volume and stability; (2) lead time and production flexibility; (3) unit price and profit margin; (4) payment terms and financial risk; (5) quality and technical requirements; (6) social and environmental compliance requirements; (7) opportunities for knowledge transfer and upgrading; and (8) dependence and bargaining power. Evidence from the selected documents was coded thematically against these criteria using a deductive coding scheme, supplemented by inductive codes for issues that emerged from the data, such as digital integration and tariff-related sourcing shifts.

For each criterion, the relative attractiveness of each model from the supplier's perspective was then assessed on a five-point ordinal scale (1 = very unfavourable; 5 = very favourable). Scores were assigned independently by two researchers on the basis of the coded evidence and reconciled through discussion; disagreements were resolved by returning to the source documents. The resulting scores are intended as an analytical synthesis that facilitates comparison, not as statistical estimates. To enhance credibility, findings were triangulated across academic, statistical and grey-literature sources, and the coding scheme is reported transparently so that the assessment can be replicated and challenged in future empirical studies.

RESULTS

Structural characteristics of the three subcontracting models

Table 1 summarises the main structural characteristics of the three models identified from the documentary analysis.

Table 1. Structural characteristics of the three garment subcontracting models

Criterion	FDI subcontracting	Traditional-brand subcontracting	Fast/ultra-fast fashion subcontracting
Typical customer	Korean, Taiwanese, Chinese, Japanese garment manufacturers operating in Vietnam (triangle manufacturing)	Established international brands and retailers (e.g., seasonal apparel, workwear, outerwear)	Fast fashion retailers (e.g., Zara, H&M) and digital ultra-fast fashion platforms (e.g., Shein, Temu)
Dominant mode	CMT; materials supplied by the FDI contractor	CMT and FOB; increasingly full-package	FOB/full-package; supplier often sources fabric and trims
Typical order size	Medium to large, allocated as overflow capacity	Large, 3,000–50,000+ pieces per style	Very small initial orders (often 100–500 pieces per style), with rapid reorders
Lead time	30–60 days, set by the contractor	60–120 days, seasonal planning	2–5 weeks (fast fashion); 7–15 days (ultra-fast fashion)
Product variety	Low to medium	Medium; stable basic and core styles	Very high; continuous release of new SKUs
Governance type	Captive	Relational/modular	Modular with algorithmic, data-driven control
Compliance regime	Inherited from end-buyer; audited mainly at contractor level	Strict codes of conduct, third-party audits, certifications (e.g., WRAP, BSCI/amfori, Higg FEM)	Variable; increasing but historically less stringent and less transparent

Source: Authors' synthesis from the reviewed literature, industry reports and company disclosures.

Advantages and disadvantages of FDI subcontracting

The principal advantage of subcontracting for FDI manufacturers is the relative stability of order flows and the low commercial risk for the domestic firm. Because the FDI contractor holds the relationship with the end-buyer, the subcontractor does not need marketing capabilities, international sales staff or the working capital required to purchase materials. Materials, technical packages, patterns and often quality-control personnel are supplied by the contractor, which reduces entry barriers and allows small firms with limited capital to utilise capacity. Payment is usually made in short cycles on the basis of CMT fees, so cash-flow risk associated with inventory is minimal. In addition, close physical proximity

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to FDI plants enables some process upgrading through the transfer of line-balancing techniques, industrial engineering practices and quality-assurance routines.

The disadvantages, however, are substantial. Subcontractors in this position capture only a thin slice of value, as CMT fees are typically squeezed by the contractor, which itself operates under margin pressure from the brand. The subcontractor is frequently used as a buffer of overflow capacity: orders are plentiful in peak seasons but are withdrawn first when demand weakens, transferring demand volatility to the weakest link of the chain. Dependence on a single contractor creates a captive relationship with very limited bargaining power. Most importantly, opportunities for functional upgrading are restricted because design, material sourcing and buyer communication remain under the control of the FDI firm; the domestic firm accumulates few strategic resources that would allow it to approach brands directly. Furthermore, under the rules of origin of free trade agreements such as the CPTPP ("yarn-forward") and EVFTA ("fabric-forward"), the ability to benefit from tariff preferences depends on the material sourcing decisions of the contractor rather than of the subcontractor.

Advantages and disadvantages of traditional-brand subcontracting

Working directly with traditional brands and retailers offers the most balanced profile. Large order volumes per style allow long production runs, high learning-curve effects and efficient line balancing, which improve labour productivity and reduce unit costs. Seasonal planning and long lead times make production scheduling, material procurement and capacity planning more predictable. Brands with established codes of conduct impose rigorous requirements on quality management, occupational health and safety, chemical management and environmental performance. While these requirements entail compliance costs, they also act as a catalyst for process and product upgrading and generate certifications and reputational assets that are valuable when approaching new customers. Direct relationships with brands also open the way to functional upgrading, from CMT to FOB and ODM, as suppliers gradually take over material sourcing, product development and sampling functions.

On the downside, entry barriers are high. Firms must pass factory audits, meet minimum capacity thresholds and invest in quality systems, social compliance and increasingly in traceability and decarbonisation in response to regulations such as the EU Strategy for Sustainable and Circular Textiles and due diligence requirements. FOB orders require substantial working capital to finance fabric and trims, while payment terms of 60–120 days after shipment expose suppliers to credit and exchange-rate risk. Large brands enjoy considerable buyer power, and the literature documents practices such as late design changes, cancellation of orders and downward price pressure (Anner, 2020). The COVID-19 pandemic vividly illustrated these risks when several brands cancelled or postponed orders and extended payment terms, leaving suppliers with unpaid inventory. In addition, traditional brands have been consolidating their supplier base in favour of large, vertically integrated "strategic suppliers", which makes market access more difficult for SMEs.

Advantages and disadvantages of fast and ultra-fast fashion subcontracting

Fast fashion and ultra-fast fashion buyers offer a distinctive set of opportunities. Their demand is high-frequency and fast-growing, and their business model rewards suppliers that can respond quickly rather than those that are simply cheapest. For firms located close to raw material sources and with flexible production organisation, this creates the possibility of securing a premium for speed. Because initial orders are small, the entry threshold in terms of capacity is lower than with traditional brands, which makes the segment accessible to SMEs. Ultra-fast fashion platforms also tend to integrate suppliers through digital systems that share sales data, production plans and order status in real time; firms that participate are therefore pushed to digitalise production management, adopt flexible manufacturing systems and develop quick-changeover capabilities. Reports indicate that Shein, for example, settles supplier payments within relatively short cycles, which can be attractive for cash-constrained SMEs. Finally, as these platforms seek to diversify production away from a heavy concentration in China, Vietnam may become a destination for new orders.

The disadvantages are, however, considerable and partly structural. Very small batch sizes and frequent style changes generate high changeover costs, low learning-curve effects and low line efficiency, which can erode margins despite apparently competitive unit prices. The test-and-repeat model makes demand highly uncertain: an initial order may or may not be followed by reorders, so capacity planning becomes difficult and idle time increases. Extremely short lead times require suppliers to hold material inventories or to have access to nearby fabric markets; in Vietnam, where a large proportion of fabric is still imported, this represents a major competitive disadvantage compared with Chinese clusters such as Guangzhou. Compressed lead times and price pressure are also associated with risks of excessive overtime and weakened social compliance (Public Eye, 2021; Anner, 2020). Moreover, the reputational and regulatory risks surrounding ultra-fast fashion, including concerns about environmental impact (Niinimäki et al., 2020), supply chain transparency, and tightening rules on de minimis imports and textile waste in major markets, may spill over to suppliers and could affect their relationships with traditional brands that conduct reputational screening of their suppliers' customer portfolios.

Comparative assessment

Table 2 presents the results of the multi-criteria comparative assessment, while Table 3 summarises the key advantages and disadvantages of each model.

Table 2. Comparative assessment of the three subcontracting models from the supplier's perspective (1 = very unfavourable; 5 = very favourable)

Criterion	FDI subcontracting	Traditional brands	Fast/ultra-fast fashion
(1) Order volume and stability	3	4	2
(2) Lead time and production flexibility requirements*	4	4	1
(3) Unit price and profit margin	1	3	3
(4) Payment terms and financial risk	4	2	4
(5) Quality and technical requirements*	4	2	3
(6) Compliance burden*	4	2	3

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Criterion	FDI subcontracting	Traditional brands	Fast/ultra-fast fashion
(7) Knowledge transfer and upgrading potential	2	5	3
(8) Bargaining power and dependence	1	3	2
Overall (unweighted mean)	**2.88**	**3.13**	**2.63**

*** For requirement-related criteria, a higher score indicates that the requirement is less burdensome for the supplier. Source: Authors' assessment based on coded evidence from 46 documents.**

Table 3. Summary of key advantages and disadvantages

Model	Main advantages	Main disadvantages
FDI subcontracting	Stable overflow orders; low capital requirements; materials and technical packages supplied; short payment cycles; low marketing cost; process know-how spillovers	Lowest value capture (CMT fees); captive dependence; first to lose orders in downturns; very limited functional upgrading; no direct buyer relationship; no control over rules-of-origin compliance
Traditional-brand subcontracting	Large and predictable orders; economies of scale; strong push for process and product upgrading; path to FOB/ODM; reputational assets and certifications; long-term relationships	High entry barriers and compliance costs; large working capital needs; long payment terms; strong buyer power and cancellation risk; supplier base consolidation; rising traceability and decarbonisation requirements
Fast/ultra-fast fashion subcontracting	Fast-growing, high-frequency demand; low capacity threshold; speed premium; digital integration and data sharing; relatively short payment cycles; diversification of sourcing away from China	Small batches and high changeover costs; uncertain reorders; extremely short lead times; dependence on imported fabric; labour and environmental compliance risks; reputational and regulatory spillovers

Source: Authors' synthesis.

The comparative assessment shows that no model dominates across all criteria. Traditional-brand subcontracting obtains the highest overall score, driven mainly by upgrading potential, order stability and margin; FDI subcontracting is the least risky and least demanding but offers the lowest value capture and bargaining power; and fast/ultra-fast fashion subcontracting presents the most polarised profile, combining favourable payment conditions and accessible entry with the most demanding lead-time and flexibility requirements and the least predictable demand.

DISCUSSION

The results confirm and extend the predictions of GVC governance theory. The FDI subcontracting model corresponds closely to captive governance as described by Gereffi et al. (2005): the domestic firm is dependent on a more capable intermediary, transactions are highly codified through technical packages, and the intermediary retains control over the most valuable functions. Consistent with earlier observations on the Vietnamese garment industry (Nadvi et al., 2004; Goto et al., 2011), this position allows firms to survive and to achieve limited process upgrading, but locks them into a low-value equilibrium. From a transaction cost perspective, the low asset specificity of CMT work reduces hold-up risk for the subcontractor, yet it also means that the subcontractor is easily substitutable, which explains its weak bargaining power and its role as a shock absorber for demand fluctuations.

Traditional-brand subcontracting appears to be the most favourable configuration for long-term upgrading, consistent with the argument of Humphrey and Schmitz (2002) that demanding buyers can be powerful agents of learning. Nevertheless, the high compliance costs, working capital requirements and exposure to buyer power mean that this pathway is realistically accessible mainly to firms that have already reached a certain scale and organisational maturity. The COVID-19 experience shows that relational governance does not eliminate opportunistic behaviour by powerful buyers, and that suppliers must manage credit and cancellation risks through contractual safeguards, trade finance instruments and customer diversification. The growing emphasis on traceability, chemical management and carbon reduction will further raise the threshold, but it will also reward early movers that invest in these capabilities, as such investments constitute valuable, rare and difficult-to-imitate resources in the sense of Barney (1991).

The fast and ultra-fast fashion model raises the most complex questions. On the one hand, it aligns with the literature on quick response and agile supply chains (Christopher et al., 2004; Cachon & Swinney, 2011): suppliers able to operate small-batch, quick-changeover production and to integrate digitally with buyers can capture a speed premium and gain new capabilities. On the other hand, the supply-side conditions in Vietnam differ markedly from those of the Guangzhou clusters that underpin Shein's model, where fabric markets, trim suppliers, printing and washing facilities are concentrated within a few kilometres. The weakness of Vietnam's upstream segments (yarn, fabric, dyeing and finishing) therefore constitutes a structural barrier to competing on speed. Moreover, the risks documented in relation to labour conditions and environmental impact (Public Eye, 2021; Niinimäki et al., 2020) suggest that suppliers entering this segment without robust management systems may face severe compliance and reputational consequences. The algorithmic, data-driven governance exercised by digital platforms can be interpreted as a new variant of modular governance, in which coordination is achieved through information systems rather than through personal relationships, while power remains strongly concentrated in the hands of the platform.

A central implication is that the choice among the three models should not be viewed as mutually exclusive. A portfolio approach, in which firms combine customer segments, appears more resilient. For example, an SME could rely on FDI subcontracting or traditional-brand orders to secure base load capacity, while dedicating a flexible line to small-batch, quick-response orders that develop digital and agile capabilities. Such a portfolio diversifies demand risk, smooths capacity utilisation and supports learning. However, it requires management systems capable of handling

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heterogeneous production processes and compliance standards simultaneously, and it must be managed carefully to avoid reputational conflicts between customer segments.

Several managerial and policy implications follow. For firms, priority should be given to (i) strengthening process capabilities, including industrial engineering, lean manufacturing and quick changeover; (ii) investing progressively in compliance, traceability and environmental management systems that open access to demanding buyers; (iii) digitalising production planning and enterprise resource planning (ERP) to enable integration with buyers' systems; and (iv) developing product development and sampling capabilities as a stepping stone towards FOB and ODM. For policymakers and industry associations, the findings underline the importance of developing domestic upstream capacity in fabric production, dyeing and finishing, both to meet the rules of origin of the CPTPP and EVFTA and to shorten lead times; establishing raw material and accessories centres to support quick-response production; facilitating access to trade finance for SMEs; and providing guidance and training on sustainability and due diligence requirements of major export markets.

This study has several limitations. First, it relies on secondary data and documentary analysis rather than on primary firm-level data, and the comparative scores represent an analytical synthesis that may be influenced by researcher judgement. Second, the ultra-fast fashion segment is evolving rapidly, and publicly available information on its sourcing practices in Vietnam is limited and partly derived from grey literature. Third, the analysis treats each model as an ideal type, whereas in practice firms often combine several modes and customers. Future research should test the proposed framework through surveys and case studies of Vietnamese garment enterprises, apply quantitative methods such as the analytic hierarchy process (AHP) or structural equation modelling to weight the criteria, and examine the performance outcomes of portfolio-based customer strategies over time.

CONCLUSION

This paper has compared three garment subcontracting models available to Vietnamese enterprises: subcontracting for FDI manufacturers, for traditional fashion brands, and for fast and ultra-fast fashion buyers such as Shein. Using a qualitative comparative design and a framework of eight criteria grounded in GVC governance theory, transaction cost economics and the resource-based view, the study finds that each model embodies a distinct trade-off between stability, value capture, risk and upgrading opportunities. FDI subcontracting offers low risk and low entry barriers but traps firms in low-value CMT activities with weak bargaining power. Traditional-brand subcontracting provides the strongest basis for long-term upgrading but requires significant investments in scale, compliance and working capital. Fast and ultra-fast fashion subcontracting opens new, fast-growing opportunities and stimulates digital and agile capabilities, but it imposes extreme demands on flexibility and speed, entails uncertain demand, and carries labour, environmental and reputational risks that Vietnamese firms are currently not well positioned to manage given their dependence on imported fabrics.

The study recommends that Vietnamese garment SMEs adopt a deliberate, portfolio-based customer strategy aligned with their capabilities and upgrading objectives, and that policymakers prioritise the development of upstream supporting industries, SME access to finance and capacity building in sustainability compliance. These measures would enable the industry to move beyond its reliance on low-value subcontracting and to participate in global apparel value chains on more equitable and sustainable terms.

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CONFLICT OF INTEREST

The authors declare no conflict of interest.

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