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Novel actors in the apparel industry Modelling intermediaries in global supply networks

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Why this issue?

Large clothing companies with purchase departments in China, still sources part of their Chinese supplies from intermediaries.

Why?

Purpose: As a first step in understanding why this is the case I want to describe the functions (activities) performed by intermediaries in these supply networks



Literature

Supply chain literature offers little attention to intermediation / intermediaries

Channel research, network studies, studies of ITI's* and specialized studies of clothing industry offer diverse conceptualizations of the intermediary's function

*ITI: International Trade Intermediary

Giannakis & Croom (2004), Quintens, Matthysens & Faes (2005) Webster (2002)



Theorizing across domains demands caution

Assumptions about markets differ

- **Network approach** : Interdependence, interaction, influence
- **Channel research**: Independence, control, management

By focusing on activities the incompatibilities can be handled



The intermediary – a tricky concept

Macro level of analysis (theorizing networks)

Due to interdependence intermediation is an aspect of all actors

Meso level of analysis (empirical data on net of actors)

Certain actors can be distinguished by the other actors in the net as intermediaries, who are contributing by specific contextualized activities in the supply network

Gadde, Ford (2008), Havila (1996)



Channel research – two categorizations

Activities / functions

- Information
- Logistics
- Risk

Role

- Wholesaler (take+negotiate title)
- Agent (negotiate title)
- Intermediary (facilitating services)

Allan, Santemero (2001), Balderston (1958), Brousseau (2002), Bucklin (1965), Alderson, Martin (1965), Mallen (1976)



Intermediaries as cost-economizers

- Intermediaries are legitimized by their capacity for cost-economizing
- Cost-economizing results from economies of scope and scale
- Economies of scale demands bundling of activities

An intermediary plays a specific role and performs a predefined set of bundled activities

Leads to fixation of the concept

Brousseau (2002), Gattorna (1978), Spulber 1996, Sen, King (2003)



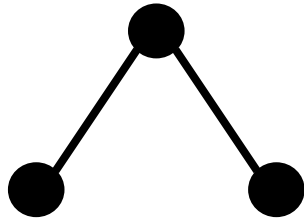
Intermediaries as serviceproviders

- Legitimized by the services they offer which contribute to the value generation of other firms
- Resulting from the integration and coordination between actors
- Related to the execution of mediation functions

An intermediary plays a specific role and performs a contextualized set of activities - unbundling

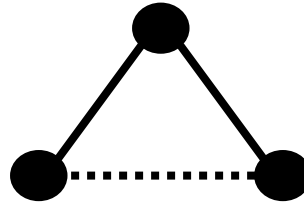


Structural aspect of intermediation



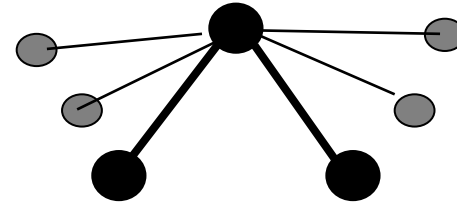
RELATING

Coordination between two other parties



JOINING

Initiation of contacts between two other parties



INSULATION

Reduces number of relationships - Economize on costs or brokerage

THE STRUCTURE OFFERS A CONTEXT,
Exchange effectiveness depends on how the intermediary performs his activities



ITI's*: Intermediation conceptualized as overcoming distance and risk-taking

Cost in exchange between culturally distant or unfamiliar markets are perceived as greater than in domestic markets

Global trade is associated with economic, political and institutional risk

ITI's overcome cultural and geographical distance and take the risk

Anderson, Coughlan (1987), Ellis (2010), Quintens et al. (2005)



Studies of the clothing industry: The integrated service provider

Act as supply chain managers

- Are acting between domestic customers and foreign suppliers
- Facilitate import transactions
- Handles functional interdependences between textile supply, manufacture, retail
- Operate smokeless factories purchase of fabrics, manufacturing, design

Demands combined

- supplier management
- business proces and
- customer –focused capabilities



Studies of the clothing industry: The import intermediary

Success factors

- Know the market: Immediacy / interpretation of trends
- Operate the double perspective of being both seller and buyer: relationship management practice
- Take full initiative: convert market uncertainties to opportunities

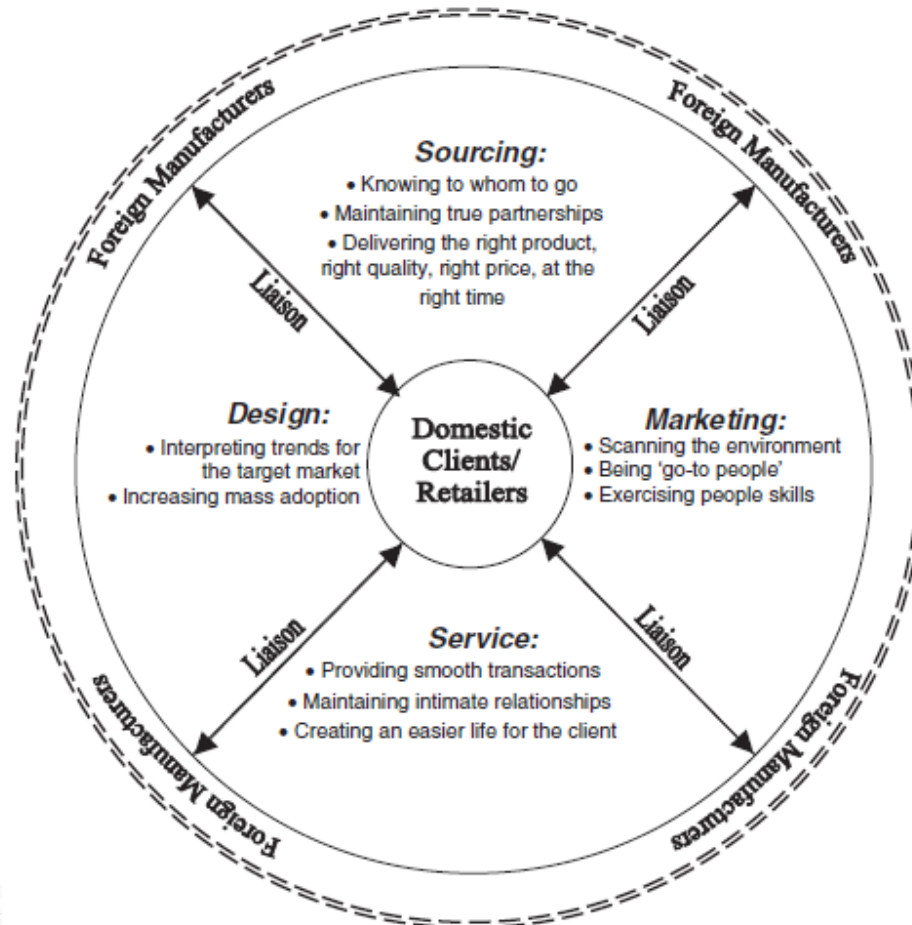
Activities

- Design: Interpreting trends
- Marketing: Active environmental scanning
- Sourcing: Supplier selection and partnership maintenance
- Service: Facilitating client intermediary interface – alleviating stress for clients



Studies of the clothing industry: The import intermediary

Proposed Conceptual Model of Apparel Import Intermediaries' Functions



Insights from studies of import intermediaries

- Acting not for but between others: a network perspective
 - Three actors involved - expansion from dyadic level to meso-level of analyses
- Integration of sourcing and marketing services
 - The double aspect compatible with an IMP network perspective
- Interpretation of trends –addition of utility of form
 - To be added to utility of place, time and possession

But, risk and structural aspect are not explicated in the model



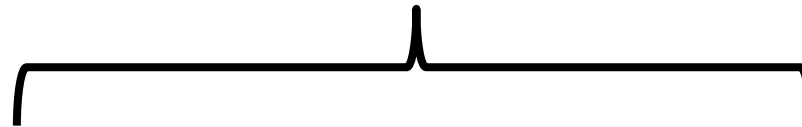
Intermediaries in global supply networks

A descriptive model

The customer's strategic need for
Flexibility and immediacy versus
stability and low price



The configuration of the
intermediary's function



The configuration depends on the customers specific needs for
Flexibility / immediacy - versus – stability / low price

Mediation

- Joining
- Relating
- Insulating

Activities

- Marketing
- Sourcing
- Service
- Design

Risk

- Economic
- Political /institutional
 - Cultural and geographic distance