
**The Configuration of the Outbound Supply Chain for the International Growth of Italian Fashion Companies**  
 EUrOMA Conference 2011 – July 5<sup>th</sup> - Cambridge  
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## Agenda

- Introduction
- Research framework and research questions
- Research methodology
- Results and discussion
- Conclusions and future development

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## Introduction

- **The fashion industry** has attracted the attention of the researchers in the area of supply chain management (Christopher et al. 2004; Bruce et al., 2004)
- **Internationalization** of fashion supply chains:
  - Globalization of fashion industry (Ganesan et al. 2009; Sandhya and Giriia 2009; Goldman, 2001)
  - Stronger importance of emerging countries due to the current economic crisis (Gereffi and Frederick, 2010)
  - Consumers in emerging markets are becoming smarter and more aware of their needs (Schaefer and Van Tine, 2010)
- Growing importance of the **outbound supply chain** (Moore and Fernie 2004; Etgar and Rachman-Moore 2008; Dimitrakou 2007)
  - Highly variegated configuration (Moore et al., 2000)
  - Different configurations in different countries (Sen, 2008; Abecassis-Moedas, 2006)

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## Research framework and research questions

The diagram illustrates the research framework. It features three main boxes: 'COUNTRY CHARACTERISTICS' on the left, 'CONTINGENT VARIABLES' at the top, and 'CONFIGURATION OF THE OUTBOUND SUPPLY CHAIN' at the bottom. An arrow labeled 'RQ2' points from 'COUNTRY CHARACTERISTICS' to 'CONFIGURATION OF THE OUTBOUND SUPPLY CHAIN'. Another arrow labeled 'RQ1' points from 'CONTINGENT VARIABLES' to 'CONFIGURATION OF THE OUTBOUND SUPPLY CHAIN'. The 'CONFIGURATION OF THE OUTBOUND SUPPLY CHAIN' box is also associated with 'RQ1: Which configuration of the outbound supply chain should a company adopt in relation to firm and market characteristics?'.

**RQ2: Which configuration of the outbound supply chain should a company adopt in relation to the characteristics of the foreign country?**

**RQ1: Which configuration of the outbound supply chain should a company adopt in relation to firm and market characteristics?**

**COUNTRY CHARACTERISTICS**

- Institutional context (Gereffi and Frederick 2010; Sandberg 2010)
- Cultural context (Guercini and Runfola 2010; Bianchi and Ostale 2006)


**CONTINGENT VARIABLES**


- Firm-specific (Doherty 2007; Masson et al. 2007)
- Market-specific (Hernandez- Espallardo et al. 2010)

**CONFIGURATION OF THE OUTBOUND SUPPLY CHAIN**

- Vertical chain (Abecassis-Moedas, 2006; Sen, 2008)
- Brand Manager (Gereffi and Frederick, 2010; Abecassis-Moedas, 2006)
- Intermediaries (Palpacuer et al., 2005; Lane and Probert, 2009)
- Specialty retailer (Castelli and Brun, 2010; Sen, 2008)
- Mass merchant (Abecassis-Moedas, 2007; Moore et al., 2000)


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 <b>Research methodology</b> Case studies				
<ul style="list-style-type: none"> <li>➤ Heterogeneous sample for size and product positioning</li> <li>➤ Homogeneous sample for country of origin (Italy) and type of product (fashion)</li> <li>➤ Retail managers and supply chain managers have been interviewed</li> </ul>				
Company	Product	Employees	Turnover	Countries analyzed
A	Handbags and accessories	290	55 million €	Japan; Russia; China; South America; Middle-East; India
B	Handbags and accessories	74	70 million €	Japan; Middle-East; China; South America
C	Clothes	220	17 million €	Japan; China; South America; East Europe
D	Clothes	12.000	939 million €	Russia; East Europe; China; South America; Middle East
E	Clothes	35	11 million €	East Europe; Russia; Middle-East; China
F	Clothes and accessories	3.828	1.266 million €	USA; Japan; Russia; China; South America; India
G	Clothes and accessories	5.208	2.228 million €	USA; Japan; China; Middle-East
H	Clothes for children	70	31 million €	USA; Japan; Russia; South America; China; Middle-East
I	Sportswear	260	100 million €	USA; Japan; Russia
L	Sportswear	70	20 million €	Russia
M	Sportswear	50	17 million €	Russia; East Europe; Middle- East

 <b>Results and discussion</b> Research question 1 (1/2)		
<ul style="list-style-type: none"> <li>➤ Companies have an <b>overall distribution strategy</b> that try to follow in each country                             <ul style="list-style-type: none"> <li>➤ The distribution strategy determines the type of vertical chain or brand manager adopted</li> <li>➤ Distribution strategy used in the country of origin</li> </ul> </li> <li>➤ <b>Firm's characteristics influence:</b> <ul style="list-style-type: none"> <li>➤ Company's preferred choice on terms of intermediaries, specialty retailers, and mass merchant</li> <li>➤ The countries where the company operates</li> </ul> </li> </ul>		
Type of variable	Variable	Influenced element of the configuration
Firm-specific	Size	<ul style="list-style-type: none"> <li>• Intermediaries</li> <li>• Specialty retailers</li> <li>• Mass merchant</li> </ul>
	Age	
	Risk approach	
Market-specific	Product positioning	<ul style="list-style-type: none"> <li>• Vertical chain</li> <li>• Brand manager</li> <li>• Intermediaries (mainly third-party logistics)</li> <li>• Specialty retailers</li> </ul>
Firm-specific	Distinctive competences	
Market-specific	Newness of the country for the company	

Results and discussion Research question 1 (2/2)		
GROUP	VARIABLES	SOLUTIONS
<b>PRUDENT COMPANIES</b> • E • L • M • ...	<ul style="list-style-type: none"> <li>• Small companies</li> <li>• Risk adverse</li> <li>• Low age of internationalization</li> <li>• Strong focus on distinctive competences</li> </ul>	<ul style="list-style-type: none"> <li>• Strong intermediaries</li> <li>• Clothing independent multi-brand and clothing multiple in franchising</li> <li>• Countries where these solutions could be used</li> </ul>
<b>EVOLVING COMPANIES</b> • A • C • B • ....	<ul style="list-style-type: none"> <li>• Medium companies</li> <li>• Large companies risk adverse</li> <li>• Medium age of internationalization</li> <li>• Growing brand</li> </ul>	<ul style="list-style-type: none"> <li>• Variegated outbound supply chain</li> <li>• Different solutions in different countries</li> <li>• Combined solutions in the same country</li> </ul>
<b>ESTABLISHED COMPANIES</b> • G • F • H • ....	<ul style="list-style-type: none"> <li>• Big companies</li> <li>• High age of internationalization</li> <li>• Distinctive competences: high control on the whole chain</li> <li>• Strong brand</li> <li>• (Often) luxury companies</li> </ul>	<ul style="list-style-type: none"> <li>• Subsidiaries as intermediaries</li> <li>• Flagship stores and department stores</li> <li>• Worldwide</li> </ul>

Results and discussion Research question 2		
<b>Country</b> South America East Europe	<p style="text-align: center;"><b>INSTITUTIONAL ATTENTION</b></p>	<p style="text-align: center;"><b>INSTITUTIONAL ATTENTION</b></p> Band D do not operate in those countries In Brazil C uses agents as intermediaries; the least expensive solutions as retailers
<b>Country</b> USA Middle-East	<p style="text-align: center;"><b>CULTURAL ATTENTION</b></p>	<p style="text-align: center;"><b>CULTURAL ATTENTION</b></p> Department stores and flagship store in USA; subsidiaries for biggest companies as G Department stores in touristic location and clothing multiple in franchising; agent as intermediaries (es: H) in Middle-East
<b>Country</b> Russia, China India, Japan	<p style="text-align: center;"><b>FULL ATTENTION</b></p>	<p style="text-align: center;"><b>FULL ATTENTION</b></p> In Japan very strong intermediaries for institutional regulation + cultural attention towards long-term relationships. Retailers selection based on the availability in the country (institutional context) + the adoption of the solution more in line with customer purchasing approach (es. B)

 **Conclusions and future developments**

- The paper has identified the configuration of the outbound supply chain to adopt in relation to:
  - Different characteristics of the firm and of the markets (three main behaviors determine configuration and country selection)
  - Different characteristics of the foreign country (prevalence of cultural or institutional constraints)
- Contributions and implications:
  - Contribution for **managers**, being the adoption of wrong configuration one of the main causes of internationalization failures
  - Contribution for **research**, being the theme more studied about the enter market strategy, without analyzing the process inside the market
- **Future developments:**
  - Analyzing the **managerial practices** to manage each configuration
  - Test the identified configuration through a **statistical sample** of analysis

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 EUROMA European Operations Management Association

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