AT THE CUTTING EDGE?
UK CLOTHING RETAILERS' GLOBAL SOURCING PATTERNS AND PRACTICES AND THEIR IMPLICATIONS FOR DEVELOPING COUNTRIES

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Abstract: *This paper examines the implications for developing country producers of changes in UK retailers' global sourcing practices. It examines to what extent UK retailers have adopted the 'lean retailing' paradigm, with its implications of a shift of sourcing 'nearer to home'. On the basis of a detailed examination of unpublished UK import data and interviews with leading retailers it concludes that, although the paradigm has considerable influence in the UK, sourcing patterns especially of leading retailers remain heavily price-based and for this reason heavily focused on developing countries. On the other hand, UK retailers report escalated qualifying criteria for suppliers in line with the new paradigm, implying that only the most resourceful developing country enterprises will find a place in UK retailers' global sourcing networks.*

1. BACKGROUND

(a) Introduction

The clothing industry has been long seen as a stepping-stone to industrialization. This was the experience in 19th century Europe, and it was repeated in parts of East Asia as recently as the 1970s. A reason why the industry could play this role was because of its low entry barriers, particularly with regard to capital requirements. From the standpoint of developing countries today, a key question is whether this role can be repeated: is the clothing industry still characterized by low entry barriers, and can its successful growth still serve as a means of domestic capital accumulation?

The broader context has certainly changed, not only since the 19th century but also since the 1970s. International trade liberalization has meant that domestic markets are now encompassed by global ones. On the one hand, producing countries find it harder to shelter domestic infant industries from international competition (not to mention dumping), while on the other there are wider export opportunities available for successful developing country clothing enterprises. Taken together, these conditions mean that for developing country clothing manufacturers to succeed, they have to be globally competitive.

The preconditions for 'global competitiveness' cannot be specified in the abstract, either for enterprises in general or even for developing country clothing manufacturing enterprises in general. They are market-specific, in the sense that despite the fact that most markets are becoming increasingly global, they are also subject to different processes of internal segmentation and different forms of international regulation. The global clothing market is a case in point, with its deep segmentation between US-, EU- and Japanese end-markets and its complex patchwork of international trade agreements (the Multifibre Arrangement and its successor, as well as NAFTA and AGOA, the Lomé Convention, and the EU's Customs Union with Turkey, its preferential trade

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arrangements (PTAs) with most Central and Eastern European (CEE) and North African countries, its Free Trade Agreement with South Africa, etc.).

The question of specifying the preconditions for the 'global competitiveness' of developing country clothing manufacturers therefore needs to be narrowed down to questions such as the preconditions for successful participation in the EU market. Yet even this question is difficult to answer directly. The EU market for clothing is itself internally segmented between member countries, since their consumption trends and retail structures differ greatly. The issue therefore needs to be approached in a disaggregated way, by looking at a cross-section of EU markets and the ways in which they are developing. This implies an examination of different 'national' patterns of sourcing and the paradigms governing them. As will become clear, of particular importance is the question of the extent to which the 'lean retailing' paradigm has been adopted, with its implications of a radical shift to supply networks 'nearer to home'.

This paper examines how global sourcing for clothing currently operates in relation to a major EU country, namely the UK[1], and with what consequences for actual and potential developing country suppliers. It does so on two main bases. The first is unpublished UK import data on clothing, which has been examined for 1985, 1988, 1990, 1995 and 2000. This is analysed in terms of shares of imports of specific countries and groups of countries for these years, cross-referenced by type of clothing item from 1988 onwards[2]. This data gives a detailed picture of trends in the geography of UK retailers' global sourcing operations. The second is interviews with a cross-section (by market sub-segment) of 10 leading UK clothing retailers, carried out in May-July 2001. These interviews further explored the geography of leading retailers' patterns of global sourcing, while also covering their sourcing strategies and practices – that is, how and according to what principles their sourcing operations were organized, which types of suppliers they sourced from, and how they managed their supply base.

The paper falls into four main sections. In the remainder of this Background section, there is a discussion of the recent literature on changing patterns of global sourcing for clothing and their implications for developing countries and a brief outline of the UK clothing retail sector. The second section presents and discusses UK import data. The third describes the findings of the retailer survey, and the fourth presents some general conclusions.

(b) The recent literature on global sourcing for clothing

Three partly overlapping and partly alternative approaches to understanding the implications for developing countries of current global sourcing patterns for clothing can be identified. The first is that provided by Global Commodity Chain (GCC) analysis, represented most clearly in the work of Gary Gereffi (1994, 1999). In this approach, clothing is seen as a sector characterized by a concentration of profits and control in the functions of marketing/distribution and retailing, and by production which is globally out-sourced on the basis of 'buyer-driven' networks of independent manufacturers, located mainly in developing countries. Global out-sourcing was initiated in the 1970s by independent US importing agents, and was adopted subsequently by US retailers and branders. Originally, out-sourcing was simply of cut-and-sew work to manufacturers in Hong Kong, Taiwan and Korea. Later, and partly to circumvent mounting quota restrictions, manufacturers in these countries elaborated their own networks of producers, distributed across Thailand, Malaysia, Indonesia the Philippines and even Mauritius. Subsequently they spread also to China, Vietnam, Cambodia and Laos. Meanwhile, US retailers were devolving an increasing range of service functions to their Hong Kong, Taiwanese and Korean contractors, including sourcing of cloth and fabric and product development.

Gereffi further identified substantially different sourcing patterns for retailers in the US upper market-segment (production by flexible enterprises based mainly in developed countries) and for branded marketers of basic clothing (Sara Lee, Phillips-Van Heusen, Levi Strauss & Co.), many of whom had own-owned factories in the US. The latter were sourcing heavily from the Caribbean Basin on the basis of special tariff arrangements, both from new own-owned or joint venture assembly plants and from locally owned cut-make-and-trim sub-contractors ('CMTers').

Two main developments in this pattern have occurred since the mid-1990s. The first concerns US branded manufacturers of basics who, since the inauguration of NAFTA, have delocalized production from the US more radically than before - and who have done so increasingly on the basis of contracting full manufacture (or 'FOB[3]') rather than CMT. The second has been a corresponding pronounced shift in the geography of US sourcing, from the Far East to Mexico and the Caribbean[4]. This has been a consequence of retailers' and branders' giving increasing priority to shorter lead times (see below).

A recent contribution by Mortimer, Lall & Romijn (2000) concurs with Gereffi on the changing geography of US global sourcing and states that there has been a broadly similar trend centred on the EU, where imports from North Africa and CEE have grown rapidly[5]. However, it goes onto argue that in both the US and EU cases, the sourcing concerned is for basic clothing and predominantly of a CMT kind, led by the increasingly important category of EU discount retailers. This rests on taking advantage of a combination of cheap labour costs and concessional tariff levels. The authors go onto argue that the concentration by new clothing exporters on CMTing of basics traps them in a development cul-de-sac. This is reinforced by the fact that most out-sourcing has been to foreign-owned assembly plants and that local ownership in the industry is negligible. Since, in the authors' view, the PTAs concerned are going to be short-lived, 'time is…running out fast for…producers that remain in mass-produced price-sensitive garments with low skill requirements…(only those who) 'move away …to higher quality and design-intensive products' (p.116) will enjoy long-term competitiveness.

The empirical basis of at least part of this argument is called into question by Mersch's detailed (1997) work on the clothing trade between the EU and CEE/North Africa. This indicates that, while in the mid-1990s CMT work under PTAs (more usually known as 'Outward Processing Trade' (OPT) work) accounted for 70-80% of these countries' total clothing exports to the EU, the OPT trade itself accounted for only a small fraction of all EU clothing imports and that – except in the case of Tunisia - a large majority of OPT exports were by locally-owned assemblers. Furthermore, the main types of clothing involved were not basics but engineered or tailored garments using high value fabrics[6]. In other words, there were more similarities than differences between the US cut-and-sew outsourcing to the Far East in the 1970s, led on the retail side by companies like Liz Claiborne, and the EU trade with CEE and North Africa. Consequently, there were no grounds to view it entirely as a cul-de-sac.

Abernathy et al (1999) provide the basis for an alternative interpretation of the shift to sourcing 'nearer to home', noted in all these contributions. According to them, wage-cost considerations have little to do with it and concessionary tariff levels are of secondary importance. Rather, the shift arises mainly from lead-time considerations – which are in turn explained in terms of the rise of 'lean retailing'. During the early 1990s the latter trend became US retailers' paradigmatic response to the problems of over-investment in retail space, product proliferation[7], sharply intensified price competition and resulting reductions in margins. 'Lean retailing' attempts to minimize the costs associated with holding inventory, with forced markdowns to clear unsold goods, and with 'stock-outs'[8]. It does so partly on the basis of using more accurate sales forecasts, itself made possible by the adoption of electronic sales registers and bar-coding.

On the basis of linking sales-point data to wider systems for electronic data interchange (EDI), leading US apparel retailers have been able to shift to inventory control methods based on lower and later initial orders, more selective later replenishments and more frequent introduction of new items – provided that suppliers also adopt the appropriate technology and accept responsibility for inventory management. This in turn paves the way for retailers to replace their warehouses by distribution centres (DCs) where goods are moved on without being stored, and for suppliers to be asked to accept responsibility for highly detailed bar-coding, preparation of goods to floor-ready standards and to conform to new standards regarding shipping.

Although this is not much explored by Abernathy et al (op. cit.), 'lean retailing' has obvious implications for supplier entry barriers. The investment costs of conformity with new EDI standards are considerable, but even more so are the additional working capital costs required by supplier managed inventory. Furthermore, there are new geographical constraints on production locations, in terms both of distance from DCs and predictability of times of arrival at DCs.

According to the authors, 'lean retailing' in clothing has applied most to basics, since these present the best opportunities for forecasting demand (p.51). Hence, it is claimed that it is not garments with the highest fashion content which are now typically produced 'near to home', but basics. Within this category however, those likely to be produced most near to home are ones for which demand is least predictable and therefore for which the greatest production/stockholding flexibility is required. This means more differentiated basics, as well as certain sizes or colours for undifferentiated ones.

It is clear that Abernathy et al's analysis is more consistent with what is known about current US retailer business paradigms, and with the changing geography of US global sourcing, than any of the alternatives. It is also the case that 'lean retailing' has achieved a paradigmatic status as a doctrine in the EU, at least in business schools, consultancy firms and the financial press and markets. Over the last five years, for example, discussion of clothing retailer performance in the British financial press has been preoccupied by the relation between retailers' sales growth and inventory growth. The optimal relationship between these is held to be one where sales are growing faster than inventory. Conversely, signs that sales are falling while inventory is rising are greeted by declining investor confidence and thus trigger higher borrowing costs. The favour enjoyed by Zara/Inditex in the financial press and markets, on the basis of having stock-turns 20 days faster than its main competitors[9] is salutary in this respect, especially when compared with the fate of the UK's leading retailer Marks & Spencer (M&S). Until the end of 2001 the latter was very heavily criticized for its poor inventory management performance, with implications for its share price. The extent to which the 'lean retailing' model has been adopted by other leading UK retailers, and in combination with which other paradigms, remains an open question.

(c) *The UK clothing retail sector*

The size of the UK clothing retail market in 2000 was somewhere between £30-33bn. (ca. US$ 50bn.)[10]. Market growth averaged around 3%/year in real terms between 1991 and 1997, but slowed subsequently to average around 2%/year (ECRH, 2001). The market exhibits a high degree of polarisation between women's wear and men's wear. The women's wear market is considerably bigger than the men's wear one and has been growing faster. The fastest growing market however is for children's wear.

The sector has two relatively unique features. Firstly, while not as concentrated as other British retail sectors such as food, its level of concentration is still high by international standards. The top five retailers accounted for around 32% of sales in 2000, while the top 10 accounted for around 42%. Secondly, unlike in many other EU countries, the sector is relatively specialised. Specialist chains account over three-quarters of all sales, and there is a relatively sharp distinction between clothing retailers and manufacturers. While a number of Britain's remaining large clothing manufacturers have their own brands and even (small) retail chains, none of the top 20 clothing retailers any longer have significant manufacturing interests.

The sector is dominated by specialist mid-market chains, who together account for well over half of all sales. Four of the top six UK clothing retailers by sales (see Table 1) fall into this category. Nonetheless, it has been mid-market chains that have been most under pressure in recent years, both because this segment of the market has been expanding slowest, and because of competition from new sources. The first of these is foreign mid-market chains such as H&M, Gap and Zara, who have expanded their presence. The second is the results of quality improvements in the offerings of a new generation of UK discounters, as well as of those of two very large supermarket chains (see below).

Together with a shift to more prestigious retail locations by some discounters, improved quality seems to have de-stigmatized discount shopping for the middle-income groups who were the mainstay of the mid-market. At the other end of the scale, mid-market specialist chains have also been losing business to the revived Department Store segment, following (some of) the latter's repackaging as assemblies of branded concessions.

Table 1 Clothing sales of leading 20 UK-based retailers/branders by rank order, ca. 2001

Company	Segment	Date	Sales (£bn.)	Notes
M&S	mid-market chain	2001	4.68e	calculated as 58% of turnover
Arcadia	mid-market chains	2001	1.89	
Next	mid-market chain	2001	1.59	
Debenhams	department store	2001	1.03	calculated as 64% of turnover
GUS	mail order (agency)	2000	0.96e	calculated as 60% of UK Home Shopping and 70% of Argos Additions sales
BhS	lower mid-market	2000	0.82	private company since 2000, no recent sales data published
Littlewoods	mail order (agency)	2001	0.70e	guestimate
JJB Sports	sportswear	2000	0.66	includes shoe sales; 60% of turnover accounted for by sales of Adidas, Reebok and Nike brands
Asda (George)	supermarket	2001	0.60	
Tesco	supermarket	2001	0.60e	guestimate
House of Frazer	department store	2001	0.60e	calculated as 70% of turnover
Matalan	discounter	2001	0.59	
Primark	discounter	2001	0.52	
John Lewis	department store	2001	0.50e	calculated as 25% of turnover
New Look	discounter	2001	0.47	
Burberry	brand	2001	0.43	includes ca. 60% overseas sales
N Brown	mail order (direct)	2001	0.40	
Mothercare	mid-market chain (children's wear)	2001	0.38e	calculated as 75% of turnover
Alexon	mid-market chains	2000	0.34	includes some shoe chains
River Island	mid-market chain	1999	0.29	private company, no recent sales figures published

NB. e: estimate
Sources: Company (Parent Company) Annual Reports

Some UK mid-market specialist retailers, exemplified by Next, have responded to these developments by attempting to make clearer 'fashion statements' in their offerings. Others have made relatively large reductions in price and aligned their image closer to that of discounters, as in the case of BhS. The problems of the segment as a whole have come under sharp focus as a result of the problems of two very large chains, which are generally regarded as having failed to move decisively in either of these directions. The Dutch-owned C&A chain - amongst the top 10 UK clothing retailers in 1999 - withdrew from the market completely in 2000, while the number one UK specialist clothing retailer, M&S, has suffered from plummeting sales and profits as well as from ever more adverse press commentary. A third response has been rationalization, exemplified by the recent merger of the Arcadia and Sears businesses and resulting in very high levels of concentration in this segment.

The next largest segment remains, somewhat surprisingly, the mail order one with a market share of 13-14%. Sales from this segment were rising again in the late 1990s, after earlier falls and widespread predictions of demise. This segment is dominated by the very highly concentrated agency business, catering primarily to those without access to bank credit. There are only five players in the agency segment, of which the leading two, GUS and Littlewoods (which also has clothing stores) are British-owned. Recent growth in the segment has come mainly from direct mail businesses, the most important of which is N Brown. Some specialized mail order companies have adopted the strategy of expanding into complementary businesses, such as credit checking and logistics, although they have also been deflating their prices for clothing, which were traditionally 10-15% above those for comparable products sold on the high street.

As noted, discounters and supermarkets have been fast eroding the market share of mid-market specialist chains. According to Verdict (2000) specialist clothing discounters have a combined market share of 8.4%. Leading discounters like Matalan, Primark, Peacock's and New Look have followed extremely aggressive pricing strategies, selling at 30-50% below customary mid-market prices, but without a corresponding deficit in quality or service. Their main competitors are found amongst supermarkets. British supermarkets traditionally had very limited clothing offerings (mainly children's wear), but over the last decade two in particular, Asda (owned by Wal-Mart since 2000) and Tesco, have expanded their ranges and sales dramatically.

UK branded clothing was traditionally dominated by luxury classic men's wear brands such as Daks, Simpson's, Asquascutum and Burberry. The first three of these have passed into foreign ownership, but Burberry (owned in 2001 by GUS) successfully re-invented itself as a women's fashionwear brand with broad appeal, and is now easily the largest UK-owned brand[11]. Other well-known British fashion brands such as French Connection/Nicole Farhi, Paul Smith and Ted Baker remain relatively small, especially in comparison with mainland European counterparts like Hugo Boss or Max Mara.

With certain notable exceptions, the UK clothing retail sector at the end of the 1990s was suffering from similar problems to those noted by Abernathy et al for the US sector a decade earlier: over-investment in retail space, product proliferation, sharpening competition and falling margins. As will be seen, an adoption of elements of the 'lean retailing' paradigm was one common response amongst larger retailers. A simultaneous response was price deflation, however. Five of the 10 companies interviewed described following policies of price cutting in their Annual Reports for 2000 and a sixth is know to have made cross-the-board cuts of 30%. The result has been that sourcing patterns and practices came to reflect an increased emphasis on price as well as on shifting closer to home, besides of course also reflecting past practices and priorities.

2. UK CLOTHING IMPORTS, 1985-2000[12]

(a) *Overall import values, penetration and geography*

Import penetration of the UK clothing market increased by almost half between 1995 and 2000. In 1995, in a retail market of around £26.5bn., c.i.f. imports worth Eu. 5.7 bn. accounted for around 46.5% of sales[13]. In 2000, in a market worth around £33.0 bn., c.i.f. imports worth Eu 12.9 bn.

accounted for around 65.2% of sales. The UK figure for 2000 is almost identical to that for the EU as a whole in 1999.

In 2000, the top 10 supplying countries to the UK accounted for 56.3% of imports and the top 20 79.1%. The geographical concentration of the UK import supply base has diminished steadily since 1985, when the top 10 countries supplied 73.1% of imports and the top 20 suppliers 88.1%. However, degrees of concentration vary considerably by item, with the lowest concentrations in products like pullovers normally produced by highly labour-intensive means.

The geography of UK clothing imports can be considered as comprising a number of concentric ‘rings’ of exporting countries, although the composition of these has changed over time. In the 1980s, importing countries could be divided into two broad categories (Inner and Outer Rings). Inner Ring countries comprised the EU member countries as of 2000 (except Greece and Portugal, which were at much lower levels of economic development than other current EU members at that time) and other developed countries. Outer Ring countries comprised Greece, Portugal and the rest of the world. During the 1990s this geography has become more complex. Greece and Portugal became part of the Inner Ring, while the rest of the world has become differentiated into three distinct groups of countries. The first of these, which might be called ‘Middle Ring A’ comprises the ‘Newly Industrialized Countries’ of East Asia (Hong Kong, Taiwan, South Korea, Singapore) which have graduated from clothing manufacture to textile (and clothing) manufacture and manufacturing services provision. The second, which might be called ‘Middle Ring B’, comprises countries on the periphery of the EU and linked to it either by membership a Customs Union, or through various kinds of PTA (Turkey, Cyprus, Israel, Northern African countries and the CEE countries). The third, which constitutes the current Outer Ring, comprises the rest of the world. A detailed classification of all countries exporting clothing to the UK is provided in Appendix I.

Table 2 Geographical distribution of UK total clothing imports by groups of importing countries (%)

	1988		1995	2000
Inner Ring	36	Inner Ring	33	28
Outer Ring	64	Middle Ring A	15	11
		Middle Ring B	15	21
		Outer Ring	38	40

Key: for explanation of categories, see text
Source: calculated from EUROSTAT

Inner Ring countries still account for more than a quarter of UK imports. This share has fallen steadily, but not drastically, since 1988 (Table 2). However, the share of Inner Ring countries in UK clothing imports is much lower than for the EU generally, where in 1998 they accounted for over 43% of the total (WTO 1999, Table IV.79)[14]. Italy and Germany have been the two leading Inner Ring sources of the UK’s imports throughout the period 1985-2000, although their combined share was halved from 20.6% (1985) to 9.5% (2000).

The most notable trend during 1995-2000 was that the loss of market share by Inner Ring countries was accompanied by proportionately larger losses by Middle Ring A ones. The main gainers were Middle Ring B countries rather than Outer Ring countries, although the latter also increased their market share. The changes described, while significant, were hardly seismic. The total magnitude of imports subject to diversion between the different rings in 1995-2000 was only around 10%.

Amongst the current ‘Middle Ring B’ countries, easily the fastest growth in UK import share has been by Turkey, which improved its position from shares of 1.4% in 1985 and 2.8% in 1988 to 7.0% in 2000, and by Morocco. The latter’s import share increased from below 1% in the 1980s to 4.3% in 2000. Romania emerged as the most important CEE exporter to the UK, with an import share of 2.9% in 2000. Compared with their role in EU clothing imports generally, Tunisia, Poland and Hungary play relatively restricted roles in the UK market.

Amongst current Outer Ring countries, the most spectacular growth in export share has been by China, from 1.2% of UK imports in 1985 and 3.2% in 1988, to 12.4% in 2000. China’s rate of import share growth nonetheless slowed down in the period 1995-2000. With the exception of Sri Lanka, this was also the case for most other current leading Outer Ring countries (India, Bangladesh and Indonesia). There are no significant differences between the UK and the rest of the EU with respect to current leading Outer Ring import sources. A fuller discussion of the export profiles of key UK importing countries is found in Appendix II.

(b) *Import structure for specific clothing categories*

Since 1988 the same six clothing categories have dominated UK imports. Between them, pullovers, men’s shirts[15], women’s blouses, men’s trousers, women’s trousers and t-shirts have continued to account for around or just over half of the total. Pullovers have been consistently the largest imported category. In 2000 women’s trousers was in second place, having doubled its share since 1988.

In 1988, using only the simple distinction between Inner and Outer Ring countries, all categories of clothing listed except men’s suits and women’s skirts were sourced predominantly from the Outer Ring. Inner Ring countries supplied 40%+ of imports for women’s suits and dresses, while Outer Ring countries supplied 80%+ of imports of men’s shirts and underwear and t-shirts.

Table 3. Distribution of UK clothing imports, 2000, by category of clothing and groups of exporting country (% market share)

Category	Leading group (%)	Second group (%)	Third group (%)	Fourth group (%)
Women’s overcoats	OR 46	IR 27	MRB 15	MRA 12
Men’s suits	IR 58	MRB 38	OR 8	MRA 0
Men’s trousers	OR 33	IR 30	MRB 27	MRA 10
Women’s trousers	OR 31	IR 27	MRB 30	MRA 12
Women’s suits	IR 66	OR 19	MRB 14	MRA 1
Women’s dresses	OR 42	MRB 25	IR 24	MRA 9
Women’s skirts	OR 38	MRB 34	IR 24	MRA 3
Men’s shirts	OR 54	IR 21	MRA 15	MRB 11
Women’s blouses	OR 39	MRB 28	IR 20	MRA 13
T-shirts	OR 45	MRB 26	IR 18	MRA 12
Pullovers	OR 47	IR 26	MRA 20	MRB 8
Men’s underwear	OR 52	MRB 22	IR 19	MRA 6
Women’s underwear	OR 47	MRB29	IR 19	MRA 4

Key: IR = Inner Ring; MRA = Middle Ring A; MRB= Middle Ring B; OR=Outer Ring
Source: calculated from EUROSTAT

In 2000, Inner Ring countries supplied more than half of all imports of men’s and women’s suits, but suffered serious losses of import share for women’s skirts. Inner Ring countries continued to supply more than 25% of imports of pullovers and women's trousers and overcoats, and more than 30% of men's trousers (Table 3; but see also supplement).

Outer Ring countries continued to account for 50%+ of imports of men's shirts and underwear and had 40%+ import market shares for t-shirts, pullovers and women's underwear, overcoats and dresses. Between 1995 and 2000 they gained significant market share from Middle Ring A countries for pullovers, but lost significant share for women's blouses to Middle Ring B ones.

The main categories of clothing for which Middle Ring B countries were important in 2000 (i.e., for which it had market shares of 30%+) were men's suits and women's blouses and skirts. Between 1995 and 2000 they also made significant gains in market share for women's trousers, skirts and blouses, and for t-shirts.

By 2000, seven of the categories considered could be regarded as 'Outer Ring-dominated' (albeit with another group of countries having a large minority share). These were men's shirts, t-shirts, pullovers, men's and women's underwear, and women's overcoats and dresses. Two categories (men's and women's suits) were dominated by Inner Ring exporters, and two others had extremely even patterns of distribution between different groups of countries (men's and women's trousers). Sourcing of women's underwear, women's dresses and t-shirts could be considered to have 'gone out' – although not necessarily 'the whole way' – since 1988. Sourcing of women's suits dramatically 'came in' (to the Inner Ring). Women's skirts, women's blouses and women's trousers simultaneously 'went out' and 'came in'.

(c) *UK import geography and 'lean retailing'*

The extent to which a 'lean retailing' paradigm has been adopted by leading UK clothing retailers will be discussed below. At this point it can be noted that UK import data only weakly supports the related notion of a 'lean retailing'-based global sourcing pattern. Total clothing import diversion between groups of producing countries was low between 1995 and 2000. The largest proportionate loss of share in UK imports between 1995 and 2000 was by Middle Ring A countries, but the largest absolute share loss was by Inner Ring ones. Middle Ring B countries made the largest proportionate gain of share, but Outer Ring countries also gained share and accounted for 40% of all imports in 2000.

A look at the categories of garment in which the respective groups of exporting countries can be considered to be specializing largely reinforces this impression. Some predominantly basic categories like underwear, t-shirts and shirts – all of which have been subjected to considerable differentiation - remained, or became even more dominated by, the Outer Ring. Inner Ring countries specialized in tailored clothing rather than basics, as to a certain extent did Middle Ring B countries. On the other hand, Middle Ring B countries also became increasingly identified with certain categories of differentiated basic clothing, such as women's skirts and trousers, which could be considered as having a high level of fashion content.

3. SOURCING STRATEGIES AND PRACTICES OF LEADING UK RETAILERS

During May-July 2001 a survey of leading UK clothing retailers' global sourcing strategies and practices was undertaken. A purposive sample of 20 leading retailers was chosen, stratified by market segment. The sample were all British-owned, or had been until very recently, and had latest reported annual sales of £50mn.or more. It should be noted that the sample was not the same as the list of companies in Table 1, although there was some overlap. In the event, interviews were obtained with 10 companies, mostly at Board level. These comprised two supermarkets, two discounters, two mail order companies, two mid-market retailers and two branders. Responses to two or three questions were obtained from two additional companies (a third mail order and a third brander) on the basis of telephone or e-mail exchanges. While these companies were on average much too large to be considered typical of the general population, findings based upon them nonetheless can be taken to validly reflect overall developments, since their aggregate market share was between 20 and 25 percent. The discussion below is based on these sources, supplemented by company Annual Reports, financial press commentary, and interviews and correspondence with consultants.

The interviews with companies covered :

- the internal organization of their sourcing operations;
- the general principles governing their sourcing strategies;
- the main kinds of suppliers they used and why; the geography of their sourcing bases;
- the pre-conditions they looked for in new supplying countries;
- the size and internal structure of their supply base;
- the services they expected from different categories of supplier;
- and how they managed their relationships with suppliers.

In addition, the companies were asked their views of the strengths and weaknesses of three supplying countries (Mauritius, South Africa, Vietnam), studies of which are being conducted on a complementary basis to the current one. These are summarized in Appendix III.

All interviews were conducted on an open-ended basis. That is, it was left to respondents to decide how to respond to questions, in order to obtain a more spontaneous account of their priorities than might have been gained by offering them a choice between pre-determined alternative answers[16]. At the same time, the fact that companies did not volunteer specific responses cannot be read automatically as indicating that they rejected corresponding courses of action. It may mean only that these were not prioritised.

(a) Internal organization of sourcing operations

How companies organized themselves to conduct sourcing varied considerably. One or two had taken decisions to minimize their direct involvement, by contracting out the greater part of their sourcing operation to UK importers of various types (see below for definitions). Most though, while using these types of agent for certain key functions over and above the traditional ones of supplier identification and importing, still also maintained a specialized sourcing function in-house. Four of the ten companies interviewed had both a specialized in-house function at company headquarters and one or more overseas buying offices.

In the large majority of cases where specialized in-house functions existed, there was a recent tendency for their upgrading in corporate status. This was evident in two main ways. In a number of cases, Directors had been appointed designated with overall responsibility for sourcing or ‘supply chain management’. Usually this had followed strategic reviews; in other cases, reviews were still in progress. These reviews were all concerned with the interface between buying, inventory management, relations with suppliers and logistics/distribution. However, where completed, most had resulted in the formation of supply chain management departments without a buying function. This was on the grounds that, rather than being handled centrally, buying decisions were better dealt with by (and/or divided up between) executives based in retail divisions/individual chains of stores. A typical outcome was thus a team working on protocols for, and technical support to, supplier assessment, selection and monitoring, as well as management of the movement of goods into and out of DCs. Nonetheless, it was clear that the buying function was also becoming more centrally monitored, and its day-to-day management linked more directly to Board-level decision-making[17].

Where companies had overseas buying offices, these had been normally first set up in the 1980s in Hong Kong. Two of the four companies concerned had opened additional offices subsequently, in India, the CEE countries and elsewhere. These offices were described as undertaking *direct* buying/sourcing operations on a regional basis (as well as fabric/cloth procurement in CEE) and employed teams of up to around 30 persons including technologists and QC specialists as well as buyers. As will be seen in a moment though, for most companies interviewed the concept of 'direct buying' was used somewhat loosely. In any event, the share of companies' total intake deriving from these offices varied very considerably, but each of the companies organized in this way planned to expand this share.

(b) *Sourcing principles*

Companies were asked to volunteer the most important objectives they were trying to prioritise, balance or trade-off in their sourcing strategies. The results appear in Table 4.

Table 4: Guiding sourcing principles

Guiding sourcing principle	Frequency mentioned	Market segment of respondent(s)
Cost	10	D (2), SM (2) MO (2) MM (2) B (2)
Lead times/flexibility	5	D (1) SM (1) MO (1) MM (1) B (1)
Availability of capacity	3	D (1) SM (2)
Service capacity	2	SM (1) MM (1)
Production expertise/proximity to appropriate fabric supply sources	2	B (2)
Ethics	1	MO (1)

Note: N respondents = 10. All respondents made more than one response.
Key: D: discounter; SM: supermarket; MO: mail order; MM: mid-market; B: brander
Source: own interviews

The over-riding importance of cost was treated as a given in the formulation of company sourcing strategies: 'it's so basic that it's almost not worth mentioning' was a common observation. This applied across all market segments. As a brander stated: 'don't think that cost is less important to us because our products command high prices. Being a brand means that you need to generate a good wholesale margin, before the retailer adds his 270%'. Because of the prevalence of price deflation policies, cost was even becoming more important.

At the same time, there were considerable differences in how companies interpreted the over-riding importance of cost. For at least two it meant buying from the cheapest source. A discounter stated that his company was 'in the value-for-money segment. We stick to the bottom', while a supermarket Director observed that 'cost works a different way for us compared to most retailers.

We have less flexibility. Most retailers price as high as they can, trade a product for as long as possible and then mark it down. We never mark down.'

However, a majority of companies were keen to differentiate themselves from what they typically described as 'cent-chasers like Matalan' and underlined that they measured buyer performance on sell-out rather than buy-in margin. While buy-in margin refers to the difference between unit buying price and unit sales price, sell-out margin refers to the difference between total sales costs and total sales revenues for a style. Directly or by implication their buy-in cost parameters were thus somewhat more flexible. On this basis, they made claims for significantly higher levels of product quality, delivery reliability and (in some cases) corporate responsibility.

Half of all respondents went onto say that cost considerations were (now) balanced or traded-off by ones concerning lead times and/or production flexibility. A majority of this group were drawn from the different mass-market segments. The companies concerned had increased the frequency with which they introduced new items and had adopted policies of more rapid replenishment for those lines selling well. The former at least was in line with a (partial) shift away from undifferentiated basics. At the same time it should be noted that a majority of this group of companies were sourcing very high proportions of clothing from the Far East, and in one case were in the process of increasing this proportion. In other words, the focus on shorter lead times, flexibility and quick response was being reflected only partly in shifts in import geography.

For three respondents, seeking high levels of capacity availability was of fundamental importance. These were not amongst the largest companies in the sample, but they were amongst the fastest growing, and were all catering to the mass market. One of them, a supermarket, was the only respondent which stated that it had a rule of thumb concerning the share of capacity which it required from individual full manufacturing suppliers (40-70%), and a second (also a supermarket) stated that the presence of another large customer would disqualify a potential supplier from consideration.

Both the branders interviewed emphasized the importance for them of specialized production abilities and/or the local/regional availability of suitable fabrics. The latter was not a lead-time issue but rather a quality one, based on an assumption that 'regional fabrics tend to be better handled by manufacturers from the same region'.

The only principles discussed here where there was a clear fit with respondents' market segment were those concerning (a highly literal) interpretation of the cost issue, capacity availability and specialized production capacities. The first two were specific to mass market retailers (although not to all members of this category), while the last was specific to branders. The presence of certain 'lean retailing' principles (or enclaves), while found mostly in companies oriented to the mass market, was neither specific to this group nor fully generalized within it.

(c) *Types of supplier*

Respondents were asked to identify the types of suppliers they used, which type of supplier they made most use of, whether any changes were occurring in this regard, and what the main advantages were for using their favoured type of supplier.

Respondents were asked to distinguish between direct overseas suppliers, UK importers and converters and (former) UK full manufacturers with overseas production capacity (trading houses). Since it became clear that respondents referred both to full manufacturers and sourcing agents based in producing countries as direct overseas suppliers, they were subsequently also asked to distinguish between these categories. For the purposes of this discussion, 'importers' refers to companies based in the UK who buy merchandise on their own account from exporting manufacturers, who hold stock at their own expense and who re-sell to UK retailers of various descriptions. Importers may also 'pre-sell' especially ordered stock to UK retailers. 'Converters' are also importers, but they finance raw materials and production by exporting manufacturers on behalf of UK retailers on a commission basis (Table 5). Pre-selling importers, converters and trading houses may all also offer design services to retailers, and all offer one degree or another of QA service.

In interpreting the results presented below, the following should be borne in mind. As indicated in the earlier discussion of retailers' internal organisation of sourcing, a number of companies had recently identified a specific 'supply chain management' function. Part of the rationale of this initiative was to reduce the number of intermediaries in the supply chain and thus to establish direct relations with suppliers. This implied companies adopting a perspective that they should be more engaged in direct sourcing and trying to devise ways of doing so.

On the other hand, in a context where shares of imports in total intakes was almost certainly increasing faster than companies' dedicated resources for direct sourcing, it seems likely that most companies should actually be becoming more rather than less dependent on intermediaries. Moreover, at least in the UK, increasing numbers of potential intermediaries were coming on-stream every day, as former UK clothing manufacturers strove to re-invent themselves as importers, converters or trading houses.

A second point to bear in mind is that, insofar as it is accurate, the picture presented below refers very much to large retailers. It seems likely to be considerably less true of smaller, 'independent' retailers, who seem likely to have been sourcing from UK manufacturers to a greater extent than larger retailers, and to have been sourcing outside the UK almost exclusively through wholesaling importers.

Table 5: Main types of supplier

Type of supplier	Frequency mentioned	Market segment of respondent(s)	Frequency mentioned as main source of supply	Market segment of respondent
Converters sourcing from UK and foreign manufacturers	6	B 2 MM 1 MO 1 SM 1 D 1	0	
UK importers	6	MM 1 MO 2 SM 2 D 1	3	MM 1* MO 1 D 1
UK trading houses	5	MM 2 D 1 MO 1 SM 1	2	MM 2*
Direct from foreign manufacturers	9	B 2, MM 1 MO 2 SM 2 D 2	4	B 1 SM 2 D 1
'Direct' from agencies based in exporting countries	9	B 3 MM 1 MO 2 SM 1 D 2	2	B 2
Own-owned/joint venture overseas factory	2	B 1 SM 1	0	

Note: N respondents = 11;
Key to respondents' market segments: see Table 4. * = mentioned by one respondent as 'equal main source'.
Source: own interviews and other communications with companies

No company used only one type of supplier, and most used at least three. All 11 companies did some sourcing via one or (more commonly) both the two 'direct' channels, although only two sourced either exclusively or near-exclusively through them. And while six named one or other 'direct' channels as their main sourcing method, five named UK importers or trading houses as being most important for them. As far as market segments were concerned, preference for direct sourcing channels was found most strongly for branders and supermarkets, while preference for indirect channels was found most in the mid-market. Product ranges carried by branders and supermarkets tend to be much narrower than in the mid-market, and hence are less resource-intensive and risky to source directly. Even so, two of the three branders interviewed were sourcing direct mainly through local agents rather than full manufacturers: 'local agents have skill sets that we lack and you get far more flexibility by using them. You don't have to think about keeping the factories busy and they've given us a huge improvement in our delivery record'.

A majority of the nine companies sourcing direct from overseas full manufacturers stated that it was their intention to increase sourcing by this method. The reasons that they gave for this varied considerably however. The most frequently mentioned was that it 'allowed additional value to be added to the supply-chain', not so much directly by cutting out an intermediary and his/her margin but by 'allowing us to directly use our big buy leverage' in order to extract additional services/concessions from suppliers that intermediaries would have been unable to extract. Furthermore, direct sourcing made it easier to 'establish a handwriting and a corporate-specific quality'. On the other hand, just as it was clear that narrow product ranges were easier to source than broader ones, so it was also regarded as obvious that men's wear was easier to source direct than women's wear, because of the latter's typically shorter run-lengths, greater complexity of construction and higher demands for design input ('there are so many headaches with women's wear that it's better to leave sourcing it to someone else').

An additional characteristic shared by companies sourcing mainly direct from overseas full manufacturers related not to market segment or product range, but to their relatively 'young' status, either as companies as such or in respect of their involvement in the clothing sector. In no case did their involvement in the sector date back to before 1980. It should be mentioned that there were also ‘younger’ companies sourcing by other methods, however.

The reasons that retailers gave for using intermediaries, whether or not they used these as their main source, all tended to turn on a mixture of the latter’s flexibility and capacity to provide additional services. Flexibility referred mainly to stock-turns: ‘direct buying gives you a higher margin but we have been looking at stock-turns more and more…you can get the fastest stock-turns when you go through UK agents who source partly outside and partly in the UK itself…’ The additional services that were usually provided by intermediaries (or at least those these retailers were working with) ranged from design, through QA (‘we do a lot of children’s wear and we’re very conscious of the safety factor. We’d have to invest a lot more in our own QC if we didn’t use them…’) to stockholding and ‘being down the road where we can get hold of them immediately’. Of these, it was stockholding that was most frequently mentioned, with its associated spin-off of carrying retailers’ working capital costs (‘this is the most obvious way that indirect sourcing can add value’).

There is no literature on UK or overseas clothing trade intermediaries, except for occasional references to large transnational sourcing companies like the Hong Kong-owned Li & Fung and the US-owned Mast Industries. Nor are UK clothing importers, converters and trading houses visible, individually or collectively, on the internet – despite the fact that probably a majority of all UK clothing imports passes through their hands. As noted above, the great bulk of the import business of independent retailers goes through them, as probably does the bulk of the women’s wear and children’s wear segments, even for larger retail chains. For example a leading children’s wear supplier to both Adams and Mothercare is the importer EMA Textiles[18]. A reason for the invisibility of trading houses and converters is that their presence is just as much offshore as it is in the UK itself, especially where ex-UK manufacturers such as Unidoor, Albion, etc. are concerned.

Provided that agents of this kind were prepared to function as stockholders, it was in fact not necessary to source from locally-owned full manufacturers located in countries ‘close to home’ in order to operate effective replenishment programmes. A highly efficient UK importer/converter/trading house with good overseas market intelligence and high levels of working capital could provide at least some of the same services to retailers while himself manufacturing or otherwise sourcing in the Outer Ring. In other ways, a form of ‘lean retailing’ was possible which was consistent with only a minor shift in sourcing geography.

Besides the adoption of the ‘lean retailing’ model, another factor making for continuing dependence on agents was the increasing presence of foreign branded clothing in the offerings of most large UK retailers. Usually this clothing could be obtained only through UK licensed agents. Some of the latter (notably the Pentland Group[19]) hold multiple licenses, and on this basis alone figured in many leading companies’ lists of top 10 suppliers.

(d) *Supply chain geography*

When replying to questions about the current geography of their supply bases (see Table 6a) companies typically used very broad categories, distinguishing only between the UK, ‘Turkey, the Mediterranean and Eastern Europe’ (lumped together as a single group) and ‘the Far East and the Indian sub-continent’ (likewise lumped together). None used the distinction employed earlier in this paper between Far Eastern NICs and other developing countries[20].

Table 6a: Reported current supply base geography

Share of intake by region	Frequency	Market segment of respondent(s)
15%+ from UK	3	D (1) SM (1) MM (1)
20%+ from EU other than UK	1	B (1)
20%+ from Turkey, Mediterranean & CEE	4	SM (1) MM (1) B (2)
60-69% from Far East & Indian s-c	1	MM (1)
70%+ from Far East & Indian s-c	6	D (2) SM (1) MO (2) B (1)

Note: N respondents = 11. Some respondents fell into more than one category.
Key: see Table 4 and text
Source: own interviews and other communications with companies.

Amongst the three companies sourcing more than 15% of their intake from the UK were two (a discounter and a supermarket) who espoused versions of the 'lean retailing' paradigm more clearly than any others in the sample. While elements of this paradigm are found in the strategies of companies across the full range of market segments, they seem to be found most frequently and in a more developed form in these segments[21]. The other company sourcing on this scale from the UK had not adopted so many of the elements of the 'lean retailing' paradigm, but included retail chains that had historical traditions of sourcing nationally, only gradually being eroded. Given that domestic production accounts for around 35% of the UK market, it was surprising not to find more of the surveyed enterprises in this category.

The supermarket just mentioned sourced another 20%+ of its intake from Turkey, the Mediterranean and CEE countries. On the other hand, if sourcing from the UK, Inner Ring and Middle Ring B countries is considered jointly as sourcing 'close to home' then it was branders who conformed most to this pattern.

A second surprise was that only one respondent reported sourcing significant shares of volume from the EU and Western Europe/North America, despite the fact that these areas accounted for 28% of all UK clothing imports in 2000 (see above). Indeed, respondents showed a generally much clearer tendency to source mainly 'far from home' than the UK import data suggests. Seven of the 11 enterprises responding to this question, spanning a cross-section of all market segments, sourced at least 60% (and, in six cases, more than 70%) of their intake from the Far East and Indian sub-continent. Within this broad category, a number of respondents referred to an increasing share of intake coming from the Indian sub-continent. Indeed, this trend was at least as pronounced as that toward sourcing 'closer to home'. As a group, the enterprises interviewed remained highly 'Third World' focussed – and much more Third World focussed than the UK clothing market generally. While 51% of all UK imports in 2000 came from Middle Ring A and Outer Ring locations, this is equivalent to only around a third of all UK clothing retail sales. The bias toward sourcing from the Far East seems likely to be associated with the fact that the respondents were almost all large or very large enterprises.

Table 6b: Main changes in supply base geography, 1996-2001

Direction of change	Frequency	Market segment of respondent(s)
Incsd. sourcing 'nearer to home'	4	D (1); MO (1); MM (1); B (1)
Incsd. sourcing 'further away'	2	D (1); B (1)
Incsd. sourcing in both directions	4	SM (2); MO (1); MM (1)
Stayed the same	2	MO (1); B (1)
Increased no. of regions/sub-regions	7	SM (2); MO (2); MM (2); B (1)
Reduced no. of regions/sub-regions	1	MO (1)
Stayed the same	4	D (2); B (2)

Note: No. respondents = 12.
Key: see Table 4
Sources: own interviews and other communication with companies

Companies were also asked whether and (if so) how the geography of their sourcing base in 2001 had been changing recently. As Table 6b shows, the most common tendency was for sourcing to encompass more regions and sub-regions than in the past. This subsumed - rather than simply corresponded to - a tendency to move 'closer to home'. While eight companies were indeed moving parts of their sourcing closer to home, half of these were at the same time sourcing from further away than in the past and a further two were mainly sourcing from further away. Typical movements in this respect were from China to Vietnam and Cambodia, India and Sri Lanka to Bangladesh, Mauritius to Madagascar and 'inner' CEE countries to the former Soviet Union. There appeared to be little association between respondents' market segment and the pattern of their movements, except that supermarkets appeared to have their highest proclivity toward changing the geography of their sourcing base, both in terms of the number of regions/sub-regions where they were present and the balance between different regions in their intake.

When considering the relative weakness of the reported movement 'closer to home', it is also worth noting that almost all respondents spontaneously referred to categories of clothing for which some countries had comparative advantages. Certain Outer Ring countries were also held to have specific advantages of this kind, for example, India for shirts and for embellished garments, Vietnam for fleeces, South Africa for heavier wovens, etc. The existence of such perceived comparative advantages, which might be based on local skill concentrations or traditions of working with certain fabric types, influenced sourcing geography to some extent independently of other factors including lead times.

(e) *New supplying countries*

Respondents were asked whether they used any special criteria for selecting or ruling out a new supplying country, and how they typically went about sourcing from a new supplying country.

Only three respondents of the ten who answered this question said that their company had formulated selection criteria for countries. Beside the 'given criterion of price' they mentioned the nature of sea- and air-connections, (tele-)communications infrastructure, the human rights situation and levels of political and economic stability. It was clear that while most companies paid some attention to such conditions in potential producing countries, their principal interest was in the capacities of individual suppliers. If one or several potentially interesting suppliers were present, then this made the country interesting.

Table 7: Basis of decisions to enter a new supplying country

Basis of decision	Frequency	Market segment of respondent(s)
‘mostly follow core suppliers’	4	D (1); SM (1); MM (2)
‘chose independently but encourage core suppliers to be on board’	3	SM (1); MO (1); B (1)
‘mostly chose independently of core suppliers’	3	D (1); MO (1); B (1)

Note: N respondents = 10
Key: see Table 4
Source: own interviews

These responses raised the issue of what might make an individual supplier in a new country interesting enough to start sourcing from scratch there. It was clear that the most important quality for many respondents was that the supplier be an existing one. As one Sourcing Director stated: ‘it takes up to four years to bed down with a new supplier. Starting in a new country with a new supplier is one learning curve too many’. A majority of the companies interviewed stated that they would normally go to a new country only if an existing supplier was either already there, or was interested in accompanying them. Some of those who did not require the presence of an existing supplier at least required the presence of suppliers with customers similar to themselves (i.e., other large UK retailers). Again there appeared to be no association between the type of answer provided to this question and the market segment of the respondent.

(f) *Size and structure of supply base*

The general tendency to increase the geographical breadth of supply bases was accompanied by one to reduce numbers of suppliers. Eight of the 12 companies responding to questions on this subject reported supply base reductions, in some cases of a quite dramatic character[22] (Table 8). The trend was most widespread (and most dramatic) in companies catering to the different segments of the mass market. While the only brander that had reduced the size of its supply base had done so on an unplanned basis, the reductions undertaken by all the mass-market respondents had been intended outcomes of policy changes. In four cases they were the outcome of decisions to eliminate smaller suppliers of main product lines, both on transaction cost grounds and to ‘become more important to fewer people’. In the remaining cases they were the result of the introduction of more exacting criteria for contracting suppliers, generally requiring them to provide a broader range of services. For example, one supermarket eliminated most suppliers who lacked their own design capacity. Where supply bases had been expanded, the main rationales advanced for increasing numbers of suppliers were sales growth and product proliferation: ‘if you want the hot items you need new suppliers’.

Some companies were reluctant to give exact numbers of current manufacturer-suppliers. Leaving aside the two smallest companies in the sample (both branders who were mainly sourcing through overseas agents), the four others answering this question reported clothing-only supply bases in the region of 100-220, with three reporting bases in the range 200-220.

Table 8: Changes in size of supply base, 1996-2001

Direction of change	Frequency	Market segment of respondent(s)
Reduced	8	D (1); SM (2); MO (3); MM (1); B (1)
Increased	2	MM (1); B (1)
No change	2	D (1); B (1)

Note: N respondents = 12
Key: see Table 4
Sources: own interviews and other information from companies

Even though supply bases reductions were normally driven by a specific rationale, this did not mean that 'natural wastage' did not play a part in their implementation. Respondents reported supplier natural wastage rates in the range 5-20%/year, brought about by a combination of supplier closures, shifts in product offerings and shifts in the geography of the supply base.

While reductions in the size of the supply base always led to higher degrees of supply concentration at the apex of the base, there was a high degree of variation with respect to this indicator. Of the 10 companies responding to a question asking the share of total intake accounted for by their Top 20 suppliers, three made no calculation of this share. Amongst the seven who did, it ranged from less than 40% to 100%. The most frequent figure reported (by three respondents) was around 60%.

(g) *Expected capacities of individual suppliers*

(i) *Services expected from core suppliers*

While not all respondents used the category 'Top 20 supplier' they all operated with the concept 'core supplier', and were able to articulate a list of expectations concerning their qualities, over and above conforming to their current price, technical/product quality, communications capacity and delivery reliability requirements. The resulting lists were highly exacting (Table 9). All but two respondents stated that the range of services that they expected was greater than five years previously, although none could give an exact list of the services that were expected of core suppliers at that time.

Table 9: Services expected from core suppliers

Expected service	Frequency	Market segment of respondent(s)
Full fabric/cloth sourcing*	10	D (2); SM (2); MO (2); MM (2); B (2)
Supplier-managed inventory	6	D (1); SM (2); MO (2); MM (1)
Production flexibility	4	SM (1); MO (2); B (1)
Design	3	SM (1); MO (1); MM (1)
Product development	1	MM (1)
Invoicing on 90 days	1	MO (1)
Making regular visits to retailer	2	SM (1); MM (1)
Permanent presence at retailer HQ	1	SM (1)

Note: N respondents = 10. Most respondents gave multiple answers.
Key: * except for CEE countries; otherwise see Table 4
Sources: own interviews

'Supplier-managed inventory' embraced self-financed stockholding, 'losing' stock (often at very short notice) and delivery on a call-off basis. 'Production flexibility' was used by respondents in somewhat inconsistent ways, i.e. to either ability to follow product proliferation trends and/or to operate on a replenishment programme basis, i.e., guarantee in-season replenishments at 4 weeks' notice.

Again, there appeared to be little association between types of services required from suppliers and respondents' market segments, except that – unsurprisingly - branders did not require design services. On the other hand, supermarkets seemed to require a fuller range of services from suppliers than other types of retailers, while discounters seem to require fewer. This may be because discounters had contracted out some of the services listed here (e.g., design) to other kinds of providers at an earlier stage, whereas other types of retailers were in the process of reducing their in-house design departments.

(ii) *Qualities expected of new suppliers in developing countries*
The question of which qualities respondents expected from new suppliers in developing countries was clarified by indicating that it referred to developing country full manufacturers, rather than agents based in supplying countries. It was also made clear that what was being referred to were qualities over and above conformity to standard requirements on price, technical/product quality, communications capacity and delivery reliability, as well as access to quota (where appropriate) and financial stability[23]. Again, and on the basis of the same qualification as that mentioned a moment ago, the resulting list (Table 10) was highly exacting. While certain of respondents' most demanding expectations concerning core suppliers, such as supplier-managed inventory and very high levels of production flexibility, were generally absent, there was instead an assumption that new suppliers from any country whatever would 'have to be bringing something new to the table' in order to be considered interesting.

Table 10: Qualities expected of new suppliers in developing countries

Quality/service	Frequency	Market segment of respondent(s)
Full fabric/cloth sourcing*	10	D (2); SM (2); MO (2); MM (2); B (2)
Dedicated account management	10	D (2); SM (2); MO (2); MM (2); B (2)
Vertical integration**	4	D (1); SM (1); MO (1); B (1)
'Seriously improved prices'	3	D (1); SM (1); MM (1)
New design ideas	4	D (1); MO (1); MM (1); B (1)
Fabric/product development capacity	2	MM (1); B (1)
Supplier managed inventory	1	SM (1)
Special manufacturing skills	1	D (1)
Large capacity	2	SM (2)
UK sales office	2	MM (1); B (1)
Code of Conduct conformity	3	SM (1); MO (2)

Note: N respondents = 10. Most respondents gave multiple answers.
Key: * except CEE countries; ** for knitwear; otherwise see Table 4
Source: own interviews

This response has to be seen against the backgrounds of the general tendency to rely on fewer suppliers who were able to offer more services, and the general assumption that taking on new suppliers involves inevitable frictions and major investments of managerial time: 'the first year with a new supplier is always a nightmare'. At least for core products, in which developing country producers were likely to be specializing, new suppliers would thus be taken on only if existing ones were being dropped (or dropping out of their own accord). In this context, 'their offer has to be better than what we have already'.

(iii) Supplier monitoring and disqualification

For all respondents, supplier performance was comprehensively monitored on a regular basis. The frequency of this monitoring depended upon how 'core' the supplier was, and if there were grounds for considering their performance to be problematic[24]. The most intensive and regular monitoring was carried out in relation to delivery reliability. Typically, this was broken down into several sub-aspects, for each of which corresponding performance indicators had been devised. For delivery of finished product, greatly increased weight was being placed upon correct loading of containers and accuracy of documentation, as respondents moved from warehousing systems to DCs. Quality was also monitored intensively, although in general it was regarded as giving rise to far fewer problems than delivery. Prices were monitored through a continuous process of cross-costing, besides being scrutinized whenever price deflation exercises were undertaken. Where Code of Conduct conformity was monitored, this was typically on the basis of annual or twice-annual factory visits - although this was not the primary function of such visits.

Table 11: Disqualifying characteristics for suppliers

Characteristic	Frequency	Market segment of respondent(s)
Failure to meet margin expectation	2	B (2)
Delivery reliability	5	D (1); SM (1); MO (1); B (2)
Quality performance	4	D (1); MO (1); B (2)
Business ethics problems	2	SM (1); MM (1)
Code of Conduct problems	6	SM (2); MO (2); MM (1); B (1)
'Lack of commitment to find solutions'	5	D (1), SM (2); MO (1); B (1)

Note: N respondents = 10. Most respondents gave multiple answers.
Key: see Table 4
Source: own interviews

Table 11 lists responses to a question on characteristics that would actively disqualify actual or potential suppliers. A few words of clarification are required on certain of the characteristics mentioned. Business ethics problems mentioned included using local CMTers without prior approval and using respondents' designs to manufacture independently or for other clients. It appeared that problems of this kind were considered as outright breaches of contract normally leading to an immediate severing of relations. This was not the case with some of the other issues mentioned. Delivery reliability, quality performance and Code of Conduct problems did not in themselves lead to disqualification. Rather, respondents waited to see how suppliers responded to their identification. If the supplier took a course of action that indicated they 'took the issue seriously' (for example, sending a late delivery by air without being contractually required to do so as a 'first point of penalty'[25]) there was no question of disqualification. If on the other hand, their response was read as lacking seriousness, then disqualification might follow 'depending on how important the supplier was to us'. Some respondents considered Code of Conduct issues to have a general diagnostic importance: 'if they're using child labour, then there are usually other things badly wrong as well'. But the issue of child labour was also considered in its own right to be the most fundamental of the different code of conduct issues, and thus the most important for suppliers 'get right'.

One or two respondents spoke of giving assistance to, or at least 'handholding' new suppliers (though not old ones) in order to help them overcome problems of this kind. This assistance took the form of more detailed guidance rather than material support, and it was rarely extended for longer than three seasons: 'if they can't get things right by then, then they never will'.

Failure to meet margin expectations was another complex issue, particularly in the already referred to context of generalized price deflation. Where policies of price deflation had been stated in responding company's Annual Reports, respondents were asked how they had been implemented. In all cases except one, they had been introduced over a number of seasons, and in four out of the six cases there had been accompanying policies of offering increased volumes to at least some suppliers. 'Failure to meet margin expectations' was thus a problem that would emerge on the basis of failed negotiations, rather than one that could be identified on an ex-ante basis.

(h) *'Partnerships'*

As indicated, UK retailers seemed to be escalating their expectations both of the range of functions that suppliers should carry out, and of the standards to which they should be carried out. On the unit price side meanwhile, far from being compensated for these changes, the best a supplier could hope for was to keep prices constant and increase margins on the basis of economies of scale. This was against a background where many suppliers to the UK market were faced with rising fabric and cloth prices. Nine of the 10 responding companies were nonetheless using the term 'Partnership', borrowed from the relational marketing school, to describe their relations with core suppliers. The final issue explored in the survey was what this term meant in practice, at least from the buyer side. Since exchange of sales information is a pre-condition for suppliers to be able to manage retailers' inventories, whether they are considered 'partners' or not, it is not considered in this discussion.

Table 12: Components of Retailer-Supplier 'Partnerships'

Component	Frequency	Market segment of respondent(s)
Exchange of cost and price breakdowns	2	D (1); B (1)
Disclosure of supplier appraisals	1	SM (1)
Exchange of business forecasts	5	SM (1); MO (2); MM (1); B (1)
Joint planning of new capacity	3	SM (1); MO (1); MM (1)
Devolution to suppliers of decision where to locate production of specific items	1	SM (1)
Sharing impact of price deflation	3	SM (1); MO (2)
Assistance with maximizing sales of suppliers' products/ upgrading supplier product profile	2	D (1); MM (1)

Note: N respondents = 9. Many respondents made more than one response.
Key: see Table 4
Source: own interviews

The first three elements of 'partnership' listed in Table 12 involve mutual transparency rather than practical trade-offs or major commitments on the part of the retailer. However, a clear majority of respondents had entered into at least one trade-off or commitment of some kind, not including bargaining volume for reductions in price. The most far-reaching of these was joint planning of new capacity, although it seems highly unlikely that commitments made by retailers in this respect could be made to ‘stick’ in a context of deteriorating business conditions. Assistance with maximizing suppliers’ sales and/or upgrading their product profile rested on the precondition that the products that suppliers were offering already had a degree of differentiation, whose profile could be amplified further by the retailer. Aside from references to ‘openness’ and ‘honesty’, discussions about partnerships were strikingly devoid of references to any social dimension.

4. CONCLUSION

On the basis of the research described here it is possible to draw some provisional conclusions concerning degrees and forms of the introduction of the ‘lean retailing’ paradigm in the UK clothing retail sector, concerning the extent of related changes in the geography of UK clothing sourcing, and concerning the implications of these trends for developing country clothing manufacturers.

As described by Abernathy et al (op. cit.), the ‘lean retailing’ model centres on a prioritisation of holding down the costs of carrying inventory, of having to mark-down slow-moving stock and of ensuring that the right stock is available when it is in high demand. It does so by transferring responsibility for inventory management to suppliers. However, in order for the gains of supplier-managed inventory to be maximized, they should be applied both to categories of clothing for which demand is fairly predictable (basics), and categories for which this is less the case (differentiated basics). Applying ‘lean retailing’ to differentiated basics supposedly entails movement of their production ‘closer to home’, because production and distribution of these types of clothing has the highest flexibility requirements.

Many leading UK retailers have incorporated elements of the ‘lean retailing’ paradigm, and a number of them directly articulate it in their Annual Reports. For listed companies, there is additional pressure from financial analysts and markets to adopt it. However, the author’s impression is that, rather than moving toward adoption of the model in its entirety, leading UK retailers are evolving a (possibly specifically UK-based) hybrid.

This hybrid differs from the original paradigm in three main ways. Firstly, rather than being applied to all intake or even simply to all intake of differentiated basics, adoption of a full-blown version of the model seems to be mainly specific to differentiated basics for 12-25 year-old girls and women. At least, leaving aside the markets for men’s and women’s suits with their traditional preference for European fabrics and tailoring, it is for these clothing types that leading retailers’ ‘close to home’ sourcing is most pronounced (see table 3). Secondly, certain leading UK clothing retailers are also following alternative, purely price-based solutions to certain of the problems that the ‘lean retailing’ model seeks to solve on the basis of insisting that suppliers manage inventory. If products are initially priced on the basis of the ‘right’ discount, then the issue of marking them down should not arise. This suggests that a sourcing geography primarily based on costs can solve some of the problems considered in the paradigm to be posed by long lead-times. Thirdly by using UK-based importers etc., rather than overseas manufacturers, to manage inventory many of the gains of the ‘lean retailing’ model can be attained without a radical geographical re-sourcing. By using UK-based importers to source from Outer Ring countries *and* manage inventory, leading UK retailers can get a good service level and still attain reasonable buy-in margins.

While a full-blown ‘lean retailing’ model is not consistent with UK clothing import data, the presence of a hybrid is. The ‘lean retailing’ model arrived in the UK in the mid-1990s. Its widespread adoption in the form described by Abernathy et al (op. cit.) should have led to a much greater degree of import trade diversion between groups of countries than the comparison of 1995 and 2000 UK clothing import data actually shows. While this data does indicate some movement ‘closer to home’, it is nowhere near approaching a ‘sea-change’ scale. Furthermore, the data also shows a smaller but countervailing movement ‘further out’.

It appears that the leading UK clothing retailers who were the subject of this study sourced ‘further out’ to a much greater extent than UK clothing retailers generally both in 1995 and 2000. Moreover, when reporting changes in sourcing patterns between these dates, they referred as often to changes in destination *within* the Outer Ring as they did to changes from the Outer Ring to locations closer to home. It seems that the main considerations driving leading UK retailers’ clothing sourcing patterns are still overwhelmingly price-based. Furthermore, they are probably significantly more price-based than is the case for smaller-scale retailers, who lack the resources to undertake independent sourcing and lack knowledge of supplier markets.

The implications of this for suppliers generally in developing countries are broadly positive. It seems likely that Outer Ring countries will continue to account for very large shares of UK clothing imports, especially those of leading UK retailers. Reliance on the Outer Ring is likely to be further reinforced if price deflation remains the main trend on the high street.

It is much less certain that the opportunities for locally owned clothing manufacturers in developing countries that are newcomers to the global clothing trade can be viewed with the same degree of optimism. Most leading UK clothing retailers favour sourcing from suppliers that they are already familiar with from other locations, by implication various types of UK-based intermediary or transnational contract manufacturers. If these are not available then, usually with the help of local agencies, they will identify local companies that are well established and that already have portfolios of clients similar to themselves. Mostly, they are also reducing their supply bases and increasing their expectations of the range of services and characteristics that potential suppliers (including full manufacturers) should have. Besides the qualities traditionally looked for, the latter now normally include well-functioning EDI systems, dedicated account managers and good logistics, design capacity and possibly vertical integration. In addition, since new suppliers are typically now taken on only when existing ones are dropped, they are required to ‘bring something new to the table’ (see above).

A further, higher set of entry barriers is present between these requirements, and those that leading UK retailers expect of ‘core suppliers’. Insofar as they apply to core suppliers who are also manufacturers, the latter would appear to include the resources to undertake supplier-managed inventory, ownership of plants in two or more countries (including one reasonably close to home, or failing this warehouses/DCs close to home) and advanced production and very advanced logistics capabilities. The working capital and market intelligence pre-conditions necessary to carry out the last of these functions are very substantial indeed. At the same time, it is plain that only enterprises with most of these characteristics will be in a position to optimise returns from the restructured reward system that it emerging (this increasingly rewards both economies of scale and organizational flexibility).

In developing countries therefore, the future appears to lay with large, well-established and well-financed enterprises. If small- or medium-sized enterprises (or even newer large ones) wish to gain a foothold in the global sourcing system centred on the UK, then - at least in the first instance - they are best advised to establish relations with respected local agencies and/or UK importers. Unfortunately this implies sacrifices in margin and in 'supplier development' opportunities, at least in the short-term.

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APPENDIX 1
DEFINITIONS OF 'RINGS' OF COUNTRIES EXPORTING CLOTHING TO THE UK

Year		Groupings included in ring	Countries included in groupings
1988	**Inner Ring**	EC + Austria, Sweden and Finland (excl. Greece and Portugal)	Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Spain, Sweden, United Kingdom
		Other Western Europe	Switzerland, Norway, Faroe Islands, Iceland, San Marino, Canary Isl.
		Other developed	USA, Canada, Australia, New Zealand, Japan
	Outer Ring	Other countries	All other countries (incl. Portugal and Greece)
1995	**Inner Ring**	EU	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom
		Other Western Europe	Switzerland, Norway, Faroe Islands, Iceland, San Marino, Canary Isl.
		Other developed	USA, Canada, Australia, New Zealand, Japan
	Middle Ring A	East Asian NIC's	Hong Kong, Taiwan, South Korea, Singapore
	Middle Ring B	Eastern and Central Europe incl. Russia and ex-Soviet republics	Armenia, Belarus, Bulgaria, Croatia, Czech Rep., Estonia, For.JRep.Mac, Georgia, Hungary, Kasakhstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Slovakia, Slovenia, Turkmenistan, Ukraine, Yugoslavia
		Mediterranean	Cyprus, Egypt, Israel, Malta, Morocco, Tunisia, Turkey
	Outer Ring	Other countries	All other countries
2000	**Inner Ring**	EU	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom
		Other Western Europe	Switzerland, Norway, Faroe Islands, Iceland, San Marino, Canary Isl.
		Other developed	USA, Canada, Australia, New Zealand, Japan
	Middle Ring A	East Asian NIC's	Hong Kong, Taiwan, South Korea, Singapore
	Middle Ring B	Eastern and Central Europe incl. Russia and ex-Soviet republics	Albania, Armenia, Belarus, Bosnia-Herz., Bulgaria, Croatia, Czech Rep., Estonia, For.J. Rep.Mac, Georgia, Hungary, Kasakhstan, Kyrghistan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Serb., Monten., Slovakia, Slovenia, Turkmenistan, Ukraine, Uzbekistan, Yugoslavia
		Mediterranean	Cyprus, Egypt, Israel, Malta, Morocco, Tunisia, Turkey
	Outer Ring	Other countries	All other countries

APPENDIX II
PROFILES OF SUPPLYING COUNTRIES' EXPORTS TO THE UK

(i) *Inner Ring countries*

Amongst traditional EU exporters, *Italy* remains clearly the most important for the UK, with three Top 4 positions including one leading one (for men's suits). For this category and for women's suits

its market shares in 2000 were 14.5% and 22% respectively. However, there was only one other category where it had a market share of more than 5%, namely pullovers. In each of these categories it had experienced significant losses in market share since 1995, as it had for women's trousers too.

Amongst more recent EU exporters from Southern Europe, only *Portugal* remained of any importance, although by 2000 its UK market share had fallen below those of northern European re-exporting countries like Germany and Belgium-Luxemburg. While Portugal was a Top 4 supplier of four clothing items in 1995, it no longer occupied this position for any in 2000. In particular, it effectively vanished as a producer of t-shirts and men's trousers, two categories for which it had market shares exceeding 8% in 1995.

(ii) *Middle Ring A countries*

Hong Kong still enjoyed a Top 4 status in eight categories of imports in 2000, including the leading position for women's blouses (at 12% market share) and pullovers (at 11.2%). However, there were only three other items for which it still had market shares exceeding 10% (women's overcoats, women's trousers and men's shirts). Its main changes in profile since 1995 were a halving of its import share for men's trousers (where it had been the leading importer) and a near halving of that for pullovers, despite continuing to occupy the leading position. Other significant losses of market share occurred for women's overcoats and men's shirts.

(iii) *Middle Ring B countries*

Between 1995 and 2000 *Turkey* emerged as a key exporter of a very wide range of categories, coming to occupy five Top 4 positions, including the leading positions for t-shirts and women's trousers with market shares of 17.5% and 11.8% respectively. It also had a market share in excess of 10% for women's underwear, and of between 5% and 10% for women's suits, dresses, skirts and men's underwear. Its most notable recent advances were in t–shirts and women's trousers.

Morocco emerged in 2000 as a Top 4 exporter of three categories of clothing to the EU, including one (men's trousers) where it occupied the leading position with a market share of 10.8%. It commanded a market share of 5-10% in five other categories: women's blouses, skirts, and dresses, women's trousers and women's underwear. It had made across-the-board advances in market share since 1995, but most spectacularly in women's blouses.

Of the CEE countries, *Romania* occupied a Top 4 position in three categories: women's skirts and blouses (where it had import shares over 10%) and women's dresses. It had also a market share between 5% and 10% for women's blouses. Its main advances between 1995 and 2000 were in women's blouses, skirts and trousers. However, its market share for women's suits halved over the same period.

(iv) *Outer Ring countries*

The leading exporter to the UK market in 2000 was *China*. China's import profile was very broad, with a UK market share of at least 5% and Top 4 positions for every single item considered, except men's suits. It had a market share of 20%+ for men's and women's underwear and women's skirts and shares of 10-20% for women's dresses and overcoats. The main development in its export profile between 1995 and 2000 was its rapid advance in women's dresses and skirts.

Indonesia's profile was much more concentrated, with Top 4 positions in only two categories (see below) and import shares exceeding 10% in one (women's overcoats) and 5-10% in another (men's shirts). The main change in Indonesia's import profile between 1995 and 2000 was its enhanced role in men's shirts.

India also had a relatively concentrated import profile, with two top 4 positions in 2000, for women's dresses and women's underwear. Besides these categories, it had market shares of 5-10% for women's skirts and blouses. Between 1995 (when it had four Top 4 places) and 2000, its market share declined sharply for women's dresses and skirts, men's shirts and women's blouses.

There are interesting differences in the export profiles of Sri Lanka and Bangladesh. *Sri Lanka* occupied three Top 4 places in 2000 and had a broader profile, with import shares of 5-10% for women's dresses and blouses, pullovers and men's and women's underwear. Its rise in the last three of these categories represents the main development in its profile since 1995. *Bangladesh*'s profile is narrower, with three Top 4 places. It was the leading exporter of men's shirts to the UK in 2000, with a market share of 12.9%, and it had import shares of 5-10% for t-shirts, pullovers and women's overcoats.

APPENDIX III

UK RETAILERS' VIEWS OF SUPPLIERS IN SELECTED DEVELOPING COUNTRIES

Because surveys of the clothing manufacturing sectors of Mauritius, South Africa and Vietnam were being carried out in conjunction with surveys of Northern country retailers' sourcing patterns and practices, responding UK retailers were asked their views of the strengths and weaknesses of these countries. Because of the delocalisation of much Mauritian production to Madagascar, respondents were asked their views of Mauritius and Madagascar as a single entity. The same applied to South Africa and Lesotho.

Of the countries concerned, Mauritius/Madagascar were the best known to UK retailers, and the most detailed comments were received on them (Table III.i). Quality and general efficiency were regarded positively in both locations but seven out of 10 respondents regarded them as expensive. These locations had their strong supporters, but overall interest was probably declining.

Table III.i: Perceptions of Mauritius/Madagascar

Strengths	Weaknesses	Market segment of respondents
Good quality denims + delivery reliability; Good quality	Knits too expensive; Too expensive + declining reliability	Discounters
Well-developed supplier base + very good quality 'Manufacturing and management centre of excellence'	Expensive + weak product development + Code of Conduct problems (Madagascar) Expensive	Supermarkets
(positive): 'our volumes have grown'; 'None'	N/s Expensive	Mail Order
Excellent cotton products + good prices + no Code of Conduct problems (Mauritius); Efficient and well-organized	Remoteness/lead times + some consistency of supply problems N/s	Mid-Market
'A potential agency location for Africa' (Mauritius); Good product + reliable delivery + 'a gateway to the US market' (Madagascar)	Too expensive to compensate for remoteness (Mauritius); Medium to high prices + long lead times	Brands

Note: N respondents = 10
Key: n/s: not stated
Source: own interviews

South Africa/Lesotho was regarded by half the respondents as of strong potential interest (Table III.ii). However, even amongst these there was uncertainty on prices (whether the Rand would remain weak and whether US entrants would push up prices) and concerns regarding gaps in the capacities of local producers and regarding the wider political/security situation. The gaps identified included poor sales service and lack of design capacity.

Table III.ii: Perceptions of South Africa/Lesotho

Strengths	Weaknesses	Market segment of respondents
‘Quality okay’; Strong on tailoring	Expensive + limited fabrics; Poor sales service	Discounters
Vertical integration; ‘very interesting’	N/s; Rising prices + increasing US interest	Supermarkets
Relatively consistent quality + English-speaking + EU-SA Free Trade Agreement; ‘interesting’	N/s Unresponsiveness re sales + political/economic stability	Mail Order
Cheap Rand + EU-SA Free Trade Agreement; ‘Quality okay’	N/s Expensive + lack of design capacity	Mid-Market
‘It can be developed’ N/s	Political stability/personal security ‘I would expect long lead times’	Brands

Notes, Key, Source: see Table III.i

There was noticeably stronger respondent interest in Vietnam than in South Africa/Lesotho, on the basis of Vietnam's competitive prices and relatively well-developed workforce skills (Table III.iii). A series of problems were also identified however, including remoteness/infrastructure/communications and weaknesses in sector-level institutions and in product development. Unlike the two other locations (with a partial exception concerning Madagascar), Vietnam was also considered problematic from a regulatory viewpoint (Code of Conduct, evasion of quota arrangements).

TableIII.iii: Perceptions of Vietnam

Strengths	Weaknesses	Market segment of respondents
Decent quality + competitive prices	Possible local labour shortages	Discounter
'Very interesting' + good quality tailoring	Weak sector-level institutions + quota evasion problems	Supermarket
Relatively cheap + relatively well-educated labour force; 'It will grow'	Remoteness; N/s	Mail Order
'Potentially good for everything labour intensive using Far Eastern fabrics'; 'Becoming important because of our suppliers'	Communications + Code of Conduct conformity N/s	Mid-Market
Good, fast needle skills + low prices + reasonable infrastructure; Competitive prices	Quality short of brand-level; weak product development; Long lead times; poor transport links; lack of vertical integration	Brands

Note: N respondents = 8.
Key and Source: see Table III.i

ENDNOTES

[1] Subsequent studies of France and Scandinavia are planned.
[2] This data was not available for 1985.
[3] 'FOB' = 'free on board', i.e. garments for which the manufacturer him/herself has been responsible for procuring base fabrics.
[4] The combined US market import share of Hong Kong, Taiwan, Korea, China, Philippines, Malaysia, Indonesia and Thailand declined from 72.1% in 1981 to 54.5% in 1998; that for Mexico, Dominican Republic and Costa Rica increased from 4.9% to 18.1% over the same period (1995, 1998).
[5] The combined EU market share of Tunisia, Morocco, Poland, Romania and Hungary increase from 7.7% to13.1% between 1994 and 1998 alone (WTO, 1999).
[6] Baldone, Sdogati & Tajoli (2001) distinguish further between EU countries with long-established OPT traditions, like Germany and the Netherlands (where in 1994-96 OPT re-imports were respectively the equivalent of 24.1% and 42.2% of domestic production), which typically out-source CMT operations as a whole, and relative newcomers to the OPT business like Italy and France, which tended to outsource only sewing.
[7] Increase in numbers of product ranges and sub-ranges.
[8] Running out of stock for popular items.
[9] Based on sourcing a majority of its intake from 16 own-owned factories in Northern Spain. Zara's sales have been also rising fast, doubling to US$2.3bn. in 2000.
[10] This estimate was arrived at by adding ECHR's (2001) figures for sales by specialist clothing retailers to its figures for large- and medium-scale non-specialist ones.
[11] The terms 'brand/branders' are used here to designate companies that are retailers, but for whom at least a third of sales are on a wholesale and/or licensed basis. Amongst the British branders mentioned here, these shares vary between 36% (Ted Baker) to 60% (French Connection/Nicole Farhi). For Burberry, the only brand in the top 20 retailers by turnover, whoæsale sales represented 4% of turnover and royalties a further 8% in 2001.
[12] All import data presented in this section is derived from the EUROSTAT database
[13] Import penetration has been calculated on the basis of assuming a 1995 exchange rate of Euro 1: £0.81 and a 2000 one of Euro 1: £0.62, plus a c.i.f.-to-retail mark-up of 265%.
[14] Comparisons with the EU generally are based on Khanna et al (2000) and WTO (op. cit.).
[15] The categories 'men's' and 'women's' are used throughout this section as shorthand for 'men's and boy's' and 'women's and girl's'.
[16] Most of the non-response reflects companies not having collected precise information on certain topics. A small amount reflects refusal to divulge information that they had collected.
[17] cf. the statement in Next's 1999 Annual Report that the company had recently 'instigated the development of a new product ordering and selection procedure and established a central function monitoring merchandisers' decision'.
[18] EMA Textiles also own a 3.38% stake in Forminster plc, which owns the Kookai women's wear chain and manufactures men's suits, jackets and trousers.
[19] Pentland Group plc is the UK licensee for (inter alia) the following sportswear brands: Berghaus, Ellesse, Lacoste, Speedo, Pony and Kickers.
[20] When asked to disaggregate, most companies among the 10 interviewed were prepared to distinguish between imports from 'the Far East' and 'the Indian sub-continent', and/or between Turkey, other Mediterranean countries and CEE ones. Others however were not, and one refused to give any geographical breakdown at all. The data in this section includes that provided by two companies that, while not giving interviews, gave the researcher information on the geography of their sourcing base (one also provided information on the kinds of suppliers they used, as reported in the previous section).
[21] A discounter not included in the sample, New Look, is perhaps the best-known UK exponent of this paradigm. New Look's Annual Report from 2000 stated that 40% of intake was sourced from UK suppliers '…in order to retain the flexibility required by our fast-track system of backing winners with large volumes. The phasing of buying commitments throughout the season cuts our exposure in the early weeks and later on allows us to maximize the opportunities that always arise in the fashion business.'
[22] Two companies reduced their supply bases by two-thirds over 2-3 year periods. A more common figure was 30-40% over 4-5 years.
[23] These qualities were typically established on the basis of factory audits, trial orders, checks with relevant national authorities and/or references – all traditional procedures.
[24] While there was no specific question on frequency of monitoring, respondents mentioned interviews ranging between once a month and once a year.
[25] The fact that a supplier was excused disqualification by no means entailed that they escaped punishment. Most contracts between UK clothing retailers and their suppliers specify an escalating series of penalty clauses for delivery

and quality problems, including (in the latter case) charging suppliers for the labour of taking faulty garments off the shelves, charging for storage until the supplier arranges for them to be picked up, etc.