

NOVEL ACTORS IN THE APPAREL INDUSTRY
MODELLING INTERMEDIARIES IN GLOBAL SUPPLY NETWORKS

ABSTRACT

The purpose of this conceptual work-in-progress paper is to create a descriptive model for the study of intermediaries in the buyer-driven global supply networks, which characterize the apparel industry. The paper combines insights from channel research, network studies, studies of international trade intermediaries (ITIs), and the apparel industry for the description of intermediary functions. The resulting model conceptualizes intermediaries as actors, who perform contextualized configurations of services, marketing, design and sourcing activities combined with structural mediation and risk taking. The specific configuration depends on the customers' needs for either flexibility or stability.

Keywords: Supply networks, intermediaries, intermediary functions

INTRODUCTION

One of the characteristics of the contemporary global economy is the rise of “global buyers”. These giant chains and brands have turned supply-side economics on its head. They actively shape international production from the demand side, and often they drive the organization of global value chains (Gereffi, 2006). This development is accompanied by a transition from speculation to postponement (cf Bucklin, 1965) as the guiding principle in the organization of distribution arrangements.

The complexities arising from the globalization of firms and from the transition from speculation to postponement have attracted attention among IMP scholars (e.g. Gadde & Mattsson, 2005; Hulthén & Gadde, 2007). Postponement and customization entail activity specialization on the one hand, and an increased need for integration on the other. This is reflected in real-life distribution arrangements, which mix the principles of postponement and speculation to create specific solutions to end-users (Hulthén & Mattsson, 2010). This context offers opportunities for new types of intermediaries, whose existence is legitimized by the services they offer in the coordination and integration of activities (Gadde, 2010), and their ability to contribute to the value generation of other firms (Cantù, Montagnini, & Sebastiani, 2010).

Supply chain analyses offer little attention to intermediation and intermediaries’ contribution (Giannakis & Croom, 2004), in spite of the significant role of intermediating actors in supply systems (Webster, 2002). Likewise, the conceptual and empirical research on direct versus indirect buying on the international scene is scarce (Quintens, Matthyssens, & Faes, 2005). And the dominating perspective on intermediation in channel research is dyadic and manufacturer oriented (Gadde & Snehota, 2001; Gulati, Nohria, & Zaheer, 2000). Thus, few generalized concepts are available for a study of intermediaries as facilitators of supply networks in buyer driven global value chains.

However, the role of the novel intermediating actors is illustrated in studies of clothing companies in the highly customized apparel industry (Taplin, 2006). They coordinate and integrate functional interdependencies in the supply network and offer the final product ready for display in the store. These apparel import intermediaries are not exclusively focusing on sourcing and the related services; they also support their customers marketing activities and offer design services (Ha-Brookshire & Dyer, 2008). This allows the customer to focus on the monitoring of a demand market, where the penalties of missing the market are severe (Masson, Iosif, MacKerron, & Fernie, 2007). But it also implies that these novel intermediaries offer utility of form, in addition to the utility of time, place, and possession, which normally are defined as intermediary functions.

The purpose of this paper is to profit from the insights from studies of the novel actors in the apparel industry, for the conceptualization of global supply chain intermediaries. Still, the concepts offered by these studies do not explicate the structural mediation performed by intermediaries in terms of joining, relating and insulating their connected parties (Holmen & Pedersen, 2003). Nor do they explicate the risk dimension of intermediation which is a core issue in the study of international trade intermediaries (Peng, 1998). Therefore, this paper theorizes across domains in the analysis of intermediation and intermediaries. The resulting model contributes by offering a holistic model for the description of intermediaries in global supply networks. It includes the activity aspect as well as the structural aspect of intermediation and the risk dimension of the intermediaries’ function. Moreover, it links the

contextualized configuration of intermediaries in the global supply networks with the customers' strategic need for either flexibility or stability.

INTERMEDIATING ACTORS IN GLOBAL SUPPLY NETWORKS

This section establishes the theoretical pre-understanding of intermediation and intermediating actors in global supply networks. The question which guides the analysis of the literature is phrased:

What functions are performed by intermediating actors in global supply network?

The subject matter is inspired by the empirical context originating in a co-founded project about innovation in the life-style industries. The project focuses on sourcing from China in the apparel industry, because the apparel industry has long experience with sourcing from overseas supply markets from which other lifestyle industries may learn. The organization of sourcing and supply of clothing has changed considerably within the past decades. The agents, who were the pioneers in this trade, have gradually been substituted by larger and more specialized intermediaries, and by direct relationships between overseas manufacturers and European wholesalers/ retailers.

However, the wholesalers/ retailers who are present in China with sourcing and purchasing departments also profit from the services offered by the novel actors; the specialized import intermediaries. Apparently, the organization of this supply network cannot be explained in terms of buy or make decision, but rather as a buy and make decisions. The intermediaries both substitute and supplement direct buyer-seller relationships. Consequently, the purpose of this paper is to create a model, which can capture the contextualized diversity of functions performed by intermediating actors in the supply network.

The phrasing of the guiding question also facilitates the inclusion of different theoretical perspectives. As pointed out in the introduction, intermediation is not a focal issue in studies of supply chains. Consequently, this section profits from the scholarly knowledge offered by channel research, network studies of intermediation, studies of export, import and international trade intermediaries, and studies of the apparel industry. The purpose of combining these divergent theoretical perspectives is not to challenge taken for granted assumptions. Rather it is an attempt to make sense of the issue of interest by creating consensus among them. Consequently, it is an in-vivo, not an ex-ante approach to the role of theory in case studies (Andersen & Kragh, 2010). The challenges in theorizing across domains are discussed in the first section. The following section examines studies of intermediaries from various perspectives. Together these studies form the foundation for the final part of the section, which presents a descriptive model of intermediary functions.

THEORIZING ACROSS DOMAINS

The terms marketing channels, distribution channels and business networks are applied interchangeably, signifying some or all value creating activities in the range from production to consumption, including the intermediation of marketing and distribution (Wilkinson, 2001). Channel research which is the primary domain for the study of intermediaries offers numerous studies of the role and functions of intermediaries. And network studies offer conceptualizations, which describe intermediating actors in terms of their contribution to the value generation of other firms. But channel research differs from network studies in the theorizing of

- The unit of analysis and conceptualization of intermediaries
- The governance of systems

For an extended period of time, channel research predominantly focused on discrete exchanges (Heide, 1994). However, the focal unit of analysis in channel research has gradually changed from the actor to the dyad within the last three decades of the 20th Century (Johanson & Silver, 2003). Attention has been redirected towards the significance of relationships, which was recognized in the holistic research on distribution channels in the first part of the 20th century (Easton, 1992; Wilkinson, 2001). This change is accompanied by a shift of focus from power and conflict, to cooperation, trust and commitment; a reorientation from sick to healthy channel relationships (Young & Wilkinson, 1989). But the relevance of a relational approach in studies of channel phenomena is questioned: The merchant's need to provide assortment from competing suppliers is claimed to limit the degree to which trusting and committed relationships can develop in distribution (Frazier, 1999; Frazier & Rody, 1991; Stern & Weitz, 1997; Weitz & Jap, 2000).

Moreover, channel research is dyadic and manufacturer oriented (Gadde & Snehota, 2001; Gulati et al., 2000), and tends to conceptualize the intermediary as an agent, who acts on behalf of a principal (Antia & Frazier, 2001). This is so, in spite of the fact that the power of strong or multiple buyers, for whom channel intermediaries act as providers, has long been acknowledged (Ferber & McVey, 1960), and in spite of the observation that intermediaries, who are not offering value to their customers are of no value to suppliers (P. Anderson & Anderson, 2002); i.e. intermediaries are acting not for suppliers, but between suppliers and customers. Thus, it seems as if channel research has not taken the full consequence of the emerging relational approach and realized that:

“if one *starts the theory-building process* from a conception of exchange partnerships *having varying degrees of commitment*, then one arrives (as we have previously) at a theory of network structures” (Cook & Emerson, 1984 p. 22)

In a markets-as-networks approach exchange is conceptualized as interaction embedded in ongoing relationships; consequently, the context and the history of relationships matter (Dwyer, Schurr, & Oh, 1987; Ford, 1980; Wilson, 1995). And due to interdependence, intermediation (i.e. the acting between others) is an aspect of all actors (Havila, 1996). Consequently, everybody is an intermediary or a middle-man, and the distinction between manufacturers, distributors and users becomes obsolete (Gadde & Ford, 2008). But at the intermediate meso-level of network analysis (Mattsson, 1997), which analyses nets of actors (Wilke & Ritter, 2006), it seems possible to distinguish actors, who are acting in specific and contextual intermediary roles, e.g. in the study of triadic business relationships (Havila, 1996; Holma, 2009; Ritter, 2000; Smith & Laage-Hellman, 1992). Thus, channel research and network studies differ considerably, in the theorizing of intermediaries and it demands caution to combine them.

The differing conceptualizations of the governance of channels versus networks pose some problems, too. The marketing management perspective, which has dominated channel research for half a century (Gripsrud, 2004), models the channel as a contractual, manageable system. The system is headed by a channel captain, who determines the roles of the players (Ferber & McVey, 1960; Rosenbloom, 2004). This is clearly incompatible with a network approach, which assumes that actors are influenced by and influence the network, but are unable to control and manage it (Ritter & Gemünden, 2003; Ritter, Wilkinson, & Johnston, 2004;

Snehota, 2003). Intermediaries cannot be controlled, but influenced, and likewise they influence the network.

The incompatibilities can be overcome if focus is on intermediary functions conceptualized as a contextual set of activities, instead of fixed bundles of activities. Then it is possible to profit from and to combine channel research with network studies of intermediary activities. And it is possible to include insights from studies of export, import and international trade intermediaries and of the apparel industry, too. These studies do not constitute coherent domains based on a set of common assumptions. However, they shed light on various aspects of intermediation in global networks, and therefore they are of relevance for this paper.

THE FUNCTIONS PERFORMED BY INTERMEDIATING ACTORS

The first part of the section describes intermediary functions in a channel perspective. The second part describes a network approach to intermediary functions. Then follows a passage based on studies of export, import, international trade intermediaries and studies of the apparel industry.

Intermediary functions in channel research

In channel research intermediation refers to the acting of intermediaries and the actions they take in the organization of trade (Casson, 1997; Spulber, 1996). Many studies analyze and legitimize the intermediary from a micro-economic perspective in terms of his capacity for cost-economizing (Gattorna, 1978). This may be achieved in two ways: 1) By clearing the market through the posting of bid and ask prices (Spulber, 1996) 2) by economies of scale and scope resulting from the bundling of information, logistics, transaction securization, insurance and liquidity activities; i.e. if these activities are unbundled the intermediary will no longer be able to offer cost-efficiencies to buyers and sellers (Brousseau, 2002). The conceptualization of intermediaries as actors, whose existence depends on their ability to offer cost-economizing, is also evident in studies of the dis-intermediating effects of the advent of the internet (Sen & King, 2003).

A. Functions of exchange

1. Demand creation (selling)
2. Assembly (buying)

B. Functions of physical supply

3. Transportation
4. Storage

C. Auxiliary or facilitating functions

5. Financing
6. Risk-taking
7. Standardization

Table 1: Clark's marketing function (Gripsrud 2004)

However, an alternative understanding of intermediation as the performance of valuable services, has co-existed with the cost-economizing perspective since the beginning of the 20th Century (Bartels, 1988). Until 1950's research on distribution and marketing focused on functions and flows in the channel as a whole system (Gripsrud, 2004). The time, place, and possession utilities were identified by Macklin in 1924 (Sheth & Parvatiyar, 1995); concepts which are still applied in conceptualizations of the channel and the intermediary. And the foundation for the study of intermediation as a matter of information, logistics and risk is

evident in the seven marketing functions conceptualized by Clark in 1923 (Gripsrud, 2004); see table 1.

More recent conceptualizations of intermediary activities as a matter of 1) information, logistics, transaction securization, insurance and liquidity (Brousseau, 2002; Spulber, 1996), or as a matter of 2) matching, requisitioning and problem-solving (P. Anderson & Anderson, 2002) also have observable links with Clark's seven marketing functions.

Information services are regarded as a core function for exchange decisions. The search and matching activities performed by intermediaries include establishing contacts, negotiation of transactions and generation of information (Balderston, 1958). The significance of these services is linked to the assumption that less than full information is available for the actors in the market. This means that information asymmetries prevail, which create a need for a system for contact and communication (Baligh & Richartz, 1964). Intermediaries facilitate trade by handling these asymmetries (Allen & Santomero, 2001) and become information sellers who collect, disseminate and use information; i.e. information is an economic good (Etgar & Zusman, 1982). Thus, the intermediary facilitates the flow of information.

Logistics is concerned with the physical flow of goods. It is a matter of sorting, packing, transport and storing (Brousseau, 2002). These activities are part of a continuous transvection process constituted by two basic elements; transformation and sorting, which include all prior actions needed to place an end-product in the hands of the ultimate consumer (Alderson & Martin, 1965). A transformation is 'a change in the physical form of a product or in its location' in time and space (ibid p. 123); i.e. transformation may include the utility of form, which usually is not included in the description of utilities offered by channel intermediaries. However, the form utility and the utilities of place, time and risk are sometimes difficult to separate, e.g. in the services offered by Value-Adding-Resellers in the electronic industry (Jaaskelainen, Kuivalainen, & Saarenketo 2000). But it is possible to distinguish between sorting and transformation based on the resources needed for the two types of activities. Sorting is a decision activity, which primarily demands human resources, whereas transformation activities demand some sort of physical resources (Hulthén & Gadde, 2007).

Channel structure theory has been logistically oriented, but when end-user needs are high both as to information and logistical services, it is evident that these two drivers of structure produce opposite effects on the channel (Bucklin, Ramaswamy, & Majumdar, 1996). Under these conditions a separation into two structures; one for logistics and one for information offers better opportunities to serve customer needs, than combined structures. This situation occurs, when markets are characterized by postponement. This observation questions the claim that the bundling of information, logistics, transaction securization, insurance and liquidity activities is the rationale for intermediating actors. Other contextualized bundles of services and activities may be equally valuable for the parties to whom intermediaries are connected.

The final aspect concerns the **risk** involved in exchange and transaction. Channel research offers a categorization of intermediaries based on the risk they take in the performance of their role (Mallen, 1976):

- The merchant who takes and negotiate title
- The agent who does not take title, but negotiates title
- The facilitating intermediary, who neither takes title nor negotiate title

The significance of risk for the conceptualization of channels relates to the discussion of postponement and speculation, not as a purely logistic arrangement, but as a matter of risk. Bucklin (1965) claims that if postponement characterizes a channel, and middlemen are not taking the risk of holding speculative inventories, “there may be little economic justification for at title holding intermediary to enter the channel” (ibid p. 29). The role of intermediaries as actors who take a risk on speculative inventories relates to an industrial era, characterized by excess production for which storage was needed, and for which buyer had to be located and persuaded to purchase goods and services. This was the functions performed by the middleman; the reason for his participation in the channel (Sheth & Parvatiyar, 1995). Consequently, the legitimacy of intermediaries is questioned when focus changes, from getting new customers for an excess production, to retention of customers through customization and direct relationship building (ibid.).

However, intermediaries have not vanished, but the close linking of speculative risk and activity bundling to the function of intermediaries creates a fixation of concepts. Network studies offer a platform from which the fixation of concepts can be dissolved. When the close links between specific channel configurations, bundling of activities and categories of intermediaries are substituted with a contextualized approach to intermediation, new perspectives on intermediation open.

Intermediary functions in network studies

In an IMP tradition the links between interdependent actors are referred to as relationships. Based on the ARA network model (Håkansson & Snehota, 1995)

it is possible to analyze relationships on three dimension; activities, resources and actors, hence the acronym ARA. These dimensions are linked to each other; i.e. activity links between actors depend on resource ties grounded in the capabilities of the involved actors, and the resources of other actors. The resources of other actors are accessed by the parties to a relationship through their positions in the network. These activity links and resource ties are the substance of the bonds between actors, which develop through mutual interaction. The interaction process is constituted by short term exchange episodes involving products, services, financial and social elements. Over time these episodes may consolidate into long term relationships, which creates the foundation for and develops in a process of institutionalization and adaptation (IMP Group, 1982). These relationships involve exchange of give and get constellations of value, which differ from each other, and which can be more or less transactional or relational (Blois, 2002).

As pointed out in the first part of this section, the significance of relationships has long been recognized in channel research. But when markets are conceptualized as networks, a dyadic approach is insufficient as a platform for theorizing. Consequently, IMP scholars conceptualize intermediation as coordinated interaction between multitudes of actors, who combine accessible resources into customized solutions (Gadde & Ford, 2008). The core functions performed by intermediaries are **coordination and integration** (Gadde, 2010), and their role is to contribute to the value generation other firms (Cantù et al., 2010). This is achieved through mediation.

Holmen and Pedersen (2003) describes three mediating functions: 1) Joining 2) Relating 3) Insulation. Joining refers to the function performed by mediating actors in terms of facilitation and **initiation** of direct interaction between the focal actor and a third party. This role has been described as the tertius jungens (Obstfeld, 2005). **Relating** refers to the

coordination between a focal actor and a third party performed by an intermediating actor, but this coordination does not necessarily result in joining. Finally, **insulation** refers to a situation in which the intermediating actor coordinates the activities between a focal actor and a third party on their behalf. This enables the focal actor and the third actor to economize on resources for mutual coordination, as it is handled by the intermediary. The focal actor and third party do not even need to know about each other's existence.

However, insulation can also offer a platform for brokerage; i.e. an individually advantageous network position for an intermediary, which enables him to appropriate extra value for himself. This situation occurs, when the intermediary is spanning a structural hole (Burt, 1992); the two parties, who are indirectly linked by the intermediary, do not know each other, and the intermediary offers the only indirect link between the two of them. Thus, mediation is influenced and is influenced by the structure of the network, but the exchange effectiveness depends on the way in which the mediating actor performs his activities (Holmen & Pedersen, 2003).

Export, import and trade intermediaries and intermediaries in studies of the apparel industry

These studies offer three perspectives on the functions performed by intermediaries: Intermediation of 1) distance, 2) risk, 3) liaisons between domestic clients, and foreign manufacturers.

The term 'international trade intermediary' (ITI) is applied to signify mainly independent domestically-based export intermediaries and overseas-based import intermediaries (Ellis, 2010; Ellis, 2010; P. K. O. Fung & Chen, 2010). Thus, ITIs can be either export or import intermediaries. The term import intermediary is sometimes applied interchangeably with export intermediary; an agent acting on behalf of an exporter in a foreign market (e.g. Karunaratna, Johnson, & Rao, 2001). The functions performed by ITIs include search for foreign exchange partners, negotiating agreements, monitoring and enforcing contracts (Peng, 1998). These activities resemble activities performed by domestic intermediaries, but costs are perceived as greater in exchange between markets, which are culturally distant or unfamiliar (Anderson & Coughlan, 1987; Benito, Pedersen, & Petersen, 2005; Karunaratna et al., 2001). The perceived risks involved in sourcing from such markets influence the choice of entry mode (Bolisani & Scarso, 1996; Slangen & van Tulder, 2009; Åkesson, Jonsson, & Edanius-Hällås, 2007). These decisions are basically make or buy decisions (Anderson & Coughlan, 1987; Peng, 1998); a choice between direct relationships and intermediated relationships.

A case-study of purchasing intermediaries points to two reasons for involving an intermediary instead of establishing direct business relationships (Quintens et al., 2005): 1) If gaining foreign market knowledge is not desired 2) if cost-economizing drives the internationalization process of the involved company. In the latter case intermediaries are perceived to overcome language barriers and uncertainty in market knowledge, differences in attitudes and style, and in addition they take the risk. However, a successful ITI who offers these services may create the conditions, which eventually lead to his exclusion. By providing his client with assistance and information needed to set up a new market or supply market he may create the conditions, which enable his client to establish his own operation instead of buying the services of the intermediary (Ellis, 2006).

The significance of ITIs as parties, who take the risk, is emphasized by Peng (1998), who observes that in most cases export intermediaries are title-taking. And a recent study of ITI's role in transfer of knowledge in transition economies (Ellis, 2010) indicates that cultural distance is less significant for the decision to engage in international business than the economic, political and institutional risks associated with global trade. Therefore, exporters engage in business in culturally distant markets as long as risks are perceived to be low. Thus, mediation of cultural distance is a relevant, but not a sufficient explanation for the acting of intermediaries in global supply networks. It is an element of an expanded risk concept, which includes political and institutional risks as well as economic risks.

Finally a number of recent studies offer interesting perspectives for a study of intermediation with a network approach. The studies conceptualize the intermediary as an actor, who coordinates interaction between at least two other actors, if not a multitude (Fung & Chen, 2010; Fung, Chen, & Yip, 2007; Ha-Brookshire & Dyer, 2008). Moreover, the studies referred to in the following reflect conditions, which prevail in the apparel industry: Trade liberalization and complex, buyer driven, global supply chains (Gereffi, 2006).

In the apparel industry new types of intermediaries have emerged, who handle the functional interdependencies in the interface between textile suppliers, offshore manufacturers and domestic retailers (Taplin, 2006). They have been named supply chain managers, who operate smokeless factories, which offer design, purchase of fabrics and organize manufacturing (Magretta, 1998). Others are much involved in logistics and own their own facilities enabling them to offer high levels of fast service (Masson et al., 2007). In addition, some large organizations offer full in-house service including design, manufacture and logistics based on ownership of production facilities. The question is whether these integrated service providers are to be categorized as intermediaries or not (ibid), as they combine utilities of time, place and possession with utility of form, which normally is not included in the definition of intermediary activities.

These integrated service providers act as a special type of ITIs. They stand between domestic customers and foreign suppliers and must consider their relationships to both in order to be able to meet competing claims and resolve conflicts with a multiplicity of parties. Therefore the acting of ITIs must be analyzed in terms of their supply chain management capabilities; i.e. their combined supplier management, business process and customer-focused capabilities, the latter including the ability to **innovate** with customers in processes as well as design (Fung & Chen, 2010). The significance of the ability to innovate and design is emphasized in a related study (Dyer & Ha-Brookshire, 2008), which points to three success factors of the import intermediaries:

- To know the marketplace in a way which enables the intermediary to offer immediacy in the interpretation of trends
- To be able to operate the double perspective of being both buyer and seller, which involves a diverse relationship management practice and
- To be able to take full initiative and convert market uncertainties into market opportunities

Based on these capabilities the import intermediaries are able to operate as “service firms that link domestic wholesalers/retailers and foreign distributors/ manufacturers to facilitate import transactions” (Ha-Brookshire & Dyer 2008 p. 73). In order to respond to their clients' needs they combine four types of activities (Ha-Brookshire & Dyer, 2008).

Design: Interpreting trends

Marketing: Active environmental scanning

Sourcing: Supplier selection and partnership maintenance

Service: Facilitation of the client/ intermediary interface – alleviating stress for clients

The strength of this model is that it is built for a dynamic buyer-driven global market, and it captures the activities related to the double role as sourcing agent and marketing partner, which an intermediary can perform. By securing capacity and offering design services the import intermediary assists his domestic client in reducing the risk of missing the market. However, the risk perspective on the intermediary as an actor who is coping with distance and handling political and institutional risk in addition to economic risks does not stand out clearly.

A DESCRIPTIVE MODEL

The former section describes various functions performed by intermediating actors. Channel research categorizes intermediary activities into information, logistics and risk-related activities. Ha-Brookshire and Dyer's (2008) also includes information in their modeling of intermediaries, not as a service, but rather as an antecedent. If the intermediary is not immersed in the market, if he does not possess immersion knowledge (Dyer, Ha-Brookshire 2008) then he is not having the capability needed to be successful. Thus, information may be regarded as an economic good (Etgar & Zusman, 1982), but it is also an antecedent to the immediacy and flexibility which the intermediary offers.

Likewise, logistics may have to be understood differently. Transportation is still an important logistic activity, especially between dispersed supply and demand markets. But the crucial point is for the intermediary to be able to access an assortment of capacities, which enables him to deliver immediacy. This ability to access capacities and organize very fast production and delivery is part of the sourcing and service activities in Ha-Brookshire and Dyer's (2008) model. It is not described as logistics, but as the ability to deliver the right product at the right time; a sourcing activity, and to offer smooth transactions; a service. However, it is possible to integrate logistics and information in the model, and therefore it is chosen as a description of activities performed by intermediaries.

Moreover, Ha-Brookshire and Dyer's (2008) model integrates a network perspective on intermediation by emphasizing that intermediaries are acting not for but between manufacturers and wholesalers/retailer. From this network position the intermediary performs various mediating functions. In doing so, he influences the structure of the supply network. He can facilitate the creation of new relationships, which may in the end result in his own exclusion, he can relate actors by coordinating activities, and he can enable the dissolution of relationships by offering insulation. Thus, the structural aspect of the intermediaries' function must be considered, too. Thus, the structural aspect of relationships is not explicated in the model.

What the Ha-Brookshire model misses is an explicit conceptualization of the risks handled by intermediaries. The initial explorative interviews in this study indicate that import intermediaries book production capacity in advance in order to secure capacity. This implies that they run the economic risk of mediating between the demands for postponement and the demand for securing capacity (the speculation principle) in order to be able to offer immediacy. And at the same time they handle the geographical and cultural distance between

supply and demand markets, which may involve political and institutional risks. This being so, the intermediary's function as an actor, who reduces considerable risk for his clients, is significant. Therefore this dimension of his function must be explicated in addition to the structural aspect of intermediation and the service and the design, marketing, sourcing activities performed.

A final aspect is the link between the contextualized configuration of a specific intermediary's activities and his customers' strategic needs. Network efficiencies may be achieved either by dissolving or creating closely complementary activities. Network dynamic is a trade-off between flexibility and adaptability versus adaptation and stability (Andersson, 1992). The trade-off between stability and flexibility is closely related to the principles of speculation, which secures supply and postponement which facilitates customization and quick response to customer demands. Real life distribution arrangements mix the two principles (Hulthén & Mattsson, 2010), which implies that some sort of coupling point between the two principles is necessary. This is what the apparel import intermediaries offer; they integrate the two principles by securing the capacity needed to respond quickly to their customers' demand for customized designs.

In the case of the apparel industry the customers' strategic need is flexibility and the configuration of the apparel import intermediaries' function reflects this need. Price matters, but emphasis is on time and quality (Hart & Brookshire & Dyer 2008). In another context where customers need stability and focus on cost economizing, the configuration of intermediary function may differ significantly from the characteristic of the apparel import intermediaries. Therefore, the customers' need for flexibility and stability is added to the model of intermediary functions in figure 1. This addition emphasizes that intermediaries do not constitute a uniform group. Their function in term of mediation, activities and risk taking varies and the differences among them depend on their customers' heterogeneous demand

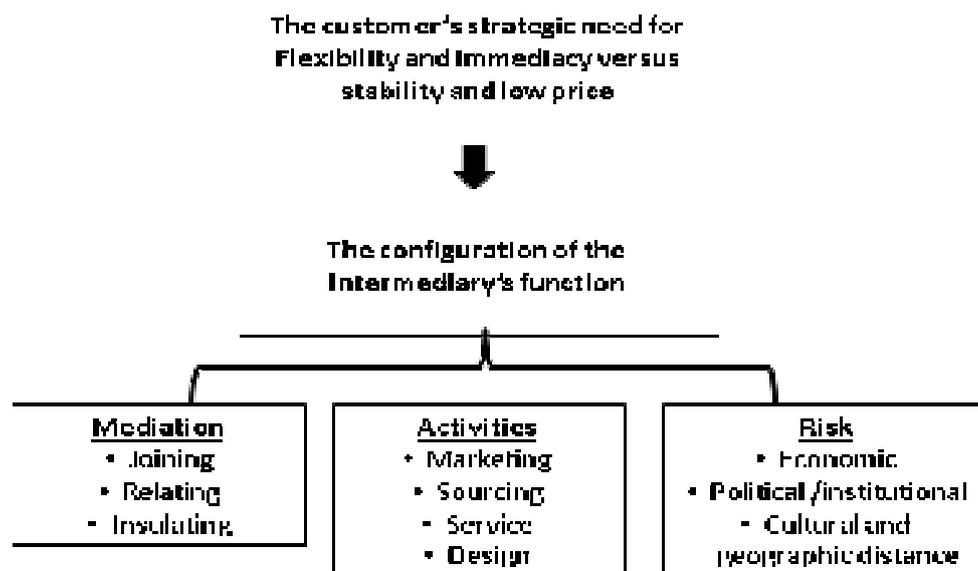


Figure 1: The configuration of the intermediary's function as a reflection of his customers' strategic need for flexibility versus stability.

CONCLUSIONS

This work-in-progress paper is the first step in a study of intermediaries in the global apparel supply network. Studies of the apparel industry indicate that the novel intermediating actors are crucial for the organization of the supply network. Moreover, initial explorative data from the present project show that these intermediaries have the double role of substituting and supplementing direct buyer-seller relationships. However, research on intermediaries in supply networks is scarce. These observations confirm the relevance of this paper.

Research implications

The paper contributes by offering a descriptive model which conceptualizes the intermediary's function as a contextualized combination of three elements: activities, structural mediation and risk-taking, of which the specific configuration depends on the customer's needs. The model expresses a pre-understanding resulting from a theorizing across the domains of channel research, networks studies, studies of ITIs and studies of the apparel industry. The model can be further developed if the suppliers' strategic needs are included, too. It may well be that global supply networks are demand driven rather than supply driven. But supply markets are not uniform and homogeneous, and consequently this diversity will also influence the configuration of the individual intermediary's function. This expansion would further explicate the network perspective; that intermediation is not a dyadic phenomenon, but a network phenomenon.

The model is complex, multifaceted and descriptive. It is developed for a case-study and offers a poor foundation for quantitative analysis of causality between discrete events or variables. However, the purpose of the study for which it is developed is not the analysis of causality, but causation; the analysis of continuous processes; the way in which relations and objects act (Sayer, 1992). This is achieved by inference from theory as well as singular phenomena. Consequently, the practical adequacy of the pre-understanding expressed in the model, i.e. its explanatory quality (Buch-Hansen, 2005), will only be evident in the analysis and reflection on the fit between model and data.

Managerial implications

The mentioning of the term middleman often results in an automatic response among purchasers; cut him out – he is not contributing, he is an unnecessary cost. But, as pointed out by network scholars, and by researchers who have specialized in the apparel industry, the intermediary contributes to the value creation of other firms, by coordinating and integrating interdependencies. Thus his value contribution may be worth paying for. Apparently, this is what some of the large players in the apparel industry have realized. Otherwise there would be little incentive for engaging an intermediary, who is operating in a supply market, in which the customers are present with their own sourcing departments. This insight shed another light on the intermediary's contribution which is of more general managerial interest. The intermediary can act not only as a substitute for, but also as a supplement to the buyer's own operations.

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