VERTICAL ALLIANCES BETWEEN RETAIL AND MANUFACTURER COMPANIES IN THE FASHION INDUSTRY

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Abstract
While vertical firms dominate the fashion markets worldwide since years, only little research is done on vertical alliances between non-vertical retailer and manufacturing companies in this sector. These paper analyses vertical alliances from the perspective of 98 traditional fashion retailers and 104 fashion manufacturers. Based on a process oriented value chain approach, the results show how primary market and supply chain oriented value chain activities are viewed in the context of alliances, particularly in terms of own competence, perceived potential for co-operation, and the level of co-operation achieved. The data show that retailers and manufacturers see co-operation potentials in value chain activities with both low and high levels of own competence. Secondly the data show that co-operation potentials identified by both partners and the co-operation levels achieved differ. Third the data show the relation between the co-operation levels achieved in the value chain activities and the degree of success in turnover, costs, and time-to- market.

Keywords: fashion retail, value chain, vertical alliances, co-operation

JEL Classification: M3, M31, L81

Introduction

There is hardly a retailing industry that has been examined in recent years quite as often as the fashion sector in connection with the success of vertically integrated firms. The turnover growth of Zara (52% in 3 years), and H&M (27% in 3 years) are just some examples of successful models (e.g. Bonnin 2002; further Moore and Birtwistle 2004). Vertically integrated firms and so called young fashion manufacturers operate with programs that change on a monthly basis, i.e. a partly new assortment has to be developed frequently, which is more complex than in those retailing industries where articles are listed for a longer period. Clearance selling of trendy, lifestyle-oriented products is subject to

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short-term fluctuation, and manufacturers are increasingly running their own mono-brand stores or concession areas within the retailing outlets. As a result, vertical manufacturers grow in the course of the forward integration process in the value chain. At the same time, vertical retailers also grow in the process of reverse integration, particularly in the area of own private labels (see the Special Issue by Doherty 2004 on further development tendencies in fashion industry).

Meanwhile, if we look at the number of companies present in the fashion sector, it is still the middle-sized companies which dominate retailers sometimes with a leading position in their specific location, and also middle-sized manufacturers. The fashion industry is still largely characterized by small and middle-sized companies, i.e. by independent firms that often do not even belong to a buying group in the retailing sector. This is the case in the German-speaking European countries, on which this paper focuses empirically. Here, fashion firms were affected by the drop in market volume in recent years (15% in the first 5 years of the century in Germany). These middle-sized firms are often disregarded in the debate over vertical systems or inter-firm partnerships. This paper looks into the question of how far these firms can participate by vertical collaboration or alliance activities, i.e. whether they consider vertical alliances to be a promising option in an increasingly vertically integrated fashion industry. The paper focuses on the co-operation levels achieved, but also on the perceived own competences, the co-operation potentials envisaged in 14 fashion-related value chain activities, and on success. This is analyzed in a comparison of evaluations by retailers and manufacturers, and the value chain is differentiated according to market-oriented and supply chain-oriented activities. Therefore value chain approaches build a conceptual basis for the analysis. The analysis is divided into three parts. Based on a literature review – and particularly on selected approaches of value chain models –, own resources, and alliance attractiveness, research theses are formulated and examined in an empirical study. A discussion concludes this descriptive paper.

1. Theoretical Background and Research Theses

1.1 Introduction

The literature on inter-firm relationships has been growing over the past years, and particularly since the Efficient Consumer Response (ECR) debate in the nineties (Schramm-Klein and Morschett 2006). Whereas, also in relationships between retailer and manufacturer context, most research concentrates on issues of supply chain management (e.g. empirically Golicic and Mentzer 2005; Stank, Davis, and Fugate 2005), studies that focus on vertical co-operation in marketing are quite rare (e.g. empirically Corsten and Kumar 2005; Dhar, Hoch, and Kumar 2001; Gruen and Shah 2000). Furthermore the research on vertical coordination in marketing channels has focused on long-term relationships (such aspects as enhanced communication, coordination process, establishment of commitment, trust, and shared values), inefficiencies in channel relationships or the inter-firm data exchange systems (e.g. Angeles and Nath 2001; Gundlach, Archol, and Mentzer 1995; Vinahs and Anderson 2005). As mentioned, there are fewer papers dealing with inter-firm relationships in the fashion industry (e.g. Abecassis-Moedas 2006; Christopher, Lowson, and Peck 2004; Moore, Birtwistle, and Burt 2004; Teng and Jaramillo 2005). The focus is mostly on vertical firms or global textile chains (for

middle-sized grocery firms, see Wagner, Fillis, and Johansson 2005). Our focus on middle-sized firms appears to be a fundamental one, i.e. we will use a more fundamental approach. For this purpose, we must go back to basic approaches that promise a contribution towards the structuring of the value chain and towards explaining the decision in favor of collaboration or co-operation.

1.2 Value chain frame of reference

As is well known, a industrial value chain approach was published by Porter (1980), where value chain activities are defined as a sequence of productive (i.e. value-added) activities leading to and enhancing firms' success (see Figure 1). This concept was further developed in various ways in economics and management (e.g. Abecassis-Moedas 2006; Gereffi 1999; Mills, Schmitz, and Frizelle 2004), however its basic idea could be related to the earlier theory of retailing function, the retailing value chain, or early theories of distribution channel systems (e.g. the retailing value chain of Seyffert 1931; Gill and Stern 1969 and, for an overview, Moore, Birtwistle, and Burt 2004). Authors develop value chain models for service industries, for virtual companies or integrative process oriented value chain, for modern and process oriented international companies (Figure no. 1). Specific publications deal with the clothing value chain.
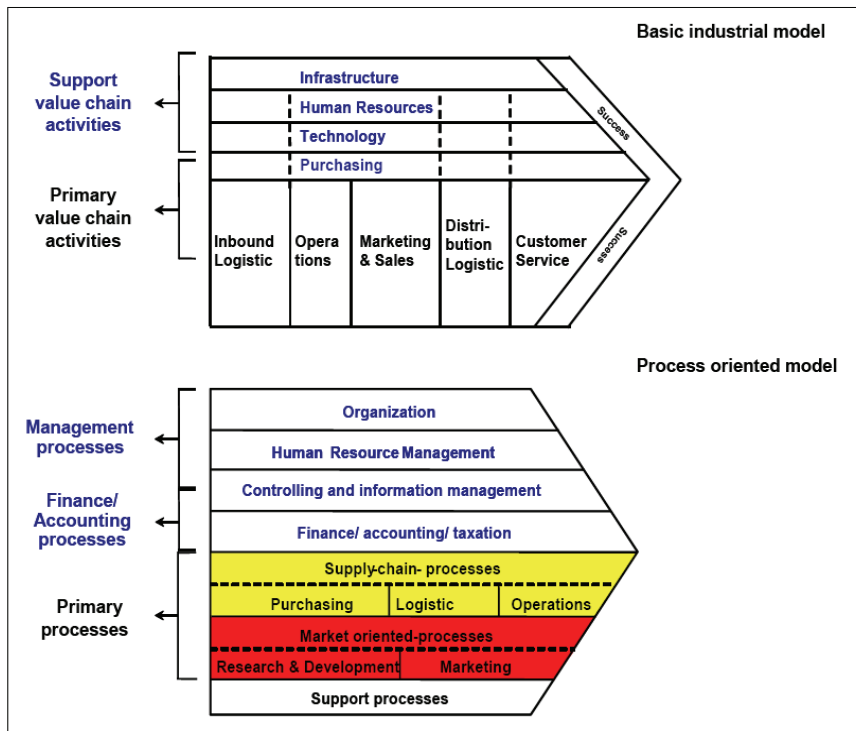

Figure no. 1: Basic models of value chain

Source: Porter 1980 and Zentes/Swoboda/Morschett 2004

Gereffi (1999) focused on the conditions, e.g. the high level of internationalization in supply and sales markets, and the key players in a clothing value chain, e.g. the consumer with bargaining power, the powerful retailer, and the brand-name merchandiser. Regarding the relationship between retailers and manufacturers, Richardson (1996) has already highlighted that competition in the fashion industry has shifted to the arena of timing and know-how, where vertically integrated firms have gained the lead, with full vertical integration including design, retailing and manufacturing. Christopher, Lowson and Peck (2004) focus on an agile supply chain in the fashion industry. In this article, market-oriented and supply chain-oriented value chain activities are distinguished. They could be summarized differently on three levels (see Srivastava, Shervani, and Fahey 1999 for a different three-level distinction):

- The starting point is provided by *innovation and market-oriented processes* that begin with market analyses and trend recognition, all with the objective of transferring the trends to the retailing sales floor. This is followed by development/design of the collection (at the manufacturer's site) and assortment planning/design (at the retailer's site).

- Classic *supply chain-oriented processes* are purchasing, production planning/control, or order management (selling or buying from the viewpoint of the manufacturer or retailer). Modern processes also include distribution management/logistics, stock/distribution management, as well as sales floor management (e.g. management of flash and never-out-of-shelf programs).

- Direct *customer and market-oriented processes* are shop design, sale to consumers, sales support/promotion, as well as sales staff planning, which come at the end of the value chain.

Figure no. 2 illustrated similar processes and indicate their interdependencies. In that industry especially vertical integrated firms need only two weeks for all processes, starting with the collection design and ending with sales activities. The short timing makes them successful, because they could react to consumer trends and can influence these trends actively. Traditional, not vertical integrated firms have principally the same value chain activities but with different competence areas in the case of manufacturers or retailers.
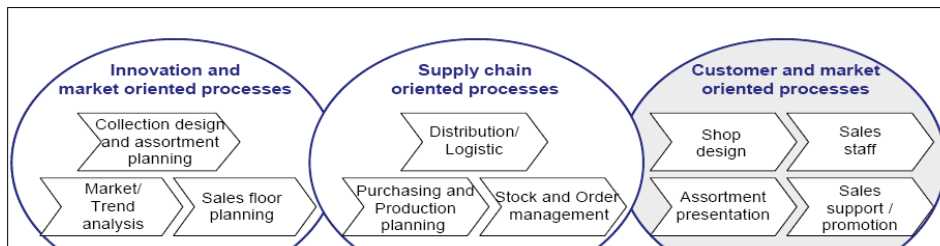

Figure no. 2: Value chain processes in the fashion industry

Source: Janz/Swoboda 2007

This basis model does of course not indicate which processes are considered suitable for alliance or a collaboration and which are not. In the literature mentioned above, processes are often assigned sweepingly to retailers and manufacturers (e.g. third and second level), or only selected interfaces are considered,

- in particular supply chain processes (such as order management, logistics, but rarely sales floor management) or

- market-oriented processes (such as sales promotion, product development, but rarely market analyses).

1.3 Selected Theories

The question of when alliances have potential or what impact inter-firm coordination has on market performance can be pursued using a lot of theories. Co-operation, for example, is advantageous from the point of view of transaction cost theory when the factor specificity of the investment is high, the frequency of transaction is low, the uncertainty factor is average, and the behavior risk is controllable (Williamson 1985; Wuyts and Geyskens 2005). From the viewpoint of industrial economics based strategic management, co-operation benefits are e.g. economies of scale and scope, time savings in developing new markets, fending off competitors, lowering capital costs and risk. Disadvantages arise relating to integration and control. Although we do not go into the details of such general conditions in this paper, it is well-known that advantageous conditions of this kind either gain or lose significance in the presence of certain context factors. The industry (e.g. concentration rate), the partner (e.g. size, market power), or the decision-makers (e.g. risk affinity) determine the choice. A wealth of other theories were consulted in connection with selected aspects of co-operation activities, such as the game and the agency theories, interaction approaches or the theory of social exchanges, equity and network or contingency theories (considering negotiations, trust or power aspects, the partner fits, etc., e.g. Collins, and Burt 2003; Douma et al. 2000; Mattsson 2003; Niederkofler 1991). A bridge between own competences and preferences is assured by resource-focused approaches, the roots of which (e.g. Penrose 1959 and also Barney 1991; Grant 1991; Peteraf 1993 in the early nineties) continued to develop until today (see Barney, Wright, and Ketchen 2001; Hoopes, Madsen, and Walker 2003 for an overview, or Sanchez 2004 for the competence-based view). As is known, particularly the resource-based view assumes that a firm's success is drawn from the resources the firm has at its disposal (e.g. tangible, intangible) and investigates the conditions under which certain resource configurations can lead to competitive advantages and to profits. The relevance of resource-focused approaches in connection with our research question can only be hinted at here, based on three aspects (in the context of co-operation activities, see e.g. Das and Teng 2000; Harrison et al. 2001; Ireland, Hitt, and Vaidyanath 2002; McEvily and Marcus 2005; Park, Mezias, and Song 2004):

- On the one hand, they can help answer the question of what retailers and manufacturers consider to be firm-specific competences, referring here to value chain activities. It is true that boundaries do become blurred between single value chain activities as competences, all the more so because the whole vertical process is considered a strong competence in the fashion industry, and one that is difficult to copy. In traditional, non-vertical fashion retailing and manufacturing firms, it is still possible to examine basically single value chain activities, possibly as suggested in the value chain frame of reference.

• Secondly, availability of resources (competences in the broadest sense) can be a starting point, particularly in assessing the benefits of institutional arrangements from the viewpoint of middle-sized firms.

• If we assume that there is a lack of certain resources, the benefits of co-operation are generally connected with access to resources that are scarce, costly, difficult to imitate, or difficult to substitute (Dyer and Shingh 1998). Since such access can be gained through co-operation, collaborative channel partnership may thus result in greater competitive advantage. Similarly, in the resource dependency perspective, the starting point is the issue of how firms can best ensure their survival in the context of the resources on which they depend (Pfeffer and Salancik 1978).

• The conditions of initiating co-operation activities can be formulated more precisely: If a firm has a surplus of physical, but not of intangible resources, the firm will seek to compensate this lack by co-operation. If there are limited tangible or financial resources, co-operation may also be a strategy that takes care of resources. In case of a surplus of resources or competences in a value chain activity, this approach together with others provides an explanation for choosing co-operation. In this case, too, co-operation can be an attractive option, for example under the conditions mentioned in connection with the transactions cost theory.

• Thirdly, from a dynamic perspective, the approach recognizes organizational learning progress as an accumulation of (intangible) resources and thus establishes a connection to co-operation experience. Experience leads to an accumulation of knowledge, and the exchange and combination of knowledge promotes adaptability and the facility for organizational learning, respectively, resulting in the ability to realize or prevent co-operation (see e.g. Borchert 2002 on further barriers in middle-sized firms).

1.4 Research Questions and Thesis

Based on the literature, the value chain frame of reference, and also the theories suggested, the following thesis can be formulated:

Thesis 1: Traditional fashion retailers and manufacturers see different own competences in value chain activities. They see potentials and/or attractiveness for the realization of vertical alliances however also in those activities where resources or competences are low, as well as in those where they are high.

In terms of realization of alliances in the value chain activities, approaches can be found in the resource-based view, e.g. with experience gained in partnerships. Additionally, there are other barriers to the realization of potentially attractive co-operation activities, for example the search for a partner (identification, build-up of trust), the negotiations (on the form of contract, assignment of responsibilities), assessing structural, strategic or cultural fits in the partnership, general set-up of the middle-sized firm, or the attitudes of the decision-makers. In this respect, we can reason as follows:

Thesis 2: Traditional fashion retailers and manufacturers diverge in their assessment of the potentials of alliances and of the level of alliances achieved in the different value chain activities.

Finally, the success factors can be identified in various approaches or theories. In a very broad approach, the initiation, realization, and management factors of co-operation are relevant to success (see, for example, Bigne and Blesa 2003 on the relation between market orientation, trust and satisfaction on the basis of a literature review, Borchert 2002 on satisfaction, or Bruce and Moger 1999 on the better scope for innovation). We focus on the direct effect of the value chain activities on success:

Thesis 3: The co-operation level achieved in different value chain activities influences the success or the improvement achieved in turnover, costs and time-to-market.

What this means is that supply chain-oriented co-operation activities, for example, are related more to cost advantages (e.g. Kotzab/Teller 2003; Golicic/Mentzer 2005), while market-oriented co-operation activities are related more to turnover. Consequently, for time-to-market strategies, both fields of value chain process co-operation should be relevant.

2. Empirical study

2.1 Data

The empirical study focuses, as part of a broader project, on managerial perceptions. The whole project consists of 25 intensive case studies and on mailed questionnaires. For the present ex-post study we mailed questionnaires to approximately 1,500 German, Austrian and Swiss fashion firms (mostly at CEO or owner level). Addresses were collected from two different data bases, particularly from the main German-speaking fashion magazine publisher and from a management consultancy.

Of the questionnaires returned, 98 retailer and 104 manufacturer questionnaires were usable. With regard to firm's size, the sample can be considered as approximately representative for the fashion industry in the countries; successful firms are somewhat over-represented. The firms operate primarily in the ladies' wear and menswear assortments, where the manager was to choose the assortment from the core business to answer the questions (see the legend in Table no. 1). Fully vertically integrated firms were not considered. The sample did, however, cover partially vertically integrated firms whose distribution channels or sales floor concepts are important in interpreting the assessments of the value chain activities. For the retailers, multi-label areas predominate with 67%, followed by depots/corners, shop-in-shop areas, and mono-brand stores (14, 13, 5%). For 70% of the manufacturers, multi-label areas are important, for 11% depots/corners, for 10% shop-in-the-shop, for 7% own or franchising stores, and for 2% concessions. The share of collection content is comparable for retailers and manufacturers: some 60% accounts for the main collection and 20% each for flash and never-out-of-shelf programs. The share of private labels in the retailers' sales mixes averages around 20%. For the purposes of this paper we don't provide the common reliability and validity tests.

Table no. 1: Selected Data on the Sample

Turnover in mill. EURO	Retailer (N = 98)	Manufac-turer (N = 104)	Dominant assortment [1]	Retailer (N = 98)	Manufac-turer (N = 104)	Firms objectives achieved in the past 3 years [2]	Retailer MV	SD	Manufac-turer MV	SD
< 15	39.8%	26.0%	Ladies' wear	83.8%	43.3%	Turnover	2.7	1.2	3.2	1.2
15 – 74	25.5%	32.7%	Menswear	64.3%	44.2%	Profitability	3.4	1.0	3.6	0.9
75 – 249	18.4%	22.1%	Household linens	31.6%	15.4%	Cost reduction	3.6	1.0	3.5	0.9
250 – 500	9.3%	10.6%	Sport	28.6%	15.4%	Time-to-market	3.3	1.1	3.3	1.0
> 500	7.3%	8.6%	Children's wear	26.5%	9.6%	Assortment quality	3.5	0.8	3.7	0.9
Sum	100.0%	100.0%	Others	20.9%	14.4%	Others	3.1	1.1	3.2	1.0

Legend: [1] *Multiple entries (chosen for further evaluation: retailer 46.9% ladies' wear, 40.8% menswear, 8.2% household linens, 4% others (sport, shoes, accessories, children's wear) and manufacturer 26.9% ladies' wear, 28.8% menswear, 12.5% household linens, 9.6% sport, 8% others (shoes, accessories etc.) 14% missing* [2] *1 = highly unsatisfactory; 5 = very satisfactory.*

2.2 Measures

The measurement process concentrates on 14 market-oriented and supply chain-orientated value chain activities that are well-known in the industry, and their understanding was pre-tested in the personal interviews mentioned. One half are market-oriented (M) and the other half supply chain-oriented activities (S), depending on classification (see Table no. 2, listed according to a modern fashion value chain). Top managers or the owners of retailing and manufacturer firms were asked to provide ratings on three aspects relating to their core assortment area (each on 5-point Likert scales, anchors: 1 = very low; 5 = very high):

- What is the extent of the firm's own competence in the areas of its own value chain?

- How high is the potential or the attractiveness of co-operation activity rated?

- To what extent has co-operation already been realized in the area concerned?

**Table no. 2: Assessment of Perceived Own Competences, of Potentials in Co-operation
Activities and Level of Co-operation Achieved – t-tests**

	Retailer (N = 98)			Manufacturer (N = 104)		
	Own com-petences	Potential of co-operation[1]	Co-operation level achieved[2]	Own com-petences	Potential of co-operation[3]	Co-operation level achieved[4]
Market analyses / trend recognition (M)	3.66	3.92	2.19**	3.88	3.81	2.67**
Planning trends to sales floor (M/S)	2.99	3.97**	2.17**	2.98	3.46**	2.45**
Collection design (M)	1.94	3.24**	2.07**	4.04	3.27**	2.59**
Assortment planning / design (M)	3.95	2.70**	2.36*	2.26	2.45	1.89**
Order management (selling / buying) (S)	3.82	3.69	2.44**	3.53	3.50	2.46**
Purchasing / purchase planning (materials, etc.) (S)	1.37	1.71	1.38**	3.84	2.81**	2.09**
Production planning / control (S)	1.22	1.71**	1.42*	4.06	2.55**	1.96**
Distribution management / logistics (S)	2.99	3.65**	2.13**	3.67	2.78**	2.40**
Stock / distribution management (S)	1.82	2.85**	2.04**	3.77	3.05**	2.56**
Sales floor management (S)	3.42	3.77*	2.61**	3.39	3.40	2.44**
Shop design (M)	4.19	2.61**	2.20**	2.26	2.41	2.10**
Sales (to final consumers) (M)	4.42	2.45**	2.12*	1.97	3.27**	2.75**+
Sales support / promotion (M)	4.04	3.79*	3.32**	3.28	3.54*	2.95**
Sales staff planning (M)	3.88	1.87**	1.49**	1.96	1.96	1.62*

*Legend: 1 = very low; 5 = very high. Significance levels * 0.05 and ** 0.001 in t-test for
sample pairs between 1) competences versus potentials, 2) potentials versus level of co-
operation achieved (retailer), 3) competences versus potentials, 4) potentials versus level of
co-operation achieved (manufacturer)*

This three-stage procedure was selected because the status of alliances in the fashion
industry – e.g. compared to such retailing industries as groceries – is rather low, also due to
the middle-sized structure of many of its players. So far it has not been possible to register
dyadic partnerships. The resulting questions relating to success referred nevertheless to a
partnership in the respective assortment area. The firms were asked to rate the

improvements made since the co-operation began, using a 5-point Likert scale (anchors: 1 = very low; 5 = very high), in terms of turnover, costs, and time-to-market or process acceleration. Thus, also the dependent variables contain qualitative and subjective judgments.

3. Results

3.1 Competences, Potentials and Alliances Levels Achieved

The first findings to be considered in Table no. 2 are the assessments provided by the retailers and manufacturers when asked about their own competences and the co-operation potentials in the value-added functions. Throughout all value chain activities, the manufacturers see a large number of own competences and, at the same time, higher alliance potentials. The retailers' assessment is more reserved. The following aspects are worth pointing out briefly:

• It is not surprising that retailers see their own competences in the typical *market-oriented activities,* such as assortment planning, shop design, sales, and sales staff planning. Here, the alliance potentials largely have a low rating from the point of view of both groups of companies.

• The manufacturers see own competences more in *supply chain-oriented activities,* such as purchasing, production, logistics, stock and distribution management. Alliances are assessed here as being less attractive.

• In other activities, retailers and manufacturers see above-average competences, coupled with above-average co-operation potentials, e.g. market analyses, order management, sales floor management, and sales promotion. Relatively frequently, the competences are rated as below average by one or both sides, however at the same time the co-operation potential is rated higher, e.g. selling trends, development of collections, distribution/logistics, and sales.

Thesis 1, stating that traditional fashion retailers and manufacturers specify different competences and see potentials for realization of vertical co-operation both in such activities where they have lower competence and in those where they have greater competence, cannot be refuted. Likewise, Table no. 2 illustrates the results relating to the second thesis and thus, on the scope of co-operation level achieved. All of these values are below the potential and attractiveness assessments. This can be interpreted as an indication of the hitherto reserved realization of co-operation activities in the value added functions observed, possibly also for the potentials to be uncovered by the firms in the course of their co-operation activities. Of course, it is also an indication of the barriers to co-operation that the firms envisage. As a matter of fact, in the present study the highest barriers alternated between unwillingness (thus relinquishment of some sovereignty over the assortment and also sharing of sale risks) and lack of know-how. These were followed further down the scale by such aspects as different positions of market power, lack of ability by the manufacturers' assortment to fill a sales floor, too little exchange of information, lack of mutual trust, etc.

3.2 Alliance Success

Based on the data available, it is possible to show that successful companies have a greater degree of vertical alliances, particularly in recent years. Here, the retailing and manufacturing data can be combined and the values (co-operation level achieved) fed into a quick cluster, which results in two groups of firms. These two clusters show mean value differences in terms of objectives achieved in the past three years, as shown in Table no. 1 (significant especially in terms of turnover and profitability and only by the trend in terms of costs and time-to-market). Of course, this is too undifferentiated to make statements on the success of co-operation activity because it is unclear here whether co-operation in one area of the assortment actually influences the success of the entire firm or whether the effect relationships are reversed, i.e. successful firms realize co-operation activities more often. For our purposes, the firms were requested, as described, to state what improvements were achieved in co-operation in the core assortment area. Table no. 3 shows three models, with successes in turnover, costs and process acceleration or time-to-market as dependent variables. Independent variables reflect the co-operation level achieved, namely in those activities that were accorded above-average co-operation potential (at least mean values over 3 in Table no. 2).

Table no. 3: Effect Models of the Levels of Co-operation Achieved – Pearson Correlations and Multiple Regression from the Joint Viewpoint of Retailer and Manufacturer

	Improvement achieved through co-operation in terms of …		
	Turnover	**Costs**	**Time-to-market**
Constant B	1.788**	1.387**	1.489**
Market analyses / trend recognition	0.164* (0.300+)	-0.087 (0.068)	-0.033 (0.190*)
Planning trends to sales floor	0.002 (0.170*)	-0.017 (0.123+)	0.075 (0.226*)
Collection design	0.144+ (0.248**)	-0.022 (0.058)	0.135 (0.214*)
Order management (selling / buying)	0.103 (0.175*)	0.236** (0.385**)	0.195* (0.261**)
Distribution management / logistics	-0.059 (0.096)	-0.019 (0.300**)	-0.078 (0.140+)
Stock / distribution management	0.060 (0.076)	0.121 (0.266**)	0.037 (0.186*)
Sales floor management	0.020 (0.220*)	0.180** (0.292**)	0.103 (0.285**)
Sales (to final consumers)	0.063 (0.151*)	0.092 (0.138+)	0.098 (0.194*)
Sales support / promotion	0.275** (0.288**)	-0.024 (0.085)	0.018 (0.093)
	R^2: .184 (n = 182)	R^2: .182 (n = 179)	R^2: .136 (n = 179)
	F: 4.33; sign. .000	F: 4.20; sign. .003	F: 2.98; sign. .003

Legend: Significance levels + 010, * 0.05 and ** 0.001. Standardized beta and (in brackets) correlation coefficients; n varied depending on valuable answers concerning the success variables.

Reviewing the correlations, the results are as expected. The improvement achieved in turnover indicates a positive correlation to co-operation activities in market analyses, sales support, collection development, and sales floor management, to name but the four highest coefficients. The cost improvement correlates positively, among other things with order and distribution management, sales floor management, as well as stock and distribution management. The time-to-market and process acceleration point to a whole series of correlations, but none are dominant. Both market-oriented and supply-oriented aspects are relevant to improvement, which is an indication of substantial complexity in co-operation activities. The linear multiple regression analyses lead in all three models to significant solutions in terms of the improvements achieved. On the other hand, the quality of the regression models is not particularly good and only the dominant variables have any weight of explanation. The most complex aspect appears once again to be the relation to the time-to-market improvement, although only one variable displays significant t-values.

4. Discussion, Implications and Limitations

The present paper dealt with the analysis of vertical alliance options in the value chain from the viewpoint of autonomous, traditional and middle-sized fashion retailers and manufacturers, and thus corrected the balance slightly against the growing dominance and discussion on the subject of vertically integrated firms. The value chain frame of reference and, in particular, the resource-focused approaches were used to structure the research questions and proved to be productive here. All this was done from a more practical and descriptive point of view of the firms. The implications of the empirical study results can be interpreted in three directions. A comparison of the own competences identified and co-operation potentials, as estimated from the viewpoint of the retailers and manufacturers, permits a first generalization. Figure no. 3 shows a simple view (based on the 5-point scale results), which can be considered as having practical relevance for firms that may not have contemplated co-operation so far.
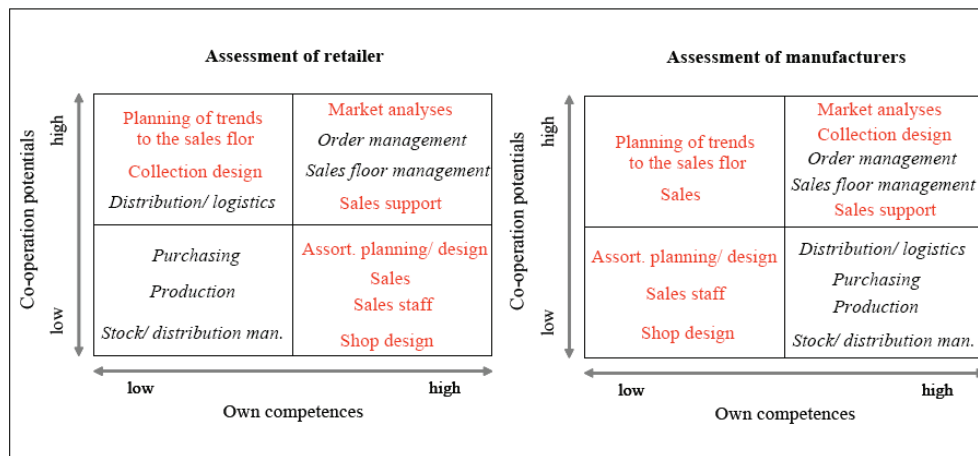

Figure no. 3: Comparison of Own Competences and Co-operation Potentials

Here, for example, we can identify the activities associated with low co-operation potential, which the retailers and manufacturers believe they can either conduct themselves or can be

left entirely to their partner. Activities in the field with high competence and high co-operation potential by both partners could be used to multiply mutual strengths in co-operation. Where there is little competence and high co-operation potential, co-operation activity could be used to compensate weaknesses. In addition, more supply chain-oriented activities are stated by the manufacturers as being core competences, similar to the above-mentioned Efficient Consumer Response (ECR) related literature. Retailers, on the other hand, stated more market-oriented competences. All in all, this generalization cannot be more than a basis on which to examine individual activities, not least because a factor-analytical examination of the structure is required. At the same time, the context was not taken into account, e.g. determinants of the variables mentioned in the sample description, such as distribution channels, share of retail brands, etc. For example, the manufacturers' own competence should increase if they move towards franchise stores or concession areas, in terms of sales floor disposition, shop design, or sales staff planning. If activities expand in the never-out-of-shelf programs, the relevance of supply chain-oriented activities will probably increase. On the other hand the relevance of short term market analyses or trend recognition will probably decrease because – as in the ECR-management – dispositions tend to be re-adjusted.

Many of the firms interviewed have so far realized a relatively low level of co-operation activities in their core assortment areas, contrary to their own assessments of the co-operation potentials. This draws attention to the constitution conditions for vertical co-operation activities or collaboration compared to other institutional arrangements, as only hinted at in this paper in connection with the selected theories. There are still many questions to be answered here because the findings show that vertical alliances or collaboration for traditional, middle-sized fashion firms (can) only be viewed to a limited extent as a counter-development to vertical integration in the fashion industry today. Finally, the connections between the alliance levels achieved in the value chain activities and the improvements achieved in turnover, costs, and time-to-market were analyzed. On this basis it was possible to deduce some results relating to the success factors in co-operation activities. Accordingly, the findings should be interpreted as initial results in view of the fact that we did not focus only on companies involved in successful vertical alliances. A well-founded examination of success factors requires an investigation of the factors involved in initiation and realization of co-operation activities, such as the search for a partner, negotiations, as well as the structure, strategy, and cultural factors relevant in the management of co-operation activity. A review of the competence of the entire value chain embodiment would be an interesting topic. Also the question of international alliances will be interesting (Swoboda, Foscht, and Maloles 2009).

All in all, this study has its limitations and is explorative in nature. Limitations are not linked to the representativeness of the sample, but more to some methodology issues. Besides the basic evaluations and the lack of reliability and validity tests, the fact that it was not possible to interview dyads in all cases limits the research. As explained, no determining or moderating variables, such as firms' size, co-operation experience, degree of vertical integration, etc., were taken into account. However the authors think that the results will provide some insights into the views and problems of mainly middle-sized fashion retailers and manufacturers. We recommend against the results a stronger look on alliance options by manufacturing as well as by retailing fashion companies.

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