The development of an apparel industry business model for Canada

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Abstract

Purpose – Earlier attempts to develop a strategy for the apparel industry in Canada to counter the adverse effects of trade liberalisation on Canadian apparel suppliers have been based on the concept of clustering. However, despite the support from government-supported industry bodies, clustering has not been forthcoming and this situation has created a pressing need for the development of an alternative to the clustering strategy. A study by the Canadian Apparel Human Resources Council offered up several different strategies including clustering, that the Canadian apparel industry might pursue, but these have not been taken up. Evidence gained from government reports on the industry and its performance, industry case studies, an experience survey and questionnaire reported earlier, leads to a radically different alternative with a more direct relationship between Canadian apparel suppliers and retailer. The purpose of this paper is to report and construct an evidence-based collaborative strategy together with its accompanying apparel industry business model.

Design/methodology/approach – The evidence gained from case studies of Canadian apparel businesses, a secondary data search, an experience survey and an online questionnaire has been followed and combined with retailer requirements from apparel suppliers.

Findings – The information gained from apparel industry representatives, government sources and industry reports has enabled step-by-step construction of an evidence-based business model centred on the formation of collaborative partnerships between apparel suppliers and retailers.

Originality/value – The model reflects the fact that Canadian apparel retailers have taken the leading role in the supplier/retailer relationship and shows how Canadian apparel suppliers might better position themselves to combat competition from offshore suppliers through the formation of closer links with retail partners. It points not only to a requirement for Canadian apparel suppliers to become integrated into their retail partner’s retail management systems and technology, but also demonstrates the need for the formation of strong alliances through collaborative partnerships between supplier and retailer to address the needs of the apparel market.

Keywords Business model, Small to medium-sized enterprises, Clusters, Canadian apparel industry, Collaborative partnerships, Evidence-based strategy

Paper type Research paper
1. Introduction
An earlier paper (Campaniaris et al., 2011) explained that because the Canadian apparel industry was already under threat from imports from low-wage countries and competition for its export markets, even before trade liberalisation began in 2005, the lack of competitive advantage for Canada as an apparel manufacturing nation and the subsequent rapid decline of its apparel industry pointed to the need for a strategic response from the Canadian apparel industry, particularly from its small- to medium-sized enterprises (SME). The Apparel Human Resources Council (2011), which no longer exists as part of Human Resources Canada, correctly identified the need to re-define the industry to one that includes domestic producers, wholesalers/distributors of offshore sourced products and retailers who not only undertake their own product development but also source garments offshore.

Previous work conducted for the Apparel Human Resources Council of the Federal Government of Canada (Richter, 2004) had outlined a number of strategies that Canadian apparel companies could pursue and seemed to suggest considering the implementation of a cluster approach and greater cooperation between suppliers as a way forward, but Campaniaris et al. (2015) found unwillingness amongst Canadian apparel supply companies to cooperate with each other and little evidence of a cluster strategy being applied by Canada’s apparel companies.

The purpose of the present paper is to put forward an alternative evidence-based collaborative strategy and business model, with the potential to provide Canadian apparel SMEs with significant advantages over offshore suppliers, whilst at the same time not relying on clustering between supplier companies for its success.

A key development taken into account in the formulation of the proposed strategy is the transformation following trade liberalisation in 2005 of the Canadian apparel industry from a manufacturing to a service industry with the retailers more often sourcing offshore and taking much stronger control of the supply chain than before (Campaniaris et al., 2015). The repositioning of retailers to the dominant role in the supplier/retailer relationship points to the increased value of direct vertical relationships between individual apparel suppliers and retailers. Therefore, rather than focusing on a strategy dependent on clustering between suppliers, attention was directed instead on direct collaborative partnerships between apparel suppliers and retailers, with the retailers taking the lead role.

2. Development of the business model
Any business model designed to address the current requirements of the Canadian apparel industry in the post trade-liberalisation period needs to ensure that the choices that are open to an apparel supplier (about what role to play in the retailer/supplier relationship) are made clear.

2.1 The retailer as central actor in the business model
The research study undertaken by Campaniaris et al. (2015) showed that even though, according to retailers, the consumer drives the business, the majority of apparel suppliers had indicated that it is the retailers that drive the value chain. This puts the onus on the retailer to create and maintain an environment that is conducive to collaboration.

2.2 A change in the sequencing of the value chain flow
According to Industry Canada (2008), the apparel industry value segment consists of six key steps: design, manufacturing, marketing, securing clients, distributing and servicing;
ordered accordingly, this has been the traditional sequence for the value chain of Canadian apparel companies involved in domestic production as depicted in Figure 1(a).

The switch to primarily offshore sourcing, the increased focus on other segments of the value chain, such as product development and service, and retailers’ requirements, such as complete and timely deliveries, necessitate a change in the sequencing of the value chain flow. Figure 1(b) shows the new sequence of the value chain steps, which, instead of design, starts with marketing, traditionally an area of weakness among Canadian apparel SMEs. Most apparel suppliers market their products and, in some cases, their brands through retailers not only in Canada, but also in export markets and, therefore, need to develop retailer-specific marketing plans in addition to their own corporate marketing plans. These retailer-specific plans then drive the product planning and development, which cover such functions as design and product development, merchandise planning for both fashion and replenishment commodities and pricing, hence the necessity for the new sequence. With emphasis on inventory management, very few companies manufacture on a speculative basis, hence, for most suppliers it is important to secure the retailers’ commitments ahead of sourcing.

The next three steps in the new sequence for the value chain are: sourcing/manufacturing, which includes translating the retailers’ orders into sourcing/manufacturing plans and producing garments; distributing, in other words transporting, warehousing and delivering products to the retail stores; finally, servicing, which consists of such activities as in-season replenishment, balancing of in-store inventory, trunk shows and other unique services that suppliers offer to retailers to differentiate themselves from their competitors.

2.3 Alignment of the suppliers’ management functions with the revised value chain
From a supplier’s standpoint, the new sequence of the value chain can be divided into four major management functions, shown in Figure 2:

1. planning, which includes the development of marketing plans, brand management, product planning and development;
2. producing, which includes forecasting, obtaining retailers commitments and making the garments;
3. distributing, which includes transporting, warehousing and delivering products to retailers; and
4. servicing, which includes customer relationship management, after-sales service activities such as replenishment of and balancing inventories, and monitoring the product performance in terms of sales, promotions, markdowns and profits.
Of the four management functions outlined above, planning is the one that focuses on building relationships between products (and/or brands) and targeting consumers by developing a unique image of the products/brand(s) in the consumers’ mind relative to competition. Using market research as well as social media feedback, companies can identify the reasons that consumers purchase their products, which helps both product development function and product positioning, one of the central elements in marketing (Kerin et al., 2009). The other three management functions – producing, distributing and servicing – are operations-driven functions aimed at making, moving and supporting the retail sales of products efficiently and effectively.

2.4 Apparel suppliers’ value-chain-based solutions
Depending on the strengths of the company, an apparel supplier can choose to pursue either of two value-chain-based solutions: one that is focused on competitive positioning of its products and brands (marketing superiority) and another that is focused on responsiveness and performance (operational superiority), as shown in Figure 2.

A company pursuing a marketing superiority solution could focus on product or brand differentiation. Most Canadian apparel suppliers using this solution would lean
towards product innovation and mostly functional innovation as compared to the design of performance merchandise. The reason is twofold.

First, there are very few Canadian brands that are either global or have the potential of being global brands, primarily because of lack of marketing support, so any recognised Canadian brands are usually niche.

Second, there are fewer Canadian apparel suppliers developing performance products, than there are engaged in innovation in functional apparel. Canadian apparel suppliers choosing the functional innovation approach would have to focus on providing innovative design at a competitive cost to address both the retailers’ and the consumers’ need for uniqueness and value.

There are three trends that the present research study has highlighted:

1. the price deflation on apparel;
2. the rise in private label business; and
3. the emergence of global retailers.

These three trends are increasing the pressure on and are altering the shape of the branded apparel industry in general, and particularly secondary and tertiary brands, which, in an effort to stay in business, have focused on just the sell-in at the retailers. This, together with the recent recession, has pushed margins, which were already thin, even lower, resulting in either the demise of some brands or the need to alter the way branded suppliers conduct their business. Verity Partners (2003) recommended a Sales and Operations Planning (S&OP) process to manage the integration of the required competencies (planning, sales/trends monitoring and quick-response supply chain) to counteract such trends but neglected to consider the retailers’ active involvement in the process. Moreover, since 2003, social media and its performance metrics have developed substantially in ways that could not be foreseen and can now provide analyses on topics and consumer sentiments pertaining to the supplier’s brand, its reputation and its competitors, as well as the company’s marketing and public relations effectiveness on the basis of customer loyalty and feedback, and in-store and, if applicable, online experience.

As for non-branded suppliers, with the exception of those that offer superior design and product development, all others would focus on the operational side of the collaborative relationship and the use of technology to attain the agreed upon objectives with their retail customers. Companies pursuing operational superiority must focus on the management of the supply chain, i.e. sourcing, procuring, converting and all the logistic activities. Their performance will depend on how well they manage the global apparel supply network and logistics seeking to increase transaction speed by exchanging data in real-time, reducing inventory and increasing sales volume by fulfilling customer requirements more efficiently and effectively (Doshi, 2006). According to retailers, another important area of responsiveness is that of after-sales service. Apparel companies would need to demonstrate excellence in this area by providing services such as in-stock programmes for in-season replenishment, balancing of inventories at the retail level, and assisting retailers by maintaining model inventories at the retail floor and, where applicable, consumer-oriented promotional activities (Campaniaris et al., 2015).

It is expected that most Canadian companies would choose to build on their strengths and blend the two value-chain-based solutions in offering a hybrid solution, skewing either towards product development or the supply of product to meet retailers’ expectations.
2.5 Deployment of technology
An important ingredient in the development of an apparel strategy is the technology used in the integration of key segments of the value chain. Figure 3 shows some of the technology deployed in support of the various value chain segments.

A major consideration for suppliers prior to investing in any particular technology is to determine the technology needed to address compliance with their key retail accounts.

3. Considerations in the development of a collaboration-based strategy
The repositioning of retailers to the dominant role in the supplier/retailer relationship since trade liberalisation points to the increased value of direct vertical relationships between individual apparel suppliers and retailers. Instead of strategies dependent on clustering between apparel suppliers in Canada, attention should be directed instead to individual vertical collaborative partnerships between apparel suppliers and retailers, with the retailers taking the lead role.

Collaboration is an interactive and collective approach to achieving shared objectives among companies. According to Gardner (2005) “Collaboration is both a process and an outcome in which shared interest or conflict that cannot be addressed by any single individual is addressed by key stakeholders. […] A collaborative outcome is the development of integrative solutions that go beyond an individual vision to a productive resolution that could not be accomplished by any single person or organization”.

A retail-driven collaboration strategy for the Canadian apparel industry necessitates a number of adjustments to current practices:

1. Changing the corporate culture to collaborative is a major challenge, which may necessitate a radical shift in the axioms that drive the business.

2. It is important that all functional departments within a supplier’s organisation work under the guidance of a “Manager for Collaboration” and in synchronisation...
to fulfil the retailers’ expectations. This means working to a single forecast, having common measures and adjusting inventories and processes according to the retailers’ input on both the performance of the in-season merchandise and future sales forecasts.

(3) One of the most significant factors to developing a collaborative relationship is sharing information; lack of trust is the most significant obstacle to the creation of a collaborative relationship. According to an SAP-sponsored survey conducted by the Economist Intelligence Unit Limited (EIU) (2008, p. 7). “The biggest challenge in collaborating with business partners is building trust. One-half of all respondents say that trusting corporate partners enough to share information is the toughest aspect of a new business relationship, and 64% of executives agree that strengthening personal relationships is essential in establishing trust with their business partners”. To accelerate the process, it is suggested that companies create a structured plan, which involves scheduling meetings to determine each partner’s contribution to future opportunities and creating incentives to achieve the objectives. This is in line with what Nooteboom (1996) refers to as “goodwill trust”, which is the partner’s intention to perform according to agreements, added to which there is “competence trust” (the partner’s ability to perform), which would be determined as a first step in the collaborative relationship.

As it happens, it appears that communication between retailers and suppliers has begun to improve as the deepness of the recession between 2007 and 2009 forced suppliers to increase their efforts to control costs and respond more collaboratively with retailers to address problems affecting profitability that were previously ignored (Guerriere, 2010).

(4) Also according to Guerriere (2010), scorecards are becoming the “primary means by which retailers measure supplier performance and will ultimately be used to determine who retailers choose to partner with over the long haul” and should be used in a fact-based discussion to ensure an error-free and profitable supply chain, not as a means for the retailers to charge penalties for lack of vendor compliance.

The major catalyst in the establishment and maintenance of collaborative partnerships is communication; the associated technology enhances the possibilities of effective collaboration between retailers and suppliers but requires them to jointly address critical issues of privacy, security and competitive intelligence. The EIU (2008) EIU report suggests that one of the areas of importance in forming new relationships in the near future is visibility and transparency of data and processes. Yet, although the respondents to the EIU survey seemed to recognise the need to be more open with their partners, the majority had not taken the necessary action to share information, apparently because internal information technology systems in the areas of customer relationship management, business process management and business intelligence needed to be improved before connecting with external partners.

Regarding the SME approach to collaboration, the report found them to be more focused on product and service differentiation than the large companies, which were customer-centric, findings similar to those of Campaniaris et al. (2015), where the main competitive advantages perceived by Canadian apparel suppliers were customer service/customer relationship management and product development. However, this is where the similarity ends because the EIU report suggests that SMEs are more likely to
share ownership of business processes with partners whereas this was not found to be the case for the Canadian apparel industry (Campaniarias et al., 2015); a retail-driven mandate to share information may, however, encourage SMEs to collaborate, judging by experience in the early 1990s of the retailers’ drive for their suppliers to adopt EDI (Mrkonjic, 2007).

According to Oliver (2009, p. 9), synergies that are derived from collaboration present participating companies with a “collaborative advantage”, the same way that Porter’s “competitive advantage” is built on market strategy. Lank (2006) approached collaboration from the standpoint of what outcomes a company would achieve better through collaboration (faster, better and cheaper development and delivery of products; cost savings; greater market influence; and more effective research) suggesting that competitive advantage is dependent first on establishing collaborative advantage.

Despite the beneficial outcomes of collaboration, there are few active retailer-supplier collaborations in the US market, such as the ones in the European consumer packaged-goods industry, which, even in that case, according to Booz & Company (2009) are “more like pilot programs than established partnerships” (p. 4), which demonstrates the novelty of collaborative partnerships in practice. Some collaborative activities, of a more-limited nature than a full collaborative partnership, may help to pave the way for more comprehensive implementation. One such approach, equivalent to the first stage of an initiative for supply chain integration and collaboration, is called Collaborative Planning, Forecasting and Replenishment (CPFR), and includes a set of guidelines published by the Voluntary Inter-Industry Commerce Standards (VICS) Association to resolve the problems encountered in SCM for large retailers (Chen et al., 2004). However, CPFR is primarily operations driven and does not address the marketing and product planning and development segments of the value chain. In other words its main focus is on operational issues that relate to sales forecasting, order forecasting and order generation. Even though, according to Williams (2011), CPFR has been successful, one of its stumbling blocks has been suppliers’ management teams’ inability to cooperate internally given that the finance, marketing and sales and operations groups are incentivised differently. For example, marketing and sales are typically rewarded for sales, while operations are driven by cost minimisation, and finance is focused on profits. With each group having different goals and objectives, potential efficiency gains from CPFR can easily be lost. According to Williams, many companies therefore adopted S&OP hoping to achieve better internal coordination form having a single overarching S&OP, but suggests combining CPFR and S&OP, because the blending of the two processes, along with the pressure on all stakeholders to justify and learn from major variances would improve forecasting accuracy.

According to Johnson and Wilson (2006), any synergies are heightened when the collaborating partners play complementary roles based on their differences in terms of capabilities and orientation. Shared training on the application of technology tools and shared understanding of the outputs from technology tools, whether jointly or separately owned and applied, can help suppliers and retailers to become more closely collaborative in their working relationship and to gain the associated benefits.

Technological advances in the apparel industry might therefore have a significant role to play in enabling companies to develop a collaborative advantage.

Product lifecycle management (PLM) technology offers support to real-time collaboration, not just between apparel retailers and suppliers but all stakeholders between concept and the purchase order stages by enabling collaborating companies to monitor and manage the process in detail. According to AMR Research Inc. (2008), the
apparel industry is a late adopter of PLM, although, having adopted product data management – the predecessor of PLM – in order to manage the multitude of SKUs, there is beginning to be a move towards integrating design with product data because of the potential to achieve faster time to market, lower production costs and improved design (Just Style, 2009).

Collaborative benefits from radio frequency identification (RFID) include short-term opportunities that can create trust and mutual benefit among trading partners from basic functionality (Kurt Salmon Associates, 2005); item-level tracking information allows automatic reconciliation of shipments and receipts and minimises invoice write-offs and unwarranted penalties. There is cross-enterprise visibility as RFID can provide information for monitoring cycle times, for example, when merchandise was received, how accurate the fulfillment was and how long it took to ship, information which not only helps both retailers and manufacturers to understand order fulfillment accuracy and supplier performance, but builds trust between them based on performance. Finally, RFID can optimise collaboration by helping drive major improvements in the value chain performance through a continuous flow of goods with improved lead times and by providing point-of-sale data to guide upstream inventory planning purposes.

A technology tool with potential to help streamline the apparel sample development process is 3D body scanning. Designers can create 3D prototypes and share them with both the retailer and supplier for evaluation before samples are cut, thereby compressing the time taken in sample making and hence in line adoption and quick response to consumer trends.

4. A collaborative business model for the apparel industry

According to Nayar (2009) Harvard Business Review blog “This is the Version 2.0 era”. Since the beginning of the new millennium the world has seen the evolution of Web 2.0, which is associated with web applications that allows users to interact and share information through blogs, wikis and social networking sites; companies have been using Enterprise 2.0 Tools, which describes how technologies are used and impact organisations and there has been a growing need for companies to collaborate under a new paradigm called Collaboration 2.0, through which trading partners share long-term vision, risks and rewards.

Since trade liberalisation, the apparel industry has also evolved with manufacturing in Canada, and other parts of the western world decreasing significantly in favour of low-cost offshore production, both domestic suppliers and retailers have focused on product or brand differentiation and/or operational excellence as solutions to survival and growth as depicted in Figure 2. However, these solutions are accompanied by a number of challenges:

(1) private-label-driven retailers reaching back into the supply chain are having to learn how to act as their own suppliers;

(2) suppliers who either own or represent brands are becoming dependent upon other sources of supply to provide them with the required merchandise for their retail customers; and

(3) suppliers using their own outsourcing expertise, have to manage and cooperate with their sources in order to provide the product in the right volume, within strict delivery timeframes and cost constraints.
Irrespective of the chosen solution, there is a growing need for cooperation among the stakeholders of the distribution channel and increased reliance on the information and communication technologies illustrated in Figure 3.

Apparel 2.0, which brings together concepts from Collaboration 2.0, Canadian apparel business data and the research findings published earlier (Campaniaris et al., 2015), is a technology-enabled, business model based on the establishment of collaborative partnerships between retailers and their apparel suppliers as shown in Figure 4.

Whilst the model is based on research into the Canadian apparel industry, there is growing support arising from other sources for the concept of collaboration; the popular trade press, is beginning to show encouragement for and appreciation not only of the benefits of improved retailer/supplier collaboration itself (Peters et al., 2013), but also of retailer/supplier collaboration in the apparel industry (Beron, 2013; Pappas, 2013) and elsewhere in the retail sector (University of Arkansas, 2012).

Retail business with its direct links to the consumer is central in the model, but some retailers in Canada are less likely to adopt the model. For example, most global and those Canadian retailers who market their own private label, do not use a supplier, but source by themselves, undertaking the value chain steps by assuming the role of suppliers and coordinating their production requirements with their own offshore manufacturing sources or local contractors. Because the model arises from the need for a strategic response to the decline since trade liberalisation and is therefore aimed at revitalising the Canadian apparel manufacturing and supply industry, it is designed to assist the part of the apparel sector whose retailers do use Canadian apparel suppliers.
Around the central disc representing the consumer in the model, are concentric circles each of which represents activities undertaken to bring the product to the consumer. The closest circle to the consumer shows the key activities that the retailer undertakes to select the product, order it, distribute it to the stores and market it to consumers; the second represents the “new value chain”; the third shows the technology tools applicable to each element of the value chain and the outer circle the activities for which the supplier takes responsibility. The concentric circles in the model are divided into quadrants to highlight the supplier management functions raised as prerequisites for the development of an apparel industry strategy namely:

1. planning (including marketing and product planning and development);
2. demand forecasting and producing;
3. transporting and delivering; and
4. supporting and performance monitoring.

The circle around the consumer starts with the acquisition of market and fashion trend knowledge and ends with the performance evaluation of both the product and the vendor. The retail activities in the upper right quadrant, which corresponds to the planning activities for the supplier, involve the retailer researching consumer and design trends, which are input in the category plans. Drawing on the latest consumer and industry trends, and leveraging available data, these plans should, ideally, be developed as a collaborative effort between retailers and suppliers to determine the appropriate assortment of products and the pricing and promotion necessary to deliver value to the customer and profitability to stakeholders. The retailer can then forecast sales, develop a buying plan and order the merchandise, all of which are represented in the lower right quadrant; they correspond with the supplier’s production and supply planning function to ensure the receipt of goods and distribution to stores, as shown in the lower left quadrant. These activities may in fact be undertaken by either the supplier, as part of his distribution function, or the retailer. Finally, the in-store marketing activities and performance monitoring are shown in the upper left quadrant, which aligns them with the suppliers’ supporting and performance monitoring functions.

The value chain circle around the retailer starts with marketing and ends with servicing. Support for marketing and product planning and development, the first two elements of the value chain shown in the upper right quadrant of Figure 4, is provided by such tools as data warehousing, PLM and 3D body scanning. The next two elements of the value chain, selling and sourcing/manufacturing, depicted in the lower right quadrant, are supported either by individual tools such as DRP or complete SCM systems. Distributing, shown in the lower left quadrant, is enhanced by such technology tools as RFID and WMS and the final element of the value chain, servicing, is supported by technology tools including CRM and social media.

The Apparel 2.0 business model aligns retailer and supplier functions in a manner appropriate to collaborative partnership showing how they can mesh together to support and complement each other. However, the potential usefulness of Apparel 2.0 rests on the willingness and ability of suppliers and retailers to work together as a unit, with information flowing freely between the two, in order to ensure that all elements of collaboration function effectively.
5. Planning for collaboration
Successful collaboration has to be built on a willingness to collaborate, perhaps generated by improved profitability that has been identified along the value chain for each stakeholder that can be better achieved by forming a closer business relationship; alternatively, it may be that because of business circumstances, there is no other option but to collaborate. Planning can then follow a step-by-step process, one which is, however, unique to the particular stakeholders that are either entering or are already part of a collaborative relationship.

5.1 The strategic plan
The first key requirement in planning a collaborative initiative is either:

(1) the development of a strategic plan for the company setting out its direction over a period of around three years for an apparel company (in view of the fast changing pace of the industry, but still, within this context, a long-term plan), how it will achieve its objectives (including through collaboration), and what performance indicators will determine its success; and

(2) the incorporation of collaborative initiatives into the existing strategic plan.

In line with the strong theme of communication which runs through any collaborative initiative, such a plan should be communicated internally at an early stage to the company’s constituents in order to obtain feedback, develop a sense of ownership of the plan and any collaborative initiatives embedded within it. As Drucker (1971, p. 150) said: “Any business enterprise must build a true team and weld individual efforts into a common effort”.

5.2 The marketing plan
The marketing plan outlines the company’s positioning in the market (e.g. a fashion leader in its gender segment(s) with a brand commanding prestige pricing or the low-price alternative), and the tactics employed in marketing the merchandise. For apparel companies to gain a collaborative advantage, it is important to develop specific “account marketing plans”, namely plans that are tailored to the key retail customers/collaborative partners. Alternatively, if the suppliers sell to independents, there would need to be a channel marketing strategy. Such plans are more likely to be goals based with on-going retailer customers, and fundamentals based, focusing on the fundamental marketing vision and values of the company, and its views of what collaboration would entail and yield when entering preliminary discussions with retailers regarding collaboration.

5.3 The collaborative partnership
The first stage in developing a collaborative relationship is the negotiation and development of a management agreement, which outlines the intent for and rules of collaboration, as well as the general aims of the collaboration, the capabilities of each company and the organisational requirements to implement the strategies. This is followed by the development of a joint business plan, which outlines an agreed set of objectives (e.g. improve gross margin return on investment), the scope of the plan (e.g. the merchandise categories that will be covered under the arrangement), along with specific collaborative strategies and action steps. Having accomplished the first two stages in the collaboration process and the organisation to support it, the next step is to establish its management and operation.
5.4 Organisational alignment
Re-alignment of the organisation will be needed to meet the collaborative plans. To enable a collaborative relationship to work, the manager responsible for the collaboration needs to ensure that reporting relationships both within the organisation and between the company and its retail customer(s) are working within the implementation plan and that any agreed arrangements such as training, creation of work teams, etc., are being implemented as agreed.

5.5 Collaboration success factor
The collaboration success factor is used to determine the company’s expertise in the collaboration process, either in total or some of its parts. Progressive development towards collaborative competence may be the best option to begin with as complete capability can be difficult to achieve in the short term. For example, according to Harper et al. (2008), international retailers and suppliers have tried to collaborate for over ten or more years with only partial success and while the reference is made about consumer packaged-goods companies, it is doubtful that many Canadian apparel SMEs are proficient in the process of collaboration in its entirety either. The two main issues are the need to ensure that the process satisfies retail customer requirements and integration of the technology tools into the collaborative process. Some companies do, in fact, have solid experience in collaborative implementation of technology tools such as RFID or elements of supply chain management such as Warehouse Management Systems. There should be a role also for universities and colleges in Canada in generating graduates who understand not only how to work with new systems and technologies but also how to establish and manage collaborative working practices. A key catalyst in ensuring a coordinated response to industry needs for such appropriately knowledgeable and skilled manpower could be the Federal government’s Human Resources Canada, with possible input from the Canadian Apparel Federation.

6. Summary and conclusion
The transformation from a manufacturing to a service-focused industry, that began within the Canadian apparel manufacturing and supply industry following trade liberalisation, whereby retailers have taken much stronger control of the supply chain, points to the increased value of direct vertical relationships between individual apparel suppliers and retailers. There is little evidence of a cluster strategy (which relies on cooperation between supplier companies and close location to Canadian retailers) being applied by Canada’s apparel supply companies, not least because of an unwillingness amongst apparel supply companies to cooperate with each other. An alternative, evidence based, collaborative strategy built on individual vertical collaborative partnerships between apparel suppliers and retailers, is therefore proposed as an alternative to clustering. The proposed strategy, Apparel 2.0 should be able to provide Canadian apparel SMEs with significant advantages from their close location to Canadian retailers, without relying on cooperation between supplier companies for success.

References


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