

THE ROLE OF SOURCING AGENTS IN GLOBAL APPAREL SUPPLY CHAINS:
AN EXPLORATORY STUDY

by

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B.S., North Carolina State University, 2004

A THESIS

submitted in partial fulfillment of the requirements for the degree

MASTER OF SCIENCE

Department of Apparel, Textiles & Interior Design
College of Human Ecology

KANSAS STATE UNIVERSITY
Manhattan, Kansas

2010

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Abstract

Global apparel supply chains require collaboration from many sectors, including consumers, retail firms, manufacturing firms and factories. The role of sourcing agents as a facilitating sector of global apparel supply chains was explored as part of this study. A quantitative analysis of import data from the U.S. Department of Commerce for four apparel categories revealed changes in import volume over the last 10 years for all major trade regions of the world. Qualitative data was also collected to further analyze how industry professionals perceive the role of sourcing agents in facilitating apparel production movement. Participants revealed that sourcing agents breakdown cultural and geographic barriers between U.S. firms and off shore factories, providing a competitive advantage to U.S. apparel firms by reducing production cost and facilitating production of complex designs, but lack any form of formal regulation.

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CHAPTER 1 – Introduction

Background

According to the United States Department of Commerce (2009), in 1989 the U.S. imported \$26.75 Billion in apparel goods. In 2008, U.S. imports of apparel had tripled, exceeding \$93.18 Billion. Domestic firms import textile and apparel goods from nearly all of the 200+ countries in the world (Kunz & Garner, 2007). In fact, 96.6% of U.S. apparel consumption in 2003 was imported from other countries (Kunz & Garner, 2007). The question then becomes, what has facilitated this magnitude in growth of apparel imports over time?

The motivations for this project stem from several years work experience in the apparel industry as a sourcing analyst. Through placing production orders to tracking shipments of apparel from other countries, a need for a liaison existed between domestic importers and off shore factories, namely a sourcing agent. Whether working under the domestic firm exclusively as a contractor or as a third party liaison, the sourcing agent was essential to monitoring, communicating and negotiating production costs within the global apparel supply chain. As the apparel supply chain globalized, barriers to communication and transportation between factories and operations managers, such as geography, language, and culture, have necessitated that apparel firms turn to sourcing agents to assist in delivering the right product at the right time. This research study is an examination of the role of sourcing agents in the production of apparel goods.

Purpose

The purpose of this study is twofold. First, this study establishes the need for a sourcing agent through identifying the existence of shifting apparel production patterns over the last decade. Secondly, this study seeks to explore the sourcing agent's role as a facilitating sector in the global apparel supply chain. This study is important as the role of sourcing agents has become integral to the off shore production of many apparel goods. A framework for how sourcing agents facilitate global apparel supply chains using primary data collected from U.S. apparel operations managers and sourcing agents is included as part of this study.

Previous research on global apparel supply chains tends to focus on *what* happens in supply chains rather than *how* the supply chain coordinates sectors across the globe. For example, Rivoli (2005) uncovers the very nomadic life of a t-shirt as she follows the supply chain from a cotton farm in Texas to a factory in China. The life of a t-shirt is an example of *what* happens and where processes occur within global apparel supply chains. Yet, academicians and industry professionals need more information about *how* various sectors of the supply chain are connected and *how* the industry is capable of adapting to new locations when market demands require new production options. This study proposes that the sourcing agent contributes to *how* global apparel supply chains attain the goal of delivering apparel products from around the world to consumers in the U.S. Therefore, the overall purpose of this study is to explore the significance and impact of sourcing agents in periods of shifting apparel production.

Definitions

The following definitions are terms mentioned throughout this thesis:

Apparel Supply Chain: The sequence of steps from design concept to consumer purchase of an apparel garment, including the stages of design, raw material acquisition, garment construction, packaging, shipping, distribution/warehousing, delivery to retail and consumer purchase.

Operations and Supply Chain Managers: Individuals who determine the appropriate production location and ensure delivery of goods. These individuals are often responsible for the quality and accuracy of design for any item produced under their direction. (Also referred to as Sourcing Managers within the apparel industry).

Sourcing: The process of producing items outside a firm's own resources (i.e., producing a garment in a factory that is not owned and operated by the apparel firm developing and selling the final product). Sourcing can also refer to contracting individual processes within the supply chain such as seeking outside resources to cut and sew a garment while still producing the raw materials through the resources owned and operated by the firm. Any supply chain operation that occurs outside a firm, but is part of the firm's production process, is considered sourcing.

Sourcing Agents: An individual who acts as a contractor or liaison between operations managers and factories outside the operations manager's firm. For the purpose of this paper, all sourcing agents represented off shore apparel factories.

Organization of Thesis

Following this introductory chapter, Chapter Two presents a review of the existing literature and theoretical framework used to explore the sourcing agent's role in the global apparel supply chain. The third chapter describes the methods used to collect

and analyze data for this project. Chapter four presents the results of the study. Chapter five includes a summary of results and implications of findings.

Chapter 2 – Review of Literature

As part of this chapter, existing information on the history of the apparel market environment, the current environment, and the structure of the sourcing sector of the apparel industry is discussed. The following literature review will address each of these topics and builds a framework for the exploration of the role of sourcing agents in the apparel supply chain. The first section of this chapter begins by addressing the market-based philosophy of the industry to highlight the development of global apparel supply chains by U.S. firms in the apparel industry.

The Rise of Market Orientation

The history of the U.S. apparel industry dates back to the Industrial Revolution, during a time in which assembly lines and mass production were common. This production oriented industrial environment existed roughly from the 1850s to the 1920s, and provided a mechanism for refining and expanding the skills of workers. During the 1920s, Henry Ford continued to develop the assembly line process in the manufacturing of automobiles. Later, in the 1930s, the industrial environment moved from a production orientation to a sales orientation where products were mass produced and then sold to consumers who were given sales pitches as to why the products made in mass were best suited to their needs (Schiffman & Kanuk, 2010). A shift from sales orientation in the United States was made in the 1950s, when the concept of sales orientation moved to a more market-based orientation. During this time, marketers began to realize that they would achieve greater profits if they could mass-produce the products that consumers wanted rather than sell consumers their mass production items. The idea of market

orientation is the impetus for creating new supply chain options. Once manufacturers and marketers shifted to giving consumers control of product assortments and began responding to consumer demands rather than their internal resources as they did with mass production lines, manufacturers and marketers needed new and varying resources to meet demands. Many retailers lack adequate internal resources to change and shift production, product categories or promotional materials on the whim of consumer behavior. The capital required would subsequently harbor massive risk and investment by apparel firms. As a result, many firms have developed complex supply chains and opted to look outside their own internal resources to contractors who can meet the changing demands of consumers, including lower prices. Within the apparel manufacturing industry, sourcing agents serve as third party liaisons in the supply chain filling the gap between the outside resources of off shore factories and U.S. manufacturers and marketers. The following section will further discuss the development of market orientation in the apparel industry and how the role of sourcing agents in apparel production developed during the rise of market orientation.

The domestic economy of the United States following the Industrial Revolution was focused on the production of commodities such as apparel. Once goods and services produced in the United States became more market oriented, retailers realized greater sales and profits in catering more effectively to consumers (Shiffman & Kanuk, 2009). Market orientation is the philosophy of marketing products in response to consumer needs and a retail firm's external environment (Shiffman & Kanuk, 2009). Prior to market orientation, retailers built their sales and profits on simple production lines and then sold their products through sales pitches to consumers who had few options or little

knowledge of competition. As more apparel firms entered the domestic market, competition began to build, and the U.S. economy saw a dramatic increase in the number of firms looking for ways to meet consumer's wants and needs via a market orientated strategy. Following two world wars and scarcity of consumer demand, "productive capacity far exceeded demand" (Blackwell, Miniard & Engel, 2001, p. 18). To meet consumer demands, firms were forced to be more flexible in their production and marketing campaigns. For example, Wal-Mart executives have stated that they are "not in the business of selling things to consumers; it's in the business of buying what people need to consume" (Blackwell et. al, 2001). Many apparel retailers found flexibility in sourcing their production to other factories, often off shore, where only order commitments were necessary rather than equipment and production capital. However, global apparel supply chains generate a wide range of dynamic obstacles and issues including economic development, labor practices, international politics, and cultural awareness. As a result, mechanisms exist to facilitate global supply chains that transcend cultural differences in business practices to proliferate global production in the apparel industry. These mechanisms are sourcing agents. This project addresses the need for third party governing mechanisms such as sourcing agents in the emergence of global apparel supply chains, and the sourcing agent's role being just as essential to the process as manufacturer demands for new and fashion forward raw material resources (i.e. countries with new fibers, fabric treatments and equipment) and low labor production costs. Thus, the project adds a new governing mechanism element to the rise in global apparel supply chains beyond the traditional elements such as new fashion fabrications, design inspiration and low production costs that are often considered the primary impetus

for the growth of global supply chains. Sourcing agents have been integral to the rapid growth in imports of apparel to the United States.

From 1989 to 2004, apparel goods imported to United States tripled, from \$21 billion to \$65 billion, accounting for more than 60 percent of apparel sold in the USA as of 2004 (Abernathy, Volpe, & Weil, 2006). Given this growth, it is imperative that both academicians and industry leaders understand the mechanisms that have facilitated the flow of goods within the supply chain. Dacin (2002) wrote that “there is still little known about the mechanisms that drive the waxing and waning of the power of institutions across time” (p. 53). The proposed research addresses the role of sourcing agents as governing mechanisms facilitating the global production and movement of goods within the apparel industry. As part of this paper, global apparel supply chains are considered an institution, with sourcing agents structurally positioned as governing actors that facilitate trade within the institution.

History of Global Apparel Supply Chains

During the U.S. Civil War, the South was severely hindered by a loss of cotton trade with Great Britain (Kunz & Garner, 2007). Even before the U.S. Civil War, many countries were trading textile goods such as silk produced in China and transported to Italy for further trade (Kunz & Garner, 2007). Both cotton trade with Great Britain and silk trade in China represent the effort by manufacturers and marketers to find the best possible materials and products despite the locations of those materials. Still today, retailers seek the greatest possible return on assets through various strategies including finding the most efficient, profitable and socially acceptable locations to produce goods. Thus, the world has evolved into a large bed of economic opportunity for retailers. For

apparel retailers and jobbers (also known as manufacturers), the best location for production is a moving target. What may have been the best location for producing t-shirts last year may be completely different from the best location today or from five years ago. Political instability, changing currency rates, new trade agreements and technological advancements in production equipment are all examples of developments that shift targets for production from one location to another. As society in general experiences globalization, apparel product categories are finding new homes for production at a faster rate than any other time in history.

According to Friedman (2000), globalization saw an intense growth period following the Civil War between 1868 and 1914. Banking institutions and financial activities from New York to London to Paris were opened up for trade during this period (Kunz & Garner, 2007). The technological infrastructure to globalize apparel was not in place as early as it was for banking institutions, but as civilization emerged with better communication and transportation, so did global apparel supply chains. As imports of apparel to the United States increased during the 1950s and 1960s, employment of domestic workers was only mildly impacted (Ross, 2009). Then, as imports dramatically elevated in the 1970s, American workers saw a dramatic loss of employment and prices of goods dropped as lower labor costs were sought from foreign locations (Ross, 2009). According to Murray (1995), employment and production of apparel in the United States saw a dramatic decrease in the mid-1970s. Apparel imports mirror the rise of market orientation during this time and consumers' demands for lower retail prices. The following section addresses the various motivations for shifting global apparel production patterns.

Shifting Production of Apparel Goods

Global industries across the world have embarked on ambitious attempts to find the lowest costs of goods, shortest lead times and best quality production methods. In the 1950s and early 1960s, the apparel industry saw production migration from North America and Western Europe to Japan (Gereffi, 2003). During the 1970s and 1980s, there was again another shift, this time from Japan to Hong Kong, Taiwan Province of China and South Korea. During the 1980s, apparel production transitioned to developing countries, including those with the lowest wage rates, with the majority of apparel production moving to China (Gereffi, 2003). China has benefited from an ability to produce full-package goods that require little raw materials transportation and low labor costs (Gereffi & Memedovic, 2003). These full-package goods are goods where all elements of production are in one location from yarn production to garment assembly requiring little extra time for transporting raw materials from another location.

Since the mid 20th century, the world has evolved into a large bed of economic opportunity for retailers with new options for low wage production and market potential. As noted previously, apparel retailers now seek the most efficient, profitable and socially acceptable locations to produce their goods. Faster than any other time in history and due to advancements in international communication systems, apparel firms are constantly seeking new locations for the production of their goods. Yet, the dynamic nature of external factors has also made it more difficult for retailers making sourcing decisions. Such external factors include: political instability, changing currency rates, new trade agreements and technological advancements in production equipment. Many of these external have the potential to impact the cost of importing the goods, and require acute

attention to the status of these external factors in other countries. For U.S. manufacturers, sourcing agents can provide the acute attention needed to monitor external factors in other countries. Sourcing agents that monitor external factors can be critical in assisting firms in their endeavors to identify the best production placement for cost. In apparel production, the intent to find the lowest possible cost is described as the “race to the bottom” which is a phrase coined to reflect the continuous effort to locate factories with lower labor costs. The “race to the bottom” is a symptom of the external factors such as low currency rates in developing countries, low labor costs and the demand for low costs in the United States. This phenomenon is discussed further in the following section.

The Race to the Bottom

According to Ross (2009), “the race to the bottom involves investors deserting countries as lower-waged ones become available as export platforms” (p. 105). New lower-waged countries have emerged since 1998 as key global apparel producers as the race for the cheapest product has continued. Countries with some of the lowest wages in the world include Nicaragua, India, Bangladesh and Indonesia. Interesting, China’s wages are low, but not as low as some of the least developed nations, but still much lower than the United States. The following table provides a list of average apparel labor costs from 2002 (Abernathy et. al., 2005).

Table 1 *Average hourly labor costs in textile and apparel manufacturing in \$US*

Country	Apparel 2002 (\$US)
Nicaragua	0.92
India	0.38
Bangladesh	0.39
Indonesia	0.27
China – inland	0.68
China – coastal	0.88
United States	8.89

As imported clothing to the United States proliferates and retail costs decline, such countries will compete in the race to the bottom (Ross, 2009).

The race to the bottom is not a new phenomenon. The New England golden age of textile manufacturing was brief between 1880 and 1930, when manufacturers began to look to the southern regions of the U.S. for lower wages (Rivoli, 2005). The U.S. systematically began to take over textile production from their British counterparts, and today a similar shift to the Chinese market for the same reasons has been observed. Lower wage rates and easily controlled workers lead to cheaper products and thus, encourage manufacturers looking for low costs to move production (Rivoli, 2005). The earliest laborers in apparel and textiles were families, but when the Industrial Revolution occurred, there was a need for systematic labor systems that could accommodate bottlenecks in the production process. Instead of families completing each phase of production, mechanical and organized assembly lines created a process called the

“putting-out” system. The workers capable of such “mind-numbing” work required little skill, were very inexpensive, and referred to as “mill girls” (Rivoli, 2005). The “mill girls” provided a low labor cost option for manufacturers seeking to lower costs of goods. Today, consumers still seek lower costs from retailers. In order to meet demands for low prices, many manufacturers participate in the race to the bottom. As foreign economies develop as they have in the United States, the lowest wage rates and lowest material costs often move and new “mill girls” are found in new less developed countries. Sourcing agents facilitate the exploration of developing countries through their local knowledge of the factories and their capabilities.

Structure of the Sourcing Field

The field of sourcing is not unique to the apparel industry, rather sourcing is relevant to any industry where firms elect to produce products outside of their internal manufacturing capacities. This project will address sourcing within the apparel industry, but the basic structure is the same for most industries. While some research has been done on exporter and importer relationships, minimal research exists on the buyer-agent relationship (Garg, 2002). According to Kunz and Garner (2007), the process of deciding “where to buy has become almost as much of a driving force in this business as deciding what to buy” (p. 359). There are many questions that must be answered before a manufacturer or retailer commits to producing an item overseas, so much so that the process has become as cumbersome as creating the product vision and marketing strategy. The process that many manufacturers and retailers have turned to is called full-package sourcing (Kunz & Garner, 2007). This concept forces the contractor (which can be a direct factory or a sourcing agency) to finance and monitor most of the global

apparel sourcing process to include design and product development as well as securing raw materials (Kunz & Garner, 2007). Since the process has moved to pushing more and more responsibility onto the contractor, the factories and sourcing agents have also gained power along with the responsibility of choosing adequate and competitive production facilities. According to Kunz and Garner (2007), full-package items force agencies to acquire more product knowledge and higher management skills in order to be competitive in not only supplying a factory, but also supplying peace of mind for a secure and successful product delivery. Sourcing agents can reduce the financial risk of manufacturers and retailers by assuming responsibility for production and delivery.

Retailers recognize the complexity of implementing a collaborative supply chain in a global economy. According to Levy and Weitz (2009), “when sourcing globally, it’s harder to maintain consistent quality standards than when sourcing domestically” (p. 395). Levy and Weitz (2009) go on to discuss that in order for any supply chain to work efficiently, there must be strong relationships between the vendor and the retailer to include trust and efficient sharing of information. One purpose of this project is to determine how sourcing agents make the relationship between the retailer or manufacturer and the vendor stronger. For instance, a sourcing agent can bridge cultural barriers, which is discussed in the next section.

Cultural Differences

As noted by many academic and industry professionals, the need to address cultural differences in apparel production is significant. The following table highlights the differences in business practices between Eastern and Western cultures (Jung, 2009):

Table 2 *Contrasting World Views Between Eastern and Western Culture*

<i>World Views</i>	<i>Eastern Culture</i>	<i>Western Culture</i>
Thinking Pattern	Spiral (holistic)	Linear
Communication	Implied and subtle	Explicit and direct
Goals/Success	We/us-oriented; meeting group goals and working for group success	I/me-oriented; focusing on individual achievement
Self-Expression	Subtle and nonverbal	Overt; people are asked to “speak their mind”
Time Sense for Meetings	Appointments less driven by exact start and end times	Be on time and end on time
Business Relationship	Taking time to develop sound relationships; hard to form but usually long-lasting	Written agreement is important; easy to form but not long-lasting

The findings of Jung’s (2009) study are important, as she identifies the challenges in communicating and working with others from diverse cultures. These cross-cultural business challenges are oftentimes shaped by the philosophical differences noted in Table 2. The sourcing agent can serve as liaison in assisting in the communication of business decisions across cultures with minimal misunderstandings. Sourcing agents are informed of the practices of factories operating under a different business climate and philosophy, oftentimes differing exceedingly from the firm’s own culture. In many cases, sourcing agents can better interpret the capabilities and systems of a factory. While many business professionals sometimes learn enough to understand differing cultural practices, it is

often necessary to have the added benefit of an agent who understands each culture intimately to progress communications and bridge any gaps.

In addition to cultural differences in business practices, another issue compounding the challenges apparel firms face today in making sourcing decisions is the continual development and modification of trade agreements. As such, an overview of recent trade agreements impacting the sourcing of apparel goods is included in the next section.

Impact of Trade Agreements in Global Apparel Supply Chains

Government officials from various countries including the G-20 (a group of the 19 finance ministers and economic governors from the world's most developed nations and an additional representative of the EU) regularly meet to discuss possible bilateral and multilateral trade agreements to promote trade among nations. Trade agreements have a profound influence on trade and thousands of trade agreements exist within the world (Kunz & Garner, 2007). Oftentimes, trade agreements are written to promote free trade and provide tax and quota (aggregate limits on import quantities) reductions to participating nations. While multi-lateral free trade agreements encompass several countries, bilateral agreements govern trade between only two nations and often between a developed importing country and a developing exporting nation. Bilateral deals are complex, requiring substantial political negotiating power by a single country in developing a trade agreement with a developed nation such as the United States. Moreover, in apparel production, trade agreements influence the dynamics surrounding sourcing decisions, including production placement decisions for many Western retail firms. Typically, bilateral and multi-lateral trade agreements are developed in a

systematic and political manner. The initial state of free trade development occurs when competition between the different interests in potential countries bring to light their trade preferences (Grossman & Helpman, 1995). Subsequently, a give-and-take process occurs in a political negotiation manner until free trade agreements are enacted (Grossman & Helpman, 1995). The process of implementing complex bilateral and multi-lateral trade agreements often is a hybrid of political and economic negotiation that, in the end, may signify to apparel manufacturers and retailers a possible new outlet in seeking to maximize profits and efficiency in their supply chains.

Given the complexity of the rules and regulations of trade agreements, sourcing agents are useful to firms in deciding where and with whom goods will be produced. For instance, trade agreements are catalysts to an apparel retailer's or apparel manufacturer's decision to move production placement based on the beneficial terms agreed upon by countries participating in new and existing trade agreements. The result of many trade agreements is a cost benefit to apparel firms by moving production to a country with the fewest trade barriers. Within trade agreements, duty exemptions can be a significant benefit to a retailer seeking to improve profit margins. For example, a retailer importing a garment with a 37% duty rate could improve their margins 37% by shifting to a duty free trade zone or a country with an existing bilateral trade agreement. Such duty exemptions offer competitive advantages to countries with slightly higher materials or labor costs. A study completed on the cost of producing a single pair of jeans in Mexico and then in China revealed that Mexico comes within 1% of the cost to produce the same item in China despite much lower Chinese wage rates. Because of a 16% tariff imposed on China, but not Mexico due to the NAFTA agreement between Mexico and the United

States, Mexico's costs are competitive with China (Abernathy et. al., 2005). The economic development of low cost production locations is often linked to political trade agreements. Given the nature of the apparel industry, developing countries have seen significant economic growth in the export of apparel products.

Apparel manufacturing is a labor-intensive industry, with little risk in initial capital investments as equipment needed is relatively inexpensive as compared to other manufacturing industries (Abernathy et. al., 2006). Research on the consequences of the apparel industry's utilization of developing countries for production has been conducted. In a study by Gereffi (1999), the author addressed issues of initiating and sustaining economic growth in developing countries. Gereffi found that manufacturing networks are historically and socially embedded in the process of manufacturing, especially in the apparel industry. Manufacturing networks often include U.S. firms placing orders with overseas buying offices who subsequently distribute production to offshore low wage factories (Gereffi, 1999). The responsibility of an overseas buying office is the same as the role of the sourcing agent in global apparel supply chains. However, as a country begins to improve economically, often they lose production orders if agreements to provide duty exemptions are not maintained or protected against competing trade agreements. Many large export nations such as Taiwan and South Korea have seen reductions in exports due to rising labor costs associated with economic development. Many trade agreement negotiations are based on the anticipated economic consequences to developing nations as well as developed nations as stakeholders. The main competitor for these newly developed nations is China. China offers low labor costs, shorter lead

times and complex vertical supply chains. In the following section, the impact of China on sourcing decisions in apparel production is further explored.

Impact of China on Competing Export Nations

The purpose of highlighting China in this literature review is to reflect on what is considered the major player in global apparel production today. More than half of the apparel goods exported to the U.S. originated in China (Kunz & Garner, 2007). After quota restrictions were lifted from China in 2005 by the World Trade Organization, major apparel companies were given new options for placing orders with factories in China. According to a report submitted by the NACLA Report on the Americas (2004), “rapid growth in U.S. imports created a vast market that some developing countries, most notably China, used as a springboard for growth and development” (p. 6). A major reason that countries such as China have benefited in expanding apparel export industries has been their move from assembling imported raw materials to higher value-added goods in a full-package format (Gereffi & Memedovic, 2003). Other less developed countries are working diligently to follow in China’s footsteps of export growth, thus offering new production options for apparel retailers. As these developing countries and China evolve and seek competitive advantages in the marketplace, they will offer new alternatives to current supply chains in the apparel industry.

The trade balance report published by the US Department of Commerce summarizing import changes from 2006-2008 across all apparel and textile categories reveals that almost all countries have had negative export growth to the United States except China. China has been steady in its export growth being the only major import nation for the United States with positive growth in exports to the U.S. from August 2008

to August 2009 (U.S. Department of Commerce, Office of Textiles and Apparel, 2008). From 2006-2008, both bilateral and multi-lateral trade agreements with countries other than China have been an impetus in maintaining production orders for other developing nations, while niche concentrations in the apparel industry by other countries have been used as a comparative advantage against China. For instance, Cambodia has attempted to compete with China by having their government commit to ensuring socially responsible production (Rivoli, 2005). Since the complete phase-out of quotas, developing countries as well as developed countries have seen huge uncertainty in the future of the apparel supply chain (Sajhau, 2005). Many developing nations rely on the apparel manufacturing industry to provide economic development and jobs to their citizens. Bangladesh, often noted as one of the losers against the competition from China without quota restrictions, has required proactive measures on the part of their government and trade agreements to maintain substantial volume and exports to the United States (Sajhau, 2005). “There is often a failure to theorize how economic performance and governance processes cause different governance mechanisms to develop, on the one hand, and how the relative influence of different governance mechanisms is determined historically, on the other hand” (Campbell, Hollingsworth, & Lindberg 1991, p. 8). Consistent studies note that in times of economic difficulty, government has favored regulations on behalf of the laborers, suppliers, customers and the public. Campbell, Hollingsworth and Lindberg (1991) hypothesized that producers were likely to be the sector that initiated changes in governance, but the important role played by sourcing agents as one of the mechanisms of governance in global economic acceleration was not explicit in the hypothesis. Producers in various nations have impacted mechanisms of governance through political

efforts to encourage apparel production orders in developing nations. China's power has grown and impacted the sourcing decisions of Western manufacturers and retailers looking for the most efficient locations for apparel production.

China's dominance in export markets after the release of quota restrictions has forced manufacturers and marketers to consider the possibility of China for production. This research project will explore how sourcing agents in other countries compete with the power of China and also how agents in China operate. In order to reflect on the role of the sourcing agent in countries like China, one must understand how the global supply chain is reflective of an institution and then develop the role of sourcing agents as governing sectors. The theoretical framework will provide the basis for identifying the key attributes of sourcing agents that make them uniquely qualified to serve as governing sectors in the global supply chain.

Theoretical Foundation

Institutional Theory

In examining the governing role of sourcing agents in the apparel supply chain, institutional theory is useful. As part of the theoretical foundation, the collaboration of stable organizations is identified in working together to perform activities and complete tasks (Selznick, 1996). Selznick, one of the first in a line of researchers that have explored the inner workings of institutions, noted that institutions are groups that accomplish tasks consistently and in an orderly manner (Selznick, 1996). For the purposes of this study, the apparel global supply chain is recognized as an institution with sourcing agents serving as a governing mechanism operating as an organization within the institution. In order to establish sourcing agents as a legitimate governing body, the

study frames the sourcing agent's role within Selznick's Institutional Theory. Selznick's sociological research dates back to the mid-20th century with works such as *Leadership in Administration* and *The Organizational Weapon*.

Selznick (1996) defines Institutionalism as “the emergence of orderly, stable, socially integrating patterns out of unstable, loosely organized, or narrowly technical activities” (p. 271). Selznick (1996) also states that the most significant aspect of institutionalization is “infusion with value beyond the technical requirements of the task at hand” (p. 271). The readiness with which the organization changes in response to new circumstances or marketplace demands is a defining feature of an institution. In short, Selznick requires three main elements of a legitimate institution: goal-seeking, problem-solving and adapting. As part of this study, the role of sourcing agents in providing these three elements to an institution is demonstrated.

Differences in organizational effectiveness, including a firm's ability to control their responses to their environment account for variations in performance levels (Hirsch, 1975). According to Hirsch (1975):

At the industry level of analysis, organizational effectiveness encompasses the relative success of each industry in handling: (1) uncertainties inherent in market mechanisms, (2) the selection of new products by external gatekeepers, and (3) the persuasion of government agencies that the public interest is best served by special concessions in the development and interpretation of statutes relating directly to industry profitability. (p. 332)

Sourcing agents can directly influence an institution's ability to handle uncertainties in the sourcing of apparel goods, such as the design and

development of product samples, ensuring on-time delivery and pricing of final goods. As part of their responsibilities, sourcing agents are also able to better respond to initiatives of government agencies and lobbyists in promoting and utilizing global supply chains in the production of goods.

Industry Governance

Despite the many sectors of global apparel supply chains ranging from the factory to the retailer, official industry governance is missing. In examining the current literature, little, if anything, is mentioned on official regulating bodies for sourcing. This exemplifies the purpose of this study which is to examine the role of sourcing agents in a field where little is known about how sourcing agents act as an integral part of global apparel supply chains. While little is known about any official regulating bodies sponsored by international or national governments, trade associations often identify expectations in the global apparel supply chain. For instance, the American Apparel and Footwear Association (AAFA) initiated an organization dedicated to the responsible production of apparel goods worldwide (Kunz & Garner, 2007). This organization, WRAP (Worldwide Responsible Apparel Production), later separated itself as an organization independent of any trade organization. According to Kunz and Garner (2007), “Labor/trade unions have long been seeking to empower workers to be able to protect themselves against labor exploitation through collective bargaining ” (p. 350). Still, these collective measures of empowerment are targeted toward the retailers, manufacturers and factories, but do not provide a clear picture of any direct regulation of sourcing agents. Sourcing agents, however, are subject to the scrutiny of the aforementioned retailers, manufacturers and factories seeking to abide by the rules and

regulations of the trade or unions they belong to and in some cases, the sourcing agencies might also belong to for recognition. Much of the regulation in the apparel industry is a result of self-policing (Levy & Weitz, 2009). Many American firms subject themselves to their own labor and production regulations to avoid bad public relations due to sweatshop conditions or contaminated products. The goal of self-policing is to reduce the potential for human rights violations and health and safety standards. This project investigates how industry managers and sourcing agents view the concept of regulation through questioning their perception of sourcing agent regulation.

Legitimation of Sourcing Agents

Another key component of an institution is legitimation, which can be a sustained driving force among organization actors, such as sourcing agents. This concept of legitimation actually combines aspects of an institution and validates the role of sourcing agents as a governing entity. For example, when Meyer and Rowan addressed Institutional Theory as a system of class elements rather than a process as Selznick suggests, the authors still imply that institutions can be rewarded through increased legitimacy, resources and survival techniques (Meyer & Rowan, 1977). According to Hirsch (1975), “Retail outlets and ultimate consumers comprise the societal subsystem that rewards the preceding subsystems through purchase and other positive feedback (legitimation)...” (p. 329). Sourcing agents have become more legitimized through the growth of international trade and communication technologies. Today, sourcing agents offer extensive services including product development, raw material sourcing, quality assurance, and shipping consolidation (Abernathy et. al. 2006). Due to numerous barriers and the inability to check production facilities adequately from remote locations, U.S.

firms have found it useful to source apparel goods through agents (Garg, 2002). As part of this study, the role of sourcing agents is legitimized through sourcing agents being uniquely qualified for their governing role in the apparel supply chain. Specifically, sourcing agents can provide global apparel supply chains the following expertise:

- Apparel niche technical knowledge (in-depth knowledge of production equipment and capabilities of new sewing, finishing or product development techniques)
- Awareness of cultural differences, including both domestic and international business practices
- Awareness of political and economic trends and issues of stability
- Sophisticated network production contacts for various apparel product categories
- Abilities to ensure that the flow of production is moving and evolving with changing market demands and dynamic political arenas

Regulation of Sourcing Agents

Similar to industry governance in the apparel supply chain, there is very little literature on the regulation of sourcing agents. When discussing global apparel supply chains, regulation is important to build support for the legitimacy of the sourcing agents as a governing sector of the supply chain. Garg (2002) also noted that little research exists on certification of sourcing agents. Both operations managers and sourcing agents could benefit from some form of formal regulation of sourcing agents (Garg, 2002). Managers could easily identify a reputable sourcing agent and sourcing agents could effectively communicate their reliability.

Contribution to Existing Literature

Both academic and industry leaders stand to gain advantages by better understanding the role sourcing agents play in facilitating apparel production. Many of the existing literary works extensively discuss the individual stages that occur throughout the supply chain. For example, Rivoli (2005), a well-established leader in the field of economics, describes the very complex life of a t-shirt in her book, *The Travels of a T-shirt in the Global Economy*. From cotton farms in Texas to manufacturing facilities in China, retail stores in the United States to mitumba trade in Africa, Rivoli takes a riveting look at how complex the apparel supply chain is in today's global economy. However, as she also noted, bridging the gaps of culture and location between the United States, China and Africa is complex and intertwined in a web of policies and regulations (Rivoli, 2005).

Beyond the academic literature, a great deal of information targeted to business professionals exists, with a specific focus on success in international business environments. One well-known international trade attorney, Tom Travis, authored a book in 2007 on *Doing Business Anywhere: The Essential Guide to Going Global*. Within his book, Travis provides several pieces of advice to industry professionals on achieving success, including making ethical decisions and appropriate cultural exchanges during business meetings. Furthermore, Travis specifically targets individuals making offshore production decisions and how they can operate best in a global marketplace. Lacking in the literature, however, are the details of how sourcing agents can assist in helping professionals achieve success or at least equip professionals with the tools necessary to make better sourcing decisions. Within this study, the role of sourcing

agents will be highlighted, including the mechanisms that are in place to overcome supply chain obstacles like the ones mentioned in Travis's book.

Purpose and Objectives

This study embraces the notion that the apparel global supply chain operates as an institution and that sourcing agents have been a mechanism of institutional growth and change in the history of apparel production over the last 20 years. Of the various theories of organizational behavior and institutional change, this study will specifically apply the elements of goal-seeking, problem-solving, adapting and legitimation from institutional theory to assess the future role of sourcing agents in the global apparel industry. The research establishes the existence of shifting trade patterns and examines the legitimacy of sourcing agents as a governing mechanism in global supply chains. Additionally, influential dynamics of apparel firms' sourcing decisions such as evolving trade agreements that impact production placement are addressed. The overall purpose of this study is to explore the significance and impact of sourcing agents in apparel production today. Related to this purpose, this study focuses on the following objectives.

Objectives

The objectives of this project are to examine:

- 1) Evidence of regional shifting apparel production. This will be assessed through an analysis of data from the Office of Textiles and Apparel (a division of the United States Department of Commerce).

- 2) Societal barriers that inhibit domestic retailers and manufacturers from performing sourcing tasks in the global apparel supply chain including cultural differences and language barriers.
- 3) The role of sourcing agents in the apparel supply chain and their unique qualifications to apparel firms seeking a competitive advantage in the marketplace.

Chapter 3 – Methodology

The purpose of this study is to address the role of sourcing agents in the global apparel supply chain. As part of this study, both quantitative and qualitative data were collected. According to Dabbs (1982), “qualitative research describes concepts, definitions, characteristics, metaphors etc. while quantitative research refers to the measures and counts” (p. 32). Some experiences and concepts cannot adequately be described through numbers alone. As such, a mixed methodology of interviews and an analysis of secondary data were employed as part of this study, thus providing support from multiple data sources. Quantitative data will provide initial support and rationale for exploring qualitative data through interviews with industry professionals. An initial utilization of secondary quantitative data reported by the Office of Textiles and Apparel (OTEXA), a division of the United States Department of Commerce, was performed. Data collected from OTEXA established evidence of shifting apparel production by comparing import volume from different countries over the last decade. Qualitative data was then collected from active sourcing agents from various regions around the world including China, Korea, Turkey and Pakistan. Qualitative data was used as the primary data as it carried the greatest potential to contribute to the existing literature by acquiring first-hand descriptive knowledge from sourcing professionals. Participants included active sourcing agents, retired sourcing agents, and other industry professionals including operations managers for American apparel firms. Interviews through phone calls and email were conducted with active sourcing managers in the apparel industry from American apparel firms based in North Carolina and from sourcing agents around the world. This chapter outlines the research methods used for this project. The first

section describes the quantitative data approach to the analysis of OTEXA statistics. Then, a discussion on the qualitative interview approach addressing the sample and instrument for the interviews follows. This chapter concludes with the data analysis procedures for both the OTEXA data and the qualitative data collected in the interviews.

OTEXA Quantitative Data

To provide evidence of regional shifting apparel production patterns, data sets previously reported and published by OTEXA were analyzed. In order to compare the distribution of imports over four apparel product categories, a quantitative evaluation of raw data from the United States Department of Commerce (labeled by HTS codes) was conducted. Three specific time periods were analyzed including the most recently published data (2008), data reported in 2003 and 1998. HTS codes, or harmonized tariff schedules, are 8-10 digit codes used by US Customs to determine classification of goods as they cross international borders. These codes effectively represent the fiber contents and construction of goods. The HTS codes selected for this study are simple and distinct to minimize any limitations by customs classification (limitations are specifically discussed further in the limitations section of this paper). The reasons for selecting certain HTS codes and the categories they represent are noted below.

HTS Codes, Countries and Specific Times Selected for Analysis

To represent varying apparel products, HTS codes selected for data analysis include both natural and synthetic product categories, representing both male and female gender garment silhouettes. Further research could identify additional codes to compare movements, but for the purposes of this research, only four codes were identified. These four codes were selected to represent diverse and basic product categories to minimize

the potential for misleading data. Misleading data was a concern for two reasons. First, the United States International Trade Commission publishes an updated tariff schedule of HTS codes every few years, which could cause some products to move from one HTS code to another. For basic categories, such as the ones selected for this study, the updates rarely change the assigned code, thus the import data represents the exact same product over time. Secondly, more complicated products are subject to manipulation by manufacturers who may change a minor feature to a garment so that the tariff category might be one of a slightly lower duty rate. Thus, for the purpose of this study, precautions were taken to select basic silhouettes and fiber contents while still examining varying products from the apparel industry. The four codes used in this study include: 6104.43.1010-women's dresses of synthetic fibers, 6104.42.0010-women's dresses of cotton fibers, 6109.10.0004-men's t-shirts of cotton, and 6109.90.1007-men's t-shirts of synthetic fibers.

Countries from each of the major trading blocks were selected to present a global overview of trade partners with the United States and provide evidence of shifting trade patterns by region. Major trading regions include Africa, the Americas, Europe/Mediterranean, South Asia, North Asia, Southeast Asia and the Pacific (Office of the United States Trade Representative, 2009). The United States was selected to represent a major Western importer because of both its developed nation status and due to the nation's influence on trade through consumption. From a legislative perspective, the United States is also responsible for regional shifts in apparel production by establishing major trade agreements with Central America, Africa and North America. The United States upholds annual records of import volume available for review via electronic

government archives. The countries selected in this study include: Madagascar, South Africa, Jordan, Israel, United Kingdom, Hong Kong, China, South Korea, Bangladesh, India, Thailand, Cambodia, and the Dominican Republic.

As noted above, trade data from the most recent year on record (2008), five years ago (2003) and 10 years ago (1998), were analyzed. Data from 1998 establishes a reference point in recognizing production shifts that may have occurred over the 10-year period. Data from 2003 reflects the conditions just prior to the elimination of the Multi-Fiber-Arrangement (which imposed quota restrictions upon China as well as other nations). Five year increments allow enough time lapsed for production orders to shift in response to new trade developments and for new competitors in the production of apparel goods to emerge. The data from each of these years indicates trade conditions from different time periods and were taken from all major regions and organized by country.

Qualitative Interview Data

The population of interest for this study includes both active sourcing agents and operations and supply chain managers who employ sourcing agents to assist in the acquisition of apparel through a global supply chain.

Sample

Criterion-based sampling procedures were used to identify individuals that would provide the greatest contribution to the literature in terms of experience and willingness to cooperate in providing details about their practices. All participants have experience specific to global apparel supply chains and sourcing agent collaboration. According to Berg (2009), the logic behind using a sample is to draw inferences about a larger population. In the case of this project, the larger population includes all sourcing agents

and industry managers actively engaged in the sourcing of apparel goods. Thus, members of both of these groups were sampled as part of this study. The most important selection criterion for this study is the participants' active role in the process of sourcing apparel goods to the United States. The second criterion was that the sourcing agent or operations manager hold a decision-making role in the process (i.e., an operations manager who makes the production placement decisions for an American firm or a sourcing agent who is directly responsible for executing orders on behalf of the operations managers in the United States). Finally, sourcing agents from various firms and countries were selected to participate in the study in order to provide diverse perspectives.

Sourcing Agents

The sourcing agents participating in the study were identified from established connections from the researcher's previous industry experience. Sourcing agents interviewed in this study were actively engaged in the sourcing of apparel goods to the United States. Participants were considered well established in the apparel market exhibiting success and longevity in serving as sourcing agents in the apparel supply chain for five or more years. A total of 12 sourcing agents were sent a request to participate in the study. Of the 12 requests, six agents participated in the final study. Those who did not participate were not dissimilar from the other participants, but could not complete the interview in time for data analysis. Participants were contacted in January of 2010 and were given four weeks to respond to the initial request for an interview. All potential participants responded to the initial request, but some were not able to complete the interview at that time. If they advised they would respond at a later date, a reminder was

sent prior to data analysis, but no third follow-up was attempted due to time constraints. The agents that responded represented a range of product expertise in apparel from jewelry and accessories to women's dresses. The sourcing agents also represented various countries and regions including Pakistan, China, South Korea, and Taiwan, and Central America.

Operations and Sourcing Managers for American Firms

The industry operations managers and sourcing managers participating in the study were also selected from established industry contacts. Each participant holds at least a production decision-making role for a domestically operated apparel firm. Industry operations managers and sourcing managers are those individuals responsible for determining how an apparel firm's supply chain is organized. For instance, these individuals make the decisions about which countries and factories will produce the goods for the firm and also whether a sourcing agent will be used in the process of producing the apparel off shore. These participants were trained and working in either operations or sourcing that have adequate knowledge of the processes and procedures used to communicate and facilitate business with the firm's sourcing agents and overseas production. A total of 10 industry professionals were sent requests to participate in the study. Of the 10 requests, four completed the interview process. All 10 industry professionals were contacted in January 2010 and given four weeks to respond to the initial request for an interview. As with the sourcing agents, a second request was sent to the potential operations managers, but only four were able to complete the interview in time for the data analysis. One contact never responded at all to the request, but all others indicated interest in participating in the study even if they could not complete the

interview in time. The experiences of these professionals, similar to the sourcing agents, were of a broad range of product expertise. Two respondents currently work in the intimate apparel and legwear business while another manages a plus size casualwear line for women. The fourth manager has experience across men's apparel, women's casual and intimate apparel, legwear, and footwear.

Instrument

Semi-structured interviews with sourcing agents and current apparel industry operations and sourcing managers were used so that items not specifically noted in the initial interview questions could be addressed as the interviews progressed. Specific objectives were developed for interviews based on the overall objectives of the project to support results from the OTEXA data. The following objectives address the specific items explored in the interviews with sourcing agents and operations managers:

1. Examine whether firms actually shift production and utilize sourcing agents and if so, why?
2. Determine what barriers inhibit domestic retailers and manufacturers from performing sourcing tasks without sourcing agents.
3. Examine the unique qualifications that sourcing agents possess to provide a competitive advantage.
4. Examine what processes are in place for evaluating and regulating sourcing agents.

Guided by the interview objectives, participants were asked to discuss if they engage in moving production orders for apparel production from one location to another,

what barriers are the most difficult to overcome in bridging the gaps between American apparel firms and off shore factories, the current state of the apparel industry in terms of competition, how sourcing agents market themselves to American firms, and what, if any, regulating bodies exist to officially govern the sourcing agent sector of the global apparel supply chain.

The interviews were conducted at the participants' convenience, often through email correspondence for international dialogue, but also through phone interviews for domestic sourcing managers at apparel firms. Email communication often worked best when communicating with individuals that use English as a second language and allowed sourcing agents more time to understand and then respond to the questions without pressure of an interviewer waiting for an immediate response. Phone and email interviews provided the benefit of interviewing participants from diverse locations (Berg, 2009). All interviews were recorded with the permission of all interviewees and participants were advised that their comments were to remain anonymous. At the conclusion of phone interviews, the tape recordings were fully transcribed for data analysis and coding.

Because the operations managers hire sourcing agents and see the global apparel supply chain from the perspective of a buyer rather than a facilitator, the questions for the operations managers were different from those asked of sourcing agents. Still, the overall objectives were the same for each group. A description of both semi-structured interview questions is specified below. Following each question is a notation of the corresponding interview objective. These questions were used as a guide, but interviewees were

encouraged to add any pertinent information about sourcing agents and additional follow-up questions were asked by the interviewer as necessary.

Semi-Structured Interviews with Sourcing Agents

Questions included, but were not limited to the following:

- 1) What are the key points you make when marketing your firm to Western buyers (i.e., your customers)? (Interview Objective #3)
- 2) Do you think your role is essential to the development and delivery of apparel goods? Please explain. (Interview Objectives #1, #2 and #3)
- 3) What are the most difficult barriers for you to bridge between factories and buyers, cultural or otherwise? (Interview Objective #2)
- 4) What would you say is your company's purpose or mission within the global apparel supply chain? (Interview Objective #1)
- 5) What type of training is required to complete daily tasks in servicing apparel firms? (Interview Objective #3)
- 6) How are you evaluated by your customers? (Interview Objective #4)
- 7) How has your role as a sourcing agent in the apparel supply chain changed, if any, over the last ten years? (Interview Objective #1)
- 8) What is your interpretation of the expectations of your customers? (Interview Objectives #1 and #3)

- 9) Is it required that you actively follow political and trade issues for your region?
Explain. (Interview Objective #3)
- 10) How do you manage and/or take advantage of trade agreements? (Interview Objective #3)
- 11) China has significantly gained production orders since joining the World Trade Organization; is China a major factor in your production placement? If so, how does China impact your decisions? (Interview Objective #1)
- 12) How often do Western firms visit your facility to conduct business? (Interview Objectives #2 and #3)
- 13) How would you describe the current apparel industry business climate? Is it struggling, thriving, competitive etc.? Feel free to use your own descriptions.
(Interview Objective #1)
- 14) Are there any official regulating bodies for sourcing agencies and how are agencies monitored, if at all? (Interview Objective #4)
- 15) Is your firm a private entity or a publicly traded company? What is most common? (Interview Objective #4)
- 16) Are you registered with any official organizations for sourcing agents? If so, what types of organizations? (Interview Objective #4)

Semi-Structured Interviews with Domestic Operations and Sourcing Managers

Interview questions included, but were not limited to the following:

- 1) How often do you plan production in countries with different cultures?
Languages? (Interview Objectives #1 and #2)
- 2) What factors influence your decision to place production orders with international suppliers? (Interview Objective #1)
- 3) How often do you visit the factories producing your apparel goods? (Interview Objective #2)
- 4) What is the most difficult aspect of international sourcing? (Interview Objective #2 and #3)
- 5) Does your firm utilize sourcing agencies? (Interview Objective #1)
- 6) If yes, what is the primary reason for utilizing such firms? If no, why does your firm not utilize sourcing agencies? (Interview Objective #3)
- 7) What qualities do you seek in hiring sourcing agents? (Interview Objective #3)
- 8) How often does your company move production from one location to another?
(Interview Objective #1)
- 9) What is your role in the apparel supply chain? (Informative Question to provide context)
- 10) In general, do you find your production supply chain more effective when utilizing sourcing agents in the production of your firm's goods? Explain.
(Interview Objective #3)

11) How would you describe the current apparel industry business climate? Is it struggling, thriving, competitive etc.? Feel free to use your own descriptions.

(Interview Objective #1)

12) Are there any official regulating bodies for sourcing agencies and how are agencies monitored, if at all? (Interview Objective #4)

Data Analysis

Quantitative Analysis

Data representing four HTS codes was examined to determine what production patterns have occurred in the apparel industry for the last 10 years. Data was compiled from raw statistics for trade volume by year in each product category, including women's dresses of natural and synthetic fibers and men's t-shirts of natural and synthetic fibers. Each product category was studied individually and then plotted to show shifts in import quantity. The import volume by country in \$U.S. was plotted over time in five year increments from 1998 to 2008. After plotting the results, the data from each of the product categories was examined for patterns and compared to the other product categories' patterns of production by country.

Qualitative Analysis

Data from the interviews were reduced through coding to eliminate superfluous information gathered during the interview process. Data reduction allows the researcher to transform the data into a more manageable form that draws out themes and patterns (Berg, 2009). Each interview transcript was initially reviewed and any relevant information to the objectives was noted. This process did not identify major themes, but

rather identified all relevant information from the interviews for coding at a later point. Immediately following the process of reviewing all interview data for relevant keywords and phrases, key concepts and themes began to emerge. A list of the primary concepts and key themes was developed and then organized with subheadings for supporting concepts under each objective for the interviews.

Once all major codes were identified, a summary memo was developed for each interview and each objective. A memo that depicted the information from each interviewee regarding each objective was organized under the previously determined codes. This process allowed the researcher to focus on one objective with each interview transcription with known coding expectations. The purpose of the summary memo was to organize the data under major themes and prepare the information for drawing conclusions. See appendix B for a summary memo example.

Chapter 4 – Findings

The research for this study consists of both quantitative data from OTEXA as well as qualitative data gathered from interviews with sourcing agents and domestic operations managers from American apparel firms. This section presents the results from OTEXA first and then discusses the results of the interviews. The OTEXA data will provide information about import patterns for the United States from other regions of the world. Then, this information can be used to support the objective of examining shifting production patterns as well as build data for the interviews with industry professionals. Then, the interviews will examine how industry professionals view the role of sourcing agents in the global apparel supply chains. The interviews will also examine why apparel industry operations managers in the United States choose to use sourcing agents.

OTEXA Quantitative Data

The purpose of analyzing quantitative data originally reported by OTEXA is to explore whether shifts in import volume have occurred over time. Quantitative data was retrieved from the Office of Textiles and Apparel, an office within the International Trade Administration, a division of the U.S. Department of Commerce. The data was analyzed to determine if shifting production patterns exist by country over the last 10 years and if apparel production transitions over time to new destinations by product category.

In order to compare the distribution of imports over four apparel product categories, the research method used in this study included quantitative evaluation of raw data from the United States Department of Commerce, labeled by HTS code. HTS or harmonized tariff schedules are 8-10 digit codes used to determine classification of goods

as they cross international borders. These codes effectively represent different product categories, including fiber content and the construction of goods. The silhouettes of the product categories selected for this study are simple and distinct to minimize any limitations by customs classification. The four HTS codes analyzed in this study include: 6104.43.1010-women's dresses of synthetic fibers, 6104.42.0010-women's dresses of cotton fibers, 6109.10.0004-men's t-shirts of cotton, and 6109.90.1007-men's t-shirts of synthetic fibers. Three specific time periods were analyzed to provide a snapshot of production shifts over the past 10 years: present, five years ago and 10 years ago. The values of imports to the United States for these HTS codes and time periods were analyzed to determine production movement patterns.

Women's Dresses of Synthetic Fibers

For dresses composed of synthetic material¹ several countries which did not export any goods to the United States 10 years ago, had increased production to several hundred thousand dollars by 2008. Cambodia, for example, exported \$0 of women's dresses of synthetic fibers to the United States 10 years ago, but in 2008 exported \$234,980 (see Table 3). This same trend occurred for both Colombia and Israel, who grew from \$0 of women's dresses of synthetic fibers in 1998 and 2003 to \$7,606 (Colombia) and \$12,987 (Israel) by 2008 (see Table 3).

¹ The HTS codes for synthetic fibers are not as specific for natural fibers due to the narrow volume imported. For instance, HTS codes specify cotton for the natural fiber breakdown in code. A complete description of the code is displayed each table containing import data.

Table 3 *Imports by Country in \$US for Women's Dresses of Synthetic Fibers*

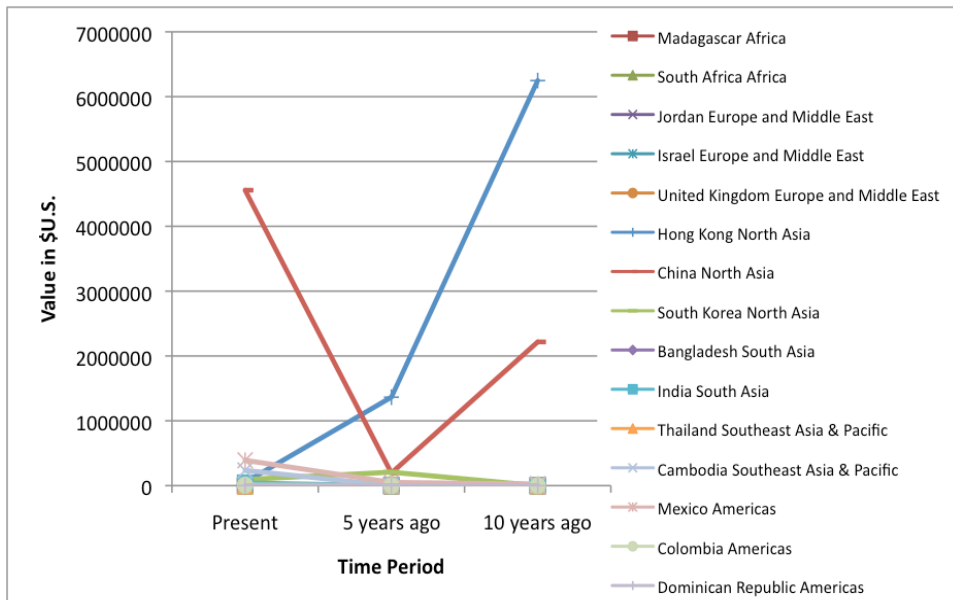
Product Description:	Women's dresses (other than swimwear), knitted or crocheted of synthetic fibers: containing 23 percent or more by weight of wool or fine animal hair (436)			
HTS Code	6104.43.1010			
Country	Trade Region	Present 2008	5 years ago 2003	10 years ago 1998
Madagascar	Africa	\$0	\$0	\$0
South Africa	Africa	\$0	\$0	\$0
Jordan	Europe and Middle East	\$0	\$0	\$0
Israel	Europe and Middle East	\$12,987	\$0	\$0
United Kingdom	Europe and Middle East	\$0	\$14,665	\$5,680
Hong Kong	North Asia	\$50,614	\$1,364,517	\$6,247,880
China	North Asia	\$4,557,252	\$194,320	\$2,216,853
South Korea	North Asia	\$93,993	\$208,011	\$0
Bangladesh	South Asia	\$3,200	\$0	\$0
India	South Asia	\$40,406	\$0	\$0
Thailand	Southeast Asia & Pacific	\$744	\$2,532	\$0
Cambodia	Southeast Asia & Pacific	\$234,980	\$0	\$0
Mexico	Americas	\$390,852	\$49,862	\$25,035
Colombia	Americas	\$7,606	\$0	\$0
Dominican Republic	Americas	\$0	\$0	\$0

Interestingly, these countries are from different trade regions around the world; Cambodia represents Southeast Asia and the Pacific, Colombia represents the Americas, and Israel represents Europe and the Middle East. However, these same trends were not consistent for other countries from the same regions. For example, the United Kingdom saw different volume each year ranging from \$14,665 in 2003 to \$0 in 2008, which is nearly the opposite of its European and Middle Eastern counterpart, Israel (see Table 3).

In the case of women's dresses of synthetic fibers, although many countries saw shifts in production quantity over time, Hong Kong and China saw the greatest changes from 1998 to 2008 (see Figure 1). Specifically, Hong Kong's exports of women's synthetic fiber dresses went from over \$6,000,000 in 1998 to just over \$1,000,000 in 2003, only to decline further by 2008, to approximately \$50,000. Thus, for Hong Kong the volume in 2008 was less than 1% of the total volume of women's dresses of synthetic

fibers exported to the U.S. in 1998. For China, exports of women’s synthetic dresses were valued over \$2,000,000 in 1998, \$194,000 in 2003, and more than \$4,500,000 in 2008 (see Figure 1). China, unlike Hong Kong rebounded to significant exports of women’s dresses of synthetic fibers following a decline in 2003. The shifts by Hong Kong and China display production movement from one country to another within the same product category. Figure 1 displays the changes for each country in the category of women’s dresses of synthetic fiber from 1998 to 2003.

Figure 1 *Regional Shifts in Women’s Dresses of Synthetic Fibers*



Women’s Dresses of Natural Fibers

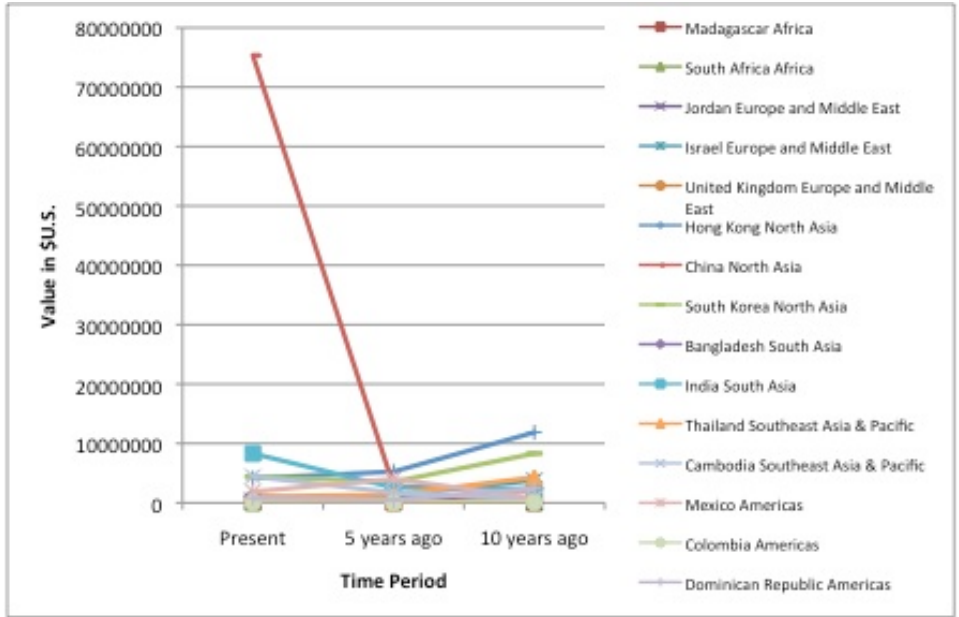
Regional shifts in women’s dresses of cotton fibers were not as dramatic as for synthetic fibers except for the case of China, whose exports increased in 2008 to more than \$75,000,000 from only \$2,077,924 in 1989 for a single HTS code representing women’s dresses of cotton fibers (see Figure 2). China exported as much as \$75.3 million of cotton fiber dresses in 2008 while the largest export volume for dresses of synthetic fibers was only \$4.55 million for China in 2008. The smaller overall volume

from the synthetic category may cause the shifts in natural fibers to appear less dramatic because the same volume shifts would not correspond to the same overall percentages of imported goods in each category. Madagascar exported \$0 in 2003 and then exported \$79,100 in 2008 (see Table 4). The Asian nations dominated the imports of women's dresses of cotton fibers, but of the Asian nations, only China, India and Cambodia saw continued growth (see Table 4). Other Asian nations such as South Korea and Bangladesh saw fluctuating volumes over time that did not grow continuously but rather began high, dropped off in 2003 and then increased again in 2008.

Table 4 *Imports by Country in \$US for Women's Dresses of Cotton Fibers*

Product Description: Women's dresses (other than swimwear), knitted or crocheted of cotton fibers (336)				
HTS Code		6104.42.0010		
Country	Trade Region	Present 2008	5 years ago 2003	10 years ago 1998
Madagascar	Africa	\$79,196	\$0	\$6,633
South Africa	Africa	\$660	\$215,360	\$6,641
Jordan	Europe and Middle East	\$442,952	\$770,279	\$3,758
Israel	Europe and Middle East	\$229,390	\$1,233,052	\$3,803,227
United Kingdom	Europe and Middle East	\$299,617	\$33,397	\$430,260
Hong Kong	North Asia	\$4,146,207	\$5,248,496	\$11,864,806
China	North Asia	\$75,339,112	\$2,808,227	\$2,077,924
South Korea	North Asia	\$4,438,809	\$3,532,391	\$8,299,540
Bangladesh	South Asia	\$1,078,906	\$241,041	\$2,526,492
India	South Asia	\$8,295,726	\$2,558,599	\$2,371,401
Thailand	Southeast Asia & Pacific	\$1,039,458	\$1,375,780	\$4,306,390
Cambodia	Southeast Asia & Pacific	\$4,429,113	\$1,725,504	\$696,192
Mexico	Americas	\$1,880,991	\$4,025,632	\$787,896
Colombia	Americas	\$63,399	\$1,859	\$70,515
Dominican Republic	Americas	\$755,797	\$437,512	\$2,418,868

Figure 2 *Regional Shifts in Women’s Dresses of Cotton Fibers*



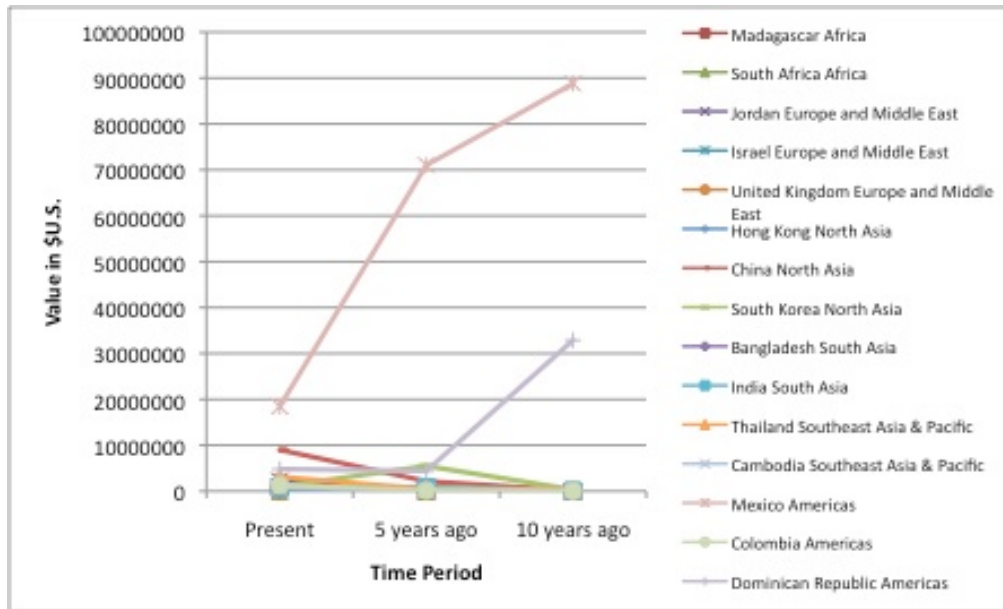
Men’s T-Shirts of Synthetic Fibers

For men’s t-shirts of man-made fibers, the fewest shifts were seen in production movement compared to the previous three HTS codes examined (see Figure 3). However, the total volume exported in this category was still significant and the Dominican Republic saw a decrease to only 15% of its exports from 1998 in 2008 (see Table 5). At the same time, China increased its exports in this category by nearly 55 times (see Table 5). Shifts for men’s t-shirts of synthetic fibers were indicated that the volume changed over time in each geographic region from South Asia to the Americas. No two time periods saw the same volume in exports indicating that movement occurred within and among trading regions over the last ten years in the apparel industry.

Table 5 Imports by Country in \$US for Men's T-Shirts of Man-made Fibers

Product Description: T-shirts, singlets, tank tops and similar garments, knitted or crocheted: Of other materials, man-made fibers: Men's (638)		Present	5 years ago	10 years ago
HTS Code 6109.90.1007		2008	2003	1998
Country	Trade Region			
Madagascar	Africa	\$840,789	\$100,550	\$0
South Africa	Africa	\$2,715	\$6,264	\$8,059
Jordan	Europe and Middle East	\$2,292,121	\$628	\$0
Israel	Europe and Middle East	\$878,173	\$480,041	\$2,857
United Kingdom	Europe and Middle East	\$10,934	\$10,122	\$31,216
Hong Kong	North Asia	\$30,811	\$64,787	\$154,821
China	North Asia	\$8,997,987	\$2,160,035	\$164,425
South Korea	North Asia	\$965,988	\$5,488,249	\$343,628
Bangladesh	South Asia	\$985,777	\$456,009	\$0
India	South Asia	\$756,554	\$931,621	\$170,615
Thailand	Southeast Asia & Pacific	\$3,112,567	\$439,878	\$365,894
Cambodia	Southeast Asia & Pacific	\$840,439	\$0	\$0
Mexico	Americas	\$18,450,677	\$71,013,073	\$88,792,896
Colombia	Americas	\$1,292,435	\$119,133	\$16,058
Dominican Republic	Americas	\$4,818,044	\$4,400,835	\$32,876,684

Figure 3 Regional Shifts in Men's T-shirts of Man-made Fibers



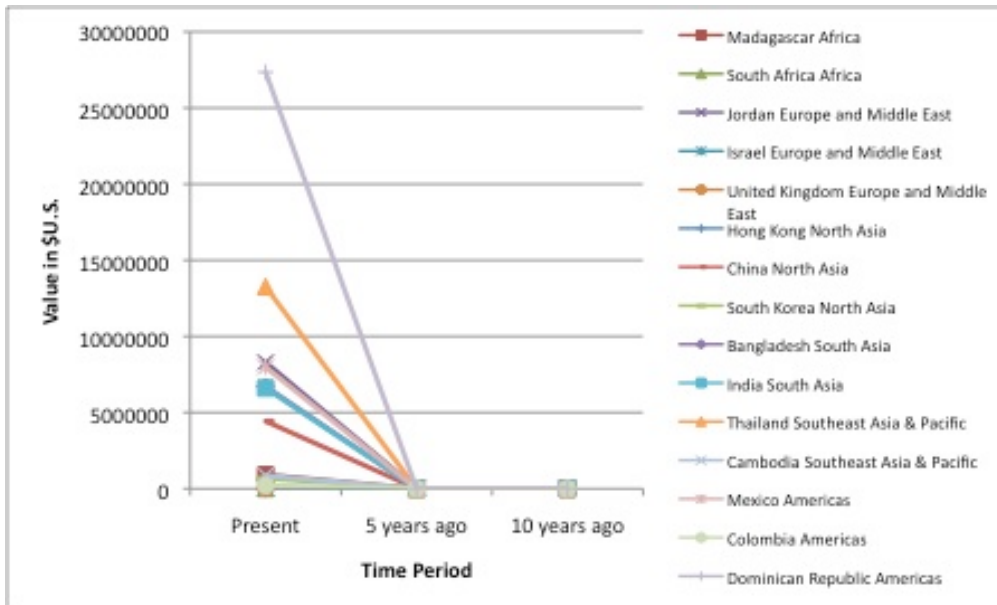
Men's T-Shirts of Natural Fibers

For the men's all white t-shirts of cotton fibers, no exports were made from any of the selected countries representing all major trade regions in 1998 or 2003, but men's cotton t-shirts became a major export to the United States in 2008 (see Table 6). The Dominican Republic saw the greatest increase in 2008 going from \$0 in 2003 to \$27,350,000 in 2008 (see Figure 4). The relative changes in industry to accommodate this shift would be dramatic in such a country. The only country that did not see some export volume of men's natural fiber t-shirts in 2008 was Israel, but both Jordan and the United Kingdom which are also part of the European and Middle Eastern region displayed participation in the export of men's natural fiber t-shirts to the United States.

Table 6 Imports by Country in \$US for Men's or Boys' All White T-Shirts of Cotton Fibers

Product Description:		T-shirts, singlets, tank tops and similar garments, knitted or crocheted: Of cotton. Men's or boys' T-shirts, all white, short hemmed sleeves, hemmed bottom, crew or round neckline, or V-neck with a mitered seam at the center of the V, without pockets, trim or embroidery (352)		
HTS Code		6109.10.0004		
Country	Trade Region	Present 2008	5 years ago 2003	10 years ago 1998
Madagascar	Africa	\$910,201	\$0	\$0
South Africa	Africa	\$2,209	\$0	\$0
Jordan	Europe and Middle East	\$8,290,014	\$0	\$0
Israel	Europe and Middle East	\$0	\$0	\$0
United Kingdom	Europe and Middle East	\$21,232	\$0	\$0
Hong Kong	North Asia	\$26,227	\$0	\$0
China	North Asia	\$4,432,945	\$0	\$0
South Korea	North Asia	\$678,258	\$0	\$0
Bangladesh	South Asia	\$6,708,759	\$0	\$0
India	South Asia	\$6,603,565	\$0	\$0
Thailand	Southeast Asia & Pacific	\$13,251,899	\$0	\$0
Cambodia	Southeast Asia & Pacific	\$855,084	\$0	\$0
Mexico	Americas	\$7,982,533	\$0	\$0
Colombia	Americas	\$200,313	\$0	\$0
Dominican Republic	Americas	\$27,350,133	\$0	\$0

Figure 4 *Regional Shifts in Men's T-shirts of Cotton Fibers*



As a result of the analysis, it was determined that for, each product category, both similarities and differences in the major exporting nations as well as volume of imports were noted. Asian nations dominated the export volume for both categories of women's apparel, while the South and Central America exporting nations had a stronger presence for both men's t-shirt categories. The primary exporting countries almost always included China, but in most cases there were variations in China's domination by product description, overall quantity, and quantity changes over time. There were also differences regarding which countries exported the largest volume in each set of data. For the synthetic items, women's dresses and men's t-shirts of synthetic man-made fibers, values representing volume of trade appear low compared to natural fiber categories, women's dresses of cotton and men's t-shirts of cotton.

These data findings from OTEXA reveal the shifts that might encourage retailers and domestic manufacturers to turn to sourcing agents to assist in modifying production supply chains. With production patterns shifting from one country or region to another, it

is necessary to understand the mechanisms in place within global apparel supply chains that facilitate the production movement. Many of the countries noted in the OTEXA data are located in regions around the world such as Southeast Asia and the Pacific. Global apparel supply chains must have systematic methods to utilize the resources of U.S. apparel firms as well as their counterparts earlier in the global apparel supply chain such as the factories. To explore the perspectives of operations managers as well as sourcing agents themselves, interviews were conducted with each group. The results of the interviews are presented in the following section.

Qualitative Data Analysis

This section presents the findings from the interviews conducted with both sourcing agents and sourcing managers of American apparel firms. In order to provide a logical organization of the findings, quotations from the interviews with research participants will be included.

Sample

A total of 10 individuals participated in this study, representing two types of actors in the global apparel supply chain: sourcing agents and sourcing managers. Specifically, six participants were sourcing agents and four participants were sourcing managers from two different apparel firms with corporate headquarters in the United States. A total of 12 sourcing agents and 10 sourcing operations managers were originally contacted, but not all were able to respond in time to compile results. All of the participants had at least five years of experience in apparel sourcing. All participants make sourcing decisions daily and represent a wide range of experience with various

apparel product categories, including footwear and accessories. The sourcing agents represent countries from around the world from Central America to South Korea². Table 7 includes a summary of the participant characteristics.

Table 7 *Summary of Respondents*

Respondent	Industry/S.A.	Country	Position
1	Industry	United States	Sr. Sourcing Manager
2	Industry	United States	Sourcing Manager
3	Industry	United States	Sourcing Manager
4	Industry	United States	Sourcing Manager
5	S.A.	Korea	Owner- Retired
6	S.A.	Pakistan	Owner/Manager
7	S.A.	Korea	Manager
8	S.A.	Korea	Manager
9	S.A.	Taiwan	Manager
10	S.A.	China and Korea	Owner/Manager

In order to better characterize each participant, a short profile of each participant follows:

- Respondent 1 works for a Fortune 500 apparel firm as a Senior Sourcing Manager in the United States and travels twice a year to visit factories and communicates

² Quotations from sourcing agents are often in somewhat broken English, but are direct quotes from the interviews to maintain the accuracy of the findings. All of the sourcing agents are from countries other than the United States and English is their second language and in some cases, their third language.

with sourcing agents on a daily basis. The experience of this respondent ranges from plus size women's apparel, casual wear, to men's basics.

- Respondent 2 also works for a major apparel firm in the United States and has more than 10 years experience as a sourcing manager. Respondent 2's product experience ranges from men's and women's intimate apparel to women's legwear and accessories.
- Respondent 3 works for a major apparel firm in the United States and has more than 10 years experience in sourcing apparel products ranging from men's thermal, men's basics, women's legwear to women's intimate and casual apparel.
- Respondent 4 has experience with two major apparel firms in the United States as a Sourcing Manager for more than 10 years. Product experience covers several categories from women's plus size apparel, women's casual wear, women's fashion legwear, and intimate apparel.
- Respondent 5 has experience as an owner and manager for a major sourcing agency based in South Korea with representation across Asia and Central America.
- Respondent 6 is the owner/manager for a Sourcing Agency in Pakistan that represents apparel factories in several Pakistani cities.
- Respondent 7 is a sourcing agent based in South Korea and has experience working for several sourcing agencies.
- Respondent 8 is a manager for a sourcing agency in South Korea and has a team of agents in both South Korea and the United States to communicate with customers.

- Respondent 9 is a sourcing agent in Taiwan that represents an agency that operates his own factory and also connects customers with other factories in Taiwan. This particular agency built a factory, in addition to representing other Taiwanese factories, to meet the needs of its customers that were not represented previously in Taiwan.
- Respondent 10 is the owner/manager of a sourcing agency based in South Korea that operates in both South Korea and in China to meet the needs of its customers.

Procedure

Each of the respondents was asked a set of questions that related to their role in the global apparel supply chain whether it be that they act as sourcing and operations managers or the actual sourcing agent. Slightly different questions were asked of sourcing agents to identify their unique perspective on the role of sourcing agents and tap into their knowledge base about the global apparel supply chain. The interviews with domestic operations and sourcing managers were developed to better understand why they use sourcing agents rather than simply communicate directly with factories outside of their firm. These questions would not apply to a sourcing agent because their job is to supply such services to domestic operations and sourcing managers and they cannot directly address the motivations of the sourcing and operations managers. The full list of questions for both sourcing agents and domestic operations and sourcing managers was provided in Chapter 3 on Methodology.

The following section describes the findings for each interview objective, which were a reflection of the overall research objectives of this study. The interview objectives were narrowed to address specific items that could not be deduced from simple statistics

on import data for the apparel industry in the United States. The information from all interviews including the operations managers and the sourcing agents were combined in the findings and organized under each interview objective.

Interview Objective 1: To examine whether apparel firms actually move production from factory to factory and if so, do they then utilize sourcing agents to facilitate the process?

As part of this study, one of the first objectives was to determine if the findings of the OTEXA data were accurately displaying movement of apparel production by American apparel firms. Movement of production would require astute knowledge of potential production locations. The intention of the study was to establish that production movement does occur and how sourcing agents are used to facilitate the process.

As discussed in previous chapters, when examining the role of sourcing agents in the global supply chain as a facilitator of production placement and movement, first movement of production must be established. The initial OTEXA data provided evidence that apparel production by volume has shifted over time from one country to another. The interview data collected from the sourcing agents and operations managers revealed production movement in a more descriptive manner. Various respondents noted production shifts as a response to different questions during the interviews, ranging from questions about the most difficult aspects of sourcing goods overseas to discussions about the current state of the apparel industry. The primary reasons for production shifts were narrowed to four primary categories: retailer demands, cost and pricing strategies, complexity of design, and navigation of political and regulatory environments.

The impact of retailer demands on production placement

In a market oriented industry, manufacturers act as a reflection of retailer and ultimately consumer demands. Growing levels of retailer demands for quality and product turnaround time for delivery was noted in almost all of the interviews. Informant #2 stated that the most difficult aspects of international sourcing are “Making sure what we receive is what we ordered and that it passes ours and our retailer’s testing requirements and performs well for the consumer.” Then, Informant #3, an operations manager, described the competitive nature of the apparel industry.

Informant #3: It is cut throat, especially at the department store level because their markups are so high. Wal-Mart is equally difficult. You are also typically competing against an internal sourcing department, so the only thing you bring to the table is carrying the inventory, eating the returns and things like that.

Again, Informant #2, an industry operations and sourcing manager, describes the impact of consumer behavior on sourcing in the apparel industry.

Informant #2: Consumers are cutting back on apparel spending. Retailers are consolidating and wielding more power. They are adding additional costs by requiring, sometimes excessive, testing which we must pay for. Buyers are placing orders closer in to delivery demanding shorter production lead times. Prices are lower every season.

The above comments by two industry operations managers depict the dynamic and pressure intense status of the apparel industry. The alternative view is that of the sourcing agents themselves and how they perceive the impact of retailers on the sourcing of apparel goods.

Sourcing agents were perceived to identify more technical pressures from the retail industry, including finding new and innovative products while still competing on

cost. Informant #9, who described a specific example from the hosiery industry, noted such perceptions.

Informant #9: We don't afraid of any challenge, sometime we create the challenge to achieve. For example, some fabric or yarn only suitable to knitted in the garment industry but we developed the yarn with mill to create novelty sock. We wish our innovation could give the market good impact to lead the hosiery market.³

Informant #9's attempt to achieve new product lines was noted in response to questions about retailer demands on production. Another sourcing agent describes the apparel industry below as volatile and high pressure.

Informant #5: Currently, apparel business is hot potato. Whatever, the price is the key point. Our customer approach to buyer and tell always that can hit the target even if it's very low compared to the normal process. In case we try to explain that it's not make sense. But due to bad economic, buyer has no choice.

Again, the sourcing agent experiences a lot of pressure, but in this case it is to provide quick product delivery at low prices to meet buyer demands. These demands are an impetus for seeking new locations for production placement of apparel goods orders.

Cost and Pricing Strategies

Cost and pricing strategies were noted in every discussion with each informant. The cost and pricing issues span relevance across several interview objectives, but were first applicable to the shifts in production locations. Shifting production and how sourcing agents aid in such shifts are discussed in this section. Informant #2, a sourcing manager, describes how "Price is the main factor followed by capabilities" when identifying the need for and selection of a sourcing agent. Informant #2 goes on to describe the negotiation process.

³ This is the first instance where the English is broken as a result of being the second language of the respondent.

Informant #2: Honesty is crucial. Personally, I look for an agent who will quote the best price first off and not waste time with a lot of back and forth on prices.

Informant #9, a sourcing agent, describes specifically how price and having a production presence in various countries are related to their ability to assist operations managers in shifting production.

Informant #9: These years, buyer has learned to source in different country, except the quality, buyer also concerned with the price. Thus, we have to compete with more countries and have to develop our own value. It's not easy to be outstanding at this time, but we are still paddle to the path we are believe it could lead us to performance.

Another sourcing agent, Informant #5, describes how many of the large stores have pushed many standard operating expenses to the sourcing agents.

Informant #5: For saving money, most of big huge stores including Target, Wal-Mart etc. require us to develop designs/quality control etc. at the vendor or our side.

Informant #4, an industry operations manager, describes the challenges of maintaining cost and quality by stating “low cost and quality are the challenge while maintaining and adhering to leadtimes.” Cost is certainly a factor when identifying potential needs for production movement. The significance of cost was depicted through all of the above comments from both sourcing agents and operations managers. Still, it is not the only reason operations managers seek sourcing agents. The following section addresses the significance of complex designs when determining whether a sourcing agent is needed in the global apparel supply chain.

Complexity of Design

The respondents noted complexity of design almost as often as cost when discussing the role of sourcing agents in the global apparel supply chain. Many sourcing

agents describe marketing their firm on their ability to source complex designs as essential.

Informant #9: When we marketing our firm, we are emphasizing our sourcing and developing ability. We invest a lot of different machine to serve variety product. We think it's very important to our clients to deal with sourcing agent who can handle more products than only single profession.

Informant #5: Personally, I think our role is more essential for better group buyers or importers etc. because they couldn't find out good factories which can accept small quantity order with complicated fashion details etc. nowadays and medium size vendors which have factories with a medium sized production capacity because most of off shore factories require big quantity orders.

In each of the above cases, complexity of design was noted by sourcing agents as an integral part in their role facilitating production in global apparel supply chains. And, not only are sourcing agents addressing complexity of design as a reason for seeking off shore production, but also industry managers recognize that complexity of design is key to their use of sourcing agents. For example, Informant #2 states, "We are very SKU intensive business so we need an agent with a well trained organized staff to keep track of all the changes." Then, Informant #3 states that when sourcing items off shore, their firm, "Needs more infrastructure the more complicated the product."

Navigation of Political and Regulatory Environment

As noted in earlier chapters, the political and regulatory environment plays a role in potential shifts in apparel production to new countries. Some of the respondents recognized their need to stay abreast of the political and regulatory environment.

Informant #3, an operations manager, noted, "duty rates and lead time and quality help dictate which nation" their firm places apparel production orders. Informant # 9, a sourcing agent, states that their sourcing agency will "do multiple country of origin to

determine the duty.” This suggests that they sample products in various countries and also factor in the regulatory cost of duty when advising their customers in the United States. Informant #6 said:

Informant #6: Nowadays, it is essential to be updated and to keep my customers updated with the political and economic policies. There are times when these changes affect production. We need to keep this in mind and look ahead to ensure customers are well informed, give them the opportunity to decide.

So, not only did the informants suggest that the political and regulatory environment has the potential to impact cost, but also Informant #6 suggested that the political climate of countries like Pakistan (the country in which Informant #6 operates) are subject to changes that might impact production decisions.

To summarize objective one, the participants in this study all expressed various reasons for potential shifts in apparel production ranging from cost to the political and regulatory environment. Each respondent noted the benefits of using sourcing agents to assist in shifting production trends. The findings from the interviews on the barriers between the United States and off shore production are discussed further in the next section.

Interview Objective 2: To determine what barriers inhibit domestic retailers and manufacturers from performing sourcing tasks without sourcing agents.

The second objective of the interviews was to determine what barriers were noted by apparel operations and sourcing managers as well as the sourcing agents that led to the utilization of a third party (i.e., sourcing agent) in facilitating global apparel supply chains. The major barrier themes included cultural barriers, geographical barriers and the

operations and the need for consistent production monitoring, all of which are described below.

Cultural Barriers

The most obvious cultural barrier to doing business in multiple countries is language. Informant #3 stated that their firm “almost exclusively operates in countries with different cultures and languages (98%).” While this figure was provided in an interview and might not be a statistically accurate reflection of the production placement for this informant’s firm, it certainly reflects the overall proportion of items sourced in other countries despite the language and cultural barriers. Informant #2 described the role of sourcing agents within the realm of cultural barriers that reflect the varying business practices that require someone to facilitate the sourcing process that is extremely “tuned into cultural differences in doing business.”

Informant #2: If management asks for an unrealistic delivery schedule, the agent will diplomatically say “No.” A direct factory will probably say something like “that will be most difficult.” If you are not tuned into what that really means, you will end up missing your delivery date.

Geographical Barriers

The geographical barriers relate to the straightforward physical distance between country of origin and a U.S. manufacturer or retailer. However, some of the respondents from this study described the barriers in terms that might not be as obvious as the simple distance from point A to point B. For example, Informant #1, an operations manager, states, “Sometimes you can’t make the decision fast enough.” The operations manager was indicating that the time difference between the locations ultimately adds one day to the implementation of action items because opposing time zones mean that while the

manager in the U.S. is working, the factory staff is sleeping. Thus, the geography adds not only time to delivery, but also delays to communication because business hours are not concurrent.

Eyes and Ears for Production

Building on the aforementioned concept of geographical barriers, a distinct need for monitoring production on-site was described by both operations managers and sourcing agents. More than once, the phrase “eyes and ears” was used to describe the service provided by sourcing agents.

Informant #2: Agents have in country merchandisers and quality control personnel. They are our eyes and ears in country.

Informant #3: They have to be my eyes and ears. In companies where I did not use agents, we had hubs, or groups of employees in country.

Informant #9: A sourcing agent is just like the eye of the buyer in the local country. He/she is helping buyers to not only deliver the correct messages to the facility, but also controlling whole production progress to meet the retail date.

Several agents that might not have used the phrase “eyes and ears,” did describe how they are “eyes and ears” for their customers. For instance, Informant #7 states that they “regularly meet with staff and the factory.” Informant #7 goes on to state:

Informant #7: We conduct in-line and final quality control and inspection of the buyer’s goods. We monitor and advise the buyer of the status of all orders placed for merchandise until such merchandise has been delivered to the buyer pursuant to the buyer’s purchase contract.

Some of the unique qualifications that allow sourcing agents to serve as the “eyes and ears” for operations and sourcing managers are noted in the following interview objective. Specifically, Objective 3 addresses how sourcing agents can lead to a competitive advantage in the apparel industry.

Interview Objective 3: To examine the unique qualifications that sourcing agents possess that provide a competitive advantage and are marketed to the operations and sourcing managers.

The third objective of the interviews was to establish the specific characteristics of sourcing agents that create a competitive advantage in facilitating off shore production of apparel goods. Separate questions were asked between the two groups of participants to better understand how sourcing agents perceive their specific abilities. Sourcing managers' perceptions of sourcing agents' unique abilities were also collected to identify whether similarities in responses among respondents were evident. The primary abilities discussed by industry operations managers and sourcing agents were the ability to negotiate costs, perform administrative tasks, identify the best factories and monitor production. Each of these abilities is reflected below.

Negotiate Target Costs

In the findings from the first objective, it was established that there is pressure on the operations managers and sourcing agents to meet cost demands of consumers and retailers. According to Informant #6, a sourcing agent, negotiating production prices and delivery schedules is something their sourcing agency works on diligently to accommodate their customers (i.e., American apparel firms).

Informant #6: We must do our best to meet their requirements honestly and sincerely which do not give up orders in any reason and must negotiate with our vendors hardly on behalf of our buyers regardless of any reason.

Informant #7, a sourcing agent, builds on the sentiments expressed above by stating that part of their role is to “assist and advise the buyer in the preparation and negotiation of purchase contracts.” This is very reflective of the earlier findings on the impact of cost

and pricing strategies on production movement. Both Informant #2 and Informant #3, operations managers, described cost as the primary factor for using sourcing agents and each of the other operations managers discussed the element of cost as part of their decision to use sourcing agents. Informant #1 stated that despite a royalty payment to the sourcing agent for their services, a sourcing agent is still more affordable than spending the resources to find a factory without an agent and then negotiating the production costs directly with the factory.

Perform Administrative Tasks

Administrative tasks are most often described as part of the production process. In some cases, sourcing agents can reduce the administrative burden of monitoring factory production, quality and delivery. Informant #1 describes the administrative benefit of utilizing a sourcing agent:

Informant #1: They can really offload a lot of your work and do it for you as far as administrative work. If it's a good agent, you can rely more on them and free some of your resources here. Basically, if I need three people to do the work, if I'm using an agent I can basically do the work with one person and the agent.

Further administrative tasks that sourcing agents describe as duties they perform for apparel firms in the United States are described by Informant #7.

Informant #7: We complete security assessments of factories where production is proposed pursuant to the buyer's obligations as a CTPAT member. We verify that any vendor with which buying agent places production properly maintains documentation for at least one year from production that evidences production in its facilities including records of receipt of raw materials, cutting, sewing, and finishing and related labor records.

Such tasks improve the efficiency of administrative tasks by providing on-site application. According to Informant #2, an operations manager, "with a good agent, there are less headaches."

Identifying the Best Factory

While the ultimate production placement decision is that of the buyer, many respondents reflected on the ability of a sourcing agent to identify the best factory for the buyer's needs. Informant #6, a sourcing agent, exemplifies the sourcing agent's attempt to build a base of knowledge that will accommodate the factory needs of the buyer.

Informant #6: We are building a vendor base that is receptive to total quality management. With the vast experience in this field and having a wide range of factories that we can choose from to be able to cater to all our client's requirements.

Both Informant #1 and Informant #2, operations managers, stated that one of the first things they look for in a sourcing agent is their factory base. The factory base is the number of factories and the varying capabilities of those factories. Sourcing agents have an assortment of potential factories that have varying production equipment to be used to produce goods for their customers, the apparel firms. Sourcing agents that represent numerous factories with varying sizes, capabilities and equipment have a large factory base.

As mentioned in the findings about how complexity of design impacts the sourcing agent's role, a sourcing agent often finds that identifying factories can be their greatest tool. Again, Informant #5 discussed how their role can be more critical when a buyer wants to produce goods that are very complex and will not have large quantities. Informant #5 states that buyers "couldn't find good factories which can accept small quantity order with complicated fashion details." Both sourcing agents and operations managers recognize the value in having keen awareness of where to place production that will provide reliable quality, on time delivery, and affordable product. Then, once the

factory is identified, the buyer then relies on the agent to follow-up by monitoring production.

Monitor Production

Production requires monitoring of quality and timelines. With the geographic barriers described earlier, the role of the sourcing agent is critical to ensuring the production of goods is of acceptable quality and on time. Informant #3, an operations manager, describes the monitoring capabilities of an agent:

Informant #3: Effectiveness is higher when people are there for you. You either have an agent, or you have an employee on the ground living in country. Dealing directly with factories is very difficult and something I would do only as a last resort. 95% of factories are not equipped to deal directly with US companies. We use agents to monitor production, quality, etc.

This concept is also reciprocated by the discussions with sourcing agents. Informant #7, a sourcing agent, describes one element of production monitoring, “We conduct in-line and final quality control inspection of buyer’s goods to assure such merchandise.”

Informant #6, a sourcing agent, describes the systematic monitoring process: “We have regular meetings with staff and factories, training staff for our customer’s requirements.”

Negotiating costs, performing administrative tasks, identifying the best factory and monitoring production collectively create unique capabilities that are not easily achieved by a domestic apparel firm’s operations and sourcing team. So, the next question is logically, how do we know who is a reliable agent? The following section addresses the responses from participants on the topic of evaluating and regulating sourcing agents in the global apparel industry.

Interview Objective 4: To examine what processes are in place for evaluating and regulating sourcing agents.

The fourth objective of the interviews was to determine the institutional regulation in place for evaluating the role of sourcing agents in the supply chain.. The most interesting discovery from the interviews was that no one was aware of any official regulating bodies for sourcing agents. Several informal methods are used to determine expected performance and reliability of sourcing agents, but there were no known universal regulations, certifications or monitoring bodies for sourcing agents identified.

Non-official forms of regulation were very elementary in nature, but seemed consistent across respondents. Most consisted of an agent's reputation, a firm's previous experiences, and word of mouth within the industry. Informant #1 stated that their firm continues to use the same sourcing agent if they are performing well, but also admitted that credibility is acquired through using an agent. Informant #1 stated, "You have to try them. Otherwise, you can't be able to trust. You have to go through the exercise."

Conversely, informants #2 and #3 described the process more as word of mouth.

Informant #2: The best way I know to find a new agent for a particular product category is to ask former co-workers for recommendations. There are a lot of sourcing agents soliciting business. These are almost always not the agency you want to work with. They tend to be disgruntled employees who have left an agency.

Informant #3, an operations manager, simply stated, "The primary information on agents and their effectiveness is through other industry connections (previous co-workers primarily)." Sourcing agents seemed to believe that their performance was also used as non-official regulation. Informant #6 stated:

Informant #6: My customers evaluate me on the basis of us giving them timely deliveries, quality, specific communication that keep them abreast with the

exact status of their orders. There are no monitoring agencies; we carry out self-monitoring analysis to keep our office system up to date with the times.

When asked about any official regulating bodies to monitor the performance of sourcing agents, many respondents actually seemed confused. One respondent asked for clarification on what was meant by “official regulating bodies,” and another stated that they “were not sure what would be an official regulating body.” When asked if she was aware of any official regulations of sourcing agents, Informant #2 responded, “I am not aware of any regulations on sourcing agents. It would be great if there was such.” Informant #8, a sourcing agent, indicated that there were no official regulating bodies for sourcing agents but did mention that their agency was a member of the Korean Apparel Association. Similarly, Informant #9, a sourcing agent, indicated there was no regulating body, but noted that their agency was a participant in the Taiwan Textile Federation “to obtain some business and industry information.”

Concluding Thoughts

The next chapter will discuss the findings in greater detail, linking the themes of the interview data together to determine the role of sourcing agents in the global apparel supply chain. Both the OTEXA data as well as the qualitative data reveal insight into the global apparel supply chain and the mechanisms that are in place to facilitate the growth that has occurred over time as import volumes have increased and the number of countries exporting to the United States has expanded to include all of the major regions around the world. The interviews with sourcing agents and operations managers began to uncover how the global apparel supply chain utilizes the role of sourcing agents to move

production from one country to another, overcome geographic and cultural barriers, and provide a competitive advantage.

Chapter 5 – Discussion

As part of Chapter 5, a discussion on how the findings reported in Chapter 4 apply to current knowledge of the role of sourcing agents in the global apparel supply chain is included. Theoretical and industry contributions, limitations of the study, and areas of future research will also be addressed in this chapter.

Summary of Results

OTEXA Data and Evidence of Production Shifts

One can speculate regarding the catalysts for regional production shifts in the apparel supply chain, and in many cases, trade agreements and technological advances most likely play a significant role in export volume changes. However, the purpose of this study was not to identify the catalysts for each shift, but rather, determine if shifts exist and are revealed in the trade data. Moreover, the need for mechanisms to facilitate changes in production volume by region is explored. U.S. apparel firms and off shore factories must adapt to producing and shipping product from new factory locations to new customers in the United States. In order to better understand the mechanisms that allow trade shifts to occur within the apparel industry, and across many product categories, interviews were performed as part of this study with both sourcing agents as well as operations managers from apparel firms in the United States.

After an analysis of the data reported by OTEXA, shifts in apparel production placement across time and product categories are consistently apparent, yet sporadic in patterns. In some cases, the volume of apparel exported for an individual country in an

apparel category is at \$0 in 1998 or 2003 and then grows significantly by 2008. In the case of synthetic products, the number of countries that have a significant role in the export of goods to the United States is minimal, but the products made from cotton or natural fibers are dispersed across several countries and represent all major regions of the world. This suggests that many countries are competing for orders within the same product category; therefore, knowledge of potential production locations is imperative for apparel firms purchasing such goods. If an operations manager has sourcing agents operating in various countries around the world, the U.S. firm has the ability to explore the opportunities across various regions for more cost effective and efficient production locations.

Interestingly, in all four product categories examined as part of this study, countries that had never before exported a product in a respective category began to do so over time. For instance, it was not until 2008 that Colombia exported Women's dresses of synthetic fibers to the United States (see Table 2). Operations managers for U.S. apparel firms must have traveled or had someone on site in Colombia to monitor these new ventures. The fact that all four categories of apparel had production in countries that did not export to the United States in 1998 is indicative of the increased globalization of the apparel supply chain in the last 10 years. In each of these cases, U.S. manufacturers began to seek out new production facilities or they were made aware of the capabilities of new factories. The example of the movement of Women's dresses of synthetic fibers is representative of the decisions made by U.S. apparel firms to select new countries to produce apparel products in the last 10 years. By analyzing shifts in production, the major countries and the breadth of countries used to produce apparel for the U.S. market

can be determined. However, the OTEXA data does not reveal which firms or how many firms are responsible for production shifts, and there is no certainty that a sourcing agent was used to move apparel production to new locations. As such, data collected from the interviews performed in this study explored the role a sourcing agent might have played in facilitating a new venture such as this move of Women's dresses to Colombia.

The import volume of Women's dresses of cotton fibers is staggering. More than \$75 Million of imports of Women's cotton dresses were from China with the next largest exporter of Women's cotton dresses being India, who exported \$8 Million in 2008 (see Table 3). Even if shifts did not occur for Women's cotton dresses, the sheer volume of imports suggests that production monitoring would be a daunting task for an industry team to execute from the United States. Industry operations managers noted the benefits of sourcing agents, including their ability to follow production lines and check for on time delivery in the global apparel supply chain. Moreover, production volume for Women's cotton dresses within each region increases and/or decreases over time suggesting new orders and new factories are entering the trade market. Such shifts in the production placement of apparel beg the question, how does the global apparel supply chain facilitate such movement? Through the interviews conducted as part of this study, it was determined that the role of sourcing agents can be critical to finding a successful new production location if a domestic apparel firm does not have the funding, time, personnel and intimate knowledge of potential new locations to adequately perform a factory search and monitor the process on their own.

In the case of Men's cotton t-shirts, there were no imports in 2003 nor in 1998, but in 2008 all of the major trade regions saw growth in exporting Men's cotton t-shirts to

the United States. While the purpose of this research is not to identify why this happened, it is to determine how a sourcing agent might have played a role in facilitating such a major shift in production placement of Men's cotton t-shirts. Thailand alone saw an increase of over \$13 Million in exports of Men's cotton t-shirts in 2008 from \$0 in 1998 and 2003 (see Table 4). The Dominican Republic exhibited the greatest increase in export volume of Men's cotton t-shirts with more than \$28 Million in 2008 while at \$0 just five years before (see Figure 3). American firms had \$0 in imports of Men's cotton fiber t-shirts in 1998 and 2003, but in 2008, the U.S. had imports of Men's cotton t-shirts from every global region. It is appropriate to question the use of a facilitating mechanism, such as a sourcing agent, to assist in the shift of Men's cotton t-shirts in the global apparel supply chain.

In the case of Men's t-shirts of synthetic fibers, the Dominican Republic and Mexico seemed to lose production as China gained production orders over the last 15 years (see Figure 4). The exports of Men's t-shirts of synthetic fibers decreased for Mexico and the Dominican Republic in 1998, 2003, and 2008. Mexico had exported over \$88 Million of Men's synthetic t-shirts in 1998, then only \$18 Million in 2008. The Dominican Republic exported more than \$32 Million in 1998 and only \$4 Million in 2008. China, on the other hand, exported only \$164,425 in 1998, but increased to nearly \$9 Million in 2008. However, as compared to China, the Dominican Republic and Mexico have a competitive advantage in exporting goods to the United States given their geographic proximity. The transportation of goods is faster, the travel to monitor production is easier, and the time zones are very close for communication purposes. Still, U.S. apparel firms elected to move production of Men's synthetic fiber t-shirts to

countries like China and South Korea that have greater geographic distance and cultural barriers (see Figure 4). A sourcing agent provides a bridge for these barriers, production support such as monitoring, as well as administrative duties, therefore minimizing the competitive advantage of the Dominican Republic and Mexico. Sourcing agents make a shift to another hemisphere more achievable for U.S. firms and less risky despite the closer location of countries such as the Dominican Republic and Mexico.

One common thread between all products analyzed in this study is the impact of China on the sourcing of apparel goods in the last 10 years. China has obtained a huge share of the apparel export market, especially in Women's dresses of synthetic and cotton fibers. China's export volume to the United States grew in every category except Men's cotton t-shirts and even though China's export volume did not grow for Men's cotton t-shirts, China was the second largest exporter of Men's cotton t-shirts in 2008 (see Figure 4). As noted in Chapter 2, a major reason that countries such as China have benefited in expanding their apparel export industries has been their move from assembling imported raw materials to higher value-added goods in a full-package format (Gereffi & Memedovic, 2003). Full package goods are completely assembled rather than individual raw materials or partially finished goods. Per the interviews, it was noted that sourcing agents play a role in monitoring full package production processes for American operations managers. In addition to the full-package option often offered by Chinese producers, the elimination of quota restrictions in 2005 allowed Chinese factories to compete for more volume without the burden of aggregate limitations to their export quantities. While this is apparent in the data collected for the four HTS categories in this study, it is also reflective of the overall apparel goods trend. More than half of the

apparel goods that are exported to the U.S. today originate in China (Kunz & Garner, 2007).

The next section will discuss the findings from the interviews with sourcing agents and operations managers. The OTEXA data discussed in the previous section displayed evidence of shifting production patterns in the apparel industry and the movement of production locations over the last 10 years. The shifting patterns support the need for a facilitating mechanism such as sourcing agents to assist U.S. firms in navigating the many factories available to them around the world. Interviews with sourcing agents and operations managers provide a glimpse into the strategies and decisions made within the industry about global apparel supply chains.

The Role of Sourcing Agents from an Industry Perspective

Interviews were conducted with sourcing agents and sourcing managers using four objectives to guide the process. These objectives were as follows:

- Objective 1: To examine whether apparel firms actually move production from factory to factory and if so, do they then utilize sourcing agents to facilitate the process?
- Objective 2: To determine what barriers inhibit domestic retailers and manufacturers from performing sourcing tasks without sourcing agents.
- Objective 3: To examine the unique qualifications that sourcing agents possess that provide a competitive advantage and are marketed to the operations and sourcing managers.
- Objective 4: To examine what processes are in place for evaluating and regulating sourcing agents.

Each of these objectives was addressed in Chapter 4 with specific codes that reflected the responses from the operations and sourcing managers as well as the sourcing agents themselves. The following section will discuss how the responses from the participants reflect an exploration of the sourcing agent's role in the global apparel supply chain by discussing the results from each objective.

Apparel Firms are Moving Production and Using Sourcing Agents

As displayed in the OTEXA data, apparel production has shifted over time. As part of the interviews, both sourcing agents and operations managers disclosed in greater detail the process of implementing shifts to new locations. First, retailer demands change from year to year and even season to season. These demands are not limited to fashion trends. If one supplier is unable to meet the testing requirements and quality standards of the retailer, a U.S. manufacturer will have no choice but to move production to another location. The sourcing agents also seemed to share a philosophy that they must be willing to face any challenge in order to acquire business from U.S. retailers. One sourcing agent noted, "We don't afraid of any challenge" while another indicated, "Our customer approach to buyer and tell always that we can hit the target even if it's very low compared to normal process." These comments suggest that retailers place a great deal of demands on sourcing agents' expertise and knowledge of the supply chain.

It comes as no surprise that all the participants noted cost and pricing strategies as part of the sourcing agent's role in facilitating production in the apparel industry. The respondents indicated that the apparel industry is very competitive. In fact, one sourcing agent described how stores such as Wal-Mart and Target have shifted the development phase of the apparel supply chain to sourcing agents in order to save money. This

suggests that not only are sourcing agents being used to reduce costs through finding the factory with the lowest price, but they are also assuming a larger role in the development of the product itself. This is supportive of the race to the bottom in the production of apparel goods, where many manufacturers seek methods of reducing costs to meet demands for lower prices each year.

When retailers and U.S. manufacturers push both production and development responsibilities to their sourcing agents, they invest in fewer fixed costs and are more flexible to make a change from one factory to another as well as one product to another. A market oriented supply chain that responds to the consumer environment requires flexibility in order to meet consumer demands. In fact, one sourcing agent described how the buyer had no choice but to require lower production costs. When the responsibility for developing new fabrications, designs and production options is placed on the sourcing agent, then the retailer and manufacturer reduce their overhead costs while minimizing their fixed asset costs. Instead, the sourcing agent is investing resources in the development of apparel product and finding factories with the appropriate equipment and capacity for on time production to meet the retailer and consumer demands. When sourcing agents search for appropriate equipment, the design of the apparel product guides their search because a factory must have the ability to produce the garment. The complexity of designs was also identified among reasons for moving production and utilizing sourcing agents. When new products are complex and quality is critical, operations managers agreed that a sourcing agent provided useful insight. In fact, the complexity of design was almost as critical as cost in the decision to utilize a sourcing agent and a sourcing agent's unique ability to add a competitive advantage. Many

respondents noted the need for a sourcing agent when styles were complex and orders were not of enough quantity to meet minimum order amounts for many larger off shore factories. When cost and complexity are an issue, a sourcing agent is critical to the operations manager who needs assurance that standards and deliveries are met.

As part of the findings, several sourcing agents and operations managers noted that the political and regulatory environment of the supply chain might cause production shifts. It was not apparent, however, that monitoring the political and regulatory environment was a unique qualification of the sourcing agent. The operations managers were capable of understanding trade agreements. However, the sourcing agent in Pakistan did note that they find it important to keep their customers well aware of the political and economic policies of their country. If political instability is suspected in a region, this qualification might become more imperative than in a stable environment where concerns about the political environment are less severe.

As mentioned by Levy and Weitz (2009), “when sourcing globally, it’s harder to maintain consistent quality standards than when sourcing domestically” (p. 395). A sourcing agent provides assistance in maintaining consistent quality and timing when producing items off shore to a U.S. operations manager. The sourcing agent also assists by breaking down some of the barriers and monitoring production. These barriers are discussed further in the next section.

Sourcing Agents Breakdown Geographic and Cultural Barriers

The primary advantage to utilizing a sourcing agent is their on-location presence during the development and production phase of the global apparel supply chain. Several industry operations managers pointed out in the interviews that a trustworthy agent is

critical because this person then becomes the on-site production monitor. Because of the geographical distance between off shore factories and operations managers located in the U.S., sourcing agents provide quality control and in-line inspections that would be impossible for a manager in the United States to perform on a regular basis. Delivery to U.S. retailers is time sensitive and often decisions about production must be made quickly to keep the process on time. One operations manager identified the time difference as an added barrier due to geography stating, “Sometimes you can’t make the decision fast enough.” With this statement, the respondent revealed how geography can sometimes delay production by an entire day if you do not have an agent on location to facilitate production.

While geography is an obvious barrier between U.S. apparel firms and their off shore production locations, cultural barriers can take different forms depending on which two countries might be collaborating to produce a product. Speaking different languages is one form of cultural barrier. One respondent claimed that their firm “almost exclusively operates in countries with different cultures and languages (98%).” Sourcing agents bridge the gap by eliminating some of the uncertainty that is lost in translation and by having knowledge about the U.S. culture and the culture of the factory representatives. The apparel firms represented in the interviews source apparel from several countries around the world and use more than one single sourcing agent in the production of their goods. Since sourcing agents represent the cultures in which they often live, they can be more effective than a U.S. operations manager in communicating with factories in their home country. For instance, a simple professional cultural nuance might be that a factory manager does not think it is polite to refuse or say no to a potential customer’s request,

but instead state that the delivery might be extremely difficult and allude to potential struggles. In such a situation, a sourcing agent would know that the factory manager will not likely meet the target delivery and that they are simply following professional norms for their culture that discourage refusing customer requests. This example situation was specifically noted by Informant #2, an operations manager, who described the need for knowing the general responses of factory managers and how to interpret production claims from a factory attempting to be diplomatic rather than completely up front about their capabilities due to the cultural norms.

The Competitive Advantage of Using a Sourcing Agent

Beyond bridging barriers and responding to consumer and retailer demands, sourcing agents provide a competitive advantage because they negotiate contracts and identify the factory with the best cost and appropriate equipment capabilities. Further, sourcing agents, through their close relationships with factories, can oftentimes better ensure efficiency in production. Respondents noted that sourcing agents are critical to the success of complex designs in off shore production facilities. The sourcing agent's technical knowledge and network of contacts allow them to identify the best factories for specific designs and production volume requests of the manufacturers and retailers.

Interestingly, the added cost of royalty fees for sourcing agents was indicated to be less expensive than identifying factories and working directly with those factories independently. While most respondents felt that on time delivery and communication with factories was more effective when a sourcing agent was utilized, one respondent went as far as to say that they could actually employ fewer staff members at their U.S. office and accomplish the same amount of work if they were utilizing a sourcing agent.

The costs of salary, benefits, etc., for employees are then eliminated and can reduce overhead for many apparel firms. Informant #1 stated that, “Basically, if I need three people to do the work, if I’m using an agent, I can basically do the work with one person and the agent.” This is a strong competitive advantage for sourcing agents, in addition to the bridging of barriers and on-site production monitoring. However, the sourcing agent must be effective in delivering a competitive advantage, which begs the question, how are sourcing agents regulated and how does an operations manager identify the best sourcing agent?

Regulation is Missing

The most revealing aspect of the study was the discovery that no official regulation exists for sourcing agents. In fact, some participants seemed confused by the question of regulation. Many sourcing agents and operations managers agreed that the reputation of a sourcing agent depends on their consistent performance. Few respondents said they would switch to a new agent if the current agent was performing well and meeting target costs and deadlines. This is an extremely informal method of regulation, and institutions such as the global apparel supply chain require legitimacy in order to survive (Meyer & Rowan, 1977). According to the respondents, little regulation exists to qualify sourcing agents as reliable or legitimate.

Official government organizations such as U.S. Customs regulate and monitor the volume and categories of goods imported into the United States. Trade agreements are regulated through the World Trade Organization and their stipulations are checked by U.S. Customs as goods cross over the U.S. border. However, sourcing agents, a facilitator of global apparel production, is devoid of any formal regulation. According to

the data collected during this study, the regulation is only through word of mouth and a reputation for consistent performance for a manufacturer. The role of certification for sourcing agents has been addressed previously by Garg (2002), who found that both sourcing agents and apparel operations managers agreed that certification would assist in global apparel supply chain relationships. Yet, nearly eight years after the study was published, there is no sign of sourcing agent regulation or certification. Identifying the best practices in regulating and certifying sourcing agents is a potential area of future research.

Theoretical Contributions

As noted in Chapter 2, the role of sourcing agents in providing goal seeking, problem-solving, and adapting qualities to the global apparel supply chain were addressed. In the following section, a discussion of how the data collected during the interviews applies to each these qualities is included.

Goal Seeking

Global apparel supply chains are organized to design and deliver apparel products for the consumer. As noted in the results, the impact of retailer demands have a great influence on the goals of global apparel supply chains and, consequently, on the goals of sourcing agents and operations managers. Sourcing agents seek to identify the demands of their customers and modify their organizations to meet those demands. As noted by Informant #9, a sourcing agent, they (sourcing agents) are not afraid of any challenges and sometimes they challenge themselves to develop new product that is suitable for the industry. Sourcing agents interviewed in this study indicate that goals are set to meet the demands of their customers, the U.S. buyers and retailers. Even when the demands are

difficult, the sourcing agent sets a goal to achieve what the buyer requests. Informant #5, a sourcing agent, indicated that they understand that buyers have no choice but to request low costs in a bad economy and they always try to hit the buyer's target cost. Sourcing agents are under significant pressure to meet demands from their customers, but understand that the purpose and goal of the global apparel supply chain is to deliver product from factories around the world to the consumer.

Problem-Solving

The problems that occur in the global apparel supply chain reflect the barriers between the different actors within the institution. Factories and buyers are separated by geography and culture. The sourcing agent's role is to breakdown barriers and facilitate communication between the operations managers and the factory managers. Informant #3, an operations manager, stated that his firm almost exclusively produces product in countries with different languages and cultures. When operations managers use factories that are off shore, they rely on sourcing agents to solve geographic and cultural barriers. The agents then become the eyes and ears of the operations manager by communicating with the factories directly and monitoring the quality and timing of apparel orders placed by the operations managers.

Sourcing agents also solve the problem of limited resources for smaller apparel firms. Sourcing agents can identify factories that are willing to produce smaller volumes, and can ensure quality for an apparel firm that might not have the funding to research production options and/or visit the factory often enough to monitor quality when production is off shore. If the apparel design is complex, finding a factory with the appropriate equipment becomes harder because fewer factories have the ability to

produce complex designs. Informant #5, a sourcing agent, believes that the ability to find good factories that can produce complicated fashion and agree to small orders is more essential for some buyers. Sourcing agents solve problems within the global apparel supply chain through their ability to communicate with local factories and their awareness of factory capabilities for the regions they represent around the world.

Adapting

Sourcing agents adapt to changing consumer demands as well as the trade environment within the apparel industry. In order to adapt to changing consumer demands, Informant #9, a sourcing agent, stated that it is important to handle more than a single category of products as well as invest in different machinery to better serve buyers. This informant's comments suggest that sourcing agents must not only be able to find new factories that can adapt to consumer demands, but they sometimes invest in the machinery themselves in order to adapt to new market demands. One of the primary advantages to producing apparel off shore in global apparel supply chains is the benefit U.S. retailers obtain from reducing their own capital investments required to meet changing consumer demands in a market oriented industry. Sourcing agents identify the factories that allow U.S. firms to adapt to consumer demands as well as the economic and political environment. Informant #6, a sourcing agent, noted that it is essential to stay aware of both the political and economic environment because both can impact apparel production. Informant #6 also noted that it is the sourcing agent's responsibility to keep the buyer informed of potential environmental factors that could impact apparel production. Political and economic awareness and communication allow sourcing agents to assist in the adaptations needed in order to remain competitive in the marketplace.

Sourcing agents play a critical role in supporting the global apparel supply chain. They organize the various actors within the supply chain that would otherwise be difficult to connect due to geographic and cultural barriers. The sourcing agent's role in the global apparel supply chain is to facilitate the relationships among key players who seek to produce apparel goods efficiently, meeting quality and timing standards.

Contributions to Industry

Sourcing agents are an understudied and illusive link in global apparel supply chains. While this study does not expose the full realm of the sourcing agent's impact on the apparel industry, it does add to an exploration of the importance and legitimacy of sourcing agents. There is a great deal of information to be learned about how U.S. firms are linked with factories in various regions of the world in the production of goods. As more information is revealed about the role of sourcing agents, industry professionals will be better equipped to coordinate efficient supply chains.

Implications of Study

The most significant implication of this study was the wide acceptance of sourcing agents as an integral part of the global apparel supply. All participants provided support for the widespread usage of sourcing agents to facilitate production across various regions of the world. Consequently, further research on this topic will be relevant to industry professionals to better understand the role and methods for improving the role of sourcing agents. One such method would be to establish an official form of regulation that allows sourcing agents to be recognized as reliable and legitimate without going

through the exercise of simply “testing” their performance and relying on word of mouth reputations.

Another industry implication is that sourcing agents are not simply a mechanism for finding the lowest cost option, but rather their role is also integral to sourcing complex designs and items with small order quantities. The sourcing agent has a distinct ability to bridge barriers between U.S. operations managers and factories. Thus, U.S. operations managers have the ability to sample complex designs and low quantity orders with off shore factories without further investment.

Trustworthiness of the Study

According to Carmines and Zeller (1979), one of the major reliability concerns in conducting research is that if the study were to be repeated, would the same research method yield the same or very similar results. In the case of this study, it is worth noting that once all of the interviews were completed, the data followed a similar pattern for each respondent. This occurred for both the sourcing agents as well as the operations managers. It should also be noted that data from two differing perspectives, sourcing managers and sourcing agents, were collected so that more than one viewpoint within global apparel supply chains could be compared.

Each of the participants in the study were anonymous and had no threat of consequence for divulging information regarding their methods in working in global apparel supply chains. Each participant was free to refuse participation at anytime which minimized the risk of sharing confidential or proprietary procedures. Participants were also free to share additional information not specifically addressed by the interview

questions. This minimized the risk of information being withheld due to missing triggers specifically addressed in the interview questions.

The validity of the study addresses whether the data collection and analysis measures what the study intended to seek (Carmines & Zeller, 1979). For this study, the responses from participants reflect the reasoning dimension in global apparel supply chains because the participants analyze the industry and make decisions within the global apparel supply chain everyday. As noted earlier, participants agreed to participate and were not in jeopardy of negative consequences associated with revealing confidential business procedures. The quantitative data was collected to provide evidence of shifting production patterns and support the notion that U.S. apparel firms are importing product from all regions of the world. Quantitative data alone would not have explored the role of sourcing agents in global apparel supply chains because the numbers do not reflect the reasoning used by sourcing agents and operations managers when making supply chain decisions. The qualitative data explored how the various actors within the global apparel supply chain work together to execute off shore production. Qualitative data is intricately woven into the substance and issues of the data collection (Berg, 2009).

Limitations

The limitations of the OTEXA data are inherent in the nature of U.S. Customs coding of goods at the port of entry in the United States. A customs official reviews the garment and then determines if the garment matches the HTS code indicated on the shipping documents. Dale O. Torrence (1985) of the U.S. Customs Service states that “[HTS codes] are multi-purpose an international goods classification system designed to be used by manufacturers, transporters, exporters, Customs officials statisticians, etc.” (p.

22). These codes effectively represent the fiber contents and construction of apparel goods, but also represent intended use of a product. When customs officials consider the intended use of goods, classifications are subject to the perception of the individual reviewing the product at the port of entry. For instance, if a customs official concludes that a sleepwear jacket can have the intended use of casualwear instead of sleepwear, then the duty rate and classification may change as the goods enter the United States despite the product's intended use according to the manufacturer. Additionally, the United States International Trade Commission publishes updates to HTS codes every few years. Updates have the potential to reassign a product description to a new HTS code. Consequently, the data results from this study are limited by consistent meanings over time for the selected HTS codes. However, as mentioned in the methods section, the selected silhouettes and product descriptions were simple both in construction and content to minimize possible limitations from subjective customs classification.

Limitations of the interview data collected include the use of a convenience sample of participants who were all previous contacts from industry experience. The apparel industry is very proprietary and operations are often confidential with the intention of maintaining a competitive advantage. Additional interviews could improve the generalizability of the findings.

Further, an ethnographic study was originally included in the methodology, but was cancelled by a sourcing agency in China due to potential intellectual property risks to their customers. A participatory study or ethnography of the processes and procedures performed by sourcing agents on a daily basis would provide support for the claims made by both industry operations managers and sourcing agents during interviews.

Recommendations for Future Research

Further research is needed to support the findings of this study. Additional interviews and an ethnographic study on the daily tasks and responsibilities of operations managers and sourcing agents would provide details to support the interview data collected for this study. Observation data could reveal the full scope of the sourcing agents role in global apparel supply chains. It is possible that the role of sourcing agents apply to a bigger picture of global economies and the evolution of the apparel industry over time.

Also, further research needs to be compiled on the alternatives to sourcing agents. All of the operations managers in this study use sourcing agents, but not all apparel firms in the U.S. use sourcing agents. An understanding of how supply chains and communication systems differ among firms that do not use a sourcing agent is warranted.

Finally, additional research on the role of regulation in the apparel industry should be considered in the future. As noted in this study, no official regulation exists for sourcing agents. The concept of regulation needs further investigation to determine if there is a trend within the apparel industry that indicates low levels of formal regulation. Beyond the role of customs and border protection, what mechanisms are in place to ensure the legitimacy of the global apparel supply chain?

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Appendix A - IRB Application Exemption



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TO: Joy Kozar
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320 Justin

Proposal Number: 5301

FROM: Rick Scheidt, Chair 
Committee on Research Involving Human Subjects

DATE: December 18, 2009

RE: "The Role of Sourcing Agents in Global Apparel Supply Chains: An Exxploratory Study."

The Institutional Review Board (IRB) for Kansas State University has reviewed the proposal identified above and has determined that this is a **Non-Research Application**. The proposed activity as described does not meet the criteria in 45 CFR 46 for the definition of "research" involving human subjects, and therefore does not require review by the Committee for Research Involving Human Subjects (IRB).

This applies only to the proposal/document currently on file with the IRB. Any change affecting human subjects must be approved by the IRB prior to implementation.

Feel free to call our office if you have any questions.

Appendix B - Summary Memo Example

Summary Memo: Informant #2

Research Objective #3: To examine the role sourcing agents play in the global apparel supply chain and their unique qualifications to apparel firms seeking a competitive advantage in the marketplace.

Negotiate Target Costs

- R: What factors influence your decision to place production orders with international suppliers?
 - I: Price is the main factor followed by capabilities.
-

Bridge Cultural Barriers

- R: In general, do you find your production supply chain more effective when utilizing sourcing agents in the international production of your firm's goods as compared to direct sourcing? Explain.
 - I: I have worked both ways. With a good agent, there are less headaches. QC is handled by them and we know in advance if there is a problem. However that service costs money. A good direct supplier can also work this way but you have to be much more tuned into cultural differences in doing business.
-

Perform Administrative Tasks

- R: In general, do you find your production supply chain more effective when utilizing sourcing agents in the international production of your firm's goods as compared to direct sourcing? Explain.
 - I: QC is handled by them and we know in advance if there is a problem.

- R: What is the most difficult aspect of international sourcing?
 - I: Quality/consistency. Making sure what we receive is what we ordered and that it passes ours and our retailers testing requirements and performs well for the consumer.
-

Identify the Best Factory for Specific Customer Needs

- R: What qualities do you seek in hiring sourcing agents?
 - I: Varied factory base. Good prices. We are very SKU intensive business so we need an agent with a well trained organized merchandising staff to keep track of all the changes.
-

Monitor Production

- R: In general, do you find your production supply chain more effective when utilizing sourcing agents in the international production of your firm's goods as compared to direct sourcing? Explain.
 - I: With a good agent, there are less headaches.
- I: QC is handled by them and we know in advance if there is a problem.