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Australian Apparel Retailing Through the Net and Over the Waves

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Introduction

A global consensus appears to be emerging among clothing retail analysts that the key factors that will influence the industry over the next decade are corporate concentration, e-commerce and globalisation. This paper examines these predictions in the light of Australian evidence. First, it argues that Australia already possesses a highly concentrated clothing retail sector. However, the significance of concentration is that it facilitates the dominant role that retailers have been asserting along the clothing commodity chain. Second, it points to the ambiguity of the globalisation thesis in an industry that increasingly relies upon close-to-market intelligence. However, it also argues that retailers have assumed a stronger grip on global clothing commodity chains. Third, it demonstrates that retailers are embracing e-commerce, although its immediate impact upon the clothing commodity chain and upon consumer behaviour remains slight. Yet, if e-commerce does begin to shape communication along the supply chain (or supply web) there is no reason to expect that this will alter existing power relations, despite the rhetoric of trust and shared information flows.

The Emerging Consensus Surrounding the Future

A recent assessment of the future of the global TCF industry by Kurt Salmon Associates (KSA)—widely regarded as the world's leading TCF consultancy firm—identified three forces of retail change that will affect the clothing production chain over the next decade: consolidation, internationalisation and e-commerce. These changes will result in fewer players controlling 'access to the consumer making it harder for suppliers to get a message through' as 'large retailers exercise their buying power and seek economies'. According to KSA, the survival of suppliers will depend upon 'deeper retail partnerships' that go beyond 'key account management and extend to strategic alliances involving co-operative product development, linked international expansion and global sourcing, and promotion as retail influence feeds back down the supply chain'.[1]

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A recent survey of 250 CEOs from Australia's top companies conducted by PricewaterhouseCoopers in 2000 provided support for these predictions, finding that the key challenges identified in retailing and wholesaling are 'the impact of new technology, e-business issues and globalisation'.[2] The Victorian Government's Department of State and Regional Development reached a similar conclusion. Assessing the future of the clothing supply chain, they predicted that the three factors requiring 'particular attention' were the understanding of customer requirements, the process of supply chain internationalisation and the management of these chains.[3] The Australian Centre for Retail Studies has also stated: 'Electronic commerce is widely regarded as one of the most important forces of change shaping the retail industry around the world. Retailing is likely to be impacted by e-commerce more than most other sectors of the economy because of the position that retailers occupy as the interface between product suppliers and end customers. As well as within their own operations, e-commerce has the potential to impact on retailers' relationships with their suppliers and their customers'.[4]

The Commonwealth Government's TCF&L Action Agenda Supply Chain Working Group also acknowledged that large retailers 'are the primary drivers of IT change in the Australian TCF&L industry and developing world class systems and processes'.[5] The Government's Action Agenda Discussion Paper reinforced this, asserting that:

> Electronic commerce is now essential to the management of the TCF&L supply chain. Profitable sourcing of apparel requires effective communication from fibre and fabric supplier to assembler to merchandiser and retailer . . . Given this and the significant role retailers now play in the industry, expenditure in this area, although it will take time to generate a return, may present TCF&L suppliers with the opportunity to become competitive on a larger scale.[6]

There is thus a consistency of opinion regarding the trends that will shape the foreseeable future of the clothing commodity chain. However, these assertions do not constitute verification. This requires the empirical investigation of inter- and intra-organisational behaviour and industrial trends. Before the impact of e-commerce and internationalisation can be explored, the next section will describe the structure of the apparel retailing chain and assess the impact of retail concentration.

The Buyer-driven Nature of the Clothing Commodity Chain

The claims made by government task forces and industry analysts are consistent with the argument associated with the conceptual framework of 'global commodity chains'.[7] This section outlines this framework before examining evidence drawn from the Australian experience of retail concentration and its impact on the clothing commodity chain.

The three key conceptual components of a commodity chain are: (a) an input–output structure; (b) territoriality; and (c) a governance structure. The first component refers to the value-adding process that leads to the final product, the second refers to the spatial organisation of production and distribution, and the third refers to the power relationships within the network of production and distribution, between firms and between management and workers.

Global commodity chains can be distinguished by their governance structure into 'producer-driven' commodity chains and 'buyer-driven' commodity chains. On the one hand, examples of producer-driven commodity chains include the automotive, electronics, aerospace and computer industries. These chains are characterised by capital-intensive production processes, owned and controlled by large transnational corporations that also tend to dominate the forward and backward linkages along the chain from centralised corporate administrative centres. The capital-intensive nature of producer-driven chains also means that the geographic distribution of production is more limited than buyer-driven commodity chains.

On the other hand, the clothing industry, along with other industries such as toy production, furniture, housewares and ornaments, are good examples of buyer-driven commodity chains. The dynamics of buyer-driven chains have been described by Gereffi as:

> . . . those industries in which large retailers, brand-named merchandisers, and trading companies play the pivotal role in setting up decentralised production networks in a variety of exporting countries . . . The specifications are supplied by the buyers and the branded companies that design the goods . . . The main job of the core company in buyer-driven commodity chains is to manage these production and trade networks and make sure all the pieces of the business come together in an integrated whole . . . Whereas in producer-driven forms of capitalist industrialisation, production patterns shape the character of demand, in buyer-driven commodity chains the organisation of consumption is the major determinant of where and how global manufacturing takes place.[8]

Appelbaum and Gereffi have also stressed that power is not evenly distributed along commodity chains. Within the clothing chain, retailers occupy the key node and use their buying power 'to exact compliance from domestic as well as overseas apparel manufacturers'.[9] These claims provide a useful analytical framework for understanding why so many industry analysts refer to the retail sector as the cornerstone for future supply chain transformations.

The remainder of this section demonstrates that the Australian clothing commodity chain is buyer-driven, as Gereffi suggests. First, it examines the structure of the retail sector, pointing out that KSA's first prediction—that retailing will become increasingly concentrated—has been an Australian reality for some time. It then examines how retailers 'pull the commodity chain'. It concludes by questioning the ongoing relevance of the conceptual distinction between retailing and manufacturing under conditions where functional boundaries between firms have become increasingly blurred.

Over the past 30 years, the Australian apparel retail sector has undergone a dual process of fragmented form and corporate concentration. Before the 1970s, the retail environment was dominated by medium-sized regional department stores and independent small-scale specialist stores.[10] Over the last 30 years, retail forms have fragmented as demand has diversified. While a few department stores have expanded, most regional department stores have either been consolidated into national chains or else have ceased trading. In addition, small independent specialists have been squeezed by the emergence of national discount merchandisers and national fashion specialist chains.[11] The latter forms of retail have built their expansion through following the development of suburban and regional shopping malls.

Australia now possesses one of the most concentrated apparel retail sectors in the developed world. According to Baston, by 1991–92 '1 per cent of all department stores and specialist clothing stores in Australia accounted for 61 per cent of all retail sales of clothing sold by those store types; and 4 per cent of stores had 77 per cent of sales. Twelve department stores sold 39 per cent of all clothing'.[12] Thus, not only do retailers control key nodes in the clothing commodity chain, their power has been enhanced by retail concentration. The remainder of this section examines the means through which local retail buyers pull the chain.

Retail concentration affects suppliers by narrowing their customer base. This increases the possibility of retailers dictating terms to manufacturers and effectively becoming price takers rather than price makers. In addition, there are a variety of corporate strategies that retailers have employed that have further consolidated the buyer-driven nature of the clothing commodity chain. These include quality control philosophies, quick response managerial strategies, increasing their proportion of proprietary brands and direct importing.

Retail interest in quality control and quick response has contributed to a blurring of the boundaries between retailers and manufacturers. Functions previously considered part of the manufacturers' sphere of authority—such as price determination, quality monitoring and delivery scheduling—are increasingly being passed over to retail surveillance. On the other hand, in an attempt to reduce inventories and meet just-in-time requirements, manufacturers are increasingly assuming functions previously considered part of retailers' sphere of authority, such as inventory control, warehousing, product tagging and direct-to-store delivery.[13]

In addition, department stores, mass merchandisers and specialty chains increasingly are marketing their own proprietary brands, placing a higher degree of design functions in the hands of retailers rather than manufacturers. Increasingly, retailers decide on a price point, design their own garments (or copy overseas trends), determine fabric type and quality and only at this stage tender out for a contract manufacturer that will agree to a specific price per garment. This trend towards proprietary brands has further emphasised the buyer-driven nature of the clothing commodity chain.[14]

Even though evidence points to retailers occupying the key nodes along the commodity chain, manufacturing suppliers have not passively submitted to retail power and concentration. The most comprehensive international best practice and benchmarking study conducted in Australia concluded that Australian TCF firms were faced with three generic strategic options for future survival.[15] These options are: (a) to become more export-oriented firms, thus broadening their retail client base; (b) to become internationalised local merchandisers, sourcing product from off-shore and serving local retailers' price points; and (c) to become close-to-market domestic firms, sourcing locally and taking advantage of quick local turnaround times.

One strategic option not considered by Arthur Anderson—yet one that a growing number of manufacturers are adopting—is to establish retail divisions. This trend has further blurred the retail/manufacturer distinction. Manufacturers obtain a range of advantages through establishing a retail arm: it allows them to compete head on with retailers; it provides brands with a 'billboard' that enhances consumer recognition; it guarantees a base market for a proportion of stock; and it acts as a market test for new products without the need to sell ideas to more wary and conservative retail chains.

This description of retail concentration and commodity chain relationships suggests that the Australia clothing commodity chain resembles its US counterpart where 'retailers, consumers, designers, and producers have shifting social identities and are engaged in overlapping networks that blur the boundaries between previously distinct functions in the industry'.[16] Klein has also referred to this as the 'blurring of boundaries between sectors and industries'.[17]

Thus, KSA's prediction that apparel retailing will become increasingly concentrated needs to be qualified in the Australian context. First, this trend of corporate concentration and diversification of retail form has been evident for the past 30 years. If there is any accuracy in their prediction, then Australia can be regarded as a forerunner. Second, many manufacturers have responded to retail power within the clothing commodity chain through adopting retail functions themselves. This cross-fertilisation of corporate functions has made it more difficult to conceptually distinguish retailers from manufacturers.

The above analysis focused attention on the relationship between local retailers and local producers and the impact of retail concentration. The next section examines KSA's prediction that internationalisation will be another of the three mega-trends affecting the clothing supply chain over the next decade.

Internationalisation

There are two key dimensions to retail internationalisation: first, the global expansion of commodity chains; and second, the global expansion of retail organisations. This section argues that the global expansion of retail organisations and foreign retail investment has had—and will continue to have—less of an impact on the industry than the global expansion of the clothing commodity chain.

Australian retailers have always been engaged in direct importing and held a high proportion of the import quota prior to its removal in the early 1990s. However, retailers across the spectrum have increased their proportion of direct importing over the last decade. As Weller notes, 'because of their greater buying power and greater management specialisation, larger retailers are more able to source products overseas and to compare local and overseas-made products'.[18] According to one industry source, quantitative estimates of imports now account for around 80% of goods sold in Australia or around 40% by value.[19] The Coles Myer Group directly imports between 12% and 15% of its garments and a recent strategic alliance with the US-based Federated Merchandise Group will see this proportion expand further.[20] While manufacturers also engage in direct importing, retailers are now increasingly seen by local manufacturers to be competitors rather than customers, adding to the complexity of the relationship between retailing and manufacturing.

The union movement has argued that the process of globalisation has also provided retailers with stronger opportunities to tighten the structure of governance along the supply chain. For instance, they have claimed that 'retailers are in a position to threaten manufacturers with going offshore for production if contract prices are not kept to a minimum. Despite increasing costs for manufacturers, wholesale prices have been kept down by retailers'.[21]

Local manufacturers and unions have also argued that this internationalisation has not only led to growing retail power along the supply chain. It has also forced more and more local manufacturers to adopt subcontracting practices and shed factory labour in order to remain competitive. As a consequence, the liberalisation of trade opened up by the Commonwealth Government's 1989 TCF Plan has resulted in an exponential growth of outworkers who are more often than not denied wage justice and are paid well below the award.[22]

A deterioration of labour conditions has also been noted in the United States. Appelbaum and Gereffi have argued that the complexity of the clothing commodity chain 'invites such abuses': 'virtually all physical labour is conducted through elaborate contracting networks, which shield the retailers and manufacturers from responsibility (and legal liability) for working conditions'.[23] Ross has also argued that 'manufacturers have lost their commanding position in the chain of production. Greater concentration and integration have afforded giant retailers the paramount power to exert downward price pressure, to circumvent manufacturers by designing and contracting their own private labels, and since retail jobs are not threatened by offshore production, to deflect union pressure'.[24]

This transformation of the clothing commodity chain is a result of a combination of factors, including local retail concentration, greater opportunities for external sourcing, the consequent growing competition between local and foreign manufacturing suppliers and the consequent growing competition between local retailers and local manufacturers for external supply. As noted above, the response of some local manufacturers has been to extend their brand image globally, often through establishing their own flagship retail stores. This international dimension of the clothing commodity chain further demonstrates the extent to which the divisional functions between retailers and manufacturers has become more blurred over the past decade. As the following analysis reveals, global sourcing has had a more important impact on the clothing commodity chain than other forms of internationalisation, such as direct foreign investment. This finding is also consistent with Gereffi's conceptual framework, where 'one of the main characteristics of firms that fit the buyer-driven model is that frequently these businesses do not own any production facilities (but) rely on complex tiered networks of contractors that perform almost all their specialised tasks'.[25]

A decade ago, the globalisation of Australian apparel retail organisations remained nascent. Apart from the Japanese retail giant Daimaru, which entered the Melbourne market in the early 1990s, most retail analysis was focussed on the consequences of industry concentration created by local mergers and takeovers during the 1980s. The only other significant move was the emergence of flagship stores for overseas branded merchandise, either through franchises or direct overseas ownership. Over the past decade, foreign retail chains have entered the Australian market in greater numbers and through a variety of means. On the other hand, Australian retailers have also entered global markets.

Weller has listed a number of means whereby international retail consortia have increased their penetration of the Australian market. Many of these means precede the 1990s.[26] Some overseas retailers have taken *direct acquisition of a minority share* in a local retail firm. This means was adopted by the US firm K-Mart in the late 1960s when it assumed minority shareholding of Australian K-Mart's operations. Another means has been direct expansion into the Australian market by *multiple store openings in an organic growth strategy*. This strategy is often favoured by internationally recognised brands, often on a franchising basis and also predates the last decade. Though the overseas firm carefully regulates the style and content of the store, local knowledge is often gained from the franchisee. Examples include the expansion of Hong Kong-based firms such as Esprit and Giordano, Italian based firms such as Benneton and Zegna and the New Zealand-based Canterbury.

Another common form of market entrance is the direct expansion through a *combination of flagship stores and distribution (concession) outlets* in department stores. For example, after entering the Australian market in the 1988 under a joint venture with the Melbourne manufacturer Flair, Hugo Boss opened its first flagship store in Melbourne in February 2001. Other more recent examples include Giorgio Armani's joint-agreement with David Jones and Singapore-based fashion retailer FJ Benjamin (who operate eight Guess stores by 2001 and also the brand sell through David Jones). Flagship stores are also a favoured strategy used by international fashion boutiques, such as Versace, Loewe, Louis Vutton, Chanel, Prada and Fendi. The principal function of flagship stores is not necessarily to make a profit. Often they act as 'billboards' and provide customers with a sense of the 'ethos' or 'lifestyle philosophy' of the brand.[27]

Another means of entry into the Australian market open to overseas firms is through a *joint-venture arrangement or a strategic alliance with an established local firm.* Such a proposed joint venture between Marks and Spencer and Just Jeans fell through in 1999. More recently, the New York-based Federated Merchandising Group (a division of Federated Department Stores Inc., the largest department store retailer in the US, operating under the names of Bloomingdale's, Macy's, and regional nameplates such as The Bon Marche, Burdines, Goldsmiths, Lazarus, Rich's and Fingerhut), signed an agreement to source apparel for Coles Myer from March 2002. Myer Grace Bros will become the exclusive retailer of the FMG proprietary brands in Australia and aim to gain research and development expertise and buying skills from their strategic alliance.[28] FMG, on the other hand, will gain a foothold in the Australian market through an existing local retailer with local knowledge.

However, the most popular form of foreign entrance into the retail market has been through the *direct acquisition of Australian clothing chains.* As Weller notes, this strategy allows overseas retailers instant 'market intelligence, goodwill and expertise'.[29] Examples include Pepcor's (South Africa) acquisition of Best & Less, Woolworths Holdings Ltd's' (South Africa) 1998 controlling interest of Country Road through securing 87.85% of shares; and Glorious Sun Enterprises' (Hong Kong) purchase of Jeans West. In 1997–8, British retailer Sir Terence Conran worked with former Country Road chief executive Stephen Bennett to breath life into Melbourne's Georges department store, without success.

Another strategy involves *direct overseas expansion onto a greenfield site.* Although no other major clothing retailer on the scale of Daimaru has followed this strategy, the move by Aldi into the Australian grocery market suggests that this potential exists, especially in the area of 'category killers' and 'deep discounters'. Although Aldi competes more directly with supermarket chains, it is 'currently looking to join forces with quality suppliers (no matter how large or small) of hardware, electrical Manchester, homeware and apparel'.[30] The South African retail group Rex Trueform has also signalled its intention to expand its unisex Queenspark chain to 50 stores across Australia after successfully testing the Sydney market through its initial store at Castle Towers shopping centre.[31]

These examples suggest that over the past decade apparel retailing has become more internationalised with respect to direct foreign investment. However, this factor has had less impact upon the clothing commodity chain than global supply chain expansion. Overall, foreign retailers do not appear to consider Australia to be a lucrative prospect. For instance, despite initial expressions of interest from some (unnamed) overseas companies, there were no serious bids for the Harris Scarfe department store chain when it went into receivership due to accounting irregularities in early-to-mid 2001. The popularity of joint ventures between overseas and local firms attests to the importance of local intelligence in the apparel market, especially those segments with a higher design content. Foreign retailers recognise that global expansion in apparel markets relies on 'going native' or 'localisation'. The main exception to this rule appears to be international brand merchandisers.

The modest amount of direct foreign investment in apparel retailing is matched by the modest off-shore investment by Australian firms. Most expansion out of Australia has tended to come from brand merchandisers attempting to broaden their retail customer base and augment their brand recognition, rather than established large-scale retailers. Australian brand merchandisers were active in overseas expansion prior to the 1990s. Examples included Country Road's and Carla Zampatti's entrance into the United States, Done Art and Design's move into Japan and the mass colonisation of the New Zealand market by chain stores after the signing of the Closer Economic Relations agreement, liberalising trade within Australasia.

Over the past decade, firms such as Sportscraft, Country Road and Billabong have expanded into the Asian and US market, often on joint-venture arrangements, such as Country Road's partnership with Inchcape JDH Ltd in Singapore, Jakarta and Hong Kong. The United States represents 45% of Billabong International's sales.[32] Furthermore, a number of branded names such as Quicksilver, RM Williams and Mambo have entered the European market through opening flagship stores.[33] However, many of these retail ventures are part of the process of Australian manufacturers transforming themselves into licensing houses and then using these concept stores as 'billboards' to enhance brand recognition. This represents another dimension of the cross-fertilisation of retailing and manufacturing functions over the past decade.

This section suggests that direct foreign investment in retailing will continue to have a more modest impact on the clothing sector than global sourcing. However, there is another sense in which KSA's prediction of growing internationalisation is relevant. As the following section will reveal, retailers are beginning to become entangled in various global buying network arrangements through e-commerce. Weller has noted that one motivation for the interest of large retailers in these global arrangements is that they are a proactive measure to 'ensure international competitiveness, as a defence against possible entry of large international retailers into the Australian market, and as a defense against possible takeover bids by overseas retailers'.[34]

These pre-emptive moves by large retailers illustrate the extent to which internationalisation has become a more crucial variable in determining *the horizon* of clothing retailers' strategic planning initiatives over the past decade. As Woolworths Chairman Dahlsen warned, 'we are part of global retailing and we cannot ignore the standards and benchmarks by which International Retailers are measured'.[35] In other words, few firms can articulate what globalisation will mean and what it will bring, but they feel that they must be part of it, or at least prepare for it. These perceptions and the consequent actions help shape futures.

It is not so much that globalisation is inevitable; rather actors are behaving as if it is. As the following section reveals, this also holds for much of the hype surrounding e-commerce. In this way, predictions made by industry analysts, consultants and government taskforces have a peculiar way of becoming self-fulfilling prophecies.

E-commerce

KSA has predicted that e-commerce will be the third megatrend to affect the apparel commodity chain. Over the past decade, the introduction of e-commerce has already affected retailers at a variety of levels: (a) at the B2C (business to customer) level as an alternative means of accessing consumers at alternative points of sale; and (b) at the B2B (business to business) level as a supply chain communication system.

As this section demonstrates, it is more difficult to assess predictions surrounding e-commerce than predictions concerning retail concentration and internationalisation due to the fact that certain trends are only emerging. A 1999 survey conducted by The Australian Centre for Retail Studies concluded that 'Australian retailers today attach relatively little importance to electronic commerce'.[36] Only 6.7% of firms surveyed listed 'developing an e-commerce strategy' among their top two concerns. Another survey found that although nearly half of TCF&L firms were able to access the Internet, 'only 12 per cent considered it essential to their business'.[37] However, according to Ernst & Young's Global Retailing Report, on-line retail sales increased from 0.5% to 1.5% of total retail consumer spending in Australia during 2000. In addition, the world's leading on-line clothing company, Land's End, doubled its on-line sales in 2000 over the previous year to 10% of total sales.[38] This lends qualified support for predictions that e-commerce will continue to expand. KSA predict that by 2010, half of the world's retail turnover will be conducted through non-storefront formats.[39]

B2C E-tailing

As an alternative means of reaching customers, e-tailing has generated enormous enthusiasm among some commentators and scepticism among others.[40] This controversy over the commercial impact of e-commerce can be traced back to sociological debates on the nature of consumption in market economies. According to Fiske, modern shopping performs a number of social roles. It 'is a functional activity, concerned with the acquisition of material goods, and a cultural one, concerned with the generation of personal and social identity and meanings'.[41] One of the problems with distinguishing between these roles is that the leisure component of shopping 'can be disguised or denied, in a way that it cannot if one spends the day playing golf'.[42]

Following this distinction, KSA has predicted that e-commerce will have less impact on 'sensual shopping' or 'experiential shopping'. However, they predict that it will have a much larger impact upon 'functional shopping' or 'buying something you need'. However, one qualification KSA make is that branded merchandise could 'feature in a big way' due to customers' higher level of assurance in their reputation for quality and appearance.[43] Evidence supporting such optimism includes the massive growth of on-line shopping in the US and Europe over the past few years.

The dot.com boom of the late 1990s led to the emergence of a number of specialist e-tailers offering e-commerce platforms and expertise for retailers. For instance, Wishlist.dot.com has formed retail alliances with Country Road and a portfolio of fashion companies such as Esprit, MimCo, Simone Perele, Metalicus, Zimmermann and Scanlan and Theodore.[44] However, the venture is not expected to become profitable before the end of 2001. The department store chain Harris Scarfe acquired one of its competitors, Dstore, in December 2000 after it failed to raise further operating capital. The store generated $1.7 million in its first 2 months under Harris Scarfe and was expected to generate $15 million per annum. However, apparel has yet to feature among the site's best earners, which include items such as DVDs, videos, scooters and cosmetic gift packs.[45] The future of this venture has been uncertain since Harris Scarfe went into voluntary liquidation in April 2001.

In a similar move, in mid-2000 David Jones purchased the platform and infrastructural assets of the e-tailer The Spot.com.au to create David Jones Online. The firm's e-commerce business unit has a staff of 24 and aims to increase its on-line sales to 5% by 2005.[46] However, the firm's on-line business produced a loss in its first year of operation.[47] Coles Myer's e-commerce venture e.colesmyer also made a loss during the 2000–01 financial year but has grown to represent 1% of Coles Myer's total sales.[48] In late 2000, the Roger David chain introduced e-commerce on-line customer purchasing capacity onto its website and RM Williams has become 'e-commerce enabled' in an effort to boost its export sales.

Despite the enthusiasm generated by the possibilities of on-line retailing, at this stage few retailers that have embraced the innovation have broken even. In early 2001, Australia's largest shopping centre operator, Westfield Holdings shelved its on-line project, which had attracted 50 retailers, stating that they were sceptical that on-line retailing was a profitable venture.[49] A national e-business survey conducted by the Australian Industry Group and PricewaterhouseCoopers found that the TFC industries—along with construction materials—conduct fewer e-transactions than any other industry sector (4.7%).[50]

The expansion of international apparel retailing has yet to inspire even those who have embraced Internet shopping. Most Internet clothing purchases occur through Australian on-line retailers and very few international labels possess international e-commerce facilities, while the market for those that do is restricted by high freight costs.[51] The leading international e-tail traffic generators in Australia include Amazon.dot.com with 4% of the market, while the remainder hold under 1%, including BargainHeaven, Beenz, BottomDollar, CDNow, Dell, Halmark, ShopNow, SonyMusic and Barnes & Noble. The only international clothing specialist in the international top ten is the US firm Victoria's Secret (in tenth spot).

Others point to the tactile and visual problems 'sensual shoppers' experience with garments on-line. Weller has argued that the expansion of Internet-based apparel shopping has been and might continue to be restricted due to the fact that computers 'do not convey texture characteristics at all well'.[52] In addition, the sensual pleasure of trying on garments is lost through e-tailing. McEwing also remains sceptical about the ability of the Internet to colonise fashion retailing: 'Okay, so some customers might reorder utility items because they know their size, but that ain't fashion. Fashion is against-skin feel, fall of fabric, and subtlety of colour, none of which a computer screen provides'.[53]

There are also claims that shopping in the 'global village square-screen' cannot generate the same senses of sociability and pleasure as the main street or the mall, where shopping as leisure can be combined with other pleasurable social activities. As Bennett argues: 'The Internet is not a social animal' and while Internet shopping might work better for socks and undies, it fulfils 'needs, not wants'.[54]

However, this has not stemmed the enthusiasm of retailers and brands for web-based expansion. Web designers such as Sprint.com.au, Commercial Interactive Media (CIM) and Spin New Media, argue that a web presence generates more than direct sales. CIM's Business Development Manager argues that websites exist 'more to sell the brand and concept and get information from people'. This information then forms the basis for customer relationship management (CRM), or 'target marketing via data capture and analysis'.[55]

Although some retailers initially were concerned that e-tailing might cannibalise their existing 'bricks and mortar' businesses, more and more have attached e-tail platforms onto their existing businesses. This 'clicks and mortar' approach presents numerous synergies, including the ability to harvest more customer data and the avoidance of specialised warehouses (unlike pure dot.coms). A recent study by KPMG supports this synergistic approach, concluding that successful retailers in the future will be those 'able to deliver the best shopping experience in both the physical and virtual store'.[56]

Other e-tailing optimists have promoted the commercial viability of 'automating the customisation of apparel to fit'. This is currently being trialed by Levi's in the US, where customers provide their measurements and choices and then 'view an instant 3D image of the finished garment before ordering'.[57] The international hardware TCF hardware computer suppliers Lectra and Datacolour have embarked on a strategic partnership aimed at improving the visual appearance of 'virtual apparel' on computer screens and the communication of colour specifications.[58]

The future of e-tailing will depend on the success of this type of 'mass customisation'. However, even if innovations such as Levi's are both technically successful and acceptable to consumers, ultimately mass customisation will depend upon a more rapid turnaround response from the production chain, meaning that this technology needs to do more than appeal to consumer senses. It must also transform supply chain relationships.[59] This means that consumer acceptance of B2C is dependent on the development of B2B.

B2B E-trading

The most notable feature of the literature on e-commerce remains the almost invariable use of the future tense. While still generating a high degree of optimism, e-commerce trends are still coming off a very low base. While this is evident in the above analysis of B2C, it is even clearer in B2B linkages.

For example, the Commonwealth Government's Action Agenda Discussion Paper asserted that e-commerce was 'essential to the management of the TCF&L supply chain' from fibres through to the retailer. It also noted that given this 'and the significant role retailers now play in the industry, expenditure in this area, although it will take time to generate a return, may present TCF&L suppliers with the opportunity to become competitive on a larger scale'.[60]

These claims echo KSA's prediction that e-commerce will be one of the three key 'mega-trends' of the next decade.[61] They argue that e-commerce will be 'the significant difference in the next decade compared to the past decade'. Furthermore, they claim that this move will further accelerate the trend towards retail consolidation and bring greater pressure to bear on prices.

However, a number of important questions arise out of these assertions. First, has the spread of e-commerce improved the efficiencies and led to the more rational and efficient chain management practices suggested in the literature? Secondly, to what extent have these relationships been fostered by retailers, large and small, throughout the clothing spectrum?

Coles Myer initially flagged their intention to move to Electronic Data Interchange (EDI) in 1990, warning suppliers that their future status as suppliers was dependent on them adopting the technology. However, it was not until 1993 that the process began. While this General Electric-designed software allowed clients' and suppliers' computers to talk to each other more efficiently and rationalised reordering procedures, the key problem with its initial acceptance was cost, according to McEwing: 'For a piece of software which linked computers via telephone lines, the suppliers had to pay upwards of $3,500—to say nothing of buying suitable hardware. They had no option. Coles Myer said that volume suppliers without EDI would not continue to be volume suppliers'.[62] Since then, as Internet use has expanded, General Electric has moved to counteract the possibility that suppliers could develop their own cheaper email links with retailers and has introduced a modified version of EDI which, for $800, allows subscribing suppliers to engage in up to 1,500 transactions per annum. As almost all large retailers have made the move towards EDI, they hope that this, along with retail pressure, will encourage smaller suppliers to subscribe. GE has claimed that EDI can cut the administrative cots of ordering by 90%, compared to the traditional means of paper, typing and mail. Furthermore, it is instantaneous and passes through fewer hands.

The transformation of procurement processes over the past few years can be illustrated by the Woolworths experience. In 1994, almost all Woolworths' orders were made by telephone. It has been estimated that each order cost the firm approximately $5, taking into consideration labour costs, paper costs and phone costs.[63] In addition, according to Woolworths' Group Procurement Manager: 'Quality, price and descriptions are the kind of things which people get wrong when placing orders over the phone—in fact, most companies find about 40% of orders require some reworking'.[64] By 1996, 80% of orders were communicated by fax with electronic data transfer ordering and the telephone sharing the residual. By 2000, electronic data transfer ordering accounts for almost one in two orders, costing 30 cents each. While EDI is now standard practice among volume clothing suppliers, smaller manufacturers still rely upon the telephone and fax.

Yet, as Weller notes, e-commerce or e-trading, is more than EDI.[65] Over the past coupe of years, retailers have begun embracing the concept of more open web-based B2B marketplaces. According to Berryman and Heck, these marketplaces have experienced three waves (although, given the short lifespan of the innovation and slow uptake, these might better be termed 'ripples').[66] The initial impetus behind B2B exchanges involved independent on-line 'market-makers' charging a small fee for linking buyers with sellers. The second wave involved large consortia taking over the lead, banding together with their trading partners and competitors. According to Berryman and Heck, the sluggish uptake on B2B is due to the fact that they have 'yet to focus on improving business practices to unlock additional value'. This can only occur once 'supplier and buyers invest to integrate their systems and to manage the change process actively in their buying organisations'. They hold out the promise that the future of B2B lies not simply in faster on-line trading, 'but from better access to and the sharing of information', leading to much closer collaboration between buyers and sellers and eventually 'allowing them to improve their supply chains, to work jointly on product design, and the like'.

While their suppliers are still trying to swallow EDI, by early 2001 Coles Myer's B2B division was the fastest growing company operation, although coming off a low base.[67] Coles Myer has taken equity in a new B2B venture, GlobalNetXchange. Under the EDI e-trading model, retailers and suppliers operated on independent, closed proprietary software. Under GNX, centralised single sourced software provides suppliers with access to a range of retailers and retailers have access to more suppliers on the network. GNX supplies the connections for the e-marketplace and sources and runs IT solutions, using a globally agreed standard.[68]

In the global retail field, Coles Myer predict that there is likely to be only three major B2B exchanges, Walmart, GNX and World Wide Retail Exchange (WWRE).[69] Apart from Coles Myer, the GNX exchange currently involves Carrefour and Metro (the world's second and third largest retailer respectively), Kroger (the world's largest food retailer), Sears (the world's largest department store), and Sainsbury's. The aim of these exchanges is to use the colossal buying power of large retailers to reduce product costs through simplifying supply chains and rationalising transport costs through pooling.

Woolworths, on the other hand, joined WWRE in August 2000, stating that it hoped to 'improve efficiencies and reduce costs throughout the supply chain by simplifying, automating, and in some cases eliminating existing procurement processes'.[70] WWRE's other members include The Gap, J.C. Penney, KMart (US), Marks & Spencer and Delhaize (Belgium). Woolworths' National Supply Chain Strategy Manager has argued that 'e-commerce is now very much a part of the supply chain. It is no longer an alternative. It's the only way to work efficiently'. He predicted that Internet-based transactions would account for 20% of Woolworths' orders by 2002.

The hope held out by B2B optimists is that it will improve information flows along the supply chain, encourage higher levels of trust and ultimately act as a catalyst for higher levels of supply chain co-operation.[71] Another promise held out by B2B marketplaces such as GNX is that the metaphor of a supply chain will be superceded by a supply web or supply network. While its advocates envisage an information pipeline between retailers and suppliers that will provide fast, reliable and open information, including competing sources and clients, there is no reason to believe that power relations within a supply web would differ from a supply chain. In other words, why would a clothing supply web be any less buyer-driven than a clothing supply chain? The metaphor of a supply web, or network, reminds us that webs have 'cores' or centres, and the emergence of B2B marketplaces, along with retail consolidation, could tighten the role of retail governance in the clothing sector.

To take another example, CAD/CAM has also become another electronic means of retail chain management governance. Not only can CAD/CAM instantly present buyers with a manufacturer's range, it can also become 'an observation window in suppliers' production scheduling', enabling buying companies to check on production and perhaps cancel a wayward order.[72]

Despite the hype, the feasibility of trading apparel goods and services within such a global network remains open to speculation. Take-up currently remains sluggish, despite the proliferation of B2B exchanges. In the UK, venture capitalists have pumped money into a range of sites that are poorly differentiated at this stage, including Fashion.File.com, Retail.Exchange, clicktex.com, TexYard, TexBid and FTADirect. In Australia, since May 2000, ragtrader.com.au has provided a local e-trading platform for buyers and suppliers to bid and auction within the TCF sector. However, in its first year of operation, there were only seven bids placed and three successful auctions. During its first year, GNX conducted 500 transactions valued at US $600 million. However, the total purchasing volume of its members was US $400 billion. Thus, the impressive volume of transactions through B2B networks such as GNX must be tempered by the sheer size of each order. These early indicators also suggest that large volume suppliers tend to be the first to test the e-trading platforms and also that clothing will lag behind other commodities in the field. It is sobering to recall that many small-to-medium clothing suppliers in Australia still consider a fax machine to be a major communication leap.

Furthermore, there seems to be an assumption within the literature that the more information that retailers possess, the more efficient their operations. The recent problems experienced by Coles Myer suggest that e-commerce does not necessarily improve efficiencies or predict consumer sentiment. In the first half of 2000, Myer Grace Bros management (MGB) altered the firm's direction and image by focusing on fewer national brands and increasing proprietary brands to close to 60% of stock. The aim was to reach a broader market through reaching lower quintile customers, achieve a quick boost to sales and benefit from the higher margins obtainable on proprietary brands. However, by the end of the year, sales were down significantly, inventory levels rose considerably, and the stores' bottom line collapsed 33% as customer loyalty declined due to poor layout, service and range. Target also experienced difficulties, especially in the area of inventory control. Their proportion of aged seasonal and not for reorder (NFR) stock rose to 30.8%, compared to an acceptable level of 12%.[73] As Agrawal and Pak emphasise, B2B exchanges in themselves cannot automatically improve supply chain efficiency.[74]

Thus, many commentators, including Potter, remain sceptical that e-trading can 'match its hype':

> In practice it's not that simple and, with a few honourable exceptions, much supply chain management in Australia remains rudimentary. Many medium and smaller suppliers have not been ready to put their catalogues on the Internet, let alone actually transact business there. Many larger businesses that are technically capable are not willing to entrust strategic procurement or confidential information to the Internet. Retailers, for example, will not put weekly sales figures from their stores on the Internet, preferring to trust their clunky old EDI systems for this classified data. Many businesses still fear the Internet is not a safe medium for payments.[75]

This assessment of the current impact and future potential of e-commerce leads to similar conclusions reached in the previous section on globalisation and brings to mind the Thomas Theorum: 'That which people perceive to be real will be real in its consequences'. As Woolworths' Group procurement Manager candidly admits: 'No-one really knows the extent of the benefits from their investment in B2B technology. But by being part of e-procurement right from the start, we're well positioned to take advantage of future developments'.[76]

Conclusion

This paper began by observing that there is a consensus emerging among commentators that three 'megatrends' will determine the future of apparel retailing: retail concentration, internationalisation and e-commerce. It then examined these claims in the light of Australian evidence. The contribution the paper makes is two-fold. First, given that the claims made are predictions, this paper acts as a useful stock-take of Australian circumstances that can be later used to assess the accuracy of the predictions. In itself, this stock-take is important, as there is a dearth of studies into apparel retailing in Australia.

Second, the evidence presented in this paper suggests that the trends identified by KSA are important. However, in assessing them, the Australian evidence calls for some qualifications and clarification. In the case of *retail concentration*, it was noted that this process has been underway for at least 30 years. On the other hand, if Gereffi's conceptual framework is accepted (and this paper argued that it was useful) then retail concentration will further ensure that the governance of the clothing commodity chain remains centred at the retailing node. Counteracting this trend however, is an observable blurring of functional distinctions between retailing and manufacturing. In the case of *globalisation*, the paper argued that the main impact of globalisation has come from—and will continue to come from— the international expansion of the clothing commodity chain, rather from foreign direct investment. It is therefore healthy to temper 'hyper-globalist' predictions with a dose of 'global scepticism'.[77] With respect to *e-commerce*, the paper tempered optimistic claims surrounding B2C and B2B with counterclaims from more sceptical commentators. Due to a variety of social, market and technological constraints, the evidence presented here suggests that apparel can be expected to lag behind other industry sectors with respect to the adoption of e-commerce. However, from a B2C perspective, web-presence is just as much about brand recognition and enhancement as it is about direct sales. Furthermore, large volume suppliers will be the first suppliers pulled into the B2B web-based marketplace.

Finally, the evidence suggests that the responses of retailers to e-commerce and globalisation does not come from—at least at this early stage—any structural imperative but rather though a perception among retailers that these variables are the keys that will unlock the doors to future survival and growth. It is these perceptions, encouraged no doubt by some industry analysts and consultants, that lead industry sectors up specific technological paths.

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