Supply Chain Agility towards Global Outsourcing within Fast Fashion industry, A case study of Gina Tricot

Master Thesis within International Logistic and Supply Chain Management

Author: Bhasker Choudhury Titi Holmgren
Tutor: Johan Larsson
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Master Thesis in International Logistics and Supply Chain Management

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Author: Bhasker Choudhury & Titi Holmgren

Tutor: Johan Larsson

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Abstract

The turbulent and highly volatile market in the fashion industry creates swift changes in consumer demands. Globalization has been an important development and the Outsourcing of fashion products is also an integral part of the world of fast fashion industry. The success of fast fashion greatly depends on identifying a trend quickly and translating it into the market before the trend is over. This illustrates the importance of agility within fashion firms or organizations.

Gina Tricot is one of Scandinavia’s fastest growing fashion industries and it focuses on women’s fashion wares. Their ability to forecast forthcoming trends with their own designs, and their ability to manage lead times cost effectively has made them triumphant in this industry. The reputation of newly designed garments arriving in the shop each week makes them attractive to the customers. Harmonization of the production process and newly designed garments at an affordable price is achieved by the outsourcing of products in cooperation with independent suppliers in Asia and Europe. However the outsourcing activity may cause a longer lead time and the colossal risks of long distance transportation. The purpose of this paper is to analyze the supply chain agility towards global outsourcing of the Gina Tricot Company and also to look at the differences between Zara and Gina Tricot.

A case study using a qualitative data was chosen for this study. To get a deeper understanding of Gina Tricot’s supply chain agility towards global outsourcing and of its supply chain pipeline, a couple of interviews were used prior to the main study. Personal semi-structured interview was conducted along with a emails and phone conversations as well. The respondents were the head of Gina Tricot’s logistic department and the head of the purchasing department at the head office in Borås.

Gina Tricot manages their supply chain agility by which they handle the supply chain network and also quickly respond to consumer demand. The main purpose of the firm’s supply chain network towards global outsourcing is to get low priced quality product delivered promptly to the customer at the right time. Their supply chain is cost effective and with effective management results in less lead times because most of the suppliers are from the Far East. Its supply chain agility greatly depends on the ability to know what the customer wants, on the reliability of information sharing between networks, and on its flexibility.
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1 Introduction:

In the first section of this introduction we present the background of our research study and we review fast fashion and globalization within this industry. In the second section we introduce the problem discussion which reviews fast fashion firms with their global outsourcing and presents a general comparison of Zara and Gina Tricot. In the last section we present the purpose of our research study.

1.1 Background

Fast fashion defined as a business strategy that aims to decrease the processes that are involved within the buying cycle and reduce lead times from purchase orders until its new fashion design product arrives into shops, in order to fulfil consumer demand during the high season or any other seasons (Barnes & Lea Greenwood, 2006). According to Bruce and Dally (2006) fast fashion has the objective of getting clothing into the store in the shortest possible time. This has resulted in an increasing number of events or seasons, transportation and delivery time also being crucial.

To be successful in this fashion industry one requires an ability to spot trends quickly and also the ability to translate ideas into products and to sell them to the stores in the shortest time possible (Christopher, 2004). As there is very high competition in fashion markets, companies stretch themselves to provide the latest trends or styles as quickly as possible.

Cost is still the most important factor to consider in the production process, which includes decision in buying. Many companies take advantage of offshore outsourcing by collaboration or manufacture their products overseas to get a lower price (Matilla, 2002).

Companies nowadays are facing extraordinarily high competition globally, economies are also uncertain and the market is changing. Outsourcing of value functions within business and the organization of firms to modify the scenery of supplier relations (Wisma, 2008). Fast fashion industry is possibly one of the most demanding challenges for industrial logistic management, with millions of Stock Keeping Units (SKU) from its hundreds of colours and thousands of styles to be on the retailer's shelves at any one time. According to Christopher (2004) there is a growing tendency to get products and materials from other countries. This global outsourcing may result in longer lead times despite the low labour cost. Keeping track of this extremely fast and competitive world of fashion industry has never been easy.

The nature of the fashion market demands highly responsive support of logistic instruments. The enormously competitive fashion market and its consistent need of fresh product ranges give all retailers an opportunity to increase the number of seasons, i.e. the whole merchandising frequency is changed within stores (Christopher, et al. 2004).

1.2. Problem Discussion

Today, there is a large number of fashion retailing firms and a situation has arisen where the production of the fashion retailing business exceeds demand. This means that the fashion retail companies are growing much faster than the market itself. It has been stated that the more aggressive a company is, the more chance that it will grow and grab more of the market. However, the fashion business is not as simple as it can seem. The European
market for clothing products is in the process of change. Traditional independent retailers with one or two stores are vanishing. At the same time international multi-shop retailers with their products of global outsourcing are growing greater in numbers in the market, especially those who promote their own label collections. (Matilla, 2002)

The success factor of the retailers in fast fashion mostly depends on both managing the speed of response to very high product variation and managing the enormous number of designer fashions. Thus retailers must be able to be flexible and respond quickly to consumer demand and get the expected product into the market as quickly as possible, before the consumer demand changes and, most importantly, prior to the competition (Barnes & Lea Greenwood, 2006). Therefore it becomes a challenge for the firm to fulfil the customer demand at the right time and in the right place in order to compete in the fashion market. In order to face this challenge, it is important for the firms to focus on efforts to achieve greater agility to the extent of responding in the shortest time frame in terms of volume change as well as changes of variety (Christopher, et al. 2004). Thus in order to be able to respond quickly the firms must work together as best they can with the supplier, even though they are not close to the store.

The fashion market today is marked by the intensely changing characteristics of consumers, by competition and by technologies changing as well (Azuma et al, 2009). The volatility of consumer demand compels the firm to have a high responsiveness and growth with an effective management in order to maintain their existence in the business market. Usually firms maintain a good relationship with suppliers, and suppliers have also often been chosen based on price rather than responsiveness. However (Christopher, 2005), in practice this perhaps raises a problem since this fast fashion industry expects quick response times in order to be able to fulfil consumer demand and compete in the market.

South East Asian countries are the stepping stone for the apparel industry in Europe, since the manufactures there offer quite low production costs compared to production in Europe. Due to low cost labour, the manufacturing and production process in Far East countries has become popular during the last decade. Managing the supply chain through vertical strategically collaboration to meet customer demand at the right time and in the right place has become an interesting subject to study. In these short life-cycle markets, the ability to spot trends or demand quickly and to translate them into products and sell them in the stores in the shortest time possible has become a prerequisite to success in this business (Christopher, et al. 2004). Thus managing the fashion logistic pipeline has become crucial in the apparel business in order to be a success. Zara, the fast fashion company from Spain and a known pioneer of the principles of fast fashion is a good example for their success in such an intensely competitive environment. Efforts in the field of sustainable competitive advantage strategy have given Zara the capacity to develop the most effective quick response system in the fashion industry (Christopher, 2000).

With the great volume of garment manufactures in China and India gradually opening up to welcome foreign companies, there is an increasing trend towards global procurement and this has become an important part of the new business strategy (Towers and Forsberg, 2009). It is known that in the garment industry the firms manufacture products from Far East countries because of benefits from low labour cost countries. This should, logically,
lead to longer lead time. However, quick response is clearly needed in the supply chain within fast fashion in order to be able to meet consumer demand and compete in this industry. According to Christopher et al (2004) it has been of the nature of the fashion market that it is not easy to predict and is highly volatile. Thus an agile supply chain within the fast fashion industry is crucial, despite the fact that most of fashion firms source products and materials off-shore.

We choose Gina Tricot as it is one of the fastest growing fashion industries in the Nordic countries. The current situation in Gina Tricot is that the company has been noted as a successful fashion business in the national area. It has 2000 employees and 160 stores all over Sweden, Denmark, German, Norway and Finland (Interview with Pär Wiberg, at Gina Tricot office, February 9, 2011). Gina Tricot does not own its own factories and manufacture its own products, instead it outsources the clothes globally, ranging from local markets to far East. They have been working with a number of suppliers in Europe and Far East countries, all known for low labour costs. If we look at the other successful fast fashion company, Zara, they own their own distribution line, they have their own fabric, and are considered to be more conventional. However, Zara changed to become a successful fast fashion company in the last decade, as did Gina Tricot, a smaller company than Zara, as a more recent fast fashion company, who started in 1997, increasing in sales and number of stores every year. This indicates that they have been consistently successfully in the fashion industry regionally.

To be able to provide new designs or styles in very short periods in order to be presented in the store immediately, high commitment from the outsourcing companies is required though these are thousands of kilometres distant from the focal company. According to Azuma et al (2009) the purpose of supply chain management within the fashion industry is to be able to deliver the in vogue style at the time demanded and in the right place. It seems paradox with the situation where Gina Tricot outsources from Far East countries though coming with new styles every week.

1.3 Purpose

The research study in this thesis is designed to get deeper understanding of how Gina Tricot manages its supply chain management towards global outsourcing. In addition we are going to see the differences of their global outsourcing management and forecasting issue between Gina Tricot and Zara. This study also aims to analyze the data about Supply chain agility towards global outsourcing in Gina Tricot.

1.4 Outline of the thesis

In order to provide an overview of our thesis, we provide here a scheme to explain to the readers from chapter 1 up to chapter 6.

Chapter 1 – Introduction
This describes the background of fast fashion, explaining about globalization as this is related to the fashion industry and the nature of the fashion market. In the problem discussion we present the challenges faced by fashion companies. Furthermore, we present the purpose of our study and end with an outline of the thesis.
Chapter 2 – Frame of reference
The aim of this chapter is to describe the theoretical review of the subject’s terms: such as lead times, agility, global outsourcing, IT systems within the fashion industry, and supply chain management in fast fashion firms. We also provide structured results from the previous studies.

Chapter 3 – Research Questions
We present our research questions at this chapter.

Chapter 4 – Methodology
Here, we describe our chosen methodology, a case study that uses qualitative research methods, we continue with our research strategy, and we explain how we gather the information by interviews at the Gina Tricot Company. We explain at the end about validity and reliability in term of our research study. Our questionnaires are presented in the appendix.

Chapter 5 – Empirical Findings
The aim of this chapter is to provide all the information that has been gathered by our interviews with and research into Gina Tricot. We present the background and history of the company, as well as supply chain management system and process in this company in terms of supply chain agility, lead times, their information system and global outsourcing. We provide also an overview of the company Zara as the expert in the field, and the founder of the term “fast fashion,” for comparison with Gina Tricot.

Chapter 6 – Analysis
We present the results of our research study by examining the empirical findings from the previous chapter and the evaluation of the opinions that were presented in the frame of reference in chapter 2. This chapter also aims to answer the research questions.

Chapter 7 – Conclusion
We are going to give our main findings in the study, dwelling on the theoretical structure, as well as recommend a possible area for future research
2 Frame of Reference

In this chapter we focus on the history of Gina Tricot, and a theoretical view of fast fashion, Supply chain management, Lead Times, Lean Supply, Agile Supply Chain Global Sourcing, and IT within the fashion industry. We also describe supply chain management and agility in the fashion industry to highlight the focus of the study. All the concepts that are presented below are to support this as a framework and as secondary data of our research study.

2.1 Fashion

In this section we represent a general view of fashion industry, fast fashion concepts and a review of Gina Tricot as well as the characteristics for an in-depth analysis of supply chain management, based on the earlier studies.

2.1.1 The Fashion Industry

The term "fashion" is very broad and is defined by change and the success of short-term trends or the latest styles in clothes and design (Easey. M 2009). "Quick response" is necessary to the demand of the customer for fashion products such as clothes, accessories, jewellery. This response must attain high speeds beyond the process of clothing production and distribution generally known as fast fashion (Sarah-Jhane. R, 2010). According to Christopher et al (2004) fashion is also a business strategy which aims to reduce the time of processing in the production, distribution as well as the cycle of buying in order to get new fashion products into the shops and satisfy customers. Moreover Christopher et al (2004) describes the fashion industry as having the following characteristics:

1. **Short life-cycles**: that the product generally has a short life-expectancy. It is designed to get the mood of the period during the sales season, often measured weeks or months.
2. **High volatility**: consumer demand is known as barely ever steady or straight and possibly influenced by constantly changing factors such as weather, Hollywood cinema with certain celebrities and a number of superstars or well-known sport stars.
3. **Low predictability**: due to the high level of unpredictability and the unstable nature of fashion goods, it is extremely difficult to predict the total demand perfectly correctly by itself on a weekly or item-by-item basis.
4. **High impulse purchase decisions**: motivating the customer to make up their mind and buy a product is made at the purchase point. This means that consumers encounter stimulations to buy. However availability in the shops is necessary and important.

2.1.2 Fast fashion

Fast fashion is defined as the fashion retail strategy of adapting the variety of merchandise to updated trends as quickly and as effectively as possible (Sull & Turconi, 2008). According to Mihm (2010) fast fashion is a large scale of production with reasonable price for the most consumers and is not hard to obtain, it represents a kind of simplicity, it makes things simple so that everyone can look fashionable or stylish.
Being a worldwide actor in fast fashion industry it is first necessary to achieve an extremely fast movement and growth of the firm, such as regularly increasing the number of retail stores around the world – more desirable to directly own and operate in secure countries and via franchised outlets in risky ones (Tokatli, 2007).

Second, connection of customer demand with the upstream operations of design, procurement, production and distribution is critical. This signifies that the advancement of an information infrastructure with highly responsive communication channels to establish superior transfer of both hard data and unreliable information from trend setters/spotters and customers to designers and production staff (Tokatli, 2007).

Third, to ensure a sort of exclusivity to the customer with the latest designs in limited quantities, fast fashion requires short development cycles, rapid prototyping, small batches and variety, thus the customers are offered the newly design and limit quantity to ensure an exclusiveness (Tokatli, 2007).

Fourth, to make certain that the deliveries of the fashion products are sufficiently frequent a ‘super-responsive’ or ‘rapid-fire’ supply chain is required (Tokatli, 2007).

Finally, the success of most fashion retailers, as they are publicly traded companies, and their success are measured by stock performance. For this reason they are under even more pressure to perform well on the stock markets (Tokatli, 2007). All this means that retailer’s channels are momentous parts of their investments and require creativity in the construction of ‘information infrastructures’ and of ‘short, tight and also innovative supply chains that are elastic and essentially collaborative (Tokatli, 2007).

2.1.3 The fashion company Gina Tricot

Gina Tricot is a Swedish family fashion retail company that sells clothes to women ranging from teenagers to fifty years old. Gina Tricot has 90 stores in Sweden and 160 stores around in Sweden, Denmark, Finland, Norway and Germany. They are still growing and expecting more stores every year. Each week newly designed fashion arrives at the stores which attracts customers. They are able to identify forthcoming trends by inspiration, journals, historical research and interfacing with people and culture and transporting to the store the freshly designed fashion that reflects consumer demand (Interview with Pär Wiberg, at Gina Tricot office, February 9, 2011). There is an expectation of 3 billion kronor during 2011. (Gina Tricot årsredovisning 2011). However their logistics use third parties, they have no own fabrics, and manufacturing activities are in other countries. They produce their goods through their supplier in European and Asian countries. According to Pär Wiberg (2011), Head of the Logistic department at Gina Tricot, they are able to manage the changing of new weekly design at the store, the garments that arrive only stay one day in their only warehouse in Borås, Sweden, to be distributed to all their stores. However the outsourcing from Asian countries required at least eight weeks to arrive and there is still an issue with this delay as risks are involved with long distance transportation.
2.2 Supply Chain Management

2.2.1 Defining SCM

The simple concept of Supply Chain is defined by Bruce & Daly [2004] as the flow of goods, the process is from the early stages of the production process up to final sales activity to the end customer. Similarly, but more precisely, Christopher, et al. (2004) describes Supply Chain Management as the management relationship from upstream to downstream between suppliers and customers in order to provide the customer with higher value at less cost within the whole supply chain.

There are some other definitions of supply chain management, each of them accommodates the same idea of controlling production and flows of material from suppliers via distribution centre to end customers. What is apparent from all of these definitions is that supply chain management is an attempt to work together with all the network's partners to support the flows of material up to the customer's customer.

A simple model to illustrate the forward flow of material and the backward flow of information can be depicted as follows:

![Diagram](source: Wu and O'Grady 2005, cited from SCM Knowledge Management (2009))

This model explains a simple conventional supply chain management where some suppliers provide materials to be manufactured and then transport them to the warehouse and continue to send them to the customer.

2.2.2 Lead Times

A lead time is a period predicted within business and it is determined by the time taken from the starting of design, through the production process to the actual transport of the product to the stores (Christopher et al, 2004). Moreover they pointed out three important
things that have to be managed by the organizations to be able to compete successfully in
the market:

1. *Time-to-market* is the time that it takes the business to recognize demand in the
market and to convert this into a value product and present it to the market.

2. *Time-to-serve* is the time that it takes to capture an order by customers up to
transporting the product ordered to the shops for customer satisfaction.

3. *Time-to-react* is the time that it takes to adjust the production of the business in re-
response to demand volatility, if it can be turned off and then turned back on immedi-
ately.

**2.2.3 Lean Supply**

Lean supply chain management focuses on eliminating all the waste, as well as reducing
time taken to fulfil the level of schedule to be established (Naylor et al., 1999). Thus this
could support effective management within the network in supply chain management. Ac-
cording to Abernathy (2000) lean retailers need a quick replenishment of products, and
shipments must follow requirements strictly in terms of delivery time, accuracy and order
completeness. Thus this necessitates a system such as bar codes, EDI or shipment mark-
ing in order to manage the movement of the goods.

According to Masson (2000, from Bruce & Dally, 2004), lean supply is identified by pre-
dictable marketplace demand, low product variety, long product life-cycle and a high de-
mand for information. Thus in lean supply chains prediction is based on data information
and replenishment regularly related with Masson’s explanation about lean supply chain,
Christopher (2000) states that lean works best in a high volume, low variety and predict-
able environment.

**2.2.4 The agile supply chain**

Agility is a broad business capability that includes firms that are structured, have a high use
of information systems and concern for the logistic process, the key characteristic of an
agile firm is *flexibility* (Christopher, 2000). Moreover, Christopher mentioned that agility is
required in the more unpredictable environment of organizations marked by volatility of
demand high demand for variety.

Moreover, agility is where an organization is able to respond continuously to changes in
demand though the greater importance of agility (Christopher et al, 2004), and it has been
proposed by Harrison et al (1999), a numbers of characteristics of an agile supply chain:

- *Market sensitive* – it is related to the end customer in order to be able to find out
  what the market wants
- *Virtual* – It depends on information sharing over the network within the organiz-
  ation’s supply chain partnership.
- *Network based* – it attains flexibility by employing the strengths of specialism in each
  player within the network
- *Process aligned* – this period of process has a very high level of interaction between
  the supply chain networks of all members in the organization.
A fundamental framework for agility has been developed by Harrison et al (1999) and afterwards modified by Christopher et al (2004) as follows:

(Source: Mason et al, 2007)

By capturing new market trends, monitoring daily sales and listening to the customers feedback the company would be able to identify the potential market, thus can the subsequent monitoring of consumer demand be achieved (Masson et al, 2007).

It is clear that agility in the firm’s supply chain requires quick response in order to be able to fulfill market demand as soon as possible. The apparel industry nowadays operates with global supply chain networks which present very high challenges for Quick Response. McCarthy and Jayaratne (2009) called this Global Quick Response and mentioned it as a strategy that requires accuracy, rapid and cost-effective response to specific markets that are highly dynamic, and leveraging the capability of extensive global supply and sourcing production through compressed lead time, real time efficiency, management of information systems, pipeline management flexibility and optimization of logistics and distribution systems. Thus Global Quick Response attempts to merge cost and scale efficiency by sourcing off-shore with quick response and accurately to fulfill market demand, information on which it obtains by dynamic planning and strong logistic management.

2.2.5 Leagile Supply

According to Bruce and Dally (2004) “leagile” is a merger between lean and agile concepts that also combine at a decoupling point to optimize management of the supply chain. According to Masson-Jones et al (2000) the decoupling point approach is the strategic choice when the trader holds the inventory in some general form and completes the final manufacture or construction when the specific customer requirement becomes known.

In Bruce & Dally, (2004) proposed that the use of leanness is mostly upstream, while agility is more useful downstream. This means that leagile gives the capacity of cost efficiency in the upstream supply chain and high responsiveness in the downstream chain within the volatile marketplace. It has been argued that even though leagile may work in the operational supply chain management it seems impossible to basically challenge the agility con-
cept (Van Hoek, 2000 in Bruce & Dally, 2004). To apply leanness in the agile approach, the agile approach first needs to be applicable itself.

2.3 Sourcing in the fashion industry

It has been mentioned by Mihm (2010) that there are three basic methods that a retailer can apply in sourcing brands that are carried exclusively. These methods can be described as a continuous extension, moving from high levels of management and control to the lower levels, it pictures as bellows:

![Outsourcing Model for fast fashion](image)

Source: Mihm (2010)

A fashion firm using a *vertical integration* is controlling all parts of the design work, manufacturing process and procedures in transportation and distribution. This firm owns factories and distribution centres. The second method on the above model explains that the firm contracts with manufactures but the design is handled in-house. In this case, the retailers supervise the design process also with manufactures process to fulfil their internal quality of the firm standard, and the design requirement and specification. This is done by direct contact with a fabrics or manufacturing plant. This firm does not own the factories, but contracts with manufactures that they choose. This retailer might also manage logistics and have a contract with a company for transporting their garments from fabrics location, including cleaning customs and also arranging transportation to the distribution centre. This kind of method is typical of the firm with a private label brand and it's known as house branding. On the third method, it depends upon partnership with an outsourcer that is expert at handling all parts of the process, including design, manufacturing and logistics to send the garment to the stores. This retailer is not in contact directly with the manufacturing plant, instead they have contact with outsourcer. Mihm (2010).

2.3.1 Global sourcing in the fashion industry

The globalization era has involved opening up the borders of countries in order to get sourcing collaboration as well as selling apparel. At the same time retailers have tried to constitute a distinction between their products by branding their product. Mihm (2010).

Moreover, globalization has become impossible to avoid in the past years as the fashion retailers faced more frequent changes. Pressure has grown within supplier selection, development and management, with retailers also moving towards global outsourcing (Martinsen, J and Stighagen, J 2007). Given this competitive situation, and given its promise of cost efficiency, as there is low labour cost there compared to Europe, sourcing from the Far East is very popular of European or American fashion firms.

In general, there are two categories of retailers within the fast fashion industry. The first one is those retailers that own their own manufacturers, the other category does not own its manufacturers. The ones that do not owning their own manufacturer usually outsources them from other countries, in this respect international retailers are the key to driving globalization in the garment industry as they leads globalization through global outsourcing.
When the outsourcing involves sending activities to other countries than the firm’s country, the activities become global.

As one of the methods being broadly used by European apparel retailers, global outsourcing is meant to attain improvement in profits by cost reduction, by managing vendors’ collaborations, and examining suppliers closely (Towers and Forsberg, 1999). According to Doyle et al. (2006) in order to merge the advantage from outsourcing globally, a balance is required between the global and local sourcing for the best route, at the same time it demands consistency of responsiveness and agility in fast fashion (Martinsson, J and Stighagen, J 2007). The tendency to off-shore outsourcing has been born due to questions of cost management, even though there might be some kind of hidden risk. Time expansion of off-shore sourcing is not only require technology development but also focus on the lead time than turn to be a longer, but still can be managed (Doyle et al, 2006).

2.4 Information Technology Communication within fashion industry

Information Technology (IT) communication system plays a significant role in fast fashion industry. The IT system can swiftly catch the information on vogue, trend, production data, shipping data, thus facilitating real time on communication within the network along the supply chain. Mihm (2010).

To decrease the time span on the phases in the value of supply chain network, we mention three areas that it is relevant to modify; these are information exchange, product and production, and cycle in the supply chain (Forza & Vinelli, 1997). The pipeline information system as Forsa and Vineli explain it in the operative chain system has been described as follows:

![Pipeline information system diagram](source: (Forza & Vinelli, 1997)]

As it shown on the picture that there are information link that spreading through the certain long of pipeline, such as Design with customers, it goes through all way from the design through purchasing and production, and up to the distribution customers.

2.5 Supply Chain Management in the fashion industry

According to Bruce and Daly (2004) supply chain within the apparel industry is complex. Many times the supply chain is rather long with certain parties that involve (Jones, 2002, Bruce & Daly, 2004). As a result the management in supply chain has to be careful in or-
der to decrease lead times and gain a quick response. This highlights the obvious need of the firm for such agility (Bruce & Daly, 2004).

The great extension of the supply chain pipeline creates the lead time of textile garment supply chain that is relatively long and not known for swift response to the characteristic changes in the fashion market, therefore textile–garment industry supply chain management becomes more crucial (Cao et al, 2008).

According to Fernie (1994) the goals of supply chain management in the apparel industry are providing the in-vogue style to the customer at the right time and in the right place (Azuma et al, 2009). Thus delivering the clothes at the right time and in the right place is very crucial and is the main goal of supply chain management in the apparel industry. By the time all the decisions are made to accomplish global system objectives, a supply chain clearly need to be managed (Cao et al, 2008). A traditional textile-apparel supply chain can be described as follows:

![Diagram of traditional textile-apparel supply chain]

*Source: Cao et al (2008)*

The model shows a traditional textile fashion supply chain and explains different processes with different players in charge. The owners of the branding are triggers of the supply chain. The process of product development including research on design is determined by the brand owners. After they make the sales sample and it is confirmed, the company start to identify the appropriate suppliers to work with, including screening and selecting the suppliers. By the time the contractual commitments are made up, the process of production can start. The brand owner of the apparel firm also purchases raw materials from other or from the same suppliers. At the end of the supply chain process, the apparel items are sent by the distribution division from the brand owners to retailers. In this model, the brand owner manages the whole network chain.

Most of the success story of the apparel companies related to the internationalization of the retail supply chain tends to fit companies that have strong influence and control over all of the supply chain activities. This means that the development of strong relationships with
suppliers, integrated technology system implementation and the willingness of the company to be flexible in a changing market place are part of the successful firm (Fernie, 2009).

2.6 Supply Chain Agility in fashion industry

An agile supply chain management framework has a clear bearing on the fashion industry supply network, regardless of the fact that there might be some contradictory aspects, especially in the context of global sourcing (Masson et al, 2007). Moreover Masson (2007) also defines the successful fashion retailers in the market as the ones able to monitor demand closely, managing a flexible supply chain which allows them to adjust to any changes that may happen, including quickly to turn the supply chain process on and off. Thus in order to compete with other fashion companies and face changing demand, agility within the supply chain is necessary.

According to Mason et al. (2007) the agile supply chain's typical products are usually in fashion goods, with high variety of product and highly volatile demand, moreover he mentioned that the agile supply chain has a considerably shorter product life cycle with consumer driven demand, this contributes to the high profit margin and marketing cost as a dominant cost. According to Christopher (2000), the agile supply chain is market sensitive, meaning that the supply chain has the ability to read and respond to the real market demand. Naturally, fashion markets have characteristic variations in demand and it is not easy to predict, therefore it needs for agility.

Christopher et al (2004) defines the concept of agility as, in the context of supply chain management, focusing on “responsiveness”. Meaning that agility terms within the supply chain management process deal with response to demand, managing the idea to be transformed as it becomes a product and presenting it as soon as possible to the market, thus the work of responsiveness is along the way from the firm's capturing the demand all the way up to providing the clothes to the customers. Conventional supply chains are recognizing by tediously long lead times and have therefore been forecast-driven. On the contrary, agile supply chains are not long or quick and they tend to be demand driven (Christopher et al, 2004). While conventional supply chain management is forecast driven and based on inventory, the non traditional supply chain management is demand driven, thus requiring flexibility in order to meet a high level of variety and frequently unpredictable changes.

3 Research question

In this research study we try to explain our thesis from these questions:

1. How Gina Tricot manages its supply chain agility towards their global outsourcing?
2. How Gina Tricot's manages its supply chain's global sourcing method and manages its forecasting compared to Zara fast fashion firm?
4 Methodology

The chapter starts by presenting some information about our chosen method and approach, continues with an explanation of research strategy, case study approach and how we are going to collect the data and it ends with the description of Validity and Reliability of our research study.

4.1 Research Method

Research methodology is a passageway to solving the research study issue systematically, studying how the research is done scientifically, it has been understood that research methodology is a science (Kothari, 2004). To answer our research questions, we have learned carefully what kind of research method is suitable to answer and understand our research study. There are two ways for a scientist to conduct research methodology, qualitative research and quantitative research. Furthermore it has been suggested to refer the research question and the purpose of research to obtaining qualitative data (Saunder et al, 2007). Since the study focuses on discovering how Gina Tricot manages its supply chain agility by comparing and contrasting this with procedures at the Zara Company, an explanatory type of research is suitable for our study. Explanatory research is a way to understand the problem's patterns where this needs an explanation. (Saunders et al, 2007)

4.2 Chosen research method

A qualitative method is very useful for answering questions about the concept that is unexplored, thus it would be able to clarify the research study (Haberman & Danes, 2007). According to Walker et al, qualitative research is also a significant help to analyze complexities and helps in understanding ideas. We are using qualitative data for our research study, considering that the main purpose was to understand the concept of supply chain agility at Gina Tricot company and identify the differences with the successful fast fashion company Zara, thus the best way to analyze supply chain agility in Gina Tricot and compare with Zara is by doing the data collection and data analyses, both based on the data collection and analysis concepts from previous literature that we have already summarized in chapter 2. Therefore it is common sense to employ this qualitative framework. According to Holloway (1997) the qualitative method consists of seven main elements:

- The research focuses on the everyday life of people in usual settings.
- Data is primary, not predetermined theoretical framework but derived from the data.
- Context bound.
- It focuses on the people who are involved in the research and their perceptions, meanings and explanation.
- It must be described in detail, analyzed and interpreted and use “thick description”.
- Relationship between the research and the researcher is close and based on a position of equality of human beings.
- Data collection and analysis are usually processed simultaneously and interrelate.
Referring to our research study, we focus on a single company, Gina Tricot. Their supply chain agility has been developed as part of their daily operational business. We are going to find out how they manage it by collecting the data from their senior staff in charge in a significant department, logistic and purchasing, the description is expected to be detail from the respondent and we are going also the collected data we are going to analyze is interconnected with our secondary data from our frame of reference in chapter 2.

4.3 Research strategy

In qualitative analysis, Silverman [2001] describes four important methods:

- Observation
- Analyzing text and documents
- Interviews
- Recording and Transcribing.

As our thesis adopted qualitative research methods, and the reason to choose these methods is to understand the concepts of supply chain agility in Gina Tricot and specifically its agility in relation to their global outsourcing, we are using the depth interview and also try to analyze with the help of and on the basis of secondary data from previous theories that we present in the second chapter of this thesis. These secondary data are from different articles, journals and books. According to Yin (2003) there are three kind of research available. These are exploratory, descriptive and explanatory.

1. **Exploratory research** is a research type whose prime objective is to provide deeper understanding of and insight into the issues which could give knowledge of the problems encountered by the researcher. It is indicated as a hypothesis (Yin, 2003).

2. **Descriptive research** is used to bring into being data that describes the arrangement of relevant groups, for example salesperson, customers and administration organization (Parasuraman, 1991). Descriptive research works in order to get information regarding present status or condition in some situation.

3. **Explanatory research** is mainly concerned with introducing new topics and is not so much involved with research (Yin, 2003).

We consider our research study is finished with explanatory research. Hence we use this research methodology as we intend to gather information in our report in order to get a comprehensive view and knowledge of the issue.

4.3.1 Case Study

We refer to Yin (2003) since we use qualitative research methods to conduct our research, Yin states that the case study is an option to take when research is qualitative. Moreover Yin (1994) defines a case study as an empirical inquiry that examines or observes a contemporary phenomenon where the context is not easy to understand. It has been suggested as the best strategy when questions like “what”, “why” and “how” are raised for any significant case (Chetty, 1996).
Chetty (2006) also considers case study as the common and appropriate option if an issue's exploration is required. In this thesis, the research would answer the explanatory research questions, finding out how Gina Tricot manages its supply chain agility towards global outsourcing. Since there is no adequate data or information regarding Gina Tricot's supply chain management, the adoption of a case study approach structured around interviews is significant for answering the questions posed in our research. According to Lewis and Thornhill (2007) a case study strategy naturally has the ability to generate answers to the research questions in detail. According to Stefan Seuring (2005) this case study method allows a researcher to use a flexible data collection, the data collection that is appropriate to help analyze the issues. Stuart et al (2002) has described a 5 stage process model to present the perspective case study research as follows:

![Stage 1 Research Question]  ![Stage 2 Instrument Development]  ![Stage 3 Data gathering]  ![Stage 4 Data Analysis]  ![Stage 5 Dissemination]

Source [Seuring 2002, in Kotzab et al, 2005]

In designing our research study, we first define the research questions by selecting the phenomenon in the fashion industry, specifically the supply chain in Gina Tricot Fashion Company as compare with Zara fast fashion company that has previously been a leader in the world fashion market. The research questions are formulated in order to arrive at an understanding of this phenomenon. Our research starts with the study of an existing theory of fast fashion, and concerns aspects such as leagile, agility in the supply chain, global outsourcing and information technology in fashion industry. Concerning the conduct of research we refer to Seuring [2002] the second is developing an instrument of research. We developed our research instrument by capturing the data and arranging the study protocol, such as finding the right person to be interviewed, preliminary telephone call, visit appointment, interview appointment and design of the questionnaire. In stage 3 Seuring (2002) states that research data should be written and recorded, it is also important to build the interviewee's trust. Since there is a limit to time available, we have approached Gina Tricot earlier and made regular telephone calls to gain their trust. In the fourth stage, Seuring (2002) explains that the researcher's challenge is to observe, listen and record as well as interpreting what the interviewees are trying to say. Thus when we have collected our data from Gina Tricot, we are also trying to interpret it. And as stage 5 we are going to analyze our empirical findings through the theoretical structure from previous research that we described in chapter two.

### 4.4 Interview

Qualitative research interview is defined by Kvale (1996) as "an interview in which the main goal is to gather descriptions of the life-world of the respondent with respect to interpretation of the meaning of the described phenomena". According to Darlington and Scott (2002) studies by interview support an understanding about the subject research and the best technique to use for data collection in the qualitative method is depth interview.

Ghauni and Grönhaug (2005) pointed out that interviews could be done in three major ways: via mails, phone/email or personal interview as presented figure below:
Furthermore, according to Patton (1990, in King & Horrocks, 2010) there are six types of questions that can be asked in a qualitative research interview:

- Background/demographic questions
- Experience behaviour questions
- Opinion/values questions
- Feeling questions
- Knowledge questions
- Sensory questions

Our research study is based on interviews about the supply chain agility of Gina Tricot, thus we consider the empirical questions to be asked, and the interview will be done by face to face and emails.

4.4.1 Interview Process

Darling and Scott (2002) divide the interview process into five different stages. 1) Finding and selecting participants, 2) Making a connection, 3) The initial contact, 4) The interview, 5) Ending.

1. Finding and Selecting participants
In this first stage we started earlier by contacting a couple of Swedish fashion companies by email and phone. We had a good response at Gina Tricot and this encouraged us to focus on Gina Tricot as part of our research study. Thus we had a contact with the head of the logistic department (Pär Wiberg) and the Mentor of buying department (Camilla Olofsson).

2. Making connection
After we get a positive response from Gina Tricot, we arranged the appointment for our first interview through phone. We have met Pär Wiberg from Logistics and gained general insight into Gina Tricot.

3. The initial contact
The first contact we made on January 16, 2011 and met him on February 9, 2011 at their head office in Borås. Pär Wiberg gave us general information about the company and their supply chain and logistics management. We explored opportunities and decided to hold some more detailed interviews with him and another senior staff from purchasing department.

4. The interview
We have got contact with Camilla Olofsson though Pär Wiber. After several emails and explanation of our purpose and scope of study, Camilla encouraged us to send a questionnaire to be answered by her. The main questions of our research study were aimed to gain six subjects objectives. Since the questions are open questions, we have emailed back and forth with her a couple of times to obtain the proper information regarding the issue discussed.
Details of the interviews

<table>
<thead>
<tr>
<th>No.</th>
<th>Date of interview</th>
<th>Name and Position</th>
<th>Duration</th>
<th>Place of interview</th>
<th>Issue Discussed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2011-02-09</td>
<td>Pär Wiberg</td>
<td>1 hour</td>
<td>Gina Tricot office, Borås</td>
<td>General information of company and supply chain management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Head of Logistic Dept.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2011-04-19</td>
<td>Camilla Olofsson</td>
<td>email</td>
<td></td>
<td>Exploration of supply chain agility and global sourcing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mentor of Buyer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2011-04-28</td>
<td>Camilla Olofsson</td>
<td>5 min</td>
<td>Phone interview</td>
<td>Suppliers flexibility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mentor of buyer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2011-04-28</td>
<td>Camilla Olofsson</td>
<td>email</td>
<td></td>
<td>Exploration supply chain agility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mentor of Buyer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>2011-05-18</td>
<td>Camilla Olofsson</td>
<td>email</td>
<td></td>
<td>Detail of Information system and agile supply chain</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mentor of buyer</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Ending
After collecting all the significant data during five interviews with personnel from Gina Tricot in both the Logistics and Purchasing departments, we thanked them and intend to send them copies of our findings.

4.5 Validity and Reliability
In order to strengthen the quality of a study, validity and reliability are two important concepts to remember. A researcher should treat them carefully and they must be discussed in the paper [Smith, 2003]. In the qualitative research method, the terms validity and reliability are not viewed separately [Golafshani, N. 2003].

In a general sense validity means that in the paper there must not be any inclusion of systematic error in the empirical part [Martinsson, J and Stighagen, J. 2007]. It determines how the researcher can measure and what they are supposed to measure [Yin, 1994]. On the other hand reliability refers to the correctness of the chosen method. This means that if under the same conditions the empirical part is repeated, an identical result should appear [Martinsson, J and Stighagen, J. 2007]. It is about how the research methods are reliable when conducting a research [Yin, 1994].

Referring to our research study, to validate our thesis, the literature used was collected from experts in the field of supply chain fast fashion and global outsourcing and the information was scrutinized while empirical data were also collected from the companies that had adopted global outsourcing in the fast fashion market. Furthermore, in order to improve the reliability of our findings, an open-ended questionnaire was designed to enable the interviewee to make his own judgment based on the questionnaire. Moreover, it is important to establish the credibility of the research, Ghauri and Grönhaug (2005) suggest that for their qualitative research researchers should present their research with details of the data collection method and the questionnaires in order to enhance this credibility. We have
made reliable contacts with the company, held interviews with the head of the logistics department and the senior staff member in the purchasing department, we presented our research plan and our purpose as well as arranging the meeting and setting up the questionnaire, which increases the trustworthiness of our research. We also assured them about the confidentiality of any data they gave us.

There were some weaknesses that we faced during the interview process. We interviewed with only two people from the company. Although they are the key persons in the logistics and purchasing departments, given the time constraints, it was difficult for the respondents to give us more detailed information due to a limitations caused by their areas of responsibility, thus the knowledge we obtained about the whole supply chain system is less than expected. The same applies to email interview, limited information was collected from the first email due to the limited time available. Emails have been exchanged back and forth in order to get the proper information. Phone calls have also been made to confirm and clarify a couple of subjects in the questionnaire and respond to emails. Some lack of understanding may have arisen during the interview session by either interviewe or interviewer.

4.6 Limitations
The principal limitation of this study is that is conducted about a single fashion company Gina Tricot as a subject for case study. This constitutes a limitation because we conducted all our research on this single company. The limitation is by included references to Zara based on previous research in order to see the specific differences in their supply chain management as far as global outsourcing is concerned from Gina Tricot such as handling forecasting, manufacture control and postponement.
5 Empirical findings

This chapter holds the empirical findings of this thesis which consists of materials gathered based on the interview session at Gina Tricot's offices, the email interview, a phone interview and the data collection from the articles and the website.

5.1 Overview of fast fashion firm Gina Tricot

The company is established in Borås city in Sweden. Gina Tricot is one of Scandinavia’s fastest growing fashion chain (Gina Tricot, 2011). The firm was founded in 1997 by the couple Jörgen and Anette Appelqvist who are still involved and drive the firm (Camilla Olofsson, Purchasing Dept-Gina Tricot, 19th April, 2011). According to Pär Wiberg (Logistic Dept- Gina Tricot, personal interview, 9th February 2011) they were initially specialized in women’s clothes for the age range from young teenager to 50 years old. With 993 employees, they have a turnover of almost 3 billion SEK and they expected the sales to reach 3 billion SEK this year distributed among 185 stores, also in autumn 2008 they started with online shopping (Gina Tricot, 2011).

5.1.1 Identify Gina Tricot Supply Chain Management

For the questions regarding the Supply Chain, we have gathered the answers as follows:
Looking at their development, Olofsson mentioned that “over the past 5 years we have increased sales enormously and expanded into 4 new market (Norway, Finland, Denmark and Germany, and the 10 new stores expecting to open every year” (email interview, Camilla Olofsson, Purchasing Dept – Gina Tricot, 20th May 2011).

Regarding the fast fashion strategy questions Pär Wiberg answered as follows: “As each week or every five days newly design clothes arrive in the stores, we are trying to work as effectively as we can. “We have own designs and brands produced by manufacturers in Asia and Europe and we do not engage with Stock Keeping Units as we are trying to outsource as much as we can to sell the product and we are helped form third parties for warehousing and transportation“ (Pär Wiberg, Logistic Dept-Gina Tricot, Personal interview, 9th February 2011).

Pär Wiberg explained further as follows: “We have control over our transportation and delivery process, from the packaging in the terminal in the country the goods come from, to the warehouse in Borås and until when we deliver them to the stores” (Pär Wiberg, Logistic Dept-Gina Tricot, Phone interview, 20th May 2011).

On the other hand Camilla explained about control management in the manufacturing process as follows: “We have no full control over the manufacturing process, since we buy a ready-made product and suppliers are responsible, we however, communication with suppliers regarding product order, expected time of arrival of product and some changes in the process. Most communication involves the agent” (Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 20th May 2011).

Regarding the relationship with suppliers the respondent stated as follows:
"we have had a good relationship with some suppliers that have been working with us since 1997 and have grown with us, but with some of them we often communicate through agent" (Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 20th May, 2011)

She describes also as follows:
"With our biggest suppliers we work very closely, the others we have a close relationship" (Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 28th April, 2011)

Olofsson added:
"We regularly visit the supplier, there are no short term suppliers and we have a special department for quality assurance, even though the suppliers manage and control the production process themselves. We send them references of quality and we also control through samples, testing and quality inspection" (Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 19th April 2011).

The question regarding the supply chain decision is answered as follows: "From the head office, we do all the purchasing and allocate stock to the store, the store manager has nothing to do with it, so Purchasing Department and designer together tackle the decision what to buy by constantly looking at the sales data before placing the order" (Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 19th April 2011).

Moreover Olofsson explained about the involvement of Store Managers: "Sometimes we invite some of the well-performing stores to participate in a discussion about our coming volume styles" (Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 28th April 2011)

Based on the interview answers, the Gina tricot supply chain network can be depicted as follows:
5.1.2 Identify Gina Tricot Lead times

When we asked a question about the fashion retail strategy, Olofsson stated: "We send about 50 new designs every other week. The time taken is between 4 week to 6 months from the design to the distribution to the stores" [Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 19th April 2011]. This means that the fastest time that Gina Tricot can deliver to the customer is 4 weeks, and that the design today is for the next 4 weeks and the 6 months lead time perhaps applies to seasonal collections, such as winter, summer, autumn and spring.

Moreover Camilla Olofsson mentioned about the time from capturing the idea and transferring it to the design as follows: "The time taken from the market demand being captured and its translation into the design on paper differs from weeks to one day" [Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 19th April 2011]

5.1.3 Identify Gina Tricot Lean, agile and Leagile supply chain

Regarding the questions about agility Camilla Olofsson mentioned as follows: "We work with the suppliers that are required to be flexibility, for example when we found that certain colours are more trendy, we contact them for an immediate change" [Camilla Olofsson, Purchasing Dept-Gina Tricot, phone interview, 28th April 2011]

For the question about consumer demand they answered as follows: "We use both forecast demand and market demand, for forecast demand we follow the data sales point, we send out a trial order first and then place repeatedly, for market demand we capture the demand by research from the internet, trend institute and trends spotting in the major cities in Europe, USA and Asia" [Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 19th April 2011]

Moreover Camilla Olofsson explained about capturing the trend: "We have about 50 designers, We do market trend research with a small group within the design department and then putting together the trend material for the buyers and designers to follow" [Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 28th April 2011]

Regarding market sensitivity questions we have respondent answered as follows: "To maximize benefit, we also delaying the process of manufacture such as colours, buttons, however we try to decide as soon as possible" [Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 28th April 2011]

Moreover Camilla Olofsson explained about their control management: "We only have control over the suppliers through regulation in the agreement, we have a strict delivery date and weekly delivery date to the store, we send our reference qualities, if the suppliers are late, we will either claim price reduction or cancel the order, beside we have a delivery control system in addition, for example by work guidance from our office" [Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 19th April 2011]
5.1.4 Identify Gina Tricot Information system

When we asked about how important the information system is, they answered as follows: “We use the information technology system in our supply chain system and it is crucial” [Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 28th April 2011]

Moreover she explained: “We do not use special software for communicating with suppliers or outsourcers, at the moment we use e-mail, regular phone and Skype”[Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 20th May 2011]

Moreover Pär Wiberg mentioned about Information systems: “We use Information Technology to control the transportation and distribution process, at the moment we use a modern business system whereby we can see the movement of the product” (Pär Wiberg, Logistic Dept-Gina Tricot, Phone interview, 20th May 2011)

Camilla Olofsson also explained more about the information system. “Reports of data point of sales are received everyday through our information system, but we do not use Computer Aided Design (CAD) also Computer Manufacture Design (CAM)” [Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 19th April 2011]

5.1.5 Identify Gina Tricot global outsourcing

For the questions regarding global outsourcing and collaboration with suppliers, they answered as follows:

“We use offshore manufacturing mainly for cost effectiveness, and we work through an agent who is involved in the communication between us and suppliers regarding the design, and changing, and postponement of the product etc, also when we send trend material, colour cards, reference qualities in order for the suppliers to be prepared before each season” [Camilla Olofsson, Purchasing Dept-Gina Tricot, 20th May 2011]

Camilla Olofsson also explained more: “We use the agent or outsourcer in order to get contact with the suppliers because of many things such as language, customs, knowledge about the country etc, we also prefer to collaborate with the suppliers there due to their knowledge, and low cost but good quality” (Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 19th April 2011)

Moreover Pär Wiberg mentioned: “We have a couple of hundred suppliers in Europe and the Far East. Each supplier is good at different things but some also produce the same, so that they could all send sorts of clothes at the same time in order to obtain a large number of clothes at the same time. Also dyeing, cutting and packaging are doing by the suppliers. We send instruction for how they should package the garment, there is a certain volume and size we send to meet the commercial plan” (Pär Wiberg, Logistic Dept-Gina Tricot, Personal interview at Gina Tricot office, 9th February 2011)

To the questions regarding the materials and fabric, Camilla Olofsson answered as follows:
“We do not have contact directly with the yarn manufactures, we send our reference quality and the suppliers responsible to manage, the time frame is controlled by the suppliers with reference to our strict requirement” [Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 19th April 2011]

Moreover Camilla mentioned:

“We usually have no contact directly with the suppliers, mostly our agent is involved, but we visit them regularly as part of quality control or a sort of inspection” [Camilla Olofsson, Purchasing Dept-Gina Tricot, email interview, 19th April 2011]

5.2 Overview of Zara

Zara is the fashion firm from Spain that has been dominating the fast fashion world, it is owned by Inditex [Mihm, 2010]. In 1975 Zara opened its first store in La Coruna, Spain and the firms has been grown up quick and stable throughout the 1980s. The retailer was then reorganized as a part of a group company called Inditex in 1985. They have 1608 stores in 74 countries according to Inditex's annual report 2010. Until recently this famous international clothing retailer as a pioneer of fast fashion principles has maintained almost half of its production locally, in Spain and Portugal [Tokatli, 2007]. Moreover Zara is also known for its quick response to urban high trend fashion.

They have more than 1,000 designers and an applied cost effectiveness production process that can bring new products to their shops within two to three weeks [Fernie, 2009]. All Zara stores use data point of sales terminals to inform to La Coruna directly. The most important thing is that every evening, all store managers refer to a personal digital assistant to find out which of the new styles are still available to order, so they can find out what they think is the best sell to the customers [Economist, 2005]. Store managers report to the terminal which items, which colours and size that are mostly sold, also which items never sold out or rarely sold out. This high product production in fashion is supported by an integrated supply chain that operates from its production at La Coruna and its network of SMEs in Galicia also northern Portugal [Fernie, 2009].

Furthermore the clothes and stores team in Zara Company are capable to continuously receive from other stores worldwide. Every single day they check product success and evaluate trends as well as giving suggestions to the head office. All this information is soon transmitted to the departments of purchase, design and product. All these three departments together manage their work activity as responsiveness to the continuity of customer feedback [Mazaira et al, 2003]. According to Mazaira, orders placed by store managers through “Cassiopea”, a software system or an instrument especially created for placing orders and gathering market information daily.

Zara has a number of suppliers from countries such as India, Morocco and Turkey, and it has obtained the ability to produce and arrange all the complex system and work with high quality clothes which also require flexibility at high speeds [Tokatli, 2007]. Zara's short lead times are not only able to manage with inventory obsolescence, also thereby reducing sale mark-downs, but also make possible the postponement of fabrics in the process of dying, eventually contributing to a higher profit margin [Tokatli, 2007]. Shorter lead times are also able to let Zara transport their new items to their shops once or twice a week [Tokatli,
Zara continuously studies the market demand for new style or fashion in their stores and moves on to deliver them to an appropriate design at highest speed than trying to create season trends by using a catwalk of fashion shows (The economist, 2005).

According to Mazaira et al (2003) Zara maintains control over part of its production process and owns some of the factories that produce their garments. The lead time that is reckoned from the idea of the fashion design until the clothes are made to be presented in the shops is expected be as short as possible - between one to two weeks. The flow chart across their value chain is depicted as follows:

Zara maintains control over significant stocks of fabrics to let the garment production process system be decoupled from the longer lead time of the production system in fabric. This can maybe be seen as a form of time postponement (MacCarty and Jayaratne, 2009).
6 Analysis

In this chapter the empirical results will be analyzed and then be examined based on the perspective of the frame of reference presented in Chapter 2 and also to answer the research questions in an empirical way.

6.1 Analysis of Gina Tricot Supply Chain Agility

The research questions as presented in the third chapter are going to analyze Gina Tricot supply chain agility towards their global outsourcing. As presented in the empirical findings the supply chain of Gina Tricot has an outsourcer or agent which creates connection and collaboration between Gina Tricot and hundreds of suppliers. Though the agent has control over the suppliers, Gina Tricot still has the ability to postpone the manufacture process. This considered their suppliers have flexibility towards Gina Tricot.

As looking at their agility, Gina Tricot is market sensitive as they have the daily data point of sales feedback, the stores sending data point of sales every day to the head office to be analyzed and give some idea of future styles, colour, size or design. From the data point sales as well they are able to identify the preferences and the changing requirement of their customers, thus they are able to set the replenishment and reorder the same design for certain periods. Thus they order according to forecasting demand. They also order according to market demand for the new designs that arrive in the stores every other week. For the order according to market demand they work a lot with information systems such as the internet to find the latest trends in USA, European and Asian fashion design. Being close to what the customer wants is the purpose of Gina Tricot. Through an information technology system they send their design to the suppliers to be discussed and agreed with each other, and to transform the ideas to clothes as required and as soon as possible, expected to be in the market within a couple of weeks.

At the time the design is agreed and proceeds to manufacture, the information systems send to other network such as outsourcer, logistic department, warehouse and stores so they get the information regarding the schedule of the new arrival of clothes. Thus they have the virtual integration system that links to each stores to be able to provide the clothes at the right time and in good condition in the stores and presented to the customers. However the transportation process and the distribution are under logistic control in Gina Tricot office, although they use another company for this service.

In the Network based part Gina Tricot use suppliers to manufactures their product for cost efficiency and because they consider the knowledge of the people who are very experienced and have been working in manufactures a very long time as quality insurance. Christopher (2004) said that agile companies use flexible arrangements with a wide supply base. What Gina Tricot is doing is trying to outsource as much as they can and focus on purchasing, thus they apply cost efficiency with requirements of quality and flexibility from the suppliers.

Looking at their supply chain management pictures in the previous part in this thesis, we can see the integrated links between supply chain networks. The focal company, Gina Tricot
is the centre of communication and information. The connectivity between Gina Tricot to suppliers is mostly through agent or outsources. However they are the key of the manufacture process, as they could postpone the process to adjust to changes in market demand.

As a fast fashion company they have a lead time around 10 to 15 weeks from drawing the design of the clothes to delivery in the stores, meaning that they have been working for the new design today for the next 10 to 15 weeks to be sold at the store, Christopher (2004) stated that in order to respond in a volatile business like the fast fashion industry it is necessary to be able to turn on and off quickly. Gina Tricot postponement works well with hundreds of their suppliers, they have close relationships, and some very close, in order to build beneficial collaborations, such as holding part of the process in manufacturing to adjust with the customer demand based on the market demand analysis. However Gina Tricot tries to eliminate all waste by outsourcing as much as they can and using an outsourcer for effectively collaborating with suppliers as well as using other companies for warehousing and transportation. Also they arrange strict schedules such as order time and delivery time. As a result they achieve cost efficiency. In practice Gina Tricot use Leagile supply as they order according to forecasting demand at the same time order according to market demand.

There is the information pipeline in their operational chain system in Gina Tricot as the role and support of information technology is highly required within their network. From the beginning of their work to watch and capture the market demand through the information system in computer technology in order to identify trends from all over the world every single week to be produced within 10 to 15 weeks. The process of sending the design and product order as well as the discussion, cost and finishing agreement between Gina Tricot and suppliers together with outsourcers needs an information system reaching each network to be able to produce the clothes within weeks. They have a high level of exchange of information between suppliers and Gina Tricot's head office, data point of sales between the stores and Gina Tricot's head office and all the logistic and purchasing type such as price list, material availability, level of stock in the warehouse, request for product as well as administration such as invoices, delivery notes and sudden changes of which suppliers must immediately be informed.

6.2 Analysis of fast fashion of Gina Tricot vs. Zara

Looking at Zara as presented by the empirical findings, we said that they were known and established 20 years before Gina Tricot and comparing the number of stores they have, Zara has about 10 times more stores than Gina Tricot. What they have in common is that they are fast fashion companies that keep growing, while Zara has been worldwide, Gina Tricot is regional, and mostly in Scandinavia. But they are growing with considerable success as the number of stores has increased every year and the turnover also increases by 8 % on average yearly. Although Zara is worldwide and Gina Tricot is regional, both are considered successful as a fast fashion company. The forms of their success allow us to see their differences.

From the production process Zara has more than 1000 designers and working with sister company in La Coruna which is easy to control and located in northern Portugal, all data point of sales report is sent directly to La Coruna as a center of information, Stores managers seem to work closely and intensively to give input and suggestions for market trend,
while Gina Tricot having 50 designers and working with an outsourcer in Sweden to connect with hundreds of suppliers in Europe and Asian countries. The store managers are not intensively involved with daily discussion, but sometimes they include the biggest stores to participate in the meeting to give some input, suggestions and volume of sales.

The product and shops team in Zara get information regularly from stores worldwide, they analyze this every day based on the sales data they receive every day. After they examine the information sent to purchase department, design department and production department in order to respond immediately, all the information is channeled through an instrument that can be captured daily. Whereas Gina Tricot does not have a product and shops team to collect information from all the stores, the information from data point of sales from the stores are sent to certain departments including Purchasing, to be analyzed. The data from point of sales is sent daily.

Zara has suppliers closer to the shops, for example for the stores in Spain and around, the suppliers are from Turkey, Portugal, Morocco and they made postponement possible as the shorter lead time also enabled Zara to deliver new items to store once or twice a week. Moreover Zara conducted some of the manufacture process in-house, such as dyeing, cutting, labeling and packaging, and some manufactures are owned by them. Also Zara has contractors and subcontractors that work exclusively for them due to the fact that they are sister companies or part of Zara’s parents, Inditex. Whereas Gina Tricot’s suppliers are mostly in the Far East, and Europe is the closest, and they only work with one Warehouse Company located in Sweden to distribute to all the stores. Gina Tricot also has postponement activities since there are sudden changes that sometimes require immediate change. Moreover Gina Tricot is in-House brand, they do the design in house and the rest is at the manufactures that not belongs to Gina Tricot. Thus it determines of the fast response from both companies. Zara has smooth process and full control as a number of manufactures is owned by the group, while Gina Tricot focuses on agility as well, but also on postponement strategy towards their suppliers. To clarify their differences, see table below:

<table>
<thead>
<tr>
<th>Gina Tricot</th>
<th>Zara</th>
</tr>
</thead>
<tbody>
<tr>
<td>Since 1997, 185 stores in 5 countries</td>
<td>Since 1975, 1608 stores all over the world</td>
</tr>
<tr>
<td>Suppliers through Outsourcing</td>
<td>Suppliers within Inditex company group</td>
</tr>
<tr>
<td>Most of suppliers far East</td>
<td>Most of suppliers close to the shops</td>
</tr>
<tr>
<td>Warehouse and Transportation are third party</td>
<td>Own some Manufactures and Warehouse</td>
</tr>
<tr>
<td>Postponement</td>
<td>Postponement</td>
</tr>
<tr>
<td>Perform only design in-house, the rest is done by outsiders</td>
<td>Perform design, dyeing, cutting, labeling, packaging in-house</td>
</tr>
<tr>
<td>Lead time about 8 to 10 weeks from far East</td>
<td>Lead times about two weeks</td>
</tr>
<tr>
<td>Store Managers participate sometimes in Volume and future design discussion</td>
<td>Store Managers involved in everyday discussion for future volume and design</td>
</tr>
<tr>
<td>Control over supply chain process involving Outsourcer</td>
<td>Full control over supply chain process</td>
</tr>
</tbody>
</table>

It can be seen that Gina Tricot has less agility compare with Zara, although Gina Tricot has a link control over the suppliers, but in certain manufacture process they are unable to go directly instead through the outsourcer. However this company turn to be able to manage their supply chain agility and able to present their products as their expected time and present the newly and stylish design every week to the customers at their store.
7 Conclusion

This chapter would present the main findings from the studies in connection with the purpose of the study and the literature review with some possible future research.

7.1 Conclusion

In the fast fashion industry, agility is required as there is a very highly changing demand. Gina Tricot as one of the fast fashion company uses this strategy as well in their supply chain in order to be able to compete in the market.

In our study we try to cover two research question. The question is how Gina Tricot manages its supply chain agility with respect to global outsourcing and to see how it differ with Zara. For the first question, first we come to the conclusion that Gina Tricot's supply chain is agile, with their agility they manage their network by trying to find out what their customer wants and what is the market trend and demand in each period. They share the information across all supply chain partners, they have a close relationship and collaboration with a couple of suppliers despite their getting connection with the suppliers through the out sourcer, and the outsourcer being involved in control and quality checks as well. They also have a high degree of interconnection with upstream and downstream such as quick response in response to sudden change.

We come to this conclusion by the help of answers which we got from Gina Tricot personnel, Pär Wiberg and Camilla Olofsson who hold positions in the Logistics department and the Purchasing department. Their main activities in supply chain management toward their global outsourcing are to buy quality clothes at good prices where the provider is able to send it at the right time and in the right place. They are also required to be flexible owing to the uncertainty of variance in market demand.

It is very important that all the orders are managed by the head office as this will eliminate waste, so that replenishment and new design orders are organized by the head office, and thus the right time, accuracy and completeness are ensured. If each store placed the order directly to the supplier, it would increase the cost, as it would lead to orders and delivery at various times, whereas Gina Tricot's supply chain agility strategy is to get cost efficiency. They have a lead time between 10 to 15 weeks due to most of the suppliers being in the Far East, therefore they have to manage and work around 3 months before the clothes are ready to sell in the stores, if there is any late arrival it could cost more for the company as well. Postponement activities within its manufacturing procedure are also one of their strategies to manage their cost efficiency.

By analyzing and concerning to our proposed study we come to the conclusion that Gina Tricot manages its supply chain agility by being market oriented, knowing and predicting every single week the woman's fashion trend, and then doing the design and transformation to a product of clothes within 10 to 15 weeks to be able to sell them immediately to the market before the trend changes. The second is that they rely on information sharing within the network, between Gina Tricot's office and suppliers involving the outsourcer, between all the stores and Gina Tricot's office, between the warehouses and Gina Tricot's of-
office and all stores, also with suppliers. The third is working with responsive suppliers in order to be able to cope with the uncertainty of consumer demand.

In addition to our research, as a second research question, we look at Zara as the pioneer of fast fashion, although Zara is a huge worldwide fashion company and has been successful for decades, and though Gina Tricot has been established in the last 14 years and is only considered successful in Northern Europe, we look at the form of successfulness of both as a matter of their supply chain and agility. They both apply agility as their supply chain strategy, for example by postponement, and place the number of orders the last minutes before the due date, or by changing the items' colors or size. Although Gina Tricot is considered to be less agile compare with Zara due to the most of their communication being through an agent, they both require high flexibility of their suppliers. They differ, however, as Zara own some of the manufacturers and Gina Tricot does not own any of their suppliers, they use outsourcers, and other companies for handling warehousing and transportation, but Gina Tricot still manage to control their network through an information system and such rules that all the orders are placed by the head office.

### 7.2 Future Research

The need to satisfy the customer is almost the main goals of all firms, including those in the fast fashion business, marked by a high requirement for consumer demand, by being companies expected to fulfill the demand as soon as possible before the vogue styles are gone from the market. To provide for customer needs and at the same time achieve higher benefit and decrease costs, companies must effectively manage their supply chain, the strategy to outsource offshore is one of the solutions to make it less costly with good quality products, and thus sourcing globally is part of the strategy in competition within the fashion market. However, as with Gina Tricot and probably some other firms using third parties or outsourcers to ease the network between the focal company and suppliers, there may be a risk associated with this global supply chain, especially if the focal company is unable to fully control manufacturing procedure and if they do not work closely enough with the supplier so that it might be not easy to expect them to be flexible in the process of manufacture. Another possible risk is dependency on the outsourcer or third party due to limitation of control over production. This would restrict design creativity and flexibility, and thus grow more vulnerable to opportunism and unforeseen developments.

Exploring the research study on the above issue would be our suggestion for future research, whether the third party or outsourcer is valuable for long term supply chain network and the future development of companies, and also the topic of the impact of third party or outsourcers upon the agility of the firm would be an interesting subject for study in the future.

Business strategies like agility, lean supply, lead time reduction and quick response have a great importance in the fashion industry. Financially established companies in this industry have also implemented these strategies in order to boost and provide more value in their supply chain. If we have another chance to write something about Gina Tricot, we will definitely try to explore the pros and cons of these strategies which are used in the supply chain of Gina Tricot.
Furthermore, the process of selecting suppliers for Gina Tricot is a huge task. A deeper study of Gina Tricot's supplier selection process would be enthralling, with the concentration cost, geographical concentration, flexibility etc.
Reference List:


Inditex annual report 2009


The First interview – Conducted February 9, 2011
Respondent: Pär Wiberg – Head of Logistic Department of Gina Tricot

Questionnaire:

Company profile
1. Who are the target markets?
2. What is your current market position?
3. What is your current sales ratio?
4. Number of retail store (branch)
5. Structure of the organization

Logistic/Supply Chain Department
1. What is the structure of the Logistic Department? Who holds the major responsibility?
2. What is your Supply chain Strategy or procedure?
3. How many Suppliers (single or multi) and from which countries (cross border outsourcing)?
4. Supplier selection process, why choose certain suppliers and how they been evaluated?
5. How many events or seasonal clothes in a year?
6. How frequently do new styles arrive and sell in the store?
7. Follow the Forecast or demand? How to detect/see the demand or how to determine the forecast? How to seek the trend?
8. Any fit in procedure or no?
9. How can you handle your customer order [procedure and system]?
10. How do you collect raw materials [from where to where]?
11. How about your Plant or Manufacturing system? Using CAM?
12. Dying, cutting, finishing stage, labeling, packaging in own house?
13. Any postponement within certain part of the manufacture or chain process [in regard to customer demand]?
14. Distribution system [procedure and control]
15. Transportation or delivery process [procedure and control]
16. Warehouses, Inventory system [procedure and control]?
17. Replenishment system or process in the store [Procedure and control]
18. IT system within supply chain or information sharing? What kind of information?
19. How long is the lead time? How do you handle reduced lead time?
20. Any activities of measuring and analyzing the performance of the system of manufacture, the distribution process, delivery or transporting the clothes, warehouses, inventory and replenishment?

The second interview: April, 28, 2011
Respondent: Camilla Ollofsson – Head of purchasing department Gina Tricot

Questions enabling an understanding of the firm

1. What is your function and responsibility in the company?
2. Tell us about the company history, when it started, how many stores there were when it started, who is the founder? How is the development after some years and until now?
3. Tell us about the firm’s organization profile and structure?
4. What is your customer type?
5. What is the characteristic or specialty of your product?
6. Any plan about the number of new stores and the place to open in every year?
7. What is the average percentage of revenue increase every year?
8. How much is the turnover in the last period/year 2009/2010?

Questions enabling an understanding of Supply Chain Management in Gina Tricot
1. Tell us about the process supply chain starting from the research and market demand to distributing the product to the stores?
2. Is the store manager in control of the merchandise at the store? Who decides the store’s need for more clothes and the quantity, who orders to whom?
3. Any related work between the stores and the design/style plan?
4. Do you order according to forecasting or market demand?
5. If you do order according to forecasting, how do you calculate the forecast?
6. If you do base on consumer demand, how do you know or capture the customer demand? Please explain the process.
7. Based on the information from Pär Wiberg, you are using an agent here in Sweden to get the supplier from Asia. Also you have a representative office in certain countries to make it easy or smooth work. My question is Which countries have a Gina tricot representative? Does that mean that that country has more control from Gina Tricot directly?
8. Is Gina Tricot always in communication to the supplier through the agent? Meaning that does the agent control all the suppliers, including manufacture process?
9. If yes, does this mean that Gina Tricot does not have any direct control of the supplier and the manufacture process? Or is there any control from Gina Tricot of supplier and manufacture process?
10. Who is the one who decides about the design, the designer, research team or certain departments in Gina Tricot?
11. Is Gina Tricot’s designer who designs the clothes or from another company? How many designers do you have?
12. How do you control the manufacturing process? Is the agent involved in this process?
13. How long does it takes approximately from the design to the distribution to the stores?
14. Can you tell us about the yarn or textile manufacture, is it the supplier or the fabric manufacturers who decide the yarn or kind of material that will be used or is it Gina Tricot’s designer?
15. Are any samples sent first to Gina Tricot before deciding which yarn or material is to be used? Or is this just done through information sharing? Or is no sample sent at all?
16. Is there any involvement of the agent in Sweden regarding this yarn or material matter?
17. Do you apply Just In Time in your supply chain network that the garments should arrive at the right time at the right place?
18. If yes, how do you manage it? Is the agent involved with Just In time approach?
19. What is the role of information technology within your supply chain network?
20. Tell us about the flow of information in your operative chain system? From who to whom, from where to where? [From the design idea to the distribution clothes to the stores]
21. What kind of information share do you exchange between Gina Tricot and the supplier? Between Gina Tricot and the agents? Between Gina Tricot and the warehouse? And between the stores with Gina Tricot offices and the warehouse etc?
22. Does Gina Tricot manage the yarn or material process until ready for the factory? If no, who manages it?
23. How do you control the manufacturing process from design until it’s ready to be delivered?
24. How do you control the distribution and transportation when it has to arrive at a certain time?
25. Do you have a scheduling system for distribution garment to the store? If yes, how does this work? Who decides the schedule? Or does it depend on consumer demand? Is the schedule very varied or quite regular?
26. I heard from Pär that you use a cargo company for transportation, does the company control transportation? How do you manage it being on time?
27. What happens when they don’t send them on time?
28. Tell us about the lead time from the design ideas to the clothes delivered to the store, from Asian countries (China, Sri Lanka, Bangladesh, India etc?)
29. Tell us about your suppliers (We have some information from Pär as “some in China, some in Turkey, some in Sri Lanka etc”) Can you tell us exactly?
30. Do you have any contact with the suppliers directly? In China specially?
31. If yes, what kind of information do you communicate about?
32. I heard from Pär Wiberg that your warehouse is not Gina Tricot’s, how do you control the warehouse work?
33. Does the warehouse work based on orders from Gina Tricot office, Gina Tricot stores or the work guidance that is agreed between the company? Or in any other ways?
34. How does the warehouse decide the type and the number of clothes to send to the stores? Who decides this?
35. Does the warehouse also manage the inventory?
36. If it does not who manages the inventory? If yes how do they manage it? And how does Gina Tricot have control over the inventory?
37. Does every store have connection directly to the warehouse? Do they order directly from the warehouse?
38. If yes how does Gina Tricot keep control over the order? How does the information system work in this matter?
39. Tell us about procedure details or ordering?
40. What are the agility challenges faced by your company towards outsourcing from Asian countries?
41. How does the firm manage the challenges?

The third interview: April 29, 2011
Respondent: Camilla Olofsson – Head of purchasing department Gina Tricot
Phone interview
1. How is the flexibility of Gina Tricot towards your off-shore suppliers? How you manage the changing?

The 4th interview – Email interview – 28th April 2011
Respondent: Camilla Olofsson – Mentor of Buying department
1. How you see what customer like and dislike
2. What is the explanation for forecasting demand and market demand you use at the same time?
3. How is the Store Manager involvement in design decision?
4. How you do the research to capture customer demand by look for the trend?
5. Are you using CAD and CAM?
6. How close are you with the suppliers?
7. How flexible is Gina Tricot supply chain?
8. Can the process in manufacture turn it off or turn in on quickly since you have changing demand or different style every week? Yes, since we work so closely with a few suppliers.
9. Do you have control more to the suppliers in Bangladesh since you have an office there?
10. How important is IT in your supply chain system?
11. Tell me about the information system that links to each department or supply chain network regarding with the production and sales?
12. How many agents do you work with to get all the suppliers?
13. Do you require flexibility with the suppliers? (In terms of changing demand of style?)
14. How you applied postponement?
15. How is the interconnection link between designers and suppliers and manufacturers?
16. How you assure the product quality?

The 5th interview – Email interview – 20th May 2011
Respondent: Camilla Olofsson – Mentor Buying department

**Overall Supply chain management**
1. How is the relationship between you and suppliers?
2. Are you communicating often and directly to suppliers or your agent always involve with your agreement or any communication with suppliers?

**Lead Times**
1. How long does it take the time when there is any changing to adjust, for example when you said about the changing of color etc

**Agile supply**
1. How is the use of Information Technology Communication?
2. Tell me about the communication interlink between you and suppliers?
3. If yes, what kind of software is that?
4. Tell me about the control over the production or supplier?
5. How is the interaction with supplier?

**Leagile**
1. Tell us about the reason of using forecast demand and market demand?

**Global outsourcing**
1. Tell me about the reason of using off-shore manufacture?
2. How many agent you have to interconnect you with suppliers?
3. How the agent involvement in sending the design is, change the design, postpone the product process etc?

**IT, time spans**
1. How is the communication between designer with store manager/ store staff regarding idea or trend design?
2. What kind of Information system or software system you use to send the design etc, order, schedule arrival etc?

**Overall Supply chain agility**
1. How you do testing and quality inspection, with visit, questioner or?
2. How you control over the whole process in manufacture?