

## **Asymmetric Relationships and Sustainability of the Apparel Supply Chain**

### **A novel look at asymmetry in supply chains**

Asymmetry is prevalent on business markets, where on balance (but not always) downstream firms play dominant roles in value chains and related relationships and networks. Traditionally, business marketing research has taken a skeptical look at the role of asymmetries, most prominently in institutional approaches that investigate the opportunism potential entailed in asymmetries. However, relationship marketing literature has revealed potential for beneficial uses where cocreative practices of powerful customers has been enhancing economic performance for all cocreating parties, regardless of the asymmetric power distribution. One of the most prominent examples are supplier initiatives by Toyota automotive, who invested in the development and support of a strong supplier base thereby enhancing performance for both, suppliers and customers. We extend these insights to the study of social and environmental sustainability in the apparel supply chain. We aim to understand if and how power distribution in the apparel supply chain affects sustainability.

### **General background**

Meehan and Wright (2012) have reported that there is a consensus among authors, a dramatic shift in the balance in power, from suppliers to retailers. This could be disadvantaged in deals with large retailers (Hingley, 2005). The recent findings show that move into private label goods, produce exclusively for retailers. In such conditions, the retailers take control of branding over the supplier (Hingley, Angell and Lindgreen, 2015). However, increasing power of retailers in asymmetric relationships have also been found as beneficial for relationships because asymmetry offers development opportunities and benefits for apparel suppliers in the areas of capability development, production processes and innovation Meehan and Wright (2012), and developing collective interest with retailers (Corsaro & Snehota, 2011). In relation to this background, Boulding et al., (2005)'s work emphasised the importance of customer relationship management, there are many pitfalls and unknowns, which will have some bearing on relationships and this is an evolutionary process.

The concept of power is also apparent, either in the form of power differential emanating from the

firm's strategic abilities (RBV) or understood as a form of dependence and control over the exchange process and/or the resources. All three notions of resources, performance and power are connected. This fits with the focus in practice on building the business case for sustainability (Toubolic and Walker, 2015b). Furthermore, collaboration presents benefits for sustainable supply chains through a number of relational mechanisms, in other words, the relationship between supply chain collaboration and enhanced sustainable supply chain performance is mediated. A number of authors have shown that improved trust as a result of collaboration enhances sustainable supply chain performance (Alvarez et al., 2010). In addition, relational theory was identified in a recent literature review as a one of the less adopted theoretical approach to explore sustainability in supply chain relationships (Toubolic and Walker, 2015a).

Power and dependence have been investigated extensively by IMP researchers and it is an important dimension to be considered in strategic supply relationships (Johnsen et al. 2008) and in asymmetrical business relationships (Johnsen and Ford, 2008). On the other hand, business relationships are found vital in sustainability implementation in supply networks. Recent studies reported the use of power in supplier-buyer relationships, a large buyer can coercively enforce its suppliers to respond to its requirements (Vachon, 2007). Furthermore, Simpson and Power (2005) found that a relational approach is more powerful than coercion when considering environmental performance while other studies emphasise trust and cooperation are essential relational elements for sustainability implementation (Geffen and Rothenberg, 2000).

### *Sustainability in Fashion and Apparel Supply Chain*

Sustainability goals in terms of ecological impact, social responsibility and geographical proximity of suppliers may well reduce the alternatives available to purchasers by excluding specific suppliers, or even entire countries, which are unable to meet the requirements entailed by the buyer's sustainability goals. A reduced supply base can then in turn impact other variables such as cost levels, therefore, the negotiation power of buyers would be

reduced as it can no longer exploit the price competition among a large number of alternative suppliers (Gadde and Håkansson, 2001). Shi et al (2017) evaluated the economic and environmental performance in relation to the concept of power in the fashion supply chain and found that the follower with less supply chain power has more incentive to make a sustainable effort to achieve a higher profit. In most cases, the optimal amount of sustainable investment is greater in the apparel manufacturer case than in the retailer case. Therefore, key account management, as currently described in relationship marketing literature, will be more important approach in sustainability by implementing specific processes targeting most important customers. Wengler, Ehret and Saab (2005) found that the intensity of competition as well as the intensity of coordination are factors driving companies towards the adoption of key account management programs. It is therefore relevant to investigate concretely how these issues influence apparel retailers' overall sustainable purchase strategies and sustainable key accounts. Therefore, we investigate sustainability in asymmetric relationships between small apparel suppliers and large apparel retailers in the UK.

### **Research Design and Methods**

The research project employs case study method and takes qualitative approach to overcome some of the methodological challenges associated with studying small apparel supplier firms. We have collected primary data through interviews from both sides suppliers and retailers. We also collected secondary data e.g. corporate websites will be accessed, policy documents and industry reports will be collected from supplier firms and retailers and the government bodies for building a data set of sustainability practices and policies of retailers and suppliers in their relationships.

### **Preliminary findings**

An exploratory interpretation of our data reveals the following observations. Sustainability initiatives are driven by asymmetric power, driven by branded fashion retailers. We identify three modes of power use: Opportunistic, cocreative and efficiency driven. We find opportunistic practices in luxury fashion retailers. Typically, these firms are positioned at the high end of the market, maintain intransparency in the supply chain and exert cost pressure to their suppliers. In contrast, quality

branded fashion retailers aim at value-based brand positioning, accentuating the sustainability of their value proposition and stimulate proactively sustainable practices across the supply chain, including supplier development. Not least, efficiency driven retailers focus on efficiency and do not engage

## **Conclusion**

We find that asymmetry can enable and constrain sustainability along a supply chain. The positioning of retailer brands plays a decisive role. Value-oriented retailers take responsibility for sustainability in their supply chain. In these cases, customers and suppliers can build on practices established in relationship management and extend it to foster social and ecological sustainability. However, such strategies face also regulatory challenges, as they easily enter the domain of syndication and become subject of competitive regulation. One major research opportunity for business research is to identify how suppliers can use such asymmetries in a productive manner. Indeed we find cases where suppliers have found ways to benefit from their clients power and turn them into a strength.

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