

**Industrial Apparel Buyers Use of End Consumers' Country of Origin
Perceptions When Making Sourcing Decisions**

By

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A Thesis

Presented to the Faculty of Graduate Studies

In Partial Fulfillment of the Requirements

For the Degree of

MASTER OF SCIENCE

Department of Textile Sciences

University of Manitoba

Winnipeg, Manitoba

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FACULTY OF GRADUATE STUDIES

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ACKNOWLEDGEMENTS

Many people have made this thesis possible. I would like to express my deep gratitude to my advisor, Dr. Tammi.S. Feltham, who skillfully guided me through this thesis, and also thank her for checking my grammar patiently. It was appreciated that you were encouraging me to open mind and have new insights.

Very special thanks go to Dr. Lena, Horne, who is one of my committee members, for her insights on how to enrich the contents of this thesis. I am grateful for your generous assistance in the study. I would also express my thanks to Dr. Paul, Larson who is another committee member for his helpful suggestions that make the whole thesis integrated.

I must also express my deepest gratitude to Mr. Michael Silver of Branded Apparel Firms A and Ms. Hinh Tang of Branded Apparel Firm B. Thank you for your kind assistance and time. Without your willingness to share you experience with me, this research would not have been possible.

At last, I would like to thank my parents and brothers. Without their support and encouragement, I would not stand so far.

ABSTRACT

This research used the case study research method to examine the relationship between country of origin on consumer evaluation and apparel industrial outsourcing at two branded apparel firms, both located in Winnipeg, Manitoba. Four questions are addressed. The first is whether there exists a relationship between country of origin (COO) effects on consumer evaluations and branded apparel firms' outsourcing; the second is how COO effects on consumer evaluations influence branded apparel firms' outsourcing or why branded apparel firms do not consider COO effects on consumer evaluations in outsourcing; the third is to examine current criteria used in supplier selection in outsourcing; the fourth is to investigate why branded apparel firms prefer full-package suppliers to subcontractors in outsourcing.

Case studies described the view of each firm on four research questions. Cross-case comparative analysis was undertaken revealing the difference and similarity of two cases. The results found that in both firms examined in this study, there was no positive relationship between consumer's opinion of COO and firms' outsourcing. Consequently, the second addressed question became why these two firms do not consider this factor in outsourcing, given that the relationship in the first question did not exist. The findings of this research indicated that both firms had consistent reasons why they paid no attention to consumer's opinion of COO in their outsourcing, namely consumers' indifference to COO, change of quality perception related to COO, and brand identification rather than COO. Further, both firms showed their preference for full-package suppliers over subcontractors in outsourcing. Finally implications from both a practical and theoretical perspective were presented.

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CHAPTER ONE

INTRODUCTION

Background

The apparel industry is an important segment of the Canadian economy, with total annual domestic sales and exports valued at 3.4 billion and 2.2 billion respectively in 2005 (Industry Canada, Apparel, 2005a). However, apparel imports in Canada have increased during the last ten years, with a noticeable import surge from 3.4 billion in 1996 to 7.0 billion in 2005 (Industry Canada, Apparel, 2005b). This change shows that both Canadian apparel manufacturers and retailers outsource apparel from countries outside of Canada, which strive for their low-cost products. By January, 2005, the phase out of quotas limiting the quantitative restrictions on imports from certain countries in textiles and apparel intensified global competition which forced companies to explore new ways of doing business and to market the products more effectively (Industry Canada, Apparel & Textile Program, 2005).

In the environment of market globalization and competition, labor-intensive industries like apparel, shift their production from developed countries to developing countries in order to look for competitive advantages through low-cost production. Moreover, the elimination of quotas under the Agreement of Textiles and Clothing (ATC) provided an opportunity for apparel firms to source from low-cost countries. Marked increase in apparel imports from 1996 to 2005 shows that outsourcing from developing countries has been growing quickly in the past ten years. Therefore, the evaluation and selection of suppliers is playing a critical role in changes to apparel supply chain operations (Teng & Jaramillo, 2005). In addition, a result of rapid growth in global sourcing is the proliferation of multi-national products, that is, products that are designed in one

country and manufactured or assembled in others. This combination of country of design and country of manufacture or assembly provides firms with cost advantages.

In the outsourcing process, industrial buyers' evaluations are influenced by numerous variables including product quality, cost, proximity of suppliers, supplier service (Teng & Jaramillo, 2005), and country of origin (Insch, 2003). At the same time, consumers evaluate products quality, form positive or negative attitudes toward products, and make final purchasing decisions based on the product's intrinsic cues such as materials, style, durability and reliability and extrinsic cues like price, brand, warranty and country of origin (COO). As a result, COO effects have been taken as an issue in both consumer behavior and firm outsourcing behavior. Many countries are favorably associated with certain product categories or their capacities imply positively evaluated product characteristics (Hamzaoui & Merunka, 2006).

Since COO effects were first addressed, most research has focused on the consumers' side. The research demonstrated that COO had influence on consumers' evaluation of products ranging from single-cue models to multi-cue models. For example, Schooler (1965) found that consumers were biased for or against products from a foreign country and concluded that COO had an effect on consumers' opinion of products (cited by Al-Sulaiti & Baker, 1998, p151). COO is one of the critical elements in consumers' evaluation of clothing quality (Van Pham, 2006). By comparison, so far no studies have examined whether COO effects on consumer perceptions have influence on industrial outsourcing, including apparel manufacturers. With rising global integration, firms are constantly seeking any competitive edge which might provide an advantage over the competition; therefore, evaluative criteria for assessing suppliers are gaining more attention. However, COO is still an underdeveloped area with regards to taking consumers' and firm buyers' perceptions into consideration to help formulate outsourcing and other strategies.

Statement of Problem

Over several decades, many researchers have studied the COO effects on consumers' overall evaluations in product quality, attitudes towards products and purchasing intention. The conclusions suggest that COO has a significant influence on consumers' evaluations in which consumers tend to use COO as an extrinsic cue to make judgments of product quality (Agrawal & Kamakura, 1999). In a study evaluating clothing quality, COO was found to be an extrinsic cue which affected consumers' quality perceptions (Miyazaki, Grewal & Goodstein, 2005). At the same time, studies of COO effects on industrial outsourcing focus on differences in purchasing managers' perceptions of products or perceptions of suppliers' performance (Anderson & Chao, 2003). However, there are no articles to link the relationship between COO effects on consumers' evaluation of clothing and apparel firms' outsourcing. Moreover, no study so far has considered connecting consumers' evaluation of clothing and apparel firms' outsourcing based on COO cues. Although many COO research studies have been reported in the literature, the role of consumers' evaluation in terms of COO effects in firms' outsourcing is one of the least researched areas in the international business literature. For example, how do Canadian consumers' perceptions of Italian fashion clothing influence Canadian apparel industrial buyers to source from Italy? Or do consumers' opinions of COO influence Canadian apparel firms to decide where to source? The objective of this paper is to provide an understanding of why consumers' opinions of COO influence or do not influence apparel firms' outsourcing and to examine current criteria used in supply selection for apparel firms.

Research Objectives

1. Examine whether there exists a relationship between COO effects on consumers' evaluations and branded apparel firms' offshore outsourcing.
2. If the preceding relationship exists, provide an understanding of consumer' opinions of COO influence the branded apparel firms' offshore outsourcing. If the preceding relationship does not exist, provide an understanding of why branded apparel firms do not take consumer' opinions of COO into account during the process of offshore outsourcing.
3. Examine current criteria used in supplier selection for apparel firms' outsourcing.
4. Investigate reasons why branded apparel firms prefer full-package suppliers to subcontractors in offshore outsourcing.

Delimitations and Limitations of the Study

The cases used in this study will include only those apparel firms in Winnipeg, which have their own brands and source finished garments from overseas countries. Therefore, findings of this study may not apply to other fields or other apparel buyers such as retailers and marketers who design products, but do not have their own factories. As well the results of this research may differ with samples from countries other than Canada.

Definition of Terms

1. Outsourcing: is a decision made by some manufacturers that "shift their operations to foreign countries (most developing countries) with more attractive tax policies and labor" (Teng & Jaramillo, 2005, p503). Through global outsourcing, firms cut down their production costs.

2. Country of Origin (COO): COO is defined as the country where the final product is produced (White & Cundiff, 1979).

3. Country of Design (COD): COD is defined as the country where the product is designed or conceived (Chao, 1993; Insch, 2003).

5. COO Effects: These are positive or negative influence on consumers or buyers' evaluation for product quality; the effects that are associated with country's economic development, national characteristics, technology, and culture (Verlegh & Steenkamp, 1999; Hamzaoui & Merunka, 2006).

5. Supply Chain: Teng & Jaramillo (2006) defined supply chain as "a network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services delivered to the ultimate customers." So, in the context of apparel, supply chain members include fabric suppliers, garment suppliers, accessories suppliers, apparel firms (buyers), customers and third-party logistics.

6. Finished Garments: The apparel that will be ready for sale to retailers and /or consumers (Gray, 2002)

7. Full-package Suppliers: Suppliers offering a series of services, from design to cutting, to assembly and then exporting these products to buyers (Lewis & Dickson, 2003). In the context of apparel, full-package suppliers offer pre-production services, like sample making and input sourcing and post-production services like transportation to apparel firms or retailers.

8. Branded apparel firm: Apparel firms that own their own brands and sell finished garments under their own branded names (Gereffi, 2002).

CHAPTER TWO

LITERATURE REVIEW

Consumer Evaluations of Apparel Quality

In Zeithaml's (1988) study, perceived quality was defined as "the consumers' judgment about a product's overall excellence or superiority". This definition showed that perceived quality, which was different from actual quality, was a high level abstraction and a consumer judgment. Zeithaml (1988) also stated that evaluations of quality took place in a comparison context; consumers usually evaluated a product's quality as high or low based on its relative excellence or superiority among substitutes of products or services. In the apparel marketing field, consumers counted on multidimensional cues which could be classified into intrinsic cues and extrinsic cues to evaluate clothing quality (Swinker & Hines, 2006). Intrinsic cues are derived directly from physical attributes and can make the product different by varying attributes, such as fiber content, fabric, style, and construction (Miyazaki, Grewal & Goodstein, 2005); extrinsic cues are product-related, but not part of the physical product itself. Examples of extrinsic cues include price, brand, warranty, and country of origin (Zeithaml, 1988).

A definitive answer as to whether intrinsic or extrinsic cues are more important in signaling quality to the consumer is unlikely. Extrinsic cues were assumed to be used as quality indicators without adequate information about intrinsic product attributes, such as little or no experience with the product and difficulty in evaluating the intrinsic attributes (Zeithaml, 1988). In these situations, the consumer assesses product quality depending on such extrinsic cues as price, brand name, warranty, and country of origin. Price and brand name have received the greatest attention in research on extrinsic cues. Both brand name (d'Astous & Saint-louis, 2005)

and price (Swinker & Hines, 2006) had positive effects on consumers' perception of clothing quality. However, with the emergence of hybrid products, greater importance was given to the study of country-of-origin effects, which sought to understand how consumers and industrial buyers perceive products sourced from a particular country (Roth & Romeo, 1992).

COO Effects and Country Image

In the literature, country-of-origin effects have different definitions. Country-of-origin effects were intangible barriers to enter new markets in the form of negative consumer bias toward imported products (Wang & Lamb, 1983; Al-Sulaiti & Baker, 1998). Certain brands are symbols of their origins. For example, IBM and Sony imply U.S. and Japanese origins respectively (Samiee, 1994; Al-Sulaiti & Baker, 1998). Moreover, various marketing mix variables (e.g. product, brand name, and price) create corporate imagery for a product. Imagery of the COO is defined by Nagashima (1970, p68) as "the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country". This image was created by such variables as representative products, national characteristics, economic and political background, history, and traditions (Piron, 2000).

The image of a country is defined as "a perceptual unit that includes various country associations, such as what the consumers know or think they know about the characteristic of a country, its people, their habits and behaviors, and the products associated with it"(Hamzaoui & Merunka, 2006, p147). In addition, the country image was viewed as the consumers' perception of products from a particular country, based on their prior experience or information of the level of the country's development and production (Roth & Romeo, 1992; Piron, 2000).

Under global markets, it is a complex task to define country of origin. The appearance of multinational companies and hybrid products with components from many source countries, makes the “made in---” label inaccurate (Chao 1993; Al-Sulaiti & Baker, 1998). For example, IBM is a US manufacturer, but some of its products are assembled outside the US in countries like India. With this example, the product assembled in India would be labeled “assembled in India” and the product assembled in the US would be denoted “made in US” (Al-Sulaiti & Baker, 1998). The rules of origin for a garment are extremely complicated. For instance, if a garment is completely produced in a single country, then the country where the garment is made is the country of origin; if the parts of a garment are produced in several countries, the country of origin could be the country where the fabric is cut and becomes garment parts, guided by substantial transformation (Birnbbaum, 2005). Regarding rules of origin in Canada, under North American Free Trade Agreement (NAFTA), the rule of origin for a finished garment follows the regulations of NAFTA based on clothing categories (Travis, 1998). Other rules for country of origin follow either the preferential rules of origin or non-preferential rules of origin, depending on trade agreements.

COO Effects on Consumers

A. COO effects on consumers' evaluation

Schooler was one of the first researchers to study COO effects on consumers' evaluations. He found that products made in different countries had an effect on a consumer's opinion of product quality (Schooler, 1965; Al-Sulaiti & Baker, 1998). According to Schooler (1971), consumers were biased for or against products of foreign origin. In other words, country of origin can have an effect on a consumer's evaluation of the product. Bilkey and Nes (1982)

stated that country image was related to countries' characteristics and COO had a considerable influence on the perceived quality of a product, however Nagashima (1970) found that COO influence on perceived quality was not equal for products made in different developed countries, such as, Swiss watches, French perfume, and German cars. Moreover, Cordell (1992) found that consumers preferred goods from developed countries to those from less developed countries. However, the competitive context related to country characteristics changes over time, resulting in a change of products' perceived quality, such as the rise of perceived quality of Japanese cars and consumer electronics and running shoes made in China and India (Verlegh & Steenkamp, 1999).

Johansson, Douglas and Nonaka (1985) found that COO effects on automobiles were less significant than had generally been believed and they might occur predominately in relation to evaluation of specific attributes rather than overall evaluations of products. Based on empirical investigation, Erickson, Johansson and Chao (1984) concluded that as one of the image variables, COO appeared to have direct effects on belief and not on attitudes. From the perspective of consumers' decision-making, Hong and Kang (2006) found that COO effect on quality judgment was greater than its effect on overall evaluations and its effect on purchase intention was negligible.

B. Country of Design and Country of Manufacture effects on consumers' evaluation

With the emergence of hybrid products under global outsourcing, COO was decomposed into country of assembly and country of design (Chao,1993). In a recent study, Hamzaoui and Merunka (2006) suggested that a country's capacities to design or manufacture a product within a specific category could have a positive impact on quality evaluation, but the country of design

(COD) and country of manufacture (COM) had different effects depending on distinct product categories. Their results showed that in the car category, global COD image had a strong effect on perceived quality, whereas for television sets, the COM effects were much greater than the COD effects. Swinker and Hines (2006) found that consumers' perception of clothing quality is highly related to appearance cues, including style, fashion, and design features.

C. COO effects on consumers' evaluation of apparel

Generally, COO as one of the extrinsic cues had effects on consumers' evaluation of clothing quality (Swinker & Hines, 2006). In earlier studies, COO was classified as either domestic or imported to examine COO effects on clothing quality. Dickerson (1982) found that consumers took notice of whether apparel was imported or domestically produced and an awareness of COO existed when evaluating the quality of imported versus U.S.-made apparel. A majority of consumers' perceived garments produced in the U.S. as being of higher quality, and price was the major reason for buying imports occasionally. COO effects were more important for American purchasers who were aware of whether garments were U.S.-made or imported than purchasers who were not aware (Gipson & Francis, 1986). Wall and Heslop (1986) also found that Canadian consumers held very positive images of Canadian and U.S.-made clothing and footwear, while clothing and footwear from developing countries were considered to be inferior in quality. An interesting finding was that a reversed pattern of COO effects was observed in less developed countries, where consumers had a preference for imported apparel as opposed to domestic apparel (Wang, Siu & Hui, 2004). For example, Greek consumers tended to purchase imported high-fashion apparel rather than apparel produced by Greek high-fashion designers (Kamenidou, Mylonakis & Nikolouli, 2007). The study of Ahmed and d' Astous (2004)

indicated that in terms of country of design and country of assembly, Chinese consumers held more positive perceptions for T-shirts made in highly industrialized countries than for those produced in newly industrialized countries. In studies of COO effects on consumer evaluations of shoes, Coredell (1992) found that perceived shoe quality from industrialized countries scored higher than that from less developed countries. Moreover, COO also affects consumers' willingness to buy leather shoes from certain countries (Roth & Romeo, 1992). France was ranked first in purchase intentions for leather shoes by each group of respondents from the U.S. Mexico, and Ireland respectively. Van Pam (2006) found that consumers held different country images for dimensions of casual clothes. His results showed that France led in prestige and Italy led in design, while the U.S. led in the innovation category.

D. Summary

According to the prior literature review, COO does influence consumers' evaluation towards a product. Consumers may use COO as a category label to evaluate products from a country, possibly by activating their stereotypic beliefs attached to the country (Hamzaoui & Merunka, 2006). This effect is not exceptional in evaluating apparel. However, over time, this effect has been changing. With the trend of global sourcing, the end-use products could include components and images from several countries in terms of country of manufacture, country of design, and country of assembly. For example, an item of clothing could be designed in Canada; the fabric could be made in China; finally the sewing could be done in Italy. This makes it difficult to label the COO; therefore, it is not surprising that as one of the extrinsic uses of consumers' evaluation, the effect of COO declines. Studies show that there is a reversed pattern of COO effects on apparel between consumers from developed countries and consumers from

less developed countries. In addition, perceived product quality could be affected by COD and Country of Assembly (COA) through global country image (Hamzaoui & Merunka, 2006). From the firms' perspective, do they consider the factor in outsourcing and why do or do not consumer' opinions of COO influence their outsourcing?

COO Effects on Industrial Outsourcing

A. COO effects on industrial buyers

Comparative studies address COO issues related to evaluations of consumer products (Andersen & Chao, 2003), while fewer than twenty studies researched COO effects in firms' outsourcing and decision making (Andersen & Chao, 2003). The positive relationship between perceived quality and country of manufacture was proposed by White and Cundiff (1978) who viewed product quality as a criterion in industrial buying. Nagashima (1970) compared Japanese and American managers' attitudes towards products from several countries, including USA, Japan, Germany, England, and France. His results confirmed the existence of stereotype images towards COO and revealed that some representative products of a country had an impact on the total product image. For example, Coca Cola and IBM formed the image of "made in USA". In 1977, Nagashima repeated his earlier study of the "made in" product image to test whether there had been any attitude change over the eight-year period (Al-Sulaiti & Baker, 1998). The findings indicated that the overall 'made in USA' image had fallen over time, while the image 'made in Japan' had substantially improved over time (Nagashima, 1977). Cattin, Jolibert and Lohnes (1982) compared the perceptions of COO between American industrial firms and European companies in the purchasing based on Nagashima's questionnaire. Their results demonstrated that the "made in" concept was an important criterion in the perception and decision process of

purchasing managers. For example, in the study, the “made in” West Germany concept was most favorably perceived by both American and French respondents, while the “made in” France and England concepts were least favorably perceived.

Cordell (1992) found that consumers preferred specific products of developed countries to those of less developed countries and in turn, he suggested that management should consider country-of-origin effects on consumer evaluations in making decisions on overseas production. Thorelli and Glowacka (1995) not only confirmed the existence of stereotyping, but also provided an unanticipated finding that the industrial buyers might apply stereotyping in two subsequent steps in the international purchasing decision-making process. First, firms grouped foreign suppliers into broad categories and then differentiated their perceptions within these categories. Therefore, industrial sourcing of international products might rely on the information readily accessible from previous experience, such as, supplier reputation, country-of-origin stereotype, and word-of-mouth recommendation (Insch, 2003). A study investigating the industrial market in a newly industrializing country suggested that both the tangible features of product such as durability, and non-tangible features such as after-sale service mattered to industrial marketers (Chang & Kim, 1995). Research on the purchasing decision behavior of Australian import managers found that the factor of brand name reputation was the most important in suppliers’ selection (Ghymn, Liesch & Mattson, 1999). Understanding favorable or unfavorable product-country matches can be beneficial to managers. For instance, the results of Roth and Romeo (1992) suggested that a favorable product-country match which enhanced product evaluation had implications for managers who might use COO information in advertising strategies, such as focusing on COD, while avoiding COM. In trade marketing, the

“made in” labels were important for industrial buyers’ perceptions of foreign products when forming new partnerships or when venturing into new markets (Niss, 1996).

B. COD, COA and Country of Part (COP) effects on firms’ outsourcing

Given the proliferation of hybrid products with multiple country affiliations, COO designations are no longer easy to identify. For many firms, the design and assembly operations may take place in different countries. Instead of treating the COO concept as a single-dimensional construct, firms may need to draw consumers’ attention to the aspects of COD, COA, and COP information.

In Chao’s (2001) study, he suggested that COD weighed greater than COA or COP, because COA and COP might have lost some information value throughout the outsourcing process by many multinational corporations. He suggested using the advantage of COA, COP and COD in advertising. In the case of outsourcing, Van Pham (2006) also suggested that when considering foreign sourcing from a favorable image, the seller might choose to highlight the country of assembly (COA) for promotional purposes. However, Saghafi and Puig (2000) suggested that COO effects should not be overstressed in industrial outsourcing, and COO was just one piece of information that impacted the buyer, although COO cues were important in business-to-business marketing.

C. Outsourcing in apparel firms

With the current competitive apparel market, a number of Canadian apparel firms are expanding their global outsourcing activities to cut down their manufacturing costs, given that labor is a large part of the cost of apparel products. Using 2003 wages as an example, a Canadian

apparel worker earned an average of \$11.80 CAD per hour, while the same person in Mexico received an average of \$1.512 CAD per hour and India's average wage was \$0.21 CAD per hour (Yearly data, 2007). Shelton and Wachter (2005) stated that the idea of outsourcing was to move a job from a high-cost country to a low-cost country with results of great cost savings.

Sourcing shifts are also influenced by trade agreements. Since the Multi-Fibre Agreement (MFA) was created in 1974, the MFA had been used by the U.S., Canada, and other European countries to impose quotas which placed an overall limit on the growth of imports from restricted suppliers on apparel and textile items (Gereffi, 2002). In 1994, the Agreement on Textile and Clothing (ATC) under the General Agreement on Tariffs and Trade (GATT) which was replaced by the World Trade Organization (WTO), was used by the U.S, Canada and other countries to settle agreements on trade barriers among members; at the same time, the implementation of the North American Free Trade Agreement (NAFTA) in 1994 led to the quota elimination on textile and clothing trade between, the U.S., Canada, and Mexico (Shelton & Watcher, 2005). Besides the ATC and NAFTA, Canadian trade on clothing and textiles is also affected by bilateral agreements such as the Canada-Chile Free Trade Agreement (Industry Canada, Apparel, 2005). By January 1, 2005, all quotas under ATC had expired among WTO members, which provided great liberalization for apparel firms to source garments. With the end of these quantitative restrictions on imports from certain member countries, clothing manufacturing in many developed countries is being progressively reduced. Consequently, many apparel firms and retailers moved toward low-cost countries for clothing production (Shelton & Wachter, 2005). The low cost of clothing production in less-developed countries and removal of quotas are the major reasons of source shifts in the apparel sectors.

According to Gereffi (2002), the apparel chain was a typical example of a buyer-driven commodity chain. Industrial buyers in the apparel chain were usually the leading firms, which were at the stage of design and marketing. Different types of leading firms used different networks and sourced from different parts of the world. Retailers and marketers tended to use full-package sourcing networks that were generally global, while branded manufacturers preferred creating production networks that were predominately regional and focused on apparel assembly using imported inputs (Gereffi, 2002). However, as the increase of global sourcing and development of supply chain management, the sourcing pattern of branded apparel firms has begun to change. These branded apparel firms use both full-package suppliers and subcontractors.

Birnbaum (2005) pointed out that before 2005, the sourcing model used in the apparel industry was the Standard Garment Sourcing Model (SGSM), including apparel firms, input suppliers, overseas agent, and overseas factory. This model was extremely expensive to operate and was biased towards countries where the apparel industries already had dealt with suppliers, regardless of that country's ability to meet the customers' real needs.

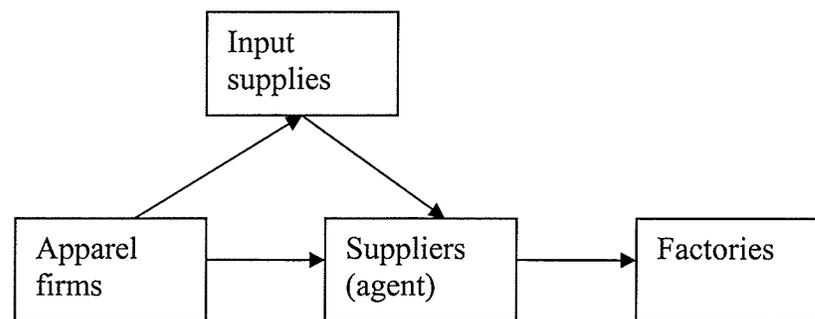


Figure1: Sourcing Model of Apparel Firms under SGSM (adopted from Birnbaum(2005))

He also predicted that after 2005, apparel firms would source garments by using a new model, Full Value Sourcing Model (FVSM). This model attempts to reduce pre-production costs and post-production costs, which are the largest area of potential savings. For example, the cost of pre-production such as pattern making in developed countries is much higher than the cost of producing garments in developing countries. At the post-production stage such as markdowns, speed to market is the solution to savings. Because the FVSM only consists of apparel firms and overseas factories, this model reduces the length of the apparel chain and emphasizes partnership building with all members. Under the FVSM model, it is possible to shift some pre-production to low-cost countries and to improve the speed to market. Therefore, the evaluation and selection of suppliers is playing a critical role in the changes to apparel supply chain operations.

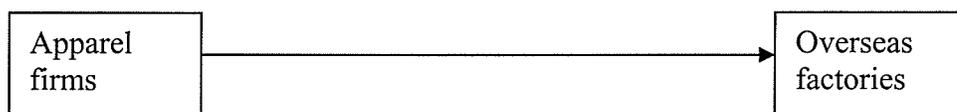


Figure 2: Sourcing Model of Apparel Firms under FVSM (adopted from Birnbaum(2005))

D. Criteria Used in Apparel Outsourcing

With the elevation of the current global sourcing trend, apparel firms need to develop an effective process to evaluate and select suppliers. Studies in the supplier selection literature showed that industrial buyers considered certain criteria to evaluate suppliers. Teng and Jaramillo (2005) developed a supplier evaluation model for textile/apparel firms, based on a hierarchical structure with several layers of decision-making activities. The first level of the hierarchy consisted of five areas (called clusters), including delivery, flexibility, cost, quality, and reliability. The second level of the hierarchy included factors that had significant effect on each cluster. For example, factors influencing delivery were geographic location, freight terms,

trade restrictions, and total order lead time. Bruce and Daly (2006) selected three companies used for case studies to understand the role of sourcing and buying in a fast fashion context. Three companies outsourced garments either by using agents or by directly connecting with overseas manufacturers, depending on product categories. When dealing with suppliers, these companies were concerned with quality, price, lead times, flexibility, geographic location, and communication.

According to Thaver and Wilcock (2006), the most highly valued criteria used by Canadian apparel firms were quality, price, flexibility, responsiveness, and verbal communication. The flexibility was in relation to willingness to negotiate prices and stock quantities. Of specific interest to responsiveness were prompt replies to product inquiries, quick delivery, and efficient reporting on the processing of orders.

The literature review shows that criteria used in apparel industrial outsourcing do not include consumers' perception of COO, while studies on consumers display that COO does have influence on consumers' evaluation of clothing quality. This paper attempts to address whether consumers' perception of COO affects apparel industrial outsourcing.

E. Summary

The literature suggests that COO is an important criterion for industrial buyers in evaluating product quality and it plays a crucial role in outsourcing and decision making. COO is one of the important extrinsic cues allowing firms' buyers to make inferences about product quality, while COO stereotypes also exist during the process of evaluation of suppliers and products. Some research demonstrated that industrial buyers used the same cognitive processes as consumers to make product choices (Insch, 2003). Actually, compared to the process of

consumers' evaluation, the industrial outsourcing process is far more complex, involving the decision-making context and multiplayers. Studies on supplier selection show that the most valued criteria used in apparel industrial outsourcing include quality, cost, flexibility, responsiveness, reliability, and verbal communication. With the development of supply chain management, consequently some apparel firms do not see the need to use agents while others might see the need. Therefore, some firms prefer to use a shorter supply chain with benefits from low-cost countries to further save cost and increase responsiveness. Moreover, with the proliferation of hybrid products, it is difficult to identify COO, so COO is decomposed into country of design, assembly/manufacture and parts, which serve as COO cues separately. Studies indicate that both COD and COA are sufficiently strong extrinsic information cues to influence industrial buyers' quality perceptions (Insch, 2003). According to the literature review of COO effects on both consumers' evaluations and industrial outsourcing, so far there is no research examining whether consumers' COO opinions have an effect on apparel industrial outsourcing. One of the objectives of this study is to address this relationship.

Discussion of Literature Review

Most research on COO effects studies either individual consumer's evaluations or industrial outsourcing criteria. Research involving the relationship between consumers' evaluations and industrial sourcing behaviors in terms of COO effects is lacking. The literature suggests that this relationship exists. Based on the prior literature reviews of COO effects in global industrial outsourcing, evaluation criteria in industrial sourcing are presented in Table 1.

Table 1

COO-related Evaluation Criteria in Industrial Outsourcing

Author	Year	Product-related					supplier-related					Objective and Sample	
		Product Quality	Product performance	Product Design	Product technology	Product packaging	Branding	Product price	Timely Delivery	Reliability	Flexibility		Supplier' capability
Isch, G.S	2003	√		√						√	√	√	Objective: How do COO cues impact purchasing agents' perceptions of product quality? Sample: a) 1000 members of NAPM, a 33% return rate b) 187 of the Mexican purchasing agents by personal contact.
Anderson, P.H/ Chao, P	2003	√	√				√					√	Objective: How do COO information cue differ across department actors involved in sourcing decisions. Sample: A set of testable proposition
Isen, S.O/ Llsson, U.H	2002	√	√						√			√	Objective: To study how different scaling formats effect reliability and predictive validity in country image studies. Sample: Swedish seafood purchasing managers.
Wuester, P/ Zever, S/ Hettty, S	2000	√		√	√				√	√			Objective: To test whether purchasing agents from Australian and New Zealand share similar quality perceptions with respects to COD and COA of both machine tools and component parts. Sample: Members of the Association of Purchasing Agents of Australia, a 46.6% return rat; Members of the Association of Purchasing Agents of New Zealand Purchasing agents, a 38% response rate.
Thymn, K-I/ Resch, P/ Mattsson, J.	1999	√		√		√	√	√	√	√	√	√	Objective: To determine the relative importance of import decision variables for managers in Australia. Sample: small or medium enterprise from Victorian Employers' Chamber of Commerce and Industry, Australia. a) 125 enterprises with prior phone contact, a 69% response rate. b) 125 enterprises with prior phone contact, a 28 response rate.

Continued Table 1
COO-related Evaluation Criteria in Industrial Outsourcing

Author	Year	Product-related					Supplier-related					Objective and Sample	
		Product Quality	Product performance	Product Design	Product technology	Product packaging	Branding	Product price	Timely Delivery	Reliability	Flexibility		Supplier' Capability
aghafi, M./ Luig, R.	1997	√	√					√	√	√	√		Objective: To determine whether bias exists between developing nations and advanced countries. Sample: 400 members from NAPM, a 25% return rate
Miss, H	1996		√				√	√			√		Objective: To explore attitudes among Danish managers towards using nationality for international promotion purposes Sample: a) 100 exporting companies, a 58% return rate; b) 20 interviewees
hmed, S.A./ Astous, A	1995	√		√	√		√	√			√		Objective: To compare the effects of COO cues between household and organizational buyers. Sample: a) 306 Canadian Association of Purchasing Managers, a 56% return rate. b) 230 male household buyers in the city of Sherbrooke, Quebec, Canada.
hang, D.R./ Lim, I-T	1995	√					√	√	√	√	√		Objective: To examine the particular requirements of industrial buyers in a less advanced country. Sample: 200 companies from an official listing of Korean importers of industrial goods, a 50% return rate.
horelli, H.B./ Lowacha, A.E	1995	√						√	√	√	√		Objective: To examine factors that influence industrial buyers' willingness to purchase from foreign sources Sample: 800 members of the American National Association of Purchasing Management (NAPM), a 17% return rate
hymn, K.L./ McCobs, L.W.	1993	√		√	√	√	√	√	√	√	√		Objective: To determine the decision variables that the Japanese importer perceives as important for foreign products. Sample: 200 business people from a directory of graduate of the Honka courses in Japan, a 24% return rate.

Continued Table 1
COO-related Evaluation Criteria in Industrial Outsourcing

Author	Year	Product-related					Supplier-related					Objective and Sample	
		Product Quality	Product performance	Product Design	Product technology	Product packaging	Branding	Product price	Timely Delivery	Reliability	Flexibility		Supplier Capability
aynak, E.	1989	√			√								Objective: To understand the behavior of Chinese industrial purchasers towards foreign products from 11 major sourcing countries Sample: 84 government officials attending an executive training program offered by the author.
attin, P/ olibert, A/ ohnes, C	1982	√	√		√			√					Objective: To study the stereotype that exists in the mind of American and French industrial buyers. Sample: a) 365 of purchasing directors of American industrial firms, a 35% return rate; b) 425 firms that cited in European Largest companies, a 23% return rate.
White, P.D/ undiff, E.D	1978	√											Objective: To test whether stereotype influences industrial buyers' evaluation of products and their perception of product quality based on country of manufacture. Sample: 480 industrial buyers from NAPM, a 49% return rate.

From Table 1, the COO-related criteria may be classified into two groups. One group is the criteria for evaluating products, including product quality, product performance, product design, product technology, product packaging, branding and product price. The other group is criteria for evaluating suppliers. Table 1 shows that both product attributes and supplier attributes influence industrial buyers' COO opinion. Therefore, COO has been shown to have an effect on industrial outsourcing. Table 1 showed that in 1978, product quality was the only factor in studying COO effects on outsourcing criteria. At that time, consumers were biased for or against

products of foreign origin (Schooler, 1971). This may indicate, but was not examined, that consumers' evaluations have influence on buyers' decision making in terms of COO effects. During the period of 1982-1987, product quality appeared no longer as the only criterion that influenced industrial outsourcing. Other product attributes such as technology and performance, were taken into account. At the same time, the interesting finding from a consumer study was that COO effects might predominate in relation to evaluation of specific attributes rather than overall evaluations (Johansson, Douglas & Nonaka, 1985). From 1993 to 1997, more attention was paid to supplier-related criteria than to product-related criteria, because under global sourcing and trade, a partnership relationship with suppliers was a strategy to guarantee the buyers' requirements. Moreover, with the supply chain management concept rapidly applied in international firms, the integration of buyer-supplier relationships became the significant focus of supply chain performance. Therefore, in order to improve cost advantages, the supplier selection became more important for firms. And this trend was also in accordance with the literature review of consumer evaluations that COO effects are less significant, when other information is included in the evaluation process (Hamzaoui & Merunka, 2006). From 2000 to 2003, the product-related criteria and supplier-related criteria weighed the same in firms' outsourcing. It is assumed that this is because consumers' satisfaction is a final objective for all supply chain members (Hunter, King, & Lowson, 2002), including buyers and suppliers. As firms seek to develop partnerships with more effective cooperation between chain members, attention to consumer loyalty is growing. Accordingly, consumer loyalty programs carried by firms emphasize the consumers' final satisfaction and the long-term relationship.

The question raised from Table 1 is whether there is a connection between industrial outsourcing and consumers' perceptions of COO.

Table 2
Evaluation Criteria in Apparel Industrial Outsourcing

Author	Year	Product-related					supplier-related					Objective	
		Product Quality	Product performance	Product Design	Product technology	Product packaging	Product price	Responsiveness	Timely Delivery	Reliability	Flexibility		Supplier' capability
Chaver, Wilcock, A.	2006	√		√			√	√	√	√	√	√	Objective: To determine the criteria used by members of the textile and apparel chain to select overseas suppliers
Truce, M. Daly, L	2006	√		√			√	√	√		√	√	Objective: To address the complex nature of fast fashion buying through case studies with a supermarket, department store and own brand label.
Eng, S.G. Aramillo, H.	2006	√					√	√	√		√	√	Objective: To provide an illustration of South American small to medium-sized companies in the textile/apparel industry concerning supply chain management such as quality, logistics, lead time, inventory management and integration of supply chain.
Eng, S.G. Aramillo, H.	2005	√			√		√	√	√	√	√	√	Objective: To provide a supplier selection and evaluation model to help apparel companies in managing their supplier related supply chain activities.

Table 2 shows that criteria recently used in apparel outsourcing are quality, price, responsiveness, timely delivery, flexibility, and supplier capability. By comparing Table 2 to Table 1, the majority of evaluation criteria are similar in both tables. The major difference is a focus change. In earliest stages of outsourcing, COO effect was an important factor for industrial buyers; while in the current outsourcing stage, industrial buyers care more about the overall performance of supply chain activities, such as outsourcing issues and logistic issues. However, this change does not mean that COO effects no longer exist in outsourcing. It assumes where to

source garments may still be an issue for an apparel industrial buyer. The previous analysis shows that COO effects might influence the decision of where to source for apparel industrial buyers. The concern of this research is whether industrial buyers also take consumer's opinions of COO into account.

CHAPTER THREE

METHDOLOGY

This chapter contains a discussion of the research method, research design, the instruments, case selection, data collection, and data analysis. The purpose of this study is to examine whether there exists a relationship between COO effects on consumers' evaluations and branded apparel industries' outsourcing, to provide an understanding of this relationship, if any, to examine current criteria used in supplier selection for branded apparel firms, and to investigate the preference of full-package suppliers over subcontractors in outsourcing.

Qualitative Research Method

Qualitative research methods predominately emphasize an inductive approach to the relationship between theory and research. It is a research strategy that focuses on words rather than quantification in the collection and analysis of data (Bryman & Bell, 2003, p25). Qualitative research methods are concerned with the context in which behaviour and situation are linked with experience. Qualitative approaches seek to provide a holistic view of the situation or organizations that researchers are trying to understand (Cassell & Symon, 1994).

A qualitative study is designed to be consistent with the assumptions of a qualitative paradigm, based on reporting detailed views' of informants (Creswell, 1994). Cassell and Symon (1994) stated that "qualitative methods are more appropriate to the kind of research questions we want to ask on our own work, focusing on organizational processes, as well as outcomes". As the objective of this research was to examine the relationship between consumers' opinion of Country of Origin and industrial outsourcing decisions in the field of apparel, the qualitative research method was deemed to be suitable for this study.

Research Design

Because the case study is commonly employed to illuminate a decision or set of decisions within its real-life context (Yin, 1989), the case study is viewed as an appropriate strategy to conduct this research. The case study is a research strategy which is focused on understanding the paradigm or assumptions within single settings (Elsenhardt, 1989). Moreover, the design of case studies contain single-case designs and multi-case designs in which each case must be carefully selected so that it predicts similar results (Yin, 1989). The multi-case design was used in this research to provide a broader range of experiences. In this research, Winnipeg apparel firms were chosen as the sample to examine the research objectives.

Cases Selection

Our sample included only those apparel firms in Winnipeg, which own their own brands and source finished garments of their own brands from overseas countries. Although many different apparel firms operate in the Winnipeg area, the two firms included in our sample were considered able to provide information to explore and understand the relationship between consumers' opinions of Country of Origin and outsourcing decision-making, given they sourced their own branded finished garments. Firms that do not own their brands and source finished garments might provide some information related to the topic, but this information is assumed to be different from the firms that have their own brands and outsource finished garments. For example, the criteria used in selecting suppliers might be different between branded apparel firms and non-branded apparel firms.

Another consideration for sample selection was the willingness of a firm to participate in the case study, in which the status and position of the participant were at a senior level.

According to Bryman and Bell(2003), gaining access to this group of people could be extremely difficult. Thus willingness and availability are crucial for selecting sample firms. Moreover, it is important to select firms who display interest in the research.

A sample of firms was identified by using trade publications, buyers' guides, and company's websites. The basic information regarding company size, product categories, geographic location, and contact names was obtained through trade association and company websites. Finally, five qualified apparel firms were selected.

After this research was approved by the joint-faculty Research Ethics Board (Appendix C), a request for an interview was made by sending a cover letter enclosing a short outline of the nature and the purpose of the research, the procedures and the commitment involved via mail to senior executives of the five Winnipeg apparel firms (Appendix D). One week later, phone calls were made to confirm the companies' willingness to participate. Ultimately, only two firms were willing to participate and there was no response from the other three firms.

Instruments

According to Elsenhardt (1989, p534), data collection methods used in case study typically include archives, interviews, questionnaires, and observations, in which the evidence might be qualitative (e.g. words), quantitative (e.g. numbers) or both. The interview was the most widely used method in organizational research because it was a highly flexible method and was capable of producing data of great depth (King, 1994). The purpose of interviews was to gather descriptions from the interviewee to be used for interpretation of the meaning of the desirable phenomena (Kvale, 1983; King, 1994). King (1994) also described the goal of the interview as "to see the research topic from the perspective of the interviewee, and to understand how and

why he or she comes to have this particular perspective". Therefore, the open-response structure was most appropriate, in the case of having a required topic without formal hypothesis-testing and providing the nature and range of participants' likely opinions about the research topic which was not well known in advance (King, 1994).

Appendix A contains the interview guide, comprising of a set of questions designed to gather information of great depth related to the research topic through participants' descriptions of relationship between consumers' opinions on Country of Origin and outsourcing decision-making. A short introductory statement was also provided before the interview started in order to put the respondent at ease.

Appendix B contains the questionnaire, including close-ended questions designed to collect descriptive data, such as the number of employees, firm size, sourcing countries, and outsourcing and price points. Questions were formed from the literature review and the current sourcing situation of apparel firms.

Data Collection

Sources used for data collection included interviews, the questionnaire, and secondary documents which provide company information, such as trade magazines and firms' websites. Before the interview began, the key participant was asked to fill out the short, self-administered pencil and paper questionnaire which included basic information about their company and the countries they are sourcing from (Appendix B). This step took about ten minutes. After the questionnaire was completed, the key participant would have a general idea for the interview contents. Each interview lasted one hour and was tape-recorded so that a written transcript could be used for participant's review and for data analysis in this research. At the same time,

information from secondary sources, such as trade magazines, websites, and newsletters, was gathered. In addition, for the reasons of confidentiality, two participating firms were marked as Firm A and Firm B respectively. The brands of Firm A were labeled as Brand 1, Brand 2, Brand 3, and Brand 4 with price points from low to high; the brands of firm B were represented by Brand A and Brand B.

Data Analysis

According to Yin(1989), pattern-matching logic compares an empirically based pattern to a predicted one. Specifically, explanations of pattern focused on how and why outcomes related to independent variables occurred in each case. In this research, a theoretical proposition is developed that consumer's opinions of COO is an independent variable having influence on the outsourcing of branded apparel firms. Therefore, the empirical pattern of results obtained by interviews was compared to the predicted one in order to conclude the degree to which the empirical pattern matches the predicted one. Otherwise, if the results fail to show that empirical pattern matches the proposition, the alternative explanations will be presented. In other words, the obtained findings will provide evidence for how consumer perception of COO as an independent variable (one of the outsourcing criteria) affects apparel firms' decision-making or why apparel firms do not take this variable into consideration in outsourcing. Moreover, cross-case analysis was also used to compare the extent to which empirical patterns of two companies examined match the predicted pattern.

CHAPTER FOUR

RESULTS

This chapter contains the results of two apparel firms' case studies with reference to objective one—whether there exists a relationship between consumers' opinion of COO and branded apparel firms' offshore outsourcing, objective two—why branded apparel firms do or do not consider consumers opinion of COO in offshore outsourcing, objective three—current criteria used in supplier selection for apparel firms' outsourcing, and objective four—why branded apparel firms prefer full-package suppliers over subcontractors in their offshore sourcing.

Case One: Brand Apparel Firm A (Firm A)

Background

Company Profile

Firm A is a family-owned, Winnipeg-based company. It was founded in 1921, initially manufacturing leather gloves and workwear for farmers, but the firm does not make gloves any more. Now, the main product is jeans. In 2006, over CAN \$ 140 million was generated by Firm A with 300 employees. Headquarters are located in Winnipeg at a 122, 000 square foot state-of-the-art manufacturing facility built in 1987 (Gray, 2002).

In addition to making jeans for private-label customers as well as celebrities like Brand 4, Firm A has two major lines—Brand 2 and Brand 3. The Brand 2 line makes up about 60% of Firm A's business (Gagne, 2004). Brand 2 was created in 1991 by the informant and his design partner. This brand has become a Canadian premier men's and women's denim brand which is

well known for its fit, good styles and great washes (Gagne, 2004). Firm A is proud of its high value and quality no matter how fast fashion changes.

In 2004, Firm A launched a premium line. Part of the appeal of Brand 3 is its slightly looser, homespun style and traditional “hand-sewn” elements, such as whip-stitching and blanket stitching (McMurdy, 2006). Brand 3 is a critical part of the firm’s strategy, which is moving to a value-added customized line. Subsequently, the firm can avoid the low-cost global competition that has plagued most Canadian apparel manufacturers (McMurdy, 2006).

Most jean products of Firm A are sold to the U.S. through department stores nationwide such as Nordstrom, Von Maur, Carsons, Dillard’s and Marshall Fields’ as well as specialty chains across North America, such as The Buckle (the U.S.), Rainbow (Toronto), and Below the Belt (Vancouver). Overall, the U.S. market makes up 80% of firm A’s sales (Gagne, 2004). Promoted through word-of-mouth rather than a major advertising campaign, Brand 2 and Brand 3 successfully compete with more established brands, such as the Gap, Bootlegger, and Levi’s as well as designer names like Diesel and Replay (Lipton, 1999). One of reasons for Firm A’s success is that the company differentiates its products from other brands through establishing a strong connection between brand image and consumer personality.

Respondent

The present job title of the interviewee is the president of Brand 2 and Brand 3 divisions. The interviewee has 20 years of experience in this position and is responsible for all aspects of the divisions of Brand 2 and Brand 3, including outsourcing, sales, marketing, product development, distribution, financing and budget.

*Brands and Price Point***Table 3****Brands and Price Point**

	Product category	Price point	Suppliers	Sourcing places
Brand 1	Women bottoms	Better Upper Moderate	Full-package suppliers	China and Bangladesh
Brand 2	Women and men's bottoms and tops, woven and knit underwear	Better	Full-package suppliers	China, Hong Kong, and Macau
Brand 3	Women and men's bottoms and tops, woven and knit underwear	Bridge	Full-package suppliers	China, Hong Kong, and Macau
Brand 4	Women's bottoms and tops	Bridge	Full-package suppliers	China, Hong Kong, and Macau

Table 3 summarizes data from the close-ended questionnaire. It shows product category, price point and suppliers for four brands. Brand 2 includes women and men's bottoms and tops, and woven and knit underwear, with the price point at better. Brand 3 has the same product category as Brand 2, but the price point is set at bridge. For Brand 1, the product category is only women's bottoms with two price points: better and upper moderate. Brand 4 is a licensed brand and the price point is bridge. Currently, the category for this brand is only women's bottoms and tops, but in the future, this brand will also include children's and men's bottoms. Table 3 also shows that full-package suppliers are used, when the four brands are outsourced offshore. In addition, three brands—Brand 2, Brand 3 and Brand 4, are outsourced from China, Hong Kong, and Macau. Brand 1 is sourced from China and Bangladesh.

Outsourcing Practices

As the apparel business changes geographically, Firm A faces the same pressure from low-price products made in developing countries as other apparel manufacturers, such as Levi Strauss.

Prior to 1990, Firm A manufactured all of its apparel domestically; it began sourcing finished garments on a sportswear line in 1990. When it initiated the sourcing of bottoms internationally, Firm A was not sourcing finished garments, but production (Gray, 2002). And the product was outsourced only through subcontractors. Furthermore, the Firm A did not require subcontractors to handle preproduction activities such as pattern making, grading or marker making, while it supplied the subcontractors with all these inputs (Gray, 2002). By 1999, 50% of the apparel sold by Firm A was produced by overseas subcontractors (Edmonds, 1999). The volume of foreign production continued to increase. By 2004, 75% of the clothing was manufactured offshore (Gagne, 2004).

However, the outsourcing patterns began to change dramatically after 2005. All the products for Brand 1 and Brand 2 are produced offshore through full-package suppliers. Originally, the reason for outsourcing Brand 2 was the capacity, not the price:

“As volume grew, there was not available sewing staff and labor to produce the additional products (in Winnipeg). And before we went offshore with (Brand 2), we were producing 50% of (Brand 2) in the province of Quebec, because they had sewing machines, operators, and laundries, ... and all these are required to build products”. (President, Firm A)

When Firm A was involved in doing business with Asian countries, it became aware of the price advantages. Gradually, Firm A started to reduce domestic production of Brand 2 and turned to outsourcing Brand 2 offshore:

“We created a strategic plan, and said that we should limit any domestic manufacturing of Brand2, and ultimately, be offshore.” (President, Firm A)

Brand 3 is a new premium product at bridge price point. The main market for this brand is outside of North America, such as Italy and some European countries. Currently, 65% of this brand is sourced offshore and the remaining percentage is produced in Winnipeg, Canada, but the ultimate plan is to source 100% of Brand 3 offshore. The reason behind the current outsourcing pattern for Brand 3 is the president’s theory of developing a new brand:

“Developing a new brand requires a few special requirements—small cut size, quickness to the market, flexibility, ... so we thought when we were developing this premium brand, it was wise to live with a lower margin, to gain quick response time in terms of ... making products.”

(President, Firm A)

In general, when sourcing their own brands, the firm uses full-package suppliers instead of subcontractors. Firm A uses both full-package suppliers and subcontractors, only in sourcing private-label products.

Supplier-type Preference: Full-package suppliers v.s Subcontractors

Full-package suppliers are used when outsourcing the four brands offshore. With full-package suppliers, the responsibility of pre-production activities (e.g. sample-making, grading, sourcing of inputs) is shifted from Firm A to the suppliers. Consequently, Firm A is no longer involved in any manufacturing issues and no longer schedules fabric or accessories supply. The step left for Firm A is to design garments and then send them to full-package suppliers with specifications:

“We do not require a sample department here (Winnipeg); ... we do not require the laundry department here; we simply send specifications and they (suppliers) send us the product and price. Then we verify that it is what we want and they ship us the product.” (President, Firm A)

However, this change does not mean that the suppliers' burden has become heavy. Actually, on the contrary, suppliers wanted to be in charge of these responsibilities. For example, one of the large full-package suppliers of Firm A is an agent who does not have manufacturers. This agent uses a variety of manufacturers and fabric mills, but Firm A is not involved in any issues related to the manufacturing side:

“They (suppliers) were not happy with us, nominating (fabric) suppliers, because they have their own relationships and they have their own situations that they wish to work out with fabric, so... we simply send the design with specifications to them.” (President, Firm A)

In contrast to full-package suppliers, there are disadvantages to using subcontractors. In addition to designers, Firm A also needs to employ staff who understand manufacturing, and carry out suppliers' day-to-day functions, such as scheduling supply of fabric and accessories:

“If you are using subcontractors, you have to add staff here. You know, who is going to send the trim and who is going to take care of all these inside issues. When you are doing the subcontracting, we need people to understand manufacturing, ... I have to schedule people.”

(President, Firm A)

Current Criteria Used in Supplier Selection

If suppliers are not capable of making a sample, an appropriate way is to use subcontractors. In this model, Firm A has to carry out such activities as sample making and grading. However, the ultimate direction of outsourcing is to use fewer subcontractors, while

cooperating with more full-package suppliers. As the preference for full-package suppliers grows, the evaluation and selection of suppliers becomes an important issue. The criteria used in selecting suppliers include the ability to fulfill the specifications, quality, price, suppliers' reputation, suppliers' reliability, suppliers' financing conditions, and timely delivery. When these criteria are applied to select suppliers, they are not equally important, but each criterion plays a role in the process of supplier selection:

“When we are looking at new manufacturers for products, our process is to send them one of our jeans and say ... replicate it and what is the price. We do not pick one specific requirement. The first requirement is the ability to produce the product we wanted. So one might consider it as the quality, but it's not only the quality, ... the stitching, the shrinkage, and the product's actual look. At the same time, we are also doing research on their (supplier) background, reputation, and whether they have financing to be able to manufacture products. They (suppliers) have to be able to finance the fabric on their own, they have to be able to procure the ..., funding for zippers and buttons.” (President, Firm A)

As offshore outsourcing becomes worldwide, verbal communication seems to be a big issue in the whole supply chain. But technology in the form of professional communication package systems solves this problem for this specific field:

“Communication is extremely important, but it is not just how many people and how you talk, ... on our side and on their side ... do we have the accurate data information. ... We have a good specific package system. They use the same, so we were able to use the same system and understand the data together.” (President, Firm A)

After the supplier is selected, developing the partnership with suppliers is extremely important for apparel firms, especially for those that have stringent standards for their products.

However, before a long-term relationship is formed, firms need to carefully deal with some crucial issues, such as trust, understanding, and cooperation. In addition, building a long-term relationship is a time-consuming task:

“The long-term relationship is very important since our product is very intricate and difficult to produce. First we start very slowly with any “new” suppliers, ... only giving small test amounts, over the first one year period. As the product comes in, quality, specification and price, we begin to build business with them (suppliers). We also make judgments based on assessments from our staff that travel there regularly and brief us on the situation in the factories. So when we finally have excellent communication and understanding with our makers, we really do not want to give that up! ... It takes a long time to achieve the relationship and it is therefore very valuable.”

Regarding the final objective of the supply chain, some studies have found that all supply chain members are focused on the final consumers’ satisfaction (Hunter, King, & Lowson, 2002). It seems difficult for suppliers to understand apparel firms’ consumers and consequently work for this objective:

“Sometimes it is very difficult for the suppliers to “visualize” our consumers, understand them, or even know who they are, so we really must rely on us to protect the consumers and represent them....” (President, Firm A)

The Influence of Consumer’s Opinion of COO and COD in Outsourcing

In this paper, Country of Origin is defined as where a garment is made. The personal interview showed that COO had no influence on consumers’ evaluations of Brand 2 with price point at Better and Brand 1 with price point set at Better and Upper Moderate. Thus consumers’ opinion of COO is not considered as one of the criteria when deciding where to source. This also

answers the first objective of whether a relationship exists between COO effects on consumers' evaluations and branded apparel firms' outsourcing:

“When we do outsourcing, we are concerned with what the product looks like and what price category it has to fit into. We do not consider consumers' opinion of COO.” (President, Firm A)

For Brand 3, in which the price point is set at bridge, there exists some concerns of consumers' opinion of COO, but the concern is not measured, because consumers' opinion of COO does not have a big influence. In the premium market, consumers' opinion of COO influence on outsourcing seems to be greater, especially for retailers, because retailers believe that consumers expect premium market clothing to be made in certain countries, such as Canada, Italy, and France. In other words, based on different price points, consumers hold different expectations of where the clothing is made:

“For (Brand 3), I think there are some concerns that I can not really gauge. As we are changing over more to Asia, (this concern will become less). The retailer seems more concerned about consumers. The retailers believe in the premium market. You know, ... that premium only comes from a North American manufacturer or Italy. There is some limited concern about Country of Origin on the premium product. Meaning that when you buy a product ...if you were hurt and knew it was made in Bangladesh, you might not be impressed. But if you knew it was made in Britain, you would be impressed. ... But in my opinion, I do not think consumers' opinion of COO has a big influence” (President, Firm A)

Before marketing a product, the firm and retailers invest a lot in consumers' research. Firm A's marketing research found that consumers' response to surveys sometimes did not correspond with their behavior. And in the real purchasing situation, price has a great influence on consumers' final choices.

Firm A has found that in their experience, when answering a survey, consumers say they prefer a garment made in North America or Italy, but if you intercept consumers at the store and look at their actual purchases, many times the products are not from these countries, but from a low-cost country like China. When you ask consumers if they would purchase jeans that cost \$100 more if made in the U.S., they say yes, but it is unlikely that they would do so in actuality (President, Firm A)

At the same time, Firm A also noticed that consumers' perceptions of quality related to where the product is made change over time. Therefore, consumers' opinion of COO is considered not to be one of appropriate indicators for product quality:

"I think it (influence of consumers' opinion of COO) becomes less and less. When you look back 20 years ago, the car made in Japan was conceived to be bad quality. Now the car made in Japan is the best quality. So for years, the product made in China was considered ... not good quality, but now we understand that clothing made in China is the best quality. I think this perception is changing over the years." (President, Firm A)

However, Firm A does consider COO in offshore outsourcing. For instance, Firm A is not sourcing Brand 2, Brand 3, and Brand 4, which have higher quality requirements than Brand 1, from Bangladesh, while part of Brand 1 is outsourced from Bangladesh:

"Brand 1's requirement for quality of wash and laundry is not high and Bangladesh has not yet perfected the process we require in products (Brand 2 and Brand 3), so their labor is cheap and ... very good stitching, but they do not possess laundry skills, so far ... we are not able to take Brand 2 and Brand 3 to Bangladesh." (President, Firm A)

Moreover, for Firm A, the concern for origin of fabric is from the firm's perspective rather than from the consumers' perspective. Brand 3 (price point is bridge) is made of a

technologically advanced fabric, so it nominates fabric made in Japan for its full-package suppliers, while it does not nominate fabric for other brands, such as Brand 1 where the price point is better and upper moderate:

“I select Japan, because they make great fabric and that is my requirements to give my consumers great fabric. But I do not need to tell my consumers that the fabric is from Japan. ... They do not care.” This also may indicate that an intrinsic cue is an important criterion in evaluating product quality from the firms’ perspective.

In the branded apparel supply chain, Country of Design is also not considered an issue in outsourcing. Branded apparel firms design garments and then send the design with specifications to overseas suppliers. If full-package suppliers are used, in addition to marketing, design is the only job of Firm A. In this case, the influence of COD in outsourcing does not exist:

“Designing a product for a fashion market place requires people to study that, so we are designing and we sketch the items, ... where the stitching goes and what the product looks like. That is my job. ... I simply tell them (suppliers) that I want stitching this side, ... I want the needle to look this way, and I want the pocket to be this big. And I give this specification ... and then the suppliers create the pattern.” (President, Firm A)

Moreover, expertise in different areas for supply chain members is a determination of responsibilities of supply-chain activities:

“Their (suppliers) profession is making, while our profession is design. ... I would not expect manufacturers to design (my garments), because this not their expertise.” (President, Firm A)

The interview shows that there seems to exist the difference for how to define full-package suppliers. For retailers, their full-package suppliers might offer services from design, to cutting, to assembly, to export, while for branded apparel firms, their full-package suppliers do

not offer design services. A potential reason might be the difference in needs for design in the definition of full-package suppliers:

“Some people called design ... the creation of pattern, but most people would say the design is the creation of a concept, so I think sometimes, ... the confusion is that people think design means making a pattern.” (President, Firm A)

The Influence of Brand in Outsourcing

Comparing COD and COO, Firm A pays more attention to Country of Brand (COB) effects on consumers. The research of the firm’s consumer market found that consumers care where the brand is from rather than where the product is made or designed. In the case of evaluating clothing, brand as one of extrinsic cues is more important than COO. At the same time, consumers associate COD with COB:

“For a product with a certain price point, consumers do not care where it is made at all. Consumers are aware of the brand. If an Australian brand, consumers will believe that the product is designed in Australia, even though it might be designed in Toronto; if a Canadian brand, it is assumed to be designed in Canada. ...So when talking about where the concept is from, I do not think consumers understand where the product is designed at all. It is the brand consumers can understand, ... not the design.” (President, Firm A)

Consumers use Brand as one criterion to evaluate products and make their purchasing choice, rather than depend on COO and COD. It is the brand they want, not the country of origin:

“Most consumers do not even know where Bangladesh is. I do not think they have any conscience of concerns (of COO). ...Consumers buy a product name, not country of origin.” (President, Firm A)

In global marketing, the ultimate goal for big companies is to develop a worldwide brand. This means that consumers simply buy the product, they are not concerned with its origin of manufacturing, design or even Country of Brand:

“Coca Cola is a worldwide brand. ... In the U.S, it is an American Coca Cola. In China, it is a Chinese Coca Cola. ... Consumers do not care about its origin any more.” (President, Firm A)

Summary

In brief, Firm A has four brands. Among them, 100% of Brand 1 and Brand 2 are sourced offshore; the other two brands—Brand 3 and Brand 4, are sourced 65% and 50% offshore respectively. The ultimate plan of Firm A is to source all products offshore. In the beginning, the outsourcing motivation of Firm A was capacity, not price. Firm A noticed price advantages when it was involved in doing business with overseas suppliers. At that stage, production was outsourced through subcontractors. Gradually, this sourcing pattern changed into using full-package suppliers, especially after 2005. Table 4 shows the advantages of full-package suppliers and disadvantages of subcontractors.

Table 4

Advantages of Full-package Suppliers and Disadvantages of Subcontractors

Full-package supplier	Subcontractor
No longer being involved in manufacturing	Dealing with day-to-day functions of factories
No longer engaged in pre-production, like sample making	Adding more steps like pre-production in headquarters
No longer scheduling the whole supply-chain process	Scheduling fabric for subcontractors
Only needing specific people, such as designer	Needing staff to understand manufacturing
Only sending design with specification to suppliers	Finishing all pre-production, like input sourcing

As shown in Table 4, the advantages of using full-package suppliers are obvious. The use of full-package suppliers enables the firm to move pre-production activities to the supplier's side, such as pattern making, grading, and sample making. The responsibility simply left for Firm A is design and marketing. By contrast, with subcontractors, Firm A has to add more staff who understand manufacturing, engage in suppliers' production activities, and schedule sourcing of inputs. Consequently, there are more responsibilities with the subcontractor system than with the full-package supplier system. Currently, Firm A outsources garments through full-package suppliers for their own brands; only private label products are sourced by both full-package suppliers and subcontractors, but the ultimate plan is to source all garments by using full-package suppliers.

In the process of supplier selection, the criteria used in current supplier evaluation and selection at Firm A include the supplier's ability to fulfill the specification, quality, price, supplier's reputation and financial background, timely delivery and verbal communication. Among these criteria, three—supplier's ability to fulfill the specification (quality), supplier's financial reputation and timely delivery are considered to be extremely important. The verbal communication is said to be important in supplier selection, but as the technology is developing, the use of professional communication packages greatly reduce the problems caused by verbal communication. For example, through Gefei PDF package system used by Firm A and its suppliers, both sides can understand data clearly and accurately.

Since the firm's product is very intricate and difficult to produce, it takes a long time for Firm A to evaluate suppliers and finally develop a long-term relationship with them. Firstly, Firm A gives small test amounts to its potential suppliers during a one-year period; secondly, Firm A sends its staff to visit those potential suppliers and assess the situation; finally, based on

overall evaluation, including supplier's ability to meet product quality, specification, product price, and staff's assessment, Firm A decides whether or not to build business with those potential suppliers. Thus once a long-term partnership with its suppliers is formed, there is no doubt that it is extremely important for Firm A, who highly values this relationship. This collaborative partnership is the preferential situation and is beneficial to all parties involved in. However, it seems impossible for buyer and supplier to share the final objective of the supply chain: consumers' satisfaction, because it is difficult for suppliers to understand the buyer's consumers. One possible explanation is that suppliers serve final consumers indirectly and their demands are represented by buyers and are met by sending design with specification to suppliers.

Table 5

Influence of Consumer's Opinion of COO and COD in Offshore Sourcing

	Price Point	Influence of consumer's opinion of COO	Influence of consumer's opinion of COD
Brand 1	Better and Upper moderate	No	No
Brand 2	Better	No	No
Brand 3	Bridge	Some concerns can not be gauged	No
Brand 4	Bridge	No	No

As shown in Table 5 when outsourcing Brand 1, Brand 2, and Brand 4, Firm A does not consider consumer's opinion of COO at all. For Brand 3, there are some concerns with this factor, but the concern is not measured. This means that the influence of consumer's opinion of COO on Brand 3 is minimal in offshore sourcing. The reasons are two-fold. First of all, marketing research at Firm A found that consumer's answers to survey questions were not consistent with their real behavior in purchasing. For example, when consumers were asked to choose products

made in the U.S., Canada, Italy, India, and China respectively, they would select those made in the first three countries, while in their actual purchasing, they pick up those made in China or India. Secondly, perceptions of COO effects on product quality, are changing over time, such as Japanese cars and Chinese clothing. Therefore, in general, COO may not accurately represent product quality.

However, the case study interview shows that there is a limited concern with consumer's opinion of COO in the premium market in offshore sourcing, especially for retailers. Moreover, COO has certain influence on Firm A's offshore sourcing from the firm's standpoint rather than the consumer's side. For example, Bangladesh is not qualified to produce Brand 2 and Brand 3 for Firm A; so far, Firm A does not source these two brands from Bangladesh.

Table 5 also displays that there is no concern with consumer's opinion of COD for four brands in offshore sourcing. The reason behind designing garments in Canada is not because of COD effects on consumers; but because Firm A knows its fashion market well and its expertise is design. In addition, confusion seems to exist between the definition of full-package suppliers and the actual outsourcing process in terms of design.

Lastly, the case indicates that it is the brand that Firm A pays more attention to. On the one hand, Firm A's research found that their consumers buy the brand, instead of COO. This means that brand as one of extrinsic cues has more influence than COO on decision making in consumer's purchasing. Thus the ultimate plan for big companies is to develop worldwide brands. For instance, Coca Cola is a world brand and there is origin consideration in marketing Coca Cola. On the other hand, Firm A noticed that its consumers associated the brand with origin, not COO. Consequently, when evaluating product quality and making final purchasing decisions, consumers may consider Country of Brand.

Case Two: Branded Apparel Firm B (Firm B)

Background

Company Profile

Firm B is a Winnipeg based company that has been producing high quality garments and accessories since its inception in 1986. In 1993, the firm generated \$10,000,000 in sales with 32 people. The firm contracted out all production to China with special orders going to the U.S. Firm B had been described by the American Association of Fashion as the hottest clothing company in Canada in 1994 (Canada NewsWire, 2003a; Ritchie, 1994).

Firm B was started by two sets of brothers in 1986. Initially selling promotional goods such as university sweatshirts and monogrammed T-shirts (Bramwell, 1993). Subsequently, the company launched its own label, including high quality colorful shirts, sweaters, and jackets. It has become an international supplier of high-end fashion wear bearing its global themed label, which delivers exceptional styling and quality at an unexpected price point (Johnson, 2001).

In addition to having the licensing rights to make products for universities in the U.S. and Canada, Firm B also received the rights to make and distribute clothing for World Cup Soccer and Canadian Curling teams with stylish, comfortable, and technical fabrics (Canada NewsWire, 2003b). In 2003, Firm B announced its Golf Apparel line, which was responding to rapid marketplace dissemination of its brand and consumer demand for more products of this brand in broader categories (Canada NewWire, 2003b). Moreover, while Firm B successfully enters into the marketplace under its own label, its label on watches, gloves, and 100 styles of knitwear and jeans is also as recognizable as the labels of Levi's or Tommy Hilfiger in the Canadian market (Ritchie, 1994).

Firm B supplies retailers like the Winnipeg Blue Bombers, and makes special promotional orders for such clients as The American Ballet Theatre, Cirque du Soleil, Sony, and BMW Canada (Johnson, 2001). Additionally, Firm B has opened its market in the U.S, Australia, and Japan. A recent success of the firm in working with retailers like the Nuance Group and Mark's Work Wearhouse, is the testament to the value and longevity of its brand (Canada NewsWire, 2003b).

Respondent

The present job title of the interviewee is production manager. The interviewee has 5 years of experience in this position and is responsible for managing and supervising the Technical Designers, communication with the Hong Kong (HK) supplier, and managing customer accounts—development of trims, fabric, and garments.

Brands and Price Point

Table 6

Brands and Price Point

	Product category	Price point	Suppliers	Sourcing places
Brand A	Women and men's bottoms and tops, girls and boys' bottoms and tops	Better Upper Moderate Moderate	Full-package suppliers	China
Brand B	Women and men's bottoms and tops,	Between Bridge and Designer	Full-package suppliers, subcontractor	China, the U.S

There are two brands in Firm B—Brand A and Brand B. Table 6 shows that Brand A includes women's and men's tops and bottoms, girls' and boys' tops and bottoms with three price points at Better, Upper Moderate, and Moderate. Brand A is divided into three collections,

weekend, lifestyle, and performance. Brand B is only for women's and men's tops and bottoms, with the price point set between Designer and Bridge. All products of Brand A are sourced from China through a full-package supplier. The majority of Brand B is sourced from China through the same supplier as Brand A. Less than 10% of Brand B is sourced from the U.S. by a subcontractor.

Outsourcing Practices

Since its inception in 1986, Firm B has contracted out all production. It does not produce any products. In the early stages, products were sourced either directly from domestic manufacturers or through agents based in Hong Kong. In 1993, Firm B contracted its production in Winnipeg and in Ontario, with special orders going to Hong Kong, China and Korea (Bramwell, 1993). At the present time, this sourcing pattern has changed. Almost all garments of Firm B are outsourced from China, with the remainder of 10% of Brand B sourced from the U.S.

Supplier-type Preference: Full-package suppliers v.s. Subcontractors

In the process of outsourcing, the majority of products are sourced through its full-package supplier in HK. Firm B sends the design with specifications to the full-package supplier without being involved in dealing with all coordinating, such as looking for fabric mills and garments factories, organizing every part of the supply chain, or solving logistic issues. In addition, Firm B no longer makes samples in the head office. The use of a full-package supplier makes operation of the head office more fluent.

“Our full-package supplier, ... I sent them information and they sent me the sample to be approved. And also they do the coordinating for me. For example, they can coordinate with the

mill ... A lot of coordination, we do not have to do here (Winnipeg). I do not have to get involved in the mill.... (Full-package) suppliers send information to factories.” (Production manager, Firm B)

Moreover, due to the advantage of same language between the full-package supplier and factories, the cooperation between them is much easier. And also the full-package supplier and its up-stream suppliers are located in the same geographic area, so the problems of time-difference and traveling, which is not realistic for Firm B in Winnipeg, no longer exist. All of these advantages make the whole supply chain from mills to customers move smoothly and reduce the lead time.

“That makes our job more fluent ... coordinating everything, preparing information. Also because our HK office ... they are working in Asia and they speak the same language. Communication for them is much easier. For us, it is impossible here. And also the difference of day and night is harder. ...And also our HK office suppliers, they can be able to travel to the factory and see the goods and work with the factory well. For us it is not realistic.” (Production manager, Firm B)

On the contrary, with the subcontractor, the firm has to source inputs for its subcontractor, such as fabric, trim, thread, and buttons. Thus, in addition to sending designs with specifications to the subcontractor, the firm has to pay attention to cooperation between supply chain members and logistics issues, such as sending orders to the fabric mill and caring about the delivery:

“We send information (design and specification) to him (subcontractor) ... but we still have to send him the fabric and everything. For a subcontractor, I have to deal with the fabric mill ... I have to know how much fabric to order and know the date and send them to the subcontractor ... all the coordinating and logistics.” (Production manager, Firm B)

In general, the firm prefers full-package suppliers to subcontractors. The advantage of full-package suppliers over subcontractors is one reason. The other reason is that the use of full-package suppliers based on agents is a better way for Firm B to conduct business. Bigger firms use full-package suppliers, and at the same time deal with manufacturers directly in their outsourcing:

“To tell the truth, for me I find the full-package supplier is easier to deal with than the subcontractor. ... (working with) our full-package supplier is right for us. (This pattern) works well for our company. A bigger company might have more people ... working directly with the factory. Based on our company real situation, working with a (agent-based) full-package supplier works well for us.” (Production manager, Firm B)

In particular, Firm B is concerned about social compliance of the factory with its own country, such as no child labor, meeting that country’s working condition standards, and no forced labour:

“It is very important that the factory has ... no child labour. It meets that country’s working condition standard and meets that country’s labour standards, ...no forced labour.” (Production manager, Firm B)

Regarding verbal communication, it can still be a problem. Thus, in order to eliminate this problem and improve understanding, every year, Firm B sends its staff who are working closely with the HK supplier to meet each other. At the same time, the employees of the HK supplier also come to Canada to discuss issues and problems. In addition to making a manual for both sides, the firm also uses software, pictures, and digital cameras to make the information easier to understand:

“50% of the time (verbal communication is a problem). ... Every year, we send a few of our staff over. Those we work most closely with will meet each other. And also, we produce a manual for them, so everyone understands each other. ...Every year, they will come for a few days. We could sit and talk about issues and problems. ... working on the software to make the information much easier for them. But a lot of time, we do clothing pictures and also we use a lot of photos to explain the problem to them. Sometime, seeing pictures is the best. We use a digital camera, picture software , ... just to try to get our information through to them.” (Production manager, Firm B)

Firm B values the long-term relationship with its full-package supplier. It takes the view that it is vital for both parties to actively move together in the relationship, as most product orders are completed through its suppliers. Firm B takes action to positively maintain and develop its partnership. And this has been shown in a strategic cooperation between upper management from both sides and in a communication strategy, such as visiting the HK supplier and Winnipeg office, and sitting together to discuss issues and problems:

“It (a long-term relationship) is very important. Right now a lot of product order is through our suppliers. It is very important to develop a long-term relationship and also to understand each other. Upper management of (both) companies moves forward. We have to ensure that they have employees to achieve what we want ... they also cooperate our service ... We go to HK office to work with them. Our new product development manager and sometimes myself go there to work with them. And also upper management is very involved” (Production manager, Firm B)

However, it is difficult to share the final objective (consumer’s satisfaction) for both sides, even though they have built a highly valuable long-term relationship. In reality, a conflict exists between product delivery and product quality, which influences their final goals:

“The HK office understands to a certain degree (consumer’s satisfaction), but the factory does not. And all the factory cares about is the delivery date, because when we tell them the product is still not good ... they say there is a delivery date you have to be concerned about and the delivery date will be affected ... please accept the product as it is. Because the delivery date will be affected, here in this company (Winnipeg) we have to watch over the quality of the product to our customers ... HK office understands that point but still delivery seems to be more important. For example, breaking down the understanding quality is 49%, but 51% is still delivery.”

(Production manager, Firm B)

The Influence of Consumer’s Opinion of COO and COD in Outsourcing

Firm B designs all garments in Canada, its Winnipeg office, because the supplier does not have design knowledge. In other words, design is Firm B’s job and expertise, while technical issues and production is the suppliers’ concern and profession. From the suppliers’ stand point, they might not consider providing design service, with technical employees instead of designers: “Our suppliers do not have that knowledge (design). The supplier that we work with ... they do not have those people. They do not have their design people over there. They are more technical ... they are not designers.” (Production manager, Firm B)

Firm B also pays no attention to consumer’s opinion of COO in its outsourcing, even though Brand B has the price point between Designer and Bridge. The reason why 10% of Brand B is produced in the U.S. is to get the product to market much faster with a shorter lead time: “It (producing in the U.S.) is just for us quick to turn over ... to get the product much faster. Because, in China ... we think lead time is longer...while to do it in the U.S., I thought it is a shorter lead time.” (Production manager, Firm B)

Moreover, in evaluating clothing, styling and design are ranked first by consumers. They do not care about COO, especially under today's situation, in which the majority of garments sold in Canada are manufactured outside of Canada. If consumers have concern about clothing made in Canada or outside of Canada, the choices left for them are few:

“It is brand sale...I think not many consumers care about COO, especially in Canada. Nowadays, how many percent of garments are made in Canada—a few... Even though our consumers care about it, they still have to buy garments and wear them... If it is not made in Canada, and they won't buy it, then they can not buy a lot of clothing” (Production manager, Firm B)

However, consumers may compare garments made in China, Vietnam, India, Indonesia, or Bangladesh. In other words, a concern for COO rather than Canada origin may exist in consumers' purchasing. This also means the perception of COO effects on consumers changes over time. Although the firm notices this change, consumer's opinion of COO is not a concern in its outsourcing:

“I do not think we can compare like made in Canada versus other countries ... It now compares whether it is made in China, Vietnam, India, Indonesia, or Bangladesh. I think it is where rather than Canada. ... I think that might affect more now. Right now, this is not a concern for our company.” (Production manager, Firm B)

However from the firm's standpoint, a concern for COO may exist in terms of ability to meet quality requirements. Firm B is considering developing new suppliers outside of China, but these new suppliers still have not been worked out, because of quality-control problems:

“Because we do not have a designated quality control in these countries. In China, our HK office has quality control workers which can review the products.”

The Influence of Brand in Outsourcing

Brand seems to have more influence on Firm B' outsourcing than COO. In other words, Firm B pays more attention to its product quality which represents part of the brand. This is shown in quality concern to ensure customers get good-quality products. What's more, brand is one of the important extrinsic cues in consumer's evaluation of clothing:

“Here in this company (Winnipeg) we have to watch over the quality of the product to our customers. ... They (consumers) care more about the styling, the design, and the brand.”

(Production manager, Firm B)

Summary

Firm B has two own brand divisions: Brand A, including weekend, lifestyle and performance collection, and Brand B. Brand A has three price points based on customers' needs, namely Better, Upper Moderate, and Moderate. All garments under Brand A are sourced from China through the full-package supplier. The price point for Brand B is set between Designer and Bridge. The Majority of Brand B (more than 90%) is sourced from China through the same full-package supplier as Brand A. Less than 10% of Brand B is sourced from the U.S. by the subcontractors and these garments are supplied to the American Market.

It is obvious that Firm B prefers full-package suppliers to subcontractors. Table 7 shows the advantage of outsourcing through full-package suppliers and the disadvantage of outsourcing through subcontractors.

Table 7**Advantages of Full-package Suppliers and Disadvantages of Subcontractors**

Full-package suppliers	Subcontractors
No longer being involved in dealing with issues of fabric mills and factories	Following up the fabric orders
Making operation of head office more fluent	Concerned with logistics issues
No longer concerned about logistics issues	Needing to source inputs, like fabric, trim, and buttons
Smoothing the coordinating between supply chain members	Paying attention to cooperation between supply chain members
Only sending information package to suppliers	

With a full-package supplier, Firm B only needs to send clothing designs with specifications to its suppliers. It is no longer involved in dealing with scheduling the fabric mills and factories, no longer concerned with logistic issues. The use of full-package suppliers makes operation of the head office more fluent and smoothes the coordinating between supply chain members. Conversely, when dealing with subcontractors, Firm B not only needs to send design information to its subcontractors, but also is responsible for sourcing inputs for its subcontractors, scheduling the fabric orders, and handling logistics issues. In addition to advantages of full-package suppliers in outsourcing, the size of firm is also the reason for preference for full-package suppliers.

Firm B highly values its long-term relationship with its suppliers. It takes action to develop and improve this partnership, including a strategic cooperation between upper management of both sides, and regular visits and communication. In order to improve communication between two parties, Firm B makes manuals for both sides and uses high-technology tools like digital cameras and picture software. However, so far, it is still difficult to share the same objective (consumer's satisfaction) between Firm B and its suppliers,

due to the conflict between the product delivery and product quality. From the firm's side, product quality is more important, while from the suppliers' side, the timely delivery seems more important.

Table 8

Influence of Consumer's Opinion of COO and COD in Offshore Sourcing

	Price Point	Influence of consumer's opinion of COO	Influence of consumer's opinion of COD
Brand A	Better and Upper moderate Moderate	No	No
Brand B	Between Designer and Bridge	No	No

As shown in Table 8, consumer's opinions of COO and COD have no influence on the firm's outsourcing. The reason why the firm designs all garments in Canada is that it is the firm's expertise, while its supplier's expertise is on the technical side. Furthermore, when evaluating clothing, consumers rank style and design as the first criterion, while it appears they do not really care about COO. Based on this information, Firm B does not consider consumer's opinion of COO in its decision making for outsourcing, even though consumers may compare clothing made in China, Vietnam, India, Indonesia, or Bangladesh. The interview indicated that COO may have influence on outsourcing from the firm's perspective rather than from the consumer's perspective, with respect to quality control.

However, in its outsourcing, Firm B pays more attention to brand effects than COO. In order to maintain its brand image, Firm B ensures it gets good-quality products to its customers. Moreover, consumers also rank brand as one of the important extrinsic cues in clothing evaluation and purchasing.

CHAPTER FIVE

DISCUSSION

This chapter discusses the findings with reference to the original four objectives. Reasons why branded apparel firms do not consider consumers' opinion of COO in their offshore outsourcing are presented by comparing two cases, so cross-case comparative analysis will take place. Furthermore, the comparison of preference of supplier type (full-package suppliers v.s subcontractors) will be conducted between two companies. Finally, the outsourcing pattern obtained from empirical evidence will be compared to Birnbaum's (2005) prediction of Full Value Sourcing Model (FVSM). The cases presented here addressed the relevant criteria in apparel firms in searching for suppliers. The results obtained from two firms demonstrate that a long-term relationship is extremely important.

Comparing Reasons Why Two Apparel Firms Do Not Consider Consumer's Opinion of COO in Their Offshore Sourcing.

Table 9

Do Firms Consider Consumer's Opinion of COO by Price Point

Price Point	Firm A	Firm B
Moderate	No consideration	No consideration
Upper Moderate	No consideration	No consideration
Better	No consideration	No consideration
Bridge	Concern that can not be gauged	No consideration

Table 9 displays that results indicating awareness of consumer's opinion of COO as a factor in supplier selection are mostly negligible. Informants' responses suggested a lack of concern for consumer's opinion of COO in supplier selection. Given that COO has influence on both industrial outsourcing and consumers' evaluation in every stage from 1978 to the present, the question derived from Table 1, which is whether there is a connection between consumer's opinions of COO and industrial outsourcing may apply to the area of apparel. In this case, negligible concern for consumer's opinion of COO in supplier selection might provide some evidence for that question from Table 1. However, the results indicate that some particular apparel markets, such as the premium market, may consider this information in offshore outsourcing, especially for retailers.

Table 10

Reasons Why Apparel Firms Do Not Consider Consumer's Opinion of COO

	Firm A	Firm B
Reason 1	Consumers' response to surveys does not correspond with their behavior	In evaluating clothing, styling and design are ranked first
Reason 2	Perceptions of quality related to where a garment is made change over time	Change to comparing COO among low cost offshore countries
Reason 3	Consumers do not really care where the product is made	Consumers pay no attention to COO
Reason 4	Consumers buy the concept of a brand	Consumers care about brand effects rather than COO

Table 10 shows that both firms provide similar reasons for why there is no consideration of consumer's opinions of COO in the process of outsourcing. The three common reasons are

consumers' indifference of COO in purchasing, change of perceived quality related to COO, and brand concern rather than COO.

Although COO has effects on consumer's evaluation of product quality, both firms believe it has little influence on their consumer's final choice. This result is consistent with Hong and Kang's (2006) findings that COO effects were important in product quality evaluation, but negligible in consumers' purchasing decision making. For the sake of profits, firms care more about consumer's final purchasing choice than the evaluation influence. Thus the two firms studied pay no attention to COO in the decision making for their outsourcing. This suggests that in future studies on consumer's behavior, COO effects should not be overstressed, at least in the apparel market, except in some specific markets, such as the premium market. Furthermore, when COO is the only cue used in a study, its effects on quality evaluations are great, but if other cues such as brand, price, or risk are taken into consideration, its effects reduce greatly.

Moreover, branded apparel firms also notice that perceptions of COO effects on product quality for specific countries change over time, which makes COO not very useful as a quality indicator and as a criterion in offshore sourcing. In Chao's (2001) study, the author suggested using COP as part of the advertising strategy, but the current interview indicated that Firm A do not use this information in its advertising. For instance, firm A nominates advanced technical fabric for their garment suppliers, but does not emphasize this information in their marketing, because its consumers have no concern over where the fabric is from.

In addition, both firms take the view that brand plays a critical role in consumer's evaluation and purchasing of clothing and its effect is greater than that of COO. Subsequently, both firms ensure their customers get good-quality product, which is a way to maintain and

improve brand image and competitiveness. This finding is consistent with Cordell's (1992) result that COO was less important when the brand name of a product was known.

A stated reason for why firm A did not consider consumer's opinion of COO is a perceived gap between survey results and consumer's actual purchasing behavior. This is consistent with Dickerson's (1982) study that when answering survey questions, consumers thought they should answer that they preferred clothing made in advanced countries. Consequently, although COO was considered important in the study of consumer's evaluations, it is possible that results obtained by survey are different from actual purchasing behavior. In other words, consumers tend to answer the survey in a perceived 'right' way, while acting in an opposite direction. At the same time, firm B holds a different reason for not considering consumer's opinions of COO in outsourcing. They believe that compared to intrinsic cues like style and design, COO has limited effects on consumer's evaluation, especially in clothing. Swinker and Hines (2005) found that consumers' perception of clothing quality was most affected by appearance cues, like style and also consumers would not perceive a garment as high quality unless it was a popular style. Therefore, Firm B emphasizes the appearance cues of its clothing rather than COO.

From the firms' perspective, the findings show that both firms consider COO effects in their outsourcing. This provides the empirical evidence for an assumption discussed under Table2, which is COO still have some influence on apparel firms' outsourcing. For example, Firm A sources three brands with price point set at better or above from China, Hong Kong and Macau rather than from Bangladesh, because so far, manufacturers in Bangladesh can not make products that meet the quality requirements of the three brands. While for the lower priced brand, Firm A sources it from both China and Bangladesh. This result is consistent with previous

findings in showing that COO has influence on firms' outsourcing, based on a country's capacity, technology development, and degree of economy. Further, firm B still has not worked out new suppliers from other countries, because of quality control. In selection of sourcing countries, Firms A sources from China and Bangladesh. Firm B sources a majority of products from China with 10% of Brand B from the U.S. This provides empirical evidence support for these two countries ranking in the first place based on Canadian apparel import statistics (Industry Canada, 2007).

Comparing the Influence of Country of Design and Brand

As for design, both informants share the same opinion that supplier's expertise is in technical manufacturing, while their firms' specialty is in design and new product development. Further, both firms have no expectation for their suppliers to design garments for them. This corresponds with Gereffi's (2002) finding that industrial buyers in the apparel chain were at the stage of design and marketing. According to Lewis & Dickson (2003), the design and marketing aspects of apparel contribute most to a garment's value added; moreover, design and branding provide a basis for global competition that is less reliant on wages and more profitable for the business. Thus, design, product development, and marketing remain in the hands of Canadian branded apparel firms. So far, Canadian branded apparel firms are in clear control of the design and marketing segments of the apparel chain, while suppliers are in a position to operate and coordinate the production networks of the supply chain.

Finally, both interviewees report that it is the brand image that consumers want to buy. In the process of evaluating and purchasing, consumers associate brand with origin. For example, if a brand is from Canada, consumers assume the origin is Canada, no matter where the product is

made. This means that Country of Brand may influence consumer's final purchasing decision. In addition, consumers associate COD with COB. This may be one of the reasons that both firms design their garments in Canada instead of obtaining the designs from the full-package suppliers. So we suggest that COB should be considered in future studies of COO effects on consumer's behavior. Some well-known apparel manufacturers like Western Glove Works, and Levi Strauss, emphasize the need to build global brands.

Comparing Supplier-type Preference: Full-package suppliers v.s

Subcontractors

Table 11

Comparing Reasons for Preference of Full-package Suppliers

	Firm A	Firm B
	No longer being involved in manufacturing	No longer being involved in dealing with issues of fabric mills and factories
	No longer engaged in pre-production, like sample making	Making operation of head office more fluent
Full-package supplier Advantages	No longer scheduling the whole supply-chain process	No longer concerned about logistics issues
	Only needing specific people, such as designer	Smoothing the coordinating between supply chain members
	Only sending design with specification to suppliers	Only sending information package to suppliers
	Dealing with day-to-day functions of factories	Following up the fabric orders
Subcontractors Disadvantages	Adding more steps like pre-production in headquarters	Concerned with logistics issues
	Scheduling fabric for subcontractors	Needing to source inputs, like fabric, trim, and buttons
	Needing staff to understand manufacturing	Paying attention to cooperation between supply chain members
	Finishing all pre-production, like input sourcing	

As shown in Table 11, for both firms there are five common advantages of full-package suppliers in terms of pre-production activities, cooperation of the supply chain, input outsourcing, logistics issues, and the manufacturing function respectively. The only difference is that Firm A is more specific on the advantages of shifting pre-production duties, while Firm B is more detailed on the advantages of movement of product through the supply chain. This may be caused by the different historical context of the two firms. Firm A started in manufacturing, while Firm B never produced their own products. These may also be effects caused by the position difference between interviewees. The respondent of Firm A is a president who is responsible for outsourcing, sales, marketing, product development, distribution, financing and budget. The participant from Firm B is a production manager who is in charge of supervising the technical designers, communication with suppliers, and development of trims, fabric, and garments.

With full-package suppliers, the two firms no longer instruct the suppliers where to obtain needed components, thus reducing their own purchase and redistribution activities. They are also discontinuing certain support functions (such as marker making, and pattern grading), and reassigning them to suppliers. In addition, the two branded apparel firms no longer supply intermediate inputs (cut fabric, thread, buttons, and other trims) to extensive networks of offshore suppliers. As a result, it speeds the product to market by reducing the length of the supply chain. For example, buyers no longer nominate fabric suppliers for full-package suppliers who are responsible for sourcing inputs. This responsibility shift leads to potential savings, such as lower pre-production costs. One possible explanation for preferring full-package suppliers is that apparel firms already realize that indirect cost savings for pre-production are far more important than any direct cost advantages such as low labour rates (Birnbaum, 2005).

On the contrary, the result of outsourcing through subcontractors is a longer supply chain, more pre-production activities, and more responsibilities for the cooperation of the supply chain and logistics issues. Thus it is more expensive to operate the supply chain with subcontractors, since apparel firms are in charge of most activities, including pre-production activities like sample and pattern making, and inputs sourcing. When Firm A uses subcontractors in its outsourcing, it has more responsibilities than Firm B, because in addition to supplying fabric and dealing with logistics, Firm A has to provide such services as sample making and grading to its subcontractors.

However, one issue raised is the definition or understanding of the concept of full-package suppliers. This is consistent with Teng & Jaramillo's (2005) finding that supplier selection is no longer just an issue of obtaining low product price. For members located in different level of supply chain, they have different definition for full-package suppliers. For retailers, they are seeking full-package supplier who offer services from design, to cutting, to assembly, and to export, however, for branded apparel firms, they design their own garments, so their full-package supplier do not provide design service for them.

The Current Criteria Used in Supplier Selection

Table 12

Criteria Used in Supplier Selection

	Criteria
	Ability to fulfill specifications
	Quality
	Price
Firm A	Supplier's reputation
	Supplier's reliability
	Supplier's financing conditions
	Timely delivery

Regarding supplier selection, because the supplier already existed when the interviewee of firm B started in the position, there was no information obtained from Firm B. However, the interviewee did mention that firm B pays particular attention to suppliers' compliance with standards for child labour and working conditions. As the global concern for legal labour is growing, social compliance may become one of the important criteria in future supplier selection.

Table 12 displays the criteria used in evaluating and selecting suppliers, provided by Firm A. These criteria correspond with those in Table 2, summarized from literature review. However, while product design showed up in Table 2, it was not a criterion for Firm A. Firm A provided a new criterion in Table 12—supplier's financing ability. A possible explanation is that the full-package supplier is responsible for financing the payments of inputs. Thus it is crucial for Firm A to evaluate a potential supplier's financial conditions.

The issue raised in this research points out that production cost is not a sole factor in supplier selection and evaluation. During the supplier selection, Firm A evaluates the overall performance of a potential supplier and usually the quality criterion outweighs the price criterion. In supplier selection, buyers may consider certain criteria of importance to evaluate suppliers. However the criteria of importance to buyers are expected to vary between firms.

Since outsourcing is an unavoidable trend, it is important for apparel firms to find reliable and trustworthy suppliers and establish a long-term relationship. Bruce (2004) suggested that building partnership with suppliers was considered to be a way to achieve best performance with the supply chain and that cooperation and collaboration in supply chain are critical to the success of the company. Both firms studied highly value this relationship which takes a long time to be built. Once this partnership is formed, firms take action to maintain and improve it. For example, Firm A sends its employees regularly to the supplier locations and shares the same Gefei PDF system with suppliers to reduce the communication problem. Likewise, the upper management of Firm B is actively involved in cooperating with its suppliers. However, it is difficult for firms and their suppliers to share a final objective (consumers' satisfaction), even under this close partnership. This result does not correspond with previous findings that the final consumers' satisfaction was a shared objective of all supply chain members (Hunter, King, & Lawson, 2002). One reason may be that it is impossible for suppliers to really understand the needs of firms' consumers. The other possible reason is that a conflict exists between product delivery and product quality. In other words, buyer and supplier have different goals in the whole operation of the supply chain.

When dealing with verbal communication, both Firm A and its supplier use the same Gefei PDF system which makes data easy to understand. The installation of this special software

ensures the information can be interpreted accurately, which helps to eliminate the communication problem. Firm B also turns to high-technology tools (picture software and digital cameras) to improve understanding. At the same time, Firm B and its suppliers regularly visit each other to discuss and solve problems. Generally speaking, verbal communication is still a problem in outsourcing, but it is not a barrier in the cooperation between firms and suppliers.

Comparing Outsourcing Patterns Derived from This Study with Birnbaum's Sourcing Pattern

Figure 3

Outsourcing Pattern through Subcontractors

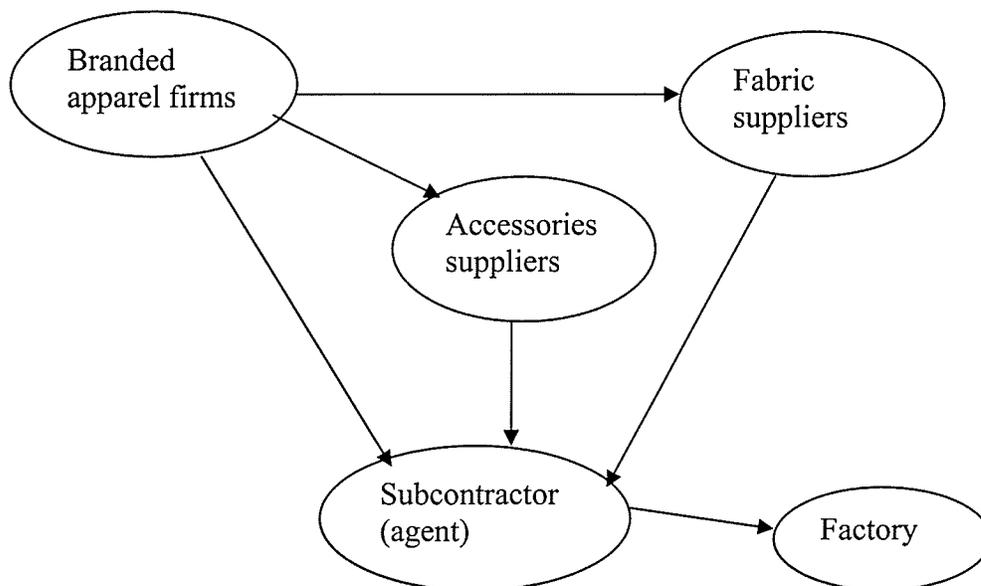
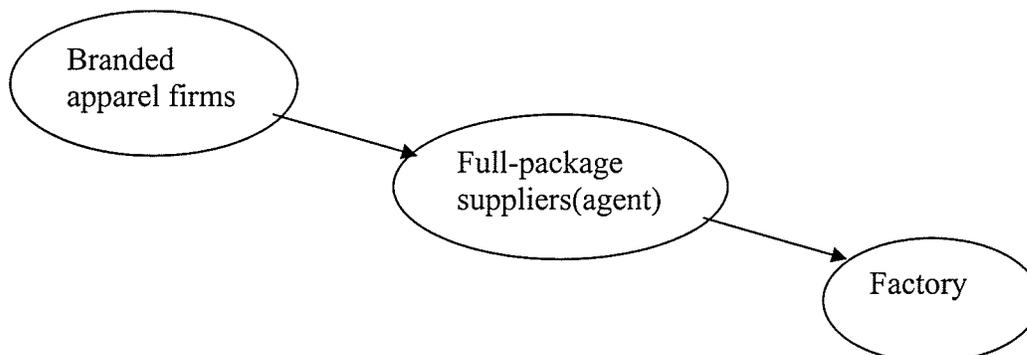


Figure 4

Outsourcing Pattern through Full-package Suppliers

When outsourcing through subcontractors, both firms use the model of Figure 3. The difference is that in this model, Firm A is responsible for sample-making and grading, while Firm B no longer provides these service to its subcontractor in the U.S. producing about 10% of Brand B. Under full-package suppliers, the two firms use the same outsourcing model as shown in Figure 4.

The comparison of two models clearly shows that the advantages of using full-package suppliers leads to reducing response time, improving cooperation, and shortening the length of the supply chain.

These two models partly verify Birnbaum's prediction of apparel outsourcing patterns after 2005. Firm A's Supply Chain Model through Subcontractors matches Birnbaum's Standard Garment Sourcing Model (SGSM). In the subcontractor model, branded apparel firms carry out all pre-production processes, including fabric sourcing, sample and pattern-making. At the same time, the Supply Chain Model through Full-package Suppliers partly fits into Birnbaum's Full Value Sourcing Model (FVSM)

Comparing the Supply Chain model of Full-package suppliers to Birnbaum's FVSM, the model with full-package suppliers includes three members which are branded apparel firms, oversea agents, and oversea factories, while in Birnbaum's FVSM, only two members are needed, respectively factories and customers which may be branded apparel firms, retailers or marketers. This means that the current stage of outsourcing model still does not reach Birnbaum's predicted model which is comprised of only two members. However, Birnbaum's FVSM may possibly be the ultimate outsourcing model in the apparel chain for the sake of further cost savings.

However this finding is contrary to Gereffi's (2002) findings that branded apparel manufacturers focused on assembly using imported inputs. One possible explanation is that in Gereffi's study, the selected branded apparel manufacturers are very big firms that operate their factories in outsourcing countries. This may indicate that firm size is one of determinants in choosing either agent-based full-package supplier or factory-based full-package suppliers.

CHAPTER SIX

CONCLUSIONS, LIMITATIONS, IMPLICATIONS

Conclusions

This study is an empirical investigation of the influence of consumer's opinions of COO on outsourcing within Manitoba branded apparel firms. Four research objectives are addressed. The first objective examines whether branded apparel firms consider consumer's opinion of COO in their offshore outsourcing. It appears that firms are not likely to be influenced by consumer's opinion of COO during their offshore sourcing. This information is not considered to be a criterion by respondents in their supplier selection. However the findings indicate that COO may have influence on outsourcing in some special markets, like the premium market.

The second research objective investigates why branded apparel firms do not consider consumer's opinions of COO in their offshore sourcing, given that the relationship in objective one did not exist. Evidently, the two branded apparel firms examined in this research pay no attention to consumer's opinion of COO in the process of outsourcing. Both firms' marketing research found that COO had little influence on their consumers' purchasing choice and country image changed over time, therefore, this information is not valuable in outsourcing decision making. Further, the results of this study indicate that features such as style and design are more important than COO in outsourcing. It is shown that both firms are clearly in control of the design and marketing. Particularly, one firm noticed that the manner of consumers answering survey questions could not really reflect their actual purchasing behavior, which was consistent with prior research findings.

From the firm's side, COO may have some influence on both firms' outsourcing. Many previous studies have examined COO effects on industrial outsourcing and the results are positive. Firm A considers COO effects in the supplier selection in terms of country capacity, technology development, and degree of economy, for different price points which is an indicator of product quality. However, for the product with a lower price point, it is reasonable to assume that COO has negligible influence on firms' outsourcing. Firm B planned to develop new suppliers from other countries, but this plan has not been worked out, because of quality control problems.

For branded apparel firms, country of design is not an issue in their outsourcing, because all garments are designed by the firms. They outsource production rather than design. The other possible reason is that under international sourcing, design and marketing are the high-value added part of the whole supply chain and more profitable for the business, therefore it is crucial to hold this leadership in the chain. From this point, the influence of COD does not exist in offshore sourcing of branded apparel firms. Finally, brand effect seems to be more important than COO in outsourcing. It is shown in ensuring quality and designing garments in Canada. Both quality and design are key indicators of brand image. As a result, in some cases, the importance of quality outweighs the importance of price in supplier selection.

A third objective examines the current criteria used in supplier selection for branded apparel firms as well as the importance of a long-term relationship with suppliers. The results of this research show that criteria used in supplier selection are consistent with those studied in previous research displayed in Table 2. In outsourcing, branded apparel firms look to suppliers with best overall performance, especially with ability to fulfill quality specifications instead of only low price. With the current global sourcing trend, apparel firms need to develop an effective

process for the selection and evaluation of suppliers as a part of their supply chain management (SCM) processes; supplier selection is no longer just the issue of obtaining low product price (Teng & Jaramillo, 2005).

To deal with the influx of new competition, branded apparel firms have adopted several strategic responses that alter the content and scope of their global sourcing networks. They are shrinking their supply chain using fewer but more capable manufacturers. This means that branded apparel firms may view a long-term relationship with few suppliers as a outsourcing strategy rather than expanding the number of suppliers. Therefore, apparel firms usually use strategic sourcing to reduce risk and lower cost, by establishing close relationships between personnel on both buyer and supplier sides. Moreover, the implementation of SCM practices is a way to establish a close buyer-supplier relationship as a true partnership among supply-chain members, beyond just price negotiations (Teng & Jaramillo, 2005).

A fourth objective investigated why branded apparel firms prefer full-package suppliers to subcontractors. Research has indicated that the use of full-package suppliers in outsourcing frees firms from pre-production activities in which expensive salaries are removed, resulting in cost savings. In other words, these activities have been shifted to the supplier's side. This study found that suppliers were willing to take over pre-production activities, which made the whole garment production process more fluent. In addition, if the full-package supplier and its tier suppliers are located in the same geographic area, it is possible to cooperate closely and eliminate the communication problem. Thus, the use of full-package suppliers makes the whole supply chain move smoothly. The head office just sends the design with specifications to its full-package suppliers, without concern for the logistics issues. As a result, the fluent

coordination between supply chain members reduces the lead time, speeds the product to market, and finally saves cost.

Conversely, the findings of this study found that the use of subcontractors in outsourcing obviously brought more responsibilities to branded apparel firms. In addition to scheduling fabric for subcontractors, firms have to pay attention to cooperation between supply chain members and logistics issues. In some cases, the firm also needs to supply extra service, such as sample making and grading. This sourcing pattern not only lengthens the supply chain, but increases lead time.

By comparing the advantages of full-package suppliers and the disadvantages of subcontractors, the preference for full-package suppliers in firms' outsourcing is not surprising.

Lastly, this study has furthered the sourcing model match between models derived from the two firms examined and Birnbaum's (2005). The sourcing pattern through subcontractors matches Birnbaum's (2005) Standard Garment Sourcing Model (SGSM), in which apparel firms provide pre-production service for its suppliers and handle the cooperation between all supply chain members. This pattern has a longer supply chain and is expensive to operate. Meanwhile, the sourcing pattern through full-package supplier fits into Birnbaum's (2005) Full Value Sourcing Model (FVSM), but not exactly. The pattern with full-package supplier obtained from this study has one more member in the supply chain than FVSM. But it is reasonable to assume that bigger branded apparel firms may use FVSM in outsourcing. And FVSM may be the ultimate sourcing model in the future.

Limitation of the Study

This area is a complicated one, especially in view of the fact that the influence of consumer's opinion of COO on buyer's offshore outsourcing is so far not addressed. There are several limitations that should be noted. First of all, given the qualitative nature of this research within a newly examined area, the results at this stage of the research process are not as generalizable as more developed theories. This study concentrated on generating empirical evidence regarding the influence of consumer's opinion of COO on branded apparel firms' outsourcing. Secondly, the data were collected only in Winnipeg, so the results may not be generalizable to other cities in Canada, or to other countries. However, some findings may be representative for most branded apparel firms across North America in terms of the importance of a long-term relationship, criteria used in supplier selection, and preference for full-package suppliers in outsourcing. Thirdly, because branded apparel firms were used, the results may not be generalized to retailers and non-branded apparel firms.

Implications

Practical Implications

The findings of this study have empirical implications for branded apparel firms. In outsourcing, it is important for both suppliers and buyers to develop a long-term relationship. This relationship is the basis for ensuring product quality and smoothing the supply chain operation. Further, it may be necessary for branded apparel firms to adopt strategic outsourcing from supplier selection to supplier types in order to reduce lead time and save costs. For example, in Firm A's supplier selection, the quality criterion outweighs the price criterion according to its

product requirements. And whether agent-based suppliers or manufacturer-based suppliers will be used is also an important issue.

A better understanding of how consumers interpret COO could be useful for planning production as well as international marketing strategies. Compared to other information cues, like style and design, domestic consumers do not really care about COO, so it is not necessary for branded apparel firms to consider consumer's opinions of COO, except in some premium markets. However, when branded apparel firms target foreign markets, it might be helpful to consider Country of Brand, particularly in their advertising strategy.

In addition, design and marketing are two value added activities in the supply chain. In the current supply chain model, suppliers are responsible for the manufacturing side, while branded apparel firms are in charge of the design and marketing side. This may be an effective way to split the responsibilities in the chain.

Theoretical Implications

This study is designed to assess the impact of consumer's opinion of COO on branded apparel firms' outsourcing. More specifically, we empirically tested whether firms considered this factor in their outsourcing. In this study, COO is defined Country of Manufacturing. The issue raised from this study is how to properly define COO in studies of consumers' behavior. When examining origin influence on consumer's behavior, brand origin may be more appropriately used for those branded companies that will target international consumers. In domestic markets, consumers assume that origin of design and brand is from their own country. Country of Manufacturing might not be a major concern for local consumers, at least in the apparel area, but a more appropriate definition for COO is still country of Manufacturing.

Therefore, we suggest that COO effects in further studies might be decomposed into effects of Country of Manufacturing/Assembly, Country of Design, Country of Part, which have already been studied in previous research, as well as effects of Country of Brand. In other words, brand origin should be part of the decomposed COO, especially for those companies that are planning to enter into international markets.

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APPENDIX A

Interview Guide

1. How many brands does your company own?
2. What are the product categories for each brand that your company owns?
3. What proportion of these products are made in Canada for each brand?
4. Why do you consider producing these products in Canada?
5. What proportion of these products are made outside of Canada for each brand?
6. Do you use full-package suppliers or subcontractors?
7. Could you tell me when you select suppliers, which factors do you consider?
8. You mentioned these factors, Are they equally important? Can you explain?
9. Do you prefer full-package suppliers or subcontractors?
10. Could you tell me why you prefer full-package suppliers or subcontractors?
11. Why do you decided to source from these countries by using subcontractors?
12. How important is the long-term relationship with suppliers for your company?
13. How do you develop a long-term relationship with your suppliers?
14. Do your supplier and your company share the same objective: consumers' satisfaction?
15. What kind of service do your full-package suppliers provide for you?
16. Does your full-package supplier also provide design for your company? Why or why not? Do you think consumer's opinion of where the garment is designed is one of the reasons that you decide to design these garments in Canada?
17. Do you know where the garment is made has influence on your final consumers' evaluations?
(COO is defined where the garment is made)
18. For the brand 1, do you consider your final consumer's opinion of COO, when you decide

where to source, under certain price point?

19. If yes, how do your final consumers' opinions of COO affect your decision making on where to source?
20. If not, why do you not consider consumer's opinions of COO?
21. Under brand 2, repeat questions 18-20
22. Under brand 3, repeat questions 18-20
23. Do you think other apparel firms use similar outsourcing practices as your company?

APPENDIX B

Questionnaire

For purposes of this survey, we define outsourcing as the procuring of services or products (for example: digital printing, fastenings, fabrics, design services) from an outside supplier. For this survey, we are interested only in outsourcing with firms in countries other than Canada. We define Country of Origin as the country where a garment is made.

Part I Profile of firms and respondents

1. How many employees are there in your company? _____

2. What are the total annual sales in your company? _____

3. What is your present job title? _____

a) Please briefly describe your responsibilities?

4. How many years of outsourcing experience do you have in your current job position?

Part II Country of Origin and Outsourcing questions

1. For your own brands, which brands does your company source more than 50% from overseas countries? Please make a check.

Brand 1 _____

Brand 2 _____

Brand 3 _____

Brand 4 _____

Other Brand _____

2. For each brand which is outsourced, do you use full-package suppliers or subcontractor or both?

Please make a check

Brand name	Suppliers
Brand 1	<input type="checkbox"/> <u>Full-package suppliers</u> or <input type="checkbox"/> <u>Subcontractors</u> or <input type="checkbox"/> <u>Both</u>
Brand 2	<input type="checkbox"/> <u>Full-package suppliers</u> or <input type="checkbox"/> <u>Subcontractors</u> or <input type="checkbox"/> <u>Both</u>
Brand 3	<input type="checkbox"/> <u>Full-package suppliers</u> or <input type="checkbox"/> <u>Subcontractors</u> or <input type="checkbox"/> <u>Both</u>
Brand 4	<input type="checkbox"/> <u>Full-package suppliers</u> or <input type="checkbox"/> <u>Subcontractors</u> or <input type="checkbox"/> <u>Both</u>
Other Brand	<input type="checkbox"/> <u>Full-package suppliers</u> or <input type="checkbox"/> <u>Subcontractors</u> or <input type="checkbox"/> <u>Both</u>

3. For each brand, which price point does it fit into? Please make a check.

Brand name	Price points					
	Designer	Bridge	Better	Upper moderate	Moderate	Budget
Brand 1						
Brand 2						
Brand 3						
Brand 4						
Other Brand						

Thank you for your participation. If you have any questions please feel free to contact me, Wenxia Guo or my advisor, Dr. Tammi S. Feltham, Ph.D., Acting Head, Textile Sciences.

APPENDIX C

Cover letter



UNIVERSITY
OF MANITOBA

Faculty of Human Ecology
Department of Textile Sciences
Wenxia Guo, Graduate Student
C/O 205 Human Ecology Building, Winnipeg, Canada,
R3T 2N2

Date:

Dear Sir/Madam:

As you are aware, I am a graduate student in the Department of Textile Sciences at the University of Manitoba. Recently I have been working on my Master's thesis which is investigating the relationship between consumers' opinions of Country of Origin (COO) and outsourcing decisions for finished garments by Manitoba apparel firms.

The objective of my research is to examine how firms take consumers' beliefs about Country of Origin into account when they make outsourcing decisions for finished garments. For example, when a firm is planning to select a supplier from an overseas country for finished women's fashion clothing, is this outsourcing decision influenced by consumers' opinions of COO. In other words, do consumers' opinions of COO matter when firms are making outsourcing decisions? I am interested in exploring this relationship with the help of your firm as a representative in the field of apparel. I also would like to look at the criteria used in outsourcing decisions by your firm, such as cost, supplier performance, and product quality.

To enable me to meet my thesis objectives, I will be using the case study research method. This method focuses on describing and understanding processes in depth within a real-life context. Your firm's participation in this research would be comprised of two parts. The first part would be an interview with an individual in your firm who is involved in outsourcing (as chosen by you). I would like to record the interview so that a transcript could be prepared for review by the interviewee and for accuracy in my analysis later. The second part would be to have this individual complete a short, self-administered questionnaire, which includes basic information about your company and likert-scale questions (rating items on one to five scales) related to criteria of outsourcing activities.

This research has been approved by the joint-faculty Research Ethics Board. You would be free to withdraw from the study at any time, and you do not have to answer any questions that you do not feel comfortable answering. To ensure accuracy, after I have completed the interview, the transcript would be shown to you for review. Further to the issue of confidentiality, the name of your firm would not be reported in my thesis without your permission.

I would like to thank for your time and consideration. Your participation would be one of the most important components of my thesis and would contribute greatly to the understanding of criteria used in the outsourcing process in apparel firms. I will be calling you in a week to discuss with you whether your firm would consider participating and the conditions under which you would feel comfortable participating. If you have any questions, please feel free to contact me or my advisor, Dr. Tammi Feltham, Ph.D., Acting Head, Textile Sciences.

Sincerely,

Wenxia Guo
Graduate student
University of Manitoba
Textile Sciences



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APPENDIX D
Case Approval Letter from Firm A

Faculty of Human Ecology
Wenxia Guo, Graduate Student
Textile Sciences
C/O 205 Human Ecology Building, Winnipeg, MB, R3T 2N2

Date

Dear Mr.,

Thank you for taking the time to review the case for the outsourcing process related to the influence of consumers' opinions of Country of Origin and supplier selection at your company.

In order to properly document the case of your company, I would like to ask if you would sign this letter indicating that you are satisfied with the content of the case.

I, participant A, have reviewed the following case for accuracy.

Industrial Apparel Buyers Use of End Consumer's Country of Origin Perceptions
When Making Sourcing Decisions

Case One
Branded Apparel Firm A

Signature _____

Date _____

Thank you for your attention to this matter. I will call you in one week to arrange to pick up the letter.

Sincerely,

Wenxia Guo
Graduate Student
University of Manitoba
Textile Sciences



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APPENDIX E
Case Approval Letter from Firm B

Faculty of Human Ecology
Wenxia Guo, Graduate Student
Textile Sciences
C/O 205 Human Ecology Building, Winnipeg, MB, R3T 2N2

Date

Dear Ms,

Thank you for taking the time to review the case for the outsourcing process related to the influence of consumers' opinions of Country of Origin and supplier selection at your company.

In order to properly document the case of your company, I would like to ask if you would sign this letter indicating that you are satisfied with the content of the case.

I, participant B, have reviewed the following case for accuracy.

Industrial Apparel Buyers Use of End Consumer's Country of Origin Perceptions
When Making Sourcing Decisions

Case Two
Branded Apparel Firm B

Signature _____

Date _____

Thank you for your attention to this matter. I will call you in one week to arrange to pick up the letter.

Sincerely,

Wenxia Guo
Graduate Student
University of Manitoba
Textile Sciences