The online apparel-sourcing Agent: a fraction of the cost but at a fraction of the service?

Digital Apparel Sourcing for small to medium sized enterprises in the Netherlands

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Authors Declaration

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Preface

During my specialisation in international production, at the Amsterdam Fashion Institute, I did a traineeship at Lidl Hongkong Limited. I worked in the sourcing department and my task was to conduct research on new factories in Asia, contact them and eventually acquire them for the firm. I spent four months every workday on researching and contacting factories - finding the right match was difficult. The result of the four months work were roundabouts six hundred factories with whom I had been in touch, whereas in the end only two of them eventually met our diverse requirements. During this period I was been supported by the years of work experience and knowledge of my team, had a big name to drop in contacts when mentioning Lidl, and had access to all resources I could wish for. It still was a highly time and cost consuming process. This is what led me to the thought about a smarter solution, a faster and cheaper way to find the right match of factories and brands in this fast paced and innovative age that we live in. That is why I chose to investigate this issue in my graduation project. I believe that if there was a viable solution to this, it could revolutionise current workings of the sourcing and producing industry. And by knowing that the slight chance exists that it could, it makes you wonder and eager to give it a try.

Acknowledgments

This research and idea for a technology would not have been possible without the generous contributions of all interviewees that participated. Special thanks to Stuart Webster from the CQI who not only granted my WRAP auditing license but also keeps being available for any information or advise needed about the apparel sourcing and producing industry. Furthermore, to my former colleagues at Lidl Hong Kong Limited, whose support is without limits. Especially to Billy Cheung, sourcing officer, and Hilde Gunn-Verstad, director of compliance and sustainability, who always took time for my questions and allowed me to learn from their experiences. Next to that, to the Dutch apparel brands that took time to be interviewed and helped me brainstorm the final idea. Many thanks also to Sqetch, who are working on the same idea and provided me with substantial input. Finally, to Bob Stolk, co-founder of Paperflies, who realistically advises me on all technical questions and taught me everything I know about building and running an ecommerce business.
Abstract

Sourcing and producing techniques available to Dutch apparel start-ups and SMEs in the year of 2018 are not timely, in this digital age of automation, and do not cover the in the report presented lead issues.

That is why this report investigated why specifically the garment sourcing and producing industry lacks in available, digital and automated tools available and how it can be solved.

To reach the aim of this report, firstly the obstacles and needs of Dutch apparel SMEs when sourcing and producing their garments were determined via in depth interviews. Secondly, the international playing field of existing apparel sourcing B2B web platforms was elaborated on and put into relation with the presented lead issues, on the basis of observational data. Thirdly, in regard to finding a solution on how to possibly improve currently available apparel sourcing and producing B2B tools, to make them applicable to Dutch apparel SMEs, a query into matchmaking tools of other industries has been made to learn from their solutions on the same issues. These findings were reached with observational data.

Key findings in this quest were that the lead issues for Dutch apparel SMEs when sourcing and producing their products are trust and reliability. Further, it was found that currently available sites do not provide viable solutions to the lead issues. Finally, when branching out into other industries, three key findings to the lead issues were established.

A commercial evaluation suggests that implementing the three key findings into current apparel sourcing systems would make them a viable option to be used by Dutch apparel SMEs when sourcing and producing their garments.
Table of Contents

Authors Declaration and Copyright 02
Preface and Acknowledgments 03
Abstract 04
Table of Contents 05
Abbreviations and Definitions 07

Chapter 1: Introduction 08
1.1 Apparel Sourcing for SME’s in the Netherlands 08
1.2 Aim 09
1.3 Relevance to the Industry 09
1.4 Research Question 10
1.5 Methodology 10
1.6 Structure 11
1.7 Scope 11

Chapter 2: Dutch Apparel SMEs 12
2.1 Sourcing and Producing 12
   2.1.1. Sourcing Process 12
       2.1.1.1. General Satisfaction 13
   2.1.2. Production Process 14
       2.1.2.1. General Satisfaction 14
2.2. Identification of the Lead Issues: Trust and Reliability 15
2.3. Conclusion 15
Chapter 3: Apparel Sourcing B2B ecommerce platforms

3.1 Market Analysis

3.1.1 International Playing field

3.1.1.1 Functionality

3.1.1.2 User Experience (UX)

3.1.2 Relevance to Dutch apparel SMEs

3.1.2.1 Trust and Reliability

3.3 Conclusion

Chapter 4: Matchmaking platforms in other Industries

4.1 Platforms in comparable ecommerce business models

4.1.1 B2B: Up Work

4.1.1.1 Trust and Reliability

4.1.2 B2C: Booking.com

4.1.2.1 Trust and Reliability

4.1.3 P2P: Airbnb

4.1.3.1 Trust and Reliability

4.2 Conclusion

Chapter 5: Conclusion

5.1 Advised Course of Action

Bibliography

List of Figures and Tables

List of Interviews

References

Appendix (see Process book)
Abbreviations

B2B = Business to Business
B2C = Business to Consumer
Ecommerce = commercial transactions operated electronically on the Internet
Europe + = All countries in the EU plus Turkey and Morocco
P2P = Peer to Peer
SME = Small to Medium Enterprise
UX = User Experience

Definitions

Escrow Payments
Escrow is an independent party that secures payments.

Metasearch Engine
A metasearch engine compares all existing data on the Internet on a certain topic. It collects data and compares.

Regulatory Compliance
In context of the apparel sourcing industry means the goals a company aims to achieve in their efforts to be aware of and take necessary steps to comply with workers safety, labour laws and sustainability regulations, as in for example minimising the companies co2 footprint. Next to that, many companies also have the goal to leave a positive impact in their production country and therefore also include workers welfare programmes.

WRAP Certification
WRAP is an American factory certification system, assessing the conditions of Labour.
1. Introduction

In this introductory chapter, the general purpose and relevance as well as the reports lead research questions and structure will be laid out for the reader.

1.1. Apparel Sourcing for SME's in the Netherlands

‘Starting a business has never been easier than before’ has been the headline in many newspapers in the last two years (Dann, 2015). Reason for that is the World Wide Web offering a broad spectrum of digital tools to aid at every step along the way. There are sites offering tools to build a website, a shop, plan the marketing or even the finances of ones idea. The level of ease at which one can found a company in this digital age of automation is greater than ever (McKinsey & Company , 2017). Dutch apparel start-ups keep struggling however (Centraal Bureau voor de Statistiek , 2015). Looking at the five most persistent issues of apparel start up failure, three of them involve difficulties with the production of the tangible product (Skok, 2012). This is due to two reasons.

The first reason is the evolution of the apparel sourcing and producing industry in respond to the demands of fast fashion and mass production (Hanson, 2017). Sourcing and producing processes have become increasingly more complex over the past years (Carroll, 2015). Key accelerators of this increasing complexity have been incidents like the collapse of the Rana Plaza apparel factory in Bangladesh, which killed 1135 people, in the year of 2013, which urgently demanded for change of the industry (Reuters in Dhaka , 2016). Nowadays social responsibility is more than just media speak with which a company profiles itself, it is code of conduct for most businesses (Berg & Hedrich, 2014). Another accelerator of this evolution is the ever so present concern about climate change.

Sustainability and concern about the co2 footprint a company produces, in apparel sourcing, has become indispensable. An industry that used to be just about the cost nowadays also needs to be balanced with regulatory compliance (Berg & Hedrich, 2014).

The second reason is the scarcity of solutions available to Dutch apparel SME'S to overcome the hurdle of the ever so complex industry. The Options given to deal with the increased level of complexity in the sourcing and producing industry can be narrowed down to three. The first option is to provide substantial budget to hire a sourcing professional (Sorg, personal communication, May 2, 2018). The second option is to free up substantial time to research and travel to the desired production country in person (Kemps, personal communication, April 24, 2017). Both time and budget is what a majority of small to medium sized apparel business do not have (Stolk, personal communication, April 20, 2017). The third option is to consult the World Wide Web for support.

Looking at the small number of existing apparel sourcing and producing tools worldwide, at this point in time, none of them cover all five main criteria which are fundamental to sourcing: cost, quality, capacity, speed, and risk. (Berg & Hedrich, 2014). Therefore the World Wide Web also does not provide a holistic solution.

Considering this digital age of automation and the earlier mentioned broad spectrum of tools available to aid small to medium sized enterprises along the way there appears to be a void in digital solutions when it comes to sourcing and producing apparel. The fashion and apparel value chain is generally digitally advancing with great speed however, most sourcing options are still analogue (Hanson, 2017).
Thus, in this digital age, it is pertinent to research to what extend B2B web portals used in apparel sourcing and producing meet the needs of Dutch apparel SME’s and how those needs can be covered within the approach of a holistic digital solution.

1.2. Aim

This research reports aim is to identify the needs of Dutch apparel SME’s when it comes to sourcing and producing their garments and whether current apparel sourcing tools are applicable and sufficient to those needs. The goal is to not only optimise and simplify the current sourcing processes of those named enterprises, but to also make it more accessible. This project consists of a research report and a therefrom-resulting idea for a technology as product. The outcome of the research report is aspired to lay a foundation for a technology that connects Dutch apparel SME’s with small to medium sized high quality apparel factories to solve the issue of sourcing the right factory. In practice, the result of this report shall represent all fundamental research necessary to defend such idea.

Following the research report, the desired product will be a B2B web portal technology assisting in apparel buyer and supplier matchmaking. Considering the given timeframe and resources, it will be a prototype of the aspired technology, ready for programming. This will include the concept design, a requirement analysis, the prototype design, unit testing, a dummy site presentation and a feasibility study.

1.3. Relevance to the Industry

This research report is intended to deliver innovative insights for the apparel sourcing and producing industry. It shall elaborate on current workings in regard to Dutch SME’s and digitalization in sourcing and producing as well as whether they can be improved and if how they can be improved. The findings of this report shall contribute to not only optimise and simplify current workings but to also make them more accessible.

The aspired platform of apparel buyer and supplier matchmaking shall connect Dutch apparel start-ups with small to medium sized reliable and high quality apparel production facilities. The effect on the global apparel industry might be minimal at first, considering the size of the Netherlands. In general, however, it shall not only contribute to a movement away from apparel mass production and its strong links to waste, pollution and factory dependencies but also empower small to medium businesses and societies trend to a more conscious lifestyle.
1.4. Research Questions

Main research question:
To what extent do B2B web portals used in apparel sourcing and production meet the needs of Dutch apparel SME’s?
In order to answer my main research question the following will be investigated with in depth analysis:
1. What are the difficulties Dutch apparel SMEs have to face when it comes to sourcing their product and what are their needs?
2. What current B2B web portals focused on sourcing apparel do exist, how do they work, and to what extent are they related to the needs of Dutch apparel SMEs?
3. What other matchmaking systems are there in other industries, why have they succeeded or failed and how are those findings related to a B2B sourcing platform?

1.5. Methodology

The conducted qualitative research report compiles primary and secondary data gathered from desk and field research, specified per research question as follows.
In order to investigate the first research question of what difficulties Dutch apparel SMEs face when sourcing and producing their product and what their needs are, eleven interviews have been conducted in order to gain in depth information. Each interview lasted approximately sixty minutes and took place in person. The participating companies were chosen by the size of the business and its segment. They had to qualify as a small to medium sized enterprise and in order to reach a broad spectrum of opinions, companies of the lower, mid and premium segment were chosen. The interviewees that participated are nine Dutch apparel SMEs. Additional interviewees are, a former WRAP certification officer and current employee of the Chartered Quality Institute, who was consulted on his experience and opinion of the global sourcing strategies and issues. And the founder of an existing apparel sourcing B2B web platform called Sqetch was questioned about his experiences in the B2B apparel sourcing industry.
By conducting these interviews it was possible to gain an understanding of what the difficulties and the needs for Dutch apparel SMEs are when sourcing and producing. Due to the input of the WRAP certification officer it was possible to understand the bigger picture around those needs and difficulties and where they might origin. Talking to the founder of an existing apparel sourcing B2B web portal was a crucial addition in order to understand what his experience of working in the business is and what his opinion on the difficulties and needs of Dutch apparel SMEs are. Next to that, statistics published on the topic by the European Commission and by the OECD have been analysed. This aided in understanding the facts making up such apparel SMEs.

The second research question of which B2B web portals focused on sourcing apparel currently exist, how they work, and to what extent they are related to the needs of Dutch apparel SMEs, was analysed by using the online observation method on thirteen chosen B2B apparel sourcing websites which resulted in a comparative assessment. This comparative assessment was conducted following the technique of Hasan on how to rate online User Experience (Hasan, 2011). By using a renowned technique consistently on all thirteen portals, it allowed for a fair performance comparison. Whether the chosen portals are related to the needs of Dutch apparel SMEs was determined by using the data gained in the interviews with the nine Dutch apparel brands. Using this input shed light on the existing needs in correlation to the analysed portals’ offered features.
The third research question, namely which other matchmaking systems exist in other industries, why they succeeded or failed and how those findings are related to a B2B sourcing platform was supported by comparing the three most successful companies in other industries and business models worldwide. This analysis was conducted by using observational data, in order to understand the sites users experience. This helped to understand how the companies’ tackle the in previous chapters analysed issues on current B2B apparel-sourcing sites and whether they therefor succeeded or failed. To provide insights into the principle of the three chosen sites, scientific papers have been analysed.

1.6. Structure

In the following research report, the previously named research questions will be chronologically investigated in chapter two to four. At first a general understanding of Dutch apparel SME sourcing and producing processes is laid out to result in a definition of their needs. Then, a broad analysis of current apparel B2B sourcing ecommerce platforms is put in relation with the needs of the Dutch apparel SMEs. Finally, matchmaking platforms in other industries are analysed in order to learn how they perform on the previously identified core issues. At last, a final conclusion can be found where all results are gathered and research questions being answered.

1.7. Scope

Limitations in the present research are based on the fact that collected information is functioning as a snapshot of time and, taking the fast technological developments into account, might become outdated within a short frame of time. Furthermore, not all globally existing B2B apparel sourcing matchmaking platforms might be included, due to either language barriers or inaccessibility during the research timeframe. Another limitation can be that only nine companies have been interviewed, which does not allow for a conclusive definition of the issue, but shall rather be used in support of understanding the issue.

Within the scope of this research the focus is laid on Dutch small to medium sized enterprises that develop their own collection from scratch and subsequently acquire factories to produce their designs themselves.
2. Dutch Apparel SME’s

In the following chapter the sourcing and producing operations of small to medium sized apparel enterprises in the Netherlands will be examined. Subsequently, these findings will support answering the question whether current B2B apparel sourcing web portals are sufficient.

As by definition, companies that have a maximum of 250 employees, qualify as a medium sized company, and companies with a maximum of 50 employees, qualify as a small company (European Comission, 2017). SMEs are also always individual firms, which are non-subsidiary (OECD, 2005).

Within the framework of this research report, the focus is laid on companies and start-ups qualifying as a small company, which however go with the general umbrella term SME. The choice to focus on small companies was made due to the fact that they “closer to the real action” like Gene Marks, owner of Marks Group, claims (Marks, 2013), as they do not have specialists for every single step of the way, but rather take care of all the necessary steps themselves. Therefore they are more likely to be able to support the research with broad and useful data.

In order to identify possible obstacles and needs during the apparel sourcing and producing process, nine founders and production professionals of small Dutch fashion companies have been interviewed about their experiences in sourcing and producing. Companies which participated are: Shirts of Holland and Liefling, Laika Hunt, Groomsday, Mersor, Rose+Nine, Anecdote, Delikatessen, Colourful Rebel and Daily Paper. Stuart Webster, formerly with the WRAP Certification system, from the Chartered Quality Institute (CQI) was interviewed about his opinion and experience on sourcing strategies for small to medium sized apparel companies in the Netherlands. In order to reach a broadly facetted opinion on the current workings of the industry, Wouter de Roy van Zuidewijn, founder of a recently established B2B apparel sourcing matchmaking site called Sqetch, was interviewed and shared his experience.

2.1. Sourcing and Producing

In the following an understanding of the sourcing and producing processes, of Dutch apparel SME’s, and the herein resulting obstacles and needs can be gained. After thoroughly examining the two main points of focus, this will lead to the identification of the lead issues.

2.1.1. Sourcing Process

Sourcing a product means acquiring a factory that is suitable to produce that product first. The main criteria of selection are: cost, quality, capacity, speed, and risk. These requirements must match by the offerings from both parties (Berg & Hedrich, 2014). Next to that, also regulatory compliance needs must be fulfilled. This adds up to a broadly facetted set of variables needing to align before being able to acquire an apparel factory.

Looking at the strategies Dutch small to medium sized apparel businesses apply to acquire factories, there appear to be three most commonly used methods.

The first method is to hire an agent located in the production country who will help to close the right deal with the right factory. This is a reliable and safe way to diminish possible language or mentality barriers as well as to ensure production lead-times and quality standards kept (Ophof, personal communication, April 24, 2017). The downside, however is, that such agents require thirty per cent of the total production value as a wage on average (Stroop, personal communication, April 10, 2017).
This is a “deal breaker” for many SMEs and newly founded businesses that cannot afford to pay such wages (Stolk, personal communication, April 20, 2017).

The second method is to travel to the desired production country in person and visit possible factories and also to find new factories via word of mouth of the local people (Sorg, personal communication, May 2, 2018). It also entails to visit trade shows like for example Premier Vision or Munich Fabric Start (Lisowski, personal communication, April 24, 2017). Acquiring factories in that manner allows for more trust since the contact with the factory becomes personal. Also by visiting the factory in person, one can ensure the workers safety as well as the garments quality more closely. Downside to this is that it is a costly and time-consuming process. The long-term costs will be minimized, but the SMEs do need capital to start off this process (Van der Sandt, personal communication, April 12, 2017).

The third method is to use the World Wide Web. Using this method requires using websites like “www.alibaba.com” or “www.google.com” in order to research factories and get in touch (Sorg, personal communication, May 2, 2018). This method is cheap and fast. However, it requires the professional to have sourcing experience in order to know what to demand from and how to be in contact with a factory. The risk of using this method is that the inexperience of, for example, not knowing about the customs one has to pay when shipping from China to Europe, can seriously damage a SME’s tight budget (Stolk, personal communication, April 20, 2017). Next to that, when approaching a factory and lacking knowledge as to what to request and discuss, a majority of the factories do not respond or react at all (van den Hof, personal communication, April 17, 2017).

### 2.1.1.1. General Satisfaction

Having understood the methods Dutch apparel SME’s use in sourcing to acquire new factories, it is imminent to also elaborate on their general level of satisfaction of the results reached by using these methods.

Nine out of nine companies claim they are only mostly satisfied with their current set of factories and would wish to have more choice in order to reduce risk, but have difficulties finding other factories. As Stolk, Founder of Laika Hunt, states: “I’ve been searching for ages to find a factory that satisfies my needs. Factories are hard to find, especially the good ones. I worked with multiple factories before finally finding my current factory, which I am happy with. Overall it’s a very time and cost consuming process that almost broke my legs at the start.” (Stolk, personal communication, April 20, 2017). Kemps, Production Manager of Colourful Rebel, says that he would “(…) love it if there were more good, reliable and fair factories more easily available to us. Spreading the risk of outage with having a bigger deck of cards to play is crucial in a sustainable sourcing approach.” (Kemps, personal communication, April 24, 2017).

The lead issue in this process appears to be finding not only a factory, but also one that specifically meets the desired requirements. As Ophof, Production Manager of Anecdote, says: “We have a really high standard about quality, there are only a few factories who have these high standards. It is not easy to find new factories, which have these high standards.” (Ophof, personal communication, April 24, 2017).

The small order volumes on which the companies want to produce, are an additional obstacle especially in combination with the high quality standards. Lisowski, Head Designer of Delikatessen, points out that “the factories are just not interested in small amounts and don’t even give you a chance if it’s not for big orders” (Lisowski, personal communication, April 24, 2017). This leaves the
question whether the quantity of high quality factories producing small volumes is insufficient or whether they are just difficult to find. Webster, from the CQI, remarks that he does believe there are enough factories, however to find one that has capacity to produce is difficult since factories who are not working on full capacity go bankrupt and do not exist anymore. So, what is left are factories that operate at full capacity and that are strict on their requirements for cooperation (Webster, personal communication, April 25, 2017).

2.1.2. Production Process

After having successfully acquired a factory, the production process begins. This means coming to agreements with the manufacturer on the quality and technical aspects of the desired product, the lead-time, the cost and the shipping. This process generally consists of emailing back and forth until agreements have been reached (Hanson, 2017). The brand usually requests their best-case scenario of quality, lead-time, cost and shipping and the manufacturer counters with his best offer to meet the demanded requirements.

2.1.2.1. General Satisfaction

In the following, the experiences of Dutch apparel SME’s when interacting with apparel factories during the production process are being examined.

The interviewed companies report, the quality of communication with factories can heavily fluctuate. On the one hand, Kemps, Production Manager at Colourful Rebel, explains that in Europe it is often straightforward, the language barrier may persist as well as different mentalities. Still, the general understanding is alike and therefor more efficient in production than for example in Asia (Kemps, personal communication, April 24, 2017). On the other hand, Sorg, Founder of Mersor, reports that from her experience, the production in Asia compared to European procedures and techniques is a lot more professional and competitive. Going into detail, there would be less communicational errors as well as timely lead-times (Sorg, personal communication, May 2, 2018). It becomes apparent that opinions based on individual experiences vary and communication no matter the place stays a potential hazard. Also agreements closed upfront, often are only found later to not have been understood alike by both parties. False executions resulted from misunderstandings existent already at time of signing is an issue reported on by Warmehoven, Production Manager at Daily Paper (Warmehoven, personal communication, May 16, 2018).

Furthermore, the payment process is reported to lack security. “Trust is difficult if you have to transfer the down payment for the order - which is 50% - to a stranger with no guarantee as such upfront,” is what Stroop, Founder of Shirts of Holland and Liefling, criticises at his current system (Stroop, personal communication, April 10, 2017). For a small company like his, the risk of loosing such big amounts of monetary value without a product to sell could be jeopardizing the existence of his business. Trust is not only difficult for the brands. They often claim that factories do not trust new clients and therefore add extra steps before the actual production as a safety margin, which is an extra cost for the brand. The factories fear they might be sampling for a brand, which in the end takes those samples and then produces at a different factory (Stolk, personal communication, April 20, 2017). This implies that trust from both sides is difficult to maintain.

Next to that, half of the interviewees report inconsistencies during the production process. These are of qualitative nature and about timely arrival of the ordered goods and possible outages. “Qualities
vary drastically with every order and sample we receive, we never know for sure whether our collection will arrive on time and whether it will be on the agreed quality standards”, is what Lisowski, Head Designer of Delikatessen, criticises (Lisowski, personal communication, April 24, 2017).

2.2. Identification of the Lead Issues: Trust and Reliability

While the presented obstacles and needs, experienced by the interviewees during the apparel sourcing and producing process, vary per SME and cannot be generalised, the read thread connecting them all are the two lead issues of trust and reliability. Trust in regard of the sourcing and producing process is defined as securities. Instances, in which securities are missing, according to the Interviewees, are monetary transactions and agreements. Reliability concerns the overall success of the sourcing and producing process. Threats to this success are: scarcity of suitable factories to produce with, misunderstandings due to miscommunication, fluctuating levels of quality and nonconformity to agreed lead times.

2.3. Conclusion

Concluding this chapter, the current sourcing and producing practices available to Dutch apparel SMEs are filled with a broad spectrum of variables that need to match. In addition to that, considering the great variety among manufacturers and SME’S individual requirements this facilitates a great risk for the overall success. Understanding the mentioned obstacles, the resulting lead issues concomitantly also present the needs of Dutch apparel SME’s when sourcing and producing their garments, which are the need for more trust and reliability during the process. Next to that, when being asked whether they would use a B2B web portal that would support them with their needs, nine out of nine interviewed companies said yes. So the question is whether current B2B apparel sourcing web platforms are sufficiently covering the identified needs.
3. Apparel sourcing B2B ecommerce platforms

Considering the findings of the previous chapter, the question as for whether current B2B apparel sourcing web portals are sufficient to the needs of Dutch SMEs will be examined in the following. Looking at existing B2B apparel sourcing platforms, the terminology must be clarified first. B2B, as in Business to Business, is a term used when one business conducts a commercial transaction with another business. B2B e-commerce defines the process further to be taking place electronically on the Internet. In short, if one business conducts commercial transactions electronically with another business, then it is defined as B2B e-commerce. Katherine Arline highlights the economic advantage of such tools as: “By using B2B e-commerce, companies can improve communications among partners and enhance the purchasing experience from business to business.” Concerning apparel sourcing B2B e-commerce platforms, they are further sub-categorized as “infomediaries”. The platform is acting as an intermediary between factory and Apparel Company by providing desired information (Arline, 2015).

3.1. Market Analysis

Analysing the international market of apparel production matchmakers, thirteen existing apparel sourcing B2B e-commerce platforms have been chosen as the result of in depth online research and shall represent the landscape of the global B2B apparel sourcing industry in April 2017. Table 1 below illustrates a general overview of the conducted comparison. The compared data is divided in three topics: information about the company, the consumer and the factory. By analysing this table, a general understanding of the current market operations with its advantages and disadvantages can be made, which will be elaborated on in the following.

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<thead>
<tr>
<th>COMPANY</th>
<th>CONSUMER</th>
<th>FACTORY</th>
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<td><strong>Name</strong></td>
<td><strong>Language</strong></td>
<td><strong>Cost for Service</strong></td>
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<td>Multilingual</td>
<td>Subscription</td>
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<tr>
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<td>English</td>
<td>Subscription</td>
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Table 1, Apparel Sourcing B2B web Portals in Comparison
3.1.1. International Playing Field

Analysing the values shown in Table 1, a majority of the sites are of Asian origin with six out of thirteen, after that there are five sites from the U.S. and Canada, as seen in Figure 1. Only two of the sites originate in Europe, which shows a lack in this market. This is because, as Bhasin explains in his article on the importance of market competition to end consumers, “(...) active competition makes the market more active and makes people pay more attention” (Bhasin, 2018). There is currently almost no activity in the European playing field of sourcing and producing apparel B2B web platforms, when compared to the other markets. This explains why none of the nine interviewed Dutch apparel SMEs have either heard of or used any of the existing tools. When asking the founder of an existing tool for his reasoning behind the European markets inactivity he explains: “The lack in the market exists due to the level of difficulty to launch a European-wide tool. The diversity of languages as well as laws and regulations per country make it difficult in comparison with the U.S., where one coherent language and likeminded laws and regulations ease the implementation” (de Roy van Zuidewijn, personal communication, May 4, 2018).

![Figure 1, Apparel Sourcing B2B web Portals Market Presence](image)

3.1.1.1. Functionality

As to be seen in Table 2, there is a clear distinction between global and local oriented websites, which can further be seen in their focus on order volumes and quality. Sites that offer factories from just one country often offer high quality factories and small to medium order volumes. There appear to be two kinds of categories in B2B sourcing and producing websites.

a. Supplies driven and factory focused: The first category encompasses sites targeting high volume production, with no specification on the level of quality offered. Concerning the offered service, the majority of the sites offer a directory of factories and products, which the customer can inquire and decide which factory to contact. Those sites are advertisers, so to say “store fronts” for the factories, as for example explained on alibaba.com, the site resembles an online shop front for the factory, which the factory is charged for. Sites that work this way have been launched in the 1990s. Sites fitting into this category are: Alibaba, Fibre2Fashion, Made in China, Top Ten Wholesale, India Mart, Manufacturer and Myanmar Garments.
b. Demand driven and brand focused: In the second category are sites that focus on small to medium sized production, high quality and ethical values. Furthermore, they tend to offer curated and verified factories. The majority of those sites requests the customer to pay either for a subscription to access the site or/and takes a percentage off the final order value. These sites work as matchmakers, as online sourcing agents so to say, and have all been established after 2015 only. Sites fitting into this category are: Source my Garment, Sqetch, Sitateru, Makers Row, Let’s make it here and Bambify.

Table 2, Apparel Sourcing B2B web Portals Feature Comparison

<table>
<thead>
<tr>
<th>Market Presence</th>
<th>Factory Location</th>
<th>Factory Specific</th>
<th>Service Set-Up</th>
<th>Service Directory</th>
</tr>
</thead>
<tbody>
<tr>
<td>America</td>
<td>Global</td>
<td>Specific</td>
<td>Mach Maker</td>
<td>3</td>
</tr>
<tr>
<td>Asia</td>
<td>Specific</td>
<td></td>
<td>Directory</td>
<td>10</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Language</td>
<td>English</td>
<td>Showcased Products</td>
<td>Apparel</td>
<td>11</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target Group</td>
<td>Global</td>
<td>Order Volumes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pricing for Consumer</td>
<td>Subscription</td>
<td>Focus on Quality</td>
<td>Yes</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Free Access</td>
<td></td>
<td>No</td>
<td>7</td>
</tr>
</tbody>
</table>

3.1.1.2. User Experience (UX)

The quality of a website is one of the main drivers in the UX in terms of feelings of trustworthiness and success in conducting the desired business (Dixon et al., 2010). If the user does not trust the site enough, he is less likely to return to the site or conduct any business at all. Furthermore, as previously learned, trust is one of the lead issues for brands intending to use an apparel-sourcing platform. Therefore the quality of the website is of utter importance to a successful B2B apparel-sourcing ecommerce business.

In the following graph, the results of a website quality and user friendliness assessment, of the thirteen exemplary B2B apparel sourcing websites chosen, are displayed. All sites have been scored with values from 0 to 4 (0 = Very Bad, 1 = Bad, 2 = Ok, 3 = Good, 4 = Very Good) for each the following criteria: Content, Design, Organisation and User Friendliness. These results were reached by using the assessment technique of Layla Hasan, the head of the department of software engineering at the Zarqa University in Jordan, who did in depth research in her scientific paper on the best measures to assess a websites quality (Hasan, 2011).

Keeping the two site categories in mind when looking at Figure 2, site category one has the lowest scores in website quality and user friendliness. Category two scores the highest. Concluding on this, there is a clear differentiation in not only the concept and as in how the website works, but also between the two categories when it comes to timely and appropriate site design.
3.2. Relevance to Dutch apparel SMEs

The relevance of existing sites is evaluated in respect of the scope of the research report. It will be assessed whether the existing B2B apparel sourcing matchmaking sites fulfil the needs of a Dutch apparel start-up.

3.2.1. Trust and Reliability

Referring back to the nine interviewed apparel SMEs, two out of nine reported to be using alibaba.com to find their factory, since they were focusing on Asia, and were mostly satisfied with the result. However, the process of finding the right factory was time consuming due to the sites’ disorganised set up (Sorg, personal communication, May 2, 2018). Next to that, alibaba.com works solely as a directory whereas some further guidance in the process of sourcing in order to succeed would have been appreciated (Stolk, personal communication, April 20, 2017). Overall they reported that alibaba.com does not prove itself to be a reliable source to successfully acquire a new factory.

The remaining seven apparel SMEs are focusing on production in Europe only and did not mention to be using any specialised site as support in finding a factory.

During an interview with one of the already existing B2B apparel sourcing matchmaking sites in Europe, called Sqetch.com, founder Wouter de Roy van Zuidewijn, reported the feedback brands had given for his site. He states that, in general, brands would be satisfied, however, they would wish for more securities during the process. As preferred added features on the site they mention the factories to be vetted, a review system to be added and secured payments to be available. This again implies the apparel SME’s wish for securities in order to facilitate trust. Currently sqetch.com solely works as a matchmaking site focused on European brands aiming to produce worldwide (de Roy van Zuidewijn, personal communication, May 4, 2018).

In conclusion, the relevance of existing B2B apparel sourcing web platforms to Dutch SMEs is given, however they are not as developed yet. The specific needs of trust and reliability are not covered since the current tools only work as directories and matchmakers and due to that cannot replace a sourcing agent fully yet, which would be preferred in hindsight of the high costs of working with an agent (Stroop, personal communication, April 10, 2017).
3.3. Conclusion

Concluding this chapter, existing portals have been divided into two categories. The first category is factory focused, which sites have been established all around the 1990’s. The second category is brand focused, which sites have been established from the year of 2015 and later. There appears to be a clear trend distinction, nowadays sites focus on the brands instead of the factories. This goes in line with the overall trend of the product-based industries tailoring their offers to the consumers instead of to the companies’ visions.

Overall, it is to say that the existing portals work and are being used, however do not offer the admired features. Brands wish to replace their sourcing agent with a cheaper alternative as well as wish to speed up the process of acquiring a new factory. Trust and reliability are not taken care of in existing portals at this point in time. The question remains as to how existing sites can tailor their offered service towards solving the lead issues that brands experience with the current system.
4. Matchmaking platforms in other industries

As in the previous chapter identified, current B2B apparel sourcing web platforms are not sufficient for the Dutch apparel SME. Trust and reliability appear to be the biggest issues when sourcing and producing a garment as all nine interviewed companies reported. So how can the issues of trust and reliability be solved on such B2B web platform?

In order to find an innovative solution to this matter, this report follows the strategy established by three University Professors from Vienna who found the following theory: “The greater the distance between the problem and the analogous field, the greater the novelty of the solutions.” (Poetz et al., 2014). This means that having a look at comparable industries often gives greater novelty in the findings since the mental constraint of thinking within the “known” does not exist. Therefore, in the following chapter it will be analysed how the leading ecommerce businesses worldwide at this point in time deal with the issues of trust and reliability on their sites.

4.1. Platforms in comparable ecommerce business models

The chosen systems are the three most successful ecommerce business models in the year 2018: Business-to-Business, Business to Consumer and Peer to Peer. As an example for each mode the three leading online commercial matchmakers in Western society who have been ranked as Up Work, Booking.com and Airbnb are used (Schoenaker, 2016).

Whether Business-to-Business, Business to Consumer or Peer to Peer – they all have one thing in common; they are all matchmakers of different kinds. So how do they tackle the issue of trust and reliability in the online business transactions?

4.1.1. B2B: Up Work

In order to introduce this Business-to-Business ecommerce model, a brief explanation as to how it works is given. Upwork, formerly known as O-Desk, is the largest online matchmaker between freelancers and businesses internationally. The company’s platform enables businesses to interview, hire and collaborate with freelancers (Wikipedia, 2018). This kind of ecommerce matchmaker was ground-breaking when it was founded in the year of 2003. The reason for that is that, as an employer using Upwork, one has far greater reach and flexibility in finding somebody suited for the job one offers, especially for a tight budgeted start-up that cannot afford the local prices of for example programmers (Popiel, 2017). The vision of Upwork is “To connect businesses with great talent to work without limits.” (Upwork, 2018).

4.1.1.1. Trust and Reliability

Understanding the workings of Upwork, the question is how they solve the issue of trust and reliability between employer and freelancer while both are located in different places around the globe. Clients of Upwork report of implemented protection systems for employer and freelancer, which help gain trust in the transaction. By using Escrow as a money transaction system, the employer transfers the money before receiving the demanded job and the money gets held by Escrow and only released to the freelancer once the employer has approved the start of the job (Kerbabian et al., 2017). The monetary security in that sense appears to solve the trust issue on this
site. As for the reliability issue, due to the global competition on the site, employers can always find a plan b within a second, so freelancers get encouraged to do their job as well as they can in order to get rehired as well as to get good reviews on their profile (Popiel, 2017). The drawback mentioned most by people using Upwork are the high fees applied on the salary being paid, with up to thirty per cent of the total value being deducted (Kerbabian et al., 2017).

4.1.2. B2C: Booking.com

Booking.com is a travel fare aggregator website and travel metasearch engine (Booking Holdings, 2018). It is a Business to Consumer business model. This website offers hotels the opportunity to gain more bookings due to the broadened online presence when creating a profile on the site. Within one single tool it offers consumers the ability to compare prices, reviews and locations. Another feature is the availability calendar where the consumer can see which rooms are available at what rate and date (Wikipedia, 2018). This saves time contacting the desired hotels individually and the consumer might be able to reschedule holiday days in advance in light of the desired hotel’s availability (Booking.com, 2018).

4.1.2.1. Trust and Reliability

Concerning trust and reliability for the consumer on booking.com, there are several measures the site has taken to solve this potential issue. The three most prominent ones are firstly, reviews and grades of the hotels by previous guests, which help to create an image of the real value, apart from what is being advertised. Secondly, the availability calendar generates reliability: the consumer always knows what is available when and can plan accordingly. Thirdly, secure payments via the site adverse the general uncomfortable feeling of distrusting payments to strangers, here the payment goes via the so to say “travel agent”, which insures refund in case the hotel does not deliver. The main disadvantage for consumers using booking.com is reported to be the lack of good quality customer service (Gupta & Hornbuckle, 2017).

4.1.3. P2P: Airbnb

This Peer-to-Peer business model, called Airbnb, is an online marketplace to connect travellers and hosts. Airbnb as a company does not own any properties, it merely works as a matchmaker between people wanting to sublease their housing for periods of time and travellers on a budget or looking for something different than a hotel (Guttentag, 2015). This company’s rapid growth is due to the general trend in society to leave the formal and turn to the informal (Jong, 2017). Next to that, Airbnb has been praised to be the most innovative thing that happened to the industry in Airbnb’s founding year of 2003 (Guttentag, 2015).

4.1.3.1. Trust and Reliability

The features offered by Airbnb to gain trust and generate reliability, entail all the previously mentioned things, like Upwork and Booking.com offer. They are secured payments, an availability calendar, reviews and ratings. Additionally to that, Airbnb also makes visible how recently the profile of the guest has been established giving the host an idea of how reliable and experienced the
potential guest is. The guest is being reviewed and graded according to how well they treated the premises. This is an added feature that makes the deal more transparent and trustworthy to all users involved (Vroman Rusteen, 2017).

4.2. Conclusion

Concluding this, the features used by Upwork, Booking.com and Airbnb to increase values of trust and reliability are generally built alike. Secured payments, reviews and ratings for both parties and an availability calendar appear to be the solution at this point in time. Referring back to currently available B2B apparel sourcing web portals, none of the in chapter three evaluated thirteen sites offer these features.
5. Conclusion

In conclusion of this research paper's investigation of the question: “To what extent do B2B web portals used in apparel sourcing and production meet the needs of Dutch apparel SMEs?”, the results have shown that existing B2B apparel sourcing web platforms do not meet the needs of Dutch apparel SMEs at this point in time. The in chapter one established lead issues in sourcing and producing for Dutch apparel SMEs are trust and reliability. When examining currently existing sites available to the Dutch apparel SMEs in chapter two, observations have shown that those needs are not covered. Existing sites work and are being used, but function as directories and matchmakers, not fully taking care of the mentioned needs. The herein presented challenge of how those needs could be solved on a B2B apparel sourcing web platform was explored upon in chapter three, by conducting a comparative study at the examples of Upwork, Booking.com and Airbnb. Subsequently, the discoveries produced in this exploration laid the foundation of the advised course of action for the industry in regard of apparel sourcing and producing B2B web portals.

5.1. Advised Course of Action

The advised course of action, resulting out of the findings in this report, is to improve current B2B apparel sourcing and producing web portals in order to meet the needs of Dutch apparel SME’s and solve the lead issue of trust and reliability. As far as the framework of this research report allows to conclude, features to be implemented on a B2B apparel sourcing web platform, in order to present an attractive sourcing and producing solution are the following: A secured payment system, reviews and ratings for both parties visible on their profiles and a production availability calendar per manufacturer. The general issue of factory acquisition is solved when transforming the platform from a directory into a matchmaker, which is given when implementing the named features.
Bibliography

List of Figures and Tables

Figure 1  Apparel Sourcing B2B web Portals Market Presence  17
Figure 2  Existing B2B apparel sourcing web Portals Quality and User Friendliness Assessment  19
Table 1  Apparel Sourcing B2B web Portals in Comparison  16
Table 2  Apparel Sourcing B2B web Portals Feature Comparison  18

List of Interviews (full transcripts, see Appendix chapter 1)

Van den Hof, 2017, European Factories have hard doors. Interview, 17 April
Kemps, 2017, Poland is our go-to place in Europe. Interview, 24 April
Lisowski, 2017, Producing with factories is difficult for small designer brands. Interview, 24 April
Ophof, 2017, Only want to source in Europe on highest quality. Interview, 24 April
De Roy van Zuidewijn, 2018, Response times in Europe are a lot slower, in Asia everything goes a lot faster. Interview, 4 May
Van der Sandt, 2017, The Acquisition was painfully costly. Interview, 12 April
Sorg, 2018, Surprisingly, the Quality in China was higher than in Europe. Interview, 2 May
Stolk, 2017, Inexperience almost broke my legs. Interview, 20 April
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