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Abstract

Retailing revolution has taken place in the supply chain since the relative size of retailers has grown steadily. This shift of power is an inevitable consequence of the retailer's closeness to the customer. Now, however, the suppliers have started to regain their lost vertical power in supply chain. Market leaders are beginning to transform the traditional way of supply chain thinking into a non-linear, cross boundary relationships. The changes in conditions encourage firms for more cooperative relationships in supply chains. This study outlines some strategic options open to suppliers in the clothing industry. The main objective of the study is to gain deeper understanding of the challenges in changing supply chain in retailing. Since traditional supply chain in retailing has to a great extent transformed into vertical integrated channel, the different structures, organizational forms of vertical integrated channel, and supplier-retailer relationship within the channel, are studied.

The study is conducted as a qualitative research, more specifically as a case-study. The case-company L-Fashion Group is the largest Finnish clothing company. Thus, the study focuses on shop-in-shops as an emerging concept in clothing industry. Clothing industry is under constant changes. The changes can be divided into three categories; changes in clothing industry on the supply chain level, changes in the industry's general environment, and changes on the operational level. On the supply chain level the biggest change in the clothing industry was seen to be happening in verticality. Changes in the industry's general environment are internationalization, rivalry, and increasingly fragmented markets. Companies are forced to reconsider more effective ways to reach the target market. Vertical marketing systems provide alternative channel arrangements to restructure a more efficient distribution channel. Shop-in-shops are discussed in this study as an alternative way on the operational level for a clothing supplier to transform their wholesale chain functions closer to retail business. Shop-in-shops represent usually quasi-integration, which is a form of contractual marketing system. Shop-in-shops might take various forms. L-Fashion Group's shop-in-shops are apart from a few exceptions based on contractual marketing system.

Shop-in-shop is an organizational form that seems to be about creating functioning synergies in cooperation between a retailer and supplier. All terms concerning the shop-in-shop contract must be clearly agreed in a mutual understanding. By doing so also the role of power in the relationship is agreed on. Finally, a good basis for a host-retailer-concessionaire relationship prevents conflicts to

Key words	Clothing industry, clothing retailing, supply chain, vertical marketing systems, quasi-integration, shop-in-shop
Further information	

