LEARNING FROM GLOBAL BUYERS

IDS WORKING PAPER 100

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SUMMARY

An increasing number of developing countries engage in contract manufacturing for a decreasing number of global buyers. This constellation characterises many labour intensive export sectors. The positioning of developing country enterprises in such buyer-driven chains occupies an increasing number of researchers concerned with identifying the winners and losers from globalisation. This paper contributes to this debate by seeking answers to two questions: first, what can researchers learn from global buyers about the relative strengths and weaknesses of developing country producers; second, what can these producers learn from global buyers and what circumstances facilitate or constrain such learning

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1 INTRODUCTION

The title of this paper has a deliberate double meaning, encompassing two questions: what can we – as researchers – learn from global buyers about the competitiveness of producers; and what do those producers learn from foreign buyers in order to raise their competitiveness. Answering these questions provides – we believe – some useful insights into who loses and who gains from the globalisation of product markets.

Globalisation of such markets has intensified competition for producers in most countries and sectors. Knowing the strengths and weaknesses of producers from particular countries is important for both economic analysis and policymaking. Many such assessments exist but few of them are comparative. Globalisation itself has made such comparisons easier, particularly in labour intensive sectors. While the number of producer firms and countries has increased rapidly, there has been a concentration amongst buyers. These buyers are global in the sense that they source from producers all over the world. This gives them an unrivalled ability to compare. This paper examines the strengths and weaknesses of producers on the basis of information from such global buyers. It also asks what role these buyers play in furthering or hindering the learning and subsequent upgrading of producers.

The influence of global buyers over such producers has been analysed by Gereffi (1994) in his work on buyer-driven commodity chains. However, the practices of these buyers remain under-researched and their comparative expertise has remained under-utilised for research purposes. This is what prompted our investigation. The expectation was that exploring the views and practices of buyers would not only show which producers are cheapest, fastest, or provide the best quality, but also reveal the critical success factors that give producers the edge or hold them back. Such information helps policy makers to identify the critical areas which need improvement.

Research on the relationships between global buyers and local producers is of particular relevance to developing countries. Due to their labour costs, developing countries are supposed to specialise in the export of labour-intensive products. Even when such trade is liberalised, developing countries do not automatically gain access to international markets, because the chains which producers feed into are often governed by a limited number of buyers. Therefore, understanding how the governance of chains influences the prospects of producers seems critical. Since neither the producers' capabilities nor the governance of chains are static, we tried to capture changes over time.

These issues are addressed with reference to the shoe sector. This sector is of particular interest for two reasons. First, developing countries provide most of the footwear consumed in advanced countries (with Italy being the main exception); second, there is an increasingly severe contest for these markets in which big buyers, (importer-wholesalers, retailers, (ex-)manufacturers of established brand names) are the key players. Most of the study is based on interviews with such buyers in the US and Europe. However, our prior research, based on interviewing shoe producers in developing countries, was essential both for conducting the interviews with buyers and interpreting their responses.

The paper is structured as follows. Section 2 highlights how the global commodity chain literature depicts the buyer-producer relationships; it also details the sources on which the remainder of the paper is based. Section 3 shows how buyers compare the current capabilities and future prospects of producers from

India with China, Brazil and Italy. The first three are major developing-country suppliers of leather footwear, and Italy remains the standard point of reference in the industry. In some cases, however, the discussion had to be extended to new producers in the shoe world. Section 4 analyses how capabilities of old and new producer countries have evolved, distinguishing between two trajectories: first, the gradual evolution of such capabilities in industrial clusters in which deepening specialisation, synergies and co-operation helped small producers to grow and become internationally competitive; second, the relatively rapid transfer of capabilities from these 'old clusters' to 'new spaces'. The 'new spaces' (in Vietnam, Romania, and the North East of Brazil) provide cheap labour and infrastructure. The 'old clusters' (located in Taiwan, Italy, and the South of Brazil) provide the critical capabilities (internal manufacturing know-how and external contacts) as well as the components. This section also shows why India, a country with enormous potential (abundant cheap labour and raw material) is missing out in both of these trajectories.

Buyers play a role in both trajectories and Section 5 analyses the contribution they make to the upgrading of producers. In order to unpackage this issue, distinctions are made between the role of buyers in incipient and advanced exporting countries and their role in price-driven versus quality-driven chains; furthermore, the acquisition of non-production skills appears to depend on whether buyers purchase their shoes direct or through intermediaries and on the degree of buyer concentration in a particular market segment.

Finally, Section 6 draws together the buyers' assessment of current capabilities and future prospects of shoe producers from the selected countries, and the key factors that determine whether and how buyers contribute to the upgrading of producers. Throughout the paper the reader should keep in mind that its purpose is exploratory. It experiments with assessing producers through the lens of buyers and seeks to unpackage the role of buyers in upgrading producers.

2 UPGRADING IN BUYER-DRIVEN CHAINS

In the literature, relations between buyers and producers have been more part of an ideological debate than the subject of thorough research. In neo-classical economics buyers tend to be seen as passive intermediaries, just useful in physically linking demand and supply. It is only in new institutional economics, with its focus on transactions and monitoring costs, that the role of intermediaries is given more importance (e.g. Bardhan, 1991). In neo Marxist literature buyers are often simply portrayed as surplus extracting parasites (e.g. Harvey, 1985), while many policy-oriented studies merely stress that buyers appropriate too much of the added value (e.g. UNDP *et al*, 1988). In contrast, a number of writers coming from other traditions have stressed the role of buyers as facilitators of industrial development (Bauer, 1991; Egan and Mody, 1992; Glasmeier, 1990; Pedersen, 1998; Weijland, 1994). Clearly, views on the role of buyers differ a great deal, ranging from exploiters to promoters of producers.

Making progress in this debate requires in our view rephrasing the question. The issue is not whether buyers block or promote industrial development, but under what circumstances they play a negative or positive role. The extent to which new research is required to specify these circumstances is hard to gauge.

Careful screening of the literature, especially of detailed case material, would probably provide many insights – provided that the scope of such a review is multidisciplinary, ranging from anthropological accounts of traders to management-oriented marketing studies. We are not offering to undertake such a review in this paper but limit ourselves to discussing a particular approach: Gereffi's buyer-driven global commodity chains.

Given our focus on export manufacturing in developing countries, this approach seems to offer the best starting point for discussing the circumstances in which buyers promote or hold back the upgrading of local producers. We are interested in both upgrading within production (producing better and faster) and beyond production (moving into design and marketing).

In buyer-driven chains,

> 'large retailers, brand-named merchandisers, and trading companies play the central role in shaping decentralised production networks in a variety of exporting countries, frequently located in the periphery. This pattern of industrialisation is typical in relatively labour-intensive consumer goods such as garments, footwear, toys and housewares.' (Gereffi, *et al.* 1994).

Gereffi (1994) has used chain analysis with good effect in order to show how the concentration of garment retailing in the US has influenced the organisation of sourcing and finally the location and organisation of overseas production, particularly in East Asia. He also proposes that distinguishing between producer- and buyer-driven chains helps to explain the international division of labour, and that distinguishing between core and peripheral nodes helps to explain the uneven distribution of wealth along the chain (Gereffi, *et al.* 1994), (Gereffi, 1994; 1996). Given the wide scope and ambition of the agenda, it is essential to identify those propositions which are central to our concerns. There are two and they are spelt out most clearly in the recent article 'International trade and industrial upgrading in the apparel commodity chain' (Gereffi, 1999).

First, in order to participate in export manufacturing to North America and Western Europe, developing country producers need access to the chains' lead firms. These lead firms 'undertake the functional integration and co-ordination of internationally dispersed activities' (p.41). Access to these lead firms can be direct, by becoming a supplier, or indirect, by becoming a second-tier supplier. No access to the lead firms means being excluded from the world's main export markets.

Second, those producers that gain access have good prospects for upgrading within production and subsequently into design, marketing and branding. 'Participation in global commodity chains is a necessary step for industrial upgrading because it puts firms and economies on potentially dynamic learning curves' (p.39). Based on his garment research, Gereffi shows that East Asian producers moved from (a) mere assembly of imported inputs, to (b) taking care of the entire production process (including the sourcing of inputs – increasingly from local firms), to (c) design and sale of their own branded merchandise in internal and external markets.

This emphasis on the upgrading potential of local producers in global chains is reminiscent of Watanabe's work on national and international subcontracting. Watanabe (1971; 1978) stressed long ago the benefits that local producers gain from, in his case, Japanese lead firms, in terms of accessing distant markets and obtaining know-how. To be sure, Gereffi's view is not one of unqualified optimism. He recognises that 'There are many obstacles … to moving up these chains', but his emphasis is on the advances in upgrading and the successive stages in which it has occurred. As mentioned, this view has its empirical basis in the progressive upgrading which firms from Taiwan, South Korea and Hong Kong seem to have achieved in the garment chain.

The footwear chain which is examined in this paper is also governed by global buyers and supplied by local producers from developing countries. So the constellations are similar and one of our objectives is to examine to what extent the progressive upgrading of local producers can be found in the shoe chain. The paper confirms Gereffi's conclusion on upgrading for the sphere of production. As regards upgrading beyond production, however, our conclusions differ. Bringing out the circumstances which explain similarities or differences is a key task for the later sections.

The overall objective of this paper is not to replicate for shoes what Gereffi did for garments. The questions we ask overlap only to some extent. The difference reflects where we come from. The work of Gereffi (and Korzeniewicz) has its roots in world system analysis. The concern to explain the global system (disaggregated into global chains) and its changes extend into their recent work. In contrast, we come from a concern with industrial firms or clusters of firms. In order to understand their competitiveness and upgrading trajectories, we need to understand the system (in this case the buyer-driven chains) in which they operate. This is why Gereffi's approach is of such interest to us, but explaining the evolution of global chains is not our immediate aim, at least not in this paper.

As set out in the introduction, there are two questions which drive this paper:

- what can we learn from our global buyers about current capabilities and future prospects of local producers in developing countries?
- what circumstances lead global buyers to help local producers to upgrade – or stop them from doing so?

Most of this section was concerned with the origin of the second question and its treatment in the literature. Behind the first question, was initially mainly a methodological curiosity. If global buyers are such strategic knowledge brokers, to what extent does tapping this knowledge help researchers assess export manufacturers? There are no clear role models for this in the literature and, as shown later, the findings are useful in terms of both methodology and substance.

The questions raised above are examined for the footwear chain, more precisely, formal and casual footwear but excluding sports shoes. The information for this study comes from the following sources: first, in-depth interviews were conducted with global buyers using an open-ended but structured questionnaire (see Appendix). We interviewed five buyers from the USA and seven from Europe (four from the UK, two from The Netherlands and one from Denmark).[1] Both in Europe and the USA we interviewed buyers who are squarely in the price-driven volume segment and those who specialise in segments in which quality and brands play a greater role ('exclusive' and 'quirky' shoes were not considered.) Most of the respondents are major global players in their segment. For example, one of the US buyers accounts for every fourth pair of shoes exported from Brazil and every fifth pair of women's leather shoes retailed in the US. And the European buyers include the largest importer-retailer and largest importer-wholesaler in their countries.

Second, casual interviews were undertaken at the world's largest shoe fair which takes place twice yearly in Düsseldorf, Germany. Visiting the fair (which we did twice) provided many insights: partly through observation (exhibitors are allocated to different halls according to type and quality of products giving visual insights into market segmentation), and partly through many conversations which were held with exhibitors and organisers of the fair. Particularly useful were interviews with producers from India, China and Brazil for which we used a structured questionnaire that to a large extent 'mirrored' the buyer questionnaire in the Appendix.

Third, previous research on the shoe industry could be drawn upon. We had carried out in-depth studies of footwear clusters in India (Knorringa, 1996; 1999), and Brazil (Schmitz, 1995; 1998). Apart from providing us with useful information, it also enhanced our credibility in the eyes of our new respondents and enabled us to challenge them to refine or qualify their views.

3 BUYERS' ASSESSMENT OF PRODUCERS' CAPABILITIES AND PROSPECTS

This section deals with our first question, asking what we can learn from global buyers about current capabilities and future prospects of local producers. The focus is on three major developing country producers, China, India and Brazil. Italy is added because it continues to be *the* reference point in the shoe business.

Table 1 shows the relative weight of these producer countries in the imports of the US and UK. As stated earlier, of the 12 interviewed buyers, nine came from (and targeted) these two markets (US: 5; UK: 4), the other three came from The Netherlands (2) and Denmark (1).

Table 1: Footwear Imports of US and UK from China, India, Brazil and Italy, 1998

Producer Country	US Imports %	US Imports ranking	UK Imports %	UK Imports ranking
China	46.2	1	5.6	4
India	1.1	10	4.9	6
Brazil	12.0	2	5.5	5
Italy	11.5	3	26.0	1

Note: Data refer to value of leather footwear. Trade Policy has a downward effect on UK imports from China due to EU quota, and an upward effect on US imports due to China's Most Favoured Nation Status.

Sources: US Import Statistics: UNCTAD, Trade Analysis and Information System (TRAINS) on Internet. UK Customs & Excise, Business & Trade Statistics, British Footwear Association.

Global buyers are a much-neglected source of information for comparing producers in different countries. This is surprising given that these buyers decide which producers gain or lose orders. In our interviews we asked buyers about the strengths and weaknesses of producers according to the following criteria: price, reliable product quality, response time (from order to delivery), punctual delivery, flexibility (broken down into 'coping with small orders' and 'coping with changes in large orders') and innovative design capability. Respondents were asked to assess producers in the four countries, using a five-point scale for each of the above criteria. The resulting country profiles are based on respondents' personal experience with their suppliers in particular countries. We specifically asked for their *own* experience to avoid respondents repeating to us what they think is the general experience (and thus ending up with a cliché). Moreover, we asked them to base the rating on their experience with *main* suppliers in the respective countries because those experiences often differ from experiences with occasional suppliers.

3.1 Country profiles

Before comparing the country profiles, the reader should keep in mind that respondents tend to think in terms of specific factories and these factories are not necessarily representative of a particular country. Moreover, a buyer may be in a very strong position in country X source from the second best factories. In spite of the wide range of producer-buyer constellations found, the resulting country profiles are remarkably stable. These profiles can be visualised in the star diagrams 1 to 4. [2]

The scores on the arms of these stars represent the average rating of the 12 buyers interviewed.[3] As can be seen from the diagrams, the averages of the US and European buyers show only minor differences. Also amongst the US and European buyers there are relatively few outliers (disaggregated European and US star diagrams are available from the authors). The main overall results are drawn together in the comparative diagrams 5 and 6. These show a remarkable similarity between Italy and Brazil (except for Italy's superior innovative design capability) and less similarity than expected between the scores of India and China.

Starting with Italy, as expected, its greatest strength lies in innovative design. Less expected is the finding that Brazil has caught up with, or surpassed, Italy in 'reliable product quality' and 'speed of response', 'punctual delivery' and 'flexibility in coping with changes in large orders'. Compared with other developing countries, Brazil is, however, weak on 'price'. Clearly, 'price' is the principal reason why buyers source from India and China (the only other feature the two countries share is their weakness in innovative design). While India is stronger than China in coping with small orders (partly because of the relatively smaller size of its factories), in other respects China is far superior. Note in particular the high scores of China with regard to 'reliable product quality' and 'punctual delivery'. We will explore later why these differences between China and India have emerged.

Diagram 1
Performance Profile of China

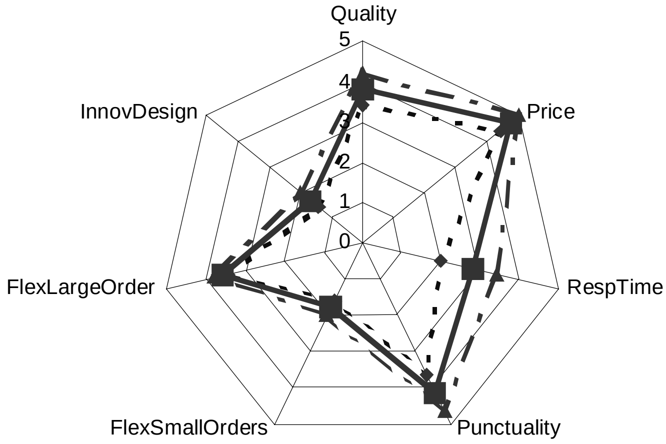


Diagram 2
Performance Profile of India

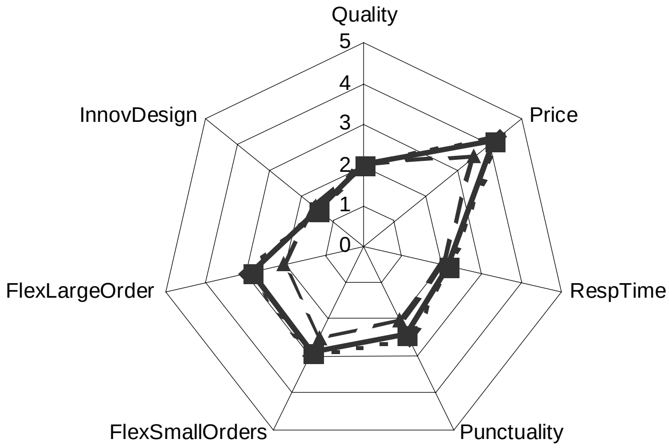


Diagram 3
Performance Profile of Brazil

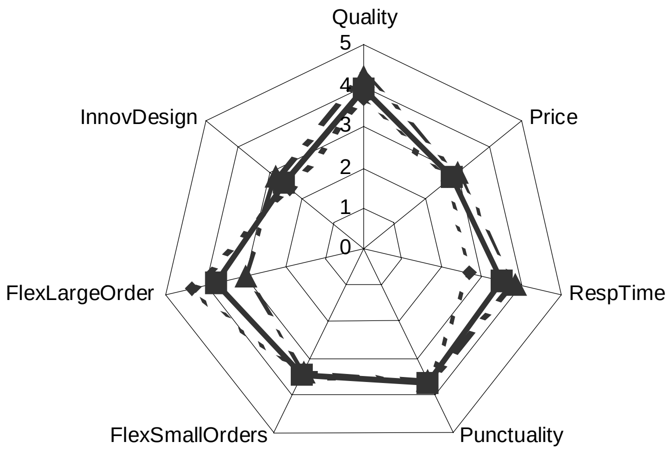
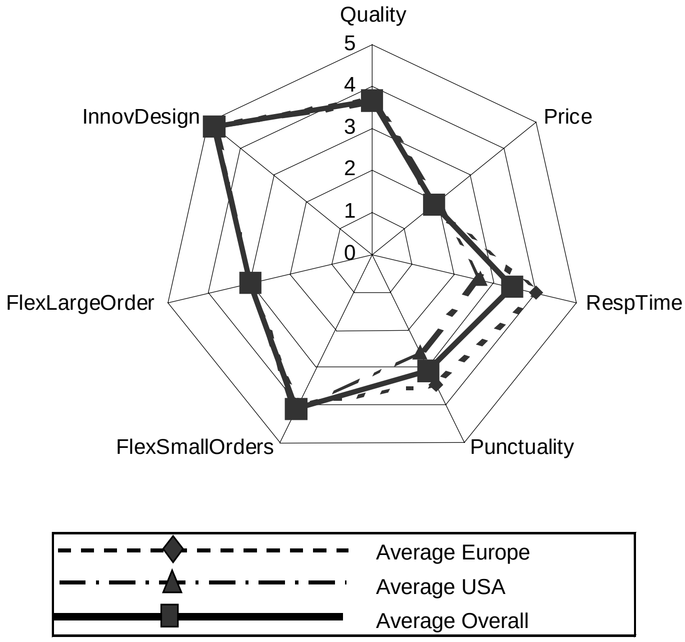


Diagram 4
Performance Profile of Italy



Source: Interviews with US and European Buyers

3.2 Market segmentation

The above profiles clearly indicate that our four countries possess distinct competitive advantages. For example, China is considered by the buyers as a very cheap source of shoes with a reliable product quality and strong in coping with massive standardised orders. This makes Chinese suppliers extremely suitable to supply the huge price-driven orders from the US discount retail chains. In contrast, buyers who supply the High Street boutiques would look first at Italy for their small and high fashion orders where the producers' capability to provide innovative designs is crucial. Somewhere in between, Brazil would be a logical choice for buyers from 'middle-class' retail chains, not requiring particularly innovative designs, but in need of substantial volumes of quality branded products that can still be sold at a rather sharp price. India – according to the interviews - is a suitable source for small to medium sized orders of leather shoes which sell on price rather than quality. In short, our four countries, have clearly distinguishable profiles. Moreover, within these countries producers deliberately seek to differentiate themselves, reinforced by the buyers' sourcing maxim of 'horses for courses'.

The comparison of strengths and weaknesses is made difficult by such segmentation. Since our criteria cut across segments, this could largely be overcome. Thus, in comparing the star diagrams, one needs to keep in mind that our countries are not always competing in exactly the same market segments, often they operate in adjacent markets. However, market segmentation in footwear does not mean lack of competition; there are numerous other producer countries contesting every niche of the market.

Diagram 5
Performance Comparison, India - China

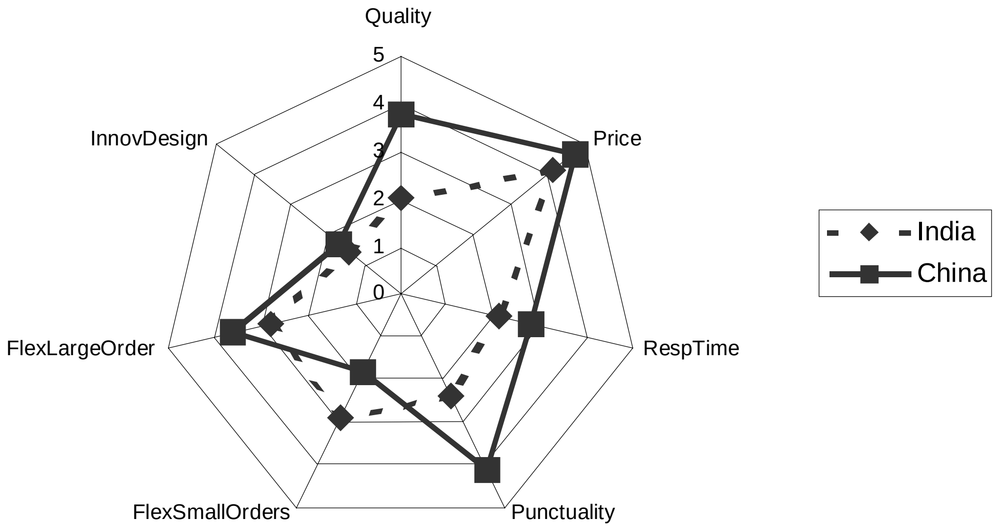
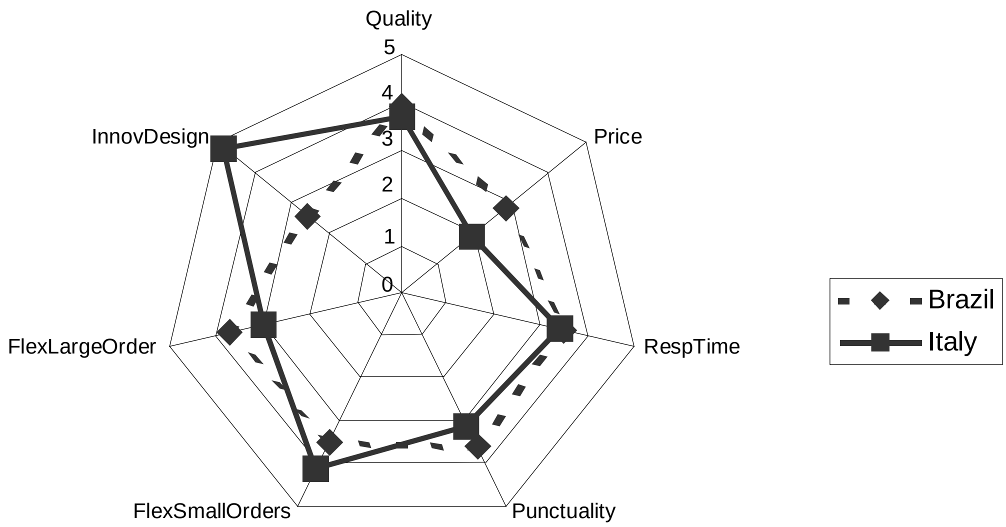


Diagram 6
Performance Comparison, Brazil - Italy



Source: Interviews with US and European Buyers

3.3 Future prospects

The star diagrams show the buyers' current assessment. This was complemented with questions on whether and how producers are expected to develop their future capabilities. Therefore we asked buyers from which countries they expected to buy more (or less) in five years' time, and on which dimensions they felt particular countries needed to improve most.

Except for two UK buyers who sought to build on their good experience in sourcing from India,[4] most respondents expected to buy less from India over the next five years. In their view, improving 'regular and reliable product quality' was the most urgent task. It was stressed, however, that this was not just a matter of improving shoe manufacturing itself but component manufacturing. Most buyers considered India's component industry to be very weak, apart from the availability of one key input: good quality upper leather. Importing components was not considered an alternative because of logistical problems – poor infrastructure and slow customs clearance. Moreover, while labour was cheap, labour relations and (supervisory) skill levels were not in tune with the new quality and speed requirements. Most buyers felt that a significant gap existed between the top managers, widely travelled and familiar with modern management methods and a deprived shop floor. Poor delegation and antagonistic labour relations were thought to inhibit the smooth incorporation of more Indian suppliers into global chains. Nevertheless, buyers expected India to improve quality and punctuality over the next five years. However, other countries were expected to improve faster.

China has been the fastest growing footwear exporter over the last 10 years. The combination of low prices, reliable quality and punctual delivery was critical to this success. Continued growth requires faster response and more flexibility in dealing with changes in large orders (as buyers agree, small orders will never be their strong suit). The future of exports to Europe is however affected by uncertainties surrounding the 'quota problem'. In 1997, the European Union restricted imports of shoes with canvas or textile uppers from the People's Republic of China (and Indonesia). Even though most of the interviewed buyers deal in leather shoes, which were not covered by the restrictions, buyers felt this may change at any time. They regard more sourcing from China a risk that can be avoided by moving to, for example, Vietnam (see Section 4). For American buyers the situation is quite different. As long as China retains its Most Favoured Nation Status, and neighbouring countries such as Vietnam do not have such a status and instead face a 90% tariff, American buyers are prepared to increase their exposure to China. However, should neighbouring countries obtain Most Favoured Nation status, most buyers will seek to reduce their dependence on China. In summary, buyers expect they will buy more from East Asia, but not necessarily from the People's Republic of China.

No clear expectations emerged with regard to Brazil. A comparison of diagrams 1 and 3 shows that China matches Brazil in quality and punctuality. Brazil is faster and more flexible, attributes which matter in particular for exporting to Europe. Taking away market share from Italy (or Spain) is, however, difficult without an advance in design capabilities, an area in which Brazil remains weak. Buyers' uncertainties about Brazil's future arise also from two factors that lie outside the control of Brazilian entrepreneurs: the exchange rate and fashion trends. The influence of exchange rates was particularly visible as some interviews were carried out before and some after the devaluation of the Brazilian Real in January 1999. A substantial decrease in Brazilian prices clearly influences the buyers' sourcing decisions. As regards the influence of fashion, the American retail market for medium-priced women's shoes experienced a shift in recent years which – at the lower end – played into the hands of Chinese producers and at the upper end favoured Italian producers. However, and this is perhaps the main point, this is susceptible to change.

Even though buyers agree that Italy is unreliable, its leading position in the shoe business will continue, primarily due to, first, its unique innovative design capability,[5] and second, its strong component industry. Especially in situations where innovative designs need to be combined with very fast response and high quality in relatively small orders, Italy is expected to maintain if not extend its position. This is strengthened further by a new trend to outsource labour intensive operations to South Eastern Europe (elaborated upon in Section 4).

3.4 Reflections on methodology

This section has sought to assess the strengths and weaknesses of shoe producing countries in a way which was comparative and based on the views of global buyers. This method worked very well. Respondents were willing and able to 'mark' their producers and proceeded without hesitation. After all, making such comparative judgements is a key part of their work.

Essential to the success of this method was the disaggregation of competitiveness. Our list of criteria (price, reliable product quality, response time, punctuality, flexibility, design capability) was close to their own.[6] While interviewing global buyers is an excellent, if not obvious, method for a comparative assessment of producers, it is of limited use for determining the causes of their strengths and weaknesses. In our initial interview guidelines, we had included questions such as 'what explains the scores of India' coupled with a checklist including education, training, infrastructure, proximity of suppliers and several other factors. The responses were interesting but unreliable. From our previous research we had a fairly solid knowledge of the Indian and Brazilian shoe industry which led us to question some of the respondents' views. Particularly suspect were responses that blamed poor performance on the 'local culture' or 'mentality'. Such explanations may contain elements of truth but they tend to hide more than they reveal. For these and other more pragmatic reasons (time!), we did not engage the respondents in a systematic discussion of the causes of their suppliers' weaknesses and strengths. Where such causes are mentioned in this paper, they accord with what we know – either from our own previous research or from the literature.

Having brought out the limitation of 'using' buyers for an assessment of manufacturers' competitiveness, the question arises where do we trust their responses and where do we not. We would suggest one key criterion: can they provide an answer on the basis of their *own* direct experience. Buyers *know* from their daily experience about price competitiveness, punctuality, flexibility, etc. of their suppliers *and* they are in a position to compare. This is why we have confidence in our star diagrams. Of course, the rating on a five point scale has an element of subjectivity but this is 'contained' by the need to make a *comparative* judgement.

3.5 Willingness to learn from foreigners

The star diagrams are relatively stable across respondents – they are also distinctive even though the profiles of Italy and Brazil are in some respects remarkably similar and those of China and India surprisingly different (surprising given the similarities in factor endowments). The qualitative discussion with the buyers suggested that *over time* the differences between Italian and Brazilian profiles have decreased whereas the differences between the Chinese and Indian profiles have increased. Can buyers help identify the key causes? Above, we warned that buyers are an unreliable source for this purpose because views on such causes often come more from hearsay than direct experience. There is, however, one causal factor on which buyers do have *direct* experience*: the willingness to learn from foreigners*, in this case the willingness of local manufacturers to learn from foreign buyers and their staff.

This issue is hard to operationalise but it accords with a recent proposition of Wood (1998) that highly-skilled, internationally mobile staff play a major role in the spread of export-oriented production to developing countries. Some global shoe buyers and their designers, organisers, controllers and 'bonders'[7] are examples par excellence of such highly skilled frequent travellers. They can only have a growth enhancing effect, however, where local manufacturers are willing and able to absorb outside advice. In our interviews, the 'willingness to learn from foreigners' kept coming up because we explored how the profiles of producer countries have changed and the role which buyers played in this process. Our conclusion is that producer countries differ substantially in their 'willingness to learn from foreigners' and that this difference helps to explain the changes in producers' competitiveness.

This came out clearest in the comparison of India and China. Whereas producers in both countries have improved their capabilities, the Chinese have achieved this much faster. According to the buyers, they seem most willing to absorb and follow technical and organisational advice, whereas in India, as one buyer put it, entrepreneurs 'consistently over-promise and under-deliver'. While the weaknesses of India and China were similar a decade ago, the Chinese have made enormous progress in quality and punctuality, rapidly catching up with, or even overtaking, the Brazilians. However, in the Chinese case, the argument of learning-from-outsiders needs to be qualified because many of these outsiders came from Taiwan, the significance of which will be discussed in Section 4. Also the Indian case needs to be qualified. One of our UK buyers stressed the ability of their two main Indian suppliers to absorb advice and engage in learning-by-interaction, but these suppliers are widely recognised as exceptional.

Explanations of the lesser willingness of most Indian entrepreneurs and workers to learn from foreigners are inevitably controversial. Buyers often portray this as intrinsically Indian, claiming that its trader-entrepreneurs 'keep looking for short cuts', but such cultural explanations seem less convincing than the recognition of path dependency. For decades (until 1991) India had an easy export market in the Soviet Union and the internal market was equally non-demanding, giving rise to a culture in which poor quality and late delivery was acceptable and in which improvement efforts were not rewarded. Similar conditions prevailed in the woollen knitwear sector but, as shown by Tewari (1999), producers in the cluster of Ludhiana (North India) were able to break out of this path dependency. Producers in the footwear cluster of Agra (central India) seemed to have been less successful in making this break (Knorringa, 1999).

Similar to the Indians, but operating at a much higher level, the Italians are considered unwilling to learn from foreigners. A telling example was the reaction of an Italian company to a Brazilian consultant who had been asked by a buyer to investigate logistical and quality problems: the Italians were offended. The surprisingly low Italian scores on quality and punctuality become less surprising once their unwillingness to learn from foreigners is taken into account. An important difference between the Italian and Indian situation is that, in Italy, the internal market has for a long time been very demanding on the manufacturers and the latter put high demands on the tanners and component producers. In summary, the interviews suggest that the willingness to learn from foreign visiting staff helps explain some of the differences in upgrading production.

4 TRAJECTORIES OF CAPABILITIES AND LOCATION

Interviews with global buyers are very useful for a comparative assessment of producer countries. They also help to trace the ongoing global transformation of an industry. This section shows how the producer countries discussed in the previous section contributed to – or were side-stepped by – this transformation. The process we tried to understand was one of manufacturing capabilities on the move. The interviews with global buyers were an effective instrument to understand this process. It would not, however, have been so effective without prior knowledge of local capabilities. In the cases of India and Brazil, we had a good knowledge of the footwear clusters of Agra (Knorringa, 1999) and the Sinos Valley (Schmitz, 1998). Clusters in Italy, Taiwan and China were known to us through the works of Rabellotti (1997), Levy (1991) and Hsing (1998). While each case has its specificities we have distilled two trajectories from the discussions with buyers and the previous studies. These are trajectories concerned with building up manufacturing capability in old and new shoe exporting countries. Mapping them out also lays the ground for the subsequent section which focuses on the contribution that global buyers make to the upgrading of local producers.

In our previous research we had examined the growth of capabilities in clusters. Our own studies in India and Brazil, as well as other studies on Italy and Taiwan, showed how and why clustering facilitated growth in 'riskable steps' (Schmitz, 1997). Specialisation, synergies and co-operation had facilitated the gradual accumulation of skills and capital. A good number of the formerly small enterprises had grown into medium sized enterprises, some into large enterprises. Increasing exports seemed proof of their success and of the importance of local embeddedness. While differences existed between these four cases (for example, the Indian cluster was less deep and less export-intensive) there was a common growth path.

Growth ceased when new producers entered the world market that seemed to have a very different growth path: the new producing regions had little history in industrial shoemaking, its enterprises were born large and they were able to export soon after birth. A superior path? Not quite. In fact, juxtaposing it to the previous path is not helpful. The reason is that the new shoe producing regions are extensions of the old clusters. The old continues but in a reduced and/or different form.

The key feature of the second trajectory is that the main input of the new region is cheap labour; the input of the old cluster lies in entrepreneurial/technical skills and components. The most significant build up of export capability using this fast track occurred in the People's Republic of China. Stories of its dramatic export growth give most attention to the cheap labour. But abundant cheap labour exists in many parts of the world. The critical know-how and connections came from Taiwan. It was typically the successful industrialists from the shoe clusters in Taiwan who brought in their technical and managerial skills as well as connections with Taiwanese input suppliers and with overseas clients. The buyers we interviewed stressed that the enterprises in Mainland China which they wanted to source from were the 'Taiwan joint ventures'.

The same process is beginning to be repeated in Vietnam. Again, it is due to the 'Taiwan joint ventures' that Vietnam has become an export manufacturer in a short period of time. As in the Chinese case, the components come from Taiwan. Vietnam has benefited from fears that export from the People's Republic of China would be hit by European import restrictions (see Section 3). Taiwanese entrepreneurs anticipated these fears among buyers, and have in record time set up joint venture assembly factories in Vietnam.[8]

Such processes of new competitors being created by the old cluster are not limited to the Far East. According to the interviewed buyers, the Taiwan-Vietnam connection has a European equivalent in Italy-Romania, and a South American equivalent in South Brazil-North East Brazil. The choice of a new location is driven by labour costs and reasonable proximity for transporting components. The old Italian, Taiwanese and South Brazilian clusters provide the capital, the manufacturing capability, the connection with buyers and the components. Providing all the components to the correct specification, in the right numbers and at the correct time from a distance seems a logistical nightmare, but the new plants have come on-stream relatively quickly. However, they are weak with regard to speed and flexibility. Thus the new plants are not clones of the home-based plants. The more predictable lines that can be made in long runs tend to be produced in the new plants while the old clusters focus on shorter runs, requiring faster response and/or higher quality, produced in smaller or medium sized firms or in highly de-centralised large firms.

These, in a nutshell, are the two trajectories which can be distilled from our previous work and our recent interviews with buyers. There are specificities to the European, Far Eastern and South American cases which we have not discussed here (e.g. long haul- short haul difference). Nor do we claim that all shoe manufacturing capabilities which emerged over the last three decades can be captured by these two trajectories. In fact, there is a third trajectory, namely the build up of capability through foreign direct investment *by the buyers*. However, this was not investigated since our concern is with the connection between local producers and global buyers.

Moreover, we are not suggesting that the outlined trajectories were always rational. Judging from the interviews with producers and buyers, it seems that entrepreneurial decisions about moving into new spaces are rarely based on clear cost benefit calculations (one can even question whether such calculations are possible). Reminiscent of investors' behaviour in financial markets, some of the relocations of footwear production seem to be driven by a 'herd instinct' (Griffith-Jones, 1998).

We are not the first to discover the second trajectory. Gereffi (1994) has observed it in the garment industry and refers to it as 'triangle manufacturing'.

> 'The essence of triangle manufacturing is that US (or other overseas) buyers place their orders with the NIC manufacturers they have sourced from in the past (e.g. Hong Kong or Taiwanese apparel firms), who in turn shift some or all of the requested production to affiliated offshore factories in one or more low-wage countries (e.g. China, Indonesia or Vietnam). ….. The shift toward triangle manufacturing has been responsible for bringing many new countries into these production and export networks.' (pp. 114).

Clearly the sourcing we found in footwear is following the same process as that found by Gereffi in garments. A difference arises only in the role accorded to the 'old' manufacturers. Gereffi (1994:114) emphasises their monitoring function: they 'assure that the buyer's standards in terms of price, quality and delivery schedules will be met by the new contractors in other Third World locales'; we would stress more the 'old' manufacturers' role as transmitters of skills and organisers of production, particularly in the incipient stages. In footwear, we have found that much of the actual assembly line monitoring continues to be carried out by the foreign buyer's own inspectors.

To conclude, this section has pointed to common patterns in the build up of export manufacturing capability. In the first trajectory, the producers are home grown; in the second trajectory, some of the more established home grown enterprises have extended into new spaces.

Perhaps these two trajectories also help to explain why India's shoe exports remain relatively low – in spite of having abundant cheap labour, a long tradition in shoemaking and availability of good quality upper leather. Indeed, India has a number of large exporters especially near Chennai (formerly Madras), Delhi and Agra. However, as already noted, its component industry is very weak – which at least partially explains why India has not become a leading exporter in its own right. Equally, India has so far not been incorporated in the second trajectory. While having abundant cheap labour, the country does not seem to provide attractive new spaces for export manufacturing. Three reasons seem to account for this: first, fast import-export is hindered by poor infrastructure and cumbersome custom clearance.[9] Second, India is relatively far from world class manufacturers of components (the nearest are Taiwan in the East and Italy in the West), and, third, compared with labour in other low wage countries, Indian workers are considered to be less flexible, less committed and less willing to learn from outsiders.

5 BUYERS' ROLE IN UPGRADING OF PRODUCERS

This section focuses on the second question posed at the outset of this paper and examines in detail the role of global buyers in upgrading local shoe producers. In opening up this issue, one finds in fact a good deal of variability. In this paper, we can only begin to explain this variability. Perhaps more important than our initial results are our suggestions for unpackaging the issue of the role of buyers in the upgrading of producers. This seems relevant for both researchers and policymakers concerned with explaining or raising the competitiveness of local producers from developing countries. The empirical examples used in this section come again from the recent interviews with buyers and our previous research based on interviews with producers.

As suggested in Section 2, the relevant research question to be addressed is not whether buyers help producers to upgrade but in what circumstances they are more or less likely to do so. Given that the debate is still at an exploratory stage, we suggest starting with three distinctions:

- are producers at an incipient or advanced stage;
- do they operate in price-driven or quality-driven chains;
- is the upgrading limited to production or does it extend into design and marketing?

5.1 Incipient versus advanced stage

The upgrading contribution of buyers varies with the needs of producers. New producers are likely to require much more help than well-established ones. Brazil, for example, was still at an incipient stage in the early 1970's. Both buyers and producers (who had direct experience of this early stage and who were interviewed in Brazil) confirmed the upgrading role of buyers. For buyers this was not an act of generosity but one of necessity. In order to sell Brazilian shoes in the US or Europe they had to assist firms to reach international quality and delivery standards.[10] Accordingly buyers maintained a substantial staff with technical and organisational know how. Initially, most of the staff came from the US or Europe but later they also trained local people. Over time, however, the need for such assistance diminished.

For example, Brazil's main producer for the UK market stressed that the number of visits from the UK buyer was in recent years significantly lower than in the 1980's or even early 1990's (confirmed by the buyer). Or, to use another example, the largest US buyer of Brazilian shoes had an agent with a large technical department in Brazil. A large proportion of that department was shifted from Brazil to China in the early 1990's, because by then the Brazilian producers were less 'needy' than the Chinese newcomers.

Our argument here is not that 'advanced' export producers have nothing to learn from buyers. Our proposition is that first, buyer support is often crucial for entering a new market but diminishes over time and second, the focus of buyer support shifts from intra-firm to inter-firm upgrading. For example, some buyers help advanced producers to improve the management of their supply chain; or they support the establishment of local testing facilities, including the local accreditation of compliance with international quality or environmental standards.

There are however clear limits to this shift in buyers' involvement from intra-firm to inter-firm upgrading. First, the intra-firm involvement does not cease altogether. Even in the most advanced export firms and long standing relationships, buyers continue to send quality inspectors to 'their' factories, often on a daily basis.[11] Second, the buyers' support for inter-firm upgrading is usually limited to improving the supply chain and rarely extends to assisting producers in developing non-production skills (discussed further below).

5.2 Price versus quality-driven chains

The distinction between price- and quality-driven chains cuts across the entire upgrading discussion. The more product quality matters, the greater the demands on the producers and their suppliers, the greater the buyers' interest in upgrading these producers. While our small sample of buyers did not allow a systematic categorisation of cases, we noted that buyers in quality-driven chains had the most outspoken policy of investing in 'their' producers' capabilities and developing what Sako (1992) calls obligational relationships. This was not necessarily absent in price-driven chains but the mutual commitment of buyer and manufacturer seemed less strong.

All buyers operating in quality-driven market segments with established brands indicated they had a conscious policy of building such longer-term relationships '… we do not believe in factory hopping'. The reasons given by the respondents confirmed Sako's (1992) analysis of why obligational relationships matter in quality-driven market segments. Buyers operating in these segments were very aware of the cost of changing partners for the sake of (short-term) price advantages: it raises transaction costs and increases the potential for misunderstanding quality specifications. They preferred stable relationships based on intense communication and trust in order to obtain good quality and prompt delivery. While emphasising interdependence buyers also stressed that producers must take the ultimate responsibility for the manufacturing process, or as one buyer put it: 'at the end of the day we cannot own their problems and they cannot own ours but we share problems.' Finally, some buyers stressed that also obligational relationships can and do break up and have become somewhat tired of the new management jargon around co-operation and partnership: '… the word partnership is overused and abused. As long as things go well it is easy to be partners…'.

While the distinction between quality-and price-driven chains is important, if not basic, in practice it is not easy to adopt. In reality, the chains do not fall neatly into either of these two boxes but represent a spectrum with many intermediate cases. This arises because even in price-sensitive lines quality requirements have increased and conversely also in quality-driven chains there is increasing pressure to reduce prices. For example, 10 out of 15 Indian export manufacturers who had raised quality and speed were unable to raise the price of their product (Knorringa, 1999).

In summary, while the distinction between price and quality-driven chains is not clear-cut, inter-firm relationships in the latter are more conducive to mutual learning and improvements in production. We observed this previously in relationships between manufacturers and national buyers (Knorringa, 1999) and found this now confirmed in relationships with foreign buyers.

5.3 Acquiring capabilities in non-production activities

A further distinction relevant for examining the contribution of buyers is that between upgrading within the sphere of production and upgrading into non-production activities such as design and marketing. The problem is that marketing, and often also design, are part of the buyers' own guarded core competence. Buyers helping their producers with this kind of upgrading risk making themselves redundant. In other words, there is a conflict which tends to be overlooked in the recent commodity chain literature. As mentioned in section 2, Gereffi's (1999) progressive upgrading scenario includes the stage of local firms 'integrating their manufacturing expertise with the design and sale of their own branded merchandise' (p.56). We found very little of this amongst our shoe firms from developing countries. If they tried they would clash with their buyers, unless they target a new market. In conclusion, far from expecting support for such upgrading, one would expect buyers to prevent it.

The issue at stake is one of power or who governs the chain. As stressed by Palpacuer (1997), the source of power in vertical networks lies increasingly in non-production activities, notably in marketing, product development and the co-ordination of inter-firm relations. The lead firms of such vertical networks focus on and invest in these activities as they regard them as their core competence. One would therefore not expect these lead firms to share this core competence with others in the value chain.

The buyers interviewed for this study are prime examples of such lead firms and their contribution to the upgrading of manufacturers was clearly restricted to the sphere of production. Some of these buyers had a policy of taking manufacturers to retail outlets so that they could observe how customers reacted to their shoes and those of other suppliers. The purpose of such visits, however, was to instil in manufacturers – from distant parts of the world – a sense of what matters to the final consumer rather than to help manufacturers move into marketing.

While the conflict between manufacturers' ambition and buyers' interest is obvious in marketing, it is not so clear cut in design. In discussing the development of design capabilities, it helps to distinguish between developing new (innovative) designs and translating designs into technical specifications.[12] For developing new designs some buyers have their own in-house specialists, others hire freelance designers, often from Italy. Several respondents of quality branded footwear revealed that their top range was designed and produced in Italy. Then, they provide a 'knocked-down' version of that design to, for example, Brazilian factories for the larger and more standardised orders. The more advanced producers in chains will possess capabilities to translate such designs into technical specifications. This is a key capability for such suppliers because in volatile, fashion-sensitive market segments where speed is of the utmost importance it is: '... too costly and time consuming to perfect the design of new products and translate those designs into simply executed steps. Those formerly charged with the execution of plans - technicians, blue collar workers, outside suppliers - must now elaborate indicative instructions, transforming the final design in the very act of executing it.' (Lazerson, 1993).

While some buyers consider the development of new designs as part of their core competence, others do not. Some buyers in price-driven chains hardly possess any design capabilities, these are related to there being different kinds of buyers (ex-manufacturers turned importers, importer plus retailer, wholesale only, etc.) but this does not seem to hurt their powerful position in the chain, which is predominantly based on their strength in marketing. Especially the giant US retailers have focused above all on developing superior logistical technologies (Glasmeier and Kibler, 1996). In contrast, one European buyer in the more price-driven segment has invested a great deal in developing his own design and prototyping capabilities, which he regards as strategic for working directly with producers in 'new spaces'. Clearly there are differences in priorities and practices.

Such differences need to be registered but must not detract from our main overall finding: most interviewed buyers seek to control the design process, limiting the producers' participation to minor issues in product specification. The exceptions are Italian producers who sometimes provide independent designs. The critical point to stress here is that without their own designs, producers cannot embark on their own marketing experiments. Some of the world's leading shoe producers from developing countries are absent from the main international shoe fairs in Europe (Düsseldorf), North America (Las Vegas) and East Asia (Hong Kong) because they do not have a single shoe of their own to exhibit. The issue is not just one of investing in design capabilities, there are also issues of buyer power and producers' fear of retaliation. The interviews suggest that producers have not tested how far they can go in retaining a preferred supplier status *and* market their own products. Elsewhere, we have suggested that the degree of buyer concentration in any one market segment is a key variable, determining the extent to which producers can move up the global chain and progress from manufacture to design and to marketing (Schmitz, 1998).

5.4 Direct versus indirect sourcing

In addition to the degree of buyer concentration, the distinction between direct purchasing or sourcing through intermediaries is also important to the producers' options for moving up the commodity chain. In global horticulture chains, Dolan *et al.* (1999) found that, precisely because the overseas buyers operated through intermediaries, there was scope for local firms to enter higher value-added stages in the commodity chain. The same seems to apply to footwear. While we could not investigate this question in detail, our interview material suggests that the global buyers' direct purchasing regimes make moving up the commodity chain more difficult. The buyers' direct control over a shorter chain firmly limits the local firms to manufacturing. In the Brazilian case, this finds expression in the local saying 'Não vendemos, somos comprados' (we don't sell, we get bought).

The issue of whether to buy direct or through agents was hotly debated in several of the large buying organisations where we conducted interviews. This was most visible in a company that deliberately used both systems, so that it could compare costs and benefits and find the right balance between the two. Another company had 'yo-yoed' from one to the other and decided recently to buy direct.

Indeed, the trend seems to be to cut out the agent. The advantage of the direct sourcing strategy lies in greater control and saving on the agent's commission (variable cost). Buying direct does, however, entail a major fixed cost since it requires establishing a local office in the producing country. Most of the footwear from developing countries is sourced directly, but there remain some significant variations. Some major branded retailers, both from Europe and the US, have found an intermediate solution by sourcing exclusively through one organisation that is formally independent but in practice is a subsidiary.

Buying direct is only a cost-effective strategy in those countries from which buyers source significant quantities on a regular basis. In contrast, using agents makes more sense when the quantities of a particular product range are small, when demand for this product range is volatile or where the suppliers are located far away from the buyer's core source. Sequence also plays a role. Where buyers are new to a particular shoe-producing region they tend to source initially through agents. Direct buying only occurs at a later stage, once buyers have accumulated location specific experience.

To conclude, the loose chain in which buyers source through intermediaries has more gaps that local producers can grow into: local upgrading into design and marketing is more likely. Therein, however, exists a trade-off: where buyers opt for direct purchasing, they are more likely to place regular orders and are more likely to invest in local manufacturing capabilities. In short, this scenario gives rise to the *captive world class manufacturer*, extremely good at one activity in the chain (manufacturing), but not able to survive on its own. Surely, agents are also interested in keeping the manufacturers out of design and marketing, but they are less likely to exercise a similar level of control.

One could argue that the currently prevailing management doctrine to focus on core competence goes against manufacturers entering overseas marketing. However, there need not be a contradiction. For example, four Brazilian shoe producers set up a joint marketing firm to sell their footwear in other Latin American countries. Interestingly, these producers had not been captives of overseas buyers but had accumulated their manufacturing and design capabilities primarily by producing for the internal market.

6 CONCLUSION

An increasing number of countries engage in contract manufacturing for a decreasing number of global buyers. This constellation which characterises much of the world's shoe industry, is probably not a-typical for labour intensive export sectors in developing countries. Following Gereffi (1994), they have come to be known as buyer-driven global commodity chains. The positioning of developing country producers in such chains occupies an increasing number of researchers concerned with identifying the winners and losers from globalisation. This paper has sought to contribute to this debate by seeking answers to two questions: first, what can researchers learn from global buyers about the strengths and weaknesses of developing country producers; second, what can these producers learn from global buyers and what circumstances are conducive to such learning. The literature offers no clear role models for investigating these questions so the analysis offered in this paper is of an exploratory kind.

The interviews with American and European buyers provided clear and comparative profiles of exporters from China, India, Brazil and Italy (which continues to be the reference point in the shoe business). Buyers are not just looking for price competitiveness but also reliable quality, punctual delivery, speed of response and flexibility to cope with small orders or changes in large orders. The main findings are as follows:

- Both India and China score highly on price competitiveness and poorly on response time. In other respects, the two countries diverge. China has become excellent in producing reliable quality and delivering on time, two areas in which India remains very weak. Willingness to learn from outsiders is one of the main reasons for China's success and India's failure.
- Brazil has been able to compensate for its weakness on price with quality, speed and flexibility. While it can match Italy on these parameters, Brazil remains far behind Italy in innovative design. Without developing its own designs, it is difficult for Brazil to progress from its current status as 'captive world class manufacturer'.
- In the current state of globalisation of the industry, new locations and hierarchies are emerging. In particular, low wage locations are being developed by the established clusters. These include a Vietnamese shoe industry being developed by Taiwanese entrepreneurs, new factories in Romania being set up by the Italians and new factories in the Northeast of Brazil being established by the cluster in the South of the country. The new spaces provide cheap labour, tax exemptions and subsidised infrastructure, the 'old clusters' provide manufacturing know how, specialised components and tested relationships with foreign buyers.

- Assessing the competitiveness of producers on the basis of interviews with buyers proved a useful method. It is excellent for identifying specific strengths and weaknesses and is particularly useful for comparative purposes. It is however only of limited value for unravelling the causes of the strengths and weaknesses.
- The buyer approach also helps to obtain a global view of the industry and of the changes that are underway. However, it does not necessarily constitute a method of rapid appraisal. The more knowledgeable and strategic the buyer, the harder it is to secure the interview. This is partly because they travel so much, partly because the researcher - just like a potential supplier - needs to network in order to secure the buyer's time and trust.

The second question pursued in this paper concerned the producer's - rather than the researcher's - scope for learning from foreign buyers. Since this scope varies a great deal, we focussed on mapping out the circumstances in which buyers are more - or less - likely to contribute to the upgrading of producers. Our conclusions are as follows:

- The global commodity chain approach by Gereffi *et al.* offers a good starting point because it identifies the key feature of the context in which export manufacturers from developing countries tend to operate: they feed into chains which are organised by lead firms that source globally. However, this approach needs to be developed further in order to specify where local upgrading is facilitated or hindered by these global buyers.
- Based on the East Asian experience, Gereffi (1999) suggests a route of progressive upgrading for producers that enter these chains. Our research confirms this upgrading path for the sphere of production. Local producers have been helped to improve intra- and inter-firm organisation and - as a result - have raised quality and speed.
- However, in developing design and marketing competence, local firms face obstacles because such upgrading encroaches on their buyers' core competence. Such conflict between local producers and global buyers has been neglected in the global commodity chain literature to date.
- Further research on the role of global buyers in local upgrading would benefit from distinguishing between incipient and advanced producers, buyers with and without own manufacturing experience, price- and quality-driven chains, direct sourcing and sourcing through intermediaries, and chains with low and high degrees of buyer concentration. These distinctions help to develop testable hypotheses and generalisable findings.

A question which we did not ask in this paper is upgrading for 'upgrading for what?' If entering the global chain commits the producer's human and financial resources to a market segment where competition is high and price-driven, the returns are likely to be low and/or decreasing. Due to the entry of new low-wage producers, footwear is one of those sectors in which manufacturers are in danger of being caught up in a race to the bottom, in which export growth would mean 'immiserising growth' (Kaplinsky, 1998). Upgrading is about moving into activities which offer higher returns. There are two basic routes for doing so: the first is a shift to manufacturing products which command a higher price; the second is to acquire new functions in the chain (Humphrey, 1999). Making such shifts is, however, more difficult where producers face a high degree of buyer concentration.

Table 2 draws together those determinants that we consider most strategic and most widely relevant for upgrading and earning opportunities within the sphere of production. Clearly, producers will want to avoid the North Eastern field (price-driven market segment with high buyer concentration) and prefer the South Western field (quality-driven market segment with low buyer concentration). But this could be an unrealistic and static reading of the table: new producers from developing countries will often have to start in the price-driven segment and the initial upgrading within this segment may well be high. Dynamising the table would require making it three-dimensional and adding the distinction between incipient and advanced producers.

The policy implications from this research include both old and new arguments. The old lesson concerns the importance of effective infrastructure for the flow of materials and information (roads, ports, airports, communication lines) and speedy customs clearance for importing components and exporting finished goods. However, relegating these to a list of public sector duties is of little help. Successful examples of public-private partnership are probably better role models.

Table 2. Upgrading and earning opportunities in export manufacturing

	Buyer concentration	
Market segment	**High**	**Low**
Price-driven	Upgrading: low Gains: uneven	Upgrading: low Gains: even
Quality-driven	Upgrading: high Gains: uneven	Upgrading: high Gains: even

The second policy concern is the long-overdue integration of buyers in technical assistance projects of donor agencies. None of the interviewed buyers expressed enthusiasm for this idea, fearing that they would be drawn into politicised sourcing. The majority, however, confirmed that they are prepared to discuss this new role with bilateral or multilateral agencies, provided that the aim is not charity but upgrading for competitiveness. Tested role models for channelling technical assistance through buyers do not exist, but the idea is already gaining ground in pilot projects.[13] More experimentation is needed but it requires long-sighted buyers and technical assistance agencies prepared to take risks and invest in a new customer oriented approach. This would need to include investment in more research on, first, the circumstances in which buyers play a negative or positive role and, second, ways in which the positive role can be strengthened.

NOTES

[1] Two German buyers declined. Significantly no prior contacts existed to these two firms – unlike in those firms which co-operated. We succeeded where we had invested in prior networking but failed where we had not. The difficulty also arose because we sought to talk to respondents who had both substantial direct experience and an international overview. Typically these respondents are amongst the busiest and most frequent fliers.

[2] Similar diagrams have been used to examine the South African auto component industry (Kaplinsky and Morris, 1999). They are called 'footprints' by Mansell and Wehn (1998) who have used them to compare countries with regard to knowledge indicators.

[3] However, not all respondents had recent personal experience in the four selected countries.

[4] These buyers source through close and long-standing relationships, from what are often considered the best shoe producers in India. The experience and expectations of these two buyers differ from the general view. Such variations underline the earlier observation that buyers tend to think in terms of specific factories and that these factories are not necessarily representative of a particular country (especially in a huge and diverse country like India).

[5] Little seems to be known about how exactly Italy has built up this core competence in innovative design capability, how it appears to have been able to protect and even strengthen this competitive advantage, or to what extent this perception among buyers is just a reputation effect.

[6] Attempts to group our criteria by using Hill's (1985) distinction between order qualifying and order winning criteria were not successful. This distinction implies that certain criteria (e.g. price) were used first before others (e.g. speed) were applied. Such a generalisable sequence in the screening and decision making process could not be found.

[7] By 'bonders' we mean managers who visit manufacturers for a political (rather than technical) purpose, underlining their intention to maintain the relationship.

[8] The Korean athletic footwear industry went through a similar process by setting up assembly factories in Indonesia, to balance their exposure to its Chinese supply base.

[9] For an analysis of how a poor infrastructure may inhibit the potential benefits from liberalisation, see for example Jacobsson and Alam (1994).

[10] An important feature of the early relationship was that buyers were capable of providing advice in production because they used to be manufacturers in the US or Europe.

[11] In our second trajectory (section 4), the intra-firm strengthening of manufacturing capability is predominantly the responsibility of the entrepreneurs from the 'old clusters'. Accordingly, most of the visiting technical staff come from Italy, Taiwan or South Brazil rather than North America or Northern Europe.

[12] This distinction is missing in our questionnaire (see Appendix).

[13] For example, the 'Manicaland Business Linkage Project' in Zimbabwe seeks to build up the capacity of local manufacturers through 'buyer-monitoring'. It is an experiment funded by NORAD, carried out with the Federation of Zimbabwe Industries (Grierson *et al.* 1999).

ANNEX: INTERVIEW QUESTIONS FOR BUYERS

1. Which countries are your most important suppliers?

   (1)_____________; _______% of imports
   (2)_____________; _______% of imports
   (3)_____________; _______% of imports
   (4)_____________; _______% of imports

2. Do you have your own factories in these countries or do you buy from other firms?

   ____

3. What percentage of your imports come from:

China	______________%	Italy	_________________%
India	_______________%	Brazil	_________________%

4. What types of shoes do you buy from these countries:

   ____

5. Based on your own experience, how would you rate Italy, China, India, Brazil? See criteria in attached table and use five-point scale
   (Different colour pen for each country)

   ____

6. Do you expect that in 5 years from now the percentage you buy from India, etc. will have increased or decreased? Why?

   India ____
   China ____
   Brazil ____
   Italy ____

7. In what aspects do these countries need to improve most over the coming 5 years?

   India ____
   China ____
   Brazil ____
   Italy ____

8. What do you give to your supplier apart from the opportunity to sell? Check for assistance in:

   - achieving reliable quality ______________________________________
   - upgrading technology ______________________________________
   - speeding up response ______________________________________
   - punctual delivery ______________________________________

9. If you compare the present with the past how has your role in upgrading producers changed?

Did you play a more important role then?

Do you now provide different things?

10. Do you take your suppliers from country X to visit factories in other supplier countries?

11. Do you engage in joint product development with your suppliers in India (etc.) or do you provide a final design?

Do your suppliers participate in the product specification?

12. Was this different in the past?

13. Do you put your producers in direct contact with your customers, i.e. retailers?

Do you help your producers to make their own assessment of the final market?

14. Do you provide training/internships to employees of your producers?

15. Do your suppliers work exclusively for you – with regard to the European/US market?

16. Do your suppliers also sell direct to other European/US retailers?
If not, would they be free to do so?

17. Do your suppliers exhibit at European/US trade fairs?

18. The importance of traders for upgrading is increasingly acknowledged. If DFID/USAID/TNO/UNIDO etc. were to ask you to collaborate how would you react?

What practical suggestions would you make?

19. At some stage of the interview, ascertain total sales in 1998.
value
number of pairs

20. Where do you rank in the league of importers of your country?

Country Brazil: blue Italy: black China: red India: green	Weakness 1	 2	 3	 4	Strength 5
Regular and reliable product quality					
Price					
Response time (from order to delivery)					
Punctual delivery					
Coping with small orders					
Coping with changes in large orders					
Innovative Design					

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