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SCHOOL OF BUSINESS, ECONOMICS AND LAW

Master Degree Project in Logistics and Transport Management

Integration of Supply Chain Management and Marketing

A case study of a Swedish Fashion Retailer

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Abstract

The objective of the company is to provide customer value as maximum as possible hence to accomplish profits. To fulfilling superior customer value creation, the literature states that it is important for firms to meet their integration of supply chain management and marketing. This integration is more needed by the fashion companies as their challenges facing in terms of time-to-market, shorter product life cycles, high product variety and fluctuation in demand. This paper aims to develop a deeper understanding of integration between supply chain management and marketing by investigating how it has been performed in a Swedish fashion retailer, and with a more specific focus in understanding what the integration level of the fashion retailer Lindex is differed to a successful firm Zara. In order to fulfill the purpose, this study adopts a deductive approach that conclusions are drawn with the literature review in mind. This thesis is a single case study that used both primary data and secondary data. The collection of secondary data comprises of scientific articles, annual reports, and companies' official homepages. Primary data gathered through qualitative interviews with one case company. Finally, the results illustrate that Lindex is failed in their integration of supply chain management and marketing, their practical performance is not in line with the knowledge gained from the literature, which in turn present a lower integration level than Zara. This study suggests that if Lindex focuses on the stated linkages and succeed with them, they ought to achieve optimal integration level hence to gain better performance and moreover enhance the customer value creation.

Keywords: Supply chain management, Marketing, Integration, Customer needs, Lindex

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TABLE OF CONTENT

Abstract

Acknowledgment

1. Introduction.....	1
1.1 Background.....	1
1.2 Problem Description and Problem Analysis.....	2
1.3 Motivation of This Research Topic and Case Selection.....	4
1.4 Research Purpose.....	4
1.5 Research Questions.....	5
1.5.1 The Study’s Relevance.....	5
1.6 Delimitation.....	5
1.7 Fashion Industry.....	6
1.7.1 Presentation of the Case Company.....	7
1.8 Outline.....	8
2. Literature Review.....	9
2.1 SCM and Marketing.....	9
2.1.1 SCM.....	9
2.1.2 Marketing.....	10
2.2 Integration of SCM and Marketing.....	10
2.2.1 The Need for SCM and Marketing Integration.....	11
2.3 Integrating Processes.....	12
2.4 Levels of SCM and Marketing Integration.....	15
2.5 Information Technology Communications.....	16
3. Methodology.....	19
3.1 Research Approach.....	19
3.2 Case Study.....	19
3.3 Data Collection Methods.....	20
3.3.1 Secondary Data.....	20
3.3.2 Primary Data.....	20
3.4 Validity and Reliability.....	21
4 Empirical Findings and Results.....	23
4.1 Overview of Fashion Firm Lindex.....	23
4.2 Lindex Demand Fulfillment Processes on SCM.....	24
4.3 Lindex Demand Creation Processes on Marketing.....	25
4.4 How Lindex Integrating SCM and Marketing.....	25
4.5 Identify Lindex Information Systems.....	27
4.6 Overview of Zara.....	27
5. Analysis.....	29
5.1 Analysis of Lindex Integration of SCM and Marketing.....	29
5.2 Analysis of Integration Level of Lindex vs. Zara.....	31
6. Conclusions and Implications.....	33
6.1 Conclusions.....	33
6.2 Contributions and Implications.....	34

6.3 Suggestions for Further Studies	35
References	36
Annual Reports	43
Appendix – Interview Guide.....	43

List of Tables

Table 1: Outline of the thesis	8
Table 2: Differences between Lindex and Zara	32

List of Figures

Figure 1: SCM and Marketing integration for optimal outcome	3
Figure 2: A framework of integration processes between SCM and marketing.....	13
Figure 3: Levels of SCM and marketing integration	15
Figure 4: Information needed between SCM and marketing.....	17
Figure 5 Integration levels of Lindex and Zara	31

1. Introduction

The first chapter of the thesis provides the reader a general view of the research area. It starts with the background description and problem analysis, and followed by the research purpose and research questions. Further, the delimitation is presented and an outline of the thesis is exhibited at last.

1.1 Background

The scope of supply chain management (SCM) has expanded over time that developed from an intra-organization to an inter- organization, which from having a focus on purchasing and logistics to all necessary processes and functions in the network of supply chain (Dubois, Hulthén & Pedersen 2004). SCM comprises of all the adding value activities across variable functional domains of the organization (Jeong & Hong 2007). The integration of all these activities across traditional functional boundaries is key for firms to achieve full competitive advantages and to provide optimal customer services (Cespedes 1996; Johannessen, Olsen & Olaisen 1997).

Providing superior services to customers in the value chain is fundamentally dependent on two functional domains- SCM and marketing. Generally, SCM seeks to optimize supply efficiency and focuses on cost-oriented while marketing aims to optimize demand and strives to fulfill volume and revenue objectives (Walters 2006; Madhani 2016). A company needs to understand both concepts and both their success determines the company's profitability (Jüttner, Christopher & Baker 2007). Moreover, Mentzer & Kahn (1996) express that synergetic integration between a company's SCM and marketing is imperative to capitalize on service improvements. According to Madhani (2012) firms that are able to get a better position in markets requires the cooperation of supply (including logistics and operations) and demand (including marketing) within the organization. As a result, the decisions regarding integration of SCM and marketing should be a matter of paramount importance for firms.

The key drivers for the integration of SCM and marketing derived from the customer needs and expectations have grown more complex and hard to forecast due to customers facing variable alternatives in terms of quality, innovation, prices, services, etc. (Fassoula & Neoset 2006). Companies forced to examine about how front-end marketing can interface with back-end operations of the supply chain as well as how transformed mass information from the marketing department to other departments. For some products that have shorter product life cycles, for example, fashion garments, automobiles, and electronics, the close link between SCM (e.g. logistics, inventory and production) and marketing (e.g. understanding customer needs) is more critical as the increased level of competitive pressure (Madhani 2012).

1.2 Problem Description and Problem Analysis

Today, a large number of companies are facing a difficulty that the products reaching the market are not matched customer demand. This leads to high costs when supply exceeds customers want, the price has to be marked down, or when demand exceeds supply, the products tend to be stock-outs as a result of sales opportunities are disappeared and customers are dissatisfied (Fisher 1997). To make sure the highly diverse needs of markets are satisfied to the point without losing sales, forced markdowns, and obsolete inventory, deploying a differentiated SC capability to match the demand is a necessity (Hilletofth, Ericsson & Christopher 2009), which also implies that the functions of SCM need to be kept in conjunctive with the functions of marketing for servicing consumers (Madhani 2012).

According to Shankar (2001) SCM is only focus on back-end operational functions that deal with fulfilling the demand in an efficient way while marketing indeed is the one to address front- end functions that engage in understanding customer needs, satisfying them and continuously adding value. Hence, as Madhani (2016) argues, the SCM by itself is incapable to cover both functions as it addresses not customer value and satisfaction no matter how it efficiency is. Instead, incorporate SCM and marketing into an alignment is the only approach for capturing mutual benefits from both fields (Jüttner, Christopher & Godsell 2010). In this way, the customer demand tends to be satisfied based on the needs of individual customers interfacing with a considerable supply chain capability.

Indeed, companies usually have implemented these two functional areas as self-optimizing, independent entities (Shankar 2001). They either concentrates on reinforcing their operations of supply chain or pay more attention on strengthening their relationship with customers, often resulting in suboptimal integration (*Figure 1*) (Pero & Lamberti 2013). This suboptimal integration is foreclosed some important opportunities in both a SCM and a marketing perspective: on the SCM side, the lack of coordination with marketing decreases service level and often leads to stock-outs (Campo, Gijbrechts & Nisol 2000; Corsten & Gruen 2003; Fitzsimons 2000) and an unsatisfied customer performance (Mollenkopf, Fusso & Frankel 2007; Woensel et al. 2007). On the marketing hand, the disconnection with supplying- side intelligence leads to a negative impact on the capability to carry out the market- and customer-oriented activities (Esper, Ellinger & Stank 2010). Yet the real key to the successful match between supply and demand is to effectively integrate SCM and marketing activities (Pero & Lamberti 2013). By doing so, companies can make themselves have sustainable competitive advantages while provide customers a great value proposition (Shankar 2001).

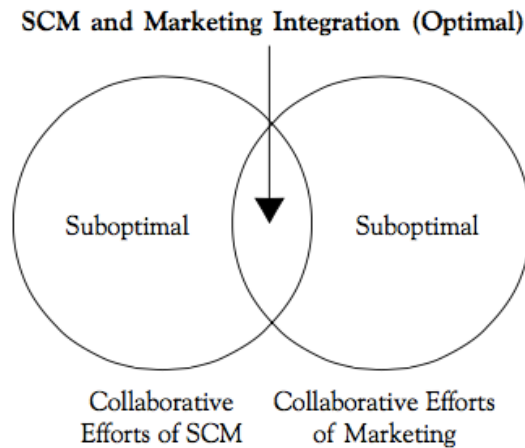


Figure 1: SCM and Marketing integration for optimal outcome (Source: Madhani 2012)

Despite the strong arguments for a necessity of interrelationship between two initiatives, in many organizations, the supply chain still tends not to be combined with the marketing side and functional managers often do not collaborate their activities (Madhani 2016). Supply chain managers always have not a clear idea about what are the drivers behind customer needs (Jüttner, Christopher & Baker 2007). And marketers lose sight of supply-side capabilities for supporting and sustaining their customer demands. The interdepartmental relations between logistics and marketing seem to be featured by the clash and lack of collaboration rather than by a close alignment. To become integrative seems a challenge for any organization because a natural tension between these two functional entities exists (Madhani 2016).

Here comes the fact that the integrated approach has long interested and widely debated by academics and practitioners, much of companies have also realized the developments and benefits of the interrelationships of SCM and marketing. Still, prominent knowledge regarding practical actions is on the way and currently have underdeveloped, which explains why companies today have more often devoted to highlighting differential advantages in one rather than both of the areas (Esper et al. 2010; Pero & Lamberti 2013). Moreover, Gundlach et al. (2006) suggest that the integration and collaboration of supply chain and marketing activities held “continued opportunity” for cross-disciplinary research. In this case, an additional need has been triggered to investigate the effect of integration between SCM and marketing within a case company in this research. For focusing on a case company related to the research topic, Hauge (2007) encourages the researcher can choose fashion as a research topic when conducting his/her research and he claims two main reasons:

“(1) Fashion is a growing and important industry, and (2) lessons learned from fashion can help illuminate processes we can find in other industries” (Hauge 2007 pp.9)

1.3 Motivation of This Research Topic and Case Selection

The practical field of this thesis is chosen by the author among variable industries to specific on the fashion industry, not only because the encouragement from Hauge (2007), but also the motives come from the following reasons:

First, according to Jüttner, Christopher & Baker (2007) the integration of SCM and marketing is mostly needed by the business characterized as intensive competition, tremendous product variety, volatile and unpredictable demand, and short product life cycles. As a result fashion apparel industry is accord with these characteristics and should be studied as a suitable over than other industries (e.g. groceries).

Second, the application of author's knowledge acquired during the university studies in the master program of logistic and transport management from reading a large volume articles and course books related to the efficient market-responsive supply chain of Zara as a successful case to be studied, which is a company in the fashion industry.

Third, a deep knowledge of Zara inspires author's curious in understanding other fashion companies' supply chain and marketing situation which is the lack of being in the investigation. Due to the author has lived in Sweden for several years and very interest in local styles and fashion cultures, investigating a Swedish fashion company would be a preferred option in this thesis.

For determining to study a Swedish fashion company, the author as a loyal customer of Lindex during the years has interested in this company very long time, which believes the task of writing thesis assigned by school providing a good opportunity to study the company as a case in conjunctive with the gap of an additional need in studying the integration of SCM and marketing. Therefore, this thesis is motivated by author's own interest instead of commissioned by any company or organization.

1.4 Research Purpose

After determining the research subject and the object of study, this paper thus focuses on the study of the integration of SCM and marketing in the fashion apparel industry. The purpose is to develop a deeper understanding of integration between SCM and marketing by investigating how it has been performed in a Swedish fashion retailer and with a more specific focus in understanding what the integration level of the case company is differed to the successful one.

Fulfilling this purpose will contribute with the knowledge regarding how the integration of SCM and marketing can be performed and how the case company can improve its performance based on the existing knowledge of successful one and relevant literature. Hopefully, the results can give some hints to Swedish fashion managers' awareness of the areas that influence the customer value provision. The

outcomes of this paper might offer implications for other similar fashion retailers and might be applicable to companies of other industries just as Hauge (2007) stated.

1.5 Research Questions

The objective of this paper is to study theories and primary resources that solve the questions as follows:

- 1. How does a retailer perform the integration of SCM and marketing towards the market?*
- 2. What the level of SCM and marketing integration is positioned in the case company Lindex compared to the fashion firm Zara?*

1.5.1 The Study's Relevance

In order to complement existing knowledge acquired from learning and reading of the fashion retailer of Zara to the practical relevance, the pertinent description and analysis of the company Zara play a complementary role composed in this paper to provide a more vivid understanding of what the Lindex's situation in its SCM and marketing is differed to a successful one. Although Lindex is also a successful company and is one of the main competitors of Zara in the Swedish market, its SCM and marketing have not been jointly studied as a case in any research. However, Zara in the fashion industry has been widely and frequently cited as a symbol of successful company that follow the principle of full integration between SCM and marketing in both the academic and practitioner research, the main contributions come from previous literature such as Scozzese (2013); Jacobs (2006); Walters (2006); Mahmood & Kess (2015); Deshmukh & Mohan (2016); Madhani (2012); Madhani (2016) and so on.

Considering a large number of researchers have confirmed that Zara is a successful fashion retailer in its integration of SCM and marketing, additional investigation in collecting primary information about the process of integration and how this firm achieved the success in its integration seems not valuable and not time-efficient because a mass of information could be accessed from previous establishments. Therefore, this paper uses existing research outputs of Zara as a successful benchmark of a high level integration in its SCM and marketing compare to the outcomes from the primary case study of Lindex.

1.6 Delimitation

The principal delimitation in this research concerns the focus specifically on a single fashion company Lindex as a subject for the case study, yet it limits the results in regard to generalizability. In order to validate the outcomes of this study, there is a

need to observe more similar companies. Furthermore, the limitation is also concerned with the references of Zara that are based on previous studies to understand the differences in their integration level. In addition, the disclosure of information from the interview based on a general level, as some details about SCM are restricted to given out.

1.7 Fashion Industry

The term “fashion” is very broad which is described by Easey (2009) that is a change and the success of contemporary trends or the fresh categories in apparels and design. According to Christopher, Lawson & Peck (2004) fashion regarded as a business strategy that applied to reduce the time taken in the process of production, distribution and in-season buying in order to delivery continual renewal and updating of product ranges to the shop and satisfy customers. They have divided fashion industry into four characteristics that each one cannot be neglected for the sake of contending in the fashion market.

- 1) Short product life cycles – the product normally alive in a short life period. It is saleable for a very short time during the sales season, often based on weeks or a couple of months.
- 2) High fluctuation in product group’s demand: consumer demand is very unstable and known as barely, it might be influenced by constantly changing factors such as weather, films or even by celebrities.
- 3) Low predictability: product demands are extremely hard to predict correctly based on certain times or certain items due to the unstable nature of fashion products.
- 4) High impulse purchasing: shoppers will buy products at the purchase point based on their stimulation. Availability thus becomes necessary and important.

Fashion has the objective of getting the expected clothing into the market as quickly as possible (Bruce & Daly 2006), which requires the ability to spotting trends rapidly and seeing the affirmation of new trends or styles and selling them out in the possible shortest time (Scozzese 2013). In today’s highly competitive fashion market, fashion companies should succeed in managing the speed of response to customer demand of high product diversity and changeable volume in order to prior to the competition (Barnes & Lea Greenwood 2006). Consequently, it compels the fashion firms to launch an optimal demand and supply chain operations in terms of establishing a tightly linkage between customer needs and the upstream operations of design, production and distribution (Tokatli 2007). In a quick response setting, apparel producers need to continually obtain valuable insights from stores where close to the ultimate customers (Mahmood & Kess 2015). Moreover, Scozzese (2013) states that the customer orientation should be in the design of the supply chain in the fashion organization. The effort of combining supply and marketing process is critical for the sake of fast response to current fashion market’s demand (Mahmood & Kess 2015).

1.7.1 Presentation of the Case Company

Lindex is a retail company that operates in the fashion industry, it was founded in 1954 by two men from Alingsås of Sweden. The company's headquarters is located in Gothenburg, Sweden. Lindex had started as a lingerie retailer but soon switched their focuses to women's wear in general. Today the company has grown to become international that operated a total of 450 stores not only present in the Scandinavian markets but continues to build its brand in its current and new markets include the Baltic States, Russia, UK, Central Europe, Bosnia-Herzegovina and the Middle East. Lindex uses their stores as the heart of the business that they present affordable and inspiring fashion, and a total of 5000 employees meet their customers on a daily basis. The large number of stores and large market shares drive Lindex to become an influential actor in the fashion industry in the Scandinavian region (Lindex homepage).

1.8 Outline

This thesis designed as a widely accepted structure for a business report. It includes six chapters: Introduction, Methodology, Literature review, Empirical findings and results, Analysis, Conclusions and implications. Besides, some ideas related to possible future research will be discussed at the end of the thesis. The brief content details of each chapter are showed as follows.

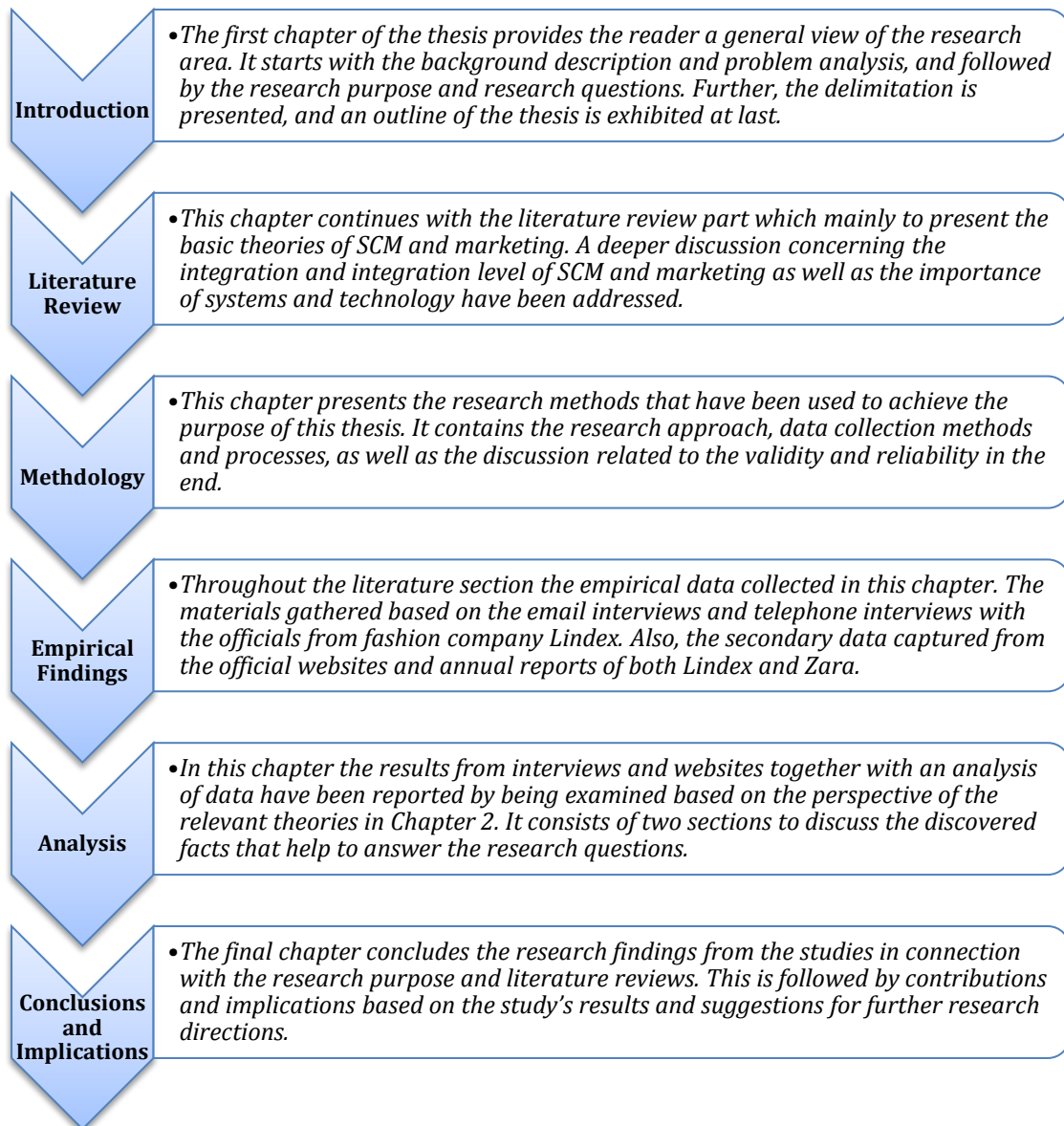


Table 1: Outline of the thesis (Own illustration)

2. Literature Review

This chapter continues with the literature review part which mainly to present the basic theories of SCM and marketing. A deeper discussion concerning the integration and integration level of SCM and marketing as well as the importance of systems and technology have been addressed.

2.1 SCM and Marketing

In this section, the concepts and reviews of both supply chain management and marketing are presented in order to support the following in-depth discussion of integration of SCM and marketing based on the earlier studies.

2.1.1 SCM

Simchi-Levi, Kaminsky & Simchi-Levi (2007 pp. 2) defined the SCM is “*a set of approaches utilized to efficiently integrate suppliers, manufactures, warehouse and stores that merchandise is produced and distributed at the right quantities, to the right locations, and at the right time in order to minimize system wide cost while satisfying service level requirement*”. SCM attached with two important conceptual areas including collaborative business philosophy and practical actions to manage and optimize the total distribution flow from the supplier to the end consumer (Cooper, Lambert & Pagh 1997; Min & Mentzer 2000). From Cooper & Ellram’s (1993) perspective, the major objective of implementing SCM is to help exploit competitive advantages for the channel to enhance customer value through reducing inventory costs, increasing stock availability and reducing order cycle time.

In SCM, there is much of focus on the supply chain’s ability to be either ‘lean’ (Womack & Jones 1996) or ‘agile’ (Goldman, Nagel & Preiss 1995). Lean supply chain, on the one hand focuses on removing all the wastes and shorting the time taken to meet the solid schedule to be given (Naylor, Naim & Berry 1999). A lean approach is driven by predictable market demand, long product life cycle, high volume and low product diversity. Agile supply chain, however, is focus on flexibility and work in the unpredictable environment of organization that featured by unstable demand and high requirements for product variety (Christopher 2000). Towards the trends in today’s marketplace, many organizations have developed lean and agile supply chain. Although lean and agile strategies enhance the efficiency of SCM, according to Jones & Riley (1985) if SCM aims at creating the high level of customer service but as the same time maintaining the lowest of costs and optimal capacity utilization, it has some limitations: SCM is only expert in matching supply with demand efficiently but not able to give solutions to the customer conundrum. This means that SCM works not in understanding what is valuable and non-valuable from a customer’s perspective and how to translate customer-perceived value into customer value proposition. Thus,

the supply chain efficiency itself could not to extend customer value and satisfaction (Rainbird 2004).

2.1.2 Marketing

The theoretical foundation of marketing has defined as the “*the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals*”. In other words, the essence of marketing is concerned with the creation of value through exchange processes to output customer satisfaction (Min & Mentzer 2000 pp. 766). Adding customer value is become more important than ever before, companies therefore are under the pressure of not only need to know what each customer values but also have to aware the changeable value perceptions of customers over time (Flint, Woodruff & Gardial 1997). This requires the marketing’s functions work in understanding customer perceive value through gaining constant market and customer knowledge, identifying different customer groups’ needs through segmenting markets or customers, then transforming them into product and service packages to fulfill those different requirements through customizing product and service development, finally marketing these packages to meet customer value proposition through promotion or any relevant activities (Jüttner, Christopher & Baker 2007).

Generally, customer value- based theory should be proposed as a significant foundation in a firm as it is a prerequisite for providing great customer performance (Slater 1997), while marketing’s functions are mainly represented at this point (Jüttner, Christopher & Baker 2007). However, according to Barratt (2004) over the last decade, the critical discussions have arisen that marketing not been excel at company’s internal efforts. It is limited in providing the coherent flow to the corporate organization’s operations and processes (Rainbird 2004). Consequently, marketing by itself has failed to build value that sourced from manufacturing, operations or logistics (Doyle 1996).

2.2 Integration of SCM and Marketing

A form of inter-functional coordinated actions across functional silos is prevailing within an organization and the responsibility of every function should jointly work toward same objectives (Min & Mentzer 2000). The boundaries between each function hence become unapparent. Many researchers develop their model of inter-functional coordination on the major business processes crossing SCM and marketing-related functions (Jüttner, Christopher & Godsell 2010). SCM and marketing viewed as the two major functional areas in providing superior customer service in the value chain. Within the cross-disciplinary research the integration between SCM and marketing has been extensively investigated (e.g. Soonhong & Mentzer 2000; Ellinger 2000; Svensson 2002; Parente et al. 2008; and Heikkilä 2002). According to Piercy (2002) better coordination between SCM and marketing could obtain the competitive advantages in new ways. Flint (2004) argues that integrating

SCM and marketing strengths is strong and compelling. Lummus, Duclos & Vokurka (2003) conclude that the good business performance can derive from an integrated approach between SCM and marketing. According to Green, Whitten & Inman (2008) the ability to interface and coordinate SCM and marketing is very important in satisfying the ultimate customers.

From the SCM perspective, Min & Mentzer (2000) argue that supply chains capable of fostering and conducting the integrated and collaborated marketing strategies at the supply chain level concerned end customer needs will generate the superior customer value. Gummensson (1996) suggests that the responsibilities of supply chain managers, other than marketers, should become a marketer of either full-time or part-time, because any individual in any function within a firm can constitute a key role in contributing to maximize customer value. From the marketing perspective, the knowledge of SCM should involve in the marketing decision-making and the deployment of responsibilities. Marketers need to strategize with SCM to improve their recognition of the firm's operational restrictions (Jüttner, Christopher & Baker 2007). Similarly, as emphasized by Flint (2004), the effective marketing strategy execution needs SCM, as it comprises of the distribution and supply intelligence of a marketing strategy.

Moreover, Kumar, Scheer & Kotler (2000) believes that companies will obtain a more differential competitive advantage by implementing a distinct business system to support marketing function in the offering of customer value proposition. The business system refers to the SCM that as a requirement to create, produce and deliver the customer value proposition. Yet it is necessary to understand both SCM and marketing perspective and to take joint decisions rather than solely focusing on unilateral decisions (Madhani 2012). The integration between marketing and dynamic SCM generates the development of customer-centred supply chain. Such supply chain provides greater flexibility to meet differing needs of customers based on company's customer base. To summarize, the integration of SCM and marketing confirmed to be a source of superior customer value creation in today's marketplace (Jüttner, Christopher & Baker 2007).

2.2.1 The Need for SCM and Marketing Integration

As customer demands are becoming more volatile, firms pay more attention on customer service. To be able to provide superior service for customers, the integrative working relations across different departments or functions within an organization is needed. When coordinative relations between SCM and marketing are poor, the linkage and communication that is vital for the provision of customers value adding may be lacking (Madhani 2013).

Specifically, the misalignment of SCM and marketing leads to the SCM could not able to make capital of the customer needs that marketing discovers, and marketing could not profitably execute new product or market development strategy with an

increased scope of offerings. It also leads to the sales and marketing promotions are not match with SC delivery schedules. If these negatives occur, firms may fail to respond quickly and optimally to customers' unique needs in terms of quality, service, variety and cost (Madhani 2012).

The detrimental of disintegration between SCM and marketing are becoming more apparent. Without applying marketing insights to view and plan the SCM, firms cannot succeed in reaching its great potential in terms of developing, supporting, or delivering product and service. Also, the absence of SCM and marketing integration creates significant obstacles not only in understanding and responding to customer needs, expanding sales and developing products, but also in serving the customer base and optimizing inventories (Madhani 2013). One of the potential risks can be either overstock or out-of-stock situations. Excessive inventories naturally lead to decreased profit margins; Out-of-stock situations result in a negative effect on revenue and market share, since the customers may be lost forever (Gruen & Corsten 2008)

2.3 Integrating Processes

In the SCM field, integrating operational processes within and across the organization is the conceptual feature of the supply chain (Mentzer et al. 2001; Lambert & Dastugue 2006). From a marketing perspective, processes are regarded as a component of the organizational context that directly influences the extent of customer value enhancement (Srivastava, Shervani & Fahey 1999). Considering their inter-functional nature, processes are difficult classified as either marketing or SCM. The most broadly held distinction could be viewed as between demand creation processes associated with marketing and demand fulfillment processes connected with SCM (*Figure 2*) (Christopher & Payne 2002; Jüttner, Christopher & Baker 2007).

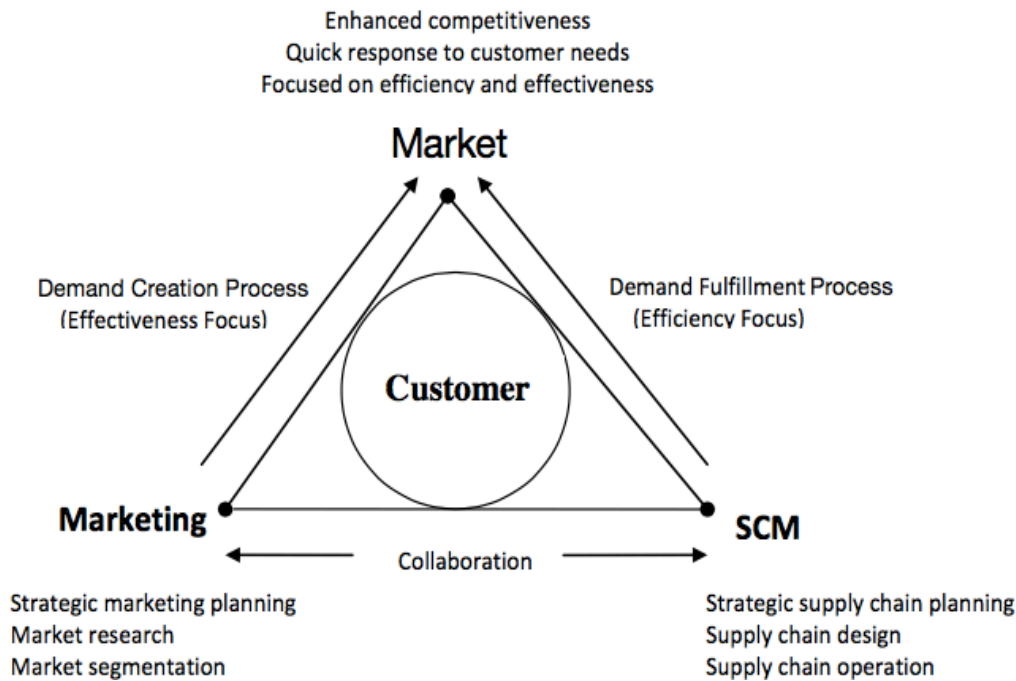


Figure 2: A framework of integration processes between SCM and marketing (source: Madhani 2016)

Demand creation processes

The demand creation processes include all the practices necessary for creating demand and are connected to marketing. The demand creation processes focus on the revenue and deal with the sell-side of the firm, as well as take care the process of concerning what is valuable for customers and how transform values to product offerings (Madhani 2016). The demand creation processes start with understanding customer needs and defining strategies about what to sell, how to sell and where to sell. These specific strategies in marketing perspective include strategic marketing planning, market research, market segmentation, and product development (Hilletoft, Ericsson & Christopher 2009).

Demand fulfillment processes

The demand fulfillment processes comprise of all practices necessary for fulfilling demand and are closely associated to SCM (Hilletoft, Ericsson & Christopher 2009). The demand fulfillment processes emphasize on the efficient supplying and address the buy-side of the company (Madhani 2016). The starting point of the processes is developing the strategic SC planning, SC design and SC operations to meet the highly varying market demand efficiently and at the same time to maintain economies of scale (Hilletoft, Ericsson & Christopher 2009).

Aligning all major demand creation and demand fulfillment processes across functional boundaries is viewed as the key to providing high customer value by reinforcing not only the products and services, but also the delivery processes (Jüttner,

Christopher & Godsell 2010; Hilletofth, Ericsson & Christopher 2009). The goal of the processes integration is also to synergize the complementary strengths between SCM and marketing towards market (ibid.), which in turn to achieve a balance between a good level of customer satisfaction and a good level of SC capabilities (Hekkilä 2002).

Normally, marketing sets the strategy; SCM missioned to execute it through building up suitable SC capabilities and scenarios because different customer demand may require different SC solutions. The actions from SCM and marketing can significantly impact each other in numerous ways, for example, performed marketing and sales activities may impact SC operations, the type of product life cycles certainly impact SC operations, as well as SC solutions may impact image and brand (Hilletofth, Ericsson & Christopher 2009). In this environment, the demand creation and the demand fulfillment processes are more interdependent and need to be aligned through collaboration rather than the focus on respective optimization (Jüttner, Christopher & Godsell 2010). Such collaboration is the key driver and the main objective for developing customer- centered supply chain and enhancing overall customer value by focusing on both efficiencies of SCM and effectiveness of marketing (Hilletofth & Ericsson 2007).

Today, a full integration between the two processes does not exist in most of the companies, but some of them have started to foster versions consisting of some activities that they considered as important. For example, Nokia has developed their integration between product development and SCM by including SC personnel co-worked with product managers (belonging to the marketing units) in the product development (Hilletofth, Ericsson & Christopher 2009). Also, IKEA has designed their furniture by combining demand creation and demand fulfillment processes by incorporating their SC managers in the work of market research and product development together with marketers. According to Hilletofth, Ericsson & Christopher (2009) the integration of demand creation and fulfillment processes should be managed based on a strong reciprocal interdependence between marketers and SC managers, which implies that marketers should have knowledge of customers' logistics service needs and understand overall SC operations in the marketing; While SC managers or logisticians should perform market research, market segmentation and product development in the SCM which supported by marketers. Just as Gummensson (1996) suggests, SC managers should become a marketer in any time in a firm to contribute the customer value creation.

2.4 Levels of SCM and Marketing Integration

Cooperation between the demand creation and the demand fulfillment processes are fundamental in all business areas. However, different levels of integration may perform differently (Hilletofth, Ericsson & Christopher 2009). According to Jüttner, Christopher & Baker (2007) the levels of SCM and marketing integration can be depicted with four categories of differences (*Figure 3*).

		Supply chain advantage	
		LOW	HIGH
Marketing advantage	LOW	<p>Market losers</p>	<p>Supply chain specialists</p> <p>Viable strategy:</p> <ul style="list-style-type: none"> - Low cost products <p>Potential problems:</p> <ul style="list-style-type: none"> - Lack of product and service differentiation - Ineffective product and service delivery - Suboptimal product development
	HIGH	<p>Marketing specialists</p> <p>Viable strategy:</p> <ul style="list-style-type: none"> - Expensive brands <p>Potential problems:</p> <ul style="list-style-type: none"> - Under-/overdelivery - Lost share of customer opportunities - Excessive supply costs of products 	<p>Market winners</p> <p>Viable strategy:</p> <ul style="list-style-type: none"> - Differentiation on product and process <p>Advantage:</p> <ul style="list-style-type: none"> - Satisfying different customer needs with differentiated supply chain capabilities

Figure 3: Levels of SCM and marketing integration (source: Hilletofth, Ericsson & Christopher 2009)

Companies who are market losers in the first category have neither marketing nor SC advantages, SC specialists, have a distinct capability in managing the demand fulfillment processes. This helps them to diminish time and costs in the process of supply, produce, and distribution thus to improve the change in asset turnover. Companies in this type usually place a strong emphasis on activities such as strategic sourcing, collaborative planning, forecasting and replenishment, and inventory minimization. Rainbird (2004) reports that companies can achieve cost savings through their SC excellence, thus low (2002) argues, a SC strength that is disconnecting to marketing advantages greatly restricts the company's competitiveness in terms of price and product availability. This refers that competition through SC strengths supposes that the lower price is a key factor of competitive advantage. Moreover, Lee (2001) stresses that companies may face major problems if SCM acts independently of marketing. Because of the diversity demand of products and services is a major input to SCM; separating both sides leads to an inability of supply consistent with diversity demand of individual consumers and customer segments. Negative impacts can represent at a suboptimal

product and service development, a lack of product and service ineffective product and service delivery (Jüttner, Christopher & Baker 2007).

d differentiation and

Marketing specialists usually excel at identifying specific customer needs, managing customer relationships or building strong brands. Companies in this category can incorporate their extant customer knowledge into marketing strategy in a more cost-effective way. However, according to Piercy (2002) a marketing strength that is delinked to SC strength often results in a high- cost base, incoherent and inefficient product delivery. These dilemmas can solely be remedied by an extremely high company image since firms that cannot deliver based on the promises made in the marketing due to the absence of supplying intelligence will lose credibility and disappoint customers. Some problems exposed as the under-delivering and over-delivering, the lost share of opportunities if the firm unable to capitalize on the diversity customer demands, and the excessive supply costs of products (Jüttner, Christopher & Baker 2007).

Firms in the last category, market winners, have effectively and efficiently integrated their demand creation and fulfillment processes to capture competitive advantages by highlighting both products/ services and delivery processes. They have the ability to fulfill specific customer needs with customized SC scenarios, which help to reduce prices on provisions that are of maximum value to customers (Hilletoft, Ericsson & Christopher 2009). This type of company is capable to make the preferential treatment to different orders and develop service packages geared towards customer needs and the value they can offer, all based on an extensive understanding of the total SC costs on the customer-by-customer basis (Deloitte 2002). By linking SC with different customer segments allows these companies to solve emerging and varying customer needs optimally. This also helps to reduce time-to-market as well as improve product and service lifecycle management (Jüttner, Christopher & Baker 2007).

The final purpose of the company is to turn itself into a market winner that is necessary for those markets defined as high competition, high product diversity, differentiated demand, as well as short product life cycles (Hilletoft, Ericsson & Christopher 2009).

2.5 Information Technology Communications

According to Jüttner, Christopher & Baker (2007) communication is essential, and information needs to be exchanged from SCM and marketing in the company. It relies heavily on IT systems to create connectivity across departments, some typical IT applications including:

- ✓ EDI: electronic data interchange exchanging data via any electronic means.
- ✓ POS: point of sale retail data transaction

- ✓ PDA: personal data assistant- a mobile device
- ✓ ERP: enterprise resource planning- a suite of integrated applications that interpret data from many business activities.
- ✓ CRM system: customer relationship management system- interaction with customers
- ✓ Internet: computer networks

Information systems allow daily operations to become more efficient as it contributes to the elimination of distortion of demand-related information, transparent web-based business transactions, sales processes automation, knowledge-centric decision mechanism and match of supply and demand schedule (Madhani 2013).

Among the information needed by SCM from the marketing perspective is “*new customer and product opportunities, defined customer segments, planned promotions as well as feedback on over or under-delivery*”. Marketing, on the other hand, focuses on “*the need for timely information on lead times, capacity and pipeline costs - inventory carry cost, warehousing, transportation costs*” (Figure 4) (Jüttner, Christopher & Baker 2007 pp. 388). These information share and coordinate together can smooth real-time flow of demand-related data, and improve the visibility from the point of origin (suppliers) to the point of consumption (end users). Still, even if the information flow seen as a necessity, it is not an influential actor in the inter-organizational working relationship. A mutual understanding of the information and a strong ability to practice based on the same information is pivotal (ibid.).

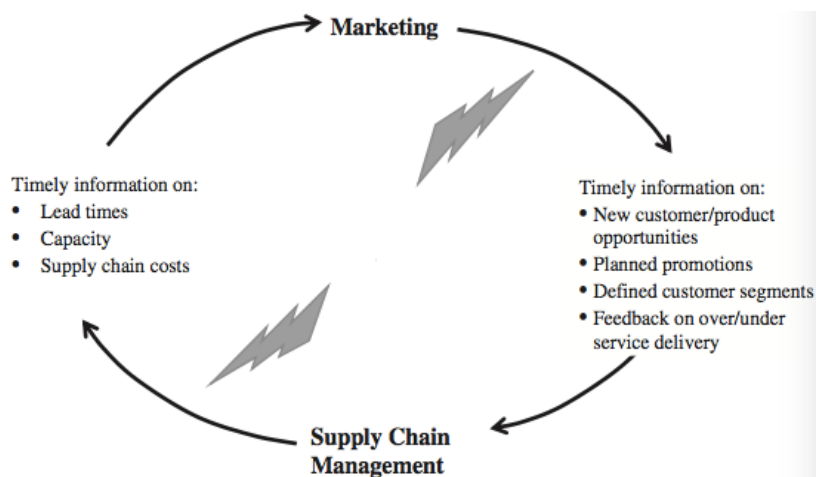


Figure 4: Information needed between SCM and marketing (source: Jüttner, Christopher & Baker 2007)

The information system may make the process integration to be feasible, but its design should be based on the integrated demand and supply process requirements. This means the selected IT systems should be skilled in identifying for each order, sales ways, and need to be connected to an appropriate system both related to the demand side (CRM systems) and SCM tools on the supply side (Jüttner, Christopher & Baker 2007). The functions of the information system on the demand side are no doubt an enabling role for smoothing the demand creation processes throughout collecting and storing complex a mass of customer data afterward feed the information back into customized provisions, product development, and sales as well as marketing activities (Zablah, Bellenger & Johnston 2004). Similarly, the role of information systems on the supply side is widely acknowledged with many functions in terms of a forecasting functionality, analysis instruments for calculating operational costs, and collaborative instruments to link actors in the SC (Jüttner, Christopher & Baker 2007).

To be able to fulfill the demand and supply process integration requirements, the IT systems must be competent on enabling the company to search for and set tailored supply solutions to serve differentiated demands (Jüttner, Christopher & Baker 2007).

3. Methodology

This chapter presents the research methods that have been used to achieve the purpose of this thesis. It contains the research approach, data collection methods and processes, as well as the discussion related to the validity and reliability in the end.

3.1 Research Approach

A scientific approach explains how scholars connect theories and empirical findings in the process of research towards their objectives. The process of this research applies a deductive approach to performing the study. A deductive approach based on existing published theory and research. The author tends to compare already existed theories in the subject area with new accounts. This material has been used as an outline in deciding what information was gathered as well as how the information interpreted and analyzed related to the existing theories (Patel & Davidsson 1994). Both theoretical and empirical perspectives are presented in this work in order to make a vivid picture of how companies operate in practices when they focus on the integration of SCM and marketing. Qualitative research method is appropriately used to increase the understanding of this area because it provides a valuable means to capture and analyze the fullness, richness as well as complexities of the research subject (Saunders, Lewis & Thorhill 2007)

3.2 Case Study

According to Yin (2003) a case study is often a preferred option to take when “what”, “why” and “how” questions are being posed for any significant case. It is also the most appropriate when researchers want examine or observe a phenomenon where the context is regard with the complexity of a single case, such as an organization, a location, a person or a real life event. This is aligned with this research situation, as the integration processes within an organization are complex, a case study is thus appropriate to use. What distinguished the case study from other research methods is also that it satisfies the purpose of understanding a larger class of similar cases by intensive analyzing a single practical real-life instance, as well as it allows the researcher employs flexible techniques including both quantitative and qualitative methods for the collection and analysis of evidence (Gering 2006). Thus, the case study with qualitative approach applied in this paper seen as suitable for producing the merit of findings.

3.3 Data Collection Methods

Data collection can be derived from variable sources of evidence. According to Yin (2003) there are six important sources including interviews, direct observation, participant observation, physical artifacts, and documentation archival records. In addition, there are two types of data: secondary data and primary data, which can be used either singly or in combination. It is very unusual that a research only includes primary data, but at least using secondary sources in some parts in the work of research. This thesis uses both types of data collection.

3.3.1 Secondary Data

Secondary data is material that is already available, but it was collected for some other work to solve other problem. Secondary data are one of the most convenience and the cheapest way to access information. A researcher can search for secondary data based on the relevant topic through the public sources (Aaker 1995), for example, internal and external reports, books, scientific articles, newspapers, websites, magazines, census data, government's publication and so on. Much of internal data could not be available to all because of the proprietary issue; instead, the researcher can find data that is the most relevant (Sekaran 2000). Referring to this research, the secondary data regards with the company of Zara and Lindex was collected based on published annual reports and company website information. For the literature review part, the secondary information is derived from scientific articles and various websites.

3.3.2 Primary Data

Primary data refers the first-hand data generated from an original resource especially by the researcher to address specific research objective from personal investigations and own experiments (Aaker 1995). The primary data could be qualitative and quantitative. Qualitative data is often including the detailed description of situations, and its investigation usually based on a case study or a survey with small samples. A qualitative case study is to a large extent build upon qualitative information that is collected by the researcher from, for example observations and interviews (Merriam 1994)

3.3.2.1 Interviews

Interviews are an approach of collecting data through identifying participants (the interviewees) who are invited to respond questions about what they do, think or feel (Collis & Hussey 2013). A semi-structured interview is a form of interview in which some of the questions are pre-prepared, but the interviewer can raise additional questions from a particular answer, or interviewees are encouraged to talk about main topics of interest and to develop new (but relevant) issues (ibid.). Interviews can be conducted in several ways: via the personal interview (face-to-face communication),

letters, computer, telephone or a combination of these (Blumberg, Cooper & Schindler 2011).

In this research, semi-structured interviews were mainly used in order to obtain more detailed information from interviewees. A combination of different communication methods are employed that mostly for the convenience of interviewees. The face-to-face interview is an ideal method to obtain complex and sensitive information and ensure the depth of information and details (Collis & Hussey 2013). However, personal interview cannot be carried out since the interviewees were not in the city at the moment, but instead telephone and email interview is conducted in this paper to overcome the time and geographical constraints. Before the interviews took place, the author had pre-knowledge about the company that helped discuss the subject during the interviews.

The interview processes in this research have been divided into several stages. First, finding and selecting participants through searching the official company website to find out key personnel representing senior and middle management at Lindex. Second, making a connection with the potential interviewees through email, the purpose and subject of request interview has been explained, and appointment asked for arranged. After received the feedback of the request, the interview time has been decided and the interview guide sent to the interviewees in order to inform them the discussed area in advance. The interview questions were well prepared with a logical flow and step-by-step way that built upon existing theory. Next, the interview was conducted after several emails back and forth. The interview was 30 minutes long through telephone with Ingvar Larsson (CEO of Lindex), some questions were kept as open as possible to obtain spontaneous information from him. Another interview was with supply chain manager through email for gathering related SCM information. Finally, after collecting all the significant data during two interviews with the CEO and the manager from logistics department in Lindex, the data has been exacted and translated into words.

3.4 Validity and Reliability

The quality of a study can be evaluated based on the two important issues including validity and reliability, which need to be noticed attentively and mentioned by researchers in their studies. In the qualitative method study, the concepts validity and reliability are seen jointly (Golafshani 2003).

Validity refers whether the data collected accurately represent a reality of what is being studied (Collis & Hussey 2013). The validity includes two parts, internal and external part. The internal validity concerns the research design that addresses the study itself and the direct linkage between the theoretical framework and the empirical evidence in order to achieve the research objectives and to answer research questions (Svenning 1996). Data that fails to provide answers to the research questions will lead to invalid results (Saunders, Lewis & Thorhill 2007). This reminds

the interviews shall be performed with the relevant chosen persons who are knowledgeable in the study field to answer the questions. The external validity mainly concerns the project as a whole so that all its contents could be valid in a wider perspective, that is, if it is possible to generalize from a study (Svenning 1996). The researcher in this study has carefully reviewed the data before added it to the paper by trying to evaluate the extent of the data's validity and taking reasons for the company producing it into consideration (Saunders, Lewis & Thorhill 2007). Also, in order to increase validity, the author made a pre-study on many of the company's businesses and invited a supply chain specialist of the company to conduct the interview.

Reliability refers to the results of a study should be reliable, which concerned the research findings with consistency, accuracy and predictability (Morse 1991). To reach the reliability, the research should result in the same findings and conclusions if the investigation follows the same procedure, same case study and same methods as described by previous researchers (Yin 1994). In addition, the reliability relies on the accuracy of the measuring techniques. Things that result in a low reliability may derive from inappropriate samples, problem with standardization in the interviews and problem in interpretation.

To be able to estimate the reliability of the responses to questions in interviews and avoid the negative effect caused by errors, some major questions were asked of the same person on two occasions both via email and telephone (Collis & Hussey 2013). To have credibility as an interviewer has informed the research plan and the purpose as well as the motivation for the interview and interview contents on the first time contact. Giving interviewee the possibility of preparation for the interview by previewing the related aspects that to be discussed. All these efforts increased the trustworthiness of the research and assured about the confidentiality of any data that interviewee provided as well as reduced the chance of interview questions being misunderstood.

4. Empirical Findings and Results

Throughout the literature section the empirical data collected in this chapter. The materials gathered based on the email interviews and telephone interviews with the officials from fashion company Lindex. Also, the secondary data captured from the official websites and annual reports of both Lindex and Zara.

4.1 Overview of Fashion Firm Lindex

Lindex company is one of the largest fast fashion chains in Northern Europe that found in 1954 as a lingerie boutique in Alingsås, Sweden. The first store outside of Sweden was started in Norway at the end of the 1960's. In 2007, The Finish Stockmann group became the new owner of Lindex, listed on the NASDAQ Helsinki Stock Exchange. Today Lindex has operated a total of 490 stores in 18 countries and it is one of the leading companies in the fashion industry in Sweden. Zara, H&M, Cubus, and KappAhl are among the company's main competitors nowadays (Lindex homepage).

The company operating within the segment of low- cost fashion garment includes the several fashion concepts in women's lingerie, women's and children's wear as well as cosmetics and accessories. Lindex is a value driven organization with the vision of “*world-class fashion experience*”, further, its business concept is “*inspiring, affordable fashion*” and the target group is “*Women interested in fashion*”(Lindex homepage; Lindex Sustainability Report 2014; Lindex Annual Report 2006/2007). In 2015, Lindex's full-year revenue was reached to total EUR 652.3 million, and operating profit recorded as more than EUR 44 million due to good cost efficiency (Stockmann 2015)

All Lindex products are designed in- house. They do not own any factories but instead have outsourced the production to low wage countries in the Asia and Eastern Europe. “*We always co-operate with vendors- some are strategic alliances where we co-operate very closely for producing, dying, cutting, finishing, labeling, and packaging for garments*” (email interview, Olsson Mats, Logistic Dept-Lindex).

Lindex has invested in a distribution center in Partille, outside Göteborg in 2007, which ran directly by the company. This hub of the logistics flows considerably improved the distribution of goods with more efficiency and more flexibility. It is capable to control the whole logistics chain, the most significant benefit being better

for handling the large volumes of clothes and reducing the time for handling. As a result, the turnover rate has increased even further (Lindex Annual Report 2006/2007).

4.2 Lindex Demand Fulfillment Processes on SCM

The most important element to supply products match demand is placing customer needs at the core. It is also important to implement firm's total SC (e.g., supply, production, and distribution) in an efficient way. Fulfilling demand can be implemented based on three important processes including strategic SC planning, SC design and SC operations, which the ultimate goal is to meet customer needs at the lowest of both operational costs and the costs needed in the process of demand fulfillment.

Lindex starts early with overall SC planning on a management level to build internally consistent in terms of many effect factors were measured and analyzed such as the production capacity, distribution capacity, demand forecast and variable costs in an optimized decision-making level, for the goal of minimizing total SC costs and maximize stakeholder value. The company's SC design process starts with identifying what the market they serve and how to serve through understanding the market characteristics such as product assortment, volume, needed lead-time and location. This is because some stores in different sized cities have a different demand on product assortment and overall fashion level. Then, the company by understanding their capabilities to serve the market, which is to understand the capabilities of production system and delivery system for producing and delivering items match consumer demand hence to avoid markdowns and lost sales. Finally, when those processes have been completed, Lindex have designed various SC operational solutions to serve their customers (email interview, Olsson Mats, Logistic Dept-Lindex).

Deploying different SC operational solutions depend on the product segments that different types of garments are characterized as different product life cycles, lead-time, and fashion levels. For example, basic garments, somewhat basic clothes are low fashion styles, have long life cycles and produce with a relative long time. These garments are produced in advance according to demand planning (make-to-stock) and held as inventory at DC until the products are "*fast replenishment from DC to right stores piecewise based on sales*" (email interview, Olsson Mats, Logistic Dept-Lindex). This SC operation leads to an efficient product flow and maintains the economic of scale. Fashion garments in the uncertain flow, on the other hand, have short life cycles and thus focus on speed and flexibility. This type of garments produced according to customer needs (make-to-order) and mostly delivered directly to stores in short lead-time. The final manufacture and delivery processes of the fashion garments are postponed as late as possible in order to best to make the final

fashion close to the season and meet fast changing demand. This SC operation leads to a fast responsive supply chain towards market hence to minimize inventory, obsolete stocks and forced markdowns (email interview, Olsson Mats, Logistic Dept-Lindex).

In summary, Olsson Mats concludes that Lindex generally fulfilling their customer demand as follows: “*Continuity items always comes in singles for efficient replenishment to the right store and fashion items are bought in to parts, one pre-packed first allocation and then one part in singles for replenishment*”(email interview, Olsson Mats, Logistic Dept-Lindex).

4.3 Lindex Demand Creation Processes on Marketing

Lindex creates demand coming through a strategic market planning in regards to ensuring a clear identification of opportunity areas and constant market research in finding what customer like and dislike. They engage to improve their dialogue with customers and better understand customer expectations and needs. Through the regular customer satisfaction surveys in related to customer and employee feedback, Lindex gains valuable information to guide them in developing operations according to the results. Customer satisfaction is also actively measured with respect to the wider competitive situation and the general retail market (Lindex sustainability 2014). In addition, Lindex Club is an important channel for maintaining relationship with their customers alive and helps to transform the right offers to the right consumers. In order to fulfill the different needs better, Lindex has invested in a CRM system to collect and store unprecedented information about the customers and their purchasing habits. The information then feedback into customer personally adapted offerings. The increased accuracy related to the offers even more strengthens the relationship with customers and enhances the customer value creation (Lindex homepage).

Lindex focuses their target market on the female group who are interested in fashion clothes being at a moderate price level. These fashion clothes with enough sizes and variances can satisfy every woman who has specific needs at her different phases in life (Lindex annual report 2006/2007). The collections in Lindex are continuously developed in accordance with the latest trends. This comes through constantly aware of changing needs by moving in step with customers to know what they want on tomorrow and next season (Lindex sustainability 2014). For developing new products, Lindex design teams are constantly on the lookout for new ideas. The ideas perhaps captured from a fashion show in New York or a trend-trip to Tokyo. They observe the world for finding the inspiration, from street fashion, magazines, movies, media, fairs, trend institutes and exhibitions, all part of the processes, from ideas to finished fashion (Lindex homepage).

4.4 How Lindex Integrating SCM and Marketing

In order to avoid silo thinking, Lindex is very careful with their transparency and understanding between the different departments. The communication and coordination between supply chain and purchasing department come through frequent meetings and checkpoints during the year. It starts early with overall volume discussions (increase/decrease) on a management level. Then it is projections from the purchasing department to production offices with regards to what to buy and how much from each category of the assortment. There is also a yearly plan with frequent meetings between purchasing and marketing – which then in turn is broken down to volume levels for each period (total work with 13 periods in a year). That informs how much and when products will arrive to DC and the stores. This is important also for the planning for all campaigns in the stores (telephone interview, Ingvar Larsson, CEO-Lindex).

The marketing activities like sales, planned promotions, customer segments, product development, etc. are communicated from marketing in the yearly plan – it can, for example, be a matter of sending out end of season products to the stores in front of the summer sale period; To match marketing promotion and delivery schedule the relative activities are early planned and the lead-time is considered when the orders placed. All forecasts and plans are frequently discussed between marketing/purchasing and logistics/allocation in order to act on when it comes to capacity planning in DC. The same apply if supply chain finds that there will be some delays – then the information goes to purchasing and marketing in order for them to be able to act/adjust in the plan if needed (telephone interview, Ingvar Larsson, CEO-Lindex).

The interviews also reveal that one of the most important areas in inter-functional work is about having a very clear and solid planning combined with reality check all the way out in the stores – where the Lindex customers experience what Lindex has in store and how much they have. In addition, the cross-functional work in Lindex is not only a matter of acting when something changes from the original plan but to have the communication open and planned on a regular base in order to discuss if there is a reason to change something in the plan during the season. It can also be that purchasing sees a need to buy more during the season – often from a close production market with short lead times – then these products must be prioritized in the supply chain/distribution center. Usually, this is not something that the marketing needs to act upon but still important to communicate what is selling well and where they see a challenge (telephone interview, Ingvar Larsson, CEO-Lindex).

On the other hand, Olsson Mats from logistic department of Lindex responds that they are not involved in understanding customer knowledge from marketing perspective to distribute their products to stores. Instead, they generally planned in a number of variants and total volume to fit the sales target in advance, just as Ingvar Larsson answered. Furthermore, SC representatives were not co-worked with designers and purchasers in the product development. Main functions in Lindex appear lack of alignment and consociation.

4.5 Identify Lindex Information Systems

A developed IT system in Lindex is a crucial tool for making the right products out in the store at the right time. With the system investments, Lindex has created the further increase control of budgeting and planning, order and stocks, follow-up and analysis, which helps the company simpler and quicker to operate the flow of goods based on customer demand (Lindex Annual Report 2004/2005).

When the author asked about what the role of information technology within Lindex's supply chain networks, the interviewee answered as follows: *"the IT system is importantly used in our supply chain network to control transportation and distribution process whereby we can track the movement of the products"* (email interview, Olsson Mats, Logistic Dept-Lindex).

The information system or software system is functional use to link each department in Lindex regarding with the production and sales. As Olsson Mats mentions *"All suppliers and forwarders are connected via EDI to our ERP and the ERP is available to all departments within Lindex, even our production offices"* (email interview, Olsson Mats, Logistic Dept-Lindex).

4.6 Overview of Zara

Zara is a Spanish clothing retailer that has been recognized as a successful symbol in the fast fashion world. It is owned by one of the largest fashion groups in the world - Inditex. Its first retail store was found in 1975 in La Coruna, Spain, after years, the company had been rapidly grown up and started its international expansion at the end of the 1980s. Until recently this famous international clothing retailer operates a network of more than 2100 stores strategically located in major cities across over 88 countries. Zara is known for their quick response to high fashion trends in regards with bringing new products to stores within as little as two weeks (Zara homepage).

All Zara store managers use personal digital assistant (PDA) connected to the POS (point of sale system) to transmit standardized information regarding sales trends, ordering needs and notices on what customer feedback and reaction directly to the head office every single day and the replenishment orders are regularly made. All these information is also rapidly and directly inform to the departments of design, purchase and product. After these departments received the information they immediately coordinate together to manage their practices for making the high speed

of responsiveness consist to the customer feedback (Mazaira, Gonzales & Avendano 2003). This high production system is supported by a strongly integrated supply chain that links Zara with its Corporate HQ and their network of SMEs in Galicia and northern Portugal (Fernie 2009).

Zara works with some suppliers from Asia, North Africa and Europe, it is capable of producing and arranging all the complex system that works to make high- quality garments with flexibility at high speeds. Zara's short lead-time supply chain largely reduces the inventory obsolescence and sale markdowns. Most of their products are postponed dying until receives signals of midseason color changes, eventually contributing to a higher profit margin (Tokatli 2007). The fast response to the demand enables their new items to exhibit at stores only one to two weeks.

There are approximately 18,000 new products designed and delivered by Zara per year which derived from their constantly market research by visiting the world to track trends. Zara's highly new fashion satisfies the demand of young people who are 18-35 years old that are fashion and budget conscious. The heart of Zara's business operation is based on a vertically integrated demand and supply chain. The company is able to control all the functions of the business continuously work together from designing, manufacturing, sourcing, distribution to retail stores. This integrated relationship leads to a highly developed customer value creation process as all the products built upon customer's anticipation. By closely aligning customer and supply initiatives, Zara has greatly increased the product availability, delivery accuracy, responsiveness and flexibility, and thus to increase profitability.

5. Analysis

In this chapter the results from interviews and websites together with an analysis of data have been reported by being examined based on the perspective of the relevant theories in Chapter 2. It consists of two sections to discuss the discovered facts that help to answer the research questions.

5.1 Analysis of Lindex Integration of SCM and Marketing

One of the research questions as described in the first chapter is going to investigate the integration between SCM and marketing towards the market. As presented in the empirical findings Lindex follows their solid and reasonable yearly plan in coordinating their SCM and marketing. All series of activities are planned and discussed in the early meetings including e.g. marketing promotions, customer groups, etc. from the marketing department, and the lead time, inventory, distribution, etc. from the logistics department. In the course of implementation, every department keeps continuous communication with each other in order to respond any change caused by various reasons.

However, even though Lindex being convergence in communication and cooperation in their inter-department work, the results collected from the case company somewhat conflict with what this paper have discussed about integration between SCM and marketing in theories. From the general perspective, the linkage between SCM and marketing should be strategically integrated, that is, the supply chain decisions should be involved with a marketing perspective, and the market strategy adoption should be based on a consideration of logistics and distribution factors. From the specific perspective, combining the demand creation and demand fulfillment processes is a concrete reflection of the SCM and marketing integration.

Demand creation processes include strategic planning, market research, market segmentation and product development. Demand fulfillment processes comprise of SC strategic planning, SC design and SC operations. Linking demand creation and fulfillment processes implies that each activity should be collaborative fitted by logisticians and marketers. For example, according to Hilletoft, Ericsson & Christopher (2009) in the market research activity, market and customer knowledge information should be unified to serve demand creation and demand fulfillment processes. There are two approaches to reach this unity: one is when marketers are collecting the information in relation to the market types, customer types and

customer demand on new products or product features, also collect the information regarding the demand of logistics services. Another approach is, logisticians or SC staffs participate in the market research and assisted by marketers in order to make the better SC decisions attached with market knowledge. Obviously, this is not occurring in Lindex; their SC managers perform not in marketing research and marketers collect not logistics service needs.

Expect for market research, product development should coordinate with SC design by involving SC representatives in the process of product development. Moreover, the demand creation and demand fulfillment processes need also to be managed based on meaningful and actionable market segmentation that is better co-worked by logisticians and marketers. They are also not the situations in Lindex since all these links are neglected.

In Lindex, logisticians and marketers and purchasers are responsible for their each department's best practices and perform good communication with each other through effective IT systems and frequent meetings. Nevertheless, they probably are less concerned with the fact that the departments of marketing and SCM can influence each other in several ways (e.g. the type of product development influence the SC solutions, SC solutions probably affect brand and image, and product life cycles may influence SC operations). As a result, there are several linkages between SCM and marketing that need to be concerned.

From the author's perspective some possible linkages between the SCM and marketing exist in Lindex since the company has adjusted their different SC solutions (addressed in demand fulfillment processes) to serve different type of products that characterized by different fashion levels, needed lead time and product life cycles. Also, the market demand and where and how to sell products is evidently bridge to demand fulfillment processes. However, today this kind of market information is analyzed by marketers. If SC employees are involved in the marketing work Lindex is able to search and evolve more effective and efficient SC solutions to reach the market in higher speed. Moreover, when to identify, design and affirm new products, the SC processes need to be tailored carefully because some new products may demand new processes. That is, the movement from basic items to innovative items requires a transformation of the SC designs and SC operations.

In order to make products to be short time-to-market, it would be better if SC representatives involved in the early stages of market research, market segmentation and product development, as a result any product can be properly launched to the market by interfacing a consistent and customer relevant information with strong SC capabilities. Furthermore, the right product offerings with right quantities at the right time and the right place constitute an influential factor to allow a company becomes successful.

5.2 Analysis of Integration Level of Lindex vs. Zara

The above analysis reveals that Lindex has a huge space for growth in the integration between SCM and marketing. Comparing Lindex to the integration level matrix presented in the literature review, Lindex performed as both marketing specialist and supply chain specialist respectively in the supply chain and marketing advantages. This is because that Lindex has a strong focus on strategic sourcing, collaborative planning, forecasting and replenishment, and inventory reduction in their supply chain processes. In the marketing advantage, Lindex developed their own customer club and created effective marketing strategies as well as applied customer relationship management system to provide value to customers as maximum as possible. However, Lindex is in the sub-optimal level in the integration of SCM and marketing since they have a lack of strategic linkage, which means that the case company is not a market winner (*Figure 5*).

		Supply chain advantage	
		Low	High
Marketing advantage	Low	Market Losers (Lindex)	Supply chain specialists Sub- optimal (Lindex)
	High	Marketing specialists Sub- optimal (Lindex)	Market winners Optimal Integration (Zara)

Figure 5 Integration levels of Lindex and Zara (Adapted from Hilletoft, Ericsson & Christopher 2009 and Madhani 2012)

Compare to Lindex, Zara appears stronger in the level of integration between SCM and marketing. Zara for a long time has become the market winner in the fashion industry by successfully exploiting linkages between their SCM and marketing. The cornerstone of the success of Zara attributed to their strong and continuous market research and the capability to launch products to the market rapidly through an efficient supply chain. The short time from new fashion designs to the stores represents their strong marketing and SCM ability and integrative efforts. The real-time data transmission through advanced handheld devices in the company enables the connections across departments, and resulting in tighter collaboration.

Zara being at the optimum level as they have greatly integrated various actors that being able to connect in a timely and efficient manner. Also, Zara is the owner of the entire value chain that guarantees the synchronization of all information and physical flows and all the links in the chain.

Turning the attention to Lindex as presented in the empirical findings, the company was set up 20 years ahead of Zara but comparing the total number of retailing stores they operate, Zara's stores are spread through the world and over five times more than Lindex. What they have in common is that they are still keep growing with fairly speed as fast fashion companies, which the number of stores and turnover has increased every year. Lindex and Zara, both are successful fast fashion companies, while Zara's expansion has been worldwide, Lindex is regional and mostly in the Europe. In their organizations, they hold different levels of SCM and marketing integration, the reasons can be variable.

From the production process, Zara works with its sister company in La Coruna and connect with manufactures in Galicia and northern Portugal. All data point of sales (POS) reports directly to center system in La Coruna, store managers are work closely with head office and provide suggestions about overall market trend as daily basis. While Lindex is working with a number of suppliers in the Far East and the Eastern Europe, store managers are not directly involved in the discussion, but instead purchasers provide ideas, suggestions and volume of sales in the yearly plan meetings.

The clothes and store team in Zara receive information frequently from all stores in the world, they evaluate the sales data every single day. Then these examined data disseminate to the department of design, purchase and product. Whereas Lindex does not have the clothes and store team to receive information from all stores, the information data point of sales from stores is transmitted to purchasing department that to be examined.

Zara has internalized producers, most of their manufacture processes conducted in own factories, such as dyeing, cutting, labeling and packaging, and parts of manufacture processes outsource to specialized European suppliers- their sister companies within the Inditex group. In this case, Zara make the postponement possible and shorter the lead-time since closer to the markets, which enables the new items to deliver to the stores once or twice a week. Whereas Lindex's suppliers are mostly from the Asia, also Europe, they have one distribution center in Sweden to delivery to all the stores. Lindex has also postponement strategies in order to response any change. Furthermore, Lindex is only designed in-house and rest parts are outsourcing. Thus, it determines the company's lead-time and responsiveness. The

main differences between two companies show below:

<u>Lindex</u>	Zara
Since 1954, 490 stores in 18 countries	Since 1975, 2100 stores in 88 countries
Suppliers through outsourcing	Suppliers within <u>Inditex</u> company group
Most of suppliers far East	Most of suppliers close to the markets
Postponement	Postponement
Perform only design in-house, the rest is outsourcing	Perform design, dyeing, cutting, labeling, packaging in-house
Lead time about 6 to 8 weeks from far East	Lead time about two weeks
Store managers not involved in discussion	Store managers involved in daily discussion
Control over parts of supply chain process	Full control over supply chain process

Table 2: Differences between Lindex and Zara (Own illustration)

6. Conclusions and Implications

The final chapter concludes the research findings from the studies in connection with the research purpose and literature reviews. This is followed by contributions and implications based on the study's results and suggestions for further research directions.

6.1 Conclusions

The purpose of this research is to increase the understanding of the integration between SCM and marketing by investigating how it has been reflected at a Swedish fashion retailer. Based on the case study of Lindex, its integration level tends to be comparing with a fashion retailer Zara's that has been verified as a successful organization in the deployment of integration between SCM and marketing by a number of researchers.

This research shows that the integration between SCM and marketing is pertinent to exploiting linkages between the demand creation and demand fulfillment processes. The demand creation processes include all practices for creating demand and is closely associated with marketing, while the demand fulfillment processes comprise of all practices for fulfilling demand and is related to SCM. The linkage between all the major demand creation and fulfillment processes is important for the company to reach integration of SCM and marketing.

The ultimate objective of the integration is to capture competitive edges by optimizing not only the products, but also the whole delivery process. This is significant in fashion markets characterized by fierce competition, high product variety, short life cycles and high volume of customer-adapted products. Companies to hold competitiveness must increase customer value by enabling the products exceed the customer anticipation by enhancing value to the products through linking the

customer desired delivery processes. This requires the major processes in both SCM and marketing performing smooth respectively, as well as synergies a high degree of coordination between them.

When looking at the first research question in this study, the analysis shows that the case company performing their integration of SCM and marketing depend on their frequent discussion in the yearly plan meetings among various departments, the market trends and customer knowledge are researched by marketers, and supply chain managers are responsible for their own specialty, the close communication and collaboration between them is performed considerable positive. But they have a lack of interconnection between demand creation and demand fulfillment processes so that they lose of complementary strengths between SCM and marketing. This is because Lindex has neither incorporated any marketing strategy into supply chain decisions nor connected any distribution components in SCM with marketing decisions. In other words, the case company studied in this research has succeeded with the most of the major processes in both SCM and marketing but has not achieved a high degree of integration between them. This conclusion brought up by the help of answers that gained from Lindex officials, Olsson Mats and Ingvar Larsson who hold the senior positions of logistics director and CEO in Lindex.

Additionally, concerning the second research question, Zara viewed as a market winner in the fast fashion, it is a large worldwide fashion company and has been noticed by many scholars and practitioners. The market winner reflected in a fully optimum level of business status in the market, it combines the advantages from both supply chain and marketing perspective in terms of focusing on supply chain efficiency and marketing effectiveness. In this way the customer needs and requirements can be rapidly fulfilled through the optimal delivery process at the lowest price. Zara's winning model depends on many factors as discussed in the analysis, the most important reason for making Zara to succeed in the high level of integration on account of their vertically integrated strategy that is able to totally control the entire process, from designing, to production and to distribution in the whole supply chain. By contrast, Lindex is considerable successful in the Northern Europe, through continuous development for decades, the company has gained competitive advantages both in SCM and marketing, which performed at the sub-optimal level. For further development, the market winner in the category of optimal level should be the ultimate goal for Lindex.

6.2 Contributions and Implications

This study has contributed to the knowledge regarding how the case company integrates their SCM and marketing and how their performance conflicts with the discussion in the literature. Based on the results from this study and the previous research it is important that retailers pay more attention on their collaboration between supply chain and marketing departments. A high degree of integration level might always be desirable. Moreover, this study concludes that a strong mutual

interdependence between supply chain managers and marketers is necessary, and they should participate in each other's decision-making. When marketers conducting market research, market segmentation and product development to create demand, it is important that supply chain managers also involved in the work so that they can jointly develop suitable supply chain scenarios according to different market demand. As the same time, marketers should also have an understanding regarding the supply chain designs and operations.

This study suggests that Lindex in future should establish a close alignment between marketing and supply chain departments. It would be better if SC managers can co-work with marketers and purchasers to identify customer needs and exploit product development. These collaborative activities are very important for the fashion retailers because the fashion trends always change and customer tastes are constantly updating, which affect the possible SC solutions. Thus, the coordination between SC managers and marketers should be developed in Lindex since the distribution decision-making made by SC managers plays an influential role in satisfying variable customer needs and enhancing customer value creation. These suggestions might be applicable to other similar fashion companies or even companies from other industry because the integration of SCM and marketing is always important for companies to enhance competitive advantages.

The analysis of Zara in this thesis aims to present what a high level of integration is differed to a suboptimal one. Lindex and Zara are both fast fashion companies and competing in the Swedish markets, they operate the different control management and structure of the organization, and therefore their integration processes might depend on different way. Zara's success in its integration might not be applicable to Lindex, but Lindex still can learn something from Zara and Lindex also can arrive to an optimal level of integration as long as they attempt to exploit linkages between their demand creation and demand fulfillment processes.

6.3 Suggestions for Further Studies

This study has dealt with a fashion retailer to get a deeper understanding of integration between SCM and marketing, there is still a lack of knowledge regarding how to perform the integration of SCM and marketing. It would be interesting for future research to enlarge the sample to incorporate more retailers from the same and from different industries to contribute more knowledge in the field of this study. What's more, this study focuses on a business-oriented perspective it would be interesting to conduct a similar study but into a customer perspective, this to see how the consumers perceive the company's integration of SCM and marketing to create more values for them. Furthermore, this thesis observed a case of failure, but whether or not the failure has an influence on the overall success of the case company is not identified in the empirical study, which encourages further research effort could focus on this area. Also, future researchers can observe a case of success and compare it to

the failure one with more details in order to generate a further confirmative outcome about the leverage of integration between SCM and marketing.

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Appendix – Interview Guide

Semi-structured interviews with Lindex

- What is your role and responsibility within the Lindex organization?
- How many years have you worked at Lindex?
- What is your supply chain strategy or procedure towards the volatile fast fashion demand?

- How flexible is Lindex supply chain?
- Do you order according to forecast or market demand?
- How to detect the demand or how to determine the forecast? How to seek the trend?
- Dying, cutting, finishing, labeling, packaging in own house?
- Any postponement within the certain part of the manufacture or chain process (in regard to customer demand)?
- Replenishment systems or processes in the store? How do you reduce lead-time?
- Any related work between the stores and design plan?
- What overall demand fulfillment processes look like ?
- What is the role of information technology within your supply chain network?
- What information system or software systems you use that link to each department or supply chain network?
- Is there communication and coordination between supply chain department and marketing /purchasing department?
- What are collaborative behaviors/ information changes between the two departments?
- What the process that supply chain starting from understanding market segmentation and market demand to distribute the product to the stores?
- Will the SCM decision-making with marketing insight sometimes? and vice versa?
- Are there supply chain managers involved in the market research, market segmentation and product development together with marketers? How does it work?
- Are there marketers involved in the supply chain design according to different market demand?
- If not, are there any activities that supply chain managers and marketers are work together?
- How you make sure the marketing promotions are synergized with supply chain

delivery schedules?

- How you see the inter-functional work?
- Integration between SCM and marketing is important to respond quickly to customer demand, can you say something important in this area?