Intelirel’s Transition to E-Business: Optimizing the Combination of Electronic Data Interchange and the Internet*

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EXECUTIVE SUMMARY

Intelirel is a U.S.-based multinational corporation that produces a variety of items with apparel as one of the business divisions. This case provides an overview of Intelirel’s transition to electronic business (e-business) of its apparel division. The company introduced the Electronic Data Interchange (EDI) technologies in the mid-1980s. Before starting the implementation of e-business technologies in the late-1990s, the company conducted extensive surveys to assess the attractiveness and convertibility of its various market segments. The analysis of the surveys indicated that a strategic imperative for the company is to optimally combine EDI and the Internet so as to reap the benefits of both technologies.

Keywords: apparel; e-business; electronic data interchange; Internet; VMI

ORGANIZATIONAL BACKGROUND

Intelirel is a U.S.-based diversified company with operations in over 50 countries. The company has apparel as one of its main business divisions. Intelirel manufactures and markets about three dozen apparel brands worldwide. They include basic, non-fashion apparels in various categories. The company employs different channels of distribution to sell its products. In some cases, it directly sells to the consumers through its factory outlet stores and the Internet. Its mass-market channel includes well known retailers in the global market.

Being a manufacturer and marketer of high-quality products, Intelirel has priced its products higher than most of its competitors. The company thus competes on product differentiation such as higher quality fabric, well known brand names, and a variety of styles provided to the customers.

Table 1 provides additional information about the strengths and weaknesses of Intelirel as well as opportunities and threats facing the company. We briefly discuss them in this section.
**Strengths:** Being a diversified company with worldwide operations and a large customer base, Intelirel can enjoy economies of scale and scope in its operations. Another major strength of the company includes its focus on quality products and services to meet customer expectations. Competing on quality rather than price is of paramount importance in the new economy. Still another strength of the company is its proactive IT department that has placed business benefit creation as its mission. Thanks to competent and experienced staff in the IT department, Intelirel has been among the first few companies in the industry to incorporate new innovations in storage, networking and security in its system.

**Weaknesses:** In terms of global competitiveness, U.S.-based apparel companies fall behind their home textile counterparts. The latter groups have stronger brand names and better inventory-management programs (Lloyd, 2000). The industry-level brand problems are worsened by Intelirel’s firm level weaknesses. Notwithstanding its focus on quality, there are several apparel brands that are more well known than Intelirel’s brands. A lack of strong brand equity is reflected in its brand awareness level which is lower than some of its competitors. A final weakness concerns Intelirel’s lack of integration across its business divisions (e.g., apparel and various non-apparel businesses). Since each division has its own e-business system, such disintegrated model has hindered the realization of potential economies of scale and scope.

**Opportunities:** The Internet has additional virtue for firms in the apparel industry: availability of “robust, reliable and user-friendly color correction” (DiMartino, 2000, p. 41). These features have redefined customer expectations in this industry. Research has consistently shown that apparel is among the top few products in terms of online sales.

**Threats:** A survey conducted by Greenfield in July 1999 indicated that 56% of the respondents would not buy apparel online because of the concern about not being able to touch and feel (Kelly & Andersen, 2000). The proportion declined to 41% in December 1999 but it is still a substantial proportion (Kelly & Andersen, 2000). Although apparel is among the popular online categories, some big retailers have discontinued online sales of this category. To take one example, Wal-Mart discontinued selling clothing online since 2001 mainly because of high handling costs associated with merchandise returns (Merrick, 2003). As we mentioned earlier, there are other brands that are more well known than Intelirel. The company is thus susceptible to threat from other well known and more upscale brands. Another threat concerns its dependence on powerful retail giants. Some of them are likely to develop their own brands.

As it will become clear shortly, firms in the apparel sectors faced intense competition from retailer giants to adopt electronic data interchange (EDI) technologies in the 1980s. Although Intelirel had assimilated the EDI technology by the mid-1980s, the company was relatively slow in integrating the Internet-based e-business technologies.
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