Re-intermediation in the Fashion Industry: A Qualitative Study on Brokers in the Dongdae-mun Fashion District

Nuri Na  
Seoul National University,  
UX Lab, Korea  
amasana2ga@snu.ac.kr

Jong-Seek Lee  
Seoul National University,  
UX Lab, Korea  
joonlee8@snu.ac.kr

ABSTRACT

This study investigates the change of intermediaries’ roles in the presence of infomediaries, and the conditions that necessitate the re-introduction of the middlemen as “re-intermediaries”. We observed a group of brokers who work in the Dongdae-mun fashion district in Seoul, Korea through multi-angled observations including observations, contextual inquiries, and in-depth interviews. Our findings show that while an infomediary provides the fashion ecosystem a new way for information access, the reliability and depth of information relayed by human sources, along with the subjective nature of fashion and style have contributed to the brokers playing a major role in the fashion district. The DDM fashion district relies heavily on the brokers’ evaluations on trends, fashion, and product popularity, in addition to their traditional role of distributing goods in a quick manner.

INTRODUCTION

While the term ‘intermediary’ is a more recent term, the concept has been present for a much longer time. It has been noted by business historians that the entrance of the professional trader at the end of the Middle Ages was an important driving force for the development of the society(Heilbroner, 1962). These traders have now become real-estate agents, car dealers, and fund managers; the intermediaries in our society(Chircu & Kau man, 1999). In the marketing domain intermediaries are commonly known as brokers, who act as functional middlemen. The marketing literature identifies “functional middlemen”, whose principle business is “specializing in performance of one or more specific marketing tasks, especially those concerned with negotiation. Their compensation is in the form of a commission or fee for a service rendered, NOT a profit on the sale of goods.”(Marketing Channels, 1982). At least some form of intermediary contact is used in the process of providing nearly every good and service in the economy(Hackett, 1992). For this reason, intermediaries are very important players in the market. Both consumers and producers benefit heavily from the roles of middlemen, who ensure that there is a seamless flow of goods in the market by matching supply and demand(Bailey & Bakos, 1997). Buyers also gain from the services of intermediaries in forms of promotion and delivery(Olsson, Gadde, & Hulthen, 2013). The role
of intermediaries, however, have been reduced and altered significantly with the advance of information technology (Howells, 2006).

The Internet has brought the middleman to the digital space (Ordanini & Pol, 2001). A new word combining ‘information’ and ‘intermediaries’ has been invented to properly capture its role and place. Fisher defines “information intermediaries or infomediaries” as who are “concerned with enabling access to information from multiple sources and engaged in informing, aggregating, compiling, and signaling information.” (Fisher, 2010). Traditional intermediaries were simply human agents who took on the task of collecting and dispersing information and products relevant to the market (Snehota & Gadde, 2001). Infomediaries are able to do this on a much broader scale with high efficiency: infomediaries are machine, after all (Malone, Yates, & Benjamin, 1987). The reachability and accessibility of online information is a huge advantage. For example, local used-car dealerships cannot simply compete with infomediaries like cars.com. The increasing information accessibility of the general public is pushing intermediaries obsolete (Gellman, 1996).

Despite these trends, at the Dongdae-mun Fashion District in South Korea, online traditional intermediaries absorb the infomediary role and become highly specialized to the level where they become a necessity for the market to function and thrive. Technology and the Web are replacing intermediaries, but these human agents have found a way to adapt by taking on additional tasks like gatekeeping and coaching on top of traditional intermediary roles. In order to further investigate this new human-infomediary we incorporate observations, contextual inquiries, and in-depth interviews in tune to the following questions:

- RQ1. How did the roles of human agents change with the arrival of infomediaries?
- RQ2. What are the information areas of human intermediaries that infomediaries are not able to replicate?
- What are the characteristics of such information?

The rest of the paper is organized in six sections. In Section 2, we provide further explanation of the Dongdae-mun (DDM) Fashion District, the human-infomediary that we will call as brokers, and the relation that this human-infomediary has with the market and potential customers. Based on these observations, we detail our research methodology and approach in Section 3. Findings and results from the research are presented in Section 4, followed by the discussion of our contributions and expandable issues in Section 5. Lastly, our work is summarized and concluded in Section 6.

BACKGROUND

The Dongdae-mun Fashion District and Korean Fast Fashion

The Dongdae-mun (DDM) Fashion District can be traced back to 1905, where local shops took in and modified uniforms and blankets from US G.I.s in the outskirts of Gwangjang Market. The assembly of the Pyunghwa Market in 1961 laid the first stone of the fashion district, enabling the market to grow in size and quality. The building of the Art Plaza in 1990, and the following construction of the Milliare Building in 1998 has pushed the market to even further heights. The market now is a booming center for all things clothing, from wholesale to retail businesses (Hong, 2007). This was possible because the DDM Fashion Market naturally integrated a steady production infrastructure as well. Fabric, subsidiary materials, and sewing
machines are all present inside the fashion district, and it is this link that has allowed DDM to be what it is today (Lim, 2010). With over 30 million wholesale stores producing multiple products in batches, DDM is considered to be the place for fashion design, production, merchandising, and distribution (Choi, 2013).

The closely-knit relation between wholesale stores and fabric/sewing factories allows the fashion district to speed up its production cycle. It can be said that DDM’s multi-item batch production is similar to fast fashion, the nature of the two are vastly different (Lim, 2010). Represented by brands such as ZARA and HM, fast fashion is spearheaded by big companies that design, produce, and distribute small amounts of trendy clothing over a short period of time. In contrast, wholesale merchants inside the DDM Fashion District are mostly consisted of four to five people and utilizes a Quick Response (QR) system: When a designed product falls out of favor, production is stopped immediately and production becomes geared towards more popular clothing (Jihyun, 2010). For example, if a dress worn by world-famous actress Song Hye-gyo in the K-drama “Descendants of the Sun” is gaining popularity, multiple versions of the dress will be out on display the very next day in the DDM Fashion District. Merchants and designers are able to get real-time feedback from customers, and production is always flexible and fast-paced (Eun Joo Park, 2012).

The incorporation of internet technology has further accelerated the already-fast manufacturing process. Internet shopping is huge in Korea. According to a market research in 2013, Korea’s online market boasts 35.7 billion dollars in market share and is continually growing (Kim, 2013). There are orders to be made and delivered, and with Korea’s busy cultural repertoire (hurry hurry) and exceptionally accessible geological characteristics (a small nation, where traveling from one end to another takes only eleven hours), there are expectations in parcel delivery time (two business days) that must be met (Joon-Mann, 2010). In order for that to happen, deliveries from big wholesale stores to smaller retail stores must be almost instant. This is where our brokers come into play.

**Human Agents and Infomediaries**

The definition of intermediaries are especially covered in the field of marketing and business. While the roles of intermediaries have changed over the course of history, the more traditional roles can be boiled down to three main dynamics of traders, distributors, and providers (Snehota & Gadde, 2001). Initially, intermediaries were big as traders. The lack of specialties of other occupations required intermediaries to be a jack-of-all-trades professional (Heilbroner, 1962). Traders were able to connect customers to products, and products to customers by the sharing of information (Ramírez, Parthasarathy, & Gordon, 2013). This intermediary bridges the gap between markets, facilitating interaction among its members (Bayer, Geissler, & Roberts, 2011). This was the primary role of the intermediary, until the subsequent development of production technologies that came with the industrial revolution pushed intermediaries from traders to distributors and providers.

Intermediaries acting as distributors during and after the industrial revolution helped producers push the sudden uptick of production to customers. As more and more products were readily available, it was up to the intermediary to push the products so that the market would generate a flow (Malone et al., 1987). Intermediaries were able to serve multiple manufacturers, and some would start focusing on certain products that was better suited to their customers. This manufacturer’s perspective of the middleman is what previous studies
mainly mention about intermediaries (Olsson et al., 2013). The reverse would also be applicable, with the intermediary delivering the wants and needs of the customers to the manufacturers. The manufacturers would then again provide the goods that the customers have demanded. A cycle was created and maintained by intermediaries (Malone et al., 1987). This too, however, would change with the a new wave of technology.

Technology and the changing of times have definitely forced intermediaries to change in order to survive. It can be argued that the most drastic changes have come with the rise of information technology (IT) in the 1900s (Hagel & Singer, 1999). A new digital intermediary called infomediaries came into being armed with a vast information pool that would surely outperform traditional middlemen (Bakos, 1998). IT allowed the customer to be able to contact the producer directly, establishing a direct contact which left out the middleman and the services they brought (Vandermerwe, 1999). IT also introduced a better control of material flows, further diminishing the roles of intermediaries (Hagel & Singer, 1999). Bleak consequences were observed, with even some scholars arguing that “many intermediaries will die out” (Pitt, Berthon, & Berthon, 1999). This process was even coined the term dis-intermediation by Gellman (Gellman, 1996). However, to much surprise, intermediaries not only did not disappear, but also have took on more specified roles. Infomediaries and intermediaries would exist in harmony, unlike the unpromising predictions of many scholars. This phenomenon is equally observed in the DDM Fashion District. Here, wholesale and retail merchants have access to an infomediary known as the “New Products Market”. This is where all newly designed clothing are uploaded for ease of viewing and ordering. Once an order is placed through this website, it is up to intermediaries to deliver the products between retail and wholesale stores. It may seem as a simple job and that the intermediary’s role has been reduced, but as the investigation shows below that is not the case. It turns out that intermediaries have a strategic and important role within the market such that the fashion district may not function without them.

RESEARCH METHOD

The investigation was carried out over a three-month time period in three distinctive stages, starting from April to June of 2016. The participants of this study are working or had experience working as a broker at the Dongdae-mun Fashion District. After an initial observation period of two weeks, contextual inquiry interviews were conducted with the research team following a broker throughout his workday. Final in-depth interviews were conducted as the last step. A detailed description of each stage is as below.

Observations

A two-session observation period was held over two weeks at the Dongdae-mun Fashion District. Each session lasted over the entire work “night” (DDM brokers work schedule starts late evening, around 8pm and finishes around 9am), minus the last two hours where the main workload is finished and delivery packages are prepared. The first observation session was focused on the fashion district itself, with the people surveyed having included brokers as well as retail and wholesale merchants. The second observation session was geared towards the merchants. Observation sessions were conducted in a non-intrusive manner.

Contextual Inquiry
We conducted two contextual inquiry (CI) interviews with two current brokers. Due to the nature of the brokering job, it was only possible to conduct contextual inquiries with one person at a time. Each CI lasted over the entire work schedule, which ranges from eight to ten hours. Each CI session was conducted by following a broker over the course of the interview. The research team was dressed in appropriate attire to “blend in” with the people who work at the fashion district. Both researchers participated fully as an apprentice to the broker, and took part fully in ordering, delivering, and Permission was granted to follow and film the broker during his work routine, and the footage was then analyzed and transcribed.

In-depth Interviews

A total of six individuals were available for in-depth interviews. Due to the rather spontaneous nature of the brokers’ work schedule, we were able to conduct three face-to-face interviews in groups of two after hours. Four individuals currently work as a broker at the DDM fashion district, and the remaining two have had prior experience working as a DDM broker. The interviews conducted were based on semi-structured guidelines, and were recorded under the participants’ agreement. The recorded interviews were then transcribed.

FINDINGS

Our findings show that brokers who work in the Dongdae-mun fashion district have a unique work schedule, with the use of digital devices versus pen and paper strictly divided between the time and kind of task. This divide proves to be a deciding factor in the brokers’ dual-role as an intermediary and infomediary. For better understanding, we first start o with providing a detailed view on what a typical workday for a DDM broker is like.

Work Routine

The typical work schedule of a broker at the Dongdae-mun fashion district starts in the evening at around 8pm. Brokers check into their o ce and fire up their computers. The first task for them is to check their email and KakaoTalk accounts for orders. Orders are mostly based of items listed in the “New Arrivals Market”. Experienced brokers organize orders by grouping them by wholesale dealers while at the same time considering their route around the fashion district. Unfortunately for the newcomers, most of them figure out their routes for collecting by trial and error. The phones are busy as the brokers start calling wholesale merchants to relay the order sheet. Jargons and expressions unique to the fashion district is a must when placing orders. After a row with the phones and emails, the brokers are ready to head out to the street. They take their printed-out order sheet along with pen and paper and head out to retrieve the goods.

Before they head on out and tackle the orders, they must deal with the enormous amount of returns. As mentioned earlier, the fashion district runs on the fast-paced quick response (QR) system, and many retailers end up returning a good amount of the orders they placed a few days ago. In order to avoid confusion, the brokers tend to take care of the returns first, and then proceed to their daily order list. If the number of returns is too high, returning and retrieving orders are done simultaneously; they must finish their order list before sunrise, when the orders are loaded on to trucks and delivered to retailers before the start of the work day. Brokers at the DDM fashion district have to take care on average a thousand orders per shift. These orders are spread out over the entire fashion district and it is all too common for brokers to climb up and down tall buildings and even retrace their paths. The sheer amount of
orders and complicated navigation of the market requires brokers to be smart and diligent, while also having the strength to take on the daunting size of orders — A single order may even weight up to 10 kilograms. For this reason, it is extremely rare to see women working as brokers in the DDM.

And because the need of both hands is critical, digital devices such as phones and tablets are usually put away. In contrast to popular belief, it is much more cumbersome for the brokers to work while recording on their phones. This is why the use of pen and paper is preferred by brokers. Things are done and recorded in their way instead of a standardized digital input. They incorporate wireless headsets to free up their hands during their runs, and their use of digital devices remain strictly to phone calls — activities that do not require the use of hands. After each building is cleared of orders, brokers take the goods to a centralized pick-up location and heads o to tackle the next batch of orders. It is interesting to note that no monetary give and takes happen when the brokers pick up the products from the store. Costs are taken care of after the day is over, and little to none is recorded, with verbal exchanges being the majority of confirmations.

It is through these runs where the exchange of information takes place. When returning items, brokers give feedback to the merchants on the clothes’ quality, design, price, and so on. When taking in the goods listed on the orders, the brokers learn about the fashion trends and can also give tips to retailers who put in orders about what is trendy and how many of an item should one order. This kind of information is crucial for the broker to expand his customer list, and also helps in matching retailers to wholesale merchants in the possible future.

New Roles for Brokers

In regards with the first research question of this investigation, we have found that in addition to the three traditional roles of intermediaries — traders, distributors, and providers — an additional two roles can be identified: one as a matchmaker, and the others as a gatekeeper. The three traditional tasks are carried out much of the same way as mentioned above in Section 2. While there may not be an exact “trader” role for the DDM brokers, the distributor and provider are very much alive. Both parts cannot be explained separately, as they are closely-knit together and function as a two-way street. The main difference is that distributing tends to be a physical task, while providing tends to be informational. Brokers as a distributor can be observed when brokers are physically collecting the items ordered by the retailers and gathering them up at a loading zone. On the other hand, during the process of collecting and organizing orders, the brokers are able to learn about the most recent trends in the people’s taste in fashion. In turn, the provided information is reflected on the next batch of newly designed clothes made by the wholesale merchants, fulfilling the duty of the provider.

“I am constantly in touch with my retail clients, so it’s easy for me to know the current customer trends. If there’s a particular style or product that is ordered from multiple stores, I can see what is popular.” <P04>

The same can be said when orders are being returned to the wholesalers. Returned products represent a change in people’s fashion, whether it is due to seasonal changes or just simple fads fading out. The information going back towards the wholesalers show brokers acting as providers. Wholesale merchants are able to decipher the wants and needs of the market based on both orders and returns. In addition, both wholesale merchants and retail
shops. This influences the DDM’s quick reaction system on fashion, and due to the quick deliveries made by the brokers, the market is able to adjust and adapt to the market in a short period of time.

It is not only the wholesalers and retailers that benefit from this information. The brokers are the ones taking orders and returns, which makes them aware of the fashion business as well. First, by dealing with numerous clients and taking care of countless orders, the brokers are able to have a better understanding of trends of the market. When retailer puts in seemingly outdated orders, brokers are able to step in and give appropriate feedback to the client. The same goes with the quality of the clothing. Brokers obtain various feedback on the clothes’ fabric, quality and design from the returns by retailers. The retailers provide which piece of clothing is satisfactory and which is not, along with the specific reasons. By combining the details, the brokers themselves are able to function as a gatekeeper, introducing a more direct quality check in the DDM fashion district.

This process pushes the boundaries of intermediaries, and with the additional knowledge, brokers are given a new role as Gatekeepers within the DDM fashion district. Not only do they function as a gatekeeper, controlling the ins and outs within the market, they also act as middlemen, brokering and linking new retailers to the appropriate wholesale merchants. Brokers can coach new businesses how to approach the fashion district and also give plenty of advice. This gatekeeping and coaching roles help expand the Dongdae-mun fashion district’s market size, and their traditional intermediary activities help with the sustainment of the market. Their contributions often go beyond their roles of brokers. Armed with the knowledge gained from working as a broker, they move on and take on a different job in the market, perhaps as a wholesaler or retailer. Their network in the fashion industry serves them well.

“At DDM there are so many shops, selling all kinds of different styled clothing, so it is difficult for newcomers to choose a wholesaler to buy from. We do the searching for them, because we know a lot more about the market than they do. We practically live here.”<P05>

“I’ve been working as a broker for seven years, and I’m still working as one, but I’ve started a side-job last year. My wife is working as a designer now, and we’re running a small wholesale designer shop. Because of my experience and I know many people around the market, it was relatively easy to start this.”<P02>

DISCUSSION

This research proposes two discussable points: 1) what are the new roles imposed on intermediaries by infomediaries? And 2) is subjectivity what makes human intermediaries a necessity, enabling the co-existence with infomediaries? The changing roles of intermediaries have been very well documented, with seemingly big technological advancements exerting the most influence to the human agents. However, the findings from this investigation contrasts the suspected reduced role of the human intermediary. In addition to maintaining the familiar roles intermediaries had in the past, DDM brokers have taken on a more active role inside the community. We suggest that the nature of information — subjective beauty and style of clothes in this environment — has contributed to the enhanced role the brokers play. Infomediary solutions such as the “New Arrival Markets” are simply a congregation of available items sorted by popularity, and is definitely not capable of providing the stylistic
information merchants on both sides need. Wholesale merchants need information on current
trends and design styles to manufacture clothes, and feedback from retailers need to come in
fast and reliable. The existing roles that the brokers had in the market naturally placed them to
be the perfect messengers for both physical items and intellectual knowledge and advice.

Another implication this research has is the applicability to a broad range of problems
that pit humans against machines. Research and applications of computers, artificial
intelligence and automated systems are on the rise, and present many discussion points within
the job sectors. There are studies that show how telemarketers and sports referees are the first
jobs that would be replaced by automated machines(Frey & Osborne, 2013). While the
observations from this research is limited to the case in Korea and the Dongdae-mun fashion
district, the findings from this study can be applied to a wider range of environments and
occupations. The shortcomings of computer-aided systems are clear. As displayed in this body
of work, the lack of ability to make judgement calls on subjective matters is an area that must
be improved. On the other hand, we believe this investigation has pointed out the direction on
how humans can compete, and also get along, with technological advancements. In areas
where humans workers are in direct competition with technology, the kind of insight
displayed in this study can prove helpful.

REFERENCES
Intermediaries in the Housing Market. Economics Research Initiatives at Duke Working
Paper.
Chircu, A. M., & Kau man, R. J. (1999). Strategies for Internet Middlemen in the Intermedia-
tion/Disintermediation/Reintermediation Cycle. Electronic Markets, 9(1/2), 109–117. doi:
10.1080/101967899359337
discussion on the Knowledge Brokers’ Forum.
http://www.oxfordmartin.ox.ac.uk/downloads/academic/The{_]Future{_]of{[_}Employment.pdf
intermediation. Journal of Economic Behavior and Organization, 18(3), 299–315. doi:
10.1016/0167-2681(92)90013-2
Harvard Business Press.
Hong, L. E. J., B. S. (2007). The distribution revitalization policy by the structural
characteristic analysis of dongdaemun fashion market. Journal of Distribution Research, 12,
153-174.
Policy, 35(5), 715–728. doi: 10.1016/j.respol.2006.03.005
Jihyun, L. (2010). A study on the policies for strengthening competitiveness of dongdeamoon


