

Chapter 48

The Impact of E-Commerce on the Clothing Retailers: Studies on Chinese Companies

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ABSTRACT

In the past 10 years, e-commerce has developed rapidly in the clothing industry. Many companies seek strategies to expand, innovate, and restructure, and the traditional impact from manufacturing is gradually replaced by customer relationship. E-commerce provides opportunities for both large clothing companies and small retailers. In China, the largest emerging country, there is also a trend for clothing companies to market and establish customer relationship online. This chapter focuses on how Chinese clothing retailers compete through e-commerce platform. It starts with an introduction of clothing industry, supply chain and e-commerce practice from literature perspectives. Then, there are industry review and cases studies into five Chinese clothing companies with a highlight on their management in the context of e-commerce and customer relationship. Discussion will be made to address the critical issues, followed by a summary of the chapter.

INTRODUCTION

With the world economic integration and rapid growth of information technology, companies are seeking new approaches to meet the ever changing customers' need (Chakravarty et al., 2014). The concept of e-commerce which shortens the distance between retailers and customers has emerged, radically changing the structure of traditional offline market. Companies can reduce the operation and transaction costs,

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while improving productivity through e-platform (Goswami, 2014). E-commerce is also recognized for its ability to help them break the geographic barriers to communicate and conduct transaction with distant customers. The power of e-commerce creates an environment of almost instantaneous feedback, making global consumers and businesses become the potential customers and suppliers (Jeffcoate et.al, 2002). Meanwhile, e-commerce can offer a large number of product contents by quick search and online transaction, and thus meet customers' requirements (Evans & Wurster, 1997).

China's e-commerce first emerged in 2008, followed by a huge growth. By 2012, e-commerce sales volume in China reached 202 billion USD, with the annual growth rate of 55% (China E-commerce Research Center, 2013). Based on the large customer market and enormous production capacity, China has shown a great potential to further develop e-business. In the current China e-commerce market, the most popular sector is apparel, accounting for 35% of total market share and electronic products rank second, accounting for 20% of that (McKinsey Global Institute Analysis, 2013). The rest are far behind them. It is also significant that most products, especially clothing products, nowadays get more shares in e-commerce market than in traditional offline retail market which represents 20% of the entire market (compared with 35% online market share). This means that currently purchasing fashion products online has been well-accepted by customers. In the Chinese market, Taobao is the most dominant e-business company. According to McKinsey Report (2013), Taobao accounted for about 69.5% of the whole China e-commerce market in 2011, followed by Tmall which represented 11.9%. Other influential companies are 360buy, Suning and Dangdang.

The apparel industry in China is growing at a fast speed according to the Marketline Report (2014) with the total revenue of 171.5 billion USD and an annual growth rate of 11% in 2013. The menswear was the most profitable segment of the entire industry in 2013, with total revenue of 73.3 billion USD and the market share of 42.7%. The womenswear segment gained 57.7 billion USD in 2013, accounting for 33.7% of the industry's aggregate value. Currently, there are more than 100,000 apparel manufacturers in China, altogether covering over 10 million employees (Marketline, 2014). A number of foreign fashion brands including the luxury ones, LV and Dior for example, crowd into the Chinese market and attract numerous young customers. Meanwhile, domestic brands such as Li-Ning and Anta also gain popularity. Besides large enterprises, SMEs (small and medium-size enterprises) with a relatively small market share are also playing an active role in China's apparel industry. Those SMEs with a thin management structure are usually privately held or family owned. Their location is usually restricted to China's southeast coast and most own one or a few apparel brands. The main distribution channels in the Chinese apparel industry involve department stores, apparel specialist retailers, hypermarket and online retailing. According to China E-Commerce Research Center (2013), department stores and specialist stores were the leading distribution channels in the clothing retail industry, representing 36.3% and 29.7% of market share respectively in 2013. Specifically, although department stores perform better than specialist stores in the Chinese market, apparel brand owners still prefer to choose the latter as the main distribution channel. As a common business practice in China, apparel brand owners always establish flagship stores operated by themselves in key cities while leaving others to licensees as distributors. On the other hand, online retailing, an emerging distribution channel as the rapid development of e-commerce, has gained high popularity in China. In 2013, it accounted for 11% of market share. Additionally, supermarkets, hypermarkets and some discounters representing about 12% of Chinese retailing market share are also popular retailing channels in which lower-priced apparels of poor brands are the main players.

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