E-Commerce Case Study of Fast Fashion Industry

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Abstract. The article researched into the fast fashion industry worldwide, specifically analyzing the success of Zara, H&M and Gap, followed by an overall analysis of B2C apparel online retailing in China. Then it demonstrates a case of a Chinese fast fashion online retailer, with relevant recommendations for its further prosperity proposed in the end.

Keywords: e-commerce, B2C, online retailing, fast fashion industry, Zara, Vancl.

1 Introduction

The traditional marketing and management of fast fashion industry is experiencing a revolution because of the emerging of e-commerce. Since the birth of e-commerce, businesses have been able to make use of the Internet in reducing costs associated with purchasing, managing supplier relationships, streamlining logistics and inventory, and developing strategic advantage and successful implementation of business re-engineering. E-commerce allows companies to improve communications within the supply chain and enhance service offering, thus providing chances for competitive differentiation. That may explain why so many online retailing companies merged in China recently, such as Joyo Amazon, Dangdang, Taobao, Vancl and 360 Buy. This article takes Zara and Vancl in comparison for case study to analyze the success of the newly merging online retailing company in fast fashion industry and raises suggestions for Chinese fast fashion industry to stay competitive in the future.

2 Brief on the Fast Fashion Industry Worldwide

Consumers are reluctant to spend on discretionary items, and when they do, they expect fashion, quality and low cost items. Fast fashion is a contemporary term used by fashion retailers to acknowledge that designs move from catwalk to store in the fastest time to capture current trends in the market. The apparel products are designed and manufactured quickly and cheaply to allow the mainstream consumer to take advantage of current clothing styles at a lower price.
Since the primary objective of the fast fashion is to quickly produce a product in a cost efficient manner, most companies in fast fashion industry appear as a vertical integration of design, just-in-time production, delivery and sales. Also, it places great emphasis on the efficiency of the supply chain. Because of competitive forces and reducing fashion cycles, retailers have been forced to develop strategies, enabling them to control the supply chain more closely, thus allowing them to source quality products at competitive prices [1].

Table 1. Worldwide Apparel Specialty Stores

<table>
<thead>
<tr>
<th>Company Name (Flagship Brand)</th>
<th>Country</th>
<th>End of Fiscal Year</th>
<th>Sales (¥ Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hennes &amp; Mauritz</td>
<td>Sweden</td>
<td>Nov. 2009</td>
<td>1,208.70</td>
</tr>
<tr>
<td>INDITEX(Zara)</td>
<td>Spain</td>
<td>Jan. 2010</td>
<td>1,208.40</td>
</tr>
<tr>
<td>Gap</td>
<td>USA</td>
<td>Jan. 2010</td>
<td>1,187.00</td>
</tr>
<tr>
<td>UNIQLO</td>
<td>Japan</td>
<td>Aug. 2010</td>
<td>814.8</td>
</tr>
</tbody>
</table>

(Source: FAST RETAILING Industry Ranking, Dec. 2010)
*Figures are calculated in yen using the end of November, 2010 foreign exchange rates.

The philosophy of quick manufacturing at an affordable price is used in large global retailers such as Zara, Hennes & Mauritz(H&M), Gap, UNIQLO and Topshop. Zara is a specialist fashion chain and an important example of a fast fashion retailer, with rapid stock turnaround and vertical integration. It belongs to Inditex, one of the largest distribution groups in the world, which operated 1558 stores in 45 countries out of which nearly 550 were Zara stores. 46% of the group’s sales were from Spain with France as the largest international market. Zara generated 73.3% of the group’s sales and 60% of the Zara sales were from its products for women. Zara gains its success mainly in the following aspects.

2.1 Strong Supply Chain Management

Gap is an America's giant casual-fashion chain. Zara mimics Gap's merchandising strategy of offering differentiated stylish-yet-affordable basic apparel to the masses. Fashion is highly perishable, quickly influenced by the latest thing seen on the catwalk or on the back of a celebrity. Retailers have tried to shorten the ordering cycle and minimize their inventory, so that manufacturers end up carrying more of the risk of managing stock. Many are trying to replace the standard four annual “seasonal” orders with as many as 16 orders a year [2]. Five years ago only Zara followed such a strategy. Zara's designers follow fashion trends closely. In general, a typical clothing company manufacturing in Asia could take six to nine months to get a new design into the shops. With a strong logistics system, an entirely new Zara garment takes about five weeks from design to delivery, while a new version of an existing model