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Modelling the reasons to establish B2C in the fashion industry

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Abstract

The Internet is changing the way in which businesses operate. 'Brick and mortar' companies can now use the Internet to reach more customers and sell products in addition to the traditional channels. Moreover, the Internet is an excellent means of communication and advertisement. Nevertheless, only a minority of the businesses operating in the fashion sector have developed e-commerce.

This paper studies the decision of establishing B2C in one of the Top European fashion designing businesses. The findings show that the use of cognitive maps can help in the decision making process identifying the true strategic objectives that a firm pursues.

Keywords: Internet commerce; B2C; E-commerce; Cognitive maps; Decision making; Fashion industry

1. Introduction

The numbers of traditional businesses that are using business to consumer (B2C), one of e-commerce (EC) activities, as a new marketing channel are growing rapidly. The first objective is to use this for businesses advertising, but for many businesses has evolved into the use of additional services, like ordering channel or web customer support channels. For firms engaging in conventional 'brick and mortar' activities, the use of EC offers a new opportunity to extend and increase their market value (Amit and Zott, 2001; Subramani and Walden, 2001).

Though the market values for numerous firms operating in e-commerce have been high, some of them incur more losses than profits (Chaudhury et al., 2001). Very few of the firms undertaking the adventure of B2C are currently working in the stock market, so the goals and purposes for the stockholders and management for the rest of the companies will be different when they commence this path.

Achieving success with B2C is difficult. To know with precision, the decision maker's expectations before actual implementation of the tool, gives important information for future high-quality development in the market. For this reason the authors consider this paper a useful endeavour that can help to identify the legitimate reasons that decision makers have to establish B2C and the competitive advantages that are associated with them. Secondly, this knowledge facilitates the development of appropriate business and EC strategic goals.

This paper contains in Section 2 the theoretical background and research justifications. Section 3 includes the case study, sector, business and research model. Section 4 presents the findings and discussion. Finally Section 5 shows the conclusions.

2. Theoretical background

The process of strategic decision making is complicated (Mintzberg et al., 1976). Since the EC strategic decision is rarely planned some companies do not know what the main objectives are, or what they actually want to achieve. Profitable positioning of EC necessitates a coherent articulation with both the global strategic objectives and the business processes. EC inclusion in corporate strategy can produce positive effects for corporations (Changa et al., 2003). Firms can expect both an increase in services offered and sales by adding the web to their traditional channels. EC and web technologies can be used in strategies for attracting new customers, reaching new markets, creating new distribution channels and offering value-added customer services (Chatterjee, et al., 2002).

Internet usage has significantly increased over the past few years. Clients are demanding different, better services, and they are more likely to shop on-line if they perceive easy use (Devaraj et al., 2002; Shang et al., 2004). Consumer's

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loyalty and knowledge of brand can be increased with a positive use of the Web (Chaudhury et al., 2001). Firms must take into account this aspect if they want to improve their competitive edge. The traditional way of doing business can change radically with the incorporation of EC. It is important for businesses to better understand their clients' needs and to offer better support and services (Cha-Jan et al., 2004; Torkzadeh and Dhillon, 2002). Additionally, businesses can change their traditional processes and structures, as well as the relationships with suppliers, clients and other partners (Chatterjee, et al., 2002).

Gaining competitive advantage requires an effective EC strategy and general strategy. The success or failure of an EC strategy depends on how well it identifies its true goals and clarifies which competitive advantage it will pursue (Phan, 2003). This is a vital step. 'Brick and mortar' companies that incorporate an EC strategy into corporate strategy should receive benefits from doing so, however if the EC strategy is not given priority, firms may not be so successful in their on-line results (Changa et al., 2003).

A critical concern is the factor's search present in adoption of online channels. EC study is increasingly being used by researchers and therefore it is valuable to take into account some of the actual contributions to the field.

Value in one sector does not imply value in all sectors; nevertheless, it provides guidance on how this matter is considered in different situations and contexts. For instance, previous study in relationship with the adoption of on-line sales in the retail sector (Doherty, et al., 2003) has found that Internet target segment and Internet marketplace, both marketing-oriented factors, are considered critical in such adoption. Other important factors are market development opportunity, Internet communications and infrastructure and development.

In relation to the decision to establish Internet-based interorganizational information systems, factors such as pressure from trading partners, pressure from competition, costs savings, network reliability, data security, scalability, complexity, top management support and trust are considered critical factors affecting such decision (Soliman and Janz, 2004).

No previous works have been found that analyze the cognitive process of establishing B2C. This paper provides important insight into the study of how businesses operating in the fashion industry develop their B2C ideas, and their applicability to other sectors. We have also considered this industry in light of the fact that although almost all the main companies operating in the fashion industry have a Web site, only a few of them have B2C capabilities.

3. Case study

3.1. The fashion industry

The fashion industry began in 1858, when an English dressmaker, Charles Frederick Worth, who had become successful in France, set up his own shop in Paris (The Economist, 2004).

Today the centers of the fashion industry are Europe and the United States. Famous brands, such as Giorgio Armani, Chanel or Dior located in cities such as Milan, Paris, and New York, are examples of companies operating in this important sector. However there is also a large number of firms less well-known participating in this market who are looking for other ways to compete in this very competitive marketplace.

Due to the globalization in last years the fashion industry has progressively changed the way in which it operates. Companies need to find their place in the market in order to be successful. In this environment, innovation and differentiation play an important role in order to gain a better position. It becomes essential to use different ways to reach consumers, and B2C can be a significant help to reach this objective.

Traditionally the core product of the fashion world was clothes, but through time the range of the products has been extended notably to other goods such as jewelery, bijoux, perfumes, watches, handbags, hats, eyewear, footwear and belts.

Some products are targets to sell over the Internet. Other products such as clothing may be difficult because their production and elaboration is complex. Nevertheless, some Web sites allow the customer to put in their body measurements creating an online model that they can then dress in the latest fashions to get an idea as to how it will look on them.

Also, the Internet is still a good means for a company to display their latest fashion line. The use of Web sites, not only as a means to sell through B2C, but also as a channel of advertisement, can generate enough publicity that will decrease the need for expensive runway shows and advertisements in fashion magazines. In fact the Internet is capable of having an online fashion show where the customer could interact.

The Internet allows a business to target customers all over the world for less cost then opening a store. Web site and B2C activities are an advantageous means of marketing for the firms (Willcocks and Plant 2001). Besides the showbiz, catwalk and television, the sums invested in the Internet, can reinforce the international image of prestige and exclusivity of all products.

According to the Institut Français de la Mode (2004), in the last years the fashion industry has undertaken important and profound changes investing in information technologies (IT).

The use of IT has transformed the traditional concern of the firms in brand identity, distribution or design to look for other ways to enrich theirs organizations. Web technologies have an essential role in this process of innovation.

All the most significant fashion companies have developed their own Web sites, but only a few of them have developed B2C. This is an important aspect to consider