

Business Strategies For the New Zealand Online Fashion Industry

Winnie Wing Man Hui, John Paynter
Department of Information Systems & Operations Management
University of Auckland
Private Bag 92019, Auckland, New Zealand.
E-mail: winniewingman@gmail.com; j.paynter@auckland.ac.nz

Abstract: The popularity of the Internet has raised the number of people shopping online and offers opportunities for fashion businesses to promote or sell their products via the Internet. There are an increasing number of New Zealand fashion organisations launching a web site either for information distribution, promotional use or online retailing. It is believed that the online fashion industry has a tremendous potential in New Zealand. Four interviews were carried out within New Zealand fashion organisations with the focus being their tactics in creating Internet fashion sites and the determinants to make them successful ones. A successful fashion web site should have rich and high quality content, fast loading speed, easy for navigation and good graphics. It is important for New Zealand fashion organisations to frequently update their web site, offer new promotions, consider consumer preferences and improve from there.

Keywords: E-Commerce Management, Internet Marketing.

I. Introduction

New Zealand's small size, geographic isolation and technologically-aware population have all contributed to the widespread and rapid uptake of Information Technology [14]. New Zealand has a small domestic market and a high degree of technology adoption when compared to the rest of the developed countries [17]. Due to the unique ability of the Internet to attract customers in an efficient and timely manner, it offers consumers an additional channel for information and purchasing, as well as increased choice, convenience, competition among retailers, and cost savings. With technology advancing everyday, "the Internet will help create and promote many new innovations for the fashion industry" [18]. Fashion is a fast growing, creative, interesting and time-sensitive industry. Many fashion retailers have developed a web presence to compete in this fast-paced industry. The fashion industry is seasonal and trend-based and its products have a limited life span. Bell [4] also indicates that the fashion industry moves at a frenetic pace where new designs are frequently introduced, so rapid electronic distribution of information is highly desirable. Using the Internet, fashion companies can deliver up-to-date information to consumers in a cost-effective way,

communicate with customers and promote the brand name in an easier way. Apparel products have become the third largest retail sales category on the Internet [7]. Since fashion purchases represent a significant portion of online purchasing [7], the potential of the online fashion industry is enormous. Fashion web sites seek to develop effective strategies based on knowledge of their consumers [10]. This research may help online fashion marketers improve their strategies designed to entice customers to shop online.

II. Literature Review

There are many reasons why people like to shop online. According to Bhatnagar, Misra and Rao [5], convenience and saving time were cited as the top two reasons to shop online, where shopping from home can avoid hassles of parking, salespeople and checkout lines. A survey by Greenfield Online found that 58 percent of respondents shopped online to avoid crowded offline stores and 57 said Internet shopping saves time [1]. Availability of products/services, as in access to variety, the ability to scan more products and compare prices are significant reasons for shopping online [2].

While Internet technology enables the convenience of online shopping, it has shortcomings. According to Lee and Johnson [12], most Internet users purchased non-apparel items (for example, CDs, books, software) and only 12 percent of the users had purchased apparel and apparel-related items. Customers cannot physically examine, touch and test products or get hands on help when shopping online. Forsythe, Kim & Petee [9] also identified seven major barriers to online shopping. These include credit card security concerns, privacy concerns, lack of web site credibility, inability to judge quality, no real-time interaction opportunities, site navigation concerns and lack of loyalty.

Despite the rosy growth predictions, online fashion retailing still encounters numerous challenges. Buying clothing, footwear, jewellery and accessories online involves far more subjectivity than shopping online for products like books, software or electronics. A number of recent studies identified the causes for consumer hesitancy to buy fashion online. According to Rodriguez [15], the biggest hurdle is the customers' demand to simulate on the Internet the see, feel and touch experience when buying clothes. Customers want to know if the selected item fits them well and whether they would look good in those clothes. NPD Group found that 85% of online consumers were reluctant to shop for clothes online because they cannot try on the items. Beck [3]

states that even though the online apparel market has exciting growth, high product return rates persist and most consumers are still either hesitant to purchase apparel online or are dissatisfied with their online shopping experience.

The demographic profile for Internet shoppers are constantly changing, Ernst & Young conducted a study which revealed that the typical online purchaser was well educated, married, and had a high economic status [19]. Skelly [16] estimates that women spend about three times as much as men on the purchase of clothing online. Consumer's age influences online buying decisions. As people became mature, they learn more about the products in the marketplace through experience and form more confident opinions about what suits their likes and what does not [5]. We conducted in-depth interviews with representatives of New Zealand fashion organisations in order to explore the business strategies used by New Zealand fashion organisations in creating their web sites.

III. Research Methodology

In this study, the main purpose of the interviews was to capture an in-depth understanding of online fashion organisations' operations from the perspective of the online fashion organisation representatives. The interview "is a dynamic vehicle for exploring the rich and complex body of information possessed by an individual" [6]. The criteria for selected subjects were based on subjects must have had experience and have had knowledge of the New Zealand online fashion industry. Four representatives of fashion organisations agreed to participate in this study. The four subjects were chosen for their extensive knowledge and experience of the New Zealand online fashion industry.

Two of the interviews were conducted face-to-face. According to Cavana, Delahaye and Sekaran [6], the main advantage of face-to-face interviews is that the researcher can adapt the questions as necessary, clarify doubts and ensure that responses are properly understood by repeating or rephrasing the questions. Two of the interviews were conducted via e-mail format at the request of the interviewees. Mann & Stewart [13] said that e-mail interviews are a practical way to collect information from individuals who are geographically distant.

A preliminary information gathering stage was carried out before conducting the interviews. The four fashion organisations' web sites were observed and the organisations' background information was examined. The four structured interviews were conducted with a list of predetermined, standardised open-ended questions which are carefully ordered and worded in a detailed interview schedule. Some changes to questions were made in order to suit the circumstances of different organisations. The questions were pre-planned and cover topics on business operations, web site development strategies, current situation and future development of New Zealand online fashion industry.

IV. Results & Discussion

Electronic Commerce represents a new medium and a different means of delivering product. For the fashion retailers, the Internet does not change the nature of the product itself. Fashion e-retailers can learn from direct marketers because they have existing successful business strategies. Most New Zealand fashion organisations understand the benefits of using the Internet as a promotion/product or information distribution channel. The benefits of using the Internet specified by the organisations include brand awareness, international reach, a means to update information for consumers, more cost effectively than traditional promotion methods and gives them a shop window that opens 24 hours 7 days. One interviewee emphasised that the only way that New Zealand fashion organisations can compete both locally and internationally is by good web site design.

The important web site features as cited by organisations are: high quality images, fast loading speed, easy navigation and usability, provide e-newsletter, real live fashion show, fashion report, online communities and competitions for consumer to enter. New Zealand fashion organisations use banner advertisements, major search engines and directories and word of mouth to advertise and attract consumers to their sites.

All of the interviewees emphasised that their main target audiences are women as men are not interested as much as women in fashion. One of the interviewee asserted that women are major influences in buying men's fashion. Forsythe, Kim and Petee [9] also suggested that women are the primary purchasers of fashion products in traditional retail environments, so there is a need for fashion organisations to understand the online decision-making process among women to enhance online fashion purchases.

Fashion organisations need to have a long term, formal, strategic plan for their web site development. Most of the fashion organisations mentioned that they have achieved this. All of the interviewed organisations believed that the New Zealand online fashion industry will continue to grow and there are many opportunities to introduce New Zealand fashion to the world by using the Internet. The main problems as cited by organisations, were getting an income stream, the high cost to maintain the web site, consumer fears to buy fashion products online and security issues. One major challenge of Internet companies was they are struggling to reach profitability [8]. It is difficult for fashion organisations to get an income stream that will support the functionality and the quality of content and design. It is hard to get consumers to pay for online information, and the costs associated with maintenance of the web site are high. One interviewee stated that their web site currently does not post a profit, so they have added a print magazine. Another key barrier that discouraged people from buying fashion products online is the lack of feel and touch for the fashion products before they purchase. One of the top reasons that consumers mentioned for not purchasing fashion products

online was because of questions about fit. Some of the consumers prefer to try on the fashion products before making a purchase. For example, when buying clothes, consumers want to know if the selected product fits them well and whether they would look good in those clothes. Research also indicates that the majority of New Zealand fashion web sites are informational rather than transactional [11]. As New Zealand is a small country, it is all too easy for consumers to drive to a store and try on garments. Therefore it is difficult for fashion stores to sell online. The likelihood of a consumer purchasing a fashion product goes down as their perception of risk goes up.

The future of New Zealand fashion industry looks bright. It is predicted that all of the fashion organisations need a web presence in the future either for information distribution, promotion, e-retailing or to develop a loyal online community. The rapid growth of the Internet will lower the technological costs associated with establishing or maintaining a web site. As the entry cost to go online gets cheaper, more fashion organisations will launch a web site. Competition of the New Zealand online fashion industry will be more intense.

V. Conclusion

The New Zealand online fashion market is likely to become much more competitive as it becomes easier for traditional fashion merchants to conduct e-commerce. In general, a successful fashion web site should have rich and high quality content, fast loading speed, ease of navigation and good graphics. It is important for fashion web sites to frequently update their web site, offer new promotions, consider consumer preferences and improve their offerings over time. Fashion web sites should provide a safe shopping environment to consumers and inform consumers of the advantages to use the Internet to shop for fashion products. The main challenges faced by fashion organisations were getting the income stream from the fashion web sites and making it profitable. Above all, the New Zealand online fashion industry will continue to grow.

References

- [1] ActivMedia Research (2000). "Researchers Divided on Price and Branding". *E-Gateway*, 21st February, 2000.
- [2] Anderson-Connell, L., Ulrich, P. and Brannon, E. (2002). "A consumer-driven model for mass customisation in the apparel market". *Auburn University*, Auburn, Alabama, USA.
- [3] Beck, B. (2004). "Key Strategic Issues in Online Apparel Retailing". The Need For An Online Fitting Solution. Web site: <http://www.yourfit.com>. Accessed on: 9th August, 2004.
- [4] Bell, S. (1999). "Online Information for Dedicated Followers of Fashion". *Philadelphia College of Textiles & Science*. April/May, 1999.
- [5] Bhatnagar, A., Misra, S. and Rao, H. (2000). "On Risk, Convenience, and Internet Shopping Behaviour". *Communications of The ACM*, November 2000, Volume 43, No.11.
- [6] Cavana, R., Delahaye B. and Sekaran, U. (2001). *Applied Business Research: Qualitative and Quantitative Methods*. John Wiley & Sons Australia Ltd.
- [7] eMarketer (2000). "The e-holiday shopping report". Web site: <http://www.emarketer.com>. Accessed on: 31st May, 2004.
- [8] Fleischer, J. (2001). "Online Apparel buyers wearing down the return key: Internet retailers can face returns of up to 40 percent". *Daily News Record*, Fairchild Publications Inc., May 2, 2001.
- [9] Forsythe, S., Kim, J., Petee, T. (2001). "Building Global Textile and Apparel Brand Image Strategies: A Cross-National Model". *National Textile Centre Annual Report*, November, 2001.
- [10] Goldsmith, R. and McGregor, S. (1999). "Electronic commerce: an emerging issue in consumer education". *Proceedings of XIX International Consumer Studies and Home Economics Research Conference*, Belfast, January, 1999, Page 112-119.
- [11] Hui, W. and Paynter, J. (2005). "An Evaluation of the Fashion Web Sites in New Zealand". *The Fifth International Conference on Electronic Business, Hong Kong*, Forthcoming.
- [12] Lee, M. and Johnson, K. (2002). "Exploring differences between Internet apparel purchasers, browsers and non-purchasers". *Journal of Fashion Marketing Management*, Volume 6, No.2.
- [13] Mann, C., & Stewart, F. (2000). *Internet Communication and Qualitative Research: A Handbook for Researching Online*. London: Sage.
- [14] New Zealand Official Yearbook (2004). Chapter 11, Page 205 – 207.
- [15] Rodriguez, G. (2004). "Can you sell apparel on the Internet?". *Powerhomebiz.com*, Volume 89. Web site: <http://www.powerhomebiz.com/vol89/sellclothes.htm>. Accessed on: 25th September, 2004.
- [16] Skelly, M. (2000). "Selling Clothes Online". Equity Research. Gruntal & Co.
- [17] Wallace, C., Chiu, L. and French, A. (2001). "E-Commerce: A Guide for New Zealand Business", Ministry of Economic Development. *Wellington*.
- [18] Wallis, L. (2001). "Changing the way we shop". *Sunday Times (London)*, 29th July 2001.
- [19] Yorgey, L. (2000). "Why shops online?". *Target Marketing*. Volume 23, No.3.