

# **The growth of e-commerce and its impact on the fast fashion retailers**

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Bachelor's Thesis  
Degree Programme in  
International Business  
2018



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| <p><b>Report/thesis title</b><br/>The growth of e-commerce and its impact on the fast fashion retailers.</p>  | <p><b>Number of pages and appendices</b><br/>Pages 34+3</p> |
| <p><b>Supervisors</b><br/>Kevin Gore</p>  |   |
| <p>The overall purpose of this thesis was to investigate into the fast fashion industry mainly in Europe, particularly affordable retail brands. The specific objective was to evaluate the impact of e-commerce business on traditional bricks-and-mortar stores from both retailer and shopper perspectives.</p> <p>The theoretical framework was established through a literature review on mobile media, fashion marketing, and social media which lead to the success of e-commerce in transformative digitalization. E-commerce business define the activities of selling, buying of products, services over an electronic network. The study aimed to analyze these strategies that fast fashion retailers applied to maximize the profits by applying the latest advanced technologies and omnichannel e-commerce wisely.</p> <p>The main research method is quantitative and a customer survey was conducted to investigate the shopping motivation and factors that have an effect on the purchase decision in-store and online. Moreover, the survey result illustrates the shopper expectation of buying experiences and services from both types of business.</p> <p>The results of the survey revealed that there is always a balance between operating a physical store and an online channel due to the different market segments and consumer expectations. Despite the fact that, e-commerce business is now growing in the past decade, the bricks-and-mortar store still play an important role as a main location for selling, social interaction, pickup and return points for online orders.</p> |   |
| <p><b>Keywords</b><br/>E-Commerce, Online marketing, Bricks-and-mortars stores marketing and communication, fast fashion, retail business</p>   |   |

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# 1. Introduction

In 2018, It is considered as a transformative time in the fast fashion retail industry. The shoppers desire to shop, however, whenever they want no matter where they are, either in stores, online by any devices, voice activation or click and collect. Within the retail industry, disruption of traditional business models has given the way to transformative change which required online and offline better satisfies more demanding consumers and redefining customer experience. In the 2016 study report, The New Digital Divide from Deloitte had stated that digital interactions influence 56 percents of every dollar spent in bricks-and-mortar stores (Deloitte 2016.) According to Deloitte's the Omnichannel Opportunity study, people purchase double times when they shop using different channels including online and offline comparing to those who only visit the bricks-and-mortar stores (Deloitte 2014.)

In the past 10 years, the rapid growth of the internet has changed the present of e-commerce revolution in the fast fashion retail industry. Many companies have been seeking for expandable, restructuring strategies, and the conventional impact from massive production is gradually replaced through customer relationship. Due to the effect of e-commerce and online shopping, what is the future role of the traditional store in the fast fashion retailing industry?

## 1.1. Research aim and objectives

This thesis topic will only focus on the Business to Consumer in apparel sales on e-commerce portals. Along with the evolution of mobile phone applications and the social technology, the Global share of the online purchaser, especially in apparel fashion becomes a trend in the World. Meanwhile, physical stores are slowing down due to the limitation to the geographic area where the weaving community was located. The aim of this thesis is to measure the blooming of e-commerce in the fashion retail business, evaluate its growth and discuss its effect to the traditional physical stores based on the point of view from consumers. The research problem is:

A customer study to assess the success of e-commerce portals of retail brands in the fast fashion industry?

The research problems are therefore express under the main research question as follows:

The base of the shopping habits, what is the future roles of physical apparel stores?

In order to refine the approach to the study, the objectives of the research are expressed under the following investigates questions:

Question1: What is the impact of the E-commerce in the modern fashion business?

Question 2: How has apparel shopping has changed as the result of E-commerce?

Question 3: What is the future role of the physical store?

## **1.2. Theoretical Framework**

The theoretical framework is established through primary sources to study the concept of e-commerce Business-to-Consumer, strategies of fashion brands on running e-commerce portals beside physical stores. Conducting a survey to study about online versus brick and mortar shopping, and based on the results, predicting the future aspect of physical stores in the fashion industry.

The study draws on theory in term of E-commerce in business, technology and society by Kenneth Ca Laudon and Carol Guercio Travers (2017), merchandising and Social media marketing influencers by Marketing Fashion: a Global perspective by Rath, Petrizzi, Gill (2012).

Study task 1. The Growth of E-commerce

Study task 2. The strategy of E-commerce retailer

Study task 2.1. Advanced Technology

Study task 2.2. Mobile media

Study task 2.3 Fashion and online marketing

Study task 2.4 Social media marketing

Study task 2.5 Opportunity of E-commerce business

Study task 3. Research methodology

Study task 3.1 Background survey

Study task 3.2. Survey result

Study task 3.3 The impact of online business to Bricks-and-mortars store

Study task 4. Evaluation and Discussion of the learning outcome

Table 1. Overlay matrix

| <b>Study tasks</b>  | <b>Data source</b>   | <b>Time frame</b> | <b>Method</b>       | <b>Outcome</b>  |
|---|--|-------------------|---------------------|---|
| <b>1 The theoretical framework of E-commerce concept in the fashion retail industry</b> | Theories, concept, models and research   | March 2018        | Desktop study       | Theoretical Framework of E-commerce business                              |
| <b>2 Analysing E-commerce retail's strategies</b>                                       | Created theoretical framework (storytelling, visual identity), research inspiration companies which have similar concept within the fashion industry | March 2018        | Desktop research    | SWOT analyse to find out the strength and weakness of E-commerce business |
| <b>2.1 Online shopping evolution along with technology</b>                              | Web data   | March 2018        | Quantitative method | Gathering data through social media and printed survey                    |
| <b>2.2 Mobile Media</b>   | Commercial sale report, power of visual  | March 2018        | Excel or SPSS       | Find out how virtual online shop effect to shopping habit                 |

|  |   |            |   |  |
|--|---|------------|---|--|
| <b>2.3 Fashion and Online marketing</b>                  | Theoretical framework of online shop operation  | March 2018 | Website                                     |  |
| <b>2.3 Social media marketing</b>                        | Established theoretical framework   | April 2018 | Journal, bloggers                           | Understanding about social media sale promotion campaign               |
| <b>3. Research Methodology</b>                           | Research, template, Develop survey questionnaires   | April 2018 | Quantitative research through online survey | Data from the survey   |
| <b>3.1 Background survey</b>                             |   | April 2018 | Sale data                                   | Estimation the risk of running an ecommerce business, the difficulties |
| <b>3.2 Future aspect of E-commerce business</b>          | The potential of Ecommerce fashion retail in the future   | April 2018 | Sale data                                   | Discussion about the future of Ecommerce in fashion business           |
| <b>3.3 The future role of traditional physical store</b> | Statistic, annual report from a business which own both online and physical stores and own experience | April 2018 | Evaluation and analysis                     | Project outcome evaluation and discussion                              |

|   |  |          |                         |   |
|---|--|----------|-------------------------|---|
| <b>4 Evaluating the outcomes of the study</b> | Thesis process report and own experience | May 2018 | Evaluation and analysis | Project outcome evaluation and discussion |
|---|--|----------|-------------------------|---|

### 1.3. Demarcation

The topic will concentrate on the concept of E-commerce in the fast fashion business and its impact on the traditional physical store. The consumer shopping trend in the digital World influences the development of online shopping website. The stories behind a success of an online fashion store along with its strategies to earn trust from the shopper. The future of launching e-commerce sites for fashion retailers besides running physical stores.

Based on the basic hierarchy of fashion(Posner 2015.) thesis topic will focus on fashion brands which belong to the Middle and Mass market. There will be no Cybercrime nor the method of launching a successful e-commerce fashion business discussed in this thesis topic.



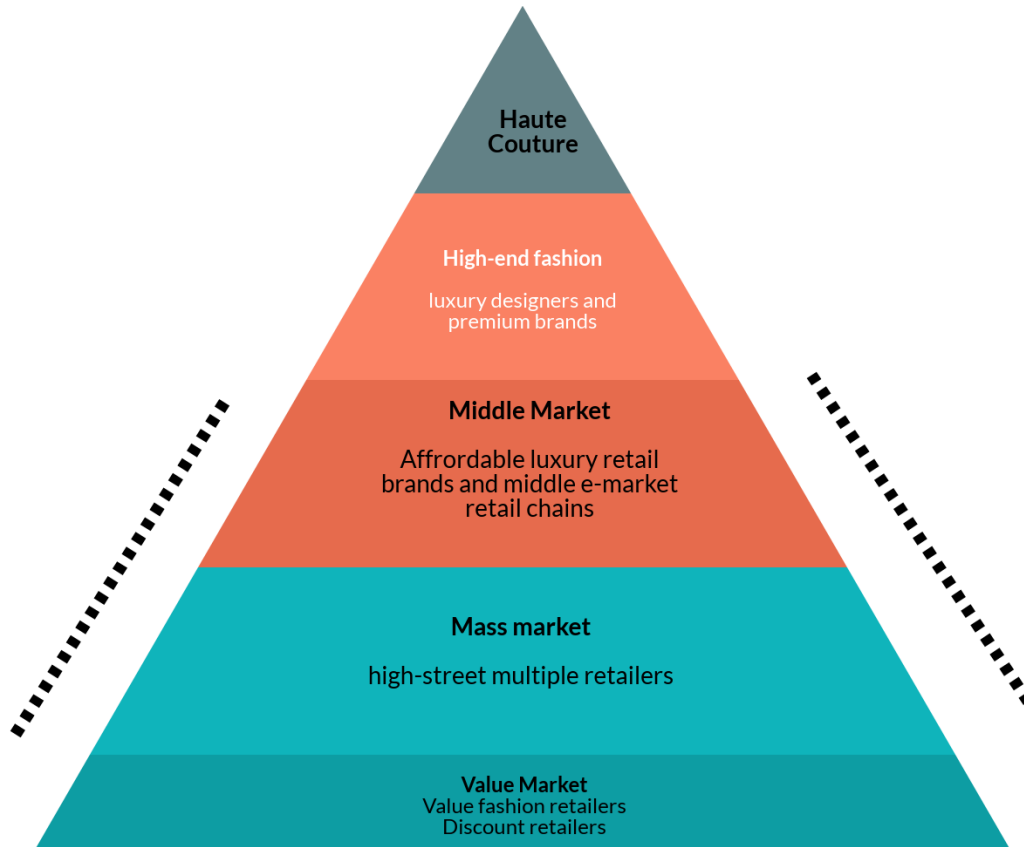


Figure 1 Basic hierarchy of fashion (Posner 2015)

#### 1.4. International Aspect

According to Euromonitor International, 14 percent of the global apparel and footwear market was available online in 2016, worth of over two hundred billion dollars. As the wave of digital disruption is coming from E-commerce business owners, the fast fashion brands are slow on catching the race of E-commerce evolution.

Affordable fashion brands such as H&M and Inditex have joined the online competition in the industry, directly compete with some of the big e-commerce players in retail like Asos, Zalando, Boohoo.

#### 1.5. Key Concepts : The impact of e-commerce to the fast fashion retailers.

**E-commerce.** It is the revenue generator for the business that chooses to launch through the internet to sell their goods and services. There are several types of e-commerce, however, the most common one in the fashion retail is the Business-to-

consumer (B2C), Business-to-Business (B2B), Consumer-to-consumer or Consumer-to-Business (searchcio.techtarget.com 2017.)

**E-tailer** online retail store which describes the term of a business which owns both physical store and electronic store for online shopping.

**Bricks-and-mortar** describe the physical presence of a brand retailer, which includes direct interaction in stores and outlets. (Clare Harris 2017, 18.)

**Virtual merchandise** refers to anything that can be seen by the customer while watching the store from both outside and inside at a physical store including display, decorations, signs and layout space. The main purpose of visual merchandising is to present the shopping atmosphere and to gain the attention from customers.

**Social media marketing** is a strategic plan with the aim of focusing on creating and spreading valuable relevant and consistent content to attract and retain a clearly-defined audience, driving the profitable customer action (Content marketing institute 2017.)

**Online shopping** is an activity belong to electronic commerce where consumers can buy directly goods or services from an online seller through Internet browsers.

## 2. E-commerce retail strategies

To build a fashion marketing strategy plan, a retail brand needs to perceive the main purpose of the marketing plan process along with other supply chain management strategies. Fashion organizations would need marketing information in order to build their strategies. A working knowledge of their sources, marketing research and the uses of data collected through the research. The market segmentation, targeting and positioning, knowing their customers and the marketing mix are key elements for creating a successful fashion marketing plan.

On the subject of E-commerce marketing strategies, retailers need to start with developing a mission statement, objectives and value position. In other words, companies must have key performance indicator which is known as KPIs to measuring marketing efforts and record performance by tracking number of users whom visiting their website and making purchase for products (Harris 2017) Additionally, marketers need to clarify what is needed for channels such as online paid, owned and earned media based on the new objectives, new technologies and target customers.

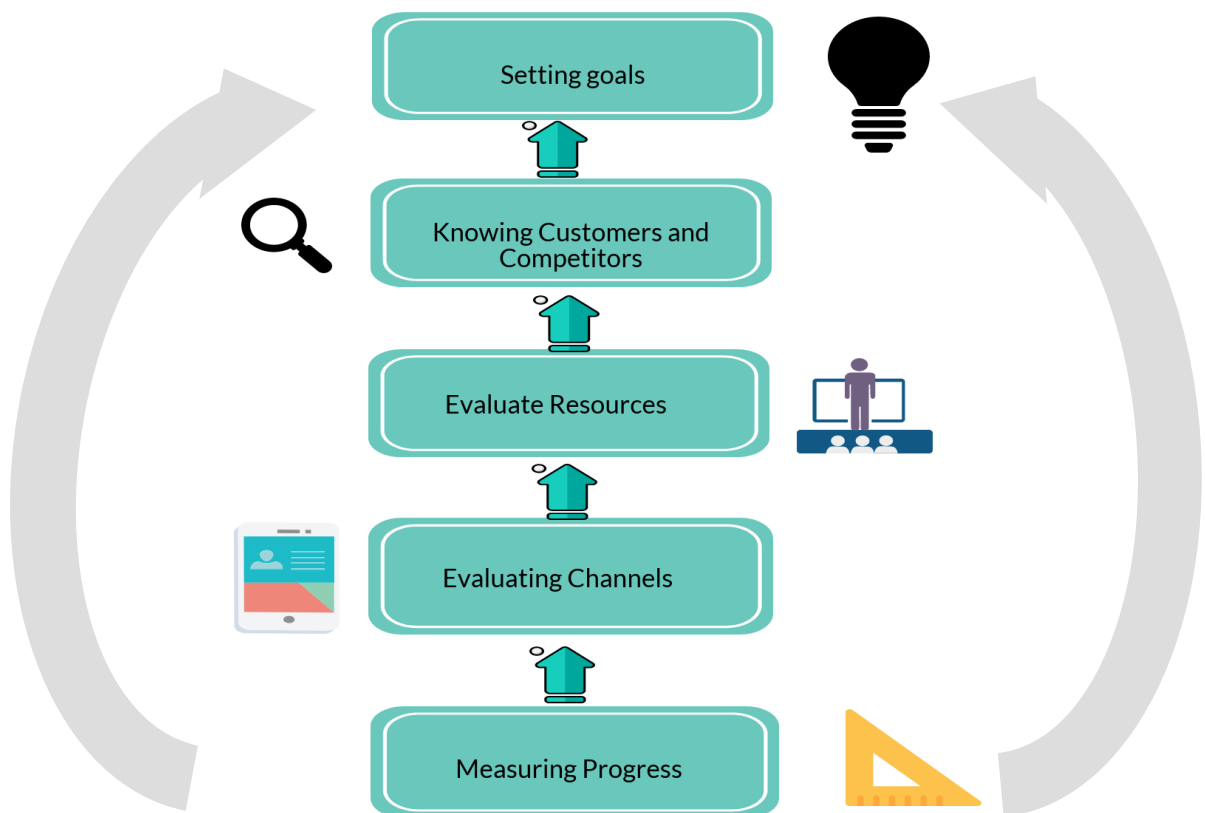


Figure 2 Elements of a successful marketing strategy (Harris 2017)

## **2.1. Online shopping evolution along with the technologies**

Digital technologies are becoming the centre of lives. Digital networks merge with most of our devices such as mobile phones, watches cameras with multiple accessibilities. From artificial intelligence to the blockchain, there are five significant inventions that push the business of fashion to be more efficient, escalate the user experience and contribute an improvement in consumer value proposition in general. Fashion companies that effectively utilize the suitable technologies would be able to increase their competitive advantage towards customizing products and shopping experiences, filtering logistical process that nibbles away at budgets (Kati 2018.)

Firstly, the Artificial Intelligence (AI) is becoming one of the biggest technological developments in retail business lately. Its ability has transformed a vast and diverse data into valuable information that can help with exceeding speed, cost and flexibility towards the value chain. In addition, AI can help retail brands with predicting, merchandising and magnitude planning. Thanks to AI, consumers can appreciate better products availability, faster and accurate deliveries (Kati 2018.)

One of the top e-commerce fashion retailer brand in the United Kingdom - ASOS had applied Artificial Intelligence and launched their new visual search tool with the aim of shaking-up their online shopping. The brand introduced the functionality on their IOS application, a shopper can simply download the ASOS app, ticking the camera icon then choose a photo of their favourite items from camera rolls from their devices, ASOS's will search the similar products within a seconds through ASOS catalogue's data (Clark Boyd 2017.)

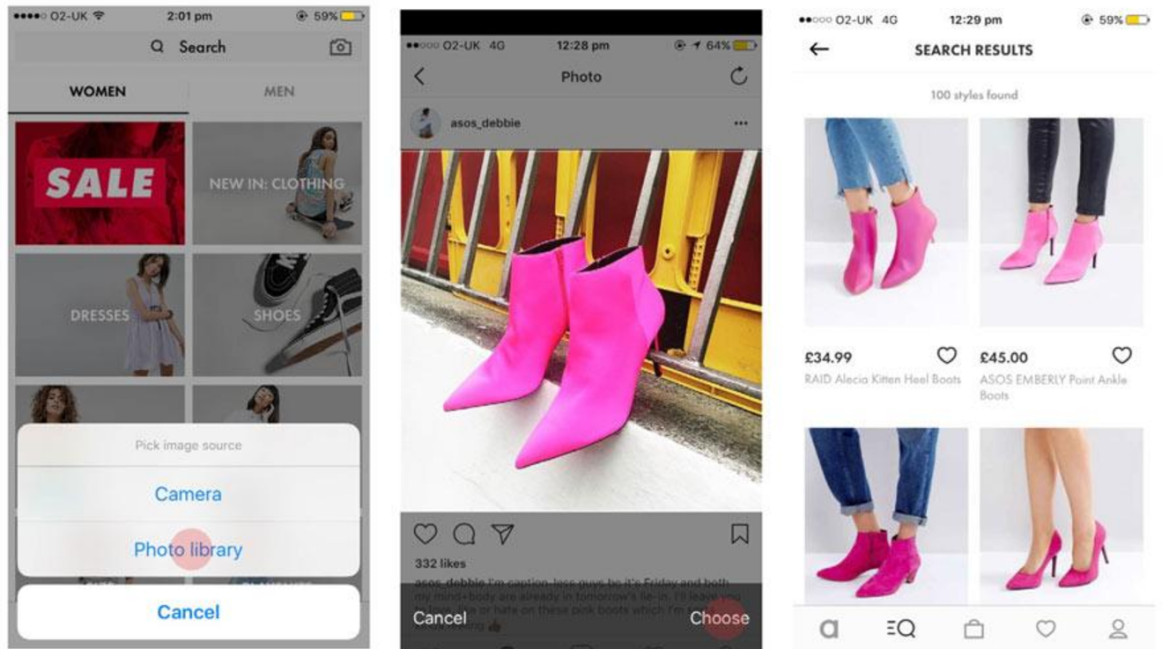


Figure 3 ASOS visual search (Clark Boyd 2017.)

Secondly, the Augmented Reality (AR) is the technology which contributes a real-time view of a subject's surroundings altered immediately or magnified by a computer-generated information. It increased the performance to the maximum (Kati 2018.) According to the article author – Kati Chitrakorn, in January 2017, GAP introduced a digital fitting room which was developed by Avametric in collaboration with Google, customers have an ability to "try on" clothes without visiting an actual store. Following the competition, Zara- a popular retailer from Inditex Group is launching a mobile augmented reality app to be used in its first 120 stores Worldwide in April 2018, which allows shoppers stay near a certain displays to view AR images of models wearing products from those merchandising, they can also make purchase through the application (Dan O'Shea 2018.)

Last but not least, Zara has introduced self-checkout stations at a new flagship store in Madrid which sized 65000 square-meters as large as the contactless shopping technology. This new technology has been using wisely in Chinese's market recently. Customers scan QR codes to enter the store, choose products then pay via smartphone. The contactless shopping helps to reduce the labour cost and make the checkout process more smooth and convenient by avoiding the hassle of long checkout lines. On the other side, many retailers rejected this method due to the complex security reasons (Kati 2018.)

## 2.2. Mobile Media

As mobile technologies develop, they have turned out to be a supercomputer in a mini size that people can carry around. In the e-commerce business, developing mobile applications besides desktop version is an essential work. With mobile devices, the user can access to the Web store through an application, viewing in-store digital displays, choosing products that they want, and easily purchase using mobile pay application. The mobile technologies simplify all buying process via QR code scanning and Barcode reader.

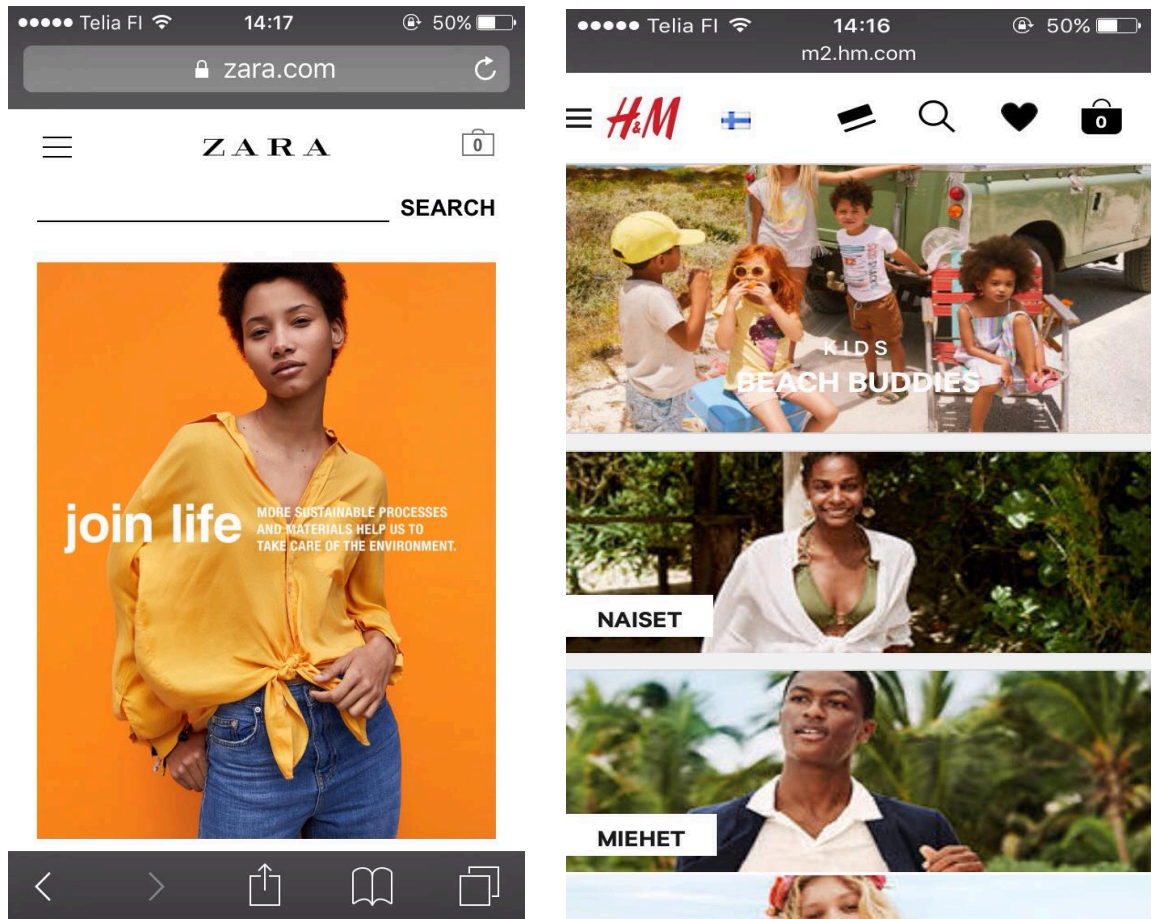


Figure 4 Leading retail brands such as Zara and H&M had launched their digital store through online application for mobile devices. Their app was designed and adjusted in order to illustrate the best graphic on retina screen display

Following the functional mobile application which was designed to match with both ISO and Android devices, fashion marketers have been embracing some visual innovations in mobile app technology and explore the potential for connecting with consumers when they shop.

## 2.3. Fashion and Online Marketing

### 2.3.1. Marketing Mix

In the past, Marketing Mix 4 Ps (Product, Price, Place, Promotion) was designed with the aim of selling products rather than services and the customer's roles were implemented in helping the brand development. Over time, there are two elements are Process and Physical Evidence added to the 7Ps of the Marketing Mix according to Jerome McCarthy in his book Basic Marketing. Managerial Approach which is published in 1960 (Figure 5).



Figure 5 Marketing Mix Diagram (Jerome McCarthy 1960.)

Starting with the Product in the fashion industry, items are designed, made and sold to consumers. Product requires high quality which will present the success of a brand. Afterwards, Price should be considered and measured based on the material and production costs in order to decide the final price which will be offered. Since the service provision needs to be a balance between customization and standardization, the process took part in the activity demand special mention and attention. At the process stage, business will need to ensure the method to deliver products to the customers. With an e-commerce business beside the physical location, the Place element is created to help business owner boosting the sale by selecting the location

with an ease of access. If it is an offline business, the store should be located in the most attractive destination meanwhile, an online store should be established using the most high-tech site. The Promotion fulfils the roles of marketing context by adding markdown to reduced items, displaying through visual merchandising and public relations. In both online and offline business, People is a significant role due to the need of being served and effective communication in trading business. Many e-commerce services are offering 24/7 live chat as one of the customer services strategies. Especially, the affiliate marketing which is product-focused referrals such as testimonials, products reviews from consumers. The Physical Evidence acts as the existence of the brands through branding, websites, online presence and emails (Jeroem MCarthy 1960.)

Along with the development of technologies, the marketing of fashion has been changing from early website platform to social media through participatory cultures, viral content, omnichannel marketing strategy (Harris 2017) In the digital age, customers expect and demand to interact with brands from anywhere, anytime and accessible on any devices. Even though nothing can beat a human physical touch on the product, consumers still prefer an experience delivered through at least one digital channel. As a result, many brands start expanding their business not just interact with shoppers at a physical store but also running their business online by investing for omnichannel succession. According to one of the McKinsey's reports in November 2015 about apparel, fashion and luxury group, Omnichannel retailing is considered as one of the main sectors today, it is a brave frontier for a retailer who desires to offer a smooth integrate shopping experiences towards all touch points (Abrahamson and Stohner 2015)





Figure 6 Omni-Channel marketing is a definition of using many channels in a seamless way. By using Omni-channels, customer's experiences and interactions should be constant across all channels, modes of delivery and devices used (Harris 2019, 29.)

An E-commerce business cannot be a success without a website as the main channel of launching products, selling and advertising as well as connecting with customers. For many retailers, a Website is the main hub of the digital marketing strategy. It is a portal to communicate and collecting customers information to the database. The site can also contribute an opportunity to show visitors their products, campaigns, personal advice and guide them to the purchase method (Harris 2017) Marketer should collaborate with the designer to work on the rough plan for a visualized Website's layout where they can reach the sale target. An example is illustrated in figure 6 of which information should be listed on the first page of the website. According to Harris, before creating a website, these questions should be considered:

- Is the website visible to any search engine optimization (SEO)?
- Does it provide all information that customers needed? Is it update daily together with all attached sites?
- Does it work properly in any web browsers?
- Does it show the brand and its values?
- Is it mobile friendly?
- Is it connected to relevant social networks?



Figure 7 a wireframe of an example of a sitemap a fashion Webshop (Harris 2017)

### 2.3.2. Search Engine Optimization (SEO)

**Search engine optimization** is the process of maximizing the number of visitors to a website by making sure the site appears on the top search list. A search engine plays a key role providing results to a search term and rank them following the relevance of contents and the importance of keywords. It evaluates the page contents, links, usability (Harris 2017,46.) Search results are as known as organic due to their natural reaction which is based on individual search engine's algorithm and none of the users can pay to be found at the top. Consequently, some E-tailers need to find other solutions in order to push their ranking at Google or other search engines.

There are three main criteria that search engines assess. Keywords are the first criterion due to the realization whether or not the site is relevant to the search, then the search engines start looking for keywords. The search engine decides the importance of these searched keywords by evaluating the position of these keywords on the site and the times they are used (Miller 2012,131.) The second criterion is **HTML Tags**. The term HTML is shortened for a standard coding language for creating a webpage. It

determines the structure of a webpage and connects that information to the browser. For instance, in Google Chrome browser, the HTML codes can be easily found by opening any webpage via CTRL+U. According to Miller, it is smart to include some keywords in the page title. The last criterion is inbound links, which lead to a website. Google had found out that once a site has big numbers of other sites linking back to it, the site is considered as a powerful source thank useful and relevant contents that provided. Therefore, adding high-quality links that lead to the sites should increase the search engine rate (Miller 2012, 133.)

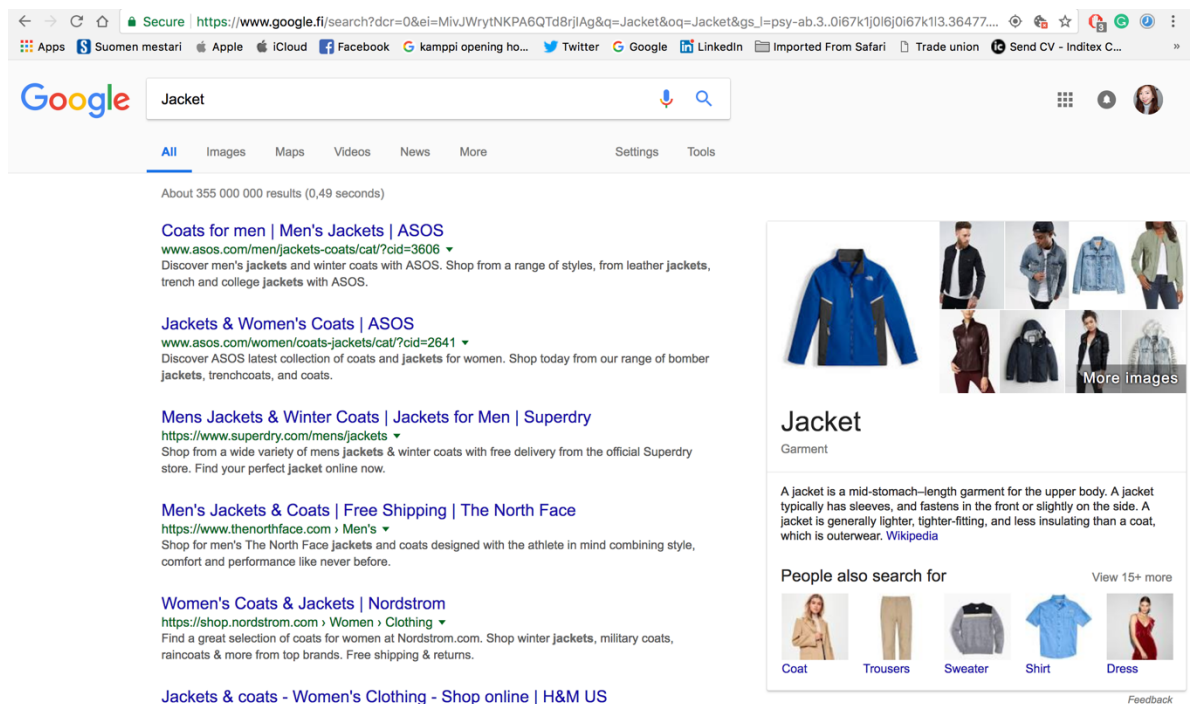


Figure 8. an example of using Keywords on search engine.

### 2.3.3. Online Advertising

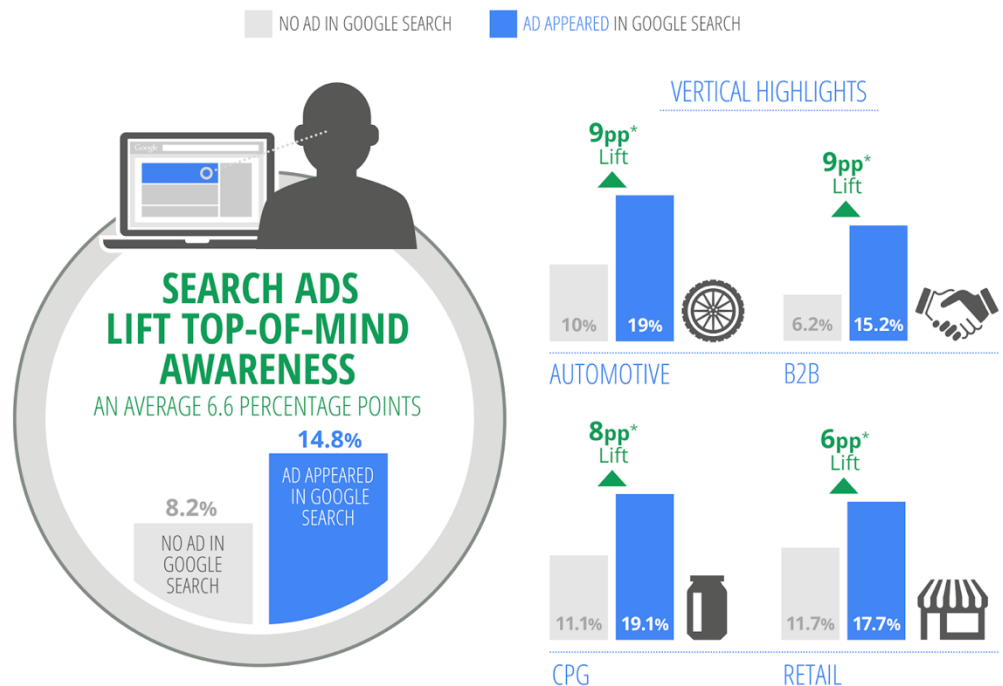
Google AdWords helped Google become the largest and influential search engines by reached over 40,000 Google searches per second (Harris 2017, 57.) In ecommerce business, Google AdWords provides certain benefits which can growth the business online.

- AdWords works fater than SEO by focusing on multiple keywords at a time. User can easily switch on/off the campaign anytime. All Ads appear on the top the page can be visible immediately.

- Increasing brand awareness by boosting traffic, clicks and conversion, Google AdWords also spreads out the brand imagine. Google partnered with Ipsos to try a research over 12 verticals, right from mobile to retail (Figure 9.) The final result was proved that the search ads had rased the brand awareness by an average of 6.6% (leadsquared.com 2018)
- Google AdWords can reach more customers through their Gmail Inbox.
- Measuring the advertise performance consistently. Users should be able to track who cliked to the ads, the number of generated leads, keywords that generated the most traffict and leads, the cost per lead.

## SEARCH ADS LIFT BRAND AWARENESS

New Google/Ipsos MediaCT research shows that search advertising doesn't just drive conversions, it also lifts top-of-mind awareness.



Source: Google/Ipsos MediaCT, Search for Brands Industry Research, June 2014.  
\*Percentage Points. Statistically significant lift at the 95% confidence level across all verticals. 6.6pp is the average lift across 12 verticals.  
Methodology: Google/Ipsos MediaCT conducted 61 studies across 12 verticals. In each study, in-target respondents were prompted to search for a category keyword on their desktop or laptop, and were then exposed to either a Test search engine results page (SERP) or a Control SERP. The Test SERP featured the test brand in the top search ad position and all other ads on the page were moved down by one position. The Control did not feature an ad from the test brand at all. The organic results of the SERP were not manipulated in any way.



Figure 9. Google AdWords increase brand awareness (leadsquare.com)

### 2.3.4. Data Analytics

The most important steps to analyzing data from a website based on visitor's perspective are setting up the key performance indicator (KPIs). Through KPIs, marketers can recognize the current position and what needs to improve the marketing strategy in order to meet the sale target. Some of the most important KPIs considered for an online store includes the final sales throughout the day, week, month and year, the conversion rate, shopping cart abandonment, site traffics. On the other hand, some retail brands which are running both online business and brick-and-mortar stores, the use of powerful data from RFID tags are now helping retailers improve a wide range of operations by tracking items across the supply chain routine and inventory. These data can be collected through selling activities from the distribution centres or through selling activities at physical stores.

According to Claire Harris, the conversion funnels provide a model of the step an online consumer take throughout the whole online shopping process. The funnel appears at the beginning of the process and it narrows down at the bottom as visitors start to drop off during the purchase progression. An online conversion funnel should track specific zone on the website so that it can test the difference pages effectiveness and inform the next action regarding any technical issues (Harris 2017, 67.)

In fashion marketing, the term of big data refers to a wide range complex sets of data that business captured with the purpose of identify, understand and segment customers. Big data is significant in matching target online advertising to certain consumer groups. It is the foundation for business to predict the next fashion trends and looking for the future audiences.

#### **2.4. Social Media Marketing**

Social media is a various form of the video, audio, images and texts that majorities of a population are using to connect, to share with the World, to find inspiration from the World via social networks. In the fashion industry, people who are owning one or more social media channels is considered as the trendsetters, fashion influencers who are potential can bring up a million consumers to a brand just with a post to their channels. The author Claire Harris stated that understanding the functional building blocks of social media, therefore Kietzmann, Hermkens, McCarthy and Silvestre had established the seven key functions of social networks (Harris 2017,83.)

Presence – identifying whether members are available or accessible

Relationships – engaging with audiences and social networks friends by sharing, meeting up, contacting followers

Reputation – identifying who members are

Groups – forming certain communities

Conversations – communicating with others

Sharing – sharing, receiving, exchanging contents.

While creating contents to distribute on social media, marketers should understand the value each consumer would like to receive. For example, Monki – a Swedish brand often updates the mix and match tips with similar items for different outfits as suggestions on their Instagram. Followers can find these tips are useful which will lead them to visit the online store and purchase for these items. Brands also can speak out their voice for their brand image, the value proposition using social networks. In contrast, social media has its disadvantage by spreading out scandal faster than any other way. For instance, H&M recently had to face up with a racism issue by sharing a picture of an African boy wearing a hoodie with an inappropriate slogan. As the bad consequences of the social media, H&M's business in African countries was interrupted and the market share dropped suddenly. Later on, the brand sent an official to apologise to all of their consumers through all of their official social media channels (Liam Stack, 2018.)

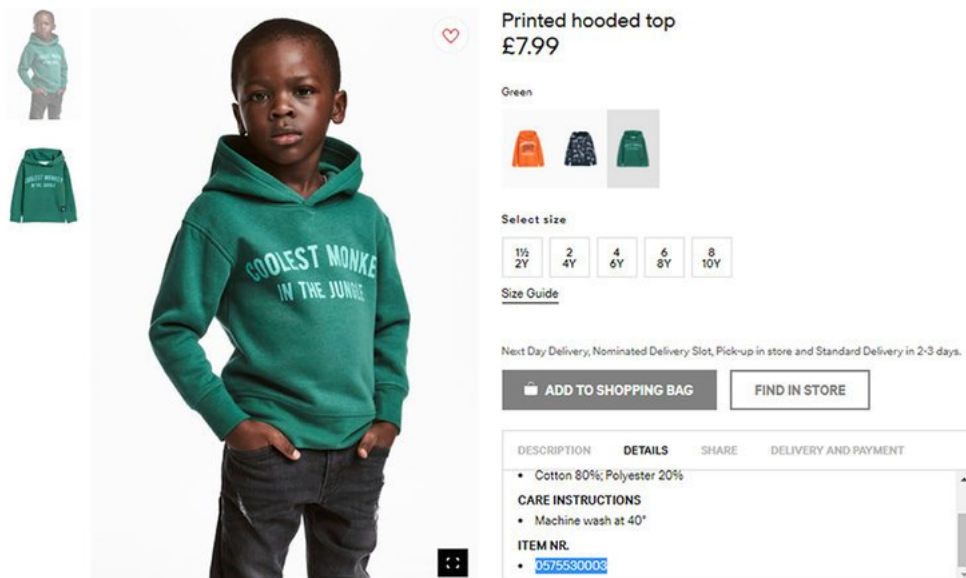


Figure 10. H&M poor content scandal (Liam Stack 2018.)

## 2.5. Opportunity of E-commerce business

### 2.5.1. Swot analysis

|   |   |
|---|---|
| <p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"><li>• Time saving</li><li>• Globally</li><li>• Price/Products comparison</li><li>• Cost effective</li><li>• Direct communication with consumer</li><li>• Flexible target market segment</li><li>• Lower transaction cost</li><li>• Faster buying procedure</li><li>• Low operating cost</li><li>• Simple and easier exchange of information</li></ul> | <p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"><li>• Delivery speed</li><li>• Lost packages</li><li>• Limitation of products</li><li>• Lack of personal services</li><li>• Shipping cost</li><li>• Complex return process</li><li>• Extra fees for postal services</li><li>• Security</li></ul> |
| <p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"><li>• New technologies</li><li>• High availability 24/7</li><li>• Cutting down on local competition</li><li>• Advertising online</li></ul>  | <p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"><li>• Competitors</li><li>• Law and regulations changed</li><li>• Risk</li><li>• Innovation</li></ul>   |

Online business strengths are about time-saving and cost-effective when reducing the time consuming to visit a physical store. Its direct communication through online customer service platform also increases the interaction with customers. Together with the strengths, its weakness includes delivery speed, lose track on delivering packages or causing extra troubles when customers do not understand the return policy. The opportunities for an E-commerce in the fast fashion retailing can refer to the innovation of new technologies which result in multiple effective payment methods, marketing online. Last but not least, the threats are high due to the increasing numbers of competitors, continuous change in environment, law and regulations which online business might find it difficult to catch up and adapt. Nature of risk is considered as flexible depending on the trust between consumers and the business privacy's concern.

### **2.5.2. E-commerce business in the digital transformation era**

The fast fashion industry, in the range of global affordable retailers, drives a significant part of the global economy. Fashion is one of the most challenging areas which easily impacted by the changing of the global economy as well as the distinct trends.

Retailers across the World are rapidly adapting to the consumer perspective, shoppers are channel-agnostic. Their shopping journey should be combined with doing pre-shopping research online and making purchase decision instantly or request reservation for chosen products then pick them up from a physical store. The retailing rules indeed are being rewritten in this transformative change in technology innovation, collaboration among market segments, the automated operation which will impact on the way fast fashion retailer do business now and in the future.

By launching online stores besides running a business at physical stores, popular affordable retail Groups such as Inditex and H&M had increased their net sales in the fiscal year 2017. According to Inditex Group's Fiscal Year 2017 report, thanks to the online store's expansion strategies, the growth of online sales was 41% with 10% of total sales now online meanwhile 12% of the total in all markets where its online business presence (Inditex.com March 2018.) At the same time, H&M published its group's Capital Markets Day informed its online sales has been rising up to 12,5% of the whole H&M group's total sales. H&M group's online channels are taking over 22% of the H%M group's operating profit (H&M press, February 2018.)



### **3. Research Methodology**

This chapter is explained how the research method was designed according to the tasks and how the primary and second data were collected. The primary data was collected from the background survey. The flowchart in Figure 11 illustrates the process of the research.

The study is followed up the quantitative method template and based on gathering the primary second, data collection. The purpose of the survey is to gain the knowledge of the author and to understand the shopper habit and its impact on the business in a digital transformative era of fast fashion retail industry. Throughout the Chapter 2, the author discovered the success of traditional stores which play key roles in apparel retail business. Besides that, Online business is now changing the way affordable fashion retail shape the business by lowering operation and marketing cost. The research was designed in order to prove the increasing continuously of E-commerce and the future role of bricks-and-mortar stores and the combining bricks and clicks would make up for lost time. Fortunately, the author has been working at Zara store as the Cash Office Responsible person, therefore, the author could interview directly shoppers while they purchased, returned items at the cash desks. The survey questionnaire consists of 9 questions and estimated to take approximately one to two minus to answer. Major of responses was from a Facebook group of Students and Mothers who are now living in Finland.

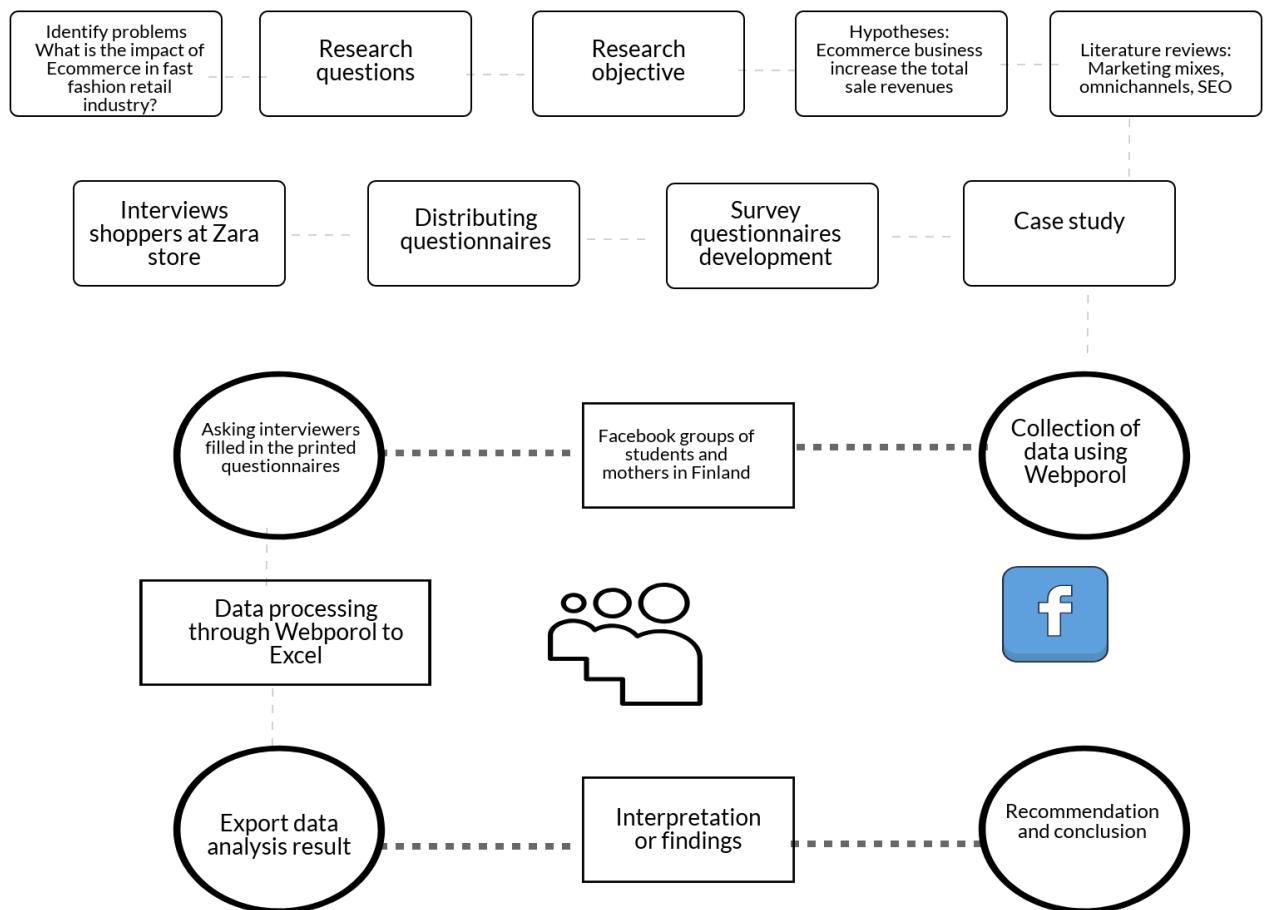


Figure 11 research methodology

### 3.1. Background survey

An electronic survey and printed version were used to collect data. The survey aimed to gather further information about the shopping habits of people who resident in Finland and their motivation to shop either online or at a physical store. The official language of the survey in English. The survey was implemented within 10 days in April and May 2018 and published with 9 questions using Webporol webtool. At first, the author set a target of 50 answers, in fact, there are only 35 responds. During the data analysis process, the author realised that the last question which refers to the occupation of respondents was unnecessary since it is not affected to any purchasing decision as well as the market segmentation for neither bricks-and-mortars stores nor online business. The numbering and the purpose of the questions are present in table 3.

Table 3. The numbering and purpose of the questions

| Questions | Purpose of the questions                      |
|-----------|---|
| 1         | Age groups                                    |
| 2         | Gender  |
| 3         | The frequency of shopping online and in store |
| 4         | Reason to shop at the store                   |
| 5         | Reason to shop in online                      |
| 6         | Motivations to shop at the store              |
| 7         | Motivations to shop online                    |
| 8         | Elements that need to be improve at the store |
| 9         | Understand about the customer segment         |

The questionnaire is presented in Appendix 2

### **3.2. Survey result**

The data was exported directly from the Webporol webtool. The data analysis will be explained shortly in this chapter.

#### **Customer segments**

Figure 12 showed that per collected data, most respondents belong to the age group of 16 to 30 years old who filled the answer on social media and are reachable at the store without any cultural or language barriers. Meanwhile, over 60% of apparel shoppers are female.

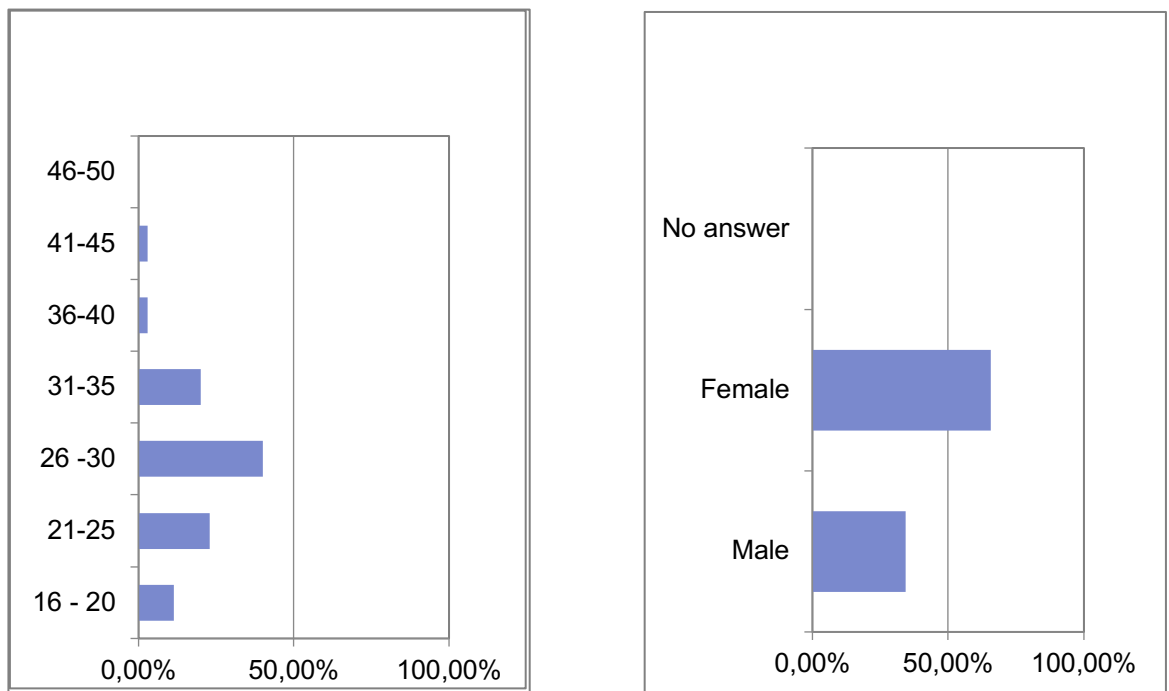


Figure 12. Age group and Gender group of respondents

According to the data, over 50% of respondents stated that they often shopping online compared to visit the store for the purpose of buying clothes. The age group from 16 to 25 prefer to visit the store due to the amount of free time that they have, they consider going shopping at a store as a part of social activity after school and work. At the middle age segmentation, people from 26 to 35 had agreed that they tend to shop online but still visit the brick-and-mortar store depending on the mood, products which are only available in one of them. The gender illustrates the different shopping habit between men and women of all ages, men prefer to shop online rather than spending time at a clothing store. The author had interviewed some older Finnish people at age 41 to 45 who completely ignore the Online Shopping option because of the complicated website usability and product fits. These charts pointed that shopping online is chosen more 6% ahead compared to the physical store.

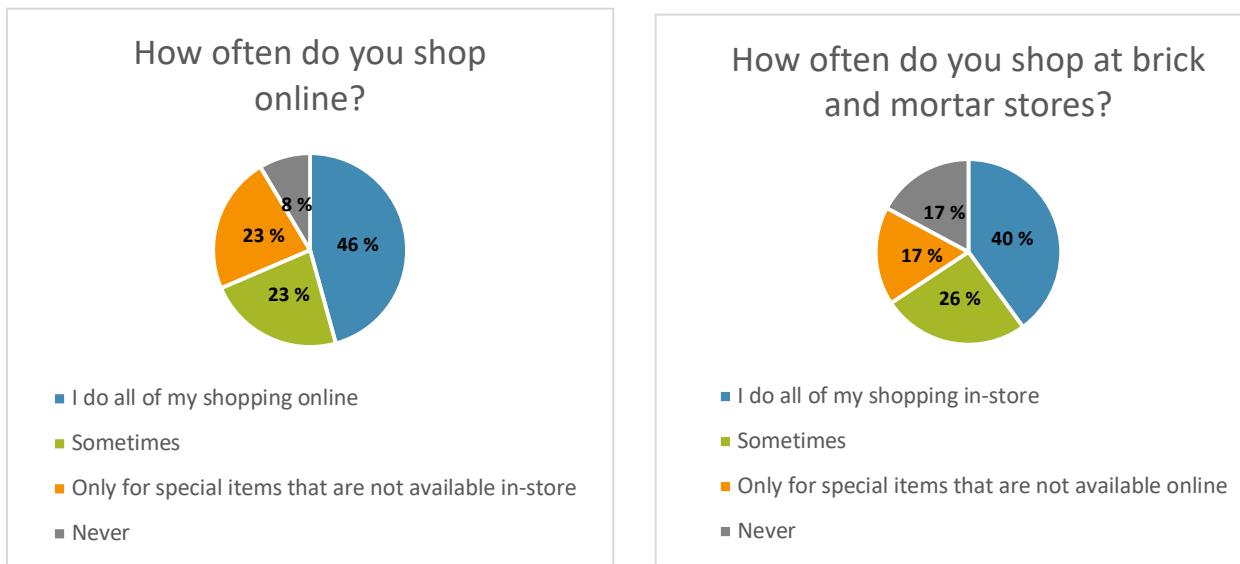


Figure 13. The frequency of shopping online and in store.

### Motivation of apparel consumers

The main motivation for customers to visit a brick-and-mortar store according to the chart in Figure 14, the Product Range takes over 40% in total while Customer Services is the second priority at the store. Comparing to shopping online, a customer would like to instantly own the product without any extra trouble such as a missing package, extra shipping cost. In addition, the stock availability is also considered as a significant motivation based on the percentages showed from the chart.

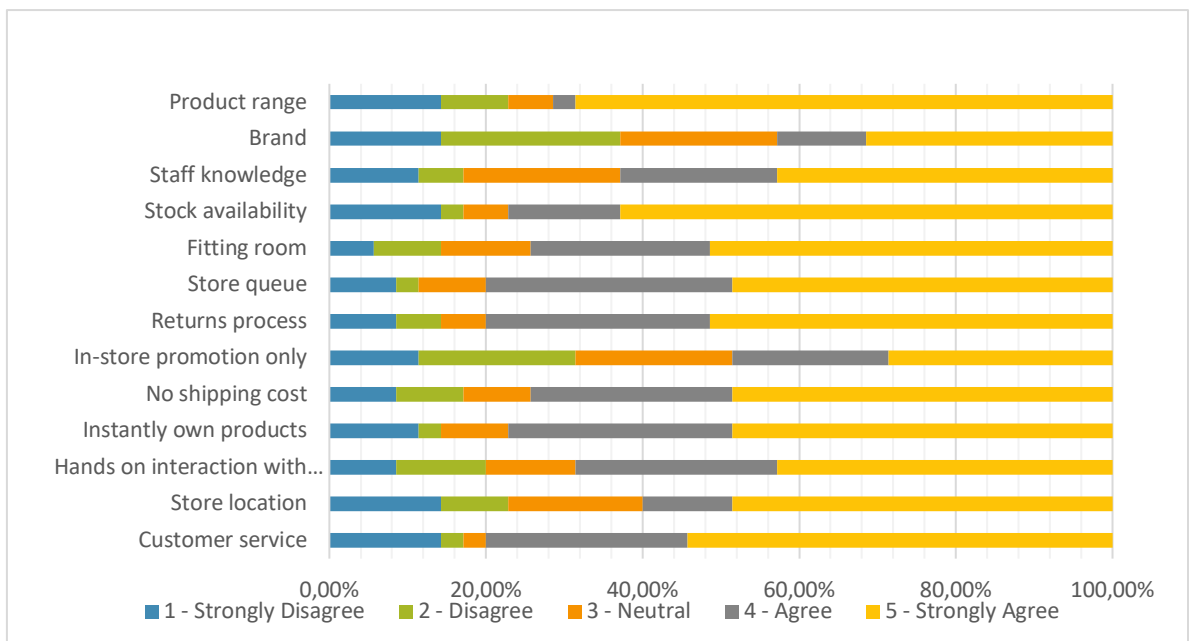


Figure 14. Motivation to shop at a brick-and-mortar store

Unlikely, online customers would shop through the internet in order to avoid the crowded fitting room, inappropriate customer services and an uncomfortable air-conditioning at a clothing store. In Figure 14, the Delivery Speed was rate 50% in total, which is telling the most motivation and competitiveness of all E-commerce retailers. Afterwards, the Product Fit and Return Process are on the second line of important sectors. As the author has mentioned above in chapter 2, the advance usage technology in a web store design would increase the sale. Customers value a Website usability as the main factor reliable on how easy it is to make an online order and safety purchase.

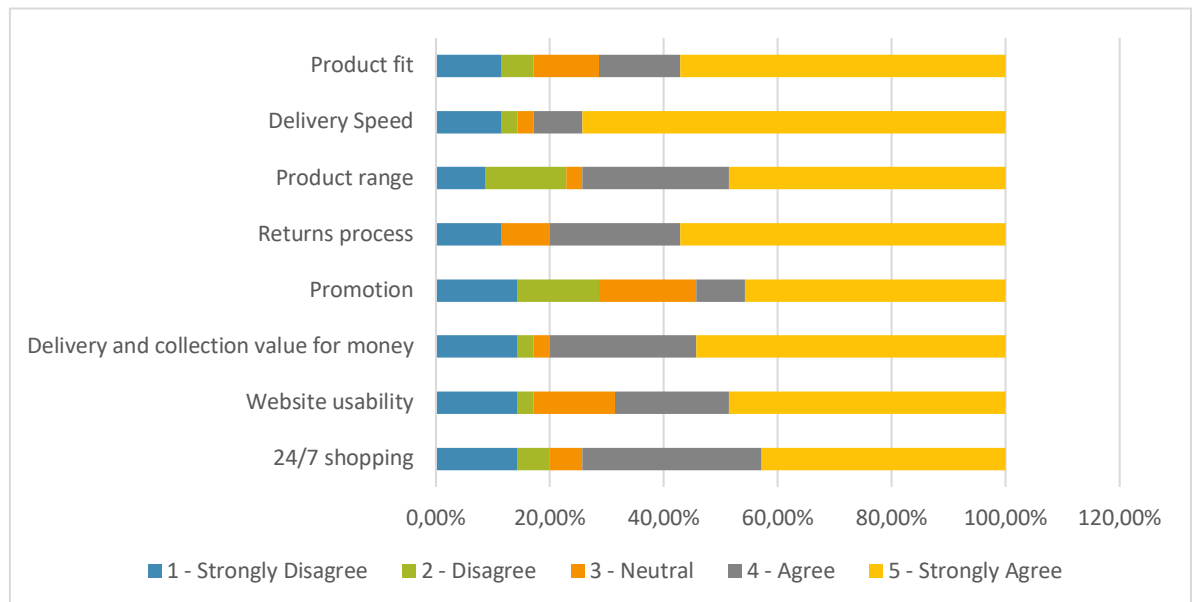


Figure 15. Motivation of shopping online

### Future roles of Bricks-and-Mortar stores

Due to the result in Figure 16, now a day a physical store should not be simply just a place to sell clothes, accessories but also works as a pickup point for online order. Consumers expected customer services at its highest rate and rank a store through staff knowledge in products, stock availability and willingness to assist whenever they need. The answers of " a place for engaging with customers" is unstable due to a personal experience of respondents at the store, and low expectation in a fast fashion business. According to several customers whom the author had interacted with Zara store in the Helsinki city centre, they considered affordable clothing brands simply a self-service shopping destination, therefore, they do not demand any personal assistance. Nevertheless, majority customers still expect to be served once they step into a physical store no matter what brand it is.

The visual merchandising element is surprisingly stable even though most of the retailers set a goal of displaying products attractively at the store. Depending on the size of the store and numbers of new arrival each brand receives per week. In Finland, Zara and H&M have been changing the order of displaying items daily due to the ranks from the sale data. They will add items which are behind the sale target closer to the entrance of the store with the aim of attracting first customers. However, many shoppers found its unnecessary and difficult to find in case they considered buying the item previously.

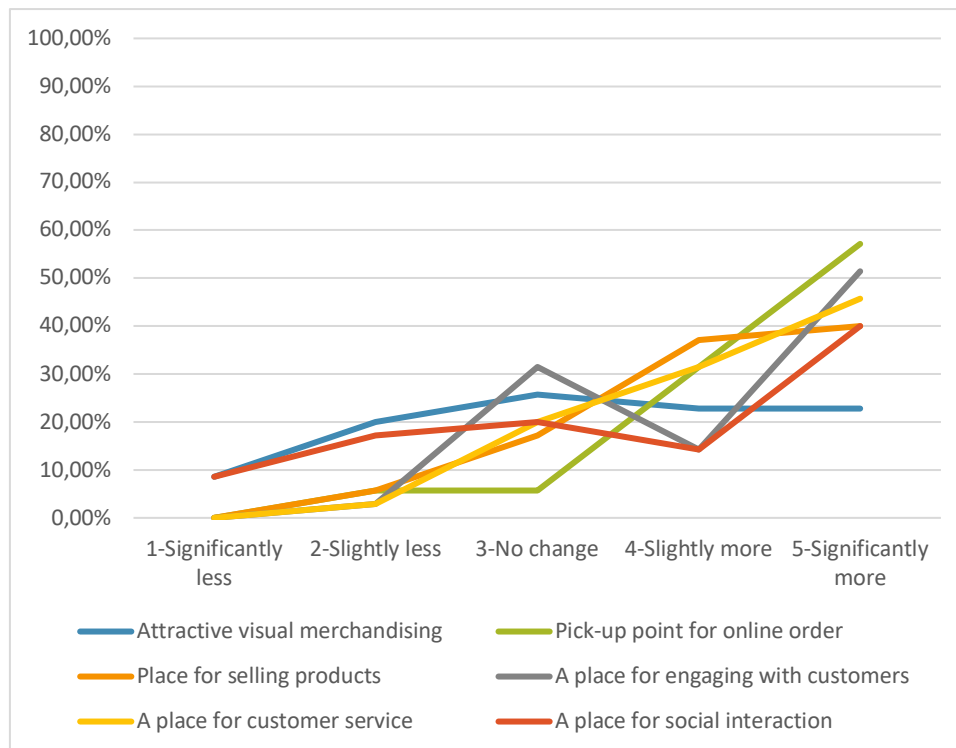


Figure 16. Expected roles of a traditional Brick-and-Mortar clothing store

In the capital area of Finland, the older generations tend to visit a physical store for social interaction where they can discuss, complain and in contact with younger energy. For instance, the author has been working at Zara store daily, 90% of older people who purchased at the cash desk always find a topic to talk about. To some extent, retailers should consider this factor as an opportunity to added value by selling some small items at the cash desk and increase satisfaction through customer service.

### 3.3. The impact of online business to Brick-and-Mortar Store

The growth of the Internet has been a substantial driver for the apparel retail industry since it creates new transaction methods. It results in the partnership among manufacture, retailer and consumer. By contributing a convenient website for transacting business with the new editorial, order guidance, purchase process,

invoices and other communications between buyers and sellers, point to point enhance the supportive relationships. In the apparel retail industry, this type of e-commerce which its operation supported from a physical store as a collection point, free return process, is establishing itself at the centre of the most successful retail operations.

Even though most the sales growth for retailers in the era of Internet resulted from online activity, brick-and-mortar stores are still functioned as a place to sell products, directly interact with consumers and present for the brand. In order to increase the sale through online activity while add profit to the store, many retailers start applying the advanced technology when customers can easily order and purchase for products straight away at the store. For example, Zara Finland is currently offering an option for customers to facilitate online order for some specific items which are available online only through a high-tech device called "the Online Pod". After register user, a customer will make a purchase with their card payment option or invoice, Customer decides the shipment method such as free delivery and picks up at one of Zara stores located in Finland.

On the other hand, workers at a brick-and-mortar store have to spend extra time and effort while processing all the online operation which lead to negative consequences, causing loss to the store. Being able to transfer a high level of customer service to online operations of a corporation is critical to success. Customers demand great service in-store however, the daily budget is limited the numbers of staff. Therefore, multiple tasks are now put on workers shoulders and they find its challenges to deliver the best customer service in-store. Retailers may see decreased sales in their key product lines as well as reduced in-store traffic (IBM, 2002.)



## **4. Evaluation and discussion**

The main object of the thesis was to understand the transformative digitalization and the impact of E-commerce on the fast fashion retail industry. Based on the result from the survey which is collecting data of market segments shopping methods, buyer's habits and expectation of shoppers from bricks-and-mortars and online stores, the author had found answers for research questions at the beginning of the thesis in Chapter 1.1. This chapter discusses the learning outcome, the overall study evaluation and the self-evaluation by the author.

This thesis suggests that fast fashion retailer should consider omnichannel retail is a significant trend in the future of retail business. The consumer demand and the competition have driven the physical retailers to open online stores, however, a study has shown that these two types of stores are supporting each other. E-commerce business works as a main channel for reducing the advertising cost, direct managing promotion campaign using visual power and latest technology online. With the fast growth of the internet, an online business can easily apply the marketing mix to reach out an uncountable number of audiences in a short time who will be target customers. Meanwhile, the bricks-and-mortar stores are places for shoppers to pick up their online orders, social interaction and experience the remarkable customer services that retailer provided in stores. Furthermore, by applying innovative technologies such as RFID and Augmented Reality at the store, the retailer offers unique physical shopping experiences for consumers.

The influences of different trends in fast fashion will remain in the future. However, E-commerce has impacted positively to physical stores with various product categories and cost-effective for retailers when promoting their brands online.

### **Challenges**

The thesis study has been interesting and increased the skills of the author. Time management was the biggest challenges when the author is working full-time at the same time. The author is working as the Cash Office Responsible at Zara flagship store in the city centre of Helsinki where the working day is always hectic. Thanks to the work, the author came up with new ideas in the middle of thesis and understood the backstage operation from a fast fashion retail. The author also spent time at work to

interview customers about their shopping choices and expectations as part of her job but still be used in the thesis.

The author believes that most important thing with this study was that the topic was interesting and required the author self-discipline in order to meet the deadlines and gained useful knowledge in the real work. Problem-solving, independent working with supervisor and project management skills are important in work life. There are several key learning points the author had figured out:

- Time management - plan a detailed schedule, commit to the deadlines, prioritization, organized the main headlines.
- Project management - Create a detailed plan and follow up, handle all basic tools such as Microsoft Office, social media.
- Creation Process – actively looking for trustful resources and apply to the real working life.

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# Appendices

## Appendix 1. Preliminary table of contents for the thesis

|  |
|--|
| <b>Cover page, abstract, table of contents</b>   |
| <b>Introduction</b><br><br>1 Introduction<br>1.1 Background<br>1.2 Study Objective<br>1.3 Demarcation<br>1.4 International Aspect<br>1.5 Key Concepts: E-commerce, Social Media Marketing, Bricks-and-mortars, Online shopping                               |
| <b>Theoretical part</b><br><br>2 E-commerce retail strategies<br>2.1 Online shopping evolution along with the technologies<br>2.2 Mobile Media<br>2.3 Fashion and Online marketing<br>2.4 Social media marketing<br>2.5 Opportunities of E-commerce business |
| <b>Empirical part</b><br><br>3. Research Methods<br>3.1 Background survey<br>3.2 Survey result<br>3.3 The impact of online business to the bricks- and-mortar stores   |

|   |
|---|
| <b>Discussion</b> <ul style="list-style-type: none"><li>– Consideration of results</li><li>– Trustworthiness of the research</li><li>– Ethical viewpoints</li><li>– Conclusions and suggestions for development or further work</li><li>– Evaluation of the thesis process and one’s own learning</li></ul> |
| <b>References</b>   |
| Appendices <ul style="list-style-type: none"><li>– questionnaire/interview forms and analysis results</li></ul>   |

## Appendix 2. Survey Questionnaires

### The future role of Brick-and-Mortar Store in the World of Online Shopping

1. How old are you ? \*

- 16 - 20
- 21-25
- 26 -30
- 31-35
- 36-40
- 41-45
- 46-50

2. What is your gender? \*

- Male
- Female
- No answer

3. Do you prefer to do most of your shopping online or in-store? \*

|                   | Often                 | Sometimes             | Never                 |
|-------------------|-----------------------|-----------------------|-----------------------|
| Online shopping   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| In-store shopping | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

4. How often do you shop at brick and mortar stores? \*

- I do all of my shopping in-store
- Sometimes
- Only for special items that are not available online
- Never



5. How often do you shop online? \*

- I do all of my shopping online
- Sometimes
- Only for special items that are not available in-store
- Never

6. What qualities do you value the most when shopping at a brick and mortar location? \*

|                                    | 1 - Strongly Disagree | 2 - Disagree          | 3 - Neutral           | 4 - Agree             | 5 - Strongly Agree    |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Customer service                   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store location                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Hands on interaction with products | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Instantly own products             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| No shipping cost                   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| In-store promotion only            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Returns process                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store queue                        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Fitting room                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Stock availability                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Staff knowledge                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Brand                              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Product range                      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

7. What qualities do you value the most when shopping online? \*

|   | 1 - Strongly Disagree | 2 - Disagree          | 3 - Neutral           | 4 - Agree             | 5 - Strongly Agree    |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 24/7 shopping                           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Website usability                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Delivery and collection value for money | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Promotion                               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Returns process                         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Product range                           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Delivery Speed                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Product fit                             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

8. How do you think the role brick-and-mortar-store will develop in the future? \*

|                                     | 1-Significantly less  | 2-Slightly less       | 3-No change           | 4-Slightly more       | 5-Significantly more  |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Attractive visual merchandising     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Pick-up point for online order      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Place for selling products          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| A place for engaging with customers | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| A place for customer service        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| A place for social interaction      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

9. What is your occupation? \*