

Chapter 23

Online Distribution Strategies: A Mix of Globalization and Diversification in the Fashion Market

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ABSTRACT

The growing importance of online channels, social media, and mobile commerce (m-commerce) has given rise to new retail formats, that use only channel used and which have enabled many new consumers to access certain establishments despite geographical barriers. The fashion sector may be one of the most heavily affected by these developments, due to the highly seasonal nature of the products, keen competitive rivalry, widespread reliance on outsourcing, high brand power variety of pricing policies, and strong emotional implications for consumers, who identify with specific brands. This chapter aims at analyzing the main strategies that retail operators are currently following in the industry in order to differentiate from other retailers. A special interest will be placed on the role of the brand, examining how retailers in the industry use private labels as a differentiation resource. The authors also review the case of ASOS, a global retailer which has proven able to adapt to every market, with a view to determining how it has dealt with the myriad challenges involved.

INTRODUCTION

Today's fashion market is led by so-called category-killers. Considerable specialization in the distribution of products targeted at specific segments, or in the selling of own brands -also called private labels- is key to differentiation and success in the medium and short term. These strategies have been enhanced by the fashion industry's intensive use of ICT. A quick look at the services for businesses and consumer conveniences that the Internet has to offer reveals a trend toward customization and optimal use of audience targeting.

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However, in this newly formed environment, businesses' reach extends beyond their national borders, allowing them to connect with customers and other suppliers on the global market. Not only have these developments in the retail market changed retailing in general, through the opportunity they offer to explore new business models; the new space they have created also has consequences for the customers who inhabit it. New channels of collaboration between firms and consumers have opened, making it possible to achieve a balance between global and local strategies. That is the case of the British retailer ASOS, which stands as a clear example of how entirely different strategies can also be used to achieve a high degree of success.

In keeping with these ideas, this chapter will examine the case of the online fashion and beauty retailer ASOS, with a view to identifying the keys to the company's market success. In theory, the company's success strategy is based on three core pillars:

1. Intensive use of technology and social media.
2. A highly diversified product and brand portfolio (including national brands and private labels).
3. Global market coverage.

However, the secret to its success lies in its ability to combine the global and local, private and national brands with the selling of second-hand clothes, all in a website channel. ASOS has managed to create an online global community of fashion lovers. In so doing, it has proven itself able to please customers in a large number of very different geographic regions, in each of which it unfailingly adapts to local requirements and is fabulously profitable despite – or perhaps because of – its apparently reckless commitment to free shipping anywhere in the world.

ASOS is one of the world's more successful fashion retailers, as well as the absolute leader in the British online shopping market, having seen its sales rise 34% since 2013 (Acotex, 2013). According to Campbell (2014), worldwide its website receives over 13.6 million visits a month, with 6.3 million registered users and 3.5 million active clients (i.e., clients who have made at least one purchase in the last 12 months). In addition, the company plans to expand internationally by opening a second logistics warehouse in Germany and consolidating its operations in China.

RETAILING STRATEGIES IN THE FASHION INDUSTRY

Recently, the battle between national brands and private labels in the fashion sector has taken a new turn, due to the increased pressure and intensive competition from retailers. First, large retailers in the sector have embarked on a strong process of upstream vertical integration, enabling them to begin to assume the role of producer, selling clothes and accessories under their own brand names. Second, strong brand names and private labels have become immensely important in the fashion industry. The reactions of retailers and manufacturers have implications that transcend the boundaries of the soft-goods trade. By the late 1990s, Cerviño (1998) had already identified certain key trends in the sector's evolution. Not only have these trends reshaped and restructured the industry in the intervening years, they remain relevant today. Among them, the following trends have played a particularly important role:

1. The business growth strategies based on downstream vertical integration being implemented by apparel manufacturers, who are becoming retailers.

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