

Business model of virtual distributor in apparel wholesalers

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Abstract

Due to the dramatic change in the textiles and clothing market and the short product lifecycle, today, many apparel wholesalers are developing abundant clothing style for the retailers to response the highly-change fashion market. Traditional clothing distributors should adapt to the current business climate and become more flexible to satisfy the market. Virtual distributor could deliver information more effectively and complete the business model with the integrated services including information flow, business flow, cash flow, and goods flow. This study is to investigate how apparel wholesalers combine virtual distributor to develop new business model. The research approach is to construct an appropriate distributor in Internet-website to actually experience and experiment, business model development and business operation predicaments of virtual distributor in apparel wholesalers. The results indicate that owning electronic sales and distribution channel is more essential than providing product brochure and order online for physical apparel wholesalers to develop new business model with e-commerce. Most apparel wholesalers believed that virtual distributor channel could support the traditional business model transformation but they had vague concepts of IT adoption and management issues. Furthermore, apparel wholesalers should focus on business strategies instead of technology since e-commerce model and brand awareness are incomprehensible to most of apparel wholesalers. The findings of the research are: (1) the close system of electronic sales and distribution channel between apparel wholesalers and retailers instead of members recruitment in public is appropriate for virtual distributor channel; (2) unstable retailers' royalty of e-commerce reduces the apparel wholesalers' willing to invest in virtual distributor construction; (3) business conflict could happen between consumers and retailers; (4) it's

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unable to fulfill the great requirement of OEM/ODM order on the virtual platform; (5) the significant features are easy to imitate the transaction platform online but difficult to copy the relationship to the customers.

Introduction

Dramatic changes in the textile industry have significantly shortened the product lifecycle in the clothing market. In reaction, many apparel wholesalers develop extensive selections of clothing styles to assist retailers addressing the ever changing needs of the fashion market. This strategy is particularly salient among traditional wholesalers, who carry wide varieties of low cost products.

Recent development in e-business offers an alternative to the standard business model. An Internet-based platform of transaction creates a virtual distribution channel. Taking advantage of the mature technology and product modules, virtual distribution brings together the buyers and sellers effectively. This platform also reduces the cost of business transaction. While most apparel wholesalers believe that virtual distributor channel could support the traditional business model transformation, few are able to overcome the complexity of IT adoption and management issues to design and to implement a virtual distribution platform. The objective of this research is to investigate how apparel wholesalers combine virtual distributors to develop new business model. We designed and deployed an apparel wholesale website to gather responses from major actors in the value network of wholesale industry in Taiwan. This research is framed by the following questions:

1. The impact of wholesalers and retailers and its impact to the effectiveness of virtual distribution system.
2. The antecedents of wholesalers' commitment to deploy virtual distribution system.
3. Is a virtual distribution system valuable resource?

Research Method

This is an exploratory research in nature because of its newness. Therefore, case study is used in this research. Through literature review, field observation, and website comparison, this study finally adopts Hamel's definition and architect to design and construct a B2B

virtual distributor website, www.ymr.com.tw. After launching website, we not only analyzed the performance of the website, but also interviewed representable users. These interviewees are maternity clothing manufacturers, wholesalers, retailers, and importers as well as virtual distributor and retailers, totalling seven companies. Questionnaires for interviewees are designed according to Hamel's operational definition. Results are summarized and analyzed. However, the limitation of this research is that only maternity clothing companies, which are not only small amount in Taiwan, have been studied. Therefore, the generalizability for other types of apparel industry or other industries is reserved.

Findings and conclusions

The combinations and attractions of the products are most critical in the virtual platform. It's also important to use strategic alliances or partnership to empower the functions of e-distributor. According to the performance of the website, to set up the virtual distribution platform definitely will expedite company's internal upgrading process and increase their competitiveness. Though, this is a very novel way in Taiwan maternity clothing industry, it's definitely workable and it will be commonly adopted in the not too long future.

In addition, we found that close system of electronic sales and distribution channel between apparel wholesalers and retailers instead of members recruitment in public is appropriate for virtual distributor channel. It also appears that buyers' loyalty is relatively low and they often do not comply to the agreement. This reduces the willingness of apparel wholesalers to invest in virtual distributor construction. It is definitely a problem that needs to be considered seriously. We also noticed that powerful consumers are also very interested to purchase on this B2B website. Therefore, if add one additional function for VIP private customer might increase company's revenue.

Furthermore, the contents of the website need to be changed frequently since apparels belong to fashionable products and change faster than electronic products. Hence, to have quality personnel to maintain the website is very critical. However, it seems to be the headache for most companies who have website. It is also very interesting to find that this website attracts some foreign buyers. Through this website, these

foreign buyers get the chance to know the company. However, they are more interested in contacting this website owner do be their OEMer and ODMer or give big order to them. This is unexpected in the first place. Finally, the chance for competitors to imitate is large since the entry barrier is not high in setting a virtual platform. How to position yourself and what you want from your website need to be thoroughly thought over.

About The Author

Su-Lee Tsai is an associate professor and chair of both the Department of Textiles & Clothing and Department of Accessories Design & Retailing at Fu-Jen Catholic University. She has a complete and wide variety of trainings in the business world and received a very high appraisal from the industry. Her main research areas are in the strategic management, entrepreneurship management, marketing management and innovation management. Many of her research results have been published in values journals.

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