



ICADE – Business School

The Large Competitors in the Fashion E-Retailing Marketplace: Has the Market Become Saturated?

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1. Introduction

Cyberspace is a "virtual world created by links between computers, internet-enabled devices, servers, routers, and other components of the internet infrastructure" (Bussell, 2013). According to Morgan Stanley, In 2019, "global e-commerce rose from 15% of total retail sales in 2019 to 21% in 2021." (Stanley, 2022). The industry has experienced significant growth in size, cultural significance, and value. The e-commerce space as a whole is a crucial area of research that demands a comprehensive understanding. However, it is also essential to research the emerging marketplaces and markets that have moved from primarily in-person marketplaces to a duality of in-person and online consumption.

With the ever-growing network of e-commerce websites, substantial marketplaces have appeared in every area of commerce, from applications that provide therapy services to e-books to online car dealerships. The final degree project will focus on the growing online fashion retail market, assessing the market value, identifying the key players in the industry, evaluating the resources within the market and highlighting barriers to entry to assess the current competitive landscape of the industry. To assess an online e-commerce market, their offline Brick-and -Mortar competitors must be considered. Therefore, financial resources, operational capabilities, earnings and consumer basis comparisons must be made. The assessments will be brought together to determine whether the e-commerce fashion market has reached maturity and become saturated or if there is potential for new competitors to gain prosperity within the market.

In addition, the project will investigate whether emerging e-commerce businesses follow the stages outlined in the theory of "The Wheel of Retailing", published in 1960 and theorise the four stages of development. The business model will be applied to online retailers, showing whether e-commerce fashion retailers follow the predicted evolutionary cycles or if they have developed differently.

The final degree project aims to bring together secondary data and research and to come to a logical conclusion as to whether the fashion E-Retailing market is the future by assessing its size, growth rate, key competitors and competitive landscape. The research will conclude with a rejection or acceptance of the hypothesis of

whether the e-commerce fashion retailing market has become saturated or is viable for a new small business to enter.

1.1 Objectives

Primary Objective

The main objective of this research project is to explore whether the E-Retailing market will dominate the future of fashion retail. We can either reject or accept the hypotheses that the fashion e-commerce market has reached saturation. With this information, we can conclude if new entrants still have the potential to establish themselves in the market. This analysis will examine the market size, growth rate, consumer behaviour, technological advancements, and the competitive landscape.

Secondary Objectives

1. To pinpoint the most impactful E-Retailing fashion brands and their respective consumer demographics. Through the analyses of the key players in the e-commerce fashion industry, the project will provide insight into the drivers of their success and how they engage their customers.
2. To understand the rapid growth of the e-commerce fashion market in recent years. By analysing key market trends, the project will identify the factors behind the industry's success and explore the potential for expansion.
3. To identify the evolutionary cycles in the e-commerce fashion market. By evaluating the development stages, the project will highlight what sets the e-commerce fashion market apart from traditional fashion retailers.

1.2 Methodology

To accomplish the ultimate objective of the final degree project, the project will consist of three separate analyses that will combine qualitative and quantitative research methods.

My research will consist of three distinctive areas:

1.2.1 Analysis of Market Data

To understand the fashion e-commerce market, this project has identified the strongest competitors, including fashion retailers that sell exclusively online, such as Shein, ASOS and Zalando and retailers that sell through multi-channel operations, such as Zara, H&M and UNIQLO. The project analysed their consumer bases, previous earnings, and prominent business strategies. The project explored the different types of fashion retail consumers and highlighted their motivations and shopping habits. Studies that predicted the market's growth and earning potential to understand the market's future have been highlighted throughout the research. The data consisted of summaries from quantitative research compiled and mapped to demonstrate the essential marketplace information.

From a collection of qualitative data such as case studies, academic articles, and news articles from reputable sources, a precise picture of the positioning tactics, distribution and production strategies of companies within the fashion industry with a focus on the strategies unique to e-commerce fashion retailers was constructed.

The quantitative and qualitative data were accumulated and presented a clear picture of the E-Commerce Fashion Retail market, demonstrating the market's potential, businesses' operations, and competitors' market power. This information shows what potential market entrants face when deciding to enter the E-Retailing fashion marketplace. The information highlights the current conditions within the fashion E-Retailing marketplace and indicates the future of the fashion E-Retailing marketplace.

1.2.2 Analysis of Market Resources

The high value and earnings within the market are a clear motive to enter the Fashion E-Commerce market. However, before entering a market, an analysis of what resources are needed to do so and the competitors' resources must be conducted.

The project consists of two original case studies that analyse the financial, technical, human, and physical resources of two large competitors within the market (Shein.com and ASOS.com).

The difference between the resources held by established market players, the financial, human and physical resources needed to enter the market, and the different strategies competitors use within the e-commerce retailing marketplace. These case studies helped to answer a part of the overall question of my final degree project: whether the market is viable to enter or has it become saturated while providing a clear picture of the competitive landscape of the e-commerce fashion retailing market for new entrants.

1.2.3 Application of the “Wheel of Retailing” Theory to Fashion E-Commerce Retailors

The third methodology used is a literature review of the “Wheel of Retailing” (Hollander, 1960), an academic paper published in the journal of Marketing.

Traditionally, the retail industry's life cycle is depicted through the "Wheel of Retailing", which identifies retailers' margins and pricing policies that retailers adapt during different stages of the lifecycle that the theory predicts retailers will evolve through.

The project will review an academic paper that researched the evolution of the theory and will compare this theory to the lifecycles that the competitors have

followed up until the current time (2022/2023). An assessment of whether the new E-Retailing businesses follow the same lifecycles as traditional retailing organisations was conducted. This information was used to answer the overall question of the future of the marketplace.

1.3 Overview

The research in Chapter 2 is a compilation of data to assess market information that new E-Retailing fashion competitors would need to consider when financially and strategically planning to enter the market. The data has been separated into two parts, firstly an outline of the market conditions for new entrants, which included the current market conditions, the range of consumers within the fashion market, and the established competitors within the market and the data collected has been drawn together to create a PESTEL analysis of the e-commerce fashion industry to highlight the macro factors that could affect the new entrants. The second part of the data collection consisted of the minimum requirements to enter the market, which consisted of the technologies required and the minimum costs to enter the market.

Chapter 3 consists of two original case studies of online exclusive fashion retailers ASOS and Shein. The case studies have an identical structure; both case studies have an introduction, an explanation of their market entrance strategies, the main business approaches of the two companies, their primary marketing approaches, an outline of the technological capabilities that the companies have established, their individual target consumer demographics, their unique selling points, their pricing strategies, and an analysis into the resources within each company.

Chapter 4 is an application of the “Wheel of Retailing, the theory was first published in 1960, and it hypothesises the evolutionary cycles that retailers typically experience and highlights the pricing strategies and changes within their consumer bases during the four stages of entry, growth, maturity and decline, the theory can be used in future predictions during retail planning processes. This research applies the ASOS, as mentioned above and Shein to the theory to highlight the predicted evolutionary

cycles to give new entrants an idea of how their businesses will progress and the strategies they can use in the individual stages of development.

Overall, this project has outlined the fashion e-commerce market conditions for all competitors within the industry, from established competitors to new market entrants. The research shows the technological and financial requirements for new entrants to the market. It gives them a guideline of strategies that have been successful within the market and a basis for future decision-making. The research also explores the most significant competitors within the fashion market, including established multi-selling fashion retailers and a specific focus on the fashion retailers who sell exclusively online. An in-depth analysis of the research accumulated through the project can conclude in a rejection of the initial hypothesis that “the fashion e-commerce market has reached a point of saturation”.

2. Analysis of Market Data

2.1 Data Collection

In order to gain a comprehensive analysis of the status of the e-commerce fashion industry, it is essential to gather and analyse both quantitative and qualitative data, taking into account the various factors that warrant a complete analysis. The data helps to ascertain whether the industry has matured or has space for new competitors to thrive. These factors include quantitative data such as the market size, the number of potential customers, the value of the industry and the expected growth.

o data is essential to understand the attitudes and behaviours of the consumers in the market, identifying the key competitors in the industry and evaluating the technologies and platforms they use to create their customer journey. Furthermore, considering the external (macro) factors that impact the industry, including the political, economic, and social environment, is essential.

By gathering and analysing both the quantitative and qualitative data and considering the external factors that affect the industry, the project will highlight the competitive landscape within the fashion e-commerce market.

2.2 Conditions for New Entrants

2.2.1 Current Market Conditions

Fashion e-commerce is the selling and buying of fashion and apparel online. “ In 2021, the global fashion e-commerce market was valued at nearly 700 billion U.S. dollars. It is expected to surpass that figure by the end of 2022, and in 2025, it could reach just over 1.2 trillion U.S. dollars.”. (Pasquali, 2022) and it is clear that fashion e-commerce will be important in the global economy. The e-commerce fashion industry is experiencing a surge in popularity and sales, with steady year-on-year growth. The popularity of social media and the widespread use of mobile devices has made online fashion shopping more accessible to a global audience. Many fast fashion players have taken advantage of this trend by leveraging their ability to rapidly produce new, on-trend items for consumers worldwide. With the growing presence of digital technology, the e-commerce fashion sector is set to become a significant portion of the fashion retail industry.

2.2.2 Market Consumers

Fashion E-Commerce consumers are spread out globally; the largest competitors in the industry can distribute worldwide and supply products that meet the tastes of people in different cultures and the rapid trends throughout the year. They also can influence people towards worldwide unified fashion trends; this benefits these types of companies as the more of the same item they distribute, the greater the economies of scale achieved. Online retailers have taken on an omnichannel

approach to their businesses; they can sell in many different places, such as on a desktop, on a mobile application and through social e-commerce channels such as Facebook and TikTok; these channels expand an e-retailer's audience without the significant financial investment of a traditional Brick-and-Mortar store. However, traditional Brick-and-Mortar fashion companies, such as Inditex, have also invested heavily in their online and mobile application e-commerce channels to increase their sales and appeal to the rising consumer base of online-only shoppers.

Traditionally, fashion companies could reach customers within a reasonable distance from their Brick-and-Mortar stores. Due to the emergence of E-Commerce, Fashion retailers can meet demand worldwide even if their physical stores are situated in one continent. E-Retailers have been able to emulate the in-store experience from the comfort of their consumers' homes with features such as real-time Q&A (Question and Answer) and other interactive tools, including the rise of virtual fitting rooms, in addition to new features such as in-time stock updates, pay-later features and ease of navigation tools. Most recently, we have seen the rise of online-only fashion retailers such as Shien, who can appeal to a wide range of customer types globally and distribute low cost clothing items that appeal to different target audiences.

In the digital era, it is becoming evident that the internet is revolutionising how we live. According to the American-based multinational digital communications technology conglomerate Cisco, In 2023, the estimated number of active Internet users reached 5.3 billion, representing 66% of the world population (Cisco, 2023). This highlights the increasing importance of retailers' online presence in modern times. According to Eurostat, the official statistical office of the European Union, In the E.U. alone, 75% of internet users shopped online in 2021, and fashion items accounted for 42% of online purchases (Eurostat, 2022). These figures highlight the growing dominance of e-commerce and show how online retail shopping has become a mainstream activity. As the number of online consumers increases, fashion retailers must adapt to provide easy-to-use e-commerce platforms to meet the ever-changing needs of the consumer base.

The rise of internet access through mobile phones has significantly contributed to the success of the fashion e-commerce industry; this can also be referred to as m-commerce. Mobile applications have made it more efficient for consumers to buy on

mobile and have made purchasing activities much more accessible. The ability to save debit card information on customer accounts encourages consumers' impulse buying, leading to higher sales for companies. Features like "wishlists" have also encouraged consumers to hold onto items they will likely purchase.

A Korean study on fashion E-Commerce consumers theorised that the shopping population could be categorised into distinct groups based on their behaviour and preferences. According to this study, there are five types of online fashion consumers: "Economical Shoppers", "Recreational Shoppers", "Fashion/brand Shoppers", "Fashion Followers", and "Individualistic Shoppers" (Sung & Jeon, 2009):

The "Economical Shopper" mainly comprises male shoppers more interested in functionality than fashion. They did not enjoy shopping or care about brand names or following fashion trends. They tend to shop only on a need basis and are the least likely to visit e-retail websites.

The second group is the "Recreational Shopper", which 89.3% were females (Sung & Jeon, 2009) who enjoy shopping as an activity but are also economically aware. This group is interested in fashion but not driven by brand names; they prefer to shop in Brick-and-Mortar stores but would also purchase fashion items online.

The "Fashion/Brand Shopper" is another group comprised of men with professional or managerial occupations who purchase fashion items that they perceive as "High Value" and are less economically aware of their purchase. They prioritise brand names and the quality of their items, and they tend to shop at high-end retailers and in physical stores.

The "Fashion Followers" were 61% males (Sung & Jeon, 2009), with a high level of fashion and brand consciousness, low economic awareness and the lowest online shopping presence out of the groups. The group is aware of fashion trends and brand names.

Lastly, the "Individualistic Shopper" consists mainly of students and people with a technical occupation who value displaying their personality and well-dressed appearance but are not interested in following trends. This group is most likely to shop online and prioritises unique products that can reflect their style.

E-Retailers must know these consumer types when building their customer profile and organising marketing campaigns. Many retailers target one of these specific consumer types, such as the brand Uniqlo which produces simple and durable clothing for casual and professional settings which meet the needs of the “Economical Shopper”, and they have an online and offline presence. Other retailers, such as the exclusive E-Retailer ASOS.com, try to reach all types of consumers. They sell a vast range of fashion items ranging from expensive designer brands that appeal to the “The Fashion/Brand Shopper”, A constant cycle of new "on-trend" clothes by retailers such as Boohoo.com that appeal to the "Fashion Follower" and also low-cost items from retailers such as Primark that appeal to the "Economical Shopper" in conjunction with hundreds of thousands of other fashion items that appeal to the other profiles.

2.2.3 Established Industry Competitors

The E-Retailing market has many established players, such as Zalando, who had made sales worth \$2.3 billion in the third quarter of 2022 (Zalando, 2022), and Revolve who made \$268.7 million worth of sales in the third quarter of 2022 (Revolve, 2022). In addition, retailers who have a dual online and offline presence, such as Nike, which made \$4.6 billion worth of sales in their third quarter of 2022 (Nike, 2022), The LVMH Group who made \$9.678 billion in sales by their fashion business group in the third quarter of 2022 (LVMH, 2022), and The H&M group made \$5.17 billion worth of sales in their third quarter of 2022 (H&M, 2022).

Since many dual retailers have long-standing positions within the fashion marketplace, they have a competitive advantage over online-only retailers. These advantages are their loyal consumer base and their strong financial backing. However, it is crucial to consider the cost disparities between retailers that have Brick-and-Mortar stores and solely online stores. Retailers with physical stores face high costs of rental or purchases of retail spaces on the high streets of most major cities worldwide, the costs of distributing to these stores, the cost of store displays, the insurance for customer claims, the electric and heating bills and the employee wages. The online-only stores do not have to incur these costs. While Brick-and-

Mortar retail companies invest their funds in expanding their physical stores, online-only retailers can focus their investment on expanding their E-Commerce presence.

2.2.4 Macro Analysis of the Industry

To analyse an industry, it is essential to be aware of the external (Macro) factors that affect that industry and evaluate the environment of the Fashion E-Commerce industry. The PESTEL framework is a model which consists of analysing the Political, Economic, Social, Technological, Environmental and Legal macro factors that affect the E-Retailing industry. The PESTEL analysis was first published over 50 years ago in a book titled “Scanning the Business” by Francis Aguilar in the late 1960s (Reding, 2021). The environmental analysis will also include another E to include the Ethical factors that affect the industry. Ethical factors are essential to analyse as they can affect the conditions within the marketplace.

The Fashion E-Commerce industry operates on a global scale. It, therefore, needs to be aware of the political movements that may affect its businesses. According to a UK Fashion and Textile Association (UKFT) survey as a result of BREXIT, “98% of UK fashion and textile companies have experienced increased bureaucracy around exporting and importing” (UKFT, 2021). Other concerns include political stability in countries such as Russia and Ukraine and introducing regulations for the E-Commerce industry. When an economy is not growing or in recession, consumers will buy less of their wants, such as new trendy clothes. They will choose to save their money or not have money to spend on anything beyond food and other necessities, according to a study conducted by the World Economic Forum on 11 developed countries: Australia, Canada, France, Germany, Great Britain, Italy, Japan, Poland, Spain, Turkey and the United States, 1 in 4 people in these countries are financially struggling as a direct result of the worldwide cost of living crisis (WEF, 2022).

Social factors can significantly influence the fashion industry and have significant effects on e-commerce, the growing use of mobile phones has benefited the industry, and retailers must make their websites accessible to customers on mobile

devices. Also, it is vital that E-Retailers are aware of the generational differences of online shoppers and should be focused on targeting Gen-Z and Millennial shoppers.

Technology is the core of E-Retailing; it helps consumers find the businesses, tracks sales and stock for the company and tracks customer order locations for their distributors, among many other features. Technology significantly influences E-Commerce fashion companies' success; if the company follows the emerging technological trends in the industry, it can benefit their businesses.

Environmental factors are relevant in industries producing textile products, such as E-Commerce Fashion companies; sustainability has been a significant focus. An academic study showed that over half of online shopping, customers are unhappy with the amount of packaging companies use to ship online orders and would like their retailers to provide goods with more sustainable packaging (Bertram & Chi, 2018). These consumer demands are an opportunity for E-Retailers to adopt new environmentally friendly practices, which can be seen as a unique selling point to consumers.

E-Retailers need to be aware of legal constraints in all the countries in which they operate, for example, many countries are adopting strict consumer data protection laws, and E-Retailers need to ensure that they are storing all their sensitive consumer data such as financial information and information on consumers home addresses safely and legally and that they are complying with the consumer data laws in the countries that they are operating in.

Finally, the Ethical factors that affect the E-Commerce fashion industry are significant. There have been rising concerns about worker rights in the fashion industry. Many companies have moved their production facilities abroad to cut costs and produce more products for a lower price. For example, apparel production in the United States costs a company average of \$15 an hour. In contrast, the same hour of labour only costs \$2 in China, 90 cents in India, 80 cents in Vietnam, and 40 cents in Bangladesh (Bertram & Chi, 2018). People have criticised these companies' production facilities as inhumane, which has led to boycotting certain fashion companies, and there has been a rise in demand for ethical clothing options.

2.3 Minimum Requirements to Enter the Market

2.3.1 Technologies Required

Most retail companies use technologies in their operation management on a day-to-day basis. Technology platforms are essentially the lifeblood of E-Commerce retail. They ensure that the consumers have access to the business, that sufficient stock levels are maintained, that targeted marketing campaigns are launched and that the items are delivered to the correct consumer efficiently. Building an E-commerce retailing company should follow the Systems Development Life Cycle (SDLC), a four-step plan for developing an E-Commerce system consisting of Systems Planning, Systems Design, Building the System, Implementation Service Delivery (Laudon & Traver, 2022). System Planning is the process where you must align your business strategies and models to the system functionality needed; in the case of E-Retailing, the website will be required to host a Digital Catalogue, Product Database, Consumer database and site tracking, Shopping cart/payment system, as well as an inventory management system. In the System Design process, a description of the system components required, and their connections must be drawn into a logical design with a flow chart and security procedures. Then a physical design is drawn up, including details such as the model of the server that must be purchased, the required software, and the size of the needed telecommunications links.

2.3.2 Costs to Enter the Market

When Building the System, it can be done in-house, or it can be outsourced; tools such as WordPress, Squarespace, and Shopify can be used to build a simple website in a relatively inexpensive manner, or websites can be built from scratch using HTML and CSS, or you can choose companies such as Sitecore Commerce or HCL Commerce who can build highly sophisticated websites for a high price. Building the System in-house can be complicated, and it may be more efficient for the E-Retailer to choose tested software; however, modifications may result in high development costs of \$40,000 to \$60,000 (Laudon & Traver, 2022). Testing the

system can be lengthy; A/B Testing shows two versions of a website and tests which performs better. Starting with a template test that compares the same general page content using two different layouts, the new concept test compares page controls, and a funnel test that compares flow through website pages. The implementation process is not the end of the website build, and it must be managed to avoid crashes, security breaches or errors. Site management must be implemented by dedicated and full-time web staff.

However, these estimations do not consider the continued operational costs of the systems, such as the personal costs, and a retailer also needs to consider their marketing costs and inventory cost needed, which can vary whether the retailer is buying bulking from a supplier, making the clothing themselves, or selling second-hand fashion pieces and their distribution costs.

2.4 Exploration of Data Collection

The industry data collected pertains to many key factors that are needed when creating an insight into a specific industry; in terms of the E-Commerce Fashion Market, the data that relates to future value predictions of the market, population data that relates to online fashion buying, the strongest competitors within the market including companies that operate on a dual online and Brick-and-Mortar sales operation, the types of consumers within the market, the costs to set up a business within the market are essential. The data has been accumulated to analyse the Macro-External factors that affect companies within the market. When this data is compiled together, the project is one step closer to the conclusion of whether the market is saturated and whether there is room for new competitors to enter the E-Retailing marketplace.

Market saturation is when "the volume of a product or service in a marketplace has been maximised" (Hargrave, 2021). It can also occur when a few significant suppliers sell similar products with low-profit margins, making the market unattractive or unattainable to new entrants. As the market value grows, so does the

number of consumers. The industry is already aware of this. Many large competitors have made their products accessible to consumers worldwide by expanding their distribution chains. These new consumers can be captured by the currently established competitors or by new entrants into the market. In 2021 the operating margin of H&M was 4.4% (H&M, 2022), LVMH reported an operating margin of 26.7% (LVMH, 2022), while online-only retailers such as Zalando reported an operating margin of 4.5% (Zalando, 2022). The margins of the key players within the industry vary; it is clear that dual online/offline retailers have a more significant margin. However, it is essential to note that they have been operating in the industry for a considerable time. These figures show that margins are more significant enough for new entrants; however, they must establish a unique brand proposition to differentiate themselves from the large competitors. This could come in slow or recycled fashion, a growing trend in recent years.

It is important to note that for new entrants into the market, the ease of distribution can vary depending on the country in which the business is established. For example, if a German E-Commerce swimsuit brand wants to expand its market can avail of the free trade agreement in the E.U. to reach about 447 million potential consumers. However, they tried to break into the American Market. In that case, it can be more difficult due to bureaucratic constraints. Suppose a Fashion Apparel E-Commerce company in the U.K. wants to expand to the European or American market. In that case, they are met with bureaucracy delays and higher costs of goods due to tariffs and VAT.

The target customer is one of the most important factors to consider when entering a new market. The new entrants into the fashion e-commerce market have a wide range of demographics. They should be aware of the shopping habits of different generations. "In 2022, about 58% of online shoppers between 26 - 41 years old worldwide made purchases through social media channels" (Chevalier, 2022). The new entrant must also consider what type of shoppers they want to attract. Do they want shoppers who will pay a hefty price for a few high-quality goods or a shopper who pays a low price for a large quantity of clothing? When entering a market such as the E-Commerce Fashion Market, which has several large competitors and a large number of consumers who can easily switch to different substitutes, picking a particular target group and then expanding to more target markets once established

as this can cut down marketing costs, avoid the risk of excessive stock and give the new entrant time to familiarise themselves and test out the technologies which they have utilised.

The data accumulated has aided to create the Macro External factors that could affect the industry, which vary from economic and political factors that can affect the profitability of the businesses. It can significantly affect small- to medium-sized businesses pursuing international expansion. However, these factors have a minor effect on larger companies such as ASOS. The British based exclusively online retailers that can distribute within the U.K. from their home-based distribution centres and can distribute within Europe and the U.S. from their distribution centres in the trading as mentioned above zones, avoid high freight costs, many bureaucracy delays and VAT charges for consumers (ASOS, 2023b). Other Macro factors that affect the industry can include environmental and ethical concerns, recently Boohoo.com faced modern slavery allegations, and a Financial Times investigation revealed that some of the companies factory workers in the U.K. were receiving an hourly wage of £4.25 an hour, which is significantly below the legal U.K. minimum wage (O'Connor, 2018). A new entrant must be aware of these concerns when entering the market; however, they can use the past mistakes of the significant competitors to establish a point of distinction within their business, such as the use of verified sustainable materials or, for example, an E-Retailing business that sells handmade knitted items such as hats and jumpers while providing their workers with a fair wage.

Technology platforms are the baseline of the operations of an e-commerce fashion company, and if the technology was chosen or the people who are operating the technology are not educated. It can result in a complete business failure. The technological functionalities are a crucial aspect of the business; an e-commerce fashion retailer must be aware of the importance of mobile-friendly websites and the rise of Android and Apple store applications for e-retailers and other add-ons that their competitors provide, such as buy now and pay later. Accurate time stock updates: They must also be able to track consumer behaviour and cart-abandonment rates. A possible new entrant must be willing to invest significantly into the technology they will utilise to compete with the large competitors that have

established these capabilities and metric tracking systems within their companies' general operations.

From the in-depth analysis of the industry, we can see that the large competitors have a strong, established position within the industry that includes a loyal consumer base, robust financial backing, economies of scale to produce and sell clothing items at a lower price and established distribution channels. However, as the industry grows and young consumer tastes are shifting away from large fast fashion brands to more sustainable alternatives, there may be an opportunity for new entrants within the E-Commerce fashion market.

3. Analysis of Market Resources

The subsequent stage of the investigation entails a thorough analysis of the prominent players in the market. In order to gain insight into their dominance within the industry, several critical factors need to be evaluated. These factors include their market entry strategy, principal business and marketing approaches, technological capabilities, unique selling proposition; the companies' target consumer demographics; pricing policies, resource accumulation, and resource utilisation.

In order to conduct an in-depth analysis of the E-Retailing Fashion industry, this project includes two case studies of two dominant competitors in the E-Retailing Fashion industry. For comparison, the two companies operate exclusively through their online platforms, including their websites and mobile applications, ASOS and Shein. By comparing the strategies and performance of these two companies, this investigation identifies critical factors that contribute to success in this highly competitive market. Through this analysis, the project has highlighted the challenges and opportunities in the E-Retailing Fashion industry and the strategies that new entrants can employ to achieve success.

3.4 Case Study: Shein.com

Shein has been one of the fast-growing online-only retail companies in recent years. In 2022, Shein made \$30 billion, a 91% increase from the \$15.7 billion made in 2021 (Curry, 2023). In 2008, Chris Xu started an E-Commerce retailing business selling wedding dresses, and in 2012 the business diversified into women's clothing and the new name of SheInside was established. In 2015 the name "Shein" was established. Shein is a "Born Global" retailer focused on international operations from their initial establishment as the company leveraged their online platform to operate worldwide. The company has established a global logistics and supply chain network to ensure efficient delivery to its customers globally. Shein has also been able to adapt to local market trends and consumer preferences by translating its e-commerce platforms into a wide range of languages, including English, Portuguese, Arabic, Spanish and their original language, Chinese.

Shein is a privately owned business founded in and is currently based in China and sells a wide range of fashion, homeware and beauty goods to most countries worldwide. The company works on a model of overconsumption which targets young consumers. Shein release, on average, 3,000 new items on its website weekly at price points significantly lower than most of its competitors, which has added to the company's success in recent years.

3.4.1 Market entry strategy

Shein is a relatively new entrant into the fashion E-Retailing industry, founded in 2012. It has gained immense traction in the last five years, establishing itself as a strong competitor in the Global "Ultra-Fast Fashion Market". The company operates on an exclusive e-commerce model and does not rely on physical Brick and Mortar stores to reach its target consumers. They have established themselves as a direct business-to-consumer model and integrated their business operations. The company

have entered the global market as the lowest-cost on-trend fast fashion company and has rapidly expanded to provide products worldwide.

From a marketing and consumer capture perspective, the company heavily relies on digital marketing efforts that it can use to capture its target consumer base directly. It only requires small investments in comparison to traditional media modes. They have also followed a UGC (User Generated Content) strategy to encourage social media creators to create content about the brand and encourage their audience to buy Shein products, which has had great success on social media platforms; the hashtag #Sheinhaul currently has over 8.5 billion views on TikTok (7th March 2023). The Shein content on social media platforms, especially TikTok, has led to high brand engagement for an overall low marketing cost.

The company identified barriers to expansion through slow delivery times to consumers within their business model. To keep this model and make the expansion process as efficient as possible, the Shein have made massive investments into worldwide distribution centres worldwide to ensure that they provide consumers with the most efficient service possible.

3.4.2 Main Business Approaches

Shein operates on a fast fashion business model for its production. The company bases their manufacturing in China, has established its supply chain system and has become an integrated fast fashion business. The central part of their product strategy is their small batch approach. They produce small batches of 100-200 pieces per style, then gauge the market demand and respond to the increased consumer demand with further production of popular items (Shein, 2023).

Their distribution model involves selling primarily online on their E-Commerce platform that sends the orders directly to the producers. Shein has established an international network of distribution centres. They use these warehouses and their manufacturing facilities as a direct-to-consumer method. It must be noted that there have been many reports of alleged labour rights abuses in the Shein supply chain,

with allegations such as employees working 18-hour days and only receiving pay on a per-item basis (Liu, 2022).

Shein relies on the overconsumption of consumers to facilitate their business model; the company releases thousands of new products daily through a wide range of segments that meet an array of consumer shopping needs and wants, such as womenswear, menswear, kids wear, homeware, beauty, and stationery among others. To create a loyal consumer base, Shein has developed a points-based customer loyalty scheme, where their customers can earn 1 point for every dollar they spend, and 100 points lead to a \$1 discount on customers' next orders; this encourages customers to spend more and to repeat purchasing on the Shein website.

3.4.3 Main Marketing Approaches

Shein's marketing approach consists of two main strategies: Social Media Marketing and Influencer Marketing, that directly reach their young target market. Shein uses social media to generate a large amount of traffic to their e-commerce platforms which are their website and mobile application, creating a fully digital business model.

Shein's social media marketing is implemented into their customer journey at all steps, and the company has developed an app that is adapted to meet all their customer's needs and demands and functions as a social media platform; their customers can add comments, pictures, and reviews for specific products. These features have made Shein the number one downloaded application on iOS and Android, making it the leading e-commerce app in the fast fashion category in 2021. The company has created a strong brand presence and exposure on social media with over 27.9 million Instagram followers, 6.2 million Tik Tok followers and 586 thousand Twitter followers (4th March 2023).

Shein also uses influencer marketing to reach their chosen demographic and has developed a UGC (User Generated Content) advertising model through various platforms, specifically TikTok, Instagram and YouTube. Shein has created an official affiliate program where influencers can apply for an affiliate link on products they

recommend on their platforms, and they receive a small commission for the sales made through that link. This tactic minimises advertising costs, increases brand awareness, reaches its target demographic, and gives the brand credibility through overall recommendations. Shein has also partnered with celebrities such as Katy Perry and Khloé Kardashian, who are popular with their target demographic, intending to increase the awareness and creditability of the company.

3.4.4 Technological Capabilities

Shein is a leading modern digital company that distributes solely through its e-commerce channels, leverages global digital marketing tactics, and uses A.I. technologies to predict new trends within its design and manufacturing processes. As Shein has grown, the company has consistently invested in its technological assets and capabilities to maintain a competitive edge in the global fashion industry.

In the design process, the company uses A.I. to predict new fashion trends and the needs and desires of their target consumer base, which the design team use to create new products at a rapid rate continuously. To ensure that these products are manufactured efficiently, Shein has developed their own supply chain management system that constantly updates its manufacturers on their production needs and rising consumer demands (Shein, 2022). Their small batch strategy has enabled them to save money on excess inventory costs and to produce an extensive range of goods.

Shein has worked hard to create many proprietary technologies as a primarily online retailer. The company have developed their supply chain management system and uses its proprietary A.I. software to predict upcoming trends to make new designs at a rapid pace; the combination of these technologies has enabled Shein to become a top competitor in the "Ultra-Fast Fashion" industry.

3.4.5 Target Consumer Demographics

Shein's primary target shoppers are primarily based in America, European and Middle Eastern countries. Shein has targeted this global consumer base by offering various clothing options for all ages, genders, styles and sizes. The company offers home goods, pet supplies, and technology products.

To appeal to this most comprehensive range of fashion consumers possible, Shein has also begun to offer fashion products for men and children. They have increased their size range in their women's section from XS to 5XL. Shein's primary shopping age demographic is Gen Z. People born between 1997 and 2012 are attracted to the company due to its ultra-fast fashion model that enables the company to keep up to date with the latest trends in the fashion industry.

These consumers fall into the "Fashion Shopper" consumer category, as they tend to seek fashion items that are on-trend with a disregard for the quality of the fashion item or the reputation of the brand (Sung & Jeon, 2009).

3.4.6 Unique Selling Proposition

In recent years, Shein has become a fast fashion leader. However, they only distribute through E-Commerce channels with the embodiment of "Real-Time Fashion". They have continually improved their business model to gain competitive advantages within the fashion industry. Shein has created a high-speed direct-to-consumer model within their business, allowing them to manufacture new products and meet the new trends within the fashion industry at a turnaround significantly quicker than their competitors.

As an ultra-fast fashion company, Shein can meet millions of young shoppers' needs and wants without investing in physical stores. Instead, the company has developed software and technology that can foreshadow trends which helps Shein to analyse consumer data and rising trends and create new designs in three days (Shein, 2022). Shein can deliver these new designs to consumers more efficiently than their closest competitors. Their fully integrated business model has become the Unique

Selling Proposition which has made the brand far more appealing to their fashion forwards than their closest competitors, as their consumers desire to be constantly on trend.

3.4.7 Pricing Policies

Shein follows an ultracheap pricing policy through all their business segments; T-shirts and shorts in the womenswear section can cost as low as €3. The company offers a year-round sale section, flash offers, discount codes and a loyalty point-based promotional program. Shein has gained a significant market share in the E-Commerce market by offering products at price points that are substantially lower than the prices of their closest competitors. This strategy has successfully captured the younger demographic searching for more budget-friendly, trendy options.

Shein's low prices have attracted many customers and encouraged overconsumption and repeat purchasing, appealing to younger shoppers more disposed to participate in impulsive shopping behaviours. This behaviour led to an exponential increase in the company's overall sales by 250% in 2020. (Bloomberg, 2021)

Shein's low pricing policy has been a fundamental factor in the company's success. However, we must take into consideration the question of what the human and environmental cost is from the production and selling of clothing items at such a low price point. According to a Time article, Shein's manufacturer produces about 6.3 million tons of carbon dioxide a year (Cadwell et al., 2023); these levels can undermine the worldwide efforts being put into effect to combat global warming.

3.4.8 Resources within the Company

As a company with a Direct-to-Consumer model, Shein has accumulated a wealth of resources, from physical, financial, and technical to human. The company began in Guangzhou, China, and first established all its resources. However, due to

exponential growth in sales and popularity, they have expanded their resources to meet the worldwide demand for the company's products.

Most of Shein's physical resources are located in China, the company's network of garment factories and primary distribution centres are in Nancun town in China, and their headquarters are in Guangzhou. As worldwide demand grew, the company invested in more distribution centres worldwide. As their resources grew worldwide, so made the demand for human resources to operate these facilities and to market and set further local development goals; Shein currently employs over 10,000 people worldwide (Shein, 2023).

As Shein is a privately owned company, their financial statements are not required to be shared with the public. However, we can still see the company's financial resources from sales growth and valuation. The company's sales have grown rapidly in recent years. Shein, in 2021 the company reported a revenue of \$15.7 billion; the following year, it reported a revenue of \$30 billion, an increase of 91%. Despite the rapid growth of sales, the company's valuation has fluctuated in recent years from a \$5 billion valuation in 2019 to \$100 billion in 2022, and the value fell to \$64 billion in 2023 (Curry, 2023).

3.5 Case Study: ASOS.com

ASOS, a UK-based online-only fashion retailer, was founded in 2000 by Nicholas Jon Robertson and Quentin John Griffiths (Forbes, 2023) and is now an investment holding company. The company has become a leading online fashion retailer in the U.K. and worldwide, offering a wide range of products from over 850 brands that cater to young consumers.

The company has a global reach and can distribute its products worldwide, making it a popular choice for customers worldwide. ASOS provides customers with a user-friendly platform on their mobile application and mobile and desktop website that offers an effortless shopping experience. In 2020, the company generated a revenue

of £3.26 billion, ASOS received over 2.7 billion platform visits and had more than 23.4 million active customers in the same year. (Parker & Alexander, 2022). That demonstrates the company's ability to establish a loyal customer base that values its products.

3.5.1 Market Entry Strategy

ASOS started its operations within the U.K. market in 2000 and expanded its operations and distribution abilities worldwide. As an E-Retailer, the company does invest in acquiring physical store spaces or recruiting and training retailing employees to expand into new countries. However, ASOS must establish efficient distribution channels, adapt cultural differences and local languages to their website, and create demand in their target expansion countries through effective marketing campaigns.

ASOS currently delivers their products worldwide. The company has invested in four distribution centres in the US, Germany, Poland, the Czech Republic, and the four U.K.-based distribution centres to ensure efficient distribution channels. The company has also invested in language adaption on their mobile app and their mobile and desktop websites to ensure they can capture new customers worldwide; they currently have translated their website into ten languages which include Spanish, French, German, Italian, Russian and Chinese (ASOS, 2023a).

At all times, ASOS has about 70,000 different products that range from men, women, and self-care and are suitable for all occasions, climates, and different style preferences. In recent years, ASOS has leveraged Influencer Marketing to reach different audiences worldwide, which can help them to localise their marketing content. For example, they can hire popular U.K. influencers to promote their winter coat collection in autumn and winter. They can simultaneously hire popular Australian influencers to promote their summer and swimwear collections. This type of advertising has a high reach, can be low-cost, and is an effective way to reach local audiences.

3.5.2 Main Business Approaches

The primary business model of ASOS is to purchase clothing and other fashion and beauty items from an extensive network of wholesalers; these brands include high-end luxury brands such as Tommy Hilfiger, Armani, Barneys and Karl Lagerfeld and Low-cost options such as Stradivarius, Bershka and L'Oréal. In recent years ASOS has also established many name brands such as ASOS Edition, COLLUSION, and Weekend Collective. The company has also further expanded their range with the 2021 purchase of the popular high-street brand Topshop. The companies' model allows them to provide consumers with a place to access and buy many types of products from large and small brands all in one place, with a range of items much more significant than any shopping centre could hold. ASOS provides consumers with alternative multiple buying channels, such as the ASOS Marketplace website for second-hand clothing and their popular mobile application.

The company targets a young consumer demographic, offering a convenient shopping experience that is easy for the tech-savvy generation at affordable prices with special discounts for students. ASOS has created a business model where their company can be a one-stop shop for consumers' fashion items by providing trendy, casual, and essential fashion items and beauty products at varying prices. The company aims to make the consumer journey as simple as possible by launching a free delivery and returns policy that is simple to use for its consumers.

3.5.3 Main Marketing Approaches

Marketing is an integral part of ASOS operations, and in 2022 they spent £223.5 million on their marketing expenses (ASOS, 2023a). The direct marketing approaches ASOS follows are Social Media Marketing Campaigns, Email Marketing, and Influencer Marketing. As an online-only retailer, the company has focused on digital marketing as that is where its customers are. The company can access their target audiences through multiple channels such as email, Twitter, Instagram, targeted adverts and online TikTok, among many others.

ASOS uses social media marketing to engage with their young consumer base, launch new products, promote new brands and upcoming promotions, launch new campaigns, and give its followers an insight into the retailing operations. The company has a large following on their social media platforms, with 14.3 million Instagram followers, 1.5 million Pinterest followers and 1.7 million TikTok followers (12th March 2023).

The ASOS marketing team creates content that is trendy, youthful, chic, size-inclusive and inclusive of different cultural backgrounds and uses UGC (User Generated Content) strategies by encouraging their consumers to post on their social media platforms using hashtags such as #ASOS, #AsSeenOnMe and #ASOSHaul and subsequently sharing that influencer, consumer, and celebrity posts on their platforms.

The third primary strategy ASOS uses is email marketing; consumers who create an ASOS account or shop on the website or application can join the ASOS mailing list. The company sends out emails containing unique offers, order confirmation, and the launches of new collections or campaigns at a high frequency.

3.5.4 Technological Capabilities

ASOS operates its business on a cloud platform that they have partnered with Microsoft to support its innovation, growth, and day-to-day operational capabilities. The company uses Microsoft Azure to operate its digital platforms, such as its website and mobile applications, support its workstreams, and operate its billing service. The 70-person engineering team at ASOS work with Microsoft daily to ensure their website keeps up with customer traffic and protects consumer information. They use A.I. abilities to personalise their consumer journeys and to ensure the ease of use of digital platforms for ASOS customers worldwide.

The ASOS team and Microsoft also work together to create efficient fulfilment systems to ensure the availability of products, optimise customer choice and track the availability of stock in the separate distribution centres that serve customers in the separate country websites (Microsoft, 2022).

3.2.5 Unique Selling Proposition

ASOS has established itself as a one-stop retailer for fashion needs and desires; The company offers a vast selection of fashion and beauty products for men, women, and unisex from over 850 well-known brands. In addition, the company provides a range of fashion products under its 17 brands, making it a popular choice for customers looking for unique and trendy fashion items. (ASOS, 2022).

The company's mission is to "Be the world's number one destination for fashion-loving 20-something year old's" ASOS has successfully implemented this mission by offering a wide range of trendy fashion items that cater to the needs of its target audience. By offering fashion items that cater to different trends, sizes, tastes and ranging consumer budgets, the company has become accessible to a broader audience.

ASOS's unique selling proposition (USP) is its ability to offer a wide selection of fashion items under one platform. This USP has enabled ASOS to differentiate itself from their competitors and to establish a loyal consumer base consisting of consumers who value the convenience of shopping for all their fashion needs on their easy-to-use technology platforms.

3.2.6 Target Consumer Demographics

ASOS aims to be a go-to fashion retailer for all occasions that is easy to use for young people with a fast-paced lifestyle from 16 to 34 years old in all economic demographics and genders (ASOS, 2023a). This demographic is a vital social media user and conducts much online shopping.

The company uses their social media platforms and website content to appeal to all different types of people within the target age demographic by realising content that is gender inclusive, body positive and for people from different religious backgrounds. ASOS also releases product ranges that include plus-size, tall, and

petite ranges, and its brand portfolio consists of brands that create fashion products for consumers with varying fashion tastes.

3.2.7 Pricing Policies

The prices of ASOS products extend across many different ranges and meet the needs of young people in varied economic situations as their products and brands range from premium brands such as AllSaints, ASOSLuxe and MAC and affordable brands such as Stradivarius, COLLUSION and Missguided.

However, the majority of their products are affordable and competitively priced. The website has an outlet section where they sell off-season premium or high-end fashion products at a discounted price and regularly offer exclusive discount codes to their customers or members of their mailing list. In addition, they offer student discounts on total-priced goods. These strategies meet the needs and want of the consumers within their target base and meet their aim to become a one-stop shop from affordable casual wear fashion items to high-priced occasion wear items.

3.2.8 Resources within the Company

Since its establishment in 2000, ASOS has built a network of physical, human, technological and financial resources worldwide. The company established their headquarters in London, the United Kingdom and still operates its main business in that office space along with coordination with offices in Germany, the US, Canada, China, and other U.K. locations. Their brand products are produced in a network of over 450 factories in Bulgaria, China, India, Romania, Turkey, and the U.K. ASOS has established eight distribution centres worldwide in the US, Germany, Poland, and the Czech Republic, with four based in the U.K. (ASOS, 2023a)

As an online-only retailer, its technological resources are vital; in recent years, the company has contracted Microsoft to work with their engineering teams to operate its website platforms, consumer information systems, stock management and

distribution systems. The company can rely on Microsoft, an established and reputable systems information company with extensive e-commerce experience, to ensure its technological systems operate at their highest possible efficiency (Microsoft, 2022).

ASOS is a publicly traded company, meaning that the company must release their financial information in an annual report every year. In 2022, the company delivered a sales growth of 4% and made a revenue of £3.936 billion. However, they ended the year with a £31.9 million loss before tax. The loss can be attributed to high unexpected distribution costs due to the increase in freight costs worldwide and the 11% increase in marketing costs due to an increase in worldwide marketing campaigns to strengthen their brand recognition (ASOS, 2023a).

3.3 Outline of Resources

The E-Retailing fashion industry has become a valuable sector in the global market, attracting many new market entrants competing to capture a share of the market. Shein and ASOS have established themselves as significant competitors in the fashion retailing industry as online-only fashion product retailers, with both offering fashion products for men and women. They have expanded into accessories and beauty products. The companies were established at different periods and in other countries and had different ownership structures. However, they have both grown to gain worldwide popularity and distribution capabilities.

The companies are two powerful competitors in the E-Retailing industry, who both distribute worldwide and have distinctive business models and strategies. The companies have experienced various levels of success. Shein has experienced a rapid rise in sales and popularity in recent years, and ASOS has experienced a slower rise in popularity and has experienced both profits and losses in recent years. The cases outlined are compelling cases of large E-Retailing businesses that follow different strategies but target similar consumer age and geographic demographics. The cases highlight how companies can be competitive within the industry. The case studies also emphasise the importance of leveraging social media and user-

generated content to connect with their target consumers and build a strong positive brand image to distinguish themselves in the large fashion industry. Companies like Shein and ASOS will likely remain, significant players as the E-Retailing industry continues to evolve and grow.

4 Review of ‘The Wheel of Retail Theory’

The Wheel of Retail is a formative concept in retailing introduced by Professor Malcolm P. McNair, a professor at Harvard Business School for 43 years. Stanley C. Hollander, a Professor of Business Administration at Michigan State University, wrote the article I would examine when the article was published in the “Journal of Marketing” in 1960. The article is a regarded work in the retailing industry. Hollander’s article is a further development upon the original concept coined by McNair that provides valuable insights into how retailers evolve with a focus on four stages of development: the entry stage, the growth stage, the maturity stage, and the decline stage.

4.2 Presentation of the Theory

The Wheel of Retailing describes the evolutionary stages that a retailer goes through as a cyclical process. It describes how individual retailers evolve and how established retailers are ultimately replaced by new market entries selling more innovative products or services. The theory presents four distinct stages retailers commonly go through, from the initial establishment as a new player in the market to eventually becoming an established competitor in the specific industry in which the retailer operates. Academics have widely accepted the “Wheel of Retailing” model as a practical framework for understanding the evolution of the retail business and the patterns that retailers experience with a focus on the retailer’s pricing and consumer retention policies. The model emphasises the cyclical nature of the retail industry

and relays that retailers must continually innovate their offerings and adjust their prices to stay competitive in the retail market in which they operate.

4.2.6 Entry Stage

The first stage is when new retailers enter their distinctive markets. The new retailers typically build a low-cost structure, trying to operate with the lowest expenses possible. Only the essential characteristics of the products or services are offered to the customers. For example, renting a retail space in an undesirable area and concentrating on offering new products or services to consumers at a lower price than the established competitors. Their goal during the entrance phases is to attract as many new consumers with unique products at an affordable price as the retailer does not have an established reputation or long-term marketing campaigns that they can use to attract new consumers.

4.2.7 Growth Stage

The retailer begins to make improvements to their products or services and invests beyond the primary market start-up necessities, such as updates to their facilities which leads to increases in costs and the price of the product or service. The retailers make these improvements to attract more consumers and build their companies' reputations through improved customer experience and increased brand awareness. This phase is experimental, and the improvements are made to attract new customers, and they are usually in the low-end strategies. At this stage, the retailers are still attracting new customers who are attracted by the increased capabilities of the retailers.

4.2.8 Maturity Stage

The retailer becomes an established competitor in the market and begins to face up to other similar retailers in the industry. They begin implementing new innovative strategies to differentiate themselves from the close competition. They may offer additional services, increase their advertising efforts, or even introduce new products that compete in the same market. The retailer may also desire to improve the shopping experience for their consumers with a new store layout or increased personalisation in the consumers' purchasing journey. These additional service or marketing operations will increase the overall operating costs of the retailer, which will decrease the retailer's margin or increase the sale price of the product or service. The retailer has also established a reputation within the market and will have accrued loyal customers who engage in repeat purchases.

4.2.9 Decline Stage

The retailer is now an established competitor in the industry. They become vulnerable to the new competition entering the market that offers low-priced products or services that may be more innovative. The established competitor struggles to compete with the new competitor's price offering and may begin to lose market share. As more competition enters the industry, the market reaches excess capacity, which will remain until the excess retailers leave. The retailer will face intense competition in previous stages and may be influenced to decrease their prices to remain competitive. Once the retailer passes through the decline stage, they revert to the low-cost and low-price strategies used in the market entrance stage to attract large amounts of new consumers, continuing the retailer's development cycle within their specific industry.

4.1 Explanation of The Wheel of Retailing

The “Wheel of Retailing” presents a framework that explains the cyclical order of retailing throughout the lifecycle of a retailer. The theory hypothesises that retailers experience a cycle of development in their distinctive market, from their market entry stage to their decline stage and outlines the price strategies that retailers typically follow through these stages (Hollander, 1960). The theory hypothesis is that once the retailer passes the decline stage, they will revert to the pricing strategies they implied during the market entry stage and that these trends will repeat themselves in a cyclical nature throughout the operating life of the retailer.

The Wheel of Retailing is a tool that retailers can use to predict future trends. According to the theory, when a new retailer enters their distinctive market, they do so with low prices to attract as many customers as possible. As the retailer acquires loyal customers, they begin to innovate their products or increase marketing efforts, which leads to higher operating costs and a subsequential higher price. As the market progresses, new retailers enter with innovative products at low prices, which can take market share from the original entrant and pressure them to lower their prices. In theory, the cycle continues, leading to continuous innovation and the evolution of competitors within the industry.

The theory suggests that the stages are not mutually exclusive and, therefore, not outlined in a linear progression. The stages also do not have specific time limitations, and some stages can last less than five years, while other stages can last decades; this can depend on the business model of the retailer, the market conditions, the state of the global economy and the industry that they operate in. The stages can even differ between two businesses offering the same product to a similar target market, who both entered the market simultaneously.

Over time, limitations of the “Wheel of Retailing” model have been highlighted. One of the primary criticisms of the theory is that it solely discusses the price factor. The theory considers the price the main component when attracting customers to a retailer, disregarding other factors such as the quality of the products or services the retailer provides or the economic business environment in which the retailer

operates. The focus on the price factor as a sole consumer attractor can be considered a two-dimensional view of the complexity of retail enterprises.

Another significant limitation of the theory is that it is not universally applicable to all retail stores. The “Wheel of Retailing” model does not take into account retail stores in the luxury market, such as Prada and Loewe, which typically enter the market with high prices and try to maintain or increase the prices of the products that they distribute or large discount stores such as Walmart that enter markets with low prices and as part of their business model try to maintain those low prices throughout their lifecycle. The model is not applicable in these types of cases and cannot be used to predict future market trends in that these types of retailers operate.

The model fails to consider the consumer decision-making process and the various factors that consumers consider besides the price of goods. Research has shown that these factors include cultural factors like social class. Social, such as the influence of family and friends. Personal, such as age and occupation.

Psychological, such as motivation and perception, and economic such as personal income and government policies. (N. & Ali, 2016).

In consequence, it can be said that The “Wheel of Retailing” is a valuable mechanism that retail managers can use to predict future price changes and plan future pricing or consumer retention strategies. However, it disregards many other aspects that a retailer must consider, such as consumer trends, local economic situation, quality of their products, and market share of their competitors, among many other factors. The model is also not applicable to all retail types and cannot predict future global economic changes that could affect the prices of the products that retailers distribute. When applying the “Wheel of Retailing” model to business operations, a retailer must consider other retailing models and theories to make the most informed decision possible before applying new strategies.

4.2 Application of The Wheel of Retailing to Fashion E-Retailing

The “Wheel of Retailing” model was first published in 1960. It was constructed by examining traditional Brick-and-Mortar stores and the price strategies they followed in a cyclical nature through four distinctive and repeated stages. For this reason, the model does not consider many of the factors of modern retailing. The internet was introduced in 1983, over two decades after Hollander’s article was published in the *Journal of Marketing*. Since then, e-commerce retailing has continued to rise in popularity and valuation. In 2021, e-commerce accounted for nearly 19% of total worldwide retail sales (Chevalier, 2022), and there has been a significant emergence of retailers that operate solely online in all areas of business.

For this paper, it is essential to examine the types of lifecycles that online fashion retailers experience and to determine whether the “Wheel of Retailing” can be applied to the hefty competitors in the fashion E-Retailing industry. The findings that will be made will be applied to the conclusion of this study and will be combined with previous research to conclude whether the fashion e-commerce industry has become saturated. For examination, I will apply the “Wheel of Retailing” model to the retailers previously discussed in the case studies above Shein and ASOS.

4.2.1 Shein

Shein has grown to be one of the largest competitors in the fashion industry, with a reported sales revenue of \$30 billion in 2022 (Curry, 2022). This puts them in direct competition with Inditex, which reported a sale revenue of €32.6 billion (\$35.08 billion) in the same year (Inditex, 2022). Unlike many of its competitors in the fashion industry, Shein operated exclusively online to reach an online audience. Their E-Retailing approach is combined with an ultra-fast fashion business model, which prioritises constantly introducing new styles to the company’s sales platforms.

To understand Shein’s evolution, we can examine their financial and consumer trend analytics by applying the “Wheel of Retailing” model, which highlights the various

stages of business development, and we can analyse the theories using the reported company analytics at each stage and identify the pricing factors that have contributed to the success of the company.

However, it must also be considered that Shein has only been operating since 2012. It, therefore, has not completed a development cycle and is only in the second stage of development according to the “Wheel of Retailing” model.

4.2.1.1 Entry Stage

Shein entered the fashion retail market in 2012, selling women’s clothing and accessories. Shein is a “Born-Global” company, the business was established with a global focus, and they assigned their resources to the international market from the start of their operations. By the end of 2012, they sold their clothes in Spain, France, Russia, Italy and Germany. Shein was established with a digital focus, and in 2015 they launched their mobile application following rising trends in mobile commerce purchases. In the first year, the company reported 2.71 million downloads which rose to 59.06 million in 2018 (Curry, 2022).

By 2017 the company reported an annual user base of 2.8 million consumers, which grew to 4.8 million in 2018; in the same period, the company’s revenue grew from \$1.55 billion in 2017 to \$1.99 billion in 2018.

Following the “Wheel of Retailing”, Shein entered the global fashion retail market in 2012 with an ultra-fast fashion and ultra-low-price strategy and immediately captured a large consumer base. However, the company entered with an extensive consumer offering and more than just the necessities of an E-Retailer. We must also consider that Shein has continued to be the lowest-priced competitor in the market, and the company's goal is to offer clothing at the lowest price possible to its consumers. The price factor of Shein is the “Unique Selling Proposition” of the retailer, and most other retailers in the fast fashion market do not follow the same format.

4.2.1.2 Growth Stage

Shein has been gaining exponential growth since 2019; the retailers' annual consumer base grew from 4.8 million in 2018 to 43.7 million in 2021, with a subsequential rise in revenue from \$3.15 billion to \$15.7 billion in the same period of 2019-2021 (Curry, 2022). As the business grows, its average price has been rising. However, despite the price rise, Shein remains one of the cheapest fashion companies. In 2021 “the average unit price of Shein products was \$7.90” (Eley & Olcott, 2021), and by 2022, the average price of Shein's womenswear had increased to “\$12.56 per product” (Chevalier, 2022). As the company expands, so do the costs; Shein has invested heavily in worldwide advertising efforts with a strong focus on the American market. It was reported that in the first half of 2021, the company spent “\$34 million in digital advertising within the United States” (Chevalier, 2022).

The rise in costs and the subsequent rise in the price of the products that Shein sells can be reflected within the "Wheel of Retailing" model. The company is still attracting a more extensive worldwide consumer base, and its reputation has become more established. However, the reputation built around Shein is not exclusively positive; Shein has received worldwide criticism for various reasons, such as unethical labour practices and harming the environment by promoting overconsumption through their ultra-fast fashion and low-cost business model. These external factors could significantly affect the company's future success and market position.

4.2.1.3 Overview

Shein has become a top competitor in the E-Retailing fashion industry due to its innovative, affordable ultra-fast fashion model, despite only entering the market just over a decade ago. Based on financial and user data analysis, Shein appears to be in the growth stage of the development cycle outlined by Hollander in the “Wheel of Retailing” theory. This means that the company has passed the first stage of the model, but it is difficult to predict when it will enter the maturity or the decline stage, as the theory does not assign time limitations to each stage.

While it is evident that Shein has exemplified the first two stages of the “Wheel of Retailing” model, it must be taken into account that many other internal and external factors could affect the consumer base and pricing policies of the company in its future development.

However, the model’s limitations include its sole one-dimensional view of the price factor as the sole consumer attractor. Retail management must continue to analyse market conditions, consumer trends and other retail models before making future business development decisions.

Model management must also analyse other retailing management models, current and predicted market conditions and global economic predictions before making any decisions on future development.

4.2.2 ASOS

In the context of the “Wheel of Retailing model, ” ASOS development can be examined by applying the model's four stages. Since the company was established, it has grown within its market exceptionally. Due to the focus on a varied pricing strategy, ASOS may not apply to the model, which only considers a singular pricing strategy throughout the retailer.

4.2.2.1 Entry Stage

ASOS entered the fashion retailing market in 2000; at its establishment, the company was called AsSeenOnScreen. Initially, the brand only sold products that were seen on TV, but they quickly changed their focus to selling fashion items. Due to the company’s initial success, the company entered the London Stock Exchange the following year (Agnew, 2014).

In 2004, the company released their first own-brand womenswear line of clothing. In the same year, they reported a gross margin of 47.4% and sales revenue of £8.96

million and 339,606. By 2007, the company reported a margin of 44.3% and a sales revenue of £42.6 million and had 1.3 million registered users (ASOSa, 2023).

In 2006, the average price of ASOS products was £16.54; while the retailer supplied a wide range of fashion products, they sold at a relatively low average price point in order to attract as many new customers as possible and as seen above between 2004 and 2007 the registered users in the company increased by over 325% (ASOSa, 2023).

The low price point per product and the rapid increase in registered users is reflected in the Entry Stage of the “Wheel of Retailing” model. Within the first seven years in operation, ASOS had 1.3 million registered users and growing revenue, and they also offered products at the low average price of £16.54 in 2006.

4.2.3.2 Growth Stage

From 2008 to the mid-2010s, the company experienced significant growth as it established itself within the e-commerce fashion retailing industry. In just one year, from 2008 to 2009, the company’s sales revenue increased by 108% from £71.685 million to £149.343 million. The period of growth continued, and by 2014 the company registered a sales revenue of £975.47 billion. They recorded 8.8 million active users worldwide, with an average price of their fashion items of £23.64 per product (ASOS, 2023a).

In 2008, the companies operating costs were £30.32 million, and by 2014 these costs had increased to £441.41 million. As the company grew, it increased its investments in marketing and other investments, such as its mobile commerce platform launch in 2011 (ASOSa, 2023). *Following* the “Wheel of Retailing” model, the company successfully increased their consumer capture efforts. However, these efforts came with increased costs, which also led to an increase in the average price of their fashion products.

4.2.1.3 Maturity Stage

In 2015, the company revenue had increased to £1.15 billion, an 18% change from the previous year, a significant decrease from the revenue increase recorded from 2008 to 2009 (ASOSa, 2023). The operating expenses have subsequently increased from £533.838 million in 2015 to £1.694 billion in 2022, partially due to continued “purposeful technology investments in customer experience and digital improvements” (ASOS, 2023a). Between 2015 and 2023, the brand made several significant investments in its brands and by 2023, the company had 17 brands, accounting for 40% of its sales in 2021(ASOSa, 2023). These brands include COLLUSION, a unisex brand launched in 2018, and Topshop, which they acquired in 2021.

By 2017, the average price of ASOS products was \$57.15, significantly higher than their close fast fashion competitors, such as H&M, who sold products at an average price of \$29.68 (Howland, 2017). Despite the cost increase and price increase, the company’s gross profit margin in 2017 was 48.6%, like the 2004 gross profit margin of 47.4% (ASOSa, 2023).

ASOS is currently in the maturity stage of the “Wheel of Retailing” model. They have developed a strong presence and reputation within the fashion retail market. The company has increased their investments to personalise its customers’ retail experience to increase the competitiveness of the company. However, despite the price increase, the company's profit margin has not decreased as predicted in the “Wheel of Retailing” model.

4.2.1.3 Overview

ASOS has been operating in the fashion E-Retailing market for over 20 years, and according to the “Wheel of Retailing” model, the company has reached a stage of maturity. As the company continues their development, the model suggests that the next stage in the cycle would be a decline. According to the “Wheel of Retail” model, ASOS would be predicted to reach a stage of decline, where they would, in theory, face intense competition from new competitors and other competitors in other stages of the cycle of development, and they may have to decrease their prices in order to remain competitive.

However, other factors and models must be considered before making definitive future predictions, such as global economic predictions, current market conditions and the factors beyond price that influence consumer decision-making. With these market predictions, it is not certain that ASOS will enter a stage of decline, as the company could grow with the market if it continues to invest in marketing and technological developments.

5 Conclusions

E-Retailing, also known as online retailing, is a massive global phenomenon that has emerged in all areas of commerce in recent years, simultaneously shifting the fashion industry into a new era. E-Retailing has enabled consumers to shop worldwide and has aided a wide range of companies to grow at an exceeding rate. This emergence of e-commerce has brought about many changes in the fashion industry, and it is essential to explore it in greater depth. The fashion industry has adapted to the digital era by offering customers an online shopping experience. Traditional fashion retailers have invested in online platforms, while online-only fashion retailers have to compete with the more established brands. These factors have resulted in a highly competitive environment where fashion retailers have

continuously evolved and innovated to remain competitive. The future of fashion retail is an influential industry that requires detailed investigation.

This study has explored the complexities of the fashion industry, focusing on the emergence of online-only fashion competitors. The research examines the minimum requirements to enter the e-commerce fashion industry, such as the minimum technology capabilities that an e-commerce platform would need to operate and an estimation of costs for an e-commerce platform which ranged from \$40,000 to \$60,000 (Laudon & Traver, 2022). The research also highlights the prevailing market conditions of the fashion e-commerce industry, which included a macro study of the industry, future market value conditions, the different types of consumers within the market and the established competitors in the fashion industry.

Furthermore, the research presents an extensive understanding of the challenges and opportunities for new entrants in the fashion e-retailing market by examining recent developments in the industry and strategies that large retailers are using to remain competitive. The market data helped to identify the opportunities available to new competition, including the growing demand for sustainable and ethical fashion and the influencing marketing and the importance of the reputation of the brands within the fashion industry.

The study includes an in-detailed case study of two prominent industry competitors, ASOS and Shein, that have both achieved exponential growth in recent years. Within recent years, the two companies have invested in innovative technologies, worldwide digital marketing campaigns and manufacturing facilities that have aided both companies in providing consumers with a platform that consists of thousands of different fashion products that can meet a wide range of consumer needs. These investments have resulted in significant financial gain and consumer retention success for ASOS and Shein. However, both companies have been criticised for promoting overconsumption, which has had detrimental effects on the worldwide environment. ASOS and Shein both entered the market with distinctive selling propositions, operate exclusively online and have developed varying reputations within the market, which made them appropriate case studies to build to use the

findings to analyse the industry competitors and to identify whether there is potential for new entrants within the fashion E-Retailing industry.

Applying the “Wheel of Retailing” management model to two of the significant fashion e-retailing companies also shows that there is still growth potential within the industry. Shein, a relatively new entrant in the fashion industry, is consistently growing and has been able to become one of the largest fashion industry competitors within a decade of operation is within the growth stage of their development cycle and have begun to activate marketing efforts and technological innovations to grow and retain their consumer base. The company has gained a solid consumer base and increased financial capabilities within recent years. It is an example of how there is potential for new entrants to gain traction and competitiveness within the industry.

The other case study that has been applied to the model is ASOS, which according to the theory, is within the maturity stage of development. Despite the recent fall in year-on-year growth percentages, the company’s revenue and consumer base are still growing at a moderate pace. ASOS entered the fashion industry just over 20 years ago as an exclusively online retailer and has established itself as a one-stop fashion destination for all its consumer’s needs. The company is an example of how e-commerce fashion can offer consumers an experience that is more convenient and efficient than traditional Brick-and-Mortar fashion retailers.

Based on the detailed analysis of the industry and the most prominent competitors, we can reject the initial hypotheses that the fashion e-commerce industry has reached a saturation point. Despite the presence of established online-only retailers and traditional fashion houses’ shift to online platforms, there is still growth potential in the fashion e-commerce industry. New competitors can take advantage of this opportunity by offering consumers an innovative retailing service, leveraging emerging technologies, providing personalised customer experiences, and examining the success and failures of established competitors in the fashion industry.

Further findings from the research can aid new competition as they enter the fashion E-Retailing market. The case studies have shown that a “Unique Selling Proposition” is paramount to success in the fashion industry. This study has emphasised the

importance of differentiation strategies for a new entrant to capture and retain an economically viable consumer base in the fashion industry. By creating a “Unique Selling Proposition”, fashion brands in the e-commerce market can effectively position themselves and capture the attention of consumers seeking something unique and authentic.

This project combines a wide range of secondary data to illustrate the worldwide e-commerce fashion industry. It provides an in-depth analysis of the industry's current conditions and builds a framework for new competitors who are entering the fashion industry through an online platform. The central focus of this project was to analyse whether there is space for new entrants within the fashion e-retailing market with the application of current market data. Therefore, further research must be conducted of the market, as a sudden change in market conditions, such as global economic changes, a significant shift in global consumer behaviour, or significant political changes in prominent retailing countries, among many other factors, can change the outcome of this project.

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