FASHION, THE SWEETHEART OF ELECTRONIC COMMERCE IN SPAIN

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Summary

Except in those countries where buying by catalog was widespread, few could predict that fashion e-commerce would have a successful future. The product has to be tried on, people are conventional, they prefer social shopping… The reasons they gave for not buying clothing, footwear and accessories were numerous, but nonetheless, consumers increasingly shop for fashion online.

What does the industry report? What motivates consumers and companies to buy these products? Is this trend limited to Spain or is it also happening in other countries? This article will answer some of these questions about the evolution of fashion e-commerce.

The fashion industry takes a very active part in foreign trade in Spain. According to ESTACOM, revenue from fashion (including fine and costume jewelry and perfume products) amounted to more than € 17.4 billion worldwide in 2012, that is, 8.05% more than the previous year, with € 12.4 billion in turnover coming from Europe, 2.05 billion from Asia, and 1.67 billion from the Americas.

Best customers are European neighbors, starting with France, which spent more than € 2.54 billion on Spanish fashion, Italy (in excess of 1.7 billion), and Portugal (over 1.6 billion). Spending outside of Europe includes 545 million by the United States, 409 million from Mexico, 368 million in China, and 243 million from the United Arab Emirates.

With 118 companies established outside of Spain, fashion ranks third in industries with the largest number of firms abroad, behind business and professional services, and the food industry according to the Atlas of leading Spanish brands, which looks at 139 brands making around € 516.4 billion, and employing 2,426,494 workers worldwide.

According to the Textile Industry Confederation TEXFOR, in 2012 the volume of business generated by textiles alone in Spain was € 15,365,600,000 and The Brandery Economic Report indicates that in 2011 the fashion industry employed 136,532 people in 21,545 companies. Within the industry, apparel generates the highest employment rate, 39.9% of the total, with 10,151 companies and 54,442 employees.

Fashion online

Among the main reasons for e-commerce growth in general, and for the advancements in the fashion industry are, increased Internet penetration, greater trust in online sales and more product availability.

According to the DBK report “Fashion on the Internet 2012”, the aggregated turnover of fashion web pages increased from € 100 million in 2008 to 480 million in 2011, with an annual variation average of 69%.
Portals that sell exclusively online had the highest turnover, 265 million in 2011, or 55.2% of the total, although the percentage is lower than that of other instruments, since in the last two years the industry’s main engine has been the virtual stores of traditional fashion’s main chain stores, which generated € 165 million in revenue, or 34.4% of the market total. Businesses that deal in distance selling made 50 million, or 10.5% of total sales.

DBK indicates that by product, the biggest driving force behind sales is apparel, with 70% of the total, followed at a distance by footwear (18%) and fashion accessories and small leather goods (12%).

The Telecommunications Market Commission (CMT) reports that in 3Q 2012, clothing accounted for 2.5% of total e-commerce business in that period (€ 2.7 billion), a year-on-year increase of 11.7%. This suggests that in those three months apparel alone recorded € 68 million in turnover.

**Consumer response**

Users seeking information share and give their opinion. That is the profile of the fashion consumer in Spain presented at the Barcelona Fashion Summit. This sort of buyer does research, mainly over the Internet, before buying, and seeks out competitive pricing and quality, not only in the product but also in the buying experience. Furthermore, this is not a passive user, but one that interacts by participating in blogs, social networks, etc.

According to an October 2011 study by Google and The Cocktail Analysis that included a quantitative analysis of consumers, 4.2 million of the 10 million Spaniards that purchase fashions said that they have shopped online for fashions. Or, in terms of online shoppers, we are saying that 42% have made fashion-related purchases, a substantial percentage that increases every year.

There is also an increase in so-called ROPO behavior: research online, purchase offline, which implies that the Internet has more weight than that merely reflected in online sales figures. According to the ONTSI 2011 B2C Electronic Commerce report, 43.5% of buyers research offline purchases online, and 73.3% of online buyers do product research online prior to purchasing.

The interest that this industry sparks on the Internet is also evident in the Nielsen study “Analysis of Browsing for Clothing Online” which indicates that in 2012, 9.2 million Internet users browsed apparel and 160 million web visits were generated. That sets the average number of page views per user at 16.84, which signals frequent searches for fashion and fashion trends.

**Types of platforms used in the industry**

Industry interest has not gone unnoticed by companies, which have diversified their online sales options in the country.

On the one hand there are big brand online stores, some of which like Women’ Secret that have been on the Internet for many years. And others like Zara and other Inditex group companies that are newer to the Internet. All of the larger companies have launched stores and are immersing themselves in the process of expanding internationally to online markets.
Luxury firms have also sought a piece of the pie and besides opening their own stores, they are using big retailers like Asos, Zalando and Modalia to sell their overstock.

Private shopping clubs like Privalia, Vente-privee.com and Showroomprive are still very big, and have borrowed from other business models like Groupon to make timely deals from service companies too, thereby expanding their offer to consumers.

According to the TNS report “The Internet’s impact on purchasing decisions” on the fashion industry where the main channel is the web browser, the highest growth potential is in blogs, newsletters, web videos, auctions and consumer opinion, at the expense of manufacturer websites, maps and distributors.

In fact, fashion blogs play a big role in online fashion sales, and bloggers in this industry have a huge impact and influence on their followers’ purchasing decisions. Companies are aware of this potential, and have invited many of these so-called “fashionistas” to parties, runway shows and events so that they comment favorably or post a photo of the clothing on their style blog.

The styles that bloggers show on their websites are so important that they have even led to the creation of thematic social networks that share photos of these styles and vote for the ones that best suit every taste. An example of this is Chicisimo which has grown so much since its creation thanks in part to its gamification strategy, where users are given badges the more they share and vote on the platform; and Trendtation, which puts bloggers and trendsetters in touch with people looking for inspiration, and where you can look for a posted style by brand.

Guappas, a fashion and beauty social network that shows the most popular brands according to number of user comments, is also style oriented.

Mobile devices have apps like Trendabl, a kind of Pinterest for fashion where you can exchange photos online through Tumblr, Facebook and Twitter.

Given the large increase in available supply, comparison shopping sites like Drezzy, which include clothing, footwear and accessories for men, women and children, have sprung up.

B2B is also relevant to the industry, and e-marketplaces are being used, mainly by SMEs, to reach their business customers in and outside of Spain. Companies like AGS Textil Solution sell their well-known Pietro Baldini brand tie products through different industry (Fibre2Fashion) and multisectorial (Alibaba) platforms alike, in order to make new contacts and direct them to their website. And private label companies like belt manufacturer Outstock use them as a marketing tool to get more visibility.

**Global trends**

The increase in shopping for fashions isn’t limited to Spain. The trend is global, and affects, to one extent or another, nearly all countries. In some markets like the United States, the United Kingdom and Germany, growth is slower because online sales in this industry are already high, but in less developed countries it is also possible to see growth.

We recently commented on the boom in B2C e-commerce in Russia, where nearly half of online consumers in that country have purchased clothing, footwear and accessories over the Internet, and fashion has taken third place behind consumer electronics and household appliances in the category of most highly sold products. The most popular companies are Quelle.ru, Otto.ru and Kupivip.ru, but the country’s major fashion retailers are taking note of the rapid growth. Gloria Jeans has announced the launch of its online store, which it expects will take in 5% of total turnover.
Platforms like Snapdeals in India that focus on fashion among other industries, have more than 20 million users and expect around $ 400 million in turnover in 2013. Therefore it’s no wonder that eBay and other venture capital firms have invested in that Indian e-commerce company.

The UK leads the world in e-commerce in terms of its contribution to the GNP, and it has also been felt in the fashion industry. Of the country’s 32 million online consumers, 46% purchased clothing and sporting goods, according to IMRG. Fifty percent of women and 43% of men shopped those categories.

France is another of the big European markets where, according to a GfK Land study, online clothing sales reached € 3.5 billion, an 18% increase over the previous year (data from June 2011 to June 2012). The most highly searched products include underwear (15.1%) and men´s underwear (12.1%), and the largest growth segment is menswear. In terms of per consumer expenditures, women tend to buy products with higher discounts (25% cheaper online than offline), while the percentage for men is 15%.

Prospects for the future

The DBK trend analysis report and forecast “Fashion on the Internet” says that e-commerce in Spain will continue to grow, and this is also reflected in the fashion industry, which will be one of the most dynamic industries because it is still has a way to go to reach the same level of progress as other European countries have experienced.

An aggregated turnover of € 700 million from Web page content for Spain was estimated for 2012, up 46%; and for 2013, it is expected to reach € 950 million, a year-on-year rate increase of 35.7%.

Trends for the future as indicated by DBK, that in many instances are already in practice, include the development of mobile apps and platforms to accommodate the significant advancements in m-commerce and the many possibilities it offers e-businesses.

Three other basic key elements in industry business strategies are, the interaction of online and offline shopping, the impact of social networking on sales, and the international expansion of online business.