

Apparel Internet Retailing In China, Part One – It Is Boom Time Online

Contributed by Euromonitor International
Thursday, 05 July 2012

In this first of a two-part series, Euromonitor International looks at how online apparel sales in China are skyrocketing as a result of the current boom in online retailing in the country, and finds local players are currently taking most of the spoils.

China's e-commerce apparel market is packed with potential, with more and more retailers – both local and international alike – being enticed online.

Economy stayed on track throughout the downturn

Throughout the global recession China's economy continued to witness robust growth. During the first two years of the global financial downturn (2008-2009) the country saw GDP growth of 9.6% and 9.2%, respectively. Although lower than in 2010, GDP growth in 2011 was still impressive, in light of the global economic double-dip, again reaching 9.2%.

This vigorous economic growth has resulted in an ongoing rise in disposable income levels among Chinese consumers, which itself has served to drive an increase in consumer expenditure on clothing and footwear. Chinese consumers' annual per capita spending on apparel has grown by 71% since 2006 to reach RMB1,154 (US\$176) in 2011.

Boom time in internet retailing

On top of this ongoing healthy economic growth, China's internet services are progressing rapidly thanks to the government taking a proactive approach to developing the country's internet capabilities, investing heavily in information and communications technology. Not only is the cost of usage declining, but online security is also improving greatly. As a result, internet users are growing steadily in number, reaching 526 million in 2011, up 15% on 2010. In terms of actual numbers of internet users, China now ranks first globally, surpassing the US in 2008 and now having more than twice as many people online.

This combination of higher disposable incomes and a fast developing internet-savvy society resulted in internet retailing experiencing dramatic growth over the review period. In 2011, internet retailing in China achieved current value growth of 100%, reaching sales of RMB159.7 billion. This is all the more impressive fresh off the back of the 296% growth seen in 2010.

Young consumers send online apparel sales soaring

Apparel internet retailing registered the strongest current value growth of all categories in 2011, of 168%. Internet retailing accounted for a 2% share of apparel retail value sales in 2011, up from just 0.1% as recently as 2007. That apparel has registered the strongest growth of all in online retailing should come as no surprise given that those fastest to switch to online shopping are younger people.

Chinese consumers born in the 1980s and 1990s are the most frequent online shoppers and online shopping has increasingly become a way of life for many young Chinese consumers, a trend that is expected to continue apace over the forecast period. Diversity of choice, lower prices and convenience in terms of payment means that younger consumers have been quick to spend their extra money buying clothes online, and will continue to do so in growing numbers. As a result, the channel is expected to account for a growing share of the apparel market year-on-year throughout the forecast period.

Local players are in the lead online

Of course, this vast market packed with potential will not go unnoticed for long, and over the last few years activity in the channel has been gaining pace and competition intensifying.

Currently, Chinese retailers dominate online apparel retailing in the country, largely because of a first-mover advantage and having good insight into local consumers and their tastes and preferences. Tmall, renamed Tianmao in January 2012, an online gateway for leading local and global brands, is currently the largest online business-to-consumer shopping platform in China. In November 2011, it achieved total sales of RMB936 million in a single day when its online stores offered discounts of up to 50%.

Another business-to-consumer apparel site Moonbasa, which started its online business towards the end of 2008, had achieved daily sales of RMB500,000 within three months of its establishment. In 2011, its sales were near RMB1 billion, a dynamic increase from the sales of RMB100 million and RMB300 million seen in 2009 and 2010, respectively.

Bricks-and-mortar stores opt to go online

Of course, this heightened activity online has not gone unnoticed by local players which have established their presence in the country through traditional bricks-and-mortar stores, and they are also getting a piece of the action.

Belle International Holdings, a leading local player which is second only to Nike in the country's apparel market, entered internet retailing in 2010 and shows great ambition to increase its share. In addition to footwear brands under Belle, this B2C platform also distributes matching apparel and accessories, including bags. Meanwhile, Belle International also stopped its cooperation with other B2C operators so consumers can only purchase Belle shoes from its own website and stores.

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