Cewebritry Economy in China (2)
Supply Chain of Fashion
E-commerce
Management Theories and Business Models
Winnie Lo, Gordon Lam
June 2016
How BIG is the e-commerce market of fashion cewebrity#???

The best cewebrity’s store on Taobao (Lady’s wear) earned > RMB 60 million on Singles Day in 2015, in terms of GMV.

New releases of this cewebrity’s store are normally sold out within 3 days with GMV at RMB 5 million to 10 million on average.

* GMV of selected items, as of 9 May 2016
* Cewebrity is web + celebrity. For more information, please view: Cewebrity Economy in China (1): Overview
Source: Taobao, compiled by Fung Business Intelligence
Among the Top 10 Taobao stores (Lady’s wear - 2015), half of the stores are launched by fashion cewebrities.

1. 戎美 (2,302,000 followers*)
2. 吾欢喜的衣橱 (2,800,000 followers*)
3. 毛菇小象 (8,277,000 followers*)
4. CC Studios家皮草 (343,000 followers*)
5. 小虫米子 (12,000 followers*)
6. 大喜自制独立复古女装 (2,260,000 followers*)
7. 于MOMO潮流女装 (4,520,000 followers*)
8. dimplehsu (813,000 followers*)
9. LIN EDITION LIMIT (1,532,000 followers*)
10. MIUCO (5,564,000 followers*)

*Number of followers and number of viewers on Taobao, as of 9 May 2016
Source: Taobao, compiled by Fung Business Intelligence
Who are the fans of fashion celebrity’s Taobao store?

Data source: Taobao, Youku, Weibo (2015)
Source: CBNDATA, compiled by Fung Business Intelligence
### Various marketing channels in China’s fashion market

<table>
<thead>
<tr>
<th>Traditional retail</th>
<th>E-commerce</th>
<th>Cewebrity e-commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location! Location! Location!</td>
<td>Posts on e-commerce platforms</td>
<td>Posts on multi platforms</td>
</tr>
<tr>
<td>Shopping</td>
<td>Search engine</td>
<td>Follow cewebrity</td>
</tr>
<tr>
<td>Shopping experience</td>
<td>Attract eyeballs</td>
<td>Gain trust</td>
</tr>
</tbody>
</table>

Source: compiled by Fung Business Intelligence
Competitiveness of cewbrity’s fashion e-commerce business

- Low inventory cost (agile supply chain)
- High product turnover (hot items sold out in a few days)
- High loyalty level of followers/ fans (repeated purchase)
- Low cost of testing water (get ‘Like’ by posting sample clothes on virtual store before, before mass product)
- Low marketing cost (plenty of followers)
- High conversion rate (market to targeted segment)

Source: compiled by Fung Business Intelligence
How to become a fashion cewebrit in China?

1. Celebrity
   Start as a celebrity e.g. fashion model on magazines, media, etc.

2. Internet
   Start as a web blogger, vlogger, fashion guru, etc.

3. Agent
   Partner with cewebrit incubator/agent

Observation:
Most of the fashion cewebrities would eventually partner with cewebrit agent, no matter how they started their cewebrit business at the very beginning. It is because …

Source: compiled by Fung Business Intelligence
Why involve cewebrity agent?

1. Difficult for a cewebrity to run her business sustainably without team support

**Daily life of a fashion cewebrity**

- **Interact with followers via social media**
- **Share fashion-related info**
- **Manage feedback on multi platforms**
- **Post news feed of ‘personal life’**
- **Take photos**
- **Prepare pre-sales posts**
- **Live broadcast**
- **Manage online store(s)**
- **Manage supply chain of fashion e-commerce**

Source: compiled by Fung Business Intelligence
2. Fashion e-commerce supply chain is too complicated to be managed by an individual cewbrity alone

Source: compiled by Fung Business Intelligence
Case: Cewebrity agent – RUHNN (如涵)

- Founded: September 2015 (transformed from a Taobao store selling lady’s wear)
- Based in Hangzhou
- VC funding:
  - A round: SAIF Partners (Dec 2014)
  - B round: Legend Capital and SAIF Partners (Oct 2015)
- Expertise of its cewebrities: lifestyle, shoes, bags, food, travel, cosmetic, etc.
- Agent of the #No. 1 fashion cewebrity’s Taobao store in 2015 (Lady’s wear)
- Number of stores owned by its cewebrities: around 50
- Total number of followers of its cewebrities: 0.2 billion (2016 est.)

Source: Founder securities, compiled by Fung Business Intelligence
Case: Cewebsrity agent – RUHNN (如涵)

Operation model:

- Cultivate potential fashion celebrity on multiple social media platforms (mainly on weibo)
- Transfers the weibo traffic of fashion celebrity to their Taobao store(s)
- Operate the supply chain of the fashion celebrity, such as design, production, logistics, etc.
- Operate and manage the Taobao store(s)

Key performance in 2015:

- GMV: over RMB 0.5 billion
- Single month transaction (on average):
  - Sales volume: 170,000 pieces
  - Sales value: RMB 38 million
- Inventory rate: 2 – 3% (vs. industrial average: 15 – 18%)

Source: Founder securities, compiled by Fung Business Intelligence
**Features of cewebrity fashion e-commerce supply chain**

**Come with sourcing capability**

- Position of fashion cewebrity: opinion leader/ fashion guru/ merchandiser
- Proactively push fashion-related information and offer new/trendy apparel items to the followers
- Require support from original equipment manufacturers (OEM) or fashion designers

Source: compiled by Fung Business Intelligence
Features of cewebritiy fashion e-commerce supply chain (Cont’d)

Agile supply chain

- Quick response: After posting the news feed of new products on online store/social media platforms, the followers would ‘vote’ for the goods by placing orders or simply clicking ‘like’. Cewebritiy/agent then has to liaise with OEM for production. The delivery lead time is around 5 to 7 days*

*Source: Founder securities, compiled by Fung Business Intelligence
Features of cewebrity fashion e-commerce supply chain (Cont’d)

Agile supply chain

• Replenishment model:
  First batch of order is generally small in quantity to reduce the cost of testing water. The confirmed orders from the followers would normally be more than double of the first batch of order. The lead time of the replenishment should not be longer than 20 days*

*Source: Founder securities, compiled by Fung Business Intelligence
Brand management

- Short business life cycle of the cewbrity
- Post news feed on multiple social media platforms to enhance brand exposure and maintain the stickiness of the followers
- Interact with followers through quality content at appropriate intervals
- Equip with PR capability to facilitate event marketing and crisis management in case of rumors
- Skillfully manage feedbacks and complaints of the followers
Big data analytics

- To assess the potential of cewebrities by analyzing the types, quality, conversion rate of the followers
- To forecast the demand of products proposed by the cewebrities through the response rate, e.g. “like”, emoji, keywords of reply from the followers, etc.
- To analyze customer behavior for brands, e.g. price sensitivity, purchase correlation, seasonal pattern, etc.
Challenges facing cewebrity fashion e-commerce

- Short business life cycle of cewebrity
- Difficult to manage the quality of goods sustainably
- Difficult to differentiate with other fashion cewebrities
- Compete with the well-established fashion brands and sophisticated supply chain on sourcing
- IP issue: lack of design capability, copycats and ‘borrowing’ design concepts from branded goods
- Regulations on UGC* and advertisement by government authorities in the long run

*UGC: User generated content
Source: compiled by Fung Business Intelligence
Supply chain
Fashion cewebritry e-commerce vs. traditional fashion commerce

### Cewebritry e-commerce

1. **Product concept + development**
2. **Sample post on cewebritry’s social media platforms/virtual store**
3. **Feedback from followers**
4. **Production**
5. **Display on cewebritry’s online store**

**One or two weeks**

### Traditional commerce

1. **Product concept + development**
2. **Sample to merchandisers**
3. **Buying plan & pending for approval**
4. **Buying**
5. **Production**
6. **Store display**

**One or two quarters**

**Observation**: shorter lead time and quick respond to market

Source: compiled by Fung Business Intelligence
1. New capabilities along the traditional supply chain are required for facilitating an agile supply chain model backing up the cewbrity economy.

2. It is expected that more fast fashion and lifestyle brands will cooperate with fashion cewbrity to reach a targeted market, e.g. the millennials.

3. It is expected that more brand owners will cultivate their own cewbrity e-commerce with the support of their own expertise in more sophisticated supply chains.

Source: compiled by Fung Business Intelligence
Contacts

Management Theories and Business Models

Winnie Lo
Senior Research Manager
Tel: (852) 2300 2488
Email: winnielowl@fung1937.com

Gordon Lam
Email: gordonlam@fung1937.com

Designer: Chung Cheng

Fung Business Intelligence

10/F, LiFung Tower,
888 Cheung Sha Wan Road,
Kowloon, Hong Kong

Tel: (852) 2300 2470
Fax: (852) 2635 1598
Email: fbicgroup@fung1937.com
http://www.fbicgroup.com/

© Copyright 2016 Fung Business Intelligence. All rights reserved. Though Fung Business Intelligence endeavours to have information presented in this document as accurate and updated as possible, it accepts no responsibility for any error, omission or misrepresentation. Fung Business Intelligence Centre and/or its associates accept no responsibility for any direct, indirect or consequential loss that may arise from the use of information contained in this document.