



Cewebrity Economy in China (2) Supply Chain of Fashion E-commerce

Management Theories and Business Models

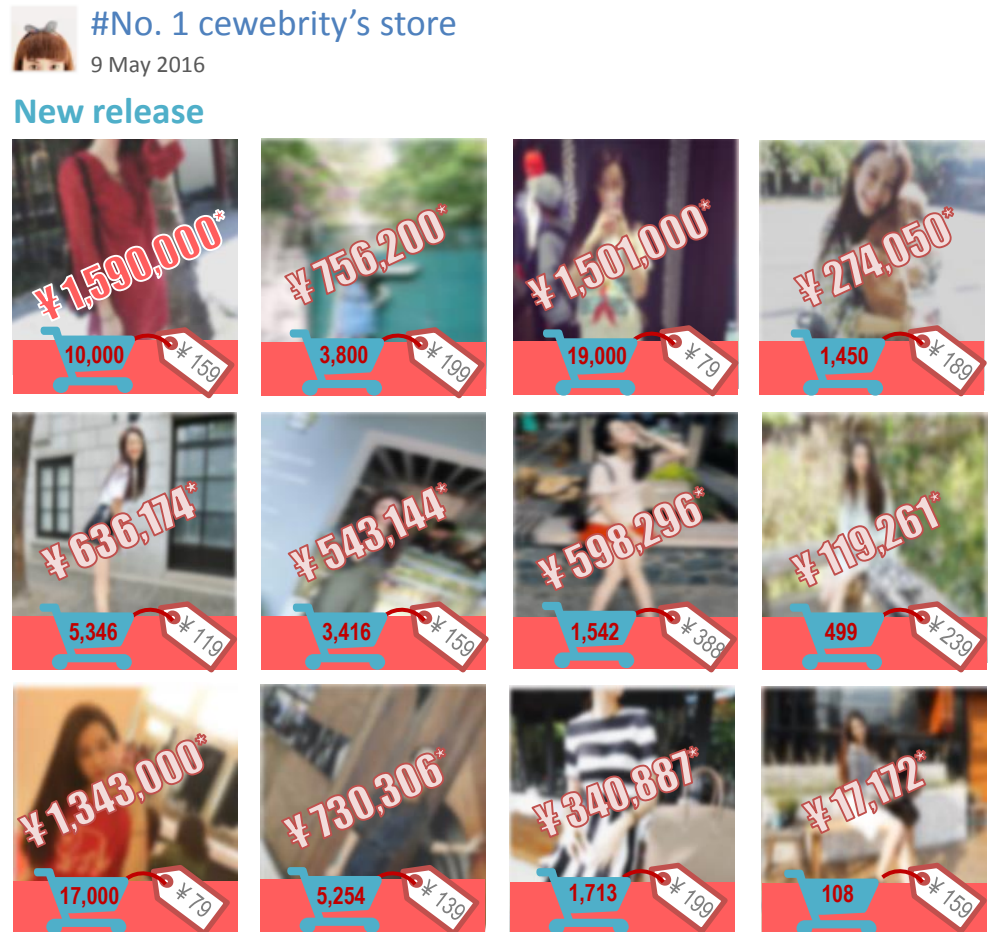
Winnie Lo, Gordon Lam

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How **BIG** is the e-commerce market of fashion cewebrity#???

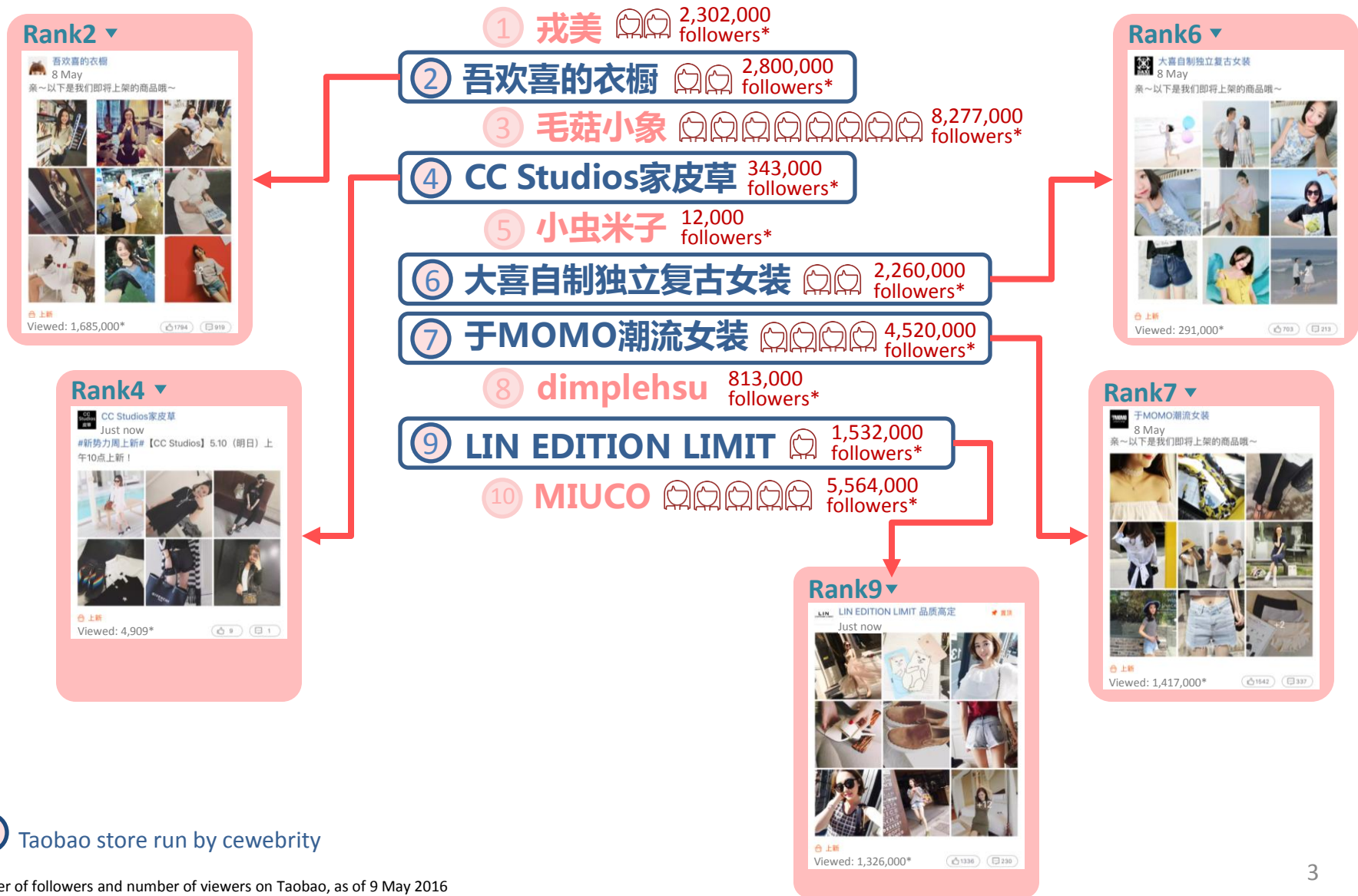
The best cewebrity's store on Taobao (Lady's wear) earned **> RMB 60 million on Singles Day in 2015**, in terms of GMV

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

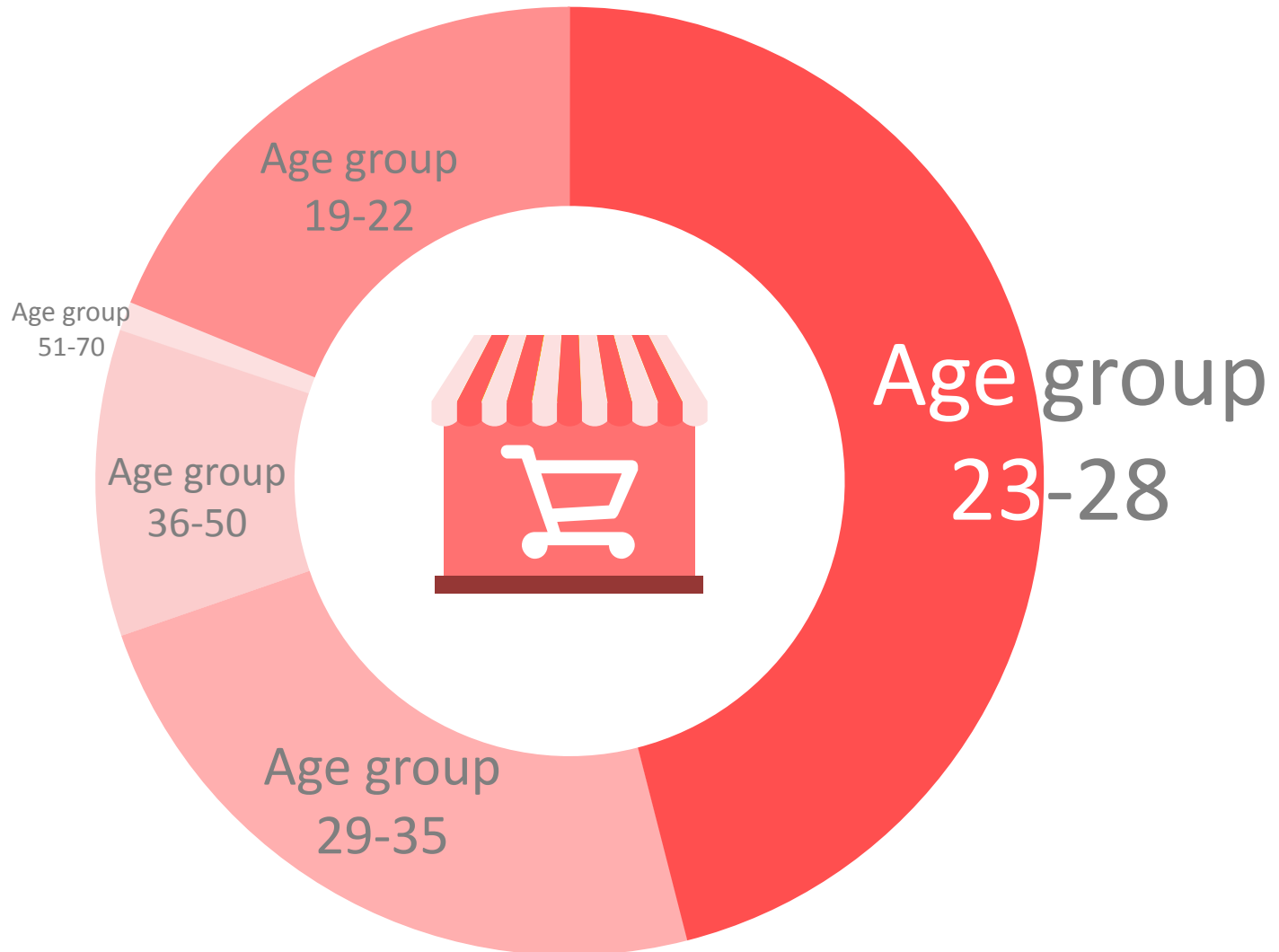
1/2 Among the Top 10 Taobao stores (Lady's wear - 2015), of the stores are launched by fashion celebrities



Taobao store run by celebrity

*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?



Various marketing channels in China's fashion market



Traditional retail

Location! Location! Location!

Shopping

Shopping experience



E-commerce

Posts on e-commerce platforms

Search engine

Attract eyeballs



Cewebrity e-commerce

Posts on multi platforms

Follow cewebrity

Gain trust

VS.

VS.

VS.

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VS.

Competitiveness of cewebrity'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)

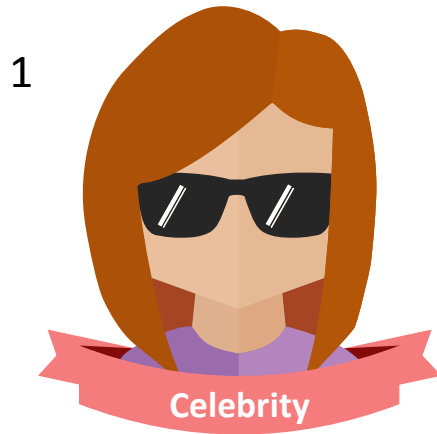


Low marketing cost
(plenty of followers)



High conversion rate
(market to targeted segment)

How to become a fashion cewebrity in China?



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



Start as an web blogger, vlogger, fashion guru , etc.



Partner with cewebrity incubator/ agent

Observation

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

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)

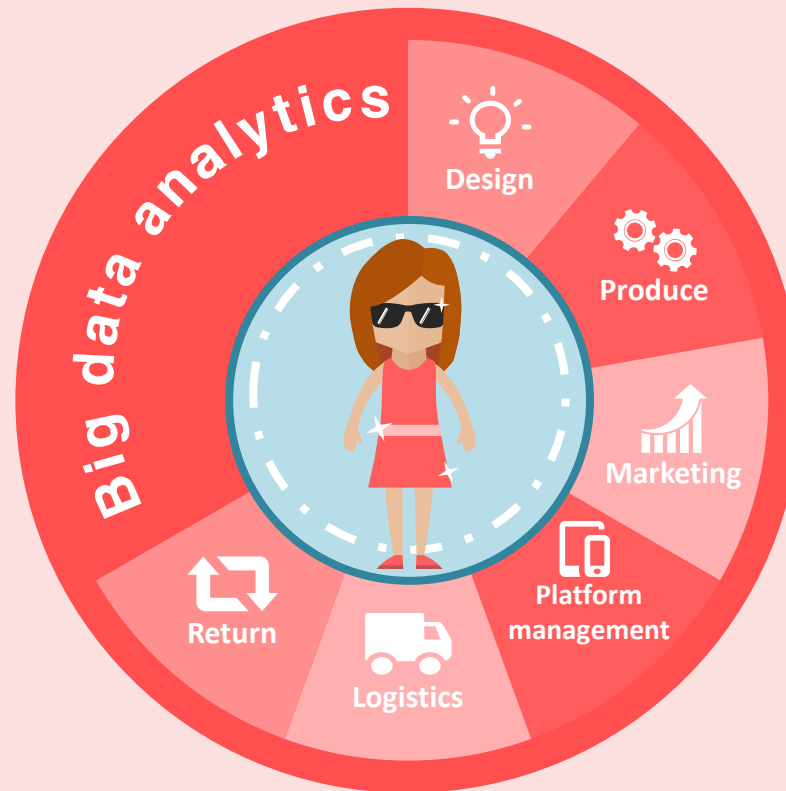


Manage supply chain of fashion e-commerce

Why involve cewebrity agent?



2. Fashion e-commerce supply chain is too complicated to be managed by an individual cewebrity alone



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.)

Case: Cewebrity agent – RUHNN (如涵)

Operation model:



Cultivate potential fashion cewebrity on multiple social media platforms (mainly on weibo)



Transfers the weibo traffic of fashion cewebrity to their Taobao store(s)



Operate the supply chain of the fashion cewebrity , such as design, production, logistics, etc.

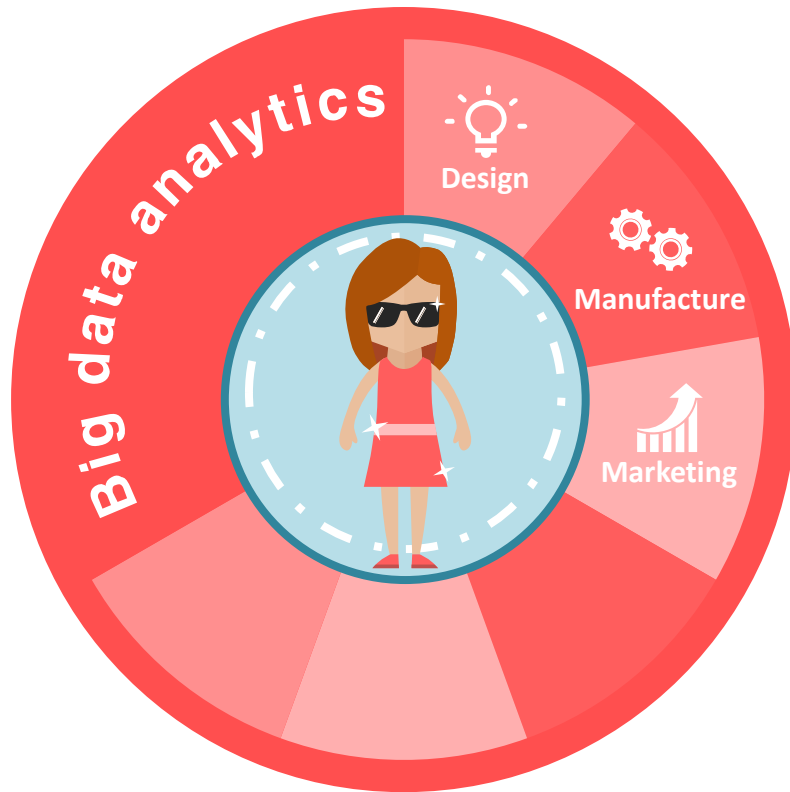


Operate and manage the Taobao store(s)

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%)

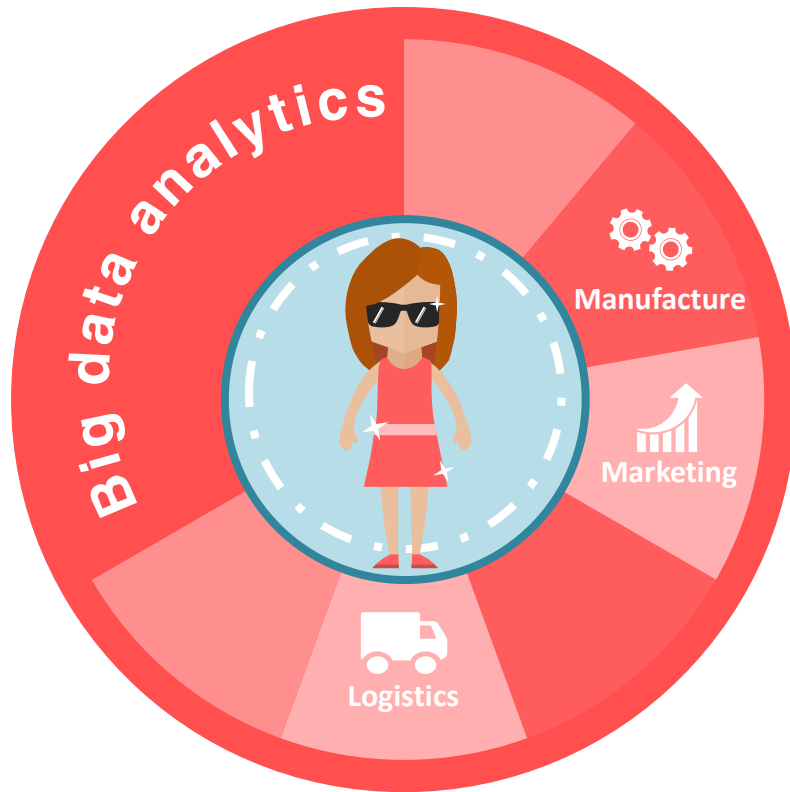
Features of cewebrity fashion e-commerce supply chain



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

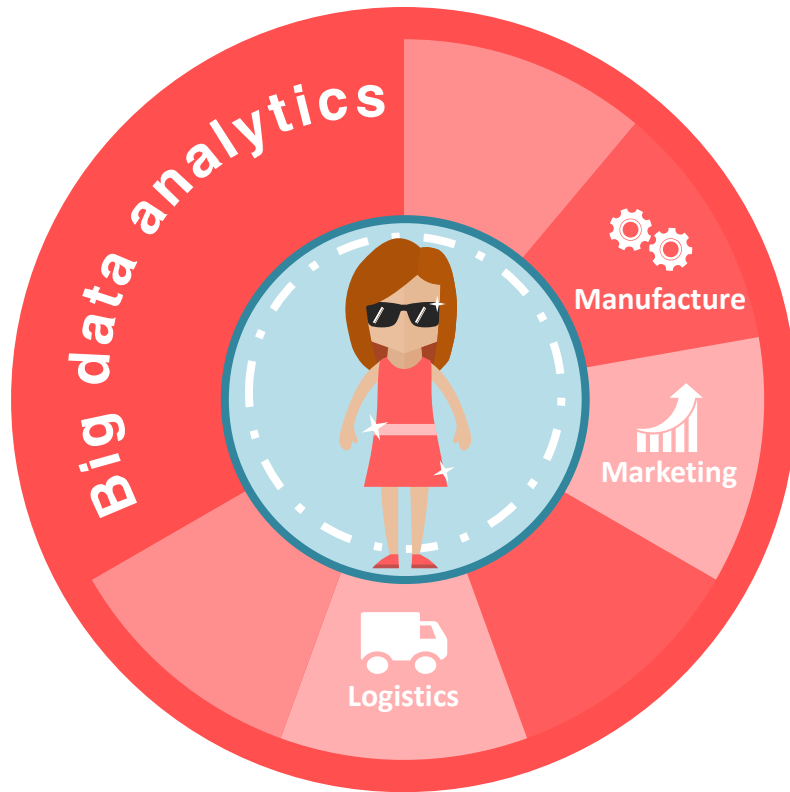
Features of cewebrity fashion e-commerce supply chain (Cont'd)



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'. Cewebrity/ agent then has to liaise with OEM for production. The delivery lead time is around 5 to 7 days*

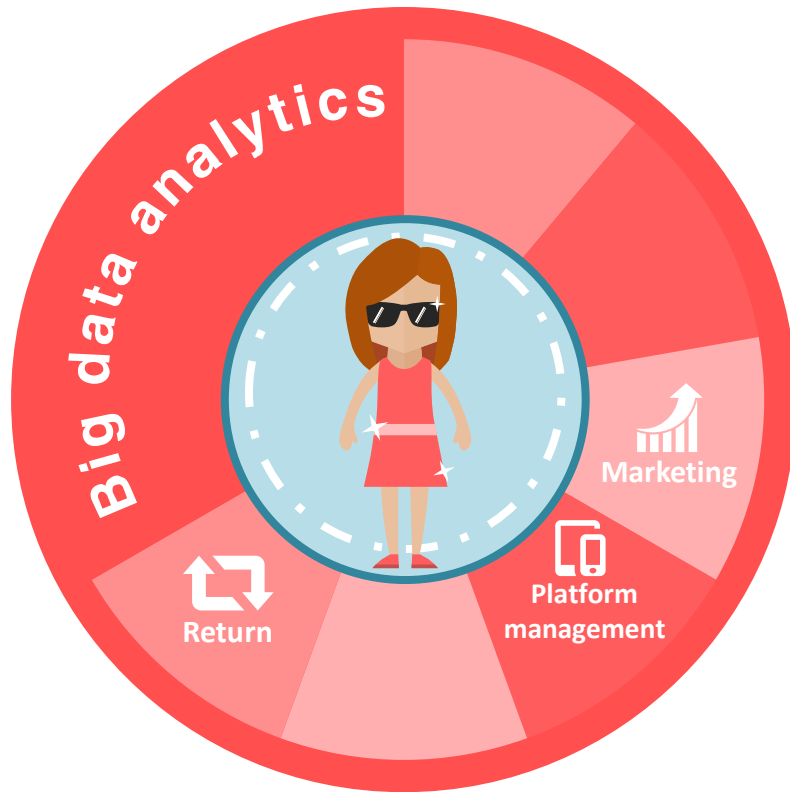
Features of cewebrity fashion e-commerce supply chain (Cont'd)



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*

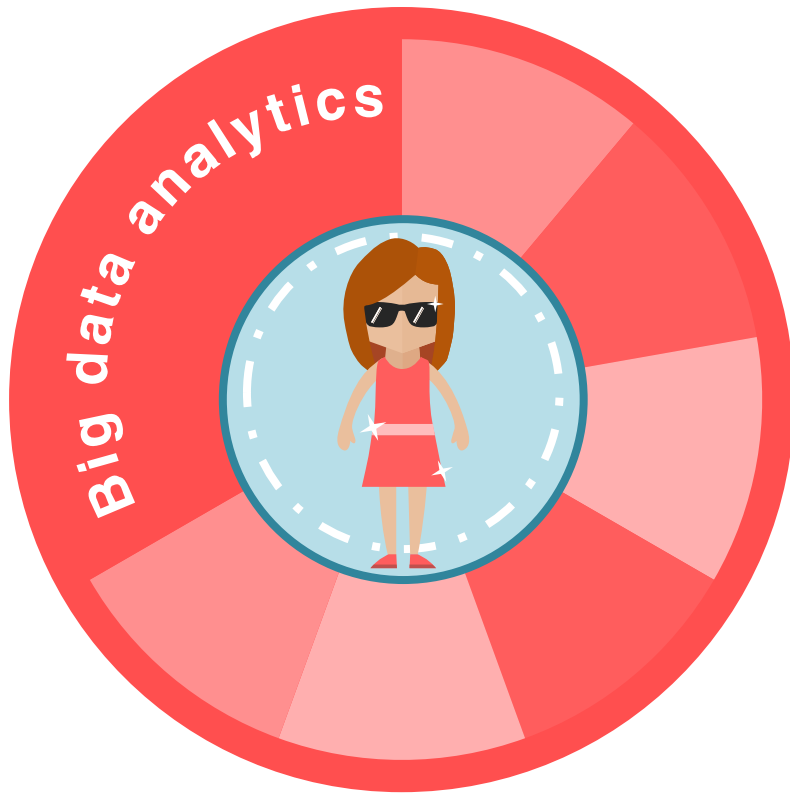
Features of cewebrity fashion e-commerce supply chain (Cont'd)



Brand management

- Short business life cycle of the cewebrity
- 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

Features of cewebrity fashion e-commerce supply chain (Cont'd)



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



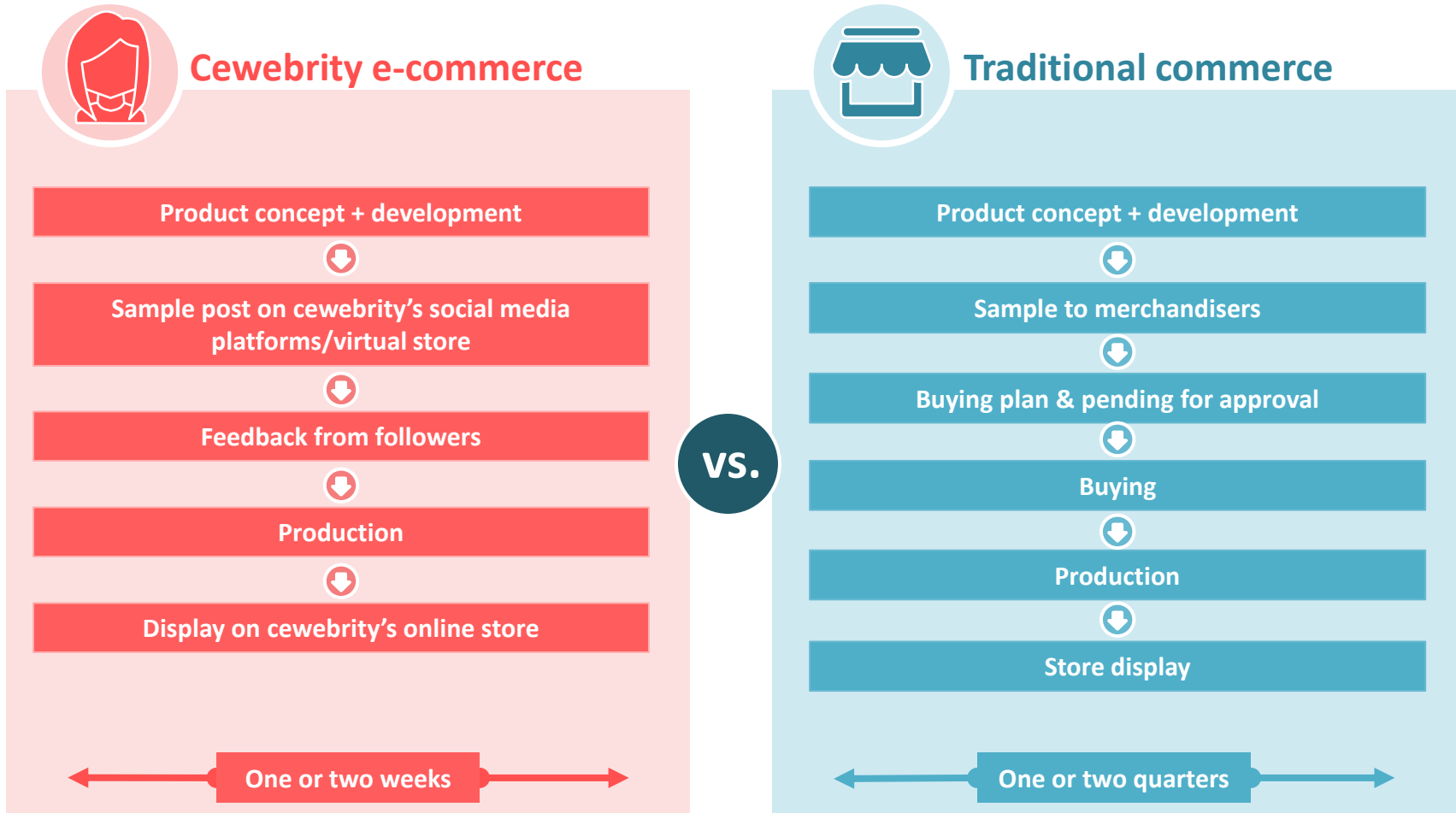
IP issue: lack of design capability, copycats and 'borrowing' design concepts from branded goods



Regulations on UGC* and advertisement by government authorities in the long run

Supply chain

Fashion cewebrity e-commerce vs. traditional fashion commerce

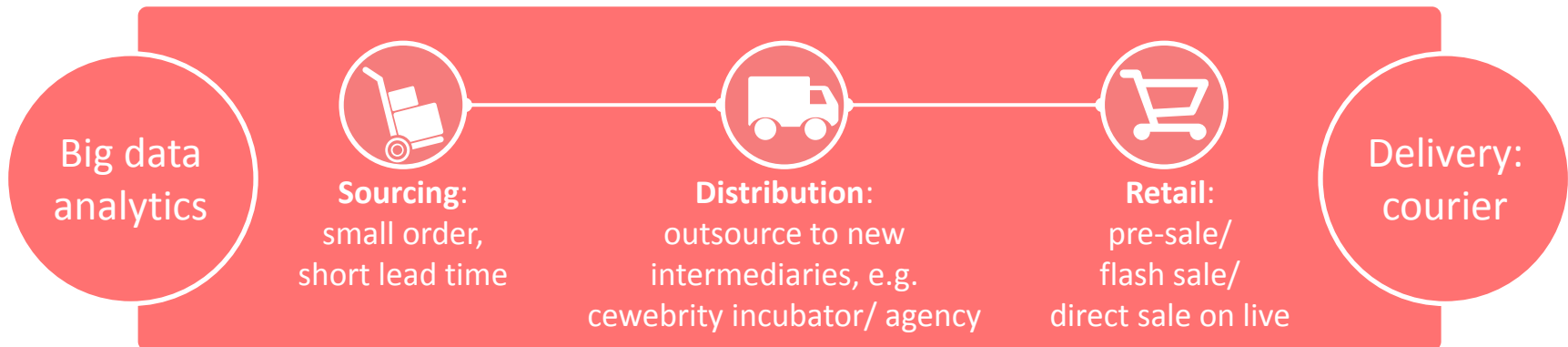


Observation: shorter lead time and quick respond to market

Closing

1. New capabilities along the traditional supply chain are required for facilitating an agile supply chain model backing up the cewebrity economy
2. It is expected that more fast fashion and lifestyle brands will cooperate with fashion cewebrity to reach a targeted market, e.g. the millennials
3. It is expected that more brand owners will cultivate their own cewebrity e-commerce with the support of their own expertise in more sophisticated supply chains

The supply chain of cewebrity economy



Contacts

Management Theories and Business Models

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