Challenges of Traditional Fashion Retailers in 21st century’s booming online fashion market

Olivia Sütő

BA in Business and Management

2018

Thesis Supervisor: Dr. Miklós Stocker
STATEMENT ABOUT THE PUBLICITY OF THE THESIS WORK

Name (please provide in capital letters): OLIVIA SÜTŐ
Bachelor program, name of the program: Business and Management

I hereby make the following decision about the publicity of the electronic version (pdf document, reading, saving and printing allowed, processing not allowed) of my Thesis Work.
I allow (please underline your choice):

FULL PUBLICITY
The Thesis Work can be downloaded from the library’s website from Thesis Works/ TDK data base (http://szd.lib.uni-corvinus.hu/), from everywhere on the internet in the form of a pdf document.

LIMITED PUBLICITY
The Thesis Work can be downloaded from the Library’s website from Thesis Works / TDK database (http://szd.lib.uni-corvinus.hu/), exclusively from the area of the Corvinus University of Budapest in the form of a pdf document.

NOT PUBLIC
The Thesis Work cannot be included in the register of the Central Library of Corvinus University of Budapest in any form (neither bibliographic description nor partial or full text).

Budapest, 9 October 2018.
Table of Contents

Introduction .......................................................................................................................... 1

1. Competitive strategies in the fashion industry ................................................................. 3
   1.1. Competitive strategy ................................................................................................. 3
       1.1.1. Competitive Advantage .................................................................................. 4
       1.1.2. Generic strategy ............................................................................................... 5
       1.2.1. Porter’s Five Forces in the fashion industry ................................................... 6
   1.3. Marketing strategies in the fashion industry ............................................................... 8
   1.4. Retail strategies in the fashion industry .................................................................... 10
   1.5. Omni channel retailing’s importance in the fashion industry ............................... 12

2. Methodological part – doing research by interviews & questionaries’ ......................... 12
   2.1. Survey Method ....................................................................................................... 13
   2.2. Interviews with top managers of the examined firms ............................................... 14
       2.2.1. Design of the interview ................................................................................... 14
       2.2.2. Characteristics of the candidates and their companies .................................... 14
       2.2.3. Strengths and weaknesses .............................................................................. 15
   2.3. Research questions done online .............................................................................. 15
       2.3.1. Design of the survey ...................................................................................... 16
       2.3.2. Characteristics of the sample ......................................................................... 16
       2.3.3. Strengths and weaknesses .............................................................................. 17

3. Omni channel retailing in The Hungarian Fashion Industry ......................................... 18
   3.1. Examined companies ............................................................................................... 18
   3.2. Interviews corroborated with the questionaries’ ....................................................... 19
       3.2.1. Past .................................................................................................................. 20
       3.2.2. Present .............................................................................................................. 21
       3.2.3. Future ............................................................................................................... 25
   3.3. Challenges of the companies .................................................................................. 28
       3.3.1. Human Resource challenges .......................................................................... 28
       3.3.2. IT challenges .................................................................................................. 29
       3.3.3. Logistic challenges .......................................................................................... 29
       3.3.4. Marketing challenges and strategies .............................................................. 30

4. Summary .......................................................................................................................... 32
   4.1. Discussion in findings .............................................................................................. 32
   4.2. Limitations ............................................................................................................... 34

5. References ....................................................................................................................... 34

6. Appendices ........................................................................................................................ 37
   Appendix A: Interviews .................................................................................................... 37
   Appendix B: Online questionnaire .................................................................................... 38
Introduction

Fashion industry was not always a hard business to enter, especially in Hungary. Before the accelerated growth of the industries, it was easier to create something new, something special without competition. Due to the fact that it was more difficult to get fashionable, and unique products, the perceived demand for these products was higher than now. Since then, the market grew significantly, and nowadays there is a huge competition under the companies because of the increased possibilities of retailing fashion products. In high fashion differentiation is the only strategy to follow, therefore each and every fashion retailer has to differ somehow in order to get people to buy their products. They can not compete only with their products anymore due to this companies have to choose a complex strategy to gain competitive advantage.

The initial purpose of this thesis is to identify the challenges, opportunities and the most suitable steps that must be taken by companies in the apparel industry in order to remain competitive on the market.

Possible challenges can be connected to the rapidly increasing customer expectations. Customers demand services which are immediate, fast and punctual. For example, consumers know that it is not that hard anymore to look after a lost package. According to Salesforce (2017), 64% of customers and 80% of business buyers expect companies to respond to and interact with them in real time. The opportunities given to each traditional or new fashion retailers are related to the newly arising marketing opportunities. Although advertising became somewhat easier in a way that it is easier to reach as many people as a possible, it is also becoming more complex which means that companies have to concentrate on advertising strategies more than ever. New fields occurred to compete on, which challenges companies in several ways. Each traditional fashion retailer must make the necessary and suitable steps in order to get with the occurring innovations with the ongoing digitalization. As customer expectations grew, and more platform were created to advertise on, each traditional company must reconsider their business and retail strategies. As firstly online retailing strategies became more popular, first multi than Omni channel retailing strategy come to the field of business strategies. These strategies are musts in order to remain competitive, due to the fact that these phonemes not only created new and unknown challenges but also new opportunities.
The paper would like to have a deeper insight in the whole online and offline retailing, by examining different levels and groups of fashion retailing. With these different methods and strategies, the company’s perceptions will be explored on their strategic decision about retail strategy and these will be contrasted with the customer’s perception. To get deeper understanding on the selected research questions the following propositions were created:

Proposition 1.: customer pressure push retailers to change their traditional business model in the fashion industry.

Retailers in the fashion industry also have to understand that the industry and the market evolves constantly. In the 20th century an inbound approach towards customers was accepted as a sustainable business strategy, the 21st century’s market demands more from retailers. Strong companies must provide reliable information about what they sell, so the information lead the targeted audience to purchasing.

Proposition 2.: online marketing became success factor in the fashion industry in the 21st century’s booming online fashion market.

It is time to reconsider outdated marketing strategies of some traditional fashion retailers. It might just become a deciding factor when attracting diverse customer segments. A healthy mix of online outlets and offline channels is crucial to sustain a strong brand image with the necessary excellent reputation.

The propositions going to be explored with qualitative and quantitative analysis to capture the soft and hard features of the industry. Qualitative analysis will be based on three case studies which will be done on three leading Hungarian brands. Two of them are traditional fashion retailers in the Hungarian industry, and one of them just popped into the market. In-depth interviews were made with the CEO’s of each company. Quantitative analysis was used to present the importance of online surfaces, in the form of questionnaires which were filled out by more than 400 people.

At last but not least, an analysis of the interviews and the questionnaires will be done, in order to see whether the theoretical background can be linked to the propositions, and to see if the theories and conclusions are confirmed. The study finishes with a conclusion with describing the results of the case study approach underpropped with the findings of the questionnaires’, and at last but not least with the limitations of the study.
1. Competitive strategies in the fashion industry

The Internet’s role is becoming bigger and bigger in the life of fashion retails. Not only, because it gives them a wider area to advertise, but also customer expectations are becoming more internet orientated, and e-commerce is also becoming more popular. The Internet may be one of the possible tools when a firm wants to change to a more competitive strategy in order to gain their competitive advantage.

1.1. Competitive strategy

According to Porter, “an effective competitive strategy takes offensive or defensive action in order to create a defendable position against the five competitive forces. Broadly, this involves a number of possible approaches: (i.) positioning, (ii.) influencing the balance, (iii.) exploiting change.” (Competitive strategy, cop. 1980.)

Competitive strategy is also an important aspect that companies must consider. All firms differ in terms of their attractiveness, and in their capabilities of earning high profits. As it is stated in the Fundamentals of Strategy (2018.), “one key determinant of profitability is the extent of competition, actual or potential. Where competition is low, and there is little threat of new competitors, participating firms should normally expect good profits.” According to Porter, an attractive industry structure is one that offers good profit potential. (Competitive Strategy, Techniques for analyzing industries and competitors, 1980.)

Porter’s Five Forces Framework helps each industry to understand their attractiveness based on five competitive forces. 

(i) threat of entry: the difficulty of entering the industry which can increase the competition between the participants. New entrants can find ways in order to make their products unique. As it is stated on pestleanalysis.com, the industry in the state of “high risk, high reward”. There can be barriers to entry, which are the factors that new entrants have to deal with if you want to compete in an industry. According to the source, these barriers can be: sale & experience, access to supply and distribution channels, expected retaliation, legislation or government action, differentiation.

(ii) threat of substitutes: the threat of similar products on the market. It can reduce de demand for the products, as customers can change their habits and be familiar with an other retailer, with same quality and price.
(iii) **power of buyers**: buyer are the firm’s immediate and direct customers. If these customers are powerful they can demand lower prices which can drive the companies with reduced profits.

(iv) **power of suppliers**: those who get the needed supplies for the company, such as raw materials, equipment and can also include labour and sources of finance. The power can be increased opposing to the buyer power.

(v) **extent of rivalry between competitors**: existing incumbents in an industry. Basically they are rival firms with similar products and series, designed and made for the same customer group. The five forces can be relevant to almost every firm. It can help the management with a useful starting point when doing strategic analysis. Also if some companies are already in the market, it can help them to know whether to bring new products or not, as the customers are so powerful of bringing the prices down. It helps companies to make good strategic steps in the future, also if they do over and over again the Porter Framework in their own industry. (Fundamentals of Strategy, 2018 p. 28-35)

### 1.1.1. Competitive Advantage

Every company must consider *competitive advantage* when making business strategy steps. Competitive advantage has several different aspects, and definitions.

Barney states that “not all firm resources hold the potential of sustained competitive advantages. To have this potential, a firm resource must have four attributes: (a) it must be *valuable*, in the sense that it exploits opportunities and/or neutralizes threats in a firm’s environment, (b) it must be *rare* among a firm’s current and potential competition, (c) it must be *imperfectly imitable* and (d) there *cannot be strategically equivalent substitutes for this resource.*” (Barney, 1991 p. 105-106). As stated by Barney “firms that generate higher return than were expected by stockholders (at constant levels of risk) have a *competitive advantage*.

Using both online and offline channel can help companies to *increase customer experience* through almost every available touchpoint. The increases customer experience can result in the increased *value* of a firm. (Journal of Interactive Marketing, 2004.) By considering Omni channel or multi-channel retailing, companies can conclude that their task, to be everywhere is easier than it was before. As traditional firms introduce these strategies before the competing firms, they can increase their efficiency or/and effectiveness efficiency or effectiveness in ways that competing firms are not based on
the definitions of Barney. By changing the traditional brick-and-mortar strategy, if we consider a firm with only an online surface (for example: only has a webshop), the company is capable of increasing its available products by broader products lines, and still has reduced cost due to the fact that store’s equipment’s and other store costs can be avoided. Although, shoppers also have the possibilities of comparing each retailer’s prices on the online surface, which can be one of the advantages of the digitalization, (which in turn decreases the margin of the companies) but all competitors have insights on other company’s data’s, prices etc. As stated by Kuttner in the study of “Consumer behaviour in an e-commerce”: “The internet is a nearly perfect market because information is instantaneous and buyers can compare the offerings of sellers worldwide. The result is fierce price competition and vanishing brand loyalty.” As Salesforce (2017) suggests that customer loyalty can be increased by customization, convenience and with the increased opportunity customers have to contact the firms. While on the other hand an other study states that the main factors to raise customer loyalty are differing along the channels (Srinis S. Srinivasana, 2002). Why should companies increase these factors? Loyal customers tend to repeat their purchases, which means that a loyal customer spends more than a new customer. They will search for new items in your store before than checking out an other store, and can also create cross selling products. Also, an article posted on Forbes, contains the “world of mouth marketing” as the most valuable form of gaining loyal customers with increased satisfaction. As it was mentioned in the beginning of the work, it is really important that all people and customers have a good feeling, knowledge about your brand, to have an increased customer experience. Your loyal customers can be your trustworthy information spreader. (Forbes, 2014.)

All in all, a loyal customer base should be vital section of any business strategy for every company due to the fact that it is becoming more important than to just overlook because of new customers. Loyal customer base can be achieved by maximizing costumer satisfaction by integrating online and offline touchpoints. The suitable steps are not enough; firms also have to consider generic strategies.

1.1.2. Generic strategy

Traditional companies can possibly survive with concentrating on the five forcers, but there are also three potential generic strategic approaches by Porter which can help every company to beat other competing firms in an industry.
The first generic strategy is the overall cost leadership. According to Porter, managerial attention must be focused on to the cost control, due to the fact it is necessary to accomplish the goals of the overall cost leadership. It aims to achieve cost decrease, tight cost and overhead control, and cost minimization in several departments of a firm, such as service, sales force, advertising. Low cost compared to competitors is the main part of this strategy. Nevertheless, companies should not overlook the importance of quality, service and other important areas. This so-called low-cost position can secure the firm contrary powerful buyers due to the fact buyers can dedicate power to decrease prices to the level of the next most efficient competitor. Also, low-cost position can provide significant entry barriers in terms of cost advantages. Once companies achieve it, it can provide high margins which than can be put into innovating facilities of a company. (Competitive Strategy, Techniques for analyzing industries and competitors, 1980.)

The next generic strategy is about differentiation the products or services offered by a company, providing uniqueness to the products. Here the defensible position is created by offering unique product which can drive the company to above-average returns. According to Porter, it can also increase margins in such ways that can avoid the need of low-cost position on the market. (Competitive Strategy, Techniques for analyzing industries and competitors, 1980.).

The last one is the focus, which means focusing on certain or exact customer groups, segments of a product line, or segments of geographic market. The companies aiming to have the focus strategy also have the possibility of earning above-average returns for its industry. (Competitive Strategy, Techniques for analyzing industries and competitors, 1980.).

As it was is written than several times by Porter, companies can concentrate either of the above mentioned generic strategies, they can achieve above-average revenues, which is why all firms must consider each one deeply.

1.2.1. Porter’s Five Forces in the fashion industry

Competitive strategy varies from industry to industry, and each industry works in a different environment. As stated in the Fundamentals of Strategy (2018), environments give each firm “their means of survival”. The environment creates opportunities for the companies, which they must take advantage of. There are several layers of the environment. Macro-environment is the highest-level layer which can be analysed with
the PESTEL framework. It is followed by the industry layer which is made up of all the firms which are producing or making the same sort of products, or services. Here the previously introduced Porter’s Five Forces framework can be used in order to understand deeply the attractiveness of an individual industry, and to filter out the probable threats. The last layer is the competitors and market that are most direct surrounding a particular organisation. (Fundamentals of Strategy, 2018.)

The threat of entry on the fashion market can be described as easy to enter. Although it is easy to enter, it is hard to create something unique that people will find interesting and will make them buy those products. Fashion manufacturer’s industry is characterized by short product life cycles and high level of competition (Fernie, Moore, Lawrie & Hallsworth, 1997). The short product life cycles also mean that fashion industry is one of the rapidly changing industries, which was reasoned by Frings: people need change, people get bored with what they have and changes in fashion can be indicated with change in up-to-date events. If the entering companies are capable of accepting these changes, they can enter the market and begin to compete with the traditional companies. The threat of substitutes in the fashion industry is hard to describe, due to the ongoing changes and the booming Far East production of clothes. Big companies are outsourcing their production; they can order only huge number of clothes to reduce the cost of production. Companies can remain competitive if they provide uniqueness aside of their products. This uniqueness can be in the packing of the products, or in the service that people receive when shopping the clothes. The power of buyers depends on which segment is aimed by the fashion retailer. In the fashion industry luxury and necessity products can be differentiated. The power of suppliers can be similar to the buyer powers only in the contrary way, as companies like to outsource their manufacturing to the Far East. According to “Custom brand apparel” (2016), the most famous clothing manufacturing countries are the follow low labor-cost countries: Bangladesh, Pakistan, India and China. Here, the quality can be similar, and can compete with the manufactured clothes from North America and Europe. The extent rivalry between the existing incumbent is relatively high, since the era of communism ended and gave free way of bringing in newer and newer product to the (Hungarian) fashion market. Furthermore, a so-called fast fashion also has to be considered, which is “an approach to the design, creation, and marketing of clothing fashions that emphasizes making fashion trends quickly and cheaply available to consumers” as it was stated on Merriam-Webster.
All the facts that can be connected that traditional fashion retailers have more competitors than they had before due to the ongoing outsourcing, which must be considered when they are producing their own products (it is another case when they are working as resellers of bigger brands), and can lead them think about increasing their company’s value. The threat of entry is high due to the missing entry barriers, and the threat of substitutes is high, as lot of companies are outsourcing their manufacturing and also due to fast fashion products.

1.3. Marketing strategies in the fashion industry

*Functional strategy* helps to improve and specify business strategy, and defines the leading of the functional actions. Functional strategy appears almost all of the important departments in a company, such as marketing, production, human resources, research & development (Antošová: Stratégiiai menedzsment, 2007). According to Papula & Papulová (Strategy and strategy management, 2012) aims to solve mainly the mentioned departments. In appeal retail, marketing has a key importance due to the fact that the products of fashion retailers are not must have products, necessities, people can easily live without them. Due to this each and every fashion retailer company has to convince people that their products are better than the other ones, and that they differ somehow for example in quality or in price. Effect from external environment is essential for business, therefore before creating the brand companies have to consider the macro environment, the industry structure and even their own resources and capabilities. Companies can lay down the practicalities of their own brand. As good as they do it, they can grow customer satisfaction – and it’s a well known fact, that when a customer experiences something wrong, they tell it to more people than when they experience something good. It is better to not known, than to known to be bad, right? Customers of the 21th century, not only demand to have respectable relationship with the firms but they are looking for experiences which are appealing and memorable. (Pine II., 1998). Meyer and Schwager defines customer experience as the “internal and subjective response that customers have to any direct or indirect contact with a company”. (Christopher Meyer, 2007). If this experience is high, and positive, the customer more likely to return to the brand, and continue shopping. If thins happens, the company must focus on that the brand have to be the experience for a previous happy customer, to maintain his or her happiness. After this, what remains that the products must be good quality products, to prevent the
dissatisfaction of the happy customer. As the article ‘Towards the perfect customer experience’ states, back in time it was not that important, and it is becoming more and more important nowadays, which means that companies have an important thing to focus on. The article also mentions the changed service expectations of the customers.

When offline marketing was trending, customer experience was given by how the retailer’s shops look, how customers are treated in, and what can they get on what price. With the “online experience” there are several new touchpoint, where these experiences can be expanded in more comprehensive way. Not only businesses changed by the appearances of the internet, but marketing environment also changed in a big way, due to the fact, that as the internet occurred a new and cheaper platform occurred for companies to advertise themselves. Flyers, newspapers and billboards are becoming laps, faxes are not even used and younger people are not even watching TV as much as they did back in 5 years. Customer experiences can be maximized by communicating with the customers through the online platforms, and also giving physical presence of the products-by this, multi-channel strategy occurs. If companies only consider that with the appearance of the online platforms, they have to possibility to “speak” to their customers daily and give several impulse on their products and discounts regularly, it is a major advantage.

Online marketing started in the mid 90’s, before that companies could only lean on the offline marketing tools, which was not even cheap, or environmentally friendly. If we only consider flyers, or newspapers, printing was expensive, and basically every offline marketing tool almost needs papers and printing. CSR is also becoming more and more important for the companies – according to the Fundamentals of Strategy, CSR “is the commitment by organizations to “behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large”. CSR can help the customers to have a positive feeling about a firm, for example if the firm sells its products in environmentally-friendly packages, or not using plastic bags.

All traditional companies have to manage a change in their marketing environment how the world changed, they have to have a deeper understanding on the internet given world, and although first it is not seem to be connected, but they have to connect their marketing strategies in the way of succeeding in customer experience, and increase customer satisfaction.
1.4. Retail strategies in the fashion industry

According to mbaskool.com, “Retail strategy is a holistic marketing plan for a product or a service to reach and influence the consumers. This strategy covers everything from what retail channels a product or service will be available in to what should be the price or sales incentive to be given and how to display the product in the shelf.” Traditional companies have to consider these strategies deeply if they want stay on the market as a competitive firm. There are several types of retail strategies that can be spoken of.

From the traditional brick and mortar strategy through multi-channel retailing to Omni channel strategy. The traditional one is in need of the physical presence of a business in a building or in some other form. Which can be presented in retail shops, factories, warehouses, basically it has no connection with the rapidly developing e-commerce. The second, is defined by Neslin from customer management perspective, “as the design, deployment, coordination and evaluation of channels to enhance customer value through effective customer acquisition retention and development.” (Scott A. Neslin, 2008). It is nothing else than adding some more channels to the currently existing ones. In the beginning these channels were: websites, mail-ordered catalogues. The previously discussed multi-channel strategy moved to the Omni channel one, which is described as “an integrated sales experience that melds the advantages of physical stores with the information-rich experience of online shopping.” (Rigby, 2011.) The difference must be highlighted between multi-channel and Omni channel management, because in both ways the managers have different scopes, and have they focus on different things. While multi channel management concentrates only on basic interactive things: store, website and catalogues, Omni channel management takes into consideration way more channel, such as mobiles, smart phone, social media and even concentrates on mass communication channels (TV, Radio). Omni channel retailing is more likely to focus on providing a whole superior retail experience, and takes into consideration the effect of each and every touchpoint has on brand and retail performance. (Peter C. Verhoef K. U., 2008).

To understand the complexity of the previously mentioned retailing strategy, the following framework is presented. It takes a consumer centric focus, such as the two axels answer to two sample difficulties: Where will the shopper obtain the information about his or her interest? Where will the transaction happen? (David R. Bell, 2014). The dispute
between the two authors is about maximizing their performance, and at the same time fulfilling customer needs along all four parcels. Along the difficulties we can differentiate four ways of serving customers.

Figure 1.: David R. Bell, 2014

The traditional retailing, is connected to the brick and mortar strategy, where people can touch and feel the physical product in stores, or warehouses and purchase them right after they saw it. The two structures after them, are kind of a hybrid one. The second is the one where a customer checks out the product through an online surface, and after that goes to the picked store, and purchases the product. The second one is prevalent in the case of younger fashion designers, when they have a store, which is called “showroom”, this is similar to the second one, only in the other way. The customer can go to the store, choose a liked product and than after is shop it online. Both have their advantages, the shopping & delivery benefits its customers in a way that they can enjoy the positive sides of online shopping, but also the offline world. The other one helps the shoppers with the physical presence of the goods, and after he or she can also enjoy the goodness of home delivery.

The writers of the article (and the framework) gives focus to that Omni channel experience lies in the second and the third type of firm and customer interaction. Due to the fact, that in order to let these strategies, companies have to allow to their shoppers to gain information both online and offline surfaces, and than both have the choice of purchasing the product. (David R. Bell, How to Win in an Omni channel World By, 2014)

All in all, the Omni channel strategy encompasses all the other strategies in one big format, which means that this strategy is built up on the other ones.
1.5 Omni channel retailing’s importance in the fashion industry

When the previously mentioned aspects and theories are examined by the top management of a company, they can get to the conclusion to change their strategy, and sooner or later get to the Omni channel retailing strategy. Most suitable steps are moving from the traditional brick and mortar strategy toward the Omni channel strategy, by maximizing their knowledge on the other strategies.

The top managements of traditional fashion retailers must have an opinion about the possibility of Omni channel strategy as the new essential tool in business, which can create more possibilities than ever for them. As continuous technological advancements and the growth of online marketing changed extremely in the past years, the retail strategies also moved into this direction. As it was previously stated this kind of retailing strategy is nothing else, then using a variety of channels to interact with buyers which ends in fulfilling their orders. The seller provides information on the product, such as price of the product, the exact material of the product etc., and the customer transfers money to the retailer. Than receives the product through delivery.

“We argue that a well-structured Omni-channel supply chain can be both cost effective and responsive to customer needs by exploiting the complementary strengths that online and brick-and-mortar retailers bring to the supply chain.” (Sunil Chopra, 2015.)

As before the 21st century, retailers had less resources, but they had more chance of increasing the value, and rarity. Nowadays as the world evolves, and more and more technological advancements are coming to the surface, traditional fashion retailers must consider the suitable steps that they should take in order to maintain their positions on the market.

2. Methodological part – doing research by interviews & questionnaires’

Strategic choices must be considered deeply by companies in order to remain competitive. The paper genuinely aims to distinguish these strategic capabilities, by doing three case studies on three leading Hungarian brands. The three Hungarian fashion
retailers were: Griff Collection, Roland Divatház and Design by Mando. Case studies are beneficial in this case due to the fact that it helps the research to have a deeper insight in the life of traditional fashion retailers and also highlights their point of view. The three chosen companies are similar but also different in several ways, thus diverse opinions can be featured. The case study also gave the research the possibility of analysing company documents, and doing interviews with the CEO’s of each firm. The interviews were in-depth interview, which is according to Pathfinder “In-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation. “(Pathfinder, 2006.) Also, online questionaries’ were filled out with more than 400 people, which helped the research to strengthen (or not) the opinion of each CEO and underprop properly the case studies.

2.1. Survey Method

In this work, a case study approach is used, conducting both interviews and questionnaires in order to have a deeper understanding on the whole topic. By analysing both qualitative and quantitative data, we would have a reasonable, stabile and reliable outcome. As Tashakkori and Teddlie (2003) claim that several methods are useful when conducting a survey. Firstly, different methods can be used for different purposes when conducting a survey. “You may wish to employ, for example, interviews at an exploratory stage, in order to get a feel for the key issues before using a questionnaire to collect descriptive or explanatory data.” (Combining Qualitative and Quantitative Approaches, 1998.)

The key importance of the qualitative research was to become familiar with the thinking of the CEO’s, and get to know how they feel about the technological advancements. As we have two older CEOs, and one young we can also see the difference in their answers, and their frame of mind. The applied interview method is called semi-structured interview. It is a formal one, with an interview guide which is a list of questions that need to be answered at the end of the interview. It is a great way, because not only the previously decided questions can be asked, but also able to follow “upcoming” topics, when it is needed. The qualitative research was underpropped with the quantitative research, which was in the form of a questionnaire.
2.2. Interviews with top managers of the examined firms

In-depth interview is a qualitative research technique that involves conducting individual interviews with a reduced number of respondents to analyze their perspectives on a particular idea, program, or situation (Boyce & Neale, 2006). It can also be used to gather perceptions, opinions and attitudes (Harrell & Bradley, 2009). In order to prevent data loss, audio recording was used. It not only helps to prevent data loss, but also later can highlight some hidden sentences, or words.

2.2.1. Design of the interview

The interview’s strictures were the following. They were completely a one to one interviews, in order to avoid a group dynamic or any impacts coming from other persons interviewed, and focused exclusively on one person and their thoughts, and point of views. They were no longer than 45 minutes, done in a peaceful environment due to avoiding any actions coming from outside that can disrupt the candidate’s attendance. The aim was to ask questions mainly based on their opinion on the newly appeared technological advancements. The three sections of the discussion were based on their strategical experiences, and opinion’s on the past present and future business opportunities, strategies, experiences.

2.2.2. Characteristics of the candidates and their companies

When choosing the right interweaves, it was evident that it is must be done with the top managers of the three examined companies; the two traditional ones, and the one “modern”. After the three participants accepted doing the interviews, they were done in 2 days. At the end the research had some really mixed answers, but in the conclusion all three participants were telling the same thing. The name, size of the company, and years practicing in the business Is indicated in the following table:
<table>
<thead>
<tr>
<th>NAME OF THE CANDIDATE</th>
<th>NUMBER OF EMPLOYEES</th>
<th>NUMBER OF WORKING YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZOLTÁN SŰTŐ</td>
<td>100</td>
<td>30</td>
</tr>
<tr>
<td>ANDRÁS BERENDI</td>
<td>100-150</td>
<td>20</td>
</tr>
<tr>
<td>MANDO’s CEO</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

*Figure 2.: own source.*

All of them are working as CEO’s as Hungarian fashion retailers. Zoltán and András are in the business for more than 1-2 decades, and as it is displayed in the table Olivia is only in the business for two years. What is also important to indicate, that Zoltán and András are in the same generation, while MANDO’s CEO is not, so there is a huge age difference beside the fact of the working years.

### 2.2.3. Strengths and weaknesses

Each research method has its advantages and disadvantages which are important aspects when conducting a research. They are time consuming and can be costly, but in this case the research was managed in a cost efficient way. Also they must be organized and analysed. Furthermore, the interviewer must be well prepared, and he or she must focus on the subject 100%. Another big issue is choosing the participants in the right way, in order to avoid bias which also takes a quit lot time. On the other hand, interviewers have more chance of asking follow-up questions if something comes to their mind. Also during the procedure there is a good opportunity of reading the candidate’s body language, which can also help at the end of the whole process. (Research Methods for Business Students, 2009.)

### 2.3. Research questions done online

The questionnaire was a semi-structured one, which means that respondents not always have a fix answer when filling out the survey. When the research was done, it was focusing on getting basic information on people shopping habits, and their connection to social media. The population of the research was the Hungarian individuals, who are
using the internet actively or passively. The research questions were written in Hungarian language due to the fact that there is a greater possibility of people filling it out.

2.3.1. Design of the survey

The questionnaire was made in a Google Form document, which helped the research in a lot of ways such as it was easy to share on every social media platform. The questionnaire had 4 different levels. In the first level, people were almost asked only general data, such as age, gender and place of residence. At the end of the level there was a question about whether they are using actively social media or not. The next level was built on people knowledge on social media, and their average usage of the social media sites. Also, there was one more important question implemented which was pointed to people who are passive social media users – the aim was, to have a deeper understanding in why do not they use these kind of platforms (this question was not obligatory, only those had to fill out, who are not active social media users). The next level was about shopping, and only consisted of two questions. The first was about where do they usually shop online/offline. After this, the form forked in to two different ways, depending on the answers of the participants. If they answered they have never been shopping online, they got some questions on their solicitousness connected to online shopping, the other fork was aiming to get information on people experiences through online shopping. The last level was basically about the people attitude towards fashion retailer’s connection to internet.

The main aim of the questionnaire was, to have a deeper insight in people’s opinion on shopping, what are their current habits, whether they are likely to change on these habits, which can connect at the end to the fact that traditional fashion retailers are in need of change their current strategies. Is there any connectivity between the interviewee’s and the examined sample’s answers?

2.3.2. Characteristics of the sample

The sample taken from the population, amounted up to 450 in just 2 days. Thanks to the technological advancements, internet made it possible to reach this much people in such short time period. The sample’s gender was mostly women, 322 women and 128 man filled it out. Blissfully, from the whole sample, 71.4% were in the range of age 15-
25. It helped the research in such way, that the research could ended up in mostly the younger people’s opinion, which is nothing else than the next generation. Traditional companies should focus on the younger generation also, which will be their future customers. The participants mainly live in capital cities, but there were also some answers cities, and smaller towns. All in all, there was a mixed sample which lead to a really interesting consequence, and made it possible for the research to examine as many aspects as possible.

2.3.3. Strengths and weaknesses

Comparing interviews and questionnaire’s, there is a slightly difference in their positive and negative sides of them. Questionnaires’ are not only commonly quick to fill out, but cost-effective but also people are more likely to fill them out as a result of user’s anonymity. According to a recent article, the scalability is also large as a result of the internet give possibilities, by this I mean that each form can get to a lot of people if someone shares it online (if we only consider the above mentioned one, it was filled out by ore than four hundred people only in two days, which is a big number). (Surveyanynplace, 2016.) On the other hand, there is a chance that the respondents lie in order to look good in the eyes of the researcher. Also, thanks for the internet, and Google analysing the received number is made easy with these programs. On the other hand, there are several disadvantages also. Some of the came from the people’s everyday behaviour, such as dishonesty and the lack of conscientious answers, also people can understand and interpret questions in a different way. Furthermore, it is almost impossible to tell how much each respondent thought about the questions. In order to avoid this researcher must aim to ask easy and short and relevant questions as stated by Earl Babbie. (Earl Babbie, 1973.). For this survey it was a big factor to consider, and know that it is harder to analyse the passive social media user’s answers, due to the fact that the questionaries’ s accessibility issues (Research Methods for Business Students, 2009.).

According to KSH, the hug Hungarian population has 1 193 157 people between the age of 15-25. 613 943 man (51,5%), and 579 214 women (48.5%), which is the 12,20% of the total Hungarian population. (KSH, 2018.). The research is not representative, and its not generalisation full, but it has big sample attributes and compared to the target audience, it has a big number of participants, thus it can be applied to the customers of the fashion industry.
3. Omni channel retailing in The Hungarian Fashion Industry

3.1. Examined companies

The three companies chosen can perfectly represent the differences between Omni channel, multi-channel and traditional retail strategy. All companies are as similar as different they are. The management of the companies are working hard in order to innovate and establish new and original standards for their customers and even to their own company, and employees.

The first examined company is newly introducing the Omni channel strategy. A Hungarian fashion brand, which was established in 1986, called Griff Collection (back than, the name was Griff Gentlemen’s, selling only clothes for man). In the beginning Griff Collection, only had a small boutique in the heart of Budapest, but as small the store was, the interest in their products was as big. In 1989 the era of communism has ended, which meant that they can improve their brand, because they had the availability of growth, and they could make moves more freely. From a 3m2 place, they managed to open 20 stores in just 5 years, becoming one of the leading company in Hungary’s men clothing. After a while, more and more challenges came for the company (such as: the plaza boom), but they managed to survive. In 2008, when the crisis hit Hungary, they knew that they have to make a change. They had to renew their business strategy, which they accomplished by becoming a multi-brand fashion store by introducing new brands into their shops (such as: Tommy Hilfiger, Bugatti, Napapirji, etc.), and women’s clothing as well. They had to completely redesign the brand, and that’s when they changed the name to Griff Collection. Since than, 10 years went by, and know they are focusing on the online channels, mainly on their webshop and social media sites as they know the importance of them.

The second company is called Roland Divatház, which not only has its own multi-brand stores running under the name of Roland Divatház, but also has franchise stores like Tommy Hilfiger, Hugo Boss (mono brand stores). This company is really similar, due to the fact that they almost started their business in the same year as Griff Collection, and they are also Hungarian traditional fashion retailers. It was founded 1987, as a family business. In the beginning they only made neckties, which exulted in great success. After a while, as well as Griff, they knew that they needed a change, that’s why they brought
in a new brand in 1999, Hugo Boss, and another one in 2004, Tommy Hilfiger. They were the first retailers of these 2 world wide known brands, which lead to an immediate success. Their shops are different from multi-brand store, because they are the official retailers of the brands – which works as a franchise. They are also starting to expand their business on the online surfaces, but they did not start their webshop yet, which is the main element of the Omni channel retailing.

It is really important to highlight, that the two companies started their business from different angels of the apparel retail, but both of them got to the same level, they are working as multi-brand stores in the 21st century. Both of their CEO’s said, that “the most efficient way of staying in business, is the constant renewal of their products, but the most important thing is to change their business plans from time to time”. (Berendi András, 2018; Sütő Zoltán, 2018.)

The last company is based on a newly introduced brand, celled Design by MandO, MandO. This company symbolise the way how new retailers work. It was founded in 2017, and since than it managed to break even, using only the online marketing tools, and minimizing their marketing costs nearly to 0. The company was founded by two university students, the effort was to create something new, and something special for the apparel market of Hungary. They are only using online advertising tools, such as Instagram and Facebook, and they managed to display their products on a Hungarian webshop. Their intention in the beginning was to sell their product only through webshop, and they did it really well. They are using a relatively aggressive marketing, which meant that they used the help of almost every social media influencer’s help, and they tried to expose their brand on as many events as they could.

All the three companies are all profitable, but they are representing different segments of the customers. They are all different, but they have the same attributes in a special way. Griff Collection just started using Omni channel strategy, Roland Divatház is more likely to be using the multi channel strategy, and the last group is basically based on online retailing on social media sites.

3.2. Interviews corroborated with the questionaries’

As it was stated, the interviews were made with the CEO’s of each organization, and with the questionaries’ the research only wanted to underprop the opinion of each
CEO, which at the end is connected to the challenges they are facing, and the changes they must make in order to stay in competition or even get a competitive advantage.

3.2.1. Past

In the first section of the interview, the candidates were asked about the past, how did they start their businesses, and what do they think about changes that went through in the past years.

Zoltán and András started their business in the same decade, way before the privatization. In the 80’s it was easier to create something unique, mainly this was their luckiness. MandO was started two years ago with the imagination of creating something exclusive to the Hungarian market.

The last question in this section led to some follow up questions, due to the fact that “what changed the most in the past 20-30 years” is kind of a wide topic to start. Nevertheless, it entered to changes, which directed the conversation to the next section. The man candidates of the interview reacted interestingly to this question. András said, that almost everything changed, and he highlighted the changes to financing his company. He said, that there were no convertible HUF, and it was hard to convert to foreign currencies. Also, that banking was hard and you could only require a bank account if you had some black-stair influence. Zoltán said that he would highlight the changes and challenges given by the internet. The follow-up question was nothing else, but what do they think about the internet’s impact on their business. As Zoltán said, they had to change their whole strategy. Business now whirls around the industrial changes such as internet and social media, but they entrust this project to the next generation as it was said. Based on these findings Proposition 1 and 2 can be supported. (Zoltán Sütő, 2018; András Berendi, 2018.)

At the next part of the interview, the research was guided to the rapid technological changes that went through in the past years, and how did it effect their companies. Both of them admitted that the internet changed the whole retailing business, including shopping habits and business strategies. On the other hand, the top manager of MandO can not even imagine a world without internet, and without social platforms where they can advertise their products. As it was said by András, the online world created a new and still unknown commerce world, and he also mentioned that he thinks that people are still afraid of online shopping, due to their willies of giving out personal
information. All the segments of these world are new, and creates new and different challenges both in quality and quantity. MandO’s CEO is happy to have the internet. She said, that from a recent research what she did, it was concluded that 95% of her customers heard from her company through social media sites, mainly from Instagram. Although the traditional and young company has a totally different customer segment, but the traditional ones must renew in order to remain competitive, and to maintain their competitive advantage on the market. Also, it is important to prevent a senescent customer base. Based on these findings Proposition 2 can be supported. (Zoltán Sütő, 2018; András Berendi, 2018.)

As the internet was highlighted several time, the research can show that traditional fashion retailers are already admitting the importance of the ongoing digitalization. This supports Proposition 2.

3.2.2. Present

In the next section the study showed, that all the three leaders have the same engagement in the business, all of them are working as “full time” workers, which means that all of them are deeply in their role as CEO’s. Zoltán also sad that he’s main aim to be” as much involved as he can”, and he lives for the whole company, - on the other hand András told that he likes to know everything but also likes to outsource some tasks but only for those who he can trust. András’s main aim is to focus on plans on the future, and to deal with things as financing the company, and planning the strategic steps. Both of them mentioned that to have a running business it is an important thing to always rethink their SWOT analysis, and PESTLE. Their involvedness in the business supports that they have a proper insight on the business and can present reliable information for the study. Mando’s CEO, is like the one and only who is running the company, but luckily she gets a lot of help from outsider friends. Then, the meeting continued with questions about their passion, what do they love the most and least in their jobs. Zoltán said that since he was a little kid he had obsession for fashion, while András just “dropped into the business from nowhere” and now he is happy that the business is going well, and loves that he is capable of bringing alive his concepts. As both of their stores have multi-brand, and mono brand parts, they have to be really carefully when choosing the items and products for the next year. As it was mentioned by the candidates, that the internet had a major change and poses them big challenges, but they still question the importance of the online world.
The candidates see the main challenges in the present in the opportunities given by the internet, due to the fact that it is still an unknown filled for them, and they are still not sure about how to move into the right direction. Based on these findings Proposition 1 can be supported. (Zoltán Sütő, 2018; András Berendi, 2018)

As the questionnaire showed, from the whole sample (450 participants) only 13 people answered that they had never done shopping through online surfaces. Not surprisingly, but almost the half of the whole sample frequently shops online, which is 43.6% of the total. The oldest range from our sample started from age 45. There were 48 participants, whose age was 45 years or more. By filtering them, the research shows that only one of them answered “never”, with the reason, that it is not tangible enough. Although second biggest slice was dominated by the oldest range of the research, most of them said that they are afraid of the quality and the sizes of the product, which can be easily prevented by companies, by showing a good product description on their surfaces. People are not afraid anymore of giving out personal information, so there was a bit of variance between the research and what András, as a CEO said. It is a really important thing to highlight, due to the fact sometimes top managers can put their train of though forward than customer’s thoughts. To conclude this question, online shopping grains bigger and bigger ground on the market, which must be highlighted to top managers. As online shopping must be presented through online marketing tools both Proposition 1 and Proposition 2 can be supported. (Zoltán Sütő, 2018; András Berendi, 2018)

As the study shows that there are rapidly changing factors that must be considered. Thus there was a question of the intensively growing competition. Zoltán said, that they are trying to customize their services, and he highlighted the importance of the younger generation, and the weight of the younger generation’s participation in his business day to day operation. Also, he said that it is important to increase their product range with new suppliers, and new brands. At last but not least he said that customer experience and satisfaction has key importance in the business, and they chose to follow the Omni channel strategy in order to satisfy the increased need of their customers. By this he also answered to the next question, which was based on their opinion on the Omni channel strategy. András focused his replay on that the concurrency changed a lot, and there is not a quantity competition, companies are more likely to compete in the quality of their products. There are fewer competitors, but they make a bigger and more efficient in this profession. They have to compete with enormous multi stores, which have returns much higher than them. As a follow-up question, the conversation continued with multi-channel
and Omni channel strategy. András said, that he does not feel the importance of following this strategy, due to the fact that their main shops (which are located in the central of Budapest) sells them self, but in a few years they will also develop their complete offline strategy. MandO’s CEO said that she does not really have a competitor on the market, due to the fact when she created this brand she wanted to make something which is really unique on the Hungarian fashion retailer market. Her main aim is to conquer the international fashion market through online surfaces with an exclusive product line, which not only has a good quality but also an affordable price. Based on the finding Proposition 1 can be supported. (Zoltán Sütő, 2018; András Berendi, 2018; Mando’s CEO 2018)

As almost all of them mentioned the importance of the online retailing, they had a really similar opinion on the changes which went through because of the internet, and how did it changed the world of their business. Both traditional fashion retailers sad, that by the online world new and unknown segments sere created. It will play down the area of fashion, but it will even get a bigger tone.

As it changed the whole fashion industry widely, the conversation next ladder was based on their advertising strategies. Zoltán said, that he almost completely unfrocked him self from the marketing department of his company. He said, that this was one of the main reasons that he hired new and young workforce in the past years, due to the fact that he can not unite with these things anymore. He still thinks that a big billboard campaign is effective, but he also wants to give the opportunities to his younger employees in order to create social media campaigns. He also wants to keep on eye of the campaigns which are run on Facebook and Instagram, and he always ask for detailed data on the reach and the efficiency of the campaigns. On the other hand, András completely unfrocked himself, ha said he do not want to pay huge money on campaigns which are run through internet, he only accepted to only develop a basic website although his employees stick to the online world. They spend only small amount of money on these kind of advertisements, he trusts more the appearances on TV. As it was already mentioned, MandO’s CEO only advertises on social media platforms, with influencers who helps her in getting as many reach as much. It is hard to tell who is right, that is why the questionnaire can help to decide. The questionaries’ “Online communication’s importance” where the participants had to answer questions connecting to online advertising, the importance of having a Facebook page as a brand etc. 90.4% of the participants sad that it is really important for a brand to appear on social media sites and have a internet accessibility, but “only” 89.9%
said that a webshop is also a must. (Zoltán Sütő, 2018; András Berendi, 2018; Mando’s CEO 2018)

To even have more information the questionnaire touch upon on people’s habit on information gathering on brands.

The result showed, that online sites have even bigger relevance than they thought so, but it is not a surprising fact due to people time spent on social media, and the average internet usage of the country.

As the the ones who are gathering information from offline surveys, such as surveys were filtered only 5 people were saying that they are likely to search for a brand through catalogues. From this 5 people still 3 are active social media users, and almost of them said that it is important for a brand to appear online, and appear on social media sites. The one who voted “no” for the importance of online appearance, at the previous section of the questionnaire voted that she is more likely to shop online, and for the frequency/typicality of online shopping she voted that it is not typical, that she shops online, and for her experiences of online shopping were 2 out of 5 stars. Furthermore, she said that it is important to have a webshop but it is not important to have an online appearance. From these confused answers, we can conclude that one of the negative attributes of the questionaries’ affected the authenticity of the survey, due to the fact that we do not now how the percipients filled out the paper, were they in a rush, or maybe she understood the questions badly.

To continue the analysis although these five people voted on the catalogues, still all of them clicks on the advertisements that appears on their screen while surfing on the internet. Another important thing that the CEO’s mentioned, the importance of the advertisements online. As András said, that he still does not want to invest huge money in online advertisements, the survey shows that the pop-up advertisements online are
effective. Only 98 people voted that they have absolutely no interest in advertisements, and 47 people voted that they just simply click through adverts. The rest, which is still the majority of the examined participants voted that they click on them. As social media sites and internet gave an increased possibility of reaching thousands of people, maybe every CEO should consider using these platforms. As Zoltán said, he is trying to hire as many young workforce as he can, maybe this is one way renewing a traditional company. Although they managed to do a big billboard campaign last year, as he mentioned it is even harder to search for the effectiveness of this campaign, and still its main aim was to promote their brand new webshop. Griff Collection will have a same billboard campaign this year, and they are still financing their online advertisements. As an answer to a follow-up question Zoltán said that they are spending around 300,000-1,000,000 HUF on social media platforms in a month. While Roland Divatház is more likely to set up barter deals with TV channels, in order to have small spots at the end of for example news on famous Hungarian television channels. They also have a budget for online marketing but it amounts up to 100,000 HUF, and there we can see quite of a difference. As MandO’s CEO said, they mostly pay for giveaways, and only small amount of money which goes up to 10,000-50,000 HUF in a month. She puts special attention on discounts, because that is one of the main things that can acquire new customers. (Zoltán Sütő, 2018; András Berendi, 2018; Mando’s CEO 2018)

3.2.3. Future

To resume to the original topic of the interview, and to slowly approach the last questions of the discussion, the part was based on their company’s vision, and was there a change in their vision? As vision is described in the Fundamentals of Strategy, it relates to a company’s goals, and refers to the anticipated future state of the firm. This statement should answer the question: “what do we want to achieve?”. As its definition can show, the vision statement of a company is a really important part when running a business, that is why all companies should consider it deeply when making changes in their strategies, and it is a must to consider it as deeply as they can.

Zoltán said that their long-ranged perspective did not change a lot, it is the same, what is nothing else than creating the Hungarian fashion culture, he highlighted that what changed the most was the tools and the way they are creating this. They want to change their current position on the market, due to the fact that Griff Collection only appears in
most of the people’s mind as a Hungarian suit retailer, who only retails for man. He also said that now they are trying to get the attention of the younger generation, which is accompanied by an other kind of communication. These statements can support *Proposition 2*. He said that they are currently working on their Omni channel strategy, and their main goal now is to be the first retailer on the Hungarian fashion market with Omni channel retailing strategy. András said, that it depends on what he compares it to. He focused his answer to the financial crisis in 2008. Now he said, that they survived the crisis he is trying to focus on their medium-term plans in order to prevent making the same mistakes that they had before. He said that multi-channel strategy is more than enough for his company, and he does not plan on moving toward the Omni channel vision in the future. MandO’s vision is the same as it was, although the past years went really fat for the company if they can maintain their current position on the market they can have a growing audience and profit. Surprisingly she also mentioned that they want to change from the purely online strategy due to some difficulties in presenting their products in a physical way. She is not thinking about a store; she wants to build a showroom for her products. All three companies are planning a future growth, and they are focusing on expanding their business. Only MandO’s CEO explained that she is trying to conquer the international market, due to the fact that she has a lot of enquiries from abroad countries not only resellers but also potential customers. Beside growing the business, they want to maintain their current situation as the two well-known traditional Hungarian fashion retailers. Zoltán put he main focus on that scarce resources makes it harder to retail the traditional line of Griff collection, which comes from suits, t-shirts. He said, it is hard to find a sewing shop with good quality. (Zoltán Sütő, 2018; András Berendi, 2018; Mando’s CEO 2018)

When facing the future, every company should consider all the possible roadblocks that can make their future expansions difficult. While Zoltán spoke about finding the right employees, and highlighted the difficulties with human resources management, András put the main voice on the financing part of the company. As he said, there will be some “market turbulence” due to converting forints to euro, and also mentioned that it is hard to prepare challenges that are still unknown for them. As the difficulties in human resources management can occur, it is a must to highlight that Zoltán said, that it is opportune to change the whole generation of the employees, due to the fact that their older employees can not maintain their good workforce, as the world keeps changing in this fast manner. He did not speak about firing anyone, only said that to
remain competitive their must refreshes their employee base. He said, that there was a big change since 2014, when he changed completely Griff Collection’s marketing department. He said, that his current employees were not up to date. As the interviewees speak a lot about financial problems, and employees’ crises, they also pointed out the rapidly increasing influence of the internet. Roland Divatház is still thinking as a dilemma on introducing the Omni channel strategy as András said. As he mentioned several time that most of their products “are selling themselves”, he still starting to admit the importance of appearing on online surfaces. Zoltán is much more understanding on this, as he developed their webshop in the past years. He said that the best way of preventing facing roadblocks, is to stay clear of their competitors, and be the roadblocks. By this he meant their new store which is opening in a few weeks, in WestEnd City centre. The relatively small store will be based on three giant smart TV’s, where the webshop will be the only thing that people can see. It is the perfect implementation of the Omni channel strategy. The shop will be the perfect touchpoint of online and offline retailing, people can see the products physically, but if something does not fit their imagination (for example: colour, size, pattern) they can still have the chance to search for the perfect one with the help of the shop assistance. By this, people’s main queries can be blocked out. (Zoltán Sütő, 2018; András Berendi, 2018; Mando’s CEO 2018)

As the research showed, the main queries are mainly about ordering the wrong size, and after dealing with sending the package back etc. The second biggest one was about quality, and as Griff Collection almost only retails high (or above average) quality products, people can trust these brands. After this people are afraid of the delivery of the product, and as people can ask the product to the pointed out shop, this can be also prevented. At last but not least, people are afraid of giving out personal information. But since the enormous regulation of GDPR (General Data Production Regulations), which “standardized data protection law across all 28 EU countries and imposes strict new rules on controlling and processing personal identifiable information (PII). It also extends the protection of personal data and data protection rights by giving control back to EU residents.”, it came into effect on May 25, 2018. Mando’s CEO mentioned that the biggest roadblock for them, is showing the quality of their product. They got several feedbacks from people, that the pictures do not really shows how good quality their products are. It is a hard thing to measure, due to the fact that when you are retailing online you can not really show your products quality, only in the product’s description, and you have to convince strangers that your product worth it.
All in, to adapt the fast technological advancements of life, the two traditional management needed a different vision. According the research presented in this thesis, Omni channel and multi-channel retailing can be viewed as a new value path for the companies. Each of them has to maintain its radical change, or to call forth this change in order to gain competitive advantage.

3.3. Challenges of the companies

It can be concluded, that for the two traditional retailers (Griff Collection, and Roland Divatház) it was easier (or it is still easier) to open up new channels, than for Mando. We can connect this fact to that they were already in the market, and they have the necessary assets. It can provide a major cost saving, and also Omni channel retailers do not have to keep all of their products in closed warehouses, but they can put them into their shops, where customers can also enjoy the feeling of offline shopping. It's clear, that there must be some kind of warehouse to keep their products. But, we have to consider the fact that there is a great feature of online shopping. Customers can order their products into the chosen shop, and can try it on, and if they don’t like it, they do not have to pay for them. It also saves energy, money and time for the shoppers. By this, companies can satisfy several kind of customer needs. Griff Collection did a research in the last year, and according to the research customer satisfaction has increased since they started their webshop. As roadblocks, the candidates were mentioning several different types of challenges which will be described in the next sub chapters.

3.3.1. Human Resource challenges

Both traditional companies have 2-2 top managers, who have a huge role in guiding the firm’s day to day operations. They are a really trustworthy and well respected in their companies, because all of their employees know that what they have achieved is beyond exceptional. But after 30 years of guiding the organizations well, they knew that they must make some changes due to the fact that the world changed, more than one generation was born and raised, and also the often mentioned technological changes that went through in the past 30 years. It was really hard for them to change their “mind” on the business that they are running. For the CEO’s of Roland Divatház, it is still a dilemma weather it would worth it. On the other hand, for the runners of Mando, it was easier due
to the fact that they were born in an online world. When changing their business strategies, Human Resources Management have a key importance, by reason that a renewing company must hire new and young employees. First, they must set up an online department to keep on track with the online marketing, orders, trends, newsletters. Mando only consist of a one big online department. Although Roland Divatház still not going for the Omni channel retailing, but they already implanted an online department in order to give a bigger attention to the online marketing. Griff Collection not only using the new section for online marketing, but also the employees of the department have the accountability of keeping tracks of the shoppers, and of the webshop. (Zoltán Sütő, 2018; András Berendi, 2018; Mando’s CEO 2018)

3.3.2. IT challenges

An IT team must pay special attention to the development of the online surface where people can buy the products, to concentrate on its day to day operations. They have a key importance in the whole Omni channel retailing for the reasons why they have the biggest role in managing a working website. They have to manage a functioning pay system, deal with daily uploading of the products, managing sales.

3.3.3. Logistic challenges

Logistic function must be well prepared for the changes, because now on they would have to focus on several different things. Such as, preparing the ordered products, if the customers want to send back the items, they must accept. (According to the EU legislation online shoppers can send back their bought product in 14 days.) Also, they must prepare proper delivery system in other to get the ordered products to where they were ordered. Zoltán mentioned some challenges occurred while a huge discount week was running through the webshop. They could not deliver the products, which can result in dissatisfaction which can decrease the customer satisfaction. (Zoltán Sütő, 2018)

3.3.4. Marketing challenges and strategies

Marketing team also must renew their strategy, because they have to have innovations also in this section of the organization, in order to meet all the possibilities
that online platforms give to them. It is not only easier to advertise and reach more people, but they also can have a fully owned database on their customers. Furthermore, they have the possibilities to visualize, and have analytics not only on their customers, but also they can measure the successfulness of their promotions. Social media sites (such as Facebook, and Instagram) have a differentiated section, where administrators can have a deeper understanding on their advertisements. Furthermore, it breaks down their customers to age, gender and location. As MandO only uses this tools, Griff Collection managed to do an offline marketing campaign too, Roland Divatház is still renewing their department of marketing. By renewing the department of marketing they can increase their customer’s satisfaction. Both of the traditional companies started by doing first webpages, which included just the basic information of the companies, the stores they have, and the brands that they are selling. On the other hand, MandO has not even have its own website.

All three companies are located in Hungary, which means they only have to focus on the domestic marketing of their brand, international shipping would only make it more challenging. All three companies are using the tools given by the online world, which creates a much wider platform for them, which can be a positive thing. This information supports Proposition 2. An other aggravating factor, for the two traditional companies is to catch the attention of the new customer segment, which grew up since they opened the doors of their shops. Now, they have to focus on two different segments – with different needs. Roland Divatház tends to focus more on they ordinary shoppers – because in their case, “the brand sells itself”, but they also admitted the importance of the online channels. As the brand sells itself, they managed to open one more franchise shop in Aréna Mall, which really fits in with their portfolio, Calvin Klein, which is more likely to be bought by younger people thus they targeted the younger customers. By this they would like to increase their customer experience, and show the world that they are capable of renewal. It shows, that they are still trying to give the maximum customer experience by opening up new shops which may be liked by the younger segments of people. (András Berendi, 2018). Griff Collection has suffered a lot of time and money before finding the right leaders for their marketing group, due to challenged in HR department, and since they started developing their webshop. (Zoltán Sütő, 2018).

Now in the centre of the attention is to have a high number of followers and likes on their pages. The two traditional retailers can only catch the new, and keep the old segment, by building a strong social media platform, with a lot of followers, and likers. Also, it is a well known fact that there is a constant growth of the adult users of social
media. This graph shows us the percentage of America’s active social media users, which is 65%. It is reported among all adults, not just the basic internet users.

Figure 4.: Pew Research Center Survey, 2005-2006, 2008-2015.

Also, according to this article there is a difference between man and women users, it can be said that women use social media more often than the other gender. Likewise, it seems to be the average around the world.

The recent campaigns of the three companies are the following. Griff Collection wants to put the main attention on the managed to do a bigger campaign in 2017’s November, which included more than 40 billboards around the capital city of Hungary, Budapest. The main aim for the campaign was, to catch attention, and to lead new customers to their webshop. On the billboard – there was nothing else than an almost naked man, with a title “DRESS UP”, and the name of the webshop. They wanted to drive people’s attention to their newly renewed webshop, and urge people to shop their products through the online surface. They have succeeded with the camping, they managed to raise their online shoppers to almost twice as much than it was before. They are planning to do the same campaign this winter, with the difference, that there would be a man and also a woman standing on the billboard – symbolizing that they are also serving woman’s clothing. Roland Divatház did not have any similar campaigns in the past years, they are building up on opening new stores, and retailing more and more fashionable, and youthful clothing. Except the fact, that they also have the annual “Boss Party” this summer, as every year. This is their only big marketing “tool”, because it attracts all of the celebrities
(due to the fact, that this is the pre-opening party of the F1 Cup which is held on the Hungaroring), and all people knows about the party who are customers, mainly because every people who have joined to their club system. To conclude, it can be said that although Roland Divatház is starting to use the online surfaces such as Facebook and Instagram, they are more likely to be concentrating on the appearance of their stores, in order to maintain their current shopper base. Also, opening new stores in order to gain more new customers. MandO has a completely different marketing campaign strategy. They are only focusing on the active social media users; they do not have any shops. They accomplished to have thousands of followers in a few months. They main strategy was to use the help of “social media influencers”. According to Urban Dictionary, the meaning of this phase is: “a social media influencer is a person with a substantial following on the internet, owning a heavy influence on today’s internet obsessed youth.” It works really easily as it was described by MandO’s CEO, companies are sending samples of their products to the chosen influencer, then the influencer posts pictures to their followers. It’s a really interesting world, where 1 follower (in Hungary) worth 1 HUF, so if someone has 300,000 followers, usually gets 300,000 HUF for one post. This is one of the best ways of improving their follower base. Also, they managed to do several big giveaways with the chosen influencers, which also helped them to raise their number of followers. At last but not least, Instagram and Facebook has the function of showing detailed information on your followers such as: their gender, their age, their hometown. This utility helps companies to do their promotions, and sponsored advertisements in the most effective way. Later on, they can set their promotions to this targets, which achieve them a higher reach. This is what MandO still does in order to gain more a more customers. (Zoltán Sütő, 2018; András Berendi, 2018; Mando’s CEO 2018)

4. Summary

4.1. Discussion in findings

The main aim of this paper is to identify and analyze the challenges and opportunities traditional fashion retailers face with the ongoing digitalization. It has been demonstrated what obstacles traditional fashion retailers are facing, what are possible future paths, and what is the best strategy to follow in order to maintain and increase their competitive advantage.
In the first part, the two propositions were given theoretical background with the description of several business strategy phonemes that must be reconsidered if companies want to change their business strategies. Firstly, competitive strategies were described with Porter’s "Five Forces Framework", which than was put into practical use, describing the five forces in the meaning of fashion industry. Also competitive advantage and generic strategies were described. Furthermore, several marketing and retail strategies were discussed in a deep manner including the description of multi and Omni channel retailing. Finally, the Omni channel approach was introduced in a more detailed way. The paper promotes to utilization of this strategy as the general means for attaining a state of sustainable performance in regard to the discussed propositions the study takes under. Which can be one of the potential solutions for traditional fashion retailers as It embraces Omni channel inspired approaches.

In the methodological part, case study approach was implemented by analyzing two traditional Hungarian fashion retailers, and one new Hungarian fashion brand. These three companies leverage in different ways on the new digital era. The case study approach helped the research to give backed up findings for the two propositions. Here, the survey method was described in detail and how in-depth interviews were constructed. To add extra layers of information, questioners were introduced also in a detailed manner. The methodology also processes with the applicable limitations - weaknesses - of the outcomes. This is further discussed later, in the body of the paper.

The analytical part embraces three interviews, underpropped by the questionaries’ filled out by more than 400 participants. The questionnaires gave proof of the importance on the ongoing digitalization, Proposition 1.: customer pressure push retailers to change their traditional business model in the fashion industry.

The first proposition can be supported by three main factors. The first factor is the theoretical background, which presented the importance of customer’s expectations, and the capabilities to gain competitive advantage in a modern way. Than, the second factor is built upon the CEO’s opinion with years of experience. They are also considering even if one of them, the CEO of Roland Divatház does not feel the Hungarian market ready for this step. As Griff Collection already moved towards Omni channel strategy, can represent their aim of maximizing customer experience. Equally, MandO is still at the multi channel phase, they are also moving toward the Omni channel strategy. The third factor is the answers received from the survey, which helps the study to underprop the
importance of online presence of a brand.

Proposition 2: online marketing became success factor in the fashion industry in the 21st century’s booming online fashion market

The second proposition can be supported based mainly on the survey, which was strengthened with the theoretical background. The big sample survey showed a generic opinion of customers, which supported the importance of online appearance and marketing tools. Griff Collection, and MandO are already focusing on the online marketing tools as it was presented. Roland Divatház is still reconsidering their strategy on the online surfaces.

After completing several different analyses to establish conclusion on the propositions, the paper finds that companies must establish new and suitable retailing and marketing strategies in order to tackle down upcoming issues and further challenges. Traditional fashion retailers must understand and get familiar with the demand of this heavily changing market of fashion retailing, and prepare for the challenges of the industry.

4.2. Limitations

It is also vital to highlight the limitations that arise from the case studies. The interviews were chosen so they have relevant insight in the business and the needed experience in order to have proper answers which than can be analyzed. They are only focused with the Hungarian market, so the findings of the study are not certainly applicable worldwide, and to all the companies. Although strengths and weaknesses were described in the methodological part of the paper, the sample size gives us some understanding on customer expectation, but still not enough to applicable on all people all over the world.

Room for further research can potentially reach out to fields of business and marketing strategy of fashion retailers.

5. References


6. Appendices

Appendix A: Interviews

*Interview Guide*

Thank you very much for accepting my invitation for this interviews. The interview will concentrate on three different sections: the past, the present and the future.

First section:
1. How did you start your business?
2. What changed the most in the past 2-3 decades?

Second section:
3. How involved are you in your business’s day to day operations?
4. What do you like the most?
5. How are you keeping up with the intensively growing competition?
6. What advertising tools do you use?
6.a/ What do you think about the Omni channel strategy?
7. What is your company’s vision, did it change?
7.a/ Did you change your business strategy?

Third section:
8. What are the biggest roadblocks that your company faces?
9. Are you planning future growth of your company?
Appendix B: Online questionnaire

Online questionnaire

Shopping habits

Dear Respondent,
My name is Olivia Gódi, and I am studying Business and Management at Corvinus University of Budapest.
My thesis work's title is: Challenges of traditional fashion retailers in 2019's booming online fashion market.
My aim with this survey is to have a deeper insight on people's shopping habits, and on the importance of the online communication of fashion retailers.
I would be grateful if you would help with my work!

Gender
450 responses

Age
450 responses

Place of residence
450 responses
From your experiences, how satisfied are you with your received quality?
437 responses

From your experiences, how satisfied are you with the delivery of your products?
437 responses

From your experiences, how satisfied are you with your received sizes?
437 responses

Where do you usually gather information on a brand?
450 responses

Do you think, that it is important for a brand to have an online appearance?
450 responses
Do you think that it is important for a brand to have a webshop?
450 responses

- Yes: 89.8%
- No: 10.2%

Do you read the newsletter that you get in email?
450 responses

- Yes: 77.3%
- No: 22.7%

What do you do, when you see an advert on a social media site?
450 responses

- Click away: 30.2%
- Click away, but after several times I click on it: 21.8%
- Click on it: 16.4%
- I do not care: 37.6%