



Surviving the Double Pressure: Strategies for Small Traditional Fashion Businesses in China amidst E-commerce and Covid-19 Challenges

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Research Background and Rationale. China's economy has grown rapidly since the 1978 reform (Bao et al., 2002), with its gross domestic product (GDP) reaching approximately \$1300 billion in 2000, a twenty-fold increase compared to 1980 (Euromonitor, 2001). As a result of this economic miracle and the resulting increase in spending power, the apparel retail sector in China has grown rapidly since the 1980s. This growth has led to a substantial increase in local retail outlets, as noted by Kwan et al. (2003).

The rise of electronic commerce has brought tremendous changes to China's market over the past two decades. E-commerce, which involves buying and selling products or services over the Internet (Mohapatra, 2013), has significantly impacted the retail sector (Gunasekaran et al., 2002). Many fashion businesses that failed to adapt to the trend have collapsed. Additionally, the outbreak of Covid-19 has caused severe damage to businesses, further exacerbating the challenges faced by small fashion business owners in China.

China is a vast country with diverse geographic features, and there is a significant gap between urban and rural areas regarding their characteristics and development (Bao et al., 2002). Traditional small fashion businesses are widely rooted in China's small cities and rural areas and play a vital role in distributing fashion products to every corner of the country. Understanding the survival conditions and feasible practical strategies for these small fashion businesses to survive in this challenging environment is crucial. Therefore, this study aims to address the following research questions: (1) What challenges small traditional fashion businesses in China are facing under E-commerce and Covid-19? (2) What are their survival conditions? and (3) What strategies could they apply in the future to address these challenges?

Methodology. The semi-structured interview was used to collect data. The participants were recruited from a fashion wholesale market in Bazhong using snowball sampling strategy (Goodman, 1961). The researchers initially recruited the first two small business owners from the personal social network, who were then asked to introduce more potential participants from their private networks after the interview. The interview questions consist of (1) demographic information about the owner and the business; (2) challenges caused by E-commerce and Covid-19; and (3) practices and plans dealing with these challenges.

The interviews were successfully conducted with six business owners via WeChat, the most prominent social chat media in China, from February to March 2023. The interview times ranged from 30 to 50 minutes. Since all the participants were Chinese, the interviews were conducted in Mandarin and later translated into English for data analysis; manually coding was conducted to address the research questions. Two researchers were involved in the process to ensure validity.

Findings. *Wholesale customers loss* and *revenue decrease* are significant challenges facing small traditional fashion businesses in China under **E-commerce** (Table 1). These challenges can be attributed to wholesale customers retiring but fewer young people interested in opening physical stores due to the lower income potential than working elsewhere. One participant said, “*wholesale customers are losing, and no new customers come in... My regular customers were getting old; many had closed their shops and gone home to take care of their grandchildren. Plus, there is not such a big profit in this industry anymore. Why do young people want to come in?...*” Additionally, increasing numbers of retail customers prefer to shop online, further decreasing their revenue. One stated, “*Online shopping influenced us a lot... I'm doing children's clothes... It's increasingly hard to sell because students have phones and they can easily buy online*”. **Covid-19** has also presented significant challenges for small traditional fashion businesses in China, particularly regarding **supply chain disruption** and **inventory shortage**. Even though the investigated wholesale market was only closed for two weeks during the pandemic, the upper-level wholesalers and brands they purchased inventory from were usually located in larger cities such as Chengdu and Guangzhou, which were affected by the stricter lockdown policies. As a result, factories were closed, and there was a shortage of materials such as accessories needed to assemble garments. For example, one informant mentioned, “*Covid-19 has affected my supply chain. I mainly purchase inventory from the Lotus Pond in Chengdu... I remember once I was short of a popular style of trousers and made an order from a manufacturer there. But they could not deliver at our agreed time because they lacked a metal accessory, which is supposed to be sent from Guangzhou to assemble*”.

Table 1 Challenges under E-commerce and Covid-19

Factor	Challenges	Descriptions
E-commerce	Wholesale customers loss	Opening a physical store is becoming increasingly unattractive to young people
	Revenue decrease	Earn less compared to working elsewhere People get used to shopping online; even children know how to do it
Covid-19	Supply chain disruption	The cities where the factories are located experienced more frequent and longer lockdowns
	Inventory shortage	Suppliers do not have enough inventory Shortage of accessories to assemble the garments

Despite the challenging survival environment, all the participants expressed no plans to transition to an online business model and intend to continue with their current business models because of the **lack of energy**, being **too old to adopt new technologies**, having a **complex product assortment** (e.g., broad product categories in a shallow stock), and **weak price negotiation power** compared to the online business that directly purchases from factories with a larger volume and lower prices. One informant stated, “*I have been running this business for 30 years... Our generation has fallen behind the times... The biggest reason us this kind of business cannot go online is that we have too complex product categories and shallow inventory on each*

style... we cannot compete with online businesses on price... I don't have such large volume demand; the factories will not offer me a good price...".

Nevertheless, traditional fashion businesses will continue to exist in the future as they provide advantages (e.g., being user-friendly for older customers) that online channels cannot replace. The essential strategy for success in this challenging environment is offering customers **high-quality products and services**. As more than half of the participants mentioned, “...*There are always customers who need the physical store. Especially older people, they still used to buy in and trust physical stores...The things we can do now are improving the quality and service to keep current customers*”. **Redefining the target customer group** is also essential because the customers who are still willing to shop offline are most elders. One participant said, “*It is difficult to sell to young customers since the popularity of online shopping, so I switched to the current product style to fit older customers' interests. Now I still have many customers, and my revenue is pretty stable*”.

Conclusion and Discussion. E-commerce and Covid-19 have presented significant challenges for small traditional fashion businesses in China, with the former having a more substantial impact. Going online is challenging for them, but offline customers, especially elders, still need them. Surviving in this challenging business environment requires providing high-quality products and services and redefining the target customer group. This study contributed to the literature on the state of small traditional fashion businesses in China. It offered insights for offline businesses to enhance their future strategies.

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