

Understanding Fashion Cross-Border E-Commerce in China: A Study of Surviving Selection and Adapting Strategies

Yuhui (Jessie) Liu and Li Zhao, The University of Missouri, USA

Introduction: CBEC enables consumers to buy goods online from other countries without necessarily knowing their origin (Ding Feng, 2015). China's CBEC has grown rapidly in recent years, fueled by the platform economy and accelerated by the COVID-19 pandemic (36 Krypton Institute, 2022). The platform economy connects consumers and providers digitally, lowering transaction costs and promoting economic integration (Xue et al., 2020). It allows businesses to access global markets without a physical presence in each country, simplifying cross-border trade complexities (Xue et al., 2020). Consumers can conveniently buy goods and services worldwide, supported by China's infrastructure and government backing (36 Krypton Institute, 2022). It has led to the growth of specialized e-commerce platforms like Alibaba, Shein, and Temu (Liu et al., 2021). However, CBEC faces uncertainties, including compliance with various regulations, cultures, payment processing, and logistics (Liu et al., 2021). This paper aims to understand the circumstance of fashion CBEC origins from China and discover adaptive behavior and strategies in the CBEC sector, highlighting the ongoing uncertainties surrounding this dynamic and evolving market.

Literature Review: This study combines organizational ecology (Hannan, 1977) and resource dependence theories (Pfeffer, 1987) to examine the Chinese fashion CBEC sector. Organizational population ecology, derived from the analogy between organizations and biological organisms, emphasizes that organizational forms emerge from selection pressures, and adaptability determines survival (Hannan, 1977). Resource dependence theory posits that organizations obtain necessary resources from the external environment, with dependence significantly affecting their behavior and decision-making (Pfeffer, 1987). Both perspectives shed light on the sector's dynamics and success factors. Chinese fashion CBEC firms have evolved through adaptation and competition for resources. Firms that adjust to consumer preferences, regulations, and supply chain dynamics thrive. For example, Shein, known for its fast-fashion model, faced criticism for adverse impacts (Astha, Jan.17, 2023) and responded by launching a sustainable line (SHEIN USA., 2021). Shein also faced tax complications in South Africa and is now under investigation (Wexler, Mar.13, 2023). These examples highlight the need for further research on the adaptability of Chinese fashion CBEC companies.

Method: Upon receiving IRB approval, we employed criteria sampling methods (Yin, 1994), recruited 13 respondents (Guest et al., 2006) actively engaging in CBEC businesses, and conducted semi-structured in-depth interviews. The interviews were conducted through online conferencing tools and audio recorded with the consent of the participants from January to March 2023. The respondents include three CBEC business owners, three digital marketing managers with expertise in CBEC, two data professionals working with social media e-commerce platforms, one logistics

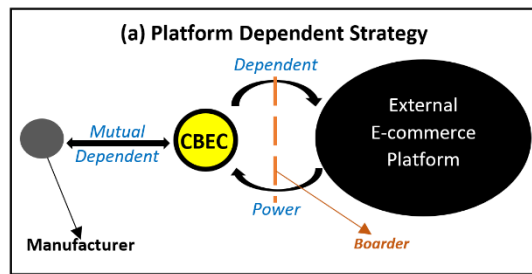


Figure 1. Platform Dependency Strategic Roadmap

specialist, one fashion designer, two buyers in fashion CBEC, and a media columnist with a topic of CBEC businesses. Each conversation lasts about 60 minutes, with questions about their daily work, resources in need, constraints, strategies, challenges, decision-making process, etc. Audio records were transcribed and analyzed by MaxQDC, a qualitative coding software, using the continuous comparative study method. (Glaser, 1965) Our coding process started

with a list of themes created according to our structured framework and then generated new themes until data saturation (Guest et al., 2006).

Findings: This study identifies two critical power sources for CBEC businesses: e-commerce platform and product resources, which stem from consumer acquisition and reliable sourcing capacities (Participants 1, 2, 3, and 11). Reducing dependence on single platforms or resources is crucial for CBEC's survival. This paper examines three survival strategies adopted by Chinese fashion CBEC firms using organizational ecology and resource dependence theories: a) Platform-dependent strategy (PDS), b) Collaborative platform strategy (CPS), and c) Networking strategy (NS) (in Figures 1,2,3 respectfully).

a). External e-commerce platforms like Amazon offer shared infrastructure and user access, making PDS the easiest and most common strategy for CBEC startups with limited resources. Small to medium-sized CBECs using PDS proliferate by analyzing data for hit-selling products. However, the constraint is apparent. The asymmetric relationship between platforms and CBECs can threaten survival. CBECs operate on multiple platforms to reduce dependence and often pose as smaller companies on each.

b). CPS is adopted by mid to large-sized CBECs, like SHEIN, which operates both e-commerce and sourcing platforms. This type of CBEC has both an E-commerce and sourcing platform, using cutting-edge AI technology to forecast trends and attract consumers (P#3,5) and closely collaborate with the manufacturers that are certified as collaborators. These manufacturers can launch new styles on the E-commerce platform through a selection process and keep tracking the daily sales to manage inventory and production well (P#3, 5), leading to "real-time fashion." However, as CBECs grow, manufacturers lose power, and critics raise concerns about aesthetics and sustainability, posing challenges.

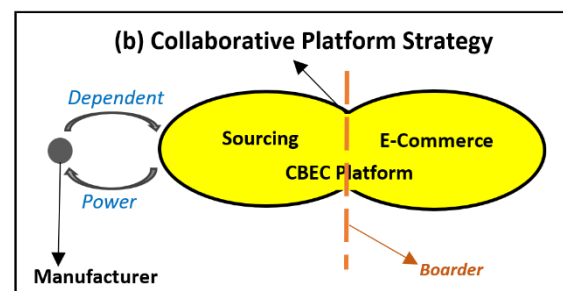


Figure 2. Collaborative Platform Strategic Roadmap

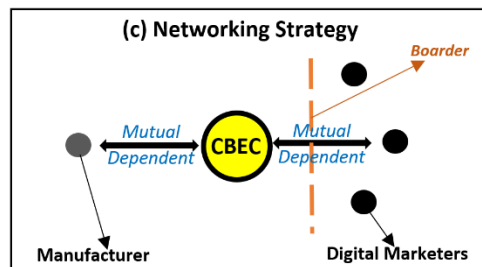


Figure 3. Networking Strategic Roadmap

c). NS involves promotional activities like affiliate and social media marketing and is increasingly used by CBECs to build a brand within a cohort. CBECs establish online branding stores and share product links through user networks and influencers (P#3,6). This approach appeals to firms targeting niche markets and startups. Social media platforms like Instagram and TikTok entering the e-commerce market helps balance power dynamics among platforms.

Conclusion: Our findings emphasize the significance of diversifying e-commerce platform choices and product sourcing strategies to ensure business survival. As the sector continues to evolve, further research, such as collaboration models or platform power dynamics, is necessary to gain a deeper understanding of the dynamic landscape of Chinese fashion CBEC and inform the development of effective strategies for businesses operating in this market. A quantitative survey study among CBEC consumers and employees could also provide empirical support.

Reference:

- 36 Krypton Institute (2022). China cross-border e-commerce industry research report 2022. *36kr.com*. Retrieved March 15, 2022, from <https://36kr.com/p/dp1793027322592904>
- Astha Rajvanshi (2023, January 17), Shein's Massive Popularity Comes at a Huge Cost to Us All. *Time*. Retrieved February 25, 2023, from <https://time.com/6247732/shein-climate-change-labor-fashion/>
- Bureau, U. C. (n.d.). (2022) Annual Retail Trade Survey Shows Impact of Online Shopping on Retail Sales During COVID-19 Pandemic. *Census.Gov*. Retrieved February 25, 2023, from <https://www.census.gov/library/stories/2022/04/ecommerce-sales-surged-during-pandemic.html>
- Hannan, M., & Freeman, J. (1977). The Population Ecology of Public Organizations. *American Journal of Sociology*, 82. <https://doi.org/10.1086/226424>
- Liu, A., Osewe, M., Shi, Y., Zhen, X., & Wu, Y. (2021). Cross-border e-commerce development and challenges in China: A systematic literature review. *Journal of theoretical and applied electronic commerce research*, 17(1), 69-88.
- Pfeffer, J. (1987). *A resource dependence perspective on intercorporate relations*. *Intercorporate relations: The structural analysis of business*, 1(1), 25-55.
- Pfeffer, J., & Salancik, G. R. (2003). *The External Control of Organizations: A Resource Dependence Perspective*. Stanford University Press.
- SHEIN USA. (n.d.). (2021) *Sustainability and Social Impact Report*. Retrieved March 30, 2023, from <https://us.shein.com/2021-Sustainability-and-Social-Impact-Report-a-1218.html>

- Wexler Alexandra (Mar.13,2023), Fast-Fashion Giant Shein Faces South Africa Probe Over Import Practices—*WSJ*. (*n.d.*). Retrieved March 30, 2023, from <https://www.wsj.com/articles/fast-fashion-giant-shein-faces-south-africa-probe-over-import-practices-91bff4e0>
- Xue, C., Tian, W., & Zhao, X. (2020). The literature review of platform economy. *Scientific Programming*, 2020, 1-7.