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The development of digital commerce in the fashion industry: the typology of emerging designers in London

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Highlights

1. D-commerce became an important part of London fashion designers' business model
2. Social media marketing and e-commerce contribute to competitive advantage
3. Foreign and domestic luxury stores dominate designers' wholesaling packages
4. Emerging designers are born global, but not 'digital first'
5. Continual innovation and network building remain as designers' main capabilities

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Abstract

Digital technologies increasingly transform traditional business models, value chains and associated networks of emerging fashion designers in London. D-commerce becomes an additional dynamic capability contributing to their competitive advantage. An analysis of this phenomenon was conducted exploring data assembled from several online sources. The findings reveal that fashion designers use amalgamations of online and physical channels to develop a downstream value chain domestically and internationally. Although social media plays an increasing role in the marketing of designer products this does not necessarily translates into higher visibility of designers on the Internet, increased accumulation of value or their overall chances of survival and growth. Large retailers who excel at channel diversity remain the important part of the highly institutionalised and hierarchical fashion industry ecosystem. A typology of designers was developed based on the characteristics of their visibility on the Internet, their involvement in d-commerce and other retailing practices.

Key words: designer fashion, business models, digital-commerce, London

Introduction

Designer fashion is an important contributor to the British economy with market volume of £73,223m in 2020 (Statista, 2020). The UK's fashion industry, however, is characterised by few a luxury brands able to generate profits (Berg et al., 2016). London accommodates a well-established cluster of small designer-fashion entrepreneurs. They create and perpetually update their innovative and unique products that constitutes their main competitive advantage. However, being micro-firms with limited internal resources they strongly depend on both upstream and downstream counterparts operating in their production networks and rarely own either retail outlets, manufacturing facilities or excel in the self-marketing of their collections. The wholesale business models established in designer sector over the decades are no longer suited to the demands of the contemporary market and apparently reduce the chances of emerging designers developing into full brands (Karra, 2008; DCMS, 2013). The outcome of competition between designers strongly depends on various intermediaries and selectors (Mol et al., 2005; Marsillac and Roh, 2014). Moreover, the luxury market in the UK is small and saturated, with few domestic buyers triggering early internationalisation of designer start-ups at best and their demise at worst.

The global fashion industry actively rearranges itself alongside the rapid improvements in the digital technologies, which allow the speedy adoption of online marketing, sales and operations (d-commerce¹). In the UK £16.2 billion was spent on fashion online in 2017; 66% of UK Internet users buy online their clothing and footwear; online-only stores account for ~38% of the UK online fashion market (Mintel, 2017; Langley and Rieple, 2021). E-commerce had been adopted by department (m-commerce) and social media platforms have become marketing places coinciding with the decline of the traditional fashion press (Crewe, 2013), the rise of the Internet bloggers and influencers and change in the preferences of the younger generation of customers. Social media platforms became marketing places. Industry observers expected a rapid integration of commerce functionality into social media accounts (s-commerce) and streamlining of direct-to-product customer journeys by most fashion players (BoF, 2019). Omni-channel commerce is already a standard for many fashion companies (Ferne and Grant, 2015). Digital business models in fashion industry obtained even clearer supremacy during the coronavirus pandemic as a sustaining element in the fashion industry's survival and recovery (Baskin, 2020). Digitization increasingly permits small creative entrepreneurs to avoid corporate control

¹ In this paper all channels of exhibiting, marketing and selling products online are called 'digital-commerce', or d-commerce; they will include e-commerce (retail organized from the firm's website), mobile (m-) and social media (s-) commerce.

and reduce the value shared with buyers, selectors and intermediaries by reaching both domestic and international customers directly (Peltoniemi, 2014). It gives birth to a new generation of ‘*born-global*’, ‘Instafamous’ and ‘*digital-first brands*’ (Sherman, 2019; BoF, 2019). It is argued that the adoption of a digital model creates additional competitive advantage for a firm, proves to be a useful supplement to its range of capabilities and enhances its performance (Latiff and Safiee, 2015; Zhoua et al., 2013; Hsiaoa et al., 2020) (Scuotto et al., 2017). The overall trend in the fashion industry is of digital business models’ ‘takeover’ triggered by recent technological and societal changes.

However, regardless of all these developments in the fashion industry in general, it was pointed out that in the high-end designer and luxury sector, characterized by unique products with high symbolic value, brands are still late adopters of digital business models and continue to exploit traditional capabilities of innovation and rarity and prefer bricks-and-mortar retailing arrangements (Pini and Quagarelli, 2018). This paper seeks to understand how small emerging designer fashion brands in high end markets structure their downstream value chain to develop domestic and international markets. The aim is to establish whether the new digital business models have been chosen and prioritised by many and in which way the multi-channel practices are addressed. The question, discussed previously in the literature and considered in this paper concerns the ways of and reasons for adopting or disregarding technological advances by firms in ‘traditional’ industry like fashion in order to sustain competition with more digitally advanced newcomers and whether the traditional, ‘pre-digital’ capabilities are exploited in the same way (Langley and Rieple, 2021).

An eclectic theoretical approach was adopted in this paper, which follows the resource-based theory (Barney, 1991) and the dynamic capabilities framework (Teece, 2018; Teece et al., 1997; Eisenhardt and Martin, 2000) with elements of the relational theory (Dyer and Singh, 1998) to support the lines of enquiry as they ‘endeavour to explain a firm’s success and failure’ (Teece et al., 1997 p.509). Although, the questions of development and digitisation in fashion industry were extensively researched (Guercini and Runfolo, 2015; Fernie and Grant, 2015; Langley and Rieple, 2021), few studies addressed the case of small, emerging fashion designers (Jacobs and Cambré, 2020; Min and Wilson, 2019; Mills, 2011; Hsiaoa et al., 2020). This paper attempts to fill this gap and expand the discussion on digital business models using the case of the high-end fashion. London as a fashion capital is an appropriate setting for this enquiry (Godart, 2014; Jeong et al., 2021; Casadei and Gilbert, 2018).

The paper first covers the relevant literature on traditional and new business models in the fashion industry. Discussion is developed on the advantages and limitations of digital (e- and s- in this paper) commerce in fashion industry. Next, the methodology is introduced. Here the selection of the pool of designers is explained and mixed methods are discussed under the conditions of limited availability of data. Then, the findings are reported and a typology of designers is presented with discussion on technological and organizational trends for this specific sub-sector of the fashion industry. Finally, conclusions are drawn, and the study’s future developments are discussed.

Dynamic capabilities and business model.

Scholars suggest that the survival, development, accumulation of value and growth, including international and global expansion of the firm depend on its competitive advantage and the dynamic capabilities it manages to develop and maintain (Teece, 2018; Arndt and Norbert, 2015). Dynamic capabilities, in turn, can only develop if a firm possesses idiosyncratic, valuable, rare, non-substitutable and inimitable tangible or intangible resources (Eisenhardt and Martin, 2000). These resources can be in the form of ‘know-how’, products, processes or capitals. The dynamic capabilities possessed or developing are expressed in the business models the firms adopt. Business models operationalise the firms’ activities directed towards creation, delivery, protection and capture of value (Casadesus-Masanell and Ricart, 2010; Svejnova et al., 2010; Childa et al., 2017; Amit and Zott, 2001; Osterwalder and Pigneur, 2010; Teece, 2010). If business model changes to accommodate digital innovations related to the product or processes, so does the value stream, means of controlling it and the proportion of value retained by participants at each stage of the value chain (Cox et al., 2001; Veit et al., 2014; Teece, 2010; Latiff and Safiee, 2015).

It is argued that the adoption of digital technologies provides a clear path to the commercial success (García-Muiña and Navas-López, 2007; Hernández-Espallardo et al., 2011). Such technologies permit entrepreneurs to evolve their value proposition, find and communicate with partners, find funding and launch the firm with little resources and create new paths for business. which are more sporadic and can involve constant initiation, forking, merging, and termination of diverse activities (Nambisan, 2017; Aldrich, 2014). The Internet also allows firms to overcome the temporal and spatial barriers to cross-border commerce and ‘enter’ multiple foreign markets directly (Yamin and Sinkovics, 2006). Digital business models accentuate the customer interfaces and therefore are crucial to value delivery (Remane et al., 2017). It is argued that marketing and sales via D-commerce have become value adding and cost saving activities as barriers to entry are low (Latiff and Safiee, 2015; Teece, 2010). It is also suggested that D-commerce has the potential to significantly enhance the competitive advantage of a firm by having an impact on its visibility, operational effectiveness and efficiency, on customer relationships, product and service offerings, and revenue growth (Zhoua et al., 2013)(Scuotto et al., 2017). The next section considers whether these statements hold true for designer firms in fashion industry.

Product in fashion industry.

In the high-end fashion industry the ability to create and commercialise the innovative designer-led products constitutes the most valuable resource, around which the competitive advantage of the firm is traditionally built, its business model evolves and profits are achieved (Childa et al., 2017; Cillo and Verona, 2008; Dell’Era and Verganti, 2010; Cappetta et al., 2006; Teece, et al., 1997; Pisano and Teece, 2007). Products in the fashion industry are located on a utilitarian-luxury or functionality-symbolism ‘continuum’ (Berthon et al., 2009). High-end designer goods are characterised by high experiential and aesthetic value (Peltoniemi, 2014) and the brands producing them have to possess a range of ‘critical success factors’ including premium quality and craftsmanship, complexity, uniqueness, rarity, variety, innovation and brand reputation (Caniato et al., 2011; Caniato et al., 2009; Dion and Arnould, 2011; Okonkwo, 2009). Fashion products, even in the luxury range can differ in their position on the ‘continuum’, e.g. ‘affordable luxury’ products will rely not only on differentiation-oriented but also on total-cost-oriented strategies. Maintaining a delicate balance between supply and demand is a key aspect of luxury businesses (Dubois and Paternault, 1995; Tynan et al., 2010). Designer products can be easily ripped off from their ‘dream’ status and value and, if unsold, discounted or produced in large numbers, become ‘suicide’ products with low margins (Wong et al., 2006). Emerging designers are innovators and create the high-end products located closer to the symbolic pole of the spectrum.

Though products in the high-end fashion do fit the criteria of idiosyncrasy and rarity, the weak protection regime renders them imitable and substitutable and makes slippage of value easy (CFE, 2012; Hillner, 2013) so that returns from innovation can be appropriated by other parties and advantage could be only short-lived (Pisano and Teece, 2007). This triggers the necessity of continual *product variation* (Galvin et al., 2014). Teece (2007, 1986, 2010) suggested that under these conditions firms can protect and capture value by limiting their exposure and introducing secrecy. In the digital era the immediacy of exposure of innovative products via digital streaming of fashion shows made this technique redundant. Moreover, research shows that designer firms choose to ignore the risks of being copied as the perceived advantages of exposure are high (Samuel, 2020). Symbolism, though increasing the product’s perceived value, intensifies the uncertainty of its evaluation rendering it a ‘*credence*’ good, requiring constant comparison with existing standards to permit legitimisation by multiple selectors (Hilton et al., 2004). Another important feature of fashion products is their tangibility that put limits on the extent of their digitization.

Operations and networks

The uniqueness of the product and ability to innovate are necessary but not sufficient capabilities in providing sustained competitive advantage for fashion designer firms (Teece et al., 1997). This is more so for emerging firms which are unlikely to have a well-recognised brand and a distinctive product, which can set them clearly apart from their competitors (Galvin et al., 2014). Firms can improve their market presence, survive and excel only through a combination of both new product releases and improvements in internal and external operational routines, such as enhancements in marketing, distribution,

production, the served markets' locations and technologies used (Galvin et al., 2014; Casson and Della Giusta, 2007). The attributes of high-end designer products described above induce contradictory operational routines, as the goals of value protection (preventing value slippage) and value delivery/adding (exposing new products for legitimisation) contradict each other but must be achieved simultaneously. Large luxury brands (e.g. Burberry) partially resolve this conundrum by shortening lead times via the 'see now – buy now' technique (Economist, 2016; Hoang, 2018).

Teece (1986, 1997, 2007) suggested that weak protection regime and smallness leave emerging firms with two possible paths for survival and development. The first relates to gaining a head-start with commercialisation and then networking and collaborating with trusted and reputable controllers of up- and down-stream complementary assets that can bring name recognition and reputation spillovers. The second path entails reduction of the value transfer to external parties and investment in their own capacity and assets, internalising production, distribution and retailing and adopting new technologies (Teece, 1986; Pisano and Teece, 2007; Keupp et al., 2010; Teece et al., 1997; Galvin et al., 2014). The first path is broadly related to the development of 'external' or 'relational' resources (Dyer and Singh, 1998) and capabilities; the second - to the development of internal capabilities (Barney, 1991). In the real world usually both strategies are attempted simultaneously in the form of various amalgamations of business models.

Both paths require adaptation of best practices via fast progression down the learning curve and their application to their idiosyncratic resource endowments to gain advantages over rivals (Eisenhardt and Martin, 2000). Scholars argue that learning and accumulation of organisational and intangible assets constitute a strategy for developing new dynamic capabilities and lead to the generation and modification of operating routines (Teece et al., 1997; Zollo and Winter, 2002; Pellegrino and McNaughton, 2015; Pellegrino and McNaughton, 2017; Johanson and Vahlne, 2015). Vicarious learning gained within networks, embedding and experiential learning are most typical of emerging fashion designers. Vicarious learning varies according to the firms' positions in the centre or periphery of the occupational field (Pellegrino and McNaughton, 2017), which connects peers and provide bridges to the asset holders directly or via intermediaries. Learning accelerates if firms reached the critical mass and are clustered, as they are in London, with others that have already gone through the relevant experiences typical of the sector (Fernhaber et al., 2009; Pellegrino and McNaughton, 2017). The ability to build and maintain a reliable network of useful counterparts and embedding into relevant networks adds to the fashion firms' competitive advantage (Rieple and Gander, 2009; Rieple et al., 2015). Experiential knowledge accumulates through the firm's lifespan and gradually starts to inform the retention of behaviours and routines (Jacobs and Cambré, 2020; Jacobs et al., 2016) that triggers the path-dependent nature of dynamic capabilities (Eisenhardt and Martin, 2000).

Fashion designers in London operate in striated and hierarchical networks assembled according to the levels of cognitive proximity and power (Pratt et al., 2012; McPherson et al., 2001; Aage and Belussi, 2008). A more central position in the network provides deeper embeddedness in the contextual knowledge of the industry and the place (Aspers, 2010). It can be argued that education received from the leading fashion institutions provides designers with better chances to be closer to the leaders of the industry and therefore to have better chances of success. However, it is also true that emerging entrepreneurs are doomed to the initial disadvantage in this regard in compared to established firms by the liabilities of outsidership and smallness occurring in domestic and foreign markets (Sinkovics et al., 2013; Johanson and Vahlne, 2009; Guercini and Runfola, 2015) as newcomers are accepted into the networks selectively and gradually (Chen et al., 2019). Networking activities require designers to conduct intensive interactions and to invest capital and time in the disruption of pre-existing wider industrial trading networks and in their redirection toward their own new products, and then to modify and maintain the newly organised business network of which they are then a part (Casson and Della Giusta, 2007). These interactions add value and increase costs simultaneously. Fashion designers externalize some learning and delegate it to intermediaries – the 'press' and 'sales' agents. Authors argue that the fees paid to them can be treated either as an investment in 'market-making' or value sharing (Popp, 2006).

Networks in the fashion industry are highly institutionalised and predetermine the designers' 'industrial path' (Pratt et al., 2012). Once on the 'path' it is challenging to restructure the networks and 're-learn'

the routines. Strong ‘relational proximity’ leads to a degree of institutional lock-in as established structures and strong embeddedness may prevent the progression of new (e.g. digital) business models in the industry (DiMaggio and Powell, 1983) (Rice and Aydin, 1991; Da Silveira, 2011; Dacin et al., 2002; Wenting and Frenken, 2011). Institutions and large businesses become designers’ co-producers imposing conditions (suitability for a niche customer, wearability, innovativeness but continuity) on the creative outcome. Customers have become co-producers of fashion as well. Designers are ‘schooled’ into the traditional business models that cover various rules, e.g. necessity to present collections at FWs, especially at the most prestigious Parisian one, to have a flagship or pop-up store, to seek contracts only with reliable retailers and, recently, to have a strong presence on social media (Jacobs and Cambré, 2020). Experiential knowledge of the industry experts and fashion colleges’ tutors becomes ‘operational’ knowledge of fashion students. Evaluation and selection of designers’ work also starts in the ‘classroom’ at fashion colleges (Virani and Banks, 2014; McRobbie et al., 2019).

Traditional business model

The traditional business model and the related value chain in high-end fashion has two cycles (Fig.1). Value creation and accumulation patterns differ between them. The first, ‘display’ cycle involves designing and producing a collection for FWs and is very costly. The second - includes ‘make to order’ manufacturing, involving different producers, with delivery to a buyer, who then co-creates and adds value by marketing, exhibiting and selling products to final customers (Tynan et al., 2010). The product in the first cycle is unique, however, if it is not commercialised its value starts to diminish. In the second cycle the product is altered according to wearability, manufacturability and marketability demands of counterparts in the value chain. A portion of value is retained by skilled producers and powerful retailers. High-end fashion designers in London have a limited customer base and only a few buyers of high calibre, such as Selfridges, Liberty or Harrods (Hines and Bruce, 2007; Cambridge, 2016; Malmé, 2008). In both cases the business model is buyer-selector-driven.

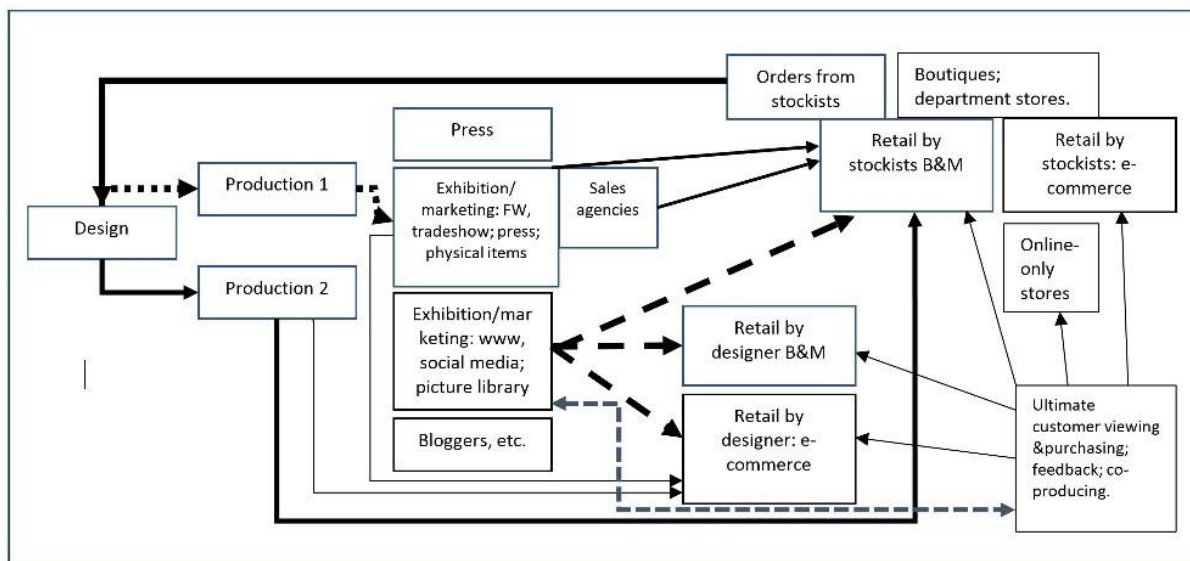


Figure 1. Cycles of operations in designer-fashion industry

This model presents several challenges. Not all designers can sustain the ‘display’ cycle via FWs as this depends on funds (grants) being available and selectors being agreeable (McRobbie et al., 2019). In most cases cooperation with counterparts is weak, temporary and prone to subordination. Marketers discriminate between products that are worth commercialising, delay the selection process, control the quality and lead times (Buckley and Casson, 2011). Choosing ‘sale or return’ contracts, buyers manipulate the designers’ cash flow which can be negative if products are discounted or returned (Sherman, 2019). Exercising ‘exclusivity rights’ for a certain period and territories, buyers restrict designer’s sales to other stockists. In all cases a designer is at a disadvantage. Though the designers generate most of the value they are not able to retain it as the traditional wholesale model assigns controls and power to buyers who dominate the value chain and appropriate most of the value to the

detriment of others (Mudambi, 2008; Cox, 1999; Power, 2005). For example, in wholesale deals the designer products are marked up by a retailer by a factor of 2.2-2.5 (McKinnon, 2021). Even the Farfetch, retailing platform for luxury goods, which gives small brands without e-commerce presence and a way to sell online retains 25-33% in commissions (McKinnon and McCullough, 2021). These processes of constant value sharing (Svejenova et al., 2010) and uneven value capture lead to 'value-chain-envy' (Mol et al., 2005), which may trigger the internalisation of retail functions which allow the capturer a higher proportion of the value (Peltoniemi, 2014). Designers therefore have a confirmed desire to escape the co-producers' creative and financial controls and a tendency to build an alternative route to the market of subsequently expanding into their own retail operations (Karra, 2008).

Digitisation in fashion industry

Research on the digitisation of the fashion industry suggests that d-commerce provides a better means not only of delivering but also retaining value. It increases the potential for independent development of domestic and international markets (Coviello et al., 2017; Autio, 2017; Reinartz et al., 2019; Yang et al., 2017; Peltoniemi, 2014). Investments in digitisation can be considered as resource inputs into developing new marketing- and sales-related capabilities (Wang and Kim, 2017). It is believed that Internet-based business models are especially advantageous for the development of small enterprises (Pezderka and Sinkovics, 2011; Tiessena et al., 2001; Braojos-Gomez et al., 2015). D-commerce can become a dynamic capability able to bring the added competitive advantage which can put a start-up on the map increasing its visibility and overall performance and shifting its value chain from B2B to B2C type of trade (Bertola and Teunissen, 2018; Wang and Kim, 2017). The digital transformation affects the retailing part of the value chain through new sources of value creation such as automation, individualization, ambient embeddedness, interaction, and transparency and control enabled through convenience, experiences, relevance, empowerment and savings (Reinartz et al., 2019). Observers suggest that direct d-commerce channels allow a rapid response to the ultimate customer needs without extensive data analysis and learning (Overby Jeffrey and Min, 2001), it allows quick commercialisation and even reduces the time gate for imitators. Designers can build ecosystems that interact with consumers via IoT applications, direct selling, engagement and experience programs, and personalized communication, which create entirely new value propositions and make brands 'experiential' (Reinartz et al., 2019). In the designer fashion industry digitisation is prominent in value delivery via digital marketing and sales (Rienda et al., 2021; Geissinger and Laurell, 2016). Social media is especially praised for its ability to democratise the relationship between designer and customer (Wang and Kim, 2017). Digital retailing platforms (e.g. Farfetch, Net-a-Porte), which became a new intermediary between the users and the firm, allegedly reduce barriers for interaction and exchange and balance benefits among the members of a business ecosystem (Remane et al., 2017). For firms delivering value via the Internet user networks represent the most valuable intangible hard-to-imitate asset providing firms with additional competitive advantage (Coviello and Joseph, 2012; Chen et al., 2019).

D-commerce adoption is presently easing in fashion industry as the traditional long-standing and tenacious notion of incompatibility between luxury and an Internet presence is being gradually superseded (Guercini and Runfola, 2015). Supporters of that notion claimed that digital marketing and e-commerce channels erode rather than improve the competitive advantage of the brand gained via the exclusivity and rarity of the innovative up-market products and deprive customers of the enjoyment of the look and feel of the physical product still remains (Peltoniemi, 2014; Kapferer and Valette-Florence, 2018). The factors influencing the change include the availability of new Internet technologies able to provide 'luxury experiences' online (Okonkwo, 2009; Kim and Ko, 2011) and an irreversible shift in the preference of new generation and emerging markets' consumers for d-commerce (Guercini and Runfola, 2015; Mohr, 2013). Nevertheless, an opinion persists that luxury fashion brands still should preserve a psychological distance from mass market consumers to protect their image and product value (Park et al., 2018). Large luxury brands, which embody the role models for emerging designers, have various levels of involvement in d-commerce ranging from (1) the old elitist approach of offering 'online only' less-valuable products (Hermes), through (2) the outsourcing online channel management to luxury online retailers such as Net-a-Porte (Gucci, Prada), to (3) the more advanced approaches of

developing omnichannel operations treated as the main business model (Burberry) (Pini and Quagarelli, 2018). Remarkably, the representatives of all three types of luxury brands use the online platform Farfetch as an additional channel of sales.

Barriers to the adoption of d-commerce are well-understood. Obstacles that emerging high-end fashion designers face are both industry-wide and specific for start-ups. Barriers to digitization lie in the hybrid – symbolic and material – nature of the industry’s product and in the strong hold of institutionalized business networks. First, the full advantages of digitisation are objectively limited in the fashion industry thanks to the ‘tangible’, non-digitizable nature of its final products. This prevents designer firms from following the patterns of radical digital transformations experienced by other cultural industries such as music or film, where, in contrast to fashion, product can be delivered and consumed online (Peltoniemi, 2014). This elevates the importance of material up-stream value flows for fashion firms. Larger firms in the fashion industry are strong on the digitization of their supply chain; this does not apply to small designers due to often ephemeral upstream connections and small production volumes. Second, designer start-ups need to overcome the liabilities of newness, smallness and outsidership (Johanson and Vahlne, 2009; Chen et al., 2019), while constantly innovating, learning and developing the organisation and building the baseline dynamic capabilities (Teece et al., 1997; Buckley and Casson, 2011; Casson and Della Giusta, 2007). These liabilities were always difficult for emerging firms to overcome within traditional business models. Digitisation brought the new challenges of de- and re-intermediation and combining B2B and B2C operations, therefore its competitive advantage is obscured by everyday struggle, and its perceived value is diminished despite low barriers to entry. Implementation of D-commerce in the fashion industry, as in other traditional industries, is a disruptive and elaborate process as it triggers additional disintermediation, reintermediation and recombination of operational routines, it transforms organizational capabilities and structure, markets and modes of entering them (Li et al., 2018; French et al., 2004; Turban et al., 2017; Johnson, 2010). Digital business models may be adopted by businesses with reluctance as selling direct to customers upsets the existing important channel partners and can reduce existing sales and profits (Teece, 2010; Pezderka and Sinkovics, 2011). Besides D-commerce can be expensive and does not eliminate the challenges apparent in traditional trade such as language barriers, currencies exchange, cultural differences, post regulations, customs clearance and tax compliance (Li et al., 2018). Emerging designers also find it difficult to imitate the omnichannel practices of the larger brands as they lack the necessary internal resources (Li et al., 2018; Banerjee and Ma, 2012; Hassouneh and Brengman, 2011). When using multiple channels and re-intermediating their networks designers diversify their value capturing, which is positive, but fragment their value delivery, which is negative (Reinartz et al., 2019). Customers spoiled by smooth and exciting experiences provided by large companies may struggle to develop attachment to the emerging brand if stock is minimal, delivery and returns are protracted and prices are exceedingly high. The example of more democratic ‘born-digital’ fashion firms indicates that successful products are simpler, cheaper, readily available and not directed at Vogue readers (Sherman, 2019). Finally, many up-and-coming designers like other creatives in the cultural industries are ‘art’- rather than business-oriented and reject the primacy of profit (Caves, 2000; Malem, 2008; Parkman et al., 2012; Jacobs and Cambré, 2020).

Keeping to the traditional ways of doing things and putting a stop to emerging designers swift adoption of new Internet-oriented business models are reinforced by the strong industrial path dependency of the old dominant fashion industry logic (Jacobs and Cambré, 2020) or an ‘industry recipe’ for designing, exhibiting, legitimising and selling products (Childa et al., 2017). This dependency entails preserving familiar arrangements in the value chain and prioritising already established networks (Guercini and Runfola, 2010).

Researchers indicate that digital technologies alone rarely add value directly to the firms and are most effective when combined with other firm’ resources, e.g. unique product, reliable and flexible supply

chain (Wang and Kim, 2017). In addition, it is not technology as such but firm's intensity and the effectiveness of the media usage and clear intention to co-create value with customers that mediate between digital media capabilities and the firm's performance (Wang and Kim, 2017).

Another pitfall of Internet commerce is overestimation of its advantages such as the low barriers to entry and the accessibility of vast networks of customers and reliance on only the strength of online 'weak ties' (Granovetter, 1983). Small businesses are in greater danger of overestimating the "virtuality" of the Internet and of learning only from digital networks leading to the 'virtuality trap' (Yamin and Sinkovics, 2006) or the online analogue of psychic and physical distances (Guercini and Runfola, 2015) and the liability of outsidership (Johanson and Vahlne, 2015). Digital social networks imitate the attributes of the real ones while the phenomena of cognitive proximity, embeddedness and lock-in, outsidership, and asymmetry of power and control, imitation, piracy, and gatekeeping would remain. For example, the size and range of online social networks is similar to that of offline face-to-face networks and the strongest interactions occur only with a subset of the entire network (Dunbar, 2016; Chen et al., 2019). Customers can be passive and slow in exploring the saturated market on the Internet and finding new emerging brands and building trust on them (Kim and Tadisina, 2005). Start-ups commence their social networks possessing low social capital and must invest in network-building, obtaining social media followers by mobilising the real networks of friends and family, organising advertising compains including those via pop-up stores and befriending key influencers who may increase their visibility. The latter engagement is often accompanied by 'payola' (Caves, 2000; Latiff and Safiee, 2015). Finally, according to the well-known Porter's (2001) assumptions, internet exposure creates new substitutes' threats, increases the power of suppliers, reduces barriers to entry and does not eliminate the power of the buyer but rather replaces it by power of the ultimate consumer.

To be successful entrepreneurs ought to try various options to fulfil potential customer orders by pursuing trade single-handedly, through their own retail channels and/or partnering-up with intermediaries in the wholesale and retail business. The way in which they structure their value network will greatly affect the success of their enterprise, ability to accumulate value, to gain visibility and to portray an appropriate brand image. The strategy can be deemed optimal if the chosen channels draw the right consumer audience in sufficient numbers and add to the competitive advantage of the firm (Gabrielsson and Gabrielsson, 2011).

Research methods

This study focuses on analysis of the downstream value network of emerging fashion designers and the degree to which they digitise their marketing and sales operations (e- and s- marketing and commerce). It is clear that small fashion designers are innovators in relation to their exclusive products but could be experiencing too many barriers to adopt in full the innovative digital practices employed by the larger firms. Previous research clearly poses two questions, which this paper attempts to shed light on:

Q1: Is the adoption of digital marketing and commerce widespread among emerging fashion designers and which business models prevail?

Q2: What are the factors which allow digital business models to work best and improve the chances for survival and development of the emerging fashion designers' enterprises?

In order to resolve these questions an attempt had been made to record, analyse and classify the multiplicity of the retail channels in national and international markets, which designers choose to attract a global audience (Jacobs and Cambré, 2020; Jacobs et al., 2016; Marx et al., 2013). Previous research of fashion firms was based on two distinctive methodologies. The first strain of research used an inductive methodology which employed exploratory qualitative methods and analysis of qualitative data available from secondary (Langley and Rieple, 2021) or primary (interviews) (e.g. Rieple et al., 2015) sources or case studies (Caniato et al., 2013). It provides new insights and help to build theory, e.g. resource based theory where the digitization and related strategies considered as a dynamic

capability. The second strain of research attempts to fully employ deductive methodology and quantitative methods based on surveys to prove, for example, that the digital innovations do accelerate the performance of fashion firms (e.g. Scuotto et al., 2017). The research underpinning this paper started as a qualitative exploration of designer firms in fashion industry with a number of interviews conducted with designers, retailers and intermediaries supplemented by the collection of published interviews and reports from the press and ended with an attempt to collect as much quantitative information as possible to explore whether qualitative insights can be translated into numbers and correlations. The first part of the research is not discussed in this paper, but it informed the understanding of collected quantitative data and final classifications presented here and served for the purposes of ‘triangulation’ (Heale and Forbes, 2013) and for the verification of the connections in the fashion eco-system. Although informed and supported by qualitative insights the present paper explores quantitative data and suggests two hypotheses:

H1: Adoption of digital marketing and commerce among emerging fashion designers is widespread

H2: Digital business models work best as an addition to traditional settings in the industry

The quantitative secondary data collected here is, to the author’s knowledge, a unique but inevitably incomplete set thanks to poor representation of fashion industry in available official statistical sources and databases (ONS, FAME, etc.). For example, the performance and success of designer firms is more difficult to measure than that of other cultural entrepreneurs: first, because firms are small and do not report their turnover or the number of employees; second, UK industrial classification counts fashion designers together with other designers, and small independent designers-retailers with all other retailers (Pratt, 1997; Creigh-Tyte, 2005; Cunningham, 2011; Jones et al., 2015; Stewart and Kamins, 1993). This research, therefore, explored alternative sources of information and used indirect indicators of performance, such as visibility of firms on Internet and social media.

Sample selection. The exact number of fashion designers in London is unknown. However, it is known that in the UK approximately thirty designer/wholesale labels try to enter the market every year (DCMS, 2013), and some of the educational institutions with fashion degree accept around 100 students per annum, but only around 30% of graduates find jobs in art and design (Foster, 2011). Older data (1997) indicated that around 1,500 people who described themselves as ‘designers’ were directly employed in the industry and there were 280 designer enterprises in the country with 80-85% of them being based in London (DDCMS, 1998). Contemporary estimate suggests that there are 5 500 fashion designers in the UK (SageStar, 2017), that means, using the previous proportions, there are approximately 4 400 designers in London with more than 500 businesses running.

Sample researched in this paper is a sample of convenience and was constructed using the London Fashion Week website. Designers who presented their collections at London fashion week are a vanguard of fashion design innovation and are located closer to the centre of the ecosystem of selectors, buyers, intermediaries, and legitimizers that provide them with additional comparative advantage in relation to other entrepreneurs in the sector. They are a group which is most prone to success and to the adoption of a progressive business models. Selection for Fashion Week is fierce, labels need to be in business for at least one year and have a minimum of six stockists not including their own store or e-commerce (BFC, 2022). Seventy designers based in London were finally selected. All designers in the final set were educated in the UK, mainly in the London fashion colleges signalling the exclusive nature of their acquired artistic knowledge and the high rank of their social networks. They are a cosmopolitan group with half being of foreign origin coming from Turkey, China, South Korea, Canada, various European countries and the USA. Most firms were established between 2009 and 2016 although the length of their period of trading varies significantly,. Designers in the dataset specialize mainly in clothing and only few exclusively design bags, shoes or accessories.

If the estimates above are correct, the sample of seventy designer firms used in this paper constitutes almost 14% of total fashion designer businesses in London.

Data collection. A review of various secondary sources was conducted to get insights into the capabilities and business models adopted by small designer fashion firms in London. Secondary sources included both qualitative and quantitative data, e.g. visual evaluation of the quality of the websites and the number of followers on social media respectively. Quantitative data was assembled into the database.

Multiple sources were used to identify the list and characteristics of fashion designers: mentioned above the London FW website; the individual designers' websites; the fashion and industry press; practitioner journals (e.g., Retail Week, Business of Fashion), industry reports (e.g., Drapers, Mintel, Statista); social media platforms - Instagram, Facebook and Pinterest; Alexa (www.alexa.com, [ceased to exist since completion of the research](#)), the Amazon company, which published estimated online metrics for companies' websites, based on data sample of the Internet usage of browser extensions, recorded by the company's traffic panel (Guercini and Runfola, 2015).

The data, which could be systematically extracted from the above sources for all of the selected designers includes:

- Visibility on the Internet in general (VI), for both designers and stockists. VI illustrates the visibility of the brand to the global audience of potential consumers; high visibility closely relates to the firm's commercial success² (Guercini and Runfola, 2015; Vaughan, 2012; Ennew et al., 2005). For the final analysis groups were created with 1- high, 2- average and 3- low VI.
- Visibility on social media (VSM). Platforms (Instagram, FaceBook and Pinterest) provide not only an opportunity for marketing but also for trade if the 'buy button' option is selected (Kuchler, 2015). Final data set includes data for the number of followers on Instagram only (1- high 2-average 3-low). The business environment in which companies operate changes quickly (Brexit, Covid-19 pandemic) and so do the figures for VSM. The data in the paper is correct for 2022.
- The social media (Instagram) pages were closely inspected for the types of connections to and from the designers' accounts, which can be treated as a referral and can increase the traffic of customers (Ennew et al., 2005) via the availability of links to stockists and social media networks.
- Data on institutions and retailers (Vogue, Fashion Week, British Fashion Council, Fashion East; Selfridges, Dover Street Market, Harvey Nichols) which follow the designers were recorded from the Instagram; number of institutional followers formed the Institutional Following Index (FI)
- Date of brand establishment; The age of the firm indicates the levels of accumulated knowledge and experience as well as the time available for embedding into the complementary networks (1 - before 2008; 2 – 2009-2013; 3 – 2014-2016; 4 – 2017 and later).
- Type and location (country) of stockists for each designer: boutique/concept, department or online-only; the degree and character of the involvement with retailers indicate the level of the designers' attachment to the traditional channels of trade. Wholesaling to foreign stores indicates the entrepreneurs' exporting activities. Distributions were examined and a unified scale was introduced for these variables with shares: 1- high; 2- high average; 3- low average; 4- low; 5- 0%.
- Online-only stores (Net-a-Porte and Farfetch) represent a new opportunity for emerging designers and trading via them represents the new trend in their downstream operations. Websites for both platforms were inspected and it was recorded which of the designers in the database were present at the time of the survey (May 2022) (1 – yes; 2 – no)
- Evidence that e-commerce was administered from the website; the existence of a physical store, a studio or a showroom, which represent the internal capabilities of the firm whether new and

² For example, net revenues data published for Zara (1), H&M (2) and Asos (3) (Rieple) has rank correspondence with their number of Instagram followers 51M, 38M and 13M

traditional (1 – yes; 2 – no).

Data analysis. The data was coded, then SPSS was used to run a descriptive analysis on the designers’ dataset (Foster et al., 2006). The analysis aimed to provide an overview of the variables and to determine the nature of the relationships between them. A set of variables for designers was then used to create a series of tables, a correlation matrix³ (table 1) to pick up the connections between variables (they will be discussed in the next section) and to conduct factor (table 2) and cluster analysis, on which the final typology of designers was based (see table 4). At this stage, variables were grouped to indicate: the firms’ visibility; their degree of internationalisation; their involvement in wholesale operations with various retailers; and individual ‘bricks-and-mortar’ retail or e-commerce activities.

Factor analysis was employed to reduce number of variables. Different sets of variables and different techniques were tried. The version presented here was chosen as most satisfactory. It was based on the principal components method, with extraction based on Eigenvalue. Rotation was experimented with and varimax rotation was chosen to reveal uncorrelated factors; variables were saved using the Bartlett method. Four factors were extracted (Table 2); they explained **68.6%** of variation. A description of the factors is provided in section 6 of Findings chapter.

Table 1 Correlation Matrix.

N =70	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	1	.672**	-.297*	-.595**	.502**	.403**	.412**	.498**		.267*					.276*		.252*	
Visibility on Instagram (VSM groups)																		
2	.672**	1		-.455**	.575**	.504**	.328**	.311**	.422**	.467**				.288*			.370**	
Visibility of the website on Internet (VI groups)																		
3	-.297*		1															
Growth VSM 2019/22																		
4	-.595**	-.455**		1	-.718**	-.342**	-.450**	-.342**	-.252*	-.259*				-.358**	-.256*			.260*
Institutional Popularity: Following Index (FI), number																		
5	.502**	.575**		-.718**	1	.364**	.423**	.364**						.431**			.245*	
Following by Vogue (FV)																		
6	.403**	.504**		-.342**	.364**	1	.373**	.397**	.294*	.390**				.362**				
Individual channels: Flagship store (S)																		
7	.412**	.328**	-.274*	-.450**	.423**	.373**	1	.452**	.304*	.330**								
E-commerce via intermediary: Selling via Farfetch (EIF)																		
8	.498**	.311**	.369**	-.342**	.364**	.397**	.452**	1	.280*									
E-commerce via intermediary: Selling via Net-a-Porte (EIN)																		
9	.422**	.502**	-.252*	-.252*	.294*	.304*			1	.852**	.408**	.367**						
Individual channels: E-commerce (E)																		
10	.267*	.467**	.417**	-.259*		.390**	.330**	.280*	.852**	1	.320**							
Quality of the website (QW)																		
11									.408**	.320**	1	.610**						
LIST OF STOCKISTS																		
12									.367**		.610**	1						
LINK TO STOCKISTS																		
13													1	-.291*	.351**	.761**		-.862**
CLASS of wholesale arrangements																		
14		.288*		-.358**	.431**	.362**							-.291*	1	-.327**	-.333**	.409**	
Experiential learning: Age (groups) (A)UP																		
15	.276*			-.256*									.351**	-.327**	1	.462**		-.323**
Internationalisation: foreign stockists, % (groups) (WFS)																		
16													.761**	-.333**	.462**	1	-.506**	-.644**
Wholesale: boutiques & concept stores, % (groups) (WBS)																		
17	.252*	.370**			.245*									.409**	-.506**	1		
Wholesale: department stores, % (groups) (WDS)																		
18				.260*									.862**	-.323**	-.644**	1		
Wholesale: Online-only stores, % (groups) (WOS)																		1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 2. Component Matrix.

	Rotated Component Matrix ^a			
	1	2	3	4
Visibility of the website on Internet (VI groups)	0.593	0.375	0.024	0.377
Visibility on Instagram (VSM groups)	0.729	0.167	0.260	0.146
Experiential learning: Age (groups) (A)	0.324	-0.062	-0.116	0.690
Individual channels: E-commerce (E)	0.161	0.917	0.059	0.039
E-commerce via intermediary: Selling via Farfetch (EIF)	0.699	0.187	-0.087	-0.057
E-commerce via intermediary: Selling via Net-a-Porte (EIN)	0.717	0.154	0.002	-0.197

³ **. Correlation is significant at the 0.01 level (2-tailed).

Institutional Popularity: Following Index (FI), number	-0.717	-0.044	-0.375	-0.226
Following by Vogue (FV)	0.759	-0.061	0.107	0.342
Individual channels: Flagship store (S)	0.574	0.266	-0.067	0.232
Quality of the website (QW)	0.265	0.865	-0.041	0.044
Wholesale: Number of Stockists (groups)	0.256	0.466	0.603	0.147
Wholesale: department stores, % (groups) (WDS)	0.054	0.154	0.070	0.851
Wholesale: Online-only stores, % (groups) (WOS)	0.000	0.104	-0.852	-0.130
Wholesale: boutiques & concept stores, % (groups) (WBS)	0.056	-0.260	0.684	-0.526
Internationalisation: foreign stockists, % (groups) (WFS)	0.084	0.302	0.673	-0.431

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

All four factors were used for clustering to identify groups of designers with similar characteristics. Though clustering techniques can be seen as ambiguous, lacking objectivity and dependant on the variables and techniques chosen they were found to be useful for the purposes of this research, e.g. the final classification was satisfactory and corresponded well with the qualitative data on designers firms. The rejection of other techniques can be explained by specifics of the data: variables in the database do not strictly fit into ‘dependent’/‘independent’ categories; correlations between them are mostly not linear; and the total number of observations is not high enough to make precise predictions. Therefore, regression techniques were rejected. Classification and regression *tree techniques* (Lee et al., 2006) were tried and also rejected. CHAID method picked up two variables – ownership of the store and presence of e-commerce (internal capabilities indicators) – in explaining visibility on the Internet (VI – dependent variable). The same technique used for visibility on Instagram (VSM – dependent variable) picked up the same two internal capabilities variables plus such characteristics as selling via Net-a-Porte, general Institutional Following Index (FI) as well as age of the firm, though with different to VI positions in the hierarchy. CHAID techniques, however, did not produce useful groupings of designers. The hierarchical clustering was chosen instead as it had been used in research of a similar nature (Rieple et al., 2015). Within groups linkage method was used as it produced better results than between-groups linkage method; intervals were chosen using Euclidean distance. Dendrogram was drawn and analyzed; groupings identified by the technique described above were located in a dendrogram and their ‘fit’ was checked against available qualitative information (interviews, published information about the firms, etc.). The results of the revised classification are presented in table 4 and discussed in section 6 of Findings chapter.

The analysis conducted identified several patterns in relation to the firms’ internet visibility and the relative importance of different distribution channels. The data highlighted the areas, which require further, in-depth exploration. In the following section the results of the data exploration are presented and groups of designers described.

Findings

1. Multichannel wholesaling business models adopted by most of the designers

All designers in the database are involved in wholesale operations with various traditional and new retailers. This verifies the ‘stickiness’ of the traditional model, prodigiously followed by designers who prefer protected distribution channels run by reputable retailers proficient in deliveries, returns and customer support (Li et al., 2018; French et al., 2004; Turban et al., 2017; Johnson, 2010; Teece, 2010; Pezderka and Sinkovics, 2011). Moreover, most of traditional retailers provide e-channels which increase the exposure of designer products. The number of stockists per designer varies significantly from thirty to just six and increases with the age of the firm, however, correlation is not linear – when

some level of stability and maturity is reached the number of stockists is limited to those with whom a prolonged relationships were established. Designers form distinctive groups with different structures of wholesaling operations. A third of the designers in the database follow exclusively the traditional wholesale model selling only to boutiques and department stores with new online-only stores excluded from their wholesale package. However, in recent years some designers in this group started to collaborate with Farfetch. They follow the traditional industrial path and mirror some large fashion brands' distrust of e-channels (Pini and Quagarelli, 2018). They are usually well-embedded in the fashion field, e.g. they have successfully won grants to support marketing and production. This provides them with a temporary competitive advantage, till financial support expires, and grants provide access to various networks, allowing them to accumulate value and mature into the more efficient and productive brands (Karra, 2008). Designers rip substantial reputational rents from external collaboration with desirable retailers, receive more attention and obtain competitive advantage if only temporarily (Tece, 2010).

Most designers (52%) employ a multichannel distribution and retailing model. This group sells to a combination of all three types of stores but still with the traditional stockists dominant. Only four designers sell exclusively to the online-only stores and another seven sell predominantly to online stores. However, online-only retailers (Farfetch, Net-a-Porte, Matches, etc.) are a strong part of designers' retail packages - 68% of designers sell through them, though they comprise just 15% of the total number of stores in the database. Farfetch, for example, accommodates 35% of designers in the database. Online platforms (Farfetch) and online-only wholesale buyers (Net-a-Porte) gradually take the role of new buying partners in the fashion designers' ecosystem, which is a new trend already being followed by the large brands as they challenge the position of traditional retailers (Langley and Rieple, 2021). However, value acquisition by online-only stores is also quite high, e.g. Farfetch, the leader in luxury online retail, takes 30% commission on sales (McKinnon and McCullough, 2021). Farfetch is a patron for emerging designers being on board of British Fashion Council and has publicly announced its intention to help those designers who do not have e-commerce (McKinnon and McCullough, 2021). Our data though demonstrates that designers selling on Farfetch have other retail channels including e-commerce, moreover e-commerce and usage of Farfetch as a selling platform correlate ($r=0.5$). None of the designers used Amazon.com for selling their products unlike their US counterparts, however, some of the designers use other less prestigious platforms (e.g. Lyst).

The visibility of designers on Instagram (VSM) correlates with the number of stockists they engage with: $r = 0.5$. That confirms that the reputation of the stockists can be translated into the reputation of the designers Teece (1986, 1997, 2007) and vice versa, so a temporary symbiosis can be observed on many occasions. The designers' individual visibility on the Internet and social media is higher if their products are exhibited in department stores or fashion boutiques which represent the higher end of retail. In our database, designers wholesale in stores such as Selfridges, Harvey Nickols, Browns, Dover Street Market. Interestingly, the visibility of designers who deal with online-only stores is lower than those choosing a multichannel approach or those who stay strictly traditional.

Table 3. Comparison of Instagram following for selected types of retailers and designers.

	N	Instagram followers th. mean	Instagram followers th. median	GWR, mln Mean, 1=best	GWR, mln Median, 1=best
Boutiques	173	87.6	17.0	4.1	1.9
Concept store	24	24.5	11.7	3.3	2.2
Department store	44	359.5	129.0	0.7	0.04
Online Retailer	46	503.9	67.2	2.0	0.2
TOTAL Retailers	294	187.8	21.9	3.0	0.8
Designers	71	54.8	15.6	6.4	4.6
e-commerce	47	77.8	29.7	6.0	4.4
no e-commerce	24	37.6	11.3	7.3	8.1

The visibility of the designers' expressed by VI and VSM, is understandably, much lower than that of the retailers (Table 3) who display several brands, have larger collections, and are better recognised by the consumers, both domestic and international, both via their physical stores and online. Despite the risk of being submerged in the retailers' varied stocks while shifting a substantial proportion of value towards them when transacting, London designers still favour these channels. This is especially so for a subset of highly reputable retailers who attract a large number of customers. Online retailers on average are followed by the highest number of people which indicates that the future may lie with these platforms representing luxury with growing success. The highest VI in the database belongs to the department store Nordstrom (USA); the online store Net-a-Porte (UK) has the highest number of Instagram followers (VSM).

2. Most of designers are 'born global'

An ability to export is a traditional indicator of firms' economic health. Wholesaling operations of designs are truly international and spread across the world with Europe (27%), South-East Asia (25%) and the North America (18%) standing out based on the number of designers exporting there. The importing countries represent both the old and the new markets for British designers and include the USA, Italy, Japan, China and South Korea. Only 15% of all stockists are based in the UK. This validates the contention that most emerging designers are 'born global' and have the confidence to explore export opportunities abroad without gaining a prior experience in the country of the launch (Guercini and Runfola, 2015; Guercini and Runfola, 2010). This relates to the few options for sale in the UK and the embedded tradition of prioritizing Paris Fashion Week as the main market place attracting international buyers (Skov, 2006; Karra, 2008). Designers wholesale abroad to I.T. in Hong Kong, Beams Tokyo in Japan and Nordstrom in US. Boutiques and concept stores take the highest proportion in all countries. Only two designers trade exclusively with foreign stockists; ten designers established before 2014, trade entirely with British stockists. Established networks of the older firms are mainly inward oriented and the reasons for failing to export more in their case remain unclear, though previous research revealed that firms with predominantly domestic experience have difficulty developing knowledge of the internationalization process (Pellegrino and McNaughton, 2017) due to the dark side of embeddedness - lock-in. The younger the designers are the higher the proportion of international stockists they have. In this research many emerging designers experience high visibility while being 'born-global' with market presence world-wide. This challenges the recommendation made to fashion start-ups that they should develop their domestic presence first (Berg et al., 2016). Being global, though, is mostly typical of London's designers if compared with their competitors in other parts of the country (Gu, 2014). Hypothetically, foreign-born designers should keep connections with and easily internationalise back in their country of origin. Though data does not show this connection explicitly, it was observed that on average foreign-born designers have a lower share of the UK-based stockists than their British-born counterparts. Forty-six percent of the foreign-born and only 25% of the UK-born designers have more than 75% of their stockists being located abroad. Though exports are considered to be the positive trend, it was well established a long time ago and was caused by limited opportunities for sales in the UK (DDCMS, 1998). Interestingly widespread digitisation has not eliminated the wish of designers to wholesale abroad. The high propensity to sell abroad has a weak correspondence ($r=0.3$) with visibility on social media; more robust is the connection with a younger age of the firm and the higher percentage of boutiques and concept stores in wholesaling package.

3. Developing internal capabilities: the store

Ownership of the store is considered to be a valuable resource, which can increase visibility and actual sales of the designer and contribute to its competitive advantage (Langley and Rieple, 2021). However, it can also be a liability especially when customers are increasingly attracted to the purchasing online (BoF, 2019). Only a small proportion (17%) of designers have their own flagship store, few sell via studios and showrooms. One designer ended the unsuccessful trading in a physical store during the period of investigation, confirming that the store alone cannot act as an advantage without other capabilities

being in place, such as diverse products which attract a sufficient pool of customers. Store owners are the designers with longer periods of trading confirming that the development of individual retail channels requires accumulation of funds, prolonged success and experience of running business to enjoy the additional visibility benefits that these channels provide (Fowler and Bridges, 2010; Moore et al., 2010). The popularity of pop-up stores is not explicitly evident, indicating that emerging designers in the UK do not explore enough this option for sales, promotion, market testing and brand communication (Alexander et al., 2018; Sherman, 2019). Wholesaling is not devalued by those designers who possess a flagship store, quite the opposite, firms with a store have on average a larger number of stockists (14.8 stockists for designers with a store; 8.2 for those without a store) both in the UK and abroad. This indicates that both internal and external resources are used to build advantage. Though the general trend for larger brands and retailers is to reduce a number of stores and make them smaller considering the present characteristics of demand (BoF, 2019), one designer brand in the database managed to open a store in London in 2019. Visibility, both VI and VSM, correlates (0.5 and 0.4 respectively) with the store ownership. There is no causality here though. Older firms with a store developed this internal capability before the development of the Instagram platform (around 2010-2015), so it was their previous strong position in the market that led to their visibility on social media, whereas for firms born during the Instagram age, quite the opposite can be true – it was possibly their Instagram accounts that were first attracting customers which allowed them to mature and open the store.

4. Developing internal capabilities: e-commerce

The shift to the e-commerce is not that apparent among high-end designer start-ups, thus questioning the perception of various authors that digital channels are the panacea for achieving growth and success. This confirms reported doubts that digitization on its own brings real independence and power to start-ups (Peltoniemi, 2014). In 2014 only 43% of designers presented at London ? fashion week had e-commerce sites (BFC, 2014). Only 45% of all designers in the present dataset performed e-commerce operations from their website in 2019. In 2021 this increased to 66% with fourteen designers developing e-channel. This was triggered by the closure of physical channels (shops, studios, etc) during the coronavirus pandemic and the intensification of more general trends toward on-line consumption. However, in 2022 three out of fourteen who joined the e-club ceased to exist all together along with three others, one of which had most favorable characteristics and reasonable levels of visibility.

E-commerce does not imminently improve designers' visibility on social media, though there is a reasonable correlation ($r=0.4$) with Internet visibility of the website (VI). When calculated differently, visibility, both VI and VSM is worse for designers without e-commerce: 80% of designers out of those who do not practice e-commerce have lower visibility. This supports the proposition that the absence of e-commerce indicates the disadvantageous market position of the firm. However, e-commerce, or more precisely buying a package of software to run e-commerce, does not provide a categorical competitive advantage unless accompanied by established links to other retail channels and supported by robust supply chain and salable products. There is also competition between channels and difficulties in running multichannel operations.

When developing e-commerce designers have two choices they can make to sustain this channel: the 'make-to-order' path or the path of stock accumulation in anticipation of demand. Both put the designer in a position of dependency on the upstream manufacturers as developing the in-house capacity is capital-intensive. 'Make-to-order' entails longer lead times; therefore the 'slow fashion' mode of consumption must be endorsed by customers (Fletcher, 2010). Inventory accumulation assumes an established customer pool. Both options require designers to gain experience, develop reputation and visibility along with operational capability (BoF, 2020) as independent B2C trade of tangible goods exaggerates various non-internet related liabilities associated with sourcing, manufacturing and customer service over long distances within and across national borders (Johanson and Vahlne, 2009; Sinkovics et al., 2013; Guercini and Runfolo, 2015; Pezderka and Sinkovics, 2011). In sum, social

media, e-marketing and e-commerce require the integration of processes across many areas of the firm, including design itself, and across the network of complementary businesses which collaborate to generate customer value (Wang and Kim, 2017).

The group of designers with e-commerce is heterogeneous but, the majority has relationships with large number of stockists meaning that digital business model merges with the traditional one rather than replace it. This confirms concerns expressed about the difficulties and limitations of 'going it alone' without a rationale for abandoning stockists altogether. There is a correspondence between the presence of an individual e-commerce channel and the types of wholesaling operations in the designers' business model. For example, the absence of e-commerce is associated with higher proportions of boutiques and department stores in the designers' wholesaling package which once again spotlights the existence of a group of designers with a traditional elitist view of e-commerce as a trading model, which diminishes the value of their products (Pini and Quagarelli, 2018). The presence of e-commerce operations also corresponds with the longer period of trading: among designers with e-commerce 64% were older firms, established before 2014, indicating that running this individual channel requires experience, prolonged exposure and established visibility of the products to the consumer and most importantly stable demand and supply which can be achieved over the years of successful operations. Nevertheless, there are several younger designers also possessing e-commerce function. This, however, often relates to their underdeveloped networks in the fashion field and their incapacity rather than their absence of desire to sell via traditional channels. The very same firms do not hesitate to sell to less prestigious online-only stores (e.g. Lyst).

As ownership of a website became common for fashion designers, differentiation between them occurred along the lines of: presentation quality (QI), customer service, reputation, and related manufacturing quality and branding. Visibility on the Internet (VI) corresponds ($r=0.4$) with presence of e-commerce and the quality of the website index (QW) ($r=0.9$). The presence of e-commerce robustly correlates with various elements employed by designers on their websites to increase their visibility, such as lists of stockists ($r=0.4$) and links to the listed stockists ($r=0.4$). This confirms that e-commerce develops as a result of previous successes in wholesale rather than as an act of resistance to the power of buyers. However, 50% of designers do not list their stockists on their websites meaning that customer cannot smoothly proceed to purchase from the stockists if desired. This would be understandable, however, if designers their own physical retail channels or e-commerce. Only 24% of all designers provide both a list of stockists on the website and had an active link to them, so that the visitor could become a customer.

The e-commerce capabilities of designers vary. For example, advanced financial product Klarna, which offers "Slice It" interest-free, pay-in-installment options, widely adopted by larger brands, (Topshop, Miss Selfridges and Asos) (O'Connor, 2018) was found only for seven designers with e-stores. None of the designers have a website which could provide the experiences the luxury store could provide in its website.

Developing internal capabilities: social media

In vogue now is the use of Instagram and other social media platforms by fashion designers for displaying image libraries, marketing and building a following of potential customers (Kim and Ko, 2010; Vinerean, 2019). Social media platforms can better represent the product and is of substantial value to the designer, possibly even rendering the creation of a full website obsolete, especially when considering cost and maintenance aspects (BoF, 2019). Social media is adopted as a mechanism for learning and reaching an international audience to compensate for the disadvantages associated with smallness and outsidership. However, the integration of s-commerce functionality into social media accounts is not widespread among fashion designers in London. Moreover, the social network space had become saturated and more competitive with increasing costs and rising barriers to entry (Mondalek, 2021). Businesses may hope to win a customer group via the

Internet only if they are able to invest in more technologically advanced and customer attractive representations of their products providing them with streamlined and exciting experiences and excellent customer service. B2B social media networks includes all of the old counterparts such as fashion press, major buyers and various fashion institutions including British Fashion Council by whom the designers are being observed, therefore old controls do not disappear completely.

All designers in the database have Instagram and Facebook accounts. Only 22.5% of designers have Pinterest accounts. Social media accounts are used mainly for product marketing. Only a few designers use the 'sale button', however, many have an active link to their website where e-commerce is possible. The data confirms that the visibility of firms grow with time and relates, first, to the product and to the process of converting from design-driven to customer-driven, and, second, to the maturity of the networks connecting with customers/followers, press, retailers and intermediaries of all kinds. The achievements of the older firms in the database confirm the importance of experiential learning for selecting routines and sustaining these firms over time (Jacobs and Cambré, 2020). British designers, it seems, do not follow the path of born-digital American 'Instafamous' peers (e.g. Everlane, Reformation), who, first, create a pool of social media followers' pool, which of itself becomes a resource, creating a competitive advantage and a reason for being accommodated by large department stores (Hanbury, 2018).

Though the research highlights that well established designers have better control of all their distribution channels, there are winners and loser at each stage of development. Some designers stay invisible to customers for years. Visibility increases along with the growth in number of stockists and reaches its pick when designer employs all available channels: their own flagship store, related e-commerce, s-commerce and 'old-fashioned' wholesaling to department stores, boutiques and online retailers.

Visibility on Instagram (VSM) corresponds strongly with visibility on internet (VI) with $r=0.7$. VSM also has correlation with Following Index (FI) and especially with following by Vogue (FV), which confirms the point made earlier about new ways the old press operates and the continuation of influence of traditional selectors such as major retailers. Interestingly VSM also strongly corresponds with selling on Farfetch and Net-a-Porte that confirms their growing position as selectors and providers of reputational advantages.

Interconnectedness of various media sites representing a designer brand is important for visibility and the fluidity of the journeys customer's experience (Ennew et al., 2005). Almost 70% of all designers connect their Instagram page back to their own website, which is most effective if the website can be used for purchasing. A quarter of all designers do not connect the Instagram page to any other marketing or selling platform.

Further observation of Instagram accounts provided insights into designers' place within virtual networks. Designers follow their peers and retailers. Institutions and the press observe designers, e.g. British Fashion council, LWF and Young British Designers follows a large group of them; 30% of designers were followed by *Vogue* magazine. Retailers do follow some designers: 27% of designers are followed by Selfridges; 18% - by Harvey Nichols and Dover Street Market each. Only 9.5% of designers who were followed by any of the businesses or organisations mentioned were established after 2017.

5. Classification fashion designers in London by their downstream arrangements

The next step in investigation was to identify the groups of designers with similar digital and traditional retailing practices. Selected variables were used for this and they were grouped into four factors as was described in methodology section (Table 2). The first factor aggregates variables contributing to the visibility of the designers' website and their social media pages (VI, VSM) and indicates the internal capabilities relate to this visibility (store ownership) and external/relational strengths expressed in a high degree of interest from retailers,

institutions and intermediaries. Cumulative visibility also relates to the usage of Farfetch and Net-a-Porte as an online selling intermediaries. This factor represents the interconnectedness and overlap between designers' individual internet visibility and visibility generated on social media. Factor two indicates visibility of the website (VI) and its relation to the quality of the website and usage of e-commerce as a selling channel, which represents another internal capability. Factor three emphasizes the structural specifics of the wholesale channels; it indicates a certain polarisation among designers in relation to the usage of online channels of trade and trade via boutiques and concept stores. The latter in turn coincides with intense internationalisation. The fourth factor shows the importance of experiential knowledge accumulated over the years and its correspondence with wholesaling in department stores.

Table 4. Classification of designer firms

GROUP	Visibility on Instagram (VSM groups)	Visibility of the website on Internet (VI groups)	Wholesale: Number of Stockists (groups)	Individual channels: Flagship store (S)	Individual channels: E-commerce (E)	E-commerce via intermediary: Selling via Farfetch (EIF)	E-commerce via intermediary: Selling via Net-a-Porte (EIN)	Quality of the website (QW)	Following by Vogue (FV)	Institutional Popularity: Following Index (FI), number	Experiential learning: Age (groups) (A)	Internationalisation: foreign stockists, % (groups) (WFS)	Wholesale: boutiques & concept stores, % (groups) (WBS)	Wholesale: department stores, % (groups) (WDS)	Wholesale: Online-only stores, % (groups) (WOS)	Number of firms	CLASS	
8	H	H	H		Y	Y	YN	N	H	Y	H	O	L	L	H		3	A1
5	H	H	H		Y	Y	YN	YN	H	Y	H	A	H	A	A	A	7	A2
4	H	H	H		YN	Y	YN	YN	H	YN	H	A	H	A	A	L	9	A3
1	A	A	H		YN	Y	N	N	H	YN	L	A	H	H	A	L	19	B
9	H	H	A		N	N	Y	YN	L	Y	H	O	A	H	A	A	1	C1
11	H	H	A		N	N	YN	N	L	Y	H	O	L	L	H	A	3	C2
10	H	A	A		N	N	Y	YN	L	N	H	Y	A	H	A	A	1	C3
2	A	H	H		N	N	N	N	L	Y	H	Y	H	H	L	L	2	D1
7	A	H	A		N	Y	N	N	A	N	L	Y	L	L	H	L	1	D2
3	L	L	L		N	N	N	N	L	N	L	Y	H	H	L	L	13	D3
6	L	L	L		N	N	N	N	L	N	L	O	L	L	H	L	1	D4
15	L	A	L		N	Y	YN	N	H	N	L	Y	L	L	L	H	1	D4
12	L	L	L		N	Y	YN	N	H	N	L	A	A	L	A	H	2	E1
12	L	L	L		N	Y	YN	N	H	N	L	A	A	L	A	H	2	E2
14	A	L	L		N	N	N	N	L	N	L	O	L	L	A	H	1	E3
13	L	L	L		N	N	N	N	L	N	L	A	L	L	L	H	2	E4
Total	2.0	2.7	1.8	1.8	1.4	1.6	1.8	2.2	1.7	2.3	2.3	3.1	3.0	4.0	4.0	70		

The four factors used in place of the primary variables led to the following clusters of firms (table 4). **Class A** ('Achievers') contains 19 designers who are highly visible on internet and social media and possess a high number of stockists, the majority department stores and boutiques located predominantly abroad; they run their own e-commerce, and some have a flagship store, many use Farfetch as an intermediary for e-commerce. Subgroup A1 in class A includes 'Mature Domestic Achievers' with rich business experience and deep embeddedness in fashion networks and good presence in department stores. Subgroup A2 also has a longer period of trade but in contrast to A1 designers here wholesale connections are with boutiques and concept stores abroad. Subgroup A3 has the similar characteristics to A2 but accommodates younger designers. Both A1 and A2 consist mainly of older designer firms, their presence on FWs relates to their commercial success, they are the role models rather than competitors

for younger designers. Only one firm closed its operation during the pandemic as its luxury and niche market had shrunk. **Class B** ('Average Designer') contains 19 designers with reasonable visibility on Internet and social media; not many here own a store but many have e-commerce and websites of adequate quality. Farfetch platform does not accommodate these designers and they are not intensely scrutinized by institutions or buyers. They sell mainly in boutiques and are strongly oriented toward foreign markets. This group is most homogeneous. **Class C** ('Successful Traditionalists') contains only four designers and could be included in class A as they enjoy relatively high visibility especially on social media. They do not though possess either store or e-commerce, their websites are of poor quality, which means their popularity is built on external resources. Some use Farfetch and Net-a-Porte for e-commerce, some are followed by Vogue, all have high index of institutional following as well, which indicates that their products are of interest for buyers and press. They are oriented on domestic markets and sell to boutiques and department stores. **Class D** ('Unsuccessful Traditionalists') contains 17 designers. They produce unique products and cherish their small group of customers. The class is formed by firms with an orientation on the 'classical wholesaling model' with highly reputable boutiques and department stores. They avoid online-only stores and generally have a distrust of e-commerce. They have average and low levels of visibility on internet and social media and no internal capabilities: they do not possess a flagship store or developed e-commerce, neither are they actively involved with online-only stores for retail intermediation. Institutional following is low. This group is characterized by very low quality websites. Orientation is predominantly on the wholesaling model with traditional retailers leaving designers in this group vulnerable. By the end of the research period 6 designers either did not have a website at all or a website of extremely poor quality and 4 firms ceased to exist under the pressures resulting from the decline in the quality of the business environment. D1 with most of the designers contains younger entrepreneurs with an orientation toward wholesale and foreign boutiques; D2 contains older designers oriented on the domestic market. **Class E** ('Digital entrepreneurs') contains seven designers of various ages who have low visibility, no flagship store, few stockists, most designers here prefer to sell to online-only stores, some have e-commerce. There are some more successful outliers in this group and they require separate consideration in the future.

Conclusions

Findings in this paper may serve those with research or commercial interests in fashion industry. First, conducted research positioned the group of fashion designer entrepreneurs as an interesting case in discussion of how the new technologies and related customer preferences modify the practices of individual firms. Fashion designers researched here also showcase the interconnected nature of and complex interplay between internal and external resources and capabilities, which firms consider and choose to exploit via their particular business model. The successes and failures following these choices can inform other businesses and institutions about the best practices and practices to avoid.

The research conducted here indicates that d-commerce has not been adopted by London fashion designers to any high degree. So, the previously stated hypothesis 1 was wrong. The high-end emerging designers in London are the late adopters of digital business models and there are no 'born-digital' and 'Instafamous' among them. Though all designers have Instagram accounts and more than a half run an e-commerce channel most keep and maintain a network of external buyers to sustain their existence. Exploitation of traditional capabilities, such as innovation and building connections in the fashion field for purposes of products' legitimization are still the tactics preferred.

Designers' ability to innovate and frequently update their distinctive high-quality products remains the main dynamic capability of emerging fashion designers in London. That is what contributes to their competitive advantage which, however, is transient in nature. In a dynamic and ever-changing environment such as the fashion industry an innovative product alone, however, does not bring sustained success and growth. The differentiation between designers happens not only in relation to talent and originality but also to organisational capability and having the means to attract and retain a customer pool in a highly competitive and saturated niche market. There is a limited number of options available to designers to deliver value to customers given the involvement of different sets of old and new intermediaries and third parties, which, while sharing the risks and adding value, may also appropriate

a significant share of what was originally generated by designers. Whatever option is chosen, designers need to build and rebuild their networks with various complementary parties to sustain their chosen business model (Teece, 2010, 2018). Though the research indicates this indirectly, networks, as well as speed and diversity of vicarious learning remain the leading factors prompting variations in the indicators of the designers' visibility (Wright et al., 2019). These factors may become a dynamic capability, generate value and facilitate development or, if out of date or wrongly employed, represent a liability, which impedes the firms' future opportunities.

Moreover, the more the designers develop their individual d-commerce and succeed with sales, the less stable their relationships with retailers both traditional and new may become and 'channel conflict' may occur (Turban et al., 2017). Therefore, there is always a trade-off when it comes to multichannel experimentation and the associated reintermediation, when an old set of partners is distorted and there is an overwhelming need to activate and retain a very different group of individuated customers or digital-only retailers. A trade-off occurs between the perceived power and reliability of the networks of established selectors' and retailers' which comes with value sharing obligations, and the perceived risks of 'go it alone' d-commerce activities with anticipated high levels of value capture but the associated probability of incessant Internet invisibility.

The results of the research conducted here confirm, however, that there is no ultimate preference when it concerns the marketing and trading channels. Multichannel practices bring stability to firms and are typically found in those that are most successful. The example of class D demonstrates the vulnerabilities and dangers of a one-sided 'elitist' approach to the sales, especially in a turbulent business environment. The traditional practice of dealing only with a selected high level buyer proved not to be sustainable. On the other hand group the group E displays the concerns that come when preference is given to digital channels only as they alone do not compensate for an underdeveloped network of customers whether they are people or retailers of high calibre. Therefore, the hypothesis 2 was correct.

Nevertheless, in general designers are longer hesitate to display and sell their products online (Dion and Arnould, 2011; Hennigs et al., 2012) and many have turned towards digital practices in their various forms, especially during the pandemic years. This trend will persist as Internet experiences become more sophisticated and as the production, logistics and delivery techniques of companies develop. Moreover, technological and social changes continue and deepen and may reach a critical mass and turn the preferences of designers towards deeper and more sophisticated digital activities. A completely new field is forming in luxury fashion based on the metaverse with digital clothing for avatars. Some large firms like Gucci and Burberry have already entered this market (BFC, 2021). This allows the fashion product to join products in other fully digitized industries such as film, music or publishing. However, this type of development is understandably limited. The organisational environment in the industry is also changing rapidly and partners such as Farfetch and Tick-Tock are being invited to evaluate designers' work and become the new selectors for new fashion ideas. This trend will intensify the democratization of fashion and trigger design of simpler products, which suit 'direct to consumer' models, which apparently have already become a dominant model in sections of the fashion industry other than luxury (BFC, 2019). The ideas of 'fast luxury' promoted by Farfetch supplement these developments (McKinnon and McCullough, 2021).

The question whether digital practices form a recognizable internal capability of high-end emerging designers in London remains not fully answered as presented evidence is incomplete. It is clear however, that simple fact of having a website and social media account does not change much on its own. It is firm's ability to use them for their advantage and create new customer-driven value that can translate digital capabilities into superior performance (Wang and Kim, 2017). Future research is needed to explore in more depth contemporary d-commerce practices in the fashion industry to understand the reasons for the slow adoption of digital models in high-end designer fashion in London and whether d-commerce is a capability that increases the chances of emerging designers to capture and appropriate more value so that they may gradually develop into larger brands (Peltoniemi, 2014).

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