

# Amazon, eBay and Google Battle for Growth in the Global Apparel Market

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## Abstracts

Amazon and eBay emerged from the dot-com bubble of the late 1990s. As such they could be described as veterans in the world of online shopping. Today they are both huge concerns and, increasingly, they are focusing on the huge but relatively untapped online apparel market.

The market is being driven partly by technology—as electronics and software continue to develop at a breathtaking pace—and partly by the growth in online shopping as an increasing number of consumers are choosing to buy goods at leisure from the comfort of their own homes in preference to battling with traffic congestion and struggling with crowds in shopping malls.

Both companies have been investing heavily on online shopping. They are developing new tools aimed at capturing market share while also investing in people—by recruiting fashion teams and designers worldwide, and forming partnerships with leading brand owners and retailers.

Recent initiatives by Amazon include the launch of its Outdoor Recreation Store and Denim Store, its acquisitions of Zappos.com and BuyVIP.com, a refocus on high-end fashion retailing, and the launch of exclusive collections such as Heidi Klum for New Balance. Recent initiatives by eBay include online “storefronts” in the USA in which retailers such as Brooks Brothers and Timberland sell excess and discounted stock directly to buyers. In addition, eBay has launched a fashion outlet site in the UK, and the company’s eBay Fashion LookBook has been billed as the first ever “shoppable, shareable digital style gallery”. In October 2010 eBay announced that the designer Derek Lam would introduce an original collection to be sold exclusively on the site.

For many firms, selling apparel online is a comparatively high risk business. But Amazon and eBay already have strong market shares, brand positions and reputations in online retailing worldwide. It seems likely, therefore, that their respective ventures in the apparel sector will prove highly successful.

Neither company, however, banked on the sudden attention of another potential rival, Google. To date, Google has generated 97% of its turnover through advertising revenues. Consequently, Google's decision to enter the online apparel market by forming Boutiques.com—which enables consumers to run their own “personalised boutiques” with the help of celebrity endorsements—represents a significant new direction for the company and for the online apparel market in general.

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### SUMMARY

### ACQUISITIONS, DIVESTMENTS AND MERGERS

The Warnaco Group has acquired 22 Calvin Klein Jeans retail stores and their related assets in Italy

### CERTIFICATION

Naturally Advanced Technologies (NAT) has received the Global Organic Textile Standard

(GOTS) Textile Auxiliary Agents certificate for its Crailar Organic Fibers

### CORPORATE SOCIAL RESPONSIBILITY (CSR)

H&M and Levi Strauss & Co have banned the use of sandblasting during the manufacture of their products

Uniqlo collected 2.62 mn garments for recycling and re-use during March-August 2010

### FINANCIAL RESULTS

Abercrombie & Fitch: a 17% rise in net sales helped the company to return to profit in the second quarter of 2010/11

Asos: strong international sales helped total revenues to surge by 48% in the first quarter of 2010/11

Benetton Group: revenues rose by 1% while net income soared by 39%

Gap: net sales and net income increased in the second quarter of 2010/11

Gildan Activewear: net earnings soared by 55.9% thanks to a 28.4% rise in net sales in the third quarter of 2009/10

Third quarter 2009/10

First nine months of 2009/10

H&M: gross profit increased by 13% as sales rose by 7% in the first nine months of 2009/10

Third quarter 2009/10

First nine months 2009/10

New stores

Inditex: net income soared by 68% thanks to strong net sales in the first half of 2010/11

Levi Strauss & Co: net loss worsened despite an 8% increase in net revenues in the second quarter of 2009/10

Marks and Spencer (M&S): total sales rose by 4.4% thanks to strong online sales in the first quarter of 2010/11

Perry Ellis International: net loss reduced in the second quarter of 2010/11, helped by a 2% rise in total revenues

Outlook

TJX Companies: net income rose by 17% as net sales increased by 7% in the second quarter of 2010/11

## **JOINT VENTURES, COOPERATION, LICENSING AND**

### **DISTRIBUTION**

G-III Apparel Group and Smart Apparel have signed a licensing agreement relating to Andrew Marc and Marc New York branded men's clothing

Li & Fung USA (LF USA) has signed two separate licensing agreements and a partnership agreement

Perry Ellis International and Beluga have entered into a licensing agreement relating to Gotcha branded apparel for boys

### **MARKET FORECASTS**

Clothing market demand in Europe is set to grow by 2.5% per annum between 2009 and 2014

The global radio frequency identification (RFID) market is forecast to be worth US\$5.63 bn in 2010

### **MARKETS**

China's clothing exports were up by 16.2% in the first half of 2010

EU clothing imports fell by 3.9% in the first half of 2010

Pakistan's clothing exports increased by 2.5% during 2009/10

US clothing imports rose by 8.4% in the first half of 2010

### **NEW STORES**

Benetton Group is planning to open a number of new stores in Azerbaijan, Mongolia and

## Russia

Esprit has opened its largest store in the world, in Frankfurt, Germany

Uniqlo (Malaysia) has opened its first Uniqlo store in Malaysia

Haglöfs has opened its first ever retail store

JC Penney has opened 77 MNG by Mango concessions in its US department stores

Patagonia has opened its second retail store in Hawaii

TJX Companies is planning to open its first Marshalls store in Canada

Uniqlo has opened its first global flagship store in Japan

## **ONLINE RETAILING**

Adidas and Taobao have opened an online Adidas retail store for Chinese consumers

Gap has opened three online stores for Canadian consumers and two online stores for UK consumers

Zara has opened an online store for consumers in six European countries

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Table 2: Europe: clothing market demand, selected markets, 2005-14

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