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SEMIR E-COMMERCE: Success and exploration

Juan Shan, William Wei, and Xiaojia Sunny Wang wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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As the subsidiary of the leading Chinese casual clothing company Zhejiang Semir Garment Co. Ltd. (Semir), Zhejiang Semir E-commerce Co. Ltd. (Semir E-commerce) achieved continuous revenue growth after its launch in 2012 and had become a main driver of Semir’s overall success. In 2016, Semir’s E-commerce earned revenue of more than ¥3.2 billion,[[1]](#footnote-1) contributing approximately 30 per cent to Semir’s annual revenue. Even though Semir’s E-commerce had been a great success, the whole casual clothing industry, including Semir, was still exploring E-commerce, especially the online-to-offline (O2O) business model. In early 2016, Semir’s top management was faced with a rapidly changing online environment and increasingly fierce competition in the industry, and had to decide how the company could maintain its early success in E-commerce. As traffic on all E-commerce platforms slowed, they needed to answer several questions: Should Semir adopt a differentiated or a converged O2O model? How should Semir deal with the challenges of competition from fast-fashion retailers such as Uniqlo Co. Ltd., and Hennes & Mauritz AB (H&M)?

**COMPANY BACKGROUND**

**Semir’s E-commerce Activities**

Semir’s entry into E-commerce was not early at all. When Hongliang Zhang, Semir’s chief operating officer in charge of E-commerce, started Semir’s E-commerce activities with his colleagues in 2010, Semir’s major competitor, Metersbonwe Group (Meters/bonwe), had been using E-commerce since 2007, and had already formed a mature E-commerce team and laid out its E-commerce market. In the beginning, Semir outsourced the E-commerce activities of four affiliated brands to Taobao Partners. However, because Semir and Taobao had conflicts of interest and Semir’s competitors gradually put more emphasis on E-commerce, Semir decided to start its own E-commerce platform. In May 2012, Semir invested ¥130 million to fund Semir E-commerce. The first year was a great success. In only eight months, Semir achieved online transaction revenues of over ¥100 million. In 2014, Semir’s E-commerce revenue topped ¥1 billion—which was near the top in the Chinese clothing industry. Semir ranked first in the Chinese casual clothing category, and its children’s brand Balabala ranked first in the Chinese children’s clothing category. As a wholly owned subsidiary, Semir E-commerce not only used the group’s resources more effectively, but it also applied an independent financial accounting system in order to provide more potential for future development.

April 21, 2015 was the third anniversary of Semir’s venture into E-commerce. To celebrate its doubled revenue growth in every one of the last three years, Semir united its eight affiliated brands with a celebration themed “Three years without regrets; 30,000 items for free” and used this theme for its November 11 sale. This promotion brought Semir ¥50 million in online sales revenue; the sales revenue from two other E-commerce platforms Semir sold on—taobao.com and tmall.com—was close to ¥30 million.

In only three years, Semir’s E-commerce team had grown from just over ten people to nearly 700 people. The team’s office space had expanded from one floor to a whole building, and a new industrial park was being planned. The founder and chief executive officer (CEO) of Semir Group, Guanghe Qiu, had high expectations for Semir’s E-commerce. In a media interview in 2014, Qiu echoed Zhang’s comments, stating that Semir would change its E-commerce strategy from reducing inventory to adding special online editions in order to differentiate between its online and offline products. This strategy was referred to as the “the second undertaking” by Semir employees. In accordance with Qiu’s expectations, Semir would increase its online sales, establish an interactive O2O retail model, and rebuild a Semir brand that would be twice as large in 2017. Although expectations were good, Semir’s general manager of E-commerce, Feichun Shao, pointed out that realizing the second undertaking in E-commerce would not be easy.

**SEMIR’S E-COMMERCE STRATEGIES**

**Virtual Business Model**

Semir had been practicing a virtual business model since it came into existence—that is, the company outsourced its manufacturing to other companies while itself focusing on product design, brand marketing, supply chain management, and channel development. This virtual business model was common in the clothing industry. Many of Semir’s major competitors, including Meters/bonwe, used this model. In order to minimize quality and delivery problems, virtual business companies had to maintain long-term relationships with their upstream supply chain partners, and this required long-term mutual trust and a win‑win perspective. To ensure the quality of manufactured products, Semir selected its manufacturers based on their quality control standards. Moreover, Semir E-commerce thought that channel relationships should be partnerships rather than short-term trading relationships. That was why most of Semir’s manufacturers had been partners with the company for over ten years.

**Corporate Culture: Altruism and Win-Win**

Although Semir started using E-commerce fairly late, the company was not anxious for success and first decided to strengthen itself. Semir was highly influenced by the management philosophy of Kazuo Inamori, especially his Amoeba Management method. Zhang said that he believed in Inamori and the altruistic, win‑win philosophies he advocated in Amoeba and that these had inspired the Semir E-commerce executives a great deal.

Evidence of Inamori’s philosophies was everywhere in the Semir E-commerce office building. The elevators displayed corporate mottos such as “Respect the divine and love people; value altruism and pursue win-win” and “Realize employees’ dreams and social value,” and banners showing elected managers of Amoeba units were displayed at the entrances. Inamori stated that “a good company provides more than just a paycheque to its employees, it is the attitude and vision of life.” Accordingly, the whole Semir E-commerce building provided employees with a free and comfortable “home” full of positive energy. The first and third floors were where the offices were located. The whole second floor was a cafeteria. Upstairs there was a lounge, a recreation room, a library, and a bar. There were plants adopted by employees on the top floor terrace. Employees could also see the entire Xixi National Wetland Park from the terrace. Zhang added, “We hope that our employees do not just come to Semir to work, but live a wonderful life here. We want them to see Semir as their home and not want to leave.”

Like Semir, Semir E-commerce held a “Semir Culture Month” every year, which had become a highlight of Semir’s culture. During this month, Semir E-commerce organized recreational activities such as sports, chess, dances, model shows, singing groups, and galas. These activities brought vitality, creativity, and cohesion to the corporate culture, and played a vital role in building a harmonious and vibrant atmosphere at Semir E-commerce. Semir E-commerce not only provided its employees with recreational facilities and activities but also organized employees from different departments to share and exchange ideas on a regular basis. One reason Semir had achieved top sales in the industry in three years and maintained a fast and stable growing momentum was because it had outstanding employees who were proactive at learning and improving.

**Semir E-commerce’s Promotion System**

Semir E-commerce was committed to optimizing and innovating its training system, making employees’ learning and development a priority, and carrying forward various career planning training to create growth paths for its employees and to vitalize the company by helping employees learn and grow rapidly.

In 2014, the company implemented a system of elections for positions. Employees could compete for the positions that they thought they were competent for through elections (see Exhibit 1). The system created effective competition within each Amoeba unit and also helped employees realize their personal value. On the one hand, it improved Amoeba units and employees’ understanding of the company’s operations; on the other hand, it provided a shortcut for employees to find their ideal roles, fulfill their duties, and achieve harmony and unity between corporate values and personal values.

**Multi-Brand Business Model**

Semir owned eight online brands: Semir, Balabala, GLM, Glabuy, Minette, Mini Balabala, Badibadi, and Mongdodo. Except for the exclusive online brand Glabuy, the brands each had both online and offline stores. The Semir brand, founded in 1996, offered young, stylish, vibrant, and cost-effective casual clothing for young people between 16 and 30 years old. Balabala, founded in 2002, sold professional and stylish children’s clothing for children 0–14 years old in middle-class and well-off families. Balabala also owned the children’s brands Mini Balabala and Mongdodo. Whereas Mini Balabala, founded in 2008, was aimed at children between 0 and 4 years old, Mongdodo, a new brand launched in 2014, filled the niche market of children’s shoes.

On July 7, 2014, Semir E-commerce added its exclusive online brand Glabuy, which promoted the image of fashionable men’s clothing, to its Semir flagship store on tmall.com. Glabuy contracted popular Korean movie stars Lee Min-ho and Kim Soo-hyun to endorse its products and took great pride in this connection. Semir shared its resources with Semir E-commerce in order to make Glabuy known to consumers and to support its strategic plan. Glabuy’s major product was men’s dress shirts. Similar to its competitor Vancl.com (Vancl), which sold combed-cotton shirts, Glabuy sold dress shirts designed for high-class male customers. However, while Vancl had the endorsement of a successful businessman (the CEO of Xiaomi Inc., Jun Lei), Semir was endorsed by Kim, who represented a fashionable young white-collar market. Glabuy’s target market was reflected in the offerings at its Tmall store. As well as dress shirts, it sold T-shirts, jeans, and casual pants. Glabuy was trying to label itself as a high-quality, low-price brand through online distribution channels.

Semir also jointly established an international fashion information centre with the Italian company Promosle, which collected information on trendy colours and materials and organized manufacturing plans accordingly.

More and more celebrity-endorsed brands and products were emerging on the Internet. Some lacked manufacturing experience but knew how to market their products online. Some were traditional companies that were looking for online opportunities after having struggled offline. They all had their own strengths and weaknesses. However, no matter how they marketed their products or which celebrities they used for endorsement, the key to market performance was the product itself. As Shao explained,

Perfect products and the fan effect are two contributing factors to successful Internet marketing. On the one hand, we promote Glabuy as it was born for perfection because we believe that in order to win the market we have to provide our customers with the best products no matter online or offline. On the other hand, Glabuy marks the transformation of Semir’s fan strategy from offline to online, and this differentiates us from other online brands. We have confidence in Glabuy’s market performance. However, whether it will become the new engine for Semir E-commerce’s revenue growth, we will have to wait and see.

**Amoeba Operation Model**

How did Semir manage its multiple brands? After three years of exploration, Semir E-commerce had a clearer organizational structure. The general manager supervised the operation and product departments as well as supportive departments such as visual, administration, and finance. The operation and product departments were the most important. With a team of nearly 200 people, the operation department was responsible for establishing organizational structure, supervising and coordinating the work of all departments, implementing the company’s business plan, promoting and selling products, and providing customer services. The product department had 20 employees. As the hub of the operation department and the offline supply chain, this department predicted and planned which products should be put on which website at what time and in what quantities, based on factors such as seasonal trends and life cycle.

Semir E-commerce practiced the Amoeba Management business method. When it was founded in 2012, Semir E-commerce handed out Inamori’sbook *For People and for Profit: A Business Philosophy for the 21st Century* to every employee. Book clubs were organized for employees to discuss Inamori’s philosophies, including the correspondence principle and the muscular principle. Semir E-commerce also brought in scholars of Inamori’s Amoeba method and management style to give internal training classes and organized employees to study cases of successful applications of the Amoeba business model.

According to the Amoeba Management method, an organization was divided into multiple Amoeba units. The managers of each Amoeba unit made their own plans, took responsibility for their own profits and losses, and relied on their own teams to achieve goals. The Amoeba model kept employees motivated and encouraged them to proactively take part in the company’s operation. As a well-known advanced business philosophy, the Amoeba model was becoming more and more mature at Semir E-commerce.

As each Amoeba unit wanted to keep independent accounting in the finance, human resources, and marketing departments, the management of Semir E-commerce had to constantly deploy, divide, and adjust Amoeba units according to the needs of the company’s general operations and the scales of targeted E-commerce platforms. For example, there were two Amoeba units on tmall.com: Semir and Balabala. These two Amoeba units were the two largest within Semir E-commerce. The business on the second largest platform, vip.com, was handled by another Amoeba unit. Business on all of the other online sales platforms—such as yhd.com, jd.com, and dangdang.com—was the responsibility of another independent Amoeba unit.

In daily operations, each Amoeba unit’s position was relatively stable, so each Amoeba manager’s responsibilities were relatively clear. Amoeba managers did the following: 1) developed and implemented annual business plans and budgets for their units; 2) held themselves responsible for team performance and built strong teams through recruitment, interviewing, and training; and 3) promoted the integration of internal and external resources and improved communication with other Amoeba units and corporate departments. Since Semir E-commerce began to use the Amoeba method to manage different brands at the end of 2012, revenue had grown rapidly each year: they had gone from ¥353 million in 2013 to ¥657 million in 2014, ¥1.2 billion in 2015, and ¥2.1 billion in 2016 (see Exhibit 2).

**SEMIR E-COMMERCE’S MARKETING**

**Employing the Fan Effect to Promote New Products**

In 2014, after it contracted Korean movie star Kim as its endorser, Semir promoted the Kim Soo-hyun Edition 80 100 per cent combed-cotton dress shirt on Tmall and Taobao. This move caught the attention of many Kim fans. Messages promoting these Prince Charming shirts were massively forwarded on the two Chinese social media platforms WeChat and Weibo even before the sale debuted.

The successful sale of the Prince Charming shirts was supported by high-value, low-price products. The 100 per cent combed-cotton dress shirts were made of very even, strong, durable fine knit cotton. Their fabric, texture, and comfort were far better than most shirts in the market. The cotton and yarn were from Aksu Xinfa Cotton Industry Co. Ltd., which was known for producing high-quality cotton. The workmanship and cuts were also ensured to be high quality. Although other companies sold similar shirts for about ¥1,000, Semir sold them for only ¥149. This was very attractive to online customers, especially those born after the 1980s and 1990s, who sought out high-quality but low-price products.

Cost effectiveness combined with limited edition availability was a popular E-commerce model. With a long history of offline operation, Semir had strong, large-scale supply chain management capabilities, which provided important support for Semir E-commerce’s strategic transformation. The core of Semir’s new E-commerce strategy was to reduce intermediate costs by sharing supply chain resources and to provide high-quality, low-price products, relying on the most valuable customers and economies of scale. This strategy, an E-commerce breakthrough, was attributed to Semir’s strategic deployment of resources and the creativity of its employees. It was why the Prince Charming shirts associated with Kim were a great success and why Semir would continue using the fan effect and the high-quality, low-price model as keys to its future development.

After contracting Kim, Semir invited other Korean celebrities, such as Lee Min-ho, to endorse its products. With the help of the celebrity effect to promote its online products, Semir had undoubtedly enhanced online customers’ recognition of the Semir brand. As Shao explained,

The key about marketing cost-effective products is measurability. Customers are attracted to highly cost-effective products through standardized parameters, low prices, and the celebrity fan effect. The success of promoting Prince Charming’s shirts has confirmed the continuation of Semir’s E-commerce strategy. Semir will push out more representative single products in order to become an industry leader that is successful both online and offline.

Obviously, Semir’s breakthrough thinking and transformation in E-commerce had already put it ahead in the Chinese clothing industry.

**Marketing Channel Partnership**

In the last three years of its channel development, Semir E-commerce had maintained a complementary partnership with its offline stores, but at the same time it had focused even more on establishing good long-term partnerships with various E-commerce platforms. Zhao explained:

In 2012, Semir E-commerce’s competitors such as Tonlion, Meters/bonwe and Jeanswest were all far ahead of Semir in revenue generation. Jeanswest’s revenue was the highest, at more than three times of ours. We knew that it is not ideal to simply apply competitors’ experiences to ourselves because we are all different, so we started to visit the major platforms such as Tmall, Taobao, jd.com, and vip.com in person to learn from them and seek resources. We got good results from doing it because it allowed these platforms to understand our thoughts and plans and they were willing to work with us to achieve win-win.

However, Semir’s relationships with more than 90 per cent of its franchised offline stores were game or trade relationships because each made profits from the other, and therefore conflicts of interest between online and offline stores were unavoidable. In addition, the objective of franchised offline stores was to maximize individual profits. If the interests of individual franchisees collided with Semir’s overall interests, it would cause a variety of channel conflicts and negatively affect the efficiency of the channels. It seemed difficult to build a mutually beneficial partnership with franchised offline stores based on the O2O model. Of course, this problem of allocating profit between online and offline interests was not unique to Semir E-commerce but affected the entire clothing industry.

**Marketing Strategy**

Semir E-commerce’s marketing budget was always small, but requests to improve marketing were always increasing. Semir’s early marketing was mostly based on platform and product. Later, it relied more on celebrity resources and new media platforms to creatively promote online products. For example, because Semir’s target customers, young people between 16 and 25 years old, liked watching South Korean soap operas and South Korean movie star Lee Min-ho had joined the 2014 National Chinese New Year Gala, Semir successfully promoted Semir products on new media platforms such as Weibo, Xiaonei, and WeChat. The direct result was that 40,000 Lee Min-ho edition down jackets were sold on November 11, also known as Singles’ Day. Semir also used the Chinese version of the well-known South Korean reality show *Running Man* to market its products. In the “three years without regrets; 30,000 items for free” three-year anniversary celebration in April 2015, Semir E-commerce sold over ¥50 million online on the opening day alone.

Moreover, Semir E-commerce customized its marketing strategies for different brands. Some new brands might not get as much traffic when they were first launched, so Semir E-commerce usually provided support in terms of promotion and staffing. For example, although the Balabala brand had the highest online revenue in the children’s clothing category, Semir E-commerce had barely promoted it online. It was successful because of the high quality of its products and its brand image, which had been established offline over the years.

Semir was a prudent company. It was sometimes slow to make decisions, but once decisions were made, it would spare no efforts to implement them. Although it entered E-commerce later than most other brands in the industry, Semir still became a leader. For example, Balabala entered the children’s clothing market later than most others but became the champion in a short time. Considering that some well-known international and national clothing brands such as ZARA, H&M, Uniqlo, and Meters/bonwe were proactively exploring their own O2O models, and that brands such as Meters/bonwe had already created their own shopping apps, Shao said, “Semir has always been tracking the market performance of the Meters/bonwe mobile app. We are ready to launch our own app at any time and believe that it will be a blockbuster.”

**CLOTHING INDUSTRY’S E-COMMERCE TRANSFORMATION**

The clothing industry was one of the largest industries affected by E-commerce due to the rigid demands of clothes and the high coverage and acceptance of E-commerce in the clothing field. In this context, clothing companies were suffering because overstock was increasing while external competition was intensifying. Fast-fashion brands ZARA, H&M, and Uniqlo had been competing for their share of the online market and winning the hearts of more and more customers. A lack of staff and unequal distribution of profits among channels were also restricting the development of traditional clothing companies. In such a market environment, a majority of clothing companies had no choice but to transform themselves to seek out a successful future.

**Meters/bonwe: Dipping Toes into O2O**

Meters/bonwe was founded in 1995 in Wenzhou, Zhejiang Province. Meters/bonwe owned five major brands—Meters/bonwe, [Me&City](http://baike.baidu.com/view/1802734.htm) (including Me&City Kids), [AMPM](http://baike.baidu.com/view/4582481.htm), [MooMoo](http://baike.baidu.com/view/2467528.htm) and CH’IN—and a business-to-consumer E-commerce platform, banggo.com. Meters/bonwe was a Chinese casual clothing brand created in 1995 that targeted dynamic and stylish young people between 16 and 25 years old. [Me&City](http://baike.baidu.com/view/1802734.htm) was founded in 2008 as a high-end fashion brand. MooMoo was a children’s clothing brand launched in 2012 that promoted the idea “have imagination; be different.” AMPM was an exclusive online brand aiming to provide high-quality, reasonable prices, and environmentally friendly clothes and daily necessities to customers. It advocated a creative, environmentally friendly, natural, and simple life attitude that preserved individuals’ uniqueness. Meters/bonwe’s transformation path involved many of the characteristics of international fast-fashion brands. Meters/bonwe spared no effort in investing in and upgrading its product design, supply chain lean management, terminal channel development, and E-commerce operation, expecting to continuously improve supply chain responsiveness and develop more products that would meet consumers’ needs.

As early as 2011, Meters/bonwe had already put forward its O2O E-commerce strategy, but it did not implement it until two years later. On October 19, 2013, Meters/bonwe announced that the company would operate in one system: it would merge its offline stores with the online business and would return the independently operated E-commerce platform Banggou, which had been taken out two years ago, back to the company’s system. This was Meters/bonwe’s first step in transforming to O2O. On October 28, 2013, Meters/bonwe officially announced the start of its O2O strategy. In its flagship shop in Yanqing, Hangzhou, it held an O2O strategy launch ceremony to present its O2O concepts and practices to nearly 200 guests.

The CEO of Meters/bonwe revealed that the company would invest more toward improving E-commerce by using mass data and cloud computing to target the most valuable customers and to market products more precisely. At the same time, offline stores would be upgraded into experience stores to provide fitting rooms and pick-up locations for online customers. The first Meters/bonwe experience store was located on Yanqing Road in Hangzhou; the five-floor store had been turned into a leisure and recreational destination. Customers could enjoy a cup of coffee while browsing online products on provided iPads; they could request a product try-on with a click, and the desired products would be sent to them right away by a staff member.

As well as fitting rooms, offline stores had another important function: to serve as pick-up locations. Once customers placed their orders and paid online, they could choose to pick their purchases up from a store close by. The advantage of this was that if customers did not like the colour or the size when they were in the store, they could exchange the products for new ones immediately. From the debut of the O2O Experience Store in Hangzhou in October 2013 to the reopening of the O2O-transformed All Brand Store in Chongqing in March 2014, Meters/bonwe upgraded its stores in seven cities. It was also planning to open 100 O2O stores in one year and 1,000 stores in three years.

**Yishion: Developing the New Exclusive Online Brand A21**

Yishion was founded in 1997 in Dongguan, Guangdong Province. Unlike Semir and Meters/bonwe, Yishion was not a virtual business. It manufactured its products in its own factory. In the clothing industry, the notion of valuing the brand over assets was agreed on, but Yishion insisted on focusing on assets. Combined with efficient logistics, Yishion had truly achieved responsiveness and had given itself advantages in inventory management and seasonal promotion. In 2002, Yishion greatly increased awareness of its brand by contracting popular Hong Kong movie stars Cecilia Cheung and Louis Koo as its brand endorsers. In 2014, Yishion contracted with Jun Ji-hyun, the lead actress from the popular South Korean TV series *My Love from the Star*. Jun Ji-hyun appeared in an advertising campaign wearing classic black-and-white and striped clothes that were simple but eye catching, thus further consolidating Yishion’s brand image of leading South Korean trends and creating fashion styles.

On January 11, 2013, Yishion announced the suspension of its brand’s e-business in online stores and introduced a new online brand, A21. Yishion’s chief E-commerce officer, Wenhua Yu, explained that the company changed its E-commerce strategy because it wanted to differentiate its online and offline products. The new online-exclusive brand A21 was launched on March 21, 2013. Its first-year revenue on Tmall reached ¥100 million. In the same year, it became the first Chinese E-commerce clothing brand to advertise on the giant screen in Times Square in New York.

A21 was the abbreviation for Always 21—that is, forever young and fashionable. It was a style of western simplicity, young fashion, high quality, independence, and freedom, designed specifically for young people. A21’s products were mainly for men. It launched six series: Street, Basic, Trend, Refresh, College, and Jeans. In February 2015, A21 brought women’s clothes into the market. Following the successful experiences of ZARA and H&M, A21’s buyers group, made up of trend leaders from more than ten different countries, used two-thirds of their time each year to fly to international fashion shows and well-known, high-end brand stores all around the world to collect ideas.

**SEMIR E-COMMERCE’S CHALLENGES**

Semir E-commerce had already achieved outstanding market performance. In 2014, its revenue was the highest in the Chinese casual clothing category, and Balabala’s revenue was the highest in the Chinese children’s clothing category. In 2015, Semir E-commerce’s goal was to break ¥1.6 billion in revenue. Although Semir E-commerce had made such remarkable achievements over the previous three years, it was facing many challenges as well.

**O2O Exploration**

As a future direction, Semir wanted to expand its online sales and build an interactive online-to-offline business model. However, Semir was still exploring the method by which to execute this model. Highly developed information technologies such as cloud services and mass data had provided sufficient technical support for improving clothing companies’ digital responsiveness under the O2O model, and some clothing companies such as Meters/bonwe had already started to explore O2O models. They introduced items such as “cloud wardrobe” and “cloud shelf” in their offline stores, and effectively connected the offline experience with online resources in order to achieve full circulation of their online and offline products. However, some analysts pointed out that the clothing industry’s O2O model should not just be reflected in the final sales step but should be traced back to the upstream manufacturing steps in order to maximize the value of the clothing brands. Regarding the O2O model in the clothing industry, they commented further that

The core of the O2O model is very understandable. It is to direct online customers to local business entities. The promotion and payment are previously completed online, whereas the bought products or services are consumed offline. However, it is very hard for both sides to come to an agreement on how to equally allocate the profits. To solve this problem, effective communication and professional accountants are required to develop an appropriate profit allocation plan.

Actually, the O2O models for all companies in the clothing industry—from Meters/bonwe, whose offline stores were all owned and managed by the company, to Semir, whose offline stores were all franchised—shared this problem of profit allocation. Semir E-commerce was continuously exploring its own O2O model. To do this, it converted a few offline stores into experience stores. At the same time, it studied the E-commerce of other clothing companies in the industry. In the era of mass data and O2O trends, how should Semir E-commerce address the conflicts between online and offline stores? Based on the app recently launched by competitor Meters/bonwe, Semir understood the importance of a mobile app to clothing companies’ O2O development. The question was, when and how should Semir draw support from a mobile app to help its multiple brands connect online and offline businesses?

**Semir E-commerce’s Brand Structure**

Since its inception, Semir had endeavoured to strengthen its existing brands as well as to introduce exclusive online brands such as Glabuy. Facing the penetration of international fast-fashion brands such as H&M, ZARA, C&A, and Uniqlo in recent years, some Chinese casual clothing companies had created their own fast-fashion brands, such as Yishion’s A21. To stay in the game, how should Semir E-commerce react to the challenges from fast-fashion brands in the Chinese market? On this issue, Zhang said,

There is a long way in front of us. Our short-term strategies are not only to steadily improve the market performance of existing brands (Semir, Balabala, and Mini, etc.) but also to continuously innovate to grow Glabuy into our new profit engine. Our long-term strategy is to use O2O to redesign the business sections in the children’s clothing brands. And of course, the multi-brand strategy is a must.

In a fiercely competitive market, it was not easy for Semir to maintain its current growth through multiple brands because the positioning of international fast-fashion brands was higher while their pricing was very close to Semir’s. Should Semir take the road of internationalization and reposition its brands to the high end? How should Semir build its brand structure?

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EXHIBIT 1: SEMIR’S AMOEBA PROMOTION SYSTEM



Source: Semir E-commerce, WeChat.

**EXHIBIT 2: REVENUE GROWTH OF SEMIR E-COMMERCE 2013-2016**

**(UNIT: ￥10 THOUSAND)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2013** | **2014** | **2015** | **2016** |
| **Revenue** | 352.90 | 657.13 | 1,206.92 | 2,133.33 |
| **Growth percentage** |  | 86.21% | 83.67% | 76.76% |

Source: “森马服饰(002563)研究报告 [Zhejiang Semir Garment Co. Ltd (002563) Research Report],” Soochow Securities Research Institute, April 27, 2017, accessed October 24, 2017, <http://img3.gelonghui.com/pdf201704/pdf20170428140215332.pdf>.

1. ¥ = CNY = Chinese yuan renminbi; all currency amounts are in ￥ unless otherwise specified; ¥1.00 = US$0.144 on December 31, 2016. [↑](#footnote-ref-1)