



THE STORY OF A BILLION-DOLLAR FASHION RETAILER REFUSING TO HAVE ITS WINGS CLIPPED

How was it possible for Peacebird, a Chinese fashion heavyweight, to be quite so resilient to the crisis?

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Last year was a bad one for retail; more retail stores closed than in any year prior in recent times. As a result, iconic fashion labels Forever 21 and luxury chain Barneys New York fronted a long queue of renowned retailers filing for bankruptcy.

According to CB Insights, there were 23 retail bankruptcies in 2019 alone; and 17 in 2018. Initially challenged by tough market conditions, then knocked sideways by fierce competition from online retail players, the retail industry is refinding its feet on new territory.

Chinese retail provides a good example. According to the National Bureau of Statistics of China, year-on-year sales growth for garments, footwear, hats and knitwear in 2019 were merely 2.9%. Contrast that with 2018's 8% growth rate and 2017's 7.8%. Total profits for apparel manufacturers dropped an unexpected 0.8% for the first half of 2019, the first time they had fallen in a decade.

Suffering from the overall negligible growth of apparel spending, most brands are turning to digital transformation as the solution for protecting their brand reputation.

The story for this year might have ended here if COVID-19 had not hit, adding insult to injury. With people confined to their homes, traditional retail is doomed – or so it seems. Thousands of offline stores have had to close temporarily. In the meantime, the rent still has to be paid as do salaries, not to mention the inevitable inventory problems.

However, the blow has not been universally felt for all traditional retailers.

Enter Peacebird, a billion-dollar fashion retailer with seven brands, 4,600 brick-and-mortar stores in China, and a growing reputation for resilience. The company achieved an average revenue of more than 10 million Yuan (\$1.41 million) during the first three weeks of the Chinese New Year, which began on January 25th. In February 2020, it merrily shipped a total of 490,000 online orders and carried out almost 2 million offline shipments.

Meanwhile, the coronavirus was picking up pace. The company's reaction was to state that any negative impacts from the outbreak would be totally "controllable".

How was this possibly feasible?

For one, Peacebird moved fast. Imagine that you were running 4,600 offline stores and then by the end of January, you were required to close all of them in the face of coronavirus. Peacebird chairman Zhang responded to this by deciding to go all-in commerce, and he played his move very quickly. Literally overnight, its thousands of offline sales managers metamorphosed into online sales managers and, often, live streamers.

In addition to speed, Peacebird gained its competitive edge in retail at this time thanks to the way it fully embraced a "new retail" approach, a form of retail revolution first coined by Jack Ma, the founder of Chinese Internet giant Alibaba in 2016.

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In fact, back in 2008, Peacebird had opened an online shop in Taobao in an attempt to drive new sales and reduce inventory. Since then, it had continuously adjusted its online positioning, diversified its products and designed styles for different market segments and target customers. Moreover, with the help of Alibaba it got rid of the distinction between offline and online business. This would prove to be a key move in its success to come.

The third string to Peacebird's bow was the construction of a highly responsive supply chain. While most traditional retailers are struggling with the dilemma of efficiency versus flexibility, Peacebird has put down new roots and grown healthy shoots as a smart business. So smart in fact, that even during the coronavirus outbreak, Peacebird has maintained its previous "new collection launch" frequency not once but twice every month.

During the virus crisis in China so far, over 65% of the total offline sales were shipped through cloud WMS from 3,000 chain stores; nearly 10 times the amount from the same period in 2019. Through its approach, Peacebird has succeeded in balancing efficiency with flexibility in production.

In the era of new retail, stores must extend from a starting point of either online only or offline only and segue into a merger of online-offline, thereby entering today's dynamic world of retailing. Peacebird has done so and, armed with a wealth of consumer data, will very likely continue to uphold its consumer-centric model via omnichannel operations.

The coronavirus has, so far, given new meaning to Peacebird. In the words of its General Manager Hongchao Chen, "Uni Marketing, or using the entire Alibaba ecosystem to intensify our online business, did not come about because coronavirus gave us no choice. Rather, it was something we had always been doing, and now we have just accelerated it."

Western brands need to assimilate this important lesson: digital empowerment can have profound impacts on the entire fashion business: at the upstream, the midstream and the downstream.

Indeed, the future of retail will depend on digital embrace; on brick-and-mortar fashion retailers transforming to omnichannel models. And the coronavirus outbreak has served to prove beyond all proportions that retail is lagging behind in its capacity to think beyond its current state.

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