

Study on Precision Marketing Strategy of Foreign Trade Corporation

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ABSTRACT

China's garment enterprises have continued to grow in the past fifteen years and contributed significantly to the economy. However, with the development of the garment industry, many problems appeared. First, although the minimum wage has increased in recent years, it is more difficult for garment corporations to recruit new employees. Moreover, it costs more to deliver products from China to Europe than from Africa to Europe. Africa has become more competitive than China because of low labour costs and shipping costs. The problems that the garment industry faces and the solutions to these problems will be discussed in this paper. We used the literature research method, case study and comparative analysis method to research and analyse in this paper. This paper takes a typical foreign trade garment corporation as an example to analyse the current situation of China's garment industry. To find out the key influencers of the gross amount, a multiple regression model is employed. Generally, quantity is the key influencer of the gross amount in the past five years. Delivery time affects the gross amount in the year 2019. The variety of fabrics and suppliers are diminishing as time goes by. More and more young people are reluctant to work in the factory. A great number of garment suppliers closed because they could not bear the higher and higher costs. Many existed Chinese suppliers are struggling in the garment industry. Meanwhile, many garment suppliers in Africa have become more competitive in labour and freight costs and haulage time. In the discussion part, we put forward three strategies - precise customization, break up the whole into parts & hire temporary workers, and modern logistics concept & reasonable transportation choice. This paper aims to analyse the dilemma that the garment industry in China is in. More importantly, explore the gateway for the struggling foreign trade companies.

Keywords: *Foreign trade corporation, garment industry, precision marketing, customization, the gross amount.*

1. INTRODUCTION

In the past 15 years, as the world's largest garment manufacturing, exporting and domestic consumption country, China's garment enterprises have continued to grow and expand. Foreign consumers widely welcome China-made clothing due to its low cost and fast shipping speed. According to the 2019 data of the National Bureau of Statistics, China's clothing wholesale exports in 2019 were 299.67 billion yuan (\$46.34 billion), accounting for 8.04% of China's total annual wholesale exports of all commodities of 3719.22 billion yuan (\$576.34 billion) [1]. It shows that clothing

exports have contributed significantly to the development of China's economy. However, many inescapable problems appeared during the development of China's garment export industry in recent years. According to the statistics of the Statista website, we found from a 2018 study on the minimum wage of garment workers in various developing countries that the minimum wage of Chinese garment workers has risen to \$326 per month, far exceeding other major garment manufacturing competitors: Indonesia is \$280, Cambodia is \$182, Vietnam is \$180, Laos is \$128, Bangladesh and Myanmar are \$95.2 [2]. The comparison of minimum wages in various countries illustrates China's disadvantages in cost competitiveness.

Meanwhile, workers in the Chinese garment industry have increased demand for improved working conditions. An article exploring the "decent work" of the Chinese garment industry mentioned this issue: Even though the Chinese government has adopted measures such as raising the minimum wage and implementing the new labour contract law to help workers increase their wages, they are still dissatisfied with their current working situation, because workers have gradually begun to understand the importance of welfare, that is, welfare is mainly affected by various factors such as wages, working hours and work intensity, rather than solely determined by wages [3]. A deep understanding of welfare has also increased the complexity and difficulty of satisfying workers' job satisfaction, directly affecting the quality of garment products. The problems mentioned above have greatly weakened China's competitiveness as a major garment exporter.

Some scholars also studied on above issues. As it has been mentioned from Fibre2Fashion: Among garment chain companies, especially those in the United States, they used to rely mainly on China's cheap labour costs. But now, as the cost of manufacturing clothing in China increases by 2%-5% each year, they feel the pressure and begin to look for other countries with low labour costs instead, such as India, Indonesia, Cambodia, Bangladesh and Vietnam [4]. Another research illustrates the impact of delivery time on competitiveness. McKinsey & Company indicated that reduced lead times would be key drivers of competitive advantage (2019) [5]. In fact, geographically, most African countries enjoy a more convenient shipping location than China, and the shorter delivery time means they win advantages in overall lead-time. Goods from China to Europe have to pass through the Strait of Malacca. Across the Indian Ocean, reach the Gulf of Aden, enter the Red Sea, finally pass the Suez Canal, and reach countries along the Mediterranean Sea such as Greece, Italy, France, and Spain. Some of the goods continue to travel through the Strait of Gibraltar to Britain, Germany, and the Nordic countries.

To restore the competitiveness of China's garment exports, most scholars study curtailing labour costs, obtaining lower-cost raw materials of garments and compressing the delivery time to restore China's competitiveness as a major garment exporter. As the above factors all serve the traditional market-oriented marketing model, few scholars have studied the fundamental changes in clothing marketing strategies.

This article will explore the feasibility of changing the marketing strategy of Chinese clothing export from the original market-oriented traditional marketing model to the customer preference-oriented precision marketing model. Selecting the sales of garment exports from a foreign trade garment company in Shandong Province in

the past five years, we use the methods of literature research, case study, summary induction, and comparative analysis to analyse the sales volume, style, fabric, supplier and delivery time. Such variables could be considered as the most significant factors that affect the gross sales amount. We tend to think that the reason why both the current garment export volume faced by most of China's garment export companies and the competitiveness of China as a once-important garment exporter are declining year by year is that Chinese garment companies cannot meet the increasing labour costs, labour shortages, and rising prices of finished products caused by the increase in the prices of clothing raw materials suppliers; and companies cannot respond in time to the rapidly changing fashion trends in the European and American markets. This research tends to examine the impact of the above factors on export sales and propose possible countermeasures to solve the loss of competitiveness of Chinese garment foreign trade companies.

2. METHODOLOGY

2.1 Literature Research Method

The Literature Research Method is a method for obtaining information through investigating literature according to a certain research purpose or topic to fully and accurately understand and master the research problem [6]. After searching the National Bureau of Statistics data, we have obtained the contribution of apparel exports to China's economic development in recent years. We have determined that the apparel industry plays an important role in the national economy. We have obtained the second-hand information and data of some foreign trade companies. We have found that most of the clothing export companies in China face a trend of declining clothing exports yearly, as well as China as an important country in clothing exports. The competitiveness of the company is decreasing year by year. After searching CNKI and Scholar, we got "Securities Investment Dictionary", qualitative research and "Case Study: Design and Method", by taking the Literature Research Method, we determined the literature research method, case research method, and comparative analysis method need to be adopted.

2.2 Case study

Case study researches the phenomenon currently underway without divorcing from real life; the boundary between the phenomenon to be studied and its environmental background is not very obvious. It contains various methods, design logic, data collection techniques, and specific data analysis methods [7]. First, we obtained second-hand data from companies that sell women's clothing to Europe and North America in the Chinese market. We found that Chinese apparel

companies cannot meet the increasing labour costs, labour shortages, and rising prices of apparel raw materials suppliers. Therefore, the price of finished products has risen; companies cannot respond promptly to the rapidly changing fashion trends in the European and American markets, which has weakened the competitiveness of Chinese clothing foreign trade companies.

2.3 Comparative analysis method

The comparative analysis method evaluates certain items by comparing the same data in different aspects based on the interrelationship and development of objective things. It is the basic method of economic activity analysis [8]. After obtaining the data of mature foreign trade industries in Europe and the United States, we compare it with the data of foreign trade companies studied and then study and propose possible countermeasures to improve the competitiveness of Chinese garment foreign trade enterprises.

3. RESULTS

A garment foreign trade corporation located in the Shandong Province was chosen as a typical case for study. The corporation’s dilemma is a microcosm of that of many garment companies in China. The corporation provided five years of sales data for analysis. Multiple linear regression analysis through software Minitab will be performed to find the cause-effect relationship between a dependent variable and more than one independent variable [9] to know the most contributing factors to the gross amount and the development tendency. In this case, the gross amount of fabric sales will be the dependent variable. Quantity, suppliers, delivery time, and fabrics will be the independent variables accordingly. If the corporation had more than one supplier and sold more than one kind of fabrics, suppliers and fabrics are represented as dummy variables as Table 1 displays.

Table 1. Dummy variables of fabrics and suppliers of 2016

Year of 2016	
<i>Fabrics</i>	<i>Dummy Variable</i>
100% polyester microfiber	(0,0,0)
100% polyester bi-stretch	(0,0,1)
100% polyester knitted fabric	(0,1,0)
100% polyester pu coating	(1,0,0)
100% polyester with water repellent	(1,1,0)
78% cotton 20% poly 2% elastane	(0,1,1)
96% polyester 4% elastane	(1,0,1)
<i>Fabrics</i>	<i>Dummy Variable</i>
Bafang	0
Changlong	1

For the year 2016, as Table 2 shows, since the absolute value of correlations among seven variables is less than 1 in the correlation coefficient matrix, there is no multicollinearity among them. This result indicates that the variables are independent of each other. Thus, they can be used in the following multiple regression analysis. Considering the number of independent variables and sample size, the best subsets regression model is employed to predict which independent variables significantly affect the gross amount for the data of five years. The best subsets regression model in Table 3 compares all possible combinations of variables. The best-fitting model includes four variables: quantity, supplier, F_1 , and F_2 , with the lowest Mallows Cp value of 5.2 and a high R-Sq (Adj) value of 87.6%. As Table 4 shows, the regression equation is:

$$Gross\ Amount = -147 + 4.474\ Quantity + 1600\ Supplier + 2489\ F_1 + 1149\ F_2 \tag{1}$$

with an R-Sq (Adj) value of 87.63%, which means 87.63% of variations in Gross Amount can be explained by the model. To test the significance of the equation, suppose:

$$Gross\ Amount = \beta_0 + \beta_1 Quantity + \beta_2 Supplier + \beta_3 F_1 + \beta_4 F_2 + \epsilon \tag{2}$$

The overall test should be performed to find whether there is a linear relationship between Gross Amount and all variables together.

$$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0 \tag{3}$$

$$H_a: \text{at least one } \beta_i \neq 0 \tag{4}$$

Through Table 4, the F-value=132.11 for regression, $F_{\alpha, k, n-k-1} = F_{0.05, 4, 70} = 2.5$. Since F-value>2.5, reject H_0 at 5% significance level and conclude that there is a significant relationship between Gross Amount and the four independent variables. For the multicollinearity test, all the VIF values of four variables are less than 5. Thus, there is no multicollinearity. As Figure 1 displays, the plot of the data of the year 2016 is normal, and the slope is a straight line. The histogram is also normal distribution. However, the unusual points in the residual scatter plot may be caused by urgent orders. The delivery time of urgent orders is usually half to one month than of normal orders. Overall, the sample size (n=75) of the year 2016 is large enough to obtain an accurate estimate of the strength of the relationship. Based on the regression equation, all four variables have a positive effect on the gross amount. $x_1=3150$, $x_2=0$, $x_3=1$, $x_4=0$ will maximize the gross amount (i.e., choose Bafang as supplier, and 100% polyester poly urethane coating and 96% polyester 4% elastane).

Table 2. Correlation: Quantity, Supplier, Delivery Time, F₁, F₂, F₃ of the Year 2016

	Quantity	Supplier	Delivery Time	F ₁	F ₂
Supplier	-0.047				
Delivery Time	0.060	-0.068			
F1	0.098	0.186	-0.247		
F2	-0.045	0.110	-0.330	0.085	
F3	-0.033	-0.212	0.058	0.335	0.360

Table 3. Best Subsets Regression: Gross Amount versus Quantity, Supplier, Delivery Time, F₁, F₂, F₃ of the Year 2016

Vars	R-Sq (adj)	Mallows Cp	Quantity	Supplier	Delivery Time	F ₁	F ₂	F ₃
1	76.9	65.8	x					
1	11.4	453.4				x		
2	84.0	24.2	x			x		
2	80.6	44.1	x	x				
3	86.1	12.7	x	x		x		
3	85.8	14.5	x			x	x	
4	87.6	5.2	x	x		x	x	
4	86.0	14.6	x	x		x		x
5	87.7	6.0	x	x	x	x	x	
5	87.6	6.5	x	x		x	x	x
6	87.7	7.0	x	x	x	x	x	x

Table 4. Regression analysis: gross amount versus quantity, supplier, f1, f2 of year 2016

Term	Coeff	T-value	P-Value	VIF
Constant	-147	-0.69	0.495	
Quantity	4.474	21.06	0.000	1.02
Supplier	1600	3.36	0.001	1.05
F1	2489	5.54	0.000	1.05
F2	1149	3.09	0.003	1.02

Regression Equation
Gross Amount = -147 + 4.474 Quantity + 1600 Supplier + 2489 F₁ + 1149 F₂

Model Summary	R-sq (adj)	F-Value	P-Value
Regression	87.63%	132.11	0.000

The same variable-choosing method will apply to the data of the year 2017 to 2020. The summary results are shown in Table 5. For the year 2017, quantity, F₁, F₂, and F₃ positively affect the gross amount. When F₁=0, F₂=1, F₃=0, 100% polyester knitted fabric poly urethane coating plays an important role in maximizing the gross amount. In 2018, quantity, F₁, and F₃ had a positive effect, while the only supplier has a negative effect on the gross amount. The combination of HSME suppliers, 100% polyester bi-stretch, and 100% polyester knitted fabric poly urethane coating will lead to a maximum gross profit. Since the number of suppliers has been reduced to one in 2019 and 2020, the supplier will not be considered as a variable in the regression model. 100% polyester related fabrics play a critical role in 2019 and 2020.

Table 5. Regression models of year 2016 to 2020

Year	Sample Size	Best-Fitting Variables	Regression Equation
2016	75	Quantity, Supplier, F ₁ , F ₂	Gross Amount = -147 + 4.474 Quantity + 1600 Supplier + 2489 F ₁ + 1149 F ₂
2017	40	Quantity, F ₁ , F ₂ , F ₃	Gross Amount = -236 + 4.028 Quantity + 1204 F ₁ + 2284 F ₂ + 1724 F ₃
2018	32	Quantity, Supplier, F ₁ , F ₃	Gross Amount = 726 + 3.804 Quantity - 513 supplier + 1303 F ₁ + 1128 F ₃
2019	37	Quantity, Delivery time, F ₂	Gross Amount = -1489 + 3.841 Quantity + 32.7 Delivery time + 681 F ₂
2020	29	Quantity, F ₂ , F ₃	Gross Amount = 4010 + 3.531 Quantity - 2878 F ₂ - 2305 F ₃

Many problems can be found in the garment manufacturing industry based on the multiple regression model and raw data. First of all, it is obvious that the number of fabric suppliers is decreasing year by year. Moreover, the fabrics that European customers ordered are decreasing as time goes by. Since 2019, only HSME corporations have left and struggled in the industry. The number of fabrics produced by the HSME has been reduced from more than seven in 2016 to five in 2020. After several fields visits to HSME and communications with their manager, it can be found that the business environment has become harsher for such fabric suppliers. In the past, since the garment industry was highly labour-intensive, the manufacturer searched for a cheap workforce worldwide. Thus, the production process mainly focused on countries with dense populations and low wages, such as China and India [10]. As apparel production networks become more complex, customers demand higher speed and lower costs. To maintain the labour standards in this labour-intensive industry, the manufacturer has to explore new

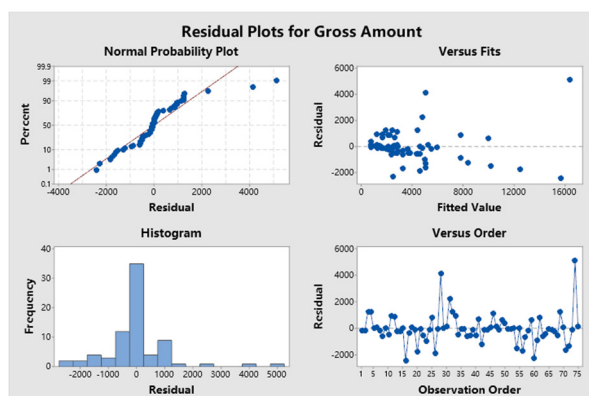


Figure 1. Residual Plots for Gross Amount of 2016

lower-cost regions or lower labour standards. Consequently, working conditions are commonly poor in the garment manufacturing industry [3]. Although manufacturer like HSME has increased wages for workers, fewer and fewer young people are willing to work in the factory. They are still not satisfied with the increased wages. On the other hand, they are pursuing better welfare and decent work that HSME cannot provide. To maintain normal production, HSME has to employ temporary workers and aged female workers willing to work from home and demand lower benefits. However, temporary workers have a relatively high turnover rate, and their age usually limits aged female workers, thus cannot accept high-intensive work.

In addition to the decreased workforce issue, the competitiveness of African countries is another problem that needs to be addressed. Since most African countries have a geographical advantage over China, European customers prefer African manufacturers because of lower freight and efficient transportation [5]. Furthermore, governments of African countries have introduced various preferential policies to attract foreign companies to set up factories in Africa. For instance, the Rwanda Development Board (RDB) offers “red carpet treatment” for Chinese investors. When Chinese companies try to seek opportunities in Rwanda, government officials will be assigned to troubleshoot problems. The RDB will streamline the registration process and offer personalized service for foreign companies. Moreover, the Rwanda government provide training programs for the local workforce to strengthen the local manufacturing base [11]. HSME is a typical fabric manufacturer in Shandong Province. A great number of manufacturers in China, like HSME, are trying to find a way out of the dilemma.

4. DISCUSSION

4.1 Precise Customization

The most useful and suitable strategy for the question above is precise customization. From the perspective of customization, precise customization is the precise grasp and guidance of customer needs, precise matching of resources, precise control of services, and timely resolution of various customer problems [12]. Hence, though the number of suppliers is decreasing, the e-commerce and factory website will provide a special customized page. Customers will put forward a certain degree of customization requirements for the fabric according to their own needs, and then the factory can produce on-demand. Such a customized model can reduce unnecessary hoarding of goods in the factory, so the decreasing number of suppliers is not a problem [13].

4.2 Break Up the Whole into Part & Hire Temporary Workers

Another problem is that many young people do not like to work in the factory and factory employees have high turnover, which leads to the increasing labour cost. To effectively control labour costs, maintain the sustainable development of the company, and solve the distribution of benefits between the company and the employees, solve the incentive and motivation mechanism of the enterprise, promote the development of human resource law, and improve the economic efficiency of the enterprise we have to control labour cost. One method is to break up the whole into parts. We can let the workers with long-term employment contracts take the clothes home to work so they can work while taking care of their children and families. Also, the companies can hire more temporary workers, those who do not sign formal contracts and do not have to pay five social insurance and one housing fund.

4.3 Modern Logistics Concept & Reasonable Choice of Transportation

It is necessary to establish a modern logistics concept, introduce advanced logistics and transportation management and optimization methods, and combine the actual situation of the enterprise to find the best way to improve transportation management and reduce transportation costs. Improve the logistics management system, establish a full-time logistics and transportation management department, and realize the specialization of logistics management. Applying the logistics activity costing method (logistics ABC), the data reflecting the logistics transportation cost is accurately separated from the financial accounting data. The calibre of the enterprise cost calculation is unified. While improving logistics service levels, strengthening budget management, strengthening cost management awareness, implementing quota management and target cost management, decomposing cost control objectives, clarifying responsibilities, realising the combination of responsibilities, powers, and benefits, and strengthening cost accounting and assessment.

Reasonable choice of transportation. In the current situation where multiple means of transportation coexist, the entrepreneur must pay attention to the comprehensive evaluation of the characteristics of the means of transportation according to the characteristics of different goods and the requirements for logistics timeliness, to make a reasonable choice of means of transportation and choose the cheapest possible means of transportation. To choose the mode of transportation reasonably. Multimodal transportation should be organized rationally. Containers and back-to-empty transportation are adopted to expand the batch size of each transportation and reduce the number of

transportations. It adopts reasonable transportation modes such as combined vehicle transportation, regional production and sales balance, reasonable transportation, direct transportation, and "four-way" direct transportation, effectively reducing transportation costs. To increase the technical loading capacity of transportation vehicles. Improving commodity packaging, improving vehicle loading technology and loading methods, and carrying out coordinated transportation or assembly transportation of different goods, so that the same transportation tool can load as many goods as possible, maximize the loading tonnage of the transportation tool, make full use of the loading volume, and increase the efficiency of transportation. For conditional goods, pallet transportation is carried out.

What's more, the company can use systematic viewpoints to continuously optimize the allocation of transportation resources, improve the use of management techniques and methods, improve the level of enterprise transportation management, establish the concept of logistics strategic cost management, pursue the minimization of logistics transportation costs throughout the supply chain and the entire circulation process, continue to explore transportation costs, and reduce potential and continue to reduce the level of logistics and transportation costs.

5. CONCLUSION

The analysis of the multiple linear regression equation for the year 2016-2020 shows that the independent variable supplier has been changed from a positive impact on the gross export amount in 2016 to a negative impact on the gross export amount in 2018. In 2017, 2019, and 2020, the supplier was removed from the multiple linear regression equation because there was only one supplier called HSME left in the market. It happens because the whole garment export in China has entered a period of decline. The reason for the decline is due to the sustainable increase of garment production costs in China and the advantages of Southeast Asia and African countries in cost and transportation. In the discussion part, we mainly recommend that clothing companies focus on customization marketing. Allow customers to accurately select their needs for clothing design, fabrics, colours, etc., in the application store or website of garment company, just like the configuration they choose when buying a new car. For example, a clothing manufacturer allows customers to choose one of five colours as the base colour of their customized clothing. It also allows customers to upload and insert their favourite patterns on the base colour. Meanwhile, customers are allowed to choose fabrics by themselves. Customization marketing helps garment companies to improve customer satisfaction, also reduces unnecessary stockpiling by manufacturers.

The research limitation includes some data, such as the order quantity and fabrics directly determined by the customer when placing the order, rather than determined by monitoring the market orientation changes for a period. It means that the decision involves customers' experience, based on previous sales of similar styles. Such order information may affect the objectivity and accuracy of the overall research. Furthermore, we collected data from a garment export company located in Shandong Province, China. It means the research focus on this company would only show the export situation in one Province rather than the export situation of China. Such limitation decreases the breadth and applicability of the research. In the future study, we hope to do surveys or interviews to get more scientific and objective data. In addition, we should avoid studying certain companies when selecting research subjects but try to collect samples from different regions of the survey country to reduce bias.

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