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Faculty of Business Economics

Master of Management

Master's thesis

Is E-commerce A Disruptive Innovation? An Analysis of the Belgian Fashion Retail Industry

Lithe Raes

Thesis presented in fulfillment of the requirements for the degree of Master of Management, specialization Strategy and Innovation Management

SUPERVISOR :

dr. Relinde COLEN

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www.uhasselt.be
Universiteit Hasselt
Campus Hasselt:
Martelarenlaan 42 | 3500 Hasselt
Campus Diepenbeek:
Agoralaan Gebouw D | 3590 Diepenbeek

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Executive Summary

Over the past few years, the notion of disruptive innovation has become a jargon and is prone to become a victim of its success. There remains inevitable confusion among the literature. Therefore, this paper will provide an explanation of the drivers behind the theory of disruptive innovation while simultaneously examining whether or not E-commerce can be categorized as a disruptive innovation within the Belgian fashion retail industry. Besides the limited amount of prior conducted academic research, the other main reason for investigating E-commerce within this particular industry is because it is categorized by factors that might diminish the potential disruptive impact. First, fashion items are perceived as experience goods of which customers still prefer to feel, to touch to and try-on. Second, compared to neighbouring countries, Belgium was quite late to adopt E-commerce due to several reasons, such as initially lack of need, no law and regulations, and a high degree of conservatism leading to an uncertainty avoidance.

Four key theoretical elements define disruptive innovation. First, there is a focus on sustained innovation within these incumbent firms (Christensen, 1997) because incumbents continuously aim to serve their high-demanding and most profitable customers better. Second, this results in an overlooked market segment which provides disruptive entrants the opportunity to gain a foothold in the market. Third, the reaction of the incumbent tends to be inefficient and does not happen on time due to several internal and external influencing factors (Yu & Hang, 2010. And finally fourth, disruption occurs when the mainstream market has adopted the innovation at a large magnitude (Christensen et al. 2015) and when the incumbent is required to modify its strategy and business model in order to survive in the changing business environment (Kilkki et al., 2018).

For this study, the impact of E-commerce on the Belgian fashion retail industry and its incumbent players was analysed by conducting semi-structured interviews with seven Belgian fashion retail incumbents.

E-commerce has disruptive characteristics as the innovation qualifies with the theoretical framework of the four above mentioned elements. First, it is complicated for incumbents to focus on what is required to run their existing business efficiently with high-demanding customers' needs fulfilled and determine what is needed to be ready for possible changes and new businesses in the future. This indicates the emphasis on sustained innovation within these firms. Second, the traditional brick-and-mortar offer of the incumbents overlooked specific low-end Belgian retail fashion customer segments such as technical savvy customers, customers that do not enjoy shopping or, those that do not have time to go shopping during the traditional shops' opening hours. As E-commerce offers a solution to the needs of these customers, pure online entrants were able to gain a foothold in the Belgian fashion retail industry. The incumbents reacted to this by accepting and implementing an E-commerce channel themselves mainly because of three reasons. First, incumbents noticed that their existing customers were becoming more and more digital. Secondly, adding an online sales point was considered beneficial to their own core business. Thirdly, there was a particular desire to keep up with the digital-changes and remain competitive within the industry.

However, certain internal and external elements influenced the ability to react. Although many internal elements such as the company culture, visionary leadership, and the commitment from management stimulated the implementation of E-commerce, several other aspects hinder the incumbent's actions. The critical internal factor that proves to be an obstacle was the challenge of adapting the business model as E-commerce as it requires different resources and capabilities and also it operates with a significantly contrasting revenue structure. Moreover, the financial investments needed were also notably high, which was more decisive for SMEs than large incumbents. External factors that harmed the incumbent's ability to react in a timely fashion include the Belgian regulation, market conditions, and the high-uncertainty avoidance of the Belgian customers.

E-commerce has disrupted the Belgian fashion retail landscape to the extent that traditional fashion retails, who only operate with brick-and-mortar channel, are now investing in establishing an additional online channel in order to survive in this digital era by catering to the changing needs of the Belgian customers. This transformation requires a reallocation of resources to set up the necessary systems and logistics, to attain new needed talent, to form new partnerships, and to alter their strategy and revenue model. Besides the impact on firm-level, E-commerce also affected the industry as market conditions changed and competition intensified. Due to globalization and digitalization, the entry barriers have lowered. Which, in turn, allowed pure online entrants with different business models to enter the market who were able to challenge the traditional businesses of the incumbents by aggressively competing on price and convenience. Additionally, E-commerce and the way the disruptive entrants yield it has transformed the behaviour of the consumer. Together with the rise of other technologies, such as the smartphone, online shopping has become unimaginable in the eyes of the Belgian fashion retail customers.

Preface

As a strategy and innovation management master student at the University of Hasselt, this thesis serves as the final research to complete my study. The fashion retail industry, together with future innovative developments, has always interested me and form the basis of my motivation to start this study.

The purpose of this master dissertation is to examine whether or not E-commerce can be categorized as a disruptive innovation according to the theory popularized by Christensen (1997) within the Belgian fashion retail industry and what the impact has been of its incumbent firms.

Writing this thesis would not have been possible without specific help. Therefore, I want to acknowledge certain people. First, thank you to my supervisor, dr. Linde Colen, for her support and guidance throughout the entire process of writing this thesis. Furthermore, I would like to thank each individual who took the time to participate in my study and, moreover, who helped me tremendously with their valuable insights and interesting point of views.

Wednesday 29/05/2019, Diepenbeek

Lithe Raes

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Introduction

Nowadays, many marketplaces are defined by disruptions, in which innovations have the potential to change how businesses operate fundamentally. This notion of radical changes, which influences the sustainability of a business, was first explained by Bower and Christensen (1995) and later popularized by Christensen in 1997. The emergence of disruption on industry-level requires significant transformation on firm-level (Kilkki et al., 2018). However, companies often struggle with undertaking these necessary changes required to maintain their position in the changing marketplace (Kilkki et al., 2018). As a result of this inability to adapt and react to innovation, incumbents often lose market share. This, in turn, changes the industry composition and its competition. Only then can it be stated that disruption has occurred.

Within the long history of the retail industry, many innovations have challenged incumbent firms and arguably disrupted the industry as a whole. Recently, it has been affected by the Internet and more specifically, since 1991, Electronic Commerce. E-commerce can be defined as the buying and selling of information, products, and services via networks through the Internet (Strader & Shaw, 1997). It requires severe technological, infrastructural, and logistics layers ranging from information collection, content building to distribution and consumer services (Strader & Shaw, 1997). Hence, E-commerce challenges incumbent firms to digitalize and transform their organizations (Samavi et al., 2018).

The Internet has the potential to reshape the path of other inventions once they are combined with it (Kilkki et al., 2018). Therefore, it is possible for E-commerce to yield disruptive characteristics. However, despite the vast amount of research on the disruptive potential of E-commerce, not much can be said in the fashion retail industry. Additionally, the little research that has been done is based on the American market, which yields different significant characterizations than the Belgian fashion market.

The question remains whether E-commerce has had the same disruptive impact on the Belgian fashion retail industry. Other reasons why this industry is fascinating to examine is, first, because fashion products are initially considered as experiences goods where consumers prefer to touch, see, and try fashion items prior to making a purchase. Besides, these consumers are concerned that the delivered fashion item will not meet the expectations (De Dycker, 2019). This remains one of the major reason why Belgian fashion customers are hesitant to participate in online commerce (De Vuyst, 2018). Secondly, as Belgium is a late adapter of the E-commerce invention compared to its neighbouring countries and the U.S, the assumption can be made that players in this market were prepared on the advent of E-commerce and therefore, were also aware of the potential effect of E-commerce. All these factors could diminish the potential disruptive impact of E-commerce on the Belgian Fashion industry.

E-commerce is in the rise in Belgium with increasingly more fashion retail consumers and retailers finding their way online. A study of BeCommerce and GfK (2017) has shown that 18% of the total spending in the Belgian fashion retail industry has been transacted through an online platform.

Furthermore, an online Comeos Survey study conducted by De Vuyst (2018) in 2018 interviewed 204 Belgian E-commerce users over a period of two weeks. The findings of this study indicate that there is an increasingly 14% of consumers that bought fashion items online.

Thus, this thesis aims to answer whether E-commerce is a disruptive innovation for the Belgian Fashion Retail, first, by providing a clear overview of disruptive innovation theory. Second, by performing interviews with practitioners, it also yields insights into the degree of disruptiveness of E-commerce on the Belgian fashion retail companies and, moreover, examines how these firms have strategically reacted to the introduction of E-commerce.

This paper is structured as follows. Chapter One introduces the theory of disruptive innovations. Afterward, Chapter Two is concerned with a description of the methodology used for the conducted empirical study. To continue, Chapter Three presents a report of the key findings, which is followed by the implications in Chapter Four. Moreover, to finalize, a conclusion is presented in Chapter Five to provide the reader with an overview of the key takeaways from this study.

Chapter 1: Literature Review

1. Disruptive Innovation

1.1. The Theory

Since the introduction of the disruptive innovation concept by Christensen in 1997, the idea has been analysed and discussed by many academics and scholars in the field (Danneels, 2004). Therefore, the disruptive innovation theory provided by Christensen will be used throughout this study as the fundamental basis and starting point to explain the principal key elements, the implications and identification factors.

Originally, Christensen (1997) focused in his highly popularized book, entitled '*The Innovator's Dilemma',* on disruptive technologies. These technologies offer alternative values compared to the mainstream technologies and are initially considered inferior by the mainstream customer segment as a result of shortcomings in the performance of these disruptive technologies. The term '*disruption*' can be explained as the process where small-scale firms with limited resources and capabilities are able to compete with already established companies, referred to as incumbents, by targeting a customer segment that is ignored and overlooked by the incumbent with an innovation that provides added value.

In 2003 Christensen and Raynor published a second book, '*The Innovator's Solution'*, where the notion was refined and the application of the theory broadened also to incorporate the services and business model innovations. This resulted in the replacement of the term by, the now commonly used, disruptive innovation. This was praised by several academics, including Yu and Hang (2010), who also concluded that disruptive innovation is a more suitable term than disruptive technology to describe the entire phenomenon, as adapting and tailoring the business model to a new innovation determines the generated value and, thus, the success of the innovation (Yu & Hang, 2010; Nagy et al., 2016).

Johnson et al. (2008) describe the involvement of business models in disruptive innovation by determining strategic situations that often require business model innovation. Which, for entrants, can be used as an opportunity to disrupt. For example, by re-thinking the current business model and building it according to the disruptive innovation, entering firms are able to cater to the needs of an overlooked or undiscovered market segment. As these entrants target smaller and less profitable market segments in the eyes of the incumbents and operate with different activities, this incumbent has little inducement to pay any sort of attention to them (Markides, 2006; Johnson et al., 2008). This leads to the opportunity for disruptive entrants to capitalize on the innovation and develop in the market without fierce competition from the established incumbents (Markides 2006; Christensen, 1997). Meaning that, for entrants, disruptive innovations that are employed by the right business model can be a strategically powerful tools to expand to new markets (Yu & Hang, 2010; Adner, 2005). With the condition that disruptive innovation offers new functionalities and different value propositions (Bower & Christensen, 1995; Christensen, 1997). However, this poses a real threat for incumbents as innovations with unique value advantages could disrupt existing market characterisations and relations (Markides 2006; Christensen, 1997; Danneels 2004).

Disruptive innovation does not occur overnight and needs time to develop. According to Christensen (1997), disruptive innovation can originate from two footholds. Low-end market footholds exist because incumbents pay less to no attention to the low-demanding side of the customer segment and allocate all the efforts in offering ever-improving innovations to the most demanding and profitable target market (Christensen et al., 2015). Another possibility is that the disruptors generate an entirely new market by discovering a way to transform non-consumers into consumers (Christensen et al., 2015), which is defined as new-market footholds. As a result, disruptions can be classified into two different types of innovations: the low-end innovations and market innovations (Nagy et al., 2016). The difference between these innovations lies in the effect they have on the market. Low-end innovations offer comparable attributes to the current innovation while, conversely, new market innovations are defined by the creation of new demand for the future innovation which results into the generation of new consumers (Nagy et al., 2016). In both situations, disruptive innovation at the start does not appeal to the mainstream customer who obtains the full attention of incumbents. Typically, disruptive innovation is first inferior to incumbents' products or services. As their customer is not interested, incumbents tend not to respond aggressively and, therefore, ignore disruptive innovations (Christensen, 1997).

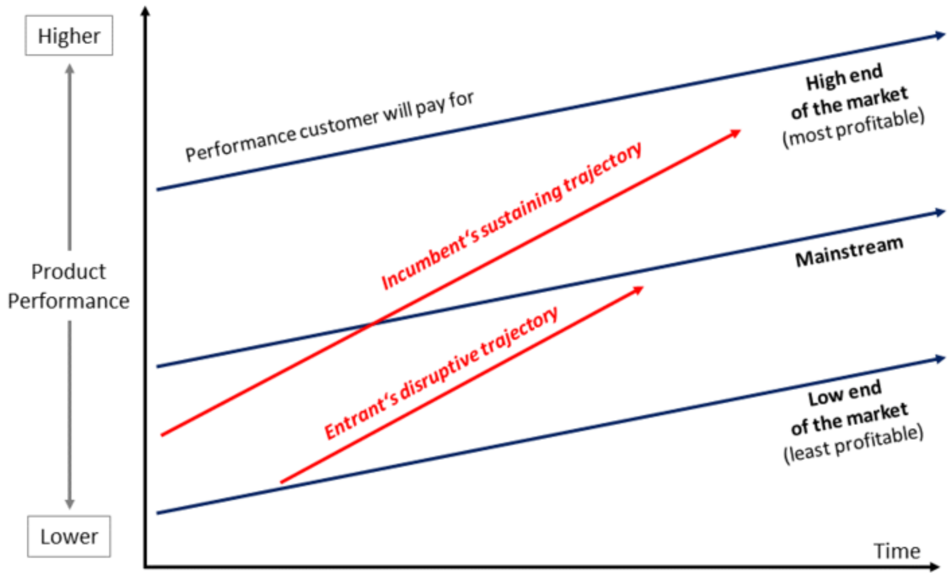

Figure 1. *The Disruptive Innovation Model*.
Clayton M. Christensen, Michael Raynor and Roy McDonald, 2015.

However, in its development, disruptive innovation is characterized by upward movement of the entrants from the low-end of the market to the mainstream market. These entrants enable this upstream shift by improving the innovation to the point that the innovation's quality of performance is able to satisfy the needs of the high-demanding mainstream customer segment (Obal, 2013) while simultaneously offering the same value advantages that drove the previous success in the low-end foothold of the market. As Adner (2002) highlights, the mentioned previous success of entering firms is determined by the fact that the low-end customer segments who appreciate and associate the offered value of the innovation and are willing to support the further development.

Further, this upward movement along the performance trajectory (See figure 1) takes time. Due to the fact that the disruptive innovations are, at first, perceived as inferior by the mainstream customers, these customers are not tempted to shift to the new offering even though it, usually, also offers a lower price (Christensen et al., 2015). Instead, mainstream customers await the quality improvement of disruptive technology. Once the demands and needs of the mainstream customers are satisfied, the innovation will be adopted. Not only does this imply that the incumbents lose market share, but it also drives down the prices within a market as competition is strengthened and the innovation is often offered at a lower price (Christensen et al., 2015). When the mainstream segment starts embracing the entrant's innovation, disruption has occurred (Christensen et al., 2015). The reason why disruption is as treacherous for the industry and its incumbents is that it challenges the existing business of the incumbents and changes the market characteristics (Bower & Christensen, 1995; Christensen, 1997).

Although the theory of disruptive innovation has become wildly popular and frequently used within both the academic and the professional sector, many confusion and uncertainty regarding disruptive theory has been present throughout the academic literature. One of the major issues with the term '*disruptive innovation'* is its popularity. In the sense that the notion has become such a jargon, due to its abundancy in definitions, the term itself is in danger of becoming meaningless (Gobble, 2015).

Further studies supported the ideas of Christensen by providing new points of views and complementary insights. One of these researchers is Adner (2002) who explained the dynamics of disruptive innovations based on the demand-based perspective of technology competition. Adner (2002) identified the two aspects of the relationship between demand characterizations and customer segment preferences. First, *'preference overlap'* determines the degree of which attribute of a technology is valued in a particular segment that may also be valued in another customer segment. The equilibrium of this overlap is explained by the term *'preference symmetry'*. Preference symmetry combined with lower price and new value advantages (Christensen, 1997) illustrate why customers choose disruptive innovations over the existing offer once the performance of the innovation has advanced (Adner, 2002; Nagy et al., 2016).

To continue, Christensen (1997) has, however, also received criticism from fellow peers. The alleged vagueness of the theory was challenged by Tellis (2006) who claimed that the samples used to test the theory were cherry-picked (Danneels, 2004; Leopre, 2014) in favour of the theory. Moreover, Christensen (1997) has been criticized for misrepresenting the cases used to support his work (Lepore, 2014). Zuckerman (2015) supports this claim by stating that these findings shape an ambiguity on the authenticity of the theory and what kind of alterations are needed to confirm the theory more constructively. To build further upon these statements, it is critical to determine whether the sampling method used was for the purpose to build the theory or for the aim to test the theory (Yu & Hang, 2010). If Christensen (1997) selected specific examples for building the theory, the logic of the sampling might not be considered as vital. Nonetheless, if examples were selected to test the claims of the theory, justification is in order regarding the grounds on why and how the case studies were chosen (Yu & Hang, 2010).

However, the findings of Christensen have been proven valuable, and the idea of disruptive innovation has been refined, supported and completed (Adner, 2002; Markides 2006; Christensen et al., 2015; Danneels, 2004; Obal, 2013; Sampere, 2015). The following chapter of this paper will continue by explaining the theory in more detail.

1.2. The Four Elements

According to King and Baatartogtokh (2015), there are four critical elements (See Figure 2) of Christensen's disruption theory (1997). First, that incumbents in a market are improving along a trajectory of sustaining innovation (King & Baatartogtokh, 2015), which is defined by Christensen (1997) as the continuous improvements in order to obtain higher profit margins of not-fully satisfied customers in the highly demanding market segment. Second, the incumbents overlook unserved customer needs, which enables upcoming disruptive firms to gain a foothold in the market. The third element is characterized by the opportunity of incumbent firms to react to emerging disruptive innovation. When incumbents fail to capture this opportunity, the fourth and final element of the disruptive process occurs the disruption of incumbent firms. Each element will be further discussed in more detail.

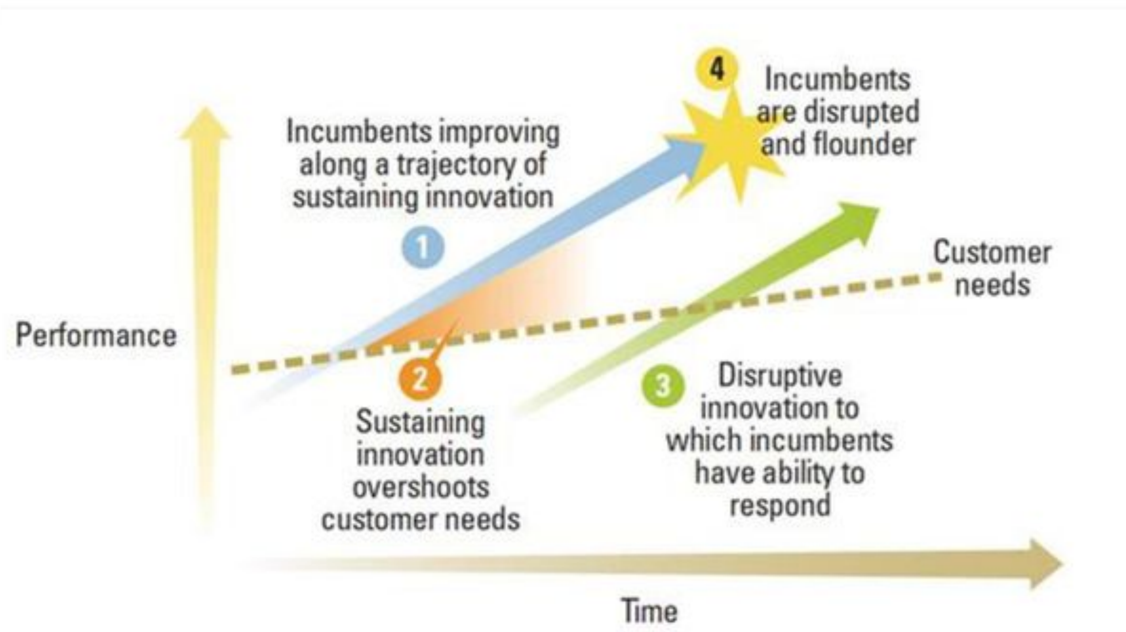

Figure 2. *Four Elements of the Theory of Disruptive Innovation.*
King & Baatartogtokh, 2015

1.2.1. The Incumbent's Focus on Sustaining Innovation

The first element that enables disruptive innovation is the focus of incumbents on sustaining innovation. This type of innovation is aimed to refine products in order to be considered better by the high-end customer segment of the incumbents (Christensen, 1997) and are enabled by technologies that are concerned with the improvement of product performance (Christensen, 1997; Sarkar et al., 2018). In general, these improvements are incremental. However, radical advancements can also be classified as sustainable innovation as long as it facilitates the incumbent to sell more products at a higher price to the customers that are the most profitable and most demanding (Braganza et al., 2009). By using sustaining innovations, companies aim to innovate in a continuous way to achieve constant improvement of the existing product.

The question remains why incumbent firms choose to sustain the current offering rather than seek out for new opportunities and potentially disrupt. A first explanation is that these companies listen to their customers and respond by providing the desired improved quality and performance of the offering (Bower & Christensen, 1995). In other words, the demands and needs of the existing customers cause the incumbents not to recognize disruptive technologies. Secondly, incumbents tend to focus on mostly incremental innovations that fit their current organisational structure and processes better (Braganza et al., 2009). Braganza et al. (2009) discovered that the same organisational procedures of incumbents are responsible for the inability to adapt and transform to different routines, systems, and processes which are needed to develop new technologies into valuable innovations. Also, most incumbents fail to actively look or act upon inventions that their customers might prefer because these firms tend to be afraid to harm their core businesses (Christensen, 1997; Bradley & O'Toole, 2016). This fear of doing things differently and focus on the current business slow incumbents down. As the CEO of Netflix, Reed Hastings, summed up "*Companies rarely die from moving too fast, and they frequently die from moving too slowly.*" (Hastings, 2011).

Although Christensen (1997) remarked that disruptive innovation could be disruptive to some companies while being sustaining for others, no clear explanation was given on why. Nagy et al. (2016) build further upon this notion by examining the characteristics of innovation that disrupt industries. Nagy et al. (2016) reconceptualise three distinct features of disruptive innovation: functionality, technical standard, and ownership. By comparing these features of disruptive innovation with the existing technologies of incumbents, it can be indicated when an innovation will more likely be disruptive or sustaining to the established market players. If the disruptive innovation has overlapping characteristics with the incumbent's technology, it will probably not have a disruptive effect. If the utilized characteristics of the innovation are not similar to the ones of the incumbents, it has significant disruptive potential (Nagy et al. 2016). Braganza et al. (2009) continue by arguing that if the innovation is sustaining rather than disruptive, a spin-off company may not be recommended for the reason that the innovation aims to enhance the capability to serve the demands of the current customer segment.

1.2.2. Overlooked Market Segment

According to Christensen (1997), the first reason that the incumbent firms overlook particular customer segments is that they focus on the customers who are, commonly, the most profitable and most demanding. As mentioned before, incumbents listen to their high-demanding and mainstream customer segment (Bower & Christensen, 1995). Managers turn to these customers before making any decisions involving, for example, product development or setting up a new channel to ensure that any investments made are aligned with the demands of the existing, mainstream customers (Bower & Christensen, 1995). Another, and second, the reason why incumbents do not notice disruption emerging on time is because it generates from the new-market footholds where the disruptor has created a new market by transforming non-consumers into new consumers. Not identifying and learning about the firm's 'not yet' customers, the chances are that you will not be informed about upcoming trends and opportunities. And, moreover, not be aware of the emerging entrant who offers these innovations (Debruyne, 2017).

These two reasons generate the opportunity for disruptive entrants to target the incumbents' unserved or undiscovered segment and to acquire advantages by providing appealing and attractive features thanks to a new technology, which could be an innovative product or service, at a lower price (Christensen, 1997; Danneels, 2004) or an innovative business model.

Although throughout the literature, there has been a focus on low-end or new-market footholds of disruptive innovations, new studies have emerged regarding high-end introduction innovations (Schmidt & Druehl, 2008). If disruptive innovations are introduced in the high-end market, incumbents are more likely to react because these firms then instantly feel the pain of being attacked head-on (Schmidt & Druehl, 2008). While low-end disruption comes mostly unnoticed, incumbents ignore these innovations in the beginning.

1.2.3. The Incumbent's Reaction to Disruptive Innovation

Once the disruptor has gained a foothold in the market, established firms within the industry are facing the challenge whether to react to the disruptive innovation and, more importantly, how to do so without diminishing their existing market share (Charitou & Markides, 2003). There are five possible response strategies incumbents may consider employing (See Figure 3) which will be briefly explained in this chapter.

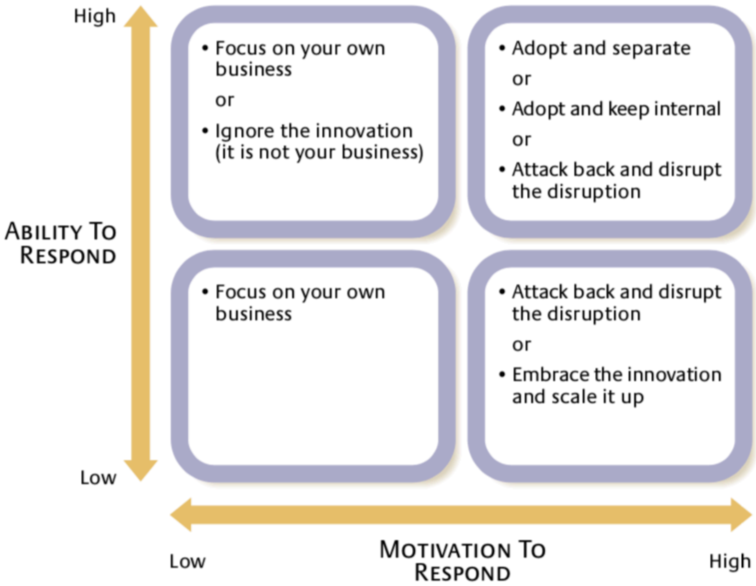

Figure 3. *How to Respond to Disruptive Strategic Innovation*.
Charitou & Markides, 2003.

First, established firms can decide not to adopt the disruptive innovation and alternatively focus on increasing the competitive advantage and attractiveness of their current offer. Research by Charitou and Markides (2003) has indicated that companies choose this response because they have decided to capitalize on prior investments that supported the existing business. A second possible response is to choose to ignore disruptive innovation. In this case, the incumbent does acknowledge the innovation as a significant threat (Charitou & Markides, 2003); it is considered as too unrelated and dissimilar from the incumbent's core business. Third, in the event that the disruptive innovation has disrupted the incumbent firm, this company may be able to disrupt their disruptor (Charitou & Markides, 2003). As explained previously, disruptive innovation is not about surpassing the established incumbent in offering the current value advantage, but about focusing and offering other value advantages. As a counter-attack, the disrupted incumbent can compete with the new entrant by underlining yet additional different product or service features. The fourth probable response is to adopt disruptive innovation while simultaneously also operate with the traditional business (Charitou & Markides, 2003). This is quite challenging, as these two businesses require significantly different resources and capabilities. Therefore, incumbents can opt for a fifth and last response, which is to completely abandon the current way of competing and completely incorporate disruptive innovation (Charitou & Markides, 2003). Here, the main aim of the incumbent is to move the disruptive innovation upwards to the mainstream market.

Which response incumbents should consider making is based on the ability and the motivation of the company (Charitou & Markides, 2003). Factors that determine the incumbent's ability to respond include resources, capabilities, time, and, most importantly, the nature of the traditional business and the disruptive innovation, which means that the ability to respond is affected by the degree of dissimilarity between the two. The motivation of the incumbent to react is influenced by how strategically similar and, therefore, how menacing the innovation is to its core business (Charitou & Markides, 2003). If the disruptive innovation is strategically connected, the incumbent will likely be very motivated to respond.

However, in reality, incumbents are rarely able to respond effectively (if at all) to disruptive innovations. Three key insights help explain why this is the case (Christensen et al., 2015). Firstly, it is due to the focus of incumbents on sustaining innovation, which stems from the focus on the most profitable existing customer segment. These focal points have often become institutionalised in the organisation's structure and processes which hinder managers from transferring the investments from sustaining to disruptive innovations. The '*internal competition'* between business units (Zuckerman, 2015) also plays a vital role in the vulnerability of incumbents as these units often find it unfavourable to share common resources, for example brand and sales channels (Zuckerman, 2015), as these divisions of the company are competing for the same business which results in a disadvantage for the overall profitability and agility of the company.

This may also provide a possible explanation for the second reasoning. Incumbent firms are not tailored to quickly identify new inventions and lack the ability to transform these into useful innovations (Braganza et al., 2009). When it comes to the introduction of emerging disruptive technology, new entrants tend to be more successful than established incumbents (Christensen, 1997; Obal, 2013). The main reasoning behind this finding is that due to institutionalized structures, processes, and systems, incumbent firms are mostly slow and impassive in transforming disruptive technologies into valuable disruptive innovations. While, on the other hand, new entering firms tend to be agile with a focus on new opportunities, which is quite beneficial in the development of disruptive innovations (Obal, 2013). Due to *'competency traps'* (Levitt and March, 1998) which describes the paradoxical notion (Zuckerman, 2015) that incumbents who are experts in one particular area or who are skilled in utilizing one particular approach have more difficulties in developing the required new capabilities compared to new entering firms (Zuckerman, 2015). Also, Incumbents tend to be more risk-averse (Chandy & Tellis, 2000). As deciding to invest in a promising technology does not come without any risks and uncertainties (Obal, 2013), incumbent firms are more likely to hesitate more than start-up entrants. This is especially the case for technologies that have the potential to become a disruptive innovation where the unpredictability is increasingly higher (Danneels, 2004).

Thirdly, the fact that the process of disruption can take time also helps to explain why incumbents frequently overlook disruptors (Christensen et al., 2015). In fast-paced industries (for example, computers) it is less difficult to notice the developments and who or what is responsible for it (Sampere, 2016). While, in industries where it takes decades for disruptions to emerge, spotting disruptors with entirely different business models is very challenging.

1.2.4. The Disruption of Incumbents

The next and final element is characterized by the disruption of the market and the market players. At the moment, the disruptive innovation has migrated upwards to the mainstream market, and incumbents start recognising the threat. However, by then, it will be too late to respond, and the disruptor will most likely take in the market share of the incumbents (Chandy & Tellis, 2000). As briefly touched upon previously, the real threat of disruptors is that they change the way business is done and threaten the incumbent's survival (Gilbert & Bower, 2002). In order to survive, the incumbent is required to make organizational, and process changes, which is significantly challenging (Gilbert & Bower, 2002) as most incumbents are not equipped for this. If incumbents are not capable of adapting, they lose their current market position and market share and the possibility to not survive in the changing industry becomes more factual.

Many studies (Rothaermel, 2000; Yu & Hang, 2010; Obal, 2013) throughout the literature have used the assumption that it is either "*disrupt or be disrupted"* (Christensen et al., 2015). It is of significant importance to take into account that disruptive innovation does not always insinuate that an emerging entrant will inevitably substitute the incumbent in the market (Schmidt & Druehl, 2008). However, is does denote that the industry characteristics and competitive conditions have changed and incumbents need to adapt or exit. Bradley & O'Toole (2016) from McKinsey & Company have illustrated the notion of how innovations, yielded by new business models, disrupt the industry (See Figure 4).

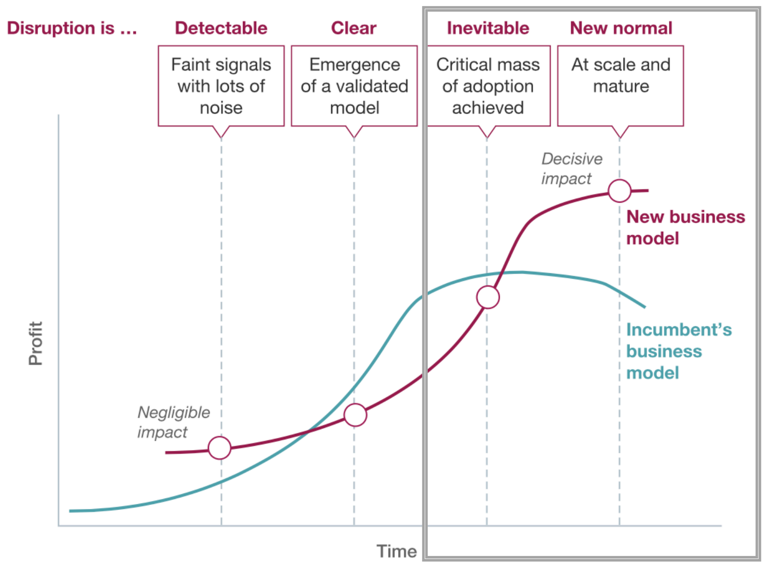

Figure 4. *Disruption Introduces an Incumbent to a New Journey*
Bradley & O'Toole (2016)

At the final stage (Seen in Figure 4), the problem is that incumbents lose the core business as the new business becomes the normal business because the industry has fundamentally changed (Bradley & O'Toole, 2016). It is then that incumbents are faced with the decion to adapt or to exist the business.

1.3. Main Element: Incumbents' Reaction

Even though large established companies possess substantial financial resources and technological capabilities to innovate, these firms fail to do so. The question remains why this is the case.

This chapter will discuss into the third element of disruptive innovation in more detail. It will tackle the question of what factors determine the failure or success of companies in disruptive innovation by means of the internal and external perspective of the incumbent. The organisational internal culture determines for the most part the success and failure of the firm (Tellis, 2006; Yu & Hang, 2010). However, some external factors also play a significant role in the capability of an incumbent to react to disruptive innovations. A more elaborated explanation will be provided below.

1.3.1. Internal Perspective

The reason why most incumbents are incapable of responding to, or even introducing, disruptive innovations is mainly due to the firm's structure and operations rather than environmental factors. Thus, when analysing the incumbents an internal perspective is essential and can provide crucial insights.

Company Culture

The first, and fundamental, factor which weigh in on the success or failure is the company culture of a firm (Yu & Hang, 2010). A firm can utilize culture within the company as an effective method to guide and coordinate its employees without having to establish complicated and inflexible formal systems. In the case of disruptive innovation, which requires notable changes, organisational culture plays an important factor in the degree of adaptability of the firm. For example, Yu and Hang (2010) have proven with several case studies that cultural inactivity and passivity within incumbent firms is a direct reason why mangers of those companies are unable to initiate the needed changes in a timely fashion (Yu & Hang, 2010) to respond to disruptive innovations. In terms of innovation, one of the key aspect of this organizational culture is the degree of visionary leadership (Tellis, 2006) which determines the manager's willingness to change and take risks. This is especially needed if a firm aims at innovation as it requires to cannibalize the current resources and capabilities in order to bring new technologies to the market (Telllis, 2006).

Resource Allocation

Secondly, the resource allocation process has significant impact on the ability to handle disruptive innovation as it determines how efficient businesses and projects can operate (Chandy & Tellis, 2000). Most incumbents and, moreover, its managers do not place any focus on developing disruptive innovations as these mangers are concentrated on serving the high-profitable customers with ever-improving offerings.

Organizational Structure

The third factor is concerns the organizational structure and its efficiency (Chandy & Tellis, 2000). This often creates a barrier for incumbent firms as new innovations require new routines, systems and structures within the company, with similar efficiency. However, implementing these new structures is complex, extremely expensive and exposes the frim to a high level of risk which results in some reluctances to change (Chandy & Tellis, 2000).

Strategic View

Tellis (2006) denotes that the development of disruption is due to the incumbent's inability to foresee the changing market characterisations and the lack of agility to act upon serving an upcoming new market segment rather than the technological innovation in itself. This belief is explained further by Henderson (2006) who demonstrates that the reason why these incumbents fail to respond fittingly to disruptive innovation is the inability to obtain the needed competencies rather than being focused solely on the established customer segment who generate high-margin opportunities for that incumbent, as argued by Christensen (1997). Yu and Hang (2010) agree upon this notion and continue by articulating that indeed there are numerous cases where incumbents did identify the demands of new emerging customer segments, however, were not able to respond rapidly due to the lack of market-related competencies (Yu & Hang, 2010) which explains why disruptive innovation could occur.

To build further upon this statement, Kumaraswamy et al. (2018) also denote that incumbents often fall prey to disruption due to the lack of taking on a long-term strategic view. The explanation provided by Christensen et al. (2015) underlines the dilemma incumbents face when being challenged by disruptive innovations that operate with an entirely different business model who aims at dismantling the current industry and taking the market share of the established industry leader. The fact that the incumbent is unable to adjust strategies, places the entering disruptor in an advantageous position (Christensen & Rosenbloom, 1995).

A viable recommendation to resolve any of these barriers and dilemmas originally came from Christensen (1997) who proposed that incumbents should set up a completely independent business organization with separate processes, structures and values to commercialize a disruptive innovation. This could be a possible solution, however other external and environmental factors also play a role in the incumbent's attitude towards disruptive innovation.

Business Model Innovation

Another, and fourth, factor that influences the ability of the incumbent to adapt to changing businesses is the capability to innovate its business model. Business Model Innovation (BMI) can be defined as the creation of an essentially dissimilar business model in an already established market place (Markides, 2006). Although, many companies encounter several significant obstacles to innovate their business model. Almost always incumbent firms own superior resources which should make it possible to recreate a threatening competitor's business model to prevail in the changing market place. However, incumbents may be hesitant of altering the current business model as it could potentially cannibalize on the existing business model and, as a result, harm the core business (Chesbrough, 2010; Teece, 2010; Rissanen & Sainio, 2016).

Johnson et al. (2008) determined two strategic situations that often require business model innovation for incumbent firms. First, business model innovation could be required when incumbents compete against low-end disruptors. Secondly, to respond effectively against competition. By finding the balance between the current business model and trying to capture the value of new innovations, incumbents may be able to react to disruptions. However, this can only be realized by setting up a different business model (Johnson et al., 2008).

The possibility to succeed in fast changing and, moreover, emerging industries are considerably higher for those firms that are able to adapt the business model accordingly (Teece, 2010). Thus, adapting a business model is crucial for established incumbents who are battling to remain competitive (Teece, 2010; Rissanen and Sainio, 2016). To develop an appropriate business model, incumbents must, first, outline the current business model and strategy which yields valuable insights about how all stakeholders, operations and businesses impact the existing strategy (Samavi et al., 2008). By doing so, a clear understanding of the current context is obtained. Now, when market or non-market forces to provoke a shift in the environment, a change analysis is needed to provide perceptions on the future of the incumbent's business as well as an indication of what aspects of the business model needs to evolve along (Samavi et al., 2008).

However, as mentioned before in Chapter 3, the inability of the incumbent to respond is partly determined by a high degree of dissimilarities between the nature of the disruptive innovation and the traditional business. To explain further here, incumbents are mostly threatened by the conflict between the current established business model for the existing technology and the business model required to capitalize on the disruptive technology (Chesbrough, 2010). Herein lies the dilemma for the current industry leaders as the new, emerging ways of competing contradict with the established ways which makes it difficult to integrate these two ways into one, same organization. This directly explains the reason why these innovations are considered disruptive to incumbent firms (Markides, 2006).

1.3.2. Environmental Perspective

Beside the above-mentioned internal factors, external elements could also have an impact on the firm's ability to adapt to disruptive innovations.

First, Christensen and Rosenbloom (1995) argues that the value network, which is the environment within which a company competes and solves customer's problems, is an important factor affecting whether incumbent or entrant firms will most successfully innovate. This environment is determined by many contextual characteristics such as regulation, entrepreneurship culture and economic conditions which could differ from one country to another. An example provided by Chesbrough (1999) from the hard disk drive industry explains this further. The initial disruption of this technology did not originate in Japan, but in the United States. Because, at that time, the legislation and culture of Japan in combination with the lack of financial governmental support did not stimulate entrepreneurship (Chesbrough, 1999; Yu & Hang, 2010).

A second external element is the buyers' perception of a new, disruptive innovation (Obal, 2013). Elements that influence the intent of a possible buyer or customer to accept and embrace a disruptive innovation include trust, perceived ease of use, and perceived value (Obal, 2013). These mentioned factors influence the degree of success or failure of an innovation in the market as well as the rate of the upmarket movement of that innovation. Furthermore, the customer also provides an indication of any possible changes in, for example, the market contexts or changes in needs and demands (Yu & Hang, 2010). Therefore, incumbents often seek solutions from a customer perspective when encountered with disruptive reorientation (Adner, 2002; Danneels, 2004). As mentioned previously, Christensen and Bower (1995) proclaimed that taking a customer-oriented approach is one of the main reasons why incumbents are not able to notice disruptive innovations as these current customers are initially satisfied with the current offer of the company. However, Danneels (2004) argued that customer-oriented firms should always listen to current customers in order to serve them best, as well as to potential future customers to spot any unserved emerging segments.

And lastly, locating the initial market for the disruptive innovation. As the identification of the disruptive potential of an innovation at its early stage is as significantly important for incumbents, Schmidt and Druehl (2008) suggest a complementary framework and model which builds further upon the meager framework of Christensen (1997). The aim is to provide organizations a set of tools which can be utilized when determining if a market is susceptible to disruption (Schmidt & Druehl, 2008). Firstly, this framework illustrates the meaning of an important notion; "*Encroachment*", which is further classified in two terms; "*low-end encroachment*" and "*high-end encroachment"* (Schmidt & Druehl, 2008). The term encroachment indicates the act where a newly entering product or service confiscates sales from the already established product or service. While, low-end encroachment denotes the pattern of a new product or service that moves from the low-end to the high-end market segment if, and only if, that new product or service surpasses the features of the current incumbent's offer. When low-end encroachment occurs, incumbents often fail to notice the latent impact of these new offerings (Schmidt & Druehl, 2008). Contrarily, the pattern explained by high-end encroachment is one where the impact on the market is prompt and noticeable by the incumbent. The development of high-end encroachment takes on an opposite turn and originates in the high end of the current market, which is why high-end encroachment is applicable for sustaining innovation. Whereas, disruptive innovation is better suiting for low-end encroachment.

Disruptive innovation requires an analysis of the incumbent's environment and strategy. Therefore, Samavi et al. (2008) emphasize the importance of comprehending and responding to changing business environments. By actively exploring the market forces and characterizations, a company has to gather the required insights that could support strategic decisions made by its managers.

2. Identify Disruptive Innovations

The importance and impact of disruptive innovation are generally recognized after the disruption has already taken place (Samavi et al., 2008) and the market has been radically destabilised by the mainstream acceptance of the disruptive innovation and the overturn of the incumbents (Guo et al., 2018). Thus, it is of critical importance for incumbents to be able to identify possible disruptive innovations in a timely fashion and to be able to determine whether or not an innovation is disruptive (Bienenstock, 2015; Christensen et al., 2015).

First, managers of incumbent firms should be able to determine whether an innovation is disruptive or sustaining, which indicates the impact on the firm and industry. For this, Christensen (1997) has provided a modest framework to recognize potentially disruptive innovations. First, the potential new market which has not been exploited can be determined by questioning if the innovation will attract a substantial part of the potential customer segment of which the needs have not been fulfilled so far. Secondly, it can be examined whether a disruptor would earn sufficient profit by determining which customers at the low end of the market would purchase an inferior, but still sufficient, product or service at a lower price. Finally, the impact of the disruptive innovation can be assessed by examining whether or not the innovation may disrupt all the key and mature players within the industry. If the innovation can be considered as a sustaining innovation to the incumbent, it is most likely that the incumbent will use this innovation to improve the existing product or service and will obtain a competitive advantage over the entrant who will not be able to challenge the incumbent.

Secondly, the incumbent should determine the strategic significance of the disruptive innovation. Identifying the strategic effects of innovations on the market (Nagy et al., 2016) is essential to comprehend and refine the forecasting of these innovations. This prediction of the potential disruptiveness of innovations can be highly valuable to market leaders as it enables them to stay clear of the severe consequences form ignoring a disruptive innovation (Nagy et al., 2016). Also, incumbents could benefit from placing high emphasise on the analysis of the changing industry characteristics and needs of the customers and determine which operational attributes are needed to remain competitive (Yu& Hang, 2010). Thus, incumbents should be able to determine the new major drivers of the changing market environment, which will replace the current establish drivers. In order to do so, proper technological forecasting methods (Danneels, 2004) is needed to predict potential emerging disruptive innovations.

Furthermore, the framework conducted by Schmidt and Druehl (2008) consists of three steps to evaluate the level of encroachment (Schmidt & Druehl, 2008), thereby aiding an incumbent to identify the threats and, or opportunities caused by an innovation (Schmidt & Druehl, 2008). To explain in brief, the first step is to identify the market segments and, moreover, the key features of the product or service. Following, it is of vital importance for firms to analyse the market segment's willingness to pay for each of the mentioned features. The last and third step consists of the assessment of the segments, which will buy a given new product over time (Schmidt & Druehl, 2008).

3. History of Retail Disruptions

By analysing the previous transformations and identifying the patterns in the way these disruptions have materialized, we can discover clues about how future disruptions may occur (Christensen & Tedlow, 2000). The retailing industry has been categorised by several disruptions. First, the establishment of department stores. Second, the rise of mail-order catalogue. Further, discount department stores disrupted the industry. And, lastly, internet retailing disruptors have altered the way goods are offered and purchased in the electronic marketplace (Christensen & Tedlow, 2000). This paper will focus on the latter, though, the others are briefly discussed in the following.

The original market place of retailing consisted of local merchants who supplied the customers with value generated by extensive inventory management and establishing a relationship by providing personalized advice (Christensen & Tedlow, 2000). However, the first wave of disruption impacted the retailing industry in the early twenties by introducing the, then, innovative department store concept. These stores can be classified as disruptive innovation as underperformance happened compared to the established incumbents in the form of customer service, however, overachieved in other activities such as providing superior advantages in the part of the marketing mix. To explain further, the key to the success was getting the right products into the right place (Christensen & Tedlow, 2000). There was an undiscovered value in bringing significant numbers of various goods in one place as it facilitated the shopping experience by lowering the search costs for customers. Furthermore, the grouping of customers and products provided the department stores with an advantage based on pricing as these disruptors could enhance the inventory turnover rates and yield higher margins on the same returns (Christensen & Tedlow, 2000). All these factors combined caused for industry disruption.

Secondly, the rise of malls and the concept of mail-order catalogue was introduced in the retail industry. However, these new innovations should be considered as sustaining innovation rather than disruptive innovation due to the fact that the business model was similar to the department stores (Christensen & Tedlow, 2000) and, in the case of malls, merely attracted the customers with more targeted assortment by means of grouping different stores together.

The next disruptive wave, discount department stores, was enabled by the technological innovation of the automobile, better equipped distribution information system and logistics in the sixties (Christensen & Tedlow, 2000). Due to the enhanced mobility of the customers, discount firms were encouraged to establish stores in less expensive areas away from the city centre. By doing so, these discount stores nullified the competitive advantage of prime locations (Christensen & Tedlow, 2000). By means of a differentiated business model based on location, low-cost and high-turnover, these discount stores disrupted the retail industry once more. As mentioned previously, disruption is a process that can take time. During this time, incumbents are known to, deliberately or not, ignore the upcoming disruptive innovations and keep operating with the current strategy and business model. This can clearly be seen in the case of the discount stores as more than 50 years after the introduction of the first discount department store in America, the retail incumbents remained operating with the initial department store strategy (Christensen et al., 2015).

The fourth and, currently, last possible disruption came in from of internet retailing or, better known as, E-commerce. Over the past decades, a shift from brick-and-mortar retail shopping was enabled due to the rise of the E-commerce innovation (Bakos, 2001). According to Christensen and Tedlow (2000), this innovation affected the entire retail marketing mix on all factors. For example, an E-commerce website offers superior advantage compared to the brick-and-mortar store of fashion retailers as it can offer an infinite assortment of products. Moreover, profit can be optimized even further due to the selling of this wide range of profit margin goods (Christensen & Tedlow, 2000). Furthermore, the emergence of E-commerce gave rise to online-only fashion retail players (Ashworth et al., 2006).

All of these examples were based on the American retail market. Limited research has been done so far regarding any possible disruption on the Belgian retail market. Which is what this study will aim to tackle. More specifically, this study will examine if the innovation of E-commerce has caused digital disruption in the Belgian fashion retail industry.

The main reason for choosing the Fashion retail industry is because it has distinct characteristics compared to any other retail industry that could possibly diminish the effect of E-commerce on the market. First, the fashion industry has been more hesitant to embrace E-commerce than other industries due to difficulties with converting in-store experience to online platforms (Blázquez, 2014). Second, Fashion items are regarded as high- involvement products (Blázquez, 2014) where consumers still prefer to feel, touch and try on the items. 46% of the Belgian fashion retail consumers indicated that they still prefer to physically go to a shop in order to experience a product (Comeos, 2018). Although, in 2018, clothing and shoes are the most online bought fashion items (De Vuyst, 2018). This makes the Belgian fashion retail industry interesting to examine.

Also, within the fashion retail industry, Belgium is a particular market as it was lagging in adopting E-commerce compared to other neighbouring countries. Therefore, it would be interesting to examine the reasons behind it as well as to explore whether its players were prepared for it and learned from its neighbouring predecessors.

This study will focus on the position of the Belgian fashion retail incumbents and the strategic reaction to the introduction of E-commerce. The main aim is to examine the impact of E-commerce on both firm- and industry-level.

Chapter 2: Methodology

1. Semi-Structured Interviews

In order to examine the degree of disruptiveness on the Belgian fashion retail industry due to the implementation of E-commerce, a strategic perspective at firm-level has to be imposed.

First, established Belgian incumbents who made the transformation by implementing an online platform were selected to participate in this study.

A qualitative empirical approach will be followed by means of conducting semi-structured interviews. The reason for applying this method is that more in-depth information can be obtained. In other words, information and valuable insights which are not accessible from external sources, such as the reasoning behind certain strategic choices, can be acquired. Besides, as the interview will take the form of a semi-structured format, significant questions are prepared, but additional questions to clarify and, or further expand on specific topics are possible if needed. By following a semi-structured format as chosen interview method, a potential difficulty might be the extent to which more in-depth examination of various responses is restricted by the knowledge of the topic and experience in directing interviews of the interviewer. However, this does not pose a significant threat as a thorough investigation of the literature on the subject has been conducted by the interviewer, and guidance was provided regarding interview methods.

After writing out the interviews, additional desk research will be conducted to support claims from the interviewees with data. Furthermore, data and information about the Belgian E-commerce market will be presented to provide the reader with a clear illustration of the industry and its drivers. This method enables the presentation of a broader view of the industry-level.

2. Sample

To gather the needed information, seven professionals (see Table 1) who are active in the E-commerce field will be interviewed with most interviews lasting about an estimated one hour. The reason for choosing to interview E-commerce managers and CEO's is because these persons are involved with the decision-making around strategic E-commerce activities.

Company Name	Company Size	Web shop active since	Function Interviewee
A	Large	2012	E-commerce Controller
B	Large	2012	Omni-channel Officer
C	Large	2013	E-commerce / Digital Transformation Manager
D	Small	2011	Founder / CEO
E	Small	2017	Managing Director
F	Middle	2009	Founder / CEO
G	Middle	2009	CEO

Table 1: Overview Participants

Company A has a chain of more than 90 shops in Belgium and offers a large assortment of clothes for the entire family. In 2012, this company started digitalizing the channel and started with the integration of an E-commerce platform.

Company B is a Belgian family-owned company that focuses on clothing for the whole family, but with an extra focus on children. The company manages more than 130 physical stores, together with a well-integrated E-commerce channel since 2012.

Company C was founded in 2001 with the opening of its first store, and since then, they have expanded significantly. They now own more than 100 stores in the Benelux. This apparel fashion brand targets only women.

Company D is a fashion concept store specialised in the footwear sector. Additionally, this company offers multi-branded clothing, accessories, and lifestyle items to its customers. Besides the offline channel, they also manage an E-commerce platform. Therefore, the aim is to explore how the entrepreneur behind the brand with her team of 40 people has strategically adapted to the challenges of E-commerce.

Company E is a local multi-brand maternity store which opened the doors of its first store 30 years ago. Over the years the brand grew, and a second store was opened. Although they manage an E-commerce channel, it is not their main focus. As a result, it would be interesting to examine what the drivers are behind this.

Company F is a multi-branded footwear retailer who opened its first store in 1985. This Belgian family-owned company has evolved and expanded throughout the years to 9 physical selling points and one online E-commerce channel.

Company G is since 1963 active in women's fashion with the production and sales of own fashion lines. Since then the company operates with 29 Brick-and-mortar stores. After the implementation of a web shop in 2009, this company distributes through three channels: its stores, E-commerce channel and multi-brand stores.

Chapter 3: Results

In this chapter, the key findings of the interviews[1] will be presented to enable the examination of the disruptive innovations theory on the E-commerce invention as well as simultaneously examine its disruptive effect on the Belgian fashion retail industry and its incumbent players.

1. The Implementation

Compared to other Western-European countries, Belgium was relatively slow to adopt E-commerce. More specifically, all interviewed fashion incumbents of the Belgian fashion industry started with an E-commerce channel between 2009 and 2017. (See Table 1, pg. 23). Additionally, the CEO of company G stated that they were one of the first to implement an E-commerce channel within the fashion retail sector in 2009.

For several companies, E-commerce was able to be implemented thanks to an improved technological ERP-software program which enables firms to accumulate, manage and comprehend data from several business activities. It also provides the user with an integrated and real-time overview of core business processes.

- *"The opportunity presented itself when we installed a new cash register system with technological support systems which enabled the implementation of a web shop."* – Managing Director, Company E
- *"We were able to launch our E-commerce channel because we had just finished implementing a new ERP-package to manage the logistic flow. Which of significant importance to meet the demands of E-commerce."* – CEO, Company G

When asked if the firms could have predicted the success of E-commerce, 6 out of 7 said that they did not expected E-commerce to become such a significant part of the society and their organization.

- *"When we started to launch the web shop, I did not believe in it. Our target audience is women around the age of 30-40 years old, so I did not think my customers would buy online."* - CEO, Company G
- *"No I did not see it happening. If you would have told anybody ten years ago that it would be possible to buy fashion items online and delivered quickly to your doorstep, nobody would have believed you."* – Managing Director, Company E

The one company who did anticipate it attributed it to the management who was already in the field of E-commerce before it had reached the mass market. In the words of E-commerce and digital transformation manager of company C: *"In the management of the organization there are a few genuinely insight-minded people who are already for some time very active in the online field of E-commerce. This means that there was a commitment towards the implementation."*

[1] In this chapter, all quotations have been translated from Dutch into English.

2. E-commerce as Disruptive Innovation?

2.1. Focus on Sustained Innovation

The Belgain fashion incumbents focused on improving the current way of doing business and incremental innovations that fit its current organisational structure and processes better (Braganza et al., 2009). Notable is that every retail incumbent had a website which indicates that incumbents were capable of driving incremental inventions through which did not had a radical impact on the firm.

Incumbents listen to their customers and respond by providing the desired improved quality and performance of the offering (Bower & Christensen, 1995). Examples of types of offering range from the in-store experience, the offered fashion collections to the communication through the folders which informed the customers about the promotions and range of assortment in the store.

- *"Initially, there was no need to change. Our machine, which refers to our organization, was running efficiently. The physical stores were operating with increasing turnovers. Our folders were still attracting customers to the stores."* – Omni-channel Officer, Company B

The incumbents indicated that they are not inventors and are not planning on bringing radical innovations to the market themselves, however these companies will actively follow due to a fear of falling behind. As said by Omni-channel officer of Company B "*We want to be actively following trends in fashion and technology. We are not going to be the ones who are going to invent new technological innovations.".* The reason behind this strategy is because they do not have the financial resources and required talent to invest in R&D. Moreover, it is diffuclt to focus a company on multiple different businesses.

- *"As an organisation that is still searching and finding their way in this new reality of digital and retail, it is even more difficult to already start thinking of future technologies and inventions we might need to integrate."* - Omni-channel Officer, Company B

The reason why most disruptive innovations come from entrants rather than large incumbents is simultaneously the same reason why incumbents are mainly focused on sustained innovation. That is, the complexity to focus as an established organization on what is required for the present business to run efficiently and what might need to be developed for possible changes and new businesses in the future. While, entrants solely mange the new business. As stated clearly by the Omni-channel officer of Company B: *"Besides managing the organization of today, you must also be busy with the question 'what does the future hold?'. Which is not easy because you have to do that in addition to your core business or do it yourself in your spare time. You have to talk to people, get inspiration and so on. But it's never easy to get people to work efficiently if they have to work at two speeds. Not many people can handle 2 speeds; Being today's speed (the struggles of today) and the speed adapt for future (what will happen tomorrow)".* Herein lies the dilemma for most incumbents who are aiming to innovate. *"The problem is that you do want to innovate and you want to try new things, but you are so busy with your daily things and that that sometimes prevents you from looking for and trying new things." (*Managing Director, Company E).

2.2. Overlooked Market Segment

As a result of the focus of the existing incumbents on the fashion retail mainstream customers, a significant number of early adaptors and technical keen fashion retail customers were forced to shop online abroad. Dutch online retail shops were the most popular (KPMG, 2017). As a result, many large Dutch online retailers launched .be-web shops that focused on attracting Belgian customers. Consequently, new entrants with a different business, namely online business, were able to gain a low-foothold in the industry by attracting these Belgian fashion customers. E-commerce in Belgium came from new entrants as, for example, online marketplaces that put pressure on the established incumbents.

Moreover, there were other segments of customers whose needs were not fulfilled with the offer of the traditional fashion retail shops. First, those that do not enjoy the experience of shopping. Also, second, those that do not have the time to go to the physical shop during opening hours. For these three customer segments, E-commerce offered from the beginning an additional benefit and value in the form of convenience. As the CEO of Company G pointed out: *"E-commerce has its advantages and offers a solution for certain target groups who do not have time nor like to shop. But it also has its disadvantages for target groups who do want to try-on the fashion items, enjoy spending time shopping, are in need of advice and service or whose clothes need to be measured to have some adjustments done.".* The latter can be considered as the mainstream customers.

Furthermore, E-commerce offers an advantage for retailers who do not own many selling points. As stated by the founder and CEO of Company F, *"As we have relatively small number of selling points, there is a kind of 'unserved audience' who live far too far from the store and who we can reach it via the web shop."*. The managing director of the SME company E mentioned as well that they noticed a need from the customers who lived further away from the two shops.

Over time the innovation improved to meet the needs of the mainstream market with more payment options arising and more integrated software and logistics systems that enable customers to compare and search for particular products more effectively. Moreover, as Christensen et al. (2015) stated, disruptive innovation will be accepted by the mainstream market once the demands and needs are fulfilled and at a price lower than the incumbent. How the entering pure online players are able to compete with a lower price is because, first, these firms have very deep assortments which enable economies of scale and lower cost per unit. Secondly, operate with different cost structure, which is reflected in the selling price. Online pure players do not have the enormous fixed cost of managing traditional brick-and-mortar stores. Hence, entering pure online players have driven down prices regarding returns and place pressure on the selling margin of the incumbents.

With data showing that 61% of Belgian retail customers that bought online in 2018, purchased fashion items (De Dycker, 2019). In combination with the fact that 67% of the total Belgian population made an online purchase in 2018 (De Vuyst, 2018), it can be stated that E-commerce has nowadays reached the mainstream market in the Belgian fashion retail industry.

2.3. Incumbents’ Reaction

Once the disruptive entrant has gained a foothold in the market and moves upwards from the low-foothold to the mainstream market, the incumbent starts seeing the entrant as a viable threat and starts reacting strategically. However, by then it is too late and the entrant will take market share from the incumbent (Christensen et al., 2015).

What has been most noticable through the conducted research is that all interviewed incumbents have decided to adopt the disruptive innovation while simultaneously also operate with the traditional business (Charitou & Markides, 2003) by means of a multi-channel approach. E-commerce controller from Company A has explained why this is the case. *“We are in a business where people still like to fit and feel. Shopping is a fun activity and an experience that you will never be able to take away from people. But also we also have a customer who is both inspired online and then fits in the store or vice versa, someone who goes to the store, who fits everything and who then buys when and where he wants. Thus, the whole Omni-channel story is very important.”*

This multi-channel approach is quite challenging as these two businesses require significantly different resources and capabilities (Charitou & Markides, 2003). Nowadays, most incumbents are battling hard to get the story of Omni-channel, which is a multichannel approach to sales that where the customer can journey through both offline as online channels, right.

- *“Now it is hands-on deck that we get the whole story of digital channel and physical channel right and right. Not massive, too many integrations. Have marketing content made properly so that customers come to our web shop and stores. And then we will look further at what is possible to implement in the future.”* – Omni-channel Officer, Company B
- *“Marketing has been given the goal of getting more visitors into the physical store with the folder. And to online stimulate store visits because those stores are there and you do not want them to be vacant. But also vice versa, the website must continue to run smoothly. It is a challenge”* – E-commerce Controller, Company A

These Omni-channel incumbents operate with a different cost structure than the pure online players who do not have the immense vast costs of a brick-and-mortar store. As explained by Omni-channel Officer of company B: *“Brick-and-mortar stores require very heavy fixed costs and low variable costs. While E-commerce operates an opposite cost structure; low fixed costs and high variable. Which comes on top of the costs of the physical stores. And it is that dissimilarity in cost structure that causes the profitability of companies to come under pressure*.”.

Furthermore, the implementing and managing of an E-commerce channel on top of efficiently running traditional brick-and-mortar stores is proven to be strenuous for most companies. And especially the SME’s who do not yield the same resources and capabilities as the industry leaders. The managing director of one interviewed SME is deciding to continue with only one channel approach after making a cost/benefit analysis where cost include financial resources as well as time and effort needed to manage the online channel.

2.3.1. Reasons to react

The reason behind the decision to implement the E-commerce channel emerged from three major external and internal domains. First, incumbents noticed an emerging digital need from the existing customers.

- *"We noticed that less customers were coming to the stores, and more and more customers were starting become digital. Which was for us the trigger to also become digital with the company."* - Omni channel Officer, Company B
- *"Our goal with the web shop is to offer our consumers the flexibility of buying from us in the way that is best for them and whenever these customers prefer to. We are concerned with our customer, not really with our competitor.*" – CEO, Company G
- *"Certainly in our case, E-commerce provides us to serve our customer better as we have a wide range of products with relatively few points of sale."* - Founder/CEO, Company F

Customer behaviour has undergone a rapid shift in Belgium as most customer journeys are becoming digital-first. Management noticed this trend of digitalization and, inevitably, decided to react to it. In the words of founder and CEO of company F: *"There was so much buzz around it that at a certain moment you could no longer ignore it*.".

Secondly, there was a certain need to be up-to-date and innovative. Most managers and CEOs did not want to fall behind to the changing industry.

- "*There is a significant desire to keep up with new technologies and changes in the industry."* - Founder/CEO, Company F
- *"Even though I did not believe in this innovation, I still wanted to try."* - CEO, Company G
- *"I always say 'Think Big'. I want to tackle as many opportunities that come my way and not think about it too much."* - Founder/CEO, Company D

Third, and last, the increasing pressure from competition and the desire to remain competitive in the changing market has also prompted the implementation of E-commerce within the incumbent. The incumbents were aware that in order to survive, E-commerce had to become a part of the organization.

- *"Around 2010, management decided to rebrand in order to be able to compete within the changing market. Thus, an analysis of our competitive position with regards to digitalization did play a factor in the decision to start an E-commerce channel."* - E-commerce Controller, Company A
- *"As a retail company, it was required to have a website and web shop to remain competitive and up-to-date with all the changes."*
- *"We also implemented the web shop out of personal interest to maintain a competitive position."* - Founder/CEO, Company F

2.3.2. Ability to React

Disruptive innovations are categorized by the fact that incumbents are not able to react fast enough to the changes in the industry and competitive landscape. The problem most fashion retail incumbents face is that they are aware of the dangers within the industry as having a relative idea of how to approach the threat. However, these firms have troubles directing the required changes in a timely fashion. Especially if there are influencing factors that prevent the agility and adaptability of the company.

2.3.2.1. Internal Influencing Factors

Company culture plays an essential factor in the degree of adaptability of the firm. One of the reasons why incumbents are struggling to respond to changing industry conditions is because of cultural lock-ins (Charitou & Markides, 2003) which explains the notion of the inability to change the company culture which stems from the customs and routines regarding their businesses and processes. However, with all of the Belgian retail incumbents, this was not the case as both the top management as well as the employees were committed to driving the changes as best to their abilities as possible.

- *"Everyone within the company knows that E-commerce is very important and they also realize that if we it play out in a smart and efficient way, we will also be able to help our stores with it".* - E-commerce/Digital Transformation Manager, Company C
- *"I did not experience any hindrance from my employees when E-commerce platform was integrated. Our employees are very open minded and eager to learn. They feel that the company wants to move forward and they also make that indicate it clearly to the customers."* – CEO/Founder, Company D

The reason for this commitment is that in these fashion retail firms everybody from the company is involved in rolling out the E-commerce plans. A great example can be provided thanks to company A of which the E-commerce controller described that they often organise workgroups where each department is represented to brainstorm, generate new ideas and new inputs. The management allowed room for discussion and involved every layer in the organization as well as external stakeholders in the process.

However, noticeable is that there is a great focus on short-terms profits and return on investments within the large fashion retails. For example, one of the incumbents had decided to set up a separate unit which would be solely focused on innovation and the generation of new ideas. However, after almost two years the unit got dismantled because not enough returns in terms of profitable ideas were generated. Incumbents wanted to be certain that correct and substantiated decisions were made. This led with several large incumbents to hesitation and delays in decisions made regarding E-commerce. As said by E-commerce Controller of Company A, *"Everything is viewed twice and doubled checked. It can take a while before the decision is made. There is a lot of doubt here, especially about budgets and E-commerce. We are definitely working on the future and want to be part of it, but it's a matter of weighing up what the right decisions are.".*

Directly linked to the company culture and the willingness to innovate is the amount of visionary leadership in the company. The style of leadership is one of the driving force behind the culture, the values, and the ambitions of the company which was clearly pointed out by E-commerce Controller of Company A; *"In our company, they believed that there was a future in the E-commerce channel because our CEO is someone who likes to think ahead and does anticipate on is possible in the future.".* Another resembling example of leadership was demonstrated by founder and CEO of Company D who voiced the following statement: *"I think that you should be open to everything and not stick to old habits. We, as a company, look at how we can innovate and change. We always try to do something else, thinking out of the box and finding new ways to engage with customers."*.

If there is a commitment towards the implementation of an innovation, this is mostly driven through by the management of the company. Managers of incumbent firms are often hesitant regarding changes or unknown outcomes and prone to avoid any significant uncertainties.

- *"There was some resistance from the management in the beginning because they did not know for certain whether it was going to catch on. I think they believed in it and were aware of it, but they were also aware that it was a big financial risk."* - E-commerce Controller, Company A

Although managers in other incumbent firms do not face this struggle. As said by E-commerce and digital transformation manager of Company C: *"Luckily, there is no hesitation or limitations from the management. On the contrary, they are pushing me to grow harder and faster."* However, as indicated before, this can mainly be attributed to the fact that those managers were already familiar with E-commerce thanks to previous experience and education within this particular digital business area.

Remarkable is that no incumbent has identified the organization and bureaucracy as an element that hinders the ability of the firm to adapt and innovate. The main reason is that all interviewed companies were either SMEs who do not have the vast of layers of hierarchies within the company structure or large family-owned companies. And in the words of E-commerce controller of Company A: "*The advantage to a family business is that everything can go very quickly once the decision is made.".*

Statements as *"Management has decided to invest heavily in the E-commerce platform."* (Omni-channel Officer, Company B) and *"Retail has changed enormously in two years' time. We started to fully focus on our E-commerce channel when we realized that we had to invest heavily in it, make a separate unit of it with its own team, in order to become successful."* (Founder/CEO, Company D) made it clear that, in the Belgian fashion retail industry, all incumbents are immensely producing or buying to obtain the necessary E-commerce capabilities. The large incumbents enjoy the advantage of having an adequate pool of financial resources to obtain the needed requirements. However, Belgian fashion retail SMEs struggled to obtain these requirements on similar scale which restricted the ability to invest in innovations or improve business processes. As a result, their ability to effectively compete with large domestic brands as well with international brands were limited.

- *"We have been surprised at how high the entry costs of implementing E-commerce actually are. It is not that simple, it involves a lot of logistics of sending and paying. And especially the synchronization between stock."* - Founder/CEO, Company F

As E-commerce requires high investment cost and if the investments are not allocated correctly, it could harm the business significantly. Therefore, founder and CEO of company F voiced that it is best to implement it when you are profitable. *"It has taught us that there really is a lot involved. You have to see it as an investment. But still, you have to start with E-commerce if you are quite profitable. Because it costs a lot of money before you sell your first fashion item online on your own platform."* (Founder/CEO, Company F).

Another internal factor is the decision to not provide more products online. To explain further, traditional brick- and-mortar stores are restricted in the range of assortment of fashion items that could be displayed. On the other hand, E-commerce shops do not have this limitation. However, all of the interviewees indicated that they do not sell more or different items online as offline. Which also explains why customers prefer to look elsewhere online to search for a more diverse offered assortment of fashion items. As indicated by Omni-channel officer of Company B, *"The reason why a significant number of people generally shop online is because there is a lot of choice and offer available.".* This provides other online players who do offer a broad assortment with a significant competitive advantage.

Pure online entrants are operating with a new business model which is only focused on the implementation and management of one particular innovation, namely E-commerce. While incumbents suddenly need to adapt its business model in order to survive and to remain competitive. This is exceptionally challenging. What was in the previous business model a single channel approach, the implementation of E-commerce now requires a transformation to a multi-channel approach. It is with the adaptation of the business model where the Belgian fashion retail incumbents are still finding ways to refine the business formula. Although, there is a high commitment among the incumbents to transform the business model as there are several benefits. First, the E-commerce channel of fashion retailers facilitates as an additional point of sales. While others see the web shop more as a means of communication and guidance of the customers.

- *"The Omni-channel, both online and offline channel, story works. The more point of sales you have, the more commitment there is, the more people buy."* - Omni-channel Officer, Company B
- *"The most important of that web shop and site is not the sales online, but the orientation of the customer to also buy offline. I have many more visitors in my shop who first browse for information online than actual online buyers."* - CEO, Company G

The main problem is the difference in revenue structure as the margin structure of E-commerce is different from the cost structure of the entire organization Therefore, incumbents need to avoid cannibalizing on their core business of the traditional shops. Otherwise, the profitability of the entire organization could be jeopardised. According to E-commerce and digital transformation manager of company C*, "The online revenue model is completely different than the one from a traditional brick-and-mortar store and that often includes the problem.".*

2.3.2.2. External Influencing Factors

One of the first factors is that there was no initial need from both mainstream customers as suppliers. When looking at the perspective of the mainstream Belgian fashion retail customers, two main factors repressed the need of buying fashion elements online. Thanks to a close network in Belgium, many fashion retailers could be found very close meaning that there was no lack of offer and assortment. As declared by the Founder and CEO of Company F: *"According to me, E-commerce has been slow to emerge in Belgium, and more specifically, in the shoe fashion sector due to the fact that if a customer does not find a shoe, there are reasonably close by alternatives. This is certainly a factor that has delayed the rise of E-commerce.".*

Also, in the beginning, Belgian customers were hesitation of the acceptance of the new technology. Belgians are in general very conservative and have a high uncertainty avoidance. As Obal (2013) mentioned, elements such as trust, perceived ease of use and perceived value influence the likelihood of adoption of a new innovation.

- *"The typical Belgian mentality: Everything that is new and unknown, cannot be trusted and is never going to be successful either way. People were very wary of using E-commerce in the beginning because they did not trust to give their credit info or they thought it was too expensive, too risky."* - Omni channel Officer, Company B

The Belgian fashion retail customers were also very doubtful if the product would arrive on time and when it did arrive, they were not sure if the product would fit the expectations. Furthermore, these customers were not fund to buy online as sharing bank information over the Internet was perceived as untrustworthy. Founder and CEO of Company F confirms this by stating that *"Compared to neighbouring countries, the Belgian fashion retail customers have a certain reluctance regarding E-commerce. This has changed a bit in recent years, but it was like that in the beginning.".*

To continue, due to globalisation, fierce competition in the Belgian fashion retail industry from often strong international retail players has increased. Moreover, as the large Belgian incumbents are also becoming digital, the competition has increased significantly. As a result, the need to allocate resources and capabilities more effective in order to remain competitive is crucial.

- *"We feel the effect of globalisation. More and more competition from France and The Netherlands is entering. The total market share pie, which does not necessarily increase in size, must be distributed among more and more players."* - Omni-channel Officer, Company B

Although the pressure from pure online fashion retailers is substantial, other incumbents decided to not let this influence its E-commerce strategy as they have noticed issues in the business model of these entrants.

- *"We deliberately do not fully focus on the competition of the pure player, because we know that they also have problems. Especially with their return policy. So we are more aware of our direct competitors in Flanders."*. E-commerce Controller of Company A

These pure online players tend to forgo short-term profits in order to capitalize as much as possible on their position in the market. Meaning that they aim to capture the majority of the Belgian fashion retail customers and, therefore, aiming to seize a great deal of market share. Though, time will tell if this is a sustained way of conducting online business.

For the Belgian fashion retailers, the Belgian regulation also hindered the possibility to efficiently add an online channel as it was not sufficiently fast or adequate modified to E-commerce (KPMG, 2017). For example, In Belgium there is a much higher labour costs and, until recently, night work was not possible (KPMG, 2017). While, in the Netherlands, this was adopted much earlier. These higher costs in addition the not yet identified need form customers due to high uncertainty did not stimulate any fashion retail incumbent to implement an E-commerce channel. On top of that, Belgian players with an E-commerce channel are not being protected enough by the government. The large international pure players do not have to follow the same rules and especially there is a lack of regulation when it comes to entering firms from aboard. Founder and CEO of Company D made a very clear point by stating the following: "*These large pure online players do not have to pay taxes, while we, the small local player, now have to pay extra taxes on very package we send. There's no policy in place. The Belgian government does not take any political position or policy at all. And, therefore, there is no protection for local players. You cannot arm yourself with the same means as these pure online players to compete, and that makes me feel very discouraged.".*

The incumbents are trying to reduce any of these internal and external disadvantages made use of the value network and sensed the market to learn about E-commerce and to gain some external insights.

- *"Trying to stay informed. We went to congresses and looked around outside the company to learn things. We also talk regularly to suppliers, because they are often located and positioned in other countries and they do have a certain amount of experience and knowledge in certain areas."* – Founder/CEO, Company F
- *"I think everyone in the fashion market keeps an eye on each other's technologies and sees what the others are doing well in which elements you as a company can do differently or better."* - E-commerce/Digital Transformation Manager, Company C

2.4. The Disruption

Throughout the literature, there has been many confusions about the fourth and final element of the theory. Many are under the assumption that incumbents should flounder due to the new innovation before that innovation can be categorized as disruptive. Although, according to Christensen et al. (2015) disruption occurs when the mainstream market has adopted the new innovation at a large magnitude. To follow the statement of Kilkki et al. (2018): *"A firm is disrupted when that firm must redesign its strategy to survive a change in the environment."* The disruptive characteristics by inspecting the impact on both firm-level of the incumbents as well as on the industry-level of the Belgian fashion retail industry will be examined in this chapter.

2.4.1. The Impact on Firm-Level

Nowadays, the impact of E-commerce filters through the entire strategy of incumbents. Many incumbents now emphasis on the ability to be up-to-date with the changes in the business environment. Moreover, incumbents are battling hard to compete by means of differentiation without harming the core business. Finding this balance remains a challenge for incumbent firms. According to founder and CEO of Company D, *"Our strategy is to keep up and find a way to differentiate. We are looking to do some things differently, but that usually gives complications in other areas of our organization."* One possibility to lay out a suitable strategy for E-commerce can be done by taking into account all business units within an organization while simultaneously also taking a long-term strategic view.

- *"We have a whole trajectory of all kinds of things that we have brought together to chart it and ultimately to achieve a strategy. And this also includes a look at what the world will look like in three years, because this world is changing very fast at the moment."* - E-commerce/Digital Transformation Manager, Company C

Another alternative strategy was provided by Omni-channel officer of Company B who mentioned that they are remaining to look at their customers and base strategies regarding technological innovations on them.

- *"We start from the needs of the customer and see if technology can possibly enable it."* - Omni-Channel Officer, Company B

Most incumbents regard E-commerce as an activity which relates close to the core business. In other words, these established fashion retailers view E-commerce as an extension of the traditional brick-and-mortar stores where the same strategy and conditions online as offline apply. This has a negative impact on the ability to compete with the pure online players as the mixed players, referred to as brick-and-mortar incumbents with an online channel, are anchored to the strategies made for the traditional sales channel. To explain in the words of founder and CEO of company F, *"I think that is the big difference between all pure players and all mixed players. The pure players do not have to take anything into account when doing, for example, a promotion. As a mixed player, we need to apply the same strategy with an equal pricing policy on both our online channel as our brick-and-mortar channel. Our pricing policy is determined online with what we do in the store."*

The fact that incumbents now regard E-commerce as complementary to the traditional core business has also affected the way E-commerce is organized within the company. First, because incumbents were unsure on how to handle this new type of sales channel. In addition, the majority of the incumbents noticed that this kind of attention and organization is required in order to let the online channel run efficiently.

- *"E-commerce is growing incredibly fast and all the handling of E-commerce used to be a small organization, now it's a business in itself".* - E-commerce Controller, Company A
- *"In the beginning, the web shop ran effectively with a separate team. But in the last 3 years that has seriously evolved into a larger intrigued team. The big reason for this is that there is a big link between E-commerce shopping and traditional shopping."*- Omni-channel Officer, Company B

E-commerce had an impact on the workforce of the incumbents. Specifically, the implementation and management of E-commerce requires the incumbent to invest in the needed talent. To cite the Omni-channel officer of company B: "*To ensure that everything runs smoothly and to manage the online and physical channel as well as possible, you need the necessary people for this, which are also extra cost to carry as an organization.".* All organizations have acquired new talent with the set of needed digital and logistic skills.

- *"We now have one E-commerce manager who is supported by an entire logistics team."* - Founder/CEO, Company D
- *"I only hired one person extra who handles all digital operations and services and one person who manages the online order and handles the returns The rest of the team takes the E-commerce tasks on on-top of their core activities."* - CEO, Company G

While others have also trained the existing workforce, indicating again that these incumbents had to transform and adapt.

- *"If you look at our marketing team now, more than half is working on digital matters."* - Omni-channel Officer, Company B
- *"Both trained and recruited new people. You need new digital talent for that job, therefore, two people have been added to the team. And trained, because of course you try to use your resources as efficiently as possible."* - Founder/CEO, Company F

Additionally, all interviewed firms had to implement significant changes within the operational way of employing the capabilities with the new resources and channel.

- *"It has an impact on the entire company. Not on the purchase or design of clothing, but on everything that follows, such as marketing, customer service, logistics, distribution. And especially on IT. They were not digitally trained in the beginning."* – E-commerce Controller, Company A

For example, these incumbents were aware of the need for new, digital talent and, consequently, acquired E-commerce specialists with the required set of skills and knowledge (See Appendix G., Pg.55, Table 8. *Transcript VII: The Impact on firm-level.* Column 3).

Moreover, most companies took advantage of external recourses to support the development and management of the E-commerce channel. The majority of the incumbents relied on external resources and knowledge in form of partnerships to succeed with the E-commerce implementation. A remarkable finding is that all large incumbents brought the implementation of technical systems in-house and searched for support regarding efficient operational management.

- *"We work together with external companies to see how we can expand in the future. Especially partners with the knowledge to optimize everything because we do have all the skills and know-how in-house."* - Omni-channel Officer, Company B

While, SMEs looked for external partners to assist them with the technical back-office requirements and managed operational logistics by themselves. As stated by Founder and CEO of SME company D, *"One year ago, we have found a new partner that manages the technical infrastructure of the entire web shop."*. Most of these partners were found in the Netherlands because they have more expertise and knowledge regarding the operational and organizational requirements of managing an E-commerce platform thanks to earlier adoption of the innovation. As a result, valuable know-how could be obtained to improve the implementation of the E-commerce channel. Relationships with suppliers and partners are significantly important for the commercialization of disruptive innovations (Yu & Hang, 2010; Myers 2002).

- *We did not know anything about how to start up a web shop. Therefore, I searched for an external partner who organized web shops for various companies with the intention of learning from his knowledge."* - CEO, Company G

Up until now, most large incumbent players were able to implement a well-functioning E-commerce channel because they obtain the financial resources to invest in the innovation and to acquire a team with digital skills and invest in the technical and operational requirements. However, it had a disruptive effect on the business models of the incumbents as organisational structural changes are needed. As touched upon earlier, incumbents had to completely change the business model as E-commerce operates with different cost and margin structure. Traditional brick-and-mortar stores have very substantial fixed costs and low variable costs. On the other hand, the cost structure of E-commerce is quite the opposite — low fixed costs and high variable, which puts pressure revenue structure and profitability of an incumbent firm. The severe problem here lies in the fact that less Belgian fashion retail customers are shopping in traditional stores.

- *"We have dropped drastically in our offline sales, which we currently cannot compensate with the online sales."* – Founder/CEO, Company D

Additionally, as pure online players obtain the advantage of economies of scale, they compete heavenly on price. In order to compete with these online players, Belgian fashion retailers such as Company A are looking for possible partners in neighbouring countries (France, the Netherlands, and Germany) that are of similar size and buy comparable fashion items. By doing this, the incumbents can buy larger bulk quantities together, which decreased the purchase price per piece. As a result, the selling price per piece also reduces, and both companies are able to compete better with the large mixed as pure international players.

Although, as mentioned before, the smaller players in the industry are thinking about breaking the E-commerce channel down due to the competition on price from pure online and the shift in consumer behaviour. Moreover, these fashion retail SMEs are facing difficulties with the development of E-commerce due to mainly inabilities to invest sufficiently. Additionally, there are some causes behind the decision to not continue with the digital E-commerce channel. Fist, without the workforce and automation, handling an E-commerce channel is very time-consuming. Managing director of Company E mentioned that because they have a wide assortment, but not a deep one, it takes much time to add each fashion items online. For example, pictures need to be taken; the right references need to be added and so forth. As the managing director of company E continues: *"Mostly by the time it is uploaded online, it might already be sold in the store."*. Secondly, it remains of vital importance to guide their customers and providing adequate services, which is more challenging to do online.

Although E-commerce required significant changes throughout the entire organization, Belgian fashion retailers remain refining and modifying their operational approaches. It is noticeable that the transformation from only managing an offline platform to now managing a whole Omni-channel was done in a very gradual speed and manner. Incumbents are continuously adapting their business models, finding ways to allocate the resources better, and yield the capabilities more efficiently. The reason for this is that incumbents were, in the beginning, figuring out how to manage this online channel and what the might requirements might be. Also, as so much is changing in the landscape of fashion retail ranging from customer needs to automatization, incumbents are evolving with and optimizing along the way.

- *"There were many challenges and there still are. We are building and expanding on our E-commerce channel more and more."* - E-commerce/Digital Transformation Manager, Company C
- *"The entire E-commerce organization has all grown over the years. you start, you improve and you do something else. That's how it goes."* - CEO, Company G

2.4.2. The Impact on Industry-Level

As traditional fashion companies in Belgium have been slow to capture the online market for fashion, this gap has been filled by pure online retailers who are providing an online platform for selling fashion products. The main finding regarding the competitive forces is that the real threat from online pure fashion retailers came from the business model they yield and the way these entrants conduct business.

- *"The pressure of pure online players is very big. In general, the whole fashion industry is suffering. Especially the shoe sector as those are products that are easily bought online."* - Founder/CEO, Company D

Trends of digitalization and globalization has caused the industry's entry-barriers to decline. There is increasingly competition from established Belgian competitors who are also becoming digital.

- *"It is a very difficult market today due to digitalization and the fact that all players in the market are becoming digital as well. Customers can buy online from every competitor at any time."* - Omni-channel Officer, Company B

Belgium has known an increasing number of web shops (De Dycker, 2019) thanks to the fact that smaller fashion retailers are opting for an Omni-channel approach to reach more customers through online selling. This statement should be nuanced and put in perspective. 92% of fashion retail business owners in Flanders are present online thanks to a website or social media account, only 46% have established an E-commerce platform and are selling fashion items online (De Dycker, 2019). As a result of many retailers engaging in the online sales channel, the customer can more easily reach any brand it wants.

- "*Almost all customers have a smartphone and that means that all shops are available in their pocket so to speak. They buy whenever they want and from whoever they want*." - Omni-channel Officer, Company B
- *"For us, it is destructive in the sense that you lose the competitive advantage of a large offer. We used to have the advantage of being very strong locally because of the choice and that geographical advantage is now eliminated as consumers can search and shop anywhere behind their screens."* – Founder/CEO, Company F

It took several years until E-commerce reached the mainstream market in Belgium due to the fact that many consumers did not trust the new innovation. Belgian fashion retail customers initially were wary of E-commerce platforms due to trust issues with safety of online money transfers and delivery reliability. As mentioned by E-commerce Controller of Company A, "*The first online order after the launch of E-commerce platform was two years later, exactly on the same day*." This is one of the reason why Belgian consumers were late to accept and adopt the E-commerce channel compared to neighbouring countries as Germany and the Netherlands. However, thanks to the improvement of payment options, web shop that are being certified by security trustmarks such as BECommerce© and Safeshops©, and brand recognition, Belgian fashion retail consumers have become more acceptant of E-commerce channels.

- *"The fact that customers know who we are as a brand gives them trust in our new online channel."* - Founder/CEO, Company D

- *"The strange thing is that I often sell online to people who live close to the store. Which is thanks to the fact that these customers know from whom and which brand they buy. That probably gives trust."* - Founder/CEO, Company F

A consumer behaviour shift has been evoked in the retail culture of the Belgian consumers. More and more customers are moving towards the digital E-commerce platform.

- *"The Belgian customer is a buyer that still prefers to shop in the store, but it seems that a lot has changed in that aspect this year."* - E-commerce/Digital Transformation Manager, Company C
- *"We notice in the last year that people also dare to buy more online. Before, they were uncertain about whether it was safe. While if you look at the numbers of BEcommerce, you also notice that people are a little more familiar with the website and online payments because the use of these functions always gets easier."* – E-commerce Controller, Company A

Digitalization in the fashion retail industry has reshaped the behaviours and expectations of its customers as these customers are becoming more empowered with higher expectations and demands. Traditional brick-and-mortar stores are being replaced by digital channels and, moreover, digital channels from pure online players and marketplaces. As said by founder and CEO of company F, *"Online marketplaces have generated a different state of mind with their customers. Many customers do not longer have the reflex to go to the store, but to look for it online. Everything must be available, delivered quickly."* This certain shift in consumer behaviour makes it difficult for incumbents, and mostly the SMEs, to implement and manage the E-commerce channel is a similar manner as the pure online players.

- *"A new shopping culture is coming and if we do not evolve with it, we will go down even faster. A very different need has arisen among the young generation. We are falling drastically in our offline sales, but we are not getting caught online. You are not currently absorbing that fall that you physically have in the store online. Things are going very fast at the moment and that makes us all very tired! And it's all very disturbing."* – Founder/CEO, Company D

As a result of the increasing competition of international pure players and globalisation, more and more Belgian online fashion customers are purchasing from abroad (Eurostat, 2018). Over the past five years, the spending of Belgian customers in non-Belgian web shops has increased tenfold (De Dycker, 2019). A large-scale study of De Dycker conducted in 2018 found that 53% of Belgian customers purchase from the cross-border online shop due to the lower prices. Other drivers included broader assortment and the accessibility to distinctive and new fashion items. This need for lower prices is being exploited by non-Belgian E-commerce platforms who have entered the Belgian fashion retail industry. In fact, in 2017, the top five of the biggest online stores in Belgium consisted of all pure foreign players (De Dycker, 2019). As a result, more and more Belgian E-commerce platforms are enduring the struggle of fierce, unrealistic competition on price. Moreover, a study of Comeos by De Vuyst and Jauquet (2018) shows that 51% of Belgians do not care if they buy Belgian or foreign online. This is an environmental and social issue that affects the means by which local companies can operate. To illustrate, smaller players in the field do struggle and are disappearing because they are unable to innovate and evolve with the market changes.

- *"The whole fashion sector is renouncing. There are really distressing events happening here in Belgium. I know a lot of con-colleagues in this city who own also shoe shops that are closing down due to the harsh competition from the pure online players."* - Founder/CEO, Company D
- *"In our Belgian retail landscape, the smaller companies that are starting to flounder, but the large companies are still here."* – Omni-channel officer, Company B

It is now the question whether online shopping will continue to develop and cannibalize on the Brick-and-mortar stores. In Belgium, there is each year an increasingly number of empty commercial premises as more and more retailers loose to competition pressure from the pure online players. In the last ten years, retail properties vacancy has doubled in Belgium as 10.3% of all Belgian retail premises are currently empty (Locatus, 2019).

- *"There is a very big shake-out going on right now. E-commerce acts as a catalyst. If your business model and formula is not right, it will ruthlessly knock you out of the playing field. Recently, I hear from my representatives that a lot of shops in certain cities have already disappeared."* – Founder/CEO, Company F

The effect of E-commerce is happening on a global scale as there is a store-closing trend happening today in the fashion retail industry. For example, some cases of firms in the Netherlands floundering due to the fact that they were unable to react accordingly.

- *"A Dutch chain with more than 100 physical stores that adapted too late and eventually did not survived the impact of E-commerce. {…} This company cannibalized on the store turnover which was not able to be recovered by the online sales turnover due to different margin structure.* "- E-commerce / Digital Transformation Manager, Company C

Although, the traditional brick-and-mortar stores will not completely vanish as a sales channel, fashion retailers need to offer significant customer experiences and increase its brand engagement in order to compete with the pure online players offer of convenience and immense online available assortment of fashion items.

Chapter 4: Discussion

According to the disruptive innovation theory by Christensen (1997), E-commerce is disruptive. The innovation followed the disruptive path and can be identified by the framework of disruptive innovation, which consists of four key elements.

Incumbents in this industry are focused on sustained innovation as it is challenging to focus a company on multiple different businesses. The incumbents are mainly concerned with their core business that serves their mainstream, high-demanding customers. What became noticeable is that the Belgian fashion retail incumbents are struggling to focus on what is required for the existing business to run efficiently and, simultaneously, proactively think and act upon possible requirements for the development of new businesses in the future.

Furthermore, several incumbents saw E-commerce as an opportunity to serve existing customers better. By focusing only on their high-demanding customer segment, the low-end Belgian customers were neglected. The latter being the early-adopters, technically savvy customers. Customers who do not enjoy shopping or do not have time to go during the opening hours of the traditional shops. The reaction of the incumbents came quite late; however, more due to external factors rather than internal. Although there was particular hesitation in the beginning if E-commerce would succeed, and many incumbents struggle with adapting the business model, most internal factors had a positive impact on the ability to react. The established fashion retailers all had an open company culture (Yu & Hang, 2010) thanks to the visionary leadership (Tellis, 2006) and the commitment of its leaders and management. On the other hand, many external factors hindered the agility of the incumbents. Firstly, the Belgian regulation was not adapted quickly enough. The Belgian government, in general, has been slow to adapt as ordinances such as high taxes, and high labour costs do not favour the efficient implementation of E-commerce as it is costlier to open an online channel in Belgium compared to other countries. Secondly, the buyer's perception (Obal, 2013) plays a significant role in the acceptance of an innovation. The Belgian consumers initially perceived E-commerce as untrustworthy and inferior to the traditional shopping manner. Belgians tend to have high uncertainty avoidance and are not eager to change quickly. As incumbents mostly listen to this customer segment, there was no need to implement an online sales channel.

As a result of this lack of E-commerce availability in Belgium, the previously mentioned customer segments whose needs were not fulfilled were obligated to search for E-commerce channels abroad. This generated the opportunity for online players to gain a foothold in the Belgian fashion retail market (Christensen, 1997; King & Baatartogtokh, 2015). Due to the entrance of international E-commerce marketplaces and pure online players, incumbents noticed that over time, their market share was reducing. The digitalization of the customers and the increased competition from these types of online players who competed deliberately on price and convenience were important factors that made them decide to move also to sales online.

The innovation of E-commerce has a disruptive effect on the business model of the firm which according to several academics (Christensen & Ryanor, 2003; Johnson et al., 2008; Markides, 2006; Danneels, 2004) poses a real threat for incumbents. It requires a whole other organization with different logistics, a workforce with a set of digital skills that were previously not needed. Furthermore, significant investments need to be made in order to sevre the customers with a well-functioning and appealing web shop. With the help of external partners, the incumbents were able to build the new business of E-commerce. The large incumbents required partners who would be able to support the operational management and logistics of the E-commerce channel. While, for SMEs, partners were selected on the expertise of the needed the technical background to build and set up the technical systems as, ERP. Furthermore, to be able to compete against the pure online players, changes throughout the entire organization are required in order to serve the ever-more demanding retail customers better both online and offline, which amplifies the importance of a coherent Omni-channel strategic approach. E-commerce has offered fashion retailers the possibility to add sales and distribution channel. However, it has also provided the fashion retail consumers a more extensive assortment of products thanks to an ever-increasing market. Consequently, competition from local players as well as from foreign players, and the power of the customer has increased tremendously.

When looking at the industry level, the disruptive effect of E-commerce has been noticeable with the entrance of pure online players. Incumbent fashion retailers are losing market share and customers to these disruptors of the Belgian fashion retail industry (Chandy & Tellis, 2000). While the large incumbents were able to adapt to the innovation of E-commerce and evolve, several local and small incumbents floundered due to the competition from pure online players and to the failure to adopt the E-commerce channel into their business model. As a result, the Belgian fashion retail landscape is changing significantly, and more, and more traditional brick-and-mortar stores are becoming empty. Also, E-commerce has disrupted the previous mindset of Belgian fashion retail consumers and set in motion a different way of shopping. First, the mainstream market was hesitant to adopt the innovation due to lack of trust and did not see the benefits. However, due to the rise of pure online players in Belgium, these customers shifted very fast. Together with the rise of other technologies, such as the smartphone, online shopping became indispensable in the eyes of the consumers.

Taking into account the four critical elements of disruptive innovation (King & Baatartogtokh, 2015) and the impact E-commerce has on the Belgian fashion retail industry and its incumbents, it can be concluded that E-commerce is a disruptive innovation. Established fashion retailers are losing customers and market share to these retail disruptors who are able to exploit organizational and operational agility.

Chapter 5: Conclusion

Based on the disruptive innovation theory of Christensen (1997), four key elements can be identified that characterizes disruption of an industry and, therefore, as well of a traditional way of conducting business and competing. The first element is the focus of incumbent firms on sustained innovation, which is the continuous improvements of the existing offer with, mostly, incremental developments. The main difficulty regarding the incumbents focus on innovation is that it is narrowed down and limited to the demands and needs of their most profitable, mainstream customer segment. This results in overlooked segments within the current industry which provides the opportunity for new entering firms to enter the market by catering to these unsatisfied needs (Bower & Christensen, 1995; Braganza et al., 2009). Incumbent firms then can decide on how to react to the disruptive entrants by either ignoring them, adapting the innovation or develop a possible counter-disruption themselves. According to the theory (Christensen, 1997), incumbents tend not to respond aggressively and ignore disruptive innovations since the innovation is initially regarded as inferior because of lower performance. Meanwhile, the disruptive entrants are able to improve their offering, and the innovation moves upward in the market, which means that the mainstream customers will adopt the innovation at a large magnitude (Christensen et al. 2015). At that moment, incumbents start to react. However, this reaction tends to be late due to several internal and external influencing factors (Yu & Hang, 2010; Obal, 2013; Christensen et al., 2015). It can be stated that disruption has occurred when the incumbent is required to modify its strategy and business model to survive in the changing business environment (Kilkki et al., 2018).

However, a disruptive innovation fundamentally could have a significant impact on an existing industry without fully dismantling all of its incumbents (Schmidt and Druehl, 2008). This was seen in the Belgian fashion retail industry where they are adapting and transforming the business model in order to remain competitive. After recognizing the digitalization of customers and competitors, the fashion retail incumbents decided not to ignore the innovation but embrace it by implementing an online channel. Throughout the literature (Tellis, 2006; Yu & Hang, 2010), internal and external factors influence the ability to react. Noticeable is that the majority of the internal factors, like company culture, had more of a positive impact than a negative one. The incumbents, however, were more hindered in their ability to react by external elements such as regulation and the buyers' perception. The one internal factor that harmed the incumbents' actions was the challenge of adapting the business model without cannibalizing the existing business. It is not so much the technology that makes it disruptive; it is how it is implemented and operated as a disruptive business. Henceforth, the importance of business, which was later emphasized in Christensen and Raynor book '*The Innovator's Solution*' (2003). The significant involvement of the business model in order to capture the benefits of innovation also became clear throughout this study. Only the incumbents who regarded E-commerce as a significant part of the organization and decided to heavily invest in the capabilities and requirements to implement this online channel were able to evolve and did not flounder.

This study has indicated that the ability for transformation and adaptation of incumbents is critically important when dealing with disruptive innovation.

1. Managerial Implications

Established fashion retailers are challenged to modify their businesses due to digitalization. It is required for these firms to comprehend the disruptive characteristics of E-commerce in order to capitalize on the innovation. If incumbents are not capable of evolving with the changing business environment, its competitive position will be threatened by new, agile entrants and, possibly also incumbents that found a way to exploit the benefits of E-commerce. Competition is increasing within the Belgian fashion retail industry, and incumbents are battling hard to retain its market position. However, in order for incumbents to be able to compete with increasingly more competitions, the Belgian regulation regarding E-commerce must be implemented as entrant boundaries are fading and the competitive landscape is changing.

Furthermore, adopting agile operations and business activities are required to deviate from the prior traditional performances. Therefore, incumbents within the fashion retail industry should invest in working along a streamlined supply chain (Bradley & O'Toole, 2016). Furthermore, what has been increasingly noticeable is that large incumbent firms should dare to make more risk to avoid falling behind other players within the industry. In an increasingly volatile fashion retail environment, aiming at continuously improving and changing develop this agile, streamlined way of working is necessary. However, these improvements should also be in line with the core business and values of the company.

To follow a statement made by Yu & Hang (2010), incumbents can steer clear of possible negative impacts of disruptive innovations if they pay close attention to the needs of its existing customers and, moreover, also to identified potential future customers. By doing so, incumbents can cater better to the needs of its high-demanding customers by improving the existing offerings as well as prepare for untapped businesses in the future. Besides, as also suggested by Christensen et al. (2015), incumbents could generate separate business units that are solely focused on the opportunities that emerge from possible disruptive innovations.

In fashion retail, the implementation of innovations should always be tackled from the need of the customer as customers' expectations are quickly evolving together with the fashion retail industry landscape. Belgian consumers' shopping behaviour is transforming rapidly, and companies need to be aware of and prepared for future innovations and possible disruptions. If traditional fashion retailers aim to survive, the business model should be adapted to a more consumer-centric one by utilizing new inventions and technologies. Therefore, incumbents should start from the need of the customer, technology-enabled, and implemented in the store as there remains a significant focus on the in-store experience. The reason why the experience in the traditional brick-and-mortar continues to be vital is that established fashion retailers should not cannibalize on still profitable core business. Instead, these firms should continue to reinforce relationships with the mainstream, high-demanding customers by supporting the development of sustained innovations.

The fact that customers do not associate with separate channels while shopping, which emphasize the importance of a uniform and compatible Omni-channel customer journey. As a result, incumbent mixed players should aim to link the physical brick-and-mortar store with online digital platforms. For example, several large Belgian incumbents have already implemented interactive digital screens inside their stores in order to make the online assortment instantly available for the customers and the shop-assistants. Additionally, data and information obtained from the online channels could be utilized in-store by the shop-assistants to offer personalized advice when needed. Furthermore, as incumbents are operating with the enormous fixed costs of a physical brick-and-mortar store, these firms should consider ways of employing the store for additional end-uses than merely selling fashion items. They need to find a way to engage with their customers in a manner that fits the brand.

Moreover, as there is an overload of stores and information online available, fashion brands tend to get lost in the digital clutter. However, being visible online remains vital. Employing a website or social media platform are suitable options. Customers need to find the brand online and prefer to do prior browsing research to decide whether they will go to the store.

What has been noticeable is that many SMEs are struggling with to acquire the required resources. As E-commerce requires high investment cost and if not done right, could harm the business significantly. Therefore, it is best to implement it when the operation is profitable. However, as a final recommendation; if the disruptive innovation is close to the core business, regard it as an opportunity. Build the right business model around it and make the needed commitment strategically in the form of financial support, acquiring the right talent and other resources and capabilities.

2. Limitations and Future Research

This paper has only presented the experience of the incumbent firms who adapted to the innovation. No new entrants or pure online players were interviewed, which results in the absence of insights from those firms. Moreover, it would be interesting to determine the difference in the business model between the incumbents and disruptive entrants as well as to examine the strategies made to yield E-commerce quickly and efficiently. Thus, for future research, researching the pure online retailers would provide valuable additional insights to complete the entire picture of the Belgian fashion retail industry.

Furthermore, the fashion retail landscape is changing at an increasingly fast pace. Other uprising innovations such as Artificial Intelligence (AI), Augmented Reality (AR) and delivery drones could have potentially a significant impact on both the traditional brick-and-mortar channel as well as the E-commerce channel of the fashion retailers. However, as incumbents are already digitalization and making the required changes for the digital online channel, the question can be asked if these upcoming technologies and inventions would also fit the criteria of disruptive innovation.

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Appendix

Transcript I
Focus on Sustained Innovation

"Besides managing the organization of today, you must also be busy with the question 'what does the future hold?'. Which is not easy because you have to do that in addition to your core business or do it yourself in your spare time. You have to talk to people, get inspiration and so on. But it's never easy to get people to work efficiently if they have to work at two speeds. Not many people can handle 2 speeds; Being today's speed (the struggles of today) and the speed adapt for future (what will happen tomorrow)".

"As an organisation that is still searching and finding their way in this new reality of digital and retail, it is even more difficult to already start thinking of future technologies and inventions we might need to integrate."

"*We want to be actively following trends in fashion and technology. We are not going to be the ones who are going to invent new technological innovations.".*

Omni-channel Officer, Company B

"The problem is that you do want to innovate and you want to try new things, but you are so busy with your daily things and that that sometimes prevents you from looking for and trying new things."

Managing Director, Company E

Appendix A. Table 2. *Transcript I: Focus on Sustained Innovation*

Transcript II
Omni-Channel Approach

"We are in a business where people still like to fit and feel. Shopping is a fun activity and an experience that you will never be able to take away from people. But also we also have a customer who is both inspired online and then fits in the store or vice versa, someone who goes to the store, who fits everything and who then buys when and where he wants. Thus, the whole Omni-channel story is very important."

E-commerce Controller, Company A

"Now it is hands-on deck that we get the whole story of digital channel and physical channel right and right. Not massive, too many integrations. Have marketing content made properly so that customers come to our web shop and stores. And then we will look further at what is possible to implement in the future."

Omni-channel Officer, Company B

"Marketing has been given the goal of getting more visitors into the physical store with the folder. And to online stimulate store visits because those stores are there and you do not want them to be vacant. But also vice versa, the website must continue to run smoothly. It is a challenge"

E-commerce Controller, Company A

Appendix B. Table 3. *Transcript II: Incumbents' Reaction*

Transcript III		
Customers	Competitors	Management
"Initially, there was no need to change. Our machine, which refers to our organization, was running efficiently. The physical stores were operating with increasing turnovers. And then we noticed that less customers were coming to the stores, and more and more customers were starting become digital. Which was for us the trigger to also become digital with the company." Omni-channel Officer, Company B	*"Around 2010, management decided to rebrand in order to be able to compete within the changing market. So an analysis of our competitive position and digitalization did play a factor in the decision to start an E-commerce channel."* E-commerce Controller, Company A	*"There is a significant desire to keep up with new technologies and changes in the industry."* Founder/CEO, Company F
"The opportunity presented itself when we installed a new cash register system which enabled the implementation of a web shop. But also from our customers. We noticed a need from our customers who lived further away from our stores." Managing Director, Company E	*"As a retail company, it was required to have a website and web shop to remain competitive and up-to-date with all the changes."*	*"I was one of the first in my segment in Belgium to start with an E-commerce channel. And even though I did not believe in this new innovation, I still wanted to try."* CEO, Company G
"Certainly in our case E-commerce provides us to serve our customer better as we have a wide range with relatively few points of sale. There is a kind of 'unserved audience' who live far too far from the store and who we can reach it via the web shop." Founder/CEO, Company F	*"We also implemented the web shop out of personal interest to maintain a competitive position."* Founder/CEO, Company F	*"I always say "Think Big" and also to tackle many opportunities that come your way and not to think about it too much."* Founder/CEO, Company D

Appendix C. Table 4. *Transcript III: Reasons To React*

Transcript IV			
Internal Influencing Factors			
Company Culture	Resources/Capabilities	Management	Visionary Leadership
"Everyone within the company knows that E-commerce is very important and they also realize that if we play out this E-commerce story in a smart and efficient way, we will also be able to help our stores with it". E-commerce/Digital Transformation Manager, Company C	*"Management has decided to invest heavily in the E-commerce platform."* Omni-channel Officer, Company B	*"Luckily, there is no hesitation or limitations from the management. On the contrary, they are pushing me to grow harder and faster."* E-commerce/Digital Transformation Manager, Company C	*"In the management of the organization there are a few genuinely insight-minded people who are already for some time very active in the online field of E-commerce. This means that there was a commitment towards the implementation."* E-commerce/Digital Transformation Manager, Company C
"I did not experience any hindrance from my employees when E-commerce platform was integrated. Our employees are very open minded and eager to learn. They feel that the company does things and they make that clear to the customers." Founder/CEO, Company D	We have been surprised at how high the entry costs of implementing E-commerce actually are. It is not that simple, it involves a lot of logistics of sending and paying. And especially the synchronization between stock. Founder/CEO, Company F	*There was some resistance from the management in the beginning because they did not know for certain whether it was going to catch on. I think they believed in it and were aware of it, but they were also aware that it was a big financial risk.* E-commerce Controller, Company A	*"You have to be innovative in all areas. I think you should be open to everything and not stick to old habits. We do look at how we can innovate and change. We always try to do something else. thinking out of the box and finding new ways to engage with customers."* Founder/CEO, Company D
"There is certainly room for discussion. We have workgroups where each department is represented to brainstorm, generate new ideas and new inputs." E-commerce Controller, Company A	*"We were also able to build an E-commerce platform because we had just finished implementing a new ERP package. Which is key as the logistics flow is particularly important in the efficiency of the new channel."* CEO, Company G	*"Everything is viewed twice. And the advantage to a family business is that everything can go very quickly once the decision is made, but it can take a while before the decision is made."* E-commerce Controller, Company A	*In our company, they believed that there was a future in the E-commerce channel because our CEO is someone who likes to think ahead and does anticipate on is possible in the future.* E-commerce Controller, Company A

Appendix D. Table 5. *Transcript IV: Internal Influencing Factors*

Business Model Innovation			
Transcript V			
Client Segment	Channel	Revenue Structure	Partnerships
"Originally the aim with the web shop was to serve our existing customers better. Now, we also want to attract a new customer segment because we want to target a particular market who's needs and demands are changing." Omni-channel Officer, Company B	*"Marketing has been given the goal of getting more visitors into the store with the folder and online to stimulate store visits because you still have stores and you don't want them to be empty. Conversely, the website must continue to run properly. It is a challenge."* E-commerce Controller, Company A	*"Physical stores require very heavy fixed costs and low variable costs. While with E-commerce, it is quite the opposite; Low fixed costs and high variable. Which comes on top of the costs of the physical stores. And it is that dissimilarity in cost structure that causes the profitability of companies to come under pressure."* Omni-channel Officer, Company B	*"We work together with external companies to see how we can expand in the future. Especially partners with the knowledge to optimize everything because we do have all the skills and know-how in-house."* Omni-channel Officer, Company B
"Since the start of E-commerce, our organization serves the existing customers better as well as attracts new customers. The most important of that web shop and site is not the sales online, but the orientation of the customer to also buy offline. I have many more visitors in my shop who first browse for information online than actual online buyers." CEO, Company G	*"The Omni-channel, both online and offline channel, story works. The more point of sales you have, the more commitment there is, the more people buy."* Omni-channel Officer, Company B	*"The online revenue model is completely different than the one from a physical store. Which affects your profitability because the margin structure of E-commerce is different from the cost structure of the entire organization and that often includes the problem."* E-commerce/Digital Transformation Manager, Company C	*"We did not know anything about how to start up a web shop. Therefore, I searched for an external partner who organized web shops for various companies with the intention of learning from his knowledge. But after three years, it quickly became clear that this did not work well. The distance between us and this partner was too large to work efficiently. So we started building our own web shop internally."* CEO, Company G

Appendix E. Table 6. Transcript V: *Business Model Innovation*

Transcript VI		
External Influencing Factors		
New Entrants	Market Conditions	Buyer's Perception
"We feel the effect of globalisation. More and more competition from France and The Netherlands is entering." Omni-channel Officer, Company B	*"It is a very difficult market today due to digitalization and the fact that all players in the market are becoming digital as well. Customers can buy online from every competitor at any time."* Omni-channel Officer, Company B	*"The reason why a lot of people generally shop online is because there is a lot of choice and offer available."* Omni-channel Officer, Company B
"We deliberately do not fully focus on the competition of the pure player, because we know that they also have problems. Especially with their return policy. So we are more aware of our direct competitors in Flanders." E-commerce Controller, Company A	*"I think everyone in the fashion market keeps an eye on each other's technologies and sees what the others are doing well in which elements you as a company can do different or better."* E-commerce/Digital Transformation Manager, Company C	*"The Belgian customer is a buyer that still prefers to shop in the store, but it seems that a lot has changed in that aspect this year."* E-commerce/Digital Transformation Manager, Company C
"The pressure of pure online players is very big. In general, the whole fashion industry is suffering. Especially the shoe sector as those are products that are easily bought online." Founder/CEO, Company D	*"There's no policy in place. The Belgian government does not take any political position or policy at all. And, therefore, there is no protection for local players. You cannot arm yourself with the same means as these pure online players, and that makes me feel very discouraged."* Founder/CEO, Company D	*The strange thing is that I often sell online to people who live close to the store. Which is thanks to the fact that these customers know from whom and which brand they buy. That probably gives trust."* Founder/CEO, Company F

Appendix F. Table 7. *Transcript VI: External Influencing Factors*

Transcript VII		
Strategy	Organization	Team
"We want to be actively following trends in fashion and technology. We are not going to be the ones who are going to invent new technological things. We start from the needs of the customer and see if technology can possibly enable it." Omni-channel Officer, Company B	*"E-commerce is growing incredibly fast and all the handling of E-commerce used to be a small organization, now it's a business in itself".* E-commerce Controller, Company A	*"If you look at our marketing team now, more than half is working on digital matters."* Omni-channel Officer, Company B
"We have a whole trajectory of all kinds of things that we have brought together to chart it and ultimately to achieve a strategy. And this also includes a look at what the world will look like in three years, because this world is changing very fast at the moment." E-commerce/Digital Transformation Manager, Company C	*"In the beginning, the web shop ran effectively with a separate team. But in the last 3 years that has seriously evolved into a larger intrigued team. The big reason for this is that there is a big link between E-commerce shopping and traditional shopping."* Omni-channel Officer, Company B	*"We now have one E-commerce manager who is supported by and entire logistics team."* Founder/CEO, Company D
Our strategy is to keep up and find a way to differentiate. We are looking to do some things differently, but that usually gives complications in other areas of our organization. Founder/CEO, Company D	*"There were many challenges and there still are. We are building and expanding on our E-commerce channel more and more."* E-commerce/Digital Transformation Manager, Company C	*"Both trained and recruited new people. You need new digital talent for that job, therefore two people have been added to the team. And trained, because of course you try to use your resources as efficiently as possible."* Founder/CEO, Company F
"Our web shop is constantly evolving. When we see that customers are abandoning the online shopping cart or do no click further because of certain things, we try to overcome that and get the problem resolved." CEO, Company G	*"The entire E-commerce organization has all grown over the years. you start, you improve and you do something else. That's how it goes."* CEO, Company G	*"I only hired one person extra who handles the whole digital operations and services. The rest of the team takes the job on on-top of the core activities. And I also hired one more person who manages the online order and handles the returns."* CEO, Company G

Appendix G. Table 8. *Transcript VII: The Impact on firm-level*