Magento®

3 STEPS TO DRIVING REVENUE
IN TODAY'S ERA OF FASHION ECOMMERCE

For much of the 20th century, fashion commerce was defined by mass produced, ready-to-wear apparel. Today, eCommerce has democratized the industry and ushered back an era of customization. This paper will explore three key steps fashion retailers must take to deliver eCommerce experiences that are uniquely tailored to individual buyers and optimized for conversion.

For much of modern human history, clothing production was an art form practiced by skilled tailors and seamstresses. When you wanted to buy clothes in the 17th or 18th centuries, the process generally required detailed measurement, custom fabrication, and several fittings and alterations.

1980
6
DENIM BRANDS

TODAY
800
DENIM BRANDS

Then the post-World War II era of industrialization changed everything, and consumer demand for less expensive, ready-to-wear fashion exploded. Denim, for example, was in mass demand and mass production by the early 1900s. By 1980, six major blue jean brands dominated the market and generally offered the same size, style, and fit.

Fast forward to today, and the fashion world has transformed again. In denim alone, there are now over 800 brands,[1] providing customers thousands of sizing, style, and fit alternatives.

Mirroring the generally cyclical nature of fashion trends, this new era of fashion harkens back to the custom-made roots of yesteryear—with the benefits of modern technology and infrastructure, of course. Today, fashion eCommerce is being driven by consumers' desire to ditch the generic, one-size-fits-all experiences of the 20th century and instead embrace experiences that feel tailored and highly personal.

While some fashion brands have successfully tapped into this future of fashion, many are either lagging behind or struggling to standout. Let's explore three key steps your business can take to leverage modern technology and merchandising capabilities to meet consumer demand for truly unique experiences.

[1] Michael Dart & Robin Lewis, The New Rules of Retail: Competing in the World's Toughest Marketplace, Palgrave Macmillan Trade, 2014

STEP 1

Segmenting Customers
to Create Exclusive Experiences

Imagine it's a lazy Sunday and one of your customers is spending her morning perusing the web for a new dress. She hops online, types in the web address of her favorite retailers ("Brand A" for the purpose of this hypothetical), and arrives at a website offering pre-loaded sizing history and recommendations for dresses that suit her style and body type. In a matter of seconds, she has access to a curated selection of garments that are customized to her purchasing history and preferences.

Before she pulls the trigger, however, she decides to open a new tab in her browser and punches in the web address for Brand B. There, she's greeted by a generic home page with a standardized drop-down of apparel options. She clicks on dresses, is re-directed to that page, and finds an array of options. The problem is, while the dresses look nice, they're shown on a model with a different body type than her own, and there's minimal information on product material or fit—providing very little clarity into how the dress would look on her.

Now, which retailer do you think this customer is more likely to buy from?

⊘ BRAND A
○ BRAND B

The fact of the matter is that purchasing fashion is an inherently emotional, personal experience and is a form of visual self-expression. As such, customers respond best to online experiences that are tailored to their interests and designed around their personal needs. When a fashion website gives a woman confidence that a particular garment will fit *her* style and *her* body type, she's more likely to complete the purchase.

Thus, segmentation—the practice of organizing customers by specific characteristics or behavioral patterns and delivering website content that is uniquely tailored to those attributes—is absolutely critical to meeting the expectations of today's demanding consumer.

Of course, when we say "customer segmentation," we don't mean it in the traditional sense. In today's era of the hyper-personalized online experience, it's not enough for your business to simply organize customers by broad criteria like geography, gender, or demography. Instead, the most effective eCommerce fashion brands group customers in much more individualized, targeted ways. Generating that level of intelligence requires technology that allows you to deliver dynamic, personalized experiences based on real-time analytics and customer behavior data.

Given the complexity of those processes, it's not terribly surprising that nearly one-third of online retailers in the United States do not segment or personalize their website in any way.[2] If your company is included among that group and it hopes to improve online conversion rates (which, according to numerous studies, generally hover around two percent of unique visitors), then that widespread dismissal of segmentation needs to change.

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For an in-depth introduction to eCommerce segmentation, read this free eBook: "**Identifying Your Most Profitable Customers: An Introduction to Customer Segmentation.**"

[2] Retention Science, eCommerce Marketing Survey, 2014

GILT

Creating Exclusivity through Customer Segmentation
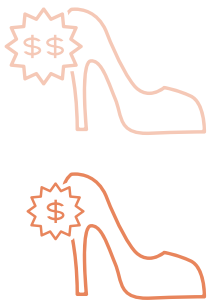
Fashion customers love nothing more than the feeling of having exclusive access to premium brands and apparel at seemingly bargain prices. For instance, a $400 pair of shoes that are marked down to $200 are much more likely to catch a customer's eye for consideration.

This is the mindset that Gilt taps into with its "members only" private sales of designer labels. By giving customers insider access to top brands at a discount, the online retailer is able to leverage the power of value psychology.
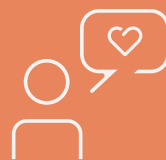
Still, Gilt also recognizes that perceived value alone isn't enough to drive conversion. Gilt also deploys a powerful personalization engine that provides a curated assortment of products to each customer through hyper-segmented emails.[3] For example, if a customer has previously searched for, clicked on, or purchased a Saint Laurent handbag, her next email or visit to the website might recommend complementary products—a clutch or wallet from the same brand, for instance, or a dress that would pair well with the handbag.

PRIVATE SALES	+	BARGAIN PRICES	+	CURATED CONTENT	=	INCREASED CONVERSION

[3] Forbes, The Rise of the Gilt Groupe, 2012

These personalized product assortments ensure that the company's customers first see items that match their style and interests. In fact, Gilt typically sends out several thousand versions of its daily emails,[4] with each one influenced by data crunched the night before. The company's website is even customized to each buyer, with two people likely to see completely different sales and products on Gilt's homepage, even if they log on at the same time.

This personalization is hugely valuable because it creates an aura of one-to-one exclusivity—like having access to a personal shopper, but without the cost and burden associated with that service. (For more on this, check out Magento's free eBook, **"An Introduction to Curated Commerce."**)

[4] Ibid

Building Customer Confidence with Merchandising and Marketing

While segmentation solves the problem of ensuring customers are presented with hyper-relevant promotions, products, and content, it doesn't address one of the biggest challenges in fashion eCommerce: the ability to convey critical information about product quality and fit. Simply put, online customers don't have the luxury of holding, trying on, or seeing your products in the context of their physical world, which can make convincing them to buy (and, as importantly, keep their purchases) a significant hurdle.

Challenge: Convey Critical Information About Product Quality and Fit.

After all, a customer wouldn't go into a retail store and buy a $200 pair of pants without trying them on. So, why would he buy those same pants online without any way to assess the fit? The fashion industry's adoption of free shipping and returns has helped mitigate this challenge to a degree, but it's just one piece of the puzzle. To drastically improve online conversions and lower costly product returns, your eCommerce business must explore innovative ways to virtualize the tactile in-store shopping experience.

How can that be done?

Merchandising and marketing are huge pieces of the puzzle because they can help your brand develop the personal connections that customers would experience in-store. In fact, research has shown that a customer's ability to simply imagine how a product might fit or look on them vastly improves purchasing confidence and, as a result, sales conversion.[5] In the context of the physical world, merchandising and marketing correlates to the ability to actually pick up, touch, and try on a particular product.

[5] KISSmetrics, The Mega Guide to Maximizing eCommerce Sales, Revenue, and Performance, 2013

Obviously, eCommerce will never fully re-create the in-store experience, but flexing your merchandising and marketing muscle can go a long way toward bridging the gap. Here are five examples of what that might look like in practice:

VIVID, HIGH RESOLUTION IMAGES

Best-in-class online fashion brands take basic product photography a step further by highlighting the quality and uniqueness of products through zoom features that show high resolution photos of fasteners, fabric, stitching, etc. Women's fashion retailer mytheresa.com is a fantastic example of this—featuring high-quality photos of models in complete outfits and zoomed-in images of patterns, zippers, and other product features.

MULTIPLE VIEWS AND 360-DEGREE PHOTOS

Again, it's important to remember that customers can't pick up a shirt, hold it in their hands, and examine every angle. You need to create that experience for them. Multiple views (ideally in real-world settings) and 360-degree product photography allows customers to envision exactly how a garment would look on them. Australian women's fashion retailer Camilla provides multiple views of its garments and purses while also posting information about the models in the photos, such as their heights.

HIGH-QUALITY, ENGAGING VIDEO

Simply put, great video content improves the look, feel, and functionality of e-commerce websites—and it has a significant impact on customer behavior, motivating site visitors to make more frequent and larger purchases. In fact, according to one recent study, half of all online consumers are more confident about their purchase decisions after viewing a product video.[6] A great example of this is Stella and Dot, which leverages video to show how their jewelry looks on live models.

REAL MODELS WEARING CLOTHING

In the not-so-distant past, fashion was modeled on super-thin models with body types that didn't always resemble a brand's actual customers. That's starting to change as fashion brands recognize the value of showing products on real people with varying body types, shapes, and styles (see Rent the Runway: Using "Real Models" to Market High Fashion).

SIZING GUIDES AND VIRTUAL FITTING ROOMS

While customers will never be able to physically try-on a product online, fashion retailers can assist them by providing detailed information related to fit, size, and materials. For example, showing a 6-foot, 175-pound male model in a photo and sharing exactly what size pants or shirt he's wearing gives other customers more confidence in their own orders. Virtual fitting room technology is also an incredibly powerful tool, giving customers the opportunity to input their unique measurements and receive recommendations on whether a particular garment will be too tight, loose, long, or short.

[6] Invodo/e-tailing, How Consumers Shop with Video, 2013

Ultimately, the goal with merchandising and marketing is to create an in-store experience on the web. While customers can't touch or feel products without actually ordering them, you should strive to give them every opportunity to experience them virtually.

Doing this cuts down on surprises when customers receive and try on your products, reducing the high return and re-stocking rates (20-40% according to industry research[7]) that negatively impact gross margin, sales, and profitability.

20 — 40%

REDUCTION IN RETURN RATES

Importantly, it's not overly difficult to leverage the merchandising and marketing tactics listed on page 9 (several third-party vendors specialize in each of the bullet points on page 9), but doing so requires direct control of eCommerce infrastructure.

[7] Econsultancy, How fashion eCommerce retailers can reduce online returns, 2014
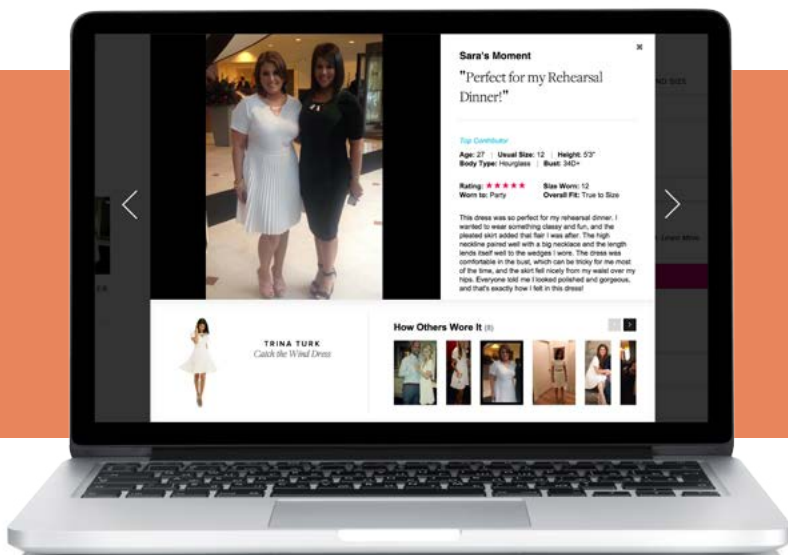
RENT THE RUNWAY

Using "Real Models"
to Market High Fashion

When a 45-year-old woman who's a curvy size 10 arrives to a fashion retailer's website, the last thing she wants to be greeted with is a rail-thin model who bears no resemblance to her body type. Yet, for much of the last decade, that "fantasy" experience is exactly what most fashion brands have delivered.

In 2012, Rent the Runway, a website that rents exclusive fashion and accessories from famous designers, came up with a novel solution to that problem, supplementing traditional models with photos of regular women of various ages, heights, weights, and bust sizes. As Rent the Runway founders Jenny Fleiss and Jennifer Hyman explained in an article for the New York Times,[8] they rejected the idea that women wanted fantasy when they shopped. "Women are smart," Hyman told the Times. "You know that while Gisele is beautiful, you don't look like Gisele."

Rent the Runway's images are actually crowdsourced from real customers, and the photos are accompanied by the customer's age, height, weight, body type, typical size, and the actual size of the garment they wore. Each image also features a brief review from the customer on how the dress actually fits.

Ultimately, this kind of merchandising serves a dual purpose: it helps individual customers better understand the fit and quality of a particular product, and it fosters a sense of product confidence that has been historically difficult to achieve in fashion eCommerce.

[8] New York Times, Rent the Runway Uses Real Women to Market High Fashions, October 19, 2012

Implementing the Right Technology to Customize at Scale

While segmentation and merchandising are critical steps in the journey toward personalized eCommerce experiences, those steps are virtually impossible to make at scale without the right technological infrastructure. Put another way, segmentation, merchandising, and marketing best practices are great in theory but are only applicable in practice with the right eCommerce technology.

In a world where the only sustainable competitive advantage fashion brands have is their knowledge of and engagement with customers,[9] the last thing you want is to trust someone else managing critical eCommerce elements. To effectively meet customers' increasingly high expectations from fashion eCommerce websites, your brand must have flexibility in its infrastructure and direct control of the levers that close the last mile to your customer.

To do that, you need to own and control customer data and implement eCommerce technology that allows you to:

- Deploy consistent brand experiences across all channels (wholesale, retail, online, etc.) and platforms (mobile, browser, app, etc.)

- Manage factory or store-based fulfillment and returns efficiently

- Provide custom merchandising experiences that drive sales (product displays and filtering, video try-ons, "lookbooks," etc.)

- Collect customer feedback and helpful reviews to assist with sales

- Build stronger social communities via user-submitted photos, social feeds, and customized recommendations and reviews

- Develop loyalty programs and shopping experiences that create a sense of exclusivity (private sales, customizable promotions, etc.)

[9] Forrester Research, Competitive Strategy In The Age Of The Customer, 2013

While many fashion brands have built elegant looking eCommerce websites, the unfortunate truth is that the infrastructure behind many of those sites is limiting their growth. More specifically, it's preventing those brands from continuously evolving and innovating to deliver the white glove experience that modern fashion customers expect while shopping. For instance, according to a study by KISSmetrics,[10] three-quarters of eCommerce sites do not optimize page load times—a critical mistake that's akin to employees ignoring customers in in-store retail environments.

For your fashion brand to effectively grow their eCommerce presence, it needs to build infrastructure for change. Your customers' online experiences must mirror the offline ones as much as possible, and doing that means optimizing front- and back-end infrastructure to create brand consistency, build consumer confidence, and deliver seamless multi-channel experiences.

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At the end of the day, the eCommerce customer experience is as much about the products you sell as the technological foundation it's built on. If your website suffers from critical issues like site timeouts or poor platform responsiveness (i.e., inconsistent browsing experiences via desktop and mobile), then it will also struggle with customization at scale and, ultimately, sales conversion.

[10] KISSmetrics, The Mega Guide to Maximizing eCommerce Sales, Revenue, and Performance, 2013

KENDRA SCOTT

A Perfect Marriage of Custom Design and Dynamic Technology

Custom jewelry maker Kendra Scott is an excellent example of a retailer that has fully embraced eCommerce technology. The value the company places on having customizable technology is personified by its "Color Bar"—a tool that allows customers to create necklaces, earrings, and bracelets with different color combinations of stones and metals.

On the surface, Color Bar looks like a case study in merchandising customization—and it is. But this tool would not be possible without a flexible and customizable eCommerce infrastructure. As Kendra Scott VP of eCommerce Tria Foster explained in a guest post for Rackspace,[11] the company's elastic infrastructure allows the business to manage and scale its eCommerce platform to match growth, balance traffic loads on-demand, and ensure consistent performance during peak periods.

Importantly, the company's eCommerce technology also allows it to deliver the Color Bar customization technology across all platforms—the tool looks and works the same on an iPhone, for example, as it does on a desktop browser. The Color Bar has even become a centerpiece of the company's in-store engagement strategy, with large high-definition displays that put the power of the platform at customers' fingertips. Once in-store, a customer can use these displays to create a design that the store will produce in a matter of minutes for immediate purchase.

[11] Rackspace, Kendra Scott Brings 'Wow' Factor to eCommerce, 2014

Another good example of the emphasis Kendra Scott places on technology is the company's annual online Easter egg hunt,[12] which embeds colorful eggs containing discount codes in a random selection of individual product pages. While this promotion is a clear marketing play, orchestrating something like that requires intensive infrastructure planning and dynamic eCommerce scalability.

28
PAGE VIEWS PER UNIQUE VISITOR DURING EASTER EGG PROMOTION

220%
SALES GROWTH YEAR-OVER-YEAR SINCE 2010

The brand's investments in those areas have certainly paid off. Foster says the Easter egg promotion in 2014 generated 28 page views per unique visitor, and the company's eCommerce sales growth speaks for itself: 220% year-over-year since 2010.

[12] Kendra Scott, Egg-clusive Hunt, Egg-cellent Savings, 2014

Is Your Brand Prepared
for the Future of Fashion Commerce?

So, what's the key takeaway? At a high level, it's that success in the digital world truly begins and ends with creating unique customer experiences.

Recent history has shown that fashion customers—no matter the products they're buying—want two things: assurance and attention. When making a purchase, they want to feel assured that they're making the right one (relative to size, style, and fit). And, in so doing, they also want to feel that the end-to-end buying experience was uniquely designed for their needs. To achieve those two things, your fashion brand must strive to create seamless, custom brand experiences across all platforms and channels—and throughout the purchasing journey.

So, take a step back and ask yourself whether your brand is truly equipped to embrace this new era of fashion commerce. Are you segmenting content, promotions, and product recommendations by highly-targeted customer attributes? Is your brand creating unique marketing and merchandising to empower customers to make smarter, more confident decisions? And is your eCommerce technology capable of managing this customization at scale?

If your answer to any of those questions is "no," then it's important to ask yourself one more question: What will you do to change that?

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