FASHION FORWARD 2020

BCG
THE BOSTON CONSULTING GROUP

facebook

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CONTENTS

EXECUTIVE SUMMARY

The fashion market in India is estimated at $70 bn in 2016 – $7-$9 bn of this is already digitally influenced. By 2020, this is projected to rise to ~$30 bn which will be equivalent to 60%-70% of the total branded apparel market.

E-commerce is already a significant channel for fashion – constituting 4%-5% share of the overall fashion market in 2016. This is comparable to sales from department stores put together. In the next few years, online purchase for the fashion category is estimated to grow ~4x to reach $12-$14 bn by 2020. This growth will be driven by a spurt of new shoppers as well as a maturing shopper base that spends a larger share of their fashion wallet online.

The number of online fashion shoppers will double from 55 mn-60 mn today to 130 mn-135 mn by 2020; and with a significant shift in the user profile. The online shopper of 2020 will no longer be a young male from the metros:

- ~50% will be women
- More than 50% will be from Tier 2 or even smaller towns
- ~37% will be older than 35 years of age

This will bring about a considerable change in the drivers for online purchase. Discounts are the largest driver of online shopping today, however the new online shoppers will look beyond discounts.

Women, for example, are driven more by variety than men. Also, older shoppers care more about convenience than the young shoppers of today. With this, the online fashion market will increasingly pivot towards variety and convenience. The single largest challenge for driving e-commerce will lie in the ability to mirror the touch-and-feel element of physical channels. For more evolved shoppers, faster delivery and assurance of fit will also be important.

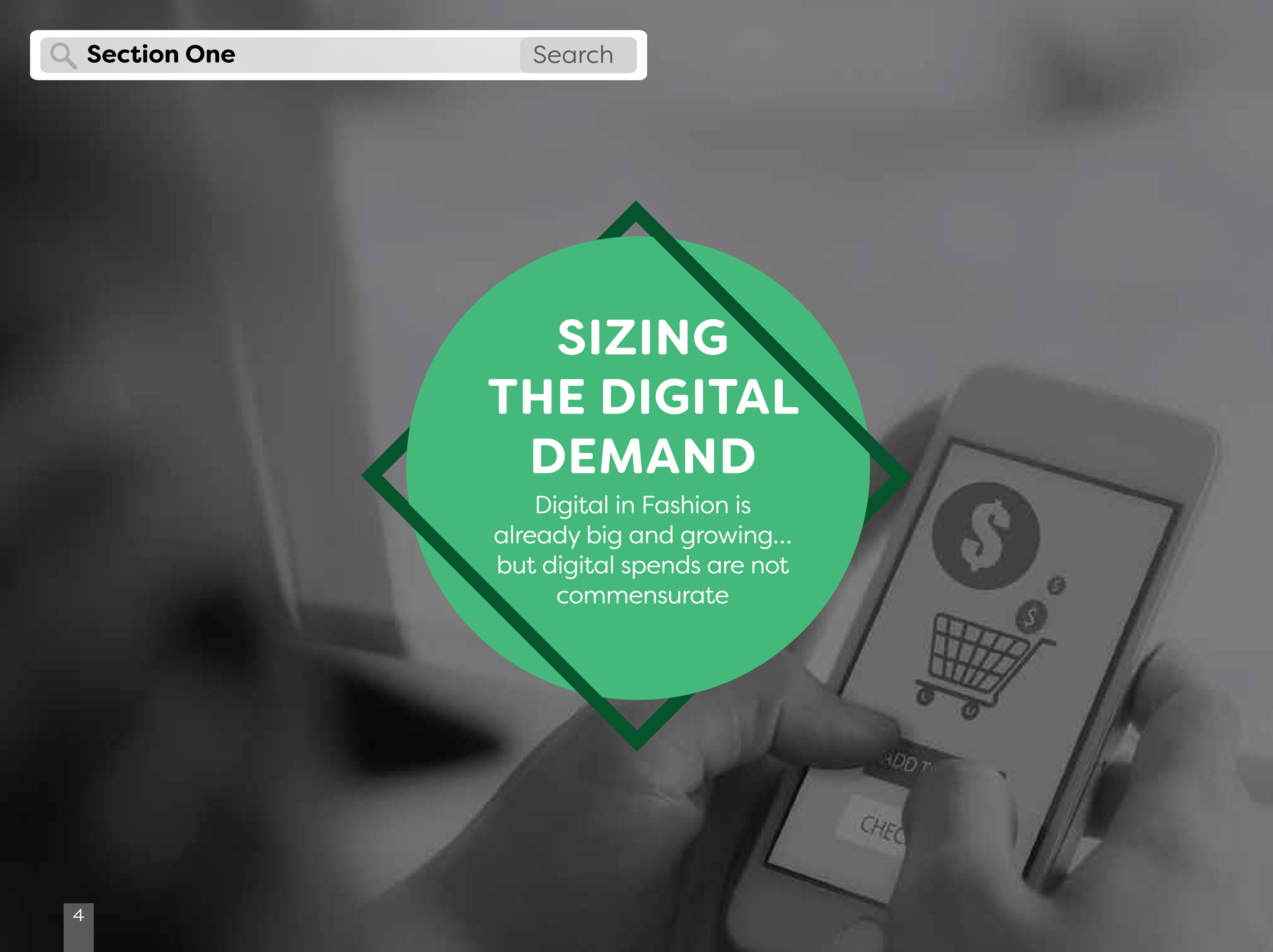
With the rising influence of digital, a complex mesh of consumer pathways are coming into play. The online shoppers are using a number of channels to discover, research and purchase apparel. A quarter of all transactions by online apparel shoppers are conducted entirely online. In the future, this is expected to rise as consumer confidence in online shopping increases. In addition to this, a third of all transactions use a mix of both online and offline touch points in the journey.

While the same consumer may follow different purchase pathways based on the buying occasion and need, there are some clear demographic differences observed. For instance, young metro males are over indexed on pure online pathways and women shoppers from lower tiers tap into the abundance of rich content online to track the latest trends and styles before buying offline. This results in a higher share of online pathways in categories such as men's casuals, whereas fit-driven categories such as men's formals are often researched online, but bought offline.

We conducted a series of in-depth interviews with consumers to develop this report. The pathways across these consumers were unique and consumers interacted with multiple channels along their journeys. Social media and shopping websites were key influencers in the early discovery process, while online search played a significant role in the active research stage. All of these journeys showcased multiple opportunities for digital to further strengthen the customer experience; we have shown some of that in this publication.

Consumers are increasingly spending more time on digital media, engaging with brands directly as well as following influencers and trendsetters. The shift in media spending towards digital has begun, but there is further scope as brands and department stores currently spend only 10%-15% on digital media advertising. Going forward, digital will become central not just to the way brands are marketed and sold, but also to product design, plan merchandising and customer engagement. Many global players are already taking breakthrough initiatives in this regard. They have started showing significant impact, while some others are still in the pilot stages.

We hope that our publication will simultaneously serve as inspiration and a call to action for fashion brands as digital continues to play a critical role in driving the industry's growth and innovation.



SIZING THE DIGITAL DEMAND

Digital in Fashion is already big and growing... but digital spends are not commensurate

Digital in fashion is sizeable, it will further explode in the future

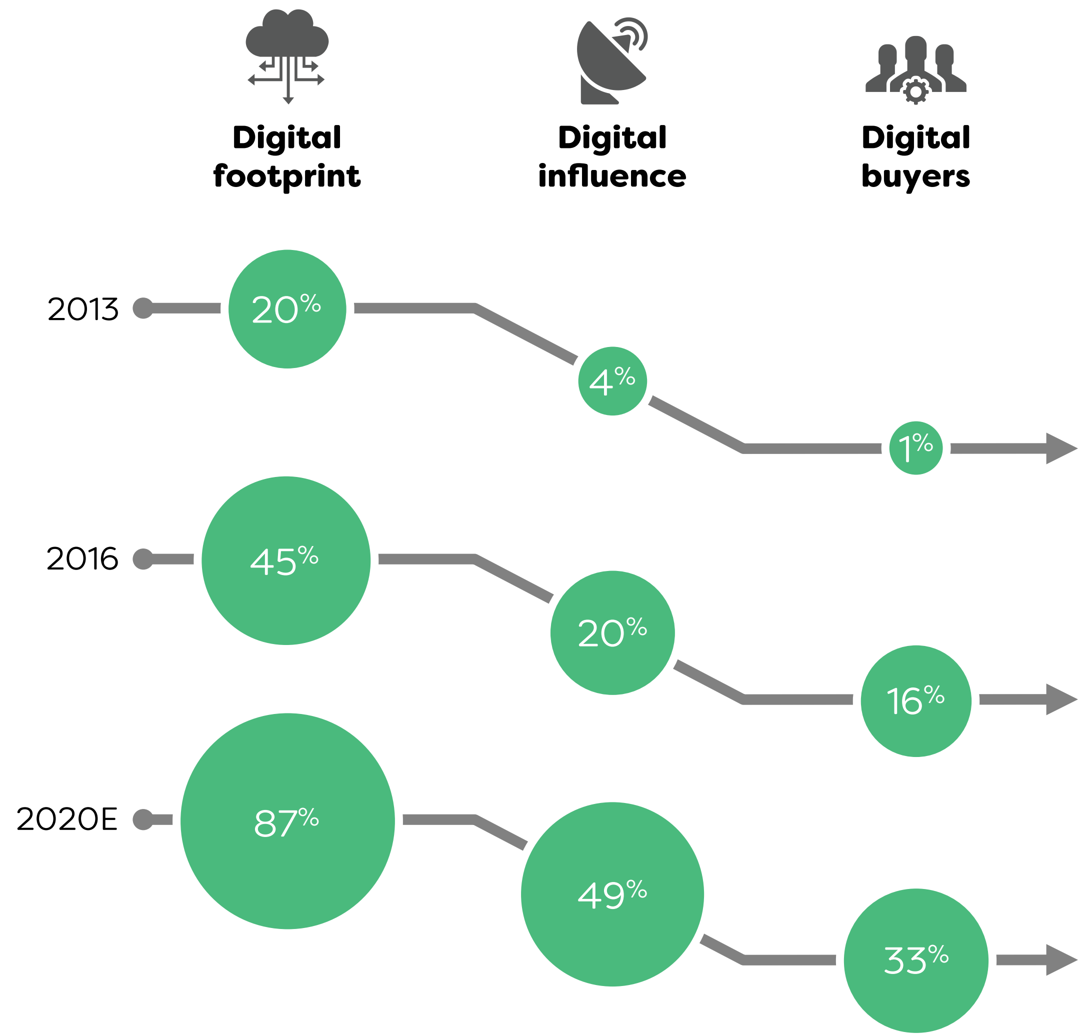
India is in the midst of a digital revolution and fashion is at the frontier of this change.

Digital footprint, that refers to fashion buyers with Internet access, has more than doubled in the last 3 years. It will continue to grow rapidly as Internet penetration is expected to grow 2.5 times by 2020.

Digital influence refers to fashion buyers who use Internet in their purchase process irrespective of whether they actually buy online or not. These consumers may be going online for discovering latest trends, doing research, price comparisons or posting reviews and recommendations post-purchase. By 2020, nearly half the fashion buyers will be digitally influenced. As against this, one-third of fashion buyers are likely to buy online by 2020.

This requires fashion retailers to adapt their marketing strategies to the changing environment. They need to cut across the purchase journeys of these digitally influenced consumers, looking beyond e-commerce.

% of Urban fashion buyers



1. Urban Digital Footprint: % urban fashion category buyers with internet access.
2. Urban Digital Influence: % urban fashion category buyers using internet during any stage of purchase process.
3. Urban Digital Buyers: % urban fashion category buyers buying fashion online.
Note: Fashion includes Apparel, footwear & accessories (handbags).
Source: BCG CCI Digital Influence study 2016 (N=18000 every year between 2013-2016), BCG analysis.

Very high engagement on digital media

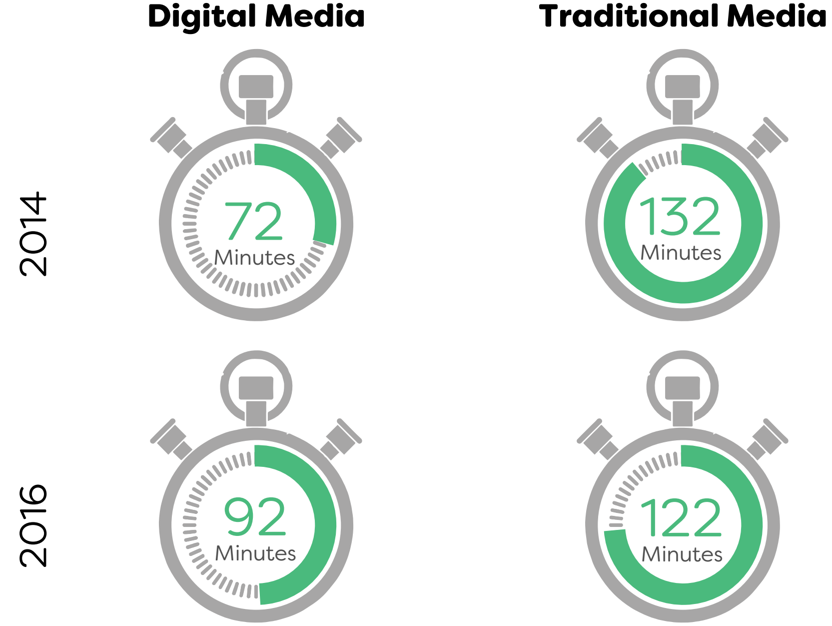
Internet users in urban India are already spending one and a half hours online everyday. Digital media has surpassed TV to become the single largest media form among these consumers. Within digital media, social networking and chatting have emerged as the top activities done online. Our survey of urban Internet users indicates that more than 75% of them engage in social networking/ chatting. Around one-third rank social networking as their topmost online activity.

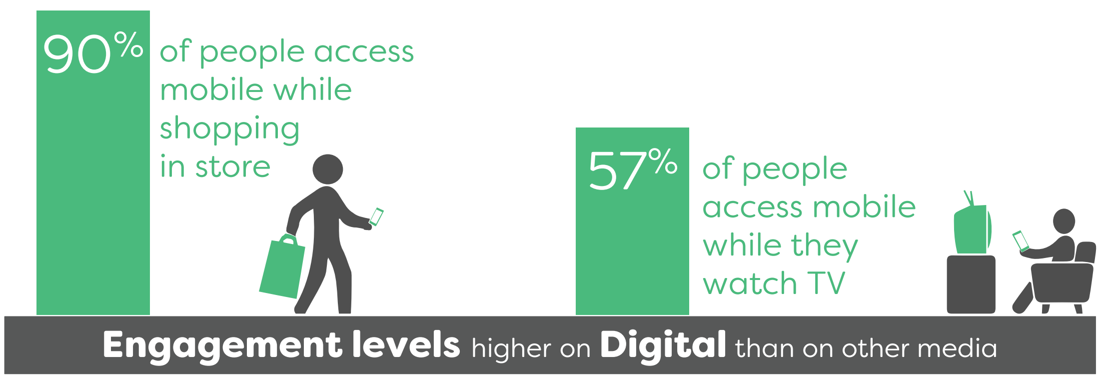
Further, engagement levels on digital media are higher than on traditional media.

This presents an opportunity for marketers to sharply target audiences using digital.

Urban Indian Internet user is spending more time online

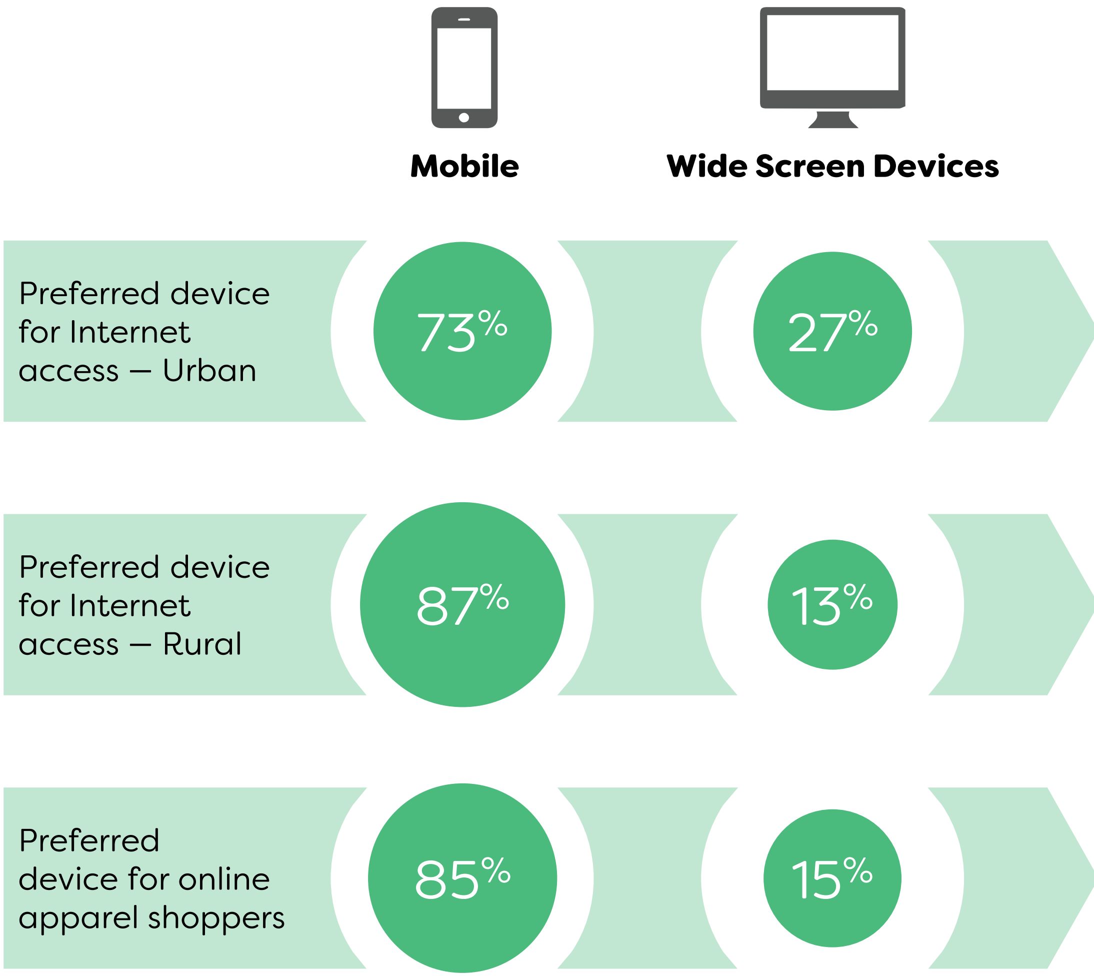
(Average time spent daily)





Note: Average time spent by 18+ year olds across India (urban) internet users with media daily.
Source: Etailer/Omnichannel Study India, TNS (commissioned by Facebook), across Fashion, FMCG & Consumer Electronics segments, Aug 2016 (N= 2021), BCG CCI Digital Influence study 2016 (N=18000 every year between 2013-2016).

% respondents



Source: BCG CCI Digital deep dive study 2016 (N=501), BCG CCI Digital Influence study 2016 (N=18000 every year between 2013-2016).

'Mobile first' for Internet access and shopping

Mobile is the primary device for Internet access for 73% of urban users and 87% of rural users – this trend is likely to continue as smartphone penetration continues to drive Internet penetration.

Mobile has also become the predominant device for fashion e-commerce. 85% of online shoppers prefer to shop on their smartphone. This is driven by convenience and additional discounts offered on using apps. Within mobile, mobile apps are the most preferred way of purchasing with ~80% of consumers preferring to use them over mobile websites. Mobile websites are seeing higher usage in small towns where consumers are typically operating with low capacity handsets.

This, however, implies a potential barrier for new players. On an average, a consumer keeps 3-4 online shopping apps on his/her phone. New players must offer a unique proposition for consumers to create space for them on their phones.

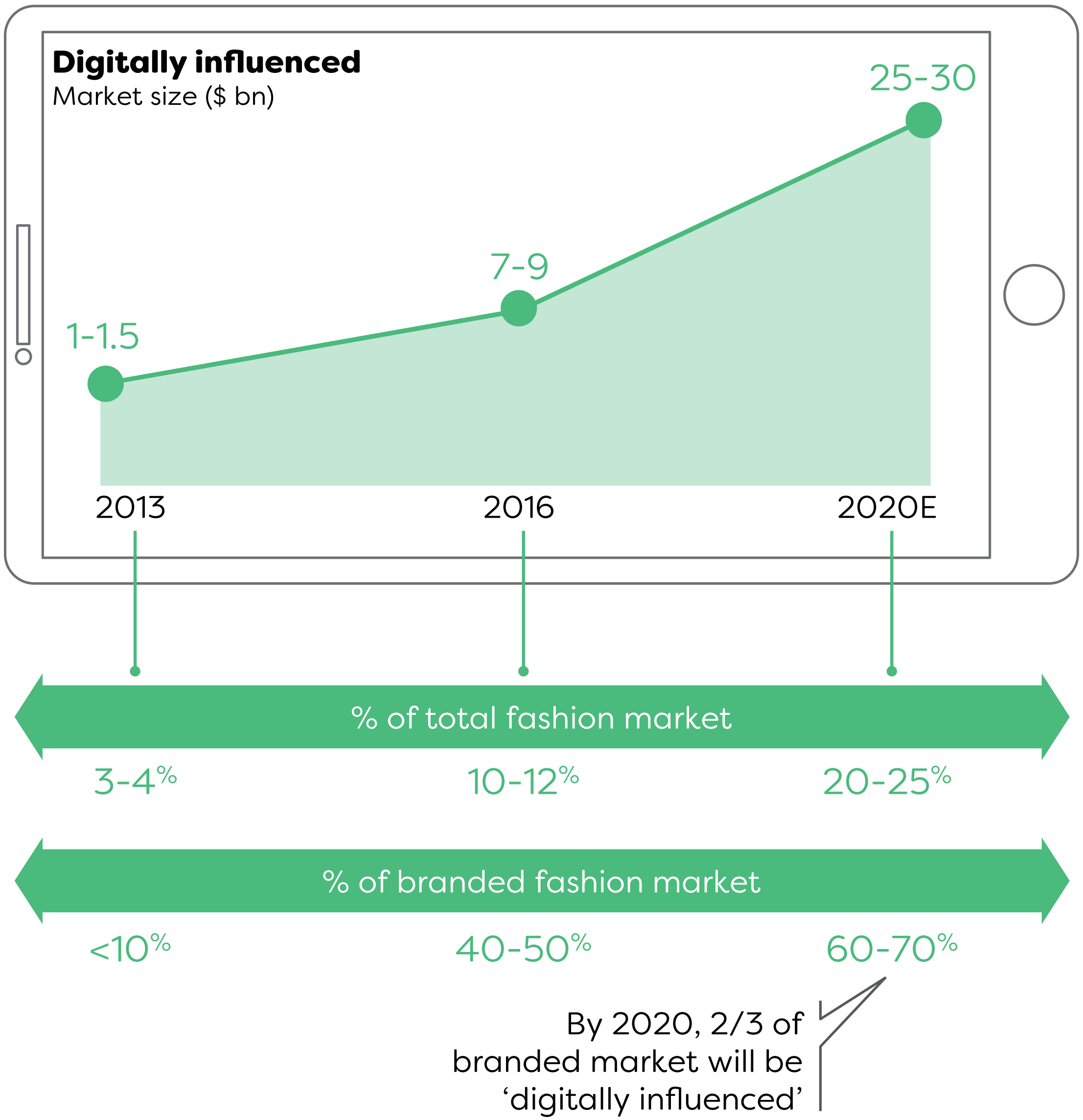
~30 billion USD of fashion spend to be influenced digitally by 2020

Digital influence in fashion has grown more than 5x since 2013. 40%-50% of branded spends are already digitally influenced.

It is estimated that by 2020, 60%-70% of the branded apparel market will be digitally influenced; that will be equivalent to 2-2.5x the consumer spend on e-commerce.

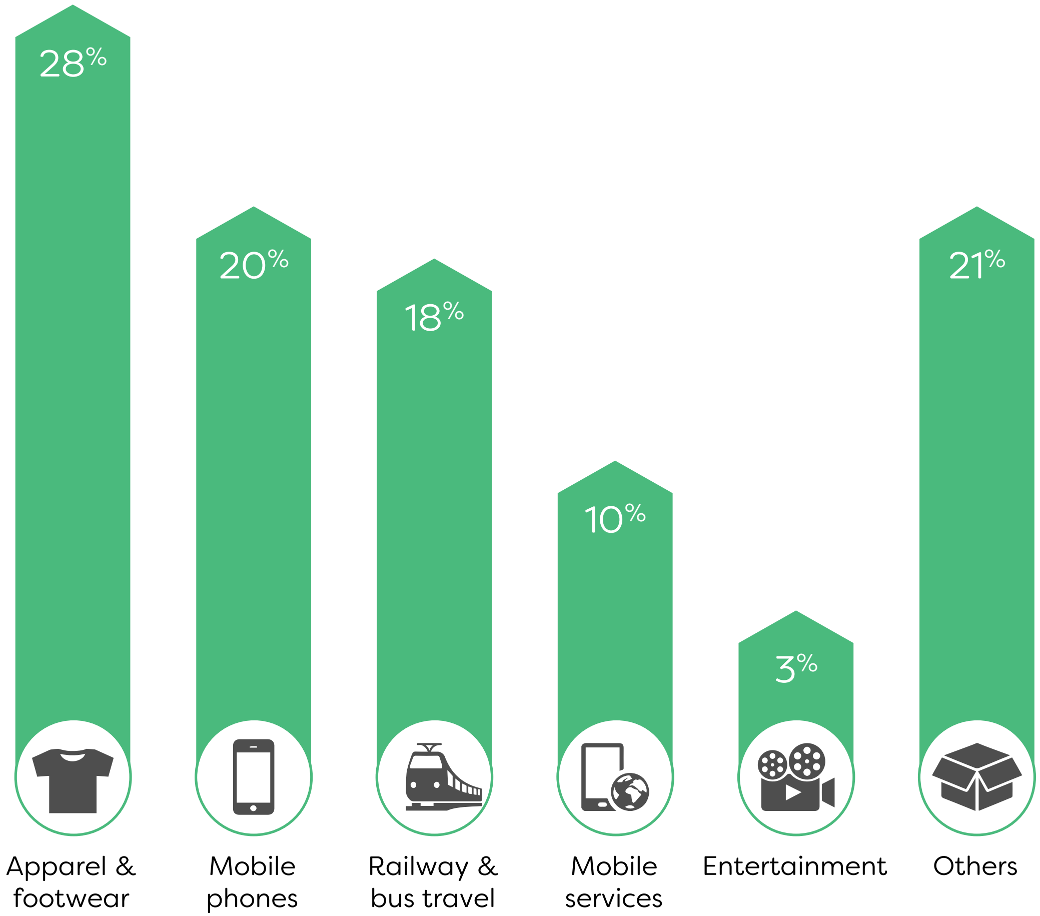
This changing dynamic of fashion will have implications for online and offline fashion players alike.

Fashion players need to integrate digital into their overall customer engagement process. A variety of digital channels like social media, search, video and third party sites will be important. These different channels need to be leveraged effectively to connect with the consumer.



Note: Digitally influenced spend = Online purchase + research online & purchase offline; Digital purchase = online buying.
Source: BCG CCI Digital Influence study 2016 (N=18000 every year between 2013-2016), BCG CCI Digital Deep dive study 2016 (N=501), BCG analysis.

% first time online shoppers buying this category



Source: BCG CCI Digital Influence study 2016 (N=18000 every year between 2013-2016).

Fashion is the first category that most people buy online

Fashion is an early online purchase category. Among new online shoppers, ~30% start with Apparel & Footwear.

Addressing the needs and concerns of these new shoppers is key to drive repeat purchase while retaining consumer loyalty as the user matures.

Among mature shoppers who buy multiple categories online, 70%-75% buy apparel, footwear & accessories online.

Deals and discounts and promotional material such as e-mails are key purchase triggers for new shoppers. However, low familiarity with website/app and return policies are big concerns for first time shoppers, who thus prefer spending low amounts online.

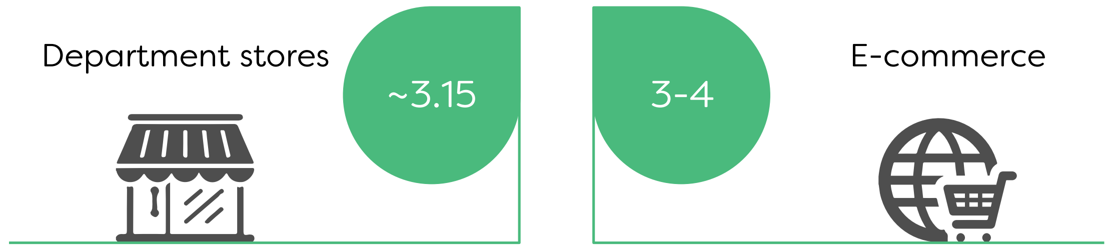
Hence, ensuring flexible payment options and smooth handling of returns /complaints is necessary to gain the trust of a new shopper.

Fashion e-commerce is already large and will reach $12-$14 bn by 2020

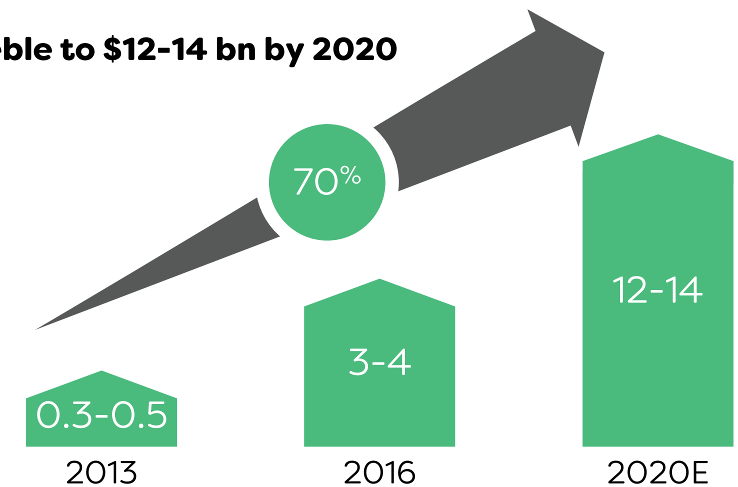
The fashion market[1] in India is currently estimated at $70 bn. Online contributes ~5% of the total at around $4 bn. The online fashion market is estimated to treble by 2020, to reach $12-$14 bn. This will translate to a significant 11%-12% share of the total fashion market.

55 mn-60 mn consumers are already buying fashion online. This is expected to more than double to 130 mn-135 mn by 2020, accounting for ~20% of the total fashion shopper base.

Fashion e-commerce comparable to department stores...
(Market size, $ bn)

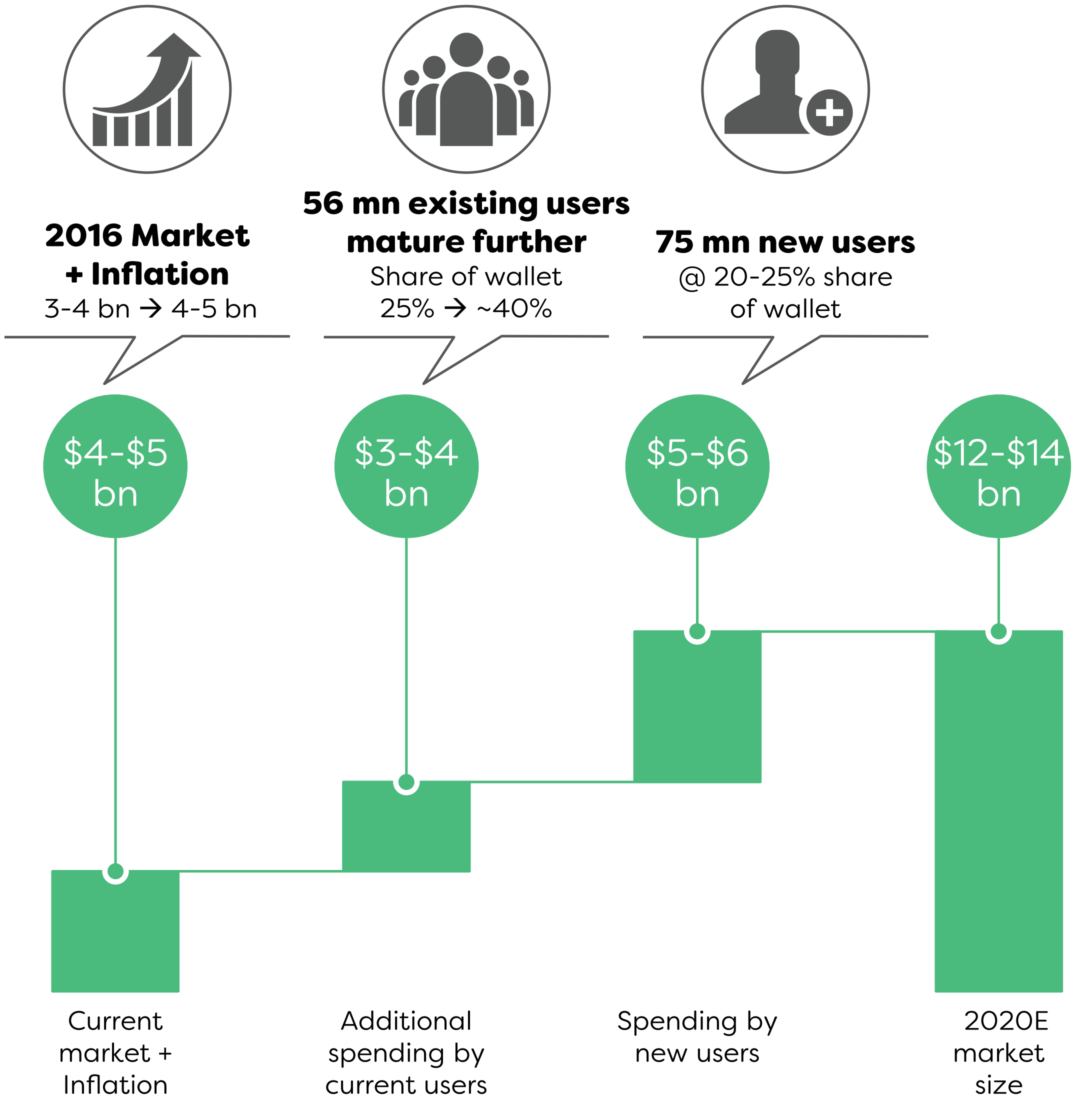


...estimated to treble to $12-14 bn by 2020
(Market size, $ bn)



	2013	2016	2020E
E-comm. as % total fashion market	<1%	4.5-5%	11-12%
Fashion e-comm. Shopper Base (mn)	2-5	55-60	130-135

1. Includes Apparel, Footwear and Apparel accessories.
Source: BCG CCI Digital Influence study 2016 (N=18000 every year between 2013-2016), BCG analysis.



Source: BCG CCI Digital Influence study 2016 (N=18000 every year between 2013-2016), BCG CCI Digital Deep dive study 2016 (N=501), Consumption Survey (N=10000 HHs), BCG analysis.

New shoppers to drive ~40% of growth; higher share from existing shoppers will drive ~25%

The growth in fashion e-commerce will be led by 3 primary demand-side factors.

Firstly, the Internet user base in India is expected to grow 2-2.5x over the next 4 years. Growing smartphone penetration and declining costs of connectivity are fueling higher usage. More than 70% of urban India will be connected by 2020.

Secondly, e-commerce adoption is expected to grow from 30% to ~40% of the user base (among urban Internet users). Investments in logistics infrastructure and convenient payment channels will drive adoption. Fashion e-tail will see 75 mn new users resulting in a $5-$6 bn growth spurt.

Thirdly, as the existing shoppers mature, their share of wallet will increase: 53% of users intend to increase their spend on fashion purchases online. This will drive an additional $3-$4 bn of market growth.

However, digital media spends have lagged

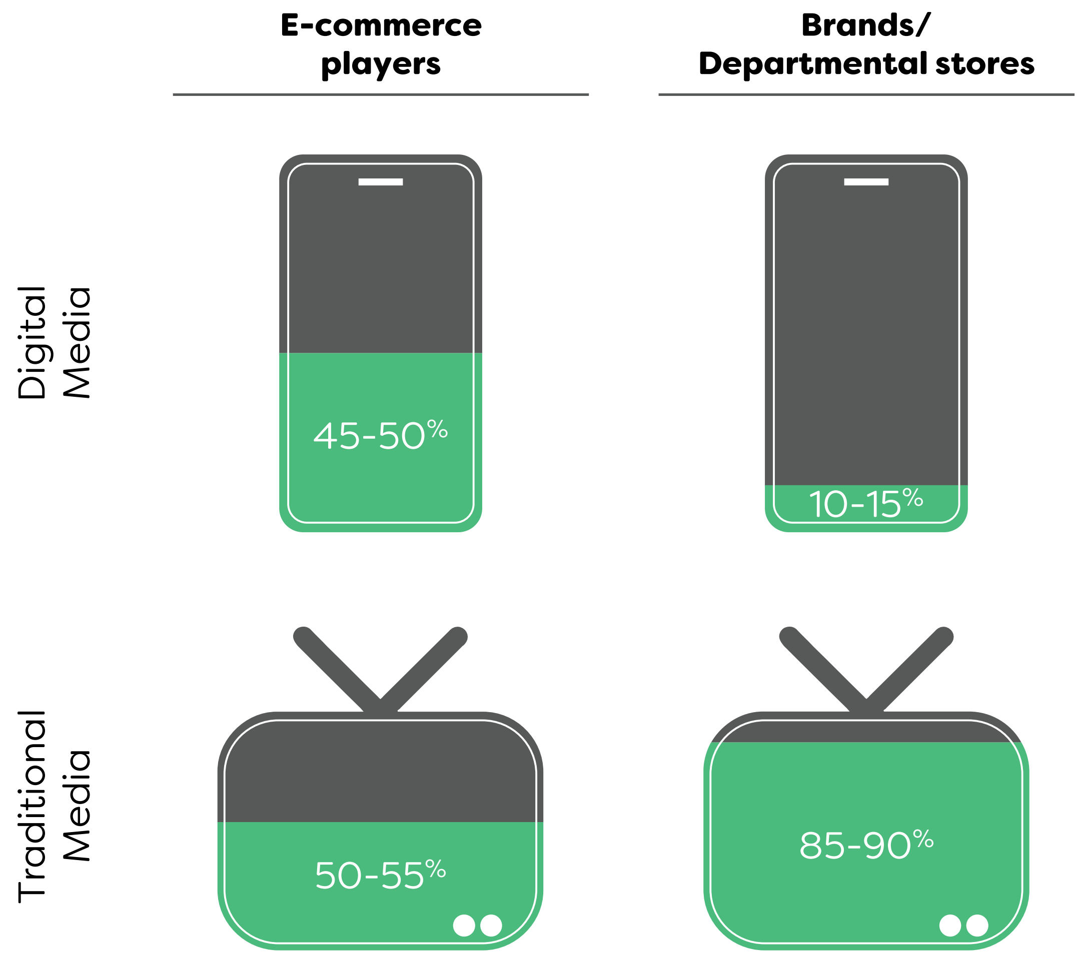
Despite the magnitude of digital influence on fashion, media spends on digital have lagged behind compared to TV and print.

On average, an urban Indian consumer spends a quarter of his/her time on digital media. Amongst urban Internet users, digital accounts for as much as 43% of the total time spent across various media.

Yet, digital media spends of brands and departmental stores are only 10%-15% of total media spends. Spends by e-commerce players, on the other hand, seem commensurate.

In the recent past, many branded apparel players have started dialing up on digital. This will, however, require a step change in approach.

Share of ad spend in 2016 (%)



Source: Magna global, expert interviews, BCG analysis.

SHAPE OF DEMAND 2020:

The digital consumer of 2020 will be different

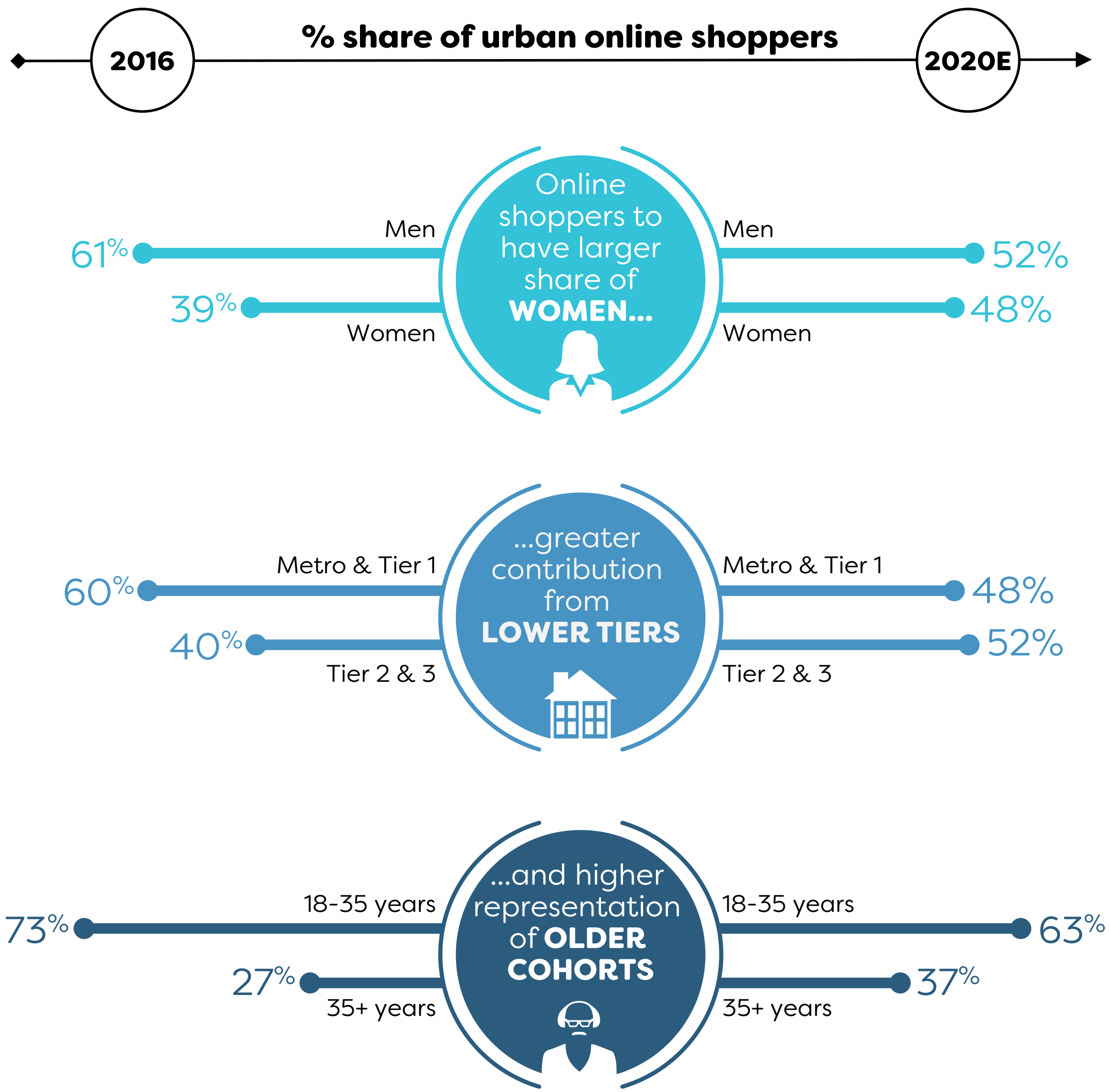
Fundamental shift in profile of online fashion shoppers

By 2020, the number of consumers purchasing fashion online will more than double.

They will no longer be the typical young, metro residing, male users of today. A larger number of women and older age groups will start buying online — creating a much more balanced and representative shopper profile. There will be 2.5x women shoppers and ~3x older shoppers compared to today.

Online shopping will also take off in India's lower tier cities as the consumers there mature and the network and delivery infrastructure improve. Tier 2/Tier 3/Tier 4 cities will comprise more than 50% of the online fashion shopper base by 2020.

This shift in the online shopper profile will require e-tailers to rethink their offer across several dimensions including assortment, pricing and discounts, delivery options and return policies.



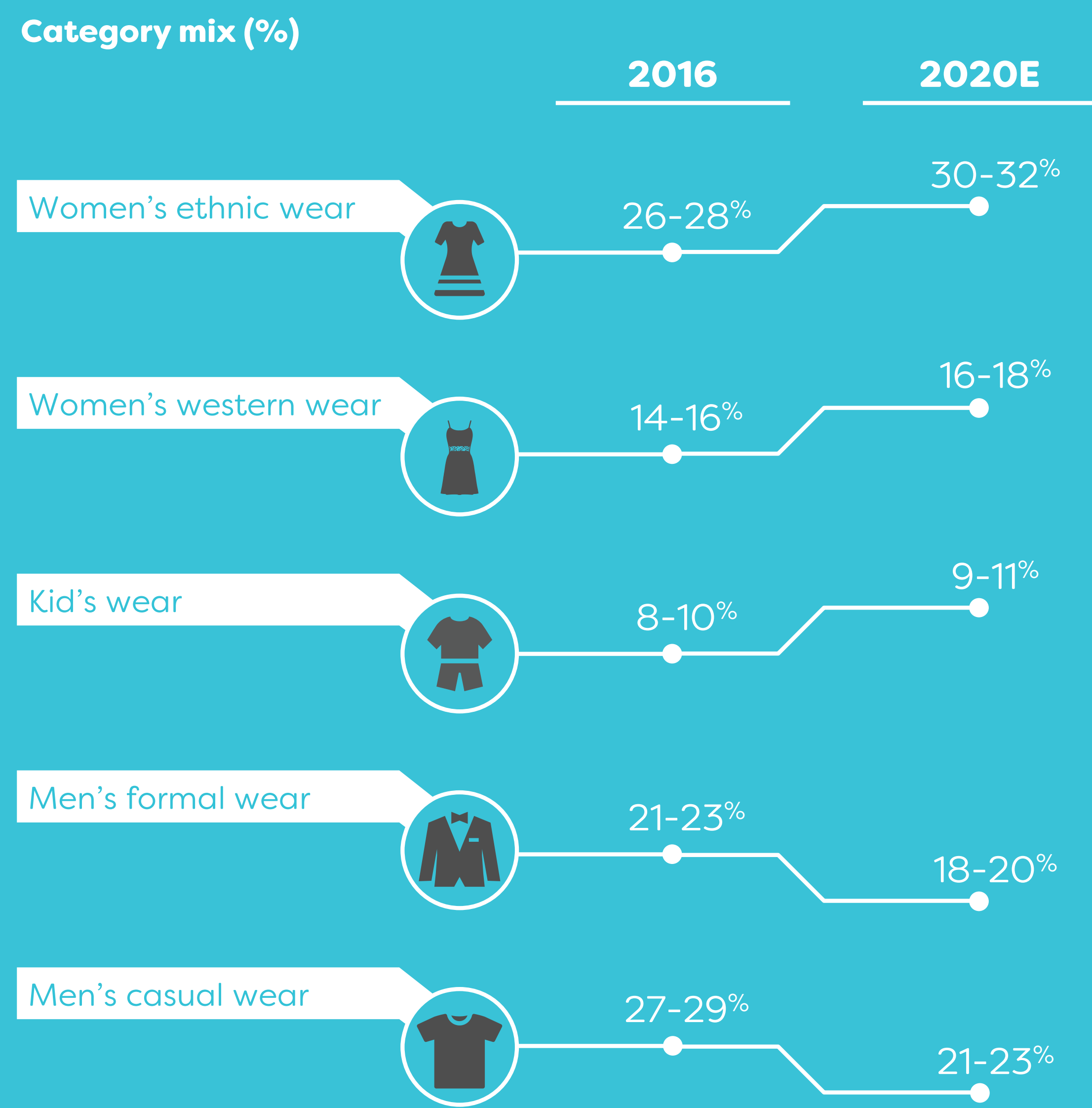
Metro: Top 8 cities, population > 4 mn; **Tier 1:** Next 38 cities, population 1-4 mn;
Tier 2: Next 45 cities, population 0.5-1.0 mn; **Tier 3:** Next ~450 cities, population 0.1-0.5 mn;
Source: BCG CCI Digital Influence study 2016 (N=18000 every year between 2013-2016), BCG analysis.

Changing demographics will change online category mix

With the change in online shopper profile, the category sales share of women's wear (both ethnic and western) as well as that of kid's wear, is expected to increase.

70%-80% of women's wear and kid's wear are bought by women. Hence, with the rising proportion of women in the online shopper mix, the women's ethnic wear and western wear and kid's segments are likely to go up in share by 10 percentage points or more.

Approximately 60% of kid's wear is bought by older cohorts (35+ years of age). Hence, higher representation of older age groups in the 2020 shopper mix will also result in a likely increase in the kid's wear share online.



Source: BCG CCI Digital deep dive study 2016 (N=501), BCG CCI Digital Influence study 2016 (N=18000 every year between 2013-2016), BCG analysis.

Women driven by trends & variety; they care more about 'fit'

Discounts are the most important driver for online fashion shopping today. However, as the online shopper profile evolves, this will also shift.

A third of male shoppers say that discounts are the primary driver for online shopping for them. However, the latest trends and variety play a much bigger role among women. Almost half of the purchases made by women are driven by the need for the latest trends. Many more women buy online because of variety than men.

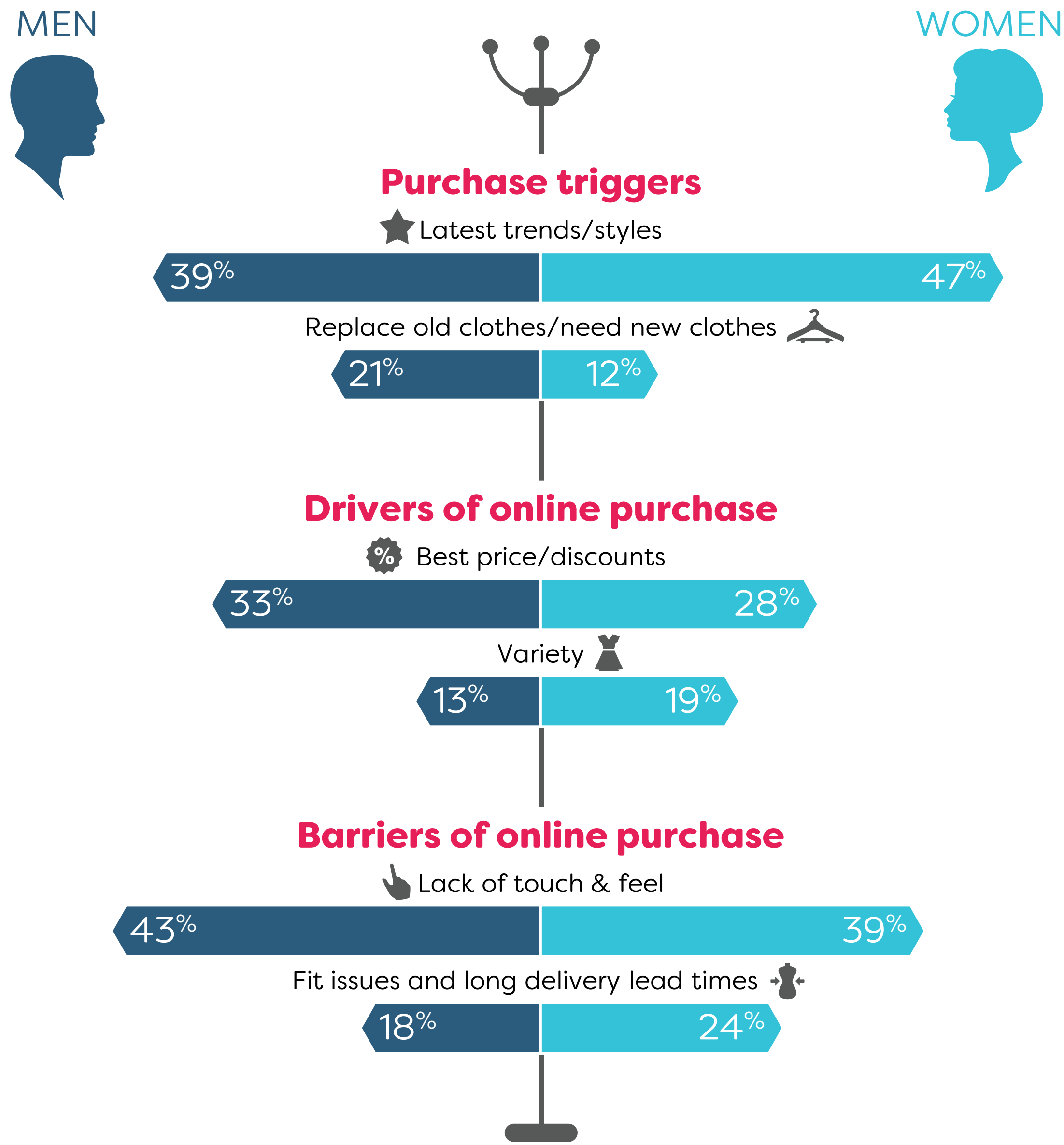
Forever21 is my favourite brand… there are so many designs and colour options available online that I have not seen in the stores."

— Female shopper

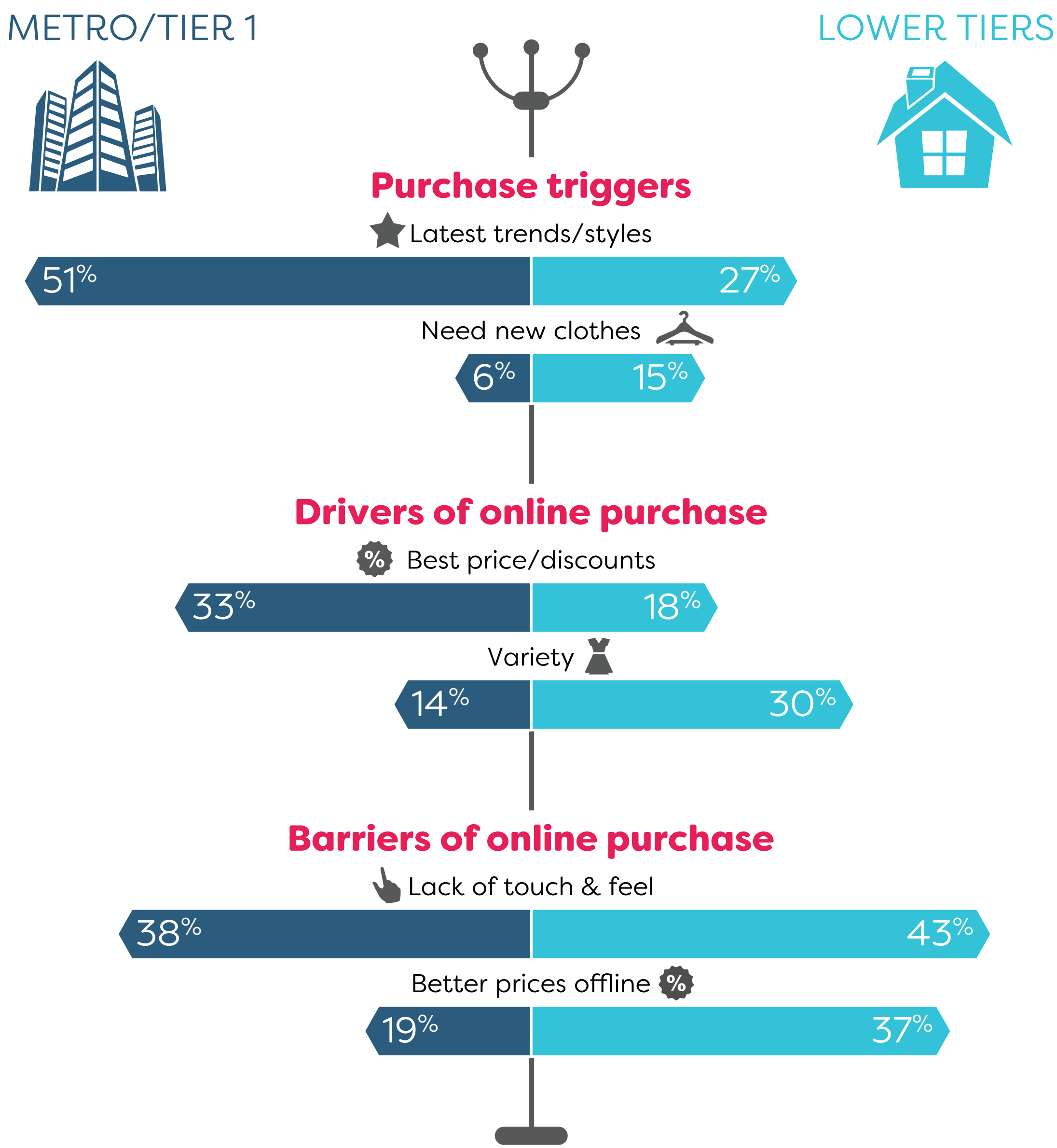
Further, fit is a bigger barrier for women compared to men.

The first time buying a brand online is always an issue… so I hesitate, since there is a chance of it not fitting well. Once you get familiar with the size & fit of a brand, online shopping is easy."

— Female shopper



Source: BCG CCI Digital deep dive study 2016 (N=501).



Source: BCG CCI Digital deep dive study 2016 (N=501).

Variety most important driver for lower tier shoppers

Shoppers from the lower tiers are different along many dimensions. Small town shoppers make more planned purchases. Needing new clothes and special occasions (function, travel, weather) are key triggers for purchase. They are less triggered by the latest trends compared to metro/Tier 1.

While shopping online, metro/Tier 1 shoppers are driven by discounts. As against that, the availability of larger variety online is the most important driver for small town shoppers.

I get to know of so many brands online which are not available in local stores. I buy them online... it allows me to stand out"

— Lower tier shopper

Further, the lack of touch & feel and better offline prices (availability of cheaper options offline) are the key barriers for online purchase among the majority of small town shoppers.

Older cohorts are convenience driven; they care more about delivery time

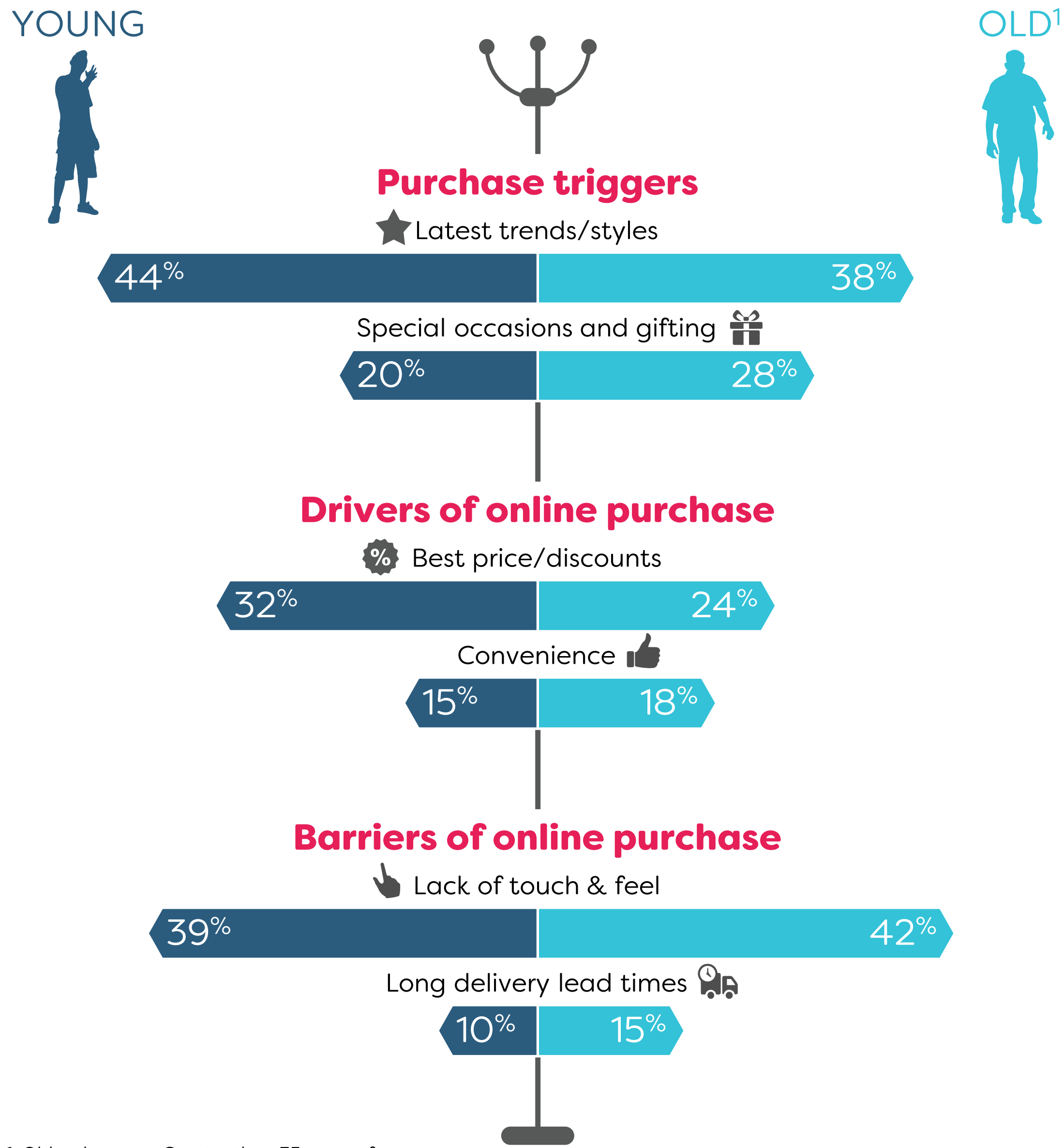
Almost 30% of older shoppers purchase apparel for special occasions and gifting purposes. Younger shoppers are more trend-seeking than older shoppers.

The young online shoppers are strongly driven by discounts. Discounts are the most important reason for buying online for almost one-third of them. While discounts are important for older shoppers as well, other factors like convenience also start becoming very important.

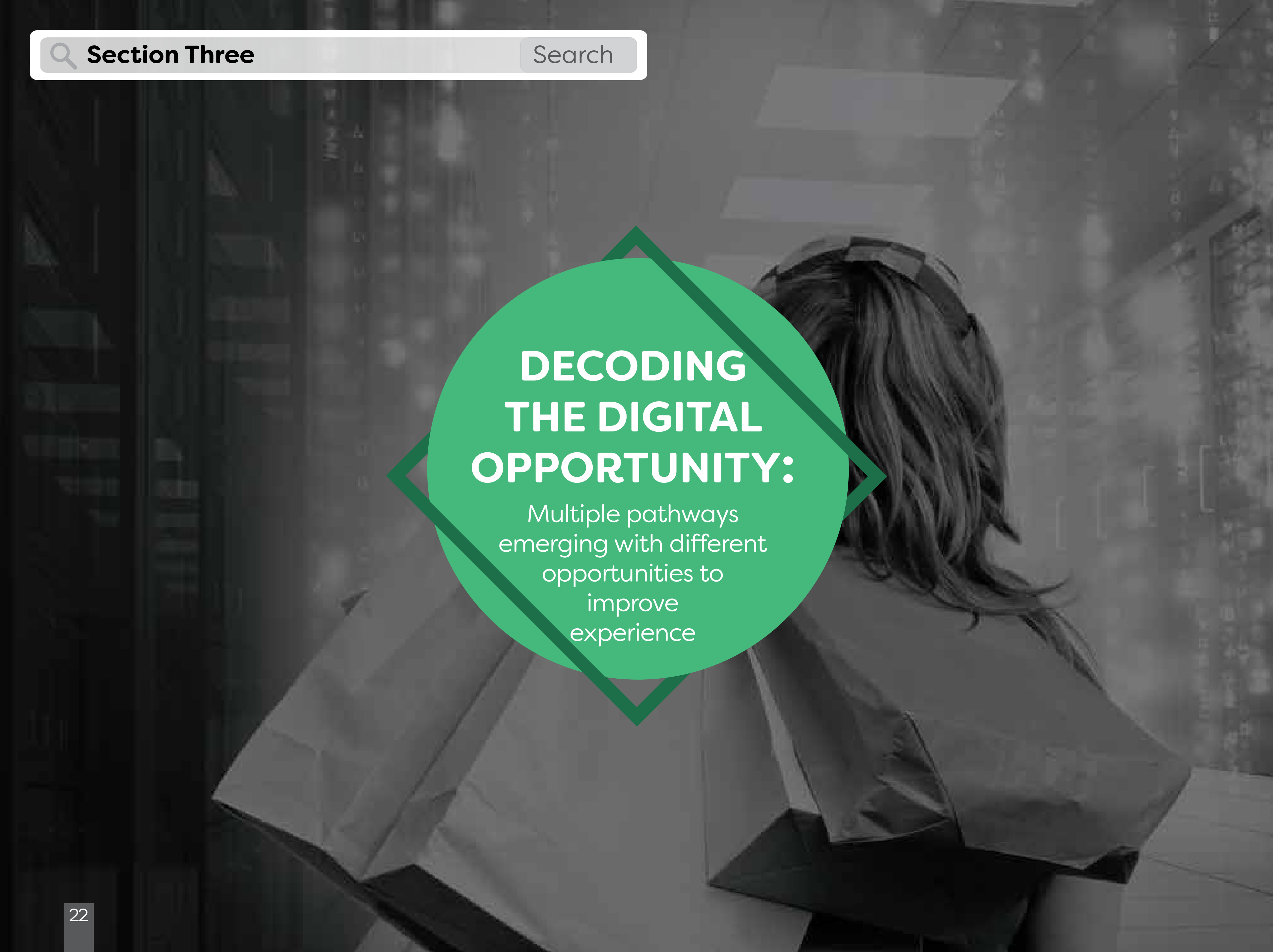
"It's easier to sit at home and browse during my free time. I get to go to market only on the weekend and it is so crowded then."

— Older shopper (40 years)

While the top barrier for both younger and older shoppers remains lack of touch & feel, older shoppers are more concerned about needing their apparel 'immediately'.



1. Older shoppers: Greater than 35 years of age.
Source: BCG CCI Digital deep dive study 2016 (N=501).



DECODING THE DIGITAL OPPORTUNITY:

Multiple pathways emerging with different opportunities to improve experience

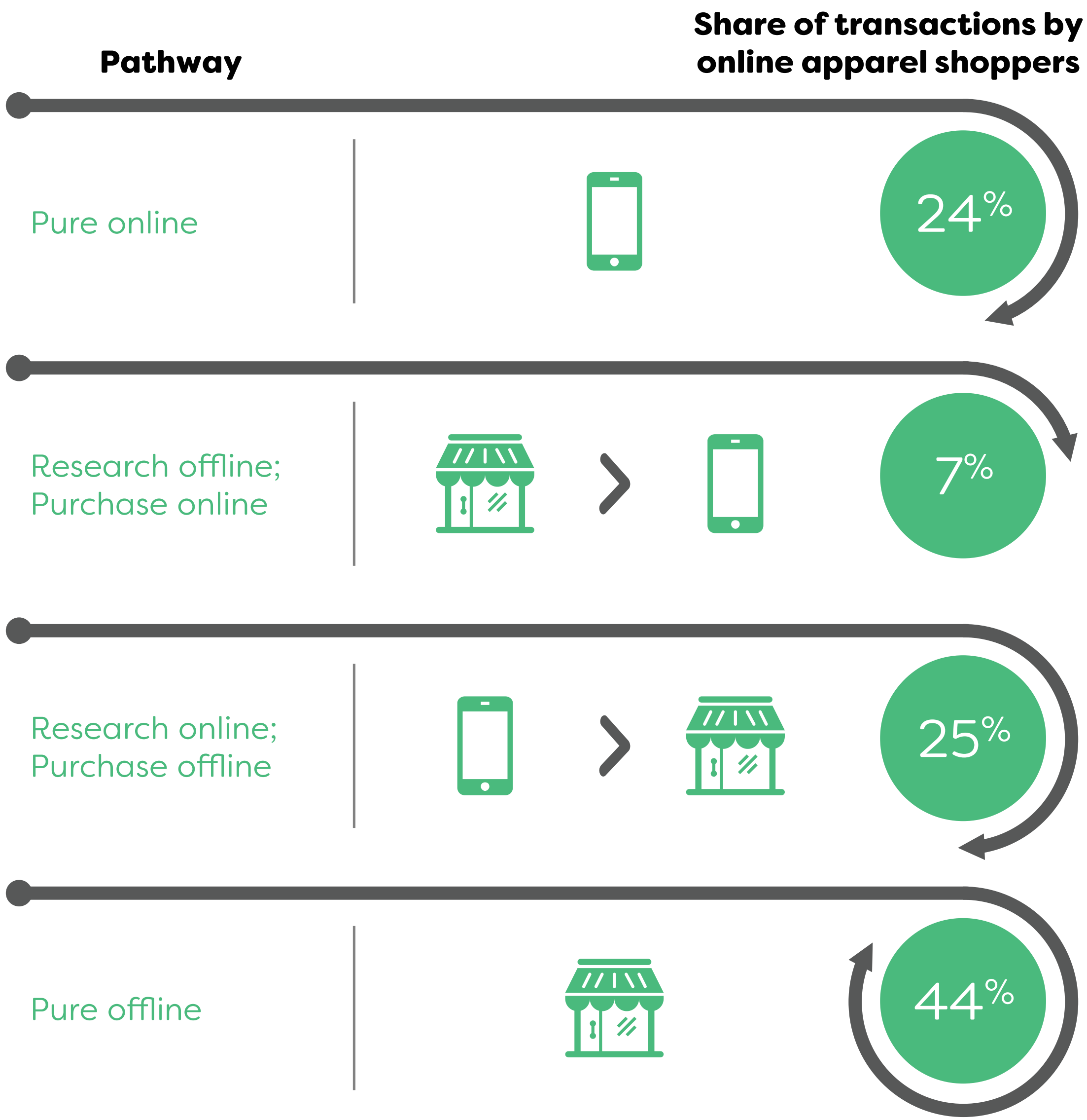
Multiple paths to purchase emerging

Roughly a quarter of apparel transactions by online apparel shoppers are carried out purely online

As the role of digital increases across the pathway, a complex mesh of interactions across online and in-store channels is coming into play. These transactions can be grouped into 4 broad archetypes as shown in the exhibit.

More than 50% of all transactions by online apparel shoppers are digitally influenced – i.e. they have some form of online interaction either in the pre-purchase stages, or during the purchase itself.

32% of all transactions are mixed pathways implying that they have both online and offline touch points, while 68% are pure. I.e. either completely online or completely offline in nature.



Source: BCG CCI Digital deep dive study 2016 (N=501).

Shift in shopper base to drive shift in paths to purchase

Extent of online research for offline purchases expected to increase

The complex consumer pathways illustrated on the previous page exhibit some interesting demographic differences.

The value-seeking behaviour in men and shoppers from the lower tiers drives offline transactions online, where the best prices are to be found and the availability of sizes and colours is assured.

In contrast, women are more likely than men to research online and shop offline. This is driven by rich media and information on the latest trends available online, coupled with the need to buy offline after verifying the touch-and-feel of apparel and footwear items.

Going forward, as more consumers become comfortable with online platforms, we expect channels that are led by frequent shoppers to grow faster.

% transactions by online apparel shoppers		Shopper profile		City tier		Gender	
		Frequent online shoppers	Occasional online shoppers	Metro & Tier 1	Tier 2 & lower tiers	Male	Female
Pure online	24%	27%	22%	25%	20%	25%	22%
Research offline; Purchase online	7%	4%	9%	8%	5%	9%	6%
Research online; Purchase offline	25%	39%	20%	22%	33%	21%	30%
Pure offline	44%	30%	49%	44%	41%	45%	42%

Higher than average

Shopper profile categories:
Frequent Online Shoppers – Those with >3 online apparel transactions in last 6 months.
Occasional Online Shoppers – Those with 1-3 online apparel transactions in last 6 months.
City Tier categories – Metro & Tier 1; Lower tiers: Tier-2 and Tier 3 cities.
Age Categories: 16-35 years of age; 35+ years of age.
Source: BCG CCI Digital deep dive study 2016 (N=501).

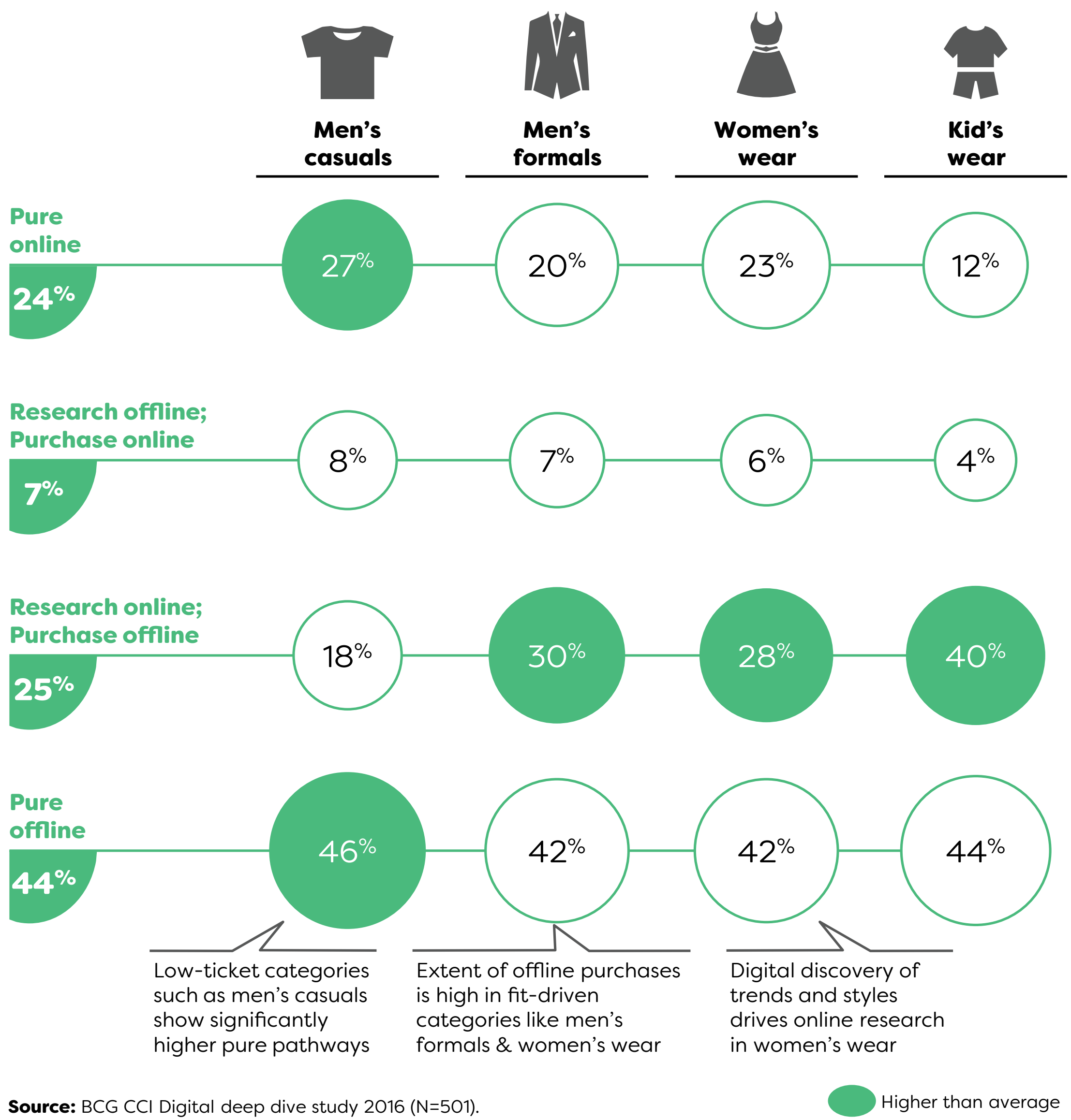
Men's casuals show highest pure pathways; high extent of online research seen in women's wear

The purchase pathways show wide variations across categories.

Men's casuals – a low-involvement category with fewer fit concerns – shows a high incidence of pure pathways, with 35% of all transactions culminating online.

High ticket, high-involvement segments like men's formals require significant offline research for assurance on material and fit.

Women's wear shows a high incidence of online research – driven by online trend discovery and offline purchases – to find the right fit.



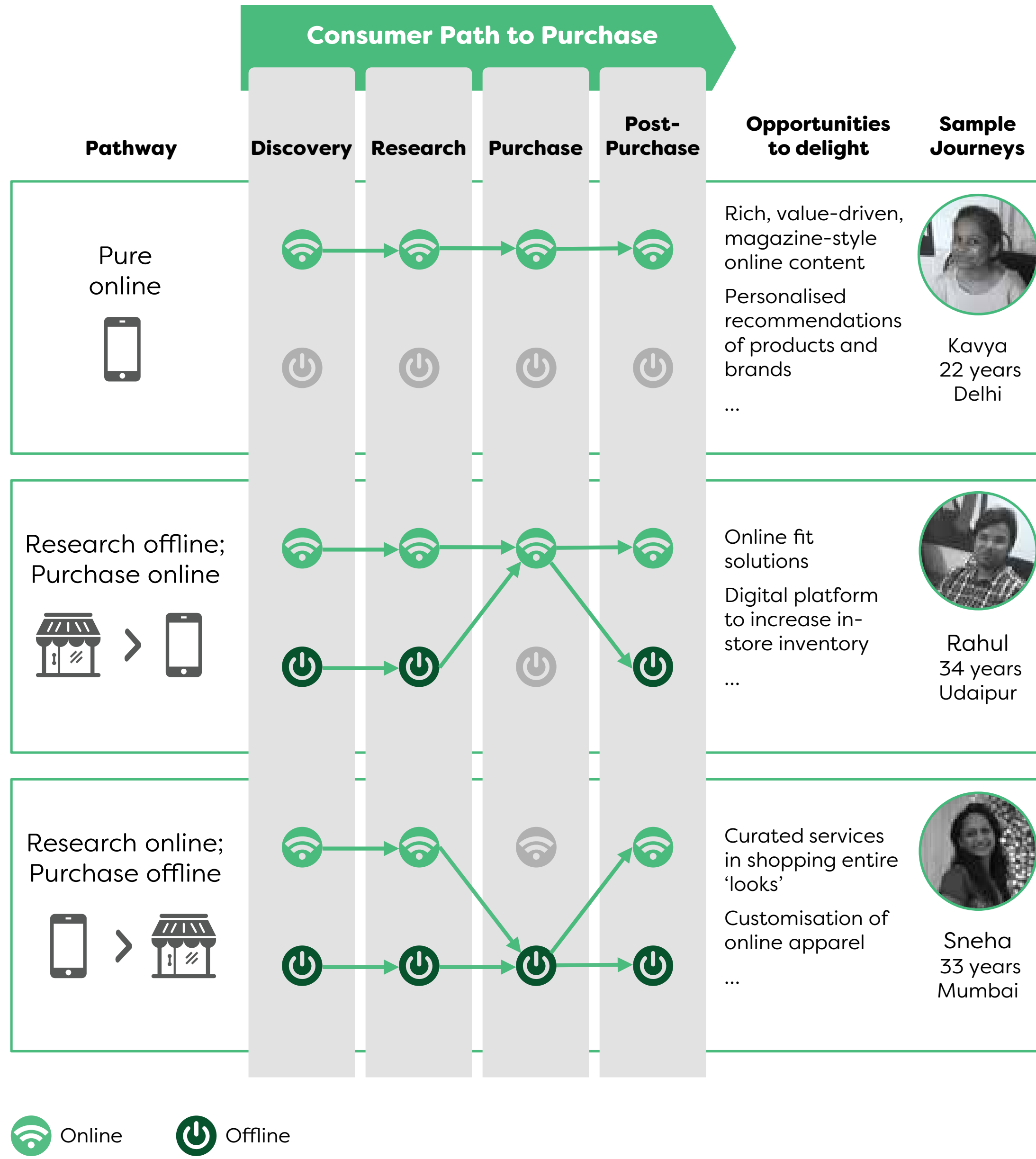
Source: BCG CCI Digital deep dive study 2016 (N=501).

Differentiated pathways offer differentiated opportunities to delight

Each of the pathways showcase multiple opportunities to delight customers. For example, online research and offline purchase pathways are often motivated by trend discovery — companies can delight customers on such journeys by providing curated services in buying the latest looks.

Similarly, customers researching offline and purchasing online are often seeking reassurance on fit or are value-driven, seeking discounts. Companies can delight such customers by sending timely, targeted promotions and offering data-driven solutions for fit.

The following pages detail sample journeys for each of the digitally influenced pathways, highlighting the key opportunities to delight across each purchase journey.




eMARKET
Home
I'm looking for...
Fashion
See all
Men's Clothing
Women's Clothing
Electronics
See all
Cell Phones & Smartphones
Digital Cameras
See all
Motors

Pure online pathways

Millennial female seeks latest designs and variety at best prices online

Kavya
22 years
Delhi

Digital age: >4 years

Spends 30+ hours weekly online for non-work purposes including social networking, booking, shopping, etc.

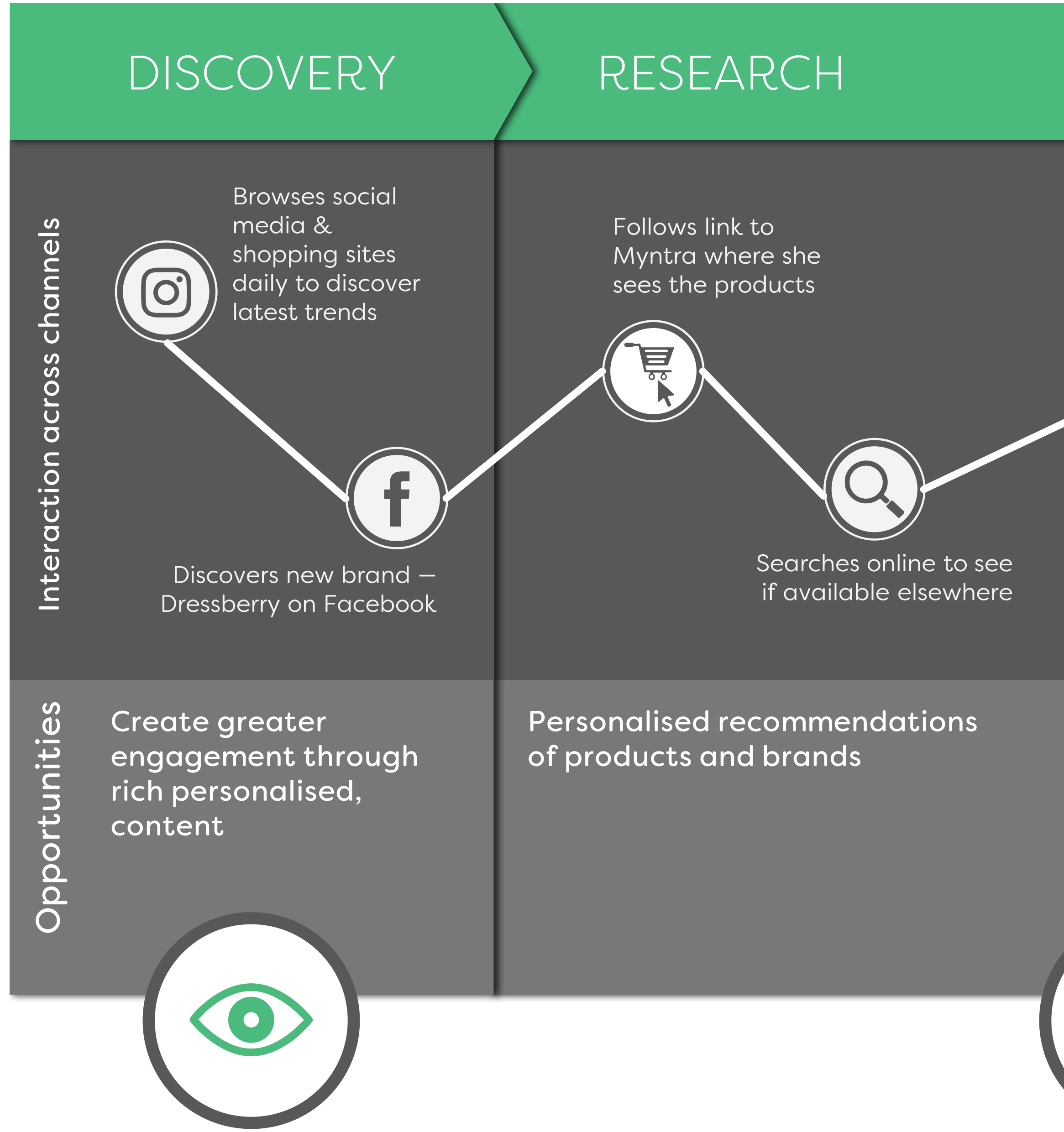
Started shopping online ~4 years ago – 'exploring' Amazon app after hearing from social circle.

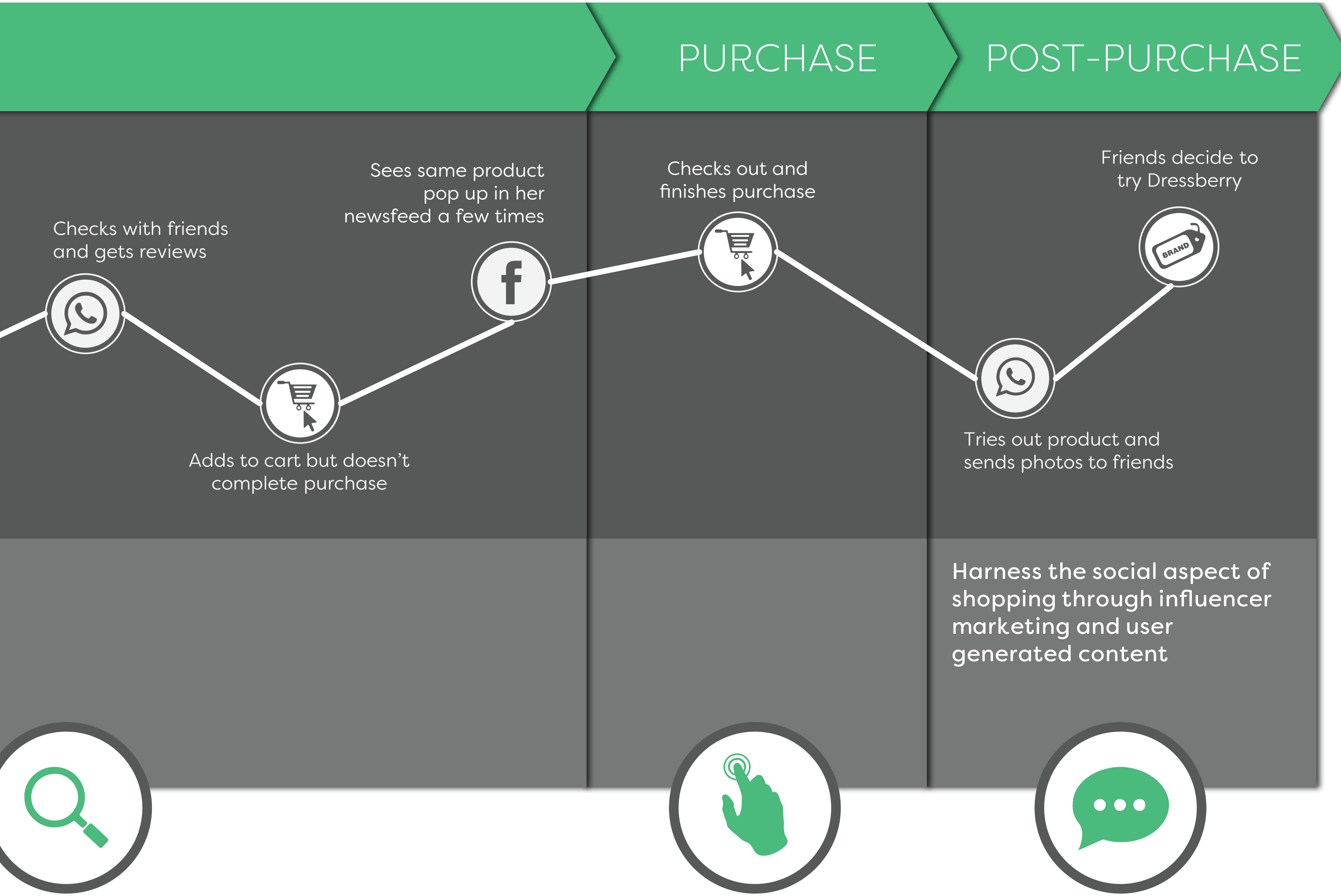
Shopper profile:

Frequent online shopper with ~3 purchases online in the last month.

Overall apparel spends ~INR 20K annually, of which 70%+ online.

Source: BCG Qualitative In-depth Interviews with online apparel shoppers 2016




PURCHASE
POST-PURCHASE
Checks with friends and gets reviews
Adds to cart but doesn't complete purchase
Sees same product pop up in her newsfeed a few times
Checks out and finishes purchase
Tries out product and sends photos to friends
Friends decide to try Dressberry
BRAND
Harness the social aspect of shopping through influencer marketing and user generated content

DISCOVERY

RESEARCH

Interaction across channels

Rahul needs a new jacket for winter

Searches 'jackets' on Amazon, filters by his favourite brands

Finds a design he likes – decides to check fit offline

Checks brand store nearby – store does not have the jacket in Rahul's favourite black!

Searches online to find other same brand stores nearby

Finds another showroom nearby; tries on the jacket – it's a fit!

He decides to check online for discounts online

15% discount on the jacket on Amazon – he is excited but wary of spending >4k online

Wife – a seasoned online shopper – reassures him about money-back & return

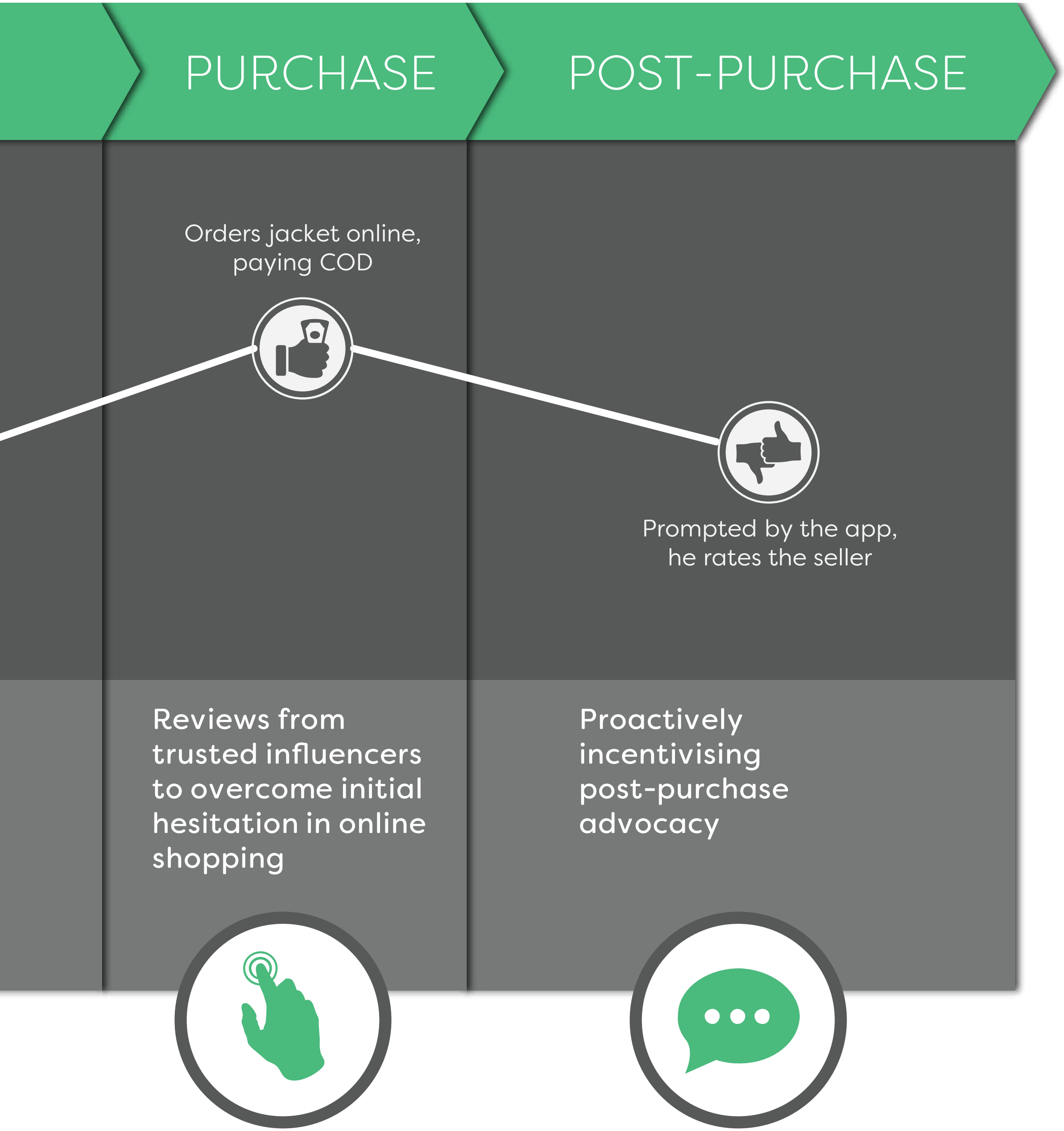
Opportunities

Proactive data-driven targeted offers

Personalised fit ratings and size recommendations

Digital platform to extend in-store inventory

Location-based targeted messages and offers



Research offline, purchase online

Affluent Tier 2 consumer purchases online due to greater availability of sizes and designs

Rahul
34 years
Udaipur

Digital age: >10 years

Spends 30+ hours weekly online including social networking, browsing, online bookings, etc.

Started shopping online ~4 years ago — seeking discounts on his favourite brands.

Shopper profile:

Occasional 3-4 fashion transactions online in the last 6 months.

Overall apparel spends INR 12-15K annually, of which ~40%+ online.

Source: BCG Qualitative In-depth Interviews with online apparel shoppers 2016

Research online, purchase offline

Digitally-savvy online shopper seeks latest trends online, but purchases offline for touch-and-feel & fit

Sneha
33 years
Mumbai

Digital age: >4 years

Spends 30+ hours weekly online 30+ hours social networking, booking, news, search etc.

Started shopping online ~3 years ago after recommendations from social circle, seeking discounts.

Shopper profile:

Occasional 3-4 fashion transactions online in the last 6 months.

Overall apparel spends ~INR 15K annually, of which ~60% online.

Source: BCG Qualitative In-depth Interviews with online apparel shoppers 2016

	DISCOVERY	RESEARCH
Interaction across channels	Follows Bollywood actors, designers and fashion bloggers on Instagram Seeking style inspiration, looks up articles with Bollywood celebrity looks for Diwali	Likes Sonam Kapoor's look — searches for 'anarkali with jacket' online Finds similar designs; but is uncomfortable spending 5K online without checking material
Opportunities	Curated services in shopping for entire 'look' by trusted apparel brands	Physical 'experience' zones for reassurance on material and touch-and-feel

PURCHASE

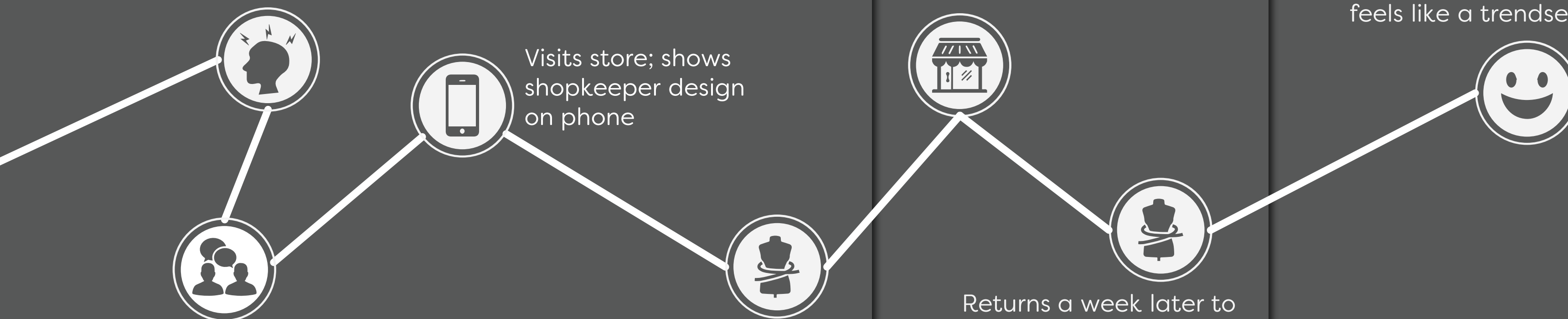
POST-PURCHASE

Visits several sites, but is unable to find matching potli bag – frustrated, decides to abandon transaction & check offline

Visits store; shows shopkeeper design on phone

Selects material from multiple options to suit her budget; pays advance on spot

Wears outfit to party & receives several compliments – she feels like a trendsetter!

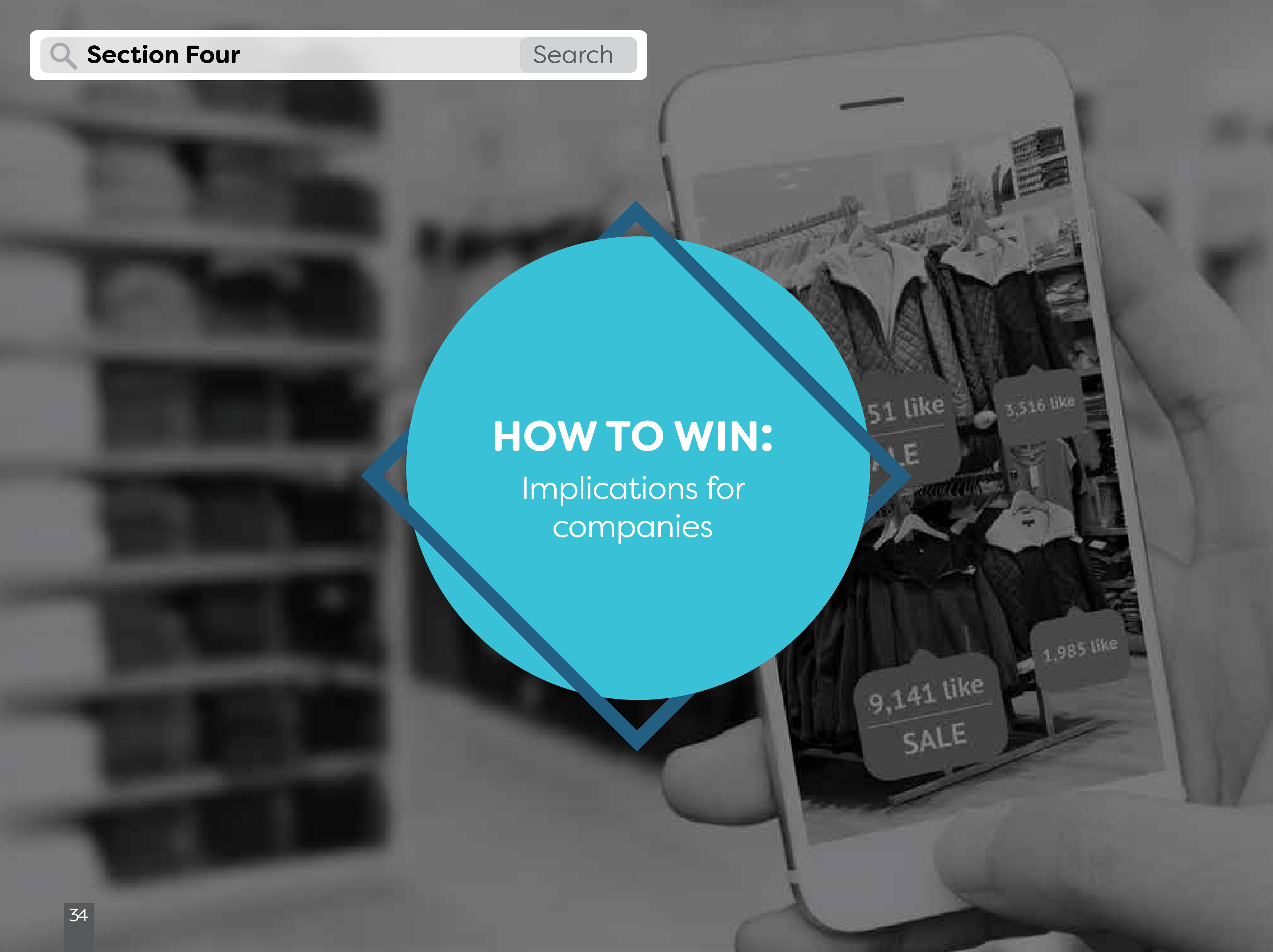


Discusses experience with friend; she recommends a local store

He offers to get an anarkali made to order

Returns a week later to check fit – asks for minor adjustment & for potli to be made from leftover material

Online, customised, made-to-order services allowing customers to 'build' and buy a look online



HOW TO WIN:

Implications for companies

Digital needs to become central to how fashion players operate

Key takeaways and their implications for brands and retailers

Takeaways	How to Win? 'Here & Now'	How to Win? 'Pushing the Art of the Possible'
Digital will influence $30 bn of fashion spending by 2020 E-commerce will grow 4x to reach $12-$14 bn by 2020 Digital is ~40% of urban Internet user's time spent with media, but only 10%-15% of apparel brands' ad spends Mobile drives online access – 85% of online shoppers shop on mobile	#1: Leverage digital across touch points in consumer journey	#4: Build digitally-enabled personalisation capabilities
Online shopper profile of 2020 will be diverse – women to be 50% of the base; lower tiers more than half Stark differences across customer segments – metros, males driven by discounts; women & lower tiers driven more by variety	#2: Differentiate product assortment by store cluster	#5: Optimise product assortment – move from 'segment' to 'individual consumer' level
Touch-and-feel is the major barrier for existing shoppers, more so in small town India; fit is a concern for women shoppers Consumer paths to purchase are increasingly getting complex; ~25% of transactions by online shoppers are made purely online; however ~30% have both online and offline touch points	#3: Expand economically viable coverage through innovative store formats – online and offline will need to co-exist	#6: Re-imagine store shopping experience – replicate evolving consumer pathways in-store

Leverage digital across touch points in consumer journey

The role of digital in fashion is large — not only as a channel for purchase — but also as a major influence on consumer decision making. Therefore, companies need to engage consumers through digital channels across the purchase journey.

Companies globally are exploring multiple ways of leveraging digital to connect with consumers. Nike, for example, has built a digital community around running to heighten engagement across the consumer purchase journey.

Another path-breaker is Net-a-Porter, which was the first to incorporate 'magazine style' editorial content on its website.

Finally, a global leader like H&M partnered with Kik to launch a chat bot that learns preferences and behaves like an online store assistant, recommending products to users for a value-added shopping experience.

While several global companies are doing this successfully, there exists significant potential for Indian players to differentiate themselves through novel means of digital consumer engagement.

#1

Engage & inspire consumers

Digital Communities

Facilitate two-way communication around a cause close to customers to deepen engagement.

Make them aware

Targeted marketing

Tailor messages to consumers based on interests & demographics.

Pre-launch feedback

Test consumer feedback pre-launch for higher sell-through.

Help them decide

Curated Content

Invest in strong content — in-house, user-generated, third party influencer driven — on latest styles and 'looks'.

Sell them the product

Context-specific display ads

Display relevant ads based on site context.

Conversational commerce

Integrate shopping into conversations; provide an assisted shopping experience.

Reward their loyalty

Exclusive pre-launches and services

Offer exclusive products and services to loyal customers & social influencers.

Drive advocacy

Foster 'virality' through social media platforms

Encourage consumer reviews, closely manage social sentiment.

#2

Differentiate product assortment by store cluster

Fashion players need to build a data-driven assortment plan to be able to win with the diverse group of consumers.

A best practice data-driven assortment plan would cover:

- Detailed store clustering algorithm using external & internal data on location, consumer and store characteristics
- Deep data insight to vary product assortment by store cluster — categories, price points, styles (e.g. trendy vs. traditional), size/colour skews and range (width vs. depth)

Key levers for optimising the assortment planning process typically followed by leading fashion players are illustrated alongside.

Store universe

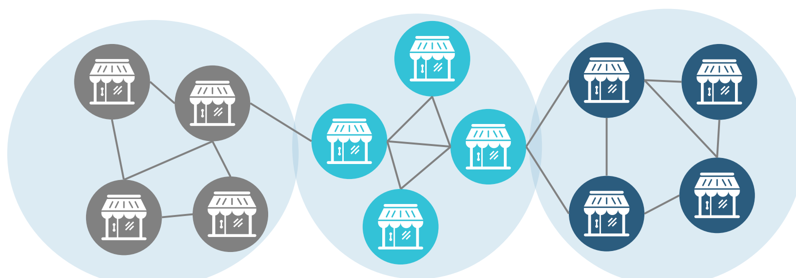
Store clustering variables (illustrative)

Location
Competitive intensity, geography, population, traffic, climate

Consumer
Gender, age, income, level of fashionability

Store characteristics
Sales, size, layout

Store clusters



Assortment choices by cluster

Store assortment to consist of two modules

Core modules (Categories, styles and options every store will carry)	Specific modules, by store cluster • Categories • Range (width & depth) • Price mix • Size, colour skews

Expand economically viable coverage through innovative store formats

Online and offline channels will need to co-exist

As revealed in the purchase pathways, the fashion consumer of today has multiple varying needs, leading to an explosion in the complexity and variety of pathways. Consumers, especially women and those from lower tiers seek reassurance on touch-and-feel and fit of product before buying.

Further, entirely 30% of all transactions by online apparel shoppers use both online and offline channels — and 44% are purely offline.

All these indicate that stores will remain pertinent in the near future, while consumers build confidence in the online channels.

Fashion players must hence use novel store formats to economically expand their physical footprint to meet these diverse needs. A few illustrative examples are depicted in the exhibit alongside.

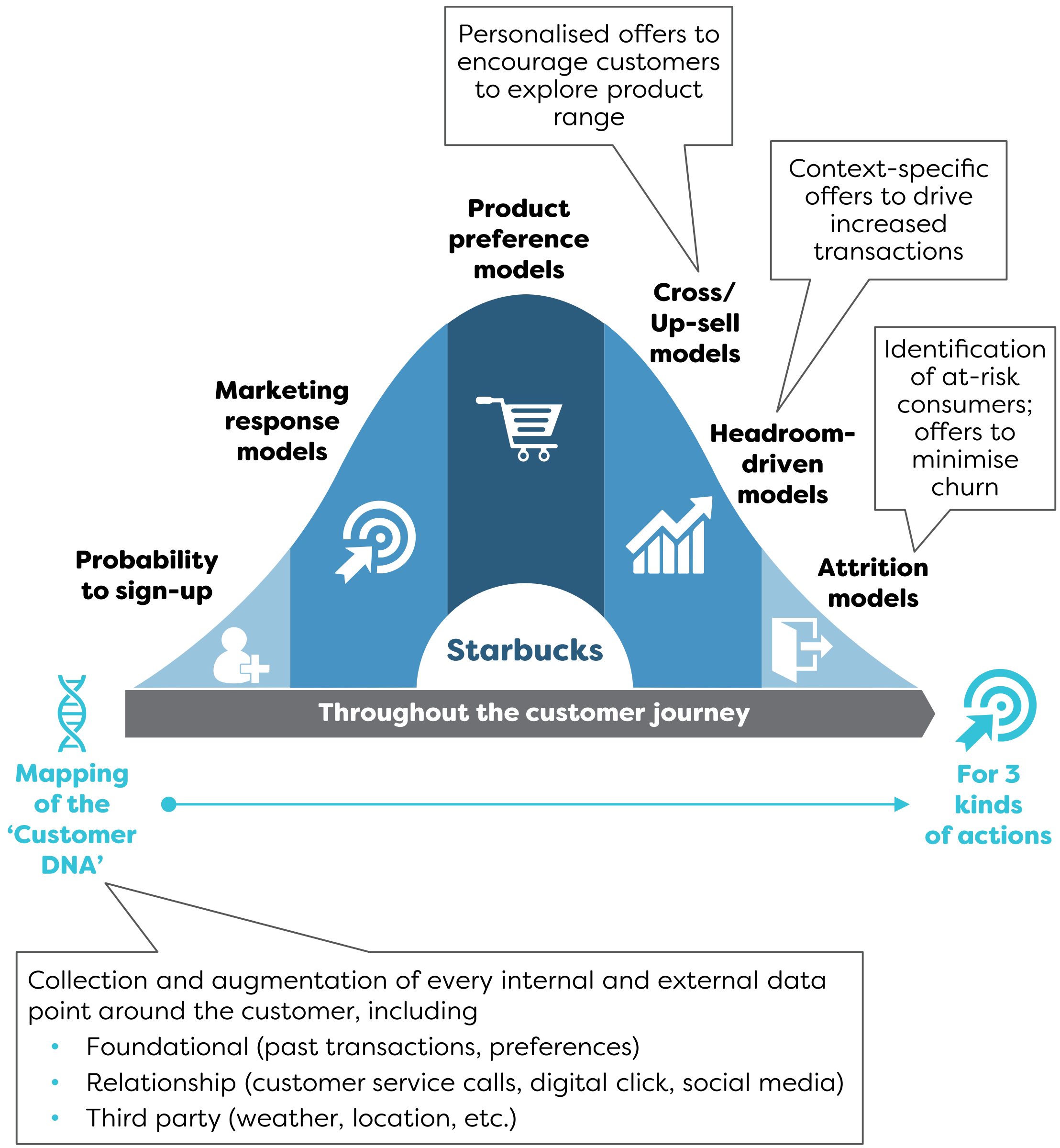
#3

Create differentiated in-store experiences to meet different customer needs

	Transaction store	Brand store	Flagship/ Megastore
Store size	Small	Regular	Expansive
Store location	Throughout retail network — focus on lower tiers	Select locations in Metros & Tier 1/2	Major shopping hubs in Metros
Product offer	Curated assortment allowing trial of sizes	Selection of most relevant merchandise based on location and profile data	100% of range Limited editions
Other key services offered	Convenient local trial, pickup and return	Cross-channel services e.g. ship-from-store to enable quick delivery	Inspiration beyond core offer e.g. Lululemon flagships host yoga events to build community Sales associates with personalised advice

#4

Build digitally-enabled personalisation capabilities



The plethora of digital data allows companies to design and deliver personalisation to 'individual consumer' level. Data can be harnessed to deliver three essential aspects of personalisation:

- Launch hyper-targeted campaigns based on customer profile to drive cross-sell and up-sell
- Send context specific triggers based on location, customer preferences and external information to drive increased transactions
- Identify customers at churn risk & roll-out targeted offers for maximum customer retention

The accompanying exhibit depicts how Starbucks has leveraged 360-degree analytics.

Starbucks mapped customer DNA to offer DNA – creating over 2 mn personalised notifications to drive customers to visit a store, tailored by product, reward, offer type, timing, channel, context, etc.

Optimise product assortment

Move from 'segment' to 'individual consumer' level

Optimising product assortment by store cluster is table stakes for the fashion players today. The usage of advanced analytics on the plethora of data can enable players to optimise the store assortment at an individual store level.

Each store's ideal assortment can be defined based on a deep knowledge of the store's customers, their historical buying preferences and a data-driven prediction of their potential product preferences.

Online retailers can take this one step ahead by offering a tailored assortment to individual customers.

Stitchfix, shown in the exhibit, combines data from multiple sources to deliver personalised one-on-one recommendations to its consumers.

#5

Stitch Fix builds and leverages deep data pool to deliver perfect 'Fix'

Initial preference survey on sizes, styles, budget, etc. filled by customers

Proprietary algorithm to estimate
- Product preferences
- Purchase likelihoods

'Learning' algorithm adapts to user behaviour (e.g. reasons for returns) to improve future recommendations

Customer profile built using
- Survey results
- Demographic profile
- Past purchase history
- Feedback on social media & e-commerce sites

Each customer is paired with a stylist

Stylist uses algorithmically-generated list as basis for **5 final outfit recommendations to customers**

In addition, stylists share tailored tips & tricks e.g. how to accessorise outfits

Re-imagine store shopping experience

Replicate evolving consumer pathways in-store

With the increasing popularity of digital, fashion players need to adopt digital elements into offering an end-to-end seamless experience to consumers.

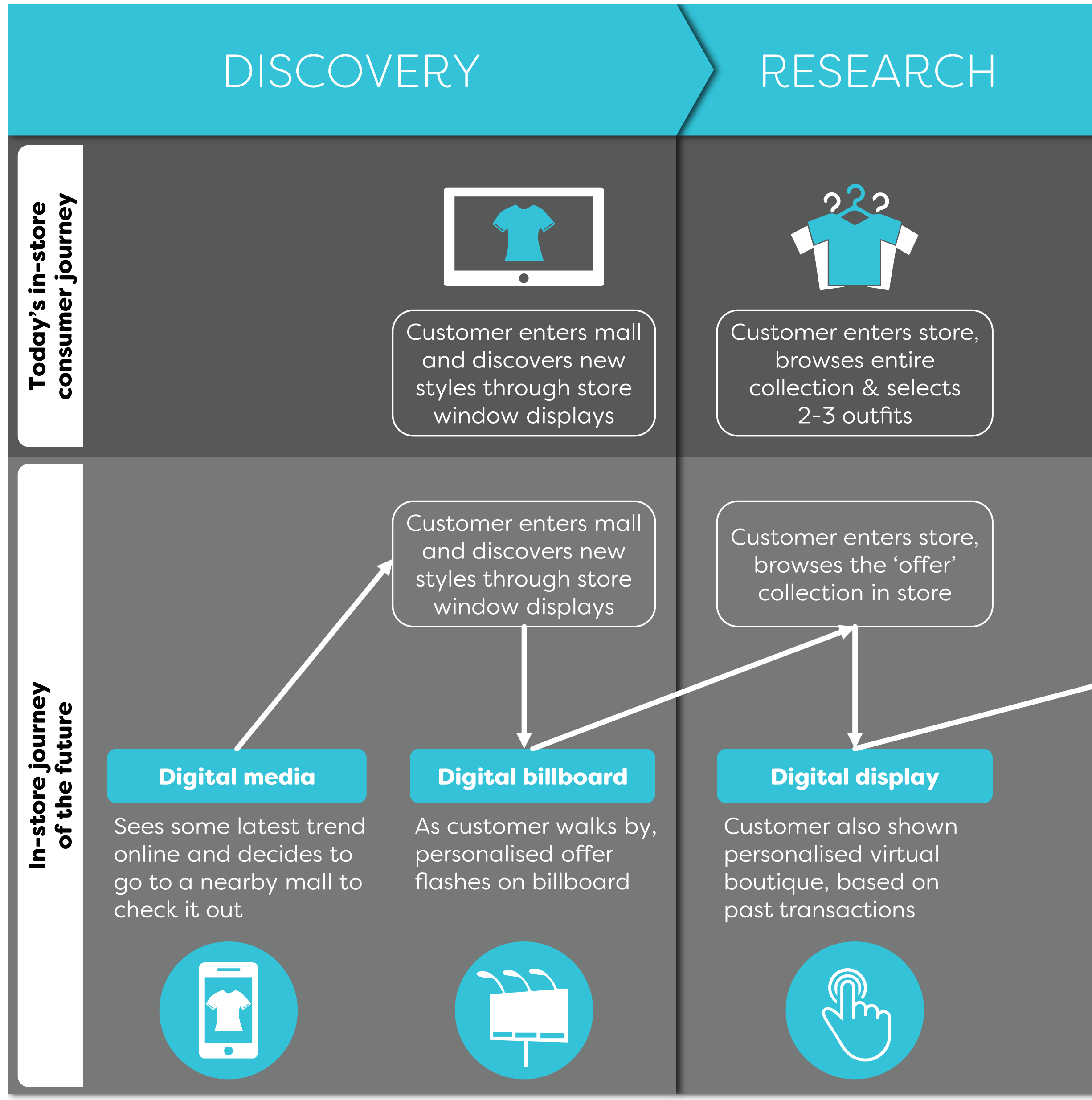
Global fashion players are already undertaking experiments to digitise the in-store experience using digital elements such as billboards, 'magic mirrors' in changing rooms, endless aisles and in-store apps.

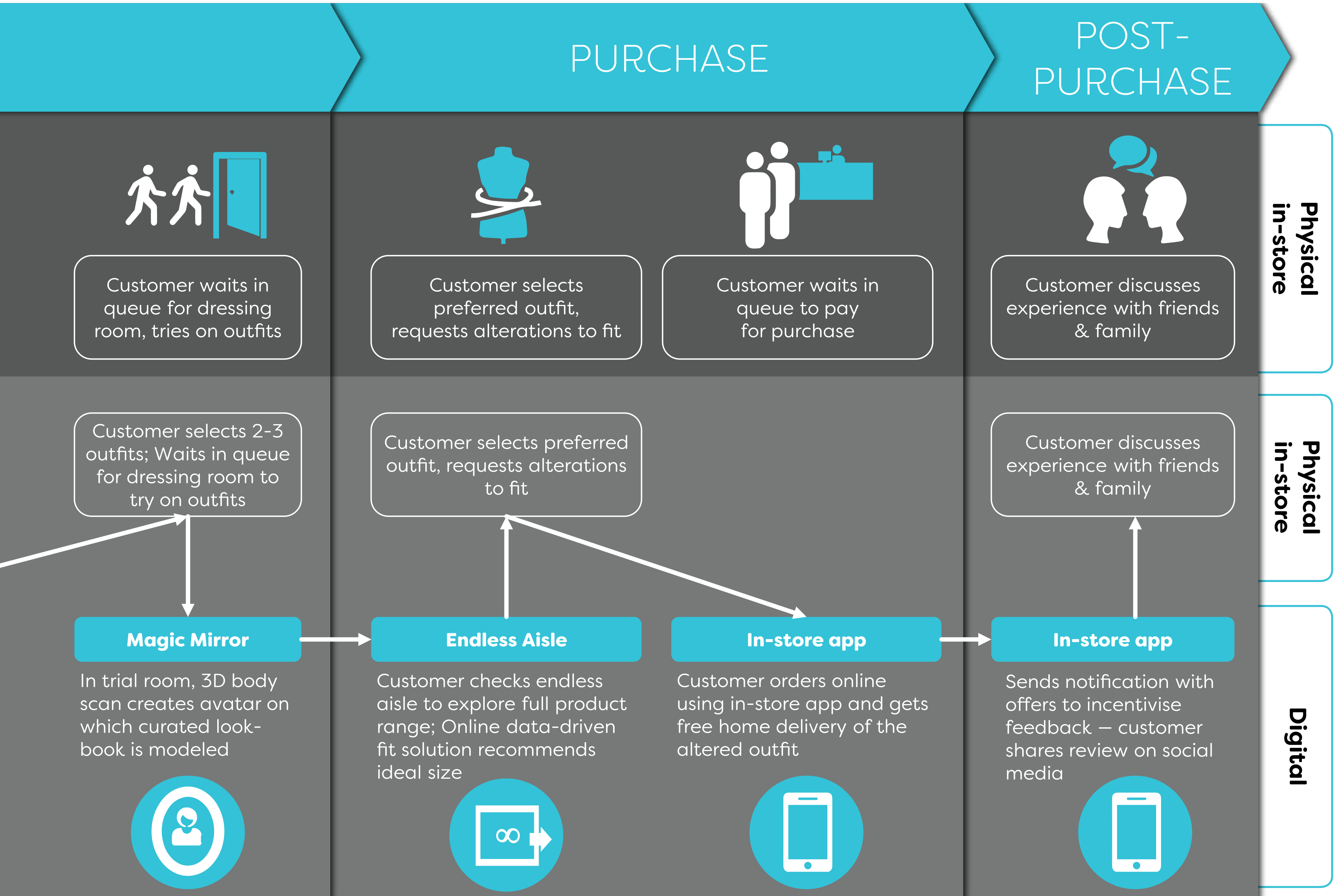
For example, Offer Moments, a UK start-up, is partnering with fashion retailers to create personalised, targeted offers for passer-by consumers through a digital billboard.

Adidas is transforming trials through interactive changing rooms where customers are scanned, an avatar created and multiple looks showcased. The mirrors are also connected to social networks to encourage sharing and advocacy.

The exhibit contrasts the 'in-store journey of today' against the 'in-store journey of the future' which will encompass both offline as well as digital elements in order to offer a completely seamless experience to consumers.

#6




PURCHASE
POST-PURCHASE
Physical in-store
Physical in-store
Digital
Customer waits in queue for dressing room, tries on outfits
Customer selects preferred outfit, requests alterations to fit
Customer waits in queue to pay for purchase
Customer discusses experience with friends & family
Customer selects 2-3 outfits; Waits in queue for dressing room to try on outfits
Customer selects preferred outfit, requests alterations to fit
Customer discusses experience with friends & family
Magic Mirror
In trial room, 3D body scan creates avatar on which curated look-book is modeled
Endless Aisle
Customer checks endless aisle to explore full product range; Online data-driven fit solution recommends ideal size
In-store app
Customer orders online using in-store app and gets free home delivery of the altered outfit
In-store app
Sends notification with offers to incentivise feedback — customer shares review on social media

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About Facebook

Founded in 2004, Facebook's mission is to give people the power to share and make the world more open and connected. Over 1.86 billion people globally and 180 million people in India use Facebook to connect and share the things they care about and to discover what's going on in the world. Facebook for Business is Facebook's Marketing Tools help business's find new customers and build lasting relationships with them. Whether you're just getting started with Facebook for your business, or you're ready to optimise your Facebook presence to meet specific goals, Facebook for Business is here to help. Facebook IQ is a team of world-leading experts on data analysis and storytelling, who provide marketers a true understanding of people, and what drives them to stop, look, feel, share, do and buy. We then translate what these insights mean for brands.

For Further Reading

The Boston Consulting Group publishes reports, articles and books on related topics that may be of interest to senior executives. Recent examples include publications listed here.

Decoding the Digital Opportunity in Retail
A report by The Boston Consulting Group in association with Retailers Association of India, February 2017

Casual Apparel Outperforms High-End Fashion
2016 BCG Consumer Value Creators series, December 2016

Five Lessons on Digital Transformation from B2C Leaders
An article by The Boston Consulting Group, December 2016

Digital or Die: The Choice for Luxury Brands
A focus by The Boston Consulting Group, September 2016

The Rising Connected Consumer in Rural India
A focus by The Boston Consulting Group, August 2016

Fashion and Luxury: A New Era of Opportunity
2015 BCG Consumer Value Creators series, December 2015

Brands Need Friends: Advocacy Fuels Growth in India
An article by The Boston Consulting Group, September 2014

From Buzz to Bucks—Capitalizing on India's "Digitally Influenced" Consumers
A focus by The Boston Consulting Group, April 2013

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