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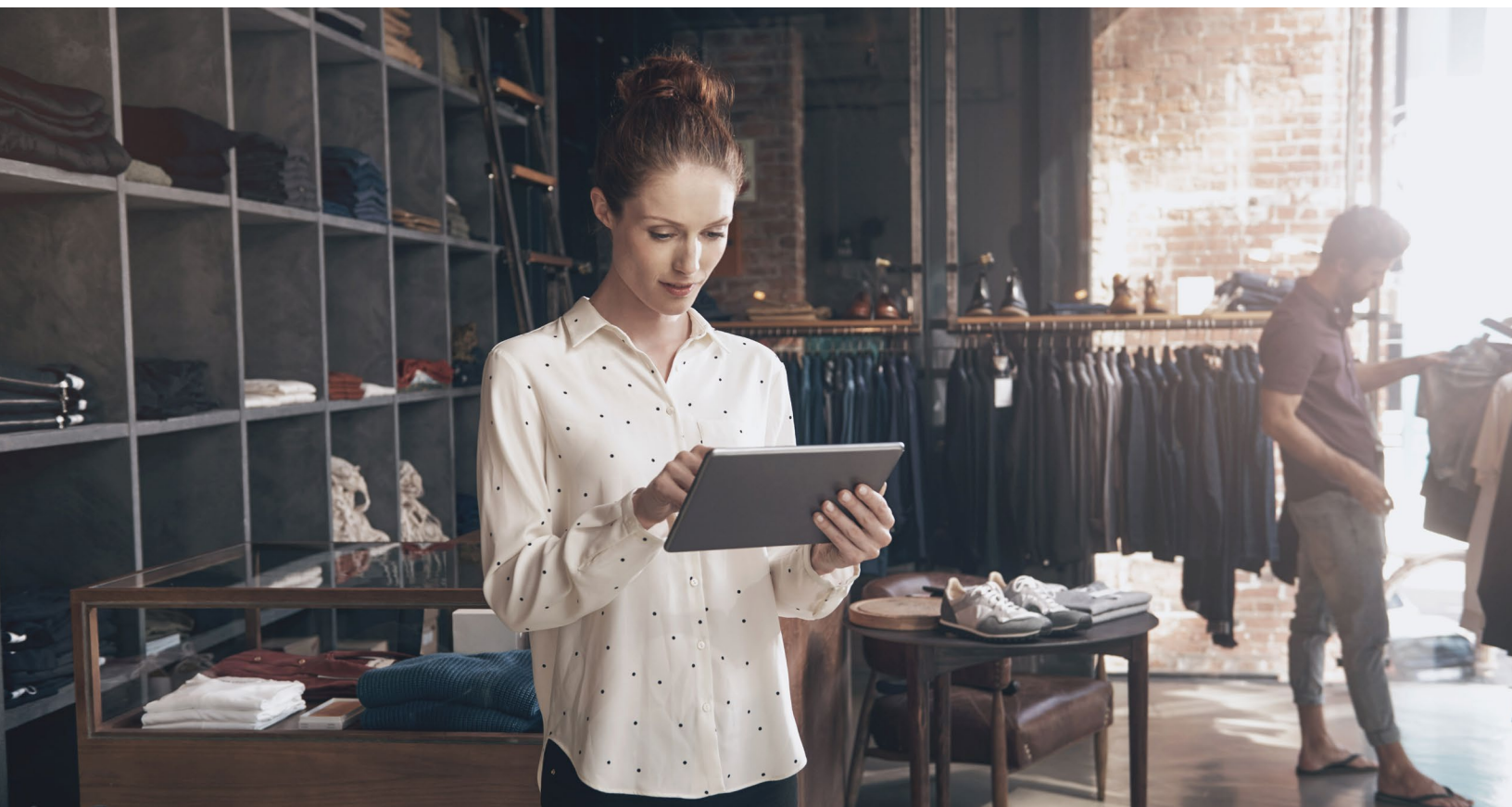
Ready to 'where': Getting sharp on apparel omnichannel excellence

Brands and retailers are moving quickly to provide more seamless omni-channel shopping experiences—but your customers are moving faster.

by Holly Briedis, Tyler Harris, Megan Pacchia, and Kelly Ungerman

Tectonic forces are roiling the apparel landscape, overcoming companies that can't keep pace with digital competitors or the customers whose behaviors and expectations are evolving faster than ever. Six out of ten people now use at least one digital channel in their shopping journey for an apparel garment, which has major implications for physical stores. In 2017 and 2018 alone, US retailers vacated a quarter of a billion square feet, and they have announced more than 6,000 store closures so far this year.[1]

For most apparel companies, however, brick-and-mortar stores are still essential. That is because more of the best customers are using a combination of offline and online channels when they shop. Our new Apparel Omnichannel Survey of more than 3,000 US shoppers reveals why these journeys are so important: the average omnichannel customer purchases 70 percent more often than an offline-only shopper and reports spending more than $2,000 on apparel each year.[2] This is 34 percent more than an offline-only shopper—a conservative figure, as transaction data often indicate that omnichannel shoppers spend multiples more than their peers do. Omnichannel shoppers are simply better customers for apparel brands.

The Apparel Omnichannel Survey explored which customer-experience and merchandising factors drive customers to search, consider, and ultimately purchase in a given channel, which are distinct from what drives purchases for a specific brand. Insights in this perspective focus on channel equity—what drives shoppers to purchase, for instance, from a multibrand apparel retailer (like a department store) versus a monobrand store, as well as online versus from a brick-and-mortar store.

In this article, we will discuss how customer behavior is changing across channels today and how brands and multibrand retailers can more clearly deliver on what customers value most.
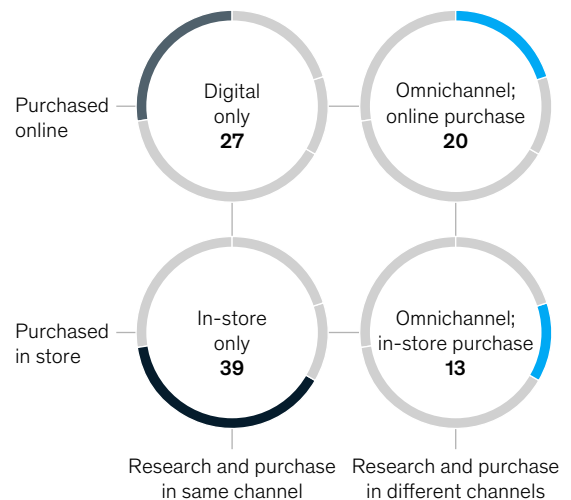
New-age requirements for winning in omnichannel

Omnichannel shopping is fast becoming the new norm. According to our survey, omnichannel shoppers now represent one in three shopping journeys (Exhibit 1). In addition, more than 60 percent of shopping journeys now have a digital component for either research or transaction—a

Exhibit 1

Omnichannel shoppers represent one in three journey types today.

Breakdown of shopping journeys in apparel,
% of shoppers

Purchased online

Digital only
27

Omnichannel; online purchase
20

Purchased in store

In-store only
39

Omnichannel; in-store purchase
13

Research and purchase in same channel

Research and purchase in different channels

Note: Channel defined as online or physical.

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[1] Hayley Peterson, "More than 6,200 stores are closing in 2019 as the retail apocalypse drags on—here's the full list," *Business Insider*, May 2, 2019.
[2] The 3,127 Americans who responded our survey in late 2018 were primary or shared decision makers who had purchased apparel in the previous three months. The women had spent at least $500—and the men at least $250—in the previous 12 months on casual, noncasual, or athletic apparel. We excluded intimates, footwear, basics (like underwear and T-shirts), and accessories (like socks and hats). We define "omnichannel shoppers" as shoppers who use a combination of offline and online channels throughout their journeys, from initial consideration to final purchase.

share that is projected to grow at a rate three times that of in-store sales.[3] Meanwhile, nearly 40 percent of purchases are still made in physical stores without online research.

Personalization is no longer a nice to have but a *must-have*

Online leaders in consumer-facing industries, from books and music to insurance, use countless data sources and artificial intelligence to customize offerings to millions of people every day. Sephora—a best-in-class example—takes cross-channel personalization to the next level with features like location-targeted text messages to notify customers that a nearby store has a new, limited-edition product in stock.

Our analysis reveals that personalization, such as "tailored for me" product suggestions and advice, is a key driver of trips for both monobrand and multibrand retailers across online and offline channels. Further, customers indicate that personalization gives an opportunity to differentiate from competitors and delight them. To personalize effectively, however, brands and retailers first must know who their customer is—to link and identify the one in three shoppers who researched online before coming into the store or researched in the store before visiting the website.

Amazon is core to your customer's journey— take the time to understand it

We believe apparel companies can outcompete online-only giants at specific moments in the consumer shopping journey. According to our research, one in four apparel shoppers visits Amazon early in the apparel shopping journey. That's a huge number. But two-thirds of those visitors buy elsewhere. This tells us that Amazon is critical in the search, inspiration, and discovery phases of the journey (an insight supported by its growing role as a marketing and media platform) but is less effective for evaluation and the purchase transaction itself. This creates an opportunity for apparel companies to differentiate and win the actual sale.

Business-model innovation is essential for the omnichannel shopper—how are you redefining your experience?

Omnichannel customers are hungry for innovation and are more likely to experiment with new technologies and engagement models. As the number of omnichannel shoppers grows, the degree and pace of innovation and experimentation will need to grow to serve them.

Innovative direct-to-consumer apparel companies are gaining real-time insights into what customers want and responding to trends faster than ever. Reformation, a direct-to-consumer brand known for sustainable sourcing and manufacturing, delivers new products quickly in response to customer insights and feedback. Revolve Clothing, a digital-first company, creates a full-circle loop based on its proximity to the consumer: influencers drive and inform digital content, while consumer-search and -transaction data inform the development of private-label brands and products.

> *As a direct-to-consumer brand that owns and operates its own factory, we can listen to our customers' needs and deliver products to market in a quick turnaround— proving that sustainability and fast fashion can coexist.*
>
> —Hali Borenstein, President, Reformation

Other retailers are mobilizing on the shopping trends by building or investing in new models to engage with the customer. Stitch Fix offers a virtual stylist and subscription service, while Rent the Runway is building an ever-more comprehensive rental service, expanding to new product categories and services.

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[3] "Digital-influenced retail sales forecast, 2018 to 2023 (US)," Forrester Research, December 10, 2018, forrester.com; "Forrester data: Online retail forecast, 2018 to 2023 (US)," Forrester Research, May 7, 2018; forrester.com.

Be incisive: Invest in what matters

The evergreen retail framework focused on five primary factors—assortment, service, experience, price, and convenience—still applies in understanding how to deliver a brand or retail experience (Exhibit 2).

Exhibit 2

There are five dimensions that companies can focus on to deliver an elevated omnichannel experience.

■ Must win　■ Table stakes　■ Key opportunities to differentiate

What's changed, however, is how these factors manifest in an omnichannel world and the breadth of new resources, tools, and assets that underlie these factors and enable brands and retailers to act.

A few select examples of how best-in-class retailers are bringing these factors into their day-to-day operations:

— **Experience.** Rather than relying exclusively on owned transaction and third-party-syndicated data to get a view on a customer, leading companies are augmenting this with social listening. They are also turning brick-and-mortar stores into data-collection opportunities (for example, providing tablets for shoppers to "order" items to the fitting room). This gives a more 360-degree view of the customer and creates a tailored experience across the entirety of the omnichannel journey.

— **Service.** Rather than investing exclusively in store associates, leading companies are leveraging virtual stylists and chat bots. In parallel, they are sharpening the associates' tool kits to provide them with the most important information about the specific customer who walks in the door.

— **Assortment.** Instead of developing assortments based on historical planograms, leading companies are investing in advanced analytics and web scraping to forecast trends. They are doing fast tests and trials with customers to see what sells before committing to space on a shelf or floor.

Consistently, the companies outperforming in omnichannel have a deep understanding of their own customers' unique expectations across channels, including what matters most to them.

What matters most—and least—in omnichannel equity

Omnichannel customers are hungry for innovation. Why does a customer choose to transact in a department store rather than the owned store? What makes a customer choose to buy repeatedly online versus going into the store? What are table-stakes factors versus true differentiators in the shopping experience? Against each primary channel, we generated a customer-backed view on the derived importance of each of the five factors to understand what ultimately drives trips at a channel level. While nuances exist by category and for monobrand and multibrand retailers, the following summary holds true in aggregate.

Assortment—the most important factor

Our survey results indicate that assortment is far and away the most important factor in driving trips

across channels—spanning brick-and-mortar stores and online, as well as monobrand and multibrand retailers. A broad selection is especially important for multibrand retailers (for example, department stores and specialty wholesalers) that need to carry all the brands and styles a customer typically buys. Tailoring the assortment to a retailer or to a channel (for example, online only) allows retailers to break shoppers' ability to price reference online and enables price variation by channel.

Experience—a compelling reason to go

For getting the experience right, two levers rank among the top for both multibrand retailers and brands: personalizing product suggestions to customize the experience for a customer and being fun to browse and shop. Shoppers tell us that more practical elements of the experience, such as product reviews to increase confidence in the purchase, being able to reserve items to try on in stores, and the purchase channel meeting expectations consistently, tend to drive their online trips. Conversely, they suggest that physical stores drive trips by offering immersive environments that are less easily replicated in digital channels. Elements of these experiences can include offering

In our own stores, we are beginning to lead not only with product but also experience. We have a select group of "Maker" doors where we lead with service and personalization, allowing the customer to curate their experience and connection with the brand. As a result of these efforts we're seeing a deeper and more meaningful connection with the customer, an enhanced shopping experience, higher foot traffic, and better sales performance.

—Steve Evans, Executive Vice President, Owned Brands, Fossil Group Inc., and Matt Tressler, Senior Vice President, Global Retail, Fossil Group Inc.

interactive and engaging ways to navigate products and discovering new offerings.

Fossil and other brands are developing new concepts and store layouts to take the engaging and personalized experience to the next level. Fossil's Maker concept stores limit assortment to devote more space to enhancing and customizing the experience, such as stations for engraving, mixing, and matching watch straps; repair; and service.

Frye, an experience-forward shoes, boots, and leathers brand, uses its owned stores as platforms for fun, immersive experiences. The brand, known for its popularity with musicians, installed a stage in its Nashville, Tennessee, location. By day, it's an Instagram magnet; by night, it features open-mic events for emerging vocal artists.

Our engagement strategy was to localize our retail stores to become part of the fabric of the community. We instinctively put in the stage and the instruments so that we could showcase great local musicians, host events, or provide a place for people shopping to have some fun jamming. We didn't think about it as a great content creator initially; however, it ultimately drove significant social-media content. Creating this experience where customers wanted to come and immerse themselves and have fun drove up both our sales and customer loyalty.

—Adrienne Lazarus, former CEO, Frye

Service—an opportunity to differentiate and delight

For service, the stakes are high: 33 percent of Americans say they will think about switching companies after only one poor service experience.[4] Meanwhile, the benefits of getting it right are

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[4] *2017 global customer service barometer*, American Express, 2017, americanexpress.com.

clear: seven out of ten shoppers have spent more for the same item to purchase with a company that provides excellent service. Among all factors available to brands and retailers to compete, service has the most room to differentiate and the ability to delight omnichannel shoppers.

Price—relative to the value of the experience
While price tends to be slightly more important in driving trips for monobrand than multibrand retailers, the customer expectation is that products are "priced right"—that price is commensurate with the value of the experience—regardless of which channel they prefer to shop. In other words, customers are willing to pay more for a better experience, which can include the ability to charge different prices offline and online or across different channels if the experience is sufficiently differentiated.

Convenience—a must win, but not a differentiator
Most customers claim that convenience, which includes things like seamless switching between channels, flexible delivery options, and location of store, is the most important purchase factor regardless of channel. It's important to consider differences between what your customers say and what they actually do—our analysis shows that convenience consistently ranks at the bottom of the five factors in driving overall trips to a channel.

The ways to execute against and win in each of these five areas look different today than they did in the past—and they continue to evolve at an ever-rapid clip. Consistently, companies that are leading in omnichannel have a clear point of view on the goals and roles of each channel in their ecosystem, and they design differentiated experiences across these five factors to attract, deepen, and retain the relationship with their omnichannel customer.

Leading the omnichannel revolution

To win in omnichannel, apparel companies should have a point of view on the following areas:

1. Understanding your omnichannel customers and their expectations:

    — How does your company's omnichannel journey compare with those of your peers, what signature moments do you create, and how are you performing against customer expectations?

    — Do employees across the organization understand the characteristics and importance of omnichannel customers and build strategies and action plans to address their needs? Is this translated into clear strategies and initiatives across the organization?

    — Are you linking and creating seamless cross-channel experiences for your customers? What points of engagement matter most, and how do they enable or disrupt the shopping experience?

2. Developing an omnichannel merchandising strategy by channel:

    — Is your merchandising strategy tailored by channel based on what your customers value and how they shop?

    — Is merchandising decision making coordinated across channels to be truly omnichannel, rather than occurring in channel silos?

3. Enabling the organization for omnichannel success and cross-channel performance:

    — Can you point to a single person or team that "owns" omnichannel performance?

    — How have you designed performance metrics that incent and reward omni-channel or "whole enterprise" success, rather than channel-isolated key performance indicators?

    — Is your organization agile enough to adjust to changing customer needs across channels?

The time to act is now

In some ways, the apparel business has come full circle: for centuries, shoppers patronized the dressmakers and tailors who understood their tastes and preferences, provided advice on the latest fashion, and offered special deals for the best customers. Shoppers today expect the same kind of personal touch.

We believe the winners going forward in apparel will be those that listen and translate customer needs and expectations into carefully crafted channel strategies to meet and serve customers where they are—and as they move within and across channels. These winners will know their customers better than competitors and engender longer-term trust and loyalty, deepened through each interaction.

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