

THE FUTURE OF FASHION RETAIL

Building ^{TOWARDS} Meaningful Experience

The Internet, social media, and mobile technologies have changed shopping habits dramatically. The fashion retail industry faces particular challenges as brands compete to attract an extremely diverse audience of mobile, always connected and social-orientated consumers. Capturing their desires is complex and requires a transformation of the traditional retail structure. This research explores how retailers are reacting to these changes through omni-channel thinking and the key role of technology in taking this approach to a new level. Based on detailed analysis, the report will propose a vision of the future of fashion retailing and the opportunities this presents to various market players.

“Digital technologies are transforming the various domains of our societies, opening new and unforeseen opportunities. . . .

In his seminal book *Being Digital*, Nicholas Negroponte predicts that digital living “will include less and less dependence upon being in a specific place at a specific time” because human activities can be done from anywhere and at any time. Digital technologies are transforming the various domains of our societies, integrating physical ones with virtual

ones, creating new ones and opening new and unforeseen opportunities. Individuals are part of that transformation actively driving changes and creating new habits. This can be easily observed in the way people shop and consume. The use of on-line shopping, smartphones, and social networks is fostering new types of consumers. Beecham Research is now conducting further research in this area, to be published in a new report shortly. This research

explores these changes and what they mean for brands and retailers, and it considers how brands and retailers can adapt to these changes through omni-channel initiatives driven by the adoption of different technologies. Technology is a key enabler for the future of fashion retail and its implications will be analysed in depth.

Towards a New Consumer Experience: Social, On-line, and Always On

Why and How Consumption Behaviour is Changing

In the pre-Internet era, the purchase of an item of clothing was experienced in very similar ways by almost all consumers. They could browse fashion magazines, identify an item or items they liked, share their views with friends and families, and then go in person to the store. In the store, they would have tried different items with the help of a shop assistant. Consumers could then choose an item and buy it or leave the shop and go to another.

Today, the widespread use of the Internet and smartphones has opened new channels of knowledge for consumers. Consumers find themselves faced with a diverse, rich, and immediate flow of information about the items they want to buy. This flow of information follows them wherever they go. They can see products, read reviews, share opinions, switch from one on-line shop to another, and purchase the products wherever they are, whenever they like.

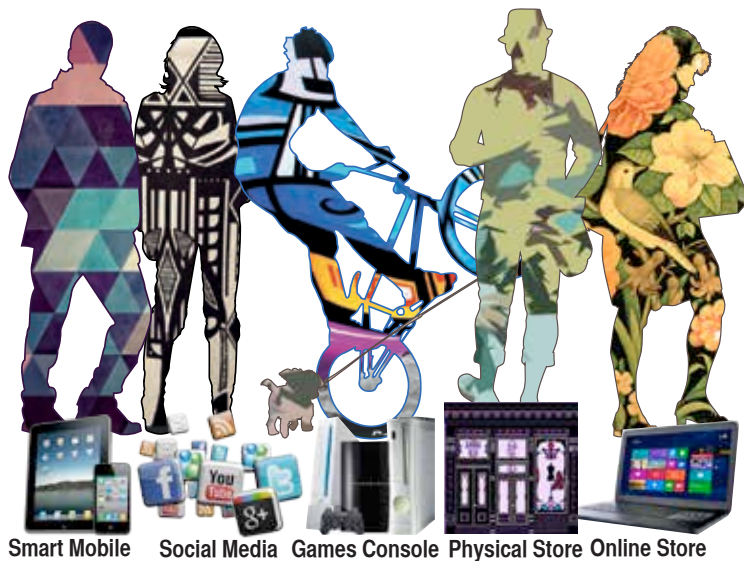
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Defining New Consumer Profiles

However, not all consumers fit this profile perfectly. Differences in culture, age, and gender give rise to different attitudes towards technology and, it follows, different modes of consumption. The result of all this is a rich and diverse consumer audience. Understanding this diversity is crucial for companies seeking to define the type of consumers they should

choose to serve and how. This research will define different consumer profiles based on the detailed Beecham Research Fashion Profiles proposed in “Wearable Technology: Towards Function with Style” by Beecham Research.

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The Effects of the New Consumers on Existing Retail Store Models

New types of consumers are also driving changes in physical stores. In the pre-Internet era, the store was the centre of the consumption experience. It was the place where consumers could corroborate the little knowledge acquired through magazines and conversations and where their final decision was made.

Today, the store is no longer the exclusive location for shopping. It is simply part of a more complex shopping experience. However, the role of the store also depends on the type of retailer and their typical consumer segments.

Towards the Omni-channel Approach: How to Engage with the New Consumer

Answering the New Consumers’ Needs Utilizing Different Channels

The advent of the Internet has been the first dramatic challenge to the store-based model of retailing. The Internet made it possible to browse products and, most importantly, purchase goods on-line. In the last five years, the percentage of people buying or ordering goods on line has increased dramatically, as is demonstrated by a variety of statistical sources. This phenomenon has also affected the fashion industry.

In order to address the on-line consumer, retailers started implementing multi-channel strategies integrating their physical stores with on-line stores. The brand should have been the bridge between the physical store and the on-line store. However, this was not always true. Misalignment between the on-line and the physical stores is still a brand design problem for many retailers.

As the Internet evolved in the era of social networks, social media became another channel for engagement with consumers. Retailers moved towards multi-channel approaches

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trying to promote their brands through stores, on-line stores, websites, blogs and social networks such as Facebook.

With the mass adoption of smartphones, mobile communications has soon become another channel to add. Consumers can enter the physical store, check for a product, then use their smartphones to read reviews about the product and, eventually, to choose a cheaper or more reliable retailer for the final purchase.

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The variety of means of engagement between brands and consumers has increased. Technologies continuously create new modes. Brands and retailers cannot keep the pace with the rapid technological change. Ideal-

ly, they want to be on all possible channels. Ideally, they want to be omni-channel.

From a Multichannel Approach to an Omni-channel Approach

The idea behind the omni-channel approach is to create a consumption experience around all possible channels of engagement with consumers. The omni-channel initiative should be based around:

- Physical stores. The store is not the point of sale anymore. It acquires new roles, such as a place of entertainment. There are also new ways of being a physical store, such as a pop-up store. Brands locate their store in specific locations for limited amount of time.
- On-line stores. This is the e-commerce platform for buying and ordering goods.
- Social media. This remains a key channel for engagement between brands and customers and for building brand awareness and customer loyalty. Social media sites are also becoming on-line selling platforms.
- Mobile. Smartphones and tables are used for engagement with brands and as a source of information through mobile applications,

but also as a shopping tool through mobile payment applications.

- Public spaces. Kiosks in shopping malls and bar-codes and NFC readers at bus and train stops are also becoming places for engagement between brands and consumers.

Few fashion brands have embraced the omni-channel approach in its entirety. Moving from a multi-channel approach to an omni-channel approach in one step requires a substantial investment.

The decision whether to adopt an omni-channel approach is determined by a consideration of whether it fits the consumer audience served and the type of brand. It appears that one size does not fit all when it comes to developing an omni-channel approach. Designing an omni-channel roadmap that takes into account all these factors and the significant role played by different types of technologies is a complex, but necessary, task.

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Technology – A Key Enabler for the Omni-channel Approach

Overview of Technologies for Developing the Omni-channel

Technology is a fundamental variable in designing omni-channel strategies. The ranges of technologies to consider are various and diverse. They can be grouped in four macro-areas.

1. In-store technologies. This group revolves around digital signage, augmented reality, 3D solutions, touch screens and tables, product tags and codes, sensors, use of tablets and smartphones, and any other technologies that facilitate interaction between consumers and goods, consumers and the store, consumers and the staff. The overall aim is to make a trip to the store a more enjoyable experience.
2. Social and mobile technologies. This group refers to all those technologies that make consumers social and always on everywhere.

Conclusions

Nicholas Negroponte wrote Being Digital in 1995. His vision is shaping our daily lives today. Every part of our lives involves being digital, including shopping and consuming. Fashion retail is moving from the analogue mode of the physical store to something that is digital, but still difficult to define fully. This whitepaper has briefly described why and how this change is happening through multi-channel and omni-channel thinking. It has also emphasized the driving role of technologies, which change consumers, retailers and the market. Beecham Research's upcoming report will conduct an in-depth analysis of all these aspects highlighting challenges, detecting opportunities, and providing a vision of how fashion retail can be in the future.

- Examples include extensive use of mobile apps, mobile payment solutions, mobile location-based services and social networks.
3. Technologies for business agility. This group represents the backbone of the omni-channel approach. It refers to those solutions that make the omni-channel strategy work smoothly across all the channels. Data storage and cloud solutions are key elements in this group.
 4. Consumer and marketing intelligence. This group revolves around data analytics solutions. Stock data analytics are relevant, but consumer behaviour data analytics are becoming crucial for designing and running omni-channel initiatives.

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These macro-technological areas are the ones available today, but newer technologies are on their way. Biometrics, 3D printing, nanotechnologies and wearable technologies could introduce completely new ways of conceiving production and consumption.

The Effect of Technologies in the Fashion Retail Market Landscape

Internet technologies have already created new retail players. And technologies will continue to fashion the retail market landscape. There may be new roles for technology companies. There can be need for strong partnerships between the two worlds, technology and fashion.

The role of entrepreneurship in the fashion industry will also become more important. Creative minds in knowledge centres like incubators and accelerator programmes will continuously bring new ideas to the market. Brands and retailers need to be part of this new innovation process.

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WHO'S INVOLVED ?



Beecham Research Ltd. is an internationally recognized thought leader in the M2M/Internet of Things market. Based in Cambridge UK and Boston, MA, USA, it is a leading technology market research, analysis and consulting firm specializing in the worldwide M2M/Internet of Things market. Our clients include major network operators, hardware/software and infrastructure vendors, distributors/resellers, solution providers and technology adopters. This has now extended into consumer markets with development of the Internet of Things, in particular including Beecham's new report on Wearable Technology published recently. Our research methods include extensive survey work worldwide in multiple languages, based on deep technical knowledge combined with fresh market insight in both business and consumer markets. Recent research has included two market-leading studies on M2M Cloud-based platforms and a worldwide study of the Satellite M2M market for the European Space Agency.

Visit www.beechamresearch.com for more information.

This white paper has drawn on the experience of the SFFAMA with whom we are pleased to be working on the full report of the Future of Retail. This report is due to be completed in November 2013.

