SOFTWARE AND TECHNOLOGY

Investments in data strategy can boost luxury's bottom line

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Consumer data can be used to improve virtual fitting room technology. Image credit: Zeekit

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Fashion and luxury companies that have successfully adapted to the shift to digital, data and analytics continue to build their market value, outpacing competitors.

According to new insights from McKinsey & Co., the 25 top-performing retailers have accounted for more than 90 percent of luxury and fashion's growth in market capitalization during the COVID-19 pandemic. Data can drive decision-making across the value chain, from physical stores and ecommerce to merchandising and supply chain logistics.

Data across the value chain
Data can help fashion and luxury brands address four critical capabilities: strategy and use-cases; data architecture and platforms; governance and operations and talent.

Brands and retailers looking to accelerate their use of data and analytics should first establish a data strategy, including prioritizing areas where improved data can quickly make an impact and generate value for the overall business.
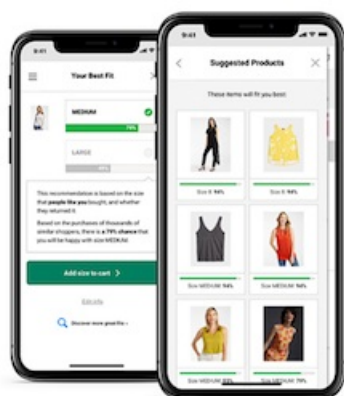
Fit Finder uses data to improve sizing recommendations. Image credit: Fit Analytics

Investing in a new data architecture can be worthwhile for brands by making it easier to integrate new data sources, as legacy systems can be inflexible and nonscalable. Beyond core data sets such as point-of-sale transactions and SKU product data, other valuable sources can include cloud-based platforms and algorithms.

Machine-learning algorithms can help brands and retailers in several areas.

For instance, pattern recognition can efficiently categorize product attributes based on images or identify and eliminate duplicates in customer databases. Natural language processing can generation sentiment data based on social media interactions about new inventories which can improve merchandise forecasts.

The financial impact of data varies across fashion brands' different silos.

Companies that have leveraged data to personalize the customer experience for online shoppers thereby maximizing customers' lifetime values have seen digital sales growth between 30 and 50 percent.

Retailers can also use data and augmented reality to introduce fit prediction for their ecommerce sites, which can reduce returns and related costs. For fulfillment purposes, multipoint stock optimization can make finding inventory more efficient for online orders.

Consumer insights can also improve merchandise planning and be used for pricing and promotions. Data can also influence fashion design and development, an area where luxury retailers Farfetch and Net-A-Porter have begun experimenting.

Real-time stock visibility can streamline several inventory processes, including stock positioning for both stores and warehouses. Returns forecasting can also improve stock positioning.
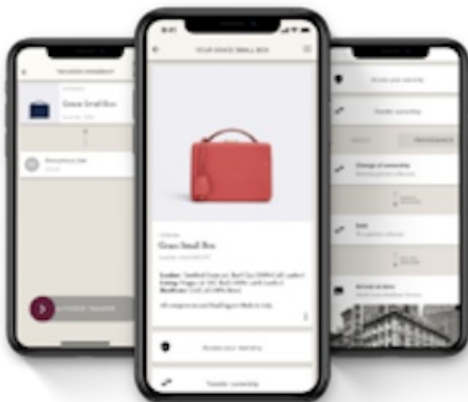
New data architectures can make it easier for brands to offer product traceability. Image credit: TrueTwins

Together, these data insights can help reduce inventory costs by an estimated 10 to 15 percent.

Similar strategies can be employed in physical stores, especially as bricks-and-mortar sales are likely to see an uptick as the pandemic improves.

Data and analytics can also have environmental implications, from streamlining material and product traceability to identifying overproduction trends.

Data in action
More luxury brands and retailers are using data for consumer-facing products or activations.

Online retail group Yoox Net-A-Porter similarly used consumer data to inform the design process in The Modern Artisan project.

The participants, who were students and recent graduates from the United Kingdom and Italy, received access to five years of YNAP consumer data, allowing them to gauge the long-term preferences of 4.3 million luxury shoppers. This data influenced various design choices for the sustainable ready-to-wear capsule, such as the colors in the menswear pieces and the silhouettes for the womenswear collection (see story).

Online luxury retailer Farfetch's first in-house fashion brand, There Was One, was also developed using consumer data gleaned from the ecommerce marketplace.

The retailer leveraged its own consumer data to understand what Farfetch shoppers were searching for and buying,

namely pieces that were timeless and sustainable. These findings were then applied to the fashion design process, spearheaded by New Guards Group (see story).

Farfetch has also partnered with tech startup Zeekit to create new "try-on" experiences for its customers for products available on its ecommerce site.

Customers shopping on Farfetch will be able to see how products look on different sizes and skin tones as they shop, using Zeekit's "Switch Model" technology feature. The retailer is the first luxury ecommerce platform to use this technology (see story).