PENNINGTONS
MANCHES
COOPER

UNDERSTANDING AND INFLUENCING
THE CUSTOMER JOURNEY FOR FASHION

STAGE 1: AWARENESS AND RESEARCH

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CONTENTS

ABOUT THIS REPORT

The first of four reports commissioned by Penningtons Manches Cooper investigating the fashion customer's journey, this report has been written using data collected through a consumer survey conducted by Retail Economics of over 2,000 nationally representative individuals in Q1 of 2019.

FOREWORD
TECHNOLOGY, TRUST AND TANGIBILITY

This is a seminal decade for the future health and shape of the fashion business.

A rapidly evolving digital landscape of new technologies is influencing the way we research, buy and consume fashion. Brands now routinely communicate directly with customers via social media and rely on sophisticated data analytics to create personalised product services and recommendations.

New regulations surrounding data-handling, ethics and privacy combined with growing consumer awareness of the security issues relating to personal data use present retailers with challenges when it comes to leveraging the full potential of customer data. Dealing with such information responsibly is a growing priority.

Customers are making fewer purchases at bricks and mortar stores and buying more online, which is having a major impact on brands and retailers: the wave of high street closures has continued relentlessly, with several long-established fashion retailers taking refuge in company voluntary arrangements (CVAs).

It is against this backdrop that Penningtons Manches Cooper retail clients are increasingly seeking our guidance on how to adapt their business models to guard against uncertainties while ensuring they are in a strong position to quickly respond to new opportunities.

In association with Retail Economics, our team has undertaken research that explores some of these trends in more depth, to better understand the interactions between our clients and their customers.

'Technology, trust and tangibility' is the first in a series of four reports that focuses on consumers' attitudes towards a range of issues such as using automated services, sharing personal data, and the ongoing importance of good in-store experience.

As well as being able to share the findings with our clients and the retail sector in general, they provide a useful perspective from which to consider how the law is adapting to the changes in commercial practices, and vice-versa. The insights gained will help us better anticipate legal demands and give us a more rigorous understanding of sustainable businesses models that will attract future funding.

If you would like to discuss any of the issues contained within the report, please do contact us.

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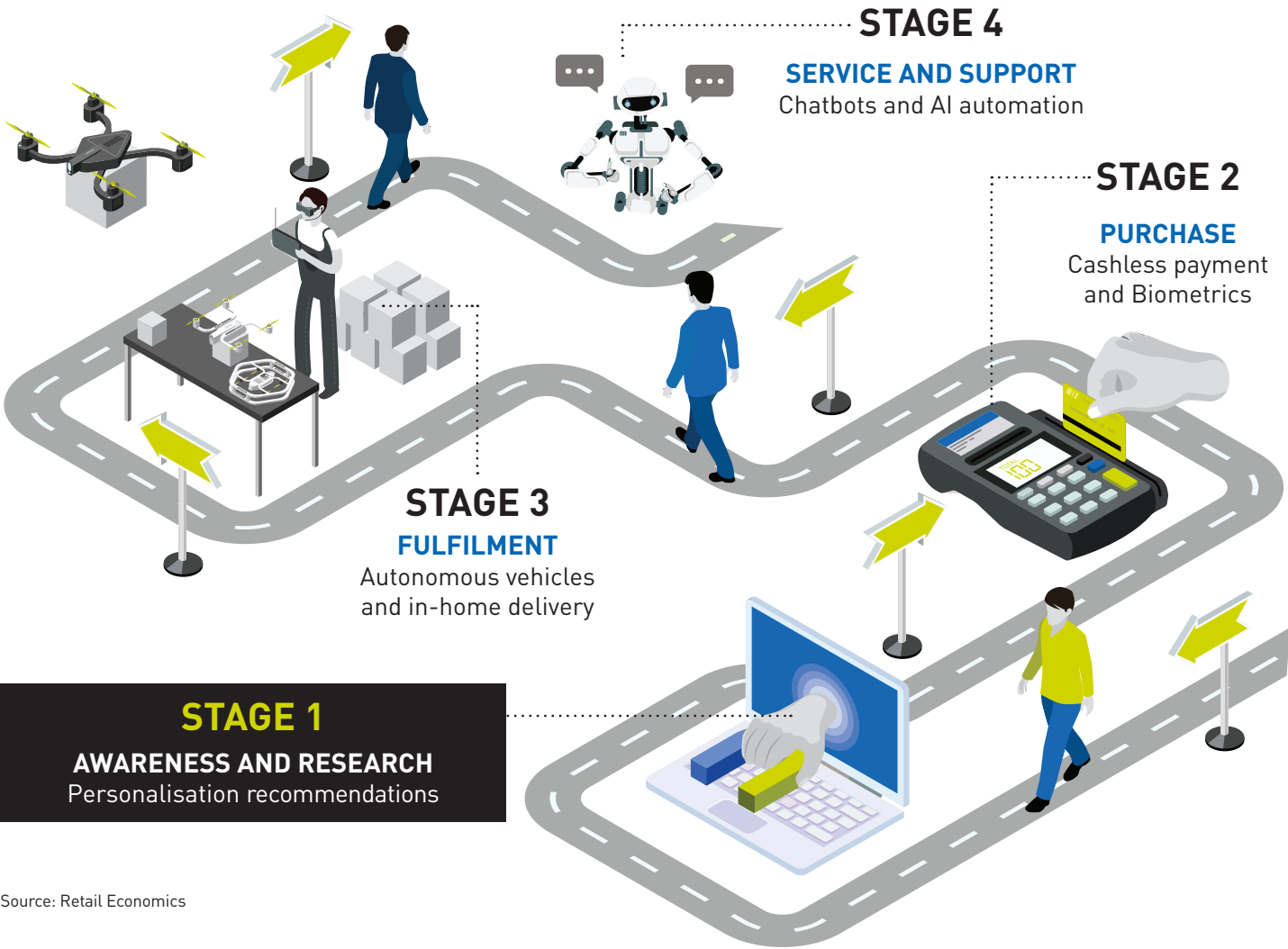@penningtonslaw.com**

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THE FASHION CUSTOMER'S FOUR-STAGE JOURNEY

The customer journey for fashion has become increasingly complex to measure, understand and influence. Competition for shopper attention is fiercely contested with retailers and brands battling against competing factors to form meaningful relationships at key points within the customer journey.

CUSTOMER JOURNEY

STAGE 4
SERVICE AND SUPPORT
Chatbots and AI automation

STAGE 2
PURCHASE
Cashless payment and Biometrics

STAGE 3
FULFILMENT
Autonomous vehicles and in-home delivery

STAGE 1
AWARENESS AND RESEARCH
Personalisation recommendations

Source: Retail Economics

The Retail Economics Customer Journey describes a four-stage process during which consumers interact with companies and brands: awareness and research, purchase, fulfilment, and service and support.

This initial report focuses on the 'awareness and research' stage in which retailers and brands attempt to connect with customers across a multitude of platforms, both physical and digital, in a much more tailored, targeted and meaningful way.

Big data, AI and insight mining are at the heart of the retail revolution for consumer awareness. The availability and quality of consumer data enables retailers to target

customers with more personalised communication that can help to build customer loyalty. However, there are challenges to manage the balance between value versus intrusion, convenience versus privacy, and choice versus influence fatigue.

The internet has enabled much greater transparency in price, service and quality over the last decade. Not only has the variety and range of products widened but the power dynamic between retailers and consumers has also shifted significantly in favour of the consumer at any stage of their journey. A potential customer only has to click to change their mind about making a purchase

HUDSON
LONDON

"Retailers and brands need to find suitable ways to personalise both communications and shopping experiences to help influence the fashion consumer's journey. However they must not lose sight of the fact that product is key, and without a good product the consumer will reject coming on that journey.

David Holton, Group finance director, Hudson London

IMPACT OF DISRUPTION TECHNOLOGIES

Although the eight key technologies below are at different stages of development, forecasts suggest that by 2023 the vast majority will be integrated within the retail value chain to varying degrees, causing significant disruption.

	TECHNOLOGY	CURVE OF DEVELOPMENT	TIME TO FULL DEPLOYMENT	KEY ENABLERS
1	INTERNET OF THINGS	50%	2-5 years	■ Advanced capability to synthesise data, identify insights and act on them on an ongoing basis across the organisation ■ Global standards for data collection ■ Advances in data security to ensure protection of consumer information
2	AUTONOMOUS VEHICLES/DRONES	25%	6-10 years	■ Technological maturity (eg autonomous vehicles need advanced features to accommodate road types in all weather conditions; drones need improved battery life and capacity to carry heavier items) ■ Regulatory frameworks for use
3	ARTIFICIAL INTELLIGENCE (AI) /MACHINE LEARNING	50%	2-5 years	■ Advanced capability to synthesise data, identify insights and act on them on an ongoing basis across the organisation ■ Advances in data security to ensure protection of consumer information
4	ROBOTICS	75%	2-5 years	■ Advanced features required (eg dexterity and battery life) ■ Development of smarter bots
5	DIGITAL TRACEABILITY	75%	2-5 years	■ Advanced capability around predictive and preventive analytics ■ Common digital language for supply chain traceability within industry
6	3D PRINTING	25%	6-10 years	■ Advanced features needed to improve speed, multi-material capabilities etc
7	AUGMENTED REALITY (AR) AND VIRTUAL REALITY (VR)	75%	2-5 years	■ Component parts such as chips must be affordable to sell AR/VR devices at scale ■ VR headsets need to become wireless while retaining processing power
8	BLOCKCHAIN	50%	6-10 years	■ Ability to perform high-volume transactions securely ■ Regulatory frameworks for payment application

Source: Accenture/World Economic Forum

Several of these technologies are already being used in fashion retailing and other sectors. Artificial intelligence (AI) implementation, for example, will be pivotal in developing a suite of marketing tools. These will include personalised landing pages, the generation of tailored content utilising customer data from multiple sources, and personalised in-store greetings.

Shop Direct claims to serve 1.2 million versions of its homepage (www.very.co.uk), depending on the visitor's profile. ASOS also boasts personalised web pages, showing clothing sizes based on data previously submitted by customers, while Amazon attributes 35% of its sales to personalisation strategies, according to McKinsey.

Augmented reality (AR) was used to transform an empty store into a virtual Lego clothing pop-up shop where customers could explore a limited-edition Lego Wear clothing line using Snap on their smartphone.

Retailers able to integrate the physical and digital realms will have a competitive advantage over rivals, particularly for higher value purchases where the cost of acquisition is steep. Consumers could receive personalised greetings in-store formulated on their previous night's browser history featuring the latest luxury product line. Here, the ''discovery stage of the customer journey from the consumer perspective will have the shared characteristics of a personalised 'advice service' albeit implemented by savvy retailers.

PRODUCT RECOMMENDATION

One of the most recognised applications of data use is accurate product recommendation. Although AI-powered recommendation engines vary greatly in sophistication, advanced algorithms can account for real-time variables such as customer preferences, purchasing habits, gift purchase dates, social media content, location and weather, and correlate them with other existing customer data or third-party databases. The goal is to seamlessly link online and in-store activity to recommend and promote new product recommendations in a way that enables consumers to benefit from a catalogue of 'self-selected' fashion products.

NEARLY HALF (49%) OF **18-24 YEAR OLDS** SAID THAT THE DISCOVERY OF NEW PRODUCTS **WAS INFLUENCED BY THEIR SMARTPHONE**

COMPARED WITH...

JUST 16% OF **65+ RESPONDENTS** SAID THE DISCOVERY OF NEW PRODUCTS **WAS INFLUENCED BY THEIR SMARTPHONE**

There is a trend towards more sophisticated recommendations served to consumers via a multi-platform, multi-device approach, which retailers and brands can assess for maximum impact. For one customer, a combination of video content and social media might be the most effective way to convert awareness to sales while for another it could be just email targeting.

However, this new dawn of increasing product recommendation accuracy is predicated on vast quantities of customer data. And, as research results reveal, consumers are often reluctant to provide this data leaving retailers and brands to tread the difficult line between value and intrusion.

JUST OVER 1/3 OF SURVEY RESPONDENTS ARE MADE **AWARE OF NEW CLOTHING PRODUCTS AND RANGES** THROUGH USE OF **SOCIAL MEDIA** AND EXPOSURE TO **ONLINE INFLUENCERS.**

Payment £200

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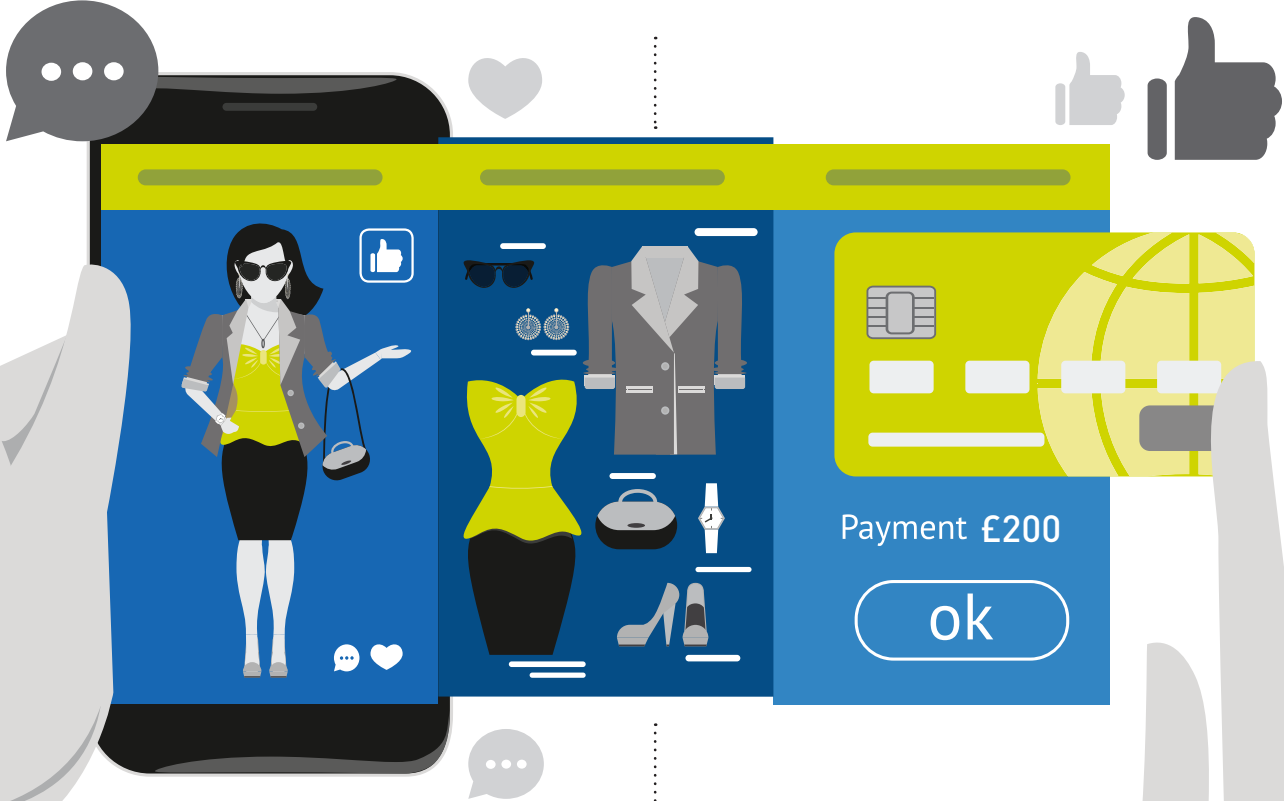
ISSUES OF TRUST

LITTLE APPETITE FOR SHARING PERSONAL DATA

Although fashion brands are investing heavily in digital technology to move closer to the goal of achieving personalised experiences for every customer, the research findings indicate that customers – particularly older ones – have concerns over data security and privacy and are wary about the use of their personal data. More than half (55%) of respondents indicated that, as online product recommendations are typically inappropriate, they do not see the benefits of providing more personal data.
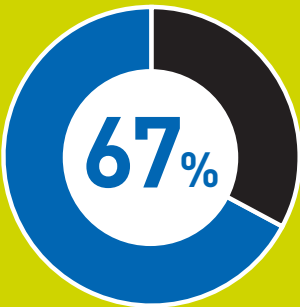
67% OF RESPONDENTS **DO NOT TRUST RETAILERS** TO ACT RESPONSIBLY AND **TO PROTECT THEIR DATA.**

Despite the reluctance of customers to share their data, a personalised retail brand experience which goes beyond accurate product recommendation remains a key priority throughout the fashion sector. But, despite retailers' efforts to entice customers to discover new experiences, customers can still decide whether or not they wish to engage.

The retailers that are making headway in the 'personalised experiences' stakes tend to be those that understand the sensitivities of overstepping the mark on the 'value versus intrusion' equation. Customers increasingly recognise the value of their data and want something of value in exchange – not just more targeted recommendations or personalised discounts.
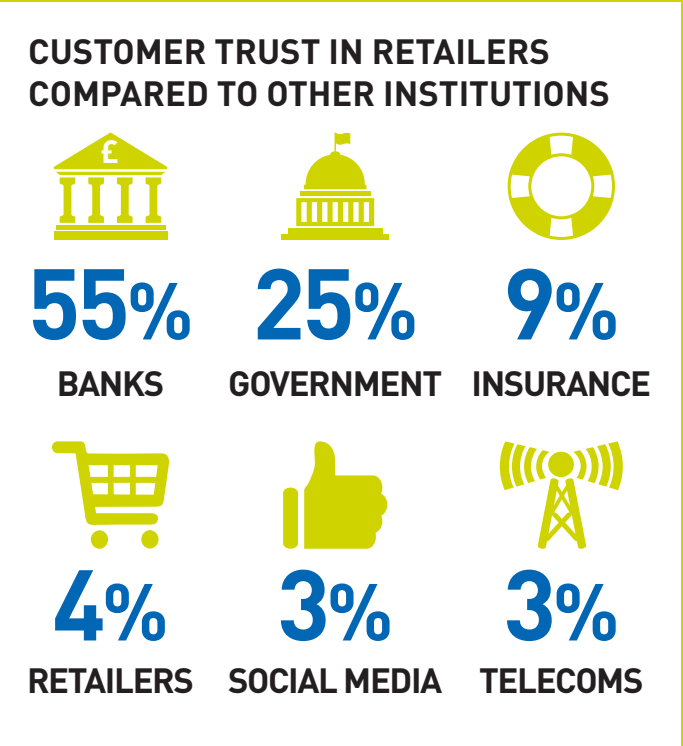
YOUNGER CONSUMERS ARE **LESS CONCERNED ABOUT SHARING MORE DATA** WITH **23%** WILLING TO DO SO.

CUSTOMERS GENERALLY BECOME **MORE UNWILLING** TO DIVULGE MORE DATA **AS THEY GET OLDER.**

There is evidence to suggest that some customers would be willing to pay more for goods and services to a retailer who simply kept their personal data and chose not to use it for serving targeted promotions to them. This suggests that personalised experiences are simply not yet sufficiently fine-tuned for an equitable exchange of value in the eyes of the customer.

Yet, according to Episerver, nearly 60% of customers want a personalised online experience and around two thirds (65%) of customers are more likely to purchase in-store or online from a retailer which sends them relevant, personalised promotions (Accenture).

Retailers still have challenges ahead and will have to be prepared for a certain amount of trial and error as they test, learn and communicate their proposition with customers.

CUSTOMER TRUST IN RETAILERS COMPARED TO OTHER INSTITUTIONS

55% BANKS	**25%** GOVERNMENT	**9%** INSURANCE
4% RETAILERS	**3%** SOCIAL MEDIA	**3%** TELECOMS

PROTECTION OF CUSTOMER INFORMATION

Responsible handling of customer information has become a priority for retailers and brands but it appears retailers need to make strong headway to build trust amongst customers around the handling of data. An overwhelming majority (67%) of respondents do not trust retailers to act responsibly and to protect their data.

With that in mind, it is perhaps unsurprising that when respondents considered who they trust the most to handle data, retailers ranked low: just 4% of customers trust retailers the most when handling their personal data.

Best practices in data trading and ethical use are concepts to which incumbent retailers and brands must pay close attention as data breaches are the unfortunate flip-side of many marketing campaigns.

Retailers and brand owners must demonstrate transparency over how customer data is collected and how it will be used. They also need to give customers full control over their data and reassure them that it will be used to benefit them when integrated within digital marketing strategies. Lastly, responsible data handling will be a prerequisite for a sustained presence within an information-saturated marketplace.

ONLY **4%** OF RESPONDENTS **TRUST RETAILERS** WHEN HANDLING THEIR PERSONAL DATA.

HALF OF ALL RESPONDENTS WERE **UNWILLING TO SHARE PERSONAL DATA** SUCH AS BODY SHAPE, WEIGHT OR HEIGHT TO ENHANCE **PRODUCT RECOMMENDATION ACCURACY.**

THE IMPORTANCE OF TANGIBILITY

The ongoing importance of the in-store experience was confirmed within our research which revealed that half of all respondents would be more loyal to stores that offered a 'meaningful in-store experience'. The pleasure of touching and trying on clothes in a pleasant environment is still important to all age groups. Friendly, knowledgeable and helpful staff are not only the best ambassadors for the brand but the most effective way to build loyal customer relationships – especially with older and high net worth age groups.

Evolving new business models will continue to blur the boundaries between online, offline and experiential retail throughout the fashion sector. While we believe that the store will continue to make the largest contribution to sales for the next five years, its role will evolve from mere product distribution hubs to meaningful customer experience environments that offer entertainment and escapism.

While the physical and digital realms will converge as technological innovation enables personalised in-store services based on personal preferences and taste, retailers must be mindful of their customers' reluctance to accept technology that replaces human attributes. Almost half of respondents surveyed do not want to be helped by a robot or to use a touchscreen device for customer service issues such as product sizing or queries about the sustainability of products.

Concepts such as virtual fitting rooms, featuring display screens showing a customer's appearance when 'wearing' certain clothes (without trying them on), currently appear to be a step too far. There was an overriding preference to touch and try on clothes with only 13% of those surveyed opting for virtual fitting rooms.

Nevertheless, it is clear that, as the purpose of stores evolves, retailer use of traditional performance metrics such as sales per square foot will become increasingly superseded by new metrics such as 'experience per m²'. Successful retailers will have to provide physical and online platforms that function well over a multitude of platforms including stores, online, social and others.

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> The in-store experience has become a critical differentiator of choice for shoppers. Ultimately, retailers that create engaging and meaningful experiences can build customer loyalty, boost frequency of visits and enhance lifetime value.

Richard Lim, Chief executive officer, Retail Economics

Over a third (35%) of 18-24 year old respondents said that they **were open to automated customer services.**

24% of 45-54 year old respondents said that they **were open to automated customer services.**

More than half (56%) of 55-64 year old respondents said that they **would not welcome automated services**.

55% of 65+ respondents **would not welcome automated services**.

18-24   25-34   35-44   45-54   55-64   65+
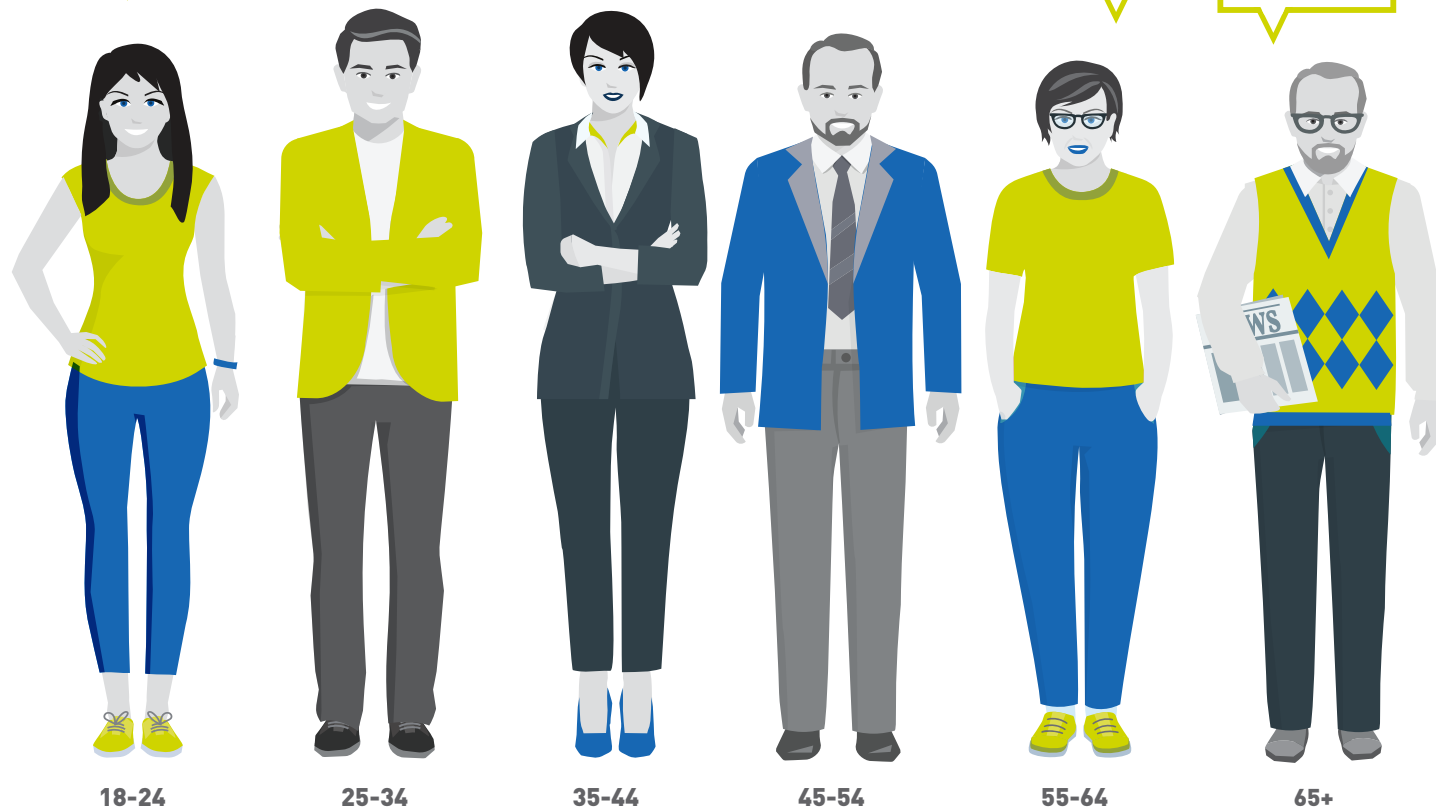
ALLSAINTS

" At AllSaints we respect privacy and seeking to capture personal data customers may be uncomfortable sharing is not what drives us - instead we are interested in understanding what styles, attributes and features our customers respond positively (and negatively!) to and why so that we can continue to improve our proposition. Individual wants and needs often change over time so rather than pursuing personal data as some form of 'commodity' we invite our customers to give us feedback on their experiences with us on an ongoing basis. We then focus our efforts on understanding those responses alongside the corresponding product sales data we have. There is a lot of rich understanding to be gained from studying product performance and listening to customer feedback that can be used to improve business results without the need to intrude upon privacy - our mindset at AllSaints is that we are here to help our customers not the other way round.

Peter Wood, Chief executive officer, AllSaints

WHAT LIES AHEAD?

Today's customer journey for fashion is truly unrecognisable from a decade ago. The key challenge for fashion retailing is the sophisticated use of technology, data science and the ability to create meaningful experiences for customers. Retail brands which can modify their business models quickly towards a more digital and experience-led approach will command a larger share of both spending and the attention economy.

In many cases, success will depend on providing meaningful customer experiences where stepping into a physical store feels like a tangible extension of a digital environment. This transition may result in sensory-inspired, digital-playground, showroom formats with tethered stock and same day deliveries.

A third of customers would not be put off from shopping in a clothing store that displayed extended product ranges but only offered delivery of purchases. For others, bricks-and-mortar stores may serve as open-houses where the customer can get advice, touch the clothing and enjoy a free cappuccino.

Using their smartphones, customers could take virtual tours of shopping destinations and stores remotely, watch videos and interact seamlessly with retailers and brands. This behaviour has already rooted in many younger customers but current observations are just the beginnings of what retail futurists foresee.

While a single, cross-platform experience could blur the lines between instore, online and on-the-go, there could be inherent risks associated with the use and security of customer data. This will become a priority for retailers as data ethics becomes a core function within retail operations. The formula to balance the optimal mix of value over perceived intrusion will be a head-scratching, simultaneous equation to solve.

Meanwhile, the proliferation of AI technologies will revolutionise the customer and brand relationship. Whether AI is being used to offer product recommendations or to determine the optimal mix of media to best engage micro-marketing segmentations, the realms of science fiction are becoming reality. Many of the technological foundation stones have already been laid and developments are unfolding at an unprecedented pace.

Retailers must strive to present customers with this seamless experience across all devices and channels throughout the four-stage customer journey. The new age of retail will need to incorporate metrics that measure in-store social sharing, brand buzz, engagement and, in time, 'in-store-online-on-the-go' customer behaviour interconnectivity.

JUST OVER
1/3
OF CONSUMERS

WOULD **NOT BE PUT OFF FROM SHOPPING** IN A CLOTHING STORE THAT DISPLAYED EXTENDED PRODUCT RANGES BUT **ONLY OFFERED DELIVERY OF PURCHASES**.

CONTRIBUTORS

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Richard is chief executive officer of Retail Economics. He also sits on the Strategic Advisory Board at the University of East Anglia's School of Economics, ranked in the top 10 departments in economics in the UK. Previously, Richard held the position of chief economist at the British Retail Consortium before heading up the retail insight and analytics team.

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ABOUT RETAIL ECONOMICS

Retail Economics is an independent economics research consultancy focused on the UK consumer and retail industry. Its service provides unbiased research, consultancy and analysis on the key economic and social drivers behind the UK retail sector, helping to inform critical business decisions and provide a competitive edge through deeper insights.

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RetailEconomics

ABOUT PENNINGTONS MANCHES COOPER

Penningtons Manches Cooper LLP is a leading UK and international law firm which provides high quality legal advice tailored to both businesses and individuals. With 141 partners and over 850 people, we are acknowledged as a dynamic and forward-thinking practice which combines comprehensive legal services with a responsive and flexible approach.

Our multi-disciplinary team of fashion and luxury brands sector specialists, many of whom have worked in the industry or been seconded to retail businesses, provide corporate, IP, commercial, employment, real estate and immigration advice.

This solid base of experience and connection with the retail sector means that we can advise you at every point of your operation – from acquiring or funding your business, protecting your trade marks and brand, recruiting and managing staff from store to board room, online retailing, overseeing your property portfolio and product safety issues.

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