

High-end fashion and the role of technology



Du jour fashion, du jour technology; connected consumers



For the fashion industry, where change is inevitable and for which product evolution is par for the course; cloud computing is a season after season differentiator.



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“Fashion is made to become unfashionable”.

Coco Chanel

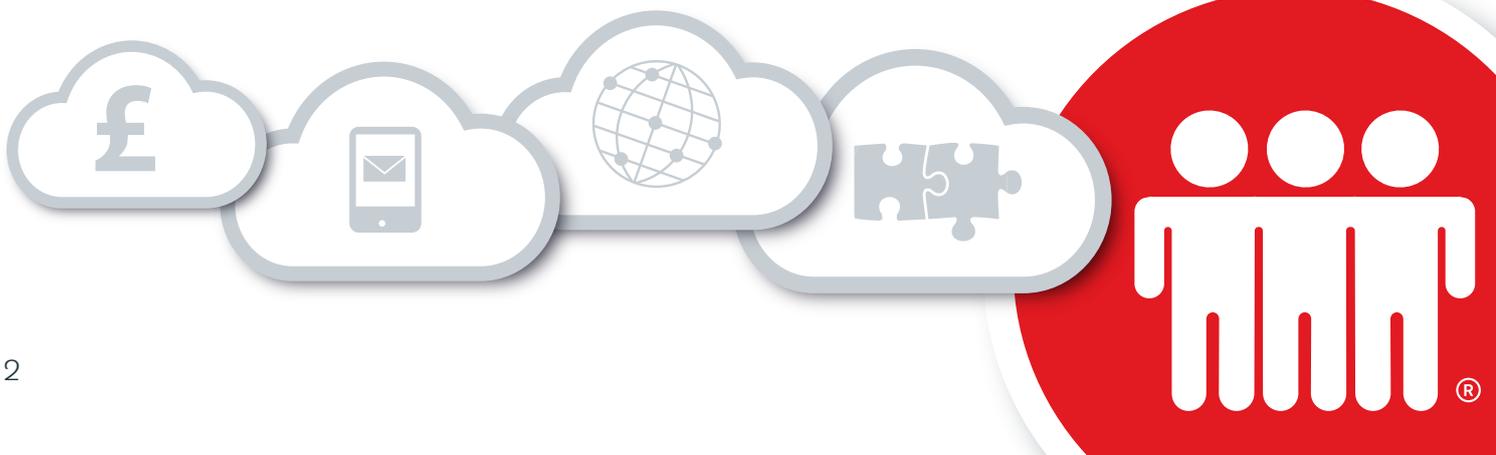
Executive summary

No truer a word was said when it comes to couture; fashion by its very definition is about being current. But this presents a challenge for high-end fashion stores and boutiques when it comes to managing and delivering on rapidly changing customer expectations; what's du jour today may become passé tomorrow.

It is essential for high-end retailers to remain agile enough to respond to changing trends; to deliver on consumers need for speed and convenience without sacrificing quality of service or the products themselves.

Prestige retailers need to think end-to-end. By looking at overarching factors such as data output manipulation from the supply chain, they can manage till refresh cycles, and strategise to get ahead of the curve and ultimately meet changing consumer behaviours.

This whitepaper looks at some of the influencing factors that are driving the need for high-end fashion retailers to consider adopting cloud computing, which is now prominent on the agendas of many looking to reduce costs, improve efficiency and keep pace with the changing retail environment.



Engaging consumers on all fronts

Although only a select few are able to afford luxury goods, the vast majority of people exposed to advertisements have aspirations of owning the products someday.

Increased device connectivity is leading to greater brand accessibility, bringing that aspiration closer to reality than ever before. Consumers are revelling in an environment of greater choice. As a result, there is a growing need for high-end retailers to look at more than just clever advertising to attract and indulge their target market.

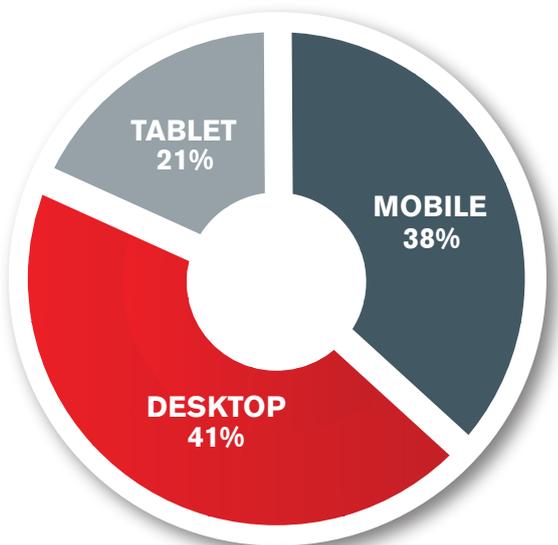
The connected consumer

Device connectivity has created an environment of choice, shaping consumer behaviour to the degree that decisions are not as driven by brand loyalty as they once were. There is now a wider range of similar products and greater access to and acceptance of new market entrants. An emphasis on increased service quality, convenience of delivery, and engagement experience is driving the need to stand out further.

Increasing consumer connectivity will not abate, particularly if government targets to implement super-fast (24MB) broadband to 95% of premises by 2017 are met.

The evolving digital landscape, combined with changing consumer buying habits, is impacting the demands placed on the high-end retail market, to the same degree traditionally changing seasonal trends already do. The message is clear; those unable to adapt will get left behind in this digitally connected world.

Retail consumer device preference:



Maintaining loyalty

For many operating at the very high-end of fashion retail, brand loyalty and recognition is unlikely to be usurped by emerging new market entrants or by the increased brand awareness advanced digital access now provides, but there is no room for complacency. It is important to continue capturing consumer data, listening out for changing market drivers, and structuring change to some degree.

Utilising this data effectively can enable high-end retailers to offer redeemable value over time by introducing loyalty programmes, which encourage repeat business and have become an important tool in retaining consumer interest.

Capturing social sentiment

In a world of data transparency, social media provides one of the biggest opportunities (and threats) for retailers. HubSpot, a renowned social media and inbound marketing software platform, indicates that consumers are 71% more likely to make a purchase based on social media referrals. Woe betide the retailer whose inept service makes an enemy of the celebrity Twitter user who has a significant following.

However, if a designer posts a picture of their new leopard print wristlet and it receives 75,000 'likes' you may think, "Well, if over 70,000 people liked it then it must be worth getting". Seeing a considerable number of 'likes' is similar to getting approval from friends – here are 74,773 people telling you that yes, it's definitely worth buying.

The increasing need for retailers to integrate and exchange information with social mediums like Facebook, Twitter, Pinterest etc... may accelerate a move to cloud computing. Platform agility and scalability makes it easier for retailers to monitor, dissect, and respond to social sentiment – the data gathered can then be used to make more informed merchandising decisions on a wider scale.

Industry drivers

The high-end fashion sector can see anywhere between an estimated 20 to 50 new UK designer/wholesale labels looking to break into the market each year (source: *Designer Manufacturer Innovation Support Centre*).

This sector is high profile and a label can achieve rapid growth with the support of the right champions/connectors. However, achieving £2 million p.a. turnover within four years of a launch, for example, is achieved by just 10% of designer labels.

Success is largely down to clever promotion and marketing, together with the use of celebrated individuals to inject some quality glorification. The objective for high-end retailers is to maintain exposure, a sense of value, and a feeling of the unattainable - all without diluting their brand.

Maintaining competitive edge



Utilising the tools available to the new digitally connected age effectively will add another arrow to the quiver for high-end fashion retailers who, in the main, have used largely successful advertising tactics to generate buzz. iBeacons is a Bluetooth-based indoor proximity system that transmits messages to smart devices or digital stores. It's a new technology that promotes merchandise much in the way Burberry has done by streaming fashion shows live into 25 flagship stores around the world, enabling customers to explore and buy directly from the collection using a custom-built Burberry iPad application.

Demand for pop-up stores



In general, footfall within stores has been in decline. Sales through shops (including those researched online) is expected to fall to 66% versus sales through ecommerce (down from 86% today) (source: Javelin Research). High-end retailers need ways to bring the in-store experience to captured audiences without losing brand prestige. Mobile store solutions such as tablet-based Point of Sale (PoS) in pop-up shop environments, provide a means to create flexible short-term stores at marquee events such as Henley Regatta, or the Cheltenham Gold Cup, to take advantage of a captive audience.

Capitalising on foreign interest



London has become a strategic hub for high-end fashion brands looking to attract the legions of wealthy foreigners that travel to London each year. In fact, London attracts more than 15 million international visitors a year (source: Greater London Authority) – 70% of whom shop during their trip, mostly for clothing – making the British capital second only to Paris in terms of global tourist flow. This represents a significant opportunity for retailers who are able to capture mindshare in advance of purchasing decisions being made.

The role of technology

Capitalising on a more connected consumer requires technology that is as advanced as the techniques used to make those buying decisions. As previously mentioned Burberry is using technology to reshape how customers can engage with their brand, both in-store and online, with the aim of creating the ultimate interactive luxury consumer experience.

In the race to stay current and on-trend many high-end fashion retailers remain too comfortable and focused on short term goals, merely responding reactively to market pressures and buzz-word technologies. What is clear is that without adequate foresight and planning, retailers risk becoming less relevant in the eyes of the consumer.

The rise of retail cloud computing

Providing a scalable, flexible and cost-effective alternative to traditional infrastructure investments; cloud hosting, such as Microsoft Azure, makes it possible for retailers to meet time-pressed, on-the-go and digitally connected consumers during various phases of their shopping experience.

Cloud computing presents an effective model for high-end retailers to manage the data that technology such as iBeacons provides, at a speed high enough to hold the attention of consumers. Mobile PoS information can be transmitted quickly to a central database, providing detailed intelligence and insight that could immediately begin influencing inventory.

Competitive advantage

As retailers' usage of cloud grows, they journey towards using its unique attributes as an ever greater source of competitive advantage. For example, Gigya, whose technology helps businesses access, consolidate and manage permission-based identity and behaviour data, provides a cloud-based social login tool that lets a retailer's customers log in with a social network identity (e.g. from Facebook, Google+ or Twitter) to purchase products. Customers who log in with social identities are shown to buy and spend significantly more on average than other online shoppers (*source: Accenture*).

Technology inefficiencies

Today's retailer can often be accused of wasting IT resource with only 5 to 15% of their computing capacity utilised during a regular day, although they often feel they must retain some extra space to help handle seasonal demands. This is an expensive way to manage an infrastructure environment with hardware, training, support, upgrades and utility costs all regularly incurred.

Private, public and hybrid cloud hosting directly combats this issue, enabling retailers to deal with activity spikes without sacrificing customer experience. This is achieved through the provision of a scalable operating platform that lets retailers draw capacity up or down depending on the need at the time, allowing IT costs to be better aligned to demand and revenue.



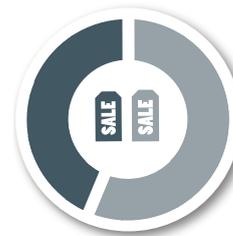
50%

One half expect the **same product assortment** in store as online



57%

of respondents expect the **same pricing** in store as online



53%

want the **same promotions** in store as online

Utilising a cloud-first retail environment

High-end retailers who compete successfully are those that can continue to provide a compelling value proposition to their customers, led by the top-level core values of the brand.

Maintaining a nimble and flexible mind-set revolving around monitoring and responding to variations in their consumer environment is essential, and perhaps key, to continued relevance and longevity. Cloud hosting platforms, such as Microsoft Azure, are the future.

Business transformation

For those prepared to make the move, cloud hosting may present the most accessible, affordable and relevant solution to addressing the needs of a rapidly evolving retail market.

However, moving to the cloud is not an all or nothing approach. High-end retailers may only need to utilise its secure and easily accessible features to manage backup and disaster recovery, alternatively more complex business critical functions such as ecommerce, could be integrated.

What is clear for high-end retailers, is that cloud-based hosting can augment existing platforms to deliver a more empowered environment for users and a richer experience for customers.

Cloud drivers

One of the many advantages of cloud hosting includes moving to a more flexible and forecastable, from a budget perspective, opex-led financing model. The pay-as-you-use cloud model allows retailers to utilise the most advanced technology without having to physically purchase infrastructure and the maintenance and support resources that surround it.

Cloud hosting addresses many of the other primary challenges of operating in the retail industry such as delivering 24/7 performance, provision of click and collect services, and enabling real-time synergy between the online and offline experience. As identified by a poll of retailers, the main drivers include:

50%

move spend from
CAPEX to OPEX

51%

drive down cost

37%

improved service to
internal customers

48%

ability to **scale IT**
needs up or down
rapidly

Cloud adoption in the high-end retail market

According to IDC, cloud adoption continues to be low among retailers when compared with other industries. Retailers' long-term expectations for cloud show that 66% of retailers will limit their use of cloud computing over the next five years.

This would seem a little short-sighted, as the numbers of digitally connected consumers will only increase; for those willing to embrace cloud computing now, there is a clear opportunity to capitalise and create a competitive edge.

Cloud hosting may present the most accessible, affordable and relevant solution to addressing the needs of rapidly changing fashion trends and demands.



The amount spent online increased by **7.1%** in March 2014 compared with March 2013 and by **1.4%** compared with February 2014.

Source: Office for National Statistics

Summary

The future of the fashion industry is its generation of creative, innovative, visual thinkers. However, these thinkers must now possess a strong understanding of the digital world and the technology that facilitates it. The test for high-end retailers is being able to maximise available data to deliver what consumers want, when they want it and where they want it, without disrupting the prestige and value of the brand. It's a challenge.

Sponsored by AisleBuyer, a survey conducted in 2013 revealed that nearly 75% of consumers indicated they would switch brands if offered real-time discounts and promotions that were delivered to their smartphones while they were shopping in a store.

Cloud innovation

As retailers move more core applications into the cloud, the fusion of the consumer's online and in-store experience can be brought closer together. The utilisation of available data makes integrating consumer experiences and sentiments from across the business easier to track, manage and respond to.

High-end retailers should ensure their IT infrastructure has the elasticity and scalability required to cope with traditional seasonal peaks and troughs, and to meet changing trends and purchase behaviours.



Collaboration

Enhance co-operation via ubiquity and mobility; greater IT options



Mobility

Access applications and functionality from anywhere, on any device



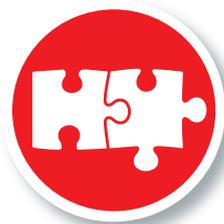
Cost

Reduce infrastructure and support spending; pay for what is used



Time to market

Spot and capitalise on market opportunities



Integration

Seamless operation between existing applications and practices



Competitive engagement

Leverage cloud technology to advance capabilities and consumer engagement

The future of high-end retail

High-end retailers may increasingly need to turn to graduates with skills that were never considered before simply to keep abreast of an ever-growing and sophisticated global market that is increasingly digital and technologically focused. In the technology led retail world of the future, only those that remain du jour will survive.

(Claranet supports Microsoft cloud platforms and technology.)

For more information:

claranet.co.uk - twitter.com/claranet

To book an appointment or to discuss our hosting services:

Call us: 0808 271 3215 - Email us: business@claranet.co.uk