

THE RACE FOR DATA

DIGITIZATION IN THE GLOBAL FASHION INDUSTRY

Sharen Jester Turney served as president and CEO of Victoria's Secret for a decade before her departure in 2016, and led the company to record revenues of nearly \$8 billion.

Since then, she has served as an adviser to leading global fashion brands, helping them master an increasingly dynamic and challenging business environment. She shared her views on the state of the sector with Oliver Wyman's Martin Schulte.

Martin: *Sharen, as an expert in the fashion industry, what would you say has changed over the past 10 or 15 years?*

Sharen: Back then it was all about design and sourcing. Those two ingredients determined the success of a label. Spending was directed towards expansion, building new stores and expanding geographically into new countries, and less investment went toward backbone operations, such as IT and robust processes. Fashion used to be a sector driven by the designers. Much of that has changed, with analytics playing a growing role in complementing the creative parts.

Martin: Can you expand on that a little?

Sharen: In the past, there was a clear correlation between a product or brand's level of fashion and what a consumer had to pay for it. Players like Inditex have changed this and have democratized fashion. As a consequence, fashion is less of a differentiator to stand out from the crowd. Today, the mobile phone and other tech gadgets have partly replaced fashion in that regard. And of course, the role of e-commerce and mobile commerce has raised the bar for everyone in the sector.

Martin: You've touched on digitization – what's the challenge for fashion players?

Sharen: Many companies have a catch-up game to play. Capabilities in pricing and promotions – and I mean real promotions, not markdowns – are underdeveloped in our sector. So are classic category-management skills. Digitization provides a lot of options to help with these issues. To be fair, the fashion sector is more challenging than other retail sectors, given the increased number of and ever-shorter length of fashion cycles. There is very little continuity in what we sell, making time-series analysis difficult. Yet, most fashion retailers and verticalized manufacturers sit on a treasure trove of unused sell-out data.

Martin: Are there some examples?

Sharen: Sure. Our industry needs to learn how to cope with the sector challenges I mentioned above. One approach is to consequently identify products via their product attributes, allowing you to see patterns across several fashion cycles in terms of price elasticity, for example. Or take the example of RFID to track products across the value chain, to optimize stock levels and sell-through performance.

Martin: Can digital tools help us with consumer insights and trends – to understand needs or predict the future?

Sharen: Good point. In particular, on the consumer front there are myriad tools available that are already widely used by the beauty and cosmetics sectors, but less so by our sector. Things like social listening and the exploitation of weak signals from across messenger services, social media, and moderated communities are rich sources of insights. For example, a lot of these signals point to strong growth in the resale and secondhand market for fashion, partly driven by consumers' growing concerns about sustainability.

In addition, I see new and playful approaches emerging for trend research on the back of digitization, such as in gamification. It is not difficult to have the consumer play with a brand's app and have her rank trends or upcoming style options, for some kind of reward, of course.

Martin: How can the CEO of a textile chain overcome these challenges?

Sharen: I would advise them to find someone to help navigate the required changes and to lay out a clear digital agenda and roadmap. Otherwise, it is very easy to lose track of direction. Plus, I would advise them to constantly self-disrupt themselves. I like to say that "you have to fire yourself every year" to question your very personal behavioral patterns. If you want to make change happen, you must find a simple, to-the-point way of communicating. That is the only way to make this transformation happen.

Martin: What's your outlook for the sector as a whole?

Sharen: The sector will continue to bifurcate into globally operating powerhouses and agile, highly capable niche brands. We will see the middle ground continue to collapse.

That said, I suspect we'll see the pendulum swing toward individual niche brands – or powerhouses able to mimic those brands – soon. Consumers today are over-retailed, over-choiced, and over-penetrated with the same brands globally. Highstreets and shopping centers across the globe look mostly the same. Consumers long for individuality and feeling special; this is a deep-rooted desire. This will naturally lead to a counter-reaction, as we have seen many times before in retail.

Martin: Thanks very much for your time, Sharen.