



STAYING IN FASHION ON SOCIAL MEDIA

Ogilvy

SIX WAYS FOR THE FASHION INDUSTRY TO HARNESS THE SOCIAL COMMERCE REVOLUTION



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Fashion needs to be ... well ... fashionable. In every sense. This is an industry that creates and feeds off trends and needs to be in tune with the next generation.

And that next generation (sweepingly referred to as Gen Z) is completely engaged with social media and is more excited by innovation in that space than almost anything else.

For a fashion brand to connect with this generation (and with Millennials), the brand not only needs to look fashionable, it needs to be fashionable and innovative in how it reaches, engages with and sells to consumers. And what is fashionable in fashion retail has been significantly changed by the global pandemic.

The coronavirus outbreak has catapulted eCommerce: by one estimate from McKinsey the fashion industry had six years of the forecast growth curve for e-commerce in 2020 alone.

It has also catapulted pureplay internet retailers. While legacy companies like J.Crew and Neiman Marcus filed for bankruptcy during the pandemic, the likes of Farfetch, Zalando, Asos, Boohoo and Revolve have consistently outperformed in 2020 as locked-down customers turned to their digital devices to shop.

This Red Paper details the latest highly significant developments in social media technology and online consumer behaviour, much of it driven by the pandemic, and assesses their impact on the fashion industry.

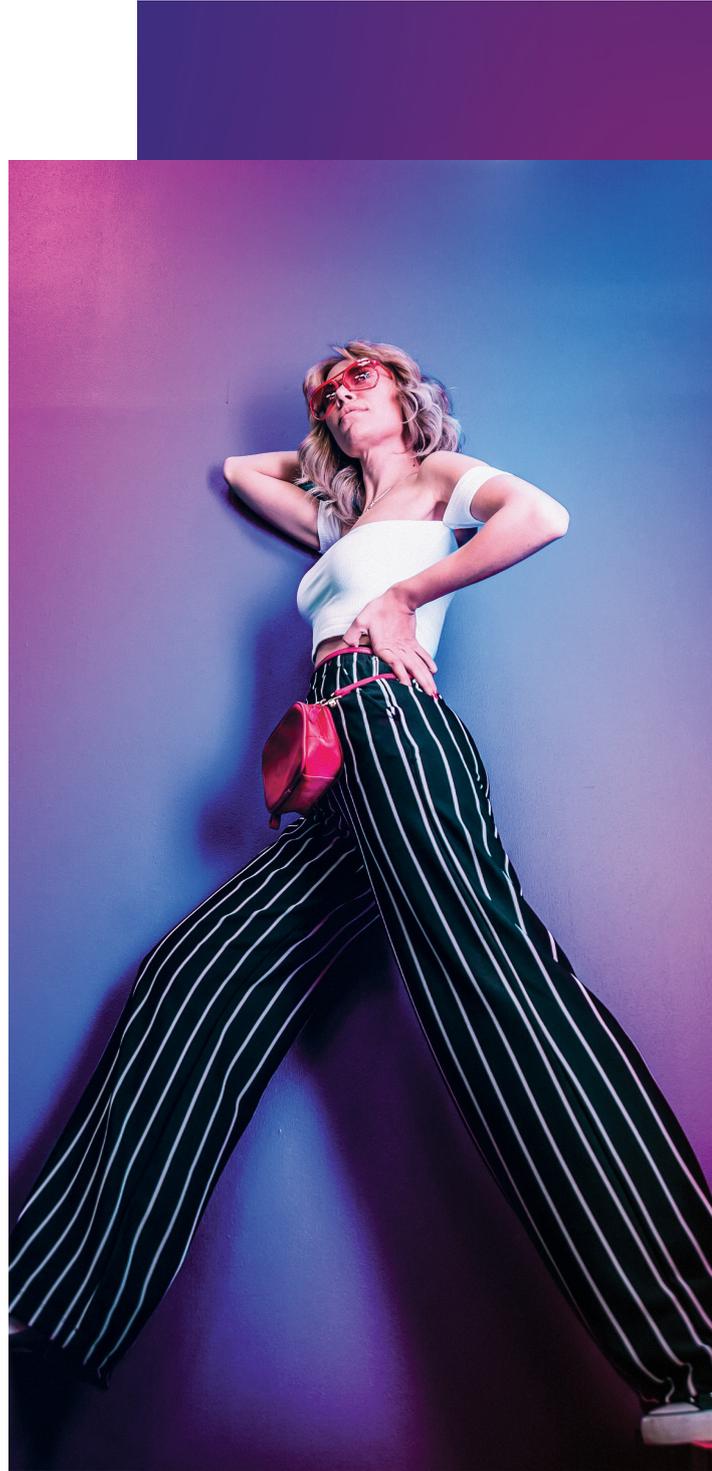


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SOME BACKGROUND

Successful fashion brands have ridden the social media revolution well.

They've tapped into a variety of platforms to craft their brand, to reach new consumers, to build communities, and to drive loyalty. And they have understood that social media is the best space to build their brand.

The better practitioners have also understood the importance of both image and the visual to Gen Z in particular but to Millennials as well. The best content has been aspirational, desirable and rich on the eyes.

Fashion brands have also long understood that they are a form of entertainment and a part of culture and not just a set of products.

The industry in many ways has pioneered the use of social media influencers and continues to lead the evolution of that marketing channel.

None of that should be discarded - many of the established verities remain intact especially the use of influencers - but future-fit fashion brands will need to change gear on social media and boldly innovate. Especially in the face of the acceleration of social commerce.

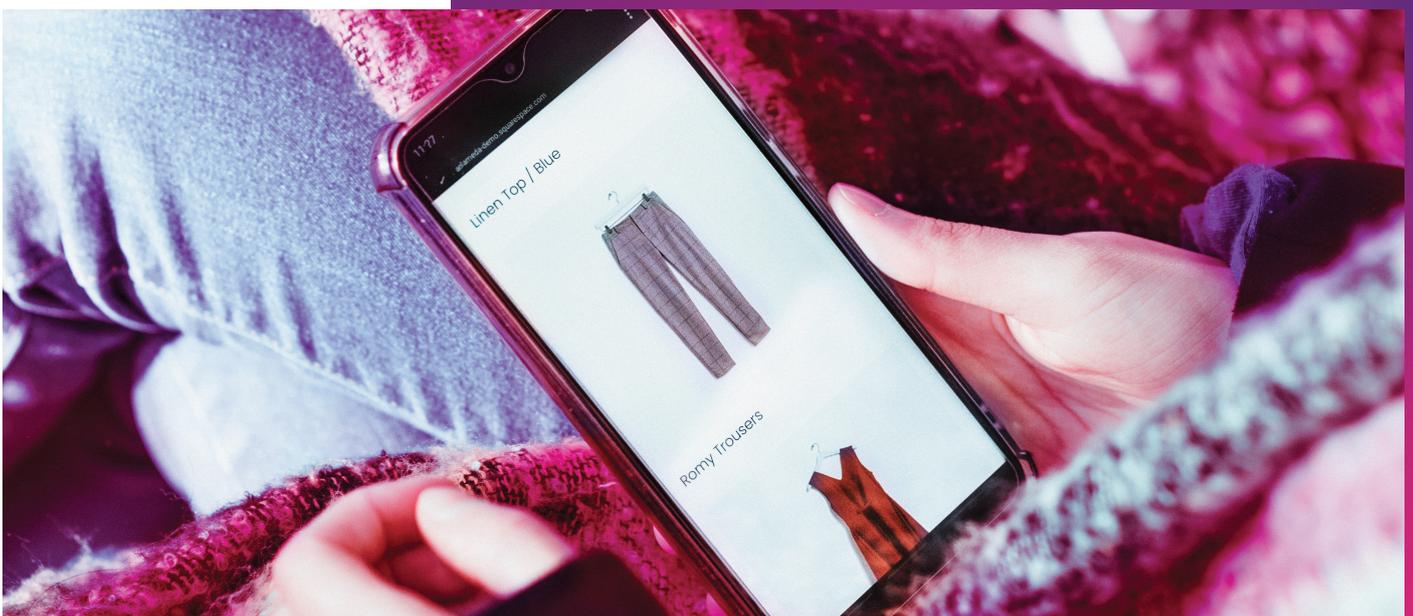


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WHAT DO WE MEAN BY SOCIAL COMMERCE?

Social commerce refers to transactions completed on social media platforms which have moved beyond marketing and key customer engagement channels into fulfilment. While many fashion brands have already capitalised on this, everyone in the industry needs to understand that social media, for many consumers, is now the beginning, the

middle and the end of the fashion retail journey. And, for those consumers, ideally it all happens (including payment) seamlessly on a phone within a single app or platform. WeChat, and other Chinese innovators, pioneered the concept of a singular, all-encompassing social eco-system many years ago and the rest of the world is starting to catch on.



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SOME SIGNIFICANT STATS

- Gen Z accounts for 40% of global consumers. (Source: McKinsey and Business of Fashion)
- eCommerce (including social commerce) share of fashion sales rose from 16 percent to 29 percent in 8 months last year. (Source: McKinsey and Business of Fashion)
- In the German fashion market, zalando.de is ranked #1 and accounts for 5% - 10% of eCommerce net sales in the category (source: ecommerceedb.com). And Zalando is aiming to capture more than 10% of the €450bn European fashion market in the longer term. (Source: reuters.com)
- 44% of global GenZ consumers prefer to buy products directly via social media. (Source: Warc)
- 70% of Chinese Gen Z consumers prefer to buy products directly via social media. (Source: Warc)
- US retail social commerce sales are forecast to rise by 34% to \$36bn this year. (Source: eMarketer 2021)
- Chinese social commerce sales are forecast to reach \$363bn (up 35% YoY) this year, accounting for 13% of total e-commerce and more than triple the figure in 2018. (Source: eMarketer 2021)
- In five years 85% of business relationships with consumers will be managed without human interaction. (Source: Forrester)



MAJOR TECH DEVELOPMENTS

- Artificial Intelligence (AI) and machine learning are giving chatbots better capabilities, their potential lies in delivering personalised customer service which will make the shopping process more efficient. They can save time and money and build trust. Digital customer service interactions will increase by 40% in 2021. (Source: Forrester).
- AI technology is delivering next level immersive experiences like 'Fabric of Reality' XR's navigable virtual museum with three interactive rooms which 150 people can experience via VR and 100K via live-stream.
- Improvements in Augmented Reality (AR) and machine learning have made them valuable tools. AR filters have become popular as a way for users to try products from the comfort of home. Vans created an AR lens on Snapchat which allowed users to try different styles and purchase them directly from the app via a 'Shop Now' button.
- The development of product tags which connect a brand's business profile to its product catalogue. When a product is tagged, a shopping bag icon appears indicating that there are shoppable items. A user can then click on these products and purchase them in Instagram Checkout without leaving the platform. ASOS, Zara, H&M, Burberry and Prada are just some of the many brands using product tags.



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SIX KEY TRENDS

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GO END-TO-END.

Use social media for fulfilment.

- The biggest social platforms like Facebook, Instagram and WeChat have ways for users to shop directly in their platforms without leaving them. WeChat allows brands to set up an eCommerce store and enables them to build loyalty through personalised customer service. Burberry, Dior, Prada, Gucci and Louis Vuitton are all using WeChat in this way.
- Shoppable content from posts and videos is an obvious winner. YouTube has launched shoppable ads and they have been used by brands like Aerie, and fashion marketplace The Iconic.
- Shopping directly from influencers' platforms is also a major opportunity using sponsored hashtags. Amazon's Influencer Program allows influencers to create their own curated storefront merchandised with shoppable Amazon selections. When a sale is made, influencers get a percentage. Traffic to the influencers' pages largely flows from social media to Amazon. However, within Amazon, entering #FoundItOnAmazon allows a view of the various influencers' selections.



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MAKE SURE YOU'RE ON THE RIGHT PLATFORM.

Stay alert for quick shifts in social media consumption among clothing buyers but right now these are some of the prime spaces to watch.

- **Instagram** remains the fashion industry gorilla claiming that 70% of shopping enthusiasts use it for product discovery. Emarketer forecasts there will be 1.18 billion Instagram users worldwide by 2023.
- **TikTok** is huge among Gen Z as a place where authenticity, humour and creativity meet. TikTok has 689 million monthly active users worldwide (Source: TikTok, 2021). Gucci was an early adopter and engaged users through 'The Gucci Model Challenge'. Brands like Balmain, Fendi and Balenciaga have followed.
- **Snapchat** is another key platform to reach younger audiences. It continues to grow with an average of 265 million daily users in the fourth quarter of 2020. (Source: Snap Inc.) Everlane, the clothing start-up, has used it as a primary channel with collections only available on Snapchat, sneak-peeks of new products and factory tours.

- **Twitch**, a world leading live streaming platform for gamers has now become a good tool for fashion show livestreaming. Burberry used Twitch for its live-stream catwalk to give the audience multiple perspectives at once.
- **Pinterest**, brands are using it to inspire their audience through themed boards and shoppable pins, 89% of users are on Pinterest for purchase inspiration and 85% made a purchase based on a branded pin. (Source: Pinterest Business)



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BE ALIVE.

Live streaming is the best way to share the brand experience and to foster engagement and a sense of community. US livestreaming revenues are expected to hit \$25 billion by 2023. (Forbes) Platforms like Instagram, Facebook and Twitch all have excellent, robust livestreaming capabilities. Everyone can now watch the catwalk rather than just an exclusive few. Ideally customers should be able to click and buy while watching the fashion show on the livestream.

- Live social video has radically reinvented the creative potential for launching a new runway collection. Some brands have live-streamed short films, Q&A sessions or even showcased purely live digital virtual shows like GCDS.
- Amazon has added livestream to its Amazon Influencer Program, rewarding influencers for directing their followers and viewers on Facebook, Twitter, Instagram and YouTube to its site. According to McKinsey and Business of Fashion this is “generating more sales in a few hours than department stores do in a day”.
- Instagram Live and TikTok both hosted their first shoppable livestreams in August 2020 used by both Louis Vuitton and Tommy Hilfiger.



GET IN THE GAME.

Gaming matters to Gen Z. There were 2.69 billion video game players worldwide in 2020. The figure is expected to rise to 3.07 billion in 2023. (Source: Newzoo 2020). Many consumers game seriously and obsessively (they still buy clothes!) but there are many, many more who game occasionally and find it a great way to connect with a brand.

For gamers, virtual fashion matters as much as real life clothing and they're cultivating their own fashion eco-systems within video games and using digital clothing as a way to present themselves. Several luxury streetwear brands are using games like Animal Crossing, SIMS and Roblox to drive engagement and remain digitally accessible.

- Gucci created the Virtual 25 sneaker which can only be “worn” via augmented and virtual reality. Available via in-app purchase from either the Gucci or Wanna AR apps, users can “try on” the sneakers and wear them in other virtual worlds, including VR Chat and gaming platform Roblox. (source: The Guardian)
- Nike, Puma, ASOS, Louis Vuitton are also creating in-game looks and partnerships. uis Vuitton and Tommy Hilfiger.

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GIVE YOUR FASHION BRAND A VOICE.

The audio revolution is here in many ways especially with the rise of voice search. For many consumers that's where a brand journey begins.

- Voice search is growing exponentially and automated verbal responses are now the norm. How will your fashion brand sound when it is asked a question? Gucci has leveraged the intimate characteristics of audio for invites to its fashion show via Whatsapp.
- Podcasts are growing exponentially and reach audiences which are better educated, more affluent and with more interest in culture. US adspend on podcasts is forecast to grow 44% over the course of 2021 (Source: Emarketer). Chanel and Hermès have podcasts which give a voice to their ambassadors and employees.
- Clubhouse is a trending new audio social channel (currently ranked #7 in the app store under the social network category). It has 15m downloads, and has filled rooms with over 5000 participants. Fashion figures like Virgil Abloh are using it to gain valuable insights and talk about what inspires them.

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VARIETY IS THE SPICE OF SOCIAL COMMERCE LIFE.

As consumers constantly scroll, they need freshness, novelty and renewal to stay engaged with your brand.

- Twenty years ago Zara was revolutionary for offering hundreds of new items a week, currently Asos adds as many as 7,000.
- Boohoo's founders describe the need "to be fresh all the time" saying "a traditional retailer might buy three or four styles, but we'll buy 25." (Source: The Atlantic)



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SOME MORE EXAMPLES OF FASHION INDUSTRY SOCIAL COMMERCE INNOVATION

- Burberry's 'social retail store' in Shenzhen, China, rewards customers with a social currency for online and offline engagement on the brand's WeChat mini program, allowing users to exchange this for free menu items at the in-store café.
- Fabricant created the world's first digital-only dress and sold it on Blockchain pioneering digital-only couture.



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IN CONCLUSION

The fashion industry is an innately restless industry which constantly stays alert for shifts in taste and style. More than most industries it recognises the need to stay current or, even better, to be in the vanguard of change. That should equip the industry well to handle the acceleration in social commerce which has been driven by the pandemic.

In the same way that it keeps a hawk eye on trends in colour, shape, texture and fabric, the industry needs to keenly watch:

- ✘ social media habits
- ✘ platform innovation – especially payment/check-out mechanics
- ✘ new touchpoints
- ✘ immersive and engaging technologies
- ✘ changing consumer journey patterns.

Winning fashion brands with Gen Z will understand that social and mobile is the whole game and not just part of it.

**Please contact Christophe Crasselts
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if you want access to the full
comprehensive research report.**

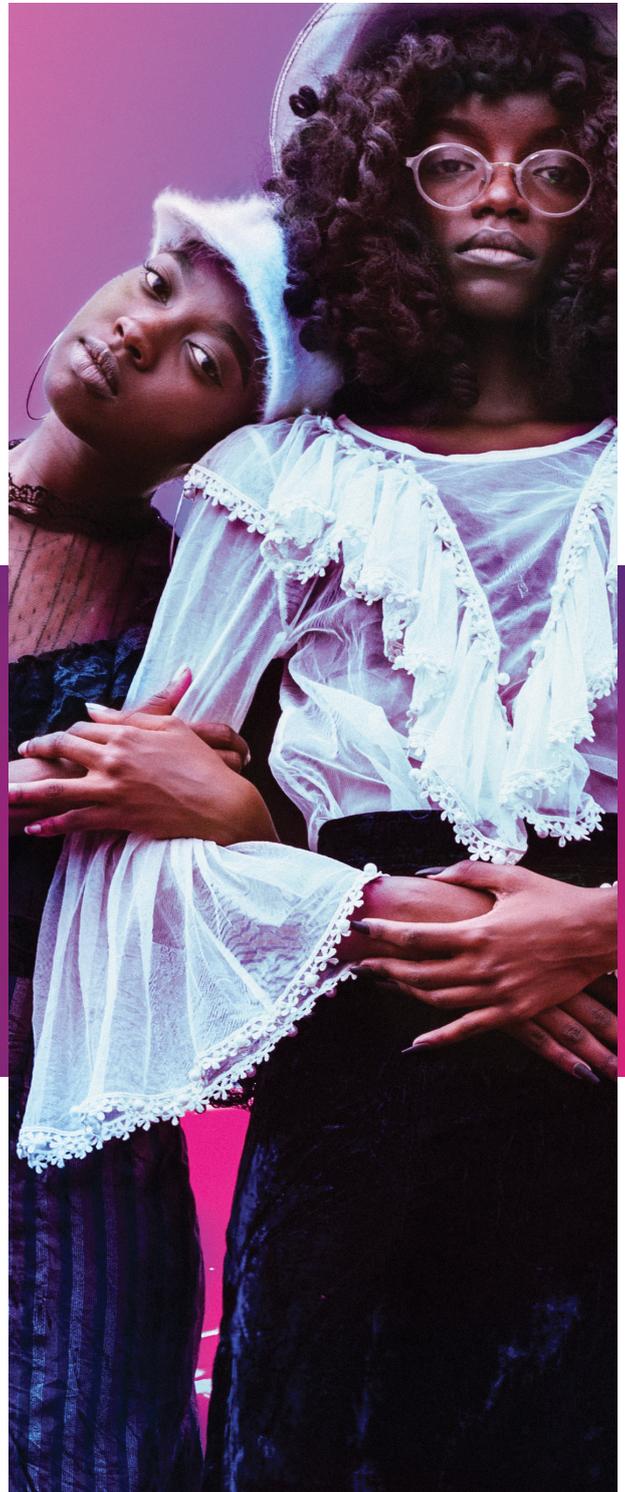


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