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Your Sort Order is Your Secret Weapon to Success

Why redefining the discovery process within the fashion domain is fundamental to the fashion industry's ability to significantly grow revenues and margins

Introduction

Consumers are now demanding a more relevant and personalised service in all aspects of their lives. Companies like Spotify and Netflix have redefined the discovery process for their industries, delivering truly relevant content to every single user and the results are very compelling.

Fashion retailers often lag behind other industries and this is partly due to a lack of innovation around the discovery process. At the moment, the only companies majorly innovating in the discovery process for fashion are Facebook (through Instagram) and Google (through Google Shopping) but given their revenue models, the main winners in this equation are Facebook and Google!

Today's problem is that listing row after row of products on a page hasn't changed since the 1990s and no longer reflects, in any way, how the shopper wants to shop. The proof is in the conversion numbers. Looking specifically at fashion e-commerce sites, every customer currently sees the same products in the same order so it is no wonder that conversion rates are as low as 1-3% for fashion (vs double that for electronics). The choices retailers have are:

1) Spending time and resources tweaking what currently exists (moving from 3% to 3.15%)

2) Start to build interfaces that provide the solution and are likely to deliver real percentage point movements.

If retailers take the first option and simply personalise the sort order for the end customer, this offers excellent untapped revenue for fashion retailers. By personalising the sort order or Product Listing Pages (PLPs), retailers can significantly increase the chances of customers finding products they want to buy and keep and so increase conversion the whole way through the funnel. In its most basic form, a personalised widget will deliver a minimum of 5% incremental revenue uplift.
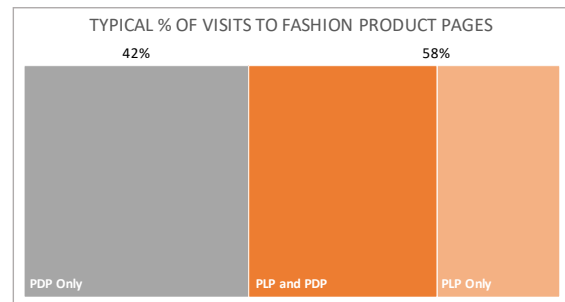
Retailers should be braver. By understanding how customers shop for fashion and how it is different to other e-commerce categories, they should be seeking to redefine the discovery process in a way that genuinely works for and delights the customer, representing a massive opportunity for the industry. It will be radically different - shopping UIs of the future will be goal-based and controlled by the user.

In this paper, we will outline the options available and the initial steps you can take to get there.
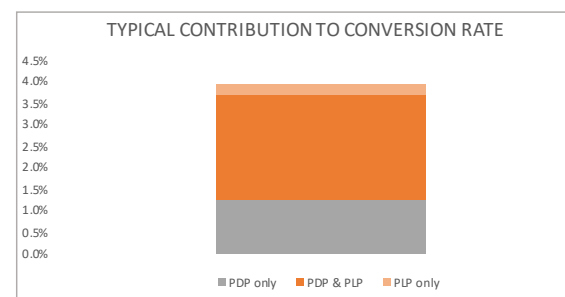
Understanding Page Share of Visits

When looking for quick wins to improve both your revenue and your margin growth, it is first important to understand where your customers are spending their time on your site and, where possible, the mindset of a customer at that point in time.

Traffic to fashion sites typically looks like this:

TYPICAL % OF VISITS TO FASHION PRODUCT PAGES

42%   58%

PDP Only   PLP and PDP   PLP Only

Dressipi Data, 2019

TYPICAL CONTRIBUTION TO CONVERSION RATE

4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%

■ PDP only   ■ PDP & PLP   ■ PLP only

Dressipi Data, 2019

The PLP is an Under-Invested Part of the Customer Journey

Most retailers focus their personalisation efforts on the PDP with basic "Similar Items" and "You May Also Like" carousels. By the time a customer arrives on the PDP, they have already expressed an interest in that particular garment.

Surely, the most important part of the journey is to personalise the discovery process and make it as relevant as possible. And yet, for that 58% of visits who start their discovery process through the retailer's PLP, they see the same products as everyone else. This is a missed opportunity for retailers, particularly in a domain like fashion.

If you can show customers more products that they are likely to love and want to buy at that initial discovery phase then you have a higher chance of pushing more people through the funnel. Relevancy at the discovery phase is key.

The reason most fashion retailer's conversion rate is around 1-3% is because the probability of you finding your perfect items in a world where everyone is seeing the same thing is about 1-3%.

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Why Fashion Has to be Treated Differently

There are some key differences around how women buy fashion (as opposed to other categories) and as a result, the typical e-commerce set-up tends to have some limitations around delivering the optimal experience for the fashion purchaser.

Site Layout

The layout of every e-commerce site is based on early successes of sites like Amazon that were originally selling books and electronics. Typically rows of single products are displayed which customers can then filter by certain key criteria. This works well for product categories where preferences are static, for example, customers will specifically be looking for a laptop with certain screen size, weight and battery life.

However, as every fashion retailer knows, people buy fashion very differently to the way they buy books or electronics (conversion rates for fashion are typically lower than electronics). Fashion is a far more emotional purchase. There are so many more factors that impact how and what we buy; the weather, the season, trends (whether we like to buy into trends or not), stage in life, body shape, colouring and what is already in our wardrobe.

It stands to reason then that the way we serve up products to each customer should be different in fashion than it is with other categories. Shop windows are a very good example of how retailers have learnt to successfully merchandise over the years and why you rarely see rows of single products in a shop window.

So why is it that today, whether it is me, my mum, grandmother or daughter when we go to any fashion retailer's website, we still see the same products in the same order regardless of who we are?

Your Customers All Have Different Missions at Different Times

Every fashion retailer has plenty of data available to learn about each of their customers. From what they were browsing last night, to the products and size they bought last month. While most retailers will look at this data aggregated in weekly reports and use it to improve their online shopping experience, there is still untapped potential to use it to drive truly unique shopping experiences, tailored to each customer.

Each of your customers will not only have different preferences but different mindsets depending on their mission at that moment in time. Someone searching for a new dress on a Monday morning for a wedding that weekend will have a specific idea of what she wants. When the same customer is leisurely browsing on a Sunday afternoon however, they likely aren't as sure of what they are looking for and would rather see a wider variety of products that suit them as well as outfit inspiration.

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Static PLPs can never please all of your customers, all of the time. By personalising what they're shown, you can stop showing customers things they would never wear, and surface the products they're after at that moment in time that they currently have to search hard to find.

The Plethora of Choice

The two issues stated above are made even worse by the plethora of products available on each retailer's website. It is overwhelming. If a customer wants to buy a dress from one of the top 10 retailers in the UK, there is an average of 3,000 dresses available on each of those sites.
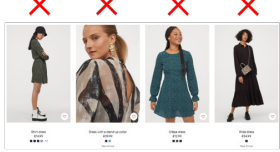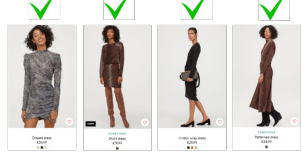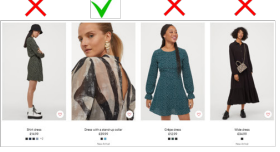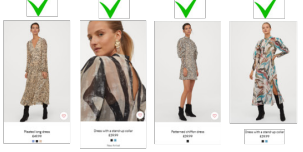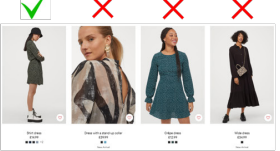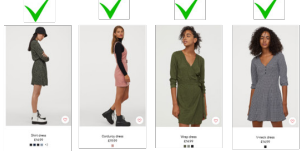
If a customer likes a certain brand and goes to their site to buy a dress, with 3,000 to choose from, there is a high probability that brand will have a dress to suit that customer's needs but unless that dress is presented within the first 30-40 product slots, the chance of them buying it is low.

Retailer	Number of Dresses Available Online*
Next	5280
Boohoo	4400
M&S	205
Missguided	4035
ASOS	8190
New Look	3816
River Island	212
Topshop	706
H&M	584
Amazon	3000
AVERAGE	**3043**

*Numbers as of 19/09/19

A Retailer's PLP Represents Low Hanging Fruit When it Comes to Conversion Increases

Given the current limitations of existing e-commerce site layouts, one of the quickest ways to increase your conversion rates is to personalise your sort order and make it more relevant for each visitor. If you can double the chances of a customer seeing products they love within the first 30-40 products cells, then you will increase conversion throughout the funnel.

All images taken from H&M

The Customer is Demanding a Better Experience

In 2019, customers expect so much more than a one size fits all solution. Everything already exists for customers to be able to express an opinion or give feedback, and for a retailer to be more relevant based on some obvious cues.

This poor experience isn't just impacting conversion rates but it is also negatively impacting loyalty, LTV and ultimately margins. This is a key area that needs to be addressed by retailers.

Spotify and Netflix Lead the Way

Luckily, there are some good, excellently executed examples of companies who have appreciated this difference in purchasing behaviour and have completely changed the discovery process; Spotify (for music) and Netflix (for films). It is worth pointing out that although these 2 categories are more emotional than electronics and book purchases, the purchasing process is still far more static than a category like fashion.

Spotify

Spotify's first foray into personalisation at the discovery phase was their 'Discover Weekly' which launched in 2016 and reached 40 million people in the first year it was introduced. Each week, every user gets a customised edit of tracks. Based on everything they know about the listener, they can help listeners discover music and artists they may not have come across before. Their AI is continuously improving this for each listener, positively impacting retention as well as exposing other tracks that would not ordinarily be found through normal customer search behaviour.

Spotify has since developed this further. They now have an editorial team who are in charge of putting huge playlists together but each listener will get their own best version of that playlist. Spotify's playlists are a result of the teams at Spotify observing that searching by artist or song was very limiting and not reflective of how people consume music. Therefore, the playlists were a disruptive move away from "library" consumption to inspiration. They treat each of their playlists as new products and the experts who create them as product managers.

These AI components culminate on the Spotify landing page. The content a listener sees is completely different based on their specific taste.

Take two of us in the Dressipi office. My Spotify is reflective of the fact I have a 5-year old who is currently obsessed with creating playlists whilst Joe's is reflective of his chilled music taste.
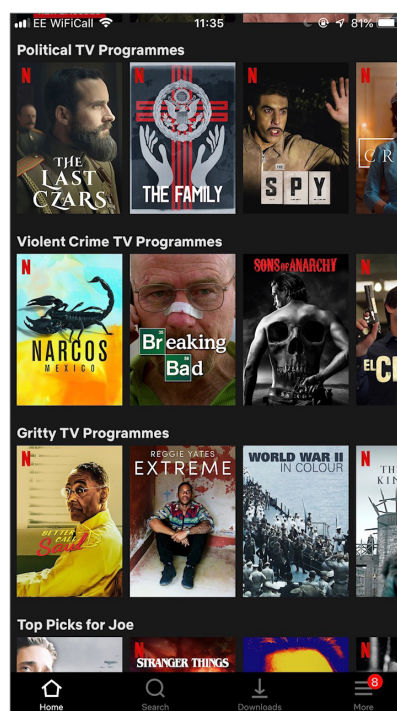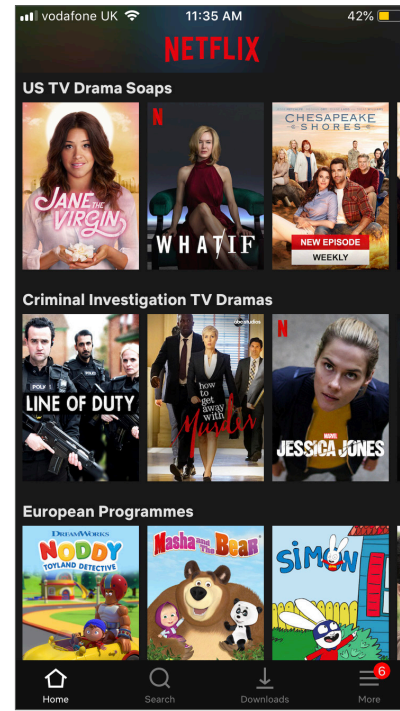
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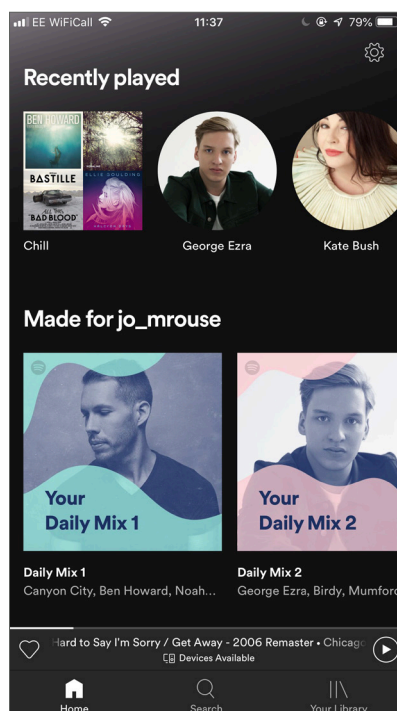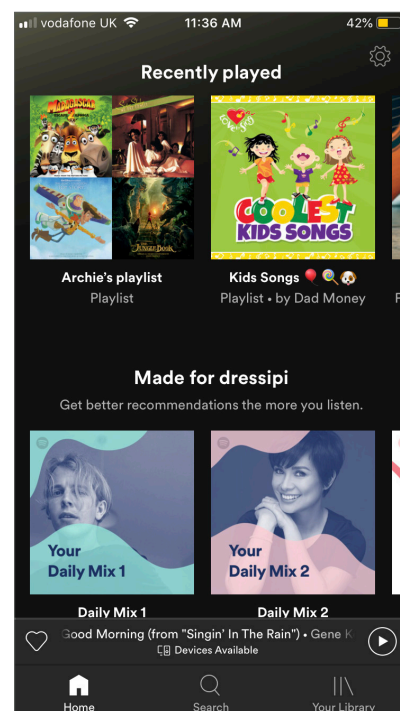
Joe's homepage

Sarah's homepage

Netflix

Netflix goes a step further. They appreciate that families will often use the same account so allow us to create different users on the same account (thank goodness, or I'd be getting Peppa Pig and Power Rangers overriding my viewing choices).
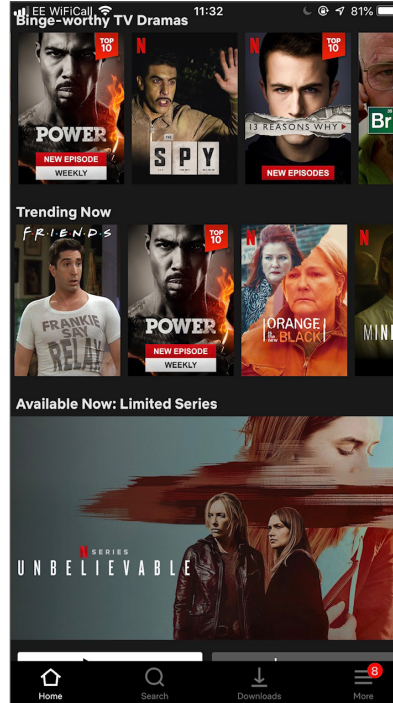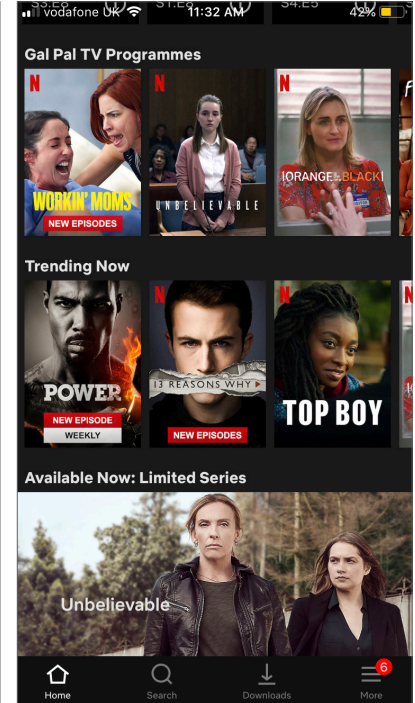

Joe's homepage

Sarah's homepage

Even when they are pushing their own "Netflix original" film, they have figured out that I respond to different imagery than Joe, hence we see different covers for the same series 'Unbelievable'.

Joe's homepage

Sarah's homepage

Netflix and Spotify are good examples of companies that have understood that their consumers consume their category differently and so have transformed the discovery process to reflect that. We appreciate that fashion is different in many ways (physical rather than digital assets and an inventory that needs to be sold through) and so face slightly different challenges but there are still some lessons to be learnt.

You only need to look at the market capitalisation of Netflix to understand the value better relevancy can deliver to a business. Since adapting its business model to what we know today, Netflix has grown to a market capitalisation of $127.67bn trading at a P/E multiple of 112. This very clearly illustrates the market's perception of the prospects of this company and its future earnings capability.

Even the stock market darlings of the fashion industry cannot compete with this. Boohoo is closest at a £3.2bn (P/E ratio 84.6) but all other strong players are trading at a fraction of those P/E multiples: ASOS at 27, Inditex is at 24, H&M at 25 and Next is at 13.6.

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So Why Don't Retailers Optimise Their PLPs? What is Stopping Them?

The reasons are twofold:

• Perceived loss of control over merchandising

• It can be more technically complicated than adding a widget to the PDP.

The Role of Merchandising

A merchandiser has a key role within a fashion retailer. They enable retailers to showcase products to maximise sell-through rates whilst maintaining the essence of the brand DNA (which is so critical in fashion). They tell a story, showing products together in the way they were bought. Aesthetics are key in the fashion industry and a Merchandiser ensures products are displayed in a visually pleasing way. They also monitor stock levels and ensure the right products are presented to customers to minimise markdowns and discounting.

How Merchandising Can Work Alongside Personalisation to Deliver the Best Results

Personalised Edits

Just like Spotify editors create massive playlists for the algorithm to personalise, there is nothing to stop the merchandising team creating edits and allowing the algorithms to personalise the edit for each customer. This enables the algorithms to take on the details of the "last mile" to free up merchandisers for more strategic work.

Acknowledging that fashion retailers face slightly different challenges in that they have bought physical stock they ideally need to sell through at full price, the solution is unlikely to be the same, but key learnings should be taken.

With a fashion retailer, it may be a more successful approach to curate and merchandise the New In pages and the Editorial pages but as soon as a customer goes a level down then supporting this with relevant and completely personalised PLPs can be an excellent combination.

Visually Pleasing for Each Customer

Visual aesthetics are important, but again this can be addressed with smart use of AI. Whether it is the order in which items are presented to deliver the best aesthetic or the age-old debate of whether the model or the garment shot works better, it is probably best left to the algorithm to decide on a per-customer basis.

With both of the points above, it is also worth acknowledging that fashion retailers are different from Spotify and Netflix (they have physical rather than digital assets). You may find that curated and merchandised New In/Editorial pages allow the retailer to deliver on the brand DNA but as soon as the customer goes a level down then supporting this with real relevancy of truly personalised PLPs can be an excellent

combination. And again, it is important to appreciate the importance of the fashion brand's DNA which shouldn't be over-looked. There is real value in beautifully designed branded emails working alongside very relevant triggered emails.

Stock Availability/Fragmentation

Retailers often have stock availability/fragmentation issues, particularly for best sellers. Firstly, with a more relevant PLP, you can make sure that customers are only seeing products that are available in their size so there is no longer the disappointment of finding something you love only to find that you cannot buy it. You could even go a step further. To ensure a customer doesn't miss out on the sale, you can create a "best for you back in stock soon" category so they can wishlist the product in the case where there are more stock levels to come back via returns or if it can be fulfilled from a store.

Overstocked

One of the benefits of better relevancy is that you are more likely to put the right product in front of the right customer so you are less likely to need to push overbought stock. In fact, it should increase your sell-through rate throughout. There are also better ways of dealing with overstocks; personalised offers to customers with a higher propensity to buy that item or in the medium term, using richer data better to predict stock levels for each product at a size level.

Fundamentally, all these problems are reduced if every customer is seeing more products that they would buy and keep.

It is More Technically Complicated

Delivering a different sort order to each customer is no longer just a simple piece of javascript to add to a page. In its entirety, to personalise the sort order you may have to add in all the facets that drive the filtering process. You need to be able to give people the ability to switch to another mode or non-personalised view if they are buying a gift for example. The risks are also greater. It is one thing having a banner that occasionally doesn't load, something else entirely where the entire page does not load.

You Don't Need to go The Whole Hog. You Can Approach it in Bite-Sized Chunks

1. Build an MVP
   a. Test a widget/carousel at the top of the PLP for each category

   This allows a retailer to measure the benefit of a personalised edit within each garment category
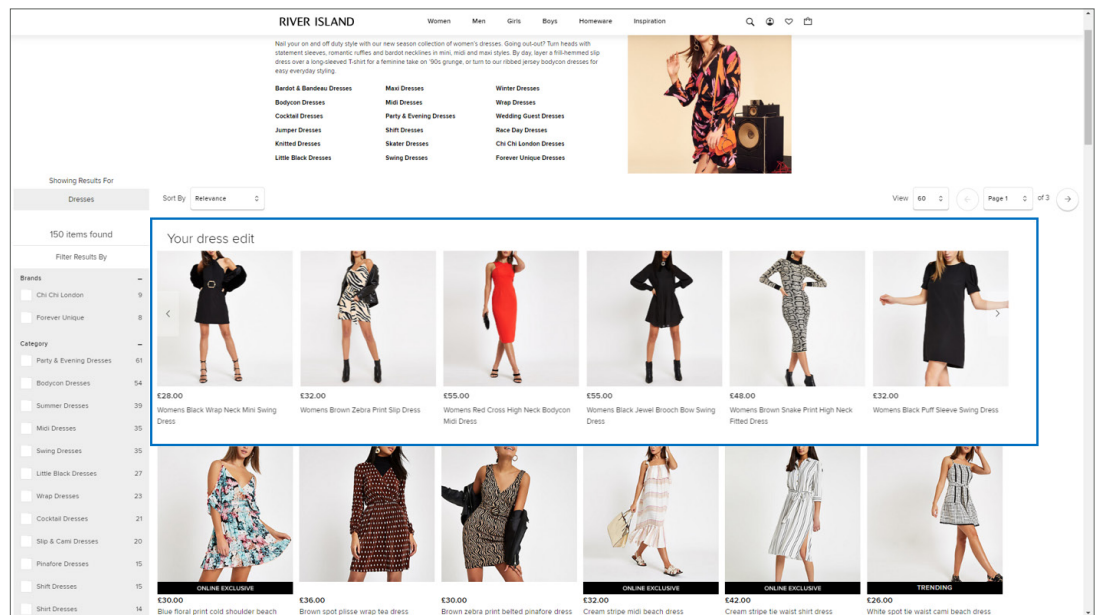
b. Test on a per-page basis - it may be that for brand purposes, a retailer may choose to merchandise its "New in" page but personalise any page beyond that

c. Rollout for the pages where it makes the most sense

2. Test the widget at each sub-category level to understand where it adds the most value

a. There will be a point when you only have 10 or fewer products presented so you no longer need to edit the results

3. Build full implementation once it is all tested and understood.

Example of improvements expected from the PLP widget:
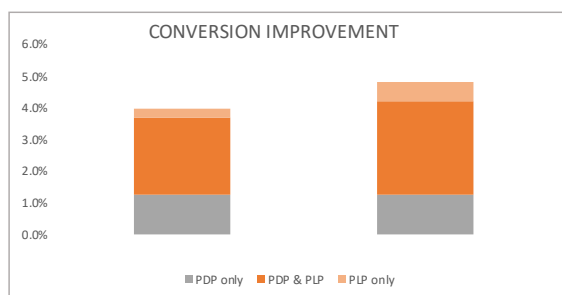
Dressipi Data, 2019

Alternatively, you could be the retailer that redefines the discovery process within the fashion category and lead the way to a more meaningful and delightful customer journey.

Conclusion

Whether you take the staged approach or whether you choose to try to redefine the process, the fact remains that this is a massive opportunity for every fashion retailer.

Not only will a personalised and more relevant discovery process increase your conversion rates but your customers will feel that you "know them" and come back more regularly as the experience is so much better than anywhere else. You will enable your customers to discover products they love and look amazing in thereby increasing sell-through rates and reducing returns throughout the e-commerce journey.

Dressipi has already delivered the initial MVP in this process to a number of the UK's top retailers and the results are impressive: an additional 3-5% increase in revenue with good return reductions too. We have consistently outperformed other vendors because we:

- Understand the nuances around what makes fashion different
- Have the most comprehensive set of customer data (with a fashion lens)
- Have the most comprehensive garment enrichment data (with a fashion lens), and
- Understand the goal and mindset of the customer on a per journey basis.

Sources

Amazon SEO Consultant, 2019
Mobile Marketing Magazine, 2019
Dressipi AB Test Results
Netflix
Spotify

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About Dressipi

Dressipi is the world's only Fashion Prediction Platform, enabling retailers to predict what their customers will buy and not return, optimising profitability and giving customers the best possible experience. Our data-driven approach helps drive significant new revenues for retailers (a minimum of 8% increase in net incremental revenue per visitor), decrease returns (by 15%) and increase conversion and frequency of purchase (by up to 30%).

Leading retailers use Dressipi's Fashion Prediction Platform for its best in class recommendations and prediction scores, enabling radically improved customer experiences and more informed decisions on demand to supply matching, merchandising and acquisition. Our unique database of over 5 million fashion customers combined with fashion specific AI, expert knowledge and proprietary structured product data means retailers can be more profitable, more customer centric and more efficient.

An industry first, customers can now connect their profile across retailers and channels. This is the most powerful version of Dressipi's Fashion Predictions, delivering more data, better customer experiences and even better results.

Contact Dressipi

To learn more about how Dressipi's data-driven approach accelerates leading retailers to be truly predictive, get in touch today.

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