CORRA | Magento
An Adobe Company

INDUSTRY REPORT

The Secret to Customer Loyalty

Why Leading Fashion and Beauty Brands are Choosing Magento
to Meet the Needs of an Evolving Market

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THE STATE OF THE INDUSTRY

As consumers worldwide increasingly turn to online stores to purchase apparel and beauty products, leaders in the fashion and cosmetics industries need the latest data on industry trends and market growth to make informed decisions.

In addition to featuring in-depth vertical research, this report will identify opportunities to strengthen customer loyalty, and discuss how retailers are capitalizing on the benefits of Magento to engage their end consumers.

In 2020, the global fashion retail apparel market is expected to exceed $1.5 trillion, and the global cosmetics market is projected to exceed $675 billion (McKinsey).

While the exponential growth of these industries will offer fruitful business opportunities, the competition within these verticals is also expected to increase. Retailers serving highly personalized experiences will have better chances at boosting their online market share.

"

Sigma Beauty chose Magento because we needed a scalable platform that would fulfill the needs of both our growing B2C and B2B businesses. Hosting on the Magento Commerce Cloud AWS-based infrastructure was an exceptional bonus for our performance – something that will benefit our global network of customers both immediately, and long-term."

DAN AMUNDSEN

WEB DEVELOPMENT MANAGER

SIGMA BEAUTY

Fashion & Apparel

Sales Outlook

Although 75 percent of branded apparel sales are still made in stores, apparel buyers decidedly buy more items and spend more per basket when buying online.

The value of the U.S. ecommerce apparel market is slated to reach $99.9 billion by 2020, a 66 percent leap over 2015 numbers. Digital platforms and strategies will become more prevalent, integrated and sophisticated, with ecommerce rising, pure-play brands emerging, and brands engaging with consumers through virtual reality.

In this scenario, digital transformation can no longer be considered a separate business. Fashion brands that are implementing digital initiatives across every aspect of their organizational culture will also be able to improve their speed-to-market and effectively respond to the pressure for growth and cost efficiency.

APPAREL ECOMMERCE MARKET IN THE U.S. FROM 2015 TO 2020

IN BILLION U.S. DOLLARS

Year	Value
2015	60.2
2016	68
2017*	75.8
2018*	87.6
2019*	91.7
2020*	99.9
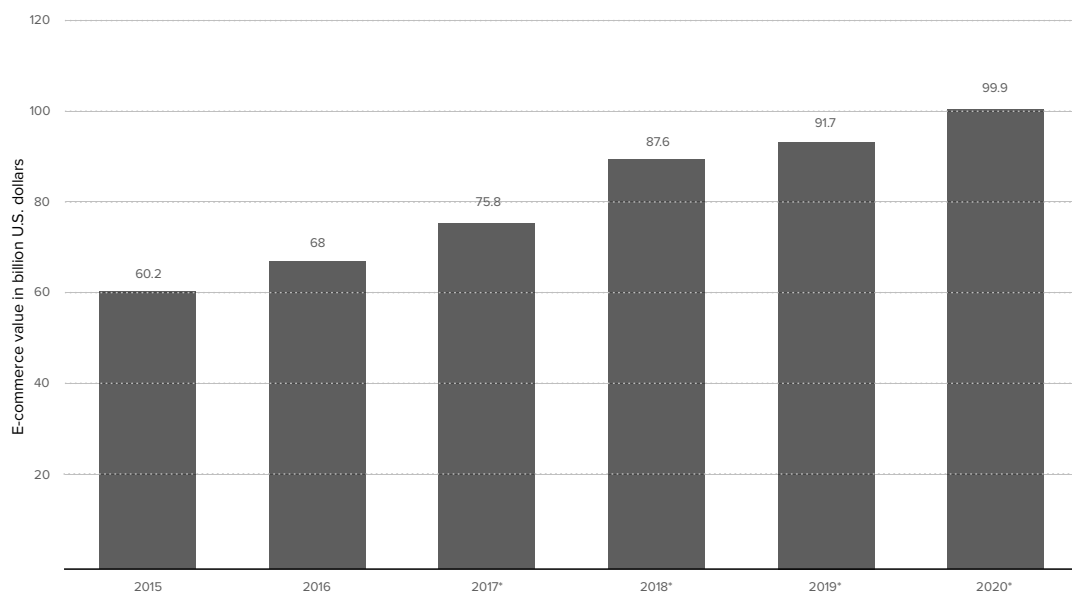
INDUSTRY SNAPSHOT

Beauty & Cosmetics

Sales Outlook

The 'prestige' beauty market, including premium products such as body care, makeup and fragrances, remains one of the most profitable segments.

Top-line growth in this vertical has outperformed both mass market beauty and most other consumer categories since 2013 (Deloitte), fueled by new demographics, emerging economies, and new business models driven by service and convenience.

Similarly, the global cosmetics market is expected to grow by 6.4 percent annually, reaching $675 billion by 2020. And though the average U.S. woman will spend a whopping $300,000 on beauty products over the course of her life, the male market for grooming products is getting substantial as well. U.S. men are expected to spend $23.9 billion on toiletries, $18.7 billion on fragrances, and $18.1 billion on shaving products in 2020 alone.

GLOBAL MALE GROOMING MARKET, 2015-2020

IN U.S. BILLION DOLLARS

Men's Toiletries · Men's Fragrances · Men's Shaving Products
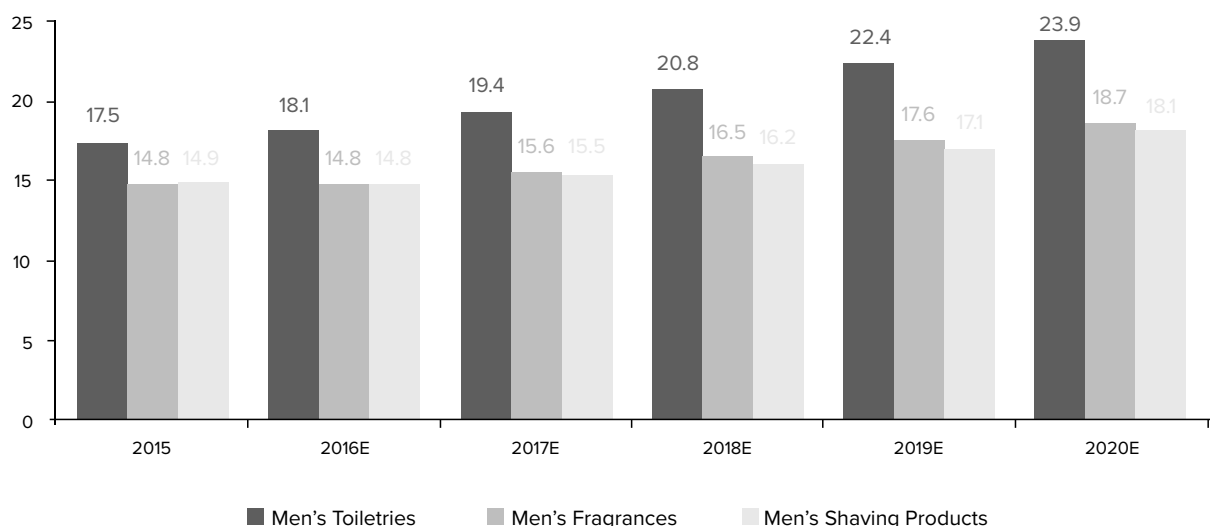
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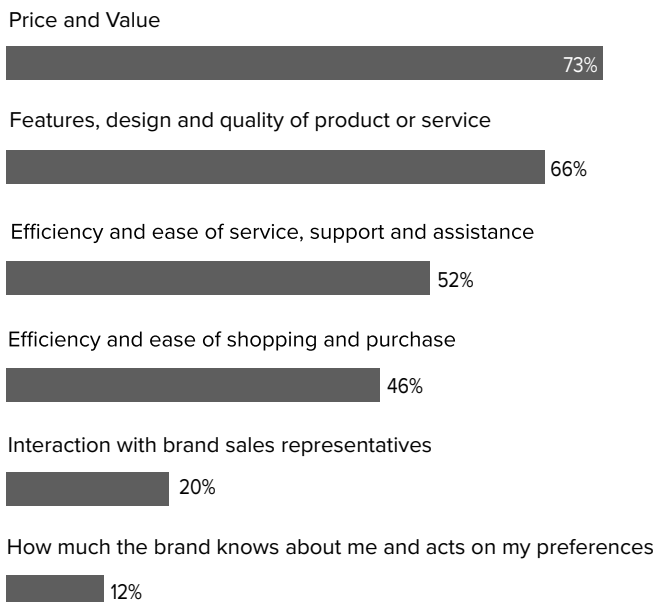
CUSTOMER LOYALTY

The Challenges

YOUR CUSTOMERS KNOW WHAT THEY WANT

However, whether they are visiting your site for the first time or they are loyal fans, customers are constantly being retargeted by other brands and exposed to a variety of product choices.

FACTORS DETERMINING BRAND LOYALTY

ACCORDING TO U.S. USERS

Price and Value
73%

Features, design and quality of product or service
66%

Efficiency and ease of service, support and assistance
52%

Efficiency and ease of shopping and purchase
46%

Interaction with brand sales representatives
20%

How much the brand knows about me and acts on my preferences
12%

Note: ages 18-60; *who consider themselves very/somewhat connectedto technology and want to know and use the latest technologies

Source: Support.com, "Connected Consumers and The Most PersonalBrand Experience," Nov 5, 2015

Only 27 percent of fashion and apparel shoppers start their purchase journeys seeking for a specific brand.

In fact, over the last two years, consumer searches for "best" products have skyrocketed 80 percent. That illustrates a deeper level of consumer engagement as they explore product features, familiarize themselves with brands, and examine different purchasing options.
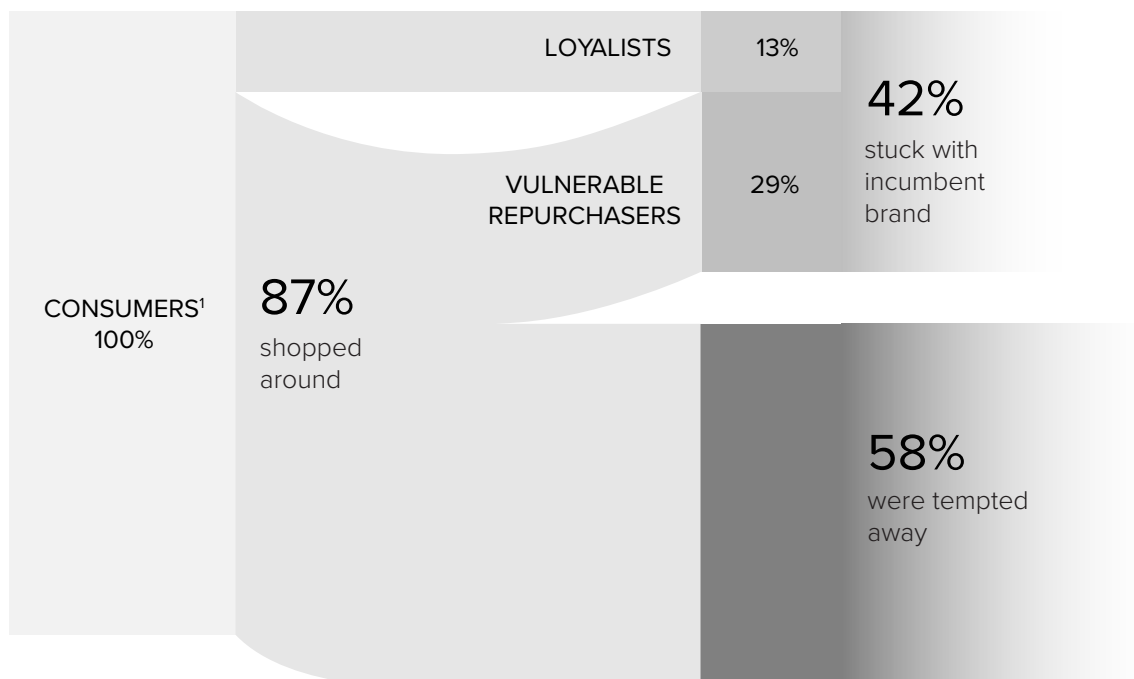
TOO MANY OPTIONS LEAD TO HESITATION

When brands fail to provide engagement, their sites get systematically abandoned.

58 percent of U.S. consumers confirm that they've been tempted away during their purchase journeys, reports McKinsey, while other research shows the range of product choices available has led to decreases in repeat purchase rates, customer lifetime value, and genuine brand loyalty.

58% of U.S. customers are tempted away while they shop.

CONSUMERS[1]
100%

87%
shopped
around

LOYALISTS   13%

VULNERABLE
REPURCHASERS   29%

42%
stuck with
incumbent
brand

58%
were tempted
away

[1]Excludes consumers in categories characterized by loyalty: auto insurance, investments, and mobile carriers.
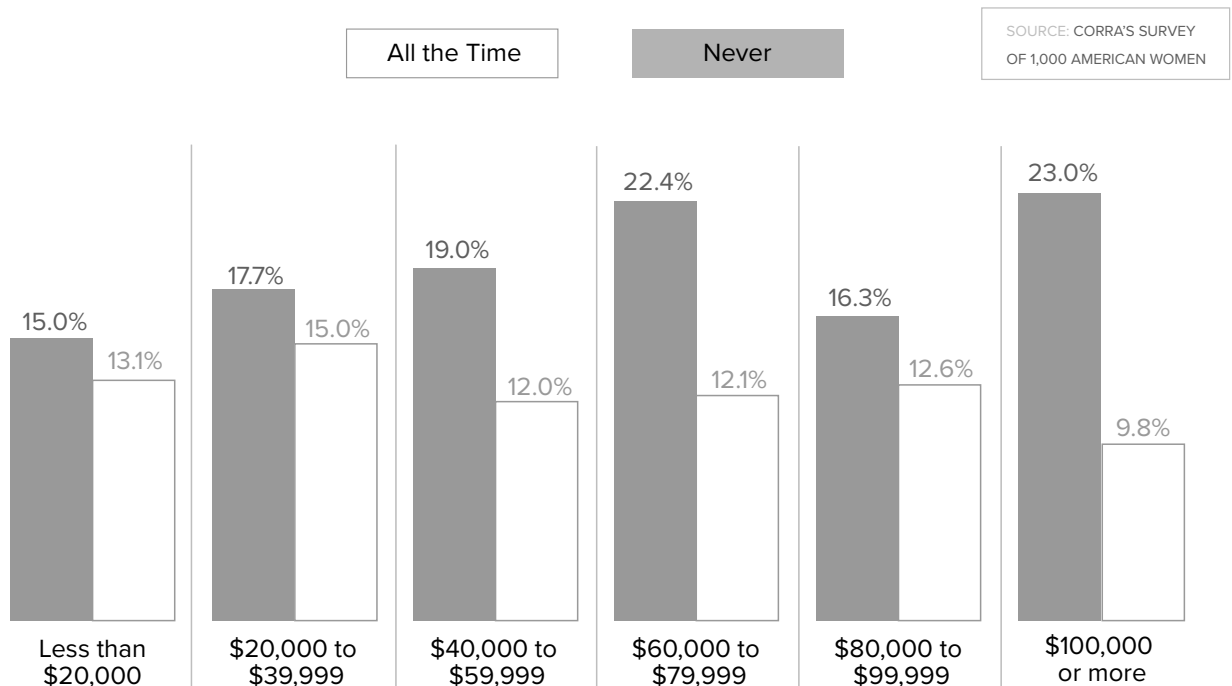
BRANDS ARE REPLACEABLE

Annex Cloud, a platform integrating online and offline customer loyalty campaigns, recently released a report showcasing how acquiring new customers is 500 percent more expensive than retaining current ones.

That said, loyalty can be difficult to secure in an environment in which only 27 percent of fashion and apparel shoppers start their purchase journey seeking a specific brand (Oliver Wyman). 73 percent start by searching for the item itself, or by visiting a site or store that offers multiple brands.

And, when it comes to the beauty industry, a recent study conducted by Corra reveals that "affluent" U.S. women earning an annual $100,000 or more are the least likely (of all income levels) to be loyal to specific beauty brands.

HOW OFTEN DO WOMEN SWITCH BEAUTY BRANDS?

BY YEARLY INCOME LEVEL

| All the Time | Never | SOURCE: CORRA'S SURVEY OF 1,000 AMERICAN WOMEN |

Income Level	All the Time	Never
Less than $20,000	15.0%	13.1%
$20,000 to $39,999	17.7%	15.0%
$40,000 to $59,999	19.0%	12.0%
$60,000 to $79,999	22.4%	12.1%
$80,000 to $99,999	16.3%	12.6%
$100,000 or more	23.0%	9.8%

The Opportunities

OPPORTUNITIES FOR FASHION BRANDS

Loyal customers who start their buying process searching for a specific brand are more likely to buy from a brand-owned store or website, where the average spend is 86 percent higher than it is at other retailers (Oliver Wyman).
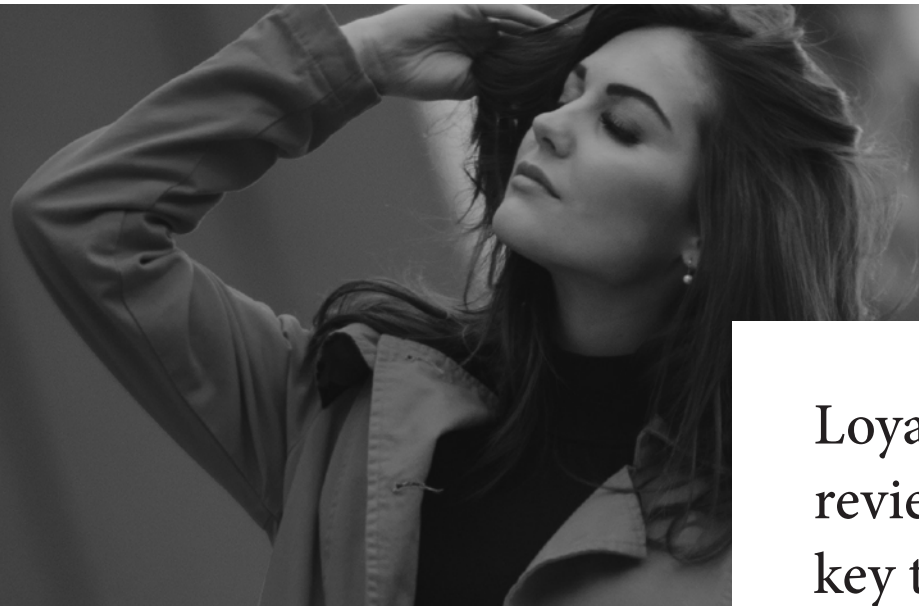
Loyalty drives reviews, which are key to reach new customers segments.

OPPORTUNITIES FOR BEAUTY BRANDS

A Corra survey confirms more than two-thirds of American women will recommend your beauty products to friends once they become loyal to your brand.

THE TOP EXPRESSIONS OF BRAND LOYALTY

|	
69.3%	Recommending brands or products to friends
12.0%	Buying products as gifts
12.0%	Leaving reviews on the brand's website
6.7%	Posting about brands and products on social media

CUSTOMER LOYALTY EQUALS REPEAT PURCHASES

65 percent of U.S. consumers demonstrate their loyalty by buying from you again, while 61 percent of loyal customers will recommend you to others (Statista).
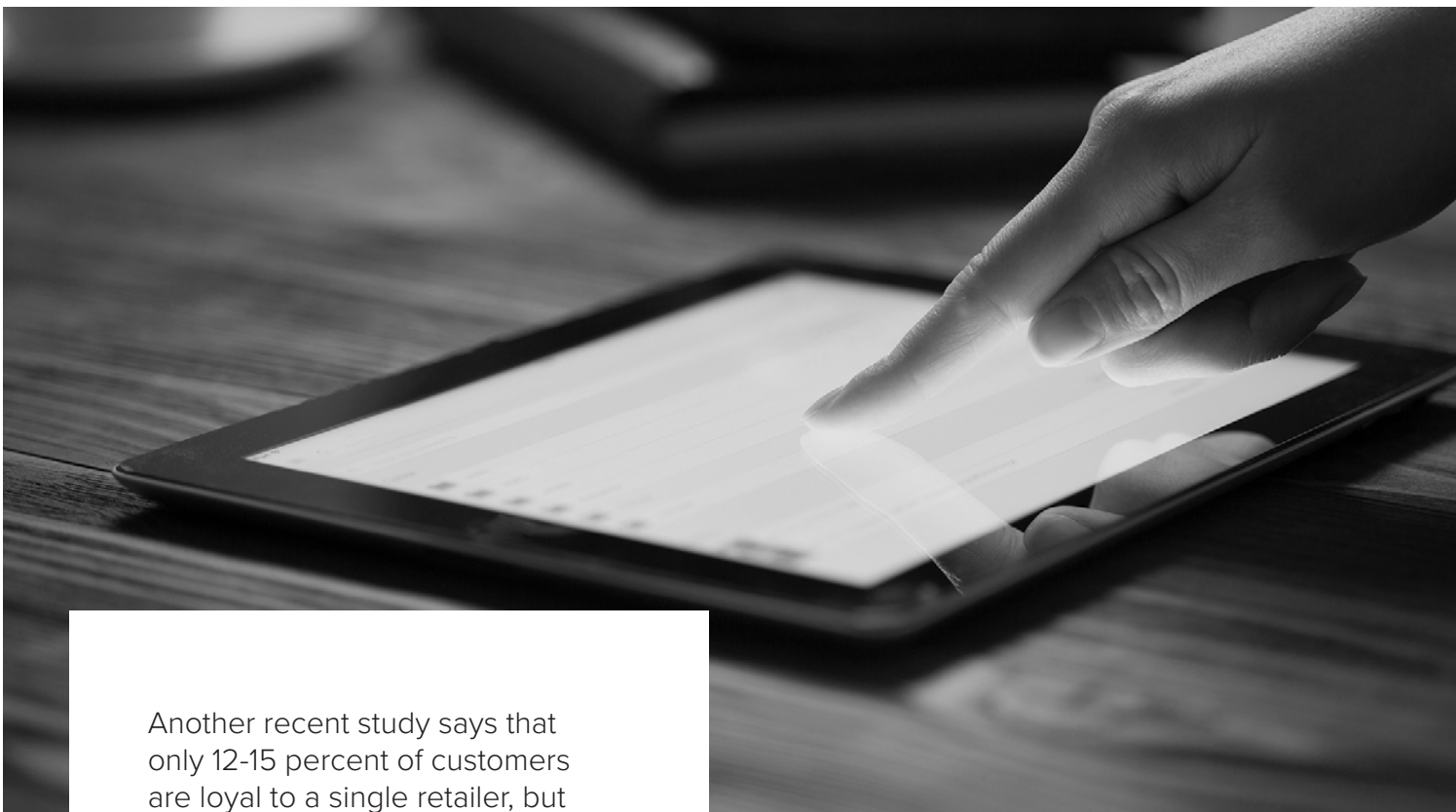
In an online landscape where 70 percent of customers are influenced by reviews and ratings posted by others, recommendations are play a key role in building trust and reaching new customer segments through unbiased insights.

WAYS IN WHICH CONSUMERS DEMONSTRATED BRAND LOYALTY IN THE U.S.

AS OF OCTOBER 2016
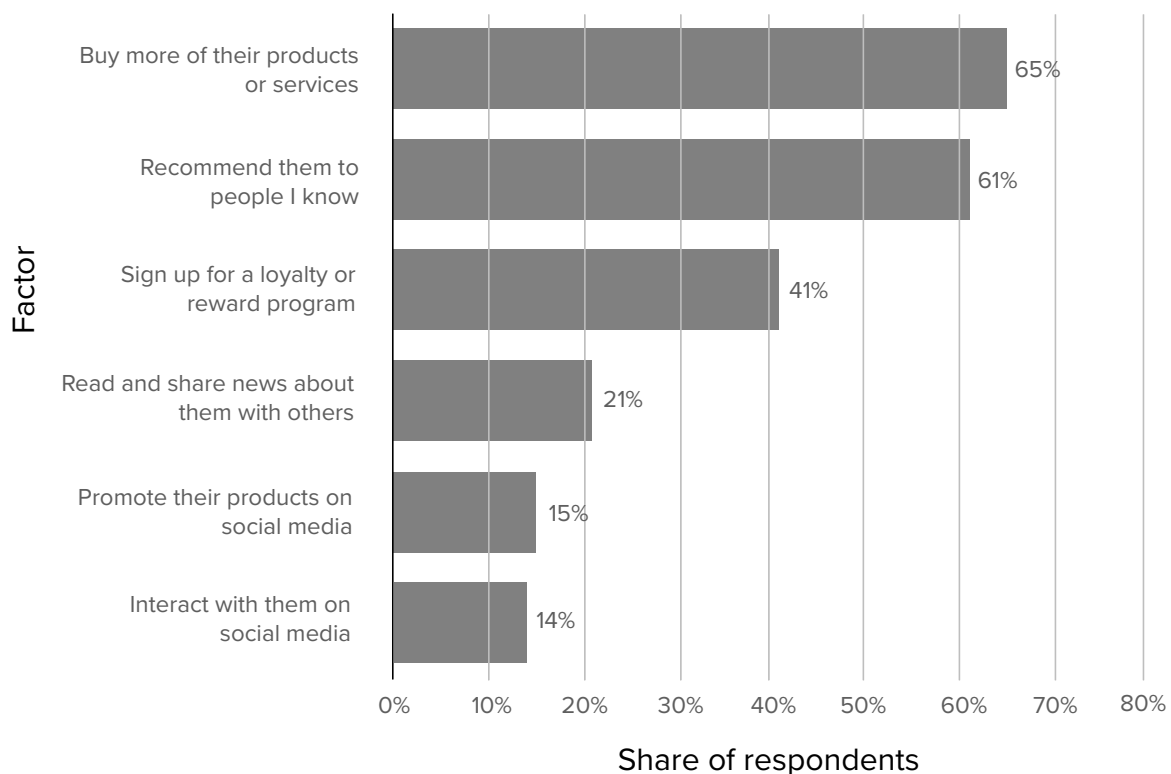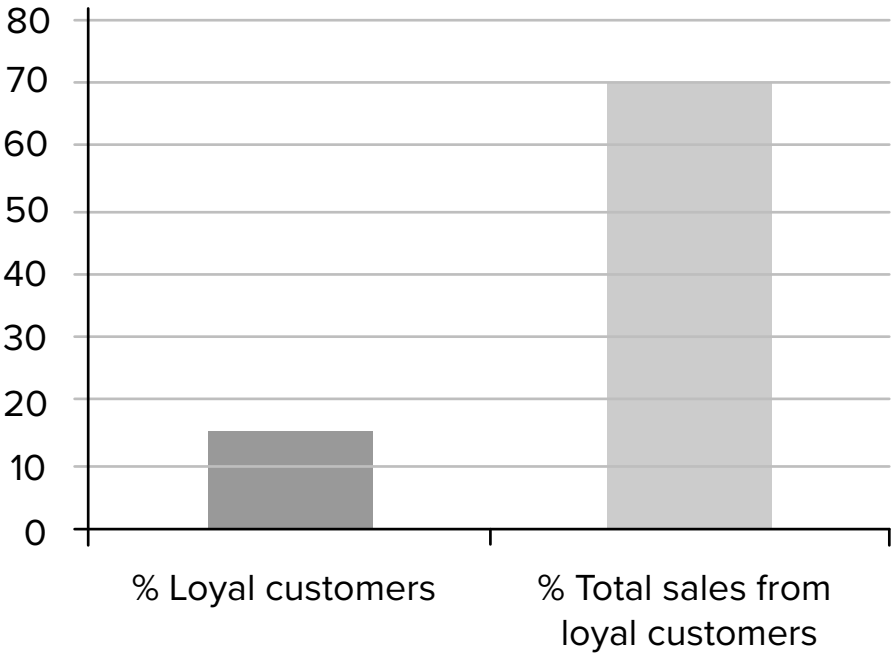

SOURCE: STATISTA

Another recent study says that only 12-15 percent of customers are loyal to a single retailer, but they represent between 55 -70 percent of total sales (Center for Retail Management, Northwestern University via Annex Cloud).

LOYAL CUSTOMERS MAKE UP 70% OF TOTAL SALES

SOURCE: CENTER FOR RETAIL MANAGEMENT AT NORTHWESTERN UNIVERSITY

Magento For Fashion & Beauty

01. Optimizing the Journey

Each fashion and beauty brand relies upon unique business strategies, and no two customer profiles are alike. Building strong relationships with your customers requires that your site is optimized to create highly personalized shopping experiences. Equally important is taking steps to ensure that your brand experience is curated across the whole shopping journey, from product listing page to checkout.

One recent Magento study determined that 48 percent of U.S. consumers buy more from retailers that personalize their shopping experience across channels, while 74 percent become frustrated when websites feature content, offers, and products that don't match their interests.

%48

Buy more from retailers that personalize their shopping experience across channels

%74

Become frustrated when websites feature content, offers, and products that don't match their interests

For that reason, more than 240,000 merchants worldwide have chosen Magento.

The platform offers unparalleled flexibility, allowing you to efficiently tailor every element of your site to your audience.

THE FLEXIBILITY YOU NEED

A clear benefit of Magento is its marketplace extensions. Compared to the few hundred plug-in integrations offered by other platforms, Magento provides a huge range of dynamic features that allow you to easily create, manage, and differentiate every element of your interactions — an advantage that can help you stand out in a crowd of fashion and beauty competitors.
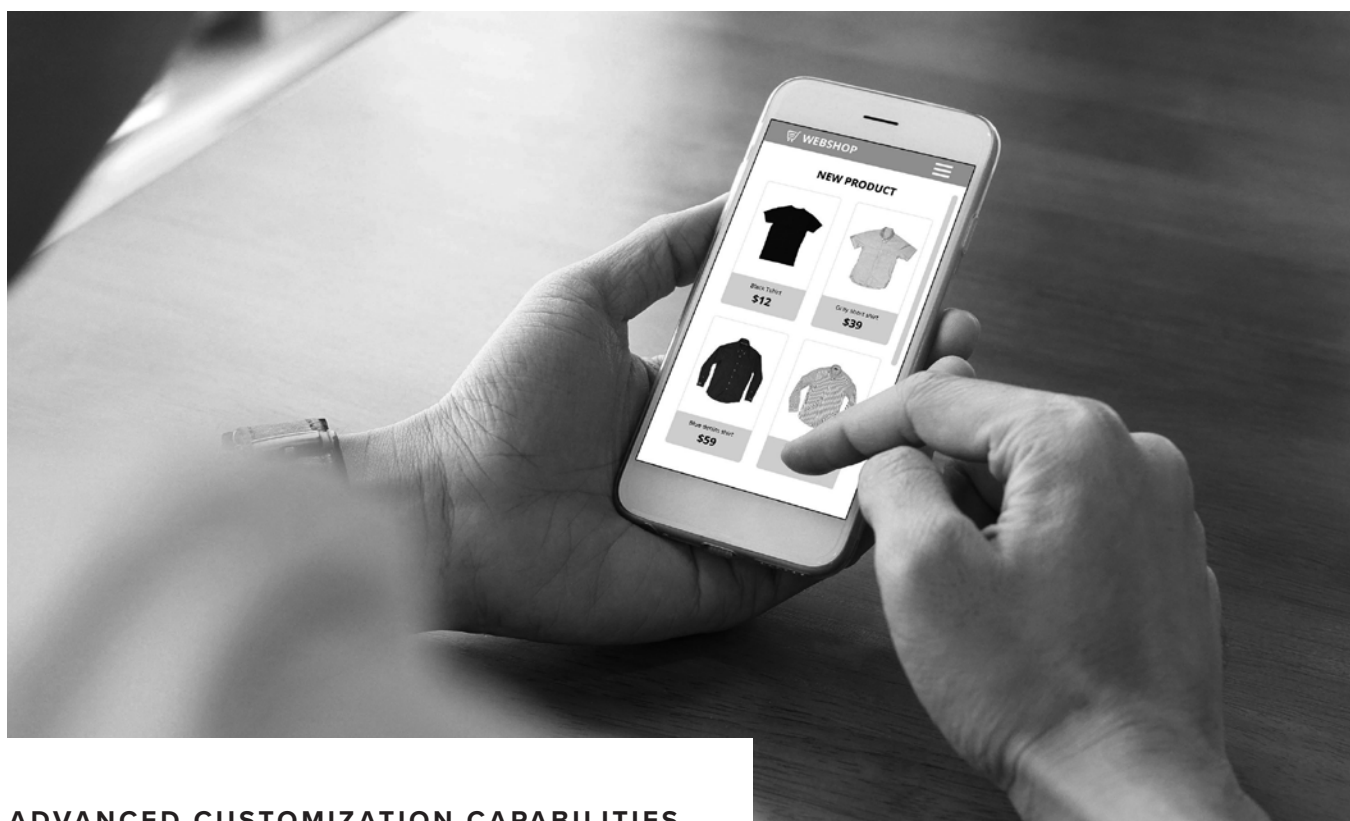
ADVANCED CUSTOMIZATION CAPABILITIES

What if the marketplace doesn't offer solutions to the advanced capabilities you'd like to implement? Not a problem with Magento. Unlike other platforms, it poses no limitations on customizability. Users have access to the source code, allowing them to personalize their own functionalities.

Magento has also made a priority of building in scalability, and its modern code base can easily integrate with a wide variety of systems via APIs.

Further, if you need help building a unique storefront, you can count on a network of more that 150,000 developers and 300+ solution partners, including Corra.

The Retailer Perspective

EGO Shoes

Based in the UK, EGO is an online trend-led sassy footwear brand representing a movement of stylish shoeaholics from across the globe. Providing a ordable fashion-forward shoes for fierce ladies, EGO is constantly developing and improving their range with the latest must-have pieces straight from the catwalk.

EGO launched their ecommerce in back in 2015. When they began posting a few styles on Instagram, the orders started flying in. Right after Chloe Lewis posted a pair of heels, they acquired 10,000 followers and countless email inquiries.

Expanding their ecommerce presence was next.

Corra was able to help EGO gather valuable information about its key customers so it could focus on integrating content and commerce from start to finish. Powered by Magento Commerce 2.1, the new experience targets EGO's key buyer personas, identified as tech-savvy women, 18 to 24, attracted by millennial minimalism, captivating product photography, and viral trends.

https://egoshoes.com/
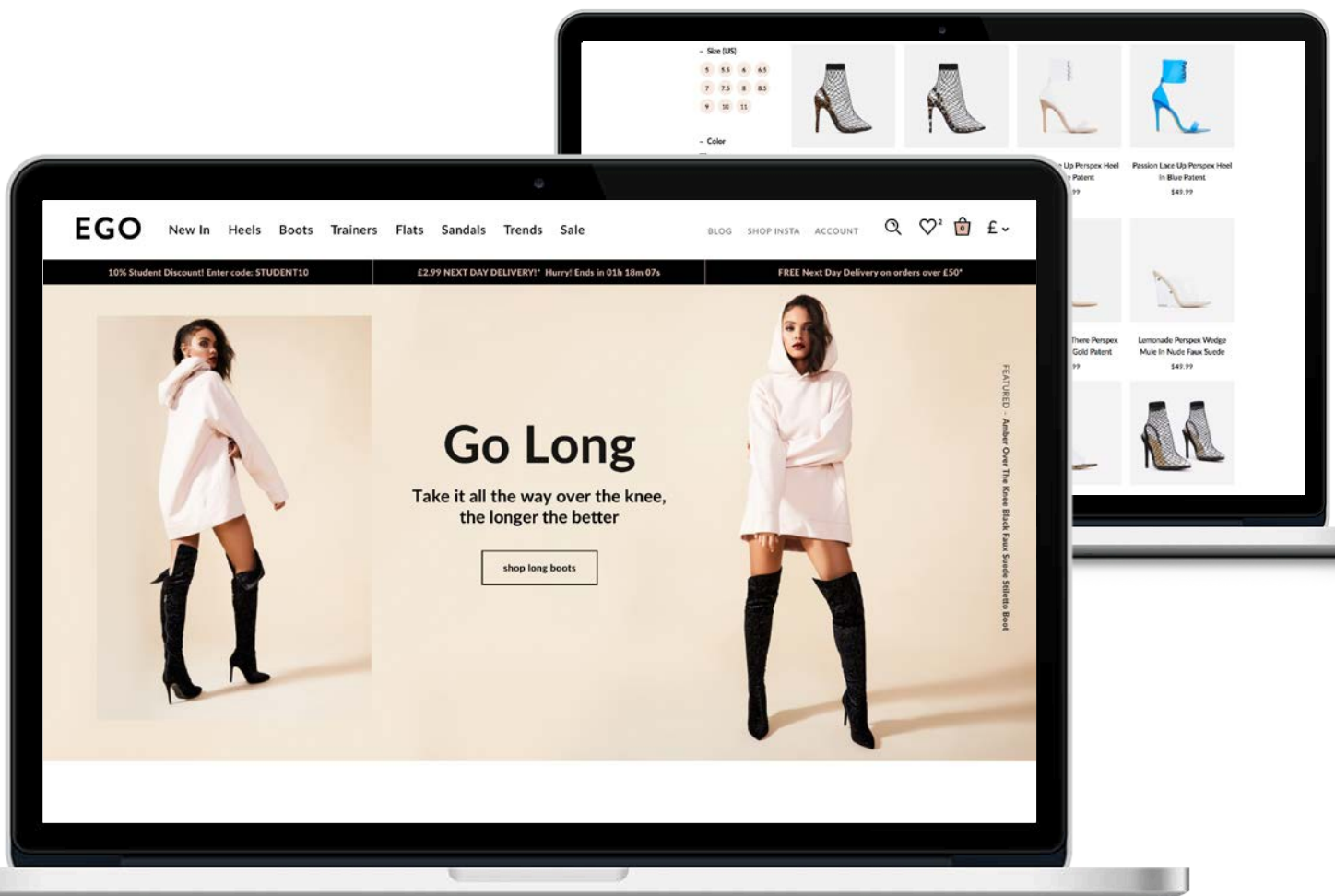
EGO SHOES

Results

This key audience is subject to high turnover, with new customers continually attracted by trends they view on social media, a factor that called for flexible home page layouts featuring content that can be re-edited in a day's time to reflect the latest product styles and promotions.

Corra designed a mobile-first experience that incorporates unique elements such as playful icons, colorful and animated sales banners, and a sticky email capture feature that drives opt-ins without distracting from the shopping experience. Even if subtle, these elements echo the foundational personality of the brand, adding the element of fun EGO's customers are expecting.

Moreover, Corra reshaped the tone of the copy to target a young audience, and customized Magento's native menu to provide an engaging navigation. To bridge the gap between product detail pages and shoppable social content, Ego incorporated images straight from their inspiring Instagram feed.

Third party extensions also played a key role for Ego. For example, through Klarna, Ego's shoppers can buy multiple items and sizes, try on at home and only pay for what they keep. EGO used a variety of Facebook retargeting campaigns to promote Pay later messages such as "try before you buy", "no fees or interest", and "30 days to pay", ultimately driving a 5x ROI.

02. Creating User Profiles

The 80/20 rule of marketing says that 80 percent of a business' sales come from 20 percent of its customers.

Identifying your most profitable customers is key to your success, and an in-depth analysis of your purchase history data can offer a 360-degree overview of your best customers, including:

FREQUENT SHOPPERS

Repeat Customers and Frequent Shoppers tend to respond 40 percent to 50 percent better than one-time customers.

HIGH AVERAGE ORDER VALUE

Customers identified as high spenders.

FEWER RETURNS

Customers that are more inclined to keep the items they ordered.

PROVIDE POSITIVE FEEDBACK

Customers that leave reviews and recommend products on social media.

RESPONSIVE CUSTOMERS

Customers that are prone to action after they receive a special discount or offer.

Purchase history data offers a 360-degree overview of your best customers.

The Buyer Persona

Once you've narrowed down your top-tier audiences, you'll want to drill down into their defining characteristics so you can design your operations and messaging to appeal to them. For example, you'll want to collect data on their gender, age, how often they buy, where they live, which payment and shipping options they prefer, and other key factors related to their purchasing journeys.

By the same token, you may wish to identify your "bottom-tier" customers with low average order values, frequent product returns, and frequent customer service interactions so you can avoid attracting them further.

Making Informed Decisions

Through customer data, you can compile profiles detailing their lifestyles, behavior, and purchasing habits. The more specific you can make those profiles, the better; ideally they should include elements like hobbies, interests, concerns, needs, desires, and frustrations. That specificity should help you make informed choices when it comes to crafting your marketing plans; you may even wish to adjust products or introduce new offerings to better suit the preferences of your best customers.

Fortunately, gathering, sorting, and storing that key information about your customers can be easy and efficient with Magento BI, which merges your cart into a variety of sources and systems so your data is synced into easily understandable insights.

03. Integrating Channels

These days, customers expect the same seamless shopping experience no matter which channel, screen, or technology they're engaging through. That means you must establish consistency across every function from customer service to shipping, continuing customer "conversations" across multiple touch points on demand.

Examples include offering appropriate suggestions for purchases based on customer records and previous searches; ensuring customer service can access shopper history for faster conflict resolution; and recognizing customer loyalty through meaningful rewards and incentives.

Channel integration can also mean offering your customers more fulfillment options, including buying merchandise online before picking it up in-store.
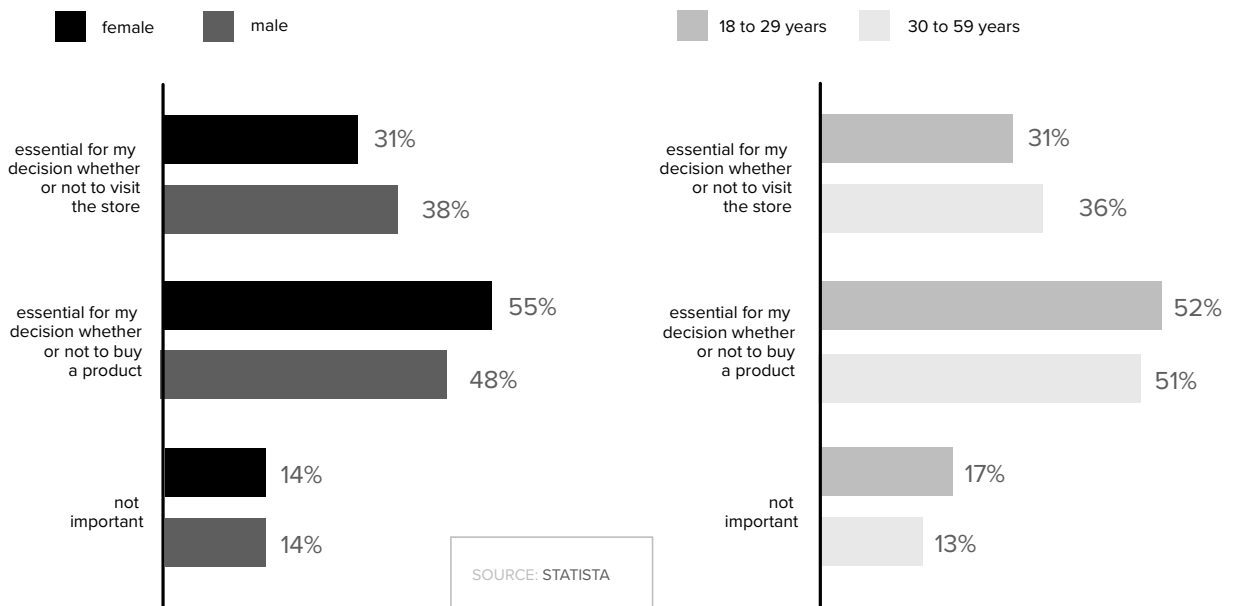
In addition to being convenient for the customer, in store pick-up drives revenue. U.S. consumers selecting

that option end up spending 30 to 40 percent more while visiting the brick-and-mortar store.

Further research confirms efficient order management is hugely important to shoppers. The top reasons buyers recommend retailers to others are free shipping, timely shipping, free returns, and easy returns and exchanges.

In another study, 52 percent of respondents cited return conditions (including the ability to buy online and return in-store) as essential factors when shopping online.

IMPORTANT ASPECTS RELATED TO ONLINE FASHION STORES

Legend: female, male, 18 to 29 years, 30 to 59 years

Left chart (female / male):
- essential for my decision whether or not to visit the store: female 31%, male 38%
- essential for my decision whether or not to buy a product: female 55%, male 48%
- not important: female 14%, male 14%

Right chart (18 to 29 years / 30 to 59 years):
- essential for my decision whether or not to visit the store: 18 to 29 years 31%, 30 to 59 years 36%
- essential for my decision whether or not to buy a product: 18 to 29 years 52%, 30 to 59 years 51%
- not important: 18 to 29 years 17%, 30 to 59 years 13%

SOURCE: STATISTA

That said, return policies are somewhat in flux for fashion and apparel brands. Though free shipping and free returns have become something of a standard in those industries, some vendors' online return rates are as high as 40 percent, compared to about 30 percent for online retailers in general.

HOW IMPORTANT ARE RETURN CONDITIONS?

ONLINE FASHION STORES

essential for my decision whether or not to visit the store	34%
essential for my decision whether or not to buy a product	52%
not important	14%
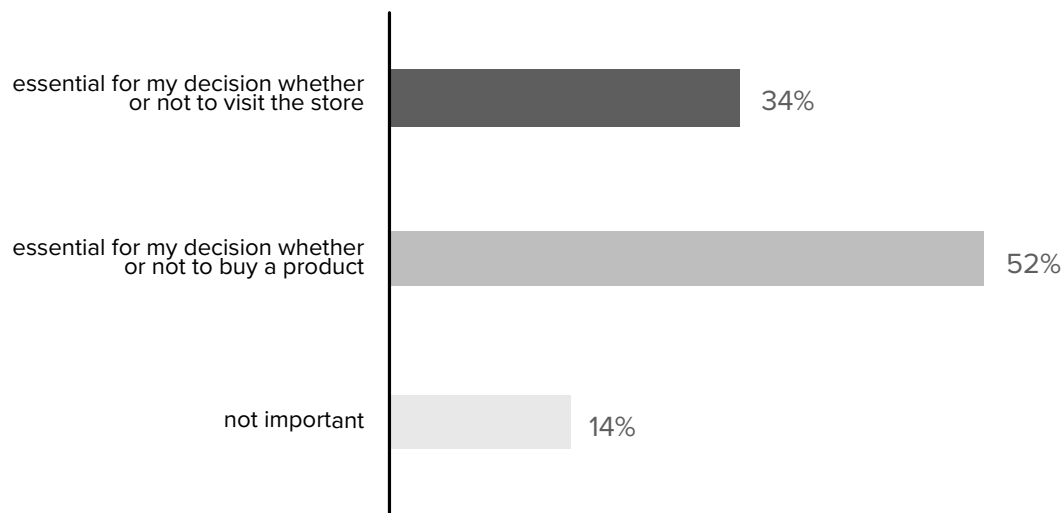
SOURCE: STATISTA

By next year, Magento predicts, half of all U.S. retailers will have adopted omnichannel strategies and will reap average profitability increases of 30 percent as a result. Because creating excellent across-the-board order management can be challenging, you'll want to adopt a next-generation order management system (OMS) that can offer a real-time view of your inventory and offer customers the broadest fulfillment options.

Your OMS should automatically "speak the same language" with your other systems, efficiently syncing for optimal order management without manual intervention. Implementing an OMS that ties all your sales and inventory channels together truly provides every aspect you need to realize all the benefits associated with omnichannel.

With Magento Order Management you can centralize global inventory, intelligently source items for fulfillment, and merge your online and offline worlds. This translates into a variety of flexible fulfillment options, including ship-from-store, ship-to-store and buy online, pick up in store.

04. Driving Loyalty from B2C and B2B

Many beauty and fashion retailers are familiar with the struggle of managing separate B2B and B2C back-ends. They need to able to target two different audiences through tailored content, pricing, and promotions, while being able to manage operations seamlessly.

B2B CAPABILITIES

With Magento's B2B Module, you can transform your business buyer experience to increase loyalty, reduce costs, and drive new growth, allowing wholesalers to search, learn, and purchase from your B2C site.

Self-service tools empower you to easily create company accounts, set up multiple buyers, and define their specific roles and responsibilities. You can also create custom catalogs and price lists to ensure buyers receive contract terms when purchasing online, and offer payments on account to increase sales. Moreover, you can encourage fast, friction-free purchasing (and repeat purchases) with quick order forms, requisition lists, and a streamlined request-for-quotes workflow.

Thanks to Magento's B2C heritage, you can create powerful, consumer-like buying experiences by leveraging mobile-ready responsive sites, merchandising and promotional capabilities, automated upselling/cross-selling, and ratings and reviews. The B2B Module includes a drag -and-drop content management tool and supports video, rich media, product images, spec sheets, and more.

Moreover, Magento's Business intelligence solution comes integrated with every Magento instance, offering 4 dedicated B2B dashboards that provide insights into data such as quote-to-order process, Sales Rep KPIs, catalog performance, and company-level customer health.

The Retailer Perspective

Sigma Beauty

Founded in 2009, Sigma Beauty has quickly grown into a major international business, boasting more than 250 retailers in 70 countries. Sigma Beauty planned to rebrand their entire site starting in 2018, and they needed a platform that could bring it to market in lightning-fast time while retaining enough flexibility to support aggressive future revenue goals in both B2B and B2C markets.

However, with their platform contract expiring in February 2018, the teams were faced with a hard deadline of just a couple of months.

They immediately got to work with Corra to rebrand both their B2C and B2B online experiences.
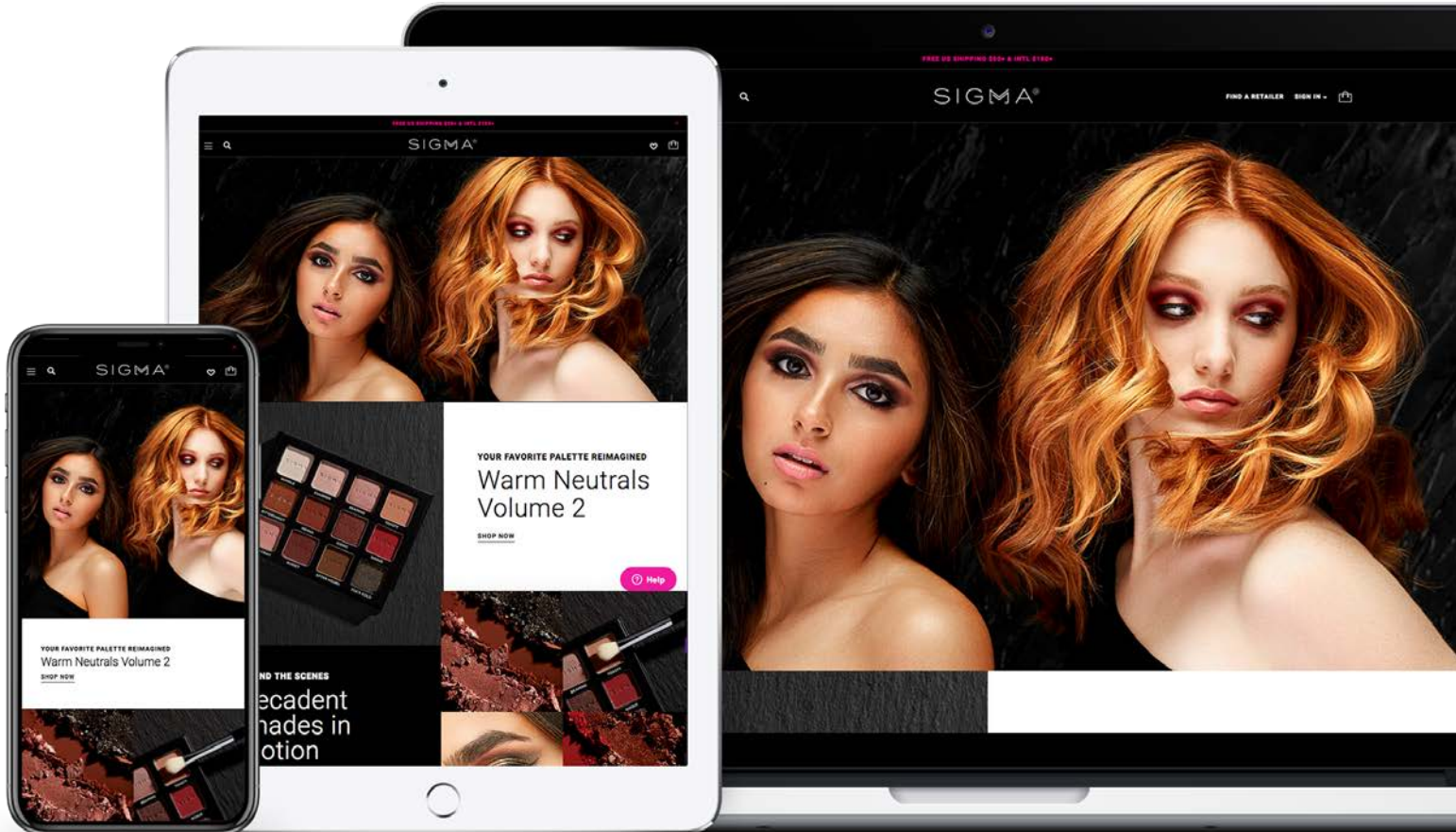
sigmabeauty.com

Results

The native Magento Commerce B2B module allowed Sigma Beauty to easily implement an out-of-the-box, streamlined online experience for their wholesale customers. Separate storefronts offer different prices, managed from one admin panel, significantly improving efficiency and productivity. Meanwhile, product detail pages for B2B customers add customized data, including UPC codes and pricing.

Finally, Corra's design team leveraged the contemporary design of the Sigma Beauty B2C site for their B2B customers, delivering business functionality with the look and feel of a consumer experience.

The brand new storefront leverages multiple third-party integrations including Listrak, Bazaarvoice, Curalate, Zinrelo, Amasty Product Feed, Kount, MatrixRate, Table Rate Shipping, and Shipstation.

These marketplace functionalities allowed Sigma Beauty to attract more customers, improve their experience, deliver sophisticated campaigns, increase security, and incorporate flexible shipping methods.

8%

Decrease
in Exit Rate

15%

Decrease
in Bounce Rate

Lessons Learned

1. The value of the U.S. ecommerce apparel market is slated to reach $99.9 billion by 2020, a 66 percent leap over 2015 numbers. Similarly, the global cosmetics market is expected to grow by 6.4 percent annually, reaching $675 billion by 2020. The competition within these verticals is also expected to increase.

2. **Loyalty - The Challenge:** Only 27 percent of fashion and apparel shoppers start their purchase journey seeking a specific brand. As for beauty customers, the higher the income level, the least likely they are to be loyal to specific beauty brands.

3. **Loyalty - The Opportunity:** 65 percent of U.S. consumers demonstrate their loyalty by buying from you again, while 61 percent of loyal customers will recommend you to others.

4. **Why 240,000+ Retailers Have Chosen Magento to Strengthen Their Customer Loyalty:**

   - Flexibility: Magento provides access to its source code and a huge range of extensions that allow you to easily create, manage, and differentiate every element of your interactions.

   - Personalization: Magento BI connects to a variety of sources and systems so your customer data is always synced and translated into easily understandable insights.

   - Magento Order Management: allows you to centralize global inventory, intelligently source items for fulfillment, and merge your online and offline worlds.

   - B2C/B2B Integration: Magento Commerce includes a B2B module that allows merchants to quickly go to market with an out-of-the-box solution that connects with the B2B consumer.

Your ability to nurture and secure customer loyalty in today's highly competitive environment will make a major difference in the ultimate success of your brand, and Magento offers the power and flexibility you need to inspire shoppers and drive conversions as your business evolves.

As the #1 Magento Commercial Partner in the Americas and one of the first five inaugural Global Elite partners, Corra is the digital agency that fashion and beauty retailers trust to create luxury commerce experiences.

If you are interested in learning how we can elevate your storefront through the powerful functionalities of Magento Commerce, contact us today.

CONTACT US