

The State of Retail AI

VOLUME 3: DEC 2021

INTELLIGENT INSIGHTS
INTO THE FUTURE
OF FASHION

PRESENTED BY



style



length



pattern



neckline



color



season



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Welcome to our Q3 State of Retail AI report.

Each quarter, we're sharing data-driven insights and industry perspectives, drawn from the unique position we have as the world's fastest-growing global retail AI platform provider.

This time around, we're shining the spotlight on fashion and data analytics — from the top challenges to key opportunities retailers need to know about. We'll be discussing the most pressing challenges in terms of drawing actionable insights from the available data. In addition, we'll address the benefits of accessible data and immediate, actionable insights, illustrating this transformation with use cases from a few of our leading fashion retail clients:

But first, we'll hear what Qiron Cunha, Senior Strategy Director at e-commerce fashion brand ZALORA, believes about the critical importance of data analytics to retailers.



Key Findings:

Top challenges in mining data for actionable insights

- ▶ Given the lightning-fast speed of fashion, retailers don't have time for manual analysis.
- ▶ Informed action becomes difficult amid unpredictable trends and product performance.
- ▶ Limitations on granular product data and attribute performance hinders success.
- ▶ Slow, manual data analysis is keeping decision-makers caught up in reactive mode.



Benefits of accessible data and actionable insights

- ▶ Efficiency improves when retail data can be housed and analyzed in one place.
- ▶ AI-powered analysis helps retailers understand and act on insights more quickly.
- ▶ Retailers can make consumer-driven trend data a part of their decision-making process.

Quiron Cunha, Senior Strategy Director SEA at ZALORA, on the role of data in fashion retail decision-making.

WE'RE A FIRM BELIEVER THAT TECHNOLOGY WILL BE THE MAIN DRIVER OF THE FUTURE OF RETAIL.

The need to keep up with the times, whether in terms of technological changes or operational models, has never been clearer.

As the pandemic has undoubtedly proven, companies that fail to adapt to shifts in the consumer landscape will be left behind, while those that are able to reinvent and adapt themselves will benefit immensely.

And, as consumer habits change at a faster pace, the ability to predict and monitor things in real-time will determine how well brands and retailers will effectively engage them and make that compelling selling proposition to the customer.

ZALORA OWES A LARGE PART OF OUR SUCCESS TO BEING A DATA-FIRST COMPANY. This philosophy has allowed us to not just understand but capitalize on

the nuances of the regional e-commerce industry. Innovation lies in our DNA, and we are constantly coming up with new ideas to meet our consumers' evolving needs and demands.

To stay ahead, we've established our own Data Sciences Innovation Lab, through which we can leverage consumer insights to quickly respond to trends and gaps in the industry. We've also used machine learning in predicting demand for different contexts, including a project forecast assortment demand platform that we're developing in partnership with ViSenze.

The pandemic has only served to spark our creativity — we've rolled out various initiatives that have helped us shift our product offerings from purely fashion to fashion-adjacent and lifestyle items our consumers welcome. Our Beauty, Luxury, and Kids categories are testament to this, having seen growth rates over 100% since they launched last year.

“As the pandemic has undoubtedly proven, companies that fail to adapt to shifts in the consumer landscape will be left behind, while those that are able to reinvent and adapt themselves will benefit immensely.

Our data-driven directives have also steered our offerings toward helping our brand partners better adapt to their customers' needs — as with TRENDER, the proprietary data solutions service we launched in 2020.

By providing valuable insights into areas like geo-segmentation and purchasing patterns, our TRENDER partners are then able to better anticipate shopping behaviors, garner deeper insights into consumer demand, and thereby curate more effective customer strategies and design processes.

THERE'S NO DOUBT THAT COVID-19 CATALYZED A NEW ERA IN THE WORLD OF RETAIL. This is especially true as firms strategize to align with evolving trends within the industry — including the influx of consumers to the online shopping space and the increased demand for categories such as activewear, beauty, and luxury.

While many companies are still adjusting to these trends, others are surging ahead, especially as Southeast Asia's e-commerce industry grows at an exponential rate. All in all, such industry shifts can and will happen quickly and abruptly.

BUT, AS LONG AS COMPANIES ARE AGILE ENOUGH TO EVOLVE WITH THE TIMES, GUIDED BY DATA, THEY'LL BE ABLE TO COME OUT ON THE OTHER SIDE EVEN STRONGER THAN BEFORE.

Quiron Cunha
SENIOR STRATEGY DIRECTOR SEA,
ZALORA



**MINING DATA FOR ACTIONABLE INSIGHTS:
TOP 4 CHALLENGES FOR RETAILERS**

Despite having access to so much data, it's getting harder for fashion retailers to derive meaningful and actionable insights. Here's a quick look at four of the most pressing issues retailers need to solve:

1. No time to analyze data as the fashion cycle speeds up

From luxury to fast fashion, "see now, buy now" is becoming the norm. There's no questioning that the fashion cycle has become dramatically shorter as a result.

Although many retailers require about 45 to 60 days for everything from planning, design, product development, and sell-in to production and delivery, McKinsey estimates that ultra-fast fashion players are tackling all of this in just 2 weeks.¹ Zara has led the shift from four seasons to 52 micro-seasons; Shein has been known to drop 7,000 new styles on a given day.²

In such a compressed schedule, there's not enough time for retailers to manually analyze their own performance data as well as outside trends on a weekly basis — yet they need insights at this frequency to act on current inventory decisions and launch new collections so quickly. They need insights faster to keep up.

1. <https://www.mckinsey.com/industries/retail/our-insights/faster-fashion-how-to-shorten-the-apparel-calendar>
 2. <https://www.investopedia.com/terms/f/fast-fashion.asp>
<https://www.morningbrew.com/daily/stories/2021/08/06/shein-fastestgrowing-ecommerce-company-youve-maybe-never-heard>



Making fast, informed decisions with Smart Data

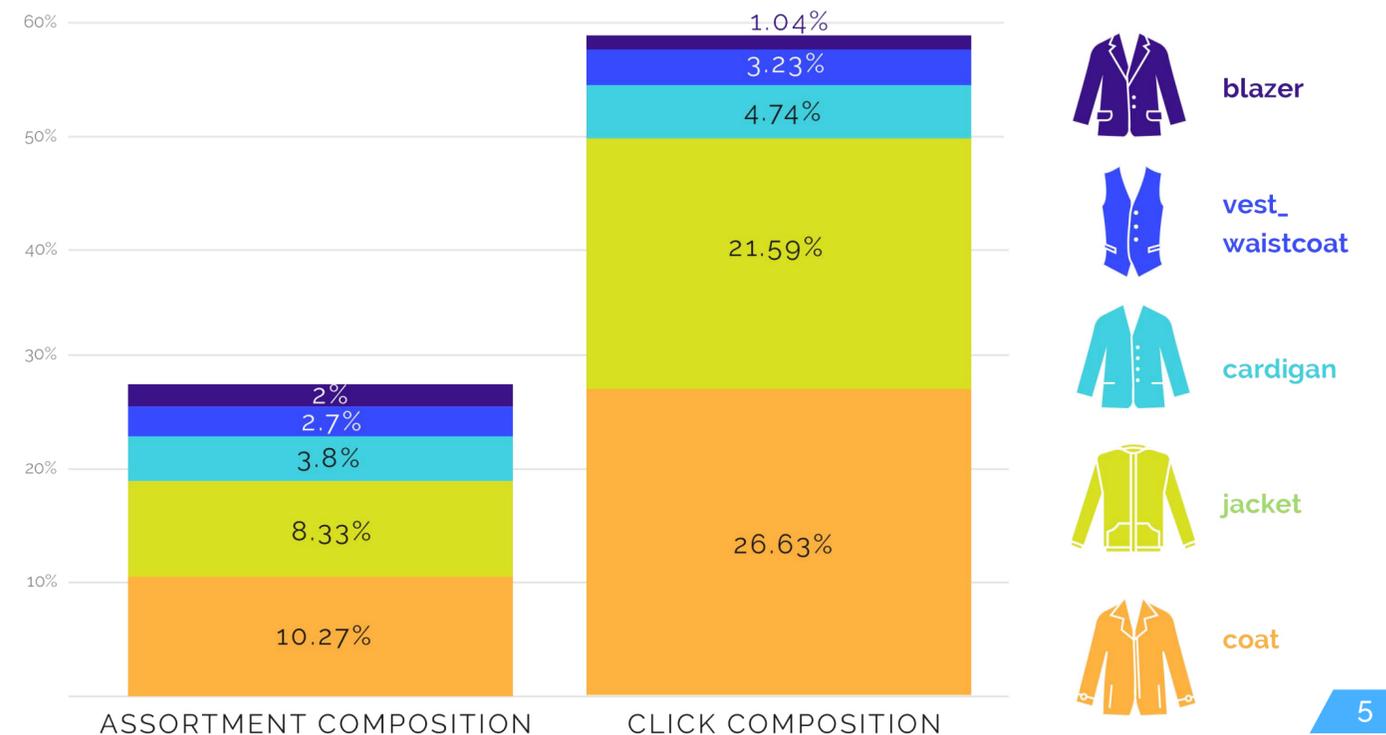
This fall, one leading Japanese fashion retailer needed to help its team of buyers stock up on outerwear to catch up with increasing demand. They turned to the ViSenze Discovery Suite for help.

The brand used the ViSenze Smart Data dashboard that comes with the Smart Search and Smart Recommendations modules to extract the insights their team needed. As the data revealed, September 2021 saw a surge in views and clicks across the outerwear category, but this behavior didn't lead to significant increases in sales performance. They took a deeper dive to find out why.

Since the retailer's full catalog data was enriched and indexed with ViSenze's platform, the team could quickly check its assortment composition. It turned out that the outerwear category was highly underrepresented. Coats made up just 10% of the catalog and jackets represented 8% — but these product types received 27% and 22% of clicks, respectively (Graph 1). This limited selection meant customers weren't satisfied with the available options and were more likely to bounce than buy.

With the help of Smart Data, retailer's buyers were able to respond with quick but informed decisions, saving time and eliminating missed sales opportunities.

GRAPH 1: OUTERWEAR COMPOSITION



**MINING DATA FOR ACTIONABLE INSIGHTS:
TOP 4 CHALLENGES FOR RETAILERS CONTINUED**

2. Trends and performance are highly unpredictable

Various influences have an impact on customer demand, making for an unpredictable trading environment. Although retailers never know for certain when new trends are going to emerge, demand signals come from a range of sources, including:

-  **Customers:** Consumption habits, e-commerce interactions, purchases, and returns.
-  **Fashion industry:** Competitor campaigns, fashion media, runway shows, influencers, trend forecasters, social media.
-  **External factors:** Weather, politics, economic conditions, new technology, pop culture.

However, it's hard to consolidate insights from multiple sources. Compounding the challenge, there's often a lag between when these signals happen and when they're received, analyzed, and acted on.

Leveraging ViSenze's automated trend analysis

Given this context, more and more fashion retailers have been approaching us with the same challenge: They need help identifying the trends emerging from runway shows and social media. They've collected all the images, but they can't analyze them efficiently or quickly enough.

Many retailers attempt to manually group similar images and look for trends — but it's simply impossible to derive actionable trend analysis with such a slow and subjective process. This is where visual AI technology steps in. The AI tools help fashion brands interpret and classify images across platforms, at scale — and with the speed and accuracy they need.

In helping one of our retail clients identify September trends from Japan's biggest source of UGC data, WEAR.net, we identified that 18% of all analyzed outfits featured outerwear and 17% were full-body outfits such as dresses or jumpsuits.

More than 55% of all analyzed outfits combined tops and bottoms. These were by far the most popular styles, with related

Among Tops & Bottoms outfits:

- ▶ **35%** of Tops are Sweaters & Hoodies.
- ▶ **44%** of Bottoms are Skirts.
- ▶ **38%** of Bottoms are Wide-leg pants.

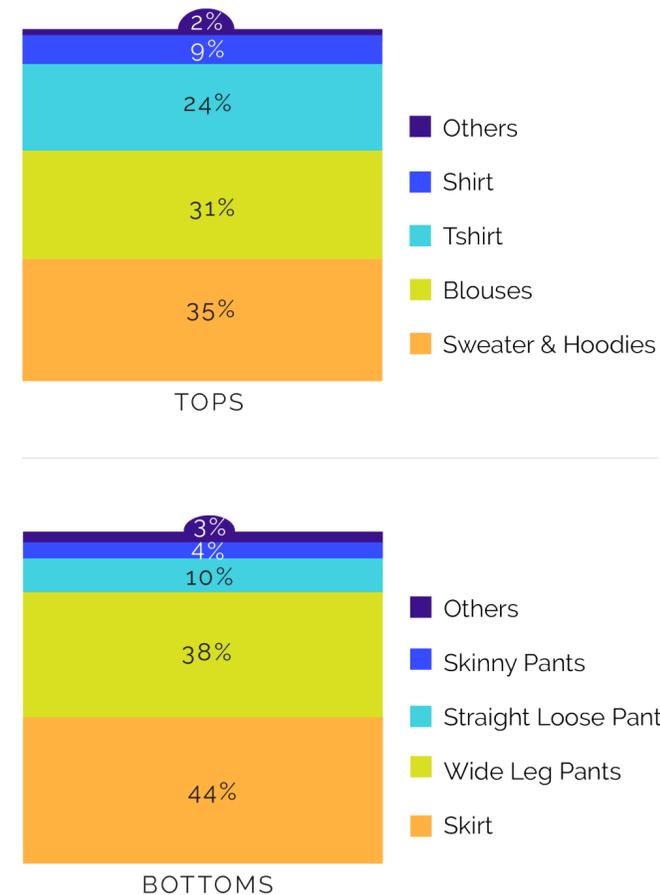
(Graph 2)

With this fast and easily accessible data, several customers now trust Visenze with automated trend forecasting and analysis — and they see cross-team benefits:

- ▶ **Buyers** are using these insights to inform their buying strategy and rapidly adjust their assortment to meet consumer preferences.

- ▶ **Marketing teams** use trending items and popular styling ideas to produce the right content to run campaigns.
- ▶ **Digital merchandisers** are offering complementary product recommendations using popular styling ideas to inspire fashion shoppers to purchase more.
- ▶ **Visual merchandisers** use consumer data to connect store window displays and focal points to showcase the most popular trends.

GRAPH 2: TOPS & BOTTOMS COMPOSITION



BREAKDOWN OF UGC STYLES COLLECTED



55%
Tops & Bottoms Outfits

408
Average number of likes



18%
Outerwear Outfits

333
Average number of likes



17%
Full-body outfits

378
Average number of likes

**MINING DATA FOR ACTIONABLE INSIGHTS:
TOP 4 CHALLENGES FOR RETAILERS CONTINUED**

3. Lack of granular data and attribute-based understanding

For fashion consumers, it's all about the details. And yet, many retailers are missing key information about what specific product details and style attributes are popular within a given trend or category.

Many only have access to insights at the product category or subcategory level, so it's hard to make decisions about which style attributes to buy more of. Of course, brands may have access to data from their customers, the fashion industry, and other

external factors — but rarely can they tap into the specific style attributes and make that data actionable.

For instance, as The Zoe Report points out, the same "best decades" in fashion are constantly brought back into the mix. Right now, we're seeing nods to the '90s-does-'70s era, with GenZ shoppers mixing near-vintage with new. But to capitalize on this trend, brands must know exactly what nostalgic style element is popular and how it's being reinterpreted today. If they don't get the right groovy pattern, shearling detail placement, or platform boot sole, they'll miss the mark.

Bishop Sleeve

SLEEVE TYPE

Tie Up Neck

NECKLINE

Long Sleeve

SLEEVE LENGTH

Orange

PRODUCT COLOR

A-line

DRESS SHAPE

Feminine

DRESS STYLE

Knee-length

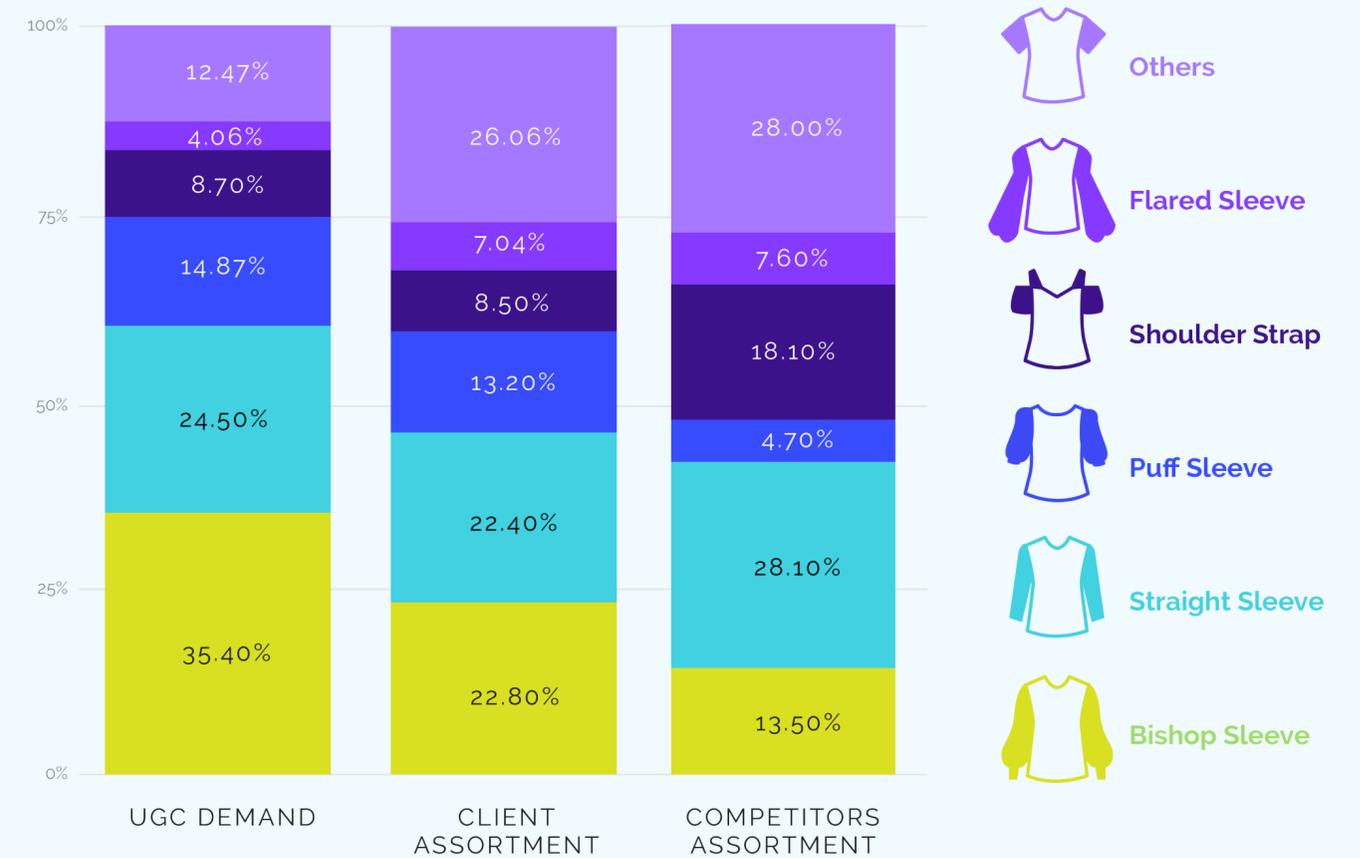
DRESS LENGTH

Dating

OCCASION



GRAPH 3: BLOUSES COMPOSITION



A lack of insight at this level of detail creates a lot of guesswork and manual analysis.

Recognizing and meeting customer demand at a detailed level

AI and machine learning technology now provide the powerful ability to automatically enrich all products in a retailer's catalog with detailed style attributes. This empowers our clients to compare their own catalog composition against competitor catalogs and market demands to identify assortment gaps or weaknesses.

When analyzing one of our retail client's dress selection by their detailed attributes — comparing our client's dress assortment against their competitors' and market demands — we identified a weakness in their bishop-sleeve dresses. This is a style that appeared a significant number of times in user-generated content (UGC) (Graph 3).

Capturing and responding to this demand signal so quickly gave the business a major competitive advantage in the market, especially since other retailers had yet caught up with this emerging trend.

MINING DATA FOR ACTIONABLE INSIGHTS:
TOP 4 CHALLENGES FOR RETAILERS CONTINUED

4. **Slow, manual processes for extracting insights that drive decision-making**

The types of data fashion retailers use to extract actionable insights typically come from multiple vendors and sources. It also exists in various formats, making it difficult to house and analyze all in one place. Key data may be stored across Excel spreadsheets, Tableau, Google Analytics,

and enterprise resource planning (ERP) software. Add point-of-sale, customer service, and social media information into the mix as well.

Without easily customizable tools that can combine and process everything quickly — it takes retailers too long to extract actionable insights. To keep up with the rapid pace of fashion, businesses need a way to keep all of this raw data together and tools to quickly analyze it.



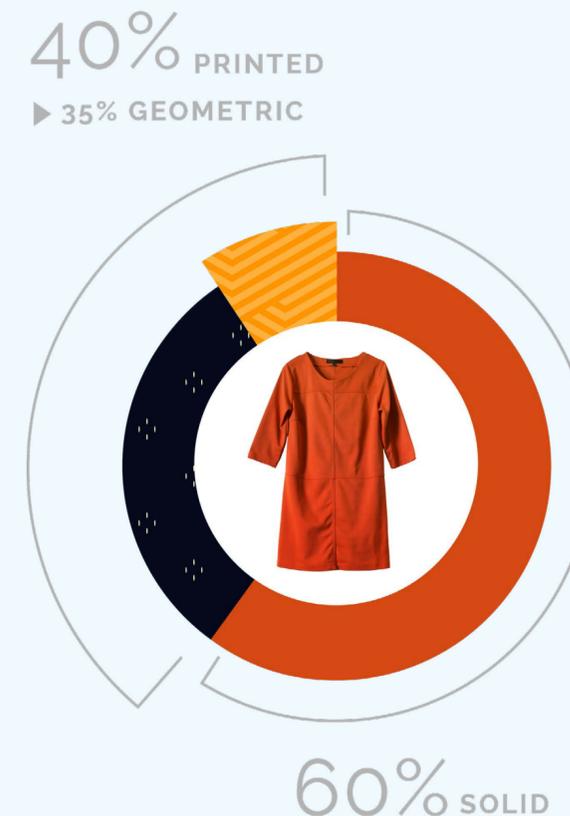
TOP 3 BENEFITS OF ACCESSIBLE
DATA AND ACTIONABLE INSIGHTS

Once fashion retailers can move past those four key challenges we just outlined, they quickly start seeing the benefits of easily accessible data and the tools to draw meaningful conclusions. Here are three key advantages of this approach:

1. **Centralizing retail data provides greater efficiency**

By centralizing data from customers, sales performance, competitors, and other external sources, retailers can have a single source of truth. When decision-makers have a 360-degree view where all key data points intersect, the collected data becomes more accurate and more efficient to analyze, supporting better demand forecasting. AI-powered technology allows for smarter product performance monitoring and automatic insights to support fast, informed decisions.

For example, a retailer looking at all of these sources in one place might discover that, based on their own sales figures and their competitors' assortment, their collection of tops needs to be 60% solid, 40% printed and, within that, 35% geometric printed to optimize sales.



TOP 3 BENEFITS OF ACCESSIBLE DATA AND ACTIONABLE INSIGHTS CONTINUED

2. Decision-makers can analyze and act at a faster speed

Earlier this year, Bloomberg reported that U.S. consumers alone had “\$1.7 trillion to burn in revenge-spending” after the COVID-19 vaccine rollout.⁴ Brands that were quick to respond with in-demand styles and products could capitalize on this. Elle pointed out that shoppers were suddenly swapping comfort dressing and matching sweatpant sets for body-baring, going out clothes like short satin slip dresses.⁵ This is an enormous shift to make as a fashion retailer with so little time to spare.

U.S. consumers alone had “\$1.7 trillion to burn in revenge-spending” after the COVID-19 vaccine rollout.

However, with a centralized source of data, brands can indeed make these types of critical decisions more quickly, to stay on top of the fashion cycle. All of the following features help to extract better insights, faster, and with less manual effort:

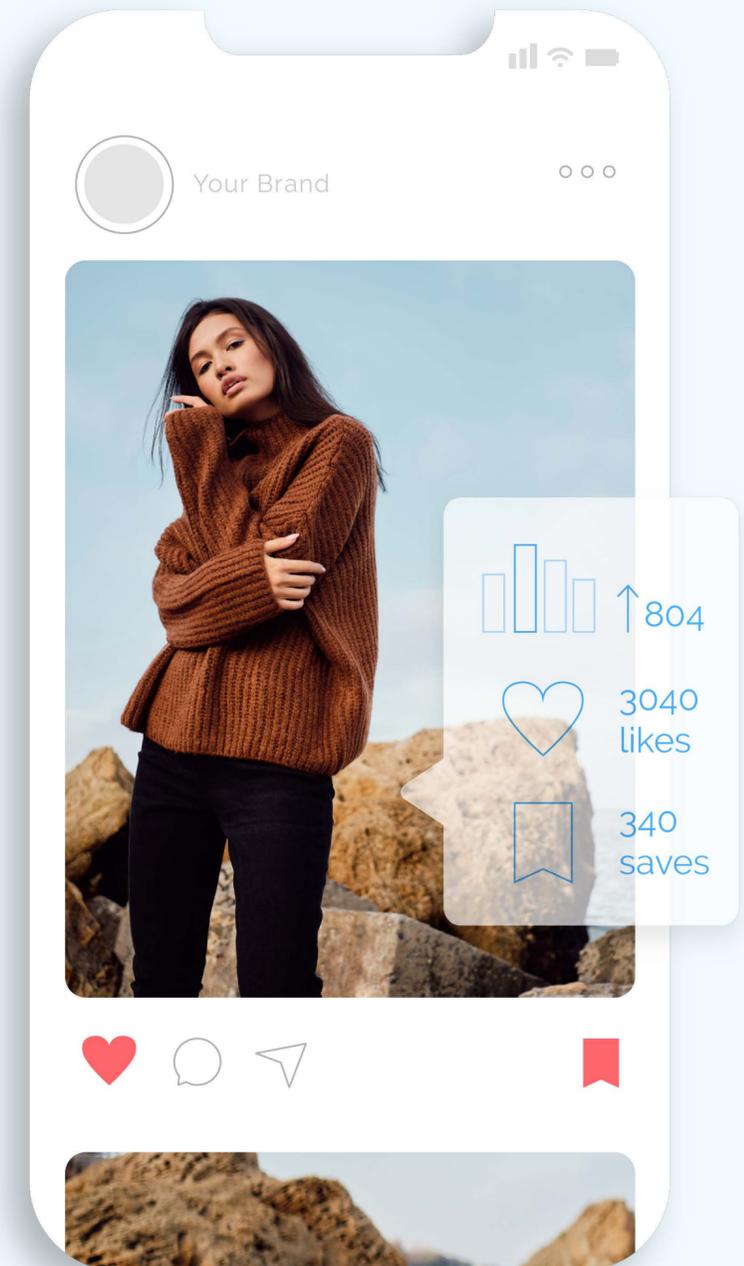
- ▶ Automated data collection from both structured and unstructured data sources — like inventory figures as well as images.
- ▶ Easy-to-understand visualization tools for quicker insights.
- ▶ Automatic product data enrichment with deep style attributes.



3. Retailers can tap into the voice of the consumer

According to Forbes, two-thirds of shoppers use social media when gathering inspiration and research for purchases.⁶ So, it's essential for retailer decision-makers to take consumer-driven trend data into consideration.

With the right solutions, it becomes possible to analyze demand signals from various sources — like social media inspiration, UGC and site engagement — and intelligently process this data. Instead of following a slow, unreliable process of observing and guessing trends manually, visual AI can automate trend analysis and identify key style attributes to more accurately predict near-term demands.



4. <https://www.bloomberg.com/news/articles/2021-03-17/retailers-prepare-for-wave-of-shoppers-as-covid-vaccines-rollout>

5. <https://www.elle.com/fashion/shopping/a37320615/what-is-revenge-shopping/>

6. <https://www.forbes.com/sites/forbesagencycouncil/2021/08/27/how-shoppers-are-using-social-media/?sh=7c0232072ebe>

EMERGING TRENDS IN AI FOR E-COMMERCE

To thrive in the increasingly competitive fashion retail environment, brands need the tools in place to efficiently mine key data sources for the most valuable and actionable insights. These emerging trends in AI technology are helping retailers keep up:

- ▶ **AI demand forecasting and assortment planning** empower decision-makers to buy the right product categories and style attributes in optimal quantities.
- ▶ **AI trend forecasting and monitoring** help retailers understand the trend, the market and their own sales performance to act faster and smarter.
- ▶ **AI analytics** offer detailed attribute-level analysis of product performance, merging multiple sources of data for fast and actionable insights.

ViSenze is trusted by the world's leading fashion retailers and e-commerce businesses to leverage the speed and power of these advanced technologies for greater **catalog intelligence** and higher revenue.

Explore the **ViSenze Discovery Suite** or contact our team to find out how.



ViSENZE

ABOUT VISENZE

ViSenze is a fast-growing, global retail AI platform provider. Our AI solutions redefine how retailers, brands, and marketplaces improve their businesses, both on the digital shop floor and behind the scenes. We optimize product discoverability, provide deep catalog intelligence and drive contextually relevant ads that are proven to shorten the conversion path for consumers both online and in-store.

[VISENZE.COM](https://www.visenze.com)

