Fashion-forward: 5 key insights into the changing landscape of fashion and retail

K3

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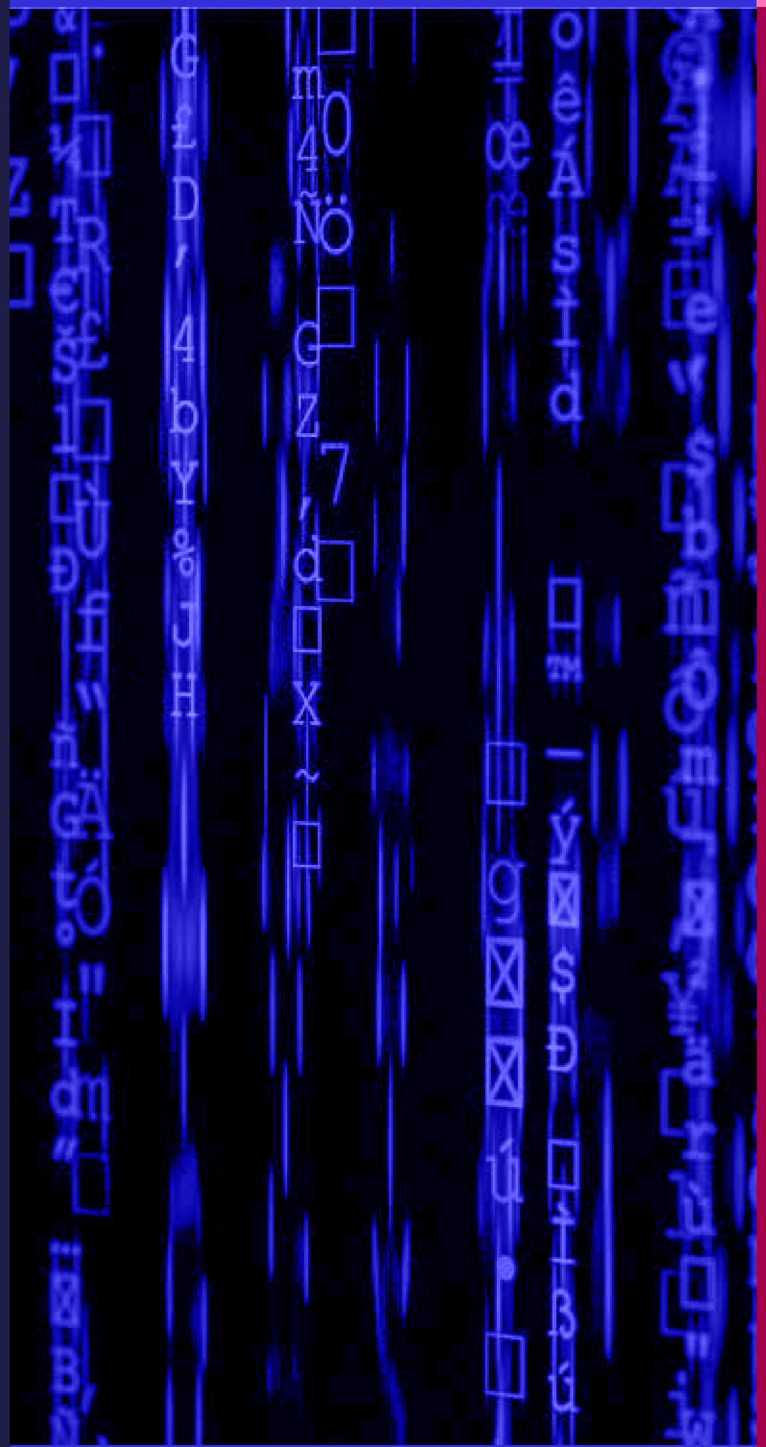

Methodology and Demographics

In Q3 of 2022, K3 Business Technologies commissioned a survey of 403 fashion and retail decision makers throughout the United Kingdom and the United States.

The interviews were conducted online by Sapio Research in August 2022 using an email invitation and an online survey.

At an overall level, the results are accurate to +4.9% at 95% confidence limits assuming a result of 50%.

Demographics	Total respondents: 403		
Country of Residence	201 UK	202 USA	
Job Titles	Owner/ CEO	Senior Management	Director/ HOD
Retail Sector	Fashion 44%	Household 40%	Beauty/Care 27%
Gender & Age	59% of respondents were male and 41% female 78% of respondents were aged between 25-44		

Sapio Research

Introduction

The fashion and retail landscape is looking rather precarious. From the pandemic, rising cost-of-living crisis, and persistent supply chain troubles, it has perhaps never been more imperative for brands to start looking ahead to the future.

These events have highlighted fundamental flaws in business processes, changed consumer behaviour, and drastically accelerated trends that were previously years away. What this ultimately means for fashion and retail decision makers is that they simply cannot afford to overlook technologies that could change their businesses for the better.

Yet, the very same decision makers are unfamiliar with trends and technologies that are closer on the horizon than ever before. Given how profit margins have been crushed over the past few years, it is alarming to see that so many are not adequately positioning themselves for the future – especially when the fate of their businesses depends on it.

For brands to ensure their longevity, they must understand and implement technologies that drive sustainability agendas, blend physical and digital channels, and foster customer loyalty in a world where consumers have abundant choices as to where and whom they shop with.

However, this is not reflected in fashion and retail decision makers' familiarity with key trends and technologies. For example:

- 53% still say they are unfamiliar with the circular economy
- 35% believe there is low consumer interest in the circular economy
- 59% report they are unfamiliar with unified commerce platforms

These statistics paint a bleak picture for the industry and one that suggests a fundamental disconnect between businesses and their consumers. It's no secret that the world has turned more environmentally conscious, but brands still believe consumers are disinterested in the circular economy. For younger generations, this could not be further from the truth.

Perhaps this would be less concerning if the same decision makers were at least focused on delivering unified commerce experiences – something that will soon become a necessity for any profitable business – but they are not. Consumers expect to shop on the channel of their choosing and, as the boundaries between the physical and digital continue to blur, having solutions in place to deliver a unified commerce experience will no longer be a nice-to-have for brands, but a must.

The crux of it, however, is that key decision makers in the fashion and retail industry have much to learn about the trends and technologies that will shape the future. If they don't educate themselves soon, they may well find their businesses left behind in the dust.

We hope you enjoy the read.

In a nutshell

- Only 1 in 4 believe NFTs can accurately track the provenance of items
- 53% believe that a lack of education will limit the adoption of NFTs
- 53% are unfamiliar with the circular economy
- 59% are unfamiliar with unified commerce platforms
- 76% are unfamiliar with digital twins
- 18% believe there are no benefits associated with digital twins
- 72% are unfamiliar with the last-mile challenge
- 50% believe quick commerce can increase sales but 20% believe it is unprofitable

Insight 1

Non-Fungible Tokens

Non-Fungible Tokens (NFTs) have been a hot topic ever since they exploded in popularity back in 2021, but there are still some fundamental misunderstandings about what they are. NFTs are commonly believed to be a form of digital collectibles, though this is a very simplistic way to describe them.

In actuality, NFTs are cryptographic assets that have unique identifiers, like metadata, to help distinguish them from one another. They typically represent real-world items, like artwork and clothing, as well as people's virtual identities, property rights, and more. By tokenising these real-world items, they can be traded more efficiently while reducing fraud. This is because NFTs are supported by blockchain, an immutable type of distributed ledger technology (DLT), meaning that all transactions and sensitive information are permanently recorded and can be viewed in the public domain.

Despite the mania that ensued once NFTs finally broke into the mainstream, only 52% of fashion and retail decision makers said they were familiar with the technology – which suggests there is still much room to educate the industry on NFTs. This became further evident when the respondents were quizzed on what they saw as the major benefits and barriers of the technology. For instance, only 45% listed ownership of digital assets as a key benefit. This is an important statistic to note for one reason: the metaverse.

For the uninitiated, the metaverse is a series of decentralised and interoperable applications that users can seamlessly jump between with their digital identities and avatars. These identities and avatars can encompass various NFTs, like Nike's CryptoKicks, that help people express themselves online. The metaverse itself is another trend that is quickly gaining traction. In fact, the likes of Citi Group estimate that the metaverse could be worth between $8 billion to $30 billion by 2030 with a total of five billion users. If you keep this in mind, it's remarkable to see that less than half of decision makers believe that owning digital assets will be a key benefit of NFTs when, within the next ten years, there could be up to five billion people purchasing them to take into the metaverse.

While a primary benefit of NFTs will indeed be the ownership of virtual goods, it's important to remember that the technology can unlock several opportunities for brands too. These opportunities, according to the fashion and retail decision makers surveyed, include the creation of enhanced digital reward systems (34%) and increased sales (32%). The latter is simpler to understand since, ultimately, NFTs provide brands with an extra revenue stream. And one need only look at the countless brands that have already found success in selling NFTs, like Adidas and Gucci, to see that this could be a golden opportunity. For example, Nike's aforementioned CryptoKicks, in collaboration with RTFKT, has already generated $185 million – beating the likes of Tiffany and Dolce & Gabbana to become the space's highest earner.

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But is it the former, the creation of enhanced digital reward systems, that is most interesting. There is never a shortage of competition within fashion and retail which means brands constantly have to find new, innovative ways of fostering customer loyalty. Digital rewards programmes are one method for doing this. Since NFTs are a form of tokenisation, it is quite easy to establish rewards programmes using them. And this has already happened. Earlier this year, several designers granted access to shows and other experiences to those who bought $100 NFTs for New York Fashion Week (NYFW). The NFTs essentially served as a branded key in consumers' digital wallets that unlocked a variety of benefits. This is a trend that well-known brands, like Rebecca Minkoff and Mavion, explored back when the pair dropped 55 NFTs in July 2022. Five of these NFTs included tickets to Minkoff's NYFW show. Evidently, there are brands betting big on NFTs as a means to engage their consumers, yet, only 25% of the fashion and retail decision makers surveyed said the technology could foster customer loyalty. Although, this number rose slightly to 34% for fashion-only respondents. What all this does suggest, however, is that there are still mixed feelings about NFTs amongst fashion and retail brands.

While the results thus far have illuminated that fashion and retail decision makers have some gaps in their knowledge regarding NFTs, it is worth noting that this sentiment is shared by them as well. In fact, some 53% believe that a lack of education is the number one barrier that will limit the widespread adoption of NFTs. Ironically, education, or a lack thereof, was prevalent throughout the rest of the respondent's answers.

For example, 37% said that fraud was another key barrier for NFTs while only one in four believed that they can accurately track provenance. This further shows that the industry is still uneducated on the technology since the immutable nature of blockchain ensures that transactions cannot be retroactively changed – meaning it is a reliable method to track provenance and reduce fraud. To help contextualise this, one need only consider all the historical artwork that was stolen during wars. After the wars had concluded, it was difficult to prove who the real owner of the stolen artwork was. However, if these artworks were embedded with NFTs, there would have been an immutable record showcasing who the true owner was and therefore the victim could have launched a legal case to reclaim the stolen item.

Similarly, the technology can also be used to authenticate items since the NFTs themselves will always be tracked on the blockchain. The best example to provide here is that of luxury fashion. Since luxury products are often expensive, criminals create counterfeit items and sell them for cheaper than their standard retail price. This can quickly lead to people buying the fake items, under the assumption they are receiving a bargain, only to later find out the goods were counterfeit. Luxury brands, however, can create and sell their products as, or using, NFT technology to help combat the issue. This way, all people would need to do is ask sellers to provide the item's history via the blockchain. And this isn't exactly a new concept to luxury fashion brands either. Back in 2019, LVMH started experimenting with blockchain technology to help prove the authenticity of high-end goods. LVMH later established the Aura Blockchain Consortium with a group of fellow luxury brands, inclusive of Prada Group and Mercedes-Benz, whom all shared the same goal of curbing the counterfeit goods issue.

All this is vital information that fashion and retail decision makers must understand before the industry can ever truly embrace NFTs – particularly when considering that the NFT craze of 2021 is perhaps most closely reminiscent of the tulip mania that took place during the Dutch Golden Age. Brands and consumers alike could be forgiven for thinking that NFTs were nothing more than digital collectibles, or worse yet, a get-rich-quick scheme after many projects rose to insane prices only to crash and burn. While it is indeed true that many NFTs and cryptocurrency projects are created by bad actors looking to score a quick profit, it's important to not overlook what made the technology so appealing to people in the first place: there are genuine use cases for NFTs. But the reality is these use cases are not 'sexy' nor do they appeal to the masses.

Insight 2

Digital Twins

Back in the 1970s, NASA and its Soviet rival, ROSCOSMOS, utilised digital representations of spaceships and their components to run various simulations that helped train astronauts and identify potential failure scenarios.

This technology later became the foundation for digital twins, which have proliferated in the wake of advancements in cloud connectivity, Artificial Intelligence (AI), and the Internet of Things (IoT).

Today, the technology is more readily available and this has allowed many industries to tap into it. In fact, the technology has gained so much traction that some, like MarketsandMarkets, have estimated that the digital twin market will grow from $3.1 billion to $48.2 billion by 2026.

In essence, a digital twin is an exact replica of a real-world item that exists in a virtual sphere. The real-world item itself could be anything from an engine to an entire city. Unlike NFTs, however, a digital twin acts as a hub that collects data from the physical variant, via IoT sensors equipped with it, to run simulations and generate accurate predictions about how the real-world item will perform as well as identify any inefficiencies within it. But, it's important to remember that a digital twin is also far more than a 3D simulation. In the case of fashion, a digital twin can house an array of data like specific fabrics, textures, sizes, and colours. The technology could even be used to inform businesses on how many samples exist in a particular warehouse or store.

According to Statista, the industries which have most widely adopted digital twins to boost productivity and efficiency are manufacturing, automotive, aviation, energy, utilities, healthcare, logistics, and retail. Yet, our research found that 76% of fashion and retail decision makers are unfamiliar with digital twin technology – which is somewhat surprising given that the industry is currently hyper-focused on sustainability agendas and digital twins can play a vital role in reducing waste.
Digital twins provide businesses with visibility into previously opaque activities and ultimately gather insight into how they can improve processes, save costs, and other methods for enhancing their operations. This is invaluable to the fashion industry since it would allow designers to build 3D models and run various simulations to identify the optimal production process. In doing so, designers would no longer need to create multiple prototypes for the same garment and could therefore reduce their fabric waste. But despite this, nearly one in five (18%) fashion and retail decision makers said there were no benefits associated with digital twin technology.

Fortunately, the rest of the results paint a more promising picture when it comes to how well-informed brands are about digital twins. Some 36% said the number one benefit of digital twins was innovation, which isn't difficult to grasp when thinking about how the technology can be used to help make decisions on what to do with excess materials. For example, digital twins can provide recommendations on which materials could be harvested for additional use. The technology could also be used to further innovate sampling processes and resolve the often painstaking sizing problem in fashion. Consumers have long struggled with brands having different sizes which leads to them purchasing the same item in multiple sizes. The problem with this is that once the consumer knows which size fits best, they return the others. And this has started to massively eat into brands' bottom lines with Statista revealing that ill-fitting clothes were the number one reason for returns in 2021. But with digital twins, universal, standardised sizing data can be created to ensure that brands produce their garments in line with uniform requirements. In doing so, the sizing issue could be resolved which would in turn lead to a reduction in both the number of items returned and waste.

Better data quality ranked as the second greatest benefit of digital twins with some 27% having cited it as so. This further shows that there is at least some fundamental understanding of digital twins amongst fashion and retail decision makers since the technology, typically, utilises centralised data to provide businesses with standardised information. In turn, this helps mitigate the risk of data duplication and increases operational efficiency. Interestingly, the joint third highest benefits listed by fashion and retail decision makers were process optimisation and real-time remote monitoring (24%) which coincidentally feed into the theme of better data quality. While it is positive to see that, on average, one in four fashion and retail decision makers understand the benefits of digital twin technology, it's clear that more need to be educated on it before we see it widely adopted in the industry.

When it comes to the barriers that could prevent digital twins from becoming commonplace, 38% said the technology has a high starting cost which could dissuade some businesses from adopting it. It's somewhat difficult to ascertain just how much a single digital twin may cost, in large because it depends on the infrastructure a business already has in place. The digital twin itself exists in the cloud and is broadly integrated across the organisation; however, for smaller brands without a cloud-based architecture or IoT sensors at hand, the cost could ramp up significantly. Ultimately, the starting cost required to implement digital twinning will depend on how far along a company is on its digital transformation and/or IoT journey. To make matters more complicated, this doesn't include the costs associated with training employees to utilise the technology effectively. However, it's important to stress that businesses would be wise to view digital twins as a software investment – they may not receive immediate ROI, but they could become more sustainable and save significant costs down the line.

The second and third main barriers to implementing digital twins, as listed by respondents, were ensuring accuracy between the physical and digital variants (36%) and a lack of internal skills (32%) to use the technology effectively. The former suggests that there is some misunderstanding of how digital twins work since the IoT sensors equipped with the physical variant would allow businesses to easily build out the digital version. However, as previously mentioned, whether or not a brand has IoT sensors at hand could still be a major stumbling block.

Likewise, it is hard to define the exact skills that are required to use digital twin technology competently, though there are reasonable assumptions one could make. For starters, employees must be able to use 3D software and run simulations effectively, while also being able to analyse data and draw insights from it. Familiarity with machine learning will also be of great benefit, as would experience working with IoT devices. Whether or not brands have people with these skills already is a different matter altogether. In the end, and as is often the case with new and emerging technologies, upskilling is likely to be the best course of action.

While having to invest additional time and money into upskilling their employees could be dissuading for some businesses, it's important not to ignore the benefits digital twins offer. For example, as AI continues to develop, it will soon, if not already, be able to analyse a 3D rendering of a fashion item and even write descriptions for eCommerce websites. What this crucially means is that digital twin technology could not only reduce carbon footprints and save costs in the manufacturing process but also make it simpler and less expensive to house digital collections. Even if brands are cautious to engage with digital twins right now, they would do well to at least keep an eye on how the technology develops over the coming years.

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Insight 3

The Circular Economy and Supply Chain Traceability

In regards to environmental sustainability, there was something of a paradox that emerged in the fashion and retail decision makers' understanding of the circular economy. On the one hand, two-thirds (66%) said they were familiar with supply chain traceability but only half (53%) said they were familiar with the circular economy.

It isn't too surprising to see that 66% of fashion and retailers were familiar with supply chain traceability, given the fashion industry's abnormally large carbon footprint, but it is interesting to see that nearly half were unfamiliar with the circular economy, especially when there is a whole host of well-known brands, including the likes of Tommy Hilfiger, Nike, and Berghaus, offering rental and repair services to help foster the circular economy.

The paradox itself seems to have emerged because the fashion and retail decision makers surveyed were misinformed on what the circular economy is. Many believe the circular economy can simply be defined by activities like renting, reselling, and recycling that lessens waste and environmental impacts. For the most part, this is true but it doesn't tell the whole story. It is more about transitioning away from the linear economy that can perhaps be best categorised by our "take, make, waste" rationale. To that end, traceability forms a key part of circular efforts since it allows businesses to identify opportunities to reduce, reuse, remanufacture or recycle materials in their supply chain. When keeping this in mind, it is perplexing to see a significantly higher proportion of respondents familiar with supply chain traceability, but not the circular economy, when the former feeds the latter.

But it is the fact that half of the fashion and retail decision makers said they were unfamiliar with the circular economy that is the real problem, as we discovered in our whitepaper published earlier this year. In it, we learned that businesses were predominantly prioritising customer experience (CX) as their number one focus, rather than environmental sustainability. This is somewhat logical since businesses need consumers to be profitable, and therefore ensuring their customers have a good experience is paramount. However, the consumer, as we know it, is evolving. Last year, we found that 30% of consumers were boycotting retailers for lacking environmental awareness, and this number rose to 54% for the 18-24-year-old demographic. Fashion retailers mustn't underestimate the significance of this generational mindset shift. For example, The Bank of America published a report back in 2020 that said Gen Z, those born between 1996 and 2016, will have an income totalling $33 trillion by 2030 as they enter the workplace. This will account for more than a quarter of global income.

What this crucially means for the fashion and retail industry is that businesses simply cannot afford to ignore Gen Z's growing economic power – especially when they are so environmentally conscious. In this context, it is utterly astounding to see half of the fashion and retail decision makers unfamiliar with the circular economy when the future of their business, and more importantly, the planet depends on the world finding sustainable solutions.
More positively, however, fashion and retail decision makers seemed to be more educated on the benefits that the circular economy offers, with 59% having said the main advantage is that it will lead to a reduction in waste. This is very significant when considering that fashion, and any sectors linked to it, contribute 10% of all carbon emissions worldwide. As mentioned above, there are plenty of brands that are fostering the circular economy and reducing waste in doing so. Other examples include The North Face's Renewed programme which allows consumers to buy pre-loved items and thereby stop them from going to waste, as well as Burberry which donates leftover fabric to students. Coincidentally, waste reduction feeds into the second and third highest benefits of the circular economy listed by respondents, that being it will drive ethical and socially responsible practices (47%) and extend product lifecycles (43%).

When it came to assessing the main obstacles that will prevent the circular economy from becoming commonplace, the top hurdle noted was low consumer interest (35%). However, as previously referenced, this will only become less true as younger generations enter the workforce. There is a humungous appetite amongst consumers for sustainable fashion and it's important that brands do not ignore this. The second biggest stumbling block, according to respondents, is that the circular economy will lead to costly returns (32%). This is undoubtedly a major problem for fashion retailers and it is quickly eating into brands' profit margins. For instance, Boohoo reported an increase of 12.5% last year when it came to returns. Some months later, the fashion retailer even started charging for returns, though it did cite rising shipping costs as the main driver.

But there are solutions, like best-fit technology, that could play a vital role in reducing returns and even waste. Best-fit technology allows consumers to see what clothes will look like on them, rather than having to purchase the same item in two different sizes, only to return the one that doesn't fit. Indeed, these solutions could drastically help curb returns but, much like any new and emerging technologies, they could require an initial upfront cost – meaning it may not be viable for smaller businesses. Nevertheless, it seems, at least in the eyes of fashion and retail decision makers, that the issue of returns will need to be resolved before circular practices can be widely adopted.

The third highest barrier noted by fashion and retail decision makers was affordable pricing (32%). This has often been a bugbear of the consumer who would be happy to shop sustainably if it didn't come at an extra cost. But one need only look towards the likes of Tommy Hilfiger and Asos, who have partnered with Rotaro and Thrift+ respectively, to see how easy it can be to launch rental and resale services. It's worth stressing that these services don't just benefit the consumer as they also offer an additional revenue stream for brands – making them a win-win scenario. After all, not every consumer necessarily feels comfortable purchasing pre-loved items and will therefore continue to shop as normal. But retailers could open up a whole new market by adopting services, like rental and repair, that cater to the environmentally conscious consumer while also doing their part in fostering a more eco-friendly world.

However, there is another key barrier that fashion and retail decision makers believe will limit the industry's ability to drive circular practices and that is a lack of appropriate technology (26%). Whether it's having a platform to launch additional services or the technology to accurately trace supply chains, some believe that they simply do not have the necessary infrastructure to make significant strides when it comes to sustainability. More specifically, 32% of US respondents feel that a lack of appropriate technology will be a stumbling block while only one in five UK respondents feel the same – suggesting that the UK is further ahead than the US when it comes to adopting solutions that foster sustainable practices.

But it isn't all doom and gloom. As some brands have already shown, it is possible to partner with other companies to help drive the circular economy and there are solution providers, like K3, that offer supply chain traceability tools as well. In the end, what is most important for brands is finding the right partner or solution that works best for their business. And it is imperative they do so quickly, not just for their profits, but for the planet as well.

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Insight 4

Quick Commerce and the Last-Mile Challenge

Since the inception of eCommerce, consumers have become all too well acquainted with having products delivered on a next-day basis – to the point where anything less can be viewed as an inconvenience to them.

This has fueled another trend in the shape of quick commerce (qCommerce).

Initially, qCommerce gained traction in grocery retail with companies like Gorillas promising to fulfil small grocery orders in as little as 10 minutes. But we may well soon find the demand for such services arriving in the wider fashion and retail industry.

And this seems to be reflected in fashion and retail decision makers' familiarity with qCommerce. Some 51% said they are already familiar with the trend and this number grew to 63% for fashion-only respondents. Yet, remarkably, the majority of all respondents (72%) said they were unfamiliar with the last-mile challenge.

This is perplexing given that the fulfilment of orders, especially on a rapid basis, is dependent on being able to deliver products to the consumer as quickly as possible and therefore contingent on having an adequate last-mile solution. It is also worth keeping in mind that last mile costs account for 41% of the total supply chain cost associated with a product, as per research by Capgemini.

What this crucially means is that businesses could enable qCommerce experiences for their consumers by adopting an agile last-mile solution while also saving significant costs. But that is not to say that finding a last-mile solution is necessarily easy or without its challenges.

When asked about what they believed to be the greatest advantages of qCommerce, nearly two-thirds (64%) said the number one benefit is the speed of delivery. Naturally, this is great for the modern consumer who has come to expect lightning-fast delivery times. Conversely, 56% said the greatest obstacle that could prevent brands from adopting qCommerce is fulfilling orders in a timely manner. Indeed, this is where the ever-important last-mile challenge comes into play. Retailers will only be able to deliver products to their customers within a short timeframe if they have a solution that enables them to do so.

Micro fulfilment centres (MFCs) could be key in this regard. MFCs are, in effect, small-scale warehouses that can be flexibly set up close to densely populated areas to ensure that goods are always close to the consumer and can therefore be delivered to them quickly. Due to the agile nature of MFCs, it is possible to establish them in a variety of locations, be that in warehouses, behind shopfronts, or just outside of city centres, and they can be swiftly moved elsewhere if it better suits a business' requirements. And the introduction of such solutions shouldn't be too surprising as it was bound to happen due to advancements in automation, according to Sean Culey, Business Transformation Advisor, who said: "As automation increasingly replaces humans as a manufacturing force, companies can begin to establish micro-factories situated outside of city centres and other urban settings, with a micro-logistic network of automated hubs able to service the consumer's increasing demands for same-day delivery."

Indeed, combining agile last-mile solutions with automation will become more and more important as time goes on. The use of automation will not only help retailers establish their MFCs but also save on additional costs. For example, research by CB Insights has shown that the costs associated with picking an order can be reduced by 75% when the process is automated as opposed to manual.

The second and third greatest benefits of qCommerce, increased sales (50%) and better CX (49%), noted by fashion and retail decision makers coincidentally go hand in hand. Naturally, if the CX was better, customers would be more likely to make additional purchases. Though, interestingly, despite 50% believing qCommerce could provide a boost to sales, 20% believe qCommerce is unprofitable which begs the question: would the increase in revenue generated by additional sales be offset by the costs needed to deliver products to consumers quickly? The answer to this lies in whether or not brands can effectively incentivise their consumers to purchase additional items. For example, by offering free shipping costs for orders that exceed a specific basket size, and one that would still allow the business to turn a profit on the order, consumers would be more likely to add extra items to their order. The key here would require brands to conduct a retroactive analysis of their average order values and the cost to serve the end consumer. This data could then be used to determine a threshold for free delivery and one that ensures the brand still turns a profit. At that point, the brand could optimise its listing pages in a manner that encourages consumers to add extra items to their basket and cross the threshold – allowing them to receive free delivery while ensuring the brand turns a profit.

Last-mile solutions, like MFCs, can also mitigate the impact of some limitations with qCommerce. According to the fashion and retail decision makers surveyed, the second and third greatest barriers of qCommerce are guaranteeing the availability of relevant products (43%) and ensuring consistency (38%). While these are indeed areas for concern, it is worth stressing that these issues can be resolved early on by ensuring that an optimised product assortment is offered to customers. Since MFCs ensure that items are placed closer to the end consumer, they allow for more specialised stocking, meaning brands can more effectively allocate products to places where they will be more likely to sell. Retailers could also optimise their product selection by conducting a thorough analysis of their products, encompassing a range of factors like whether they're viable from a logistics cost perspective as well as whether the product dimensions incur a reasonable shipping cost. Brands could then determine an optimal product set based on their findings and list them for sale to ensure the last-mile shipping cost remains within reasonable parameters.

To further ensure consistency and guarantee the availability of relevant products, brands could consider utilising other solutions that allow for greater assortment planning as well. This is an important point regardless of qCommerce and the last-mile challenge, since intelligent curation is quickly becoming a “must have" for the fashion and retail industry. In line with emerging legislation and the requirement to reduce waste, as well as the need to minimise markdowns and over-promotional activity, intelligent curation will play a vital role in optimising margins, offering relevant product selections to customers, and mitigating environmental impacts. By utilising assortment optimisation solutions, retailers can reduce their selling footprints to free up room for other in-store experiences. Conveniently, agile last-mile solutions, like MFCs, will further help drive this since products can be housed elsewhere but still close by.

Finally, nearly a third (30%) said they believe the environmental impact of qCommerce is a major stumbling block. But there are companies, like Starship, which have been using autonomous robots to fulfil deliveries for several years already. Starship's robots are electronically powered, which helps curb some of the environmental impact associated with fulfilling orders quickly, and they have already made more than 500,000 commercial deliveries. What this ultimately shows is that it is possible to utilise environmentally friendly last-mile solutions that can meet consumer demands for same-day delivery. However, and much like all the technologies discussed thus far, it is likely to cost a significant amount upfront to get these solutions in place. But, that isn't to say they aren't worth it. After all, consumers expect rapid delivery, and being able to fulfil those orders quickly will result in increased sales and CX. Furthermore, providing it doesn't come at the expense of the environment, it will also help win over younger consumers who prefer to shop sustainably.

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Insight 5

Unified Commerce Platforms

Unified commerce platforms, or at the very least, unified commerce experiences, shouldn't be a new concept to fashion retailers.

In today's world, unified commerce experiences have become a necessity for brands as it allows them to quickly and effortlessly create a holistic customer experience (CX) that enables them to meet consumers exactly where they want to be met.

Yet, less than half (41%) of fashion and retail decision makers said they were familiar with unified commerce platforms (UCPs) while only 12% said they were extremely familiar with the technology.

UCPs comprise all the components required for a business to offer unified retail commerce – including everything from the customer's ability to browse, transact, and consume across touchpoints. In effect, the technology encompasses every touchpoint from physical stores, web shops, mobile devices, and other real-world locations like self-checkout kiosks. The necessity for UCPs stems from fickle consumer behaviour and the abundance of choices as to who and where a person may decide to shop.

Last year, we discovered that a third of consumers would stop using a retailer for not offering the services they want to see while 51% said they didn't want any human interaction with store staff when shopping – highlighting just how difficult it is to serve the modern consumer.

By adopting UCPs, retailers can serve all facets of consumer behaviour while ensuring the customer receives a smooth and consistent experience across all physical and digital touchpoints. UCPs can also enable greater customer experiences (CX) by offering businesses a single view of the customer, and thereby allow them to personalise interactions with their consumers. Additionally, the technology provides greater visibility over stock and product availability, allowing businesses to optimise their operations as well. The result of all this ultimately leads to increased revenue and customer loyalty.

Much of these benefits have been reflected in the fashion and retail decision makers' understanding of the technology, with 40% having cited better CX as the number one benefit. This is particularly important as our results also found that 85% are focusing on CX as their absolute priority, with 97% in total focusing on improving CX to some extent. What this crucially shows is that if businesses are serious about increasing their CX, they would be wise to adopt UCPs since they play a vital role in creating an environment that allows consumers to have a frictionless experience across all touchpoints. Likewise, the second and third highest benefits listed, that being it's easier to connect online and physical channels together (36%), alongside receiving a single view of the customer (32%), are factors that are inextricably tied to providing a great CX.

By blurring the boundaries between the physical and digital, brands could offer consumers more choice in how they shop. For example, a customer could reserve an item in their basket via their mobile device but want to complete the order later on their computer. With all touchpoints seamlessly connected, brands can provide this omnichannel experience to their consumers and offer them a frictionless journey. Similarly, by having a single view of the customer, brands can glean many insights into their behaviours, such as what items will be most relevant to them, and begin personalising interactions to ensure they remain engaged and want to come back again.

While the benefits UCPs offer is clear to see, there are several obstacles that could severely limit a business' ability to implement the technology. Chief among them is a lack of technical knowledge and internal skills, according to 47% of the fashion and retail decision makers surveyed. This is a valid concern for brands since it takes a significant amount of time and money to successfully implement UCPs. The technology is typically contingent on an underlying cloud-based architecture, meaning that brands who have yet to switch their operations to the cloud will have to endure an even lengthier process to get everything up and running while also having to lay out additional costs to overhaul their IT operations.

The second biggest barrier noted was the challenges associated with integrating new systems with legacy platforms (43%). Once again, this issue could vary wildly depending on a particular brand's circumstances. For those currently using a headless commerce architecture, which doesn't appear to be many given that 72% of fashion and retail decision makers said they were unfamiliar with the technology, it wouldn't be too difficult. This is because headless commerce architectures decouple front and back ends to provide flexibility when it comes to testing and implementing new systems and extensions. On that note, it is quite surprising to see so many still unfamiliar with headless commerce when our research from last year found that those who had adopted the technology were 28% more likely to report they were meeting customer demands. Nevertheless, it's evident that many fashion and retail businesses are behind when it comes to implementing solutions that facilitate a frictionless shopping experience for consumers. This appears to be because they either lack the internal knowledge and skills or because their legacy systems cannot be easily integrated with new and emerging technologies. If brands are serious about improving their CX, they must start to adopt these technologies before their competitors do.

The third most significant barrier listed by the fashion and retail decision makers was the additional training required for store staff to effectively utilise UCPs, with some 39% having said so. Once again, this is a major concern for retailers since most store staff are still bogged down by antiquated legacy systems and haven't been properly trained in how to use new and emerging technologies. And there's another issue that is tied to this in that brands would need to establish new KPIs that better support and reflect an employee's job performance when it comes to unified commerce. This is because many businesses still measure performance in relation to a single channel, i.e. in a physical store, when many transactions now take place across an array of channels. Though, this is not necessarily lost on fashion and retail decision makers with 30% having noted that this could be an obstacle that prevents UCPs from becoming commonplace.

Ultimately, what appears to be most clear is that brands that have not yet embarked on a digital transformation journey will struggle the most when it comes to implementing UCPs. This sentiment is most closely shared with UK respondents with 38% of them having said the need to embark on a digital transformation journey is a stumbling block, compared to only 28% of US respondents. In fact, UK respondents as a whole seem to be further behind and more hesitant when it comes to UCPs. Some 52% of UK fashion and retail decision makers said the lack of internal skills and knowledge will be the biggest barrier to implementing UCPs while only 42% of their US counterparts shared the same opinion.

"By adopting UCPs, retailers can serve all facets of consumer behaviour while ensuring the customer receives a smooth and consistent experience across all physical and digital touchpoints."

Thank you for reading!

From everyone at K3, we thank you for reading our latest whitepaper and hope that you have learned something new. We commissioned the study to assess what the future fashion and retail landscape will look like and discovered much that was a surprise to ourselves.

While it is clear that some fashion and retail decision makers are well informed on several trends and technologies that will shape the future of the industry, there are some fundamental gaps in their knowledge that could hinder their ability to adapt to the latest trends. We hope this whitepaper has in some way helped rectify this.

We regularly publish new content that aims to educate the wider industry on upcoming trends and technologies. So, if you'd like to read more insights from us, we recommend keeping an eye on our website and following us on social media!

About K3

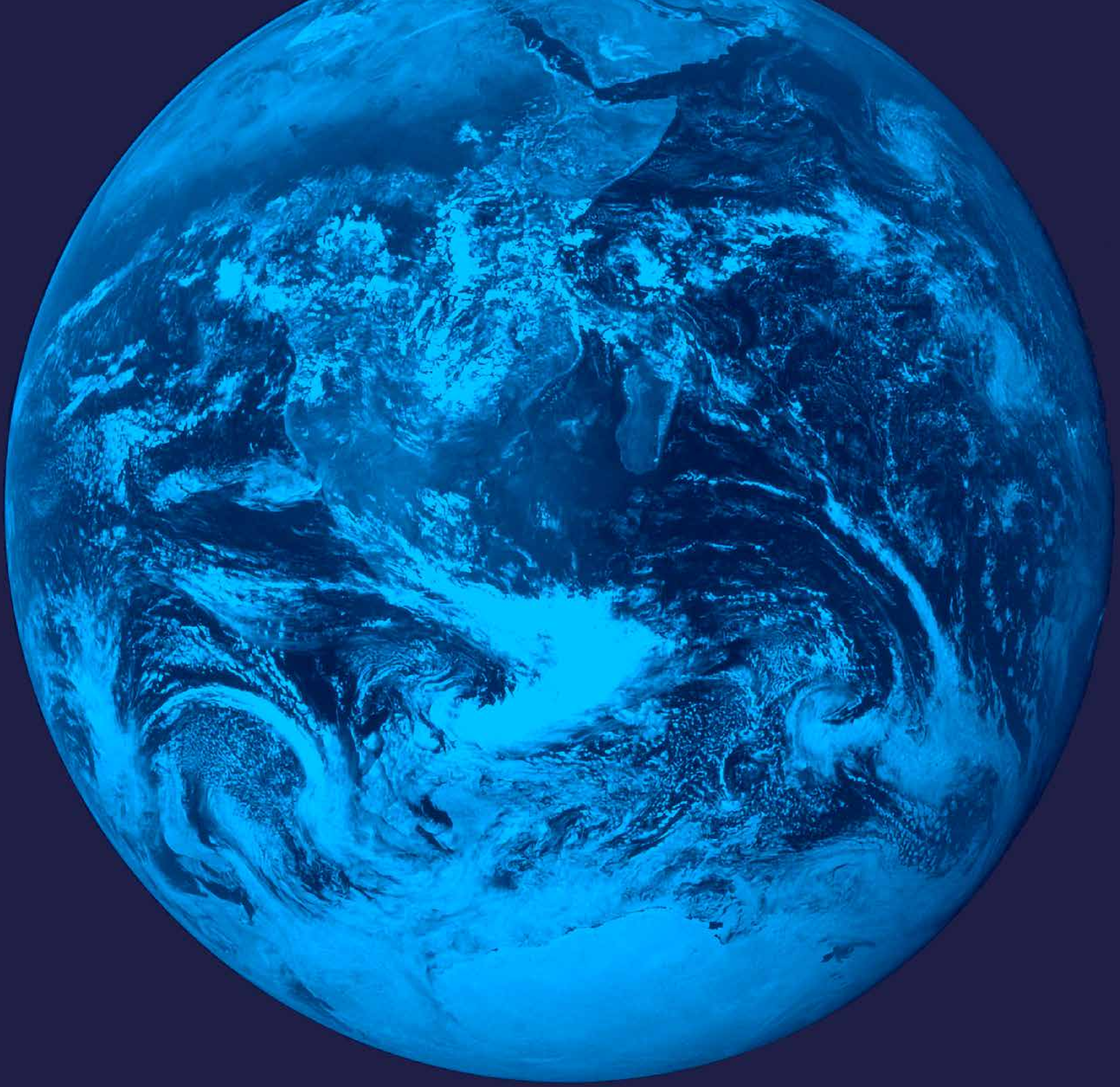
As a Microsoft Cloud for Retail launch partner, K3 champions but one ideal: to foster an ethical and socially responsible world driven by sustainable practices.

We have innovated retail technology for the last 30 years, but today, we simply aim to empower others to make greener choices – and that starts with our solutions.

K3 blends its IP with third-party products to create platforms that are truly transformative and enable forward-thinking brands to unlock enduring value and trust from intelligent, agile, and sustainable business practices.

With purpose and pace, K3 will permanently transform fashion, apparel, and select retail markets into a model of good business, transparency, and ethical sustainability.

To learn more about K3 and how we can help your business, visit our website www.k3btg.com



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