FIT ANALYTICS

Understand Your Customer Better and Boost Retail Profitability

Introduction

As a result of COVID-19 restrictions, according to Digital Commerce 360[1], "online retail sales increased 32.4% year over year in 2020 and are up 39% in Q1 2021." Due to the shift in consumer shopping behavior leading to a surge of online sales, we at Fit Analytics are committed to supporting shops during these challenging times by providing a size solution that helps their customers buy confidently online.

As retailers enter the era of the 'new normal', stores that want to stay ahead of the curve will require a firm grasp on consumer behavior. This knowledge allows companies to position their business more effectively and make impactful data-driven decisions.

Consequently, in this report, we bypass noisy data and focus on the following insightful data - analyzing how different consumers shop, as well as how different regions and genders interact with our AI-driven size solution.

This data-driven report will also give insight to various levels in the retail industry. From merchandisers to e-commerce managers, all will procure the necessary knowledge to better reach their goals, which will have a positive impact on ROI (by increasing conversions and lowering returns).

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Consumer Behavior Report

By applying artificial intelligence to our unique data set, Fit Analytics is composed of a range of innovative solutions that help retailers drive improvements throughout the apparel lifecycle, as well as reduce returns and increase conversions. We work with over 300 leading retailers which include Hugo Boss and Tommy Hilfiger. For the purpose of this report, our data was aggregated across 291 of our live retail partner shops.

1. Fit Finder Purchases vs Non-Fit Finder Purchases

Number of Purchases 2016 - 2020
● Fit Finder   ● Others
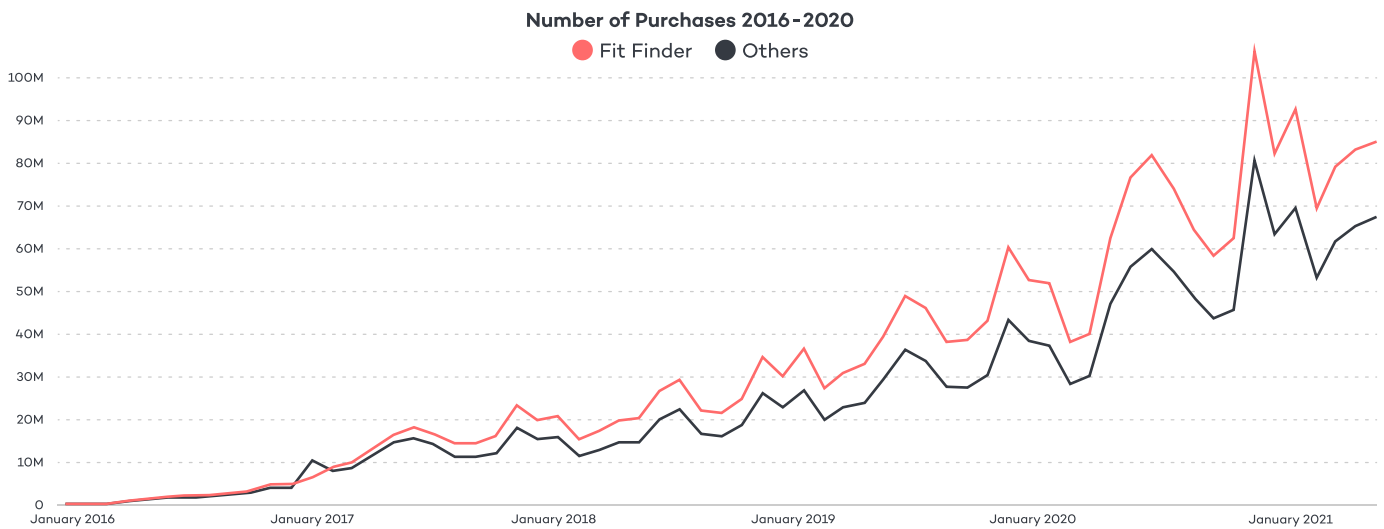
From 2017 onwards, when comparing the buying behavior between Fit Finder and Non-Fit Finder users, a consistent upward tick can be seen with regard to Fit Finder users buying more items.

Average Purchases 2018‑2020

● Fit Finder ● Others
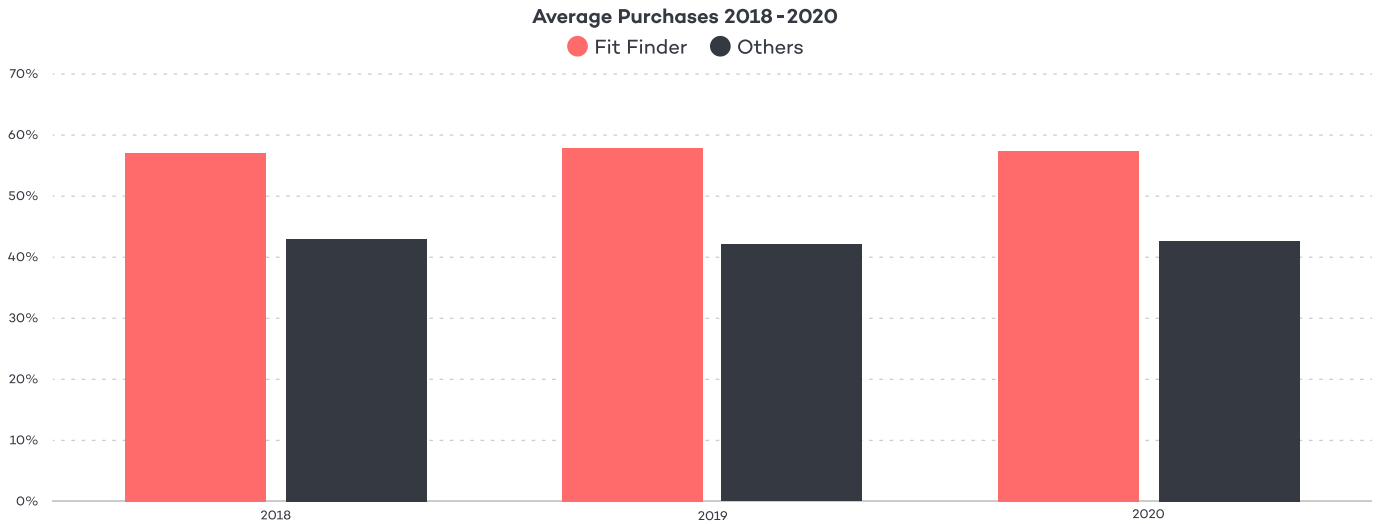
In addition, between 2018 and 2020, there's an average of 57.47% Fit Finder purchases compared to 42.52% Non-Fit Finder purchases.

What is particularly significant is the data continuously shows an increased surge of purchases during the challenging onslaught of the pandemic. This points to the value of an AI-driven solution.

2. Conversion Rate* Between Men and Women

Average Conversion Rate Between Men and Women 2018‑2020

● Men ● Women
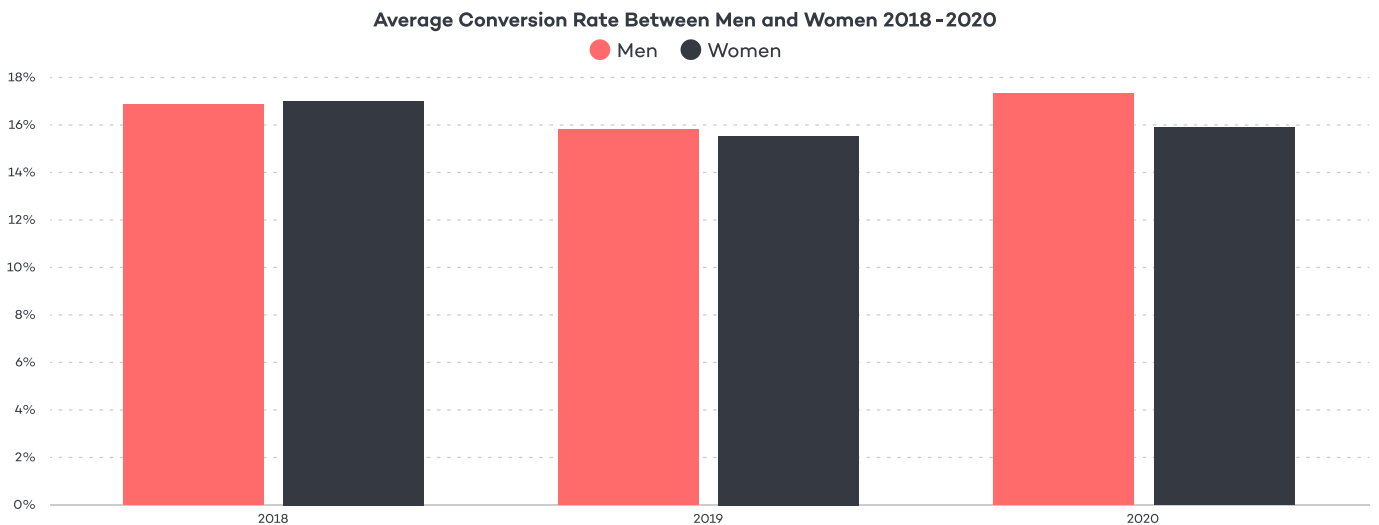
In 2018, at 17.02% vs 16.86%, when comparing the women's conversion rate to the men's - women experienced a higher conversion rate of 0.16%.

2019 shows that while the women converted at 15.54%, the men converted higher at 15.81%. It's interesting to observe that from 2018 to 2019, the men's conversion rate managed to surpass the women's by 0.27%.

In 2020, we see that the conversion rate between the men and women reaches 17.32% vs 15.88% respectively. This reflects an even wider gap between the men and women (1.44%) with the men continuing to overtake the women.
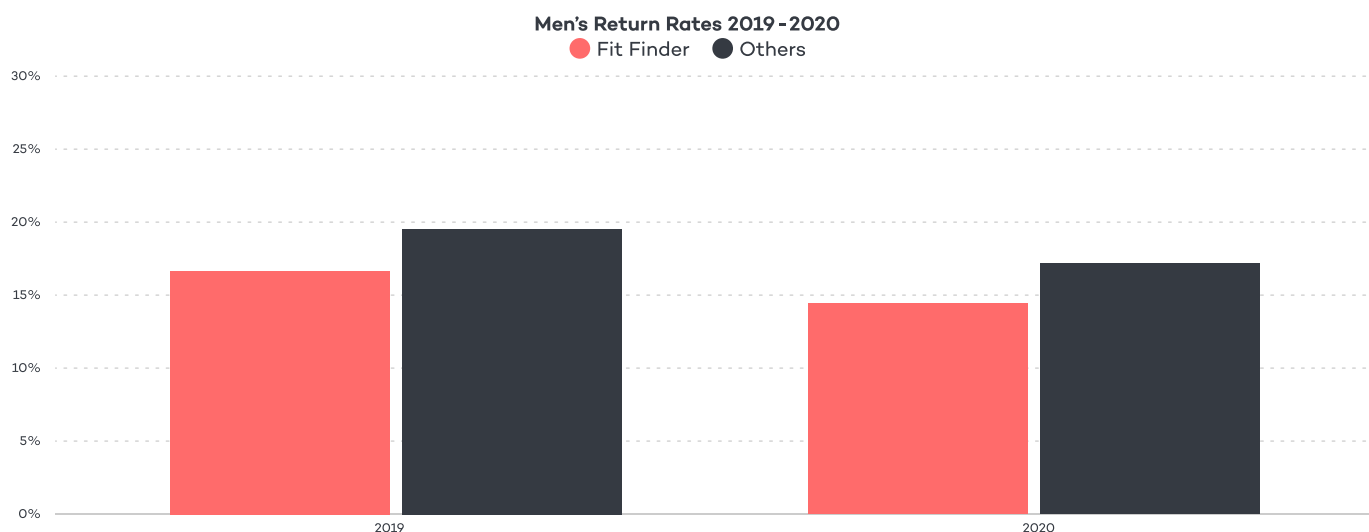
Men having a higher conversion rate than women during the onslaught of COVID-19 marks a positive correlation between Fit Finder users and purchases. When it comes to clothes shopping behavior between the genders, there is a popular narrative[2] that women are more likely to buy apparel online than men. What our data shows is that with the support of Fit Finder, more men are gaining the confidence to shop online. The result of that is they are more willing to buy their desired items.
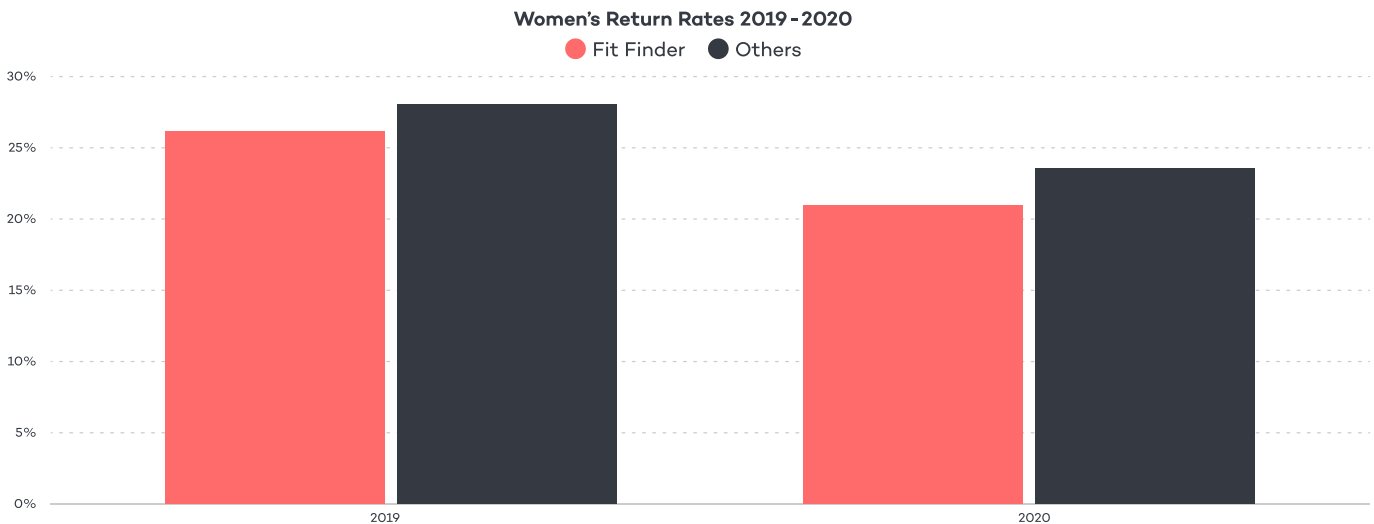
This information can influence the development of new business and marketing decisions to cater to men at every stage of the buyer's journey.

(Note that although the average conversion rate for fashion websites tends to be between 0.4% and 3.3%[3], our higher conversion rate can be attributed to our product giving people the confidence to buy online products.)

Our conversion rate is calculated by dividing the number of unique size recommendations with the number of items purchased after size recommendation.

3. Recommendation Impact on Return Rate Between Men and Women

Men's Return Rates 2019 - 2020
● Fit Finder ● Others

Women's Return Rates 2019 - 2020

● Fit Finder   ● Others

When comparing the return rate between men and women with regard to who followed our Fit Finder recommendations, we see that between 2019 and 2020, the average number of women who use Fit Finder recommendations is higher than the men's.
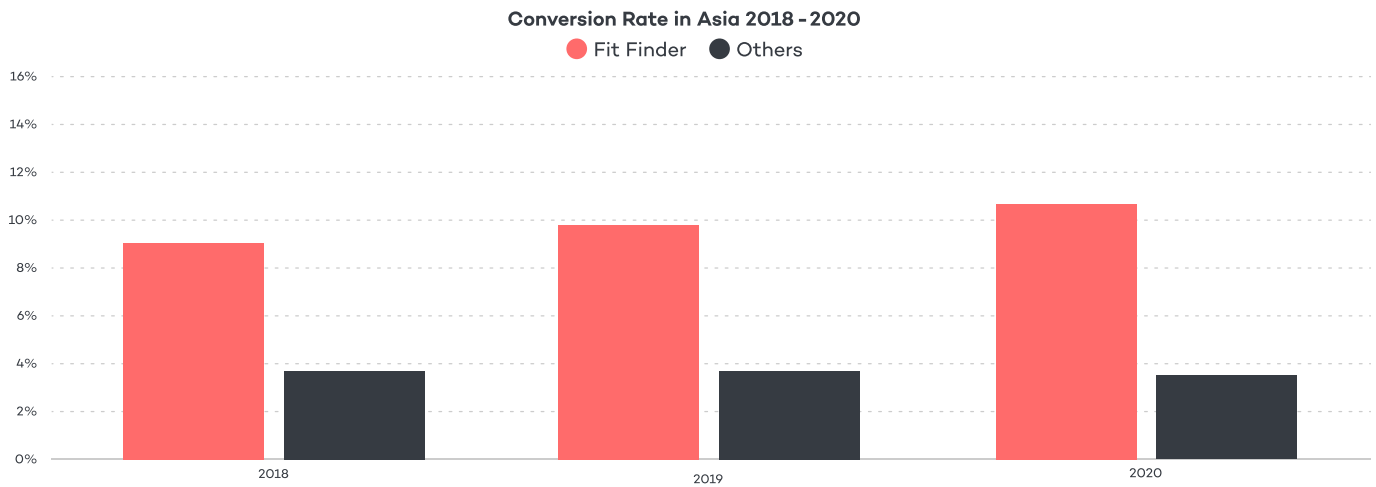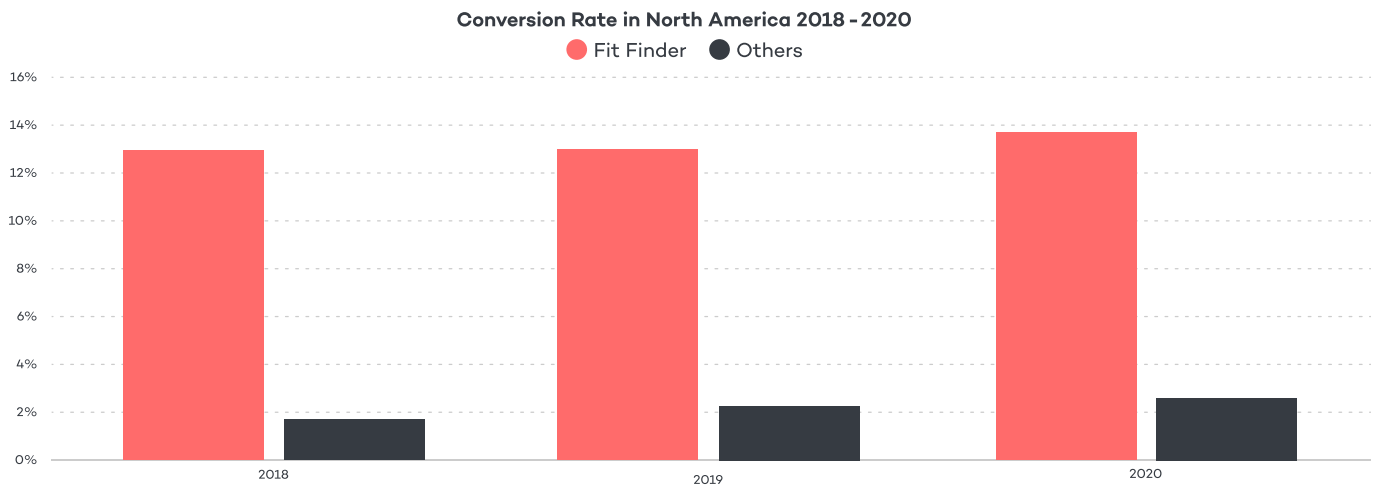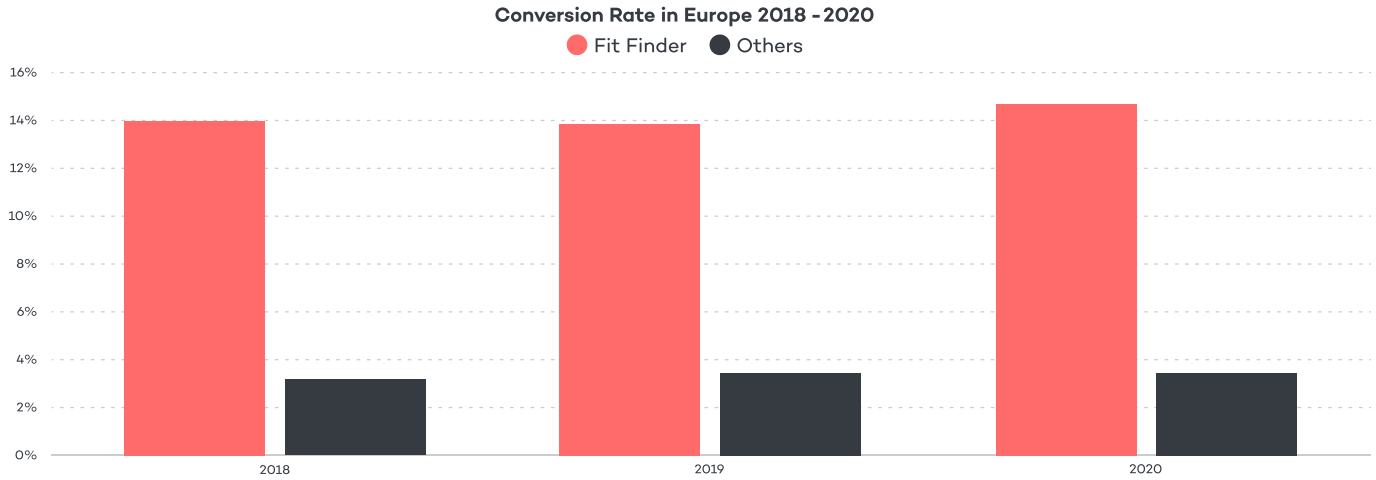
Between 2019 and 2020, the return rate dropped between both sexes who used Fit Finder recommendations and the men and women who ignored Fit Finder. However, we see a sliver more of a decrease with users who utilized Fit Finder.

The charts also show that in 2020, men and women who followed our solution's recommendation experienced an even lower return rate than in 2019. In addition, one can see more of a decrease in return rate when comparing Fit Finder users to non-Fit Finder users.

This demonstrates that our advanced machine learning framework is able to train Fit Finder's size predictions so that over time, we are able to outperform users who do not use a size advisor. Furthermore, the reduced return rate over time is attributable to the fact that we use an advanced machine learning framework to train Fit Finder's sizing predictions, so the solution becomes smarter and more accurate with every recommendation it makes.

Despite the majority of 2020 being affected by dwindling apparel sales due to pandemic restrictions - it's encouraging to see that during this time both genders still benefited from our size advisor tool, which resulted in lower return rates.

4. Conversion Rate Between Different Regions

Conversion Rate in Europe 2018 - 2020
● Fit Finder   ● Others

Conversion Rate in North America 2018 - 2020
● Fit Finder   ● Others

Conversion Rate in Asia 2018 - 2020
● Fit Finder   ● Others

For the purpose of this report, our selected regions were Europe, Asia and North America.

In all regions between 2018 and 2020, the conversion rates were much higher among Fit Finder users when compared to non-Fit Finder users.
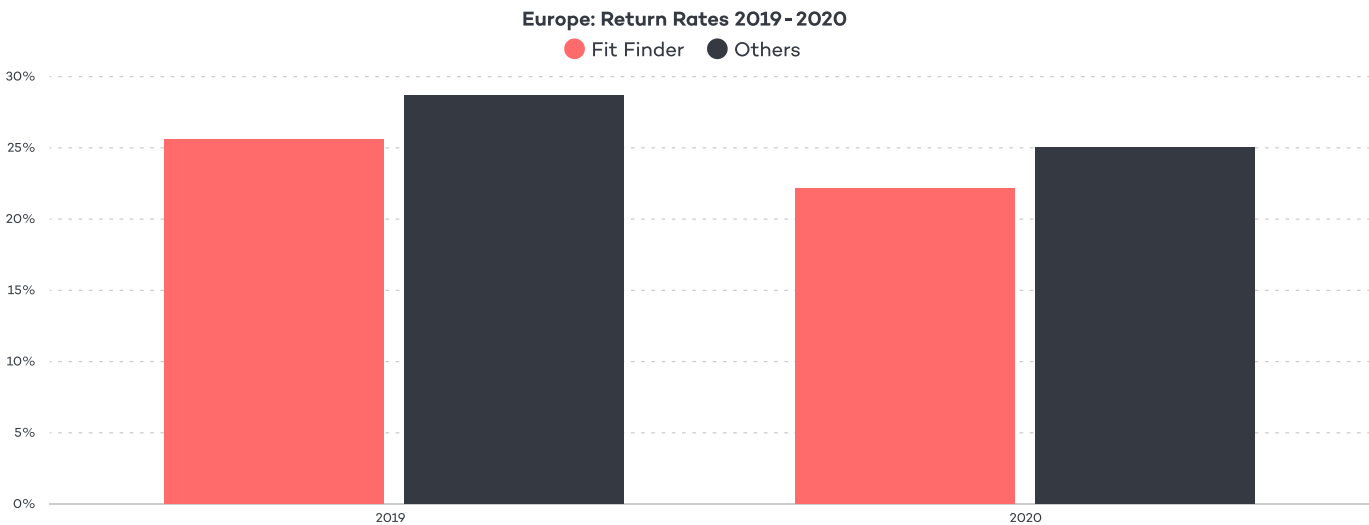
For Non-Fit Finder users, this shows a gap of potential for a size solution because the data highlights the issue of people visiting stores but not actually converting. This aligns with the fact that <u>uncertainty of fit</u>[4] when shopping online is one of the prime reasons people abandon their carts. It's also the leading reason why consumers are willing to invest in the time to go to a store personally to ensure that their desired item has the perfect fit.
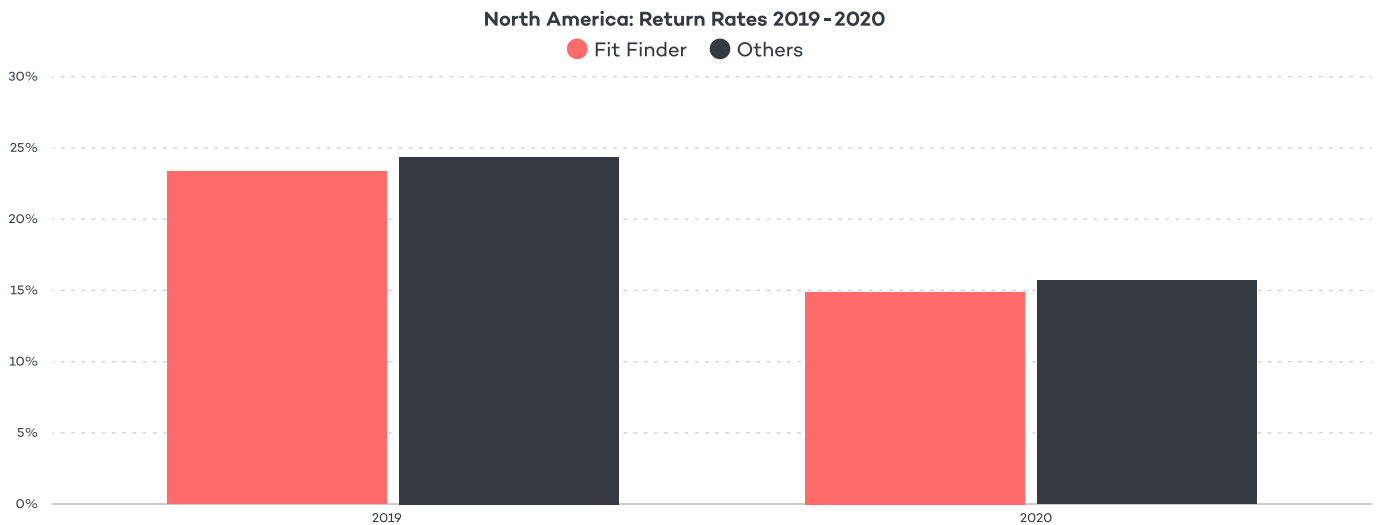
We also see Europe and North America are the countries that experienced the highest conversion rates between 2018 and 2020 when comparing users that utilized Fit Finder against those that did not. Though Asia's figures are lower, it's important to note that its inhabitants outrank all the other continents.

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5. Recommendation Impact on Return Rate Between Countries - NA and Europe

Europe: Return Rates 2019 - 2020

● Fit Finder ● Others

North America: Return Rates 2019 - 2020

● Fit Finder   ● Others

Between 2019 and 2020, when analyzing the drop in return rate between Fit Finder users in Europe and North America, we see that at the end of both years - non-Fit Finder users have a larger drop in return rate. For instance, in North America while Fit Finder users have a reduced return rate of 8.45%, non-Fit Finder users experienced a 8.67% decrease.

Despite this, what is important to highlight is that both regions show that Fit Finder users always provide a lower return rate compared to non-Fit Finder users. For instance, in 2020, the European region data indicates that while the return rate for non-Fit Finder users was 25.06% - for Fit Finder users it was lower by 2.93% (22.13%).

That same year (2020), the results in North America reflect that users who did not use Fit Finder had a 15.70% return rate. On the other hand, Fit Finder users scored 14.88% (0.88% difference).

2020 marks the breakout of COVID-19 which resulted in a global hit on the apparel retail industry. Statista[5] reported that in Europe, "retail sales of clothing products saw the most dramatic decline, with 43.5 percent of drop in sales."

The uncertainty brought about by the pandemic forced consumers to be less experimental with clothes shopping and buy only what was necessary. Therefore, the fact that 2019 and 2020 show a decreased return rate for users who took advantage of our size advisor tool - compared to users who ignored our suggestions - suggests that our AI-powered solution is able to help shoppers buy with confidence (even, during challenging times.)

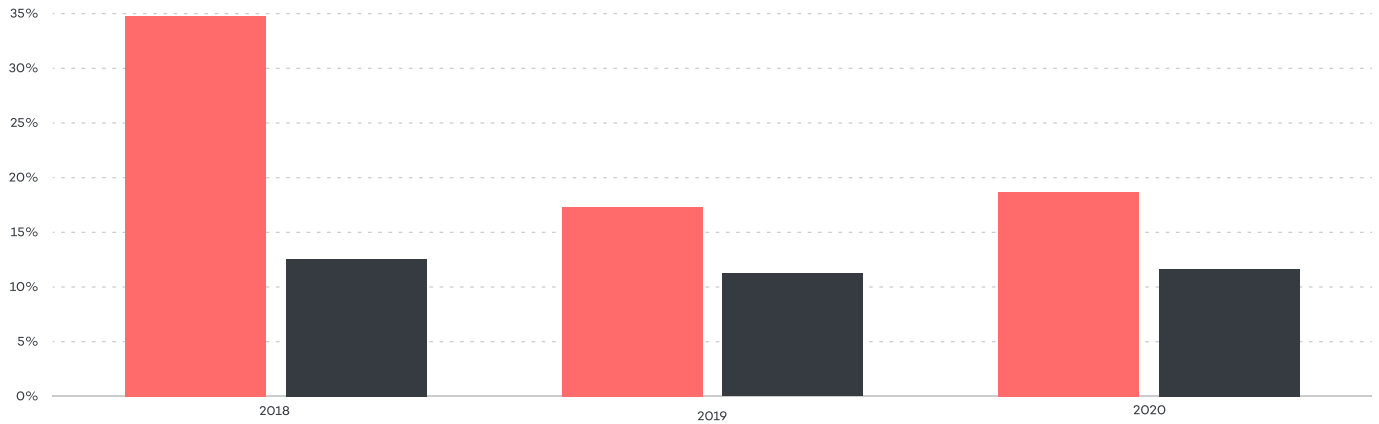# 6. Conversion Rate Across Different Verticals

Activewear: Conversion Rate 2018 - 2020
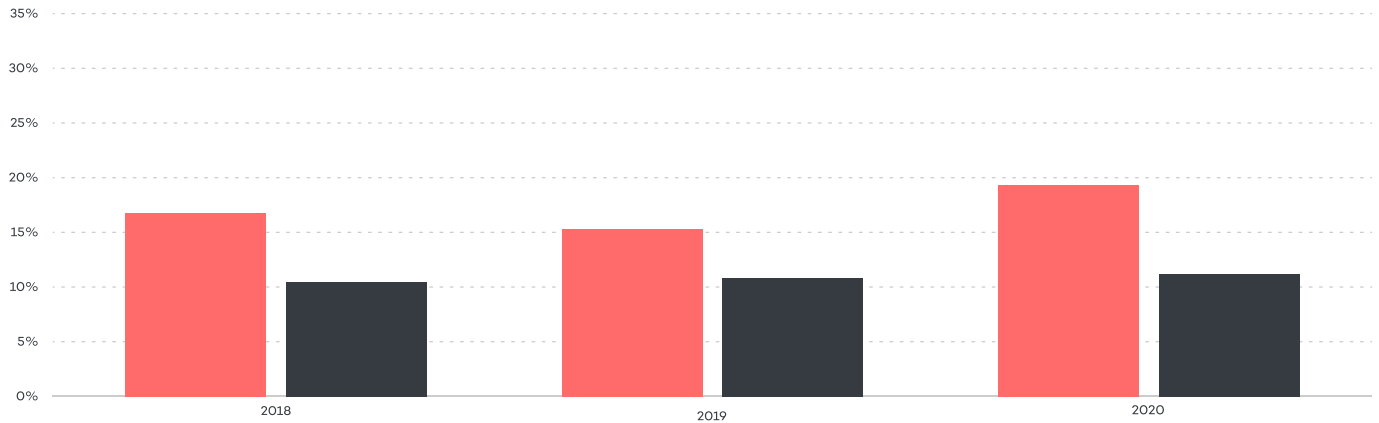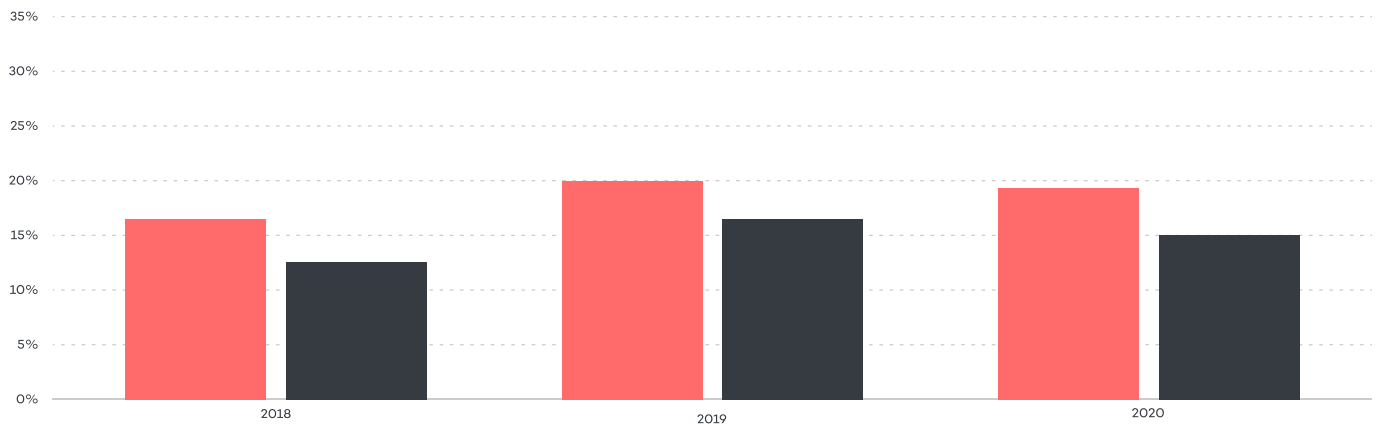
● Fit Finder   ● Others

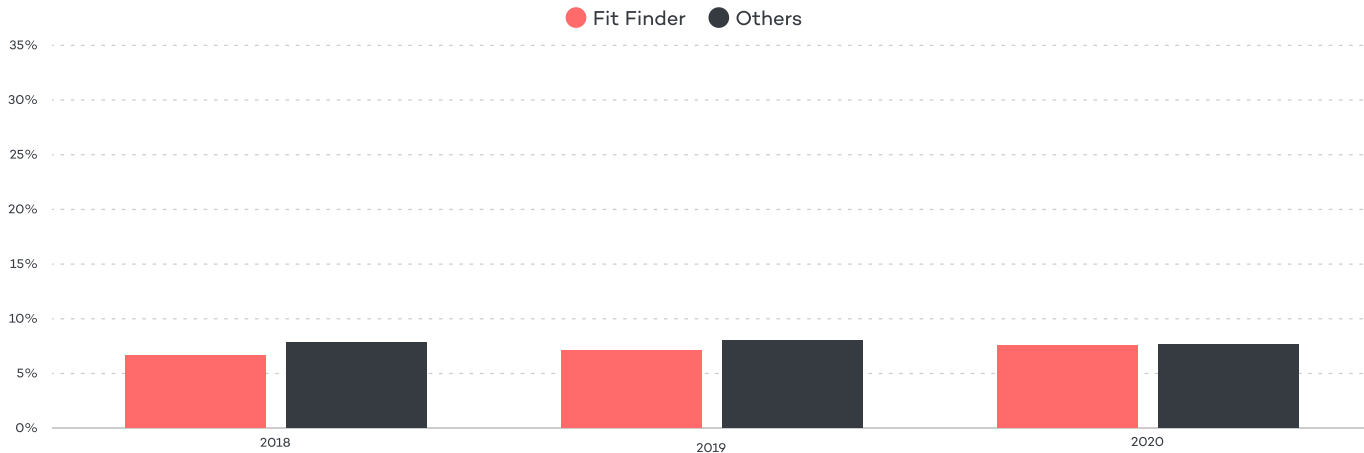**Denim: Conversion Rate 2018 - 2020**

● Fit Finder   ● Others

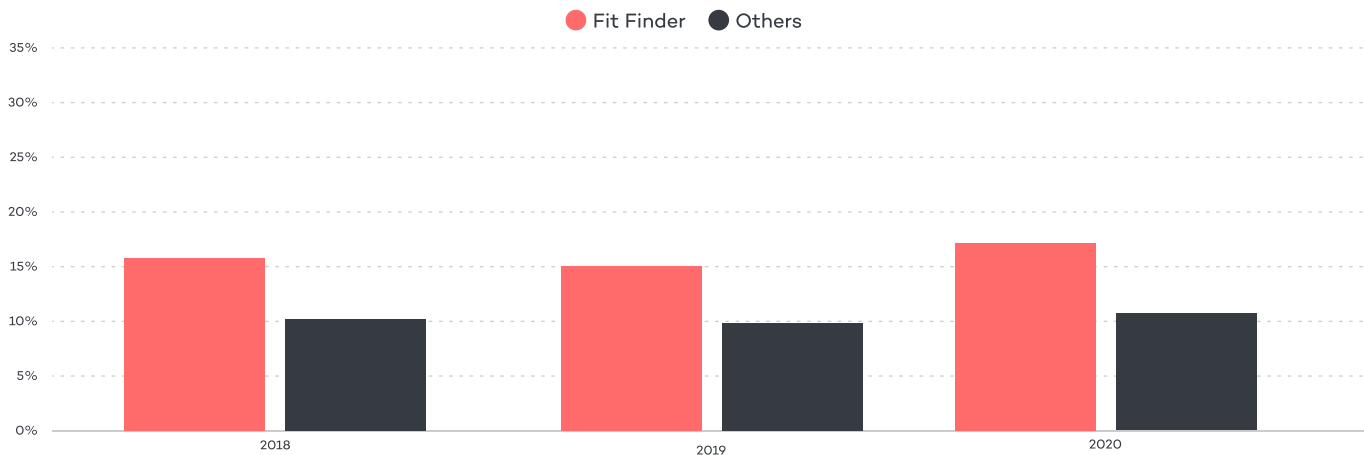**Fast Fashion: Conversion Rate 2018 - 2020**

● Fit Finder   ● Others

Luxury: Conversion Rate 2018 - 2020

● Fit Finder ● Others

Outdoor: Conversion Rate 2018 - 2020

● Fit Finder ● Others

McKinsey[6] reported that in North America the pandemic led to store closures and layoffs. In addition, although people were stuck at home with more time to scroll on retail websites, social media and the like, that traffic often did not translate into conversion. In other words, the restlessness brought about by a global lockdown led to online 'window shopping'.

Cbi.eu[7] adds, "The Boston Consulting Group states that the fashion industry lost €525 billion or one-third of revenue in 2020. European consumers mostly stayed at home and spent less on non-essential goods. Brands and retailers had to shut down stores. Online sales increased, but this only covered part of the loss in sales."

Despite the challenges caused by the pandemic, we see that for the following verticals - Active, Denim, Fast Fashion, and Outdoor - Fit Finder users consistently experienced a higher conversion rate compared to non-Fit Finder users.

Luxury diverts from this trend because from 2018 to 2020, non-Fit Finder users have a slightly higher conversion rate.

However, the data shows a clear pattern where Fit Finder users attain a higher rate compared to non-Fit Finder users.

7. Fit Finder Recommendations Impact on Returns on Verticals - Fast Fashion Focus

Fast Fashion: Return Rate 2019 - 2020

● Fit Finder ● Others
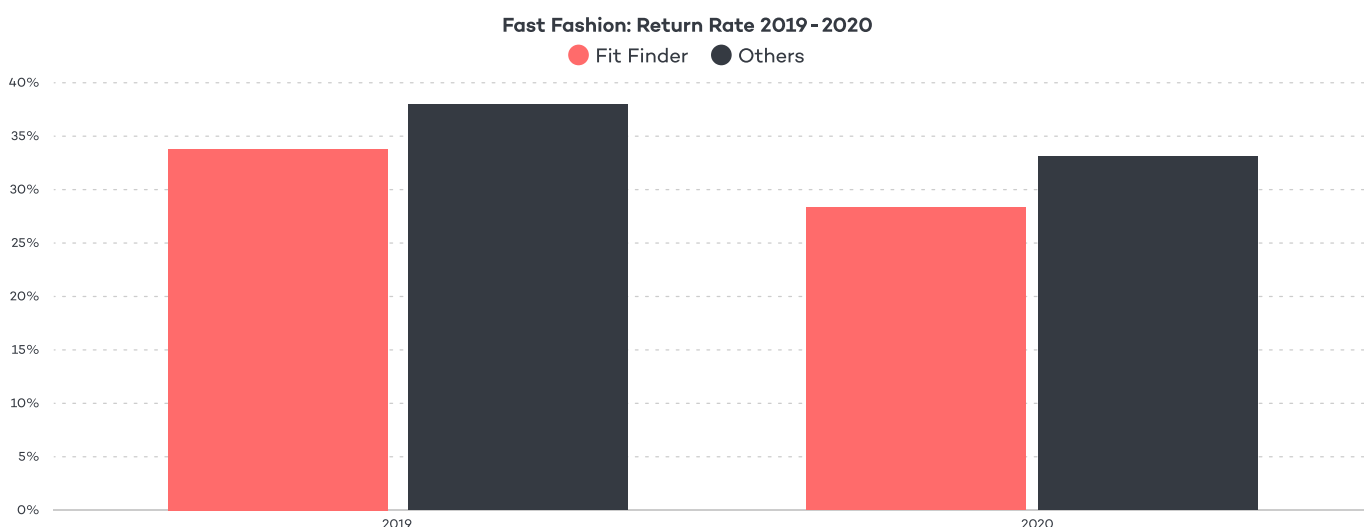
In 2020, the pandemic caused a decline in luxury apparel sales because of reasons already mentioned. Active and outerwear also suffered a hit which we can link to global lockdowns. These restrictions forced gyms and fitness centers to close their doors. So when analyzing the verticals for the return rate, we focused on fast fashion because the data we collected indicates that it was the strongest performing vertical. This shows that fast fashion was able to stay relevant even through the difficult period last year.

With regard to impact on return rate, in 2019, we see that fast fashion Fit Finder users experienced a lower return rate when compared to users that did not use the size solution.

Following the pattern we've seen previously with the benefits of using a fit recommendation tool, 2020 brought about a further drop of returns among fast fashion Fit Finder users. As discussed, this achievement is correlated with our AI-driven solution getting better and smarter over time.

Conclusion

The Connection Between the Right Data and Understanding Consumer Behavior

COVID-19 pushed the apparel industry into unpredictable times. As pandemic restrictions loosen up in varying degrees across the globe, the shift in customer shopping journeys and purchase trends remains constant. For instance, Intelligence Node's consumer insights 2020 report[8] highlighted that 82% of shoppers will continue shopping online even when stores reopen.

It follows from this that for effective navigation, leveraging the right data to ascertain a business's shopping environment is more important than ever before. Companies will require the right data to make sure they provide an optimal shopping experience by:

- Delivering what customers want, when they want it

- Matching customer expectations (which includes clothes that fit)

- Gauging future needs from customers

With this report:

- Merchandisers will have data that allows them to identify new opportunities for sizes and styles - generating net new revenue.

- Marketers will understand their core demographics which are a critical component of delivering successful promotions and messaging.

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- E-commerce and UX will have a strong understanding of how consumers engage with our size solution and what happens after their recommendation is delivered, this opens up a stronger understanding of different shopping paths.

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Footnotes

[1] Digital Commerce 360 - 'Coronavirus adds $105 billion to US ecommerce in 2020' - June, 2021

[2] BELVG - 'Men Vs Women. Who runs the online word?' - March, 2019

[3] Little Data - 'What is the average conversion rate for style and fashion websites?' - September 2021

[4] NY Post - 'Women agree:it's impossible to find clothes that fit' - October, 2017

[5] Statista 'Impact of coronavirus' - February, 2021

[6] McKinsey - 'Perspectives for North America's fashion industry in a time of crisis' - March 2020

[7] CBI - 'The European apparel market after the coronavirus pandemic' - August, 2021

[8] Intelligence Node - 'A go-to guide for brands to understand consumer sentiments' - 2020