



RAPID  
VALIDATION

How social media can help the fashion industry make better decisions

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How social media can help the fashion industry make better decisions

***Social Media, often thought to be the exclusive domain of the marketing department, may have the power to transform the fashion and apparel business approach to product development and management***

The fashion and apparel industry is in the midst of a profound shift. The economic downturn, coupled with recent spikes in the price of raw materials and transportation, has placed considerable pressure on organizations that are already operating in a crowded and challenging marketplace. After an extended period of reorganization, fashion businesses appear to be limited in the range of responses to the obstacles they now face. Solutions such as agile manufacturing, e-commerce and in-store data capture, once sources of competitive advantage, are now standard operating procedure, offering little additional relief or differentiation.

Companies seeking growth in a trading environment characterized by store closures and market consolidation will need to devise truly innovative strategies if they wish to lead their respective segments through the coming economic resurgence. The objective of this white paper is to evaluate social media monitoring and analysis as a potential driver of enhanced decision-making, increased operational efficiency and ultimate margin growth.

### **Current fashion industry approach to analysis**

Fashion businesses regularly collect a wide range of data relating to the performance of their goods in the marketplace. Most of this information is gathered at the point of sale once the garments or accessories have already been manufactured and stocked on shelves. Companies spend millions analyzing this information to optimize product mix, effectively leverage staged capacity and drive pricing strategies. However, little or no data is amassed to support the creation of the goods in the first place: a reality that is both anomalous, given the efficiency of upstream analysis, and expensive, as the prevailing markdown ratio in the US is now sitting at some 50%, according to Bain & Co, a change management consultancy (meaning that half of the clothes Americans buy are on sale).

Design decisions and product choices in the fashion industry have historically been driven by instinct.

Sometimes it is the designer's or merchandiser's own personal intuition, or experience with previous bestsellers, that defines the direction of a product line, and sometimes it is analysis provided by a consultancy. Such consultancies evaluate a number of criteria when identifying a new trend, like pop-culture movements, economic factors and catwalk shows. The resulting reports define trends up to 24 months in advance, and are leveraged extensively throughout the fashion industry to support color choice, garment style and trim selection. Most reports are general in nature and are seldom customized to suit the requirements of individual organizations. The efficacy of leveraging this class of analysis as a standalone mechanism to substantiate decision-making is questionable, especially in light of current industry markdown ratios.

It is clear, then, that fashion companies that can identify a more empirically sound approach to product development and management – one that is rooted in fact rather than instinct – have the potential to enjoy sustained competitive advantage and increased profits. As Professor Marshall L Fisher observes in a Harvard Business Review report entitled *Rocket Retailing*, “Businesses that avoid stockouts and markdowns can double profits.”

Businesses that avoid stockouts and markdowns can double profits

Professor Marshall L Fisher

There is a growing body of evidence to suggest that social media monitoring and analysis may ultimately prove to be a source of the data that drives the next generation of product development processes within the fashion and apparel industry. This reality may prove paradoxical, as most fashion businesses already make extensive use of the technology elsewhere in their organizations, unaware of its potential utility as a mission-critical facility for decision support.

### **Social media beyond marketing**

Most fashion companies are well aware of the value of social media as a marketing channel. It would be very rare, these days, to encounter one that does not have an evolved and comprehensive strategy in this area. The fashion sector has been amongst the earliest adopters of the technology, leveraging it as both a

facility for generating awareness and a means of measuring brand resonance.

91% of companies are missing out on the opportunity to use social media for product development

CIMdata

Many senior managers in fashion are unaware, however, of social media's potential as a barometer of consumer sentiment. This is perhaps because, to the majority of fashion executives, the medium is seen solely as a platform for bidirectional communication between brand and target audience and not as a source of relevant and actionable data for business lines other than marketing. According to a recent poll by CIMdata, a global product lifecycle management consultancy, 91% of companies are missing out on the opportunity to use social media for product development, with only 9% of companies citing regular use of the data.

Such oversight is understandable. Patterns of social media utilization are exceptionally dynamic, with shifts in user behavior often visible only to technologists and industry analysts. Over the past few years, however, there have been notable changes in the ways in which consumers use the technology, many of which should

precipitate a re-evaluation of how fashion businesses regard social media.

**A channel for corporate and personal branding**

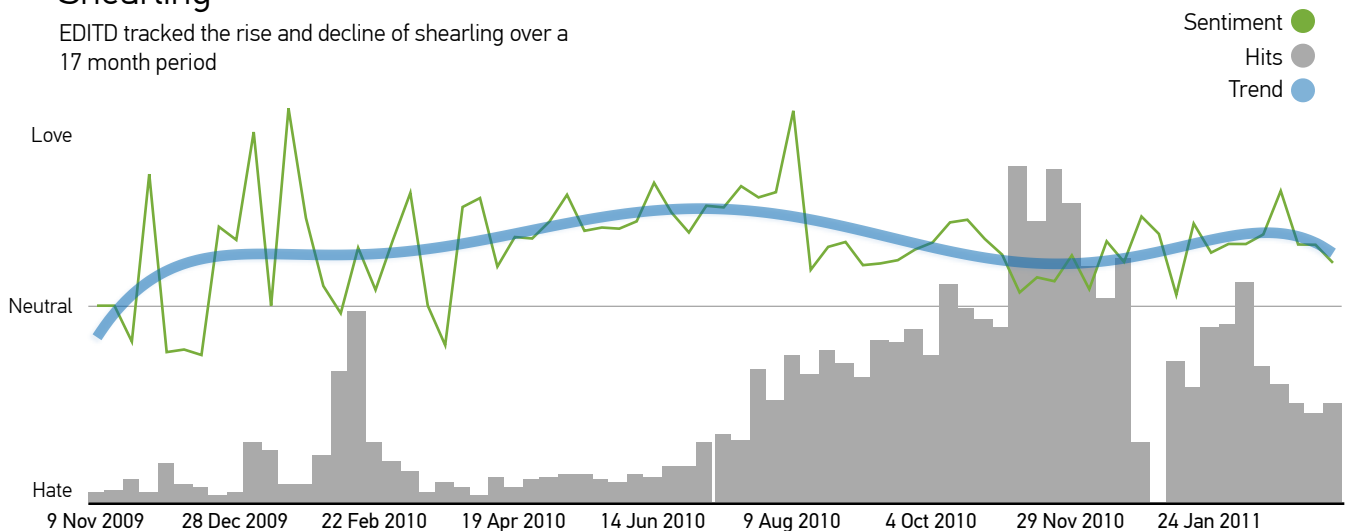
One trend in social media usage that is worthy of special attention by fashion professionals is the phenomenon that has come to be known as personal branding, wherein consumers take conscious steps to leverage front-facing social media outlets to manage how they are perceived by external parties such as friends, colleagues and potential employers.

The majority of social media users are now highly attuned to the vagaries of maintaining a public profile. This is not an entirely new behavioral paradigm; people have long used personal taste and political and social leanings to influence others' perceptions. What is new is the sheer scale of the engagement, the permanence of the content, and the potentially negative effect of unfettered online conduct. Consequently, social media users are not only exceptionally careful about how they manage their online persona; they are also highly calculated in their management of others' opinions.

Critically, for fashion businesses, when social media users take the time to 'Like' or comment on a fashion brand or an item of apparel, they do so carefully. Such expressions are also a strong indicator of purchase intent. A recent survey from Chadwick Martin Bailey and iModerate Research Technologies found that 51% of Facebook fans and 67% of Twitter followers are more likely to buy the brands they follow or are a fan of. Similarly, voicing disdain towards a brand or product is

**Shearling**

EDITD tracked the rise and decline of shearling over a 17 month period



a strong indicator that the user is sure that the product is no longer on trend as an incorrect opinion can adversely affect the users online persona.

Unsolicited observations of this nature are earnest expressions of sentiment. As Bernie Borges notes in his book, *Marketing 2.0*, “Opinions expressed on social media are generally more honest than those gathered in focus groups, where the staged nature of the setting can make participants less than sincere. Businesses wishing to learn more about what their customers feel would do well to begin listening to social media.”

If fashion professionals were able to view a large volume of such unrestrained opinions as they were made – not just specific opinions about brands but also sentiments relating to individual garments, styles and colors – they would be rewarded with a clear and immediate sense of how shoppers actually feel, unencumbered by some of the latency and friction that characterizes more traditional consumer insight efforts.

### **Validating decisions with fact**

As recent cost structure fluctuations intensify the impact of failed lines and broken assortments, fashion businesses are increasingly looking for ways to reduce the risk of development choices. As demonstrated above, social media contains a massive volume of historic and real-time data relating to consumer sentiment. If captured and mined, this information could provide a high degree of risk mitigation through substantiation or invalidation of key development and restocking decisions. Ensuing ameliorations in garment development, production and management could lead to substantially reduced markdown ratios and vastly improved margins. The only challenge that remains is how to access, synthesize and present this data. A new breed of social media monitoring and analysis technology is emerging to cater for this requirement.

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*EDITD's comprehensive suite of data services provides the real-time information crucial for agile and evidence-based fashion business decision-making.*

*As one aspect of an integrated service, EDITD leverages social media to determine what customers think of trends in real-time, validating design and buying decisions with consumer endorsement. Analysis of the data reveals which styles and trends are currently in demand, which are not and which are under-represented. This cutting edge tool for traders and merchandisers enables them to react instantly to highlight in-demand styles, exploit gaps in the market and adjust prices to maximize margins.*

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