Expert Research Series

PART THREE

UK online shopping consumer preferences: H2 2016

The impact of consumerisation and competition on online retail fashion and apparel

TRYZENS®
Independent experts in omnichannel commerce

EXPERT RESEARCH SERIES

The impact of consumerisation and competition on online retail fashion and apparel

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1 Synopsis

Tryzens Expert Research tracks, analyses and forecasts the trends and preferences of 'Generation Consumer' (those UK citizens now comfortable with, and empowered by, online shopping). The intent of this White Paper is to inform Fashion and Apparel Retailers specifically of the evolving priorities of these consumers in their market, with insights by gender, age and UK regional location where appropriate.

Without a doubt, online retailing is advancing and maturing at a pace in the UK. Successful retailers are taking full advantage of the technical innovation and process reinvention opportunity to engage the consumer who is in turn driving the pace of change through their pursuit of the best choice, value and convenience.

Whether operating solely online or as an omni-channel retailer, the challenge is to present a positive personal online experience and purchasing journey. One that is intuitive, device appropriate, efficient and rewarding regardless of whether the consumer is visiting for the first time or is a regular shopper.

Arguably the biggest shift in approach to online commerce is to recognise that there has been rapid growth in the preference for consumers using a smartphone to complete the whole end to end shopping experience. In the under 25's this is now the top rated device, and is on a par with the laptop in those aged up to 45. Retailers are becoming more attuned to the need to adopt a 'Mobile First' approach to their online investment, seeing not just the User Interface, but the whole simplification of the shopping experience, through the eyes and natural cognitive behaviour of a smartphone user.

Fashion and apparel retailers have very different pressures on them when trading online compared to other verticals ranging from the desire for richer content experiences to convey the look and feel of clothes and to provide detail of the styling both on images and videos, through to making links from social media, blogs and shopable content to the eCommerce site.

The most unique challenge though is in ensuring accurate clothing sizes (compared to actual body measurements) are shipped and to clearly show stock availability of products by size. This is essential to trade efficiently in clothing in an online world. Arguably getting this area of the design working well should be a top priority for retailers as in doing so they have the opportunity to tackle perhaps the biggest area of inefficiency that impacts margins and customer experience, that of product returns. Returns have hit almost epidemic levels for some. What is more, consumers are happy to help retailers by providing their sizing measurements. The costs associated with managing and handling returns are excessive, not just in the impact on operational overheads. The opportunity to reduce this burden and improve customer engagement is profound.

There is a real need for retailers to set a clear agenda that drives positive customer experience not just to the point of purchase, but end to end in the fulfilment process, minimizing costs as a result.

48%
Buy clothes online at least once every 3 months

82%
Of shoppers who buy in-store research online first

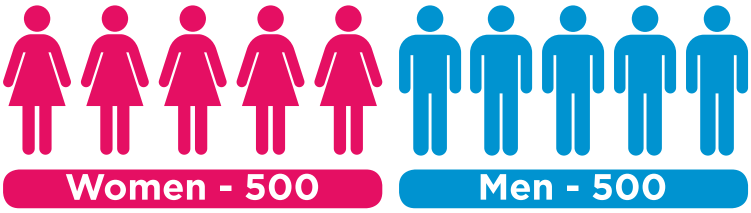
Under 25 Year olds
Already prefer to use a smartphone over a laptop

73%
Would prefer a PLP which has size and stock pre-filtered

65%
Would register their measurements to get an accurate fit

2 Methodology and sampling

In August 2016 Vanson Bourne conducted the second annual body of research on behalf of Tryzens Group to determine the level of consumer engagement in eCommerce across the UK and to gain insights into attitudes and preferences in order to baseline current usage in order to plot trends over time segmented by gender, age, income level, employment status and regional location.



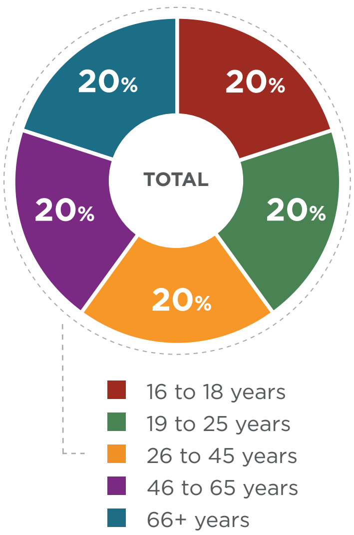
The research polled 1000 UK consumers who had had at least some exposure to online shopping and had made at least one purchase in the last quarter.

The purpose of the research is to assist retailers operating online to quantify current consumer behaviour and preferences in order to more accurately and effectively evolve their eCommerce capabilities and target propositions based upon the desired target audience.

The sample was based on interviews with 500 women and 500 men aged 16 or over as set out in the table below:

AGE	GENDER		TOTAL
16-18 YEAR OLDS	Women	10%	20%
	Men	10%	
19-25 YEAR OLDS	Women	10%	20%
	Men	10%	
26-45 YEAR OLDS	Women	10%	20%
	Men	10%	
46-65 YEAR OLDS	Women	10%	20%
	Men	10%	
66+ YEAR OLDS	Women	10%	20%
	Men	10%	

SAMPLE BY AGE



Segmentation criteria

Further segmentation has been conducted to enable analysis by banded level of Income and geographic regions of England plus, Wales, Scotland and Northern Ireland as set out in the taxonomy below:

Income range

10,000	-	14,999
15,000	-	19,999
20,000	-	24,999
25,000	-	29,999
30,000	-	34,999
35,000	-	39,999
40,000	-	44,999
45,000	-	49,999
50,000	-	59,999
60,000	-	69,999
70,000	-	99,999
100,000+		

Geographic regions

Additional data views available from Tryzens

The content of this report is specifically focused on analysis of data to inform Retailers operating in the Fashion and Apparel markets.

There is a much richer base of information available beyond what is summarised within this report. Tryzens clients are able to request alternative views of this research data to answer specific questions based upon their target customer profiles.

Enquiries should be directed to your Tryzens Account Manager or email enquire@tryzens.com.

EMPLOYMENT · INCOME · GEOGRAPHIC REGION · AGE · WOMEN · MEN · WEBSITE · ONLINE PURCHASE

LAST PURCHASE ONLINE · NEW CUSTOMER · LEVEL OF IMPORTANCE · COMMUNICATION METHOD · RANK · PERCENTAGE · DELIVERY METHOD · PAYMENT METHOD

3 Customer shopping preferences

3.1 Frequency and focus of online shopping

The research focused on consumers who had made online purchases (excluding grocery shopping) within three months of their interview. Women had more notable engagement online with 57% stating they buy clothes online at least every three months, whilst only 39% of men did the same.

When factoring in age, 58% of the youngest segment (16-18 year olds) bought clothes every three months, reducing in an almost linear fashion to 38% for those over 66 years old. This was more extreme with women filtered by age where the range started at 68% and reduced to 47% by retirement.

In terms of stereotypes, men shopped more frequently for entertainment and electrical goods, whereas women shopped more regularly for health and beauty products.

Which of the following products do you buy online at least once every three months? Base - all respondents

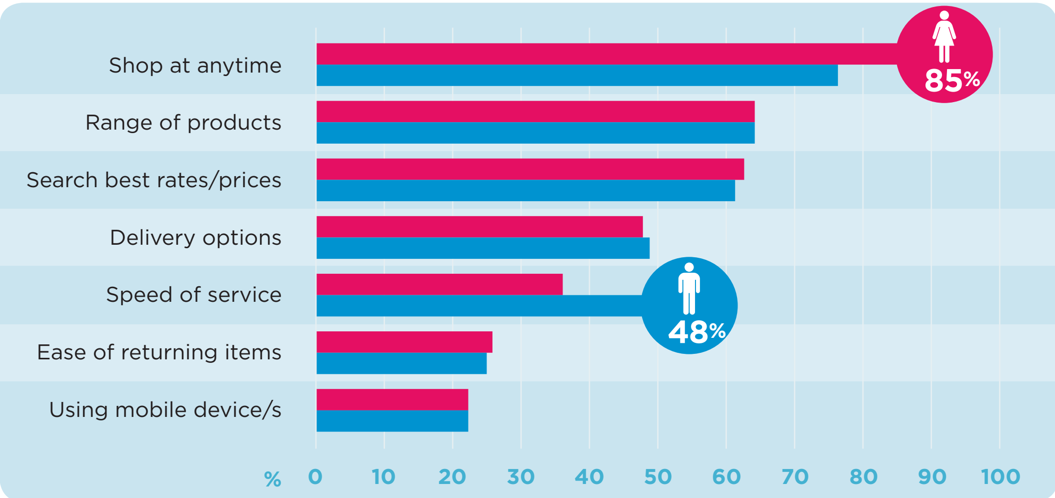
Freedom to shop at any time was cited again as the most significant benefit of online shopping, with 85% of females and 77% of males recording this (a slight increase for women and reduction for men since the last research). Freedom to shop anytime was followed by the ability to find the widest range of products quickly and efficiently (63%) and then the ability to access the best price before purchasing (at 62%). This represents an increase in the priority of range of products since the last research, and that pricing remains unchanged in percentage terms.

Ironically each of the top three identified benefits were materially less relevant to people between the ages of 19 and 45, where family and work pressures are often at their greatest. The values recorded were much more acute for teenagers and the 46 and over categories.

The convenience of being able to access multiple delivery options has become increasingly important since last year, with 49% of men recording this as important just ahead of women this year, for whom 48% stated this benefit.

For the first time we are tracking the importance of the shopping experience on a mobile device and the ease of returns, both scoring in the 20-30% range.

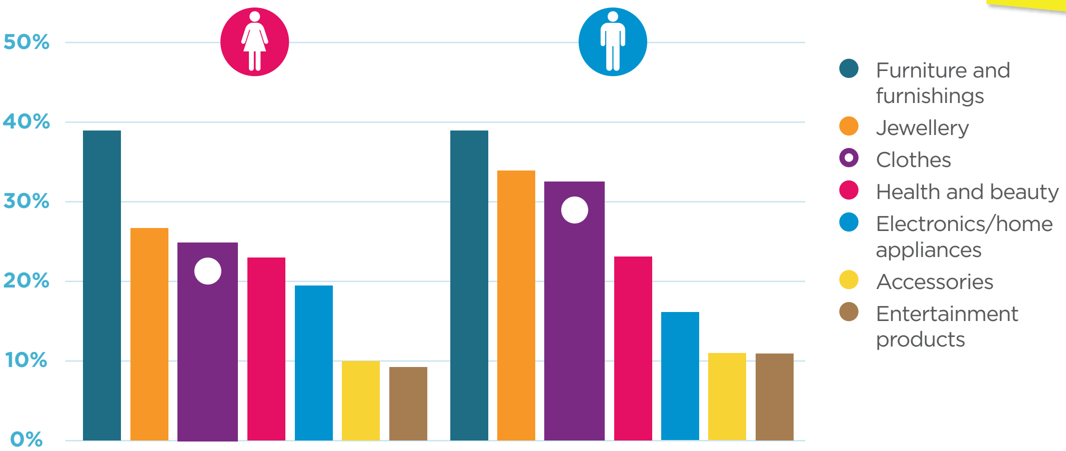
Which aspects of online shopping do you most value?
Base - all respondents



3.2 Alignment with physical store experience (where appropriate)

Consumers are not universally preferring an online channel for all product purchases. In regard to fashion and apparel, 29% of shoppers (25% women, 32% men) prefer to buy clothes in-store and not online.

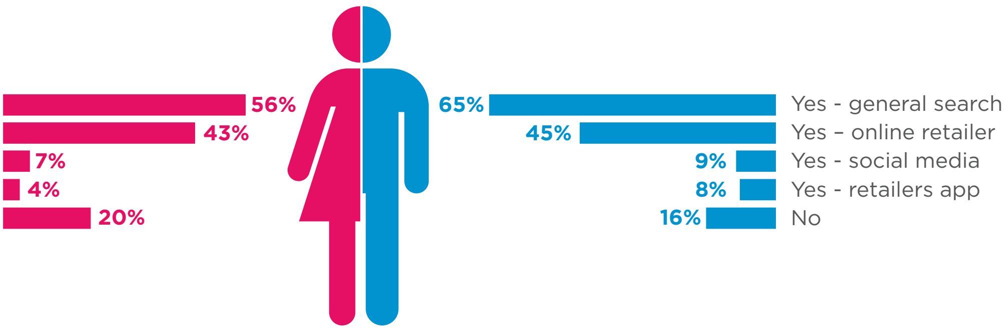
What sorts of products, if anything, do you prefer not to buy online?
Base - all respondents



However, even when there is a preference for purchasing in-store, the majority (82%) carry out research online first about the products, stock and pricing, reflecting the increasing importance of the online store to inform and influence purchasing behaviour. When researching online, general search is used by 65% of men and 56% of women, followed closely by retailer specific websites where 45% of men and 43% of women carry out research before visiting a store.

Where you prefer to buy in-store, do you carry out research online first?

Base - all respondents



This multi-channel 'Halo Effect' of online influencing in-store purchases (and vise versa) is experienced on several fronts in retail from the increase in online search levels when new stores open in a geography through to the upsell from click/reserve and collect to stores, and visitors to stores to the benefit of an endless aisle/digital store experience in-store for items not locally in stock.

In the clothing sector, it's unsurprising that there is still a significant number of people who prefer to see, and try on, clothes physically before purchasing. This is as much about colour, style, texture as it is about size and fit. Over 50% of the consumers interviewed highlighted clothing as the primary product they wished to see before purchasing, more than any other retail vertical.

Which products do you prefer to see physically before purchasing?

Base - all respondents

There is an increasing competitive pressure on retailers now to enrich the online shopping experience for the consumer. This includes the addition of greater volume of product images, the inclusion of high quality image zoom, video content of the clothes being worn, adding 'shop the look' coordination ideas, as well as consumer recommendations and reviews, Blog and social media integration. Then this content serves to inform and entice the online shopper. These priorities are particularly relevant to the fashion and apparel sector and are quantified in importance in Section 4 of this paper.

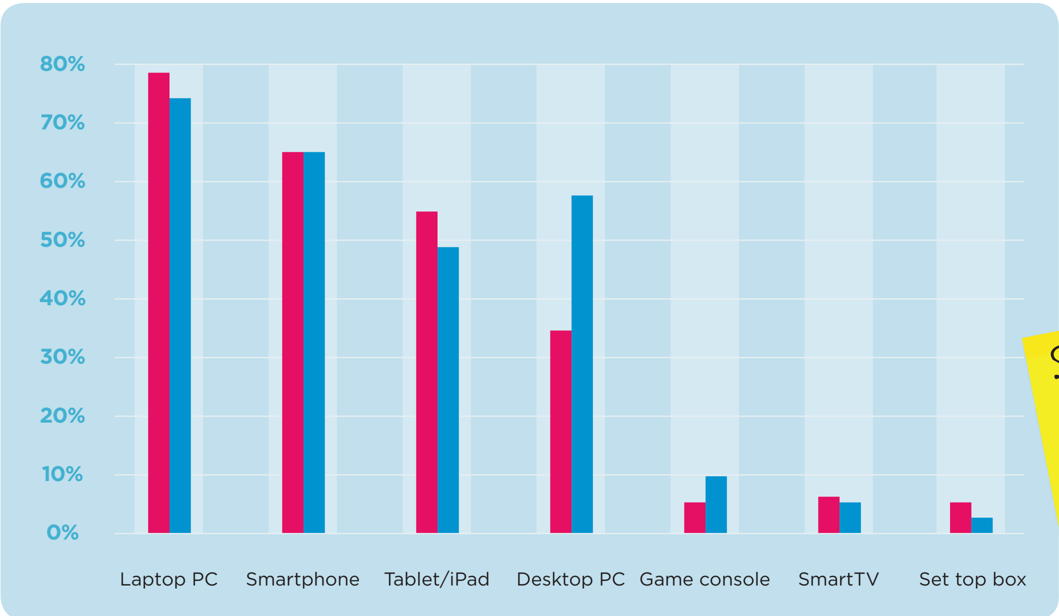
Perhaps the most significant and unique challenge for the clothing industry that needs a new approach online is to help reduce the necessity for physical inspection pre-purchase is around the sizing and fit of clothes. In Section 6 we will explore the findings in more detail, coupled with the competing pressure of the commercial trend for free delivery and returns which risks spiralling operating costs.

3.3 The coming-of-age 'Mobile First' process design

'Mobile First' has become the focus of customer experience!

Whilst laptops remain the strong favourite of devices used by consumers when online shopping (reported by 76% of participants), the biggest year on year change has been the stratospheric growth of expectation around the ability to shop solely via a mobile device, with smartphones rated as a desired device by 65% of participants and tablets by 52%. Desktop retrenched from second place to fourth place, further evidencing the move toward shop anytime, anywhere, on the move.

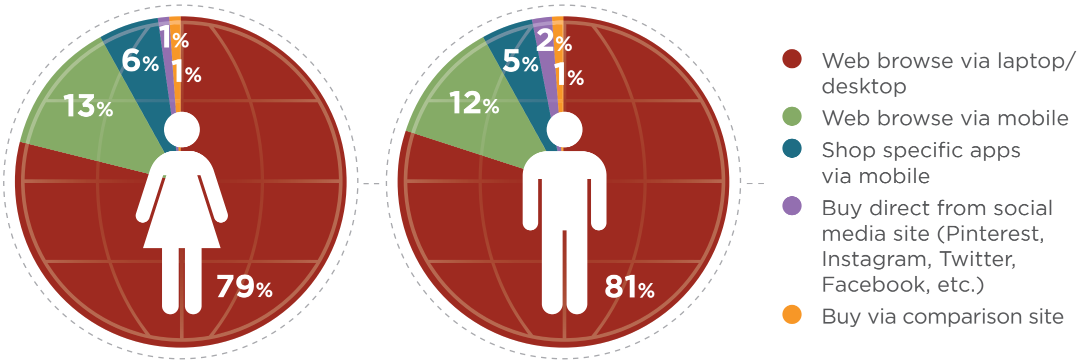
Please rank the devices that you use the most for purchasing online?
Base - all respondents



Smartphones are THE preference of under 25's & on par with laptops for those up to 45

In terms of the reality that consumers face today though, the majority of online browsing through to purchase is still occurring via a laptop with only 12-13% completed via a mobile commerce site. This number is then bolstered by the growth of retailer specific apps (5-6%) and the emergence of shopable content from social media sites (1-2%). As such the smartphone has become a gateway to more shopping channels (representing 20% of online sales) that in turn are registering faster growth rates than traditional eCommerce experiences.

Please rank the following online shopping methods in order of preference:
Base - all respondents



Variances between gender were not that significant from the research, albeit that men still use desktops more regularly. However, in line with expectation, smartphones are most prevalent with the younger age groups, with a peak use of 87% among female teenagers. Under 25's of either gender favour the smartphone over a laptop when shopping online.

Retailer Insight: *Forrester research states that by the end of 2016 that:*

- *4.8 billion individuals will use a mobile phone*
- *46% of the global population will be smartphone subscribers*

3.4 Dependence on customer service centres

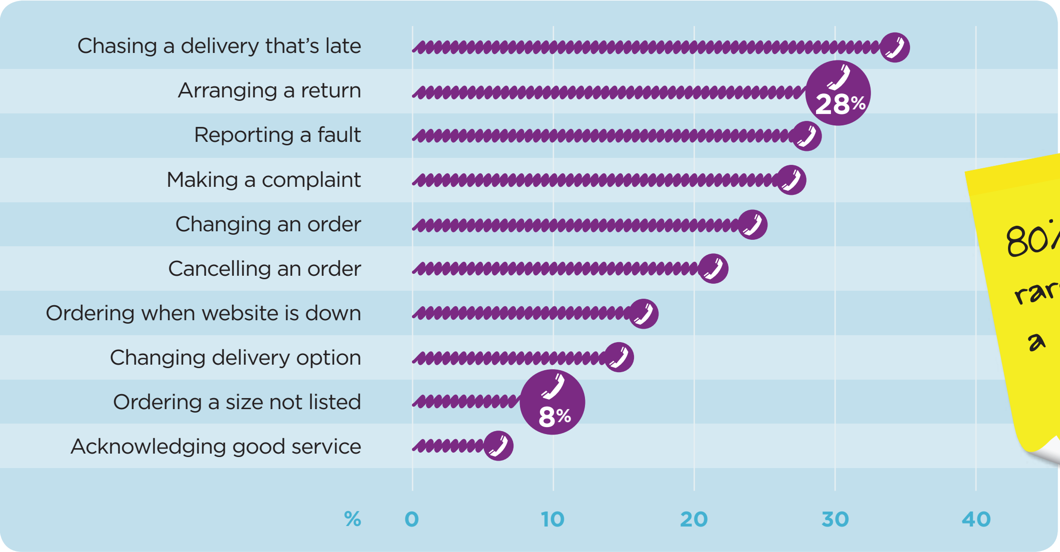
In an increasingly self-service online environment, 33% of consumers claim never to have rung a customer service line for help in placing, or chasing up, an order. A further 48% say that they may make one call every year to such a service. This is a positive endorsement for 80% of consumers in regard to their online shopping experience. However, 12% claim to make more than one call per annum and 8% more frequent again (every other month).

The demographic split of consumers with the greatest dependence upon customer services centres were shoppers of core family age range of 19-45. Regionally, shoppers in the Midlands and North of England, have the most interaction with call centres. Gender was less of a material indicator, although men have a higher tendency for more frequent interaction.

In terms of the need to make a call to a customer service centre, the table below reflects the results of the 670 consumers who had made calls. Perhaps unsurprisingly the primary reason was to chase up an order that had not arrived. This was closely followed with 28% of consumers citing the need to arrange a return of products received, highlighting the perennial problem facing online clothing retailers where style, colour, size and fit are very personal positions that increase the risk of a product return.

Why do you need to call the customer service number?

Base - Respondents who need to call customer services for orders placed, or trying to place, online



Also pertinent to clothing sales, it is noted that 8% of participants claim to call a customer service centre to order a size not listed on the PLP/PDP which is a further indicator for the need to view current stock by size and/or provide sufficient data in the PDP on the range of sizes the product is produced in.

Retailer Insight: *Retailers operating both physical store and online shopping channels have a unique opportunity to align these two experiences to create an over-arching 'Omni-channel' 'halo' benefit by leveraging the potential points of crossover. For example, a consumer provided the opportunity to buy online and then to collect from store (Click & Collect) and/or return to store, creates further touch points with the customer in the relationship where additional promotional and personalised interaction can take place. Independent research has demonstrated that retailers who exploit this opportunity increase their sales to their clients, reduce the impact of returns, and, increasing their overall spend.*

4 Understanding eCommerce feature priorities

4.1 Balancing the breadth of eCommerce features

The constant challenge for an online retailer is to attract customers to their site and to deliver a positive experience that is efficient, engaging and intuitive. Success can be measured in enabling consumers to find and purchase the products they want first time, hopefully influencing additional purchases in their basket and to encourage return visits in the process.

The challenge, of course, is there is no universal solution. The online experiences provided need to vary based on the device type being used to browse, the geography and culture from which the store is being accessed, the payment options and, of course, whether the consumer is already known to the retailer or is a new potential customer.

Unlike a physical store where it is much harder to accurately understand consumer activity in-store, online retailers have a tremendous opportunity to monitor buying behaviour in minute detail. This data provides precise patterns of consumer preferences for retailers to hone and improve the shopping experience in order to increase sales. By operating multi-variant testing to trial different experiences and promotions, the retailer has another advantage in its armoury that can help improve conversion rates and average order values of sales to visitors of the site.

> This data provides precise patterns for retailers to hone and improve the shopping experience

A clothing retailer has to be able to deliver a lot more engaging content to the consumer to help them get personally comfortable with the style, colour, size, fit, texture, appeal and coordination options for clothing. Getting this wrong leads to reduced conversion rates and increased product returns, dramatically increasing the costs of marketing, retail fulfilment and stock management operations through the excessive costs lost traffic and fulfilment inefficiency. We will review this further in Section 6.

As shown in the next chart, there needs to be an ongoing activity of fine tuning and optimisation of an eCommerce website to adapt and evolve with the seasons, the product ranges, the advances in social media integration and content management solutions. Successful retailers will seek to improve their site across a number of dimensions, including:

1. **Intuitive shopping:** ensuring the site is simple to navigate with effective search and logical presentation of order of results, clear policy on deliveries and returns, providing transparency and confidence on best prices etc.

2. **Accurate key product data:** notably ensuring that stock availability is used to maximize sales and experience and not a negative experience on a PDP after browsing. In addition accurate size guides are critical to ensure best fit for the consumer.

3. **Richer multi-media content:** multiple pictures per product (i.e. just the product on its own as well as modelled, plus different angles and close up as well as zoom, shop the look, video of garments being worn etc.

4. **Orchestrating influencers:** e.g. trustworthy consumer reviews as well as blog and social media integrations to share trending and positive feedback.

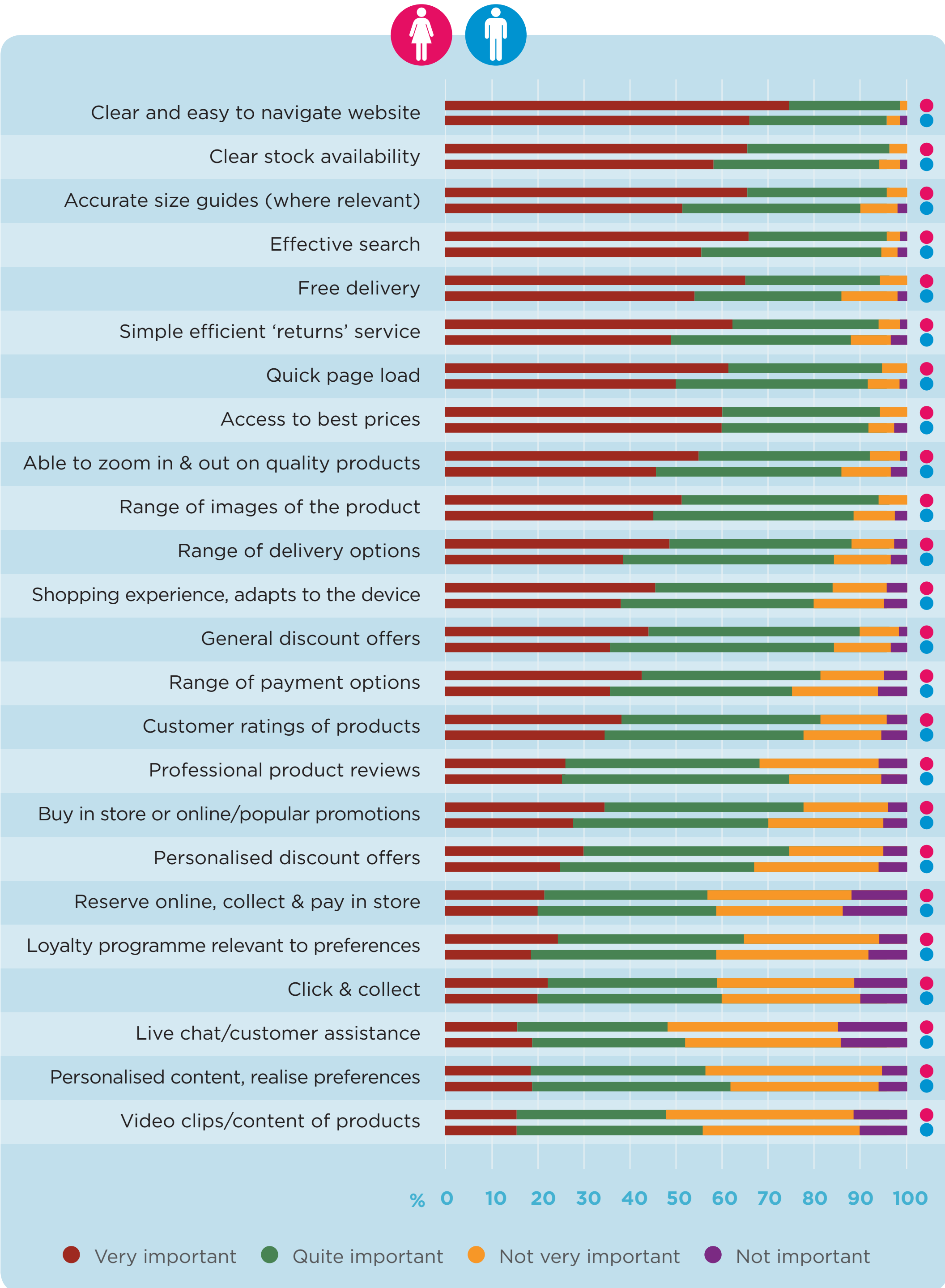
5. **Offering benefits:** e.g. loyalty schemes, membership benefits, promotions, flash sales, delivery options etc.

6. **Personalisation:** e.g. tailored, interaction based, messaging and activity, recommendations, offers and engagement tools.

7. **Payment options:** offering relevant choice by demographic, e.g. Apple Pay, Pay with Amazon, PayPal, Klarna, credit card, Cash on Delivery and/or online credit etc.

* L2 Intelligence Report: Omni-channel Retail 2015

When shopping online, how important are the following factors to you?
Base - 500 women and 496 men



4.2 Fashion/apparel consumer 'Hierarchy of Needs'

Arguably the best lens with which to view all of the competing priorities and elements of eCommerce in 2016/17 is to review the experience, first and foremost, when shopping via a smartphone and thereby adopting a true 'Mobile First' policy to keep pace with the pressure of consumerisation on shopping habits. To be successful, this need to be far more wide-reaching than just to make a site responsive across devices, it needs to redefine the shopping process to reduce friction and so ensure it is swift to transact as well as intuitive to navigate and buy.

Understanding the trade-off between complexity of technology and simplicity of experience is a battleground for the strategists and marketing teams to dominate and where the preferences of consumers are critical to understand.

Enhancing the consumer experience whilst reducing friction in the sales process is critical. In the next diagram we have updated our consumer 'Hierarchy of Needs' with the latest research results and with specific focus on retail clothing and apparel. The result is a priority list of logically grouped features that retailers can use to validate the effectiveness of their current site/s.

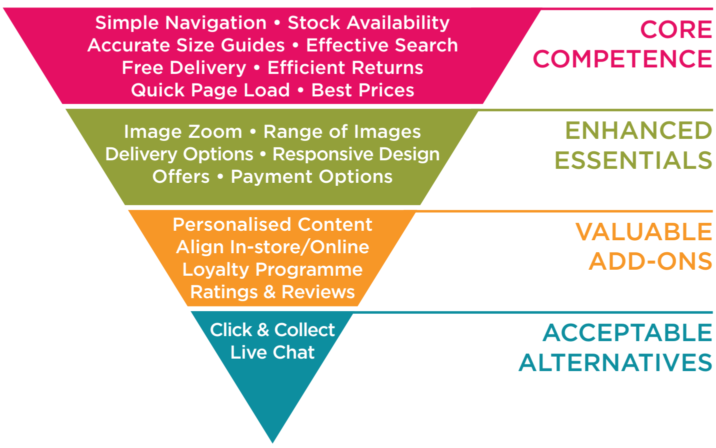
CORE COMPETENCE has evolved to include accurate stock and sizing information, a topic we will explore in more detail in Section 6, as well as an increased prominence on an efficient returns service. However, the basics around navigation, search, free delivery and best prices all remain in this category.

ENHANCED ESSENTIALS have also evolved with a clothing and apparel focus to major on improved content with the range of images available and the ability to zoom seen as increasingly essential. A range of delivery options and payment methods as well as offers remain in this category.

VALUABLE ADD-ONS bring to bear the level of appropriate and supporting content with ratings and reviews, loyalty schemes, personalised content and ensuring promotions are common online and in-store (where applicable) dominate the agenda.

ACCEPTABLE ALTERNATIVES cover options that are acceptable, but not first choice. This is exemplified by the huge commercial success around Click & Collect and live chat are at the lower end of the rankings showing they represent an acceptable compromise on the preferred choice of consumers which happen to be free delivery and self service.

Consumer 'Hierarchy of Needs' from eCommerce sites



The strongest opinion on importance of these features overall tended to be voiced by women, however, the general trends by feature across genders was fairly aligned.

5 The increasing cost pressure of fulfilment

5.1 Delivery preference and the influence of competition

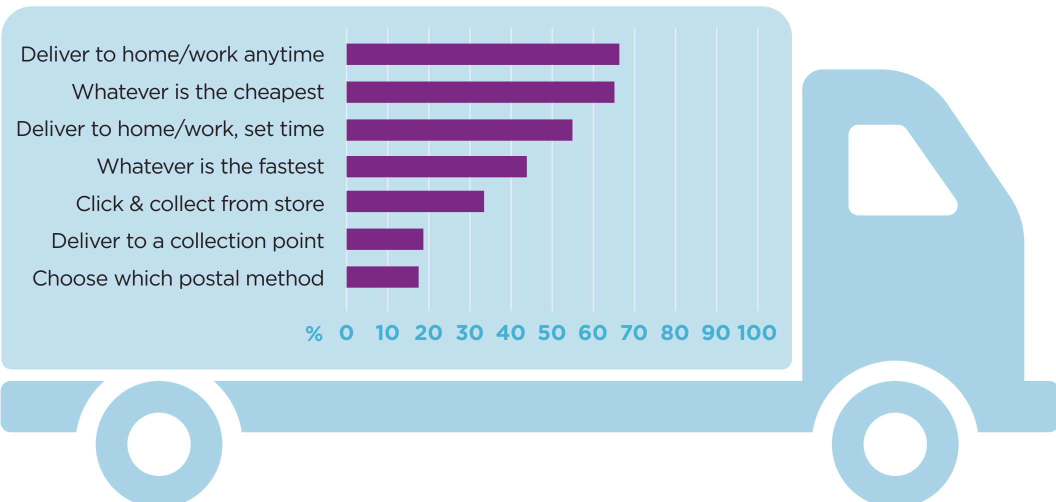
A tangible key to success in customer experience for eCommerce is the speed, efficiency and cost of receiving and/or returning the goods ordered. Needless to say, the courier and parcel delivery industry has flourished off the back of eCommerce growth and has driven innovation in enhancing the consumer's choice and convenience of where to receive, pick-up or return a parcel.

However, a cautionary note is made that there is a somewhat 'chicken and egg' debate about delivery options, especially in light of the operational costs of deliveries and the further compound impact of consumer product returns on stock, operating costs and profit margins.

The very principle of consumerisation is Darwinian at its core, in that what survives and thrives in online behaviour are the things most consumers are attracted to and can exploit to their benefit. It is important to recognise that these behaviours adapt over time based upon what the environment (i.e. the retail community) offers. Furthermore, the reality of competition between retailers is equally about adaption, differentiation and ultimately (as we have seen on the high street this year with the loss of Austin Reed and BHS), the 'survival of the fittest'. In the context of online retail, if you put the forces of consumerisation and retail competition together you get a tendency for promotional offers and free delivery, where competitors seek tactical advantage, or at least seek not to be disadvantaged.

Looking at the specific area of delivery options, there is a real risk of retailers getting caught in a 'race to the bottom' to win consumer mindshare and therefore 'share of wallet' by offering free deliveries and returns. When coupled with competitive pressure on websites for best price of the product, the top line impact and the increasingly squeezed margins creates a real challenge to be managed. The consumer is by nature happy but new 'clear conscience' (i.e. unchallenged) behaviours like 'wardrobing' (wear once and return) and ordering multiple size at once are increasing. The courier firms are also happily all for it, but what is the long term financial impact on the retailer?

What factors are most important to you when choosing a delivery method for products bought online? Base - all respondents sighting their first, second and third choices

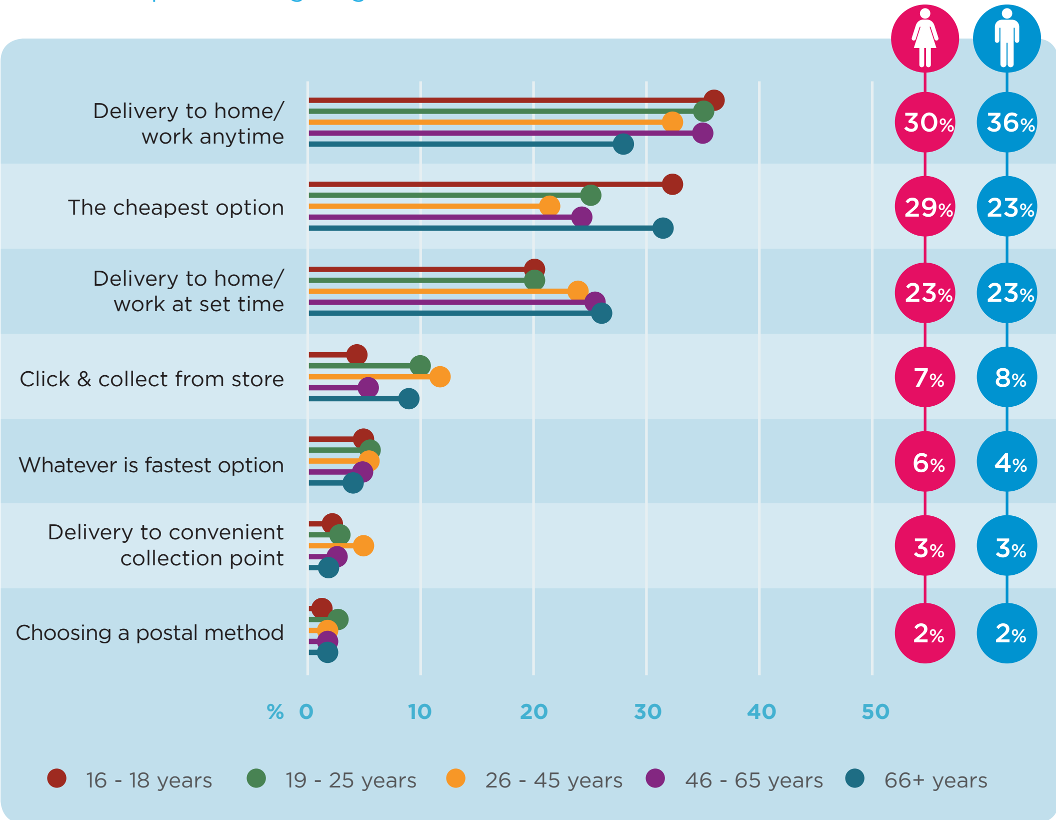


Our research sought to understand what the priority was for participants when it came to delivery options:

- The number one priority for the consumer is direct delivery to the home or office at any time convenient to the retailer which, bearing in mind is often promoted as a 'free' option by online retailers, aligns with the second option of 'whatever is the cheapest delivery option'. In the last body of research these preferences were reversed but the sum of the parts is consistent – free is (unfortunately for the bottom line) best for the consumer at this time!
- Chargeable 'priority' delivery options to a stated address and date/time, or whichever is quickest ranked next as preferences over and above those options involving 'collection'.
- Click & Collect and/or alternative Collection Points came at the lower end of preferences, Click & Collect remained static year on year at 33% in this research, whereas nominated collection points increased by 2% (10% in real terms) year on year.

What factors are most important to you when choosing a delivery method for products bought online?

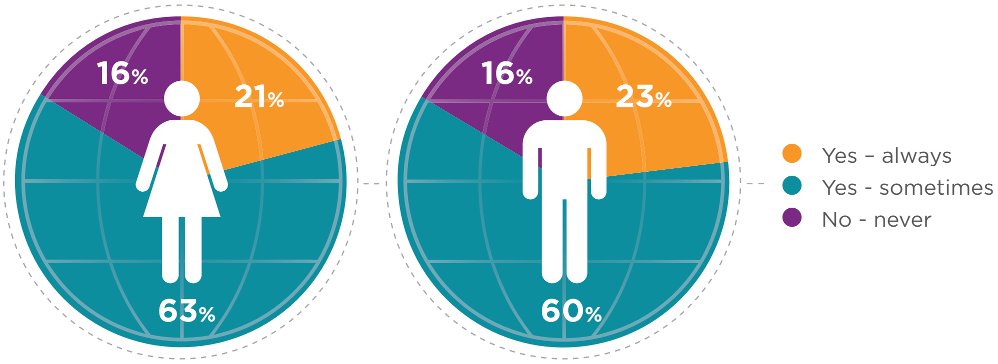
Base - all respondents sighting their first choice



To be clear the preference stated does not mean this reflects the actual usage of delivery options. Click & Collect is still typically a free option and is therefore often used where the density of shops make it convenient.

There is no doubt that the market has seen huge success of Click & Collect over recent years which has also been driven by multi-channel retailers who want to pursue the advantages of encouraging customers to the store and allowing more efficient use of stock, improvement in fulfilment costs, increasing margins and sales. Arguably the consumer differentiates deliveries from collection points in their own mind, seeing collection as an extension of pre-ordering from a store. As the next chart sets out, there is value in the concept of 'Reserve & Collect', where the order is made online but the payment is made in-store and encourages additional purchases while in the store.

If you carried out research online first, would you prefer to reserve the stock you wish to purchase in store, before you travel to the store?



Reserve & Collect offers appealing option to consumers for omni-channel retailers

If you had to stack rank the decision making criteria of an average consumer today, the logical order would be:

- Cheapest
  - Free delivery
  - Click & Collect
- Convenience
  - Home or office delivery anytime
  - Nominated address
  - Collection point/Click & Collect
- Certainty
  - Premium timed delivery
  - Click & Collect

6 Addressing the unique challenge of Size & Fit

Whilst stating the obvious, clothing choice is a statement of personal style and function whilst at the same time, from a purchase perspective, it is constrained by the practicality of sizing and fit. This makes it one of the biggest challenges for a clothing retailer to get right online.

Retailers can address the coverage of style issues by a rich content experience on the site (as discussed under Section 4), however, getting an accurate size and fit is a more significant challenge because it is dealing with the three variables of:

1. Personal perception of size by the consumer (the influence of labelling)
2. Actual body measurements of the consumer
3. The inherent variance in labelling of clothes by brand (i.e. absence of sizing standards

The current approach to handling size and fit online is arguably driving more frequent and costly behaviours of consumers. In an online experience deviation from a simple purchase process increases friction and reduces sales conversion. Therefore, mobile size guides are less effective and consumers too often rely on their personal perception of size and labelling. Free delivery and easy 'no quibble' returns are encouraging consumers to order multiple sizes of items of clothing (where sizing is uncertain) and to return the sizes that will not be needed as they do not fit, or, to order an item on the off chance it fits and then return it if it does not fit. Such cases clearly increase the levels or returns and the cost that goes with handling that. The commercial approach by many retailers, whilst well intended, is arguably fuelling the level of returns. With new payment options coming to market that extend credit to the consumer, this situation could spiral further if the issue if not properly considered, as credit limits have to date, to a degree, played a key part in limiting over ordering. If no payment is consumed at the point of purchase (meaning that an order could be placed, fulfilled and returned before any attempt to take payment from the consumer) the challenge becomes harder. Clearly it is a material risk to be managed, albeit the competitive pressure in the market is preventing many retailers from taking effective action to change behaviour to reduce returns.

Retailer Insight: *Return rates of clothing in the UK typically range at the low end from 5% to over 65% in high street fashion. Menswear has a lower return rate than womenswear in general.*

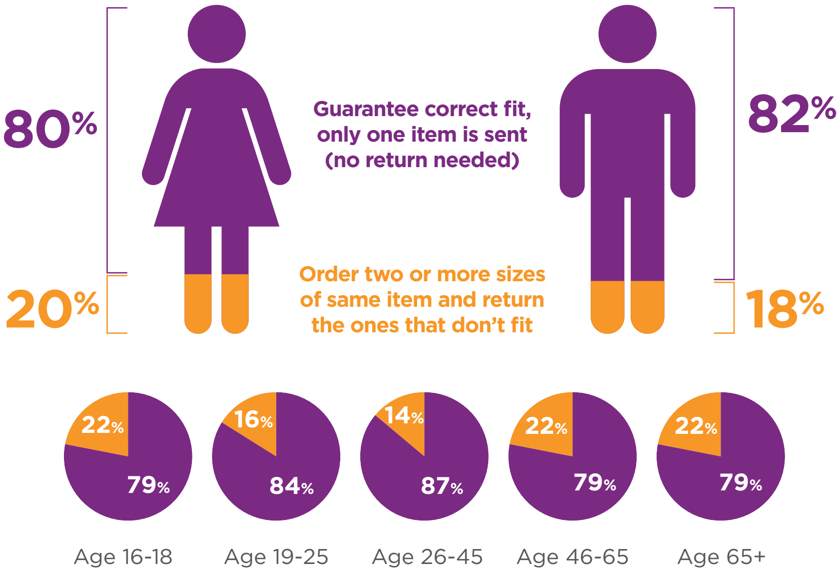
The average cost of managing a return is conservatively estimated to be over £15 (covering logistics, product quality checking, repackaging and restocking - excluding wastage). Variation is dramatic and is driven by the retails policy relating to return to store vs direct to DC, restocking etc.

We asked the consumers in this research if they had a preference for receiving the right size first time, or whether they were happy to order multiple sizes and return the unwanted sizes. Unsurprisingly, as shown on the following chart, the significant majority would prefer the right fit first time and see this as a benefit.

Return rates should be the driver for tackling the size and fit issue

Would you prefer to receive a guaranteed correct size that fits or order multiple sizes and return the ones that don't fit?

Base - all respondents

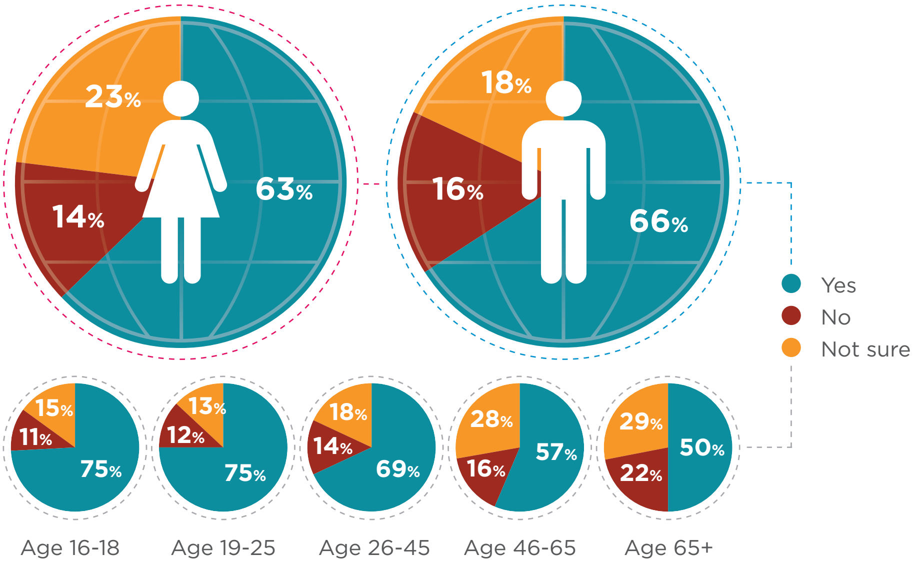


In regard to getting accurate sizes for the consumer across all retail sites, we are unlikely to ever see a universal size guide applied that all clothing retailers can, or would prefer, to consistently follow due to their own brand and marketing approach. Therefore, the issue needs to be addressed by being able to translate a consumer's personal measurements in to any retailers specific labelling to ensure the correct size can be purchased. Examples exist of innovation ranging from the capture of data direct from the consumer, or, from their shopping history, to propose the correct size and/or to show its correct fit.

To validate the feasibility of capturing and storing personal measurements of consumers we asked them to confirm if they were happy to register this information just once but that it could then be accessible to multiple retailers when shopping on their sites. Two thirds of the participants confirmed they would be happy to do this. Only 15% on average were against the principle demonstrating that consumers are prepared to share information to improve the online experience.

Would you be willing to register your measurements online, securely and confidentially, so you get the right size first time when shopping online for clothes?

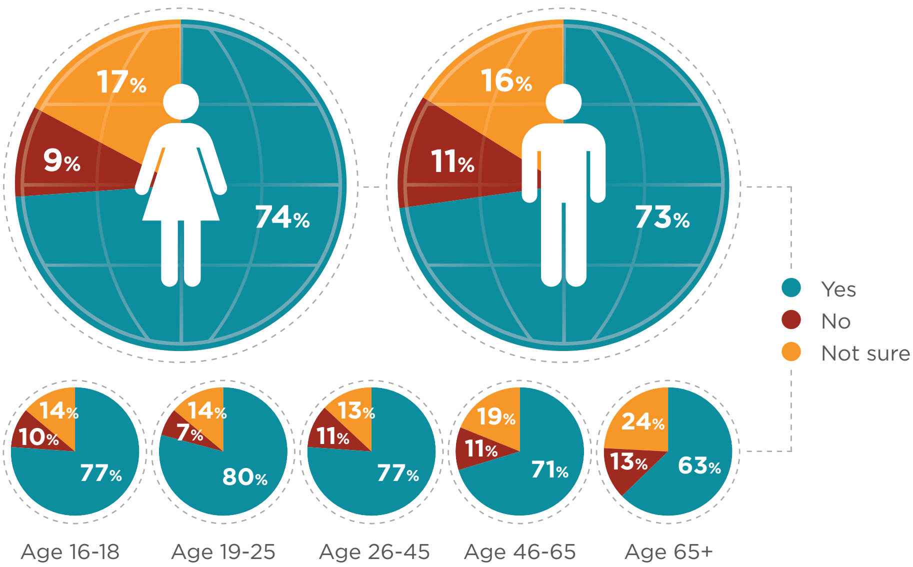
Base - all respondents



Extending the analysis further we then explored if the use of size and stock information held by the retailer could be better used in real time to present a relevant and improved online shopping experience. We posed the scenario that if a retailer could present a Product Listing Page that was already size and stock availability checked so that the consumer only saw what was available in their size at the time of shopping (with the ability to toggle the service 'off' if they shopping for someone else), would that be helpful? The benefits being to avoid wasted searches and simplify the shopping experience on a 'Mobile First' philosophy. As reflected on the following chart, three quarters of the participants agreed that it would indeed be beneficial, evidencing that retailers have a tremendous opportunity to improve consumer experience, reduce return rates and improve sales conversion from mobile devices if they adopt an approach to tackle size accuracy at point of order.

Would you see a benefit if, when searching a clothing site, all options presented to you were only related to items that fit you and are available in stock for your fit?

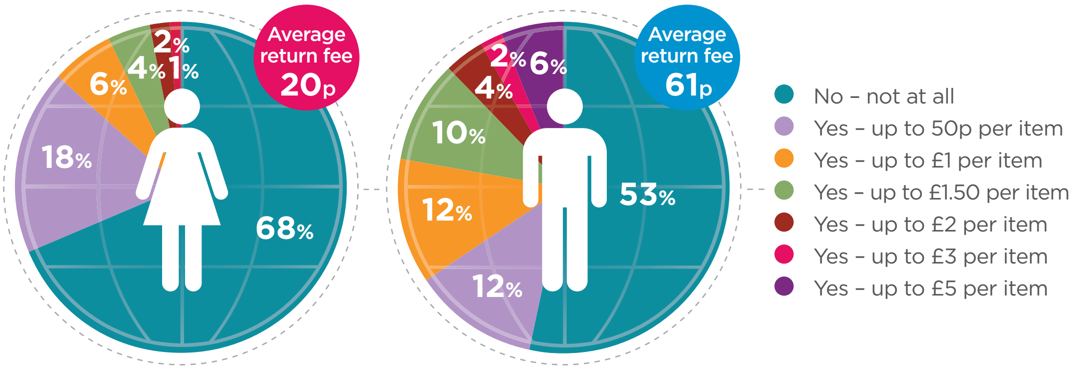
Base - all respondents



Turning back to the related area of product returns, we sought to double check the impact of free returns on consumer behaviour. When asked if consumers were prepared to pay a contribution to a return that was related to ordering the wrong size, the majority were not (68% of women and 53% of men). However, it is noteworthy that a significant minority were prepared to pay an amount, albeit the values ranged from 50p to £5, well below the true cost impact of returns on retailers. This reflects a disconnect between the perception of cost and benefit.

Retailers take different approaches dependent on if their business model is pure-play vs multi-channel, and/or if stock is segregated by channel. It is also relevant to note that for multi-channel retailers with stores, the options of online orders being returned to stores does obfuscate a level of insight and information in to the tracking of returns, and specifically the reasons for those returns. It also creates a separate range of issues about stock location and the re-sale opportunity for returned products which is not always positive if there is no single view of stock across channels.

Would you be prepared to pay a return fee for the items returned that are not the right size? Base - respondents who prefer to order multiple sizes, returning sizes that don't fit



In regard to the incumbent expectation of a free return service by consumers, it should be noted that the majority of consumers stated they would be less likely to shop from a site that charged for returns in the first place.

Would a return fee dissuade you from using a site that did not guarantee an accurate fit? Base - respondents who prefer to order multiple sizes, returning sizes that don't fit

7 Conclusions for fashion and apparel retailers

The purpose of this research series is to plot changes and trends in consumer behaviour and preferences over time, and as with the first research reports in 2015, this White Paper acts as a baseline from which consumer preferences can be measured and tracked over time.

With specific focus for retailers of fashion and apparel, we draw the following conclusions:

7.1 It is ESSENTIAL for online retailers to adopt a 'Mobile First' approach

Smartphones have really come of age with improved connectivity, faster processors, bigger and better screens and, of course, a massive range of apps that make it the Swiss Army knife of the modern digital consumer. Its use for communication is now largely digital and data rather than voice. In such an environment where a consumer is rarely, if ever, separated from their phone, its constant presence and multi-purpose function makes it also the intuitive device upon which to engage a shopper. There has been plenty of historical trend information suggesting that consumers use multiple devices in the purchasing cycle from awareness to purchase. However, Tryzens believe this is merely a demonstration of consumerisation in practice, where to date multiple devices have had to be used. Now that technology has caught up on the device and in the design of software we are seeing a definite trend of convergence of choice in favour of the smartphone in the 16 to 45 year old age groups. So what does this 'Mobile First' approach require of the retailer?

7.1.1 'Mobile First' is not just about responsive design

Whilst formatting of an eCommerce site to be responsive to the screen size being used is essential and expected today as a basic function, the representation of an eCommerce experience is more than just a redesign, it needs to rethink the nature of engagement with the consumer from the ground up taking in to account the natural use of phones, the integration with social media and the simplification and personalisation of the activity.

Design with the UX and process of a smartphone user in mind first!

7.1.2 Process redefinition is key

If an eCommerce site is redeveloped in 2017 it needs to consider the experience first and foremost from the smartphone consumer perspective. Everything from how the consumer is identified to, reworking the interface to favour fewer key taps, to simplifying the Search/PLP and easing the completion of checkout to regular addresses and smartphone based payment services. This is likely to involve the retailer in broader adaption of technologies and the integration of them, and need not be achieved in a single release. To prosper, the strong advice is to address the consumer 'Hierarchy of Needs' from a 'Mobile First' perspective.

7.2 Size and stock are critical issues to get right online

Fashion and apparel retailers have a very unique challenge as set out in Section 6, in that they need to accurately convey product data on size and stock to inform buying decisions, increase satisfaction levels with the customer experience, and not least, reduce return rates.

> Present size & stock information accurately & early in the journey

The key to this, especially in an increasingly 'Mobile First' market, is to make the information seamlessly available at the right time in the customer journey, and with as limited friction in the process as possible. For example: showing size and stock availability only when you access a PDP may have already led a consumer down a blind alley if the item is not made in their size or not currently in stock. If interaction by the customer with this data is only done at the PDP, then additional capabilities for regular stocked items, such as a pre-order facility (for out of stock items) which will be fulfilled when stock is next available, can help transform the experience and retain a sale and a customer.

Equally with size information, consumers need to easily be able to determine the right size label to order and this should be intuitive to a first time customer who may not have worn the brand before and who may not return if you get it wrong.

7.3 Delivery beats collection… (but collection increases opportunity in-store - where relevant)

Over the last two years the Expert Research has validated across 2000 UK online consumers that the cheapest delivery option is the defacto standard, and with many retailers offering free delivery at the retailer's convenience, this has become the norm. Premium options for delivery (stated date and time or speed) are slowly increasing share but not materially.

> Free delivery has become the norm. Click & Collect must focus on upsell experience too!

Click & Collect and Reserve & Collect are excellent opportunities for an omni-channel retailer to improve the fulfilment costs of their online business and present an additional positive customer experience and upsell opportunity when the consumer is in-store.

Non store collection points are all about convenience so density of options is key.

7.4 Consumers will participate in getting the right size!

Our research validates that consumers want to be confident that they will receive goods the first time that fit correctly. 80% state this as their preference. Two thirds of consumers also stated that they will share their measurements, but that they want to do that once and for the retailer to access that stored information. Getting this right will positively influence consumer behaviour and materially reduce the over-ordering (i.e. multiple sizes of the same item), improving operational costs and customer experience.

> Consumers will share their measurements once if it assures a good fit

7.5 Tackling returns requires rethinking of the offer

Returns have often become the biggest area of wasted effort and cost in the online shopping operation. Consumers have made clear by behaviours and by their stated preferences that avoiding costs for deliveries and returns is their clear intention.

To resolve the issue, introducing charging options are not the answer in a competitive market, rather a rethinking of the subtle processes that drive up the risk of returns (e.g. preventing the shipping of an incorrect size or reviewing policy for setting minimum thresholds for free deliveries that maybe is encouraging less certain purchases etc). Online behaviour has adapted, driven by both the devices used to access the stores and the advance in online capability to present a richer experience. At the heart of it all though is the reality that consumers will seek out the best balance of the competing forces that achieve least cost (for a comparable product) and least hassle. Consumers will always find the best offers and exploit them. It is essential that the online experience is, in and of itself, as positive an influence on buying behaviour as the price is good and, the process intuitive.

Consumers adapt behaviour based on balance of convenience and price

7.6 Gender drives more subtle differences in shopping experience

The overall opinions and trends expressed throughout the research project show that there is a consistency between women and men on the priorities they seek when shopping online. As reflected in Section 4, women tend to have more significant emphasis on the features, but the overall ranking is consistent across genders. As such, design and content aside, it is essential to recognise that in an increasingly online and engaged world, gender is not a material determination of expectation or preference.

Optimising retail performance through Systems & Services

Tryzens enable its clients to leverage efficient, effective and reliable retail solutions that carry the promise of a positive and unified experience that in turn delights their customers, builds loyalty and drives growth.

From concept to outcome, Tryzens offer a range of services to support our clients throughout their multi-channel development, whether starting in-store or online.

For more than a decade, Tryzens has been trusted by retail's biggest names to optimise commercial performance through Systems & Services:

- UX and UI Design
- eCommerce Site Optimisation
- Code Quality Review
- Peak Trading Tuning
- Site Monitoring
- 24/7 Support Services
- eCommerce Platform Maintenance
- Managed Services
- eCommerce Platform Selection
- Systems Integration
- TradeState Retail Analytics Service
- DevOps Delivery
- eCommerce Platform Integrations (development and support)

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