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The sudden pandemic starting from the beginning of 2020 has imposed unprecedented challenges for governments, companies and individuals, providing us a higher awareness of various uncontrollable factors during business growth that requires companies to be more flexible and resilient to address unexpected risks. We have been keeping close watch on the developments of our clients and partners and sought cooperation with clients to jointly navigate these challenges. With this in mind, we publish the report to guide clients on building and enhancing core capabilities for more robust responses to such unexpected risks.

China’s e-commerce industry has grown rapidly over the past twenty years. As the industrial chain is increasingly complete, more and more e-commerce enterprises are well positioned to go overseas. DTC (direct to consumer) model is a typical way for e-commerce to go overseas by directing to consumers through self-built internet online sales platforms.

As one of the world’s largest e-commerce market, the US is the preferred choice for Chinese DTC companies to go overseas. This paper focuses on the US fashion e-commerce market and outlines core targeted consumers bases, visual display and brand story narratives by analyzing the styles of fashion DTC websites in the categories of women’s wear, underwear, sportswear, footwear and jewelry, aiming to provide some insights for Chinese DTC companies. In addition, we are seeing millennials and Gen Z-ers rise as the main fashion consumers in the US. And brand values and sustainability concept are influencing their buying decisions. The experience of each touchpoint in the consumer journey will impact consumers’ first purchase and repurchase. Details are the key of retail, especially for DTC brands.

China’s first batch of fashion DTC companies have gone overseas for more than ten years. Companies of different sizes with various resources and strengths at different stages of development have chosen distinctive strategies and development paths for going overseas. Through the field research of domestic companies, we summarize three types of development models: traffic-oriented, product-oriented and brand-oriented models. Traffic-oriented companies attract new customers and roll out products through hotsellers to quickly scale up, yet facing weak supply chain capacity, poor user experience and low repurchase rate. Rising traffic-related costs make it difficult to attract new customers. Product-oriented companies improve the repurchase rate and retention mainly through investment in supply chain and set up buyer teams for original design. However, they are facing the dilemma of long-term
investment and short-term returns in terms of investment in supply chain, low coordination efficiency of front-end sales and back-end product development, low conversion rate of self-shooting images and rising inventory costs as well as dual challenges of overseas user insight and talent pool of independent development. For brand-oriented companies, they have higher purchase and retention levels and clearer brand positioning. However, how to tell unique brand stories to enrich branding is a major challenge for these companies to go overseas. In addition, the insufficient localization in major markets and management challenges brought about by expanded labor forces are also plaguing brand-oriented companies.

In view of challenges and confusions faced by companies at different stages of development, we have developed in-depth research on several leading overseas fashion DTC brands and analyzed best practices around products, channels, users, supply chains, organizational structures, information systems and brand building to provide valuable insights for reference. Brand building provides mutual benefits for company value and consumer value, while products, channels, users and supply chain are four core elements of brand building. Products provide the brand continued vitality while single-site or multi-site models help expand channels. New customer acquisition and user retention facilitate sustainable growth of users, while lean management and ecosystem building of supply chain provide strong support for DTC companies to strengthen growth. As DTC companies continue to grow, organizational capabilities and information systems should be evolved.

Looking ahead, challenges and opportunities will co-exist amid the uncertainties of the changing global market. China’s fashion e-commerce businesses have gained extensive experience in the past two decades of growth while the spread of COVID-19 in 2020 will provide an opportunity for them to slow down and enhance strengths. Insights in this report is aimed to help companies reinforce flexibility and resilience as well as risk response and control capabilities.
Expansive global footprint of China's fashion e-commerce business
After a decade of growth, China’s fashion e-commerce industry has thrived. With the continuous maturity of the industrial ecology, a number of e-commerce players are exploring overseas market opportunities.

“Everything is ready” – A growing trend for China’s fashion e-commerce enterprises to go global

It is now the best time for China’s local fashion e-commerce companies to enter overseas markets:

- **China’s fashion industry has a strong manufacturing system and a complete supply chain:** China is a powerhouse in light manufacturing. Whether it is clothing, jewelry, shoes or hats, China has manufacturing industry clusters of design, fabric, finished product manufacturing, warehousing and logistics. The long-term win-win cooperation enables outstanding domestic e-commerce enterprises to build their own supply chain systems, and iterate their supply chain management capabilities under constant competition. Today, a strong supply chain support system has been built for expanding businesses overseas.

- **China’s local e-commerce market has entered maturity period, and online traffic dividend is declining:** The domestic Internet industry has entered a mature and stable growth period. The cost of channel access is increasing day by day, and fashion e-commerce enterprises are increasingly feeling the growth bottleneck and rising costs. The expansion of a wider market space overseas has become another important engine for enterprises seeking development.

- **Overseas e-commerce market space is vast:** The global retail e-commerce market in 2019 was about USD3.5 trillion, with overseas markets outside China contributing more than USD2.6 trillion. There have been diversified trends of developments: the United States, the United Kingdom, South Korea and the Netherlands are in the maturity stage; Saudi Arabia, France and Australia are in the growth stage; and Indonesia, India, and Italy are in the emerging stage.
### Comparison of emerging, growing and mature e-commerce markets

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Emerging stage</th>
<th>Growth stage</th>
<th>Maturity stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Internet users (of total users)</td>
<td>40–70%</td>
<td>80–90%</td>
<td>90–100%</td>
</tr>
<tr>
<td>Smartphone penetration (of total households)</td>
<td>48–75%</td>
<td>72–90%</td>
<td>81–90%</td>
</tr>
<tr>
<td>Mainstream devices for online shopping and share of sales (computers/mobile devices)</td>
<td>Mobile devices (mobile phones accounted for 40–70%)</td>
<td>Computers (computers accounted for 50–70%)</td>
<td>From computers to mobile devices (mobile phones accounted for 30–70%)</td>
</tr>
<tr>
<td>Logistics Performance Index</td>
<td>3.0–3.5</td>
<td>3.5–4.0</td>
<td>~4.0</td>
</tr>
</tbody>
</table>

**Source:** Kantar; World Bank; Euromonitor; ITU; Google and Deloitte’s interviews, research and analysis

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1. The percentage of Internet users, smartphone penetration, share of sales by mainstream devices for online shopping and the Logistics Performance Index in the figure are derived from the values of the data intervals of the key countries among the three markets (figure 1) as of 2019.

2. The Logistics Performance Index means the logistics infrastructure and delivery efficiency. The index reflects the overall logistics performance of a country based on comprehensive consideration of multiple dimensions including the efficiency of customs clearance, the quality of trade and transport infrastructure, the quality of logistics services, the ease of tracking and tracing consignments, and the frequency with which shipments reach consignees within scheduled or expected delivery times, rated by a score of 1-5, where a higher score represents better performance.
"Have it well in hand" - DTC as the preferred model for fashion e-commerce to go global

Direct-to-Consumer ("DTC") refers to the operating model in which a brand completes the sales process by reaching out to consumers entirely through its own online sales platform since its inception.

Most of the Chinese enterprises going overseas in earlier days would go for third-party e-commerce platforms, but increasingly felt challenges in three aspects in the course of development: first, the traffic costs within the platform sites became higher and higher; second, it has been difficult to obtain the core data of users from the platform to generate insights into consumption trends or better serve the users; third, there has been a lack of autonomy which is not conducive to brand marketing. Fashion products need diverse ways of display of products and more in-depth interaction with consumers, while platform sites offer a rather single and standardized mode of display of products. Such lack of details and personalized display and limits in interaction with consumers are not conducive to catching consumers’ eyes or providing sufficient details to support purchasing decisions.

Faced with such challenges, more and more Chinese fashion companies are attempting to establish single-site for their brands (i.e. the DTC model) to go global. For cross-border fashion e-commerce companies, the main advantages of adopting the DTC model are:

- **First-hand user information to back-feed product design and operation management:** Companies may aggregate first-hand user information through interaction with consumers to analyze consumer needs and preferences, purchase cycles, and style preferences. Analysis of user behavior helps with product design, improvement and innovation, and speeds up the roll-out of new items, to provide consumers with an unexpected shopping experience. At the same time, insights into consumer preferences can help optimize product selection and design, reduce inventory, and improve financial performance.

- **Build more direct and sustained connections with consumers to maximize customer lifetime value:** By controlling the channel and building a membership management system, brands and consumers may establish direct connections, allowing instant communication of brand value, product updates and other information to customers. Interaction at each touchpoint also enhances repurchases, which maximizes customer lifetime value.
"A strong presence" - Attractiveness of the US fashion e-commerce market

The United States is the most important destination for Chinese fashion e-commerce companies going global.

First, the United States has been the world’s largest economy for years, with steady economic growth (an annual growth rate of 3% between 2017 and 2019) and a population of 330 million, being the third largest in the world and growing at 0.7% annually. In 2019, the disposable income per capita in the United States amounted to USD50,000, with a large consumer base having purchasing power. As a big fashion consumer, the United States has reached USD1,123 per capita in fashion consumption per year, which is nearly five times the annual per capita consumption of fashion in the world.

Second, the US retail market was USD5.4 trillion in 2019, with online retail sales reaching about USD589 billion. Online retailing’s share in the overall retail market rose from 8.9% in 2017 to 10.8% in 2019. According to the US Department of Commerce’s forecast, the share of online retail sales in the overall retail market is expected to rise to 18.1% in 2024 with strong growth. Clothing, footwear and accessories covered by the fashion online retail business have been important product categories of the retail business. In 2019, about 20-25% of online retail were from fashion products (clothing and footwear, sports and leisure, and accessories), amounting to about USD120-150 billion.

The US online retail sales (2017-2024E)

Unit: USD100 million

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Sales (USD100 million)</td>
<td>4,520</td>
<td>5,170</td>
<td>5,890</td>
<td>6,710</td>
<td>7,630</td>
<td>8,660</td>
<td>9,820</td>
<td>11,100</td>
</tr>
<tr>
<td>Contribution to total retail sales</td>
<td>8.9%</td>
<td>9.8%</td>
<td>10.8%</td>
<td>12.0%</td>
<td>13.3%</td>
<td>14.8%</td>
<td>16.3%</td>
<td>18.1%</td>
</tr>
</tbody>
</table>

Source: US Department of Commerce - Quarterly Retail E-Commerce Sales Report; Google and Deloitte’s interviews, research and analysis
Third, Internet penetration rate is high and e-commerce infrastructure is mature in the United States. In 2019, the Internet penetration rate reached 90%, and household smartphone penetration rate was 87% in the United States. Logistics and delivery services are more mature. The US express industry revenue accounted for nearly 0.8% of GDP. The express industry is mature, with three major courier companies, namely UPS, Fedex and USPS, to provide express delivery and international logistics services throughout the United States. In terms of payment method, the United States has a mature credit card system. Credit cards remain the main payment method, accounting for 57% of e-commerce retail sales. The proportion of electronic payments increased year by year, accounting for 23% in 2019. In addition, the United States also has a variety of service companies serving the operation of e-commerce sites. For example, technical services companies represented by Shopify, which entered the US market earlier, have gained more experience in helping brands build sites at lower cost and faster speed over the years; and online marketing companies represented by Red Antler, Derris and Gin Lane, provide a full range of marketing services covering logo design, product packaging, brand marketing strategy, advertising design, and webpage and app development, which greatly shorten the lead time.

Lastly, the US online retail market is relatively fragmented, offering DTC brand websites good development opportunities. Unlike China's e-commerce market, the US e-commerce market exhibits a more fragmented landscape. Compared to China, brand sites have greater opportunities. According to Euromonitor, third-party e-commerce platforms represented by Amazon and eBay accounted for about 41% of the US market in 2019, while in China, the three e-commerce platforms namely Ali, JD.com and Pinduoduo accounted for 77% of the market. Excluding Amazon and eBay, the top 10 e-commerce companies accounted for only 20% of the US e-commerce market; the rest are all long-tail brand e-commerce companies.

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3 Wind; the express industry accounted for over 0.5% of GDP means the industry is in maturity stage
The US fashion DTC market landscape and consumer insights
US fashion DTC product style analysis

Based on Google's definition of the US fashion retail market and search data, and according to the statistics of SimilarWeb, online fashion brand sites (excluding online brands of the principal offline business) with more than 40,000 monthly visits in the US market (median traffic distribution) are defined as active online fashion DTC brands. 222 brands have been identified. Of the products sold by these DTC brands, women's clothing accounts for 54%, far higher than the percentage of other categories. In addition to women's clothing, categories including footwear, accessories, underwear, and sports and leisure are also noteworthy.

Active online fashion DTC brands in the US market (by product category)

As the major fashion product category, women's clothing can be divided into eight sub-styles according to the style.
### Eight sub-styles and characteristics of women’s clothing

<table>
<thead>
<tr>
<th>Style</th>
<th>Percentage of sites</th>
<th>Main categories</th>
<th>Color features</th>
<th>Top searched keywords</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily Feminine</td>
<td>26%</td>
<td>Dresses &gt; tops &amp; blouses &gt; pants</td>
<td>Other than the basic black and white, more diverse color schemes than other styles such as gold and red</td>
<td>Occasion, Fit, Sleeve, Bodycon, Lace, Neckline</td>
</tr>
<tr>
<td>Classic Feminine</td>
<td>23%</td>
<td>Dresses &gt; tops &amp; blouses &gt; pants</td>
<td>Black and white being the mainstream; other neutral colors such as gray and brown are also popular</td>
<td>Fit, Sleeve, Long, Black, Material, Season</td>
</tr>
<tr>
<td>Daily Casual</td>
<td>17%</td>
<td>Pants &gt; tops &amp; blouses; other main categories are shoes, outers, dresses</td>
<td>Black and white being the mainstream</td>
<td>Fit, Sleeve, Long, Black, Material, Season</td>
</tr>
<tr>
<td>Chic Casual</td>
<td>11%</td>
<td>Pants &gt; tops &amp; blouses &gt; dresses</td>
<td>Black, white, blue, red, green</td>
<td>Fit, Sleeve, Silhouette, Material, Season</td>
</tr>
<tr>
<td>Sexy</td>
<td>7%</td>
<td>Dresses &gt; tops &amp; blouses &gt; shoes &gt; wig accessories</td>
<td>Black being the mainstream; more diverse color schemes than other styles such as pink, gold, and red</td>
<td>Fit, Sleeve, Bodycon, Lace, Neckline</td>
</tr>
<tr>
<td>Vacation</td>
<td>6%</td>
<td>Tops &amp; blouses &gt; dresses &gt; swimwear and pants</td>
<td>Black and white being the mainstream; poetic color names</td>
<td>Occasion, Fit, Sleeve, Neckline</td>
</tr>
<tr>
<td>Vintage</td>
<td>3%</td>
<td>Tops &amp; blouses, and dresses &gt; short skirts, earring accessories account for a higher proportion than other styles</td>
<td>Black, white, blue, red, green</td>
<td>Fit, Sleeve, Silhouette, Material, Season</td>
</tr>
<tr>
<td>Jean</td>
<td>5%</td>
<td>Pants &gt; tops &amp; blouses</td>
<td>Blue, black</td>
<td>N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Style</th>
<th>Price range</th>
<th>Core audience age</th>
<th>Percentage of model images</th>
<th>Brand keywords</th>
</tr>
</thead>
</table>
| Daily Feminine | $40 – 100           | Mainly 18-24, with more 18-24 aged young women | 46%                        | • A unique attitude to fashion  
• Versatile  
• Quality & value for money                                                                 |
| Classic Feminine | $160 – 750       | Mostly 25-34, followed by 18-24 | 45%                        | • Presenting women’s personal qualities  
• Size-inclusive  
• Women empowered with self-confidence                                                                 |
| Daily Casual   | $50 – 150           | Mainly 18-34, with more 18-24 aged young women | 45%                        | • Easy-to-access personal style  
• Inspire the positive energy of life  
• Value for money                                                                                     |
| Chic Casual    | $140 – 390          | Mostly 25-34, followed by 18-24 | 55%                        | • Sustainability  
• Designed to last  
• Quality, selected materials                                                                 |
| Sexy           | $30 – 50            | Mostly 18-24, followed by 25-34 | 44%                        | • Breaking the rules  
• Size-inclusive  
• Attractive, flamboyant                                                                                          |
| Vacation       | $70 – 120           | Relatively even distribution of age cohorts (young, younger, old) | 75%                        | • Advocating courage and adventure  
• Free-living  
• Women’s spontaneity and romance                                                                 |
| Vintage        | $140 – 230          | Relatively even distribution of age cohorts (young, younger, old) | 70%                        | • Female empowerment  
• Size-inclusive  
• Details                                                                                                         |
| Jean           | $100 – 260          | Audiences are older relative to other styles | N/A                        | N/A                                                                            |

Source: Google and Deloitte’s interviews, research and analysis

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5. Unit prices are drawn from the average value of the data of sample sites selected by Google.
Daily feminine, classic feminine, daily casual and chic casual are major styles of women’s clothing sites, accounting for 77% of all sites.

Reference website: Chicwish

It highlights the fashion style of femininity, suitable for daily commute. Compared to classic feminine, it is more affordable in terms of overall positioning.

- **Product features:** In terms of product category, a majority of which are dresses, followed by tops & blouses and pants. The style features a mix of daily and feminine elements. Colors are mainly neutral and simple. The materials of the products are not of particular significance – mainly polyester and cotton to present a cozy style.

- **Core customers:** Similar to classic feminine, its audiences are mainly women aged 25-34 and 18-24, but with more 18-24 aged young women, accounting for 28%, due to more affordable prices. Audiences are highly interested in topics like fashion, beauty and cosmetics, and e-shopping. Daily feminine users most often visit the sites via mobile (67%), while the proportions of users using desktop and apps are 33% and 20% respectively.

- **Visual presentation:** Product images are more reliant on models, with about 66% of them featuring models wearing the products. 62% of which use full-body images.

- **Brand story:** Keywords such as “chic” and “fashion” are often used to describe products, and it is emphasized that women should have a unique attitude to fashion. Product inclusivity and versatility are emphasized. Product quality and value for money are also the brand messages that this style emphasizes.
2. The US fashion DTC market landscape and consumer insights

**Classic Feminine**

Reference website: Reformation

Designs emphasize body curves to highlight female features. Through design and tailoring, it fits the female figure and presents a variety of feminine characteristics, including gentle and sensible, retro but modern, sexy and playful.

- **Product features:** Dresses, skirts and tops are the main product categories, sold at relatively expensive prices among the feminine style. In addition to basic colors, finer colors are used such as midnight blue and neomint. High-class materials such as lace, silk and leather are more likely to be used.

- **Core customers:** Audiences are mostly aged 25-34 and 18-24, accounting for 31% and 22% respectively of total customers. They love fashion, beauty and cosmetics, and e-shopping. 43% of site visits come from desktop sites, a higher percentage compared to daily feminine, while 57% are from mobile sites, and only 10% are via apps.

- **Visual presentation:** Compared to other women’s clothing styles, the use of models to display the products is less frequent, with only 45% of the product images feature models. 67% of which show full-body standing posture.

- **Brand Story:** It emphasizes women’s self-confidence. These sites focus on women’s personal style, while incorporating size inclusivity which emphasizes that the cut of their products can bring out the female figure, and that the design of their products is inclusive to all body shapes.

**Daily Casual**

Reference website: Aeropostale

A casual comfort style, it emphasizes being young, energetic, free, and independent. Compared to chic casual, this style is cheaper in price and offers a richer mix of products.

- **Product features:** Categories are mainly daily wear such as pants, and tops & blouses, along with footwear, outers and dresses, priced at lower range among the casual style. The colors are mainly basic colors like black, navy, and white. Fabrics used are mainly comfortable fabrics, which typically include cotton, polyester and denim.
● **Core customers:** Like chic casual, its audiences are mainly women aged 25-34 and 18-24, but with more 18-24 aged young women due to more affordable prices and a more diversified mix of items. They tend to talk about beauty and cosmetics, e-shopping and the news media. Daily casual users most often visit the sites via mobile pages, accounting for 71%, while the proportions of users using desktop and apps are 29% and 10% respectively.

● **Visual presentation:** About 45% of the product images feature models, of which 48% are full-body photos.

● **Brand story:** It emphasizes a cozy and chic personal style one can make easily by mixing and matching without having to give it much thought. It inspires consumers to express themselves and please themselves while maintaining positive energy for a positive life. Brands offer good value for money, suitable for multiple purposes. Its versatility and multiple mix-and-match options cater for all kinds of occasions including leisure, work, and dating.

**Chic Casual**

Reference website: Everlane

It features "minimalist basics of exceptional quality" with limited styles, simple design, high-quality materials and fine techniques to create long-lasting and durable clothing pieces, communicating to consumers its propositions of "building a minimalist wardrobe" and "not being big on trends".

● **Product features:** Pants account for the highest proportion in terms of product category, followed by tops & blouses, and dresses. More focus is put on quality than affordability, so prices are relatively high among the casual style. Colors are mainly black, white, gray and navy, with black accounting for the highest proportion. The use of basic colors is in line with the characteristics of minimalist casual. Materials used are mainly organic like cotton and denim fabrics to create a more stylish and cozy feel.

● **Core customers:** Women aged 25-34 and 18-24 are the main audiences, but because of the relatively high prices, the 25-34 age group accounts for a higher proportion (33%), while the 18-24 age group accounts for 21%. The main audiences are more interested in topics including fashion, beauty and cosmetics, and e-shopping. Of all styles, the chic casual sites are mostly accessed via desktop pages, accounting for 55%, while visits via mobile account for 45%, being similar to the feminine style in terms of device access. The percentage of site access via mobile pages for the more expensive chic casual style is lower than that for the lower-priced daily casual.
● **Visual presentation:** About half of the product images feature models. 60% of which are full-body photos. In addition to models, product images also feature product posed shots, multi-product mix-and-match shots, and product detail pictures, in an attempt to highlight the exceptional quality of materials used and emphasizing the philosophy of "a piece for multiple purposes" and "the fashion of a minimalist".

● **Brand story:** The brand concept emphasizes sustainability. Suppliers are carefully screened and assessed for their environmental qualifications and ethical standards. Meanwhile, it communicates to consumers its "designed to last" style, to help them build a wardrobe with classic pieces for mixing and matching repeatedly. **Quality and exceptional materials** is also the key brand message to be conveyed by sites of this style, which promotes the use of cozy, natural, and organic fabrics comparable to big labels.

**Reference website:** Fashion Nova
It features figure-hugging designs, often revealing, to highlight the fine curves of women.

● **Product features:** By category, dresses account for the highest proportion, followed by tops & blouses, and shoes. Wig accessories are also popular. In terms of color, black is the mainstream; other delightful colors are also more often used compared to other styles.

● **Core customers:** Customers are relatively younger among the eight women's clothing sub-styles. Most audiences are young female aged 18-24, accounting for 44%, followed by women aged 24-35, accounting for 24%. The group is most interested in beauty and cosmetics, e-shopping, and exercise and fitness. In terms of site access, the vast majority of visits come from mobile pages (82%), a significantly higher proportion compared to other styles, due to the preferences of its younger audiences.

● **Visual presentation:** Compared to other styles, the use of images featuring models accounts for the highest percentage (75%), while the proportion of full-body images is lower. 50% of the images are half-body photos, which is closely related to the design of the product, as the use of close-up half-body portraits can highlight details such as deep V, open back, drawstring and partial opening. Model images have strong emotional influence and are full of energy.
● **Brand story:** It advocates breaking the rules, and creating rules. A flamboyant way of dressing reflects the self-confidence inside that insists on expressing oneself and standing out boldly. These brands also embrace size-inclusivity, stating that large-sized women can also be sexy, with some brands also emphasizing the product images are real and original. Some brands choose to highlight how fast new arrivals are offered, because design elements of the sexy style are fixed and probability of clashing with others is high. Quick roll-out of new designs can cater to consumers’ attractive and flamboyant style.

● **Product features:** Tops & blouses, dresses, and swimwear are predominant by category. The color names are poetic to fit into the vacation atmosphere, such as Island Navy and Olive Green. In terms of choice of materials, polyester and silk are more commonly used.

● **Core customers:** Compared to other women’s clothing styles, the age distribution of users of the vacation style is most even. In addition to e-shopping, consumers are also more interested in exercise and fitness. The proportion of users of the vacation style using desktop pages is 44%, and the proportion of using mobile pages is 56%.

● **Visual presentation:** The use of images featuring models is more prominent, accounting for 64%, and most of which are shot in real scenes such as beaches, swimming pools, and yachts to create a vacation feel.

● **Brand story:** As the brand value, it advocates courage and adventure, hoping to help consumers enjoy travel, pursue romance, build self-confidence, and seek the limits of life. At the same time, it aspires consumers to live in the present and breathe freely by advocating a free and positive attitude towards life. Brands usually pick romantic elements such as dresses with lace, tassels, embroidery, and prints to create a charming vacation style, thus presenting the romantic side of women.

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**Reference website:** Free People

A romantic and delightful clothing style, it features the use of refreshing elements such as straw hats and floral patterns to add colors to vacations. It is suitable for wearing on vacations.
2. The US fashion DTC market landscape and consumer insights

**Vintage**

Reference website: ModCloth

Making use of vintage and retro elements, it is a niche style created with imitations and fine picks from the classics.

- **Product features:** In terms of product category, tops & blouses and short skirts predominate. *Accessories such as earrings account for a higher proportion compared to other styles.* White, black and blue are the mainstream colors, but the classic red and green are also more often used. *Rich design and material details are a key feature of vintage items.* Details such as lace, vintage prints, and hand-printed and hand-dyed fabrics are heavily used to create a romantic and soft feminine style.

- **Core customers:** The main customers are young women aged 25-34, accounting for 32%, followed by young women aged 18-24, which accounted for 22%. *Accessories are often essential in the vintage style.* Other than e-shopping, consumers are also quite interested in jewelry accessories. Two-thirds of vintage users prefer to visit sites via mobile pages.

- **Visual presentation:** 70% of the product images feature models. 72% of which are full-body photos.

- **Brand story:** Brands emphasize their support to women in sticking to their preferred way of dressing. Many brands are founded by women and attempt to *resonate with consumers by emphasizing the founders’ love of vintage fashion.* The vintage style cares a lot about whether the cut fits and looks good, and continuously optimizes the design by studying consumer purchase reviews. It also shows good inclusivity to the larger-sized.

**Jean**

Reference website: Wrangler

It is a style built on the denim fabrics.

- **Product features:** Pants, and tops & blouses, predominate by category, which are largely denim-based. Blue is the mainstream product color, followed by black.

- **Core customers:** Customers are older and more mature compared to other styles. Consumers are most interested in exercise and fitness, beauty and cosmetics, and e-shopping. More than two-thirds of consumers who love the denim style access the sites via mobile pages.
Footwear is another major DTC site product category. There are three main trends: comfort made by nature, comfort transformed by technology, and premium & handmade.

**Comfort made by nature** | Representative website: Allbirds
It caters to consumers’ needs of pursuing the comfort quality and advocating naturalness and environmental-friendliness. Products are mainly sports shoes made of recyclable natural materials such as wool and tree bark to echo with the brand’s environmental protection connotation. Product images mainly feature the products that highlight the details of the items, supplemented by demonstration on legs and full-body photos of models. Animated images are also often used to show the comfortableness of the products.

**Comfort transformed by technology** | Representative website: Kuru Footwear
It is very popular with consumers who pursue extreme comfort. Products are mainly sports shoes, tennis shoes, hiking shoes, and boots. The looks and colors are average, but the soles, insoles and other parts are designed with functionality and technology to enhance comfort.

**Premium & handmade** | Representative website: Greats
Consumers who value quality and design are particularly interested in this style. Products mainly cover sports shoes, boots, flats, high heels, loafers, and Oxford shoes, made mainly of leather. It highlights the fineness of materials used and craftsmanship, giving consumers the taste of premium quality and style of the brand.
Accessories DTC sites can be subdivided into four styles:

Direct-to-consumer fine jewelry, affordable design, new material, and customization.

Direct-to-consumer fine jewelry  |  Representative website: Blue Nile
It is a choice for engaged couples looking for value for money but not first-tier brands. Products are mainly precious metals and diamonds. Product images mainly feature partial close-ups of models, with a plain-color background to highlight the quality and class of the products.

Affordable design  |  Representative website: Mejuri
It fulfils the needs of the white-collar office workers who pursue fashion but are more price-sensitive. Products mainly include daily accessories, made mainly of silver and gold-plated silver, to reflect the simple but fine taste. Models present the products in a lively and relaxed manner, and may feature them with different outfits in different scenes such as the streets and parks. The photos also make use of light and shadow to create moods.

New material  |  Representative website: Enso
It is the choice of outdoor sports lovers and healthy lifestyle pursuers. Products mainly include rings, pet collars and nameplates, and watch bands, made of silicone featuring a variety of colors.

Customization  |  Representative website: Baublebar
It meets the needs of personalized accessories lovers. Typical products include jewelry, headpieces, and phone cases, with customization services like engraving and letter selection.
Underwear DTC sites feature three styles: perfectly fit to everyone, reinventing men’s basics, and original design.

Perfectly fit to everyone | Representative website: Adore Me
The audiences are mainly women who feel comfortable and confident about their uniqueness. Products range from women’s underwear to women’s body basics, including underpants, pajamas and swimsuits available in a full range of sizes. Women models of diverse races, skin tones and body shapes are used to depict the beauty of women of different sizes, showcasing the diversity and inclusivity embraced by the brands. The models smile to the camera posing in a slightly S-shape naturally and cheerfully to display their charm and confidence.

Reinventing men’s basics | Representative website: Mack Weldon
It mainly meets the needs of men for comfort and quality. Products include men’s underwear and other men’s basics, with an emphasis on material quality and innovation that highlights durability and timelessness. In terms of product display, male models are generally handsome, masculine and athletic, mainly in a home background, to exhibit product quality and reflect the brands’ humble and classic nature.

Original design | Representative website: Stance
It is loved by people who care to express themselves and trendsetters embracing individuality. Products are mostly socks and other bodywear items that underpin the design and pop culture through the use of vibrant colors and rich patterns. The use of the gray and white tones in product photography contrasts strongly with the vivid colors of the products to bring out the style of trendsetters.
Sports and leisure products see strong growth in online sales. DTC sites of this category feature three popular styles: hardcore fitness, healthy lifestyle, and sporty fashion.

**Hardcore fitness** | Representative website: Gymshark
It meets the daily workout needs of fitness lovers such as athletes and gym enthusiasts. Products are mainly basic items like sports T-shirts, vests, pants, and shorts, presented by models with healthy skin tones and fit figures. The models neither looked at the camera nor smiled, but looked determined, with professional fitness equipment as props or the gym as background to display the power and professionalism of the brands.

**Healthy lifestyle** | Representative website: prAna
It meets the needs of female users who pursue a healthy, natural and harmonious lifestyle to dress comfortably when doing yoga, outdoor activities and on holidays. Products are mainly yoga pants, sports bras, swimwear, shorts and dresses that emphasize comfort. In terms of product display, models covering different sizes are used. The models look relaxed and natural, featuring natural scenes such as the wild, forests and beaches to reflect the harmony between humans and nature.

**Sporty fashion** | Representative website: Carbon38
It meets the needs of fashion-loving young women who want to stay stylish even when doing sports. Products give a fashionable feel with cut highlighting body curves, the use of special materials (leather) and prints with modern and metallic feels. Products are often displayed on a gray or white solid background in simple style. The models made exaggerated poses as if they are shooting a fashion blockbuster to highlight the brand’s overall fashion touch.
Insights into the US fashion DTC consumers' buying behavior

Insight 1: Millennials and Generation Z are becoming the key buying force for the US fashion

Millennials refer to the cohort born between 1980 and 1994. They make up more than a fifth of the US population. Generation Z (Gen Z) refers to the population born after 1995. There are currently over 100 million Gen Z-ers in the United States, with more than 43 million of which (16-25 years old) have independent spending power. According to Klarna's survey on online fashion consumption of 1,000 US consumers of all ages in 2019, US consumers buy clothes, shoes and hats online on an average of 10 times a year, with millennials shopping online on an average of 14 times and Gen Z (16-24 years old) doing it for as many as 18 times; people over the age of 55 shop online eight times a year.

Gen Z's influence on purchases, either for themselves or for household items, is becoming increasingly apparent. 87% of parents said their Gen Z children influence their purchase decisions, with 52% thought their Gen Z children influence the brands they consider.

Gen Z-ers care a lot about personalization and self-expression. For them, shopping expresses oneself, so they choose to buy personalized products that reflect themselves. They even want to participate in the product creation process, and share feedback and product improvement suggestions with the brand. According to the survey, 48% of Gen Z respondents wanted to customize their own products, and 44% said they would be willing to submit ideas for product design if given the opportunity.

Compared to Gen Z's preference to be involved in product creation for personalization, millennials want brands to cater to them, and they want to buy things that reflect their personalities and values. Millennials like to use technology to research and buy products in all aspects of their purchases. They use their mobile devices to find product information or compare prices before purchasing, and they are willing to take the time to find discount coupons and continue to use their mobile phones to leave comments and process returns after checkout. Nearly half of millennials are now parents, and they like a wide variety of subscription services, covering everyday items, special occasion clothing, and groceries on the family dining table. 40% of millennial parents are already using product subscription services, and a third said they are very interested in trying.
Insight 2: Brand values and sustainability concepts influence consumer purchase decisions

Criteo’s survey on the US consumers in 2019 found that more than half of the US respondents said their purchase decisions were influenced by brand value; 35% were more likely to buy again after the first purchase because the brand value was in line with their philosophy; while 17% of consumers would give up purchasing because the brand value does not match their philosophy.

In addition, consumers are increasingly concerned about the sustainability philosophy embraced by the companies. Especially for millennials and Gen Z consumers, whether a brand embraces sustainability is a key factor in their purchase decisions. Fashion DTC brands such as Everlane and Boohoo are actively pursuing sustainability such as transparent and open information on raw materials, cost, and factories in order to gain consumer recognition.

A business philosophy of sustainability do bring positive value to a company. Between 2013 and 2018, nearly half of the growth in the consumer goods industry came from products with a "sustainable" label. Products with the "sustainable" label contributed nearly USD114 billion in revenue in 2018.

Insight 3: Retail is detail; multiple touchpoints impact the occurrence of first purchases and repurchase

Consumer purchase is a complex behavioral decision-making process: from inspiring consumers to understand fashion information, making purchase, entering payment and logistics process, engaging in continuous interaction, attracting consumer repurchase, and ultimately to enhancing the lifetime value of consumers. Each process is a key touchpoint between DTC brands and consumers.
Factors affecting online purchases of the US fashion consumers - first purchases and repurchases

A consumer’s first order and repurchase journey

<table>
<thead>
<tr>
<th>Inducer</th>
<th>Inhibitor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Products</strong></td>
<td><strong>Website style</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Product display and description</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Product reviews</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Customer service</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Return and refund policy</strong></td>
</tr>
<tr>
<td><strong>Product display and description</strong></td>
<td><strong>Logistics costs</strong></td>
</tr>
<tr>
<td><strong>Product reviews</strong></td>
<td><strong>Logistics time</strong></td>
</tr>
</tbody>
</table>

Based on Google’s in-depth interviews with the US fashion consumers and Google’s online research with Deloitte in 2019, here are a few key insights on the US consumers:

Whether it is a first-time purchase or a repurchase, **product design in line with trends or personal liking with good value for money and promotion information are key drivers triggering consumer purchases.**

- A **favorable product design** is the most essential prerequisite to attract consumers to **place orders.** For example, unique design, good material and texture, and customized products will gain consumers’ liking.

- Consumers look for value for money but not simply low prices. The US fashion consumers look for **cheap but nice goods with good value for money**, but that does not mean they want goods to be the cheaper the better. Instead, consumers are happy to pay a premium for **high-quality and durable** products and brands or those with designs.
Personalized promotion messages are important inducers of consumer purchases. The Nosto study shows that 43% of online purchase decisions are influenced by personalized recommendations or promotions, while 75% of consumers prefer brands that provide personalized information, services and experiences. McKinsey’s research suggests that personalization can increase total sales by 15% to 20%, especially for digital sales, and significantly improve the return on investment in marketing channels. One of the most popular ways of personalization is to remind consumers of items they have viewed but not purchased. However, it should be noted that shoppers do not want to be reminded too often of products they have purchased or searched, especially when ads appear at inappropriate time or too frequently.

"... I focus much on quality when I buy clothes. I’m willing to spend a little more if the item is really more long-lasting and durable. On the contrary, I’ll choose to return items of poor quality, especially those that do not meet the quality as stated in the product description..."

- An online fashion shopper

### Key factors influencing the US consumers’ online purchases (including repurchases)

<table>
<thead>
<tr>
<th>Question: What factors do you consider when you shop? (600 samples)</th>
<th>Question: Which of the following factors will make you purchase on the brand’s website again? (550 samples, 979 answers)</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="67%25" alt="Product" /></td>
<td><img src="43%25" alt="Price and discount: Better than physical stores" /></td>
</tr>
<tr>
<td><img src="66%25" alt="Price" /></td>
<td><img src="35%25" alt="Product quality: Meet expectations / better than the experience last time" /></td>
</tr>
<tr>
<td><img src="50%25" alt="Delivery" /></td>
<td><img src="30%25" alt="Service: Delivery, and return and exchange" /></td>
</tr>
<tr>
<td><img src="33%25" alt="Payment" /></td>
<td><img src="30%25" alt="Brand: Trust in the brand, or love of the brand story" /></td>
</tr>
<tr>
<td><img src="19%25" alt="Return and refund" /></td>
<td><img src="20%25" alt="Style: Unique &amp; expressing myself" /></td>
</tr>
<tr>
<td><img src="12%25" alt="User interface" /></td>
<td><img src="19%25" alt="Popular elements" /></td>
</tr>
<tr>
<td><img src="8%25" alt="Customer service" /></td>
<td><img src="0.2%25" alt="All of the above" /></td>
</tr>
<tr>
<td></td>
<td><img src="0.2%25" alt="None of the above" /></td>
</tr>
</tbody>
</table>

Source: Google, and Deloitte’s 2019 Consumer Survey, Google and Deloitte’s interviews, research and analysis
When browsing the products, webpage style, product descriptions (including the way pictures and models are photographed, and descriptions of sizes and materials), product reviews, transparent return and exchange policies, and logistics services are all key touchpoints in consumers’ shopping journey. Inadequacies of any of these points will affect consumers’ final purchase decisions.

- A “clean” webpage design can effectively create the first impression of the brand for consumers. Convenient webpage searching, faster page loading speed, visualized website navigation, a pleasant visual display style, and intelligent product recommendation all play an important role in the creation of brand impression for consumers.

- Detailed and realistic product descriptions allow users to feel the sincerity of the brand and set reasonable expectations. High-quality product displays and model pictures can convey messages of good product quality. User-friendly size information can help users make decisions more efficiently. According to Salsify’s survey, 69% of the US consumers have once given up purchase because of the lack of sufficient information or product details. For DTC brands, focus should be given to providing detailed product descriptions and ensuring that customer service can provide timely answers at the critical decision-making moments of consumers.

"... I’ve visited several fashion websites, which are suspicious. Their products are made up of a lot of very long names, as if they were doing whatever they could to get as many hits as possible. Such sites may also charge expensive shipping costs, but do not explicitly show the breakdown of the costs ..."

- An online fashion shopper
Product reviews are also something consumers value. According to DXC Technology’s survey, 66% of consumers rely on customer ratings and reviews when making purchase decisions.

The unavailability of free returns is a significant "negative list" inhibiting consumers from purchasing. According to Radial’s survey, 51% of the US online consumers avoid buying items from online retailers that never offer free returns. Klarna’s survey finds that 36% of the US consumers said the lack of a sound return policy was the main reason they gave up buying clothes online.

In addition, logistics service standards enable consumers to establish the initial expectations of a brand. In terms of costs, including the logistics costs along with the product selling price in the purchase cost will form the basis for consumers to judge the price of the product. In terms of time, the US consumers’ expectations of delivery time tend to be based on Amazon’s Prime membership service, which is free delivery within 1-2 days. According to the survey, the average delivery time of online purchases is 3.3 days. If it takes more than one week (not inclusive of one week) to deliver, 70% of the consumers will be lost; if it takes more than two weeks (not inclusive of two weeks), 85% of the consumers will be lost.

### Average delivery time of online shopping in the U.S. and consumers’ tolerance for waiting

<table>
<thead>
<tr>
<th>Question: How long did it take for you to receive the item in your most recent online order?</th>
<th>Question: How long can you wait for the items after placing an order?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivered same day</td>
<td>&gt;1 month 7%</td>
</tr>
<tr>
<td>Delivered next day</td>
<td>1 Month 2%</td>
</tr>
<tr>
<td>2-3 days</td>
<td>&lt;3 days 13%</td>
</tr>
<tr>
<td>4-6 days</td>
<td>3-4 weeks 6%</td>
</tr>
<tr>
<td>1-2 weeks</td>
<td>2 weeks 14%</td>
</tr>
<tr>
<td>&gt; 2 weeks</td>
<td>1 week 42%</td>
</tr>
<tr>
<td>Not yet received</td>
<td></td>
</tr>
</tbody>
</table>

Average time of delivery is **3.3 days**

Source: Google and Deloitte USA Consumer Research; Google and 2019 Kantar Global Online Shopping Consumer Survey; Deloitte’s interviews, research and analysis
● When the purchase completes, the fact that the delivered goods meet expectations, or the logistics and distribution is on schedule is an important customer experience contact. Consumers compare the goods in hand with his or her expectation formed based on description online, in terms of fabric, cut and size. Great deviation from expectation will lead to return and exchange, and lower the willingness for secondary purchase. Delays in logistics and distribution also undermine the consumer experience. Much deviation from expectations even cause customer loss.

● Throughout the process, customer service is important for the creation of good shopping experience. For example, pre-sales' prompt reply to consumers' inquiry about the product reassures consumers and brings order placement. In the after-sales process, it should be ensured that demand for return and exchange should be answered in time, and proper solution be provided accordingly.

● When the first shopping is completed, brand sites often stimulate a secondary purchase through interaction with consumers. With the good shopping experience in the first place, a preliminary impression on the brand forms based on trust. Repurchase is mostly triggered by a good product and the promotion.

● The purchase behavior can be triggered by multiple factors. Director To Consumer (DTC) brand should first focus on the product itself and attract consumers with refined design, sophisticated quality control, detailed operation and strict cost control. Besides, DTC brand should pay attention to customers' demand for details in every procedure throughout the shopping journey for fashion products, with the commitment to consumer experience improvement of each touchpoint and sustainable development by enhancing re-purchase rate.
Decoding Chinese fashion DTC brands’ going global
It has been more than a decade since China’s first batch of fashion DTC enterprises went global. We visited and interviewed several typical enterprises, and concluded the three modes and stages for enterprises going overseas by reviewing enterprises’ decision-making and developmental path at different stages of development with different size and resources available.

### Three modes/stages of Chinese fashion DTC enterprises going global

<table>
<thead>
<tr>
<th>Mode/Stages</th>
<th>Features</th>
<th>Challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Brand oriented Fashion 2.0</strong></td>
<td>High repurchase rate &amp; retention rate; increasingly clear brand positioning; stable product quality &amp; strong innovation capability; enhanced process specialization</td>
<td>Shaping brand stories and enriching brand depth; inadequate localization in key markets; management challenges arising from staff expansion</td>
</tr>
<tr>
<td><strong>Product oriented Fashion 1.5</strong></td>
<td>Investing in supply chain to increase repurchase and retention rates; setting up buyer team to pursue in-house development &amp; design; brand and target group positioning taking shape</td>
<td>Low synergy between front-end sales and back-end product development; low conversion rate with self-taken, increasing inventory cost; challenges of overseas user insights and talent reserve for in-house development</td>
</tr>
<tr>
<td><strong>Traffic oriented Fashion 1.0</strong></td>
<td>Attracting new customers and promote channel distribution with hot sellers to rapidly scale up</td>
<td>Weak supply chain capabilities, low repurchase rate and user retention rate due to poor user experience; increasing traffic cost and difficulty in getting new customers after 2-3 years of development</td>
</tr>
</tbody>
</table>

### Sources
- Google and Deloitte’s interviews, research and analysis

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9 This section is based on interviews with Chinese fashion DTC companies going global and companies’ publicly available information. Respondents are mainly engaged in the segments of women’s clothing, swimwear, baby and maternity products and accessories, with the total annual turnovers exceeding USD150 million.
Traffic-oriented: new customers attracted by hotsellers and sustainability challenges

In the early stage, China’s fashion DTC enterprises that ran business overseas mostly attract new users and expand scale by adopting traffic-oriented mode.

**Feature**

By constantly introducing potential **hit products**, enterprises bring in enormous traffic with huge investment in advertising, aiming at **getting new customers** and **expanding the business scale**.

Hit products refer to a single product type that can quickly generate a large number of orders. Most of the time, enterprises test products in search engine and content advertising platform. Once it is found that certain product has the potential to be a hit, namely, capable of generating certain amount of click and purchase within certain period of time, they will increase investment in advertising to attract more users and create a hit.

**Practice**

To obtain more contacts, they often absorb new users by adopting the channel model of multi-site clustering and a wide range of marketing approaches. Enterprises at this point generally do not own independent design team and manufacturing equipment, with products directly procured from factories. In order to reduce the financial pressure, enterprises often do not stock up in advance. Instead, they try to sell through pictures, and place orders with factories when they obtain orders from customers. The lead time lasts two weeks under this mode. In addition, few enterprises offer free return services. Since it costs for users to ask for return, return rate remains quite low, with customer experience, however, undermined. Enterprises entering the stage will gradually establish a customer service center for all sites, dealing with the problems encountered by users and their feedback.

**Challenge**

- The sites are mostly similar, increasing the possibility of price war and vicious competition. The views thus get scattered, driving high the overall traffic costs. As a result, the attraction for new customers becomes less sustainable.
Players are always trend-focused, lacking in consistent brand positioning. With the ever-changing trend, enterprises follow the tendency and try to create hit products, making it difficult to build a stable user profile and formulate a clear brand positioning. Moving forward, they can hardly have medium- and long-term planning for products and categories expansion.

Players have poor quality and supply chain management, leading to impaired user experience and weak risk control. Enterprises at this stage established the preliminary supply chain for finished product. However, with the external cooperation model adopted, they can hardly achieve strict control of out-of-stock/sold-out situations and defective goods, harming customer experience. When the enterprise develops or encounters force majeure such as worsened economic environment or policy, this risk is further magnified, in turn posing a threat to sustainable development in the long run.

"... The quality of goods produced externally varies from manufacturer to manufacturer. Introduction of quality suppliers becomes vital part of the company's ecology. The further improvement of product quality will be a major challenge in the future. "

-A Chinese fashion clothing company

Product-oriented: brand transformation through investment in the supply chain and independent design

Enterprises focus on the product and associate product design with brand image through the enhancement of differentiated product design capabilities to embrace the path of transformation and development.
Feature

Aiming at increasing re-purchase rate, enterprises invest in the supply chain to improve product quality and distribution efficiency, and gradually enhance the proportion of independent design to increase customer satisfaction and retention rate through quality control, timeliness, after-sales service and differentiated products.

"In times of costly traffic and increasingly intense competition, retention rates will be one of the key indicators used to measure the company’s growth and performance in the future... Customer loyalty is one of the important factors to sustain the long-term growth of the enterprise."

- A fast fashion enterprise in accessories

Practice

- **To invest in the supply chain.** Supply chain is built through equity participation, exclusive cooperation, in-depth partnership and many more models, with jointly growing long-term partnership with factories, so as to cater for the variety of fabric and style and short lead time in fashion industry. It is common to have strategies like adequate inventory, fabric inventory and many more. A small portion of larger-scale enterprises developed or will develop their own production capacity to better achieve quality control and lead-time reduction. With spot goods procured from factories, the current lead time lasts about one or two weeks.

- **To establish buyer team and start independent design.** They focus on the latest fashion elements and hot spots, find creative and fancy products through buyers across the globe, and take initiatives in taking pictures to present product highlights while avoiding the potential image infringement risk. They try to design some products independently and gradually improve product design capabilities to build their own brand eminence.
To depict user personas through user groups analysis: Based on even more accurate user personas, they make constant investment in advertising to reach out to new and existing user groups, achieving wider and deeper coverage. They implement adequate return policy and continue their efforts in reducing return rates.

“The fabric market is an important factor to help us grasp the trend... Buyers observe the most sought-after fabrics in the fast fashion industry through sales, and develop some understanding of fabrics and patterns that Internet celebrities wear most.”

- A Chinese fashion company

Challenge

- Inefficient coordination between front-end sales and back-end product development. With the increase in the ratio of buyers and the introduction of self-design, it is imperative for enterprises to continuously improve the back-end selection and development, while they used to pay much attention to front-end sales. Yet the front and back ends do need to focus on their integration in order to improve internal operational efficiency.

- Low conversion rate of products with self-produced image, bringing up inventory-related risk. Whether it is buyers' purchase or independent design, effective selection should be maintained. Also, product highlights should be fully displayed via attractive pictures to appeal to consumers. However, it needs time to grow the ability to choose and shoot, and to fully develop insight into consumer needs. More often than not, enterprises go through certain break-in period, when the conversion rate remains low. Moving forward, enterprises have to be equipped with a certain proportion of inventory to ensure consistent and stable quality and production, bringing up the inventory risk.
• **Difficulties in maintaining effective brand-building in the short term.** It needs long-term and sustained investing in the process of brand building. For fashion industry, the common practice is to improve brand presence with highlight products. It can be hard to separate brand marketing from effect marketing. Some enterprises do not expect long-term brand marketing planning, or lack determination or sustainable development in brand marketing investment as a result of profit pressure.

• **Core competencies and talent support to be improved.** It is imperative for enterprises to increase their investment in many aspects, including the proportion of buyers and the fine management of independent design, supply chain and business process, the coordination between the front and the back ends, and the incentive and management of the supply chain cooperative ecology. It is also necessary for them to attract new talents to build new core capabilities.

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**Brand-oriented: brand as a catalyst for continued growth**

In view of the increased homogeneity of products, accelerated changes in trend, and lowered industry barriers in the fashion industry, the brand can turn into the core competitiveness for fashion DTC enterprises. A few Chinese DTC enterprises have begun to turn into brand-oriented business model to upgrade their localization.

**Feature**

With clear brand awareness and customer positioning, they start to carry out fine management in customer experience, fulfilling users’ feedback into every step in design, production and marketing. The conversion rate of purchase from traffic for top DTC brand reaches around 2.5% to 4% \(^{10}\).

**Practice**

• **Best-sellers designed and defined on their own.** Equipped with an in-house designers’ team, they predict fashion trends with the help of big data mining and upgrade categorical operating systems to promptly respond to customer needs. When they develop consistent product quality and unique brand image, they have a stronger ability to launch best-sellers, enabling most of the hit-the-shelves products to be well received in terms of sales and the Bestsellers Effect to be weakened. With higher repurchase rate than that of traffic-oriented and product-oriented enterprises, consumers of some top DTC brand place 4.4 orders on average per year \(^{11}\).

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\(^{10}\) Analysis based on publicly available data of listed companies

\(^{11}\) Analysis based on publicly available data of listed companies
● **Continuous brand marketing.** They continue their efforts in brand marketing and increase the proportion of investment in marketing year by year. They also continue to enhance brand presence overseas via various types of online and offline brand campaigns, key opinion leaders' content marketing, cross-border cooperation, public service and so on.

● **“Build powerful websites for a brighter future”, the channel operation philosophy.** They focus on enabling independent website to take roots, and meeting various needs of certain customer groups through the expansion of categories and scenarios. Where the bestsellers effect is relatively weakened, enterprises achieve a relatively balanced sales of multiple SKUs by controlling the *overall product style* and *quality*.

● **Commitment to users’ experience.** Enterprises establish close relationship with factories partner and buyers’ team to improve *product quality* and *shorten manufacturing cycle*. With spot goods procured from factories, the current lead time lasts about 7 or 10 days. With storage and logistics center deployed overseas and warehouse put front, *international shipping days* can be shortened. They also commit themselves to 24-hour customer service to quickly *respond to customers’ needs* and implement *more customer-oriented return and exchange policies*. They strive to build a local buyers’ team to gain insight into trends in the regional market.

"**We have professional buyers in the U.S., and currently we have dozens of people based in the U.S. headquarters, including customer service staff.**"

"**Locally, we also have buyers’ team, who regularly deliver pattern blocks to headquarters.**"

- A Chinese DTC fashion enterprise
In shifting from product orientation to brand-centered models, multiple challenges that enterprises are faced with when going global include how to tell unique brand stories, create resonance and localize brand design and operation. In addition, brand-oriented enterprises suffer from lack of localization in important markets. As they are constantly expanding, it is of great urgency to establish the unique corporate culture.

- The creation of brand story and the development of brand connotation. China's DTC brands are generally not good story tellers. With different cultural contexts in various markets overseas, enterprises need to be more capable of shaping brand stories. They should create both globalized and localized brand stories, with a deep understanding of foreign markets and the support of local creative teams. They should also enable the brand connotation to keep pace with the times. Sustainability has been an increasingly important brand element, reflected in materials' selection and design, and the production and supply chain. An increasing number of well-established DTC enterprises in Europe and the United States have included it as an important factor in brand connotation.

- Challenges in management brought by expansion. With the continuous expansion, enterprises should seek to review and improve their organizational capacity in all aspects. They are faced with higher requirements in talent recruitment and training and the formulation of incentives. It is also extremely urgent to establish the proper corporate culture subject to the current situation and rally talents team.

China DTC enterprises have chosen different development-oriented path, but the common challenge faced by most DTC enterprises is how to break through the bottleneck of growth and achieve sustainable development. In order to achieve sustainable development, China DTC enterprises should continue their efforts in products, user experience and supply chain, and seek for evolution in terms of channel strategies, organizational capabilities and information system capacity to support growth. Regarding the brand-building that most China's DTC enterprises are not good at, a long-term vision should be built, with the experience learnt from the well-established DTC brand, to establish brand planning, polish brand story, convey to consumers through effective approaches, and achieve sustainable development.
Lessons learned: successful experience of overseas fashion DTC enterprises
As the saying goes, wise men learn by others' harms. This chapter studies the fashion DTC enterprises in the United States, and makes analysis of the best practices from “7 pillars”, namely perspectives of brand, products, channels, user, supply chain, organization and information system, with the vision to provide reference to the Chinese DTC enterprises.

Analysis framework for the success of fashion DTC enterprises

Source: Google and Deloitte’s interviews, research and analysis
Four core elements of brand building - product, channel, user and supply chain

Products give prolonged life to the brand

Products are the main carrier for fashion DTC enterprises to transmit their brand concepts to users, and the core link for them to build and maintain brand vitality. With intense competition among fashion brands, precise product positioning, diverse portfolio planning and deployment could create continuous attention and revenue for the brand, and product deployment capabilities in turn would also continuously support product positioning and portfolio planning, shaping a virtuous circle.

Topline dimensions for product capabilities analysis

Source: Google and Deloitte's interviews, research and analysis
Lessons learned: successful experience of overseas fashion DTC enterprises

Product positioning starts with precise user personas, while design and refinement comes from clear user insights

Successful fashion DTC sites in the US all have unique and clear brand styles as well as positioning. As products are the key carrier to show brand styles, clear product positioning and consistent product styles would help the sites attract target users. Through continuous improvement of the products, DTC sites would be able to connect and interact with user demands, continuously refine their understanding of the core user groups, and continue to provide more products that are better aligned with user preferences.

Case study: Everlane

As a fashion entrepreneur from the financial sector, Everlane’s founder Preysman has derived his understanding of fashion from himself and observations of other well-educated urban youth alike in the United States. They call for a simpler way of life and simplified clothing, pursue quality living, and like to inquire into the source and sustainability of things. For such group of non-conventional “elites”, Everlane uses simple designs and high-quality products to attract them. Since then, Everlane has placed increased efforts into design and product improvement, and continued to refine its product portfolio and positioning of classic simplicity by continuously tapping into the needs and preferences of its core users. For example, every time when a new product is introduced, Everlane would gather users’ feedback by means of Waitlist, seek demand anticipation and product improvement, and modify the colors or designs that are not favored by the users or simply take the products off the shelf. Everlane will also invite users to try on its new products before launch and obtain their feedback, then reflect its modifications on the final product.
Case study: Uniqlo

Uniqlo continues to improve its design and products to bring new experience for consumers and meet their demands. For example, the HeatTech series of autumn and winter thermal underwear launched by Uniqlo in partnership with Japanese fiber manufacturer Toray in 2003 grew quickly as a top seller by virtue of its comfortable high-tech fabrics made from ultra-fine fiber and superior heat preservation. On the basis of such success, Uniqlo took into account users' feedback of demands, and constantly iterating and enriching product portfolio through fabric and design improvements - added the antibacterial feature to bring a clean and comfortable touch in 2004, added moisturizing effect to improve the dryness from extended time of wearing in 2005, and added anti-static feature in 2009. In addition, Uniqlo's HeatTech series are designed into three categories for different temperatures based on each user's different warmth experience: Thermals, suitable for daily wearing at home, at work commute and other in winter; Extra Warm Thermals, more breathable for close fitting with 46% of viscose; Ultra Warm Thermals, much thicker and warmer with smaller neckline, suitable for cold areas such as outdoor of the north and polar regions.

Portfolio diversification: "expand scenarios" and "expand customers" for sustained growth

"Expand scenarios": focus on core user base, to meet their diverse fashion needs in different scenarios, including stylized scenarios and functional scenarios. In order to "expand scenario", benchmarking enterprises make breakthroughs by using new fabrics and design elements and even creating new series based on different cultures and themes, to enrich categories and styles.

"Expand customers": there are two approaches: first, categorize existing customers more precisely. For example, to identify the demand differences between customers with different genders, ages, builds and social identities (e.g. students, housewives, office workers, etc.), then focus on their pain points and develop new categories. Second, find new customers from a wider range of people around core user base, such as their families and communities.
Lessons learned: successful experience of overseas fashion DTC enterprises

Case study: Uniqlo

Expand scenarios and customers through innovation and breakthroughs in fabrics and design elements based on basic models:

Expand scenarios: it started cooperation with Kaihara since 1990s and developed jeans series with high-elastic, delvege denim and ultra-thin fabrics. It published the Fleece series in 1999 and then developed new fabrics together with Toray Co., Ltd.: HeatTech thermal underwear in 2003, AIRism underwear in 2015 and Dry-EX sweat-absorbing and fast-drying series in 2017, etc. In 2017, it rolled out the ULD Jacket series, improving the compatibility of clothing with various scenarios such as weekend outing, daily commute, in-door leisure and outdoor sports.

Expand customers: take the Fleece series as an example, which has been popular for 25 years. Uniqlo has developed six kinds of fabrics: polyester Sherpa fleece, long-pile fleece, micro fleece, elastic fleece, knitted fleece and HeatTech fleece. These fabrics were designed as basic models, such as sweater, cardigan, vest, jacket, coat and pants, to meet the needs of customers of all age groups in different scenarios (outdoor, indoor and office). To attract more fashion followers, Uniqlo has teamed up with brands/designers such as Christophe Lemaire, JW Anderson and Engineered Garments to embed fashion elements into their products.

Case study: Everlane

Adhering to classic and simple styles, expand to female customers and functional scenarios based on male customers and basic models:

Expand scenarios: design products based on the customer demands derived from scenarios and functions. For example, Everlane began to design accessories since 2013, continuing its low-profile and simple styles. Among them, Petra Tote women’s bag has become a classic product. Without too much eye-catching colors or patterns, it caters to the preferences of its core users by offering enough capacity and classic styles. From 2014 to 2015, shoes were launched. Its leather Chelsea boots were once the star products. In 2017, Everlane rolled out jeans for casual occasions. It also continues to increase Men’s wear. For example, Everlane launched the Uniform menswear series in 2018, covering 12 products ranging from short sleeves to jackets. Except functions and classic styles, high quality were also guaranteed by simulating one year severe wear and washing. Everlane entered the sports sector in 2019. According to the needs of urban commuters in their daily lives and offices, it launched the Tread by Everlane sneakers and women’s leggings.
Lessons learned: successful experience of overseas fashion DTC enterprises

Expand customers: upholding the styles favored by core customers. Everlane expands its customer base from male to female. In the early days, it mainly provided simple T-shirts and men's basic models for male customers. Two years later, in order to attract female customers, it began to develop women's clothing, keeping classic and simple styles similar to men's wear but adding new designs, including silk shirts and Oxford shirts.

Case study: ASOS

ASOS entered into the field of fashion e-commerce since 2000. Its private brand starts from women's clothing and is expanding to diverse customers, styles and scenarios in a multi-dimensional approach.

Expand scenarios: style diversification. In terms of women's clothing, ASOS launched the retro collection ASOS Reclaimed Vintage in 2010, the party-themed ASOS Red Carpet series and the wedding-themed ASOS Wedding series in 2015, and the ASOS 4505 series for sports scenarios in 2018, to meet personalized customer demands in diverse scenarios. Function diversification. In 2009, it launched the ASOS Black high-end series to gradually expand from clothing to footwear, accessories and other categories.

Expand customers: ASOS's early customers were young people who are willing to shop online and interested in popular or star-wearing styles (most are women). They chase fashion trends and are eager to share the same outfits as the characters in TV shows or stars who attend important events. Since 2004, ASOS had built its own product lines to produce women's clothing. In 2009, it launched the ASOS Maternity (Pregnant Women Series) and ASOS Curve (Large Code Series) for people of different sizes. In 2014, the ASOS Tall (High Series) and ASOS Petite (Petite Series) were launched. While developing women's clothing, ASOS also sees opportunities in Men's (2007) and Children's clothing (2009). The Collusion for the specific age group — Generation Z debuted in 2018.
ASOS’s category expansion for customers of different genders, ages and body types

**Expand to multiple customer groups**
- From basic women’s clothing to men’s and children’s wear, covering the needs of people with different body types
- Establish a new sub-brands for younger Z generation customers

**Initial core customers**
- Self-owned women’s clothing series
- **Ladies 2004**

**Customers classified by body type**
- ASOS Design series
- **Pregnant women 2009**
- **Large size 2009**
- **Tall and slim type 2014**
- **Petite type 2014**

**Customers classified by gender and age**
- Self-designed Men’s series and Children’s series
- **Men’s wear 2007**
- **Children’s wear 2009**
- **Incubate independent brands for specific age groups**
  - In 2018, the new sub-brand Collusion targeting Generation Z was established.

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**Product portfolio implementation: balance between responding to fashion trends and maintaining unique styles**

Fashion retailers are always seeking balance between “responding to fashion trends” and “maintaining unique styles”, thus resulting in two typical development models: “fast fashion” and “slow fashion”. “Fast fashion” brands, represented by Boohoo and ASOS, always follow new fashion trends, develop new products rapidly and sell at lower prices. However, “slow fashion” brands, represented by Everlane and Uniqlo, attach greater emphasis on basic and classic models, maintain their own unique design styles and brand characteristics.
In order to respond to fashion trends rapidly, fast fashion brands launch new products weekly or even daily. They mainly depend on the buyer mode and take independent design as the supplement. Brands determine new trending elements in a multi-channel and systematic approach, which then will be used to inspire designers and guide fashion buyers. No matter brands choose the buyer mode or the independent design mode, large-scale and fast restocking have high requirements on brands' websites.

- To build a strong designer team and buyer network, they need to have a keen sense of fashion to capture new trends and keep a close eye on the fashion trends in many countries.

- To meet customers’ preferences, they need to implement product design or organize buyer procurement independently. With years of experience, successful fashion DTC enterprises have formed a mechanism that can collect the latest fashion information in a multi-channel and systematic approach.

### Channels for benchmarking enterprises to capture fashion trends

- The development team collects and analyzes fashion trend information through several channels to identify fashion elements (color, fabric, printing, type, etc.)
- Quarterly meeting with designer and buyer teams before seasonal development will help designers gain inspiration and support the buyer teams form procurement preferences.

To reduce trial and error costs, leading companies represented by Boohoo will identify the best-selling models and help make capacity planning through new product tests.
Lessons learned: successful experience of overseas fashion DTC enterprises

Case study: Boohoo

Boohoo launches and orders new products in a test-repeat (“Test and Repeat”) approach, forming a customer preference-driven supply chain model. It usually purchases (supplemented by independent design) 200-600 new models and launches a very small amount of products in the early stage. According to the actual purchasing behaviors of customers, it would determine whether to order more products. Boohoo always need to determine the sale periods and procurement scale of specific models within 48 hours after launching new products.

Slow fashion brands are not simply fashion trends chaser, they believe unique design is the only way to form differentiated competition edge. Based on a certain amount of classic models, they also constantly polish and introduce new designs. Slow fashion brands seldom borrow design inspiration from big names. Even when dismantling classic designs, they would combine their own brand elements and design ideas, so as to develop products with brand recognition and competitive edge. Meanwhile, more efforts and resources will be input to nurture and retain designer teams. A stable designer team can improve design capabilities and product awareness continuously, resolve customer pain points and improve the competitiveness of products.

Slow fashion brand Everlane’s streamlined portfolio

Upholding the concept of “simple is beauty”, Everlane keeps streamlined colors and styles

<table>
<thead>
<tr>
<th>Women’s</th>
<th>No. of products</th>
<th>Percentage of categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>~450</td>
<td>32%</td>
</tr>
<tr>
<td>Color</td>
<td>~10</td>
<td>16%</td>
</tr>
<tr>
<td>SKU (model, color and size)</td>
<td>~7,900</td>
<td>52%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Men’s</th>
<th>No. of products</th>
<th>Percentage of categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>~250</td>
<td>1%</td>
</tr>
<tr>
<td>Color</td>
<td>~10</td>
<td>10%</td>
</tr>
<tr>
<td>SKU (model, color and size)</td>
<td>~4,400</td>
<td>89%</td>
</tr>
</tbody>
</table>

Source: official website, Google, Deloitte interviews, research and analysis

12 Information disclosed on the brand’s website as of January 2020.
Case study: Uniqlo

Uniqlo, as a slow fashion brand, features with independent design. An excellent designer team is the core of its business development. It has about 300 designers globally, of which, about 20% based in China, 60% in Japan and the rest in New York and Paris.

Since 2008, Uniqlo has partnered with Alexander Wang, a popular Chinese-American designer. Both sides uphold simple design styles and developed the Alexander Wang for UNIQLO series. Since 2009, it has teamed up with “Queen of Minimal”, Jil Sander to create the “+J” series for 3 years (5 quarters), which were in harmony with Uniqlo’s basic models. In 2016, Uniqlo announced the appointment of Christophe Lemaire as its design director of Paris research and development center, responsible for developing U series. As the former creative director of Hermès and Lacoste, while attaching great importance to detail and quality, Christophe Lemaire insists clean, simple and exquisite brand and design styles, which are highly consistent with Uniqlo’s. Today, U series has become Uniqlo's "advanced basic models" for using fashion tailoring and innovative fabrics.

In addition to self-built design team, Uniqlo also cooperates with international brands or designers with similar design ideas and brand styles through prudent selection and constantly improves its design capabilities and product quality with the help of external forces.

Single-site and multi-site modes to power channel expansion

E-commerce (channel is platform) is the link between products and customers, which can display goods and reach users. Channel construction is closely related to the distribution of corporate brand strategies and marketing resources. In the development process of DTC enterprises, channel strategies are also changing dynamically. Overall, fashion DTC enterprise have two channel operation modes — single-site and multi-site:
Two channel operation models for fashion DTC enterprises

**Single-site**
DTC enterprises operate on a single website platform. All products, whether private and third-party brands, regardless of product category, are sold through a single website.

**Multi-site**
DTC enterprises operate multiple website platforms. Different platforms focus on different categories or styles, so as to reach a wider range of consumers.

Source: official website, Google and Deloitte interviews, research and analysis

**Single-site mode makes it easy for enterprises to integrate marketing resources for brand building and centralize traffic for refined operation**

Most active fashion DTC enterprises would adopt the single-site mode. Based on this mode, they diversify products, styles and scenarios, explore the value of core users and expand user base. Representative benchmarking companies include ASOS, Fashion Nova, etc.

**Case study: ASOS**

Since its establishment in 2001, ASOS has set up the official website ASOS.com. Over the years, it has improved the single-site mode and achieved growth by entering into the markets of other countries, expanding to intelligent terminals and diversifying products and sub-brands:

**Enter into overseas markets**

In 2010, it rolled out new official website versions for users in Germany and France. Later, more language versions were developed to support the expansion to more overseas markets.
Expand to intelligent terminals
With the development of Internet, ASOS has actively invested in the development of mobile applications and rolled out an APP in 2011.

Attract traffic to main websites through multiple entrances
With the rise of content marketing, ASOS is marketing on a number of mainstream content marketing platforms. Images and videos are used to provide information and attract customers to buy products on the main website through links.

Increase categories
ASOS develops different category pages on a single website and adjusts page layout as product lines expand, to accommodate several proprietary product lines and nearly 900 third-party brands.

Multi-site mode enables fashion DTC enterprises to develop differentiated styles and categories through different platforms, reaching different customer groups and achieving broader coverage

There are two ways to develop multi-site mode: endogenous growth and exogenous acquisition. **Endogenous growth** refers to the process that DTC enterprises adopting the single-site mode successfully hatch new sub-brands or attract different user groups with a new site by copying the success experience of single-site mode. **Exogenous acquisition** means enterprises acquire existing third-party sites and keep independent site operation, to reach more users, enrich styles or product categories, and achieve leapfrog growth. REVOLVE and Boohoo are representatives that developing multi-site mode through endogenous growth and exogenous acquisition respectively.
REVOLVE adopts a strategy mixed with endogenous growth and exogenous growth

Revolve: A lifestyle platform that leads and inspires consumers’ fashion sense. Through endogenous growth, it develops the main website Revolve, supplemented by sub-websites: premium luxury goods website FORWARD and affordable goods website superdown.

**Premium luxury goods website - FORWARD**
- With USD650 of average transaction value, comparable to premium luxury e-commerce platforms. Acquired the holding shares in 2012, it provides goods from over 300 third-party luxury brands, including BURBERRY, GIVENCHY, FENDI, Valentino Wild, etc.
- Acquire sub-brand websites to extend to high-end customer groups.

**Entry luxury goods main website - Revolve**
Established in 2003, it was designed as an entry luxury brand, with about USD250 of average transaction value. It mainly serves female Millennials (born from 1980 to 1995). By providing categories such as clothing, footwear, accessories, and beauty products of 500 fashion brands (including 21 self-owned brands) such as Lovers + Friends, GRLRND, RAYE Wild, etc., it aims to provide one-stop shopping experience.

**Affordable goods website - superdown**
Launched in 2019, with about USD50 of average transaction value, it mainly targets Z generation customers (born after 2000).
- To cover low-end customers by incubating sub-brand websites.

Source: share prospectus, Google, Deloitte interviews, research and analysis

Boohoo’s acquisition of external brands

Boohoo: established in 2006, targeting on customers aging from 16-24, it mainly provides cheap and young fashion clothing. With the characteristics of fun, fashion, socialization, and inclusion, it aims to become a considerate friend of fashionable youth.

Acquired by Karen Millen/KM in October 2018.

Source: annual report, Google, Deloitte interviews, research and analysis
To meet the demand for diverse styles, Boohoo retains the styles and genes of acquired brand websites and allows them to operate independently. As each brand website has different styles and customer groups, their visual and display styles vary. To attract different customer groups precisely, brands targeting young customers tend to use bright colors and models with personalized and fashionable makeups and clothing. While brands targeting mature customers prefer colors such as black, white and gray and models with elegant temperament. Brands targeting young customers and low-end market will feature discount information, while entry luxury brands would use smaller space to display discount information than model posters.

Positioning of Boohoo's acquired brands and acquisition reasons

**Young and affordable**

*Pretty Little Thing (PLT)*

- Lead young women fashion trends, relying on social media and mainly promoting star styles
- Target young customers aging 16-24
- Develop fast fashion led by celebrities

*Nasty Gal*

- Provide various choices for girls in growth, conveying the idea of “unapologetic sexy”
- Target young customers aging 18-25
- Attract customers favoring more avant-garde and exquisite styles

**Mature and entry luxury**

*MISSPAP*

- Nightclub style, mainly offer fast fashion brands featured with stars/fashion show styles
- Target young customers aging 16-24
- Focus on customers preferring nightclub styles

*KM and Coast*

- Mature and elegant, committed to help women feel confident, mainly targeting higher-income customers aging 25+
- The acquisition expands the target customer groups to older customers with higher affordability

Source: share prospectus, Google, Deloitte interviews, research and analysis
Lessons learned: successful experience of overseas fashion DTC enterprises

Multilingual websites of Boohoo and acquired brands in different countries and regions

<table>
<thead>
<tr>
<th>Covering area</th>
<th>Countries and regions covered by Boohoo’s websites (24 in total, as of Jan 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oceania</td>
<td>AUD $, NZD $</td>
</tr>
<tr>
<td>North America</td>
<td>USA $, CAD $</td>
</tr>
<tr>
<td>Europe</td>
<td>GBP £, FRA €, IE €, EUR €, NL €, DE €, ES €, SEK kr, IT €, DKK kr, FI €, NOK kr, JOD</td>
</tr>
<tr>
<td>Middle East</td>
<td>BHD, JOD, KWD, OMR, QAR, SAR, AED</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Acquired brands</th>
<th>Covering area</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRETTYLITTLETHING</td>
<td>7: USA, New Zealand, United Kingdom, EU, Ireland, Australia, France</td>
</tr>
<tr>
<td>NASTYGAL</td>
<td>7: USA, Canada, United Kingdom, EU, Ireland, Australia</td>
</tr>
<tr>
<td>MISSPAP</td>
<td>4: USA, United Kingdom, Ireland, Australia;</td>
</tr>
<tr>
<td>KAREN MILLEN</td>
<td>7: USA, Canada, United Kingdom, Australia;</td>
</tr>
<tr>
<td>coast</td>
<td>Only United Kingdom</td>
</tr>
</tbody>
</table>

Source: official website, Google, Deloitte interviews, research and analysis

No matter endogenous and exogenous growth, they have respective advantages and risks/challenges. In practice, enterprises could decide based on their resource endowment and development pace.

### Endogenous growth

**Advantage**
With high plasticity, brand positioning, style and price are flexible, without the constraints of historical factors; can take full advantage of existing middle and back end team resources, such as logistics, logistics service and IT architecture.

**Risks and challenges**
Brand building needs to start from scratch, requiring high promotion costs and long cultivation process.

### Exogenous growth

**Advantage:**
Attract new users, enter into new markets and achieve growth in a faster pace.

**Risks and challenges**
- Due diligence investigation, valuation and negotiation before M&A transactions are time-consuming and expensive. Once found major problems or valuation differences, transactions are very likely to fail.
- After acquisition, companies need to consider how to integrate the acquired company with the existing company and maximize the synergy value. A balance between independent operation and integration is needed to ensure that the acquired company remain independent in brand style and operation, while reducing costs and expenses by integrating central and back-end offices.
Two ways to increase users: new customer acquisition and existing user retention

Users are the basis of continuous value creation. New customer acquisition and existing user retention are two core indicators in the development of DTC enterprises. The importance of new customer acquisition is reflected in:

- at the beginning of establishment, brand sites obtain and accumulate users by attracting large number of new customers;
- with the change of preference and age, retained users will leave gradually, constant new customer acquisition would help maintain a dynamically stable user base.

User retention is the process of transforming unstable users into stable users, or even loyal users, and its importance lies in:

- extend the purchase life cycle of users, form long-term brand loyalty and maximize the lifetime value of single user (Life Time Value, LTV);
- re-purchase of retained users can help control marketing investment and reduce customer acquisition costs;
- with stable re-purchase rate, enterprises can focus on innovation and quality improvement, to provide better services and achieve sustainable development.

New and existing customer groups

- New customers
  - Browse and search on the brand’s official website after knowing a brand, select products and complete the first order
  - Characteristics: recognize the website design, search setting, product and picture information, etc.
  - Value: gain new users, improve consumer insights, and optimize services and products

- Existing customers
  - Make repeat purchases, satisfied with the first or repurchases
  - Characteristics: product quality meets their expectations, and they are satisfied with after-sales and logistics
  - Value: Long-term profit contribution, sophisticated consumer profiles, established brand loyalty and influence

Source: Google and Deloitte’s interviews, research and analysis
Acquiring new customers: Content marketing and search engines stand out among various channels to attract new customers. KOL-driven marketing and quality websites increase the credibility of a good “first purchase”.

DTC companies lay emphasis on content marketing and search engines among various customer acquisition channels, aiming for higher effectiveness.

According to Yotpo’s latest research, content marketing ranks the top among the most effective customer acquisition channels for DTC brands in the US, followed by search engine optimization (SEO) and official website visit, which are complementary to each other, as US consumers’ preference for brands’ official websites stimulates SEO’s effectiveness. Additionally, search engine marketing (SEM) is considered as an effective approach to attract customers.

Distribution of customer acquisition channels applied by US DTC brands (ranking by effect, 2019)

<table>
<thead>
<tr>
<th>Channel</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content marketing</td>
<td>61%</td>
</tr>
<tr>
<td>SEO</td>
<td>51%</td>
</tr>
<tr>
<td>Official website visit</td>
<td>50%</td>
</tr>
<tr>
<td>SEM</td>
<td>26%</td>
</tr>
<tr>
<td>Offline or pop-up stores</td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: The State of D2C Marketing in 2019, Yotpo, Google and Deloitte’s interviews, research and analysis

13 The survey report was jointly released by Yotpo and Magento, an Adobe company, in 2019. It includes the responses of 512 e-commerce and marketing decision-makers, 41% of them brand founders. They represent brands across various industries, including fashion, health, beauty, food & beverage and electronics, etc.
Case study: ASOS

In response to new market trends, ASOS adopts various customer acquisition approaches, including email marketing at the early stage, followed by marketing through its self-owned magazines and digital channels. In order to acquire more new customers, ASOS added two content marketing channels in FY19, through which the new series “top picks” were promoted in videos, led by ASOS’s chief fashion editor, to demonstrate and recommend new products to customers. ASOS aims to establish a psychological connection with customers, through professional perspectives and persuasive videos, thereby to attract more customers.

KOLs, with many followers, can enhance brand awareness, credibility and influence via content marketing channels, thereby to attract new users.

KOLs, such as social media influencers, stars and celebrities, have a lot of fans and can exert influence on consumer groups. Brand related contents produced by them are more likely to go viral, which makes KOLs an important force of customer acquisition for DTC brands.

According to Bloglovin’s latest research 14, fashion brands are increasingly inclined to adopt KOL-driven marketing. One third of marketers surveyed believe that KOL-driven marketing is an integral part of the overall marketing strategy. 41% of respondents think KOL-driven marketing is more effective than traditional methods. Leading fashion brands such as REVOLVE and Fashion Nova regard KOLs as an important approach to promoting brands and attracting customers. They often try to attract more customers by working with social media influencers to market products and conducting KOL-driven content marketing, establishing KOL membership system which provides feedback about and consolidate partnerships, organizing parties to improve brand awareness, and cooperating with the brand’s KOLs to build sub-brands.

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14 Survey results released by Bloglovin, a blog collation platform, in February 2017, involving 100 marketers
Lessons learned: successful experience of overseas fashion DTC enterprises

Case study: REVOLVE

REVOLVE, founded in 2003, selects KOLs in line with its brand identity and works with them to enhance brand exposure and recognition. It has been cooperating with fashion bloggers since 2009, and made profits against the adverse market environment of financial crisis.

**REVOLVE’s influencer-driven marketing milestones**

<table>
<thead>
<tr>
<th>Year</th>
<th>Key Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>Worked with blogger for the first time, starting its journey of influencer-driven marketing; and made profits this year. Considering the high traffic attracted by bloggers, REVOLVE provided them with clothes for free, and used photos of bloggers only, rather than professional models in poses, to display products on its website. These bloggers shared their daily outfits on social platforms, indirectly marketing REVOLVE’s products while attracting traffic.</td>
</tr>
<tr>
<td>2013</td>
<td>Organized the first photo-shooting tour “REVOLVE Around the World” with top social media influencers.</td>
</tr>
<tr>
<td>2015</td>
<td>Held the first two-day desert party “REVOLVE Festival”, which many bloggers/social media influencers, stars and celebrities showed up wearing REVOLVE. Including super model Kendall Jenner and fashion blogger &amp; best-selling writer Aimee Song.</td>
</tr>
<tr>
<td>2016</td>
<td>Established REVOLVE Social Club, which provides preferential services for influencer partners to enhance cooperation. KOL members in the club can enjoy private shopping guide service, and attend fashion parties regularly organized by REVOLVE.</td>
</tr>
<tr>
<td>2017</td>
<td>Held the first “REVOLVE Awards”, a fashion dinner bringing together social media influencers, super models and stars.</td>
</tr>
<tr>
<td>2019</td>
<td>Launched a fashion brand with social media influencers for the first time, to further leverage influencers’ capability in promoting products. Co-launched a brand “Song of Styles” with long-term influencer partner Aimee Song, who works with REVOLVE’s Alliance Apparel to design products.</td>
</tr>
</tbody>
</table>

Source: The State of D2C Marketing in 2019, Yotpo, Google and Deloitte’s interviews, research and analysis.
As of Q1 2019, REVOLVE had worked with over 3,500 fashion bloggers, including Camila Coelho (who has 8.1 million fans on a famous content marketing platform), Aimee Song (who has 5.3 million fans) and other big influencers. REVOLVE is committed to building a lifestyle platform which inspires consumers in fashion, enabled by KOL-driven marketing.

In addition, KOLs often create and express their brand philosophies. They hope the contents produced by them can be spread and recognized, so as to enhance their influence. Companies cooperate with them to build brand concepts and encourage them to produce and share brand-related contents, thereby to establish cultivation and management mechanisms. In order to better manage KOLs, good DTC fashion companies establish influencer-driven marketing communication and management teams, and have stable measurement indexes to select influencers and assess their value.

Case study: Fashion Nova

The company has established an influencer management team to supervise and review influencers’ performance to ensure their adherence to agreements. The team also regularly collects and discusses the feedback of partners to achieve smooth cooperation. “Engagement rate” is taken as an important reference of selecting and evaluating KOLs, according to which, influencers’ latest 12 content pieces should be “liked” by at least 5% of their fans.

Structure and functions of Fashion Nova’s influencer-driven marketing management team

<table>
<thead>
<tr>
<th>Recommendation and screening</th>
<th>Review and feedback</th>
<th>Platform operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Search social media platforms for KOLs that match up the brand identity, and negotiate with them</td>
<td>● Review KOLs’ performance to ensure their adherence to agreements with the company ● Communicate with partners and collect their needs to optimize cooperation</td>
<td>● Including operation of marketing via search engines, content marketing and emails, etc. ● Analyze marketing data for better effect</td>
</tr>
</tbody>
</table>

Source: The State of D2C Marketing in 2019, Yotpo; Google and Deloitte’s interviews, research and analysis.
User experience at online touchpoints is an important driver of conversion rate

To create good user experience online, fashion brands should provide immersive and personalized experience to quickly lead consumers moving from the landing page to product browsing and eventually the check-out page. It’s an important customer acquisition approach.

Several key needs can be identified at the five stages — website browsing, product searching, picture viewing, introduction reading, and review reading — throughout consumers’ journey from browsing DTC websites to purchasing. Leading DTC fashion companies often improve their shopping websites from these dimensions.

Key needs of US fashion consumers throughout the shopping journey

For new brand websites, it’s important to create trustworthy visual design:
- Highlight product changing and refunding policies in prominently and post transparent logistics fee description on the website
- Keep a simple and consistent style to improve credibility

Simple and diverse key words such as size, body shape, color, style and materials will enable users to find products they want quickly

High-definition product pictures with a consistent style deliver a message of high quality and help to enhance brand image
- Pictures with models are more likely to attract consumers than those with only products
- The website should present real, clear and comprehensive product details including size, materials and inventory
  - Size: provide comprehensive size specification or real model body information to help consumers select sizes
  - Materials: some consumers value product materials and will examine pictures to check details
  - Inventory: label products in low inventory or out of stock to manage consumers’ expectation reasonably

Product reviews have a greater influence on purchasing decision making
- More and more consumers will take other users’ product reviews or photos as important references

Source: In-depth interviews with US consumers; Google and Deloitte’s interviews, research and analysis
Consumers can also find clear product information on the website. Delivery and refunding reminder beside the price introduces the efficiency and prices of different delivery methods, and changing & refunding guidelines. All product pictures have models in them. Product details include the design, size, body shape and care method.
Good visual marketing online, based on easy-to-browse commodity display and visually friendly and very informative pictures and description, achieved through ingenious color matching, clever content layout with visual focus, and product story telling in line with the brand spirit, can enhance the image of brand websites and tell persuasive and consistent stories.

Core principles of online fashion brands’ websites in visual marketing

Focus on story telling
To tell brand story, stimulate consumer demand and connect products with well-being

Visually striking hero image on the homepage
To attract consumers’ attention

Ingenious color matching
Colors in line with the brand image: e.g. use cool colors if it’s elegant style; and bright colors for hot series to create playful and cheerful effect; blending of black and white or monochrome for eye-catching effect

Source: Online Merchandising: The Basic Visuals You Need To Know, Yotpo Library; How 12 Wildly Successful Online Stores Use Visual Merchandising to Drive Sales, BIGCOMMERCE; Google and Deloitte’s interviews, research and analysis
**Customer retention**: realize long-term customer retention through customized marketing and consistent experience optimization, continuous interaction with retained customers, and “community management” and reward to loyal customers.

Analyze users’ preference and behaviors to develop personalized marketing approaches and decide the appropriate marketing frequency and customized marketing content, thereby to improve re-purchase and retention.

**Marketing frequency adjustment**: Survey on users’ preference for marketing frequency is necessary following new customer acquisition, as excessive marketing will annoy customers, while inadequate marketing may hinder brand exposure. According to Yes Marketing’s recent survey, 60% of users on average think they have received marketing content in appropriate frequency, which implies potential for improvement. Companies can classify users in different segments, establish user profiles through “engagement analysis” over each segment, and then adjust marketing frequency accordingly.

**Feedback on digital marketing frequency of online fashion brands**

How do you think of the digital channel-based communication frequency of brands whose products you have bought? (N=1,000)

<table>
<thead>
<tr>
<th>Channel</th>
<th>Too frequent</th>
<th>Appropriate</th>
<th>Not enough</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email marketing</td>
<td>36%</td>
<td>60%</td>
<td>5%</td>
</tr>
<tr>
<td>Text message marketing</td>
<td>29%</td>
<td>61%</td>
<td>10%</td>
</tr>
<tr>
<td>Apps’ notification prompts</td>
<td>34%</td>
<td>57%</td>
<td>9%</td>
</tr>
<tr>
<td>Content marketing</td>
<td>29%</td>
<td>64%</td>
<td>7%</td>
</tr>
<tr>
<td>Web Ads</td>
<td>32%</td>
<td>62%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: The 2019 Customer Lifecycle Report, Yes Marketing; Google and Deloitte’s interviews, research and analysis.
Lessons learned: successful experience of overseas fashion DTC enterprises

Customized marketing content: prepare marketing materials for product recommendation or discount campaign based on customers’ shopping data.

Case study: Warby Parker

Warby Parker recommends products based on the analysis of customers’ preference according to models of glasses they bought, and has “preference center” on the shopping webpage to understand what customers are interested in. Besides, registration page or preference center can collect more in-depth customer data, including gender, region, interest and product preference, etc. The company can prepare more creative and customized marketing content according to gender and region information in users’ data.

US consumers favor customized discount information. Companies often offer consumers who have already put commodities in the shopping cart coupons or free shipping to trigger their shopping desire.

Case study: Fashion Nova

Fashion Nova offers consumers coupons to encourage them to pay for items put in the shopping cart long time ago but still pending for payment. In addition to the Black Friday and Christmas Day, the brand offers discounts on specific products every month to drive customer retention through direct promotion.
Continuously optimize user experience to improve user retention

DTC fashion leaders optimize websites based on continuous technical input, improve logistics convenience and efficiency, and establish customer service team to respond to users’ needs timely, thereby to improve customer experience and loyalty.

**Case study: ASOS**

ASOS creates convenient shopping experience through continuous investment in technologies such as speech recognition and AI. To support increasing visits on mobile terminals, the company has established cross-region digital platforms to improve the capacity. In addition to express delivery, ASOS’s customers can go to the “click & collect” near bus stations or convenience stores for picking, fitting and change & refunding, which is more convenient for shoppers.

**Case study: Boohoo**

Boohoo upgrades APPs and background engines of websites to ensure higher flexibility and quicker response to customers even during promotion and discount seasons. The brand provides high quality services to improve customer loyalty. PLT Royalty, for instance, offers British and Irish customers unlimited next-day delivery service for free.

Improve customer loyalty through closer and more frequent interaction with retained users enabled by “community management”

A brand can share fashion and culture information in line with its core philosophy and user characteristics to encourage communication among users or between users and the brand, which is likely to reinforce customers’ sense of belonging to a community, thereby to maintain closer customer relationships.
Lessons learned: successful experience of overseas fashion DTC enterprises

Case study: Nasty Gal

Nasty Gal keeps maintaining and developing its blog Nasty Galaxy. Users can visit the brand’s official blog via its website to share music, fashion style and life. It has given rise to a community-like user ecosystem centering on the brand, which improves customer loyalty.

Reward loyal users to optimize “community management”, thereby to achieve long-term user retention

As indicated by the latest survey of Yes Marketing, consumers hope they will be recognized and rewarded for their loyalty to brands. Cash discount is their favorite reward.

How the US retail consumers are rewarded for their loyalty to brands

Which is your favorite reward for your loyalty to brands? (N=1,000)

- 57% Discount (e.g. cash discount and sales)
- 18% Early notice of new products
- 9% Free delivery
- 9% Credits for loyal customers
- 1% Brand-specific events

Source: The 2019 Customer Lifecycle Report, Yes Marketing; Google and Deloitte’s interviews, research and analysis
Case study: Lulus

US womenswear DTC brand Lulus identifies frequent customers as VIPs based on purchasing frequency analysis. The brand rewards VIPs with coupons which are marked with “You’ve earned it” to express gratitude to loyal customers. It is a good gesture to achieve long-term customer loyalty.

Lean approach to supply chain management and ecosystem building support smooth development

In the internet era, supply chain efficiency is the key to leading the ever-changing fashion industry. Supply chain, ranging from product development to production, warehousing and distribution, is critical for the sustainable development of fashion companies.

Supply chain ecosystem and management are evolving with the development of companies:

- At the early stage of business development, the primary role of supply chains is to support product delivery. Companies mainly take responsive actions to product supply demand, which deserves further improvement in operational efficiency and cost. Quick go-to-the-market will be possible via global purchasing and reasonable deployment of manufacturing bases.

- Companies adopt a lean approach to supply chain management with its growth, focusing on the collaboration throughout the chain for lower cost and higher efficiency, in addition to meeting delivery needs.

- In the internet age, diverse and personalized needs and changing consumer tastes are driving fashion companies to improve efficiency. A good DTC fashion company achieves higher efficiency and mitigates risks by establishing a more flexible and agile management system and building an ecosystem with strong infrastructure and systems enabling win-win growth with suppliers.
Lessons learned: successful experience of overseas fashion DTC enterprises

Objectives and characteristics of supply chains at different stages

<table>
<thead>
<tr>
<th>Business development stage</th>
<th>Start-up</th>
<th>Growth</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain objectives</td>
<td>To meet product delivery requirements</td>
<td>Lean management, higher efficiency and lower cost</td>
<td>To establish a seamless supply chain and ecosystem</td>
</tr>
</tbody>
</table>
| Supply chain characteristics | ● Simple and direct, mainly passive response to product supply demand  
● Further improvement in operational efficiency and cost throughout the chain is needed | ● Flexible management, focusing on collaboration throughout the supply chain for lower cost  
● Functions still relatively fragmented in operation | ● Healthy and sustainable  
● Flexible and resilient supply chain based on seamless management and a shared ecosystem |

Source: Google and Deloitte’s interviews, research and analysis

Support-oriented: Quick go-to-the-market will be possible via global purchasing and reasonable deployment of manufacturing bases

DTC fashion companies establish global supply chain systems by cooperating with partners across the world, to launch new products quickly.

Case study: Boohoo

Boohoo has some 440 suppliers across the world, of which over 50% have cooperated with the company for more than four years. Over 70% of these suppliers across 14 countries are from the UK, China, India and Turkey.
These partners constantly provide Boohoo’s merchandisers with pictures of new styles, as references for merchandisers at the head office to make email orders quickly. Merchandisers can also browse styles at suppliers’ show rooms. Boohoo has about 5,000 styles for sale every day, supported by strong supplier network.

Boohoo leverages partners’ supply chains to make frequent and low-volume orders and production (300-400 pieces/type) among various types. Low-volume production allows the company to promptly respond to customer preferences to individual types and make reorder, thereby to improve risk resilience and avoid excessive inventory.

Cost efficiency-oriented: Companies adopt a lean approach to supply chain management for higher efficiency

Leading fashion DTC enterprises’ practices in fine supply chain management facilitates the optimization, improving management procedures and organizational structure internally, and realizing performance review and competitiveness increase together with supplier partners externally. Meanwhile, data tool empowers the holistic supply chain, to ensure a seamless and high-efficiency operation:

- First of all, companies establish functions at each touchpoint throughout the supply chain.

- Secondly, they set KPI reviewed by days for each function involved in the supply chain to examine the overall efficiency. Collaboration is essential for success, as one function’s performance will influence other functions across the supply chain. These approaches enable companies to establish clear cooperation mechanisms penetrating the supply chain.

- Thirdly, they integrate IT systems into the supply chain to drive seamless and efficient operation. IT systems allow functions to connect with each other closely, and involve third-party suppliers for better efficiency monitoring. In this way, data visualization will be achieved to support highly-efficient supply chain.
Case study: Boohoo

Boohoo’s lean approach to procedure management ensures high efficiency throughout the supply chain. Take fashion (different from outwear, including tops, suits and dresses) as an example, the process from design collection to production takes 30-45 days, Firstly, the UK head office sends designs to merchandisers of regional procurement offices, who will contact suppliers for sample production. Then the head office merchandisers will go the procurement offices to make orders, followed by bulk production and contacting agents for product warehousing.

Boohoo’s production supply chain process

- **Sample development**
  - ~1-2 weeks
  - Producing development samples according to the design of UK head office, and reverting to the head office for rough selection
  - Suppliers produce fitting samples and determine sizes following the approval of development samples

- **Procurement meeting**
  - ~1 day
  - Buyers and procurement office have meetings to select and make orders from suppliers’ recommended types and fitting samples
  - Making orders of selected types via email; buyers at the head office mainly select products according to the pictures of suppliers’ recommended types

- **Fabric and bulk production**
  - ~1-2 weeks
  - Suppliers manufacture pre-pro samples according to orders, and prepare fabrics for bulk production
  - Suppliers manufacture products in bulk after prod samples are approved by the UK head office

- **Product warehousing**
  - 1-2 days to 1 week
  - Suppliers submit shipping invoices and contact agents for product warehousing (airfreight) following the approval of the UK head office for prod samples

The order volume ranges from a dozen to hundreds, depending on partnership with suppliers across different regions.

Source: Google and Deloitte’s interviews, research and analysis
Eco-oriented: Proposing to grow together with suppliers and constantly improve the sustainable supply chain ecosystem

Leading fashion DTC companies advocate to expand the layout of supply chain infrastructure, and cooperate with sample clothing, fabrics and bulk production OEMs and logistics service providers, etc. to share the ecosystem and grow together. Enterprises usually own the core links and outsource auxiliary processes, with corresponding guidance provided to enhance overall efficiency and constantly improve the sustainable benign supply chain ecosystem.

- **Sample clothing suppliers:** Core technical processes such as sample design and pattern making are owned independently, with sewing and other processes outsourced. A function department responsible for vendor management is essential for timely delivery with high quality products. A concise list of trusted suppliers satisfies well for long-term seamless cooperation.

- **Fabrics and bulk production OEMs:** Independently own the design, pattern making, digital printing and other core technologies. Processes from fabric procurement to subsequent large-scale production are outsourced and guidance on fabric procurement, such as suitable procurement stalls, is provided.

- **Logistics service providers:** Adopt a cooperation approach by sections, with international sea or air transportation owned by themselves, while customs clearance and intra-city delivery by third-party carriers. Compared with the approach that holds third-party couriers responsible for the entire transportation, this model would help reduce cost with the same time efficiency and promote a benign ecosystem.
Market globalization is driving companies to build warehouses overseas to further improve distribution efficiency and user experience. Expanding supply chain footprints overseas also enhances enterprise’s risk tolerance to address the negative effects of emergencies.

In order to improve timeliness and after-sales service, fashion DTC companies are also increasing their efforts to build a network of warehouses overseas to reduce shipping time. A sample survey of China’s cross-border fashion DTC companies shows that cross-border shipping typically takes 7-14 days from customer order to home delivery, while delivery time in the U.S. for leading fast-fashion companies such as Zara is usually 3-5 days. China’s large fashion DTC companies are under pressures to build warehouses overseas in order to better compete in the U.S. market. Leading fashion DTC companies generally adopt a model to build a network of “a central warehouse with multiple overseas shipping warehouses and return centers” around the world. Among them, the central warehouse is responsible for global shipping, while overseas warehouses are responsible for delivery within their radiating areas, and return centers responsible for centralized processing of return orders. Thus, while improving distribution efficiency, enterprises can also enhance their capabilities of reverse logistics to facilitate faster and more convenient returns by overseas users and more accurate stocktaking by enterprises, ultimately realizing better user experience.

Case study: ASOS

The company currently has three order fulfillment centers and six return centers worldwide. The function of order fulfillment centers, which are mainly responsible for shipping and locate in the UK, Germany and the US, is similar to that of the central warehouse, while return centers locating in the UK, Poland, Czech Republic, etc. only accept returns. In addition, ASOS is also promoting automated warehousing systems in its UK and German warehouses to improve sorting and delivery efficiency.
Global layout of ASOS warehouse logistics infrastructure (2019)

As of Dec. 2019, globally ASOS has

3 order fulfillment centers
6 return centers

- **Barnsley, UK (Central Distribution Center)**
  - Opened in 2011 and managed by third-party logistics service provider
  - Automated during 2014-2016
  - Able to stock 22 million items
  - Radiating regional business globally

- **Selby, UK**
  - Return processing in the UK

- **Doncaster, UK**
  - Return processing in the UK

- **Sweibodzin, Poland**
  - Return processing in Europe

- **Poznan, Poland**
  - Return processing in Europe

- **Krupka, Czech**
  - Return processing in Europe

- **Berlin, Germany (Euro Hub)**
  - Opened in 2018, managed by third-party logistics service provider; automation continues to deepen in 2019
  - Able to stock 20 million items, covering ~95% orders in Europe

- **Atlanta, US (US Hub)**
  - Opened in 2019 and managed by third-party logistics service provider
  - Able to stock 10 million items
  - Ship and process returns in the US

Global distribution of supply chains can also diversify risks to a certain extent and avoid the impact of emergencies on business operation. Taking the outbreak of COVID-19 in China since December 2019 as an example. China’s cross-border e-commerce businesses are facing unprecedented challenges. Most provinces in China have implemented policies to postpone the resumption of work, which have affected the production and stocking arrangements of domestic factories. At this time, it is very important to have certain supply chain replication capacities overseas and deploy shipping warehouses. In face of major crisis, especially earthquake, tsunami, epidemic and other traditional events of force majeure unpredictable based on probability calculations, this would help businesses launch contingency plans for cross-regional supply to avoid supply disruptions.
Cornerstone of brand building: organizational structure and information systems

Products give prolonged life to the brand

Timeliness is a core competence of fashion DTC enterprises in competition. With growing personalized demand from users and improving efficiency of information transmission in the Internet age, enterprises could enhance both time and human efficiencies through the control and optimization of organizational structure. In addition, the development of design talent is one of the core assets for fashion companies to hold on to their soul of design; and leading fashion companies have also been doing their best over the past years focusing on introducing and cultivating digital talent, which is vital to maintain high human and time efficiencies.

“Small front desk plus big middle platform” to achieve win-win of human & time efficiency

At present, leading online fashion enterprises have been continuously expanding the “small front desk and big middle platform” model, in which multiple flexibility and innovative “small front desks” are set up to highlight differentiated positioning of their products, improve user’s experience for product details, and enhance the time efficiency of response to customers; at the back end, shared resources are consolidated to build a strong “big middle platform”, empowering front desk decision-making and execution and improving “human efficiency” to create positive interactions for efficient responses as needed.

Case study: Boohoo

Boohoo has been promoting the strategic deployment of a multi-brand matrix through the acquisition of other single-sites. The acquired brands all have distinctive styles and user bases that complement Boohoo’s original brands. In order to maintain the styles and positioning of the brands under the matrix, Boohoo adopts the “small front desk plus big middle platform” approach, which enables creative-related front office functions including design, buyer and marketing to operate separately as different brands, each with respective brand building, product development and user interaction patterns. Back-end supply chains, production, logistics, warehousing systems, and middle platform functions including finance, legal, human resources and information systems become shared resources for these brands.
Investment in IT resources and team building would help bridge the "small front desk" and "big middle platform" in the organizational structure, and lay a solid foundation for good interactions between the two.

**Analysis of “small front desk plus big middle platform” model (illustration)**

- **Small front desk**
  - Flexible and innovative “small front desks” could enable:
    - Detailing of the characteristics of customer groups and differentiated product positioning
    - Self-consistent brand building, product development and user interaction model

- **Big middle platform**
  - A “big middle platform” with integrated and shared resources could achieve:
    - Resource cost saving
    - Execution with fast responses

- **Corporate strategy**
  - Promoting the development and evolution of “small front desk plus big middle platform”:
    - The central cornerstone to drive the evolution of enterprise organizational structures

**Case study: ASOS**

ASOS’s back-end information function has approximately 1,000 employees dedicated to developing unique IT systems for each functional team. It leverages real-time sharing and concatenation to enable digitization and visualization of each node on the organization's architecture, forming a more efficient operating mechanism.

**Orderly management and efficiency improvement require support of talents**

As an important link in the organizational structure, human resources management can help enterprises incubate talents and form an organic closed loop in which talents reciprocate the enterprise. Our research on DTC enterprises in China shows that the most wanted talents by domestic companies can be divided into three categories: talents proficient in the retail industry, talents with expertise in brand building and talents with creative fashion design skills.
Take creative talents as an example. It is a core competitive edge for enterprises to form their own indigenous design style and hold on to their soul of design. Thus, it becomes vital to build a mature team of designers, and this would not be possible without the incubation and cultivation of designers.

**Case study: Uniqlo**

Uniqlo has a set of mature systems in terms of designer cultivation to develop designers’ ability of independent thinking so that they become more acute to tapping users’ pain points and building up design capabilities incorporating design inspirations with a business mindset.

As to the cultivation mode, Uniqlo adopts an approach with senior designers coaching new comers to help them steadily improve design skills. Under the “coaching” of an experienced, highly communicative and business-conscious lead designer, new designers could grow systematically, starting with clothing categories of single fabric and simple process, and then upskilling to design categories with more complex fabrics and processes. In this mode, new comers not only gradually improve their skills and technique through upgrading of categories, but also develop business insights in the process of communicating with the lead designer. In addition, designers also have opportunities of further education overseas to study fabric innovation and expand their design mindsets, which would be helpful to incorporate innovative ideas into the creative series outside the main product line, such as designer cooperation clothing, to add innovative elements at pace with the times while maintaining the inherent main design style.

In terms of assessment management, Uniqlo has adopted a set of quantitative and non-quantitative indicators for performance appraisal, which echoes its management style of “inheritance and openness”. Half of the indicators are quantitative, mainly to assess completion of sales growth target, and the other half are non-quantitative. The company, on the one hand, assesses the performance of designers in cooperating and communicating with functions in its organizational structure, such as commodity planning, production and marketing, and on the other hand examines the completion of their design tasks, that is the percentage of their designs being passed for bulk production. The evaluation of creative design drafts often takes in to account designer’s anticipation of the design or modification as well as the commercial prospects. Uniqlo conducts assessment twice a year, and designers would generally be promoted to reserve design directors in three to five years.
Rapid replication of organizational capabilities is the cornerstone of “going global”

Under fashion enterprises' growth strategy of “go to market” globally, research on local market trends and deployment of infrastructure will help enterprises quickly capture market shares, and the replicability of organizational capabilities would be the cornerstone for companies to “go global”.

When entering emerging markets, leading DTC enterprises could simply replicate their well-developed back-end and front-end organizational structures from domestic headquarters to improve local operational efficiency. At the same time, local buyer teams are set up to be responsible for local procurement. This will enable enterprises to capture latest trends in local markets and generate consumer insights.
Digital information system is key to enterprise operations

Information system is another major supporting system for enterprises. Based on hardware and software equipment, the system integrates multi-source data and underpins the closed loop of core operations such as products, channels, supply chains and users. The front- and back-end information systems as well as the data generated by each system are key to improving user experience and operational efficiency of the enterprise.

Front-end information system helps achieve organic consumer growth

Compared with the rich sensory, tactile and try-out shopping experiences in physical stores, it is difficult for online shopping to provide an immersive shopping experience. Therefore, the building of front-end IT systems like computer websites or mobile apps as direct user browsing and operating platforms is especially important in attracting users and realizing user conversion, and is an important link for DTC enterprises to optimize user consumption scenarios and enhance purchase conversion.

Case study: Boohoo

Through in-house research and development and external procurement of IT support systems, the company provides consumers with seamless and personalized services and enables consumers to have optimized website experience.

Boohoo’s IT system for front-end operations

Source: Boohoo's annual reports; Google and Deloitte's interviews, research and analysis
Boohoo's optimized consumer experience at the front end is largely attributed to two information system modules:

**Module 1: Front-end website platform optimization system, to achieve:**

- Launch of foreign language websites providing unified templates and appropriate localization, as well as accurate language translation;
- Continuous optimization of app and website responses, with no downtime during the peak period of Black Friday;
- Set-up of multiple payment interfaces and provision of more payment options and foreign currencies;
- Launch of image recognition feature that allows consumers to upload photos and match similar products at Boohoo.

**Module 2: A series of functional software that analyze and track users, optimizing user’s purchase experience collecting consumer information to generate insights that help enhance products, marketing and other aspects, including:**

- SaleCycle that helps customers restore their shopping carts;
- Monetale that customizes website features;
- Content Square that analyzes Boohoo’s website and app interactions;
- Rapleaf that collects user information to facilitate precision marketing;
- Intelligent Reach that optimizes product visualization, analyzes user conversion and drivers.
Digital-enabled middle- and back-end information systems to achieve high efficiency and win-win

Today, fashion companies are expanding their business to gain more market shares. Such expansion imposes new requirements for the infrastructure of their supply chains, and enterprises would inevitably need to invest more in response to business growth. The biggest advantage of e-commerce companies is their capabilities to collect and analyze data. In the future when enterprises compete in omni-channel retail, end-to-end data collection and integration of their supply chains will be an important basis for omni-channel retailing. Data will drive the supply chain to continue improving multi-sourced heterogeneous data in all aspects of the supply chain for future needs. These data can be integrated into the shared data platform for comprehensive analysis and processing, and analysis results will be pushed or returned as needed to each function of the supply chain, enabling decision support and optimization.

The back-end IT system mainly serves the back end of the supply chain, connecting the circulation between production, distribution and other links, to achieve efficiency improvement. Specifically, the flow, sharing and convergence of data between each system segment such as purchasing management system, design management system, pattern house management system, process management system, production management system, material management system, warehouse management system, logistics and transportation, etc. helps sustain the efficiency and stability of the supply chain.

Data sharing and convergence (illustration)
Lessons learned: successful experience of overseas fashion DTC enterprises

Through IT empowerment, leading DTC enterprises have realized multi-source data sharing on all links of the supply chain and between suppliers, enabling them to analyze and process data within a centralized platform and ensure that data is visualized, traceable and real-time, thus realizing two-way visibility of the order process, efficient production as well as deepened long-term relationships between the enterprise and suppliers.

Leading DTC companies apply data visualization to multiple processes such as design, technology, fabrics, quality control, warehousing and transportation, and empower suppliers and fabric manufacturers, thus achieving interactive, full-chain process management.

### Example of fashion DTC enterprise's supply chain back-end information system and main functional modules

<table>
<thead>
<tr>
<th>Key functions of supply chain back end</th>
<th>IT system functional modules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodities</td>
<td>● Purchase management system: Managing goods purchased from online and offline markets</td>
</tr>
<tr>
<td>Design</td>
<td>● Design management system: Develop design drafts, jump orders</td>
</tr>
<tr>
<td>Technology</td>
<td>● Pattern room management system: Enter various SKU paper samples and process orders, as a process library (important process nodes for different SKUs) and pattern libraries (pattern entry)</td>
</tr>
<tr>
<td>Production</td>
<td>● Production management system: Manage production plans for first and return orders</td>
</tr>
<tr>
<td></td>
<td>● Process management system: OEM partners are allowed to have transparent/visualized production planning via MES system, i.e. tracking the progress of each order in real time</td>
</tr>
<tr>
<td>Fabrics</td>
<td>● Material management system: Detect the availability of fabrics and patterns to be selected</td>
</tr>
<tr>
<td>Quality Control</td>
<td>● Customer feedback system: Analyze customers’ evaluation to optimize and review product design</td>
</tr>
<tr>
<td>Warehouse</td>
<td>● Warehouse management system: Monitor racking and picking operations</td>
</tr>
<tr>
<td>Logistics</td>
<td>● Logistics &amp; transportation management system: Monitor logistics suppliers and the status of parcels in transit</td>
</tr>
</tbody>
</table>

Source: Google and Deloitte's interviews, research and analysis
Achieving win-win of corporate and consumer values through brand building

Brand building is the cornerstone for enterprises to enhance the competitiveness of their products and services, and the most direct way for consumers to identify an enterprise’s culture, philosophy of life and values. By distinguishing the unique value of brands, brand building establishes deep connections with consumers to realize a win-win of both consumer value and corporate value.

The core of brand building is to win the heart of customers. For consumers, brand is an emotional experience beyond the product, serving to impress consumers through differentiated, personalized and vivid presentations, and touch their hearts by attaching "emotional value" to the product. Once a business establishes predominance in customer’s heart, it would become the customer’s first choice of purchase. And by capturing consumer’s heart and continued shaping of the brand, enterprises would develop a sense of loyalty among consumers, ultimately prompting repeated consumption from them.

“... For me, product is everything, and where it all starts. Then it is how you build up emotional contents around the product through storytelling, because if the product only involves functional features, then you won’t win at all. This, however, cannot be achieved overnight. It takes time to establish connections between a brand and consumers. It needs to be built through days and months of cumulative efforts and intensive hardworking in consistency. It requires businesses to remain true to the brand, and listen to the user’s actual needs...”

— Victor Luis, Coach CEO
For businesses, the core values of their brands lie in the following:

- **First of all, the emotional value attached by the brand enables consumers to feel, empathize with and stay loyal to the brand, and is a key factor that makes the enterprise’s products and services widespread and popular, allowing the enterprise to capture greater market shares.** Survey by the United Nations shows that well-known brands account for less than 3 percent of all brands, while their sales take up more than 50 percent of total sales.

- **Second, brand enables companies to obtain higher premiums:** On the one hand, brands are more preferred by consumers, and continued good sales would give brands greater say in cooperation with upstream and downstream suppliers; on the other hand, brands represent top-class quality, and there are an increasing number of consumers willing to pay more premiums for quality. A survey in the United States shows that average yield of the top ranking brand is four times that of the second place.

- **At last, brands symbolize a spirit that underpins the cohesiveness of the enterprise in the long run.** When an enterprise has developed strong operational capabilities in product, user, channel, organization and other areas, brand building could in turn help improve each operational link of the enterprise, enhancing its business cohesion.

**The creation of brands takes root in consumer insights and consumer group positioning**

The brand building of leading enterprises emphasizes brand spirits and cultural transmission, aiming to capture the portraits of target consumer groups and their cultural preferences as a starting point for brand communications, enabling it to take a stronger hold in the hearts of customers.

Brand building should be based on effective communications and connections by accurately identifying target customer groups in the context of a particular era and telling the brand story around its features, thus gaining approval from these groups and attracting customer flow via strengthened relationships with them through a range of marketing measures. On such basis, in keeping up with the time, businesses should continue to tap into users’ needs and understand their cultural backgrounds, and even spread their brand stories to a wider population to create greater brand impact.
Case study: Fashion Nova

- At the beginning, Fashion Nova has focused on filling the "market gaps for specific groups in the region":

  Precise positioning: The company founder opened the first store in California in 2006. Considering the large base of Latino population in California and the lack of attention on and services for their fashion needs in the market at the time, Fashion Nova accurately targeted at curvy, plump females as its target customer group.

- Then, the company starts to tell its brand story to target users through a "content marketing and cultural penetration" approach and successfully attracts customer flow:

  Brand communication and customer attraction via content marketing: When content marketing platforms were experiencing exponential growth in 2013, Fashion Nova also realized that its target customer groups were a group of users who are deeply affected by content marketing. So, the brand started to publish photos of models wearing its products on mainstream content marketing platforms to increase traffic for its official website. At peak times, the website sold out all the products within only the first weekend since launched.

  Capturing characteristics of the target group and investing in KOLs and celebrities: Fashion philosophies of the Latino population are deeply influenced by cyber stars and celebrities of "subculture" similar to theirs. In view of such, Fashion Nova continues to invest more in content marketing, working with top KOLs and stars with high interactions to market its products and capture new sales.

- In addition, the company also expands to a broader market through precipitation of user portraits and refinement of cultural preferences:

  Introducing hip-hop culture to open up the mass market: The approach of content marketing in cooperation with KOLs has become a driver of user growth for the brand and also helps the company capture users' portraits and cultural preferences. In particular, the hip-hop culture derived from "grassroots arts" is much loved by its target customer groups, and is also rooted in the DNA of a considerable number of young Americans, even becomes a popular culture globally. Thus, Fashion Nova has launched alliance series of products co-branded with well-known local rappers in the US, and successfully combines it brand DNA with American hip-hop culture to make its way into the broader mass market, constantly enhancing its brand impact.
Capture the hearts of the "audience" to empower brand stories with greater resonance

Study of the brand stories of fashion DTC enterprises in the US corporate finds that brand keywords that can easily create resonance among fashion consumers in the US include diversity and inclusion, environmental sustainability, and public welfare.

Keywords of brand stories of representative leading fashion DTC enterprises

- **Diversity & inclusivity**: Echoing with a brand spirit of Individuality and Inclusivity, Boohoo initiated a #ALLGIRLS marketing campaign in 2017, and made promo videos advocating that fashion is not just for slims girls of size 6 or below. Boohoo’s definition of fashion covers various types of girls with plus sizes, young ages, even disabilities or pregnancy. The advertisement sparked heated debate.

- **Sustainability**: “Natural, eco-friendly, and sustainable” has become an important brand concept for Allbirds. It makes shoelaces from recyclable plastic bottles, shoe soles from natural castor oil, and shoe boxes from renewable materials. Many users on content marketing channels have indicated that a key reason for them to choose Allbirds was its eco-friendly raw materials.

- **Public welfare**: Sustainability has defined the story of Reformation. Advocating “zero waste”, the company uses excess materials to make their products and discloses indicators of emissions and wastes of each item produced.

  - As a socially responsible brand, Warby Parker has been living its philosophy of “business giving back to the community” from day one. In its Buy a Pair, Give a Pair eyeglasses public welfare program in collaboration with VisionSpring, for every pair of glasses sold, the company will undertake the cost of produce another pair of glasses and sell it to someone in need from indeveloped areas to help them address their visual impairment.

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\[\ldots\] In the U.S. music market, total plays of hip-hop songs in 2018 on audio streaming platforms such as Spotify, Apple Music and Pandora reached 26.9% of the total, and in 2017 the number was 23.6%..."

— BuzzAngle, a music market data monitoring company
Brand building requires ongoing efforts and penetration into all links of enterprise development

Brand building cannot be accomplished overnight, but is the result of ongoing precipitation and refined operations, sinking in all details of product design, supply chain, channels and user growth.

As to capturing the hearts of consumers, the emotional added values given by brands include attributes, quality, class, culture, individuality and other personalized elements. The ability of leading fashion companies to successfully convey vivid, clear and unique brand personality comes down to the intensive hard work on product, supply chain, channel, users and other brand, consistently implementing the brand concept throughout all processes and telling the brand story to ensure that the company fulfill its brand commitments and convey its brand spirit and brand purpose (i.e. corporate mission) to its target customer groups.

Everlane’s brand framework

Brand spirit
Simple, but absolutely luxurious

Brand purpose
“Through superior quality, ethical factory and complete transparency, we are confident that we all can make a difference.”

Serve

Brand components
- Engage users in product development and obtain first-hand feedback;
- Implement strict quality control, and provide free replacement of quality packaging;
- Give consumers the feeling of individuality, superiority and elegance through product details;

User
- Product launch supported by designers and stories, content marketing (traffic channels), offline charity activities, offline concept stores, etc.

Supply chain
- Use recyclable materials
- Transparent disclosure of production process and mark-ups from raw material at the beginning to final sales

Convey

Persona building
Low-profile, elegant, straight-forward, honest and reliable

Source: Google and Deloitte’s interviews, research and analysis
Case study: Everlane

Everlane CEO Michael Preysman says, "Everlane’s target consumers can be described as a well-educated, elegant group of urban youth. They often tend to focus on the origins of things and sustainability for the future. This, in my opinion, comes from the confident and intelligent qualities of this youth group. They know exactly who they are and what they represent." Therefore, the company’s brand keywords are "urban youth" who are "well-educated and elegant" and care about the "origin and sustainability of things". Since established, the company has been building its brand around this core group of consumers, and conveying to them its "simple, yet absolutely luxurious" brand spirit. In developing its brand, the company has built up a low-profile, exquisite, straight-forward and reliable brand image through comprehensive brand marketing capabilities, transparent and environmental friendly supply chain, customer-engaged product development process, strict quality control and the ultimate in details, etc.

Enhancing brand spirit around products in R&D, quality control and improvement in details

Execute the product development process with high customer engagement, making them feel involved and accomplished: When making their first pants, Everlane spent more than a year in designing and improving the pattern and fitness. At the same time, the brand also invited some customers to try on its prototype clothes, and took into account their feedbacks in the final products that were released.

Establish a good sense of trust by disclosing the quality control process and implementing quality assurance policy of free replacement: Everlane publishes on its official website its brand quality control standards which are higher than the industry, e.g. conducting 50 water wash tests (15 tests more than industry standards), 11 water wash deformation tests, and determining fitness through trials on 117 types of human bodies. At the same time, some series even come with a guarantee of free replacement for a single product deformed or discolored within one year, such as the Uniform series that offers 365 days of free replacement for deformed or discolored products.
Convey a sense of superiority and the brand spirit of elegance, incorporating the brand concept into product details:

- **Good quality of raw materials and fine workmanship:** Being ingenious in making its products, Everlane excels by good quality of raw materials and fine workmanship. The raw materials for its popular leather products come from Ubrique in Spain. The place is known for its quality leathers and processes leather products for many luxury brands such as Loewe, Gucci, LV and Chloé. And when launching new products, the scarcity of good raw materials is matched by the fine product workmanship and release in small batches, sending the message of “the rarer, the better” to consumers.

- **Detail-oriented in packaging:** Everlane also embodies its brand philosophy in the details of product packaging. On its packages for express delivery, for example, Everlane would print individualized taglines that align with its brand spirits, such as “For a special human”, to surprise its target audience.

**Interaction with users to communicate brand concepts through online content marketing, public welfare activities to omni-channel marketing**

Everlane has focused on online marketing in the first five years since its establishment, especially personalized approaches to effectively build and maintain emotional ties with consumers through social media and opinion leaders. It has carried out a number of topic activities and content marketing on product launch and product buyer show via its brand website and mainstream content marketing platforms. Driven by the trend of online and offline multi-channel retail since 2016, the company started offline marketing combining with its online model that has been deployed for years.

Build a vivid and human figure and create a personalized connection with users during online content marketing: it is shown by integrating emotional ties into product launch. The brand advocates the aesthetics and lifestyle aesthetics of “effortless chic” to its core users by posting beautiful photo stories. The designer himself or the brand’s long-term users are generally models in product pictures to foster a true sense of connection between users and the brand. Besides, it is reflected in content marketing campaigns. In 2015, for example, the brand launched the hashtag “whereitravel” on a mainstream content marketing platform, encouraging fans to showcase their Everlane products, aesthetics (combinations) and summer vacation photos to Everlane fans around the world. The event ended with more than 11,000 contributions, such a higher engagement for a relatively small fan base.
Organize offline public welfare activities to echo the brand image of "integrity and reliability, humanity and social responsibility": Everlane conveys lifestyle aesthetics of life as well as proposition of supply chain transparency and anti-sweatshops to users. For this purpose, the Black Friday Fund is set up. It donates money raised from consumers to a certain plant each year and invites consumers to visit the plant. For example, almost all shoppers who visited the site on Black Friday in 2015 could visit its Los Angeles plant to "meet people who bring us our favorite products and give feedbacks through the brands they love and recognize". In addition, in 2017, the brand donated all USD150,000 earnings gained from its website shopping festival to help a Vietnamese jeans wear manufacturer build an organic farm and grow healthy and environmental friendly raw materials of food on the farm, improving the working meals of more than 4,000 employees.

Run offline pop-up and concept stores to make up for insufficient offline experience as one way of user interaction: After developing a big fan base online first, Everlane began tiptoeing into offline business and communicating its product aesthetics and sustainable concept to more consumers via offline pop-up and concept stores. In 2015, for example, Everlane rented several rooms in luxury hotels in New York, San Francisco and Los Angeles for consumers to try on Everlane's shoes offline, and opened a Shoe Park experience store in New York in 2016 where consumers were asked to take off shoes and put on Everlane's new summer shoes before entering the door if they come to take pictures and play in the store. In addition, it has continued to enhance presence offline. The brand has been building physical experience stores and designing stores since 2016 in accordance with the same concept of website design as being well-organized, easy to browse and frequently updated. Everlane is also called a "walk-in website" by Michael Preysman. It has three physical experience stores in New York, San Francisco and Los Angeles.

Continue to reinforce the brand story for continuous user recognition and trust: In May 2018, Everlane released its first 100% human short video series, "100% Human". The first episode invited Gloria Steinem, a representative of the women's liberation movement in the 1970s. Everlane will invite influencers who are committed to changing the society with an influence on the times and the society. The video series echo Everlane's 100% Human collection “100% Human” launched in 2017. The words of 100% Human on T-shirts represent the attitude of defending human wellbeing. For every piece sold, USD5 will be donated to American Civil Liberties Union. Everlane says that the series is a reminder that though from different countries with different positions, we are all human beings living on earth, and harmony far outweighs the differences between us.
Follow the principles of supply chain transparency and environmental protection to obtain more consumer trust and recognition, echoing the brand keywords of “focusing on the origin of things” and “sustainability concept”

**Transparent factory operations:** Everlane lists all factories engaged in production of its products on the official website, including information related to production places, number of workers and insights of Everlane employees during visits to these factories, and also posting relevant photos to show their working conditions. Besides, the brand also regularly invites consumers to visit these factories and showcase transparent operations. As a result, factories have become an important part of Everlane’s brand story. With the slogan of “Every factory has a story”, Everlane makes all its manufacturers transparent.\(^\text{16}\)

**Transparent price traceability:** As Everlane aims to provide consumers with a series of classic and high-quality clothing and accessories at reasonable prices, and firmly believes that consumers have the right to know the whole process, it makes production, transport and pricing processes transparent on its website and discloses the cost details of each part.

**Environmental friendly materials for production and packaging:** To align with its concept of sustainable environmental protection, Everlane has replaced previous synthetic materials with recyclable materials as its raw materials for production since October 2018, while recyclable plastics are used as packaging materials to minimize environmental impact.

\(^{16}\) BrandStar – How is Everlane leading brand innovation starting from basics sales
Change with the times and continuously enrich branding

With the changing times, leading companies' brands continue to explore and meet the needs of various segments and scenarios, expanding and iterating their products to gain more market segments and consumer recognition. In addition, identify other consumer needs beyond clothing, reinforce brand stories and continue to enrich branding, empowering companies to embark on a new journey.

Case study: Uniqlo

The 1980s: an era of "creation" when low-income people was targeted to build a brand of winning the market with basics

During Japan's economic depression, Uniqlo founder Tadashi Yanai found that basics often took up 30% of total sales in the daily operations of clothing stores and most consumers will mix trendy items in each season with basics. Then he tapped the potentials of basic casual wear and targeted low-income segments as its main customers, including students and housewives.

2010: Made for all to create a national clothing brand that meets the needs of client and scenario segmentations

Made for all presents Uniqlo's commitment to developing garments without any differences in gender, border or age to meet needs for various scenarios. On one hand, Uniqlo leads people to gain new knowledge of dressing in a technological way, providing consumers with a variety of clothing products to meet their living needs through fabric innovation and making technological changes for products each quarter. For example, Uniqlo has set up a laboratory to simulate various climates, completing HeatTech improvement and innovation with experimental data. Uniqlo, on the other hand, localizes products in overseas markets to make sure everyone can find a suitable piece at Uniqlo. For example, Uniqlo has adjusted clothing sizes catering to the characteristics of mixed-race country of the US and also offered more color and size options for each item than brick and mortar stores.
Uniqlo’s “Made For All” brand statement

End of 2013: Life Wear brand statement, conveying a simple lifestyle and attitude towards life. Keep pace with the times by extending to brand communication of various aspects about lifestyle from basic clothing needs.

Different from the slightly cold “supplier perspective” of the former brand, the launch of Life Wear indicates the evolution of brand development from product R&D to expression of lifestyles. On one hand, taking various needs in daily life as the starting point, continue to build product strengths, enabling consumers to recognize product simplicity, quality and durability. And they can have their own styles with daily casual mixes. On the other hand, Uniqlo expresses and communicates with consumers about alignment in lifestyles between them in the search for value recognition. In terms of interaction with users, Uniqlo also launches a series of APPs to promote its brand concept and engage with users, showing that clothing is not just about keeping warm, but clothes for a better life for everyone every day:
Food: Inspired by the concept of “life wear”, Uniqlo Recipe APP invites six chefs to cook every day for consumers. 24 original dishes include three meals a day with simple ingredients and short preparation time. Meanwhile, each chef’s dress matches well with the color of dishes. If consumers like the chef’s mixes, they can buy directly at Uniqlo.

Housing and transportation: UNIQLO WAKE UP APP is an innovative social alarm application that automatically creates alarm music based on the weather, time, and day of the week. The alarm music was co-written by famous composers Keigo Oyamada and Yoko Kanno. In addition, the app allows users to share the “wake-up record” of their awakening – the weather, temperature and time at the moment they stopped the alarm via major social platforms.

Uniqlo’s “Life Wear” brand statement

Source: Google and Deloitte's interviews, research and analysis
5 Research approaches and methodologies
This white paper takes the US market as an example to help China's local DTC companies and e-commerce companies setting to go global have a glimpse of the US DTC market landscape and consumer characteristics. Based on the research on the current situation of China's local DTC companies, the white paper developed in-depth research on a number of leading foreign fashion DTC brands and analyzed their best practices around seven dimensions of DTC companies’ operations to provide valuable insights.

Combining quantitative and qualitative analysis, this white paper integrates the results of several first-hand studies, including:

**Analysis of fashion DTC categories and styles in the US**

Google defines online fashion brand sites (online brands excluding offline businesses) with more than 40,000 monthly visits (traffic median) as active online fashion DTC brands in the US market. It analyzed the sites, products and users of 222 brands identified. The following three steps were taken to identify active sites.

- **Step 1** - Screening basis: Based on Google’s industry experience in online fashion retailing, we selected a group of leading e-commerce brand sites and added some competitor sites of these brands from the Similar Web, taking more than 1,300 sites by traffic ranking as a screening basis.

- **Step 2** – Preliminary screening of DTC sites: excluded some strong brands and retail platform/multiple brands to identify brands operated in DTC models.

- **Step 3** - Segmentation by category: further categorized the DTC brands identified based on women’s clothing, footwear, accessories, men's wear, sports and casual wear.

- **Step 4** - Segmentation by style: deployed Google’s Artificial intelligence technology in combination with machine learning to develop quantitative analysis of products, customer bases and contents of representative sites in each category, and combined with the qualitative analysis of Google’s research team to explore the style trends of DTC categories.
In-depth interviews with consumers:
In December 2019, Google developed in-depth interviews with ten American female consumers of different ages (aged from 18 to 64) on a one-on-one basis for about 60 minutes. Respondents bought fashion products on DTC websites over the past month. In-depth interviews enable us to identify the main factors for consumers’ purchasing decisions during their online fashion shopping journey and views about these DTC websites.

Consumer online survey:
In February 2020, a random sample of 875 online female American consumers of all ages were surveyed via Google’s online research tool (Google Survey) to gain insights into their online shopping preferences.

Interviews with Chinese fashion DTC companies
Developed in-depth interviews with ten local DTC companies in China, mainly engaged in some segments of the fast fashion industry, including women’s wear, swimwear, baby and maternity products and accessories. All these companies see their total annual turnovers exceed USD200 million.

Research on the success of overseas fashion DTC companies
Research on several leading overseas DTC companies, including Boohoo, ASOS, Fashion Nova, Everlane and Gymshark, as well as fashion companies including Uniqlo and H&M through expert interviews and publicly available information.

Google Surveys is a market research tool that makes it easy for users to create web and mobile surveys, helping businesses make better business decisions. Survey questions will appear when Internet users want access to high-quality content such as news contents or videos. If the user answers the question, the publisher will be paid. On a mobile phone, people can answer questions for points for reading, listening to music, or using apps. Respondents’ answers are summarized by Google, and then automatically generate market insights by the system, eliminating complex analysis efforts for users. For more information, please visit google.com/analytics/surveys.
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