

ViSenze Visual AI Quarterly Index

Q2 2021

PRESENTED BY



Each quarter, we'll share with you data-driven insights and industry perspectives, drawn from the unique position we have, as the operator of the world's fastest-growing mobile Visual Shopping Network.



Welcome back to ViSenze's Visual AI Index report.

We had a great response to our inaugural edition in April and we hope this edition offers you more insight into what's changing in the industry as we see COVID-19 retreat in our rear-view mirror.

The key topic we're focusing on in this Q2 2021 edition is the power of style. It's an ephemeral thing, hard to nail down and understand, but increasingly important and relevant to more and more consumers. We'll share how retailers are working to harness style and understand it so they can deliver better product recommendations to consumers at scale.

I'm thrilled to welcome our guest contributor, Lexi Willetts, Founder and CEO of the Social Wardrobe app Little Black Door (LBD). She'll be sharing her point of view on how digitalization and virtualization are taking hold at all levels of the fashion industry.

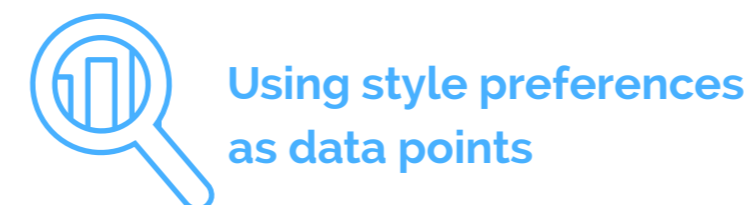
So with that, let's get into it.

Brendan O'Shaughnessy
CHIEF COMMERCIAL OFFICER

Key Findings:



Visual search helps retailers connect to their customers' social platforms, identify each user's personal style and offer products that match.



Being able to collect and transform style preferences into data points means retailers can draw deeper insights from their customers that help them better forecast what shoppers want and provide more personalized offerings.



As we've seen on the ViSenze Marketplace, with summer in full swing, "Big Graphic Tee," "Halter Neck Blouse" and "Midi Floral Dress" are the trending styles in Q2 2021.



Tuning in to consumers at all times, across networks and channels, is what's required for ultra-fast fashion retailers to react in time to ever-changing demands.

ViSenze has helped a Japanese fashion brand identify major trends through fashion show photos. By automating work that was originally done manually by designers, this has had a major influence on product development strategy.



There are three primary ways to present style-based product suggestions. Retailers can offer similar products, complementary products or a set of products that create an entire look.

ViSenze's recommendations engine has helped one retailer improve click-through rates (CTR) by nearly 10%, and has brought another \$40 million in incremental revenue.

Lexi Willetts, Founder and CEO of Little Black Door, on digital differentiation in fashion.

Right now, we're living with a COVID-19 backdrop. In the last 12 months, we've witnessed store closures followed by aggressive digitalization and virtualization, across the fashion board.

Fendi suddenly slipped into my DMs ("We're here to help..."). Luxury retail shopping destinations put together WhatsApp catalogs for sharing collections and creating personal shopping interactions, adopting tech like ProximityInsight to power live chats and virtual consultations.

Meanwhile, with the boom of digital sales, we've seen fashion brands switching from wholesale to direct-to-consumer models, quickly spinning up distribution channels via Shopify and alternative e-commerce sites.

Snapchat has gamified the purchase journey, creating augmented reality (AR) sales tools for players like Gucci to offer virtual try-on experiences. Similarly, the

beauty industry has witnessed Chanel launch its iOS LipsScanner App, the first artificial intelligence (AI) scanner that can take any image and match it to a lip color from Chanel's 400-strong collection.

We're also seeing more playful engagement-based AI throughout the sales journey. Nibble, the chatbot for haggling, results in a natural-language-powered purchase price that's specific to the individual consumer's elasticity.

The creator/influencer space has seen a massive uplift in the last 12 months, as brands tapped into a heavily watched social media set. All eyes are on content creators to peddle products ("Swipe up to buy..."). This online entertainment-meets-selling approach has triggered an uplift in live shopping sites — an arguable reinvention of QVC and an Asian fascination that seems to be traveling to the West in tandem with TikTok.

Personal connection is now delivered through creators selling products in their unique content-driven way on sites like OOOOO, answering real-time questions and trying on products for an avid online audience.

In addition to the uplift in online purchase behavior, the lockdown has resulted in a crisis of fashion consciousness for some consumers, with many switching out retail therapy for closet sort-outs and resale activity ("I hear there's an LBD app for that...").

Consumers have had time to become aware of their needs, with new wants flicking to athleisure. There's no coincidence that digitally native brands like Pangaia are exploding. Its combination of sustainable, comfy at-home clothing, strong social content and offline campaigns has won over consumers, with the retailer generating some \$75 million in revenue last year.

Looking to the future, with all trend reports suggesting that online interactions are here to stay, the next phase for fashion is digital differentiation. This works better when industry players have an optimal understanding of their customer base. And it's why we designed LBD to capture both consumer purchase behavior as well as social data.

Lexi Willetts
FOUNDER AND CEO, LITTLE BLACK DOOR

“What's your style this season?”

“Hyper-personalized digital x sustainable...”



TRENDS IN VISUAL AI

Leveraging social inspiration

Consumers are recording their style preferences online — and the smart brands know how to capitalize on that.

One of the most powerful indicators of someone's style interests is their pinning of images and products on social media platforms like Pinterest, with its audience of 478 million monthly active users.¹ When a user creates Pinterest boards, they're showcasing their unique personal style, one image at a time.

Trending style:
**JAPANESE-MEETS-
SCANDANAVIAN MINIMALISM⁴**

- Trending search terms:*
- ▶ Japandi
 - ▶ Wooden bed design modern
 - ▶ Neutral color palette earth tones
 - ▶ Modern minimalist kitchen



Home decor is one of the most popular categories on Pinterest, a mainstay of the top 10 most searched categories.² Smart retailers are enhancing their perspectives beyond broad categories like “minimalism” and “kitchen organization,” and aligning with more specific style trends within those categories that really resonate with consumers.

They achieve this by analyzing trending searches and popular Pinterest boards so their digital merchandisers can drill down into precise aesthetic tastes for groups as well as individual consumers. For instance, the visual discovery app predicts some very niche style trends — and trending keywords — for 2021, including Japandi minimalism and eye-catching, on-display kitchenware.³

Trending style:
**SHELFIE-WORTHY
KITCHENWARE⁵**

- Trending search terms:*
- ▶ Copper cookware
 - ▶ Colored glassware
 - ▶ Kitchen floating shelves decor
 - ▶ Plate racks in kitchen



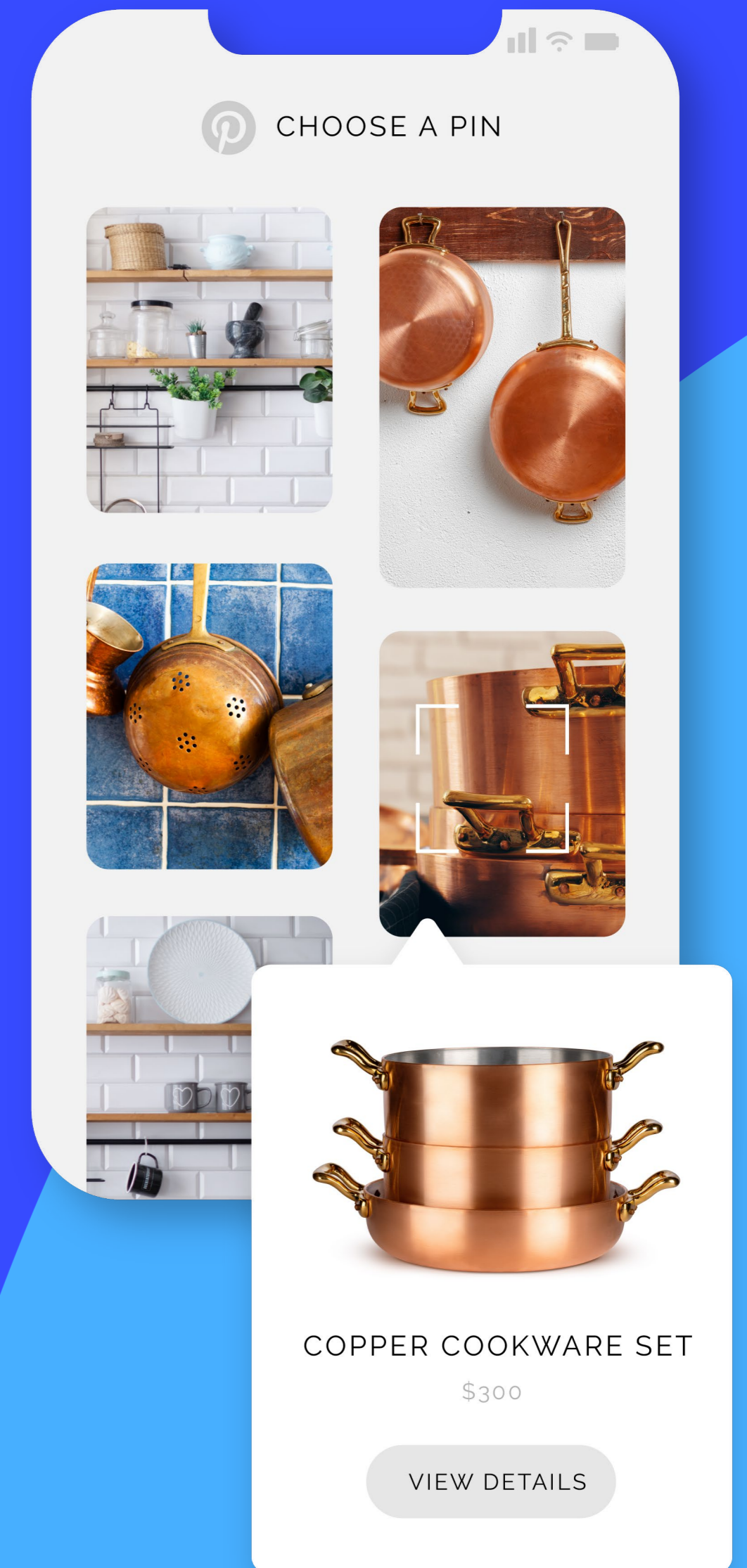
Since product image pinning is such an important part of defining style, leveraging the power of social inspiration can help brands better serve style-minded retail customers. Using computer vision to associate products with key style attributes and support style-driven visual or text search means e-tailers can offer up the most relevant products that closely fit a consumer's aesthetic. Better yet, they can do so at scale and with minimal operational overhead.

MADE

Made.com creates a shorter path from social discovery to purchase

Made.com quickly latched onto this social inspiration trend and monetized it with an AI-powered visual search tool developed in partnership with ViSenze. The homewares retailer added a Pinterest integration to its visual search feature to help shoppers find products in similar styles to their favorite Pins.

1. business.pinterest.com/audience
2. meetdgar.com/blog/pinterest-categories-popular
3. business.pinterest.com/content/pinterest-predicts
4. business.pinterest.com/content/pinterest-predicts/Japandi-aesthetic
5. business.pinterest.com/content/pinterest-predicts/dish-it-out



TRENDS IN VISUAL AI

Using style preferences as data points

Retailers collect a vast amount of customer data — from clicks and impressions to what products an individual engages with, adds to their cart and purchases. But too few retailers understand precisely what each person likes.

Synthesizing behavioral data on its own doesn't help retailers identify a consumer's sense of style. And without tuning into a shopper's style preferences, it's harder to predict what additional products that consumer will be attracted to. By transforming style preferences into data points, retailers can draw deeper insights into their customers that help them provide more personalized offerings.

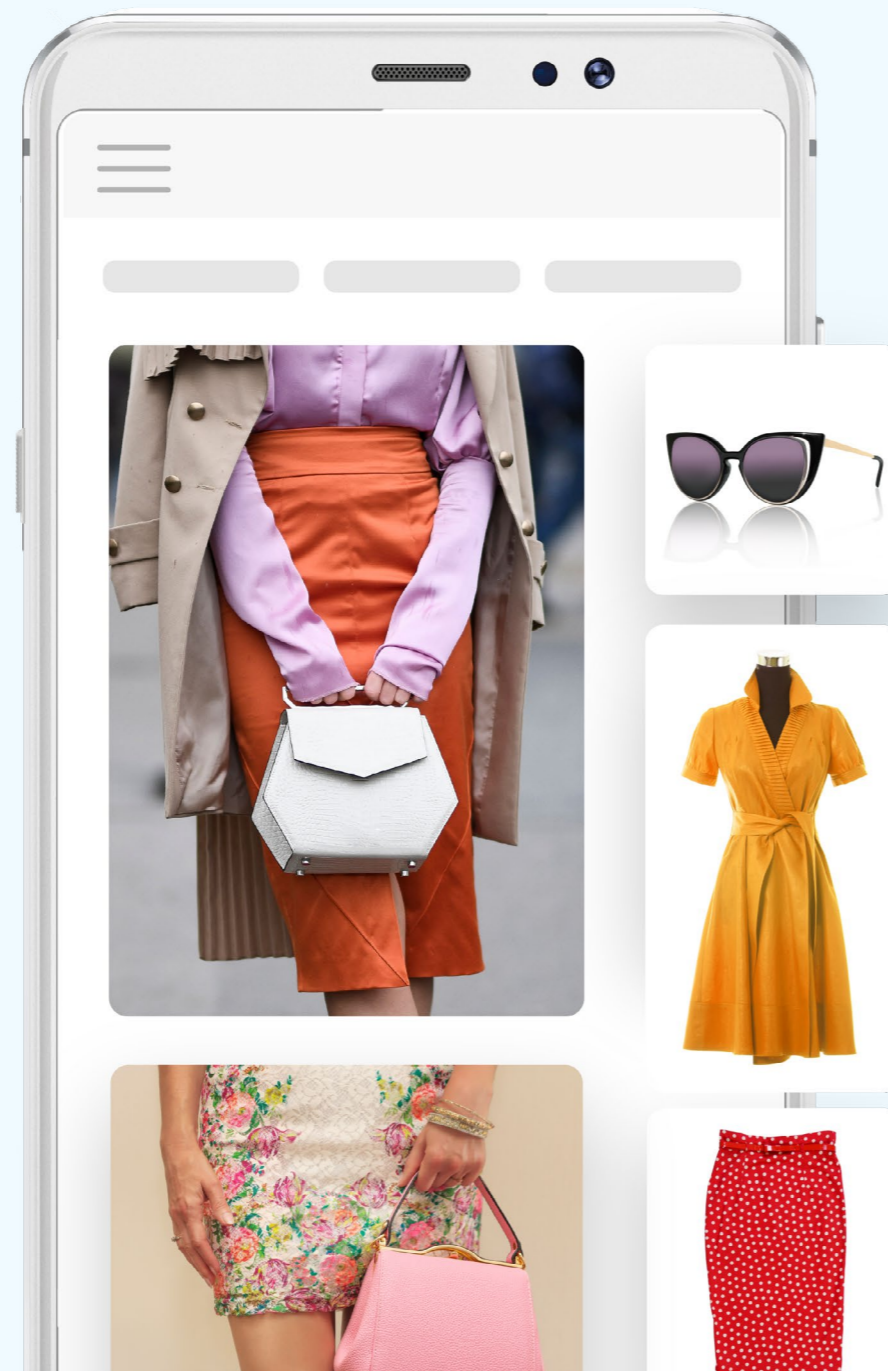
Using style as a product attribute helps brands target consumers with a better variety of more relevant products. And the more access they have to the inspiration images those customers have interacted with, the better.

Consumers are

40%
more likely

to spend more than planned
when they identify the
shopping experience to be
highly personalized.⁶

playful, polished, tailored



Recommendations based on style profile feel more personalized

According to insights from Google, consumers are "40% more likely to spend more than planned when they identify the shopping experience to be highly personalized."⁶ When product suggestions appear that match a shopper's style, this instantly comes across as a more personal recommendation.

For instance, a customer's fashion sense might be described as "playful" and "polished," meaning they're attracted to tailored silhouettes with fun colors, patterns and detailing.

Knowing this, a retailer isn't limited to making safe and potentially poor recommendations from the same product category, like blazers. Instead, they can show the shopper a wider range of products with similar style attributes, ranging from bags and sunglasses to shoes and swimwear, that will resonate with the customer's tastes.

Analyzing style is essential for try-on-at-home clothing curations

Vogue reported that retailers offering personal styling and product curation services can drive higher sales by analyzing customer style input.⁷ Retailers can learn a lot about customers' tastes — and drive higher sales — by analyzing quiz responses, feedback and engagement behaviors when choosing what products to send.

For one such brand, revenue per active client rose for eight quarters in a row. "Possibly the biggest reason clients are spending more is that they are better matched with items they love," suggested Motley Fool.⁸



6. thinkwithgoogle.com/consumer-insights/consumer-trends/personalized-shopping-spending-statistics

7. voguebusiness.com/talent/articles/personal-stylists-data-stitchfix-matches-fashion

8. fool.com/investing/2020/07/01/stitch-fix-is-attracting-loyal-customers-without-a.aspx

CONSUMER TREND INSIGHTS

Looking at consumer demands through the lens of the visual search queries on the ViSenze Marketplace across Asia, we've observed several style insights in the first half of 2021.

Elevated basics are trending for summer

Summer is in full swing, and basic clothing categories are back in high demand, together with trendy styles. "Big Graphic Tee," "Halter Neck Blouse" and "Midi Floral Dress" are this season's signature styles.

Consumers are big on big sleeves

Across these categories, sleeve styles saw a significant change in market demand over the span of six months.

"Bishop Sleeve" is the most popular sleeve style in 2021 for tops and dresses. However, consumers have been gradually losing interest in it for the past six months. As a style attribute, "Bishop Sleeve" was represented in 20% of products on the ViSenze Marketplace in June 2021, compared to 32% in January.

Meanwhile, "Puff Sleeve" has become more popular at an increasing rate. It's now represented in 18% of products, up from just 8% in January, replacing "Raglan

T-SHIRT

+27%

Big Graphic T-Shirt

+30.1%

Solid T-Shirt

+23.6%



Ombre T-Shirt

+17.5%

BLOUSE

+25%

Halter Neck Blouse

+58.0%

Bow Neck Blouse

+17.0%



V-Neck Blouse

+13.6%

MIDI DRESS

+21%

Midi Floral Dress

+34.5%

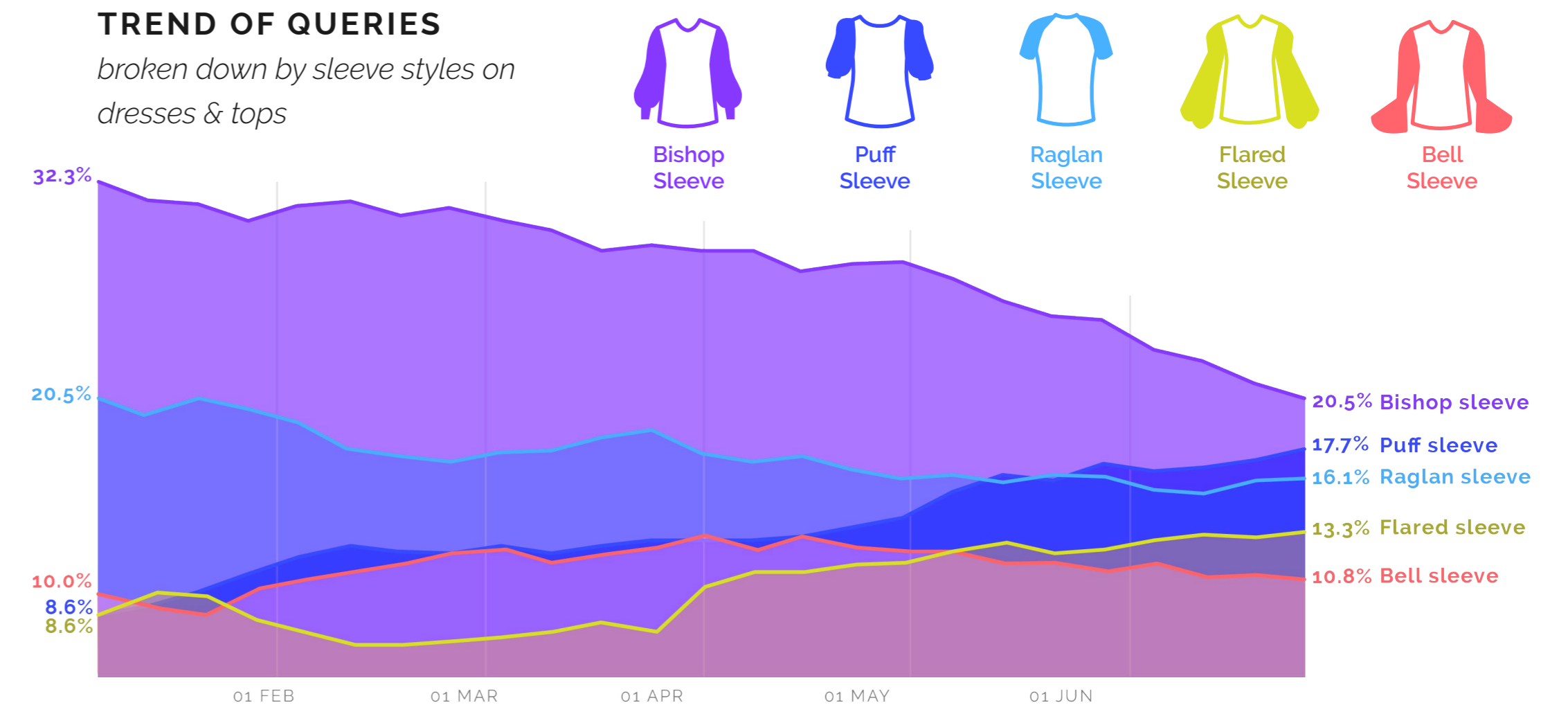
Midi Polka Dot Dress

+24.7%



TREND OF QUERIES

broken down by sleeve styles on dresses & tops

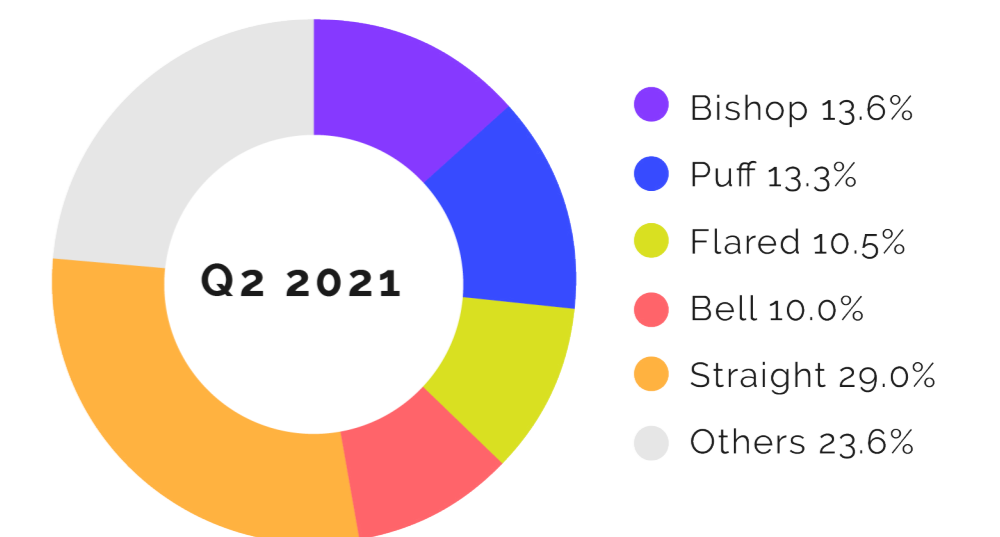


"Sleeve" as the second most popular sleeve type consumers are searching for.

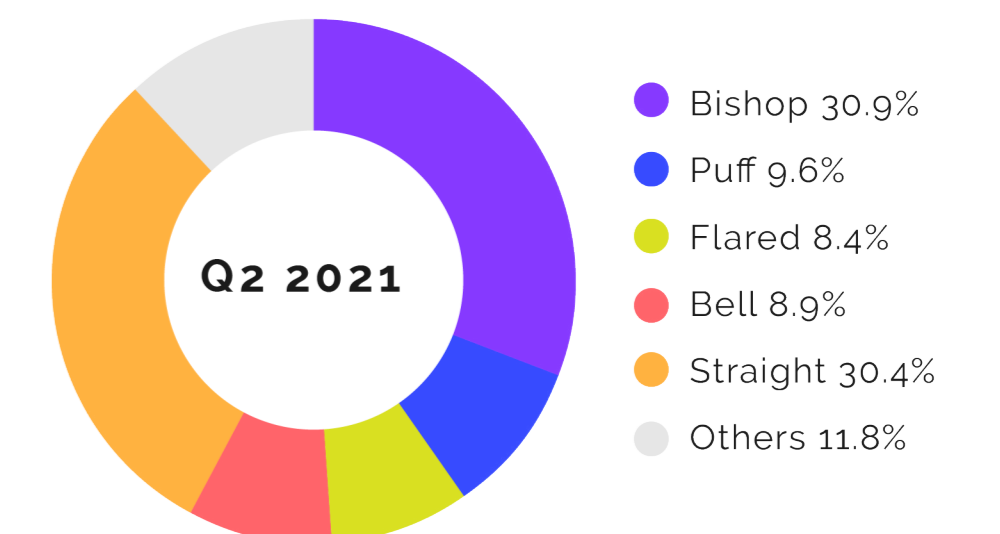
However, big sleeves aren't trending across all product categories. For example, even though "Bishop Sleeve" is experiencing a downward trend overall, it's losing its popularity more quickly on dresses, dropping from being represented in 31% of dresses at the start of the year to just 14% in Q2 2021. Meanwhile, this sleeve type maintained its position as the second most popular style for blouses, representing 30.1% of blouses searched for in Q1 and 30.9% in Q2.

This granular level of product attribute performance is critical for retailers who want to capture the right signals and forecast demand for new and existing SKUs, as well as to optimize their assortment plans.

SLEEVE TYPES ON DRESS



SLEEVE TYPES ON BLOUSE



TRENDS IN VISUAL AI

Making style-driven product recommendations

Understanding style helps retailers make better product recommendations. Featuring style as a key defining attribute in the product catalog is critical for achieving the right objectives at different stages of the customer journey.

Style-related data can help digital merchandisers make more informed decisions around the collections they should prioritize and the content they should produce and display. Ultimately, this will help them promote the right styles to as many of the right customers as possible.

There are three primary ways to present style-based suggestions. All require an immediate understanding of both product type and style, as well as the ability to serve up related products based on those attributes.

1 Similar style recommendations

Offering similar product suggestions keeps shoppers engaged and helps them track down the perfect product, particularly if they did not find it on the first attempt.

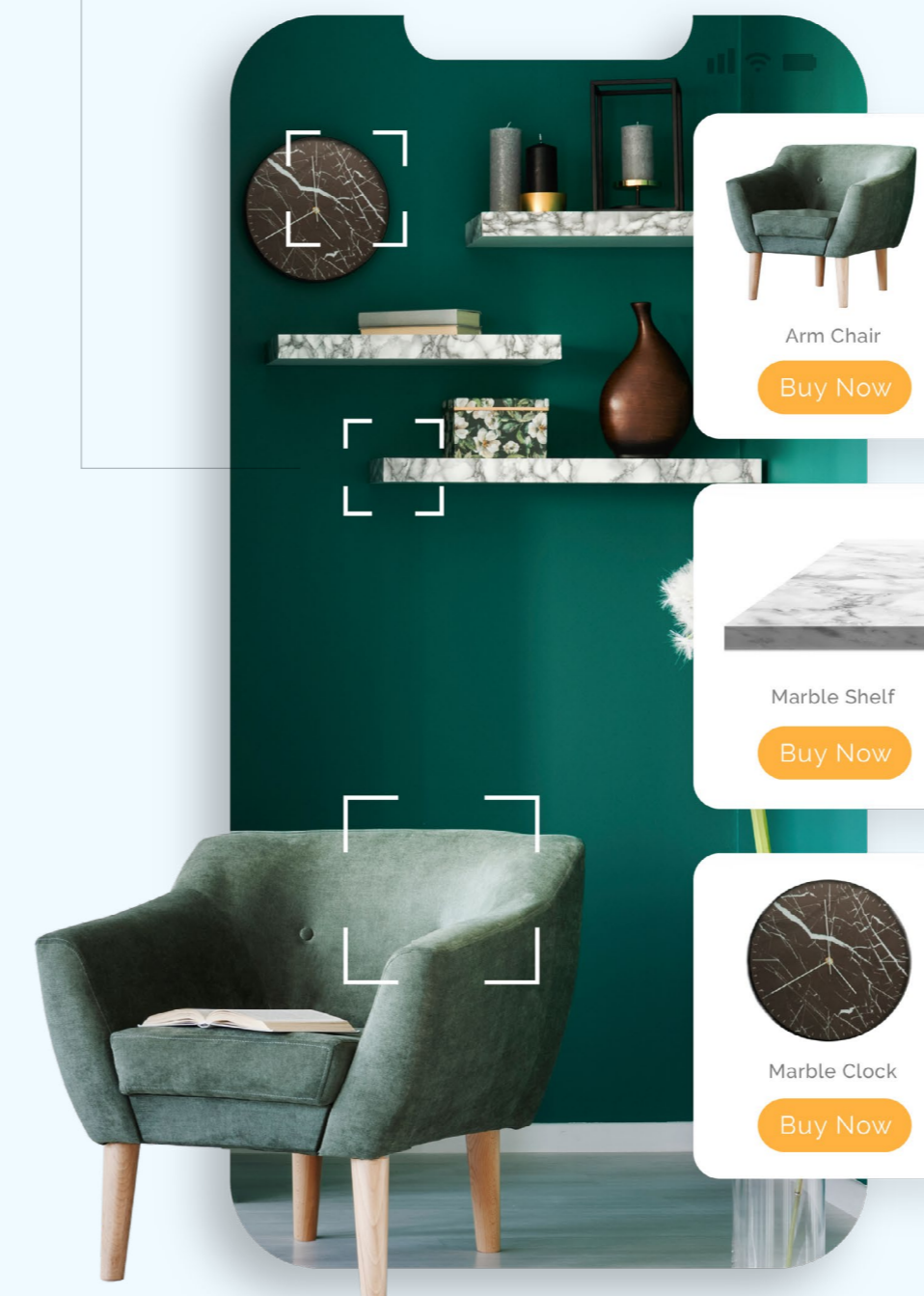


Powered by ViSenze's Similar Recommendations, a major furniture retailer's "You May Also Like" feature has yielded up to a 9.8% higher conversion rate when A/B tested against other types of recommendations.

2 Shoppable lifestyle images

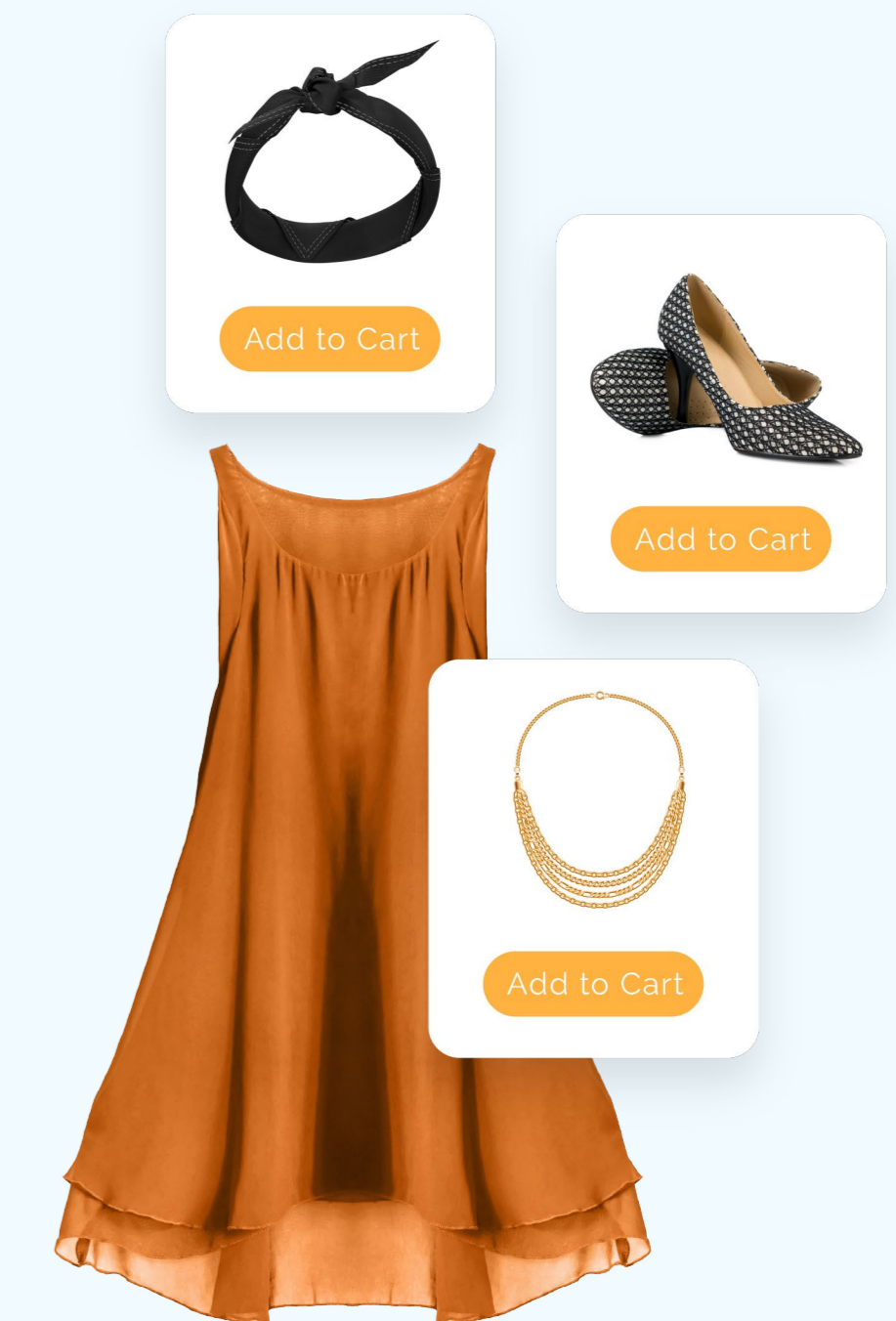
Rather than simply presenting neatly styled lifestyle imagery, retailers can turn these into complete, shoppable outfits or room designs. This helps customers accomplish their style goals, while driving up order values.

ViSenze's Shop The Look generates \$40 million in incremental revenue for a digitally native, global e-commerce retailer that targets young, fashion-forward consumers.



3 Complementary product recommendations

Going beyond styled photos, digital merchandisers can offer entirely new combinations of compatible products, using style attribute data to deliver fresh curations to every new customer.



ULTRA-FAST FASHION: GLOBAL E-COMMERCE TRENDS AND MARKET INSIGHTS

Two decades ago, brands like Zara dominated the market with their vertical approach to manufacturing and retailing by offering hundreds of new items a week. Nowadays, ultra-fast fashion retailers such as ASOS, Boohoo, Shein and Zalora are redefining the industry with their online-only approach and ultra-fast response to market demands, adding as many as 7,000 new styles to their website every week.⁹

7,000
new styles added to ASOS website every week.



Style savviness brings high returns

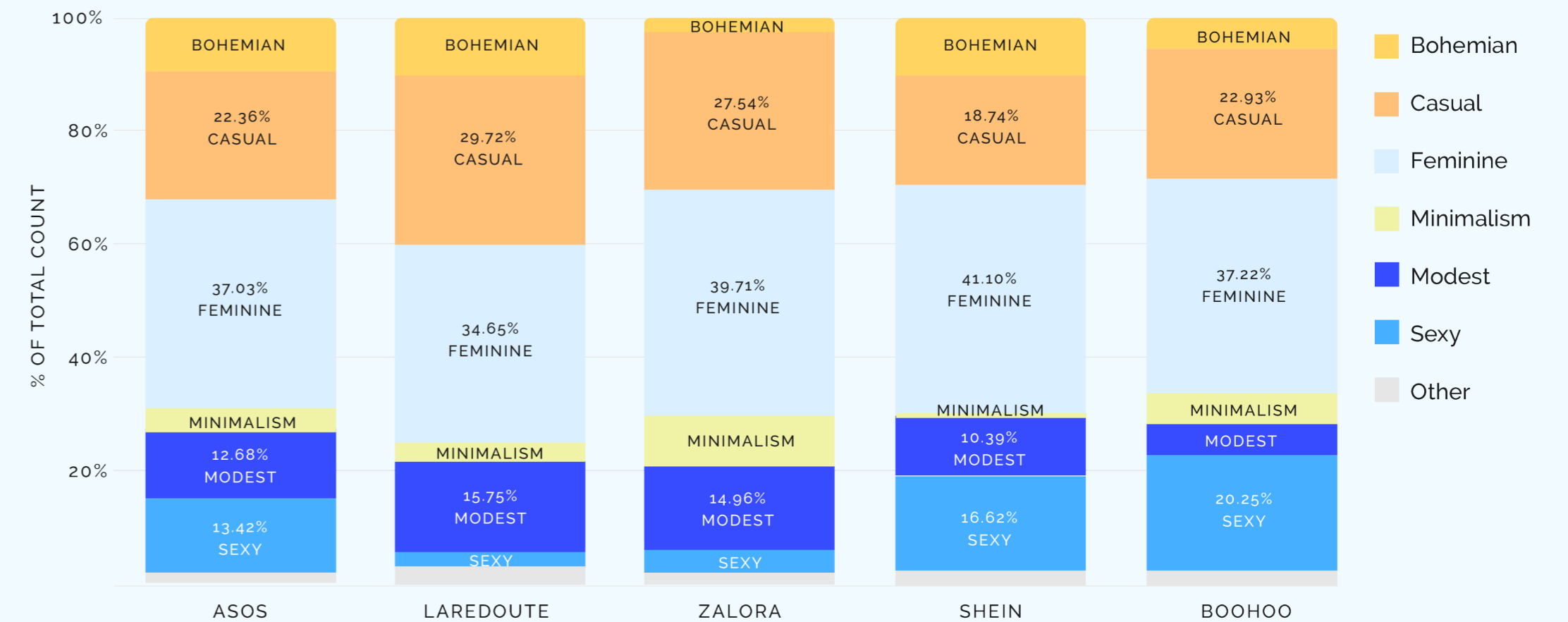
The strategy of responding immediately to market demands pays off, especially in difficult situations. The rest of the retail sector has been struggling, and legacy companies including J.Crew and Neiman Marcus filed for bankruptcy.¹⁰ Meanwhile:

- ▶ **ASOS** saw its sales rise rapidly from March to June 2021, allowing it to acquire distressed traditional brands Topshop, Topman and Miss Selfridge from Arcadia Group.¹¹
- ▶ **Boohoo** had its best quarters ever in 2021, having enough excess to buy Debenhams out of liquidation at the start of the year.¹²
- ▶ **Shein**, the world's hottest ultra-fast fashion startup, became the top shopping app on Android and iOS by new downloads in the U.S. in May 2021, according to App Annie.¹³
- ▶ **Zalora**, part of GFG Group, has not only captured the data to offer what its consumers need, but it also provides data solutions through its TRENDER tool. Launched in early 2020, TRENDER helps Zalora's merchant brands access valuable consumer insights around geosegmentation and buying behavior. It offers design intelligence plus assortment and pricing insights as well.¹⁴

9. theatlantic.com/magazine/archive/2021/03/ultra-fast-fashion-is-eating-the-world/617794
 10. nytimes.com/2020/05/14/business/coronavirus-retail-bankruptcies-private-equity.html
 11. theguardian.com/business/2021/feb/01/asos-buys-topshop-topman-miss-selfridge-arcadia
 12. bbc.com/news/business-55793411

DRESSES

Breakdown of styles by ultra-fast fashion retailers



Leading fashion brands take a data-first approach

The secret to these retailers' success is in knowing their customers' preferred styles extremely well. When it comes to the "Dress" product category, the majority of offerings across all retailers are basic pieces aligned with "Casual" and "Feminine" styles.

But for Boohoo and Shein, which cater mainly to Gen Z customers, the third most popular style is "Sexy" — inspired by celebrities and influencers who pose in slinky dresses on social media.

Meanwhile, for ASOS, La Redoute and Zalora, the third most popular dress style is instead "Modest" — completely in line with the

tastes of late-20-somethings and working professionals who buy from those brands.

To know their customers' styles in this much detail, all of these ultra-fast retailers live and breathe data. As Giulio Xiloyannis, Zalora's Chief Commercial Officer put it, "Zalora is a data first, before fashion company."¹⁵

Say, for instance, data reveals that most of Shein's consumers who shop for "Feminine Dress" styles also love dresses with "Puff Sleeves." The brand may not produce dresses with "Straight Sleeves" at all — despite seeing that competing brands feature them. In an incredibly fast-paced fashion cycle, these types of granular style insights can make all the difference.

13. forbes.com/sites/markfaithfull/2021/02/10/shein-is-chinas-mysterious-15-billion-fast-fashion-retailer-ready-for-stores/?sh=6cb627d46df5
 14. global-fashion-group.com/2020/04/16/zalora-launches-data-solution-product-trender
 15. omnilytics.co/blog/omnilytics-fashion-academy-how-to-boost-sales-with-fashion-analytics

TAKEAWAYS

Style is distinctly human — and often manually curated in retail environments. But few retailers are fully benefiting from what style can do as a data point.

It's time to scale that capability, gather deeper customer insights and impress even the most style-savvy shoppers.

Recognize style-defining experiences to draw deeper customer insights

When retailers have the ability to test and understand style-oriented preferences — and enrich their entire product catalog accordingly — brands can provide more personalized experiences that put the right products in front of the right shoppers.

Leverage AI for faster and more dynamic digital merchandising

Showing customers how to mix and match products together has long been a manual process for stylists and visual merchandisers. AI-driven tools can expand and scale this process, while delivering actionable insights based on how consumers engage.

Examine style as a rich source of data

As we've seen with the success of ultra-fast fashion retailers, keeping a finger on the pulse of consumers' aesthetic preferences by using style as a data point can pave the way to remarkable success.



ViSENZE

ABOUT VISENZE

ViSenze helps to improve product discoverability and customer insights at scale, uplifting your customer engagement and revenue. We do so by optimizing each stage of the customer journey through intelligent search, personalization and AI-powered recommendations. The ViSenze Marketplace is the world's largest visual shopping network, with more than 90 million monthly average users.

[VISENZE.COM](https://www.visenze.com)

