

**EXCERPT** from the Digital IQ Index®: **Fashion**  
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**DIGITAL IQ INDEX:**

# Fashion

December 5, 2013

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NYU Stern

# PROSPEROUS

A firm's market valuation is a function of earnings, growth, and—more recently—perceived digital competence. In fashion, all three have exploded resulting in robust shareholder appreciation post-recession.

Over the past five years, the S&P Global Luxury Index (comprised of 80 large, publicly traded luxury players) generated annual returns of 33 percent—nearly double the broader S&P 500.<sup>1</sup> On November 22, 2013, Vince (VNCE) became the first apparel company to go public in the U.S. since the debut of Michael Kors (KORS) in December 2011. Kors now boasts a \$16.7 billion market capitalization—greater than Tiffany & Co. (TIF) and Williams-Sonoma (WSM), combined. Prada (Hong Kong), Ferragamo (Milan), and Coach (via a secondary listing in Hong Kong) have all accessed the global public markets.

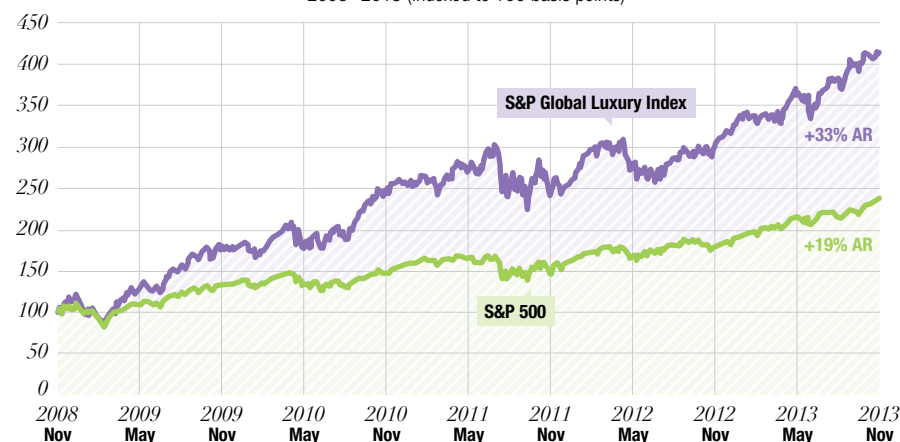
## What's *Digital* Got to Do with It?

A recent survey of affluent shoppers in nine countries confirmed the bulk of luxury purchases happen offline—however, the majority of respondents conduct online research prior to purchase.<sup>2</sup> The relative strength of the e-commerce channel varies depending on a country's digital maturity and cultural norms. For instance, in the United States, nearly 18 percent of luxury consumers shop online—outpacing a composite of mature markets.<sup>3</sup>

This is no fluke. Nearly 85 percent of Fashion brands support e-commerce in the U.S.—versus less than 50 percent across the EU-5. As a result, while overall sales of luxury goods is evenly distributed across the Americas, Europe, and other markets—the Americas drive 60 percent of online luxury sales.<sup>4</sup> Increasingly, Fashion brands are betting on opportunities outside the U.S.—with some brands skipping the incremental approach altogether. In September 2012, Versace launched its flagship e-commerce site in the U.K., France, Italy, and Germany—adding six countries (including the U.S.) the following month.<sup>5</sup> The brand was rewarded for this “all in” approach, experiencing a 300 percent increase in site traffic in 2013 (YTD).<sup>6</sup>

## Five-Year Performance: S&P Luxury vs. S&P 500

2008–2013 (Indexed to 100 basis points)



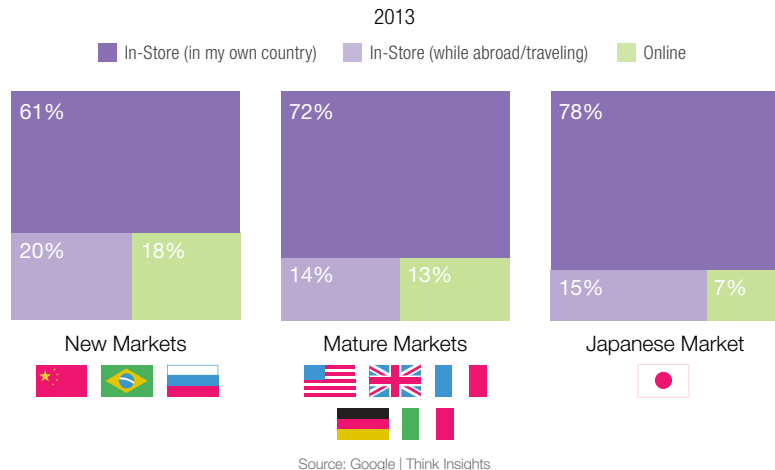
Source: McGraw Hill Financial

Company	Symbol	Market Cap (\$ millions)	One-Year Return
Fifth & Pacific Cos	FNP : New York	\$4,017	+168.72%
Ted Baker	TED : London	\$1,500	+118.94%
Salvatore Ferragamo	SFER : Milan	\$6,553	+67.48%
Michael Kors	KORS : New York	\$16,667	+52.82%
Tod's	TOD : Milan	\$5,185	+35.14%
Prada	1913 : Hong Kong	\$25,168	+21.35%
Burberry	BRBY : London	\$10,867	+18.71%
PVH Corp	PVH : New York	\$10,768	+14.83%
Kering	KER : Paris	\$26,940	+14.58%
Dior	CDI : Paris	\$34,285	+13.89%
Ralph Lauren	RL : New York	\$15,913	+11.63%
LVMH	MC : Paris	\$93,302	+1.70%
Coach	COH : New York	\$15,857	-0.56%

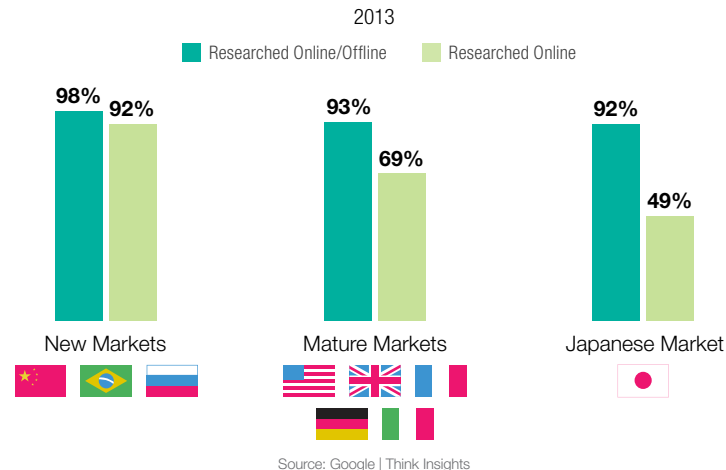
Note: All numbers as of December 3, 2013

1. "Dow Jones Indices: S&P Global Luxury Index: 5 Year Performance," McGraw Hill Financial, November 2013.  
2. "How Affluent Shoppers Buy Luxury Goods: A Global View," Google Think Insights, September 2013.  
3. "Fashion Online: How Affluent Shoppers Buy Luxury Goods (U.S. Sample)," Google Think Insights, September 2013.  
4. "Luxury Goods Worldwide Market Study: Fall 2013," Claudia D'Arpizio, Bain & Company, October 28, 2013.  
5. "Versace outfits its first e-commerce site," Stephen Cottenill, Internet Retailer, September 27, 2013.  
6. "Trend Report: Luxury Brands Online," PM Digital, September 2013.

## Where Do Affluent Shoppers Purchase Luxury Goods?



## Where Do Affluent Shoppers Search for Info on Luxury Goods?



## Blood in the Water

Just as sharks find food sensing activity and blood, the exorbitant margins and high growth in fashion has attracted a new competitor ... Apple. In October, the “tech” firm announced Angela Ahrendts was joining the firm to oversee its stores, becoming the second senior industry hire since Paul DeNeve (former CEO of Yves Saint Laurent).<sup>7</sup>

The notion that Ms. Ahrendts would leave the CEO job at Burberry, receiving \$27 million in compensation last year, and move her family to Cupertino to run Apple’s stores is, in our view, not credible.<sup>8</sup> A more likely conversation: “We (Apple) are going to be the world’s premier fashion brand, any interest?” The upside is dramatic. Apple is the best brand in the world, yet trades at 8x EBITDA, versus 18x for Michael Kors.

## Isolationists vs. Realists

When Amazon announced entry into the fashion space last year, brands expressed skepticism.<sup>9</sup> Despite mixed reviews of the initial offering, the retail giant shows no signs of backing

down. In October, Amazon opened a 40,000 square-foot photo studio in Brooklyn to address early criticisms.<sup>10</sup>

Today, more than half of Fashion brand term searches on Amazon yield relevant (non-Beauty) results. A third of product results qualify for Amazon Prime (direct fulfillment) and nearly a sixth of brands have set up a “store” that allows users to compartmentalize searches. In addition, some brands have begun an awkward dance, agreeing to advertise with the online Megaladon in exchange for cleaning up their brand’s presence (imagery, pricing, etc.). Amazon is forcing luxury brands into two camps— isolationists and realists.

## Shark Repellant

There are only two ways to signal innovation and repel attacks: product development and digital innovation. The fashion sector’s product development, post-recession, does not justify the price increases levied on the consumer. However, digital innovation among Fashion brands has been an inspiration to businesses globally. The efforts continue.

Nearly one in five Fashion brands announced site upgrades in 2013—embracing new norms set by Index leaders. More than two thirds of brands now support a mobile site—chasing a 250 percent rise in (fashion-specific) mobile orders observed during the first half of 2013.<sup>11</sup>

## Digital IQ = Shareholder Value

Our thesis is that digital competence is linked to shareholder value. This study attempts to quantify the digital competence of 85 Fashion brands. Our aim is to provide a tool for identifying strengths and weaknesses, helping brands achieve greater return on digital investment. Like the medium we are assessing, our approach is dynamic. Please reach out with comments that improve our methodology and findings.

**SCOTT GALLOWAY**  
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7. “Angela Ahrendts to Join Apple as Senior Vice President of Retail and Online Stores,” Press Release, Apple, October 14, 2013.

8. “Apple Must Be Paying New Hire Angela Ahrendts Gobs of Cash Since She Made –\$27 Million Last Year,” Alyson Shontell, Business Insider, October 15, 2013.

9. “Fashion tests Amazon mantra of low prices,” Barney Jopson, Financial Times, October 10, 2012.

10. “Amazon wooes fashion industry as new studio opens in N.Y.,” Jay Greene, The Seattle Times, October 21, 2013.

11. “Fashion mobile orders see 250% rise, with three quarters of brands now tracking mobile sales,” Paul Skeldon, Internet Retailing, November 13, 2013.



## About the Ranking

### The Methodology

**40%**

*Site*

**Effectiveness of Brand Site**

**Technology**

**Search & Navigation**

**Product Pages**

**Customer Service & Store Locator**

**E-Commerce & Checkout**

**Account & Personalization**

**Fulfillment:**

Delivery Time, Packaging & Presentation,  
Return Process, Refund Turnaround

**30%**

*Digital Marketing*

**Search, Display, and Email Marketing Efforts**

**Search:**

Traffic, Web Authority, SEO/SEM

**Email:**

Ease of Sign-Up, Frequency, Content, Behavioral  
Triggers

**Blog & Other User-Generated Content:**

Mentions, Sentiment, and Brand Activity on Industry-  
Specific Outlets (Style.com, StyleList, Refinery29,  
Racked, etc.)

**Advertising and Innovation:**

Display, Retargeting, Cross-Platform Initiatives

**15%**

*Mobile*

**Compatibility, Optimization, and  
Marketing on Smartphones and Tablets**

**Smartphone Experience:**

Compatibility, Functionality, Ability to  
Transact

**Tablet Experience:**

Compatibility, Responsiveness, UI/UX  
Optimization

**Mobile Search:**

SEO/SEM, Localization

**Mobile Innovation:**

Geolocal, iOS & Android Applications, SMS

**15%**

*Social Media*

**Brand Presence, Community Size,  
Content, and Engagement**

**Facebook:**

Likes, Annual Growth, Custom Tabs &  
Apps, Responsiveness, Engagement

**YouTube:**

Search Visibility, Channel Experience,  
Video Views, Virality of Content

**Twitter:**

Followers, Annual Growth, Frequency,  
Online Voice

**Instagram:**

Presence, Community Size, Engagement

**Emerging Social Media:**

Pinterest, Google+, Tumblr

### Digital IQ Classes

#### Genius 140+

Digital competence is a point of competitive differentiation for these brands. Site is shoppable, searchable, and mobile-optimized.

#### Gifted 110–139

Brands are experimenting and innovating across site, mobile, and social platforms. Digital presence is consistent with brand image and larger marketing efforts.

#### Average 90–109

Digital presence is functional yet predictable. Efforts are often siloed across platforms.

#### Challenged 70–89

Limited or inconsistent adoption of mobile and social media platforms. Sites lack inspiration and utility.



#### Feeble <70



Investment does not match opportunity.

# Digital IQ Ranking

## Genius, Gifted

RANK	BRAND	DIGITAL IQ
1	<b>BURBERRY</b> Burberry Group	<b>Genius</b> 142
2	<b>GUCCI</b> Kering	140

RANK	BRAND	DIGITAL IQ
3	<b>RALPH LAUREN</b> Ralph Lauren Corporation	<b>Gifted</b> 138
4	<b>kate spade</b> Fifth & Pacific Companies	137
5	 <b>TORY BURCH</b> Tory Burch	136
6	<b>COACH</b> Coach	135
6	<b>MARC JACOBS</b> LVMH	135
8	 Diane von Furstenberg	134
9	<b>Calvin Klein</b> PVH Corp.	133

RANK	BRAND	DIGITAL IQ
10	<b>TOMMY HILF</b>  <b>HILFIGER</b> PVH Corp.	132
11	<b>GIORGIO ARMANI</b> Giorgio Armani Corporation	130
11	<b>Juicy Couture®</b> Authentic Brands Group	130
11	<b>LOUIS VUITTON</b> LVMH	130
11	<b>MICHAEL KORS</b> Michael Kors	130
15	<b>HUGO BOSS</b> Red & Black Holding	129
16	 VF Corporation	120

Burberry  
Gucci  
Ralph Lauren  
Kate Spade  
Tory Burch  
Coach  
Marc Jacobs  
Diane Von Furstenberg  
Calvin Klein  
Tommy Hilfiger  
Giorgio Armani  
Juicy Couture  
Louis Vuitton  
Michael Kors  
Hugo Boss  
7 For All Mankind  
Stella McCartney  
BCBG Max Azria  
Kenneth Cole  
Bottega Veneta  
Dolce & Gabbana  
Cole Haas  
Ted Baker  
John Varvatos  
Lacoste  
Thomas Pink  
Versace  
Stuart Weitzman  
Valentino  
Balenciaga  
Vineyard Vines  
Chanel  
Paul Smith  
Alexander McQueen  
Lanvin  
Saint Laurent  
Donna Karan  
Rebecca Minkoff  
Christian Louboutin  
Mulberry  
Roberto Cavalli  
Ermenegildo Zegna  
Vince  
Hermès  
Alice + Olivia  
Belstaff  
Jimmy Choo  
rag & bone  
Salvatore Ferragamo  
Oscar de la Renta  
Theory  
Longchamp  
Prada  
Elie Tahari  
L.K. Bennett  
Dior  
Helmut Lang  
Vivienne Westwood  
Emilio Pucci  
Alfred Dunhill  
Fendi  
Missoni  
Miu Miu  
Sergio Rossi  
Moncler  
Badgley Mischka  
Bally  
Jil Sander  
La Perla  
Max Mara  
Tod's  
John Lobb  
Carolina Herrera  
Catherine Malandrino  
Chloé  
Loro Piana  
Givenchy  
Escada  
Kiki de Montpamasse  
Celine  
Lancel  
Derek Lam  
Zac Posen  
Manolo Blahnik  
Goyard

# Digital IQ Ranking








## Gifted, Average

RANK	BRAND	DIGITAL IQ	RANK	BRAND	DIGITAL IQ	RANK	BRAND	DIGITAL IQ
16	STELL/McCARTNEY Kering	120	24	john varvatos Lion Capital	114	30	 vineyard vines® Vineyard Vines	111
18	BCBGMAXAZRIA BCBG Max Azria Group	117	25	 LACOSTE Lacoste	113	32	CHANEL CHANEL	110
18	 KENNETH COLE Kenneth Cole Productions	117	25	 PINK THOMAS PINK JERMYN STREET LONDON LVMH	113	32	Paul Smith Chanel	110
20	BOTTEGA VENETA Kering	116	25	VERSACE Gianni Versace	113	34	ALEXANDER MCQUEEN Kering	Average 107
20	DOLCE & GABBANA Dolce & Gabbana Holding	116	28	STUART WEITZMAN The Jones Group	112	34	LANVIN PARIS Lanvin	107
22	COLEHAAN Apax Partners	115	28	VALENTINO Valentino	112	34	SAINT LAURENT PARIS Kering	107
22	TED BAKER LONDON Ted Baker	115	30	BALENCIAGA Kering	111	37	DONNA KARAN NEW YORK LVMH	106

Burberry  
Gucci  
Ralph Lauren  
Kate Spade  
Tory Burch  
Coach  
Marc Jacobs  
Diane Von Furstenberg  
Calvin Klein  
Tommy Hilfiger  
Giorgio Armani  
Juicy Couture  
Louis Vuitton  
Michael Kors  
Hugo Boss  
7 For All Mankind  
Stella McCartney  
BCBG Max Azria  
Kenneth Cole  
Bottega Veneta  
Dolce & Gabbana  
Cole Haan  
Ted Baker  
John Varvatos  
Lacoste  
Thomas Pink  
Versace  
Stuart Weitzman  
Valentino  
Balenciaga  
Vineyard Vines  
Chanel  
Paul Smith  
Alexander McQueen  
Lanvin  
Saint Laurent  
Donna Karan  
Rebecca Minkoff  
Christian Louboutin  
Mulberry  
Roberto Cavalli  
Ermenegildo Zegna  
Vince  
Hermès  
Alice + Olivia  
Belstaff  
Jimmy Choo  
rag & bone  
Salvatore Ferragamo  
Oscar de la Renta  
Theory  
Longchamp  
Prada  
Elie Tahari  
L.K. Bennett  
Dior  
Helmut Lang  
Vivienne Westwood  
Emilio Pucci  
Alfred Dunhill  
Fendi  
Missoni  
Miu Miu  
Sergio Rossi  
Moncler  
Badgley Mischka  
Bally  
Jil Sander  
La Perla  
Max Mara  
Tod's  
John Lobb  
Carolina Herrera  
Catherine Malandrino  
Chloé  
Loro Piana  
GivENCHY  
Escada  
Kiki de Montparnasse  
Celine  
Lancel  
Derek Lam  
Zac Posen  
Manolo Blahnik  
Goyard

# Digital IQ Ranking





## Gifted, Average

RANK	BRAND	DIGITAL IQ	RANK	BRAND	DIGITAL IQ	RANK	BRAND	DIGITAL IQ
37	REBECCAMINKOFF	106	45		100	52	LONGCHAMP PARIS	98
	Rebecca Minkoff			Alice + Olivia			Longchamp	
39		104	45	BELSTAFF	100	52	PRADA	98
	Christian Louboutin			Labelux Group			Prada	
39	 MULBERRY	104	45	JIMMY CHOO	100	54	ELIE TAHARI	97
	Mulberry Group			Labelux Group			Elie Tahari	
39	roberto cavalli	104	45	rag & bone	100	54	L.K.Bennett London	97
	Roberto Cavalli			rag & bone			Phoenix Equity Partners / Sirius Equity	
42	Ermenegildo Zegna	103	45		100	56	Dior	96
	Ermenegildo Zegna			Salvatore Ferragamo Italia			LVMH	
42	VINCE.	103	50		99	56	HELMUT LANG	96
	Vince Holding Corp.			Oscar de la Renta			Fast Retailing Co	
44	 HERMÈS PARIS	101	50	t h e o r y	99	56		96
	Hermès International			Fast Retailing Co			Vivienne Westwood	

Burberry  
Gucci  
Ralph Lauren  
Kate Spade  
Tory Burch  
Coach  
Marc Jacobs  
Diane Von Furstenberg  
Calvin Klein  
Tommy Hilfiger  
Giorgio Armani  
Juicy Couture  
Louis Vuitton  
Michael Kors  
Hugo Boss  
7 For All Mankind  
Stella McCartney  
BCBG Max Azria  
Kenneth Cole  
Bottega Veneta  
Dolce & Gabbana  
Cole Haan  
Ted Baker  
John Varvatos  
Lacoste  
Thomas Pink  
Versace  
Stuart Weitzman  
Valentino  
Balenciaga  
Vineyard Vines  
Chanel  
Paul Smith  
Alexander McQueen  
Lanvin  
Saint Laurent  
Donna Karan  
Rebecca Minkoff  
Christian Louboutin  
Mulberry  
Roberto Cavalli  
Ermenegildo Zegna  
Vince  
Hermès  
Alice + Olivia  
Belstaff  
Jimmy Choo  
rag & bone  
Salvatore Ferragamo  
Oscar de la Renta  
Theory  
Longchamp  
Prada  
Elie Tahari  
L.K. Bennett  
Dior  
Helmut Lang  
Vivienne Westwood  
Emilio Pucci  
Alfred Dunhill  
Fendi  
Missoni  
Miu Miu  
Sergio Rossi  
Moncler  
Badgley Mischka  
Bally  
Jil Sander  
La Perla  
Max Mara  
Tod's  
John Lobb  
Carolina Herrera  
Catherine Malandrino  
Chloé  
Loro Piana  
Givenchy  
Escada  
Kiki de Montparnasse  
Celine  
Lancel  
Derek Lam  
Zac Posen  
Manolo Blahnik  
Goyard

# Digital IQ Ranking

Average, Challenged, Feeble

RANK	BRAND	DIGITAL IQ	RANK	BRAND	DIGITAL IQ	RANK	BRAND	DIGITAL IQ
59	<b>EMILIO PUCCI</b> LVMH	90	66	<b>BADGLEY MISCHKA</b> Iconix Brand Group	83	73	<b>CAROLINA HERRERA</b> NEW YORK Puig	74
60	<b>ALFRED DUNHILL</b> Compagnie Financière Richemont	Challenged 89	66	<b>BALLY</b> Labelux Group	83	73	<b>CATHERINE MALANDRINO</b> Bluestar Alliance	74
61	<b>FENDI</b> LVMH	87	68	<b>JILSANDER</b> Onward Holdings Co.	79	75	<b>Chloé</b> Compagnie Financière Richemont	Feeble 69
61	<b>MISSONI</b> Missoni	87	68	<b>LA PERLA</b> SMS Finance	79	75	 <b>Loro Piana</b> LVMH	69
61	<b>MIU MIU</b> Prada	87	70	<b>MaxMara</b> Max Mara	78	77	<b>GIVENCHY</b> LVMH	63
61	<b>sergio rossi</b> Kering	87	71	 <b>TOD'S</b> Tod's	76	78	<b>ESCADA</b> Escada Group	62
65	 <b>MONCLER</b> The Moncler Group	86	72	 <b>JOHN LOBB</b> Hermès International	75	79	<b>KIKI DE MONTPARNASSE</b> Kiki de Montparnasse	58

Burberry  
Gucci  
Ralph Lauren  
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Oscar de la Renta  
Theory  
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Celine  
Lancel  
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Zac Posen  
Manolo Blahnik  
Goyard



## Digital IQ Ranking

### Feeble

RANK	BRAND	DIGITAL IQ
80	<b>CÉLINE</b> LVMH	55
81	<b>LANCEL</b> Compagnie Financière Richemont	49
82	<b>DEREK LAM</b> Derek Lam International	46
82	<b>ZAC POSEN</b> Zac Posen - House of Z	46
84	<b>MANOLO BLAHNIK</b> Manolo Blahnik	37
85	<b>GOYARD</b> PARIS Goyard Limited	36

Burberry  
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Ralph Lauren  
Kate Spade  
Tory Burch  
Coach  
Marc Jacobs  
Diane Von Furstenberg  
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Tommy Hilfiger  
Giorgio Armani  
Juicy Couture  
Louis Vuitton  
Michael Kors  
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Stella McCartney  
BCBG Max Azria  
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Dolce & Gabbana  
Cole Haan  
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Vince  
Hermès  
Alice + Olivia  
Belstaff  
Jimmy Choo  
rag & bone  
Salvatore Ferragamo  
Oscar de la Renta  
Theory  
Longchamp  
Prada  
Elie Tahari  
L.K. Bennett  
Dior  
Helmut Lang  
Vivienne Westwood  
Emilio Pucci  
Alfred Dunhill  
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Miu Miu  
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Moncler  
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Bally  
Jil Sander  
La Perla  
Max Mara  
Tod's  
John Lobb  
Carolina Herrera  
Catherine Malandrino  
Chloé  
Loro Piana  
Givenchy  
Escada  
Kiki de Montpamasse  
Céline  
Lancel  
Derek Lam  
Zac Posen  
Manolo Blahnik  
Goyard

## Key Findings *Site*

### Site

A recent survey of luxury purchasers confirms that affluent shoppers prefer to buy directly from the brand—both online and offline.<sup>1</sup> However, when purchasing online, respondents are closely split between buying through a brand site (39 percent) or through a non-specialized, multi-brand site (36 percent). This substitutability between competing channels underscores pressure to enhance, iterate, and refine site offerings.

Since the 2012 Index, three brands have launched e-commerce: Versace (October 2012), Badgley Mischka (December 2012), and Missoni (March 2013). Alongside these platform changes, 14 brands overhauled their legacy sites—streamlining navigation elements, upgrading image collateral, improving the checkout process, or enhancing the site experience on tablet devices.

Although 84 percent of Fashion brands now support direct e-commerce, adoption of advanced customer service features lags benchmarks set by the retail sector. A recent survey suggests that the third most important factor in choosing a retailer is the ability to buy online and pick up in-store.<sup>2</sup> Despite high demand for this feature, only 6 percent of Fashion brands, versus 14 percent of *Specialty Retail* brands, offer consumers the option.

Twelve percent of Fashion brands offer varying degrees of on-site product customization, enabling the consumer to design and order a signature item. From “Longchamp Le Pliage” to the “Bally Scribe,” interactive design applets offer a personalized approach to engage with the customer via the brand site.

### Fashion: Change in Site Features Over Time

2010–2013

■ 2010 (n=43) ■ 2011 (n=49) ■ 2012 (n=64) ■ 2013 (n=85)



*Specialty Retail Benchmarks*

**BALLY**

STEP 1 of 2: STYLE

STEP 2 of 2: DESIGN

Bally Scribe makes-to-order shoes are personalized across five dimensions. Bally's site features behind-the-scenes craftsmanship videos and tips from creative director Graeme Fidler.

**TED BAKER**

AVAILABLE AT YOUR PREFERRED STORE

SELECT A TED STORE

NEW YORK - TED BAKER

100 CANAL STREET

NEW YORK, NY 10013

212 343 8888

TED BAKER LONDON

**TED BAKER**

LONDON

Ted Baker offers real-time inventory from the product page, defaulting to your “preferred store” for availability.

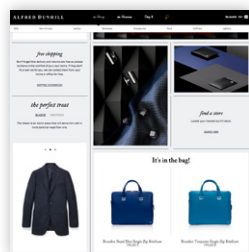
1. “Fashion Online: How Affluent Shoppers Buy Luxury Goods”, Google Think Insights, September 2013.  
2. “UPS Pulse of the Online Shopper – A Customer Experience Study”, comScore, May 2013.

## Key Findings *Site*

### Europe

Sales of luxury goods are evenly trifurcated between the United States, Europe, and the rest of the world.<sup>3</sup> However, e-commerce sales of luxury goods are largely an American experience—60 percent occur in the U.S. versus only 25 percent in the EU.<sup>4</sup> This is not because European consumers do not buy online. In fact, e-commerce is now growing faster in Western Europe and is expected to equal 69 percent of the U.S. e-commerce market by 2017.<sup>5,6</sup>

Whereas 84 percent of Fashion brands now support e-commerce in the U.S., only 19 percent offer international shipping to the EU-5. Less than half of Fashion brands maintain local e-boutiques across all of the EU-5 countries. Only two fifths have implemented full language support in French, German, or Italian spanning both navigation menus and product descriptions.

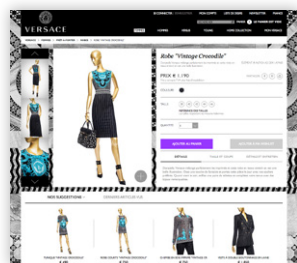


**ALFRED DUNHILL**  
ESTABLISHED 1893

Alfred Dunhill supports country-specific e-boutiques, yet fails to customize the experience beyond basic currency conversion.

**VERSACE**

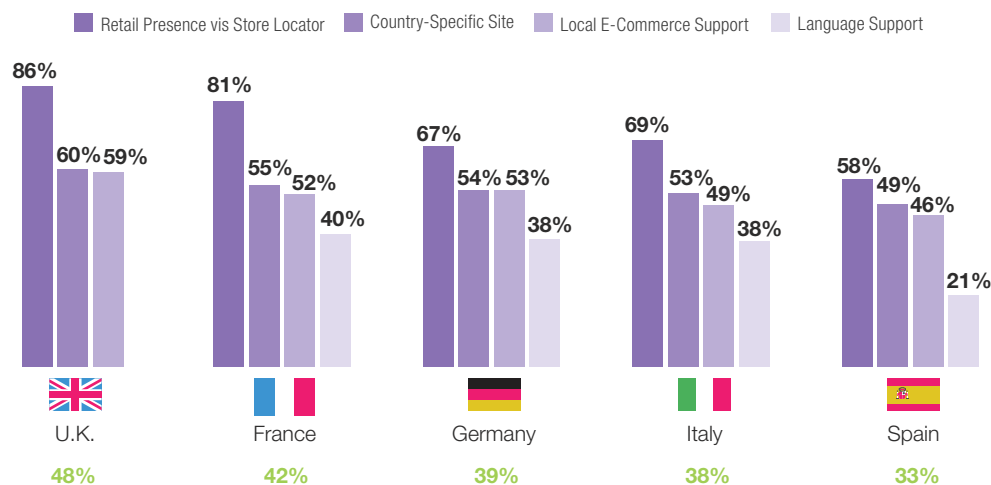
Versace is among a select group of brands that maintains distinct e-boutiques for each of the EU-5, including currency conversion and full language translation of site content.



3. "2013 Luxury Goods Worldwide Market Study," Bain & Company & Fondazione Altamagnum, October 28, 2013.
4. Ibid.
5. "U.S. Online Retail Forecast: 2012-2017," Sucharita Mulpuru, Forrester Research, March 13, 2013.
6. "European Online Retail Forecast: 2012-2017," Martin Gill and Zia Daniell Wigder, Forrester Research, March 13, 2013.

### Fashion: E-Commerce Support Across EU-5

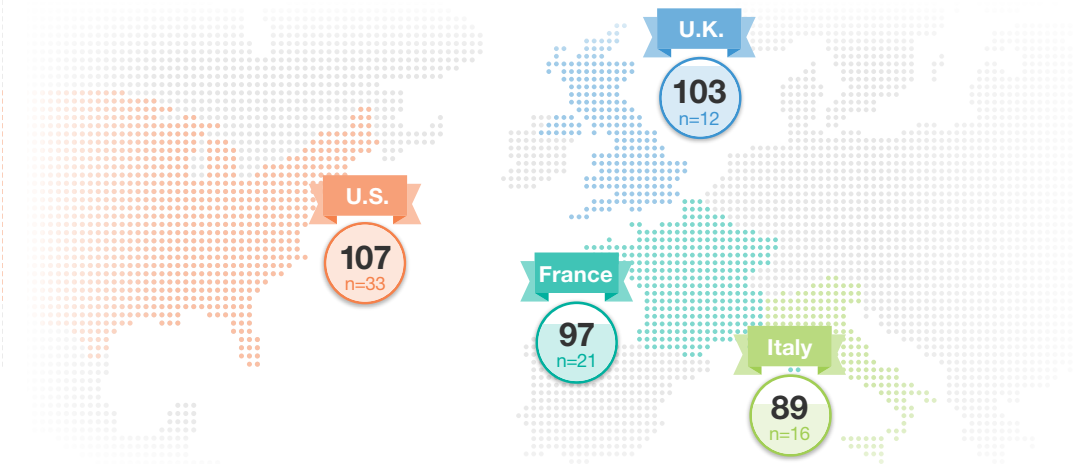
October 2013, n=85



2012: Local E-Commerce Support

### Fashion: Average Digital IQ Score by Brand HQ

2013 (Number of Brands)



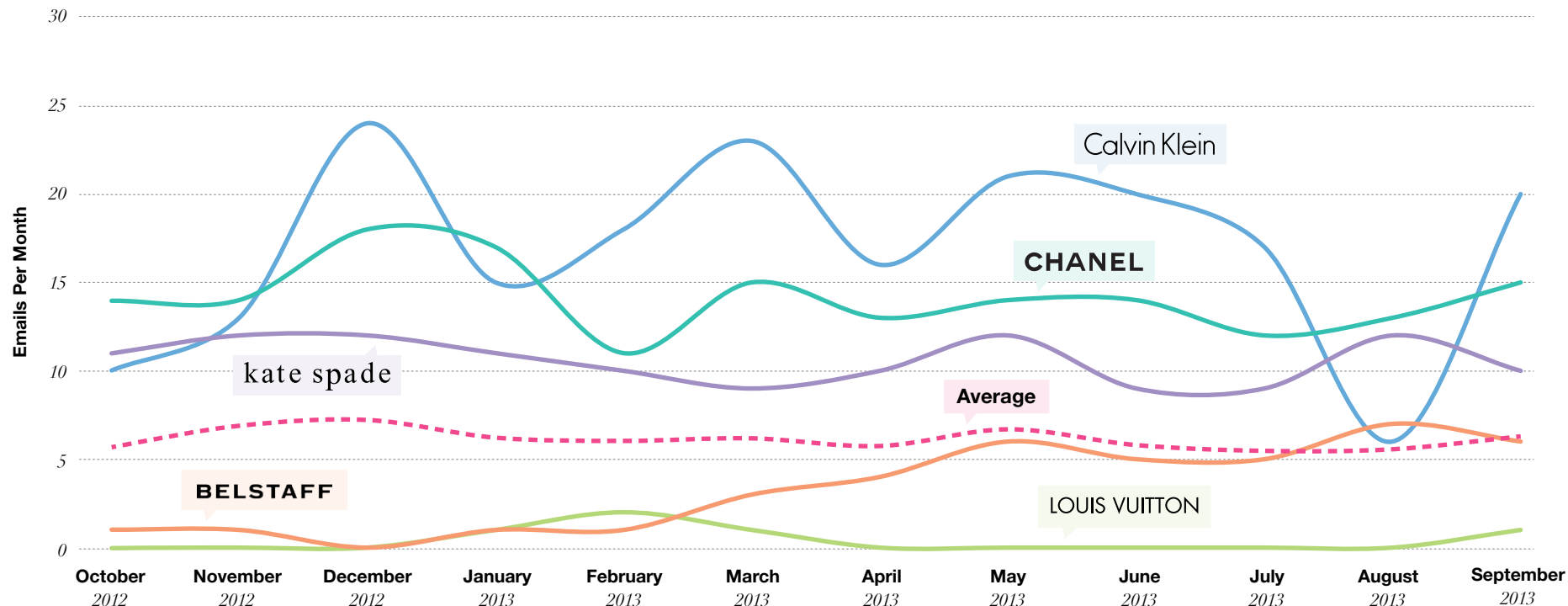
## Key Findings *Digital Marketing*

### SPOTLIGHT: Email Frequency



#### Email Frequency: Select Fashion Brands vs. Index Average

October 2012–September 2013



#### Calvin Klein

Calvin Klein ramps up email marketing during the holiday season—sending 24 emails in December 2012 alone.

#### CHANEL

Chanel traces its above-average frequency to Beauty content—by default, newsletter sign-up opts users into four distinct mailings (Fashion, Fragrance & Beauty, Watches & Fine Jewelry, and Chanel-News).

#### kate spade

Kate Spade's consistency is enhanced by a diversity of content, spanning guides and new arrivals, to surprise sales and blog content.

#### BELSTAFF

In April, Belstaff achieved weekly distribution of email content—and continues to gradually dial up frequency.

#### LOUIS VUITTON

In stark contrast, Louis Vuitton only sends announcements about major fashion shows (March and September) or the launch of new campaigns.

## Key Findings *Social Media*



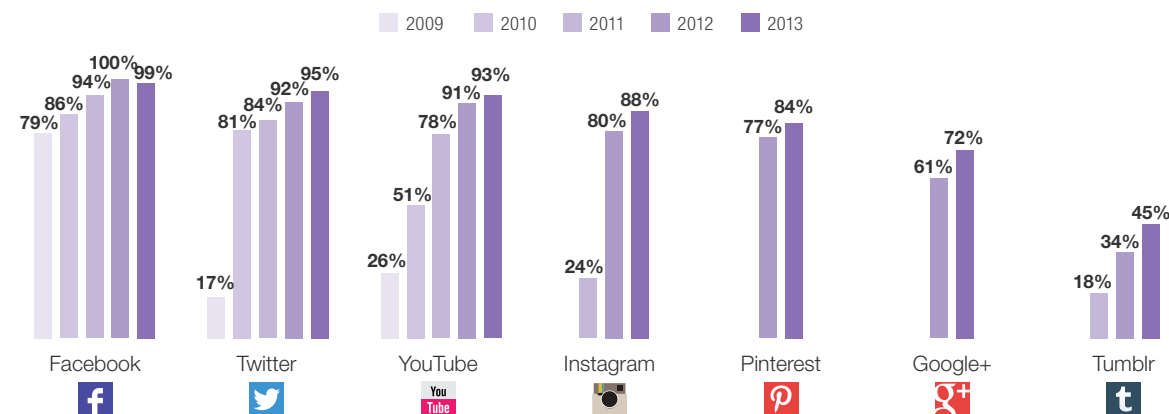
### Social

A recent cross-sector study of e-commerce operations suggests that social media is not a significant driver of site traffic (1.55 percent of visitors on average) or customer conversion (0.71 percent—versus 1.95 percent for search and 3.19 percent for email).<sup>7</sup> Despite this sobering data, the authors did not advocate a reduction in social media efforts, but a recognition that these platforms do not conform to the mechanics or metrics traditionally associated with direct marketing channels.

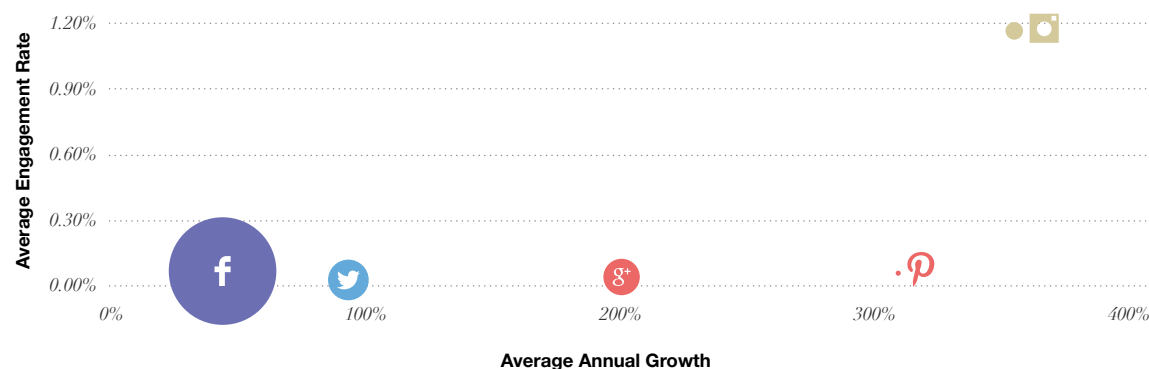
Fashion brands—frequently cited as early innovators on these platforms—show little sign of slowing down. Ninety percent of brands now maintain an active presence across each of the three major social platforms (Facebook, Twitter, and YouTube), and 61 percent have already extended their efforts to Instagram, Pinterest, and Google+ (maintaining active programming across six distinct platforms).

Much of the past year has been spent assessing investments in Instagram versus Pinterest. As Instagram does not allow links, comparisons focus on relative community size and engagement. Here there is no contest. Among Fashion brands, the average Instagram account secures 11 times the followers and 19 times the engagement of its counterpart on Pinterest. Four brands have secured more than a million followers on Instagram (Christian Louboutin, Michael Kors, Burberry, and Louis Vuitton)—whereas no one has surpassed 200,000 followers on Pinterest.

**Fashion: Social Media Adoption**  
Percentage of Brands with Official Platform Presence  
2009-2013, n=85



**Fashion: Comparative Metrics by Social Platform**  
2012-2013, n=85



	f	g+	t	i	p
Size	2,138,582	545,139	393,574	228,687	20,229
Growth	+43%	+197%	+92%	+348%	+304%
Engagement	0.08%	0.05%	0.03%	1.16%	0.06%

\*Diameter of circle represents average community size.

7. "Ecommerce Quarterly: EQ1 2013," Monetate, May 22, 2013.



## Key Findings *Mobile*



### Mobile Sites

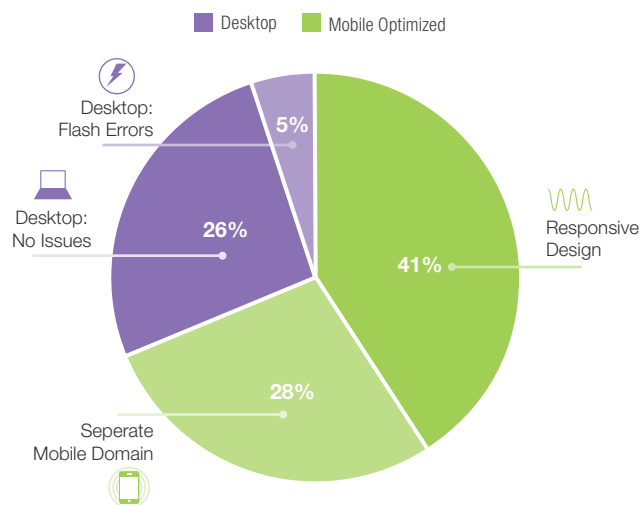
Data suggests three out of four mobile searches trigger a follow-up action. Within the shopping category, 51 percent of users visit the retailer's site—twice the number who visit the store in person and quadruple the number who call the business directly.<sup>8</sup> After years of paying lip service to mobile sites, the Fashion industry hit two major milestones in 2013. For the first time, a majority of Fashion brands both maintain a mobile-optimized site (69 percent) and offer mobile-optimized commerce (55 percent).

Brands ignore mobile at their own peril. L2 data confirms that Fashion destinations without mobile optimization suffer higher bounce rates (37 percent versus 29 percent). In addition, mobile-friendly brands can tap into previously unexploited pockets of revenue. In December 2012, Gucci launched its new mobile site. Within a month, the brand experienced a fourfold increase in mobile revenues—traced to a 150 percent increase in site traffic and a 70 percent bump in conversion rates.<sup>9</sup>

Gucci is not alone. Since the 2012 Index, L2 observed the launch of 10 responsive design sites, six new mobile domains, and two upgrades to existing mobile sites that previously lacked m-commerce (Louis Vuitton and Hugo Boss). Currently, only 8 percent of brands favor an app-first approach to mobile—versus 44 percent that lead with a mobile-optimized site (26 percent maintain both).

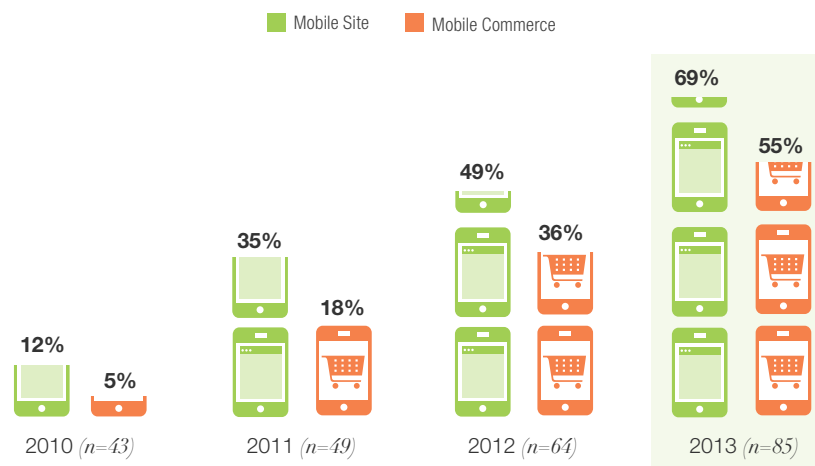
### Fashion: Site Configuration on Smartphones

October 2013, n=85



### Fashion: Evolution of Mobile Sites Across Time

2010–2013



8. "Mobile Search Moments: Understanding How Mobile Drives Conversion," Google & Nielsen, March 2013.

9. "Gucci.com on Mobile," Recent Work: Interpublic Group (Huge), 2013.

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## About L2



### L2 is a think tank for digital innovation.

*We are a membership organization that brings together thought leadership from academia and industry to drive digital marketing innovation.*

#### RESEARCH



**Digital IQ Index®:** The definitive benchmark for online competence, Digital IQ Index® reports score brands against peers on more than 600 quantitative and qualitative data points, diagnosing their digital strengths and weaknesses.

**L2 Collective®:** Series of benchmarking reports designed to help member brands better understand resources, human capital, budgets, and priorities supporting digital strategies.



#### EVENTS

**Forums:** Big-picture thinking and game-changing innovations meet education and entertainment. The largest gatherings of prestige executives in North America.  
*300+ attendees*

**Clinics:** Executive education in a classroom setting with a balance of theory, tactics, and case studies.  
*120–180 attendees*

**Working Lunches:** Members-only lunches led by digital thought leaders and academics. Topic immersion in a relaxed environment that encourages open discussion.  
*40–80 attendees*



#### CONSULTING

**Advisory Services:** L2 works with brands to garner greater return on investment in digital initiatives. Advisory work includes Digital Roadmaps, Social Media Strategy, and Organizational Strategy engagements.



#### MEMBERSHIP

For membership info and inquiries: [membership@L2ThinkTank.com](mailto:membership@L2ThinkTank.com)

### Upcoming Events

#### LUNCH: YEAR IN REVIEW

*December 12, 2013 · New York City*

#### LUNCH: RESEARCH BRIEFING

*January 7, 2014 · Brazil*

#### LUNCH: FOCUS 2014

*January 9, 2014 · Geneva*

#### LUNCH: FOCUS 2014

*January 14, 2014 · Paris*

#### BREAKFAST: FOCUS 2014

*January 15, 2014 · London*

#### CLINIC: AMAZON

*January 23, 2014 · New York City*

### Upcoming Research

#### DIGITAL IQ INDEX® REPORT:

*Home Care*

*China: CPG*

*Sportswear*

*EU Beauty*

**EXCERPT** from the Digital IQ Index®: **Fashion**  
To access the full report, contact [membership@L2ThinkTank.com](mailto:membership@L2ThinkTank.com)



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