

# In Focus: Technology

## RETAIL

## Shining a Light On Amazon's Private Labels

- L2 examines Amazon's four private label apparel brands for men's and women's.

BY ARTHUR ZACZKIEWICZ

After launching four private label fashion and footwear lines a year ago this month, Amazon Inc. has yet to see the brands crack its own "bestseller" rankings.

But several of the private label categories have "long tail" selling potential (meaning these products will sell well, but not garner a top 10 selling spot on the site), according to a just-released report from L2.

The authors of the report also noted that "Amazon has yet to invest significantly in features that could improve its search relevance [for the private label brands], but will likely ramp-up optimization efforts once it has determined the categories in which its fashion brands are most competitive."

The four brands are Franklin & Freeman (men's boots and loafers); Franklin

Tailored (men's suits and sport coats); James & Erin (women's casual dresses and tops/tees), and Society New York (women's cocktail dresses and sweaters).

Of the eight categories of apparel and footwear offered, L2 said none had been optimized for searches and none had made it as a bestseller. But six of the eight – men's boots, men's sport coats, women's casual dresses, women's tops/Ts, women's cocktail dresses and women's sweaters – had long tail potential. Also, four of the categories – men's boots, men's loafers, women's cocktail dresses and women's sweaters – had "competitive pricing."

Amazon's push to go deeper into private label is based on sales of its electronics and batteries. "Amazon's success with private label brands to date is best exemplified by AmazonBasics, its brand for consumer electronics, which now accounts for one-third of all batteries sold online in the U.S.," the L2 researchers said. "Building on previous private label success, Amazon is



now breaking into the fashion industry."

The launch of private label brands dates back to the 19th century. Macy's was an innovator in the business with a variety of consumer products sold highlighting its red star. Brooks Brothers is considered by scholars to be one of the first retailers (not tailors) to offer ready-to-wear shirts under its own moniker. In the 20th century, Macy's and Sears & Roebuck as well as supermarket chain A&P all expanded their private label programs, with the two department store and catalogue firms

# 20%

Amazon's projected market share of apparel by 2020.

offering a variety of apparel.

For its part, Amazon is seen grabbing nearly 20 percent of the apparel market by 2020, according to a report last year by Morgan Stanley. Analysts expect the company to achieve it with well-known apparel and footwear brands as well as its own private labels. This drive to dominate the market is putting pressure on retailers as well as fashion brands.

"Amazon's private label fashion brands pose the biggest threat to legacy brands in men's shoes, women's cocktail dresses and women's sweaters, as those are the categories with significant long-tail opportunity," the L2 authors said in their report. "In categories where long-tail brands have a smaller collective share of voice – like sport coats, blazers and men's suits – private label brands pose the least risk."

Subsequently, brands need to strategize – now. The L2 researchers said fashion brands need to consider pricing strategies. "Brands that compete at the same price point should be prepared to defend their turf," L2 said, adding that fashion brands that find themselves in direct competition with Amazon's private label brands "should stay true to their identity and condition consumers to increase the brand specificity of their searches."

**"Building on previous private label success, Amazon is now breaking into the fashion industry."**

## BUSINESS

## Lightspeed Meets Consumer Demands

- Omnichannel retail solutions have raised the bar for shopper experiences.

BY TRACEY GREENSTEIN

Retailers are increasingly drawn to omnichannel solutions that integrate sales channels, simplify business management and encourage closer customer relationships, in accordance with consumers' changing habits and behaviors.

Lightspeed, a company that offers point-of-sale solutions for retailers and restaurateurs, created "Ecom," a product that targets independent retailers and small to medium-size businesses seeking cohesive centralized management system solutions. Its omnichannel strategy is the seamless integration of "Ecom" and their existing POS cloud-based solution, "Lightspeed Retail," which together streamline online and in-store channels for retailers.

In a report by Retail Systems Research, more than 60 percent of retailers say that gleaning inventory insights, real-time customer visibility and product information across all channels is crucial. The same report also revealed that more than 40 percent of retailers have difficulty coordinating their in-store and e-commerce operations.

JP Chauvet, the president of Lightspeed, said, "Retailers want the freedom to sell across all channels, whether in-store, online

or mobile. No matter the platform, it's all part of one continuous experience with a brand." He added, "We're giving retailers a way to easily manage their online and in-store business, offer customers a seamless shopping experience and sell smarter."

Fashion and jewelry retailers comprise the majority of Lightspeed's client base, though its biggest customer and target are independent retailers. In fact, one out of every 20 independent retailers in Portland, Ore.; Salt Lake City, Utah; San Francisco, Calif.; Denver, Colo.; and Austin, Tex., use Lightspeed retail solutions. Of Lightspeed's 40,000 customers in over 100 countries, they have seen a 20 percent increase in sales after one year of using Lightspeed solutions and boast a 98 percent customer satisfaction rating.

"Lightspeed Retail" simplifies business management, sales, order management processes and customer engagement. From within Lightspeed Retail, the Ecom omnichannel integration allows bricks-and-mortar retailers to quickly launch online stores by automatically syncing customer sales data, sales and inventory. Businesses that adopt omnichannel strategies achieve 91 percent greater year-over-year customer retention rates compared to businesses that don't, according to a report by Aspect Software.

Lightspeed founder and chief executive officer Dax Dasilva described the

company's evolution as "four separate companies with four transformations." When the company launched in 2005, retailers merely wanted to feel in control of their stores. Brands were operating archaically by today's standards, and centralized management solutions for customer data, analytics or tracking purchases were not readily available.

Without streamlined data collection, retailers couldn't tailor conversations or make personalized suggestions to consumers, so Lightspeed's "first company" provided those services via an interface similar to iTunes.

Years later, as analysts and business reporters were predicting the death of brick-and-mortar stores, Apple counter-intuitively began building more stores and was the one of the first to engage in-store shoppers on mobile devices. Small business owners took note, and wanted the same technology for their customers. Apple came to Lightspeed for advice, which was a turning point for the brand, and they again redefined their purpose and products by creating retail solutions for mobile devices.

After the cloud was introduced to retail software systems, Lightspeed once again evolved its strategy by creating cloud-based solutions. Now, their omnichannel platform is the fourth chapter in Lightspeed's brand evolution.

Dasilva told WWD, "Online behavior is driving physical world action. If you're not discoverable online, you may be invisible to the shopper." He added, "It's the only viable business model for e-commerce – the in-store experiences that many of the best online retailers are rolling out can immerse the customer in the brand experience. This is a

business model that is going to work for modern retail. Doing one, or the other, is not enough."

Mobile is a particularly important aspect of omnichannel, as 71 percent of shoppers who use smartphones for research in-store say that it's become an important part of the experience, according to a report by Google. Due to rising consumer expectations, by 2020, the demand for an omnichannel customer experience will be amplified by the need for nearly perfect execution, said in a separate report by PricewaterhouseCoopers.

"For shoppers online and offline, their brand experience doesn't stop when the store closes. It [omnichannel] makes brands discoverable online and drives foot traffic. For the first time we're seeing foot traffic driven by mobile searches," Dasilva added.

Though Lightspeed turns its attention toward mostly small to medium-sized businesses, it also works with larger brands seeking consulting for strategic transition to digital. "We're seeing some of the bigger traditional players really struggle to become omnichannel," Dasilva told WWD. Notable Lightspeed clients include Malin + Goetz, Vera Wang, Diane von Furstenberg pop-ups, Thom Browne and Draper James, Reese Witherspoon's new luxury clothing brand.

Headquartered in Montreal, Lightspeed is one of the city's fastest growing tech start-ups. Lightspeed's 30,000 square-foot building is a 120 year-old former hotel and railway station that Dasilva converted into an office space. It was awarded the "most beautiful tech office of the year" in 2015, featuring ultramodern furniture juxtaposed with brick walls, exposed pipe ceilings, vaulted wood beam ceilings covered with white Christmas lights and wood fireplaces throughout.