The Creative Destruction of Fashion Marketing

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Although fashion shoppers' expectations have changed dramatically in recent years, few fashion brands have advanced their marketing capabilities accordingly. They must.

Thanks to digital, marketing is now the most important area of advantage for fashion brands. Digital has established a new world in which consumers are more connected, communication is more pervasive, and shopping experiences are more fluid. The pandemic has only accelerated these trends.

Brands that have not yet built the necessary capabilities will soon find it is not enough to rely on traditional measures such as increasing the head count in marketing, spending more on media, or buying technology. A marketing transformation requires a bolder approach.

The economist Joseph Schumpeter popularized the term *creative destruction* to describe how innovation creates new entities—industries, jobs, tools—and at the same time destroys those that no longer work. Applying the idea of creative destruction to marketing shows the magnitude and urgency of the change required. Business leaders must prioritize marketing effectiveness. Marketing leaders must institute a targeted action plan if they are to develop leapfrog capabilities. Together, they have to destroy the traditional marketing function to make room for something better: a truly modern marketing capability that can become a source of sustained advantage and growth.

Here, we present the fundamental components and tactical steps needed to evolve marketing.

FASHION MARKETING'S NEW LOOK

Starting a fashion company has never been easier. There are an estimated 20,000 D2C fashion brands globally, with new brands launching every week.

Being an enterprise fashion company, however, has never been harder. Close to 30 enterprise fashion brands and retailers have filed for bankruptcy in the last two years alone.

The causes of this dynamic are complex. Yes, competition is fiercer today as a result of the increased number of fashion companies. But a closer look reveals that the sources of competitive advantage have changed, eroding the traditional growth pillars that enterprise fashion brands have relied on: supply chain, wholesale distribution, and media. Looking at each pillar independently reveals the contours of the new world that digital is helping create.

- **Supply Chains.** Previously, enterprise fashion companies benefited uniquely from scale efficiencies in production, giving them price advantages over smaller players. But as supply chains in Asia have matured, third-party manufacturing has become more accessible and production costs have declined for everyone.

- **Wholesale Distribution.** In the past, traditional wholesalers served as gatekeepers. They provided scaled distribution to fashion companies with sufficient brand recognition and sales, limiting competition to the biggest and best-known players. Today, e-commerce has removed the barriers to distribution, resulting in an explosion of competitors.

- **Media.** Previously, mass-market advertising—primarily television and print—was expensive and required money upfront, which gave an edge to large brands that were able to use those media channels to reach large audiences and reinforce their branding. Digital advertising requires no upfront commitments; brands pay as they grow.

Each of the traditional growth pillars was effective in a world that rewarded size. Today, the benefits of being big—lower prices, greater access to consumers, and scaled communication—can be realized by the small. So the area of competition shifts naturally to delivering compelling consumer experiences and interactions. In other words, it shifts to marketing. Notable D2C brands such as Warby Parker, Allbirds, and ThirdLove all compete by creating innovative, tailored experiences for consumers.

Enterprise fashion companies find themselves at a decided disadvantage because they have honed their strategies and processes for the old world of marketing. These processes—centered on mass-market advertising—are linear, siloed, and static. The new marketing world calls for a whole new set of processes—ones that are iterative, cross-functional, and dynamic.

Acknowledging this change, most enterprise fashion companies have tried to modify the old marketing ways. The chasm between the old and new, though, is

too large for such hybrid approaches to be effective. Instead, it's imperative that brands revisit the fundamentals of how marketing works.

HOW TO DESTROY AND THEN REBUILD THE MARKETING FUNCTION

Building a growth-driving marketing function requires the whole organization to adopt a new mindset. Traditional views toward funding, measurement, content, technology, and operating model must be erased and replaced. Critically, all five dimensions are interrelated and support each other. Companies cannot pick and choose. Let's look at the shifts required in each dimension.

Funding: From Reducing Costs to Investing in Growth

Marketing has typically been viewed as a cost center with an uncertain payoff. We've seen this firsthand, when CMOs make modest requests for incremental funding—and receive skeptical responses from CFOs who question whether the additional dollars will translate into revenue.

Instead, companies need to treat marketing budgets as a strategic investment in future growth. CMOs and CFOs have to collaborate more directly, building a joint approach to connect marketing investment to tangible business impact. With this growth orientation, finance should look to fund margin-accretive marketing strategies, and marketing should supercharge test-and-learn efforts to identify those high-growth opportunities.

During the first months of COVID-19, when many brands were cutting marketing spending, a fashion accessories brand applied this investment mindset to boost its e-commerce sales. Starting with a hypothesis that Facebook was an underfunded acquisition channel, the brand ran a modest test to assess whether increasing spending on Facebook dynamic ads could increase sales. On the basis of initial positive results, the brand's finance and marketing teams took a methodical yet aggressive approach, increasing the funding while assessing the incremental gain in sales. Subsequent test cycles with larger investments continued to show strong ROI. Marketing, with finance's support, continued to accelerate the expansion of this

Facebook strategy. Within six months, this tactic alone had generated about $8 million in incremental net operating income.

Measurement: From Reactive to Predictive Metrics

The second element of fashion marketing to destroy is the typical approach to measurement. All too frequently, marketers assess the performance of a campaign after the campaign ends. Even when they look at measurement during the campaign, they often champion the wrong metrics—swipes, likes, clicks—because those are fairly easy to measure.

Instead, marketers need to build a measurement capability that is both forward looking and aligned with business return. This new capability must:

- Be continuous

- Combine traditional measurement techniques such as marketing-mix modeling with newer approaches such as incrementality testing

- Be built on an organizational KPI architecture that aligns marketing with the business

Better measurement puts in place a powerful feedback loop, allowing organizations to validate and scale effective marketing strategies to maximize value.

A global sports apparel brand adopted this new measurement approach to make just-in-time calibrations to its digital marketing. Leveraging marketing-mix modeling, the company identified a promising yet underfunded tactic: Google product listing ads. It then ran tests to determine the incremental increase in sales that it could generate by increasing density across specific searches for strong-selling products. Through these controlled experiments, the company unlocked a potential $50 million in annual incremental net profit.

Content: From Linear to "Always On" Processes

Communicating a compelling idea powerfully and sparking desire will always be the job of marketing content. But how and where those images and messages land has changed dramatically. It's no longer in the pages of magazines and on television but in consumers' hands as they scroll rapidly through their news feeds, social media, and instant messages. In that context, content that breaks through relies on personalization, newness, and compatibility as much as traditional elements of fashion campaigns such as a notable photographer or a celebrity endorsement.

Yet only a few creative teams at fashion companies have adapted to these changes. Most have maintained a perfectionist mindset with the goal of generating a small number of iconic images. That kind of traditional, linear, and siloed process is increasingly unworkable. Instead, fashion creative teams need to reallocate staff, make production more agile, and optimize content continuously:

- **Allocating Staff and Other Resources for Value.** Leading brands are mapping capacity across marketing activities as part of their annual planning processes and realigning resources to balance needs across major national campaigns and "always on" channels such as email and social. They are also developing more comprehensive briefs to give creative talent more detailed consumer insights that can guide the development of content across the entire purchasing journey. As a result of these changes, the creative departments at those enterprise brands are able to work up to five times faster than before.

- **Making Production More Agile.** Revamped production processes can increase both the speed and the volume of content. Some brands are establishing multispeed tracks based on different business requirements. For example, some have quick-response teams that can send out marketing messages pegged to cultural moments or sharp changes in consumer demand. Modern creative teams also capitalize on technology, using templates to make email and site content modular and easily personalized. In practice, by adopting such process changes, brands can increase the number of versions of a particular ad by 1,000.

- **Optimizing Content Continuously.** By capturing and analyzing performance data for existing content, brands can incorporate that feedback to optimize campaigns over time—blending gut instincts with objective, quantifiable insights.

Experience across a variety of industry sectors shows that adopting a data-driven, modern approach to content can increase revenue per customer by up to 15%.

Technology: From Fragmented to Integrated

The proliferation of marketing technology providers—last year, there were 8,000 such companies worldwide—has led to amazing innovation. But it has also produced fragmentation, redundancy, and confusion. The challenge for fashion companies is especially acute: the decline in physical retail space is converging with an increasingly meaningful DTC opportunity, which requires capitalizing on customer data.

Despite the urgency, few fashion companies have realized the full value of an integrated marketing technology and data stack. The challenge reveals a very real disconnect in how technology and marketing functions collaborate—where technologists may emphasize technology at the expense of concrete business cases while the marketing team may struggle to translate its needs into discrete technology requirements.

But some are adopting new ways to prioritize technology. One sports retailer started with specific scenarios that marketers wanted to improve through technology. Beginning with that unusual perspective, the company identified concrete functions and then mapped them to the underlying tools required to enable them. This different approach resulted in a reset of the retailer's roadmap for marketing technology, zeroing in on data management and a customer data platform as the priorities. New customer experiences across the company's website, its email campaigns, and its media platforms were connected and

sequenced to the deployment of the new tool. This shift meant that technologists and marketers came to share a concrete vision of success.

Operating Model: From Siloed to Cross-Functional and Agile

In our experience, small changes in operating model can act as the catalysts to drive transformative change. Specifically, fashion companies should borrow organizational elements from agile software development and set up cross-functional pods. Structured correctly, the pods can break up linear ways of working and usher in a more collaborative and nimble approach. Such pods work best when galvanized by an explicit, shared mission and grounded in a few key principles:

- The goal of any marketing project is to generate business value.

- The team brings together key participants from across the organization—representing finance, media, creative, and analytics—with defined and complementary roles.

- The executives shift from giving orders to subordinates and instead act as enablers who set goals for the team and remove roadblocks.

- Traditional meetings are replaced with new routines such as daily standup meetings, ideation workshops, and pilot debriefs, all with the goal of fostering collaboration and accelerating progress.

One fashion apparel brand applied this approach to derisk and accelerate its holiday marketing performance. It established a war room where a cross-functional team met every day starting in October 2019. During those sessions, the pod shared a KPI dashboard to reflect the current performance of the business and then collaborated on ways to drive incremental revenue through new CRM and media scenarios. Each step to activate those scenarios had a clear owner who reported back on progress at future war room sessions. Collectively, the measures led to significant increases in digital traffic and sales, generating $5 million in incremental revenue in November and December.

Creative destruction is an ambitious endeavor, but we believe it is absolutely essential. In the future, fashion companies will win based on the consumer experiences they deliver. The CMO is directly responsible for designing and delivering those experiences, but all of leadership is accountable. Companies have a choice: They can continue to cling to outdated marketing approaches and watch as they steadily lose share to more dynamic competitors. Or they can apply a creative destruction mindset and make this moment an opportunity to transform and renew.

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