

WWD



Rising Revenue

Neiman's has a positive outlook on holiday, women's apparel business.

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Lindbergh's Berlin

The lensman is the latest participant in Louis Vuitton's Fashion Eye series.

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Out With the Omni

Seamless is the new omnichannel – at least, at Mopic.

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Fashion. Beauty. Business.



FLIGHTS OF FANCY

This year's crop of holiday windows, gathered from around the world, scream in bold celebratory colors and LED lights all the wonders of the season. Singular talents formed newfangled versions of classic fairy tales as if spun from sugar-plum dreams. Creativity was displayed with a mélange of materials, such as papier-mâché, neon, origami, video and more. Macy's windows, seen here, paid homage to New York City with Santa Claus taking flight over the skyline. *For more window dressings, see pages 6 to 9.*

PHOTOGRAPH BY GEORGE CHINSEE

BUSINESS

Black Friday Mood Upbeat

- Macroeconomic forces, digital gains and last quarter's results encourage retailers for the holiday season.

BY DAVID MOIN WITH CONTRIBUTIONS FROM KALI HAYS

The stars might finally be aligned for retailers this holiday season.

It's been a tough few years for fashion stores all over, with the rise of Amazon and its price wars with Wal-Mart Stores Inc., Millennials holding back on material things in favor of experiences and divisive politics distracting from those good ol' times at the mall.

Nevertheless, retailers are headed into Black Friday weekend poised with

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FASHION

Chanel, Pharrell Drop Kicks

- In an interview with WWD, the "Happy" singer predicted the resale value of the shoes could reach \$40,000.

BY JOELLE DIDERICH
PHOTOGRAPHS BY DOMINIQUE MAÏTRE

PARIS – Chanel and Pharrell Williams on Tuesday dropped the world's most exclusive sneakers – and Justin Timberlake was the first to snag a pair.

The "SexyBack" singer, who is working with Williams on his new album, caused a sensation by popping in to Colette for a party celebrating Chanel's takeover of the Paris concept store.

Posing with Pharrell and Chanel creative director Karl Lagerfeld, Timberlake proudly brandished a Chanel bag containing the 1,000-euro sneakers designed by Williams in collaboration with Chanel and Adidas Originals, as an offshoot of his ongoing collaboration with the German sporting goods firm.

The resale value of the Adidas Originals NMD Hu shoe shot up to \$32,000 after some 120,000 people pre-registered on the web site chanelatcolette.fr for the

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Getting the Word Out

INDUSTRY INNOVATORS MET IN LOS ANGELES FOR THE LATEST WWD DIGITAL FORUM, OFFERING INSIGHT ON A RANGE OF TOPICS, FROM THE USE OF INFLUENCERS TO THE IMPORTANCE OF STAYING TRUE TO YOUR BRAND.

PHOTOGRAPHS BY KATIE JONES

How Benefit Guards Its Brand DNA

THE BRAND'S VICE PRESIDENT OF GLOBAL STRATEGIC MARKETING SUSAN KIM DISCUSSES HOW THIS 40-YEAR-OLD COSMETICS COMPANY RESONATES WITH TODAY'S CONSUMERS.

Benefit Cosmetics' Susan Kim believes that "beauty is in the midst of an epic disruption."

The vice president of Benefit's global strategic marketing, Kim advises companies not to rely on old ways of doing business. They need to understand their brand on an intrinsic level, and focus on the stories and influencers that resonate with today's digital consumers.

At one time, department store makeup counters and their makeup artists were the primary beauty brand ambassadors. But "there is no authority anymore," she said. In a culture where people can get whatever they want, whenever they want it, "the empowerment is completely in the consumer's hands. We have complete democratization of media and news and information, and e-commerce is booming."

Citing 2016 data from NPD Group, Kim pointed to flat or negative growth among traditional brands. But "the indie brands are absolutely on fire," she added. Indie brands embrace "digital natives," going where the consumer is. More importantly, they speak in a way that resonates with a younger generation.

For a 40-year-old company like Benefit, thriving in this kind of environment could have been challenging. But the brand has always had a strong, fun-loving identity that connects with consumers. Pointing to her



Susan Kim

company's motto, "laughter is the best cosmetics," Kim referred to Benefit's rich DNA – "from our beginnings in the Seventies in San Francisco to our first product, which was actually a nipple stain for a stripper," she said, laughing. Today, every Benefit product has its own individual personality, complete with irreverent names.

Building on that foundation, the company drives forward using two main digital

tactics: Engaging with influencers and curating or creating content.

Benefit taps influencers who authentically love its products. "[They] have more earned reach at an exponential level than any of the brands," said Kim. "We're seeing about 152 billion beauty views on YouTube alone for the year, a plus 60 percent growth. And of that, in 2016, branded views were only 4 million. Ninety-five percent of all views on

YouTube are from non-branded channels. So it's very important for us to reach those influencers who have that reach."

When Benefit looked into the metrics, it discovered that four products were driving roughly 60 percent of its beauty views on YouTube in 2016. One of those products posed a surprise: The Roller Lash Mascara was a 2015 product that the company didn't promote much after the first year.

"We dug a little deeper and saw that what was driving those views were makeup tutorials," said Kim. "And a lot of it was driven by one particular influencer: Jeffree Star... So he was just a big fan of Roller Lash without us pushing it on him." The product was his "go-to" mascara, inspiring the company to collaborate with Star. It worked with him and a few other influencers on a limited edition collection, and has since extended its influencer relationships to large and fast growing countries like China.

"China is going to be a huge market for us," she added. "Seven percent of all luxury sales are done geographically in China; 30 percent of all luxury sales are by Chinese consumers. And half the growth in the next five years in luxury sales will come from Chinese consumers."

When it comes to addressing the new wave of digital platforms and increasing priorities on globalization, meeting goals, or KPIs, and diving into the data opens the door. But "to really win, and to really thrive, build your team for the immeasurable," urged Kim. "That is really how you are able to keep your brand DNA intact across your global market as well as your consumers." – *Adriana Lee*

J. Walter Thompson's Lucie Greene on Retail's Reality

THERE'S NO SET FORMULA FOR WHAT WILL WORK IN THE FUTURE, BUT THOSE WHO ARE DOING IT RIGHT ARE CREATING IMMERSIVE SPACES, RESPONSIVE TO CONSUMERS' OBSESSION WITH HEALTH, BEAUTY, TRAVEL AND OTHER EXPERIENCES.

Mixed experiences and mixed realities.

If there's one way to succinctly sum up retail's current state, that would be it. Lucie Greene, worldwide director of The Innovation Group at J. Walter Thompson, has been studying the consumer for some time and the shifts taking place in shoppers' mind-sets leading the upsets now being seen at retail.

To know the future of retail, Greene pointed out, is to understand the changing dynamics, particularly as it relates to the Millennial and Gen Z cohorts.

As much of the industry has already chattered about, many Millennials are funneling their money toward food, travel, well-being, beauty and self-improvement. For the group of 12- to 19-year-olds in Generation Z, Greene said, there's an even bigger change taking place where "They see themselves as the brand; you're not the brand."

"Experiences really are becoming the social currency and the key focus of what consumers are spending their money on," Greene said, hammering home a point that's become ubiquitous within retail in recent years.

What experiential actually means continues to evolve. Some good examples, Greene pointed to, include The Wellness Clinic at Harrods and Saks Fifth Avenue's Wellery in New York which boasts a Breathe salt room, Skinny Medspa and activewear among other things related to personal health. Other retailers have designed their spaces with the camera in mind, creating Instagrammable backdrops for snap-happy shoppers.

While much of the talk around what to do to remain or regain relevance among consumers has focused on buttons and screens, Greene argued retail's evolving "to something much more ambient and all around us" to the point where the actual meaning of what defines a store or even a product for that matter is shifting as the popularity of experiences continues to rise.

As a result, technologies such as augmented reality, sensors or connected devices that learn with the consumer are becoming increasingly important.

Greene called it the era of mixed reality.

With all roads of conversation tending to lead back to Amazon, Green pointed out 89



Lucie Greene

percent of Millennials consult with Amazon first for any product in any category.

"You have Amazon not only owning that shopping search space, but also setting the base rate expectation of commerce," she said.

This reflects a shift from the past where the actions online were largely separate: Google was used for information and Amazon for shopping. That was a sentiment shared by Pinterest head of market development Vikram Bhaskaran later in the day when he said bricks-and-mortar has always been a place where discovery and actual purchasing occurred in the same place.

That's in contrast to online where companies have historically only been able to successfully offer one or the other. In other words, Instagram or Pinterest for inspiration and perhaps Amazon to shop. That doesn't necessarily hold true any longer.

Greene also pointed to Amazon's Echo as a game-changing device along with the broader verbal commerce movement as market watchers have moved from talking about connectivity with the Internet of Things to voice-activated everything.

It's not the end of typing in a search, Greene said, but there's certainly change afoot. – *Kari Hamanaka*

Aella Fills Apparel Niche With Try-on Service

EUNICE CHO FOUNDED THE SOLUTIONS-BASED BRAND AFTER SHE SAW A NEED DURING BUSINESS SCHOOL.

Fittingly, it was a business school interview that inspired Eunice Cho to create Aella, the Los Angeles-based women's wear brand of comfortable, confidence-boosting and easy-care clothing with a specific focus on pants.

After getting her gray wool Theory suit soaked in a rainstorm en route to that interview, Cho said, "I was so sick of worrying about my clothes and I needed the apparel industry to do better."

With a business-casual dress code at school, "all I wanted was a great pair of black pants that looked like serious trousers but felt like yoga pants." Before the ath-leisure boom, that was nearly impossible to find.

"We thought we could add a huge amount of value by filling this real need. We want to take on this very unglamorous and difficult category so women can have comfortable and practical pants that are also stylish," said Cho.

The product: machine-washable, wrinkle-resistant, fade-resistant clothing that is fit for the office and elsewhere. Cho, whose family is in the textile business, sourced four-way stretch fabric from



Eunice Cho

Japan, Turkey and Italy, with some made in L.A.

The Aella customer isn't looking for trends or seasonal fashions, so Cho developed five styles that work for a range of body types and dress codes: a skinny, a trouser, a flare and so forth. Retail price

points are \$125 to \$200 for pants; \$40 to \$130 for tops.

As for service, Aella customers can try on a second size for free and return one in a pre-paid envelope included in the \$5 flat rate shipping fee. New customers can also fill out a questionnaire for stylists

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to aid them in finding the right size and style.

Cho said her customers fall into two groups: Millennials coming to them one time for a specific office dress code and slightly older return shoppers with higher professional positions and travel-heavy lifestyles.

Moving forward, Aella plans to deepen the product offering in pants and jackets, expanding options in each fabric; combine try-on and stylist services to make user experience more seamless, and add content to provide more comprehensive styling help and ideas.

After pop-up stores in New York and L.A., the company is now testing secondary markets. "We move around so much because we are still a new brand that's essentials-oriented, so we want to be in touch with new audiences versus putting down roots in a specific market," she said. "It's hard for customers to come back the next week, so we focus on moving around and getting exposure in markets."

— Marcy Medina

Meet Generation Z

A NEW WAVE OF CONSUMERS ARE COMING OF AGE — AND THEY'RE BRINGING WITH THEM A DIGITAL SAVVY AND APPRECIATION FOR OFF-LINE EXPERIENCES.

Few companies have a handle on young adult behavior and culture like Chegg Inc. As a student-oriented learning platform, the company is in the business of understanding what motivates and drives these young consumers today. At the forum, the company put those insights on stage, giving attendees a front-row view of today's female college student.

Chegg has regularly collaborated with WWD on research shedding light on this demographic's attitudes around beauty and fashion. Its primary methodology covers surveys and discussions of 15 up to 18,000 students, said Mitch Spolan, Chegg's executive vice president of marketing services.

Onstage, Spolan discussed his methodology and a few key data points before

bringing out a much smaller panel of four students to offer a taste of that research.

Chegg usually asks a range of questions, including, "Do you dress differently in college, compared to high school?" "Where do you get your inspiration for apparel and accessories?" and others.

"The personal styles do evolve dramatically," said Spolan. "If you think about it from a high school perspective, yes, there's a huge change: Two in three students have changed their style since high school...This is all levels of college, so from freshmen through seniors."

As for the inspiration, friends were unsurprisingly the top-ranking influence. But retailers were the second, which surprised Spolan. "I was not necessarily expecting

that, but 47 percent say that retail companies influence their purchase decision — which is great," he said. "And you'll also see Instagram, Pinterest, television influencers, YouTube."

Another highlight from the research: Two out of three students use their phones while they're in the store, at 67 percent. Two-thirds also said they prefer to do as much of their shopping as possible online.

"Another almost two-thirds don't like to purchase online items unless they've tried them," he said. The study discovered another intriguing detail: "Nine in 10 browse online and purchase in-store. But almost the exact same amount purchased online after seeing a product in-store," Spolan added. "You can see 92 percent browse products online and then purchase in store; 85 percent make purchases online after seeing it in-store."

To understand the shopping patterns of Generation Z, Spolan introduced four college students — three from the University of California, Los Angeles and one from the

University of Southern California.

When it comes to e-commerce, some of the panelists enjoy the convenience and selection of online shopping, while others still enjoy bricks-and-mortar stores. Not only are they able to physically handle the merchandise and try it on, but they consider in-store shopping to be an experience.

As for the top choice of social media, Instagram and YouTube soundly beat out Snapchat, Twitter and Facebook.

Audience members leaned forward when the topic of influencers came up. Judging by this small panel, their actual influence seems to wane as women get older. "I try to rear away from them, maybe," said UCLA junior Yasmeen Amid, "[to] be a little different."

Fellow UCLA junior Katrina Froelich agreed and added that concern over "ratios" — the comparison between the follower and following counts a user maintains — prompts her to be selective. "At the risk of sounding exactly like what everyone thinks a Millennial is, I care about my ratio and obviously influencers don't follow you back," said Froelich. "And that's OK. But if I'm going to follow an influencer I want it to be someone that I really identify with, that offers me content that matters to me...It's not worth ruining my ratio for something that I'm not really getting in return."

The guests stressed the importance of authenticity. They don't often click links or other referral mechanisms because they don't know if the product endorsement is genuine or just paid promotion.

Generation Z, as a customer segment that has never known a world without smartphones, appears to balance its online savvy with an appreciation for real-world experiences. It cares about individuality and rewards authenticity with their earned attention. In that sense, it's a fascinating blend of the generations that have come before it, so it should be no surprise that it's helping to drive this new era of digital-physical omnichannel retail. — Adriana Lee



Chegg Inc.'s Mitch Spolan and his Generation Z consumer panel.

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Deckers Taps Adventurers To Promote Brands Digitally

WENDY YANG SPEAKS TO THE IMPORTANCE OF TAPPING INFLUENCERS AND AMBASSADORS.

In order to stay a step ahead in the active and athletic footwear game, connecting with micro-influencers, creating peer-to-peer experiences and other forms of experiential marketing are key, according to Wendy Yang, president of the performance lifestyle group at Deckers Brands.

Yang spoke about "Creating a Footprint for the Next Generation Consumer."

When it comes to tapping influencers and ambassadors, "finding people already using our product is important," said Yang. "It can be a sponsored athlete, a celebrity, an artist or a regular person, like a store clerk."

Yang oversees the Teva, Sanuk and Hoka brands in the Deckers portfolio.



Sport sandal brand Teva's target audience is described as the "modern outdoor enthusiast."

Its band of influencers is known as the Teva Explorer Collective, and they drive content by capturing themselves wearing product and participating in local experiences. "Potential customers are identifying with them," said Yang, citing social media posts of sandaled feet propped up on mountain ranges and riverbanks.

"Even our product advertising is more focused on activities," she said, showing a similar-looking ad for comparison. She said these posts yield 4000 to 6000 percent ROI because they're both real and relatable.

Yang cited the Bonnaroo Music Festival

as a key place for Teva activation in the form of a vintage bus takeover.

"We create small experiences in an authentic way where users and future users can hang out. If you do it in an authentic way, they will find you and talk about you," she said.

Social media posts from the event enable people to feel like they were there, with product seamlessly integrated.

At surf lifestyle brand Sanuk, the motto is "the journey to your happy place." Its 20 ambassadors are professional surfers and yoga instructors like surfers Malia Manuel and Torrey Meister, who recently did Instagram takeovers with Self and Men's Health magazines, respectively.

Running shoe brand Hoka, which just passed the \$100 million mark in sales last spring, is trying to steal market share from Nike and Asics. Founded and supported by elite runners, the brand is playing by new rules when it comes to marketing.

"You used to spend big bucks to buy the best athlete you could and spend more for twice-yearly photo shoots and invest heavily in media," said Yang. It's a strategy that can backfire if an athlete like Tiger Woods has a meltdown.

Hoka focuses on up-and-comers with high potential and active social media profiles who can also help them develop future products.

"What kind of brand do they portray, how many followers do they have and are they invested beyond their sport?" are some of the criteria, according to Yang.

Through its #HumansofHoka campaign, the brand also highlights regular people who share inspiring stories of how running saved their lives.

"A week doesn't go by where I don't get some consumer who has tracked me down on LinkedIn to tell me a great story," said Yang. "Digital and social platforms give us a great way to share this." — *Marcy Medina*



Iconery Touts Rise of Influencer Commerce

IVKA ADAM CREATED A BUSINESS MODEL AT THE CROSSROADS OF SUPPLY AND DEMAND.

With nine years of e-commerce experience under her belt, Ivka Adam decided the ideal retail model would be one where inventory could be produced on demand. She had worked at eBay, where inventory wasn't held, but had no control over the customer experience. At her next job at Modnique, she had the burden of \$8 million in inventory but complete control over the customer experience.

After doing some research, she hit upon the category of fine jewelry. With the rise of 3-D printing it was now possible to replace part of the supply chain by creating jewelry molds in a matter of hours. It took her a year-and-a-half to find a factory that could produce one piece at a time up to 9,000 units a day.

When she launched Iconery in 2016 the first person she brought onto her team was Andrea Linnett, founding creative director of Lucky magazine, who had been at eBay as creative director.

Linnett herself was an early influencer and in addition to creating their own brands and jewelry lines for apparel designers, Iconery also began to produce lines created by influencers.

"Influencer commerce will be the single biggest trend affecting brands today, even bigger than influencer marketing, because when an influencer can create a product they already have a built-in audience. They know their audience better than a brand ever could, and people want to connect with people," she said.

Iconery works one-on-one with influencers to hear their stories, find out what kind of aesthetic they have and what sort of pieces they want to create. Once those are translated into CAD designs, the company manufactures samples, creates 3-D molds and creates a seller page on its web site as well as acting as a sales agent for bricks-and-mortar stores.

All in all, it takes two to four weeks for an influencer to create a collection and Iconery can produce and deliver a piece in three weeks. There are no costs to the influencer up front; they receive monthly royalty checks once the collection launches.

To date, Iconery has launched 16 such collections, including ones with actress Rashida Jones, singer Michelle Branch and Olympian Nastia Liukin.

The pieces have also sold in Nordstrom, Bloomingdale's and Broken English.

Adam said she is often asked by investors whether she will go into other categories, and how do brands in other categories participate.

"I could see a future where there is a consortium that we build so that when an influencer comes in and says, 'I want to do jewelry and handbags,' we have a group of design experts that helps us power a private label influencer brand." — *Marcy Medina*

Pinterest Doubles Down on Visual Search Moves

THE COMPANY IS BETTING THE CAMERA WILL SOON REPLACE THE KEYBOARD AND IS TAKING ACTION ACCORDINGLY.

Pinterest's investment into visual search is a good clue on where the company's executive team thinks the



Internet is headed.

"We believe that the camera is basically the next keyboard," said Vikram Bhaskaran, head of market development at Pinterest, during last week's WWD Digital Forum Los Angeles. "We're making big bets in visual search."

Those moves are largely powered by the thought that physical retail has always been good at not only serving as a place to discover brands or product, but where the actual act of transacting occurs. On the web, Bhaskaran said, those two actions — discovery and purchase — have usually been separate, disjointed experiences. Pinterest wants to reunify the two via its platform.

The company is, after all, sitting on a gold mine when it comes to a bank of visuals reflecting the preferences of its users. That information could prove helpful to retailers and other brands looking to more effectively reach consumers.

"We think that the next evolution of the web is really about this notion that the self is greater than the selfie," Bhaskaran said.

Tied to that thought, and the relevance for companies in that evolution, is that delivery of services must make sense for the individual as opposed to what's

trending or what's taken hold among a group of friends, Bhaskaran added.

The executive called it hyperpersonalization and Pinterest, to that end, released a bevy of features last week aimed at aiding consumers in not only finding inspiration, but also taking action and making actual purchases.

Among those new tools is Shop the Look, which lets users click on small dots in an image that they may be browsing to purchase the bag or the jacket in the picture. The feature is powered by ShopStyle. There's also Lens the Look, which allows users to take pictures of a piece of clothing from their closet. From there, Pinterest will cull up images of other pieces that would pair well with that object. Pincodes, which were recently launched, use QR codes that, once scanned, queue up special content from retailers or other brands.

"What's interesting today is we're sort of in the dark days of personalization," Bhaskaran said, referencing the vast amount of space there is to innovate.

He pointed to the two companies often cited the most in such conversations — Spotify and Netflix — when it comes to good examples of companies offering a hyperpersonalized experience that constantly changes as a user's tastes change.

Pinterest's ambitious plan, Bhaskaran said, is to build a horizontal personalization service that would allow for the micro-targeting of individuals based on very granular interests, noting, "What we're sitting on is probably the largest database of taste on the Web that we've ever seen." — *Kari Hamanaka*

FabFitFun's AR Experience

THE SUBSCRIPTION BOX COMPANY RETURNS TO ITS ROOTS AS A MEDIA COMPANY, THANKS TO AUGMENTED REALITY.

Augmented reality may be something of a lightning rod for beauty brand or furniture retail innovation. But retailers who chalk it up to lipstick and couches aren't seeing the big picture: Smart marketers understand that the industry has only just begun to explore the deep potential in AR.

For FabFitFun, the technology offers a way to boost its storytelling capabilities, taking it from a 2-D experience to something more immersive.

The company is a subscription service that delivers a box each quarter filled with fashion, beauty, fitness or lifestyle products. "People come to us without wanting anything in particular," said Michael Broukhim, cochief executive officer and cofounder. "They come to us wanting to be surprised and delighted, and we don't put a lot of guardrails on that...So how do we make sure that we're doing novelty in a smart way? Doing it in a way that's delivering happiness, but with a broad mandate; not delivering randomness? Our answer to that is storytelling."

The company knows a thing or two about telling stories. It started out as a media company in 2010, with a newsletter. Three years later, it began sending its first subscription boxes out. It wanted to tell a story with its new business – the anticipation before receiving a box, the surprise and delight when it's first opened.

"But we were stuck with print collateral to tell our stories," said Broukhim. "We use and still use postcards, inserts, magazines, newspapers and we're really proud of what those look and feel like. But we knew we could do better. The unboxing



Michael Broukhim

is the moment of truth at FabFitFun. But how do you bridge the physical and the digital?"

That's where AR came into play. "We always knew we wanted to launch a mobile app, but we didn't want to just take our web site and smash it into an app, and say, 'Now the web site's in an app,'" he added.

The company partnered with Los Angeles-based Camera IQ to develop a new way of using AR, what the company calls a

"magical unboxing."

"[It's] where each of the products in the box and the box itself became distribution nodes for the stories we wanted to tell," Broukhim added.

Customers can launch their phone cameras within the brand's mobile app when they open their boxes. "When you put the camera in front of the box, the first thing that happens is that box comes to life," he said. "You see an animation, you see

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music playing. It's really something super exciting and often very sharable."

The customer can then put the products in front of the camera, and the camera recognizes them and conjures various types of content, from product information to founders' stories, ingredients, tips and tricks, videos and other stories.

"We can do storytelling in a deeply personalized way," said Broukhim.

The company has more than 100,000 members logging in every month.

Another usage shows off the fun aspect, with users popping virtual balloons.

"We want to give people a chance to see the world through FabFitFun's lenses, through the lenses of the storytellers that we have on our team, and through the lenses of all of our brand partners, content partners and influencer partners," he continued. "That's sort of where we're headed. We think that creates an opportunity for all sorts of new ways to engage with products and explore the world."

Plenty of eyes will likely stay on FabFitFun as it furthers its grand AR experiment. "You'll see us creating more in-depth experiences," he said. "Imagine a whole branded Easter egg hunt where finding specific products or landmarks or brand logos activates experiences. It's Pokemon Go, but where products are the objects of storytelling and activity."

– Adriana Lee

E.l.f. on the Growing Role of The Microinfluencer

THE MARKETING STRATEGY IS DRIVEN BY A MANTRA WITHIN THE COMPANY OF "SMALL IS THE NEW BIG."

Keeping it real has kept the growth engine fueled for cosmetics brand E.l.f. Beauty.

The company's marketing strategy has long focused on bucking the trend of partnering with mega bloggers and vloggers in favor of the microinfluencers with smaller yet perhaps more engaged followings, and opinions and insights all their own that are funneled back into a constant E.l.f. research-and-development feedback loop.

"Brand building today has really become this series of micro interactions," said E.l.f. vice president of consumer engagement Ashleigh Young last week at the WWD Digital Forum Los Angeles. "So, as a result, we decided to go small to grow big."

The company, which originally started out direct-to-consumer online selling products all priced at \$1, has since moved into higher price points and the retail space with its own stores and distribution at places such as Target and Ulta. E.l.f. also went public last year and expects to hit \$270 million in net sales this year with adjusted net income forecasted to be \$28 million.

The company has a roster of some 1,000 microinfluencers it works with. These are individuals the company may reach out

to for events, solicit feedback on products that have not yet been released or just invite over to headquarters for a visit.

All of those activities are tied up under the banner of E.l.f.'s Beautyscape influencer program, which was born out of the company's strategy of going around the same small group of mega influencers most brands work with to reach out to influencers with smaller follower counts but more meaningful engagement with those followers. It's that latter group that has the more authentic, down-to-earth content that would resonate with the company's customers, E.l.f. decided.

"There is a whole new generation of beauty consumers out there that are changing the game," Young said. "While other companies talk to them, we really saw an opportunity to build our world with them in a way that other companies weren't. It's as simple as giving them a say. They talk, we listen and then we react quickly."

What that boils down to is a new product strategy that calls for the launch of items through E.l.f.'s direct channels first where the company carefully tracks online reviews and then adjusts accordingly based on feedback. A constant pipeline of new products helps fuel continued



engagement, while keeping the pulse on what people are saying keeps the company on point with what consumers want. This year alone, the company will have launched 90 new items.

A good case study for what results with that strategy was a daily moisturizer with SPF that the company released. The \$8

price point was attractive to customers as was the SPF, but reviews online were generating consistent comments critical of the consistency with some users calling it oily. E.l.f. was able to reformulate the product in a week and then sent out the new formulation to much more positive feedback. – Kari Hamanaka

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How to Court The Next Generation Of Beauty Consumers

APPEALING TO GENERATION Z REQUIRES DEEPER DIGITAL ENVIRONMENTS THAT FOCUS ON PERSONAL EXPERIENCES.

The new sweep of tech tools and experience-driven retail is an essential part of marketing – at least for brands that want to appeal to Generation Z customers. And according to Perfect 365's Leila Aziz, they absolutely should.

Laying out a compelling case for Gen Z's rising value as a consumer base, the business development manager said, "Research points to the fact that they are the most diverse generation to date. There are more than 69 million of them in the United States alone. And that actually puts them ahead, in headcount, of Millennials."

Even more importantly, she explained that this generation has \$44 billion in buying power, and that's just for starters. This trajectory is poised to head even further



Leila Aziz

north over time, as their incomes grow.

And because they're digitally savvy and more informed than their predecessors, they come with a new host of expectations and preferences. Millennials may have made makeup a vital necessity in the selfie era, but Gen Z's priorities on experiences and personalization are poised to reshape the beauty landscape.

"They're very, very well-informed. So their lives are now, due to mobile proliferation, completely documented on things like Snapchat and Lively," she said. "So, therefore, they're placing a much higher value on experiences, that then they can turn around and share socially."

Aziz channeled a few numbers from Poshly, a research firm focused on consumer goods, including beauty, wellness, personal care and other sectors:

- 94 percent of this generation purchases makeup;
- 65 percent have purchased makeup on their phones;
- And yet, 72 percent still prefer to buy makeup from a physical store.

"Less than a third of Gen Z actually likes the whole buy-online-and-pick-up-in-store concept, versus about 40 percent or more of Millennials that like it," she added.

"Why is that? Because it's less personal – and for them, a little more personalization equals luxury."

For this group, their devices don't distance them from human interaction. "Tech is more of the vehicle that allows them to connect in person."

Success stories like Sephora and subscription models like Ipsy and Birchbox also point to Gen Z's need for immediate

gratification, and the "try before you buy" premise has been a big hit with this audience – possibly for a variety of reasons.

"For a group that places such a strong emphasis on individualism, they want to see it on themselves," Aziz explained. For Generation Z, she said, "seeing from a distance is not necessarily believing. So to that end, 72 percent of them actually would like to be able to try makeup on via their phones before purchasing."

So far, digital initiatives have primarily taken the form of mobile apps, which mimic the online experience. But in the age of augmented reality, deeper digital engagement needs to take a step beyond that. Tools such as augmented reality can go far in connecting with the new generation of consumers.

AR, which places a layer of visuals or data on top of a display, allows consumers to try on looks before they buy and brings a more personal experience into a digital format.

Aziz described a scenario: Imagine Lucy, a young woman, getting a text message with a picture of her wearing a new lip color. The accompanying text from Karen, a sales associate, explains that she remembers the customer commenting about how much she liked a similar shade, so she sent a preview of what an upcoming new lipstick would look like on Lucy. The would-be customer taps the image to see a live display of her wearing the virtual lipstick. She loves it and will pick it up next week. From there, Karen can recommend other colors, or even send a makeup tutorial to help educate her client.

AR's unique ability to open up experiential shopping is active, not passive. "So this is what active digital engagement can really look like with new technology," she said. "But this is not the future. This is actually now...this level of personalization and connection is indicative of the seamless digital engagement and buying experience that will truly become the future of retail." – *Adriana Lee*

Cuyana's Karla Gallardo on Lean And Mean in the Face of Growth

THE CONTEMPORARY DIRECT-TO-CONSUMER BRAND HAS EVOLVED FROM THE PERFECT TOTE TO A FULLER RANGE – SO WHERE TO GO NEXT?

Product really is queen at Cuyana.

The company's tagline of Fewer, Better Things is a maxim upon which the brand and business strategy was built: sell customers high-quality product at an accessible price point by sourcing materials from around the world. Cuyana cofounders Karla Gallardo and Shilpa Shah took two years to perfect the company's supply chain before launching the business. They took advantage of shifts taking place in the market around 2010 when a new group of consumers appeared interested in better-quality, transparently sourced product and more and more factories were opening their doors to working with smaller brands in a bid to diversify their own businesses.

The company's since built a loyal following of fans drawn to the company's minimalist aesthetic as seen in everything from its totes, which can be personalized with monogramming, to its more recent entry into apparel with its silk blouses and cashmere sweaters.

The design rules are fairly straightforward: "It has to mix functionality and beauty," Gallardo said.

Safeguarding that branding largely comes down to consistency, with Gallardo confirming the company doesn't discount. It wouldn't make sense, after all, given the direct-to-consumer model already has a

discount built in by cutting out wholesale, the chief executive officer pointed out.

The challenge as the company continues to grow, Gallardo said, is just "how many fewer, better products can you deliver" when the brand is based off the idea of less being more if pieces are of higher quality.

So what to add and when to add to the product assortment boils down to plenty of listening to the consumers. The company's first version of its popular tote is a good example.

The first tote launched. Consumers later asked for a taller version with a zipper, which Cuyana delivered. This year saw the introduction of a new tote with a more robust material that can hold more. Next year will see the rollout of something to go inside the tote to address the need for organization within the bag. Sales of the new styles don't cannibalize from the old either, Gallardo said. In fact, sales of older styles also go up with the launch of each iteration.

Investors have taken notice of the concept with Cuyana having raised some \$1.7 million to date and having since also expanded beyond digital with a current door count of six. Balancing investors' needs for a return on their investment, while not diluting the brand works with the right partner, the CEO said.

"We did a lot of work and it took us a



Karla Gallardo

long time to find investors that actually aligned with the business that we wanted to build," Gallardo said. "So we're not a top-line business. We're a bottom-line business. We're growing naturally and we're grow-

ing rapidly. And that's great, but we can actually stand on our own feet at this point. The investors that invested in us wanted to invest in a real business that lasts for many, many years." – *Kari Hamanaka*