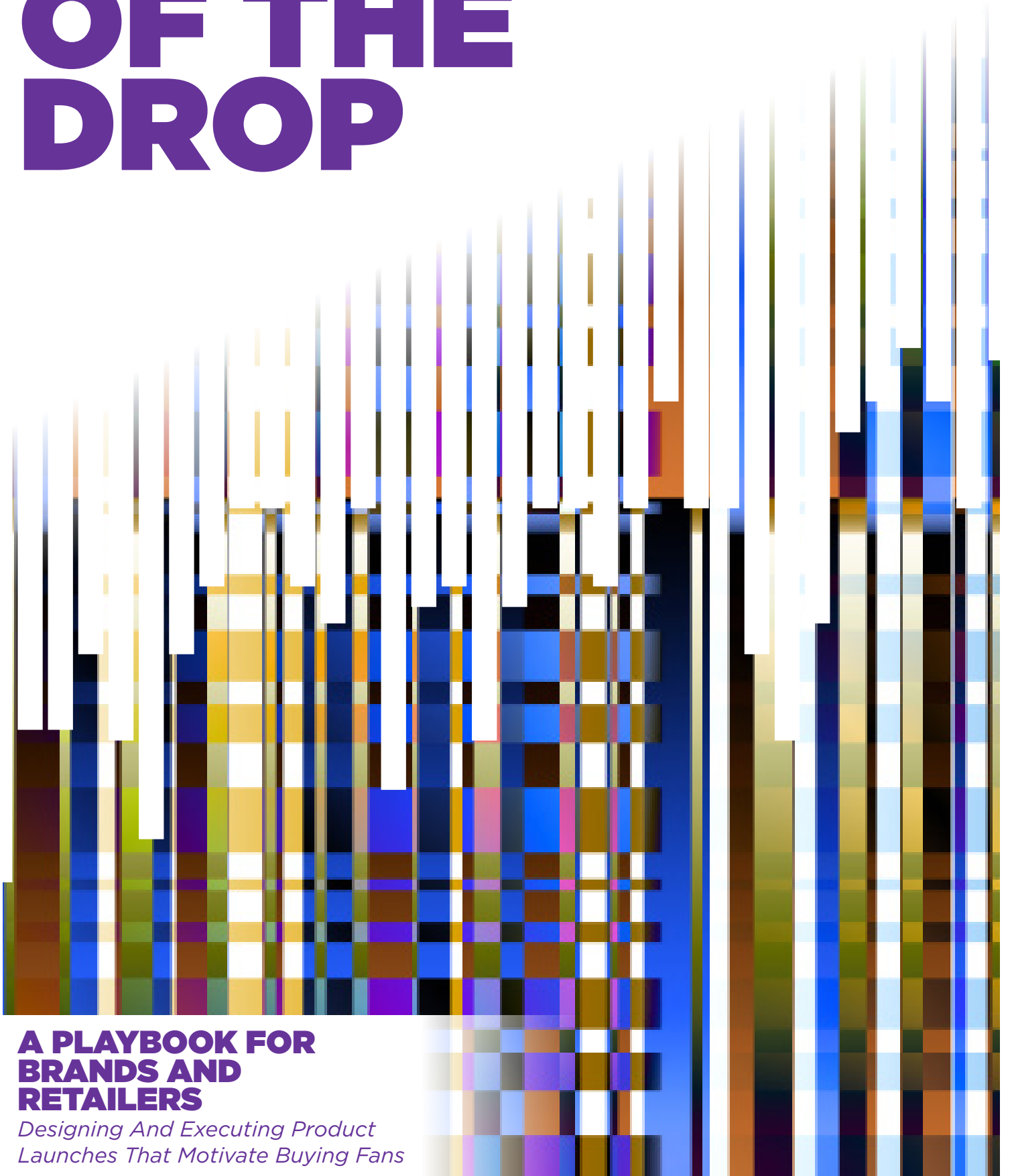


THE ART OF THE DROP



A PLAYBOOK FOR BRANDS AND RETAILERS

*Designing And Executing Product
Launches That Motivate Buying Fans*

FOREWORD

At PCH, we are focused on product development and delivering intelligent, end-to-end supply chain services. We help brands manage all aspects of their supply chains, from development to manufacturing to delivery. One of the big shifts we've seen is in supply chains going direct-to-consumer to deliver the differentiated experience consumers expect.

Recently, when a customer was launching a new product, they ran into a problem. Their product line fell into a new, ambiguous category between personal care and health care, making it difficult to merchandise properly through traditional retail partners.

However, our customer realized that their target consumers — the ones who actually need this product — will search for it online. This insight spurred them to create an entirely new supply chain that is responsive to the customer and gets the right product into the right hands in an efficient manner.

As someone who travels often between the US and China, one key difference has struck me about their different business mindsets; in the USA, retailers use the term “Out of Stock,” whereas in China, they say that a product is “Sold Out.” The two terms may seem synonymous, but I believe they illustrate two very different mindsets. The former implies that the retailer has run out of stock because of poor planning, whereas the latter implies that the retailer has run out of product because of

high consumer demand — generating excitement and urgency rather than disappointment and frustration.

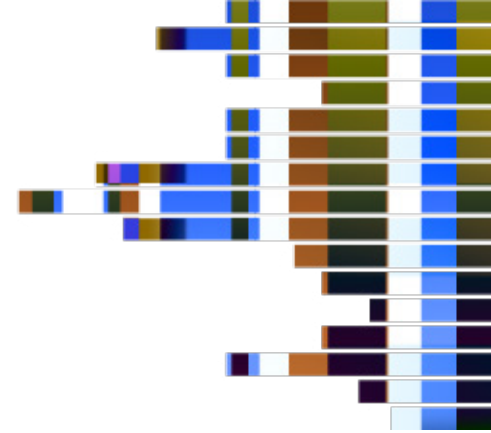
In an age where certain ecommerce giants are creating commoditization and mass production, brands have an opportunity to reframe their mindset and open up new channels. The direct-to-consumer and retail channels coupled with exclusive, limited, and one-of-a-kind offerings, provide an experience that is not only differentiated and exciting to consumers, but reduces discounting, offers faster product launches, reduces inventory write-offs, and optimizes the balance sheet — all the while offering great consumer engagement and brand loyalty. This is the only way to push back against the cheap, the generic, the ubiquitous, and ultimately, the wasteful overproduction that is endemic to many consumer product categories.

Brands require a flexible supply chain that supports consumer experiences. One model, which accomplishes this task extraordinarily well, is the product drop. Not only are drops the ideal mechanism for generating excitement through exclusive inventory, they offer several key business benefits as well. They require a limited amount of product inventory, which protects working capital, making it ideal for startups entering the market or established brands entering into a new category.

With this report, we hope to show the benefits of shifting mindsets and using new business models, like the product drop, to connect directly with consumers, getting the right product in their hands at the right time and laying the foundation for ongoing consumer brand affinity.

Liam Casey
Founder and CEO, PCH
@liamcasey





INTRODUCTION

Streetwear brands have known for years that releasing limited-edition products via a limited-time-only ‘product drop’ is an excellent way to create a sense of urgency and excitement among fans. Now, ongoing disruptions across each stage of the supply chain have created a new set of challenges within traditional product development and fulfillment, as well as highlighted how the drop approach can be leveraged within today’s rapidly changing retail landscape. Beyond generating buzz and creating a sense of exclusivity among consumers, drops provide additional business benefits as well, acting as a means for companies to adopt a nimble approach to production, streamline their supply chain and adopt new fulfillment models.

As companies rely more heavily on ecommerce and see opportunity in establishing one-to-one relationships with their customers, more brands are embracing the drop as a valuable tool. In mainstream fashion, more brands are starting to favor frequent drops instead of twice-yearly collections and even luxury brands are embracing the trend, as they are ideally suited to capitalize on that sense of scarcity and exclusivity. While other categories, such as electronics, have been slower to adopt them, drops represent an enormous opportunity for brands and retailers of any type.

Not only do drops generate excitement, they

serve as a mechanism for retailers to establish a direct relationship with their consumers and ensure that a brand stays top of mind through a regular model of engagement, ultimately building loyalty and rewarding fans with access to exclusive products and experiences. Drops can benefit brands directly as well, providing an opportunity to test and learn. Drops allow for experimentation with product design and distribution while allowing brands to be more responsive to the market and better align supply with demand. However, in order to be effective, drops require a coordinated effort across an organization to deliver the right product at the right time.

This report, which leverages PCH’s product development and supply chain expertise and PSFK’s research, provides brands and retailers with a strategic framework for successfully leveraging the product drop. Supported by best-in-class examples and expert interviews, it outlines best practices for planning and execution, as well as actionable insights that will help brands perfect the art of the drop, generating excitement, driving sales and building lasting loyalty.

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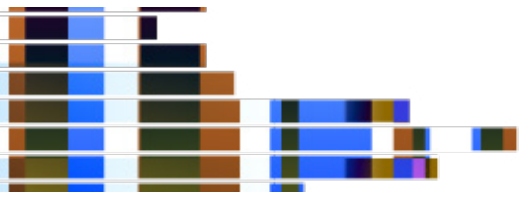
ABOUT THIS REPORT

The Art Of The Drop provides a strategic framework for brands, retailers and their partners to leverage the product drop, outlining best practices for each stage, from planning and execution to post-purchase engagement. Created through a partnership between product development and supply chain solutions provider PCH and innovation

research agency PSFK, this report will help brands understand the complex logistics involved as well as the big-picture opportunity to nimbly grow their business and build a direct relationship with their consumers.

Download the full report at: pchintl.com

KEY COVID-19 RETAIL CHALLENGES & DROP MODEL OPPORTUNITIES



CHALLENGE

As stores reopen, they're taking on more of a utilitarian role rather than an experiential one, and are being redesigned to help shoppers quickly access necessary items and avoid long lines or overcrowded spaces.

OPPORTUNITY

With the shift away from store experience, retailers can bring the excitement and emotional engagement of shopping into the digital realm. By leveraging interactive and/or social technologies like AR/VR, gaming and live streams to deliver product drops, retailers can fill a gap in consumers' daily lives.

CHALLENGE

Customers are looking to brands and retailers for more than simply products, including flexible services, community support and ongoing communications around actions being taken.

OPPORTUNITY

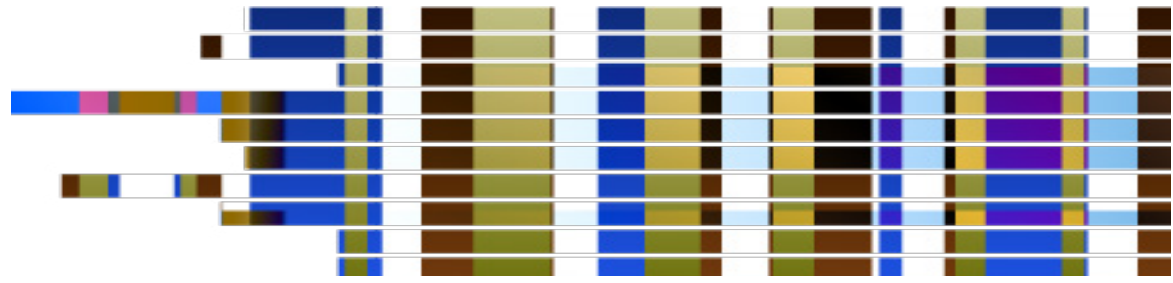
Finding ways to build and engage community is more critical than ever during this moment. The product drop can be a powerful tool to drive attention, which can then be directly tied to community initiatives or leveraged to inform audiences or new services that provide support during this time.

CHALLENGE

There's a greater value being placed on the ability to complete purchases through alternate channels like social media and text, and have items fulfilled in multiple contexts from BOPIS to at-home delivery.

OPPORTUNITY

As consumer attention and behaviors shift to digital, brands and retailers must find ways to meet customers where they are at all stages of the purchase path. When promoted through digital channels and paired with flexible fulfillment capabilities, drops can be scaled globally and made accessible to an even wider audience.



CHALLENGE

As global regions navigate lockdown regulations, supply chains from manufacturing to shipping have been severely disrupted, impacting businesses across the board and highlighting the need for greater operational agility.

OPPORTUNITY

By adopting a product drop mentality, businesses can tie consumer demand more closely to manufacturing and supply, ensuring the right inventory threshold to generate excitement and sales. By pairing this with drop shipping capabilities, companies can build in additional flexibility, while driving efficiencies and speeding time to consumers.

CHALLENGE

Faced with greater uncertainty, customers are seeking more direct relationships with favored brands that go beyond transactions into one-to-one engagement and support.

OPPORTUNITY

As digital-first behaviors accelerate, brands can leverage product drops as a way to engage consumers beyond the sale. Channels like chat and social media enable two-way conversation that can extend into post-purchase support and value-add services like product education.

CHALLENGE

Shoppers are prioritizing need-based and convenience-oriented purchases, making it even more difficult for brands selling non-essential items to resonate with consumers.

OPPORTUNITY

Reposition non-essentials by creating drops that build value around the product. Offer limited-edition goods that tie into give-back initiatives or create entertainment around an offering to drive conversation and build community.

NEW CONSUMER EXPECTATIONS

Today's digital-first and mobile-empowered consumers can buy a product from anywhere with the click of a button, giving them elevated expectations in terms of speed and convenience, as well as higher standards for the quality of the experience being offered. In order to earn their loyalty, consumers are seeking relationships with brands that are based not on transactions but on personalized engagement and emotional connection, qualities that well executed product drops are positioned to deliver.

Today's consumers...

Expect brands to stay at the forefront of 'new' and 'fresh'

Generation Z are keen shoppers. A huge 93% of them said they buy clothing every month; around half say they also buy footwear and accessories that often.

[Connected Consumer. Drapers, 2018](#)

69% of shoppers expect to see new merchandise when visiting a store.

[Shopper-First Retailing. Publicis.Sapient, 2018](#)

Value the overall experience a brand offers as much as the product itself

80% of consumers say the experience a brand provides is as important as its products and services.

[State Of The Connected Consumer. Salesforce, 2018](#)

Delivering on promised experiences has a real benefit for brands, with those rated highly in the survey having a more than 200% higher Net Promoter Score and 25% more loyalty.

[What We Know About Customer Experience. WARC, 2019](#)

Seek access to exclusive products and experiences that they can't get elsewhere

67% of Gen Z luxury consumers and 60% of Millennials have purchased special editions, compared to 40% of Gen X and 20% of Boomers.

[True-Luxury Global Consumer Insight. BCG and Altgamma, 2019](#)

64% of US consumers are interested in in-store events that offer them early access to products.

[Modern Consumer Research 2019. JRNI, 2019](#)



Desire a direct connection to their favorite brands

67% of all US consumers expect direct connectivity to the companies from which they buy goods and services.

[The Rise of the 21st Century Brand Economy. IAB, 2018](#)

Want brands to take their individual needs and desires into account

91% of consumers are more likely to shop with brands who recognize, remember and provide relevant offers and recommendations.

[Personalization Pulse Check Report. Accenture Interactive, 2018](#)

19.5% of customers strongly agree and 51.4% agree they want to participate in the design process to get what they want.

[2019 Personalization Survey Report. Lectra, 2019](#)

Expect the delivery experience to meet their in-moment needs

99% of US consumers say 'fast delivery' is important to them when making online purchases. 43% of US consumers expect companies to have 'much faster' delivery times than the previous year. That's up from 35% in 2017.

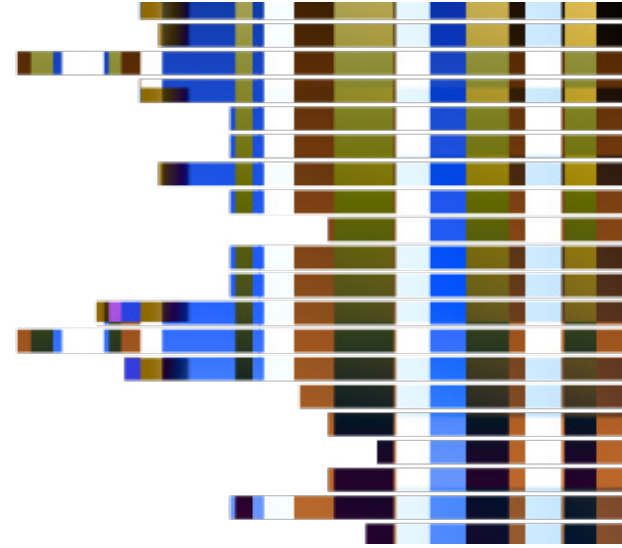
[Consumer Survey. Dropoff, 2018](#)

76% of shoppers say having multiple fulfillment options influences purchasing, up from 64% the year before — an 18.75% increase.

[2018 Consumer Trends Report. KIBO, 2018](#)

COMMON PITFALLS

While many brands have considered implementing the drop model, many struggle with executing a drop successfully without the necessary infrastructure in place. To set themselves apart from competitors, brands need to differentiate themselves through engaging experiences and products, supported by supply chain services that are flexible and responsive enough to render its workings seamless and invisible, presenting consumers with a responsive, engaging experience that seems almost magical.



Brands are...

Not creating nimble and responsive supply chains

Only 15% of retailers have completed supply chain digitization projects that will enable faster and smarter decision-making, and help retailers deliver on customer expectations.

[Digitize Supply Chains Today To Future-Proof Tomorrow.](#) Gravity Supply Chain Solutions, 2019

67% of retailers are not leveraging advanced analytics to improve their planning decisions and optimize inventory. In addition, only 39% of surveyed retailers identified improved analytics as a top priority.

[Integrated Planning and Inventory Management Survey.](#) BRP, 2018

Not engaging fans with unique, personalized experiences

Current personalization efforts made by brands are ineffective. Only 42% of Millennials, 37% of Gen X consumers, 33% of Gen Z consumers, 29% of Baby Boomers, and 23% of the Silent Generation have purchased something that was recommended to them by a brand in the past six months.

[Loyalty Research: Gen Z, Millennials and Beyond.](#) CrowdTwist, 2018

While 79% of consumers polled want a personalized in-store shopping experience, only 53% of retailers are focused on personalization as a top customer engagement priority.

[2019 Survey.](#) BRP Consulting, 2019

Focusing on creating hype instead of building long-term loyalty

Consumers demonstrate their loyalty to retailers in terms of both activity (spending more with these brands than others, joining a loyalty program) and behavior (recommending these brands to friends and posting reviews about the brand online). However, nearly a third of retailers will only take into account activity measurements of loyalty.

[The Loyalty Divide.](#) Oracle, 2018

64% of experts do not understand why their customers are loyal. 68% of experts do not have a framework in place to measure loyalty.

[Putting Loyalty Back On Track In The Travel Sector.](#) Collinson, 2018

Failing to leverage data and consumer feedback to improve operations

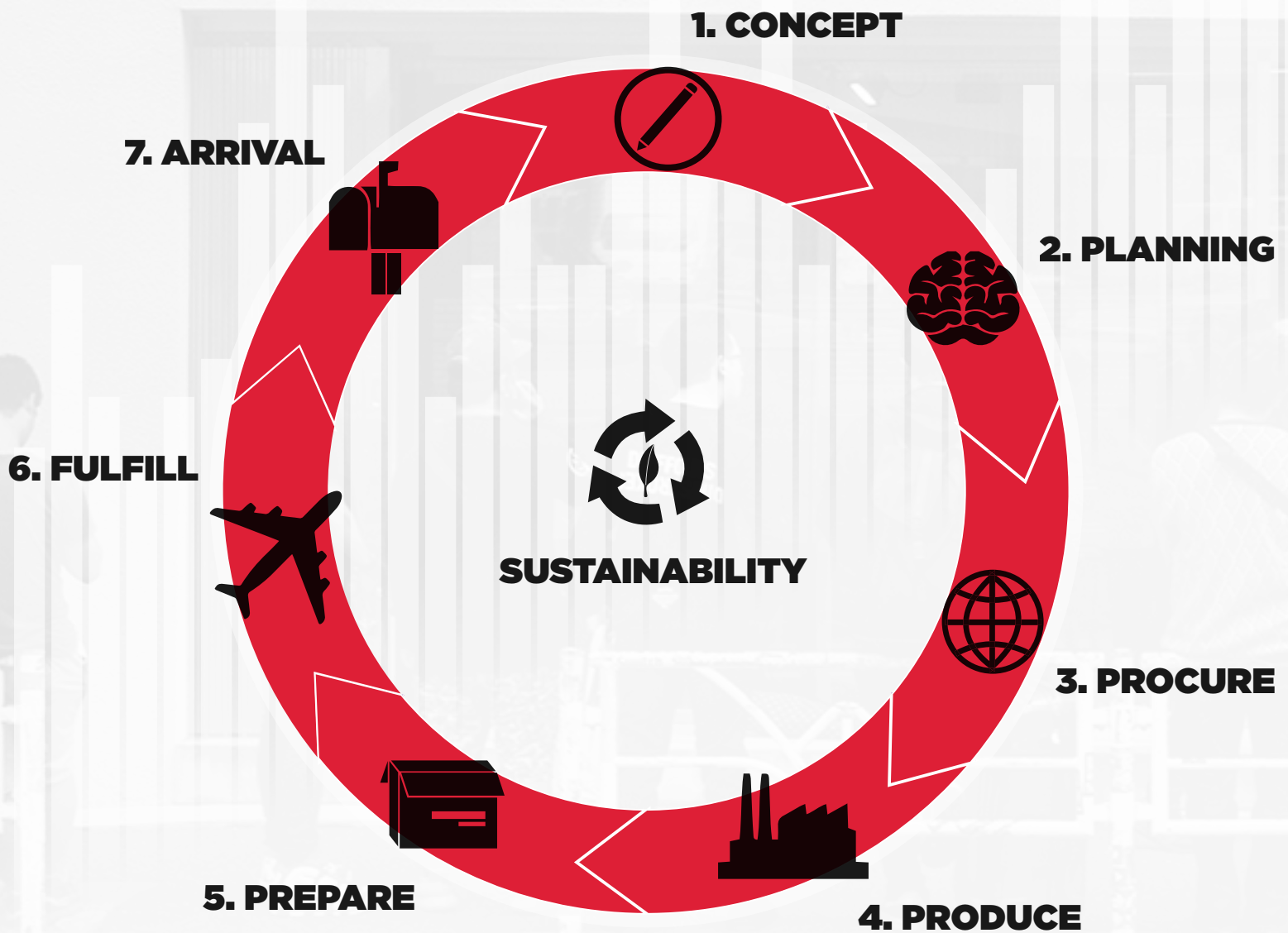
87% of firms say data is their most underutilized asset, limiting their effectiveness in just about every channel.

[A Marketer's Guide To Artificial Intelligence In 2019.](#) Koeppl Direct, 2019

THE MAKING OF THE DROP



To deliver a seamless and delightful consumer experience, brands and retailers should consider a complex set of processes when planning a drop. Here's how PCH approaches partnerships with brands and helps them simplify the drop process from concept to consumer.



THE MAKING OF THE DROP



1. CONCEPT

PCH partners with brands (and their industrial design partners) at the concept level to develop an enhanced consumer product experience. At this time, PCH design engineers the product and suggests and integrates sustainable practices that consumers demand.



5. PREPARE

As orders (global demand) come in, PCH packs out the product within its facilities. For each individual order, the product is uniquely personalized and customized, and within hours, packaged along with branding, language-appropriate instructions and relevant accessories.



2. PLANNING

PCH works with brands to plan for global demand and delivery of the drop. To make drops successful, PCH integrates development, manufacturing and personalization with fulfillment, while utilizing statistically sized inventory to provide simple and agile solutions for the brand that minimize risks such as overproduction.



6. FULFILL

PCH ships the package or drop direct from its facilities the same day as orders come in, tracking the product throughout its journey to the consumer and providing necessary visibility to brands during this process.



3. PROCURE

With trusted supplier partner relationships, PCH provides brands with optimal materials, technologies and innovations to match or exceed the intended consumer experience and sustainability requirements.



7. ARRIVAL

Within 2-4 days worldwide, the drop (with its unique and innovative consumer experience) arrives at its destination. Brands have full visibility and insight into the product from the time of order to the time of arrival, enabling them to process aftermarket engagement programs, rapid returns and repairs.



4. PRODUCE

Providing the brand with full visibility (and peace of mind) at every step, PCH begins the manufacturing process, taking responsibility for design requirements, scale, quality, cost and availability.



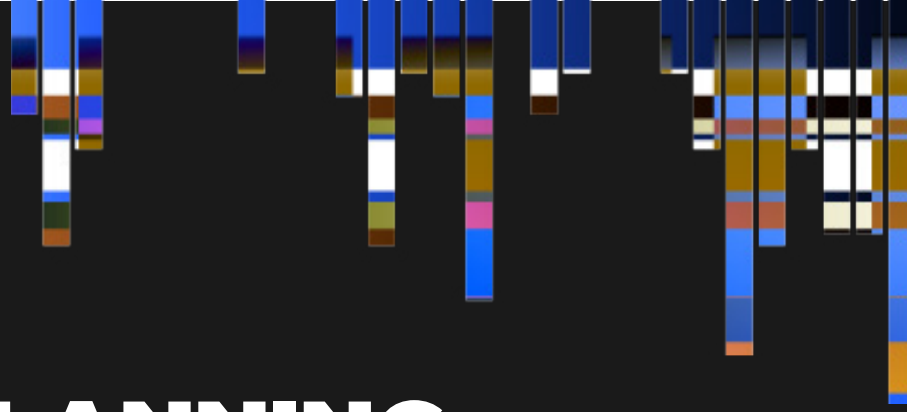
SUSTAINABILITY

Understanding and minimizing the environmental impact across the product lifecycle is a top concern for brands and consumers.

THE ART OF THE DROP:

THREE KEY STEPS TO DELIVERING AN ENGAGING EXPERIENCE

In order to successfully leverage a product drop, brands need to consider how every stage — from planning and triggering to fulfillment and post-purchase engagement — can be optimized and synced together. The report outlines the three key components that are necessary to ensure a seamless experience that not only generates engagement but also delivers upon that excitement through streamlined logistics, strengthening the consumer's relationship to the brand and driving growth.



1

KEY TRENDS:

- *Data-Driven Design*
- *Crossover Collaborations*
- *Predictive Merchandising*
- *Designed Scarcity*
- *Flexible Fulfillment*
- *Demand Creation*

PLANNING THE DROP

Determining what you need to have in place in terms of the supply chain logistics required, designing and producing the product you want to sell, creating demand, planning fulfillment and executing logistics

2

KEY TRENDS:

- *Ongoing Drops*
- *Shoppable Shows*
- *Gamified Engagements*
- *Conversational Commerce*
- *Local Exclusives*

EXECUTING THE DROP

Designing the mechanism for the drop, determining the channel and creating the consumer-facing transactional moment

3

KEY TRENDS:

- *Dynamic Outreach*
- *Members Only*
- *Deeper Engagement*

LEVERAGING THE DROP

Using the drop as the basis for a long-term loyalty play, fostering ongoing engagement through customer relationship management and membership strategies

PLANNING THE DROP

Determining what you need to have in place in terms of the supply chain logistics required, designing and producing the product you want to sell, creating demand, planning fulfillment and executing logistics

KEY TRENDS

- ***Data-Driven Design***
- ***Crossover Collaborations***
- ***Predictive Merchandising***
- ***Designed Scarcity***
- ***Flexible Fulfillment***
- ***Demand Creation***

KEY QUESTIONS TO CONSIDER

- How will you optimize your supply chain to accommodate a drop? How will you determine the appropriate amount of inventory to produce and ensure that orders can be fulfilled seamlessly?
- Are there opportunities for your brand to enter into new categories or reach new demographics with a drop?
- How will you generate excitement for the drop and engage your intended audience throughout the process? What are the best channels to use?
- What existing data can you leverage to inform R&D and predict demand? How can you engage your intended audience throughout the process?
- Who are the potential partners - solution providers, brands, influencers, etc. - that you need to collaborate with to ensure success?

EVIDENCE

An overwhelming 99% of consumer goods leaders surveyed are investing in direct-to-consumer (D2C) strategies of some kind.
Consumer Goods Migration To Direct-To-Consumer. Salesforce, 2019

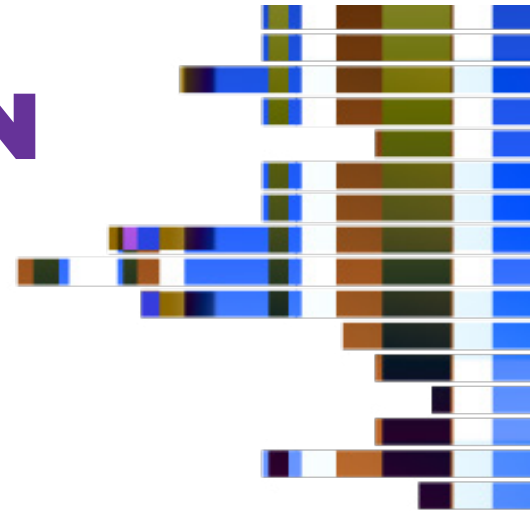
50% of companies are implementing planning and forecasting technologies, with an additional 32% increase in investments by these companies in the next year.
Reinventing The Supply Chain. Zebra, 2018

33% of retailers currently use advanced analytics for merchandise planning and another 48% plan to within three years.
Integrated Planning and Inventory Management Survey. BRP, 2018

Data users reported that they are going to prioritize “cross-channel” initiatives above all others in 2019, with 57.3% choosing cross-channel campaign measurement/attribution as their top priority.
The Outlook for Data 2019. IAB and Winterberry Group, 2019

DATA-DRIVEN DESIGN

Harvesting customer feedback through technology to inform the product development process, learning and accommodating consumers' lifestyles and preferences to achieve a well-designed product that resonates with customers on a deeper level.



HOW THIS MANIFESTS

Rent The Runway Designer Collective Design Of Clothing Line Informed By Post-Rental Surveys

Luxury clothing rental platform Rent the Runway launched a clothing line driven by data generated from years of consumer feedback. Using data collected from post-rental surveys about fit and style preferences, Rent The Runway combined data points about wear rate, where the items were worn, fit by style and sizes and demand for different types of hemlines, sleeve lengths and more, and then empowered their designers to design a clothing line based on this data. The line will continually use data in order to adjust its items to stay ahead of changing consumer preferences.

bit.ly/2UKPf63

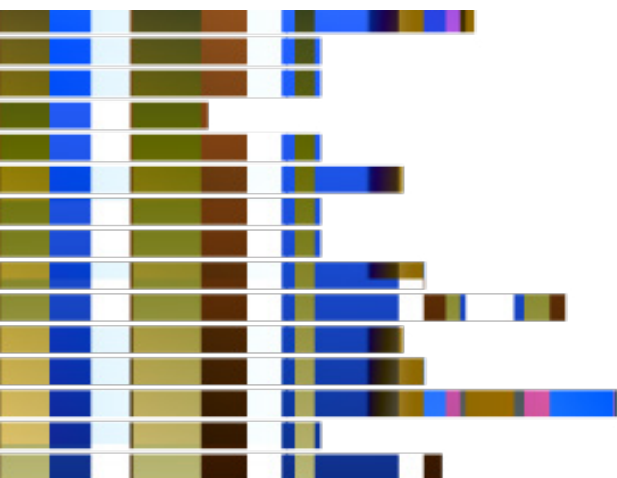


Five.Two by Food52 Cooking Community Can Provide Input On New Kitchen Product Design In Exchange For Early Access

Online food publisher Food52 leverages customer feedback in the product design process for Five.Two, its line of kitchenware, to determine which items to launch next. Products such as a double-sided wooden cutting board and silicone oven mitts were created with the help of over 25,000 community opinions. In exchange for providing their input, subscribers have early access to the products when they are released.

food52.com/p/five-two





CROSSOVER COLLABORATIONS

Designing limited edition collections in collaboration with another brand or cultural figure in order to bring together two communities of fans, introducing brand to a new audience and generating excitement.

HOW THIS MANIFESTS

Target Anniversary Collection 20 Years Of Designer Collaborations Released In Special Anniversary Collection

Big box retailer Target pioneered the designer collaboration, offering aspirational designer pieces at an accessible price point, and to celebrate the 20th anniversary of its first collab, Target is releasing a limited-edition collection of 300 reissued products. The collection features a selection of home goods, apparel and accessories from 20 of the designers that it has partnered with over the years, including Missoni, Lilly Pulitzer and Phillippe Starck.

bit.ly/2L1Bspf



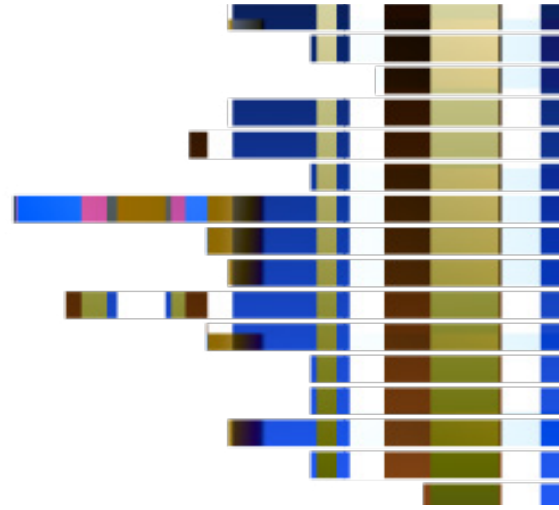
General Mills x Travis Scott Collaboration With Musician Turns Breakfast Cereal Into A Sought After Collectible

CPG brand General Mills collaborated with rapper Travis Scott on a limited-edition line of its Reese's Puffs cereal. The packaging was designed by Scott, featuring a cactus motif to reflect his nickname, Cactus Jack, and came encased in an acrylic outer box. Retailing for \$50, the cereal sold out in 30 seconds when it was released on Scott's website. It was also available at a pop-up during Paris Fashion Week.

bit.ly/2ZAbl0q

PREDICTIVE MERCHANDISING

Harnessing data and employing predictive analytics to uncover shifts in consumer preferences and accurately forecast demand, enabling businesses to improve supply chain efficiency, merchandising strategy and inventory management.



HOW THIS MANIFESTS

Nike Live Store Inventory Determined By Purchasing Habits Of Local Online Shoppers

In its Nike Live concept stores, the products from sports-wear retailer Nike are stocked based on the shopping preferences of local users. Using data collected from its NikePlus app, each store's merchandising mix is dictated by items local consumers are buying. Every two weeks, the store adds new inventory based on the local market, much faster than the brand's usual turnaround of 30-45 days. Shoppers will also be able to leverage the data to help inform their choices, browsing on in-store screens to see the most popular shoes in a given category for consumers who live near the store. The first Nike Live store, Nike By Melrose, opened in Los Angeles in 2018, followed by stores in Shanghai and New York.



swoo.sh/2noVTQp



Freshippo Grocer Analyzes Online Purchase Data To Order Exact Amount Of Fresh Items

Freshippo, a chain of grocery stores owned by Chinese ecommerce giant Alibaba, uses data-driven merchandising to reduce waste and ensure that shoppers always have access to the freshest possible produce, in a process it calls 'one-day farm-to-table.' By analyzing purchase data from digital orders, it is able to determine what items to stock each day, ordering only what it will need so there are no unsold goods to be thrown away. Shoppers are also able to scan an item's QR code in order to access information about an item's farm-to-store journey, providing an assurance about its provenance and freshness.

bit.ly/2CuazWb

DESIGNED SCARCITY

Producing items in limited quantities, creating excitement through scarcity and exclusivity while reducing overhead costs associated with excess inventory and minimizing waste.

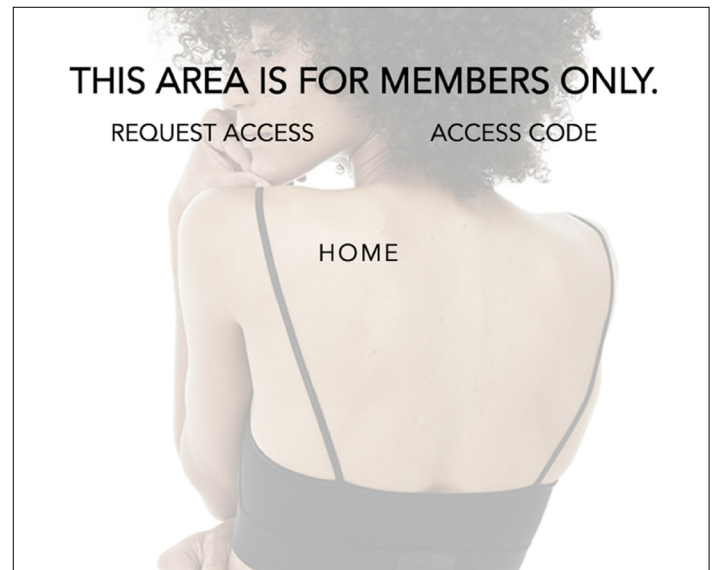
HOW THIS MANIFESTS

Wone

Activewear Brand Offers Clients Exclusive Access To Extremely Limited Product Runs

Luxury activewear company Wone has built a high-touch relationship with customers through a limited access model that requires interested buyers to reach out to the brand directly to gain access to its products. Once they have become clients, customers receive an exclusive link to purchase items that are not produced for traditional retail channels. These products are manufactured in very limited runs of 20-50 items, each one numbered like a piece of art.

bit.ly/2RaWbIA



Choosy

Fashion Brand Uses AI-Based Trend Analysis And On-Demand Production To Give Shoppers Exactly What They Want

Fashion brand Choosy uses data to uncover trends on social media then quickly designs its own products based on the most popular styles and produces the items on demand. Choosy uses a combination of in-house style scouts and AI to analyze social media, looking at items in posts that their shoppers have tagged with #GetChoosy, as well as celebrity Instagram posts that are gaining traction, in order to identify emerging trends. Choosy then designs items inspired by these trends, producing samples in as few as three days, and makes them available for shoppers to buy through twice-weekly drops on its website. Shoppers have only a few days to purchase the looks, which are produced to order and shipped to customers within two weeks of purchase.

getchoosy.com

How Choosy Works



Our Technology

Our proprietary algorithm analyzes what's trending across social platforms



Your Influence

You tell us which trends and styles you're loving via social polls and comments



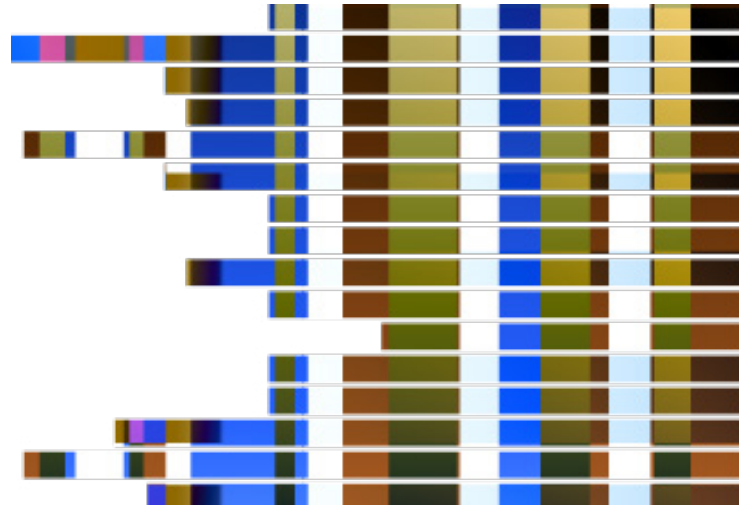
The Goods

We distill the best of both and ship straight to your door, with new product drops every month

[Learn More](#)

FLEXIBLE FULFILLMENT

Creating a nimble supply chain that ensures that orders can be fulfilled in the way that best meets shoppers' in-moment needs for speed and convenience, wherever they are.

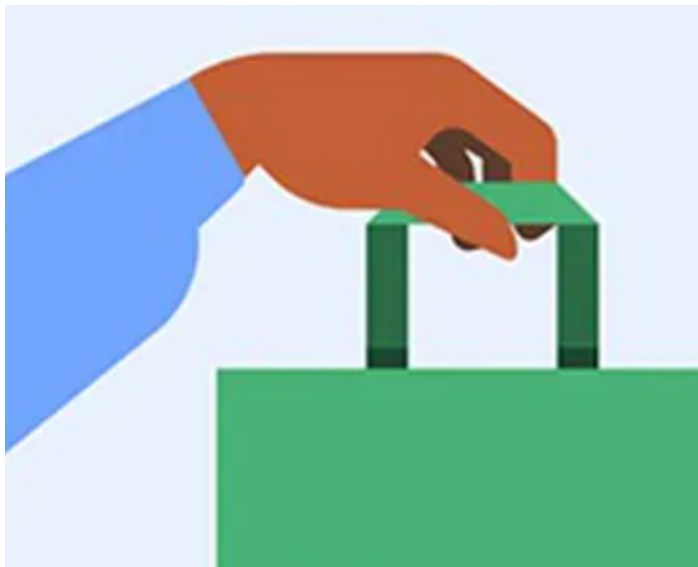
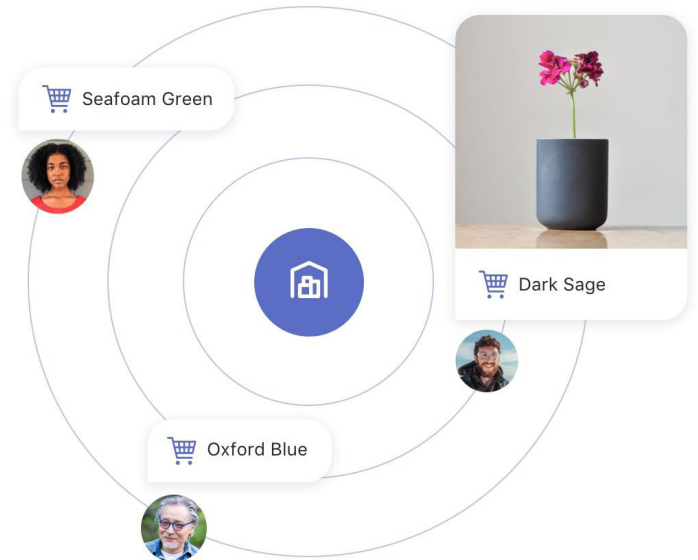


HOW THIS MANIFESTS

Shopify Fulfillment Network Machine Learning Makes E-Commerce Fulfillment More Cost-Effective For Small Merchants

E-commerce platform Shopify has created its own fulfillment network in order to help the small and medium-sized stores and direct-to-consumer brands that make up its customer base. Once a customer completes checkout, the platform uses machine learning in order to determine the nearest fulfillment center, calculate optimal inventory quantities for each location, route inventory and negotiate rates with third party logistics providers in order to ensure that order fulfillment is as efficient and cost-effective as possible.

bit.ly/2kvPaWS



Uber Ridesharing App Repositions Its Network To Provide On-Demand Delivery Services

To better meet new consumer needs within social distancing guidelines, ride sharing platform Uber's extended delivery programs Uber Direct and Uber Connect leverage the app's fleet of drivers. Helping retailers to provide on-demand delivery services, Uber Direct provides localized fulfillment capabilities. Meanwhile, Uber Connect acts as a peer-to-peer delivery service, allowing consumers to enlist Uber drivers to deliver packages to friends and family members.

uber.com

DEMAND CREATION

Using targeted messaging to generate buzz, fostering community among brand fans by making them feel in the know, while creating a sense of urgency and excitement ahead of the product launch.

HOW THIS MANIFESTS

Tod's x Mr. Bags Handbag Drop Sells Out In Six Minutes Thanks To WeChat Promotion

When luxury fashion brand Tod's collaborated with the Chinese handbag influencer Mr. Bags on a limited-edition Unicorn D bag, they used the Chinese social media platform WeChat as a way to drive engagement and sales. Mr. Bags announced the upcoming drop via a 24-second video post on WeChat, then sent a push notification to his nearly 950,000 followers the next day. Tod's also arranged for several Chinese celebrities to pose with the bags on social media in the weeks leading up to launch. When the bag was released, it sold out in six minutes.

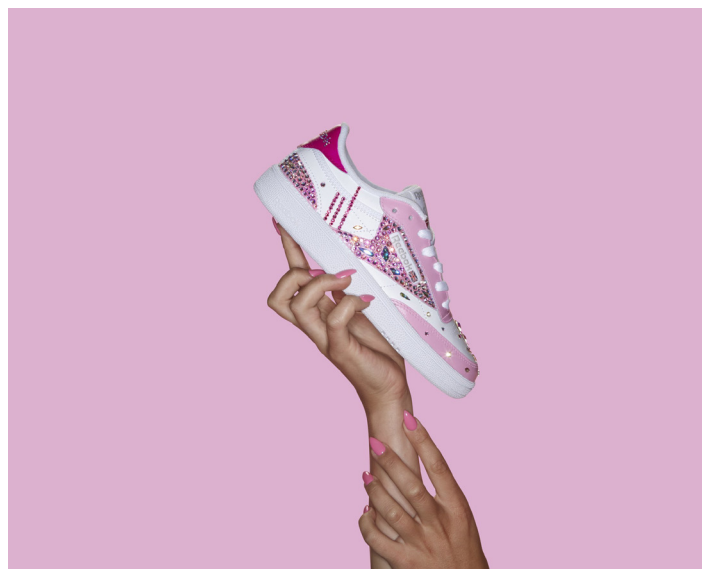
bit.ly/2IMmQQ5



Reebok x Cardi B Sneaker Collab Promoted Via Voice-Activated Contest

To promote the upcoming release of their C Club sneaker, designed in collaboration with rapper Cardi B, active-wear brand Reebok gave away limited-edition versions of the sneaker through a voice-activated contest. By saying 'Open Reebok Sneaker Drop' using either their Alexa or Google Home voice assistants, fans could enter to win one of only 50 special pairs of the shoes covered in Swarovski crystals, with 100 runners-up receiving a pair of the regular C Club sneakers.

prn.to/2k7yZyH



EXECUTING THE DROP

Designing the mechanism for the drop, determining the channel and creating the consumer-facing transactional moment

KEY TRENDS

- **Ongoing Drops**
- **Shoppable Shows**
- **Gamified Engagements**
- **Conversational Commerce**
- **Local Exclusives**

KEY QUESTIONS TO CONSIDER

- How can you leverage content/entertainment to drive excitement, interaction and connection with your target audience? How does this tie into your existing marketing/messaging? What role can key employees and/or influencers play?
- How can drops be used to reward brand fans? How can they effectively drive connection and advocacy?
- How can you leverage tactics like live programming or text-based platforms to create one-on-one connections with customers and fans?
- How can you leverage digital channels to democratize access to product drops? What are the best channels to leverage?
- What's the right frequency to offer your product drops? Are they one-offs or part of a sustained strategy?

EVIDENCE

Taobao, an Alibaba owned live streaming platform, experienced a 719% jump in quantity of first time merchants using the site to sell their products between January and February.

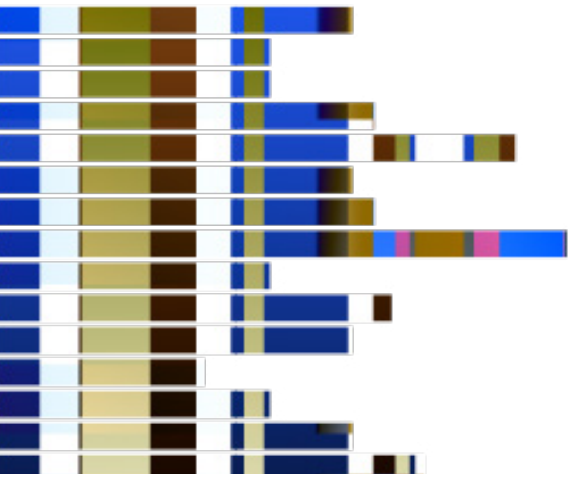
“The Next Frontier Of Shopping Will Be Livestreamed.” Bloomberg, 2020

80% of consumers are more likely to make a purchase when brands offer personalized experiences.

The Power Of Me: The Impact Of Personalization On Marketing Performance. Epsilon, 2018

44% of Gen Z are more likely to spend money on an experience because of something they saw on social, versus 34% of all consumers.

Modern Wealth Survey. Charles Schwab, 2019



ONGOING DROPS

Releasing products at regular, more frequent intervals instead of seasonal collections, creating prolonged engagement by offering shoppers an incentive to return frequently to discover what's new, while also providing brands with the opportunity to quickly test and learn without making a major investment in inventory.

HOW THIS MANIFESTS

M. Gemi Monday Drop

Weekly Instagram Live Drops Let Shoe Brand Generate Excitement And Real-Time Feedback On Designs

Direct-to-consumer luxury shoe brand M. Gemi creates continual newness with its 'Monday Drop,' releasing new styles and exclusive collaborations every week via live broadcast on Instagram, with a countdown clock appearing every Friday morning on the brand's site to generate excitement. The weekly live drops include behind-the-scenes looks at the design process, as well as crowdsourced styling advice. By releasing new products every week, M. Gemi is able to leverage customer data in order to refine their designs mid-season.

mgemi.com



Burberry B Series

Monthly Capsule Collections Drop Via Social And Are Available For 24 Hours Only

Luxury fashion brand Burberry launched a streetwear line, B Series, which drops new products on the 17th of every month exclusively via the brand's social channels. Each capsule collection varies in terms of size and availability, but all of them are available for 24 hours only, via Burberry's Instagram, as well as Kakao Talk in South Korea, Line in Japan and WeChat in China.

us.burberry.com/b-series



SHOPPABLE SHOWS

Using live-streamed programs that allow audiences to collectively view content in real-time, while giving them direct access to exclusive products, blending shopping and entertainment into one streamlined experience that encourages two-way conversations with brands as well as the broader community of fans.

HOW THIS MANIFESTS

NTWRK

Shoppable Platform Blends Television, Ecommerce And Pop Culture Fandom

NTWRK is an app that blends a schedule of compelling programming with a live shoppable concept. Viewers tune in at a certain time to see live episodes featuring the hottest names in pop culture, and are able to shop the exclusive product drops featured on the show, such as sneakers, gadgets and streetwear, directly through the app. NTWRK aims to bring together devoted fanbases from various verticals, including gaming, music, sports and streetwear.

thentwrk.com

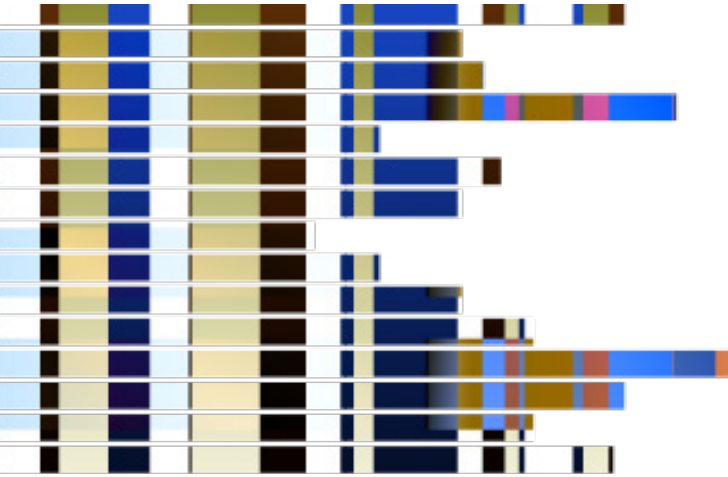


ShopShops

US Retailers Can Connect With Chinese Shoppers Via Livestreamed Shopping Events

ShopShops is an interactive, live-streamed global marketplace that connects US brick-and-mortar retailers and brands directly with cross-border Chinese shoppers via their mobile device. Stores host two-hour live events to “open doors” to thousands of global customers who can tune in via app. ShopShops’ hosts manage the events, acting as stylists and translators, modeling items and answering any questions viewers may have about the items.

bit.ly/2RKHgnw



GAMIFIED ENGAGEMENTS

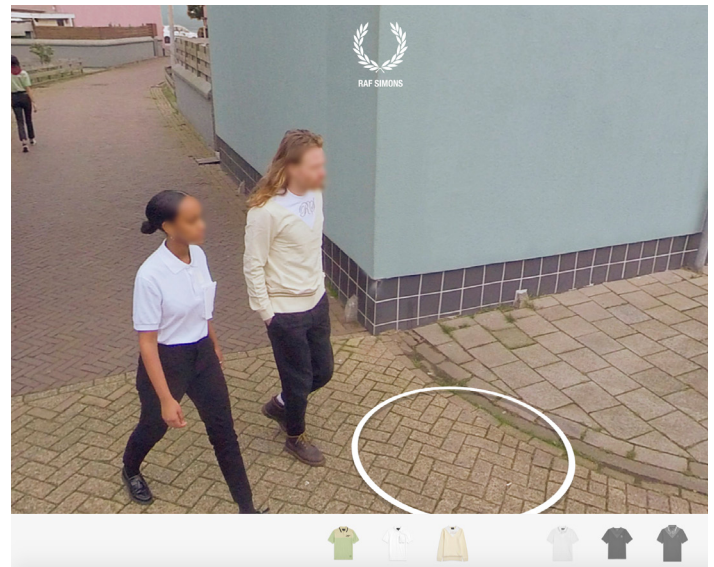
Integrating elements of play and gaming into the retail experience, with challenges that consumers must complete in order to unlock access to a product, creating a greater sense of investment and feeling of reward.

HOW THIS MANIFESTS

Fred Perry **'Street View' Lookbook Lets Shoppers Purchase Items In Virtual Suburban Town**

Athletic apparel brand Fred Perry promoted its collaboration with designer Raf Simons using a Google street view-like gamified experience. By navigating a virtual map of a seaside suburban town, customers can spot and click on individuals wearing the collection of polo shirts and sweaters to access the purchase link. The map also contains hidden clues that link to more surprises.

bit.ly/2OPyFmR



Net-A-Porter **Digital Fashion Marketplace Partners With Gaming Platform To Sell Virtual Clothing**

Fashion commerce site Net-A-Porter is going beyond the physical world of design and into the digital one by launching avatar skins for the open-world game Animal Crossing. Created in collaboration with Chinese fashion designers, the spring/summer collection is available both as virtual clothing for in-game avatars and real fashions to wear in daily life through integration with Alibaba's Tmall shopping platform. Players can find and order the avatar skins through Tmall customer service with the keyword "NAP animal crossing."

animal-crossing.com



CONVERSATIONAL COMMERCE

Acquiring and engaging customers through text-based storefronts, providing access to latest drops, exclusive items and giving shoppers a reason to connect one-on-one with a brand.

HOW THIS MANIFESTS

Cariuma Sneaker Brand Leverages Text To Re-Engage and Better Inform Customers

Streetwear sneaker brand Cariuma utilizes text messaging to alert fans of new products, when an item is back in stock or if an existing style is now available in new colorways. For customers who opt-in, Cariuma also leverages the text service to improve its cart abandonment rates by re-engaging shoppers who have nearly completed an order. Showing initial success, Cariuma's experienced an open rate of 95% to 100% for its text messages, while comparatively the sneaker company's email open rates traditionally fall within 20% to 30%.

cariuma.com



Palace Streetwear Brand Adds Social and Messaging Platforms To Its Drop Channels

For its Summer 2020 drop, streetwear brand Palace Skateboards partnered with both the messaging platform WeChat and social media platform Weibo, allowing customers based in China to shop the lookbook via text. To access drop related updates customers are able to follow Palace on Weibo, or visit their website to access and scan the brand's WeChat mobile QR code and shop the collection directly within the app.

palaceskateboards.com

LOCAL EXCLUSIVES

Even as brands strive to scale globally to reach a wider audience, they still find value in cultivating relationships with customers on a local level. Within the context of drops, this means releasing special edition products that are only available to communities in a defined geographic zone, sometimes as small as a neighborhood or shop. These tactics encourage local engagement and create enhanced brand relevance through strong ties to place.

HOW THIS MANIFESTS

Rothy's Exclusive Shoe Drops Promoted Only Via Email To Local Customers And Sign In Shop Window

While primarily an ecommerce brand, women's shoe maker Rothy's offers exclusive styles to shoppers who visit its San Francisco store. Every three weeks, Rothy's drops styles that are exclusive to the store, promoting them through emails sent to local customers and a notice posted in their shop window. Because the DTC brand owns its own production workshop, it is able to produce limited runs of product and drive visits to its physical store by offering shoppers styles that they can't find online.

bit.ly/2XLSL3J

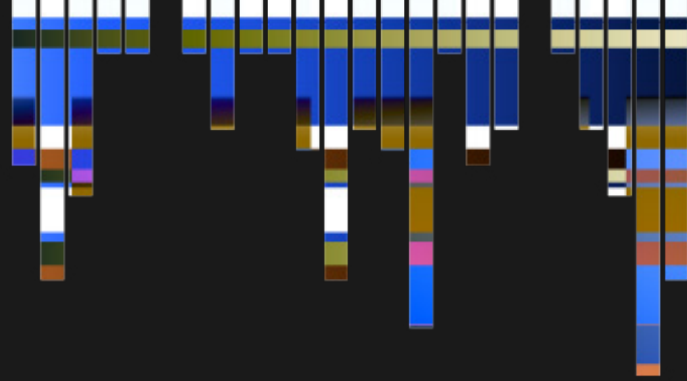


SNKRS Atlanta Local Store Offers Exclusive Product Access To Local Users Of Brand's App

Sportswear brand Nike created a shop in Atlanta that allowed local users of its SNKRS app to access exclusive product drops. Using geofencing technology, the app targets users within a 25-mile radius of the store, sending them a push notification about a randomly scheduled 'shock drop,' offering them the chance to buy limited-edition shoes. The store also uses location-based tools to allow visitors to unlock access to different sneakers, including styles that are sold out elsewhere.

swoo.sh/2XOhl4f





WHAT THE EXPERTS ARE SAYING

Our researchers spoke with pioneering brands and retailers to gain insight into the elements that make a product drop successful.

Daniel Sokolovsky
CEO of AxleHire



on the importance of inventory management:

I think the number-one challenge is inventory, because with these drops you have a very sudden spike in demand. Something gets released and then you go to the store, and then you have to stand in line, and then boom, all of a sudden, you don't have it anymore. It defeats the whole purpose of the whole thing!

You need a good sense of where your inventory is — how much inventory you have on hand, what kind of buffer you have against things like store theft. A lot of brands put buffers on their inventory now because items might be in a different part of the store or in the back room. Products might be damaged or whatever else. Having better dynamic control over inventory is the most important thing — and also the hardest part.

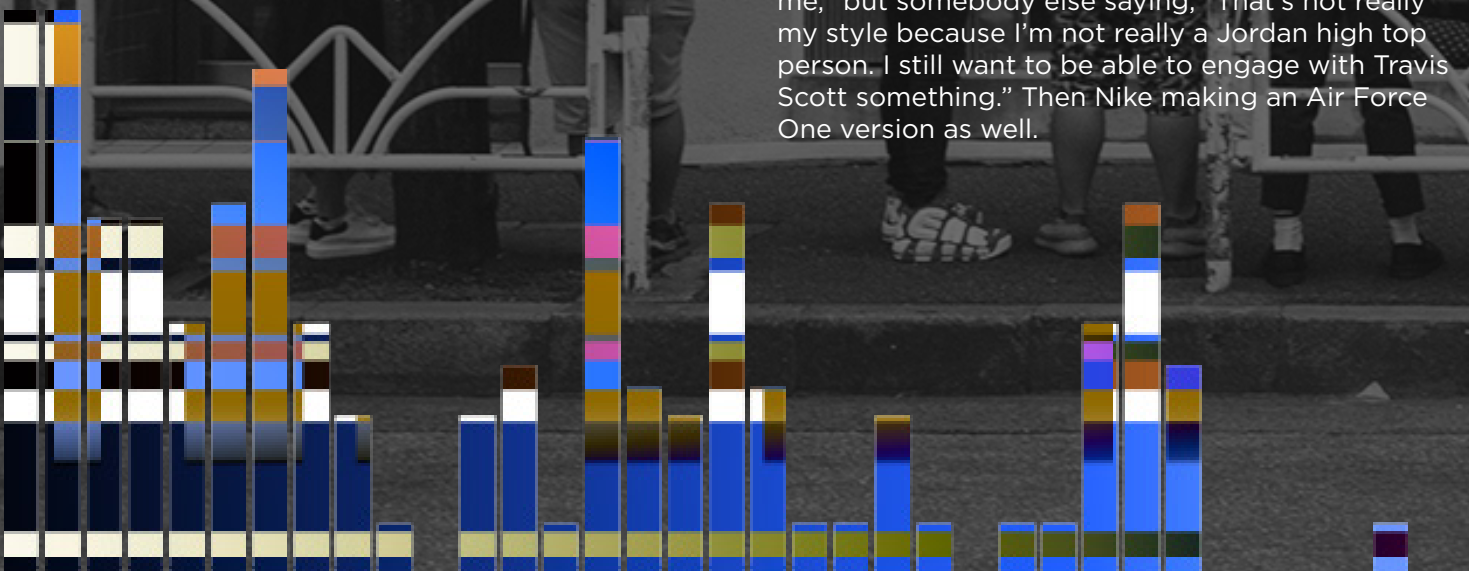
Mel Peralta
Senior Director of Foot Locker's Greenhouse incubator



on listening to new consumer demands:

I think it's consumers telling the industry as a whole, "I want to be able to quickly turn around and engage with your product." For all of us as brands, as an industry as a whole, you have to be able to react to it. I really struggle with seeing how we're going to go back to exclusively showing consumers items they can't buy for another eight or nine months. If you look at the Sacai Nikes, they were seen at Paris on the runways almost a year before they came out. That's almost a perfect marriage of drop culture with early marketing.

Back in the day, you could sell 100,000 pairs of something. It could just be that one unit, that one SKU, that one model, that one silhouette. Now, you might need to do eight different things to be able to hit the 100,000 units. I think that's also the customers segmenting themselves almost and saying, "OK, cool. This Travis Scott thing is awesome for me," but somebody else saying, "That's not really my style because I'm not really a Jordan high top person. I still want to be able to engage with Travis Scott something." Then Nike making an Air Force One version as well.



WHAT THE EXPERTS ARE SAYING

Our researchers spoke with pioneering brands and retailers to gain insight into the elements that make a product drop successful.

Niall Horgon

CEO and Co-founder of Gym+Coffee



Ben Jacobs

Brand Director of Stadium Goods



on the importance of drop shipping:

By partnering with PCH, we've been able to store and fulfill the products from China, instead of having to bulk all of our products together and send them on a boat or a plane to Ireland. Behind the scenes, that product is delivered to customers directly from PCH's warehouse facility in China rather than having to be sent first to Gym+Coffee's warehouse facility here in Dublin, Ireland, and then on to the customer.

Suddenly, every market in the world essentially is now much easier to sell into. Previously, we were shipping in bulk to our warehouse in Ireland and storing product there before sending it on to another country. Markets like Australia, where there's a nice demand for our product but has been very difficult for us to service, now become much more open. We're looking at how we can really speed that process up now and actually start going after that market heavier than we previously did.

Drop shipping is an incredibly new way for an e-commerce business to offer essentially direct-to-consumer from source. Now, within two to three days, our products can be in PCH's warehouse, and within another two or three days be at the customer's door. The cycle is just so much quicker. And moving products closer to the consumer has a huge impact on the cash flow of the business because we're not waiting five, six weeks for the product to even be sold. We can start selling it straight away and start turning that product into cash, which is a huge burden on consumer products companies to have so much tied up in stock all the time.

on the importance of creating meaningful experiences:

It's not just putting two logos together having that flash-in-the-pan moment where maybe it's covered on a few sites or a few big influencers wear it but then nobody talks about it the next day.

It really is about providing that experience. It ties you to something. It ties you to a community. It ties you to a moment in time. It's sort of like an album release. You want to be the first to hear about it. You want to be the first to have it, talk about it, and share it, and wear it.

It has to be something that people really feel is exciting and pushing things forward and not just something that was sort of expected or obvious. It's also creating your own moment. Nike has Air Max Day. That's a holiday that they invented. Travis Scott has his Astro World Day. So it's about tying into larger cultural moments, but also really creating your own and creating new things that way.

LEVERAGING THE DROP

Using the drop as the basis for a long-term loyalty play, fostering ongoing engagement through CRM and membership strategies

KEY TRENDS

- **Dynamic Outreach**
- **Members Only**
- **Deeper Engagement**

KEY QUESTIONS TO CONSIDER

- What ways can you personalize the customer experience before, during and after a drop?
- How can drops be used to identify high-value consumers who can serve as brand advocates? What role can they play to amplify your message going forward?
- How can drops play into a larger membership offering? What can you offer that people are willing to pay for?
- How can you ensure you're capturing valuable customer data as part of the process?
- How can customer data and feedback be leveraged to inform future product development and define

EVIDENCE

60% of long-term customers use emotional language to describe their connection to favored brands.
Exploring The Value Of Emotion-Driven Engagement. Deloitte, 2018

When consumers feel more connected to brands, they are 76% more likely to buy from that brand over a competitor, 68% more likely to recommend that brand to a friend, 57% more likely to spend more and 64% more likely to be more loyal to the brand.
What Consumers Want From Brands In A Divided Society. Sprout Social, 2018

Compared to satisfied customers, emotionally connected customers have a 306% higher lifetime value (LTV), stay with a brand for an average of 5.1 years vs. 3.4 years, and will recommend brands at a much higher rate (71% vs. 45%).
Leveraging The Value Of Emotional Connection For Retailers. Motista, 2018

78% of studied loyalty programs now offer experiential-based rewards compared to last year's 61%.
Loyalty 2019. Gartner, 2019

DYNAMIC OUTREACH

Implementing advanced CRM and marketing systems to learn a consumer's behaviors and preferences through repeated interactions and developing a detailed shopper profile. Utilizing this information to deliver proactive and personalized outbound marketing, such as tailored recommendations, rewards or content.

HOW THIS MANIFESTS

Target Circle Members Receive A Birthday Surprise Based On Their Shopping History

Big box retailer Target developed a rewards program called Target Circle that offers personalized rewards based on members' individual shopping patterns. The retailer analyzes which categories a member shops most frequently and offers rewards and discounts for those particular categories in order to make the rewards more relevant. The program offers members a birthday surprise that is personalized based on their shopping history. Members can also earn votes to help determine where Target directs its charitable donations, allowing them to have a say in how Target impacts their communities.

bit.ly/2ZH9ww2



Shiseido Synthesizing Data From Loyalty Program And Other Key Data Streams Leads To More Relevant Offers

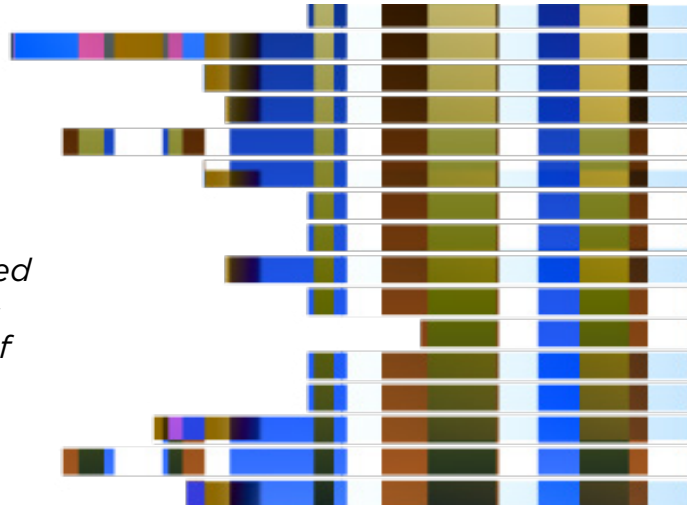
Cosmetics brands Shiseido implemented a customer data platform that lets it leverage the data generated by its loyalty app in order to create a more unified view of the customer and provide them with more relevant offers. Using the platform Treasure Data, Shiseido was able to consolidate its owned data from its loyalty program, in-store and mobile POS and website visits, along with third-party data, in order to accurately assess each customer's preferences and develop more relevant customer communications on its loyalty app, driving a 20% increase in in-store revenue increase per loyalty program member.

bit.ly/2DF8aIH



MEMBERS ONLY

Looking beyond loyalty points and rewarding committed brand fans with early access to new products and one-of-a-kind experiences that invite them into the world of the brand, creating an emotional connection.

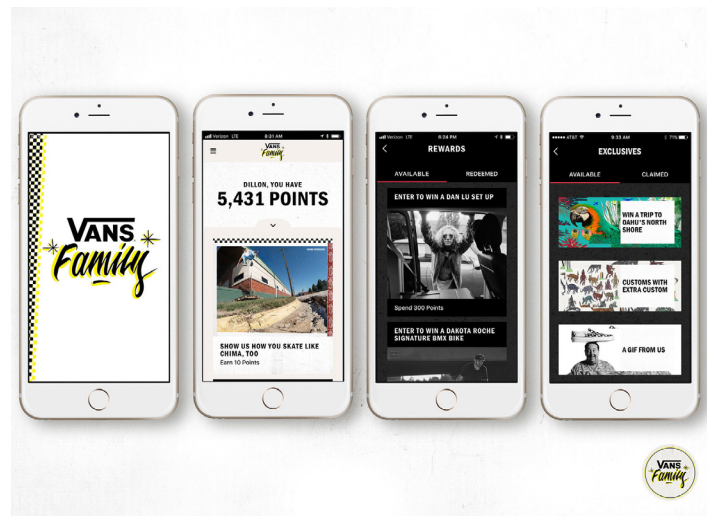


HOW THIS MANIFESTS

Vans Family Brand Super Fans Get Access To Exclusive Experiences

Skatewear brand Vans launched Vans Family, an experiential loyalty program designed to deepen the brand's relationship with its super fans. Members receive access to exclusive contests and experiences, as well as previews of upcoming product releases. They will also have access to exclusive patterns which they can use to customize footwear and accessories. In addition to receiving points for purchases, members can also receive points for engaging with the brand, such as answering poll questions or sharing photos.

vans.com/family



720 Air Store Virtual Pop-Up Is Only Available To Shoppers Who Have Made A Previous Purchase

To accompany the launch of their Air Max 720 shoe design, activewear brand Nike created an exclusive virtual pop-up store where shoppers can purchase limited-edition Air Max merchandise only after purchasing the Air Max sneaker itself. To access the store, customers must input the order number for their Air Max 720 purchase. Once entered, the purchase price turns into points, which customers can then redeem for AM720-themed water bottles, socks and stickers.

720air.store

DEEPER ENGAGEMENT

Rewarding loyalty program members for a range of actions beyond making a purchase, such as referring a friend or sharing on social media, to offer them opportunities to earn without spending and encourage ongoing engagement and advocacy at every touchpoint.

HOW THIS MANIFESTS

Reebok Unlocked Every Brand Interaction Lets Members Earn Points Towards Experiential Rewards

Activewear brand Reebok created a tiered loyalty program that rewards members for interacting with the brand. Not only can members earn points for every dollar spent, but they can also earn points for posting to social media, reviewing products, attending events and simply creating an account. In exchange, Reebok offers personalized, experience-based rewards, including invitations to exclusive events, early access to new products, VIP customer service and on-demand training.

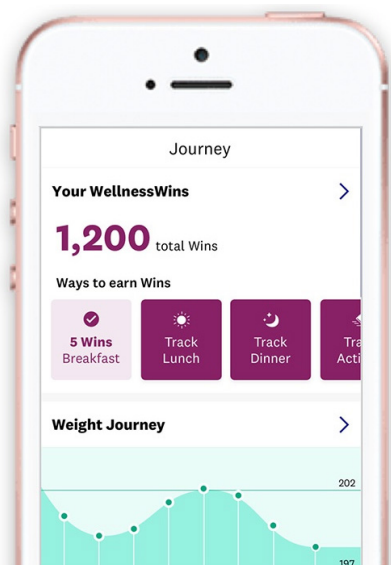
bit.ly/2UE8xJh



WellnessWins Fitness Program Rewards Members For Tracking Their Healthy Behaviors

The rewards program from wellness platform WW (formerly Weight Watchers) allows members to unlock special benefits in exchange for healthy behaviors. Members track activity, such as physical activity, meals and weight, in the WW app and are rewarded with 'Wins', which include exclusive products and experiences. The program is designed to encourage people to track their behaviors because WW found that the more people track their activity, the more successful they were in using the platform to reach their wellness goals.

weightwatchers.com/us/wins



PERFECTING THE ART OF THE DROP:

BEST PRACTICES

The following insights and guidelines will help brands and retailers in any category leverage the product drop, maximizing operational efficiency while growing their business and creating stronger emotional connections with their consumers.



HAVE A PLAN IN PLACE

In order to successfully pull off a product drop, the logistics have to be seamless, as product shortages or long delivery times can remove the excitement from the experience. Work with a third party logistics provider if necessary, determine the appropriate amount of inventory to produce, where the drop will take place and how purchases will be fulfilled.

TAKE A LOCALIZED APPROACH

Drop different items in different locations to cater to local tastes and celebrate hometown events, giving audiences a unique experience that they can't get anywhere else.

MAKE THEM EARN IT

In an age where shoppers can purchase nearly anything they want at the click of a button, adding just the right amount of friction to the purchase path can actually enhance the experience, as consumers tend to value items more when they have to work for them.

REWARD YOUR BIGGEST FANS

Consumers today are driven less by the promise of discounts and more by a desire to feel as though they're part of an exclusive club. Reward your biggest fans with early access to new products and experiences that invite them into the world of your brand, creating an emotional connection.

USE DROPS AS AN OPPORTUNITY TO TEST AND LEARN

Drops are an opportunity to experiment and try new methods without a large initial outlay. Use drops to test the waters for new product lines and brand extensions to help refine designs before wider release. Test out different channels and mechanisms for executing drops from online exclusives through text or gaming platforms to local-only releases to see which generate the most excitement among your target audience.

DECIDE WHAT SUCCESS LOOKS LIKE

Determine your ultimate business objective for leveraging the drop and decide which metrics and KPIs you will use to measure outcomes, whether it's social media buzz, units sold, or number of email sign-ups.

VIEW THE DROP NOT AS THE END BUT THE BEGINNING

Turn the momentary excitement of drops into a long-term loyalty play by capturing and analyzing customer data in order to better understand your consumers' needs and desires, allowing you to continue giving them more of what they want.

ABOUT PCH

PCH is a global company founded in 1996. We provide product development and an intelligent end-to-end supply chain as a service (SCaaS) platform for the world's best brands. Our customers come from a variety of sectors, including beauty, fashion, retail & consumer packaged goods, audio, consumer services, health & wellness, home & entertainment, financial technology & payments, and consumer electronics & peripherals.

At PCH, our passion is rapid, rigorous product development and supply chain velocity, agility, and intelligence. We value sustainable practices and socially and environmentally responsible product lifecycle management.

Our customers are passionate about their design, their brand, and the consumer experience. PCH's product development and supply chain services help brands get their

products to global consumers fast (within 2-4 days worldwide) and in a hassle-free way that delivers a delightful consumer experience. We power direct-to-consumer channels, in addition to conventional channels such as retail and ecommerce platforms.

Our services platform increases brand revenue, optimizes costs, reduces balance sheet liabilities, and increases consumer engagement. We are an asset-light company focused on the complete product lifecycle, while investing only in areas of the product lifecycle that are differentiated in the industry and which drive value back to our brand partners.

info@pchintl.com



ABOUT PSFK

PSFK is a research company from New York City that tracks the latest global innovation developing at the intersection of culture and entrepreneurialism. With a network of researchers around the world, our membership-style offering helps a mix of tech-firms (e.g. airbnb, Samsung) and lifestyle-brands (adidas, Nike) understand the latest trends and how to deliver the best brand, customer and retail experiences. We also work with leading media companies like Complex to share thought leadership into new consumer insights.

Find out more and sign up for our weekly newsletter: psfk.com

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