



STRATEGIC DEVELOPMENT REPORT SKIMS



EXPANSION

SUSTAINABILITY

INNOVATION

Executive Summary

Skims' current gradual price increases and slower replenishment rates (Figures 1 & 2), compared to a 68% replenishment rate and 32% sold-out rate in 2022 (Mondalek, 2022), have also forced skims to rely on discounts to keep sales stable and prevent excessive inventory build-up. To address these issues, Skims has continued to diversify its product categories and social media campaigns, but has ignored starting with the consumer's own experience and industry feedback. So, is it time for Skims to change?

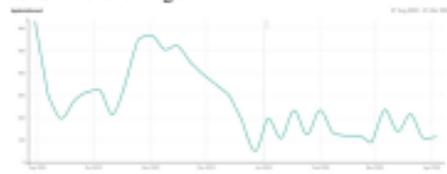


Figure 2: Skims' History of Replenishment (Edited, 2024)



Figure 1: Skims' History of Price Increase (Edited, 2024)

Skims is a solution-focused DTC brand for new-shaping underwear founded by Kim Kardashian West. In just five years, it has captured significant market share and is valued at \$4bn. However, situational analyses can identify a number of key issues (Figure 3), which indicate that the brand's competitiveness is fading. The strategic direction of Skims was assessed by Ansoff Matrix (Figure 4), and the development plan for Skims for the next 2-5 years has been developed by looking at the brand's current business strategies (Figure 5).



Figure 3: Brand Pain Points (Strategic Development Report, 2024)

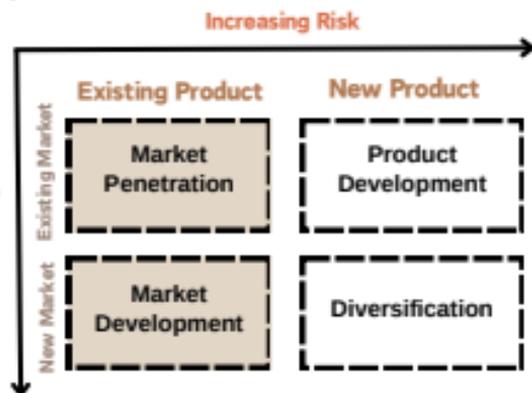


Figure 4: Ansoff Matrix (Strategic Development Report, 2024)

Incorporating detailed analyses of the internal and external environments, and in-depth consideration of market trends and vacancies in the Strategic Development Report, the report highlights five recommendations for Skims' future strategic planning around expansion, innovation, and sustainability (Figure 5). These recommendations are based on a combination of the two strategic directions of market penetration and development, which will allow Skims to accelerate the growth of the business both vertically and horizontally while spreading the risk.

Recommended Timeline

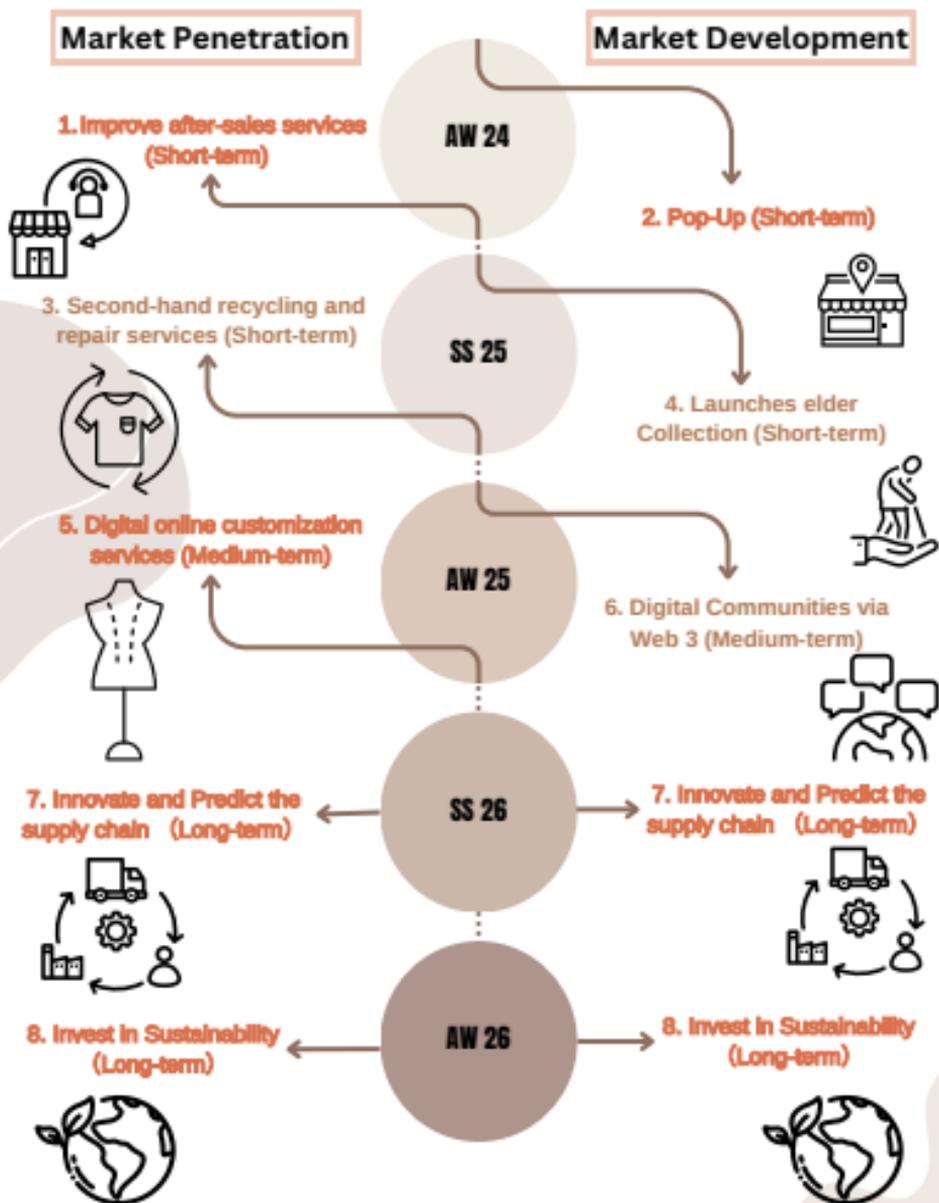


Figure 5: Strategies Timeline (Strategic Development Report, 2024)

EXPANSION

SUSTAINABILITY

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Globalisation Expansion Strategy

Key Issues:

No offline store:

SKIMS is only available in department stores in popular cities in Europe and North America.

Market vacancies:

North America and Europe only, Asia-Pacific, Africa and South America are not available

Limited customer base:

Consumer base limited to Europe and the United States

Objectives:

SKIMS' main markets are in the US and Europe and there are no brick-and-mortar shop openings, with a new round of funding underway, SKIMS is valued at a whopping \$4bn (BOF, 2023). Kim Kardashian is one of the co-founders of Skims, which owes its success to its large social media fan base of love and followers, so maintaining its current stellar Status and expanding the market is the next step for the brand.

As of now SKIMS is present in New York and London with direct-to-consumer pop-ups in department stores such as Nordstrom Inc. and Selfridges, and the company is weighing international flagships as well after SKIMS is tested in cities such as Paris and Hong Kong in 2023. On its online shop, 20% of SKIMS customers come from abroad. SKIMS co-founder and CEO Jens Grede says: 'Our strategy going forward is to open important stores in the world 's most important cities.'

Key strategy:



Tapping into regions with high growth rates in spending power



Continuously monitor and adapt to changing market conditions



Collaborate with artists, designers and influential celebrities



Continuous monitoring of the changing local market



Gradually strengthen the brand image in the minds of local consumers



Collaborate with local artists, designers and influential celebrities

Expanding its distribution channels and supply chain logistics



Launch of a specialised apparel line and opening of flagship shops

Asia-Pacific hotspots with potential for high growth in spending power rates



- 📍 Tokyo
- 📍 Osaka
- 📍 Beijing
- 📍 Shanghai
- 📍 Seoul
- 📍 Kuala Lumpur

Objectives

- Conduct extensive market research
- Resonate with customer base in expanding countries

Short-term

e.g. Ullah and Khan state that Japanese consumers are known for paying more attention to quality, detail and craftsmanship (2024) and if SKIMS were to expand into the Japanese market, it would need to invest more time and money into researching their fabrics, craftsmanship, and product details in order to meet the needs of the Japanese market. Establishing partnerships and strategic collaborations can help a start-up organisation to better resonate with customers in new markets (Khan, 2023) in order to conduct business more effectively and efficiently.

Mid-term

- Continuously monitor and integrate with the changing local market
- Collaborate with local artists, designers and influential celebrities
- Gradually strengthen the brand image in the minds of local consumers

e.g. explore collaborations with well-known local Japanese artists or Japanese pop culture icons to create limited edition collections. Open flagship shops in popular cities such as Tokyo and Osaka to build a strong brand image in Japan.

- Expanding its distribution channels and supply chain logistics to accommodate growing demand in different countries and regions.

Long-term

e.g. investing in production facilities in the Asia-Pacific region and developing a supply chain to reduce production and transport costs and improve overall efficiency in supplying products to the Japanese market.

Risk Assessment:

- Cultural insensitivity or backlash due to the misalignment with the local values and norms.
- Intense competition from the already established local brands and international players.
- Supply chain and logistics challenges in the new markets.
- Regulatory hurdles or trade barriers that could impact product distribution and pricing.
- Economic or political instability in the target markets might affect consumer spending and market conditions.

Justification:

Expand SKIMS' business overseas by utilising key strategies to develop regions with strong growth rates in spending power to address weak overseas market expansion. In addition, while expanding its markets SKIMS should become more customer-focused by conducting comprehensive research on local consumer preferences and market analysis, continuously monitoring and adapting to changing market conditions, and personalising SKIMS' products to better meet customer needs.

By utilising these large and lucrative markets in the Asia Pacific region, SKIMS can diversify its revenue streams and increase its global awareness and brand image. Therefore, SKIMS should utilise its brand capital, innovation and customer-centric approach to capture a major share of these high-potential markets, and international market expansion is essential for SKIMS to sustain its growth and remain competitive in the global apparel and fashion industry.

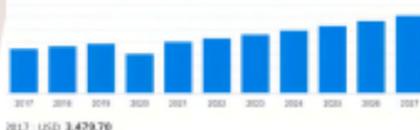
Online Apparel Mass Customization

This project will create a proposal for Skims to build an online apparel mass customisation system that will focus on the short and long-term benefits to stakeholders, reducing the negative impact of branding issues and protecting the brand's connection with existing consumers. In addition, it will present how different digital techniques can be used to improve the efficiency of the customisation supply chain and the consumer experience in the pre-purchase, during-purchase and post-purchase phases.

WHY Online Apparel Mass Customisation?

From the market aspect, it can be learnt that the global customised apparel market is still growing at a CAGR of 7.22% despite the fragmentation (Figure 1); from the consumer perspective, Vogue Business illustrates that consumer demand for customisation is 76% higher than other innovative categories, but the service provided by brands is as low as 23% (Figure 2), a huge gap with huge opportunities for growth. Over time, brands offering personalised services will be particularly effective in increasing repeat engagement and loyalty. Thus generating more data on consumer preferences, which in turn creates a 'flywheel effect', resulting in strong, long-term customer lifetime value and loyalty (McKinsey & Company, 2021).

Market Size Outlook (USD Million)



2017 USD 1,479.76



Figure 1: OAMC Market Size Outlook (Technavio, 2022)

Identified key Issues



Wrong Sizing



Poor Sustainability



Supply Chain Crisis

Objectives

1. Improve Product Fit

Bodysuits are Skims' star products, and the brand should actively upgrade and innovate its products to conform to the "Solution" orientated brand slogan.

2. Vertical Market Penetration

With the weak and uncertain global economic environment and increasing competition in the apparel industry (McKinsey & Company, 2023), OAMC can help Skims differentiate itself from its direct competitors and capture market share in advance.

3. Reduce Inventory Costs and Risks

Skims' replenishment rate is now 23.8% (Edited, 2024), much lower than 68% in 2022 (Mondalek, 2022). This suggests that Skims is at risk of excessive inventory stacking, which is not conducive to financial liquidity and resistance to supply chain crises.

4. Improve Product Lifecycle

Customised products are usually used for a longer period of time as they are more fit with the customer's size and preferences and can be easily repaired and upgraded to extend the lifecycle of the product, which is good for sustainability (Lacroix, Seifert and Timonina-Farkas, 2021).

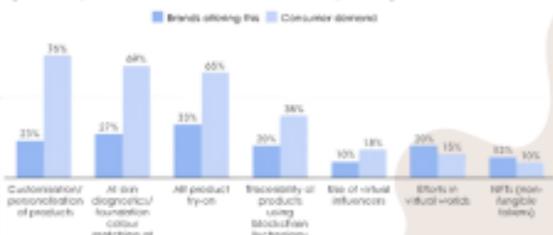
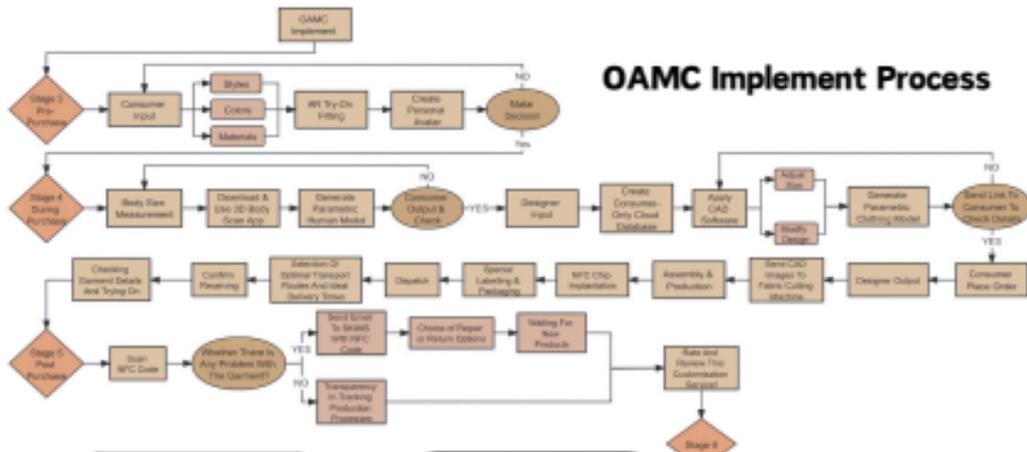


Figure 2: Consumer Demand for Innovation Outstrips Brand Activation (Vogue Business, 2023)

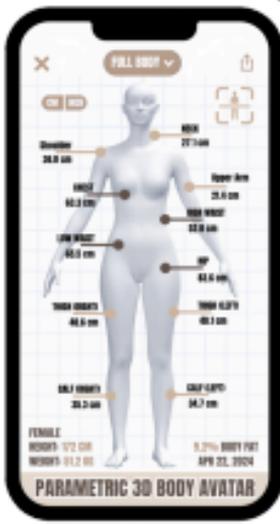
OAMC Implement Process



Pre-Purchase: AR TRY-ON



During-Purchase: 3D BODY SCAN



Post-Purchase: NFC CODE



Justification

Mass customisation (MC) has been proposed as a solution to the problem of environmental waste due to mass production (MP) surplus (Alptekinoglu and Orsdemir, 2022).

Market perspective:

No direct competitors of Skims can achieve full apparel customisation, which mostly focuses on personalised services. This can help Skims, through differentiation, gain an exclusive competitive advantage in the existing market. In addition, Skims raised \$270 million in Series C funding, valuing the brand at up to \$4 billion (Elson, 2023). So, the brand has enough money to cover the high upfront investment and training costs.

Consumer perspective:

Mass customisation can be a win-win for profit and the environment, assuming consumers can accept the long waiting times and high product costs (Alptekinoglu and Orsdemir, 2022). Although customised products are more

expensive, 62% of Millennials and 60% of Gen Z customers say they are willing to pay more for a better sense of experience and quality (Hyken, 2022), and they are particularly eager to see more technology and other services related to sizing and fit emerge (Moran, 2023). Moreover, young people representing Generation Z, who are Skims' target customer group, are regarded as 'digital natives' and have a more positive attitude towards online shopping (Feng and Ivanov, 2023).

Therefore, OAMC is more suitable for Skims' strategic objectives. It could be the basis for the brand's deeper market penetration and vertical development of its product lines. It will also drive exponential growth in sustainable reputation and sales while improving management profitability (Israel, Avery, and Schlesinger, 2023).

Recycling System Concept

Two key Issues



Poor Sustainability



Ineffective after-sales service

This report aims to craft a visually engaging and distinctive strategy centered on the progressive idea of the circular economy. The strategy revolves around 'Product Life Extension,' focusing on establishing a recycling system known as 'Skims RecycleCircle.' This initiative is designed to enhance environmental sustainability and social responsibility. Central to this strategy is a strong emphasis on enhancing the consumer experience, which not only enhances brand reputation but also cultivates brand loyalty.

Why Recycling Push to Circular

Consumers' willingness to purchase green fashion increased after the epidemic (Cernansky, 2021). And the growing popularity of #UpycledFashion reflects the high value placed on waste reduction and sustainability in line with consumer expectations for brands to demonstrate eco-consciousness (Palmer, 2022; DEELEY, 2022). As consumer behaviours and preferences shift, Skims should prioritise the circular economy model as a catalyst for growth, and recycling service systems arise, highlighting the need for brands to adapt to trends. Implementing recycling services will not only increase consumer engagement and brand loyalty, but also create a favourable brand image for promotion.

Objectives & implementation

1. Attaining complete visibility and traceability within the recycling system and Counteracting scepticism about the sustainability of skims

Paired with a digital product passport, a system enabling consumers to comprehend the recycling process of their used clothing, including its processing and utilization.

2. Enhance recycling efficiency, minimize waste, and advocate for ecological sustainability.

Establish a close partnership with external companies specializing in chemical recycling.

3. Forge strong connections between consumers and brands to cultivate loyalty and secure sustained profitability.

Investing in digital technology and utilizing artificial intelligence to manage the recycling system, offering support to consumers both pre-purchase, during their purchase, and post-purchase.

350,000 tons of waste goes to landfill in the UK every year (Palmer, 2021)



Less than 1% of post-consumer waste is recycled in the entire textile industry (Ellen MacArthur Foundation, 2022)



A 2013 report by the International Union for Conservation of Nature (IUCN) estimated that 25% of all ocean microplastics (small pieces of non-biodegradable plastic) come from washing synthetic textiles such as polyester.



Strategic Relevance

SKIMS has demonstrated remarkable sales performance and garnered substantial financial support, with reported net sales amounting to \$750 million (James, 2023). The market share of recyclable apparel has shown a consistent uptrend over the last decade and is projected to exceed 6% by 2026 (Smith, 2024). This growth can be attributed to the increasing consumer expectation for brands to exhibit social and ecological responsibility (DEELEY, 2022). Notably, approximately half of Millennials (50%), Gen Z (54%), and Gen X (34%) express readiness to invest an additional 10% or more on sustainable goods (Kim et al., 2021). The materials used by Skims are reported to be a major contributor to global warming. Furthermore, Skims' practices lack transparency and have been accused of "greenwashing" and promoting fast fashion (Piazza, 2024). In addition, SKIMS' after-sales service has not met expectations (Trustpilot, 2024), affecting its reputation and customer loyalty. Therefore, strategies should be designed to maximise their financial strengths by investing or partnering to meet trends and solve current problems in order to gain a competitive advantage and enhance brand credibility.

The application of digital product passports in the consumer journey

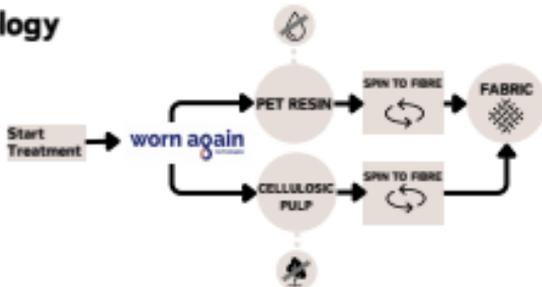
-Skims × EON

-It integrates various data sets from all product lifecycle stages, with features that include the ability to track product lifecycle history and the ability to track products as they move from one location to another. This is an opportunity to inform consumers. A new feature is the ability to make appointments and submit recall information directly in the digital passport.



Chemical recycling technology

Meal for Skims clothing line, which primarily incorporates stretch nylon, virgin polyester, and spandex, chemical recycling offers notable benefits. It effectively diminishes waste accumulation and the need for incineration, thus lowering pollution levels and environmental strain. Moreover, it plays a vital role in enhancing environmental quality and safeguarding ecosystems.



AI technology



Intelligent customer service entails the adept comprehension and precise response to customer inquiries by furnishing accurate information. When faced with intricate issues, the service representative adeptly navigates customers through detailed fault descriptions.

Through the collection and analysis of product usage data, the intelligent system can effectively monitor real-time product status, forecast recovery times, and proactively notify users, thereby facilitating proactive service delivery.

Justification

Climate change challenges and the escalating strain on finite resources are compelling economies to pursue sustainable development approaches (Panait & Gabriel, 2015). Implementing a recycling system focused on "Product Life Extension" can enhance brand recognition and foster consumer loyalty. Environmental pollution can be curtailed by recycling waste and curbing resource consumption (Stahel, 2016). Furthermore, integrating a digital product passport into the recycling system design, encompassing sustainability, transparency, and traceability, helps combat 'greenwashing' risks and bolsters sustainability credentials through tangible initiatives. Leveraging technologies like artificial intelligence ensures efficient post-event services for consumers, strengthening brand-consumer relationships and advancing sustainability goals. Despite navigating a volatile macro environment and encountering significant pressures, Skims possesses financial resilience and a robust enthusiasm that sets a strong foundation for their new services. The transition towards recycling fashion will introduce fresh market entrants and collaborative partnerships (Hraic et al., 2022). Collaboration emerges as a pivotal element in effective recycling strategies.

CUSTOMER RELATIONSHIP MANAGEMENT

Why focus on CRM?

SKIMS prioritizes CRM systems strategically to enhance customer relationships in a competitive market by creating personalized, responsive, and engaging customer journeys. The system analyzes customer data, including purchase history and preferences, to tailor communication strategies and product recommendations (Kulpa, 2017). This kind of personalized approach boosts the purchasing experience and aligns with the brand's commitment to body positivity and inclusiveness (Weinstock, 2021). Furthermore, the CRM facilitates ongoing customer dialogue and feedback (Wani, 2023) enabling SKIMS to quickly address service issues and respond sincerely to feedback, thus building customer trust, enhancing brand loyalty, and improving market competitiveness.

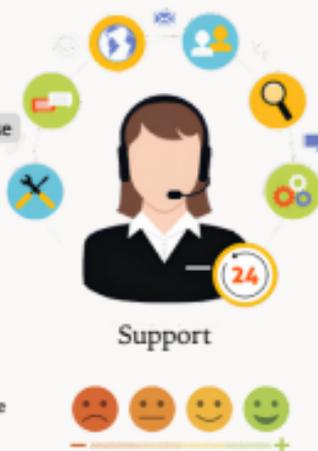
Identified Brand Issue

Ineffective after-sale service:

1. Untimely customer service response
2. Complicated return and exchange process
3. Poor handling for payment issue

Result

Damage customer purchasing experience and brand image



Intended Outcome:

1. Reduction in response time
2. Improved efficiency in handling returns and exchanges
3. Advanced Analytics for better feedback utilization
4. High customer engagement and increased consumer loyalty and trust
5. Stronger brand competitiveness in the fashion industry

Market Research

With the rise of online shopping and social networking in recent years, consumers have more choices and are exposed to more information; accordingly, fashion retail has shifted its focus from product design to customer service to some degree. And the customer relationship management has become increasingly important for the success of a fashion retail business.

Effective customer relationship management involves providing timely and useful assistance to customers throughout the whole customer journey. Especially in the competitive industry, a strong customer relationship is a crucial factor in differentiating brands from their competitors. By paying close attention and responding to the demands of customers, organizations can build a solid customer base and enhance brand image, which will bring continuous benefits to the business in the long run.

Recommendation Employee motivation and training

YUAN CAO 10851892



Executable process for employee motivation (Authors Own)

ESTABLISHING A REWARD SYSTEM (MOTIVATION):

Skims is advised to implement a reward system that links employee behavior to customer satisfaction, combining intrinsic rewards like job satisfaction with extrinsic rewards such as salary increases(Manzoor et al., 2021). Regular training sessions will enhance understanding of the incentive system . By continuously communicating with employees and using technology like e-compensation systems for real-time adjustments, Skims can tailor incentives effectively, ensuring employees are motivated and service quality is enhanced.



Rewards Criteria



Earn Points



Competitions



Wall of Fame

GAMIFICATION (MOTIVATION):

By launching incentivized internal competitions, such as rewarding employees who quickly respond to customer inquiries with points redeemable for perks like extra days off

(Gamification elements)

TRAINING (COMMUNICATION SKILLS):

Aspects of training	Skill Focus	Details
Clarity of Speech	Clear articulation	Ensuring employees communicate clearly to avoid misunderstandings
Accurate Messaging	Precision in information delivery	Providing accurate and relevant information in customer interactions
Effective Listening	Active listening skills	Understanding customer needs empathetically
Handling complex interactions	Managing Complaints	Training on resolving complaints efficiently and maintaining professionalism
Training for detailed communication	Comprehensive response via email	Learning to use emails for detailed communication and records

This table summarizes the components of the proposed training program aimed at enhancing the effectiveness of CRM through improved communication skills.

Concept Justification

Real Review of Skims:Leads get the same reply from customer service. they just copy and paste the same email repeatedly? Contacted after-sales service via text and email and got no response! (Trustpilot, 2024)



Employee motivation and training are crucial to Skims' customer relationship management (CRM) strategy. Specialized training empower employees with an in-depth understanding of the brand's values and the distinct product features, enhancing their ability to deliver accurate information and superior service to customers(Hammad Shah, 2020).Incentives such as performance rewards, opportunities for career advancement and formal recognition significantly boost employee motivation and loyalty, fostering enthusiasm and professionalism in customer service(Manzoor et al., 2021).This not only increases customer satisfaction but also helps minimize employee turnover ,thereby reducing the cost associated with recruitment and training . Collectively, continuous motivation and training for staff are pivotal in enhancing the overall customer service quality and sustaining competitive edge in a dynamic market .

Kim House Pop-Up Shop

Two Key Issues:



Weak Overseas Expansion



Wrong Sizing

This report focuses on the weak overseas expansion and wrong sizing issues found in the Skims Strategic Brand Development Report and illustrates how Skims utilized to create an experiential pop-up store to address these problems.

Strategy Visualisation

The exterior of Kim House



Objectives:

Open up skims' visibility in Asian markets

Constructing the pop-up shop in Asia Countries (like China, Japan, and Seoul) to attract customers to visit. Using social media and processing some special events to promote Skims' pop-up shop. Thus increasing brand awareness.

Improvement of wrong sizing problem by utilizing the pop-up shop

Customers can try on Skims products, get professional sizing advice, and process exchange clothes of the wrong size at the pop-up store

Pop-Up Shop Concept:

The concept of the Skims' pop-up is Kim House. It looks like a villa is located in the shopping centre. At the same time, the interior of the shop is designed modelled on Kardashian's home. This peculiar concept of the pop-up shop can greatly help Skims attract more attention and visitors. Meanwhile, it can generate discussion of the brand and make visiting Kim House to become a new fashion trend in social media.

The Interior of Kim House



The whole pop-up shop hopes to bring a kind of escapist experience to the customers.

So the interior of Kim House creates a calm, relaxing atmosphere through the interplay of sights, sounds, smells and tactile sensations. Skims hopes to create a sense of home for consumers when they enter the Kim House.

In addition, in the Kim House where consumers can fully experience Skims' products, enjoy Skims' design style and interact with the brand (DIY products activities, exchange clothing of wrong size activities).

All these can enhance the emotional effect of the consumer on the Skims, leading to an increase in purchasing ability.

4 Areas in Kim House

Photo Area:



Customers can visit the same design living room as Kardashian and take their photos there, which can enhance the customer experience.

Swimwear Area:

This area is inspired by the Kardashian's swimming pool. The swimwear area can bring customers a summer feeling and highlight the swimwear production line of Skims.



Clothing Area:



The clothing area includes all the products of Skims. It should be noticed that in the middle of the whole area, people wear skims with different body shapes. It can demonstrate the inclusiveness of skims for body shape.

Interactive Area:



The interactive zone set up several interactive machines that people can use to add fun to the shopping process. And in here consumers can get expert advice on sizing and have an area where they can change clothes in the wrong size.

Promotion of Pop-Up Shop

Pop-up shops rely on social networking sites and SMS to inform consumers of their existence. (Marciniak & Budnarowska, 1970) Therefore, Skims should pay attention to the promotion of Kim House. Letting more people know that Skims is going to open pop-up shops in the Asian market can maximise the benefits and achieve the goal of increasing brand awareness.

1



Posting photos on social media to tell people that Skims is coming to this city, with the Skims logo appearing above the famous local attractions.

2



Invite influencers to visit the Kim House and let them share pictures about their Kim House tour on their social media accounts.

3

Special brooch gifts from Skims



Release a limited number of gifts to 15 random customers every day who shop in the Kim House until the end of the pop-up shop event.

Justification

So building pop-up shops is one strategy that can be hugely profitable for Skims. This strategy combines the interactive experience of physical retail with the extensive reach of digital marketing, which solves the problem of low visibility and greatly improves the problem of wrong sizing.



SKIMS

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