Reinventing the Footwear Business

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Executive Summary

The dynamic European footwear market is poised for growth as it is expected to reach $94 billion by 2030 at a CAGR of 5.7%. As the industry navigates economic shifts, consumer preferences, and geopolitical tensions, major brands are leveraging technology to enhance customer experiences and drive sales. Amidst sustainability concerns and supply chain complexities, forward-thinking companies are exploring AI-driven innovation to stay ahead of the curve in the future.

This whitepaper deals with Persistent's neutral and outside-in point of view on the following:

/ The high-level challenges and possible aspirations of European footwear industry players.

/ The short- and long-term view of how business operations of European footwear players can evolve for future trends.

European Footwear — Industry Overview

When the pandemic subsided, the industry heaved a sigh of relief that the worst was behind. The initial signals were encouraging. Backed by economic stimulus, consumer confidence and purchases saw an uptick. However, this was short-lived.

The post-pandemic phase witnessed several global challenges, including recession risks in major European economies, conflict in Ukraine, supply chain bottlenecks, and persistent inflation. In 2022, Europe experienced its highest inflation levels in 40 years. 1 in 3 consumers had to tap into savings to cover daily expenses. These factors have significantly contributed to a highly complex and disruptive period. About 60% of consumer spending in major European economies is focused on non-discretionary categories such as food, housing, and electricity. As consumer spending on clothing and footwear continues to decline, footwear companies face tough choices regarding their investment plans.

Key Macroeconomic Trends

Reduced household income

The consumer confidence index in the EU has been consistently below 100 since mid-2021 due to reduced household incomes, higher energy prices and rising interest rates.

Consumers of all income levels and age groups are expected to spend less across discretionary categories such as footwear, apparel and sports equipment.

Higher borrowing rates

In the current **higher for longer** scenario, the European Central Bank's interest rates are disproportionately affecting businesses with significant debt, potentially impacting their investment plans.

Rising input costs

With persistent inflationary conditions, the cost of leather, rubber, and other raw materials, as well as transport and energy costs, has been steadily rising.

Upcoming regional regulations

EU Legislation on Chemicals and Personal Protective Equipment will include regulations on the use of certain chemicals. A Sustainability Legislation proposes to include labelling requirements and plastics packaging taxes. Companies will have to factor in the costs of compliance and administration with upcoming laws.

Strategic Responses to Trends

Leading players have adopted the following initiatives to increase competitiveness.

Explosion in Nearshoring

As the Euro-Mediterranean region is expected to see footwear production more than triple between 2023 and 2028, nearshoring has become a common topic of C-Suite discussions.

For example, ski-specialist Salomon opened its Advanced Shoe Factory 4.0 in France in 2021.

Focus on Digital

Companies are increasing their investments in digital products and tools to improve enterprise decisions. Examples include apps to enable omnichannel experiences and tools for leaders to predict demand, achieve the right inventory mix, and optimize store layouts among others.

For example, German giant Adidas announced plans to hire over 500 positions in digital, IT and data and analytics domains.

Brand Marketing over Performance Marketing

Multiple factors like increased costs, new data privacy regulations, and pressure on consumer discretionary spending have led leaders to lean away from performance marketing.

According to a BoF survey, 71% executives plan to increase brand marketing spend in 2024.

Digital Initiatives at Top Footwear Companies

Brand	Digital Products	Ongoing Initiatives
NIKE	Nike app (shopping, personalization, loyalty) SNKRS app (exclusive drops) NRC app (running community) NFT initiatives (Cryptokicks)	Continued app personalization with AI AR try-on for all products Web3 integration with NFTs Tokenised loyalty programmes Exploring metaverse with virtual products and experiences
adidas	Adidas app (shopping, creator content, AdiClub loyalty programme) Confirmed app (Exclusive releases and product drops) Roblox Metaverse partnership (virtual experiences and products)	Gamified loyalty programme and rewards Personalized training plans based on biometrics and data Social commerce integration with influencers and user-generated content Interactive content using AI
SKECHERS	Skechers app (promotions, store locator, limited online platform personalization)	AR app for try-on, loyalty programme and personalized recommendations Partner with health and wellness programmes to target health-conscious consumers Leverage data analytics for targeted marketing and product suggestions
Bata	E-commerce and click and collect — Order products online and pick them up at a designated store	AI-based in-store video analytics AI-powered visual merchandising — insights on optimal store layouts, product placements, and design elements
ecco	E-commerce and click and collect — Order products online and pick them up at a designated store Moments 2.0 loyalty programme	QuantU — 3D scanning and printing of shoes for mass personalization

Understanding Footwear Industry Challenges

Limited automation capability of nearshore

Achieving desired automation levels in nearshore environments can be challenging due to cost or feasibility constraints. Reaching Asian-level capacity and supplier base may take a long time.

Excess inventory

As the pandemic supply chain shock eased after factories reopened, footwear brands placed large orders. But the weak consumer demand has led to an inventory build-up.

Stalled fundraising

In 2023, PE deal-making in the apparel, fashion and luxury (AF&L) industry witnessed a pronounced decrease due to pressure in discretionary consumer categories, high valuations, and difficulty in raising debt.

Competition from online fast fashion

Online fast fashion companies such as Shein and Temu are gaining popularity due to their ultra-low prices and app engagement tactics. For example, Temu's conversion rate is 10%, compared to the industry average of 2%.

Art of the Possible

Short-Term Solutions

1. Brand and community building

Recommendation

/ The consumer landscape is evolving. Brand identity is taking preference over functionality and design in consumer decision-making.

/ Social media influence, the rise of personal values, and a yearning for authenticity are contributing to the growing importance of brand identity. Brand selection for many consumers has shifted towards finding products that align and amplify their individual identity.

/ Community building is an increasingly important method to build customer advocacy, gain customer insights and strengthen customer relationships, helping brands reduce spend on traditional media at the same time.

Example

/ From Nike's running clubs to Gymshark's tie-ups with influencers such as Nikki Blackketter, leading brands recognize the power of community.

/ Athletic apparel retail leader Lululemon leverages its local ambassadors like local fitness and yoga coaches who act as trusted voices, engage customers and promote brand values.

How can Persistent help?

/ Persistent has a track record of helping companies with data-driven brand marketing to increase brand and product awareness, lower CAC, and drive consideration and demand.

/ Salesforce recognizes Persistent as a Top 10 partner worldwide. Together, we have delivered custom, enterprise-wide digital transformation projects that set our clients ahead of their competition, generate new revenues and enhance customer experiences.

/ We are also recognized by Gartner for implementing complex Salesforce implementations leveraging pre-built industry solutions, accelerators and templates.

2. Integrations with retailers providing an end-to-end view of merchandising, supply chain, demand, inventory and omnichannel

Recommendation

/ Brands can team up with retailers to level up customer loyalty, offering personalized experiences, community events, and exclusive products.

/ This collaboration is a win-win. Both brands and retailers benefit from deep customer engagement and more sophisticated marketing.

/ Enable data-driven decision-making for end-to-end consumer lifecycle.

Example

/ Nike teamed up with key retailers such as JD Sports, Dick's and Zalando in a win-win move.

/ Buying Nike products at any of the retailers' outlets unlocks Nike's loyalty programme.

/ Customers get seamless loyalty rewards while Nike benefits from deeper customer engagement and the ability to offer offline customers access to limited-edition drops and offline community events.

How can Persistent help?

/ In partnership with Parker Avery, Persistent offers a White Label analytics platform for an end-to-end view of merchandising, supply chain and omnichannel operations.

/ Persistent designs and implements end-to-end customer solutions, including 360° customer view, rewards management, personalisation, loyalty, dynamic promotions and e-commerce.

/ As a 360-degree partner of leading integration platforms such as MuleSoft, WebMethods, Bhoomi, and Solace, Persistent is involved in various complex hub-and-spoke models with high uptime, enabling seamless integration with retailers, dealers and third parties.

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Long-Term Solutions

In a challenging financial climate, it is imperative to adopt a meticulous approach to investment prioritization and capital allocation to unlock maximum value. Thus, maximizing productivity, smart price management by assessing price elasticity, and achieving the appropriate ROI through the right digital initiatives in each stage of the design-to-retail shelf value chain is imperative.

Based on our expertise, we recommend the following:

Step 1	Step 2	Step 3
Product Selection and Range Creation	Product Creation and Release to Vendors	Product Engineering, Costing and Approvals

Step 1 — Product Selection and Range Creation

/ Data-driven insights to balance the range requirement and margin and revenue goals.

/ Complete view of product data and 3D models on a single platform for informed decision-making.

/ Seamless real-time collaboration across teams to ensure appropriate products are selected to satisfy brand requirements.

Step 2 — Product Creation and Release to Vendors

/ Integrated systems with CAD tools to manage workflow steps such as automating handovers, sending product details to vendors and requesting samples and costs.

/ AI-powered selection to identify vendors based on their capabilities, sustainability credentials and performance.

/ Automatic product change management to trigger real-time notifications to relevant stakeholders.

Step 3 — Product Engineering, Costing and Approvals

/ Automatic workflows to guide end users through each step.

/ AI analyzes quotes and highlights deviations / unfavourable terms.

/ Enable vendors to upload critical manufacturing data on the integrated platform.

Step 4
Purchase Order Management

/ System leverages data from the planning stage to generate a pre-filled Purchase Order (PO).

/ A workflow-based automation system facilitates timely approval and release of PO.

/ Maintain visibility into the status of each order through automated progress tracking.

/ Seamless integration with vendors and logistics providers on one platform.

Step 5
Quality Management

/ Manage QA steps and reports in one place.

/ Suppliers conduct self-assessments on predetermined criteria.

/ Platform to facilitate collaboration with third-party local auditors.

/ Automated scheduling of personnel for inspections.

Step 6
Customer Experience

/ Personalized e-commerce experience for customers.

/ Real-time sentiment tracking on social media using GenAI.

/ Repurpose digital assets generated throughout product development for sales, marketing and catalog creation on e-commerce.

We Partner to Drive Value across the Consumer Tech Value Chain

Recognized as the Best Enterprise Services Vendor by Constellation Research in 2023, Persistent works extensively with top consumer goods companies for product development and enterprise application maintenance to drive value in creating new revenue streams through innovative digital products, improve operations, and surpass customer experience expectations.

Our Core Strengths

Sales and Marketing	Campaigns and Outreaches, Vendors and Suppliers, Leads Management
Promotion and Member Mgmt.	CRM, Customer 360°, Enrollment, Loyalty, Segmentation
Master Data	Product Master, Catalog Management, Forecasting, Pricing Management
Supply Chain	Warehouse Management Optimization, Smart Supply Chain Enablement, Quality Management
Order Management	Order Fulfillment, Picking and Packing, Order Returns, Inventory Management
Commerce	Unified Commerce, Mobile Commerce, Social Commerce, Content Management, Payment Gateway
Store	EPOS, MPOS, Smart Assist, Rack Monitor, Click and Collect
Analytics and Reporting	Operational Analytics, KPI Management, Sentiment Analysis
Corporate Office Automation	Finance Processing, Reconciliation, HR Process, Customer Service, Channel Management

A Snapshot of Our Partnership Network

Microsoft

Solution Partner Designation for All Six Solution Areas and Direct CSP Reseller with

4,500+
technologists

aws

Premier Tier Partner with

2,500+
technologists

Google

Premier Partner with

800+
technologists

salesforce MuleSoft

GSI Global Strategic Partner with

2,400+
technologists

IBM

Platinum Business Partner with

2,000+
technologists

snowflake / outsystems / software AG / databricks / appian / UiPath
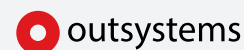
Our Thought Leadership and Points of Views

/ Retail Revelations at NRF: Cautious Optimism, GenAI, and the Rise of Frictionless CX

/ Last-Mile Delivery: The Power of Data-Driven Planning and Tracking

/ Revolutionizing E-Commerce: Realising the Power of Headless Composable Architecture

/ Navigating the Order-to-Cash Journey with Process Mining

/ The Dynamic Synergy of GenAI and Conversational Commerce Drives Retail Business Success

/ Navigating the Evolving Retail Landscape with Unified Digital Commerce

Our Service Lines

Fueling the next wave of digital transformation for our clients

Digital Strategy and Design

Experience Design

Digital Innovation Lab

Technology Advisory and Consulting

Software Product Engineering

Product and Platform Strategy

Product and Platform Engineering

Product Modernization

Product Sustenance and Support

CX Transformation

CX Strategy

Salesforce Cloud Implementation

CX Platform Integration

Customer Analytics and Insight

Salesforce Industry Solutions and Accelerators

Enterprise Applications and Integration

Application Portfolio Rationalization

Application and Platform Development

Application Modernization

Application Maintenance and Support

Enterprise Integration

Data and Analytics

Data and Analytics Advisory

Data Governance, Management and Security

Data Stack Modernization

Data Connectors and Certification

Data Science and Machine Learning

Cloud and Infrastructure

Cloud and Infrastructure Advisory

Cloud Migration and Modernization

Hybrid and Multi-Cloud Transformation

Data Center Modernization

Intelligent IT Operations

Intelligent Automation

Hyperautomation Strategy

Business Process Management

Low-Code Development

Robotic Process Automation

Conversational AI

Enterprise Security

Cyber Resiliency Strategy

Security Assurance and Data Security

Identity Access Management

Governance, Risk and Compliance

Managed Security Services

Focused on Delivery Excellence

Persistent utilizes a three-pronged approach to ensure delivery excellence for its clients.

Delivery predictability

Our delivery excellence and delivery orgs ensure predictability through SQA reviews, robust risk management practices, metrics management, and internal quality audits.

Engineering excellence

We're constantly enhancing engineering practices by utilizing tools and automation to improve cost, quality, and cycle time. We also provide recommended action plans, business value articulation and metrics for ongoing improvement.

Customer experience

We value customer feedback and our customer relationships to improve overall CX and CSAT, leveraging comprehensive CSAT surveys and QBRs with relevant stakeholders.

Our Delivery Excellence initiatives include Delivery 360°, which is focused on Customer, Commercial, Contract Engineering, and Team Excellence, as well as enhancing our internal Quality Management Systems.
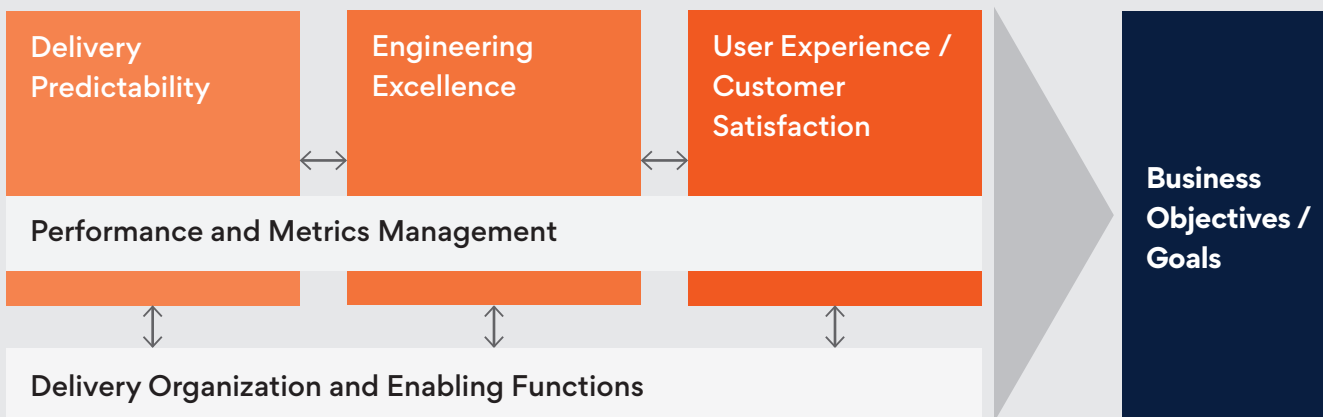
Delivery Excellence

Delivery Predictability	Engineering Excellence	User Experience / Customer Satisfaction	Business Objectives / Goals
Performance and Metrics Management			
Delivery Organization and Enabling Functions			

Figure: Persistent Delivery Excellence & Metrics Management Framework

Culture

Persistent's remarkable culture is founded on six commitments.

Support one another in being vulnerable, bold, and human, with mandated EQ training for all managers.	Build trusted relationships and encourage peer feedback from workplace collaborators.
Activate an innovators mindset by scaling participation and promoting outcomes of our global hackathon.	Recognize efforts, celebrate success (with a dedicated project success celebration fund), and learn from failures.
Nurture our differences to tap the potential of everyone, with new quarterly awards for advocacy in Diversity, Equality & Inclusion.	Cultivate an environment of belonging to help employees bring their human side to work.

To build a sustainable cultural movement, we will measure our progress through the Persistent Culture Score, a composite measure of the overall health of the culture across the company.

Corporate Governance

Persistent Systems has been honored with the **Golden Peacock Award for Excellence in Corporate Governance 2023 in a national category (IT Sector)**

Persistent adopts special measures to bring transparency and accountability to its governance. The Chairman of the Board also conducts sessions for the directors and newly appointed directors, at regular intervals, to share current and global business scenarios.

We also have a one-of-a-kind stakeholders relationship committee to communicate with all key stakeholders, and through its foundation have supported numerous programs related to education, health, community development, and relief from natural calamities.

See
Beyond,
Rise
Above

About Persistent

With over 23,000 employees located in 21 countries, Persistent Systems (BSE & NSE: PERSISTENT) is a global services and solutions company delivering Digital Engineering and Enterprise Modernization. As a participant of the United Nations Global Compact, Persistent is committed to aligning strategies and operations with universal principles on human rights, labor, environment, and anti-corruption, as well as take actions that advance societal goals. With 268% growth since 2020, Persistent is the fastest-growing Indian IT Services brand according to Brand Finance.

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