

## How This E-Comm Fashion Startup Uses Perfitly to Reverse the Returns Curse

By Jessica Binns

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It's hard to find great-fitting clothes when you're an American man shorter than the 5'9" average. Peter Manning NYC is one of the leaders trying to change this problem in men's wear and, another, Ash & Eerie, garnered national attention following a successful turn on "Shark Tank" that yielded a \$150,000 windfall to develop its business for shorter-than-average men.

But like many of its "outlier" peers on the sizing spectrum—petites and plus-size on the women's side, for example—fashion for men of modest height is generally sorely lacking. And Steve Villanueve wanted to do something about that.

After a career in global procurement and supply chain management for companies like Dell, Flextronics and IBM, Villanueve launched Otero Menswear in March of 2018, which for now offers a small collection of tees, polos and accessories via e-commerce and Amazon that's designed to complement and flatter the smaller male frame. (Premium denim is coming soon, too, Villanueve said.) Each element that goes into the mercerized or liquid cotton shirt is proportional to the wearer's height, from polo plackets to cuffs and collars, Villanueve explained, and shirts are designed a little bit oversized so they shrink down to a comfortable fit after a wash cycle or two—a nod to how most guys treat their clothes.

Even though Villanueve was confident he had a good product on his hands, he was well aware of the challenges of selling clothing online where people can't try things on before deciding to purchase. Guys especially need a helping hand to figure out their best-fitting size. Otero designs for men with triangle and rectangle frames and those who are often confused about which one they are, Villanueve said.

It's a difficult concept to communicate, he continued, and "hard for guys to wrap their heads around it."

But when it comes to shopping for clothes online, getting your message across quickly and clearly can mean the difference between making a sale and losing a potential customer forever. “People spend an average of three seconds on a site before they click away if they don’t understand things,” Villanueva explained.

Even when you’ve convinced people to purchase, they’re taking a calculated risk and hoping they got their size right, but the flipside of that gamble is a staggering level of e-commerce product returns that “crushes the industry,” Villanueva said, and runs between 15 percent and 30 percent, according to the CBRE’s Reverse Logistics Report. Fit tops the list of reasons people send back their online clothing purchases, including those who buy multiple sizes in the hopes that one will make the grade.

As the founder of a small, bootstrapped startup, Villanueva didn’t want to deal with an onslaught of returns that would strain his resources and potentially tarnish the customer experience. Discovering Perfitly changed the game, he said.

### **How Perfitly makes the virtual fitting room possible**

Perfitly offers virtual fitting room technology that integrates with e-commerce sites and seems to succeed where others have tried and failed. That’s not for a lack of effort or sufficient smarts on the part of others who have attempted in the past, CEO and co-founder Dave Sharma said, but simply because the tech that makes it possible has now caught up to where it needs to be.

The outsize growth in e-commerce versus traditional retail is perhaps the main driver in why so many startups are trying to solve the problems that persist with shopping online.

E-commerce sales in the first quarter of 2019 drew \$137.7 billion, representing 12.4 percent year-on-year growth, far higher than the 2.7 percent increase for total retail sales in the comparable period, according to data from the Census Bureau of the Department of Commerce. As more people shift their shopping online, that’s only exacerbating the challenge around returns bemoaned by merchants of all sizes. In fact, more than two-fifths (44 percent) of retailers responding to one survey describe online returns as a significant drag on their profits.

In the scramble to elevate e-commerce and drive a sustainable online business, many companies have developed one facet of virtual fitting room technology, such as body scanning, for example. Startups including 3DLOOK and MySizeID lean on technologies

like computer vision and artificial intelligence to help consumers take body measuring into their own hands. Capturing millimeter-accurate measurements is helpful, Sharma said, but just one of several steps needed to help people find the clothing that fits best.

Virtual fitting room technology that functions as a truly complete end-to-end solution requires four elements, Sharma explained: enabling shoppers to build and save their virtual avatar profile; simulating garments and fabric draping with near-perfect precision; overlaying 3-D garment renderings onto virtual avatars to demonstrate the nuances of fit and variations in drape; and presenting all of this for the customer in a way that's seamless, intuitive, and inspires confidence.

When shoppers enter just a few key body measurements—chest, waist, hips and more—into the Perfitly plugin on a retailer's website, they'll see a virtual avatar of themselves that can then model any clothing they like (barring lingerie, outerwear and children's wear for now, Sharma pointed out.) Shoppers can quickly see how different clothing sizes look on their avatar, demystifying size discrepancies from one retailer to the next. People can access their avatar on any brand website that's integrated with Perfitly, much as how True Fit profiles work across the web. As of now, Perfitly's technology accommodates 95 percent of the U.S. adult population and 90 percent of the clothing on the market, largely everyday ready-to-wear garments.

People typically achieve 95 percent accuracy when taking their own measurements manually, but Perfitly is working on a soon-to-be-released smartphone app update that takes just two photos to capture body data yielding a 2 percent improvement in accuracy, moving that much closer to the goal of 100 percent.

### **Perfitly's role in returns and beyond**

Otero has handled just two product returns since it integrated Perfitly about five months following the men's wear brand's launch. One was an accidental purchase and the other came back without explanation, Villanueva said. Even considering that Otero is a small start-up brand with a very limited product assortment, keeping returns to less than a handful seems to be an achievement worth noting. New York City-based men's wear brand Descendant of Thieves saw its returns rate plunge from 28 percent to 10 percent following its Perfitly deployment, while conversion ticked upward from 4 percent to 7.2 percent. Sell-through saw gains of 32 percent and overall, sales grew 69 percent.

As he's seeing the benefits throughout his business, Villanueva thinks Perfitly could improve his approach to product design and development. Fit forms are expensive, he said, and you need to have them in house as well as on-site with your manufacturer. Perfitly's tech could enable virtual fit forms in different heights and clothing sizes so that designs could be adjusted virtually—reducing the number of physical samples produced before a product is approved to go to market.

### **How it all works**

Sharma said he's seen a steady stream of interest from brands and retailers since Perfitly attended NRF and Shoptalk earlier this year, but as they consider the technology, some companies find that they need to get their data house in order before it makes sense to move forward with innovation of any kind. Indeed, data management is one of those topics that keeps bubbling at industry conferences as apparel firms parse future-forward technologies while maintaining a clear-eyed gaze at the operational realities inside their organizations today.

In some senses, Perfitly's utility hinges on the structures and processes brands and retailers have in place. Sometimes the tech pack that a brand sends to Perfitly in order to create the virtual twin ends up getting tweaked when it arrives at the manufacturer, resulting in a digital garment that differs slightly from the product that comes out of the factory. It's up to the brand to communicate those changes, Sharma said, so that Perfitly's 3-D rendering matches the finished garment down to every minute detail. That this kind of lapse in communication happens at all points to a "wider problem and lack of discipline in the supply chain and is found in all industries, not confined to apparel," he explained.

Some brands are looking for ways to automate tech pack transmission to Perfitly so that all new products can feature the virtual try-on button on their site. As of now, brands have to send tech packs over as each new arrival rolls in, which can be a challenge for companies that might lack the resources to submit this data in a timely fashion. Automating this step doesn't require anything special beyond "a good ol' encrypted data dump," Sharma noted. Ideally, Perfitly receives the tech packs as soon as they're sent to the factory so there's plenty of time to prepare the digital assets and have them ready to upload to e-commerce before the physical garment arrives in house and makes it online.

Perfitly typically renders virtual garments in just a few days, and clothing for women—with all of their varying body types and morphologies, Sharma noted—overall is more demanding than men’s wear. Dresses and shirts are fairly easy to digitally recreate and pants require a bit more finesse, but the Perfitly system “has still not learnt when to stop wrapping a wrap-around,” Sharma explained, adding that his team is looking into a fix. “One of these days I think it will choke an avatar.”

Today Perfitly can e-manufacture 300,000 garments per year and is looking to more than triple its capacity to 1 million by the time the curtains fall on 2019. To manage all of the inbound interest, especially from large global brands and the volume they’d demand, Perfitly is seeking to raise \$3 million to \$5 million to fund the bootstrapped firm’s next phase of growth.

Because omnichannel dictates how many brands and retailers operate today, Perfitly is working on a solution for stores, too. It’s also developing a way for avatars to wear multiple garments at once so shoppers can visualize complete outfits.

If any of these features help brands reverse their return rates, that’s a big win for business and the planet as companies could spend \$550 billion just facilitating return deliveries by 2020, according to data from Statista.