



# The Economics of Inclusion:

## A Broader Customer Base Is the Bottom Line

**T**o be clear, inclusion and diversity matter for their own sake. However, in a capitalist economy, it's helpful to have a business case to support initiatives that will improve the customer experience and the company as a whole. There has been a noticeable push for diversity in both hiring and marketing; some of these efforts have been more successful than others.

In order to have a truly positive experience for diverse populations, inclusion is vital. This means accountability for missteps, a willingness to learn, and empowered voices when and where decisions are made regarding your company's future.

Companies are seeing tangible economic benefits by focusing on the needs of a diverse customer base and providing an inclusive customer

experience. The concept of internal diversity leading to external inclusion is illustrated in "The Value of Diversity and Inclusion" from the Spring 2019 issue of *The Jabian Journal*.

We will be highlighting various efforts over the course of the next several issues of *The Jabian Journal*. In this installment, we will focus on beauty, fashion, and hospitality.

*A truly inclusive customer experience isn't just the right thing to implement, it's a smart business decision.*

By Amber Baird, Winston Powe, Laura Rodney, and Erin Smith

#### **FORTY SHADES OF SUCCESS**

In recent years, the beauty industry has been working to be more inclusive, with mixed results. A flagship example of thoughtful inclusion leading to strong revenue market change is Fenty Beauty. Launched in September 2017, the brand released 40 foundation shades on day one, with shades that strove to serve people with all skin tones, from those with albinism to very pigmented skin.

Within a month of launching, Fenty Beauty sold more than \$100 million worth of the product, with the darkest shades selling out first.<sup>1,2</sup> Many big beauty brands had been slow to move toward a broader skin tone spectrum of products, but Fenty Beauty demonstrated quickly and clearly the value in addressing that market segment.

In the first year, the brand sold more than \$500 million<sup>3</sup> and many other companies followed suit by revamping and widening their range of skin tone shades. Before 2017, very few brands featured a broad shade range, but today, a cursory glance through the makeup retailers Sephora and Ulta shows that half of brands offer 20 or more shades and a third of brands offer 30 or more shades.<sup>3,4</sup>

The median price of broad-range brands versus narrow-range brands is virtually the same: \$39 for brands featuring more than 20 shades and \$38 for brands featuring fewer than 20 shades. By increasing their customer base, companies can increase their revenue and better serve customers.<sup>3,4</sup>

#### **PLUS-SIZED FASHION CREATES PLUS-SIZED PROFITS**

The fashion industry has also become more diverse, but a lagging area of inclusivity remains size diversity. Among American women, 68 percent are considered plus-sized<sup>5</sup> (above a size 14) and plus-sized clothing is the fastest-growing segment of women's apparel.<sup>6</sup> In 2016, this market was \$21.4 billion, or 17.5 percent of women's apparel sales.

If more than half of American women fall into this definition of "plus-sized" and that market is projected to grow, retailers are, quite literally, leaving money on the table when they don't cater to that customer base.<sup>5</sup> Walmart noticed the opportunity and purchased the online plus-size retailer Eloquii in October 2018 for an undisclosed amount.<sup>7</sup>

Other retailers have also begun offering larger sizes, but most of that expansion is online (not in-store) and the trend hasn't affected the perceived advertisement of the availability of larger sizes. This attitude ignores the needs of the very customers they are hoping to reach.

An outstanding issue that exists within the size-inclusive market is cost: Many companies charge more for larger sizes. One fashion designer, Christian Siriano, of Project Runway fame, tripled the value of his business by offering clothing to women of all sizes with one price point per outfit.<sup>8</sup> His runway shows and celebrity clients showcase his desire to clothe all women.

As many fashion brands do not go above a size 14, especially in evening wear, most mainstream clothing retailers leave a gap that niche brands such as Ashley Stewart or Lane Bryant do not fully address. Siriano's success illustrates that inclusion can be as simple as walking the talk. While the majority of the fashion industry is ignoring size inclusivity at the expense of their own bottom line, Siriano promotes body positivity in campaigns and interviews. He even penned an

open letter to *Teen Vogue* promoting body positivity and inclusivity.<sup>9</sup>

The body positivity movement is influential and deeply important, and the more retailers that cater to shoppers of all shapes and sizes, the better. Acquisitions, inventory expansions, and the offer of extended sizes online aren't enough. If your customers don't know you cater to them, how can they buy your clothes?<sup>10</sup> Retailers need to spend more time and energy marketing to plus-sized customers online and in-store. By increasing size ranges and the availability and quality of those sizes, retailers can show customers that they value their business.

#### **HOSPITALITY**

Another industry with broad inclusion implications and opportunities is hospitality. Over the course of any given year, the vast majority of Americans will leverage the industry at some point by staying at a hotel, eating in a restaurant, being a tourist, or participating in a recreational event.

Because this industry touches people from all walks of life, it is important to ensure that everyone can enjoy their hospitality experience equally.

This can be as simple as providing changing tables in men's restrooms, or a family room where parents and caregivers can change children. A family room can also double as a gender-neutral restroom to be welcoming to transgendered and nonbinary guests. A mother's room or a mobile pod where women can breastfeed in private could also be a draw for families.

Providing thoughtful, inclusive, sanitary spaces sends the clear message that your establishment is welcoming to all and focused on the wholistic guest experience.

A clear area of need within the hospitality industry is hair care for

people of all ethnicities and hair types. Few major hotel chains stock hair care products or brands friendly to diverse hair types.<sup>11</sup> Many luxury hotel chains, however, advertise the brand of toiletries they stock on their websites as a way to differentiate and drive customer loyalty. This includes the Fairmont (Le Labo), W Hotels (Bliss), and InterContinental Hotels (Agraria).

Brands should further differentiate by catering to a broader variety of hair types. Up-and-coming brands hungry for exposure could take the opportunity and provide sample-size products at low cost.

#### **ACCESSIBLE AND ADAPTIVE**

When we think of inclusion, we often think of issues of race, gender, or sexual orientation, and center our discussions around representation. But inclusion is so much broader than that. Providing an inclusive customer experience is about understanding that there is no "standard" customer

or profile; it's about understanding that customers are diverse with different experiences and needs.

Once you understand that people have different experiences and needs, it stands to reason that your products and services would cater to those needs. However, many companies seem to have forgotten that people have a range of abilities, therefore creating products and situations that cause challenges, limit access, or ignore those with special needs altogether.

Under the Americans with Disabilities Act, stores are required to meet a minimum level of accessibility so people can access goods and services. As a result, we have become accustomed to ramps, automatic doors, elevators, and motorized carts. Store bathrooms are often equipped with one larger stall with a chair rail to accommodate those who may use wheelchairs.



## BY INCREASING THEIR CUSTOMER BASE, COMPANIES CAN INCREASE THEIR REVENUE AND BETTER SERVE CUSTOMERS.

Outside of the legally required accommodations for accessibility, many retailers don't give enough thought to the needs—or the vantage point—of customers with physical challenges. From a seated position, counters can be too high and shelves too low. Aisle displays or clothing racks placed too close together can make it more difficult to navigate the store. This lack of accommodation leaves products literally out of reach for some consumers.

According to the U.S. Centers for Disease Control and Prevention, at least 61 million adults in the United States live with a disability and 13.7 percent have a challenge that limits mobility.<sup>12</sup> However, very few clothing brands cater to these customers. Until recently, major retailers neither carried nor produced adaptive clothing.

Fashion led the way in 2014 when Danielle Sheypuk, a psychologist and model, became the first-ever New York Fashion Week model to slay the runway in her wheelchair.<sup>13</sup> She was followed by both Nike and Tommy Hilfiger releasing their own lines of shoes and adaptive sportswear in 2015. Hilfiger has since expanded its line, offering adaptive casual clothing for adults and children. Target was the first major retailer to introduce adaptive pieces from its own clothing line, Cat & Jack, in 2017. Target also introduced adult adaptive clothing and sensory-friendly pieces as a part of its Universal Thread line in 2018.<sup>14</sup>

All of these advances serve diverse communities, as well as the company itself by increasing their customer base.

So, how does inclusion impact the bottom line of a business? To start, inclusive practices, products, and services send a clear, welcoming message to a broader customer base. Inclusive practices let customers of all types know that you see them, understand them, and take their needs seriously. By understanding customers' needs and providing them with a positive customer experience, organizations can both be leaders in inclusion and improve their bottom lines.

Stay tuned for our next issue, which dives into technology and the customer experience of inclusion.

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