Gilt: Comeback with Data Analytics

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“If you torture the Data long enough, it will confess” – Ronald H. Coase

1. Background and Introduction

Gilt is an online shopping website launched in 2007 that focuses on flash sales of premium brands with big discounts in the US. Starting off exclusively for women’s clothing and accessories, Gilt added menswear, a travel site, home accessories and kids and baby clothes to its portfolio. In 2011 Gilt was valued at over $1 billion, and one of the most promising start-ups in the fashion industry. At the beginning of 2016 Gilt was sold for only $250 million to Hudson Bay Company.

Building on sales data, using research, descriptive analytics and machine learning techniques, we gain business insights to advise Gilt focusing on the following questions:

- Why did Gilt lose value so dramatically after reaching unicorn status?
- How can Gilt improve its position?

2. Methodology

The Toolbox:

- Data Repurposing & Clean Up:
  - Discarded unreasonable Data
  - Lower: date resolutions
  - Year, Month, Day of the Week
  - Created: new Derived Variables, Discount, Time on Sale, Categorization of Brands, Material & Categories ...

- Data Contextualization:

  - Gilt Python API
  - We used Sales from the Website to contextualize Category and Brand

3. Past Performance / Current Situation

Gilt’s early success (-2012):

- Innovative concept
- High discount sales
- Less competition
- Excessive inventory

Gilt’s struggle (2012-2015):

- Less inventory
- Competitive online market
- Decreased discounts
- Missed out on innovation & trends

Gilt’s current situation (2016):

- Competitive, saturated market
- Unsuccessful diversification
- Inability to lower prices

Given Gilt’s limited growth potential, we use data analytics to improve Gilt’s competitiveness by optimizing its operations and specifically differentiating its strategy to a more customer targeted focus. Therefore we are looking at three key areas:

1. Increase Sold Rate
2. Decrease Inventory Cost
3. Increase Customer Satisfaction

3.1 Increase Sold Rate

1. Consumer Preferences:

   - Market Basket Analysis
   - Logistic Regression Output

2. Timing:

   - Sold per Weekday
   - Sold per Price Category

3. Pricing:

   - Independent of Brands
   - Distribution of Brands

3.2 Decrease Inventory Cost

Inventory is a huge part of Cost. A Classification into ABC inventory will allow Gilt a more effective utilization of Inventory.

3.3 Increase Customer Satisfaction

Inconsistency and Confusion on Gilt’s Website

- Duplication in Categories (GILT API)
- “CATEGORIES”: “FOOTWEAR”, “SHOES”, “MEN”, “SHOES & DRIVERS”, “FOOTWEAR”

Classification model shows that the Level code is not unique for each Category

→ Poor Classification leads to unpleasant customer experience

4. Conclusion

- Gilt needs to focus on its core competencies, flash sales of designer clothing and accessories at high discounts. Given the inability to compete on a price basis against competitors, Gilt should use a differentiation strategy, using data analytics to specifically target its customers and their preferences.
- Gilt can make the following operational improvements:
  - Sold rate: Smarter timing, pricing and analysis of customer preferences
  - Cost: Efficient ABC Inventory classification
  - Customer Experience: Improved classification system and website
- For a deeper analysis we would look at customer data, as well as competitors. Supplier prices and inventory data would help with further cost reductions.
- Further information on the company could help developing a better strategy, eventually leading to an expansion into foreign markets.

5. References

- Gilt API - https://dev.gilt.com/documentation/overview.html