



Power duo // *Human + machine*



Retailers are moving from an imprecise view of customer behavior, in which they *ask* about preferences—to a real-time view, in which they can *track* exactly what shoppers look for, what they buy, and even when they buy something. As well as what and when they return and why.

PwC research found that 72% of companies plan to use advanced data analytics to boost customer experience and build a more customer-focused supply chain. This customer-first strategy accounts for the success of companies across the retail spectrum: from newcomer Stitch Fix to continually transforming Nike.

Apparel startup Reformation tracks online customer data relentlessly and reflects those preferences both in online selections and in its physical stores. The minimalist in-store outlets carry a representative selection of items that customers can personalize on touchscreens to try on. Fitting rooms offer mood-lighting options for different “looks.” And shoppers can request other items directly from the fitting room via a call button.

72%

of companies will use advanced analytics to better meet customer needs.

Secrets of an online shopper



They like to buy several items, see which ones work best, then return whatever doesn't work out—a practice known as “bracketing.”



Returns represent between 25% and 40% of apparel bought online.



Our analysis found that 64% want free shipping on returns.

The fix is in

The rapid ascent of Stitch Fix—which went public late last year—to a profitable, almost \$1 billion business in less than six years can be attributed in part to a potent combination of human input and artificial intelligence (AI).

The online personal shopping service takes personalization to a new level. Stitch Fix aims to understand customer preferences better, allowing the company to offer highly personalized options the customer didn't even know they would love—but AI did.

Shoppers provide detailed information about size, preferences, and price points. The system then makes recommendations, which a human stylist uses as a starting point to design an ideal mix of clothing. Customers receive a shipment of five pieces of specifically selected clothing, either monthly, quarterly, or on demand.

They keep what they like and return the rest. They also tell Stitch Fix why they liked or didn't like an item. More feedback allows better fine tuning by the human stylists who make final decisions.

The ultimate goal: to circumvent the endless and often confusing options available online while providing an ultra-personalized shopping experience, one that brings the variety of selection available in a store directly into the shopper's home.

But not all consumers want to buy everything they wear, especially when it comes to formal wear. In fact, PwC research finds that millennials are much more willing to rent rather than buy, which powers services such as Rent the Runway and The Black Tux. Both rent formal wear for special occasions at a fraction of the item's cost.

In their own words

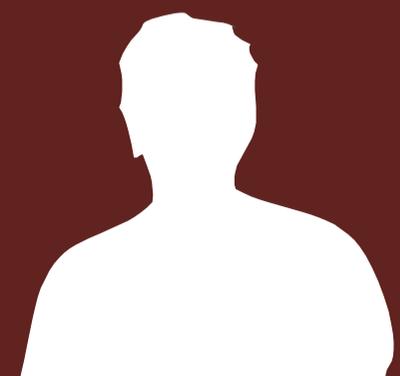
I want more unique items.

I've been introduced to new brands.

I absolutely love my stylist. The items I would never pick for myself always end up being my favorites.

I'd like to preview and swap out items.

Give me the same stylist each time.



Color me satisfied

We did an informal survey of online personal-shopping customers at PwC to find out more about what they like. Here's what we learned:

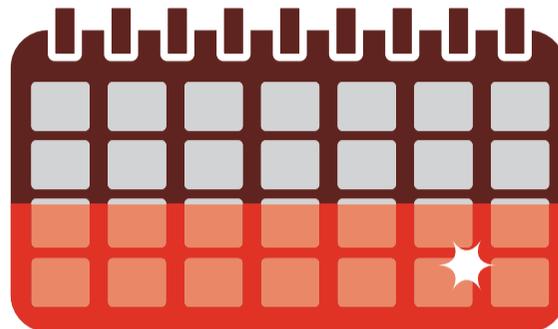
Feedback improves fit



72%
provide feedback at checkout.

59%
provide notes to their stylist.

One and done



48%
sign up for automatic delivery (versus on-demand).

Free to return



79%
return at least one item per shipment.

Don't like to shop?

Just answer a few questions and you're done!



100% of those who do not like shopping gave the service a 7 out of 10 rating. . . versus 67% of those who enjoy shopping.

The formula works



72%
gave the service an overall 7 out of 10 rating.

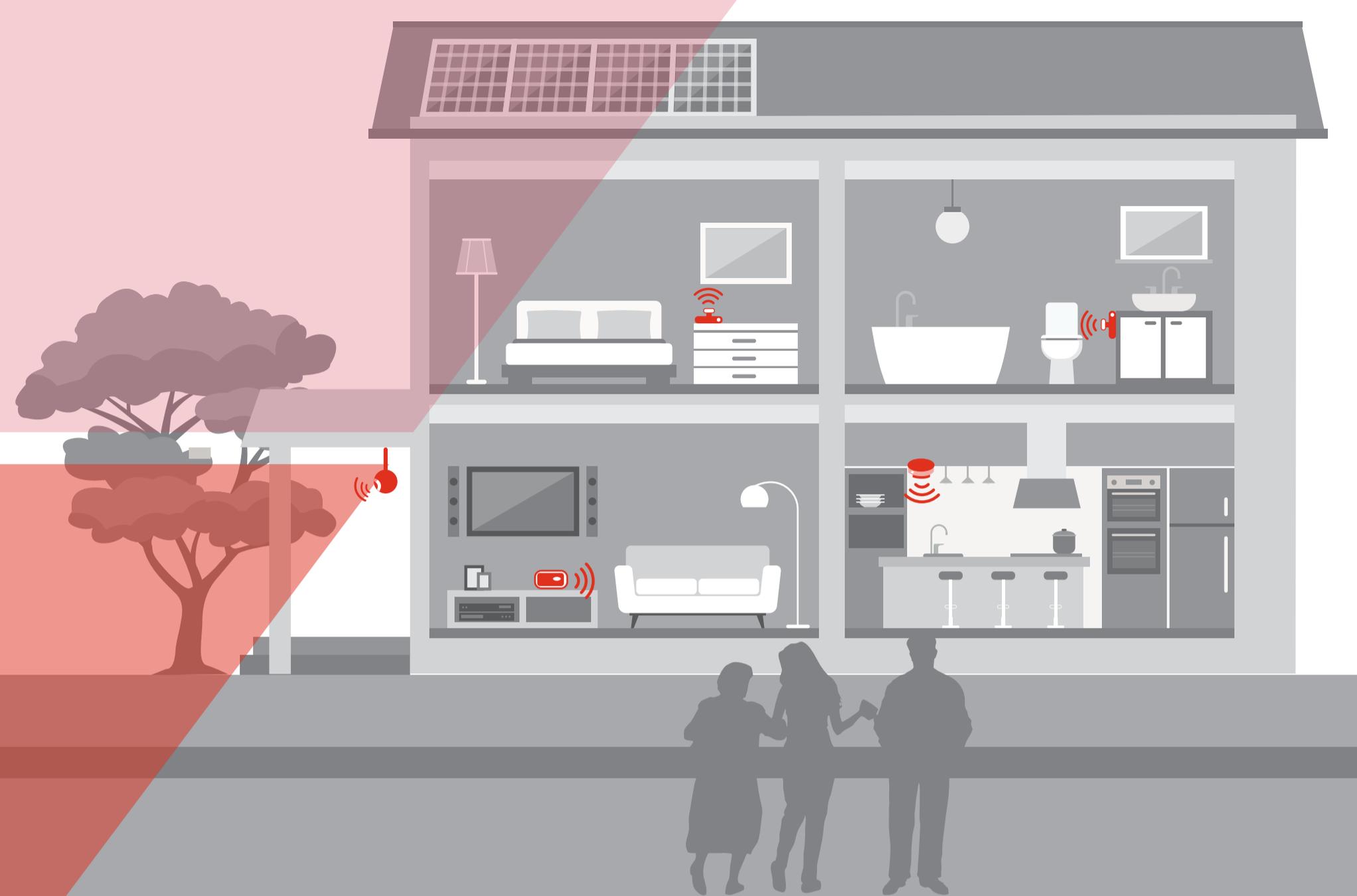


76%
of millennials (aged 26–35) liked it versus 56% of Gen X (aged 36–50).



33%
of Gen X gave it the highest possible rating.

- Q: How often do you . . . [modify your style profile; leave checkout feedback; use the social media option; provide notes to your stylist]?
- Q: I receive . . . [automatic deliveries; I am an inactive user; on-demand].
- Q: On average, how many items do you typically keep from each shipment?
- Q: On a scale of 1–10, how satisfied are you with the service?
- Q: The preferences, feedback, and inspiration I share are reflected in my subsequent shipment/s.



Bundle AI-enabled products with services for added reach

In response to customer demand, Best Buy recently piloted a smart-home network kit for seniors that includes optional remote monitoring for family members who want to check on aging relatives. As the system accumulates more information about the senior's daily activities, it can flag exceptions for family members.

Also optional: wellness coaching from nutritionists and exercise therapists by way of a partnership with insurer UnitedHealth Group Inc. The company's Geek Squad tech-support team receive special training to work with seniors who may have conditions such as dementia.

In fact, PwC research found that for consumers over the age of 50, aging in place is an essential benefit of smart-home technology. Fully 71% cited the ability to live safely and comfortably at home as a reason to buy a package. Meanwhile, 60% of households with incomes above \$100,000 are willing to pay for the availability of round-the-clock customer service.

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