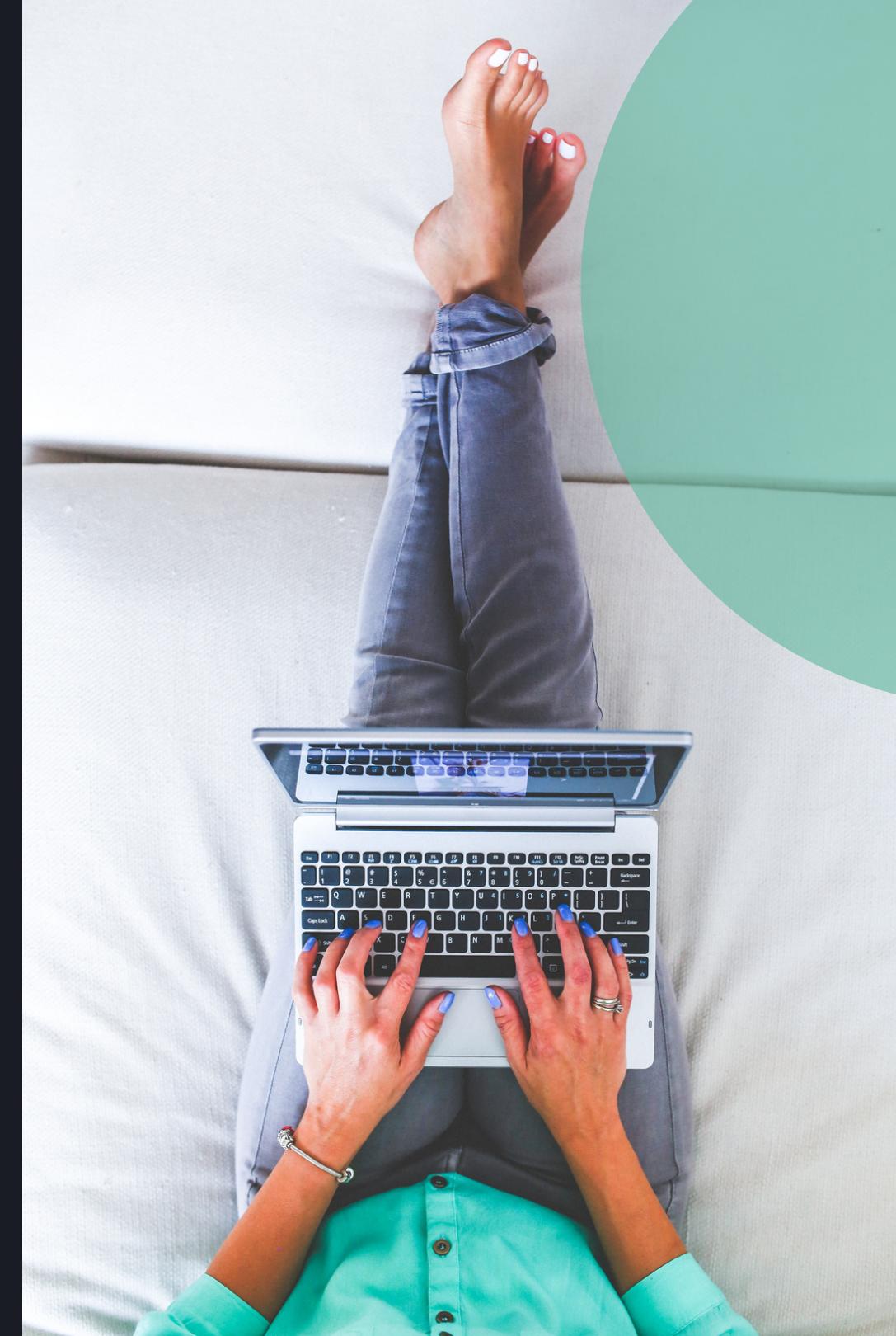




Consumer Study 2023

The State of Personalization



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Background and Methodology

Dressipi conducted a consumer study of the state of personalization for online fashion retailers in January 2023.

This study captured sentiments through an online survey:

- Consumers in the UK and US
- Significant sample size
- Above 16 years old
- Made an online purchase in the last 6 months

KEY GOAL 1

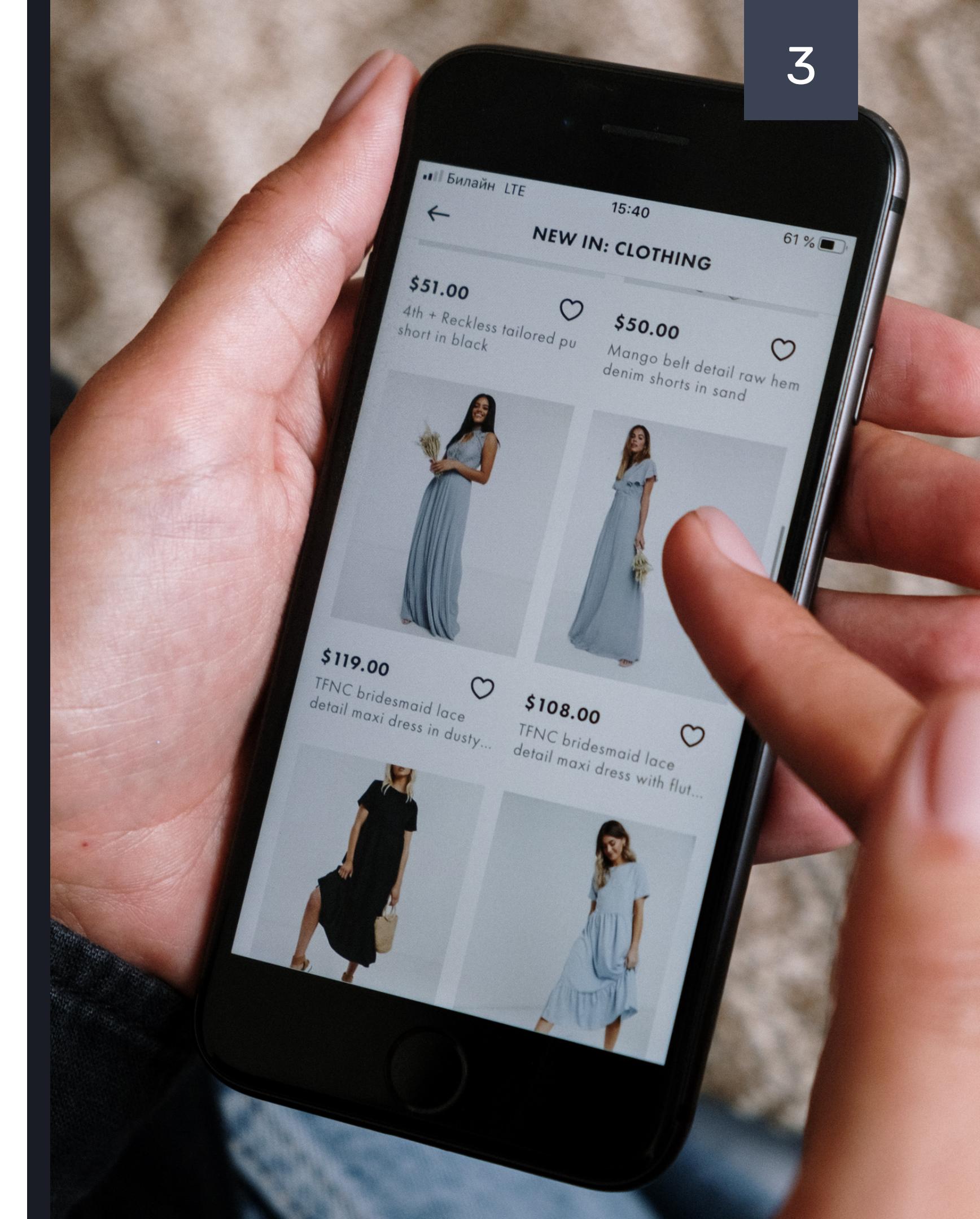
Understanding whether consumers interact with personalization technologies and where their frustrations lie

KEY GOAL 2

Identifying which areas retailers should be focusing their efforts for the best chance of engagement and maximum profit

KEY GOAL 3

Evaluating the impact that inflation will have on online shopping and how to mitigate its effect



Executive Summary

Online shopping in the fashion industry is stuck in the 1990's with personalization efforts only scratching the surface. Rarely they are built around the individual and so fail to deliver on loyalty and profit.

Consumers do not want a flat journey that shows the same products in the same order. They want an inspirational, personalized journey that is completely relevant to them. Netflix and Spotify have driven these personalization expectations and retailers need to take learnings from these companies that have redefined the discovery process.

Personalizing to the individual is a must and can help shift to a better, more profitable way to retail. Organizations that excel at personalization generate 40% more revenue from those activities than average players (McKinsey). What is apparent now is that if retailers don't give this level of hyper-personalization, they will get left behind.

This research analyses the data of what consumers actually want and explores how retailers can make a step-change in personalization to meet their expectations.

KEY TAKEAWAY 1

Personalized recommendations are expected and they are the key to protecting loyalty. There are some simple things retailers can do today to achieve this.

KEY TAKEAWAY 2

Think about what tools are on a site and what adds value. Are they relevant to each customer, do they actually improve the customer journey and increase revenue? Personalized outfits are in demand and they do just that.

KEY TAKEAWAY 3

The future is personalization, it's no longer a nice to have, it's a necessity. Retailers should start by getting their data house in order - they need to know as much about products as they do consumers.

“

“Customer-focused innovation should be a priority for retailers and will help them maintain a competitive edge in a currently very challenging retail industry.

Exceeding consumers’ expectations through personalization will give retailers their much needed revenue and profit increases”

- Sarah McVittie, Co-Founder, Dressipi

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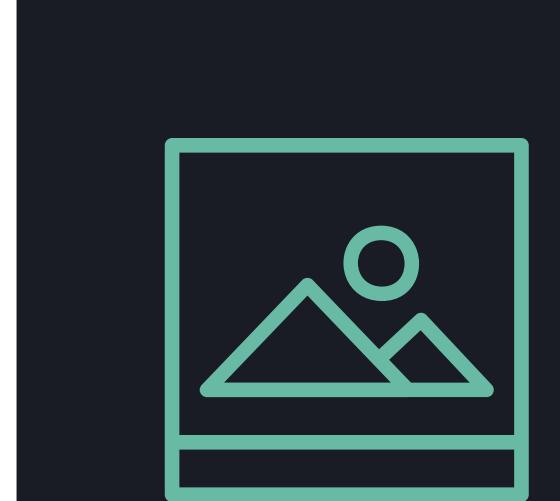
91%

of consumers think the online shopping experience is improving

The top areas of improvement over the last 3 years:

72%

of consumers believe
App optimization
is improving



56%

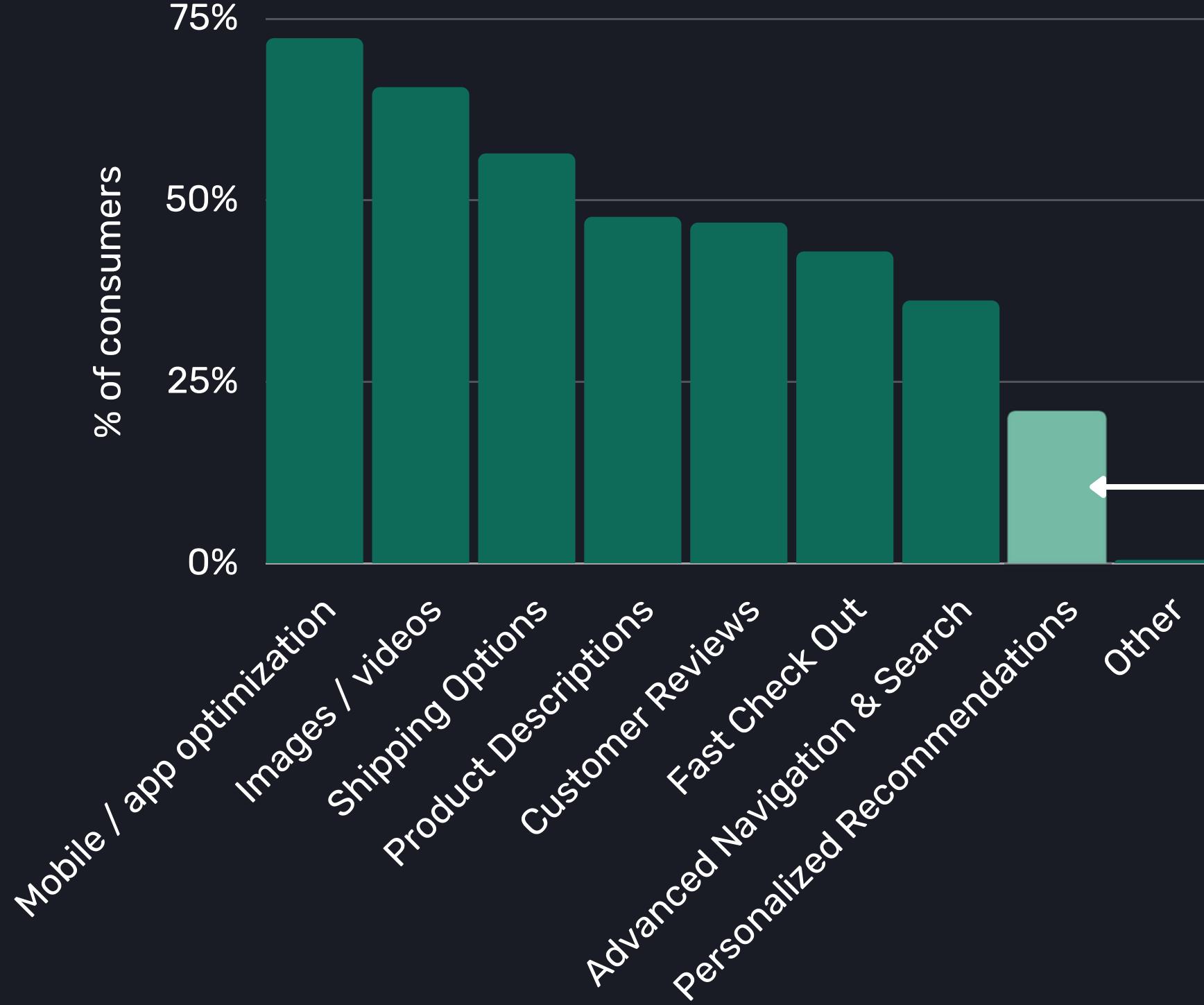
of consumers believe
Shipping options
are improving



65%

of consumers believe
Images / Videos
are improving





But... frustration remains high with personalized recommendations

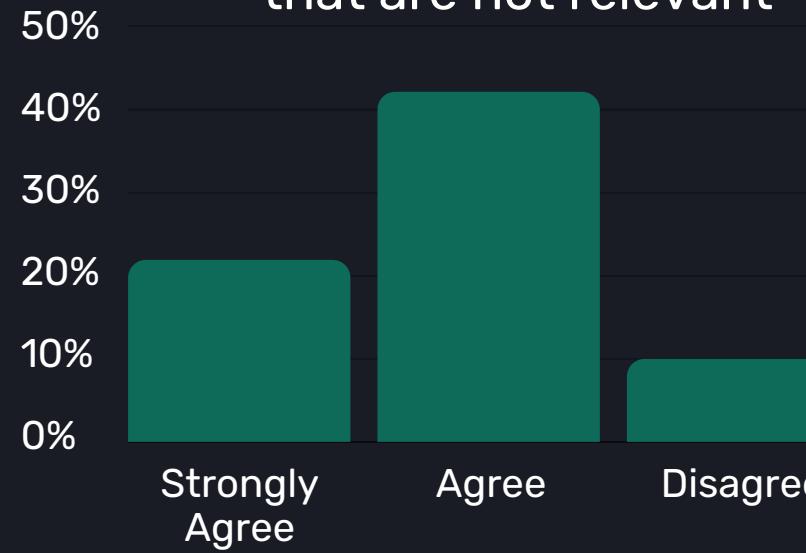
Only
21%

of consumers think personalized recommendations are improving

This will affect their loyalty

1

64% of consumers find it frustrating when a retailer shows products that are not relevant



2

64% of consumers shop with another retailer if they couldn't find the right product quick enough



3

55% of consumers frequently find that retailers show products that are not relevant



KEY TAKEAWAYS

Poor recommendations that are not personalized lead to unhappy shoppers and missed revenue when they quickly swap websites. Retailers cannot afford for this to happen anymore.

Retailers need to think about the product discovery process that genuinely delivers for each and every consumer. This means going beyond segmentation to hyper-personalization. The value of this will be huge in both revenue uplifts and customer experiences.



82%

of consumers have been led
to an out of stock product

KEY TAKEAWAYS

There are a number of challenges specific to fashion. For the majority of customers data is sparse and limited to 1 or 2 items a year, there is a high and fast turnover of product, as well as specifics to the actual business of fashion - namely returns and size fragmentation.

Size fragmentation is a huge area of margin erosion for fashion retailers. When a retailer has products which sell out at different times, this leads to frustrated shoppers clicking on products not in their size and also increased discounting for the remaining sizes.

A more exact use of data can help to eliminate stock fragmentation and ensure consumers see the items they are most likely to buy and keep. In addition, product recommendations should crucially always be shown in a consumer's size. This is a key cornerstone of personalization.

Size:



Your size is 14 - Out of stock

[Size chart](#)

6

8

10

12

14

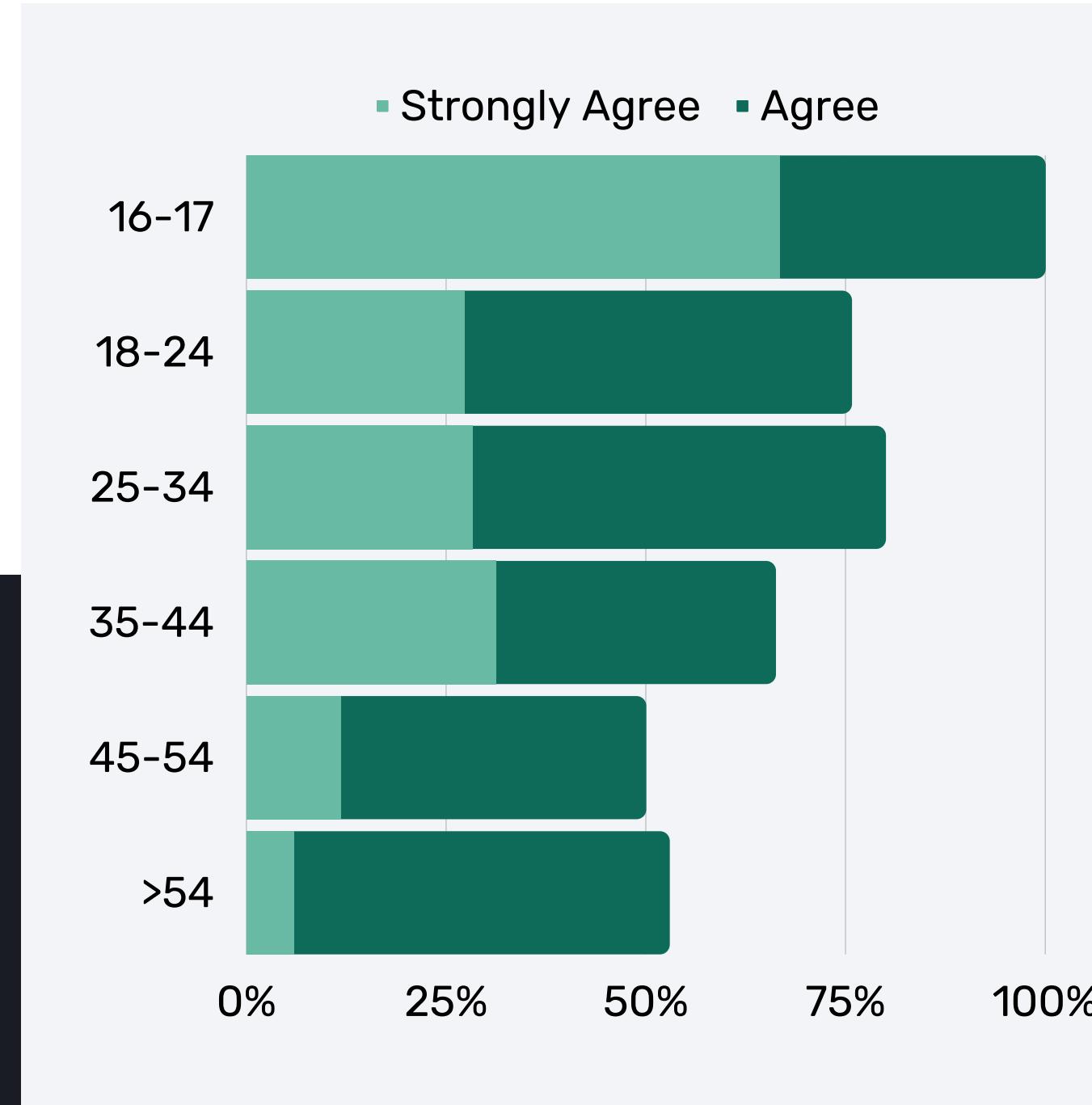
16

18

20

Add to your basket

Add to wish list

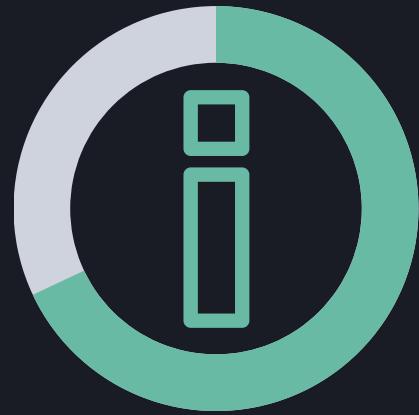


Personalization is expected

KEY TAKEAWAYS

70% of consumers agree that they expect personalized recommendations from retailers. Interestingly, 100% of the youngest surveyed agree that they expect personalization with a huge 67% strongly agreeing. This comes down to the exposure to personalization they've had from other industries such as movies and music (i.e. Netflix and Spotify).

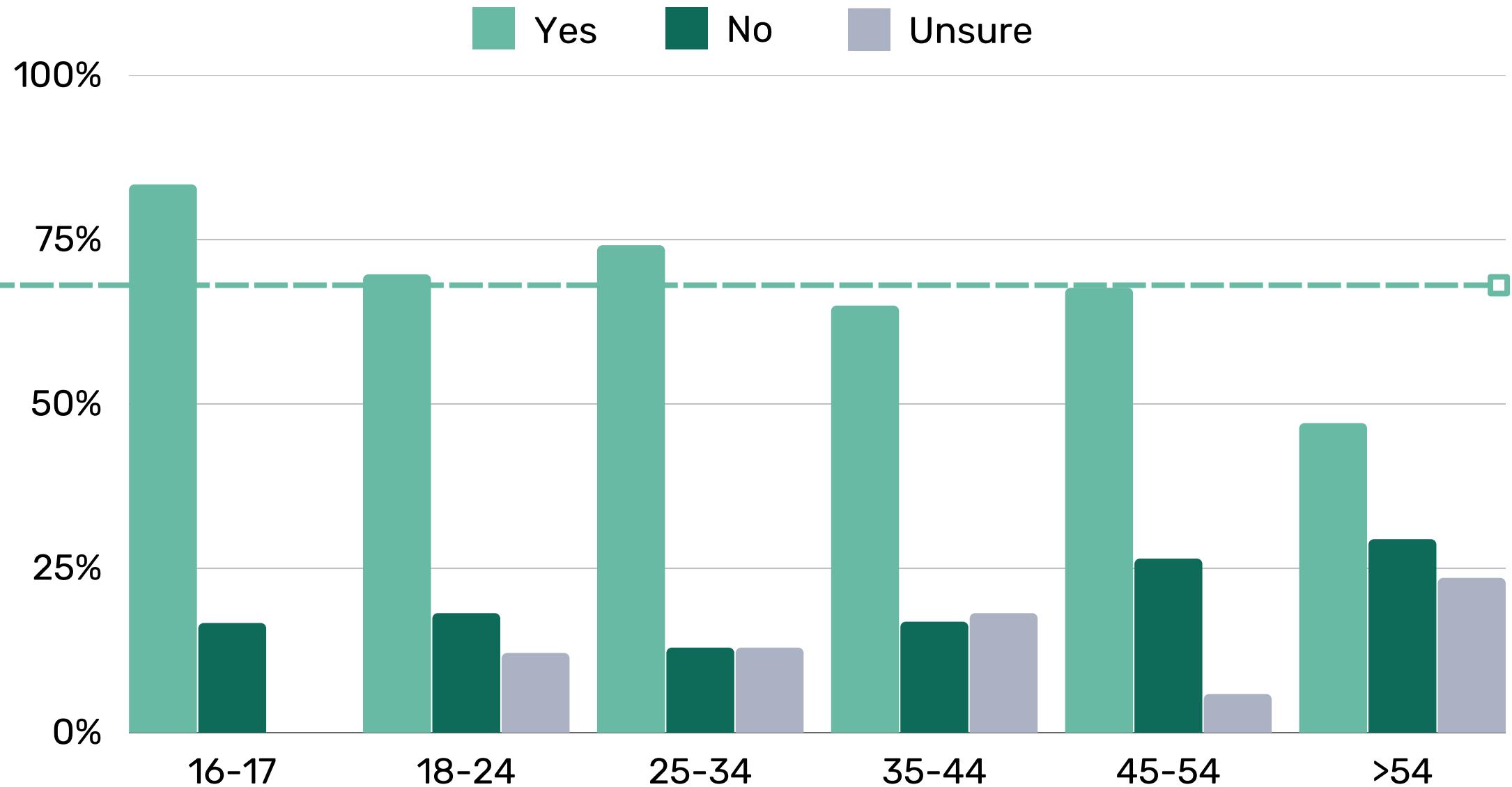
There is now urgency around good personalized recommendations as this younger consumer is soon to be the main one.



68%

of consumers are happy to share more details about themselves in return for a more personalized online experience

Consumers are happy to share information



KEY TAKEAWAYS

Behaviours around purchases will continue to change across all industries, not least fashion retail, and the need to adapt and innovate to keep up with this new group of tech native consumers is paramount.

Personalization is key and it's the younger consumers again who are demanding a more personalized experience and are more likely to share details about themselves for it - 77% of under 24 year olds would be happy to share information.

“

"There are parts of my body that I like to cover and parts that I like to accentuate but most retailers I shop with don't understand these preferences. It would be great for retailers to just 'get' my style and if they did, I would definitely shop with them more."

- 39 year old, USA

”

People interact with all sorts of online tools, make sure everything is readily available to them

The tools with
the highest
interaction
rates:

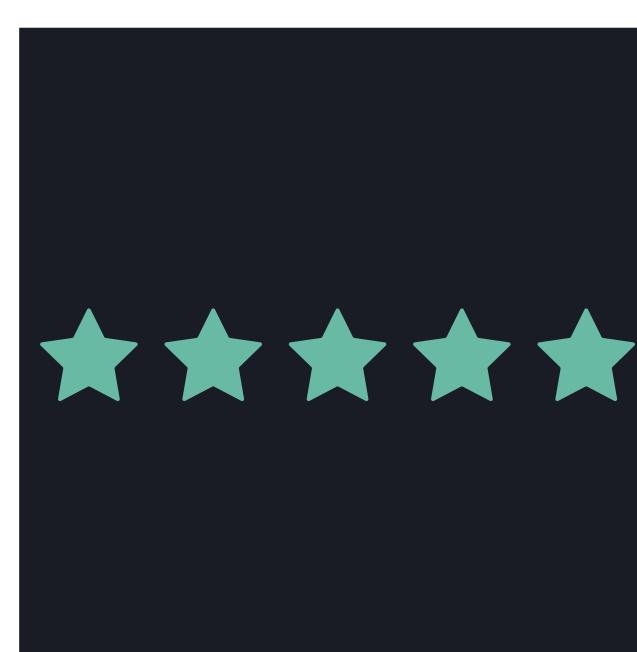
95%

of consumers interact with
Product Reviews



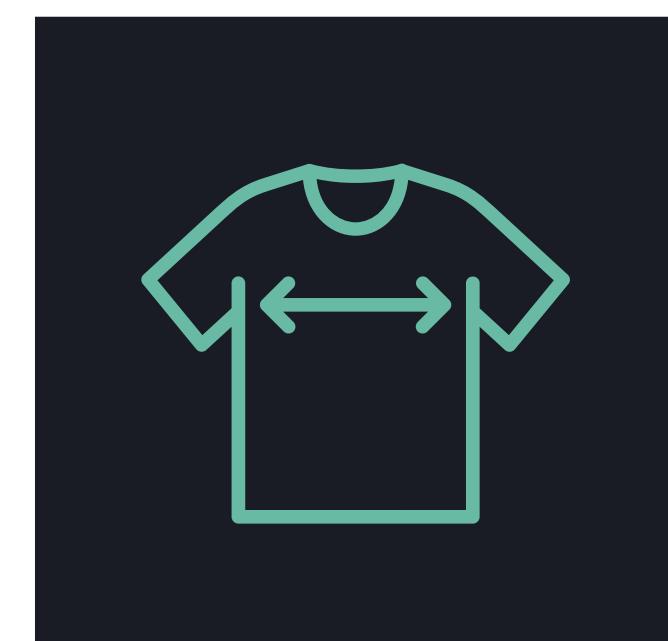
87%

of consumers interact with
Size Charts



90%

of consumers interact with
Similar Items



The demand for personalized outfits is on the rise



73%

would use personalized outfits for **different occasions** if it was available to them



74%

would use outfits to go with **things they already own** (online wardrobe)

KEY TAKEAWAYS

People don't have the options available for outfitting yet and huge numbers would like to see some form of this on retailers sites. From the data, it's clear to see that personalized outfits were in demand more than other outfitting tools such as 'Shop the Look'.

There is definitely a place for these tools but they can have a negative impact on revenue - if a consumer does not like that outfit on the model then it may impact the way they feel about the initial garment. Personalized outfits can still be in line with a retailers brand DNA with outfit rules laid out in the API's.

As they hugely inform purchase decisions

KEY TAKEAWAYS

There are many generic tools that are widely available and help consumers make a purchase. Imagine the revenue uplifts if retailers could personalize these tools.

Retailers need to update their consumer journeys to include personalization. The consumer data shows that personalized outfits inform purchase and this is backed up by revenue figures from AB tests showing there is an additional 5% incremental revenue that can be delivered from them.

1

71%

of consumers say
personalized outfits help
make the purchase

2

77%

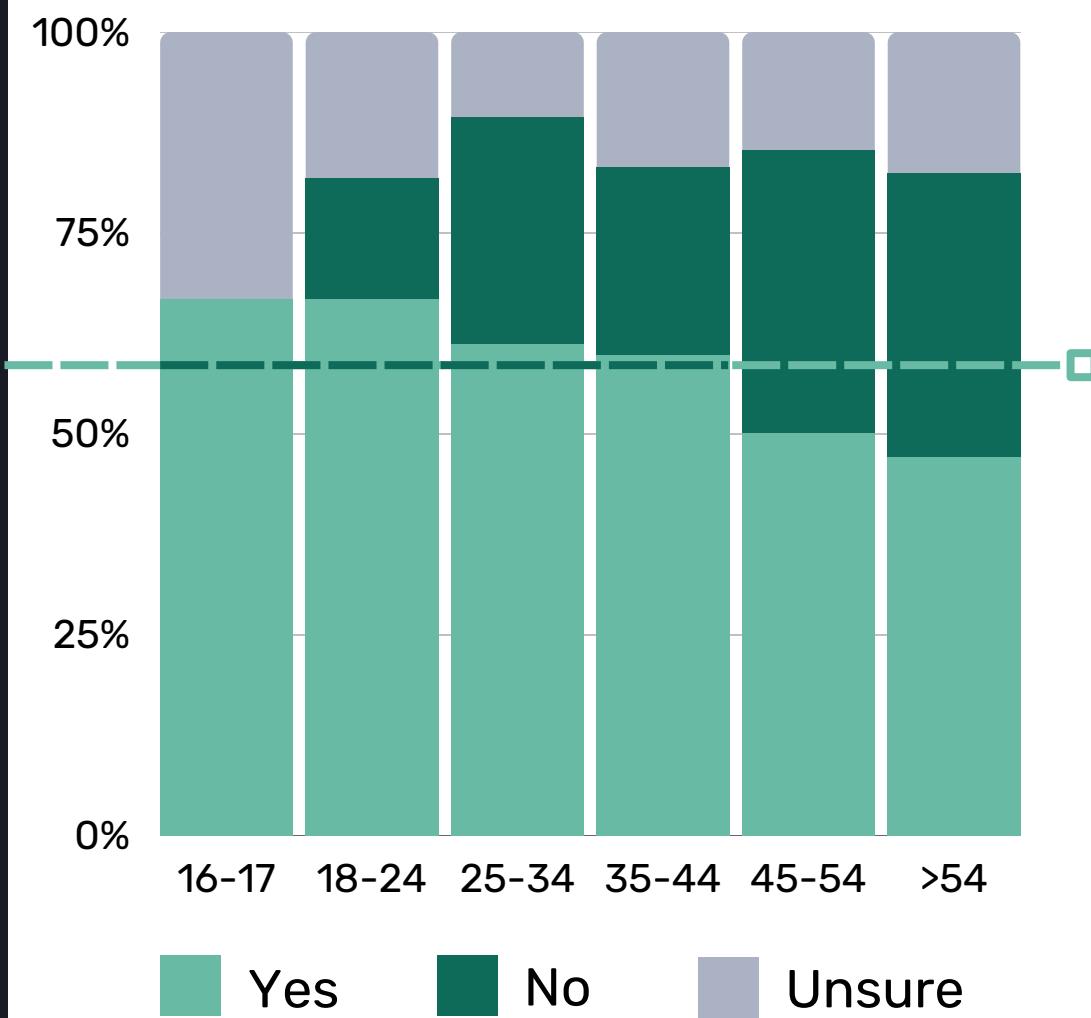
of consumers say outfits to
go with **things they already
own** help make the
purchase

And deliver on
retailers key KPI's



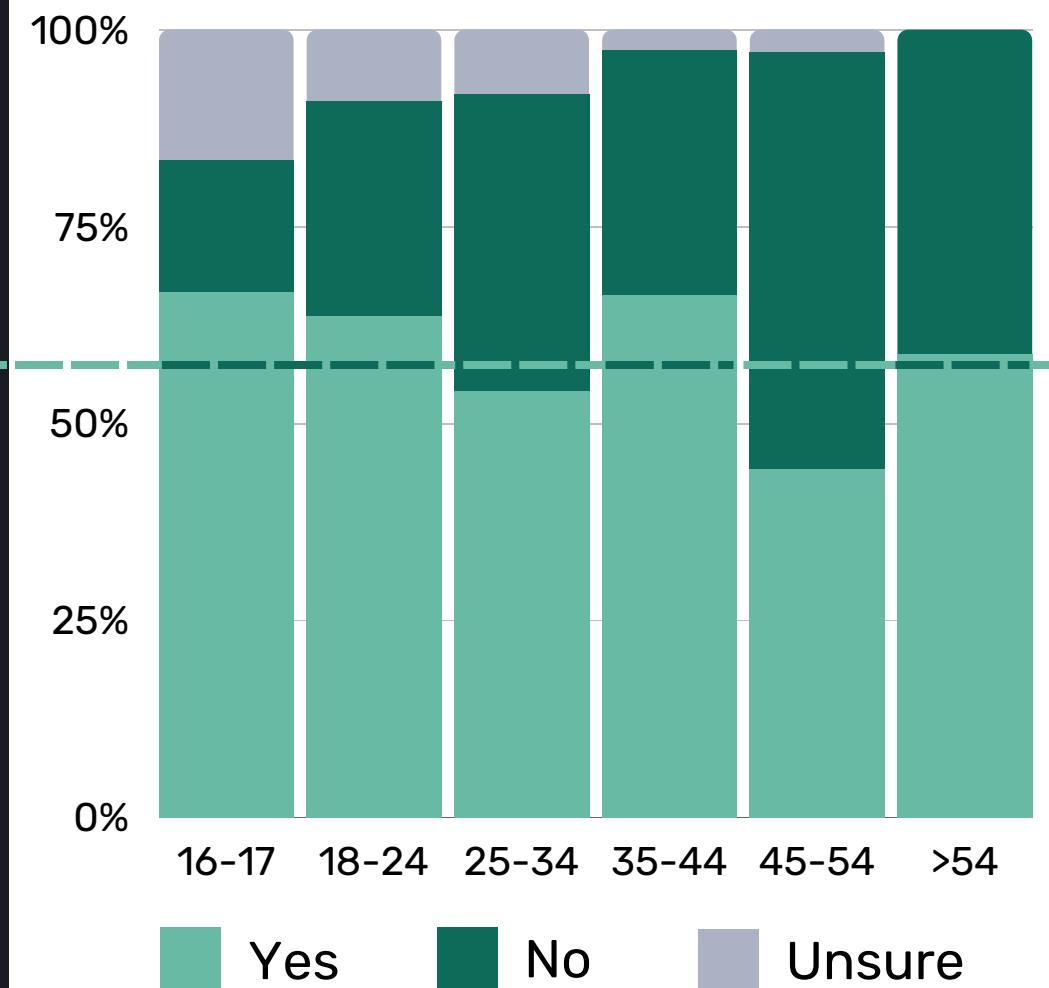
59%

of consumers are more confident in purchasing a product with outfit suggestions



58%

of consumers have been persuaded to buy other products in an outfit suggestion



KEY TAKEAWAYS

Showing the versatility of a garment in a way that's right for the consumer leads to better results. If the outfits make a consumer more confident, this will increase conversion.

On the other hand, if a consumer is persuaded to buy other products in an outfit suggestion, this will increase Average Order Value .

What the future holds



Only **13%** of consumers interact with AR & VR but...

75%

would use this technology if available to them

KEY TAKEAWAYS

With the permanent shift and ongoing rise in online purchasing behaviour, the need for engaging digital experiences is paramount. Retailers have been pushed into new ways of thinking with Virtual Reality and Augmented Reality being at the forefront.

Positive responses from consumers are pushing the retail industry to adopt these technologies faster with the global VR market size projected to reach \$57.55 Bn by 2027.

The emergence of these immersive experiences will hugely impact the future of fashion retail and retailers need to understand how these tools can work together with personalized recommendation API's.



Shape, style and size advice = Reduced returns

1

Seeing products
that suit my
SHAPE



3

Seeing my
correct
SIZE



2

Seeing products
that suit my
STYLE



KEY TAKEAWAYS

When asked what advice consumers find most useful when online shopping, shape, style and size came out on top. Recommending products that take into account all of these aspects will do wonders for reducing returns.

Typically style is a bigger culprit than size for returns with the percentage of returns driven by multiple sizes at 13% compared to multiple styles at 42%*.

But as mentioned earlier product recommendations should crucially always be shown in a consumer's size. This is a key cornerstone of personalization.

*Dressipi data

Make sure outfits are working their hardest

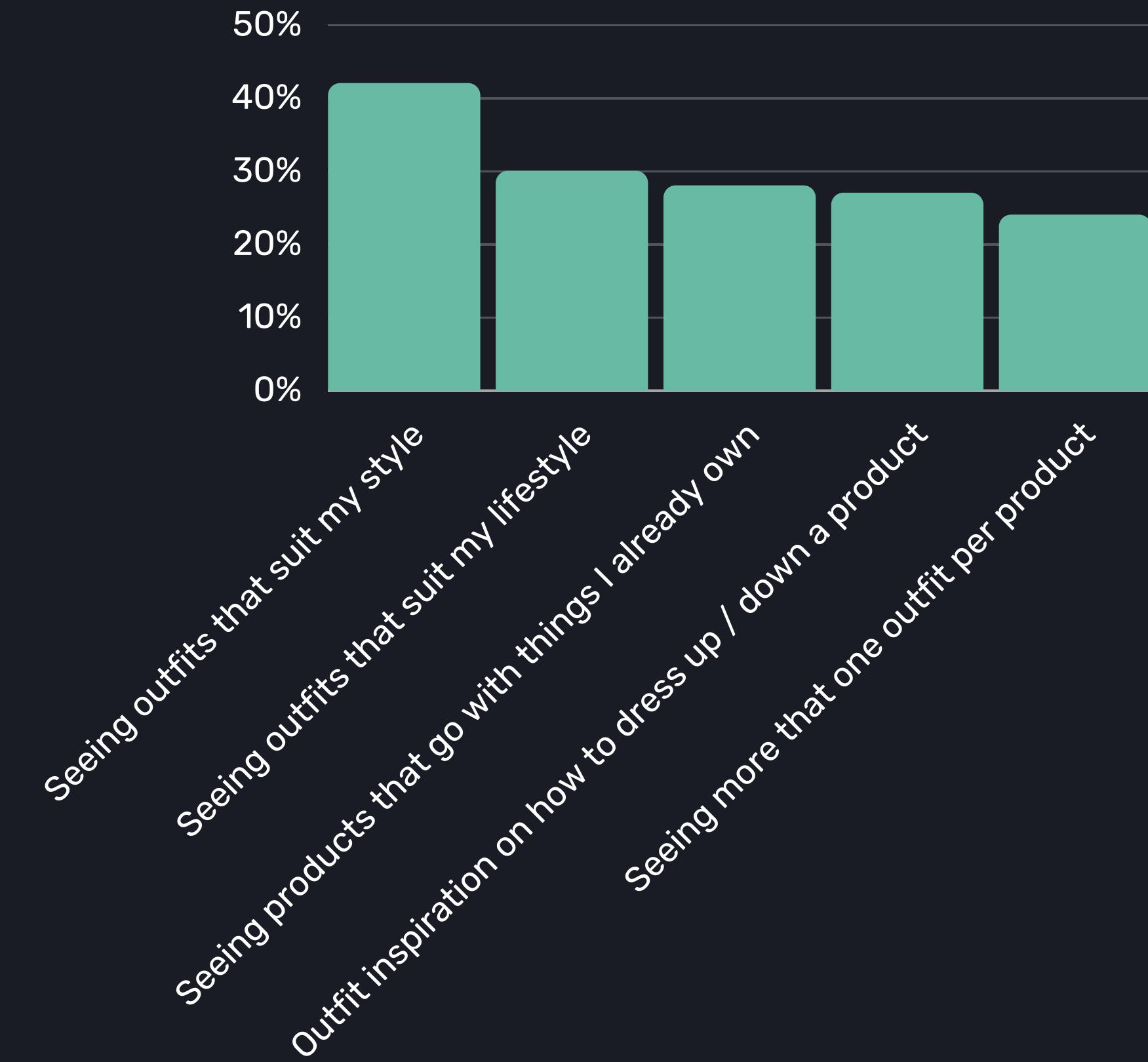


KEY TAKEAWAYS

Different consumers have different requirements from outfits so retailers need to make sure their outfits are personalized and suit these needs.

1-2-1 personalization will better guide consumers while they shop. Personalized outfits will start to play a key part of the shopping journey and consumers will be able to shop in the context of their wardrobe.

What is the most useful aspect of online outfits?



Outfits will be especially important in a time of rising inflation



70%

of consumers have reduced their online shopping as a result of inflation



65%

of consumers said cost will be the deciding factor on whether to keep a garment or not



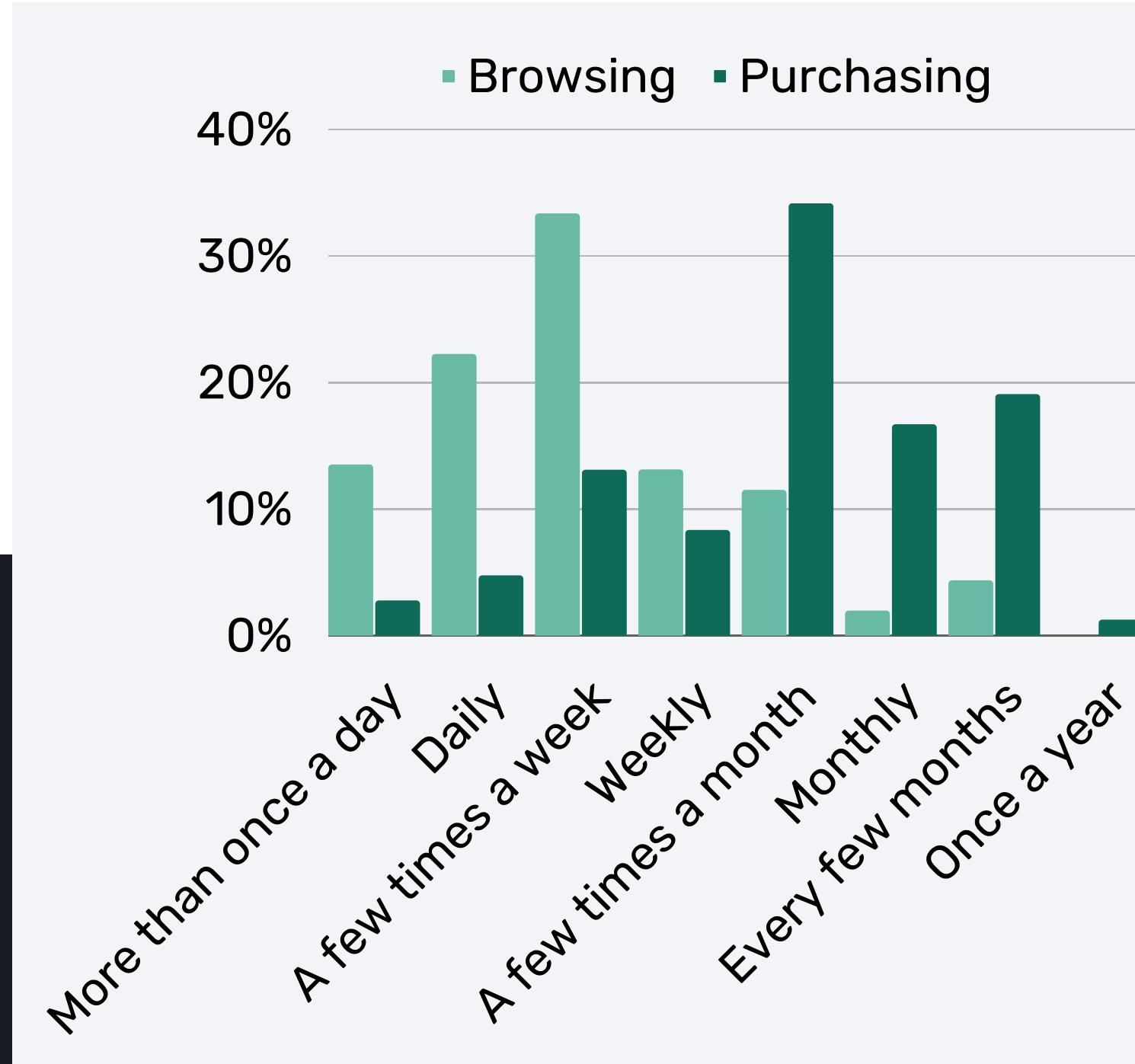
66%

of consumers said they'd be more inclined to buy a garment if they are shown the versatility of it

KEY TAKEAWAYS

Our industry is going through a big period of transformation, there are pressures on pricing, pressures on the supply chain and as retailers are more accessible globally, the consumer is increasingly fickle and harder to retain.

The cost of living crisis is going to hit hard so consumers are going to have less disposable income therefore spending less on clothing. Retailers have to figure out how they get that consumer to spend with them over other retailers - this means personalization has never been more important.



The possibilities are huge

KEY TAKEAWAYS

It's no surprise that consumer are browsing more than purchasing as people like to scout all the options before they make their final decision. But what if retailers could get that consumer to purchase on their first visit.

Earlier in the report, it mentioned that 71% of consumers say outfit suggestions help make the purchase. What if the whole site could be personalized?

Personalization increases conversion by 164%* and ensures their purchase will likely be with on that site.

*Dressipi data

If retailers make consumers feel like they know them, they'll stay loyal



Add to your basket



84%

of consumers will come back to retailers sites if they feel like they know them and understand their preferences

KEY TAKEAWAYS

Stores remain at the core for many retailers but in recent years, online growth has accelerated and ecommerce sales have significantly increased. Retailers need to deliver the same level of experience to their loyal consumers online as they do in their stores.

In store, an assistant could discuss style preferences, sizing and the current trends with a consumer. These points are very specific to fashion and generic personalization solutions don't take into account this complexity.

Understanding the challenges specific to fashion will be key to better personalizing websites to each individual. This will give consumers the perception that retailers really know them and will ensure they keep them coming back.

The playbook for personalized recommendations

PERSONALIZATION IS NOT NICE, IT'S A NECESSITY

Do not sit back and do nothing. Retailers need to move quicker. Those that don't won't exist.

By calling time on old-school fashion ecommerce experiences and delivering personalized recommendations that are truly relevant to every single consumer, will help them stay competitive and avoid getting left behind.

GET YOUR DATA HOUSE IN ORDER

What is data? What does data mean to retailers? There is an abundance of data available to fashion retailers but few maximize its value. Those that do will thrive.

Data-driven retailing is here and it's here to stay. Collect the right data, in the right structure and retailers will have the power to service consumers better and create real efficiencies in their business.

PERSONALIZING TO THE INDIVIDUAL IS A MUST

When it comes to personalization, retailers need to think about the product discovery process that genuinely delivers for each and every consumer. To do this, retailers cannot confuse segmentation with hyper-personalization.

Segmentation still leads to unhappy shoppers and missed revenue. Compare this to the value of personalization which delivers significant revenue and profit uplifts *and* amazing customer experiences.

THE POWER OF PERSONALIZATION

Once retailers have good data in place, then they need to understand how to maximise the interaction between the data sets. First, they need to understand what it is they are trying to solve:

- 1) How do I get each consumer to buy one more thing?
- 2) How do I deliver a 1% reduction in return rate?
- 3) How do I reduce fragmentation and markdowns?

Personalization done well can solve all of these questions.

What do we expect to see in 2023...

We are Dressipi. The personalization experts, helping apparel retailers show each visitor the items they're most likely to buy - and keep. These are our predictions and the things that retailers should be focused on to plot their path to online retail success in 2023:



1-2-1 Personalization

1-2-1 personalization will accelerate with retailers launching entirely unique experiences to each consumer. It won't be enough to just keep playing at the edges anymore.

Consumers will be better guided and educated while they shop as retailers move to richer experiences. No more rows and rows of the same garment category, outfits will start to play a key part of the shopping journey and consumers will be able to shop in the context of their wardrobe.



Data Privacy

Data privacy is an increasing concern among consumers and regulations are being put in place with strong penalties for violating them. Google Chrome will be among other search engines to phase out third-party cookies in 2023.

Considering this, the ability to work with first-party data will become ever more important if retailers are to continue a personalized experience for their consumers. For those customers who do not accept cookies, it will be important to be able to work with better in-session signal data to understand intent in real time.

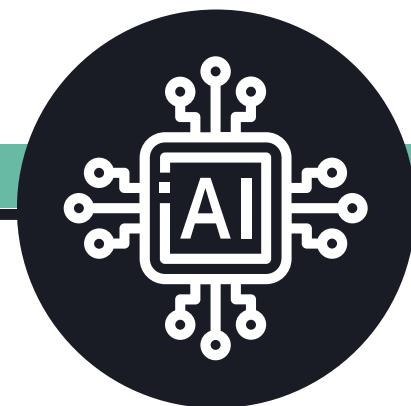


Customer Lifetime Value

Customer Lifetime Value will continue to surpass Conversion Rate and AOV as the key metric for retailers as they start to realize the potential of their own websites over Google shopping.

We should expect to see smarter and more relevant retention strategies and this will link back to personalization. The more retailers make a consumer feel like they know them, the more loyal they will be.

...2023 predictions continued



Artificial Intelligence (AI)

Better data will allow AI to be more predictive and enable retailers to offer consumers highly personalized experiences and become more efficient. It's an invaluable part of how consumers shop.

With AI comes the rise of avatars, the metaverse and voice search - to name just a few! We are not saying that by next year every retailer will be able to give consumers a 3D avatar of themselves but we will start to see more retailers putting the building blocks in place so they can hit the ground running when the time comes.

This increase in AI and personalization will however see consumers becoming more confident to make bigger online purchases.



Data-Driven Retailing

Data-driven retailing will be a determining factor in who wins and who loses.

The forward-thinking retailers will be using their data to optimize consumers shopping experiences through personalization whilst make smarter decisions on things such as the size of their buys, discounting and returns.

The list of casualties will grow for the retailers that do not create these actionable insights.



Sustainability Initiatives

Sustainability initiatives are forcing retailers to look more seriously at their impact and build genuine initiatives. There will be a continued rise in the rental revolution and fresh approaches including testing out products in the metaverse.

A huge win for sustainability will be getting retailers to understand the link between supply and demand and stop a lot of the over-production at the source. There is so much wastage in the fashion industry that can be eliminated through better predictive retailing models within each retailer. We can expect to see more of this over the next 12 months.



Fashion - Focussed

Fashion is unique in ecommerce (think seasons, trends, body types, taste etc). Dressipi takes a domain specific approach across the data created and collected, how it's structured that data and the models that are built. Everything is optimized to handle the nuances of fashion.



Unique Datasets

Machine learning and AI solutions are only as good as the data that feeds them. Dressipi owns the most extensive dataset of garment attributes and fashion-specific consumer preferences. Our ability to ingest, cleanse, and augment huge quantities of data from various sources, in real-time, is at the heart of our platform.



In Real - Time

Dressipi algorithms are updated in real-time, based on in-session consumer behavior and changes in product availability so retailers deliver on their key KPI's.



Headless

As an API-first company, Dressipi integrates effortlessly with the tools and software retailers already use.



Proven Results

Dressipi works with global retailers and have a proven track record of delivering value quickly, with results that are externally validated.

21%

PROFIT INCREASE

12%

REVENUE INCREASE

15%

RETURNS DECREASE

10%

SELL-THROUGH RATE



Dressipi is driving a step-change in personalization for apparel ecommerce.

By understanding the unique complexity of apparel (think seasonality, trends, body types, taste etc), Dressipi helps retailers to show each visitor the items they're most likely to buy - and keep.

Products are automatically tagged with 3x more detail. Data is crunched at scale. Apparel expertise is overlaid. Dressipi does the heavy lifting so that their consumers can stay ahead of the competition and enjoy higher profits.

Today, Dressipi's personalized recommendations and outfits outperform all competitors in A/B tests, and deliver incremental improvements to profit (+21%), revenue (+12%), returns (-15%) and full-priced sell-through rate (+10%).

Finally, personalized ecommerce that lives up to the hype.

EVANS
boutique

LK BENNETT
LONDON

COUNTRY ROAD

city chic
STYLED IN 12-24

BUBBLE ROOM



WITCHERY

hush

SEASALT
CORNWALL

RIVER ISLAND

BELSTAFF