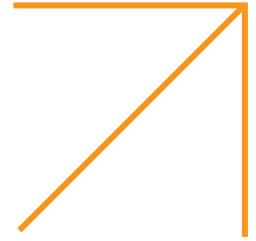


2018 RETAIL TRENDS REPORT: HOME FURNISHINGS EDITION



Now,
New,
Next







THE NEW RETAIL ERA



As the broader retail industry continues to evolve, brands are looking for ways to **remain relevant** while securing their place in the future. The expectations of connected consumers are generating seismic shifts in the retail landscape with a desire for deeper experiences, more personalized connections, and instant gratification.

The implications of these shifts are being felt across retail and within the **furniture vertical**. Opportunities for hard goods are no longer relegated to the showroom floor or even within the industry—they are now set by any and every brand-customer interaction.

Alliance Data's **Now, New, Next Retail Trends Report: Home Furnishings Edition** examines how furniture and home décor brands are navigating these shifts. It also explores the ways brands are countering increased customer expectations and changing needs through elevated service offerings, deeper engagement opportunities, and innovative connectivity.



THE TOP TRENDS SHAPING 2018



Now

WIDESPREAD USE

Brands have taken notice and are incorporating these ideas at a growing rate.

New

EARLY ADOPTION

Bold leaders have implemented new models for meeting their customers' needs, as others closely monitor their success.

Next

NEXT-UP INNOVATION

A select few trendsetters are exploring and testing concepts that may gain popularity in the next two to three years.

Now ↗

ELEVATED EXPERIENCES THROUGH ENHANCED TECHNOLOGIES

Hard goods brands are leveraging technologies to meet the needs of today's 24/7 **connected customers**. Using **augmented reality**, robust mobile applications, and other innovations, they're helping customers realize their visions for home design and creating **in-the-moment** connectivity with a human element across all channels.



 Hutch

Recognizing customers' desire to quickly make a design vision a reality, Hutch created a mobile app that provides customized interior designs and enables the direct purchase of the recommended furniture and décor items. Shoppers simply snap a photo of their space and receive a virtual room design with decorating recommendations.

 STORIS

To meet changing consumer expectations, home furnishings software provider STORIS has added endless aisle kiosks to their capabilities. This allows customers to access a retailer's entire catalog without having to carry as much inventory. A customer's selections can be accessed via a sales associate's iPad as they move around the showroom.

 Lowe's

Lowe's has enabled in-store wayfinding via an augmented reality experience in the Lowe's mobile app. Lowe's Vision is available on any Tango-enabled mobile device, providing turn-by-turn digital directions to help customers find products quickly.

20%

of millennials have purchased furniture and home goods via smartphone.

Source: Generational Perspective, Alliance Data, 2017

MAKE IT HAPPEN:

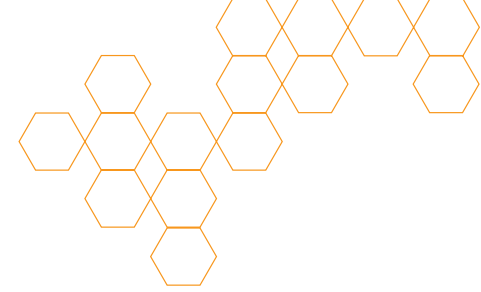
- Drive conversion, spend, and brand loyalty through technology solutions that bring your brand and products to life to augment the overall shopping experience.
- Identify areas of your business where technology can provide operational efficiencies and help associates to provide a more robust brand experience.

Now ↗

PURPOSE-DRIVEN PARTNERSHIPS

Brands are moving beyond in-the-moment engagements to form sometimes surprising **strategic alliances**. Whether the goal is to increase access for customers, allow shoppers a tactile in-store experience to interact with what was only available online, or to extend new services, these partnerships are enabling brands to create **unique, long-term value** and **exclusive benefits**.





Target and Casper

To establish relevancy with a younger demographic and make mattress shopping more convenient, Target is partnering with digital mattress purveyor Casper. The pairing enables Casper buyers the opportunity to feel and interact with mattress products that were previously only available online.

Home Depot and Laurel & Wolf

To reach more customers, online interior design company Laurel & Wolf is collaborating with Home Depot. They have created an exclusive, multi-platform design consultation and installation service called Home Depot Pro Referral Service. Home Depot customers can work with Laurel & Wolf designers to create custom design plans and receive in-person implementation services using Home Depot materials.

Floyd and Airbnb

On a much smaller scale, Detroit-based furniture retailer Floyd partnered with six Airbnb hosts to outfit bedrooms with their trademark bed. This created a more unique interior design aesthetic for the Airbnb hosts and provided guests with an opportunity to interact with the furniture without visiting the showroom.



MAKE IT HAPPEN:

- Seek out partner alliances, even those outside the industry, that increase customer traffic to your brand, or provide products and services that complement and extend access.
- Examine the entire customer journey to identify areas of opportunity—including “brand-adjacent” moments—where a strategic alliance could solve customers’ needs and improve the overall brand experience.

Now ↗

CUSTOMER-CONTROLLED DELIVERY

Customer expectations are driving brands to anticipate needs and make products available exactly **when, where, and how** their customers want them. Today's shopping experiences across all of retail are conditioning customers to expect **more options** when receiving their products, including fast and free delivery, regardless of the item's size.





ShiPLY

Giving customers control of how they receive their products, digital shipping platform ShiPLY matches customers with delivery services. Via ShiPLY's website, customers request delivery quotes for furniture and other bulky items, with multiple companies providing competitive bids.



Campaign Furniture

While other flat-pack furniture companies are focused on shipping in the smallest possible box, Campaign Furniture specifically designs their products to fit within popular delivery service shippers. By designing around shipping and delivery needs first, they can ship couches, loveseats, and armchairs nearly overnight.



Wayfair

To reduce anxiety around furniture delivery, Wayfair launched Day of Delivery tracking. Customers receive an email and text message that links to a GPS map showing the exact location of their driver and a countdown clock that ticks away the minutes to delivery.

32%

of millennials expect free shipping on all items all the time.

Source: Generational Perspective, Alliance Data, 2017

MAKE IT HAPPEN:

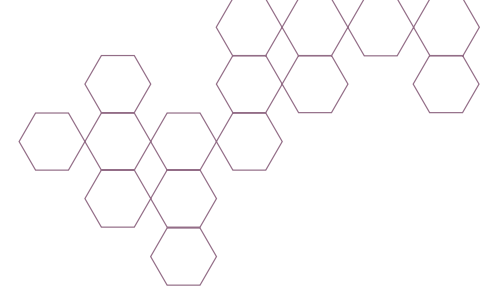
- Identify customer needs (and pain points) based on region, demographic, and personal preference to enhance and improve your brand's distribution, delivery, and logistics strategy.
- Determine pick-up and delivery solutions that would give your customers more choice and control over how to receive their products, and answer their need for instant gratification.

New ↗

PREDICTIVE PERSONALIZATION

To deliver **deeply personalized** messaging, offers, and experiences, brands are enhancing their collection methods and usage of data, analytics, and insights. Leveraging **predictive modeling, artificial intelligence, and machine learning**, hard goods brands have increased their customer knowledge, and are using it to predict design trends, make buying and pricing decisions, and sharpen marketing efforts.





The Land of Nod

The Land of Nod focused its digital advertising efforts on individual consumers, using data to serve up highly personalized messaging across multiple devices. Employing cross-device recognition, they were able to recognize and connect with customers to provide uniquely relevant and highly targeted marketing.

Pier 1 Imports

To evaluate the potential success of new product launches, Pier 1 Imports is using a predictive analytics platform. It combines pricing and customer sentiment data points, to determine which new concepts present the best opportunities. The insights generated also inform pricing, buying, and design decisions.

west elm

west elm launched AI-enabled Style Finder to provide online customers with tailored recommendations for home furnishings and décor in less than 10 seconds. Style Finder uses visual recognition technology to scan the user's Pinterest boards to learn and understand style preferences and filter matching products from west elm's product offerings.



MAKE IT HAPPEN:

- Explore cases for artificial intelligence and predictive analytics to inform product, merchandise, and marketing strategies.
- Use predictive analytics to deliver more relevant marketing campaigns, messaging, and offers to your customers at the right time and in the right place.

New ↗

CONSUMER-DRIVEN COMMERCE

To forge closer connections and more intimately personal relationships, brands are finding new ways to enable product personalization and customization. Now involved in the creative process, customers feel **empowered, engaged**, and able to express their true individuality. The end result creates a deeper brand **connection**.





The Inside

To make customized furniture more accessible, The Inside is using digital printing and 3D imaging technology to create on-demand, custom furniture at affordable price points. Customers select their piece and fabric pattern; the furniture is made to order and ready to ship in as few as 6 days.

Anthropologie

Anthropologie, an apparel, furniture, and décor retailer, has enabled customers to create customized furniture via their app. The app includes an augmented reality feature where shoppers can view their style, upholstery, color, and other detail choices in 3D.

P'kolino

Children's furniture purveyor P'kolino has launched a Fast Customization program that helps customers create custom furniture in real time for delivery in two weeks or less. Shoppers select from established colors and themes or use an original design, like a child's handprint or artwork, to create a custom bedroom set. The artwork can be removed and replaced, allowing customers to refresh the room design as the child ages.

41%

of consumers are loyal to brands that offer them the opportunity to personalize products to create something that is bespoke to them.

Source: Generational Perspective, Alliance Data, 2017

MAKE IT HAPPEN:

- Leverage customer feedback and connectivity on social and messaging platforms to inform product and service strategies.
- Turn product and service customization moments into experiences that encourage customers to express their individuality and feel more connected to the brand.

Next ↗

SERVICE BEYOND EXPECTATIONS

Brands are delivering **elevated experiences** that rise far above typical customer service elements. They're providing truly **memorable interactions** that redefine personalized service and high-touch offerings, looking beyond products to transform service and convenience into **something spectacular**.





Williams-Sonoma, Inc.

To create a high-touch, extremely elevated customer experience, Williams Sonoma brands now offer free consultations through their Design Crew service. Design Crew features expertly trained staff offering services like gifting, decorating, design, installation, and more.



Perigold

Delivering a high-end, luxury experience, online home furnishings and décor retailer Perigold offers customers 24/7 access to expert consultants offering style advice and order assistance. Customers receive in-room delivery, full assembly, packaging removal, and free shipping.



Maiden Home

One of the founding principles of custom furniture retailer Maiden Home is to provide superior service with a hands-on approach. As their piece is crafted, customers receive weekly build updates via email. The messages may contain notes and information from the seamstress, upholsterer, and craftsmen.

43%

of millennials and baby boomers expect most retailers to offer extra conveniences.

Source: Generational Perspective, Alliance Data, 2017

MAKE IT HAPPEN:

- Consider conducting ethnographic research in customers' homes to fully understand how they use the products, what their challenges are, and where elevated services might be valued.
- Capitalize on opportunities to drive deeper engagement by addressing customer pain points that lie outside of the brand experience.

Next ↗

CONNECTED ENVIRONMENTS

Consumers are seeking **immersive** interactions that link multiple devices, environments, and technologies to their daily lives. As a result, brands are recognizing the need for **innovation** and relevancy in adapting to their customers' evolving needs and demands for **seamlessly connected** experiences.





Herman Miller

Herman Miller has launched a smart furniture system, Live OS, focused on customizing and personalizing workspaces. The furniture is equipped with sensors and collects real-time data from the user, like posture preferences and space utilization. The furniture can also be programmed to prompt movement and workers can connect the furniture to an app to monitor their health and activity goals over time.

Best Buy

Creating a completely seamless, nearly invisible service, Best Buy launched Assured Living. The goal is to provide peace of mind for the families of elderly living independently. Assured Living uses cameras, motion sensors, and artificial intelligence-enabled devices to learn the patterns of residents' behaviors and monitor the home. When behaviors fall outside of normal patterns, the app will send an alert to family members or caretakers.

Klaussner Home Furnishings

Klaussner Home Furnishings has launched a line of smart furniture that can recognize the user via their Complete Comfort Control app. The app saves various profiles to remember the user's favorite settings for a recliner, such as headrest and lumbar support. The furniture is also equipped with Bluetooth and USB charging ports.

30%

of retailers indicate they are prioritizing the convergence of physical and digital shopping environments.

Source: Generational Perspective, Alliance Data, 2017

MAKE IT HAPPEN:

- Test opportunities to pair various devices and technologies (think voice commerce applications like Google Home and Alexa, RFID, beacons, Internet of Things, and wearable devices), to offer rich moments of connectivity that envelop the customer in real-life 4D brand experiences.
- Identify which devices your customers use most commonly, and integrate emerging technologies into moments and immersive experiences that complement and enhance day-to-day life.





As brands race to remain relevant with the contemporary consumer,

they're changing how they interact, communicate, and ultimately do business. Alliance Data's use of data-driven insights and rich analytics enables us to help our partners intimately know their customers and better understand what it takes to motivate and drive enduring brand loyalty.

For more information on how Alliance Data can help your business, visit [KnowMoreSellMore.com](https://www.knowmoresellmore.com).







PREVIEW: 2018 RETAIL TRENDS REPORT

Now WIDESPREAD USE

BRICK-AND-MORTAR MAKEOVERS



Brands are repurposing store environments to be more relevant and responsive to customer needs.

ELEVATED EXPERIENCES THROUGH ENHANCED TECHNOLOGIES



Technology innovations complement the human element, helping brands to augment the cross-channel shopping experience.

PURPOSE-DRIVEN PARTNERSHIPS



Brands are forming strategic alliances with the goal of creating unique, long-term value and exclusive benefits.

CUSTOMER-CONTROLLED DELIVERY



Instant expectations are driving brands to anticipate needs and get products to customers—when, where, and exactly how they want them.

New EARLY ADOPTION

PREDICTIVE PERSONALIZATION



To deliver more personalized messaging, offers, and experiences, brands are enhancing how they collect and use data and analytics.

CONSUMER-DRIVEN COMMERCE



Using advanced listening tools and product customization, brands are empowering customers to feel like they are a part of the brand.

CURATED COLLECTIONS AND SERVICES



To meet customers' expectations of tailored services and personal experiences, established brands are offering subscription services more typically used in emerging brands.

Next NEXT-UP INNOVATION

SERVICE BEYOND EXPECTATIONS



Brands are looking beyond products to transform service and convenience into something spectacular.

RETAIL RE-INVENTION AND TRANSFORMATION



Brands recognize the need to be more efficient, innovative, and relevant in adapting to their customers' changing needs and demands.

CONNECTED ENVIRONMENTS



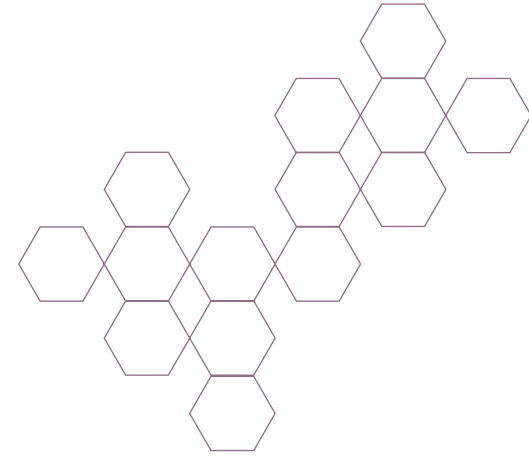
Consumers seek robust interactions that optimize and connect multiple devices, environments, and technologies to what's happening "in real life."

To view Alliance Data's full Now, New, Next 2018 Retail Trends Report, visit KnowMoreSellMore.com/2018Trends.



Alliance Data is a leading global provider of tailored marketing and loyalty solutions,

delivered through branded credit programs that drive more profitable relationships between our brand partners and their cardmembers. We offer private label, co-brand, and business card programs to many of the world's most recognizable brands across a multitude of channels. We uphold our Know more. Sell more.® promise by leveraging unmatched customer insights, advanced analytics, and broad-reaching innovative capabilities. It's how we deliver increased sales to our partners, build enduring loyalty to their brands, and provide more value to our cardmembers.



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