

Stitch Fix is all dressed up with nowhere to go

Article

Low point: Stitch Fix ended its **2022 fiscal year** on a less-than-stellar note:

- Fourth-quarter net revenues fell nearly 16% year over year (YoY) to \$481.9 million.
- Active customers decreased 9%, though net revenue per active customer increased by 8% to \$546.
- The company posted a full-year net loss of \$207.1 million.

Mixing it up: Stitch Fix noted there has been an **uptick in workwear** in both men's and women's segments, though athleisure and comfortable clothes remain strong categories. Other observations include:

- Sales of blazers are back to pre-pandemic levels.
- Men's polo sales are growing.
- Dress sales continue to show strength.

The company also said that products with more affordable price points are outperforming those of higher cost as consumers seek value amid inflation.

Focus on Freestyle: Last September, Stitch Fix launched its Freestyle service, which offers customers a curated, a la carte shopping experience.

- According to CEO Elizabeth Spaulding, about 30% of Stitch Fix's female customers use Freestyle, and around one-fifth of all Stitch Fix clients become repeat customers after using Freestyle for the first time.
- While revenues from subscriptions were down in the fourth quarter, Freestyle revenues grew 21% YoY.
- Over the course of the last year, the company has improved the Freestyle experience, including streamlining the login process and launching personalized search.

Spreading the word: For its fiscal 2022, advertising represented about 9% of the company's net revenues. Efforts included:

- The company's first ever multinational brand campaign, which improved traffic to the site through the second half of FY 2022. The company expects the campaign will continue to "drive a sizable increase in impressions across TV, paid social, and branded content partnerships."
- The launch of an affiliate influencer network. Stitch Fix intends to scale it quickly, with a goal of incorporating stylists throughout fiscal 2023.

The road ahead: The decline in active customers will hurt revenues in fiscal 2023, said CFO Dan Jedda.

- The company is estimating first-quarter revenues will fall between \$455 million and \$465 million, about a 20% to 22% decline YoY.
- Spaulding said that the company is beta testing some loyalty-based programs, which may help boost repeat customers.

Why we care: The company should continue to lean into its Freestyle program to recruit new customers, while enhancing its personalized and loyalty-based offerings to keep them within the Stitch Fix ecosystem.

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