D2C DNA

23 Keys for D2C Success

VMLY&R

in association with:

KANTAR

About the Author

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ANDY HEDDLE

Andy heads up VMLY&R's Direct-to-Consumer (D2C) retail practice where he works with clients in every category to create and optimize compelling propositions to develop D2C relationships and scalable brands and business units.

Prior to joining VMLY&R in 2016, he spent 10 years at Best Buy founding and running internal online startup businesses, including Best Buy's third-party marketplace, Best Buy Mobile Online and Best Buy Everywhere – a division created to sell Best Buy products on third-party websites.

Prior to his adventures in corporate America, Andy founded, built and sold Feed The Five Thousand, a popular award-winning chain of coffee and sandwich shops in the north of England.

In addition to his work consulting for VMLY&R's clients, Andy has advised and invested in a number of D2C startup businesses in the consumer electronics, floristry and wellness spaces.

His lived experience as an "intra-preneur" in large corporations, an entrepreneur in his own right and as an investor in D2C startups makes him an ideal guide to uncover the real DNA of D2C businesses beyond the headlines and the hype, enabling enterprises of all types to embrace and deploy the mindsets and practices that will shape the future direct brand economy.

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Zac is Commerce Director at VMLY&R, consulting with clients across direct-to-consumer and third-party commerce to identify areas of opportunity for growth and innovation within their respective categories.

Zac has spent the entirety of his career at various operating companies within WPP – one of the world's leading marketing and communications groups – using his design background and skillsets to bring unique and innovative experiences to consumers. Prior to his current role, Zac assisted in running Labstore, Y&R's worldwide retail network, providing commerce expertise and thought leadership to the group's broad spectrum of clients, while simultaneously working to institute best-in-class creative and design globally. In the past, Zac has been published in PSFK, The Journal of Brand Strategy, The Drum and numerous WPP-facing thought pieces on current best-in-class Commerce activations.

He has closely studied the evolution of retail trends and shopper behavior for much of the last decade – with a specific focus on Gen Z and Millennial audiences –publishing a number of studies including 'The New Tribe of Shopper' and 'Outlook: Gen Z.'

FOREWORD BY: JON BIRD

No other area has seen such exciting growth and visible success (as well as its fair share of hype) as Direct-to-Consumer (D2C) commerce in the past decade. Urged on by the success of early movers like Warby Parker and Dollar Shave Club, literally thousands brands have sprung up in every sector of the economy using the practices of the most nimble startups to create new products, experience propositions and movements raising an estimated $4 billion of capital and customer expectations as they go. The effect of direct entrants into new markets has never been more widespread, so keenly felt by incumbents or so enthusiastically embraced by the most valuable consumers available in the marketplace.

As more brands enter the market, the ascendant ideas, operating principles, tactics and techniques are being clarified and understood more widely. In our book "D2C DNA" we dig deep into this terrain to explore in detail the 23 essential traits, characteristics, and operating principles of these brands to uncover what makes them tick and helps them grow, to show how brands of every type and stripe can apply them as well.

Taken together, these form the complete DNA of a D2C business (in the same way that every human cell contains 23 chromosome pairs). When understood and adopted they can bring new life to any business seeking to serve customers in the direct economy by developing better products, more quickly, at price points and with propositions that will bring new value to the marketplace and ultimately to themselves.

For reasons of scale D2C commerce may not become the entirety of a brand's go to market strategy, but it must become an essential part of the brand's DNA if they are to understand and serve their customers, support their partners and address emerging competitive threats. Without a comprehensive and thought through approach to D2C commerce and the data that comes with it, all brands are to some extent flying blind, reliant on unwieldy methods and unreliable witnesses to assess and determine new customer needs and wants.

With so many brands seemingly flourishing, and every conceivable niche being opened up, it would be naïve to conclude that success in D2C is easy or natural for already successful companies. In reality D2C commerce is grueling. D2C brands must be more comfortable with ambiguity, more accepting of failure and more responsive and tuned into the vagaries of the marketplace on a daily basis than is typically the case for legacy brands.

To be successful, brands can't simply ape the tactics they see (outwardly) successful D2C brands executing. After all, much of the DNA that makes D2C experiences so valuable is invisible from the outside. Instead they must devote time, resources and sustained effort to developing the DNA that gives them a shot at success. This book explains what this DNA is and explores examples of the DNA applied to the whole business, not simply its marketing and visible customer facing expressions.

Arranged in four sections, we cover the first principles of mission, mindset, the importance of customer centrality and the mobile customer. Concluding that D2C is a skill to be developed more than it is a business unit to be spun up.

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ABOUT

JON BIRD

Global Chief Retail Officer, VMLY&R

An Aussie based in New York, Jon heads up VMLY&R's global retail and commerce practice, working at the intersection of digital and retail for some of the world's best brands.

Prior to this role, Jon was Executive Director, Retail & Shopper Marketing for VML and preceding that, he led Labstore, Y&R's worldwide retail network.

Before relocating to the US in 2014, Jon was based in Australia and was a founding partner and ultimately Executive Chairman of IdeaWorks, which became the region's foremost specialist retail marketing agency. Separately, he served as Director of Retail Marketing for M&C Saatchi in Sydney and was Chairman of trade publication Inside Retail.

Jon is a regular and passionate commentator on all things retail. He is a contributor to Forbes, and speaks at events and conferences all over the world from Sydney to Santiago.

He holds an MBA from Macquarie Graduate School of Management in Sydney, majoring in Marketing.

The essential skills D2C brands develop are an understanding of the value of data and detail to the lived experience of the brand and the importance of stories and experiences to the develop true customer advocacy. Brands cannot simply invent and broadcast these. They must be the out workings of a culture of commitment and collaboration dedicated to moving quickly in the direction of customer satisfaction as we see in the third section on Culture. The development of the cultural skills of D2C DNA are probably the biggest store of value for legacy brands.

Finally, we look at how D2C brands sustain and broaden their reach and develop partnerships to help them grow. Understanding how to help brands grow is one effective way for legacy brands to create value for themselves in the direct economy.

Illuminated throughout by interesting and surprising case studies and examples, D2C DNA shows brands how to make the principles work for them within their context. To claim something is "in our DNA" is to state that a given quality or characteristic is an essential, enduring, and enabling component of our nature. Possessing a given DNA does not guarantee success, but it does neatly express both promise and potential. Brands who want to compete in the value-centric, data-enriched economy need to develop this DNA and have it serve their businesses and their customers. This book shows them how.

We hope you enjoy!

Cheers,

Jon Bird
Global Chief Retail Officer
VMLY&R

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INTRODUCTION BY: MALCOLM PINKERTON

THE NEW RETAIL LANDSCAPE

The growth of Direct-to-Consumer commerce has been driven by, and is in turn accelerating, enduring changes to the retail landscape. Chief among them the rise of mobile connectivity and the fragmentation of supply-chains into flexible, nimble units that no longer require huge startup costs.

Next-generation commerce will be defined by the seamless integration of online and digital, offline and physical, logistics and data across the entire value chain.

Old retail was defined by multilayered distribution networks, riddled with customer pain points. Start up and distribution costs were high, brands had limited control and little transparency into sales, and legacy systems were (and are) unable to accommodate new routes to the consumer.

Next-generation retail simplifies all of this from end-to-end. Outperforming brands will cut out pain-points, remove the middlemen and create streamlined digital-enabled route-to-market models. Costs will fall as value chains will be less complex, availability will be expanded thanks to improved supply-chain flexibility, and sales performance and channel relationship visibility will increase thanks to real-time inventory and sales data.

Now, with greater control of the value chain, brands are introducing targeted retail formats and reducing communication costs while increasing SKU productivity. Customer messaging is more relevant and insights generated from sales data are leveraged to optimize products themselves and product portfolios within a retailer.

EMERGING CHANGES IN APPROACH

Outperforming brands will be those with the ability to constantly invent and refine new customer missions and buying occasions, redefining commerce by creating truly seamless experiences across diverse channels, while making more meaningful connections with consumers through products and two way conversations.

Brands can now sell direct-to-consumer on terms that can add value to the brand, the consumer and third-party retailers. The competitive dynamics of next-generation commerce will see brands look to preserve valuable retailer relationships while growing consumer connections through direct means.

D2C success, and success in third-party retail, are not mutually exclusive. Indeed, one will increasingly become a condition of the other. This new reality is resetting relationships across the value chain with direct-to-consumer capabilities and practices at their heart.

Next-generation commerce requires new strategic initiatives focused on capturing new missions and occasions, rather than limiting plans to mainstream formats or channels.

Outperforming brands will constantly seek new alliances. Specifically:

- The growing importance of retail ecosystems will see services and solutions become key to unlocking new growth opportunities and remaining relevant. Outperforming brands will see a great opportunity to capture data across their operations, linking to all consumer touchpoints.

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ABOUT

MALCOLM PINKERTON

Vice President, Retail Insights, Europe, Kantar Consulting

Based in London, Malcolm leads Kantar's Market Insights practice for Europe, where he also spearheads eCommerce and digital insights. He is responsible for helping clients validate or form their route to consumer, eCommerce, digital, and omnichannel strategies.

Malcolm has been analyzing retail, and shopper behavior, for 15 years. During that time, he has worked with some of the world's leading retailers and consumer goods manufacturers to help them deal with the disruption caused by the ever-changing omnichannel shopper. He holds a BSc in industrial systems and business management from the University of Westminster.

- Implementing a D2C strategy will allow outperforming brands to capture behavioural insight on what's hot and what's not - as well as capturing marketing attribution and ROI for quality traffic and conversion, and consumer interest for future strategy developments.
- Operational agility, a test and learn mentality, willingness to collaborate, and new KPIs, will be essential for outperforming brands looking to grow and generate fresh revenue opportunities, that capture margin with retailer markup, and confer more authority across their product and value propositions.

REASSESSING THE VALUE EQUATION LEADS TO REASSESSING THE APPROACH

Retailers and brands have to rework their overall value propositions to account for the end-to-end experience, not simply the price of the basket. For example, saving time is as important as saving money for many consumers, with friction-free shopping now a given.

Simultaneously, experiences that engage and inspire, while remaining tailored and appropriate to the shopping mission, are table stakes. Brands that can create integrated, consistent experiences at every interaction, connecting with consumers one-on-one, all the while enabling unified online and offline engagement will be the winners in next generation commerce.

The change in the conditions set by customer expectations can only be met by a change in approach by brands. To compete in the era of marketplaces and retail ecosystems, brands will need to be more entrepreneurial, willing to fail and learn fast and respond with flexibility and speed. In other words, they should be more like a retailer. Or more like an Amazon.

Brands will need to be agile in every dimension. Extracting meaningful, relevant and appropriate connections with consumers from the value equation is only half the battle. Brands will need agility when it comes to assortment, tailoring them according to channels to enable more direct sales, and to capture targeted consumers in evolving channels, like social commerce.

It will also become imperative to identify those moments of truth that a D2C experience needs to support and be able to ensure that they can be met on owned properties, social channels and retailer experiences.

CONSUMER-CENTRICITY OVER CHANNEL-CENTRICITY

Modern shoppers want to feel connected to brands and the lifestyles they promote. They are unbound by channel thinking and are focused on the experience, not simply the product. Consumers have been granted control over their experiences and are creating personal retail ecosystems, populated with those best able to deliver the tailored, seamless, integrated experiences they now expect.

This requires a complete shift in mindset from being transaction-focused to becoming consumer-focused. Brands can only create competitive advantage by figuring out what customers want and how they experience the value provided across all touchpoints. By placing them at the heart of operations, by considering the end-to-end experience – from awareness to purchase to referral.

This requires being precisely where the consumer is at the right time, in the right channel, with the right product, ahead of the competition. Brands must look to build closer, more direct relationships with consumers by establishing mission-appropriate experiences that meet "in the moment" needs.

Successful efforts will focus on bringing retail to the consumer with products, solutions and services consolidating under a single platform as retailers and brands either create or join existing holistic ecosystems that retain spend, drive engagement and foster loyalty. This will lead to the path-to-purchase being shortened through the establishment of new, more direct retail models that result in routes to consumer consolidation.

Gaining a holistic view of the consumer across the entire retail ecosystem is vital to successful direct-to-consumer solutions. The battle to win the hearts and minds of consumers will be waged with data. However, for many legacy brands, a failure to harmonize consumer data and insights across multiple brands and platforms will stall efforts.

LEARNING FROM THE NEW GENERATION

To succeed, the next generation of retail brands will need to create a structure that facilitates agility, enabling greater control over brand image and the experience proposition while capturing shopper data and ultimately, gaining deeper insights into consumer behavior.

Great changes in the market place require great changes by legacy brands and retailers if they are to keep up with and satisfy the expectations of their future customers. An understanding and application of the 23 key elements of the DNA of D2C brands laid out in this book will be vital help them succeed.

THE 23 KEY ELEMENTS OF D2C SUCCESS

D2C is a Mission

D2C is a Mindset

D2C Begins and Ends with "C"

D2C is Mobile

D2C is a Skill

D2C Brands Live R&D

D2C Brands Dote on Data

D2C Brands Deliver on Detail

D2C Brands are Storysellers

D2C Brands Don't Sell Products

D2C Brands Aren't in it for the Money

D2C Brands are Loyalty Companies

D2C Brands are Unorganized

D2C Brands are Collaborators

D2C Brands are Curious

D2C Brands are Simplifiers

D2C Brands are Opportunistic Experimenters

D2C Brands are Promise Keepers

D2C Brands are Fast Movers

D2C = CAC:LTV

D2C Grows Through "Dig-etail"

D2C Loves TGT, WMT and P&G

D2C Brands "Do No Harm"

...and customers are buying missions, not just products

...companies are rethinking market structures and products through a 21st century lens

...and D2C brands are maniacally focused on the end-to-end customer experience

…and are mobile first in every dimension of communication and transaction

…not a business unit

...they exist to develop, test and redevelop new compelling experiences

…by creating data that informs them on customer preferences and reactions

...not just about product attributes but also every aspect of the experience

...they connect with their customers through a shared, developing story

…they sell experiences and community

…they first seek to engender deep engagement to gain transformational insights

…who create lifetime value for their customers and themselves

…so they can be organizationally integrated and committed to the experience

…with customers, employees and commercial partners

...they remain curious and optimistic in the face of challenges

...they simplify choices and markets for customers

…with their products and business models, and especially with their communications

...they make and keep bold, simple and explicit promises that their customers value

...responsiveness is built into their operating fabric

...and D2C brands know their numbers, especially the two that define their reach

...and brands are digitally natives, not captives. They aim to connect in the physical realm

...and it's mutual. D2C brands and retailers are finding common cause and partnering

...and their experiences are not benign. Approach with cautious intent, ambition and investment

SECTION ONE

FIRST PRINCIPLES

1 D2C is a Mission

2 D2C is a Mindset

3 D2C Begins and Ends with “C”

4 D2C is Mobile

5 D2C is a Skill

01

D2C IS A MISSION

D2C customers are buying missions, not products. As the borders between beliefs and purchase behaviors have dissolved, successful D2C brands have devoted themselves to making something — and therefore someone — better. Whether they do this by rethinking a category, a product or service, or through pure invention, they ultimately call attention to a truth that is shared with their audience.

D2C brands typically have a distinctive point of view. A clear perspective on what they intend to change, to eradicate, simplify or invent. D2C brands cultivate forceful personalities and are led by visible, authentic leaders who put their names on their products and services. This is one of the reasons that 25 percent of the CEOs of the top 250 D2C brands in the U.S. are women (versus about 5 percent for public companies). They are propelled by zeal and a sense they can change the world one customer and one delivery at a time.

True D2C brands forge a friendship with their customers and engage them emotionally, rationally and functionally. This "friendship" stems from common purposes the brand and the customer are seeking to fulfill, it is not a mercenary endeavor. The Mission is found at the intersection of the customer's aspirations and the founder's desires to fulfill them.

D2C brands have emerged in an era that sits on the shoulders of incredible advances in information, communication, and materials technologies wedded to dramatic and enduring shifts in consumer attitudes and appetites. The basic assumptions underpinning the era of mass manufacturing, mass media and mass distribution have given way to a completely revised set of "givens" that govern attitudes of what is possible and acceptable in daily life. Behind all D2C businesses are founders who have seen the world as it is through a commercial lens and decided that "we should be doing better than this now."

Regardless of category, whether it be food, fashion, personal care or pet care, founders have identified an opportunity to invent a new reality that resets expectations of what is now the acceptable norm. The reason this is so dangerous for legacy brands is the same reason it is so compelling for new customers. It isn't that these products are better (in many cases they don't claim to be). It is that they are more suitable, more sustainable and more desirable than what has gone before. A brand with a mission cannot be competed away by companies that customers view as mercenaries. Once a customer has joined a movement or mission, they become off limits to competitors. The mission may be supported even by people who don't have access to, or the means to buy the product. For example, there are many more fans of Patagonia clothing than there are people who can afford to own a lot of it.

Another reason missions are so compelling is that they not only help define a brand's purpose, but also help customers define themselves. With more than 3,500 D2C brands in the U.S. alone, there is a missionfor everyone.

Missions engender trust and affection and they are persuasive, not coercive. They don't engage by force of advertising, but rather by force of authenticity. These missions span the whole end-to-end supply chain rather than just functional needs, including sourcing of ingredients and raw materials as evidenced by the growth of the clothing manufacturer Everlane, give-backs such as Tom's shoes, and commitments to Fair Trade. As supply chains become more traceable, the demand to make

them more sustainable increases and D2C brands can market already popular products with a fresh angle. For example, HiBAR is a new shampoo and conditioner line that is fighting the war on single-use plastic by creating products that come in bars, not bottles.

MAKE THIS WORK FOR YOU

For many brands, it is time to remember why they got into business in the first place and to spread that message to their employees and customers. This means doing the hard work of self-reflection and introspection. It may mean reviewing and changing established business practices.

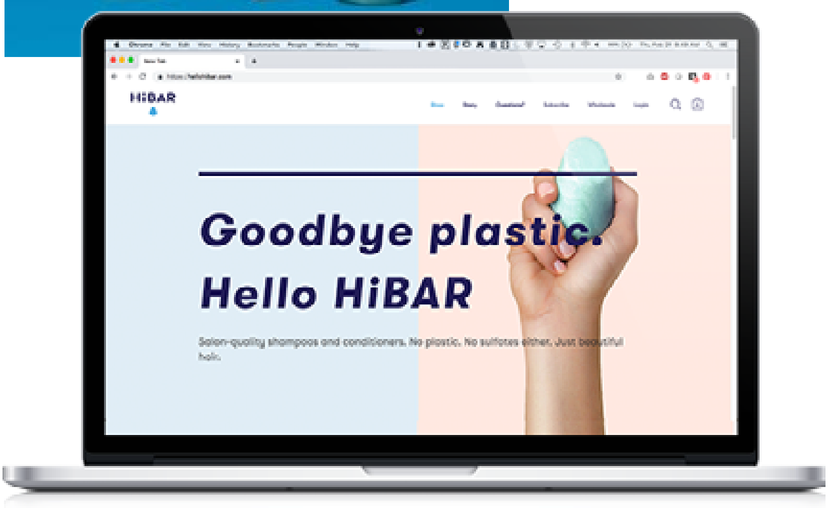
D2C brands' Missions are the starting point for all their decision – making and communications – the touchstone that informs every aspect of their business.

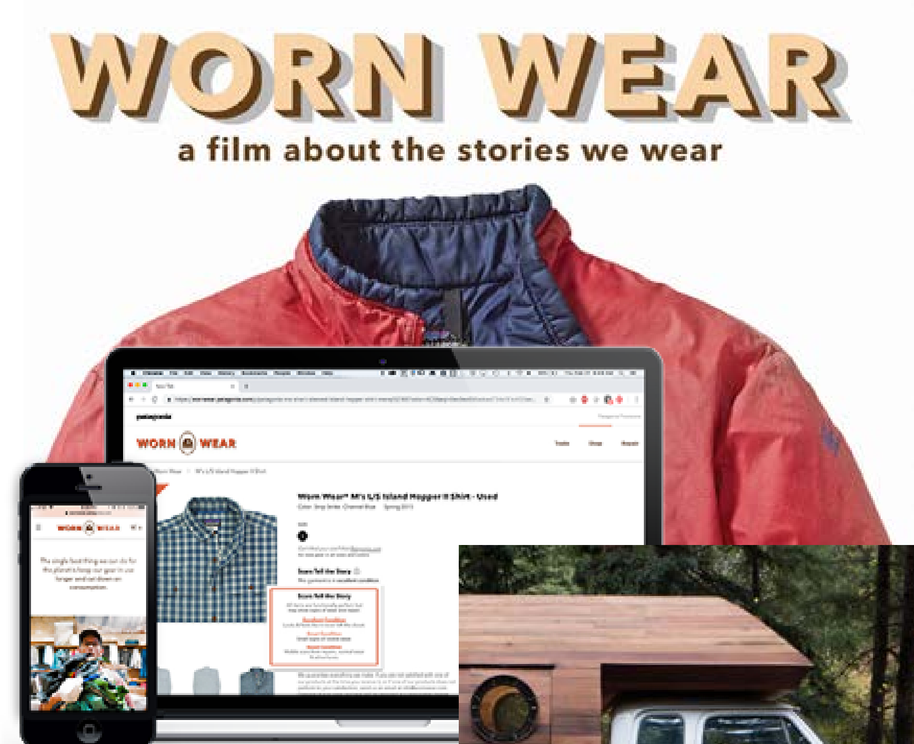
A successful D2C brand must first view the world through the eyes of the customer, then undertake a radical self-assessment of who they are and who they want and need to be as an organization. They then determine the changes they must make to become who their customer wants and needs them to be.

The goal of this work is to unearth the often-submerged or suppressed truth at the heart of the brand and what it does, how it does it and how it communicates with its customers. A purpose cannot be faked, but over time it can be lost. Processes like this are a means for brands to create themselves anew or for the first time. It offers them the ability to recover and restate the truth that originally animated their business, so they can move onto the next step of establishing a proposition worthy of their customers and the marketplace.

As the example of Patagonia on the following pages aptly demonstrates, even brands that are well-regarded can use D2C principles and capabilities to reconnect their customers and themselves to their mission and breathe new life and passion into what they do.

HiBar's mission is front and center of all of its communications.





MAKE THIS WORK FOR YOU

Patagonia Case Highlight

Patagonia is an established brand that is built on the mission of maintaining and celebrating the environment. It sells its clothing and food lines direct and also through retail partners.

Its clothing is built to last and is expensive. The high level of durability often makes expensive products a bit more justifiable because customers know they'll probably get their money's worth over many years of use. But it can also be a drawback because people end up with a closet full of clothing they're no longer using, having moved on to a newer version that performs better and is lighter and even more durable.

Patagonia solved this problem with its "Worn Wear" program, which it delivers direct to consumers on its own online platform and in stores. The program gives customers the chance to trade in their old, unused gear to go toward the purchase of something new. It also allows outdoor enthusiasts on a budget to purchase recycled gear at a solid discount.

Patagonia encourages customers to bring in products that they are no longer using to their local Patagonia store or to send them back directly to Patagonia. Those items are then evaluated by the staff, and if the gear is in good condition, the person trading in will be issued Worn Wear credit.

The credit can be used at patagonia.com to purchase new items or wornwear.patagonia.com to buy previously owned gear. Any items traded in that are in a condition to continue being used will be washed, repaired and resold on the Worn Wear website at a substantially lower price.

Products that are beyond repair are recycled. The materials from the recycled gear will go back into producing something new for Patagonia, which ultimately keeps it from ending up in a landfill. For Patagonia customers, the Worn Wear program is a win-win. Not only do they get the chance to clean their closets of unused gear, but they can also buy new products more suited to their needs at a reduced price.

For Patagonia, the program is authentic to who the company is and communicates the quality of its clothing. The company has long been a staunch advocate for protecting the planet, reducing its carbon footprint, and finding new ways to reduce waste.

Worn Wear helps accomplish all of those goals. Worn Wear fits with Patagonia's brand, positioning and target market, hence delivering tangible value to existing customers and Patagonia itself, as well as being a great means to bring new customer groups into the brand.

Worn Wear amplifies Patagonia's social mission and its brand equity for making long-lasting clothes that tell a story – as they say, "the scars tell the story." By identifying the season the product was originally sold, the brand creates a sense of history and permanence.

Value is delivered in terms of new sales on patagonia.com and also Worn Wear, many of which are incremental either in product or customer terms.

02

D2C IS A MINDSET

It follows that as D2C brands are missional in nature, they have a distinctive mindset. As the examples of HiBAR and Patagonia on the previous pages show, D2C brands are distinctive in looking at the customer and current market conditions and rethinking the basic assumptions of that structure and products. D2C brands see the gaps others take for granted or as “given” and then rethink the market according to a 21st century set of “givens” – whether they be consumer values, consumer context or available technology. Legacy brands seeking to adopt a D2C mindset also have four “givens” to guide them.

THE 4 "GIVENS"

one

Excellent D2C consciously avoids competing with, copying and confusing the existing market structure

two

Excellent D2C delivers a distinctively new value to the market

three

Excellent D2C seeks to improve customer satisfaction

four

Excellent D2C is something only the brands themselves, not retailers or marketplaces can deliver

MAKE THIS WORK FOR YOU

D2C commerce adds value to the whole commerce ecosystem by meeting the customer where they are and creating distinctive new value in a complex world of choices grounded in the current and evolving customer experience.

D2C experiences should be created with the whole market in mind, with brands seeking not only to address direct consumer needs, but also to create propositions that fill gaps in the market.

D2C experiences exist within a broader ecosystem than simply the system owned by the brand or any given retailer, and brands must be conscious of this so they can serve their customers within the context in which they live.

For brands that have a comprehensive distribution network, D2C offers the opportunity to create insight into the marketplace that can serve retail and distribution partners while providing customers with an appreciation of the complete proposition the brand has.

CORE BUSINESS OBJECTIVES

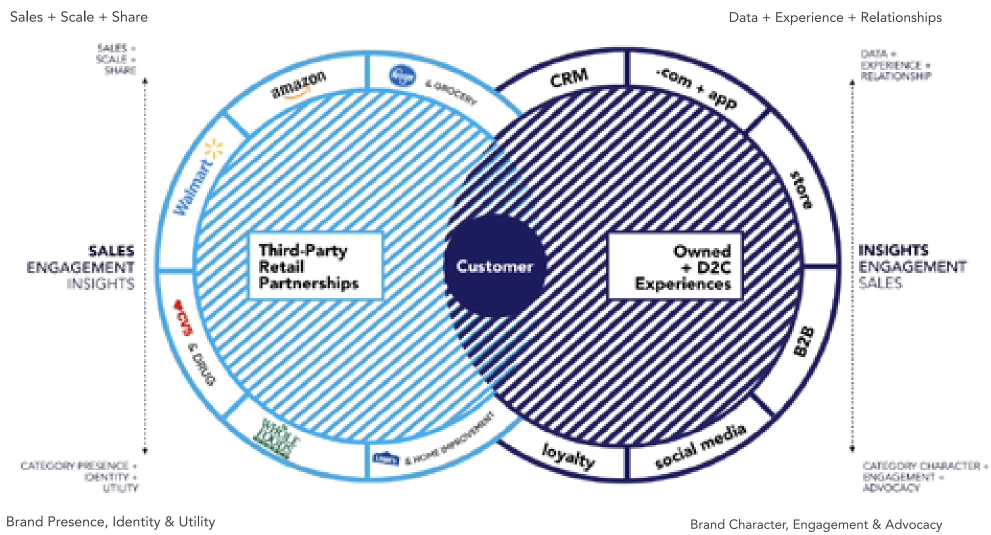
Because the core business objective for third-party retail is to deliver sales, scale and market share, sales are the principal goal of those channels, followed by engagement and insights, in order of importance.

Conversely, as the goal of owned retail is to generate data and insights, develop engagement, and deliver an experience, sales themselves take a back seat to engagement and insights. Indeed, direct feedback and insights are the principal value D2C experiences can create for a brand.

COMMUNICATION OBJECTIVES

In addition to having commercial objectives, each domain also has a communication objective. In the case of third-party retail, the principal objective is to show brand utility, identity and presence, whereas in the owned realm the objective is to generate advocacy through engagement with and experience of the brand.

The D2C mindset accurately reflects the customer's view of the world and helps brands work within the customer context not simply their own channel concept.



> D2C offers the opportunity to create insight into the marketplace that can serve retail and distribution partners.

MAKE THIS WORK FOR YOU

Gatorade Case Highlight

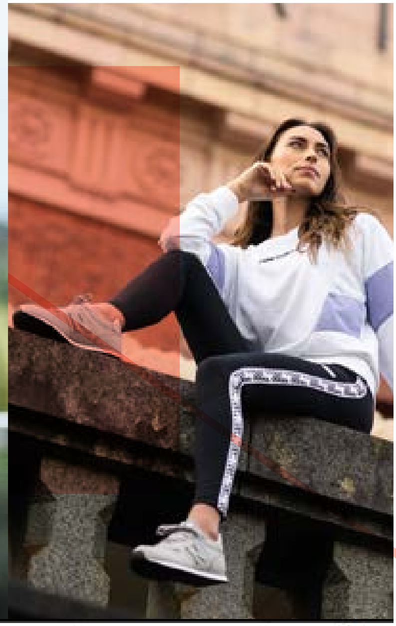
Gatorade has created one of the most comprehensive and varied D2C experiences in sports nutrition.

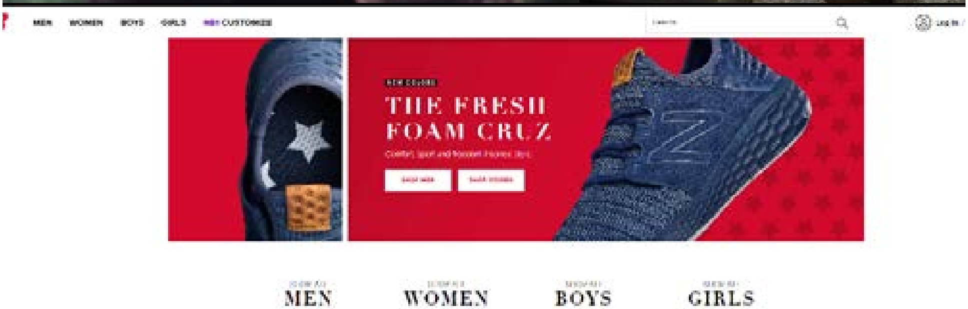
Using the principles of the D2C mindset, Gatorade has brought distinctive value to the marketplace by creating product bundles that are not only unique to the environment, but also highly valuable to their target market: the serious teen athlete. The company has added valuable subscription capabilities that ensure athletes, many of whom have their products paid for by their parents, are able to keep to their nutrition and recovery regimens without being reliant on stores to stock all of the products.

Gatorade used the site to launch Gx, a pod system that allows users to get concentrated products that fit within a bottle that can more easily be ordered and shipped. The site was also the launch pad for its G Essntl range of purer products.

The site also addresses the casual athlete and the sports fan with unique bundles, giftable sets and a complete range of products that can't be found in any store.

By owning and operating a distinctive D2C property, Gatorade is supporting its retail footprint and at the same time creating a domain that maintains its complete range. Gatorade uses data it gathers on consumer preferences to inform retail partners of opportunities and trends.

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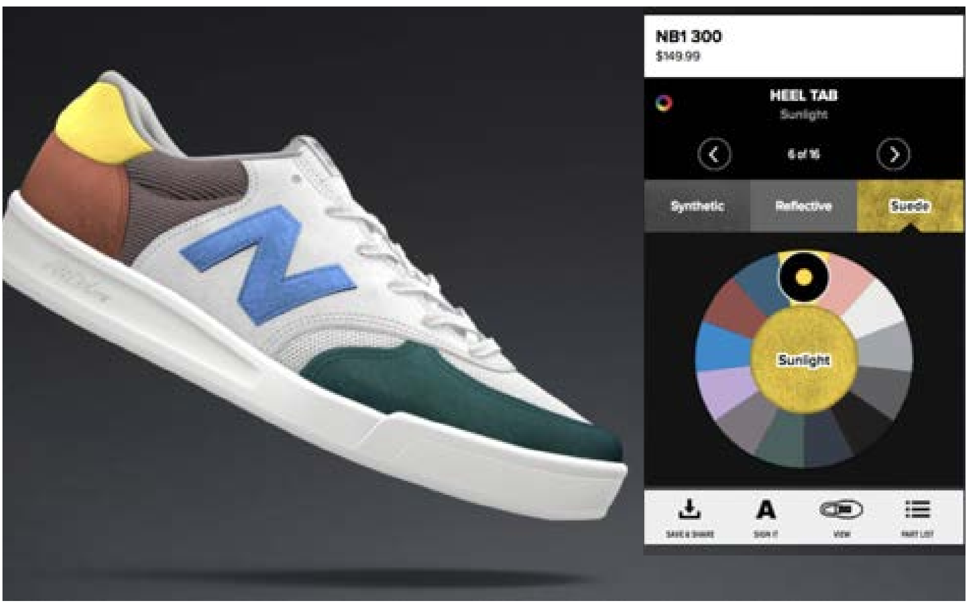
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MAKE THIS WORK FOR YOU

New Balance Case Highlight

New Balance is a brand that sells through numerous retailers and online platforms like Amazon, yet maintains a strong D2C experience featuring exclusives, limited-edition and customized products along with an effective rewards program.

It makes its core products widely available through wholesale and retail channels and also sells them on its own properties. Additionally, it has a platform for experimentation and engagement with its most ardent fans and advocates, whether they be lifestyle customers or serious athletes.

The customization engine is a great tool to get upstream intelligence on new product possibilities and to identify highly engaged customers.

Newbalance.com features every product New Balance produces, enabling customers to choose from classic styles and new creations.

Products are often launched on newbalance.com before wider distribution to get customer feedback and make tweaks as necessary.

New Balance also addresses the reality that many consumers like to buy older and discontinued styles through its joesnewbalanceoutlet.com store. This store is run on the same eCommerce back end as the main New Balance store and features rare finds and styles that are no longer available in national retail or on newbalance.com.

By creating a distinctive destination for these styles, New Balance is serving some of its most loyal customers who have a product, size and style combination that they particularly like. Far from being a site where seconds are sold, Joe's New Balance Outlet rounds out a very developed retail ecosystem built on the three value pools of insights, engagement and fulfillment.

New Balance's eCommerce team is able to see search and online behaviors in all of its domains, as well as aggregate reviews and use these to develop new products and extend the life cycles of its most popular styles.

03

D2C BEGINS & ENDS WITH "C"

This is a truth so blindingly obvious that it seems trite and hardly worth stating. All brands, regardless of their provenance, make the claim that what they do is driven by the customer. What distinguishes D2C brands is not the simple fact that this is true, but rather the extent to which it is true.

Katie Hunt, the co-founder of D2C investment firm The Fund and the third employee at Warby Parker, says "at Warby we didn't just talk about 'customer satisfaction,' we talked about 'customer respect' meaning we would be completely drilled down on the customer's experience even if we couldn't make it work on the bottom line yet. Customer service or satisfaction are problem-fixing mindsets, customer respect is an experience-building mindset."

D2C brands typically begin with a simple product, proposition and experience and broaden out from there. This enables them to target a very specific customer and use that customer group as a ready-made focus group to provide feedback, help advance the brand, and inform its future product trajectory. Note they don't focus on the "customer" as an objectified generalization but rather as a specific person living in a specific context. Making the customer the subject of everything they do, rather than the object of the activity, is a subtle but transformational difference.

For this reason, D2C brands do not indulge in excessive competitive benchmarking or comparison.

D2C brands are seeking to be truly transformative in their industries for themselves and on behalf of their customers. Comparison and benchmarking processes can be level-setting activities that limit brands to looking for small incremental advantages over competition rather than transformative gains in experience for customers. D2C brands gain their information direct from their customers and establish a relationship with them on the basis of their responsiveness to feedback. They earn the right to experiment with every aspect of their proposition through transparent communication with an engaged and advocating cohort of customers.

Active responsive listening is thus a core skill of D2C brands. D2C brands are active and appreciative listeners, because they cannot authentically engage with consumers without first understanding them.

An interesting implication of this is that for many D2C products and propositions, while they have to be compelling, effective and materially valuable at the outset, they don't have to be perfect at inception, nor does the product family need to be fully built out. This isn't a license for mediocrity, but rather an invitation between the brand and the customer to co-author a positive change.

Brands must create spaces for customers to engage directly and immediately with the brand. Brands need to be responsive and open about developments and improvements they make to their products and propositions as a result of feedback and customer response.

This means openly and publicly admitting mistakes and asking for forbearance and feedback as part of the proposition. It means developing the ability to transmit feedback across the organization at speed to get it into the hands of the team.

Brands must adopt a mindset of "customer respect" at the outset as a creative energy informing the creation of the full proposition and experience. Does this truly respect the customer or are we asking them to carry a burden to support our brand?

> "
>
> At Warby Parker we didn't just talk about 'customer satisfaction,' we talked about 'customer respect'
>
> – Katie Hunt
> CFO, Showfields

MAKE THIS WORK FOR YOU
Marmite Case Highlight

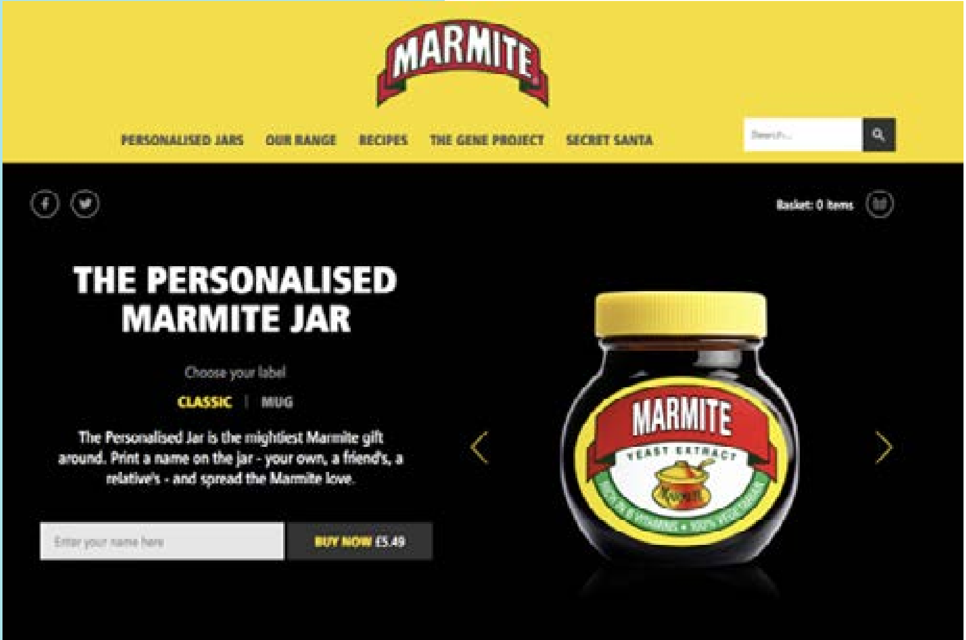
Marmite is an iconic British food spread produced by Unilever and made from yeast extract. It is similar to Australian Vegemite, the Swiss Cenovis and the German Vitam-R.

Marmite is a sticky dark brown food paste with a distinctive, powerful flavor that is extremely salty.

This distinctive taste is represented in the marketing slogan: "Love it or hate it." It is so prominent in British popular culture that the product's name is often used as a metaphor for something that polarizes opinions.

When Marmite launched a website selling directly to consumers, the company offered shoppers an opportunity to personalize jars and also order a "Gene Project DNA Kit" as a playful way to determine if consumers were Marmite "lovers" or "haters," referencing a long-standing joke in UK households.

By approaching its D2C sales in such a specific way, Marmite has not only been able to deliver a level of differentiation that drives enough margin to make the platform profitable, but also brings its "lovers" into a closer enhanced relationship with the brand.


MARMITE
PERSONALISED JARS
OUR RANGE
RECIPES
THE GENE PROJECT
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Choose your label
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The Personalised Jar is the mightiest Marmite gift around. Print a name on the jar - your own, a friend's, a relative's - and spread the Marmite love.
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MARMITE
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ARE YOU BORN A LOVER OR A HATER?


MARMITE
TASTE FACE
GOT MARMITE?
TAKE THE TEST TO FIND OUT IF YOU WERE LIKELY TO BE BORN A LOVER OR A HATER.
BEGIN TEST
SPREADABLE SCIENCE 2.0

04

D2C IS MOBILE

D2C brands and businesses are built on and for the mobile economy. D2C businesses have always existed, but their modern incarnation is definitively mobile. D2C brands have exploded in number and scale since the launch of the iPhone in 2007 and now populate every conceivable niche of the economy. The relationship between the explosion of mobile and the explosion of D2C brands is causal, not coincidental.

Mobile technology means total ubiquitous connectivity of consumers to each other and to brands through the internet. The responsive “always on” society that mobile has enabled is the society that allows D2C brands to directly reach customers. Ubiquitous connectivity between individuals and brands enables the conditions for brands to listen intimately and immediately to customer feedback and reaction and to respond to them directly and personally.

Mobile technologies accelerated the growth and reach of social networks, increasing the accumulation of accurate personal data and clearly defining consumer preferences. D2C brands have been able to identify their audiences and reach them directly in the palms of their hands, lowering the cost of reaching customers, eliminating waste in advertising, and enabling brands to start incredibly small and grow with their audience. This has dramatically lowered barriers to entry in every market because brands can profitably focus on developing a single differentiated product.

Brands can now be built at human scale and in real time by founders with whom customers have a personal affinity. And these customers live their lives as mobile warriors. Their devices are their main source of news, entertainment, communication and shopping. They are young, wealthy and purposeful. The customers brands most need to reach are easily found via mobile. The more time these consumers spend running their lives on their devices, the higher their propensity to purchase challenger D2C brands. Mobile media consumption has overtaken linear TV, and with it the new standard for marketing is mobile to digital retail, not TV to physical retail.

In the past three years alone the daily time spent on mobile devices in the U.S. has increased by 133 percent as the time spent on TV has decreased by 14 percent according to Nielsen This defines responsive marketing strategies and enables two-way communication as never before. The ability of consumers to respond in real time to their impulses and the reach of advertisers has driven the rise of mobile eCommerce to 40 percent of the total. Mobile now accounts for $210 billion in annual sales.

New payment technologies like Apple Pay have increased convenience while reducing the fear of fraud, powering this trend. eCommerce has never had a down year – its growth in the past five years has been all mobile commerce growth.

Mobile isn't confined to eCommerce. Mobile means physical, because the consumer using the phone is unshackled and moving around the real world. The mobile customer is omnichannel. In fact, there really is no such thing as a channel any more.

The flow of communication backward and forward and the movement of the customer into different contexts means mobile defines what a channel is. In the U.S., one in three in-store purchases are made after first shopping digitally, and one in four digital purchases are made after shopping in-store. Mobile is driving product trial into the arms of D2C brands.

All of the strands of D2C DNA we will discuss later in this book, such as storyselling, speed, R&D, managing Customer Acquisition Cost (CAC) and collaboration, are founded on the qualities and characteristics of digital mobile connections. There is no D2C DNA without mobile.

Every aspect of the design of D2C experiences, from the front-end experience through ongoing communications, data collection and back end processes should be designed as if desktop computers and lightning-fast Wi-Fi did not exist.

What if mobile devices on patchy networks were the only devices you designed for – how would you design for them?

What capabilities would you expect as standard within a mobile-only world? What opportunities does the mobile domain offer that desktops don't? Most pertinently, all aspects of broadcast and responsive communications should be optimized for mobile, both in terms of the medium and the channel.

MAKE THIS WORK FOR YOU
Care/of Case Highlight

A great example of how mobile can be deployed across the whole experience is Care/of, the vitamin and supplement company.

Care/of is a New York City-based technology company that is revolutionizing vitamin and supplement regimes using mobile. Its first product is a vitamin experience delivered monthly to consumers, personalized to the individual customer's unique body, lifestyle, values and health goals.

The company uses a great mobile experience to help customers choose the right vitamins and supplements, with a program and protocol that is easy to adhere to and comply with.

The Care/of app lets customers order individualized vitamin packs, set reminders, track progress and earn rewards by taking them daily. Care/of focuses on making vitamin consumption a fun experience in which people want to actively take part by making the process a challenge that can earn them rewards.Each month customers receive a tower with their vitamins that's like a grown-up Pez dispenser.

Each day there is an individual pack that is ideal if traveling and also very helpful for remembering to take them. Customers get a reminder to take their vitamins in a daily notification on their phone.

With the Care/of app, users can set reminders for taking vitamins and track the effects they have on their health. By taking their vitamins regularly, customers can even score free vitamins and other perks.

05

D2C IS A SKILL

... not a business unit.

Many brands make the mistake of believing that D2C success is a matter of installing the right technology and establishing a delivery capability to deliver their existing products in the standard pack sizes. Native D2C brands have ably demonstrated that D2C is a skill, not simply another business unit or capability.

A skill is a set of learned abilities and capacities that can be improved over time through deliberate, systematic and sustained effort. Skills are not dependent on inherited characteristics and capabilities. They can be determined, chosen and honed. A mistake legacy brands make is believing that they can simply tune their existing business to sell direct to consumers (typically by adding a "buy" button to a website) and reap outsize rewards. In fact, the legacy structure the business is carrying is most likely an impediment, not an advantage. To succeed, the legacy business must learn new abilities and capacities and reconsider every aspect of its proposition.

Effective D2C selling is a set of connected and supportive skills. It is a set of strategic marketing, product development, customer engagement and cultural skills that upends business as usual and seeks to develop genuine customer advocacy and delight leading to new product and proposition development.

This book details what the DNA of these business is and highlights some of the core skills that brands need to develop to compete, excel and learn from the direct brand economy. Katie Hunt, co-founder of Showfields (a store dedicated to emerging D2C brands) and co-founder of The Fund says "Brands have to be customer-centric from end to end in every part of their business. This means that there is no such thing as a customer service department. Everyone is in the customer development and s\atisfaction department.

The number one binding agent for all D2C company activities is an empathetic point of view toward the customer, an understanding of their context and aspirations, an appreciation for the problems and imperfections of your product and a will to solve them."

D2C's core skill is radical and optimistic ownership of the total customer experience from end to end: an excuseless, comparisonless forward-focused perspective on a better future reality for the brand and its customers.

D2C is a skill because the principles and methods employed by these businesses can be learned and improved. D2C is a skill because barriers to entry in most markets have been lowered to such an extent that any group with an appetite for the challenge can start a business, raise capital and rent production capabilities. Previous functional or operational expertise is not a requirement (although it must be brought into the business).

No company, regardless of how tenured and established, has the right to win anymore based on history and legacy. Only those who are prepared to work the details and understand the landscape will make an impact.

MAKE THIS WORK FOR YOU

Larger brands are embracing the need to develop these skills in numerous ways.

Some are making strategic investments, creating accelerators and incubators to get closer to these brands.

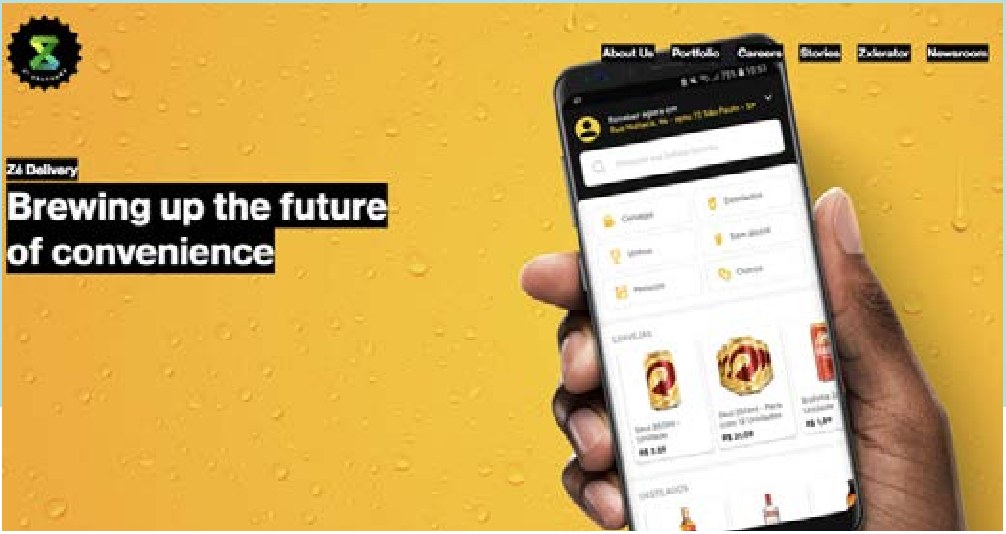
For example, L'Oreal has a number of innovation hubs – The Founder's Factory, digital incubation labs in four major cities and an AI center of excellence in Montreal.

Ikea has a bootcamp for 20 startups focused on all aspects of the business from product to supply chain to retail transformation.

Target teamed up with Techstars to sponsor a startup accelerator specifically for retail innovation.

AB InBev's innovation group, ZX Ventures, has invested in eCommerce delivery companies, first-party rating applications and home brew suppliers in an effort to get closer to the customers and their preferences.

The learnings these generate are being used to change culture and products for whole companies.



There is no such thing as a customer service department. Everyone is in the customer development and satisfaction department.

“

– Katie Hunt
CFO, Showfields

SECTION TWO

D2C ESSENTIALS

06

D2C BRANDS LIVE R&D

D2C brands are iterative. Flexibility, curiosity and improvement are built into their business models, from original inspiration to product and experience design.

The first goal of D2C businesses is to improve their customer's lifestyle over time. First-party data is used to drive research and development. The brand's creative functions, including product development, marketing effectiveness, customer analysis, and pricing are all driven by data and customer feedback.

Fluid and fast supply chains enable brands to test new products and propositions quickly and responsively. D2C brands set themselves up as learning organizations, meaning they constantly establish a hypothesis, determine expectations and goals, and then measure the outcome. They aren't wedded to a single hypothesis or point of view. If the customer doesn't value the feature or product, D2C brands are able to move on because they haven't committed to the feature or product heavily upfront.

In years past, experimentation directly with the customer was impossible; the costs of creating a product run were too punitive to allow theoretical experimentation. Experiments, as far as they could be termed that, were confined to achieving incremental gains. In other words, they weren't really experiments at all.

Outcomes would have to have a "certain certainty" before trial, and they definitely couldn't be tested on large, engaged and directly responsive audiences. They had to be limited and controlled. Testing multifaceted and amorphous experiences was simply impossible, because of too many variables and third parties to make such a test viable or valuable.

Modern digitally enabled D2C experiences allow almost complete control of the consumer experience, enabling brands to delve into the mind of the consumer to explore what is and isn't working. Failures do not happen in this lab; instead, hypotheses are proved or disproved. This D2C retail lab is a place to continually test, tweak and learn. And then apply (and scale) elsewhere – and often on substantially better terms than could be negotiated at inception.

MAKE THIS WORK FOR YOU

Brands need to decide what they are using their D2C platform for. A D2C brand experience is composed of many interrelated parts: product, proposition, fulfillment, marketing, loyalty communications, supply chain and more. Brands can create experiences outside their typical business realm to test and learn from new hypotheses that communicate value into the main stream.

Everything can be tested – not only the product, but also every aspect of the communication and experience cycle. The results of these tests can be used to improve every aspect of the company's business function and customer experience.


TEAM
BACON!
SEPTEMBER 2017
bear
naked
BEER & BACON
Honey Base Granola
bear
naked
BACONANAS!
Chocolate Base Granola


FOR YOUR CUSTOM MADE ORDER
bear
naked
Custom Made
GRANOLA
bear
naked
Custom Made
GRANOLA
Mighty
Thanks

MAKE THIS WORK FOR YOU

Bear Naked Case Highlight

Kellogg's Bear Naked granola brand, sold in stores like Target, Walmart and CVS, launched its first eCommerce site, BearNakedCustom.com, allowing customers to create their own granola mix and buy directly from the site.

The site rewards consumers with a differentiated proposition showcasing the breadth of its product range; creates a unique and personalized experience; and plays a key role in new product development, allowing Kellogg's to capture a large amount of consumer data and understand the preferences of its most engaged customers.

Kellogg's also employs IBM's Chef Watson AI API tool set to power the experience. Watson uses the chemical composition of hundreds of different ingredients and analyzed some 10,000 recipes from Bon Appétit.

By combining data and detecting certain patterns, Watson has learned to suggest up to four different ingredients that blend together well and is helping Kellogg's redefine the granola eating experience and move it beyond an early day eating occasion, to one that can occur at any time of the day or night.

Olive and Kale Granola is one of the site's many successes.

07

D2C BRANDS DOTE ON DATA

D2C brands thrive on using first-party data to create great experiences that get better and more useful for the customer over time. They use data as a strategic business asset in a distinctive sense; they know **what** data they want, **why** they want it and **how** they plan to use it. They strive to understand the context and what combinations of other data make an individual data asset even more valuable. The currency of digital commerce is information. Information is intelligently aggregated and communicated data. But the paradigm of capturing data from customers to persuade them to buy more is dated and flawed. Data must be "created," and retailers and business owners need to build their strategies on a new question – "What data do we want to create?, instead of "What data can we capture?"

For D2C brands, developing engagement through the experience and collaborative communications is vital for two reasons:

one

Research and development of the proposition

two

Identifying best customers for increased affinity and sales

Most brands focus on the second purpose, but those who focus on the first purpose stand out. Engagement is about collecting insight just as much as it is about increasing sales, but this perspective is surprisingly rare. Forrester reports that only 9 percent of marketers cite customer data collection as a top business objective for their customer loyalty strategies (Forrester Q2 2018, Global State of Customer Loyalty Survey). For emergent brands, the value of this first-party data is inestimable and not simply confined to improving the efficiency of marketing campaigns.

To create memorable customer engagement, boost ROI, and identify new customer segments, brands must have a focused and objective-driven data strategy. The first rule of first-party data is to only ask for and collect information that is useful and will ultimately serve the customer. First-party data includes information on behaviors, actions or interests demonstrated across a customer's digital and physical properties; data brands hold in proprietary CRM and subscription systems and other sources, such as social data, where the customer is known and identifiable. Data is collected directly from the source, for a specific purpose, and is therefore accurate and relevant.

D2C brands collect – they don't capture – data to better understand customer needs and improve the role the brand plays in fulfilling those needs through a commerce experience, not for the sake of collecting data alone.

D2C companies collect, create, analyze and synthesize data to advance experience, customer engagement, and strategy – not simply to tweak tactics.

MAKE THIS WORK FOR YOU

D2C business owners value data as an asset that interprets and shapes the customer experience, enables better understanding of the audience, improves brand strategy, fosters product and proposition innovation and helps build a more fluid supply chain, fulfillment and business operations. Data collected on owned digital experiences can stimulate brands to develop new revenue models, promotions, and marketing communications, in addition to optimizing the shopping experience to sell more products.

Albert Einstein is often credited with the aphorism "Creativity is intelligence having fun." Brands can have fun with data when they think of it as something they want to "create," not something they want to "capture."

Data becomes insight when brands collect and synthesize information for the purpose of improving the customer experience around the product and experience proposition.

MAKE THIS WORK FOR YOU

Stitch Fix Case Highlight

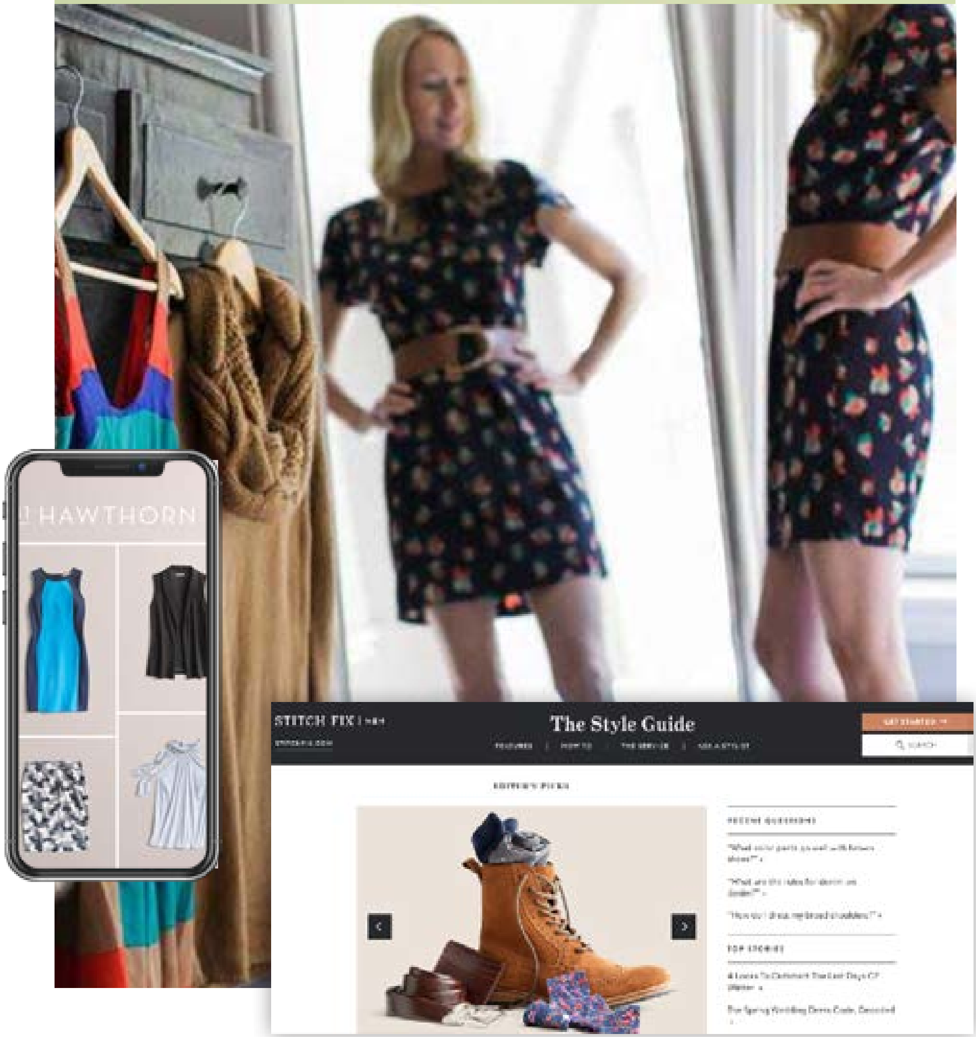
Stitch Fix, the D2C clothing brand founded by Katrina Lake, employs 80 data scientists so they can deliver "personalization at scale."

Writing in the Harvard Business Review in May 2018, Lake said:

"Data science isn't woven into our culture; it is our culture. We started with it at the heart of the business, rather than adding it to a traditional organizational structure, and built the company's algorithms around our clients and their needs."

"The part of me that loves data knew it could be used to create a better experience with apparel. After all, fit and taste are just a bunch of attributes: waist, inseam, material, color, weight, durability, and pattern. It's all just data. If you collect enough, you'll get a pretty good picture of what clothes people want."

Lake states three things make machine learning integral to the business: It should report to the CEO, innovation should all be data-driven, and data should be combined with human perspective.


STITCH FIX

HAWTHORN
STITCH FIX
The Style Guide

08

D2C BRANDS DELIVER ON DETAIL

The proof of a brand's ability to create experiences that improve over time is found in its execution of small details that differentiate it from brands without access to valuable data. Data and detail are the conjoined partners of D2C brands.

For brands to continue to collect data from engaged and supportive customers, they must demonstrate they are doing it for reasons that customers value. Brands have to earn the right to collect and create data, which means being transparent about it and collecting the data necessary to deliver and improve the experience.

Furthermore, the business must be able to identify and act on these insights as they become available with a high degree of responsiveness. The great failing of many companies and brands is they use data and analytics to tell, or worse, “to sell” a story, rather than shape one.

D2C brands don’t infer anything. They measure everything. This doesn’t mean they don’t hypothesize. It means their hypothesis can be assessed and measured.

Collecting and using first-party data creates an expectation and a tension which means that D2C brands must be committed to the details in execution. This is a commitment to the actual lived experience of the customer and to the realities of what it takes for a business to design, deploy and improve it. D2C brands live on the truth that “The operation is the brand.” This is the hinge upon which all great D2C experiences swing.

This means that the authentic truth of the brand is carried by the operational details. If these are executed badly, trust erodes and with it the faith in providing personal feedback and information. Customers expect to not only receive their product or service but also to delight in it.

The delight (and not the devil) is in the detail.

This mindset extends beyond conceiving the product and extends to every detail of how the proposition is communicated digitally and physically (for example on packaging or in video). The purchase, delivery, out-of-box, usage, review and re-order experiences are all contributors to the overall experience.

A great experience end to end is built on strong analytical and customer experience skills and a responsive approach to customers. Because the whole of the entire experience falls entirely on the brand, the real value for customers is created when the team in concert closes the gap between the visionary aspiration and the lived reality. This requires the whole business team and their internal and external partners to work to deliver not only a valuable experience but also a viable one that they can deliver under all conditions and is rewarding to the consumer and the business.

D2C brands don’t demand of any constituent part of the experience, be it marketing, supply chain or customer support – any level of performance that the customer doesn’t value, the the brand won’t resource.

MAKE THIS WORK FOR YOU

Casper Case Highlight

Great brands know that the delight is in the detail. Consider which details of the experience you can anchor onto create true moments of satisfaction and delight.

Often these are surprises that occur after the sale or in the unboxing or usage experience. Things that aren't strictly "necessary" but are genuinely "delightful."

The OOBE or "out-of-box experience" is a key moment of truth for the brand to connect with the customer and one that many brands take little or no heed of. While placing the onus on loyalty and long-term conversion at retail, Apple also delivers a brand experience across all touchpoints, famously designing the iPhone box to open slowly – three seconds – to make the unboxing of the product more memorable and ingrained in the consumer's mind. This heightened sense of expectation increases the customer's initial anticipation of the product and prepares them for their first interaction with it.

Most famously Casper mattress aced the OOBE, delivering its mattresses in a box that one person could carry and then having them unleash its inflation simply by cutting the cellophane open. When Casper launched this, it was such a different experience to the typical mattress delivery that customers made hundreds of videos of the unboxing that were viewed millions of times online.

The focus on the details of delivery and unboxing of the mattresses were the finest and most visible articulation of the brand proposition.

Casper Sleep was founded in 2014 and sold $1 million worth of mattresses in its first 28 days driven by viral videos of customers receiving their mattresses and having them "magically" inflate on their beds.

Their proposition was simple. Mattresses are in reality quite simple, and they had designed the best single mattress for most uses, that could be delivered in hours in a box small enough to be carried up to any urban apartment.

Casper had thought through every aspect of what it was really like to buy and install a mattress for young millennial customers. The product had to be great, but their full focus at launch was on creating buzz and delight from the buying experience.

Since its initial launch Casper has gone on to develop a range of sleep products, most recently a

night lamp that promotes better sleep; Casper has also collaborated with American Airlines to provide a full suite of sleep products to offset the effects of jet lag.

At heart Casper is selling sleep, not mattresses, and this opens up numerous partnerships and opportunities for its brand.

09

D2C BRANDS ARE “STORY SELLERS”

D2C brands have an intuitive sense of who their customer is and what they hope for. They construct purpose and meaning through the stories they tell and enlist the customer to write themselves into the story. Most D2C brands have an origin story that convinces customers that the brand sees the world the same way; has the same hopes, aspirations, and frustrations; and is working tirelessly to help fulfill dreams and address issues.

The brand and its founder's story, and journey are typically one and the same and are designed to appeal to a specific customer. Storytelling and mission are closely related. D2C brands operate on a more intimate level than traditional brands. They are carried through relatability rather than through objective authority, as was typically the case before.

D2C brands craft a personality that appeals to their customer, wrapping this personality into a mission and proposition that makes it not only easy, but also desirable for them to work with. The brand needs a story, and to craft one, they need to articulate who their central character is. D2C businesses understand that their brand is not the hero, the customer is. The brand is the guide and partner who helps the central character fulfill their purposes.

The brand cannot exist independently of the engaged customer and the context in which they are living. The brand and its stories ensure the customer believes that the brand cares about, exemplifies, and amplifies their own central values and concerns.

Brands that don't share this purpose with their customer don't achieve consideration at all, and if they do, they do so under some form of customer duress. They are vulnerable to any change in context.

Storyselling lowers customer acquisition costs. Anecdotally, brands report that customers acquired through storyselling channels like podcasts have higher lifetime values. After all, stories create better long-term consumer engagement, and are more shareable between consumers (meaning more "free" or at least cheap sales from referral).

The D2C sock company Bombas says that in any given week, up to 40 percent of its paid acquisitions come from podcast advertising. According to VP of Marketing Kate Huyett, podcasts give the hosts time to talk about the company's social mission and more room to tell its story, which results in higher sales, better engagement and long-term value.

In an era of low switching costs and easy comparison among numerous choices, only relational brands can command sustainable margins and businesses.

MAKE THIS WORK FOR YOU

Strong brands help consumers make better choices faster and live fuller lives through emotional and rational consumption choices. Storyselling is the art of bringing the customer and the brand together and sharing that same relationship with the world. D2C brands and their propositions are indivisible from their stories, and the margins and loyalty they command are directly attributable to them.

Brands need to reconsider their story, not merely their identity. Why do they exist? What do they aim to do? How can their customers write themselves into the story? Because D2C brands are storysellers, they excel in using media like podcasts and Instagram, where stories are what the consumer is seeking. Use them to tell stories to sell your product.

On a practical marketing level, storysellers don't separate media planning and buying from creative strategy and execution or content creation. They view every aspect of their communications as an expression of the story.

Consider how you can "collapse the gaps" between strategy and execution in every aspect of the business, from experience and product design to fulfillment and communication of the proposition and with customers.

MAKE THIS WORK FOR YOU
Frank Body Case Highlight

A great example of excellent storyselling is Frank Body. #thefrankeffect is natural coffee-based skincare made in Melbourne, Australia, that was founded in 2013 after two women came into the founder's cafe and asked for leftover coffee grinds to use as a natural body scrub.

That first request has led to a range of 20 caffeinated products that have sold to more than a million loyal customers and 700,000 Instagram followers. Frank Body has been selling direct worldwide since 2016, selling more than 3 million products to 155 different countries.

"The product gives you the ability to start (encourage trial) and sustain, but the story and the proposition is what enables you to scale," said Nisha Karna, Frank Body General Manager, North America.

Creating and maintaining a great experience is at the heart of the work brands must do. No amount of marketing spend can create long-term loyalty and value if the experience is lackluster or gimmicky. Consumers are smarter and more discerning than you think, and they will trust each other (via reviews) much sooner than they will trust you.

"At Frank Body, we think about the persona of our brand and we think about the ritual of the product," Karna said. "Everything from opening the box with a cheeky rhyme to taking a selfie in the shower.

"The experience comes down to what the brand allows you to become in ACTUAL life and in your SOCIAL MEDIA life (which are often very different) not just the five physical senses."

Frank Body's origin story, its brand persona, and the creation and celebration of ritual combine to create a story that exceeds and enhances the product experience.

10

D2C BRANDS DON'T SELL PRODUCTS

... they create experiences.

D2C brands differentiate themselves through their understanding that the product and the experience are not the same thing. The experience, as we have seen, is predicated on a shared sense of mission and purpose. The selling and value proposition – and the commitment or promise to deliver it – make up the experience. D2C brands sell a full experience proposition that encompasses the product, the product's use, the community of other users and benefits beyond the product's functional attributes. Customer value and experience propositions are a distinct mix of hard and soft benefits that position brands in the lives of their customers, not merely in their hearts and minds.

D2C brands are typically sparse and constructed on a few key valuable claims. In constructing an experience that will delight their customers, D2C brands lean heavily on a few pivotal elements of the experience that, when stacked on top of each other, increase satisfaction at all points of the ownership experience. They uncover all the potential dimensions of the experience and the value customers derive from using the product or service.

Because trust is a prime source of value for these brands, effective D2C brands also make clear claims regarding how they will support and address customers throughout their life cycle. They make claims about transparency, refunds, returns, satisfaction and openness to communication, among others. Brands driven by an affinity to the customers' purposes will come unstuck quickly if the brand and experience are not the same.

The experience is a combination of the shared mission, the proposition itself and the brands' commitment to deliver it. The cultural and operational commitment to its promise is ultimately the brands' active validation of the trust the customer places in it.

The execution of the experience doesn't begin and end with the physical reality of the product – it encompasses every aspect of marketing and communications. D2C brands are creating product experiences on socially relevant platforms, such as YouTube and Instagram. They seek to "reach" and "teach" through everything from product usage tutorials to product unboxings.

D2C consumers expect each communication to enhance the experience of buying and owning the product, even through the most seemingly mundane post-sale communications. Operational elements like the unboxing or pick up experience are as fundamental to establishing brand affinity and affection as the use of the product.

MAKE THIS WORK FOR YOU

The clear implication of this is that brand owners must be concerned with every detail and delivery point of the overall experience; they need to consider all communications and fulfillment processes as a means to create differentiation for themselves and value for the customer. This extends to product packaging, the unboxing experience and any communications channel the brand establishes. D2C brands are very conscious of their voice and tone, ensuring it is always appropriate to the brand. Brands need to be able to answer to what extent their value proposition ties together as an experience.

The purchase itself doesn't sit at

the center of the experience, as is often the case in expressions of the customer journey, the experience does. Understanding the customer experience as an infinity loop, highlights the modern reality that the purchasing and owning experience for a customer can begin anywhere and need not end.

At the core is the ownership (sometimes called the usage) experience. A great experience yields advocacy and referrals as well as repeat purchases. The goal of the brand is to engage customers as users, not buyers, which means moving investments from pre-purchase promotion and sales to post-purchase renewal and advocacy.

Brands must create a two-way communication loop with the customer before, during and after the "sale." Often the moments of truth in modern customer experience design happen after the initial transaction in the domains of delivery, service, education and advocacy.

Every contact with the customer and every variable in the experience can be conceived as creating a competitive advantage. Returns windows and privileges, delivery options and cycles, product unboxing and packaging or YouTube "how to" videos and more can all be created to improve the proposition, separating the brand from the competition and altering the consideration criteria entirely.

MAKE THIS WORK FOR YOU
Nestlé Japan Case Highlight

Nestlé Japan is using AI, social media, and home-testing DNA kits to create personalized diets for consumers, enabling it to move beyond selling packaged products in-store and into becoming a healthy lifestyle company.

As lines between professional healthcare and lifestyle-oriented healthcare are blurring, personalized nutrition is improving as food and drink brands tap into artificial intelligence (AI), big data, and social media trends to create ultra-tailored choices for consumers.

This is creating a completely tailored ecosystem of food and health-related products, and locking consumers into not only products, but also protocols that aid and improve lifestyle.


Nestlé
Wellness
アンバサダー
ひとりひとりに合わせた
健康習慣、はじめませんか？
\まずはLINEで友だち登録/
無料の検査が
受けられる
コースも！
LINE
「ネスレ ウェルネススムージー ケール&フルーツ」が新登場！

11

D2C BRANDS AREN'T IN IT FOR THE MONEY

D2C brands first focus on achieving deep engagement with customers and developing transformational insight. D2C businesses offer brands three clear pools of value, and the goal of any D2C business should be to develop and maximize each in support of the others. D2C brands organize themselves to maximize the value they create and capture from each pool.
The three pools are Insights (uncover new markets, audiences, and improvements to products and services), Engagement (increase brand loyalty and advocacy) and Fulfillment (sales and customer satisfaction). They ultimately exist to improve the customer experience over time and increase a brand's reach to serve more customers in better ways. The money follows.

D2C brands set up their businesses to reflect the way customers want to shop and buy rather than how the brand wants to sell. Because D2C companies know their customers individually and at scale, they are able to customize their products, propositions, services, and communications more intentionally and inexpensively. This means they can undertake a range of activities profitably that enhance customer enjoyment of their proposition and story.

They can intentionally develop insight and engagement knowing that sales will follow. And they can track the relationship between the pools of value.

D2C brands measure their customers' response and reaction to everything – not only the presence of the reaction, but also the emotional temperature of it. They are aware of and care about how the customer feels about them in real time. Focusing on that individual's likelihood to support, advocate, and recommend the brand.

They aim for frequency and activity among their base because this customer is mobile, making them identifiable and measurable. Because of this, brands can be confident in their judgments and make decisions and adaptations in real time.

D2C brands run their communications like a dynamic two-way newsroom, knowing that each response they get yields new insight and can generate new advocacy leading directly to profitable sales.

MAKE THIS WORK FOR YOU

For established brands, D2C expriences shouldn't be evaluated on the same sales, share or profitability metrics as third-party retail. Brands should be evaluated for their contributions to engagement and insight, for which they are principally responsible.

D2C brands built within the walls of legacy businesses should be set up to enable the business to gain insight and engender loyalty distinct from the everyday course of business. The objective of brands is to grow in advocacy and sales over time, so much of the brands' activity will be to engender engagement, even from stakeholders who might never buy a product from the company.

Tesla Motors is a clear example of this strategy working well. Since inception, Tesla has been aspirational, resetting expectations for the electric car and the auto industry itself. The company's buying audience is small, but its advocating audience is huge, evidenced by its 3.4 million followers on Twitter, even though it currently sells only 300,000 vehicles per year. Compare this to GM, which sells 3 million cars in the U.S. (10 million globally) and only has 680,000 followers on Twitter.

For many established businesses, engagement is an initial challenge, especially when competing for limited internal resources with comparable metrics and bases of measurement. When companies understand the ecosystem, they are able to frame appropriate goals and develop experiences that reward customers' expressed and unexpressed aims.

Viewing the system this way ensures brands create experiences that support the whole ecosystem, not just a single element. Data and insight captured in any part of the system is valuable when deployed to all parts of the system. Loyalty earned on owned experiences shows up as sales on third-party experiences and so on.

MAKE THIS WORK FOR YOU
Pappy Van Winkle Case Highlight

Understanding the complete digital commerce ecosystem and the three pools of value is essential to ensuring D2C experiences deliver value for the whole enterprise.

Brands must create measures that demonstrate the relationship between insights gathered, loyalty engendered and satisfaction delivered.

The Old Rip Van Winkle distillery in Frankfort, Kentucky, produces one of the world's most exclusive and in-demand bourbon whiskeys. Created by founder Julian "Pappy" Van Winkle just prior to prohibition (when it was licensed to be sold for medicinal purposes), the Old Rip Van Winkle brand was reintroduced in 1972.

Demand is so high that in a 2013 article the Wall Street Journal branded it "The Bourbon that even billionaires can't get hold of."

Pappy Van Winkle's great-granddaughters started their own venture, Pappy & Company. This bourbon-inspired lifestyle brand sells a range of culinary, apparel, home and barware products as well as an exclusive barrel-fermented cigar line.

Rather than explicity selling bourbon, Pappy & Company uses its site to promote the promte the lifestyle that is the heart of the brand and develop relationships with customers who might never actually taste the real thing, but who want to experience the brand and maintain a relationship with it.

By staying close to these customers, the brand is able to develop new lines of clothing, food, and barware that complement the core product and burnish the brand's history in customer's eyes.

12

D2C BRANDS ARE LOYALTY COMPANIES

D2C companies are distinguished by their focus on lifetime value for the customer across the three value pools previously identified. They don't run loyalty programs as an add-on to their communications; the whole proposition is intended to engender loyalty and give the brands operating freedom to develop their propositions beyond a given product.

This has significant implications for how businesses establish and manage their communications programs. The most pronounced implication is that D2C companies don't see CRM, social, 1:1 communications, chat, IM, etc., as distinct, but rather as a single collaborative experience and communication program that increases insight into customers at all points of the experience through acknowledging and reinforcing relationships.

D2C brands seek to address all the stakeholders in the business, not just the paying customer. D2C brands see their advocates and critics differently than legacy brands. They realize that the most valuable brand advocates and the most constructively critical consumers may be the same people. Relationships are assessed not simply by their monetary value, but by their relational value.

It is the quality and frequency of two-way engagement rather than spend that genuinely reflects the value of the relationship created.

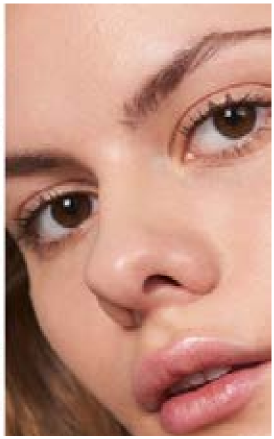
D2C brands do not stop at trying to create strong 1:1 relationships; their vision for loyalty and engagement is to create groups of advocates who celebrate the community as well as the brand. Thus, loyalty is a collective pursuit for D2C brands. This conception of loyalty ties directly to new customer acquisition, sales and repeat purchases.

The cosmetics brand Glossier, founded by Emily Weiss, started as a blog called Into the Gloss in 2010 and expanded into commerce in 2014. It is reported to get 70 percent of its online sales from peer referrals. For these brands, loyalty is shareable and reinforceable among groups. They don't manage loyalty programs – they mediate relationships between consumers. Loyalty is conducted not only on owned properties, but also on shared social platforms. As Ido Leffler, co-founder of Brandless, the household supplies company said, "the biggest part of our marketing goes toward our community, through social media, community building and information sharing."

MAKE THIS WORK FOR YOU
Glossier Case Highlight

Glossier is a beauty and skin care company that evolved from the popular beauty blog 'Into the Gloss'. The beauty brand's interaction with its online subscribers (including 1.1 million Instagram followers) has fostered strong channels of communication between brand and consumer and between consumers themselves.

Glossier has utilized this bond to conduct free product research and development, amassing



user-generated content and building a solid fan base of "Glossier Girls."

This company's massive online ecosystem continues to drive the future success of the brand.

Being able to hold on to customer information for marketing purposes or get sales data directly in real time, which can inform design decisions, is key to successfully launching new products. The brand then creates an experience that match the expectations of the core audience.

A successful D2C platform will often feature exclusive items to differentiate, especially if the product offering is narrowly focused on one key category. Exclusive products give a sense of being part of the club, leading to increased brand enjoyment and advocacy.

Brands like Glossier are masters at driving traffic to the site by using social media to create a buzz that builds the online ecosystem of engagement through direct and user-generated content.

SECTION THREE

LESSONS IN CULTURE

13

D2C BRANDS ARE “UNORGANIZED”

D2C brands behave differently to brands that sell via third parties. D2C brands own every aspect of their customer experience. There are no clean hand-offs to third parties or other departments. Customers expect the brand promise and brand attributes to show up at every touchpoint and in every interaction. To describe these brands as “unorganized” is not to call them “disorganized,” but to recognize that these brands show up as comprehensively committed and integrated with customers, because they are comprehensively committed and integrated internally. This is a defining characteristic.

Every job within the brand is pointed at delivering a full end-to-end experience for the customer. They are “unorganized” in the sense that the mantra of the culture is to collaborate and simplify every process and every task. This makes it so the customer can buy from and experience the brand in the way that makes sense to them, rather than in the way that reflects the company’s org chart.

Outwardly, the two purposes of a D2C brand are to build a differentiated customer experience and an audience to appreciate and encourage it. To do this, each role must be subservient to the totality of the experience.

It has been said that marketing is “too important to be left to the marketing team”; likewise, it could be said that fulfillment is too important to be left to the logistics team. In fact, every aspect of the experience is too important to be left only to the team “titled” to deliver it.

The business-ready D2C team appreciates that every detail of the customer experience carries the weight of the whole experience and should be conceived and executed as though everything depends on it. Because it does. Hence the effective D2C team does not comprise only a siloed team of subject matter experts, but also an integrated team of customer experience-obsessed teammates who understand each other’s responsibilities and the impact they have on the customer. Granular details like same-day fill rates are the concern of everyone who is concerned with the outcome of the brand, not simply the team charged with shipping.

MAKE THIS WORK FOR YOU

We > SME (Subject Matter Experts). Brands should assess to what extent the experience they are providing is a reflection of their organization and organizational compromises rather than a reflection of the real needs and aspirations of their customers.

Brands need expertise, but to truly develop an end-to-end customer experience, they need to respect knowledge but not be beholden to it. Trump cards and vetos don’t create fluid real-time customer experiences.

To create a truly connected customer experience – one that inspires the customer, develops engagement with the brand and creates a sense of commitment over time – brands need to break down internal silos enabling the business to maximize the company’s technology investments and develop its processes and skill sets.

Regardless of who “owns” a given environment within the organization, they should view increasing engagement and the two principal outcomes (insights and affinity) as tangible business goals. By this definition, every element of the experience is a channel of communication.

Having undertaken this work, D2C brands built within the walls of larger organizations have an opportunity and an obligation to improve the whole of the organization, while at the same time observing and respecting the value and advantages the organization confers.

Silos that compromise the customer experience are typically reflections of the organization and how it sets incentives and goals that cause conflict among divisions. These conflicts spill into the customer experience, either through outright competition or unhealthy compromises that serve no one, least of all the customer.

THE VOYAGER SHIRT

MAKE THIS WORK FOR YOU
Hardvark Case Highlight

Hardvark is a performance clothing brand based in the USA, but birthed in London, that brings performance fabrics to urban styling by knitting together operations in China, Italy, the UK and the US.

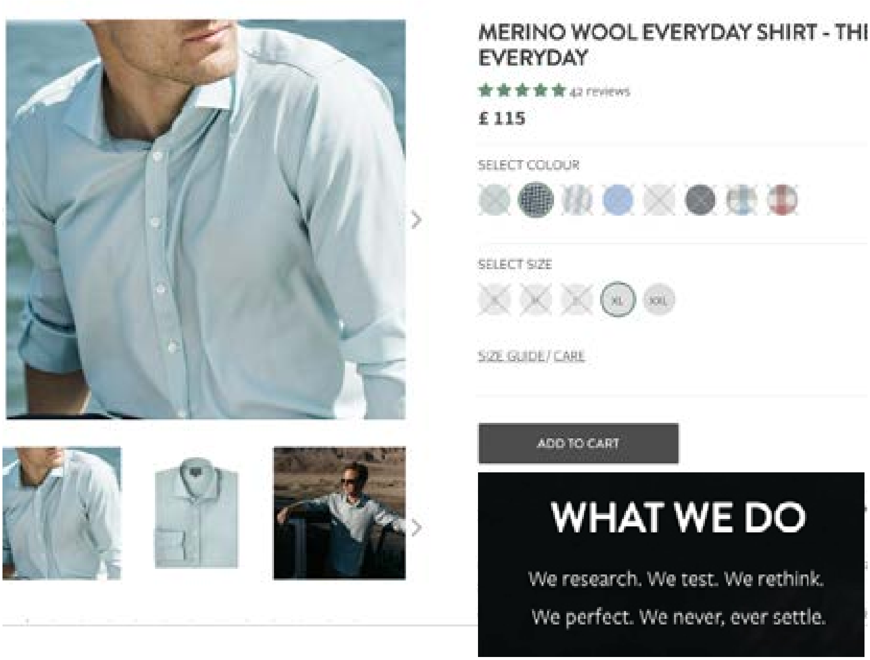
In 2013, founder J.J Symons, an avid skier and longtime equity analyst set out to design a shirt that would enable him work with the same freedom and comfort that he experienced when skiing.

This meant creating a formal shirt made from the finest merino wool. As well as being crease-free and anti-odor, merino maintains comfort on the move and in changing temperatures.The journey from design to market took him from Switzerland and New Zealand, to China, Italy and Death Valley.

His team is an integrated and distributed network of freelance and full-time experts based in LA (marketing, design and photography), Logistics (Poole, UK), Garment technologists (London) and factory agents (Portugal).

Coordinated brands don’t need to be co-located, but they do need to share a common mission and vision that runs across all their disciplines.


SHOP THE COLLECTION
Find out just how freeing a wardrobe of fewer, better clothes can be.


MERINO WOOL EVERYDAY SHIRT - THE EVERYDAY
42 reviews
£ 115
SELECT COLOUR
SELECT SIZE
XL
XXL
SIZE GUIDE / CARE
ADD TO CART
WHAT WE DO
We research. We test. We rethink.
We perfect. We never, ever settle.


WHAT'S SO GREAT ABOUT MERINO?
With so many versatile benefits other fabrics (ahem, cotton) just can't claim, the better question may be, what isn't?
WRINKLE RESISTANT
BREATHABLE
ODOR FREE
WARM IN THE COLD, COOL IN THE HEAT
STRETCH
FIND OUT FOR YOURSELF

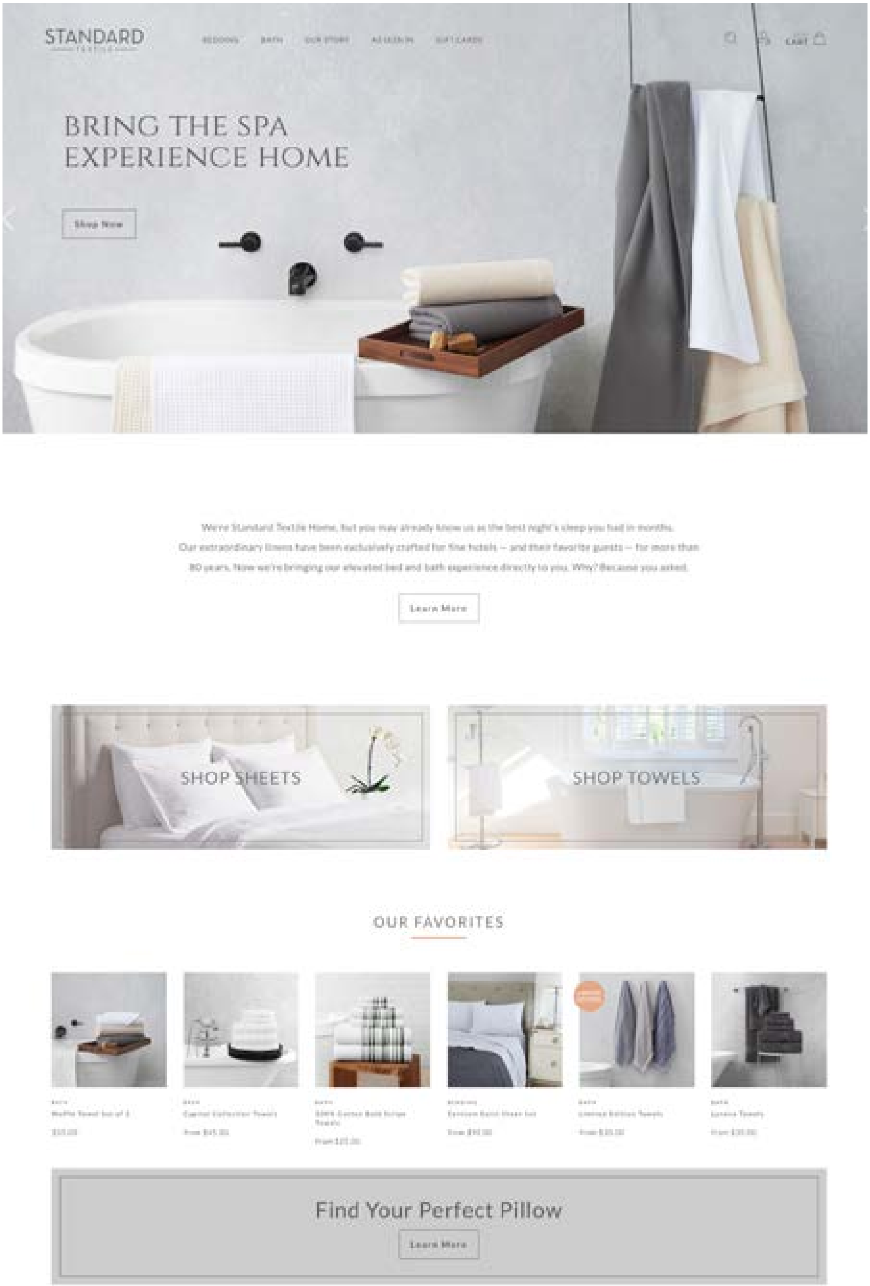
MAKE THIS WORK FOR YOU
Standard Textile Home Case Highlight

Standard Textile is a family owned textiles business founded in 1940. For the entirety of its history it has manufactured and sold bed and bath linens and towels to hotels and hospitals throughout the US.

In 2018 it launched a D2C site under the brand "Standard Textile Home" with a range of 24 sheets and towel sets that had proven popular in high end hotels. The development of the site was inspired by the insight that many of their products were either taken home by guests after their stays at luxury hotels as well as from direct requests from customers who had been so impressed by their towels and sheets that they found the label and called the company to ask if they could order them direct.

Starting with a small internal team of three, Standard Textile launched an ecommerce site using the Shopify platform as well as a pop-up store near its headquarters in Cincinnati. The team flexed across all aspects of the business strategy, design and development of the site as well as creating new SKU's and a supply chain that can fulfil direct to individual homes. Working with agency partners the team created its go to market program and all aspects of customer support.

As the business grows roles became more clearly defined as some tasks became less necessary and planning and developing the site was superseded by "run the business" necessities. Standard Textile Home is an example of how small teams working multiple disciplines can leverage the business assets of parent companies to create new value for the brand and a new cohort of customers.


STANDARD
BEDDING
BATH
OUR STORY
AS SEEN IN
GIFT CARDS
CART
BRING THE SPA EXPERIENCE HOME
Shop Now
We're Standard Textile Home, but you may already know us as the best night's sleep you had in months. Our extraordinary linens have been exclusively crafted for fine hotels — and their favorite guests — for more than 80 years. Now we're bringing our elevated bed and bath experience directly to you. Why? Because you asked.
Learn More
SHOP SHEETS
SHOP TOWELS
OUR FAVORITES
Find Your Perfect Pillow
Learn More

14 D2C BRANDS ARE COLLABORATORS

The corporate skill that underpins every aspect of D2C brands is a culture of collaborating across domains and simplifying outputs. How many customers think of their shopping experience as something that spans “functions” of an organization? None.

This means brands must be great collaborators on three dimensions. They collaborate with their customers to engage them in the brand’s mission and stay open to new opportunities to serve them; their employees to ensure that no internal divisions arise that damage the experience; and their various supply chain and marketing partners to develop and execute the experience.

The D2C customer's mindset is to encourage the brand to truly become what it sets out to be. This relationship is founded on mutual values and an ongoing quest for improvement. This progressive relationship focuses on who the consumer and brand are becoming, not merely who they are now. This customer "collaboration" is something distinctive about D2C brands – not distinctive in fact, but in intensity.

D2C brands will partner with companies in almost every sector, including communications, marketing, product development and supply chain, and these partnerships and the capacity and flexibility of the partner will be central to the customer experience. D2C brands must work with companies that share their concern for the customer and incentivize them to deliver it. They are keeping consumer promises, after all.

D2C brands are demanding partners. Marketing, logistics and supply chain partners all need to move at the speed of D2C: fast but unhurried. Fast and accurate. Fast and eloquent. These brands are dependent on their partners, and hence they will look for the same DNA in their partners as their customers demand of them.

D2C brands are built on effective internal teams and collaboration. The team is in the business of creating an experience, rather than just developing and shipping a product. This means that each team member engaged in developing and executing the experience must bring not only their expertise, but must also personally address and support the totality of what the brand is crafting.

D2C brands are at their heart strategic marketers rather than product marketers. This means that everyone on the team, whether a dedicated full-time, or shared resource, must be committed to working cross functionally and appreciative of their impact as well as their effort on the whole experience.

MAKE THIS WORK FOR YOU

The only way to drive an end-to-end customer experience is to drive integration across the parts of the enterprise that are engaged in designing it. That means that the D2C team leaders must first take the time to understand the business they are in, and their internal and external partners, and then ruthlessly simplify it so the D2C brand can create and recreate itself with agility.

Indeed, a D2C capability within a large organization can bring its highest values to the whole business: to collaborate and simplify. While it is undoubtedly hard for a large enterprise to adopt the agile "design, deploy and improve" processes required by D2C brands, the D2C capability is of necessity founded on them. The lessons companies learn can be brought to the full organization as needed. The principal one being to organize around the things the customer values.

Many of company's promises will be kept by partners who are responsible for delivering key aspects of the lived customer experience. Brands can control the intended proposition and the communication of it, but need to be confident and comfortable with the elements they don't have overall control over.

Brands must create an ecosystem of trust that ensures third parties will not just keep your promises, but more importantly, want to keep them, enabling the business to thrive and survive the inevitable bumps in the road.

Factor in the interests of suppliers, internal departments and subsidiaries, combined with the pressure to be profitable, and the margin for error in delivering on a brand's promises is slight. Partners need to be motivated to go the extra mile, beyond the bounds of their contractual obligations, all the while maintaining their own profitability.

Likewise, KPIs and SLAs must be based on the key experience pivot points, not just efficiency. Again, this is particularly important in the early stages as the business and its reputation are being built.

MAKE THIS WORK FOR YOU

Coca Cola Case Highlight

Delivery partnerships are vital for many brands going direct to consumer for the first time. There are many delivery partners in numerous verticals and managing them is a key skill for brands. To develop the delivery experience is often the only physical touchpoint for many brands.

Coca Cola established a global partnership with food delivery app Delivery Hero to make its products available to shoppers "where and when they need them" in several markets (Turkey and Greece) with more to follow (Colombia, Argentina and the UAE).

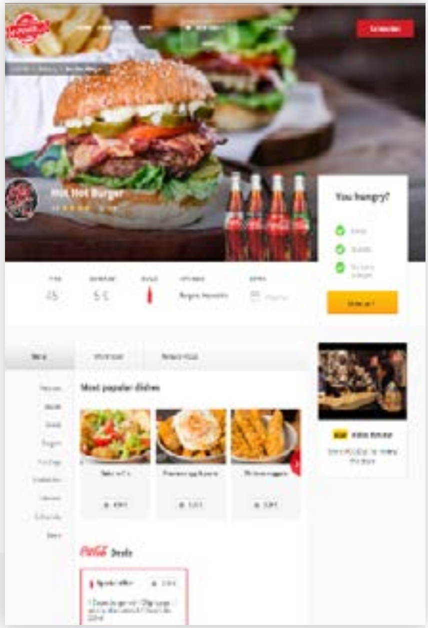
Delivery Hero is used in more than 40 countries in Europe, the Middle East and North Africa, Latin America and the Asia-Pacific region.

Coca Cola's logo is featured prominently on the partner businesses' pages, offering shoppers deals on soft drinks with their meal.

Brands seeking to better connect with shoppers need to identify the right platforms for digital connection and leverage online visibility on these platforms to develop a direct conversation with shoppers.

Coca Cola has taken a step toward owning visibility on this third-party platform directly rather than relying on restaurants and food service operators to provide visibility to its brand as the drink of choice.

As the retail and food industry continues to diversify and become more fragmented, brands must partner with the providers of the service to offer a complete experience.



Coca-Cola partnered Delivery Hero in Greece to elevate its products on the latter's e-food.gr food delivery platform.

15

D2C BRANDS ARE CURIOUS

Curiosity about the world, market and customer experience are the D2C brand's dominant cast of mind.

The mission's first spark of inspiration to seeking solutions that create a transformational customer experience, and the devotion to understand the customer context and experience all hinge on the brand staying curious and optimistic in the face of challenges.

The curiosity that feeds the persistence needed to begin with a small idea and turn it into a huge movement can only be maintained by teams that appreciate the maxim; “the truth sets you free.”

D2C brands as R&D organizations are constantly looking to have their hypothesis disproved so they can focus on the elements that add the most customer value. The listening systems they create are not echo chambers, but forums for actual meaningful feedback. D2C brands can afford to be curious because they typically don’t have a market or a brand to defend. Their curiosity is their competitive advantage.

By responding to customer feedback with action, a brand’s curiosity can be active and not passive. Large monolithic supply chains involving numerous disconnected partners are less adapted to the curiosity that animates D2C brands because they are less able to act on their findings. Remaining flexible and adaptable enables D2C brands to remain actively curious, acting on their findings and quickly establishing their results.

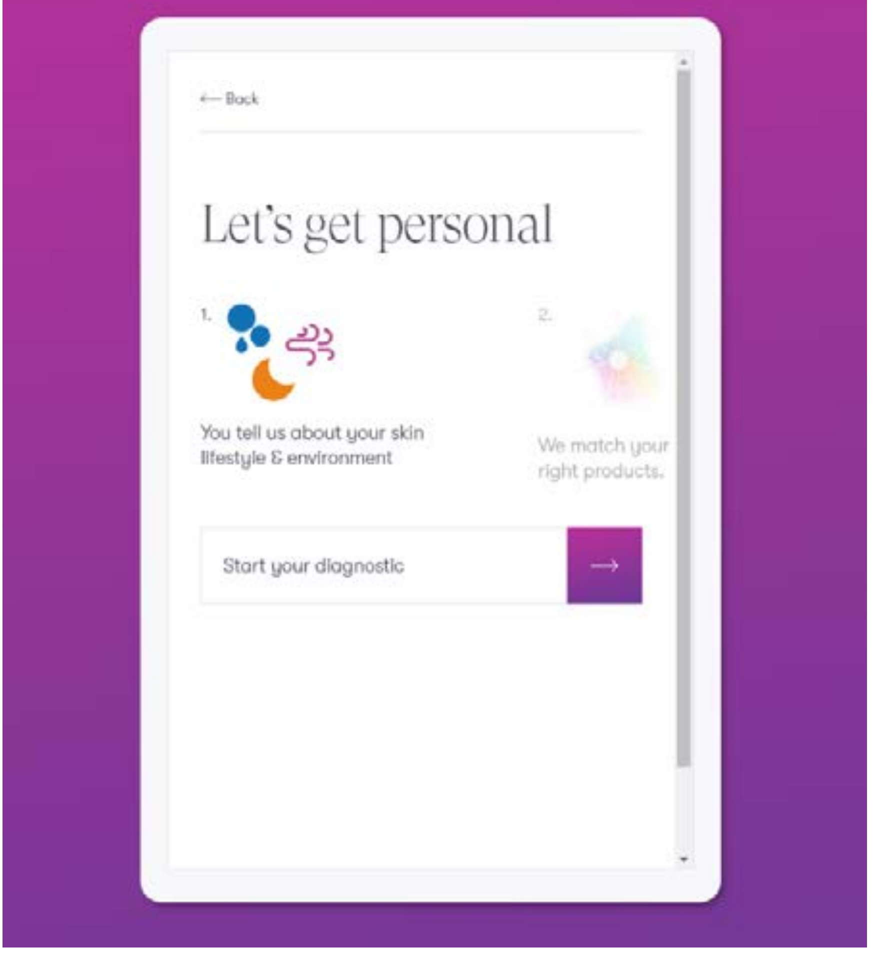
Curiosity is central to, and a product of, the cultural distinctiveness of D2C brands.

MAKE THIS WORK FOR YOU

Brands can promote truth-seeking curiosity by building more collaborative and fluid organizations that not only collectively own the total experience, but also are able to respond to them in meaningful ways.

Consider first the ways that curiosity is disincentivized. It may be a function of competing incentives across divisions, or a team’s inability to act on insights might cause self-censorship in order to avoid frustration.

Curiosity is a basic human trait, and its absence often indicates a culture that rewards the status quo at the expense of improvement.

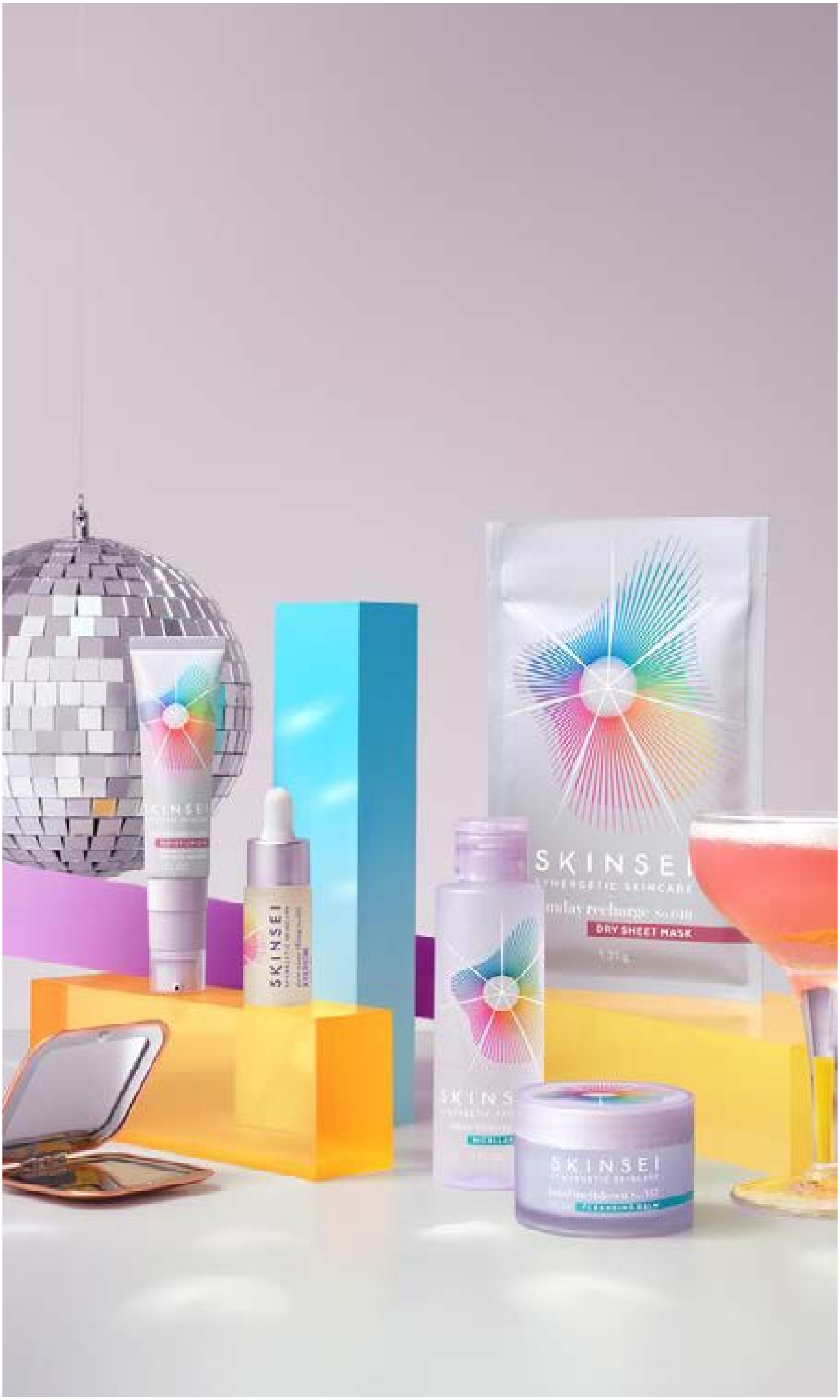


MAKE THIS WORK FOR YOU

Unilever Case Highlight

Unilever's Sinsei brand is built on its appetite to understand individual customer's context and experience. Skinsei provides customized skincare solutions through a monthly subscription format. The products provided take into consideration all aspects of a consumer's lifestyle, such as nutrition, sleep and exercise.

Using advanced skincare technology, and in-depth scientific-based knowledge of health and wellness related to skin care and overall well-being, Skinsei adopts a holistic approach to skincare by providing D2C skincare regimens that target multiple areas of concern and ultimately promote "healthier, glowing and more resilient skin in the long-term.


SKINSEI
SYNERGETIC SKINCARE
DRY SHEET MASK
SKINSEI
SKINSEI

16

D2C BRANDS ARE SIMPLIFIERS

D2C brands simplify choices for their customers.

The insistent curiosity of D2C brands is directed at finding Oliver Wendell's Holme's "simplicity on the far side of complexity."

D2Cs pay attention to every detail of the experience to lift the burden of choice and decision from customers. These brands thrive on making things easy. Whether it be streamlining choices of mattresses or luggage down to a decision about size or radically resetting expectations on which vitamin to buy, as in the case of the brand Care/of, the D2C playbook is built on simplification.

Often beginning with a single product or proposition, D2C brands typically make clear and easily communicable promises about their products and propositions. This is a necessity in a mobile world where attention spans are short but demands on attention are perpetual, and where choices are unlimited and switching costs are low. Customers need to be able to make choices easily, to "get" what the brand stands for and what their proposition is, and to be motivated to opt-in, so D2C brands work to address every friction point along the whole experience journey to make saying "yes" easy.

D2C brands have the advantage of having no stake in legacy market structures that have grown bloated by an excess of choice and confusion. Decades of "product development and innovation" have often led to complex and confusing product lines, perhaps most glaringly seen in the U.S. mattress market, which boasted literally thousands of variants that customers couldn't tell apart as brands focused on an evermore esoteric range of features rather than delivering a clear singular benefit.

Consumers are demanding simplification, which is also a highly effective product development and marketing strategy. Line additions and audience growth can be built on the equity created by the initial launch.

MAKE THIS WORK FOR YOU

A great experience is one that makes decisions simple for the customer, not more measurable for the brand. D2C brands seeking to develop equity with customers must stress their simplicity by focusing on the key product attributes and the benefits in the end-to-end experience rather than just the features of the product.

D2C brands are anchored on only providing the features that increase satisfaction and promote advocacy. Brand innovation is directed at making the experience literally "remarkable."

MAKE THIS WORK FOR YOU

Care/of Case Highlight

Care/of, a U.S.-based D2C vitamin brand founded in 2014, took on the challenge of one of the most confusing aisles in any store, the vitamin aisle. Using D2C principles, the company came up with an elegant, educative, personalized, mobile orientated solution perfect for every generation.

The traditional vitamin aisle is confusing, hard to navigate, hard to understand and alienating to the customer and as you can see from these pictures – as a retail category it is ripe for disruption and change.

Customers in the vitamin and supplement aisles have three key problems:

- What should I take and for what purpose?
- How do I make sure I take what I should take?
- How do I know if the supplement is of quality?

Care/of has addressed these questions by creating an experience based on a 54-question survey that helps customers determine what to take based on their life situation, current health, and goals, and then provides tools for them to maintain a protocol. Care/of also explains the provenance and purity of each product they are taking.

Care/of was launched in November 2014 by Craig Elbert, who previously led marketing at Bonobos.

"We started with a concrete problem – the overwhelming and confusing nature of the vitamin aisle. And we connect that to our solution, which uses technology, research and transparency to provide a more delightful and effective experience."

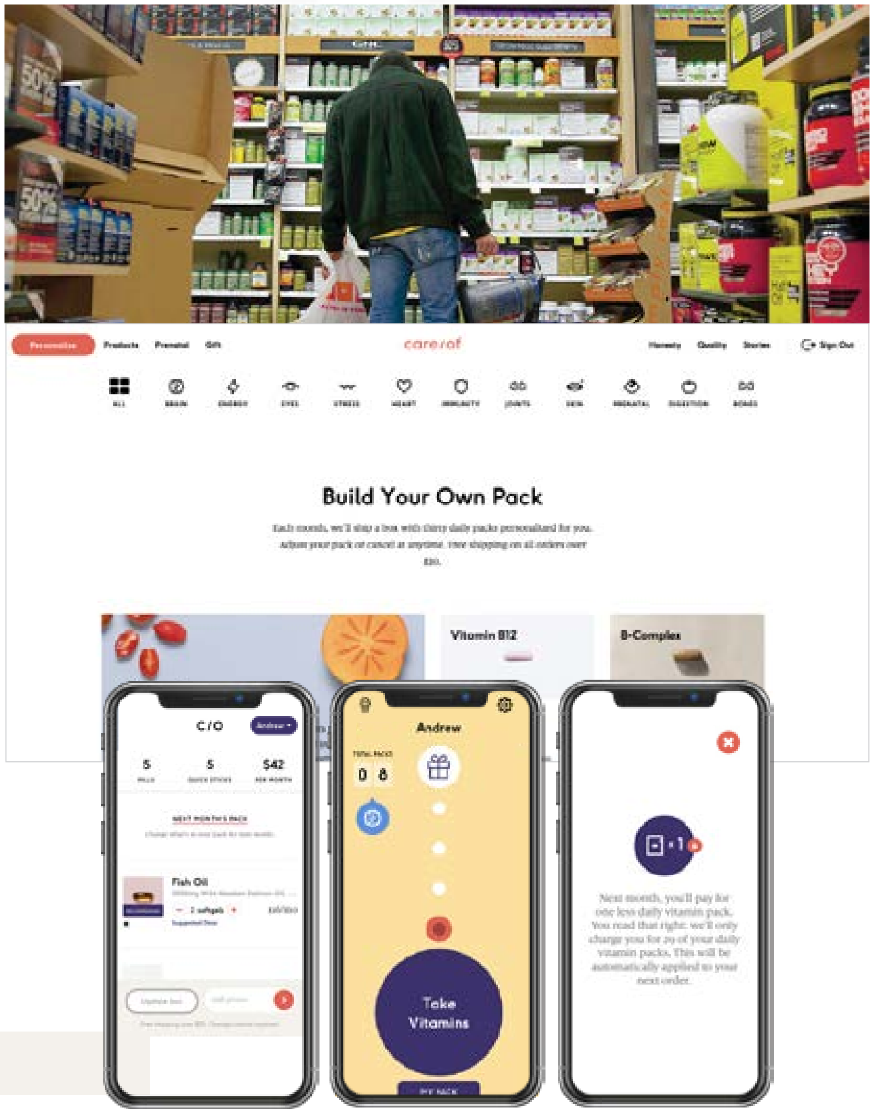
As confusing as the vitamin aisle is, Care/of set out to simplify choices and make it easy for customers to choose and use vitamins.

"In our beta, we initially had a short, uber-efficient onboarding quiz as that's what U/X logic told us. But the more we tested, the more we learned that customers are willing to put in the time to get a truly personalized recommendation."

As noted previously, Care/of makes every aspect of the experience easier and brings transparency and education to the customer in a digestible and engaging format.

Care/of helps customers comply to their vitamin protocol. Depending on their goals, customers can alter packs to adapt to changing needs, goals and the time of year. No two months need look the same and compliance is made easy and fun with the app.

A typical pack depending on the suggested supplements works out at between a $1 and $1.50 per day on auto replenishment.


care/of
Build Your Own Pack
Vitamin B12
B-Complex
C/O
Andrew
Fish Oil
$42
Take Vitamins
Next month, you'll pay for one less daily vitamin pack. You read that right: we'll only charge you for 29 of your daily vitamin packs. This will be automatically applied to your next order.

17

D2C BRANDS ARE OPPORTUNISTIC EXPERIMENTERS

D2C brands are open to experimentation in many dimensions, and none more so than in demand generation. Because D2C brands define success in ways beyond sales, they are incentivized to experiment not only with new products, but also with new advertising and marketing mediums and channels. Doing so can increase insights and engagement as well as sales as brands move into new mediums.

Brands are broadening their channel strategy beyond Facebook and Instagram. Platforms as diverse as Pinterest, Google, Spotify, Hearst and Hulu are working with D2C brands. In a remark that is typical of the experimental and opportunistic attitude D2C brands have, Glossier President Henry Davis told Digiday, "If you don't want to be disintermediated by a retailer, why would you be disintermediated by a platform?"

D2C brands also led the development of storyselling on podcasts and video streaming platforms, because they are a medium to tell better stories. D2Cs are now venturing into TV, where spend was up to over $1.3 billion in 2017, an increase of more than 100 percent year over year. When their experiments pay off, D2C brands are quick to double down on their success. For example, ThirdLove, a D2C lingerie company, made its first investment in TV in 2017, with an initial budget of $286,000 for the first month. Within three months it had spent $3 million and it ultimately spent over $13.2 million in 2018.

D2C brands have also led to the development of pop-up stores as a new advertising medium. They are negotiating new lease terms with landlords, which is changing the economic model for brands to set up stores. Entrepreneurs have responded by creating new retail concepts that support D2C brands like Showfields and Four Post. D2C brands have reimagined retail stores as a creative and customer engagement solution versus simply being a distribution opportunity.

Brands such as Bonobos with its guide shops and Casper with its Dreamery sleep stores are rewriting expectations of what a store does and leveraging their eCommerce back ends for fulfillment.

Stores have become part of the advertising mix, set up with the specific intent of being "Instagrammable." The goal is advertising rather than straight sales. When Kylie Cosmetics opened a pop-up store at Westfield Topanga near LA, its centerpiece was a replica of Kylie's bedroom. Away luggage's "Terminal A" pop-up in SoHo has a TSA-inspired checkout and luggage scanners (see reference images on page 91).

MAKE THIS WORK FOR YOU

Warby Parker Case Highlight

One of the original "pop-ups" from a D2C company was Warby Parker's Class Trip back in 2012.

Warby Parker bought an old school bus and retrofitted it to look like a professor's library, in keeping with the company's retro style.

The company traveled to nine cities spreading the word about

Warby Parker and assessing each as a potential future location.

Class Trip wasn't scalable in itself, but it gave the brand breakout media coverage and acted as an inexpensive means to assess whether it should open stores. Co-founder Dave Gilboa stated that "it gave us the confidence to sign permanent leases."

The Class Trip stunt was a social event that invited Warby Parker fans to enter an online video contest for the chance to win free glasses and a party on the bus with all their friends.

(See page 90 for accompanying text. Top: Showfields, Middle right: Away popup, Botom right: Kylie Cosmetics popup)


WARBY PARKER

18 D2C BRANDS ARE PROMISE KEEPERS

D2C brands make bold, simple and explicit claims and promises that their customers value.

Placing a mission and clear overall customer experience proposition at the heart of the customer relationship means that brands aren't simply asking customers to buy products, they are asking them to buy the company, and with it the values they claim to represent and the experience they claim to offer.

As D2C brands value trust, so they make clear claims regarding how they will support and address customers throughout their life cycle. These claims include transparency, refunds, returns, satisfaction and communication, among others.

How customers perceive all of their interactions with the company is the customer experience. And that in turn is the brand. Communications set customers' expectations about the interactions they're going to have with a company. If those expectations aren't aligned with the company's ability to deliver on them, the brand and business suffer, possibly irreparably.

The ultimate test of the brand is whether and how it keeps the promise made to its customers. The central truth of D2C relationships is that they are singularly personal. The modern connected and engaged customer will advocate enthusiastically for the brand that surprises and delights them, but may feel betrayal when let down. The expectations, and hence the stakes, can be very high.

MAKE THIS WORK FOR YOU

There are clear lessons companies can learn from D2C brands. The promises brands make clarify and simplify customer's choices and expectations. Rethinking the clear commitments the brand has to its products and propositions is a great way to rethink customer engagement.

- Make promises you can keep.
- Make promises that matter to customers. Brand culture is too precious and fragile to be frittered away on promises that aren't valued by customers.
- Don't make too many promises.

There are only so many things a customer values, and they don't value them all equally. Some commitments are pivotal, many are incidental. After these key elements of the proposition are in place, the law of diminishing returns rapidly reduces the value of each subsequent commitment. Make your promises valuable and make them count by keeping them short and to the point.

MAKE THIS WORK FOR YOU

Dollar Shave Case Highlight

Dollar Shave Club captures its whole proposition on this simple page to the right. All customers receive a 100% money back guarantee if they are unsatisfied with the product or service.

GET STARTED

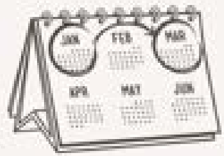
Choose one of our risk-free starter sets and try what the Club has to offer.

WE WILL, WE WILL STOCK YOU

We will continue to deliver the full-size products of your choice a few times a year.

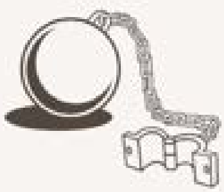
BUT WAIT, THERE'S MORE!

Add and remove our amazing bathroom products as you see fit. And the more you buy, the more you save with our Handsome Discount.



YOU SAY WHEN

Tell us how often you want regular shipments, from every month to twice a year. You're in the driver's seat.



NO LONG-TERM COMMITMENTS

You can cancel your Membership anytime with a few clicks. Questions? Concerns? Our world class Club Pros are here for you.

100% MONEY-BACK GUARANTEE

If you're not happy with anything for any reason, we'll refund your money. All of it.

19

D2C BRANDS ARE FAST MOVERS

D2C brands are built for speed in every dimension; however, speed, not haste, is the central dictum.

Because D2C businesses are typically founded on flexible and leased supply chains and design pathways, products can be created in small batches so they can be fast to market and fast to elicit feedback and response before increasing production. The iAB's recent "Direct Brands Report" surveyed the founders of more than 250 D2C businesses in the U.S. and found they typically could launch a product in four months. This is compared to 22 months for a typical CPG company, McKinsey reports.

But this speed is planned. It is built into the daily reality of the business. When the brand hatches new ideas or determines a new way to provide satisfaction to a customer, it does so within the construct of a flexible culture and a flexible supply chain. Working with urgency within a structure built for change is a discipline and disciplined haste is speed. This approach colors every business activity, from the supply chain to product conception and development through communications and delivery of the product and assurance of satisfaction.

Because they are mobile-centric, see themselves as ongoing R&D labs fueled by first-party data and insights and are in an ongoing two-way dialogue with their audience, D2C brands are literally built for speed in every department and aspect of what they do.

They are planned and organized with speed of response and development in mind. Speed is also highly prized by their audience, so the brand must be intentional in creating structures and capabilities that enable it to move quickly from end to end. To borrow John Wooden's aphorism they can "be quick but don't hurry."

MAKE THIS WORK FOR YOU

Legacy brands can't build D2C businesses on top of legacy systems. If they do, they may have the outward appearance of a D2C brand but won't have the responsiveness of one.

Customers will notice, and trust will be lost.

It is important to assess whether business structures and incentives enable and promote speed to market and speed of response. The first thing to assess is the cost of failure. When it is too high, either in terms of finance, effort or cultural attitudes, then the organization will slow down to de-risk it.

Brands looking to speed up must lower the cost of failure and increase the speed of response.


co
op

MAKE THIS WORK FOR YOU
Co-Op Case Highlight

Delivery service Deliveroo is a third-party company that has enabled UK supermarkets like Co-Op to provide great choice, convenience, flexibility and speed to customers.

Co-op is not the only retailer with such a partnership. In the UK, Spar has worked with Deliveroo since 2016. Elsewhere, Dutch grocer Albert Heijn also recently teamed up with the app to deliver hot meals in Amsterdam's city center. This approach offers a different way to reach customers, helping the retailer reach a new convenience-focused, brand-agnostic customer base. This service is in addition to Co-op's dedicated online store, which offers a range of around 1,500 products including food, drink, household goods and health and beauty products. For this service, Co-op has partnered with e-cargobikes.com to deliver orders using zero emission electric cargo bikes, the same service provider that Sainsbury's partnered with last year for its own grocery delivery service.

SECTION FOUR

GROWING & SUSTAINING THE BUSINESS

20

D2C = CAC:LTV

D2C brands know their numbers. Every number. And the most important numbers to them are their cost of acquisition of customers (CAC) and the lifetime value of those customers (LTV). More importantly, they know the relationship between these numbers. The higher the LTV, the higher the CAC the brand can sustain, giving marketers more flexibility and options in seeking new customers.

D2C brands are able to measure, manage, and develop individual customer relationships at scale; they know the effect of their storytelling content and advertising and marketing on collecting personal names and identities (email and social) to drive engagement, response, shares and sales. Everything they do leaves a data trail they can examine to understand immediate and consequent effects.

D2C brands treat CAC as rent, so all media strategy and experimentation is backed by a provable CAC strategy. D2C brands are constantly focused on reshaping and increasing their LTV, because growth depends on it. While they are trying to keep their CAC costs down, there are numerous pressures on it. CAC typically rises over time as early adopting customers and their advocacy address the more easily reachable cohort of customers. Later cohorts cost more to reach, and brands are keen to show that these later cohorts offset that cost by an increased LTV.

LTV is increased through frequency and value of transactions through the creation of new products and services to go alongside them. D2C brands that have anchored their customer on a belief in their story and authenticity in a category then broaden their reach. Brands that began with a simple razor and blade subscription begin to add a range of male grooming products. Away, the travel brand that began with carry-on luggage and has now begun to move beyond the carry on to becoming a travel lifestyle brand.

The equity built by addressing a singular product with an eloquent solution ensures that deepening portfolio is natural and LTV increases follow. A vital component of the storyselling playbook is the development of community. Community and the sense of being part of a movement and a mission not only enhance margin at the single purchase level (LTV might also be called life time margin), but also create a momentum to grow the range and frequency of transactions. And because all of this is measurable with a directly connected audience, brands can quickly know what works and what doesn't.

This has given rise to the term, "performance branding," meaning all advertising and marketing must perform. It must work to develop increased brand awareness and enhanced perceptions must also sell. Ads that sell must also enhance the brand, develop the community and motivate repeat purchasing. The only impression that counts is the one that sells. The distinctions between above the line and below the line no longer exist. There is no line. Performance branding means brands manage every touchpoint and talk point of the entire customer life cycle.

D2C brands don't need to infer their CAC (legacy brands do, even if they even value the information), they know the relationship between their advertising spend and all of the contributions it makes to the increase in LTV. Most D2C brands try to work with a minimum ratio of 1:3 for CAC:LTV, because they know their ratio is what drives decision-making. Having specific targets informs product, merchandising and marketing decisions of every stage.

MAKE THIS WORK FOR YOU
Jiobit Case Highlight

Brands need to know their numbers and find ways to establish their true customer acquisition cost and their true life time value. For legacy brands, these numbers can be hard to pin down; however, they have a head start on startups, because they have established history to work with.

A great first step is to create a hypothesis by asking the question "What should they be?"and then work backward from there.

Doing this will create a tension within the business that will increase its diligence in understanding these measures and responding to them.

Jiobit makes a child and pet tracker it sells exclusively direct to consumer. Its founders began the business with a single tracker bought for a fixed fee, and added subscription tracking services and hardware payment options as well as pet trackers as means to increase its audience and its life time value.

MAKE THIS WORK FOR YOU
Social Commerce Highlight

Social platforms like Instagram are increasingly enabling D2C brands to develop "performance branding."

Instagram's 'Instagram Checkout' feature is a significant move in the social commerce space. It allows shoppers to seamlessly access a retailer or brand's website without leaving the platform and is leading to the development of new trip

missions, such as the opportunity to drive impulse.

Social media offers retailers and brands a new way of creating urgency around products and promotions, and using marketing as a shoppable tool. Brands like Charlotte Tilbury and Liz Earle have created shoppable social media posts to sell directly to consumers on these platforms utilizing their own eCommerce operations.

Social commerce is still in its infancy. However, brands looking to win with younger shoppers should prepare for this to change over the next few years as technology advances and a new generation of shoppers comes into spending power.

Instagram Checkout and Shop enables brands to eliminate the middleman, reduce costs and drive traffic to eCommerce platforms.

Social commerce strengthens a brand's ability to be part of the conversation on consumers' terms – wherever and whenever they choose. This creates a seamless experience, especially for those just browsing for inspiration.

The possibility to create shoppable posts directly moves shoppers from "I want to buy" stimulus to conversion.

But be warned, social commerce is becoming more expensive. D2C drinks brand Dirty Lemon was spending $20,000 to $30,000 per day on Instagram and Facebook, but it came off the platforms in December 2018 because it was no longer cost-effective.

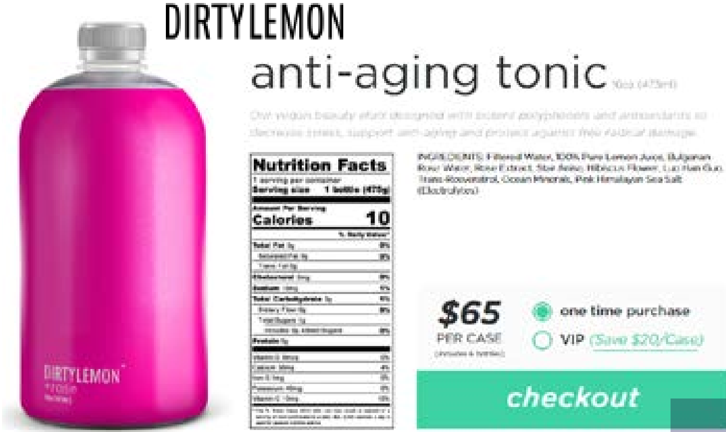
The CAC that a brand can sustain is directly proportional to its ability to develop an increased lifetime value by increasing frequency and range and reducing churn of existing customers.

Dirty Lemon has moved on to podcasts, and is investing in retail stores and hospitality venues as a new means to increase sales and maintain the right balance between CAC and LTV.

Madison Reed, the in-home hair color brand, still uses Facebook as its primary acquisition channel, despite its expense. "The lifetime value of the customer from Facebook is the highest LTV we have," said Amy Erret, Madison Reed CEO.

Madison Reed maintains an LTV calculation for each marketing and distribution channel (stores and online) as well as a blended LTV for each cohort of customers to ensure the ratio remains profitable.

"D2C brands have to know their unit economics and be able to develop products and experiences that enable higher LTV, which in turn enables them to spend more in marketing." Erret said. CAC and LTV are very closely related.


DIRTYLEMON
anti-aging tonic
Nutrition Facts
Calories 10
$65
PER CASE
one time purchase
VIP (Save $20/Case)
checkout


DIRTYLEMON
RAW DETOX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MADISONREED
COLOR BAR
JOIN
THE ROOT
REVOL-
UTION
$45
45MIN
FAST+
FABULOUS
HAIR
COLOR
#ROOTREVOLUTION

21

D2C GROWS THROUGH "DIG-ETAIL"

D2C brands are breathing new life into retail as they unite digital tools with personal human connection. D2C brands are digitally native, but not digitally captive. As experience-led businesses, they are developing human emotional connections with a combination of digital and physical experiences and guiding legacy brands and retailers.

D2C brands are focused on scaling niches through every physical and digital dimension, developing intimacy with customers at scale and using digital connectivity to enable more human discovery. Digital tools complement the physical world, they don't replace it.

As brands embed themselves in the lives of their audiences, they are seeking more innovative ways to be available to them wherever and whenever customers need them.

They are showing up in numerous physical and digital environments, such as vending machines and new delivery partnerships, powered by data and digital recognition of customers. A new ecosystem of partnerships is being created to bridge the "dig-etail" environment. New D2C brand curaters like Showfields and Four Post are offering brands short-and long-term showcases to create awareness and build audiences beyond the web. Microsoft's Dynamics 365 platform enables store managers to understand the customer in real time and make merchandising decisions with digital responsiveness.

Online platforms like Shopify and Square are creating ecosystems that enable web-first brands to sell in the physical world whenever the opportunity arises. Many D2C brands may start online, but none seek to remain there.

The D2C paradigm has quickly transcended the web, but it remains enabled by digital tools and the intimacy and immediacy they provide. Becoming a true dig-etail brand should be part of any brand's growth ambitions. Physical spaces enable brands to go beyond the immediate reaches of their core customers and into new spaces that can educate and inspire them to address new audiences and develop new products and propositions.

Digital-only spaces are great for feedback, but can become echo chambers. Digital capabilities married to physical properties enable brands to tune their sensibilities to new audiences.

MAKE THIS WORK FOR YOU

Glamsquad, founded in 2014 as an on demand in-home beauty services platform, has undertaken over 600,000 in-home makeup and hair appointments. It also recently launched its own cosmetics brand and an in-store experience in partnership with CVS.

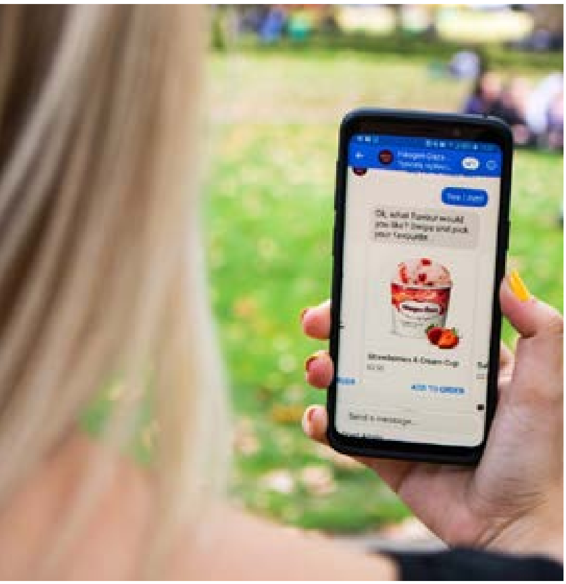
Glamsquad CEO Amy Shecter calls their in-home experience "H-Commerce." Beauty pros provide services and promote trial and purchase of the exclusive line of products.

"Data is our superpower, an appointment is a micro lab," Sheter said. "Beauty pros and customers can test products in each appointment and get immediate feedback learning, for example, on what clients want in a hairspray."

Glamsquad has used this intelligence to create unique products that stand out in retail environments like CVS.

Shecter believes that partnerships and collaborations with established brands and retailers are win-win, because the retailer can provide a new and interesting experience and the visibility to create credibility.

"When we began the partnership with CVS we instantly saw an uplift in Glamsquad bookings and visits to our website, which were directly attributable to the visibility in stores," Sheeter said.



MAKE THIS WORK FOR YOU
Nespresso Case Highlight

Nespresso, owned by Nestlé, was one of the first D2C brands founded by a large CPG company. Using vending machines, Nespresso can connect more directly with its shoppers by serving their specific needs and missions.

Brands are looking for micromoments of product needs, getting beyond conventional retail platforms and touchpoints.

And for Nespresso, vending machines are convenient and complementary solutions to its branded flagship stores and online platforms. Simple yet effective, vending machines help create an exclusive ecosystem and convenience network.

The machines stock around 24 large coffee pods and allow users to opt between paying for the products on the spot or collecting products pre-paid online via a subscriber "club" platform.

Value is delivered not only by the product, but also by the brewing system and ecosystem of transactional elements.

MAKE THIS WORK FOR YOU
Häagen-Dazs Case Highlight

Häagen-Dazs' on-demand delivery solution, Häagen-Dazs NOW, is a web-based geolocation API pinpointed to customers' exact locations.

The app can locate and facilitate a delivery, even if the customer is on the go or in a public place. At an individual transaction level, these kinds of services may not be profitable. But as food delivery continues to experience major growth, with third-party food delivery expected to rise at a rate of 13 percent every year for the next five years, satisfying the need for speed, convenience, and instant gratification is becoming an important element of brand marketing and customer insight and engagement.

By providing solutions that ensure brands are where the consumer is, not where they want or need them to be, brands are able to increase satisfaction and sales across the entire ecosystem.

22

D2C LOVES TGT, WMT AND P&G

D2C brands have found great allies in some of the largest retailers and CPG companies in America. By telling their story and developing their mission, building their following, and crafting their compelling proposition, these brands have found an audience and a market with the most desirable customers in retail. These discerning customers have means and an appetite for quality and value, and they’re willing to advocate for the brand and collaborate with them to continue to improve the product over time. They are the most desirable customers for retailers and brand manufacturers.

Consumers of D2C brands have an emotional connection with the brands rather than a simple functional need for them. As a result, retailers and D2C brands have found common cause in recent years. Retailers want access to these customers and the direct insights gained by working with them, and D2C brands want to grow their audience and reach through access to mainstream customers.

Because D2C brands aren't reliant on retailers to build their brand, they are able to enter the mass retail domain on far better terms than before. They don't have to fight for shelf space with major legacy brands with deeper pockets. When a D2C brand like Quip, Harry's, or Native is sold in Target, it gains a wider audience and reinforces Target's positioning for cheap chic at the same time. The retailer-brand dynamic is now one of partnership, with both parties having much to gain from and give to the relationship.

For this reason, retailers like Target, Walmart and Nordstrom have made large investments in (or have bought outright) D2C brands that they would have had little interest in only a few years ago. These investments and acquisitions are making new talent available to these brands that would never have considered working with them before. D2C brands aren't being birthed by these retailers and do not owe them their existence, but they can be dramatically scaled by them, giving the founders tremendous incentives to work for and with them.

In Walmart's case, its strategy has been to acquire a portfolio of D2C brands, none of which individually contributes huge growth to the parent, but in aggregate acts as a profitable growth engine and deep talent pool. This is tremendously valuable, quite apart from the access to customers who would not previously have shopped Walmart stores.

D2C brands punch well above their weight in terms of visibility and customer appreciation, but they typically struggle to grow beyond $100 million in revenue because the audience for their products in the direct arena is capped. However, they bring numerous benefits to retailers when they join forces, meaning that despite their size, they can join as equals with an eye to their ongoing mission, not simply on the exit door.

This phenomenon isn't limited to retailers looking to appeal to a younger, more affluent audience. CPG companies have also been extremely active in buying emerging D2C brands like Native Deodorants, which was bought by P&G for $100 million less than three years after it was founded.

The founders of these brands see their growth within the prism of their exit, viewing acquisition as the next round of investment to take the brand to new audiences.

They are literally built to sell to consumers and to legacy brands. Their existence doesn't ultimately pose a threat to those brands – it shows them a route to the future.

MAKE THIS WORK FOR YOU

The "built to sell" mindset focuses D2C brands on where they are going next and how to discover their next path to transformational growth.

Legacy brands should have a founder mindset and "always be selling" in their minds. They should always be looking for their next path to new investment and brand growth. This approach births new partnership opportunities and helps brands consider ways to attract new talent and new customers.
The emphasis that D2C brands have on growing and transforming to survive drives their creative vision for the future.


NATIVE

23

D2C BRANDS "DO NO HARM"

A word of warning – D2C experiences are not benign. Larger legacy enterprises and brands have a lot to lose through the thoughtless development and execution of D2C experiences that deliver no new value to customers and create confusion in marketplaces. The first and best piece of advice to brands seeking to develop D2C experiences is to swear a kind of Hippocratic oath: "First, do no harm."

What harm can a bad experience do? There are five main harms that a poorly conceived and executed D2C experience risks.

1

Harm the customer by creating confusion on pricing and product availability or through poor customer care communications.

2

Harm the brand through poor execution of visual design, incomplete or irregular content management, or through a poor customer experience (often in forward and reverse logistics).

3

Harm existing channel relationships by creating channel conflict, undercutting on price, or withholding product from the market.

4

Harm the organization by creating internal tensions and counter-productive incentives.

5

Harm profitability. Existing supply chain and customer experience channels are often tuned and profitable only at scale.

If brands are to embark on creating effective D2C experiences, they must take them seriously and support them with appropriate financial, human, and cultural resources – or they should not do it at all. Cultural resources are often overlooked, but they are vital to ensure that everyone in the organization understands the value the brand is endeavoring to create and derive from the D2C experience.

MAKE THIS WORK FOR YOU

Our advice to any brand considering developing new D2C experiences or overhauling existing ones is to design them in a way that harms are prevented at all costs. A clear-sighted appreciation of the risks that a poor D2C experience will create leads us to clarity on how to create experiences that add value for customers, the brand, channel partners, the organization and shareholders.

MAKE THIS WORK FOR YOU

Lego Case Highlight

By providing customers limited-edition sets that can't be found at retailers on its D2C website, Lego avoids confusing the marketplace.

This is a smart way to differentiate the proposition while also removing direct channel conflict. A key challenge is often to avoid competing directly with your key retail partners and maintains good working relationships while also offering shoppers a compelling D2C offering.

Exclusive products that can't be found in stores eliminates this issue because direct competition is no longer a factor.

MAKE THIS WORK FOR YOU

Nike Case Highlight

Nike has created D2C experiences that are tangibly different and more customer-centric than experiences the brand could co-create with retailers. Nike's focus on D2C has made it one of the world's most iconic sports brands of all time. Nike consistently continues to expand its own brand stores, launching new locations and increasingly compelling concepts across the globe.

Nike is investing in in-store retail experience that exceed expectations and key capabilities such as an app to accompany shoppers in its stores. When customers enter a Nike store, the app recognizes they're in a branded brick-and-mortar location and offers personalized features and seamless payment functions.

Nike also acquired analytics firm Zodiac, which helps the brand deepen its relationship with its consumers based on offering relevant and speedy personalized experiences in-store and online.

Success in operating its own brand stores requires significant investments, both initially and ongoing, to ensure stores always meet and exceed shopper expectations.

The digitization of the store experience provides brands with the opportunity to deepen the connection between digital and physical for their shoppers and creates new loyalty touchpoints.

CONCLUSION

The application of the DNA in this book will enable the best equipped, and most responsive brands, to develop better products, more quickly, at price-points and with propositions that bring new value to the marketplace and ultimately to themselves.

When we make the claim that something is “in our DNA” we are stating that a given quality or characteristic is an essential, enduring and enabling component of our nature. Our DNA does not guarantee our success, but it does neatly express our promise and potential. Brands who want to compete in the value-centric, data-enriched economy need to develop this DNA and have it serve their businesses and their customers.

Armed with an appreciation for the real DNA that creates success in the D2C space, we hope this book, and the examples we have shared, inspire you to create new and compelling value propositions and experiences for your customers, while at the same time developing the corporate culture and skills that will be so vital to business success in the direct brand economy.

We hope to feature these new businesses in future revisions of this book!

READY TO DISCOVER YOUR OWN D2C DNA?

The team at VMLY&R works daily with companies in every conceivable market and with every imaginable digital challenge, opportunity and imperative. They craft perspectives, advise on every element of a brand's physical and digital touchpoints and organizational design. They execute real time campaigns and business operations to create compelling propositions all the while ensuring clients are able to keep the promise they make to their customer.

In this book, we brought together hundreds of thousands of hours of experience spent collectively in the trenches of digital business strategy and execution and distill them into clear actionable insights for strategists and practitioners alike.

If you would like us to work with you on your business as you seek to bring to life D2C DNA in your business please contact us at **andy.heddle@vmlyr.com** or by phone at **612-669-8901**.

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