



STUDY

Direct-to-Consumer Brands Decoded

Behind the scenes of a new U.S. e-commerce brand generation

arvato
BERTELSMANN
Supply Chain Solutions

ABOUT THE STUDY

Today's e-commerce industry has never been more competitive. Large platforms increasingly dominate the online landscape while traditional brick-and-mortar brands struggle to find their way into the new digital age. However, the rise of the online distribution channel has also paved the way for new players.

A new generation of e-commerce brands – so called “Direct-to-Consumer brands” (D2C) – has managed to emerge. In spite of fierce competition, these brands have found a way to cater to the needs of the new generations Y and Z. Today, they generate millions in revenues and attract venture capitalists around the world. The question arises how the D2C brands became so successful. How do they grow? On which value proposition do they focus? What do these businesses define as their core business?

The study looks behind the scenes at U.S. D2C brands and their success strategies. In four chapters, the brand's value proposition, marketing and operations strategy and the tools used are analyzed. The result is a comprehensive insight into a new way of approaching today's e-commerce business.

About Arvato Supply Chain Solutions

Arvato Supply Chain Solutions is an innovative and international leading service provider in the field of supply chain management and e-commerce. About 15,000 employees work together to provide practical and relevant solutions and services for globally renowned companies from a wide variety of industries.

What does D2C mean?

Direct-to-Consumer is an e-commerce business model that refers to the direct transaction between a manufacturer and a buyer, thereby cutting out any middleman.

The D2C landscape has changed almost completely, since its conception a decade ago. The current highly competitive D2C market has driven up the price of social media ads, removing the need for arbitrage and made it much more costly to acquire customers.

In order for D2C leaders to remain successful, they will need to master omnichannel strategies, scale to community size, grow supply chains, marketing strategies, and brand systems to relate to the new ways customers interact on the web.

The D2C companies who fail to continuously evolve to the next online platform shift will not survive!

D2C BRANDS DECODED: HOW THEY WIN THE E-COMMERCE GAME

Introduction

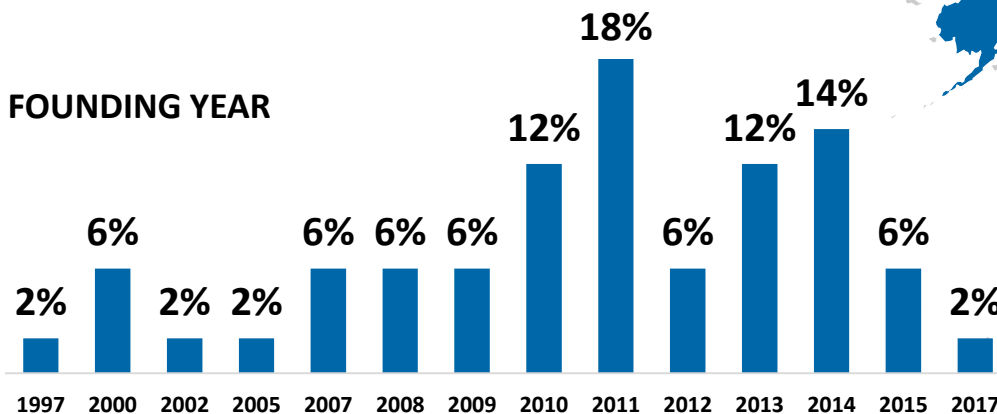
METHODOLOGY

For this study, 50 Direct-to-Consumer brands were analyzed in the third quarter of 2020. The selection of brands considered the relevance in current news about D2C businesses. The geographical focus on the U.S. market is mainly caused by the availability and usage of venture capital. Data for quantitative analysis was gathered from different analytics tools like similarweb and builtwith. Qualitative analysis was based on information from desktop research. Webshop information, press releases and publications were gathered, structured and evaluated to identify brand clusters and organizational specifics.

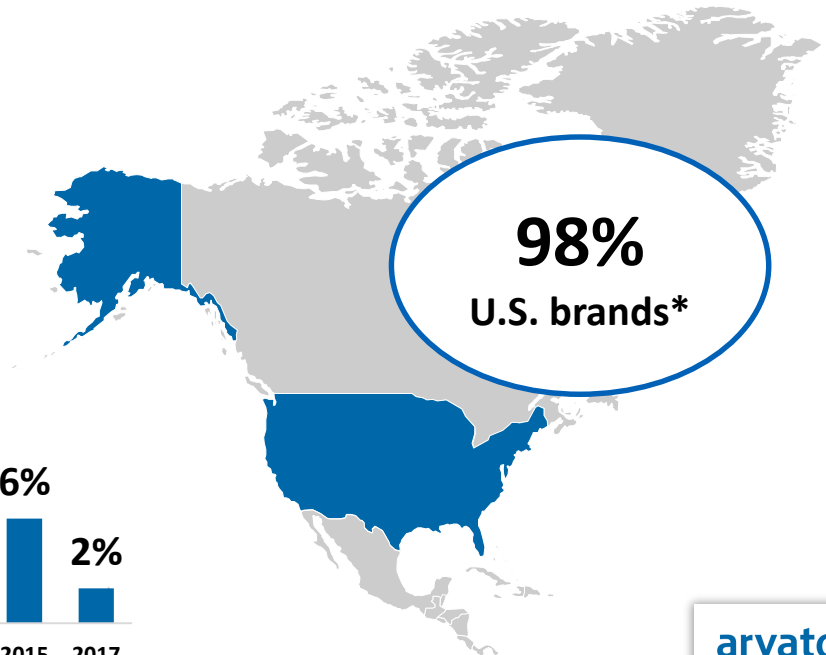
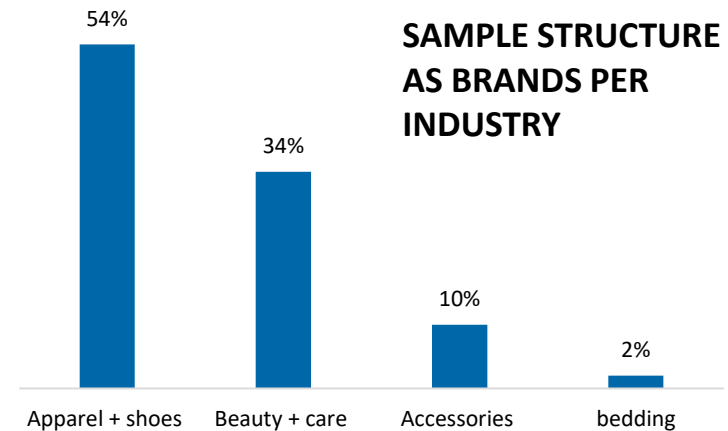
SAMPLE SIZE: 50 D2C BRANDS

A complete list of the analyzed brands can be found at the end of this study.

FOUNDING YEAR



SAMPLE STRUCTURE AS BRANDS PER INDUSTRY



*one brand from the Netherlands

KEY TAKE AWAYS

VALUE PROPOSITION

- By extracting the USP of the D2C brands analyzed, four clusters became apparent:
 1. “The Design Lovers” with a clear design approach
 2. “The Innovators” focusing on new product features
 3. “The Socially Engaged” with a sustainability ambition
 4. “The Optimizers” striving to improve the shopping process
- Fashion brands dominate the sustainability cluster, whereas design lovers often focus on beauty

OPERATIONS

- D2C brands go offline to increase brand awareness and to drive growth
- Outsourcing logistics to cope with the rapid growth is common
- 72% of D2C brands have own retail stores
- 60% of D2C brands sell products through wholesale partners – usually 1 or 2 huge chains
- D2C brands barely sell on Amazon

MARKETING

- D2C brands put a lot more emphasis on social media marketing and have a much higher social media traffic share than their traditional counterparts
- Facebook, Instagram and YouTube are the most popular channels – however, D2C brands put more emphasis on Instagram than traditional brands
- Most social media driven are “The Design Lovers”

TOOLS

- 62% of D2C brands use Shopify as shop framework
- On average, D2C brands have implemented two analytics tools – often combining web analytics with heat map or user behavior analytics
- D2C brands count on “Google Analytics” as website analytics tool
- D2C brands love data and make use of different online analytics tools to improve product development, ad efficiency, and personalization

WHERE DOES THE JOURNEY LEAD TO?

1 DIVERSIFICATION IS KING!

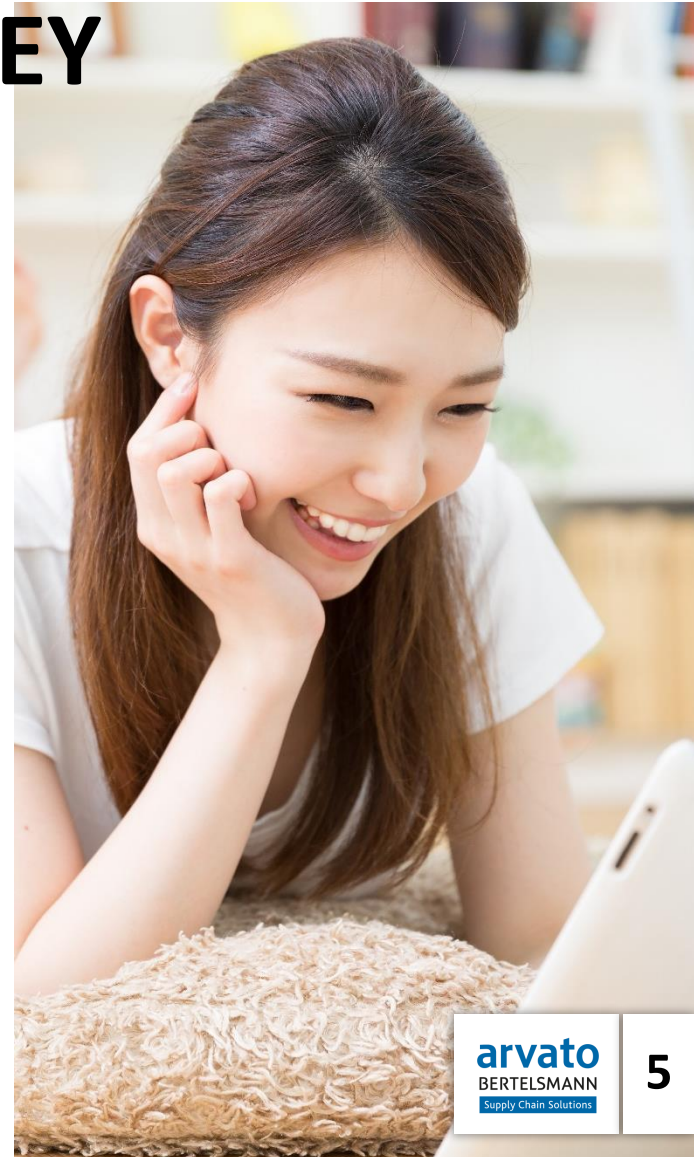
D2C brands that are able to extend their product offering will be successful. A wider product selection will increase the chances for repeat purchases and allow for higher customer acquisition costs. It will be key for brands to find the right path between offering a broader assortment while keeping their authenticity and customer desire.

2 SOCIAL FIRST!

“Need” purchases will increasingly happen through Amazon in the future, while “discovery” purchases will be initiated through social media. Thus, the ongoing pursuit of strong storytelling on social media channels such as Instagram will be a central marketing strategy.

3 GO ONLINE OR GO HOME!

Initiated by the repercussions of Covid-19 pandemic, the e-commerce channel has only become more important. If brands are used to focusing on brick and mortar stores, they will have to diversify with new strategies and different approaches. Brands that are able to expand their strategy to online e-commerce markets and not lose their value proposition, will be the winners in this game.



VALUE PROPOSITIONS

MARKETING
OPERATIONS
TOOLS



FOUR TYPES OF D2C BRANDS CAN BE DIFFERENTIATED

D2C brands differ in their value proposition. Diving deep reveals that the analyzed brands focus on one of four areas: Design, feature, process, sustainability. What unifies all brands is the desire to offer a great value for price ratio.



“THE DESIGN LOVERS”

“The Design Lovers focus exclusively on quality, design, and price. These brands focus mostly on the ‘want-to-have’ effect.”



“THE INNOVATORS”

“The Innovators improve existing offers, by adding new features to products that have not undergone major development within the last decades.”



“THE SOCIALLY ENGAGED”

“The Socially Engaged live sustainability and are extremely transparent towards their customers regarding their plants, manufacturing processes, and ingredients.”



“THE OPTIMIZERS”

“The Optimizers provide new, easier or more appealing shopping processes and often enter a market which was previously rather monopolistic in character.”

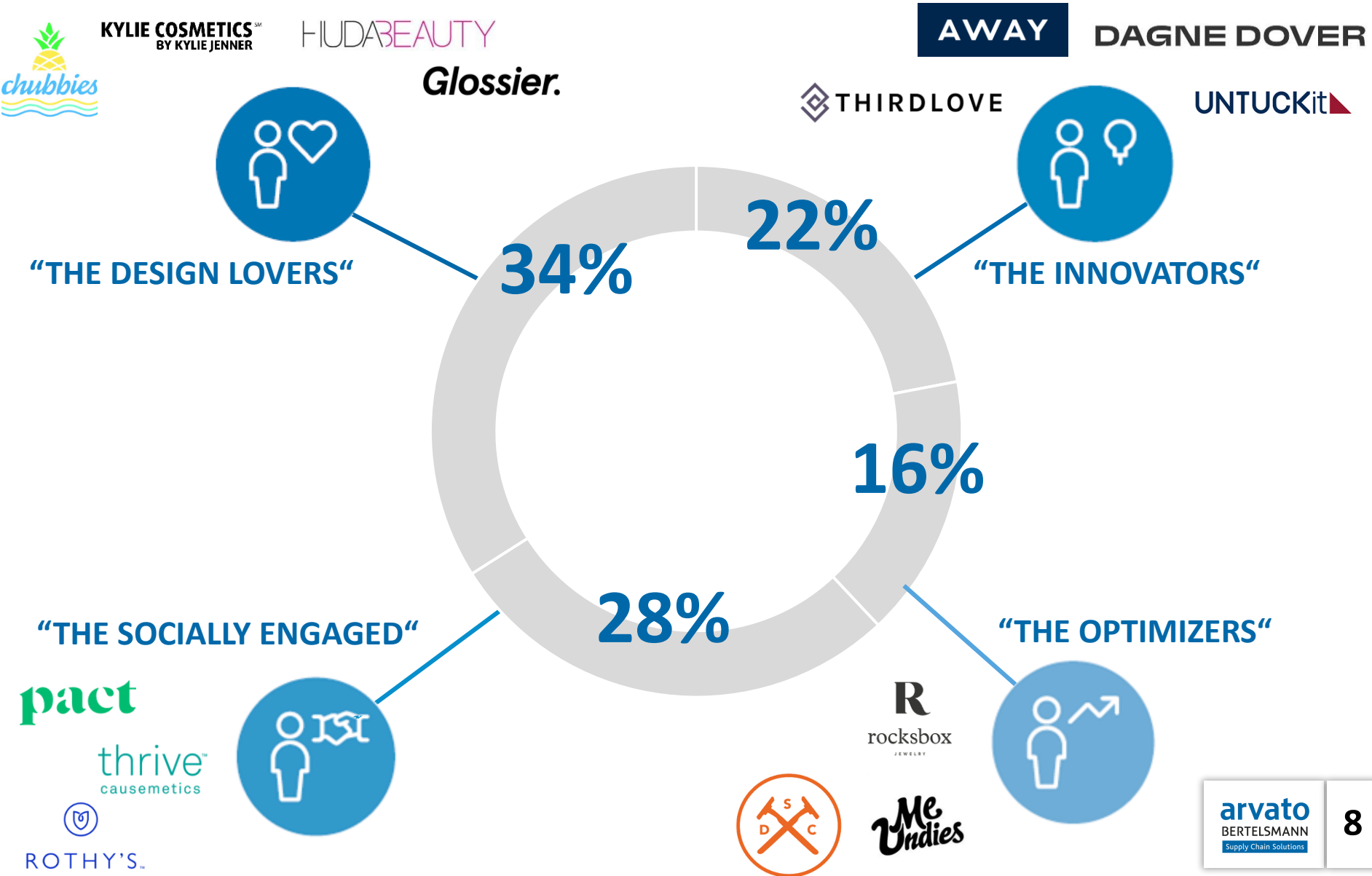
D2C BRANDS DECODED: HOW THEY WIN THE E-COMMERCE GAME

VALUE PROPOSITIONS

MARKETING

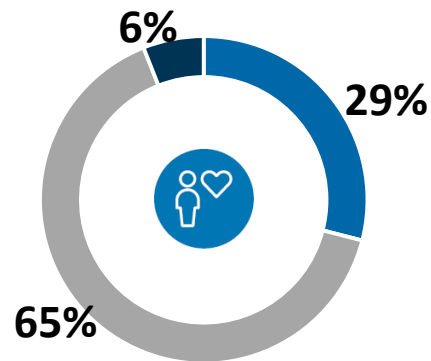
OPERATIONS

TOOLS

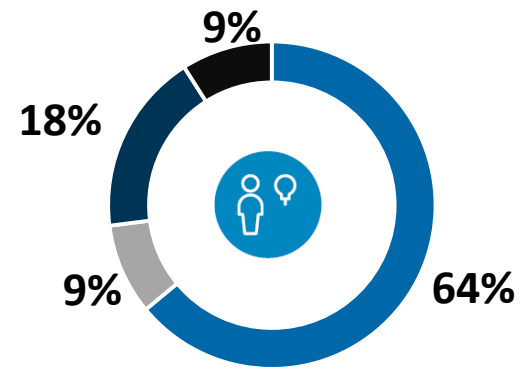


DEPENDING ON THE VALUE CREATION APPROACH, BRANDS CONCENTRATE ON DIFFERENT PRODUCT NICHES

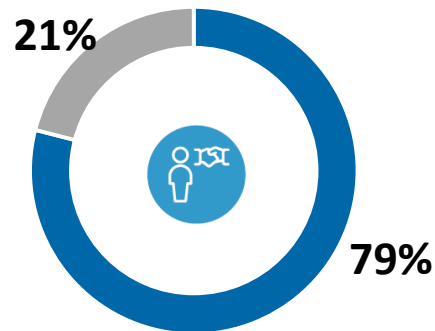
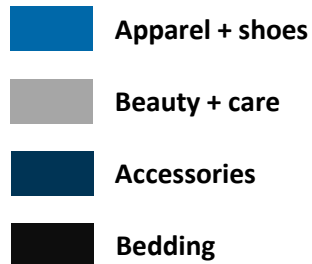
It turns out that “The Socially Engaged” have a clear focus on apparel and shoes, while “The Design Lovers” are highly represented within the beauty brands. “The Optimizers” as well as “The Innovators” are active in numerous different industries.



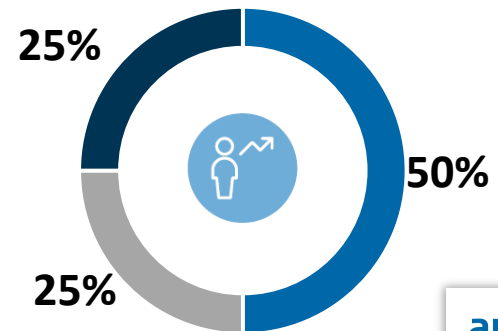
“THE DESIGN LOVERS”



“THE INNOVATORS”



“THE SOCIALLY ENGAGED”



“THE OPTIMIZERS”

D2C BRANDS DECODED: HOW THEY WIN THE E-COMMERCE GAME

VALUE PROPOSITIONS

MARKETING

OPERATIONS

TOOLS

CASE STUDY | Kylie Cosmetics

“THE DESIGN LOVERS”



- Product line range: Full range of cosmetics, including eyeshadow palettes, concealers, highlighters, blushes, accessories, etc.
- Target audience: Younger women, including Millennials and Gen Z.
- Revenue 2019: \$177 million
- Kylie Jenner launched Kylie Lip Kits in 2015. Seeing enormous initial success, she rebranded to Kylie Cosmetics in 2016.
- The brand has been supported by celebrities and high-profile make-up artists, and similar products have been replicated from mainstream U.S. beauty brands, including but not limited to: Stila, Nyx, Benefit Cosmetics, Kat Von D, Smashbox, and Milani.
- In November of 2019, Jenner sold 51% of Kylie Cosmetics to beauty giant Coty in a deal valued at \$1.2 billion. Jenner will continue to lead communications and creative strategy.

Strategy

- Kylie Cosmetics' target market is not inclined to make purchases from advertising, so Kylie Jenner's marketing team focuses on natural advertising, building trust, and nurturing before asking for sales, by presenting Jenner as an expert in fashion and beauty.
- Jenner's incredible social media presence is her go to marketing strategy. She has 185 million followers on Instagram alone and 270 million followers across all social media.
- As a dynamic influencer, Jenner knows how to produce informative, unique and personal feeling content that captures the brand's target markets attention. Her reputation also gives her easy access to other powerful influencers.
- The brand focus on keyword competition, online traffic potential, value, providing useful content, content syndication, and adding users to email lists, entice to follow Kylie on social.
- Jenner is presented as an expert in fashion and beauty. She spreads organic word-of-mouth product recommendations.
- Kylie Cosmetics utilizes Snapchat videos and Instagram stories to showcase up and coming product releases and get customer feedback before the launch.

Retail

- Kylie Cosmetics is primarily an e-commerce store on Shopify, making it ideal for browsing on mobile.
- The brand's website is designed to accentuate impulse purchases, with prominent 'add to cart' call to action buttons, and upselling incentives.
- The brand utilizes pop up stores to provide consumers a chance to test out the products in real life before they purchase them; these entice shoppers who are hesitant to spend money based only on online images and reviews. Not being able to see how products look on potential customers has always been a downfall of online-only cosmetics brands.
- Kylie launched her first retail store in Canoga Park, California, in 2020. The store, that replicates Kylie's bedroom, sells all the cosmetics offered by the brand's line.

D2C BRANDS DECODED: HOW THEY WIN THE E-COMMERCE GAME

VALUE PROPOSITIONS

MARKETING

OPERATIONS

TOOLS



CASE STUDY | UNTUCKit

Developing Lifelong Customer Relationships, Creating Customized Shirts That Look Good Untucked.



Strategy

- Product line range: Focus started on button down shirts. Expanded to 13 product options. Including but not limited to t-shirts, sweaters, jackets, pants, etc. The brand offers 50 tailored options for the entire family.
- Target audience: Started out as men of all ages and body types; diversified to include women and boys.
- Revenue 2018: \$150 million
- The ultimate goal of the U.S. brand is to be truly global and they launched two stores in the UK at the start of the Corona pandemic.
- The brand's overwhelming success is derived from their ability to cultivate a community of advocates around their product, evolving from customer feedback.

- UNTUCKit created a customer focused brand, built around a shopper problem.
- The brand looked at metrics from multiple sources and found that customers wanted shirts that fit their "self-proclaimed" abnormal body type.
- They made modifications and offered 50 customized different shirt options to accommodate.
- UNTUCKit runs multichannel ads across TV, radio, print, digital, and catalog channels.
- The brand constantly reads customer reviews, which gives them an unbiased view of what the customer wants.
- They made certain to boost customer confidence in the brand before expanding.

Retail

- UNTUCKit is a product and digital first brand, that focused on e-commerce sales initially.
- They now have 85 brick and mortar stores throughout the U.S. and Canada.
- The brand utilizes omnichannel retailing.
- Mobile POS gives the brand complete visibility into their customer journey, map out orders and inventory.
- Endless aisle functionality enables brand sales teams to access and sell inventory from any location.
- UNTUCKit follows up with SMS and email after sales.
- The brand serves nearly every customer spectrum, by holistically offering online and offline customer shopping experiences.

"THE INNOVATORS"

D2C BRANDS DECODED: HOW THEY WIN THE E-COMMERCE GAME

VALUE PROPOSITIONS

MARKETING

OPERATIONS

TOOLS



CASE STUDY | THIRDLOVE

Empowering women to feel comfortable and confident in their everyday lives, by developing bras that fit perfectly, feel incredible, and look stellar.



- Product line range: Bras, lingerie and underwear.
- Target audience: Women of all shapes, colors, ages and sizes.
- Revenue 2018: \$160 million
- The ideas for new products often stem from the founders' own need and lack of offers on the market.
- The brand offers strong integration of customers in the processes of product improvement and product development – customers will be reactivated and converted to repeat customers.
- ThirdLove's bras are manufactured in China and Vietnam and there are concerns about how the 2019-2020 trade wars between the U.S. and China might affect that business.
- To remain competitive in the saturated market, the brand will have to expand its international sales. Other internet retailers have mimicked ThirdLove's online fit questionnaires.

Strategy

- ThirdLove focuses strongly on customer service, data analytics, and "listening".
- The brand is able to offer "digital experience" shopping options that a traditional retailer can't provide.
- To capture the data, the brand initially designed a ThirdLove app that takes pictures of users in their underwear or in form-fitting clothing to estimate body size and calculate a bra size recommendation.
- Then the brand moved towards the launch of a Fit Finder web tool instead.
- Fit Finder asks shoppers questions in order to assess the ideal size and fit.
- The brand provides "try before you buy" to gain new customers.
- ThirdLove launched its first "To Each, Her Own" national brand campaign in 2018 on social media with the hashtag #ToEachHerOwn
- Facebook is ThirdLove's dominant marketing channel, at 550,000 likes.
- The brand utilizes Facebook ads to target people it thinks would be good potential customers and follows up with a complete customer experience.

Retail

- The online-first brand opened up its debut brick and mortar retail store in New York in 2019. Its fitting rooms are used to gather information on what customers are looking for in an in-person experience. The rooms are painted in skin flattering tones of mauve and muted pinks and outfitted with adjustable lighting.
- ThirdLove does not distribute products via wholesale partners – neither online nor offline.
- The brand strongly adheres to the direct-to-consumer approach.

"THE INNOVATORS"

D2C BRANDS DECODED: HOW THEY WIN THE E-COMMERCE GAME

VALUE PROPOSITIONS

MARKETING

OPERATIONS

TOOLS



CASE STUDY | ROTHY'S

Shoes start with postconsumer plastic bottles but evolve into knitted flats in a variety of colors and patterns.

ROTHY'S

- Product line range: Boots, handbags, totes, clutches and pouches.
- Target audience: Millennial women and kids.
- Revenue 2018: \$140 million
- Rothy's uses yarn made from recycled plastic water bottles that are sterilized and melted into pellets, that are used by 3D knitting machines that knit the yarn into the shoe and then they attach a recycled rubber sole.
- The brand started out manufacturing the shoes in the U.S. and then moved manufacturing to China to find more skilled workers to produce quality shoes at scale.
- Rothy's seeks cooperations with like-minded businesses (brands with complementary products or nonprofit organizations).
- They utilize social media to communicate their activities towards their target group.
- The brand focuses on storytelling and community building.

Strategy

- Rothy's started out by focusing on Facebook and Instagram, they now have over 630,000 followers.
- The brand built brand awareness initially with their Facebook groups, that are run by volunteers instead of brand representatives. Group members post pictures of Rothy's and discuss up-and-coming releases.
- The ambassador program "The Collective" came next, with a group of 19 super fans from Rothy's biggest markets; leveraging influencers such as Meghan Markle, Lupita Nyong'o, and Yara Shahidi.
- Rothy's initiated a three-pronged strategy: By creating a personalized marketing experience, taking advantage of non-branded search terms, and marketing to its most loyal customers, the brand was able to surpass one million customers in less than four years.
- The brand supports their community with plastic pollution partnerships, donation programs, and supporting the Covid-19 pandemic relief.

Retail

- Rothy's initially launched with one retail store in San Francisco.
- The store complements the brand's digital business and provides a place to test product innovations and make improvements.
- Although the brand owes most of its rapid growth to digital, it is also embracing its brick-and-mortar retail strategy and now has stores in Washington D.C., Boston, and New York.
- Rothy's holds a pop-up cooperation with AWAY travel's concept store in NYC.
- The brand distributes its products via wholesale partner Nordstrom.
- Their products are not sold on Amazon.

"THE SOCIALLY ENGAGED"

VALUE PROPOSITIONS

MARKETING

OPERATIONS

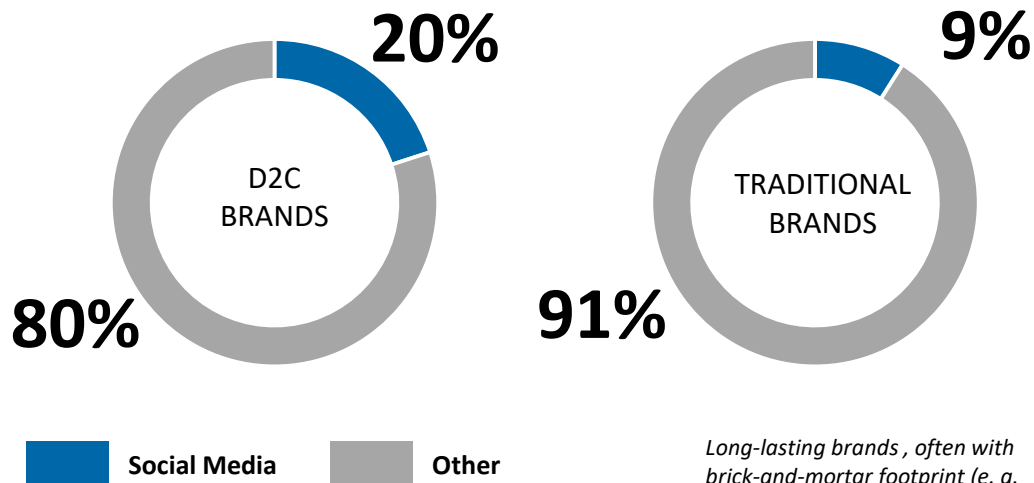
TOOLS



D2C BRANDS MASTER THE SOCIAL MEDIA GAME

D2C brands are famous for their social media engagement. They often owe their rapid growth to the fast and strong distribution of the brand via social media channels. However, social media strategies differ. On average, D2C brands in this study have a social media traffic share of 20 %, compared to their traditional counterparts with 8.8 % on average.

SHARE OF SOCIAL MEDIA TRAFFIC IN ONLINE SHOP



Long-lasting brands, often with brick-and-mortar footprint (e. g. Ralph Lauren)

Source: Similarweb.com; Arvato analysis 2020



FACEBOOK VS. INSTAGRAM – WHO RULES?

Facebook and Instagram remain the dominating traffic channels among a wide variety of social media options. All brands analyzed in this study have an account on both platforms. However, the relevance in terms of followers differs between D2C and traditional brands.

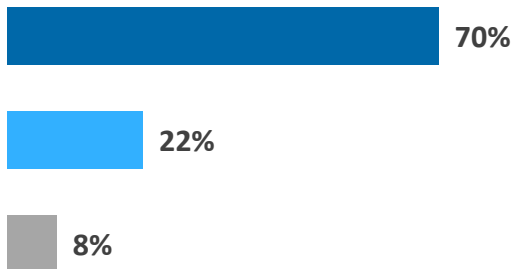


FACEBOOK LEADS THE RANKING FOR BOTH

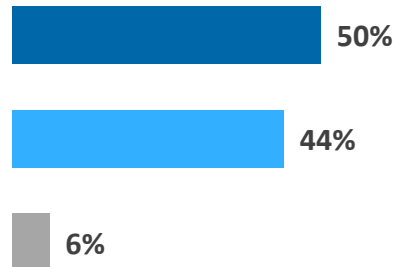


INSTAGRAM GAINS IMPORTANCE AMONG D2C BRANDS

TRADITIONAL BRANDS



D2C BRANDS



Facebook more relevant



Instagram more relevant



Same relevance

Source: Facebook + Instagram accounts August 2020; share of brands with more followers/likes on the respective social media channel



D2C BRANDS DECODED: HOW THEY WIN THE E-COMMERCE GAME

VALUE PROPOSITIONS

MARKETING

OPERATIONS

TOOLS

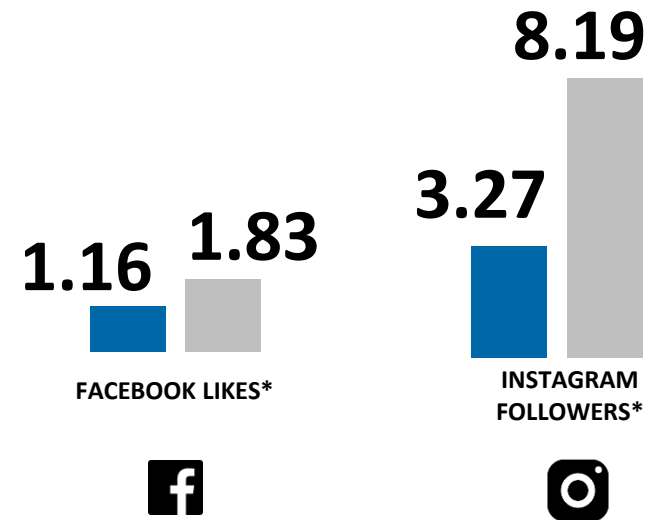
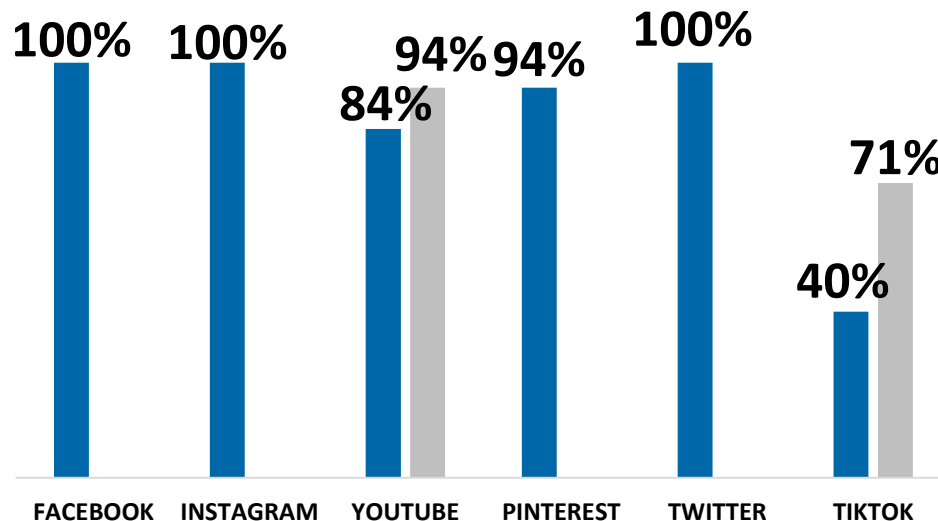
“THE DESIGN LOVERS” DEPEND ON SOCIAL MEDIA

Facing a highly competitive environment and rapidly changing trends, “The Design Lovers” depend on the so-called “want-to-have” effect. To quickly grow, reactivate customers, and reach profitability, these brands depend even more strongly on social media. Thus, they put great emphasis on dedicated influencer strategies, resulting in an above average social media traffic share.



“THE DESIGN
LOVERS”

SHARE OF D2C BRANDS WITH AN ACCOUNT ON THE RESPECTIVE SOCIAL MEDIA PLATFORM



*million likes and followers

SOCIAL MEDIA STRATEGIES AT A GLANCE

INFLUENCER

KYLIE COSMETICS

“ She’s one of the most watched people on Snapchat and one of the most followed people on Instagram, with nearly 130 million followers. At 21, Kylie Jenner is the youngest ever self-made billionaire in the U.S. Kylie’s brand is great at making her audience feel like they are accessing her directly and getting to see different sides of her. She seamlessly weaves posts about her everyday life with promotions for products she’s using at the moment, which further increases customer demand. Her social media pages are also filled with posts about her personal life, including photos of her baby, Stormi. She allows her followers to peek behind the curtain, giving them insights into what it’s like to be Kylie. It’s her ability to authentically project herself that draws her audience in.”

Entrepreneur, March 2019

STORYTELLING

ALO YOGA

“ Alo spreads its mindful messaging and builds brand awareness through a community it likes to call the “Alo Family”, consisting of over 4,000 yoga pros and teachers. Harris and his marketing team work with their yoga collaborators to shoot the dreamy Instagram images in the L.A. area.”

“I think [our philosophy] has attracted the likes of some of the most real and authentic yogis that have committed their life to their practice.”

Fashionista, March 2017

ENGAGEMENT

GLOSSIER

“ Glossier has been able to establish themselves as a socially-driven beauty brand. It tapped into Instagram’s community of beauty enthusiasts and converted them into the brand’s ambassadors. They encouraged users to use brand hashtags which in turn allowed ordinary users to be discovered and featured on Glossier’s page. To market a new blush, Glossier used the product on celebrity clients and shared the results on social media. The campaign led to 1,700 user-generated images over 7 days and over 6,000 images by the fourth week.”

Entrepreneur, August 2017

SOCIAL MEDIA STRATEGIES AT A GLANCE

ACHIEVING CUSTOMER LOYALTY WITH E-MAIL

BONOBOS

“ Email [...] is central to everything Bonobos does. It's the primary way it keeps customers coming back to buy. It's how it attracts prospective customers. It's how it keeps shoppers informed about what the brand is up to. We want to provide value. [...] That means tailoring Bonobos' email messages to what shoppers are interested in, which it determines based on an algorithm developed by its data science team based on data it gathers about its customers.”

Digitalcommerce360, October 2015

GROWING WITH PARTNERSHIPS

ALLBIRDS

“ We've been following Tyler [Haney]'s work at Outdoor Voices for some time now and have always felt a natural synergy between Allbirds and Outdoor Voices,” Allbirds founders Tim Brown and Joey Zwillinger shared over email. “Both teams bring a new vision to dated categories and pride ourselves on finding a “better way” to be Doing Things. It seemed like such an obvious and fun next step for both of us to collaborate on our first head-to-toe look.”

Racked.com, November 2017

CREATING EXPERIENCES WITH MAGAZINES

AWAY

“ Key to Away's massive success: content, which has been core to the company since the beginning. Rubio came up with the idea of creating a hardbound book that featured artists, writers, and photographers on their favorite destinations. The finished product, “The Places We Return To”, sold out and put Away on the path to exceed more than \$12 million in first-year sales. In 2017, it launched Here, a beautifully designed print and digital travel magazine that curates travel stories from people around the world – influencers, writers, celebrities, and friends.”

Newscred.com, April 2018

SIDENOTE:

COVID-19 HAS OPENED THE DOOR TO NEW DIGITAL BUSINESS OPPORTUNITIES

D2C brands are able to leverage their unique internet sales competitive advantage even more, due to the repercussions of the Covid-19 pandemic. The new social distancing guidelines in the U.S. have really limited off-line sales. Even the pop-up stores that D2C brands like to use to showcase their new launches are feeling the repercussions.

Some resourceful D2C brands are turning to digital events and live-streaming to showcase their products. Social media advertising is becoming more lucrative, with cost per thousand (CPM) ad pricing for Facebook and Instagram falling by as much as 50% in March 2020.

Meanwhile, new and up-and-coming apps, such as TikTok, have led to fashion brands coming up with innovative new marketing strategies. As of May, TikTok was the most downloaded app of 2020. TikTok's short unobtrusive videos are perfect for Gen Z consumers and can be integrated well with social media.

On August 2020, President Trump signed an executive order that would ban the use of the China owned TikTok in the U.S. Trump stated it would be shut down for national security reasons, unless it was taken over by a U.S. company. The following month, it was announced that TikTok would partner with local companies for their U.S. operations. Only time will tell what comes from this agreement and the future of this app in the U.S.



VALUE PROPOSITIONS

MARKETING

OPERATIONS

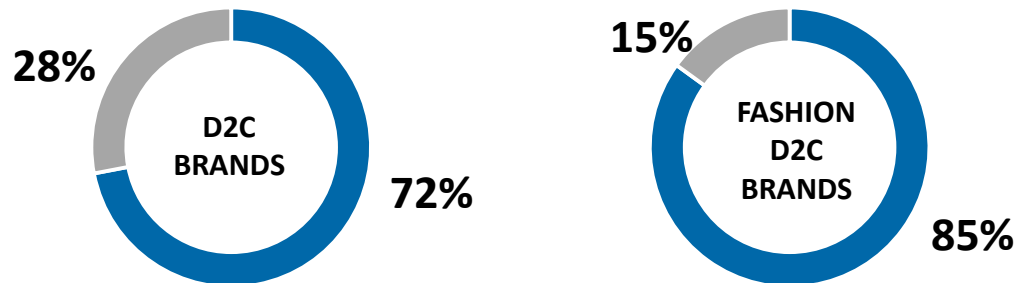
TOOLS



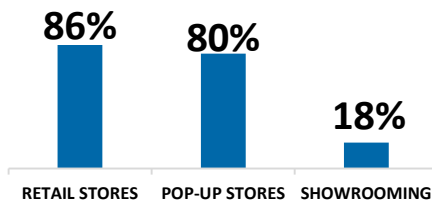
D2C BRANDS GO OFFLINE – WITH OWN STORES

The main characteristic of D2C brands is to sell to end customers via the internet. However, retail stores are a relevant growth channel for these businesses, especially for fashion brands. They often start with pop-ups to test regions and formats, before permanent stores – with inventory or as a showroom concept – are opened.

% OF BRANDS WITH THEIR OWN RETAIL STORES



STORE TYPES USED BY D2C BRANDS



- In most cases, having retail stores is a fixed component of D2C growth.
- Pop-up stores are common to test new regions and formats
- Showrooming helps to avoid stock, save costs and avoid the need to calculate and manage inventory turnover

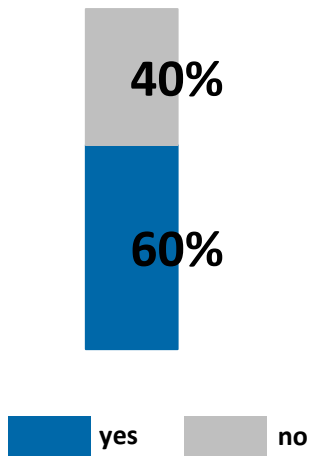
Source: Arvato analysis 2020



D2C BRANDS WANT WHOLESALE PARTNERSHIPS

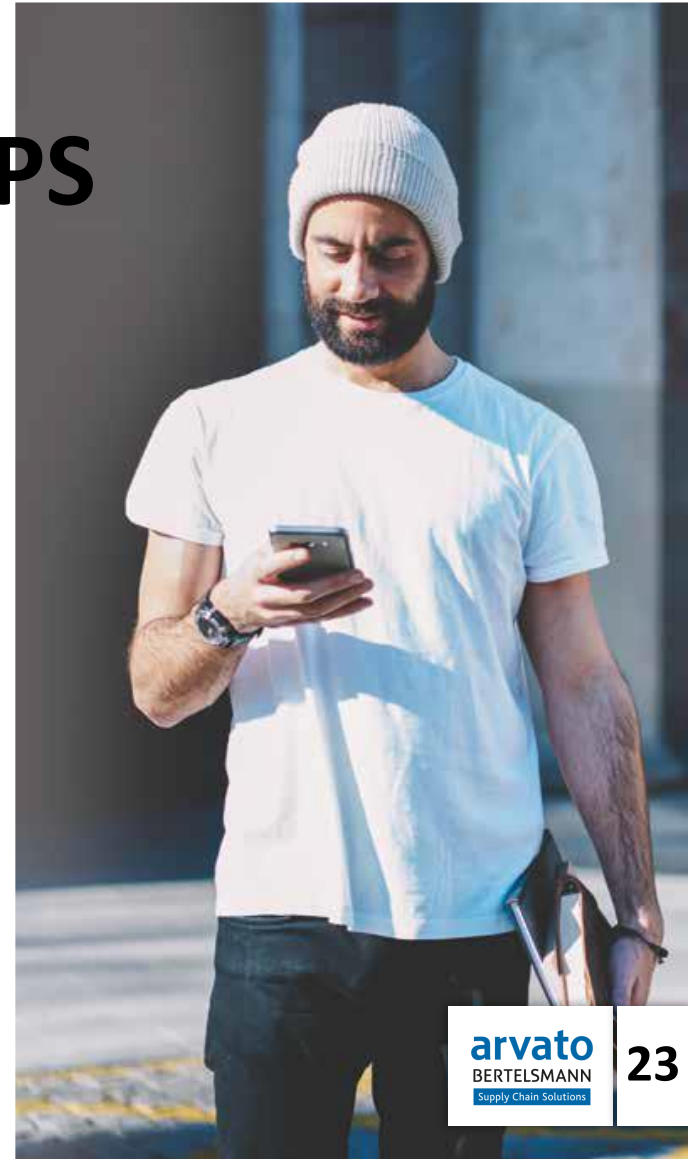
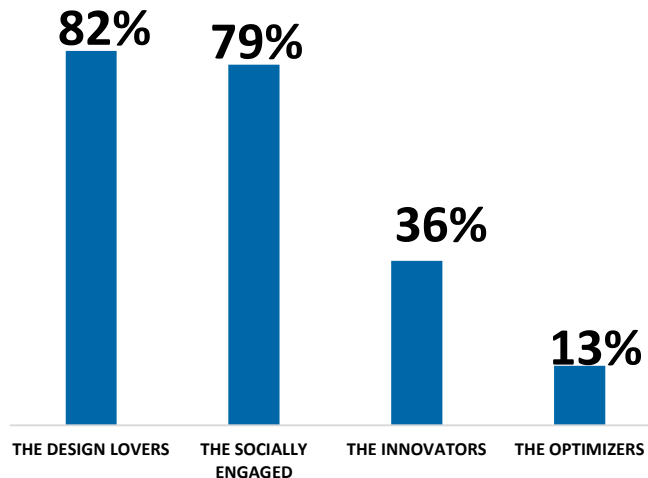
Apart from opening retail stores to grow offline and address new target groups, D2C brands also seek wholesale partnerships to distribute their products after a “pure” D2C start. However, the relevance of wholesale partnerships highly depends on the value proposition cluster.

D2C BRANDS WITH WHOLESALE PARTNERSHIPS



Source: Arvato analysis 2020

WHOLESALE PARTNERS MOST RELEVANT FOR “THE DESIGN LOVERS” AND “THE SOCIALLY ENGAGED”



D2C BRANDS DECODED: HOW THEY WIN THE E-COMMERCE GAME

VALUE PROPOSITIONS

MARKETING

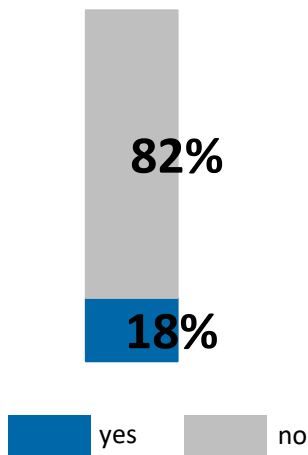
OPERATIONS

TOOLS

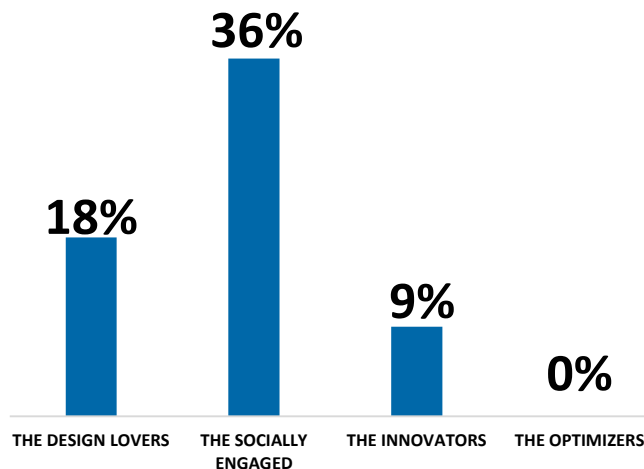
AMAZON? NO, THANK YOU!

D2C brands are not using Amazon as a marketplace very strongly. Not more than 18% of the analyzed brands use the seller or vendor program. Those brands focusing on sustainability, natural ingredients and materials (focus of socially engaged businesses) may see a chance with their products to survive in Amazon's highly competitive environment. Design focused brands leverage the reach of Amazon.

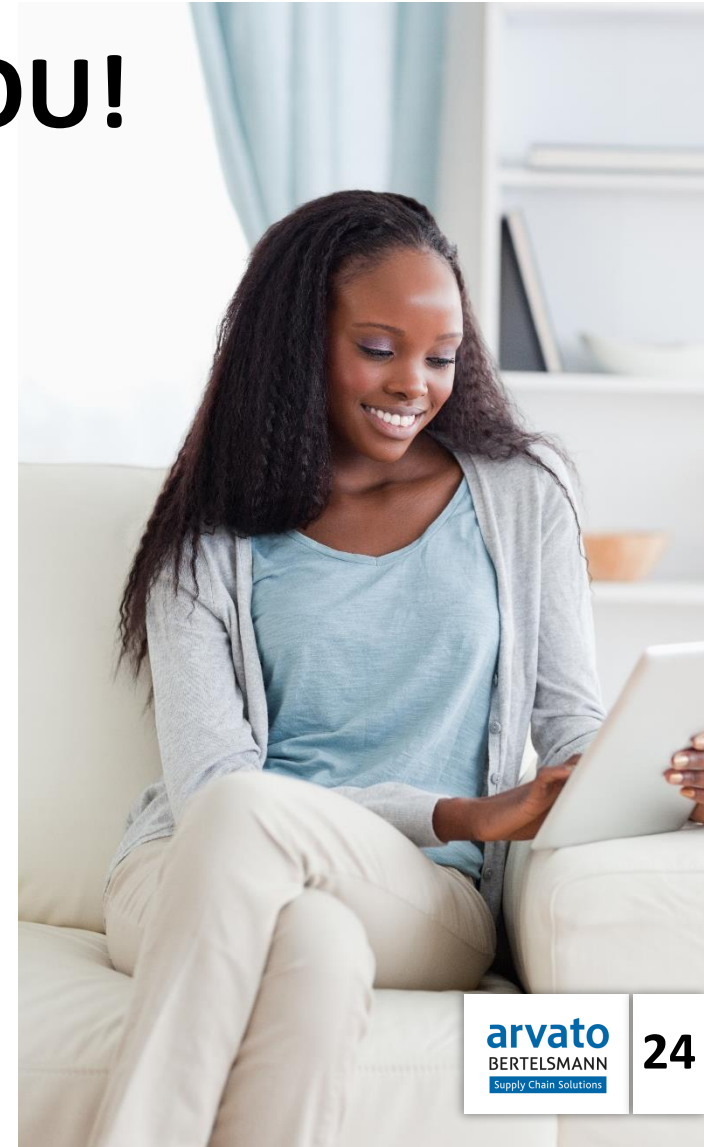
SHARE OF D2C BRANDS THAT USE AMAZON AS DISTRIBUTION CHANNEL (VIA SELLER OR VENDOR PROGRAM)



SHARE OF D2C BRANDS THAT USE AMAZON AS DISTRIBUTION CHANNEL ACCORDING TO CLUSTER (VIA SELLER OR VENDOR PROGRAM)



Source: Arvato analysis 2020



D2C BRANDS DECODED: HOW THEY WIN THE E-COMMERCE GAME

VALUE PROPOSITIONS

MARKETING

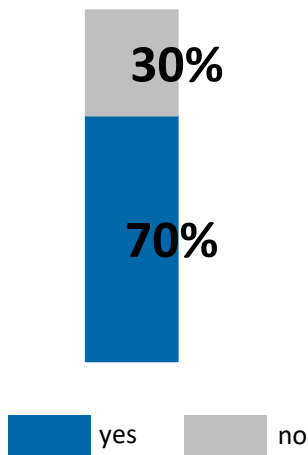
OPERATIONS

TOOLS

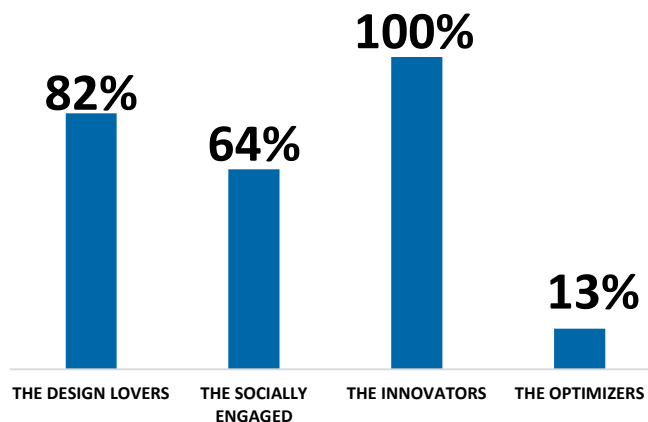
GROWING WITH OUTSOURCED E-COMMERCE FULFILLMENT

Most analyzed brands outsource their e-commerce fulfillment. However, “The Optimizers” in particular keep their logistics mainly in-house. In these business models, recurring sales allow for better planning and thus decrease the need for an external fulfillment partner. For the other clusters, the fast growth of brands often leads to logistics challenges and therefore a high need for external fulfillment capacities. Marketing and customer service are key elements of a D2C brand’s business model – and thus are usually done in-house.

SHARE OF D2C BRANDS THAT OUTSOURCE THEIR E-COMMERCE FULFILLMENT



SHARE OF D2C BRANDS THAT OUTSOURCE THEIR E-COMMERCE FULFILLMENT ACCORDING TO CLUSTER



Source: Arvato analysis 2020



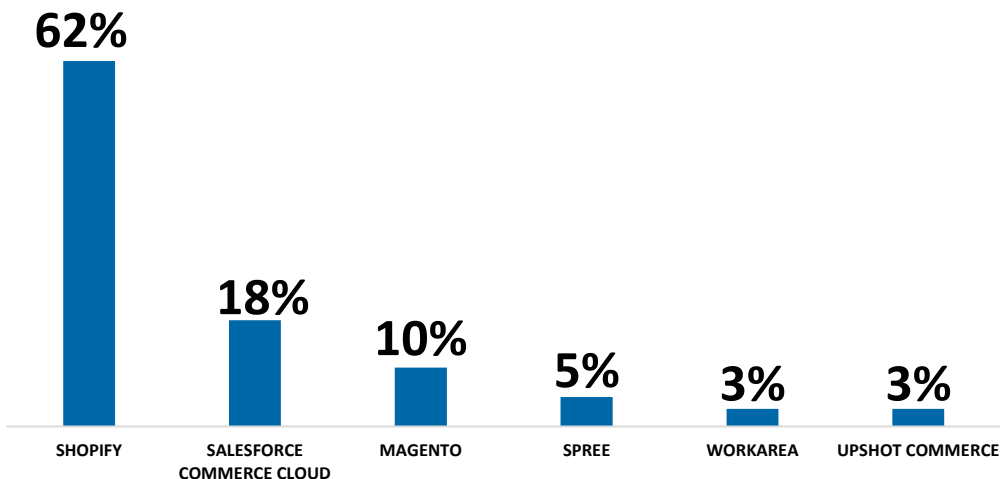
VALUE PROPOSITIONS MARKETING OPERATIONS TOOLS



SHOPIFY FIRST CHOICE FOR D2C BRANDS

D2C brands trust in the Shopify shop framework. 62% of the brands analyzed use the framework in their online shop operations. Shopify specifically focuses on brands that seek a fast time to market without a great deal of prior online shop knowledge. It appears that many D2C brands find the framework helpful in testing their market and subsequently scale it.

ADOPTION OF USED SHOP FRAMEWORKS



Source: Arvato analysis of builtwith data (brands were only evaluated when data was available), August 2020



D2C BRANDS DECODED: HOW THEY WIN THE E-COMMERCE GAME

VALUE PROPOSITIONS

MARKETING

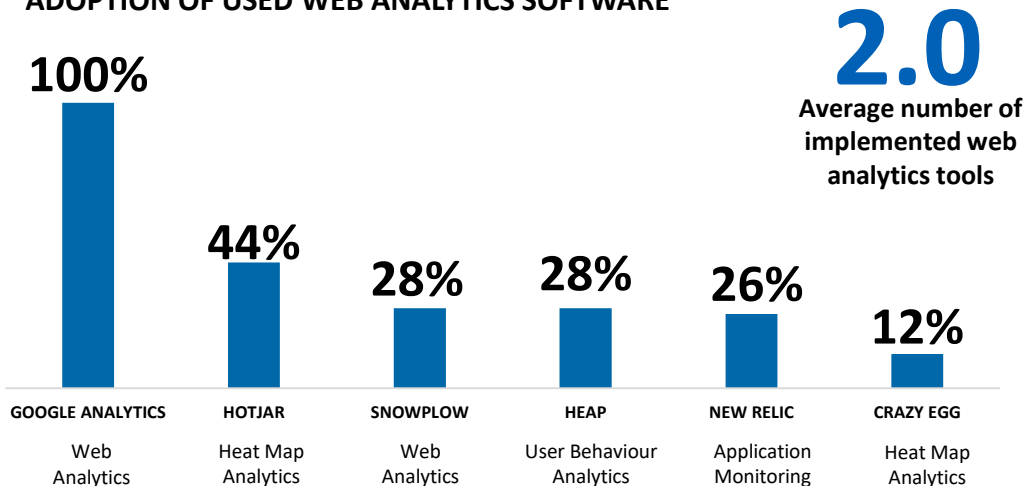
OPERATIONS

TOOLS

GOOGLE ANALYTICS STANDARD FOR WEB ANALYTICS; HEAT MAP TOOLS ALSO POPULAR

It comes as no surprise that Google Analytics appears to be practically the standard for web analytics. The software is used by all of the brands analyzed. Interestingly, other software that is focused on behavioral analytics such as heat mapping also appears to be popular among D2C brands.

ADOPTION OF USED WEB ANALYTICS SOFTWARE



Source: Arvato analysis of builtwith data (brands were only evaluated when data was available), August 2020



D2C BRANDS DECODED: HOW THEY WIN THE E-COMMERCE GAME

VALUE PROPOSITIONS

MARKETING

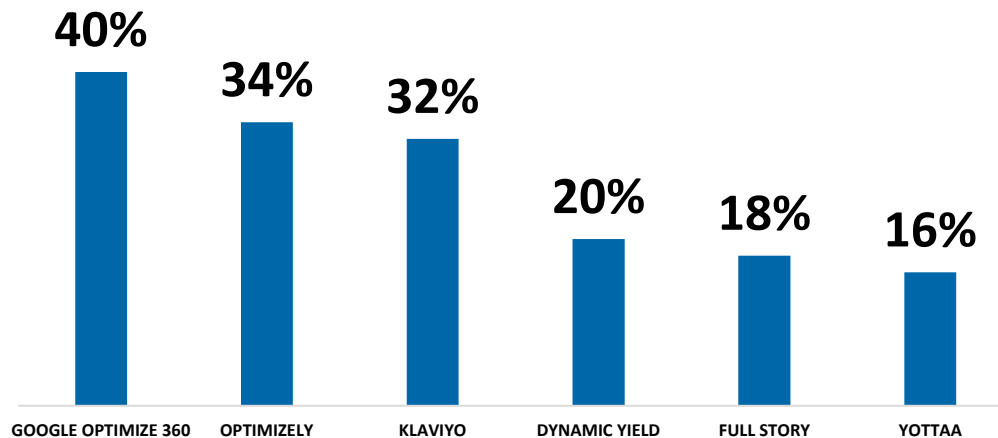
OPERATIONS

TOOLS

A/B TESTING AND EMAIL AUTOMATION TOOLS MOST POPULAR WITH D2C BRANDS

Google Optimize 360, the experimentation platform Optimizely and the email automation tool Klaviyo are among the most popular marketing tools used by D2C brands. Especially the tools Google Optimize 360 and Optimizely suggests that A/B testing is one of the central themes for D2C brands.

ADOPTION OF USED WEB MARKETING ANALYTICS SOFTWARE



Source: Arvato analysis of builtwith data (brands were only evaluated when data was available), August 2020



DATA IS THE NEW GOLD – D2C BRANDS USE IT IN DIFFERENT WAYS

PRODUCT DEVELOPMENT

THIRDLOVE

“ ThirdLove’s big difference [...] is its use of voluminous amounts of data – 600 million data points such as breast shape, cup fit and band tightness [...] from an online questionnaire— to create betterfitting bras, especially by pioneering the use of half-sizes.”

“Today the company sells 24 bra styles in 74 sizes. Customer data determines future designs.”

Forbes, October 2018

AD EFFICIENCY

MVMT

“ Jake Kassan and Kramer LaPlante dropped out of college and founded MVMT and in five years, they built a business with \$80 million in sales, creating a playbook for a successful digital-only brand.

As they scaled MVMT, which hit \$7 million in revenue the second year, they rolled out on Facebook, Twitter, YouTube and podcasts, using a mix of paid advertising and organic posts to drive traffic to their website and sell watches. Because all of the sales came from that website, they could track, fairly precisely, which efforts worked and which didn’t – tweaking the message and marketing over time.”

Forbes, January 2018

PERSONALIZATION

FENTY BEAUTY

“ Rihanna is the cornerstone of the Fenty Beauty brand, but everything from product to content to campaigns has been centered around customers. The brand delivers personalized content across the customer journey — content that is meaningful, inspirational, and relevant. Fenty Beauty connects with customers everywhere they are — from social to email to landing pages, the brand is invested in omnichannel technology and strategy. The brand needed a platform that had speed, scale, and flexibility to meet the evolving needs of Fenty Beauty customers. Since launching in 2017 in 17 countries, the beauty brand has grown exponentially.”

Digitalcommerce360, September 2018

D2C BRANDS DECODED: HOW THEY WIN THE E-COMMERCE GAME

List of analyzed brands

BRAND	INDUSTRY	COUNTRY OF ORIGIN	WEBSITE
Allbirds	Apparel + shoes	USA	allbirds.com
Alo Yoga	Apparel + shoes	USA	aloyoga.com
Anastasia Beverly Hills	Beauty + care	USA	anastasiabeverlyhills.com
AWAY	Accessories	USA	awaytravel.com
Betabrand	Apparel + shoes	USA	betabrand.com
Bombas	Apparel + shoes	USA	bombas.com
Bombfell	Apparel + shoes	USA	bombfell.com
Bonobos	Apparel + shoes	USA	bonobos.com
Brooklinen	Bedding	USA	brooklinen.com
Chubbies	Apparel + shoes	USA	chubbiesshorts.com
Cotopaxi	Apparel + shoes	USA	cotopaxi.com
Cuyana	Apparel + shoes	USA	cuyana.com
Dagne Dover	Accessories	USA	dagnedover.com
Dollar Shave Club	Beauty + care	USA	dollarshaveclub.com
Dolls kill	Apparel + shoes	USA	dollskill.com
Everlane	Apparel + shoes	USA	everlane.com
Fenty Beauty	Beauty + care	USA	fentybeauty.com
Glossier	Beauty + care	USA	glossier.com
Harry's	Beauty + care	USA	harrys.com
Huda Beauty	Beauty + care	USA	hudabeauty.com
Jeffree Star Cosmetics	Beauty + care	USA	jeffreestarcosmetics.com
Justfab	Apparel + shoes	USA	justfab.com
Julep	Beauty + care	USA	julep.com
KKW Beauty	Beauty + care	USA	kkwbeauty.com
KVD Vegan Beauty	Beauty + care	USA	Kvdveganbeauty.com

BRAND	INDUSTRY	COUNTRY OF ORIGIN	WEBSITE
Kyliecosmetics	Beauty + care	USA	kyliecosmetics.com
Mack Weldon	Apparel + shoes	USA	mackweldon.com
M.Gemi	Apparel + shoes	USA	mgemi.com
MeUndies	Apparel + shoe	USA	meundies.com
Mizzen and Main	Apparel + shoe	USA	mizzenandmain.com
Morphe	Beauty + care	USA	morphe.com
MVMT	Accessories	USA	mvmtwatches.com
MyLola	Beauty + care	USA	mylola.com
Outdoor Voices	Apparel + shoes	USA	outdoorvoices.com
Pact	Apparel + shoes	USA	wearpact.com
Rebecca Minkoff	Apparel + shoes	USA	rebeccaminkoff.com
Reformation	Apparel + shoes	USA	thereformation.com
Rituals	Beauty + care	NL	rituals.com
Rocksbox	Accessories	USA	rocksbox.com
Rothy's	Apparel + shoes	USA	rothys.com
Spanx	Apparel + shoes	USA	spanx.com
Stitchfix	Apparel + shoes	USA	stitchfix.com
Tarte Cosmetics	Beauty + care	USA	tartecosmetics.com
Tea Collection	Apparel + shoes	USA	teacollection.com
The Honest Company	Beauty + care	USA	honest.com
ThirdLove	Apparel + shoes	USA	thirdlove.com
Thrive Causemetics	Beauty + care	USA	thrivecausemetics.com
Tortuga	Accessories	USA	tortugabackpacks.com
UNTUCKit	Apparel + shoes	USA	untuckit.com
Warby Parker	Accessories	USA	warbyparker.com

THE AUTHORS



Golden Ashby

Global Social Media and Content Marketing Manager
Arvato Supply Chain Solutions



Franziska Kier

Head of eCommerce Competence Center
Arvato Supply Chain Solutions



Karina Sirazetdinova

Business Development
Arvato Supply Chain Solutions

GET IN CONTACT WITH US!



Konstantin Bohmeyer

Vice President

konstantin.bohmeyer@arvato.com

+1 661-903-6678

www.arvato-supply-chain.com

arvato

BERTELSMANN

Supply Chain Solutions