

DIRECTADE FINDS THAT A CPG STARTUP'S DIRECT CUSTOMER IS WORTH 9X THE VALUE OF A RETAIL CUSTOMER

In the past, Directade's client had compared sales revenue between Direct and Retail Channels in order to prioritize their sales channel strategy:

REVENUE BY SALES CHANNEL		
PRODUCT	DIRECT	RETAIL
Start Product	\$45	\$37
Replenishment Product	\$11	\$12

While the Direct channel had more revenue, the majority of growth was being planned in Retail due to its potential reach.

In order to better measure the growth potential in both channels, Directade first compared the product margins between the two channels:

MARGIN BY SALES CHANNEL		
PRODUCT	DIRECT	RETAIL
Start Product	\$12	\$9
Replenishment Product	\$5	\$3

While the Direct channel did have a slightly better margin, comparing product margins alone is misleading.

Directade revolutionized how this Client viewed their business by aggregating sales data from both Direct and Retail channels, and creating a Customer LTV model:

LIFETIME VALUE BY SALES CHANNEL		
PRODUCT	DIRECT	RETAIL
Start Product	\$12	\$7
Replenishment Product	\$95	\$5
Start + Replenishment Products	\$107	\$12

DIRECT AVERAGE: \$107

RETAIL AVERAGE: \$12

= 9X VALUE

The significant Customer LTV improvement identified in the Direct channel helped the client re-prioritize their sales strategy.