



DTC BRANDS - RESPONSE TO COVID

DTC BRANDS ARE POISED TO CONTINUE GROWTH, POST-COVID

In the middle of June, Totem surveyed a group of global DTC (direct-to-consumer) brands to gauge their response to Covid-19.

Totem did similar surveys of brands in other regions/segments - China (Mar 23-24) and brands across Asia (May). The results of previous surveys provided useful benchmarks to compare with this group of DTCs brands, when asking; how well did they perform during Covid? ...what challenges did they face? ...what priorities will they have in the aftermath?

DTC brands stand out in the following ways (vs. other brands in previous surveys):

1. As a group, DTCs saw very little disruption to sales (many experienced increases)
2. DTCs are more digital, more deeply connected with customers and more agile
3. Post-Covid, customer service/support is the key area for investment among DTCs
4. DTC brands are twice as likely to move forward playing offense (vs stuck playing defense)

The crisis has accelerated many structural changes that were already underway. Brands that thrive, post-recovery will be; deeply connected with customers, digital-first, agile/responsive, and quick to adapt to changing needs.

DTC (and digital native) brands are well positioned to succeed in the “new normal.” They were able to sidestep the worst damage from Covid and are now switching very quickly from “defensive” tactics to innovative, “offensive” strategies.

Chris Baker
Founder, Totem Media



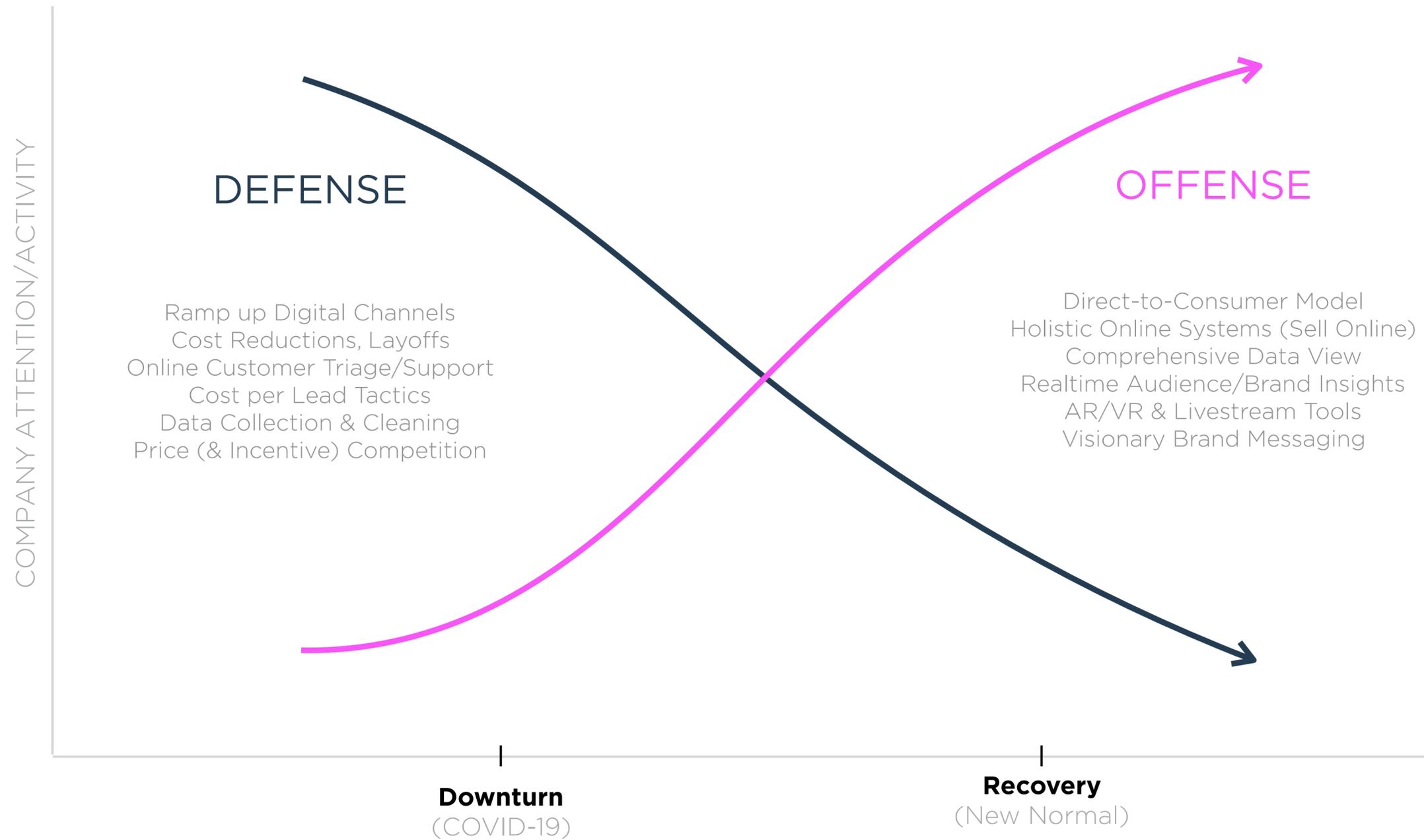
BRANDS THAT CAN SWITCH FROM
DEFENSE TO OFFENSE DURING A
CRISIS, BECOME DISPROPORTIONATELY
STRONGER AFTER THE EVENT.

Successful brands had transformation roadmaps already in place and were able to speed up the launch of key initiatives in light of Covid.

The most agile brands (including many DTCs) have completely re-imagined product offerings and the connections their brands have with customers.

SWITCHING QUICKLY FROM DEFENSE TO OFFENSE

Not just dealing with pressing issues but being able to see ahead and plan

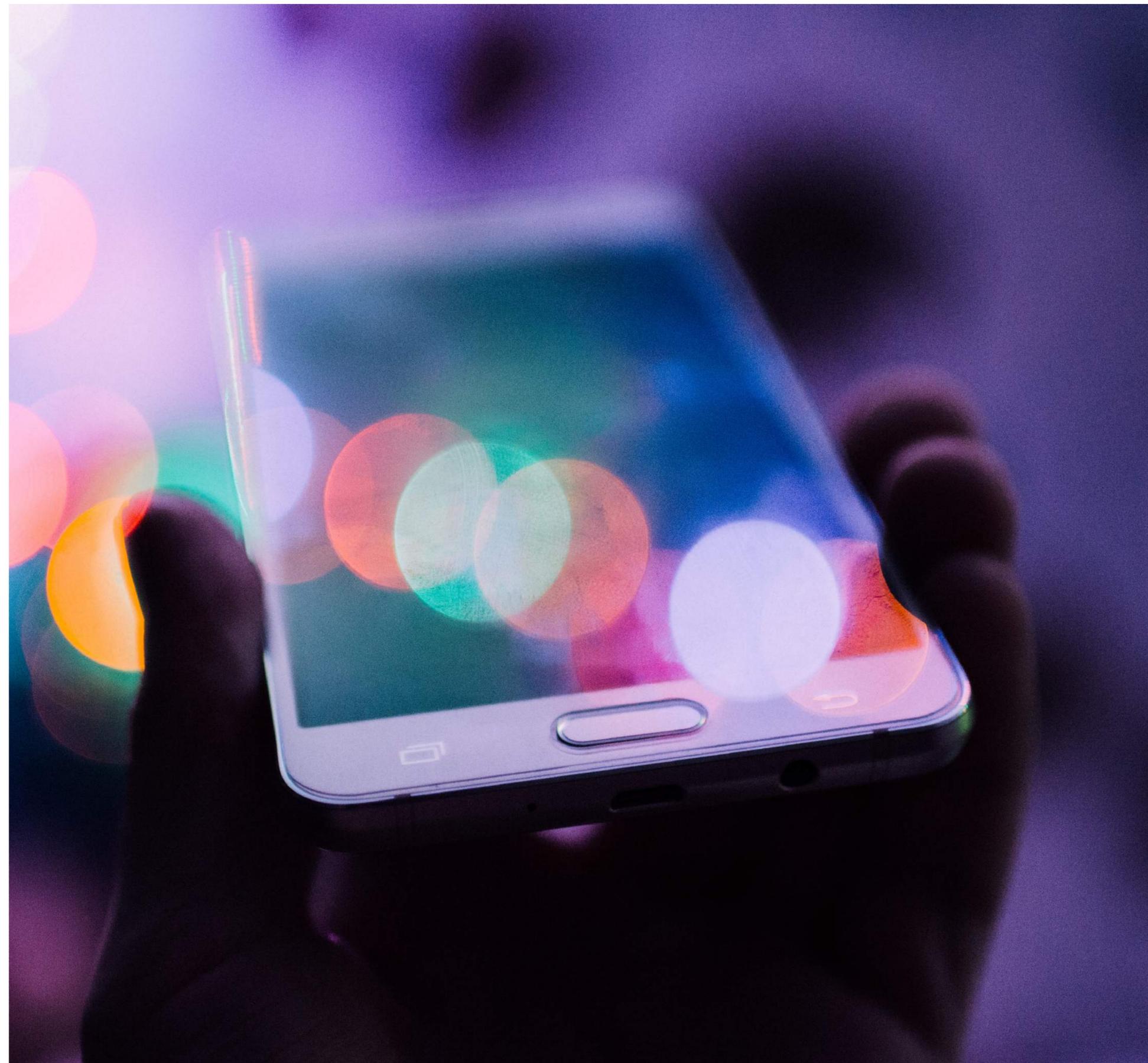


DTC brands have put themselves in a good position to gain ground during/after Covid.

While traditional category leaders are stuck fixing deficiencies (rebalancing offline/online sales, reviewing product portfolios, and improving digital capabilities), DTC brands are quickly moving forward with innovative strategies.

DTC brands have put themselves in a good position to make gains against category leaders.

They are doubling down on; (1) more digital resources (eg. AR/VR), (2) deeper customer learning/engagement, and (3) re-positioning products for customers' new needs. DTC brands have moved quickly from defense tactics toward playing offense.



A BOLD, OFFENSIVE PLAY BY LULULEMON

In light of Covid, smart brands are bringing innovation forward more rapidly

BUILDING UPON DIGITAL CAPABILITIES

With its acquisition of Mirror, Lululemon follows through on its vision of “owning a customer” and creating a range of products and experiences around that persona. In recent years they have done brand extensions like deodorant, and other wellness products. Mirror raises the stakes and puts Lululemon in a position to play a more central (omni-present) role in their audiences’ lives. Now, instead of moving horizontally (with brand extensions), they are going vertical, creating greater value around fitness and wellness.

The Mirror deal has been in the works for a long time but, in light of Covid, the timing is great. The \$500 million acquisition follows upon an earlier investment in the tech startup. Despite Lululemon’s great track-record of going “direct”, it has mostly relied on physical retail - digital has been a relative weakness for the brand. Like many brands that had to close shops during Covid, they needed to move more digital. Who needs a shop when you could own a screen right in someone’s living room?



The \$500 million acquisition of Mirror puts Lululemon into audiences homes and helps them create a vertical business in fitness/wellness.

SHIFTING RETAIL STAFF TO ONLINE MARKETING

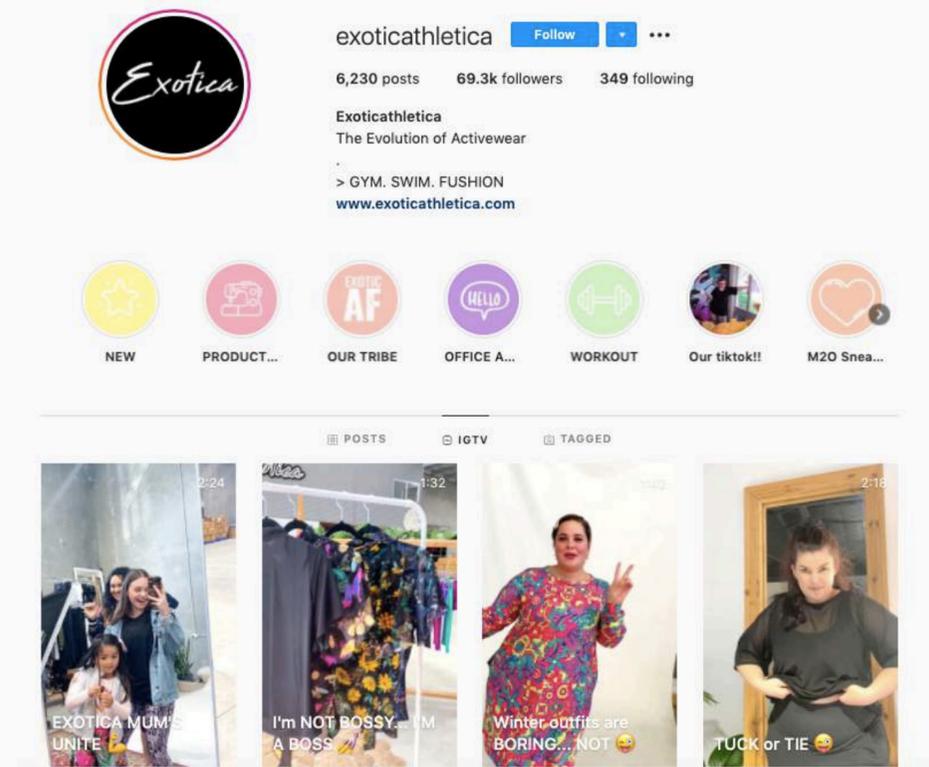
Keeping valuable employees engaged rather than furloughed

STORE STAFF DRIVING ONLINE SALES

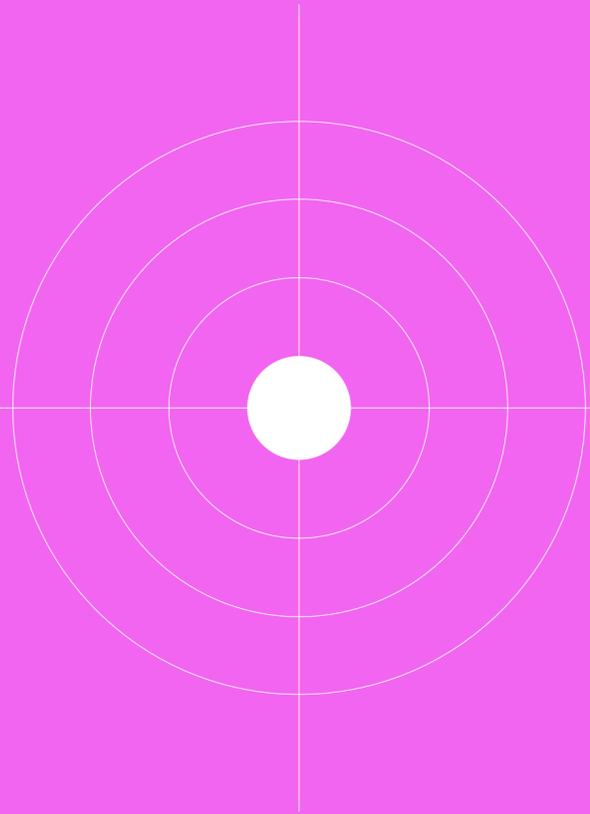
Instead of furloughing retail staff as many brands have done during the pandemic, Exotic Athletica has enlisted its store staff for doing live videos on social media and to drive online sales.

The retail staff of Exotic Athletica were already a critical part of the brand in their roles as offline consultants to customers. With the move online - via livestream, video chats - they are able to amplify the brand, engage customers and drive conversions.

Customer service programs have often been viewed as peripheral to mainstream marketing and branding efforts. Customer engagement programs (launched during Covid) have turned customer support into a top priority branding/communications tool. This is an important place to concentrate efforts, for brands looking to “play good offense.”

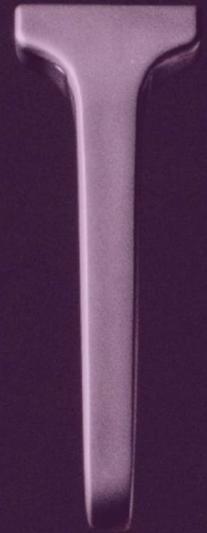


Exotic Athletica, has enlisted its store staff to do live videos on social media (Facebook, Instagram, TikTok), to support online sales



HOW DID DTC BRANDS COPE DURING COVID?





ABOUT THE SURVEY

On June 13-14, Totem Media surveyed a group of 89 DTC (Direct-to-Consumer) brands in the US and Europe.

The goal of this survey was to understand what effects Covid has had on business since the start of the crisis.

While all of the brands are digital native (online) brands, they represent a wide cross section of categories.

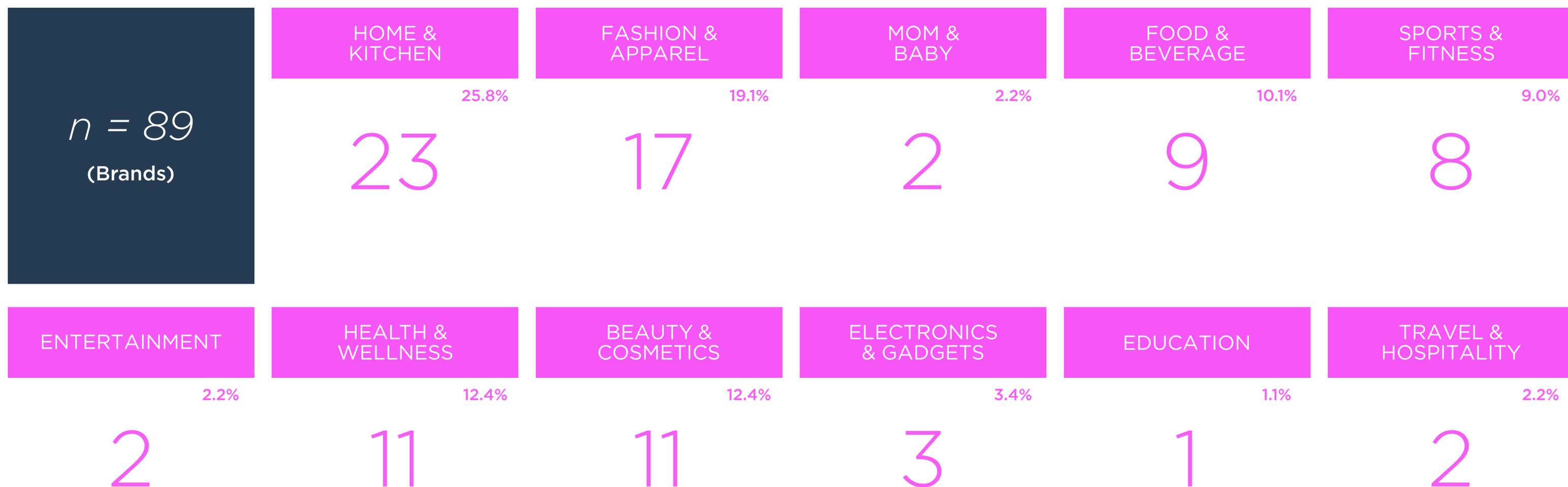
As a group, these digital native, DTC's performed well during Covid - with only 22% of brands seeing sales declines. In an earlier survey of mainstream brands, we found that >80% of those brands had some sales declines during Covid.

THIS EVENT (COVID) AND THE
RESULTING ECONOMIC IMPACT WILL
SPEED UP THE STRUCTURAL CHANGES
THAT WERE ALREADY OCCURRING.

*Digital (ecommerce and communications) gained the upper hand
during the crisis and coming out of the crisis, will pull ahead further.*

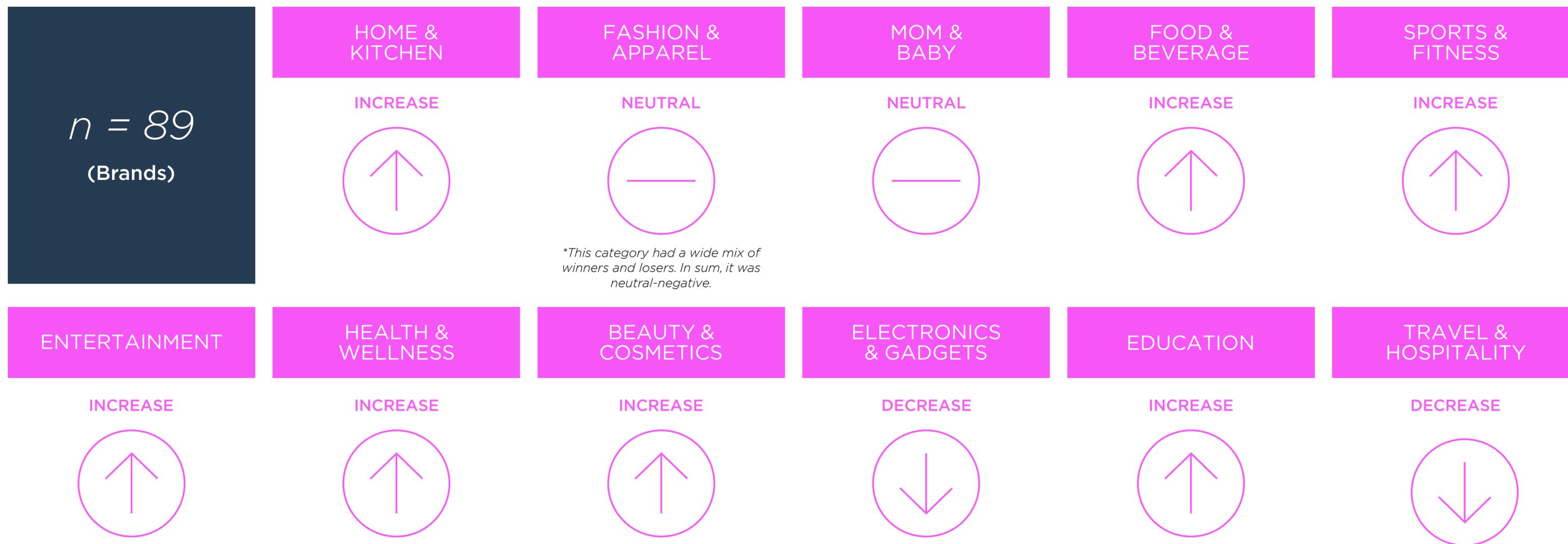
BRANDS SURVEYED, INDUSTRIES/CATEGORIES COVERED

*Survey was of senior brand/marketing staff per company



HOW CATEGORIES PERFORMED DURING THE OUTBREAK

*Overall sales performance, based on feedback from the June 2020 Totem Brand Survey



DTC BRANDS HAD SUCCESS DURING COVID

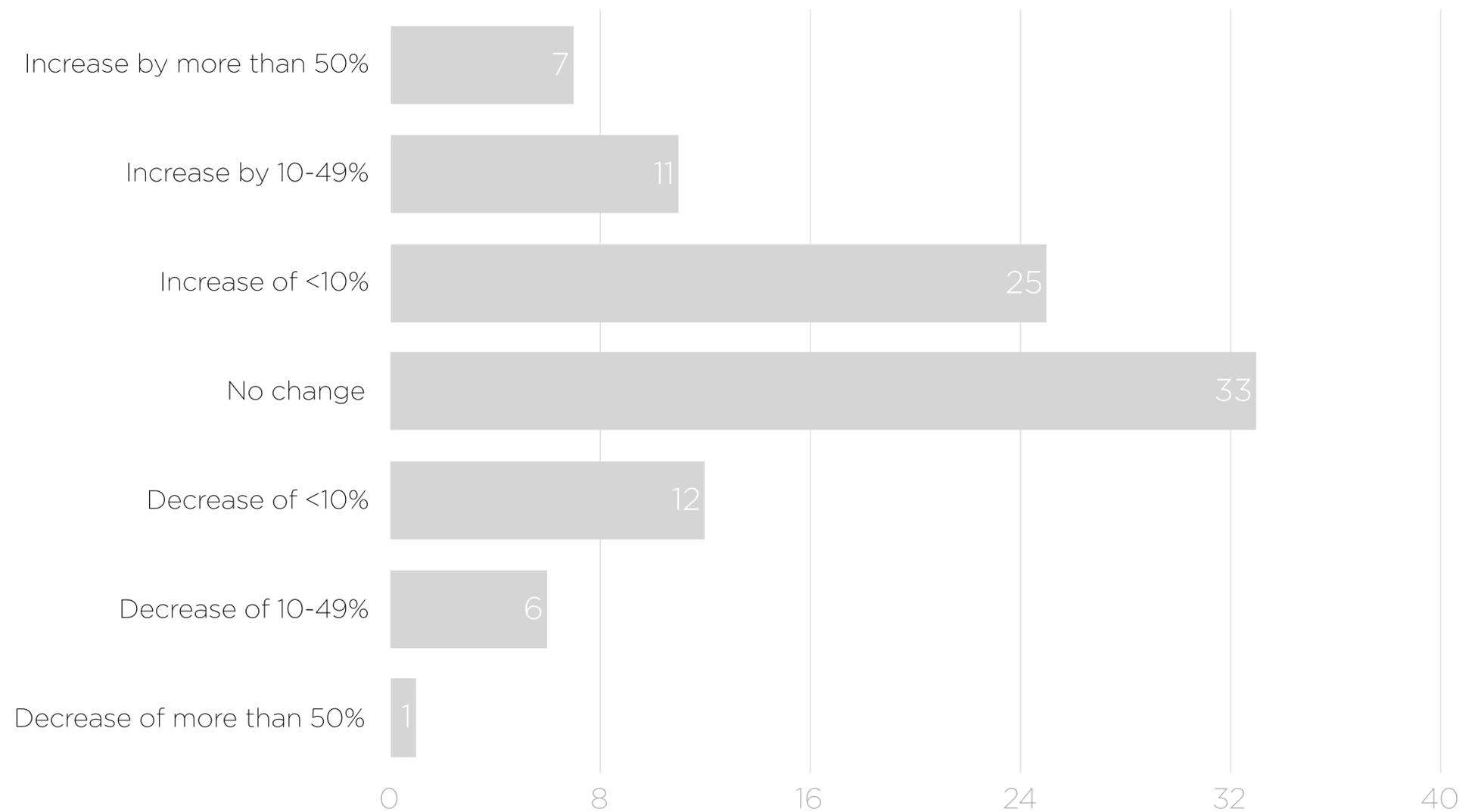
During Covid, sales were relatively positive (vs mainstream brands)

ONLY 22% OF DTC BRANDS SURVEYED SAW SALES DECLINES DURING COVID - MOST SAW VERY LITTLE CHANGE TO SALES.

DTC BRANDS HAVE THE ADVANTAGE OF BEING; (1)MOSTLY DIGITAL, (2)SMALL, (3)HIGH GROWTH, AND (4)AGILE/RESPONSIVE.

Many DTCs increased Facebook ad spend when CPM/CPAs dropped - whereas most traditional brands cut spending quickly.

HOW HAVE YOUR COMPANY'S SALES BEEN AFFECTED DURING COVID-19?



DTC BRANDS HAVE HELD UP WELL DURING COVID

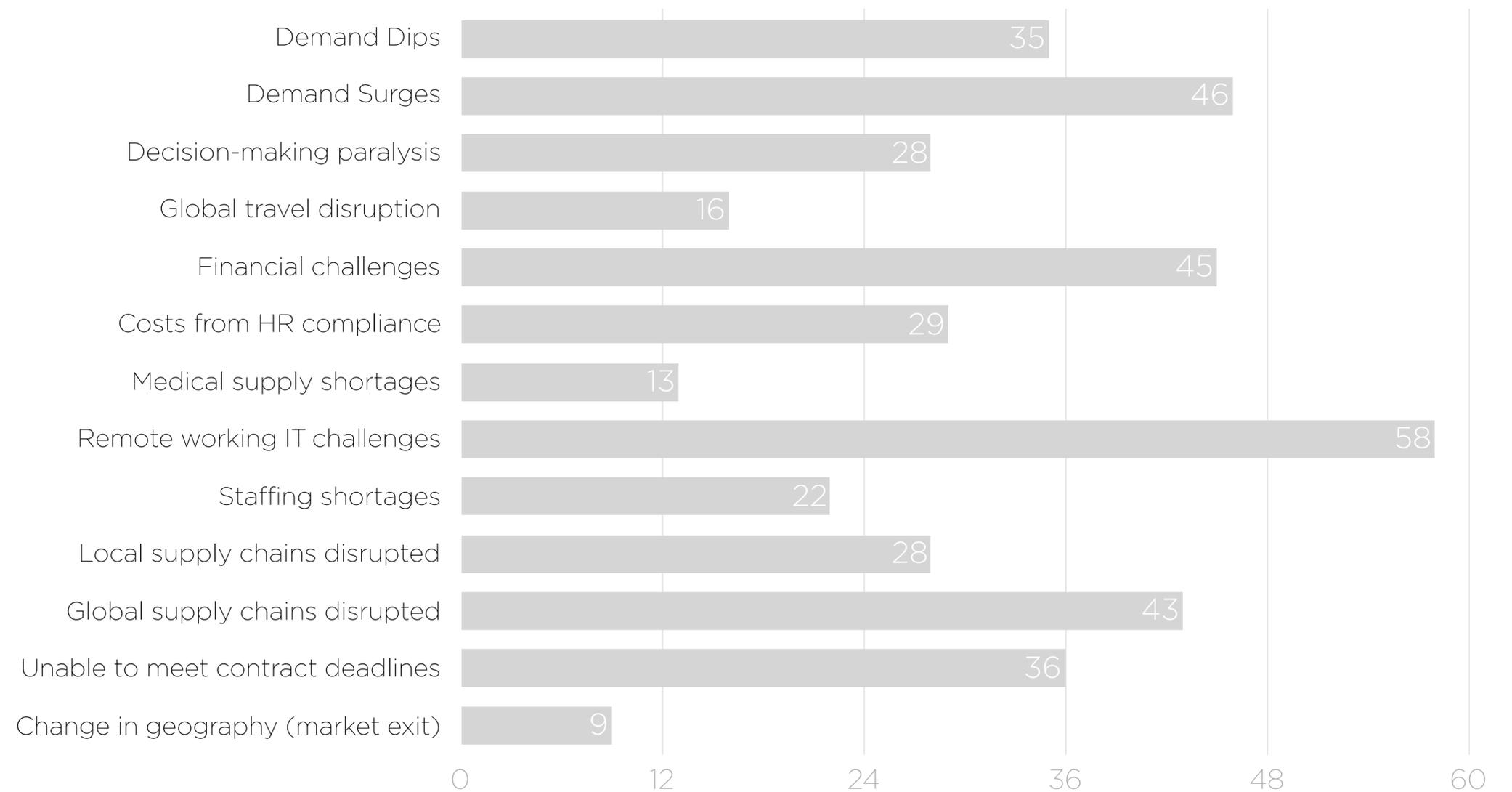
As digital native brands, the systems were already in place to reach customers & fulfill sales

DTC BRANDS WERE MORE LIKELY TO HAVE DEMAND SURGES THAN DEMAND (SALES) DIPS.

WITH MANY BRANDS DOING BRISK SALES, KEEPING PRODUCT IN STOCK FROM SUPPLY CHAINS WAS A COMMON PROBLEM.

Surveys of traditional brands showed much larger effects on: (1) sales/revenue, (2) finances, and (3) decision-making.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS SO FAR?



RETURN TO “NORMAL” A LONG WAY OUT

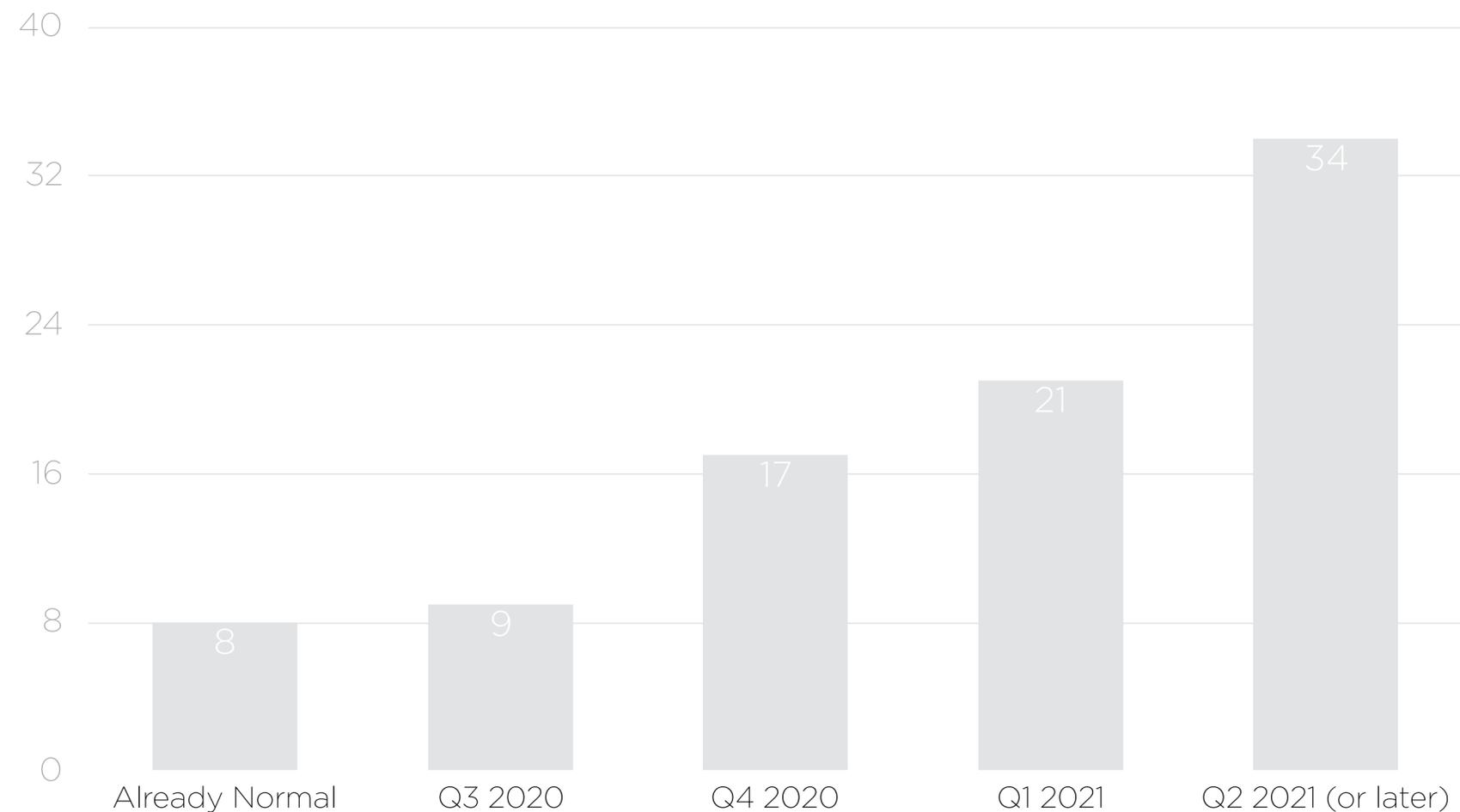
Despite relative success during Covid, DTC brands don't see a quick recovery

THE MAJORITY OF BRANDS ARE LOOKING TO 2021 FOR WHEN BUSINESS WILL RETURN TO “NORMAL.”

BUT THESE SENTIMENTS ARE CHANGING ON A DAILY BASIS, AND REGION BY REGION, DEPENDING ON RECENT COVID SWINGS.

European brands had a slightly more positive view on the question of when things would return to “normal” - as of June 13-14.

I EXPECT BUSINESS TO RETURN TO NORMAL BY THE FOLLOWING TIME:



ALL BRANDS FACED DEEP
CHALLENGES DURING COVID.
CONNECTING WITH CUSTOMERS AND
ADAPTING QUICKLY WERE THE BEST
COPING STRATEGIES.

Customer support/engagement have become high priority marketing tools.

DTC brands performed exceptionally well in response to the disruptions that took place during Covid. The close connections with audiences that they had cultivated over time - together with a strong display of understanding and empathy - allowed them to rally around customer needs AND ultimately support sales.

USING COVID AS AN OPPORTUNITY TO IMPROVE

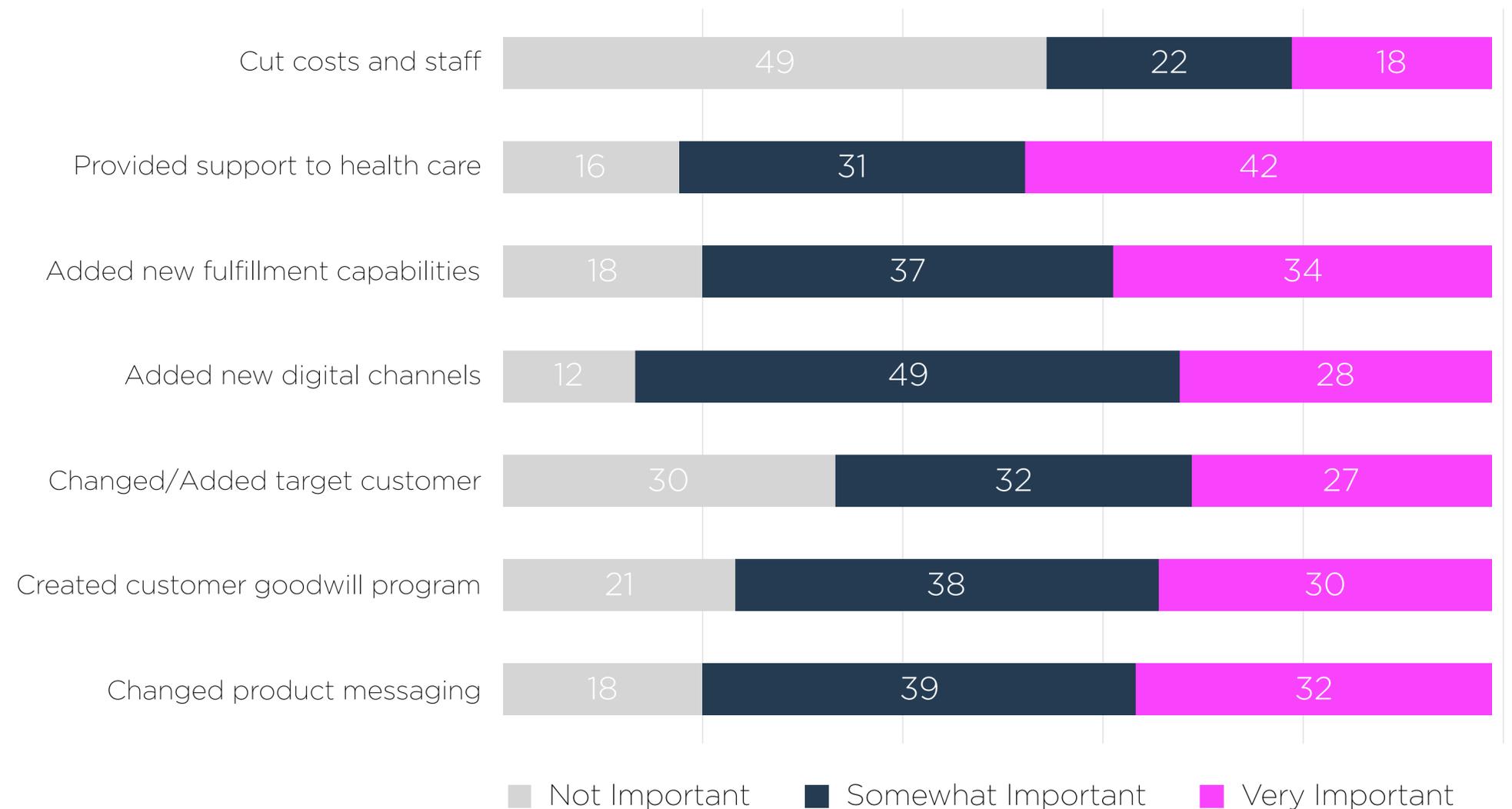
While traditional brands cut costs, DTCs are pressing forward, adding new digital capabilities

DESPITE ALREADY HAVING STRONG DIGITAL CAPABILITIES, DTC BRANDS ADDED NEW DIGITAL RESOURCES IN RESPONSE TO COVID.

UNLIKE TRADITIONAL BRANDS, COST CUTTING WAS LESS PREVALENT AMONG DTCS.

*New digital capabilities added by DTC brands during Covid-19 included:
 (1) additional customer service modules,
 (2) new social channels, and
 (3) supplementary payment systems.*

WHAT IMPORTANT ACTIONS HAS YOUR BRAND TAKEN IN RESPONSE TO THE CRISIS?



DTC BRANDS HAVE CHALLENGES ...BUT ARE AGILE

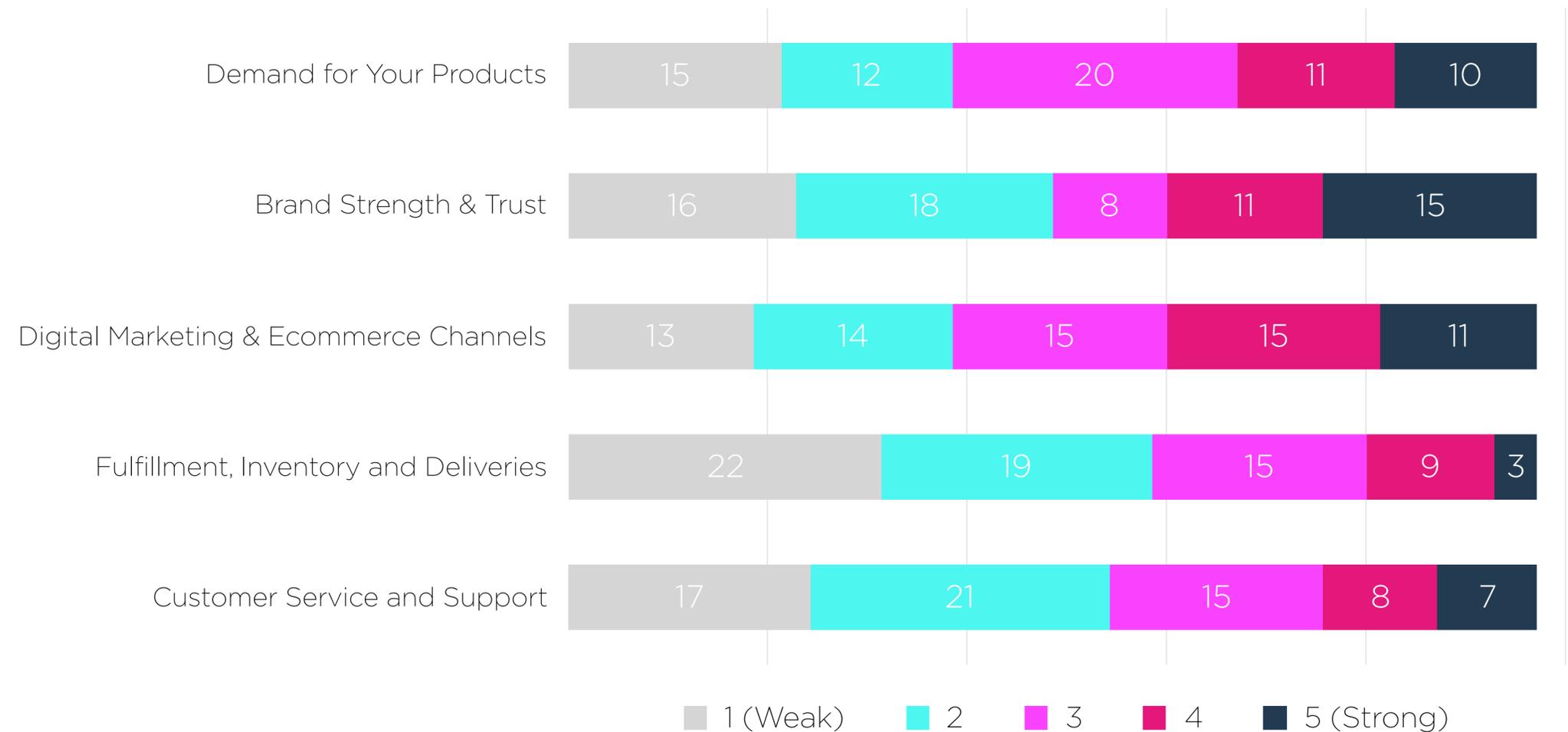
Brand strength, customer service and fulfillment are areas for improvement

DTC AND TRADITIONAL BRANDS FACED LIMITATIONS WITH FULFILLMENT, INVENTORY AND CUSTOMER SUPPORT.

“BRAND” (AND ASSOCIATED TRUST) WERE AREAS OF WEAKNESS FOR MANY DTCS.

Many DTC brands have over-prioritized performance marketing, From the group of DTC brands with flat/negative sales during Covid, brand reach/trust were stumbling blocks.

HOW HAVE THE FOLLOWING ‘MARKET READINESS’ FACTORS HELD UP DURING COVID-19?
WHAT AREAS HAS YOUR BRAND PROVEN TO BE STRONG AND WEAK ON?



RE-IMAGINING BRAND X CUSTOMER CONNECTIONS

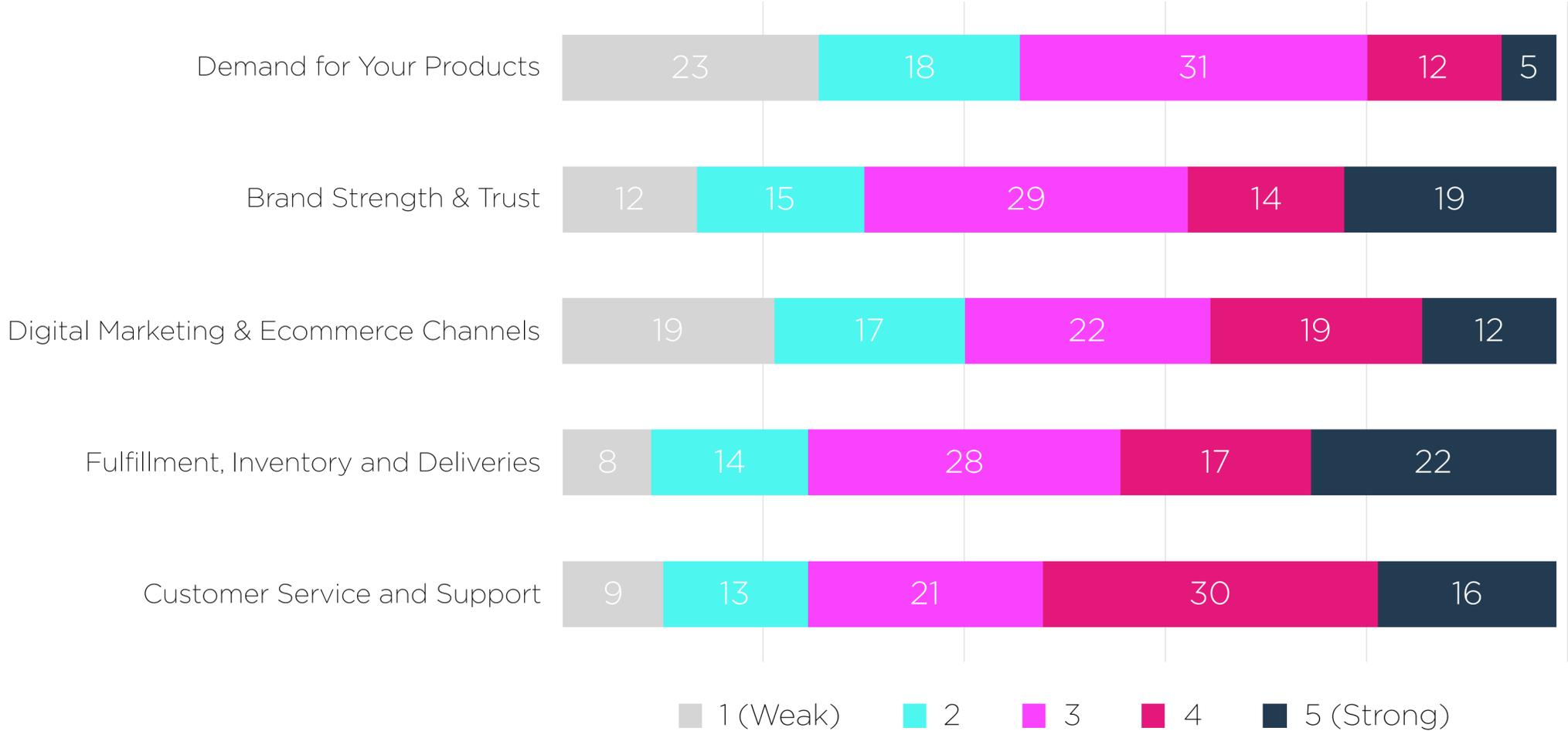
DTC brands are focusing attention on the changing needs of customers

IN THE AFTERMATH OF COVID-19, WHAT WILL BE PRIORITY AREAS FOR INVESTMENT?
PLEASE RATE THE FOLLOWING 'MARKET CAPABILITIES':

DURING COVID, CUSTOMER SERVICE PLAYED A BIG ROLE IN SOLVING PROBLEMS, PLUGGING HOLES AND SUPPORTING SALES.

EVEN THOUGH THEY ALREADY LEAD IN "CS," DTCS ARE DOUBLING DOWN ON "CS."

DTCs will be looking to improve the fidelity of digital customer service, adding more video and livestream chat. "CS" and sales functions will also move closer together as retail staff both sell and support.



Source: Totem Media DTC Brand Survey June 13-14, 2020
Sample Size of Advertisers: n=89

DIGITAL CUSTOMER SUPPORT IS KEY

Customer support has become high priority for branding (trust)

BURROW “HOUSE FROM HOME”

Burrow, a direct-to-consumer online furniture brand known for its customizable designs, closed its showroom in March, due to Covid.

After closing its flagship brick-and-mortar store, Burrow re-created the IRL shopping experience, online, for customers everywhere. The Burrow “House from Home” service provides online consultations with design experts, adding a human touch to online shopping, as a way of providing important reassurance for personalization/customization choices.

Customers can book either: a 15-minute phone call for quick answers and custom orders, or a longer 30-minute design consultation. The designers are also responding to quick questions via text.

The initiative allows Burrow to serve a wider geography, and it is generating revenue. The company plans to continue the service even after stores are able to re-open.



Burrow closed its showrooms in March due to Covid but replaced that experience by offering bookings with online design consultants.

RETAIL STAFF SUPPORT SALES AS “DIGITAL AGENTS”

Traditional retail employees are participating in exploring new online models

ANTA EXPLORES NEW ONLINE SYSTEMS

During Covid, ANTA Group launched a “full-staff retail” project with its 30,000 employees (and distributors) working together - *to support the shift to online sales* - as “digital agents.”

These 30,000 “agents” who normally work offline in retail are now supporting sales through WeChat, across an array of private communities (chat groups). Each “agent” was given a personalized QR Code, which they could then share into group chats and social channels. The codes - which can be attributed to the “agent” - lead customers to ecommerce shops. Sales are then tracked back to the “agent”, to give them a portion of each transaction.

In a sense, each employee has turned into a mini influencer, helping to guide customers to the right purchase. This is a bold example of how (some) brands are re-creating customer engagement, sales and support through digital channels.



ANTA is supporting the shift to online, creating systems (incentives) for its 30,000 staff to share and consult with customers through digital chat and social media.

MANY DTC BRANDS WILL GAIN GROUND BUT THERE IS STILL A LOT OF WORK IN SCALING. WHAT STRATEGIES WILL THEY USE TO GROW?

DTC brands are still (mostly) at very early stages of growth - when compared with mainstream, incumbent brands. They will need to decide how best to configure new advantages into scaling with new customers (new segments and new geographies). Many DTC brands will also have to expand their marketing playbooks beyond the narrow focus of just Facebook and Google.

DTC BRANDS HAVE NOT SCALED BEYOND HOME

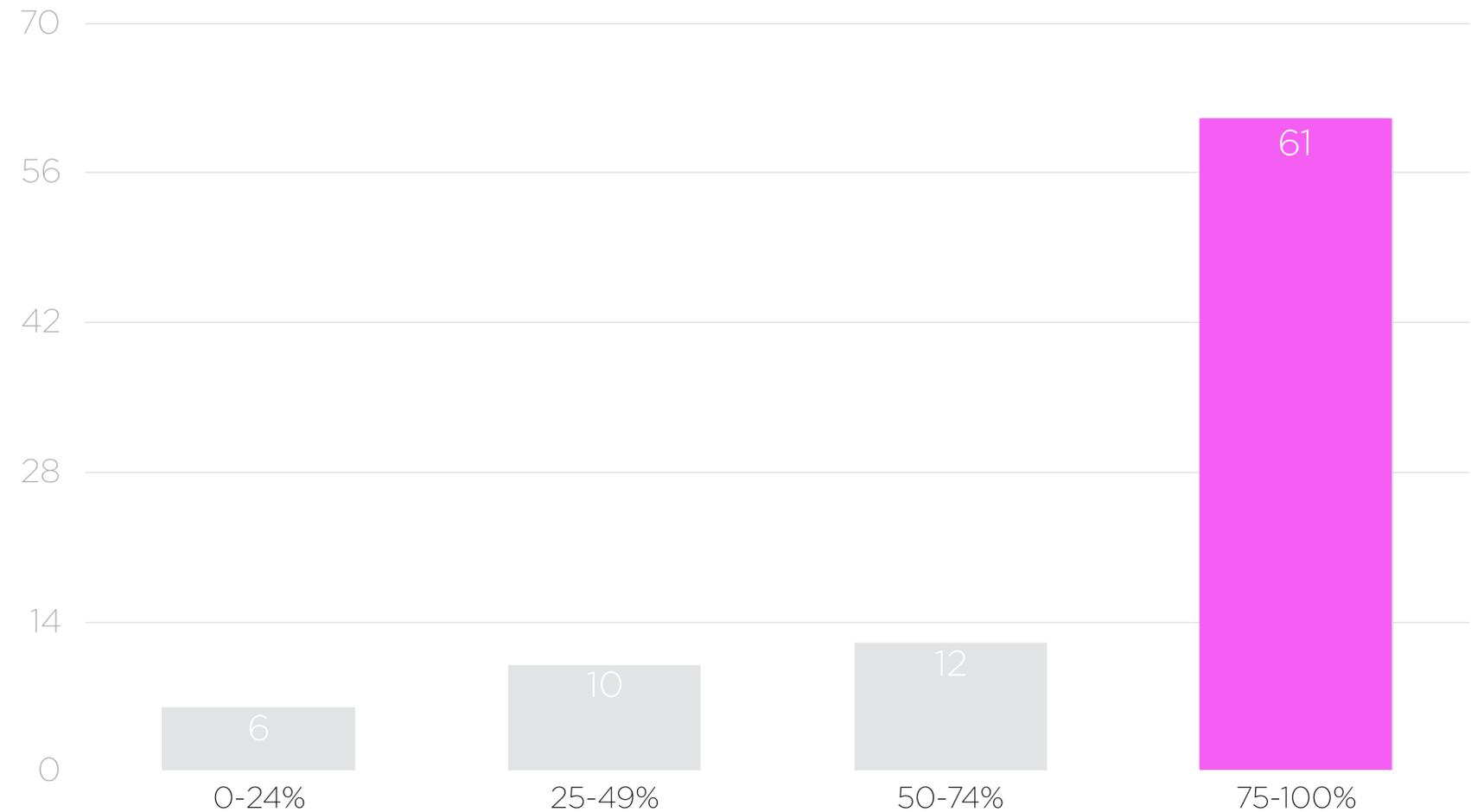
A large majority of DTCs sell 75-100% of products in home country

DTC BRANDS ARE STILL REMARKABLY LOCAL, AND HAVE NOT BUILT REACH BEYOND HOME MARKETS.

THEY ARE ALSO STILL RELATIVELY SMALL WHEN COMPARED WITH TRADITIONAL BRANDS.

Brands take a long time to build. And while Facebook and Google provide DTCs with scalable platforms, the performance focused, bottom-up approach of most DTCs doesn't offer the same breakthrough potential as bold brand campaigns can for scaling.

WHAT PERCENT OF SALES ARE FROM YOUR BRAND'S HOME COUNTRY?



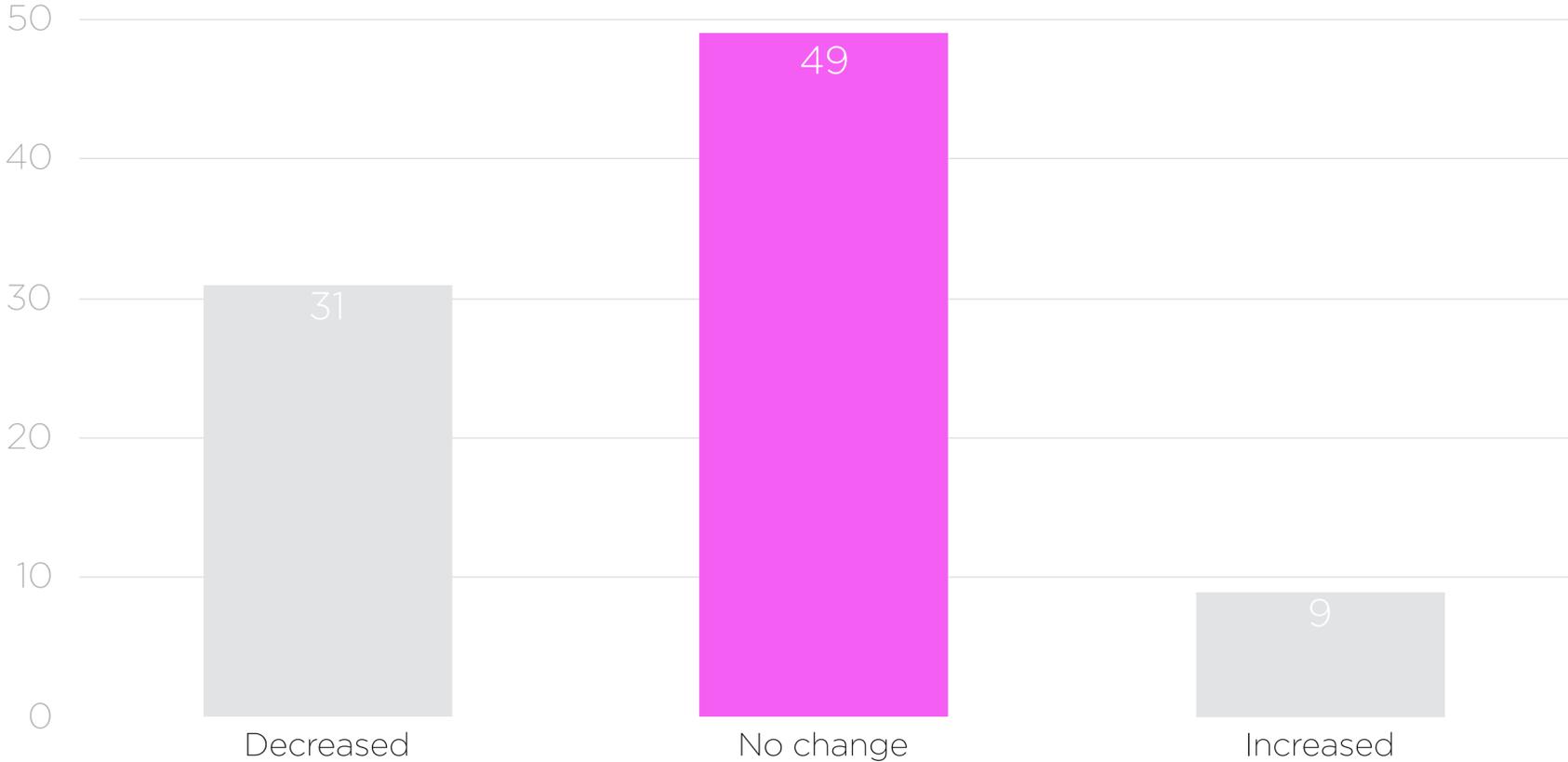
COVID HURT INTERNATIONAL SALES GROWTH

Fulfillment disruptions hurt international deliveries (and supply chains)

COVID HAD A NEGATIVE EFFECT ON THE INTERNATIONAL REACH (COMPOSITION) OF SALES FOR MOST DTCS, WITH 35% OF BRANDS SEEING A DECREASE IN SALES OUTSIDE THEIR HOME COUNTRIES.

The retraction of international sales for DTCs was a result of both; (1)DTCs pulling back on international ad spending, AND (2)of international buyers being cautious about cross-border fulfillment challenges (will this arrive if I order it from XXXX country?).

SINCE COVID-19, HAS THE PERCENTAGE OF SALES FROM OUTSIDE YOUR HOME COUNTRY INCREASED OR DECREASED?



Source: Totem Media DTC Brand Survey June 13-14, 2020
Sample Size of Advertisers: n=89

MOST DTC BRANDS ARE ODDLY LOCAL

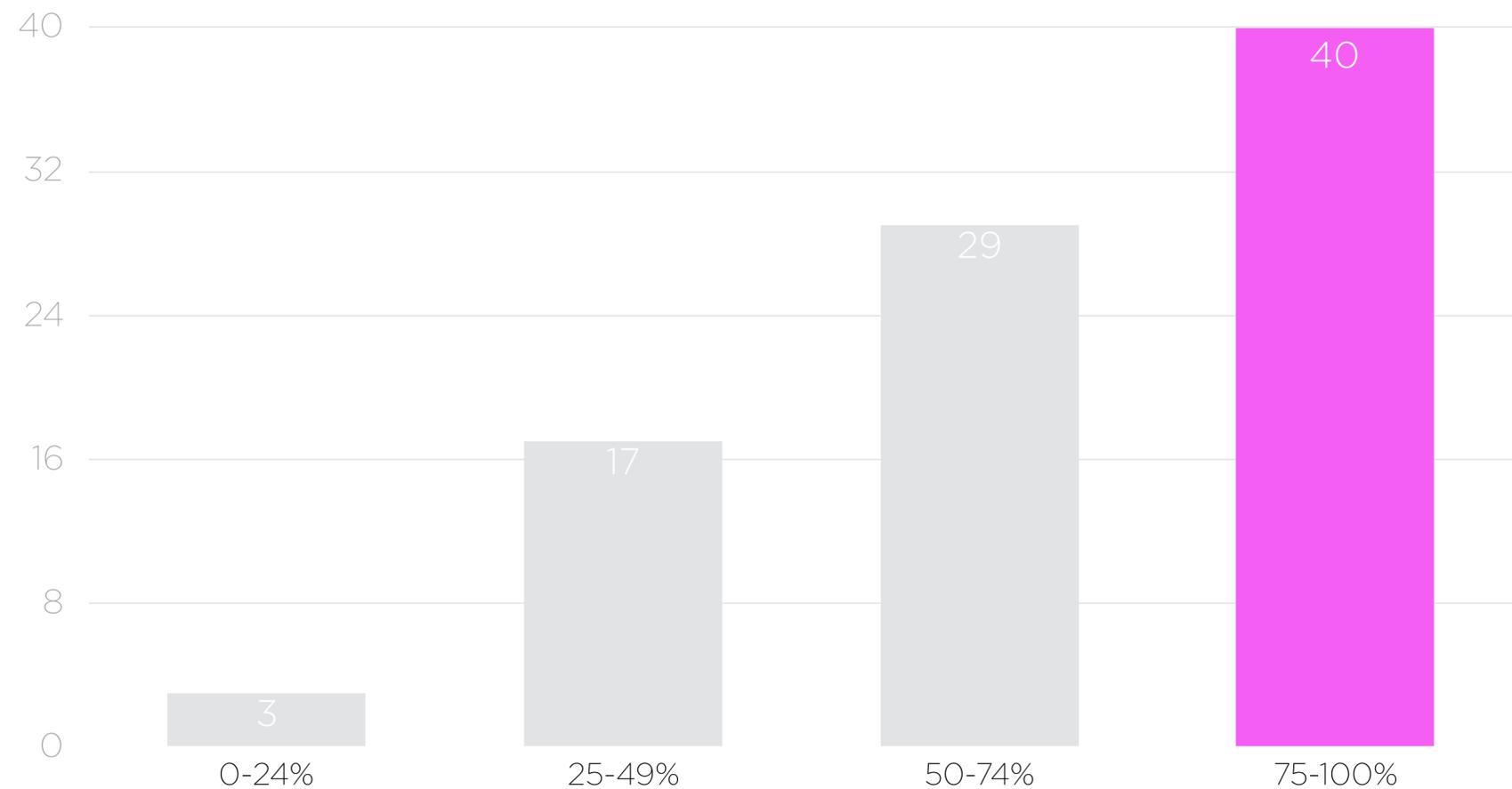
78% sell a majority of products in the city where they were founded

FOR NASCENT DTC BRANDS, SALES ARE HIGHLY CONCENTRATED AROUND HOME CITIES - THE CITY WHERE THEY WERE LAUNCHED FROM.

PR, INFLUENCERS AND WORD-OF-MOUTH ARE VERY LOCALIZED DURING EARLY STAGES OF GROWTH.

The smaller (earlier) the brand, the more likely it is that sales will be concentrated. But even some large DTCs are still highly localized. It helps to be based in NYC, LA if you're a DTC brand!

WHAT PERCENT OF SALES ARE FROM YOUR BRAND'S HOME CITY?



COVID HAD LITTLE EFFECT ON CITY-SPECIFIC SALES

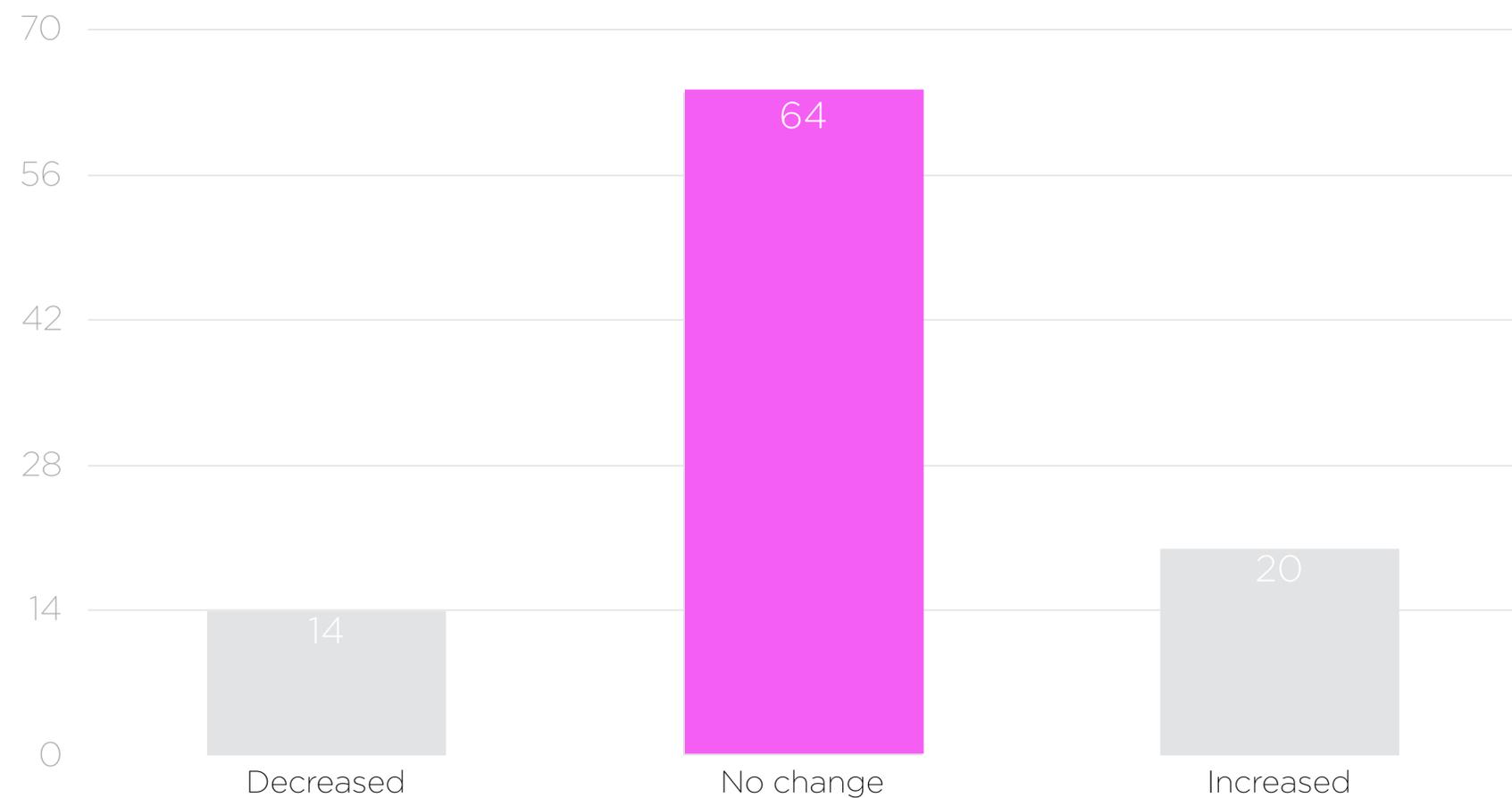
Most brands didn't change the mix of sales between home cities and new cities

COVID HAD VERY LITTLE EFFECT ON THE PERCENT OF SALES OUTSIDE OF A BRAND'S HOME CITY.

THERE WAS AN INCREASE IN SALES INTO NEW CITIES FOR THE MOST SUCCESSFUL BRANDS.

Brands who had demand surges during Covid also had an expansion in sales to new geographies. There were some brands whose products met critical needs during Covid ... and customers from far-and-wide sought them out.

SINCE COVID-19, HAS THE PERCENTAGE OF SALES FROM OUTSIDE YOUR HOME CITY INCREASED OR DECREASED?



MOST DTC BRANDS STILL AREN'T ON AMAZON

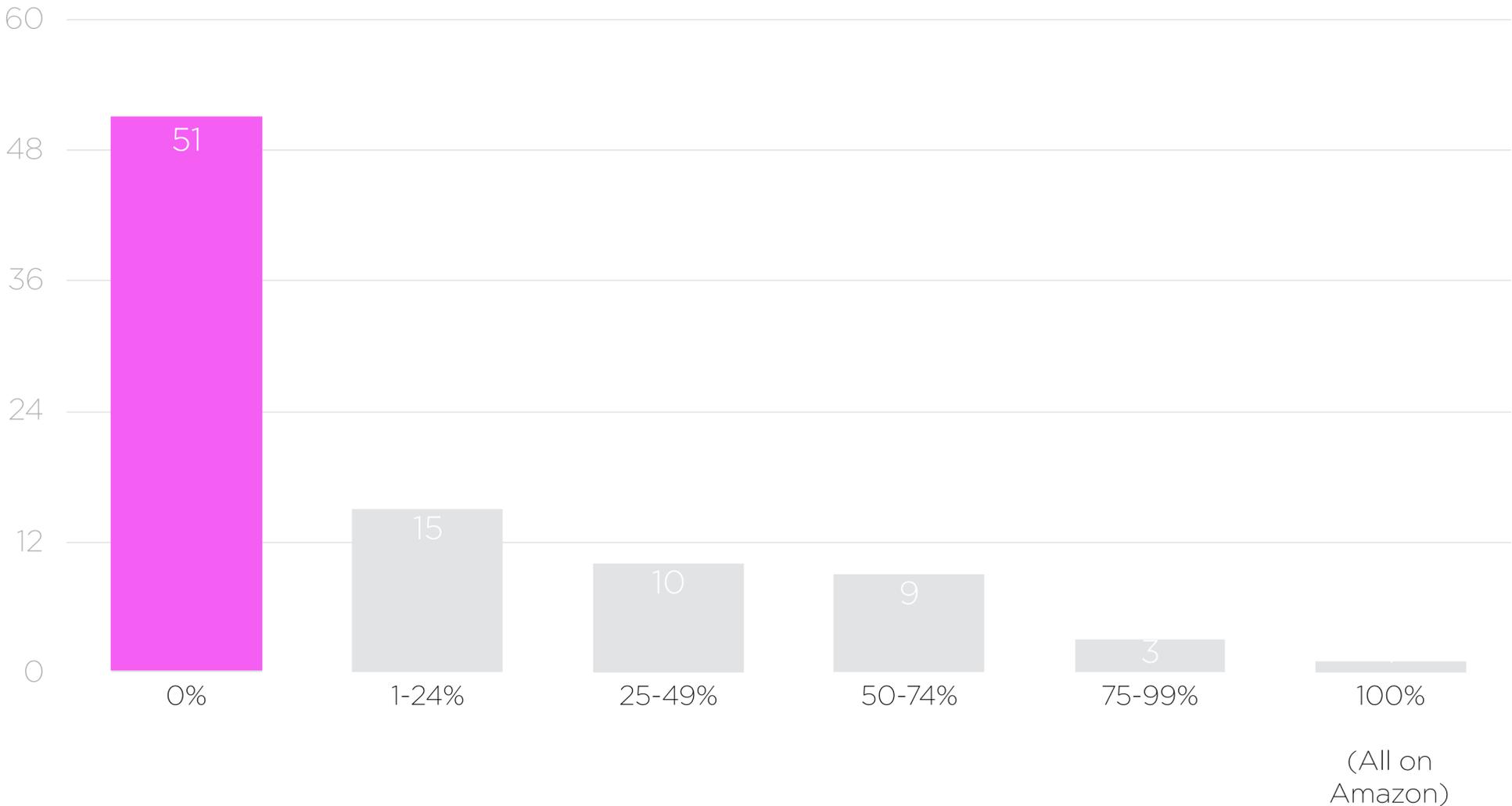
DTC brands are concerned about IP protection and protection of margins

OVER 50% OF DTC BRANDS SURVEYED STILL DO NOT HAVE AN OFFICIAL STOREFRONT ON AMAZON.

THERE ARE STILL CONCERNS ABOUT MAINTAINING BRAND INTEGRITY AND SALES MARGINS ON AMAZON.

As a group of brands who are still very localized (and domestic), Amazon could hold the key to international expansion, allowing these brands to efficiently scale from country-to-country.

WHAT PERCENT OF YOUR BRAND'S SALES COME FROM AMAZON?



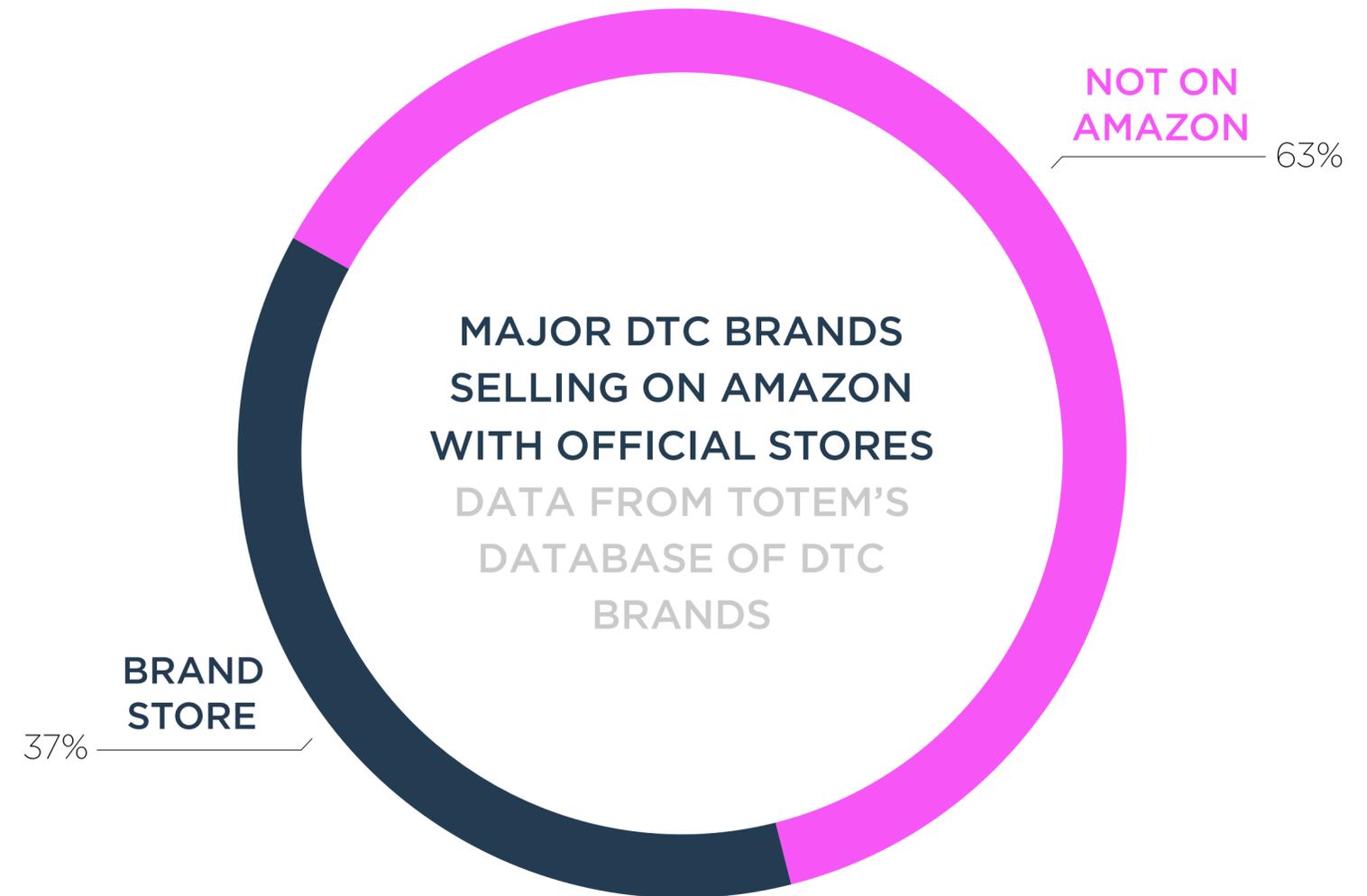
Source: Totem Media DTC Brand Survey June 13-14, 2020
Sample Size of Advertisers: n=89

DTCS ARE THE ANTITHESIS OF AMAZON

Nearly 2/3rds of DTC brands staying clear of the platform

OWNING THE RELATIONSHIP WITH THE CONSUMER IS A KEY PART OF THE DTC MODEL. SELLING ON AMAZON BETRAYS A KEY PART OF THE DTC ETHOS, AS IT'S AMAZON THAT OWNS THE CUSTOMER.

In many ways, DTC brands are the antithesis of the Amazon approach. Take a brand like AWAY (luggage). On Amazon they would quickly be undercut by a 'house' brand ("Basics"). By going 'direct' they have built equity as a travel brand and aim to step above the low-cost, utility-focused competition on Amazon.



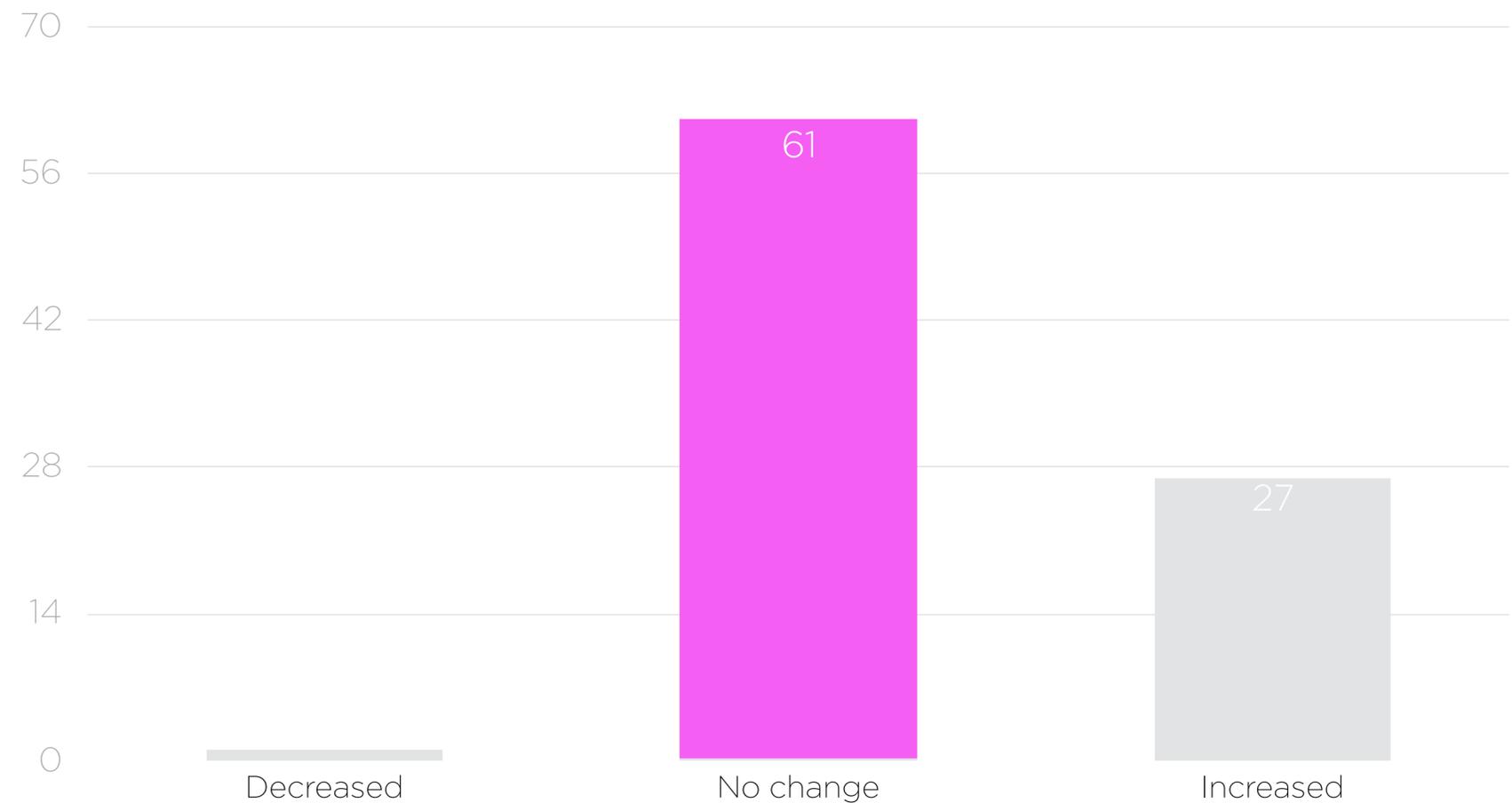
AMAZON WAS VALUABLE DURING COVID

Most brands on Amazon saw sales from Amazon increase (as % of whole)

CONSUMERS WHO HAD CONCERNS OVER FULFILLMENT DURING COVID WENT TO AMAZON FOR ONLINE PURCHASES. AMAZON MADE BIG GAINS AND THE BRANDS THAT WERE ON AMAZON ALSO ENJOYED THOSE GAINS.

Most DTC brands concede that CAC (Customer Acquisition Costs) on Amazon are very efficient. While Amazon helps brands produce a sale, it does not yield the brand a customer. Brands must build systems to capture customer data post-sale.

SINCE COVID-19, HAS THE PERCENTAGE OF SALES ON AMAZON INCREASED OR DECREASED?



FACEBOOK STILL THE KEY MAINSTREAM CHANNEL

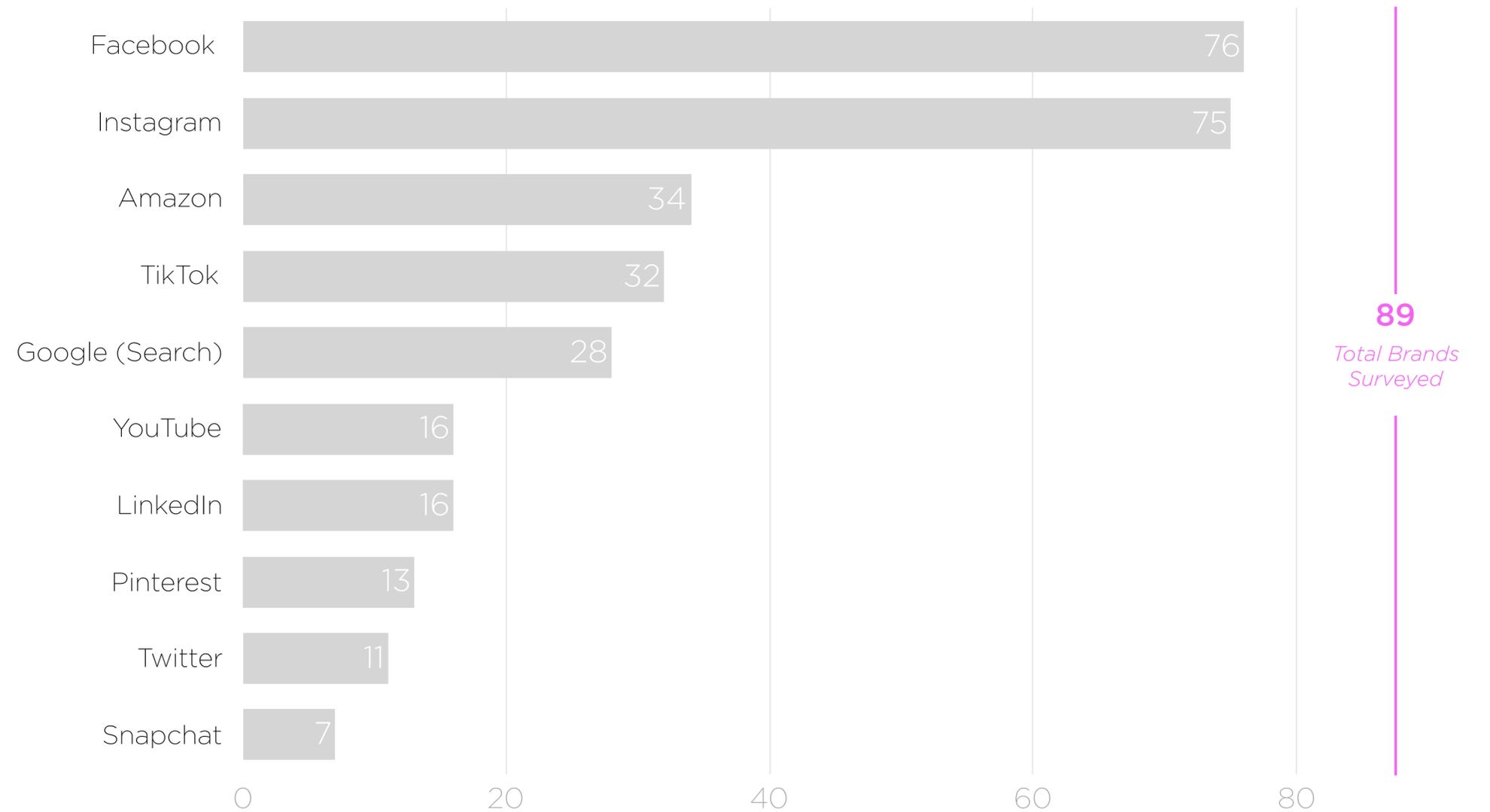
Facebook costs dropped during Covid, encouraging many DTCs to spend more

DTC BRANDS ARE HOOKED ON FACEBOOK BUT STILL AIMING TO INCREASE INVESTMENTS FURTHER (ON FACEBOOK AND INSTAGRAM).

EVEN AS THE CURRENT PRIME CHANNEL FOR DTCS, IT RANKS FIRST FOR NEW INVESTMENT.

Brand respondents selected on average 3.4 channels compared to 1.1 from the list of new channels. Almost all respondents selected Facebook and Instagram as channels for further investment.

WHAT MAINSTREAM DIGITAL CHANNELS WILL YOUR BRAND FOCUS INVESTMENTS ON IN 2H OF 2020?



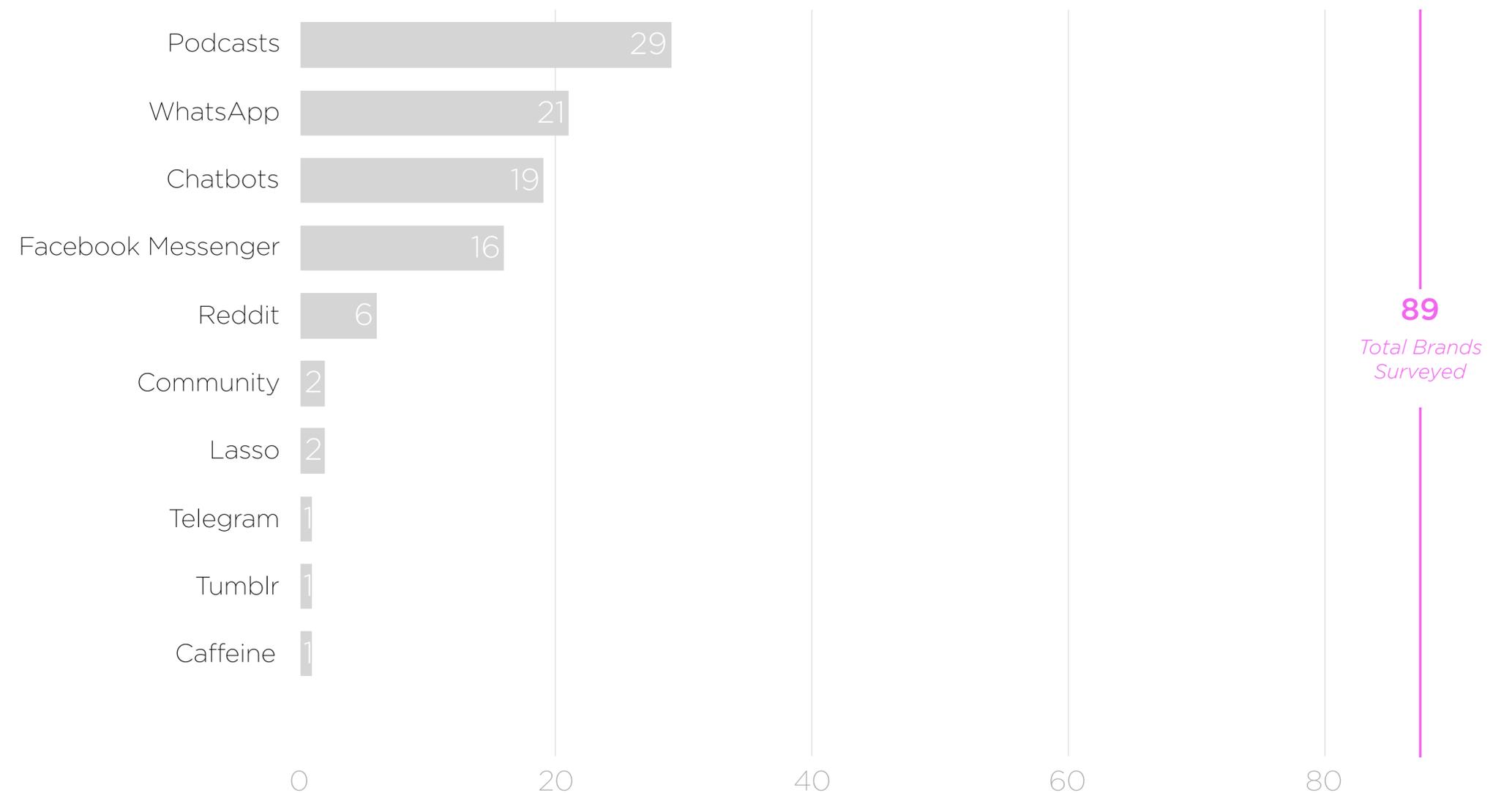
PODCASTS LEAD AS “NEW” DIGITAL CHANNEL

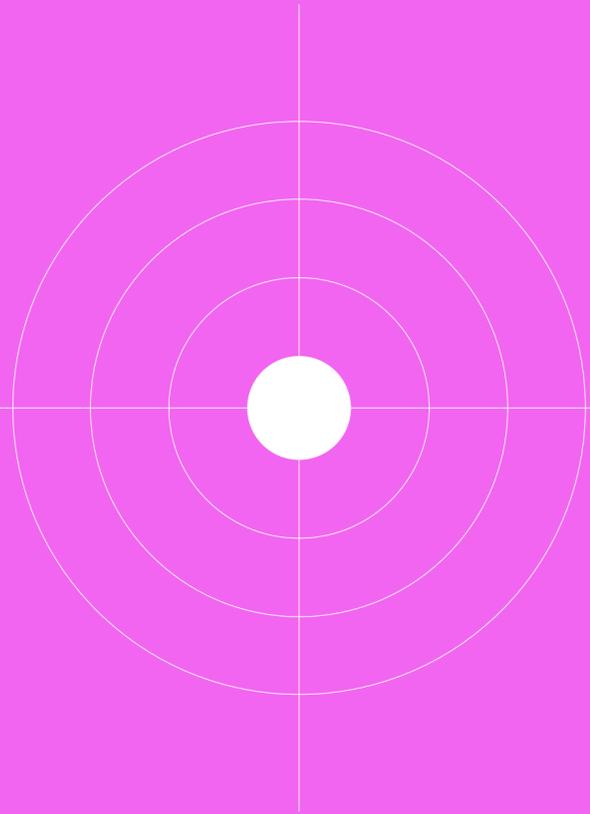
With messaging also seeing a lot of interest; WhatsApp, FB Messenger, Chatbots

DTC BRANDS ARE THREE TIMES MORE LIKELY TO USE A CORE CHANNEL. NON-CORE CHANNELS ACCOUNT FOR A SMALL SHARE OF NEW INTEREST AND INVESTMENT.

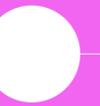
While core channels like Facebook, Google and Amazon offer brands reliable acquisition, DTC brands should be looking to new (less proven) channels to find brand breakthroughs. “Non-Core” channels have fewer brands competing for attention. They also hold the potential for surprise results (viral/organic growth).

WHAT “NEW” DIGITAL CHANNELS WILL YOUR BRAND FOCUS INVESTMENTS ON IN 2H OF 2020?





FIVE COMPETENCIES FOR SUCCESS IN RECOVERY



In surveys, and follow up interviews with brands, we found a number of common issues related to success/failure during Covid.

Successful brands demonstrated strong competency in five areas; (1)they had (or created) demand for their products, (2)had trust of customers (brand), (3)had an array of digital channels, (4)were able to fulfill/ship, and, (5)used customer service to adapt to disruptions.

The best brands had all five of these competencies working in unison, while a breakdown (or deficiency) of just one of these produced poor results.

Moving forward, these competencies form an important template for brand planning.



REFRAMING **BRAND** SUCCESS FACTORS DURING RECOVERY

1

DEMAND

How has the value of your brand changed in eyes of consumers?

Many brands will need to quickly adapt to new consumer attitudes. Habits have changed and will continue to change as a result of Covid (and the economic recovery).

It is imperative for all brands to understand shifts in demand and the habits driving the changes that are taking place.

Do consumers need your product?

2

BRAND (TRUST)

Branding (more than ever) is about trust. Leading brands will pull further ahead.

Brands who have strong equity (trust) are well positioned to gain from consumer scrutiny.

Across all categories, brands must redouble efforts to build trust and confidence with consumers.

Do they know/trust your brand?

3

DIGITAL CHANNELS

Digital ‘transformation’ needs to be re-framed as ‘the main course.’

Covid provided a hard lesson for brands and has forced many to answer the question; “what if you HAD to sell only online?”

What additional customer touchpoints need to be in place? How do you re-create brand and retail experiences online?

Can they easily find/learn about your brand online?

4

FULFILMENT

Organizational AGILITY has never been more important.

Inventory - merchandising - marketing need to be operating in lockstep. Dashboards which match up inventory-channels-marketing-audiences provide this type of insight.

Can you actually fulfill and ship the product they need?

5

CUSTOMER SUPPORT

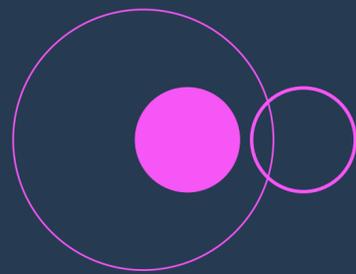
Customer engagement is good marketing.

Customer support initiatives - *now, more than ever* - are critical to winning sales in the months ahead. Customer service/response plays a key role in propping up the entire marketing stack now.

As demonstration of this, many brands have moved entire retail teams online to engage with customers.

Can you solve issues online? Are you present, accountable?

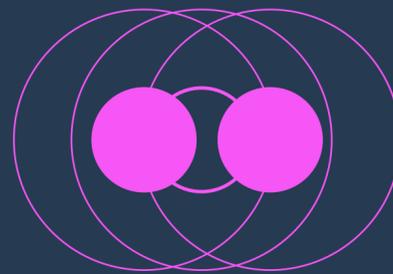
FIVE COMPETENCIES FOR SUCCESS



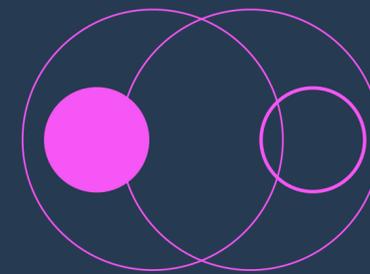
DEMAND



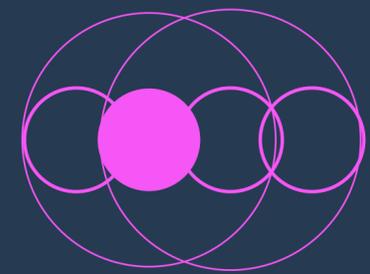
BRAND
(TRUST)



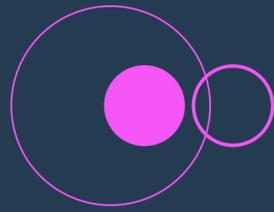
DIGITAL
CHANNELS



FULFILLMENT



CUSTOMER
SUPPORT



DEMAND

Customer attitudes and routines are changed.

There will be products that seem less necessary now, new products that have become essential.

Values and ethics will inform choices more and financial constraints are changing decision-making.

Brands must learn and adapt to changing needs of customers.



QUICK RESPONSE TO CHANGING NEEDS

Glossier demonstrates how customer insights, empathy = brand agility

SENSITIVE TO LIFE DURING COVID

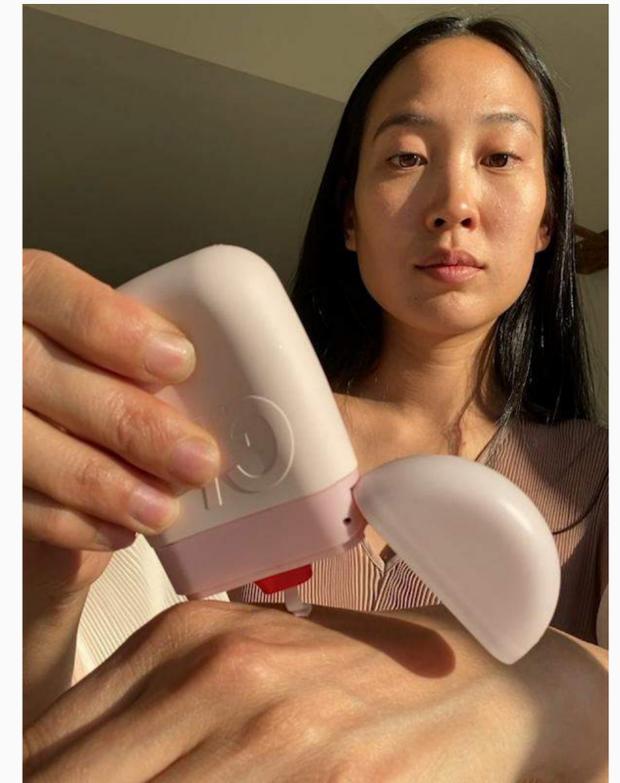
As a digital native beauty brand, Glossier has been phenomenal in terms of listening to audiences and designing new beauty products that really hit the mark. They define best practices, in terms of that link between listening - product - brand.

Glossier's timing for its new hand cream - a formula that had been in development for two years - was incredible. It was launched at a time when people desperately need a good hand cream (dry hands from constant washing). The launch was also well orchestrated to suit the times;

1. They prioritized health care workers and provided them with the first 10,000 units (thereby contributing to the Covid response).
2. Doing photoshoots was challenging during 'stay-at-home' orders, so they crowdsourced key visuals from influencers.



Glossier prioritized the first release of its new hand cream by donating the first 10,000 units to healthcare workers.



Key visuals were sourced from influencers during Covid lockdown.

QUARANTINE STYLING CONSULTATIONS

M.M.Lafleur adapted its styling advice for WFH moms during Covid

ADAPTING QUICKLY TO NEW NEEDS

In response to Covid, Women's workwear brand M.M.Lafleur recently launched its virtual styling program, with expert stylists available, on-demand, to help customers make confident decisions online.

The new virtual styling program is an adaptation of their previous in-person styling appointments, now focusing on changed needs for its core audience of working moms who are working from home. With the need of its customers to balance working from home, being comfortable and doing work-related video calls, M.M.Lafleur's styling advice has focused on helping their customers look professional on camera while also staying comfortable.

As more of the workforce shifts to working from home and more companies embrace remote working, online virtual styling appointments add convenience to peoples lives.

Meet the Stylists



SHELBY
Favorite styling tip: "Versatility is queen."

NYJERAH
Favorite styling tip: "Take risks and wear them well."

BRIANA
Favorite styling tip: "Don't be afraid to add a pop of color."

ANNA
Favorite styling tip: "Put a belt on it!"

CHRIS
Favorite styling tip: "Remember to consider your hair color, eye color, and skin tone."



ASK A STYLIST

My 7-Piece Quarantine Uniform

Working from home means only wearing what you really love—and then wearing it again. And again.

By Tory Hoen |



M.M.Lafleur adapted product offerings to cater for women who want to look professional and comfortable on video chats at home.

ADAPTING TO REDUCED DEMAND LEVELS

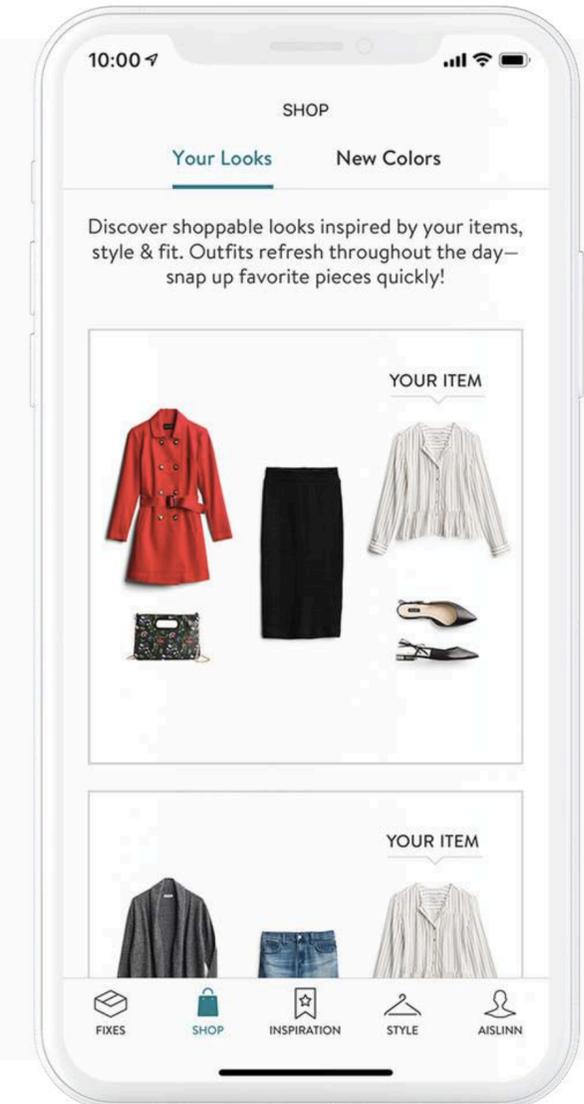
StitchFix has recalibrated its offering to overcome commitment challenges

NEW OFFERING, MEETS CHANGED DEMAND

StitchFix has been revolutionary in its approach to helping women buy apparel, based on a highly personalized approach. The company has used data science to create “personalized” outfits, delivered monthly as a subscription box - with each subsequent month fine-tuned as “Fixes.”

With revenue falling from its subscription model, StitchFix has taken its data and customer profiling model and applied the approach to non-subscribers - with its new “direct buy” program - allowing new customers to make one-off purchases, without committing to a full subscription.

Direct-buy revenues grew 3x and their stock has gained 72% in just the past quarter. As CEO Katrina Lake described during a conference call, direct buy's “low commitment and low friction path to a personalized shopping experience represents an important gateway to Stitch Fix.”



StitchFix's “direct-buy” program uses existing data/insights from its subscription business to help the brand acquire new customers.



BRAND (TRUST)

Questions of trust have become essential.

Quality matters more now than ever before. Consumers want things that work - and brands that can prove it.

Customers will also want brands that help, not 'harm.' Questions of provenance, ethics, and humanity will be elevated.

And, in turbulent times, customers will also favor brands that signal reliability and staying power to the market. There's no point in buying something from a brand that might go out of business in a month or two!



RESPONDING, SUPPORTING DURING COVID

Trust, empathy and relevance are critical when building brands

DEMONSTRATING TRUST IN MULTIPLE WAYS

Tech accessory brand "CASETiFY" responded quickly and powerfully during Covid, with a set of solutions launched under the hashtag: #CASETiFYProtects.

The products, information and mission CASETiFY mobilized during Covid demonstrate empathy, adaptability (and brand relevance):

1. Reusable cloth face masks; with each purchase, masks were donated to healthcare workers.
2. A portable UV sanitizer device, to clean phones - all proceeds donated to Covid relief funds (over \$100k donated).
3. Free sanitizing wipes together with the purchase of a new phone case.

Purpose, mission and empathy have been distinguishing elements of DTC brand strategies. CASETiFY did an expert job of leaning into its purpose during Covid - taking the protection of phones to a new level (which ultimately is about protecting its customers).



Tech accessories brand CASETiFY builds brand (trust) with initiatives helping consumers and surrounding communities in times of need with products such as face masks, UV sanitizers, and sanitizing wipes, where all proceeds are then donated back to the community.

BUILDING TRUST IS ALL IMPORTANT

When boiled down to its most basic element, branding is about trust

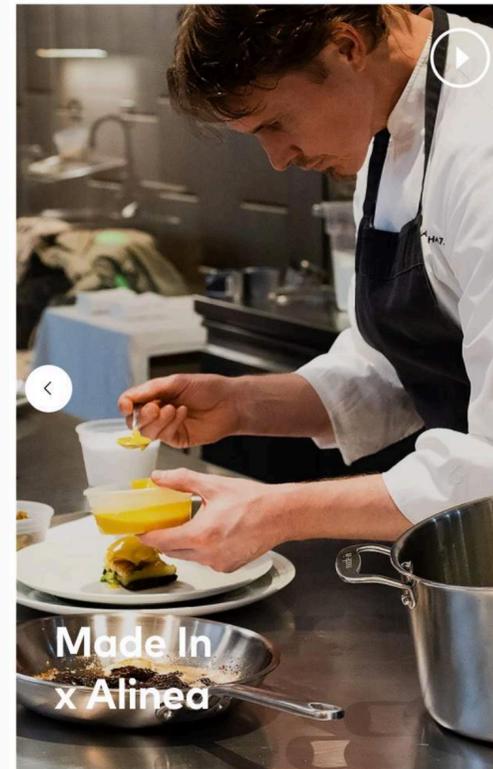
PUTTING VALUE IN THE RIGHT PLACES

Premium cookware brand “Made In” has done a great job of building credibility, trust and transparency with its audiences. Like many DTC brands before it, Made In’s strategy has been to re-engineer the value chain of its category, providing consumers with a much more affordable offering (same quality, lower cost).

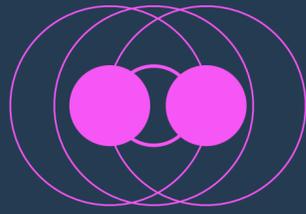
Marketing efforts have focused on demonstrating quality very well on their website, with:

1. *Endorsements by celebrity chefs and Michelin Star restaurants*
2. *Videos with product demos*
3. *Videos and other content showing how/where the products are made and sourced from*

Traditional players are being caught flatfooted - locked into dated business modes - unable to bring focus (and budgets) to new growth strategies. Made In puts a lot into content, storytelling and ...they still deliver a product at a lower cost.



Made In cookware builds brand (trust) with strong use of endorsements and videos on their website - demonstrating quality, provenance, materials, design, etc.



DIGITAL CHANNELS

Brands without full digital presence will become invisible to customers.

Online will gain further ground across all brand-consumer touch points AND will now be seen as a critical hedge against future risks such as those posed by Covid-19 (or similar disruptions to offline operations).

Websites, an array of social channels, ecommerce shops, customer videostreaming, private communities are all essential.



NIKE IS STILL REBALANCING TOWARD DIGITAL

Already strong, Nike continues to plow investments into new digital initiatives

BUILDING A DIGITAL ADVANTAGE

Nike continues to shift resources and double down on digital investments. And they have strong evidence that it's working. In the last quarter, Nike reached its 2023 goal of having 30% of overall sales coming from digital - as part of its "Consumer Direct Acceleration" strategy. They have now revised their goal upwards to hit 50% of sales as digital by 2023.

The brand is known for investing heavily into new digital assets/tools, with large tech acquisitions (Celect, TraceMe, Zodiac) in recent years. They are almost certainly the best example of a traditional brand, turned DTC.

The goals of Nike go beyond a 50:50 split of revenue between offline/online. A huge effort has gone into building out the capability to follow/support customers seamlessly between a multitude of touch-points (offline and online).



Nike has an incredible array of digital tools, systems and technologies supporting their aim of becoming a DTC brand.

TIKTOK DRIVING REACH AND SALES IMPACT

Social media platforms are a go-to source for product discovery

PEACE OUT PORES ON TIKTOK

TikTok has become a key source of beauty information for Gen Z. An army of skin-care influencers have emerged who can make-or-break sales for brands.

Sales of Peace Out's pore strips saw a fourfold increase in 24 hours after Hiram Yarbro, posted a duet with a fellow "skinfluencer" on TikTok. The DTC beauty brand sold out of its pore strip product, with 15,000 new customers buying its pore strips.

This comes as a result of the company's focused effort to invest-trial heavily into TikTok and other new digital channels.

The brand previously sold a majority of its products on Sephora. This pivot to a more DTC focused business model has helped the company adapt and remain on target for business expansion - even during the changing climate caused by Covid.



As a result of an influencer review on TikTok, Peace Out Skincare went viral and sold out of their Pore Strip product.



Livestreaming holds potential for brands to engage & support customers. Evidence from China also clearly shows how effective it can be in sales conversion.

Changes, instigated by Covid, should accelerate the adoption of live video by brands and audiences. Brands should be looking to use live video to:

- 1. Replace the connection between retail staff (consultants/agents) and customers - for both customer support and sales*
- 2. Create experiences, product demo's and other content which build greater affinity for the brand*

Facebook, Amazon, TikTok, Youtube and Snapchat all feature livestream functions. During Mar/Apr livestream viewership increased by 45% in the US.

FACEBOOK AIMING TO DOMINATE LIVESTREAMING

Facebook Live represents an important connection between audiences and brands

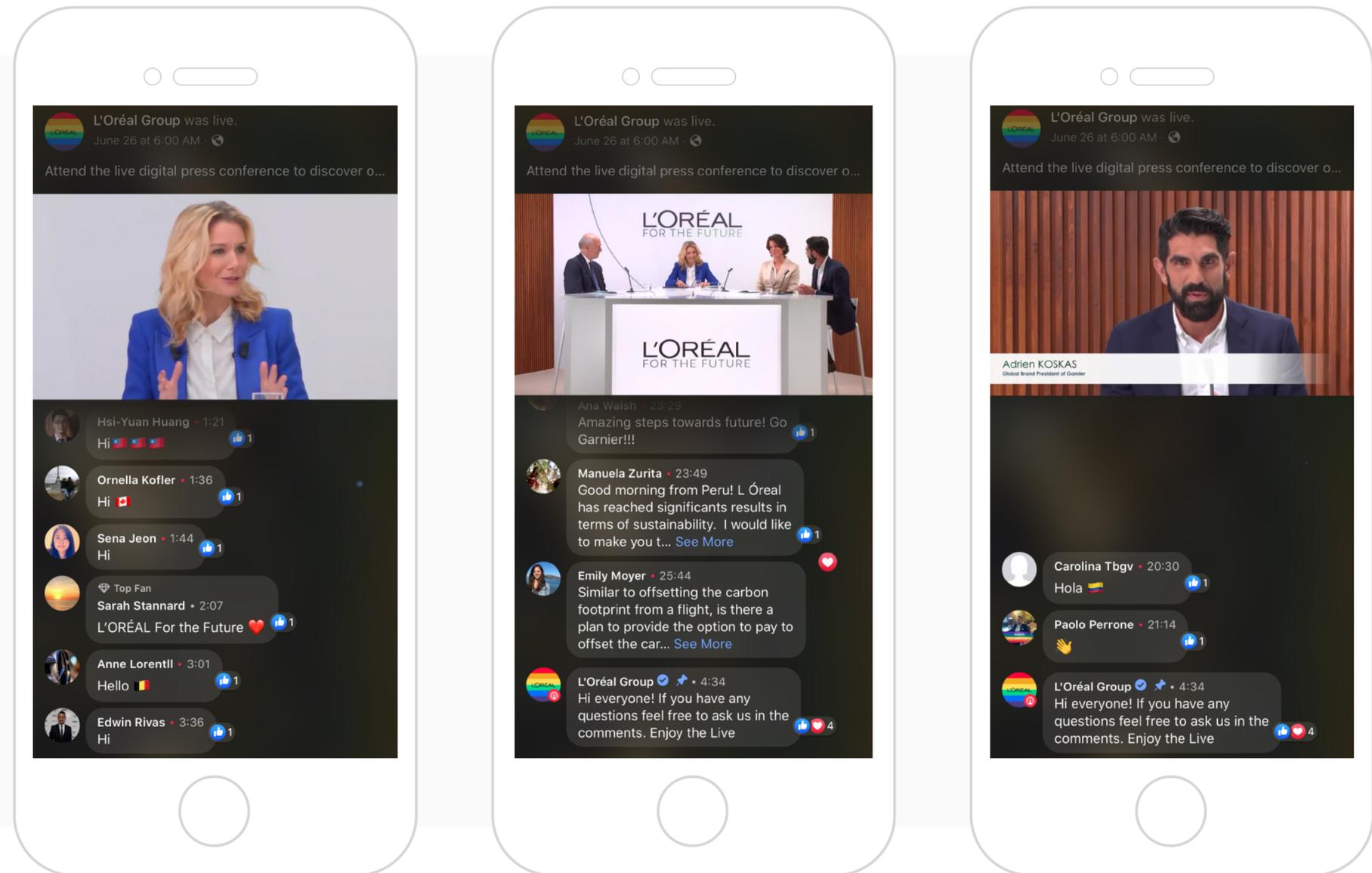


FACEBOOK LIVE may hold the most potential for brands looking to build livestream connections with audiences. It is the key live-streaming platform globally, with over 360 million monthly active users and 8.5 billion broadcasts to-date.

Past research has shown that Facebook Live videos receive 3x more views - and 10x more comments - than regular video content on Facebook.

The shifts in user behavior as a result of Covid and increased attention from brands and audiences have lead to a dramatic increase in usage in 2020.

Facebook claims there was an increase of 50% in the number of its live viewers in the US from February to March of 2020.



L'Oréal Facebook Live digital press conference with company CEO and Chief Sustainability Officer

AMAZON MAY BECOME KEY FOR BRANDS

IVS is aimed at improving livestream experiences over Amazon "Live"

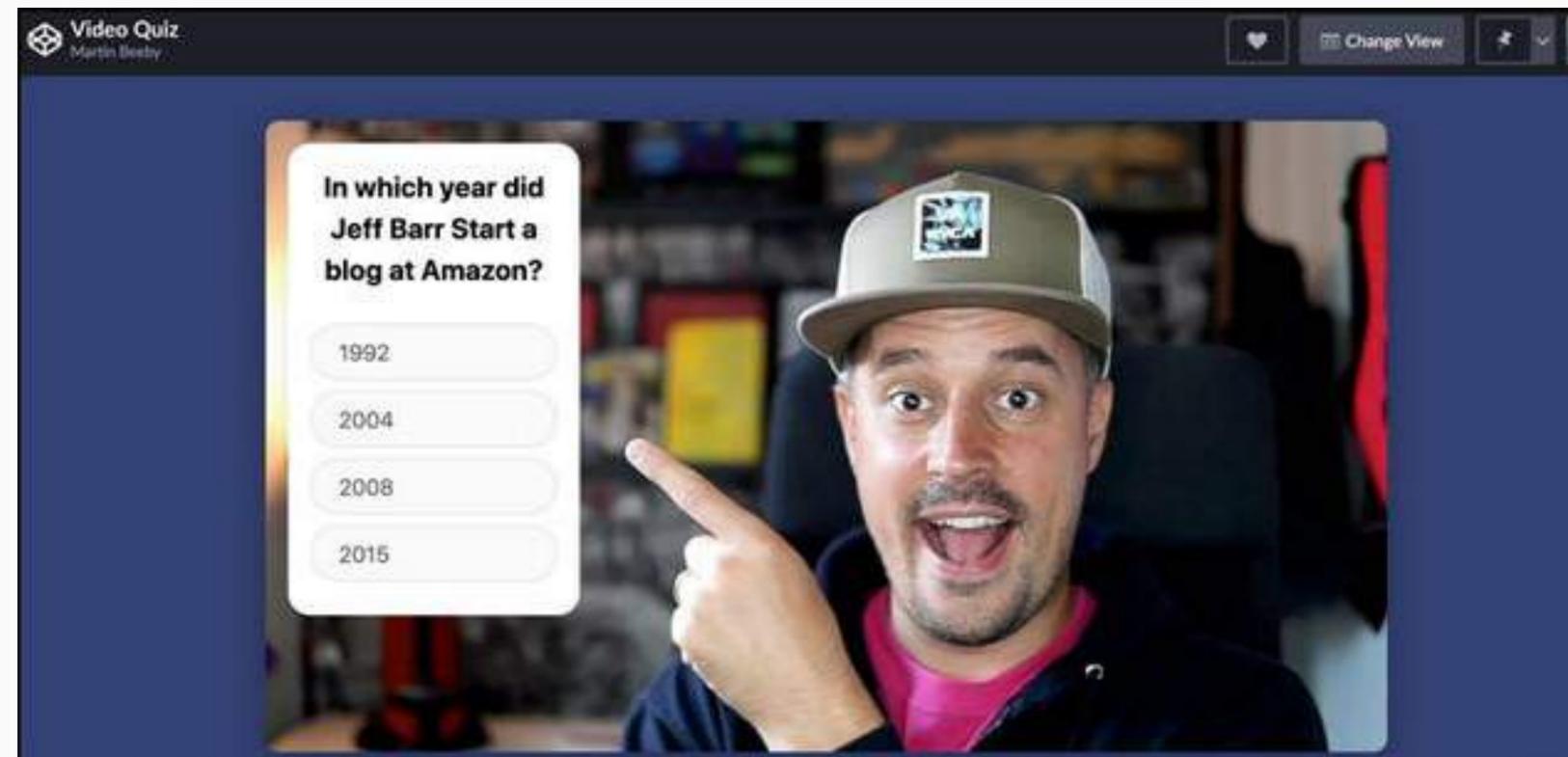


AMAZON INTERACTIVE VIDEO SERVICE (IVS).

Amazon - who has struggled to attract major brands to its "Live" video channel - is now taking a different approach with livestream video, with IVS.

IVS is a livestream video module that can be embedded into a brand's own website. IVS is enabled with the same technology and functions that have made Twitch a leader in live-streaming; personalized content, chat features and (critically) connecting content with commerce.

Evidence from China, where livestream selling has exploded in the past few years, suggests that Amazon is well positioned to succeed. Tmall (the Amazon of China) has proven this is an important development and a worthy investment by brands.



Amazon's new IVS allows brands to embed livestream videos into their websites, and enable links to commerce.

LOOK TO CHINA FOR INSIGHTS ON LIVESTREAMING

Allbirds and Supergoop! find success with livestreaming on Tmall

LIVESTREAM SELLING ON TMALL

Global DTC brands, Supergoop! and Allbirds found success with running livestream selling events during China's 6:18 shopping festival in June.

Both brands hosted their streams on "Tmall Live" - the primary hub for branded, livestream selling. Tmall, China's largest ecommerce platform works with brands using a well tested formula, which includes; an influencer/celebrity presenter, product demonstrations and discussions (to keep audiences interested), streamed audience comments/ feedback and questions.

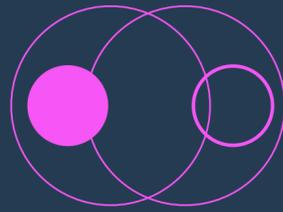
Advocates of 'livestream selling' point to new customer acquisition as an important benefit. But, the approach is usually supported by significant discounts to motivate purchases during the livestream. It's QVC ...but it can work well ...provided the brand doesn't give up too much margin in the process.



Supergoop! livestreams focused on product demo's and consultations.



During the 6:18 "shopping festival" 65% of purchasers were new to Allbirds.



FULFILLMENT

Customers need brands that can deliver (on changing demand).

- 1. Do you have the product in stock?*
- 2. Can you deliver under duress?*
- 3. Are your deliveries safe?*
- 4. Do you treat your workers with care, compassion and respect?*

It will also be critical to monitor customers more closely to evaluate demand moving forward (and apply insights to merchandising - allocating product to the right channels more efficiently).



GOING DIRECT IS NOT ALWAYS EASY

Some products require more brand/customer support than others

“DIRECT” REQUIRES MORE SERVICE/SUPPORT

Icelandic bike company Lauf, recently announced a shift in their business model, from one that was traditionally distributor-supported, to being DTC.

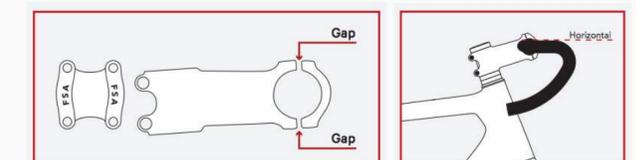
Moving ‘direct’ gives Lauf the opportunity to bring consumers better pricing/value ...and, importantly helps Lauf create connections with consumers that are enduring.

Bikes sent direct to consumer, still need to be assembled but Lauf has designed the bikes and support process with this in mind. They are providing customers with video call sessions, with their team available to aid in assembly and ask questions about bikes and assembly.

This remote customer service initiative, paired with their shift away from traditional selling, will help Lauf achieve their goal of becoming a bigger part of the global cycling community.



This “Direct To You” message is first thing that consumers will now see upon visiting the new DTC Lauf website.



Lauf has made bike assembly more simple and is supporting it with live video calls.

INCUMBENTS MOVING DIRECT-TO-CONSUMER

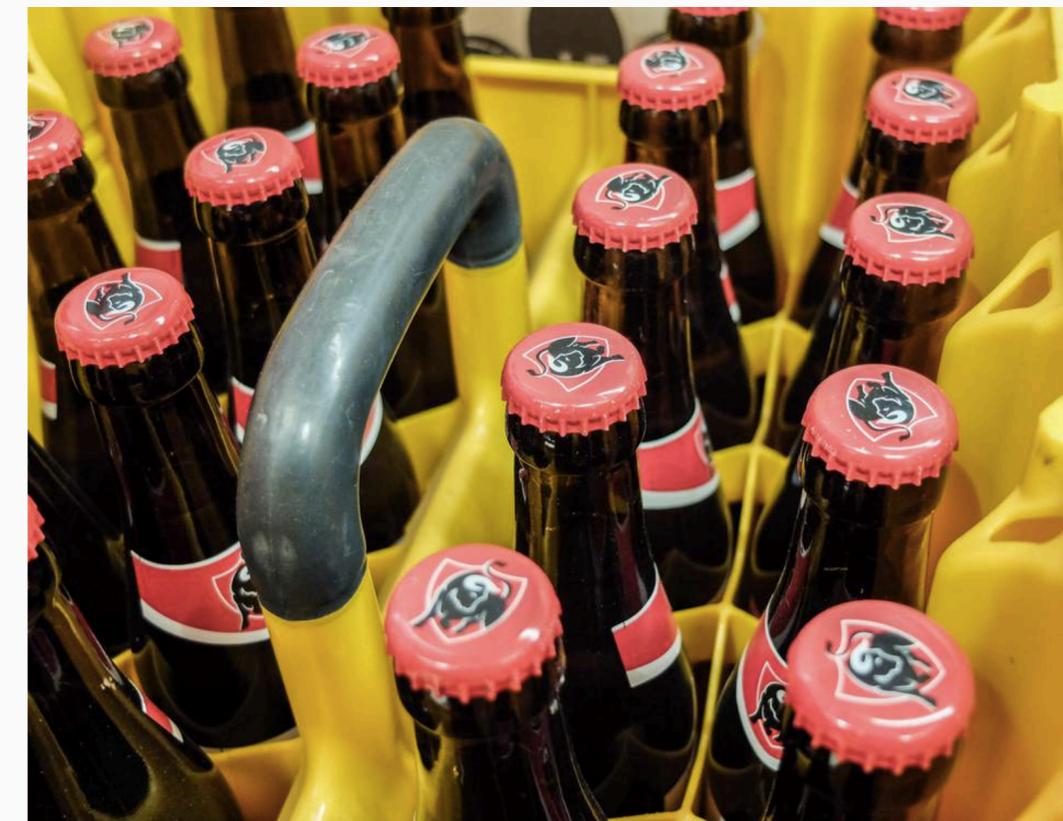
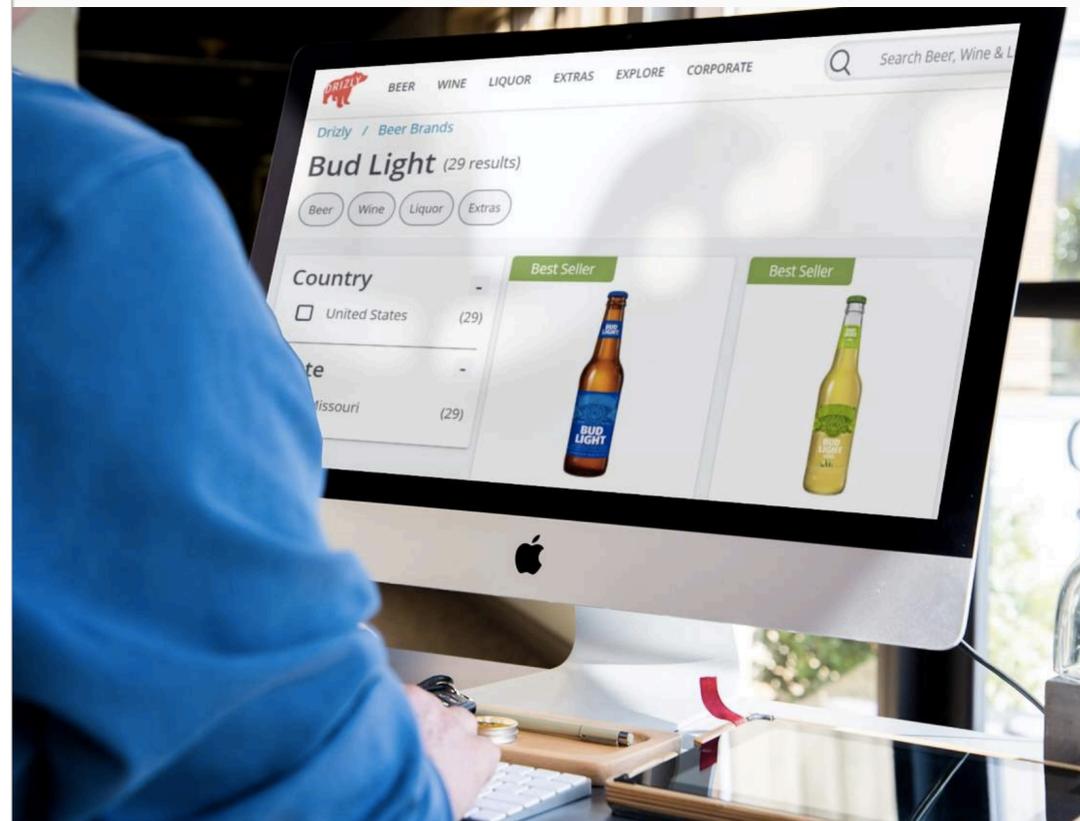
Recognizing the need for being consumer-connected

COVID SPURS NEW TRIALS WITH DTC

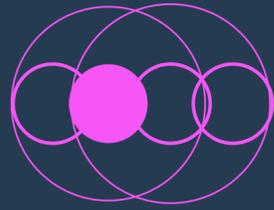
Alcohol brands have been notoriously dependent on third-parties for distribution and sales - they have had a very limited direct consumer view.

In response to Covid, the beer giant, ABInBev has started testing their own direct-to-consumer webshop, offering next-day delivery for five of its brands - in Belgium. It makes sense when a key sales channel (restaurants/bars) is shutdown!

They have toyed with DTC marketplaces for a long time, but Covid has accelerated the process, moving them to launch the program. Beyond Covid-response, this is an important initiative, as it potentially allows them to create a direct relationship with customers, to personalize customer orders ...and capture critical data on preferences/tastes for R&D.



ABInBev has tapped into the DTC market by launching their new direct-to-consumer webshop, allowing for next-day delivery.



CUSTOMER SUPPORT

Customers need support available to them online.

This service and support has to work across a multitude of channels now. If someone can't get to your shop, you need to have chat capabilities on social, and videoconferencing and livestreaming.

Customer support and sales are poised to move closer together as the offline retail experience moves online.



CHATBOTS ON WHATSAPP

Customer engagement at scale

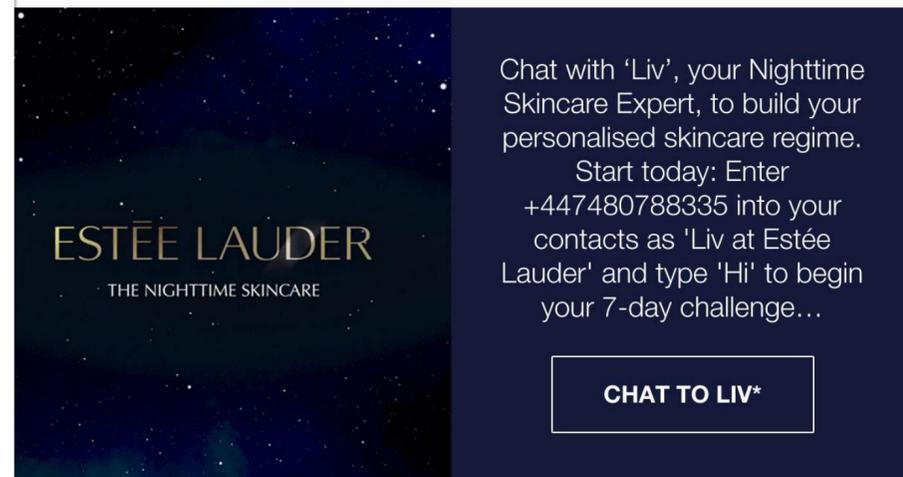
ESTÉE LAUDER SKINCARE EXPERIENCE

Estée Lauder has been developing its virtual assistant/avatar, “Liv” for some time, launching applications on Google Assist and other channels.

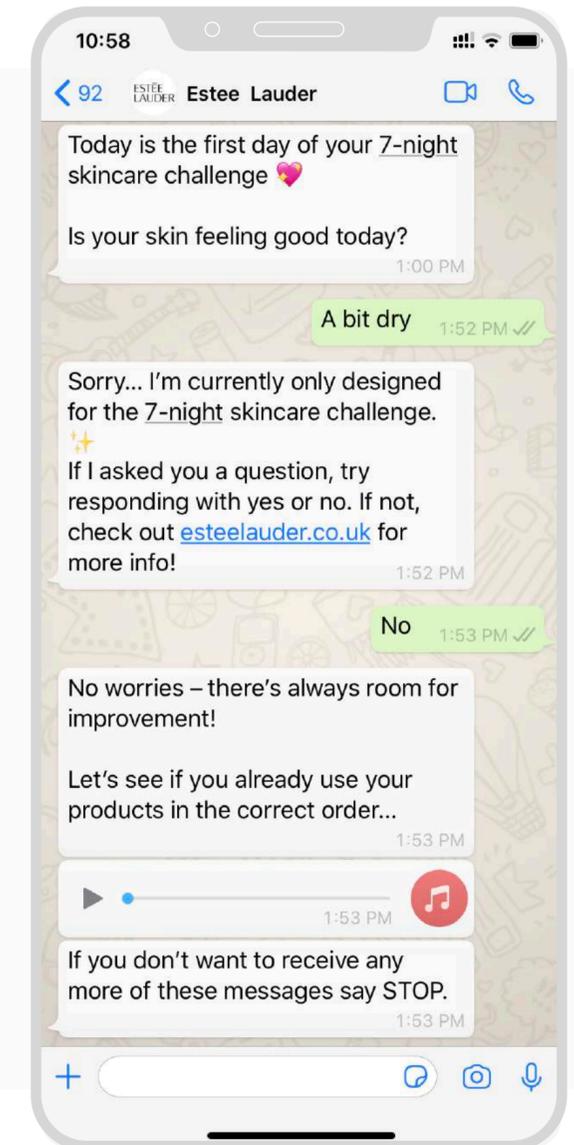
The most recent channel to have “Liv” come to life, is WhatsApp (in the UK) - launched during Covid.

The chat is aimed at helping users build and stick to personalized skincare regimes. The initial experience takes place over 7-days, with daily messages from “Liv” - and a progression of ever-more-personal recommendations/support - (hopefully) building deeper engagement and a permission to have ongoing discussions.

Estée Lauder uses chatbot functionality to scale customer engagement - with the aim of kickstarting more conversations with more customers. The long term goal is 1-2-1 at scale.



Estée Lauder's skincare experience on Whatsapp helps connect with consumers over 7-days, as a way of building trust/rapport.

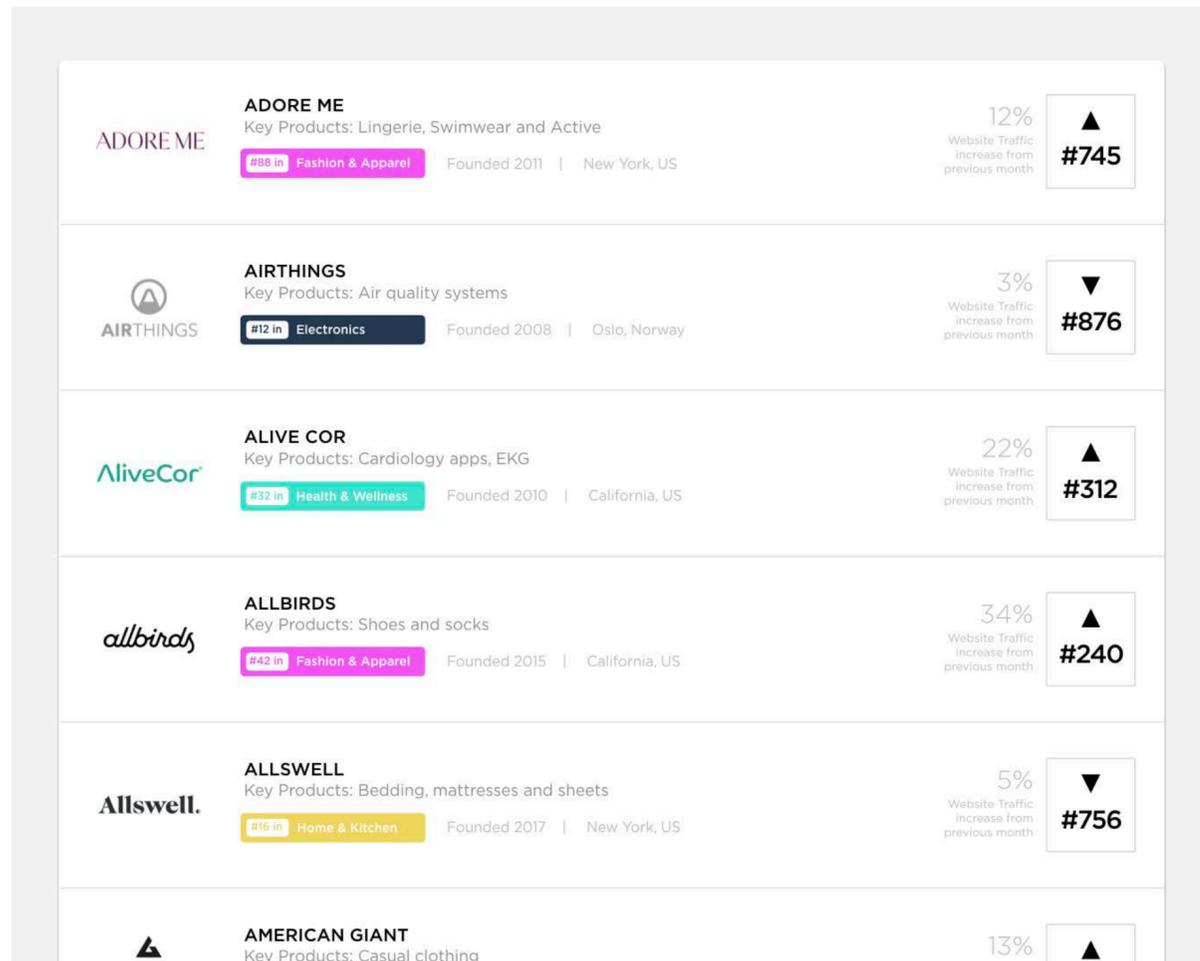


TOTEM

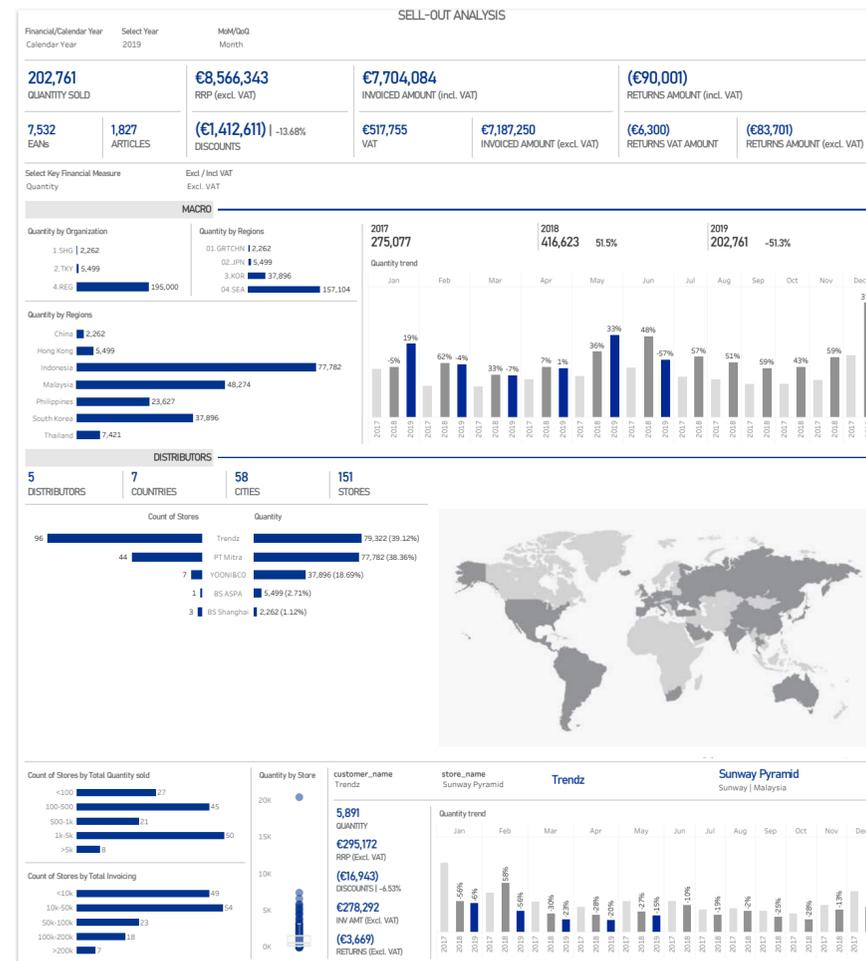
Chris Baker, Founder

Email: chris@totemmedia.co

www.talktototem.com



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