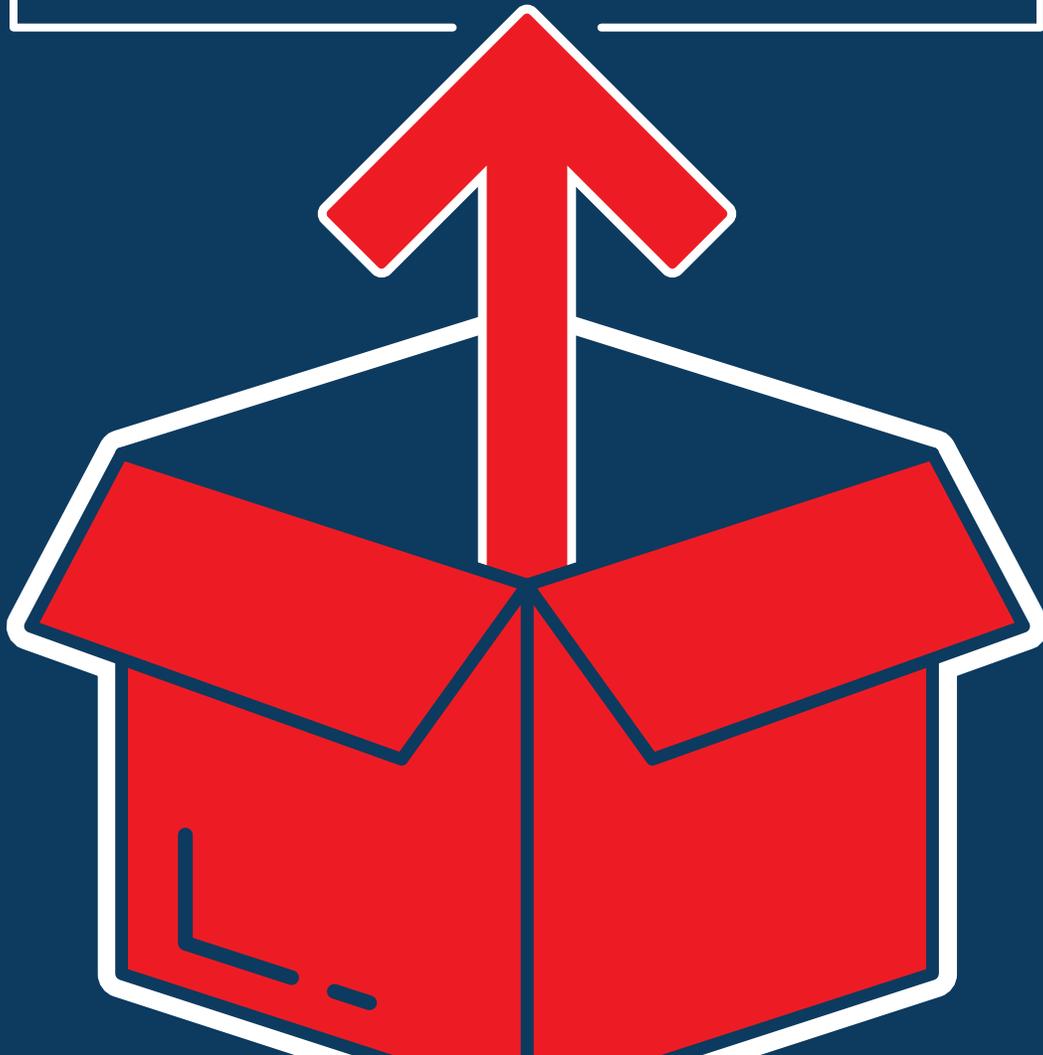




**What all brands  
can gain from the  
new DTC world**

In thought leadership with

EPSILON®





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# Introduction

Thanks to brands like Casper and Warby Parker, the direct-to-consumer (DTC) business model has taken off. You only have to look as far as [LUMA Partners' direct-to-consumer LUMAScape](#) to see that the model is booming. [eMarketer estimates](#) that 400+ DTC brands exist today, and traffic to their websites has almost doubled in the past two years.

Spanning categories like apparel, beauty, personal care, baby, pets, travel and financial services, they're growing at an exponential clip, and established consumer brands are taking note.

**We surveyed and interviewed a variety of brands, both DTC and B2C (brands with more traditional marketing strategies than DTCs), to understand:**

- What's been happening in the market and why
- How these trends are impacting marketing today
- How these trends will impact marketing in the future

The findings show that B2Cs are very concerned about DTCs impacting their marketshare, and that DTCs are concerned about the next steps for their business.

As DTCs gain authority in their respective industries, they pose a threat to established brands. According to Euromonitor, Gillette controlled ~70% of the U.S. market a decade ago, but their marketshare dropped below 50% last year, due to disruptive brands like Harry's and Dollar Shave Club. With DTCs' emergence comes an opportunity to adapt and adjust—for both kinds of brands. **By digging into how these businesses changed the game, marketers of all stripes can stand a fighting chance at sustainable growth in the new DTC world.**

Read on for the full findings from the survey, implications in the market and recommendations for all brands to succeed amid changing dynamics.

## Defining DTC: What's a direct-to-consumer brand?

Thanks to their various and evolving business models, DTCs can be tricky to pin down. But these characteristics can help you spot most of them:

- Digitally native
- Innovative, disruptive brand storytelling
- Bypassing traditional supply chains
- Customization in product and experience
- Upending established products and services in their category
- Minimal offerings (intent that the same few products work for all)
- Centered on convenience (e.g., delivery, online sales, recurring payments)

## Key findings

### 80%

*of marketers agree that DTCs impact how they market or think about marketing.*

### 82%

*of marketers are worried about DTCs' popularity with digitally native generations like Gen Z and millennials.*

### 71%

*of DTCs say their next major challenges are scaling their business and customer churn.*



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## DTCs are heavily impacting established brands' marketshare.

With the fragmentation of channels and platforms, DTCs were able to fill a need that traditional brands didn't see or acknowledge. A full 80% of B2Cs we surveyed either somewhat (49%) or strongly agree (31%) that DTC is impacting their market—and that impact comes mostly from DTCs' performance-based digital marketing. Specifically, B2Cs say their DTC counterparts excel in digital media buying (43%), social (41%) and delivering curated experiences (31%).

## DTCs are besting B2Cs in two key ways: product innovation and customer interactions.

DTCs excel at finding space for new products and categories. They see opportunities to solve customer needs through product innovation that B2Cs overlooked. **"Every time you think a space is completely filled up, somebody finds a different angle,"** said Tim Condon, SVP of marketing and engagement at Homesnap.

Because DTCs are focused on the buying process, they're changing what consumers expect from the brands they choose. The survey found that 81% of B2C marketers think DTCs have changed consumer expectations of their own brand.

## DTCs are winning with millennials—and everyone else.

82% of the B2Cs we surveyed are concerned that DTC is more popular with millennials and Gen Z. But DTCs have the power to win marketshare with any audience, based on the product and their ability to build a deeper brand relationship with customers. The brands we interviewed largely agreed that millennials are an audience for them, but may not be their primary audience. Just because a more traditional brand's target demographic skews older doesn't mean they won't have DTC competition.

## DTC success forces all brands to nail performance and personalization.

DTCs make up a new generation of performance marketers that have had success driving measurable online and offline sales. Their shift from general brand awareness to measurable demand generation has inspired their B2C peers. Over half (53%) of the B2Cs we surveyed are now more focused on ensuring their marketing dollars tie directly back to ROI. Scaling both customer acquisition and retention to increase overall lifetime value is the new battleground that will drive continued growth.

The key to DTCs' success is their comprehensive understanding of each person they reach. Traditional brands are trying to catch up, with 47% saying they're working on developing relevant and personalized experiences. **"If we market to the wrong people, we aren't selling to our highest potential—those are wasted ad dollars,"** said Claire Stemen, social media and press manager at Fount. **"We want to constantly reassess who we're talking to and if they're happy with the way we're communicating with them."**

## DTCs' next big challenges: scale and churn.

Established B2Cs expect their DTC counterparts to struggle with copycat competitors (58%), customer retention (34%), product variance (32%), consumer privacy regulations (30%), audience diversification (27%) and scaling growth (23%).

These top challenges are somewhat aligned with how DTC marketers responded: 71% of the DTC brands mentioned scale and churn as their biggest challenges. But the B2C responses highlight areas that DTCs may not foresee as upcoming challenges (like copycat competitors and product variance).

## DTC as a separate category may be a thing of the past.

As DTCs look to improve customer experiences and engage in all relevant channels, our research shows that more will consider—and already are—abandoning the "pure DTC" model of only selling online. As Corey Bergstrom, the president of Swanson Health, told us: **"If you don't transition to where the customer is, you will have a tough time maintaining success as you go forward—it will be a slow decline if you don't get out there."**



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# Methodology

The CMO Club, in thought leadership with Epsilon, completed a quantitative survey of their members, focusing on non-DTC brand marketers (referred to as B2C brands in this report) and their thoughts on DTCs, their marketing and whether they're impacting their own marketing efforts. The survey included 74 responses from CMOs or heads of marketing from non-DTC brands.

Epsilon and The CMO Club also completed 14 qualitative interviews of DTC brands (C-level or heads of marketing within their organization) within and outside of The CMO Club, focusing on marketing efforts in their past, present and future.

The survey and interviews were conducted July–August 2019.

**We'd like to extend our thanks and appreciation for the shared insights from The CMO Club and the DTC brands who participated in the study.**

*\*Member of The CMO Club*



Corey Bergstrom  
President | Swanson Health



Mark Bietz  
CMO | Fun.com\*



Dave Brotton  
VP marketing | PurpleWave\*



Tim Condon  
SVP of marketing and engagement | Homesnap\*



Mat Herman  
Cofounder | Apt2B



Kyle Jacobson  
CMO | Gobi Heat\*



Cam Mullen  
Head of marketing | Spin



Nate Phillips  
CEO and cofounder | NomNomNow



Greg Shugar  
CEO & creative director | Beau Ties of Vermont



Kristina Smith  
Director, global digital marketing | KEEN Footwear\*



Claire Stemen  
Social media and press manager | Fount



Jill Thomas  
Recent CMO | Edible Arrangements\*



Daniel Zisman  
Public relations manager | Proper Cloth



CMO Club member  
Consumer services industry\*



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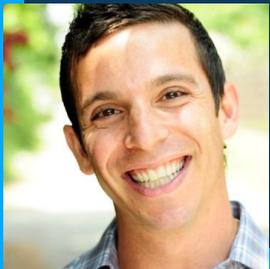
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“Traditional brands didn’t realize quickly enough that their cheese is old and moldy, and then DTC brands came up with ideas and innovations that were a breath of fresh air for consumers.

We ‘moved the cheese’ **by taking the traditional upside-down model of purchasing and turning it right-side up.”**

Mat Herman  
Cofounder | Apt2B

Part 1:

# Consumer markets—disrupted

*The fundamentals of marketing haven't changed, but the world around us has transformed.*

# 80%

of B2Cs are feeling the influence of DTCs

People today have more screens to watch and endless content to consume. [eMarketer](#) reports that in 2019, the average U.S. adult spent 12 hours and 9 minutes with media per day, and significantly increased their time spent with digital media.

Their time and attention is fragmented, pulled in hundreds of directions. Brands of all sizes have new opportunities to connect with the right audiences; they don't need to be an enormous brand with an established budget to make an impact.

**“With a brand in the consumer services industry, you still have to have performance marketing and generating demand ... That’s the case in all DTC. It’s finding the right investments in brand that may or may not yield the right ROI immediately, versus performance marketing that does. You have to balance both in order to be successful.”**

CMO Club member | Consumer services industry

This has opened the door for niche DTCs to step in and steal a sizeable chunk of business from more traditional brands. And they’ve taken full advantage of the opportunity.

Our research shows that DTCs are actively impacting their traditional competitors. A full 80% of the B2Cs we surveyed either somewhat agree (49%) or strongly agree (31%) that DTC brands impact their market.

An overwhelming majority (84%) of the B2Cs recognize DTCs as direct competitors, with 30% recognizing that DTCs are actively gaining marketshare.

Specifically, B2Cs say DTCs excel in digital media buying (43%), social (41%) and delivering curated experiences (31%). Some brands, like Swanson Health, are focused on using lookalike models for targeting and creating a continuous experience across interactions.

**“We’re trying to build a consistent message that gets deployed, a consistent theme across all of the different ways to interact with the customer or the ways the customer could consume our message.”**



Corey Bergstrom  
President | Swanson Health



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DTCs’ digital success is largely due to a better balance between demand-generating performance marketing and more general brand awareness.

When it comes down to it, B2C brands can’t ignore the growth of their more digitally minded competitors. These DTCs are actively in traditional brands’ space and winning over their core customers with better products and better experiences. Just about every consumer market has been disrupted, like the way The Tie Bar (Greg Shugar’s first DTC endeavor, started in 2004) shook up the neckwear market:

**“When we launched The Tie Bar in 2004, we decided to do something completely different at that pre-Recession moment in time—sell a luxury item at a discounted price. And it wasn’t that we were just selling the cheapest tie, but we were selling the best-looking tie—that just happened to be \$15. We hit the perfect sweet spot of value proposition and a great product. Now, you see that business model with everyone that is successful in the DTC space, but we were one of the first to do it. We completely disrupted the neckwear market.”**

Greg Shugar, CEO & creative director | Beau Ties of Vermont



D2Cs aren’t just an emerging force that only sells to digitally savvy consumers. They’re a full-on coexisting competitor to B2Cs. Mat Herman of Apt2B sums it up well:

**“Traditional brands didn’t realize quickly enough that their cheese is old and moldy, and then DTC brands came up with ideas and innovations that were a breath of fresh air for consumers. We ‘moved the cheese’—we took the traditional upside-down model of purchasing and turned it right-side up.”**

Mat Herman, Cofounder | Apt2B



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“It all starts with creating a great product. Because no matter how clever or visually pleasing your Instagram feed is, **if your product sucks, you’ll be out of business within a year.**”

Greg Shugar  
CEO & creative director | Beau Ties of Vermont

## Part 2:

# How are DTCs winning?

*With their access to rich, person-level data, DTCs often know their customers better and prioritize tailoring their products accordingly. The customer is at the center of what they do, and it's all fueled by data.*

Our research shows that DTCs are besting B2Cs in two key ways:

1. Product innovation and value
2. Connecting with the right audiences

## DTCs excel at filling product gaps

Henry McNamara, a partner at Great Oaks Venture Capital (a funder of DTC businesses), says [there are big misconceptions about how DTCs succeed](#):

"A lot of people look at some of the digitally native brands that have scaled significantly over the last five years and think [they can take] a commodity product, and can throw influencer marketing into it and there's not much more to it than that. That's a pretty common belief."

## The opposite is true.

Many of the early DTCs—the ones that built the category as we know it today—focused intensely on identifying customer needs that weren't being filled by existing products and purchase processes. Can you build a better mattress? Yes—that's how we got Casper. Can you make the eyewear-buying process more modern and affordable? Yes—that's how we got Warby Parker.

These brand experiences start and end with the customers evolving both the product and how people buy the product. Through surveys, reviews and answers to questions throughout the purchase process, DTCs continue to learn and customize based on direct information from their customers. It's data collection masked as customer service. And according to our research, it works.

# 81%

of the B2Cs we surveyed said DTCs changed expectations of their own brand

In this new world of endless options, consumer loyalty is hard to find and build. McNamara explains that some brands underestimate what it takes:

"People have hopped onto this DTC playbook thinking they could just slap on a landing page, do a bit of branding and reap a higher margin and directly sell their products to customers without much differentiation from what more traditional consumer product companies are selling."



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But with so many options available, brands can easily fall short of consumer expectations—and successful DTCs get that. They look to the customer to fuel innovation. If customers want a t-shirt in more colors, a smart brand will listen and react to that—guaranteeing more business and marketshare.

**“It all starts with creating a great product. Because no matter how clever or visually pleasing your Instagram feed is, if your product sucks, you’ll be out of business within a year.”**

Greg Shugar, CEO & creative director | Beau Ties of Vermont



Product is one of the things DTCs do best. They see opportunities to solve customer needs through product fit that B2Cs have overlooked.

**“Every time you think a space is completely filled up, somebody finds a different angle.”**

Tim Condon, SVP marketing & engagement | Homesnap

**“There is still a lot of opportunity ... there’s a lot of blue ocean for products in terms that we don’t even know yet.”**

Mark Bietz, CMO | Fun.com



Delivering value through these product innovations is also critical. DTCs have more flexibility to keep margins and internal costs low by not going through traditional retail channels, so they can offer quality products at lower prices.

**“Younger audiences are a lot savvier and more discerning when it comes to product research online. And so, with the plethora of options out there, I think that **there’s just a quality-to-price gap that DTC brands have been winning in a lot of ways.**”**



Mark Bietz  
CMO | Fun.com

But what makes a DTC product better than a B2C product? It all comes down to being outcome-oriented as a business:

**“[DTCs are] so metric-driven. Performance marketing lends itself to that. They can do it with quirky humor and they can do it with lots of things, but at the end of the day, it’s a combination of a cultural convention of life hacks and just ‘don’t be stupid, get it done.’”**

CMO Club member | Consumer services industry



Greg Shugar of Beau Ties of Vermont has a simpler explanation that’s more about vision and ambition:

**“We experience something as a consumer—we find something wrong and say, ‘I could do it better.’ That’s how these companies are typically created.”**

Greg Shugar, CEO & creative director | Beau Ties of Vermont



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## DTCs are winning with millennials—and everyone else

DTCs are eating traditional brands' lunch when it comes to millennials. 82% of B2Cs are concerned that DTCs are more popular with millennials and Gen Z.

Connecting with this audience is paramount for DTC and non-DTC brands, but in practice, actually achieving this is much more complicated, as Jill Thomas notes:

**“Millennials live in a digital world; it’s their life ... At the same time, despite them being most connected generation in history, they suffer the highest amount of social isolation and social issues. What can we, as a brand, take from that? Our brand is supposed to be about togetherness. How can we bring people together in a crazy digital world where they feel alone?”**

Jill Thomas, Recent CMO | Edible Arrangements

But DTCs aren't just for millennials or vice versa, and it's a mistake for any brand to focus only on one age group. This approach passes right over marketshare that's up for grabs with older generations.

*Epsilon research* finds that baby boomers spend the most per transaction than any other generation—and given their great number, they spend the most overall across all categories.

Many of the DTCs we spoke to (including Homesnap, Gobi Heat, Beau Ties of Vermont, Swanson Health, NomNomNow and Proper Cloth) agree that their core customers are older than millennials, even though many expect them to be millennial-centric.

**“One of our most profitable segments is the 35- to 45-year range. It’s not necessarily about putting all of your focus into the millennial audience, and I think that can sometimes become a distraction in some ways.”**

Kyle Jacobson, CMO | Gobi Heat

**“Millennials are an audience for us, but probably not the primary audience. ... Macro trends—from humanization to premiumization of food choices—seem to play out across generations, not just at the millennial level.”**



Nate Phillips  
CEO & cofounder | NomNomNow

**“You see it all the time now [brands trying to appeal to millennials more but getting it wrong]. It’s not uncommon for me to get an email from a brand where the subject line says, ‘Trendy AF.’ It’s trying too hard. It’s overdone and not relevant.”**

Greg Shugar, CEO & creative director | Beau Ties of Vermont

## The Takeaway:

B2Cs are understandably concerned about DTCs' popularity with younger generations, but DTCs have the power to win marketshare with any audience based on the product. **Just because a more traditional brand's target demographic skews older doesn't mean they won't have DTC competition.**



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**“Filling in ‘brand enhancements’ and consistency ... is nice, but I think definitely secondary while you’re still trying to establish the business model and prove consumer demand.”**

Nate Phillips  
CEO & cofounder | NomNomNow

Part 3:

# DTC success forces all brands to nail performance and personalization

Direct-to-consumer brands have sprung up in nearly every niche, and they're competing well with traditional B2Cs through product innovation, product value and audience segmentation. How is the market—and marketing—changing in response?

**80%**

*of B2Cs say this new DTC competition is forcing them to adapt how they're marketing to consumers.*

**53%**

*are now more focused on ensuring their marketing dollars are working through performance marketing.*

**88%**

*have shifted focus to developing personalized experiences with niche product lines.*

**"Towards the end of last year, we decided to start taking retention very seriously as well. Because the longer we retain our customers, the greater our lifetime value is, and the greater the lifetime value is, the higher my cost per acquisition can be. And so, there's this lovely little circular lifecycle."**



Kristina Smith  
Director, global digital marketing | KEEN Footwear

## DTCs' focus on performance is linked to their effectiveness

DTCs make up a new generation of performance marketers with proven success in driving measurable online and offline sales. A brand can no longer win without connecting marketing spend directly back to a measurable sales outcome.

As the importance of performance marketing grows, key metrics are shifting from nearly a total focus on acquisition to a more balanced approach to the customer lifecycle. Scaling both acquisition and retention to increase lifetime value is the new battleground for continued growth.

**"As we receive more permits and expand into more cities, cost-effectively increasing ridership becomes the next key goal. We use a variety of marketing tactics to acquire new riders, convert first-time riders into second- and third-time riders, and over time, create loyal, lifetime riders."**

Cam Mullen, Head of marketing | Spin

But acquisition strategies typically play the most important role when a brand is starting out. As DTCs are trying to prove a new model in an established market, they focus on acquisition to show their value in a new space and then shift focus to LTV.

**"Our core marketing goal has consistently been efficient acquisition at the top of the list, with brand awareness and perhaps more differentiated acquisition strategies as secondary. Filling in 'brand enhancements' and consistency ... is nice, but I think definitely secondary while you're still trying to establish the business model and prove consumer demand."**

Nate Phillips, CEO & cofounder | NomNomNow



## DTCs excel at personalization, making it an expectation for all brands

Regardless of metric, success with performance marketing requires extensive personalization. *Epsilon research* discovered that 90% of consumers find personalization appealing—and 80% are more likely to do business with a brand that offers personalized experiences. Consumers shop three times more with companies they say are doing personalization “very well.”

In marketing today, personalization means messaging someone based on everything you know about them, including who they are, what they buy, where they browse, what they watch and what their triggers are (such as deals and exclusivity). Since DTCs excel at building deeper relationships, they can innovate their marketing and their products quickly. This allows them to continuously offer a more personalized, relevant communication and product to their customers.

Because there are no offline transactions to account for, every single customer is a known entity for DTC brands. They can use that data in all their communications and build models of their best customers to speak to new prospects in the most effective ways.

Traditional brands are trying to catch up. 47% say they’re working on developing the relevant and personalized experiences that DTCs excel at.

**“To be a successful DTC brand, you must build that relationship with the customer. You don’t only want to offer a product, but offer an experience. Experience will keep a customer loyal and coming back.”**

Daniel Zisman, Public relations manager | Proper Cloth

This level of personalization requires brands to start with the right foundation of customer data. Successful brands know who they’re talking to—at the individual level—with identity programs that build complete customer views. This lets them effectively segment their audiences and provide highly personalized experiences. *It’s this concept of identity—a full understanding of each customer—that fuels relevance at each interaction.*

**“The biggest focus has been finding out where the most profitable segments are, and then really diving into those and breaking them out into sub-segments as much as possible. For example, finding the outdoor enthusiasts, breaking those down into very specific segments of location, age, affluency—and building ad sets that target those individual people as granularly as we possibly can. That’s been able to give us that profitability and that efficiency to be able to grow so rapidly.”**

Kyle Jacobson, CMO | Gobi Heat

**“Just pure ‘get some initial relationships’ might become a little bit less important than honing in and refining the ways that we engage with different customer groups.”**

Nate Phillips, CEO & cofounder | NomNomNow

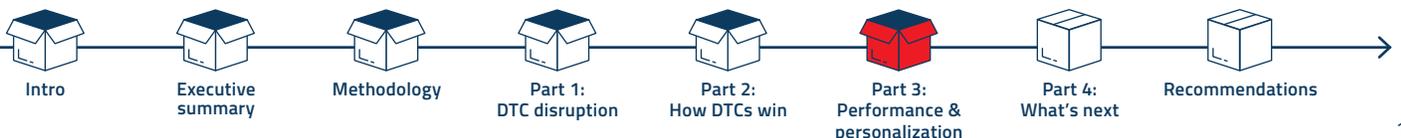
On the flip side, robust customer data and the measurement it affords also help brands reduce budget waste and irrelevant experiences.

With many DTCs getting personalization right, B2Cs have taken notice. 42% say that DTCs have influenced how they use data to make their product and experience better.

**“If we market to the wrong people, we waste those ad dollars. We want to constantly reassess who we’re talking to and if they’re happy with the way we’re communicating with them.”**



Claire Stemen  
Social media & press manager | Fount



# Swanson Health takes personalization to a new level

*Swanson Health is a perfect example of how DTCs are using customer data to acquire and retain customers.*

This DTC used first- and third-party data to better understand their current and potential customers, and deliver personalized ads to each of them.

First, Swanson identified their heavy, infrequent and potential customers—including those spending more with other online and multichannel retailers. Then they tailored their messaging to each person's unique preferences, brand interactions and life events. This focus on personalization through identity allowed Swanson to efficiently reach people with the right messages and products, at the moments and in the channels where each one would be most receptive to buying.

Accurately identifying and reaching customers across all devices led to **20+ million unique conversations** and a **12% increase in messaged revenue**, plus:

incremental return on ad spend

**\$5:1**

**33%**

lower cost per acquisition than goal

increase in messaged site traffic

**20%**



"Given we know our customers, we have the ability to make a more personalized conversation through our touchpoints rather than a generic one-size-fits-all offer. ...

**We're trying to have conversations that pick up from the prior conversation and create the relationship rather than just be a place for them to purchase."**

Corey Bergstrom, President | Swanson Health

[Check out the full Swanson Health case study.](#)

Part 4:

# The future of the consumer market—and marketing

People have the power. The power to listen, engage and share with friends, or to ignore, unfollow and unsubscribe. Marketers have been skirting around this truth for years, but they can't ignore it anymore (or pander to it with mediocre experiences).

Early DTCs focused on building a direct relationship. Future success will require more than being digitally native: Brands will need to be more relevant than the competition. With each and every consumer, at each and every point of interaction.

**Two major trends are arising from this mandate:**

- DTCs are starting to face challenges with both scaling their marketing and preventing churn.
- DTC itself is evolving. As more DTCs diversify how consumers can buy the product, the pure-play of only purchasing from the brand's site will be a thing of the past.

**Scale and churn are the next big challenges for DTCs**

Big opportunities for consumer brands come with big challenges. There are plenty of DTCs that have grown thanks to a scrappy, always-on approach to acquisition. But to sustain growth and profitability, they need to learn how to scale their approaches and retain customers.

**71%**

of the DTCs we spoke to mentioned scale and churn as their biggest challenges moving forward.

But B2C brands highlighted some other challenges that DTCs may not foresee:

**58%**

say DTCs' biggest challenge will be copycat competitors

**34%**

say DTCs will struggle to retain customers over the next 5 years

**32%**

say DTCs will struggle to offer new, unique products

**27%**

say audience diversification will be a challenge

**23%**

say DTCs will have difficulty scaling growth in the next 5 years



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The B2C responses highlight areas where DTCs excel because of their niche market focus (a simple product line and specific, clear audience), but that may become their biggest challenge moving forward.

When it comes to scale, we're talking everything from scaling marketing to operations to geographical coverage.

**"The biggest shift is trying to grow at scale. Right now, we have taken the top spot as the Halloween costume leader, as far as pure-play online goes. And so it's just continuing to take marketshare. We've been successful at doing that partly because we're starting to figure out repeat customers' lifetime value."**

Mark Bietz, CMO | Fun.com

**"The biggest thing I would see as our struggle is not having the experience in knowing how to develop a large-scale company structure. And even in the marketing department, when do you bring on sales reps versus a sales director? And building out that organization in a healthy way that doesn't sink you by scaling too rapidly."**



Kyle Jacobson  
CMO | Gobi Heat

Geography is also a key consideration. Scaling up means servicing more markets, more audiences and therefore more in-house needs on the operations end—which is difficult to plan for.

**"It's scale for us. I would say we're national, but we're a small national. We need to become a big national. We need to have a massive presence on the East and West Coast as much as we have in the Midwest."**

Dave Brotton, VP marketing | PurpleWave

Shifting from solely acquisition to retention will be important as brands seek to reduce customer churn in the coming years. And while retention in general is a good thing, it's really about retaining the best customers.

**"For most DTC companies, retaining is a big driver, but we focus on retaining our best customers and not alienating them as we go forward."**

Corey Bergstrom, President | Swanson Health

But this shift to retention won't be at the expense of acquisition: It's in addition to maintaining a hefty acquisition budget and focusing on finding new customers.

**"I think it's going to start shifting to, at a bare-bones minimum, 50/50 acquisition/retention in the next five years, in terms of time and effort, budget, etc. And to be clear, I don't think that shift means that the budget for acquisition is going to go down. The intent is that piece of the pie, or the entire pie, is getting even larger."**

Kristina Smith, Director, global digital marketing | Keen Footwear



### DTC as a category may be a thing of the past

As DTCs look to improve customer experiences and engage in all relevant channels, our research finds that more will consider moving away from a pure DTC approach. One of the ways this will manifest is by more DTCs moving toward a non-DTC model, and established brands attempting a DTC model.

**“I think one of the best marketing tools right now, believe it or not, as crazy as it sounds, is opening brick and mortar stores ... I believe that the cost of a brick and mortar store is actually less of a net marketing cost than many digital campaigns.”**

Greg Shugar, CEO & creative director | Beau Ties of Vermont

**“It’s a lot easier if you can get some help. Today’s consumer has so many choices and resources available to them to get the best product at the best price. Most brands have the margins to be able to expand their reach through collaborations and marketplaces to help them to cast a much larger net instantaneously.”**

Mat Herman, Cofounder | Apt2B



But this conversation also has a lot to do with channels and offerings that are right for each brand’s product. A physical presence with the brand offers advantages for “fit products”—those that consumers prefer to test out or see in person before buying—like NomNomNow, while app-based brands, like Spin, have technology considerations for their brand to keep in mind.

**“For some products, there’s an incremental value to a customer seeing it live and for non-commodity products or something where taste or fit plays a role.”**

Nate Phillips, CEO & cofounder | NomNomNow



**“There are obvious benefits of platform consolidation, like having only one app for transportation. At the same time, we’re inspired by new DTC companies, like Dirty Lemon, who have built their beverage empire almost exclusively via DTC text messages.”**



Cam Mullen  
Head of marketing | Spin

The downside is that adding distribution channels—brick-and-mortar or online—may mean sacrifices when it comes to understanding customers (if there’s no identity program in place that connects their online and offline worlds).

**“[In moving to traditional channels], you lose sight of who’s buying and why. It’s going to be interesting to see how brands continue to keep that edge, which comes from the DTC analysis and insight. If they pivot out of it, it’s going to fundamentally change what’s in target.”**

CMO Club member | Consumer services industry



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Recommendations



**Recommendations**

It's undeniable that the rise of DTCs has changed the consumer market. And as the brands evolve, the lines between DTC and traditional B2C brands will blur even further.

It's time for all brands to take action on these trends. Below are our takeaways from the research, for marketers of all stripes. **We see a great opportunity to bypass marketing inefficiencies of the past and turn these insights into real, sustainable growth.**



**1 Create person-level connections—for a lifetime.**

DTCs have been successful because of their focus on person-level connections and knowledge of their customers' identities. But DTCs need to look beyond acquisition and use this person-level data to fuel their brand evolution, products and full customer lifecycles. At the same time, B2Cs need to connect each customer's online and offline sales data to build better relationships and increase lifetime value.



**2 Evolve the omnichannel strategy.**

The consumer should be central: All brands need to be wherever people are willing to engage. But omnichannel is about more than just online vs. physical retail, or email vs. direct mail. It's also about consistently connecting the brand across all experiences—email, direct mail, digital advertising, loyalty programs, online and in-store.



**3 Cater to the consumer who's most relevant.**

DTCs have a reputation of attracting a digitally native crowd that wants convenience and ease, and doesn't mind shopping with unconventional brands. But as our research shows, DTC success comes from relevance with many age groups. All consumer brands should focus on the audiences across generations that are most likely to buy from them, ensuring relevance and reducing budget waste.



**4 Let technology drive scale.**

Not only do brands need to adapt as consumers evolve, they also need to do it at scale—something that B2Cs and DTCs both struggle with. Through machine learning, brands can build and deliver highly personalized connections to millions in milliseconds. Machine learning can replace literally hundreds of traditional models and offers a scalable way to tailor and continuously optimize each individual's experiences, across all channels (including in-store, app, email, loyalty and digital media).



**5 Get in the mindset of metrics and measurement.**

The clearest lesson DTC brands offer traditional B2C brands is to shift from brand-centric or even segment-level marketing, and focus on performance-driven marketing. Our DTC respondents say that marketers need to balance branding efforts and demand generation with demonstrable ROI. The key here is—again—the customer. If you can measure all transactions and activity across online and offline channels, you'll know exactly how your marketing affects everyone you reach.



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#### About The CMO Club

We are the world's most innovative and engaged community of CMOs, committed to helping each other solve our biggest challenges in a behind closed doors, candid, and trust-worthy environment. Our Membership is 650+ CMOs strong and growing, representing B2B and B2C client-side brands with over \$33B in collective annual marketing budgets and with over 40% of our Membership representing billion dollar brands. You can find us in 30 CMO Club Chapters across the globe. Our success, fueled by dynamic and innovative peer-to-peer problem-solving and inspirational and educational events, continues to raise the bar for CMOs around the world.

#### About Epsilon

At Epsilon, we empower brands to transform ordinary customer experiences into meaningful, human experiences. Our connected suite of products and services combine industry-leading identity management technology, deep data science and proven brand intelligence gained over five decades. Using human-powered, data-led marketing, we deliver depth, breadth and scale that helps brands turn meaningful human interactions into real business outcomes.

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Interested in learning more about how Epsilon can help your brand compete in a changing market?

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