

## VAB Examines the DNA of Direct-to-Consumer Brands

### New Guide Uncovers Core Characteristics of DTC Shoppers and the Impact on Legacy Brands

NEW YORK – February 27, 2020 - VAB's new marketer's guide, [Deciphering Direct-to-Consumer: An Insider's Guide to America's Fastest Growing Brands](#), examines why direct-to-consumer (DTC) companies continue to experience solid growth within the American economy and the impact the segment is having across multiple industries. The new guide, one of VAB's most comprehensive to date, analyzes the evolutionary path of DTC brands from inception to maturity, as well as how incumbent companies are innovating and adopting DTC business practices. The guide also includes more than 75 data points relating to the core characteristics of DTC shoppers and what motivates them.

VAB defines DTC brands as those companies able to bypass traditional sales models by selling their product directly to end customers without being encumbered by third-party retailers, wholesalers or other parts of a legacy infrastructure or supply chain.

#### **DTC Category Growth and Impact**

Many DTC startups founded within the last decade are siphoning market share from legacy brands in multiple established categories. DTC categories including razors, shoes and mattresses now capture 12, 15 and 20 percent respectively of the incumbents' market share (slide 10). DTC brands are projected to capture a meaningful portion of future purchases, as well. Two-thirds of U.S. internet users expect that 20 percent of their total purchases will be with DTC brands within the next 5 years (slide 15).

DTC brands' business models deliver consumer benefits that entice purchasing, especially when it comes to cost, flexibility and customer service (slide 18). Among the primary reasons cited for buying DTC products over purchasing from traditional retailers are:

- Cheaper cost (48%)
- Fast, free shipping and easy returns (43%)
- Superior customer service (26%)
- Better product design (22%)

#### **DTC Brands' Core Principles**

According to VAB's *guide*, there are seven core principles for DTC brands: e-commerce, data-obsessed, socially-interactive, design-focused, consumer-centric, customer-led and mission-driven. DTC brands are built around the needs of the modern consumer and these principles align with the behaviors of the DTC shopper:

- 74% feel that technology has an impact on their daily life
- 27% like to connect with brands on social media
- 72% say they buy brands that reflect their style
- 78% purchase products to help organize their life
- 83% rely on others' reviews before buying a product and 33% often write product reviews themselves
- 63% are willing to pay more for a product that is environmentally safe and 37% shop with the expectation a brand should support social causes

### **Understanding DTC Shoppers**

VAB also developed four custom archetypes to help marketers better understand the DTC shopper mindset. Mobility, early technology adoption, convenience, comfort, knowledge and advocacy highlight the main characteristics among DTC shoppers VAB defines as **Internet Idolizers, Technology Tastemakers, Convenience Conquerors and Perceptive Purchasers** (slides 38-42). A sample of findings follow.

- DTC shoppers are constantly connected, using the internet for product exploration, conducting price comparisons or shopping for personal needs.
  - 87% of DTC shoppers use the internet to buy hard-to-find products
  - 81% compare pricing across different sites before making an online purchase
- DTC shoppers are busy professionals who see technology as a way to organize and streamline their lives.
  - 60% say they prefer products offering the latest in new technology
  - 35% are among the first of their peers to try new tech products
- Due to their busy lifestyles, convenience is key for DTC shoppers and they are comfortable conducting even the most sensitive transactions online.
  - 82% would be happy to use the internet to carry out their day-to-day banking transactions
  - 73% have paid bills online in the last 12 months
- DTC shoppers seek quality and are willing to pay a premium for it
  - 74% are typically willing to pay more for high-quality items
  - 71% are willing to pay more for top-quality electronics

### **QUOTE:**

Jason Wiese, Senior Vice President, Director of Strategic Insights, VAB: "DTC brands have been a disruptive force throughout all corners of society and have siphoned market share from legacy companies in even the

most established categories. Although there has been some noise in the sector recently, it's important to *understand that it is company specific and not indicative of consumer sentiment towards the DTC model. We created this guide to help marketers who are looking to learn more about the DNA of DTC brands, their innovative approaches to growth and the motivations behind DTC shoppers.*"

*Since 2014, VAB has tracked and analyzed the business performance of hundreds of DTC brands across numerous categories.*

### **About VAB**

[VAB](#) is an insights-driven organization that inspires marketers to reimagine their media strategies resulting in smarter, more educated decisions. VAB develops unique market insights and answers questions from a marketer's perspective, tackling the toughest issues with fresh thinking and supporting data.

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