



All About DTC

Benefits, Drawbacks, & Opportunities For Marketplace Sellers





Ecommerce is the shiny new mall of Main Street. And while some might say it lacks the “feeling” of a brick-and-mortar store, or that it takes away from the atmosphere of a shop-till-you-drop Saturday afternoon, the internet generation will tell you that this is a revolution in consumerism.

Let’s turn to some numbers. Today, some 30-60% of consumers are planning to shop online for seasonal holidays, including Black Friday — an event traditionally associated with standing in long lines and fighting over deals with other shoppers.

While customers might not be able to tangibly touch the goods like in a physical store, the superior accessibility, convenience, and customer service delivered by the online shopping experience more than makes up for it. And that’s especially true when looking at Direct-To-Consumer (a.k.a. DTC or D2C) brands.

If you’re a brand with an established marketplace presence and you’re thinking about getting on board the DTC train, you might be wondering if the pros outweigh the cons. Unfortunately, we can’t answer that for you. But we can help you explore the world of Direct-To-Consumer ecommerce, including some of the winning case studies so far to help inspire your journey.



Here's what we'll cover

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What is DTC?

And why should you care

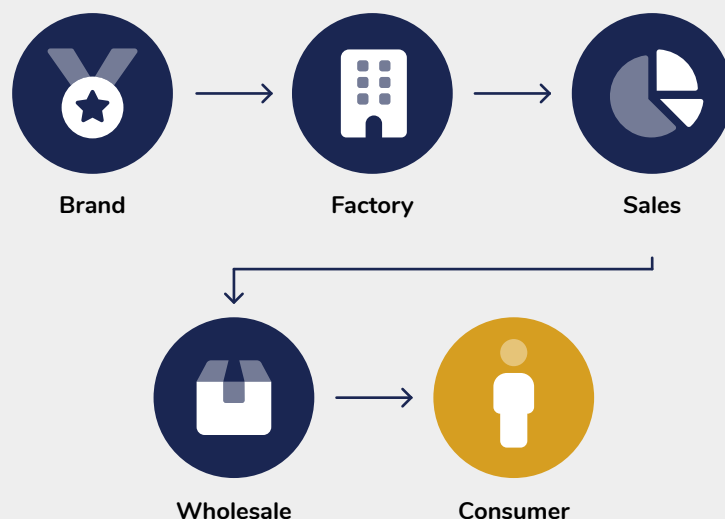
DTC (Direct-To-Consumer) is an ecommerce business model where a manufacturer sells directly to the end customer. No middleman, third-party seller, retailer, or wholesaler is involved.

It's just you and your customer making the dream work. ✨

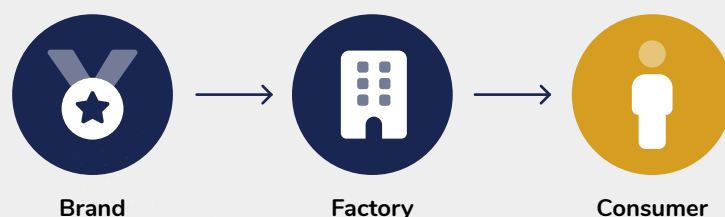
In a DTC model, the consumer interacts directly with the brand in every step of their shopping experience — from browsing through inventory, to checking out, all the way to returns and exchanges.

For these reasons, DTC brands are able to save on transaction fees, storage fees, and other seller's fees that often come baked into third-party platforms like Amazon, while maximizing the consumer-brand relationship.

Traditional Retail Model



Direct-to-Consumer Model



The world of DTC is evolving fast

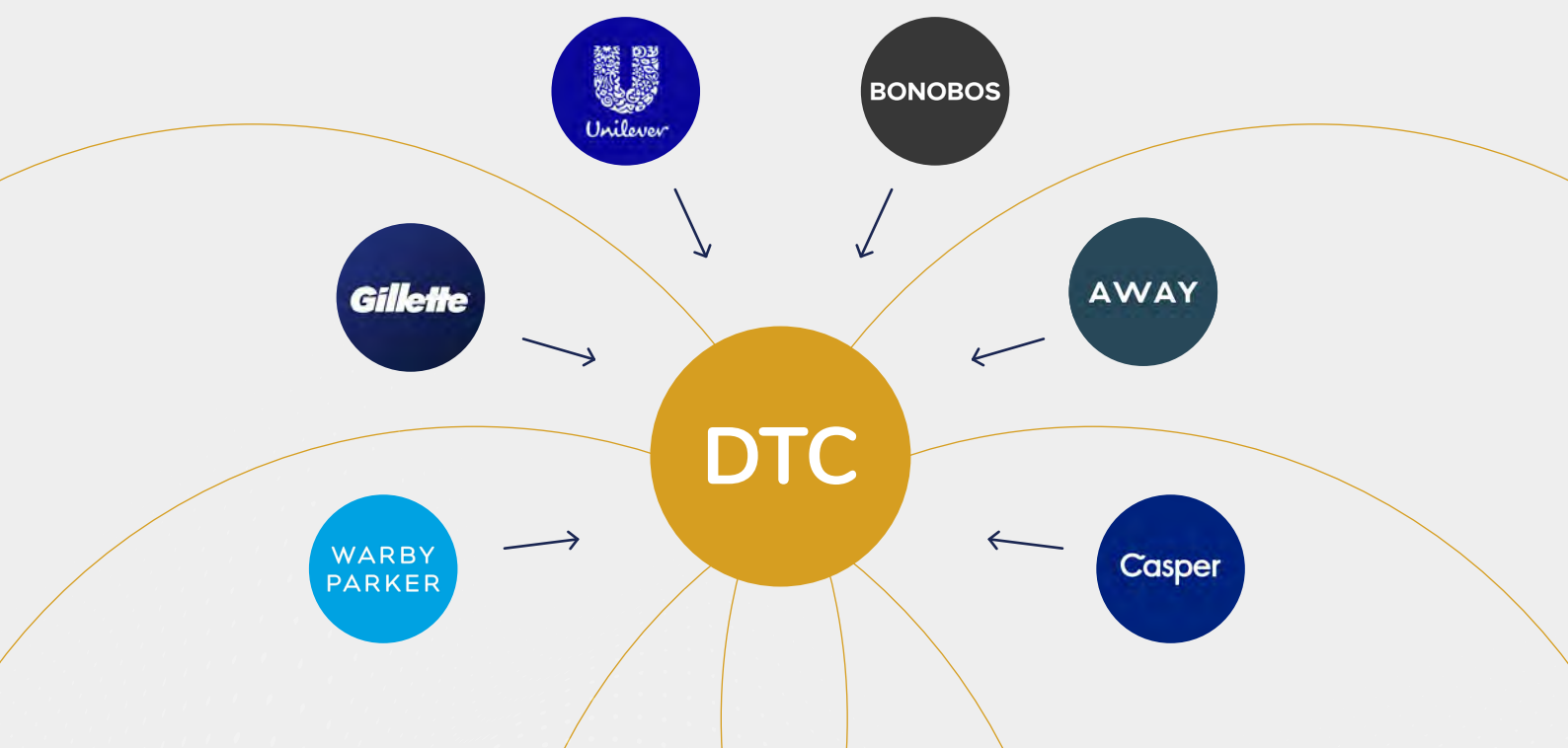
When you think of DTC brands, many of the usual suspects come to mind — Warby Parker, Harry's, Everlane. The list goes on.

As more and more Digitally Native Vertical Brands (or DNVBs) grow their sales and even expand into brick-and-mortar, many long-established brands are making the opposite shift by actively embracing a DTC model. Nike, for example, expects to **increase its digital sales** from 30% to 50% thanks to its new DTC approach.

Many experts believe that in the long-run, a DTC model may give your brand more security.

For example, when the pandemic hit, many wholesale-heavy brands took a loss as retailers canceled orders. For marketplace sellers, many were forced to scramble to **find alternate shipping** routes, leading to lost sales and rankings.

The good news is, it's never too late to embrace a DTC model, and there's no one 'right' way to go about it. The transition may not always be smooth, but it does give you the space to choose which aspects of direct selling you want to adopt, and which ones you want to hold for later.



A deeper look at some of the brands winning with DTC 🏆

To better understand how a DTC approach can help establish a loyal customer base and all the increased revenue to go with it, let's take a closer look at some of the best and brightest DTC case studies from the world of ecommerce so far.



WARBY
PARKER

#1. Warby Parker's highly personalized DTC approach

- Founded in 2010, Warby Parker customized the shopping experience by sending customers multiple pairs of glasses and giving them the opportunity to pick the ones they like and return the rest.
- This convenient user experience is the embodiment of their core values: prioritizing style, convenience, and affordability.
- The day one DTC model helped them gain a robust customer-brand relationship and prepare for a smooth transition from online-only to physical locations in 2013.
- Due to the close relationship with customers, the team at Warby Parker was able to base their growth decisions on data, rather than hunch. As of March 2022, they have 180 physical stores across 129 cities, and are continuing to grow.



Casper

#2. Casper's convenience-centric value prop

- Online retailer Casper streamlined the bedding market to make it more convenient for shoppers by fixing the problems associated with brick-and mortar mattress stores.
- They leveraged digital tools to alleviate the inconvenience of delivery fees and the overwhelming number of options that came with selecting a mattress from a physical location.
- Casper got its foothold by offering convenient home delivery, easy refunds, and limited options (just three types of mattresses in different sizes), plus a generous 100-day return policy. By focusing on fixing customer issues, they became a popular choice for comfort-seekers and a near-instant DTC hit.



#3. Away's community-led growth

- Away is a luggage brand, selling bags and suitcases online with a selection that caters to every travel situation. But unlike most luggage retailers, they marketed themselves as a travel brand.
- From the beginning, Away prioritized [social media](#) to create a “community experience” centered around travel, adventure, and of course, luggage.
- By creating not just a brand, but also a story and community, Away kept customers coming back for more even [during the pandemic](#) when they made smart moves like launching their first pet carrier.

What's the real advantage of going direct-to-consumer?

Pretty inspiring stuff, right? But before you jump headfirst into the world of DTC, it's helpful to understand what's stopping companies from taking the plunge.

Here are some of the common DTC challenges causing some sellers to think twice:

- **Most sellers don't feel “prepared” enough** to change business models and are worried about throwing off or disappointing their customers.
- **Many marketplace retailers are overwhelmed** by the thought of handling payments, order tracking, delivery, and returns — responsibilities that are usually assumed by their marketplaces or third-party platforms.
- **Some are concerned about the costs associated** with establishing DTC channels, and worried that it won't deliver the ROI they'd hoped.

These are all very valid concerns, and the increasing hype around DTC only adds to the stress of decision making. But by taking a step back and evaluating the potential of DTC in relation to your brand's unique vision and mission, you can help make the choice clearer.

Let's look at some of the other advantages that come with adopting DTC.

Retain more revenue

Across countries, **customers cite** value, quality, and brand purpose as the top motivators for trying a new brand — all three of these are easier to establish through a DTC model.

While you might have to invest in new tools like a domain, website development, and a digital team, in the long run these expenses are likely going to cost less than the commissions you usually pay to retailers and marketplaces. Amazon, for example, charges anywhere from 6% to 45% of the price for every item sold and new fees are being added all the time, often without warning.

This benefit of DTC also works to your customers' advantage, as they don't have to pay the extra charges that are usually added by the middleman to your products' prices. And of course, low costs to the consumer can easily drive increased sales.

Complete control over the customer experience

The main advantage of DTC is how much control you have over your brand messaging and customer experience.

Today, **60% of consumers** say they like a personalized shopping experience — and that's where the direct selling model really gets the upperhand over marketplaces like Amazon. The data you obtain directly from your customers can help you match their preferences, improve their shopping experience, and increase your revenue.

Not only that, consumers are also starting to look toward DTC brands for a level of transparency and responsibility they can't usually find on marketplaces. In fact, data shows that **30% of today's customers** are more likely to buy from a brand that is focused on sustainability and loyal to a cause-oriented mission.

Last but not least, without the rigid restrictions of a marketplace platform, you're free to display ads that are more in tune with your brand's voice and mission to make a larger and more powerful impact on your audience.

Increased customer ownership

It's no secret that when you sell through via marketplace, you have no ownership over your customer data. Through a DTC model, however, the customer gives you direct permission to obtain their data.

In turn, you get a better understanding of their demographics, product needs, and preferences. This information can help you target your advertising, marketing, product development and even your growth trajectory to the approach that best fits your customers' expectations.

Companies like Dollar Shave Club use their customer data to personalize the shopping experience by allowing customers to take a quick quiz and tapping into the results to recommend products that would be a good fit. They also give their customers the option of customizing their own **subscription package**, a huge appeal for customers and a great way to increase recurring revenue.

Boost brand loyalty

When someone buys your product on Amazon, their brand loyalty is to Amazon — not you.

Next time, they might just easily buy the same product from your competition. In a time when **65% of a brand's business** comes from existing customers, the DTC model gives store owners a chance to establish crucial brand loyalty.

Many third-party sellers have strict rules about what can and cannot be included in your product packaging and don't often allow promotional or even informational material about your brand to be included.

On the flip side, when a customer interacts directly with your brand's website, they get to experience the culture and community around your brand. If that experience is a good one, they'll be more inclined to buy from you again.

Eases the transition from online to physical locations

If you plan on transitioning to physical locations, a DTC model can give you crucial information on where to open shop based on what your customer demographics are, which products would sell well, the best time of the year to open your shop, and what kind of brand vibe your store location should have.

For example, DTC brands like Nadaam and swimwear brand Andie were able to choose their physical locations based on the data gathered from their online customers. Melanie Travis, CEO of Andie said: “Our customer sales and average order data displayed an accelerated growth pattern in the zip codes in and around Palm Beach,” which gave them the certainty to pick Florida as a good spot to open shop. Started in 2016, the company has now reached \$18.5 million using this approach.

DTC vs. marketplace: Which is better?

The DTC model clearly has its disadvantages. But so does selling on a marketplace. Ultimately, picking the best track for your business has a lot to do with what you sell, what markets you’re trying to tap into, and who your audience is. Here are some of the core factors to consider.

Gaining customers

If you’re a new brand, it can be hard to acquire new customers. You might end up paying hefty prices for advertising and your customer acquisition costs (CAC) will be high as you try to build awareness for your brand. With a marketplace, you can bypass that hurdle and immediately tap into an existing customer base.

If you’re a brand that already has a consistent inflow of consumers, a DTC model could be a great way to scale. While you’ll still need to invest in a fulfillment infrastructure, increased marketing and ads, you can control how your brand is perceived, and target your advertising toward a customer base that is already familiar with your brand.

👉 The Inside Scoop: When mega brands go DTC

Did you know that Nike officially launched its “**Consumer Direct Offense**” DTC plan in 2017? At the time, this was an aggressive ecommerce campaign that drove Nike’s sales up, along with its share price. But Nike wasn’t the only mega brand to get in on the DTC action. In response to the 2020 lockdown, **PepsiCo launched two DTC websites**, snacks.com and pantryshop.com, to help customers get products delivered straight to their doorsteps.

In short, if you’re a fresh new brand, a DTC model might be more challenging than selling on a marketplace. But for established brands, the transition to a DTC model can be more convenient for your customers, while giving you crucial ownership over your customer relationships and data.

Responsibilities that come with DTC

The numerous responsibilities that the seller needs to take on is often the most terrifying aspect of DTC. The burden of order management, packaging and shipping, customer service and returns, and marketing and branding are all major responsibilities. A new brand that has a small staff could quickly find themselves overwhelmed with a DTC model.

On the other hand, for an established owner, DTC provides an opportunity to customize these aspects of selling. If you can afford the time and resources to keep up with these responsibilities, the DTC model offers much deeper customization and client-centered interaction when compared to a third-party platform.

Depending on how your business is structured, platforms like Shopify and BigCommerce can help make most of these tasks plug-and-play.

Sales may be inconsistent

One potential drawback of DTC is that there is less consistency when it comes to sales, especially if you're a new brand.

If you're just hitting your stride with sales, popular marketplaces likely offer more sales security. In fact, some online retailers like Amazon allow you to list your products for free and only charge you once you make a sale.

However, if you're an established brand looking to make the transition to DTC, you should know that your sales might take a hit in the beginning. The good news is, they're more likely to even out and eventually increase as marketing and advertising to your own channels starts to work its magic..

👉 The Inside Scoop: Using data to give your brand a DTC makeover

L'Oreal made up for its losses during the pandemic through digital sales, and they attribute this success to a DTC model that prioritizes consumer-centricity. L'Oreal's chief digital officer, Lubomira Rochet, [commented in an interview](#) that they were able to drive sales "by managing data and insights not every quarter, but literally everyday. Having our finger on the pulse of consumers is important also so that we can talk to them in the right tone."





Will your brand be the next DTC success story?

Expanding from a marketplace business to a DTC model can be nerve-wracking, but with the huge increase in online shopping and ongoing changes in consumer behavior, it's definitely an option worth considering.

Keep in mind, Millennials and Gen Z have far different purchasing criteria than previous generations. By having your own website and DTC channels, you create an opportunity to provide this growing customer base with the information they're looking for, while maintaining full control over your brand narrative.

And you don't have to go it alone. At SellersFunding, our expert team of ecommerce funding professionals have experience working with sellers to transition into a successful direct-to-consumer model.

Reach out today to learn more about how we can help you grow. Here's to your DTC success!



Learn more about SellersFunding [here.](#)