



Press Release

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Direct-to-consumer is challenging brands – Warc Toolkit 2017

More brands are exploring DTC opportunities with the help of apps, buy buttons and subscription services

01 February 2017 – Consumer goods brands are increasingly looking at direct-to-consumer (DTC) opportunities, according to Warc, the global marketing intelligence service. Research suggests that cutting out or minimising the retailer 'middleman' allows brands that previously had no direct relationship with their customers to develop one.

David Tiltman, Head of Content at Warc, says, "Low-cost start-ups have disrupted established business models with customer-centric online businesses. Innovative apps, buy buttons, subscription services and engaging branded social platforms have encouraged impulse purchases and trials with seamless transactions and personalised experiences."

"The challenge for established brands is responding to these new models," continued Tiltman. "The coming year is likely to be an area of considerable experimentation."

Key insights identified in Warc's Toolkit 2017 on 'direct-to-consumer' that will have a bearing on marketers are:

1. **Subscription services enable brands to acquire consumer data:**

The success of innovative subscription brands, particularly among younger age groups, has disrupted some industries and has challenged established business models. Dollar Shave Club, a US-based online brand, sent high quality razors directly to subscribers' homes for a monthly fee. In 2016, Unilever purchased Dollar Shave Club for \$1bn, giving the FMCG business a 5% share of the US market. It also gained access to a new stream of customer data – a key benefit of DTC strategies over traditional retail.

2. **Mobile is central to the DTC experience:**

Mobile is key to DTC opportunities because it reduces the number of steps between browsing and buying. Apps including Uber and Airbnb have been at the forefront of integrated commerce, a trend that many in the payments industry refer to as the 'Uberisation of payments'. In the case of Uber, the mobile app turns many would-be cash or card transactions into automatic digital payments. Apps such as these have introduced many first-time mobile payment users to the concept of mobile-enabled commerce.

3. **The DTC 'insurgents' focus on strong customer experience:**

Some of the most disruptive DTC strategies have been created by companies with limited resources. Many of these successful brands have developed ingenious solutions to age-old marketing problems.

Warby Parker, a start-up eyewear retailer in the US, was able to positively differentiate itself from established brands after launching a digital-first business with customer experience at the heart of its strategy and in a category slow to offer its products online.

4. Brands are trialling with purchase 'buttons', but consumers have concerns:

Connected 'buttons' that can order an item directly, such as Amazon's Dash service, are growing in popularity. One study shows that more than half of UK consumers (54%) would like to use smart shopping technology to order household supplies as well as food and drink, while a third (34%) would use it for beauty, healthcare and personal hygiene products. Consumers also expressed some reservations, such as lack of control over purchases (54%) and issues of security (51%) and data privacy (51%).

5. Online product demos can be a route to DTC:

The beauty sector is also looking at DTC opportunities. However, in this sector many consumers want to try products before they buy. Apps can be used by brands to allow trial as well as control purchase. L'Oréal's Makeup Genius, a virtual make-up app that applies make up to a user's image, has already been downloaded by more than 16 million consumers worldwide. Purchasing and click-through is encouraged on the app.

6. China has become a DTC leader, in part due to WeChat:

In China, the rise of messaging app WeChat has created new opportunities for DTC. The chat app, which has 600 million users in China alone, is focused on connecting people with businesses, and is moving from social communication to payment, utility, commerce, and service. Shoppers can browse and buy seamlessly from the app itself additionally leading to an increase in online conversions.

7. DTC is important in emerging markets where product availability is limited:

E-commerce is particularly important in some emerging markets because it offers consumers access to international brands where product availability is often limited, especially outside of urban areas.

How brands are going direct-to-consumer is one of six key trends featured in Warc's Toolkit 2017. The annual report, produced in association with Deloitte Digital, brings together the best of Warc's content over the past year – the latest ideas, research and examples. The result is a guide to current thinking and the implications for marketers. For more information and insights on Toolkit 2017, visit www.warc.com

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