eMarketer

Presented by PCH Publishers Clearing House

DIRECT-TO-CONSUMER MARKETING TRENDS ROUNDUP

September 2019

Direct-to-consumer (D2C) brands have historically relied on performance-based digital advertising strategies. Many leverage social platforms to target audiences and unconventional business-to-consumer tactics to go "over the top" of traditional media channels to reach and acquire customers. eMarketer has curated this Roundup of articles, insights and interviews to understand the key trends in D2C marketing today.

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Customer acquisition is the lifeblood of any company. However, in the last few years, the cost of acquiring new customers has increased by more than 50 percent. This new reality requires marketers to fundamentally rethink their marketing funnels. No longer can top-of-funnel lead generation activities be siloed from bottom-of-the-funnel customer conversion drivers.

In this new era, the marketing funnel must be viewed holistically, and through a performance-driven lens. PCH is sponsoring this Roundup because we understand the challenge of customer acquisition and the importance of marketing channel diversification in finding new customers and earning trust.

Advertisers can access premium inventory across PCH's entire portfolio of websites and apps through Publishers Clearing House Media, the digital advertising arm of PCH. PCH Media helps brands and performance marketers acquire new customers by offering creative and effective ways to engage with the PCH community.

OVERVIEW

D2C brands have taken incumbents by surprise in part because of their unconventional marketing strategies that bypass much of the existing media and commerce supply chain. Traditional brands across virtually all segments of retail tend to run a marketing playbook predicated on mass media vehicles—usually TV—and owning or controlling retail distribution channels. Because D2C brands take their wares directly to consumers, their primary focus is bringing the right message to the right customers in a cost-effective manner.

The saying "necessity is the mother of invention" is one D2C brands internalized, resulting in their creative approaches to marketing. By relying on a combination of earned media, targeted digital ads and cheap inventory, many D2Cs were able to keep marketing costs to a minimum as they scaled their customer base. But they largely remain focused on direct-response advertising, keeping a close eye on customer acquisition costs while considering the lifetime value of a new customer. They religiously adhere to a test-and-learn approach that leverages the immediacy of digital data in order to shift ad budgets to the media channels and programs that drive sales.

According to Activate's Seref Turkmenoglu, that's why D2C brands "don't necessarily have chief marketing officers, they have chief growth officers. It's all about taking this marketing spend and moving it from an expense line to a 'cost of goods sold' line—in other words, seeing it as a real investment that will be tied directly to revenues, and then organizing the entire company around that."

"It's all about taking this marketing spend and moving it from an expense line to a 'cost of goods sold' line."

Seref Turkmenoglu
Senior Partner, Activate

Echoing similar sentiments in the presentation "Fire Your CMO," LUMA Partners CEO Terry Kawaja said, "The way D2Cs approach advertising is fundamentally different. D2C brands know the lifetime value (LTV) of a customer and can thus calculate the bounty to pay for a qualified new customer, which is just customer acquisition (CAC) math. Accordingly, these brands treat advertising as a profit center, effectively moving it up the income statement from a discretionary expense to a cost of goods sold."

D2C brands have historically relied on performance-based digital advertising strategies. Many leverage social media to target audiences and direct response podcast ads to drive conversions. Even unconventional business-to-consumer tactics like content marketing are being used to go "over the top" of traditional media channels to reach and acquire customers. In this Roundup, you'll uncover these trends and more.

D2C BRANDS CLAIM ANOTHER VICTIM BY ACCELERATING DEMISE OF PAYLESS SHOESOURCE

In February, Payless ShoeSource announced that it was seeking Chapter 11 bankruptcy protection, with plans to close its 2,500 locations across North America. Following bankruptcies of other retail stalwarts from a bygone era, like Sears, Toys "R" Us and Mattress Firm, Payless' demise doesn't come as a shock. Instead, it is another cautionary tale of a retailer that failed to evolve its brand.

Payless trafficked in commodity footwear with a low-price value proposition, but it committed many of the same sins as other victims of the so-called "retail apocalypse" by incurring too much debt, wielding too large a store footprint and struggling to keep pace with consumer trends.

These factors were exacerbated in recent years by the rise of formidable digital competitors that squeezed the retailer from both ends. And Payless could never quite get its footing to build a functional ecommerce destination that actually attracts customers. While other brands used digital channels to grow, Payless was increasingly reliant on in-store foot traffic, which became harder and harder for a retailer known for its presence in malls.

Meanwhile, Amazon and Zappos.com began to commandeer the online shoe market—at least for nonspecialty footwear. If you needed a basic pair of sneakers, boots or Oxfords, you might start your shopping journey there.

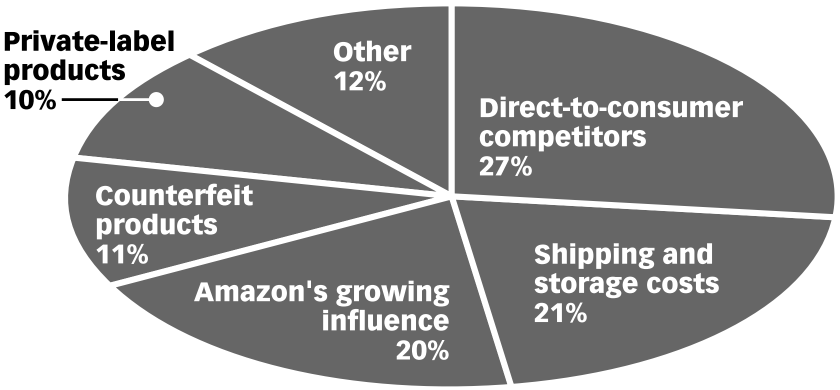
For those with more specialized tastes, but still looking for an attractive price point, a wave of direct-to-consumer (D2C) brands—Allbirds, Bucketfeet, Greats, M.Gemi, Rothy's and Toms—has cropped up in recent years to carve out their respective niches of the footwear market. Made from recycled plastic or using limited edition artists' designs, each brand possesses a modern and differentiated take on foot fashion, a compelling brand story and ethos—and reasonable price points "to boot."

It's no wonder that, according to a study by Feedvisor and Morning Consult, D2C brands rank as the most pressing ecommerce challenge for brands (27%), even outpacing shipping costs (21%) and the threat of Amazon (20%).

Payless took notice of the D2C invasion, and in what you could now argue was the company's final Hail Mary pass to stave off bankruptcy, tried a stunt straight from the D2C marketing playbook. Payless hosted a "pop marketing" event in the heat of the 2018 holiday season, in which the company adorned a vacated storefront in Santa Monica with the hip-sounding "Palessi" moniker, flashy displays and dozens of social media influencers in attendance, ostensibly for the launch of a hot new luxury brand.

Payless offered the same discount shoes at severely inflated prices under the fake brand to see whether customers would pay more for an experience with greater cachet—which of

What Is the Biggest Ecommerce Challenge Facing US Brands?
% of respondents, Sep 2018



Note: numbers may not add up to 100% due to rounding
Source: Feedvisor, "Brands & Amazon: Insights, Opportunities, and Concerns in the Age of E-Commerce" conducted by Morning Consult, Jan 23, 2019

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course they did, as some shelled out up to $600 for a pair. When "Palessi" pulled back the curtain to reveal these were the same styles that could be bought at Payless, fashion-conscious customers couldn't believe their eyes. In this instance, the legacy retail brand used a clever tactic designed to generate earned media and attract attention from the social media crowd, doing so by highlighting its value—stylish shoes at affordable prices—much like D2C brands.

Credit for trying, but it was too little too late. A long-declining brand can't be revived overnight, and while its low-cost value proposition has an audience, the competition has gotten too fierce. Product differentiation and a brand that customers care about is the likeliest path to survival in the D2C era, and Payless simply fell short.

Let this be a lesson to other legacy brands feeling the heat from digital natives. Turnarounds can happen, but they've got to start by giving the people what they want.

CONSUMER GOODS BRANDS HOPE TO FEND OFF AMAZON BY INVESTING IN D2C

As retail store closures continue at an alarming rate, consumer goods brands have fewer channels to sell their products outside of retail and ecommerce behemoths like Amazon, Walmart and Costco. This reality has many in the consumer goods industry looking to sidestep retail and online marketplaces altogether by selling to their customers directly.

An overwhelming 99% of consumer goods leaders surveyed by Salesforce in February 2019 said that they were investing in direct-to-consumer (D2C) strategies of some kind, leaving 1% who said it was not a priority.

In the current retail and ecommerce climate, it's no surprise that brands are seeking alternatives to the limited options they have now. Some 42% of consumer goods leaders polled said the challenges of brick-and-mortar retailers were negatively affecting their business. This is perhaps because the same companies that are putting smaller retailers out of business also sell private-label brands online and in-store—leaving consumer goods brands not only with fewer options, but increased competition within search results and on the shelves next to them.

Nearly half of consumer goods leaders said that retailers' private-label products were seen as a threat to their business, Salesforce found. Amazon in particular has hundreds of private-label brands across virtually every product category, according to a March 2019 study by ecommerce research firm Marketplace Pulse.

Share of Amazon's Private-Label Products, by Product Category, March 2019

% of total and number of brands

	% of total	Number of brands
Clothing, shoes & jewelry	47.7%	188
Home & kitchen	11.1%	72
Grocery & gourmet food	8.4%	56
Health & household	8.0%	110
Sports & outdoor	5.7%	71
Electronics	3.3%	18
Beauty & personal care	2.9%	51
Industrial & scientific	2.9%	36
Baby	2.6%	25
Tools & home improvement	2.4%	17
Office products	1.5%	13
Pet supplies	0.9%	19
Video games	0.6%	4
Patio, lawn & accessories	0.5%	8
Automotive	0.4%	7
Cellphones & accessories	0.4%	6
Appliances	0.2%	7
Musical instruments	0.2%	2
Toys & games	0.1%	9
Arts, crafts & sewing	0.1%	3

Note: numbers may not add up to 100% due to rounding
Source: Marketplace Pulse, "Amazon Private Label Brands.," March 18, 2019

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In the Salesforce survey, 51% of respondents saw Amazon's Marketplace (where products are purchased through Amazon, rather than purchased by Amazon at wholesale cost) as a critical threat, and 68% believed that consumers were more loyal to Amazon than their own brands.

Traditional consumer goods brands face another hurdle: competition from native D2C brands that have already won over a large online audience. US brands said that D2C competitors were a bigger ecommerce challenge than private-label brands and Amazon's growing influence, according to a September 2018 survey conducted by Feedvisor and Morning Consult.

For some larger consumer goods companies, the idea of investing in a D2C strategy has manifested as acquisitions of the successful startups that disrupt their industry. The purchase of razor company Harry's by Schick owner Edgewell Personal Care in May 2019 evokes the age-old business adage: If you can't beat them, acquire them.

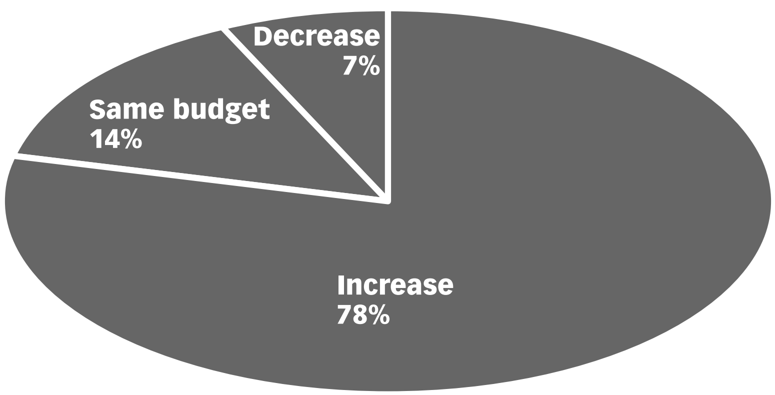
D2C competitors [are] a bigger ecommerce challenge than private-label brands and Amazon's growing influence, US brands say.

WHERE ARE D2C BRANDS INVESTING THEIR MARKETING DOLLARS?

Direct-to-consumer (D2C) companies continue to disrupt traditional retail, and taking note of their marketing investment strategies might benefit traditional retailers that see these digitally-native newborns as competition.

According to a February 2019 survey from customer acquisition company CommerceNext, sponsored by Oracle, more than three-quarters of D2C digital retailers indicated that their 2019 ecommerce marketing budgets were higher than last year's. By contrast, 60% of traditional retailers said they were increasing their ecommerce marketing budgets this year.

Change in Ecommerce Marketing Budget in 2019* According to Direct-to-Consumer Digital Retailers in North America, Feb 2019
% of respondents



*Note: *vs. 2018; numbers may not add up to 100% due to rounding*
Source: CommerceNext, "How Leading Retailers and Direct-to-Consumer Brands Are Investing in Digital" sponsored by Oracle, May 30, 2019

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"D2C brands have certain advantages over traditional retailers when it comes to marketing spend," said Andrew Lipsman, eMarketer principal analyst. "They are typically subsidized by venture money with a mandate to grow quickly, while many traditional retailers are public companies that need to keep a close eye on the bottom line."

So what are D2C marketers doing with this money?

Last year, 93% of D2C digital retailers in North America said acquisition marketing was their leading ecommerce marketing investment, according to findings from CommerceNext. Other investment priorities included retention and loyalty marketing (44%), brand marketing (33%), omnichannel (30%) and personalization (26%).

Similarly, traditional retailers said that acquisition marketing and retention/loyalty were their largest ecommerce marketing investment priorities in 2018, at 81% and 43%, respectively. However, traditional retailers prioritized promotions and mobile optimization over D2C brands, pushing omnichannel and personalization efforts lower on their list of priorities.

"Although there are similarities in their approaches to marketing, the subtle differences can be revealing," Lipsman said. "Traditional retailers are used to pushing promotions, which might make the sale today but does little to encourage long-term brand loyalty. D2Cs appear more focused on the overall customer experience, which has been a big part of their early success and a reason their customers keep coming back."

Providing that well-rounded customer experience starts with knowing how to properly reach your consumers. And research from marketing cloud company Yotpo and consumer intelligence platform Toluna suggests that D2Cs' investment in customer acquisition initiatives is, indeed, money well spent.

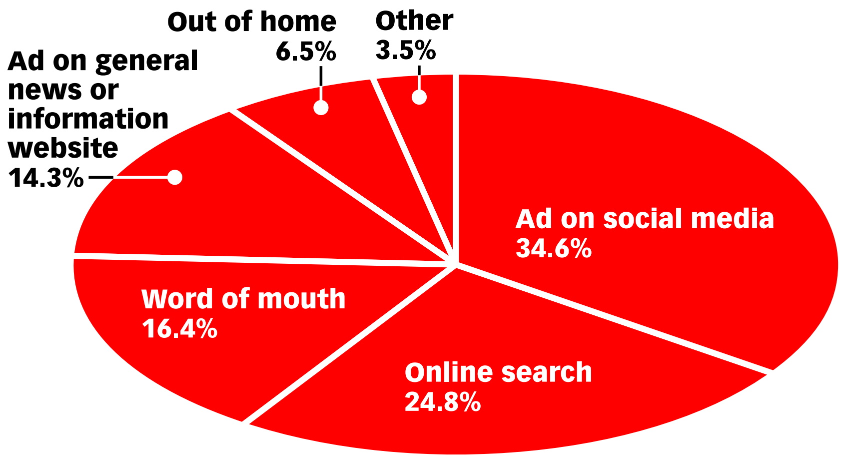
Providing [a] well-rounded customer experience starts with knowing how to properly reach your consumers.

April 2019 polling from Yotpo found that the leading customer acquisition channels for D2Cs included social media, SEO and direct traffic. And in a March 2019 survey from Toluna, US internet users said they were most likely to hear about the first D2C brand they purchased from via social media ads, at 34.6%. Online search was the second most popular channel, at 24.8%.

That being said, D2Cs' investment in social media advertising and SEO is paying off, as nearly six in 10 US internet users were pushed to purchase after first encountering a D2C brand via these channels, per the Toluna research. For traditional retailers looking to keep up, mirroring a D2C marketing approach and knowing how and where to reach potential consumers is the first step in engaging more return purchasers.

How Did US Internet Users Hear About the First Direct-to-Consumer (D2C) Brand They Bought?

% of respondents, March 2019



Note: n=896 ages 18+; among internet users who have purchased a D2C brand; numbers may not add up to 100% due to rounding
Source: Toluna, "D2C Survey," March 6, 2019

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HOW D2C MARKETERS ARE ADAPTING TO CHANGES AT FACEBOOK

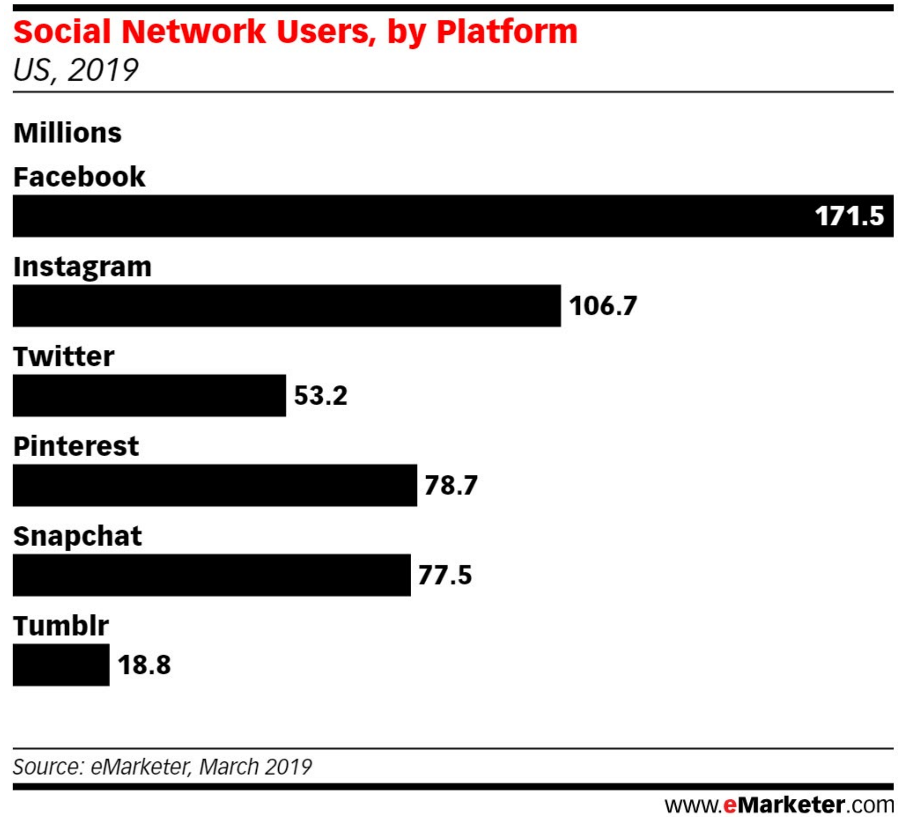
Direct-to-consumer (D2C) brands have traditionally relied on Facebook for cost-effective, performance-based marketing. But with climbing rates and uncertainty surrounding the roll back of Facebook's ad-targeting features, D2C marketers have started diversifying their advertising strategy.

Investing in social was crucial in the rise of D2C brands. According to a March 2019 survey conducted by consumer insights firm Toluna, 34.6% of US internet users who purchased something from a D2C brand were first exposed via a social media ad.

Facebook is still the No. 1 platform for new brands to reach a large audience, according to Fabian Seelbach, CMO of D2C skin care brand Curology. After branded search on Google, he recommends that startups look to Facebook when setting up a marketing strategy. However, he warns against becoming overly reliant on the platform.

"It's important to create a healthy mix of unbranded search, various social platforms and other channels like connected TV."

Fabian Seelbach
CMO, Curology



"[Facebook] is great, but it has its limitations," Seelbach said. "And it's important to create a healthy mix of unbranded search, various social platforms and other channels like connected TV. You have to be able to shift very quickly when there are difficulties with the Facebook algorithm or changes on the platform."

While it's the largest social network, Facebook is also appealing for its advanced targeting. We forecast that Facebook will have

171.5 million monthly active users on its platform in 2019, far exceeding that of any other network. Instagram ads can be purchased on the same interface as Facebook ads, making it a one-stop shop to reach social media's two largest audiences.

Even if targeting becomes less effective, as long as users remain on the platform, there will be creative ways to reach them.

D2C fashion company Betabrand said it often receives thousands of comments on its Facebook ads, and hopes to get extra mileage out of each impression by engaging with potential customers firsthand.

"We noticed that we were getting a lot of comments on ads, and we saw patterns where people were talking about the products in ways that weren't true," said Douglas Hoggatt, vice president of digital marketing at Betabrand. "We needed to reply to these comments and start a dialogue with our customers. That's what we did, and we realized that it started a conversation about our products before anyone even got to our website."

Toluna data shows that this kind of marketing does work. When asked how positive user comments on social media affected consumers' behavior or perception toward a brand, more than half of US internet users said it helped them remember the brand, while just under half said it made them more likely to purchase their products.

For Betabrand, this creative approach to Facebook marketing helped turn negative comments into positive ones.

"We noted that some of the sentiment in our comments could be very negative, and they would feed on each other," Hoggatt said. "We went in and helped steer that conversation."

How Do Positive User Comments on Social Media Affect US Internet Users' Perceptions of Direct-to-Consumer (D2C) Brands?

% of respondents, March 2019

Note: n=896 ages 18+; among internet users who have purchased a D2C brand
Source: Toluna, "D2C Survey," March 6, 2019

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AS DTC EXPANDS, THE SEARCH FOR ALTERNATIVE CHANNELS FOR DTC BEGINS IN EARNEST

This post was contributed and sponsored by PCH.

Marketing has become transfixed by insurgent DTC brands and their potent, disruptive methodology for acquiring and retaining loyal customers through digital media. That methodology, and the culture of accountability that powers it, has emerged as the new imperative for marketers of all scales and disciplines.

The hype is justified. DTC represents a real and lasting transformation in how companies approach growth in the digital age. Large social platforms and other premium digital environments now offer companies a way to message directly to addressable segments of users, and do it when they are highly engaged in media. Digitally native DTC brands have shown that taking a sophisticated, performance-driven approach to digital media can transform any industry. Following the strength of their example, "DTC" has become shorthand for a marketing playbook centered on performance, efficiency and accountability—and that playbook is hardly limited to brands we would today describe as DTC.

Acquiring customers and keeping them is the key. In spite of the wide diversity between products, every DTC company is all-in on efficient customer acquisition, and so too is every company looking to adopt the DTC's performance ethos. There's more pressure than ever on marketers to deploy media budgets in a way that maximizes ROAS, delivers performance and converts into to lifetime value. That's true for many brands, where the customers they pay to acquire can only become profitable if they remain engaged long term.

DTCs are leading the entire marketing discipline into an arms race for customer acquisition, and we're seeing its impacts across every corner of the marketing ecosystem.

The Search for a Viable Alternative to Social

The overwhelming beneficiaries of this arms race in performance-driven marketing dollars have been social platforms. They've provided an environment well-suited to the needs of a lean, customer acquisition-focused brand: barriers to entry are low, audience scale is massive, engagement is higher than average and deterministic targeting is baked in.

This dynamic is starting to change. Performance-driven marketers are rapidly approaching a saturation point with social, where fierce competition and diminishing returns are leading many performance marketers to explore alternatives. But there aren't many viable options out there.

Commerce companies are the largest force making headlines in this area right now. They have the scale, identity and high-intent purchase data to rival social platforms. But unlike social, commerce companies represent a more difficult competitive dynamic for DTCs seeking to build and retain their customer relationship and own it as a brand.

That leaves a white space for a real contender, but it's a difficult space to fill. Any serious alternative channel for performance marketing must provide competitive audience scale, precise targeting, brand-safe inventory and measurement against performance outcomes, all within an engaging environment that compels the user toward action and is sticky enough to keep those users coming back.

—Steve Bagdasarian, Assistant Vice President and General Manager, Publishers Clearing House Media

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TRADITIONAL RETAILERS INVEST IN D2C STRATEGIES: AN INTERVIEW WITH CHARLIE COLE OF SAMSONITE

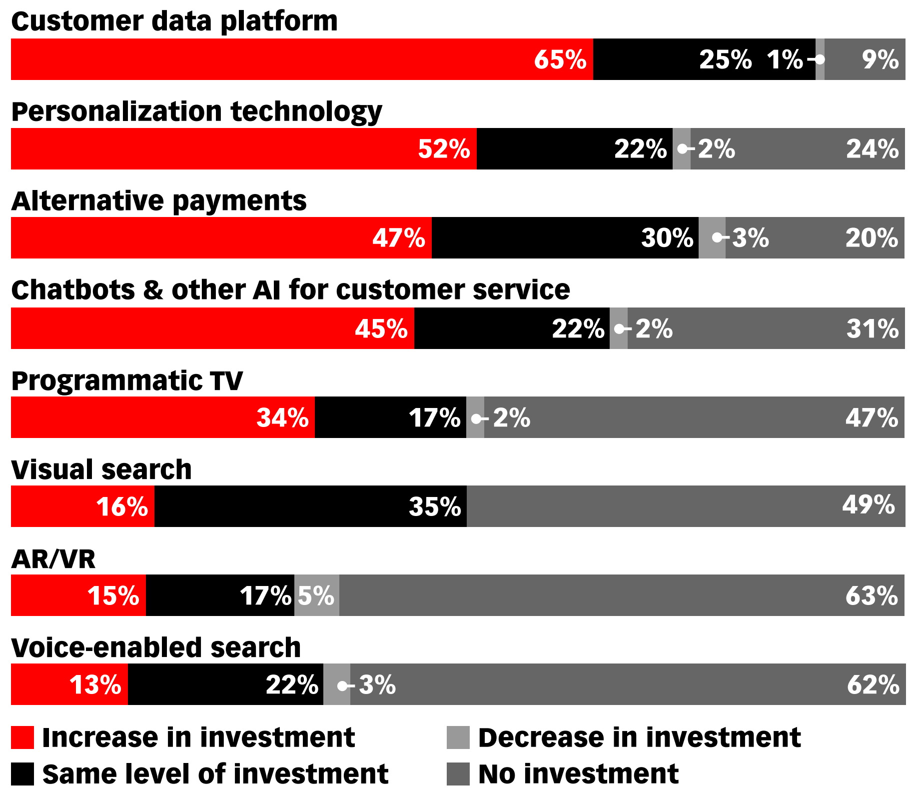
Direct-to-consumer (D2C) brands thrive on their abilities to build strong customer relationships, optimize data and identify the unmet needs of modern customers. More and more, brands see these digital natives as a threat.

According to a February 2019 survey from customer acquisition company CommerceNext, 52% of digital retailers in North America were dissatisfied with their ability to achieve a single view of the customer last year, noting “unified customer data” performed below their expectations. For this reason, respondents planned to increase their investments most in customer data platforms and personalization technology, with hopes of making the customer experience more relevant.

To stay ahead of the game, some legacy brands are investing in D2C strategies—like merged companies Samsonite and Tumi, who are taking data optimization and personalization tactics straight from the D2C playbook. Samsonite, the world’s largest luggage company, acquired luxe-luggage brand Tumi in 2016. This union solidified Samsonite’s place in the upscale market and allowed Tumi to expand internationally. Now the brands have their sights set on transforming the digital travel space.

We spoke with the Charlie Cole, chief digital officer at Samsonite, about replicating a D2C model, prioritizing personalization and the benefits of being channel-agnostic.

How Will Marketing Departments at Digital Retailers in North America Invest in Select Emerging Technologies in 2019?
% of respondents, Feb 2019



Note: vs. in 2018
Source: CommerceNext, "How Leading Retailers and Direct-to-Consumer Brands Are Investing in Digital" sponsored by Oracle, May 30, 2019

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What is the most appealing aspect of a D2C model, and how are you attempting to replicate that?

The ultimate benefit of having a direct-to-consumer model is the pure, unvarnished relationship you have with the consumer. That brings with it a number of benefits: data, real-time feedback and, more importantly, trust with the brand. When selling through other folks, you have some dilution in data, but you also have a level of dilution with the relationship itself.

We're attempting to replicate that model by understanding customer needs in a way we could never achieve if we worked exclusively through third parties. This becomes a combination of conversations directly with consumers and the use of predictive data to optimize on a grand scale.

What is the benefit of a customer data platform for Samsonite and Tumi, and how does it help with bettering your personalization efforts?

We have more data on consumers purchasing travel products than probably anyone on Earth. If we've learned anything from the success of Amazon, Netflix, Uber (although their success is not our kind of success because of the cash burn needed), having data that you can use as the fabric for your predictive marketing and personalization is a massive advantage—if it's done well and done in a way that respects user privacy.

In what ways might being a traditional brand benefit the adoption of a D2C strategy?

For traditional brands taking on some of the characteristics of a D2C company, the greatest benefit is that they have been investing in a unified customer view since day one. They don't have data silos. They also have a more holistic view of the many marketing channels. And they have a big-picture view of everything, from brand marketing to performance marketing—they're channel-agnostic.

In what ways might it hinder D2C adoption?

We shouldn't forget that digitally native brands are typically private companies with venture capital backers. They face a different set of realities compared with mature companies, traditional retailers, wholesalers or brick-and-mortar-first brands (who often must first please shareholders with profits). They have a different set of growth goals and internal stakeholders to please—and to not mince any words: D2Cs get to burn a lot of money. For some traditional brands, it's not feasible to do a total overhaul of their marketing stack to unify customer data, at least not all at once. They aren't able to respond as nimbly as D2C brands because of the profit expectations their shareholders have.

What advice would you give other brands who are thinking of investing in a D2C strategy?

You can't fake it. You are competing against brands that have carte blanche to burn tens of millions—if not hundreds of millions of dollars. If you want to compete, you may have to change your definitions of near-term success to allow for long-term viability.

HOW JERSEY MIKE'S AND MACK WELDON HARNESS THEIR LOYALTY PROGRAMS

Loyalty marketing goes beyond loyalty programs, but they are still an important part of the customer experience and a vital channel for keeping customers engaged and spending.

According to November 2018 polling by YouGov, 64% of US internet users are members of some type of loyalty program. Women were more likely to be members than men, and chances of membership tended to rise with age and household income. Still, a solid majority of adults ages 25 and older said they were loyalty program members.

The same survey found that loyalty program members 35 and older were most commonly members of supermarket loyalty programs. Those under 35 were more likely to report membership in general retail programs, including online. Both of those categories, along with pharmacy loyalty programs, were popular with at least two in five loyalty members across all age groups.

Loyalty programs often involve points or other rewards for credit card spending. Coupon code tracking firm CouponFollow found that more than a third of internet users polled in May 2019 had a card with reward points. Smaller shares had credit cards that earned retail rewards, airline miles, gas points or other travel-related points.

"Marketers' understanding of the customer journey doesn't end at the conversion," said Nicole Perrin, eMarketer principal analyst and author of our "Customer Experience 2019—Loyalty Marketing" report. "It's important to investigate how their customers want to reconnect after a purchase, whether that's to get help, to make a return or to research another purchase. This can inform what type of loyalty program communication is best for members. User research and voice-of-customer data are also key to understanding what kinds of rewards or membership benefits the brand's customers actually want."

For this report, we spoke with several industry experts about their own loyalty programs and how they came to fruition. Here's what they said:

Rich Hope
CMO, Jersey Mike's

Through our text message program, we ask people what they want out of our loyalty program, and the overwhelming majority of our customers said, "We want free subs. That's what we want."

Our loyalty program has been pretty successful. Right now, we're averaging about 30,000 sign-ups per week, and we currently have about 11 million members. On any given week, between 45% and 47% of our sales comes through the loyalty program.

The gauge for an effective loyalty program is 20% of your sales. If 20% of your sales comes through a loyalty program from your most loyal customers, that's considered successful. We're well beyond the barometer for what makes a program successful, so we haven't really changed it much, because we feel like we're giving the consumer what they want, and that's free product for coming in frequently.

The only change that we're considering right now—that we did once for a promotional period—is letting customers earn points by purchasing items besides subs, like desserts, chips and drinks. Right now, customers earn points only for sub purchases. We're considering adding these additional items to the program on the point-earning side, but continuing redemption for subs only.

Brian Fesen
Vice President of Performance Marketing, Mack Weldon (a direct-to-consumer men's clothing brand)

Instead of building out a new subscription program, which has inventory and a lot more logistical challenges, we set our sales goal of creating a loyalty program. We looked at some third parties and chose to keep it in-house, after investigation research and focus groups with our customers. It took about nine months to confirm that the structure of a loyalty program, as we had been thinking about it and evolving it, was something that we really wanted to go forward with. Then we launched Weldon Blue in November 2017.

So, your first purchase gets you into the Weldon Blue loyalty program with Level 1 status, which gives you free shipping on every order. Now, free shipping is usually only on orders over $50—and for anything less than $50, it's $2.50. It's not a big hurdle, or a huge benefit. But what we found was some customers were holding off on buying a new product or a new color of underwear, or anything new, because they were either waiting to have a shopping cart of more than $50 to get the free shipping, or to have more than a $100 or $200, which would get them our Savings Meter discounts. With that, any order outside of the loyalty program rewards you: If you spend $100, you get 10% off. If you spend $200, you get 20% off.

We think shopping should be simple and straightforward. If you want it, you should be able to get a good deal then and there. So, we remove the free shipping hurdle after a customer has placed their first order. And once you spend a total of $200, then you lock in that top-tier 20% discount for a full year. Now we see that people are no longer waiting to buy the newest pair of sweatpants until they're ready to load up on some t-shirts and socks as well, because they're in the loyalty program. They're getting the maximum discount, and they don't have to bulk up their shopping cart to do so.

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