US Direct-to-Consumer Ecommerce Sales Will Rise to Nearly $18 Billion in 2020

Despite strong growth, D2C companies are facing more headwinds

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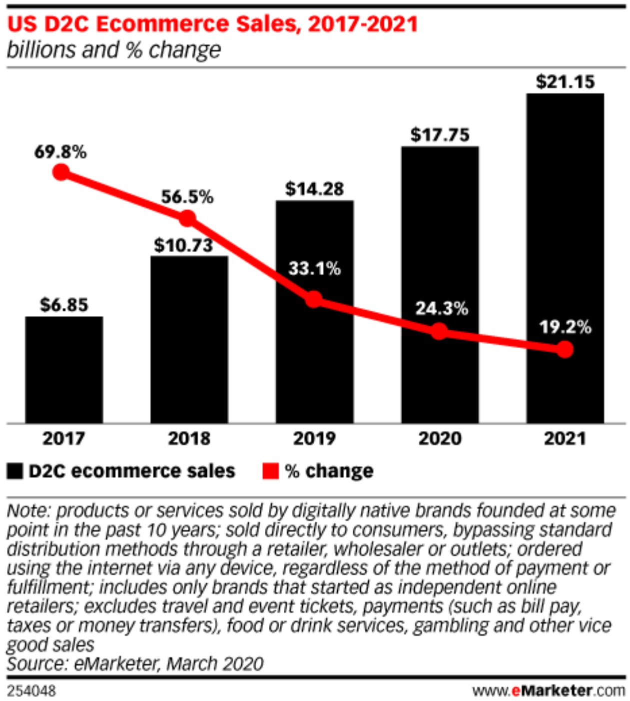
eMarketer Editors

For the first time, we are breaking out direct-to-consumer (D2C) ecommerce sales. We define D2C companies as digitally native brands that started as independent online retailers selling directly to consumers. Our estimates exclude travel and event tickets, payments (such as bill pay, taxes or money transfers), food or drink services, gambling and other vice good sales.

In 2019, D2C ecommerce sales reached $14.28 billion in the US. In 2020, we forecast that sales will grow by 24.3%, to $17.75 billion. Although it's too early to predict the full impact of the coronavirus pandemic on D2C sales, we anticipate that brands in the sector will face mounting challenges.

"Even though consumers are buying more products online due to the coronavirus, digitally native D2C brands should anticipate hardships in the coming months," eMarketer senior forecasting analyst Oscar Orozco said. "Sales will continue to shift from nice-to-have products to must-have products, with D2C brands falling under the nonessential category. Disruptions in the supply chain are also likely. That will mean slower shipping times, normally a distinguishing factor for D2C products."



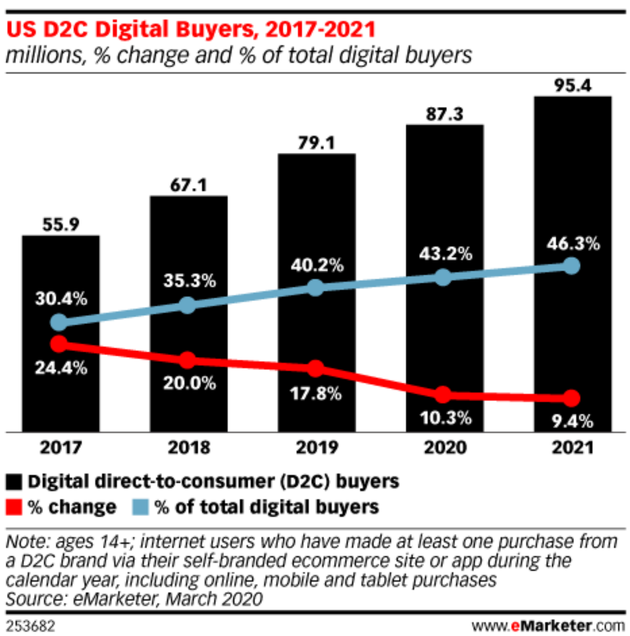
From 2016 to 2019, D2C ecommerce grew at three to six times the rate of overall ecommerce sales. But with competition intensifying and the sector maturing, D2C's growth in 2020 is less than two times that of total ecommerce (24.3% vs. 13.2%, respectively).

"As D2C brands captured the ecommerce zeitgeist through product innovation and modern brand experiences, they attracted large sums of capital to fuel their growth," eMarketer principal analyst Andrew Lipsman said. "Despite the sector's huge gains in the past few years, growth rates are now beginning to moderate as acquisition costs rise, funding gets tighter and profits become more of a focus."

D2C remains a modest percentage of the US ecommerce market at 2.6% this year, underscoring the fact that most retailers struggle to capture significant market share. The top 10 US ecommerce companies —led by Amazon at 38.7%—will represent about 60% of ecommerce sales in 2020, making it even more of a challenge for disruptors to carve out their slice of the market.

"D2C brands' influence currently extends much further than their collective ecommerce market share, as legacy brands now look to match the product innovations and adapt the marketing playbooks of D2Cs," Lipsman said. "It should also be noted that many of the D2C leaders like Warby Parker, Casper and Away are increasingly generating sales growth from brick-and-mortar locations rather than ecommerce channels."

D2C brands' future ecommerce growth will come from a mix of new buyers entering the segment and increases in spending per buyer. This year, 87.3 million people ages 14 and older in the US will make a purchase on a D2C platform, up 10.3% year over year. Meanwhile, spending will grow 12.7% to $203 per buyer. By 2022, the number of D2C ecommerce buyers will reach a milestone, at 103.4 million.



The D2C market will continue to ascend as more brands become mainstream, developing a wider presence through opening brick-and-mortar locations and appearing on traditional advertising channels like TV. But there will be winners and losers in the D2C space, and many will face challenges in maintaining their growth trajectory while delivering profits. Some will eventually fail, and some will be acquired —but a select handful will emerge as the brands of tomorrow.