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# D2C brands Warby Parker and Allbirds made gains in Q1

Article

**The forecast:** Established brands will grow their direct-to-consumer (D2C) ecommerce sales nine times as fast as digitally native vertical brands (DNVBs) this year, per our D2C Ecommerce forecast.

- **We expect DNVB ecommerce sales will grow just 1.8% this year**, far short of the 10.0% forecast for overall ecommerce growth, because the digital ad-focused playbook no longer works given that venture capital has dried up at the same time that digital ad prices have skyrocketed.
- Yet there's plenty of opportunity for DNVBs such as **Warby Parker** to adopt traditional retail strategies to fuel growth. For example, **Warby Parker's sales rose 12.2% year-over-year (YoY) in Q1** as it added six new stores. The eyewear maker also cut its losses by $23.3 million and grew its adjusted earnings before interest and taxes by nearly $17 million.
- Warby Parker plans to open 40 new stores in 2023 to help it grow sales 8% to 10% this year.

**A shift in strategy:** Warby Parker's bottom-line gains stemmed in part from cutting its marketing spend 35% YoY. While that contributed to an 8% dip in its ecommerce sales, that was more than offset by a 28% jump in in-store sales, said **Steve Miller**, chief financial officer, during the company's earnings call.

- The shift to physical retail makes sense given that stores serve as experiential billboards that also generate incremental revenues. Seventy-six percent of the company's 204 stores offer eye exams, which helps boost its average revenues per customer.
- Warby Parker sees an opportunity to open over 900 stores in the US, said CEO **Dave Gilboa**.
- While fellow DNVB **Allbirds saw its Q1 sales drop 13.4% YoY**, that was far better than the 28% decline analysts had expected, particularly given that it reduced its marketing spend by 16.7% largely due to a pullback on digital ads.
- Allbirds is in the midst of a "transformation" plan. This includes refocusing on its core products and customers to grow loyalty and lifetime value while slowing its brick-and-mortar expansion in favor of expanding wholesale revenues via partnerships with retailers such as **Dick's Sporting Goods**, **Nordstrom**, and **REI**.

**The big takeaway:** There are multiple paths to growth and what works for one DNVB brand may not work for another.

- While stores enable Warby Parker to drive incremental sales via services, they were a costly burden for Allbirds due to the stiff competition in its category.
- Given that there are so many shoe brands, Allbirds is wise to differentiate its brand to appeal to its core customer via products such as M0.0NSHOT, which it bills as the world's first zero-

carbon shoe. And deepening its ties with prominent retailers could also help it build brand awareness and sales while cutting down on expensive physical retail investments.

***Go further:*** *Read our [D2C Brands 2023](D2C Brands 2023) report.*