

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**.

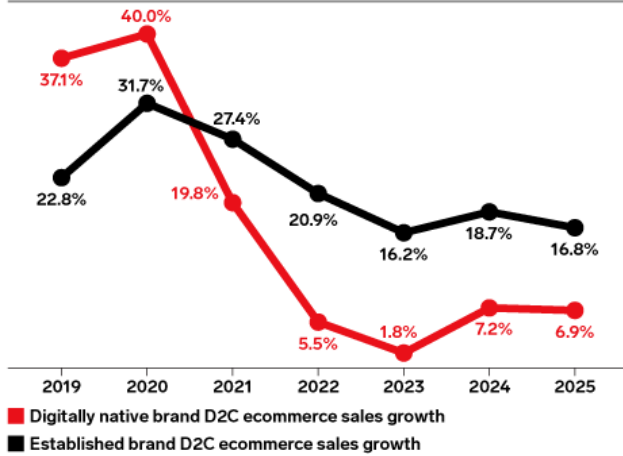
The big takeaway: There are multiple paths to growth and what works for one DNVB brand may not work for another.

- 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.ONSHOT**, 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](#) report.

US D2C Ecommerce Sales Growth for Digitally Native Brands vs. Established Brands, 2019-2025
% change



Note: includes products sold online by established consumer brand manufacturers that sell directly to consumers via their owned and operated sites or apps, bypassing standard distribution methods through a retailer, wholesaler, or third-party platform such as a marketplace; excludes travel and event tickets; excludes food services and drinking place sales; digitally native includes products sold online by digitally native vertical brands founded since 2010; includes only brands that started as independent online retailers; established brands includes brands that did not start as online retailers and those that traditionally sold their products to wholesalers or retailers
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