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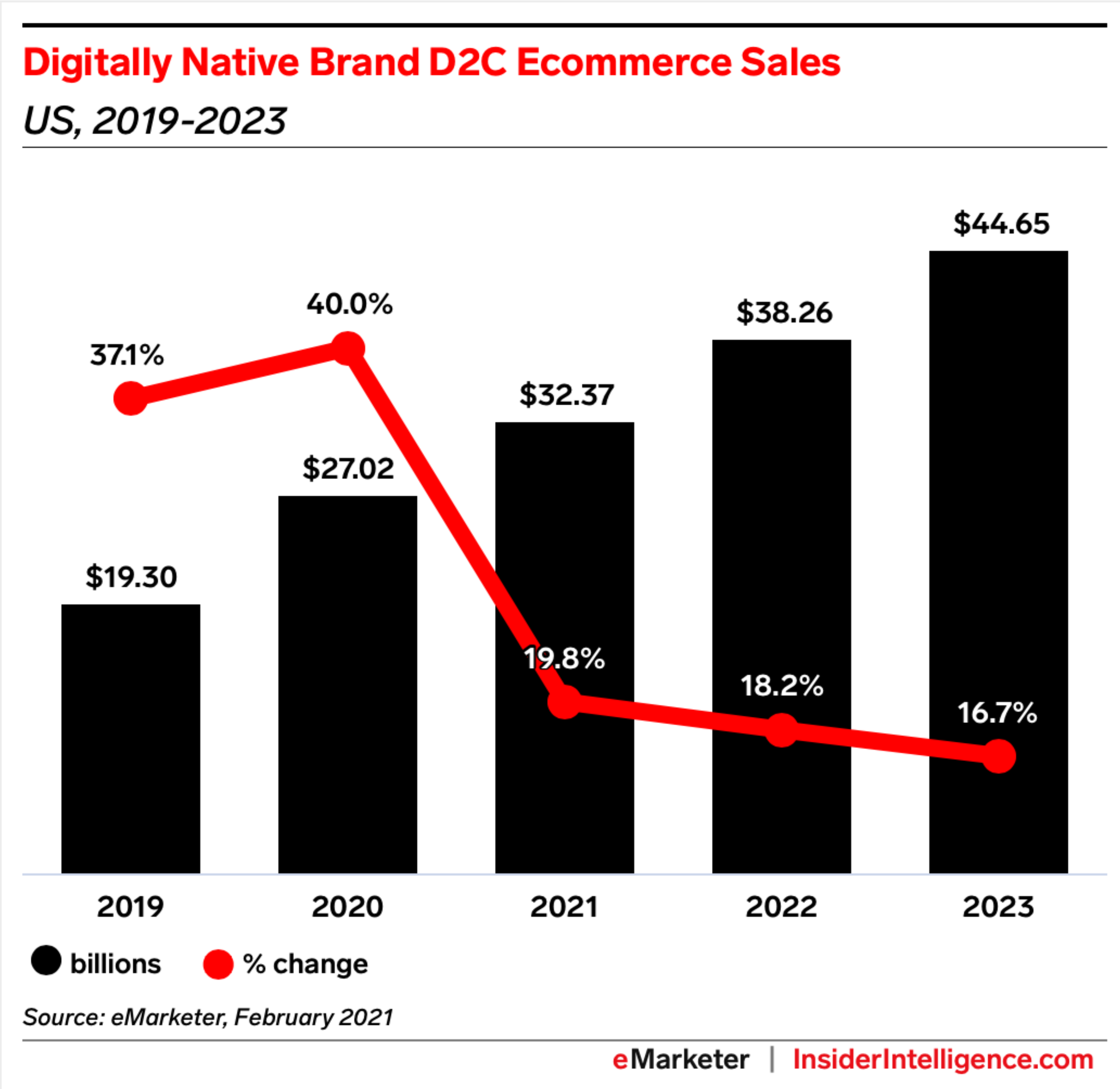
Shifting strategies: Large brands move toward D2C, while digital natives pivot to wholesale

Article

The trend: Large, profitable brands and smaller, direct-to-consumer (D2C) retailers are trading strategies. Many large brands are pivoting to D2C at the same time that digital native brands partner with distributors.

- **Crocs**, **Nike**, **Under Armour**, and **Yeti** are each focused on growing their D2C sales to build deeper connections with consumers and exert more control over their brands. That's leading Yeti to end its wholesale relationship with **Lowe's**.
- Footwear retailer **Allbirds**, pet supplies seller **Bark**, and streetwear brand **Planet Brooklyn Academy** are turning to wholesale to build brand awareness and expand their reach to counteract slowing growth. We estimate digitally native brands' D2C ecommerce US sales growth to slow to **18.2%** this year, a marked decline from **40.0%** just two years ago.



More on this: Pandemic-related developments have driven both trends.

- **Supply chain disruptions** spurred large brands to find the most productive, profitable means of selling the finite number of products they could produce. For example, pandemic-related factory shutdowns in Vietnam and Indonesia caused Nike to lose three months of production during 2021. With fewer products to sell, Nike sought to conserve profit by halting sales to third-party merchants such as **DSW** and **Foot Locker**.

- **Buying behaviors have shifted**, leading brands to adjust their product assortment. For instance, 6 million households added a dog to their home last year, which led brands such as **Walmart** and **REI** to recently begin selling Bark products.

Analyst take: "Where a brand is in its lifecycle dictates its strategy," said **Suzy Davidkhanian**, eMarketer principal analyst at Insider Intelligence. "Well-known brands are looking to cut back on wholesale to increase their margins, provide more control over distribution, and create an element of exclusivity. Meanwhile, digitally native D2C brands need to go wholesale to get more eyeballs on their product." She adds: "While wholesale margins are tighter than D2C, rising customer-acquisition costs are driving brands to partner with a retailer (either being carried by them or doing pop-ups) to help them get more potential customers and, in some cases, help them figure out if they should launch their own brick-and-mortar store."

Why it matters: Large brands benefit from years of work building awareness, reach, and customer loyalty. Taking steps to build a D2C business can allow brands to forge deeper relationships with customers, enabling them to gather data that helps with product development.

- However, not all brands—even well-known ones—are strong and resonate enough to successfully make that pivot.
- D2C brands may be able leverage wholesale sales to build brand awareness.
- Successful brands will ultimately find an equilibrium between D2C and wholesale sales.