## VF and Deckers boost their D2C sales

**Article** 



The trend: Shoppers are increasingly buying products from brands such as UGG, HOKA, and The North Face directly instead of from another retailer.

- Deckers, parent company of UGG and HOKA, reported a 31.2% net sales increase year-over-year (YoY) in its fiscal Q4, thanks in part to a 22.2% jump in direct-to-consumer (D2C) sales.
- **VF**, parent company of The North Face, **Timberland**, and **Vans**, saw its fiscal Q4 revenues rise 9% YoY. The retailer's **D2C sales rose 31% in FY22**.



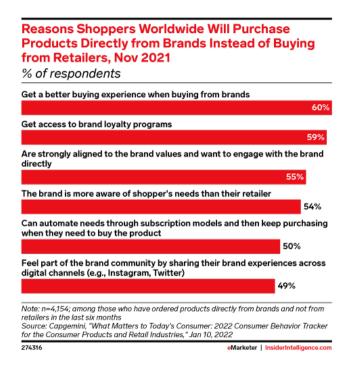


**Eyeing D2C sales:** Because HOKA is a newer brand, Deckers aims to leverage wholesale to introduce the brand and create awareness, said **Dave Powers**, Deckers president and CEO, during the retailer's earnings call.

"But at the end of the day, we want that traffic to end up on our website and in our stores," he said. "We believe that that's the right model."

The importance of loyalty programs: Loyalty programs helped drive a significant part of both companies' revenue growth by motivating consumers to buy directly from the brands.

- 59% of consumers worldwide buy directly from a brand because they are a member of a loyalty program, per a November 2021 Capgemini survey.
- Because those sales cut out an intermediary, they helped pad the retailer's bottom lines. For example, **VF's operating margin expanded by 510 basis points** to reach 13.1% for the year, which enabled it to reach its pre-pandemic levels despite ongoing headwinds from freight.
- The North Face's loyalty program grew to over 13 million members globally during the quarter, and represented nearly half of the retailer's direct-to-consumer revenues.
- Those members have a 60% greater purchase frequency compared with non-loyalty members and spend more across every region.
- Members of UGG's loyalty program, which total nearly 6 million, accounted for at least 40% of the brand's revenues in regions where the program has existed for more than one year, said Powers.
- Those loyalty members spend 40% to 50% more than non-loyalty consumers.



**Shifting behaviors:** While the brands' drove direct-to-consumer sales both online and in stores, they recognize that shoppers are increasingly shopping in physical stores.

- For example, The North Face's brick-and-mortar sales grew 51% YoY.
- HOKA, which opened its first stores in China, and has seen "fantastic consumer response" to its pop-up locations in New York, Chicago, and Los Angeles, plans to open a limited number of permanent locations in key cities around the world, starting with a store in New York City that will open by the end of fiscal 2023.

The big takeaway: Deckers and VF are hardly alone among established brands that are increasingly focused on boosting D2C sales.

 Doing so helps brands recapture their markup, as well as build deeper relationships with their customers.