

# 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**.

## Reasons Shoppers Worldwide Will Purchase Products Directly from Brands Instead of Buying from Retailers, Nov 2021

% of respondents



Note: n=4,154; among those who have ordered products directly from brands and not from retailers in the last six months

Source: Capgemini, "What Matters to Today's Consumer: 2022 Consumer Behavior Tracker for the Consumer Products and Retail Industries," Jan 10, 2022

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**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.