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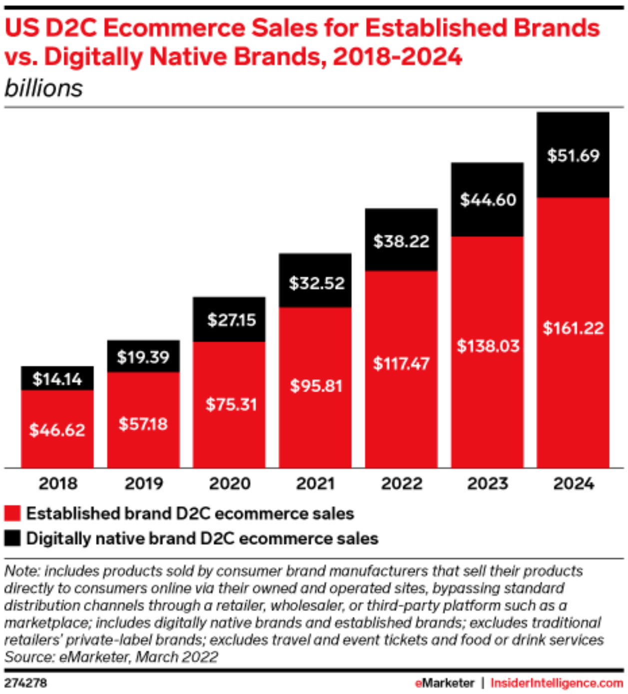
What can established brands learn from digitally native competitors?

Article

Building breakthrough brands with staying power in the digital age will combine the best aspects of traditional mass-market branding and a modern growth-hacking mindset.

Established brands and digitally native vertical brands (DNVBs) must be willing to learn from one another.



Recent improvement in established brands' direct-to-consumer (D2C) fortunes signals they are beginning to integrate the successful strategies of their plucky DNVB competitors.

- **Use intuition—supported by first-party data—to address evolving customer needs.** D2C brands love to talk about data, but most breakthroughs have relied on intuition about the needs of modern consumers. **Away**'s realization about millennial travel habits, which favored traveling light and in style without mobile-phone charging anxiety, led to its signature luggage. **Quip** recognized that consumers wanted an electric toothbrush that was easy to grip and wasn't an eyesore. Both brands may use first-party data for continued innovation, but data didn't fuel these foundational consumer insights.
- **Treat customer experience as a loyalty driver, not a cost center.** The D2C movement popularized the LTV-CAC ratio—customer lifetime value (LTV) over CAC—which made long-term recurring revenues intrinsic to D2C marketing. When brands optimize for short-term financial success, they squeeze costs from things like customer service at the expense of LTV. DNVBs internalized the value of remarkable customer experience (e.g., website user

experience, easy checkout, delightful packaging, post-purchase communication, convenient returns) in a way that established brands typically have not.

- **Iterate quickly on product cycle development and marketing optimizations.** Product research and development and innovation cycles at large established brands have often followed multiyear cycles and often don't produce what the customer needs or wants. This is what gave us an ever-expanding number of blades on a razor at an ever-expanding price point, leaving **Gillette** susceptible to an upstart like **Dollar Shave Club**. Staying current with consumer trends, understanding the features they need—and don't need—and getting new products out to market fast will make customers feel seen.
- **Leverage influencers to get traction on digital media channels.** DNVBs' use of influencers to create brand affinity and drive sales has been an effective growth hack. Aggregating the reach of niche media vehicles functions as a modern corollary to mass-reach vehicles of yesterday: Their impact depends on authenticity that isn't easily manufactured. When a celebrity is inextricably linked to the brand—as **Jessica Alba** is to **The Honest Company** and **Rihanna**, to **Savage X Fenty**—the brand is tailor-made to break through on social media.

Read the full report.

Report by Andrew Lipsman Apr 28, 2022

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