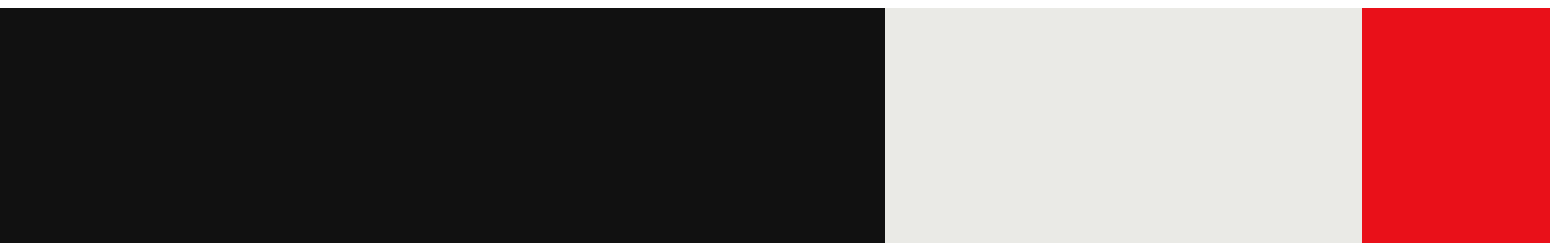



# Pandemic fuels strong D2C growth in Western Europe

Article



**E**ven before the pandemic, the direct-to-consumer (D2C) space was heating up in Western Europe. But the side effects of stay-at-home orders helped accelerate D2C's popularity, and the landscape looks to be permanently altered.

We recently spoke with Izabela Catiru, product marketing manager at ecommerce platform ChannelAdvisor, about the key triggers for D2C change and what the space will look like in the

future.

## **What effect has the pandemic had on the D2C landscape in Western Europe?**

What was once a promising opportunity became a strategic must-have, as shop closures cut off traditional channels to reach customers. Many brands that made some headway with D2C before the pandemic found themselves rapidly accelerating those plans, turning to digital channels, social media, marketplaces, and own-site selling as vital lifelines.

Pandemic restrictions varied across Europe, of course, meaning that the adoption of D2C was not uniform. However, there's been a clear overall trend toward D2C, showing that brands have recognized the value and opportunity it provided during a time of constant disruption, along with acknowledgement that they need to get this right, quickly.

D2C adoption in Europe seems higher compared with the US. Many successful D2C brands are based [or have major offices] in Europe, such as Happy Socks or Glossier. Amazon remains the dominant marketplace in many European countries, but it's not the only player, as the landscape is far more fragmented, with many niche and category-specific marketplaces. In contrast, even pre-pandemic, Amazon accounted for a large portion of total US ecommerce sales, and its dominance has only continued to grow stateside.

## **Have any other factors impacted D2C trading?**

As expected, Brexit has had an impact on companies selling via direct channels from Europe into the UK and on UK companies selling into the EU. In many ways, this has been just as disruptive as the pandemic.

Massive delays in supply chains and delivery fulfillment at the UK border led many EU-based brands to temporarily stop selling into the UK through major marketplaces such as Amazon, to avoid being suspended from the platforms over fulfillment issues. Similarly, UK-based brands selling into Europe have temporarily paused their cross-border shipping.

Even with the emergence of homegrown marketplaces such as OnBuy, the UK still lacks a strong mix of local marketplaces like those in other EU countries, which could overtake the international ones. Amazon UK has seen a tremendous amount of growth over the past year, solidifying itself as the go-to site for UK online shoppers for both research and purchasing.

## **Are buying habits likely to change when the state of the pandemic settles down?**

Once restrictions are lifted and we return to the “next normal,” consumers could stick with D2C channels. We already saw something similar happen last year when restrictions were temporarily lifted in the UK, yet large numbers of consumers still opted for online over brick-and-mortars. Customers have become accustomed to a certain level of personalization offered through D2C channels and will expect brands to continue this heightened consumer experience.

Once Brexit rules are bedded in and the customs issues at the border are smoothed out, cross-border D2C commerce may start to pick up.

### **How has the relationship between D2C brands and marketplaces changed in the past few years?**

Marketplaces have proved to be a valuable avenue to support brands selling D2C. Although brands do not own the consumer data, the support and ready-made infrastructure provided by marketplaces make them a highly accessible channel, especially to new sellers. Compare this with the infrastructure required to sell through channels that offer more control, such as social media or brand-owned sites, and it’s easy to see why many emerging brands are opting to rapidly set up on marketplaces.

Many consumers turned to marketplaces out of necessity during lockdown and have remained due to convenience. Brands have recognized this, and 25% plan to expand across more marketplaces in 2021.

The increasing opportunity for D2C brands to sell across a number of marketplaces can best be seen in the year-on-year growth of marketplaces. Our data shows that aggregate GMV [gross merchandise value] marketplace growth peaked at 62.5% in May 2020, which accounts for both the increased success of major marketplaces such as Zalando as well as the rise of homegrown sites like OnBuy in the UK.

### **Have some categories benefited more from the pandemic than others?**

Throughout the pandemic, we’ve seen a few main categories perform well, which matches with the changing consumer behaviors and needs. [Those segments include] clothing, consumer electronics, home and garden, beauty and personal care, and sporting goods.

As an example, both D2C brands and traditional fashion and beauty brands have relied on the major marketplaces such as Zalando to reach a wider audience base over the past year. On

these marketplaces, promotions and events like Amazon Prime Day and the Cyber 5 period have proved to be great levers to drive more shoppers.

Many food and beverage brands have focused on transforming their digital approach and making their media shoppable. This ensures a smoother customer journey and improves their relationship with their retailers.

### **What's your take on how D2C will shake out in the region in the next year or so?**

As stores reopen and we enter another new normal in Europe, D2C brands need to be prepared to have robust omnichannel strategies. The consumer experiences in-store and online should be consistent and complementary. With more shoppers researching online before heading in-store, any discrepancies will be noticed and could lose trusting customers.

D2C companies that have prepared for the reopening of shops but continue to invest in personalization are the ones that will be most successful in the next year or so. The future of D2C depends on the tailored consumer experience that these brands create, which will keep customers coming back and telling others about it. As things return to normal, D2C could be the driver that boosts retail sales back to where they were pre-pandemic.