

How D2C Brands Are Challenging Incumbents with Earned Media

ARTICLE |

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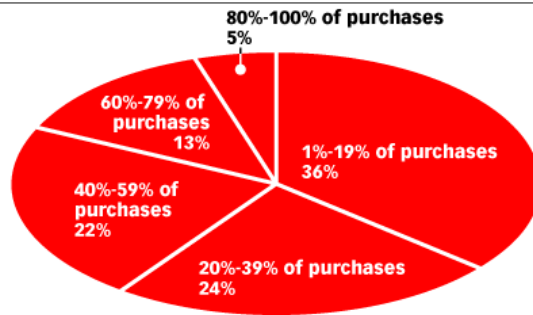
With news of yet another legacy retailer (Sears) becoming a victim of disruption this week, the retail industry now turns its attention to the onslaught of fast-emerging challengers: direct-to-consumer (D2C) brands.

Several D2C brands, including Warby Parker, Allbirds and Parachute, will be presenting at NRF's annual Big Show next week, where one of the event's content themes is "Disruptive Models," which focuses on retailers that are "challenging standards, flipping old models on their head."

That makes sense, as 40% of US internet users surveyed by Diffusion said they expect D2C brands to account for at least 40% of their purchases within the next five years.

How Much Do US Internet Users Expect to Purchase from Direct-to-Consumer (D2C) Companies in the Next 5 Years?

% of respondents, Aug 2018



Note: ages 18+

Source: Diffusion, "2018 Direct-to-Consumer Purchase Intent Index" conducted by YouGov, Oct 4, 2018

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The beginning of the D2C paradigm shift can likely be traced back to a 2012 viral video sensation from a then-unknown upstart brand, Dollar Shave Club. In the video, which quickly traversed social media and today boasts more than 25 million views on YouTube, founder and CEO Michael Dubin introduces himself and his brand to the world. "I'm Mike, founder of DollarShaveClub.com," he began. "What is DollarShaveClub.com? Well, for a dollar a month we send high quality razors right to your door. Yeah! A dollar! Are the blades any good? No, our blades are f**king great."

Simple and to the point: *The Gillette razor blades you're used to buying, behind lock-and-key at the store, are unnecessarily expensive and a hassle to buy. Ours aren't.* Though we didn't realize it at the time, this brand and this video mapped out a challenger strategy that has become infused into the DNA of so many D2C brands we see today. Undercut on price and emphasize value? Check. Make buying more convenient? Check. Speak to millennial audiences? Check. Use unconventional methods to market on the cheap and hack your way to customer growth? Double-check.

Big brands used to be built around the water cooler. In the pre-digital era, everyone gathered around the TV at primetime and watched the same shows with the same commercials, giving us a common frame of reference for the small handful of brands we saw on store shelves, put into our shopping carts and invited into our homes. Big-budget

brands controlled the airwaves, product supply chains and retail distribution points to cement their dominance.

Brands today must contend with a splintered media landscape and the disruptive nature of D2C digital commerce channels. And with consumers scattered across so many different touchpoints, those cultural touchstones that used to come from congregating around the same linear TV events now find their way to consumers at the speed of light through social media.

It's no wonder social is now used by brands as a point of leverage. According to a survey on branded video by Trusted Media Brands and Advertiser Perceptions, the top benefits of distributing video via social media are audience targeting capabilities (49%), engagement (49%), ease of distribution (35%) and scalability (34%).

In some cases, D2C brands' ability to achieve this cultural relevance begins with content marketing that tells the brand's story and gets amplified through social media. Certainly, Dollar Shave Club's launch video is an example of that, and breakthrough D2C brands will often have a well-developed muscle for telling their story. "You might call that a content marketing machine, but I think of it more as the storytelling apparatus for the entire organization," said Jesse Derris, founder and CEO of D2C-focused branding agency Derris. "The best brands are telling stories in waves. [That starts with] coming up with a terrific story. That story is either attached to a product or some aspect of their brand that they want to discuss, and then they tell that story in a giant wave."

Dollar Shave Club may have been the first D2C brand to capture this lightning in a bottle, but it won't be the last. This past November, digitally native intimate apparel brand ThirdLove found its opportunity to capture the zeitgeist when Victoria's Secret CMO Ed Razek threw shade at the brand for its use of plus-size and transgender models. ThirdLove responded in a full-page New York Times ad featuring an open letter from co-founder and CEO Heidi Zak. "ThirdLove is the antithesis of Victoria's Secret," she wrote. "We believe the future is building a brand for every woman, regardless of her shape, size, age, ethnicity, gender identity or sexual orientation."

The back-and-forth sparked follow-on news coverage while ThirdLove's loyal customers' vocal support for the brand reverberated far and wide on social media and beyond. This event, in the women's intimate apparel category, quickly became a cultural touchstone that is now a critical lens through which the segment will be viewed going forward.

Without the benefit of massive budgets, D2C brands have to be scrappy with their marketing and find cost-effective ways to punch above their weight and build their brands. Finding a way to be a part of — or better yet, create—the conversation, is one way to knock the stalwarts off their pedestal.