How Retailers Can Partner with DTC Brands to Grow & Succeed

3 KEY STRATEGIES FOR SUCCESS

Presented by

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Retailers are Struggling ⟩

Retailers are struggling.

In recent years, retailers including Bed Bath & Beyond, Party City, Joann, Toys R' Us, and Rite Aid have filed for bankruptcy. While there are several factors at play, a large reason for retailers decline is the rapid change in consumer behaviors.

Fabrics retailer Joann files for bankruptcy
By Jordan Valinsky, CNN
2 minute read · Published 8:06 AM EDT, Mon March 18, 2024

A Joann store in Illinois in a 2018 photo. Daniel Acker/Bloomberg/Getty Images

Many shoppers favor the convenience of ecommerce shopping on Amazon or DTC sites. In fact, over 20% of retail purchases are expected to take place online in 2024. Meanwhile, retailers have failed to adapt to the ecommerce boom of the post-pandemic world.

The Growth in Retail E-commerce Sales Worldwide 2022-2027 (in trillions)
Source: Insider Intelligence

Year	Value
2022	$5.3
2023	$5.8
2024	$6.3
2025	$6.9
2026	$7.4
2027	$7.9
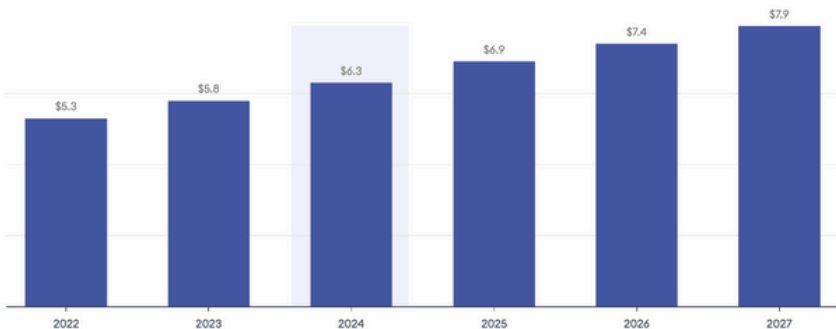
Source: Forbes Advisor • Embed
Forbes ADVISOR

Neil Saunders, managing director of GlobalData Retail reported to ModernRetail that with the rise of ecommerce brands, the retailers that did not adapt "have gotten themselves in a situation where it's very difficult to play catch-up."

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We also see retailers struggling to keep up with consumers' shopping habits and behaviors. In a <u>study commissioned by Mastercard</u>, Forrester surveyed 326 decision-makers at retailers around the globe and found that 65% of them are finding it harder to respond to rapidly changing consumer expectations than compared to previous years. The report also notes that 75% of decision-makers reported their organization is struggling to transform at the rate consumers' expectations are changing.

65%

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Nowadays, consumers often interact and establish relationships with brands themselves. There are new DTC brands emerging every day and consumers engage with them through social channels like Instagram and TikTok.

Celebrities, influencers, and hashtags like #TikTokMadeMeBuyIt all sway buyers in their purchasing decisions. As a result, **we see the retail landscape becoming increasingly competitive in the fight to add successful DTC brands to their portfolio.**

As the DTC industry continues to grow, it will only get harder for retailers to make effective merchandising decisions and discover hot new brands before their competitors.

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How can retailers succeed?

How can retailers succeed as they face new challenges in this ultra-competitive landscape?

We've outlined three main strategies that retailers can adopt in order to partner with DTC brands and achieve success.

1

EXPAND YOUR ECOMMERCE PRESENCE

Learn how an expanded ecommerce presence will sustain your business into the future

2

APPEAL TO NEW & YOUNGER CONSUMERS WITH OPTIMIZED PRODUCT ASSORTMENTS

Learn how partnering with DTC brands attracts younger customers and sets up retailers for success

3

USE DATA-BACKED INSIGHTS TO FIND NEW AND EMERGING DTC BRANDS TO ADD TO YOUR STORE

Learn how to find the right DTC brands to add to your store

On the following pages, we outline success stories and tangible strategies for how retailers can partner with DTC brands to grow sales and achieve success.

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Expand your
ecommerce presence

As people were chronically online during the pandemic, online shopping boomed. Today, consumers' first touchpoint to new brands is still often through social media influencers and celebrities. The large retail stores that are seeing success are the ones that have expanded their ecommerce presence and partnered with DTC brands to stay relevant and increase sales.

For example, in March 2024, Saks Fifth Ave reported that their Saks Fifth Avenue stores and their ecommerce store Saks will become separate companies.

Saks Fifth Avenue

Under the leadership of Marc Metrick, previously president of CEO of Saks Fifth Avenue, Saks will make strategic investments to expand their online experience and provide data-driven personalization.

Saks has been a trusted retailer for nearly a century and their heightened focus on their ecommerce presence is a testament to how ecommerce is a key part of how they will sustain their business into the future. Metrick reported that "Saks' expanding online presence will drive brand awareness while the physical locations will continue to serve as an important customer touchpoint...We look forward to maintaining a symbiotic relationship and working together to provide a seamless customer experience across all channels."

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Other brands are successfully leaning into the ecommerce space as well. For example, Levi's reported that their DTC revenue increased 8% globally and 12% in the U.S. alone. Pivoting to be a DTC-first company is yielding profitable results for the brand. They are responding to consumers' increased presence online and young consumers' preference to shop directly with brands.

One of the key benefits of direct-to-consumer (DTC) brands is their ability to offer hyper-personalization to consumers. By leveraging advanced data analytics and artificial intelligence (AI), DTC brands can deliver highly personalized shopping experiences in real time.

This personalized approach includes providing tailored product recommendations based on individual browsing and purchasing history, as well as creating customized marketing strategies that resonate with each customer's unique preferences and behaviors. The use of AI and data analytics enables ecommerce brands to understand and predict customer needs more accurately, enhancing engagement and satisfaction.

When retailers expand their ecommerce presence, they...

✓ Provide a personalized shopping experience

✓ Build stronger relationships with their customers

✓ Drive loyalty

✓ Increase sales

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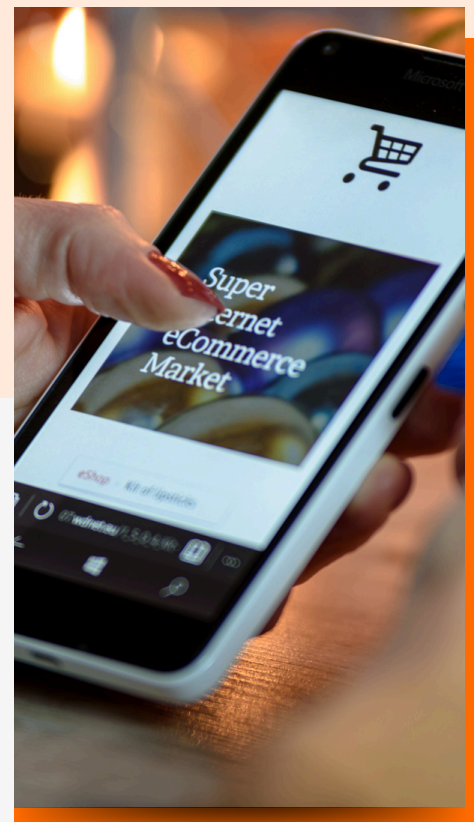
Appeal to new & younger
consumers with optimized product assortments

In order to thrive, retailers must attract the next generation of shoppers. Millennial and Gen Z consumers largely discover items on social media, so for retailers to appeal to these younger consumers, they must offer the same DTC brands at their stores.

According to data from Numerator, 40% of Kohl's customers and 36% of Macy's customers are Baby Boomers. Nordstrom is faring slightly better with only 25% of their customers being Baby Boomers and 40% making up Millenials and Gen Zers combined.

What is Nordstrom doing differently to see better success in attracting younger shoppers? **They are signing deals with DTC brands.**

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NORDSTROM

★macy's

KOHL'S

Nordstrom recently began offering popular DTC brands such as SKIMS and Beis. The retailer also launched the Australian fashion brand Princess Polly in January and debuted the millennial-focused fashion brand Nasty Gal.

This year, Nordstrom also rolled out a third-party marketplace that allows the retailer to sell a wide variety of items without taking a risk on owning the inventory. This marketplace approach follows Amazon and Walmart as it attempts to bulk its offerings. With the marketplace, Nordstrom said it will double or triple the number of items sold through its website and app.

Appealing to younger customers with DTC brand partnerships is a must for the broader success of retailers.
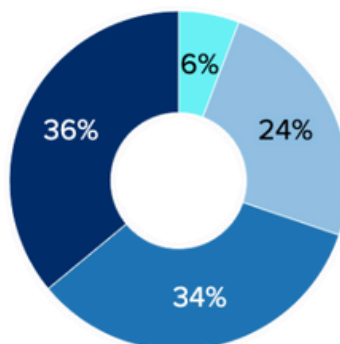
Department store demographics
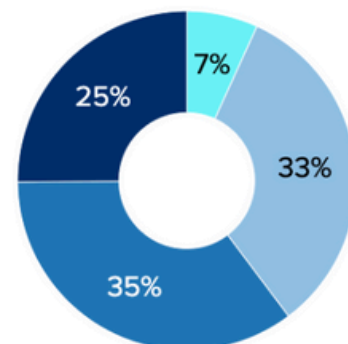Retailers' customer base by generation

■ Gen Z ■ Millennials ■ Gen X ■ Boomers+

Kohl's
40% · 23% · 32%
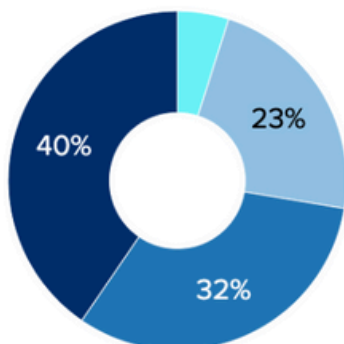
Macy's
6% · 36% · 24% · 34%

Nordstrom
7% · 25% · 33% · 35%

Note: Nordstrom includes full-line stores, Nordstrom Rack and online. Macy's only includes namesake stores and online (not Bloomingdale's or Bluemercury).
Source: Numerator

CNBC

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Use data-backed insights to

find new and emerging DTC brands to add to your store

Currently, many retailers are hiring massive teams to manually follow influencers and read fashion/beauty publications to create a point-of-view on potential brand merchandising opportunities – creating a very subjective and inefficient system.

As the ecommerce landscape becomes increasingly congested and consumers' discretionary spending continues to be pressured, retailers have no choice but to adopt data-driven strategies.

Even the retailers that are seeing moderate success now will have dismal forecasts as they attempt to take on the DTC landscape without proper data and analytics helping them identify fast-growing brands to partner with before their competitors.

Leveraging a platform like Charm enables efficient merchandising decisions at scale, ensuring retailers are consistently meeting consumer demand and expectations. With Charm, retailers can create carefully curated brand collections to sell in their stores.

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Sephora is a great example of a retailer that is seeing success as a result of its DTC partnerships. Sephora consistently launches new DTC brands and they have experienced <u>an 18% increase in average total visits</u> per store year-over-year with a 21% increase in Gen Z shoppers.

Sephora has made smart decisions about which DTC brands they should partner with, selecting brands that have been growing fast across different channels including monthly traffic, social growth, and more. We used Charm data to analyze the growth and success of some of these brands recently launched at Sephora.

Recently launched at Sephora

Sephora Launch: July, 2024

SIENNA NATURALS

Co-owned by Issa Rae & Hannah Diop, Sienna Naturals is a vegan hair care line

Photo courtesy of siennanaturals.com

44.4
Charm Growth Score™

+25%
Monthly Paid Traffic in 12 months

60.1K
Instagram Followers

Sephora Launch: February, 2024

DIEUX

Dieux is a clinical skincare brand that has gone viral on Instagram and TikTok prior to their launch at Sephora

Photo courtesy of dieuxskin.com

74.5
Charm Growth Score™

+83%
TikTok Followers in 12 months

122.2K
Instagram Followers

Sephora Launch: June, 2024

Luna DAILY

This microbiome-balancing body care brand is the first-ever motherhood-focused brand to launch at Sephora

Photo courtesy of us.luna-daily.com

54.8
Charm Growth Score™

+241%
Instagram Followers in 12 months

18.3K
Instagram Followers

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Data Solutions Help Organizations Overcome Challenges & Grow Revenue

As you've seen above, Sephora has had continued success by adding fast-growing DTC brands to its store.

How can you quickly identify growing brands in key categories to leverage their success? It's crucial that you have the data-backed solutions you need to make these informed merchandising decisions for your retail store.

DTC data is the key to....

✓ **Enhanced Consumer Insights**: Deeper understanding and anticipation of customer needs

✓ **Improved Brand Discovery:** Effective identification and promotion of trending brands

✓ **Optimized Assortments:** Better product assortments aligned with consumer preferences

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Discover emerging DTC brands with Charm

Successful retailers including Ulta and Academy Sports + Outdoors use data-backed insights from Charm to discover new DTC brands that would be a good fit to sell on their store and partner with them before their competitors do.

Charm is the world's most comprehensive data set on ecommerce brands, helping retailers track critical performance metrics for every direct-to-consumer brand online.

With data from <u>Charm</u> you can...

Discover emerging brands within 100s of target product categories

Make informed merchandising decisions

Get notified as soon as new brands enter the market

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Discover DTC brands & drive growth to your retail organization

Book a demo today

CHARM.IO IS THE LEADING PLATFORM FOR BRAND DISCOVERY & ANALYSIS

CHARM.IO

In-depth ecommerce insights to grow your retail organization

Book a Demo