

Case Study

The New Four Ps of DTC Marketing

By Alexandra Mondalek

The direct-to-consumer fashion and beauty space has flourished over the last decade, but the once fool-proof marketing rubric has aged in that time. BoF outlines how to update the DTC marketing playbook so brands can break through the saturated market.



Executive Summary

A decade into the era of direct-to-consumer (DTC) brands, to call the market saturated would be an understatement. There is a digital upstart ready to fulfil consumers' every need. Where unknown brands once distinguished themselves by making the "best" eyeglasses or cheapest premium mattress, standing out in a crowded field requires additional layers of branding: lingerie brands promise to empower customers with lacey bralettes and virtual fireside chats with "badass women," rainbow bamboo toothbrushes support LGBTQ rights while cutting down on the use of plastics, vegan, cruelty-free cosmetics lines pledge a portion of sales to save the elephants.

Consumers have largely rewarded these efforts. DTC e-commerce sales in 2020 were estimated to reach nearly \$18 billion, a 24 percent increase from the year prior, according to Insider Intelligence. The research firm predicts sales will grow an additional 19 percent this year.

As the pandemic forced retail stores to close and disrupted sprawling supply chains, investors are now more discerning about the fashion and beauty DTC space.

But consumers are fatiguing of the pastel-coloured, minimalist brands with sans serif logos targeting Millennial urban-dwellers. Meanwhile, brands can no longer rely on targeted social media advertising buys alone to drive sales, a formula previous generations of DTC brands perfected. Spending an outsized portion of marketing budgets on paid customer acquisition — coupled with changes to data privacy practices that make it more difficult to target individual customers — means typical performance marketing is outdated.

As the DTC market has matured, so too has its approach to marketing. An update to the textbook "Four Ps" of marketing — a set of principles that guided brand marketing for decades — is emerging, creating a new rubric for measuring marketing success.

This case study will map out how changes in consumer purchasing behaviour and expectations have necessitated an evolution to the DTC marketing playbook. It will outline some of the primary tenets of DTC marketing and explain how to break the mould (and therefore break through the noise) in the particularly crowded fashion, beauty and lifestyle DTC space. To illustrate these techniques, this case study will explain how five relatively new apparel, wellness and beauty brands grew quickly and attracted attention from consumers and investors. They serve as examples of how to adapt the old playbook for the future.

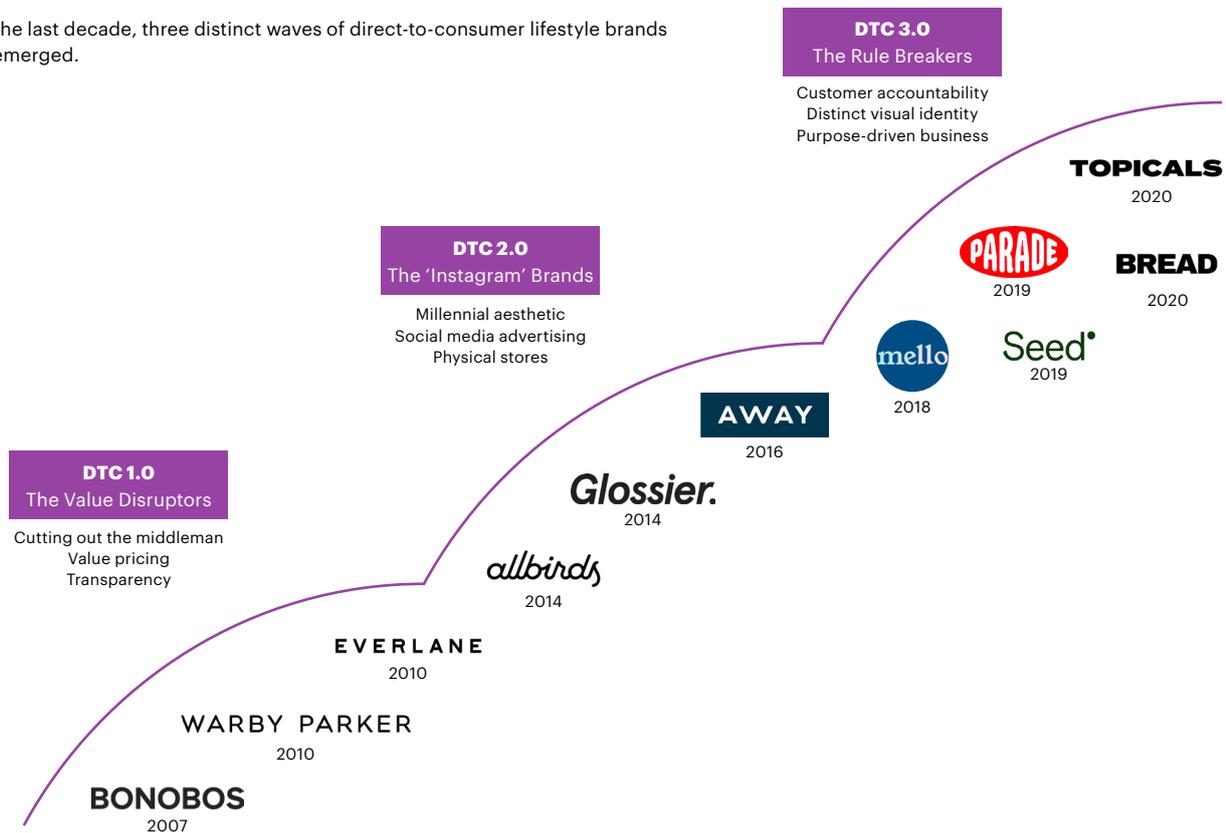
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Context

Riding the Wave

Exhibit 1: A Decade in Fashion and Beauty DTC

Over the last decade, three distinct waves of direct-to-consumer lifestyle brands have emerged.



Note: Dates depict the launch of the brands' first product.

Though commonplace now, it was just over a decade ago that ordering goods online directly from a brand was a radical concept. In 2009, in the depths of the recession, consumers were looking for value. Premium prices no longer signalled better quality to shoppers to the same degree. At the same time, consumers became more sceptical of big business. They were less receptive to the marketing and unfulfilled promises made by corporations.

The Value Disruptors (2007-2012)

Enter the first wave of modern DTC brands: the Value Disruptors. These brands, which began to crop up as early as 2007, included Warby Parker and Everlane. Their messages to consumers were as familiar and candid as their

aesthetics were unassuming and simple. Products were priced low enough to appeal to shoppers looking for a deal (either by cutting out wholesale middlemen, operating at a loss or, often, both).

Price was core to Warby Parker's early marketing strategy, said Neil Blumenthal, the company's co-founder and co-CEO. Pricing the brand's starter frames at \$95 was based on survey responses: Consumers said they were willing to pay for quality eyewear – up to the \$100 mark – after which their likelihood to purchase declined. The \$99 price point signalled discounting – implying lesser quality – and so the team landed on a cool \$95.

Those early fashion and beauty DTC brands also promised to be transparent

about their business practices with customers.

Propelled by venture capital funding, transparency took off. By 2016, Everlane – whose marketing at the time included posting photos of the brand's Chinese factory partners on Instagram – raised \$18 million in funding and generated \$50 million in revenue. That kind of success inspired the DTC model's second wave.

The 'Instagram' Brands (2013-2017)

DTC 2.0 – including Glossier, Away, Allbirds and other brands mostly founded between 2013 and 2017 – exemplified the "Instagram" Brands that perfected the Millennial aesthetic of pastels and sans serif fonts. Their logos and campaign imagery were ubiquitous on social media

Exhibit 2: Swimming in a Sea of Sameness

Fashion's luxury players took note of the DTC-led aesthetic shift towards sans serif, no-nonsense logos.



Image source: Brands

“Doing good and being thoughtful about one’s supply chain, trying to reduce carbon emissions... while they might not drive customer purchase, they will prohibit a customer from purchasing.”

— Neil Blumenthal

and soon invaded the real world, where they challenged incumbent, established competitors on billboards, inside subway stations and even on television.

An entirely new industry popped up: the “direct-to-consumer industrial complex,” as Web Smith, founder of media and e-commerce newsletter 2PM, who launched a few DTC brands himself, calls it. Branding agencies like Red Antler and Gin Lane (which closed in 2019 to become the DTC holding company Pattern) helped launch more than 50 start-ups, perfecting the DTC brand look. Third-party logistics providers built warehouses and shipping services to help tiny brands compete with the likes of Amazon. Even the packaging sector got in on the act, designing boxes and tissue paper to fit each client’s image.

In a way, these firms were too good at their jobs. Soon, everything started to look and feel the same.

Fashion and beauty brands were also saturating social media with advertisements. DTC 2.0 coincided with the rise of social media advertising and brands quickly made this the centre of their marketing strategy. Platforms like Facebook and Instagram rolled out a suite of tools for brands and ad-tech firms that allowed them to pinpoint exactly who their customers were and deliver them targeted marketing.

What started as a cheaper alternative to more expensive, traditional advertising channels like primetime television commercials became expensive for brands that needed to chase new customers and scale to support their businesses.

Between 2015 and 2017, as the fashion and beauty DTC space matured and relatively few brands demonstrated a clear path to profitability, venture capital backing slowed. Some of the earliest DTC entrants engineered successful exits, while others opened stores — once seen as a relic of pre-digital retail — to find new customers. Too many brands were now competing for consumers’ attention and wallets.

The Rule Breakers (2018-Present Day)

Enter: DTC 3.0, the Rule Breakers. Upstarts in this wave, such as Parade and Bread Beauty Supply, which began to emerge around 2018, have distinct advantages — and challenges — from their incumbents. Often they are backed by founders of previous waves of DTC brands.

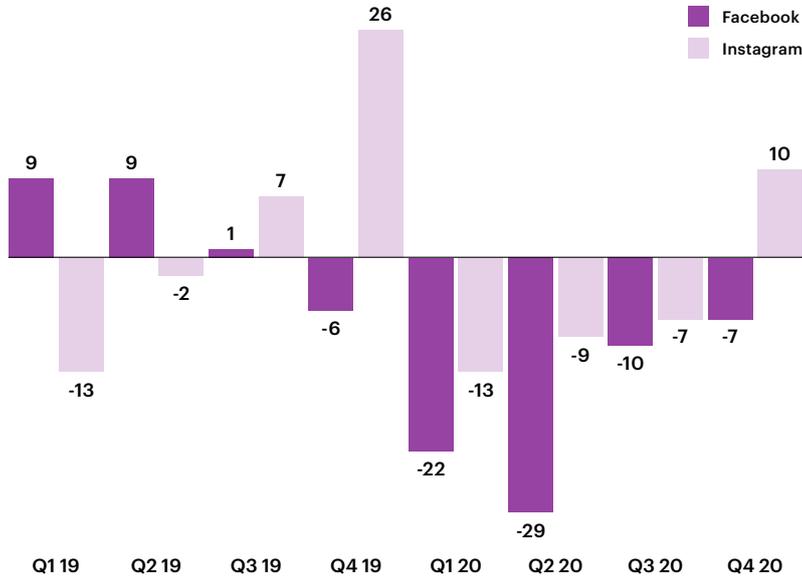
Changing consumer behaviour may have also created opportunities for start-ups with new ideas, just as their predecessors

Exhibit 3: Social Media Ads on the Rebound

For years, the cost to advertise on Facebook and Instagram crept up ever higher, making customer acquisition prohibitively expensive. The pandemic disrupted that trend — but the dip was short-lived.

Cost per thousand impressions on Facebook and Instagram, 2019-2020

Annual growth rate (percent)



Note: Tinuti data encompasses advertising spend from hundreds of companies, largely in North America.
Source: Tinuti

drew inspiration from changes in consumer behaviour instigated by the 2009 recession. A reignited social justice movement has invigorated consumers to challenge brands’ professed values. Given the ability to fact-check brand claims — and broadcast any shortcomings to an online audience — consumers began holding DTC brands to account. While plenty of large corporate names were also shamed, DTC brands, with their public commitments to transparency and progressive values that allegedly went beyond just making money, were uniquely vulnerable.

“What has evolved over the last 10 years is that doing good and being thoughtful about one’s supply chain, trying to reduce carbon emissions, treating employees as well as they should be, those are quickly becoming table stakes,” Blumenthal said. “And while they might not drive customer purchase, they will prohibit a customer from purchasing.”

The underlying dynamics that the pandemic accelerated — like how consumers expect brands to communicate, or the untenable cost of social media advertising — mean DTC brands must not underestimate any part of their strategy. That is, engaging email marketing messages are just as important as having a diverse marketing mix.



Upstarts such as underwear brand Parade have broken some of the original rules of DTC marketing. Courtesy.

Market Opportunity

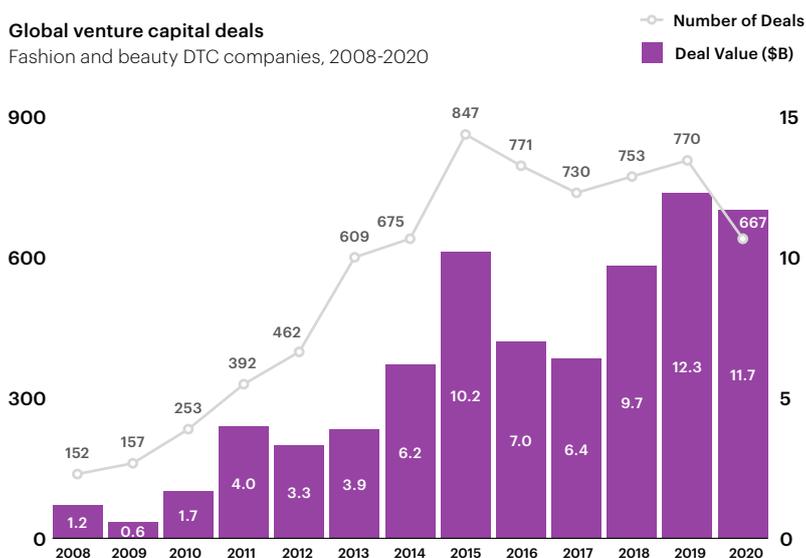
Refreshing the Rubric

Exhibit 4: VC Money Continues to Flow Into Fashion and Beauty DTC

Although the number of deals has fallen slightly from 2019 to 2020, venture funds are still eager to throw money — and plenty of it — behind brands that promise to disrupt their segments.

Global venture capital deals

Fashion and beauty DTC companies, 2008-2020



Source: Pitchbook

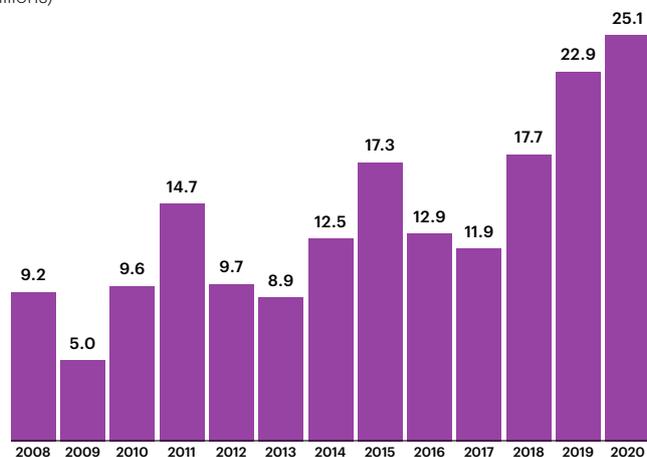
Exhibit 5: Ever Lucrative Deals

With the exception of a few corrective years, investors have increasingly sought to throw more capital behind promising brands.

Average size of global venture capital deals

Fashion and beauty DTC companies, 2008-2020

USD (millions)



Source: Pitchbook

Newer brands in the DTC fashion and beauty space have begun charting a new way forward. Venture capital funds still have plenty of cash to invest, and consumers' appetite for DTC goods is still growing. For new and existing brands, the pathway to success lies in refreshing a marketing playbook that — by the internet's lightning-fast pace — qualifies as vintage.

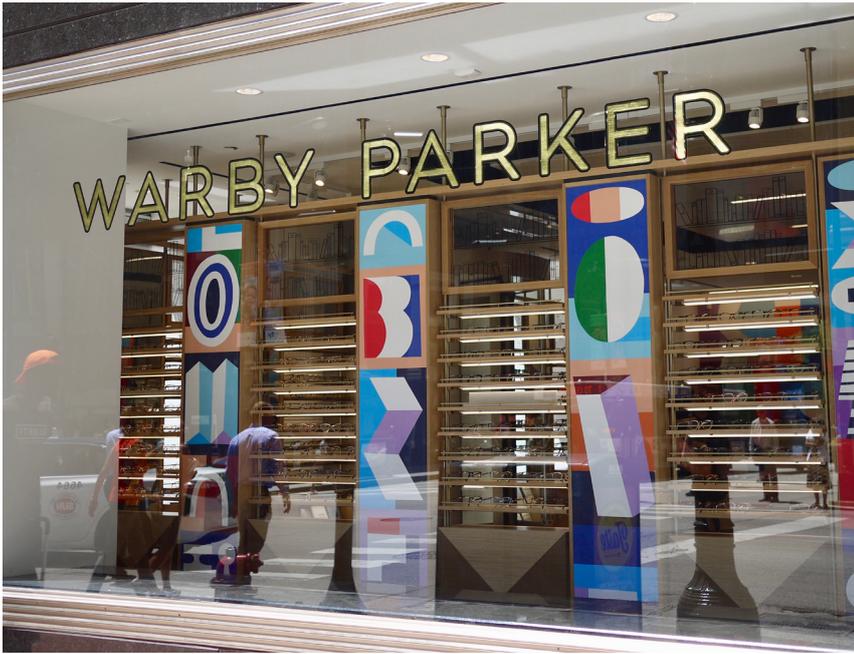
In order to “break through the noise of the competitive landscape,” brands must focus on capturing consumers' attention through content that feels and looks new, said Nick Brown, co-founder and managing partner of Imaginary Ventures.

In the 1960s, E. Jerome McCarthy, a marketing professor at Michigan State University, popularised the original “Four Ps” of marketing: a recipe for marketing success which prescribed how brands should consider price, product, promotion and place, one to which DTC veterans like Blumenthal strictly adhered. In January 2021, Sean MacDonald, global chief digital officer at advertising firm McCann Worldgroup published an updated version of the principles in the marketing trade publication *The Drum*. Marketers should now consider purpose, positioning, partnerships and personalisation, he wrote.

Purpose, which MacDonald defines as a brand's value-signalling, is the “baseline” component on which consumers evaluate brands. Much attention has been paid to how younger consumers — Gen-Z and Gen Alpha — evaluate a brand's purpose, but older consumers with greater purchasing power are also critical of hollow DTC marketing.

Rampant misinformation and disinformation proliferating everywhere from politics to products add to consumers' frustration in decoding truth from lies in DTC brand promises. Building or regaining consumer trust now will ensure that brands do not squander their investments in customer acquisition and retention.

Positioning — how a brand builds its larger culture or ethos around narratives and experiences — comes next, as it allows consumers to “place themselves within the context of the brand,” MacDonald said.



Warby Parker's physical stores stood out from competitors, capitalising on the original 4 P of "place." Getty Images.

Partnerships, or collaborations, are the “cool factor” that can create a halo effect. Brands have gone crazy for collaborations: Fashion and food collabs have become a genre of their own (Telfar x White Castle, Coca Cola x A Bathing Ape, Anti Social Social Club x Panda Express are all recent examples.) Marketers should be discerning about which partnerships are actually novel and add value rather than those that are hype-generating and quick to fizzle.

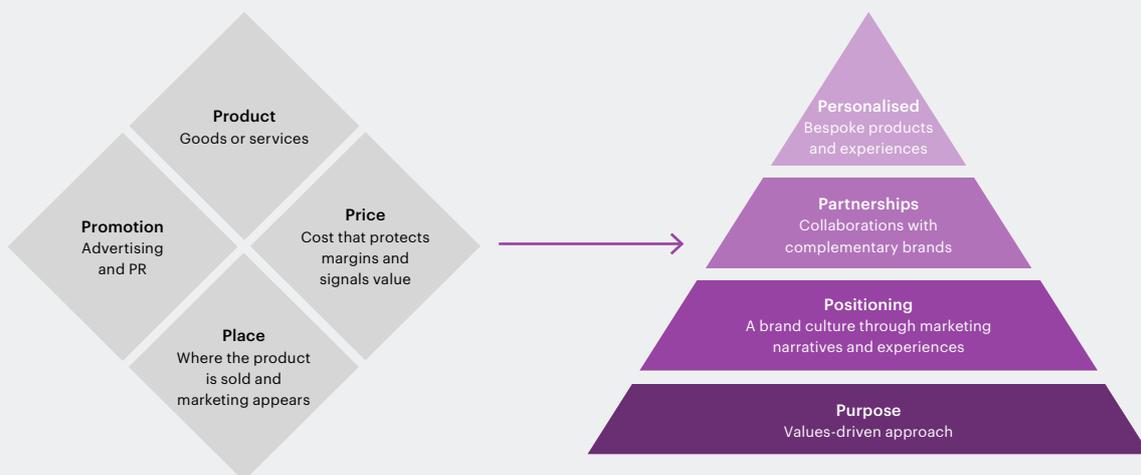
Finally, personalisation — defined not by ad targeting but by bespoke consumer products and experiences — is an additive element that brands can pursue to differentiate their products even further.

Still, it's not enough for DTC brands just to be purpose-driven or drop a headline-making collaboration to capture long-term customers. To stand out visually, DTC fashion and beauty brands cannot simply replace the Millennial marketing aesthetic with one tailored to Gen-Z, said Livvi Yallop, creative director at The Digital Fairy. The London-based brand marketing firm has clients ranging from DTC brands like Topicals and Bleach Hair Care to corporations like Converse and Estée Lauder.

The bones of the consumer-facing visual brand experience — graphics, icons, colour palettes and textures among them — must appear across a brand's website, campaigns and other tools such that “the consumer actually gets to take the brand,

Exhibit 6: Marketing's Famous "Four Ps" Get a Refresh

Among the first lessons taught in business school marketing courses are the “Four Ps.” But those principles have changed, according to Sean MacDonald, global chief digital officer at McCann Worldgroup.



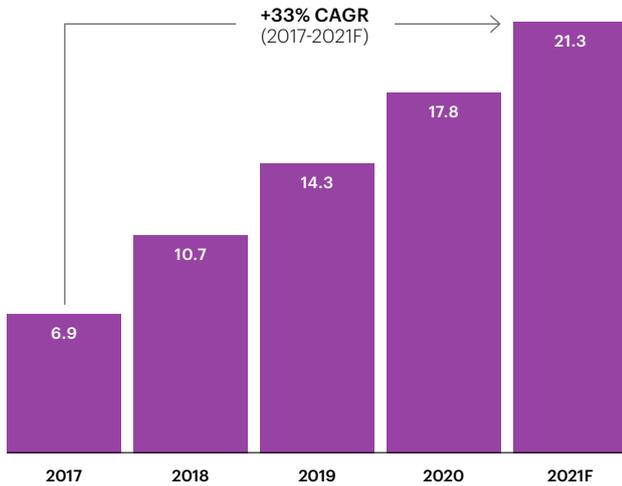
Source: Professor E. Jerome McCarthy (left), Sean MacDonald (right)

Exhibit 7: Consumer Appetite for DTC Expected to Grow

The pandemic affirmed the value proposition of brands that had tight control over their supply chains and did the majority of their business online.

US direct-to-consumer sales, 2017-2021F

USD (Billions)



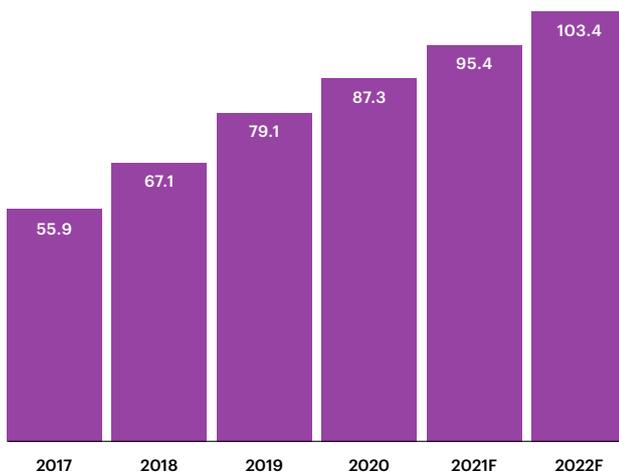
Source: eMarketer

Exhibit 8: An Expanding Buyer Base

The number of DTC e-commerce shoppers in the US will surpass one billion by 2022.

US direct-to-consumer e-commerce buyers, 2017-2022F

(Millions)



Source: eMarketer

play around with it and make it their own, so you don't get this kind of cookie-cutter effect," Yallop said. The firm's philosophy is that brands are "living, breathing things," that need to constantly be iterated upon.

Brands also find themselves staring down a perfect storm of technical challenges that will make the next few years of digital marketing more difficult than ever. Specifically, the prohibitive costs and diminished efficiency of social media advertising – combined with changes to data privacy laws that will make it harder to track consumer preferences – have forced DTC brands to reconsider how to attract and retain customers.

"None of this is binary... In the same way that 10 years ago people put 100 percent of their resources into performance marketing, the right reaction to the changes in performance marketing is not to suddenly put 100 percent of your efforts into brands," Imaginary's Brown said. "This is a multifaceted equation and conversation and all of these things should coexist together and people should be thoughtful."

Ultimately, no marketing playbook can survive fashion and beauty DTC's next era without prioritising the human element.

"The consumer is in the driver's seat today," said Natalie Massenet, co-founder and managing partner at Imaginary Ventures. "Which is why we're seeing brands led by authentic founders who understand the consumer that's been underserved. You need to listen to your consumer, it's a two-way dialogue, you need to continuously delight and surprise them... It's never been easier and it's never been harder to launch a brand."

Brand Profiles

Each of the following five fashion, beauty and health brands exemplify a fundamental rule-breaking tenet of the original DTC marketing playbook. Those defining characteristics, coupled with strategic application of the new “Four Ps” rubric, have helped them distinguish themselves to consumers and investors.

Bread Beauty Supply	Category: Hair care Founder: Maeva Heim Founded: 2020 DTC Playbook Edit: Unapologetically Serving a Niche “Our visual language heroes Black women... We want to show Black women that this brand is inclusive of them.” – Maeva Heim
Mello CBD	Category: Health, edibles Founder: Boronia Fallshaw Founded: 2018 DTC Playbook Edit: The Perks of Premium Pricing “We are a sophisticated business, so we can’t be the most inexpensive on the block... [but] I still was conscious of the fact that this needed to be something that people could afford to buy on a regular basis.” – Boronia Fallshaw
Topicals	Category: Skin care Founder: Olamide Olowe Founded: 2020 DTC Playbook Edit: Founder-Product Fit “I don’t think the founder should be the company [or] the founder story should be the company story, but I think that the founder story should be deeply connected.” – Olamide Olowe
Seed Probiotics	Category: Health, supplements Founder: Ara Katz Founded: 2018 DTC Playbook Edit: Friction Is The Future “In terms of e-commerce metrics, getting someone really fast through your funnel to a purchase doesn’t equal high [lifetime value].” – Ara Katz
Parade	Category: Intimates, apparel Founder: Cami Téllez, Jack Defuria Founded: 2019 DTC Playbook Edit: Powerful Visual Punch “We’re building a full-spectrum, full-bleed, colorful and expressive world,” – Cami Téllez

Fortune Favours the Bold

01 — Bread Beauty Supply



Bread Beauty Supply unapologetically serves a market niche. Courtesy.

DTC Playbook Edit: Rethinking the “Niche” Market

“Four Ps:” Positioning

In the earliest days of DTC, fashion and beauty brands had something for everyone. Warby Parker offered frames a hip, young Millennial employee might wear to work, or no-fuss glasses her grandfather could order to try on at home. Everlane’s elevated basics — solid-coloured T-shirts and cashmere sweaters — were staples in the wardrobes of minimalists of all ages.

The fashion and beauty brands that nailed the everyman appeal were accessible to all, or at least, all who fit the target middle and upper-middle class, mostly white, urban-dwelling demographic. But in appealing to everyone, it’s almost as if early entrants in the DTC space were meant for no one in particular. By default, their marketing reflected rather than disrupted mainstream social and cultural dynamics.

Today, rethinking “niche” segments means unlocking swaths of consumers who have, historically, been overlooked by other DTC brands. Brands that centre

these consumers in their marketing are primed for success.

Bread Beauty Supply, a hair care brand with products specifically for textured and curly hair, does just that. Bread sells shampoos, conditioners, hair oils and masks, but its best-selling products are its wash day kits — \$58 product bundles with an \$88 value. Although the products are made with Black women in mind, they are also intended to appeal to anyone with textured or curly hair.

Everything about Bread’s value proposition and marketing relies on explicitly and unapologetically recognising the consumers for whom Bread was made and how they live versus who they should be.

“Our challenge really is about how we kind of live up to this idea of show don’t tell,” said founder Maeva Heim, who grew up in Australia and spent hours at her mother’s hair braiding salon. “We have Black women on our actual products that are featured in retail stores. The majority of our visual language heroes Black women, but we don’t want to say necessarily in copy, ‘Hey, we’re a brand

“A market segment that’s ‘niche’ might be smaller than the general market, but the lifetime value created in each customer who feels seen for the first time is arguably greater.”

for Black women,’ [but] we want to show Black women that this brand is inclusive of them.”

The idea that textured hair products are a niche demographic has more to do with the lack of representation in Western media than market size. The US Black hair care market is expected to grow to \$2 billion by 2025, up from about \$1.6 billion in 2015, based on regime-specific products alone (such as shampoos, conditioners, and other styling products) according to Mintel.

Black consumers account for one out of five total hair care dollars spent, yet products marketed specifically to Black consumers are often difficult to find, or are grouped in “multicultural sections” of drugstores and beauty retailers. Heim said her brand’s name itself, “Bread,” is born from the idea that the products should be a staple, easily available and widespread.

Consumers spend with brands that explicitly speak to them and the “products work as expected because they are formulated just for them,” according to Mintel. A market segment that’s “niche” might be smaller than the general market, but the lifetime value created in each customer who feels seen for the first time is arguably greater.

“She’s really pushed the boundaries in terms of packaging,” said Nick Brown, whose firm Imaginary Ventures led a pre-seed investment round in Bread

in July 2020. “It stands out as product that a customer sees herself in, both in terms of the uniqueness, but also the fact that there is a woman of colour on those packages.”

Bread has also positioned itself differently from its competitors in the textured hair market. Shea Moisture, owned by Unilever subsidiary Sundial brands, sells its products through wholesale relationships with retailers like Target. The brand accounts for 19 percent of consumer spending in the textured hair category, according to Mintel. Its Instagram account features high-profile brand ambassadors like actor Kevin Hart, traditional product flat lays and imagery more akin to traditional beauty campaigns (that is, polished and edited) with influencers like model-mogul and Real Housewives star Cynthia Bailey.

Bread’s approach is different and in some ways, subverts how people expect Black women to be seen, Heim said. The brand re-posts images of Bread customers and influencers wearing cottage core or cowboy hats, for example.

“We want to show her in a very nuanced way... it gives us the opportunity to solidify our visual language and our brand equity in that way,” Heim said.

With zero paid influencer partnerships, Bread’s Instagram account grew from 2,900 to 14,900 followers from its launch in July 2020 to March 2021. The company declined to share sales figures.



Bread has positioned itself differently from its competitors in the textured hair market. Courtesy.

02 — Mello CBD



Mello CBD breaks the original DTC rule of accessible pricing. Courtesy.

DTC Playbook Edit: The Perks of Premium Pricing

“Four Ps:” Personalisation

A decade ago, consumers caught in the midst of a global recession were in search of value.

Consumers still seek out value and quality, but the DTC space is no longer simply about accessible pricing. Quality, merchandising and personalisation can all drive purchases.

While recessions tend to increase consumer price sensitivity, during the pandemic the effects differed by income level. The wealthy mostly kept their jobs and shifted spending from travel and entertainment to luxury goods. Everyone else went bargain hunting if they were able to spend anything on clothing or beauty at all. The middle class, already shrinking before 2020, was further hollowed out.

When thinking about the DTC marketing playbook of the future, brands must strike a delicate balance in pricing products. Where a previous generation of brands might have leaned into affordability, avoiding the luxury label, Mello, a CBD edibles brand, has landed on a strategy: premium, but not prohibitive.

If you ask Boronia Fallshaw, Mello’s founder and a former fashion buyer who helped launch Amazon Fashion, how she’d describe the cost of Mello’s products, she’d say it’s “below the average price

point.” Her point of comparison is other premium edibles, where it’s common to find a CBD oil selling for \$119.99. The effect is a hybrid strategy based on competitors’ pricing and value-pricing. (Mello’s approach is similar to how beauty brands create new “prestige” or “masstige” pricing tiers.)

Mello’s products include a CBD oil priced at \$75 for a 30-dropper supply, \$50 for a pack of 20 CBD caramels and \$60 for five CBD suppositories. The price of the CBD caramels was decided specifically to encourage gifting.

“The DTC space is no longer simply about accessible pricing.”

Slowly but surely, the brand is expanding. Mello is growing on average 29 percent each month, though the brand is not yet profitable. It plans to launch its fourth product in 2021.

Still, the strategy is not for the faint of heart.

“We also can’t be the most inexpensive on the block, either, because I think, psychologically, consumers will be like, ‘oh, this is a little bit too cheap,’” Fallshaw said. Mello’s CBD sea salt caramels are the brand’s “loss leaders,” meaning they do not produce a margin, a strategic choice meant to inspire purchases for the brand’s other two products.

Fallshaw said the brand plans to reduce the price of its CBD suppositories, which are about \$10 more than the average price point for similar products.

Another layer to Mello’s marketing strategy has to do with how it personalises the customer experience. When visiting the brand’s website, customers can take a quiz to help determine which product is right for their needs (to be sure, this is more customisation than personalisation, where customers are funnelled towards a certain product rather than having a product created uniquely for them.)

The brand also sends out personalised marketing emails to new customers — with their name, if the customer has provided it via email capture — based on which articles a customer has read on its website, and which products they’ve browsed or purchased. If a customer keeps coming back to one particular product, the brand emails them to ask what might be keeping them from purchasing.

“When you’re talking about CBD, people don’t understand it, so [it’s important to] take them on a journey where all they have to do is answer a couple of questions and a product is spat out to them,” Fallshaw said. The strategy can also be applied to beauty brands and even fashion brands, especially if a customer is looking for a product to service a particular need.

03 — Topicals



Topicals founder Olamide Olowe not only speaks to her customers, she is her customer. Courtesy.

DTC Playbook Edit: Founder-Product Fit

“Four Ps:” Purpose, Positioning

Venture capital firms are constantly assessing whether a brand “fits” — whether it fits the firm’s portfolio, or whether there’s investor-founder fit, or product-market fit. But in the DTC space, another concept has emerged: founder-product fit, the idea that a founder can speak to a product because of their own experiences or expertise.

Founder-product fit is appealing to investors, but also has the added benefit of translating directly to consumers. Shoppers care about who’s behind a brand, especially since so much of DTC 2.0 was characterised by generic founder stories.

At Topicals, a skin care brand focused on medical dermatological problems like acne and eczema, Olamide Olowe not only speaks to her customers, she is her customer: a Gen-Z Black woman who understands not only what her peers need in their skin care, but how they expect the brand providing them with the product to look, sound and feel. It’s a stark contrast to established contemporary competitors like Proactiv or Aveeno (though the executive-brand endorsement is one that’s existed for decades, like when Sy Sperling proclaimed, “I’m not only the president, I’m also a client,” in 80s-era HairClub commercials.)

“I don’t think the founder should be the company [or] the founder story should be the company story, but I think that the founder story should be deeply connected,” said Olowe, who also has battled with hyperpigmentation and pseudofolliculitis.

Topicals launched its first two products in August 2020. Like Heim’s Bread, Topicals co-founders Olowe and Claudia Teng found it difficult to purchase skin care products that addressed their concerns and was safely tested on a diverse range of skin tones.

You don’t find Olowe’s story on the brand’s website. Instead, the brand’s “About” section includes its mission statement, a digital sticker pack and a digital “paint” canvas, as in, Y2K-era Microsoft Paint.

Olowe integrates herself into the brand’s marketing in other ways. Topicals donated sales proceeds to help Texas, her home state, recover after the 2021 winter storm. On her personal Twitter page, she discusses the effects that racism has on mental health, complementing the brand’s “core belief that skin health and mental health are deeply connected.” She hosts Clubhouse rooms, “SkinCare Sundays,” with other beauty industry leaders. Recently, Olowe modelled one of Topical’s recent merch drops, an image that appears atop the brand’s homepage and on its Instagram page.

It’s an uncomfortable balance, Olowe said, between centring a founder already prone

“Engagement is... an effective way to avoid the brand feeling like it took the Millennial DTC marketing playbook and simply replaced it with one that would appeal to Gen-Z.”

— Livvi Yallop

to racist or sexist tendencies in business and serving the brand — and chiefly, its customers — well.

“Every entrepreneur needs to use every tool at their disposal,” said Blumenthal, who is an investor in Topicals. “And if they have a large social following and they can use that to engage with customers and grow their business, that’s fantastic.”

Customers seem to be buying in, literally and figuratively. When Topicals finally released consumers from the purgatory of its waitlist and started selling its “Like Butter” hydrating mask and “Faded” hyperpigmentation gel, it sold out several times over on its website and on Nordstrom’s (Nordstrom is the brand’s only wholesaler.) The brand raised \$2.6 million in its first funding round.

Conversely, as earlier DTC entrants found out, placing too much emphasis on a brand’s founder has its own risks. Tyler Haney, founder of the athleisure brand Outdoor Voices, famously went on the national television show “Good Morning America” to share that she was pregnant while managing a successful career. *The New York Times* called her a “compelling spokeswoman for the brand.” Eventually, reports surfaced of the brutal internal culture that Haney helped cultivate. That, coupled with other problems like poor inventory management, has left the brand in peril.

As for its marketing beyond Olowe’s consumer-facing communications (those with which anyone can engage, either by tweet, Instagram DM, or Clubhouse chat drop-in) Topicals has positioned itself as a brand that engages its customers like friends.

Part of this is a function of elements of the brand’s website, designed by brand and marketing firm The Digital Fairy, like those digital stickers. On Twitter, Topicals asks its customers to share before and after photos, “if you’re comfortable sharing.” On Instagram, it created a virtual “Burn Book,” modelled after the one that appears in the 2004 cult classic movie “Mean Girls,” encouraging customer submissions that would be shared on the brand’s social media.

Nicole Armstrong, executive strategy director at R/GA, pointed out that building a community and having a lot of social media followers are two distinct things, with the former’s value frequently overlooked in brand marketing.

Engagement is good for building relationships with customers. But it’s also an effective way to avoid the brand feeling like it took the Millennial DTC marketing playbook and simply replaced it with one that would appeal to Gen-Z, said Yallop.

“What we actually did was create a brand identity that was designed to be customised by the user,” Yallop said. An interactive website or initiatives like the Burn Book help make each customer experience with Topicals unique. The Burn Book campaign led to Topicals’ highest-ever one-day sales total in 2020, the company said.

Topicals also said that the brand pushed its initial launch date from April 2020 to August due to the pandemic. During that time, the brand was busy communicating with future customers on its social media and launched an online astrology skin care game, “Skin, Sun & Stars,” which customers participated in 10,000 times. The brand said it was that pre-product, community-building strategy that led to Topicals’ 48-hour sell out online and at Nordstrom.com.

04 – Seed

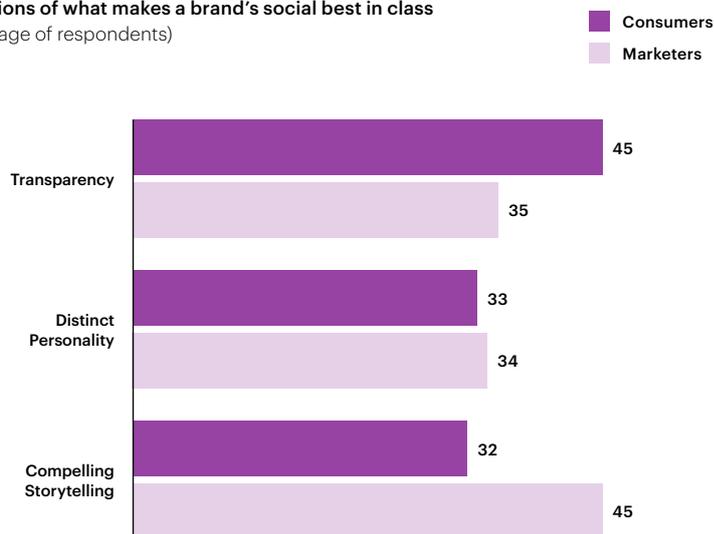


Seed’s approach to brand marketing is an evolution of the transparency offered by original DTC players. Courtesy.

Exhibit 9: The Importance of Being Transparent

Consumers say that a brand that is transparent has a great social media presence — a point that marketers underestimate compared to other characteristics.

Perceptions of what makes a brand’s social best in class
(Percentage of respondents)



Source: Sprout Social Surveys 2020

DTC Playbook Edit: Friction Is The Future

“Four Ps.” Partnerships

It takes a few seconds to find products on Seed’s website, the probiotic DTC brand, an eternity for consumers accustomed to being pushed straight to purchase on a typical e-commerce site. There’s a beautiful, microscopic image of an earthy pink microbe that greets visitors, who must then scroll through text outlining what Seed is, what microbes are and how bacteria is essential to health — all before seeing the product. Seed’s first product, its daily symbiotic supplement, available for purchase as a \$49.99 monthly subscription, appears towards the bottom of the page.

That’s all by design, said founder Ara Katz. Part of the brand’s marketing mantra is “friction is the future,” she said.

“If you want to put it in terms of e-commerce metrics, getting someone really fast through your funnel to a purchase doesn’t equal high [lifetime value],” Katz said. “We think that putting friction into an experience over indexes the person’s intention and also... communicates a value set that reflects our commitment to precision, education and integrity of how science is communicated and transparency.”

The era of misinformation has not limited itself to the political realm and reaffirmed to Katz why Seed has to slow down its

“Consumers’ increased distrust of brands and institutions during the pandemic have led to consumer thirst for not only transparency but knowledge.”

messaging. Lifestyle influencers and brands alike have spent years hawking “immunity-boosting” products to help combat physical, mental or spiritual ailments. At best, the claims are dubious; at worst, they are outright fraudulent and mislead consumers. The FTC’s enforcement against brands that sell ineffective products is inconsistent.

These conditions, coupled with consumers’ increased distrust of brands and institutions during the pandemic, have led to consumer thirst for not only transparency but knowledge.

According to the Edelman Trust Barometer Special Report: Brand Trust in 2020, trust was the second most important factor in the decision to buy from a new brand or become a loyal customer.

The year before, trust was the fifth most important factor.

Seed’s approach is an evolution of the approach to data, science and transparency in brand marketing that fashion DTC players like Naadam or Everlane – which outlined their supply chains and product pricing structures publicly on their websites, respectively – introduced. Seed’s website features a glossary with 30 definitions and a reference library.

The efficacy of probiotics is one publicly debated – whether on the American news programme 60 Minutes or in academic journals – with the accompanying \$50 billion commercial probiotics market scrutinised in tandem. Seed is not immune to scrutiny. Rather than shy away from the speculation, Seed has called for greater rigour in defining probiotics, publishing scientific papers of their own.

“We couldn’t agree more that there is a need for more strict adherence to the scientific definition as outlined in our paper, Probiotics: Reiterating What They Are and What They are Not,” the brand said, referring to the work that scientists from Harvard Medical School, Boston Children’s Hospital and Ontario’s Western University completed. Seed added that the “category [is] rife with misinformation and hyperbolic claims.”

Seed, which has completed a seed funding round, declined to provide sales figures, but said it has grown 400 percent since March 2020. Doubling down on its values, the brand has also found success in a contrarian approach to influencer marketing.

Most influencer strategies are based on a brand’s goals: converting sales or building awareness, followed by outreach to influencers who have high engagement

and can help the brand achieve their KPIs. Seed, meanwhile, evaluates its influencer partners based on whether they can pass the brand’s “Seed University” course, which tests a potential influencer partner on the science of probiotics, Seed’s product and FTC-required social media ad disclosures. Multiple-choice questions range from, “What makes humans superorganisms?” to “How does this [sponsored post caption] stack up according to FTC guidelines?”

Seed doesn’t disclose how many people are in their influencer programme, but said it “makes up almost a quarter of our revenue today,” referring to the sales of Seed’s product that they drive.

“Our hypothesis was you would end up with a lot of people who feel really empowered and have learned a lot, and have also learned about the FTC guidelines,” Katz said. “That, of course, hopefully, has a ripple effect into other things they do and puts up their ‘spidey’ senses with all the other brands asking them to hawk their wares.”

Seed has also adopted inventive brand partnerships to bolster its marketing efforts. In November 2020, it released a sweatshirt in collaboration with the Los Angeles-based clothing brand Come Back As A Flower, whose hoodies are priced at \$230. True to form, Seed sold the sweatshirt for \$0, requiring instead that anyone who wanted their own hoodie complete a six-day, at-home science course (totalling one hour of lessons) called “Home Room.” Once customers completed all six lessons, they could unlock the code to “purchase” the sweatshirt.

“Over time, we see that those things create so much loyalty and excitement,” Katz said.

05 — Parade



Parade's marketing imagery packs a visual punch. Courtesy.

DTC Playbook Edit: Powerful Visual Punch

“Four Ps:” Positioning, Partnerships

At the height of the DTC brand churn, newcomers flush with VC money would hire popular branding shops that had lasered in on the brand formula to develop their look. The resulting visual components were almost interchangeable, a trend that has continued today.

The Millennial DTC fashion brand looked a lot like this: sans serif fonts (a style that does not include an extension at the end of a letter, meant to evoke clean lines and minimalism) was used on logos and in copy; brands often dropped the pesky vowels from their names as if doing so made them appear to pioneer some sleek, vowel-less future; still life photography (where inanimate objects, frequently the products themselves, are arranged like a 19th-century oil painting) was often the de facto style occupying Instagram feeds; pastel colours were ubiquitous.

The cumulative effect was that early DTC fashion and beauty brands were nudging consumers in their general direction, rather than badgering them with anything too loud or too forceful. (Except for the constant stream of paid social ads that appeared in targeted customers' social media feeds.)

It's that landscape that made Parade stand out to Neil Blumenthal, who was an

early investor in the DTC apparel brand. Blumenthal recalls walking around Warby Parker's office and seeing Parade's logo stickers — a blimp-looking candy apple red bubble, tilted on its axis, with the brand's name in capitalised, white bubble letters — slapped about computer monitors and doorways. In addition to being the brand's co-founder and CEO, Cami Téllez identifies as Parade's creative director and she drew the first version of the Parade logo.

Parade's visual punch extends further than its logo, of course. Téllez's vision for the brand errs on the side of bombast — “massive technicolour campaigns,” for example, are one component. In February 2020, the brand launched its Superbloom underwear assortment, a spring-themed limited-edition colour range sold individually or in curated packs.

It wasn't the product itself so much as the imagery that was arresting. Rather than seek out a high-flying graphic design firm, Parade hired Robert Engvall, a freelance designer and art director, to create the campaign.

The result is compelling: in different individual shots, models sport the Parade underwear atop tulip-printed tights, the words “Superbloom” etched in pink-purple bubble letters that equally evoke a sense of girliness and graffiti. In another campaign shot, a rear-facing model shows off a sunshine yellow-coloured Parade thong (cellulite included) with the words, “sunnyside” appearing towards

the bottom. The campaign imagery accounts for some of the brand's highest engagement on recent Instagram posts.

Télez said the plan for Parade, which began selling its \$8, recycled nylon and organic cotton underwear in late 2019, was to “shift the visual language of the category and also e-commerce more broadly. Parade’s world really ladders back to our core belief that women and femme-identifying people” — their customers — “are dynamic, creative and expressive people.”

The approach has so far resonated: Parade told *The New York Times* in December 2020 it has sold 700,000 pairs of underwear (it told BoF in September 2020 that number was half a million pairs, indicating a 40 percent increase in three months) and brought in \$10 million in revenue. The DTC brand plans to expand into other product categories besides underwear.

In addition to a strong visual identity, part of Parade’s early success can also be attributed to its approach to partnerships, which some of its DTC intimates peers — like CUUP or ThirdLove — have been reticent to pursue.

In January 2020, Parade collaborated with the clean beauty brand Bite to sell matching lipstick and underwear duos

for \$32. The partnership was strategic as much as it was complementary. (Parade centres much of its ethos around its commitment to using sustainable materials.) Bite has 791,000 Instagram followers to Parade’s 160,000, indicating an opportunity for the underwear brand to increase its digital presence.

By the end of that year, Parade had locked in a deal with another brand partner with arguably greater name recognition: Juicy Couture. Parade stamped the butts of black panties with rhinestones bearing the two brands’ names, a look Juicy Couture helped popularise in the early 2000s, an era that has largely captured Gen-Z fascination. Lourdes Leon, Madonna’s daughter, and model Ashley Graham appeared in the collaboration’s campaign. Two of Parade’s curated packs, which sold for \$88 and featured the Swarovski-embellished briefs, sold out.

“I think we were tremendously clear from the beginning that the blueprint for existing DNVBs [digitally native vertical brands] was not going to work in this kind of highly emotional, highly personal space,” Télez said. “That was really for a different consumer.”



“In addition to a strong visual identity, part of Parade’s early success can also be attributed to its approach to partnerships.”

Parade’s campaign for its collaboration with Juicy Couture featured Lourdes Leon, Madonna’s daughter, and model Ashley Graham. Courtesy.

Looking Ahead

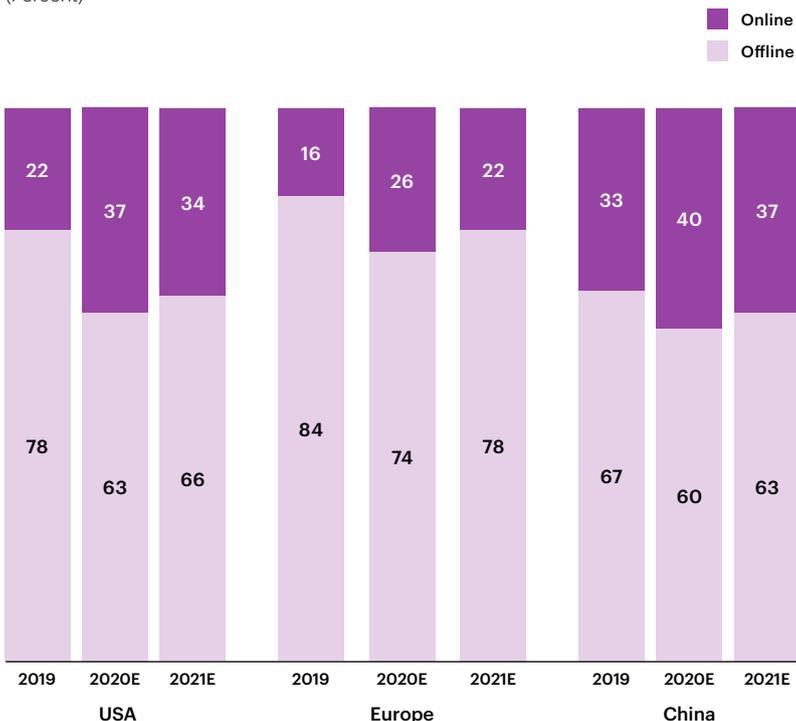


DTC marketing should be visually distinct and offer real value through product and principles. Courtesy.

Exhibit 10: The Online Battleground

Globally, online sales are expected to remain high following a surge in 2020.

Share of fashion sales by channel in the USA, Europe and China, 2019-2021E
(Percent)



Source: The State of Fashion 2021

Future-proofing a DTC fashion or beauty brand is not about throwing out the old marketing playbook entirely, but focusing on its best elements, introducing new ones and adapting to evolving consumer expectations – all while being visually distinct and offering real value through product and principles.

DTC brands must iterate on the marketing strategies that propelled DTC 1.0 and 2.0 to success, like taking steps towards offering transparency, nailing the paid social media ad formula and even expanding the consumer experience into physical retail. Above all, a brand without a clear purpose and value set will have a difficult time creating an impactful and cohesive marketing strategy, and more importantly, one that consumers will buy into.

Although appealing to a broad set of consumers has worked in the past, brands that serve underrepresented and historically overlooked groups are primed to win. But to do so, they must represent those customers with a 360-degree approach to marketing: in visual assets, language and even the product itself.

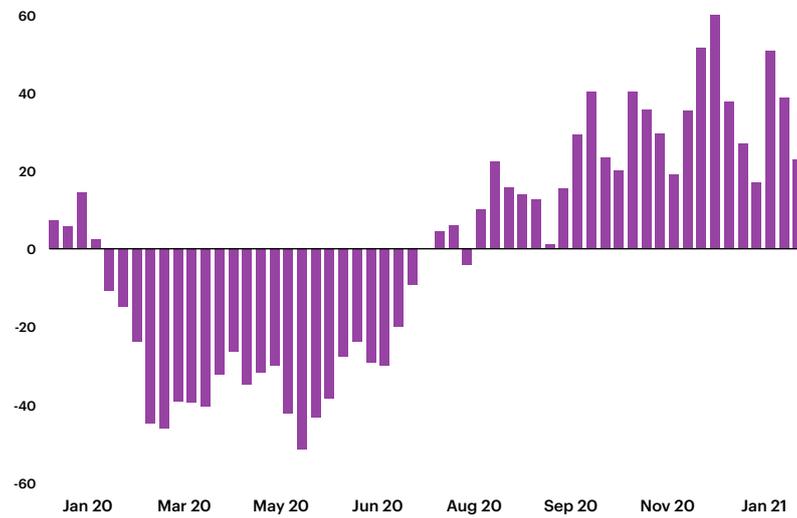
Delivering rich, clear data and information to consumers about a brand or product is yet another challenge DTC brands of the future must confront in the age of misinformation, with the customer no longer interested in vague efficacy

Exhibit 11: Higher Costs, Diminishing Returns

The pandemic did little to stop the long-term increases in paid social media advertising costs.

Cost per thousand impressions on paid social, Jan 2020-Feb 2021

Annual growth rate (Percent)



Source: Within Marketing Pulse Dashboard

promises or sustainability standards. Underestimating a consumer’s desire for information or transparency can be a grave misstep for marketers.

DTC brands with a clear value proposition and an assured sense of self can then embark on collaborative partnerships with other brands and thought leaders in order to build name recognition and brand equity. Personalising the customer experience, either through product or in communications, is another strategy for building a deeper relationship with the consumer, although it is supplemental only to the future of marketing fundamentals like purpose and positioning.

Brands that execute this tightrope act will find their consumers surprised, delighted and eager to spend.

Further Reading

- The Business of Fashion, [A New Playbook for DTC Brands](#)
- The Drum, [The 4Ps of marketing that unlock Millennials and Gen Z](#)
- Deloitte, [The Deloitte Global Millennial Survey 2020](#)
- Edelman, [Trust Barometer Special Report: Brand Trust in 2020](#)
- The Business of Fashion, [Why Social Media Advertising Is Still Necessary](#)
- The Business of Fashion, [What Fashion Can Learn From the Wild Success of McDonald's Travis Scott Collab](#)
- The Business of Fashion, [What Does a Winning Post-Covid Marketing Plan Look Like?](#)
- The Business of Fashion, [How Not to Be a Boring Direct-to-Consumer Brand](#)
- Bloomberg, [Welcome to Your Bland New World](#)
- Eye on Design, [Is Millennial Minimalism On Its Way Out?](#)

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