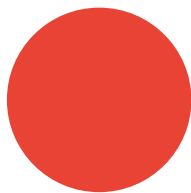


How to Unlock Direct-to-Consumer Growth for Your Business



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The future of retail is DTC

2020 was a disruptive year, but businesses with direct-to-consumer (DTC) capabilities were well-positioned to overcome obstacles and find opportunities to grow. As businesses realize the potential of the DTC opportunity, they are prioritizing it as a key tactic for growth moving forward. Similarly, consumer behaviors show that DTC brands align to shoppers' values and offer a desirable shopping experience. This shift in consumer preference will continue to accelerate the DTC opportunities for both traditional and digitally-native brands. Learn more about why DTC decision-makers are prioritizing this sales channel, the DTC shopper value and how to effectively connect with customers on the path to purchase to drive business results.



66%

of online shoppers have purchased directly from brands in the past 3 months



42%

of online shoppers expect to buy more directly from both traditional and digital brands (vs. from third-party retailers) over the next year, including 55% of those under age 45

Online shoppers flock to traditional brands because they are higher-quality, reliable, and premium; they view digital brands as trendy and unique.

Brands see DTC expansion as a key tactic for growth

Brand decision-makers indicate that their businesses are adapting to meet new consumer demands (93%) and that their companies are figuring out the best strategy to guide the business (90%). Moving into 2021, their #1 priority is revenue growth, with DTC sales and an improved customer experience viewed as the key levers to achieve this goal. As a result, brands are increasing their DTC budgets accordingly – including for marketing, technology and user interface – and are predicting an increase in direct sales this year.

While we discovered that DTC is a priority for both new and existing brands, there are unique opportunities depending on business type. For traditional brands scaling up their channel capabilities, sales conversion and more effectively measuring their customer journey are at the center of their planning. For digitally-native brands, honing the ability to identify new customers and to boost new customer acquisition is crucial. For all brands, more effectively scaling the DTC effort is a must in order to future-proof.

It's fundamental: how do you capture your data? How do you build lifetime value, and really understand the consumer as they go through the journey?



Chris Valle
Industry Leader, Consumer Electronics at Google

Brand DMs indicate that the top 3 best ways to achieve growth this year are:



Connecting more effectively with consumers



Expanding into new markets



Selling more directly to consumers



73%
of brands expect their DTC sales to increase (33%) or hold steady (40%) this year



62%
of brand DMs expect their company's DTC budget to increase in the next year

DTC shopping will only continue to grow

In the same way that businesses are prioritizing the DTC sales channel, online shoppers are showing a preference for this engagement. In fact, nearly 60% of online shoppers say they will go out of their way to purchase directly from a brand instead of a third-party retailer when possible. This is because DTC offers a more distinct experience – personalizing to an individual shopper’s needs, effectively showcasing brand values and offering consistent quality. This combination is perceived as “more authentic.” Furthermore, shoppers perceive individual brands to have clearer and cleaner environmental footprints.



68%

of online shoppers say that individual brands offer better quality than third-party retailers



61%

say individual brands provide a more personalized experience



66%

say it's easier to understand the values of individual brands

Breaking through in the booming DTC landscape

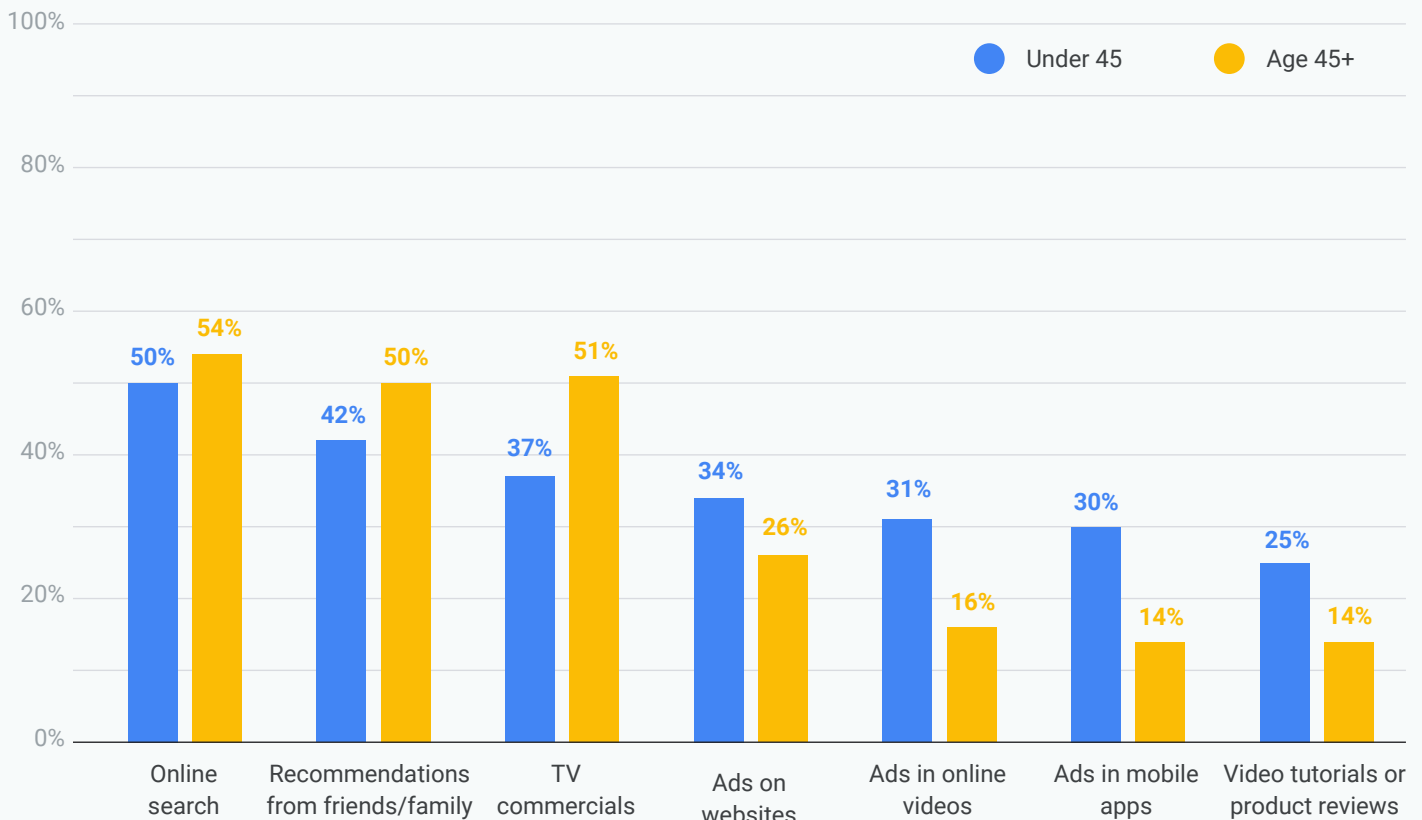
Brand loyalty and experimentation are both integral to the DTC space. More than 60% of online shoppers stick with their favorite brands, but the rest are happy to experiment – meaning there’s a large market of potential customers for DTC brands. To effectively engage with this audience, focusing on an online shopper’s channel preference is key. In our study, we uncovered that online shoppers discover new brands mainly via online search, recommendations from family and friends and TV commercials. For those under 45, digital channels significantly overindex in popularity compared to traditional channels.

It’s becoming ever more important for automated offerings to be turnkey. New endeavors aimed at trying to identify and action against a new audience should be as simple as possible. Brands across the maturity spectrum are finding great success with simple-to-implement, but incredibly powerful, automated solutions.

Jane Butler

Managing Director, Pureplay Retail + DTC at Google

Younger shoppers more likely to discover brands via digital channels



Selecting the right channel mix to prioritize the right outcomes

With the DTC sales channel expanding, there is a significant opportunity for both traditional and digitally-native brands to learn from each other's strengths. Traditional brands offer reliability and a perceived quality that enables better brand recognition. With 82% brand awareness for traditional brands among online shoppers, finding the right channel mix is an imperative to accelerate DTC growth and drive loyalty. Comparatively, digitally-native brands have excelled at modeling out successful digital plans for engagement. These digital natives are often perceived as trendy, unique and youthful – but need to drive awareness to grow the business.

Top 3 attributes for brands we tested:

Traditional brands:

High-quality



Reliable



Good value



Digital brands:

High-quality



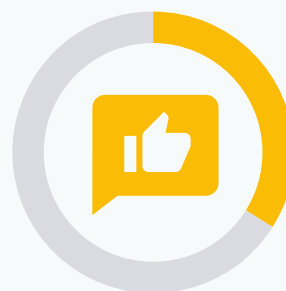
Trendy



Unique



Online shoppers say **38%** of the digital brands tested are getting more popular, along with 33% of traditional brands



Online shoppers expect to buy from **34%** of the digital brands they're familiar with in the next 3 months, along with 21% of the traditional brands

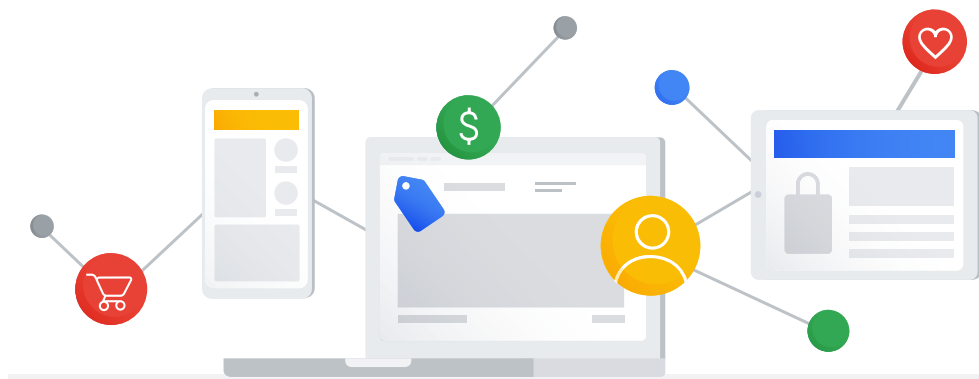
The path forward for brands today:

Key recommendations

Driving awareness and loyalty are at the heart of all DTC strategies. In order to foster loyalty and encourage repeat purchases, it is vital to build a strong brand to which consumers feel connected, and to find interesting ways to reach the experimenters.

To build their brand and win in a crowded marketplace, brands should focus on improving their products, optimizing the customer experiences at all brand touchpoints and communicating what they stand for to current and prospective customers. When there is a direct relationship with customers, businesses can use insights from customer engagement to improve the experience. First-party audiences allow businesses to responsibly deliver more helpful ads that are suited to the customer needs.

Consumers are on their computers and mobile devices more than ever these days, so showing up online and across the shopper journey on multiple apps is key to reaching and retaining more consumers. Brands that are nimble with automated digital strategies will be equipped to meet their customer at different points on the purchase path. And brands that master DTC sales will retain their base, tempt the experimenters to click “purchase” and gain more loyal customers in the process.



Methodology

We spoke with **3,494 online shoppers** and **162 DTC brand decision-makers** across the US to uncover changing consumer habits and preferences, and to determine how retailers can utilize the DTC opportunity to find a path to growth in a challenging environment.

The survey fielded from December 28, 2020, to January 14, 2021.



Online shopper audience

- US residents, age 18+
- Have purchased products online in the past 6 months
- Have purchased from a list of 86 digital and traditional brands in the electronics, apparel, wellness and/or home goods spaces



DTC business decision-maker audience

- US residents, age 18+
- Work at a business that sells direct-to-consumers in the electronics, apparel, wellness and/or home goods spaces
- Decision-maker or influencer for marketing, operations, ad spend and/or strategy functions at their business

About the research

COVID-19 accelerated e-commerce behaviors across categories, with direct-to-consumer (DTC) quickly becoming an even more critical distribution channel in the landscape.

Google commissioned this research to take a deep look into how brand decision-makers are approaching the rapidly evolving retail climate, the value of a direct-to-consumer approach to a business, and how to connect with current and potential consumers by exploring their preferences and perspectives.

Contributor Profiles:



Jane Butler: Managing Director, Pureplay Retail + DTC at Google

Jane Butler is a 17-year veteran of Google and has held multiple leadership roles on the advertising side of the business. She is currently managing director of the pureplay retail business, responsible for the largest retail e-commerce players and DTC strategy. Most recently, she was managing director of apps, where she oversaw commercial strategy and sales for Google's suite of app-promotion solutions, including account leadership for major industry disruptors in the social, ride-share, food-delivery, mobile-gaming and music categories. Prior roles include managing director for performance solutions in the Americas, global director of vertical search initiatives (Shopping, Travel, Finance and Auto), managing director of sales for the US west region and industry director for travel.

Prior to Google, Jane served as president of lastminutetravel.com, and as publisher of DoubleClick's travel network. She developed her passion for digital media while working as a marketing manager at the New York Times Company and jumped at the chance to be an early employee at DoubleClick in 1997. Jane began her career as a management consultant focused on sales-management automation tools for clients such as Oracle, Xerox and AT&T.

Jane graduated summa cum laude from Villanova University and currently resides in Hillsborough, California, with her husband and two children.



Chris Valle: Industry Leader, Consumer Electronics at Google

Since joining Google in 2006, Chris has held various leadership positions within Google's advertising sales organization, leading some of Google's largest Retail and Technology partnerships. As the industry lead for Google's Consumer Electronics (CE) practice, he oversees the company's advertising relationships with the largest CE partnerships.

His vantage point has given him a unique perspective and understanding of what companies are doing well – or not doing – in order to take advantage of the web as a vehicle to deliver better business outcomes. Chris is based in San Francisco and is also active in Google's diversity and inclusion efforts in the workplace and in the community.

Prior to his 15 years at Google, Valle worked in traditional and digital marketing sales organizations at Yahoo and AOL. He started his career in account management at various advertising agencies in Northern and Southern California, managing some of the largest global brands in CPG, Retail, Travel and Tech.

Valle is a graduate of San Jose State University, with degrees in marketing and advertising. He currently resides in the San Francisco Bay Area with his wife and three young daughters.

