How Leading Retailers and Direct-to-Consumer Brands Are Investing in Digital

A benchmark report based on a survey of ecommerce marketing executives.

COMMERCE NEXT

ORACLE

Survey conducted by CommerceNext and sponsored by Oracle Customer Experience (CX) Cloud

LETTER FROM COMMERCENEXT

Ecommerce marketing is an ever-changing discipline. What works one year may not work the next. The best ecommerce marketers are always studying the customer, the platforms and channels, and what their competitors are doing.

We at CommerceNext understand better than most that you need data to better determine whether you're focusing on the right things. That was the intent with this report: to provide a useful benchmark by which online retailers can measure their own priorities and evaluate which technologies deserve a larger or smaller portion of the budget.

For this report, "How Leading Retailers and Direct-to-Consumer Brands are Investing in Digital" we surveyed 100 top marketing decision-makers at leading brands in two major camps: the traditional retailers and multi-brand merchants that began as brick-and-mortar retail outlets and now also sell online; and the digital-first DTC brands who are transforming the entire ecommerce industry. The research tells us that both traditional and DTC brands point to acquisition marketing, personalization and gaining a unified view of the customer as key priorities—and challenges. But the survey also delineates the differences in how these two camps invest in tools and roll out initiatives around these priorities.

We hope these findings inspire you to closely evaluate your marketing priorities for the rest of the year, including the upcoming holiday shopping season. We look forward to diving into a deeper conversations about the results of this survey with you at CommerceNext, July 31-August 1 in New York City. Don't forget to check out our CommerceNext blog as we get closer to the big event for real-time updates on the speakers and the full agenda.

Thanks,

Allan, Scott and Veronika
CommerceNext Co-Founders

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EXECUTIVE SUMMARY

Digital retail marketers today face an endless number of priorities and initiatives when it comes to investing in the technologies, channels and strategies to grow their businesses. Every year, the debate rages on: marketers know that the emphasis should be on acquiring new customers, but how much focus should be on retaining the ones they have? And while all ecommerce marketers agree that personalization is the key to attracting and retaining customers, what are the right tools to enhance personalization? Investment decisions are never easy, and marketers are feeling the pressure like never before to make the right choices, execute quickly and show results. In fact, 30% of our survey respondents admitted that "executing quickly enough on marketing initiatives" was a top barrier to achieving their ecommerce marketing goals in 2018, and 42% expect this to be a barrier in 2019.

A 2017 survey of U.S. marketers by Walker Sands Communications and Chief Marketing Technologists found that 29% of respondents believed their company had not invested the right amount in marketing tech in 2016.[1] This CommerceNext survey, sponsored by Oracle Customer Experience (CX) Cloud, was conducted to provide a benchmark by which digital retailers can compare their investment levels and product priorities to those of their peers. The results reveal how the new generation of digital-first DTC brands are leading a shift with more investment in acquisition marketing, as well as technologies like AI-driven personalization and customer data platforms. The report provides valuable information, gleaned from senior marketers at the world's top-performing brands, to help inform technology decision-making in 2019 and beyond. It also provides a comparison between how traditional retailers with both ecommerce websites and physical stores are approaching investments compared to their digital-first DTC counterparts.

KEY LEARNINGS INCLUDE:

- Comparing 2018 to 2019, ecommerce marketing budgets are on the rise across all retail business models; however, digital-first DTC brands are increasing budgets at a higher rate.

- In 2018, 81% of ecommerce marketers cited acquisition marketing as their top priority. Satisfied with the results of their investments, marketers are spending even more on acquisition in 2019.

- Most marketers are not satisfied with their efforts to create a single view of the customer and personalize the customer experience. In 2019, the top innovation investment priority for all ecommerce marketers, regardless of business model, is in customer data platforms.

- Digital-first DTC brands are approaching marketing spending differently than traditional retailers with brick-and-mortar locations. For example, DTC brands are passing over the use of promotions in favor of other channels such as programmatic TV to attract new customers.

- For the 2019 holiday season, brands across the board are increasing their investment in technology to enable personalization, such as AI and customer data platforms. Digital native brands are earmarking more budget for these investments than their traditional retail competitors.

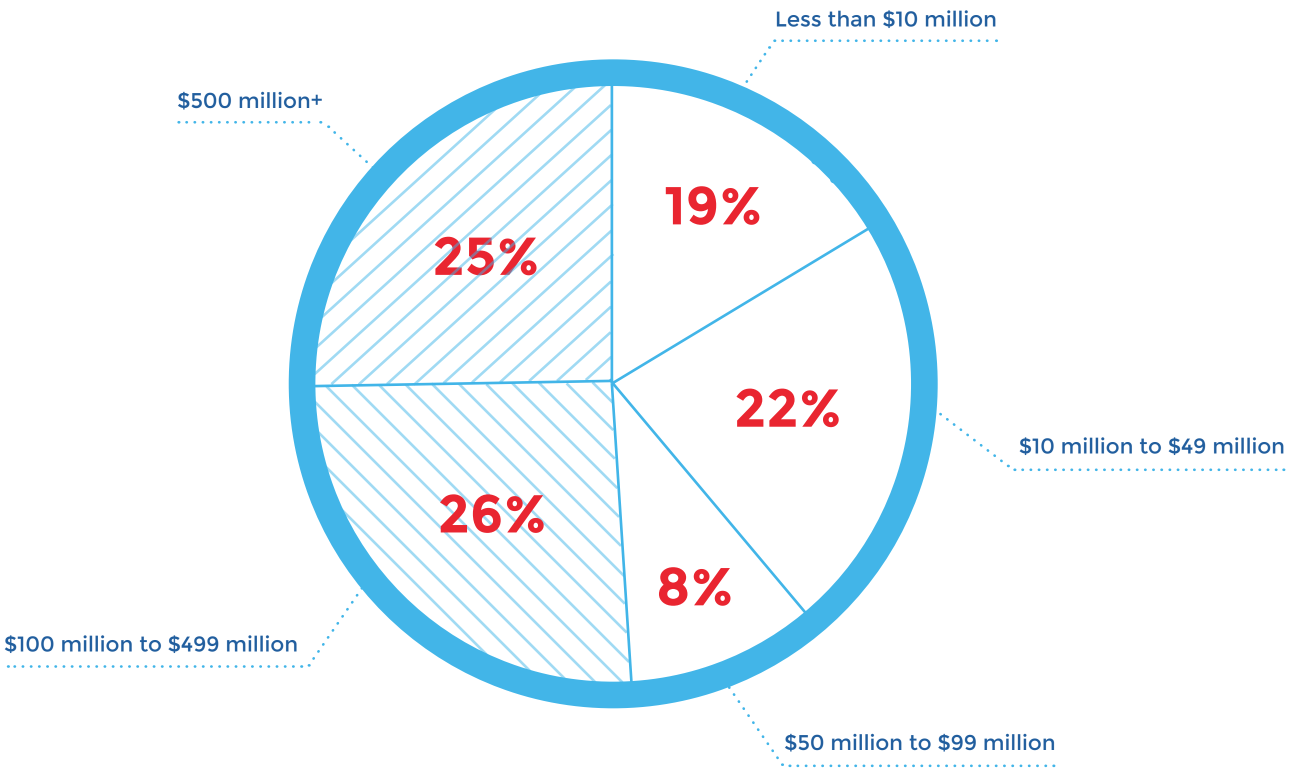
This holiday retail season is projected to be even bigger for ecommerce brands than last year. As we head into the 2019 holiday shopping season, use this benchmark report to evaluate your investment priorities and make adjustments as needed.

METHODOLOGY

Our 12-question online survey polled 100 digital retail senior leaders. Of the 100 participants, three were selected for follow-up interviews that examined in more detail the impact of investments on their 2019 marketing plan.

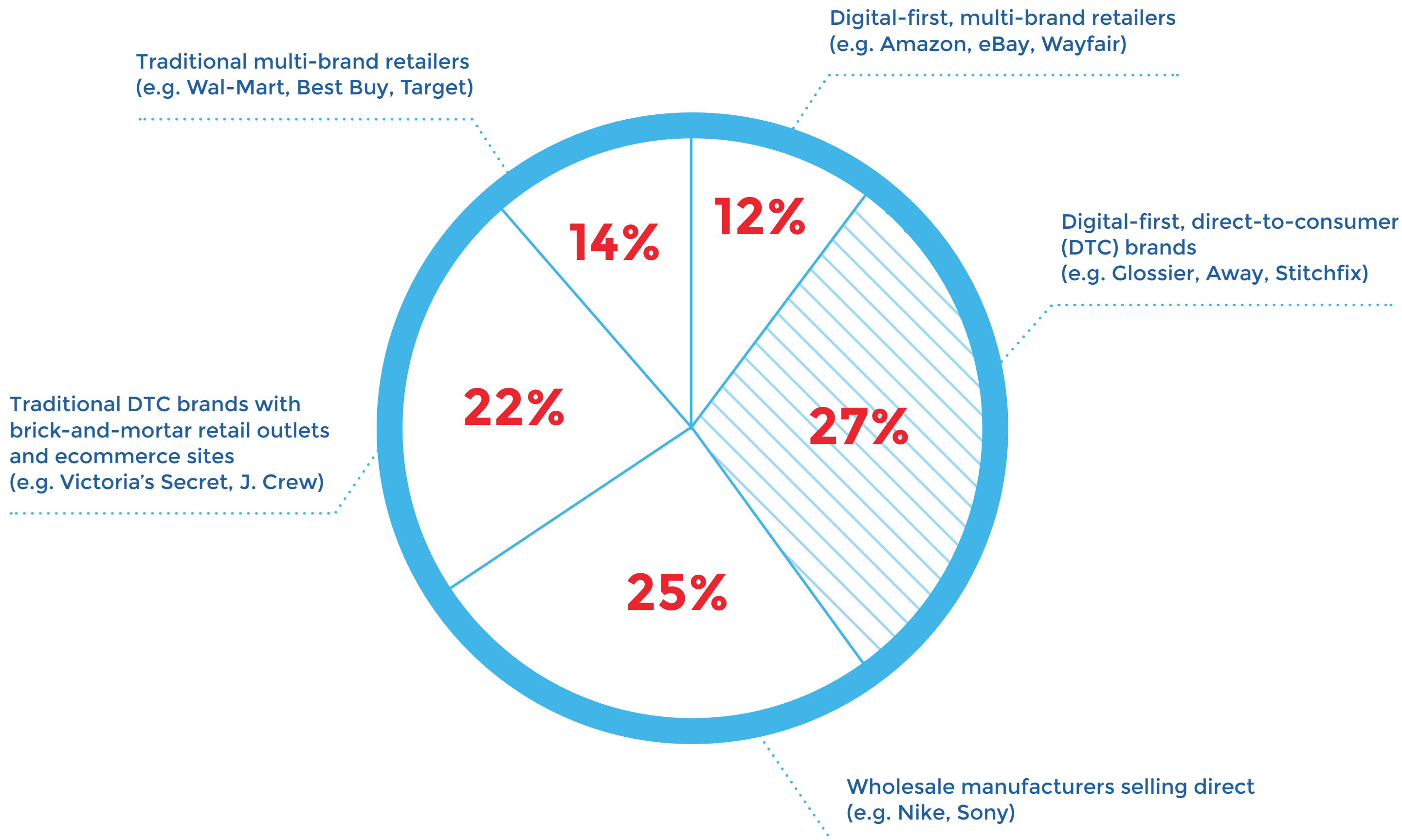
RESPONDENTS BY REVENUE

The breakdown of respondents by annual online revenue.



RETAIL BUSINESS MODEL OF RESPONDENTS

The breakdown of how these retailers sell to consumers:



RESPONDENTS BY TITLE

Head of Ecommerce/Ecommerce Leader	31%
Chief Marketing Officer/Head of Marketing	20%
Marketing Director/Marketing Leader	19%
CEO/Founder/General Manager/President	11%
Chief Digital Officer	9%
Other *	7%

*Other includes such titles as Head of Data & Analytics, VP of Marketing & Ecommerce, Head of Product

PART I: THE CHANGING LANDSCAPE OF DIGITAL COMMERCE

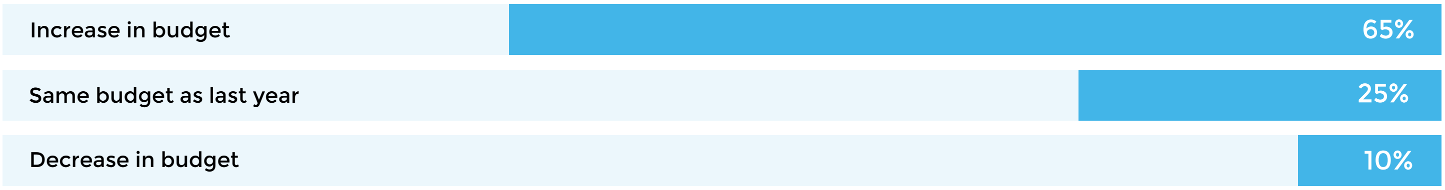
Marketers are focused on spending more to invest in growth

Digital retail marketers are feeling intense pressure to move more quickly on multiple initiatives. Acquiring new customers, retaining existing ones, improving on personalization, raising brand visibility… the list goes on. To tackle all of these initiatives and show their effectiveness, marketers need to make fast but informed decisions on strategic investments that can help them reach their goals. Traditional retailers and brands also need to consider investments in technology that will help them integrate existing tech with new tech to make it all work together and achieve the results they need.

BUDGETS ARE ON THE RISE

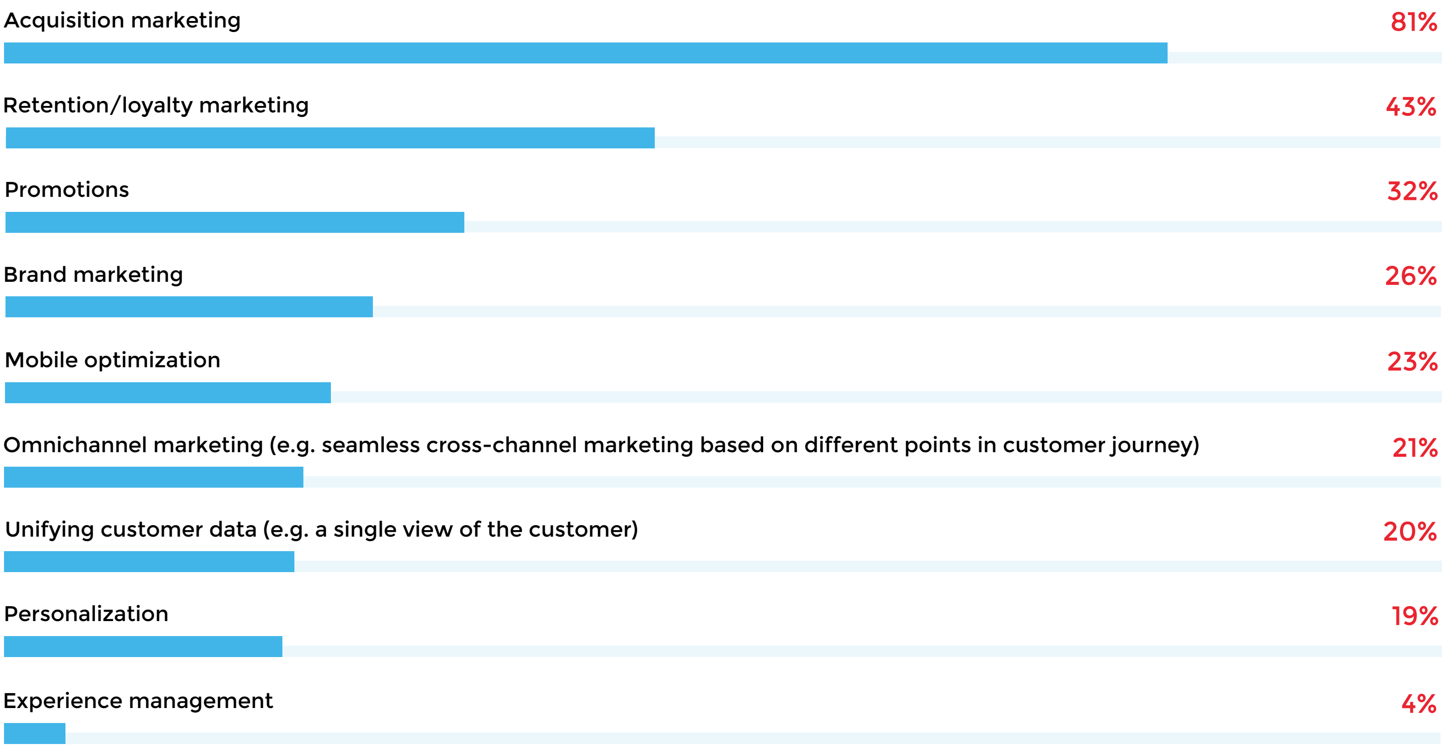
As new technologies come to market to assist ecommerce marketers in their quest to drive new customers to their online stores, they are re-evaluating the way they spend. And as the expectations of ecommerce customers increase, marketing budgets are following suit: 65% of respondents said their 2019 budget increased over the previous year. Conversely, only 10% of marketers indicated that they are reducing budget.

Q: In 2019, how has your ecommerce marketing budget changed when compared to 2018?



Budgets are on the rise, but how are marketers spending these larger budgets? In 2018, the top marketing investment priorities for 2018 were acquisition marketing (81%), retention and loyalty marketing (43%) and promotions (32%). The data show a significant dropoff in investment between acquisition marketing and other priorities:

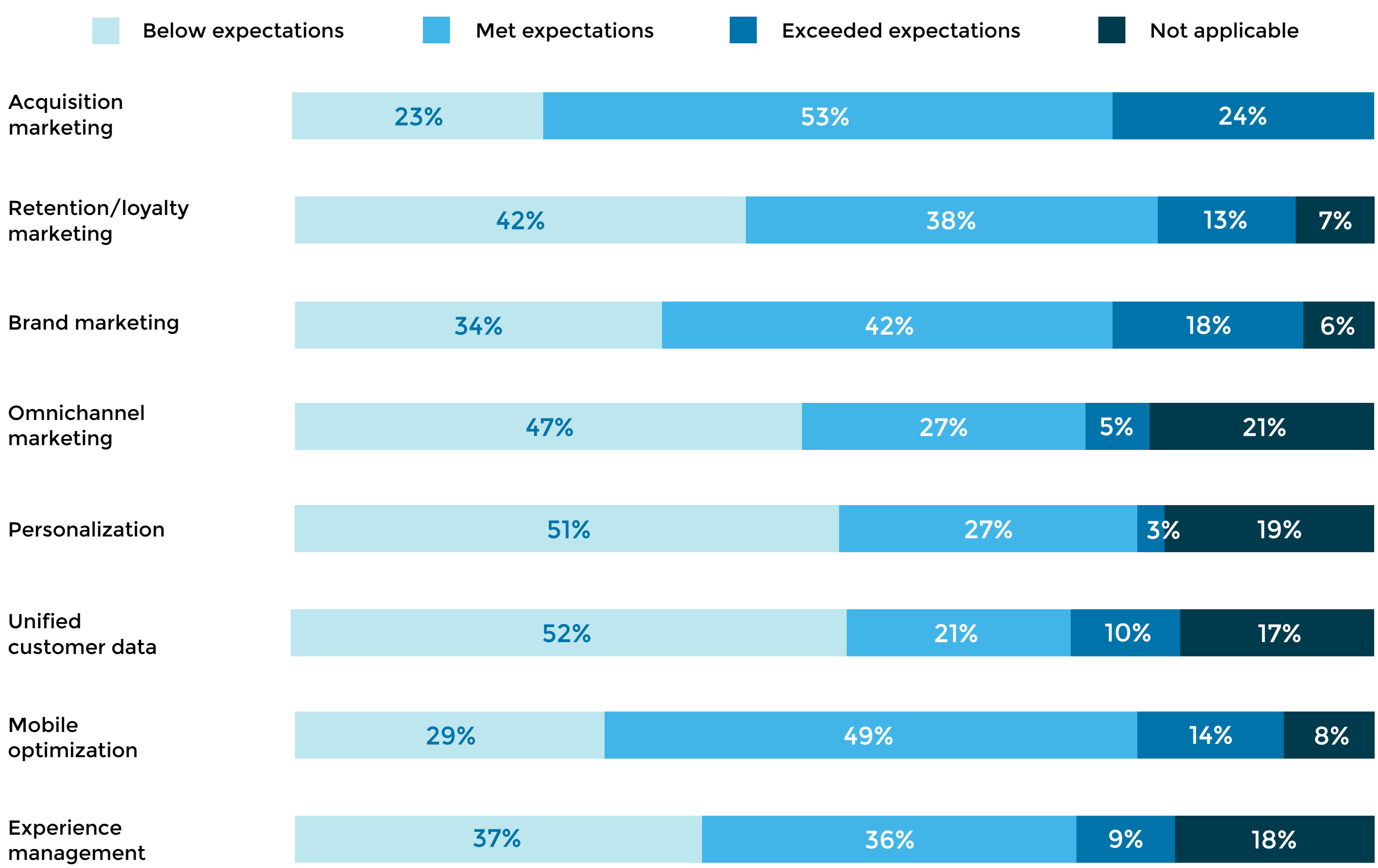
Q: In 2018, what were your largest ecommerce marketing investment priorities?



ECOMMERCE MARKETERS ARE SUCCEEDING AT ACQUISITION, BUT STRUGGLING TO DELIVER ON PERSONALIZATION

With more to spend across several key initiatives, were marketers satisfied with how they prioritized investments in 2018? Our respondents had mixed results when they reflected on last year. Looking back on 2018 investments and what worked well for marketers, we see that acquisition marketing investments had the highest level of satisfaction rating among all initiatives. A full 53% of respondents said acquisition marketing met expectations in 2018, and 24% said it exceeded expectations. As far as where digital retail leaders were less satisfied, 52% of respondents said unified customer data (e.g. a single view of the customer) performed below their expectations. Almost the same number had similar levels of dissatisfaction in personalization investments (51%).

Q: Looking back on your investments in 2018, how would you rate your satisfaction level with the performance of each of the following initiatives?



Why does acquisition marketing remain such a large focus for marketers? Ecommerce marketers often feel pressure to beat last year's online sales numbers, and one way to predictably achieve that growth goal is through acquisition. The ability to scale the business by driving new customers to the online store is the lifeblood of any ecommerce company, but it also may be due to the strong ROI that acquisition marketing can show.

Jason Nickel, Vice President of Marketing at DTC brand GREATS, says the decision to pivot away from heavy reliance on Facebook, and instead choosing to diversify acquisition channels, made a major difference in 2018.

"2018 was a fantastic year at GREATS, and a large part of that was executing on the low-hanging fruit on the acquisition front. In previous years, there was a lack of marketing channel diversification at GREATS. We made great effort to change our deep dependence on the walled gardens of Facebook and Instagram and tested new channels, including podcasts, OTT television and even billboards. We achieved a 27 to 28% expansion in the number of channels we marketed in. These investments in a more diverse acquisition marketing strategy exceeded our expectations."

Jason Nickel
VP Marketing & Creative at GREATS

CREATING A UNIFIED VIEW OF THE CUSTOMER

Personalization is the ultimate goal for online retailers seeking to make marketing and shopping experiences more relevant to customers and to better understand customer intent; however, brands still need to master the fundamentals. Successful personalization starts with reliable, holistic customer data that is accessible to the marketer. Across the board, ecommerce marketers are not satisfied with their efforts to create a single view of the customer and personalize the customer experience.

Charlie Cole, Chief Digital Officer of the Tumi + Samsonite brands, reflects on his experience of creating a unified view of the customer.

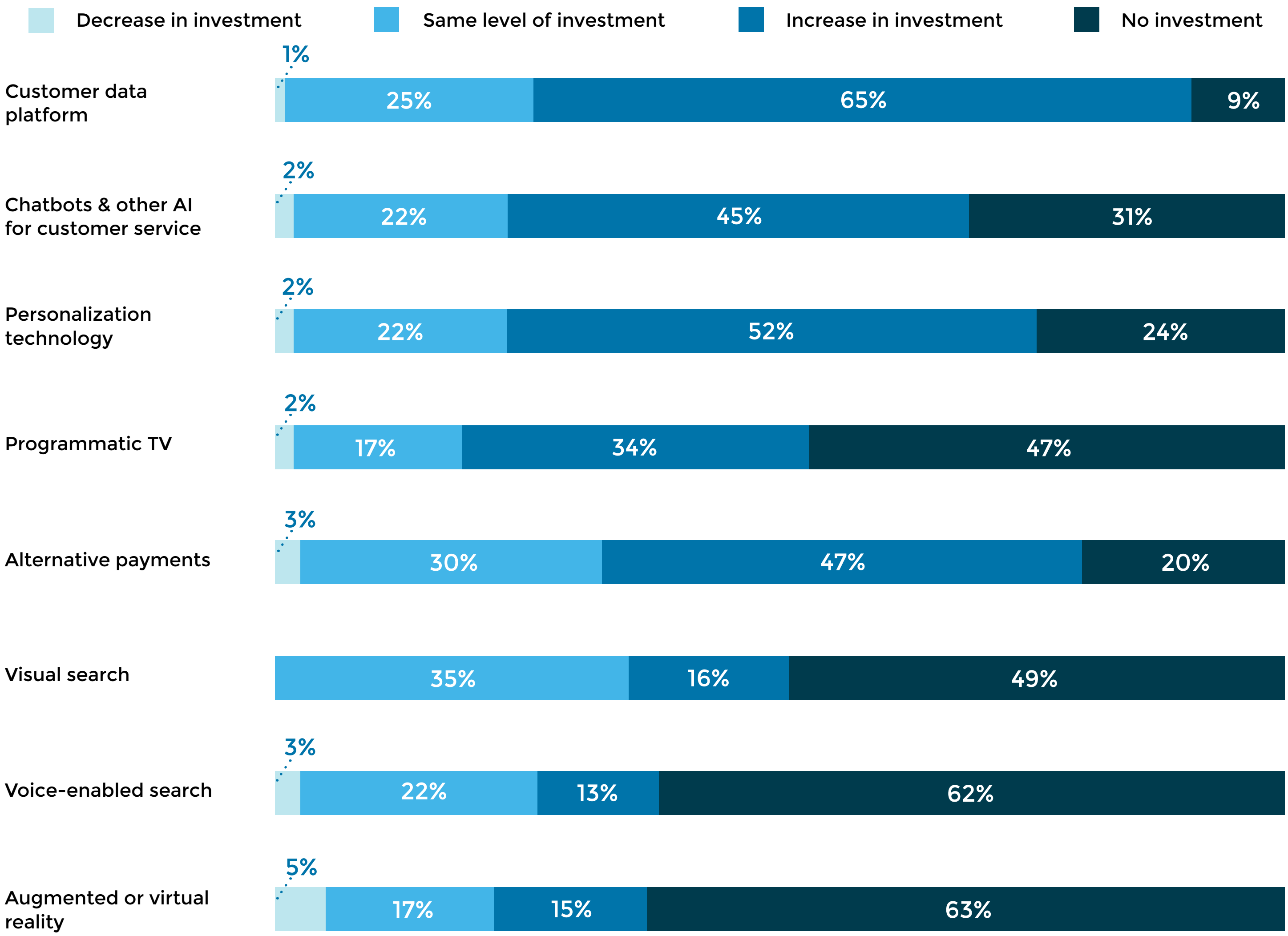
> "We've done a great job on personalization with people we know, using first-party data on existing customers. The thing we're still exploring is how to execute on marketing to people we don't know, with second or third-party data. Our next evolution at Samsonite is to graduate to a phase where there are 100 different versions of our website depending on who lands there. Personalization will help us get there."

Charlie Cole
Chief Digital Officer, Tumi + Samsonite

Given this struggle to achieve a unified view of the customer, it's no surprise that in 2019, the top two innovation investment priorities for all ecommerce marketers, regardless of business model, is in customer data platforms and personalization technology.

We found that 65% of respondents have increased budget in 2019 on customer data platforms (CDP) and 52% are increasing investment in personalization technology:

Q: How will your marketing department invest in each of the emerging technologies listed below in 2019 compared to 2018?



Other investments on the uptick in 2019 include alternative payments (47% increase), and AI or machine learning for automated customer service, such as chatbots (45% increase).

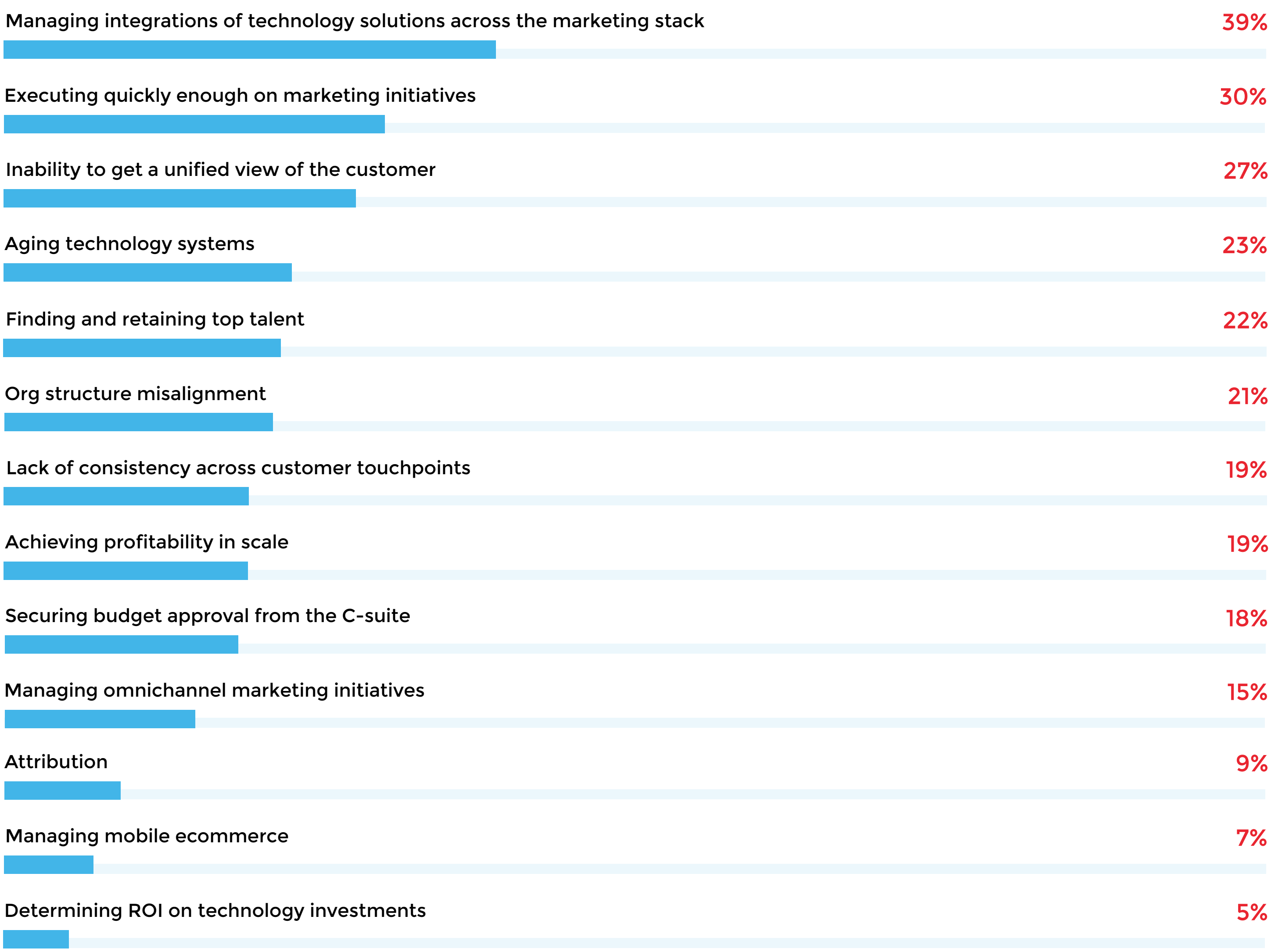
What may surprise some marketers are the investment priorities that are at the bottom of the list. For example, only 16% of marketers increased spending in visual search, while 49% said they're making no investments in this tech at all. The outlook is even more grim for voice-enabled search: only 13% are increasing their investment compared to last year, while 62% do not plan on making any investment in 2019.

THE NEED FOR SPEED: MARKETERS NEED TO EXECUTE FASTER AND INTEGRATE THEIR TECH STACK

When measuring the satisfaction levels of investments, it's important to also gauge what marketers believe are the barriers that are holding them back from achieving their goals.

In 2018, the hurdles that marketers felt impacted them the most were: managing integrations of technology across the marketing stack (39%); executing quickly enough on marketing initiatives (30%); the inability to get a unified view of the customer (27%), and aging technology systems (23%).

Q: In 2018, what were your greatest barriers to achieving your ecommerce marketing goals?



It's no surprise that brands are grappling with the complexities of technology integration across the marketing stack. The sheer volume of marketing technology solutions expands yearly. The average marketing stack consists of applications and platforms to manage CRM, marketing automation, personalization, social media marketing and management, and so on. Getting the various point solutions to work together is a tall order that often takes longer than expected.

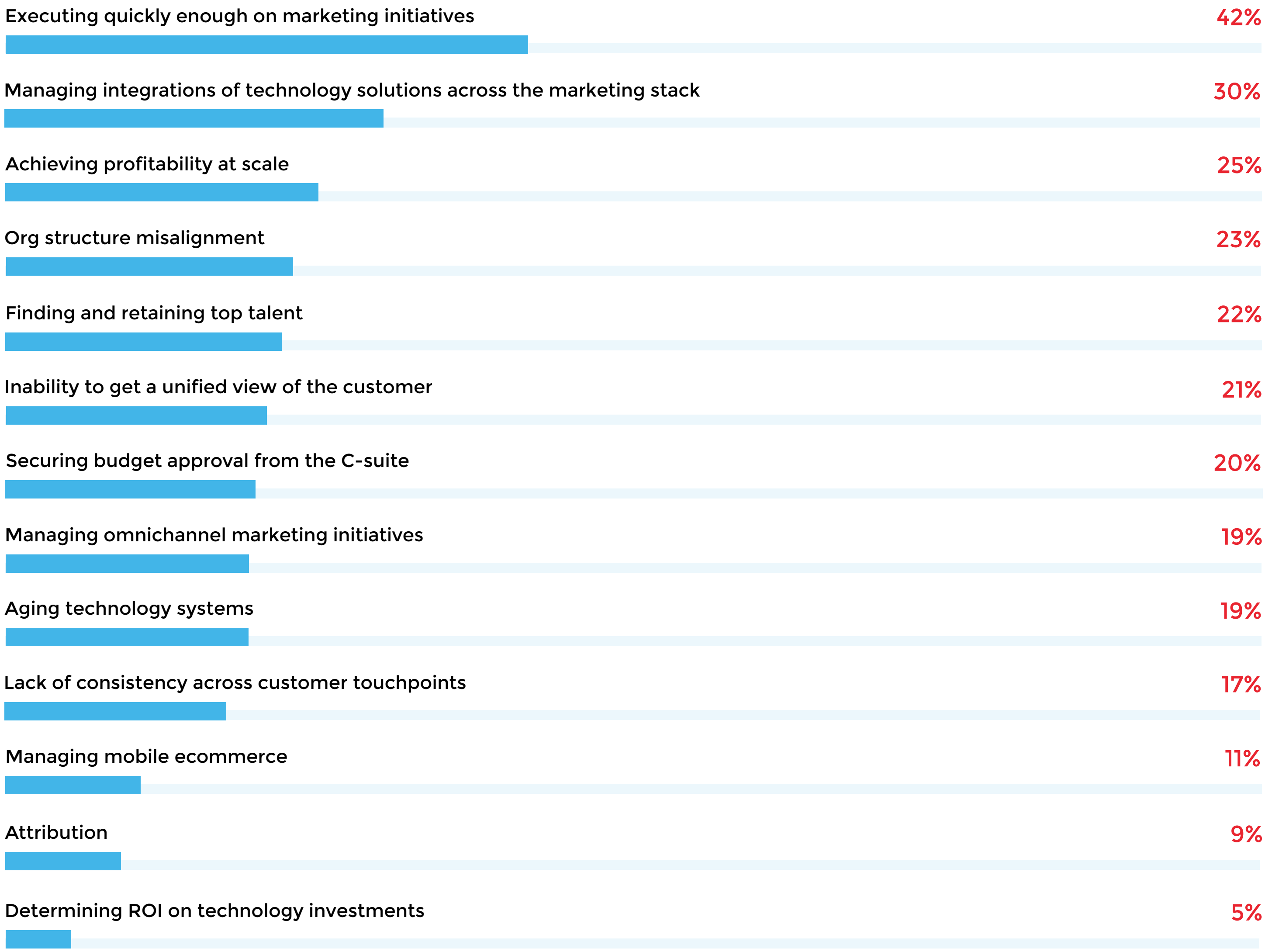
Angela Hsu, Senior Vice President of Marketing and Ecommerce for Lamps Plus, notes that managing integrations involves several data sources across an ever-growing number of channels.

"Obtaining a unified view of the customer remains a tremendous but worthwhile challenge that provides numerous benefits from customer satisfaction to minimizing costs and simplifying business processes. Multiple devices, walled gardens like Facebook, and disparate systems (external and internal) have created a fractured customer view. Linking all of this data together to get a better understanding of our customer is key."

Angela Hsu
SVP Marketing & Ecommerce, Lamps Plus

However, for 2019, managing tech integrations is less of an expected barrier than in the previous year. Instead, 42% of retail marketers are more focused on executing more quickly:

Q: In 2019 what do you expect your greatest barriers to be in relation to achieving your ecommerce marketing goals?



Ecommerce marketers are making traction on integration with a 9-point dip from 2018 to 2019; however, we can see that other challenges are creeping up in importance. For example, "Achieving profitability at scale," at 25% for 2019, has replaced "inability to get a unified view of the customer" (now at 21%) in the top three barriers for 2019. Nonetheless, marketers will need to ensure their efforts are able to profitably deliver on a strong customer lifetime value to combat these challenges.

PART II: THE CHASM BETWEEN DIGITAL-FIRST DTC RETAILERS AND TRADITIONAL BRANDS

Digital-first trailblazers are spending more, and diversifying their marketing strategies

There's little doubt that digital-first, DTC brands have shaken up the ecommerce industry and displaced some traditional brands. With their "avoid the middle-man" approach, lack of aging legacy technologies, and obsession with data, digital-first DTC brands are wooing consumers away from traditional retailers and legacy ecommerce brands alike. This is happening even in categories that have been difficult to convert online, such as furniture, mattresses and other high-ticket items. For example, DTC "bed-in-a-box" brands have doubled their U.S. market share since 2016 to about 10%, while an incumbent mattress brands such as Tempur Sealy, with their own chain of brick-and-mortar outlets, recorded an overall decline in sales of 4.6%.[2]

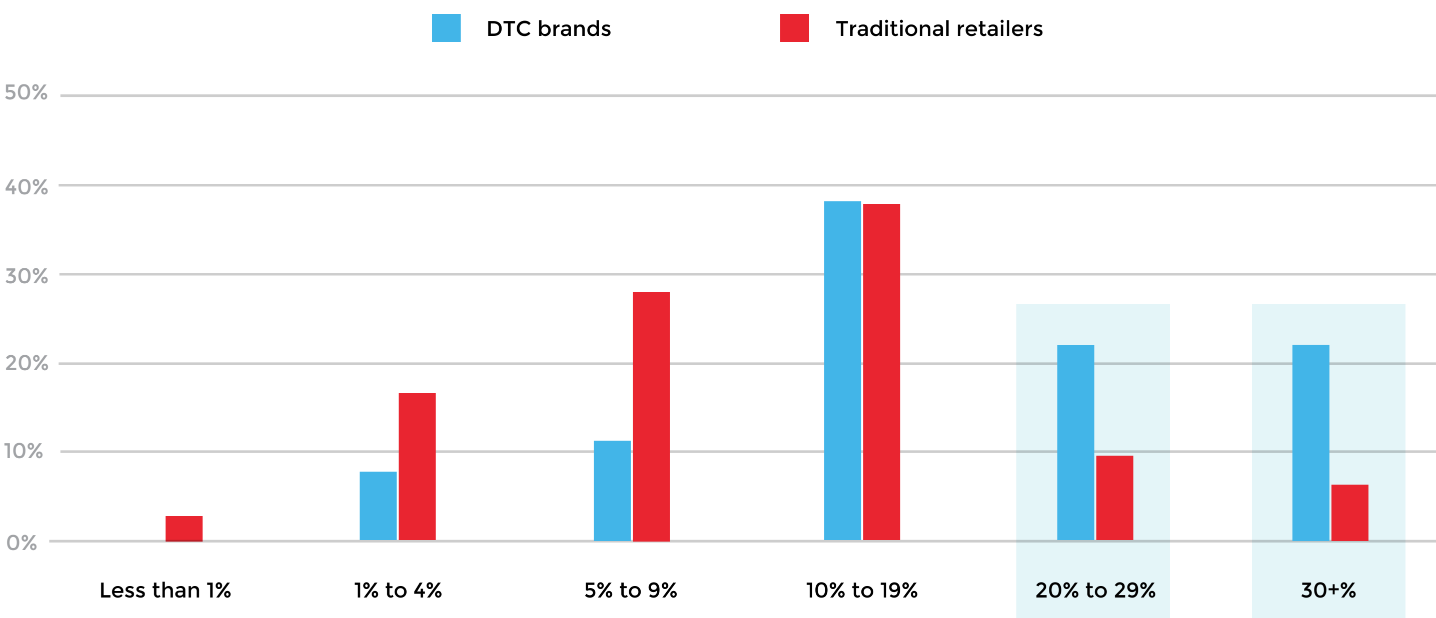
Consumers have more than doubled the amount of time they spend on DTC brands' websites over the last two years.[3] DTC brands have established themselves in the U.S. and are now setting their sights on global targets, including China.[4] There are an estimated 22,000 companies in the digital-first, DTC retail category and this number increases every year.[5] Some are even experimenting with setting up brick-and-mortar outlets, in a time when incumbent brands are struggling for in-store foot traffic.

For the purposes of our research, we have defined DTC brands as an ecommerce retailer created in the digital age that sells directly to its consumers via its own online channels, whether through subscriptions or other sales, while seeking to provide an end-to-end brand experience. Some of the more mature brands in this space may now have physical stores or pop-up retail outlets, but they were founded as online outlets and the majority of revenue comes from online customers. The respondents in our survey self-identified as digital-first brands.

DTC BRANDS ARE OUTSPENDING TRADITIONAL RETAILERS

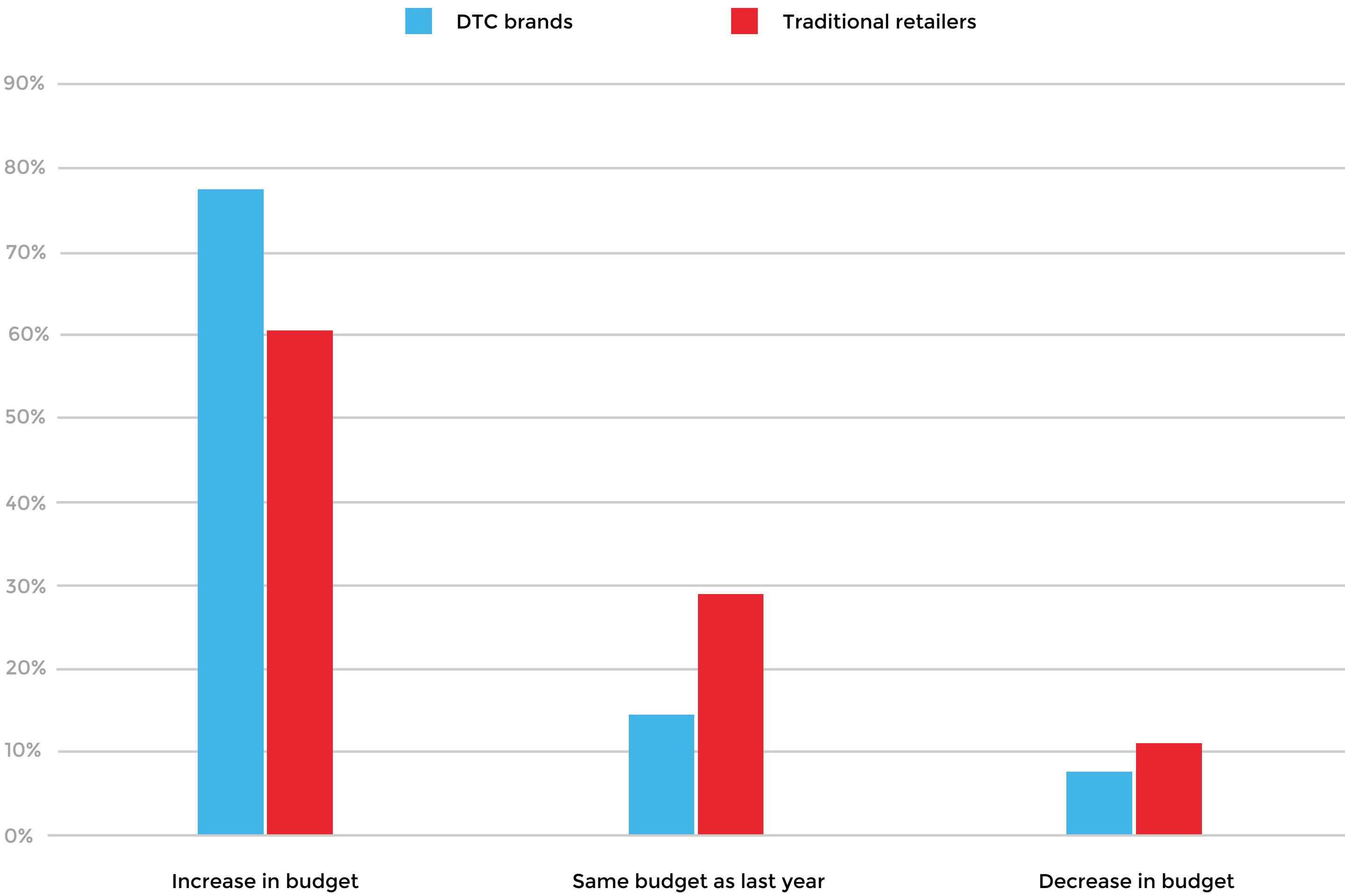
Ecommerce marketing budgets are generally on the rise among all brands, but it's worth noting that digital-first DTC brands are spending more than their counterparts. In 2019, DTC brands' marketing budgets were a larger percentage of their companies' annual online revenue:

Q: Using your best estimate, what is your 2019 ecommerce marketing budget as a percentage of your company's annual online revenue?



Digital-first DTC brands have increased their 2019 marketing budget more than incumbent brands have:

Q: In 2019, how has your ecommerce marketing budget changed when compared to 2018?



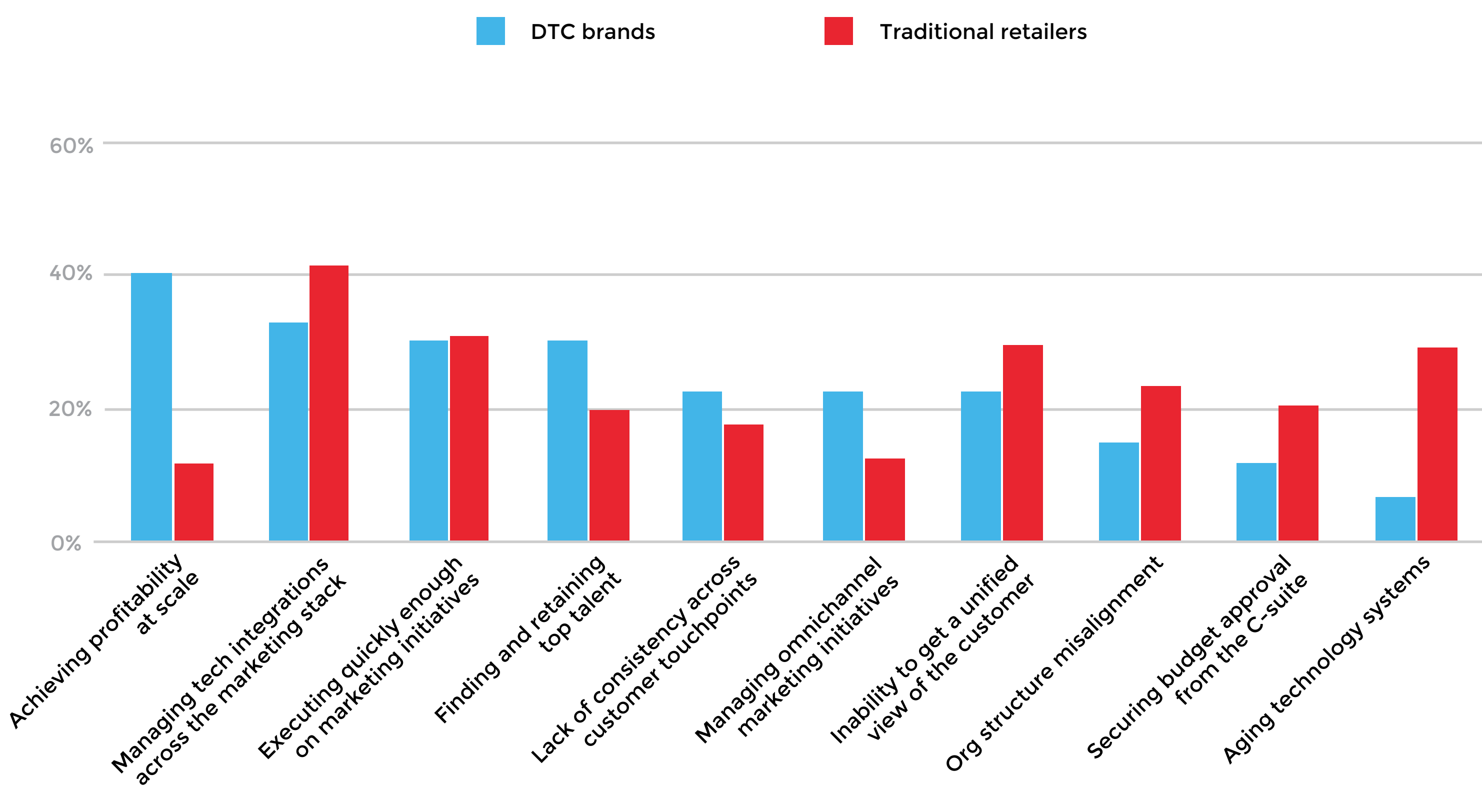
In 2019, DTC brands are increasing their marketing budgets at a higher rate than incumbent retailers - 78% indicated that their 2019 budget is higher than the one they had in 2018. That's a dramatically higher rate than traditional retailers whose budgets increased (60%). Fewer DTC brands decreased their budgets as well: 7% compared to nearly 11% of traditional retailers.

FREE FROM AGING TECH, DTC BRANDS FOCUS ON PROFITABILITY

Founded on principles such as data-driven decisions, nimbleness, customer-centric operations and experimentation, DTC brands are evolving rapidly. Fueled by venture capital investment, these brands have focused on growth vs profitability, which helps explain why the most common challenge for this particular group of brands is achieving profitability at scale (40% of DTC vs. 11% of incumbent brands). There's a considerable margin between the top barrier and the rest of the list, with "Managing tech integrations" coming in a distant second, with 33% of DTC brands identifying it as a barrier. This is in sharp contrast to traditional retailers, 41% of whom said they struggled the most with managing tech integrations in 2018. Both groups are fairly equally concerned with "executing quickly enough on marketing initiatives."

A side-by-side comparison of respondents in each camp illustrates the divergence in barriers:

Q: In 2018, what were your greatest barriers to achieving your ecommerce marketing goals?

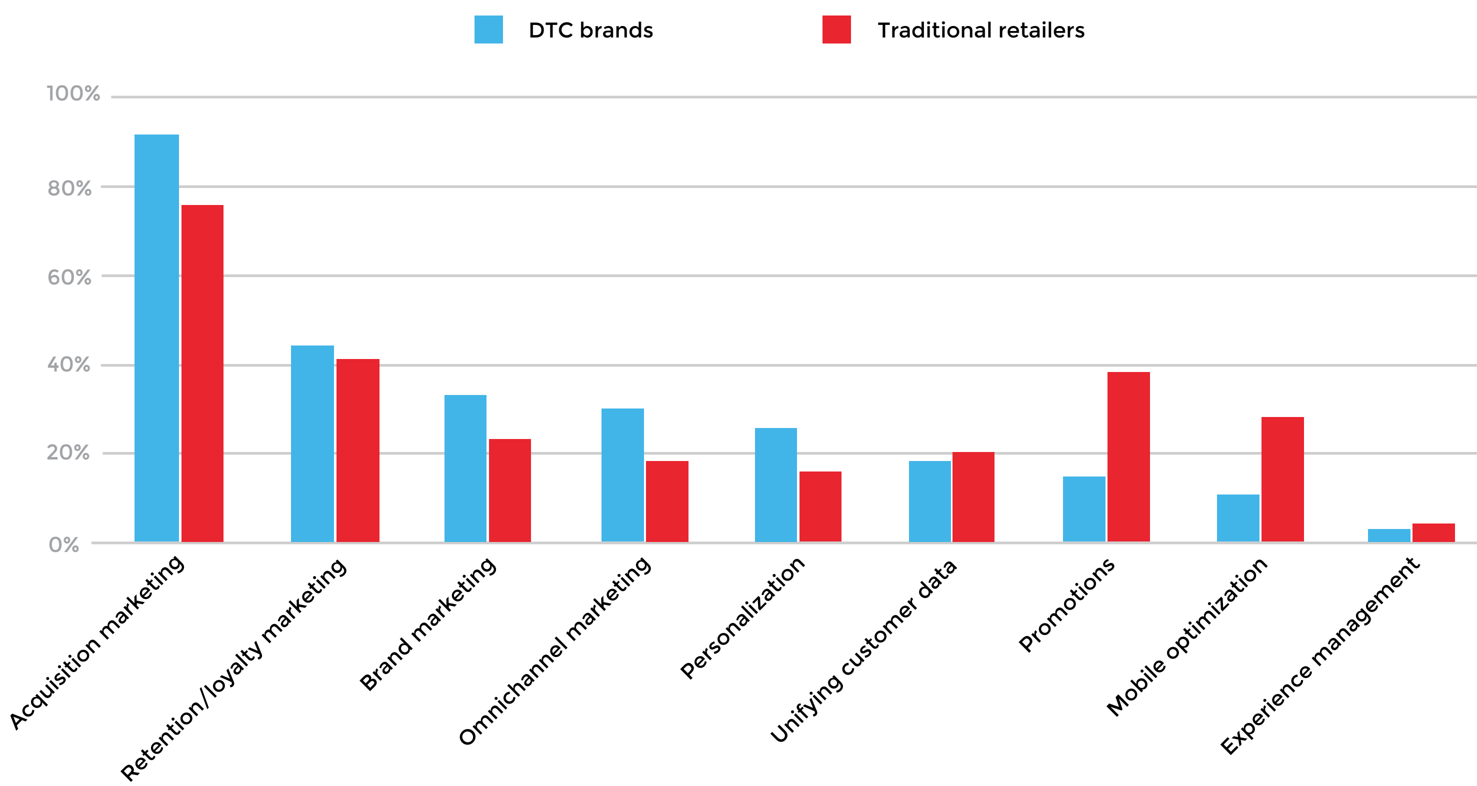


Why are the barriers so different? Because of their relatively young age as companies, digital-first DTC brands seem to be less constrained by some of the barriers that incumbent ecommerce brands face, such as aging technology systems (41% of traditional retailers vs. 7% of DTC brands). It's also important to note the difference when it comes to achieving a unified view of the customer: 22% of DTC brands considered this a barrier in 2018, compared to 29% of incumbent ecommerce brands. Digital-first brands have different concerns, such as hiring and retaining top talent (30% of DTC brands vs. 19% of traditional retailers).

DELIGHTED WITH ACQUISITION INVESTMENTS, BUT GRAPPLING WITH PERSONALIZATION

Understanding the top barriers also gives us a glimpse into what is driving marketing spending. While spending on acquisition marketing was a top priority for all brands, digital-first DTC brands focused more of their budget in 2018 on acquisition than their traditional counterparts, with omnichannel marketing, personalization and brand marketing trailing behind. To date, DTCs have avoided leveraging promotions and discounting, which can be effective, but also erode margins.

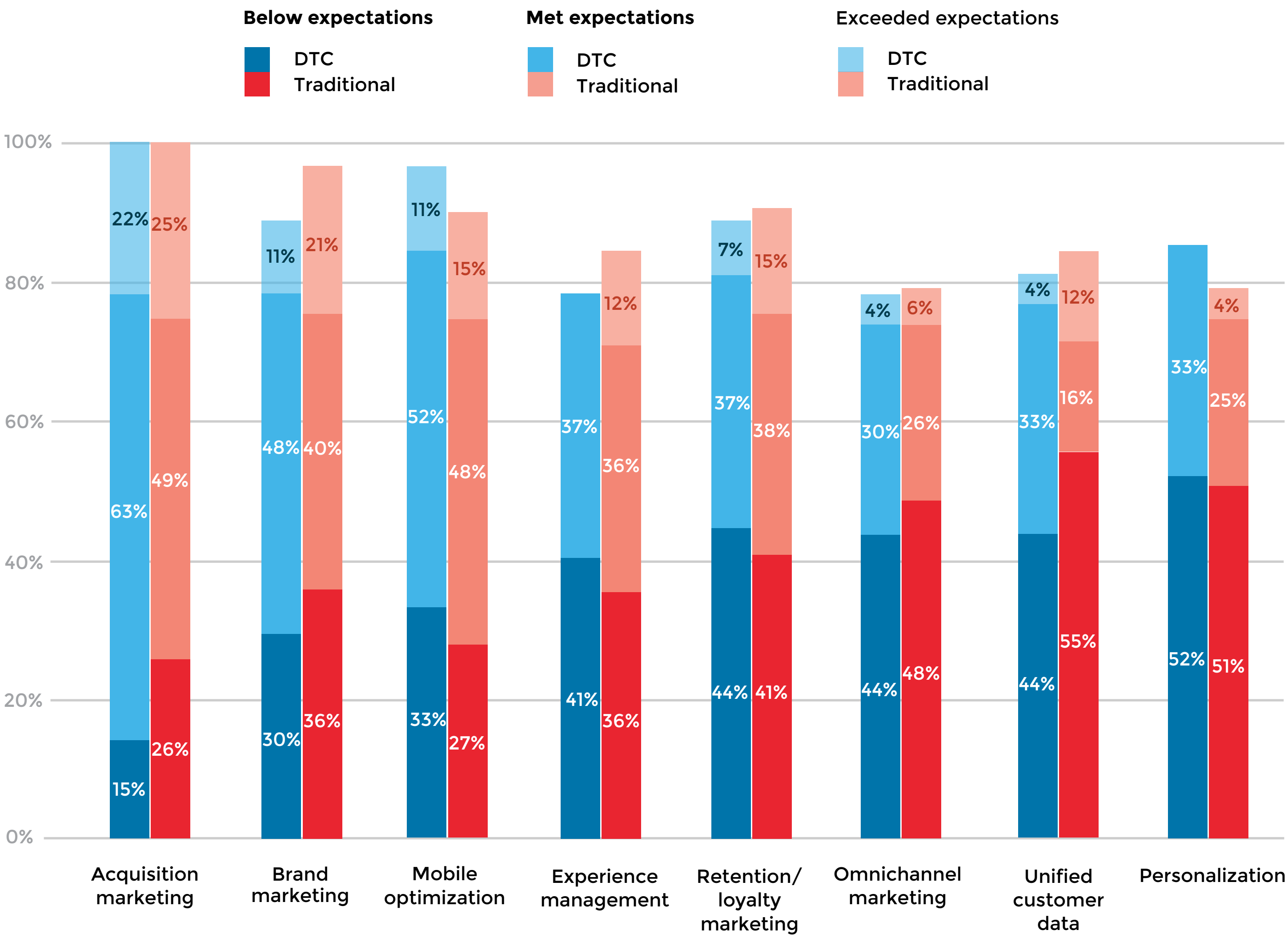
Q: In 2018, what were your largest ecommerce marketing investment priorities?



However, their approach to these top two priorities is different. Not only are DTC brands spending more on acquisition, but they're happier with the results. A full 85% of DTC brands said that 2018 acquisition spend either "met" or "exceeded" expectations, compared to 74% of incumbent brands.

Here's how DTC brands responded when reflecting on investments they made in 2018:

Q: Looking back on your investments in 2018, how would you rate your satisfaction level with the performance of each of the following initiatives?



The investment that DTC brands felt least satisfied with in 2018 was personalization -- nearly 52% of DTC brands indicated it was "below expectations." Omnichannel marketing and gaining a single view of the customer were tied for second place (44%) in terms of the lowest satisfaction. This tells us that even the most innovative, disruptive online retailers are struggling on these fronts. It's one area of commonality with incumbent brands: 54% of traditional ecommerce retailers said unified customer data investments in 2018 did not meet expectations, and 51% cited personalization as the investment with the least satisfaction.

Angela Hsu of Lamps Plus, a traditional retailer, notes that personalization is a big opportunity to improve the online customer experience.

> "Personalization allows us to provide an experience that is better aligned with our customers' needs by showcasing products and information that is aligned to their tastes, and where they are in the customer journey. Our goal is to replicate the store experience as much as possible online, so that a customer gets the sense that their needs are being met. Personalization has provided results in three key areas: increased engagement, increased time spent on site and increased conversion rates all of which are great from a business perspective but the key to all of these results is a satisfied customer."

Angela Hsu
SVP Marketing & Ecommerce, Lamps Plus

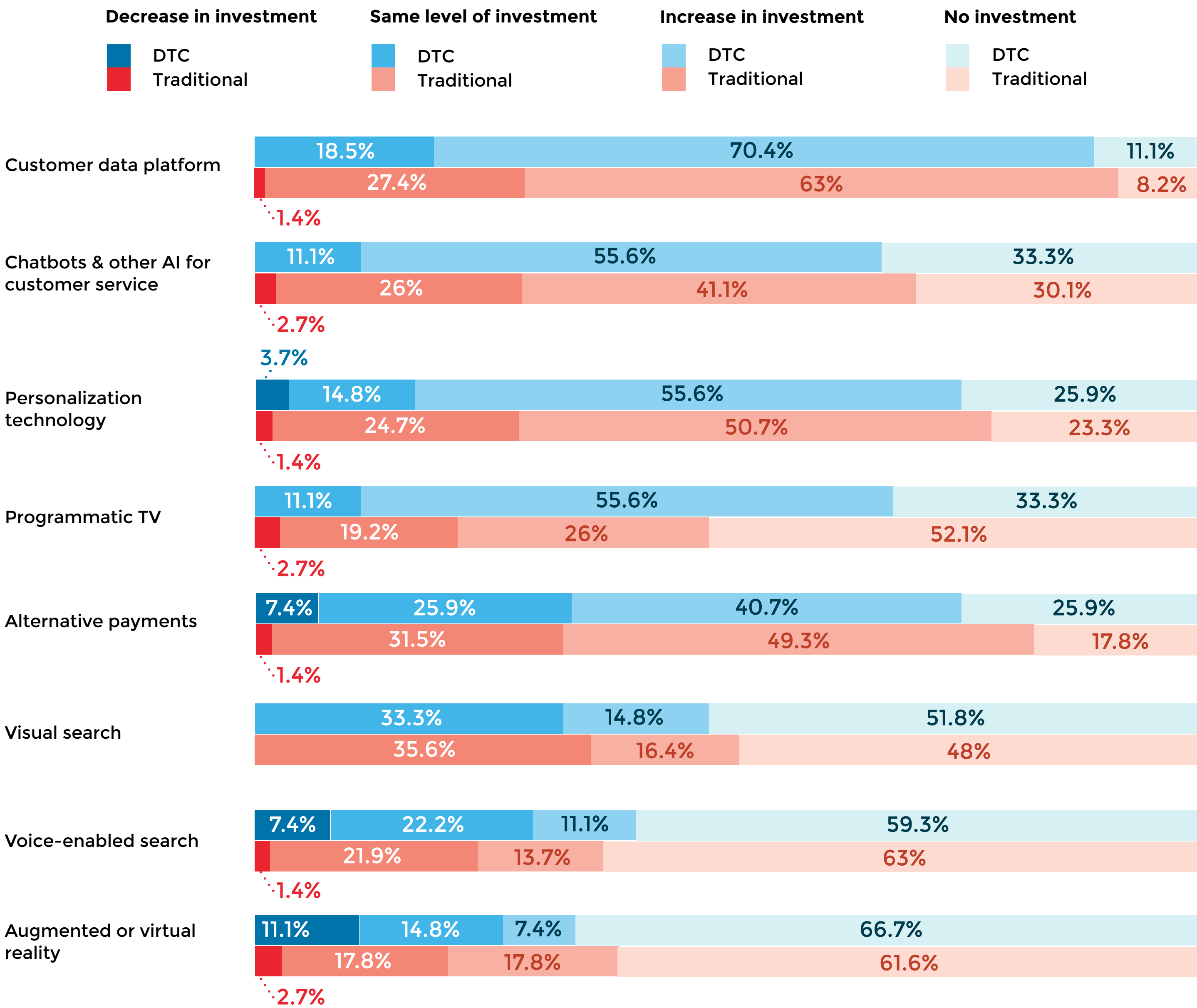
REINVIGORATING THE TV AD SPOT WITH OTT VIDEO

Interestingly, for all of the advice offered by retail experts about how traditional brands should take a page from their DTC competitors, our survey shows that DTC brands are investing in a decidedly traditional concept: television (but with a programmatic twist).

Once the domain of only the largest retailers with the biggest budgets, television is now a proving ground for many digital-first DTC ads such as StitchFix, Hello Fresh, Away, MVMT, Warby Parker and others.

As our research indicates, DTC brands are passing over the use of some brick-and-mortar tactics like promotions, and instead are looking at recent advances in programmatic TV media buying to achieve customer acquisition goals. In fact, programmatic television is the fourth-most popular technology investment priority for retail marketers at DTC brands, behind customer data platforms and AI for personalization and customer service:

Q: How will your marketing department invest in each of the emerging technologies listed below in 2019 compared to 2018?



Why are 56% of digital upstarts looking to increase investment in programmatic TV to engage customers? For DTC brands, the right TV advertising strategy involves advanced linear, over-the-top (OTT) and digital premium video aimed at highly targeted customer demographics. Jason Nickel, VP Marketing & Creative for DTC brand GREATS, says it's part of his company's marketing channel diversification initiative.

"Over-the-top television advertising is a new channel for us that we started investing in during 2018. Before that, we were spending the majority of our budget on Facebook. As we diversified our marketing mix, we found that OTT was within our reach. Today, it's much easier to buy into what used to be a very restricted market. Plus, OTT now offers more granular data on how your assets are performing on television, giving us better tracking and testing ability."

Jason Nickel
VP Marketing & Creative, GREATS

LEVERAGING AI TO ENHANCE THE CUSTOMER EXPERIENCE

Alongside marketing channels such as programmatic TV, digital-first DTC brands are showing some range by also increasing spending in AI-driven technology initiatives such as chatbots (increase by 56% of DTC brands, compared to 41% of incumbent brands) and personalization (increase by 56% of DTC brands vs. 50% of traditional brands). While acquisition marketing is relying on tried-and-true techniques such as TV ad spots, digital-first brands are also leveraging new technology to improve the online customer experience once those spots have lured new customers to the ecommerce site.

PART III: AN EYE TO THE FUTURE: MARKETING INVESTMENTS FOR THE 2019 HOLIDAY SEASON

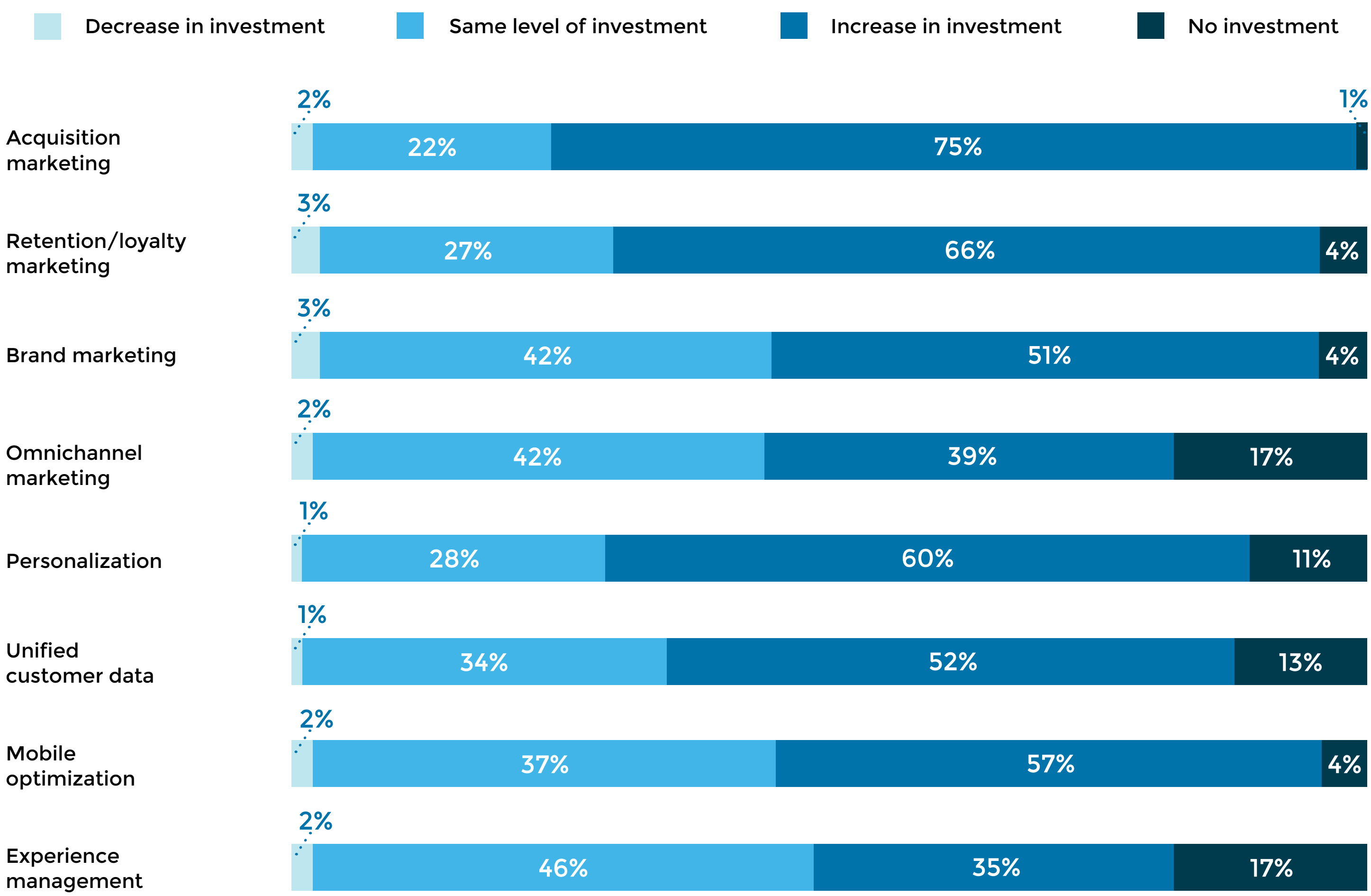
Eager for a repeat of 2018's success, ecommerce marketers step up acquisition, retention & loyalty, and personalization

Thanks to a combination of robust ecommerce growth, increased national consumer confidence and consumers' growing openness to buying online, the 2018 holiday retail season exceeded expectations.[6] From Thanksgiving Day through Cyber Monday 2018 (the "Cyber Five"), more than 165 million Americans shopped either in stores or online, according to the NRF.[7] And ecommerce in particular saw an unprecedented surge, with online purchasing from Thanksgiving Day through Cyber Monday experiencing a 19% increase compared to the previous year, totaling $22.5 billion in sales.[8]

Can retailers repeat or even exceed these numbers in 2019? Early predictions indicate that it's possible. The National Retail Federation (NRF) has forecasted that 2019 retail sales will increase 3.8% compared to 2018, to reach more than $3.8 trillion.[9] The online sales growth rate is expected to increase between 10% to 12% over last year's sales.[10] To tap into this expected growth in online sales, retail marketers of all business models will need to prepare their customer engagement strategies and invest in the right tools.

Based on the results of our survey, ecommerce marketers are placing heavy bets on a powerful combination of acquisition marketing, retention and loyalty marketing, and personalization to capitalize on last year's momentum and make the 2019 holiday retail season an even greater success:

Q:When it comes to marketing initiatives for the 2019 holiday shopping season, what are your investment priorities as compared to the 2018 holiday shopping season?

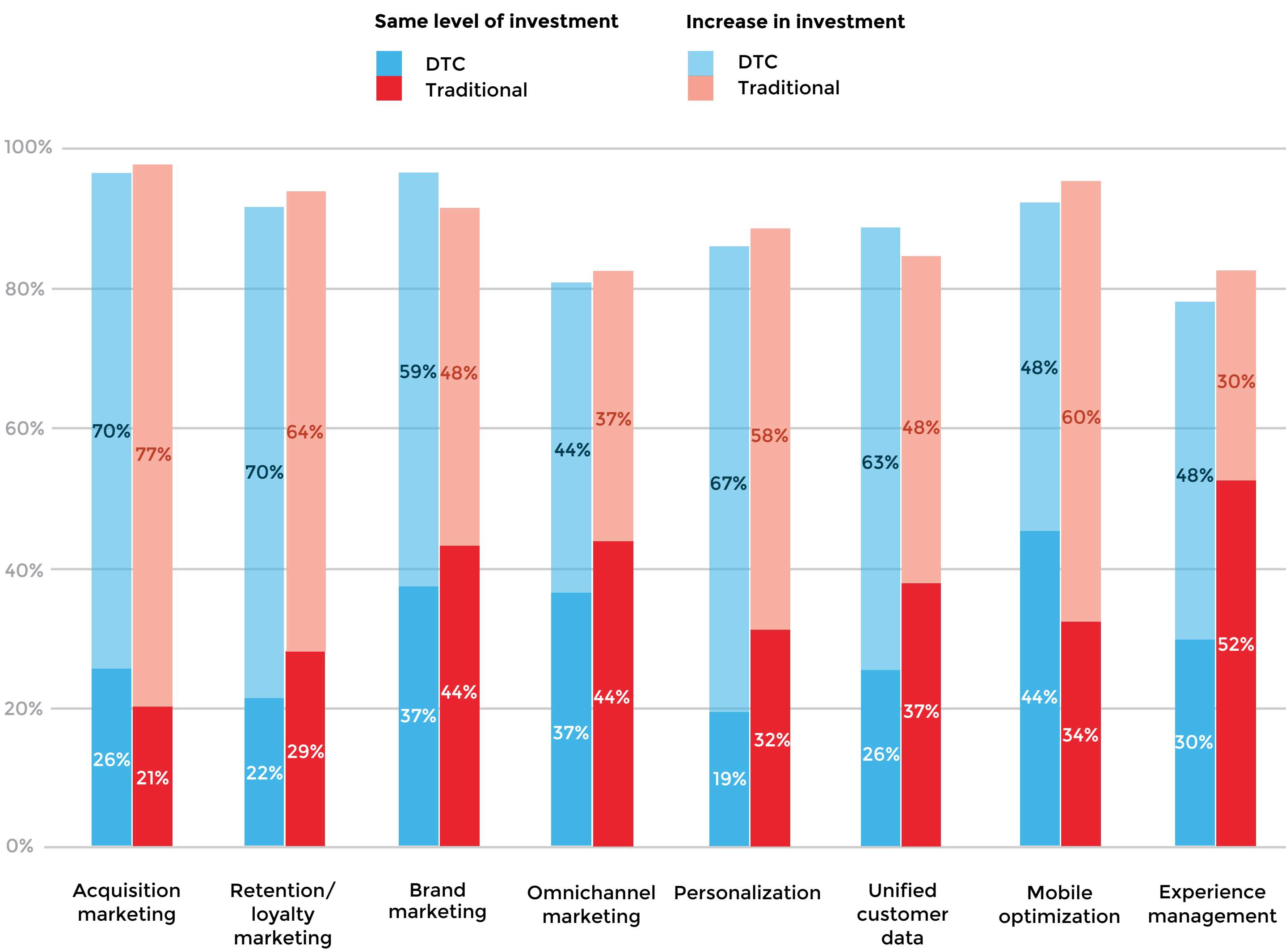


ACQUISITION MARKETING INVESTMENT LEADS THE PACK

With 75% of all ecommerce brands increasing their marketing investments in acquisition marketing leading up to the holiday shopping season, the emphasis will be on engaging new customers, with the goal of driving them to online stores. Retention and loyalty marketing, personalization, mobile optimization, and brand marketing round out the top five priorities.

While both digital-first and traditional brands are generally in sync on holiday investment priorities, it's notable that DTC brands are increasing their budgets at a higher rate than traditional retailers, and spreading that budget more evenly. For example, digital-first DTC brands are increasing their budgets equally (70%) between both acquisition marketing and retention/loyalty marketing. Conversely, traditional retailers are emphasizing acquisition marketing, with 77% of respondents increasing their acquisition budget compared to 64% of traditional retailers increasing their retention budget:

Q:When it comes to marketing initiatives for the 2019 holiday shopping season, what are your investment priorities as compared to the 2018 holiday shopping season?



Online retailers of all business models can't deny the growing power of mobile ecommerce for holiday purchases. Gains in ecommerce for the 2018 holiday season were fueled largely by the increase in mobile purchases, particularly via smartphones. Mobile ecommerce accounted for 60% of total online shopping traffic and 40% of all sales, with smartphones accounting for 51% of traffic and 31% of sales.[11] This jump explains why 57% of all retailers said they plan to invest more in mobile optimization for the 2019 holiday season. Traditional retailers plan to increase spending on mobile optimization at a higher rate than DTC brands: 60% of traditional brands planning to increase spending for the 2019 holiday season, and slightly less than half (48%) of DTC brands plan to spend more on mobile optimization. This may be due to the digital-first nature of DTC brands, who often launch mobile first, while traditional brands must retrofit their mobile ecommerce sites.

The gap between DTC brands and traditional retailers on personalization and unified customer data spending carries through the holiday season. While both groups have committed more budget to both priorities, DTC brands have earmarked more. Just under half of incumbent brands (48%) are increasing investment in creating a unified view of the customer, compared to 63% of digital-first brands. And 58% of traditional retailers are preparing to spend more on personalization, while 68% of DTC brands have larger personalization budgets.

Charlie Cole, Chief Digital Officer at Tumi + Samsonite, is one of the traditional retailers who is continuing to invest in personalization technologies, including AI, as well as unified customer data. Tumi is an early adopter of customer data platforms, and Cole's strategy is more in line with digital-first DTC brands, including an increase in investment on programmatic TV. He says traditional brands can't afford not to take more risks as they try to win back market share. He also points out that buy-in and support from the C-suite is crucial as traditional retailers transform their marketing priorities.

"We shouldn't forget that typically, digital native brands are private companies with venture capital (VC) backers. Compared to mature, traditional retailers, wholesale or brick-and-mortar-first brands, who often must first please shareholders, these companies face a different set of realities. They have a different set of growth goals and internal stakeholders to please. For traditional retailers to combat that, they'll need executive buy-in to take more risks, try new things, and be more experimental in channel diversification. Above all, traditional brands must be less afraid to fail. That's the biggest lesson that digital first DTC brands can teach us. The fear of the unknown doesn't keep them from trying new things."

Charlie Cole
Chief Digital Officer, Tumi + Samsonite

FINAL THOUGHTS: WHAT CAN AND SHOULD TRADITIONAL RETAILERS AND DTC BRANDS LEARN FROM ONE ANOTHER TO COMPETE MORE EFFECTIVELY?

While DTC brands haven't yet reached the scale of traditional brands, they seem to have an advantage when it comes to leveraging more powerful modern marketing technologies and avoiding promotions and discounting. Looking ahead to the second half of 2019 and early 2020, traditional brands have the opportunity to learn and adopt new approaches to ecommerce that can help them protect and grow their market share. Moreover, DTC brands can learn from traditional brands how they can scale profitably.

Ecommerce marketers at incumbent brands can make adjustments to their strategies by:

- **Diversifying acquisition investments.** Digital first DTC brands have worked hard to restructure their investments in acquisition marketing to ensure that they're not overly reliant on any one channel, such as Facebook. This gives them the advantage of a steady stream of new customer traffic to their online stores from a wider variety of referral sources, delivering a strong ROI.

- **Developing a clear and measurable personalization strategy.** Both DTC and traditional ecommerce brands who are succeeding with personalization indicated that achieving a unified view of customer data is an essential first step in this journey, but also emphasize the establishment of meaningful KPIs and greater structure around personalization efforts.

- **Ensuring your technology stack is aligned to support marketing objectives.** Our research shows that DTC brands have a clear advantage in this area, but traditional brands can gain some ground by focusing on tools and technologies that break through outdated, siloed marketing applications and enable consistency for integrating first-party customer data.

Ecommerce marketers at DTC brands can make adjustments to their strategies by:

- **Preparing for the eventual shift from a focus on growth to a focus on profitability.** When marketing spending is 20% or more of annual revenue, which is the case for nearly half of the DTC brands we surveyed, this is not a sustainable business model and there is a need to begin exploring how to fuel growth with retention and CRM strategies that typically yield higher returns than acquisition marketing.

- **Developing an omni-channel approach.** Many DTC brands are investing in stores and other physical locations and must begin building omnichannel strategies and more complex attribution models to measure the impact of their marketing initiatives.

SOURCES

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