

Summary:

The growth of Direct To Consumer, Shopify - and developing multiple channels



- Total UK online sales for 2019 stood at £76bn, of which 8% (£6bn) were Direct To Consumer (DTC) sales.
- We can split Direct To Consumer operators into 3 distinct categories: subscription box services, DTC pure and DTC hybrid.
- Subscription box revenue was estimated at £700m in 2017 and is likely to surpass the £1bn mark this year. Such services are especially popular with a younger and more urban demographic.
- Male grooming has been forecast as the largest growing subscription category to 2022, and some originally DTC only brands such as Harrys are now available through more traditional outlets such as Boots and Sainsburys.
- In 2018, it was reported that more people were purchasing a mattress online than in store, with DTC brands driving this growth, accounting for 11% of the overall market in 2018, up from just 4% in 2015.
- And this growth looks poised to accelerate in 2020: Emma Mattress reported UK H1 growth of 120%. There have however been casualties in this competitive market, with US brands Casper and Leesa both exiting the UK this year in order to focus on their home country.
- 4 elements have been identified as key for DTC mattress success: simplicity, convenience, brand and pricing.
- Clothing is the most popular category purchased online in 2019, with 60% of UK consumers purchasing an item online at least once – and this is another area with a large DTC presence, especially for sportswear.
- 30% of Nike's sales are now digital DTC, over £4bn of global sales last year.
- One of the fastest growing sportswear brands is Gymshark, the 2012 founded UK start-up which was valued at over £1bn after receiving private equity funding in August 2020 to facilitate further growth and international expansion.
- Neither Nike nor Gymshark sell directly on Amazon, with Nike having pulled its two year pilot doing so in late 2019.
- Brands are increasingly apprehensive about Amazon monopolising all elements of the customer experience (from purchasing experience to data), a concern that ecommerce platform Shopify is specifically targeting as it aggressively grows its retail (and DTC) base.
- As DTC brands look to expand, many are expanding their channel reach – for example Emma mattresses are now available in John Lewis, as well as the aforementioned Harrys in high street retailers.
- Although DTC does offer a sometimes lower cost and more efficient way to enter certain markets, moving towards a true multi-channel approach is usually required to gain further market penetration.