



# Numerator

NEW FRONTIERS

As Seen on Instagram

# The Next Generation of "As Seen on TV"

So it's a typical Sunday afternoon...

You were just browsing and one ad caught your attention. 10 minutes later, you received an email to confirm your order.

Let's be honest. We've all been there.

Like hundreds of millions of others, we've just participated in the Direct-to-consumer (DTC) business model



# The world of brands is changing, and the path to consumers has become more direct than ever

- Direct-to-Consumer (DTC) is a disruptive brand model that involves a direct transaction between manufacturer and buyer without a retailer as a middleman
- DTC brands are also known as internet-born brands or **digital-first** brands
- There has been a dramatic rise in digital-first brands over the last decade
- Digital-First brands are now challenging legacy brands across many different kinds of categories



# Mainstream brands have felt the impact of digital-first brands

## HARRY'S

**Men's Razors & Blades**

4.2% Penetration (+1.5pp vs. YAG)

**Sourced from...**

**Gillette**

Share of Shifting Spend: 48.3%

**Schick**

Share of Shifting Spend: 12.7%

**Bic**

Share of Shifting Spend: 7.9%

## C O R A

**Feminine Care**

0.7% Penetration (+0.3pp vs. YAG)

**Sourced from...**

**Always**

Share of Shifting Spend: 21.0%

**Tampax**

Share of Shifting Spend: 17.4%

**UBK**

Share of Shifting Spend: 13.4%

## NATIVE

**Deodorants & Antiperspirants**

1.2% Penetration (+1.1pp vs. YAG)

**Sourced from...**

**Dove**

Share of Shifting Spend: 16.5%

**Secret**

Share of Shifting Spend: 16.1%

**Old Spice**

Share of Shifting Spend: 10.4%

What makes Digital-First brands stand out?

Digital-first brands  
can *spoil the shopper* –  
fewer trade-offs  
between performance,  
price and convenience

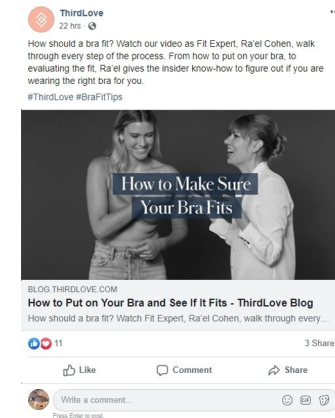


# Digital-First brands challenge manufacturers and appeal to shoppers with superior quality and customer experience



## Unique Selling Points:

- Suitcase that is invincible
- Thoughtful details
- 100-day trial and a life-time warranty



## Unique Selling Points:

- Perfect fit: Thirdlove has over 80 sizes
- 60 days to try one and if you don't love it, return it and Thirdlove will wash it and donate it to a woman in need
- Fitting expert available via text/chat/phone everyday



## Unique Selling Points:

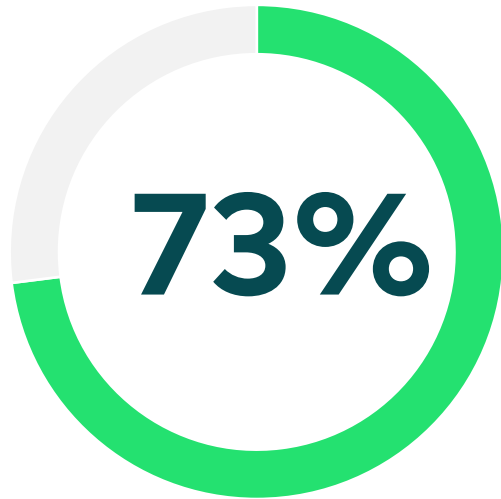
- Tampons that defy convention by eliminating conventional cotton. Pads that challenge the laws of physics. Radical new liners made just for light bladder leaks
- Customized subscription plan

Source: Numerator Ad Intel

Away: First Capture - 9/9/2019 – TVC; ThirdLove: First Capture - 10/29/2019 - Facebook (Social Post)

Cora: First Capture 5/27/2019; Online Video – Site: YouTube

# Shoppers agree that the quality of the digital-first brands is above the brands they used in the past



of Digital-First brands' shoppers believe the Digital-First brand is **better** than the brand they used in the past

- “ Much better made than other brands, blades last longer than others
- “ The product is great. I have purchased several for family members too
- “ High quality product for a reasonable price
- “ Good quality when compared to other similar brands
- “ The quality is above any other brands I've used

Source: Numerator Survey  
Digital-First Brands include: Dollar Shave Club, Harry's, Cora, Native and Quip  
How does [Brand] compare to the brand(s) you have used in the past?



At the same time, the Digital-First companies also offer a competitive price (partially driven by the direct supply chain)



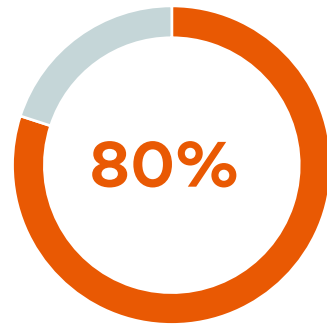
**DOLLAR SHAVE CLUB**



Unit Price

**\$7.65**

90 index to category avg.



...of DSC shoppers were driven by price the first time they bought the brand

- “ Good price for the quality of product and extremely convenient
- “ I would purchase from dollar shave club again because you get more product for less money. You can't compete with the value & quality
- “ Good quality razors for a lower price
- “ Price and love the shave butter

# And unique-to-the-category models can drive perceptions of convenience and value for the brand

QUIP

## Refill plans delivered

Shop for one-time supplies or subscribe to a refill plan to get brush heads, fresh floss, and paste delivered every 3 months from \$5.

- 🔄 Automatic delivery
- 🤍 More healthy & hygienic
- 🚚 Free shipping for life



“ I love the fact that it is sent directly to my door. Reminding me it's time to throw out my old toothbrush and use a fresh one. Very convenient

“ Convenience of refills in mail. Great product

“ Love the refill model. Don't have to worry about when to change the brush head

**65%** of Quip buyers stated Quip is *good value for the money*

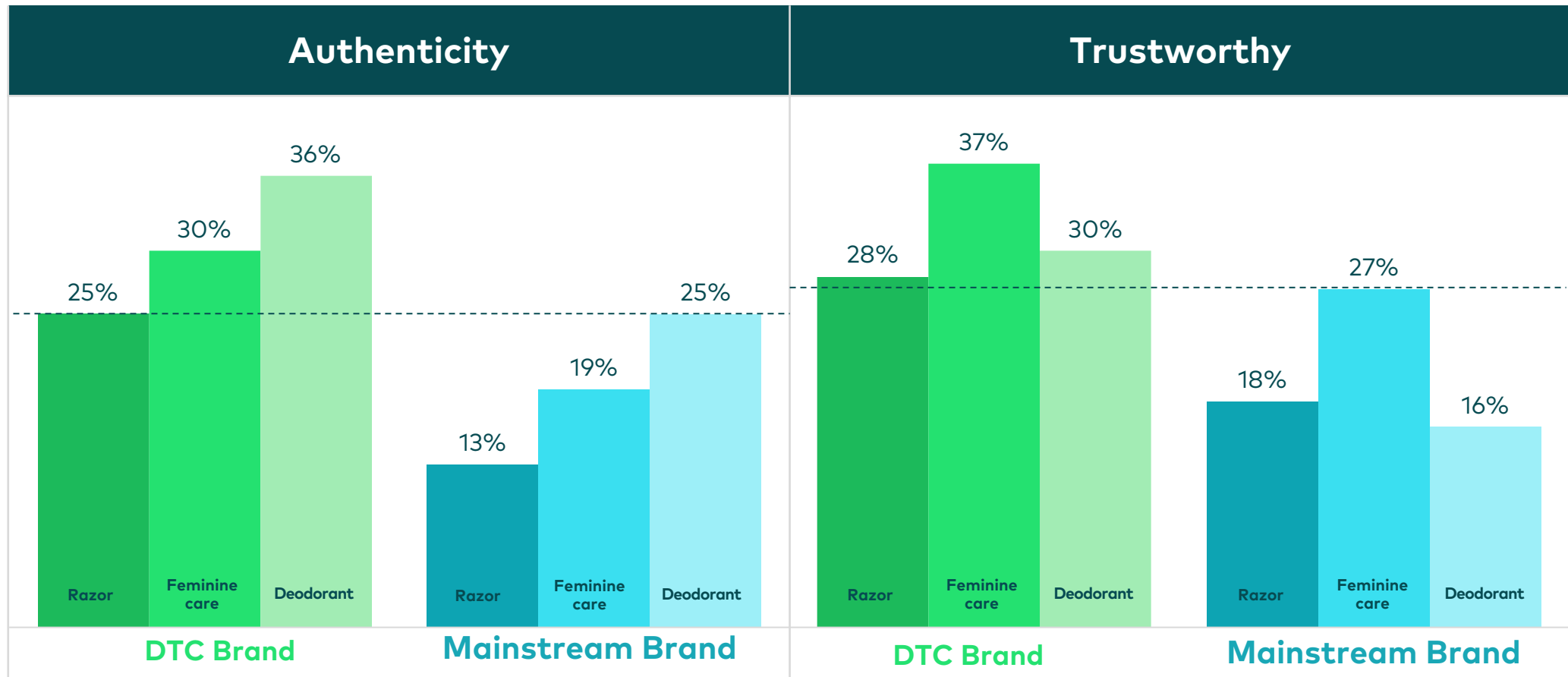
**53%** of Quip buyers stated Quip is *innovative*

Source: Numerator Survey  
Which of the following do you think describe the [brand] brand?

Digital-first brands can ***cultivate strong relationships*** with shoppers, as they own every aspect of their customer experience



# Authenticity and trustworthiness even differentiate digital-first brands from similarly new 'traditional' brands



Source: Numerator Survey  
"Which of the following do you think describe the [brand] brand?"

# These perceptions can translate to greater loyalty



## Why will you buy it again?

“ Great quality, more fair price, support the brand's mission

“ It is hands-down the best deodorant I have ever used

Source: Numerator Insights; P52W ending 10/31/2019

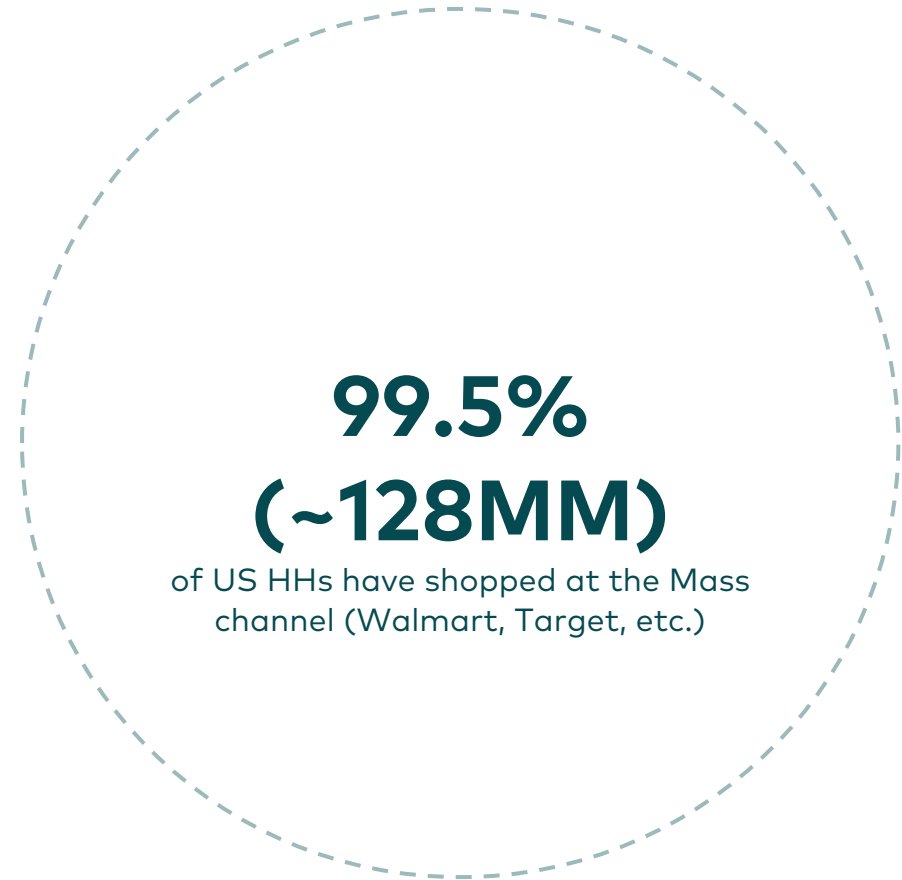
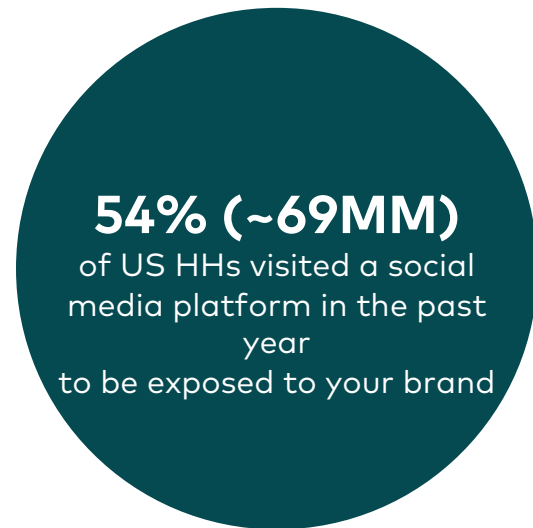
“Which of the following do you think describe the [brand] brand?”

\*Loyalty metric - Share of Category Requirements - How to Read: Of Harry's buyers, 63% of their category spend went to Harry's

What is their model for growth?

# As DTC brands grow, they begin to expand distribution into the mass retailers

With the help of mass retailers such as Walmart and Target, DTC brands scale and reach more HHs



# Target appears to be a popular choice for the digital-first brands to test their retail strategy



## Launch date in **Target**



Harry's: Aug. 2016



Bark Box: Jun. 2017



Casper: Aug. 2016



Native: Sep. 2018



Quip: Oct 2018



Oarks+Alps: Feb 2019



Let's look at an  
example

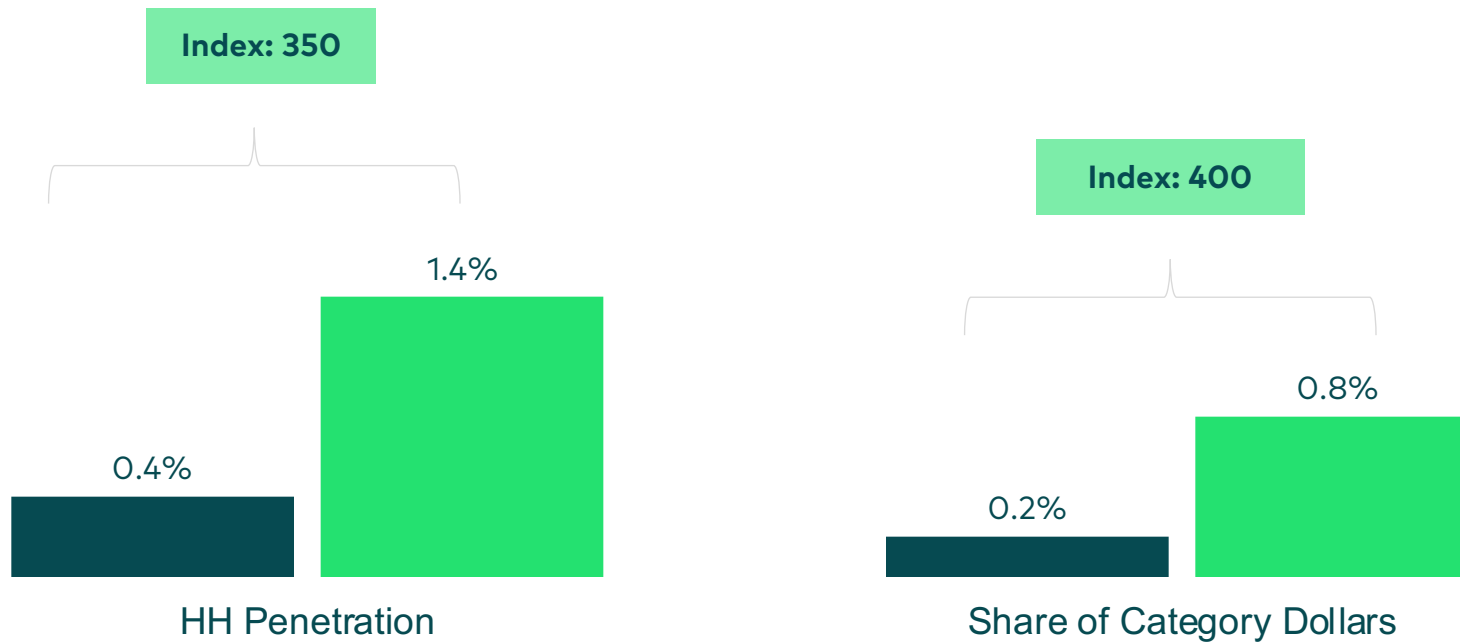


# Harry's sales are projected to have tripled within the first 8 months after launching at Target

## Harry's Pre/Post Performance

All Stores

■ Pre Target Launch    ■ Post Target Launch



**+\$18.9M**

Chg in Projected Dollar Sales vs Pre-Launch

**+1.2M**

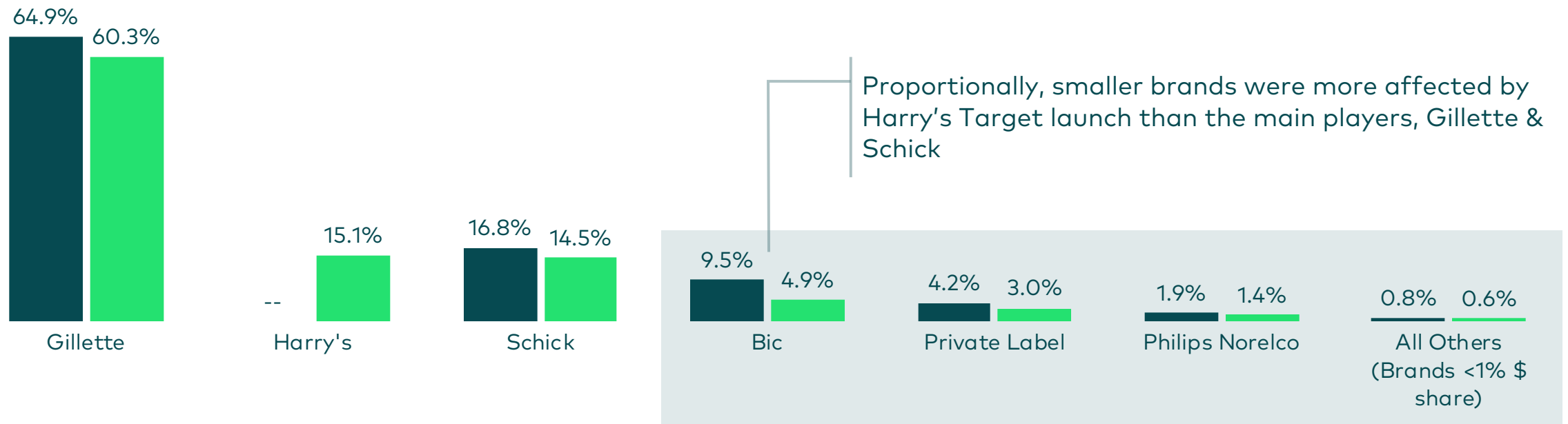
Chg in Projected Households vs Pre-Launch

# Since they hit Target's shelves, Harry's has become the #2 brand in the men's razor/blades category

## Dollar Share Pre vs. Post – Target

Men's Razors/Blades

■ Pre Target Launch ■ Post Target Launch



Index: % Share Decline vs. Market Size

47

90

322

189

187

134

# The deal with Target also helped Harry's grow its shopper base, esp. with Millennials (Harry's primary focus)

## Harry's Buyers Demographics

Post Target Launch: Index to Pre Target Launch



**Millennials: 123**



**Income Over \$100K: 125**



**Asian: 176**

**Hispanic: 161**

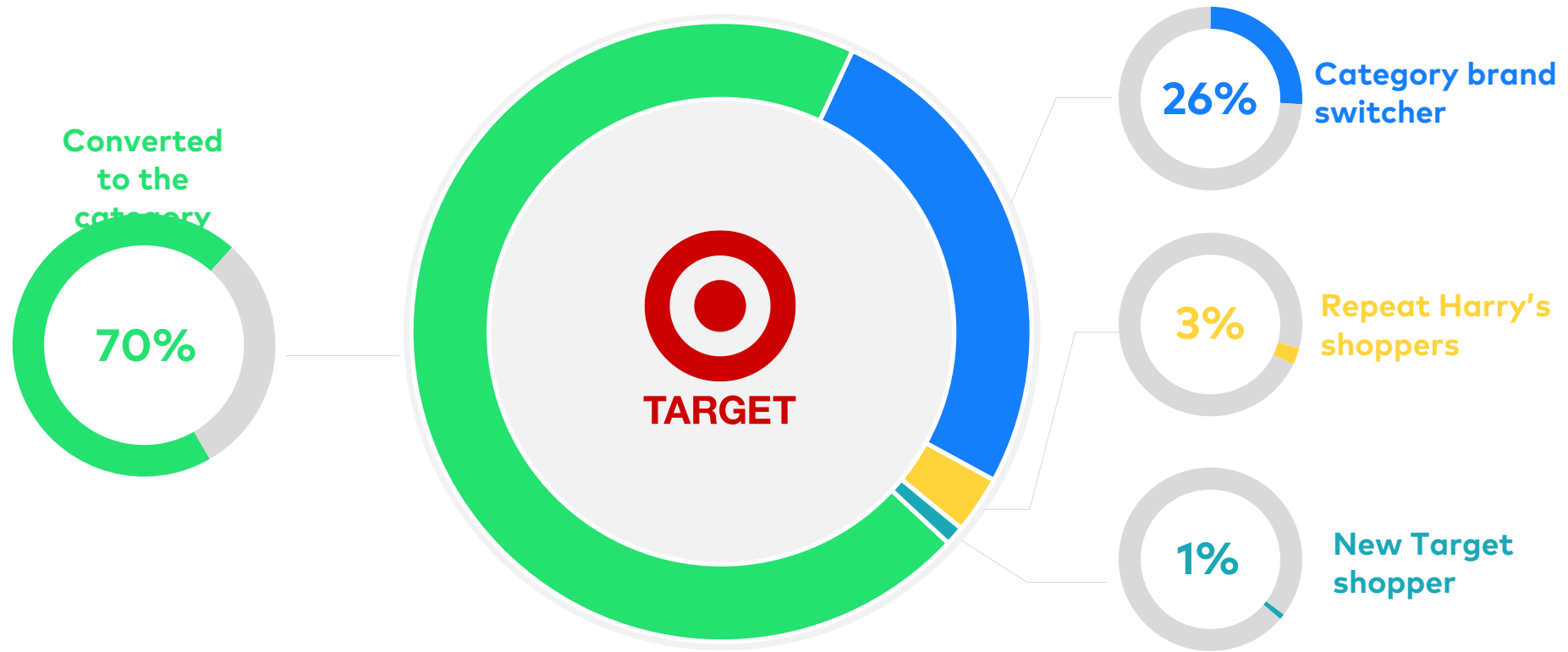
**African American: 117**



**Male & Female on Trip: 122**

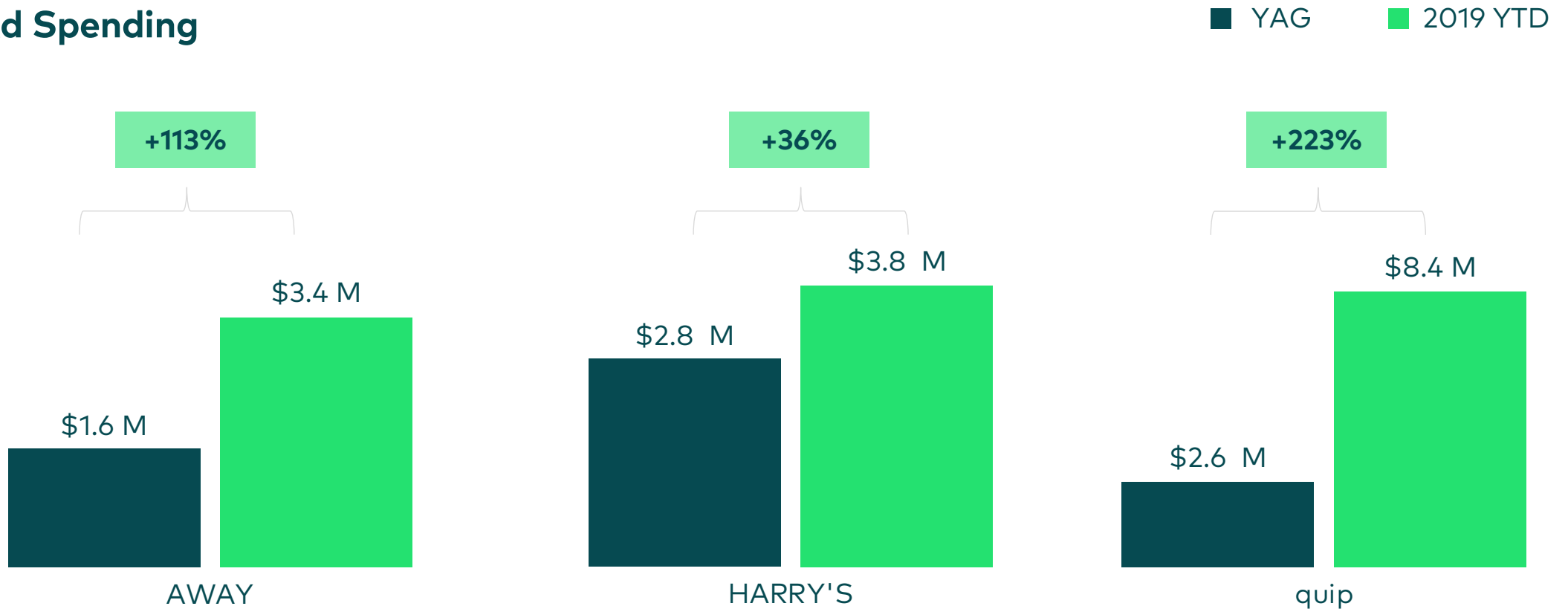
...and it helped Target – more than  $\frac{2}{3}$  of Harry's buyers at Target were incremental to the category at Target

### Harry's Shopper Segments at Target in the First 3 Months



# Besides omnichannel retail strategy, DTC brands also begin to shift budgets to national TV vs. social

## TV Ad Spending



How have mainstream brands fought back?

# Acquire the disrupters!

## P&G has acquired Native natural deodorant brand

PUBLISHED WED, NOV 15 2017-12:53 PM EST | UPDATED WED, NOV 15 2017-5:34 PM EST



SHARE    

### KEY POINTS

- Procter & Gamble has acquired Native deodorants, the company said Wednesday.
- The deal will help P&G broaden its portfolio, which already includes Secret, Old Spice and Gillette, to reach consumers who are looking to avoid certain ingredients. Bill Brace, P&G's vice president of North American Personal Care said in a statement.

**DealBook** / Business & Policy

*Dollar Shave Club Sells to Unilever for \$1 Billion*

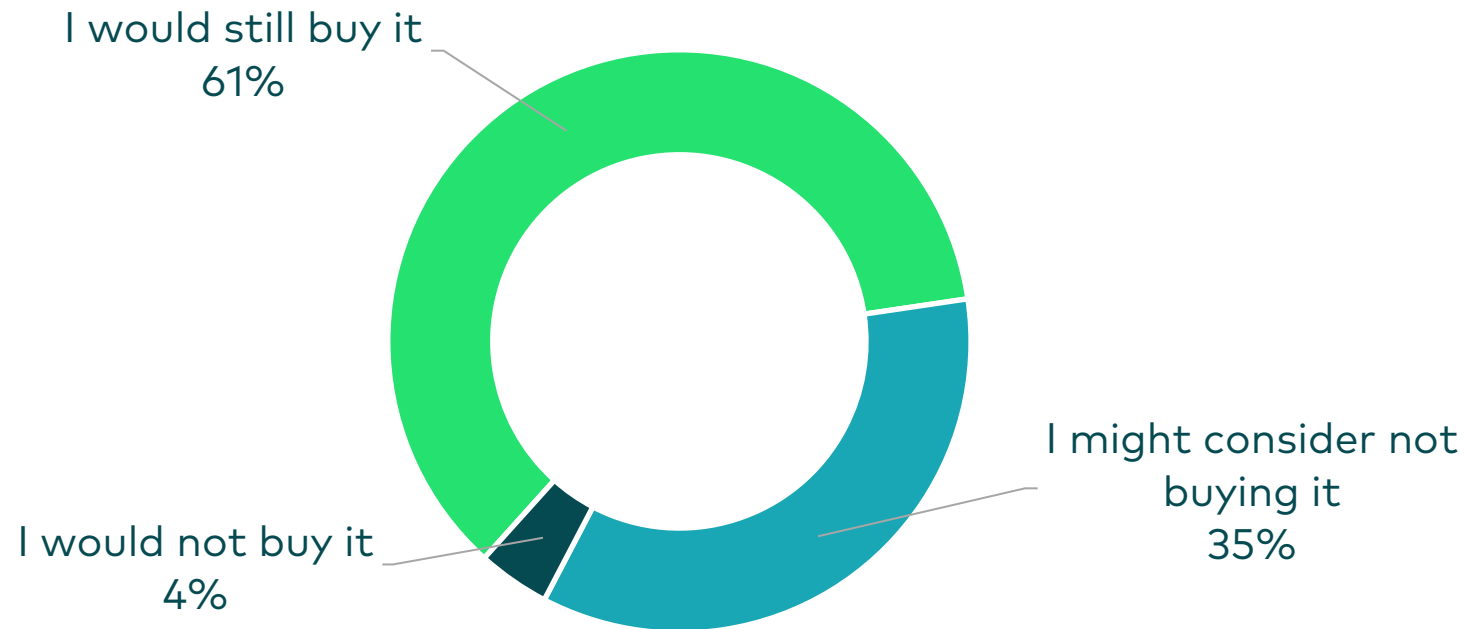
## Edgewell Personal Care to Combine with Harry's, Inc. to Create a Next-Generation Consumer Products Platform

Creates Complementary Portfolio of Global Brands Built for the Modern Consumer and Powered by World-Class Omni-Channel Capabilities



...though acquisitions of digital-first brands can also have an impact on consumer perception (are you okay losing 40% of the user base?)

### Impact on re-purchase intent if Digital-First brand was acquired



Source: Numerator Surveys

"If [brand] were acquired by a large company, how would that impact your likelihood of purchasing it again?"

Brands included in the survey: Dollar Shave Club, Harry's, Cora, Native, Quip

# Imitate, for the best of both worlds!

## Clorox Is Building Its Own Direct-to-Consumer Business In-House



### What does it take?

- Agility – think like a startup
- Hire DTC experience
- A new supply chain

### Benefits?

- Less pressure for immediate growth for the DTC team
- Larger pool of resources
- In theory, higher margins

Join the crowd, with second mover advantages

## Amazon undercuts Casper with its own new mattresses

By Nathaniel Meyersohn, [CNN Business](#)

Updated 9:05 PM ET, Wed October 31, 2018



*"The hard part is already done for Amazon: Casper and digital upstarts busted up brick-and-mortar retailers' grip on mattresses, convincing Americans to buy beds online."*

# What we are seeing

- Shoppers are spoiled by DTC – they have fewer trade-offs between performance, price and convenience
- Digital-first brands have near-complete control across the branded experience, which nurtures trust and, thus, loyalty
- As DTCs grow, they embrace mainstream strategies to scale (distribution in mass retailers, mass media investment, etc.)

# Why it matters to you

- Digital-First brands start to steal share from the established brands
- They raise the bar – increased expectations can become a challenge as uniqueness, performance, and value are effectively executed and messaged by a single brand
- Opportunities abound for traditional retailers and brands to take advantage of DTC momentum or to get lost in the shuffle

# Find out how Numerator can help you understand...

- How has DTC brand impact your category and your brand?
- Who is buying DTC brand in your category?
- What is the value proposition of the DTC brand in your category?
- Is my brand shifting volume to the DTC brands?
- Will shoppers come back to my brand after they purchase the DTC brand?
- Should we launch our own DTC brand or acquire an existing brand? If we were to acquire an existing brand, would that cannibalize our sales?
- Should other retailers aside from Target get in on the act and work with the DTC brands?
- What promotion strategies would be the most effective to defend against DTC brands in-store?

Work with a Numerator Consultant to answer questions around your business needs!  
**hello@numerator.com**



# Numerator

NEW FRONTIERS

Learn how your consumer's behavior is shifting  
[hello@numerator.com](mailto:hello@numerator.com)