

D2C

BENCHMARKS

Hyper Growth Report

Best-in-class brands are writing the playbook on achieving breakout success.

CHALLENGE YOUR BRAND
BASED ON REAL INDUSTRY DATA.

ULTIMATE SECRETS TO SCALE

500+ D2C BRANDS

HYPER GROWTH BLUEPRINT

Where product/market fit meets excellence in execution

What separates the leaders from the laggards

How to sustain a rapid rate of growth

Foreword

D2C BENCHMARKS

#d2cbenchmarks

Best-in-class brands are writing the playbook on achieving breakout success.

We're introducing RetentionX's first-ever "**D2C Benchmarks: Hyper Growth Report**", which outlines the important strategic changes brands must implement to achieve exponential growth!

Direct to Consumer (DTC) e-commerce completely revolutionized the way consumers interact with brands. The eCommerce revolution in 2021 caused by the COVID-19 pandemic was marked by a series of exponential technological advances - subscription commerce, omni-channel communications (SMS marketing), effective personalization, chatbots, and so much more. E-commerce has grown two to five times faster than before the pandemic.

Hyper growth brands took the leap into the unknown, thus paving the way for the rest of the e-commerce ecosystem. In this report, we look at the data to find out what separates the leaders from the followers, and help you determine if your company is one of the best.



Alexander Jost

CEO of RetentionX Inc.



Nadine Zirbes

CXO of RetentionX Inc.



The global acceleration of e-commerce over the course of 2021 was hard to ignore, as consumers shopped online often out of necessity, and brands were forced to rapidly change their strategies.

Foreword



GROWTH DRIVERS FOR D2C BRANDS

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We've watched DTC evolve from cheaper alternatives to innovative products and powerful brands. Amazon owns commodities, but best-in-class DTC brands build a competitive advantage by owning the customer relationship and becoming category leaders.

Here are few of the trends that we have seen driving the market.



SUBSCRIPTION COMMERCE

Hyper growth DTC brands have made it easy to sell their products on a weekly, monthly or quarterly basis. If you want more predictability in your business, return on marketing investment, and a steady cash flow on a monthly basis, this is the way to go.



FIRST PARTY DATA

Since Apple iOS 14.5, we know that we can no longer rely on 3rd party data to evaluate marketing activities. Many DTC brands have suffered severe setbacks in customer acquisition through the popular Facebook and Instagram channels. The long-term answer to this problem is to gain **data sovereignty** with the help of first-party data such as transaction-based UTM parameters.



SMS MARKETING

SMS marketing offers additional revenue without spending expensive marketing dollars. Companies like Attentive and Klaviyo help DTC brands target the right audience and capture customers' attention from first touch to latest transaction.

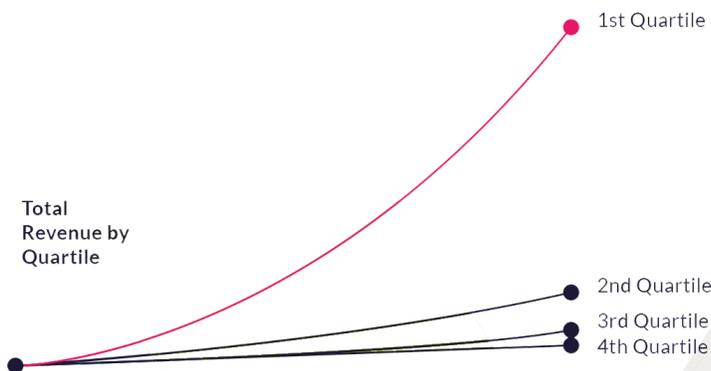
Foreword

TOP PERFORMERS' SECRET SAUCE

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What can we learn from last year's top performers and how can we replicate their hyper growth? At this point, we need to consider the bigger picture and ask ourselves the following question:

What separates hyper growth brands from the average ones?



It is the ability to bring customers back again, while acquiring new ones. This is where product/market fit meets excellence in execution.

In order to identify them, we split our sample into quartiles based on total revenue in their 3rd year of existence. The fastest growing brands are in the first quartile, next-best in the second, etc. This data distinguishes the **very best from the rest of the pack**. The top quartile (Q1) brands are nearing **\$60 million** in total revenue by the third year they're in business, the rest of the pack hasn't crossed **\$15 million**.

Methodology

RetentionX is the analytics platform of choice for over 1,000 DTC brands. Our global customer base ranges from rising stars with less than \$1M in annual revenue to proven champions with 8-9 figures in annual revenue. This report is based on the analysis of:



Benchmarks

AVERAGE ORDER VALUE

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Top performing brands have an **AOV 55% higher** than everyone else (\$112 vs \$72). AOV stays constant at around \$100+ in these 3 years, while the AOV of the bottom 75% shows fluctuation.



Many will think that AOVs only have something to do with average prices, number of products in the shopping cart or efficient cross-selling. But this is not the case. The main indicator for high AOVs is customer loyalty.

There is a high significance that repeat customers have growing AOVs with each subsequent order. This also explains the higher values of the top performers, as they are able to reactivate more of their customers and thus automatically increase their AOV.

Average Order Value = Total Gross Revenue / Number of Orders



Community is at the core. Brands can't rely on Facebook or Instagram to build sustainable growth like they did a decade ago. Listen to your community and involve them as you launch new products, experiment with new channels, and build with them vs. for them.

Meagan Loyst, **LERER HIPPEAU**
 VENTURE CAPITAL, NEW YORK

Benchmarks

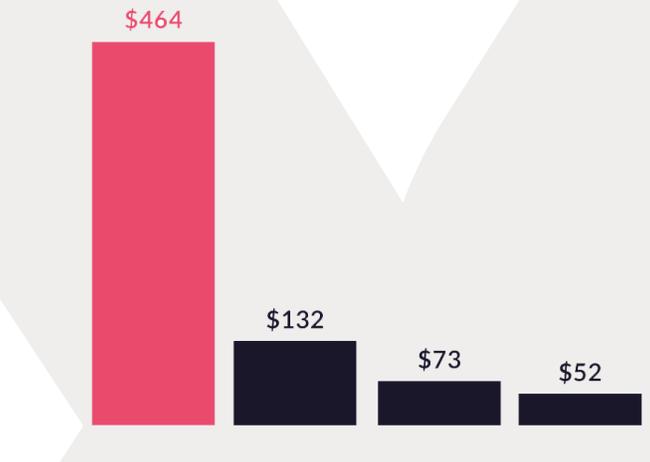
CUSTOMER LIFETIME VALUE

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Higher AOV and more orders per customer form the gold standard of DTC performance - high customer lifetime value (LTV). Top quartile has **5x higher LTV** than the rest of the brands.

The customer lifetime value should always be calculated after returns and cost of goods in order to show a real contribution margin per customer.

The more precisely you can quantify the LTV, the more efficiently you can manage your customer acquisition, as the LTV should be the maximum limit for the CAC of a performance marketing channel.



LTV = Net Revenue - Cost of Goods



Diversification is driving hypergrowth with DTC brands. ROAS is decreasing, and often the analytics are muddy because of iOS updates. Resilient Shopify-powered brands are expanding beyond the traditional acquisition channels and testing more marketplaces, retailers, direct social selling, brand collaboration, and internationalization.

Steve Hutt, **SHOPIFY & ECOMMERCE FASTLANE**
 ECOMMERCE EXPERT, VANCOUVER

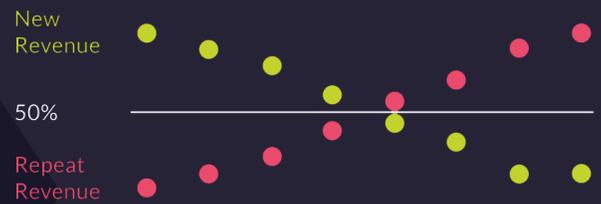


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REPEAT REVENUE

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If we take a look at the top performers, we'll see that >60% revenue comes from repeat purchases. The top 25% have two times more repeat customers compared to everyone else.



Share of Revenue Generated by Repeat Customers

By year 3 in business, your aim should be that the majority of your revenue comes from repeat purchases.

Brands have the misconception that exponential growth is purely about aggressive marketing. Exponential scaling is only possible if you manage to steadily increase your recurring revenue, while acquiring new customers.



We see that hyper growth is highly data-driven. The last few years showed to the majority of our D2C clients that selling directly with Shopify was their most lucrative source of income. This year this will move to a new level. Value driven and personalized brands prosper. Especially when they add more service components to their offering to create an additional value level on top of physical goods.

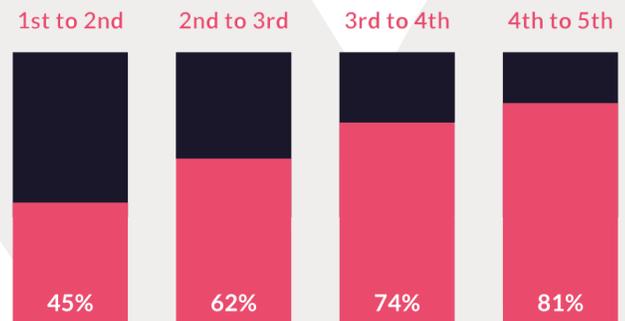
Mikko Rekola, **WOOLMAN**
BRAND AGENCY, HELSINKI

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REPEAT PURCHASE RATE

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Top brands achieve a repurchase rate from the 1st to the 2nd order of up to **45%**. For an average brand, only 30% of customers place a second order.



Likelihood of a follow-up order

It is important to look at the repurchase rate from each order to the next and not just the cut, as this can quickly show a false picture leading to wrong conclusions. Identify at which step your brand is currently losing the most customers.

The likelihood of repeat purchases also increases with every subsequent purchase. Achieving a 2nd purchase results in average in 3 additional purchases over the lifetime.



It's the ability to bring customers back again and again, while aggressively acquiring new customers, that gives best-in-class brands the edge. We're excited about these brands. They are where product/market fit meets excellence in execution, and they will continue to redefine the ecommerce landscape in the coming years.

Alexander Jost, **RETENTIONX**
D2C ANALYTICS, MUNICH

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REVENUE WITHIN 6 MONTHS

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By month six in business, top performing eCommerce brands have separated from the pack, reaching \$520k in revenue, **68% more than everyone else.**



Total gross revenue of brands within 6 month of business

What is their secret? This rapid rate of growth so early on in a company lifecycle points to the significance of natural product/market fit and execution.

Marketing spending can get you far, but marketing alone is unable to drive this kind of accelerated growth.



Hyper growth will come from the inside. Brands should focus on their differentiating factors and build these into high-value customer communities and membership groups. Never stop seeking to understand what your customers value most in your brand, and reward your best customer segments with opportunities to get more of that value.

Liam Carmichael **HIGHLIGHTER STUDIO**
BRAND AGENCY, TORONTO

Benchmarks

ORDERS IN YEAR 1

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Our cohorts show that hyper growth DTC brands achieve more than **2.5 orders per customer** within the first 12 months on average.



The growth is fueled by strong repeat purchase rates and short gaps between their orders.

Cohort analysis is a very powerful tool for detecting changes in customer behavior at an early stage and for measuring the effectiveness of retention strategies on individual customer groups.

Development of the average orders per customer over time



Maison MRKT's hyper growth clients weave together qualitative and quantitative insights, integrating data across multiple acquisition channels with their own first party data to scale efficiently.

Lexi Nastos, **MAISON MRKT**
BRAND AGENCY, NEW YORK

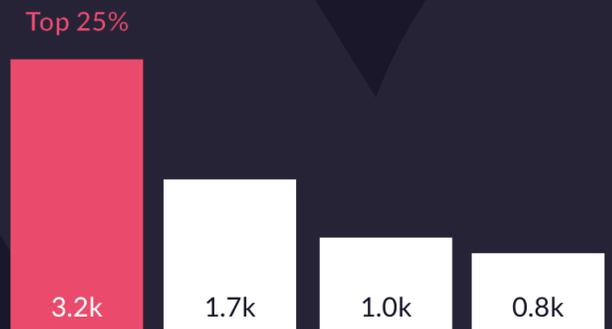
Benchmarks

NEW CUSTOMERS PER MONTH

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3,250

In their sixth month in business, the top-performing brands are gaining more than twice as many new customers as their competitors. They know who the right customers are.



New customers acquired in month 6 of business

Top performers' rapid revenue growth is fuelled by excellence in customer acquisition. Identify which cities, products and marketing channels generate the best customers.

If you know which customers generate value and that you can turn a new customer into a repeat customer, you can also market more aggressively and outbid the competition.



Brands often have the misconception that exponential growth is purely about aggressive marketing. Exponential scaling is only possible if you manage to steadily increase your recurring revenue, while acquiring new customers.

Jochen Krisch, **EXCITING COMMERCE, K5, GLORE50**
ANGEL INVESTOR & ECOMMERCE EXPERT, MUNICH

Benchmarks

LIFETIME ORDERS

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The average lifetime number of orders per customer is **3x higher** for top performing brands than the bottom three quartiles. Loyalty fuels growth.

We mentioned earlier that the top performer's rapid growth is likely a result of product / market fit.

Top performing brands aren't just amazing at acquiring customers; they know how to keep them coming back. Whether this is due to great products, clever marketing, or a combination of both, the results speak for themselves.



Top 25%

Worst 75%

Orders placed within 3 years of lifetime



Forward-thinking brands leverage data, digital engagement and their followings for perfect product-customization.

Carsten Thoma, **SAP HYBRIS**
ANGEL INVESTOR & ECOMMERCE EXPERT, ZURICH

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GROSS MARGIN

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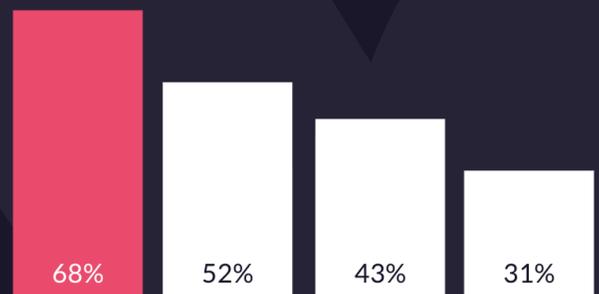
Hyper growth brands not only manage to generate high sales, but they also control their bottom line with a gross margin of **over 68%**.

In this case, growth does not come from discounts, but from a perfect product/market fit and an exceptional customer experience.

The higher the margin you can achieve, the more leeway you have in customer acquisition. For this reason, discounts should be the last solution. And if you discount, then discount the shipping costs and not the products.



Top 25%



Gross Profit Margin = (Revenue - Cost of Goods Sold) / Revenue x 100



Fast-growing brands focus on the product and building relationships with their customers. It's not the initial purchase value that counts, but the intensity of the connection built with the customer - that triggers not only repeat purchases, but also referrals. The personalized approach on a large scale - in support, in marketing communications, in shipping, in unboxing and beyond.

Adrian Piegsa, **TANTE-E**
BRAND AGENCY, BERLIN

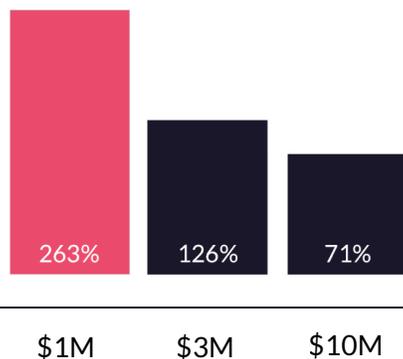
Conclusion

THE D2C LANDSCAPE IS CHANGING QUICKLY

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The top quartile of new brands do almost \$2M in revenue in their first six months as an operating business. This growth is being driven by fundamentals: massive venture investment in ecommerce, increasing platform maturity, growth in scalable marketing channels, and growth in the underlying market. The combination of these means that there has never been a better time to start and grow a DTC brand. But it sets a high bar for new players. In this competitive environment, it is increasingly hard to stand out. Acquisition channels are crowded and inventory is capital intensive. Inboxes are overflowing. Competitors saturate the market with discounts.

Growth Rate by Yearly Revenue



We call it 'DTC gravity': As brands get bigger it becomes harder to sustain a rapid rate of growth.

How do we overcome this challenge?

It's the ability to bring customers back again and again, while aggressively acquiring new customers, that gives best-in-class brands the edge. We're excited about these brands. They are where product/market fit meets excellence in execution, and they will continue to redefine the ecommerce landscape in the coming years.

HOW DO YOU MEASURE UP?

If you'd like to understand how you compare on these key metrics, we're here to guide you through this journey.

RetentionX is the analytics software you need to become the next hyper growth DTC brand. With 100+ built-in analyses, forecasts & predictions and marketing automations – We accelerate your growth by acquiring better customers and retaining more existing ones.

GET IN TOUCH!



retentionx.com



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