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DEEP DIVE

9 emerging DTCs to watch in 2021

A lot has changed since Warby Parker and Dollar Shave Club entered the scene. In an increasingly crowded space, brands need to find what sets them apart.

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Courtesy of Touchland

Editor's note: Click here to jump to our list of brands.

When Warby Parker and Dollar Shave Club entered the market in 2010 and 2011, respectively, the so-called first class of DTC darlings was born.

It was a time when 148.1 million U.S. consumers were making purchases online, and U.S. e-commerce sales reached $301.69 billion, according to eMarketer.

DTC was almost “a synonym for the internet,” said Emmett Shine, co-founder of multi-brand consumer goods company Pattern (formerly branding agency Gin Lane).

In the decade since, consumer appetite for buying online and through direct-to-consumer models hasn't slowed down. In 2020, e-commerce soared to $795 billion, up 32.4% year over year, according to eMarketer data.

Now even traditional retailers are jumping onto the DTC trend. Adidas earlier this month announced goals to have direct-to-consumer make up 50% of its sales by 2025, and Nike has invested more into its direct-to-consumer business as it exits more wholesale partnerships.

“I think you’ll see those traditional players lean into the model more and more,” Michael Felice, a principal in the consumer and media practice of Kearney, said.

The pandemic has actually helped fuel growth for direct-to-consumer brands as consumers were forced to shop online virtually overnight when businesses temporarily shut their doors and individuals became warier of trips they made outside their homes. It’s also presented an opportunity for brands to attract a new set of customers who may not have opted to shop online previously.

“Everybody went online. Even our consumer base, which tended to be millennials, for the first time had 70-year-olds,” Monika Kochhar, CEO and co-founder of SmartGift, said.

But the pandemic also introduced some new obstacles these brands will have to face. Over the last year, buy online, pick up in store really became mainstream. Everyone from Lowe’s and At Home to Macy’s, and even DTC brands like Casper, were touting their BOPIS features to consumers.

“COVID really did create a whole new baseline online behavior,” Kochhar said. “I want to buy online, but I want to pick it up today.” The challenge that creates for retailers, however, is having to spend more on things like last-mile delivery and increased fulfillment capacity. The heightened expectations from consumers around fulfillment come on top of problems many DTC brands already faced before the pandemic around shipping and logistics.

Brands entering the scene now not only are faced with the challenges of those first digitally native companies but also more competition, increased scrutiny to uphold their values and a constantly changing playbook for success.

How DTC is changing

While digitally native brands were born online — and some initially even swore they wouldn't venture away from the channel — the limitations of selling exclusively through e-commerce are becoming ever more apparent.

Among the few DTC brands that have entered the public markets, many have failed to reach profitability while at the same time continued to spend more and more on their marketing budgets to acquire customers.

To combat this, brands have turned to physical retail, whether through pop-ups and owned leases or, in some cases, partnerships with traditional retailers — causing brands to walk back on that original notion of "cutting out the middleman."

Many brands have landed in Target, Walmart and Nordstrom, and those traditional retailers are actually more receptive than ever to form those brand partnerships, according to Kochhar. "They realize the voice of the customers," she said. "There's a movement there, and they're all trying to capture the movement."

For Eric Prum, co-founder of Very Great — a company that oversees three DTC brands: Wild One, W&P and Courant — the need to operate as an omnichannel business was present from the start.

"In general, I think it's critical that while we do have a digital-first mentality, actually, for some of our business, the majority is actually B2B," Prum said.

To that end, Prum points to W&P as being a brand that has a beautiful website, a big focus on DTC and a strong emphasis on its digital community, "but we're actually bigger with our B2B relationships with Crate and Barrel, Sur la Table, Williams Sonoma, West Elm than we actually are on our own website."

Other DTC brands also launched as "pure plays" in the sense that they focused on one key product. However, in order to retain and broaden their customer bases, they've needed to expand their assortment. For example, Casper — which sells mattresses, a relatively infrequent purchase — has moved into other product categories, launching a smart nightlight, dog beds and CBD gummies, among other things.

For some of the brands featured in our list — which sell in categories benefiting from circumstances brought on by the pandemic — a return to "normal" may result in adjacent category expansions.

"How they continue to differentiate themselves versus another makeup brand or another cookware brand that capitalizes on an influencer or a movement within an industry will be critical for them to succeed," Felice said.

What consumers are looking for now

Not only is the channel in which consumers shop changing, but the decisions behind those purchases are as well.

"I think people want to support businesses that they feel an affinity to. They liked the story, they liked the branding, they liked the quality of the product, they liked what a business stands for. I think people do vote with their wallet," Shine said. "E-commerce is just continuing to grow and dominate in forms of commerce in many ways that America is actually behind. I think there's a ton of room to go and grow, and I think that the innovations will just continue."

Consumers, especially those of the younger generations, have been more vocal about wanting to shop with brands that are more environmentally friendly and take a stand on issues that matter to them. This behavior has resulted in a shift in language around companies' branding.

"It seems that the voice has changed. The voice has become much more purposeful, much more driven by causes. That shift really did happen over the last, I would say almost three to four years, with the rising levels of consumer consciousness around fast fashion or fast food," Kochhar said.

"For the longest time — and I was in the markets for a long time — everything was about quarterly revenue," she added. "Every company is just forced to trade decisions that are three-month-long decisions just because of earnings pressure. But now, I think the consumer's voice is actually getting them to say that, 'You know, we actually want to make a change and this is really what we stand for.'"

And the pandemic, which caused many to feel a strong sense of isolation, may have heightened consumers' longing for a sense of community within the brands they shop.

"We've lost a lot of our people connection and our inert ability to want to be around others, and be lifted up by others," Felice said. "I think sometimes we feel we can express that through the brands we use, which show our uniqueness, our creativity and our curated selves. Finding that in a brand means that not only am I thinking that I think the product is unique, but I want the brand to speak almost like me."

But as these brands shift to more cause-driven branding and foster a community of trusting consumers, they're being held to a higher standard to actually uphold the missions they tout on social media.

"There's definitely the ability to hold brands accountable," Prum said. "If their business strategy ratchets up to a retailer like Target, Target can take notice and not carry that brand. You can't fake certain things when it comes to sustainability."

In the past several years, brands like Outdoor Voices, Away and Everlane have also had their corporate culture questioned.

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But from the investor side, brands are being held more financially accountable to achieve long-term growth. Previously, there was a notion for DTC brands to "grow at all costs." But now, investors are looking for more sustainable and profitable growth.

"The barriers to entry for new brands are the lowest they've ever been. But the barriers to success and scale are increasing daily," Felice said, adding that "as more people flood the market, they'll be looking to gauge faster exits and more profitable growth than just rewarding pure out top-line growth."

Prum says success lies in having fundamentally sound business economics related to supply chain, profitability and securing that first purchase.

"In the Casper, Warby, Harry's days, there maybe was that value in customer acquisition and the idea that it was going to lead to some great outcome. But I'm not sure there has been a really great outcome yet," Prum said. "The investment community is more eyes wide open than ever."

How to succeed in today's environment

Creating a brand online has never been easier, which has made the DTC space saturated with competition.

Brands must differentiate themselves and resonate with consumers to succeed, and doing that comes down to a couple of things.

Bringing on board people that understand the "unsexy" aspects of a business like SEO, paid marketing and retargeting will make a huge difference, Shine said. But ultimately, it boils down to testing a product and making sure it works for consumers.

The biggest things SmartGift's Kochhar looks for in potential clients and partners are: personalization, which can be a brand providing more colors, styles, fits, sizes; community and a brand that "attentively voices their overarching values because that's what consumers want"; and how quickly a brand goes from a product mindset to an overarching industry narrative.

To the latter point, Kochhar points to mattress brands that have been able to shift from pushing out a sleep narrative to a holistic living narrative.

As more brands continue to enter the market Retail Dive took a look at nine emerging DTC brands to keep an eye on in the year ahead:

1. Spark Grills

Before founding Spark Grills, Ben West spent years designing high-efficiency charcoal and wood cookstoves in developing countries, including Rwanda, where 30% of Rwandans use one of Spark's cookstoves, according to the company. It was then that he discovered a newfound appreciation for cooking with these materials.

In the U.S., however, the majority of consumers (61%) own a gas grill, according to data released by Statista in April 2020. While charcoal offers that unmistakable smoky flavor, propane is quicker to start and easier to control the temperature as food cooks.

Spark Grills

But through Spark Grills, West is hoping to marry the ease gas offers with the richer flavors of charcoal. The Spark Grill promises to ignite instantly, control temperatures up to 900 degrees Fahrenheit and provide information to users through an app on their phone.

Along with its namesake product, the company developed the Briq, which ignites instantly, is hot within minutes and is made of natural wood and charcoal to impose a smoky flavor.

The brand has garnered the attention of consumers over the past year: Visits to its website grew 64% from the first half of 2020 to the second half, reaching an average of 7,600 monthly U.S. visits in the back half of the year, according to SimilarWeb data shared with Retail Dive.

Comparatively, website visits to The Home Depot grew 20.5%, Lowe's (18%), Weber (17.5%) and Ace Hardware (10.3%).

But Spark Grills has also dedicated part of its business to serving others: The brand said with every grill purchased, the company will fund the placement of a locally designed and manufactured cookstove to a family in Ghana.

The brand has raised $12.3 million in funding since its inception in 2017 and is valued at $15.3 million, according to PitchBook.

2. Great Jones

Sierra Tishgart and Maddy Moelis founded cookware brand Great Jones in 2018 after they “struggled to find the right kitchen tools.”

And the retailer appears to be benefiting from pandemic-induced trends of consumers cooking more at home. U.S. dollar sales on small appliances increased 29% in 2020 from 2019 and on housewares, increased 25% year over year, according to the NPD Group.

The company is ranked No. 4 out of 15 on SimilarWeb’s Top Growing DTC Brands of 2020 list, falling just behind skincare brand Youth to the People, electronics brand Nonda and intimates brand Cuup.

The brand’s average monthly website visits in 2020 grew 401% from 2019, according to SimilarWeb, notching over 95,000 average visits per month.

Great Jones has raised $5.1 million in funding to date, according to Crunchbase.

3. Wild One

The pet segment — which has historically remained unscathed during times of economic uncertainty — has also emerged as one of the few beneficiaries of the past year.

This has meant a boost for pet supplies newcomer Wild One.

Over the past 12 months, the brand grew its Instagram following by more than 100% to 103,019, and its Facebook following by over 240% year over year, according to data tracked by Charm.io.

Charm.io also gave the brand a 93.01 growth score and a 63.65 success score on a scale of 100, as of March 26.

Over the past year, Wild One's average monthly website traffic increased 101.5% from the first half of 2020 to the second half. At the same time, Pet Supplies Plus' website traffic grew 37.8%, followed by Petco (34.5%), Chewy (28.6%) and PetSmart (25.4%).

Wild One, founded in 2018, sits under Very Great's umbrella of brands, which also includes W&P and Courant.

The brand has forged retail partnerships with Nordstrom and, most recently, with Target on more than 1,000 in-store placements.

4. Clare

Searching for an easier way to shop for paint, Clare launched to reimagine the buying experience by providing "designer-curated colors, technology to guide you, mess-free paint swatches, and the highest-quality paint and supplies, delivered."

Founder Nicole Gibbons, an interior designer, wanted to make painting a room a more convenient and easy experience.

Clare

And as consumers hunkered down in their homes this past year, brands like Clare appeared to benefit from people investing more in their personal spaces.

Average monthly website visits to Clare increased 117.7% from the first half of 2020 to the second half, according to SimilarWeb. Meanwhile at Sherwin-Williams, visits grew 25.4%, Home Depot (20.5%), Lowe's (18%) and Ace Hardware (10.3%).

Clare's follower count on Instagram also grew 234.61% over the past 12 months to 88,386, while its Facebook follower count grew 145.65% year over year to 7,136, according to Charm.io.

Clare received a growth score of 90.23 and a success score of 52.83 on a scale of 100 from Charm.io, as of March 26.

The brand has raised $4.25 million since incorporating in 2017 and has a post valuation of $7 million, according to PitchBook.

5. Mented

Mented entered the scene in 2015 after founders Amanda Johnson and KJ Miller struggled to find the “perfect nude lipstick.”

From its original nude lipsticks, the brand has expanded into pigmented eyeshadows and blushes to help every woman “find herself in the world of beauty, no matter her skin tone.”

Mented landed on SimilarWeb’s fastest growing DTC brands of 2020, ranked No. 10, and recorded a 312% year-over-year growth in its average monthly website visits last year.

The beauty brand saw website traffic increase 41.7% from the first half of 2020 to the second half when it reported 491,900 average monthly visits. Its competitors in the beauty space saw less substantial growth in terms of website traffic from H1 2020 to H2 2020: Ulta was up 35.1%, followed by Sephora (20.1%), Glossier (11.7%) and Sally Beauty (down 8.5%).

The brand was selected as one of the brands QVC and HSN featured in 2019’s “The Big Find,” a search the retailers kicked off to find innovative products and brands.

Mented has raised $4.2 million to date and is valued at $8.7 million, according to PitchBook.

6. Olive & June

Sarah Gibson Tuttle left a career in finance, where she worked as an equity sales trader at JP Morgan and Morgan Stanley, and moved out west to Los Angeles.

After failing to find an adequate nail salon, Tuttle set out to provide customers with personalized service at an approachable price point. And thus, Olive & June was born.

The brand is different from typical DTCs in that it initially opened up a physical location to provide nail services to customers.

The product, however, is also sold directly through its website, which appears to have benefited from salons closing at the start of the pandemic.

From the first half of 2020 to the second half, website traffic grew 234.2% while notching an average of 332,400 visits per month in the back half of the year.

Olive & June in 2019 forged a partnership with Target to sell its products in stores and online.

The brand has raised $6 million since its founding in 2013, according to PitchBook.

7. Parade

Amid the highly sexualized styles associated with the lingerie sector for years, one DTC brand wanted to break through and redefine what the industry defines as “sexy.”

Parade, founded in 2018 by Cami Téllez, is a size-inclusive underwear brand that’s baked sustainability and sexual education into its mission.

“Sexiness isn’t one-dimensional — it’s a voice, it’s a feeling, it’s a technicolor mirror that reflects whoever is holding it,” the company said. ”[W]e’re rewriting the American underwear story—in full-spectrum color.”

The brand pushes out cause-driven messaging across its platforms, vowing to donate 1% of its profits to support Planned Parenthood and using sustainable materials that are good for both consumers and the environment.

And Parade appears to be resonating with consumers: The brand's average monthly website visits grew a whopping 245.8% from the first half of 2020 to the second half, according to SimilarWeb. Comparatively, traffic to Victoria's Secret's website grew 39.6% during the same period.

The brand, which in July snapped up $3 million in a funding round led by Vice Ventures, has raised $7.5 million to date, according to PitchBook.

8. Touchland

As the pandemic took hold, certain products became top-of-mind for consumers: toilet paper, disinfectant wipes and hand sanitizer.

For Touchland, founded in 2018 by Andrea Lisbona, it meant the brand could really hit its stride.

The company, which specializes in hand sanitizing products, has raised $1.5 million to date, according to PitchBook, and is valued at $11.5 million.

Touchland

Touchland also dedicates 5% of its profits to send hand sanitizing products to “developing countries where there’s water scarcity and many kids die every day from diarrheal diseases caused by a lack of safe water, sanitation and basic hygiene,” the company said.

The brand has moved offline into traditional retailers’ stores like Target, Ulta, Urban Outfitters, Revolve and Bloomingdale’s.

9. FaceTory

FaceTory, a Korean beauty-inspired company, launched in 2016 with the goal of making skincare approachable, functional and affordable.

The brand seemingly benefited from the increased popularity in the skincare and personal care categories this past year. FaceTory's average monthly website traffic in the first half of 2020 to the second half grew 8.8%, compared to declines of 0.1% and 8.5% at Birchbox and Sally Beauty's websites in the same period, according to SimilarWeb.

Looking to gain market share, FaceTory in 2017 launched a limited edition sheet mask box curated to men.

"FaceTory has noticed an upward trend in men entering the beauty scene," co-founder Chan Ho Park said in a statement at the time. "Whether it be fashion, makeup, skincare, or Kbeauty, men are now having a huge influence in the once predominantly female industry. But even with this upward trend, there are not very many products or resources tailored specifically towards men's skin types and skin concerns."

FaceTory earlier this month took its products offline and into 150 Whole Foods stores across the U.S.

The brand has raised $1.7 million to date and is valued at $2.2 million, according to PitchBook.

Editor's note: This story was first published in our weekly newsletter, Retail Dive: DTC. Sign up here.

Clarification: This story has been updated to clarify how Pattern operates.