



**Direct-to-Consumer:  
A New Model for  
British Fashion?**

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BRITISH  
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# Letter from Caroline Rush

To stay relevant in future years, the theme of the Fashion Forum is 'Investing in the Future'. As part of this exploration of the continuous evolution of our industry, the British Fashion Council (BFC), worked in collaboration with London Business School (LBS) to more closely look at one of the most widely-discussed developments in fashion and retail commerce: the direct-to-consumer (DTC) model.

Including perspectives and inputs from actors across the value chain – brands, designers, circular economy experts, education leaders, government, technology platforms and venture capitalists – the report seeks to explore the opportunity that the DTC model presents for British fashion.

This report is the latest example of our productive partnership with LBS, a collaboration that enables both parties to share insights and expertise that can help to support and fuel the continued creative innovation and growth of our industry.

I would like to thank the author of this report, Morgan Evans, as well as London Business School's Jeff Skinner, Executive Director, Institute of Innovation and Entrepreneurship. This report would not have been possible without the collaboration of all of our industry experts so to you, we say an enormous thank you for your time, input and insights.

**Caroline Rush**

Chief Executive, British Fashion Council

## 1. Charting the next phase of industry growth

British fashion is an industry that contributes £32m in GDP to the UK economy. Iconic fashion houses coupled with a history of 'FashTech' innovation has helped the UK cement its position at the apex of the global fashion market.

As we approach 20 years since the birth of luxury fashion e-commerce with the founding of Net-a-Porter, this report will aim to explore how the UK industry and its next generation of talent can tap into the direct-to-consumer (DTC) business model: a model that has the potential to power a new wave of growth for the industry, in an era where authenticity and purpose, brand experience and customer engagement are arguably more important than ever.

The UK today is the leading European country for online fashion consumption<sup>1</sup> and 'pure-play' digital businesses, from the budget to the luxury segment, are reaping the benefits of consumers' increasing propensity to shop for style online. At the luxury end of the online fashion market, the UK is a true global powerhouse: in addition to YNAP, Browns, Matchesfashion.com and Farfetch are significant players in what remains the fastest-growing sector of the global fashion market.

Combined with the renown of British design; the strong grassroots education and training infrastructure, which has resulted in celebrated international designers such as Roksanda and Peter Pilotto making London the home of their fledgling businesses; and the influence of London Fashion Week on the global fashion agenda, the UK appears well-placed to maintain its strong position in terms of both creativity and commercialism.

<sup>1</sup>European Clothing Action Plan: Used Textile Collection in European Cities, March 1, 2018)

The industry is also continuing to experience a period of rapid change. Digital has disrupted the high street. This, combined with increasing rents, higher business rates, a rise in the national minimum wage and apprenticeship levy, all within a relatively short period, has seen significant pressure on the traditional high street and has led to the collapse of businesses such as House of Fraser and LK Bennett. Simultaneously, increasing sophistication and relative accessibility of new technologies are facilitating the rise of the DTC model, which offers the potential for maximum control over brand experience; a closer direct connection to the customer; and the benefit of higher margin with little or no wholesale.

This new model fundamentally challenges the conventions of our industry, beyond the channels through which designers choose to sell. Through a series of in-depth interviews across the value chain – spanning designers, technology platforms, investors, government, education and circular economy experts – this report identifies five defining characteristics of the DTC model:

- **Product primacy**
- **Customer-centricity**
- **Digital nativism**
- **Purpose**
- **Team & talent**

Through our insights, this report posits that DTC is not just another business model but a new model entirely for how to further enhance the creativity and commercialisation of Britain's renowned fashion industry.

## 2. Understanding DTC

Beginning any discussion about DTC first requires an understanding of two key points. Firstly, DTC is not a path-breaking new business model that has only emerged in the post-digital disruption age. However, it is the impact of this digital disruption that has led to a fundamental re-constitution of what DTC is – and there is no doubt that in today's context, it is viewed primarily as an inherently digital-first proposition. But while digital is undoubtedly a critical component of DTC, it is not an over-riding one, as will be discussed further in the report.

Secondly, a DTC business cannot be defined solely as a business that sells only directly to the consumer, through no other channel. There are many DTC businesses that are also selling wholesale, just as there are many wholesale-oriented businesses selling direct and as some

attest throughout the research, to be successful, a combination of both is needed. What is arguably more important to understand about DTC is how its current resonance is influenced by – and intimately connected with – a broader range of forces re-shaping the broader fashion and retail segment.

Chief among these is the continuing poor performance of British retail as a whole: May 2019 was the worst month of May on record, with sales down 3.3% and in-store fashion sales down by 4.2%<sup>2</sup>.

It is the latest alarming data point in a narrative that has seen the collapse of department stores Debenhams and House of Fraser; administration and store closures for former high-end high-street favourite L.K. Bennett; and a major re-structuring of Arcadia.

Yet while more 'heritage retail', particularly in the mid-market segment, is struggling, digital-first players at both the budget and luxury segments are continuing to thrive: Boohoo, comprising its eponymous brand as well as sister companies, Nasty Gal and Pretty Little Things and the recently-acquired MissPap, saw sales rise 39% in the three months to May 2019, while Farfetch's Q1 2019 revenues increased by 55%, with a 64% growth in active users.

It would be too simplistic to state that digital is the differentiator, although certainly, the rise of online shopping and some of the department stores' and high street chains' reticence to invest in e-commerce have contributed to the woes of the sector. But what can be clearly seen from some of the newer, digital-first businesses is the clarity of the value proposition: in the case of Boohoo, it is trend-driven, affordable fashion; for Farfetch, it is a platform offering access to the best luxury brands in the world. Both are hyper-targeted in contrast to the 'broad church' approach of some of the struggling retailers.

The likes of Boohoo and Farfetch are also among a wave of e-commerce business attuned to the importance of the customer experience in terms of purchase, delivery and return – even if the impact of this final point is an increasingly contentious one within the industry.

What should be more encouraging for the wider UK industry and the DTC business model in particular is this rich heritage of e-commerce businesses that have been founded in London. This is certainly an advantage in terms of having an 'ecosystem' that DTC businesses can tap into in terms of talent and investment, as will be discussed further in the report.

But according to Jim Pickles, who works as part of the retail trade team for the Department of International Trade, caution needs to be exercised before launching head-long into pursuing a DTC model:

"Companies are favouring an approach to DTC within their e-commerce models but are often disappointed by the results as they do not have the funds to successfully launch with the overheads needed, such as high digital marketing costs. The traditional wholesale route has suffered due to a poor UK retail climate, so DTC is often seen as a saviour, but we are seeing that brands definitely still need a wholesale model – even it is used as marketing to raise profile and attract DTC consumers. DTC is imperative but a brand must have true, established brand equity before it can experience real success."

<sup>2</sup>BDO High Street Sales Tracker, 7 June 2019: <https://www.bdo.co.uk/getmedia/c895ccf3-88c5-4399-8644-faf10d429fbd/HSST-May2019.PDF.aspx>

It is this tension between the seeming compelling opportunity for DTC and the challenges the model poses, which this report will seek to explore further. This assessment will be done through the lens of five key dimensions that we believe are particularly pertinent to the DTC business model in today's wider fashion and retail industry climate. These are:

- **Product primacy:** the continuing all-importance of the product proposition
- **Customer centricity:** the emergence of a new, collaborative dynamic between brands and end-consumer
- **Digital nativism:** why digital is the lifeblood of a modern fashion business
- **Purpose:** the rise of the 'woke' brand
- **Team talent:** the role of people in starting, scaling and sustaining a business

## 3. Product primacy

*"The beacon of British fashion are the designers"*

– Venrex

### 3.1 Developing a 'category killer'

Great product is critical to the success of any business but perhaps even more so in the case of British fashion. A key point, made time and time again during the course of the research, was the quality of the creativity and design that has consistently emerged from the UK and which has deservedly cemented its status as a leading force in the global fashion market.

The product quality is of particular importance within the context of a DTC business because of the digital and social-first properties of the model. According to Venrex, a VC fund that has invested in numerous DTC businesses including Charlotte Tilbury and Orlebar Brown, DTC is about: "creating a product and selling directly to the consumer and cutting out the traditional middle men. The excitement is all about product market fit: develop a product that is 'killer' and your audience is more likely to hear about it through recommendation. With DTC, this is further enhanced by social because of the 'see and share' factor."

Fundamental to the early success for a designer or aspiring entrepreneur is this product market focus. Venrex believes it is vital to focus on 'capsule collections' at the beginning, especially given the minimum order quantities that designers often must commit to. Developing a more curated product portfolio makes it easier for brands to "avoid distribution" for longer.

Jim Pickles, (Department for International Trade), agrees with this approach of targeted 'category ownership' for DTC businesses. "Brands with a product focus such as Rixo and The Vampire's Wife, which are both built around dresses, are having a successful moment. It seems consumers are jumping onto brands which are 'owning' a category and producing 'winning' category items."

Such a focus has also been applied by Zoë Jordan, who early in the lifespan of her already young business, decided to re-focus her product offering on knitwear, positioning the brand as: "a

contemporary knitwear brand for an active lifestyle." According to Gemma Ebelis, who consults for Zoë Jordan, the point of differentiation is a more "directional" style, in contrast with other more classic knitwear brands on the market.

Orlebar Brown, one of the original digital-first DTC brands founded in the UK back in 2007, has taken a very carefully planned approach to the development of its product range. Beginning with tailored swimming shorts, over time, as the brand's identity and aesthetic has become more established, it has introduced shorts, t-shirts and polo shirts as part of an evolution into a broader men's lifestyle brand. The brand was sold last year to Chanel for an undisclosed sum.

Pricing is also a critical component of the product proposition. Rejina Pyo, a South Korean designer who has founded and built her business in London, spoke of how early on, she was determined to design clothes that she and her friends would want to wear and crucially, could afford. Pyo's focus has been on creating interesting designs and high-quality pieces that sit firmly above high-street pricing without pushing up against the super high-end of the market.

This meant steering away from the more prohibitive price point of the luxury segment but bringing a level of "sophistication" to her range that she did not believe was present on the high street.

### 3.2 Storytelling & brand alignment

According to Natalie Massenet, co-founder of the VC firm Imaginary Ventures, there are: "a unique set of requirements to be storyteller if you're going to create a brand today." Heist Studios, one of Imaginary's portfolio companies, is a London-based DTC business trying to disrupt the rather staid global underwear market, beginning with hosiery and certainly fits the 'storyteller' bill.

Since its inception, Heist Studios has sought to differentiate itself within the sector with a premium price proposition based on a higher-quality and better-designed product relative to the competition; stand-out visual identity for its advertising, which saw its first advertisement featuring the back of a topless dancer dressed in tights leaping into the air, banned from the London Underground advertising network; and a focus on diversity and inclusion, including marketing its products at men, a demographic completely overlooked by other brands in the sector. It has succeeded in injecting real excitement into the category, in a way that feels truly authentic and already gives a strong sense of who it is as a brand and what it stands for – an impressive accomplishment for a business founded only four years ago.

Orlebar Brown recently introduced the second phase of its 007 collection. The collaboration was organic, resulting from the producers of the 'Skyfall' film wanting the eponymous spy to wear a pair of their swimming trunks in a scene for the film. Adam Brown, the brand's co-founder, said that pictures of Bond: "always appeared on mood boards throughout the year so the relationship seemed entirely natural."

With this free product placement, the brand: "saw the effects of being associated with a global franchise and the DNA sat very comfortably with us: adventure, style, humour, travel – there was this great alignment with the Orlebar Brown man." This led to the development of the more formal collaboration but crucially for Brown: "being involved with Bond was very appealing but the brand alignment had to be there – otherwise, what's the point in doing in it?"

## **“Challenging the status quo is in the DNA of British thinking” Natalie Massenet – Co-Founder, Imaginary Ventures**

In 2018, Net-a-Porter founder Natalie Massenet launched Imaginary Ventures with Nick Brown, a seasoned venture capitalist with expertise in leading funding for DTC brands including Everlane and Goop. Imaginary Ventures focuses on capital fund investment in early-stage opportunities at the intersection of retail and technology and its current portfolio includes some of the fastest-growing DTC brands across beauty, fashion and wellness, either side of the Atlantic.

Massenet is forthright about the current state of the broader retail and fashion landscape, describing it as “in crisis”, as traditional retailers rely on discounting and designers continue to overly-focus on the traditional wholesale-only approach. “Being visible and available at a handful of retailers is valid, even DTC brands can benefit from this. But it is no longer the main driver of growth or marketing.

“DTC is about being available where your consumer is. There are amazing incumbent businesses that are thriving but their playbook is no longer relevant. The runway show model for example is outdated. Pre-internet it was an efficient way to showcase your collection to the trade. If you are a start-up, there are more capital-efficient ways to gain traction. And if you are going direct to consumer, the format markets to the wrong audience. I encourage designers to stop letting wholesale rules drive their business. Think like a retailer or about your consumer first.”

One thing that is working well – or at least, is not “broken” in Massenet’s eyes – is creativity: “It’s in the DNA of British thinking, challenging the status quo. It’s why we’re fuelling the global fashion industry, with such creative thinking. But the product has to be right and you don’t need to develop every category at once. If you’re a fashion designer, you won’t be able to offer the breadth of a Chanel from day one. Think about starting out as a category killer.”

From Massenet’s perspective, becoming a category killer requires looking at what you can add to a market and if you are serious about becoming a brand, what story your product is telling. “If you’re starting a fashion brand today, why should anyone care?”

Although some would argue that the digital era is saturating the market, Massenet’s view is the opposite. The relative conformity of the industry for so long means that gaps in the market do still exist and Imaginary Ventures is investing in rapidly-emerging brands focused on new consumer expectations. This includes brands such as Everlane, the American clothing brand championing ‘radical transparency’ in terms of its supply chain, production and pricing; Emma Grede and Khloe Kardashian’s ‘body positive’ and size-inclusive denim brand Good American; and the aforementioned Heist Studios. Interestingly, with the exception of Grede, the other three founders had virtually no formal experience in the fashion or retail industry prior to starting their ventures.

“So many of the new businesses that we’re investing in are creating products that are solving known pain points, from sustainability to sizing that cater to, and embrace, different body types. These are relatively simple things to address.”

## **4. Customer centricity**

### **4.1 Re-defining ‘the customer is king’**

**“The customer is today’s Chief Innovation Officer.”**  
– Natalie Massenet – Co-Founder, Imaginary Ventures

The customer is king is a phrase as old modern commerce itself but with regard to DTC business, there is a heightened sense of importance placed on the customer and an emergence of a new dynamic between brand and end-consumer.

In the case of Heist Studios, its approach to being customer-centric is less defined in terms of strong customer relationship management and more in terms of an almost collaborative relationship, whereby customer insight and feedback is actively and continuously solicited and fed back into the business.

This approach originated with their initial prototype development, whereby the team worked with 67 different women over a one-year period to create the pair of tights that they felt would best meet the needs of the customers whose pain point they were trying to solve.

This level of customer research and iterative product development is not uncommon, particularly among technology start-ups. Perhaps what is more unique is that it is a process still continuing today, even as the business is rapidly scaling and it is utilising increasingly innovative technologies and techniques to do so.

For the launch of a new range of nude tights last summer, the new colour tones were sourced from ‘The Nude Project’, a crowdsourcing initiative the company had started the previous year where it asked women around the world to share their own ‘nude’ tones on a dedicated micro-site. This exemplifies Heist’s approach to customer centricity: “For us, it’s more about how we build a model that allows us to build for our consumers,” says Darbyshire.

Misha Nonoo has a similarly intensive level of focus on the customer. Nonoo made the bold decision in 2016 to shut down all her existing wholesale accounts to become a 100% DTC brand and, in a bid to eliminate the waste of unsold inventory, now operates on a made-to-order basis.

A key benefit of moving to the DTC model has been cultivating a much deeper relationship with the customer, which COO Lindsey Saletta describes as: “invaluable for our development process. We don’t make things that customers don’t want because we ask them first.” Indeed, in an interview with Fast Company last year, Nonoo herself spoke of how the customer data into which she now had a far better insight since switching to DTC showed that nearly half her customers were aged 25-34 and nearly three quarters of these customers were married. This led to the design of her ‘Easy 8’ range: eight garments that can be tailored into 22 different looks to carry women within her core demographic from daytime meetings to evening social engagements.

Saletta also highlights the importance of the ‘feedback loop’ through solicited customer research and engagement as well unsolicited feedback received through social media and customer service channels. The importance of channels through which customers can engage and be engaged with will be the focus of the next section.

<sup>2</sup>Fast Company: “British Designer Misha Nonoo Is Rewriting Fashion’s Playbook”, February 8, 2018

## 4.2 Channel mix

Venture capital firm Venrex argues that by going direct, brands can avoid the long lead-time typically associated with wholesale and the two season show format: “If you’re selling direct, you can just start selling it.” So passionate is Venrex about the DTC model that it mandates the shift to DTC with any new venture that it backs and insists that those which give up wholesale are “delighted” to do so.

Yet determining the right mix to ensure you are “central” to your customers is not necessarily easy. Whereas a wholesale approach certainly offers less insight into the customer and less opportunity to hyper-target given the environment of a larger, multi-brand retailer, DTC too requires greater strategic consideration and to an extent, continuous evaluation, especially given the evolving nature of social platforms in particular.

Gemma Ebelis (Zoë Jordan), likens a wholesaler to the equivalent of the “blue tick” Twitter offers to indicate that accounts relevant to the public interest have been verified. This ‘verification’ is particularly important to a growing business like Zoë Jordan, where brand awareness is still relatively low. Ebelis argues that the cache of being stocked in a trusted department store can give customers greater confidence when purchasing items at a higher price point than if they just come across the brand organically via social media or another online channel.

In addition, for a business that is still early in its growth trajectory, hard-earned budget must be seen to be measurably growing sales and for Ebelis, the endless “scroll” through Instagram may not necessarily be conducive to conversion for a brand like Zoë Jordan, even if this is where the majority of their customer base can be targeted on a daily basis.

Massenet empathises with this dilemma: “It’s true for any business with a high exposure to one kind of revenue that they get nervous about killing that channel by experimenting with another.”

Mulberry is a brand taking a hybrid-like approach in terms of its DTC strategy, focusing one pillar of its strategy on the rollout of digital concessions with luxury e-commerce players including Farfetch and in the all-important Chinese market, Secoo, Tmall and Toplife. While Charlotte O’Sullivan, the brand’s Global Digital & Marketing Director attests that the wholesale route would have been “far easier to go down” in China, this model offers greater brand guardianship, local market customisation and crucially, the retention of knowledge within Mulberry of “what is really relevant and important to the consumer”.

Another interesting dimension to getting the channel mix right in terms of customer centricity is the enduring popularity of the pop-up. Misha Nonoo’s first pop-up is open in Marylebone throughout June 2019, with another planned for New York later in the year and a potential permanent physical retail space in 2020. For Lindsey Saletta (Misha Nonoo), the pop-up is primarily about “customer exposure” and “1:1 interaction” while also offering customers the opportunity to try before they buy. “We will come back from this month with a lot of insights into how we can do business better.”

The pop-up also features a programme of events, panels and masterclasses, including entrepreneurs Dame Helena Morrissey and Samantha Cameron, which seem to be designed to appeal to what one would imagine Misha Nonoo sees as their typical customer.

For Heist Studios, its three-month pop-up last year was about learning “how to translate online into offline” according to founder and CEO Toby Darbyshire. It seems to have been a positive experience: “Given the right level of capitalisation, you could see retail being a material part of the mix but it’s a long and expensive process to build that footprint.”

The importance of customer-centricity is not in any doubt but its execution clearly can represent a challenge for brands that lack either the depth of customer insight that a more heavily weighted DTC model provides and the ability to use that insight to enhance business decision-making.

Misha Nonoo and Heist Studios show what is possible when you place the customer at the centre of your business, largely because both are hyper-focused on thinking about their customer base as a community that needs continuous nurturing, rather than as a target to be sold to. For any brand or individual considering this approach, a final concluding note from Massenet on this topic should be noted: “[customer centricity is] hard to build in retrospectively but easier to embed in a start-up.”

### **“Your business should be structured around the customer” Toby Darbyshire – Founder & CEO, Heist Studios**

Hosiery may not seem the most obvious product category from which a red-hot fashion start-up would emerge but that is exactly what Heist Studios has achieved since it was founded by management consultant-turned-serial entrepreneur Toby Darbyshire.

Having already sold his first business, home energy company Hangensa, to a Chinese renewable energy giant, Darbyshire founded Heist Studios in 2015 with the mission to build a global underwear brand, starting with revolutionising the ubiquitous – but unloved – pair of tights. The fledgling London-based business has seen its annual sales increase by 300% year-on-year and has attracted more than \$8m in investment from industry luminaries including Natalie Massenet’s Imaginary Ventures and Pembroke VCT, the fund behind Alexa Chung’s eponymous label.

For Darbyshire, DTC is defined as “being digitally native more than anything” but also, as a business that is “structured around the customer”. While virtually every brand talks about adopting a more customer-centric mindset, Heist Studios incorporated it at the business’ inception by engaging customers in the actual product development. The founding team worked with a group of 67 diverse women over a 12-month period, generating samples that were then used to conduct fittings with both models and ‘everyday’ women. The end-result was the ‘invisible’ tights that are now sold in over 40 countries worldwide.

Maintaining this customer-centricity as the business scales is front of mind for Darbyshire. “It doesn’t change with scale and we’ve still got work to do. You need to continue to organise your product development around your customers’ needs. You need to have that conversation with your customers in real-time and ensure that their insights are flowing back to your product innovation team. That’s what we mean by customer-centric – for us, it’s more about how we build a model that allows us to build for our consumers.”

Technology plays a key role in this. “Of course, there are standard questions that we ask – everyone has seen a woman try to hoist up a pair of tights – but what is key for us is utilising solutions like biomimicry and 3D scanning to enhance the insights and product design respectively. These technologies give us a heightened understanding of the customer and identify the product failure required to create products that truly solve a genuine pain point.”

## 5. Digital nativism

Digital innovation has never been more important in luxury. British brand Burberry has led the digital revolution from a fashion brand perspective and recently re-asserted their leadership in this area with their award winning B Series on Instagram, WeChat, LINE and Kakao. Working with the social platforms they offered drops of limited-edition products that proved extremely popular and attracted new and young customers. As a digital leader they partnered with Instagram to launch checkout, a new feature enabling customers to buy products directly from the Burberry Instagram shop for a more seamless shopping experience. The development of social commerce has been replicated on WeChat in China.

Recognising that the luxury customer is influenced by many different touch points in their purchase journey, including social media, websites and stores – Burberry take an omni-channel approach to campaigns and product launches. The latest Thomas Burberry Monogram campaign is a great example of this, with in-store pop-up activations, digital experiences on burberry.com and a range of co-created content on social platforms.

As part of their broader strategy to engage with consumers in the spaces they want to engage with the brand, Burberry activated across a range of social media platforms which plays into their social ambition of building a brand community that consumers can associate with, and can co-create with. A recent example of this was the #TBChallenge on Tik Tok, asking users to recreate the TB symbol with their hands making it inclusive and accessible.

### 5.1 Excelling in e-commerce

The notion of digital as something distinctive or separate within a business is quite outdated in today's context: digital cuts – or at least should cut – across every dimension of a fashion business, whether it be e-commerce infrastructure, social media, influencer marketing or customer analytics.

From Toby Darbyshire's perspective, DTC is about being "digitally native more than anything else". However, developing such a mindset may pose a challenge for any designer, given the plethora of tools and technologies and the pace of change within the digital sector more broadly. Indeed, Adam Brown likened the launch of Orlebar Brown back in 2007 as having to "learn a whole new language."

Geographical location might, ironically, be beneficial for those struggling to shift towards this digital-native mindset. According to Jim Pickles (Department for International Trade): "London is emerging over time as the potential e-commerce capital of the world due to a combination of factors including the existing digital advertising agency infrastructure, a high concentration of fashion companies and retailers and increasing investment into the ecosystem as a whole. As with Silicon Valley, London's e-commerce ecosystem has emerged over time as a result of infrastructure, investment and people."

On the other hand, Pickles states that there is room for improvement among digital fashion brands: "The general standards of e-commerce websites need to be raised to take advantage of worldwide e-commerce. Too often, it is not part of a business plan."

This type of improvement in e-commerce is not necessarily incumbent solely upon the businesses themselves. Recent years have seen the rise of high-quality accessible e-commerce infrastructure solutions developed by tech start-ups turned unicorns Stripe and Shopify. Stripe's product offering includes payments technology that manages the processing of international digital commerce transactions, in theory, making it easier for any online business to serve customers around the world. It also includes its Atlas product, which allows any business to incorporate as a US company, making it easier to sell to the all-important US market, something which may be of increasing value against the backdrop of growing trade protectionism.

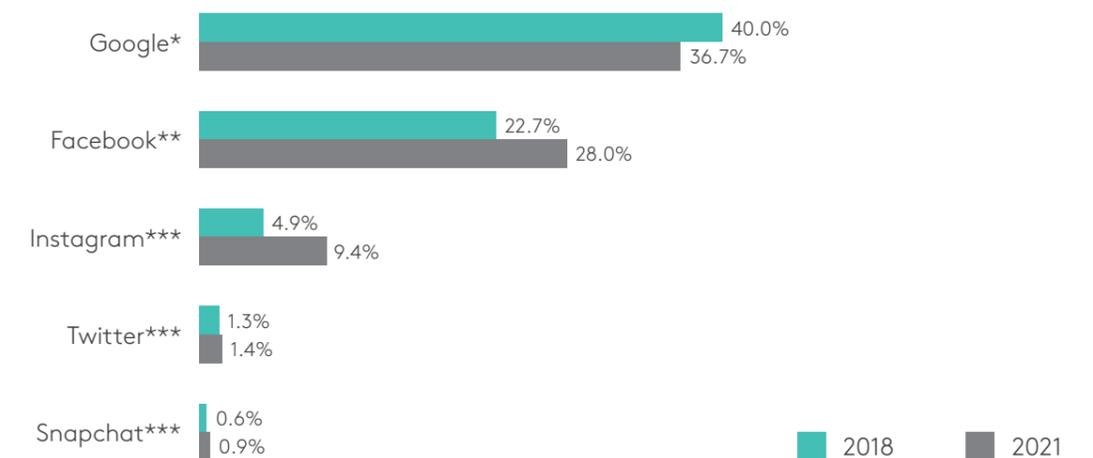
Shopify meanwhile provides e-commerce software that offers the full range of solutions required to sell across owned digital channels or via social media.

The portfolio of products from both Stripe and Shopify are also extremely flexible, meaning that they can be tailored to meet the needs of a business as it evolves from start-up to scale-up.

### 5.2 The 'paid' platforms

Of course, the rise of one particular platform company has arguably had the greatest impact on the proliferation of the DTC model. Facebook has over 2.3bn monthly active users, Instagram, over 1bn (half of which access the app daily). Both have been instrumental in the growth of mobile social commerce and combined, accounted for more than one-quarter (27.6%) of the net digital advertisement revenue share in the UK last year, with this figure projected to grow to 37% by 2021<sup>4</sup>.

UK Net Digital Ad Revenue Share, by Company, 2018 & 2021  
% of digital ad spending



Note: \*net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; \*\*paid advertising only; excludes spending by marketers that goes towards developing or maintaining a Facebook presence; includes Instagram advertising revenues; \*\*\*paid advertising only; excludes spending by marketers that goes toward developing or maintaining a presence on the platform

Source: eMarketer, Feb 2019

<sup>4</sup>eMarketer, Google and Facebook to reach 63.3% digital ad market share in 2019, March 26, 2019: <https://www.emarketer.com/content/facebook-and-google-control-ever-greater-portion-of-uk-ad-market>

Sasha Astafyeva, Principal at the VC firm Felix Capital, highlights the power of these platforms: "It is very hard to have a consumer-facing business these days without them. Instagram is like a new version of the department store."

However, there is widespread recognition that both are now 'paid' platforms and in a sign of how quickly this space continues to evolve, the unit economics of social mobile commerce in terms of customer acquisition are vastly different today than they were even as recently as three years ago. This is giving some pause for thought, including Toby Darbyshire (Heist Studios):

"Clearly, [they are] hugely important but increasingly less so. Facebook algorithm changes make it more expensive and the tension around the ad-funded model is causing some seismic shifts. It's almost back to the 1980s – we're starting to move away from: are things attributable back to how do we build a brand over time?"

Similarly, Astafyeva posits that long-term business sustainability is about "diversifying acquisition streams. You should not rely on just one platform, such as Instagram, for the majority of your acquisition strategy. Diversifying acquisition channels protects you in case one of the platforms begins to lose its relevance."

Yet while it is important to recognise that the days of organically scaling a business solely through Facebook or Instagram are long over, the reality is that both platforms will continue to play a critical role in this space for some time to come, due in no small part to the critical mass of their user base.

In addition, there is every chance that the continued evolution of the product offering from a business perspective will make it irresistible for even the most sceptical of brands. Michelle Capp heads up Facebook's retail fashion team in the UK, working closely with the likes of Arcadia and Mulberry to help such brands maximise the potential of Facebook's family of apps (Facebook, Instagram, WhatsApp and Workplace by Facebook).

Capp sees DTC as creating a "frictionless shopping experience" to make the path to purchase for today's "impatient consumers" as smooth as possible. Facebook's product roadmap strategy appears to reflect this philosophy. Following the success of 'Shoppable' posts, Instagram is now beta-testing its 'Checkout' feature, which lets users buy a tagged product in a post without even having to leave the app, courtesy of an integration with PayPal. Instagram is also working on a new pilot in the US that would allow users to buy a tagged product in an influencer's post directly.

Such innovations give a sense of the immediacy and seamlessness that the platform could offer a DTC brand in terms of customer acquisition and conversion, even if it does increasingly come at a price.

### 5.3 The end of the influencer?

Perhaps somewhat surprisingly, given their seeming synonymy with fashion, was how low of a priority influencer marketing seemed to be among the brands and designers that participated in the research. Heist is conducting some initial testing but on an organic basis only, with no real scale. Similarly, Misha Nonoo has never paid anybody to wear anything or post about their designs, with most of their traction through this space also organic.

Darbyshire again cites the challenge of cost as a barrier but also seems lukewarm on the value: "The heat is coming out of the market – it's the beginning of the end of it due to size and payment required."

This 'anti-influencer' approach may be reflective of the 'authenticity' that both brands prize quite dearly and the fact that influencer marketing, even when executed well, rarely fits that

description. This has been further exacerbated by a tightening of regulation by the Advertising Standards Authority, which now mandates that any social content featuring a brand or product with which the influencer has some form of commercial relationship – including 'gifts' – is clearly marked with #ad or #spon.

Even Capp herself references recent media coverage citing 'the end of the Instagram aesthetic'. However, she does not view that as a challenge of the endurance of the platform, noting that the influencers who are doing well on Instagram are those that are their "true selves" while brands such as ASOS and H&M are also performing well, due to their focus on highly personalised and targeted content.

### Joining the dots, from Somerset to Shanghai Charlotte O'Sullivan – Global Digital & Marketing Director, Mulberry

What does British heritage leather goods brand just shy of its 50th birthday know about digital? Quite a lot actually: at the midway point between this decade and the last, Mulberry had established itself as a powerhouse force in fashion, helped in no small part by the fact that one of the original online fashion influencers, Alexa Chung, was a fan of the brand and served as the style inspiration for the best-selling 'Alexa' handbag.

In recent years, the concentration of the brand's customer base in its domestic market, which still makes up nearly 70% of its sales today, has arguably made it more vulnerable to the UK's tough economic headwinds and trading environment than other, more geographically-diversified luxury brands. But under new leadership from luxury goods veteran Thierry Andretta since 2015, as well as brand guardianship from Creative Director Jonny Coca (formerly of Celine), Mulberry has been undergoing a dramatic transformation, with a digital-centric direct-to-consumer model and a focus on realising the international potential of the brand at the core of the business' new strategy.

"90% of our business today is through owned retail and partner channels, giving us maximum control of our product marketing strategy and our brand environment," explains Charlotte O'Sullivan, Global Digital and Marketing Director at Mulberry. "This is a key part of the strategy led by Thierry to be a customer-centric organisation not only in terms of our store network and service proposition but also in terms of our overall business and marketing approach. It arises from what we perceive to be the shift in the wider retail and fashion landscape, influenced by digital and social, and a focus on targeting the younger, digitally minded customer."

It is this shift that has underpinned the business' strategic focus, including the brand's move to the 'see now buy now model' in 2018 and a wave of new digital partnerships to expand online sales internationally. In China, Mulberry last year added digital concessions with Secoo, Tmall, and Toplife, JD.com's luxury platform.

The strategy appears to be working: in the six-month period ending September 2018 (the most recent earnings available for the brand at time of print), global digital retail sales increased 5% to represent 17% of total group revenue, up from 14% year-on-year. Combined with digital sales through its wholesale partners, total digital sales are estimated to account for over 20% of total brand sales. A recently announced new concession partnership with Farfetch is likely to boost this figure further still.

"We have a strong digital competency and are outperforming the industry average in this area by as much as 10% in some territories," states O'Sullivan.

The brand's direct-to-consumer approach is critical to its wider digital strategy. "In China, we have launched multiple digital concessions in a relatively short period of time, which was not necessarily easy in terms of developing localised infrastructure, service and stock management," continues O'Sullivan, "but these strong & localised partnerships with these platforms allowed us to think about the product marketing strategy and how we worked with these partners in a very focused and highly-customer-centric manner. The ability to manage such an important market in a coordinated fashion in terms of the right level of marketing investment and customer insight is really critical – you also get the benefit of retaining the knowledge within the business of what is really relevant and important to the consumer."

O'Sullivan sees this high level of brand guardianship and retention of customer insights as enormously important: "When you are controlling all of those elements, you are able to incorporate the feedback that you're getting from that customer in a more immediate sense. This is particularly important with a channel like digital, where decision-making is fast and frequent. With DTC, there is this constant feedback loop on stock, product development, merchandising and marketing."

O'Sullivan is also a champion of the 'test and learn' approach but emphasises the importance of deploying it in a 'connected' way: "It's most pertinent in my role but you have to apply the data and insight to inform broader decision-making. You get the best out of the model when you utilise it across the business."

Mulberry also has the advantage of owning its own manufacturing facilities, producing as much as 50% of its handbags across its two existing Somerset factories, which, according to O'Sullivan, "gives it the ability to respond to consumers in a timelier manner and exercise great agility".

This philosophy of integrated, joined-up thinking also extends to the utilisation of social channels and influencer marketing. "These have certainly become more prominent over the last five years but they still need to be deployed with smart, tactical, performance-marketing driven activations, events, experiences and insight. For us, it's always about the coordination of those elements and how they work together in a connected and 360 degree fashion."

## 6. Purpose

### 6.1 The purpose movement

In a recent Business of Fashion podcast<sup>5</sup> featuring the founders of DTC brands Allbirds, Hims and Hers and Good American, it was noted: "the one thing that seems to unite all your brands is this sense of purpose".

While there is no doubt that the term 'purpose' is at the risk of over-use in the context of modern commerce, it does not make it any less relevant or meaningful that brands are beginning to more carefully consider their impact on, and contribution to, society. Being a purpose-driven brand can mean many things and goes far beyond the corporate social responsibility programmes of old to encompass a broad range of areas.

<sup>5</sup>Business of Fashion: The BoF Podcast: Building Disruptive Direct-to-Consumer Brands, May 9, 2019: <https://www.businessoffashion.com/articles/podcasts/the-bof-podcast-building-disruptive-direct-to-consumer-brands>

For Toby Darbyshire (Heist Studios), it is about championing diversity and inclusion and challenging stereotypical depictions and assumptions within the hosiery category. For Misha Nonoo, it is about committing to reducing waste typically generated by unsold inventory.

The intersection between purpose and DTC can perhaps be explained by what Darbyshire describes as the need to stand apart: "To be successful you have to have a differentiated and meaningful point of view. In a world where there is so much noise, if you sell the same stuff and talk about the world in the same way, it's difficult to get noticed. Our feeling is that if you're going to build a successful brand you have to start with an authentic view and from that your product design flows and from that your way of marketing also flows."

Such a focus on purpose among DTC brands may also be related to a new generation of entrepreneurs and designers who view the role of a business quite differently to previous generations. Indeed, Frances Corner, Head of the London College of Fashion, notes that among graduating students, fewer are going into the houses, with most more interested in setting up their own business. Corner ascribes this trend as related to this cohort of having "different values and wanting other things", which would suggest that perhaps the more 'corporate' fashion house route is less in tune with this generation's belief set.

### 6.2 The transparency disruption

This purpose-driven mindset is also stimulating innovation among the next generation of designers, particularly in the area of sustainability. Bethany Williams, the recent winner of the QEII Award for Design, believes that social and environmental issues go hand in hand and through exploring the connection between the two, innovative design solutions to sustainability can be found. On top of this, Williams is committed to donating a percentage of her profits back to the charities that she collaborates with for her collections.

Louise Garvin is the Head of Projects at Provenance, a B2B2C business that uses blockchain technology to deliver information to businesses about products and their supply chains so that the origin, journey and impact of products can be better communicated to end-consumers. Garvin believes that the world is: "at the early stages of a transparency disruption. Sustainability is sitting on the periphery in fashion businesses but that will slowly become more embedded into practices... and the businesses that do this will win."

Garvin notes that fashion is a more complex industry to work with because of the number of inputs that go into garments, making it difficult to reliably trace the origins. But Garvin does highlight that innovative DTC businesses addressing the challenge of fashion's impact on the environment are emerging. Garvin cites Two-Thirds as one example, which puts all products on pre-order for three weeks to determine demand and then goes into production, so that it is: "pulling product, not pushing product".

In particular, Garvin sees much opportunity for more sustainable and ethical DTC start-ups: "With the DTC model, there is a lower cost of customer acquisition – they can build in these approaches from the start whereas if you try to do later on, the upheaval will be huge."

### 6.3 The delivery & returns loop

While DTC may be helping to stimulate the exploration of more responsible and sustainable business practices in fashion, one potential negative by-product of the model is the high returns culture that it appears to be playing a role in fuelling.

The unsavoury practice of returned stock ending up in landfill or incinerated has long been an issue. Where DTC poses an additional challenge is the potential pollution and congestion

exacerbated by an on-demand delivery culture: as Jim Pickles (Department for International Trade) notes: "In terms of infrastructure, there needs to be a possible shift to cater for online with new solutions. Sending large vehicles into cities to deliver parcels to customers at their door may not be sustainable for the future."

## Compounding this is an alarming trend of consumers buying clothes for the sole purpose of wearing them for social media before returning them. 1 in 10 UK shoppers admitted to this practice according to research conducted by Barclaycard last year<sup>6</sup>, with the incidence of this activity highest among men and women aged between 35 and 44.

This wider online sales purchase and return culture is a trend that Frances Corner describes as: "totally unsustainable...people are beginning to question and change their buying habits".

Expecting a sufficient number of consumers to shift their behaviour in this way seems ambitious so other options must be explored. Francois Souchet leads the Make Fashion Circular Initiative at the Ellen MacArthur Foundation and believes that the online delivery culture needs to be looked at in a more connected way: "Brands need to produce high volumes of product as cheaply as possible – the increased reason is coming from the need to support e-commerce, allowing customers to try products and return what they don't like. There is no appropriate handling of those returns – a very limited number will go back on the shelves."

According to Souchet, so much of the difficulty in this area relates to product fit, sizing, colour and texture – and the customer essentially not knowing whether the purchase will actually be right for them when they try it on. Technology could offer partial solutions to this, with Souchet noting that AR, for example, could help users to more accurately determine the size and fit of product that they need or whether they even like the colour.

### Fit for purpose Lindsey Saletta – Chief Operating Officer, Misha Nonoo

A DTC brand certainly does not need to eschew wholesale entirely. Yet one such brand that chose to do exactly that in 2016 is Misha Nonoo. The British designer took the radical decision to shut down her wholesale accounts in favour of selling directly through owned

digital and social channels, with the goal of creating a '100% shoppable online content experience'. The reason? A desire to be more sustainable.

As the brand prepared to open its first pop-up store in Marylebone, we spoke to Chief Operating Officer Lindsey Saletta to hear more about how a sense of purpose re-shaped the Misha Nonoo business model (*thoughts by Saletta, words by report author*).

#### What prompted such a radical decision so early in the brand's life-span?

The business model shift was born from the frustration of having a ton of inventory – and essentially, waste – at the end of the season.

Our approach to production was based off a guess: the reality is, there is no way to tell what the demand for a certain product will be and we don't believe that the industry can continue to function this way. It's just not a sustainable practice either for a business or the environment.

#### How has this changed the business?

With the shift to DTC, we have effectively become an on-demand business, producing on a made-to-order basis. Of course, to establish such a model, we had to find a factory that was prepared to work in this way. Our original goal was to find a local production partner in New York but this proved impossible. Ultimately, through a personal connection of Misha's, we found a woman-owned factory in China already producing for a couple of smaller brands but that really bought into our approach. That was key for us as we certainly see this as the future of our brand and we see ourselves as the test case for the industry to determine whether a business can operate this model successfully.

The shift hasn't just changed our business but it's also impacted the factory's: we're creating jobs that just don't have those peaks and valleys. We're able to provide a much more solid level of business to that factory compared with what we could provide to production partners before.

#### Sustainability is a complex area and there are so many different dimensions to consider: how holistic your approach to combatting fashion's large carbon footprint?

With the shift to DTC, our focus was waste reduction. We're open about the fact that we've picked one thing as the main problem we are trying to address. There are other areas that we would like to do better in but ultimately, everything is a trade-off and we still have to make fiscally-responsible decisions.

#### How have consumers responded? Is your sense of purpose a key factor in why people shop buy Misha Nonoo?

I think more broadly that we are seeing the beginning of a major shift. The customer is far better-educated about these issues now and I think our sustainable approach is a key purchase driver for the women who shop at Misha, to a far greater extent than I would have guessed before I joined the business. The customer has so much more choice today – why would you choose 'bad' product when there is 'good' product out there? Fashion today has to have a story and represent values that consumers can identify with. Clothes have always been about the way we express what we believe in – and the customer today is just way too savvy to invest in clothes that are not reflective of those beliefs and values.

<sup>6</sup> Barclaycard: Snap and Send back, August 10, 2018: <https://www.home.barclaycard/media-centre/press-releases/snap-and-send-back.html> <https://www.home.barclaycard/media-centre/press-releases/snap-and-send-back.html>

## 7. Team talent

### 7.1 Education infrastructure

Throughout the research conducted, there was a widely-held confidence in the creativity and quality of British fashion design, as a result of both the heritage and strong infrastructure in place.

However, while the DTC model may offer compelling benefits to designers and entrepreneurs entering the fashion market, direct customer acquisition requires a mastery of skills that go far beyond design and creativity alone.

VC fund Venrex similarly believes that the quality of education at the London School of Fashion and others is strong and are adamant that these institutions focus must be on: “fashion first and foremost”. Nonetheless, Venrex believes that more could be done to increase mentoring opportunities and support for some of the early career programmes and initiatives.

### 7.2 Team structure

One key area for exploration is how emerging designers or even aspiring fashion entrepreneurs are choosing to structure their teams.

Perhaps because of the individual creativity of the work, it seems so often the case that designers found their business solo, in stark contrast to many other sectors where co-founders are more common (and statistically proven to be more successful in securing investment). Fashion designers only seem to really consider bringing in broader expertise at a later stage, when they have reached a certain size.

Regardless, Natalie Massenet is unequivocal on the point of team structure: “The UK has the best creatives but they won’t be able to launch and run a business. One person does not make a company.” From Imaginary’s perspective, particularly for DTC ventures, they are looking for: “an amazing vision and founder but also a team with a balanced skillset, an ability to execute on time, a pricing strategy, customer service commitment and the capability to deliver against the plan.”

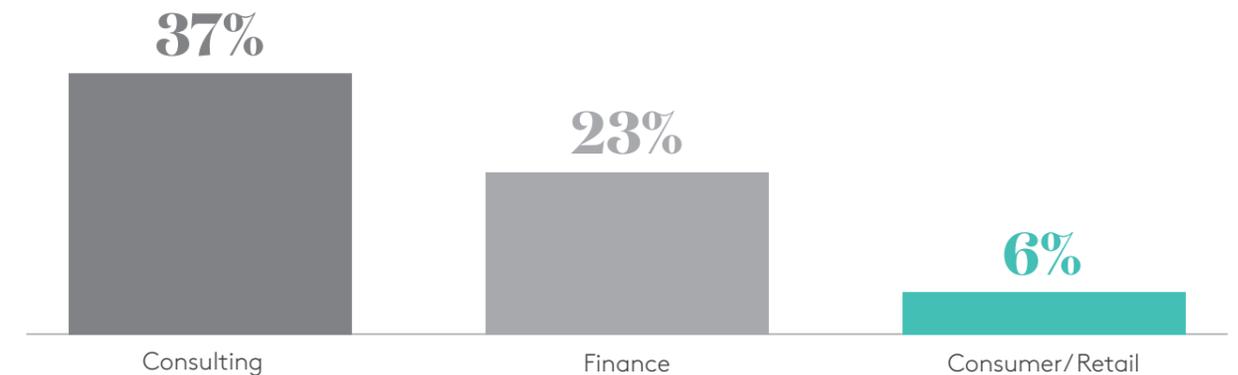
A graduate designer – or indeed, perhaps a graduate of any profession or background – may struggle to meet the requirements set out above but that is entirely the point. The professionalisation of the industry, the challenging trading environment and the need for a clear point of differentiation in a crowded market means that success above a certain scale requires resource and expertise beyond design skills alone.

Where can designers find such talent or at least access to the right skills? London Business School’s London Core Application Practicum programme<sup>7</sup> connects MBA students with London-based businesses across sectors including fashion, enabling students to work with businesses to utilise their newly-developed skills to propose viable business solutions for the participating companies. Two groups of MBA students this year worked in the fashion sector, with Halpern and Palmer Harding, developing strategic proposals based on specific areas of interest to the respective brands.

The greater challenge is ensuring this flow of talent into such businesses after graduation: just 6% of 2018 MBA graduates went to work in the Consumer/Retail sector compared with 37% for consulting and 23% for finance<sup>8</sup>.

<sup>7</sup> London Business School: <https://www.london.edu/masters-degrees/mba/programme-content/londoncap8>

<sup>8</sup> London Business School, 2018 MBA Employment Report: [https://www.london.edu/-/media/files/programme-files/master-courses/mba/mba\\_employment\\_report.pdf?la=en](https://www.london.edu/-/media/files/programme-files/master-courses/mba/mba_employment_report.pdf?la=en)



“Now that wholesale is not the only route to starting a fashion brand, fashion schools need to press upon designers that they will need to either gain business and retail knowledge or team up with commercial leaders in order to launch viable businesses,” concludes Massenet.

### 7.3 Impact of external investment

The team structure discussion is subject to change in line with the aspirations of the business. The reality is that many designers and entrepreneurs may not want to grow a business at the scale which might require them to seek funding from a VC such as Imaginary Ventures in the first place.

Zoë Jordan and Rejina Pyo are two designers who have founded businesses in the last decade: neither has taken any external funding to date. In Pyo’s case, her philosophy is not wanting to drive the ‘over-consumption culture’ and believes the pressure of external funding to achieve certain growth targets would conflict with this perspective. In addition, Pyo was focused on developing the business in an organic and stable way.

Pyo has a team of 14 people today based in London and Seoul and does now have a managing director on a part-time basis, a former classmate from Central Saint Martin’s, freeing up Pyo’s time to focus on design and building the brand.

Orlebar Brown provides a good reference point for the steady professionalisation of a DTC business as it scaled. The business was ‘boot-strapped’ by its original founders, Adam Brown and Julia Simpson-Orlebar at launch in 2007. It took two years for it to secure its first wholesale account and in 2013, following several years of steady growth, it secured private equity funding. Finance chief Paul Donaghue was subsequently appointed CEO and Brown began overseeing all product, creative, storytelling and customer experience responsibilities.

Last year saw the purchase of the business by Chanel for an undisclosed sum, although given the small size of the business relative to the \$10bn luxury goods powerhouse, little has really changed for the brand. “They want us to continue driving the business while providing us with additional expertise on areas such as sourcing, production, IT and legal,” according to Brown. Today, Orlebar Brown employs 140 people. Brown goes back and forth in terms of: “constantly wanting to do more and hiring more people and constantly thinking the business has too many people.”

Whether DTC businesses have the luxury of a route towards such professionalisation if they do have high aspirations for growth is not even a given, according to Toby Darbyshire (Heist Studios): “Europe lags the US in the DTC world, due to the lack of an ecosystem of brands seen in places like New York and – linked to this – a reticence among UK investors to fund DTC businesses at anything like the levels US funds embrace.”

It is also a question of size: “Our market gives us access to 60m people and the early adopter group is smaller. It’s nobody’s fault that the US has a massive market and as a result there is just more money behind US businesses.”

This is a view echoed by Sasha Astafyeva (Felix Capital) who rejects that the strong adoption and success of DTC in the US is to do with anything but size: “As an investor you always look at the size of the market so smaller markets will be at a disadvantage unless they have high growth ambitions and want to go to the US. It’s nothing to do with talent or other things.”

### **“Creative DNA and commercial talent is key” Sasha Astafyeva – Principal, Felix Capital**

Felix Capital is a venture capital firm for the ‘creative class’, with a specific focus on opportunities in ‘digital lifestyle’ and portfolio companies including Deliveroo, Peloton and Highsnobiety. Another member of the London-based firm’s portfolio is Anine Bing, the eponymous DTC label that the Danish blogger built from an Instagram page to a high-growth fashion brand with multiple stores across the US, UK and Europe.

Astafyeva herself has deep expertise in fashion: prior to joining Felix Capital, she led business intelligence and strategy at Lyst. When it comes to evaluating the people leading the ventures that approach Felix Capital for investment, the right blend of skills is key: “We have a hard time backing someone who has very limited commercial DNA on the team. We need a business plan: we need to see how founders think about the relationship between capital and revenue creation and that the relationship between the two is improving over time.”

The need for a level of commercial acumen goes far beyond just being able to put together a strong plan on paper. It also pertains to the founding team’s ability to demonstrate that they have a proposition that can generate positive unit economics: “At some point you have to start making money: the only way to do that is to strive to sustainable unit economics. Anybody running a company should have these economics in mind and be asking themselves: can I create a strong enough brand where ultimately I am able to acquire customers profitably? We still come across companies who don’t have a sustainable business proposition in mind.”

One DTC jewellery brand in Felix Capital’s portfolio that does seem to have such a sustainable proposition is Mejuri, a Canadian start-up whose business has quadrupled year-on-year without consuming a lot of capital, something which Astafyeva describes as “unusual” in today’s market.

Is there a blueprint from high-growth businesses like Mejuri or Anine Bing that other designers could follow? “Ultimately, it’s a combination of things. Anine is very much the face of the brand and that helps but Mejuri doesn’t have the equivalent and it is still doing well. Every business is different but having the right combination of quality product and people is certainly beneficial.”

Astafyeva acknowledges that VC funding may be challenging for a newly emerging designer, especially one without a more commercially-focused business partner. Such solo creative designers may be more likely to pursue angel investor funding, rather than approach a venture capital fund straight away. “Venture funds take bigger risks but expect bigger returns: and having a team that comprises both creative talent and commercial DNA is key to demonstrating focus on achieving these bigger rewards.”

## **8. Concluding Recommendations**

There is no doubt that a tremendous level of excitement and enthusiasm surrounds DTC across the value chain. All of the right ingredients seem to be in place to help to accelerate the adoption of the model in the UK for existing and emerging designers and fashion entrepreneurs alike:

- High-quality education and training to nurture design talent to create the differentiated product propositions that make British creativity stand out
- The ability to adopt a customer-centric mindset courtesy of the strength of the digital and creative services workforce
- E-commerce heritage to support with enhancing digital infrastructure, operations and engagement
- The critical user base and evolving sophistication of social mobile commerce to hyper-target customers
- The opportunity to build a purpose-driven brand around sustainable and responsible practices from the outset to align with the growing trend of consumer consciousness
- The start-up ecosystem, business talent and infrastructure to generate the level of investment to foster successful businesses in the long-term

Yet DTC is not a panacea to the malaise of the wider retail landscape, particularly in physical retail and at the mid-market segment. It is true that the diffusion of technology has lowered the barriers to entry to starting a business but the barriers to scaling and sustaining a business are only getting higher in terms of not only cost, but also customer expectations of overall experience and service.

The pace of change in the sector and the high standards that strong DTC brands such as Orlebar Brown, Heist Studios and Misha Nonoo are setting across many of the dimensions outlined in this report make it imperative for designers and entrepreneurs to develop a clear strategy that gives them the confidence that they can create a sustainable business in such a period of rapid disruption and change.

Based on our research, below follow key recommendations for designers and entrepreneurs seeking to explore the DTC model:

- Develop clearly differentiated product proposition addressing a genuine and relatable customer need or desire at a price point that gives or leads to a sustainable gross margin
- Create a customer-centric approach that considers from the outset what problem you are seeking to solve for that customer and keeps that customer front of mind, at the point of product development, through to channel selection for customer acquisition and engagement for long-term retention
- Invest in the digital infrastructure and operations that support your e-commerce platform: the right architecture from the outset will ultimately shape the customer’s experience of your brand. And in a digital-only environment, that experience will determine all

- Identify the mix of customer acquisition channels that you believe best align with where your customers are – or are likely to be – and resource them with adequate budget to achieved the desired results
- Pursue a strategy that revolves around sustainable growth that does not cost the earth – bigger businesses are retrospectively overhauling their approach in line with fast-evolving consumer expectations and preferences. Building this ethos in from the outset may be the key to longevity within a very short space of time
- Build. A. Team. It has never been easier to start a fashion business and arguably never been harder to make one succeed. Identify your weaknesses and find people to co-found, or at the very least, consult with to help address your perceived 'blind spots'

DTC is more than a business model: as the industry continues to evolve at such pace, its components can actually underpin an over-arching mindset and philosophy on which to model British fashion.

