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Digitally native/direct-to-consumer: New kids on the block - by Carol Todreas

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Retail is resilient! COVID or not, new stores are opening. In-person shopping lives on. Enter a new breed of retailer born on the Internet and opening exciting physical stores: “Digitally Native” or “Direct-to-Consumer” brands. These brands are hyper-focused, customer-centric retailers controlling every aspect of the consumer’s brand involvement from designing and making the product to the actual sale. Eliminating the middleman and big retailers, such as department stores, digitally native retailers can eliminate many supply chain issues and associated costs. The manifold advantages include lower prices to consumers, and expedited deliveries, control of customer relationships, merchandising and use of physical space.

Digitally native brands started online retail roughly a decade ago with a product to sell uniquely on the Internet. Many emerging brands created a strategy of marketing and sales to connect with their primary customer, Millennials. They developed a back story of why they were formed with a social do good for the world mission. The classic example has been Warby Parker, the purveyor of prescription and sunglasses whose mission is “Buy One and Give One,” or BOGO in the industry. It has been a model with social appeal that turns buying into a participatory world event that can be shared with friends and family on Facebook, Instagram, or any other trending social media.

Warby Parker started sales from a website in 2010, opened one physical store in 2013 and as of 2017 has 71 locations. Other digitally native brands have followed this model and trajectory. The reasons for opening physical stores are varied but the most noteworthy is the COVID-inflicted state of commercial real estate which has led to a significant decrease in rents. Important still is expanding customer discovery, enhancing the brand through the store experience, and keeping the customer regardless of on-line or in-store buying whims.

Presently there are several successful examples of digitally native brands with physical stores, each one providing a new and engaging customer experience:

- Pelaton, the cycle store that keeps the customer after sales with a subscription to cycling coaching and programs;
- Everlane, casual apparel for men and women whose brand message is transparency in manufacturing and pricing;
- Casper, selling mattresses in bedroom style spaces for testing mattress with easy returns;
- Glossier, a dreamy environment to buy and experience make up.

These are only a handful of those now established in the brick-and-mortar retail world. More are in the pipeline, and incumbent retailers are already learning from those who have been around. While the Seaport has been a favored beachhead location in New England, the new retailers will expand and be potential tenants for retail on shopping streets, and mixed-use office, residential, and lab developments.

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