

A dark silhouette of a man and a child standing and looking at each other. The man is on the right, taller, and the child is on the left, shorter. They are both facing each other, creating a sense of connection.

# TRAUB'S 2019 NEW DAVIDS

DECEMBER 2019

## TRAUB'S 2019 NEW DAVIDS

# FULL CIRCLE: BRANDS LIKE ANY OTHER

In the spirit of continuing a TRAUB tradition, this year we revisited our previous US New Davids report for our fourth and final annual study. When we published our first report in 2015, we highlighted the wave of digital-native businesses taking on the consumer and retail space. We named these businesses The New Davids and defined them as companies founded, launched and nurtured online. Over the last few years they have taken significant market share from their incumbents, the retail Goliaths, by employing customer centric and data-driven principles to their online operations.

While the David and Goliath titles imply that there can only be one winner, we continue to believe the future will be determined by the best of both. In our report last year, we saw brands which we had previously categorized as Davids or Goliaths beginning to work together and learn from one another. We saw more and more Davids borrow from the traditional retail playbook to open physical retail locations. These physical locations allow brands to provide experiences and connections they cannot achieve online. We saw this trend continue into 2019 as brands that had previously eschewed retail continue to open stores in droves.

While digital and physical retail will continue to play an important role in the ability of New Davids to own their branding, customer relationships and data, in order to become businesses of scale they will need to act as traditional brands and leverage multiple channels of distribution. In our report this year, we focused on ways in which New Davids are expanding into multiple distribution channels including wholesale. For their part, the Goliaths have recognized the impor-

tance of working with the Davids to bring newness and freshness into their stores.

Nordstrom has consistently paved the way by working with and supporting digital native brands. Nordstrom's Pop-In@Nordstrom concept has been home to stalwart digital natives such as Allbirds, Everlane and Away. Additionally, Nordstrom recently announced a partnership to have Glossier pop-ups in its stores marking Glossier's first foray into the multi-brand channel. Other Goliaths have increasingly found ways to work with the Davids in multi-brand wholesale as well. Target now sells brands such as Casper, Harry's, Barkbox and Quip in its stores across the country and Walgreens is rolling out Birchbox shop-in-shops at 500 of its locations.

In our fourth look at the New Davids we have curated a selection of over 350 brands across five key categories: fashion, accessories, beauty, wellness and home. While new brands continue to crop up year to year (and some fold), we were particularly interested in diving into the statistics around retail and wholesale within our brand landscape. As we suspected, both retail and wholesale were common distribution channels even among these "upstart" brands. The more mature the brand, the more likely it is to pursue multiple channels of distribution.

As the New Davids grow up, more brands experiment with one or both of these multi channel prongs. In doing so, brands are able to increase the life time value (LTV) of a customer while decreasing the cost of acquiring that customer (CAC). These brands are now achieving the flywheel effect from being multi channel brands.

On the retail side of the equation, 31% of brands have some permanent, physical



The Flywheel Effect of Multichannel Brands

presence for a total of 960 stores between our 370 brands. However, when going a level deeper into the data it becomes clear that the majority of these companies have a limited retail presence - 81% of the companies with permanent retail have fewer than ten stores. On the flip side, the top five brands with regards to store count make up 43% of the total retail locations. These top five brands: Warby Parker, Peloton, Untuckit, Bonobos and Indochino have become national retailers with a presence across the country. While opening retail remains capital intensive for many brands, we expect to see the number of brands participating in retail rise in 2020 and beyond. Even in limited numbers, retail provides a billboard effect for a brand that brings in new customers and provides additional touchpoints for existing customers.

While Digital Native brands have garnered a reputation of being anti-wholesale, the data shows that in reality a majority of brands engage in wholesale in some capacity. 62% of the brands we studied utilized wholesale as a channel of distribution. Department stores (such

# THE TRAUB 2019 NEW DAVIDS

as Nordstrom or Bloomingdale's) and multi-brand third party retailers (such as Target or Sephora) were both more popular channels than Amazon. Of the brands that have engaged in wholesale distribution, 61% have sold in department stores and 74% in multi-brand third party retailers, while 53% have sold on Amazon.

While retail can be expensive and the growth potential more limited, wholesale is a way to increase distribution of a brand to many new customers all over the country. The wholesale channel presents its own challenges to digital native brands - primarily the difficulty in reconciling the margin structure of a digital native brand with that of a traditional brand and the lack of ownership of customer data in this channel. Nonetheless, it remains a necessary channel through which to scale a brand. The wholesale channel enables the Davids to take advantage of the discovery power that multi brand environments provide. This channel is also an important customer acquisition tool. We expect to see more of Davids move into the wholesale channel.

As the New Davids and Goliaths revert to the mean and become more similar, both will need to use the same principles that have long been the pillars of a successful brand and company. At TRAUB, we believe that the keys to success as brands grow and scale is the balance between revenue growth and cost optimization. The four areas on which brands must focus are revenue, margins, SG&A and brand equity.

**Revenue:** Meeting the consumer where they are through multiple points of distribution. No matter at which point a brand starts, in order to reach a level of scale the brand will inevitably need to tap into one or both of the other channels.

**Margin:** New David brands were originally founded with the concept of effectively eliminating the wholesale margin and passing the value on to the customer. As these brands move into new channels of distribution they will need to rethink their product margin structures. Margin considerations will also come into play as international expansion becomes part of their growth strategies.

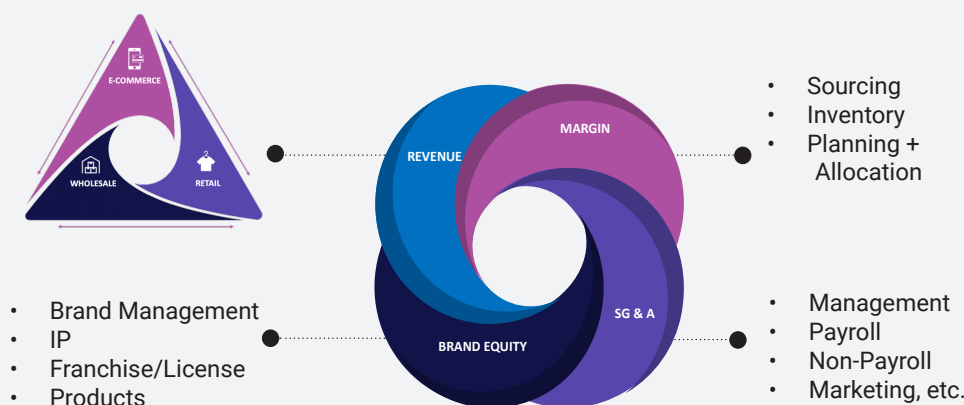
**SG&A:** As brands grow they will need to wrestle with the transition from scrappy start-up to well-staffed company. In order to support and sustain the growth of the brand, New Davids will need to accept that they are no longer start-ups. On the other hand, in order to move to profitability, these brands will need to find ways to create CAC efficiencies by finding new and more profitable ways to reach customers.

**Brand Equity:** The central tension for New David brands will be how to grow to reach a broader consumer without losing their brand identity. Brands will need to consider traditional methods such as international franchising and licensing while maintaining their ownership and understanding of their customer.

As the New Davids mature, we will continue to see growing pains as they work to achieve profitability without sacrificing the growth they and their investors expect. As we noted in our study of the European New Davids, the brands that will be successful are those that will stay true to their brand identity while adapting to new channels and markets.

While in 2015 it felt revolutionary to write about brands disrupting the traditional retail landscape, today, it no longer feels novel to hear about a brand started online. Almost all new brands today start as digitally native but with the mindset and business plan to enter retail and wholesale channels. The original cohort of New Davids including Warby Parker, Casper and Bonobos upended the retail industry for the better. They pioneered the pure play online model but evolved successfully into traditional distribution channels.

The Goliaths have taken note and the new brands they are launching follow this playbook. For example, Gap launched its Hill City brand as a "digital native" in 2018 online before opening a pop-up retail location and exploring wholesale at locations such as Neighborhood Goods. Hill City is designed to rival other New Davids including Rhone and Mack Weldon both through its customer base and its methods. Express recently launched its own digital native lifestyle brand, UpWest born online and replete with the blog and other content one would expect from a traditional digital native. As Goliaths start their own "New David brands" and New Davids expand offline the distinction becomes less and less relevant. The era of the New Davids is over, after all they are now just building global brands.





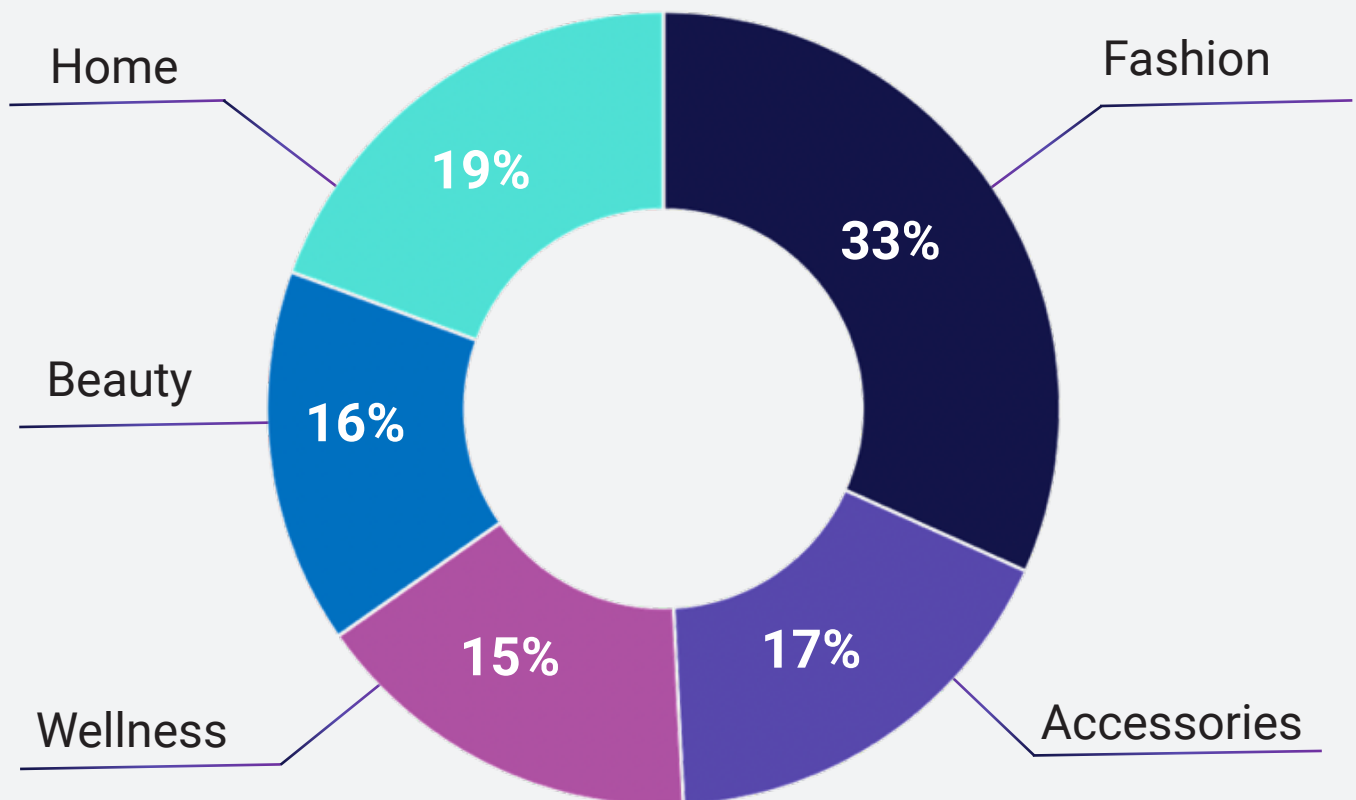
## ECOMMERCE

# 370

BRANDS

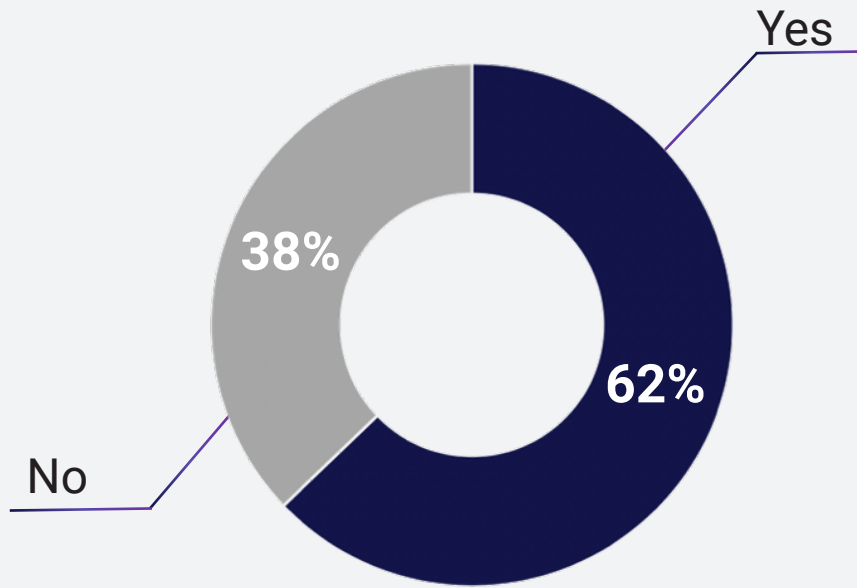
# 5

**KEY CATEGORIES:  
FASHION, ACCESSORIES, BEAUTY, WELLNESS,  
AND HOME**





## WHOLESALE



OF THE 62% OF BRANDS IN WHOLESALE...

**74%** are in multi-brand 3rd party stores

**61%** are in department stores

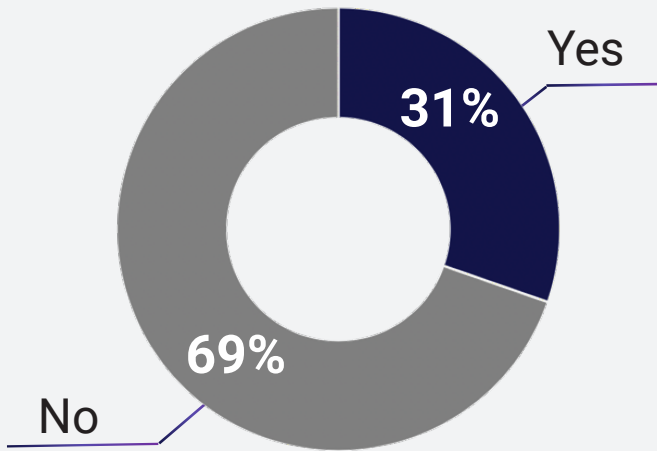
**53%** are on Amazon



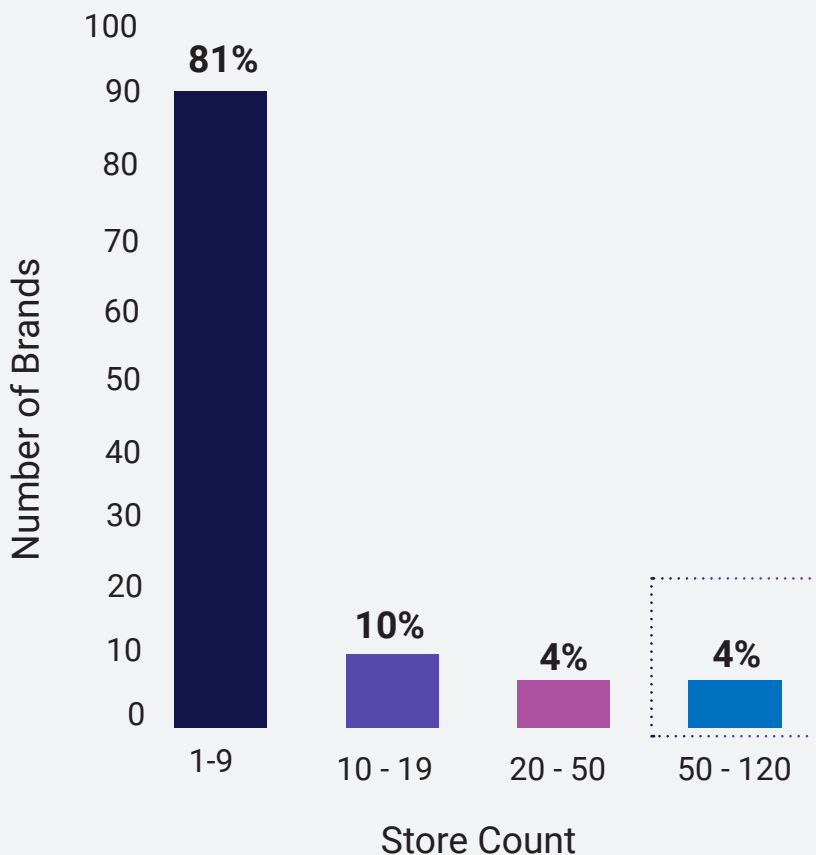


## RETAIL

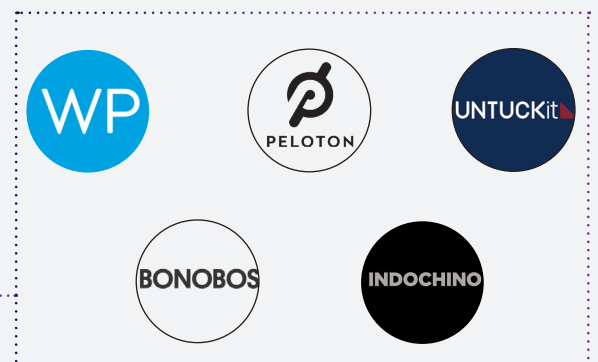
31% of brands have some permanent, physical presence



There are 960 stores between our 350+ brands



The top five brands with regards to store count make up 43% of the total retail locations. These top five brands are Warby Parker, Peloton, Untuck-it, Bonobos and Indochino.





FASHION

WOMENSWEAR		
11 • HONORÉ	A DAY	AMOUR VERT
BRASS	choosy	Dia & Co
FAME & PARTNERS	GENUINE PEOPLE	GOOD AMERICAN
Lulus	MILLA LAFEUR	ModCloth
Reformation	TOBI	TUXE
MENSWEAR		
ASH & ERIE	BARBELL	BONOBOS
#Huckberry	HUGH & CRYE	J. HILBURN
Rowing Blazers	UNTUCKit	
UNISEX		
THE ARRIVALS	ATEYO	BODA SKINS
FIGS	Frank + Oak	ITALIC
MOTT & BOW	NAADAM	NAKED CASHMERE
ACTIVEWEAR		
ALALA	aloyoga	CARBON38
Girlfriend Collective	ISAORA	KUUI
RHONE	TEN THOUSAND	VUORI
CUSTOM SUITING		
BLACK LAPEL	THE BLK TUX	COMBATANT GENTLEMEN
INDOCHINO	KNOT STANDARD	PROPER CLOTH
TRUMAKER		
BRIDAL		
ANOMALIE	Brideside	FLORA VERE
SOCKS		
BOMBAS	CONSCIOUS	STANCE
UNDERWEAR & BRAS		
ADORE ME	HARPER WILDE	MACK WELDON
LIVELY	Me Undies	Sheerly Genius
THINX	THIRDLOVE	TRUE

ACCESSORIES

FOOTWEAR		
allbirds	atoms	BECKETT SIMONON
BIRDIES	BROTHER	clove
GRAND VOYAGE	GREATS	hari mari
JACK ERWIN	Koio Collective	LABUCQ
M. G. E. M. I.	mahabis	plae
Paul & Evans	ROTHY'S	SARAH FLINT
SEAVEES	TAFT	THURSDAY
THIRD OAK		
BAGS		
BABOON	BEMBIEN	caraa
CUYANA	DAGME DOVER	FUTURE GLORY
GO DASH DOT	HÆRFEST	HOOK & ALBERT
L&S	MANSUR GAVRIEL	PARKER CLAY
POPSUGI	SENREVE	STATE
STUART & LAU	VERY TROUBLED CHILD	VON HOLZHAUSEN
EYEWEAR		
BLENDERS	D I F F	Felix Gray
KREWE	SUNSKY	WESTWARD LEANING
WARBY PARKER	ZIENNT	
JEWELRY		
AU RATE	BAUBLEBAR	THE LAST LINE
MEJURI	THE MRS BOX	olive + piper
QALO		
LUGGAGE		
ARLO SKYE	AWAY	floatti
ROAM	STEAMLINE	
ACCESSORIES		
BELTOLOGY	SHINOLA	THE 5TH
TIE BAR		

BEAUTY

SKINCARE		
Act+ Acre	BEAUTY BY DESIGN	BEAUTYCOUNTER
beautygrass	CONTEXT	CUROLOGY
BRUNK ELEPHANT	EVENPRIME	Geologie
Glossier	HERBIVORE	Kat Burki
KOPARI	LOLI	MAELOVE
Meant	Mowellens	Nécessaire
OARS + ALPS	Onomie	OSEA
PEET RIVKO	SUMMER FRIDAYS	Supergoop!
TRUE BOTANICALS	TULA	URSA MAJOR
HAIRCARE		
FORM	function of beauty	HAIRSTORY
OUAI	MADISON REED	prose
FRAGRANCE		
A. N. OTHER	Hawthorne	NEST
PHLEUR	PINROSE	SKYLAR
COLOR		
alleyoop	COLOURPOP	GLAMSQUAD
JULEP	KARITY	Kosås
KYLIE	MAKEUP GEEK	mented
Milk MAKEUP	SHESPOKE	trèStique
WANDER		
OTHER		
inkbox	INKED	sundays
TATTLV	ZITSTICKA	

WELLNESS

PERSONAL HEALTH		
Bite	BOIE	CANDID
@COCOFLOSS	CORPUS	GOBY
hello	HUBBLE	maude
MYRO	NATIVE	PUBLIC GOODS
quip	Sunday Goods	touchland.
TUSHY	twice	WILDIST
yes to		
WOMEN'S HEALTH & GROOMING		
billie	CORA	damiva
Flamingo	HoneyPot	LOLA
Megababe	saalt	SPHYNX
MEN'S HEALTH & GROOMING		
ADMIRAL	AOS	Beardbrand
ERNEST SUPPLIES	BEVEL	DOLLAR SHAVE CLUB
SUPPLEMENTS		
care/of	hers	hims
HUM	Keeps	Moon Juice
not pot	THE NUO	NUTRAFOL
Ritual	VITAL PROTEINS	WelleCo
TECH TOOLS		
CORE	fitbit	MIRROR
muse	PELOTON	ARENOUN
ACCESSORIES		
bkr	LARQ	Swell

HOME

FURNITURE			
ARTICLE	BURROW	FEATHER	FLOYD
INTERIOR DEFINE	MAIDEN HOME	PIECE	THE INSIDE
BEDDING & BATH			
BOLL & BRANCH	brooklinen	Buffy	CRANE & CANOPY
GRAVITY	HAVLY	PARACHUTE	RILEY
Rumpl	SAND CLOUD	weezie	
MATTRESSES			
Casper	nectar	purple	HELIX
saatva	TUFT & NEEDLE		
HOME DECOR			
Barn & Willow	BACKDROP	CLARE	THE CITIZENRY
FRAMEBRIDGE	Funfish	hayneedle	KAUFMANN
LEIF SHOP	LULU & GEORGIA	ONE KINGS LANE	revival
SERENA & LILY	SNOWE		
KITCHENWARE			
Caraway	EAST FORK	equal parts	Great Jones
made-in	nomiku	W&P DESIGN	YEAR & DAY
ACCESSORIES			
U moms	ban.do	BLUELAND	Packed Party
poppin	POKETO	The Sill	SKURA
CANDLES			
BOY SMELLS	homesick	THE K	OTHERLAND
LIFESTYLE			
Book of the Month	the Bouqs	GOLUGO	goop
kinfield	LALO	urbanstems	
PET GOODS			
BarkBox	Cody and Bella	Dandy	THE FARMER'S DOG
max bone	ollie	öbe	

**Kelsey Groome**

Senior Managing Director

**Daniella Fischel**

Senior Associate

**Michal Edelman Tepper**

Senior Associate

**Candice Chan**

Analyst

