How is DTC checkout experience failing to deliver?

Brands must optimise their pre-purchase customer experience or risk losing sales. Here's how.

DTC brands have the ability to control their entire customer journey. But does this mean they are outperforming the wider retail space?

Unlike the wider retail space, DTC brands were uniquely positioned to survive the pandemic, with many operating either no or few stores and a strong online presence. In fact, we're seeing many traditional retailers pivot into the DTC space as a result of Covid-19. One example is Nike, who closed a large portion of their wholesale business in 2020 in order to accelerate their DTC strategy. Under Armour are another example here, who saw a 17% increase in their DTC revenue after closing many of their wholesale routes[1].

The pandemic threw the whole of retail online and many traditional retailers struggled to adapt quickly enough. We saw many household names close their online stores at the beginning of lockdown in the UK whilst they regrouped on their online strategy. No such trend occurred for DTC retailers. With more control of their supply chain and a strong online strategy, these digitally native brands thrived.

So, there's no denying that direct to consumer retail is becoming more popular. But what does the customer journey look like for the top 50 UK DTC retailers? Are they delivering the experiences their tech-savvy customers expect? The following report is part of a five-part series, delving into the checkout, post-purchase and returns experiences of these retailers, as well as their sustainability and loyalty performance.

The first in the series, read on to find out how the UK's top 50 DTC retailers perform across checkout and how their experience fares against their peers in the wider retail space.

[1] Source: Retail Dive

What you'll learn:

- The checkout performance of DTC brands in the UK
- What the findings mean for this sector
- How DTC retailers can improve checkout to avoid cart abandonment

"We've been studying retailers for several years now and I'm still surprised at the results every time we release a report. This data has proved to be invaluable to our clients, helping them benchmark themselves against their peers. I'm looking forward to seeing how DTC brands perform across these five reports."
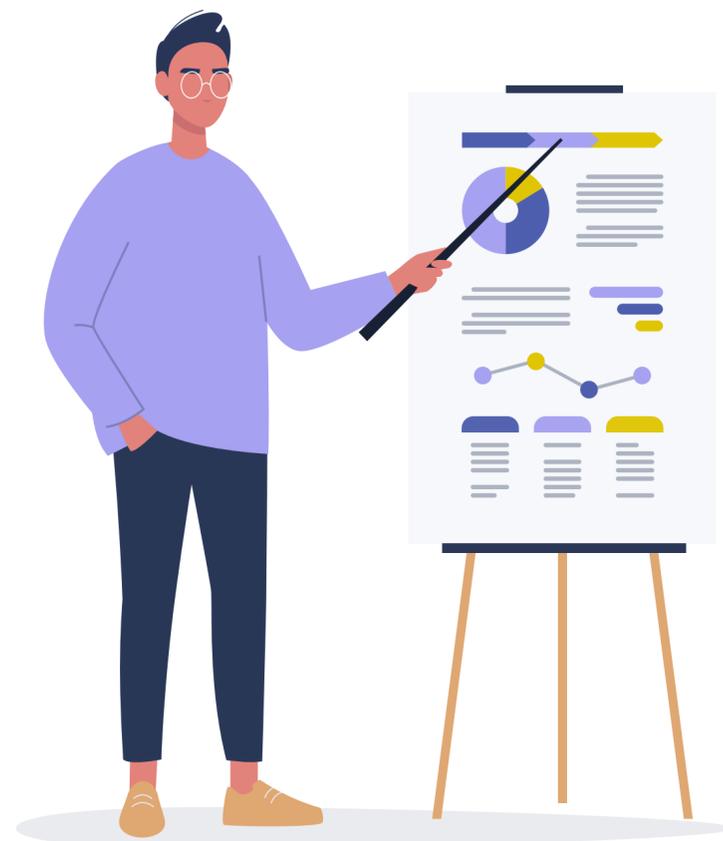
By Tobias Buxhoidt

Methodology

To get a better understanding of the performance during checkout of the UK's top DTC brands, we placed test orders with 50 of the largest brands.

All orders were delivered to a London address using standard delivery where possible. Data was collected across checkout, shipping, delivery and returns.

Brands we studied

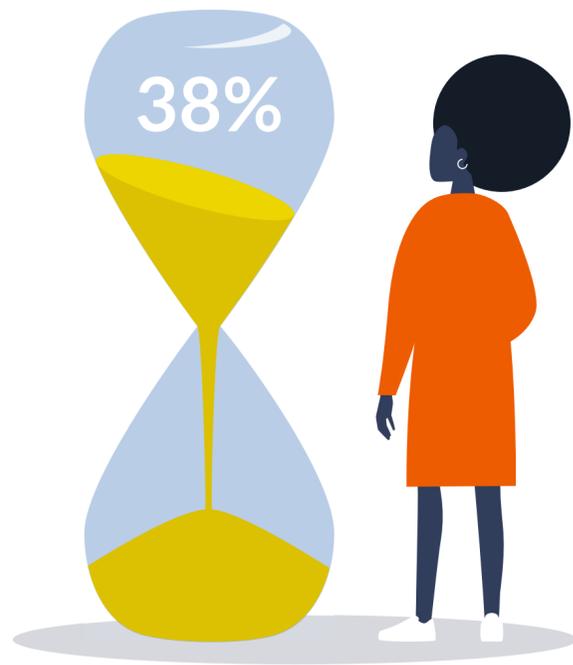|	
ABEL & COLE	LOAF
ACE & TATE	LOVE CRAFTS
ALLBIRDS	MADE
AWAY	MANUAL
BIRCHBOX	MODIBODI
BLOOM & WILD	MOO
BROMPTON BIKES	NAKED WINES
CHILLY'S BOTTLES	ODDBOX
CORNERSTONE	PACT
CUBITTS	PAPIER
DESMOND & DEMPSEY	PATCH PLANTS
ELVIE	PELOTON
EVE	RAPHA
EVERLANE	SIMBA SLEEP
FABLETICS	SPOKE
FIREBOX	STICHFIX.COM
GLOSSIER	SWOON
GLOSSYBOX	TAILS.COM
GOUSTO	THREAD
GRENADE	TOUCAN BOX
GYMSHARK	TRUNKI
HAPPY SOCKS	VEJA
HARRYS	VIVOBAREFOOT
HELLO FRESH	WHO GIVES A CRAP
HUEL	ZOEVA

Key Findings

Carrier choice

Source: parcelLab
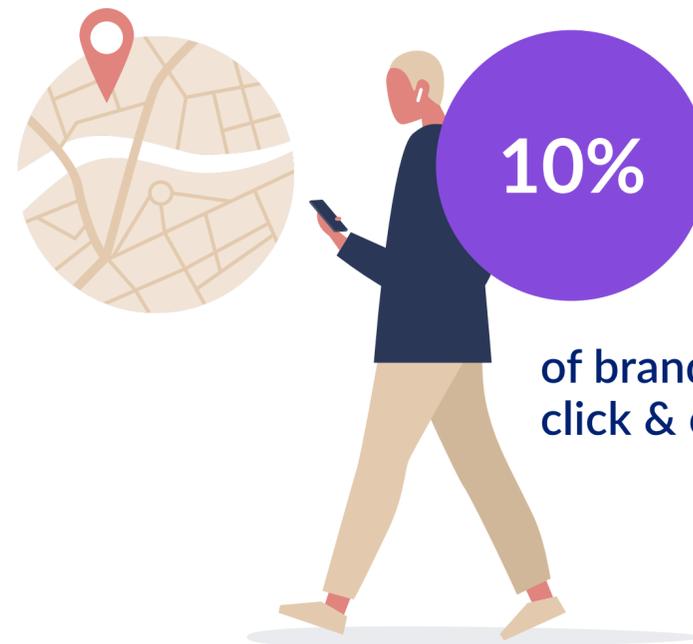Basis: DTC top 50 retailers and parcelLab data June 2020-May 2021, data in percentages

20% of retailers allow customer to choose their carrier

80% of retailers charge the customer to choose their carrier (where this is an option)

POST-PURCHASE IN DTC   4

Key Findings

Delivery options

38%

of brands offer
next-day delivery

10%

of brands offer
click & collect

52%

of brands only offer
standard delivery

What do these findings tell us?

Carrier and delivery options are incredibly important to customers when shopping online. The more choice available, the happier the customer.
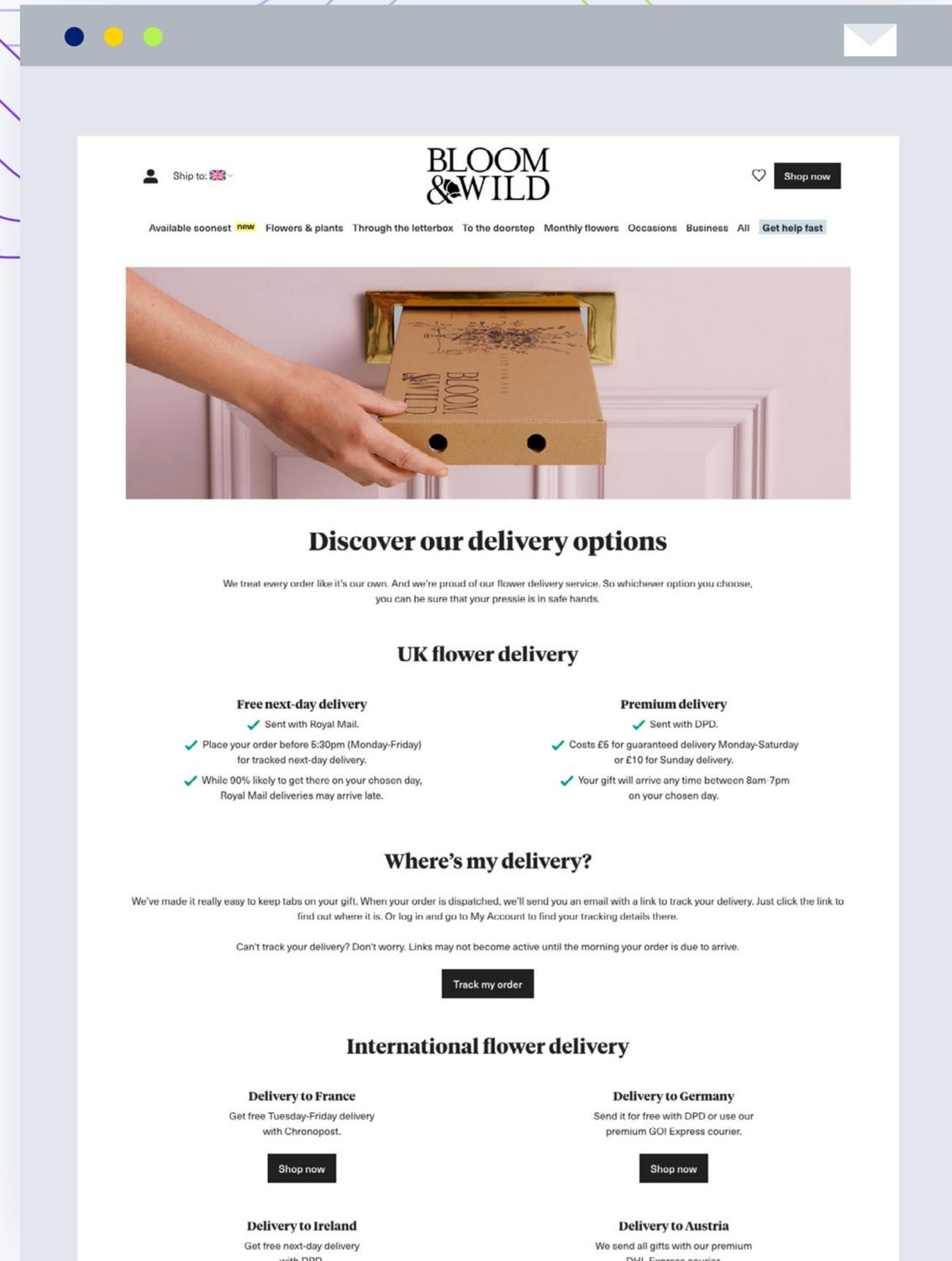
With stores now reopen, customers are no longer happy to wait for their online order to arrive. For that reason, next day delivery remains a vital delivery option where possible and we would expect to see more of the DTC brands offering this (just 38% do), especially those in the fashion and beauty space. If next day delivery is not offered, one way to eleviate any frustrations from the customer is to to acknowledge and explain why it is not possible.

The vast majority of the DTC retailers do not offer any collection service (just 10% do), which when you compare to the wider retail space shows a major difference. When looking at the UK's top 150 retailers, 87% of them offer a collection service, either in store or from a parcel shop. Whilst DTC retailers traditionally do not operate stores, offering collection from a parcel shop means that customers have the option to take control of their delivery. As the world reopens, collection services will become more important to customers who cannot guarantee they will be home to receive their order.
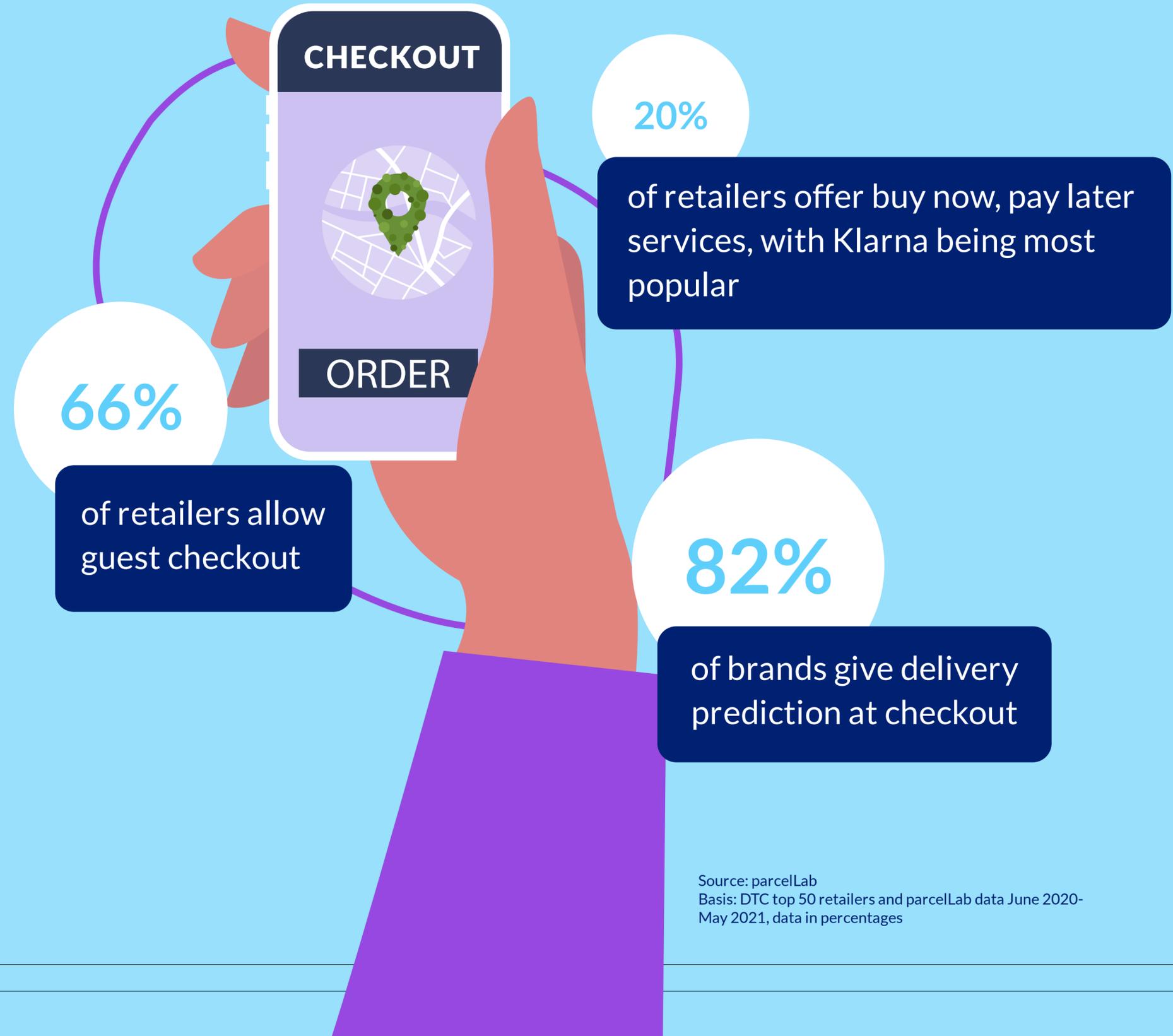
Key takeaways:
- Carrier choice is important to customers
- Next-day delivery is expected now stores are reopen
- DTC brands are behind when it comes to collection services

Potential checkout blockers

20%

of retailers offer buy now, pay later services, with Klarna being most popular

CHECKOUT

ORDER

66%

of retailers allow guest checkout

82%

of brands give delivery prediction at checkout

Source: parcelLab
Basis: DTC top 50 retailers and parcelLab data June 2020-May 2021, data in percentages

Potential checkout blockers

28%
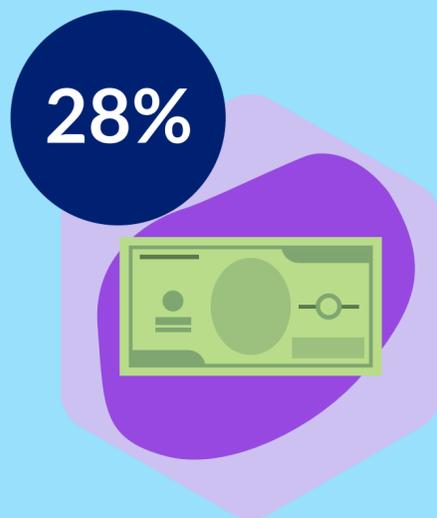
of brands always offer free shipping

16%

of brands always charge for shipping

56%

of brands offer free shipping with a minimum order value

0%

of retailers offer a delivery pass

What do these findings tell us?

There are many potential checkout blockers that retailers need to consider. These include whether to offer guest checkout, how much shipping costs and whether they have alternative payment methods.

The UK's DTC retailers are mixed when it comes to this area. 34% do not offer guest checkout. Whilst some are not able to as they provide subscription services, the remainder you would expect to have this. Asking a customer for all their details upfront can sometimes be too intrusive and has been found to be a major conversion blocker.

The popularity of 'Buy now, pay later' services has grown exponentially in the last few years. Again we would expect more DTC retailers to offer these services (just 20% do), as they are changing the way we shop online in the same way that digitally native brands are. Compared to the wider retail space where 41% offer this, DTC is lagging behind.
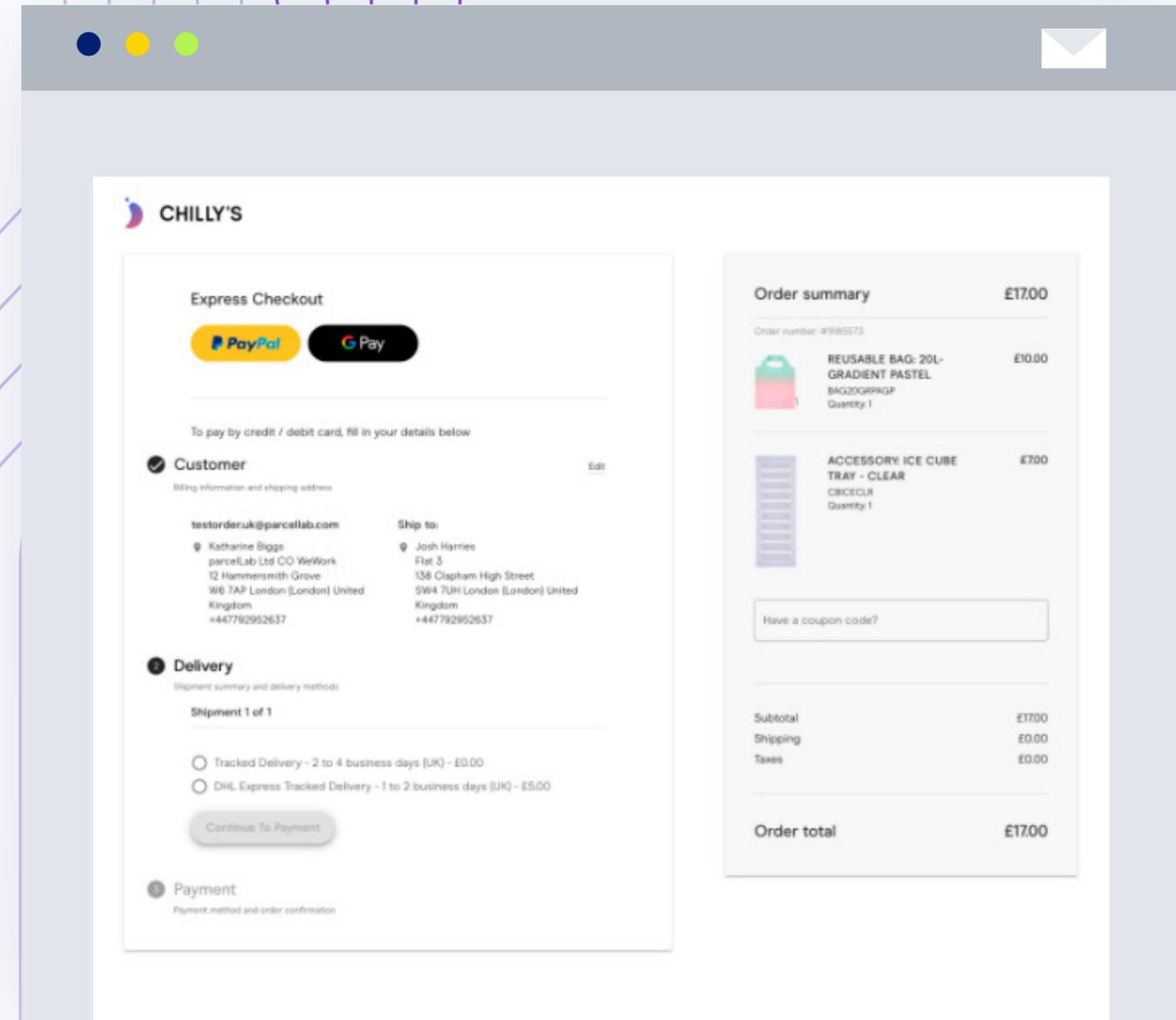
Shipping costs are perhaps the largest conversion blocker. Here, DTC retailers perform well, with 84% offering some sort of free shipping. However, only 28% provide free shipping with no restrictions.

With the minimum order values being quite high for some companies – the highest was £100 - these can still sometimes act as a blocker. Minimum order values should therefore be set at an achievable and realistic sum for customers to benefit from them, which we see with Trunki for example who require customers to spend just £15 to receive free shipping.

Shipping costs can be debated until the cows come home, but ultimately DTC retailers need to justify whether or not they charge their customers. If free delivery is not an option then something like a delivery pass (a one-off payment for free delivery for the year for example) could be explored. It's surprising that none of the DTC retailers offer this service as it is a great way to build customer loyalty and encourage repeat purchases.
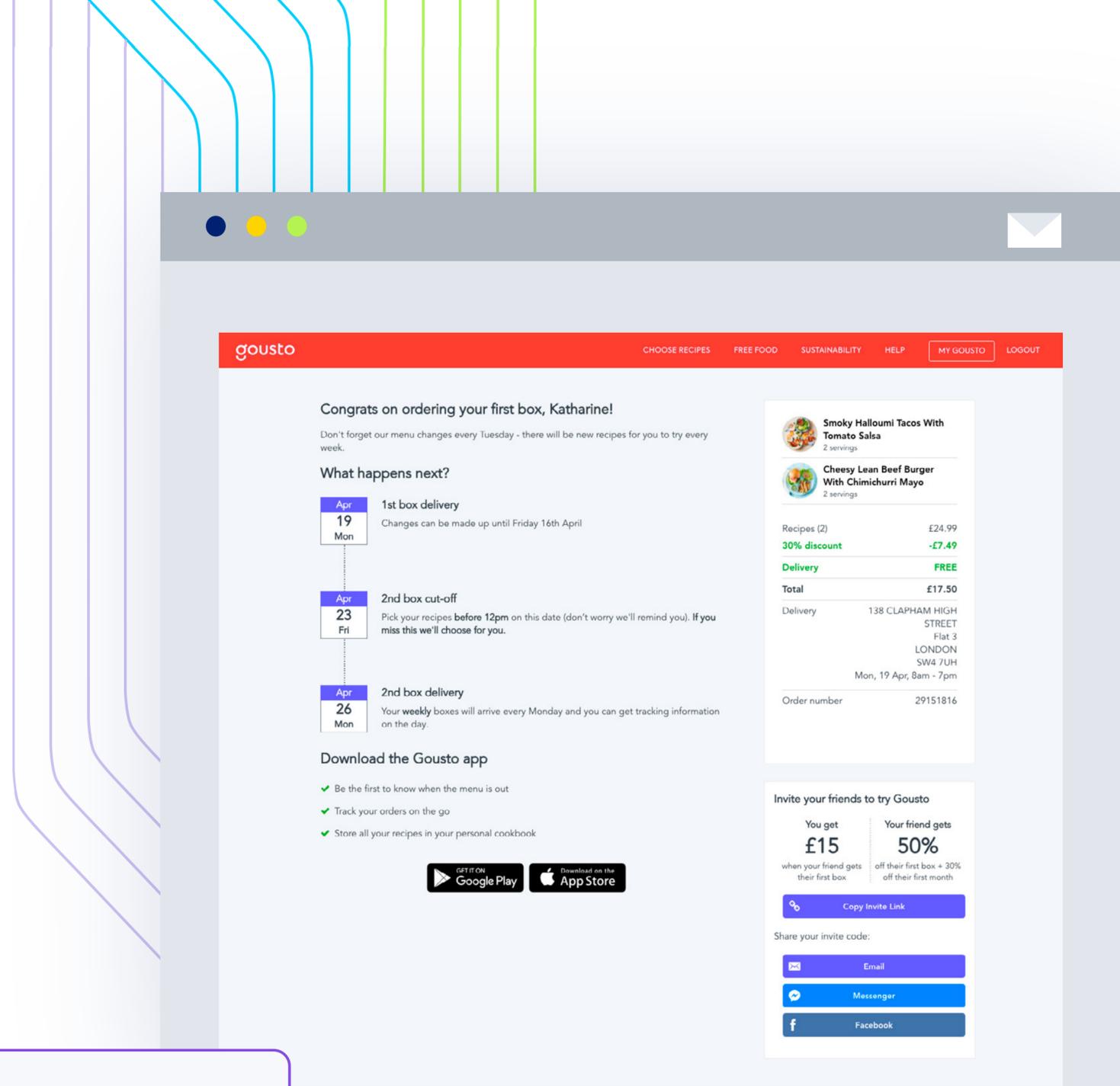
Key takeaways:
- Guest checkout is important for first-time buyers, yet 34% do not offer this
- 'Buy now, pay later' service uptake is low for DTC brands
- Free shipping often comes with restrictions with the majority requiring a MoV.
- As one of the biggest conversion blockers, shipping costs need to justified by DTC brands.

Sustainability options at checkout

4%

of retailers offer carbon neutral
delivery as an option

96%

delivery

of retailers do not offer carbon neutral
delivery as an option

Sustainability options at checkout

6%

of retailers offer less packaging as an option at checkout

94%

of retailers do not offer the customer the option for less packaging

What do these findings tell us?

DTC retailers have a long way to go when it comes to offer sustainable delivery and packaging options. With so many of these businesses focusing on their carbon footprint it is surprising to see just 4% and 6% respectively offer carbon neutral delivery and reduced packaging.

It's not to say these retailers are not working with carriers who are themselves reducing carbon emissions – for example, DPD now deliver many parcels carbon neutral. However, the retailers themselves need to take responsibility for this too. Initiatives such as promoting their carbon offsetting information or asking if the customer wants recyclable or branded packaging are easy ways for these DTC retailers to become more sustainable.

Our second report in the series will explore sustainability in DTC further, so stay tuned for more tips!

Key takeaways:
- Despite promoting a more sustainable approach to retail, many DTC brands are not giving their customers eco-friendly delivery options
- Partnering with businesses such as Ecocart, who provide a carbon offsetting option at checkout, would set DTC brands apart
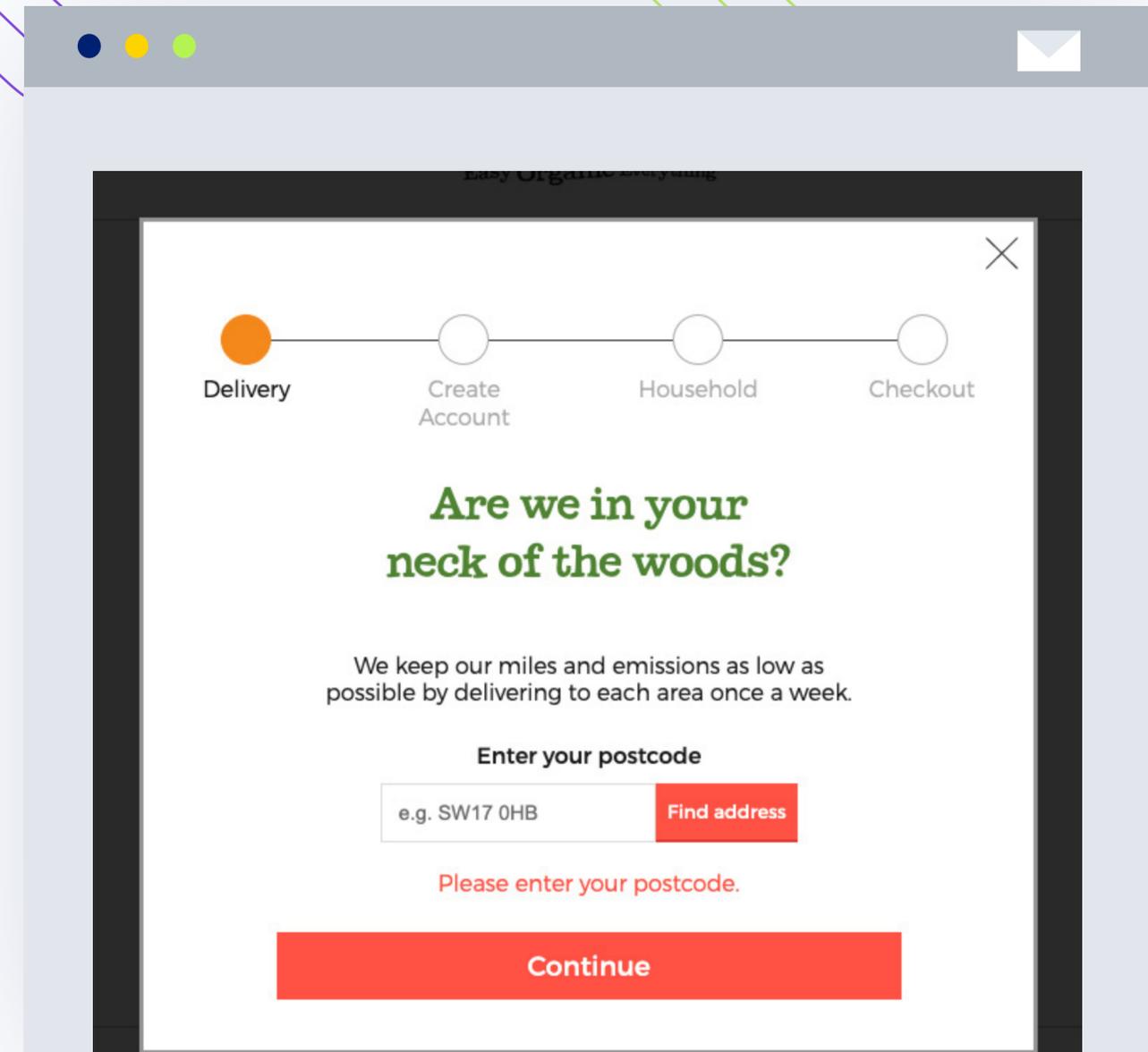
8 checkout tips for DTC retailers

1

Offer a variety of delivery options:

The more choice the better when it comes to delivery. Customers want to be able to choose the option that suits them so offering options such as express, nominated and weekend delivery will ensure your customer is happy

2

Include collection services where possible:

Click & collect will become more important as the world reopens. People want control of when they can receive their parcel, especially as many will be splitting time between home and the office. Utilise the network of parcel shops available to facilitate this

8 checkout tips for DTC retailers

3

Offer guest checkout where possible:

If a customer is purchasing from you for the first time, they may not want to provide you with all their details. Guest checkout is therefore vital to avoid potential cart abandonment. In addition, it creates a much quicker checkout process, which reduces the time for a customer to change their mind

4

Partner with 'buy now, pay later' providers:

'Buy now, pay later' options give customers the freedom to shop whenever they want, rather than being dictated by payday. Partnering with them means that there are more opportunities for customers to shop, with the added benefit that they only have to pay for what they keep

BUY NOW
PAY LATER

8 checkout tips for DTC retailers

5

Display predicted delivery date at checkout:

Managing customers' expectations around delivery is vital for good experiences. Therefore, displaying an accurate predicted delivery date at checkout means the customer knows what to expect and when they will receive the parcel. This means less WISMO enquiries and happier customers

6

Explore delivery passes to increase customer loyalty:

Delivery passes are a great way to create loyalty and encourage repeat purchases. Offering customers the option to do a one-off yearly payment for delivery means that they will continue to purchase. This means that the extra costs associated with their now free delivery will be offsetted tenfold by the continuous purchases – win win right?

8 checkout tips for DTC retailers

7

Audit shipping costs:

Shipping costs remain the largest conversion blocker in online retail. Whilst free delivery isn't always economical, ensure you regularly audit your shipping costs and compare them to your competitors. Chances are if your customer can get a similar product elsewhere with free shipping, they are going to choose your competitor

8

Offer carbon neutral options at checkout:

CO$_2$ free

Sustainability in online retail can no longer be ignored. Consumers are actively considering their carbon footprint so retailers that fail to deliver sustainable options will quickly get left behind. Many carriers now offer carbon neutral delivery, so choose wisely and display this information to your customer, so they are aware.

What this means for DTC brands

Despite having complete control of their customer journey, there is still a huge opportunity for DTC retailers to improve checkout to avoid cart abandonment.

DTC retailers need to put the customer first and consider what experience they want. We all know that customer acquisition is one of the biggest marketing costs, so DTC retailers need to ensure the customers they've acquired are converting.

With little or no offline presence, online brand and experience is everything for DTC. Right now, the customer experience is not up to scratch with the wider UK retail space, which is surprising when we consider the brands studied are classed as digitally savvy brands.

By auditing checkout experience and utilising the tips provided above, DTC retailers will reap the rewards and create loyal customers they continue to purchase time and time again.

Embracing Operations Experience Management

We feel passionately about helping brands do this, which is why we created our own category that uniques the customer experience across the whole buying journey: Operations Experience Management

OPERATIONS EXPERIENCE MANAGEMENT = **OPERATIONS** + **CUSTOMER EXPERIENCE**

RELEVANCE
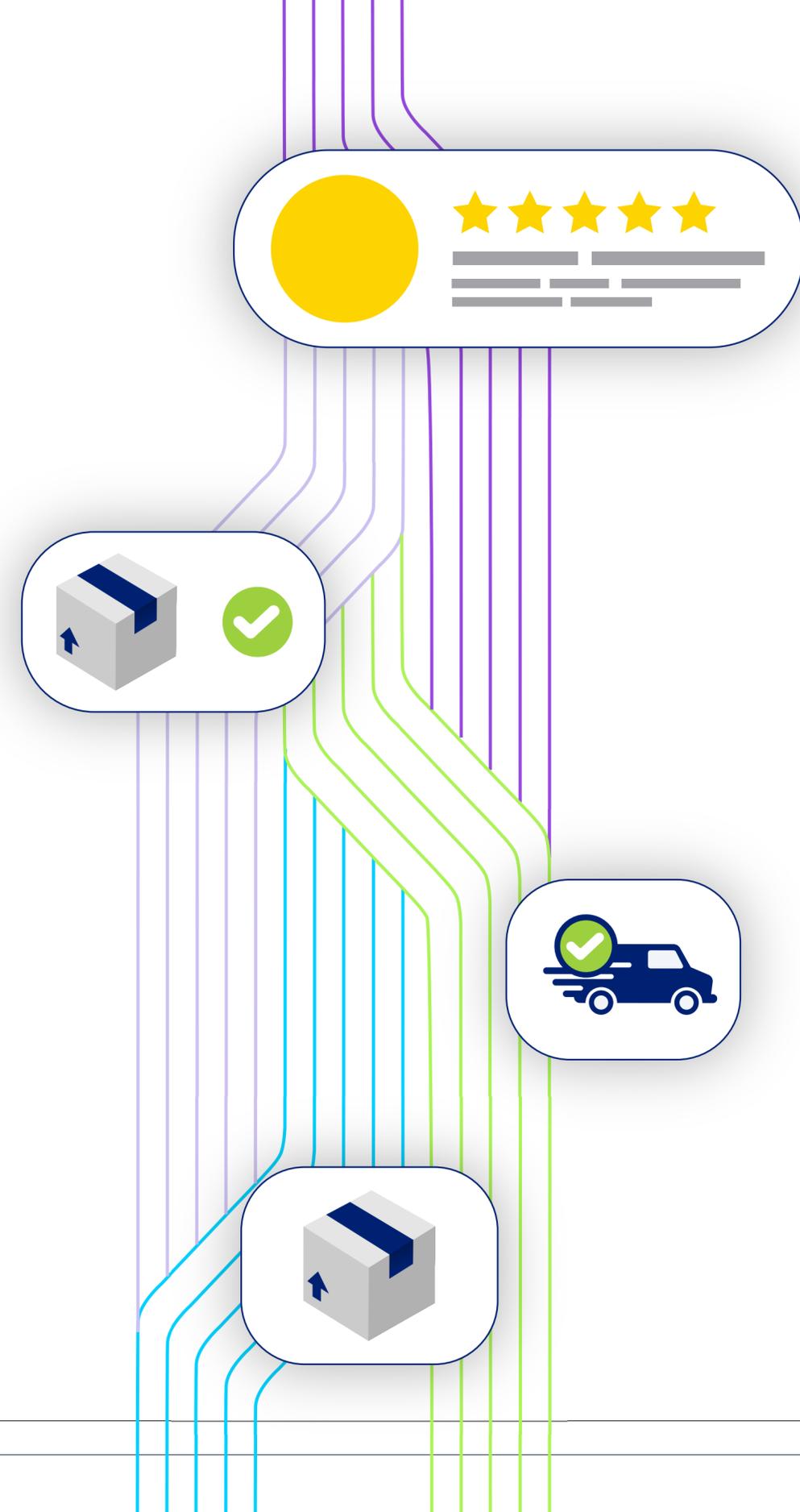
Transform post-purchase into

Operations Experience

As more people choose to buy online, brands around the world are feeling the pressure to perfect their e-commerce journey. Every element of the end-to-end experience is under the spotlight.

In order to be competitive, all operations must be well-managed. Brands are eager to streamline and enhance their processes – especially after checkout.

What is

Operations Experience Management?

There are countless operational processes throughout each customer journey; occurring in warehouses during fulfilment, on delivery trucks, during repairs and returns, under warranty and more. During these processes, customer experience is rarely well managed. That's largely because the amount of complex data that needs to be gathered, analyzed, cleaned and harmonized to deliver relevant, real-time value is too overwhelming.

But the reality is that leveraging operational data is key to outperforming competition and impressing customers.

Operations Experience Management is the combination of operational processes with customer experience, further enhanced by personalization and relevance.

About parcelLab

The Leading Operations Experience Management Platform

Together, we can create outstanding customer experiences every day.

At parcelLab, we help brands take control of customer communication. We don't do out-of-the box solutions, we empower brands to deliver end-to-end real-time communication that embodies their brand identity and complements their business goals.

We're unique - we transform complex operational data into a customer experience of your own design. In other words, our advanced data platform can be fully customised to suit your needs. We'll work with you to create impressive customer focused experiences that manage expectations, build trust and prolong engagement.

And over the years, we've become pretty good at it. Worldwide we've integrated over 300+ partners and carriers. It's this that sets us apart and enables us to deliver truly tailored experiences to our 500+ global customers and brands.

The Research Team

Katharine Biggs, Marketing & Communications Manager

Max Klatt, Head of Digital and Content

Jenny McBain, Graphic Designer

Bruno de Aviz, Graphic Designer

Joshua Harries, Researcher

Dora Birna, VP of Marketing and Growth

Learn more: parcelLab.com

Get in touch