

Rethink your distribution play

Making D2C and multi-brand channels work



Management summary

In recent years, fashion and lifestyle goods companies have seen a major increase in the relevance of the direct-to-consumer or "D2C" channel both online and offline. This focus on D2C business, encouraged by a period of brand-driven hype, is now being reconsidered: faced with major investments in D2C infrastructure and capabilities, companies are beginning to shift their attention back to multi-brand and offline channels.

To find out what exactly is happening, we carried out a survey of more than 1,800 consumers in three major markets: the United States, Germany and Japan. We gathered data from throughout each country, with a particular focus on consumer purchases of lifestyle, fashion and sporting goods articles. What did we discover? Multi-brand stores are very important for consumers, as are offline stores, so companies would be wrong to focus solely on branded online or offline sales channels. Omnichannel interactions are also crucial, with many consumers accessing more than one distribution channel before making a purchase. Companies therefore need to evaluate their presence in each channel - and develop an individual strategy for each of them.

With consumer behavior changing, company leaders now need to adapt their channel strategy or even rethink it completely. Below, we discuss insights from our survey in detail, examine the implications for companies and present the various tools we offer to help you on your journey to next-level distribution success.

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Fast facts

With

84%

multi-brand is the dominating channel for purchasing.

However, the younger the consumer, the more channels they consult.

With the help of the Roland Berger Channel Strategy Cube, companies can successfully solve the puzzle.



A change of direction

Reorienting your
channel focus



Recent years have seen a dramatic increase in the relevance of direct-to-consumer (D2C) distribution. Compared with selling through multi-brand channels, D2C offers companies the benefits of full control over their brand positioning, access to valuable consumer data and potentially a higher share of margins. These factors have combined to make D2C an attractive option for companies. For example, according to a study by Statista, online D2C sales growth for established brands in the United States shrunk from 21% in 2022 to 16% in 2023. Digital-native brands experienced a decline from 6% to 2% within the same time frame. This has prompted many companies to critically reassess their approach.

Recent industry indicators suggest that the challenges around both online and offline D2C strategies are growing. **Cost concerns** often arise around the substantial investments in technology that companies must make in order to maintain online D2C sales. This is particularly challenging given their existing working capital commitments for establishing and maintaining offline stores. Companies are also finding that they face barriers to expanding their consumer base due to the high acquisition costs, particularly given the fierce competition.

Many players face an additional **skills gap**. They have difficulty recruiting employees for offline stores with the necessary skills to create a high-quality consumer experience. Online, fast-moving technology and new trends such as AI (artificial intelligence) are hard to follow: specific skill sets are very much in demand, and staff frequently lack the necessary digital skills to transition into online D2C roles.

On top of this, many brands are facing a **communication challenge**. Frequently, they have failed to seamlessly integrate their online and offline presences, ultimately compromising the consumer experience. These challenges are compounded by an underlying **strategic ambiguity**, whereby companies fail to assign a clear role to D2C channels and do not define specific profitability goals.

In response to these problems, major players in the fashion and lifestyle industries – the focus of this study – are now reorienting their channel focus. Several leading players have announced that they will be stepping up their multi-brand collaborations, while retaining a D2C approach for direct consumer interaction and brand-building. They have taken stock of the challenges involved in maintaining a D2C-driven approach and recognized the need for change.

The question is, what form should this change take? Given the diversity of companies' business positions, products and consumers, it is clear that no one-size-fits-all solution exists. Choosing the right strategy and focus requires careful consideration to ensure that strategy and implementation are in harmony.

We believe that the starting point for rethinking distribution must be understanding the consumers themselves. Consumers are the crucial factor in shaping how a company sells its goods, determining which channels it uses to – as the old marketing adage has it – put the right product, at the right price, in the right place, at the right time, with the right communication. We therefore begin with an examination of today's consumers. How do they shop? Where do they get their information about products? What are they looking for in the consumer journey? And how do those expectations differ by region and demographics?

The pulse survey

Key insights
into consumers

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Our survey takes the pulse of more than 1,800 consumers in three major markets: the United States, Germany and Japan. We gathered data in each country, including the 10 largest cities, mid-size municipalities and rural areas in each, separating the data by gender, age, geographic location and spending behavior of the respondent. We focused in particular on four product categories, namely apparel, footwear, accessories and beauty/personal care, and asked about the four distinct sales channels: offline multi-brand, offline D2C, online multi-brand and online D2C.

The survey provides us with a wealth of detailed information that can be highly valuable for industry players rethinking their distribution play. For example, we have data on some 27 different brands that were named by respondents, representing the biggest players in their respective sectors; we use this data as the basis for our insights from the survey. If required, we can also benchmark a company's performance against the 27 players as a whole, against a specific peer group or even against individual brands.

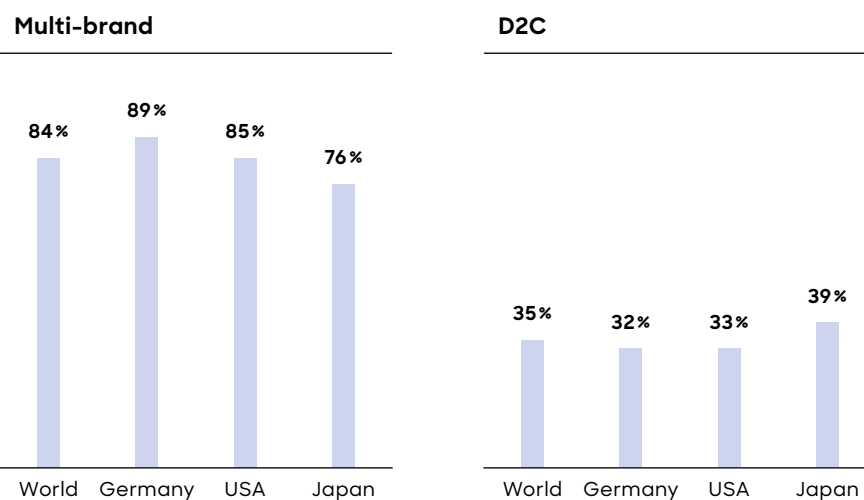
Below, we present five of our most interesting findings – key insights into how today's consumers shop, and why they behave the way that they do.

Insight 1: Multi-brand channels remain an important consumer touchpoint for all regions and demographics

The pulse survey found that 84% of consumers across the three regional markets access multi-brand channels, either online or offline, during their purchase journey. This can be for gathering information about a product or for making the actual purchase. In Germany, the percentage accessing multi-brand channels is even higher at 89% (compared with 85% in the United States and 76% in Japan). For comparison, just 35% of consumers on average in the three markets access D2C channels, either online or offline. As expected, Germany has the lowest percentage, at 32% (compared with 33% in the United States and 39% in Japan). ▶ **A**

A Four out of five consumers still use multi-brand channels

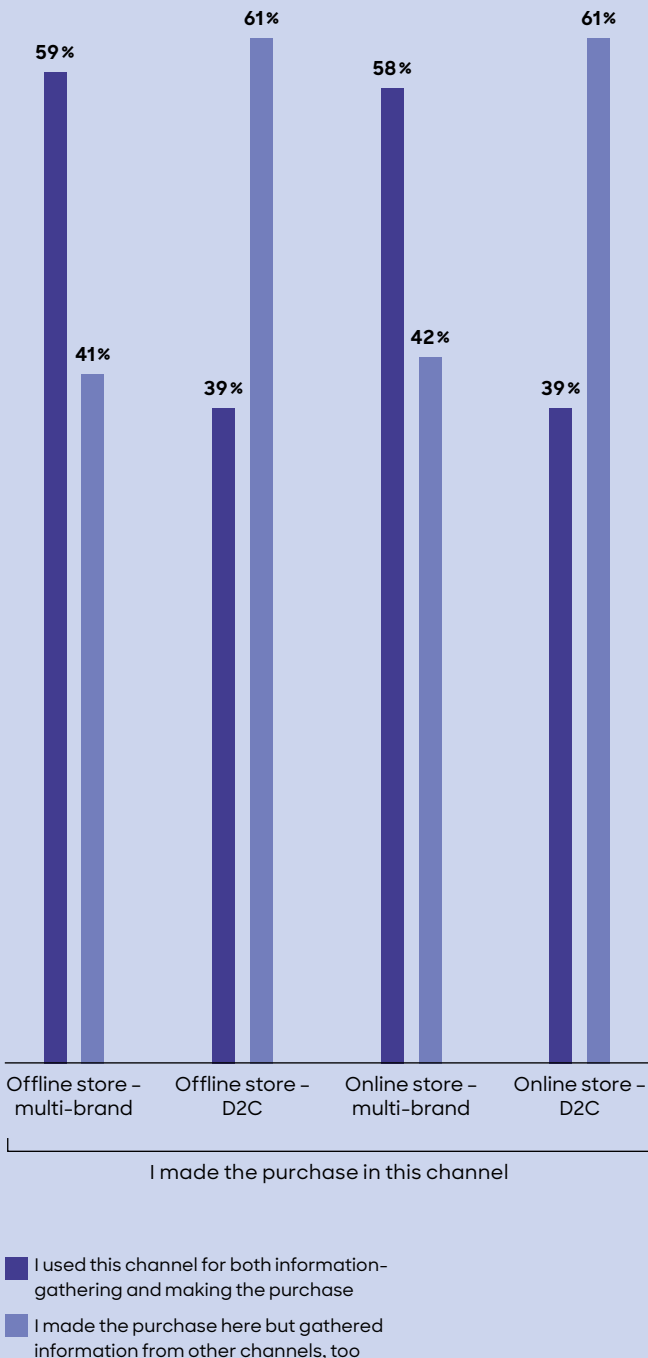
Q: Which channels do you use for your shopping experience (information gathering/purchasing)?



Source: Roland Berger

B All sales channels are important - and multichannel interactions are important, too

Where did you make your most recent lifestyle/fashion/sports item purchase, and where did you gather information about it?



// Consumers have clear expectations on the respective channel. In D2C for example it is about immediate availability. Brands need to cater to this with a clear assortment and pricing strategy for their offline D2C stores."

Insight 2: All channels are important, and omnichannel interactions are common

We asked consumers where they made their most recent purchase of an item from one of our focus product categories. We also asked them where they got information about said product before buying it. Of those who made a purchase via an online or offline D2C channel, the majority (61%) had previously gathered information either exclusively or additionally from other channels, while a minority (39%) only gathered information from the D2C channel where they ultimately made the purchase. The opposite tendency was found for consumers who bought products in multi-brand channels: a minority (around 42%) had previously gathered information from other channels, while the majority (58%) only gathered information in the multi-brand channel where they ultimately made the purchase. ▶ B

These findings tell us three important things. First, all distribution channels are relevant. Second, different channels have different roles to play - and companies need a clear understanding of what those roles are. And third, omnichannel interactions are common, so brands must be present in all channels.

Insight 3: Consumers have clear expectations of offline D2C stores

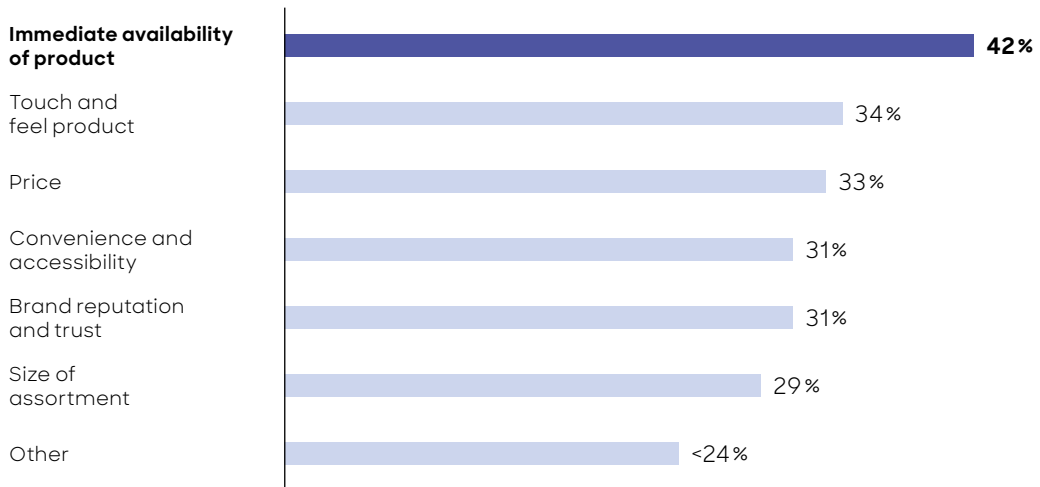
Respondents' main motivation for visiting an offline D2C store is the immediate availability of the product they wish to purchase; this was the reason given by 42% of consumers who visit such stores. The second most commonly cited reason was that it gave them the chance to touch and feel the product – for many, this is an important part of the consumer experience. We also asked consumers who had not visited an offline D2C store in the last 12 months why they had not done so. They gave reasons such as the higher prices in D2C stores compared with online (32% of responses), lack of convenience and accessibility (29%), poor location of stores (28%) and the limited assortment of products available (27%). These findings on consumer expectations are of crucial importance for companies seeking a winning formula for their offline stores. ▶ C

C Shoppers have clear expectations of offline sales channels

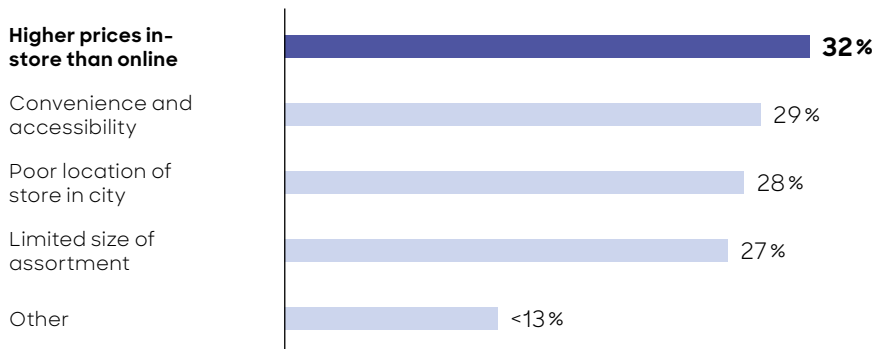
Q1: Why do you visit D2C offline stores?

Q2: Why did you NOT visit any D2C offline stores in the last 12 months?

Reasons to visit



Reasons NOT to visit



Source: Roland Berger

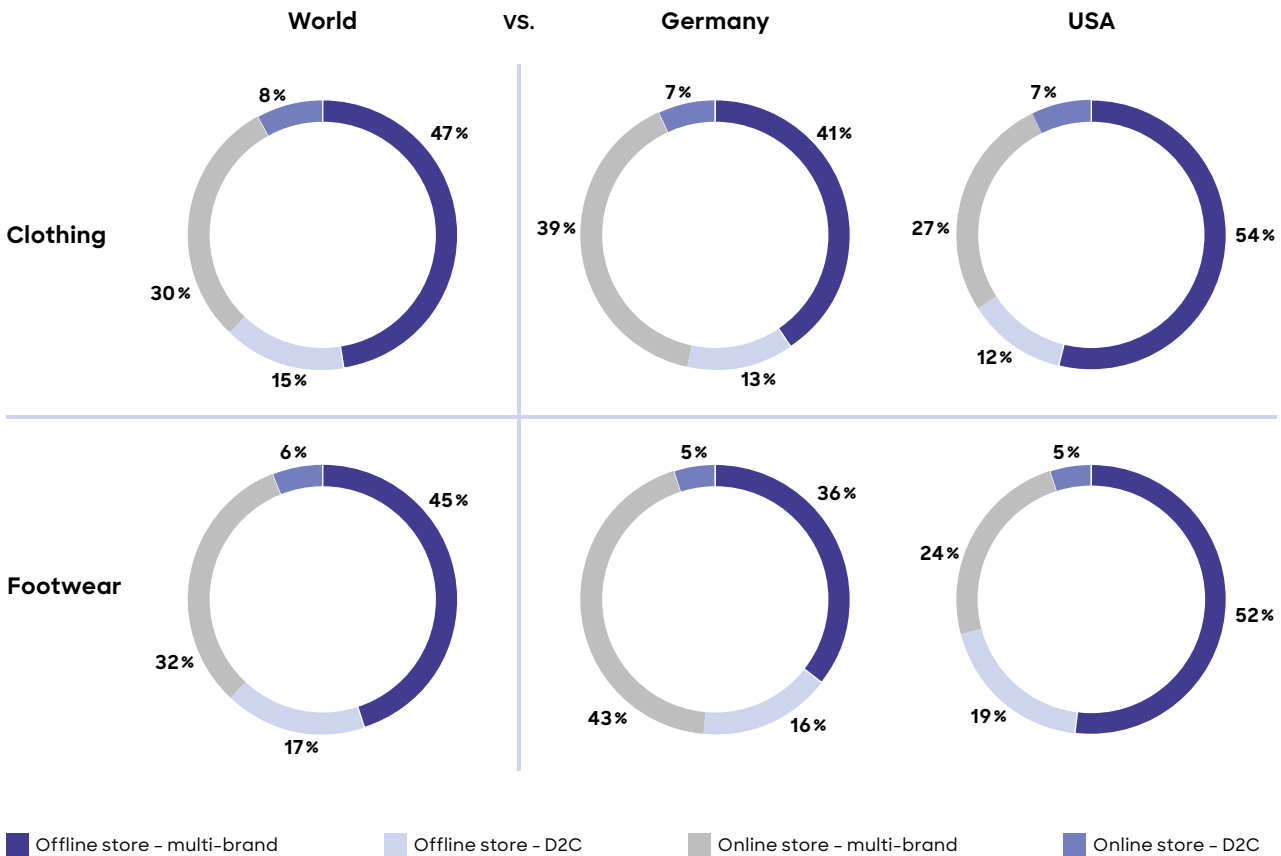
Insight 4: Strong distribution strategies focus on three things at the same time: product categories, channels and consumers. Focusing on just two of the three is not enough

The global survey results were similar for both apparel and footwear. Thus, 47% of consumers buy items of clothing through offline multi-brand channels, 15% through offline D2C channels, 30% through online multi-brand and 8% through online D2C. The results for footwear differed from these results by a maximum of just two percentage points for each channel.

However, add consumers into the equation and the results differ radically between apparel and footwear. For example, 41% of consumers in Germany buy clothing through offline multi-brand channels, compared with 54% in the United States, and 39% in Germany buy these items through online multi-brand channels, compared with 27% in the United States. Similar differences were found for footwear, with 36% of consumers in Germany buying it through offline multi-brand channels, compared with 52% in the United States, and 43% in Germany buying it through online multi-brand channels, compared with 24% in the United States. ▶ D

D Major differences exist between countries

Q: Where did you make your most recent purchase of a lifestyle/fashion/sports item?



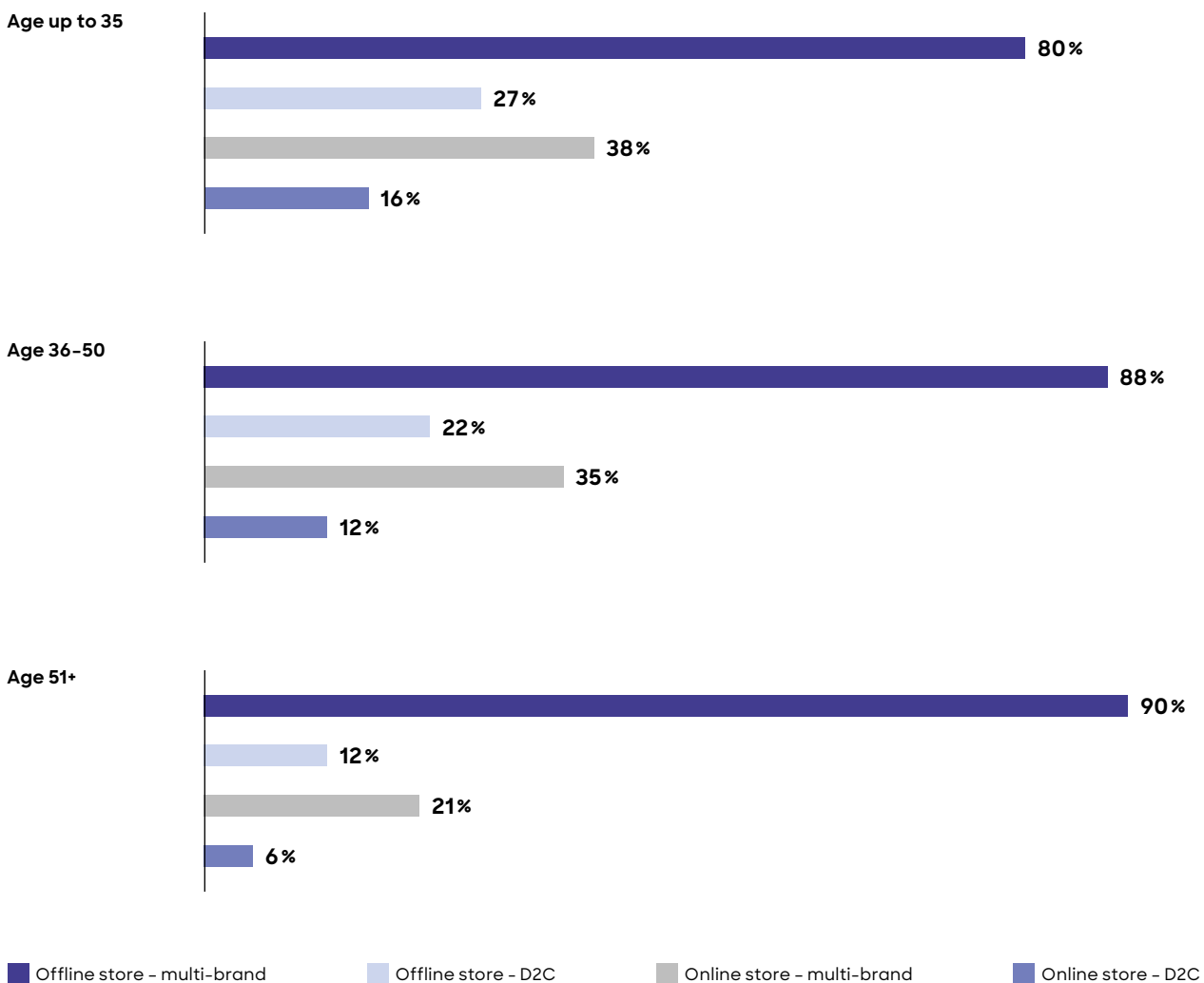
Source: Roland Berger

Insight 5: Channel preferences differ mainly by age - and the younger the consumer, the more likely they are to consult various distribution channels

We asked respondents where they gathered pre-purchase information about the most recent lifestyle, fashion or sporting goods item they had bought via an offline multi-brand channel. We found that the age of the consumer was the most significant factor. Thus, among the under-35s, some 80% used the same channel for information-gathering as they did for the purchase, while between 16% and 38% used other channels. For respondents aged 51 or over, 90% used the same channel for information-gathering, while between 6% and 21% used other channels. In other words, the younger the consumer, the greater the likelihood of omnichannel interactions. ▶ E

E The younger the consumer, the more channels they consult

Q: Where did you gather information about the most recent purchase of a lifestyle/fashion/sports item that you bought in a multi-brand offline store?



Source: Roland Berger



Practical solutions

Implications for
companies



The pulse survey results have a number of important implications for companies' distribution strategies. Clearly, D2C will continue to play an important role in their overall strategy as it offers numerous advantages, from direct control of the brand, to access to consumer data and potentially a higher share of margins. But in order to be fully successful, players need to employ an omnichannel distribution approach that leverages the strengths of both multi-brand and D2C channels. This will enable them to manage the complexity of consumer preferences and deliver an optimal consumer experience.

Brands face a number of challenges when developing an omnichannel strategy tailored to the needs of their consumer segments. For example, there is the risk of channel conflicts arising between D2C and multi-brand. Internally, the company may be plagued by a "silo mentality," with conflicting channel targets limiting overall success. The assortment and price strategy may be improperly aligned, potentially upsetting retail partners – and also confusing consumers – with D2C sales promotions that are not available via multi-brand channels. A potential solution here would be to clearly define the assortment and price strategy for each channel, depending on its strategic relevance and the targets that are put in place. Clear guidelines can mitigate conflicts and ensure a cohesive approach to channel management. Moreover, companies should set up a clear profit-and-loss system accounting for the effects of the different channels, as well as striving to capture cross-channel halo effects.

Increasing consumer expectations are another challenge for brands. Companies need next-level insights into what makes consumers tick; they must also be able to divine changing consumer needs. One possible solution here is to invest in a seamless UX (user experience) design and omnichannel experience as a way of satisfying consumer needs and helping the company stand out from its competitors.

It can also be difficult for players to secure the capabilities and resources they need. Collaborating on overarching topics such as CRM (customer relationship management), loyalty or analytics can be particularly draining on resources. Alignment is difficult to achieve and requires the implementation of a working operating model to avoid chaos in decision-making. Potential solutions involve streamlining collaboration processes and investing in training, which can be supported by setting overarching targets.

“ For the multi-brand business, a clear analysis and the following definition of a target picture are critical. To meet customer expectations, joint plans with the preferred retail partners are one important step in achieving impact in the execution.”

Time for a rethink?

Consumers, channels
and products

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To build a winning distribution strategy, companies need to ask themselves a series of questions across the three key dimensions: consumers, channels and products. Regarding **consumers**, they must ask themselves how well they understand their consumers and how and when they consume. Does the company build their consumer cohorts in a general manner, or individually for each market? Do they collect all possible data on their consumers' data-gathering and purchasing habits?

Questions regarding **channels** are also crucial. How does the company weigh the importance of the different channels? Do they have a clearly defined approach for each channel? And how do they measure the performance contribution of each distribution channel?

Finally, in terms of **products**, companies must know precisely which products they offer in each channel. Are their products, channel and pricing strategy offered with a specific channel strategy in mind? And where exactly do their consumers purchase their products along their omnichannel journey?

Roland Berger Distribution Excellence Self-Assessment Tool

Before they reach this point, however, companies may still be unsure whether they need to rethink their distribution strategy or not. To help them judge the strength of their current strategy, we have developed a quick self-assessment tool consisting of just three simple questions for company leaders, one on each of the three key dimensions. For each question, the company leaders rate themselves on a scale of one to five. If they score between one and four on any of the questions, we recommend a strategy rethink. ► [F](#)

Q1. Do you have a product-focused channel strategy?

- 1) We promote all products equally strongly in all channels
- 5) We focus on certain products in certain channels

Q2. Do you have channel-specific consumer cohorts?

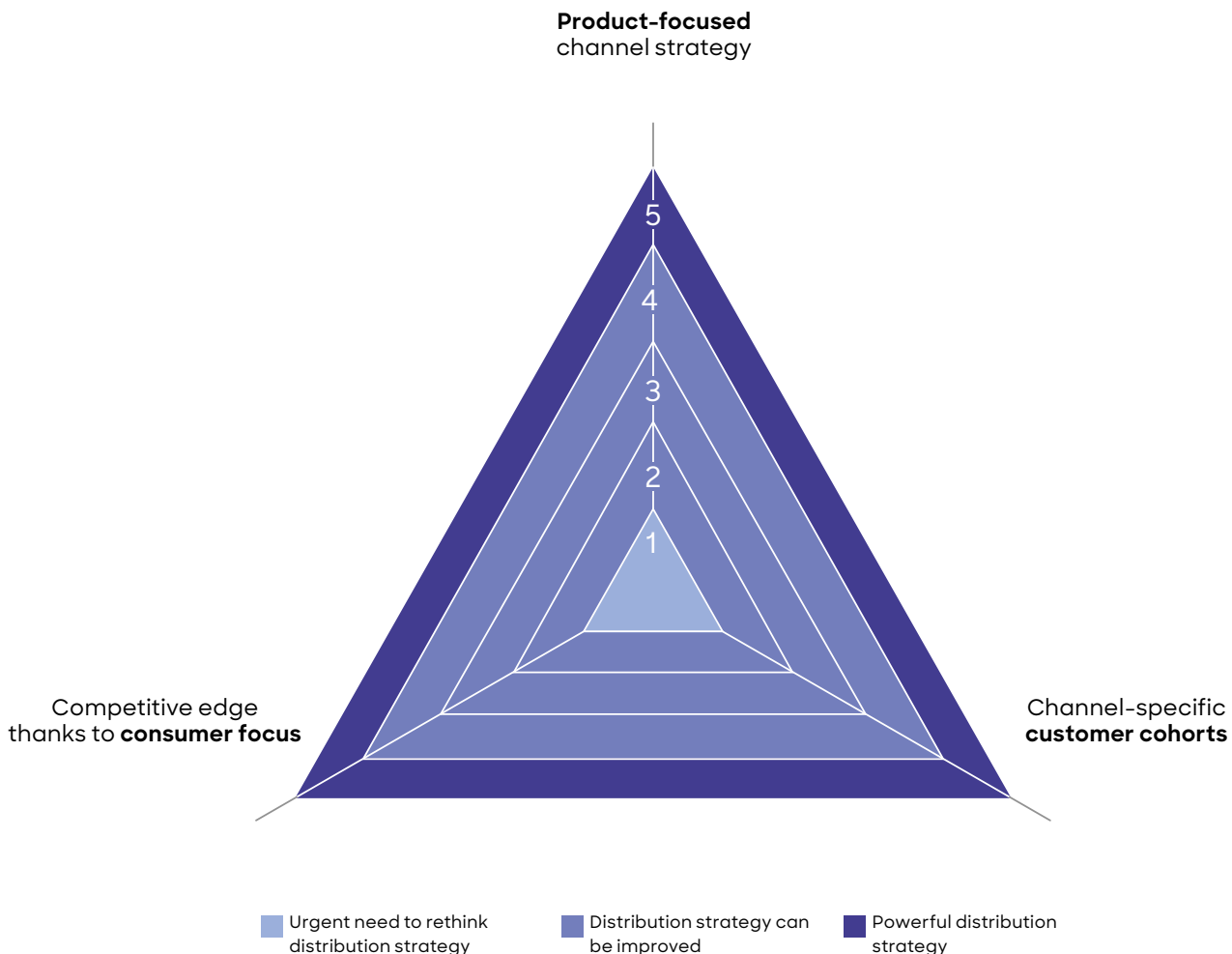
- 1) We use the same consumer cohorts across all channels
- 5) We use different consumer cohorts based on the products and the channels they shop in

Q3. How strong is your competitive edge?

- 1) We are broadly aware of how we do on consumer satisfaction
- 5) We assess our performance with consumers by channel and product

F Do you need to rethink your channel strategy?

Roland Berger Distribution Excellence Self-Assessment Tool



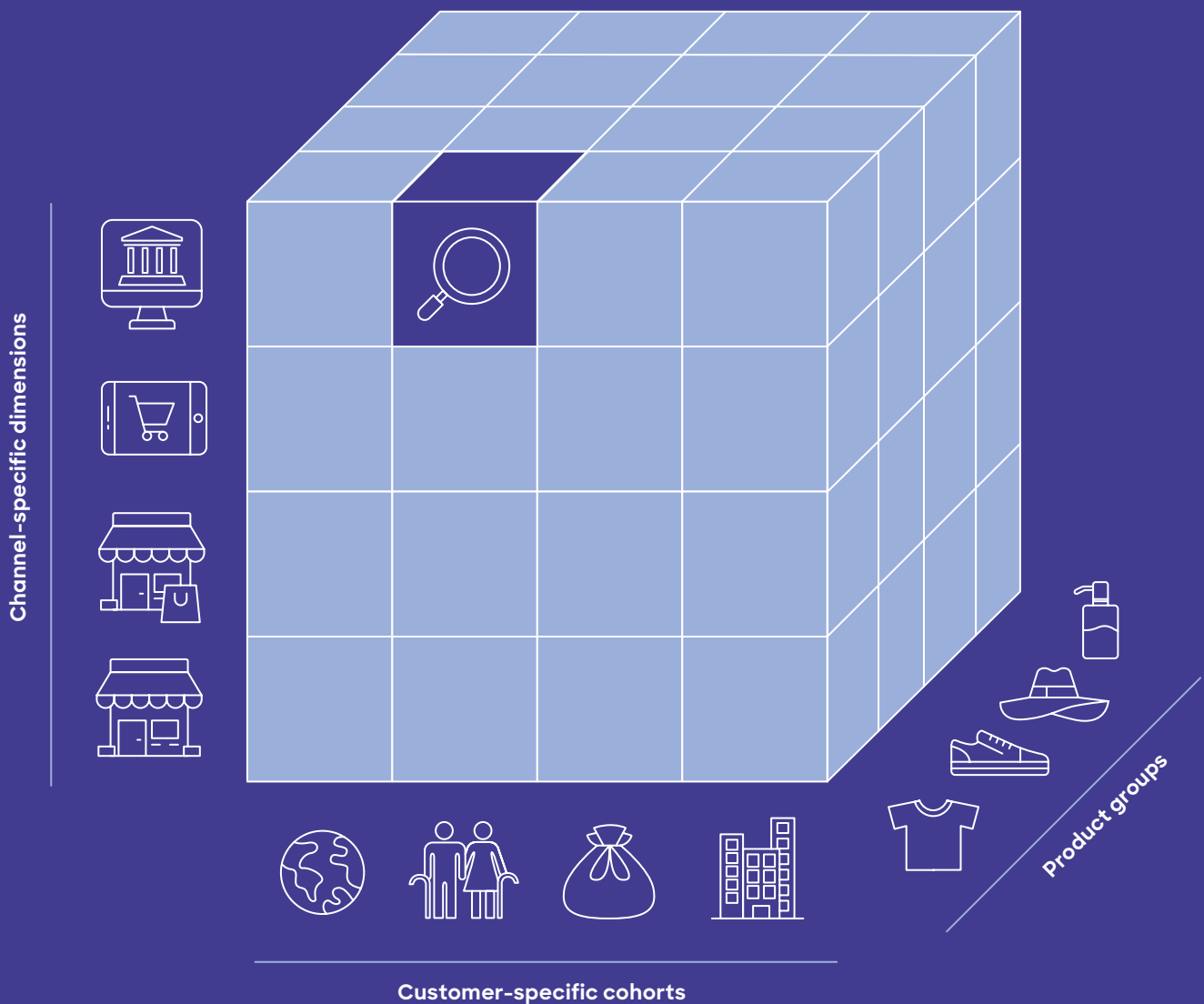
Source: Roland Berger

Roland Berger Channel Strategy Cube

Brands need a distribution strategy that is tailored to their own particular consumer needs and company situation. This means working along all three dimensions at the same time – a task that can be challenging without outside help. In terms of channels, the strategy must cover offline multi-brand stores, offline D2C stores, online multi-brand stores and online D2C stores. Consumer cohorts should be distinguished by geography, age, income/expenditure, gender, population density and additional factors. Product groups may include apparel (tops, underwear, sportswear, intimates, swimwear, formalwear and so on), footwear (shoes, sandals, slippers), accessories (bags, jewelry, watches, spectacles, scarves, fitness trackers) and beauty and personal care (makeup, skin and hair care, fragrances). The Roland Berger Channel Strategy Cube is a powerful tool for analyzing the relevant aspects across the three dimensions and how they interact, thus helping solve the puzzle. ► [G](#)

G Solving the puzzle

A powerful distribution strategy is based on all three dimensions



Source: Roland Berger

Sporting goods

In the pulse survey, respondents mentioned 27 brands by name, including six leading sporting goods brands. This provides us with a useful set of benchmarks. For consumers of these six brands, multi-brand channels are even more important than for other brands, and the share of D2C is lower. However, these consumers have more omnichannel interactions, irrespective of where they end up buying the item.

Interestingly, consumers of sporting goods who visit offline D2C stores do so most frequently because of the price offered in the stores and the reputation of the brand. In other words, it is the brand's reputation that encourages them into the store in the first place, but they have clear pricing expectations once they get there. The result is that offline D2C stores are often forced to extend their discount and sales periods.

The high level of omnichannel interactions in the sporting goods sector means that companies must develop a holistic distribution strategy. Rather than considering D2C and multi-brand channels separately, the strategy should aim to combine the best of both worlds, ensuring seamless interconnection between different channels, while maintaining distinct roles for each.

Our approach

At Roland Berger, we draw on our broad industry and consulting experience, combined with our expertise in consumer goods distribution, to help build the right strategy for your company. Our dedicated Consumer Goods and Retail (CGR) team focuses on developing effective strategies and shaping impactful solutions. We often work side-by-side with our clients for years or even decades.

Our approach typically involves four steps. First, we **analyze** the current situation. Drawing on the results of our pulse survey, we determine what your consumers really want. We also identify current pain points in your distribution strategy and consumer journey. Is your company adapting to consumer needs adequately? What is the right channel mix for your products? What is the saturation of store formats? What risks exist within the online and offline distribution strategy? What drives topline and brand equity in the multi-brand business? Where can you make improvements? How do you perform against the benchmarks from our survey? What are best and worst industry practices?

The second step is to **define the target picture and strategy**. This involves deciding where - and where not - to play and defining the consumer experience. We use tools such as the Roland Berger Channel Strategy Cube to answer questions that are vital for distribution success, such as how to overcome key challenges and what the precise financial expectations for each channel should be.

Next, we **derive an operating model**. That means determining how the company should operate, establishing a target organizational setup, creating processes (including

governance processes), carrying out the technical setup and deriving cost benchmarks. The overall process should include capability mapping, best-practice sharing and determining financial impacts.

The fourth and final step is to **implement** the new operating model and strategy. Tasks here include prioritizing initiatives, testing, drawing up a roadmap, setting up a project management office (PMO), identifying common pitfalls (and learning how to avoid them) and understanding the success factors for implementation.

Want to find out more about how we can help you rethink your distribution play? Contact us for a free "power hour" to discuss your personal situation and what our experts can do for you.

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Further reading

- [GLOBAL RETAIL AND BRANDS AT A CROSSROADS](#)
- [LIFESTYLE & LUXURY | ROLAND BERGER](#)
- [RETAIL & WHOLESALE | ROLAND BERGER](#)



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