

BILLION DOLLAR BRAND CLUB

**How Dollar Shave Club, Warby Parker, and
Other Disruptors Are Remaking What We Buy**

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LAWRENCE INGRASSIA is a journalist. He is a former business and economics editor at the *New York Times*, where he also served as deputy managing editor. He worked for twenty-five years at the *Wall Street Journal* as Boston Bureau Chief, London Bureau Chief, Money & Investing Editor, and Assistant Managing Editor. His first job was as a reporter at the *Chicago Sun-Times*. He currently serves as a special committee member at Dow Jones & Company, Inc. Lawrence Ingrassia is a graduate of the University of Illinois at Urbana-Champaign.

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MAIN IDEA

It's never been a better time to start a new DTC (direct-to-consumer) brand. If you get it right, it's now possible to grow a billion-dollar brand faster than ever before. Exhibit A is Michael Dubin, who parlayed a witty 90-second video – which cost all of \$4,500 to make – into the Dollar Shave Club brand which Unilever acquired for \$1 billion. Time taken: less than five years!



The dirty little secret of Dollar Shave Club, Warby Parker, and all the other billion-dollar brands is their products are not necessarily better. Instead, they take a digital approach to retail, and reap the benefits. They innovate by getting to know the customer better than the big players, and then find a dimension to compete on that the established brands just kind of gloss over and ignore.

To build a billion-dollar brand, you don't necessarily need a superior product. You just need to know what makes your customers tick, and come up with something better they will value. Digital tools enable you to figure that out and deliver it. Obsess over connecting and bonding with your customer and all else will follow.

"The good news for brands, new and old, is that the market for consumer products isn't just tens of billions or even hundreds of billions of dollars a year, but several trillion dollars a year in the United States alone. That leaves plenty of room for start-ups, with the most successful ones joining the billion dollar brand club. After all, they could be a \$1 razor blade and a one-minute, thirty-three-second video away from making it happen."

– Lawrence Ingrassia



Build a Billion-Dollar Brand

SELL DIRECT TO CONSUMERS

FIND STALE CATEGORIES

NEVER LOSE SIGHT OF CUSTOMERS

USE DATA TO LEARN

Principle #1 – Sell direct to consumers Pages 2- 3

The success of Dollar Shave Club showed that by targeting a corporate giant's weakness, a start-up with the right product, the right amount of added value, and the right message can create a new brand almost overnight. You don't even have to invent a better product or have lots of money for advertising to succeed. You just have to align with what customers are thinking.

Principle #2 – Find stale categories. Pages 3 - 5

Warby Parker is a great example of what direct-to-consumer brands offer. It succeeded because the usual category leaders sell largely through retailers and depend on broadcast advertising. That means they don't have a direct connection with customers. Furthermore, if the category leader enjoys large profit margins, they will be less likely to cannibalize their own business model and compete. These are the sweet spots for new DTC brands.

Principle #3 – Use data to learn Pages 5 - 6

Most people assume direct-to-consumer brands are all about the digital distribution channel, but that's not actually correct. These brands use data to connect and listen to their customers, to bond with them, to learn what they want, and then to find ways to work with customers going forward. "The algorithm is always right" is the mantra of billion-dollar brand builders.

Principle #4 – Never lose sight of the customer Pages 7 - 8

In what is almost a classic *Back to the Future* moment, many direct-to-consumer brands are now opening physical retail stores, despite them proclaiming physical retail is so last century. The difference is these stores are now used to gather customer data which is then applied to increasing online direct-to-consumer sales. It's about making connections rather than sales. The legacy retailers were sitting on a goldmine of customer data they never took advantage of.