

**T**HE LINES ARE STARTING TO BLUR,” SAYS Mortimer Singer, CEO of the retail consumer advisory firm Traub. “It’s not about old versus young, big versus small, online or offline. Across the board, it’s brands that are seen as authentic, as embracing and embodying a set of values, and communicating directly with global consumers that are succeeding today. And they’ll be the ones that will win over the long term. This is true even for the incumbents, and maybe especially the incumbents, because they have the infrastructure and customer base already in place.”

Traub, whose clients include clothing companies such as Naadam Cashmere and Knot Standard, the skincare and cosmetics firm Borghese, the luxury brand Lalique and the premium candy and chocolate line Sugarpova, published a 2017 report highlighting a group of smaller, often overlooked businesses “founded, launched, and nurtured entirely online.”

Collectively, these businesses posed an economic challenge to the Goliaths of retail, the report argued. But more importantly, Traub believed they embodied and exemplified what the future of successful retail would look like – both as a mindset and a business model. These companies showed how data-driven operations and candid, frequent, creative communications could build a brand and cultivate loyalty among a new, critically important wave of younger consumers. Traub called these digital-first businesses “The New Davids.”

While the “David” and “Goliath” labels suggest a fatal outcome for big businesses, in a recent conversation at Traub’s office in Midtown Manhattan, Mr. Singer shared a more optimistic outlook. Yes, the Davids engage more naturally with Millennials, but we’re seeing Goliaths take note, adjusting the way they market their brands, communicate and operate their businesses – changes that have seen some established names outpace their younger counterparts.

In its latest report, Traub identified more than 200 Davids. They span the fashion, beauty, accessories and wellness industries and create a range of niche products. BarkBox sends dog treats and toys to your home each month. Brooklinen sells premium bedding. Beardbrand sells beard oil, mustache wax, and combs. Everlane brings “radical transparency” to online clothing, sharing videos and stories of the factories where the pieces are made.

While concentrated in the US and Europe, these Davids represent a global trend. Among the 200 were a custom women’s wear business from Australia, a lingerie retailer from Israel and a beauty business founded by a Nigerian entrepreneur. Most Davids

are private companies, making their collective size difficult to estimate precisely. However, the razor subscription service Dollar Shave Club, one of the 200 Davids, was purchased by Unilever in 2016 for a reported \$1 billion (the deal’s terms weren’t disclosed), and a year later Blue Apron, a meal-kit delivery business and another David, raised \$300 million in its IPO. Traub conservatively estimates that each David generates at least \$10 million in sales, putting the Davids’ collective annual sales at \$2 billion – and, based on the effects of their pricing models, Traub estimates the Davids take more than \$4 billion out of traditional retail channels each year.

While these digital-first companies are tiny by big-name standards – Walmart had a 2017 revenue of almost \$500 billion, with more than \$10 billion in online sales – the Davids are growing steadily in size and

Communication and connection will determine the future of retail – not a company’s size or age, Traub CEO **MORTIMER SINGER** tells Brunswick’s **BLAKE SONNENSHEIN**.

# THE NEW DAVIDS &

number – as is online retail itself, where Davids prove especially effective and savvy. Less than 10 percent of purchases in the US are online, and most every projection has that figure increasing steadily and sharply.

Part of the Davids’ appeal, according to Mr. Singer, is their niche focus. “They are able to offer luxury or similarly high-quality products at lower, wholesale prices, and are seen as great value. There’s also perceived expertise in just focusing on glasses, or mattresses, or water bottles.”

Alongside niche products, the new Davids, unencumbered by the restrictions that often come with legacy decisions, scale and global breadth, are able to bring a fresh approach to marketing and communications, engaging more directly with greater frequency, transparency and creativity. Their authenticity reads as refreshing. Many use slang to explain their products and policies. The dialogue, whether



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in advertisements or asking for feedback, feels unscripted, unconventional.

This communications style is not a tactic as much as a core engine of their business: “They’ve merged content with commerce, finding ways to create human, raw connections – they put out videos and stories that stay with you, that you talk about,” Mr. Singer says. “The old mindset was: a product company creates products, and a media company creates content. But the idea of having an outside agency create all your video content is dated. So is the idea of having to rely on third-party influencers. Companies need to be acting like vloggers – amassing content from which they might be able to mine something for a story or an idea; becoming their own influencers, writing their own stories.

“And it’s not doing it once a season. It’s daily, weekly. Repetition is reputation. So being consistent

with content first and foremost. And then velocity. If you think of a brand campaign 10 years ago, you had to do one every season. Now you have to create continually; which means you have to have something fresh to talk about. It’s almost as if these digital-first brands are commentators on the world. They’re using the pulse of today, not waiting to try and predict what’s going to happen tomorrow. In some ways, to use 21st century terminology, it’s a reality show. It’s bringing radical transparency.

“Chubbies, for instance, is a men’s bathing suit company. They’re kind of ‘brotastic,’ and they create hilarious content, a lot of it featuring their own employees, like their CMO. It’s not only funny but also creates huge loyalty – you get a sense they’re letting you see behind the scenes, and that they’re being ‘real’ with you. As a result, Chubbies sells a lot of shorts and bathing suits.

**THE DAVIDS EMBODY AND EXEMPLIFY WHAT THE FUTURE OF SUCCESSFUL RETAIL COULD LOOK LIKE – BOTH AS A MINDSET AND A BUSINESS MODEL.**

“Dollar Shave Club was an early adopter of this technique. Their ‘Why Dollar Shave Club’ video made their business. Kylie Cosmetics’ sales exceeded \$420 million in its first 18 months. That was driven by the content that Kylie Jenner put forward. This convergence of content and commerce is only going to become more pronounced.”

Scan the landscape, Mr. Singer says, and you’ll find some Goliaths not only following suit, but creating their own communication style, making them competitive and even a step ahead of the smaller, more nimble upstarts they’re supposed to be trailing.

“Gucci applied the tenets of digital-native brands to their business, and look what it’s done for their sales, their business – they jumped by something like 60 percent year-on-year.” Mr. Singer also highlights Gucci’s recent stances on social issues, and its creation of a “shadow committee” of Millennials, a group of under-30 employees who speak directly to Marco Bizzarri, Gucci’s CEO.

Another brand Mr. Singer mentions is the 160-year-old department store chain Macy’s. He praised the company’s recent acquisition of Story, a small retail company that “blends magazine storytelling with shopping,” as Mr. Singer describes it, as well as Macy’s investment in b8ta, another experimental retail business. “These could rub off on employees and customers in so many positive ways,” Mr. Singer says. “They’ve also done things like allow 200 associates to monetize themselves online – so if an associate posts a link to a Macy’s item, and then their followers use that link to buy a product, the associate receives a commission. I commend Macy’s for it – it’s trying something different, being open to change, experimenting.”

But the tutelage is two-way. While Goliaths learn how to use content to drive commerce and change the way customers experience their products, Davids are realizing the value of the brick-and-mortar stores they were predicted to make obsolete.

“Digital-first companies are realizing that rent and SEO [search engine optimization] are the same thing – they help you acquire customers,” Mr. Singer says. “So these companies have woken up to the idea that the cost of acquisition (CAC) isn’t limited to marketing on Facebook or Google; it can also be embodied in rent. The catchphrase right now is ‘rent is the new CAC.’ But of course rent has been the CAC for millennia. Not everyone wants to shop online – people do go shopping. Imagine that? We’re social animals.”

True to their digital roots, the Davids have used data to improve this old-school practice. “They cross-correlate where their customers live, where

they work, along with a host of other data points, so they have a more targeted idea of where to put their stores. And they’re also taking shorter leases – the 10-year lease is nowhere near as prevalent as it used to be.”

Predictions about the future of retail often focus on the battle between online-only and brick-and-mortar, or apps versus storefronts. But perhaps this is the wrong lens through which to look at the future – tomorrow’s retail success stories will be defined by the best of both.

Mr. Singer predicts that a brand’s ability to converse and connect, to have opinions and take stances, to be seen as cool, trustworthy and transparent, to create content that people actually care about – these will determine a brand’s fate with Millennials and the next generation of consumers. And these qualities can rest within Davids or Goliaths.

But are Millennials really that different of a consumer than their parents or grandparents were? Does retail really need to adjust, as it never has before, to win the respect and business of this new generation?

“People have said to me, ‘Look at the ‘60s and ‘70s; they were the “Millennials” of that generation.’ Well, yes, but they couldn’t communicate to each other the way Millennials can today. They couldn’t be heard at scale, or start a movement, the way that someone with a voice can today.

“That’s why teenage students from Parkland, Florida, whose classmates were shot and murdered, capture global attention: because they have a megaphone unlike any other generation in history; companies of all shapes and sizes need to take note if they want to be relevant and resonant.

“Earlier this year, we interviewed Gucci CEO Marco Bizzarri at the Traub Lecture at the Harvard Business School. He was asked if Gucci’s million-dollar donation in support of the Florida students who marched for gun control was a marketing ploy. And his response was a firm ‘No.’ Bizzarri said that he explained the donation across the company, and to his customers, by saying: First, Gucci had lost two members of their staff in the Orlando shooting a year-and-a-half ago, so the issue was personal to their immediate and larger Gucci family. And second, if he, Bizzarri, is trying to teach young people in the company to speak up to power, what better symbol of standing up to power to support than children standing up to the American government?

“An audience member asked as a follow-up: ‘So going forward, does that mean that companies should take a stand?’ And his response was, ‘Well, who else is?’” ♦



**“COMPANIES NEED TO BE ACTING LIKE VLOGGERS – AMASSING CONTENT FROM WHICH THEY MIGHT BE ABLE TO MINE SOMETHING FOR A STORY OR AN IDEA; BECOMING THEIR OWN INFLUENCERS, WRITING THEIR OWN STORIES.”**

**MORTIMER SINGER**  
CEO, Traub

**BLAKE SONNENSHEIN** is a Partner in Brunswick’s New York office, specializing in both the consumer and private equity sectors.