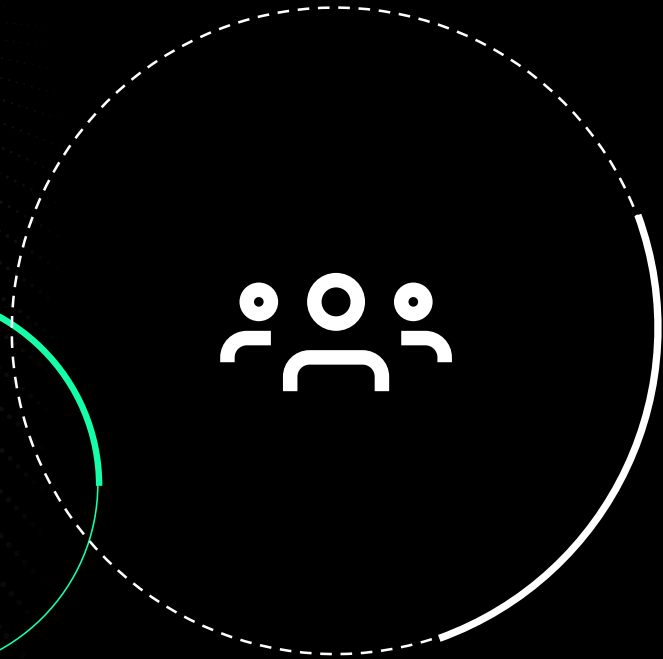
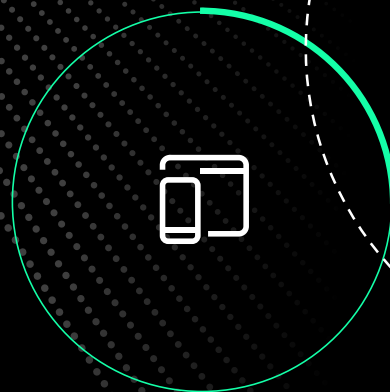




How Lifestyle Brands Can Realize D2C

in a Platform World



Who Will Set New Standards for Customers?

S.06

Turning the Odds Around: Cooperating With Platforms

S.11

Differentiate Yourself From Platforms











S.13

Which Capabilities Do Brands Need?

S.14



Content

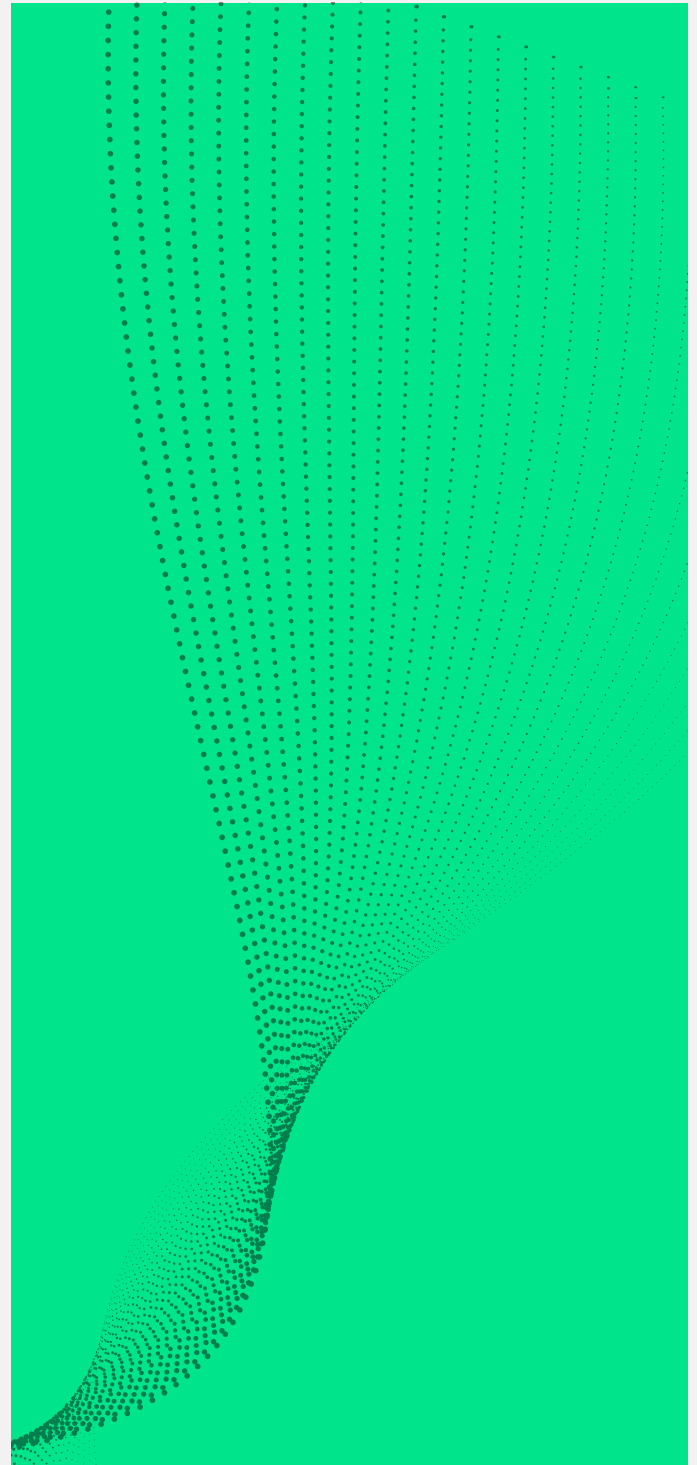
TL;DR	
	Page 03
01	Page 04 What Lifestyle Brands Need to Prepare for 
02	Page 06 Who Will Set New Standards for Customers? 
03	Page 08 Who Will Be Able to Keep up the Pace? 
04	Page 10 Who Will Excel in Product Development? 
05	Page 11 Turning the Odds Around: Cooperating With Platforms 
06	Page 12 Expert Advice 
07	Page 13 Differentiate Yourself From Platforms 
08	Page 14 Which Capabilities Do Brands Need? 
09	Page 15 Solutions Covered by In-House Teams 
10	Page 16 Solutions Covered by External Partners 

TL;DR

How do they do it? How can eCommerce platforms like Amazon so easily grow even in difficult economic times while some brands are taking serious hits and only slowly recover – if at all? The success of platforms lies in their DNA.

Driven by technology and innovations, they gain market shares by scaling so effortlessly. Scaling their assortment. Scaling their customer convenience. Scaling their revenue. Does this mean that all brands need to become a technology company with a strong platform? Yes and no. There might be some brands that can pull this off in a David-and-Goliath scenario.

But: What if there's a different, more efficient option than having to compete with platforms? Let's take a look at current developments making it necessary for brands to adapt their digital strategy and how they can grow with a direct-to-consumer (D2C) approach within a platform-driven market.





What Lifestyle Brands Need to Prepare for

Market standards are continually changing due to new customer expectations, channels, devices, and providers. Lifestyle brands need to pay special attention to three major developments:

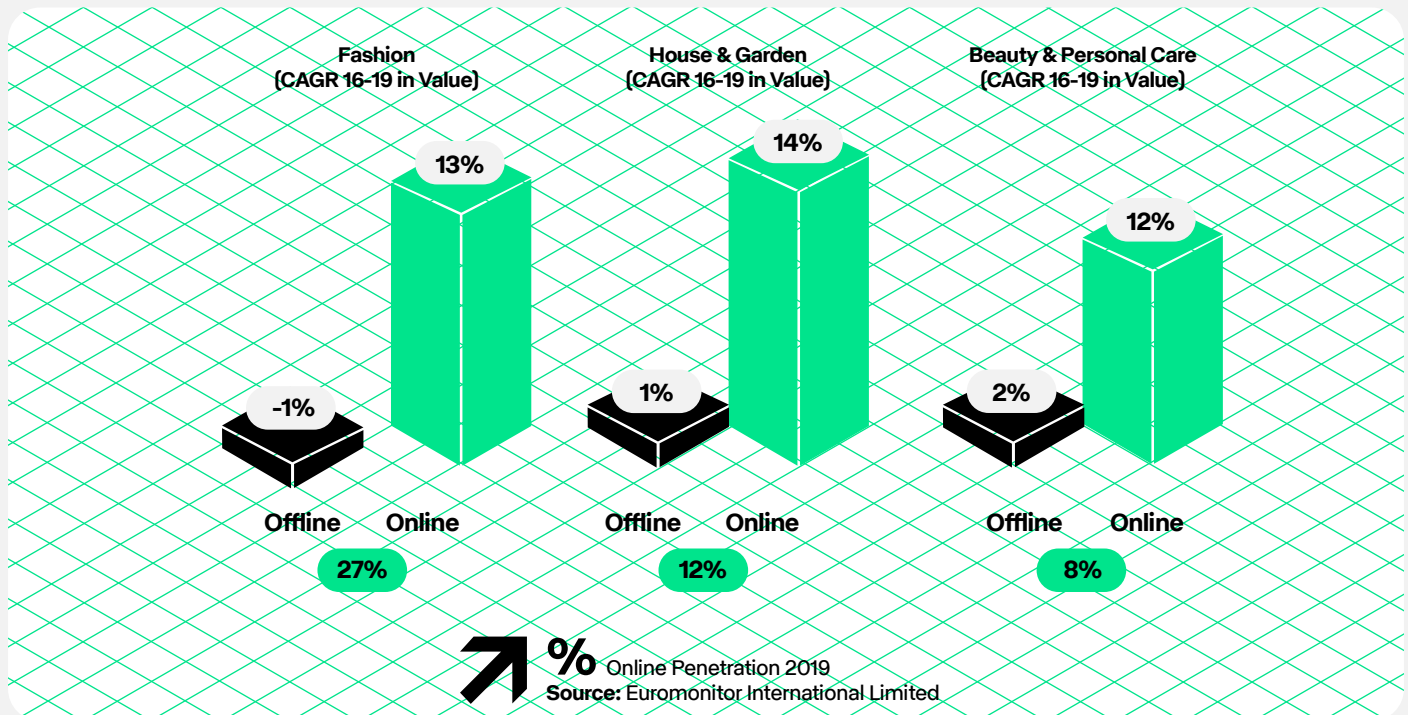
- ✓ Extreme channel shift towards online amplified by COVID
- ✓ Further consolidation of markets towards a few online players
- ✓ Fast online growth in CEE countries



Amplified by the global pandemic, the shift towards eCommerce is now strongly visible in nearly all lifestyle segments. Consequently, the market will see a consolidation sooner and faster than expected. Platforms are ideally positioned for this scenario as they were designed to scale. Brands in fashion, home & living

but also beauty & personal care, for instance, need to pick up speed in their digitization – or will be left behind. Some brands are already experiencing the “platform effect”: customers moving on to large platforms instead of buying offline or at the brand’s online shop. In addition, brands miss out on fully exploiting the

opportunities from emerging high-growth markets. Central and Eastern European (CEE) countries, in particular, shouldn't be neglected as competition is lower than in Western Europe. They possess rapidly increasing mobile penetration rates and the young and largely digital-native generations Y & Z.



While eCommerce thrives, some players are more successful than others. The European fashion market, for instance, is currently still very fragmented with the top six players only generating 26% of all sales. In other segments, like consumer electronics, this percentage is al-

ready significantly higher. Inevitably, platforms will continue to gain market shares. Higher visibility, enhanced customer experience, and faster technological innovations will boost building a loyal customer base. Eventually, this leads to the question: Will brands be left behind?



Who Will Set New Standards for Customers?

The rapid and continuous growth of scalable platforms like Amazon, Zalando, and ABOUT YOU does not only ensure their access to large numbers of different target groups. As platforms set standards for best-in-class shopping experiences, some customers are already exclusively shopping at specific platforms. Large assortments, fast and reliable deliveries, easy payments, and competitive prices – many customers don't want to compromise on their digital shopping experience anymore. And platforms often cater best to customers' basic needs, e.g., with easy returns and dedicated customer service. Consequently, platforms have a head start at what we call the "access layer".

Traditional retailers are already challenged with many limitations. Comparatively small assort-

ments, restricted marketing capabilities – retailer shopping experiences usually can't compete with the large platforms.

Ultimately, they will lose market shares if they don't build the capabilities to compete with platforms. Retailers might still have customer access.

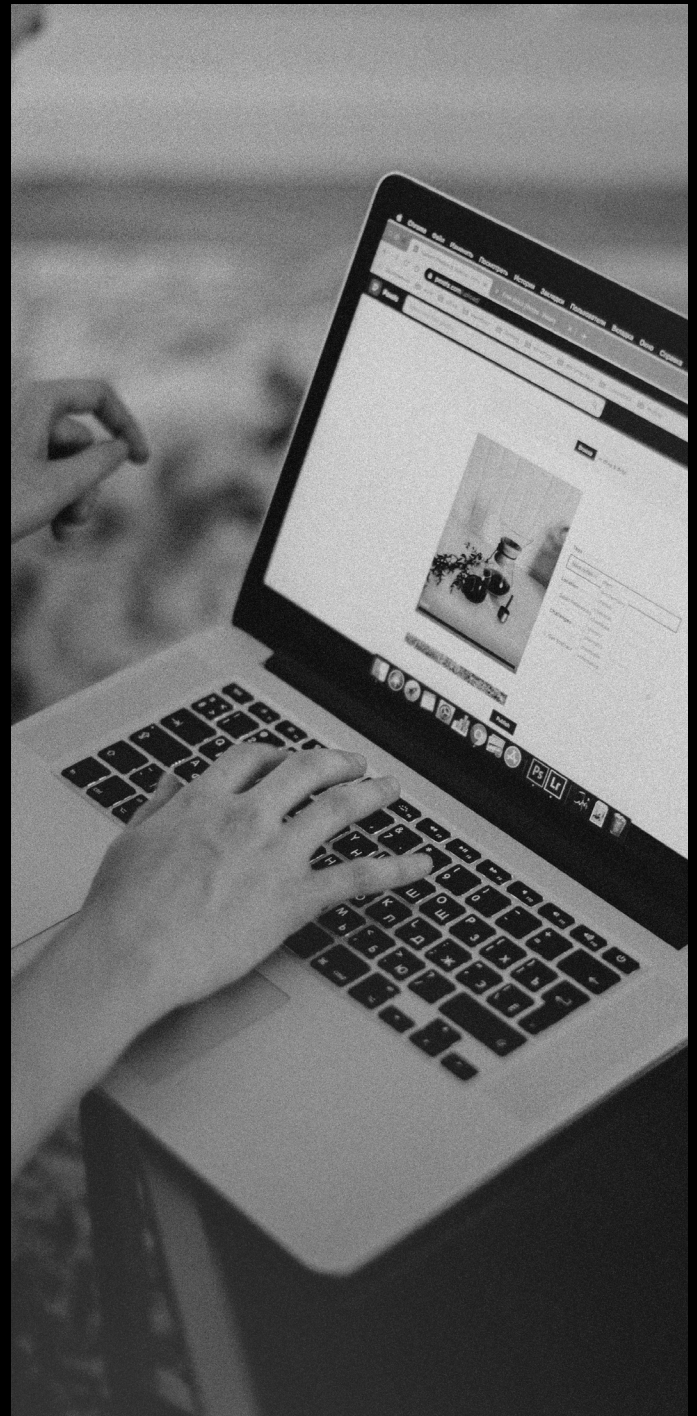
But lower contribution margins due to weaker CRM measures and decreased purchasing power will slow them down. In turn, they won't have the funding to compete with platforms when acquiring new customers. They simply will not get the visibility platforms are more willing and able to pay for at a higher price in lead systems like Google or Instagram.

Brands, on the other hand, have the capabilities to secure their direct consumer access if they can keep up with the market's standards platform customers are used to.

Some hygiene factors brands need to watch out for are:

- ✓ Intuitive user experience
- ✓ Fast deliveries
- ✓ Excellent customer service
- ✓ Convenience, e.g., payment methods or when returning goods

The goal should be to take care of the basics while adding product-related benefits that platforms usually don't provide. Examples of this could be extra services like virtual fitting, stylist events, or special VIP services for customers with a high lifetime value.

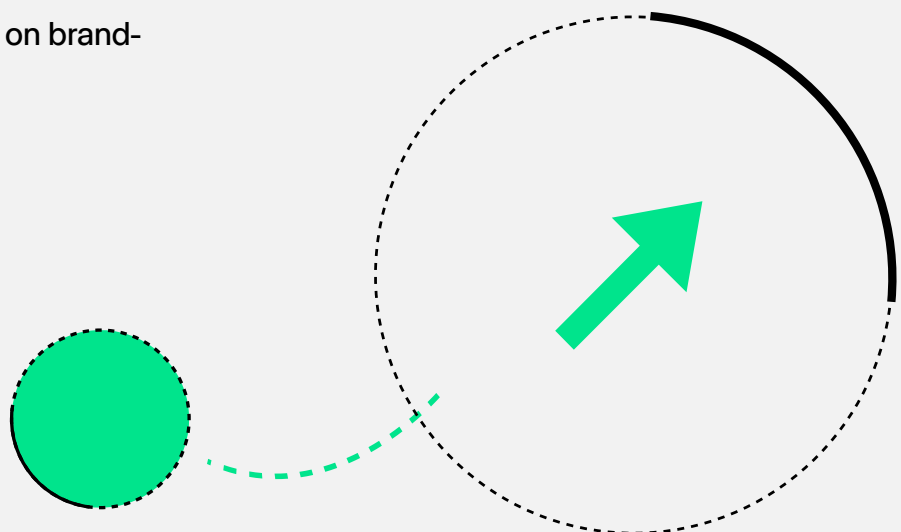







Who Will Be Able to Keep up the Pace?

When it comes to technology, platforms take the lead. Building a platform that scales and keeps up with continuous market changes can easily require 300 to 400 developers. Automating processes, taking advantage of synergies, balancing fluctuations of workloads or customer service – it’s all easier for platforms due to their technology-driven nature. Also, their sheer size puts them in a better position, e.g., when negotiating with payment services or other third-party providers. Furthermore, they can extend their infrastructure and services like fulfillment, payment, and customer service to retailers and brands. This way, retailers and brands can benefit from easily adapting hygiene factors and focus more on brand-related goals.

While some retailers might be able to build a sufficient infrastructure, most brands will less likely be willing to compete with platforms on this “enabling layer”. Currently, a lot of brands still work with monolithic legacy systems, sometimes even self-developed systems, and already reached their scaling limits due to the system’s high complexity and “collection” of third-party services in use. Eventually, brands have better chances on the market with a modern system they don’t have to maintain themselves.



	Access Layer	Enabling Layer	Product Layer
Platforms   	<ul style="list-style-type: none"> Customer acquisition Digital shopping exp. Transaction handling CRM 	<ul style="list-style-type: none"> Technology Fulfillment Payment processing Customer service 	<ul style="list-style-type: none"> Collection design Sourcing and buying Branding Merchandising
Retailer   			
Brands   			



Who Will Excel in Product Development?

Remember when platforms started developing their own brands focusing on basics and trend items? These times are more or less over. Even though some platforms continue to offer their own labels, the focus is by far not as intense as it used to be. At ABOUT YOU, we still have our own brands like Edited. But when developing new exclusive assortments with influencers, these labels are more brands of their own than ours in the traditional sense. So why this change? Platforms are realizing that product

development is not their core competency and they should not try to compete with the brands they cooperate with.

Product development, sourcing, branding, and merchandising are core competencies platforms and retailers are better off leaving to brands. They know best how to produce awesome products and tell compelling stories to attract awareness.



Turning the Odds Around: Cooperating With Platforms

As platforms set high standards for a digital customer experience and will continue to gain market shares, brands will seriously have to ask themselves one question: Do I need to compete with platforms or should I take advantage of them? Most brands are likely to opt for the latter. Therefore, brands should treat a platform as a market on its own with a dedicated team managing the platform and getting detailed data insights to optimize processes, increase

visibility, and gain market shares. Furthermore, brands should consider a hybrid distribution model ensuring the best cut while retaining customer access. Joint campaigns will increase the brand's visibility, e.g., with co-branded or sponsored articles. Eventually, brands will need to determine if third-party platform or marketplace integrations are efficient enough to nurture their growth targets. In some cases, replatforming to an optimized system may be unavoidable.



Expert Advice

So which implications does all this have on you as a lifestyle brand? It is important to understand that your brand needs to build up a strong D2C business. Direct customer access will not only increase contribution margins. You will, for instance, have full control of your brand's online presentation, price handling, and receive extensive data insights to optimize your strategy. While cooperating with platforms is generally

a good idea, your own online shop should also have priority. An example: Your top seller is about to run out of stock. So where will you sell it? The platform? I hope not. In this case, pull your top seller from the platform to preserve stock for your own shop. Also, make sure that your brand's products are not cheaper on platforms because customers will follow best-price offers.



Tarek Müller

Co-Founder & CEO
ABOUT YOU | SCAYLE

What to do to scale your business:

- ✓ Focus on core competencies:
branding and assortment building
- ✓ Sell at an international scale, particularly in emerging markets
- ✓ Integrate your omnichannel experience, e.g., with live and streaming events



Differentiate Yourself From Platforms

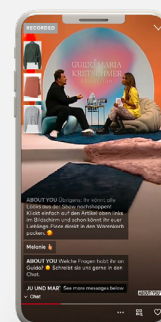
Brands can benefit from working with platforms while developing their own core business. First, they need to be on par with platforms on hygiene factors like delivery speed, payment options, and shopping convenience. This means having a modern and scalable architecture. Lean. Reliable. Composable. You can outsource operations and fulfillment to optimize your processes. For most cases, this will ensure your customers' most basic needs and strengthen your growth potential. However, will this setup differentiate you from a platform? Probably not. Is this a disadvantage? Definitely not. Actually, this might be a great way to distinguish yourself from competitors and platforms. Determine three to five USPs that will put your brand on the spot and keep the rest rather simple.

How you can stand out as a brand:

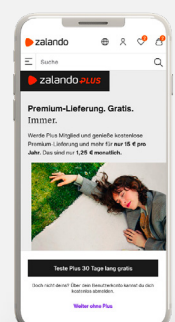
- ✓ Develop a unique front end with your own IT resources
- ✓ Offer an exclusive brand assortment, e.g., limited editions only available in your own shop
- ✓ Engage customers with compelling stories about your products on **social media**
- ✓ Turn customers into fans, e.g., with VIP support on WhatsApp or “you get it first” deliveries
- ✓ Impress as an omnichannel retailer with connected retail and on-location events



➤ Personalization



➤ Live Shopping



➤ Premium Access



Which Capabilities Do Brands Need?

Customers are easily attracted by the versatility, convenience, and best-price offers platforms provide. Thus, brands do not only lose sales right here. They also lose their direct connection to customers. Even though customers might be willing to buy a certain brand they will drift off to buy from a platform. So what does all this

mean for brands? They need to reach parity with platforms on hygiene factors while being able to differentiate themselves from platforms on selective topics at the same time. For this reason, brands will have to focus on their core competencies and should leave hygiene factors to strong, experienced partners.

- Back-end technology**
- Front end & user experience**
- B2C fulfillment & customer service**
- Assortment**
- Customer relationship management**
- Performance marketing**



Solutions Covered by In-House Teams

✔ User Experience & Front End

Developing a compelling user experience for web and mobile is the perfect opportunity for brands to distinguish themselves. Brand-owned IT resources can use their unique data insights to tailor a front end optimized for their target audience, e.g., with personalized shopping features. Furthermore, brands should implement their brand story right here within the front end to ensure smooth communication along the whole customer communication process. To speed things up, front-end specialists can help brands in their endeavor to optimize their user experience.

✔ Assortment

Customers love their brands. So why not provide them with a sense of exclusivity, e.g., with product assortments customized to brand lovers? How about making special editions, product ranges (e.g., high-priced items), or more variations (e.g., additional styles and colors) exclusively available at your shop? Personalization is a perfect lever to attract brand enthusiasts,

e.g., allowing customers to design their own product.

✔ Customer Relationship Management

Customers already show a high degree of brand loyalty and want to support them. They just need a little push in the right direction and they are more than willing to show their passion for their favorite brands. How? One option: Rewarding loyal customers with extra support, early or exclusive access. This will create additional incentives to buy directly from the brand. Moreover, brands can easily excel in building a community with good storytelling. Investing in creative content and social media marketing will quickly pay off.



Solutions Covered by External Partners

Back-End Technology

Trying to be technologically on par with state-of-the-art platforms like Zalando or ABOUT YOU will only slow brands down. So brands should not ask themselves what their current tech stack can do for them but what tech stack can do what they need it for. Hence, switching to a headless, composable system supporting B2C should be considered. This way, brands can ensure their system supports seamless integrations of all hygiene factors for all of the brand's online and offline experiences. The technical setup should complement all distribution services.

Operations: B2C Fulfillment & Customer Service

Fulfillment and customer service are an extension of the platform experience and need to be viewed as hygiene factors. No brand can afford customers frustrated by long delivery times, unreliable carriers, or non-native customer support – especially in an international context. Instead, brands should seek the opportunity to

gain customers' trust with an experience they love and are used to.

Performance Marketing

While brands can easily excel in brand marketing and customer relationship management, performance marketing is extremely data-driven and relies heavily on automation and a holistic strategy within the platform and lead ecosystem. Most brands are likely to entrust this challenge to a reliable partner that has the capabilities to scale campaigns most effectively and react to market trends before the competition does. Visibility is key and platforms know best how to achieve it.



Boosting Your D2C with a Strong Partner



SCAYLE helps you achieve your D2C goals with an innovative and flexible ecosystem optimized for customer convenience. A headless, composable tech stack and our Business Services will enable you to be on par with all the hygiene factors big platforms already provide.

This way, you can focus on differentiating yourself from platforms and the competition with topics that really matter.

 [Learn more about SCAYLE](#)



Contact

SCAYLE is a flexible B2C SaaS enterprise shop system built on a headless and API-first architecture. An extensive feature set, including PIM, Shop Management, Checkout, and OMS, is combined with an intuitive UI. Brands and retailers use SCAYLE to stay on track with fast-changing market developments and to drive differentiation in commerce.

SCAYLE GmbH is a member of the ABOUT YOU Group and unites modern technology with a unique retail DNA. Leading brands like Deichmann, s.Oliver, Fielmann, FC Bayern, Marc O'Polo, and DEPOT choose SCAYLE's Commerce Engine. Managing directors are Christopher Metz, René Dalock, Sergio Sola, and Tobias Ring.



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