

2021

Direct-to-Consumer Brands and the Social Impact Loyalty Effect



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ShoppingGives and DTC Magazine are thrilled to introduce our joint report on Direct-to-Consumer Brands and the Social Impact Loyalty Effect. In recent decades, the pursuit of a better way to buy has driven new customer followings, especially among younger shoppers. This is particularly true for digital-first brands, which have made inroads in both the marketplace and the consumer imagination by holding themselves to a higher standard—of quality, of personalization, and oftentimes, of ethics and social consciousness.

After a difficult 2020, it's the mission-driven brand that will stand out in a time when loyalty is more important than ever and competition has never been more fierce. And while DTC companies pride themselves on building close relationships with customers, few things that reinforce a connection more than social impact.

ShoppingGives and DTC Day partnered over our shared mission of helping Direct-to-Consumer brands fulfill their potential to be companies that foster meaningful conversation within their communities and affect broader social change. We hope you find our insights and data in this guide useful and look forward to connecting with you in 2021.

ShoppingGives & DTC Magazine

I. Intro: A Brief History of Giving & Activism

Old Goals & Causes

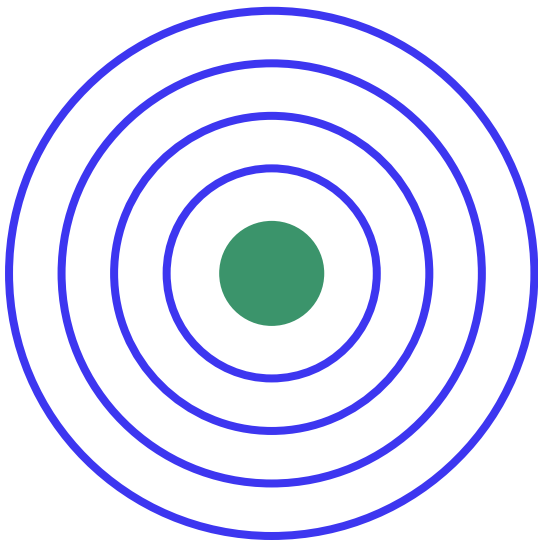
The history of corporate philanthropy goes back to the days of monopolies when titans of industry like David Rockefeller, Andrew Carnegie, Reg Jones, and Henry Schacht established corporate giving programs and foundations that institutionalized corporate philanthropy in their companies. Some of the efforts had a humanitarian bent while others produced many public libraries, parks, and performing arts centers.

The practice of business-directed philanthropy still exists in its traditional formats today. However, much in the way that enormous corporations have given way to smaller, nimbler, and more personalized competition, methods of giving have also democratized. Today, the internet drives individual contributions and campaigns while grassroots efforts are more influential than ever before.

The Role of Old Media

Whether it was tsunami relief or old Jerry Lewis telethons, the way that many consumers often learned about major philanthropic initiatives was through old media—television, radio, and print. These were monocultural events that regularly drew millions of viewers, involved celebrities, and spoke to the cultural uniformity of the time.

But the digital-driven splintering of traditional media has changed not just the informational landscape, but the giving landscape as well. The average consumer has endless paths to finding out about a cause, whether it's through online outreach, crowdsourcing campaigns, or social media hashtags. As a result, philanthropy and social activism has gotten more personal. CNBC recently [reported](#) that the digital natives or what ShoppingGives refers to as “Generation Impact”—led by Millennials and followed by Generation Z—remain the most generous generations in American history in terms of charitable giving and participation in major causes.



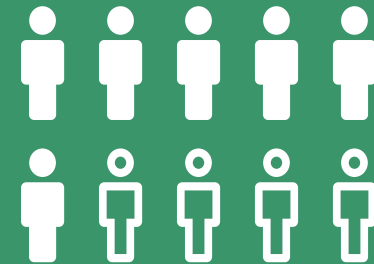
The Emergence of Conscious Digital Brands

What the digital revolution brought to commerce, it also brought to social impact. The emergence of conscious capitalism has turned the act of purchasing into self-expression as well as a means to empower individuals, especially as shoppers have been able to learn more about what they buy and the impact it has on the world around them.

Whether it's eco-friendly clothing or sustainable investing, more customers are seeking products that intersect with their values.

Increasingly, consumers also want brands that wear these values on their sleeves. In recent years, [nearly 60%](#) of consumers in the U.S., along with nearly 75% of younger age groups, said they want businesses to be vocal about important issues.

That sentiment rocketed into new relevance in 2020.



“Nearly 60% of Americans want the companies they purchase from to have a position on issues such as racial discrimination and social justice.”

II. 2020: The Year That Changed It All

The Common Experience

There is no way to exaggerate the hardships and difficulties wrought on everyone from small communities to entire countries during 2020. The emergence of a global pandemic placed unprecedented strain on resources, infrastructure, and economies the world over. But they also served as a call to action for individuals to become more involved.

As ShoppingGives data shows, with the pandemic raging, consumers were inspired to give more to organizations that were assisting with relief efforts such as the CDC Foundation and the UN Foundation as well local causes focusing on hunger. Compared to Q1 in 2020, ShoppingGives saw an increase of 203% in their merchant partners choosing to support Covid-related causes in Q2 and Q3.

Following the declaration of a global pandemic in March of 2020, ShoppingGives reported that giving increased 3X in 2020 compared to 2019 through the holiday season.



The Communal Experience

Of course, the challenges of 2020 weren't limited to the pandemic.

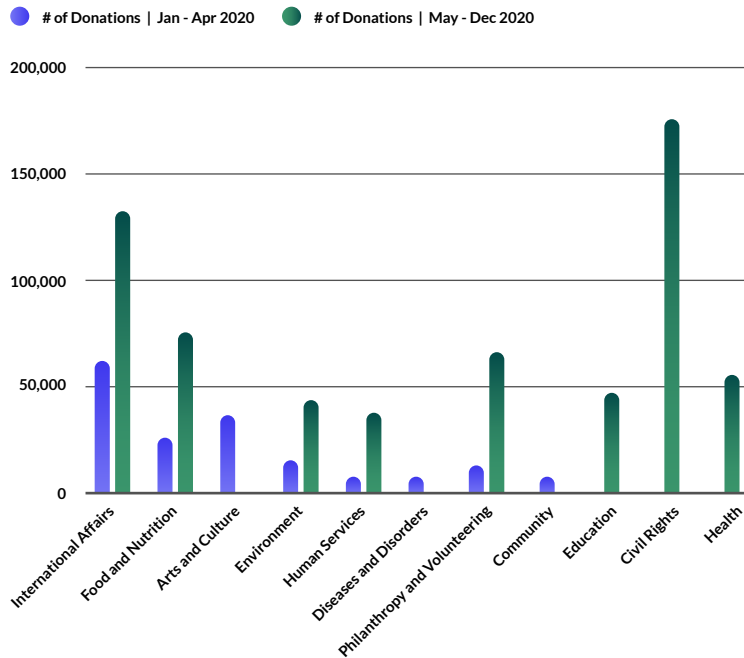
The issues of social justice and racial inequality dominated the newscycle and the discourse, bringing movements into the streets despite a pandemic.

Consumers also took up the mantle of activism in their purchasing habits,

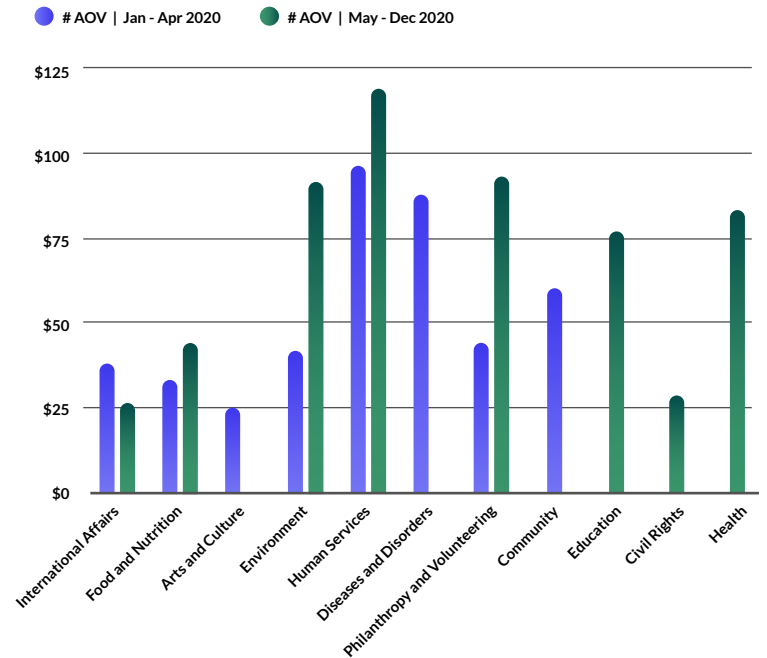
rewarding brands that offered ways to donate to social justice causes with loyalty and higher average order values (AOV).

From late May onward, ShoppingGives data revealed a surge in giving for civil rights organizations that moved in step with the growing calls for change and equity.

Comparison of Number of Donation by Cause Category
Jan - Apr 2020 vs. May - Dec 2020



Comparison of Average Order Value by Cause Category
Jan - Apr 2020 vs. May - Dec 2020



Changing Consumer Sentiment About Brands

With consumer habits already in flux in 2020, shoppers flocked to eCommerce, but also brands that spoke candidly about the important issues of the moment. This dynamic brought new attention to DTC brands which, in addition to being adaptable to pandemic challenges, were better able to respond to their customers' demands on social issues. This combination of factors altered the long-standing calculus of customer loyalty in immeasurable ways.

"When you are buying a brand, you are buying what it stands for, and how it makes you feel or the conversation you are having with it,"

Alexa Buckley, founder of the DTC footwear retailer Margaux, explained at the 2020 ShoppingGives roundtable.

"So, in a moment like the one that we're all in, it would be difficult for a brand to ignore the conversation we're all in on a global level because we are all living a very shared experience as humans in this world. It's a brand's responsibility to engage in a conversation with their community."



The Fracturing of Old Brand Loyalties

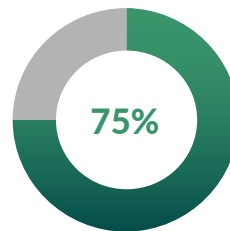
As social distancing moved shoppers out of their regular routines, businesses (especially digital-first outfits) had a new opportunity to be discovered during the mass consumer movement online.

As a study by McKinsey noted, an astonishing 75% of consumers [tried](#) a new shopping behavior while over a third (36%) switched brands.

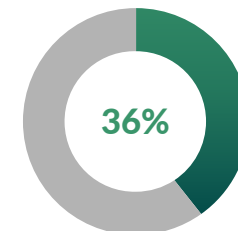
Clearly, we all went into this year thinking that eCommerce would grow 'X, depending on category and vertical,'" DTC loungewear founder Ken Natori of Natori.com observed at the 2020 ShoppingGives roundtable.

"That number post-COVID-19 is now going to be a multiple of 'X'. The million dollar question is who is going to benefit the most from that incremental growth: the big guys or the independent brands? That's the more interesting question."

As customer priorities continue to shift, the ability to stand out will be more important than ever before.



"75% of consumers in 2020 tried a new shopping behavior, such as utilizing a new channel to shop through."



"36% of consumers switched brands during the pandemic and will continue to do so, despite brand loyalty."

III. The Benefits of Social Impact

Acknowledging the Times

What 2020 revealed, especially in advertising and brand discovery, is that consumers want to patronize brands that don't patronize them. Throughout the year, brand acknowledgements of both social strife and public health concerns helped forge a connection to the consumer, even when the message was subtle.

As one study [found](#), even as masks remained polarizing in the early months of the pandemic, only 19% of shoppers had a negative reaction to seeing them in ads, compared to 48% that favored their inclusion.

Meanwhile, a Morning Consult survey [found](#) that across all demographic groups the only universally negative reaction to the social justice protests of 2020 was for a brand to say nothing at all.

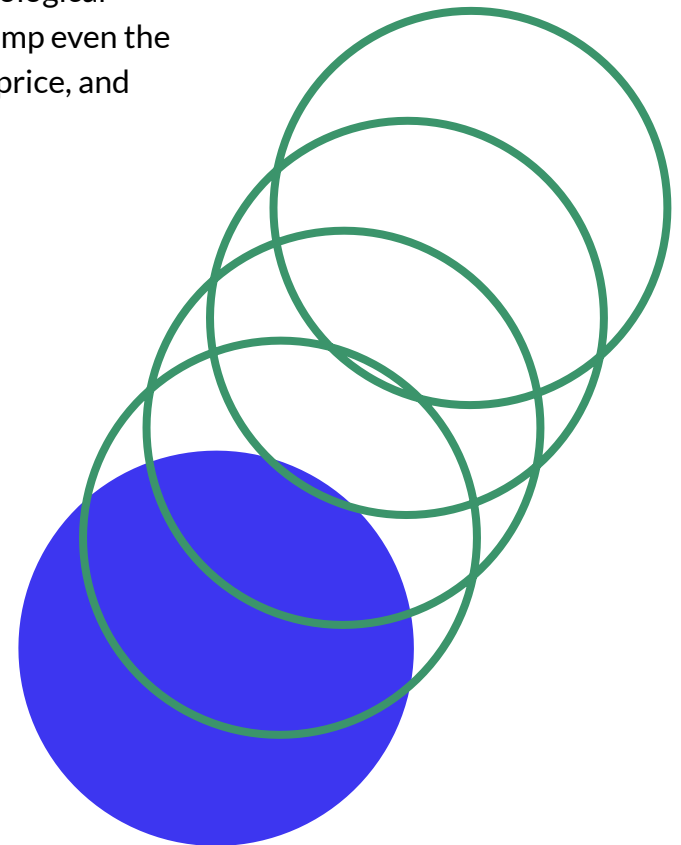
In this fast-changing, unprecedented era, consumers want their brands to engage in the world around them.



A Deeper New Loyalty

What 2020 also revealed is how fickle the consumer connection to a brand can be during a time of considerable disruption. Forced into new patterns, many consumers abandoned long-standing relationships with retailers. In many cases, as the 2020 growth of DTCs and mission-oriented brands reveals, an ideological connection proved to have the power to trump even the biggest consumer priorities like familiarity, price, and convenience.

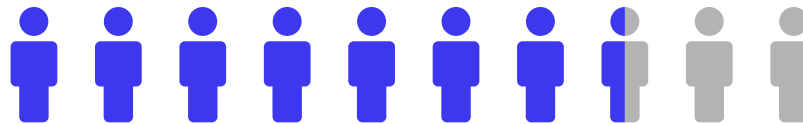
As ShoppingGives founder Ronny Sage explained, “Consumers are looking at what the retailer stands for and what the retailer cares about – aligning their values” And one of the clearest ways for a retailer to foster new and abiding ties with consumers is through social impact.



Attracting a New Generation of Talent

Developing a meaningful social impact program does more than act as a boon for the bottomline; it also helps recruit and inspire talent, particularly to digital-first companies. A 2020 study of U.S. employees offered that 64% of Millennials won't take a job if their employer doesn't have a strong corporate social responsibility policy. Meanwhile, another 83% of Millennials would be more loyal to a company that helps them contribute to social and environmental issues.

To be engaged in social impact isn't simply an expression of values. With 75% of the workforce set to be composed of Millennials by 2025, businesses that are oriented to the community at-large will stand to attract the best employees.

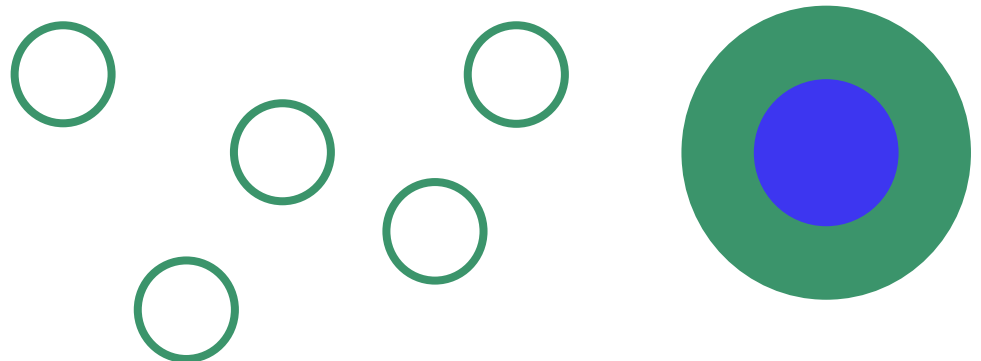


75% of the workforce set to be composed of Millennials by 2025

Attracting a New Generation of Customers

In spite of the recent pandemic-driven fluctuations in customer habits, long-term success for a retailer remains best driven by brand reputation. And for younger generations of shoppers, a brand's image is now shaped almost entirely online. Whether it's through product reviews, social media, or content, consumers have more ways to learn about the places they shop than ever before.

It's never been more important to deliver a holistic view of a brand—from its origin story, products, mission, social impact focus, and beyond. "When you think of the authenticity of giving and having that evergreen strategy of impact, that it's rooted in the individual," ShoppingGives founder Ronny Sage explained. "Now more than ever people are buying for people behind the brand."



IV. Quantifying the Effect of a Choosing a Cause

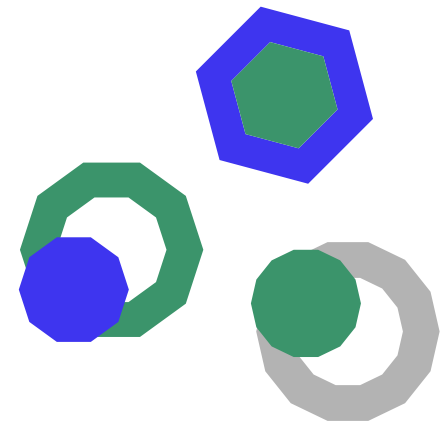
Connecting Cause With a Company Mission

One of the standout qualities of the DTC model is its focus on personalization. By leveraging data, digital-first brands boast the unique capacity to reach their core audience more effectively than giant retailers. This superpower also means that DTC brands can quickly learn what issues and causes move and inspire their customers the most.

While many digital retailers are rooted by company credos like sustainability and philanthropy, the ability to pivot to a new social impact message offers yet another opportunity to forge a connection with customers and further the brand story.

Last year, in an example of this flex, ShoppingGives released Cause Donations, a feature that allows brands to associate a specific cause with a specific product.

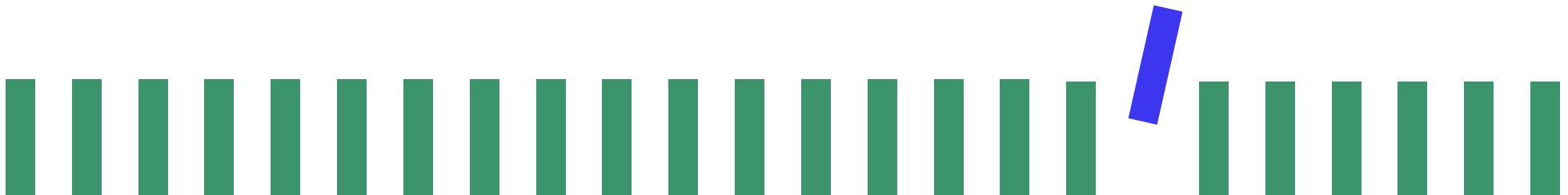
By integrating causes at the product level, ShoppingGives helps brands align their values to their customer's causes, resulting in increased brand loyalty, higher sales, and an incredible amount of donations to worthy causes.



The Differentiation Factor

As traditional retailers boast their digital capabilities and launch their own smaller product lines, the battle to stand out has taken on new urgency. For DTC brands, social impact offers a new conduit for personalization and differentiation that heightens the value proposition in the marketplace. It's also increasingly what the younger consumers demand.

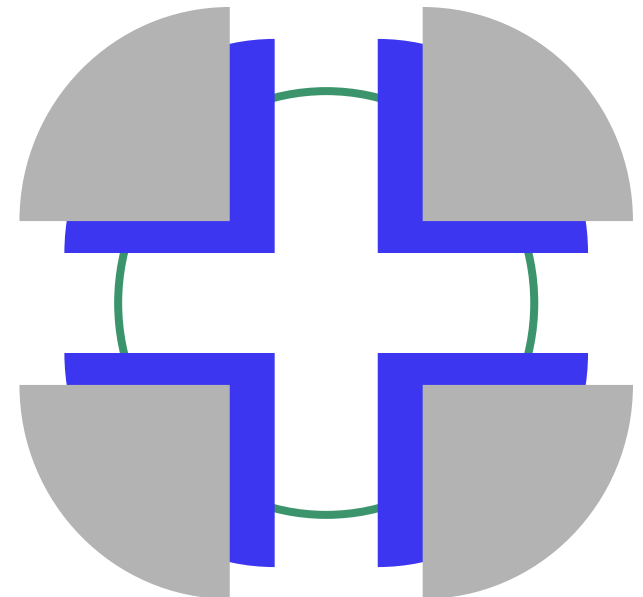
“Direct-to-consumer companies, who have a one-to-one relationship with their consumers, know and are hearing that giving back is something their consumers care about, so this is how they can connect with them,” Tina Bou-Saba, the early-stage investor, noted a 2020 ShoppingGives roundtable. “It’s a really big opportunity for differentiation.”



What Social Impact Looks Like on Paper to an Investor

The moral case for social impact is a slam dunk. But there's a strong business case to be made to empower consumers to give back. It's a new way to segment customers, tailor messages to them, and build authentic experiences.

And during a year as tumultuous as 2020, offering shoppers a way to plug into a cause from their homes took on a new importance. As ShoppingGives founder Ronny Sage found out, the results bore that out: "We saw an 18% higher average order value (AOV) on orders with donations," he explained. "It increased a whopping 21% quarter-over-quarter from \$103 in Q3 to \$124 in Q4."



What Social Impact Sounds Like to a Customer

In addition to fostering customer goodwill and loyalty, social impact opens another line of communication between a brand and its customer base. Perhaps more importantly, social impact offers an authentic way of connecting outside the means of traditional marketing.

For example, brands that quickly implemented ShoppingGives technology during the COVID-19 pandemic were able to say they were part of a business consortium that provided more than 1,376,432 meals to those with food scarcity needs, distributed over 4,666,830 units of PPE and planted over 32,628 trees between the declaration of a global pandemic in March of 2020 and Thanksgiving.



Hunger

**1,376,432
meals**



Covid relief

**4,666,830
units of PPE**

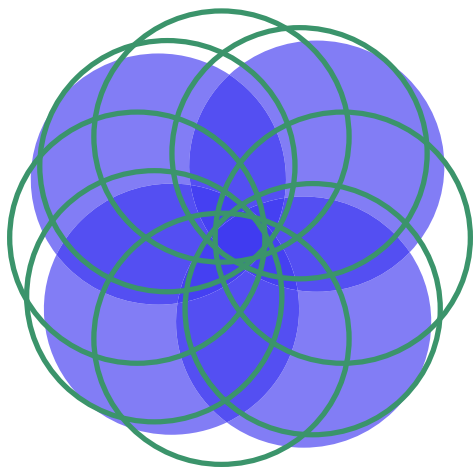


Environment

**32,628
trees planted**

This dynamic all feeds into broader community building that is a fixture of both the DTC industry and the online life of younger generations of consumers.

V. The Benefits of Community Building



Empowering Consumers

It's not a stretch to suggest that social impact represents a major driver of purchasing habits, especially among digital natives. According to a 2020 consumer culture report by 5WPR, 83% of Millennials [say](#) it's important for the companies they buy from to align with their beliefs and values. Meanwhile, 90% of Gen Z [believes](#) that companies must act to help social and environmental issues; another 75% will do research to see if a company is being honest when it takes a stand on issues.

In other words, in a sea of marketing copy, consumers are increasingly seeking out proven, tangible ways to make a difference. Empowering shoppers to choose causes and participate in giving initiatives is an easy way to put the wind at a retailer's back.

Creating a Sense of “We”

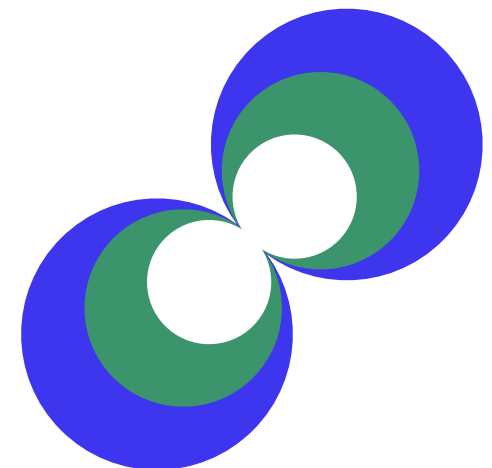
In spite of the inherent distance imposed by both the digital economy as well as the COVID-19 era, the building of community still happens in meaningful ways through online interactions as well as shared efforts to tackle broad societal problems. Moreover, the ability to create a sense of common cause is a natural feature of the DTC industry—it’s also what helps distinguish digital-first brands from their bigger counterparts.

“For legacy companies, this is a totally different way of thinking because traditionally those businesses have been very apolitical,” Tina Bou-Saba noted at a 2020 ShoppingGives roundtable. “They’ve been trying to remain neutral...On the other hand, you have direct-to-consumer companies that have a one-to-one relationship with their consumers. They know these are the things their consumers care about and this is how they can connect with them.” and the online life of younger generations of consumers.

Knowing Your Base Better Than Before

Even as digital-first brands intimately know who their consumers are, there will always be new ways to refine the grasp. In essence, what social impact and philanthropy initiatives offer in terms of unique measurable data is a better, more altruistic form of segmentation.

Rather than relying on the standard firmographics, a union between the DTC model and insights gathered from change-driven commerce can bring a fresh picture of a consumer base into focus. In a product landscape full of assumptions and guesswork, the better you see your audience, the brighter the future looks.



Future- Proofing For Growth

Whether it's expanding product lines, attracting new customers, or bringing new partners and investors into the fold, the benefits of advancing change go far beyond its own rewards. After all, to have an organically-built community is to also have an army that will join your brand in future campaigns.

With an uncertain 2021 ahead, the way to more meaningful relationships with consumers is easier than you think. By integrating with a partner that is driving both commerce and social change, digital-first brands will be even better poised for whatever lies ahead.

For a free ShoppingGives demo specifically customized for your DTC, please reach out at shoppinggives.com/contact-impact-team. ShoppingGives will also be presenting at [DTC Day 2021](#), the largest direct-to-consumer conference in the world.

For more reports, trends, profiles, thought leadership, and more, please follow along with DTC Magazine (www.dtcmagazine.com)



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