

# Navigating 2025

Direct to Consumer & Retail Brands

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The background of the slide is a grayscale photograph of a dense evergreen forest. The trees are tall and pointed, with mist or fog filling the air between them, creating a soft, atmospheric effect. In the center of the image, there is a large, solid teal-colored circle. Inside this circle, the text "Current State of DTC" is written in a white, bold, sans-serif font.

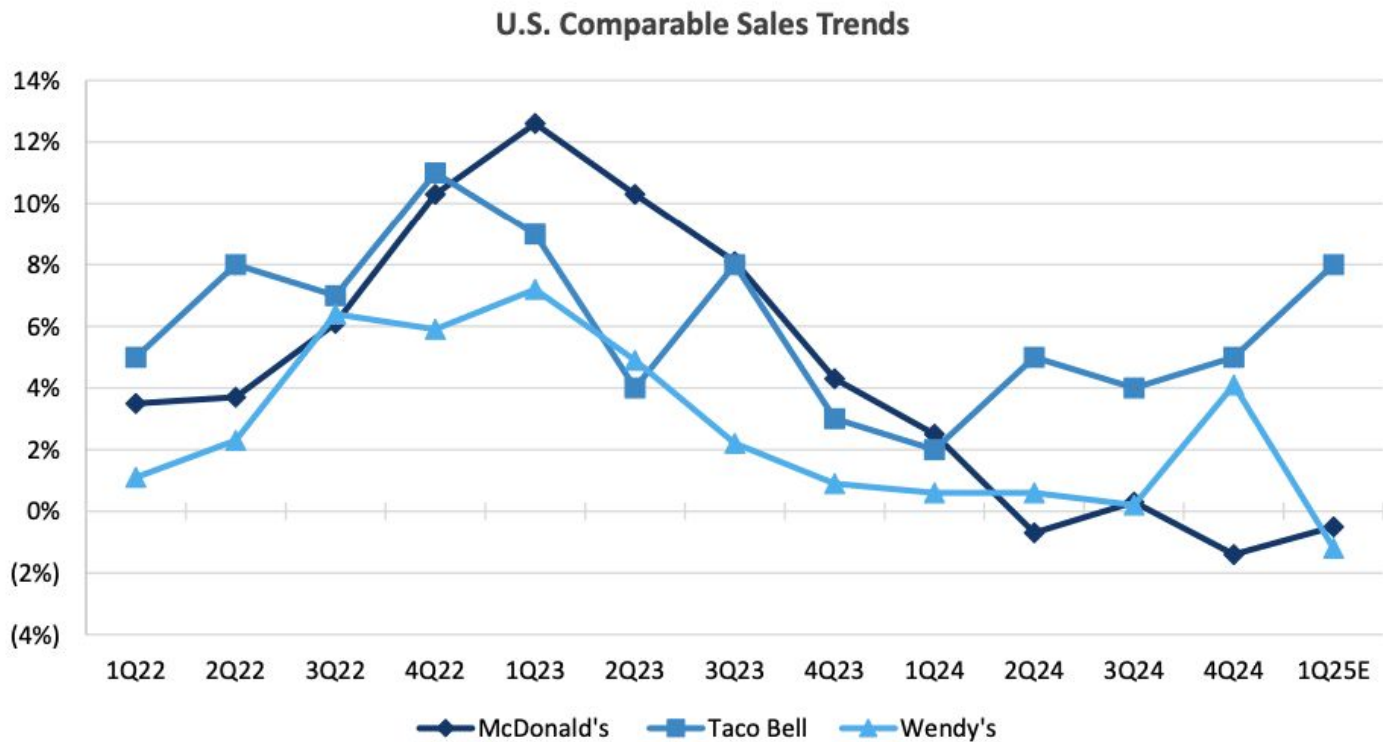
# **Current State of DTC**

# Current State of DTC

## Challenges

- Chinese brands Temu & Shein reducing overall ad spend 19-31%
- <\$800 imports now subject to tariff as of May 2025
- General impressions on /ecommerce Reddit
  - Declines in sales for Q1
  - Price increases of 25-55%+ planned
  - Some orders on hold
  - Heavy SMB & Startup community
  - General panic
- Wendy's & McDonalds report declines in sales
- Consumer surveys in March lowest since 2020

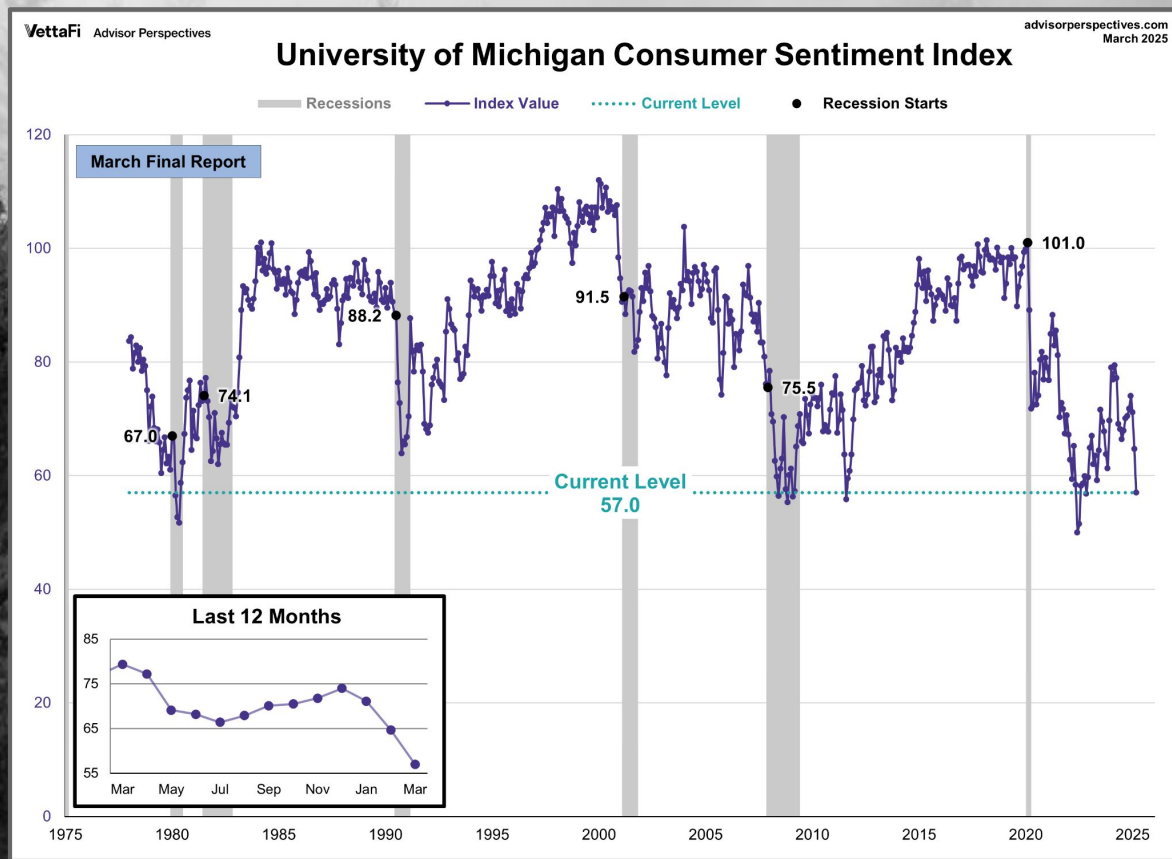
## Consumer Trends: Fast Food (BTIG)



Source: BTIG Research, Company Documents and FactSet \*1Q25 estimates are FactSet consensus



# Consumer Trends: Sentiment Index (VettaFi)



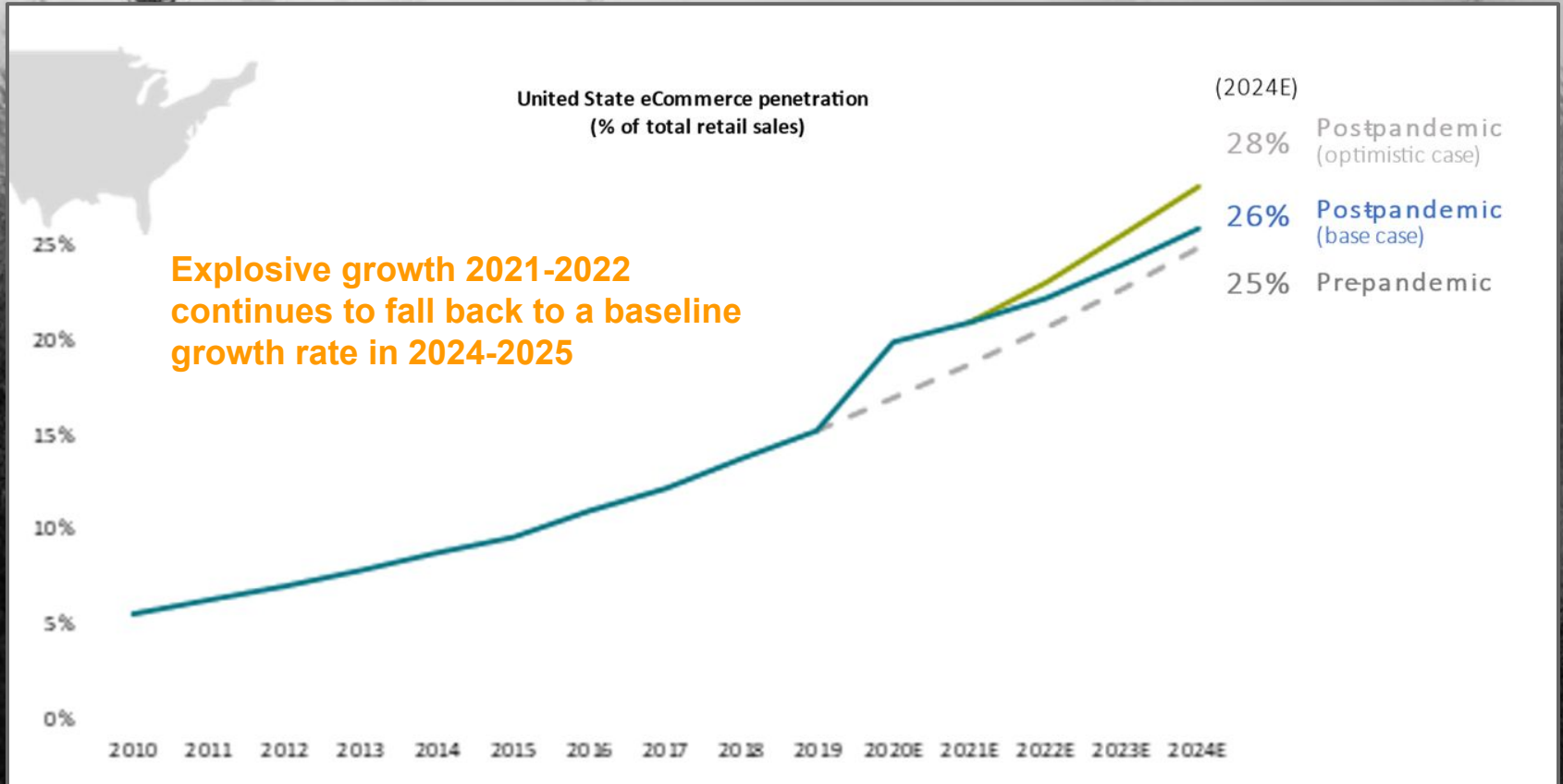


# Current State of DTC

## Challenges

- Smaller retailers likely to see more immediate impact
- Amazon retailers stocking up on inventory
  - Perhaps 6 months or less of inventory
  - Not posting tariff tax on purchases
- Apple \$900 M in tariff impact in Q2
- Trade down effect (Bloomberg)
  - Target → Walmart
  - Premium brands → Budget brands
  - New products → Used & Refurbished
- Post-Covid E-commerce boom normalizing
  - Explosive growth 2021-2022 continues to normalize back to baseline growth in 2025

# Post-Covid Normalizing Ecommerce (AXA IM)





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# Strategies





# Potential Solutions

Ways to combat slowing demand & growth:

- Throw out YOY data. Just like Q1-Q2 2020, your previous year and quarter data isn't going to be helpful for Q2-Q4 in 2025
- Set realistic goals based on the current environment, pricing, competitive metrics. Run new competitive reports to check on state of market
- If you need to cut ad spend, do so like a surgeon, not a lumberjack. Look for opportunities to gain exposure without sacrificing brand awareness long term



# Potential Solutions

Ways to combat slowing demand:

- If demand dips, more spend isn't the answer. There are likely just as many brands fighting over fewer customers. Short term lower CRs & ROI
- Focus on what you can change outside of ad traffic and overall demand:
  - SEO
  - Email Marketing & Response Rates
  - User Experience
  - Website Design Improvements
  - Organic Social & Content Marketing
  - Partnerships & Increase Referrals





# Potential Solutions

Other ideas:

- Refresh product descriptions
- Refresh older product images
- Seek out additional smaller order size products to improve the mix for price conscious consumers
- Run loyalty discounts
- Refine your audiences and update lists
- Outsource some of your internal functions to keep costs down & improve efficiency
- Get a full audit if you haven't done so in several months or years, those insights have likely changed



# Thank You!

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