



# The 7 Secrets of Vertical Commerce

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A guide to what you can learn from  
Warby Parker, Casper and more



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# What you'll get from this guide

If you've listened to a podcast lately, you might have heard an advert for Casper mattresses. If you're a glasses wearer, perhaps you're aware of Warby Parker. Or maybe you're a woman who's been targeted with Thinx underwear on social media.

These brands form the vanguard of **v-commerce** (aka vertical commerce): vertically-integrated brands where the brand, the retailer and the manufacturer are one and the same.

You might not know it yet, but v-commerce poses a threat to more traditional e-commerce brands: they innovate quickly, disrupting whole industries as they go. Whether or not v-commerce is coming for your industry, it's time for traditional e-commerce brands and retailers to sit up and take notice.

We've created this guide to unlock what powers these brands and how you can learn from them. You'll learn more about what defines v-commerce and how its leading lights are driving their success. Most importantly, the guide contains actionable takeaways that any e-commerce business can implement in order to evolve and compete.

Let's take a closer look.



# What is v-commerce?

V-commerce – or vertical commerce – is hailed by many as the next generation of e-commerce. Not to be confused with ‘virtual commerce’, v-commerce brands:

- Are the manufacturer and the brand, as well as the retailer
- Are usually run completely online
- Sell a small, niche range of products (often just one product)
- Offer a transparent, authentic approach

In this grid, you’ll see v-commerce brands defined as ‘online-native brands’:

## Offline-native brands

H&M, Zara, IKEA, Uniqlo, Forever 21, Nike, Gap, Gillette, Nescafe, L’Oreal, Colgate, Ralph Lauren, Louis Vuitton, Lululemon, Chanel, etc.

## Online-native brands

Bevel, Blue Apron, Bonobos, Casper, Dollar Shave Club, Everlane, Glossier, Harry’s, M.Gemi, MeUndies, Outdoor Voices, Parachute, Primary, Stance, Warby Parker, etc.

## Offline-native retailers

Walmart, Target, Costco, Best Buy, Macy’s, JCPenny, Whole Foods, CVS, Walgreens, Safeway, Home Depot, Lowe’s, Sears, Staples, etc.

## Online-native retailers

Amazon, Jet.com, Ebay, Etsy, Zappos, Newegg, etc.

So, what do v-commerce brands do that makes them stand out? Here are eight features of the v-commerce that e-commerce companies can learn from:

# 1. V-commerce brands innovate

The founders of v-commerce companies typically move into an industry that hasn't evolved for a long time and radically reimagine it. It's no accident that many v-commerce companies consider themselves to be technology companies – the way in which they disrupt industries through challenging the status quo is all about innovation.

Take the example of mattresses – an expensive, cumbersome product that is notoriously hard to buy – you used to have to go to a showroom, lie down on a series of mattresses for a few seconds each and then decide which one you'd spend a third of your life on for the next seven years. Then you have to arrange delivery – or somehow get it onto the roof of your car. That's all before you even think about getting it up the stairs.

Compare this to Casper: they deliver (free) to your door, promising consumers up to 100 days to decide whether they like their mattress, and even taking it away (free) if you don't like it. They do it all at a price-point that's hugely more accessible than most established mattress brands.

For Casper, the factor that makes all of this possible is in product innovation – the technology that allows a high-quality mattress to be squashed into a box for simple, easy delivery. In making delivery easy, Casper turns the 'laying on a mattress at the department store' process into a '100 night trial' at the customer's home. This innovation in coils and springs means that a retailer can be cut out of the picture altogether.

The additional knock-on effect for the consumer comes at the price – mattresses usually come with a [huge margin between cost and retail price](#), but because these online startups manufacture and sell the products themselves, they can win trust by passing the savings on to the consumer and investing in quality customer care.

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FAQ > ORDERS & SHIPPING > WHY IS THE CASPER MATTRESS SO MUCH LESS THAN THE MATTRESSES IN RETAIL STORES?

### WHY IS THE CASPER MATTRESS SO MUCH LESS THAN THE MATTRESSES IN RETAIL STORES?

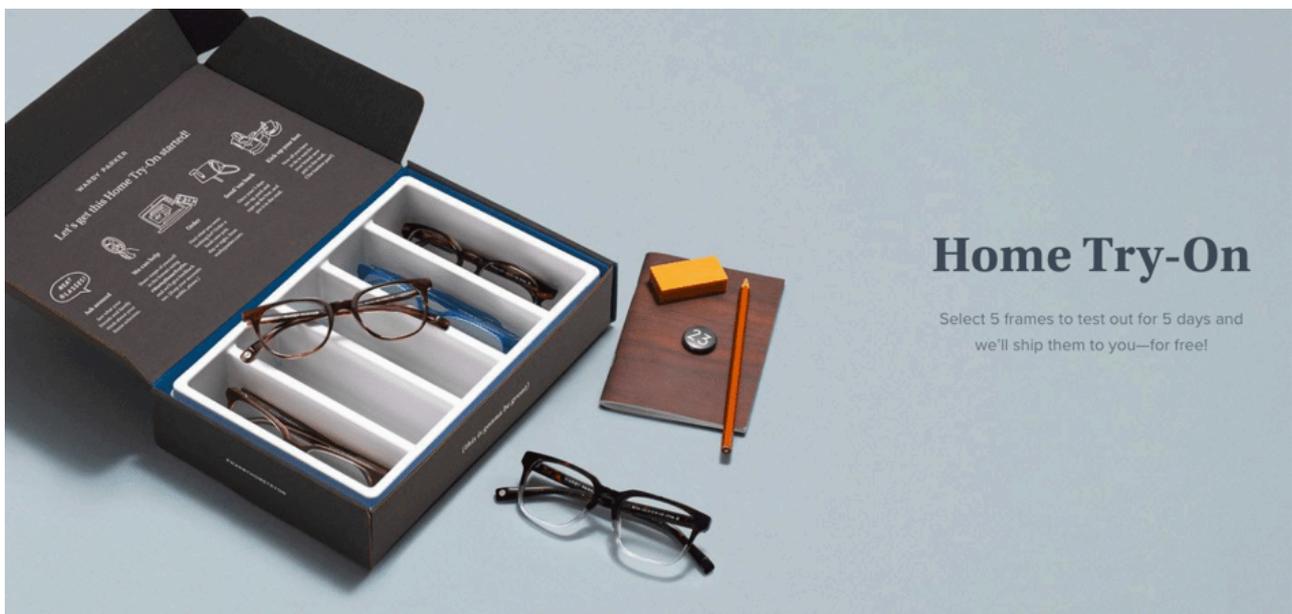
Unlike traditional mattress companies, we don't waste money on ginormous showrooms, commissioned salespeople, overstocked inventories, or excessive shipping costs. Instead, we sell our mattress directly online and pass the savings onto you. Our vertically-integrated approach means your Casper is manufactured right here in the UK and shipped to you fresh from our facility.



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Text Us: 01432 233155  
Mon-Fri 9am-6pm

Meanwhile, Warby Parker upended the process of getting new glasses by offering a home try-on service for stylish glasses at a fraction of the price of designer glasses:



The convenience and ease of this process has earned the company [wild success](#). The common theme here is the startup mentality of shaking up an old-school industry by using technology to offer consumers a cheaper, better model.

This doesn't necessarily mean that all v-commerce brands reshape the industries they work in. For example, cosmetics brand [Glossier](#) hasn't radically changed how makeup is produced, but rather how it is conceptualised and sold.

## **Key takeaway**

You don't have to disrupt an entire industry to learn from the v-commerce approach, but taking a fresh look at 'how things have always been done' can help you innovate.

## **How e-commerce businesses can adapt**

Consider the current standards in your business for things like customer service, delivery cost and time, pricing, or money-back guarantees. Look for the low-hanging fruit: small differences can have effects that impact multiple areas of your business and customer experience.

## 2. V-commerce brands stand for something

Warby Parker has a social enterprise side to its business with their ‘get a pair, give a pair’ initiative. Toilet paper company Who Gives A Crap uses recycled paper, no plastic packaging, and donates 50% of its profits towards building toilets. The advertising campaigns for Thinx take a consciously progressive approach to how menstrual products are promoted.

Speaking in 2015, Unilever’s European president Jan Zijderveld said that [across the Unilever portfolio](#), brands that “stood for something” were growing twice as fast as those that didn’t. One look at v-commerce brands provides clear examples of this correlation between demonstrative social awareness and high growth.

While you might think that this self-conscious social responsibility is best saved for the Dollar Shave Clubs and Blue Aprons targeting urban millennials, the numbers speak differently. With [66% of consumers prepared to pay more for a product they perceive as sustainable](#), acknowledging that today’s shoppers want a ‘feel good’ factor to come with their choice of brand is an important one, whichever target market you’re selling into.

### Key takeaway

V-commerce brands stand for something. Creating positive consumer sentiment is vital not just for acquisition, but for loyalty – foregrounding your values and showing that you put your money where your mouth is increasing the norm.

### How e-commerce businesses can adapt

Review your website copy and marketing, with one big question in mind: are you conveying a mission? It doesn’t have to be a world-changing one, but define what your business stands for and show evidence of how you commit to it.

# 3. V-commerce brands communicate transparently

Taking a digital-first approach, v-commerce brands position themselves in close proximity to their customers. For many, the messaging is something along the lines of “we had this problem and figured others would have it too. So we went out and fixed it”, making the brand personal and people-powered.

## **OUR PURPOSE**

On a backpacking trip to Europe in 2009, we discovered how ill-suited most luggage is to city travel. We started Tortuga to solve this problem. Now we are a team of 9 on a mission to help you live, work, and travel on your terms.

## **How It All Started**

We started Bonobos because we couldn't find pants that fit. They were either way too tight or too boxy. We fixed it. Now we've expanded our playbook to shirts and suits.



**Warby Parker was founded with a rebellious spirit and a lofty objective: to offer designer eyewear at a revolutionary price, while leading the way for socially conscious businesses.**

Every idea starts with a problem. Ours was simple: glasses are too expensive. We were students when one of us lost his glasses on a backpacking trip. The cost of replacing them was so high that he spent the first semester of grad school without them, squinting and complaining. (We don't recommend this.) The rest of us had similar experiences, and we were amazed at how hard it was to find a pair of great frames that didn't leave our wallets bare. Where were the options?

All three of the above examples read a little like superhero 'origin stories' – that's no accident.

V-commerce brands are all about creating a feeling of transparency.

For example, brands often communicate directly about how their pricing and profits work in order to win trust and prove their value proposition. Take Tortuga backpacks, which goes into a [lot of detail about the costs and pricing](#) on its blog. Or clothing brand Everlane, which gives an exact breakdown of the costings of different products and use it to emphasise its competitive advantage:

The screenshot shows the Everlane website interface. At the top, there are navigation links for 'Women', 'Men', 'Visit Us', 'Factories', 'About', and 'Additional Links'. The 'EVERLANE' logo is centered, with 'Log In' and 'Sign Up' links on the right. Below the navigation, there are five product categories: 'The Modern Loafer', 'The Cashmere Crew', 'The Elements Jacket', 'The Day Market Tote', and 'Denim'. The 'The Elements Jacket' section is highlighted, showing a 'Our Cost Breakdown' table. The table lists the following costs: Materials (\$18.25), Labor (\$29.16), Transport (\$1.47), Duties (\$4.75), and Hardware (\$0.00), totaling a 'True Cost' of \$54.00. Below this, a bar chart compares 'Our Price' (\$168.00) and 'Traditional Price' (\$270.00). The text explains that traditional retailers mark up products 5-6x, while Everlane marks up 2-3x.

Category	Cost
Materials	\$18.25
Labor	\$29.16
Transport	\$1.47
Duties	\$4.75
Hardware	\$0.00
<b>Total True Cost</b>	<b>\$54.00</b>

Price Type	Amount
Our Price	\$168.00
Traditional Price	\$270.00

## Key takeaway

V-commerce brands are transparent because they're responding to a customer who's accustomed to having an increasingly large amount of information at their fingertips. This customer demands a wealth of detail because they have a wealth of choices – v-commerce brands get on the front-foot by being proactive with this information.

## How e-commerce businesses can adapt

Transparency might seem like a risky move, it can really lead to benefits for your business. [According to Bhavya Mohan](#), author of *Lifting the Veil: The Benefits of Cost Transparency*, “when firms communicate the effort that went into making a good, consumers tend to value the product more.”

If you're not yet ready for transparent pricing, you can still communicate what goes on at your business to create a sense of authentic engagement (see for example, shaving company Cornerstone's [behind-the-scenes section](#) on their blog).

# 4. V-commerce brands are all about speed

Many e-commerce businesses struggle to stay on top of new social or digital trends – let alone implement them. Many are bogged down in legacy technology and have a ‘catch-up’ approach to new trends.

Meanwhile, v-commerce brands are continually innovating, setting the standard for digital integration and adaptiveness. Applying a startup mentality to their products and business strategy, they set a new standard for how to meet customer needs.

In a [Medium post](#), Stephan Ango, the co-founder of Lumi, wrote: “Vertical Commerce Brands [VCBs] sell physical things, atoms. But when it comes to making and moving them, VCBs want these physical things to behave more digitally, like bits. They want their physical infrastructure to scale as easily as their Amazon Web Services-powered site. That’s coming soon, and it will allow VCBs to compete head to head with some of the reigning analog players like H&M or IKEA.”

This approach applies to all aspects of v-commerce, such as marketing strategies. For example Bonobos, the [first](#) American clothing brand to be launched online, sends up to five emails per day. [An algorithm](#) uses customer data to predict which items a particular user might buy, and each email is tailored to the customer segment, generating four times the revenue when compared to a randomly-selected group of email recipients.

However, staying ahead of the curve doesn’t just have to apply to tech. Many v-commerce brands also create immersive customer experiences, catering to the [growing demand for multi-sensory experiences](#). One example is mattress company eve’s [pop-up ‘nap station’](#) in London, creating a fun and interactive way for people to discover and interact with the brand.

## **Key takeaway**

V-commerce is relatively new – partially because the platforms, tools and technology that allow such businesses to exist are also new – but crucially, companies keep innovating to remain ahead of the curve and not be held back by legacy tech, strategies or systems.

## **How e-commerce businesses can adapt**

Take a leaf out of a start-up's book. Recognise the urgency in being more agile and efficient and review how the structure of your organisation and its processes either help or hinder you here.

# 5. V-commerce brands make customer care a priority

If you're going to stake your entire business on a few products, those products need to be really, really good. V-commerce brands live and die by ratings and reviews, so they prioritise making sure users are happy.

Not only do v-commerce brands typically make sure the usual avenues of customer satisfaction are met – free shipping, easily accessible customer service options, money-back guarantees, no-fuss returns – they also go out of their way to 'surprise and delight':



**Dejan Zivkovic**  
@DejanZ

Follow

Shout-out to the folks over at [@WarbyParker](#) for sending me some adorable New York-themed pins. #WarbySurprise



10:32 PM - 19 Sep 2016

When you think back to the nature of those ‘origin stories’ we talked about earlier, it comes as little surprise that v-commerce customer service is personal and thoughtful. These companies trade on their humanity, consciously disrupting the idea that shopping online is a soulless experience.

Of course, the classic examples here is Zappos. The online shoes and clothing company is so defined by the quality of its service that its CEO once said: “Hopefully, ten years from now people won’t even realize we started out selling shoes. They will just think about Zappos as a place to get the best customer service.”

## **Key takeaway**

It’s no longer enough to have customer care as a reactive process – v-commerce brands go out of their way to ensure their services fit a personal, caring brand image.

## **How e-commerce businesses can adapt**

Ask yourself what you could do to have your customer service help create emotional bonds between your customer and your brand. You can go big – invest in complex AI and personalisation technology to shape all your interactions – but you can also start small.

# 6. V-commerce brands understand social

A key part of the strategy for v-commerce brands is that they have a highly-integrated social media strategy that covers not just engagement and promotion, but also content creation and customer service. They understand how, when and why their customers use it and create engaging, authentic content that builds relationships one user at a time.

V-commerce brands are at the forefront of user-generated content (UGC) marketing. Yogawear brand Alo has created an engaged community surrounding its brand, rewarding individual customers by featuring their Instagram posts throughout their website and social channels. This has the double benefit for the company of creating strong connections with users and also alleviating some of the burden of continuous content creation.

#ALOYOGA: STYLE INSPIRATION FROM OUR FANS

Tag a photo on  for a chance to be featured [View Gallery](#)



The brand also has a large Pinterest following, leveraging the platform's [200 million active monthly users](#) to drive sales (a survey found that [87% of Pinterest users](#) had used the platform to inform a purchase in the previous six months).

V-commerce brands also recognise that social media is where many people expect customer service – [67% of consumers use social media for customer service according to consulting company Bain, yet five out of six of these interactions typically go unanswered](#). V-commerce brands invest heavily in ensuring that queries and complaints made on social media are taken care of. The ROI is clear: when customer service requests are answered over social media, [those customers spend 20% to 40% more with the company than other customers do](#).

## **Key takeaway**

V-commerce respect the fact that social media is for two-way conversations – not for brands to megaphone promotional messages into the void.

## **How e-commerce businesses can adapt**

Taking inspiration from how v-commerce brands engage with their customers, e-commerce companies can create a dialogue with their customers and prospective customers, and prioritise addressing any customer concerns expressed on social media by creating procedures for handling complaints.

# 7. V-commerce brands tell great stories

Telling great stories is the foundation of any marketing strategy, and it's a key component of how v-commerce brands communicate with their customers.

Makeup company Glossier takes its storytelling very seriously. Founder and CEO Emily Weiss – formerly a beauty editor – found that [many brands talked 'at' her](#), and so Glossier takes a user-generated approach to content strategy, interviewing customers from a diverse range of backgrounds on its blog, [Into The Gloss](#). By telling its customers' stories, Glossier creates authentic content that doesn't feel sales-y, and creates a positive feedback loop by transforming customers into advocates.

V-commerce brands have typically also taken the time to understand their customer personas: that is, the makeup of their ideal customer/s. This allows their storytelling to speak to the whole person, offering them value beyond just sales messaging. For example, Cornerstone is a razor brand, so blog includes grooming tips, but it also features a [guide to speciality coffee](#), [book recommendations](#), and [workout advice](#) – because those things also appeal to its target audience.

It's all part of building the brand's story and building a strong customer connection.

## Key takeaway

A content-based approach to marketing can be highly beneficial in order to tell the stories of both the brand and its customers.

## How e-commerce businesses can adapt

Content marketing is a labour-intensive activity but done right it can create huge benefits for your business. By focusing on user-generated content strategies, e-commerce brands can take advantage of the positive benefits with a lower overhead. Try encouraging your customers to share their testimonials, stories and images and using them to promote your own products.

# Conclusion

The rise of v-commerce can be scary to a traditional company in e-commerce. If you see a v-commerce company making a beeline for your vertical, you're facing down a competitor who can move fast, deliver top-notch customer service and do it all while reducing its overheads. The fear that you might end up as the next Blockbuster is real.

But like all good challenges, e-commerce retailers should view this as an opportunity.

Vertical commerce brands should be viewed as inspiration as much a threat – in this guide, we've broken down the things that they're getting right, so you now have some tried-and-tested approaches that you can apply to your business.

Of course, some innovations are harder than others – it's far easier to start a UGC marketing strategy than it is to make your organisation more agile and efficient – but it's important to start somewhere. The key thing to remember is that v-commerce brands are successful because what they're doing is resonating with consumers – and tackling what your customers' wants and needs are with renewed vigour is never a bad idea.

**Request your free [CJO](#) consultation today.**

## About Yieldify

Yieldify makes it easy for e-commerce businesses to deliver customer journeys that convert, through a combination of smart and simple multichannel technology and expert strategy.

Trusted by over 500 brands on more than 1,000 websites globally, Yieldify helps some of the world's innovative companies drive incremental revenue, including Marks and Spencer, French Connection, Steiner Sports, Omni Hotels and Anthropologie.

### Some of our clients

**GOLDSMITHS**  
SINCE 1778

The Fragrance Shop

**M&S**

EST. 1884

*Kiehl's*

SINCE 1851

FRENCH CONNECTION

**WATCHSHOP**