Welcome:

The DTC Qualification Framework for CPG Brands

Hi, I'm Dan Melnick, founder of Zing. I've been in e-commerce since 2011 and have helped over 100 brands grow their direct-to-consumer channels profitably. Most founders jump into DTC without understanding the real economics. This framework will help you pressure test your DTC strategy before you scale.

Dan Melnick, founder of Zing

Is DTC the Right Channel for Your Brand?

DTC is not for every CPG brand.

Ask yourself:

Do you have enough margin to support paid traffic?

Can you wait 60 to 90 days to break even?

Can you keep customers after the first sale?

If not, DTC can quickly drain your cash.

Gross Margin Is Not Enough

You need to look beyond gross margin.

After CAC, fulfillment, and support, your profit shrinks.

01 **Target:**
50 to 60 percent gross margin

02 30 percent contribution margin after variable costs

Know your true cost per order before scaling.

CAC Is **the Silent Killer**

- Customer acquisition cost is often higher than you expect.
- For CPG brands on Meta and Google, CAC can reach 25 to 50 dollars.
- Track blended CAC across channels and update weekly.
- If CAC is greater than your first-order profit, you need strong LTV.

LTV Needs Real Cohort Data

- Do not project lifetime value from hope or gut.
- Use actual cohort data at 30, 60, and 90 days.
- Real LTV protects you from over-investing too early.
- You need a minimum of 3 to 1 LTV to CAC ratio before scaling.

Payback Period Is Your Lifeline

Most DTC brands wait 60 to 90 days to recoup CAC.

Longer payback means higher capital requirements.

Shorter payback lets you reinvest faster.

Use upsells, bundles, and retention flows to improve this.

AOV Makes or Breaks DTC

0 · If your average order value is under 40 dollars, you will struggle to make paid ads work

02 · Raise AOV using multi-packs, bundles, kits, and limited offers.

03 · The sweet spot is 60 to 100 dollars.

Raise AOV Without Raising Complexity

Bundling is the best way to grow AOV without making operations harder.

- Build-a-box kits
- Discovery bundles
- Trial samplers

Retention Drives Long-Term Profit

One-time buyers are expensive.

Repeat buyers make DTC work.

01 **Target:**
25 to 30 percent repeat in 60 days

02 40 percent or more is excellent

DTC vs.
Amazon vs.
Retail

DTC = control and LTV.

Amazon = volume and search.

Retail = reach and trust.

Choose based on product fit and maturity.

DTC Is a Channel, Not the Whole Strategy

- DTC gives you control, data, and higher margin per order.
- But it requires capital and patience.
- Prove that your AOV, retention, and payback are working before you scale ad spend.
- Without those in place, growth will be expensive and inefficient.

Amazon
Is Not the Enemy

01

Amazon can lower your blended CAC and help validate product-market fit.

02

It offers high-intent customers and fast cash flow.

03

Use Amazon to build scale while developing your DTC experience.

04

Many CPG brands win by combining both channels effectively.

Shipping Strategy Impacts Profit

Shipping is one of the biggest hidden costs in DTC.

Free shipping is not always the best move.

Be intentional or your margins will evaporate.

Instead, test:

01
Free shipping over 75 dollars

02
Flat-rate shipping tiers

03
Threshold-based promotions

Smart Bundling Drives Value

Bundling increases AOV and reduces per-unit fulfillment costs.

Bundle based on use case, not just volume.

Each bundle should protect or improve margin.

01

Functional kits (e.g. morning routine)

02

Starter sets for first-time buyers

03

Sampler boxes for product discovery

Subscription Only Works When It’s Earned

Subscriptions only succeed if the product has consistent use and real value.

To make subs stick:

- Set clear expectations
- Make skip and pause easy
- Reward loyalty with perks

Churn is highest in the first 60 days, so nail the onboarding.

Your 3PL Represents Your Brand

Your fulfillment partner affects customer experience.

Use a 3PL that specializes in food, beverage, or wellness.

Track performance closely:

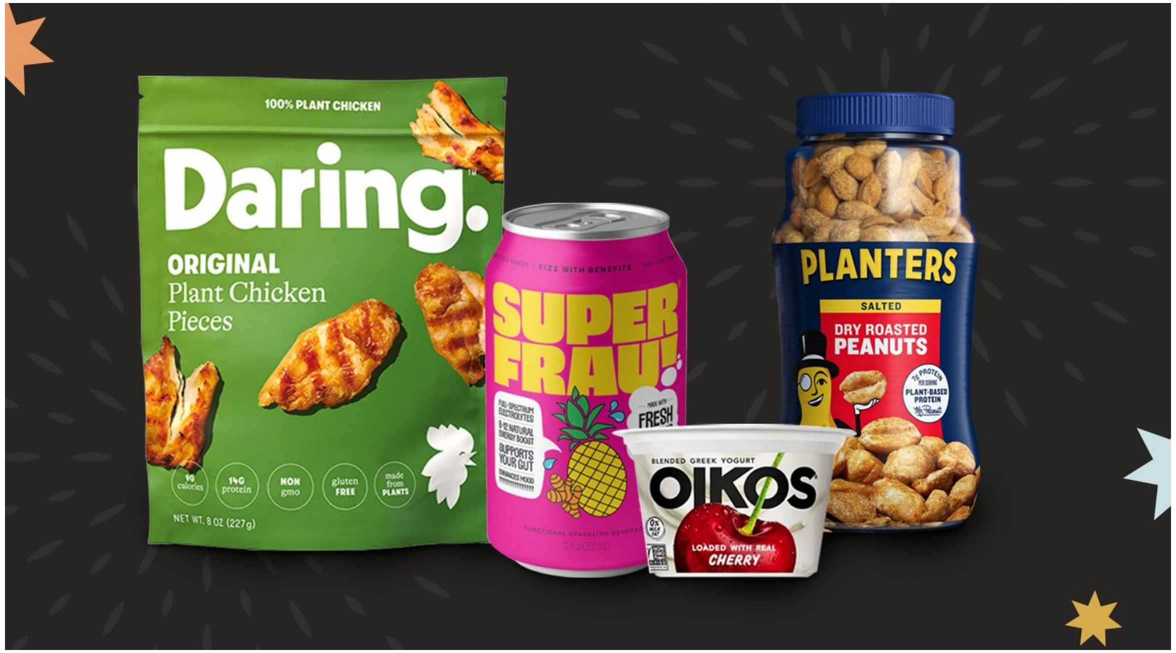
Order accuracy

Shipping time

Refund and return rate

Bad fulfillment destroys trust and retention.

Know Your Numbers Cold



These metrics must be tracked weekly:

- Customer acquisition cost (CAC)
- Average order value (AOV)
- Contribution margin
- CAC payback period
- Repeat rate
- LTV by cohort

If you are not tracking these, you are not in control of your business.

Wholesale May
Be a Better Start

If you have low AOV, complex ops, or weak retention, DTC might not be the best starting point.

Wholesale gives cash flow, volume, and proof of demand.

You can build a direct channel later once the numbers make sense.

Case Study – Ferguson Farms

Ferguson Farms is a grass-fed meat brand.

01

They succeeded in DTC by:

- Bundling subscription boxes to raise AOV
- Using athlete influencers to build trust
- Driving retention through story and service

02

Result:

100 percent year-over-year growth with strong repeat purchase.

Are You DTC Ready?

Your fulfillment partner affects customer experience.

01

Gross margin above 50 percent

02

CAC payback under 90 days

03

AOV above 60 dollars

04

Repeat rate above 30 percent

05

Strong logistics and retention system

Need help evaluating or fixing your DTC strategy?

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