



Helping Companies Transition to **Direct to Consumer in a Digital World**

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Now, more than ever, customers want to be in control of their buying experiences and are shifting rapidly to purchase via digital platforms. While this trend presents challenges to traditional retail and distribution models, it also presents great opportunities for retailers and consumer goods (CPG) companies to connect with customers. Many leading brands are shifting to digital technology and digital transformation to enable their direct to consumer (D2C) capabilities to get closer to their customers and create a competitive advantage. D2C eliminates third-party intermediaries, enables brand equity and creates opportunities for higher profitability.

Most brands have added D2C capabilities or have gone exclusively to a D2C model as part of their digital transformation strategy. Some shifted as a normal part of the marketing evolution, and some were forced down the D2C path by COVID-19 and its effects on brick-and-mortar stores. Companies are creating new strongholds on the digital battlefield and gaining customer mindshare by going directly to consumers. Many D2C retailers operate primarily, if not entirely, online. D2C brands seek a direct relationship with their customers and want control of how products and services are presented digitally to customers, giving them control of the user experience, product pricing and choice of distribution channels (home delivery, pick up in store, etc.).

enVista has identified six primary considerations to help brands in designing D2C capabilities:

1. Define the role of a D2C channel in overall go-to-market strategies, competitive landscape and revenue goals.

Gaining executive alignment on the specific D2C goals, such as revenue, market share, customer experience, and brand equity, is important. Understanding how D2C fits within the brand strategy is also vital to bring consistency across all channels. Retailers should consider the following:

- If they should create, partner or acquire a D2C capability
- Which channels they should serve
- Whether those channels require an omnichannel approach or a more complex unified commerce approach

As with most strategic decisions, having the entire executive team understand and buy into the chosen strategy and what it will take to deliver cross-functionally is mission-critical. Further, companies need to define how to combine their D2C capability with other sales channels including retail stores, other company-owned brand stores, marketplaces and online capabilities. Moving beyond just an omnichannel model to a robust unified commerce solution may be the best way to create lasting customer loyalty.



2. Understand unique D2C capability requirements and implications on systems, operations and organizational capabilities.

enVista helps retailers design the ideal D2C strategy and customer experience, as well as integrate with their back office, planning and execution systems to fully deliver on the brand promise from an end-to-end perspective. D2C execution will involve creating capabilities online within the planning, purchasing, IT, supply chain, distribution and delivery teams, while the customer service team may need new ways to engage with customers.

Defining how D2C capabilities will interact and interface with retail store systems (unified commerce) is also an important consideration. Adding a D2C capability to a retail fulfillment model requires careful strategic and tactical planning to ensure the customer experience is seamless and the cost to deliver is meeting the expectations of the brand's CFO.

3. Create the innovation engine including advanced analytics for insight capture, social listening and search scraping and agile deploy-and-learn.

D2C brands have access to large amounts of valuable consumer data and can assess customer satisfaction rapidly allowing them to quickly adapt products and pricing to meet customer demand. Aligning with customer brand choice will enable customers to become a community of brand ambassadors. How will the brand use product reviews to maximize trust? How will the brand communicate with customers via social media to help identify customer insights? Analytics is vital to making sense of large data sets and translating insights into actions.

4. Design the platform to tightly control the customer experience consistent with the brand promise, including optimizing customer order fulfillment and inventory forecasting and replenishment.

Keeping the D2C capability consistent with the brand promise is important, especially if the D2C strategy includes selling through online marketplaces such as Amazon. D2C may require creating a hybrid model of existing go-to-market capabilities with new tools, as well as a new way of looking at digital technology and engaging with customers. Creating the user experience look, feel and application capabilities requires a new way of thinking.

Companies must consider the following for a successful D2C platform:

- Ensuring D2C system interacts with existing inventory management systems, logistics systems and retail store network to stay in stock and rapidly synchronize stock to match demand
- Linking customers to their order statuses, as well as enabling them to make changes and cancel or provide customized delivery requests
- Identifying and creating new capabilities the customer service team will need to provide a positive customer experience
- Optimizing the catalog with search words and HD images for ease of use and user experience

5. Designing the customer experience for each chosen channel of the omnichannel and unified commerce strategy, including customer acquisition and technology integration needs.

Defining the customer segments a brand seeks to target is an important step in defining its customer experience strategy. enVista experts lead brands through a process to accomplish a clear definition of customer segments and needs, as well as capabilities required to effectively deploy their D2C strategies.

Individual consumers can be segmented geographically or demographically for example. Customizing a D2C offering to the appropriate audience will improve market penetration and customer retention results. How do customers find the brand? Engage with them? Place and manage orders? How does the brand manage returns and exchanges? These are all questions enVista experts will help answer.

Giving customers a reason to visit again and again is also important. How can a brand become more “sticky” while it seeks to increase the size of the shopping cart with each purchase? enVista experts will help to understand how to integrate D2C needs with existing systems, creating a true unified commerce solution to better serve customers – and provide the insights necessary to accelerate the definition of a brand’s omnichannel/unified commerce customer experience.

6. Defining the primary sales drivers including product mix, pricing, service level targets, metrics, customer experience requirements, inventory service level requirements, regulatory or geographic restrictions and automated forecasting and replenishment process.

There are many things to consider when identifying sales drivers. For manufacturers, their online experience is essentially that of a retailer. Bike manufacturers go D2C by offering bikes, accessories, repair parts and a loyalty program. The D2C channel reduces the risk of retailer loyalty to a brand, and it captures consumer insights usually reserved for retailers. A D2C ecommerce site can also serve brands in an omnichannel approach. The same inventory is available to retailers and distributors but through a unique sign-on channel specific to content and pricing.

If a brand's customer experience goals include allowing a consumer to buy from their website and pick up at a retailer or a distributor, then a unified commerce strategy and separate site are important. enVista experts guide customers through the decisions necessary to choose the proper D2C role and how to segment the site to serve omnichannel and unified commerce needs (including unique pricing and programs, geographic restrictions for distributors, and metrics). enVista can help define how to optimize inventory planning, supply chain and distribution processes and systems.

Conclusion

Ultimately a brand's D2C capability must provide value to the consumer for them to continue to come back. Defining the unmet need in the marketplace is a good starting point as well as the more standard capabilities a consumer would expect. Setting a high customer value proposition, defining the role of D2C, identifying omnichannel and unified commerce needs and creating an efficient, digitally enabled back-end system to manage orders, inventory, planning and distribution will put a brand on a good path to creating a superior D2C offering that will generate new revenue possibilities.

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