FREE REPORT

Why is everyone talking about direct-to-consumer ecommerce?

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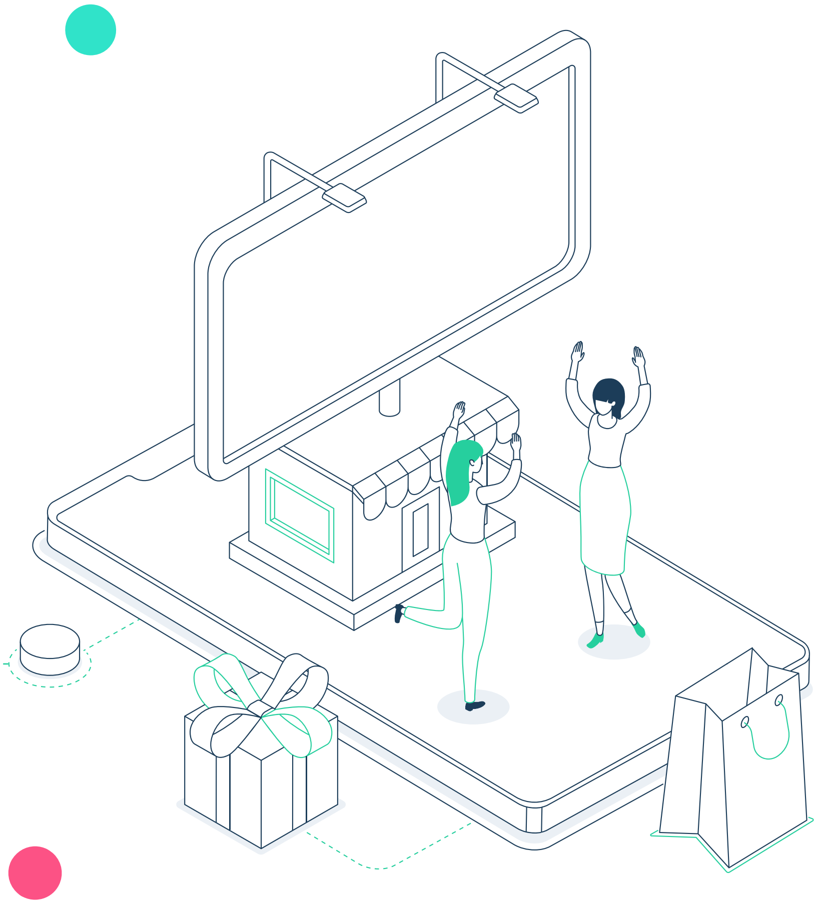
The purpose of this publication is to offer insights into the direct-to-consumer (D2C) approach to ecommerce and brand building. We will explore what D2C is and how it could benefit your business, online and offline. We will look at examples of what D2C can offer in terms of customer relationships, business agility and flexibility, consumer experiences, some real-world examples, as well as zooming out to see how D2C is challenging traditional retail models.

01.

What is D2C?

D2C is a business model where brands and manufacturers market, sell and deliver products directly to customers without relying on distributors, wholesalers and retailers, freeing them to choose how they interact with their audience and putting them in control of their brand's identity and message. Whether that's online sales, opening pop-up stores or partnering with a brick-and-mortar retailer, the agility that D2C affords can put you firmly in the driving seat.



02.

The key benefits of D2C

Faster time to market

Whether your brand sources its products or manufactures them, there will always be new products in the pipeline. With the control that D2C offers, you can get feedback on new products and survey specific customer segments on new product development relatively easily, compared to a traditional business model that relies on third party involvement. This makes market research easier, speeding up new product development or acquisition for much faster times to market.

Reputation management

D2C brands are in control of product development, customer relationship and brand persona. In the non-D2C model, distributors or retailers often control marketing, with the brand only really having a say over product packaging and perhaps some POS collateral. Managing your brand's perception from end-to-end ensures that with D2C you are in control over all consumer and customer experiences, building brand trust and integrity by offering authentic and valuable CX.

Deeper customer engagement

With the D2C model, you have full access to consumer and customer data, unlike more traditional models where sales and customer data is often compiled and held by the retailer. Empowered with information about consumer behaviours and customer preferences, D2C enables you to build a targeted marketing strategy based on solid data analytics you compile for yourself, choosing your own metrics and KPIs.

03.

Owning your customer relationships

More and more brands are choosing to offer their products D2C. Digital channels and tools such as social media and more agile ecommerce methods are empowering brands to take control. Owning your data and nurturing your customer relationships will increase revenue and profitability. Engaging with your customers and consumers directly enables closer, deeper and more valuable relationships. Your sales and browsing analytics, with customer profile data, will create highly personalised direct marketing campaign and nurture customer relationships, for improved UX, CX and conversion rates.

D2C offers brands easier routes to international markets, without the hassle of finding a network of distributors in multiple global territories. Social media and emerging ecommerce technologies such as headless commerce and omnichannel shopping give D2C brands the ability and agility to setup almost anywhere much quicker and more cheaply than ever before. D2C enables you to not only extend your business reach, it can do so more profitably, without necessarily making major investments in your business infrastructure.

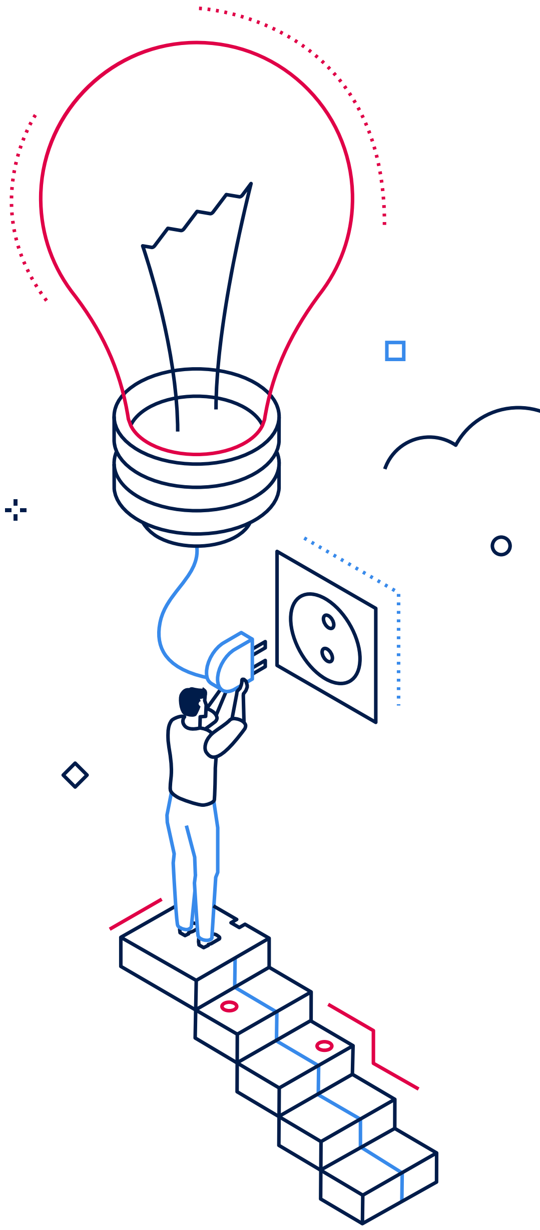
Often, with distributors and wholesalers, brands are left with little (if any) negotiating power or control over how their brand might be perceived by consumers. This can be a strong motivator for brands to go D2C, as a defence against erosion of brand equity. Shifting the balance of power away from distributors and wholesalers who might deal with many hundreds of brands, offers your brand the potential to give your customers and consumers more valuable shopping experiences, while gaining back revenue lost to third parties and increasing profitability.

04.

Agility and flexibility

Brands reaching out directly to customers and consumers is not a new concept. Apple, Disney and Nike have historically combined traditional sales and distribution with D2C elements such as their own brick-and-mortar retail and ecommerce. The problem was that to achieve a D2C offering required significant investment and was difficult for siloed systems and processes—the cost of leases and retail staff, and trying to get brick-and-mortar systems to be joined up with ecommerce backend, was often a real headache.

Today it's a lot easier and quicker to setup a webstore. Using **headless commerce** to separate the fronted and backend of an ecommerce system offers businesses the agility to take their brand and products to consumers with popup stores, at shows and events, and of course on the high street on short, cheaper leases. Rather than being tied to a single location trying to persuade consumers to come to you, take your brand directly to consumers.

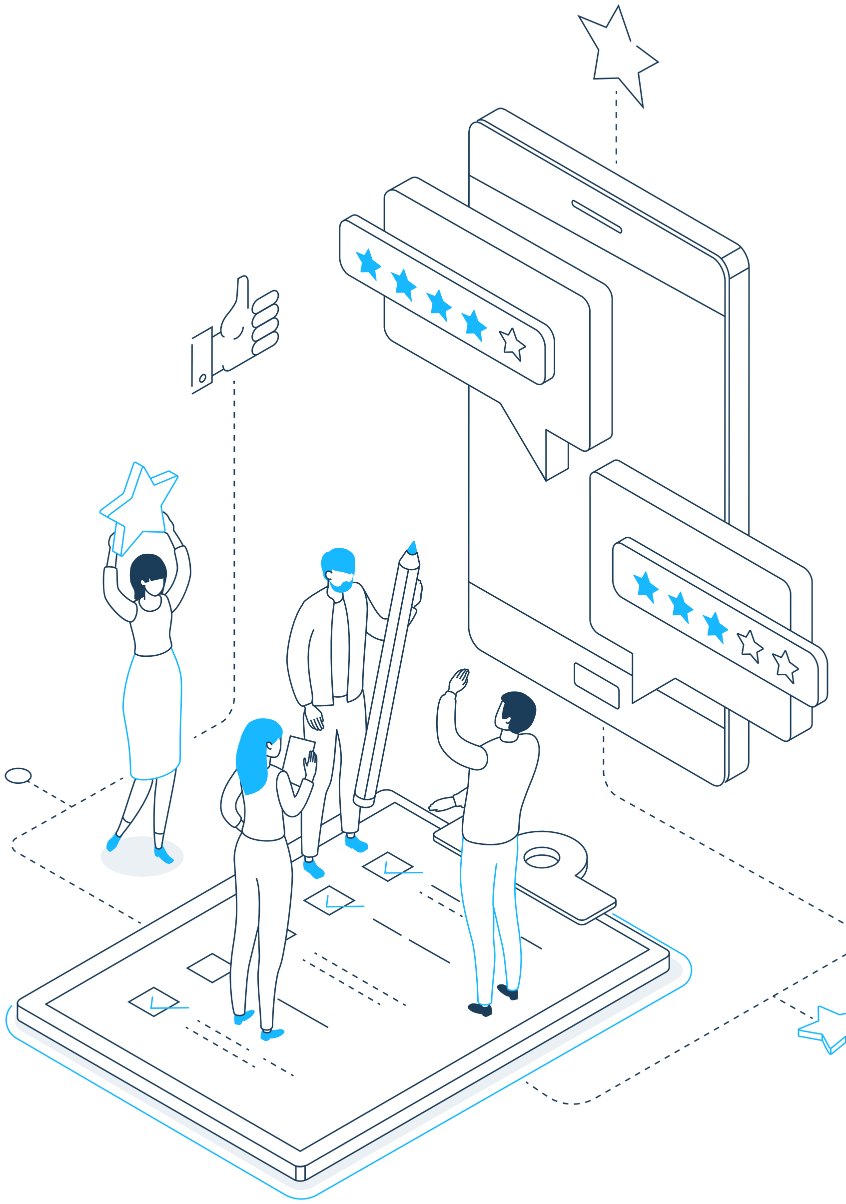


Being able to quickly adapt to changing markets and embrace emerging technologies, the headless commerce approach is having a significant impact on brands, businesses and consumers. To make changes to an ecommerce system requires time: to edit the database, update code and amend frontend UI. The complexities of adapting a traditional ecommerce system can be messy and difficult to manage.

D2C brands need to consider the whole consumer journey and deliver consistent shopping experiences across channels, UIs and other touchpoints. Headless commerce enables you to deliver richer shopping experiences quickly and effectively, seamlessly interweaving content with commerce.

05.

Consumer experiences



Today's consumers are more sophisticated than ever before. Their purchasing journeys are complex and difficult to plot and predict.

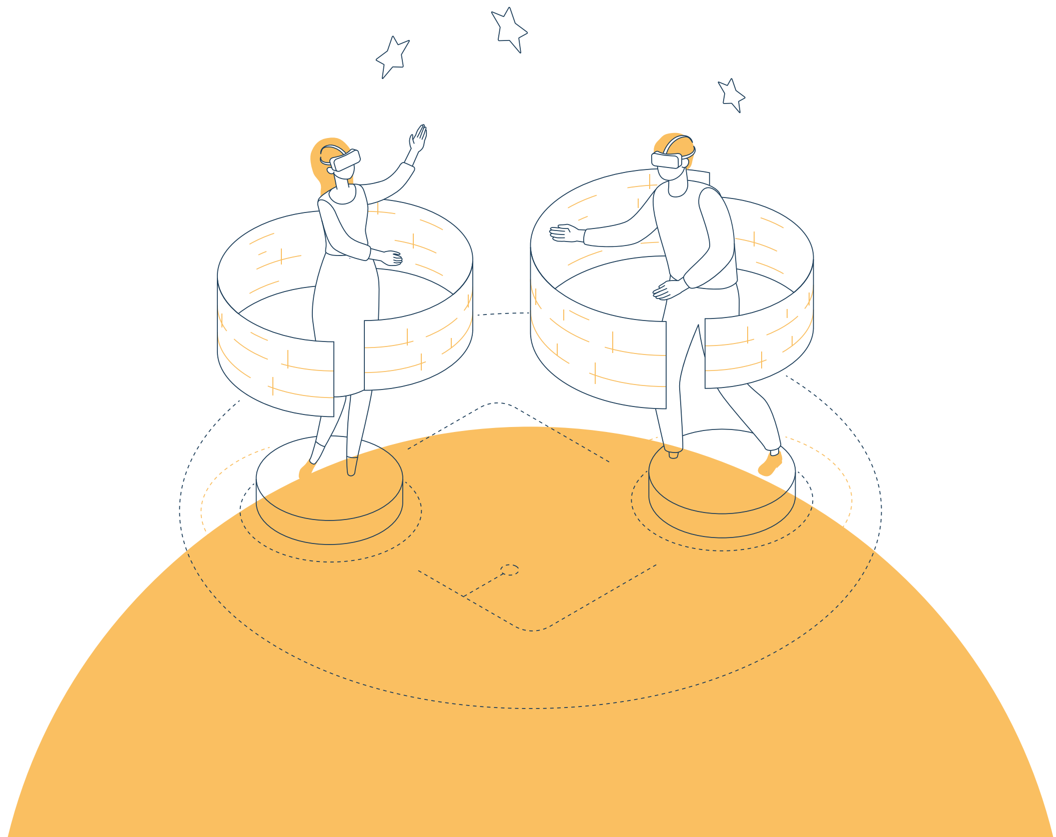
That's why offering consumers and customers unique and engaging shopping experiences is so important, especially for D2C brands. The shopping experience should encapsulate a brand's persona—the lifestyle and values with which customers who buy-in to a brand identify. Customers and consumers want more than a utilitarian ecommerce website. They want an experience. That doesn't mean that a D2C webstore must be all whistles and bells. It can still be (and often should be) minimalist and understated. It's more about making webstores part of an overall brand experience that ties in with social media and brick-and-mortar for highly personalised shopping experiences.

D2C brands are in control of their customers' and consumer experiences, unlike brands that use distributors and big retailers. A single brand is more likely to get lost in the crowd of other brands all competing for attention in a big store, online or offline. D2C enables you to control your brand message and persona, creating shopping experiences centred exclusively on your brand.

The idea of 'retail therapy' should crossover to online shopping.

To create engaging shopping experiences brands must think beyond the grid-of-thumbnails model set by Amazon to sell books. The idea of retail therapy should crossover to online shopping: the experience of browsing, looking to be inspired, having assistants on hand—video, AR or AI—and having friends share a shopping experience via social media. Offline/online shopping must become unified to create a single experience with a brand. D2C offers brands and businesses the means to achieve that goal.

A key component of unified, immersive shopping experiences is social media engagement. Joining up blogs, video content and in-store touchpoints is vital for creating a single, strong brand image. Seeing consumer buying journeys as unified, online to offline, social media to webstore to brick-and-mortar, gives D2C brands more control over those journeys, providing joined up shopping experiences, improving conversion rates and lifting sales.



Social media

Social media plays a huge role in D2C. This is true for marketing, nurturing customer relationships, understanding what customers like and what they don't like, and maintaining engagement. Social is the primary method for D2C brands to communicate with their audience at any time.

Consumers interact with brands that they like, brands that align with their aspirations and values. They actively welcoming social media engagement from their favoured brands:

- Around 59% of US consumers interact with brands on social media between one and three times per day.
- 74% of consumers follow brands on social media because they are interested in the brand's products or services.
- 62% of consumers said they are likely, or somewhat likely, to purchase a product from a brand they follow on social media.

Using social media to make more personalised UX and CX is key to the success of D2C

Social media helps D2C brands to keep the consistency of their persona and messaging. But for D2C social media strength lies with its ability to offer a customised, targeted content to your customers and consumers directly and immediately.

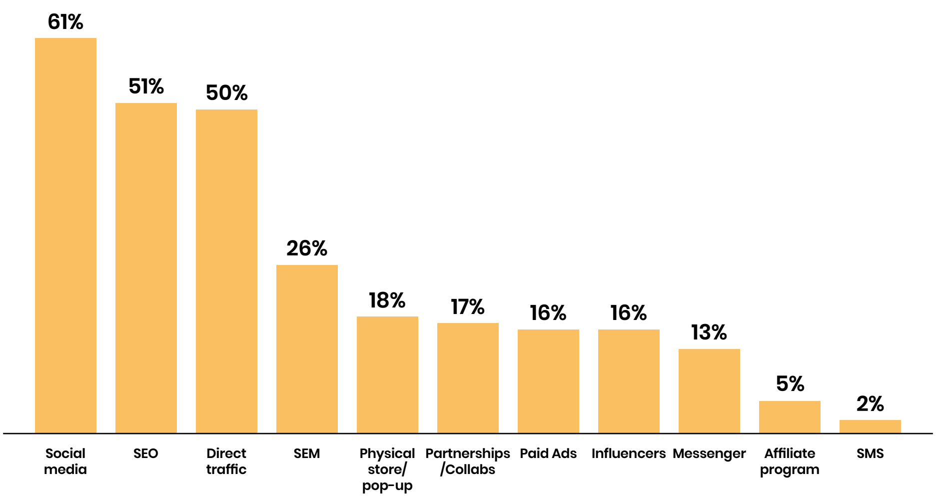
It's important to understand which social media platform is best suited to which customers and to what type of content—images, video, tone of voice, demographics etc. For example, 90% of Millennials use social media, but only 48% of Baby Boomers, with 54% of consumers using social media to research products that they want to buy, and specific media for specific platforms, such as video on YouTube, images only for 18-29s on Instagram and TikTok for very short videos for 16-24 year old consumers.

It's great to have a slick social media presence. But it will be wasted if consumers cannot easily find where to make a purchase.

Facebook, Pinterest and Instagram allow businesses to sell. A key to success for social commerce is to ensure that the transition from social media platform to D2C webstore is seamless by using a clear CTA such as 'Shop Now' on Instagram or 'Buyable Pins' on Pinterest. Facebook has Marketplace, which enables D2C brands to sell product in their geographic area. Consumers expect frictionless shopping experiences, so getting the transition from social media platform to your webstore right is crucial for higher conversion rates.

Social media is the top customer acquisition channel for D2C brands.

D2C Brands' Top Customer Acquisition Channels
% selecting each among top 3



Published on MarketingCharts.com in May 2019 | Data Source: Yotpo
Based on a survey of 512 e-commerce and marketing decision-makers

06.

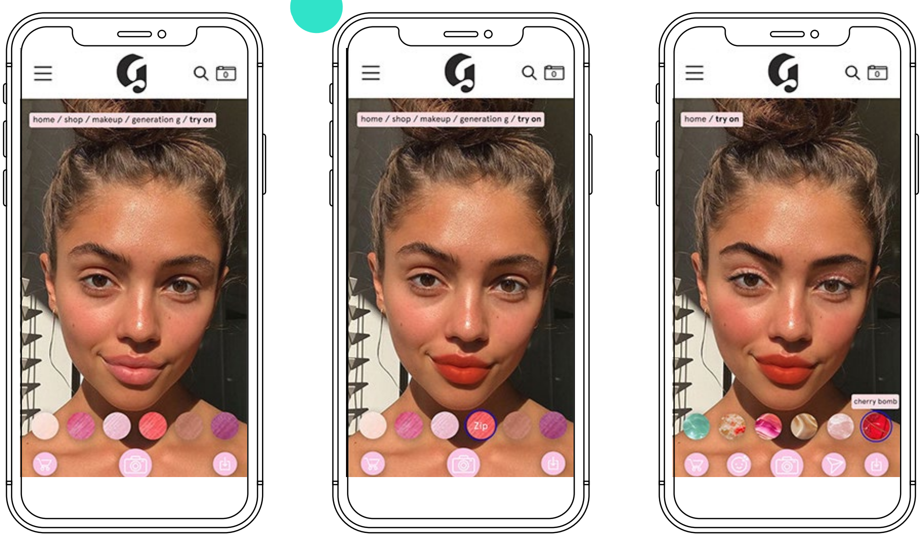
Glossier

Glossier is a popular D2C cosmetics brand that has a strong identity and distinct aesthetic. Glossier owes its success to being in total control of its products, messages and interaction with its customers and consumers. Glossier.com is a minimalist webstore that focuses on products. With plenty of white space and simple, large images there is little to distract consumers from the path to purchase.

Glossier uses its strong Instagram presence to make a tangible connection with its customers and consumers. It uses short product demonstration videos, vlogs and high-resolution images of the looks that can be created with its makeup products, each post getting many tens of thousands of views. The lively comments section for each post shows just how engaged Glossier is with its audience. This is the power of D2C. Talking directly to your customers and consumers to offer more personalised experiences and to drive new product development.

The success of Glossier's D2C strategy has led to it recently moving offline with the opening of its flagship brick-and-mortar store in Los Angeles, and then another store in New York. The stores operate as extensions of Glossier's webstore and online shopping experience. The strong look of the stores is the same as the webstore, with staff on hand to take the Instagram demo and chat experience into the physical world, giving product advice and tips around communal tables. Checkout is done using iPads rather than traditional static checkouts and pay points. This unified shopping experience, offline as an extension of online, is what D2C ecommerce can offer. Removing distributors and retailers enables you to have a deeper connection your customers and consumers.

So, despite rumours about the death of brick-and-mortar retail, the Glossier story is strong evidence that for D2C brands physical stores are very much alive. Add to the D2C offline store augmented reality and artificial intelligence, such as virtual mirrors and chatbot personal shoppers, and the future for savvy D2C brands on the high street looks bright.



07.

Nike & Amazon

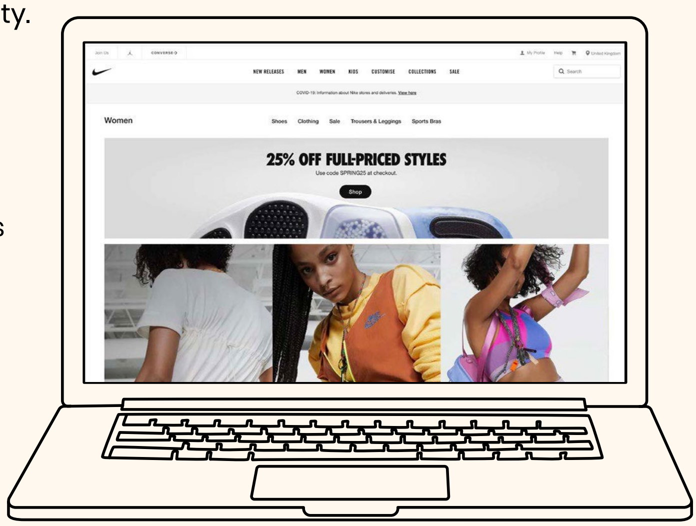
It's not just digitally native brands that are choosing the D2C route. Some legacy brands are seeing the benefits of cutting out the middleman, be it distributor, wholesalers or retailer. An example of this is the sportswear icon Nike, which in 2017 partnered with Amazon to exclusively sell its products online. But after just a few years Nike parted company with Amazon to go D2C. And in the process has cast a shadow on Amazon and its business model. Nike said about its split with Amazon: "As part of Nike's focus on elevating consumer experiences through more direct, personal relationships, we have made the decision to complete our current pilot with Amazon Retail."

Nike has invested in D2C and has redeveloped its webstore, as well as improving its Nike Plus membership scheme which gives members pre-launch access to new products, exclusive products and extended returns benefits. Nike also invested in new offline experiences such as the its impressive flagship store in New York City.

It's easy to see why Nike is taking the D2C approach, as it gives them the means to create more engaging consumer experiences and nurture deeper customer relationships.

As Nike's parting statement from Amazon suggests, it wants to pursue 'more direct, personal relationships' with its audience. This demonstrates one of the big problems with big retailers, that placing your brand with a retailer who sells competing brands' products makes little sense, and retailers such as Amazon ultimately owning your customer and consumer relationships makes creating deeper relationships between you and your audience impossible.

Nike leaving Amazon and going D2C is perhaps evidence that the days of big general retail are numbered. If iconic global brands have the power to reach their customers and consumers directly, in a meaningful way, the question is why wouldn't they? In recent years more brands have been going D2C, both digitally native and legacy brands, big and small, fully or partially. And for those with a strong brand and D2C strategy, it's proving successful.



08.

Retailers

This does not mean that D2C brands are totally giving up on retailers. Some D2C ecommerce brands who are 100% online still want their customers and consumers to be able to experience their products in the physical world. Although online clothing brands can and do sell online, using generous returns policy to reassure customers that if an item doesn't fit or isn't what they were expecting, they can return it for free, there are those consumers who still want to try before they buy. In some sectors this is more likely. With new cars or high-end musical instruments, for example, consumers often want to experience the product first.

It's the relationship between brands and retailers that is beginning to change. Instead of brands selling their products to a distributor or wholesaler who then sells on to a retailer, D2C enables brands who want a brick-and-mortar storefront to explore alternative ways to get physical floorspace.

An example being the iconic music brand Roland. Roland makes synths, electric guitar products, electronic drums and recording equipment. Roland was an early adopter of D2C in conjunction with retail partners. In larger general music retail stores across the globe it setup 'Roland Planet'. This was a Roland-branded area staffed by a Roland employee located in a general music retail store. The stock within the Roland Planet was not owned by the retailer—it belonged to Roland. When an item was sold, it would come out of the retailer's stock. This model was mutually beneficial. Roland ensured a higher in-store profile, with staff batting for the brand. The retailer was happy with avoiding a significant financial outlay that would be tied up in demo stock, and of course with increased sales that the 'Planet' model brought.

Not every brand wants, or has the means, to go 100% D2C. A way this can work is when a brand supplies a retailer with the agreement that the retailer only pays for what it sells. This is called 'sale or return' and is a way for online D2C brands to enable consumers to experience their products without committing to purchase. The way this often works is that the brand supplies the products for free and whatever the retailer sells over a given period is recorded and invoiced. This might be every week, month or bi-monthly, depending on the agreement between the brand and retailer.

To incentivise a retailer to commit to a sale or return arrangement a D2C brand might offer a financial reward for the retailer, such as reduced cost price, price breaks for quantities sold and individual rewards for salespeople: money, vouchers, experiences etc. Any products not sold are returned to the brand and sold at a discount by the brand or to a discount retailer, such as TK Maxx in the fashion sector.

09.

Channel conflict

A D2C brand partnering with a retailer can be problematic when it comes to pricing. Channel conflict can be a headache for D2C brands that still use a distributor, wholesaler or retailer. D2C pricing not being consistent with third party pricing will cause problems, as brand or retailer inadvertently undercuts the other on price. This can cause friction in relationships as sales are lost by one party and gained by the other.

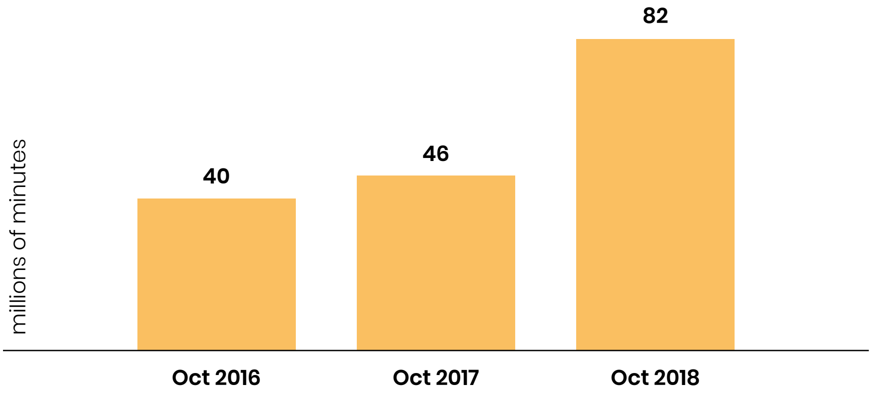
The way to manage channel conflict is for brands and third parties to be fully open and transparent with each other, agreeing on pricing rules and perhaps creating a stock plan that dovetails to eliminate pricing conflict.

There are a growing number of brands choosing D2C, either embracing it fully, or using it as an additional revenue stream for a particular product line or individual products. To mitigate the shift to D2C, retailers must consider their relationships with brands and how best they might partner with them as part of a unified brand interaction, enabling consumers to see and experience products while retaining a sense of brand continuity—Apple in PC World is another good example. Retailers will need to become, just like their D2C brick-and-mortar competitors, experience destinations.

09.

The accelerating rise of D2C

Average Monthly Time Spent on select Direct-to-consumer (D2C) Retail Sites* Among US Internet users, Oct 2016-Oct 2018



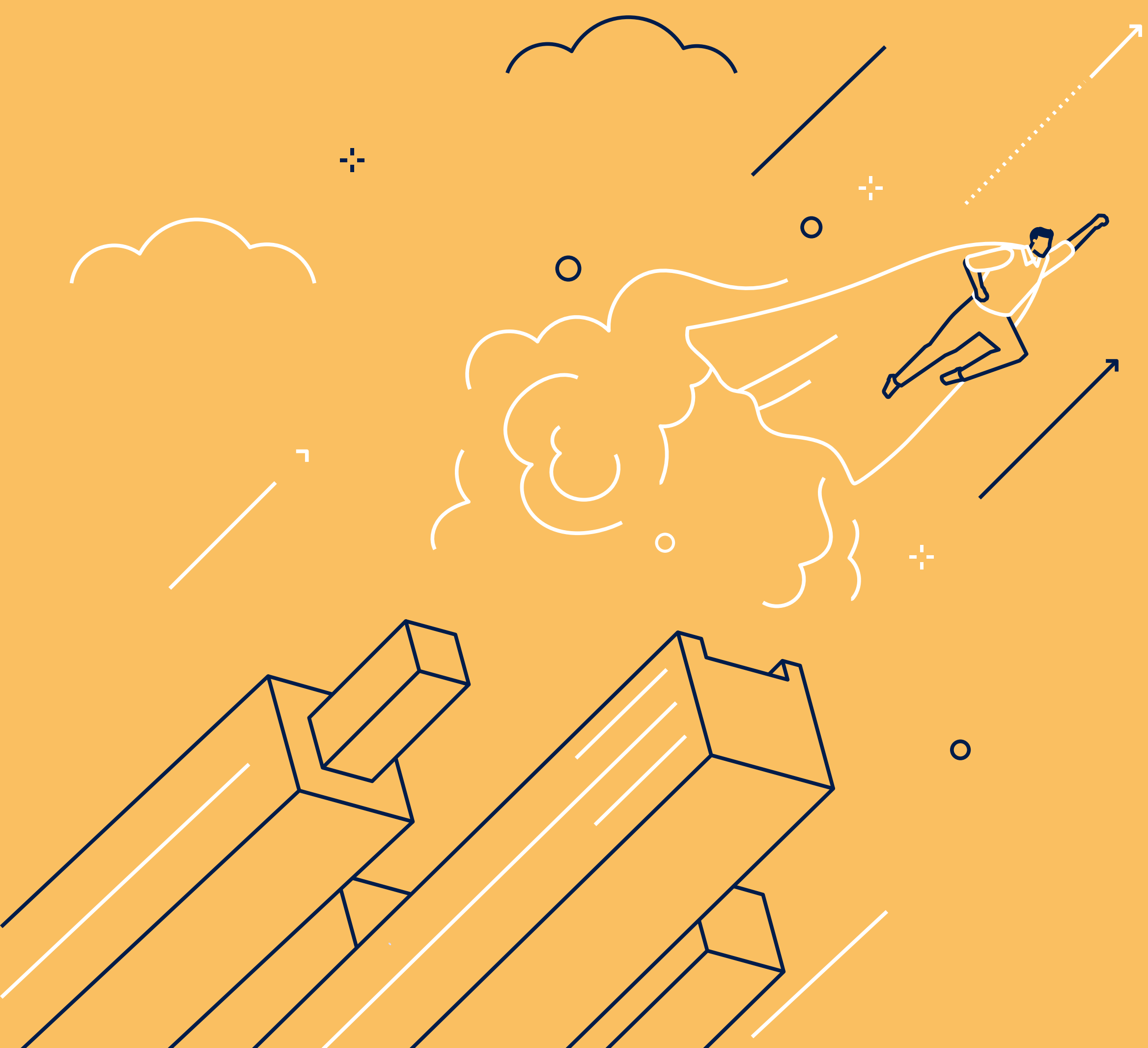
Note:ages 18+; *Allbirds, Article, Away, BaubleBar, Birchbox, Bonobos, Brandless, Casper, Dollar Shave Club, Everlane, Glossier, Harry,'s Indochino, Leesa, M. Gemi, Mack Weldon, Madison Reed, Purple, Stance, Stitch Fix, The Tie Bar, ThirdLove. Toms, UNTUCKit and Warby Parker
source: comscore Multi-Platform; eMarketer calculations, Dec 10,2018

The continued rise of D2C is part of the evolution in the way consumers shop. Barclays Bank predicts that 77% of manufacturers in the UK intend to invest in D2C in 2020. As more brands choose D2C, whether wholly or partially, many shopping experiences will become seamless, with little distinction in consumer minds between online or offline interactions.

Omnichannel shopping is seeing the line between digital and brick-and-mortar blur, and even disappear completely, as ecommerce and physical stores adopt emerging technology to enhance shopping experiences such as headless commerce, AR and AI.

We expect to see D2C growth continue, and indeed accelerate, in the coming few years as technology enables any size of business or brand to go D2C. D2C currently represents the fastest-growing merchant category on the web. Although given the exeptional circumstances created by the reaction to Covid-19, we are seeing accelarated ecommerce growth in general, which will serve only to accelarte D2C growth even further.

The benefits of cutting out the middlemen and either partnering with a retailer or creating your own in-store experiences are clear: better focused brand building, increased audience engagement, maximised turnover and higher profitability.



Is your brand ready to go D2C?
For more information about D2C and how it could help your business grow, get in touch today for a chat with our D2C ecommerce specialists.

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