



A Starter's Guide to D2C

5 CRITICAL
FACTORS FOR
DIRECT-TO-CONSUMER
SUCCESS

StiboSystems

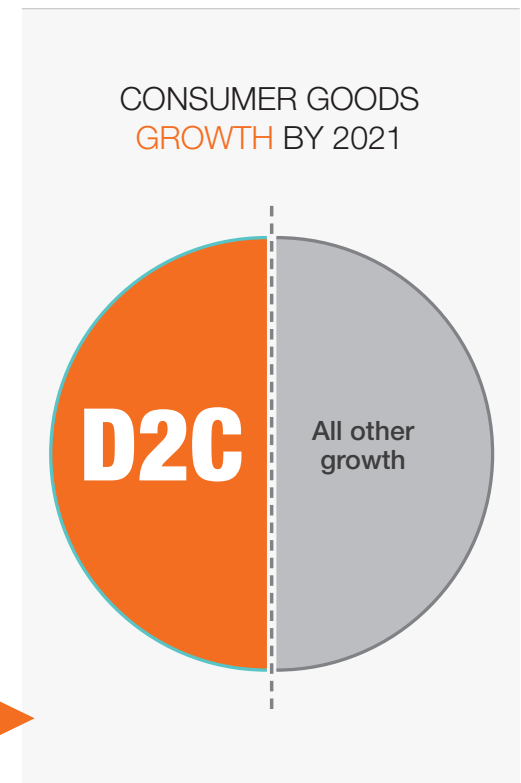
Introduction

THE GAME HAS CHANGED

Now more than ever, consumers are in the driver's seat. The proliferation of mobile and digital tech means they can seek out the products they want, when they want, however they want.

This fundamental shift in the way buyers can experience and purchase products has forced retailers over the past decade to transform themselves digitally. And the wave of proactive digital change is now creeping further up the supply chain, as more brand manufacturers and consumer goods companies are embarking on their own journeys of digital discovery.

In fact, industry research firm L2 Inc. predicts that up to half of all growth in the consumer goods segment will come from D2C efforts through 2021.



But the shift for the established industry players has been slower. According to a February, 2017 study by McKinsey Consulting:

“ONLY 31% OF CONSUMER GOODS COMPANIES SURVEYED INDICATED THAT THEY HAVE BEGUN CHANGING THE WAY THEY DO BUSINESS TO ADAPT A DIGITAL CORE.”

This sea change in the consumer ecosystem and overall technology landscape has also had the side effect of simultaneously lowering the barriers to entry for a host of new digital competitors, while beginning to erode the established value of many big brands. So, while direct-to-consumer commerce can be considered just a secondary theme beneath the larger digital transformation umbrella, it's undoubtedly a significant one.

YOUR INDUSTRY IS CHANGING TOO

For an example of how important D2C has become, consider Unilever's strategic 2016 acquisition of Dollar Shave Club or their attempt to scoop up Jessica Alba's Honest beauty brand.

Here are just some of the companies built from the ground up with digital DNA that are making waves in different sectors:

HARRY'S

WARBY PARKER



PINROSE

LOLA

INDOCHINO

 THIRDLove

LIVELY

GRANA



DOLLAR SHAVE CLUB

GOBY

HONEST BEAUTY®



Casper

Me
Undies
.com

CUYANA

EVERLANE

BONOBOS

S T O W A W A Y

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AND THEN THERE'S AMAZON

The Amazon logo is displayed in a light gray font, centered within a white triangular shape that points to the right. The logo consists of the word "amazon" in a lowercase, sans-serif font, with a curved arrow underneath it that starts under the letter 'a' and ends under the letter 'z'.

The ecommerce behemoth has been busy creating significant D2C market share through its apparel, baby products, batteries and accessories lines. But it has also begun to try and convince established brands to sell directly through their platform (versus their existing wholesale models).

The point is, D2C isn't a fad that's going away anytime soon. If you're still reading this, you're likely convinced of the advantages of asserting brand control and going direct to your consumers. But going D2C is not without its challenges.

Most manufacturers can't simply transform themselves into an ecommerce powerhouse overnight, and striking a balance in order to avoid channel conflict is key.

In this eBook we'll examine the factors most likely to influence the success of direct to consumer ventures.

1. ENTERPRISE BUY-IN

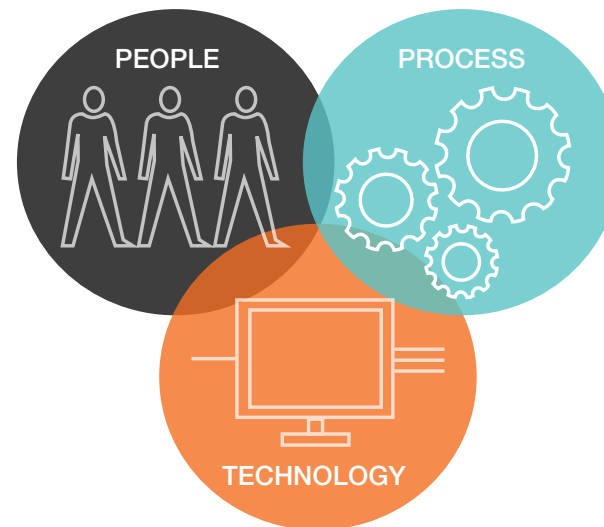
Unfortunately, adapting to a D2C business model isn't as simple as putting up a new website and calling it a day. There's a reason that almost every consulting firm in the world offers expertise in change management.

But you knew that. It takes massive organizational alignment and perhaps even a tectonic shift in company priorities in order to do direct ecommerce well. There will be internal friction, perhaps even resistance, before you get there. It's going to require new investments, new people, new skillsets, possibly even some re-organization and, yes, change management.

So it's vital for executives to be bought in across the company, no matter what part of the business they own.



D2C is not an effort that should be attempted half-heartedly. There are myriad examples of retailers from the past decade and a half that never quite figured out ecommerce. Either they were late to the party, didn't prioritize ecommerce, weren't organized properly, or—well, suffice it to say there are lots of reasons. But luckily for you there are plenty of good examples to follow, models to emulate and existing ideas to innovate from. How you go about this will be unique to your company's existing culture, but it's critical that everyone be on the same page from day one in order to drive the second item on our list...



2. TECHNICAL & OPERATIONAL ALIGNMENT

Consider this the tactical counterpart to factor #1's strategic. If factor #1 is ensuring the whole company understands what you're going to do (and why), #2 is everyone fully understanding how you plan to do it. Years ago one of the big industry analyst firms hosted a webinar titled, "Ecommerce is Hard." Though a cheeky title, the sentiment wasn't played as a joke. But things are a bit easier now. Ecommerce solutions are mature and there are no shortage of providers willing to help you get up and running in a reasonable timeframe. But there are lots of front-end and back-end IT decisions to be made here.

- What about order management platform?
Do you need a PIM?
- How will you handle payment processing?
Not to mention, inventory management, warehousing and order fulfillment.
- How will you handle the demand for increased customer service?

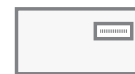
There are no shortage of questions to be answered along the path.



It's also important to consider where ecommerce will sit within your organizational structure. Who "owns" ecommerce? You'll need to think through operational logistics.

Whereas previously you may have only offered your product by the pallet, your customers will likely want to buy a more manageable quantity. How you will make all of that happen is one of many key considerations.

YOUR CUSTOMERS WILL LIKELY WANT TO BUY A MORE MANAGEABLE QUANTITY





3. NAVIGATING CHANNEL CONFLICT

Your retailer partners are of utmost importance and it's safe to assume you'll want to keep them happy while going on this journey. But the answer to how you will handle this very much depends on the individual relationships and dynamic you have with your retailers. Regardless of any of those things, however, this is another area that should always be handled proactively.

One common solution to potential conflict is to get creative with your product offering. What could you offer as a result of now being vertically integrated that retail partners simply couldn't? Perhaps it's the opportunity for personalization.

After all, you can't walk into a Foot Locker or Dick's Sporting Goods and buy a pair of customized Nike running shoes with your name on them. But you can do that on Nike.com for a slight price premium, if you choose.



STEP 2: CHOOSE YOUR INGREDIENTS

You can choose up to 3 ingredients (from 50 available).
 Drag and drop your selections from the ingredients below.
 All of our ingredients are non-GMO project Verified

FLAVOR
SYNERGY



We bow to
your creativity



Pretzel Shortle

REMOVE



Freeze-dried Jalapeno

REMOVE



Pale Ale Flavour
(contains no alcohol)

REMOVE

You can't buy Pretzel-Jalapeno-Ale flavored granola at your local grocer

(www.bearnaked.com)

Nor can you acquire one of 500,000 unique combinations of custom Bear Naked granola via Amazon Prime, but you can directly via Bear Naked's branded website.

Other options to help avoid conflict include ability to offer unique pricing, loyalty rewards, subscription services, different size and packaging options, or retail-specific product variations.

4. EXPANDING YOUR MARKETING HORIZONS



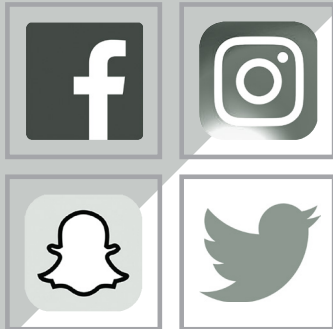
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“Nearly one-third of marketers said that their top priority for future marketing efforts was the ability to personalize messaging and offers for their customers.”

Shifting to D2C demands that you think a bit differently about marketing. Direct access to your consumers opens up a new way of collecting data and creating insights about them. You’ll be able to leverage the data you now have access to in new ways to establish a deeper relationship and keep your customers coming back for more.

One obvious thing will be your improved ability to create targeted offers and promotions. But new direct marketing channels open up even more interesting and creative possibilities. Especially if you’ve taken the creative route in your product assortment and offering on your D2C effort.

The ability to personalize email and marketing messages will play a large role, of course. Research has found that emails with a personalized message are opened more often than those without, and recipients are more likely to convert those same emails. Nearly one-third of marketers said that their top priority for future marketing efforts was the ability to personalize messaging and offers for their customers. But it’s more likely that you’ll need to add some extra talent and experience to your existing, if not entirely new, direct team.



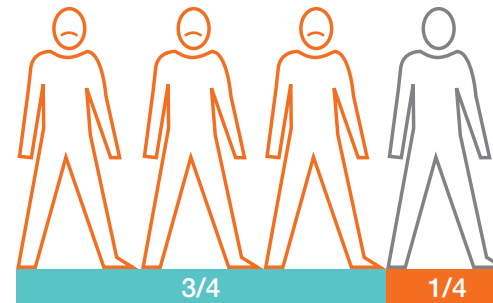
Now that you're opening up a direct channel of communication with customers, the sky is the limit in terms of marketing possibilities. This is truly one area where you are only limited by your budget and creativity. There are no shortage of options to consider or channels to evaluate:

- EMAIL MARKETING
- FACEBOOK
- INSTAGRAM
- SNAPCHAT
- TWITTER
- VIDEO
- AD TARGETING AND RE-TARGETING
- PAID SEARCH
- SEO
- AFFILIATE MARKETING

The list goes on. This is an area where skills and resources need to be accounted for, as well. It may be that your existing marketing operation is robust enough to absorb this without too much additional burden. The good news here is that a whole industry of ecommerce targeting firms, marketing technologies and industry specialists that already exist to help focus and guide your efforts.

5. NAILING THE DATA MANAGEMENT


74% OF CONSUMERS GET FRUSTRATED WHEN WEBSITE CONTENT ISN'T TAILORED SPECIFICALLY TO THEM



Whether it's a big data initiative, business intelligence, predictive analytics or relatively straightforward.

Did you know that nearly three-quarters (74%) of consumers get frustrated when website content isn't tailored specifically to them? Consumers want to establish a relationship with the brands they love, but they also want to know that the feeling is mutual. In the D2C world, this means you'll need rock-solid imagery, digital media content and descriptions about your products at all your customer channels. This is true about customer information as well. To be most effective, you'll want to combine customer and product data with data about who your customers are and how they are interacting with your brands.

Executing a sound data management strategy requires serious forethought about how you'll manage information about your products and customers. The most important thing is to get your data out of internal organization silos in a way that best serves the goals of your D2C operation.



WRAPPING IT UP

Above we've laid out the factors we consider the most important to the success of your D2C project. While this is by no means meant to be an exhaustive list, perhaps it provided a perspective you hadn't previously considered.

If you'll permit us to be so direct – perhaps the most important factor is to understand how and why your industry is changing, and what exactly that means for your specific company and sector. If you are able to truly internalize that, and take the approach of putting your customers first in all that you do, you'll have a leg up on most.

That in and of itself is a great starting point.