Powering the Direct-to-Consumer Experience With Superior Data

How CPG brands can fuel insight and engagement to enable D2C success with master data management

STIBO SYSTEMS
MASTER DATA MANAGEMENT

Consumers are doing their grocery shopping online more than ever before. Leading consumer packaged goods (CPG) companies are capitalizing on this trend by adopting direct-to-consumer (D2C) strategies, which enable them to bypass third parties and sell products directly to consumers.

While most think of D2C as just another sales channel, it is much more than that. D2C allows companies to gain consumer insight, drive engagement and ultimately control the product experience consumers have — all of which can boost the bottom line. It also provides CPG companies with a way to create brand differentiation, an essential strategy at a time that's been anything but normal.

Managing massive industry disruption

While the CPG industry has fared better than others during the global health crisis, many companies still face an array of disruptions that threaten their future growth prospects. Shopping behavior changed substantially as consumers socially distanced and prepared more meals at home. Many consumers have changed from in-store shopping to researching and buying products online. In fact, **reliance on ecommerce is likely to increase**, with 44% of consumers expecting to do more grocery shopping online and 39% expecting to do more durables shopping online over the next one to two years according to EY.

Loyalty to specific retailers is inconsistent as consumers change shopping locations based on convenience. In fact, some households are consolidating shopping trips to a supercenter, larger grocery chain or online retailer, resulting in fewer trips to specialty grocers or drug stores.

At the same time, competition is growing. New digitally native brands continue to capture an elevated share of customer awareness online, negatively impacting the market share of traditional brands still working on getting their digital footing.

Creating exceptional experiences for digital consumers

Embracing a D2C model offers CPG companies a way to turn this disruption into opportunity by enabling them to meet the expectations of today's digitally savvy consumers:

- Consumers enjoy being able to provide direct feedback to brands about what they like or don't like about a product. This information can lead to the creation of new flavors, recipes or another aspect of product innovation, resulting in product improvements and an enhanced brand experience.

- Loyal consumers want to be the first ones to know about new product launches, events or other special promotions, and the D2C model provides brands with a unique opportunity to communicate directly with consumers about these activities.

- Consumers want businesses to anticipate their specific needs. Enhanced consumer listening can generate new ideas — such as unique packs, bulk offerings or special limited products — for the D2C website, which would not be made available through other distribution channels.

Establishing a comprehensive D2C strategy

Although the D2C model has been around for 20 years, current market conditions, consumer behavior and technology are elevating its importance. It's estimated that **online D2C can contribute up to 15% of sales**, as well as create a data-rich channel that increases consumer insights and engagement.

With a D2C strategy, brands can gain insight into the clickstream of steps in ecommerce purchases and how consumers respond to different marketing activities and promotions. It also gives companies an opportunity to expand their digital touchpoints — adding reviews, community areas, coupon and sample programs, social channels and more — for a 360° view of their consumers. With greater transparency into customer data, companies can deliver timely, authentic messages that are relevant to consumer needs and in sync with brand ideals, further building loyalty.

To achieve D2C success, companies need to be clear about what they want to achieve and how they want to achieve it. Some questions to consider when determining a D2C strategy:

- Do you want to serve customers with unique products, larger packs or products with shorter lifecycles?

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- Do you want to provide greater product depth to new markets, increasing the company's brand reach and appeal across geographies?

- Do you plan to start with a single brand — or a smaller subset of brands — to test the D2C model and approach?

Companies that want to experiment with a D2C strategy can list a few products online with existing retail partners or through an online marketplace like Amazon. In these scenarios, the CPG company would provide the inventory, along with marketing copy and rich data assets, to the third party responsible for managing most aspects of the ecommerce experience.

However, brands that want to truly adopt a D2C model must be prepared to oversee the entire ecommerce experience, including pricing, product presentation, marketing, customer service, fulfillment and returns. This adds considerable complexity to the overall process, requiring new levels of data maturity and agility to gain the most value from the D2C strategy.

Regardless of the approach a business takes, it's essential to receive executive and organizational buy-in before starting the D2C journey.

Building the data strategy

Once a brand determines its overall D2C strategy, planning the data strategy is the next step. This includes a review of what data is needed to drive success, as well as what data will need to be sourced and connected to the D2C website. Businesses need to identify any data gaps and define who owns what stage of the data process to ensure data readiness. While this may seem complicated, it can be easily managed with the right technology, processes, talent and partners in place.

Integration with ecommerce, CRM and BI/analytics software is certainly part of this discussion but integrating technology alone will not provide companies with the data management capabilities necessary to gain consumer insights and deliver exceptional online experiences. CPG organizations need data quality support, data governance and data orchestration to ensure smooth D2C operations now and into the future.

Fueling D2C strategy with rich, accurate data

Companies embarking on a D2C journey require new levels of control over their data in order to achieve success. Many leading brands are relying on master data management (MDM) to bring data together from disparate sources to create a single source of truth that can be used to fuel more personalized, and engaging customer experiences.

Key elements of a D2C data strategy

MDM has several unique characteristics that solve some of the most common challenges companies experience when embarking on a D2C journey. Let's take a closer look at each one:

Third-party fulfillment

One of the most difficult challenges about moving to D2C is managing fulfillment. While CPG companies are set up to ship full cases and pallets, the economics and mechanics of shipping single units is much different. Fulfilling a single or combination of products requires new data processes. If the product data has not been integrated into a single view, there can be inconsistencies in product information at the item level.

Additionally, older legacy systems may not have the ability to connect product and customer data to downstream systems, creating delays or fulfillment problems that can negatively impact the customer experience.

MDM helps address fulfillment challenges by enabling brands to:

- **Establish a complete, single source of product data.** Share accurate product dimension and weight information with fulfillment partners, including correct product descriptions and categorization to ensure accurate labeling and handling.

- **Gain a 360° view of the customer.** Ensure shipment information is correct, including name and address, as well as seamlessly share details of consumers' delivery preferences with fulfillment partners.

- **Orchestrate integration processes.** Enable data integration with all partners and establish data standards and workflows to streamline fulfillment.

- **Establish approval processes and data governance.** Ensure data handoffs are correct, and that product and customer data is shared appropriately with partners. Safeguard customer privacy while delivering information that's necessary to meet consumer expectations.

Customer experience

Many companies start their D2C journeys with the intention of driving better customer experiences and differentiating their brand from the competition. The problem is that they don't have much experience managing customer data and haven't done the necessary work to gain a 360° view of the consumer. This can make it more difficult to provide a higher level of customer service or deliver more creative, unique experiences that require better graphics, navigation, information and personalization.

MDM helps optimize CX by enabling companies to:

- **Publish best-in-class digital assets.** Dynamically deliver unique products, content and other services to drive a better experience and ensure only unique products are offered on the D2C website.

- **Enable hyper-personalization of content.** Connect to a single source of customer data that ensures it's accurate and up to date and leverage a customer sign-in to deliver a personalized experience.

- **Manage consent.** Store and manage customer preferences and put systems in place to ensure consumer consent.

- **Increase consumer loyalty.** Deliver a better website experience by providing more transparency into product information such as ingredients, allergens and sustainability information.

Data management

While CPG companies may have all the product data, they may not know how to optimize that data to deliver a differentiated experience for consumers. The D2C model provides brands with ownership over the website product search, and A/B testing enables them to test it over time to improve the experience. But is a company's data model robust and flexible enough to efficiently manage the D2C product hierarchy, as well as the product hierarchies for their retail partners?

Companies may not realize all the data modeling workflows that are necessary to manage how assets and information are shared across D2C and third-party websites. To fulfill their D2C vision, brands must have the ability to control data distribution through governance and syndication while simultaneously minimizing the need for extra resources.

MDM helps CPG brands increase data agility, control and governance by enabling them to:

- **Manage new digital assets.** Add more imagery, marketing copy and other rich data assets to existing items and manage data assets more efficiently by ensuring expanded assets remain linked to individual products.

- **Set up multiple hierarchies.** Establish the primary data hierarchy, from which companies can develop and test an unlimited number of hierarchies. Use workflows to track changes and ensure alternative hierarchies are approved.

- **Create efficient workflows.** Ensure efficiency by establishing global standards for workflows, while enabling workflows to be flexible enough to change with the business.

- **Set up approval processes and data governance.** Establish clear approval processes and checkpoints to ensure data is ready for publishing. Create and support data policy management to ensure access to high-quality data.

Achieving success in D2C

With more people using digital apps and services to shop for consumer goods than ever before, CPG companies have a unique opportunity to develop D2C strategies that will deliver on their evolving expectations. Success going forward depends on an organization's data strategy and ability to orchestrate their data, processes, technology and people to elevate their digital brand presence. And multidomain master data management can play an integral role in that process.

To learn more about the benefits of multidomain MDM in the consumer packaged goods industry and about Stibo Systems unique approach and deep experience in the space, visit **stibosystems.com**.