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Six Steps for Building a Winning D2C Strategy

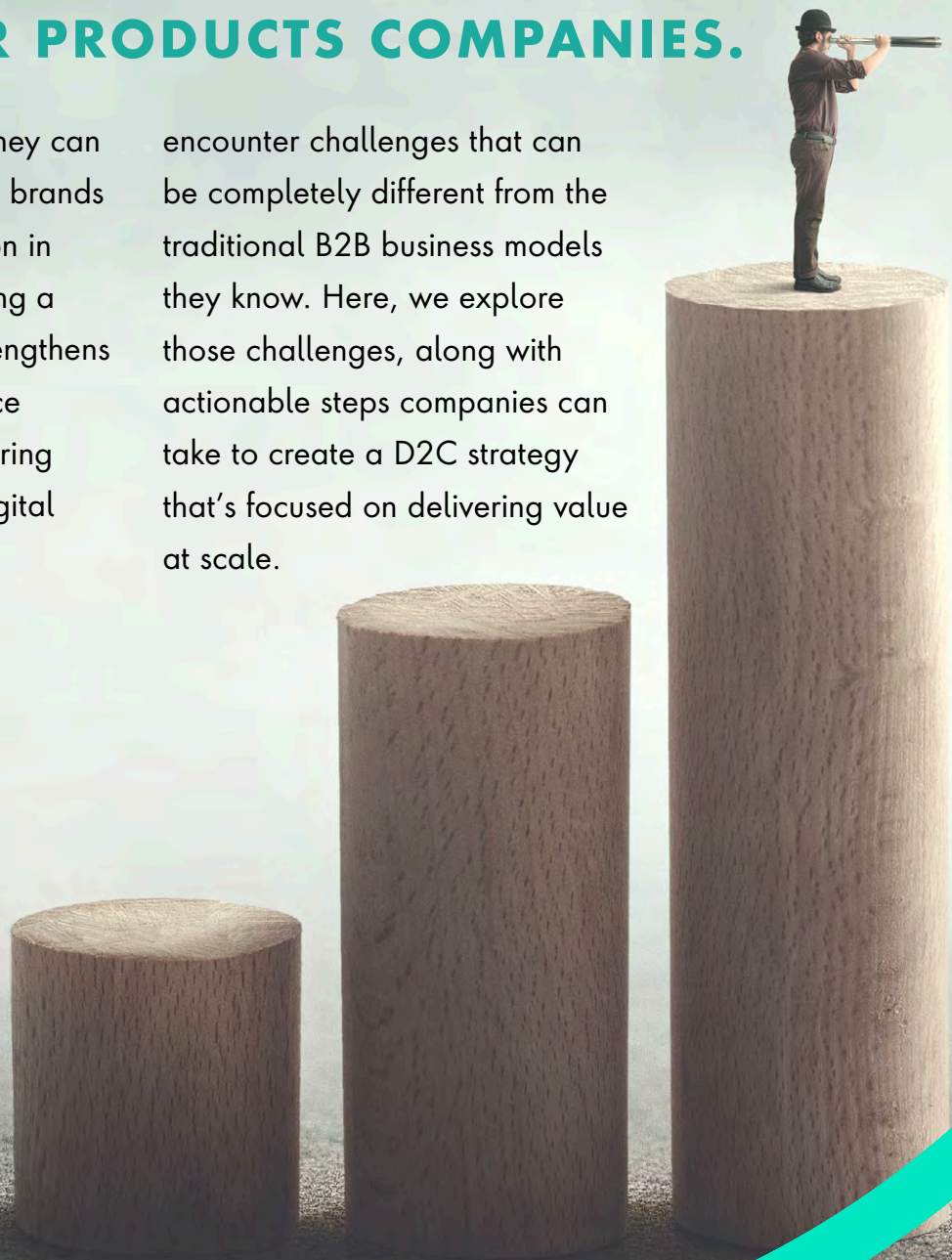


GOING DIRECT-TO-CONSUMER (D2C) CAN BE A NEW FRONTIER FOR CONSUMER PRODUCTS COMPANIES.

Taking on this new journey can unlock opportunities for brands to establish their position in the market by developing a business model that strengthens the whole of e-commerce operations, while capturing the hearts of today's digital consumer.

Along the way, brands need to be prepared to

encounter challenges that can be completely different from the traditional B2B business models they know. Here, we explore those challenges, along with actionable steps companies can take to create a D2C strategy that's focused on delivering value at scale.





SIX STEPS FOR BUILDING A WINNING D2C STRATEGY

STEP 1

Build a business case beyond direct revenue

STEP 2

Establish new operating models

STEP 3

Choose the right technology platform

STEP 4

Overcome supply chain and margin barriers

STEP 5

Balance relationships with retailers

STEP 6

Apply data for personalization

OUR SOLUTION



Build a Business Case Beyond Direct Revenue

The Challenge

Securing stakeholder buy-in for D2C can be difficult if the opportunity and benefits aren't clearly communicated. To succeed, organizations must assess D2C as an initiative that goes beyond just new revenue generation – accounting for both direct and indirect benefits from owned channels, data collection and personalized experiences.



UNDERSTANDING INDIRECT AND DIRECT REVENUE

Direct revenue captures new revenue tied directly to D2C efforts incremental to existing revenue streams.

Indirect revenue captures indirect benefits generated by D2C efforts, translated by implied monetary lift.

Indirect, non-monetary value captures benefits generated by D2C efforts that support growth outside of new revenue streams.

DIRECT

REVENUE

As D2C programs grow, brands can optimize processes and introduce new services to increase revenue and market share.

INDIRECT

DATA-DRIVEN CONSUMER INSIGHT

With D2C as an always-on engagement channel, brands continuously collect insights across owned channels, enabling deeper personalization.

Value added
0.7- 0.8x

PRODUCT DEVELOPMENT

Direct feedback from customers can inform product development and market research, reducing risk when bringing new products or services to market.

Value added
0.4- 0.5x

BRAND AFFINITY

D2C allows brands to directly engage customers, organically increasing brand advocacy and driving sales.

Value added
0.3- 0.4x

BUSINESS FLEXIBILITY

As an owned channel, brands have flexibility to innovate D2C models on their own terms, using data to drive decisions.

Value added
Ongoing

The Opportunity

Build a business case that estimates direct and indirect revenue to show that a dollar earned through D2C can be worth more than a dollar earned through retail. This requires careful assessment of the entire organization. Where do immediate opportunities exist? How can the business use data to optimize for the long-term? How will the program be built to scale? All these attributes play a role in defining the size and scope that D2C can deliver.



BUILDING AN ACTIONABLE D2C STRATEGY

VALUE DRIVER	FROM	TO
DATA-DRIVEN CUSTOMER INSIGHTS	Siloed data that's limited across the business	A connected data ecosystem that uses first, second and third-party data for more intelligent insights
PRODUCT DEVELOPMENT	Limited ability to test new products and receive consumer feedback	Rapid test-and-learn with input directly from the customer
BRAND AFFINITY	Limited ability to own customer experiences	Ability to directly connect with customers with personalized messaging and controlled brand experiences
BUSINESS FLEXIBILITY	Limited ability to expand features, services and experiences	A scalable D2C platform focused on value, with opportunity for new revenue streams



“Capturing the full value potential from D2C requires companies to focus on both indirect value and direct value that capitalizes on unique opportunities to push their organization forward in a digitally enabled world.”

– Sabrina McPherson
Managing Director, Management Consulting, Publicis Sapient



Establish New Operating Models

The Challenge

Expertise in building and maintaining digital products is a necessity. But traditional capabilities are often challenged when establishing an effective D2C model. Failing to make the right shifts will slow launch, limit agility and provide low-quality customer experiences.

The Opportunity

Audit current capabilities in key areas like digital marketing, supply chain, customer service, finance and technology to identify gaps and the cost to fill them. Then, design an operating model for new D2C business with a focus on digital services.

BUILDING THE RIGHT DIGITAL CAPABILITIES

GLOBAL D2C TECHNOLOGY PLATFORM

A global D2C platform establishes a set of digital capabilities to scale based on need and opportunity. D2C platforms reduce time-to-market and lowers technology costs by uniting the organization under one system.

AGILE OPERATING MODELS

Establishing the right foundation across the entire business is critical to scale. Brands should consider factors like resource allocation, budget, project approval and strategy to determine stakeholders and prioritize implementation.

D2C DATA CAPTURE

Maximize value of first-party data by establishing clear data capture standards, a governance system and global integrations for information to be transferred across silos.



Choose the Right Technology Platform

The Challenge

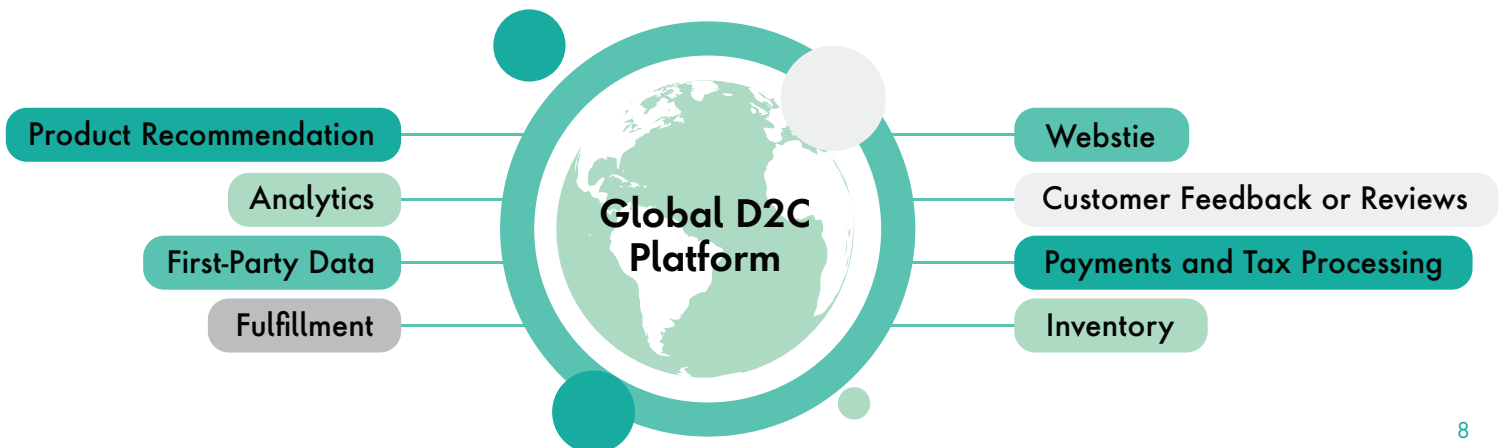
With D2C, brands become their own e-retailer, with operations that support additional capabilities like global commerce, data and marketing technology. According to [recent research from Publicis Sapient and Adobe](#), though more than half of firms say they have some digital capability, only 8 percent say they are completely digital organizations or have fully mastered platforms used for data and analytics – leaving room for growth on the table.

The Opportunity

Supporting D2C with a scalable technology stack is critical. Without one, companies risk potential logjams from increased overhead and lack of data utilization.

A D2C platform unites processes, providing a foundation to scale and customize as organizations evolve their e-commerce business. A consolidated tech stack enables lower implementation and maintenance costs, faster integration with other systems and less complex data-sharing processes that ensure speed to market and rapid test-and-learn capabilities.

Use technology to make the most of your investments. To start, create a strategy that recognizes the full potential of what an ideal D2C model has to offer. Then, select platforms and technology that can scale and integrate across the business.



STEP

4

Overcome Margin and Supply Chain Barriers

The Challenge

Supply chain optimization is critical to maximize operational efficiency and provide delightful delivery experiences. But standing up D2C often requires new investment that puts pressure on short-term returns – especially for organizations that are used to selling primarily through retail channels.

TYPICALLY, FIRMS ARE FACED WITH TWO CHOICES:

- 1 Use third-party logistics partners to fulfill individual orders (often at higher operating cost)
- 2 Invest in supply chain transformation that will allow the organization to self-fulfill orders

The Opportunity

Regardless of how a firm decides to optimize, it's critical to keep the quality of customer experience front and center. Build and model financial and experience impact of supply chain transformation to identify how in-house or third-party partners can help fill gaps in experience.



“Even before COVID-19, consumers were looking for more convenient ways to buy goods outside of the traditional retail store. CP firms should look to find out how consumers want to buy their products, make that option available and learn from those interactions.”

– Kristen Groh,
Consumer Products Industry Lead,
North America

DATA-DRIVEN DEMAND PLANNING

By [utilizing customer data](#) collected across first, second, and third-party sources, CP firms can establish a [clear view of demand](#) and deliver services designed to improve customer experience.



Many CP firms already have store locator tools on their brand website. Offer direct “buy now” options, allowing consumers to purchase through a D2C website or a retail partner.



Tap into social media to gauge real-time consumer sentiment, especially during events that could lead to spikes in demand.



Measure online search activity to identify how consumers learn about products and use these insights to make products discoverable at the right moments.

FROM

Low-quality demand forecasts that aren't used to make business decisions

Manual processes with limited insights that aren't analyzed for performance and consumer experience

Research-focused competitive intelligence that's difficult to understand

TO

Advanced real-time demand forecasting that informs production, promotion and strategy

AI-enabled data processing and analysis, with insights delivered across the business – enabling personalized experiences at scale


Competitive intelligence delivered to create data-driven strategies



Balance Relationships with Retailers

The Challenge

Creating a competitive D2C program requires companies to balance existing relationships with third parties alongside their owned channels. These two business models should work to support each other rather than become competitive, which can risk retailer relationships that often serve as a primary source of revenue.

A large teal circle graphic containing text and a quote. In the background of the circle, there are several concentric teal circles of varying sizes, similar to the 'STEP 5' graphic.

“Retail is the cornerstone of revenue for most firms. To succeed, D2C must not impact retailer relationships, while offering a value proposition that makes consumers choose to go direct.”

- Daniel Liebermann
Associate Managing Director, Data &
Analytics, Publicis Sapient



The Opportunity

D2C can serve as a new way to engage shoppers. Differentiation in the market is essential – what types of experiences can brands offer that consumers can't get anywhere else?

CREATING VALUE THROUGH MEMORABLE EXPERIENCES

EXPERTISE

Position the brand as an expert, with tools meant to educate and inspire.

- A social community for people to upload their own content, share reviews or give testimonials
- Digital customer service tools, like chatbots or video consultations
- A content hub with personalized content recommendations

SELECTION

Make discovery simple and product recommendations personalized, with omnichannel experiences that demonstrate a deep understanding of the customer.

- Exclusive product lines, deals through D2C channels
- Easy, searchable website experience
- Curated products and recommendations
- Order add-ons to surprise and delight
- Personalized packaging

CONVENIENCE

Digital tools give shoppers more control of their shipping preferences, while offering services they value.

- Competitive shipping options
- Subscription services
- Partnerships with third-party delivery services or curated marketplaces
- Social commerce
- Mobile ordering and delivery management

PRICE

Owned channels serve as an outlet for targeted promotions and personalized offers, ensuring the right customers are offered the best deals.

- Discounts for auto-replenishment or ordering in bulk
- Trials and discounts to build loyalty for new members

PERKS

To earn brand loyalty, companies should view membership programs as an exchange of value, with perks customers love.

- Free or custom delivery options
- Early access to new products or services
- Rewards or loyalty points
- Personal shoppers (livestream) and members-only events
- Online membership portal

IMPACT

With brand mission and sustainability [becoming a greater concern for consumers](#), companies can use owned channels to double down on their commitments and showcase their unique brand story.

- Improved factory conditions
- Sustainable sourcing
- Environmentally friendly packaging/shipping
- Alignment of initiatives with brand mission
- Ability for shoppers to donate to a cause



Apply Data for Personalization

The Challenge

The ability to capture first-party data is one of the biggest advantages of D2C. But it's not just about data collection – being able to properly use that data to build personalized connections with customers is key.

Establishing the right technology foundation and governance for secure data collection and analysis across channels is the first step to maximizing the value of data and how insights are applied across the business. An omnichannel approach to D2C allows brands to build a cohesive, personalized customer journey no matter where shoppers choose to buy.

The Opportunity

With D2C as a foundation, develop marketing use cases for e-commerce and the broader business to guide data collection, operations, and technology decisions at scale.

USING FIRST-PARTY DATA TO ELEVATE E-COMMERCE EXPERIENCES

Insights from first-party data can be used to strengthen Total Commerce experiences both online and offline.



Loyalty Engagement Earning & Redeeming

Provides market basket & purchase history data



Promotions

Captures usage, consumer behavior, demographics, and incremental sales



Experience Hubs

Captures brand preferences and provides opportunity to test products with target consumers



Member Acquisition Touchpoints

Display advertising, search (paid and organic), & brand.com callouts



Meta-tagged Email Campaigns

Captures every click & open for brand, content & placement preference



Company Brand Store

Captures consumer, sales and purchase data



Digital Platform Partners

Provides data through 3rd party agreements

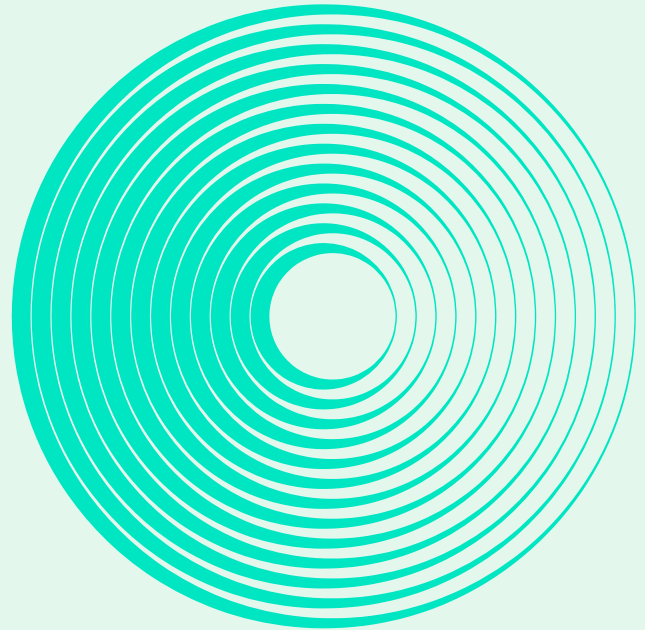


“Leveraging first-party consumer data gathered through direct channels and loyalty programs, brands can tailor specific content, offers and experiences to individual consumers based on their specific needs and past shopping behaviors.”

– Kristen Groh
Consumer Products Industry Lead,
North America

ABOUT OUR DIRECT-TO-CONSUMER SOLUTION

Publicis Sapient helps companies identify and unlock the value from D2C business offerings. Our holistic approach consists of four building blocks:



D2C VALUE POOL IDENTIFICATION & QUANTIFICATION

Identifying the high-value D2C opportunities across direct and indirect value drivers and across different D2C business models. This provides clarity and alignment on D2C value-at stake, where to invest in D2C and why.

PLATFORM EVALUATION & BUILD

Identifying the most optimal D2C architecture, platform and partner for delivering the strategy and implementation. This reduces technology costs and ensures higher value from D2C initiatives at scale.

D2C STRATEGY & CASE FOR INVESTMENT

Developing the holistic strategy and financial business case linked to highest value D2C opportunities. This provides executive buy-in to the strategy and commitment for investment in D2C linked to value pools.

BUILD THE CAPABILITY

Standing-up a new D2C business/capability from start to finish, including optimizing supply chain for omnichannel – delivering an end-to-end D2C business offering.

Get in Touch



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Sabrina leads Publicis Sapient's Consumer Products practice for Management Consulting. She has deep experience advising executives and their teams on corporate strategy, business strategy, and value based transformation. Her focus is on helping enterprises and brands hunt for digital value pools in their core business and in new offerings/markets and partner with them to build the capabilities required to capture the pool. Specifically over the last few years in particular, she has focused on building and scaling direct-to-consumer businesses and ensuring they deliver business value, both from revenue and from leveraging first-party data.



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Kristen Groh is GVP, managing partner and the North America consumer products portfolio lead at Publicis Sapient where she works with clients in the consumer products industry to help them transform into digital businesses well-equipped to respond to today's consumers' rapidly evolving needs and behaviors. In addition to her experience in CPG, Kristen has led client relationships in the power sports, pharma, heavy machinery and technology industries. Her career has evolved across creative, technology and strategy, and always centered on the belief that experience drives brand affinity and data beats opinion.



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Scott Clarke leads Publicis Sapient's Consumer Products vertical for EMEA and APAC. He brings over 25 years of international, cross-industry consulting experience, helping organizations grow and innovate by understanding the ramifications of sociological and technological change, and how this affects relationships with their customers and creates opportunity for competitive advantage. He has worked extensively on issues of customer experience strategy and design, competitive positioning, new business models, product and service innovation, operational and cost improvement, and digital business transformation. Scott prides himself on being able to work with clients across many diverse environments to optimize business value from emerging technologies and help companies transform into digital businesses.



Publicis Sapient is a digital transformation partner helping established organizations get to their future, digitally-enabled state, both in the way they work and the way they serve their customers. We help unlock value through a start-up mindset and modern methods, fusing strategy, consulting and customer experience with agile engineering and problem-solving creativity. As digital pioneers with 16,000 people and 53 offices around the globe, our experience spanning technology, data sciences, consulting and customer obsession – combined with our culture of curiosity and relentlessness – enables us to accelerate our clients' businesses through designing the products and services their customers truly value. Publicis Sapient is the digital business transformation hub of Publicis Groupe. For more information, visit publicissapient.com.