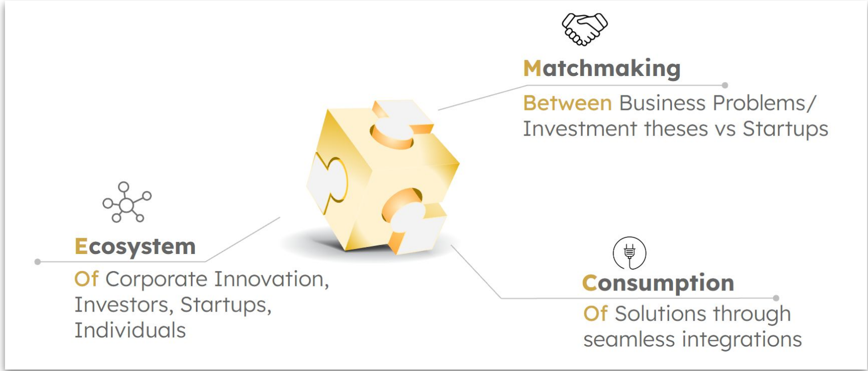
Open I

DIRECT TO CONSUMER (D2C)

for CPG

About OpenI

OpenI is an End to End platform to build and manage your Startup Investment and Innovation Sourcing Ecosystem.



DISCLAIMER

This report intends to inform key decision makers, investors and industry influencers on how innovative and disruptive startups and their digital solutions can solve Business Challenges within their industry and sector. All products, names, logos, brands, and product images are property of their respective owners and used in this report for identification purposes only.

Write to us at info@openi.ai
www.openi.ai

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DIRECT TO CONSUMER (D2C) for CPG

D2C Highlights

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$31 Bn+
Funding globally in D2C companies

22K
D2C companies across the globe

52%
25 to 34-year-olds globally prefer to buy direct from international brands

$7.65 Tn
Global D2C market size by 2028

- Direct to Consumer or D2C is a strategy where a company promotes and sells a product or service directly to consumers.
- The companies can choose the type and format of D2C depending upon their products and the target customers.
- D2C gives an opportunity to companies to enhance their customer experience, gain valuable customer insights, create omnichannel sales and drives sales.
- A few tactics undertaken by some of the successful companies in D2C are conversational AI, providing voice-based research, personalized experiences, omnichannel, subscription, and video storytelling.
- The challenges in creating D2C channel include high customer acquisition costs, relationship with existing retailers, logistics & fulfillment, customer experience. These challenges can be addressed by crafting a detailed strategy covering all components.
- The D2C strategy should focus on how to make each component efficient by employing cutting edge technology from startup ecosystem.

DATA SOURCES: ESW Research, Grandview Research

What is D2C?

What is D2C?

- **D2C** or Direct-to-Consumer is when ***manufacturers sells or promotes their products or services directly to consumers*** through apps or web-stores without relying on traditional channels like retail stores or other middlemen.

TRADITIONAL RETAIL

DIRECT TO CONSUMER (D2C)

Types of D2C

Types of D2C

Various ways to build Customer Understanding & Customer Intimacy through D2C

Types of D2C

Knowledge Hubs

It focuses on engaging customers through content

It builds unique brand centric engagement

Provides real time insights on product development

Example- Lego Ideas, Cards Against Humanity

Digital Stores

Fully functioning e-commerce website is created

The website enables direct buying for consumers

Immersive content experiences are given

More convenience for shoppers and new revenue stream for the company

Example- ITC e-store (itcstore.in), Mamaearth.in, Healthkart.com, Jimmy's Cocktail (jimmyscocktails.com)

Personalized D2C

Adding a layer of personalisation to the D2C models establishes a one-to-one relationship with customer

This model helps drive deeper consumer engagement

A huge influx of consumer data happens which leads to better consumer insights

Improves customer satisfaction by providing tailor made products and services according to customer requirements

Example- Lenskart, The Derma Co, Vedix

Subscription Models

Customer acquisition occurs through loyalty programs/subscriptions

Subscriptions of curated items are offered

It provides a constant revenue stream by enabling repeat buying through loyalty programs

It helps the company to understand the customer preferences in terms of what they buy regularly, delivery preferences etc.

Example- Heinz, Dollar Shave Club

Touchpoint Commerce

Helps brands target customers on indirect platforms like social media or other websites where the potential customers are present

Helps to get wider coverage and customer engagement

Example- H&M

Why D2C?

Why D2C?

D2C

User Experience

Communicating Brand Strategy
Product Differentiation
Content Management
Personalization and Customization

Consumer Insights

Consumer Feedback
Consumer Behaviour View across Consumer Journey
Faster Product Launch
Product Development & Pricing

Sales Driver

Online Sales
Analytics for preferred SKUs
Product Recommendation

Omnichannel

Customer Acquisition
Integration with Social Commerce

Why D2C? (Examples)

D2C

User Experience

disney.com

lego.com

Features media content (Movies/TV Shows/Music); Promotes amusement parks; Offers ideas for Disney-themed crafts, parties, recipes

Provides content on new product launches, videos, and games. Also has information & access to all LEGO apps and kids magazine subscriptions

Consumer Insights

dousaflavor.com

The Ordinary. theordinary.deciem.com

Offering consumers a chance to win $1 million for suggesting new chips flavor. Consumers are encouraged to submit videos, photos, or essays describing their inspiration for it.

Personal Care company from Korea provides D2C experience by offering product description clearly describing the product advantages. The customers can rate and provide detailed feedback

Sales Driver

keuring.com

zara.com

The coffee company offers a broad assortment of brewing machines and coffee, a loyalty program, auto-delivery options, and a seamless reordering process

Zara's website plays a significant role in company's overall sales. Offers customers options for home delivery as well as buy online and pick from store

Omnichannel

HONEST honest.com

SEPHORA sephora.com

Baby care products company offers subscriptions and sells products on Honest.com, but the site also has a "retail locator" helping consumers find stores that carry Honest products.

Sephora links all the channels together. The website allows customers to download app as well as find nearest physical stores. Customers can also go to its social handles to buy products.

Trends in D2C

Trends in D2C

01	Conversational AI	• Direct interactions with customers for effective customer service • Cuts cost by enabling human like conversations with minimal intervention by live chat representatives
02	Voice-Based Search	• Efficient search experience with increased speed • Personalised search experience • 27% of global online population uses mobile-based voice search*
03	Personalised Experiences	• Consumers expect brands to anticipate their needs and make relevant suggestions • Improves brand recall value and creates customer loyalty
04	Omnichannel Wave	• Consumers shop from both online (digital stores, marketplace & social media) and offline stores • A lot of digital-first brands have turned to brick-and-mortar stores as well to increase their reach
05	Subscription Based Model	• Helps in repeat buying and understand customer preferences • Offers value for money, convenience, ”members only” perks (free shipping, insider discounts, loyalty points, etc)
06	Video Storytelling	• Most interactive, immersive and personal form of content • Drives emotional response from the consumer while also giving a better understanding of the product or service

*DATA SOURCE: Google

Challenges & Solutions

Challenges & Solutions

How to Reduce Customer Acquisition Costs?

- ❑ Diversify Marketing Investments across Multiple Channels
- ❑ Stay hyper-focused on customer experience
- ❑ Deliver personalized value
- ❑ Optimize sales and marketing tech
- ❑ Persuade higher bill value to ensure the marketing spend gets covered

Automated personalized messaging campaigns reduced Customer Acquisition Costs and increased Customer Lifetime Value, while still acquiring 42% more customers compared to the prior year

SWEATY BETTY

How to maintain Relationships with Existing Retailers/Distributors?

- ❑ Have a clearly defined D2C strategy and your brand's objective
- ❑ Allow retailers to offer exclusive discounts not available on D2C channels
- ❑ Commission-based partnerships - retailers refer customers to brand's eCommerce site for self-service

Tivoli Audio

Has a website to sell products through retailers in respective local regions. Tivoli looks after all marketing initiatives while distributors take care of sales and fulfillment

TIVOLI AUDIO

How to Manage Fulfillment & Logistics Efficiently ?

- ❑ Partner with 3PL providers offering fulfilment automation capabilities to manage inbound and outbound shipments.
- ❑ Start by selling a smaller set of products - E.g. limited release products
- ❑ Clearly establish shipping costs, shipping timeline, returns process
- ❑ Real-time Inventory tracking

ZARA

Uses RFID and integrated stock management to fulfill customers' online orders with store stock, and fulfils same /next day orders. Also allows store pick-ups. Use of robots to deliver products ordered to customers from nearby warehouses

ZARA

How to Create a Good Customer Experience?

- ❑ Use social listening and customer-experience data insights to understand better
- ❑ Feedback channels to make improvements on offerings
- ❑ AI Chatbots to give personalized recommendations to customers

Relies largely on content & feedback generated by micro-communities within the Glossier fan-base. Maximizes user experience by swatching products on various skin-tones for accurate color matching & incorporating photos/video content for visual contexts of products online

Glossier.

GLOSSIER

CASE STUDY

Convivialité
Ventures

Convivialité Ventures Startup Engagement

Convivialité Ventures is Pernod Ricard's Corporate Venture Capital Arm. It pursues opportunities outside of wine & spirits area, expanding offerings in services and experiences like hospitality and entertainment.

Pernod Ricard D2C

Logistics Tech
2 Startups

The investments allows the company to build D2C logistics, not only for customer experience but also understand customer buying behaviour in restaurants

TravelTech
3 startups

Focus is on vacations and rental stays to understand consumer behavior while travelling

Consumer Apps
6 Startups

The focus is on social, event and grocery shopping platforms to get closer to drinking occasions and understand consumers' buying behaviour

ALc/NoALc/LowAlc
2 Startups

The 2 investments are in mountain water and sauce-flavored wine

Hospitality B2B
2 Startups

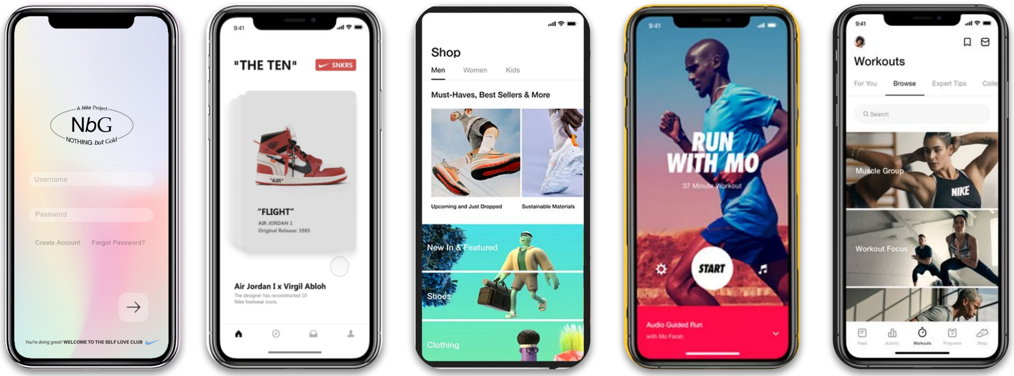
Investments are in platforms that help restaurants to procure raw material and manage customers. This allows the company to have insights on restaurants' buying behaviour and consumer understanding

Convivialite Venture Portfolio

CASE STUDY

Nike's D2C Dominance

Focused apps targeted at specific customer segments



Nothing but Gold (GenZ Women) | *SNKRS App (Sneakerhead Community)* | *Nike App* | *Nike Run Club (Athletes Community)* | *Nike Training Club (Fitness Community)*

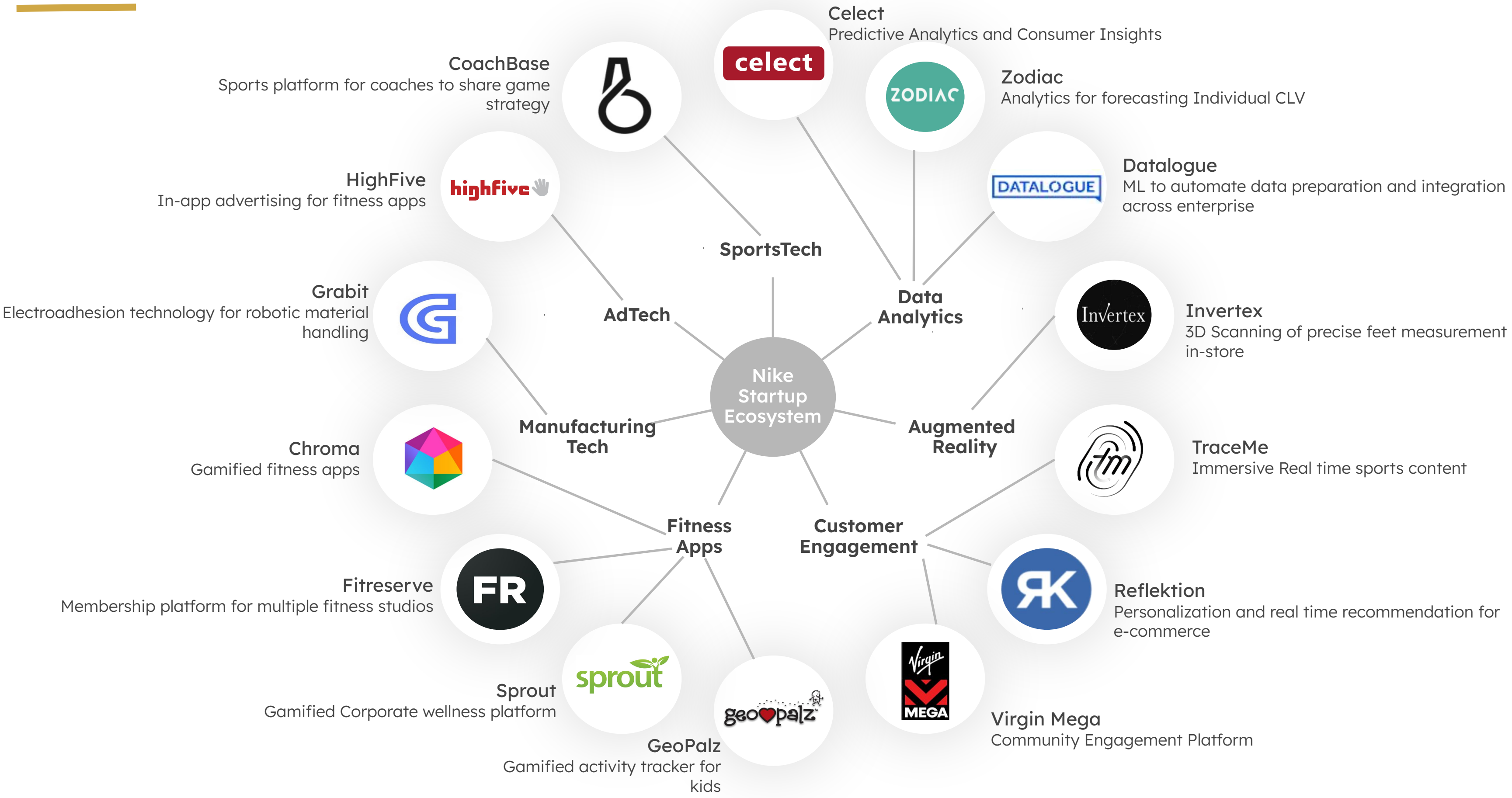
39%
D2C contribution in total sales

300 million
Customers directly interacting with the Brand through membership program

- Exclusive sneaker launches for sneaker enthusiasts to create excitement
- Access to events, exclusive comic books and coveted new launch parties
- Enable omnichannel experience by allowing customers to order through the app and then pick up at a nearby store
- Engage customers through immersive content. E.g., Nike Run Club provides users with tips on how to become better athletes and allows exercise metrics tracking
- Nike Training Club offers personalised coaching and events for fitness enthusiasts

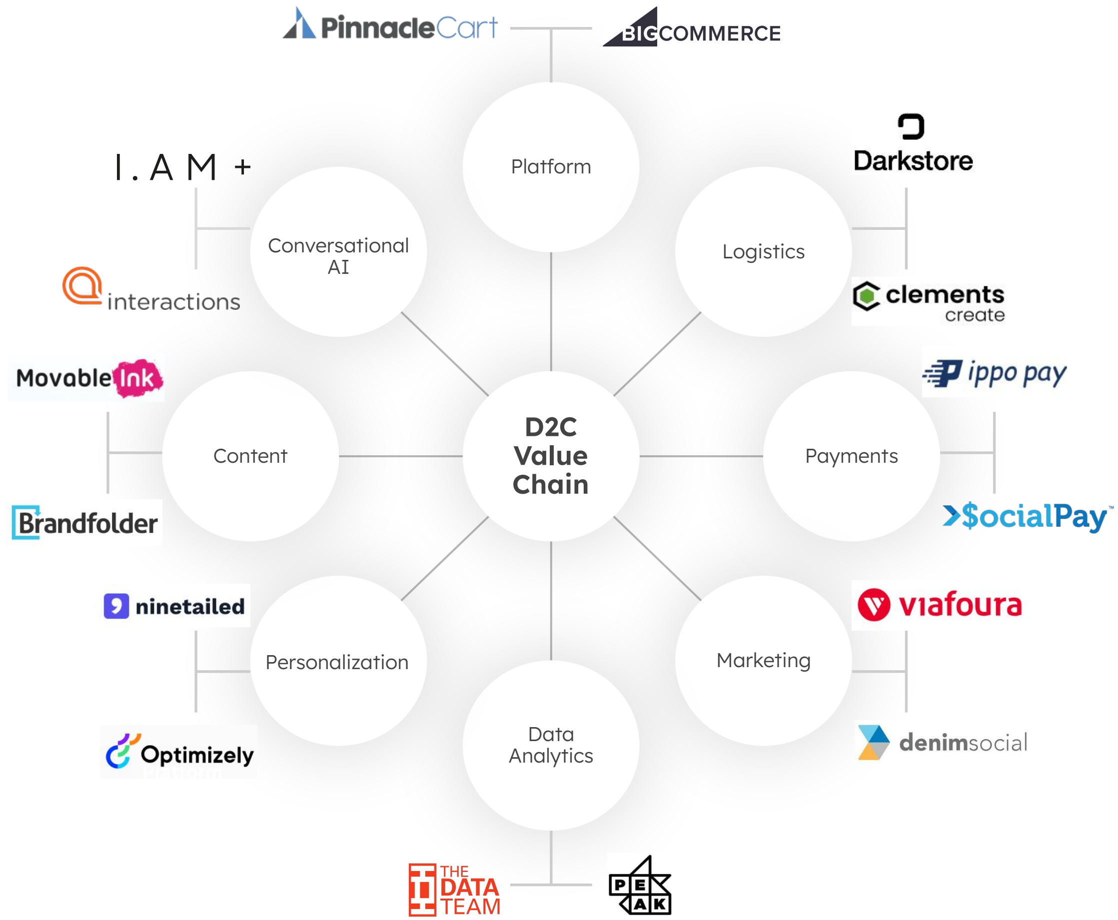
DATA SOURCE: Payments.com

Nike's D2C Dominance



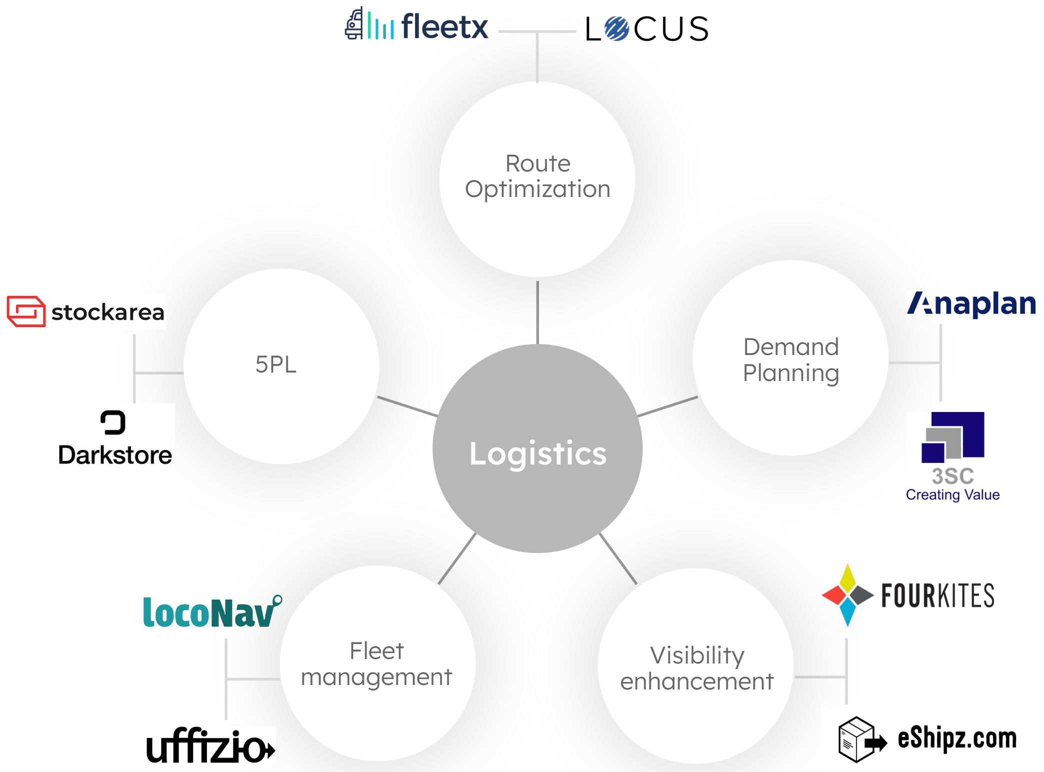
D2C
Value Chain

D2C Value Chain

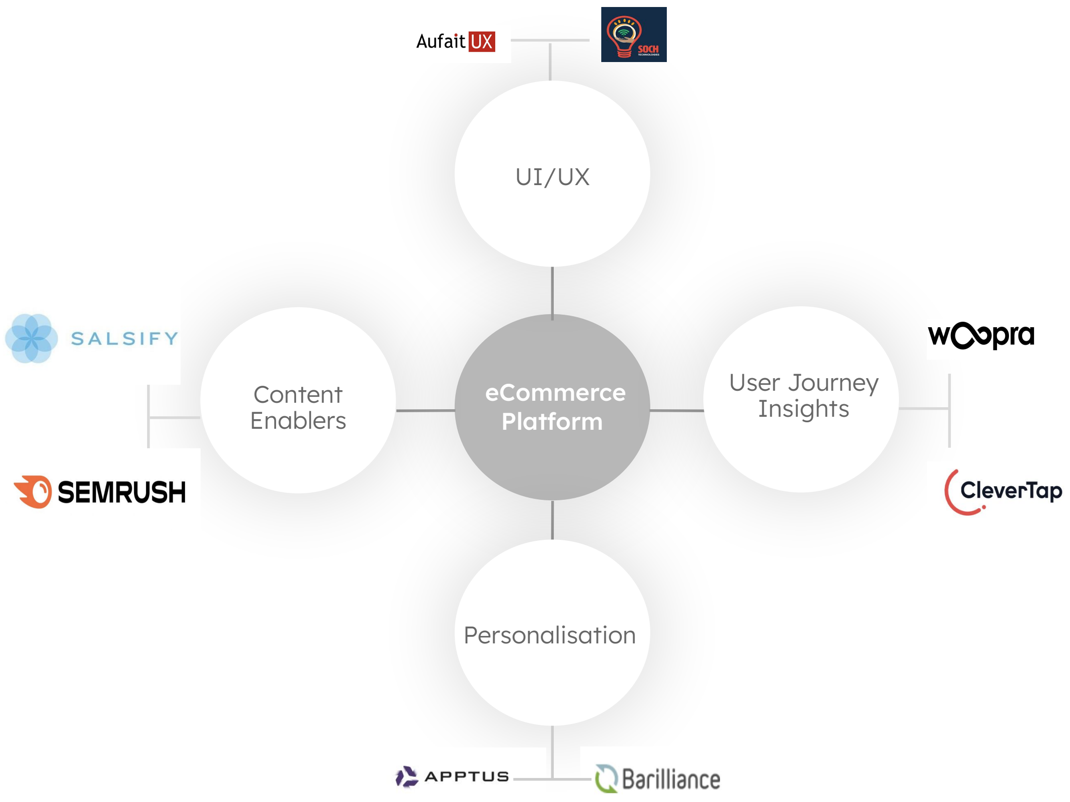


All the components necessary to build and operate D2C Channels, along with a few representative global startups that can enable your D2C value chain

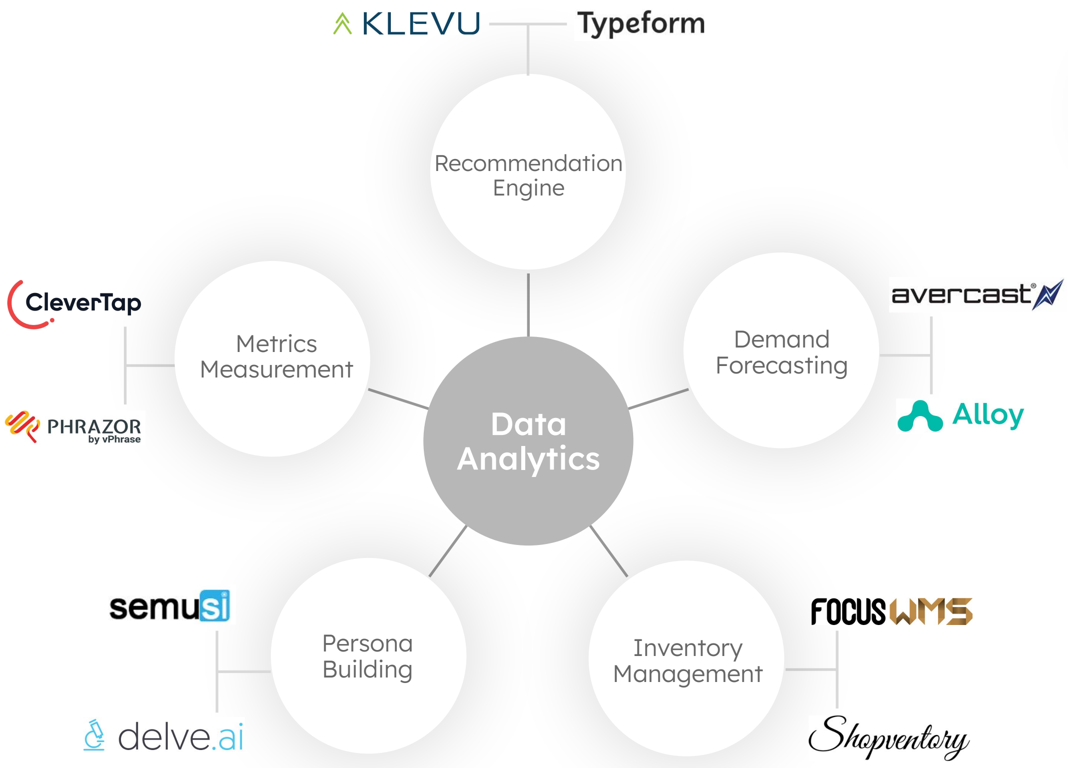
D2C Value Chain: *Logistics*

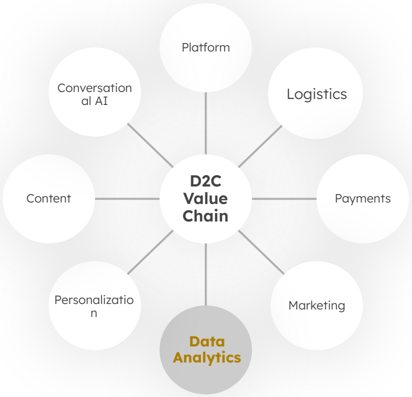


D2C Value Chain: *eCommerce Platform*



D2C Value Chain: *Data Analytics*





D2C Value Chain: *Content*

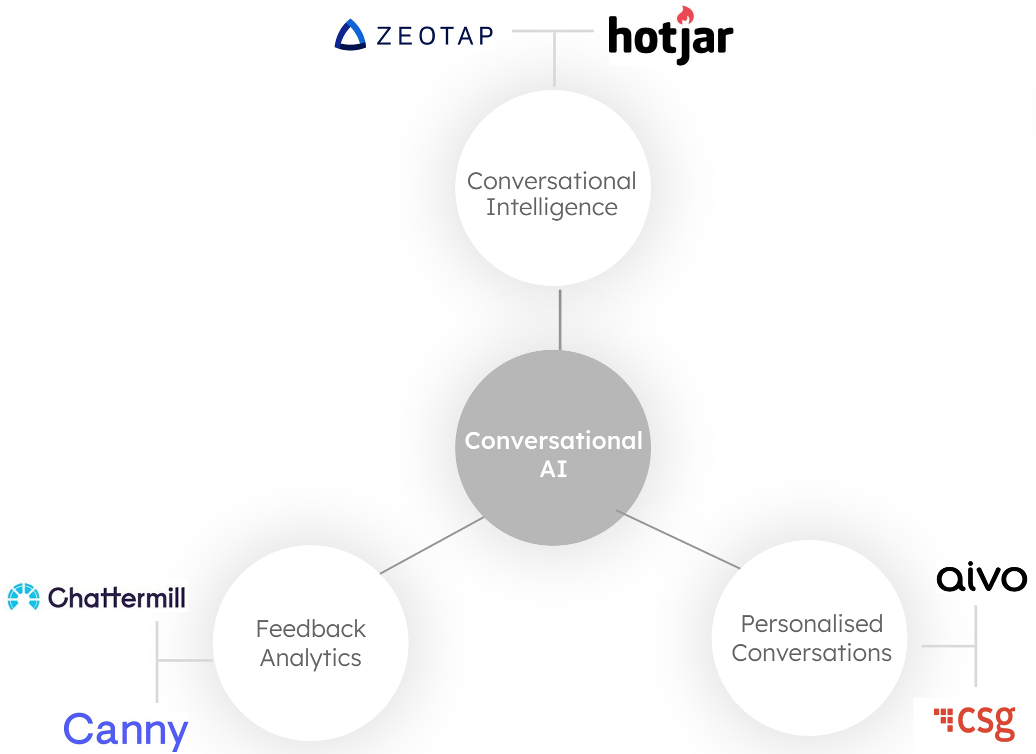
Content

- Immersive Content AR/VR
  - 8NINTHS
  - VISION
- Interactive Content
  - involve.me
  - OUTGROW

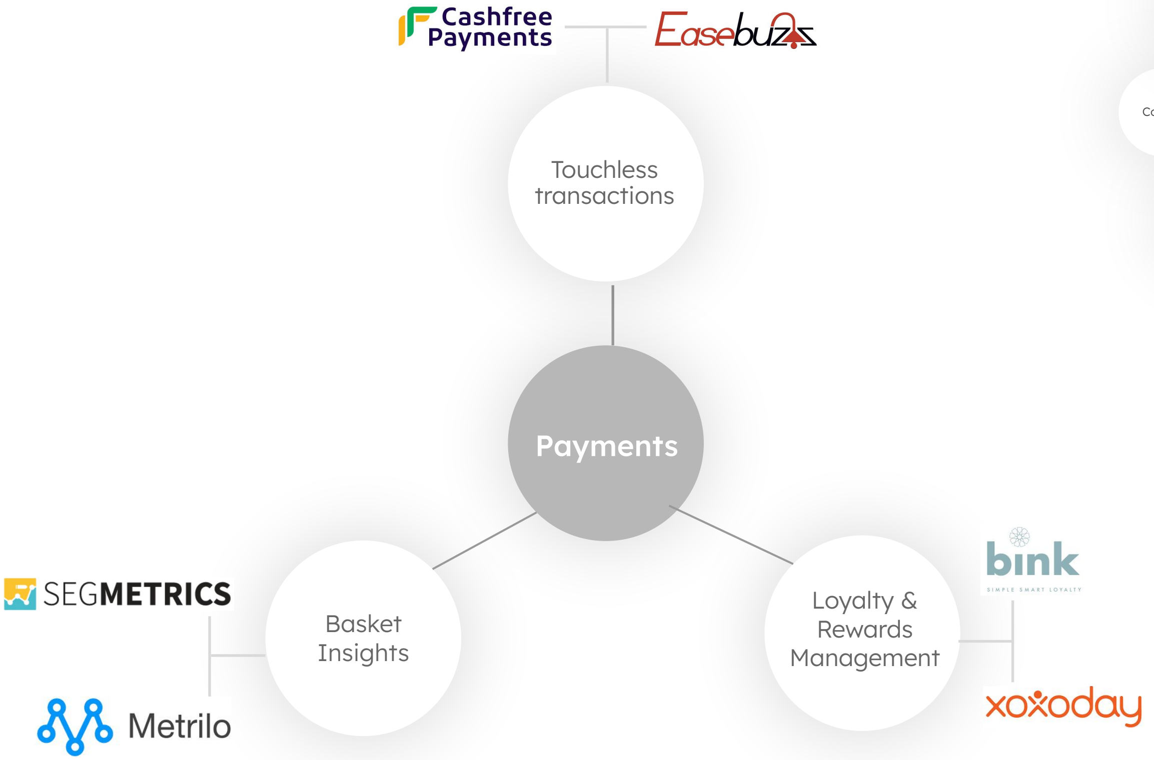
D2C Value Chain

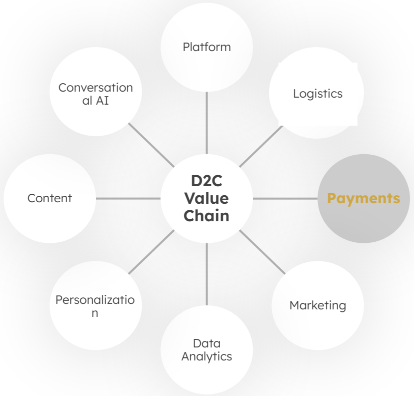
- Platform
- Logistics
- Payments
- Marketing
- Data Analytics
- Personalization
- Content
- Conversational AI

D2C Value Chain: *Conversational AI*



D2C Value Chain: *Payments*





Key Takeaways

Key Takeaways

D2C Strategy	With the advent of hyper-personalization, customer experience and convenience becomes the key goal of D2C strategy
Data Analytics	Data collected from omnichannel will be the key ingredient for understanding customer requirement and building new products
D2C Partners	"Ecosystem as a Strategy" allows you to keep an eye on emerging players who you can Partner with, Source from, and Invest in to drive revenue growth and operations optimisation

We can enable your journey in this rapidly changing disruptive economy. OpenI Platform highlights:

- Next disruptor you must know about
- How your competitors are engaging with these disruptors/ innovators
- Startup ecosystem to drive your growth

Navigate with confidence

BUSINESS GROWTH
Identify high potential, startup investment opportunities

STRATEGY & INNOVATION
Source new business models, spot future competitors

BUSINESS OPERATIONS
Optimize business operations

MARKETING
Drive sales and customer engagement (D2C)

PARTNER MANAGEMENT
Procure and manage next-gen disruptors

ASK OUR ANALYSTS

- White Space Analysis (Spidermap)
- Ecosystem as a Strategy
- Managed Sourcing
- Corporate Venture
- Competitive Analysis

Contact: ***info@openi.ai***