

ICREON

WHITEPAPER

DIRECT TO CONSUMER

A STRATEGIC APPROACH FOR
MID-MARKET B2B MANUFACTURING
BRANDS

THE CONTEXT

A GUIDE FOR B2B MANUFACTURERS DIVING INTO THE D2C WORLD.

In today's rapidly evolving business landscape, B2B enterprises experience a pressing need to drive revenue growth by extending their audience reach. Shifting gear towards digital isn't just essential – it's imperative. You can get the best of today's competition by leveraging the power of D2C business model to tap into new markets and engage customers like never before. The time to expand your horizons is now.

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EXECUTIVE SUMMARY

THE RISE OF D2C: ANTICIPATING A TRANSFORMATION IN COMPETITIVE MARKET GROWTH

As the business landscape evolves at an unprecedented pace, one phenomenon stands out as a game-changer: the rise of the Direct-to-Consumer (D2C) model. B2B manufacturers across industries are eagerly anticipating how this disruptive approach will redefine their growth strategies in the fiercely competitive market.

In the traditional B2B realm, manufacturers relied on intermediaries, such as wholesalers and retailers, to reach end consumers. However, the D2C model is reshaping the playing field by enabling manufacturers to directly engage with their customers. This shift represents a seismic leap forward, opening a myriad of possibilities for manufacturers eager to thrive in the digital-first era.

The D2C model promises expanded market reach, unlocking global audiences previously out of reach in the traditional supply chain. Moreover, it empowers manufacturers to gain real-time insights into customer behavior, preferences, and feedback, laying the groundwork for data-driven decision-making.

supply chain. Embracing digital transformation enables manufacturers to meet the ever-evolving needs of customers in today's fast-paced business environment.



As the D2C landscape unfolds, manufacturers are envisioning enhanced agility, enabling them to quickly adapt to market trends, innovate product offerings, and refine marketing strategies. By fostering brand loyalty through personalized experiences, manufacturers anticipate a more profound connection with consumers, driving repeat business and advocacy in the competitive market.

This whitepaper delves into the complexities and opportunities presented by the D2C model, providing valuable insights and strategies to navigate this new frontier successfully. Brace yourself for the imminent disruption, as manufacturers gear up to embrace the D2C revolution and unlock their full growth potential in the face of fierce competition.



OPPORTUNITIES AND CHALLENGES

*Navigating the D2C Marketplace:
Explore the Opportunities and
Challenges that Decides the Success
of B2B to D2C Transition.*

As traditional manufacturers make the bold transition from offline to online, they are presented with a myriad of opportunities to revitalize their brand image, optimize customer experiences, and tap into new revenue streams. However, with these promising opportunities pose a set of unique challenges that demand attention and strategic planning. In this whitepaper, we delve into the world of D2C for manufacturers, exploring the diverse opportunities it brings to the table, as well as the inherent challenges that must be overcome for a successful and seamless transition into the digital realm.



**By 2024, the
market size
of D2C in the
United States
is forecast to
grow to
almost
213 billion
dollars.**

Statista



OPPORTUNITIES UNVEILED

CHANGING CONSUMER PREFERENCES

Moving from a B2B to D2C model allows businesses to establish a direct connection with their end consumers. This direct interaction provides valuable insights into customer preferences, enabling companies to tailor their products, marketing strategies, and customer experiences accordingly.

By cutting out intermediaries, B2B businesses can have better control over their brand messaging, pricing, and customer service, which leads to enhanced customer satisfaction and brand loyalty.

DATA-DRIVEN DECISION MAKING

With access to real-time data, manufacturers can identify trends, forecast demand, and make informed decisions to optimize their supply chain and inventory management. Moreover, data-driven insights enable manufacturers to personalize their offerings, create targeted marketing campaigns, and enhance customer engagement, fostering stronger brand loyalty and advocacy.

CONTROL COSTS

Control of costs presents a compelling opportunity for B2B businesses in the D2C market. By directly selling to consumers, B2B companies can gain greater control over pricing strategies, cost structures, and overall profitability.

By eliminating intermediaries, optimizing operational processes, leveraging customer data, and embracing technology-driven solutions, B2B companies can enhance their cost structures, improve operational efficiency, and achieve better financial outcomes in the dynamic D2C market. This increased pricing control allows businesses to optimize their costs and improve their bottom line.

SUBSCRIPTION AND MEMBERSHIPS

Subscription and membership models present a significant opportunity for B2B businesses in the D2C market. By establishing recurring revenue streams, fostering customer loyalty, gathering valuable insights, and driving ongoing engagement, these models enable businesses to achieve sustainable growth, enhance customer relationships, and understand the evolving preferences of modern consumers.



D2C MODEL CHALLENGES FOR B2B

DISRUPTIVE STARTUPS

Disruptive startups pose challenges to B2B manufacturers shifting to D2C. With agile business models, customer-centric approaches, and innovative technologies, startups compete for market share and set higher customer expectations. To succeed, manufacturers must embrace innovation, prioritize customer experiences, and adapt swiftly to the evolving D2C landscape.

OMNICHANNEL EXPERIENCES

Many B2B businesses struggle with the implementation of omnichannel interactions because they treat channels as silos, rather than as a set of interconnected tools a customer may want to use at different times throughout a decision journey. To activate seamless end-to-end omnichannel journeys, B2B businesses must create a unified, comprehensive view of each customer and deliver consistent messages across channels.

SCALING OPERATIONS

Scaling operations presents a significant challenge for B2B businesses in the D2C market. While transitioning from a B2B model to D2C offers growth opportunities, the complexities of scaling operations to meet increased consumer demand can be met with obstacles if you're not

prepared for it. It's important before implementing any new changes to research and learn about your buyers' preferences and how you can make their lives easier. No matter what your goals are, some initiatives you can roll out to kickstart expansion can focus on innovation, personalization, and international opportunities, which can take your B2B business to new heights.

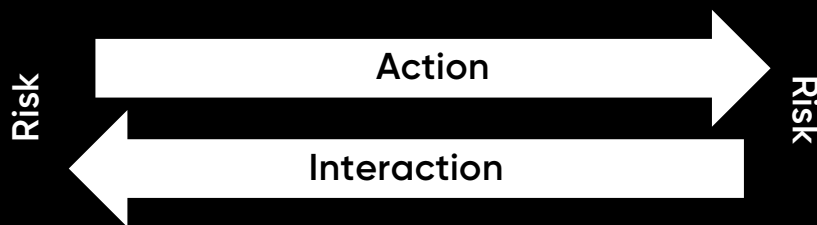
SHIPPING CHAIN MANAGEMENT

Transitioning from a B2B model to a D2C shipping model requires careful planning and adjustments in various aspects of your business operations. Some steps you can take include researching and analyzing your target market to identify your customers' needs, preferences, and behaviors. Additionally, by developing an efficient order fulfillment process tailored to D2C orders that prioritizes speed and accuracy, you can ensure your customers' expectations are met. Additionally, as you adapt to this new model, keep in mind that this is not a one-time event, but an ongoing process of adaptation and improvement. Stay flexible, monitor results, and be prepared to iterate as you navigate the D2C landscape.



D2C ADOPTION BARRIERS: WHAT HINDERS MANUFACTURERS' TRANSITION

The choice for mid-market manufacturers is a catch-22 – failure to act and incorporate digital strategies into their business model enables competitors and new entrants (new age start-ups) to gain the upper hand, whereas action brings the risk of retaliation from existing partners in the supply chain.



THREAT OF INACTION AND THE RISK OF ACTION

A manufacturer dealing with big-box retailers like Walmart, Target or Home Depot has relatively little power over the supply chain and no access to consumer information. These manufacturers are brands with no consumers of their own – dealing exclusively with wholesalers, distributors and retailers. These manufacturers face the risk of missing out on valuable customer insights and becoming obsolete in the digital economy.

87% of senior business leaders consider digitalization as a top priority. While 13% are still happy with their stagnant legacy systems.

Gartner



Some reasons why businesses fall into a complacency trap when it comes to their legacy systems include:

RISK OF LOSING EXISTING BUSINESS PARTNERS

Businesses have long-established relationships with wholesalers, distributors, and retailers, which form the backbone of their B2B operations. These partnerships may be disrupted due to any sudden move towards D2C. The fear of alienating longstanding partners and jeopardizing crucial distribution networks is a daunting prospect for manufacturers, as it can lead to a decline in sales and market reach.

NOT AWARE OF THE URGENCY

Some businesses are content with the existing B2B model that they overlook the power of selling directly to the customers. They simply may not be aware of the transformative impact of digital technologies on the manufacturing sector. They might not fully grasp how a D2C model empowered by digital solutions can streamline operations, enhance productivity, and improve overall competitiveness.

SHORT SIGHTEDNESS

Many B2B manufacturers have been operating successfully for years, relying on established practices and offline channels. Therefore, they may be satisfied with the existing revenue model and may feel hesitant to disrupt their familiar processes, underestimating the

potential benefits of digitalization.

To overcome this gap, brands must shift the balance of power away from intermediaries in the supply chain and develop digital strategies that offset the threat of inaction.



HOW TO MAKE THE SHIFT?

Five Stages of D2C Adoption Explained

When it comes to D2C adoption, B2B brands can commonly be classified into five different stages. These stages differ in terms of Business Focus, Product Availability, Customer Engagement, Digital Capabilities, Risk from Intermediaries within the supply chain.

The five stages include,

01

No Digital Initiative

At this stage, the focus of a business is on reaching a small customer base via the traditional sales model. Typically, manufacturers at this stage have no focus on emerging technological trends and are thus highly prone to become obsolete in the industry.

02

Showcase

At this stage, the focus of the brands is on showcasing the entire product portfolio on one or more digital mediums. Manufacturers in this stage have huge product portfolios and thus cannot showcase all their SKUs at retail stores. Most B2B brands are categorized within this stage. Organizations at this stage of maturity are willing to gain a more extensive market share.

03

Harvest

Brands at this stage understand the power of consumer information and utilize the knowledge to take better product decisions. The brands control their experience over social media but lack influence over the retail shopping experience.

04

Deliver

The focus for brands at this stage is on building product delivery capability directly to consumers. The risk from supply chain partners is high at this stage due to multiple delivery channels.

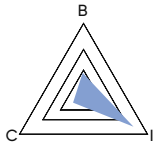
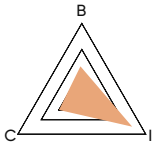
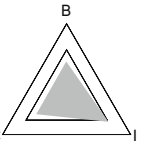
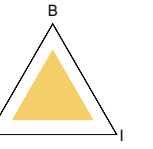
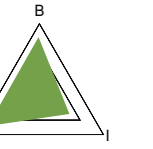
05

Collaborate

The risk from supply chain partners is reduced and there is a collaborative strategy that will not threaten the existence of traditional retail stores. Brands at this stage leverage the best from all the delivery channels and focus on providing an omnichannel shopping experience to the customers.



Below given table explains the change across seven parameters in above-mentioned five stages of technology adoption to build a direct-to-consumer capability.

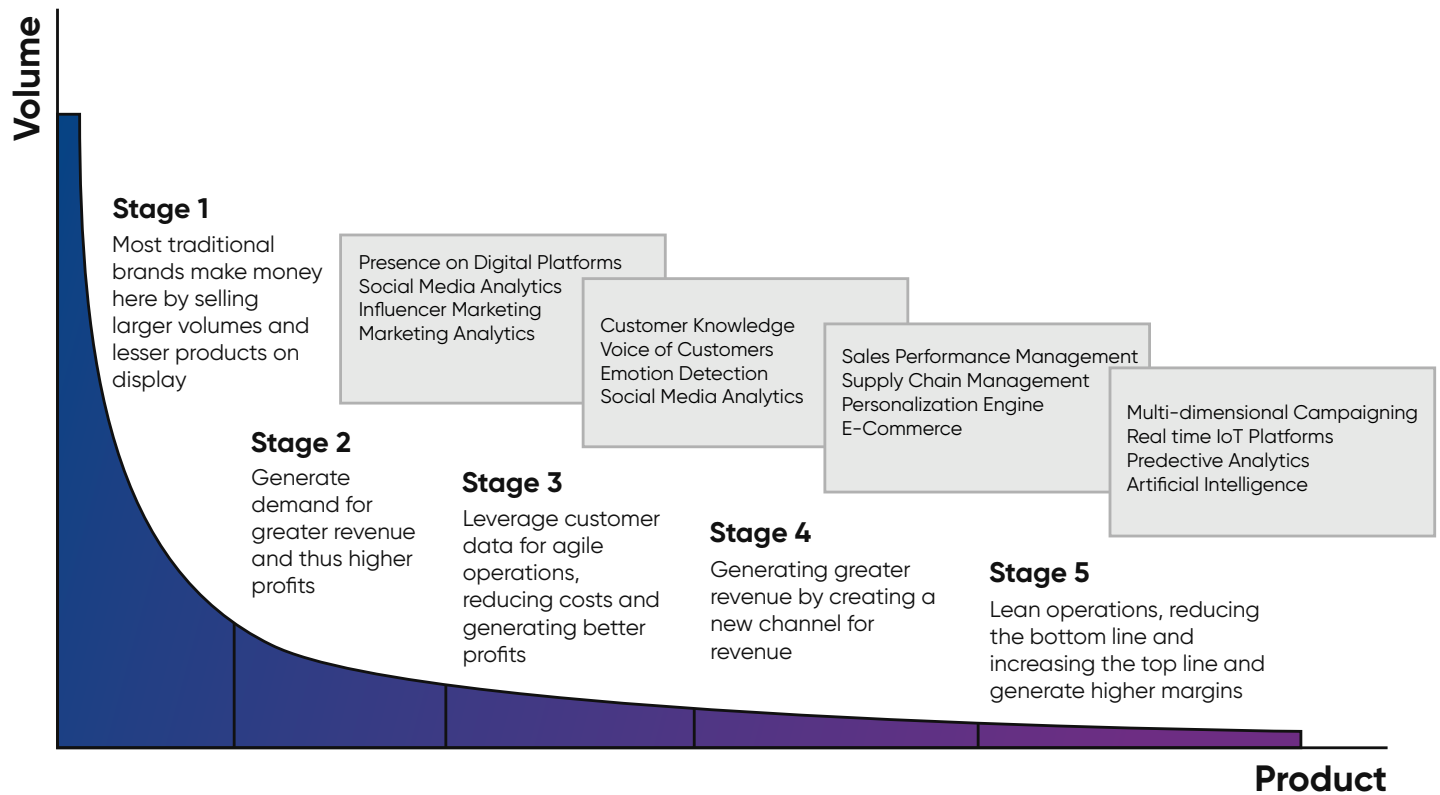
Maturity Level	Stage 1 No Digital Initiative	Stage 2 Showcase	Stage 3 Harvest	Stage 4 Deliver	Stage 5 Collaborate
Brand Focus	Focus is on traditional retail based sales	Focus on highlighting the entire product portfolio	Focus is on better understanding the consumer	Focus on digital sales channel for greater reach and mindshare	Focus on providing a holistic personalized experience to customer
Product Availability	Available for purchase at brick and mortar stores only	Available for purchase at brick and mortar sales plus customer can explore	Available for purchase at brick and mortar sales plus brands know what customer want	Purchase enabled both physical and digital stores	Offline to Online purchase Direct online purchase Direct offline purchase Influenced purchase
Customer & Consumer Orientation	Consumer has access to limited product SKU's subject to availability intermediaries as customers	Consumer can explore products on digital platforms. Intermediaries as customers	Consumer became aware and display interest via advertisement First step towards making consumer a direct customer	Both Direct and Indirect supply chain channels to consumers work parallelly without any interaction	Digital Platforms advertise and promote offline sales Physical platforms provide a more holistic experience to consumer/customer
Distribution Capabilities	Traditional Supply Chain including various intermediaries	Traditional supply chain including various intermediaries	Traditional Supply Chain including various intermediaries	E-Retailer and Retailer to customer	Manufacturer to customer and Retail to customer
Digital Inclusiveness	No digital initiative	All SKU's available on digital platforms	Customer Analytics	E-Commerce capabilities	360 degree ecosystem
Risk from Intermediaries	Low	Low to moderate	Moderate	Moderate to High	Low to Moderate
Expected Revenue	Low (limited to reach of physical store)	Low to moderate (increased reach)	Moderate better product & consumer orientation	Moderate to high (Multiple sales channel)	High (Omnichannel Collaborative Sales)
Distribution of power B = Brand I = Intermediaries C = Customers					



Each of these stages allows brands to mine greater revenue by utilizing the digital platforms.

Each maturity stage uses technology to affect the profits either to increase revenue by generating demand or to reduce costs by improving operations.

Stages 2 and 4 impact the top line, Stage 3 impacts the bottom line and Stage 5 impacts both top and bottom lines to generate higher margins and thus profits.



LEVERAGING DIGITAL MASTERY TO GAIN COMPETITIVE EDGE IN D2C MARKET

In the fiercely competitive D2C market, embracing digital mastery becomes crucial when transitioning from a B2B model. Digital mastery involves placing digital technology at the core of all business aspects, from operations to marketing and customer service.

Teaming up with a digital transformation partner can help you successfully adopt this transformative digital strategy, empowering your brand to thrive and dominate the D2C landscape. It empowers manufacturers, distributors, and retailers to collaborate seamlessly. Real-time data sharing, personalized insights, and efficient order fulfillment enhance the supply chain. Direct customer engagement, agile responsiveness, and consistent branding foster strong collaboration, transparency, and streamlined communication, alleviating fears and fortifying partnerships in the ever-evolving business landscape.

Key areas where digital mastery can elevate your business in this dynamic market:

WEBSITE OPTIMIZATION

If you're an existing digital retailer who hosts a B2B website, digital mastery can allow you to optimize your platform without hindering your existing customer base. It can even introduce you to user-friendly integrations and simultaneously run digital campaigns that enhance your website performance for customers directly engaging with your website.

DIGITAL STRATEGY DEVELOPMENT

When operating within a B2B business model, your target audience is more limited, and you might stick to older legacy systems and sales processes. When updating to a more modernized D2C model, digital partners work closely with your team to develop a comprehensive digital strategy specifically tailored to your company and industry. They can analyze market trends, identify target consumer segments, and define the roadmap for your D2C transformation.



TECHNOLOGY IMPLEMENTATION AND INTEGRATION

Technology partners can assist in selecting and implementing the right technologies for your D2C operations. This may include setting up an e-commerce platform, integrating customer relationship management (CRM) systems, implementing analytics tools, and ensuring the seamless integration of existing systems and processes. They can guide you through the technical aspects and help you leverage cutting-edge technology to enhance your D2C capabilities.

USER EXPERIENCE (UX) AND DESIGN

Prioritizing the user experience is critical in the D2C space. Digital transformation team can help optimize the user journey on your website or e-commerce platform. They will ensure a seamless and intuitive user interface that's easy to navigate and drives conversions. They can conduct user testing, gather feedback, and collaborate on the design to provide an exceptional customer experience.

DIGITAL MARKETING AND CUSTOMER ACQUISITION

Digital marketers can devise and execute effective digital marketing strategies to attract and retain D2C customers. They can leverage channels such as search engine optimization (SEO), search engine marketing (SEM), social media marketing, content marketing, influencer

partnerships, and email marketing to reach your target audience. They will develop compelling messaging and creatives that resonate with D2C customers and drive conversions.

DATA ANALYTICS AND INSIGHTS

Having a tech savvy team can help you harness the power of data analytics to gain valuable insights about your D2C customers. They will set up analytics tools, track website performance, and analyze customer behavior to identify trends, preferences, and opportunities for optimization. They can provide data-driven recommendations to refine your marketing strategies, improve the customer experience, and drive business growth.

CONVERSION OPTIMIZATION AND REMARKETING

Optimizing the conversion rate on your D2C platform is crucial for success. And a technology expert can analyze customer journey data, identify bottlenecks, and implement strategies to improve conversion rates. They can leverage remarketing techniques such as abandoned cart emails, personalized offers, and retargeting ads to re-engage potential customers and drive them back to your D2C platform.

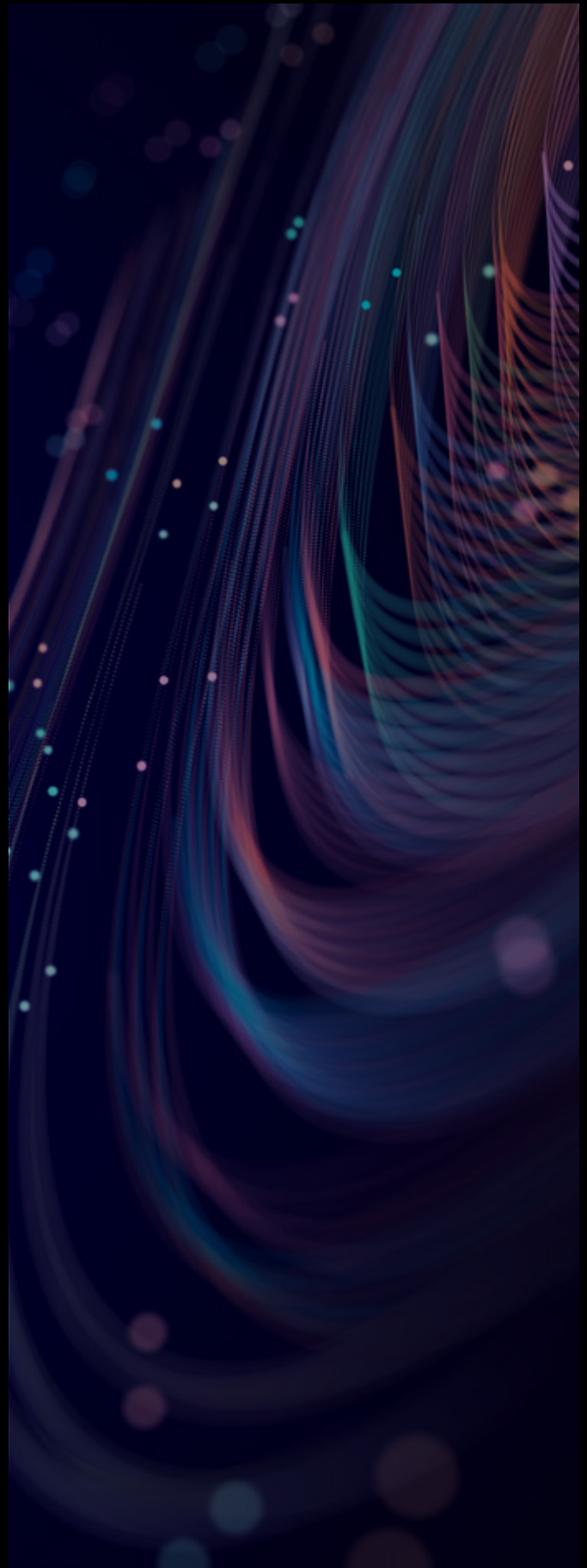


PERFORMANCE TRACKING AND REPORTING

Digital experts can establish key performance indicators (KPIs) and set up tracking mechanisms to monitor the success of your D2C initiatives. They will provide regular performance reports and insights, helping you assess the effectiveness of your digital strategies and make data-driven decisions. They can identify areas for improvement and suggest optimizations to maximize your D2C results.

CONTINUOUS LEARNING AND INDUSTRY UPDATES

Digital transformation partners stay updated on the latest industry trends, technologies, and best practices. They can keep your business informed about emerging digital marketing strategies, changes in consumer behavior, and technological advancements relevant to your D2C operations. They will provide guidance and recommendations to keep your business at the forefront of the digital landscape.



REAL-LIFE EXAMPLES OF BRANDS FOCUSED ON D2C MODELS

Several brands have successfully shifted from a B2B (business-to-business) model to a D2C (direct-to-consumer) model, capitalizing on the opportunities presented by digital technologies and changing consumer preferences. Here are a few notable examples:

GENERAL TOOLS

DIYers Cross-sell App to Attract Direct Customers

General Tools, a subsidiary of Worthington Industries, transitioned into a D2C model to outreach its end consumers. This hand tools equipment manufacturer is now successfully pitching and selling its products using a mobile app. This app is specifically designed to engage DIYers who look for how to tutorials to craft different items. The app is quite user-friendly and shows the tools required to build an item (visuals uploaded by user). Along with this, the app also shows suggested products from General Tools' inventory. This method encourages the users to learn as well as purchase from the brand.



The successful integration of this app in the system proved to be the best D2C strategy as it enhanced the user engagement with brand as well as boosted overall sales.



ULTRAFABRICS

From low-end fabric provider to premium luxury fabric provider



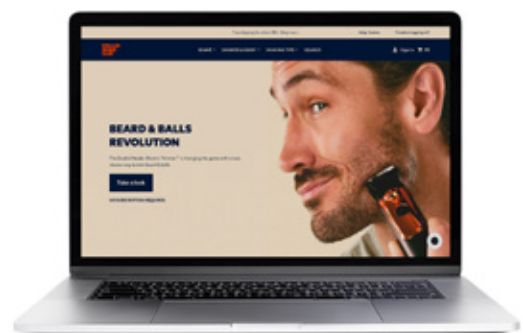
Ultrafabrics, a manufacturer of high-performance vegan fabrics, transitioned to D2C to rebuild their digital experience. With a new website built on the Sitecore platform, Ultrafabrics overcame the challenges of their previous CMS, enhancing both front-end and back-end functionalities. The improved UI-UX elements, faster page speeds, and stable infrastructure significantly boosted user engagement and satisfaction.

The new 'Fabric Finder Tool' on the website allowed Ultrafabrics to showcase their extensive fabric collection, enabling end-users, partners, and distributors to visualize fabrics in different conditions, thereby instilling confidence in their products. The incorporation of a robust Content Management System (CMS) streamlined content delivery, ensuring customers receive the right messages at the right time, highlighting the luxurious nature of their fabrics.

DOLLAR SHAVE CLUB

Unique Membership Models: Simplifying Product Purchase

Dollar Shave Club, a pioneering D2C brand, revolutionized the consumer purchase journey by delivering razor blades to customers' doorsteps at just \$1 per month. Their website offers a personalized grooming experience through a quick quiz, making it effortless for customers to place orders with clear CTAs. Whether purchasing a single product or opting for customized combos, customers have the flexibility to choose delivery frequency. With a 100% money-back guarantee and no membership commitment, DSC creates a sense of belonging to their exclusive club. In overall, the online experience of DSC is simple, fun and personalized to every consumer's needs. Leveraging customer feedback, they fine-tuned offerings to meet evolving needs, solidifying their position as a trusted lifestyle brand.



ABOUT ICREON

Founded in 2000, Icreon has been collaborating with businesses of all sizes to make a new meaningful impact in a new age of digital maturity, resulting in more efficient and powerful brands. We help businesses define the future of their customer experiences and then develop personalized solutions for them by merging technology engineering solutions and the power of digital. These digital-first solutions not only result in commerce transactions, but also enrich our ongoing relationships with our clients.

Headquartered in New York City, Icreon's global capabilities expand across Washington D.C., Philadelphia, New Delhi, and Pune offices. With a dedicated team of over 350 technology specialists across the globe, our team supports clients at companies such as GSK, Novartis, Jazz Pharmaceuticals, New York Road Runners, and Lincoln among others. We blend the art of digital transformation and engineering solutions to generate ROI for brands for "what comes next."

Be part of the D2C revolution.

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