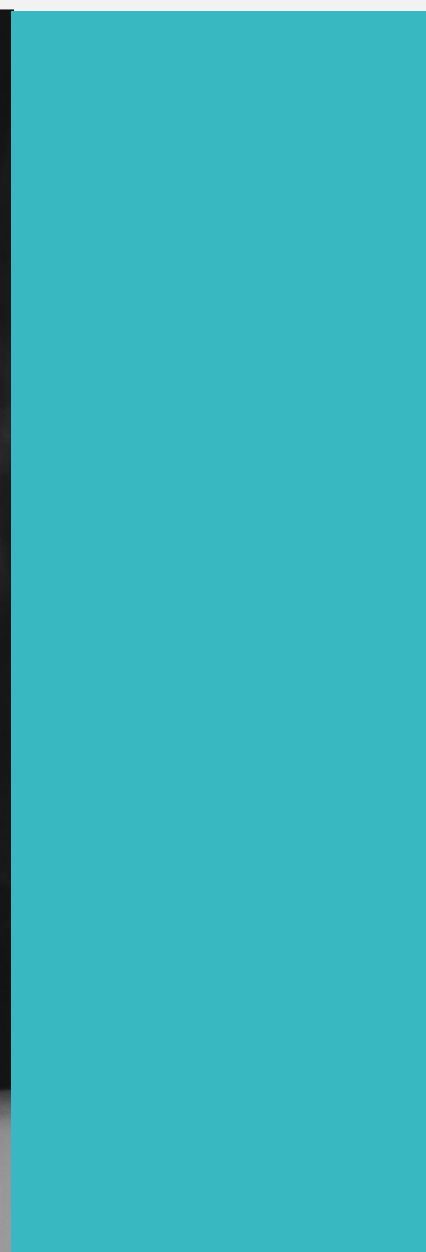# The Irresistible Rise of **D2C**

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Created by:
Metrix Data Science

About D2C

Direct to Consumer or D2C is a growing sales channel and primarily concerns the FMCG world. Although open to interpretation, it essentially refers to small ticket items - that you would historically buy in a supermarket - being ordered directly from the manufacturer.

In part this is an ongoing development of online delivery, where once D2C would be confined to a few sectors and products e.g., supermarket weekly shops and Indian takeaways, now it is packets of soap powders and tea bags.

Changes brought about by the pandemic have caused an unparalleled shift in how consumers are interacting with brands:

- **Previously reluctant online user groups became advocates**
- **Home delivery has become a staple**
- **Large groups of shoppers have more money to spend**

The advent of this sales channel is a further nail in the coffin for bricks and mortar.
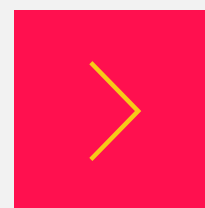
almost

60%

of consumers are now choosing to buy direct from manufacturers.

To paraphrase the song, 'I kissed a D2C and I liked it'.

The Process

D2C involves manufacturers and CPG brands bypassing the traditional avenues

Reach customers directly

For companies like these, the pathway to the consumer traditionally involved a host of other parties e.g. retailers, wholesalers and distributers. D2C eliminates the need for these intermediaries. Instead, brands sell straight into the consumer. This makes perfect sense given the declining footfall into supermarkets and mass migration of consumers online spurred on by the changes brought about by the pandemic. The growth and success of new e-commerce platforms have heightened the appeal of going down the D2C route by lowering the various barriers to entry and sunk costs that deterred smaller players from throwing their lot in the mix.

> The new way of interacting with consumers comes in two key guises: pure D2C and secondary D2C.

The distinction being that with the former a consumer can simply go straight to the brand's website and buy their product – Gillette razers is a good example of a brand using pure D2C. Secondary D2C encompasses consumers being provided a link from which they can directly purchase a product - the relationship is with the brand but purchased through an online retailer. Ariel soap powder is a good example of a secondary D2C.

While there are numerous benefits for a brand in pursuing D2C including more competitive pricing, first party data ownership of customers, there is a new cost incurred. Marketing that was previously in the domain of the retailer/wholesaler now resides with the brand itself. The brand now owns the whole customer journey and consequently they need to have the requisite analytical and data skills to be successful.

Data Science adds value

This is an area where Data Science can add massive value. D2C is an incredible opportunity for brands to maximise their sales but this is predicated on a viable marketing data led strategy. Due to the cost of distribution, consumers who buy small ticket items infrequently are not an ideal target market. Ideally you want consumers that are willing to sign up to a subscription – prospects which have a high life-time value. Machine learning algorithms can be developed to identify prospects which fit a particular model. This analysis has been carried out across a variety of industries with spectacular results. In the context of D2C, the most successful brands will be able to leverage data science to build accurate propensity models to target these high value customers.

Segmentation

Segmentation is also a huge area that requires the implementation of data science tools. The omni-channel marketing environment is a cutthroat battlefield where numerous brands are vying for consumer eyeballs. Messaging needs to be targeted and relevant, sending out a blanket message to a large volume of prospect data is more medieval than it is passé. Leveraging high quality data to understand the socio-demographic traits of your customer base alongside sophisticated clustering techniques is a must.

The analysis does not stop at the customer. Product is another key area where Data Science is essential. Using analytical tools to work out the best gateway product and most effective product to cross sell, given consumer transaction history and demographics will be an important area to focus on. In a data age it is easy to be left behind if you are not constantly innovating and testing out new approaches.
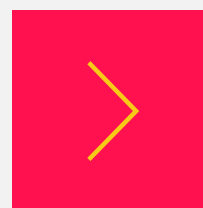
" To sum up, D2C is growing fast and here to stay and offers huge opportunities for Data Science.