BetterCommerce

The Ultimate Blueprint To Delivering An Effective D2C Strategy

D2C Whitepaper
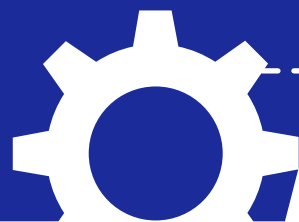
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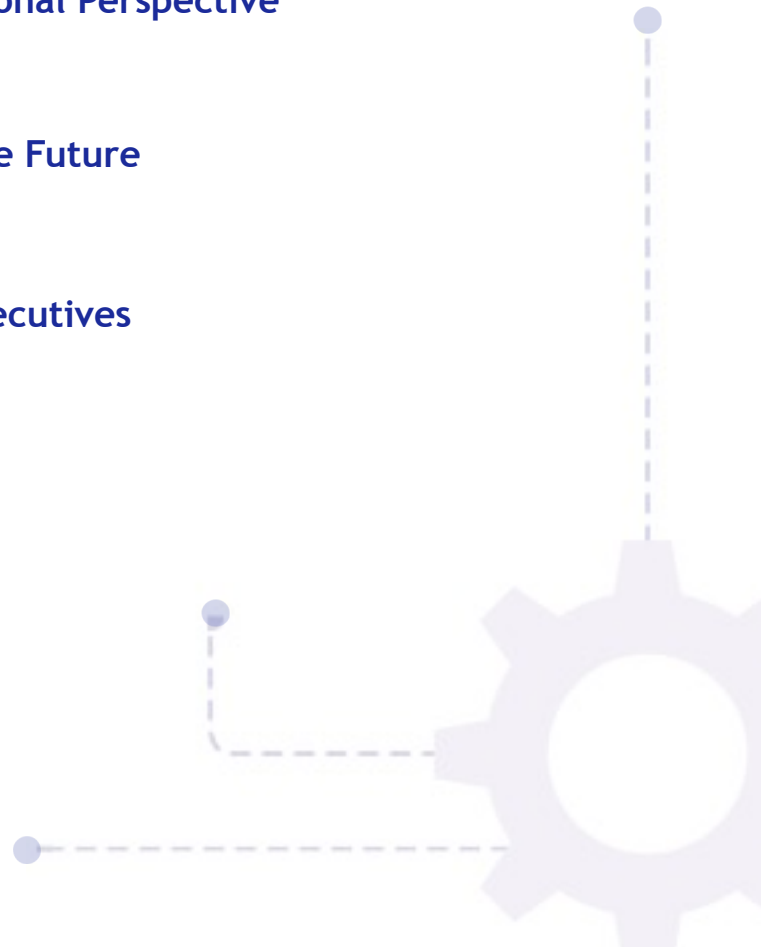
Foreword

Authored by Paul Kelson, Director, Digital Transformation Consulting

The Covid-19 pandemic has shaken up the traditional brands' business models to the core. The focus on physical stores and merchandising, prime locations and well-established partnership and distribution models has been replaced with a rush towards ecommerce that is unlikely to subside. But with 10 years' worth of development and innovation squeezed into 18 months, what happens next? What is the future of the D2C model?

Testing times
For partnerships

Since the start of the pandemic, the direct-to-consumer (D2C) market has become more competitive. Firmly established partnerships and distribution agreements have been renegotiated with (in some cases) distributors and brands becoming direct competitors. As a result, distributors, retailers and marketplaces have come under pressure to compete with brands and differentiate through new or improved services, advanced technology, and advertising. Brands, on the other hand, have seized the opportunity to strengthen their customer relationships through direct engagement, and build strong loyalty programs, subscription schemes and other avenues to 'own' those relationships in the long term.

Putting your money
where your mouth is?

Brands used to invest tens of thousands of pounds into opening flagship stores and chains of stores, hiring staff and promotion to local communities, despite the relatively limited reach. However, this strong investment mindset has certainly not been fully extended to the brands' ecommerce model. While the D2C business model opens up limitless global reach, lower overheads and higher margins, significant investment in ecommerce (that is comparable to investment into physical assets) is still eyed with some hesitancy. We can see this traditional mindset shifting though, and we can expect the investment to rise in the future, with a strong focus on value.

By value, I particularly mean the value of technology investments where brands will be increasingly looking for ROI resulting from headless and modular ecommerce that can work as a platform or independently, and can be easily integrated with existing technology solutions.

The next frontier:
Operational excellence

So, where do brands go next? The competitive advantages in the future will be gained through operational excellence and greater efficiencies. Brands are tightening up their distribution and introducing ever more sophisticated warehouse management models and delivery services to compete with the likes of Amazon. This includes robust customer service, returns processes, stock management, and the introduction of technology and skills to enable ever greater efficiency of these processes.

Over the last 18 months, necessity has been the key driver of rapid innovation and adaptation in ecommerce. Brands have made giant leaps forward and rapidly adopted the D2C model. New challenges are emerging however, with the cost of container shipping growing exponentially and a shortage of lorry drivers brewing a 'perfect ecommerce storm' in the run up to Christmas. A continued strategic evolution of technology platforms, processes and ecommerce expertise is needed to see us through the next (and hopefully final) stage of the pandemic.

Chapter 1
Ecommerce : A Landscape In Flux

Authored by James Gurd, Owner at Digital Juggler

With consumers more willing to share their data than ever before, brands have a historic opportunity to leverage new insights to drive innovation. What are the implications for D2C models and how can brands take ownership and evolve their customer relationships?

Does your business have a 'data value proposition'?

Data is becoming the most valuable asset for brands looking to create great customer experiences and foster customer loyalty. But to effectively manage data and turn it into customer insights, brands need to put in place a data management strategy to ensure they are set up for long-term success.

Some of the most powerful insights can be derived from shopper decision trees that unveil how people make purchase decisions, how they find your brand and buy from you, or why they might be moving to your competition.

Data is a highly sought-after asset that consumers are increasingly willing to share. For example, 62% of consumers would share personal data for healthier product recommendations, according to **research by EY.** But, you and your competitors are all fighting for the same data, so your 'data value proposition' needs to be stronger. It needs to clearly and compellingly articulate what's in it for the customer — why it is worth them sharing it with your brand. Your communication style is crucial to strengthening your data value proposition, as are incentives such as prize draws and loyalty points.
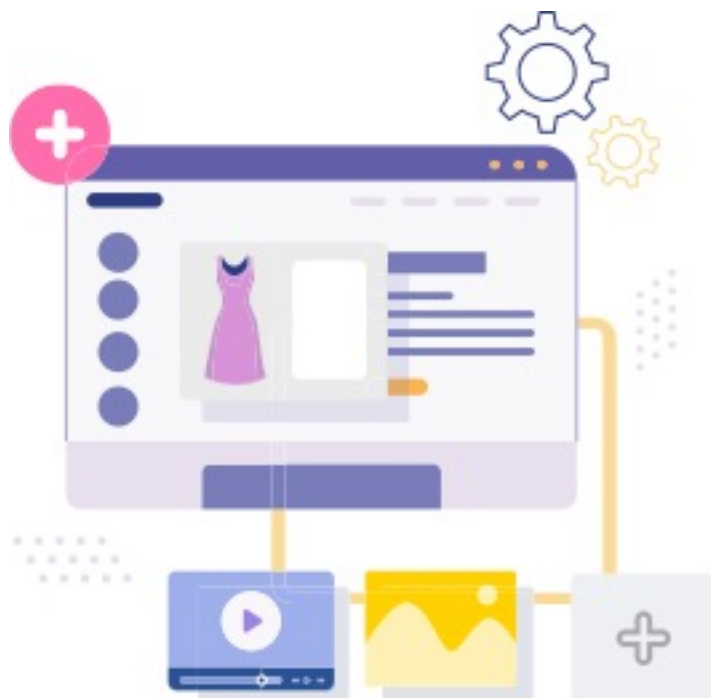
Data as an impetus for innovation

When brands are able to understand the key drivers of customer (online) behaviour and pinpoint why some customers may be buying from competitor brands, they can not only find ways to compete effectively but can also accelerate innovation. Such insights can create new and improved business models, loyalty programs or fresh incentives.

On a tactical level, brands can use data and insights to improve conversion funnels with better signposting, enhance the hierarchy of content, and pull-out specific details and USPs. They can also improve navigation and content gaps to remove any barriers to purchase.

Fundamentally, D2C is becoming a gateway to brands owning their customer relationships and gaining more control over their brand narrative through a strategic focus on CRM and data.

D2C as a panacea?

D2C is a complex go-to market strategy that is more easily adopted by large brands because of their already established brand awareness and credibility, along with specialist skillsets. D2C is often a strategy that is 'native' to new market entrants. In fact, it is traditional brands with legacy systems and processes that will most often encounter challenges when implementing D2C online strategies.

There is a depth of skills and processes that need to be developed to meet the needs of customers who expect services like same day
or next day delivery, local collection options,
and other perks they have become used to
from leading online retailers. Brands may find that they are essentially competing with their channel and distributors, with essential processes like logistics and stock management requiring significant investment and specialist skills, e.g. web product copy optimisation.

From data to engagements and relationships

In the post-pandemic world, D2C is set to play a major role in maximising the customer lifetime value (CLV) and reducing customer churn. Brands already managing their data with AI and ML-driven analytics will be in a particularly strong position to turn one-time purchase into a longer customer engagement.

The most important factor in building loyalty is the value your brand offers to customers — be it the value they receive through exciting experiences, subscription-based incentives,
or by enjoying access to unique offers not available through other channels, such as exclusive brand collaborations.
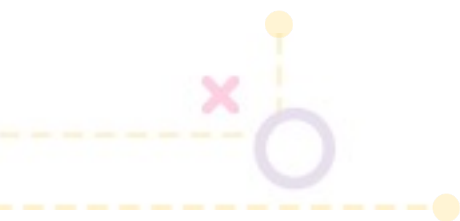
Chapter 2

Solving The International Growth Conundrum: An Operational Perspective

Authored by Paul Rogers, Managing Director, Vervaunt

In 2020, retail ecommerce sales worldwide amounted to 4.28 trillion US dollars. In 2022, e-retail revenues are projected to grow to 5.4 trillion US dollars, an increase of 26% (source: Statista). The continued double-digit growth is opening up opportunities for brands to widen their global footprint and enter foreign markets, particularly for brands whose domestic ecommerce markets may have matured by now. However, there are a number of challenges to consider before an ecommerce brand can expand its ecommerce operations. These include order management, payment solutions, logistics, regulatory frameworks, to name just a few.

Managing customer expectations or building great customer experiences?

As brands scale globally, they often need to strike a delicate balance between the pressures of ever growing customer expectations and the need to carefully manage those expectations. Particularly in large cities, customers have come to expect same day or next day delivery, and options like click-and-collect.

Ecommerce brands scaling their operations tend to work with a number of logistics carriers across multiple geographies, often making it difficult to maintain the same level of service and the desired customer experience regardless of the location.

One of the key questions to be asked is: how will your brand handle global fulfilment and how it will process returns? According to Deloitte, retailers entering a new market should consider the trade-offs between shipping from the home country, as opposed to running in-country distribution. A local distribution centre can provide faster response time and lower costs, but requires significant up-front investment.

Customs, duties and taxes are another key operational challenge with a direct impact on customer experience. Does a brand absorb these costs or pass them onto the customer in a foreign market? What will be the impact on margins and customer experience?

Brands need to be particularly careful when venturing into emerging markets. There are estimates by the Universal Postal Union (UPU), for instance, that around 10 per cent of people in Latin America do not receive post at home, with 5 per cent or more having no postal service whatsoever. Even in urban areas, many online customers will want to opt for alternatives to home delivery, such as click-and-collect or BOPIS (buy online pickup in-store).

True visibility of inventory

At the heart of every global ecommerce operation lies full visibility of inventory, along with robust processes. As companies expand their operations, they may begin to rely on stock in different locations and warehouses.
If not managed properly, they may have issues with overselling or may be unable to fulfil more complex orders due to incomplete visibility of inventory.

A robust enterprise resource planning (ERP) management solution brings process and structure to inventory management, including the ability to check what stock is coming in to allow for pre-ordering (allowing customers to reserve items in advance before they become available) or even pre-selling (selling the idea of a product to assess interest).

The evolving complexity of omnichannel

The proliferation of channels and customer touchpoints along with 'aggressive' consumer expectations will continue to create new challenges for stock management, delivery and fulfilment.

In the future, ecommerce brands will need to put in place processes and solutions that plug into a number of inventory sources and are able to process complex orders at speed. With such an operational infrastructure, they will be able to build consistent omnichannel experiences across all their sales channels.
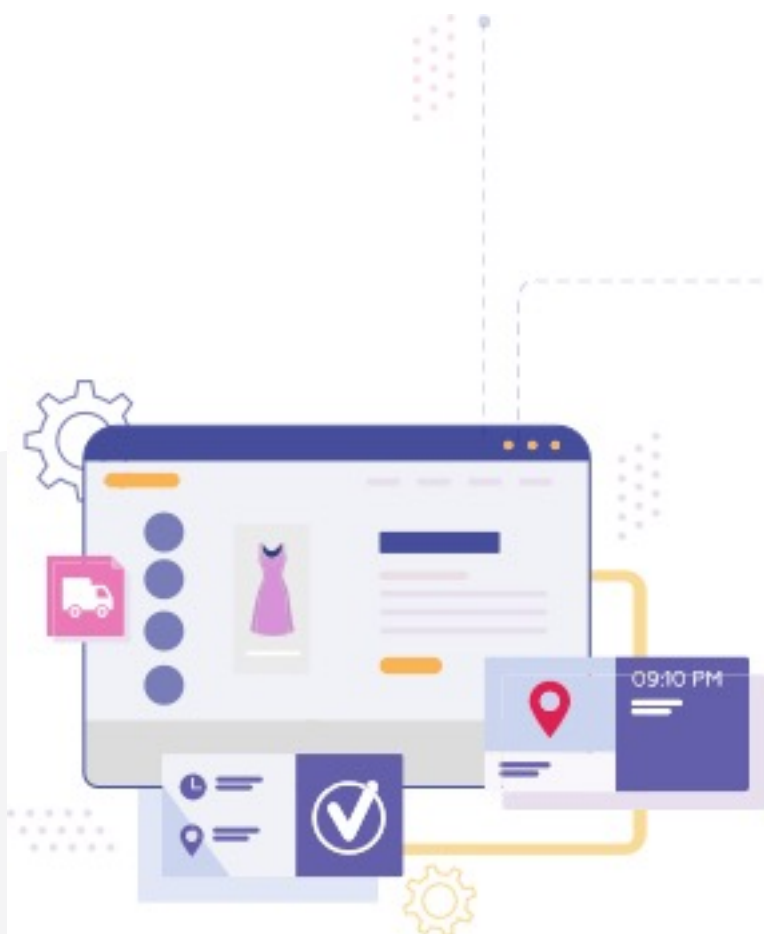
Chapter 3

Owning Your Ecommerce Future

Authored by Vikram Saxena, Founder and CEO of BetterCommerce

The advent of the hybrid consumer—shifting continuously between online and physical customer experiences—means that eventually, every traditional 'offline' business will become a hybrid business. In fact, we will see wholly offline businesses ceasing to exist. How can retailers architect their technology ecosystem to support agility and ongoing innovation? How can they become owners of their ecommerce future?

While 'hybrid' has become an imperative for traditional retail businesses, many native online businesses are beginning to adopt a hybrid approach too by incorporating new offline touchpoints into their user journeys. For example, retail giants such as Amazon are accelerating the roll-out of physical stores to engage the hybrid consumer in new and exciting ways, boost customer experiences and loyalty. Other big businesses are opening networks of retail stores across the country to integrate offline and online experiences seamlessly and elevate customer trust and brand awareness.

70% Increase in Sales

Before using BetterCommerce

With BetterCommerce
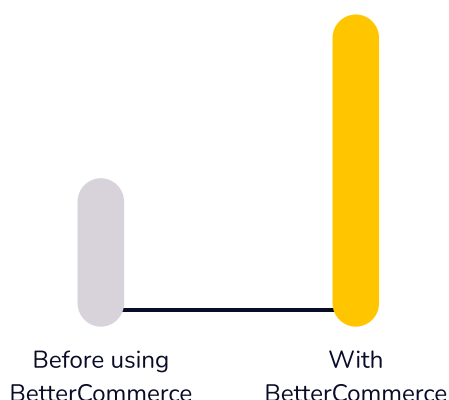
The Fragrance Shop (TFS) is the UK's largest independent fragrance retailer with over 150 fragrance brands and 200 stores.

Covid-19 had a significant impact on The Fragrance Shop, with over 200 stores closing down for approximately 25 weeks.
The company needed to find a way to keep the engine running and satisfy customer demands even when its physical stores were closed. Its ecommerce platform had to be flexible and customisable and provide 24/7 support from a responsive team that could help resolve issues at speed.

TFS looked to BetterCommerce to help manage this seismic shift and create a smooth transition from physical only to a hybrid of digital and physical commerce.

The Fragrance Shop adopted a headless API approach as it gave them control of the front-end and empowered them to make customisation and UX changes easily. This approach also offers flexibility that makes custom integrations easier, so TFS can better optimise its experiences across all channels.

Rethinking legacy technology stacks

The Covid-19 pandemic has demonstrated why a flexible and agile approach to IT architecture is key to allowing businesses to adapt and pivot quickly to ensure they continue to engage with their customers when and where they want.

Often, start-ups and companies new to ecommerce will adopt 'template theme' functionality of an ecommerce platform to meet their business needs. However, as they scale, they may begin to rethink their legacy technology stacks in order to maintain control over their data, analytics and user experience against the backdrop of evolving customer expectations. Crucially, they need to scale their infrastructure to better utilise the growing volumes of data.

Headless ecommerce gives companies the flexibility to use the best parts of one application and the best parts of another in
a modular way, to create a 'best of breed' ecommerce stack. They can plug the specific business gaps or pain points much quicker, while minimising risk at the same time. Headless also allows omnichannel retailers
to easily share data with key applications to establish a single view of the business.

For businesses operating a legacy technology stack, headless allows them to add new capabilities without the complexities of the backend services or challenges of, for instance, scaling hardware. Headless supports the creation of personalised customer experiences to meet continuously evolving consumer demands..

An AI-powered 'composable' future?

In the future, we are likely to see more 'composable' approaches to ecommerce where companies assemble best-of-breed commerce solutions and mould them to satisfy their unique business needs. What was originally web services, turned into APIs, which then turned
into headless is now maturing into composable commerce.

Artificial intelligence (AI) and machine learning (ML) add another level to this ecosystem by accelerating personalisation, and we're likely to see it fuse with ecommerce systems to provide more value to brands. With millions of customers, all looking for experiences tailored
to them, brands that truly own their ecommerce future will be those that create personalised experiences at scale.

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Key takeaways for executives

1. **Keep evolving your direct-to-consumer (D2C) approach:** D2C has enabled traditional brands to maintain and strengthen their customer relationships during the pandemic. To maintain the D2C momentum, invest in specialist skills and processes to meet the needs of customers who expect services like same day or next day delivery, local collection options, and other perks they have become used to from leading online retailers.

2. **Data is your most valuable asset:** Data is your single most powerful asset that enables the creation of great customer experiences. Use it to derive new insights, identify new ways to compete effectively, and accelerate innovation. Put in place a data management strategy to ensure your business is set up for long-term success.

3. **Woo the hybrid consumer:** In the era of the hybrid consumer, your technology ecosystem needs to integrate offline and online experiences seamlessly to engage consumers in new and exciting ways. Crucially, your infrastructure needs to scale in order to better utilise the growing volumes of data. Headless ecommerce gives you the flexibility to use the best parts of one application and the best parts of another in a modular way, to create a 'best of breed' ecommerce stack.

4. **Think operations, operations, operations:** Consistent omnichannel experiences across all sales channels can only be delivered by a robust operational infrastructure, underpinned by an enterprise resource planning (ERP) management solution. Such a solution brings process and structure to inventory management, including the ability to check what stock is coming in to allow for pre-ordering or even pre-selling.

5. **Accelerate personalisation:** Brands managing their data with Artificial intelligence (AI) and machine learning (ML)-driven analytics will be in a strong position to turn a one-time purchase into a longer customer engagement. Consider fusing AI and ML with your ecommerce systems to accelerate personalised experiences at scale.

About Us

BetterCommerce is a leading commerce platform for modern B2C and B2B commerce.

Implement effective D2C strategy with connected Online & In-Store experiences

To break the commerce restrictions created by legacy suites, BetterCommerce invented a headless, API-first approach to deliver a seamless experience across all touchpoints.

Our suite of apps make it even easier to adopt modern commerce within weeks without the need of re-platforming.

Founded in London in 2016, BetterCommerce has grown exponentially and cater to businesses worldwide.

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