



Illustrations: Rajeev Kumar

CONNECTING WITH CUSTOMERS WITH NO PIT STOPS ON THE WAY

While building a brand, why does the direct-to-consumer (DTC) model dominate retail? Here are the reasons for this success story

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For a regular online shopper, mails like “We have a surprise birthday present for you!” or “We will make your anniversary special this year” often signed by the brand’s chief are not uncommon incidents. From sending exclusive pre-sale invites to offering customized discounts for occasions and products, brands leave no stone unturned to grab the attention of a customer. Incidentally, it’s not just promotional mails, but if you are a regular on

LinkedIn you will recall how Xiaomi India’s poster boy Manu Kumar Jain too regularly updates the story of the brand, its growth success and what products the consumers can watch out for.

As the lines between B2B and B2C blur, the direct-to-consumer business model is rapidly gaining popularity among Indian consumers, more so with millennials. From large manufacturers of apparel and fashion to food and drinks,

household goods and even beauty products are now jumping on the bandwagon to launch the direct-to-consumer model. In the next seven years, the direct selling industry is expected to achieve growth of Rs 645 billion. While going direct means that retailers have more control of the retail experience, it also allows brands to have better engagement with customers and increase product margins.

THE BENEFITS OF DTC

While direct-to-consumer (DTC) sales marks a paradigm shift in the way of conducting business for brands through the DTC model, brands can choose to showcase their products fresh out of the design desk through a channel that is directly under their control, says Lovethisstuff.com founder Vatsala Kothari.

“Products can be displayed in a holistic environment replete with the brand’s story and feel, creating the desired positioning in the minds of the consumers. When you consider the sales aspect of the channel, the seller would have access to customer details which can be utilised for remarketing purposes so as to ensure higher customer retention. The real time sales data can also help with the design and inventory decision. For instance, if a certain apparel sells the most in medium sizes, the designer can allocate higher production resources rather than relying on delayed/inaccurate information relay,” she adds.

MAKING THE CONNECTION

Most brands customize services for their customers at every point of interaction, whether in retail stores or through websites. While this helps in publicity, the entire ecosystem is now built towards online shopping, opines apparel brand HRX co-founder AfsarZaidi. “Online and offline go hand-in-glove and considering that a consumer is online at any given point of time, the feedback is instant. Also, this is ‘benefit-only’ format for the brands and end users,” Zaidi says. Observing that marketers across industries are reworking their DTC models to include social, mobile, and digital channels and devices, Vatsala says new technology allows brands to gather information and deeper insights into the behaviour of consumers, giving greater personalisation and control over marketing. “This shift may not have been possible without digital revolution,” she asserts.

REASONS WHY DTC SUCCEEDS

According to an international report titled ‘Deep Dive: Is Going to Direct-to-Consumer the Way Forward for Retail?’,

there are five reasons why an increasing number of companies are adopting the DTC model. They are:

Better customer engagement: By selling directly to customers, companies have full control over different touch-points with customers, helping them to better engage with consumers. They have higher flexibility in creating an immersive experience for shoppers.

Potential for higher operational efficiency: Through the DTC model, companies can better predict demand with

direct-to-consumer retailers as they do not sell to wholesale accounts. By going fully DTC, brands bypass showcasing, negotiating, selling and delivering products to wholesale accounts.

Alignment: Finally, selling wholesale and selling DTC creates a divide inside an organisation because the organisation is serving two very different clients. Selling DTC means the brand is catering to the end-consumer—it can build sensitivity and alignment for the needs and wants of the end-consumer throughout its organisation.

FUTURE TRENDS

Shopmatic Solutions’ co-founder Anurag Avula says DTC allows brands to engage millennials in

an interactive way and through this means the model also evolves over time. Agreeing to this, Vatsala says, “Brands will invest in getting closer to consumers through building communities. There will be new customer segmentation based on more than just demographics. The data collected over time will be used to group people of more aligned interests and expectations together. Data will also allow for personalisation in both product and experience.” Apart from the present breed of sectors, the health industry too will make use of this model to grow, observes Zaidi. ©R

DIRECT-TO-CONSUMER BUSINESS MODEL IS RAPIDLY GAINING POPULARITY AMONG CONSUMERS, MORE SO WITH MILLENNIALS

RS
645
BILLION

DIRECT SELLING INDUSTRY IS EXPECTED TO ACHIEVE GROWTH OF RS 645 BILLION

timely sales data collected directly from their own stores. Given the higher flexibility of directly-operated stores, brands can leverage in-store technology to enhance operations. Social media also helps apparel and beauty companies to improve their demand planning.

Potential for better margins: Generally, DTC revenue earns higher margins compared to sales through wholesale channel as the companies have more control over pricing by selling through their own channels.

Speed: Fast-fashion brands, such as Zara, H&M and Uniqlo, are