

Editorial: *Direct-To-Consumer (DTC) Marketing Redivivus. Lessons to Learn for CMOs from DTC Companies*

Marketers are communicating with their targets throughout the customer journey, searching for ways to meet customers' changing needs, ensuring guidance and selling the way customers want to buy, building engaging brands and content, enhancing the overall customer experience, including personalization of digital experience, continually updating a comprehensive view of the customer.

Companies' growth is imperative but difficult, the basis for growth being understanding demand, whose heart is understanding why consumers want what they want, as demonstrated by the reputed Boston Consulting Group (BCG) which recommended to connect a product with the consumer's emotional and functional needs. According to BCG, in order to quicker reset on a path for improved growth, profitability, and value creation it is necessary to get quicker a clear picture of where the company's true opportunities lie.ⁱ Exactly two years ago BCG attracted the attention on "The Winner-Take-All Digital World for CPG",ⁱⁱ while discussing the challenges faced by the consumer packaged goods (CPG) industry. And in January 2017, a product marketing manager at Stibo Systems (the provider of STEP, a multi-domain master data management platform) showed that CPG is already into what BCG calls "1-5-10" territory, much of that digital growth coming from DTC channels, and pointed out some significant considerations (such as: achieving enterprise buy-in; driving technical & operational alignment; navigating channel conflict; shifting marketing mindset; nailing data management) for any brand, CPG and food manufacturer tackling a DTC initiative.ⁱⁱⁱ

At the end of September last year, a Forbes Contributor highlighted the rise of DTC marketing within the context in which branded manufacturers are taking into account the impact of the DTC marketing tactics on various channels, managing accordingly the channel conflict (by using tactics such as: exclusive offers, free giveaways, and bundles and kits). There were given some examples of popular direct-to-consumer digital strategies (third-party sites, mobile apps, and customized content).^{iv} A year before, in the spring of 2016, and also in Forbes, it was shown that this direct selling model is key, for example, for a company like Tesla operating in the niche space of luxury electric vehicles which are best sold in a store-front based environment.^v While in the same period, Market Realist, a leading provider of institutional-quality investment research and analytics, revealed that, for Nike, the contribution from the DTC channel (which includes sales made online on Nike.com and through its own retail stores) has been rising steadily over the past few quarters of 2015 (Nike having thanks to this channel a greater freedom to act on pricing, inventory, and merchandising decisions), the DTC channel being used to make both brand statements, and push sales of premium products.^{vi} In July 2015, an Oracle's representative showed that within any B2B vertical market DTC initiatives represent a huge opportunity for innovation, especially those B2B companies involved in distribution (by owning the customer relationship, obtaining better margins, and by building brand loyalty).^{vii} Within this final

framework it was made reference also to a CB Insights picture showing a market landscape with the startups targeting consumers directly.

In March 2017, Orderhouse, specialized in providing eCommerce experience with end-to-end eCommerce solutions,^{viii} highlighted the contribution of the DTC channel in improving customer shopping experience, and suggested 3 ways DTC (which was successfully incorporated by established brands like Disney, Nike and Apple) can develop company's business model by considering the changing customers shopping habits (buying directly from a brand manufacturer's web site), the changing logistics within the shift to online (by better controlling the supply chain operations), and the many advantages offered by DTC business to the consumer (such as: one-stop shopping experience, more knowledgeable customer service, closer relationship with the brand). While at the end of 2017 CB Insights made reference to the transformation of how people shop given the explosion of new direct-to-consumer (D2C) companies which by owning all of their customers' data and maintaining end-to-end control with regard to the making, marketing, and distribution of their products are able to manufacture and ship these products at much lower costs in comparison to the traditional consumer brands.^{ix} CB Insights identified the best practices to building a highly successful D2C retail company: designing the right product for consumers by turning simplicity into luxury in a product line; launching their products so as to get mass mindshare quickly; by building a better CX by building an end-to-end brand; and going viral by bake ubiquity and virality into a physical product.

Also at the end of the last year, a representative of CIPS, the premier global organisation serving the procurement and supply profession (dedicated to promoting best practice), expressed the opinion that in order to make the DTC sales model work it is necessary: to better understand that one of the critical things a business needs to create value is that link with the customer (as recommended by Richard Wilding, Professor of supply chain strategy at the reputed Cranfield School of Management), getting very good insight by dealing directly with him; to overcome some supply chain obstacles (such as the cost of handling and logistics for single-pick items, arranging customer returns until a bigger size is achieved etc.).^x Just a month before we find out from the reputed ADWEK thanks to an Accenture Interactive's contribution that entire industries are disrupted by great customer experiences and innovative marketing touches delivered by today's DTC upstarts (such as: Warby Parker, Glossier, Casper, Everlane and Harry's) a competitive edge over established brands. Within this context, the President of Intelligent Marketing Operations at Accenture, Nikki Mendonça, made reference both to smart operational algorithms built by the successful DTC companies and delivering continuous optimization in the purchase journey, and to the necessary skills for the CMO and the CMO's team, such as to be always on and frictionless, ensuring brand-marketing success by making data-driven decisions.

It is also worth mentioning that a study conducted by Deloitte Canada revealed that: the direct-to-customer approaches are an accessible strategy for any established or emerging brands brand thanks to the digital tools and platforms; every brand can be enabled to control CX and

deepen their relationship through data driven insights by a digital direct approach; a range of benefits across financial, operational and market dimensions (as shown in the figure below) can be delivered by capitalizing on today's digital tools and platforms to develop a DTC capability:^{xi}

Dimension	Traditional		Digital
Reach	Finite	➡	Unlimited
Personalization	Mass market	➡	Personalized
Loyalty	Basic	➡	Advanced
Access to customer	Limited, periodic	➡	Comprehensive, real-time
Pricing	Partial control	➡	Full control
Speed to market	Slow	➡	Fast
Merchandising	Limited control	➡	Full control
Assortment	Limited	➡	Full
CAPEX	High	➡	Low
Overhead	High	➡	Low

Figure 1: General opportunity,

Source: *Going digital, going direct. Deloitte Canada, p. 9 (work cited)*

Deloitte Canada's representatives also underlined that the DTC brands are empowered by the digital technologies to reclaim the customer relationship, determining a shift in the balance of power between them and retailers.

With regard to the above mentioned shift, it is useful to remember that in the reputed Harvard Business Review, last year, the gap between the growing interest of brands in D2C models, one hand, and the use of the traditional distribution channels and the relation with the retailers carrying the brand, on the other hand was highlighted.^{xii} The authors of the article, representing L.E.K. Consulting, identified seven tactics to bridge this gap used by the pioneering brands in order to arrive at an effective digital strategy, and concluded that the digital agility (varying from brand to brand) will be someday soon as important to consumer brands as traditional capabilities (such as brand-building, new product development, and distribution).

Coming back to BCG's approach, it is worth remembering that: customer engagement with the help of digital marketing is a recognized reality by leading companies, considering the opportunity of accessing adequate real-time data, building Omni channel relationships with customers, and easily bringing into effective action multiple concepts and assembling real-time feedback from their customers;^{xiii} much more, as digital capability is considered being critical for

growth and competitiveness, it is important to better understand how to use technology to achieve autonomization and emergence, reinventing this way the enterprise operating model.^{xiv}

There is a real need of aligning marketing and sales in the current digital world of customers overwhelmed by a lack of time and too much choice, which involves the right technology, the right action in the right moment etc. and a right customer experience across all changing marketing channels.

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