

# Channelizing Digital Experiences: Direct to Consumer (D2C)

re-defined



Not so long ago, large CPG companies in developed markets had little to worry about. Their products dominated retail shelves. Their brands were household names. Their reputations were strong. In the new normal however, everything has changed. Consumers want more. New technologies are readily accessible, allowing them to be 'always-online'. Emerging revenue models are enabling new avenues of growth.

Ultimately, to thrive in the online world, CPG companies must fundamentally rethink how they compete. By strengthening their e-Commerce capabilities, these companies are taking a significant step in their journey to becoming a fully digital entity. By building their digital maturity, they can make their brands and customer experiences even stronger than they were before.

# **Trends and Business Opportunities**

In tomorrow's hyper connected world. the battle will be for customer ownership. To avoid being dis-intermediated, the CPG players must build or partner on intelligent engagement platforms. The challenge is to deliver seamless, immersive digital experience along the entire customer journey.



The CPG Industry will double in size in the next decade



CPG startup funding has experienced an 8X increase in the last six years



Customers are purchasing personalized products today



Consumers are already Generation Y and Z



🗣 \$22 bn

US market has been taken by upstarts in the last five years



Grocery sales will be online by 2025



US homes already shop for food and beverage online



Share of the CPG market will be in grocery in 2025

# **Opportunities that D2C** is deriving for CPG Brands

#### Revenue Growth: Establish direct connection with customers, increase engagement and conversion rates through their own e-Commerce channels.

#### Improved Margins:

No longer need to outspend the competition for better in-store positioning and promotions through pricing, or negotiate pricing with retailers for paper-thin margins.

Dimensions	Traditional		Digital
Reach	Finite	•	Unlimited
Personalization	Mass market	•	Personalized
Loyality	Basic	•	Advanced
Access to customer	Limited, periodic	•	Comprehensive, realtime
Pricing	Partial control	•	Full control
Speed to	Slow	•	Fast
Merchandising	Limited control	•	Full Control
Assortment	Limited	•	Full
CAPEX	High	•	Low

#### **Expanded Market Reach:**

Sell to the fastest growing markets with the most desirable customer segments, allowing them to go global overnight.

# Improved Customer Data:

Leverage data generated by digital tools and platforms to better understand customers' preferences, lifestyles, demographics, path to purchase, identify/ target and nurture high value segments.

#### Comprehensive Product Assortment:

Provide a full assortment line of products while not being restricted to what is seen as hot selling items in physical stores.

This accentuates the **digital commerce** era where the CPG organizations must significantly revisit and re-imagine their business model to go closer to the digital experience, more than ever. They must establish themselves as **direct-to-consumer (D2C)** brands by innovating around the following constituents:

- Extend fulfilment capacity by enabling drop-shipment as a capability / order integration for last mile fulfilment setup and delivery
- Create store/web front within the marketplace with catalogue integration
- Establish own e-Commerce site/commerce-engine that enables order management extensions

Therefore, D2C brands must determine how to innovate the path to purchase channels, reconfigure the products, services and ecosystem, and deliver differentiated value to the consumers.



## **Our Solution and Framework Approach**

### Our Consultative Framework "CPG Starter Kit"

Whether CPG organizations intend to create a direct to consumer channel for the first time or invest deeper into an existing implemented platform, it's imperative to first understand what consumers want from a direct relationship (multi-channel/Omni-channel). Then build the digital commerce ecosystem around those requirements by gaining access to customer data, feedback, and insights for product enhancement and personalized delivery.

To enable this mechanism, we have developed a consultative framework CPG Starter Kit - the key objective is to assess the end-to-end value chain from products-to-platform and deliver a rapid D2C enablement project to operationalize the digital commerce behavior with the following tenets in place:

- Product strategy
- MVP capabilities
- Fulfilment strategy
- Revenue accounting
- Operational changes
- Go-Live

Decision-making of product range to offer, Product Price, Product Packaging, Information (for SEO), Campaign Setup

Include Timelines and what all is included in the service

All sales will be accounted against a single customer account ( D2C account) and D2C Commerce will send the Consolidated Billing Information at the end of the day. Revenue to be recognized post delivery and AR adjusted accordingly



Include, customers browsing as guests, adding products to cart, and checking out to by paying through the payment options available. Integration of Orders downstream, Goods Issue/Delivery Confirmation

Decision making on operating Model that will be adopted by the company- a) Own Ops b) Outsource Ops c) B2b2C via Dealers

Warehouse layout, loading bay area management, outer wrapping materials etc., all need to be reviewed. Also Tie-ups with Parcel delivery Providers will need to be established. Retraining of Operational staff will need to be considered

### Our Solution: Commerce-in-a-Box

HCLs Commerce in a Box (CIB) provides a powerful customer interaction platform (store front/web front/commerce led) for Omni channel commerce. CIB is a customizable, scalable, and high availability solution that is built to leverage open standards. It can be used by companies of all sizes, and different industries. It provides easy-to-use tools for business users to drive increased conversions, 90-days go-live time and single ownership to drive efficiencies.

#### Commerce-in-a-Box Offering

#### **Channels**

Web | Mobile | Marketplace | Interactive Channels | POS | Kiosks

#### **Digital Store**

Reusable Experience Components | Campaigns | Personalization

#### **Direct to Consumer Services**

Direct to consumer Catalogs | Alternate Fulfillment Services | B2B Services | Subscription Services

#### **Commerce Core Services**

Cart and Services | Checkout Services | Catalog Services | Inventory Service

#### **Commerce Foundation**

Web Commerce | WCMS | OMS & Fulfillment |
Data Analytics | Infrastructure

- Basic webstore build in 90 days based on existing webstore templates
- Product catalog migration
- Onboarding/ customizations, redesign and migration as part of additional/ advanced features implementation
- Performance assessment and tuning
- Peak-season readiness
- Test plan and strategy++
- Performance and load testing
- Cut-over testing/go-live readiness

# How **Commerce-in-a-Box** is an extension to CPG Starter Kit

#### **Existing Sales Channel**

CPG companies have existing consumer sales channels through retailers and distributors

#### **Shipment**

CPG companies typically ship in pallets and not in small packaging that is needed by consumers. So there is always a need of a partner/3PL provider for shipping



#### **B2B Commerce**

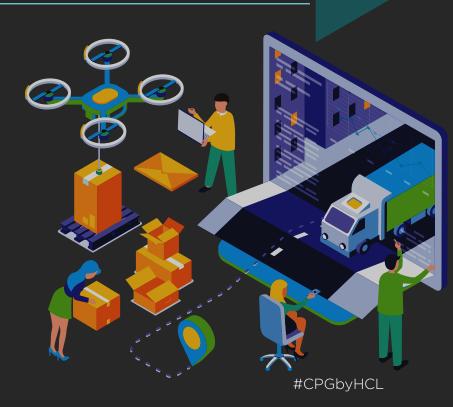
B2B commerce and market place integration is big for CPG companies, so this is part of basic features for them

#### **Recurring Orders**

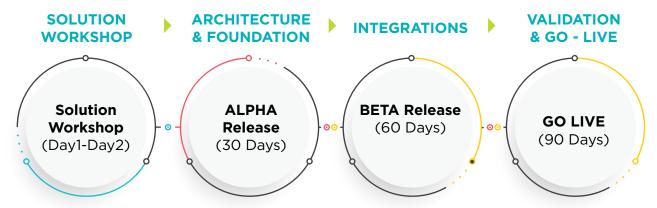
Consumers tend to make repeat purchases so there is a need of recurring orders/subscriptions

# What Commerce-in-a-Box delivers for CPG organizations

- Web store for both D2C and B2B
- Business tools for easy setup of customer specific category, product, promotion and tiered pricing
- Digital marketing services
- Distributed order management for dropping shipments through partners and 3PL providers
- Out-of-box support for major credit cards and PayPal
- Go live in 90 Days



# Commerce-in-a-Box Implementation Timeline



- Explore and define functional roadmap
- Define feature backlog
- Identify integrating systems
- Demo and review of starter store templates
- · Define roadmap

- Baseline product set up and configurations
- Storefront set up and configurations
- Define and set up catalog
- Navigation
- Sample catalog data migration
- Search and browse

- Shopping cart and checkout
- OMS integration
- Account management
- Coupons and promotions
- Payments/ subscription/ integrations
- B2B features

- Environment readiness
- Build packaging, deployment and data load
- · Acceptance testing
- Data migration
- · Go live
- Web analytics
- Notifications/live chat

#### **Business Benefits**



# GO Live in 90 days

accelerate time to market



#### **BEST in class**

customer experience



#### ~40%

increase in revenue



#### ~40%

CX improvement (CSAT)



#### Reduction

in partner on-boarding time



#### ~50%

reduction in operation cost



#### **Our Success Stories**



#### **A Leading Sportswear Brand**

For a leading sportswear brand, we led the digital transformation project, helping boost digital sales through seamless customer journeys, and increased customer loyalty.

#### **Business Benefits:**

- 4% rise in the number of online visitors by enhancing the digital experience
- 5% increase in sales through the digital channel since launching the new site
- Fast and seamless upgrades of the HCL solution by using out-of-the-box functionality

#### **A Leading Beverage Company**

HCL helped a leading beverage company which was contemplating company-wide digital transformation exercise to enable Platform Refresh with the necessity of moving applications and infrastructure to cloud, so that a small revenue of stream could start in D2C space.

#### **Business Benefits:**

With the centralized integration of website, the outcome delivered is the enablement of enhanced digital engagement and Omni-channel commerce hub to achieve common central intelligence area for all promotions, pricing and products. This helped the client to bring agility in creating promotions and sell in market places.



For more information write to us at **rcpg.solutions@hcl.com** #CPGbyHCL



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