



# DIRECT-TO-CONSUMER

Carving a niche for themselves in a competitive world

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Traditionally brands had been following a business model that allowed them to sell to the end consumer through distributors and retailers. The pandemic has enabled a paradigm shift to online and brands want to capitalize on the trend. A new business model is emerging where brands can sell to the consumer directly while avoiding any middleman or the so-called distributors/retailers. This D2C (Direct-to-Consumer) business model helps brands give special attention and focus on their end consumer more than ever now in the online world too, maintaining their brand reputation. With widespread internet penetration, this became easier and COVID only catapulted the growth further. For the brand loyal consumers, it reduced the hassle of researching, browsing, and choosing from too many options creating an easy buying process.

In India, Direct-to-consumer (D2C) brands could be looking at a \$100 billion addressable consumer opportunity by 2025, according to estimates by Avendus Capital. Online spending in India is expected to grow at a CAGR of 35%+ from \$39 billion today to \$200 billion over the next 5 years, also supported by internet and payment infrastructure developments supported by Government policies.

Caratlane, the D2C online Indian jewellery brand recorded a

whopping 47% 2-year CAGR while another D2C Indian Audio and Wearables brand boAt, recorded a 61% profit within a year. Statista states that Indian D2C market will grow threefold from 2020 to 2025 catapulting from 33 B\$ to 100B\$. Such rapid growth has fuelled even traditional brands to join the bandwagon. E-tailers have been able to sustain with their competitive edge creating a niche for themselves and capturing the market, by formulating the right success mantra of quick demand fulfilment, logistics, same day delivery, payment infrastructure, product returns to name a few.

D2C brands are competing with e-tailers and carving a niche for themselves. Let us have a look into some of the tenets of this success.



*A brand for a company is like a reputation for a person. You earn reputation by trying to do hard things well."*

**Jeff Bezos**



# THE HEART OF SALE

According to Harvard Business Review **“To Win the Sale, Win your Customers Heart”**. Consumer behaviour and expectations have changed during the pandemic and some of them are here to stay forever.

The online world gives us a unique opportunity to measure every footstep of a consumer and collate the data and create insights. By connecting the dots between consumer buying patterns, their frequently searched category or item, at what point they abandon the cart, their brand affinity, their frequency of visiting the site, consumer insights and unique personas emerge out of the same. Creating these customer profiles and a 360-degree view of customer is a boon to the marketing department, which enables them to create the right kind of product promotion and equips product teams with data to focus on product personalization.

Data collection through cookies are becoming difficult as browsers like Firefox have already banned third

party cookies and Google is also slated to do this soon for promoting privacy of users. Hence first party data collection without cookies is extremely important to understand consumer's buying patterns and made possible for D2C brands, given that they are direct subscribers. This data is mined by D2C brands for better consumption and understanding of consumer behaviour and through AI/ML new products and services can be created.

While it's easy for brands to capture behavioural pattern for active consumer base they also have a business imperative to expand the customer base to include the inactive consumer base. Brands often rely on the active customer base to act as brand ambassadors if they are well understood and well serviced. To sustain this relationship a few brands, promote subscription economy.





# SUBSCRIPTION ECONOMY

D2C companies are embracing subscription economy thereby, building a loyal customer base and steady growth. Subscription services are not new to consumers, they are used to the model through newspaper, cable TVs and so on.

Sugar, an Indian D2C cosmetic start-up introduced Fab Bag, a cosmetic subscription service and for a nominal price subscriber who would get a surprise beauty kit from different categories of cosmetics. This allowed Sugar to identify and understand its target market.

Even marketplaces like Scriberr, another D2C brand includes subscription of products across categories ranging from food, books, pets, kids, beauty, and style. The in-depth review from verified users makes it more authentic and trustworthy.

The subscription economy also helps brands to collect, analyse active consumer data and create new loyalty models thus curating more personalized offers.







# PERSONALIZATION

Today consumers use different channels from mobile to laptop for shopping and expect the shopping sequence to continue when they move from one device to another. Understanding consumer preferences across channels and delivering a hard-core personalization is the need of the hour to differentiate the brand against all its competition.

Personalization is the process of knowing the consumer, based on their individual preferences, interests and requirements and serving them appropriately. Brands tailor their product offerings to suit their consumer needs. Fabcurate, an Indian D2C allow consumers to design their own dress creating exclusivity.

Consumers can easily switch to a different brand in a click of a button now if the online shopping experience is not appealing enough. Hence D2C brands are using personalization as a tool to retain consumers. Given their ability to collect first-hand data about consumers, makes it easier for D2C brands to apply machine learning models to identify the right product and services mix for consumers and use the right marketing mechanism creating unique and personalised offers. Consumers also benefit from this, as they get what they want and get special attention from brands to cater to their personal needs.

India has a large population of social media users. Most Millennial and Gen Z shoppers shop through mobile and prefer picking their products from social media apps like Instagram and Facebook. Many D2C brands are embracing social commerce which makes it easy for them to get opinions from other consumers who interact with each other for making a buying decision. D2C start-ups like Mamaearth focussed on customer acquisition through digital media using Instagram and Facebook and grew their customer base to 5 million within 2 years of operations.

D2C brands also can use personalized surveys to create a personalized experience and product. A deodorant brand, Native creates a personalized scent, or deodorant by doing an interactive survey to understand individual preferences.

A live chat or an AI bot also helps in creating personalized attention and support for individual shoppers. These are online tools equivalent to store associates that add personalized touch. D2C brands can also look at introducing this to improve their consumer shopping experience.



A photograph of a young woman and an older man sitting together on a couch, looking at a tablet. The woman is on the left, wearing a white shirt and a light grey cardigan, smiling. The man is on the right, with grey hair and a beard, wearing a maroon sweater and a blue denim shirt, also smiling. They are both looking at a tablet held by the man. The background is a blurred living room with a bookshelf and a plant.

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(D2C) companies have enriched consumer data by using the right technology and formulating insights based on the consumer data mined. Understanding consumer preferences will help D2C brands to create personalization and improve brand loyalty. D2C companies should also continue to focus on flawless and effective fulfilment and last mile delivery to continue winning the race.





For more details, feel free to connect

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