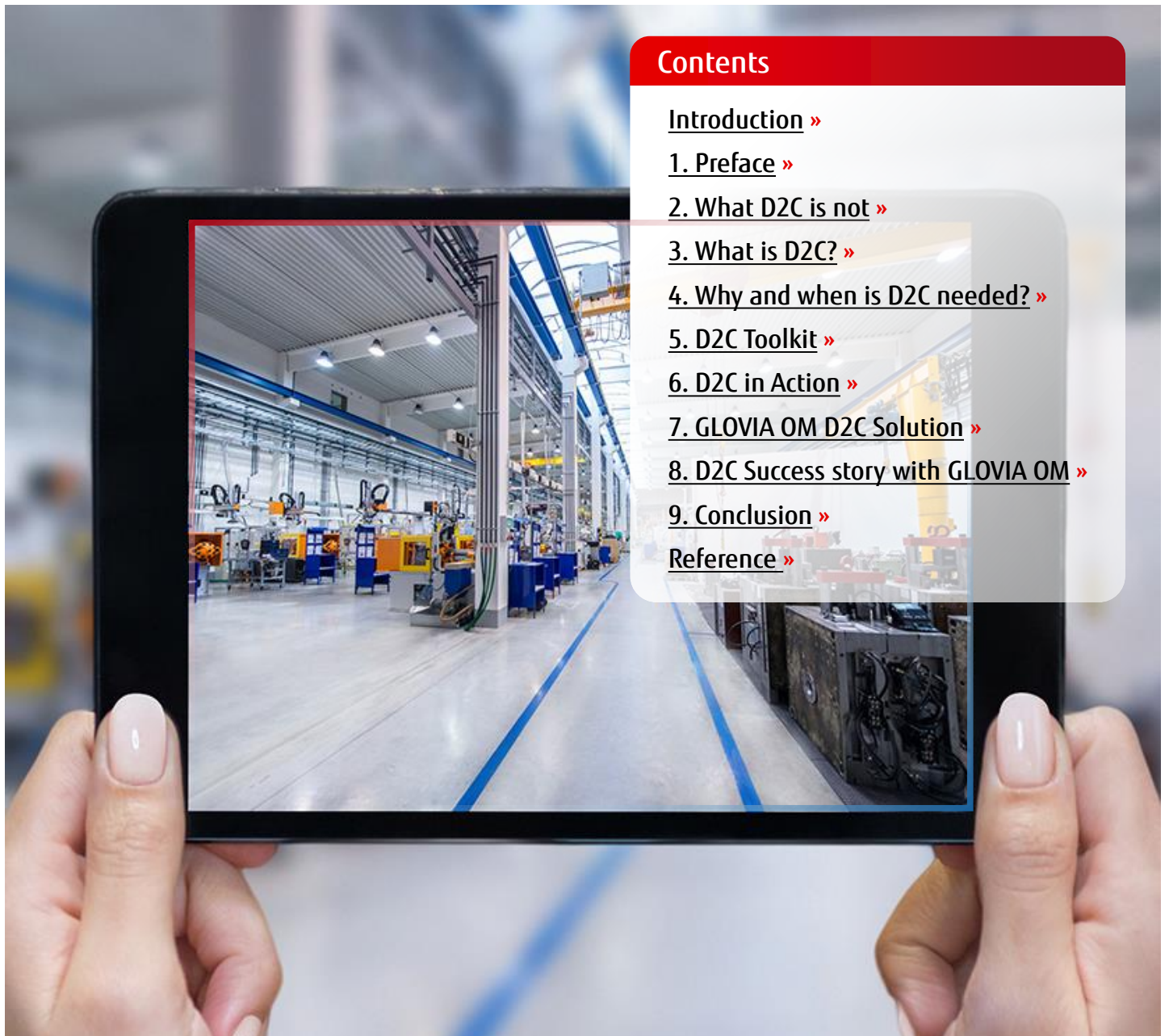FUJITSU

White Paper

A manufacturers guide to enable D2C Channel: Toolkit for manufacturers to engage Direct-to-Consumer

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Manufacturers are continuously looking to disrupt their industry. One key focus area for Manufacturing Enterprise is to ensure their **Customer's Experience (CX)** matches the quality of their products. Traditionally, manufacturers have sold through Channel Partners like distributors, dealers, agents, retailers and similar entities. Recently, manufacturers slowly started embracing e-Commerce channels. But simply capturing orders from an e-Commerce website is not enough. Tesla[1], for example, has completely disrupted the Automobile industry by selling **Direct-to-Consumers (D2C[2])**, allowing them to control their Customers' Experience, and more importantly, bridge any gap between their product's quality and the CX they deliver.

But what is required to enable this new channel in an efficient manner? How do manufacturers ensure that while doing so, they don't end up disturbing their Channel Partners? Opening a new channel is one thing, but sustaining that channel is another. Manufacturers' systems and processes are traditionally focused on product R&D, manufacturing, Supply Chain management, and doing business with their Channel Partners. How do they embrace a bold move to go D2C without underestimating or overestimating its complexity?
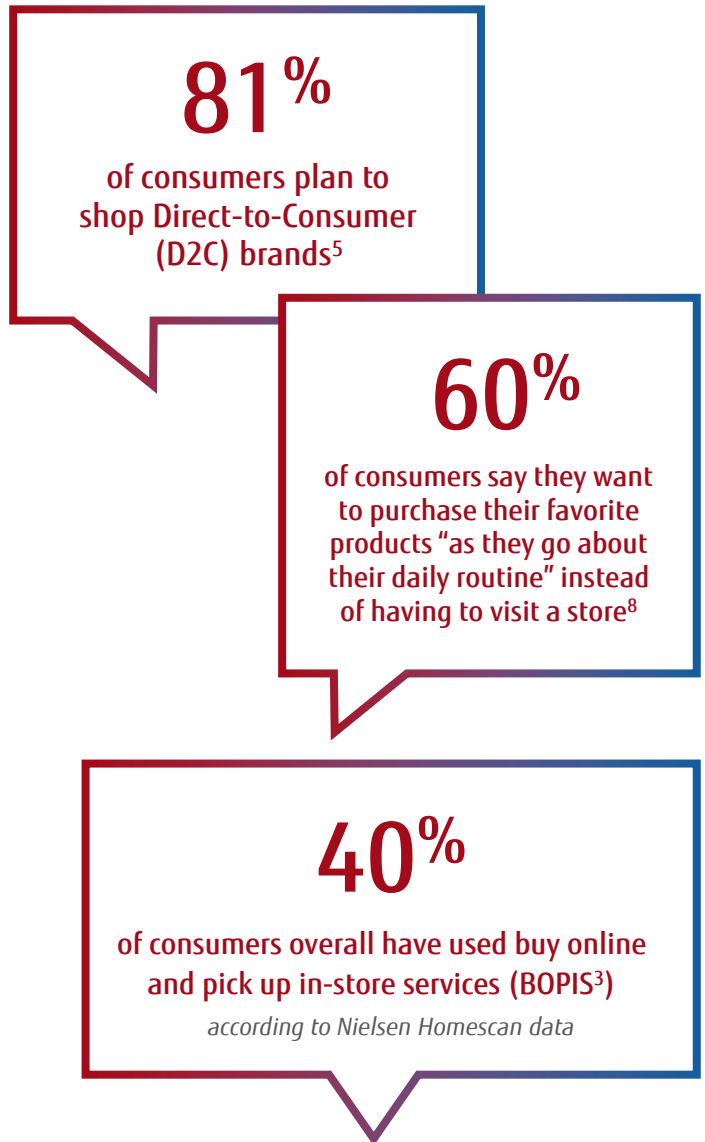
This paper aims to provide a guide to manufacturers to enable D2C Channel. Fujitsu Americas completed a successful D2C channel implementation for a global Pet Care Food Company using **GLOVIA OM** solution.

1. Preface

A change in consumers buying behavior is very evident in Retail Industry. According to Nielsen Homescan data, about 40% of consumers overall have used buy online and pick up in-store services (BOPIS[3]). Over one six-month period, 67% of U.S. shoppers say they have used BOPIS[4]. However, this changing consumer behavior is now no longer limited to Retail Industry. Manufacturers are equally, if not more, affected by the rapidly evolving purchasing journeys taken by consumers. Hence, it is no surprise that consumers are also now shifting to buying directly from manufacturers for everything from household items to shoes or eyeglasses. According to one study, 81% of consumers plan to shop Direct-to-Consumer (D2C) brands[5].

It is not just the change in the purchasing touchpoint that is of significance, but the plethora of channels that consumers use to interact, buy and pick up purchases that has to be addressed. Twenty years ago, most consumers relied on two touchpoints when buying an item, and only 7% regularly used more than four[6]. Today, Think with Google has reported, the number of touchpoints for a shopping journey can range from more than 20 for something as simple as a candy bar to more than 500 for booking a flight[7]. As many as 60% of consumers say they want to purchase their favorite products "as they go about their daily routine" instead of having to visit a store[8]. Additionally, 87% of consumers say they are interested in choosing the delivery time that is most convenient for them[9]. For Retailers and Manufacturers, meeting these expectations is critical. Companies with strong strategies for Omni channel customer engagement see an average of 89% for customer retention versus 33% for companies with weak Omni channel strategies[10]. Manufacturers have especially a greater struggle with all these changes – when it comes to delivering a strong CX. Only 9% of Americans say customer service from D2C brands is superior to that of traditional brands, and 93% find their returns process more challenging[11]. In fact, product manufacturers tend to score 50% less in CX index ratings than B2C organizations[12].

Thus, it becomes very important for manufacturers to start going 'direct-to-consumer'. They cannot underestimate the impact of this channel, but they should also not overestimate the complexity of launching D2C. A multifaceted approach of choosing the right partner, embracing a Digital Technology toolkit and changing the organization's culture can provide a booster for this journey.

81%
of consumers plan to shop Direct-to-Consumer (D2C) brands[5]

60%
of consumers say they want to purchase their favorite products "as they go about their daily routine" instead of having to visit a store[8]

40%
of consumers overall have used buy online and pick up in-store services (BOPIS[3])
according to Nielsen Homescan data

2. What D2C is not

In order to implement D2C, it is first essential to understand what traditional ways of doing business should not be considered as D2C. Let's inspect some of these below:

» *D2C is not limited to setting up an e-Commerce website.*
It may seem easy to setup a window of interaction with the consumer by providing them the ability to place an online order. A fancy e-Commerce User Interface may generate a false positive of D2C success, if the entire journey is not backed by appropriate back-end support and responsive Supply Chain. This D2C special order may get lost in the legacy ERP system used by the manufacturer. For example, it would become difficult to track and trace this order for the Customer Service team during a common but undesired service issue.

» *D2C is not about a one-time transaction with the consumer through a new channel.*
It involves setting up culture, processes and systems to build a lifetime relationship with each consumer and rewarding them on all their journeys. For example, after the first sale, it is imperative to make the second and subsequent purchasing experience better, provide generous loyalty rewards and express constant appreciation.

» *D2C is not about bypassing the channel partners like dealers and retailers.*
On the contrary, it is as much about empowering and elevating your partners' experience as caring about the consumers. The best D2C experience can only be delivered when the experience journeys are unified and seamless across all channels i.e. whether the consumer chooses to purchase from dealer/retailer, e-Commerce or simply by calling Customer Service.

» *D2C is not about measuring the performance of the new Channel by leveraging traditional KPIs (Key Performance Indicators) used inside the manufacturer's organization.*
For example, the common KPIs like tracking your order volume, inventory cost, product margins or even counting the Customer Service cases is not going to be enough. The worst outcome of launching a D2C channel could be losing, or not exploiting the valuable analytics that will be generated from each data point.

gloviaom.com/2hrassessment
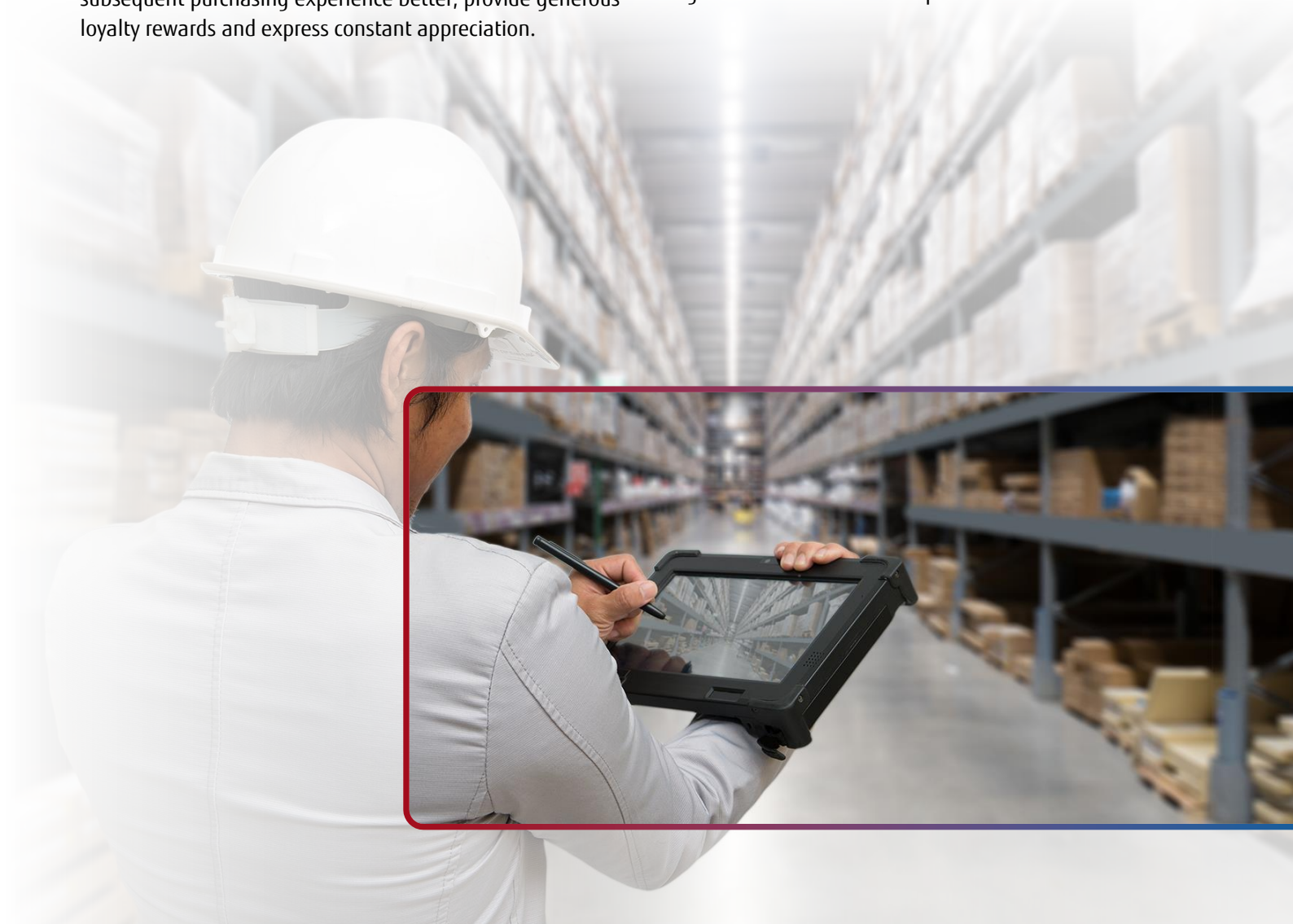
3. What is D2C?

D2C is a channel that first and foremost requires mapping an end to end consumer journey for a lifelong relationship. A delightful CX has to be delivered at each step of the journey. Hence, Customer Service is not going to be limited to one department. Each department will need to play together like a musical orchestra, with the consumer being the virtual maestro.

To enable D2C, every department in the organization need to adapt their mindset, culture and systems. D2C requires empathizing with your consumer, not just with your buyer.

For example, let's follow a consumer - Mary's D2C journey with a food cereal manufacturer.

» After doing her thorough research on various digital platforms (social media, websites etc.), she decides to purchase a box of cereal at her favorite retail store.

» After her first enjoyable consumption of the cereal, Mary decides to purchase the same cereal next time when she would visit the retail store.

The D2C journey starts now.

» Mary notices a QR code on her cereal box and quickly scans it with her smart phone. A few clicks later, she has now subscribed to periodic delivery of this cereal box (Subscription Order).

» Along with her next home delivery of cereal box, she receives a trial pack of a new flavor launched by the manufacturer. The delivery package also contains a limited value coupon to purchase anything she would like from the original retail store (benefit for the channel partner i.e. retailer, in the form of an invitation to visit the store again). Within minutes of opening the package, she also receives a notification that the new cereal flavor is now available at the retailer (Inventory visibility and Supply Chain tracking between Manufacturer and Retailer connected with D2C journey).

» This prompts her to make a visit to the retailer to not only pick up the new flavor, but also purchase her favorite perfume. Manufacturer's mobile app also makes it very easy for Mary to receive new recipes and refer their products to her family and friends.

Mary's journey can be seamlessly executed by aligning several key elements as follows:

» Delight the consumer at every step of the journey by creating an empathy map for each step.
An organization may have to undergo a cultural shift to deliver.

» Digital technologies need to be leveraged and several disparate systems should be aligned for delivering a carefully orchestrated outcome. A powerful and flexible Order Management System (OMS) plays a key role in this architecture, just like the Central Nervous system in a human body co-ordinates several functions between multiple organs.

» Optimize your Supply Chain to be highly efficient and responsive to shifting consumer demand that will arise from D2C channel. Supply chain will no longer be limited to getting the right product at the right time in the right place. Supply Chain integrated to OMS will capture meaningful events occurring in the distribution network, so that these events can be utilized to inject delightful experiences in the D2C journey. A D2C supply chain has to be more responsive to constantly changing supply and demand dynamics.

» Incorporating Channel Partner experience into D2C consumer journey is extremely important. Delivering a seamless experience will require collaboration between the Channel Partners systems and the manufacturer's systems to share information. For example, the inventory availability of the manufacturer's product at a retailer's location can spark a consumer journey originating from manufacturer's OMS system and resulting in a consumer visiting a retailer's store.

4. Why and when is D2C needed?

A manufacturer should consider D2C to build a direct relationship with consumer and offer products and services with superior CX. D2C in turn can become a direct source of valuable feedback on products and services. The consumer expectations are shifting to digital channels and a manufacturer will need to determine when they should embrace D2C in addition to B2B (Business to Business) or B2B2C (Business to Business to Consumer). Following are some reasons:

» To fill the gap between manufacturer's product quality and holistic CX. If customer loyalty is poor, reaching out to them directly to offer great purchase and retention journeys will eventually convert the consumer into your brand advocate.

» To achieve rapid growth in a market which does not have well organized retail channel or where the channel partners do not offer a supreme digital buying experience to the consumer.

» To tap into a new revenue streams like subscription orders, premium brands or value-added services.

» To capture valuable data from the various touchpoints in the D2C journey. It can also create a closed feedback loop between the consumer behavior and product R&D. Manufacturers may also have their own reasons, but the primary driver for launching a D2C channel has to be CX.

5. D2C Toolkit

Manufacturers can add following toolkit to their arsenal to quick start a D2C channel:

» Start with the consumer journey mapping and develop an empathy map for all the key stakeholders involved in the D2C journey. Some key personas are the consumer, channel partner like retailer or dealer (even a store associate interacting with the consumer), Customer Service Representative (CSR), Supply Chain manager, Finance analyst, IT Manager, Master Data custodian and even the warehouse fulfillment associate.

» The entire manufacturing organization will need to come together to re-engineer or transform the existing processes rather than simply translating them for D2C. For example, empower CSR to make decisions on product exchange, refund processing and ability to offer coupons while addressing customer issues. The organization may even need the CSR to make and execute impactful real-time decisions like updating the fulfillment locations for a D2C order to prevent missing a shipping Service Level Agreement (SLA).

» A modern marketing engine that can execute tailored journeys for D2C channel. For example, viral Social Media trends and memes can be leveraged to rapidly incorporate them in the D2C journey. They can also be used to launch promotions or marketing programs.

» e-Commerce portal as an order entry tool that can provide relevant product, pricing and promotion information to the consumer. This portal must also provide self service capability for Customer Service issues. A consumer should be able to return a product with greater ease when compared to the purchasing journey on the same portal.

» A comprehensive OMS will be the most crucial tool in the D2C toolkit. The OMS system will be the Conductor of an Orchestra that consists of several key systems like Marketing engine, e-Commerce portal, Financial system of record, Fulfillment systems, and even Channel Partner systems. Together this Orchestra will deliver the D2C symphony.

D2C Order Channels

Address Validation | Tax Calculation | Payment Processing

API's

Call Center

D2C Marketplace Orders

Continuously evolving D2C eCommerce Orders

EDI Orders

Webservice Orders

B2B Platform Orders

API for Order creation and Tracking, Pricing, Promotions

Product Management
Multiple Units of Measure
Real Time Inventory Visibility

Warehouse and Fulfillment Centers
Multiple Fulfillment Options (pickup from store, ship to store, home delivery)

Inventory Management
Transfer Orders and Adjustments
Inventory Planning

Order Management
Subscription Orders
Pre-orders

Invoicing and AR Credits
Instant Invoices

Order Orchestration Hub

Globally Scalable
Global and Local

Financial Reporting
GL Entries for Consumption by Financial System

Pricing Management
Pricing, Discount and Promotion capabilities

Loyalty Programs

Tracking and Tracing
Accurate Order Fulfillment Status
Notifications

Fulfillment Centers
Central or Regional Warehouses
Store Locations or In-store Pickup

Business Workflows | Approval Processes | Intelligent Analytics | Reporting

API's

Financial System of Record
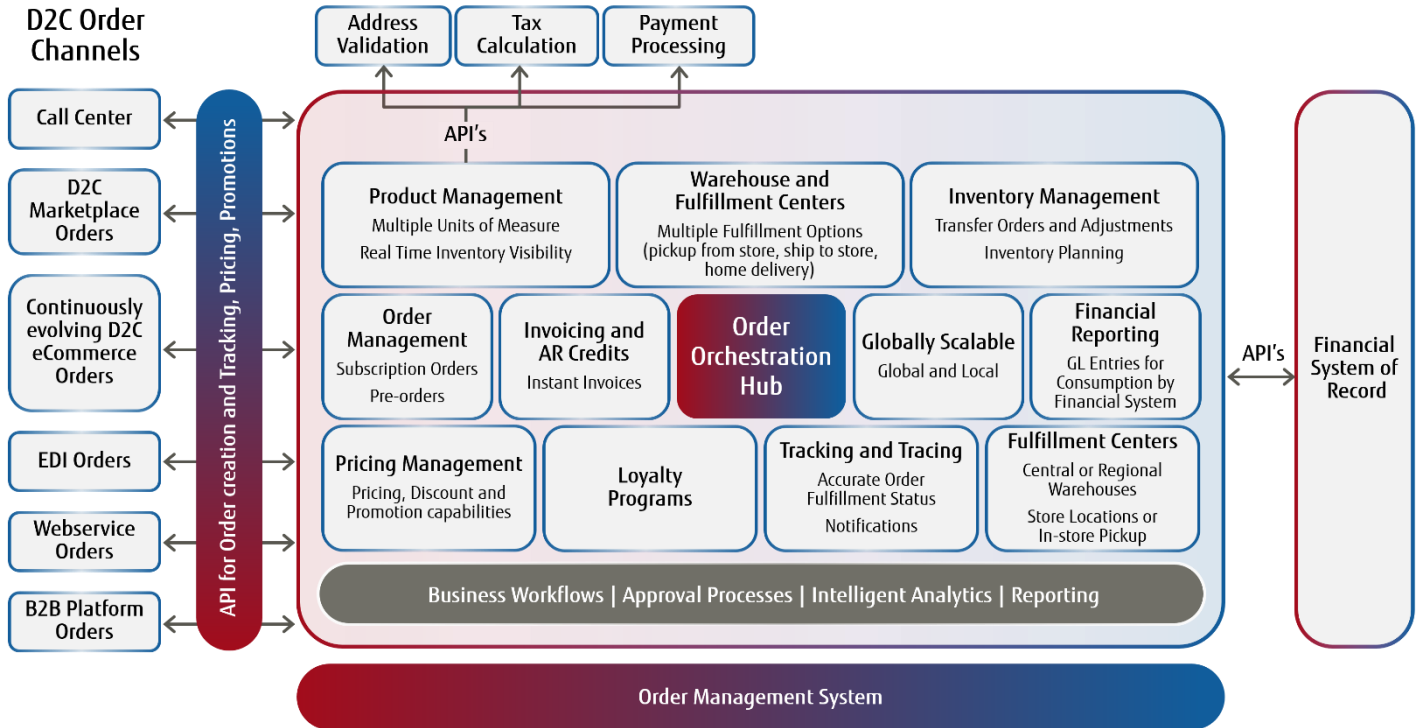
Order Management System

Figure 1. D2C Order Management System

Figure 1 showcases the OMS System Architecture that enables D2C channel for manufacturers. An OMS should have following capabilities:

» Order Management Capability for Pre Orders, Subscription Orders, Sales Orders and Returns. Cross sell, up sell, Product substitution, Product kits, value added services are some of the required key features as well.

» A Powerful pricing engine that can orchestrate pricing, tax, shipping charges, promotions and discounts, coupons and loyalty calculations across all channels.

» Ability to accept multiple common payment methods like Credit, Debit cards, loyalty rewards, coupons and digital payment solutions such as PayPal[13] as well as accept new payment methods such as Bitcoin[14] and Apple Pay[15].

» An AI (Artificial Intelligence) powered Intelligent Allocation and Multi-ship engine that will ensure adherence to the delivery promises of the D2C channel. It will manage optimized fulfillment routing based on a combination of factors from supply and demand attributes. For example, distance, cost, availability, customer preference, priority, shipping method, and even the marketing journey that has influenced a particular D2C order. It also needs to manage Supply Chain operational requirements like splitting orders between multiple fulfillment centers. It will also need to support the 'last mile delivery' channels like ship-to-home, BOPIS[16], and contactless delivery using a Smart Locker[17].

» An OMS should track an order through its entire lifecycle starting from Order creation, Inventory Reservation, and fulfillment process like Pick, Pack and Ship. Each relevant event in the journey should generate a notification to the consumer.

» OMS should provide accurate Inventory visibility and Product availability information in real-time. Stale Inventory availability information, just like stale inventory, can be harmful in the D2C journey. OMS will need to connect to all Inventory locations of the entire supply chain network, to collect real-time enterprise wide inventory position that is available to the Manufacturer to fulfill the D2C Orders.

» Real-time actionable analytics by the OMS, delivered at the fingertips of the key users to drive data driven decision points in the D2C journey. For example, a dashboard of D2C Orders that are about to miss the SLA available to the CSR can help initiate a proactive call to the consumer. Similarly, an active dashboard of order fulfillment across various locations in the OMS system can allow a Supply Chain Manager to quickly configure or modify order allocation rules for instantaneous corrections to potential chokepoints.

» The OMS system should be an 'API first' platform which provide rich set of API's for connecting with different systems that enable end-to-end D2C journey.

» Financial System that will be the System of Record for the manufacturing organization.

6. D2C in Action

The example of a food cereal product D2C journey described in section 3 is relevant for a manufacturing company whose products can be easily consumed very frequently (multiple times within a Sales Year). It is easy to determine the benefits and calculate ROI by enabling D2C channel for such companies. However, D2C can also be enabled by manufacturers who may not have explored this channel based on the product they sell like a product purchased a very few times by a particular consumer. Let's analyze one such example.

Robert has recently embraced the sport of Golf. He is now ready to elevate his game to the next level, and wants to gift himself a set of new, and expensive, SS Golf Clubs. 'Sweet Swing' (commonly referred to as SS) Golf company makes the best in class golf clubs and intends to establish life-time relationship with their consumers. Any golfer would want to test these clubs before making a hefty investment, so SS sells the clubs through sports equipment retailers. Robert visits one such retail store and finally purchases his SS Golf clubs. This is the beginning of Robert's D2C journey with Sweet Swing company. During his check out process, Robert decided to sign up for Loyalty Program & Limited Warranty offered by the retailer & SS company. Within a couple of days of his purchase, Robert receives a welcome email from an unexpected sender – Sweet Swing. Welcome email also contains a pleasantly surprising offer. He is delighted to learn that SS is also offering him three years of 'free shipping for his golf clubs', for any golf trip that he will make. A top item on Robert's wish list was to make Golf trip with his friends to various golfing destinations.

A few months later, Robert decides to utilize this offer and contacts SS. They delight him once again. SS has offered the service to book the complete trip for Robert and his three friends, including airline tickets, reservation at a premium golf resort that SS recommended and even extended the 'free shipping' offer to his friends. His friends were impressed by this service, and accepted Robert's referral offer to purchase new SS Golf clubs. After making a few more such trips, all of them have become a lifelong loyalists of Sweet Swing.

On the other hand, this D2C channel has been equally rewarding for Sweet Swing Golf Club manufacturer as it realized a lot of **benefits listed below**:

> It is now able to provide a comprehensive experience to its golfers – not just limited to the sweet sound generated from their top-quality club when it hits the ball, but also the holistic golfing experience at great resorts. Customers now tend to associate SS Clubs with their great product quality and great golfing experience

> By partnering with a tour operator and several Golf resorts, SS opened a new revenue stream. They get revenue share from tour operators, flight operators (for bringing customers while paying for club shipping) and resort operators (by promoting these resorts as part of the package)

> SS sold three sets of Golf Clubs from just one customer's journey

> The most important benefit – Data. SS is now able to track the golfer's experience, usage, friend network and golf trip behaviors. They can link the type of club purchased with golf resorts visited, along with the golfer's demography

> This also became a rewarding journey for SS's channel partner, in this case the retailer, from which three purchases were made

These examples illustrate the benefits that D2C channel can bring to many manufacturers.

Next, let's analyze the solution that can help manufacturers realize their vision of D2C channel.

7. GLOVIA OM D2C Solution

GLOVIA OM is a Fujitsu product. It is a cloud-based Order and Inventory Management solution. It provides capabilities for both Retail and Manufacturing industries, and hence brings best practices from both the worlds. It is powered by Salesforce App Cloud[18].

Comprehensive Order Management
- Omni Channel
- Orchestration with multiple systems
- Agile and Responsive
- Manage multiple Customer Journeys
  - Loyalty
  - Attrition

Pricing, Promotions and Loyalty
- Discounts
- Promotions
- BOGO
- Coupons
- Loyalty Rewards

Channel Partner Engagement
- Channel Partners
- Distributors
- Dealers
- 3PL
- B2B and B2B2C

API
- EDI Order
- Web Service Orders
- Marketplace Orders
- E-Commerce Orders
- POS In-Store Technology Integration

Intelligent Allocation
- Warehouse Network
- Inventory Transfer
- Intelligent Allocation, Split Shipment and Multi-Shipment

Order Fulfillment and Inventory Management
- Inventory Forensics
- FIFO
- Cycle Counting
- Serial and Lot Control
- Real-time inventory insights

Intelligent Order Allocation Engine
- Demand Analysis
- Accurate real-time visibility
- Intuitively fulfills orders
- Analytics Driven
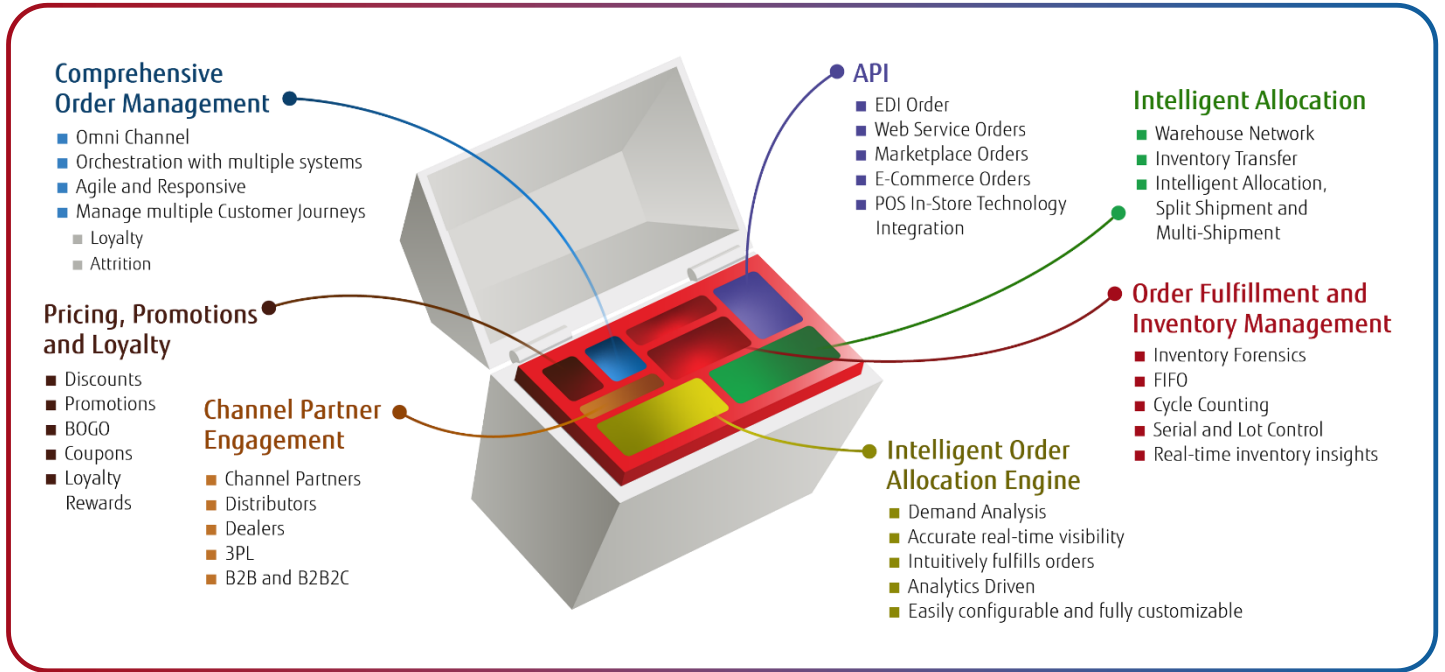- Easily configurable and fully customizable

Figure 2. GLOVIA OM

GLOVIA OM is an ideal solution for organizations looking to implement D2C Order channel. GLOVIA OM provides all the necessary tools described in section 5, as shown in Figure 2 above. One of the major capability is its Intelligent Order Routing and Fulfillment engine, as shown in Figure 3 below.

Demand Channels
- B2B or D2C Channels
- Online Channels

Inventory Source
- Manufacturing
- Central or Regional Warehouse
- DC Store, Consignment and Field Locations

GLOVIA® OM

Order
- Customer
  - Customer Priority
  - Shipping Address
- Required Date
  - Now
  - On a Particular Date
- Product
  - Product Category
  - Quantity
  - Multiple UoM
- Shipping Method
  - Store Pickup
  - Ship to Customer

Inventory
- Availability Product Quantity by Warehouse or Store
- Product Lot by Location
- Lot Expiry Data

Intelligent Allocation Engine

Stock Availability Nearest Distance with Warehouse or Store

Warehouse
- Picking / Packing
- Shipping

In Store
- Smart Locker
- BOPIS
- Ship from Store

Figure 3. Intelligent Allocation Engine

8. D2C Success story with GLOVIA OM

Customer

A huge American global manufacturer of various food products including premium pet food (a high growth segment in the US market) was using its ERP system to handle order management, which led to a lack of visibility and required significant manual intervention. It wanted to move to a more suitable and flexible order management platform. In late 2018, they determined that to support the rapid growth in the consumer market, they should enable the D2C channel.

This manufacturer embarked upon their D2C journey by selecting Fujitsu and its product GLOVIA OM as their trusted partner. Fujitsu delivered a scalable, reliable and modern D2C OMS platform that will help them achieve their business objectives of delivering products direct to the customers.

Premium Pet Food Manufacturer D2C Implementation Outcomes

Delivered Premium Product, Premium Service like:

» Better equipped call-center team

» More effective use of the full network of inventory and accurate inventory / order information, improving CX

» Reduced complexity by masking internal systems and processes from the consumer

Continuous Innovation through:

» Enablement of recommendation driven D2C model

» Enhanced data collection enabling effective marketing strategy

» Flexibility for future growth by adding more D2C channels and marketplace to the landscape

» Capture sales that would be lost before, through efficient use of network wide inventory

9. Conclusion

Enabling D2C channels for manufacturers has become a widespread objective. Fujitsu with its Industry expertise and GLOVIA OM solution is well positioned to support them in delivering on this objective.

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Deliver a quality of service that matches the quality of your product

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Let's keep the conversation going.
Start today by signing up for a **FREE customized 2-hour GLOVIA OM assessment**
with seasoned and experienced industry experts.

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