Expert group

Brands Direct

The do's and don'ts for immediate success

Takeaways

1. Opening direct sales channels will largely impact the internal organisation and existing channels and partners.
2. A sound channel strategy, focused on your brand and the market, is essential to make direct sales a success
3. Our advice is to start small and gradually grow in direct sales

The do's and don'ts for immediate success

More and more reputable consumer brands that traditionally sell through retailers are choosing to sell directly to consumers. The possibilities for direct sales are greater than ever today, but success is far from guaranteed. For established brands with existing distribution channels, different considerations apply than for starting brands. In this chapter we provide answers to seven important questions brands should ask themselves in order to make direct sales a success, all based on the practical experience of leading consumer brands.

1. What is the strategic goal of direct sales?
2. What is the best channel mix?
3. Which product range do I offer and at what price?
4. How do I deal with channel conflicts?
5. What is the impact on organization & operation?
6. Which (technological) innovations can I apply?
7. How do I prepare for the future?

1. What is the strategic goal of direct sales?

There are four main reasons for brands to start with direct sales:
- To establish a direct relationship with the consumer and collect consumer data, so you can get to know and serve them better.
- More control over brand experience and service level.
- Reduce dependence on external channels and maintain margins.
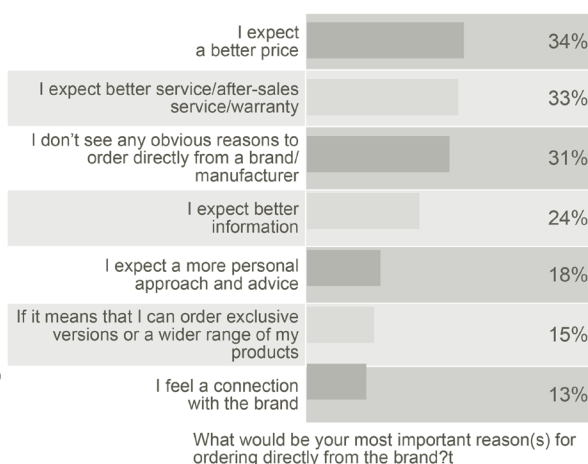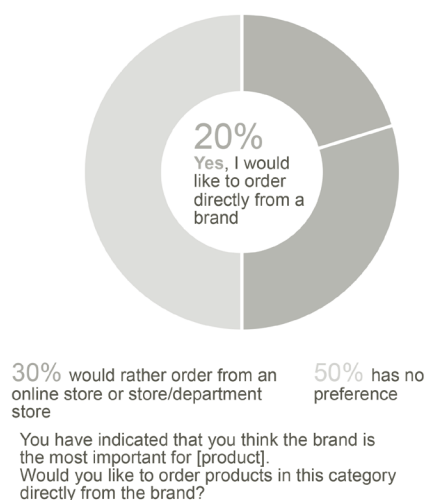- Reach new customers and/or markets.

Of course, the most important factor for whether or not to start selling immediately is the consumer itself. Does the consumer want to buy directly from the brand? Research firm Gfk conducted a brand awareness questionnaire among 500 consumers. The outcomes show that brand awareness is greatest in electronics, followed by food and clothing/footwear.

Importance of brand for type of product	Rank 1	Rank 2	Rank3
Electronics	37%	22%	15%
Foodstuffs	24%	18%	19%
Foodwear and clothing	17%	30%	21%
Cosmetics	11%	14%	16%
Sports and hobby accessories	7%	10%	15%
Furniture and bathroom fittings	5%	7%	15%

For which type of products is the brand important to you?[1]

> The consumer will become more demanding. No time to waste for brands to deliver more service and experience!
>
> MARCO SUURLAND
> COTY

Consumers were also asked if they would consider buying products directly at high affinity brands. 20% would like it, 30% would prefer to buy from a multi-brand channel and 50% wouldn't care. The reasons for this seem logical: consumers primarily care about the best price and service for products.

20%
Yes, I would like to order directly from a brand

I expect a better price	34%
I expect better service/after-sales service/warranty	33%
I don't see any obvious reasons to order directly from a brand/manufacturer	31%
I expect better information	24%
I expect a more personal approach and advice	18%
If it means that I can order exclusive versions or a wider range of my products	15%
I feel a connection with the brand	13%

30% would rather order from an online store or store/department store

50% has no preference

You have indicated that you think the brand is the most important for [product]. Would you like to order products in this category directly from the brand?

What would be your most important reason(s) for ordering directly from the brand?t

Ordering directly from a brand[2]

These results underline the importance of a well devised direct-to-consumer strategy: direct channels should offer extra service to the consumer, certainly if these channels do not compete on price. Therefore, brands must consider each channel as part of their total channel mix to determine the best way to mix channels.

2. What is the best channel mix?

> Make sure that the direct channel will clearly add value. As a consumer brand you can also realise growth without offering a direct channel, but via a sound marketing and partner strategy.
>
> **MARTIJN COBUSSEN**
> MARKETING STRATEGIST

Before brands start selling directly to consumers, it's important to determine the added value for each separate channel. With the right channel mix, separate channels support each other, thus increasing sales chances substantially. What is often useful is to create an overview of all available channels, and to then add the respective plus points for each channel.

When combining all channels, together they form the 'ecosystem' of a brand. When this ecosystem is built in a flexible way, it should be easy to add new channels and partners. This can enable you to start selling through marketplaces next to your own webshop. For new brands, flexibility in the channel mix is usually easier to achieve than for brands with a lot of legacy. Further ahead, we will focus more deeply on the implications and impact of direct sales for established companies.

2.1 Owning a webshop: an investment for the long term

For brands that start selling directly to consumers, having your own webshop might seem like an easy choice. Its advantages are clear: brands retain control over their assortment, pricing, marketing, consumer data and service. Well-established webshops realize higher margins than indirect channels. Nevertheless, starting your own brand webshop isn't as straightforward as it might seem. A webshop will need high investments to get started, both when it comes to IT and logistics, but definitely also organization wise. Brands should therefore wonder whether it is a must to operate their own webshop. For brand experience, service level and collecting consumer data, a brand webshop is highly suited though.

2.2 Marketplaces: impossible to think about ecommerce without them

The share of marketplaces in e-commerce has risen sharply in recent years. In 2018, no fewer than 40% of the turnover of the largest Dutch e-tailer Bol.com came from sales partners, an increase of 50% compared to 2016[3]. With the entry of Amazon into the Dutch market in 2020, the importance of marketplaces seems to continue to grow in the coming years. The success of marketplaces can be explained by the simple way sales partners can serve their customers, while retaining control of their assortment and price. Selling directly via a marketplace usually requires less investments

> The platform ecosystems that become migthier and compete with retailers, offer opportunities to producers of consumer brands.
>
> **HEDWIG WASSING**
> ANNACON

than opening a physical store or webshop. Thanks to the large number of visitors, it's easy to reach a large consumer base. This can make marketplaces an effective way to expand into new countries. Besides this, marketplaces often offer the option of having your stock stored and delivered by them, which may be beneficent for smaller brands.

3   WWW.EMERCE.NL/NIEUWS/BOLCOM-TWEE-MILJARD-EURO-OMZET-2018

Selling through marketplaces is not a bed of roses though, there are several disadvantages to selling through marketplaces as well. Marketplaces charge a commission on every sale, which is at the expense of the profit margin. In addition, products are subject to price competition - certainly with well-comparable products - and it increasingly requires marketing investment to be at the top of search results. Moreover, sales are not without obligation; most marketplaces have strict requirements for delivery times, return handling and the quality of product information. Compared to having an own webshop, marketplaces offer less control over brand experience and image, which can be a disadvantage, especially for premium products. There are also fewer options for collecting consumer data and using it for marketing purposes. If the most important reason for starting your own webshop is to get to know your customers better, then marketplaces are not the most suitable channel for this purpose. For example, Nike recently decided to end its collaboration with Amazon after 2 years, as part of Nike's focus on improving consumer experience through more direct, personal relationships. Finally, there is a risk that brands create their own "competitor products" through the use of marketplaces. Marketplaces keep an eye on successful sales partners and can quickly imitate successful brands and products.

2.3 Partner webshop as an alternative to your own webshop and marketplace

Partner webshops, also known as "closed" marketplaces, are an alternative to selling via actual marketplaces. Zalando is a well-known example of this. Closed marketplaces generally impose more conditions on sellers and are therefore less accessible. On the other hand, they do offer better options for entering long-term partnerships and making agreements about exclusivity. At partner webshops, brands do not have the burden of their own web shop, while they can reach large groups of visitors. Partner webshops also often offer more opportunities for joint marketing than "open" marketplaces.

2.4 Physical stores

Although the number of physical stores has been decreasing for years, physical stores are an indispensable link in most brands' channel strategy. Having your own stores offer the greatest possible control over assortment, pricing policy and brand experience. In addition, direct contact with consumers offers the possibility of providing tailor-made advice and offering excellent service. For consumers, having a physical store increases confidence in the brand. Physical stores remain a relatively expensive channel, both in terms of investment and operational costs. It is therefore important to carefully consider the ways in which physical stores can add maximum value within the channel strategy. By making it possible to pick up and return items at stores, stores can offer extra services in addition to an own webshop, for example. As a rule, direct sales in stores are anonymous. Through loyalty programs, brands can nevertheless collect valuable consumer data and strengthen brand loyalty.

Many new formats for physical stores have been added in recent years. Through shop-in-shop constructions, brands can build their own store within an existing store. This way, brands have more control over presentation, service and assortment than with sales through an ordinary retailer. Temporary pop-up stores are another format. This allows brands to respond to temporary demand such as during an event or festival, or for the sale of seasonal products. In addition, brands can use pop-up stores to strengthen brand awareness and loyalty, and to gain more consumer data. It can also be a smart way to sell residual stock or return items.
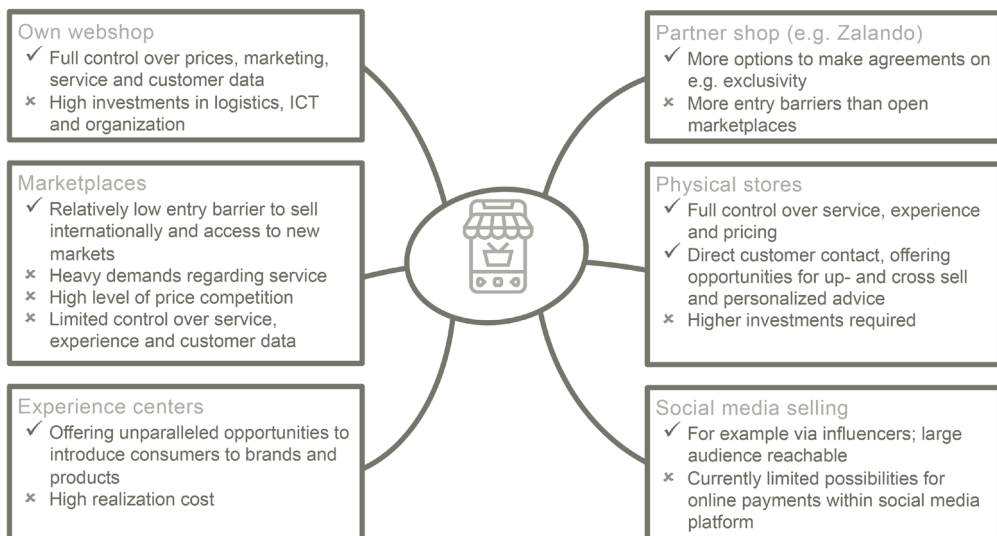
2.5 Experience centers

Physical stores do not only have to be used for direct sales. Experience centers offer brands the opportunity to introduce consumers to their products in an inspiring and capturing way, in which the customer experience stands central. This naturally places high demands on the design, presentation and skills of staff. The costs for an experience center can therefore be high. There are a few strategies with which brands can nevertheless obtain a lot of value from having an experience center. Special promotions such as cashback vouchers can attract customers and make them traceable for CRM purposes. By agreeing on a commission for referrals with sales partners, this can even generate revenue. Finally, take a good look at how customer experience can be increased in the experience center. For example, an experience center for kitchen appliances can offer cooking courses, possibly against an additional fee. By collaborating with partners, costs can be shared. These may be other brands that offer an additional range, but also a cafe or restaurant in the experience center can add more experience and value to the customer and extend the length of stay. Experience centers can also play a good role for existing sales partners as a permanent place for dealer meetings, training sessions, displaying new collections, and so on.

2.6 Social Media Selling

For marketing purposes, social media for brands are obligatory nowadays. In recent years we have seen more and more brands selling via social media such as Facebook and Instagram. Influencers are often used for this. These are content creators that are viewed by many people and bring products to the attention of their followers for a fee. Influencers are a fast-growing phenomenon among brands that want to inspire consumers, such as fashion and design brands. In the Netherlands, social media platforms do not yet have a settlement option for sales, so usually a link is provided to their own webshop. Payment options in the Netherlands are expected to be introduced soon.

The figure below summarizes the above advantages and disadvantages per channel

Own webshop
- ✓ Full control over prices, marketing, service and customer data
- ✗ High investments in logistics, ICT and organization

Partner shop (e.g. Zalando)
- ✓ More options to make agreements on e.g. exclusivity
- ✗ More entry barriers than open marketplaces

Marketplaces
- ✓ Relatively low entry barrier to sell internationally and access to new markets
- ✗ Heavy demands regarding service
- ✗ High level of price competition
- ✗ Limited control over service, experience and customer data

Physical stores
- ✓ Full control over service, experience and pricing
- ✓ Direct customer contact, offering opportunities for up- and cross sell and personalized advice
- ✗ Higher investments required

Experience centers
- ✓ Offering unparalleled opportunities to introduce consumers to brands and products
- ✗ High realization cost

Social media selling
- ✓ For example via influencers; large audience reachable
- ✗ Currently limited possibilities for online payments within social media platform

3. Which product range against what price?

Your product range is a crucial part of a winning channel strategy, because it offers the perfect opportunity to make direct channels distinctive. This can be done by selling certain products or product lines only through direct channels, making online-only offers, or selling limited editions. Leading brands even take this a step further. For example, Nike has had much success with offering customizable sneakers exclusively through their webshop. In addition to the permanent product catalog, brands can also offer additional products and services on their own channels. An example of this could be a brand that sells espresso machines. More turnover can be realized by offering cleaning and maintenance products on the direct channels. Additional warranty or maintenance are also ways to distinguish direct channels from existing channels. Warranty can in this case be seen as an opportunity to remain in conversation with the customer throughout the product lifecycle. This provides interesting information for marketing purposes and product improvement.

In addition to the product range, important choices per channel can also be made in terms of prices. For online sales, prices are very transparent. Potential customers can easily buy through an indirect channel when cheaper, or, in the worst case, buy a product from a competitor. It is therefore very important for brands not to price themselves out of the market with their direct channels. If it's not desirable or possible to compete on price, you may still do so in terms of service. Think of possibilities such as additional warranty, maintenance or installation.

If a brand has several direct channels, it is advisable to use the same price in all direct channels for most products. After all, consumers often use these channels interchangeably and check the prices and stock of the webshop while standing in the store. A noteworthy risk of low prices in direct channels though are channel conflicts with existing partners.

4. How to deal with channel conflicts?

Many brands that have been selling to consumers through retail for a long time may experience channel conflicts when setting up a direct sales channel. In extreme cases, intermediaries may rebel, which could lead to the brand being banned from the shelves. These conflicts can escalate and pose a serious threat to sales. However, these potential conflicts may not always be a valid reason to abandon the direct channel. Our advice is to start small and continuously involve your partners. This prevents brands from alienating traditional partners, and it's often beneficial for both parties.

4.1 Formulate the correct strategy and vision beforehand

The direct-to-consumer strategy should also include an estimate of where potential channel conflicts may arise. Take a good look at the strengths and weaknesses of the current channels and how they can be supported by the new channels. In many cases it's quite possible to involve existing channels, such as dealers, in the direct channel. For example, have the consumer choose a dealer as a collection

point or future service point, or have the dealer take over the delivery to the consumer. This can entail a significant simplification of the 'last mile logistics' or required installation for the brand. A simple form of cooperation can also be sought in sharing data and joint marketing to the consumer.

4.2 Communicate with existing value chain partners

Even though not every conflict can be prevented, communication is an essential aspect to ensure the continuation of a good relationship with existing sales channels. Organize sessions explaining a change in distribution strategy and why the change is necessary. Many partners will understand that brands are under great pressure to start selling directly today, as consumers increasingly expect this. Consumer research pointing to this fact can help in making choices and substantiating them.

Indicate what dealers and retailers can do to get the best out of the new direct strategy, and be transparent about the rules of the game. Many partners will be concerned about their margin and sales. By providing immediate clarity, a significant amount of uncertainty for partners can be removed. This will make them more willing to cooperate in the new situation.

4.3 Create a level playing field and reward added value

Align your D2C strategy with your retail channel, only by solving the channel conflicts you can offer the real omnichannel experience.

BART VAN BOMMEL
KONINKLIJKE AUPING

Make sure that it's clear for all partners which rules apply and which criteria are used. As an example, a dealer program containing 3 different levels (gold, silver, bronze) with different requirements, can provide clarity and certainty for all parties involved. Only those retailers that meet the requirements for a gold status are eligible for compensation (for example, through a percentage of online sales), additional discount, or to serve as a delivery point. The requirements may concern the share of the brand on the shop floor, the number of trained service employees, the online presentation, data sharing, and so on. By changing these criteria gradually (transparently and with a correct explanation), partners can be included in specific developments, such as increasing delivery times or making better use of consumer data.

4.4 Start small and grow gradually

Gradual growth gives chain partners the opportunity to get used to the new type of cooperation. In addition, it will enable brands to grow into the new business processes that must be set up for direct sales. Starting small can be done in a number of ways. Brands that operate in a large geographical area can choose to start direct sales in phases by region or by country. By initially limiting the range, conflicts with partners can be prevented and logistics remain clear. It is also advisable to build up slowly in the area of service. Delivery times are a good example. It's not important for every consumer to have their purchase arrive the next day.

A direct sales channel will not always harm your retail base. Look at it as an opportunity to offer added value to the consumer together!

JOOST DE BOER
ROYAL TALENS

4.5 Check your contracts

A number of the above matters touch on contractual provisions from the distribution contract between brand and chain partners. Evaluate contracts before and during the start of direct sales, and see if the provisions still hold up in the new situation. This includes legal differences between selective and free distribution. Specific knowledge is required for this process. This is why it is advised to engage legal experts with the right professional knowledge.

5. The impact on organization & operation

With direct sales, consumers will take a much deeper into your organization: the quality of internal processes becomes more noticeable. To be successful, brands must prepare their internal organization for this. In this chapter, we address the impactful implications for some key operational and organizational aspects of direct sales.

5.1 Logistics and stock

The switch to direct online sales usually has a number of important implications for a brand's logistics processes. Consumer supplies are larger in number, but much smaller in terms of sales unit. This usually requires a separate method of storage and handling. Consumer expectations about delivery time are high. Enabling faster delivery times requires daily transport in smaller quantities. Super-fast delivery is not always necessary for every type of product and delivery reliability is often of greater importance.

We advise brands to allow the organization of e-fulfillment processes to grow step by step with the order volume. The first step could be to set up a separate B2C room for consumer supplies within a large DC. This is the model Brabantia now uses. This is where you store supplies of fast-movers in consumer units, but you can use a two-stage model for goods with a low turnover rate. When such a product is ordered, you pick it from the large DC in the B2B delivery unit and break it into consumer units. You deliver the ordered quantity and store the remaining consumer units in the B2C part of the warehouse. This does require that consumer units within B2B packaging are numbered and scannable separately.

As volumes increase, there is a need to prioritize inventory for online orders over B2B resupply. Some companies use a "priority rule" in restocking or an administrative safety stock that may be used for picking for B2C orders. Within the safety stock, marketplaces sometimes take precedence over their own webshop to prevent Service Level Agreements from being met with the marketplace.

It can then be decided to keep a completely separate B2C stock, which is often also necessary if the e-fulfillment is outsourced to a third party. The major advantage of this is that everything meant for online sales is already stored in consumer units and the availability of the online inventory does not conflict with that of B2B channel inventory. The disadvantage is that this creates a certain inflexibility in stock and therefore a greater chance of excess stock.

G-Star and many other fashion retailers use a mixed model. With the first delivery of a new collection, the B2B channel (retailers), G-Star stores and the online warehouse are supplied based on a forecast. However, part of the stock is destined for subsequent delivery and kept centrally. This is stored in B2C units and can then be allocated to both the B2B channel and its own stores, webshop and/or marketplaces. It helps if retail packaging is already suitable for shipping to consumers.

As volumes increase, effects on workers will also increase. During the weekends, work has usually ceased in B2B warehouses, while most online consumer orders are usually placed. So take into account a peak load on Monday in B2C logistics. As volumes grow or promised delivery times decrease, evening and weekend shifts may become necessary. This may conflict with the applicable collective labor agreement or employment contracts.

A multitude of logistical models is created in collaboration with marketplaces and other third parties. To be able to deliver complete orders to consumers quickly, platforms often use the consignment model.

In doing so, brands continue to own inventory that they place with a partner, for example in a physical store or distribution center. Because the brand remains the owner of this stock, sales partners do not run the risk of being left with unsold stock. The disadvantage for the brands is that this stock is more difficult to use for other channels. Brands that opt for consignment must make good agreements. Insight into the available stock at partners and timely retrieval of stock are important points of attention. Also take a good look at how risks such as fire, damage and theft are covered.

Another common model is that of drop shipping. This model lends itself well to articles with a low turnover rate. A third party sells the item, but it's delivered to the consumer by the brand itself. The advantage of this is that the stock can be used for different channels, as long as there is a timely update of the available stock to the sales partners. It can also be interesting because it would enable adding marketing material to orders from this third party.

5.2 Returns
Returns and warranty requests are an aspect of the logistics process that should not be underestimated. The number of returns is significant, especially for online fashion purchases.[4] Make a realistic estimate of the percentage of sales orders you expect to be returned and how this can be minimized. Ways to prevent returns include complete product descriptions, photos, videos and size pointers.

Make sure that the entire logistics chain, from warehouse to service department, is ready for the return flow. Consumers have a right of return and expect a quick refund after a return. This requires a different way of working when compared to the B2B approach, in which the financial department usually only performs a manual refund after several checks and approvals. In a B2C environment, a stronger automated process is usually required. First of all, this requires that customer orders, returns and refunds are managed in one system. Secondly, for each individual item it should be clear what to refund when discounts and promotions apply to the sales order goods.

5.3 Marketing and content

> Content is the new gold. With good visuals and product descriptions, brands can monitor their brand values, make them stronger and ensure a better product presentation across multiple channels.
>
> **WOUTER SMEETS**
> DAELMANS GROEP

Having a B2C sales channel means starting performance marketing in addition to brand marketing. This requires a different way of thinking, by asking what the business case is of a marketing campaign rather than verifying whether there is still budget left. When the channel strategy is mainly focused on digital channels, knowledge of digital marketing is crucial for success. Usually it's advisable to hire an expert for this and to see if there are possibilities to train people internally. Direct sales often require more content. This is not only the case for your own webshop, but also when selling through a marketplace. Think of high quality product photos, consistent with the design of the rest of the site and other (digital) channels. In addition, online consumers do not only compare strongly on price, but also on quality. Therefore, consider using ratings & reviews. A good product review can convince online consumers to buy your product.

5.4 Customer service

> Being ready for consumer interaction at day 1 is crucial to successfully introduce a D2C channel and brand experience.
>
> **RICARDO KRIKKE**
> TELEPERFORMANCE

Direct customer contact requires way more from your customer service department than with B2B sales. Make sure that your brand's service department is ready for direct sales, to prevent the level of service from falling short of customer expectations. Try to surprise customers in a positive way so that customers become fans and return for more. Additional training of your customer service employees may be required to do this. Customer service employees can expect many new questions that were previously answered by sales partners. By mapping them in advance and publishing them in an FAQ online, many questions can be prevented. Take into account the desired opening hours for customer service (often also in the evening), the fact that consumers want to speak in their own language and that customers often use other channels such as chat. These additions may also increase the service level to B2B partners, if they are allowed to use this customer service as well. Inventorize whether upscaling will be necessary and remember that outsourcing often removes an important learning effect for your own organization.

Customer service employees can also be used for direct sales, for example by making an offer for a replacement product during repair agreements. Direct replacement can be a successful proposition, especially for products that customers can't do without for a long time. In addition, there may be interesting opportunities for selling accessories. Think of a mechanic who makes an offer for dishwasher tablets when repairing a dishwasher.

5.5 Data Management & Data Processing

The most important data processing question that brands should ask themselves is what type of consumer data they want to collect and for what purpose. Collected consumer data can make a major contribution to improving segmentation and a personalized experience. Effective marketing starts by getting to know your consumers.

The introduction of GDPR in 2018 has significantly increased the rights of consumers on the one hand and the responsibilities for companies that process personal data on the other. It is crucial for companies to set up their data management in such a way that data is processed in a transparent and secure manner. Under GDPR, consumers have the right to request and view their own data, or to have their data deleted. Companies that cannot comply with this minimally risk reputation damage and possibly a hefty fine from regulators.

5.6 IT landscape

Opening direct sales channels usually requires changes to the IT landscape of a brand. New systems are often required. Online sales require a webshop application. A CRM system or Customer Data Platform is indispensable in a successful direct-to-consumer strategy. Many B2B companies are not geared to consumers and consumer marketing yet. A product information system is required to manage all product data in the different channels, along with extensive product features and image materials.[5] Direct sales often requires integrations with new partners, such as with marketplaces, payment service providers and logistics service providers. Most of these parties offer standard links (APIs), to which the consumer brand must adhere.

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[5] FOR MORE INFORMATION ABOUT PRODUCT INFORMATION SYSTEMS, READ THE PRODUCT INFORMATION MANAGEMENT EXPERT GROUP BLUEPAPER STARTING ON PAGE 202

B2B software is usually set up differently from B2C software. For example, it usually isn't desirable to treat every consumer as a customer/debtor in your ERP system; prices for consumers include VAT, and warehouse systems cannot always deal with a mix of bulk packaging (for retail customers) and consumer units. Also, a B2B invoice does not always meet the requirements of a consumer. The above aspects make it necessary to make a proper design of the 'omnichannel' IT architecture, in which it can be ensured that all new B2C processes are sufficiently supported. The design of the B2C customer journey serves as a starting point. Here, touchpoints, content and processes are coordinated and then translated into the IT architecture. It can make sense for brands to select systems in which both flows are supported well.

5.7 Organization

A choice for a D2C market approach has not only impact on the marketing department, but goes much further. Make sure that your create support for the D2C strategy within your organisation and even outside your organisation. Invest in managing expectations and relations.

ELLEN ALDENHUIJSEN
REV'IT! SPORT INTERNATIONAL

In order to allow direct sales to grow quickly and flexibly, it's usually advisable to start by setting it up as a separate organizational unit (internal startup). This prevents potential growth from being hindered by existing patterns, requirements and restrictions. In time, however, it will have to re-integrate with the existing organization and channels, and will probably become an integral part of an omnichannel organization.

Making the transition to direct sales a success requires a lot of extra time and effort from employees. Your existing sales staff will have to become ambassadors for the direct channel. By adapting the remuneration structure to the new business operations and agreeing on clear evaluation criteria in advance, companies ensure that employees who dedicate themselves diligently to the cause are also recognized for it. This promotes involvement and prevents employees from becoming demotivated. In general, it's better not to let the new direct channel negatively affect the existing pay in any way, and only to offer the possibility of additional pay.

6. Which (technological) innovations can I apply?

Brands that develop products have a number of unique opportunities to apply innovations to increase customer value and streamline processes.

The application of Internet of Things (IoT) is seen as one of the most pivotal opportunities in both the short (1 to 2 years) and the medium term (5 years). By equipping physical products with sensors, near real-time data can be collected about the use of products, which can influence future product development. For example, motorcycle clothing brand REV'IT! Uses data from races to improve their motorcycle gear. Another possible application of data obtained by IoT, is to have sensors detect when an item is due for maintenance. In this way, brands can commit to customers who might have maintenance carried out elsewhere. Subscriptions such as supplementing coffee beans based on the number of coffee cups made can also be facilitated via IoT. IoT can play a valuable role in replacement products. For example, running shoes can be equipped with a sensor that keeps track of how many kilometers they have walked. After about 1000 km, the brand can automatically make an offer for new running shoes.

Augmented Reality (AR) offers brands the opportunity to distinguish themselves. Brands often own 3D models of products, which makes them ideally suited to utilize AR. Augmented Reality can provide a unique experience, increase conversion and reduce returns by offering more security before making a purchase. AR can also be used in combination with a product configurator, so that the customer can put together a unique product. This in turn creates a unique proposition for the brand and lock-in with customers.

In addition to the aforementioned innovations, there are countless other developments that brands can take advantage of. For example, brands can use conversational AI to increase customer service efficiency and to increase service windows. Achmea already makes good use of this. They also use drones to detect damage to f.i. greenhouses after a hailstorm, sometimes even before the grower knows about it. RFID technology can be used to simplify logistics processes and combat fraud, for example in clothing stores.

7. How do I prepare for the future?

However good a brand's direct strategy may be, it will never be able to anticipate all future developments. To be well prepared as a brand for future developments, you will have to deal with uncertainties. Scenario planning can help in this. With this method, you first determine uncertainties with a major impact on the channel strategy in the set period (for example, 5 years). By contrasting two important uncertainties, four possible world views arise. A realistic minimum and maximum is determined for each uncertainty, so that the four world views cover a wide but still realistic range of future circumstances.
For your channel strategy you can, for example, look at scenarios in which the market share of marketplaces (from 20% to 80%) is compared to the economic development in Europe (economic boom versus economic turndown). By describing these world views and thinking about the impact on your D2C channel, clearly different strategies arise.

For example, price competition lurks in the event of a weak economic climate, while the market share of marketplaces is high. In that case, brands have to be guarded against brand erosion and can, for example, place their bets on an extra sub-label under the brand with a lower price, so that the brand as a whole retains its value.

In a world in which one combines an economic boom with a low market share of marketplaces, brand focus should be on a more exclusive positioning, including personalization, strong loyalty programs and investments in direct channels such as own stores.

By thinking carefully about the so-called "killer competitor" in each world view and the gap between this fictional competitor and your own brand, next actions can be determined for each scenario. This ensures your brand has already thought through which actions to take when one of the world views becomes reality.

8. Conclusion

Pay enough attention upfront to determine the added value of a direct channel for your customers compared to any other channel they can use

LAURA TEN KLOOSTER
JACOBS DOUWE EGBERTS

Each brand should define a direct-to-consumer strategy, while looking at the added value per channel in the total channel mix. This strategy will look different for each brand. The awareness and strength of the brand, the type of product, the existing channels, partners and the value of consumer data, are all determining factors in this strategy. When choosing to enable direct sales to customers via (online) channels, brands should take into account a significant impact on processes, organization, systems and people. The overarching conclusion may be: for existing brands with existing channels, opt for a gradual approach, in which you include your own organization and existing distribution partners.

HOSTS

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Partner
Bluebird Day

Axel Groothuis
Partner
Magnus Red B.V.

CHAIR

Nik van Brink
Consultant
Magnus Red B.V.

Members expert group

Axel Augustinus
E-commerce Director
Easywalker

Bart van Bommel
Head of E-commerce, Online marketing & Customer Service
Koninklijke Auping B.V.

Bob Jaspers Focks
E-Commerce manager
Cavallaro Napoli

Ellen Aldenhuijsen
Online Marketing Manager
REV'IT! Sport International B.V.

Eric van der Palen
E-Commerce Manager
Brabantia

Floor Smits
Marketingmanager
Essenza Home

Genya van Belzen
Marketeer
Bluebird Day

Giwanni Schaap
Account Strategist & Partner Manager
Bluebird Day

Hedwig Wassing
Owner
Annacom BV

Joost de Boer
Manager E-commerce
Royal Talens

Karin van Leeuwen
Head of Direct Sales
BSH Huishoudapparaten B.V.

Kevin van der Veer
Co-founder
WoodWatch B.V.

Klaas Buist
Manager Global IT
G-Star Raw

Laura ten Klooster
Key Account Manager E-commerce
Jacobs Douwe Egberts

Marco Suurland
Head of eCommerce
COTY Benelux BV

Marjolein Arts
Marketing Manager a.i.
elho B.V

Mark Pomper
Lecturer Business Economics & International Business
Stenden Hogeschool

Martijn Cobussen
Marketing strategist

Menno Visser
Projectleider
Accell Nederland B.V.

Nike Festen
Global E-commerce New Business Models Manager
Unilever

Nol Florie
Projectmanager
Hypotheken Data Netwerk

Pieter Ettes
Enterprise Architect
Achmea IT

Ricardo Krikke
Business Innovations Director
Teleperformance Benelux

Saffri Holwerda
E-Commerce Manager
Bos Group International

Wouter Smeets
Global E-commerce Manager
Daelmans |
www.stroopwafels.com