

The **5-Step Formula** to D2C Ecommerce Success

With excerpts & growth stories from
30+ influential Direct-to-Consumer retailers



A Report by Vue.ai

Vue.ai is a digital experience management platform that is redesigning the future of retail with Artificial Intelligence. Vue.ai provides intelligent retail automation solutions for 150+ retailers across the globe - including Nordstrom, thredUP, Mercado Libre, Diesel, Centric Brands, Namshi.com, Off White, Tata CLiQ, etc

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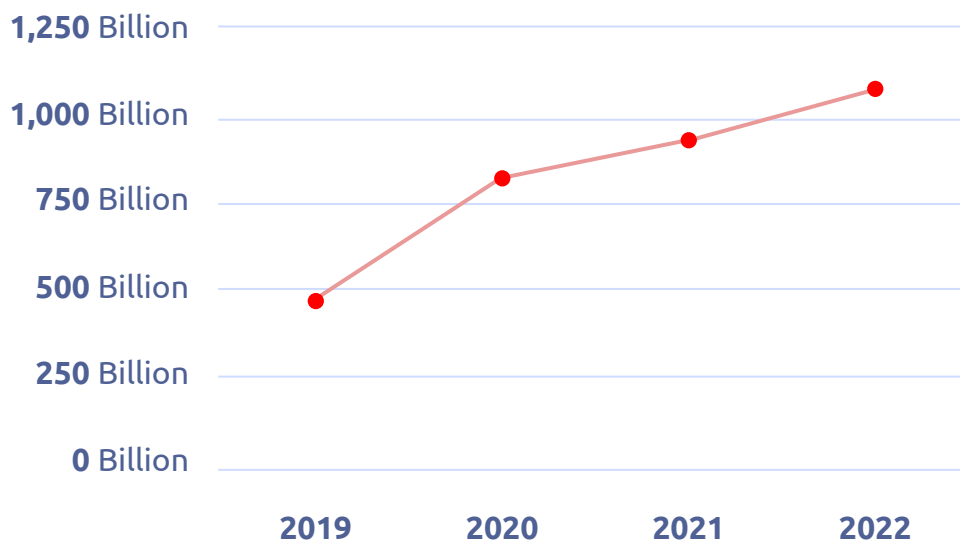
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Retail's Digital Shopping Makeover

Nike reported that a full 35% of its sales came from D2C sales, a figure that the brand expects will grow to a whopping 50% within the next five years.



With shopping behavior shifting to being predominantly online, **2022 is set to become the first trillion-dollar year for eCommerce in the US alone.** Retailers are amping up their digital offerings, and brands across the world are getting a digital shopping makeover. **And paving the way to this transition is the Direct-To-Consumer eCommerce business model.**



Reference: The Adobe Digital Economy Index

From enhancing availability, convenience, gauging consumer feedback, customising offerings, and more, **D2C eCommerce has become invaluable** to leading retailers in the world. Even legacy brands invested more in their wholesale relationships for decades, are rapidly transitioning to invest more in their **direct relationships with customers**.

Mamaearth clocked \$100 million in revenue within five years of its inception, and caters to over 500 cities in India courtesy of its powerful D2C-first growth strategy



Besides the other perks, the biggest advantage for D2C brands is on pricing & margins — by skipping the wholesale route, D2C brands state they're able to offer better pricing to consumers while earning higher margins.

We recently attended the D2C & eCommerce Summit by Inc 42, and insights from over 30+ leaders in D2C helped us develop a deeper level of understanding to building a powerful & robust Direct-To-Consumer eCommerce business model:



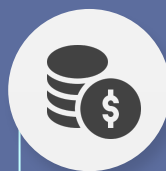
**Strong
Value
Proposition**

1



**Building
Trust &
Authenticity**

2



**Balancing
Aspiration with
Affordability**

3



**Being
Agile**

4



**Becoming
AI Native**

5



Strong Value Proposition

A lot of D2C brands in their initial stages use their capital on ads & flashy marketing campaigns. **Lenskart** instead, spent its initial capital on research, to develop a holistic understanding of the consumer. That set the stepping stone for the eyewear retailer's success - the brand clocked a revenue of \$134 Million in FY 2020.

Creating value for your customers - not just incremental value, but 10X the value, should be the primary agenda for every D2C brand



Peyush Bansal

CEO & Founder of Lenskart,
that reported a revenue of
\$134 Million in FY 2020

To create a relevant product, D2C retailers must understand what their audience needs, and the nuances of the demand for a product. [Melorra.com](https://www.melorra.com) - a D2C jewellery brand that grew 200% YoY - focused on designing fashion trend inspired jewelry for the modern woman, by really assessing what women like to wear.

The D2C brand also focused on product disruption, instead of marketing and distribution disruption - [Melorra.com](https://www.melorra.com) custom makes every order at scale using 3D printing technology!



Never focus on your competition, keep your eyes on your consumers and the answers will come to you. If you are consumer obsessed, consumer focused, that's when you'll see success



Saroja Yeramilli
Founder & CEO, [Melorra.com](https://www.melorra.com)



Identifying opportunities



Understanding customer needs



Knowing competition

Communicating Product Value To Varied Audience Segments

The Trell App - India's largest lifestyle and shopping app where users can discover fashion, fitness, lifestyle trends- has about 12M active users & 60M monthly active users and the majority hail from tier 2 cities in India. Bimal Kartheek, COO, Trell reported that the D2C brand to push customers into the conversion funnel.



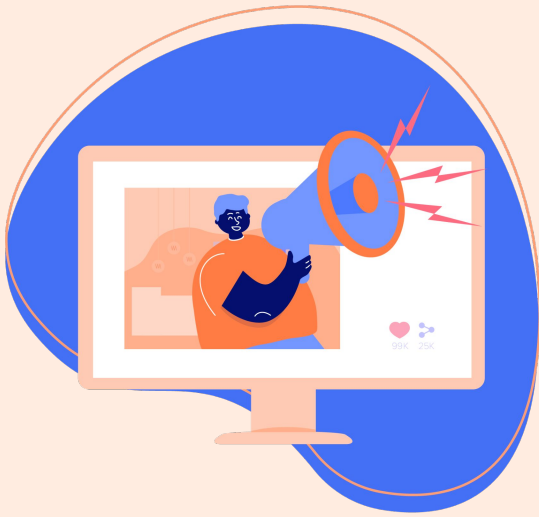
Did you know? **73%** of Indian internet users browse in vernacular content - and social video is booming. How can D2C brands tap this user base?

So what are the different vernacular marketing strategies? Let's find out:

Videos

325 million people consume video online in India. That's why video strategy must dominate a D2C brand's marketing strategy. Since most of the shoppers today are online, a video marketing strategy will **D2C brands increase engagement on digital and social channels, educate audience, and acts a new medium to consumers.**



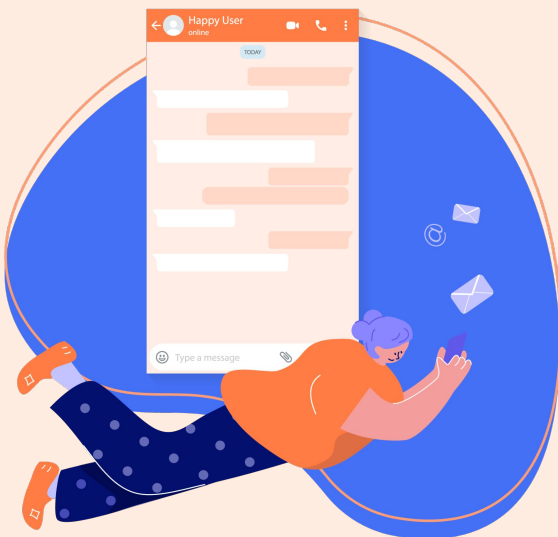


2. Influencer Marketing

According to Trell, over 50 million self sustainable micro entrepreneurs (influencers) are expected to emerge in the next 5 years.

Having strong partnerships with regional content creators and influencers would enable D2C brands create inclusive messaging and multilingual strategies to accommodate audiences that are diverse. Tapping into this strategy can boost engagement and result in conversion ultimately.

Did you know? 76% of shoppers write or talk to businesses to get support with their purchases globally.



3. Conversational Commerce

In the past year, the rise of conversation commerce via Whatsapp, chatbots has been immense. Without a doubt, D2C brands making use of conversational commerce for pre and post purchase activity will have an edge over their competitors in the coming years.



Chai Point,
reported \$2.5M in
2020- reported that
69% of its user base
are repeat shoppers.




Building Trust & Authenticity

89% of consumers want companies to act with integrity at all times, according to a report by Adroll. Building trust & authenticity is the essence of building a storied brand, for which the **value of a repeat customer is paramount.**

Fable Street,

that recorded a 200% growth YoY, reported that building recall value & a community of strong Followers contributes to 50% of revenue.



Building a deep trust of the brand, by means of a convenient return policy, consistent quality of product, stellar customer service, enjoyable site experience, prompt delivery are some of many ways D2C brands can ensure a shopper feels like returning to their site for a repeat purchase.

Here are two innovative ways successful D2C brands are building trust & authenticity:

1. Having a clear and easy to follow dispute resolution or return policies:

Leading D2C brands have been able to have a firm foothold because of their no-hassle return policy that's communicated clearly and simply. This gives customers the confidence to buy from D2C brands without a second thought.

2. Using content advocacy & social media to establish frequent interaction:

Investing in social media to open up different channels to facilitate shopper interaction has benefitted D2C brands tremendously.



"Ramifications & methods of customer retention include common themes like building loyalty & gamifying experiences. For example, at @MensXP, when a customer buys a product, we send them a guide on WhatsApp with tips to use it better"

Angad Bhatia
Founder, MensXP

Returns is a key area in which D2C brands can differentiate themselves and enable shoppers to build confidence in the brand

Rohan Shanbhag
SVP, Business Development
at Delhivery



Here's a **Key** Strategy D2C Can Use to Compete With Marketplaces

Bigger brands don't really believe in 100% transparency. Being transparent gives D2C brands an edge - in listing out ingredients used in their products, for instance, can help them rank high on the preference list of shoppers.

The Whole Truth Foods, a clean label health food brand uses its social channel to educate consumers on the difference between good / bad ingredients. Staying true to its label, the D2C brand goes the full mile to be transparent about the sourcing of their ingredients, making of their products, and more.

"When it comes to large companies there are 2 flanks open. One is the truth, no one tells the whole truth about the ingredients in a product. The other? Unless you become a 100 crore company, you don't show up on their radar!"

The only way David wins is not by taking Goliath head on. The easier path of less resistance is to flank Goliath and take him down in ways he's not even thinking about.

Shashank Mehta

Founder & CEO, The Whole Truth Foods





Balancing Aspiration with Affordability

"If you think about it, until [@Lenskart.com](https://www.lenskart.com) came into being, people didn't subscribe to the idea of owning multiple pairs of spectacles. It was unheard of. We shifted that mindset, and now most people own different styles."

Peyush Bansal

CEO & Founder, Lenskart

Using one pair of glasses for several years was the norm over a decade ago, but Lenskart - which clocked in \$134 Million in FY 2020 - introduced the concept of owning a range of spectacles, by launching attractive designs in affordable prices. Balancing the scales between aspiration and affordability fuelled the D2C brand's strategy easy repeat sales along with a growing customer base.



By leveraging this balance, Lenskart sold about 8 million pairs of eyewear last year and is aiming to increase that by 30% in the year ending March 2022.

Similarly, BoAt - a contemporary earwear D2C brand is riding on success by cracking the earwear tech market with fresh designs with affordable pricing. Today, the brand is **world's 5th largest wearable Brand** and it all comes to down to how they target consumers. In fact, having completed two years selling earphones, headphones, speakers, travel chargers and premium rugged cables, it has clocked more than \$10 M in India alone.

BoAt is striking a chord with millennials in India by offering consumer tech products that are sleek, innovative in design, yet do not cost as much as international brands. And the brand capitalized on the fact that shoppers don't just buy things now, they buy experiences. BoAt spent a lot of time and resources to assess its target audience - the millennials - and has managed to connect with them to create products that they aspire to collect. The earwear brand credits its success to striking the balance between being aspirational yet affordable in the eyes of consumers.



“

"We are grounded to our target consumers - the millennials. We are to consumer electronics what Zara is to fashion"



Aman Gupta
Co-founder, BoAt





Being Agile

“Build for tomorrow, which means that a D2C brand/its product must be nimble & agile to adapt to consumer needs. ‘Future-forward’ is not just jargon”



Sandeep Murthy

Partner, Lightbox Ventures

D2C is about continuous reinvention & agility. To understand the importance of being future forward, let's take the example of Bewakoof. The motto of the Indian D2C fashion brand is 'create tomorrow's trends today' - and founder Prabhkiran Singh swears by the policy.

The brand creates designs that are meant to be upbeat and designed for Indian millennials and Gen Z - and their future forward approach extends from its designs, and shines across all touch points - from pricing to inventory to its content advocacy.

Spotlight: Bewakoof's Journey to Clock In 8M Sales

Here are some ways the D2C fashion brand stays agile:



1. Understanding the value of sustainability:

Sustainability is a buzzword in today's retail world. Ever since its inception, the brand has been actively trying to minimise environmental footprint and maximise social impact through production. How? They use water from rainwater harvesting for production and use paper to package their items. Future-forward thinking all the way!



2. Keeping processes in check:

Bewakoof manufactures their own products and cuts out middleman wherever possible to give the best price to its customers. Product's pricing ranges from \$5 to \$15 and so far, the company has earned about \$2B in revenue.



3. Optimising YouTube:

The brand tapped into Youtube to leverage the shopping cards feature within videos. This move came at a time when the brand's target audience, ranging from ages 18 to 34 were active on Youtube and they jumped right in when they saw the opportunity.

Future-Forward Approach

We've observed that D2C brands that have a future-forward vision are able to build their revenue and scale their businesses sustainably.

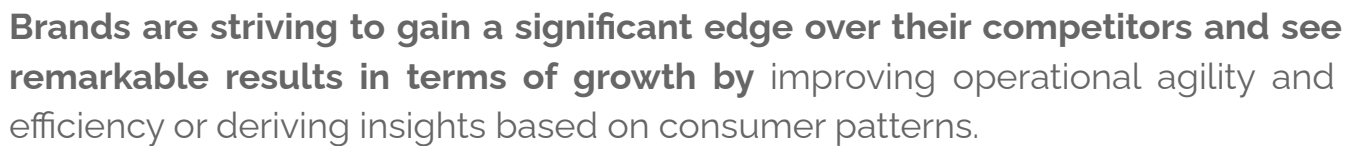


Sandeep Murthy
Partner, Lightbox Ventures

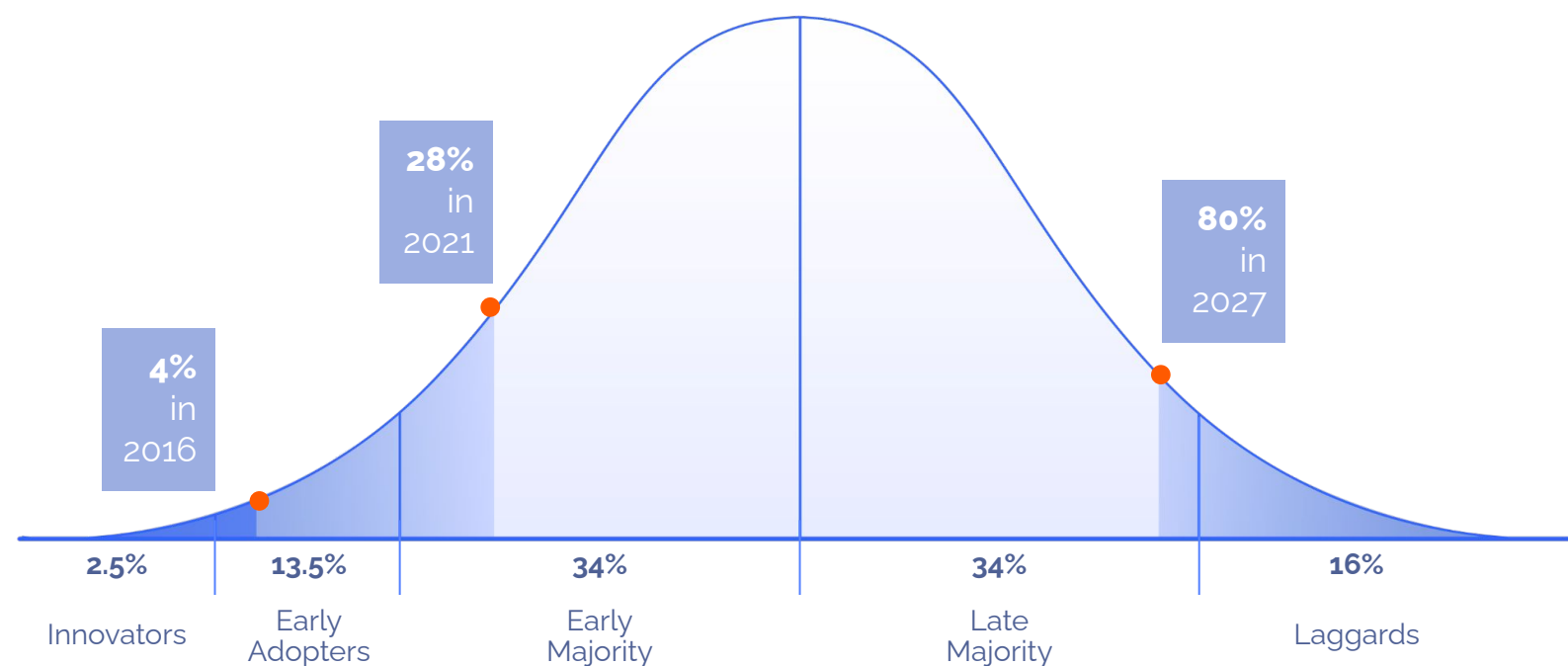
Future-forward is not just jargon. Every D2C brand should prioritise being relevant in the long scheme of things. Even a fashion brand, for instance, had to stay agile to be relevant during the time of government mandated lockdowns. They had to think on their toes, and stop producing partywear, and instead focus on rolling out comfortable athleisure.

In a highly competitive market landscape, future-forward thinking can bring a significant change to the way D2C retailers handle their customer preferences and product portfolios. And customer data is a key player here.

The ultimate goal of the retailer is to think if the brand's offerings are built sustainably, relevant for tomorrow and not just "trending" today.



And if D2C brands are to get ahead of the curve and get on top tomorrow, they need to think about getting AI-native, today. This transformation is expected to be so widespread that all of retail will be AI-powered. 80% of employees expect their businesses to adopt AI-powered intelligent automation by 2027. And it's important to make note of this – retailers can go AI-native at the same time as they grow and scale digital.



AI Adoption in Global Retail



Here are 8 ways D2C retailers can use AI to drive revenue & efficiency:

The 1st wave of eCommerce was about transactions, buying online, the 2nd wave will be about making the experience more joyful & engaging."



1. AI & Performance Marketing Go Hand in Hand

While it's important for D2C retailers to know the brand's conversion, AOV, cart abandonment numbers, it's equally imperative for retailers to understand why those numbers are the way they are.

Performance Marketing requires setting specific goals, that are specific to the business every quarter and then experimenting with all the relevant tools at the retailer's disposal to hit the set goals. AI enriched tools provide these levers for retailers to not only understand these numbers but also the consumer behaviour behind those numbers.



Prabhkiran Singh,
CEO, Bewakoof



Did you know? Your loyal top 10% spend 3 times more per order than the lower 90%, and your top 1% of customers spend 5 times more than the lower 99%?



2. AI can reduce top of the funnel spend & convert more with existing customers

With AI, retailers can increase revenue without touching the top of the funnel and spending on acquiring new customers, by simply focusing on existing customers & their experience. Repeat customers have a high lifetime value, which contributes to a higher value per order over time.

If retailers invest in AI to understand why customers are abandoning carts. They can set up the appropriate triggers to reduce cart abandonment. Similarly, by sending out emails to existing customers that are personalized in real time with AI, retailers can see a significant growth in revenue.



3. AI can build continuity

If D2C retailers want to increase their loyal customer base without giving endless discounts, they can by bringing customers back from multiple channels by keeping continuity in their journey. And with AI, D2C brands can focus on personalizing email marketing, notifications targeting buying cycles and more.



4. AI can target shoppers' behavioral cycles

Every retail category has its own habit cycles. For grocery, shoppers visit the site as often as they run out of salad greens. For skin care, they visit the site once in a couple of months, for plants and shoes, the cycles vary based on emotions because they're usually spontaneous cycles. Targeting behavioral cycles with AI can deliver a precision that stops retailers from trying to find their customers in the dark.



5. Tailor strategy to understand repeat rate of the brand with AI

If the brand has a high repeat rate, then the strategy can be all about ease, and instantly clicking to let shoppers know that the brand knows exactly what time of the week or the month or the year it is. Then, the brand can gently introduce a new offering with a 'try it for free' or a discount to try. This can then be followed by a suggestion to try another category and so on!

IBM estimates that 79% will implement AI for customer intelligence and 75% for marketing, Advertising and Campaign management.

"AI really solves a lot for you on the digital front. From understanding the customer to building ROI on digital investments, using AI is recommended to let things run like a well oiled machine"



Peyush Bansal,
CEO & Founder,
Lenskart



8. AI brings the power of data to that one point of time when the site can reflect the user's emotional, mental state

Timing is everything when it comes to D2C – it's important to know the shopper as they're on the site at any given point of time and that is only possible when you are able to connect data together – connecting inventory data with user behavior and that's what makes sense for the business. It's really important to know the shopper, as they are, at any given point of time on their site. AI connects the catalog data, price data, their behaviour & brand affinities to deliver exactly what they want at that moment.

Takeaways

The wide adoption of D2C proves that the transition of eCommerce from being an add-on to a must-have business arm for retail brands is a permanent reality in the post-COVID landscape. Retail players with an omni-channel presence can no longer underestimate the value of a data-powered direct-to-consumer eCommerce channel.

D2C retailers can ahead of curve by adopting an online business model and see success that's larger than life. In the context of a D2C brand, in order to grow and scale, it is vital for retailers to thoroughly understand the true nature of their business.

There is no hard and fast rule for success but brands like The Whole Truth Foods, Bewakoof, BoAt, Lenskart, Melorra have been riding on success by following a method that collectively works. Having said that, a large part of the D2C success is owed to the **strong digital infrastructure** and **direct customer service strategies** that form the essence of these brands.

Here are the key takeaways from the report, on how D2C brands can build a successful model:



Formulating sound **value proposition**



Building trust by being **transparent**



In addition to this, brands are actively leveraging AI to increase competitiveness, improve the quality and speed of decision making, and enhance the customer experience to sustain long term growth. And There's no doubt that the benefits that AI lends to D2C growth are multi-fold and paramount.

In today's climate, keeping up with the ever evolving customer needs will remain the need of the hour. How retailers across the D2C spectrum build, test, and scale up for retail growth will determine their success will be something that we need to watch out for!



To become AI-Native,

reach out to us at
sales@vue.ai



Sources

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Intelligent Retail Automation

Process Automation & AI solutions for the Retail Industry

Vue.ai is a digital experience management platform that is redesigning the future of retail with Artificial Intelligence. Using Image Recognition and Data Science - we extract catalog data, analyze it with user behavior and help your marketing, product and cataloging teams get actionable insights that improve customer experiences, drive conversions and reduce costs. We help you digitally map your products' DNA to create one-of-a-kind retail experiences for your customers and translate product information into the language that your teams can understand and make business decisions with.

Making Retail Teams, AI-Ready