

Why and How to Move to Direct to Consumer Online Sales as a Manufacturer?

Coronavirus impact on retailers and manufacturers. Why should you move to Direct to Customer sales? Strategies to adapt if you are moving to Direct to Consumer sales online.

The economic environment in light of the coronavirus

The pandemic had a tremendous effect on the global economy. Bloomberg predicted in early 2020 that the coronavirus could cost the global economy up to \$2.7 trillion. As per their predictions, in the worst-case scenario, the GDP globally would drop by 3%.

Beginning March 2020, countries started locking down their citizens & venues. One-third of the world was under a complete or partial lockdown, sitting at home, not spending money on traveling, going out, moving around, and relaxing, causing billions \$ of losses. Unemployment is slowly reaching the levels from 2008. Tourism-based businesses and the travel industry got the biggest hit.

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Many retail stores closed down temporarily due to governmental regulations (in the first ten days since the coronavirus outbreak in the USA, 47 000 retail stores have closed). The ones that stayed open experienced lower than ever customer traffic. Governments recommended limiting the shopping to once per week per household.

Limitations in the number of people in the shops or social distancing did not encourage potential customers. Long queues, fear, and the obligation to wear masks and gloves during shopping destroyed the customer experience. Those who went to supermarkets in person were purchasing primarily essential goods. They had a shopping list, and they did not want to spend too much time in the shop due to the unpleasant atmosphere, so they did not stroll around. They did not notice the promotions brick-and-mortar establishments offer. They did not shop around for more high-end goods, sticking to their rice and pasta. Customers also tried and still try to shop more online to avoid public places.

Coronavirus is devouring the retail industry, especially brick-and-mortar. Although now, mid-2021, the situation looks much better and most of the stores have reopened, there are two main new trends in the customer behavior:

More people shop online

Transactions done online are peaking as more people shop online. In the first quarter of 2019, online sales increased 11.9% year over year, according to the US Department of Commerce. In France, Germany, and the UK, the share of consumers that make more than half of their total purchases online has further increased between 25 and 80% since the outbreak of COVID-19. Starting with food and health items, moving on to home office, and fitness equipment, the consumers are resuming their regular shopping habits, just online. Even the older age groups state they expect to maintain their new online shopping behavior after the epidemic. As of March 2020, 17% of shoppers said they plan to increase online shopping by a moderate extent over the next 90 days, and 11% plan to increase it to a large extent.

People spend a lot of time online

According to the data collected by Statista, in March 2020, an increase of time spent online could be noted worldwide:

- 36% on reading/watching the news.
- 27% on streaming services (Netflix, Amazon Prime Video, etc.).
- 21% on social media.
- 22% on messaging services (WhatsApp, Messenger, Viber, etc.).

In 2021, many establishments and entertainment venues remain closed for the public. Therefore people continue spending a big chunk of their time online.



Retailers are moving to direct online sales

Social distancing, lockdowns, and other measures to control the spread of the virus have hampered or eliminated the possibility to shop in stores. Customers are forced to shop online. Shopify says the number of new online stores across the globe on its platform increased 20% week over week for each of the last two weeks of March 2020. Looking at 2021, we know that the pandemic might last months or even years, and even if the shops are slowly allowed to re-open, customers still prefer to shop online. This shift in behavior might have long-lasting effects and the business should be prepared for it. It is high time to start establishing an online presence for both retailers and manufacturers.

Since the coronavirus outbreak, many retailers who did not have an online channel have been working on launching one. It is by no means a fast shift. To start selling online, one needs to establish an ecommerce infrastructure, processes, and logistics. It usually requires a lot of IT resources, project management, and time. However, considering that the fast shift towards online sales is said to have long-lasting effects, the earlier one starts, the bigger the chances of survival.

“There’s no reason to be opening stores that people can’t go to.” – Seth Basham, Analyst, Wedbush.

“Right now, there’s a huge potential for brand owners to increase online sales in 2020. The change in consumer behavior that many expected to take three to four years is instead happening in few months.” – Joakim Gavelin, Detail Online founder.

Due to the coronavirus pandemic, customers started shopping online more. It is predicted to have long-lasting effects on customer behavior, also post-pandemic, and across all age groups.

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An example of a fast shift to online is the success of the Polish Biedronka supermarket (owned by Jeronimo Martins, a Portuguese giant). Swiftly after the Covid outbreak, they have opened sales online in 10 major Polish cities. They manage the delivery with Glovo, a delivery service. Glovo drivers pick up the merchandise directly at the store. This way, they could enter the market faster as there was no need to develop their delivery services.

Some businesses that went online before are now picking the fruits of their strategy. A good example is the wine subscription business. Online wine marketplace, Vivino and online retailers, Wine.com Inc. and Benchmark Wine Group, report fast sales growth. At Wine.com, the sales more than doubled in March 2020, compared with last year. Overall, online alcohol sales for the week ending March 21 were up 243% compared with the same period of a year earlier in the US (Nielsen).

Even small, local producers started to offer their products online. An example of such change is Comptoirs et Saveurs, a small French distributor of vegetables and fruit, usually delivered produce to offices and schools without any prior ecommerce experience. Now, they have shifted their business model to deliver goods directly to private customers by launching an online order form and re-organizing their logistics.

Why should manufacturers open Direct to Consumer sales?

If retailers are working hard on moving their sales online, why should manufacturers enter the Direct to Consumer sales model right now? Why not, as a manufacturer, just sit back, relax, and let the retailers struggle to sell your products?

The main benefits of moving to Direct to Consumer model and skipping the retailers (or keeping both sales channels) are:

- ✓ Direct access to the customer data.
- ✓ Higher retention rate.
- ✓ Consistent and fully controllable customer experience.
- ✓ Ability to A/B test to improve the pricing and promotional strategy.
- ✓ It might be cheaper than selling through retailers.

In the current economic environment, starting online sales is critical. Many retailers need to build an online presence from scratch. If your retailers do not have an online sales channel at the moment, you are losing revenue. Even if they manage to launch their eshop fast, your products will disappear in the mass of their offering. Online, it is easier for the customers to compare two products than in brick-and-mortar stores, and your products might not make it to their shopping carts.

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If your retailers still need to build the capability to sell online, you are strategically better off if you start building it yourself. In the long run, you would do this anyway due to lower distribution costs. The sooner you open your online shop, the earlier you start owning your customers. The faster you launch your website, the earlier it starts to rank in Google (especially as the Google algorithm favors older domains). If you do your SEO right, your website will outrank the retailers' sites regarding the branded search. In the case of non-branded search terms, the retailers will probably be ranking higher. Still, you can diversify your strategy by selling products online directly and through the most prominent online retailers, not to lose these placements. You can even run your own Amazon store.

Should all industries start online sales? For some (e.g., pharmaceutical products), it might be challenging to sell online due to specific regulations. Such businesses are, in most cases, allowed to open brick-and-mortar establishments, despite the pandemic anyways. It is worth considering opening online sales as one of your sales channels in any other case. Even if your product traditionally was sold only in brick-and-mortar establishments. Even before the pandemic, we could observe that more and more products were sold online. Look at Tesla's online car sales – 82% of customers bought their Model 3 without taking a test drive. You do not need your brand's physical presence in brick-and-mortar stores to bring customers' attention and sell the product. What you need is a strategy.

Strategies to successfully move to Direct to Consumer sales

Keep customers well-informed

Make sure your terms and conditions are clear and understandable for customers. In the current situation, it is important to add to your website information about the health and safety procedures you have adopted to prevent the spread of virus. Make sure you inform the customers about potential shipping delays to manage their expectations.

Use turnkey software solutions

Building ecommerce platform can take months. If you set up your ecommerce on a MACH ecommerce solution, you can launch your eshop within days. If the ecommerce platform is API-first, you can easily integrate many different software solutions to create a full-blown store. Distribution channels, data analytics, promotion engines, payment gateways – everything can be integrated within a couple of days. In the current situation, it might be a good idea to buy it first and start selling online fast and then start thinking about building it, if you believe it is worth the effort.



Remember about collecting data

Data gives you power. It helps make business decisions, starting from products you offer, pricing, to small details like the copy or creatives you use to market the product. It helps to understand the customer better to provide a personalized approach. It helps to find opportunities you would otherwise miss. Think about setting up website analytics and a personalization engine, as well as a CRM system to collect the data. Do not forget about the importance of email marketing, and start building your email lists from the very beginning. Ensure you collect the proper consents, and you are compliant with all local regulations regarding customer data collection, handling, and use.

Promote your online shop

Often SEO is not enough to sell as much as you would like to, especially at the start. It might take time (and a lot of content) to get to the first page of Google. Plan your advertising strategy to bring traffic to your website. Initially, more traffic coming to your website from paid sources can help you to rank organically as well.

As people spend more time on social media these days, due to the lockdown, consider investing in social media ads and influencer and nano-influencer marketing. You might also consider affiliate marketing run on blogs. For example, Nike runs an affiliate program that helps them work with micro-influencers and to get more sales landed in their store.

SEO-optimize

The non-stop fight for the customer can be fought on various platforms – in search engines, on different websites, various ads, social media, by remarketing, via email or SMS. Do not forget about the importance of Search Engine Optimization, as it will serve you a long way. Even if you are not planning to invest too much in SEM, start with a well-optimized website and relevant content created to rank high if your potential customers look for your (or similar) products.

Set the right pricing

If you are still selling through retailers (and many manufacturers will, because opening brick-and-mortar stores is a hassle, they still need to rely on them), do not start a price war by offering too low prices. Start with your RRP's or not much below them. You can then launch some promotions on top of it or a loyalty program to incentivize the customers to shop directly from your website.

A/B test

A/B test your pricing, content, and promotions. If you want to make sure your budget is well-spent and your ROI high enough, try out different promotional strategies and settings.



Offer the right promotions to the right people

In the current environment, with customers shifting to online shopping rapidly, there are two leading offers you should focus on to stay competitive:

- Fast (and free) shipping.
- More favorable return policy.

Giants like Amazon or Zalando win the customers' hearts with free delivery, long return times, and free return shipping. If you want customers to come back to your store instead of going to pure online players (like Amazon), your service must be at the same level.

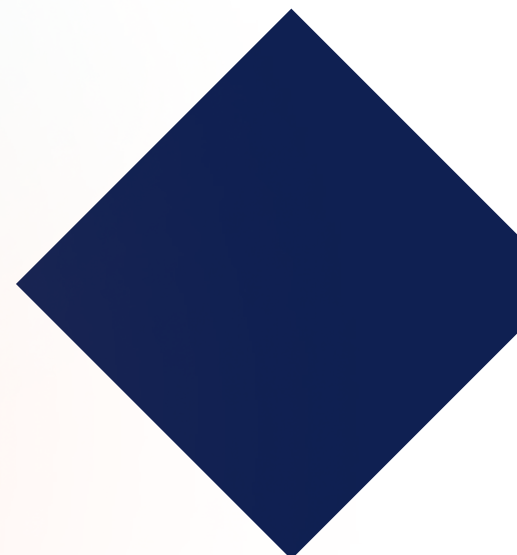
Other manufacturers and retailers are already adopting this strategy. For instance, Sephora, which usually offers free standard shipping with a \$50 min. purchase, offered free shipping through April 3, 2020. They have also changed the return policy to reflect the new times – “For product purchases made in-store in the last 30 days as of... March 16th, we will accept in-store returns, with receipt, within 30 days of store reopening,” the cosmetics retailer wrote on their site. “To ease returns for online orders, we have adjusted our current 30-day return policy and increased it to 60 days to be returned to the original method of payment.”

Offer pay-over-time schemes

The pandemic has affected the global economy. A lot of people lost jobs, got salary reductions, or ended up on partial unemployment. Customers might not be able or willing to spend a lot of money at once. By offering pay-over-time schemes, you can sell to otherwise unwilling to pay customers.

Offer subscription-based purchasing

If you want to keep high retention rates, it might be a good idea to offer some of your products available as a subscription. It saves your customers time and effort, which proves valuable in these times. You can also afford to give them some discount on the standard product prices, as it is a steady source of revenue.



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There are various promotional strategies you can use to make your offer more appealing to the customer without dropping below the RRP (recommended retail price):

- ✔️ Promote the right products to the right customers by setting targeted promotions for selected customer segments or based on custom events.
- ✔️ Personalize your promotions.
- ✔️ Consider offering a loyalty program to keep your customers coming back to your website for more. As you are competing for traffic with other manufacturers and retailers, the acquisition cost might be high. Loyal customers decrease your costs and bring steady revenue.
- ✔️ Once you have loyal customers standing behind your brand, think about monetizing their advocacy. Starting a referral program might be an excellent strategy to bring in more customers and lower acquisition costs.
- ✔️ Make sure that you protect your discounts from fraud, whichever campaigns you are running. Make sure your loyalty program and your referral program are fraud-proof.

The digital transformation, expected to happen within the next five years, is happening within a couple of months. Due to government regulations and customer preferences, brick-and-mortar stores are experiencing drastically lower revenue.

Building ecommerce capabilities became crucial for both retailers and manufacturers. Manufacturers who do not have pure online retailers should strongly consider starting Direct to Consumers sales. Those who sell through online retailers should consider it due to the many advantages of direct sales.

There are various strategies to help you move to Direct to Consumer sales. Wherever you are with your transformation to omnichannel or direct sales specifically, MACH software can get you there faster and at a fraction of the cost in the long term.

This post was written by Voucherify. [Voucherify](#) is an API-first, Headless Promotion Engine powering loyalty and referral programs, discount coupons, in-cart promotions, gift cards, and giveaways. Voucherify is a certified MACH Alliance member.