Developing a Direct-to-Consumer (D2C) Strategy Phase Model for Incumbent Manufacturers

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1. Practical & Theoretical Background

D2C strategies of manufacturers like Nike, PepsiCo or Nespresso belong to the major trends in the consumer goods landscape (Calder et al., 2018; Gielens & Steenkamp, 2019; Kahn et al., 2018; Pasirayi & Fennell, 2021; Schlesinger et al., 2020). Previously intermediary focussed manufacturers tap into the direct customer contact and sell their products either through online shops (Gielens & Steenkamp, 2019) or and through stores (Nierobisch et al., 2017). But the range of the mentioned D2C examples is very wide. While Nespresso sharply relies on direct sales online and offline (Gassmann et al., 2020; Kahn et al., 2018), Nike pushes the D2C revenue share towards a third of entire revenues (Ivanov & Ivanov, 2021) others like Oreo just recently started (BCG Platinion, 2021) and a high number is not able to drive sufficient traffic to their stores (Gielens & Steenkamp, 2019). Therefore, the authors conclude that the phases of D2C strategies need to be disentangled and a phase model is necessary.

2. Research Questions

How can managers of established consumer goods manufacturers differentiate between different D2C strategy phases?

3. Methodology & Research Design

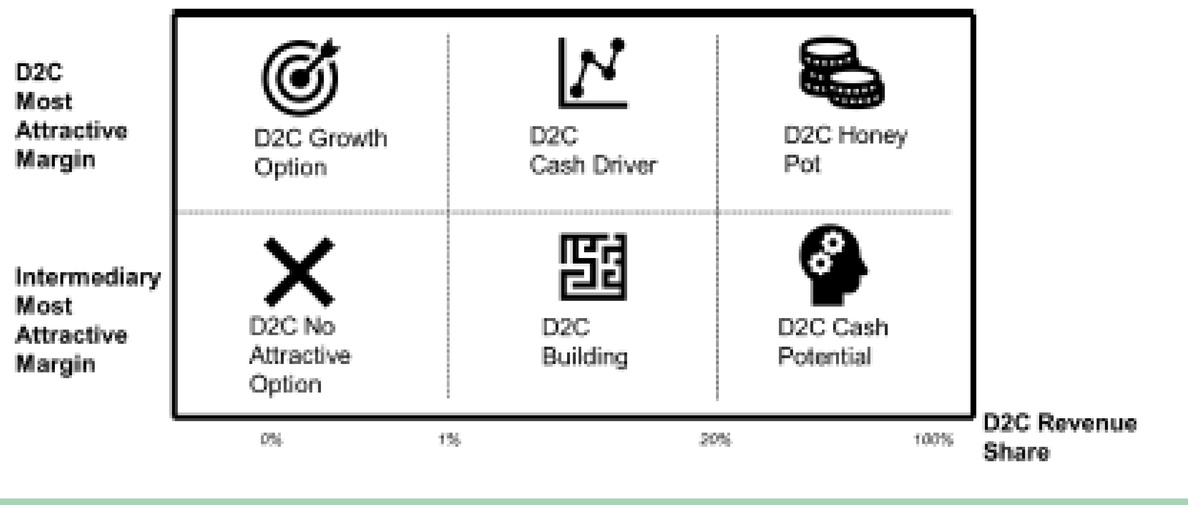
The following methodological approach consisted of a survey among managers of consumer goods companies. 58 managers of large consumer goods manufacturers answered the standardized survey (Unipark) between September – October 2020. The questions encompassed different possible criteria like margin attractiveness, the share of revenue, goals, number of employees responsible for D2C or estimated importances within the company.

Through analysis in R, the authors mapped different correlations and states of the D2C strategies. The answers revealed that certain criteria don't seem to be answerable for every manager, don't allow any distinction between companies or are on a too high level.

The authors decided to choose two core criteria. The first one is the perceived "most attractive margin" of the channels of the manufacturer. Thereby, the respondents selected between retailers, marketplaces or the D2C strategies. The results revealed that huge differences exist and that whether D2C is the most attractive channel in terms of margin is unclear and differs tremendously. The second criterion is the share of the D2C revenue. The surveyed managers had to indicate how high it is. This is aligned with company reports of companies like Nike that emphasise the strategic importance of the D2C share of revenues.

Furthermore, the authors decided not to develop a sequential phase model. Various studies suggest that decline can happen at any time (Dickinson, 2011) and especially longitudinal studies point out that a non-sequential model might be more appropriate (Miller & Friesen, 1984; Tichy, 1980).

4. Initial Results and D2C Phase Model



5. Next Steps & Desired Feedback

The authors intend to take this first approach of a D2C phase model as a basis and to deepen the individual phases. In the process, patterns and ideally possible types are to be developed.

"From insight to impact"

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