Institut für Marketing
und Customer Insight

Universität St.Gallen

The Premises for Managers to Develop and Implement Direct-to-Consumer (D2C) Strategies as Incumbent Consumer Goods Manufacturers

Severin Lienhard, Institute of Marketing and Customer Insight, University of St. Gallen (Switzerland), severin.Lienhard@unisg.ch

1. Problem

Phenomena and problem statement

The vast majority of consumer goods manufacturers relies on intermediaries in forms of retailers to bring their products to the consumer. Both in the area of food and non-food this distribution strategy is quite common. Nevertheless, D2C start-ups have emerged over the last decade and demonstrated that direct approaches can be successful as well. Consequently, the established manufacturers reacted and adapt to D2C strategies as well. Famous examples like Nike or Apple lead the trend. However, besides these top of mind brands, only a few manage to become profitable in the D2C field or don't even go direct.

Question for practitioners and scientists:

For managers and scientists, this opens the question, which types of premises are required to go direct?

An investigation of premises for D2C strategies of consumer goods manufacturers that come from intermediary selling is required!

2. Research question

What do the managers of established manufacturers consider as premises to sell directly to consumers in addition to selling through intermediaries?

3. Field of research

This research projects is located in the field of marketing channel literature. One stream within this field is vertical integration. Companies like Zara or H&M have showcased over the past decades how selling directly works (online and offline). The author does not focus on purely direct selling approaches rather the project is limited on manufacturers that come from selling through intermediaries and sell directly in addition. The project examines this channel and looks for the required premises. This can be considered as an extension of literature for success mechanisms of direct channels.

4. Guidelines from literature

Channel Conflicts and Synergies

Academia has investigated channel conflicts and synergies between manufacturers and intermediaries like retailers for decades. A large bode of literature exists that highlights of these relationships and linked tensions can be managed.

Channel Selection Strategy Determinants

Another sub stream of direct channels within the marketing channel literature identified determinants to go direct.

Consequences on firm value

Another sub stream encompasses the consequences of direct channels on (mostly) financial KPI's like firm value.

Success Mechanisms

The most underdeveloped substream (in the view auf the author) is the singly focus on manufacturers and the necessary mechanisms to create success stories through the means of direct channels. This projects extends this sub stream.

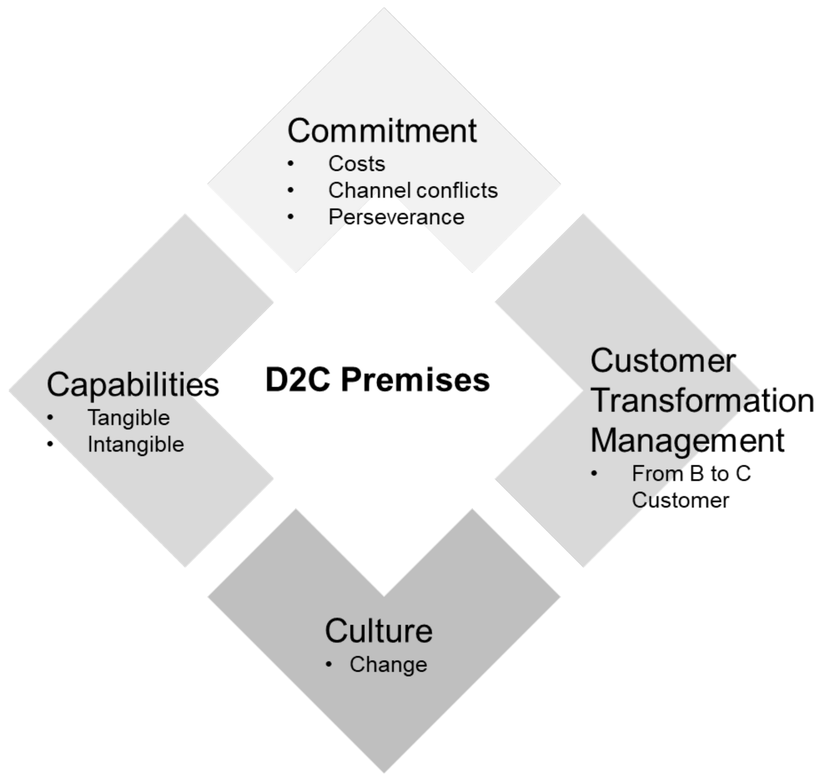


Figure 1: Proposed D2C Premises

5. Method & dataset

Step 1: Semi-structured interviews

Data Collection:

- 8 semi-structured in-depth expert interviews (by phone, in Europe)
- Average length: 56 minutes
- Recorded and transcribed verbatim

Sampling:

- D2C managers of established consumer goods manufacturers

Step 2: Semi-structured interviews

- Deep dive of the first D2C premises model: Discovering areas of agreement and disagreement
- 2 *8 interviews with different D2C managers

Overview

24 semi-structured interviews with D2C managers

6. Preliminary results & implications

The author identified 4 core D2C premises:

Commitment

C-level support is required especially driven by the fact that D2C strategies are costly as well as can cause internal and external conflicts.

Capabilities

Intermediary focussed manufacturers lack the capabilities to go direct and therefore need new ones in order to compete successfully.

Customer Transformation Management

The internal set-up aims to negotiate and deal with B-customers in the form of managers of retailers. D2C means coping with C customers.

Culture

A D2C driven company possesses a different internal culture.

Implications: The D2C premises are in line with components that matter for other issues as well which highlights that D2C strategies don't entirely differ from other management issues.

6. Literature (extract):

Gertner, R. H., & Stillman, R. S. (2001). Vertical integration and internet strategies in the apparel industry. *The Journal of Industrial Economics*, *49*(4), 417–440.
Gielens, K., & Steenkamp, J. B. E. M. (2019). Branding in the era of digital (dis)intermediation. *International Journal of Research in Marketing*. https://doi.org/10.1016/j.ijresmar.2019.01.005
Kahn, B. E., Inman, J. J., & Verhoef, P. C. (2018). Introduction to Special Issue: Consumer Response to the Evolving Retailing Landscape. Journal of the Association for Consumer Research. https://doi.org/10.1086/699389
Kim, N. L., Shin, D. C., & Kim, G. (2021). Determinants of consumer attitudes and re-purchase intentions toward direct-to-consumer (DTC) brands. Fashion and Textiles, 8(1), 1–22.
Múgica, J. M., & Berné, C. (2019). Analyzing channel choice: Direct and indirect e-Tourism distribution. The International Review of Retail, Distribution and Consumer Research, 29(5), 537–548.
Nie, J., Wang, Q., Shi, C., & Zhou, Y. (2021). The dark side of bilateral encroachment within a supply chain. Journal of the Operational Research Society, 1–11.
Nierobisch, T., Toporowski, W., Dannewald, T., & Jahn, S. (2017). Flagship stores for FMCG national brands: Do they improve brand cognitions and create favorable consumer reactions? Journal of Retailing and Consumer Services. https://doi.org/10.1016/j.jretconser.2016.09.014
Steenkamp, J.-B. E. M., & Geyskens, I. (2006). How country characteristics affect the perceived value of web sites. Journal of Marketing, 70(3), 136–150.