

Winning in the new world

Growing brand engagement in the expanding direct-to-consumer marketplace

The linear model no longer rules

For generations, the relationship between manufacturer and consumer was clear: Manufacturers made products, stored them in warehouses—and then brick-and-mortar stores bought and resold them to consumers. But that slowly began to change in the 1990s, with the advent of online shopping. Suddenly, consumers had more choices to engage with a brand, as pure-play online retailers began to compete with their brick-and mortar counterparts.

Fast-forward to today, and traditional storefront retailers still command the majority of sales volume. But that paradigm is shifting rapidly, as online sales continue to expand and outpace the growth of traditional retail sales.

From 2015 to 2016, online sales grew 15.6%, the largest increase in three years. (During the same period, retail storefront sales increased only 2.6%.) Even more impressive, online sales more than *doubled* their market penetration of overall retail sales, from 2007 to 2016.¹

The reason for such rapid growth in the online world is clear: consumers are hungry for more product information, choices and greater convenience to engage with a brand.

Year	Total Retail Sales	Ecommerce Sales	Ecommerce Penetration
2007	2,671 \$Billion	137 \$Billion	5.1%
2010	2,670	171	6.4
2013	3,000	261	7.9
2016	3,375	395	11.7

Source: DigitalCommerce, April 2017

The online world provides both in ways a storefront retailer simply cannot. For example, online retailers never close. They provide a wealth of searchable product information, including product reviews. Consumers can make product recommendations—or complaints—in real time on social media platforms.

In short, they can full engage with their favorite brands—and that is changing the brand/consumer relationship in uncharted ways. Consider how **brand manufacturers** are rethinking their relationships with and dependence on storefront retailers. Should manufacturers supplement their traditional retail sales—or bypass them altogether—by selling online directly to consumers?

In a very real sense, *brands are no longer manufacturers alone*. They are also vertical retailers who need to build direct connections to customers, wherever those customers choose to buy products: 1) on a website; 2) at digital marketplaces such as Amazon, eBay and Walmart.com; 3) at a retail storefront; 4) buy online and pick it up at the store or 5) find it at a store and buy online.

¹“Online Retail Eclipses Brick & Mortar by 6 to 1.” Mediapost.com. April 25, 2017.

Traditional retailers are also rethinking their relationships not only with brand manufacturers, but with consumers as well. Retailers know the linear model is obsolete and that consumers want a vastly broader array of ways to engage with brands. Most of all, consumers want that experience to be seamless—regardless of how they choose to engage: on an e-commerce website, mobile app, social media or a visit to the local store.

This breadth of deeper and more intimate brand engagement is what the direct-to-consumer (DTC) movement is all about. Having a shopping cart or mailing a catalog is no longer enough.

This is about connecting to a seemingly endless web of brand engagement opportunities—and then be ready to deliver the right brand experience every time. And the growing complexity of meeting this consumer expectation has never been more challenging.

The omni-retail world: a web of complexity

The traditional linear model from manufacturer to consumer has been replaced by a myriad of potential points of online engagement—what we call **TAGG Touchpoints**.

Let's take a closer look at the growing complexity. While retail storefronts still represent the majority of brand sales, consumers now have a vast and growing array of additional choices. More than brand websites alone—which empower manufacturers to bypass traditional retail outlets and engage directly with consumers—there are other innovations as well:

- **Digital marketplaces:** This category includes not only broad digital marketplaces such as Amazon.com, but also storefront digital outlets, such as Walmart.com. Indeed, Walmart is embracing the online opportunity wholeheartedly—and the results speak for themselves. Digital sales are up 63% from just a year ago. Part of the reason is Walmart's aggressive acquisition of online retail startups in the past year, such as Moosejaw and ShoeBuy.²

Linear vs. omni-retail channel: The more complex the brand experience becomes, the more a comprehensive engagement strategy is needed to navigate it successfully. We call these new points of engagement **TAGG Touchpoints:** the emerging arena where retailers must now compete for consumer attention, action and long-term loyalty.

Conversely, Amazon sees the inclusion of brick-and-mortar physical stores as a viable part of their own brand engagement strategy—particularly in densely populated areas and at universities.³

Other digital marketplace examples include category marketplaces, such as ebags.com.

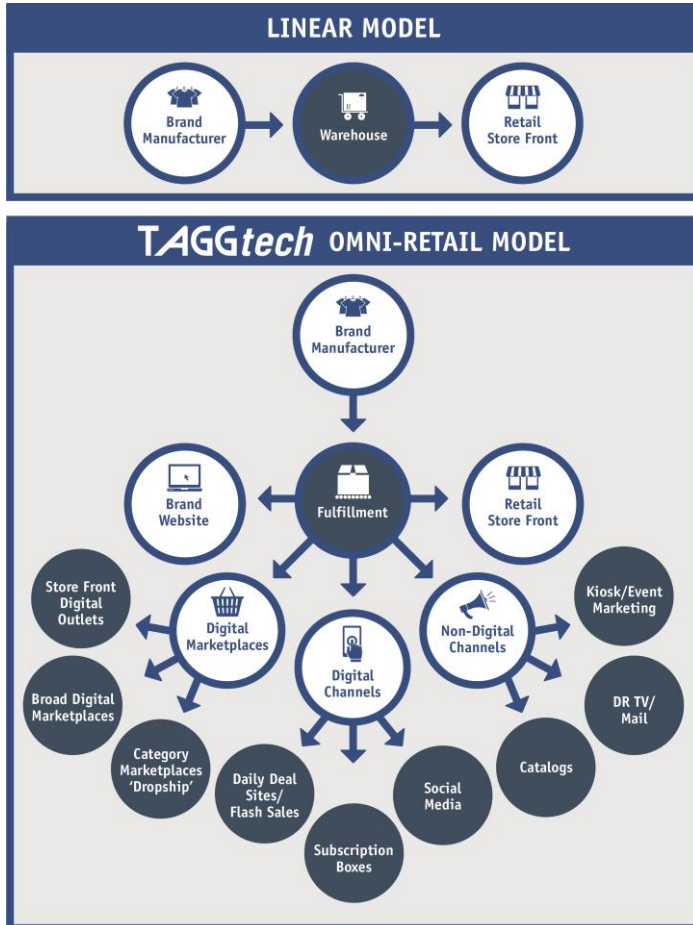
“(We must) stop talking about digital and physical retail as if they’re two separate things.”

Doug McMillion, CEO
Walmart
Speaking at an annual shareholder meeting

²“Watch Out Amazon. Walmart is Coming for You.” Money.com. May 18, 2017.

³“Watch Out Amazon. Walmart is Coming for You.” Money.com. May 18, 2017.

- **Digital channels:** Examples include daily deal sites, flash sales, subscriptions boxes and social media.
- **Non-digital channels:** Catalogs, direct response TV, mail and kiosks all fit this category.



What can brand manufacturers and retailers do to not only survive, but also thrive in this increasingly competitive arena?

Customization is key

Every **TAGG Touchpoint** requires a different configuration of technology—including customized warehousing, transportation infrastructure and resources—as well as deep fulfillment expertise to deliver the brand experience that consumers expect. And that expectation is more demanding than ever.

Here are just three examples of how the consumer experience is customized by **TAGG Touchpoint**:

1. An order placed by a consumer directly on the brand's website is an opportunity to reinforce the brand experience. A consumer who visits the brand directly should be rewarded with brand-specific fulfillment. This may include customized packaging, free samples, marketing inserts, promotional items and 'thank you' notes—all of which are intended to enhance the brand experience.
2. An order placed on a digital marketplace that is drop shipped to the consumer will need to comply with the requirements of that marketplace. For example, fulfilling a Costco.com order may include specific packaging requirements, shipping requirements and packing lists and inserts unique to that marketplace.
3. An order placed on a retailer's site that is shipped to the store for pickup will need to comply with the requirements of that retailer's process. For example, when selling on Walmart.com and a consumer chooses in-store pickup—in addition to the packaging and shipping requirements—the box may need to be labeled to route it through Walmart's supply chain and provide the necessary information for in-store processing.

Winning in the new world

Consumers want their products when they want them: *now*. Not too long ago, they might accept a one-week turnaround from order to delivery. Today, next-day and two-day delivery is the standard. To meet this daunting expectation, same-day fulfillment and shipping are not only good ideas—they're essential to delivering on the expected brand experience.

To achieve what we call 'fulfillment at the speed of now,' manufacturers need a comprehensive strategy that integrates all of the **TAGG Touchpoints** into a seamless ordering, fulfillment and delivery experience. Just as important, that strategy needs to be scalable, so that it can keep pace with growth across existing **TAGG Touchpoints** and as new ones are added to the mix. Failing to develop and implement a comprehensive, scalable omnichannel strategy can create roadblocks that could potentially damage a brand's reputation.

For example, many brands still don't allow for a direct-to-consumer retail connection on their site. They simply don't have a shopping cart or provide a link to a third-party digital marketplace. In today's retail environment, it's hard to believe there are brands that would ignore a direct-to-consumer interaction simply because they haven't developed a strategy to address all the touchpoints. If a consumer goes to a brand to research products and make buying decisions and then is sent to Amazon to make the actual purchase, a golden opportunity to build brand loyalty is missed.

Achieving fulfillment at the speed of now

The challenge is to use a fulfillment process that matches the many ways consumers engage with your brand. This requires connecting a single brand inventory with every shopping cart, digital marketplace and digital channel that consumers use.

To develop this solution, your 3PL should focus on three key benchmarks of success:

1. **Order velocity:** Same-day turnaround from order to warehouse, wherever the order is placed.
2. **Processing velocity:** Same-day turnaround from warehouse to truck.
3. **Shipping velocity:** From truck to the consumer's door in one to two days.

Completing the brand experience

With great challenges come great opportunities: the logistics of DTC fulfillment open up a variety of new ways that manufacturers can strengthen the brand experience. From the moment the consumer places an order online to when the package arrives and is opened, the entire fulfillment process is an opportunity to reinforce your brand experience. Four areas of opportunity include:

- **Brand communications:** Think email touchpoints such as order confirmations, shipping confirmations, transit updates, thank-you and feedback notes and more.

- Shipping methodologies: Choose the option that best reflects your brand's cache.
- Outside the box: First impressions count—customize packaging, stickers, placards, QR codes and more to further differentiate your brand.
- Inside the box: Once the box is opened, what else can you do to further enhance the brand experience? Ideas include branded void fill, custom packing lists and handwritten notes.

The future is here

The DTC challenge may be complex, but the answer doesn't have to be. Based on the fundamental premise that a *consumer-driven* supply chain is essential for success today, TAGG Logistics is built to serve that need and evolve as it changes over time. We have the facilities, infrastructure and information systems to help brand manufacturers serve consumer demands now, as well as into the future.

To learn more, please call 866-991-8244 or visit us online and one of our principals will work directly with you. So together, we can deliver ***Your Business Everywhere™***.

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