

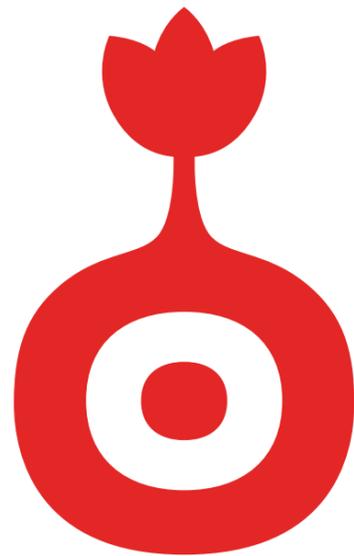
Direct to Consumer

The value of disintermediation

sevendots

Direct to Consumer:

A mission to regain value



Providing relevant and actionable insights to Consumer Package Goods brand owners – to support long term growth and drive value – is what inspires the **Sevendots Growth Series**.

After the success of the Brand Penetration, Brand Purpose and Category Growth studies, we have developed our Direct to Consumer point of view following the same trusted path: leveraging a plethora of existing literature and case studies, mining the extensive knowledge of our senior partners, engaging major brand owners to capture their experience and interviewing a global sample of marketers to provide a well grounded set of key actionable considerations.

This document is a brief summary of the outcome of the study and outlines the 6 key conclusions we'd like to add to the Direct to Consumer debate.

Please contact opportunities@sevendots.com to learn more about the whole outcome of the project.

01 DTC is inevitable

The clear majority of brand owners we interviewed see the role of DTC growing in the future. The feeling is that DTC is not going to be an option but an inevitability for the CPG industry and a way to solve the top line growth crises the industry is experiencing.

Importance of DTC within CPG categories is on the rise

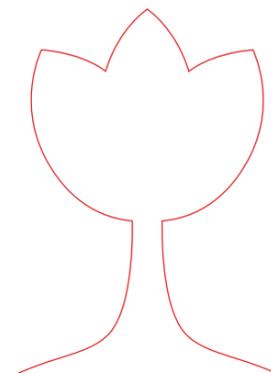
DTC has strong potential in CPG



Is higher than 5 years ago



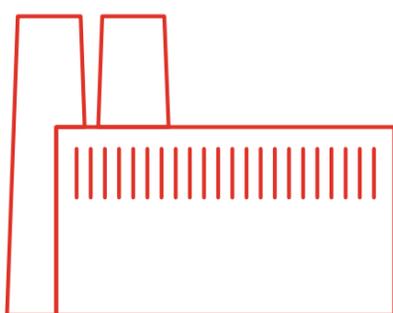
Will become higher in the next 5 years



02

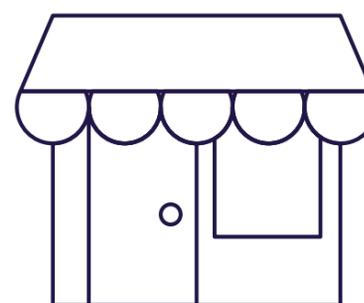
DTC is redefining the CPG value chain

Technology is empowering direct connections allowing a disintermediation and regaining of value. Traditionally CPG companies based their value creation on their manufacturing capabilities. Now retailing seems to offer more opportunities to develop value than manufacturing.



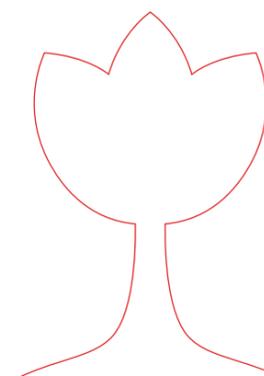
1.5%

FY 2012-2016 Organic Growth CAGR, >\$8B CPG **manufacturers**



4.8%

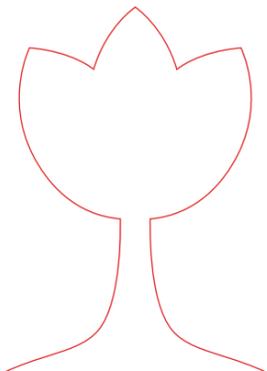
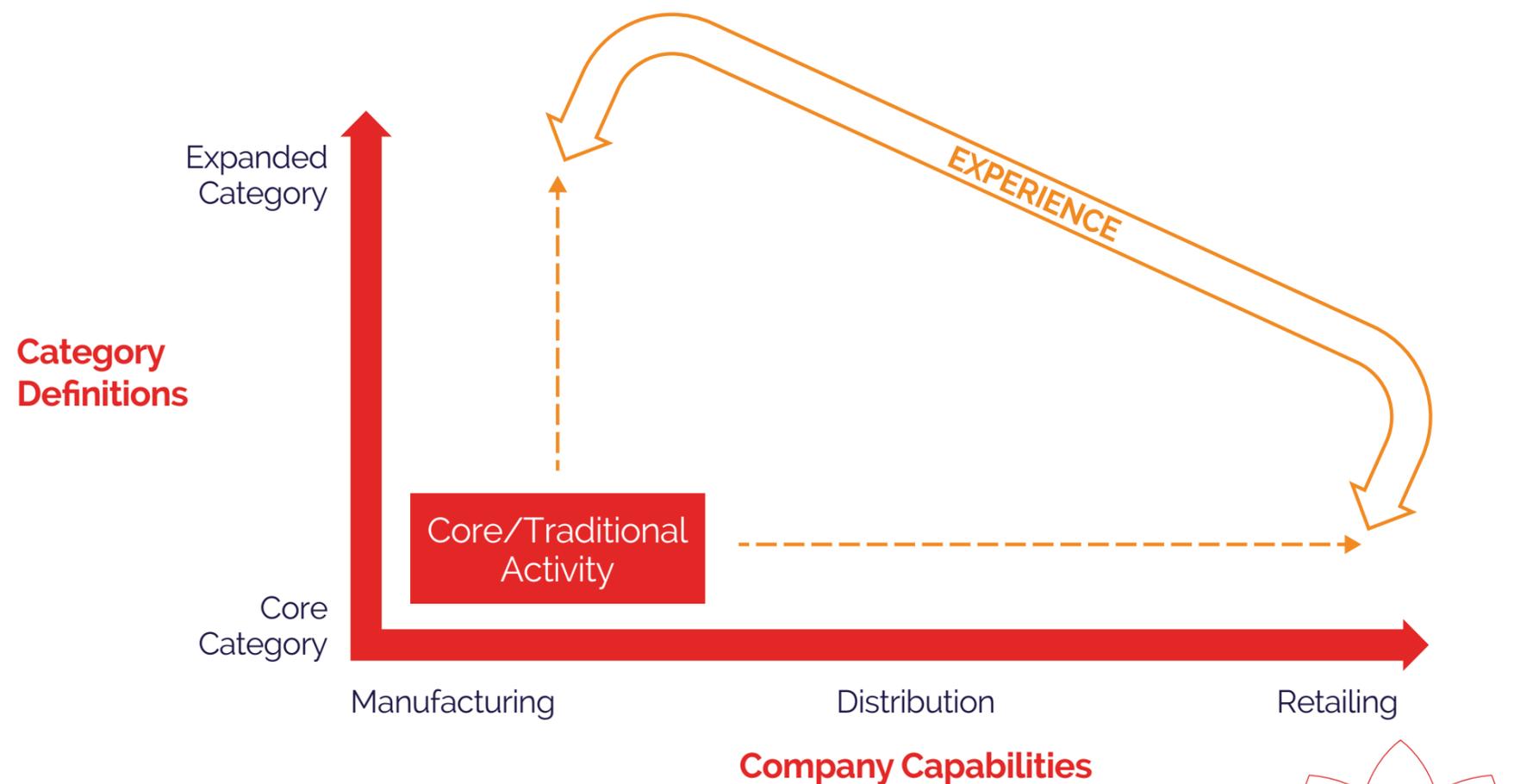
FY 2011-2016 Revenues CAGR, top 135 CPG **retailers**



03

DTC must be customer centric

The bi-dimensional approach to DTC is not only considering the progressive move from manufacturing to retailing but also the possibility to stretch category definition and increase the service component of the offer. This can better match consumer needs and provide solutions at a much higher level.



04

DTC is all about managing data

If we look at the core contribution of DTC this boils down to just one single major component: data. In fact, the major advantage in dealing directly with consumers, both in digital and physical environments, is in collecting and leveraging information.

Top most important impact of DTC on brand (%)

Reinforce link with consumers (big data)



Growing Brands



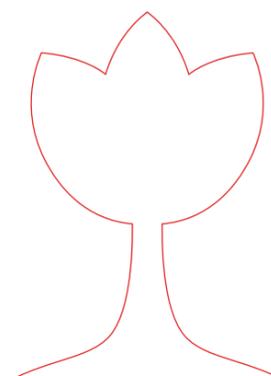
Stable/Declining Brands



Category Leaders



Smaller Brands



05

The window of opportunity is narrow, so act fast

The importance of DTC is increasing rapidly as mainstream brands are squeezed between new retailers and small brands. The opportunity space is rapidly decreasing but huge gains remain achievable.

A reducing space for mainstream brands

First mover advantage is even more important in DTC, as it is about building a customer base before the competition

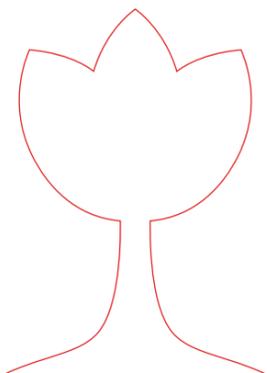
amazon

Mainstream Brands

Small Brands

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Source: Sevendots quantitative survey amongst 130 senior marketers - 2017



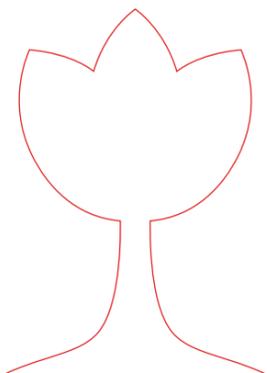
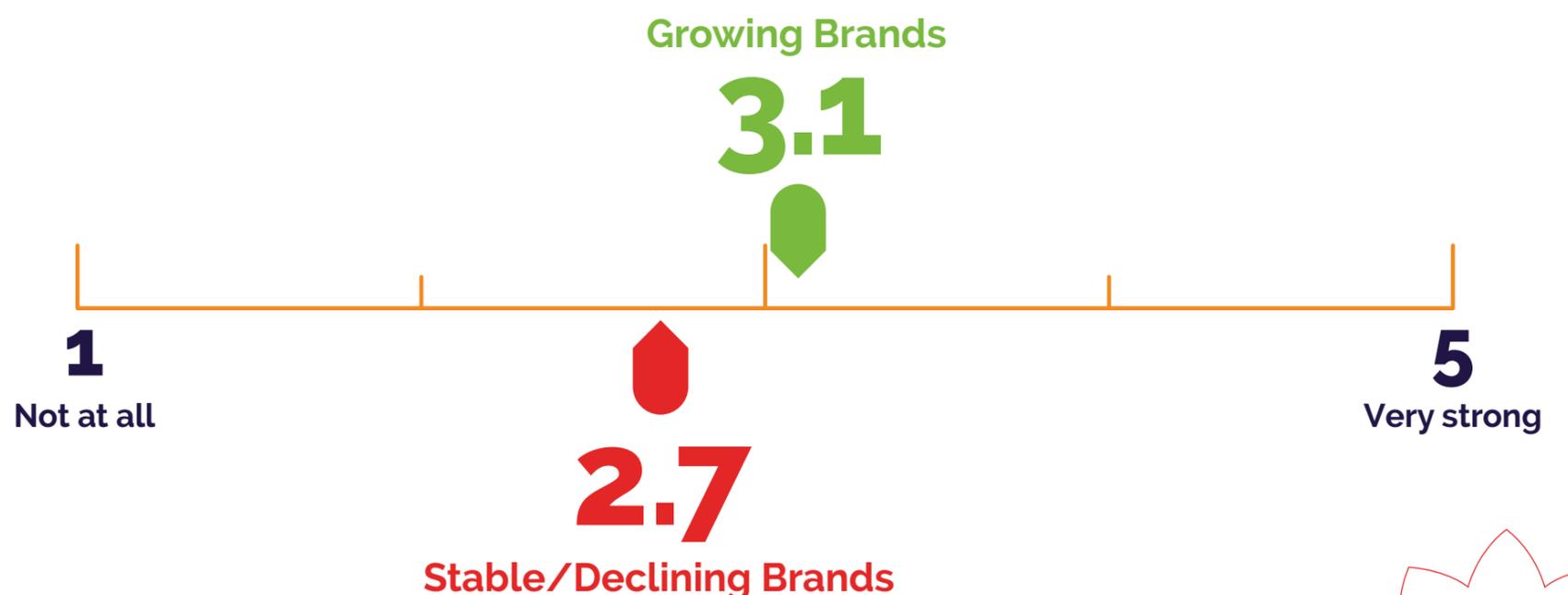
06

But manufacturers are not ready: A cultural shift is needed

DTC must be part of an overall strategy and specific responsibilities and objectives must be assigned for it. Organizational structure should reflect DTC's importance and the capabilities required for it should be identified and developed.

How well is your brand positioned to manage the anticipated growth of DTC?

Even growing brands say they could be better prepared.

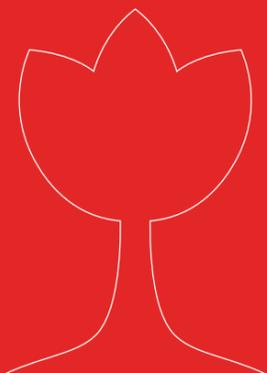


So

What did we base these insights on?

Sevendots insights are always based on a robust platform of knowledge, and not happy with just one source, we always want to cross-check our conclusions with other sources of information. This exercise was no exception. 5 key stages of learning fuelled our final conclusions.

- 1** A detailed search and review of all relevant information sources about Direct To Consumers from academics, consulting firms and practitioners
- 2** An internal survey among 20 Sevendots partners from 10 countries— with strong experience in brand and general management or in consulting and consumer research – collecting, structuring and distilling all their experience on Direct To Consumers.
- 3** Qualitative interviews with 35 senior professionals in large CPG companies, including Danone, Colgate, Revlon, Ferrero, Henkel, J&J, Unilever, Mars, Coty, Heineken among others, from functions such as global and regional CMO's and CEO's, International Marketers and Global CMI.
- 4** A quantitative survey of 130 marketers and consumer insight professionals around the globe, all from leading multinational CPG companies.
- 5** And finally, an extensive search and review of case studies providing vivid support to our findings.



Sevendots Growth Series / **Volume 4** / **Key Highlights**

For a presentation of the
whole outcome of the project
please contact

opportunities@sevendots.com

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