

D2C : the 'New Venture' Opportunity

20th September, 2022



a. The Digital transformation



Why do the stars want to go digital?

- **87%** customers would buy directly from a brand online, if given an option
- **82%** CPG manufacturer improved relations with consumers by direct sale
- **42%** brands want to sell directly to consumers
- **54%** manufacturer said direct to consumer sales boost leads of channel partners
- Covid added lots of fuel to **DIGITAL DISRUPTION**

Digital Davids are beating the traditional Goliaths

- Unilever
- Parachute
- Zee TV
- Sleepwell
- Forever21
- The Times of India
- Dabur Vatika



sleepyheadTM

SHEIN

indiatimes

mamaearthTM

INDIAN ADVERTISING MARKET OVER LAST 10 YEARS

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Traditional Adex - Rs Crores	26552	29056	33435	38871	42165	43835	49202	52136	37177	48793
Growth %	3	9	15	16	8	4	12	6	-29	31
Traditional Adex Share %	92	91	89	88	85	82	81	77	69	66
Digital Adex - Rs Crores	2303	3050	3970	5120	7315	9303	11705	15467	16974	25438
Growth %	50	32	30	29	43	27	26	32	10	50
Digital Adex Share %	8	9	11	12	15	18	19	23	31	34
Total Adex (Rs. In crore)	28854	32106	37405	43991	49480	53138	60908	67603	54151	74231
Growth %	5	11	17	18	12	7	15	11	-20	37

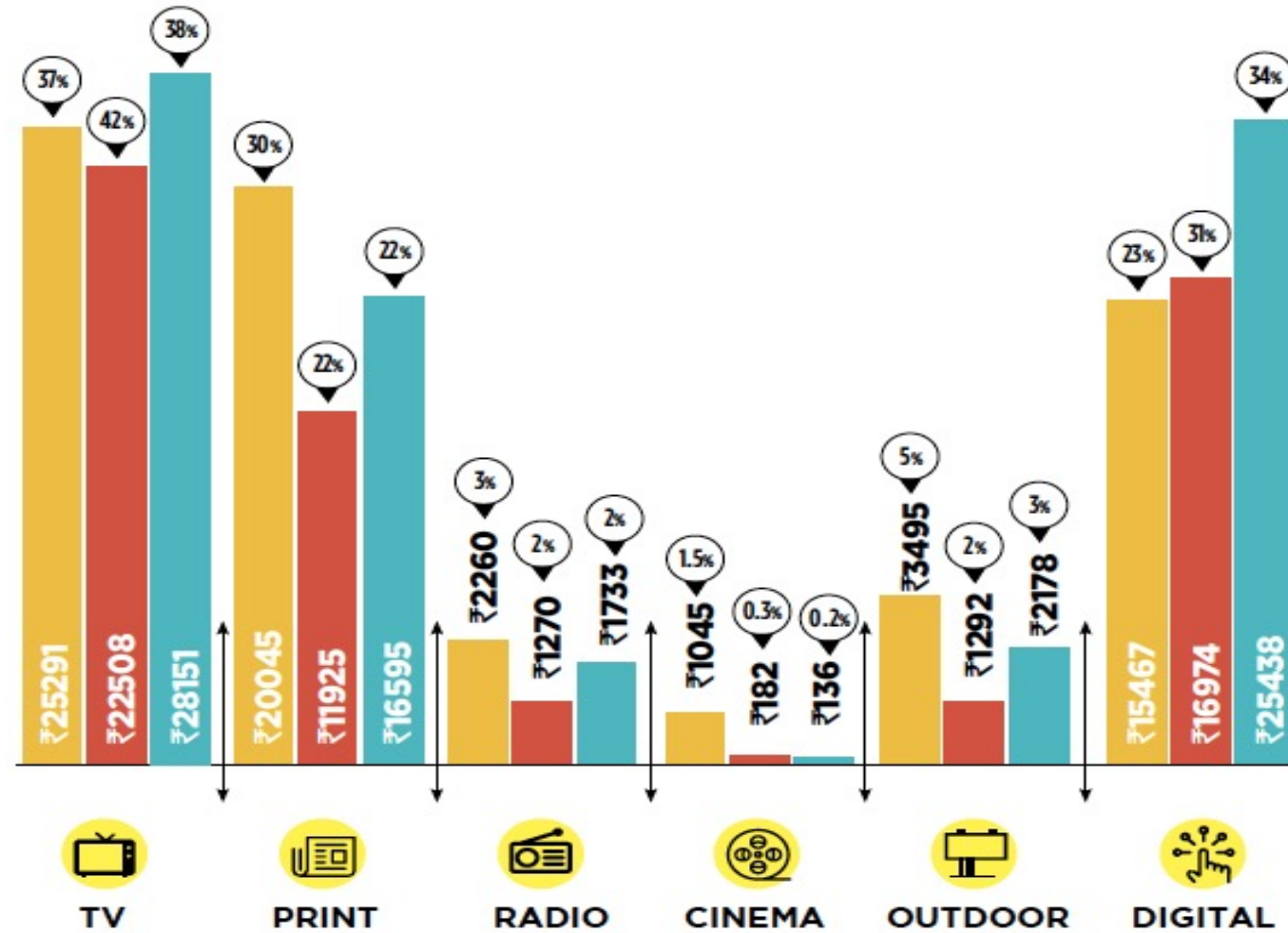
Source: Pitch-Madison ESTIMATE

INDIAN ADVERTISING MARKET OVER LAST 3 YEARS (JAN - DEC)

2019 2020 2021

Share of Advertising Pie

(Rupee figures in Rs crore)



GROWTH % 2021/20

25%

39%

36%

-25%

69%

50%

Source: Pitch-Madison ESTIMATE



b. What has got disrupted?

What's happened

- Distribution (sales) is disrupted
 - HLL, Dabur, The Times of India, ITC, Marico are great brand creators, but greater distributors
 - SaaS products who allow you to manage ALL marketplaces with ONE CENTRAL WAREHOUSE and CENTRAL LOGISTICS. You already have a great beginning
- 'Media' part of Marketing is re-calibrated
 - But only for the medium
 - Digital has replaced print, OTT is supplementing TV

traditional sales & marketing -> D2C digital product (s) & marketing

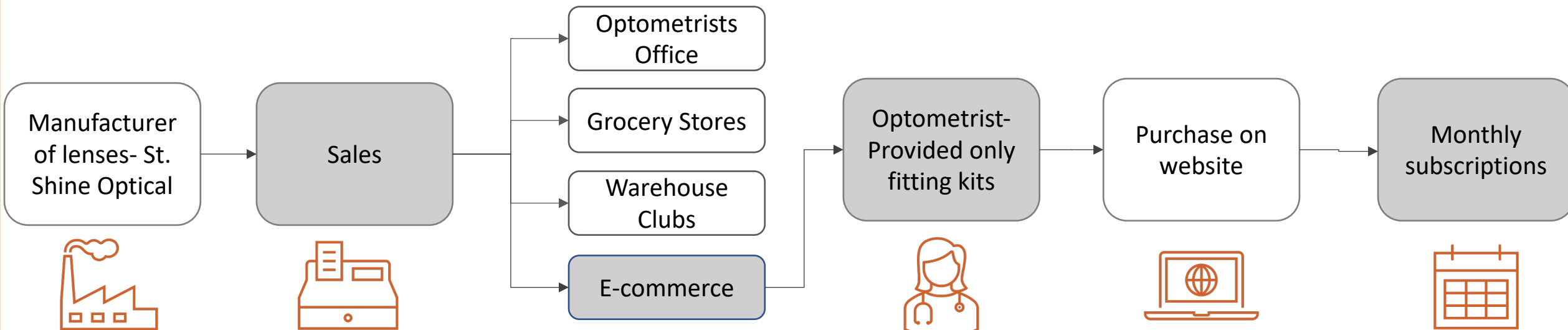
J&J vs Hubble

Direct-to-customer service for contact lenses

Operates through an **e-commerce** site

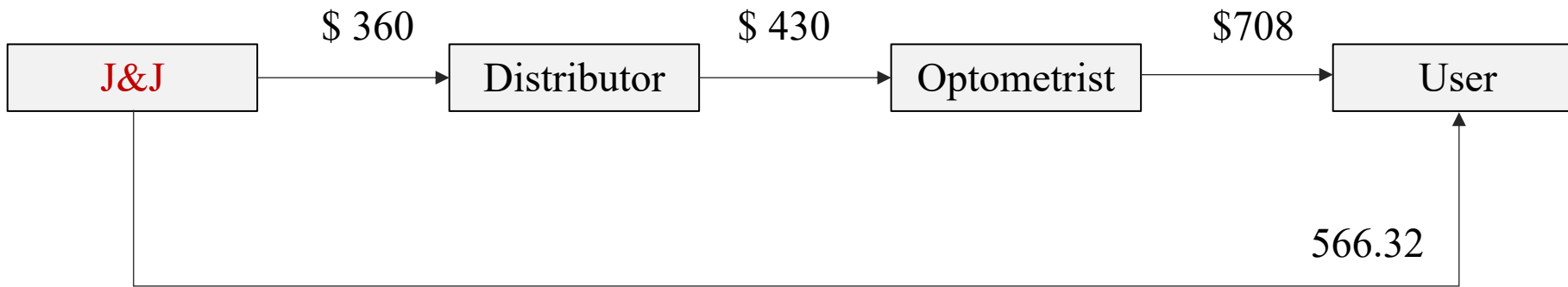
Social Media first brand- effortless purchase through Facebook

Offers monthly **subscription** packages for dailies

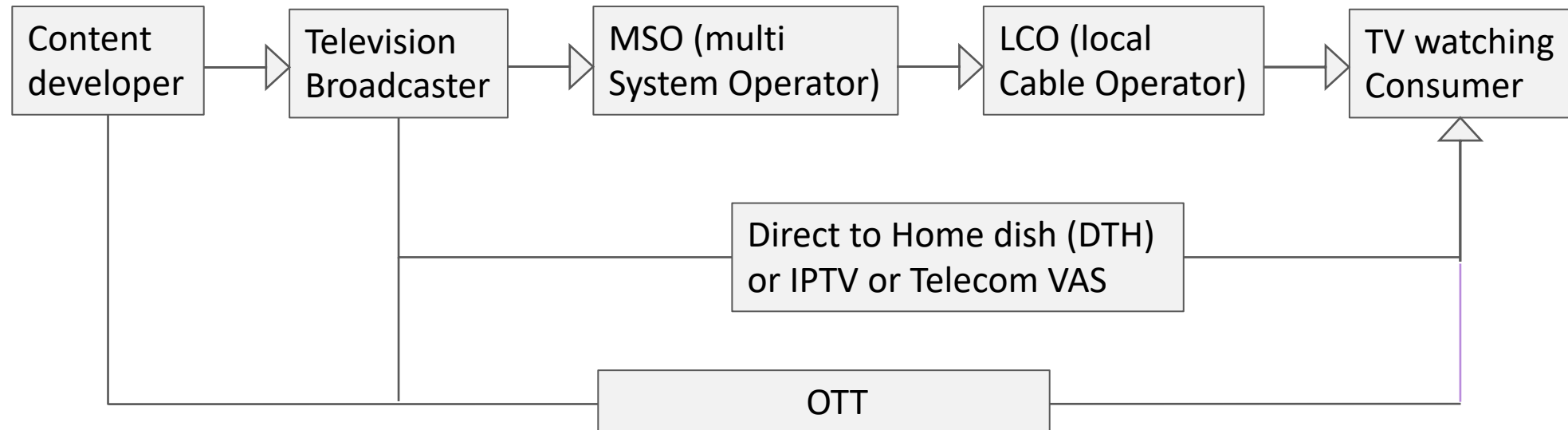


And then came HUBBLE, a D2C brand

What should J&J do



What is happening?.. Dis-intermediation



- Internet disrupts the **traditional value chain**
- Parts of the same value chain in traditional business, are now competing
e.g., Tata-sky-app vs hotStar, Balaji vs Zee etc

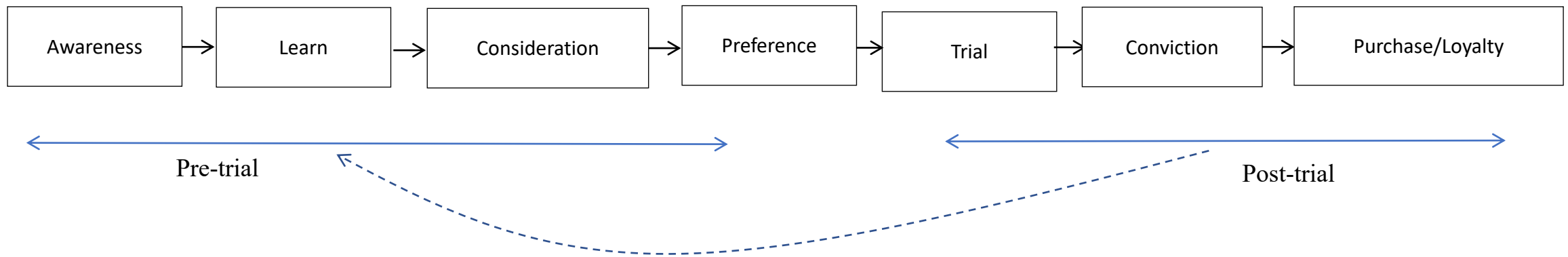
Case: LenDenClub

- Online lending between borrowers and lenders without the mediation of any financial institution.
- Faircent, lendbox, i2ifunding, finzy etc.
- Started in 2014, by 2020 had 680,000 lenders and 89,000 borrowers
- Personal loans for 3 to 24 months
- Amount: Rs 25,000 to Rs 500,000

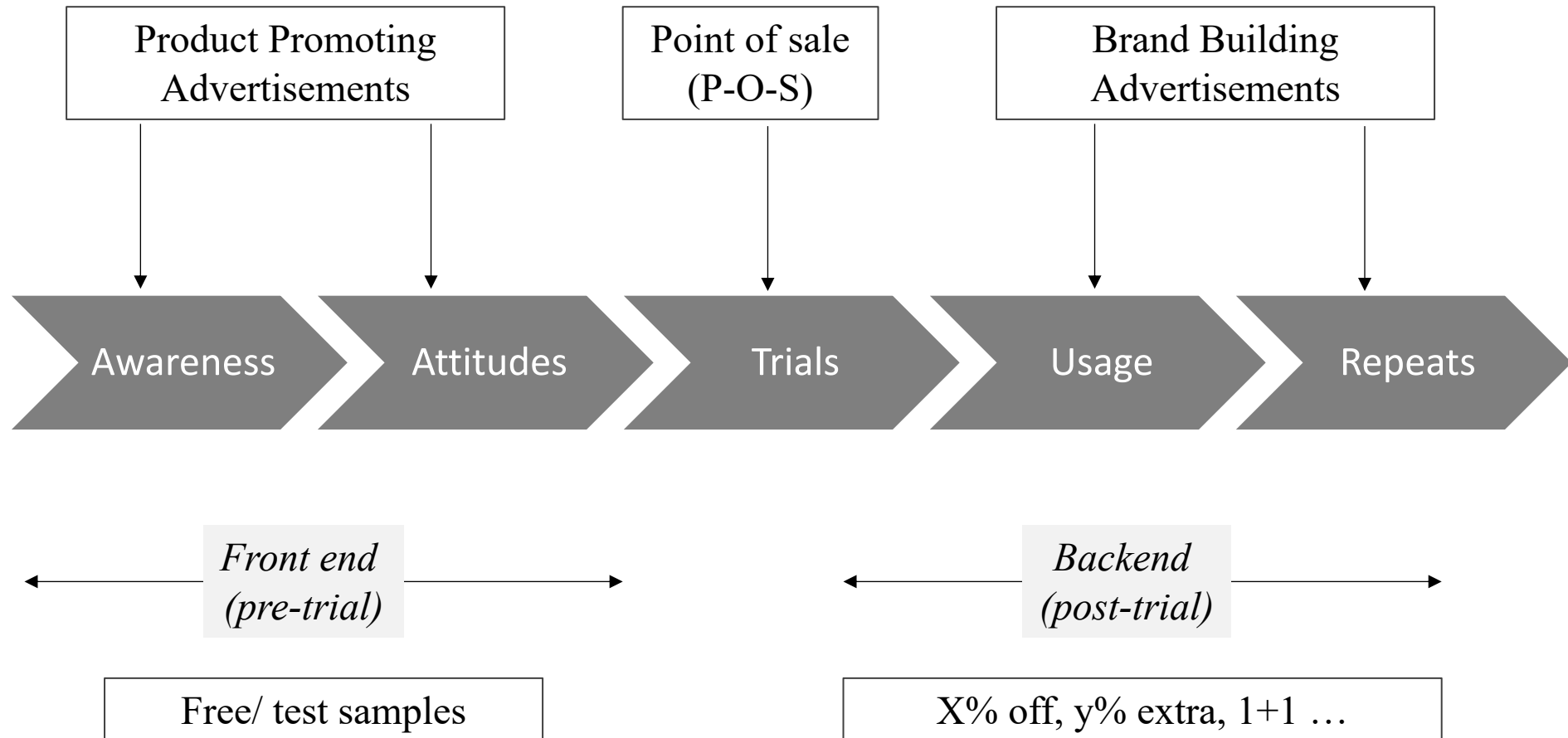
Case: TranSwap

- Started in 2017 (late entrant)
- Opportunity : banks charge (1 to 5% Fx spread on currency transfer) + administrative fee + Commission
- TranSwap Pricing: 0.35% to 1.7%
- Fast, Secure, Cheap Made real by Technology – an integrated B2B2C business where same software allows itself to be used as PaaS for businesses and allows consumer transactions.

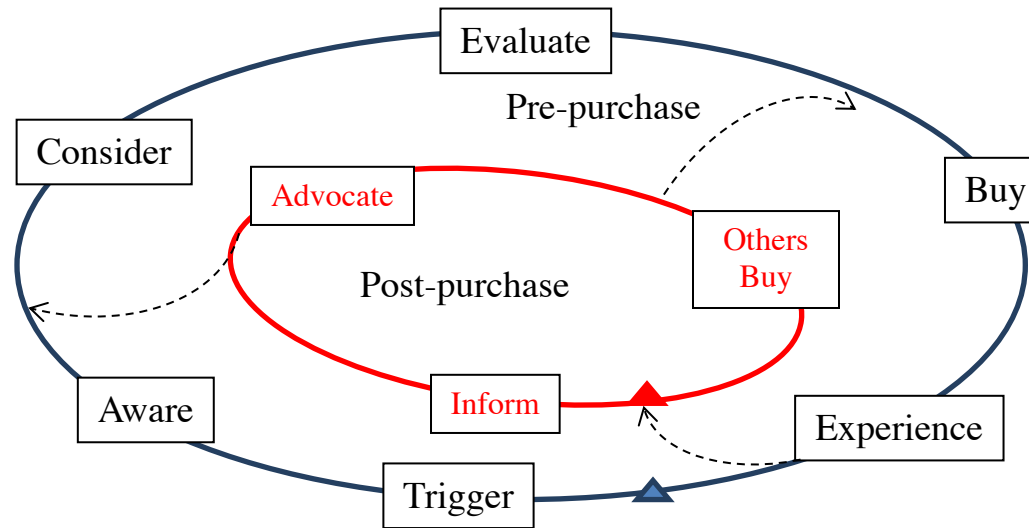
Consumer Decision Process: traditional



The old way: Advertising & Promotion



Omnichannel World: ... *everything everywhere all at once*



How about you?

- “Circular path” with feedback loops; “post-purchase” ↔ “pre-purchase”
 - Social media, review sites, blogs, chat rooms
- Marketing has role influencing consumers; but not marching them along linear funnel with purchase “end point”; *more touchpoints*
- Consumers expect to derive value from the journey itself...

c. Managing business post D2C

D2C *Khichdi*: Manage mind & transactions...

Brand Pull

- Video ad
 - On TV
 - On OTT
- Image ad
 - Banner advertising on digital

Performance (transactional) Marketing

- Click, click, click – call for action
 - Whatsapp
 - Google
 - Facebook
 - Instagram....

Focus on the three screens: **TV, MOBILE, INTERNET***kattthey*

How does the value-chain get disrupted



Two different realities to be managed together (omnichannel) or separate (D2C) ←



D2C allows simultaneous multi-brand launch

Parallel approach of omnichannel and D2C e.g., Pattern brands launched online with two brands – EQUAL PARTS and OPEN SPACES, challenging each other while fighting competition

This is unlike traditional business

d. Brand: still a sustainable competitive advantage

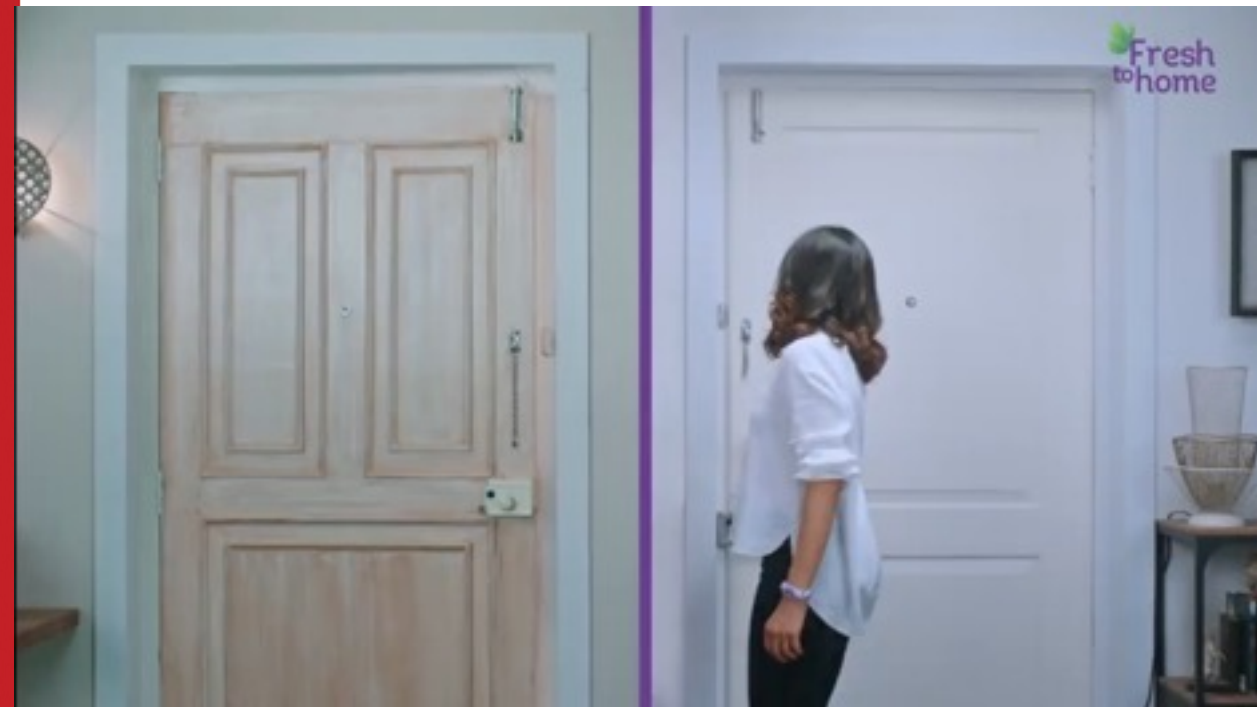


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Licious®
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Swati Aggarwal
Gone Licious since
Favourite Dishes





Logical



il-Logical

Walk illogically like a superstar, **earn illogically** like a superstar
(no change here)

e. What are the current businesses doing?

Your Approach

You build for them



Build

Might be the best route:

- When the opportunity is related to the company's core business
- If there is still time until the market's inflection point
- If the company has the opportunity to hire the necessary talent

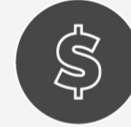


Buy

Usually most appropriate:

- When there is a strategic imperative to 'own' a market
- If the market inflection point is close and hiring the right talent isn't possible
- If the new opportunity bears little relation to the corporation's current business model

First build and then sell
your tech as white-
label to all biggies



Invest

- Allows an established company to with the right skills and capabilities
- Avoids hindering entrepreneurial forces with a setup focused on internal-governance and reporting, undermining the start-up's agility, velocity, etc.

Find a strategic investor



Partner

- When there is no strategic need to own
- Learn more from a 'digital native' about the market and its partner's model
- Useful when it makes to have an eye towards deeper partnerships or acquisitions in the future

Hunt for alliances



Incubate/Accelerate

- Close relationship to the funding company, deploying corporate internal capabilities, infrastructure and resources to the start-ups
- Companies can benefit from an increased deal flow in business models and technologies

FITT or equivalent

Digital next: Metaverse

