

Going Digital Going Direct

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INTRODUCTION

Digital customer relationship management is the use of Internet communications channels and technologies to enhance customer relationship management (CRM) and customer experience management (CEM) initiatives.

An important goal of digital CRM is not only to provide an organization with a clear picture of each customer's habits and preferences, but also to make personalization and automated messaging easier. The term digital CRM is often associated with the Internet of Things, A scenario in which computer processors capable of sending and receiving data are embedded in everyday objects. In such a scenario, the customer may not be human -- the customer might be a fuel tank capable of sending an automated message to the supplier, requesting a delivery.

Digital strategies to help brands connect with today's consumer

As the world and its human inhabitants are rushing deeper into a new digitized reality enhanced by mobile ubiquity, cloud computing, and the internet of things, many traditional industries and companies with hundreds of years of history and business success are facing a challenge they haven't seen before. It seems that it was only yesterday when they were able to concentrate on developing their core

know-how, and the rest would follow. Now the world is dramatically different from what it used to be some fifty years ago, or let's make it five years.

In today's world, while the corporate operational environment has in many cases drastically changed from what it used to be – and it may even seem like the changes have happened over night – many managers and entrepreneurs would like to get a time-out to ponder upon how are they going to keep up with the pace of development and how are they able to keep on bringing value to their customers. Or what is even more alarming, some may be puzzled how they are going to maintain relations with their customers when they are not even sure where to find customers anymore or recognize what kind of services they want in this new digital reality. Let alone how they should be served in the ever changing digitized environment

How to Create Value by Digitizing Your Business

1. **Admitting that customer is still king in digital economy**

There's an old saying in the business world which states that customer is king. Yes, this golden rule of commerce still holds true but, furthermore, in the digital world its importance has emphasized.

When you begin to digitize your business processes you may first want to make sure that your products' quality, reliability of delivery, and customer service are up to date. Your online reputation is very important in succeeding in the digital age. You should give as little reason for negative reviews and angry online feedback as possible.

In the business environment of the digital age your corporate values can't be merely rhetoric anymore – even though you may have gotten away with it in the past – because many consumers are very conscious of what they are buying and from whom. If the way you make business is not viewed as sustainable and transparent, chances are that the online communities are not buying from you.

The digital world has given birth to a new breed of consumers and customers who demand that companies have certain digital services available on their product portfolios. By offering these services you help ensure that the public thinks your company is still running strong. Furthermore, choosing the right business models, companies can generate real cash-flow through digital processes and get return on invested capital.

2. Setting up presentable and optimized business website

If you're not running a brick-and-mortar store your business website should be your display window. Especially in B2B your web presence should make you look like you're an expert on your business field. So make sure your website design is at least at the same level as your main

competitors'. There are services that let you design your own website, but if you hesitate whether your design and tech skills are good enough the best option is probably to hire a professional web designer/developer.

Also make sure your website is optimized for mobile browsing since there are already more mobile device users than desktop users in the world. If you want to ensure that customers find you it would be advisable to let an expert optimize your website so that search engines, such as Google, rank your pages as high as possible.

3. Selling your products online

Online shopping and ecommerce are growing fast, and nowadays you can order pretty much anything on the internet. This causes new kinds of challenges to marketers and sales teams. When entering the global marketplace you need to think over your selling strategies. Many traditional brick-and-mortar retail companies have broadened their customer base by opening an online store. In addition, the expansion of information networks has led software industry to distribute their products more and more as services downloadable in digital marketplaces or in the cloud.

4. Engaging customers via social media

Social networking should not be seen as merely another channel for commercial information, although social platforms have enabled paid advertising. Like the name states, social media are places where you ought to be social. The best way to be

present on a certain channel is to be genuinely present there. If you are mainly operating in business-to-business sector then LinkedIn could be a good starting point. If you are doing more B2C, then you might want to begin with exploring Face book.

The use of social media is a great means to keep contact with your clients, but you probably should not overwhelm them with your slick advertising. If you are using the social media in the first place you are implying that you would like to share something of yourself and that you are interested in connecting with existing and potential customers. If you get followers on Twitter, perhaps you could follow them back. When somebody likes your Face book pages, you could reciprocally like theirs.

On Instagram and Interest you can share your ideas, visual material, or content that presents your company's values, and perhaps the lighter side of making business. Presence on different channels could have a positive effect on the overall customer contentment. One way to view the social media is to see them as platforms where you can deepen the customer engagement. Your customers may even want to share their own content of them using your products.

5. Increasing efficiency and customer loyalty with mobile

Launching a mobile app shouldn't ever be about bringing your corporate website into your customers' pockets. Rather, you need to seriously think about how to utilize the different features of mobile devices to

make your app more useful. Some ecommerce companies have even shut down their traditional websites and concentrated on app-only platform. The main attribute linked to mobile devices is that they are, in fact, mobile. Among consumers, some of the most commonly used mobile device functions, besides web browsing and gaming, are media streaming, social networking, and personal information and time management applications.

Mobile devices have many built-in features that can be utilized in mobile development: GPS navigation, WiFi connectivity, cameras, motion sensors, etc. Those kind of technologies have many possible implementations for your business app. You could build an app which notices when the customer is inside your store and pushes marketing notifications to display. The main point is that your app should solve an existing problem that your customers face, while creating an exciting user experience.

6. Improving data management to help steer the boat

The emergence of the internet of things starts a new era in the ongoing process of digitization. We are now at a point where nobody even thinks that internet is something special. It just is what it is. While in the mid 90's, most people hadn't even tried logging into the World Wide Web. Market information provider Gartner has estimated that in the year 2015 there are 4.9 billion devices connected to the Net. In 2020, the number could be 25 billion devices. Mastering the business intelligence management is going to be

crucial in the future. Companies should be able to utilize the data that they get from multiple sources, such as customer relationship management and enterprise resource planning software, or from website, social media, and ecommerce analytics. Sure, everyone makes a bad decision once in a while and we all know that predicting future is difficult, but still, its common sense to back up your decision making with statistics and other hard evidence.

NEW OPPORTUNITIES FOR BRAND

New digital tools and platforms combined with powerful data analytics are enabling brands to directly engage with customers, improve the shopping experience, and gain valuable data at every point along the path to purchase. Brands that typically depended on brick and mortar retailers are now empowered to sell direct to consumers both locally and globally. In the process, these brands are opening up new markets and creating new revenue channels. It's time for established and emerging brands to take note – and evaluate the merits of going direct-to-consumer. In every sector, competition is fierce and margins are tight. By using digital tools and platforms, brands no longer need to rely on traditional retail and wholesale distribution and sales channels. For example, by going direct to their consumers via ecommerce, BuildDirect.ca, which provides building materials that have been traditionally available for purchase at home improvement retailers, is now able to leverage data analytics to

increase efficiency in bringing new products and services to the market. Brands can connect with their end customers directly and develop meaningful relationships with them. They can use the data they collect to refine their products and offerings and better meet customers' needs and demands. All brands have something to gain by exploring and pursuing digital, direct-to-consumer opportunities. For established brands that have traditionally offered products through retailers or other third-party channels, it opens up new channels to drive revenue.

GOING DIRECT IN DIGITAL AREA

Brands' going directly to consumers isn't a new idea, of course. Nike, Disney and Apple are all brands that have combined traditional sales and distribution channels with direct-to-consumer channels such as self-branded stores and ecommerce websites. Yet the approach taken by these well-known brands can require tremendous investments in their own online stores, retail chains and staff. Today's digital tools and platforms can enable brands to develop their own direct-to-consumer channels far more quickly and cost-effectively.

Digital tools Social media tools, such as Face book, Twitter, Instagram, and Pinterest, have transformed the way that customers and brands interact with one another. Low cost analytics tools are allowing companies to understand customers better than ever before. For brands, these digital tools provide a free or low-cost way to connect and engage with the people who buy and use their products.

For some established brands, this can be the first time they've been able to connect directly with their customers. Done effectively, social media-driven engagement efforts can help build brand loyalty and drive direct-to consumer sales. The social influence of individuals can now be measured and valued by their number of friends or followers, how likely their social network is to re-broadcast a message – their reach – and how likely those receiving the message are to convert to customers. As a result, brands can more readily identify high value individuals and monetize their social equity through analytics.

DIGITAL PLATFORMS

Having a digital platform is essential to ensure your brand is considered in the path to purchase and critical to winning today's consumer. E-Commerce capability is table stakes – customers expect to be able to buy products online. For many new and emerging brands, ecommerce is the only way they sell their products or services. Thanks to new digital platforms, including marketplaces, mobile apps, e-readers, and electronic kiosks, it is now significantly easier for brands to establish an ecommerce capability. These platforms allow companies to build a branded retail presence for a fraction of the cost of building physical store fronts.

OTHER TRENDS

Other developments are helping make a digital direct-to consumer strategy a viable channel for brands. Advances in Smartphone technologies, upgraded

mobile networks and mobile-specific digital tools and platforms are making both mobile commerce and location-based services a reality. This, in turn, enables brands and consumers to engage with one another anytime, anywhere – exactly what today's customers demand. Traditional distribution channels such as retail chains aren't going away any time soon, though they are now just one aspect of the omnichannel shopping experience. However, stores are going digital – they can now offer many more products than they can physically stock. This can allow emerging brands an opportunity to get their products into traditional distribution channels digitally, and as a result does not require them to provide retailers with products on consignment, or trade spend, or listing fees. For established brands, it creates opportunities to deliver wider, more differentiated product offerings.

THE DIRECT-TO –CONSUMER OPPORTUNITIES

Capitalizing on today's digital tools and platforms to develop a direct-to-consumer capability can deliver a range of benefits across financial, operational and market dimensions:

- **Revenue growth** – Brands can establish their own direct connection with customers, increasing engagement and conversion rates through their own ecommerce channels. With retail sales expected to slow in Canada, brands can quickly establish a presence and scale up business in higher growth markets. Improved margins – Brands no longer have to outspend the competition for better

in-store positioning and promotions through pricing or trade spend, or negotiate pricing with retailers for paper-thin margins.

- **Expanded market reach** – Brands don't need to be restricted by geography or their distributors' reach when they market and sell their products directly to consumers online. Now they can sell to the fastest growing markets with the most desirable customer segments, allowing them to go global overnight.

- **Improved customer data** – Brands can leverage the incredible wealth of data generated by digital tools and platforms to better understand their customers' preferences, lifestyles, demographics, and path to purchase. High value segments can be identified and targeted, while pain points in the customer journey can

TRADITIONAL APPROACH

Retailer relationships must be continually managed, and brands must work with retailers' timing and pricing, margin and trade spend demands. Operating costs are high thanks to trade spend and retailer margins – and yet retail sales are stagnating. The opportunity for these brands, going directly to consumers through digital channels allows brands to move into new and previously unreachable markets. Brands can tap into the 'long tail' of their product offering and gain a greater share of their customers' category spend. Product selection can be extended through a digital 'endless aisle' that can move

Customers to higher margin online channels that complement brick and mortar channels. Moreover, they can develop and deepen their own relationship with customers – using their customer data to deliver a personalized, targeted experience and building brand loyalty based on relationships rather than quality or price. A direct-to-consumer approach also provides established brands with more flexibility in launching and marketing products. Brands can leverage real-world data through digital tools to better understand the expected performance of a product before it is launched. In some retail categories, individual retailers can control up to 80% of the market, creating significant negotiating power and heightened risk for supplier brands. Going direct can open up new channels, and

Hybrid approach Established brand with existing direct-to-consumer channels Other established brands have already taken some steps into the direct-to-consumer space, operating self branded stores, ecommerce or, loyalty programs, or some combination of these. Some brands will have gone it alone, while others have partly outsourced the functions to third-parties such as Amazon or SHOP.CA. By combining traditional distribution and direct channels, these brands already enjoy a large reach. Owning their own channels – and in some cases, their own loyalty programs – gives these brands some consumer data, though traditional retailers still own much of the rest. Prices must still be negotiated with retailers and other traditional partners, though owning direct channels does provide these brands with

the opportunity to release different products through different channels. Established brands that have existing direct-to-consumer channels such as their own retail stores can lower their overall cost structure by digitally going direct as well, ecommerce which would allow for higher margins and increased revenues from existing direct channels through the omnichannel ‘multiplier’ effect, i.e. online-influenced retail sales.

NEW APPROACH

Emerging brands have little say on pricing and merchandising, owing to the lack of brand awareness – and working through traditional channels can make it hard for these brands to gain any significant exposure to their end customers. The good news is that emerging brands are no longer hampered by their size and budgets in their drive to build awareness and a thriving customer base. New digital tools and platforms mean that emerging brands no longer need to distribute their products through traditional channels. Now, emerging brands can take the direct-to-customer route from the very start. Emerging brands can use platforms such as Amazon and SHOP.CA to develop a branded, easy-to-use online commerce capability – achieving scale quickly without the time and expense of a custom-built capability. Social media can be harnessed to promote the new products or services and create awareness and buzz, enabling brands to build a community of potential customers who want to hear more about what brands have to say and sell. By adopting a digital, direct approach at the

outset, emerging brands can easily test and experiment with pricing and SKUs to better determine the ‘sweet spot’ for conversion and profitability. Because they retain their entire margin, emerging brands can adjust prices as necessary to gain market momentum. That’s not to say emerging brands don’t need to work with traditional channels. For many customers, the path to purchase includes a stop at a physical location. The difference is that by creating awareness, buzz – and sales – through a direct-to consumer approach, emerging brands can negotiate from a far stronger position.

CONCLUSION

Going digital Taking the digital, direct-to-customer route is not without its challenges.

Alleviating potential conflict with retail partners – Established brands got that way by building strong relationships with traditional distributors and retailers over the years. Opening up direct-to-customers channels creates new, profitable opportunities for brands, but it can also create conflicts with their traditional channel retail partners. • Differentiating products and offers – For brands that own some direct-to-consumer channels, a very different set of challenges are presented. Product and offer differentiation becomes a crucial strategic decision, as is careful attention to pricing strategies for the various channels used. Understanding how customer segments shop across product categories can help match the appropriate channel and offering with the most receptive segment. • Monetizing through

digital and social media – Emerging brands face different challenges. While digital tools such as social media make it easier than ever to reach potential customers, driving them to sites where they can become buyers—and turning those fans into customers – can be much more difficult. Emerging brands may also need to determine the optimal mix of direct channels to better focus their attention and investment.

For established brands, the direct approach can open up new, more profitable revenue channels that can offset a stagnating, low-margin retail environment. For emerging brands, the direct route can enable them to build awareness, buzz and sales more quickly – and cheaply – than they could by taking a more traditional approach. But more importantly, taking a digital, direct approach can enable every brand to control their customer experience and deepen their relationship through data driven insights.

Going direct to consumers offers many benefits to brands – but determining how best to do it isn't always easy. Deloitte can work with you to evaluate your options and develop a plan for going direct in the digital era. How Deloitte can help

- Develop and implement ecommerce, mobile commerce and Omni Channel strategies
- Understand the investment and evaluate whether it's better to use third-party tools or develop your platform yourself
- Create product and pricing channels to maximize returns and avoid channel conflict

- Map customer experience and path to purchase