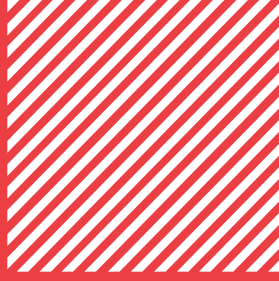


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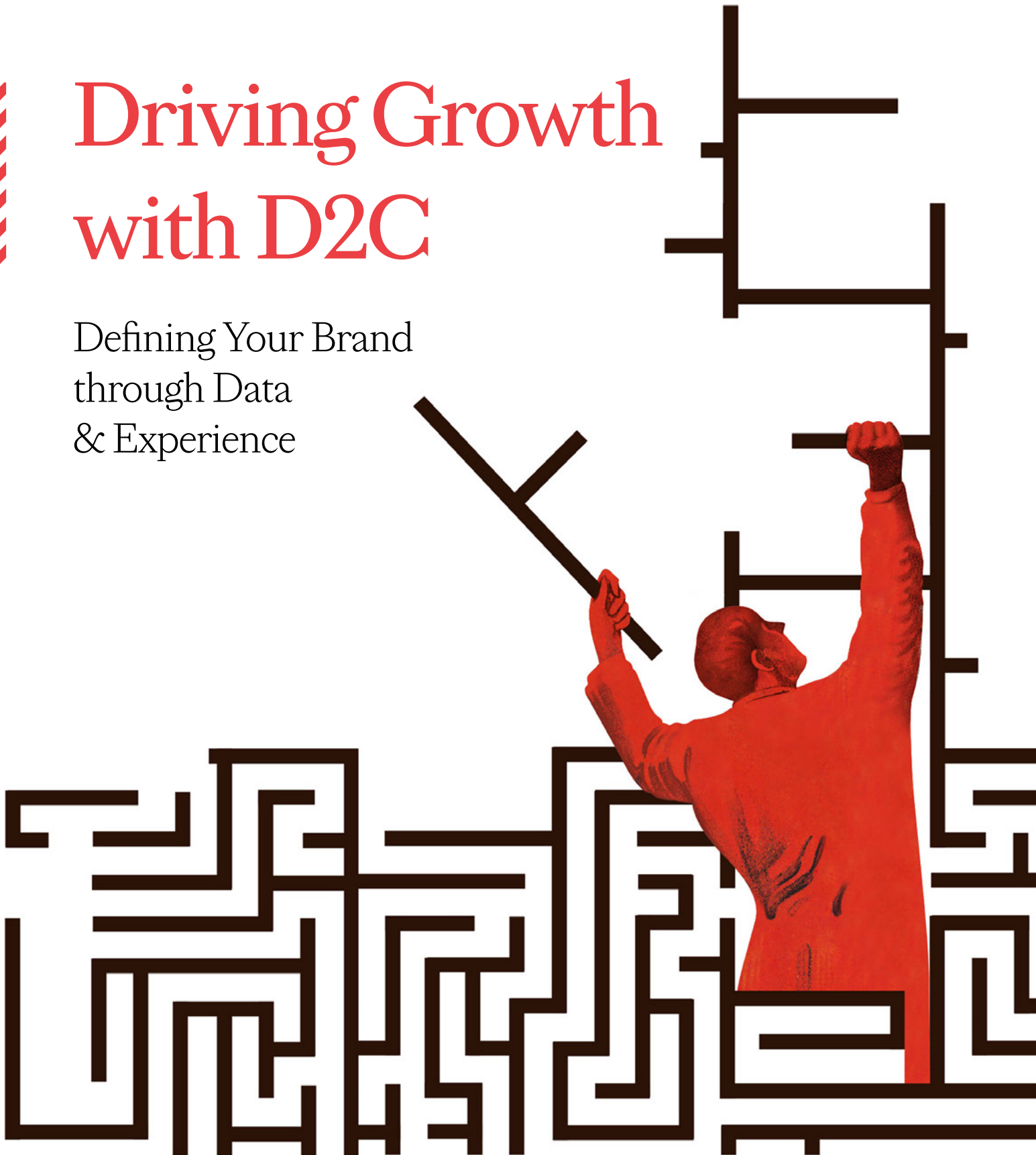
commercetools

Vertical



# Driving Growth with D2C

Defining Your Brand  
through Data  
& Experience



# Executive Summary

Think that Southeast Asia is immune to the digital commerce transformation?

Think again.

The rise of digital commerce is already transforming how customers shop in the region, and the trend is accelerating. Brands need a direct-to-consumer digital strategy to come out on top of this disruption and lead the market in the future. That is because D2C offers you more intimate and resilient relationships with your customers so you can create more insightful and effective brand experiences that set you apart from competitors.





Online purchasing has been slower to catch on in Southeast Asia than markets such as China. But last year, the pandemic significantly increased the adoption of digital services in Southeast Asia. New technologies, new platforms and new consumer expectations are all on the rise, and brands in Southeast Asia should prepare for a ripple effect of changing habits with wide-reaching impact across all sales channels.

Today, online shopping marketplaces like Shopee and Lazada are driving digital commerce penetration and leading online customer experience trends in the region. But looking ahead, dependence on marketplaces for your digital commerce strategy will come with rising costs, not to mention losing ownership of an increasingly precious asset: customer data.



D2C gives you the ability to adapt nimbly to changing customer expectations and offer them a unique experience that sets your brand apart. Perhaps more importantly, D2C provides ownership of invaluable customer data to help you innovate and personalize your offering based on data-driven insight into your customers' expectations and behavior.

For some brands, creating a competitive D2C offering will require a significant overhaul to how they work. While this opportunity cost could be seen as a barrier in one view, catalyzing innovation and increasing your ability to connect with and learn from customers online is perhaps the most important reason to start investing in D2C today.

D2C provides ownership of invaluable customer data and lets you provide unique experiences that set your brand apart.

D2C gives brands a long-term edge by placing customer-centric innovation at the heart of how your company operates. Adopting a D2C strategy now will make sure your brand keeps control of your customer data and customer experience. Holding off only imperils your brand's future.



# 3 Pillars of D2C Advantage

Here are 3 major advantages to D2C that explain why accepting the short-term challenges now will pay off hugely in the long run.

1

## D2C creates unique online shopping experiences for **brand differentiation**

- » Personalize customer experiences with services and communications tailored to their needs
- » Customize shopping experiences to your brand and category and stay true to your brand value online
- » Integrate digital commerce with social media for effective influencer and brand advocates campaigns
- » Make any touchpoint where your customers are connecting shoppable



2

## D2C empowers ownership of your **customer data**

- » Gain intimate knowledge of your customers and invaluable insights to drive your innovation strategy
- » Design customer experiences with a data-driven edge
- » Giving data away to marketplaces could empower competitors with insights about your customers
- » Acquiring data from third parties will become more limited with increasing privacy concerns
- » Customers are more likely to willingly share data when they get a better shopping experience in return



3

## D2C drives necessary **brand leadership**

- » Make data and technology the priority for your organization
- » Integrate your digital commerce team with people from across all functions
- » Adopt an agile management system to run small microservices teams in parallel
- » Recruit top tech talent with a growth mindset to roll out new functions
- » Implement a “headless” commerce system where your backend digital commerce API will work with endless user touchpoints or “heads”



“  
The shift to D2C starts with a change in mindset. No category is immune to the influence of online buying.”

~ Waheed Bidiwale

In 2016, Perfect Diary cosmetics launched in China. By 2019, the brand had risen to become the country's third best-selling brand. In their 2020 IPO, this start-up earned a valuation of over \$7 billion USD!<sup>1</sup>

How did a new cosmetics company so quickly topple established competitors? By going direct-to-consumer, Perfect Diary was able to move faster, connect closer and communicate smarter with customers.

These days even established brands must move fast to stay ahead. When the pandemic hit, Nike saw nearly every offline store that sells its merchandise close in China. But the brand still managed to post 5% revenue growth there, because Nike was ready to react with direct-to-consumer sales. In the third fiscal quarter of 2020, Nike's digital sales jumped more than 30% in China<sup>2</sup>. Globally, Nike's direct-to-consumer sales grew by 142% between 2015 and 2020, and the brand aims to achieve \$16 billion USD via this channel in 2022<sup>3</sup>.

The rise of digital commerce will have an impact on the entire global marketplace, and once this trend hits, your business having a strong digital commerce strategy will put you at an advantage.

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<sup>1</sup> <https://www.businessoffashion.com/news/beauty/c-beauty-giant-yatsen-raises-617m-in-ipo>

For additional stats about the brand <https://www.businessoffashion.com/news/china/perfect-diary-parent-sees-net-revenues-rise-717-in-q4>

<sup>2</sup> <https://www.nasdaq.com/articles/3-reasons-why-nike-can-overcome-the-coronavirus-crisis-2020-03-29>

<sup>3</sup> <https://www.sqli-digital-experience.com/en/blog-en/brands-are-taking-back-control-with-the-emergence-of-direct-sales-d2c-in-asia>



That is why brand leaders of the future are investing in direct-to-consumer digital commerce. It is critical to build resilient, direct online relationships with customers now in order to future-proof

your business. Today you might not be doing anything amiss, but tomorrow you could lose out unless you are ready to react at the speed of your customers—or even outpace them.

## Digital Commerce is Rising in Southeast Asia

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In China, digital commerce is already an important source of sales volume.

By the end of 2021, China will become the first country in history to transact more than half (52.1%) of its retail sales digitally via digital commerce<sup>4</sup>. Currently, 45% of the world's digital commerce transactions take place in China<sup>5</sup>.

In Southeast Asia, online purchasing has been slower to catch on. But new technologies, new platforms and changing consumer expectations are accelerating the process. With powerful Chinese tech companies investing in digital commerce in the region<sup>6</sup>, Southeast Asia is on track to eventually follow in China's footsteps. The opportunity is nascent, but brands that invest now will be in a position to reap significant rewards.



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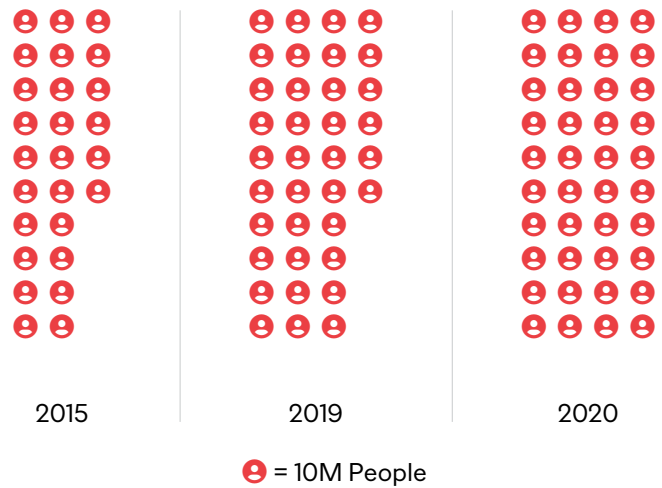
<sup>4</sup> <https://www.emarketer.com/content/global-historic-first-ecommerce-china-will-account-more-than-50-of-retail-sales>

<sup>5</sup> <https://www.mckinsey.com/~media/mckinsey/featured%20insights/china/china%20still%20the%20worlds%20growth%20engine%20after%20covid%2019/mckinsey%20china%20consumer%20report%202021.pdf>

<sup>6</sup> <https://www.techinasia.com/diving-alibaba-tencents-bets-southeast-asia>

There are **400 million internet users** in Southeast Asia, and **70%** of the region's population is now online.

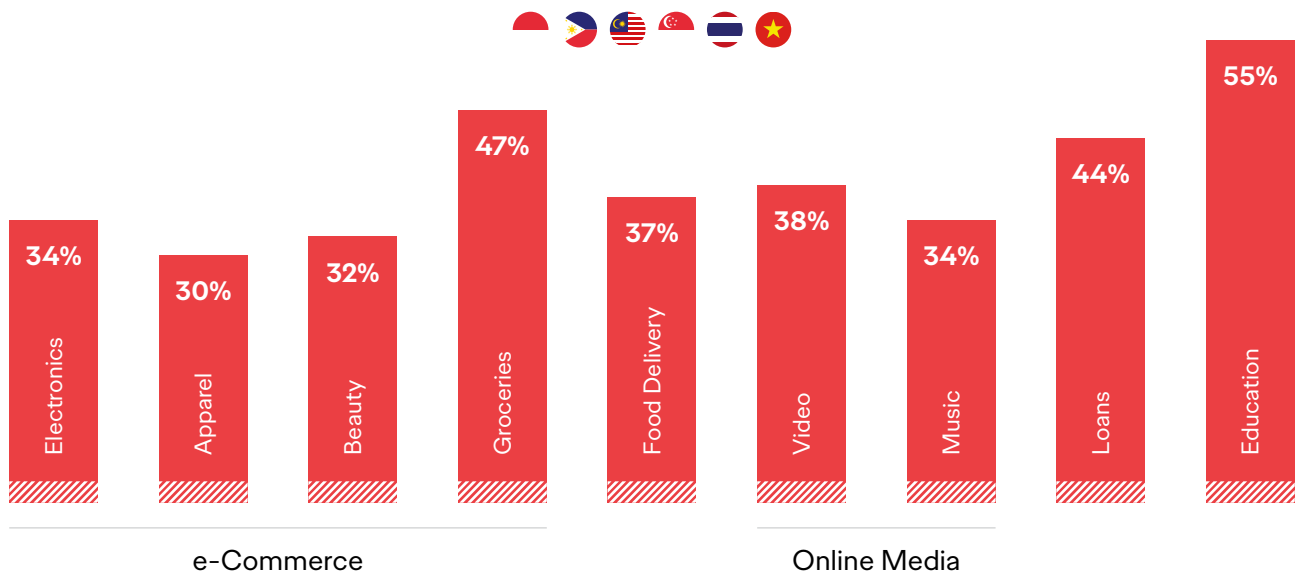
### Total Internet users in SEA



Source: e-economy SEA

Last year, the pandemic significantly increased the adoption of digital commerce and related digital services in Southeast Asia. Internet penetration, digital payment and consumer trust in digital commerce all rose significantly in 2020<sup>8</sup>. The region's online industry is poised to triple to \$309 billion USD in gross merchandise value by 2025<sup>9</sup>.

### % of new digital consumers out of total service consumers (SEA aggregate)



Source: e-economy SEA

<sup>7</sup> [https://www.bain.com/globalassets/noindex/2020/e\\_economy\\_sea\\_2020\\_report.pdf](https://www.bain.com/globalassets/noindex/2020/e_economy_sea_2020_report.pdf)

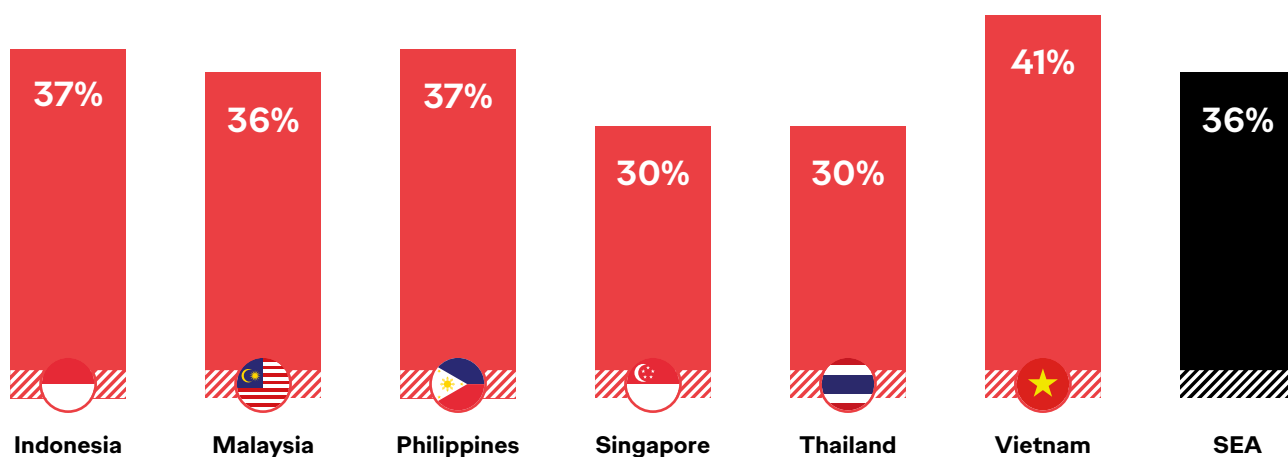
<sup>8</sup> Ibid

<sup>9</sup> Ibid



**1 in 3** of all digital services users in Southeast Asia were new due to COVID-19, and **94%** intend to continue their newfound habits post-pandemic.<sup>10</sup>

**% of new digital consumers out of total service consumers (SEA aggregate)**



Source: e-economy SEA

The cash-as-payment method fell from 48% of transactions to 37% in 2020. In comparison, e-wallets rose from 18% to 25% in the region.<sup>11</sup>

In Southeast Asia, online marketplaces like Lazada, Shopee and Tokopedia are investing heavily to drive the penetration of digital commerce. Shopee financial reports indicate that their turnover for 2020 was \$35.4 billion USD, double that of 2019, and accounting for 57% of the entire Southeast Asian digital commerce market's transaction volume.<sup>12, 13</sup>

<sup>10</sup> Ibid

<sup>11</sup> Ibid

<sup>12</sup> <https://www.businesswire.com/news/home/20210302005582/en/Sea-Limited-Reports-Fourth-Quarter-and-Full-Year-2020-Results>

These platforms are luring and monetizing shoppers by enriching the shopping experience in new ways. For example, making shopping more social with livestream video platforms like Shopee Live where users watch KOLs and shop online at the same time, and making shopping more engaging with gamification tactics such as collectable vouchers, daily bonuses, and prize giveaways. Tim Till, Vice President of Presales Consulting—Technology for Ogilvy notes that these trends will continue to evolve and consumers will continue to grow in their engagement with marketplace platforms and social-based commerce.

*“In Southeast Asia, social media penetration ranges from approximately 60% in Indonesia to 90% in Malaysia from early 2021,” says Till. “Referral-based commerce with influencers may see an increase as the sophistication in payments to those influencers matures. A growing consumer base, including unbanked individuals will increasingly be able to buy online as individuals and businesses become able to receive payment and pay through new and developing methods such as crypto currency, buy-now-pay-later, e-wallets.”*

“Combining the use of social media with digital commerce will be a lever to capture the increasing number of digital shoppers.”

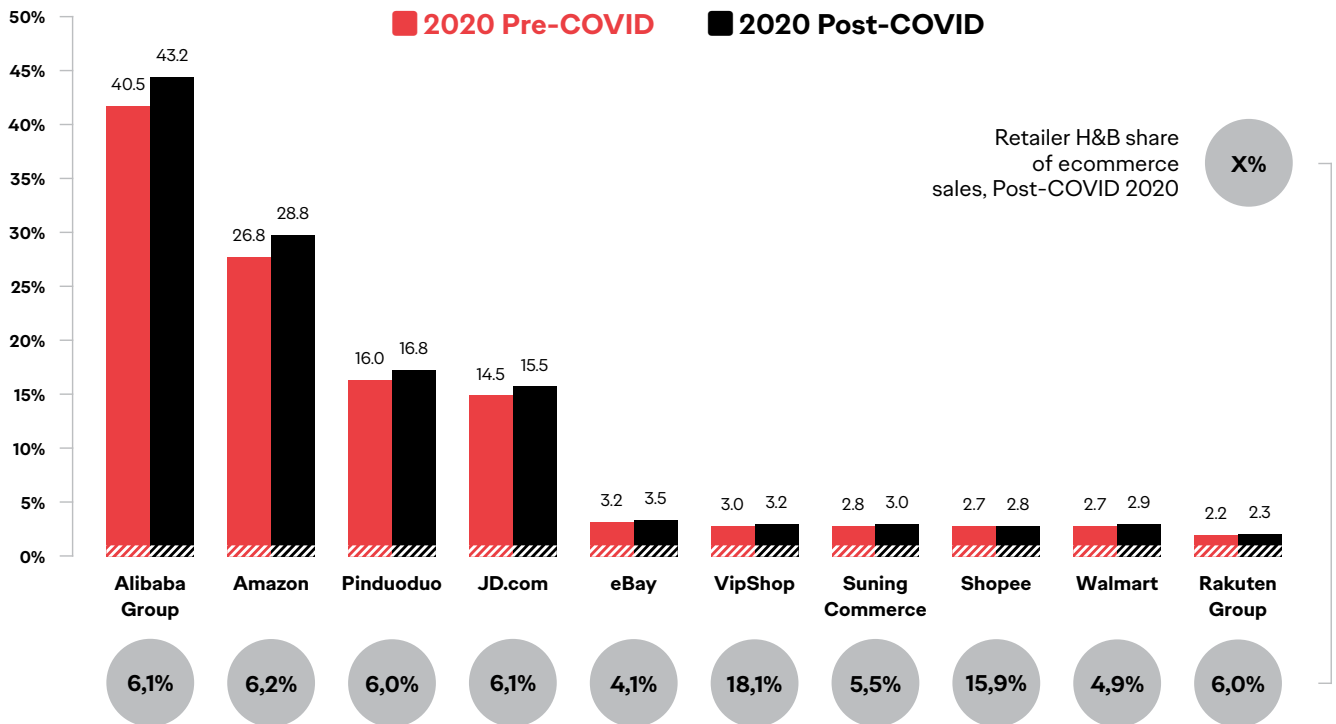
~ Tim Till

Some categories are feeling the impact of digital commerce more quickly than others. For instance, the online share of sales made in the health and beauty sector globally is expected to rise from 16.5% as measured at the end of 2020 to 23.3% by 2025.<sup>14</sup>

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<sup>14</sup> <https://www.warc.com/newsandopinion/news/e-commerce-to-dominate-future-of-health-and-beauty-sector/44002>

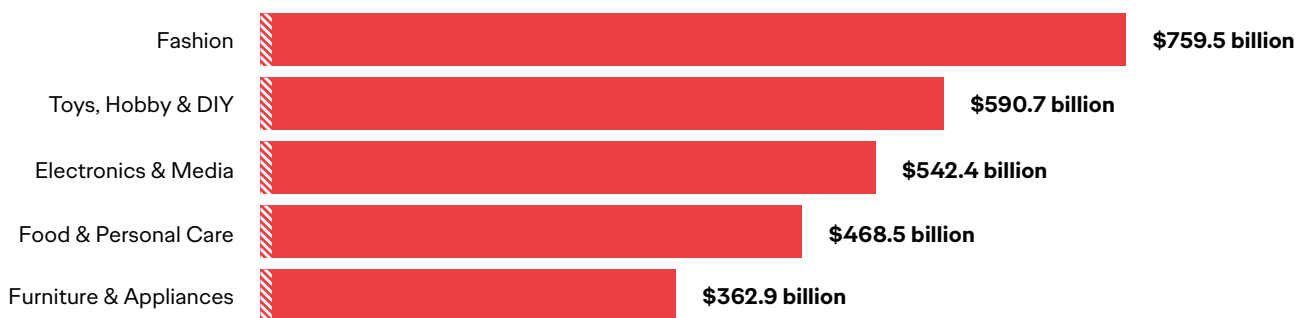
## Top 10 global online retailers by health & beauty ecommerce gross sales pre vs post COVID-19 2020, (USD bn)



Source: Edge by Ascential, 2020

Data sourced on 25 June 2020: Variations may occur on data sourced from the database after this time.


## Top Online Shopping Categories Worldwide in 2021



Source: Statista.com

But this is only the beginning. The digital commerce trend will eventually accelerate from lifestyle to the entire gamut of products and service categories, according to Waheed Bidiwale, Global Vice President for Verticurl, Ogilvy's Delivery and Operations Center.

*“Not many thought of buying toilet paper online before Covid,” says Bidiwale. “Brands that are thinking ‘I’m in a commodity business, or I am in the impulse purchase category or nobody buys a car online so I don’t need digital commerce need to relook at their strategies.”*

 **The question is not if digital commerce will disrupt your business but when, and how well your brand is prepared.**

## Digital Commerce Will Change Your Relationship With Customers

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Trends like rising digital intimacy will have a significant impact on the value of packaged goods brands in the region, according to a report by McKinsey.<sup>15</sup> This population skews young, creating a cohort of digital natives with a higher acceptance of online services and innovation.<sup>16</sup>


According to Jeremy Webb, Vice President for Customer Engagement and Commerce in Southeast Asia at Ogilvy, brands in Southeast Asia should prepare for digital-first habits that will influence other sales channels. Southeast Asia is already a region that demands adaptation to a fragmented customer journey inclusive of very advanced middle-class shoppers in big cities, as well as rural hard-to-reach shoppers. When these customers go online, the journey only gets more complicated.

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<sup>15</sup> <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/defending-southeast-asian-consumer-company-value-in-a-digital-age>

<sup>16</sup> <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/technology-media-telecommunications/deloitte-cn-tmt-inclusion-en-200924.pdf>





**The question is not if digital commerce will disrupt your business but when, and how well your brand is prepared.**



“  
At The Lego Group,  
we are keen to build  
stronger connections  
and conversations with  
our shoppers by creating  
seamless experiences  
across our digital  
ecosystem powered by  
our first part data.”

~ Nitika Nagpal

Brand Director, Lego UK

*“What we’ve noticed about Southeast Asian consumers is that they visit a lot more touchpoints before they make their purchases,” says Webb. “It’s a more connected, more complex journey. We are seeing a lot more behavior to browse offline and buy online, and vice versa, with a trend towards ‘web rooming’ or online showrooming your products to influence choices.”*

Kelly Goetsch is Chief Product Officer at commercetools, a leader in the commerce platform and technology software space. In his view, the pace of adoption and innovation of marketing technologies will increase, and digital commerce will be critical for brands to take advantage of new opportunities globally.

*“As an example, in the future Apple may enter the virtual reality space with VR glasses,” says Goetsch. “Let’s say you look at someone while wearing these glasses, and you like something they are wearing. Because of an auto tag on the product, a price tag will drop down in augmented reality, and you will be able to immediately purchase that item.”*


“  
We’re looking at  
a future where  
every moment is  
shoppable with  
the right digital  
services.”

~ Kelly Goetsch

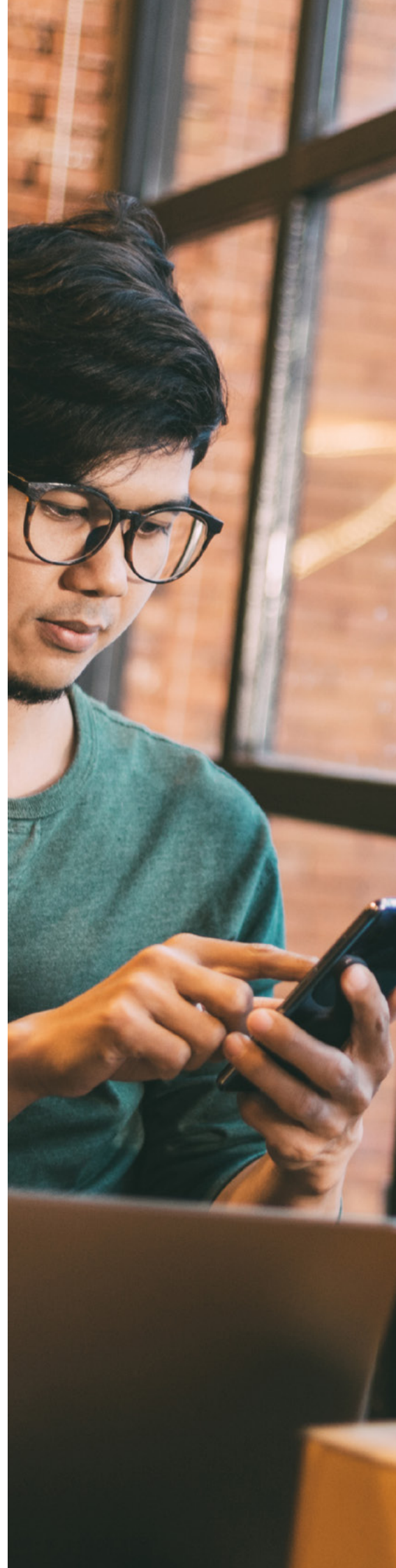
The pandemic has shown us how quickly customer needs can change and demand that brands adapt fast online.

*“For instance, during the Covid-19 lockdown, many retailers had to quickly deploy distributed order management and curbside pick-up capability when their physical stores closed,” says Till. “Those who didn’t have efficient DevOps, RunOps and flexible technology were generally unable to adapt quickly and execute even satisfactory consumer experiences.”*

The implication of digital commerce is that brands need to provide a competitive online shopping experience to meet fast-evolving consumer expectations and protect brand value. It’s time to invest now and get ready to recruit the next generation of shoppers online before your competitors do.



**Your customers’  
online habits and  
expectations are  
changing, whether you  
know it or not.**



## 3 pillars of D2C advantage

Here are 3 major advantages to D2C that explain why accepting the short-term challenges now will pay off hugely in the long run

1



D2C creates unique online shopping experiences for **brand differentiation**

2



D2C empowers ownership of your **customer data**

3



D2C drives necessary **brand leadership**

# D2C is Your Digital Commerce Advantage

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With digital commerce at such an early stage of growth in Southeast Asia, why start investing in direct-to-consumer now? Why not simply set up shop on a marketplace platform?

As mentioned earlier, marketplaces like Shopee and Lazada are driving digital commerce penetration and leading the market in customer engagement trends, such as mobile-first interaction design, live streaming apps, hyperlocal promotions and AI-driven personalization.<sup>17</sup> They are providing fast, early gains by spending a lot on new customer acquisition, creating a large audience for brands and significant short-term ROI. These are benefits to working with marketplaces that should not be ignored. But to rely on them for your long-term online sales strategy is probably a mistake.

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<sup>17</sup> <https://www.businessinsider.com/shopees-digital-inclusion-strategy-e-commerce-growth-in-southeast-asia-2020-11?IR=T>



Firstly, the advantages that marketplaces provide now might not be sustainable in the future. Eventually brands will have to pay the price.

*“After the big volume gains, the cost of being on those platforms will grow,” says Webb. “For example, there’s an emphasis on pay-to-play: a need to buy advertising in order to generate traffic on the site. That’s how they monetize. There’s very little organic reach already on these platforms.*

“  
As emphasis on advertising grows, customer acquisition costs grow. The promotions on marketplace platforms are also painful operationally, and deep discounting all the time can be really difficult and really damaging for your brand and bottom line.”

~ Jeremy Webb

Even now marketplaces demand a percentage of transactions and may charge extra for certain services and functionality which you can implement as a feature of your own platform. With D2C, you can remove the middleman and gain an advantage on costs, savings that you might pass along to your customers.

Beyond the cost of doing business on marketplaces, there are three pillars of long-term D2C advantage.

A man in a white shirt is smiling while talking on a mobile phone and holding a tablet. He is in a modern office environment with large windows and indoor plants. The background is slightly blurred, focusing on the man.

**Whoever has the most direct online relationships with your customers is in a position to compete with your brand.**

## How D2C Sets Brands Apart

- ▶ Personalized customer experiences that help brands stand out with customers
- ▶ Customize your shopping experiences to your brand and category
- ▶ Integrate digital commerce with social media for effective influencer and brand advocates campaigns
- ▶ Make any touchpoint where your customers are connecting shoppable

# 3 Pillars Of D2C Advantage

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## 1. Differentiation

D2C enables brands to create richer, more personalized online shopping experiences and, thus, strengthen your brand differentiation. Relying on marketplaces will make it next to impossible to set your brand apart online.

*“As you grow in the market, you need to find real competitive differentiation, and that can be created with online service innovations,”* says Goetsch. *“For instance, different applications like fit finder apps for shoes or loyalty and referral programs. Your online shopping experience has to be something unique.”*

Compared to marketplaces, D2C empowers brands to build more unique experiences in line with their brand identity and values. There is no one size fits all approach to building a differentiated digital commerce experience, and brands must base strategies on their specific category and brand perception.

*“You must ask yourself, what can you provide that others can’t?” advises Bidwale. “Customers buying a commodity product might just be price shopping and prioritize delivery and speed. For a slightly more premium product, customers might be willing to pay more to help them make the right choice.”*

“  
You need to be aware of the nuances of your customers’ online behaviors and leverage these experiences to differentiate your product. This is where D2C has an edge.”

~ Waheed Bidwale

Even a plain white shirt can become a hot item with the right online shopping experience. On launch day in 2018, Singaporean brand Oxwhite managed to sell 2,500 white shirts in 3 hours, and over 10,000 by the end of the month. How? Oxwhite ran a referral program on social media that incentivized sharing and reached over 50,000 people in one day. To encourage conversion, Oxwhite offered a live chat feature on their website and a 365-day return policy to assuage concerns about fit purchasing a shirt online.<sup>18</sup>

D2C also offers brands in Southeast Asia the ability to cater to category influencers and brand advocates with more exclusive experiences and offerings.

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<sup>18</sup> <https://www.brand360.com.my/case-study/oxwhite-online-marketing/>



One of the advantages of the aforementioned D2C effort by Perfect Diary in China was their winning social commerce strategy on WeChat. WeChat Mini Programs allows brands to build their own apps to engage directly with customers within the social network. Perfect Diary leveraged this feature, along with AI and community-driven customer service, to create community groups. Perfect Diary created legions of brand advocates with exclusive releases and promotions that catalyzed organic sharing and reduced new customer acquisition costs.<sup>19</sup>

More recently, another Chinese beauty brand Forest Cabin responded to the pandemic by retraining staff at their stores to start livestreaming promotions and skincare tips. In February 2021, they had 100 beauty advisors broadcasting, which resulted in a rise in sales by 45% year on year in the first half of February.<sup>20</sup>

Selling online through social media is just one possibility.

Building a strong D2C system gives you the advantage of being able to create an online shopping experience anywhere your customers are connecting.

*“With D2C, your backend functionality for online shopping can be injected into any digital front end,” says Goetsch. “That means you can do things like add a shopping cart or execute a promotion across a wide variety of online platforms. Your website is the most traditional channel, but you can also sell on apps or use your backend API for social selling and sell products directly from Instagram.”*

With D2C there are many possibilities for your brand’s online shopping experience. But in order to craft an effective strategy and continuously react to changing customer preferences, you need customer data. Fortunately, providing you with customer data is another pillar of D2C advantage.

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<sup>19</sup> <https://marketingtochina.com/perfect-diarys-successful-strategy-on-wechat/>  
<https://jingdaily.com/china-perfect-diary-ipo-c-beauty/>

<sup>20</sup> <https://news.cgtn.com/news/2020-03-25/Livestreaming-transformed-the-beauty-industry-with-new-experience-P9ojoA62pq/index.html>



**In the future,  
online shopping  
experiences could  
be as important to  
customers as your  
products.**

# How D2C Harnesses The Power Of Data

- ▶ Gain intimate knowledge of your customers and invaluable insights to drive your innovation strategy
- ▶ Design customer experiences with a data-driven edge
- ▶ Giving data away to marketplaces could empower competitors with insights about your customers
- ▶ Acquiring data from third parties will become more limited with increasing privacy concerns
- ▶ Customers are more likely to willingly share data when they get a better shopping experience in return



## 2. Data

If you are relying on third parties for digital commerce, then you are also giving them ownership of your customer data. With D2C brands own their own customer data, which will be a crucial asset to drive innovation and market advantage. The more customer data you have, the better you can make your brand experience.

*“Data ecosystems are what brands need to think about,” says Bidiwale. “Don’t just look at moving people from physical stores to online shopping. Every click leads to some kind of data, and brands need to be aware of the possibilities of data to optimize shopping experiences.”*

Whoever controls customers’ data will be able to innovate more effectively to meet their needs. It’s important to ensure that other parties are not gaining a foothold to eventually erode your brand value by leveraging your customer data.

*“On marketplaces, you might be happy with the sales volume, but how much about your customers is known to you?” asks Bidiwale. “Marketplaces own the data. Alibaba knows so much about your customers, what’s to stop them from launching a competing brand in the same category? Facebook and Google own the data, and you depend on those platforms for marketing.*



“

My recommendation is to take back control and build your own data ecosystem for analysis and optimization. That's the most compelling argument for D2C.”

~ Waheed Bidwale

Even if you want to continue purchasing customer data from outside sources, that option might be more limited in the future. Data protection and consumer privacy regulations have been gaining increasing traction in recent years, such as the European Union's General Data Protection Regulation (GDPR). Stricter data security and privacy standards will make it more difficult to collect customer data without their consent. For instance, Google has announced plans to phase out third-party cookie on Chrome browsers by 2022 and that they won't be building "alternate identifiers to track individuals as they browse across the web, nor will we use them in our products.”

*“Brands need to be aware of changes made by networks and the likes of Apple to their privacy policies,” says Till. “Brands will likely be significantly limited in their ability to access data which was available through mobile ad targeting networks.”*

And yet, when the value exchange is right, customers are more than willing to share their data.

**91%** of consumers are more likely to shop with brands who recognize, remember and provide relevant, targeted communications according to a global survey.<sup>22</sup>

<sup>22</sup> [https://www.accenture.com/\\_acnmedia/pdf-83/accenture-making-personal.pdf](https://www.accenture.com/_acnmedia/pdf-83/accenture-making-personal.pdf)



*“There’s a balance between privacy and personalization,” says Bidiwale. “Customers today expect that the next time they visit your online store they get a much more personal experience based on what they browsed. They want you to help them make decisions.”*

In this context, D2C offers you a platform where customers might be more inclined to choose to share their data with you because of the service value that you provide in return. Even if D2C represents a fraction of your total sales, these transactions can provide you with invaluable data-driven customer insights. When a customer visits your D2C channel, you will know how they browse, and what content they consume. Then you can activate based on what you learn.

*“And not just in that particular online store — the data you acquire will help you throughout the funnel, including direct paid communications,” says Webb. “You can use what you learn in D2C to increase efficiency in other sales channels as well, even on the Lazardas and Shopees of the world. You can collect data on third party platforms to an extent, but there you have less control and less ownership.”*


“

D2C is one of the big strategic bets for Reckitt Benckiser across our business units- as it is the only channel where we truly own the customer relationship & data end-to-end. It provides us with quicker, richer, faster insight into what our consumers prefer makes us more agile than ever before. With the changes coming in 2022 with cookie deprecation, having first party data will be absolutely central to any brand looking to keep its digital marketing efficient - D2C is a critical enabler of this impacting our entire business.”

~ Harsh Shah

Head of e-Commerce, New Categories, Reckitt Benckiser

Access to customer data still requires the ability to act on it effectively. Not every brand has the organizational capacity to leverage customer data and increase their competitive edge. The question is, do you want to be one of them? That brings us to the third pillar of D2C advantage, driving transformation.



**Only some brands can leverage customer data to increase their competitive edge. Your brand can be one of them.**

# How D2C Catalyzes Change Step By Step

- ▶ Make data and technology the priority for your organization
- ▶ Integrate your digital commerce team with people from across all functions
- ▶ Adopt an agile management system to lead small microservices teams in parallel
- ▶ Recruit top tech talent with a growth mindset to roll out new functions
- ▶ Implement a “headless” commerce system where your backend digital commerce API will work with endless user touchpoints or “heads”



## 3. Drive Transformation

Even with access to customer data, if you cannot be flexible adapting to new touchpoints and changing market conditions, then you could lose out on sales opportunities.

To get the most out of D2C, technology and data need to be the priority for your organization. You need to develop the ability to control and quickly change the customer journey online. For most brands in Southeast Asia, the change will take time.

A successful implementation requires just as much organizational change as technology change. But reorganizing now will equip you to keep up with your customers in the future.

*“There’s clear delineation between the old world and the new world of digital commerce,” says Goetsch. “It’s time to modernize your legacy platforms for a world where teams have to innovate quickly. In the old world, solutions were released once a quarter. If you look at Amazon, they are releasing to production once every second.”*





One of the advantages of D2C is the ability to roll out new services and functions very quickly. To do so requires a commerce architecture where the frontend or user interface is separate from the backend commerce functionality. Companies can improve their customer experiences and roll out new offerings much faster when they do not have to make time-consuming and complex backend system changes. This approach of decoupling backend API and frontend user interfaces is called “headless” commerce.

Going headless gives companies maximum flexibility and control no matter the device or channel to provide personalized shopping experiences and make every moment shoppable. Plus, companies can easily add new touchpoints when they are ready, such as social channels, kiosks and mobile apps.

D2C also gives brands the opportunity to adopt new technologies like artificial intelligence, chatbots and machine learning to optimize customer experiences.

*“Using data and AI, brands can communicate directly with the consumer via the consumer’s preferred channel instantly responding to questions, updates to existing orders and placing of new purchases,” says Till. “We can understand and target the right message to the right audience.”*

A nimble D2C system also allows new third-parties or partners to come into the solution without impacting other teams' development pipelines. Common examples are enhancement to customer communications, third-party tagging and promotions and more tactical integrations, such as tax or payments.

Digital transformation means architectural transformation, often starting with the move to cloud-based solutions which allow for rapid iteration and multiple deployments daily. To achieve this, companies need to build up their tech teams with top talent – employees with a growth mindset and the ability to react

quickly. One of the most critical areas to focus on is project management. Effective project managers can be a driving force in the success of D2C.

Managing D2C demands an agile approach to project management. An agile project manager works very closely with top management for strategic decision making, but they must be able to be individually responsible for successful implementation. Teams need to be able to take small, iterative steps and build quick prototypes to ensure that you can capture insights as early as possible and make better decisions going forward.





That means creating smaller teams with a sharper focus on microservices that can do many deployments without the risk of changing too much in your system.

Your digital commerce team will also need to include people from across all competencies in your company. As the people who will ultimately be using the solution, it's important that they have direct influence on the requirements set out at the start. Let them test early on and become "super-users" right from the beginning.

What does your digital commerce department look like today? Digital commerce teams in the region often lack the right capabilities for success and are not well integrated with the rest of the company.

These competencies can be added through partnerships, but even so the talent pool in the region is small.

“

It can be a significant barrier to find the right people or partners to develop marketing and commerce strategy, advise on a D2C technology blueprint for strategic success, develop solutions, and run operations and solutions that can adapt quickly to changing technology and consumer demand.”

~ Tim Till

## Some examples of capabilities that brands need to succeed in D2C are:

- ▶ Agile organizational structure to ensure optimal efficiencies
- ▶ Strategy skill sets to define goals and identify gaps in your ability to execute
- ▶ Digital marketing strategy and capabilities
- ▶ Customer service capability to delight the customer through the lifecycle
- ▶ Operations to efficiently run D2C with a great customer experience
- ▶ Research and development teams and processes to design and build D2C
- ▶ Innovation capabilities and processes to execute at the speed of the customer

For example, Bangkok-based fashion brand Pomelo has grown to become Southeast Asia's largest omnichannel fashion retailer.<sup>23</sup> Pomelo considers itself a digitally native, vertically integrated brand.<sup>24</sup> Capabilities they have implemented include deferred deep linking, app tracking, channel attribution, data management and event tracking. Their systems platforms are all integrated with each other, which enables them to deep link, build and track personalized marketing strategies.<sup>25</sup>

*"We start with the customer and we start with technology and we start with digital," says David Jou, Co-founder and CEO of Pomelo. "Our competitors start with their brand, then they focus on the offline experience, and marketing is the primary way of reaching their customers. So hopefully, we are more engaged, more relevant and more focused on each and every one of our customers."*<sup>26</sup>

Building your company's D2C capability is about more than D2C. It is about becoming faster, better and more insightful when creating customer experiences.


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<sup>23</sup> <https://medium.com/jungle-ventures/5-learnings-from-seast-asias-largest-fashion-eCommerce-founder-66661d76c060>

<sup>24</sup> <https://www.techinasia.com/talk/ama-david-jou-pomelo-fashion#qa>

<sup>25</sup> <https://blog.branch.io/how-online-fashion-brand-pomelo-enhances-its-digital-experience-an-interview-with-pomelo-cmo-jean-thomas/>

<sup>26</sup> <https://www.techinasia.com/talk/ama-david-jou-pomelo-fashion#qa>

A woman with dark hair tied back, wearing a white jacket, is smiling and looking at a laptop screen. She is sitting at a desk in an office environment. In the background, another person is working at a desk. A coffee cup is visible on the desk in the foreground.

**If your brand is leading today but not leading customer experience innovation, then you could be caught by surprise and sooner than you think.**

# More Direct, More Intimate, More Valuable Customer Relationships

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How intimately do you want to understand your customers? How personal do you want their brand experience to be? How much will you control how your customers interact with your brand online?

The advantages of going D2C cannot be evaluated only by looking at gains next quarter or even next year. It is more than a tactic to generate sales.

“

Relying on middlemen online is a recipe for business failure. Without direct connections you will become a commodity vendor racing to the bottom on price. Brands need to invest in a lifelong brand experience, to engage directly and sell directly.”

~ Kelly Goetsch

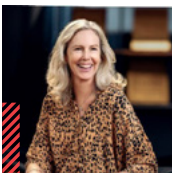
D2C gives brands a long-term edge by placing customer-centric innovation at the heart of how your company operates. Adopting a D2C strategy now will make sure your brand keeps control of your customer data and customers experience. Holding off only imperils your brand's future.

To learn more about **how your business can better engage with your customers with D2C**, please contact:



**Daniel Beach**

Strategic Alliance Director, APAC  
[daniel.beach@verticurl.com](mailto:daniel.beach@verticurl.com)



**Natalie Lyall**

Head of Go to Market, Asia  
[natalie.lyall@ogilvy.com](mailto:natalie.lyall@ogilvy.com)



**Joshua Emblin**

Territory Director, APAC  
[joshua.emblin@commercetools.com](mailto:joshua.emblin@commercetools.com)