

Shoring up D2C with customer experience could be a powerhouse for retail in India

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Key takeaways:

- *D2C market is turning highly competitive, and customer experience is one of the best ways for D2C brands to stand out*
- *It is imperative for D2C enterprises to update their CX strategy in line with changing customers' needs*
- *D2C businesses need to reflect on how their organisations can be orchestrated to work more effectively and cohesively to deliver holistic experiences*

The direct-to-consumer (D2C) business model is transforming India's consumer market. While it had emerged as a concept, the COVID-19 pandemic, and the disruptions it brought with it, accelerated the adoption of the D2C model. Businesses realised the importance of a direct engagement with customers, pushing them to move beyond traditional business models. This has given momentum to the D2C segment, encouraging more players to leverage this model, as is evident from the rise of D2C enterprises. The opportunity is so large that mainstream brands are also expanding their presence in this field. As a result, the D2C market is turning highly competitive, and customer experience (CX) is one of the best ways for brands to stand out by shoring up long-term relationships with customers and generating sustained value.

By facilitating direct contact with consumers and speed to market, the D2C model offers businesses a distinct advantage. Access to affordable internet and the presence of payment and logistics infrastructure, among others, are acting as enablers for the D2C model. Unlike traditional retail, D2C enterprises can remove distribution costs by cutting out all the intermediaries, leading to higher margins. As digital-first enterprises, they are better placed to understand consumer behaviour and personalise product offerings and marketing strategies to suit the needs of customers. D2C enterprises also have the autonomy to launch new products at a smaller scale, test the market and get feedback instead of being restricted to retailers' preferences.

There is a significant change in customer expectations nowadays. Earlier, businesses could make customers happy by offering quality service and reasonable pricing. But, in the digital era that we live in, customers expect a lot from businesses, including connected journeys, seamless transitions across channels and experiences that are personalised to their preferences and circumstances, leading to the growing phenomenon of consumer empowerment. Thus, it is imperative for D2C enterprises to continuously adapt to emerging trends, update their CX strategy to meet customers' changing needs and preferences and build a customer-centric culture.

To understand the influence of CX on financial metrics and qualify how it creates intrinsic and sustained value for a company, KPMG in India, in collaboration with EQUITOR, undertook a detailed study that included a customer survey. Our study revealed that superior CX can help businesses enhance their valuation by 125 to 400 per cent. Further, unlocking the potential of CX can enable brands (across nine categories) to collect USD200 billion of value that they may have been leaving behind.

Below are some of the advantages that D2C companies could leverage by integrating CX in their business strategies:

1. **CX is a differentiator for attracting and retaining customers and building loyalty:** For D2C companies, CX could be a critical lever for customer loyalty, as extremely satisfied customers are likely to stick to a brand. Importantly, organisations that offer superior and targeted CX can convert customers into brand ambassadors. A recent study by KPMG in India and EQUiTOR, for instance, showed that more than 90 per cent users are likely to recommend a company that scored well on fulfilling CX requirements to others.
2. **Meeting CX expectations increases mindshare of the brand:** By meeting CX expectations, D2C brands could increase the probability of buyers noticing, recognising and thinking of their brand in buying situations.
3. **Organisational orchestration is a must for superior CX:** D2C enterprises that align their front, middle and back offices could create business value and drive sustainable growth.
4. **D2C brands along with the weight of CX could help retain customer lifetime value:** Focusing on attributes that have a direct impact on customer acquisition, loyalty and retention can boost revenue and growth prospects.
5. **CX could help drive valuations for D2C brands:** Initiatives focused on the drivers of CX can lead to a significant improvement in performance and valuation. A company's valuation or ability to create value for itself is directly dependent on its revenue and profitability and indirectly dependent on market sentiment.

Way forward

Going forward, D2C businesses need to reflect on how their organisations can be orchestrated to work more effectively and cohesively to deliver holistic experiences. It will require the entire organisation—front, middle and back offices—to become a connected enterprise. Technology investments to enable seamless order management will be key for long-term customer stickiness. D2C models are characterised by their ability to change with speed and agility. Thus, we could expect this sector to start investing in the adoption of omnichannel strategies to capitalise on the untapped opportunity or to see mainstream brands step up their game in building direct consumer relationships. Either way, players should realise that focusing on customer needs and experience is imperative to staying relevant in the current scenario.

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