

# D2C: The Next Growth Wave for Food & Beverage Brands



# Table of Contents

## 03

The Market is Ripe  
for Change

## 05

Customer Expectations  
in the New Food &  
Beverage World

## 07

Make the Switch  
to D2C

## 11

6 Key Investments to  
Establish a Successful  
D2C Channel

## 14

About Blue Acorn iCi  
About Magento Commerce

**Food & Beverage is  
the fastest-growing  
category in D2C**

## The Market is Ripe for Change

The food & beverage industry has long been an untapped category in the Direct-to-Consumer (D2C) space, primarily due to consumers' long-standing tradition of regular grocery store visits and the lack of optimized online options. However, according to the Digital Shelf Institute, **food & beverage D2C brands received 24.8% and 12.5% of investments between 2015 and 2019** making food & beverage the fastest-growing category in D2C.



## COVID-19's Impact on the Food & Beverage Industry

When the COVID-19 pandemic arrived, it drastically accelerated the shift in online consumer behaviors. **Since the start of the crisis, food & beverage moved to number one on the list of online purchases.** Overall, online shopping has skyrocketed, a shift many experts believe will endure past the pandemic.

With 87% of consumers finding products out of stock in physical stores, they're turning to digital channels to fulfill their product needs. Many would assume Amazon to be the go-to choice, but the limited delivery spots left consumers turning to D2C brands. As consumers buy directly from their favorite food & beverage brands online and discover new items, now is the ideal time for brands to quickly get to market. Moving forward, brands that invest in their digital footprint will be better prepared for future market disruptors like COVID-19.

### Why Make the Switch to D2C: 7 Key Benefits of a D2C Model

- 1 Higher margins and profits by cutting out the middleman
- 2 Improved speed to market
- 3 Ownership of customer data and relationships
- 4 Full control over the customer experience, from homepage to returns
- 5 Ability to make data-driven product and merchandising decisions
- 6 Enhanced loyalty programs and content strategies to drive lifetime value
- 7 Exclusive product and service offerings

# Customer Expectations in the New Food & Beverage World

While food & beverage is still relatively new to the digital space, consumers are not. The expectations they have for other industries—apparel, beauty, home goods, electronics—will be the same when shopping directly with a food & beverage brand. **75% of online food shoppers stick with the first online store they tried**, which means two things: early movers have the advantage, and there's a small window of opportunity to attract and retain a customer. These consumers will be seeking brands that offer convenient, streamlined, and personalized experiences.

## Personalization is a Must

Initially relying on retailers to sell their products, most brands in the food & beverage industry lack the infrastructure to capture customer data and turn that data into actionable insights. Using analytics to drive personalization efforts requires integrating siloed technology systems. It could also mean an investment in advanced analytics platforms to capture online customer behavior.

Once a brand has the infrastructure in place, D2C brands can deliver on the promise of consistent, personalized, and relevant experiences. For example, one of the biggest challenges consumers find when feeding themselves is not knowing what to cook. By tracking which content shoppers interact with and which products they view, food & beverage brands can make personalized recommendations. From relevant recipes and cooking tips to complementary products, there are multiple ways a brand can tap into customer insights to offer a one-on-one journey.



**75%**

of online food shoppers stick with the first online store they tried



## Relevant Content is Expected

Similar to their shopping experience, consumers also desire personalized, relevant advertising. A study by Adlucent found that seven out of ten consumers want to see fewer but more personalized ads. Another study found that 80% of customers are more likely to make a purchase when a brand presents a personalized experience.

Capturing an ROI on advertising and marketing efforts requires different KPIs than a typical branding agency would capture. Rather than impressions and reach, an ecommerce-focused marketing agency will focus on conversion rate, repeat purchases, and average order value (AOV). Additionally, an ecommerce-focused marketing agency will have the expertise to seamlessly integrate marketing campaigns into a brand's existing commerce ecosystem—online and offline.

80%



of customers are more likely to make a purchase when a brand presents a personalized experience.

## Convenience is Key

The Amazon effect is real. The easy subscription and re-ordering capabilities customers have come to expect from Amazon now applies to all brands and retailers they shop with. While many grocery stores offer online ordering, curbside pickup, and delivery, D2C food & beverage brands will soon need to follow suit to remain competitive.

According to a recent study, **over a third of consumers (36.9%) are interested in a food or drink subscription service**, and 8.9% already use or have recently used a subscription service. **As fewer consumers shop in physical stores due to COVID-19, this number will likely increase.** Brands exploring subscription offerings will find that it's a win-win for their company and their customers. Shoppers get the convenience of auto-replenishing their products, and brands generate predictable revenue streams.

## Who's doing it right?



### DIY Beer

DIY Beer, a home-brewing brand, initially relied on retailers to sell their products for many years. In 2012, they adopted the D2C model and launched their site on Magento Open Source and upgraded to Magento Commerce 2 in 2018. The owned channel allows DIY Beer to combine content and commerce, making their brand the destination for home-brewing products as well as beer and recipe tips. DIY Beer leverages Magento Shipping to improve their fulfillment workflows by using the dynamic shipping rules.



## Make the Switch to D2C

### Transform Logistics & Supply Chain for D2C

Due to COVID-19, product innovation has slowed to a near halt for many food & beverage brands. However, it's become necessary that they adapt their supply chain to a D2C model in order to survive. Many of these brands primarily sell their products to grocery stores, hotels, or restaurants and are only set up to ship items on a pallet—no individualized or branded packaging. It's a costly and timely endeavor to rework the supply chain to accommodate D2C purchases. Partnering with a third-party fulfillment vendor offers food & beverage brands the fastest route to sell directly to consumers.

“When creating a D2C channel, brands have to think about whether they have the means to fulfill in a D2C manner, including staffing, product, and infrastructure, and do they have packaging that's D2C friendly.”

Tory Bruner,  
Director of Product Marketing,  
Magento Commerce

Adjusting the supply chain for D2C takes a balancing act between meeting customer expectations and speed to market. This means prioritizing capabilities for D2C and creating a strategic product assortment plan. Offering limited products on a D2C channel allows brands to test their product lines and quickly adapt to the changing environment. From a customer perspective, the limited product offering will attract consumers seeking exclusive options or those that want to try something new.



## Optimize Processes and Infrastructure to Track Customer Data

Applying data science to drive insights empowers brands to deploy personalized experiences in real-time and optimize their product assortment. On the backend, an optimal technology infrastructure will streamline workflows, provide visibility into key metrics, minimize manual data entry, and facilitate data paths between systems. Third-party data is useful as a benchmark for comparison; however, it's often based on what people will do, not what they are actually doing. First-party data that a brand captures and owns cannot be found anywhere else.

## Turn Technology Into an Enabler

Implementing a D2C strategy requires a customer-centric culture starting at the top. Without the right culture, talent, and operational model in place, it's unlikely legacy food & beverage brands will see a return on their technological investments. As a result of COVID-19, it's likely more companies will invest in digital capabilities, whether it's commerce, content, or both. This will require a content engine that allows companies to have ongoing conversations with their customers across the customer journey—be it email, the website, social media, or other online experiences.



## Who's doing it right?



### Panera Bread

Panera Bread, a leading restaurant brand with more than 2,400 cafes, always strives to deliver great food and drinks to their customers when, how, and where they want it. To continue meeting customer expectations, Panera reimagined their digital ordering experience and invested in Adobe Experience Cloud. Blue Acorn iCi worked with Panera to develop a comprehensive strategy, enabling them to deliver a personalized experience that drives brand loyalty and return visitors.





## Expand Channels Without Channel Conflict

D2C enables brands to drive decisions based on owned data and target new customer segments that would have otherwise been untapped. However, it's common for food & beverage brands to have contracts with retail partners that prevent them from selling products directly to consumers.

### Five ways to avoid channel conflict and breaking contracts:

1

Launch a D2C channel with a new, innovative product line that retailers don't carry

2

Coordinate promotions across all channels to avoid undercutting retail partners

3

Launch localized ads that drive foot traffic to physical store locations

4

Include a store locator on the D2C channel

5

Share customer insights with retail partners around evolving trends

## Create a Retention Plan and Foster Customer Loyalty

It's no secret that customers convert and spend more time and money with brands they are loyal to. These customers also tell their peers, family, and colleagues about those brands, driving referral traffic and word-of-mouth marketing. However, for many food & beverage brands, retention and loyalty strategies are a completely new concept.

One of the most common, and simple, loyalty program methods is a **points-based system**. Shoppers earn points for each purchase, which translates into some type of reward such as a discount code, gift with purchase, samples, or free shipping. **Keep in mind that a retention plan takes more than a well thought out loyalty program.** The unboxing experience, customer service, and returns process all need to be on-brand, streamlined, and engaging.

“Brands need to consider how they're going to get feedback from the general population that had a good experience, and how do they capture trends from the negative feedback so they're the brand customers come back to.”


Tory Brunker, Director of Product Marketing,  
Magento Commerce






# 6 Key Investments to Establish a Successful D2C Channel

## Technical Development to Build a D2C Website



There are several technical components of a D2C channel, from the ecommerce platform and marketing automation tool to payments and content management. It takes a team to seamlessly integrate the systems and build streamlined data flows. Post-launch, the systems require ongoing maintenance and monitoring for upgrades and security patches. To minimize time to market, an experienced customer experience agency will help food & beverage brands build a long-term roadmap to quickly get to market while building upon the channel over time.

## Hiring and Training Staff to Manage the Online Store



A successful D2C channel requires a dedicated site operations team that has experience in merchandising, analytics, promotion, and customer experience optimization. However, most brands don't have these in-house skillsets or resources. The best end-to-end digital partners will follow industry best practices and employ the most effective tools to ensure the D2C channel continually meets the evolving needs of customers while improving ROI.

## Warehousing and Fulfillment to Deliver Products



Fulfillment is one of the most challenging parts of D2C for food & beverage companies. These D2C brands need a fulfillment partner that can accommodate individualized packaging and handle perishable and shelf-stable products.





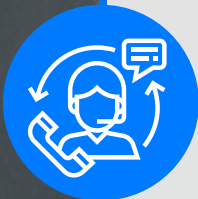
### **Performance Marketing to Improve Conversions and Revenue**

Too often, brands build a D2C store, only to see little traffic once it's launched. An ecommerce-focused agency will have expertise in ecommerce specific best practices and KPIs such as CTAs, product feeds, dynamic product ads, and driving relevant users that have the highest propensity to complete a purchase.



### **Security to Protect Customer and Company Data**

A security misstep or data breach can drastically reduce a brand's trustworthiness in the eyes of the customer. To protect against fraud, brands must combine an automated and manual approach. Combining the two ensures a brand is protected against fraudulent shoppers while minimizing the number of sales lost.



### **Customer Service to Shape and Save Customer Relationships**

Customer service representatives are on the frontline, having direct access to customers. Ideally, they have access to holistic customer data such as order history, site visits, and preferences. This requires a real-time integration between the ecommerce platform, chat functionality, and CRM to provide reps with a single view of the customer.





## Conclusion

Over the last few years, consumers have been slowly adapting to purchasing food & beverage products online. COVID-19 drastically accelerated this shift, opening the door for food & beverage brands to sell to customers directly. With the right partners, processes, people, and technology in place, food & beverage brands can survive and thrive during and post the pandemic world.

# About Blue Acorn iCi



Born from the minds of engineers, data scientists, digital commerce experts, designers, and strategists, Blue Acorn iCi is a leading independent digital consumer experience company committed to solving problems and delivering results for global brands. We are the first company to pioneer what's possible through the convergence of analytics, digital commerce, customer experience, and Direct-to-Consumer (DTC) services. Learn more at [blueacornici.com](https://blueacornici.com).

# About Magento Commerce



Magento Commerce, part of Adobe Experience Cloud, is the leading commerce solution for merchants and brands across B2C and B2B industries and was recently named a leader in the 2019 Gartner Magic Quadrant for Digital Commerce. Magento Commerce boasts a strong portfolio of cloud-based omnichannel solutions that empower merchants to successfully integrate digital and physical shopping experiences. Magento is the #1 provider to the Internet Retailer Top 1000, the B2B 300 and the Top 500 Guides for Europe and Latin America. Magento is supported by a vast global network of solution and technology partners, a highly active global developer community and the largest eCommerce marketplace for extensions available for download on the Magento Marketplace. More information can be found at [Magento.com](https://Magento.com).

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**Phone**

877.944.2583

**Website**

[blueacornici.com](http://blueacornici.com)

**Email**

[hello@blueacornici.com](mailto:hello@blueacornici.com)