Consumer Trends Demand New Supply Chain Ideas

Brands will need to reimagine their supply chain to handle the wave of stay-at-home orders driven by direct-to-consumer e-commerce.

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According to a recent white paper penned by PCH International Founder and CEO Liam Casey, enjoying the full benefits of the Direct-to-Consumer (D2C) channel requires brands and their supplier partners to overhaul their supply chain.

The way brands sell to consumers has been changing for years, and stay-at-home orders driven by the pandemic have only accelerated the move to direct-to-consumer e-commerce.

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For brands, the D2C channel offers new benefits — from brand loyalty and engagement to consumer data that provides real-time insight and optimizes operations, as well as the ability to produce highly targeted and differentiated products that drive brand affinity. A closer relationship with the final consumer allows a company to develop more tailored offerings, to better anticipate potential shifts in demand, and to optimize their operations accordingly.

Liam Casey and the team at PCH International understand that brands have a lot to gain and, as a result, offer a deep dive

into how to design the right supply chain for D2C. The supply chains that successfully delivered large consignments to distribution centers and big-box retailers are not designed for the D2C model.

Reconfiguring supply chains is not for the faint-hearted. It requires deep domain expertise and experience. Supply chains suited to D2C require postponement and fulfillment to be located as close as possible to the manufacturing process. Postponement and fulfillment drive (via pull-through data) manufacturing operations, thereby controlling inventory and minimizing over-production and waste. They should be complemented by distribution facilities that, in turn, are close enough to the fulfillment center to rebuild inventory with the fluctuations in demand quickly, and at the same time able to dispatch products to a much larger number of distributed customers and do so in a way that is fast and allows customers to monitor delivery progress.

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Having data available from the sales channel through components, manufacturing, and logistics drive demand levers that improve operations. This data must be accurate, granular and real-time. The supply chain has many towers and layers, and, as we've seen recently in the semiconductor world, component shortages can be hugely disruptive.

Marketing and selling through the D2C channel is about more than just tweaks to the supply chain. It requires an integrated approach from the initial design to end-of-life. Designing a product for the D2C channel results in more supply chain flexibility, essential for making quick adjustments to market fluctuations and consumer demand. Moreover, the integrated approach and better data collection across all parts of the process allow a company to achieve a broader improvement in efficiency: it can identify bottlenecks and

spot ways to coordinate different processes better to increase speed or reduce costs.

Transparency and tracking are also essential to consumers and this model. As consumers purchase directly from the brand, they want to track the process to their front door. They also increasingly want to know how the product is made, where it was made, and by whom. Transparency is key to the D2C model and sustainability, a growing requirement of brands. More and more, this kind of transparency is valued not only by consumers but also by investors, as well as governments (including at the local level) and other companies. Therefore, enhanced transparency can also translate into better access to capital and funding, better relationships with regulators and other relevant authorities, and other partners in a company's ecosystem.

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In the direct-to-consumer world, the relationship between the brand and consumer is more intimate and engaged. This relationship promises to be more long-lasting and create brand ambassadors who provide product feedback, review products and recommend them. Moreover, companies that approach this transition with the right systemic and integrated approach can reduce costs and improve efficiency across several aspects of their operations. Finally, the reconfiguration of supply chains for a D2C approach comes at an opportune time, giving companies the ability to build in higher adaptability and resilience at a time when supply chains have become exposed to a wider range of potential disruptions, from trade tensions to shortages of key materials to pandemics. A transition to a D2C model can be the opportunity for a deep profit-enhancing transformation of a company's operations and approach. Brands have every reason to work with their supplier partners to achieve these and more benefits.

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