Chapter 16
Direct-to-Consumer eCommerce (D2C) Business Model:
The Dilemma of Getting It Right

Neha Sharma
https://orcid.org/0000-0002-4818-1758
Birla Institute of Technology and Science, Pilani, India

Nirankush Dutta
https://orcid.org/0000-0003-3328-8779
Birla Institute of Technology and Science, Pilani, India

ABSTRACT

COVID-19 brought substantial shifts in market dynamics and consumer behaviour. It drove enterprises to innovate and alter their business models, culminating in the emergence of the dynamic eCommerce model, often known as D2C. Direct-to-consumer (D2C) businesses such as Made.com, Typology, Patch Plants, and Glossier flourished well in 2021, with an average growth rate of 19.2%. Additionally, Indian D2C startups such as boAt, Mamaearth, Wakefit, and Country Delight have earned approximately Rs. 100 crores revenue in a relatively short time, with an estimate of the Indian D2C industry to expand up to $100 billion by 2027 based on the current trend. Thus, this chapter seeks to comprehend the D2C model, its benefits, obstacles, and a viable approach for adopting the D2C model in light of the shifting competitive landscape and favorable environment for online purchases.

INTRODUCTION

Direct-to-consumer business model is gaining traction as a new paradigm for eCommerce success, enabling brands to form deep bonds with their consumers. Historically, marketing techniques aimed toward retailers or intermediaries, imposing restrictions on brands' ability to establish contact with end

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consumers. Intermediaries concealed critical information about purchase habits and, probably more significantly, demography. Thus, brands exerted little control over interactions between retailers or intermediaries and the eventual consumer.

Moreover, consumer behavior has shifted dramatically after the pandemic, making consumers more risk-averse and yet optimistic about their shopping experience than in the past. As a result, they are willing to share information with marketers for customized discounts and promotional offers. Their increased technological acumen also has created new possibilities for marketers to engage with them everywhere and anywhere to learn about and understand their behavior to deliver a more consistent experience and build a personalised relationship.

Consequently, various brands having diverse objectives are transitioning to the Direct-to-consumer (D2C) model. Startups primarily concerned with their finances benefit from consumers' insights by targeting the suitable consumer base at the optimal time and location. It has helped them to comprehend new markets, test products at different prices with specific consumer groups, and generate additional revenue. For example, Typology, a Paris-based cosmetics brand, gained lot of attention by offering beauty products, from natural vegan skincare to fragrance, at surprisingly low prices by leveraging their consumers data (Sterling, 2020). While at the same time, another Indian startup Myglamm created buzz by developing a community of like-minded consumers and beauty professionals. This community enabled consumers to interact with beauty professionals and receive comprehensive solutions to their beauty problems, leading Myglamm to expand its consumer base and ultimately increase its revenue (Thestrategystory.com, 2021).

The success of these brands reflects the way to approach the consumers directly without going via intermediaries. However, the success of the D2C model depends on getting started right. The companies need to understand the role of D2C in the channel strategy and require a clear view of assortment and pricing as part of a broader channel strategy. Nevertheless, brands do not have to do all the heavy lifting alone; they will need to weigh the trade-offs of buying, building, and partnering.

Therefore, this chapter will describe the D2C business model and compare it to other existing eCommerce business models. It also emphasizes the different reasons that encourage Direct-to-consumer sales and the necessity for businesses to implement D2C. In addition, it identifies underlying benefits and challenges in implementing the D2C model. Subsequently, it clarifies the correct D2C approach to avoid cannibalising sales, disappointing consumers, or building the required infrastructure to provide multiple payments, delivery, return, and order tracking options without impacting the existing business model.

BACKGROUND

ECommerce

The term "business model" refers to how a *business function* and is defined as "a system of interconnected and interdependent activities that governs how a corporation conducts business with its stakeholders" (Zott & Amit, 2017). The term "business model" was first published in a scholarly journal in 1957 (Bellman et al., 1957). The author discussed corporate game training and defined a business model as depicting realism. After three years, Jones wrote the first academic study using "business model" in the title in 1960. However, the term "business model" was not examined in his scientific work, demonstrating its arbitrary use in the title (DaSilva & Trkman, 2014).