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Customer engagement, Retail AI

The D2C opportunity: why manufacturers need to focus on CX

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As manufacturers scramble to take advantage of the lucrative and rapidly growing direct-to-consumer (D2C) market, many are laser-focused on building their ecommerce environment. However, retailers have had a major head start on a core component of great shopping journeys: the customer experience. If these newly minted D2C retailers want to see success, they'll need to put equal effort into their customer service offering, providing the high standard of service consumers have come to expect from brands. Introducing tools like chatbots, virtual assistants, and conversational IVR can help D2C brands rapidly build satisfying, cohesive experiences.

In 2019, Barclays Corporate Banking reported that UK manufacturers could make £13 billion over five years from introducing direct-to-consumer (D2C) sales to their channel mix. But the reality has been far more lucrative.

The unexpected and ongoing disruption of COVID gave many manufacturers the opportunity to experiment with D2C as an alternative revenue stream while their high street retail partners closed in line with government restrictions. This led to a major boom, with Barclays reporting £96 billion in D2C sales in 2020 and updating its prediction to £120 billion by 2023.

Many brands—start-ups and long-standing businesses alike—are seeing success with D2C, both as their main sales channel and alongside a traditional retail partner strategy. For example, apparel giant Nike now expects to make $50 billion from D2C sales in 2022, after growing the business from 15% of its

revenue in 2010 to **40% in 2021** .

Recent years have also seen a rise in D2C subscription services, offering a more tailored approach to nutrition, beauty, and other lifestyle purchases. With D2C, brands can reap the benefits of interacting directly with customers—something their retail partners have been benefiting from for decades.

Unprecedented insight into customers

D2C is a massive opportunity to cultivate close, profitable relationships with customers, which manufacturers typically haven't had access to in their wholesale days. Retail partners might relay some data about products that sell well, or issues customers report. But all that interesting personalisation data—gleaned from sources like website behaviour and loyalty card programmes—stays within the retailer.

A fast-moving approach to collecting and actioning useful data is vital for sustainable growth; transitioning to D2C means that data is no longer locked away in retail partners' databases, but in the hands of manufacturing decision-makers.

With direct access to customers, manufacturers will be able to learn more about the people who buy their products—and they'll no longer need to rely on third-party data, which is often incomplete and already out of date by the time it's analysed. By collecting first-party data about demographics, preferences, loyalty, and more, manufacturers can collect their own insights and forecast with more detail and accuracy. Digging deep into new sources of information, such as sentiment analysis from social media, can help them create new products, enhance their service, and build a truly customer-centric strategy.

Customer experience can't take a back seat

When brands make the pivot to D2C, many are focused on building their ecommerce site. But that's only half the battle if brands want to be successful in D2C. To launch a successful D2C business and capture a meaningful market share, customer experience needs to be one of the top priorities too.

Every time a customer interacts with a brand, they expect to have a seamless experience—whether it's the brand's first day in D2C, or they've been selling to consumers for years. Customers want their queries answered quickly, an easy way to manage their orders, and a brand that understands their needs and responds to them.

And if the brand doesn't deliver? That customer might never return, rendering all the brand's hard work useless. Even the best ecommerce experience can be irreparably damaged by poor service; 30% of consumers won't return to a brand after one bad experience, rising to 70% after three bad experiences. In short, a "contact us" form that's connected to a customer support email address just won't cut it anymore.

The potentially bad news is that many traditional retailers have years' worth of head-start on customer service. But they are often still delivering a service experience that was created when websites were little more than digital catalogues and customer service was largely a one-way communication from brand to customer—with little in the way of optimisation since. So, the good news is that when manufacturers start from scratch, there's no clunky legacy IVR or outdated, maze-like customer FAQ to deal with—they can create a digital customer service gateway that's built with experience and easy two-way engagement in mind from day one.

Take Nuance's omnichannel approach for satisfying service in D2C

There are tools available to help D2C brands rapidly build a retail offering. For the ecommerce aspect, companies like Shopify and The Hut Group specialise in helping brands take their products directly to consumers, providing slick online shopping experiences. For example, Huel, Gymshark, and Finisterre are all UK D2C brands that opted for Shopify rather than building their own ecommerce sites from scratch.

For the service component, we help retailers and manufacturers create experiences their customers love. Our robust, customisable solutions work across every channel to provide tailored support that answers customer questions, helps them manage orders, and even anticipates their needs before they have to ask—in more than 90 languages.

We're the technology behind the chatbots, virtual assistants, and contact centres of some of the UK's best-loved and most successful retail brands (plus other major names across financial services, telecoms, and other industries). Our modular, cloud-based approach to contact centres means our AI-powered omnichannel engagement solutions can be deployed individually or as a complete suite, forming a connected customer journey that boosts satisfaction and loyalty and, crucially, creates revenue for the brand. We can support brands across every type of channel, including voice, digital, and messaging—and

provide the means to secure every interaction through sophisticated biometric authentication.

And it's not just about the products—our teams work closely with retailers and manufacturers to build the *right* customer experience. We provide targeted, hands-on support to deliver the optimum mix of engagement channels and AI-powered virtual agent capabilities that cement the brand in customers' minds for years to come. And we can even put customer experience leaders in touch with some of our partners if they need to hire agents and get a contact centre up and running.

Live Assist and Virtual Assistant—live in just a few weeks

All this work can be completed quickly, too. During lockdown, we worked with Currys (formerly known as Dixons Carphone Group) to accelerate its customer experience upgrade. Months of planning turned into just a few weeks of deployment work when COVID-19 lockdowns forced the closure of its expansive network of retail stores.

With just 25 agents working in its live chat division, Currys needed to ramp up its automation efforts and transition over 100 email agents to live support roles. With our help, those agents were trained and ready to service customers using Nuance Live Assist in just 10 days—and they helped Currys field over 400,000 monthly contacts during the peak period, more than three times the pre-pandemic levels.

Once the team was confident in its contact centre's ability to manage the influx of customer requests, it turned its attention to launching a virtual assistant (VA). After just two weeks, the VA was ready to go live, with automated conversational-style responses to numerous customer queries in its repertoire, covering topics like order status and returns. After launch, around 80% of customer enquiries were solved by the VA, further reducing the pressure on the contact centre. Together, the Live Assist and VA deployments now support £2.7 million in weekly sales for Currys.

Ready to make the most of the D2C opportunity?

If you're a manufacturer getting ready to make the leap to a D2C model, whether it's your sole sales channel or an addition to a diverse portfolio of retail partnerships, customer experience needs to be one of your first considerations.

The beauty of our modular approach to customer experience lies in its simplicity. Once you have an effective contact centre framework in place, you can start experimenting with customisation, proactive engagement, hyper-personalisation, and even predictive analytics. By integrating sophisticated AI-driven solutions in the back end of your customer journey, you'll open new opportunities to differentiate your brand from competitors, create new sources of revenue and delight your customers.

To learn more about our solutions, explore our AI-powered omnichannel customer engagement page.

Tags: Retail

More Information

Explore the D2C CX opportunity

Read our direct-to-consumer retail customer engagement brochure to discover how our omnichannel engagement solutions can help you build closer customer relationships and boost revenue.

Learn more



About Sebastian Reeve

Seb Reeve is a customer experience industry leader who is always seeking to provide thought-leadership, lateral-thinking and decision-support for Fortune 1000 Enterprises who are both his customers and partners. Reeves has more than fifteen years of experience in deploying technologies to improve the user experience. In his current role at Nuance as EMEA Director of Product Management and Marketing, he is responsible for defining and evangelizing the Nuance customer care proposition across Europe, the Middle-East and Africa – sharing how companies can create extraordinary automated experiences which their customers actively choose to use rather than simply tolerate and complain about, promoting best practices in AI and Machine Learning to the world of Customer Experience.

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