

# Direct-to-consumer business Model

In the united state, many powerful companies such as Blockbuster, Borders, Forever 21, and Sears have all filed for Chapter 11 bankruptcy



## List of problems

- Excess product
- No one is buying
- How do I pay my rent?

# Direct to consumer (D2C) business model



## Direct-to-consumer business Model

In the D2C business model, the brand cut out the middleman and sells its product directly to the end consumer using a third-party logistic partner.

**GYMSHARK** 

**Casper**

**goli**  
NUTRITION

Used by modern brands that sell consumer packaged goods, eyeglasses, furniture, and home goods

# Direct-to-consumer business Model

Traditional Retail



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topic in the course video



D2C brand(cutting



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# Companies using D2C business model

**GYMSHARK** 



**DOLLAR SHAVE CLUB**

**goli**  
NUTRITION



WARBY  
PARKER

**boat**  
plug into nirvana

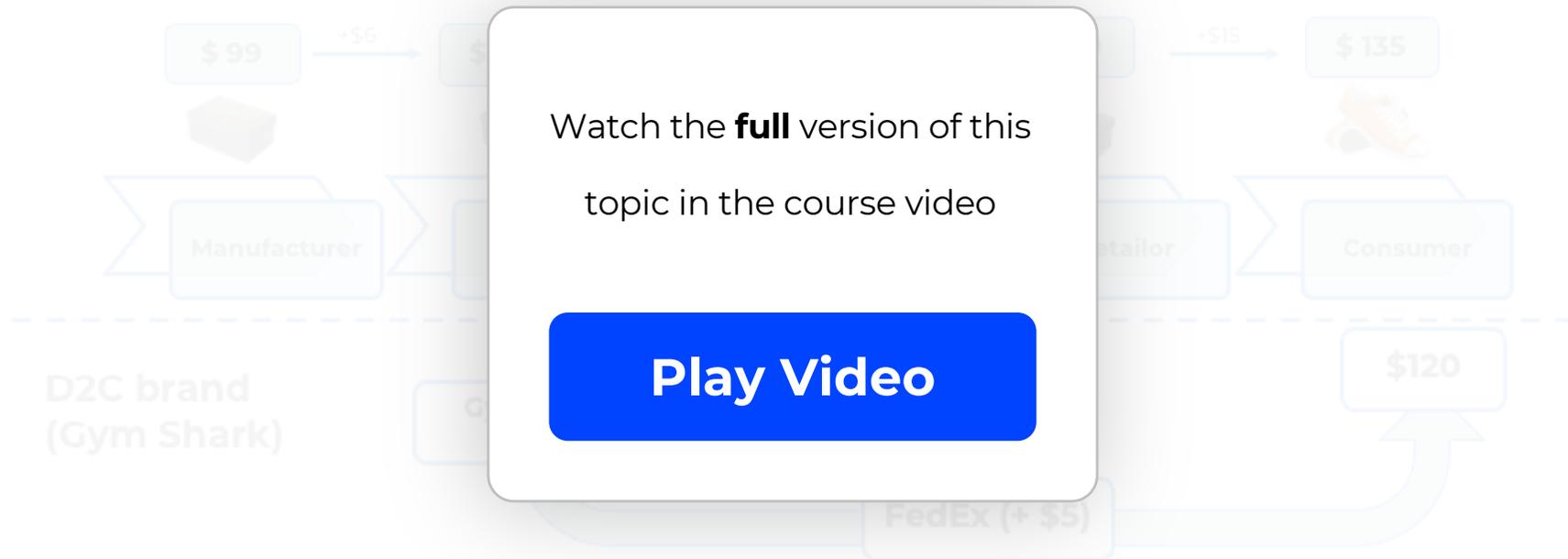
Some of these D2C brands may also operate brick-and-mortar stores in addition to digital channels.

# Companies using D2C business model

<p><b>Health &amp; Beauty</b></p> <p>MADISON REED KOPABI HUBBLE ipsy Glossier.          DOLLAR SHAVE CLUB BIRCHBOX GLOSSY BOX          WALKER AND COMPANY THINX FATCO truBRAIN care/of          BEVEL EARGO Kamedis Ritual Seed*          HARRY'S NATUREBOX quip          BULLETPROOF CLEARISTA LOLA GOBY</p>	<p><b>Clothing &amp; Accessories</b></p> <p>WARBY PARKER DAV/D K/ND FABLETICS Outdoor Voices          DSTLD BOMBHELL chubbies NISLO          Dia &amp; Co A DAY UNIVERSAL STANDARD          MINISTRY OF SUPPLY Beltology MILANER          A Y R BONOBOB ALLISON MITCHELL evetane          FIVE F FOUR LIVELY EVERLANE rocksbox          Reformation CUYANA JUSTFAB Tommy John          M. GEMI allbirds SPREZZABOX TIE BAR DOLLS KILL          TAFT MeUndies TOMBOYX THIRDLOVE ADORE ME          BANJO &amp; MATILDA CAUSEBOX New BOMBAS          INDOCHINO STITCH FIX Paul &amp; Evans tieks STANCE</p>
<p><b>Pet</b></p> <p>THE FARMER'S DOG          ollie          PETPLATE          BARK-BOX          NOM NOM NOW          KitNipBox wondercide</p>	<p><b>Travel &amp; Outdoors</b></p> <p>BottleKeeper. bugabo Neit          ROLLUX SAMSARA craniologie          cotopaxi Tortuga SOLE AWAY</p>
	<p><b>Baby &amp; Kids</b></p> <p>BUMKINS the Baby Box nanit          green kid crafts KIDBOX RIGGLE and carrots          TOYMAIL kiwi crate          ROCKETS OF AWESOME</p>
<p><b>Food</b></p> <p>Plated. Hello Fresh Blue Apron HOME CHEF KETTLEBELL KITCHEN FRESHLY CALIFIA TABLE FOOD52 hungry root Wine VineOh! hint ALOHA CANDY CLUB</p>	
<p><b>Home</b></p> <p>BLU DOT swoon brooklinen PLUSHBEDS Casper          parachute BURROW saotva leesa Prosumer's Choice          SNOWE TUFT&amp;NEEDLE ev9 BOLL &amp; BRANCH          ZEVO THINKCRUCIAL SIMPLY FRAMED FRAMEBRIDGE minted.          Spoonflower 2MODERN</p>	

# Companies using D2C business model

Traditional Retailer  
(Nike)



# Benefits and drawbacks of a D2C business model

## Benefits of a D2C business model

- No middlemen = more profits
- Gaining access to more targeted customer data- Demographic, Geographic
- A higher degree of personalization in your product range-Inventory Less
- Higher control over profits – Upselling and Cross Selling product
- More room for product testing



# Benefits and drawbacks of a D2C business model

## 3 Limitations of the D2C Model

- **Hurdles to growth** – 100's brands Fighting for the same digital native customer. So one should pivot to an omnichannel approach to scale the business
- **Increased responsibility** - Full accountability for every facet of the supply chain like managing an online store, customer acquisition, conversions, fulfillment, returns, packing, warehousing, and more.
- **Steep marketing costs** - Without the big-box department stores you will be fighting to get customers with expensive influencers

## Click to Brick

Many D2C brands started with digital channels and are now taking off with brick-and-mortar stores

WARBY  
PARKER

Try-before-you-buy glasses  
company has over 200 retail stores  
in the US apart from an online app.

*allbirds*

Allbirds opened their first store in  
San Francisco or NYC (Now 30+)

Casper

First brick-and-mortar store in NYC  
(Now more than 100 stores)

# Warby parker - Omni-channel Case study for eyewear



Product and service reach to the consumer where they are

## Omni-channel Case study for eyewear

WARBY  
PARKER



Specsavers

# Warby parker - Omni-channel Case study for eyewear

## 1. Home Try-On program

They Changed the customer experience game

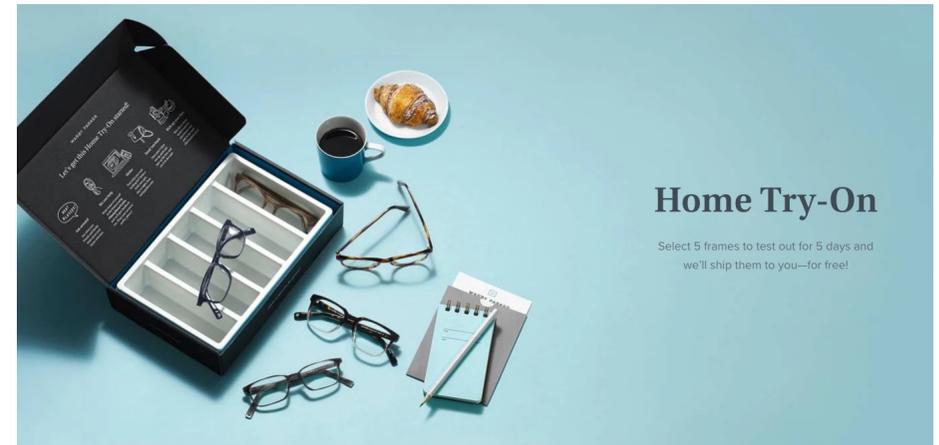
### How does it work?

- Pick 5 frames — They'll mail them to you for free
- You get to spend 5 full days with them — try them on, conduct polls with your Instagram followers, and make your pick!

Then, send them back with a provided free shipping label.

Find your favourite, or not — Warby Parker will help you to buy them to fit with your prescription, now from \$95.

If you don't like any of them, no problem! Send them all back and move on. You're not tied to anything.



# Physical spaces for a full omnichannel retailing experience

## 2. Full omnichannel retailing experience



Brick-and-mortar retailers strive to replicate in-store profits online

Realized that shipping 5 glasses is not the same as trying on 50.

## 3. Integrated their online and offline omnichannel retailing



75% of people that buy something in our store have been to our website first and tried on frames but weren't quite ready to check out.

## Omni-channel Case study for eyewear

WARBY  
PARKER



Specsavers

Metrics omnichannel brand needs to track

- Revenue
- Channel mix (Store count to online purchase)
- Growth and retention (Repeat purchase)
- Four-Wall Margins (Average Sales Per Square Foot)
- Contribution margins

# Omni-channel by Warby Parker

Introduction Warby Parker is a New York-based eyeglasses retailer

Offered high-quality and uniquely designed glasses for a reasonable price point

Home Try-On program  
outstanding customer service  
Omnichannel presence

“Brick and mortar”



“Clicks and bricks”

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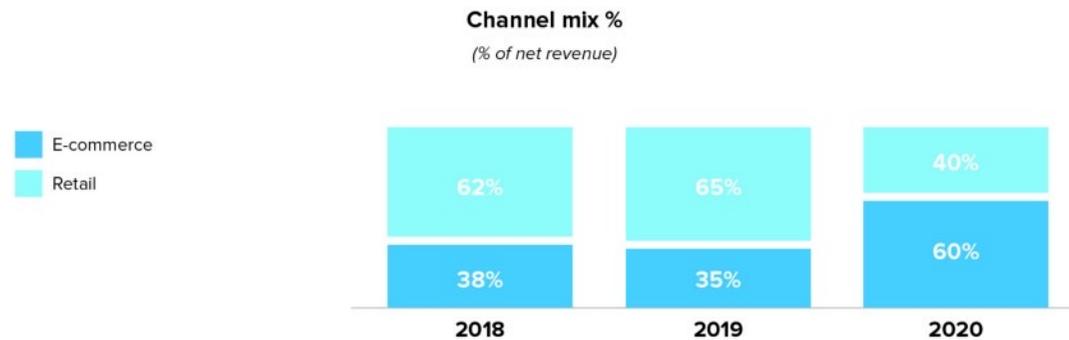
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— Cumulative customers  
□ Key milestones



# Omni-channel by Warby parker

**More than half of revenue is in-store.**



**Touch point:-** First time purchase from offline Store

**Repeat purchase:-** Deeper assortment from App ( 1 million frames)

## Omni-channel by Warby parker

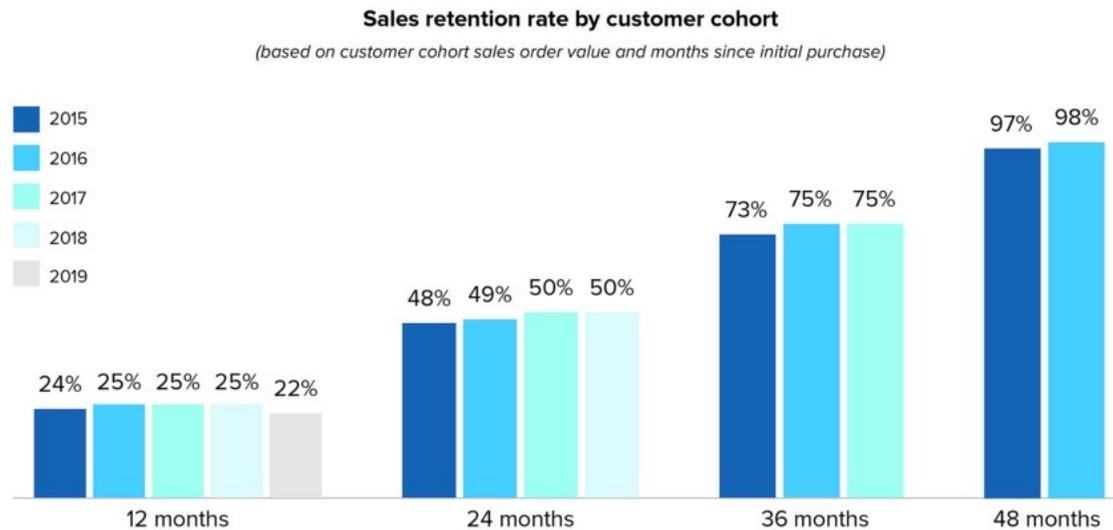
**Stores are the key to growth.**



Bcz of the above trend increase store count will reduce Capex. in long run

# Omni-channel by Warby parker

## Retention is perfect



50% Sales Retention Rate within 24 months of their first purchase and a nearly 100% Sales Retention Rate over 48 months.

## Basics of income statement

**Net Sales:** The revenues received by a retailer during a given period of time

**Cost of Goods Sold:** the amount to acquire the product

**Gross Profit:** Difference between net sales and the cost of goods sold

**Operating Expenses:** the cost of running a business

**EBITA** (Earnings before interest, taxes, and amortization)

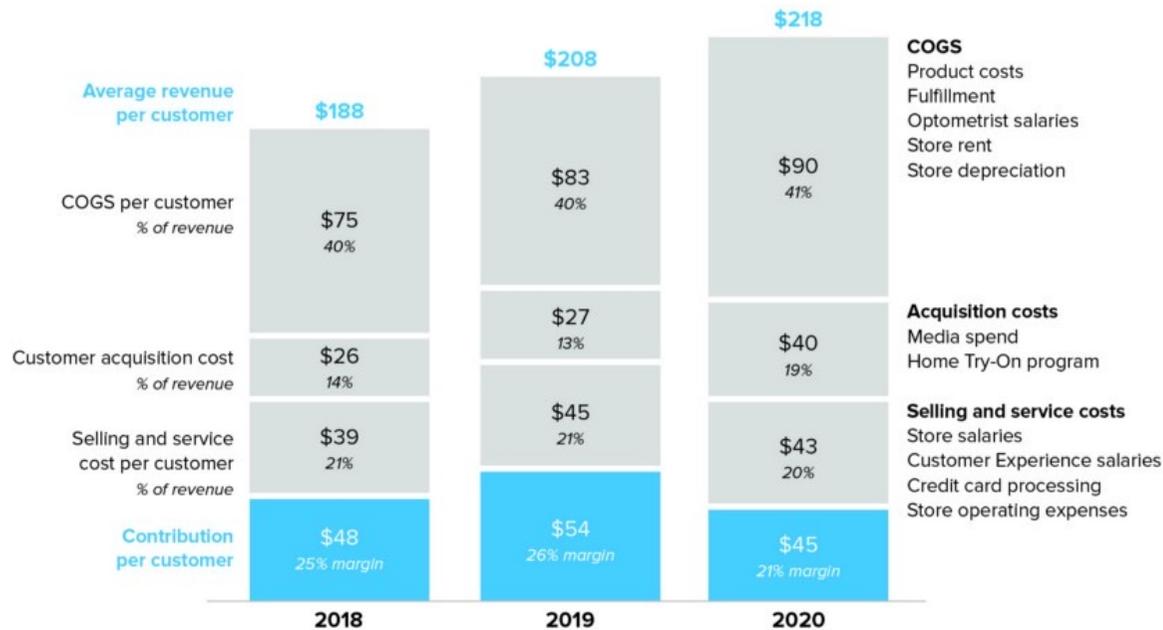
**Taxes:** the portion of business turned over to the government

**Net Profit After Taxes:** the profit earned after all the costs and taxes have been deducted.

Net Sales	\$330,000
COGS	\$180,000
Gross Profit	\$150,000
Operating Expenses	\$ 95,250
Other Costs	\$ 20,000
Total Costs	\$115,250
Net Profit before Taxes (EBITA)	\$ 34,750
Taxes	\$ 15,500
Net Profit after Taxes	\$ 19,250

# Omni-channel by Warby parker

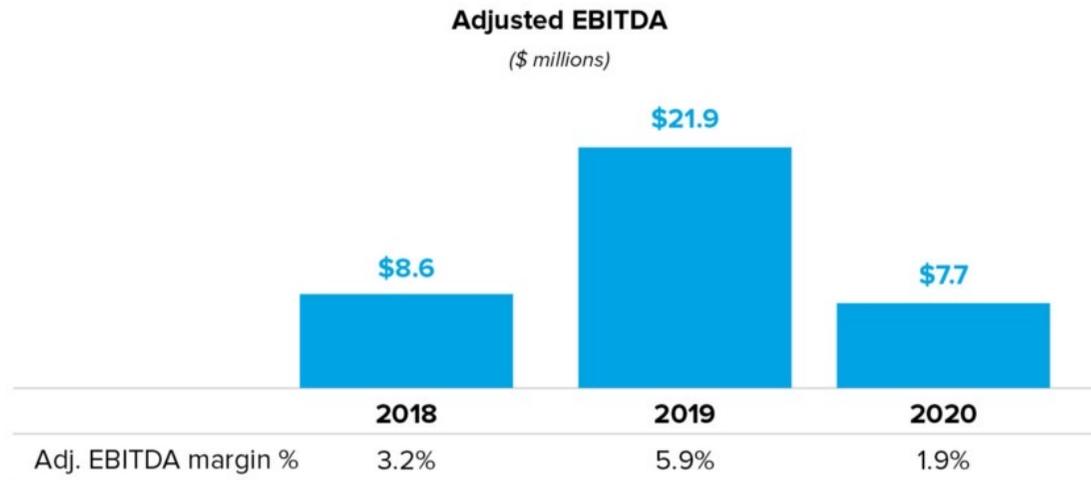
## Very strong contribution margins



The decrease in Contribution Margin was also driven by an increase in Customer Acquisition Cost, which increased 49% to \$40 per customer in 2020 compared to \$27 per customer in 2019

# Omni-channel by Warby parker

## But EBITDA margins are tight



2020, adjusted EBITDA and adjusted EBITDA margin were \$7.7 million and 1.9%. Notably the company has not been profitable for the past three years

## Types of Logistic Business model



Drop shipping  
Business model

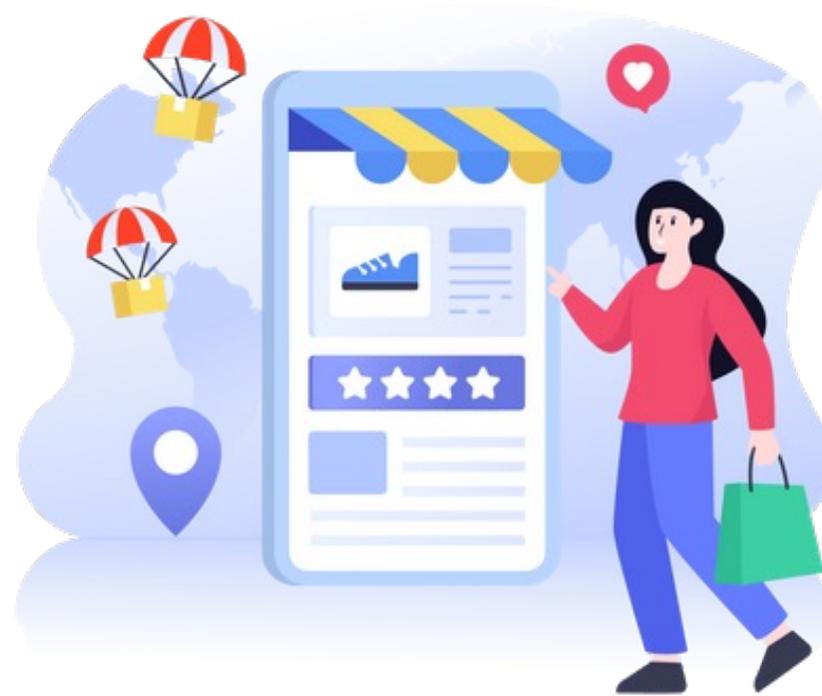


Third-Party Logistics  
Business model



Last mile delivery  
Business model

# Drop shipping Business model



# Drop shipping Business model

**Dropshipping** is an e-commerce business model where a store does not maintain inventory

When a customer makes an order, the retailer forwards the order and shipping details to a fulfiller. The fulfiller then delivers the product to the customer.

Watch the **full** version of this topic in the course video

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The Key Elements of the Drop shipping Business Model

- **Retailer** – Product portfolio and customer experience
- **The fulfiller** – Managing, shipping, and fulfilling orders
- **The customer** – Purchase the order

# Drop shipping Business model

## Advantages of drop shipping

- Less capital is required
- Easy to get started
- Low overhead-No Inventory and warehousing
- Flexible location
- Easier to test

## Problem with drop shipping

- Low margins
- Shipping complexities and time
- Limited customization and branding



# Drop shipping Business model

## Prerequisites to Start a Dropshipping Business

### Picking a Niche:-

- Choose one in your core competency and theta consistency attracts consumers.
- The Product Selection Should Appeal to Impulse Buyers
- Sell Products in High Demand (keyword planner)
- Sell Unique Products (not on amazon)
- Create a brand:

### Performing Competition Research

What they offer, and how they offer it (SEMrush and Ahref)

### Running a Dropshipping Business with Shopify

- Brand your Business(business name generator,)
- Establish an Online Presence (Domain and webpage)
- Source Products (Oberlo+Aliexpress)
- Sell Globally

#### 5 SIMPLE STEPS



# Drop shipping Business model



# Third-Party Logistics Business model



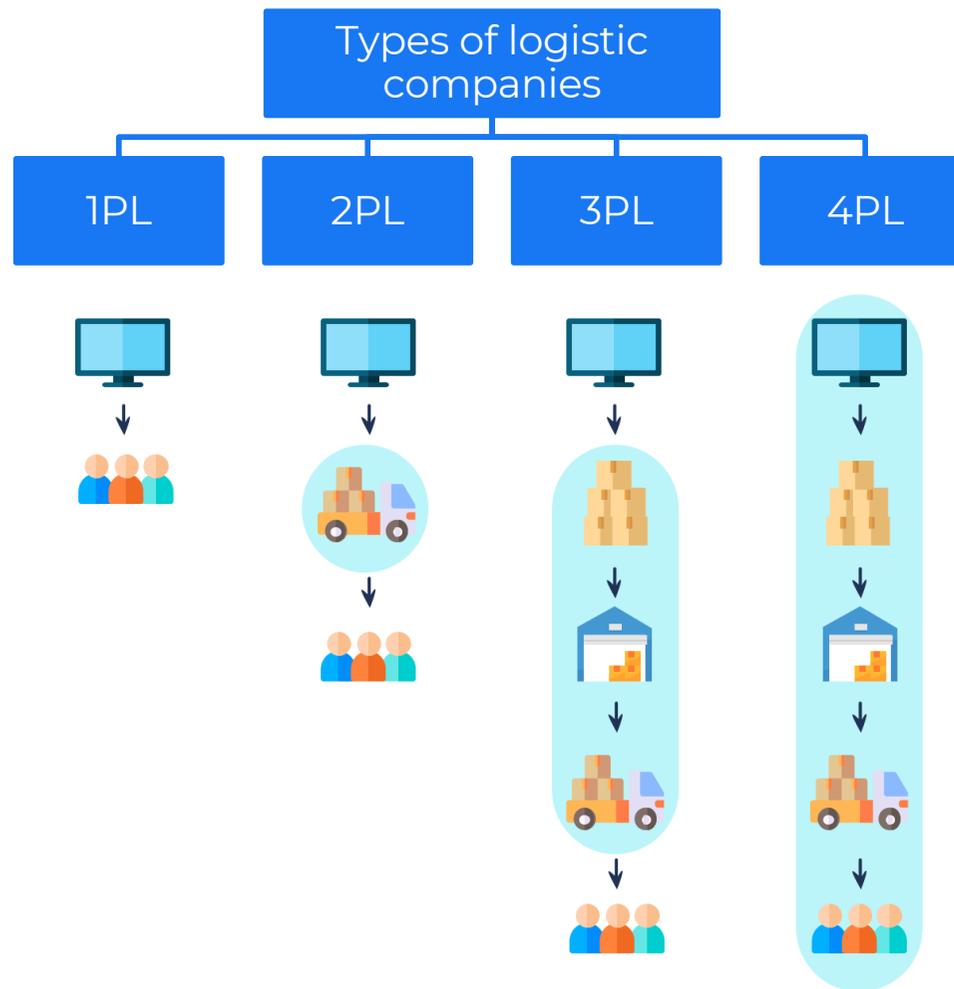
# What is Third-Party Logistics (3PL)?

3PL is essentially when a business outsources its products' distribution, warehousing and fulfilment to an external logistics company which carries out these processes efficiently on behalf of the business.

**Example Amazon, Ship Bob etc.**



# Types of logistic companies



# 3rd party logistic business model

## 1PL

A business manufacturing TV, packs, stores and deliver it directly to customer



## 2PL

A business manufacturing TV, packs, stores and outsource delivery using a courier



## 3PL

A business only manufactures the TV and outsource everything from packing, storing and delivery.



## 4PL

A business exists as a 4PL service provider and handles everything from manufacturing to delivery



## How Ship Bob goes from your online store to your customer's door

3PL partners handle both inbound and Outbound with warehousing, fulfilment and returns of certain goods for a fee.

**Inbound logistics** refers to purchasing and arranging the transportation of products from suppliers to your warehouse.

**Outbound logistics** refers to the flow of items through a company's production line, warehouse and ultimately to the customer.

# How Ship Bob goes from your online store to your customer's door



## 1. Connect

Connect your store, import your products, and then send us your inventory



## 2. Store

We store your inventory in any combination of our fulfilment centers.



## 3. Ship

As soon as a customer places an order, we ship it from the nearest fulfilment center.

# How Selling on Amazon Works

Customers purchase products from Amazon and then the entire process of collecting the goods from the seller to delivering them to the customer who purchased them is Amazon's responsibility.



**Step 1:** Inventory Management and Warehousing

**Step 2:** Distribution and Packaging

**Step 3:** Fulfilment and Delivery

To summaries, 3PL companies handle outsourced functions like procurement, transportation, and distribution and Some also manage growth and revenue.

# Types of 3PL Services

## 3PL Procurement Services

**FOXCONN**



## 3PL Transportation Services



**FedEx**



## 3PL Distribution Services



## Growth Services

# Types of 3PL Services

## 1. 3PL Procurement Services

This includes buying raw materials, sourcing pre-made products, negotiating terms, making purchases, and maintaining records.

Example: Foxconn do it for apple

These services include:

- **Product development:** Assisting in designing and engineering an item and securing patents
- **Raw materials sourcing:** Identifying the best materials, suppliers and cost-effective sourcing plan
- **Manufacturing scheduling:** Developing cost-effective production plans and scheduling manufacturing runs based on forecast demand.
- **Finished goods sourcing:** Sourcing or customizing ready-made goods to meet your needs

# Types of 3PL Services

## 2. 3PL Transportation Services

A transportation 3PL service can help you find the right carriers, streamline the paperwork, facilitate your schedule, and accomplish it all cost-effectively.

Example: FedEx, Blue Dart and DHL

**There are three primary types of 3PL transportation services:**

**Domestic freight:** Help you get the best deals on domestic US rail and truck freight and manage pickup schedules, delivery schedules **Ex UPS**

**Import/export:** 3PLs ensure no surprises with paperwork, duties, and transportation costs. **Ex FedEx**

**Overseas shipping:** 3PLs can help you get the fastest air, transoceanic, and freight shipping for the lowest cost.

# Types of 3PL Services

**3. 3PL Distribution Services** - Making a product available to customers with warehousing, transportation, packaging, and shipping  
Ex Amazon fulfilment centers.

A full range of services includes:

- Warehousing
- Inventory management
- Product packaging
- Order processing
- Assembly and customization
- Batching and kitting
- Order packing
- Bulk shipping for B2B sales
- Parcel shipping for B2C sales
- Returns management
- Stock forecasting

## Fulfilment network



## Fulfillment platform



## Customization



# Types of 3PL Services

**4. Growth Services-** Helps in increasing sales, product development and category expansion.  
Ex Mike Digital marketing

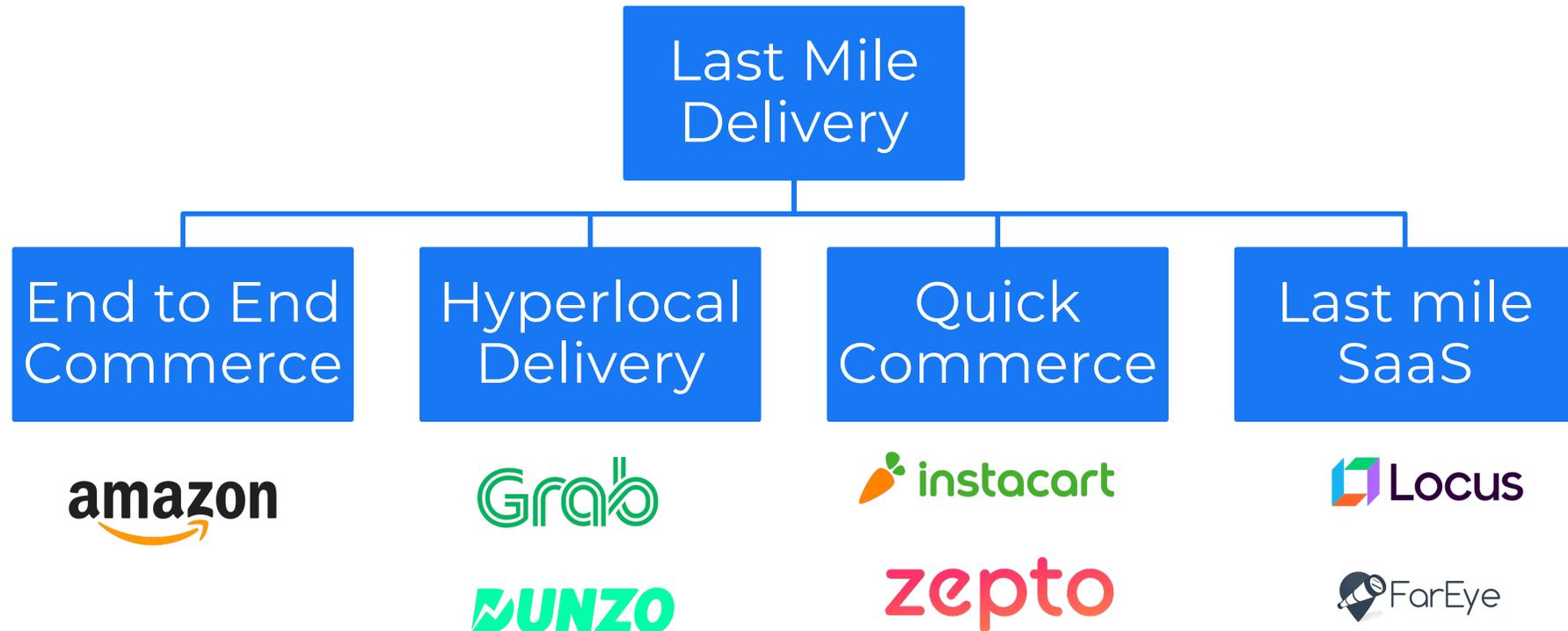
Ways to promote growth and revenue by marketing reach:

- 1. Develop branding:** Logo design, brand messaging, copywriting, packaging etc
- 2. Manage multichannel platforms:** Like Amazon, eBay, and Facebook sales channels
3. Develop and manage online stores
4. Collect and analyze data

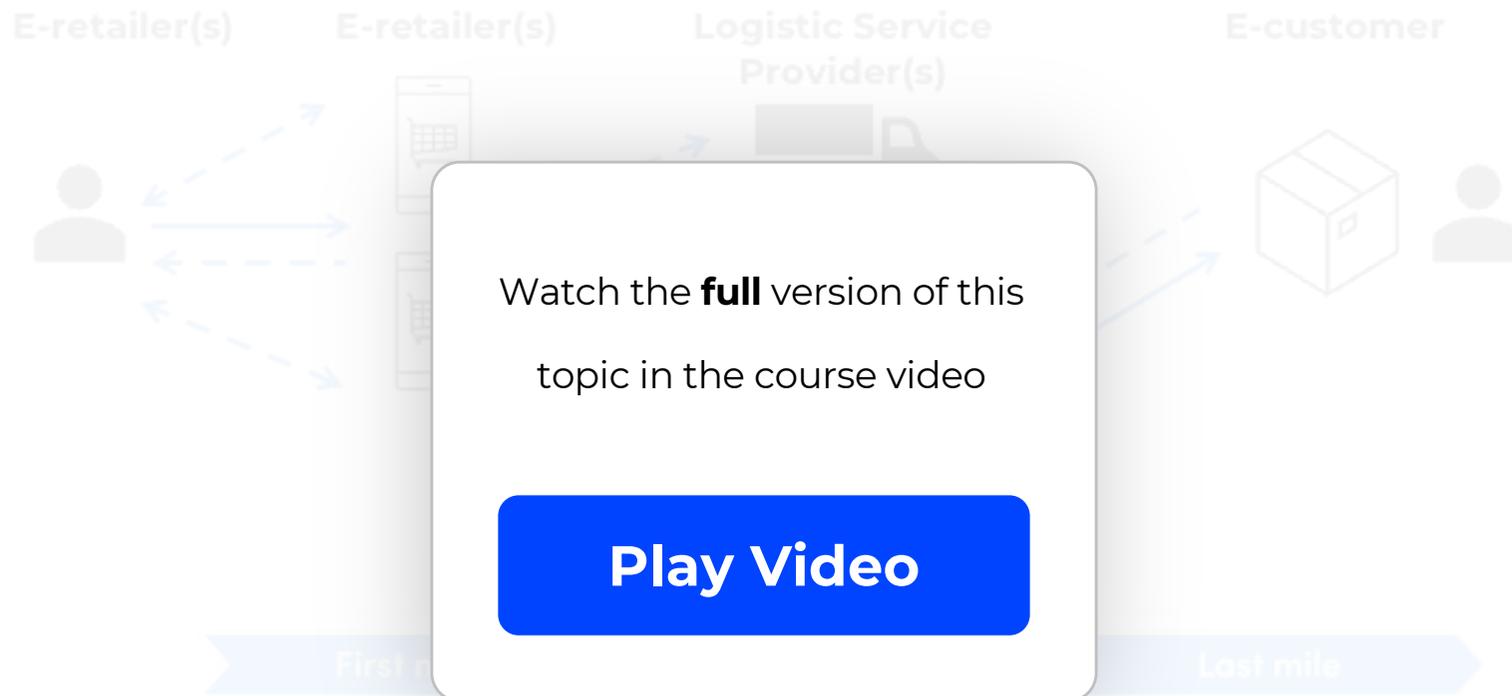
## Last mile delivery Business model



# Types of Last Mile Delivery

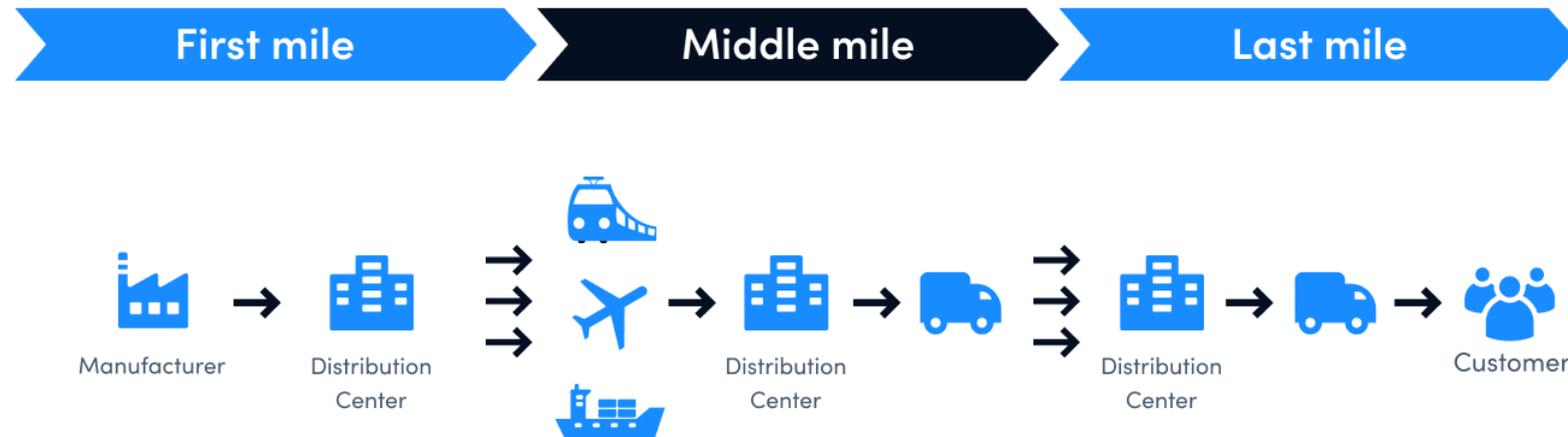


# E-commerce supply chain and Last Mile Delivery



# First, Middle and Last mile delivery

**First-mile logistics** is the operations for delivering products from the manufacturer to a fulfillment facility



**Middle-mile logistics** ensure delivering of products from a fulfillment facility to a distribution center.

**Last-mile delivery** ensures delivering of products from a distribution center to the customer or a retail store—it's the last part of the supply chain.

# Problems with Last mile delivery?

## Problems >>>

## Solutions



### Per Unit Cost

Last-mile delivery accounts for 53% of your total shipping costs.

Network effects brings economy of scale



### Road Infrastructure

70% of logistic still happens through road

Separate logistics based on margin  
**High Margin** = DC-> Air-> Last mile  
**Low Margin** = DC -> Train-Road -> Last Mile

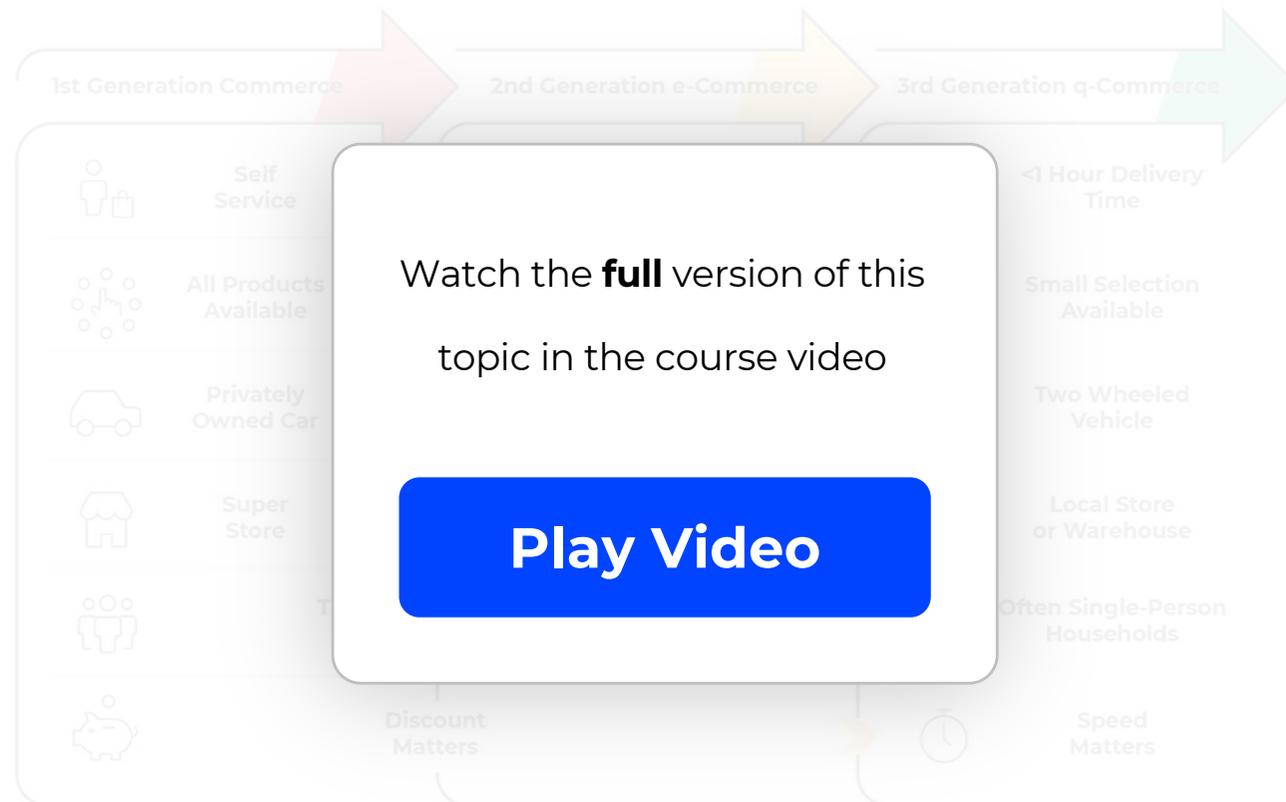


### Handling Peak Demand

Peak demand on weekends and on festivals

Amazon Subscribe and Save 10%

# Quick eCommerce- A new trend in the last mile



# Quick eCommerce- A new trend in the last mile

## Store Type

- Dark Store (2-5km Radius)
- 1,000 SKU covers 90% of kitchen

## North Star Metrics

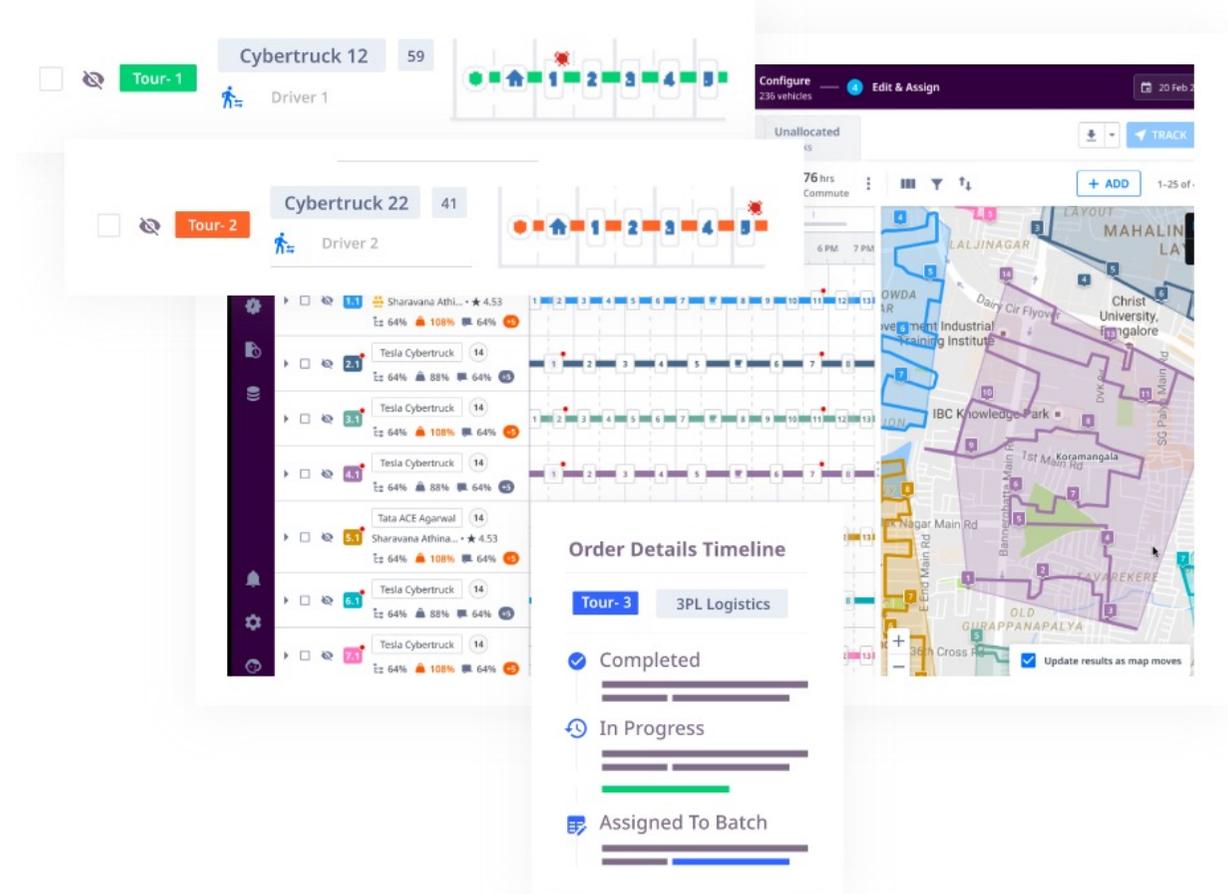
- 2<sup>nd</sup> Order (retention > 90%)

## Works well if you have

- High Population clusters
- High disposal income

## Delivery time

- 10 -30 Minutes depending on the service area (2-5km)



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