# The Future of Direct to/with Consumer

A **POV**

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# Content

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# The story
# thus far

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# Global consumer packaged goods (CPG) industry experiencing slow growth, due to shifts in the overall landscape

*(McKinsey, 2020)*

After 40 years of growth, the CPG industry has slowed over the last decade as a result of emerging trends in direct-to-consumer (D2C) business models, technologies and consumer experiences. Now, the COVID-19 crisis has amplified many of these trends, **making change imperative to the industry.**

As a result, CPG players need to rethink their current approach and evaluate "where to play" options to expand their exposure into growth areas. Some are exploring the following:

/ Igniting focus toward consumer experience through research into shifting behaviors

/ Building new digital capabilities to grow alongside market trends

/ Seeking global opportunities, especially in emerging markets like Asia

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# Our point of view

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# As the big players in the D2C boom of the 2010s retreat, a new wave of opportunity is afoot for those who execute.

*(Harvard Business Review, 2020)*

The CPG space is undergoing a massive transformation at the nexus of tech disruption and social change, prompting a shift to a more streamlined, data-driven and relational **direct *with* consumer way of business.**

# The COVID-19 crisis is changing consumer behaviors and expectations, **en masse.**

*(Idea Couture, 2020)*

Fundamental sociocultural norms, behaviors, attitudes and values are transforming rapidly, some beyond recognition. Emerging trends already seem to suggest a **transformation of consumer values**—particularly around trust, intimacy and resiliency.

# During this time of transformation, **CPG leaders are** advantaged in ways digital natives aren't.

*(Forbes, 2020)*

Now, brand leaders have a powerful opportunity to create intimate relationships with consumers while reasserting the **strategic advantages of scale in their supply chain, distribution and valuable account relationships**. With the crisis accelerating consumer demand for value and reliance on digital, now is the time to leverage digital innovations to steer the industry toward targeted commercial execution.

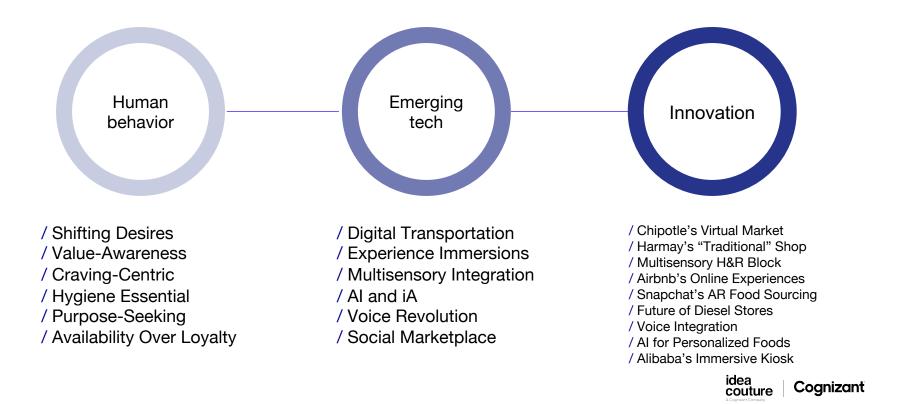idea couture | Cognizant
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# Signals of change

**The evidence behind our POV**

# / Signals of change from multiple angles

Our POV is built on the shifts we are seeing from various perspectives, from changes in human behavior to strategic innovations across diverse product categories.

**Human behavior**

/ Shifting Desires
/ Value-Awareness
/ Craving-Centric
/ Hygiene Essential
/ Purpose-Seeking
/ Availability Over Loyalty

**Emerging tech**

/ Digital Transportation
/ Experience Immersions
/ Multisensory Integration
/ AI and iA
/ Voice Revolution
/ Social Marketplace

**Innovation**

/ Chipotle's Virtual Market
/ Harmay's "Traditional" Shop
/ Multisensory H&R Block
/ Airbnb's Online Experiences
/ Snapchat's AR Food Sourcing
/ Future of Diesel Stores
/ Voice Integration
/ AI for Personalized Foods
/ Alibaba's Immersive Kiosk

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# Human behavior

*Shifts in human behavior have been accelerated by the COVID-19 crisis, especially in the realms of digital interactions, social rituals and consumerism.*

COVID-19 has resulted in a state of almost universal uncertainty and disruption. Despite the partial reopening in certain countries, behaviors representing the "new normal" across all aspects of life have continued. Alongside the adoption of new rituals around work, self-care and leisure, salient shifts in consumer perceptions are reflected in increased engagement with essentials, digital channels, the "caring" economy, the "homebody" market and availability-over-brand sentiments.

# Behavioral signals of change

**Shifting desires**
As a collective, people have adapted to life under lockdown and are beginning to express the desire for stability, connection and positivity. Many look to establish this through digital experiences.

**Value-awareness**
With economic uncertainty, people are doubling down on essentials and steering away from luxury alternatives. Increasingly, people are seeking more value for their purchases.

**Craving-centric**
Mood and product accessibility have shown to be key drivers for purchasing decisions. In a world without many distractions, people are more likely to pursue cravings.

**Hygiene essential**
Hygiene and sanitation are notions at the top of everyone's mind. Organizations are expected to prioritize public health in the design, delivery and process/service of products.

**Purpose-seeking**
People endure by finding purpose. Meaningful experiences and relationships should be designed and built with consumers in support of agency and the achievement of larger, connected visions.

**Availability over loyalty**
Due to initial disruptions in the supply chain, people have been shown to value availability over brand loyalty. Businesses must approach with empathy to re-cultivate relationships.

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# Provocations

**Tech to satiate**
As more people turn to tech to satiate their desires for connection, purpose and well-being, businesses need to leverage emerging technologies to seamlessly integrate into the "new" daily lived experiences of consumers.

**The "right" experiences**
Businesses need to explore novel experiences to meet consumer needs and expectations. There is more whitespace than ever, because people have more time and flexibility to indulge.
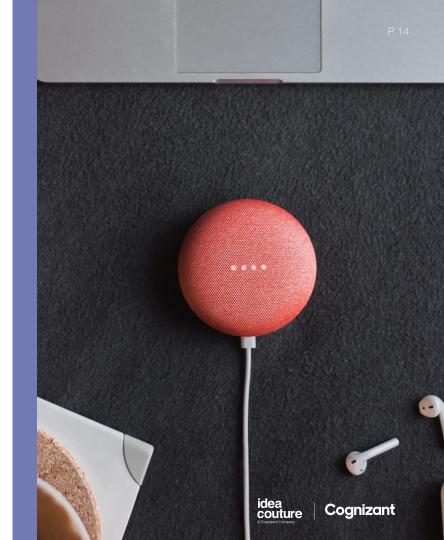
**Reignite loyalty**
People increasingly value availability, accessibility and cost over brand loyalty. As such, businesses must focus on growing direct consumer relationships at the front-line level to rebuild connections.

# Emerging tech

*Technology is constantly evolving and brand leaders continue to scout from the sidelines, rarely taking action. The current global transformation constitutes a call to action for organizations to move into the future with a modern lens.*

Advancements in technology are well on pace to be accelerated by a decade within key sectors such as AI, 5G, V/AR and IoT due to the crisis. Shifts in consumer behavior have also elicited uptakes in digital transactions, along with the launch of a host of new platforms to fill the gaps left behind by social-distancing. With new breakthroughs promising emotional intelligence and hyper-intuitive cognitive capabilities, brand leaders must organize their thinking and take the next step in crafting the customer experiences of tomorrow.

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# Tech signals of change

**Digital transportation**
More than ever, consumers are digitally transported to products. As people become further removed from relationships with physical money and goods, embed payments into interactive media (i.e., shows, ads, etc.).

**Experience immersions**
Tech enables "try before you buy" and "experience it anywhere" digital experiences. Many of these experiences replicate the best parts of the physical equivalent.

**Multisensory integration**
With the evolution of A/VR, along with haptic technology, consumers are able to interact with more by exerting less. Pilots of these immersive experiences continue to gain traction.

**AI and iA**
AI enables better understanding of the consumer, while individual assistance (iA) enables consumers to better understand the AI. iA will become a paramount conduit for guiding and educating people through buying experiences.

**Voice revolution**
As voice and wearable technology evolve, consumers will decrease their interactions with screens. With seamless integration into our daily lives, voice will replace dexterity as the controller.

**Social marketplace**
Snacks have been the bridge for social connection. As we shift to more digital chats, events, and gatherings, there is opportunity to preserve this ritual through digital adaptations.

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# Provocations

**Contactless interfaces**
As voice, gesture, wearable and architectural technology progresses, we will move further away from screen-based interactions. Especially in a post-COVID world, surface interfaces will transform to contactless interactions.

**Seamless integration**
As we move away from surfaces, interactions with tech will become more integrated into our daily living. Be it through smart homes/buildings or wearables, brand leaders will have to navigate new frontiers for direct consumer interaction.

**Consumers as a partner**
In leveraging AI technology, brand leaders can optimally tailor and personalize products based on individual unmet needs. Concurrently, this will create a two-way relationship—a task that can lead to the success of many digital-native brands.

# Innovation

*"The future of retail in _____ industry will look very different." As a common statement across various product categories, CPG organizations must identify, realize and translate innovations for continued growth.*

Business models are being adapted across the board in lieu of social and economic transformations in today's world. As players within various product categories seek to elevate their current ways of business, many have adopted emerging tech and strategic innovations to align with the consumer behaviors and expectations believed to be the "new normal." Across different product categories, businesses have focused on cultivating that direct consumer relationship.

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# Innovation signals of change

**Chipotle's virtual market**
Chipotle launches a direct-to-consumer virtual farmers' market for its suppliers. Further blurring the line between a restaurant and grocery store, suppliers each have a digital booth for their goods.

**Harmay's "traditional" shop**
A retail store with no visible products, promotional signage or attention-grabbing screens where instead customers are guided by their own desire for discovery. It shows the essential elements of physical retail that consumers still enjoy.

**Multisensory H&R Block**
In an ASMR video by H&R Block, a fake accountant whispers about the pains of filing and how H&R Block can be of service. A unique experiment, it uses senses to reach consumers directly.

**Digital travel**
Airbnb is transforming the experience industry by shifting to online. Customers are able to digitally travel around the globe with private tour guides, meeting the needs of those seeking exploration.

**Snapchat's AR food sourcing**
Snapchat Lens Studio, in collaboration with yuka, will create an AR lens tool that allows users to scan packaged foods for nutritional information.

**Future of Diesel stores**
Diesel has built a digital showroom in response to COVID-19, providing a hyper-realistic experience that offers a glimpse into what online shopping might look like moving forward.

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# Innovation signals of change cont'd

**Amazon's voice integration**
Equipped with a robust tech ecosystem, Amazon is further streamlining the integration between Alexa and its marketplace. Consumers can more intuitively and accurately order by voice.

**AI personalized foods**
Analytic Flavor Systems is using AI to develop flavors tweaked precisely for various age, ethnicity and gender markers. Think beer and snacks as unique as fingerprints, and a future where the food knows more about the consumer.

**Alibaba's immersive kiosk**
Refinity, a multisensory shopping kiosk developed at the Alibaba DAMO Academy, is an innovative effort to redefine retail without the need for any wearables.

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# A closer look: case study 1

## The convenience of BUD LIGHT DELIVERY

### What is it?

Originally launched in 2015, Bud Light Delivery is seeing a resurgence amidst the COVID-19 pandemic. Through the Bud Light website, consumers can directly order their beverages of choice, with guaranteed timely delivery. Analogous to ballpark vendors, Bud Light Delivery seeks to fill the void in convenience, while also promoting social distancing.

### Why is it?

Aligning with consumer behavioral shifts toward being more craving-centric, hygiene essential, while valuing availability over brand loyalty, Bud Light is providing a digital platform to cater to these needs. By creating convenience that requires minimal input from users, Bud Light is, once again, aiming to create a direct relationship with consumers.



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# A closer look: case study 2

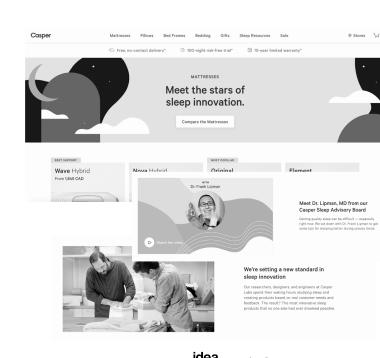## CASPER's focus on the experience of sleep

### What is it?

The widespread D2C success of Casper is attributed to the brand's ability to alleviate analysis paralysis while positioning itself as a leader in the sleep economy. By not overwhelming visitors with choices, Casper is able to focus consumer interactions beyond the product and toward the larger sleep experience. Launching features that enable direct virtual consultation with sleep experts and enroll shoppers into the online "school of sleep," along with R&D into digital immersive experiences for consumers that help them *feel* the products, show how Casper is striving to solidify the experience of sleep using tech.

### Why is it?

Aligning with a combination of behavioral shifts and emerging tech, Casper is capitalizing on the value awareness and shifting desires of consumers by positioning its product as a wellness enhancer. Through technology, it focuses on creating an immersive experience to digitally transport customers into the ecosystem of sleep.



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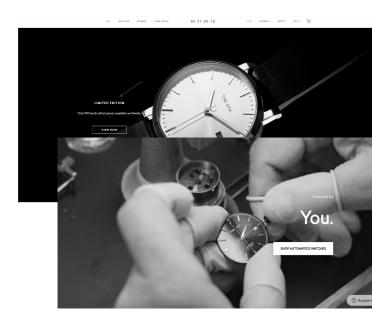A Cognizant Company

# A closer look: case study 3

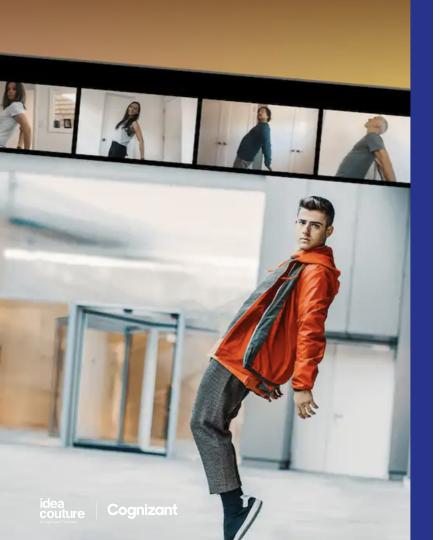## The 5TH, building engagement through exclusive glamor

**What is it?**

Luxury accessory company The 5TH approached D2C with a unique perspective. Rather than keeping its ecommerce site online 24/7, the brand opted to open only for a few days per month and treat each of those days as a digital event/gala that immerses consumers into a digital shopping experience through beautiful visual designs and engaging auditory soundtracks. By fostering consumer relationships through this event-based approach and continuing to develop AI for personalization through digital tools, The 5TH's goal is to transform these "events" into "personalized parties."

**Why is it?**

Aligning with consumers' shifting desires and seeking of purpose, The 5TH creates events for customers to "attend" in a world that seldom encourages in-person gatherings. By exploring AI and iA opportunities and multisensory integration in design, The 5TH sees technology as a means for differentiation.



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# Provocations

**Conversions across categories**
Across all product categories, businesses are seeking advantage through tech innovations. With the goal of building direct connections with consumers, brand leaders must explore outside of their domain and pilot based on evidence.

**Digital and infrastructure symbiosis**
Brand leaders have the advantage of established fundamentals: supply chain, relationships, distribution, etc. Capitalize on these advantages with digital innovations that fit.

**Individual winning recipe**
All business differs in terms of infrastructure, vision and operations; as such, success will also look and feel different. The deployment of new tech, models and ways of business should be tailored based on individual circumstances.

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# The future at a glance

from -> to

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# FROM
# Direct *to*
# Consumers

/ Web-only retail

/ Borrowed supply chain

/ Social media marketing

/ Visual brand identity

# TO
# Direct *with*
# Consumers

**/ Omnichannel business model**

**/ Robust fundamentals in supply chain, distribution, relationships**

**/ AI-driven community building through collaboration**

**/ Integration into daily experiences through immersive tech**
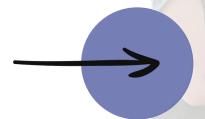
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# FROM
# Efficiently Filling
# *Orders*

/ Prioritizing product over experience

/ Doubling down on existing operations and processes

/ Emphasizing legacy ways of business

# TO
# Fulfilling Modern
# *Experiences*

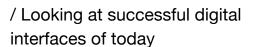/ Seeking innovation across industry and product category

/ Experience-driven and focused, fulfilling unmet needs

/ Seamless transactions, creating a delightful customer journey

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# FROM
# Building *Screen-Based* Interfaces

/ Focusing solely on online retail apps and stores

/ Looking at successful digital interfaces of today
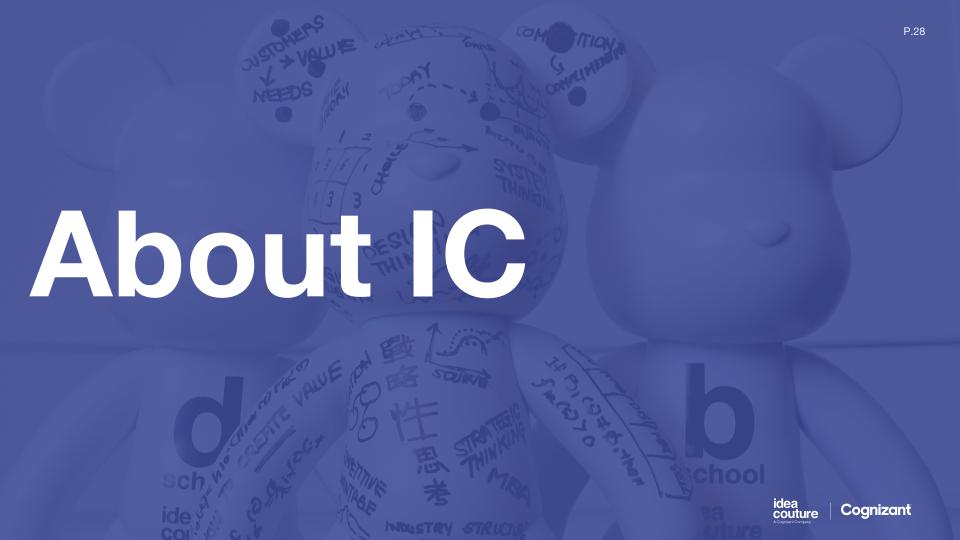
/ Leveraging UI as the solution to CX

# TO
# Thinking *Beyond* Surfaces

/ Integrate into voice and emerging interfaces

/ Understand unmet needs of consumers in their lived experiences

/ Explore new frontiers of tech

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# About IC

# Idea Couture

*Is a strategy, innovation and experience*

*design partner @ Cognizant Digital Experience*

We help leading companies envision and create differentiating breakthroughs that fulfill user needs; forge lasting emotional connections between customers, employees and brands; and create shareholder value through the alignment of business strategy, brand and organizational culture.

Our expertise in anthropology, sociology, economics, service design, business strategy, experience design, technology and foresight enable us to negotiate our way through any cultural, consumer, technological or economic shift.

By switching between different lenses to view multiple worlds and draw on deep customer insights, business contexts and future scenarios, we are able to **discover what would otherwise go unseen** and **create what is yet to exist**.

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# rethink reimagine reset

Contact.
**Maya Oczeretko**
Human-Centric Design Lead
**moczeretko@ideacouture.com**

**Cognizant** Digital Experience

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