BIZCOMMUNITY

# Using e-commerce tools to build disruptive consumer brands

By Paul Cook

16 Jan 2020

Consumer supply chains traditionally divided into "brands", the FMCG and similar companies that created products, and "retailers", that stocked those brands and reached end consumers.

Paul Cook

Brands were built, typically, by mass media marketing campaigns featuring clever taglines and one-size-fits-all messaging. In this world, e-commerce is largely a tool for retailers to reach customers more conveniently.

In recent years, this structure is changing, with the emergence of playbooks for creating “disruptive consumer brands", brands built using non-traditional marketing approaches, and often using e-commerce tools to reach consumers directly. This threatens retailers, if they are disintermediated by brands reaching consumers directly.

But we see also an opportunity, especially in South Africa: many disruptive consumer brands eventually expand into retailers in order to reach broader scale, and fast-moving retailers can accelerate this process and so excite their customers as well as enjoy a more fragmented supplier base.

We see two broad (and often overlapping) approaches to disruptive brand building:

## Direct to consumer (D2C)

The D2C recipe has three ingredients:

**Product innovation**, focusing on better quality or better price, often through simple material or process innovations. By selling direct to consumers and avoiding the retailer margin, young brands can achieve good margins, quality and price. Casper, for example, pioneered online mattress buying using modern foams to produce products that rival traditional spring mattresses, but that could also fit in a box.

**User experience** that is simple and direct. This means back-to-basics, replacing a bewildering set of features with simplicity, and a single product or very simple range. E-commerce tools allow convenient purchasing and re-purchasing, and omnichannel approaches allow stores to be showrooms rather than stockrooms. For example, Dollar Shave Club and Harrys, D2C men’s shaving brands, disrupted the arms race of ever-more complicated razor blades with a simple, timeless razor provided on a convenient monthly subscription.

**A message** that grabs attention unconventionally. This can be an origin story, emphasising an artisanal or craft history. Often it's ethical: better for you, better for society and suppliers, or better for the planet. Lastly, it can be celebrity, when influencers are not just marketing partners but attached to the identity of the brand, as seen recently with Kylie Jenner's sale of part of cosmetic company [Kylie Cosmetics for $600m](#).

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## Subscriptions

The market for subscription products has exploded in recent years, with thousands of options available now in leading markets. The customer value proposition is typically some combination of **convenience** and easy replenishment, especially for personal and home products; **curation** of a constantly-changing range of products for sampling or experience, particularly for cosmetics, food and beverages; or **access** to member-only discounts, commonly in the apparel or food categories.

Commercially, subscription boxes typically enjoy good margins, through predictable purchasing for a well-defined audience, and the ability to modify curation to optimise margins. Lifetime customer value is excellent due to the lock-in effect. Customer engagement is typically high, especially for subscriptions with well-designed "unboxing" experiences.

Conversely, though, the total addressable market is limited to customers willing to subscribe to a very specific product offering. This makes subscription boxes especially well-suited to creating and building high-engagement brands, either for the brand of the subscription itself, or for the brands of the products included in curated boxes. This can be followed by a retail or omnichannel roll-out to reach scale.

## What about South Africa?

Consumers are similar globally, and we are starting to see disruptive consumer brands emerging in South Africa. However, we expect some differences locally:

• **Launching disruptive brands online, but moving quickly to omnichannel/retailer sales early in a brand's life.** Disruptive approaches build fantastic brands, but to reach many South African consumers, a physical presence in retail is often unavoidable.

• **Trust as the obstacle (and opportunity) for mid-market offerings.** Currently, most local disruptive consumer brands focus on high-end customers. To reach other income segments needs the right value proposition, but also the right trust proposition, especially for recurring online payments. Social networks, rather than traditional e-commerce sites, are likely key.

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Lastly, some opportunities we see:

• **Africa-homed brands.** Most D2C innovation still imports or copies global leader markets. This leaves a huge gap for African-originated brands, in categories like clothing, cosmetics and hair products, especially driven by celebrities and/or identity-based messages. Done well, these have real export potential.

• **Local ingredients in food and drink.** Natural and organic products are growing rapidly, and the example of rooibos tea shows the potential for building global products using local ingredients.

• **Affordable medical products.** For many medical products and services, e.g. prescription glasses, there is a huge market gap between customised traditional branded products at the high end, and generic mass-market items. This is an opportunity – though the total local market size is a challenge.

## ABOUT PAUL COOK

Paul Cook is co-founder and Managing Director of Silvertree Holdings, which builds, invests into and operates disruptive consumer brands, including UCOOK, Faithful to Nature, PriceCheck, Pet Heaven and many more. Paul holds a PhD in theoretical physics from the California Institute of Technology. Before 2013, he worked as a consultant in McKinsey & Company's Johannesburg and London offices, focused on growth strategy in Africa and the strategic implications of global trends.
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