How a CPG Manufacturer Went Direct-to-Consumer in 3 Weeks, and is Now Scaling Toward 75,000 Orders Per Month

After reducing their cost-per-case and increasing inventory turns to drive profitability, the family care unit for one of the largest CPG manufacturers looked to e-commerce to drive stronger revenue and margin growth at a faster rate. To increase market share, leadership wanted to go direct-to-consumer with a subscription service and avoid middlemen like Amazon who can limit margin growth.

Our client saw how other retailers like, The Dollar Shave Club and Harry's Shaving quickly stole market share with their more cost-effective, direct-to-consumer subscription services. Sixty percent of traditional manufacturers have yet to take action to compete with e-commerce, but our client wanted to create a disruption similar to The Dollar Shave Club, but with toilet paper. They created a roll that would last up to 1-month, ending the continuous problem of family members using the last of the roll, and they began a subscription service where you can automatically get 3 rolls every 3 months with free U.S. shipping. Now their customers did not have to worry about going to the store to buy toilet paper when they have limited time.

"You can't look at the competition and say you're going to do it better. You have to look at the competition and say you're going to do it differently." – Steve Jobs

While our client changed their product and pricing to meet customer demands, they also had to change their supply chain operations to quickly respond to market dynamics. This is a challenge for most traditional manufacturers and 3PLs. As Mark Millar (author of Global Supply Chain Ecosystems) mentions: "E-commerce is more of a challenge than an opportunity for many manufacturers and their logistics providers, especially those with significant exposure to retail and fast-moving consumer goods sectors." They're used to delivering pallets and truckloads into distribution centers and retail outlets. This is different from single unit fulfillment and residential delivery. One-piece here and one-piece there is difficult to execute in a way that satisfies end consumers, manufacturers and logistics service providers.

Here's How RGL Logistics Helped the CPG Manufacturer Disrupt the Market with a Fast, Flexible Go-to-Market Solution

- **Systems implemented in 7 to 10 days –** We learned that a manufacturer's ability to compete with Amazon in e-commerce is limited by the canned technology and processes that many 3PLs and LSPs use. For example, many manufacturers see delays of 6 months or more in technology implementations. By utilizing a fast and flexible solution, our CPG manufacturing client had systems running, 7 to 10 days. They had their first product shipped in 3 weeks and they were able to scale quickly to go from 10 orders a day to up to 1200 orders a day. We are now scaling operations to directly ship up to 75,000 orders a month to consumers.

"Our Vision is Coming to Life."

Project Manager

- **Aligned the direct-to-consumer supply chain with marketing, operations and customers.** Traditionally, most 3PLs and LSPs, look at the supply chain function in isolation. E-commerce involves company-wide alignment on strategy, from social media marketing to inventory management and warehousing. Instead of spending months, collecting customer requirements and creating work-flows based on assumptions, we took a "fast & flexible" approach. Operations and systems were tested in controlled, live situations so we could optimize based on actual customer and operational needs, and so marketing could test their social media advertising spend. We were able to pivot quickly and adjust our planning based on live customer feedback. For example, the customer started with an offering for individual and family sizes, but there was little demand for the individual rolls. We then quickly take the individual sizes off the market and introduce a roll that was even larger than the original family size offering.

- **Pivoted quickly to drive KPI growth and avoid service interruptions.** Most 3PLs primary focus is on their costs and margins, so they often times respond to what the manufacturers ask for when it comes to direct-to-consumer-they do not look for ways to further impact KPIs. Through live testing, the client determined that the selected e-commerce platform was not robust enough for our clients' needs. A week later, we were operational on a different platform shipping to customers . We also learned that mode shift would increase speed to customers while reducing costs. Our client was able to quickly add this shipping mode without any service interruptions to clients.

Here's the difference in direct-to-consumer approaches....

Traditional DTC	Aligned DTC
Slow go-to-market time due to 6+ month delays in tech implementations.	Systems set up in 10 days. First product shipped in 3 weeks and now scaling toward 75,000 shipments a month
E-commerce is siloed resulting in missed customer, manufacturer and logistics service provider expectations.	E-commerce is aligned with production, inventory, warehousing, transportation, and customer demand.
Applies traditional distribution approaches to e-commerce leading to service performance challenges.	100% OTIF performance as DTC solutions are tied to the e-commerce strategy.
High inventory costs and continuous customer delays.	Optimized to manage demand peaks and troughs.
Slow to respond to customer needs.	Stronger new sales and organic growth with rapid response.
Focuses on cost.	Focus on cost + KPI growth.
Rigid Program with limited flexibility	Quick pivots to meet operational and customer needs.

Our Client's Vision Is Reality…

In addition to immediate online sales and profit margin growth, the manufacturer is able to control the brand story and the experience they want customers to have with their brand. They are able to cultivate relationships with customers that transcend retail channels, and now they can bring insight to their retail partners that can help them sell more. This can be a channel to test new products and campaigns in a smaller, safe environment before they are scaled out to retail partners.