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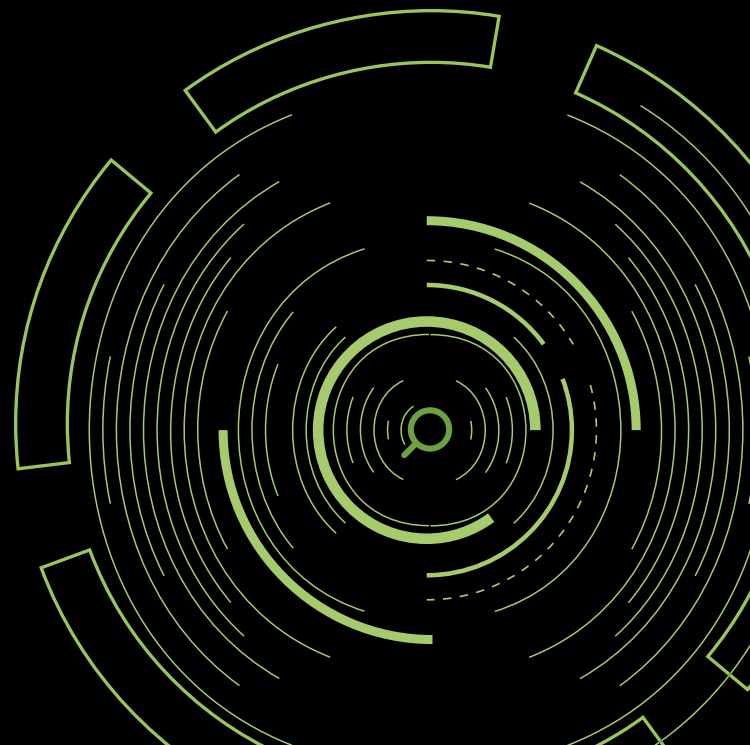
**2B or not 2B? Growth through
new business models is no
longer a question**

With growing consumer expectations, competition, and technology advancements, agility is more important today than ever before. Business model innovation and evolution play a key role in advancing strategic priorities—as demonstrated by the success of the direct-to-consumer-to-business (D2C2B) business model.



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Today's sheer magnitude of product and service options, increasingly available in the home and across nearly all facets of life, can **empower** consumers with never-before-seen choices. With a plethora of offerings at their fingertips, consumers are choosing based on who can best meet their needs versus long-standing brand assumptions or loyalties. According to NielsenIQ, during the pandemic, 67% of shoppers changed their habits—including selecting new brands based on value, availability, and convenience.¹

To be successful in this dynamic environment, cross-industry players are converging to help meet consumer needs and combat market disruption. Companies need to be able to constantly build and flex new capabilities and adapt to the only constant: change. This key capability—agility—can manifest in many ways, including what business model a company pursues today, tomorrow, and in the future.

Across many industries, Deloitte has seen the direct-to-consumer (D2C) business model—offering a product and/or service directly to an end consumer—prove successful over the years in attracting, engaging with, and retaining consumers (e.g., video streaming services, D2C pharmacies, pet food, and razor blade subscriptions). However, Deloitte analysis suggests a growing trend in the shift from D2C toward a

direct-to-consumer-to-business (D2C2B) business model—offering a product and/or service directly to end consumers (D2C) and later offering it through a business, in addition to or instead of offering it D2C exclusively (e.g., fitness trackers subsidized by employers, professional networking platforms, and online therapy offerings). (Note: Refer to the Appendix for deeper dives into these business models.)

Deploying new business models, including D2C2B, can offer companies an opportunity to advance enterprise priorities including expanding reach, scale, and impact. Companies generally deploy multiple business models simultaneously and/or sequentially over time as enterprise strategies evolve, which can require ongoing assessment of business models to help ensure they align to and reinforce the enterprise's overall strategy, mission, and ambitions.

This paper will highlight:

- Success factors from the D2C business model that companies should consider and leverage to evolve into new business models, including D2C2B
- The D2C2B opportunity for a faster path to scale and impact
- Recommended actions to help maximize value realization through the D2C2B business model

FIGURE 1

*The **empowered consumer** ... is changing. Needs, wants, and desires are becoming more specific and unique. Consumers are increasingly dictating when, where, and how they engage with companies, driven by technology and access to information. With more choices than ever, the consumer is empowered to decide—and does so, based on who and what best meets their needs.*



Building on success factors of D2C

Through a relentless focus on the consumer, companies focused on the D2C business model are often able to realize early success by achieving a critical first step: establishing consumer trust to gain brand permission to expand the relationship (e.g., building on consumer trust as a technology company to extend offerings into health care). This foundational groundwork is important to establish before turning to larger businesses (i.e., D2C2B) to continue to scale beyond the core consumer base and offerings. What other effective strategies do D2C-focused companies employ that could be transferrable to other business models?

While hyper-consumer-centric D2C strategies can enable new and existing players to establish and maintain consumer trust and disrupt industry incumbents, companies in exclusive pursuit of this model may plateau. This is where the D2C2B business model offers promise and can accelerate speed to scale and impact. Through collaboration with ecosystem partners (i.e., D2C2B), companies can more efficiently access the “fuel” (e.g., consumers, resources, capabilities, connections, other partners) required to expedite value realization. This decision to extend the D2C business model into the D2C2B business model may signal a shift in strategy from exclusive focus on the consumer to a broader landscape of potential customers (and consumers)—a strategy that could unlock potential for both reward and risk.

FIGURE 2

Taking a page out of the D2C playbook

Key strategies of consumer-centric companies include:

- By deeply understanding—and solving for—key pain points, companies aim to meet consumers where they are to help reduce friction and **quickly establish trust to be their “first choice” solution.**
- By building solutions that address the needs of historically unserved and underserved populations, companies can offer more personalized offerings that **better meet consumers’ holistic needs and preferences.**
- By reducing barriers to access (e.g., convenience, cost), companies can **attract consumers in untapped markets** (e.g., via new sites of service, lower price points, etc).
- By providing solutions that are a natural inclusion or extension of consumers’ lives, companies can create everyday opportunities for **regular, non-invasive, and meaningful engagement.**



Accelerating value realization through D2C2B

The value of the D2C business model primarily rests in consumers' trust in the company to best meet their needs. Once trust is established, opportunity can grow to extend beyond the core consumer base and explore additional roles to play in the broader ecosystem (i.e., through the D2C2B business model) to help generate outsized value creation. As recent trends suggest, however, consumer loyalties can quickly shift,² so businesses should constantly assess their channels and alternate business models. Consumer-beloved companies are increasingly partnering with other "business" ("B") stakeholders (e.g., technology companies, retailers, consumer products companies, employers, insurers, etc.) for a variety of benefits, as these stakeholders can provide greater reach, access to data and resources, and innovation potential in exchange for the highly coveted link to consumer trust.

Examples of companies pursuing the D2C2B business model are emerging across all aspects of the consumer experience and industries, even including brushing one's teeth. After establishing a consumer base largely through digital marketing, a "smart" toothbrush company turned to various ecosystem players to scale, first by building a new sales and distribution channel through brick-and-mortar retailers³ and then by partnering with a large national health insurer to provide financial incentives to millions of members for meeting certain daily oral health activities.⁴ By pursuing ecosystem opportunities through the D2C2B business model, the "smart" toothbrush company created a reinforcing "flywheel" effect whereby their access to more consumers, data, and capabilities allows them to

improve their offerings and disrupt the \$32 billion oral care market.⁵

In tech, a professional networking social media company began with a business model similar to other social media sites: drive engagement with individual users and monetize interactions through advertisements. This particular company saw they had an opportunity to also package and sell the data to businesses, namely HR departments and recruiters, who were on the hunt for new talent. This D2C2B business model has allowed them to diversify their revenue streams and create their own flywheel where more users/engagement not only attracts more advertisers, but also paying business customers and strategic investments (e.g., M&A).⁶

Lastly, in the consumer products world, premium brands often partner with high-end hotel and gym chains to stock their products for guest use (e.g., toiletries, exercise equipment, TV streaming services).⁷ This type of D2C2B partnership can have several benefits, including driving trials with customers, testing the product with a new market or demographic, and elevating the brand by associating it with another premium brand. While these types of partnerships may not always drive major revenue increases, they can be a highly effective marketing and innovation tool.

Across these organizations, pursuing the D2C2B model has created increased scale and impact, whether it is reaching new populations or customer segments, providing access to more resources (e.g., capabilities, strategic investments), and/or accelerating innovation.



FIGURE 3

The 'B' value proposition:* The D2C2B opportunity

Benefits the business stakeholder ('B') can offer	What to look for or consider in a 'B' partner for D2C2B business model
<p>Ability to...</p> <p>Reach broader populations</p>	<p>Stakeholders offering...</p> <ul style="list-style-type: none"> • More frequent opportunities for engagement with consumers (e.g., employers, consumer products companies) • The ability and incentive to subsidize solutions, reducing financial barriers to access • Omnichannel distribution options (e.g., brick and mortar) • Scale in D2C core, adjacent, and/or transformational markets to drive further adoption of D2C products and services
<p>Provide access to data and resources</p>	<ul style="list-style-type: none"> • Complementary data sets that can accelerate product development and improve offerings • Skilled resources that can reduce time to market • Access to larger marketing budgets • Access to funds and established relationships to execute consumer surveys, focus groups, or clinical trials to establish proof points or help meet regulatory requirements for the D2C products • Ability to sign larger contracts; establish longer commitments; and offer a less volatile, more reliable, longer-term partnership
<p>Innovate continuously</p>	<ul style="list-style-type: none"> • New ideas/different perspectives to understand consumer needs and desires • Skilled and complementary resources to continuously improve offerings to meet consumer feedback and evolving needs • More mature R&D functions to help incubate and test new product and service ideas

**Non-exhaustive*



Activating the D2C2B opportunity

Whether a CEO of a large incumbent or emerging startup, there are key strategies to both deploy and maximize value from the D2C2B business model. Based on our experience and research, there are a few key focus areas and leading practices to consider that could help successfully implement the D2C2B business model:

1. Establish and relentlessly focus on building consumer trust

The long-term success of any consumer-centric offering generally requires consumers to value the product or service, especially when the offering requires routine engagement. If consumers find ongoing utility in the offering, they will most likely continue to purchase and use the offering, generate upstream data, and potentially play a powerful role in marketing (e.g., through social media outlets) that can drive network effects and substantially reduce acquisition costs. As such, consumer satisfaction and ongoing trust of the offering can be foundational to creating an early competitive advantage.

However, some companies rush their D2C offering to the “B’s” hoping for quick scale without sufficient consumer knowledge or established loyalty. Despite claiming to be consumer-centric, the company may struggle to demonstrate value to key stakeholders (customers, partners, etc.) without an established consumer base, proven retention metrics, and a deep understanding of the evolving consumer.

Leading practices:

- Intimately and continuously know the target consumer segment(s), their needs, and how the offering removes friction in their journey—today and into the future.
- Embed in everyday activities and behaviors to help drive desired outcomes on a routine basis.
- Set pricing structures (e.g., usage-based, fixed, subscription, cash pay, reimbursement, at-risk, etc.) that can drive engagement while positioning for growth.
- Invest in consumer experiences to help ensure quality and trust is not sacrificed with scale.

2. Engage the right “B” stakeholders early and strategically

There are many ways to accelerate growth and scale via “B” stakeholders (e.g., enterprise customers, partners). Working with other ecosystem stakeholders can have longer-term implications for any company and thus should be considered carefully and early. Each potential stakeholder will likely have varying incentives, priorities, and levels of maturity when it comes to innovation and experience. Engaging the right stakeholders in the right way, at the right time, with the right level of preparation, is very important.



Leading practices:

- Determine target stakeholders' priority value levers before engaging with a clear proposition on how the offering will benefit all parties (e.g., improve existing/future offerings, reach underserved communities, drive platform network effects).
- Prepare to demonstrate tailored proof points that matter most to the target stakeholder (e.g., utilization/retention, consumer acquisition cost reduction, industry-specific value drivers such as cost of care reduction).
- Invest early in "critical path" needs (people, process, technology) to make engagement with new stakeholders more seamless and to differentiate from competition.
- Adopt new organizational constructs (e.g., JV, NewCo) and operational models (e.g., product vs. project orientation) to foster shared accountability and agility.
- Consider the "art of the possible" when exploring potential ecosystem stakeholders, incorporating both creativity and rigor to prevent tunnel vision from potential disruption.
- Monitor the ecosystem actively to adapt quickly, and consider mergers and acquisitions as needed to inorganically fill in gaps.

3. Build a portfolio that strengthens the core mission

Some companies may sacrifice quality for growth, resulting in suboptimal outcomes such as the loss of consumer trust and loyalty. It is important to remember trust can take years to build and only seconds to destroy.

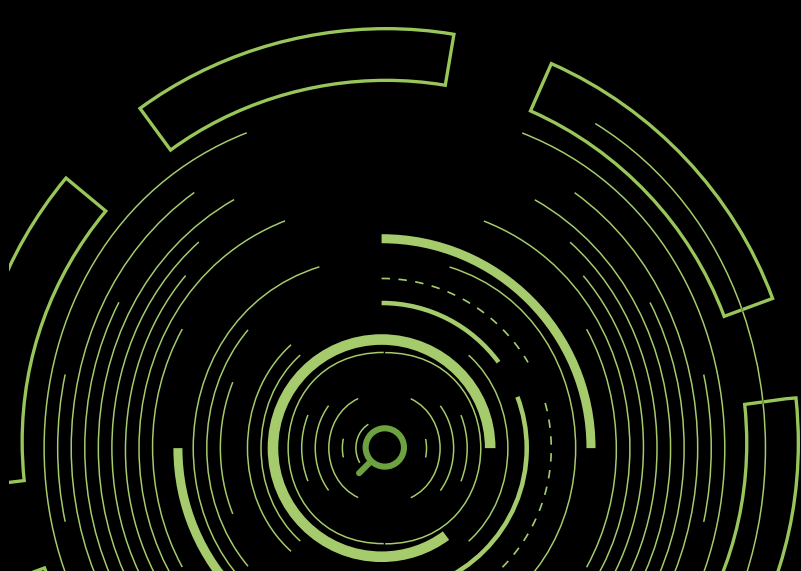
By nature, companies that successfully deploy D2C2B business models seem to understand their unique

value proposition to consumers, customers, partners, and stakeholders. With this deep sense of "self-awareness," these companies can be better positioned to continuously reinforce and adapt their value propositions through new offerings, partnerships, and investments. This can translate into a balanced portfolio of core, adjacent, and transformational ambitions to strategically execute on over time.

Leading practices:

- Determine which assets/capabilities must be owned and which to let other stakeholders own.
- Architect offerings and platforms to advance growth priorities and collaboration with ecosystem stakeholders (e.g., open APIs, data sharing).
- Continuously review leading and lagging metrics to help ensure the core mission is being advanced and the value proposition is strengthened with growth.
- Innovate to continue to deliver a differentiated value proposition to both consumers and other stakeholders at scale and as needs evolve over time.

The empowered consumer makes decisions each and every day about how to invest both time and resources. To sustain and grow, companies should know their consumer in order to establish trust and retain loyalty, and other "B" stakeholders can play a key role in doing so. Through deploying the right business model at the right time, companies can be better positioned for impact, scale, and long-term enterprise success. As cross-industry companies fiercely compete to engage, empower, and ultimately "win" consumers, D2C2B is a model every company should be aware of—and if not, they may already be behind.



APPENDIX

Summary of business models*

	Direct-to-consumer (D2C)	Direct-to-consumer-to-business (D2C2B)
Definition**	Offering a product and/or service directly to an end consumer	Offering a product and/or service directly to end consumers (D2C), and later offering it through a business in addition to or instead of offering it D2C exclusively
Offering examples	Video streaming services, D2C pharmacies, pet food, razor blade subscriptions	Fitness trackers subsidized through businesses (e.g., employer, insurer), professional networking platforms, online therapy offerings
Key advantages***	<ul style="list-style-type: none"> • Able to establish direct relationships with consumers, fostering trust and brand awareness • Able to build and leverage network effects from consumers • Opportunity for rapid consumer adoption through key influencers and channels • Able to iterate/improve on offering through rapid consumer feedback • Able to collect and own data with proper consents 	<ul style="list-style-type: none"> • Able to build and leverage network effects from consumers and businesses • Potential for business to diversify portfolio by including both “consumer” (“C”) and “customer” (“B”) • Able to leverage established D2C consumer base/loyalty strength to attract business customers • Able to build on established D2C brand equity and innovation • Opportunity to lower consumer acquisition costs through selling to and scaling through businesses • Potentially higher willingness to pay from “B” customer than “C” consumer • Opportunity to combine data from stakeholder(s) to drive better engagement, retention, outcomes, etc.
Potential disadvantages/considerations***	<ul style="list-style-type: none"> • General lack of longer-term commitment from individual consumers • High consumer acquisition costs, potentially limiting ability to scale • Lower willingness to pay from individual consumers 	<ul style="list-style-type: none"> • Potential barriers to entry (i.e., need solid proof points, tailored messaging, etc. to establish “B” partnership over competitors) • Potential loss of control over consumer relationship and experience for previously D2C-only company • Requires capabilities/resources to cater to both business customer and consumer • Potential data exchange friction and limitation between “B” and “C”

*Business models are neither non-exhaustive nor mutually exclusive; companies may pursue multiple in parallel.

**Definitions as defined by Deloitte analysis.

***Non-exhaustive.



Endnotes

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