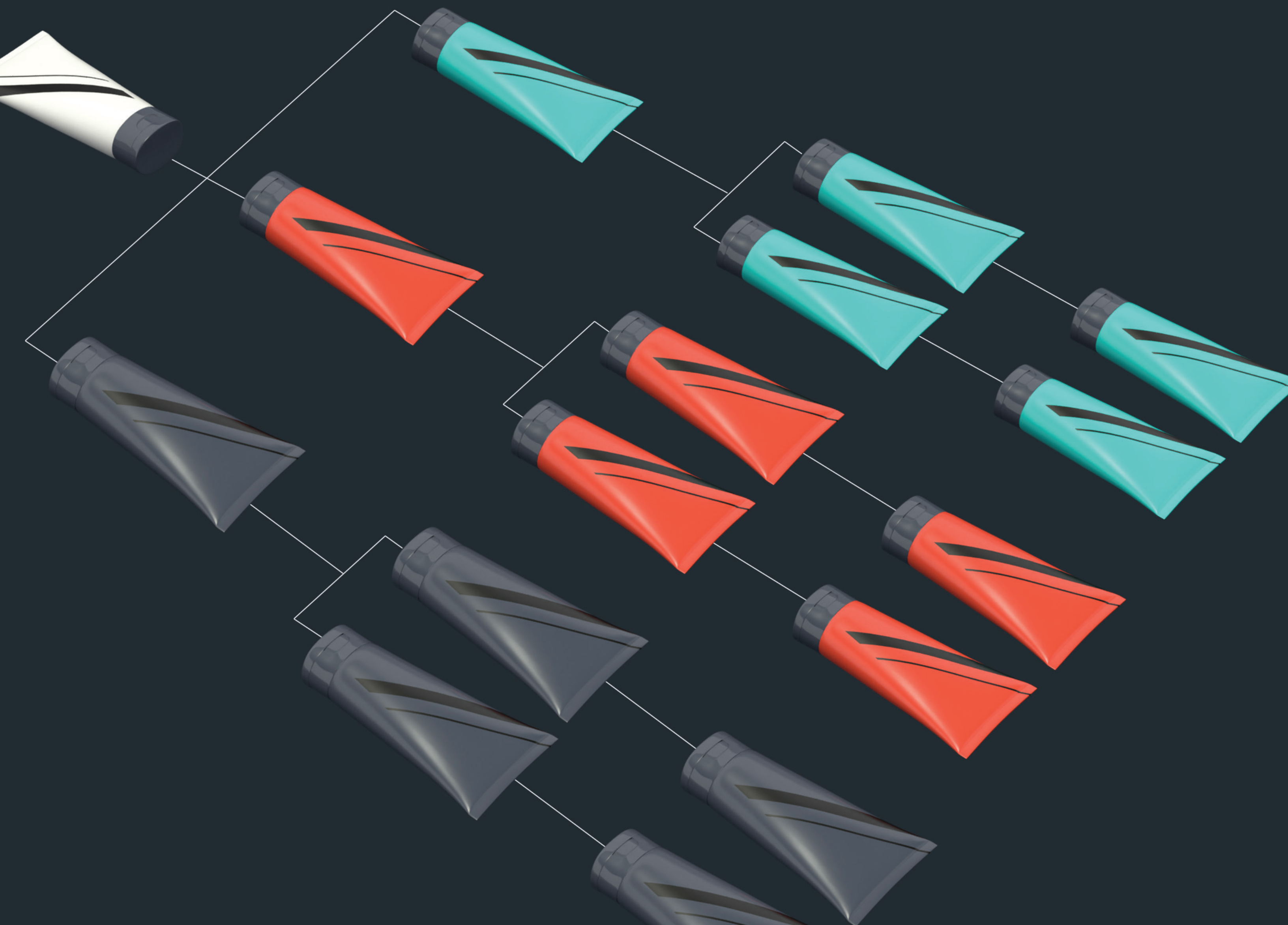
ANVYL

The D2C brand's guide to scaling your supply chain

By: Edson Greenwood and Will Davis



The D2C brand's guide to scaling your supply chain

Seeing success as a new, notable brand is invigorating, but what comes next? To truly compete as you grow you'll need to focus on scale and operational excellence.

Launching a consumer brand is a whirlwind of research, design, branding, and planning, culminating in the satisfaction of seeing your product come to life for the first time. But as the learning curve starts to level out, the true challenge begins: scaling your company to survive long-term.

As you branch out into new markets and distribution channels, take the time to rethink your workflows and operational structure in ways that will increase the impact of every dollar you spend. To scale means to uncover a more optimized, cost-conscious supply chain, and we wrote this guide to help you get there.

Table of contents

04 **Status check**
- 7 key supply chain benchmarks to discuss with your team
- Where are you on the D2C maturity curve?
- Are you at the right level of product customization?
- How hands-on is production for you?
- Can your supply base support growth?
- How much supplier oversight will you accept?
- What are your deal-breakers?

07 **Making the leap**
- **Budgeting and cost analysis**
  - Zero in on growth areas
  - Pinpoint visibility gaps
  - Accurately forecast and manage inventory

09 — **Strategic sourcing**
  - Add suppliers that can support growth
  - Centralize supplier management
  - Adapt quickly to changing trade regulations and tariffs

10 — **Maintaining product quality and scale**
  - You need to switch suppliers without a hitch
  - Your volume is too high for your current agreements
  - You have a new product to launch
  - You need to be sure your suppliers are complying

12 — **Optimizing your time**
  - Keep everything central and shared
  - Keep communication flowing
  - Learn from supply chain analytics

13 — **Building strong logistics partnerships**
  - 3PLs and logistics services
  - Shared warehouses and DCs
  - Shared freight
  - Inventory management solutions

14 **Make your supply chain intelligent with Anyvl**
- Production and logistics visibility
- SKU and order management
- Sourcing

Status check

Know exactly where you stand before prioritizing your supply chain goals.

While it's ideal to put best practices in place from day one, things can fall by the wayside when you're just starting out. Now that you've built a customer base and a successful product, you should gauge your current supply chain workflows and metrics before moving forward on strategies for scale.

The following section includes key metrics and discussion topics that will help you figure out where you're strong and where you fall short.

7 key supply chain benchmarks to discuss with your team

1. **Product costs**
   Metrics around production costs, product margins, and unit costs measure how well you're negotiating with suppliers and optimizing as you increase volumes or add new products.

2. **Supply chain management**
   The resources you spend on wrangling suppliers, following up on production milestones, tracking down shipments, and searching for lost orders.

3. **Lead times**
   The time it takes to receive parts, manufacture a finished product, get inbound goods to your facilities, and get them distributed to the right places.

4. **Quality**
   The percentage of goods that pass quality inspections, consistency across batches and orders, and frequency of damaged or broken goods.

5. **Inventory costs**
   The cost of warehousing inventory, your turnover rate, obsolescence costs, and your carrying rate.

6. **Supplier reliability**
   How dependable and timely your suppliers are, including their response time, order fulfillment rate, and whether they hit milestones throughout production.

7. **Customer satisfaction**
   Customer service costs, product return rate, warranty costs (spent replacing damaged or defective goods), and on-time delivery rate to customers.

Where are you on the D2C maturity curve?

As direct brands evolve their channels and product offerings, the supply chain gets more complex. Plot yourself on the growth curve and identify where you want to be in the coming year.

Are you at the right level of product customization?

Many early stage companies choose to white label their suppliers' existing products, limiting supply chain complexity and focusing their resources on areas like marketing and customer support. If you're one of them, customization may become more feasible once you have reliable, larger-volume demand.

When considering a move from out-of-the-box to uniquely-designed products, ask yourself if:

Buying behavior would improve with more customization. Do customers already love what you have? Would they be likely to pay more even if the quality increased? If the answer is no to both of these, it may be better to increase your volume than mess with well-performing products.

You have the capital needed to invest in a custom product line. Whether revamping a current product or launching a new one, building it from scratch will always cost more. Review your budget and talk to your suppliers to see if you can safely cover the upfront investment.

You have tight design and production guidelines in place. As you scale, you'll need clear specs for any custom product—otherwise you risk poor quality and high variation from supplier to supplier.

Your current product can scale. Can you bring it to additional suppliers? If not, you'll have trouble increasing capacity without rethinking your product design.

Even if you're not ready to change your product today, use your answers as guidance on what kind of suppliers to seek out as you grow. You can experiment with customization as you introduce new offerings to your customers without risking your core product until you find a supply base you trust.

How hands-on is production for you?

Many companies start out using copackers to handle most of the production and packaging in well-equipped facilities designed for scale. If you are relying on a copacker, assess whether they are still providing value. You may want to find a turnkey solution that owns more of the supply chain, or move to a copacker that can handle future volumes more efficiently. Either way, look for economies of scale—you may be able to negotiate a better deal as you grow.

ROTHY'S

Shoe brand Rothy's choses vertical integration

Not all companies rely on outsourced manufacturing—DTC brand Rothy's has a complex production process it retains control of by owning a factory in China. Because their shoes are made with recycled products using specific techniques, they've focused on building a strong IP portfolio and perfect their supply chain operations to minimize waste and maximize sustainability. This approach requires more risk and capital up front, but can pay off for brands with tight production guidelines and little variation among product offerings.

Can your supply base support growth?

To assess how well you can meet growing demand or seasonal spikes in volume, forecast your sales for the coming year and estimate the cyclical peaks and troughs. Then confirm the capacity of your current suppliers so you can calculate your breaking point. If you're in danger of running out of capacity soon, make adding new suppliers a must-do.

How much supplier oversight will you accept?

As you grow, hands-on supplier management becomes more tedious and costly. If the goal is to reduce overhead and manual follow-up, you'll need to invest in supplier management technology to automate and streamline the process.

What are your deal-breakers?

Prioritize your most important expectations by revisiting your standards for production and fulfillment costs, operational cycle times, and supplier performance. Below are several examples:

- Suppliers must meet capacity and quality requirements
- Supply chain practices must meet a high standard of ethical and environmental practices
- Sourcing must happen from specific geographical areas or within a certain radius
- Production cost metrics must meet specific industry benchmarks
- Fulfillment must be rapid and reliable to meet customer expectations

At this point you should have a good understanding of where you are compared to where you want to be. The rest of this guide will focus on how to make it happen through careful planning, optimization, and scale.

Making the leap

Build a strategy that will launch you into the next growth stage.

The nature of supply chain is fundamentally changing, driven largely by the technology available to companies of every stage. Flexible, modular solutions are more accessible than their bulky, one-size-fits-all legacy counterparts. Brands can afford to build their own custom solution from subscription-based products that use APIs to integrate with other tools in their supply chain stack. Even operational capacity can be added on demand through logistics providers and other supply chain partners. This approach is ideal for growing D2C brands that need to adapt quickly to new supply chain challenges and demands.

Each section below represents an area of improvement that can be made through better technology and optimized workflows.

Budgeting and cost analysis

As your company grows, you'll reallocate spend to move away from typical startup costs and toward expansion strategies. Cutting down margins and finding economies of scale is key to staying competitive.

Zero in on growth areas

Prioritize your growth goals for the coming year and weigh your expenditure accordingly. These may include:

- Expansion into new markets
- Additional product lines under current brand
- Offshoot brands for same customer base
- Increased sales for existing products
- New distribution channels

Here's what a typical shift in spending looks like as a company moves from startup to large consumer brand.

	Early:	Scaled:
Product design and development	Spend heavily on R&D and design to launch a high-quality first product	Shift spend to new product development as original product reaches economies of scale
Brand, social, and content	Invest in lots of content across social channels, apps, and website to capture first-time customers and followers	Since content scales well, reallocate budget toward automation and workflow tools
Production and distribution	More expensive supplier agreements, production expenses, and order management costs eat into margins	Negotiate better supplier deals then spend the savings on supply chain visibility and supplier management automation
Hiring and overhead	Hire the team you need to launch successfully, even if ramping up creates overhead	Automate and streamline workflows and save your budget for hiring key new roles that will aid expansion
Shipping and returns	Spend what you need to offer competitive shipping windows and easy returns—retention is key to growth	Find better rates with logistics partnerships and reallocate last-min freight spend to improve operations

Pinpoint visibility gaps

Without knowing detailed cost and performance metrics it will be difficult to know whether you're spending wisely. As you plan to add supply chain complexity, invest in supply chain visibility tools that give you insights into:

- Detailed data on each part and SKU
- Purchase orders and fulfillment rate
- Production milestones and lead times
- Supplier metrics and price breaks
- How often terms are modified in production
- Frequency of orders
- Inventory costs

hims

D2C brand hims launches new line hers

hims, a mens personal care brand that hit the market with a product that addressed hair loss, quickly grew its line to capture more market share. Their success inspired them to launch hers, a sister brand that sells health and wellness products to women. The company uses Anvyl to help manage this growth, reducing time to market and getting full visibility into supplier activity.

Strategic sourcing

Even if you love your suppliers, risk increases as you grow. You'll need to add new, carefully-vetted suppliers to diversify your supply base, improve product quality at scale, and have a backup plan in case of emergency or capacity spikes.

Add new suppliers that can support growth

As you vet new suppliers, choose them based on your brand's unique priorities. Using a marketplace of prescreened suppliers can make the process faster and more successful.

To add capacity: Dig deep into their production capabilities and share detailed product specs early on. Look for bulk discounts and short fulfillment times.

To improve quality or reliability: Ask suppliers to reference customers that have similar quality products. They should be able to easily share quality control methods and any industry certifications you've requested.

To meet ethical standards: Look for suppliers whose manufacturing practices have been audited and certified by a third party.

To meet environmental standards: Drill down into their operations and ask for documentation of eco-friendly processes and materials.

To develop new products: Place a premium on strong communication and ability to follow complex specs. Ask if they help with R&D and design.

To enter a new market: Search for suppliers by location or vertical first. Look for a strong presence in your desired market and make sure they serve customers in multiple languages.

Centralize supplier management

With growth comes chaos, unless you manage it well. While you may be able to manage your suppliers in a spreadsheet at first, to scale you'll need a centralized, collaborative space to do so.

What to look for:

- A shared space for production documents like CAD files, bills of material, etc.
- Purchase order database and tracking
- Milestone tracking that lets you know your product is on time
- Alerts when suppliers expect delays in production or delivery
- Collaborative messaging between suppliers and your team

Adapt quickly to changing trade regulations and tariffs

Changing trade laws can turn a lucrative supplier relationship into a costly one. It's important to stay educated about the latest restrictions on global trade through resources like the US International Trade Commission. Brands in industries like consumer electronics or fashion should be especially wary—these products often travel farther to get to the end user and have multiple n-tier suppliers that can complicate the supply chain and incur more customs fees.

EVERLANE

Everlane makes ethics an integral part of the brand

Breakout clothing brand Everlane built a brand around sustainable, ethical supply chain practices. Their goals make up the antithesis of fast fashion, reflecting their commitment to using responsible suppliers, less wasteful design choices, and creating high-quality and eco-friendly clothing. Each factory they work with is highlighted on their website, including information on how each supplier relationship came to fruition and why it was chosen. Brands that encourage this kind of transparency build trust with customers and set the bar for other suppliers to work toward.

Maintaining product quality and scale

The bigger you are, the less your customers will be willing to overlook quality issues in your product. Read on for how you can create criteria and a framework for oversight, ensure quality from your suppliers, and protect yourself against failure to comply.

Provide suppliers with clear, measurable criteria

Clarity around supply chain requirements can strengthen your supplier relationships and keep quality consistent across multiple partners. Make sure each supplier has a list of production and fulfillment criteria, including:

- Timelines for major production milestones
- Regulatory requirements for your industry
- Financial standards including minimum cash flow, lines of credit, and insurance coverage
- Service and support across sales, AM, quality and leadership
- Production capabilities and capacity requirements
- Clear visibility into breakdown of costs
- Technical capabilities and integrations
- Payment terms

Be sure your suppliers are complying

You can enforce your guidelines by including them as part of your service agreements, holding suppliers accountable with regular reporting and clear repercussions for noncompliance. If suppliers don’t meet standards, you can include a financial penalty or terminate your agreement and move onto a new partner. Whatever the repercussions, digitally-documented guidelines and a tool to see how well they’re being followed is crucial.

Sock Fancy doubles down on supplier accountability

Sock Fancy, a subscription sock service that ships all over the world, found traction in the B2B sector after launching for consumers in 2013. To ensure their orders with enterprise customers were produced and shipped on time, they adopted Anvyl as their hub for supply chain data.

Now the team can quickly see updates in the dashboard from each supplier and pass the information along to customers in minutes. The platform gives them confidence that key milestones are being met and allows them to work more smoothly with overseas partners.

Increase capacity before it impacts your customers

When your demand is forecasted to exceed current supplier capacity, you'll need to decide whether to increase volumes with existing suppliers or seek out new ones. To make informed decisions, you'll need a system of record that gives you high supplier visibility with detailed data on each supplier and order volumes by part and product.

Optimizing your time

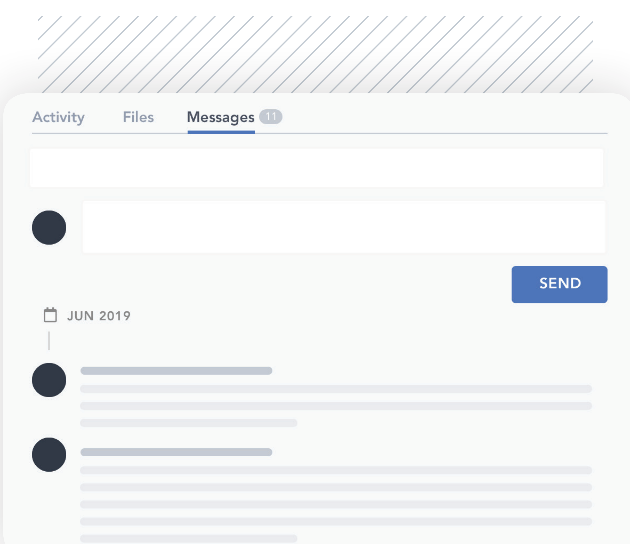
The bigger you are, the easier it is to hurt your margins through inefficiency. One of the best ways to avoid this is to keep the hours you spend managing your supply chain to a minimum, taking advantage of tools that streamline workflows and automate your most time-consuming tasks.

Keep everything central and shared

When one person holds all the knowledge about suppliers, their absence can lead to missed milestones and poor communication. Replace spreadsheets and private documents with a single repository of data that anyone can access. Information on parts, products, and suppliers should be stored in a standard, searchable format to reduce the time it takes to track down important information.

Keep communication flowing

Use collaborative technology that makes it easy to find supplier contact information, search past messages and attachments, and chat with all of your supply chain stakeholders in real time. This way you can delegate responsibility for managing production milestones among your team rather than one person working in a silo.



Automate as much as possible

Supply chain automation saves you hours a week. Invest in technology that will minimize your most time-wasting work first, like following up with suppliers to get status reports or organizing all of your documents for a specific product. This will help you free up resources immediately while also setting you up for scale in the future.

HARRY'S

Harry's challenges the supply chain status quo

Shaving brand Harry's wasn't willing to waste time on manual, outdated supply chain processes when they launched their first line in 2013. Taking cues from brands like Warby Parker, the company sold shaving products directly to consumers, even purchasing a manufacturing facility to offer better pricing through vertical integration. So far the strategy has paid off—the company was recently acquired for $1.37 billion.

Harry's began using Anvyl in 2019 to further streamline and automate their approach. They look to the platform for greater visibility into production data and a stronger culture of transparency throughout their supply chain.

Building strong logistics partnerships

Partnering with logistics providers and integrating their technology into your supply chain stack extends your ability to reliably fulfill orders. There are a number of potential partners to choose from—we've broken down the different types and how to work with them.

3PLs and logistics services

Logistics providers that offer fulfillment services on their own, robust networks will help you scale without pouring large amounts of capital into your own infrastructure.

Shared warehouses and DCs

Partners that provide on-demand warehousing and distribution center space. Using these services can help you scale when demand is large but unpredictable.

Shared freight

Freight providers that offer on-demand space in shared containers (LCL) let you take advantage of already-planned routes and shipments instead of having to fill a load on your own (FCL).

Inventory management solutions

Inventory management tools give you visibility into sell rates, lowering the risk of obsolescence and reducing the cost of holding inventory.

Reaching the next level of growth and supply chain optimization is only possible with stellar technology partners. Anvyl's Production Hub and Supplier Marketplace was created for just that purpose.

FRESHLY

Freshly bets on fast delivery and healthy meals

Meal delivery service Freshly opted for fully-prepared meals instead of ready-to-assemble kits to compete in a crowded space. The company has built their brand around nutritious, tasty food—they need a supply chain that can make that a reality.

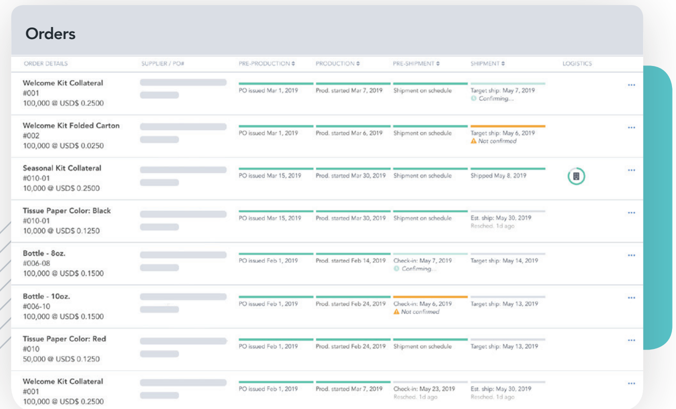
For the first few years, Freshly focused heavily on unit costs and supply chain operations, shipping its chilled, fresh meals chilled through a network of logistics partners. Using multiple services, including FedEx, OnTrac, Axlehire, and Lasership, has helped them get meals to every customer within two days without having to charge for shipping.

Make your supply chain intelligent with Anvyl

Anvyl's Production Hub is a lightweight, intuitive platform that automates and streamlines crucial stages of the supply chain.

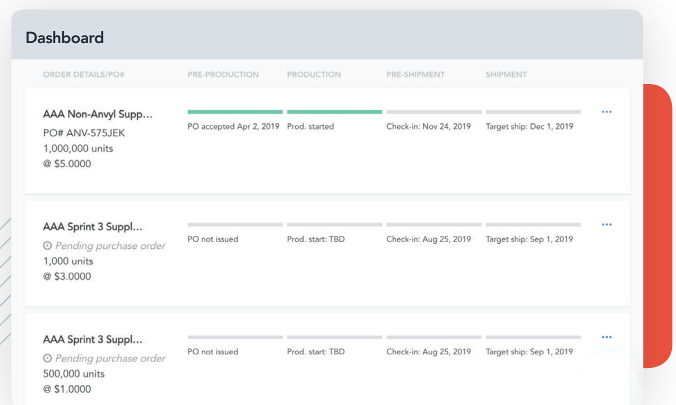
Production and logistics visibility

An instant snapshot of every product milestone and ETA.



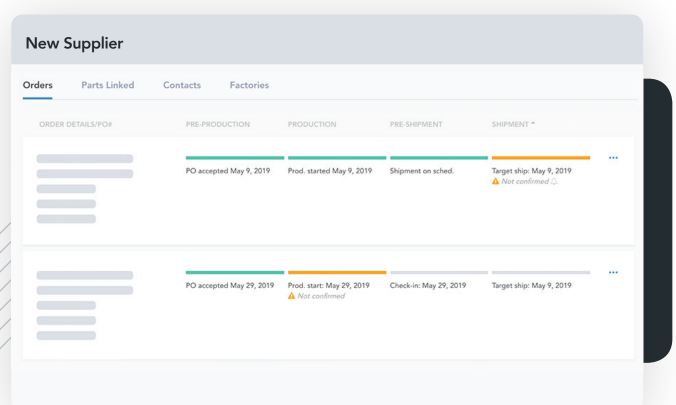
SKU and order management

Order details down to each part, supplier, and itemized cost.



Sourcing

One place to find and manage world-class suppliers.



Learn how Anvyl can help you reach the next stage of supply chain innovation

Anvyl supports rapid growth and expansion with lightweight, intuitive software that automates and streamlines crucial stages of the supply chain. Leave spreadsheets and phone calls behind for a solution that makes it easy to manage hundreds of suppliers and product lines.

— Request a Demo

— Learn More

hims LOLA HARRY'S

NATIVE LADDER S'well

About the authors:

Edson Greenwood
Head of Customer Success & Global Operations

Anvyl
Edson works to ensure Anvyl's customers accomplish all their supply chain objectives and partner with world class suppliers as they bring their products to market. Prior to Anvyl, Edson was at Palantir Technologies, The Blackstone Group and served in the U.S. Marine Corps.

Will Davis
Senior Global Supply Manager

Anvyl
Will Davis has worked in the beauty and personal care space for ten years. He is engineer by trade working the packaging / supply chain space for previous companies such as L'Oreal and L Brands.