

Hard times ahead for D2C healthcare marketers

Article

The “news”: 2022 was a bad year for venture capital [investments in digital health](#), per Rock Health.

- Total funding in US-based digital health startups amounted to **\$15.3 billion** across 572 deals, **just over half of 2021’s record \$29.3 billion**.
- Still, it was more than 2020’s \$14.7B total.

What it means: The report lays out the ramifications of VC investors’ switch to backing early stage health companies at the expense of growth- and late-stage ones.

Those moves have swelled the ranks of startups trying to gain more stable footholds in the healthcare ecosystem. That has increased competition with growth-stage companies that aren't able to access capital like they could in 2021 and early 2022.

Rock Health predicts that “macro headwinds for D2C won't be relenting” in 2023. Some digital health companies will—or already have—switched to B2B sales to bolster their bottom lines. Others will succumb to the continuing economic pressures by shutting down or being acquired.

The knives are out: We've already laid out some issues digital health companies face in 2023, particularly those targeting consumers and/or health systems. Marketing budgets are under extra-sharp scrutiny for all media, including digital ad spending.

- Advertisers that can afford to keep spending, will. D2C company **Hims & Hers** used that strategy through 2022 and heading into 2023.
- Companies that pull back or stop spending will find themselves slipping further behind rivals that don't. And it will be even harder to make up the lost market share when, or if, they return to the market.

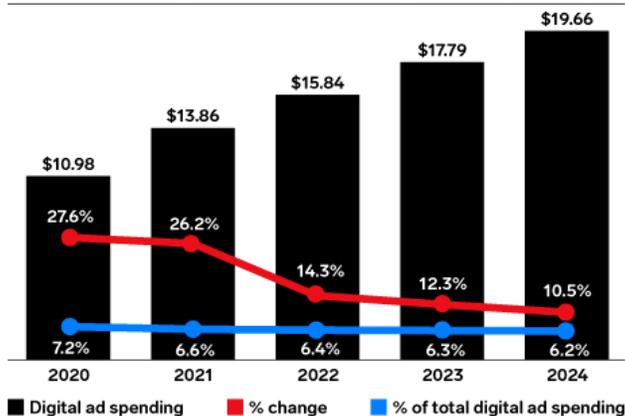
Where digital ad dollars are going now: We estimate healthcare and pharma digital ad budgets will keep growing over the next few years, reaching nearly \$20 billion in 2024.

- **Reaching doctors is still key.** Marketers will spend nearly \$1.6 billion on digital B2B marketing efforts in 2023. We expect that to **grow to \$1.77 billion** in 2024.
- **Search is still the most effective channel to reach consumers and patients who need answers to medical or care services questions.** Healthcare and pharma marketers will spend \$10.0 billion on search in 2023 and **\$10.9 billion** in 2024.
- **Video will make inroads among healthcare marketers in 2023.** We predict spending will reach \$4.5 billion this year, growing to almost **\$5.2 billion** in 2024.

New outlets are opening up: Retail media networks are still largely untested and, depending on the retailer, can be hard to navigate or prohibitively expensive. But D2C healthcare and pharma brands may find some success partnering with **Best Buy, CVS Health, Kroger, or Walmart** to break through the noise in other channels.

US Healthcare and Pharma Industry Digital Ad Spending, 2020-2024

billions, % change, and % of total digital ad spending



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms
Source: eMarketer, July 12, 2022

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