Where Are D2C Brands Investing Their Marketing Dollars?

ARTICLE

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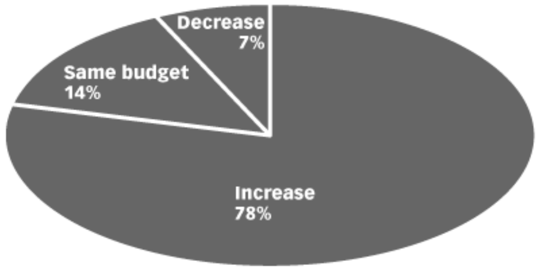
Direct-to-consumer (D2C) companies continue to disrupt traditional retail, and taking note of their marketing investment strategies might benefit traditional retailers that see these digitally-native newborns as competition.

According to a February 2019 survey from customer acquisition company CommerceNext, sponsored by Oracle, more than three-quarters of D2C digital retailers indicated that their 2019 ecommerce marketing budgets were higher than last year's. By contrast, 60% of traditional retailers said they were increasing their ecommerce marketing budgets this year.

Change in Ecommerce Marketing Budget in 2019* According to Direct-to-Consumer Digital Retailers in North America, Feb 2019
% of respondents



*Note: *vs. 2018; numbers may not add up to 100% due to rounding*
Source: CommerceNext, "How Leading Retailers and Direct-to-Consumer Brands Are Investing in Digital" sponsored by Oracle, May 30, 2019
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"D2C brands have certain advantages over traditional retailers when it comes to marketing spend," said Andrew Lipsman, eMarketer principal analyst. "They are typically subsidized by venture money with a mandate to grow quickly, while many traditional retailers are public companies that need to keep a close eye on the bottom line."

So what are D2C marketers doing with this money?

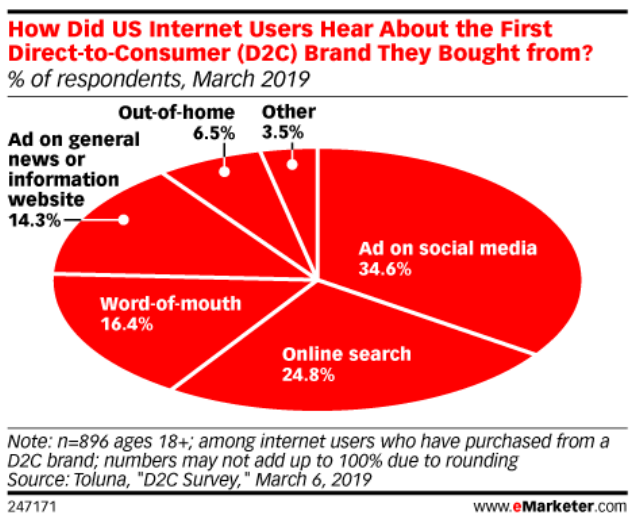
Last year, 93% of D2C digital retailers in North America said acquisition marketing was their leading ecommerce marketing investment, according to findings from CommerceNext. Other investment priorities included retention and loyalty marketing (44%), brand marketing (33%), omnichannel (30%) and personalization (26%).

Similarly, traditional retailers said that acquisition marketing and retention/loyalty were their largest ecommerce marketing investment priorities in 2018, at 81% and 43%, respectively. However, traditional retailers prioritized promotions and mobile optimization over D2C brands, pushing omnichannel and personalization efforts lower on their list of priorities.

"Although there are similarities in their approaches to marketing, the subtle differences can be revealing," Lipsman said. "Traditional retailers are used to pushing promotions, which might make the sale today but does little to encourage long-term brand loyalty. D2Cs appear more focused on the overall customer experience, which has been a big part of their early success and a reason their customers keep coming back."

Providing that well-rounded customer experience starts with knowing how to properly reach your consumers. And research from marketing cloud company Yotpo and consumer intelligence platform Toluna suggests that D2Cs’ investment in customer acquisition initiatives is, indeed, money well spent.

April 2019 polling from Yotpo found that the leading customer acquisition channels for D2Cs included social media, SEO and direct traffic. And in a March 2019 survey from Toluna, US internet users said they were most likely to hear about the first D2C brand they purchased from via social media ads, at 34.6%. Online search was the second most popular channel, at 24.8%.



That being said, D2Cs' investment in social media advertising and SEO is paying off, as nearly six in 10 US internet users were pushed to purchase after first encountering a D2C brand via these channels, per the Toluna research. For traditional retailers looking to keep up, mirroring a D2C marketing approach and knowing how and where to reach potential consumers is the first step in engaging more return purchasers.