

Klaviyo's IPO seeks to capitalize on email marketing's enduring importance

Article

The news: Marketing automation firm **Klaviyo** raised its IPO price range to between \$27 and \$29 from \$25 to \$27, targeting a valuation of nearly \$9 billion as it hits the market

Wednesday. This move follows a period of limited but significant tech IPOs, including semiconductor designer [Arm](#) and [Instacart](#), which began trading today.

- Klaviyo gets significant recurring revenues from **Shopify**, which owns roughly 11% of its shares, according to Bloomberg News.

Why it matters: The performance of the latest IPOs, especially Klaviyo, may set the stage for other tech firms contemplating market debuts. However, prevailing valuations indicate Klaviyo may face a reduced valuation compared with its last private fundraising in 2021.

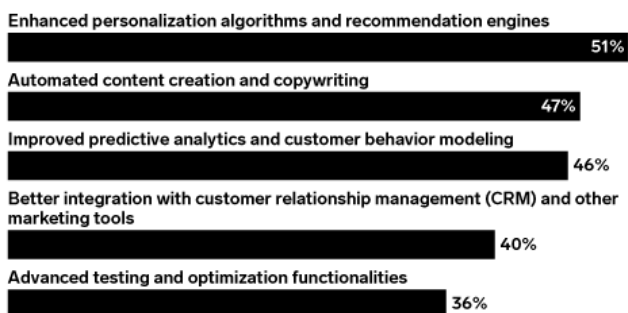
- Industry peers and investors, including those with stakes in **Attentive**, Klaviyo’s main competitor, are closely monitoring the valuation as it provides an indication of the sector's health and prospects.

Behind the numbers: Among the US population, 82% [are email users](#); that high level of penetration is actually expected to grow to 83.2% in 2027. But despite email’s prevalence as a marketing channel, nearly half of respondents in a 2023 Airship study either always or often [ignore/delete emails from brands](#) without reading them.

- Given that paradigm, brand promoters are increasingly seeking advanced features from their email marketing providers, such as predictive or advanced personalization, in their efforts to stave off the decline of this crucial marketing channel.

AI Capabilities/Features That Would Be Most Helpful in Email Marketing Platforms According to Marketers Worldwide, July 2023

% of respondents



Source: Ascend2, "Email Marketing & AI 2023," July 17, 2023

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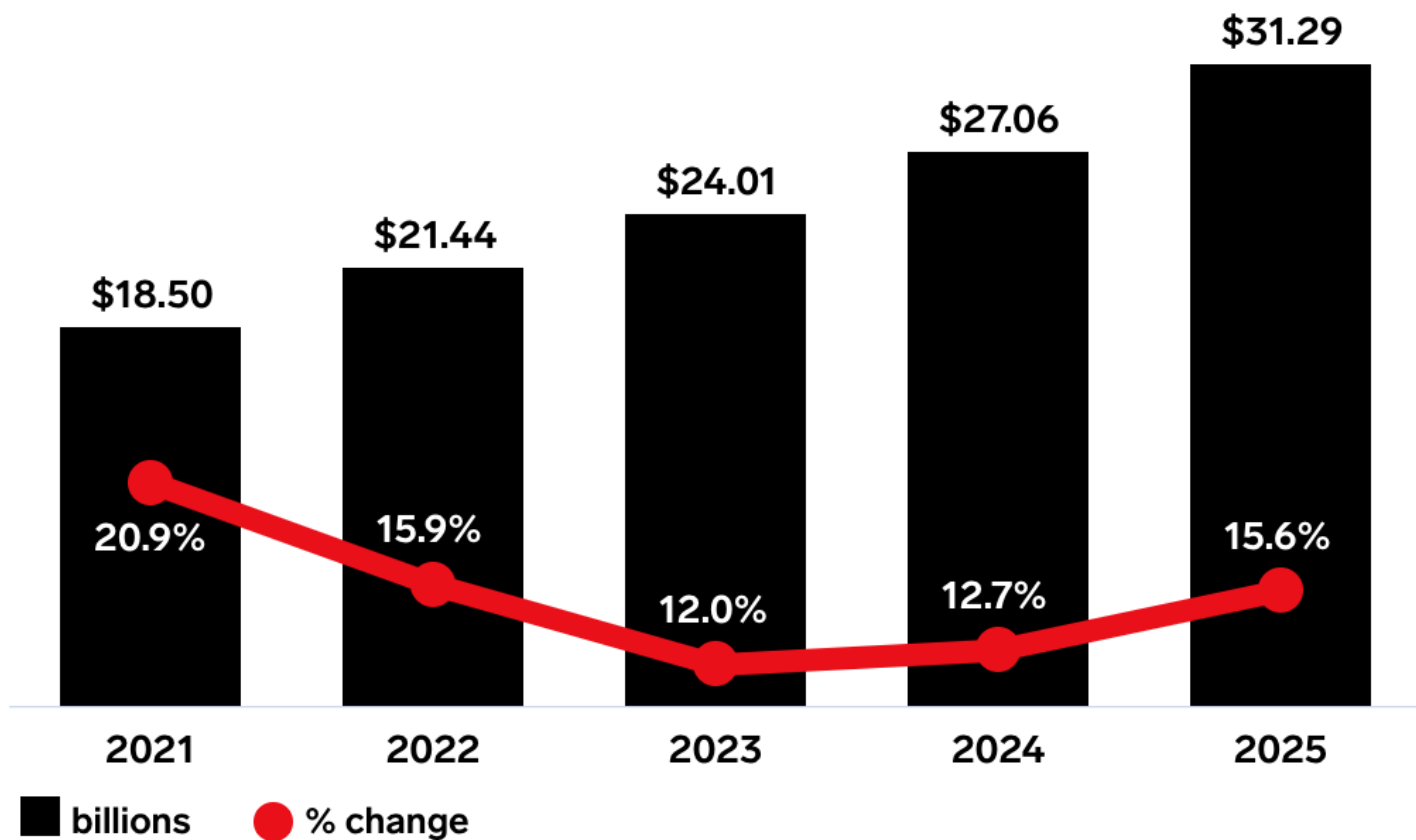
- Unsurprisingly, AI is top of mind for email marketers, with nearly twice as many global marketers saying it's a critical part of their email marketing tactics in 2023 vs. 2022 (30% vs. 16%). Email retargeting and content personalization are the two areas email marketers are most likely to leverage AI for.
- US marketers are increasingly relying on AI in their text messaging (SMS) strategies, with review requests and reservation reminders being the most frequent use cases. SMS marketing, offered by Klaviyo and competitors like Attentive, **Braze**, and **Hubspot**, is often seen as a complementary strategy that reinforces email outreach.

Our take: The return of tech IPOs signals renewed investor interest and a potential sector resurgence, with Klaviyo going public after Instacart and Arm's successful offerings.

- Klaviyo's challenges, like overlapping features with competitors and potential threats from ecommerce giants like Shopify and **Amazon**, may affect its post-IPO performance.
- While Klaviyo aims to diversify its clientele beyond ecommerce, the firm's high dependence on platforms like Shopify could be a double-edged sword.
- Klaviyo's debut will serve as a litmus test for other tech companies, including firms like Attentive.
- Though email marketing faces ongoing measurement issues, it's important to recognize that other channels like social media and linear/streaming media also grapple with significant measurement challenges.
- While metrics such as open rates and clickthrough vary by region, on a global basis email remains one of the most cost-effective marketing channels. Regardless of Klaviyo's public success, expect continued interest in its competitive set.

Marketing Technology Spending

US, 2021-2025



Note: includes spending by companies on software or other technology that enables and facilitates marketing functions; excludes spending on hardware and spending on professional and agency services and consulting

Source: Insider Intelligence | eMarketer, August 2023

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