

THE STATE OF DTC

Framing the future of direct-to-consumer marketing strategies, measurement, data, partnerships and opportunities

DIGIDAY | klaviyo[™]



Direct-to-consumer established a firm foothold in the early 2020s, and as the market evolves, it remains at the forefront of how brand and agency teams go to market to win a share of wallet and earn loyal customers.

In 2023, experts are framing the future of DTC as one in which retaining those loyal customers will be critical for larger organizations, while smaller and mid-size DTC brands will dive even deeper into acquiring new and loyal shoppers to drive revenue.

In this new State of the Industry report, Digiday and Klaviyo polled 154 brands and agencies to explore how marketers in the DTC space have shaped their

marketing strategies in 2023 and what's to come in 2024. We learned that they're generally leaning on influencers and digital channels, with an emphasis on video strategies.

At the same time, they're striving to make their data work harder for them by improving data quality and accessibility.

From access to first-, second-, third-, and zero-party options to data's actionability and accuracy, fragmentation across platforms and tech-stack integration barriers are putting DTC marketers in challenging spots across their campaigns.

Our survey also told us that DTC marketing teams could use some outside help in all these steps, goals and activations. Most of our respondents are running their campaigns with multiple internal teams and little in the way of external expertise (with cost being the barrier).

However, as they plan for a 2024 rich in opportunities around the expanding digital advertising ecosystem, AI-driven testing and better shipping/fulfillment systems, this report also unpacks what strong partnerships will look like and what DTC marketers can ask of agencies and other external teams to ensure a successful – and profitable – year of campaigns to come.

What's in this report?

- The DTC strategies that are driving revenue for marketing teams
- How DTC is measuring success in 2023 (and 2024)
- The state of data for DTC marketers
- What the DTC marketing tech stack looks like – and how it's changing
- What DTC marketers need next, and how they're prepping for 2024
- The size and shape of strong external partnerships for DTC marketing teams

Who's in this report?

[Taylor Clark](#), manager, partner enablement, Klaviyo
[Wayne Coburn](#), AI director of product, Klaviyo
[Josh Mendelsohn](#), director of product marketing, Klaviyo
[Anthony DelPizzo](#), product marketing lead, Klaviyo
[Daniel Knapp](#), chief economist, IAB Europe*
[Emmanuel Thomassin](#), CFO, Delivery Hero^
[Jon Palmer](#), lead product marketing manager, Klaviyo
[Claire Russell](#), head of media, Fitzco*
[Jessica Schanzer](#), product marketing lead, Klaviyo
[Elcee Vargas](#), lead product marketing manager, Klaviyo

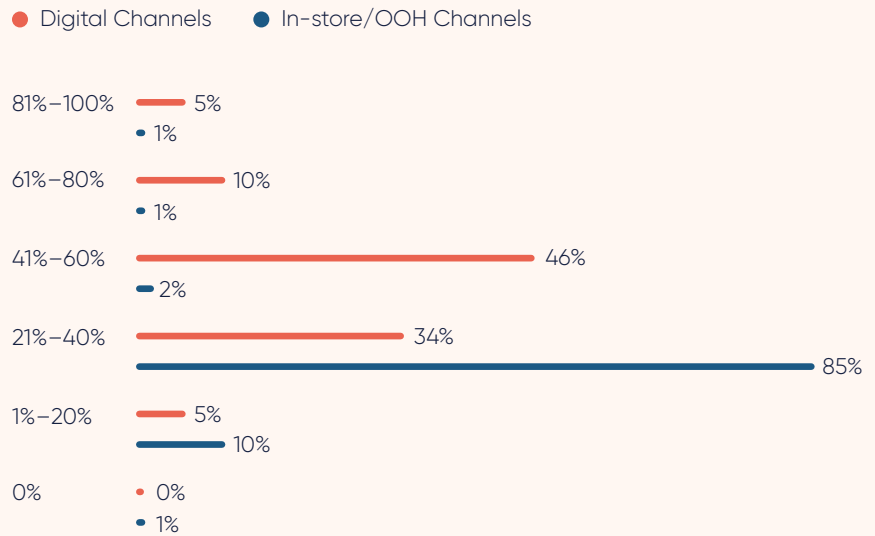
*via Digiday reporting
 ^via McKinsey reporting

Digital channels are the kings of DTC marketing, and influencers rule channel-based results

Our survey shows that 2023 was primarily a digital marketing year for brands and agencies.

Among our respondents, 61% allocate 41% or more of their marketing budgets to digital channels such as social media, SEM, display and influencer partnerships. Meanwhile, in-store and OOH activations accounted for smaller percentages – 96% said these channels comprise 40% or less of their 2023 budget allocation.

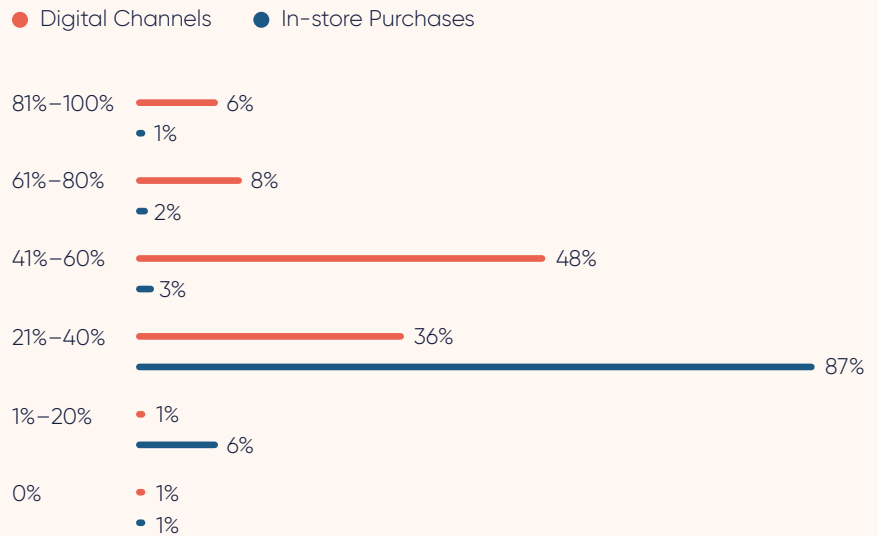
Q. What percentage of your marketing budget is dedicated to digital channels such as social media, search engine marketing, display ads and influencer partnerships? How much is dedicated to in-store and out-of-home type marketing channels?



How our respondents project revenue from digital channels versus channels such as in-store purchases paints a similar picture to their budgeting responses. Most (62%) expect 41% or more of their annual revenue from online purchases and subscriptions. In-store sales are expected to account for 40% or less of annual revenue by 94% of our respondents.



Q. Overall, what percentage of your revenue do you estimate will come from purchases/subscriptions on digital channels such as e-commerce/owned-and-operated sites, shoppable media and the like? How much do you estimate will come from in-store purchases, including pop-up shops?



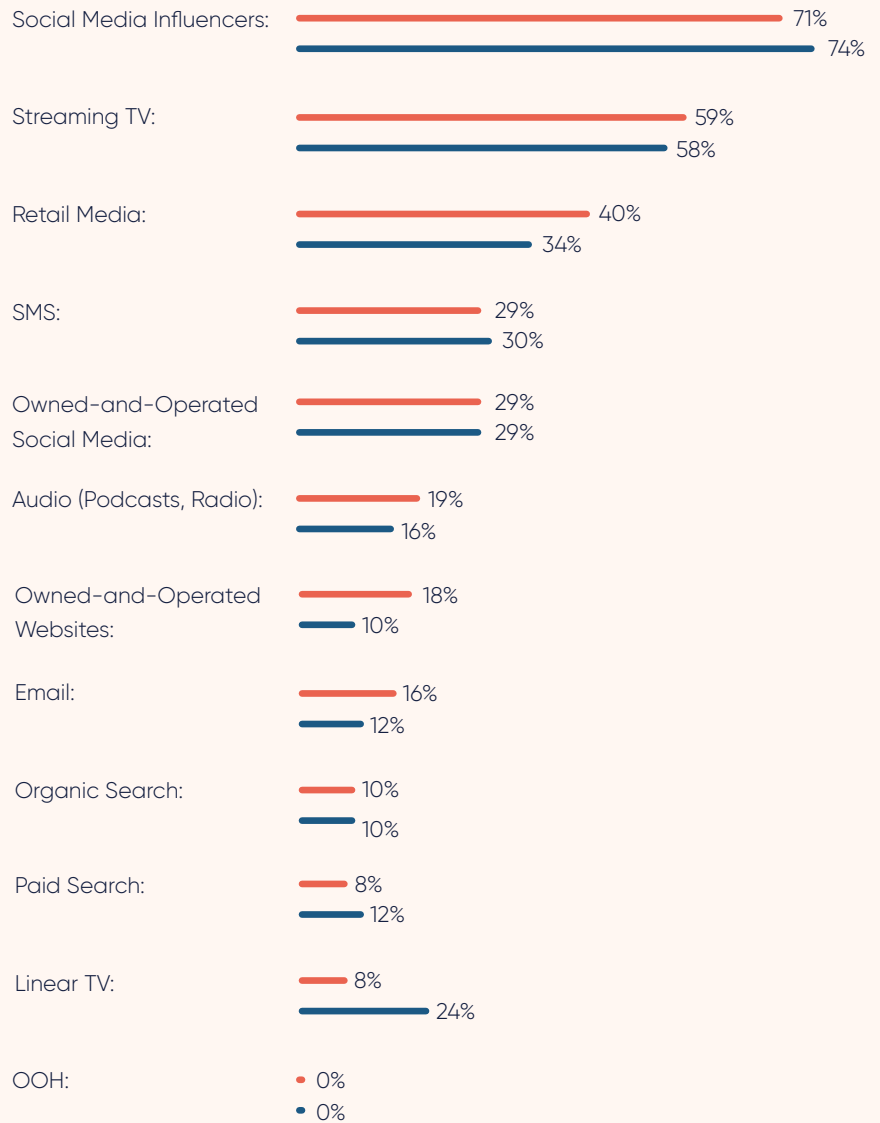
"In-store shopping is starting to come back," said Elcee Vargas, lead product marketing manager at Klaviyo. "A [recent study with Qualtrics revealed](#) that Gen Z and millennials plan to shop more in-store this year compared to previous years," "This means that click-and-mortar brands will need to streamline experiences both in-store and online and to make sure that they're able to keep a record across all touchpoints. Brands will also continue to invest in micro-influencer marketing and user-generated content with the popularity of snackable videos."

Now and in the near future, influencers on social media are at the top of the list regarding how our brand and agency respondents win results from their marketing campaigns – whether that means building awareness, driving conversions or marketing outcomes in between. Influencers were the top pick by a wide margin when evaluating 2023's results (71%), and their position on the list climbs 3 points in our respondents' expectations for 2024 (74%).



Q. In 2023, what are the top three digital channels driving your DTC marketing outcomes? Which do you expect will be the top three in 2024? Select three.

● 2023 ● 2024



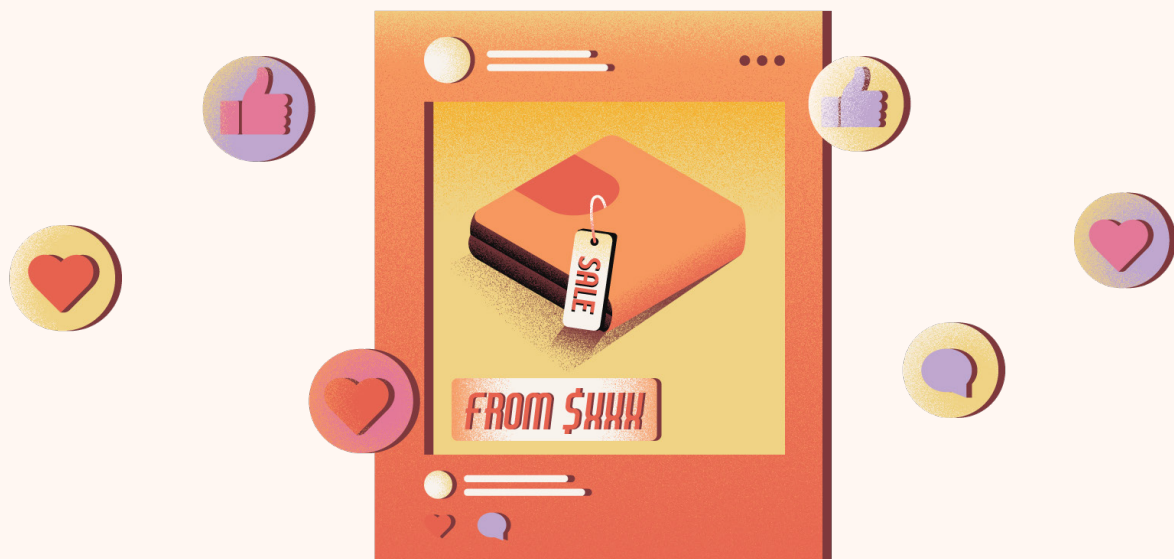
"Building a robust cross-channel strategy and meeting customers where they are is a key component of driving DTC outcomes," Vargas said. "Keep running the programs that deliver stable ROI on channels like email, owned website, organic and paid search while testing new channels that you may not have considered before, like SMS, influencers or streaming TV."

Next year will be a strong one for influencer impact, according to [a recent Digiday report](#), with micro- and non-influencers leading a \$21.1 billion market, each working from niche positions and representing diverse and inclusive personae across campaigns.

Meanwhile, streaming TV came in second on the most impactful list in 2023 and 2024, accounting for 59% of the answers regarding this year's outcomes and 58% in the year to come.

One agency leader [told Digiday](#) regarding its plan to invest 20% of the year's ad budgets into television channels. "Video is important, especially for a startup, because you need a place to tell your story," said Claire Russell, head of media at Fitzco ad agency. "There's only so much emotion you can communicate through a search ad or social carousel."

As Russell hinted, video marketing isn't limited to television channels. Brands are increasingly using video in social media feeds, going beyond static images.

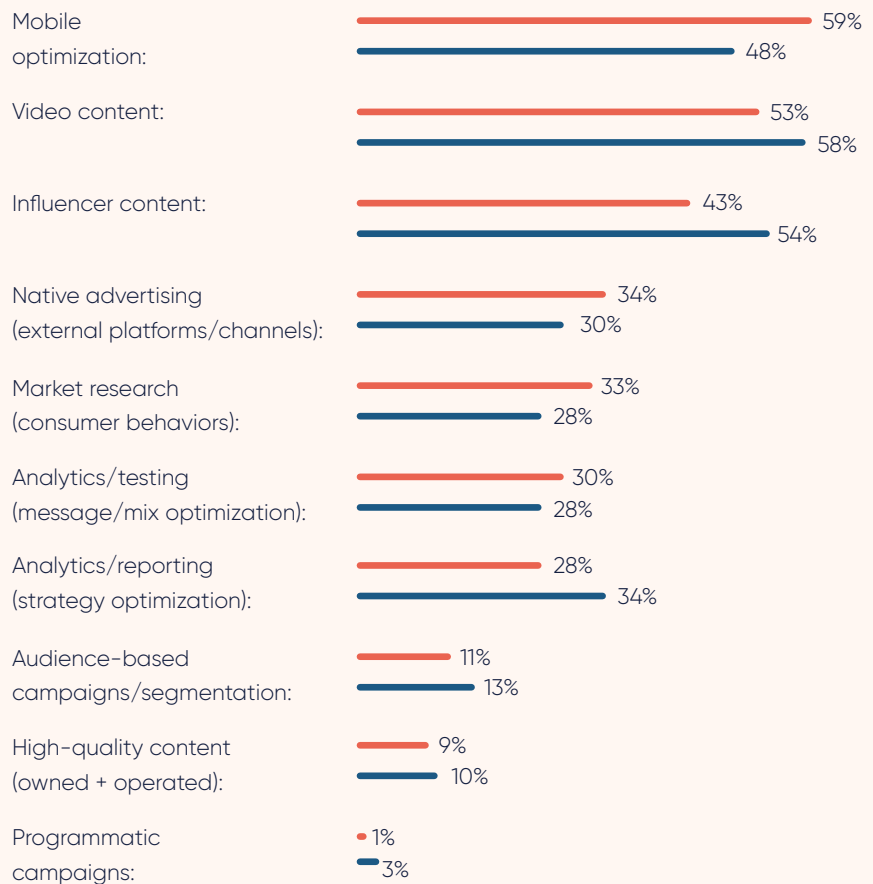


Mobile, video and influencer strategies top the list of DTC revenue drivers

Channel-by-channel success is shaping our respondents' evaluation of strategy as well. In 2023, their most effective strategies focused on mobile optimization (59%), video content (53%) and influencer content (43%). Those three also top the list for what they expect to drive the most revenue in 2024 (48%, 58% and 54%, respectively).

Q. In 2023, what are the top three digital strategies driving positive DTC marketing outcomes? Which do you expect will be the top three in 2024? Select three.

● 2023 ● 2024



Other areas seeing more investment in 2024 versus 2023 include analytics and reporting, audience-based campaigns and segmentation, high-quality content, and programmatic campaigns.

Content remains king, with brands and agencies investing even more in video and influencer content and – to a lesser extent – in high-quality content in what is perhaps a departure from user-generated content. As teams look to invest more in analytics and reporting alongside segmentation, it indicates that marketers want to measure the impact of their content more effectively and make sure the content reaches the right audiences at the right time.

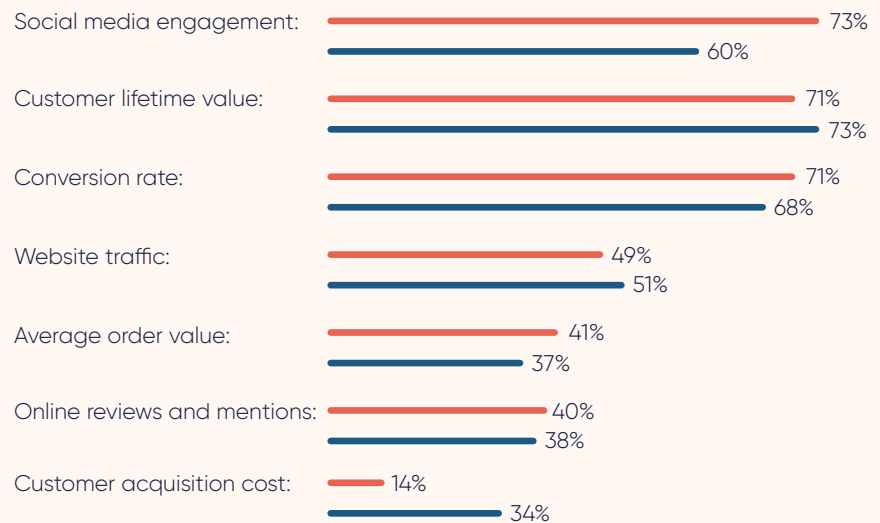
Engagement, CLV and conversions are the top success metrics for DTC teams

Regarding the most important KPIs to our respondents, it's a very much social-media and sales-oriented landscape.

Social engagement tops the list at 73% for 2023 campaigns, and conversion rates tie with customer lifetime value at 71%. However, long-term customer metrics lead the way next year, with CLV topping the list at 73% and conversions (68%) and social media (60%) metrics shifting to second and third place among essential performance indicators. As teams work to tie their efforts back to revenue improvements and other business outcomes, they are getting savvier about metrics that impact performance.

Q. What are the top KPIs for your digital DTC marketing outcomes in 2023? What will your top KPIs be in 2024? Select all that apply.

● 2023 ● 2024



The chart-topping CLV metric for 2024 also speaks to the essential role of customer retention in DTC marketing strategies.

"Customer lifetime value is one of our core metrics," Emmanuel Thomassin, CFO at food delivery company Delivery Hero, [told McKinsey](#) in a recent look at CLV. "It's a topic we're driving intensively at all levels of the organization, and we have set clear goals from which we can only deviate in exceptional cases. We use CLV to support our strategic and operational decisions, such as whether to enter a new market or whether to continue or end a marketing campaign."

73%

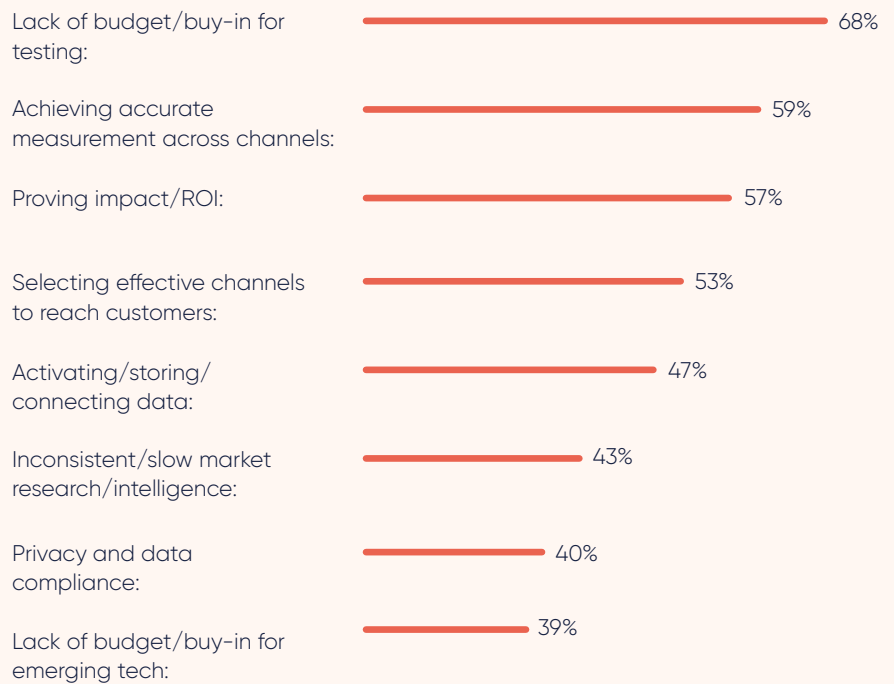
... of brands and agencies in Digiday's and Klaviyo's survey cite customer lifetime value as a top KPI for their digital DTC marketing outcomes in 2024.

Challenge Point:
DTC teams need buy-in and budget for testing to drive accurate metrics and prove ROI

Unsurprisingly, identifying impact and ROI are the biggest challenges our DTC marketers face across their campaigns.

Teams are struggling to secure buy-in for the testing (and budgets) they need to develop pathways to conversions (68%), and then they're grappling with the accuracy of the measurements they do take (59%), the lack of which likely contributes to struggles around proving campaign ROI (57%).

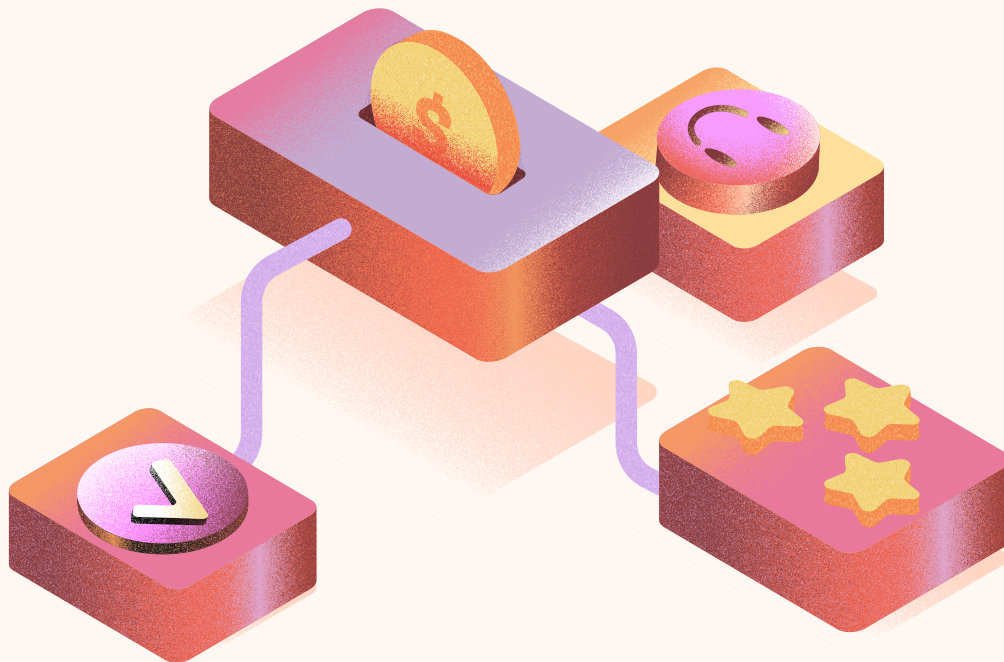
Q. Overall, what challenges are most common to your digital DTC marketing efforts? Select all that apply.



"For marketers across brands of all sizes, getting access to analytics quickly for month-end reporting is typically an onerous process that requires manual data pulls across different sources," said Jon Palmer, lead product marketing manager at Klaviyo. "Platform consolidation simplifies this process and limits duplicate attribution across marketing channels."

59%

... of brands and agencies in Digiday's and Klaviyo's survey are struggling to achieve accurate measurement across channels, the lack of which likely contributes to their challenges in proving campaign ROI.



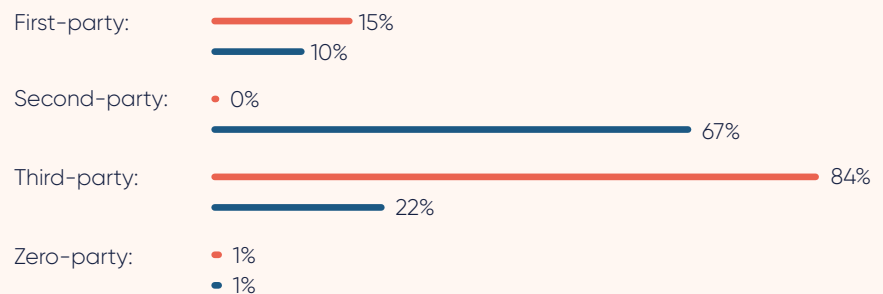
DTC marketers are still working to unlock the full potential of first- and zero-party data

All the KPIs on our respondents' list rely on data, and in 2023, they told us it's third-party data that plays an outsized role in their marketing outcomes – third-party topped their responses at 83%, with first-party data at 16% and zero-party data filling a gap at 1%.

Still, anticipating Google's third-party cookies to sunset in late 2024, DTC marketers' approaches to data are poised to change, with second-party data leaping to 67% in 2024 – and so topping the list – while third-party drops to 22% and first-party and zero-party data account for the rest of the responses.

Q. Which types of data play the most significant role in generating positive outcomes for your digital DTC marketing in 2023? Which types will play the most significant role in 2024?

● 2023 ● 2024



Glossary: Data types

- **Zero-party data:**

Information a user or customer intentionally shares with an advertiser, such as through a form or quiz.

- **First-party data:**

Information collected from a customer, subscriber or site visitor when they interact with a brand's site or marketing or make a purchase.

- **Second-party data:**

Information that a user hasn't shared directly with an advertiser but can legally access via a direct relationship with another business or through a private marketplace run by a media owner.

- **Third-party data:**

Information collected by an entity that doesn't have a direct relationship with users or customers, often through third-party cookies and other identifiers, to track users.

It's possible to think of the scenario as one in which marketing teams consider the first half or three-quarters of 2024 as a cookie-centric situation as teams continue widespread use of aggregated third- and second-party data.

Meanwhile, the longer-term picture of data types for marketers will likely remain unresolved until closer to Google's final moves on the matter. This take is bolstered by how marketing experts have talked about first-party data recently.

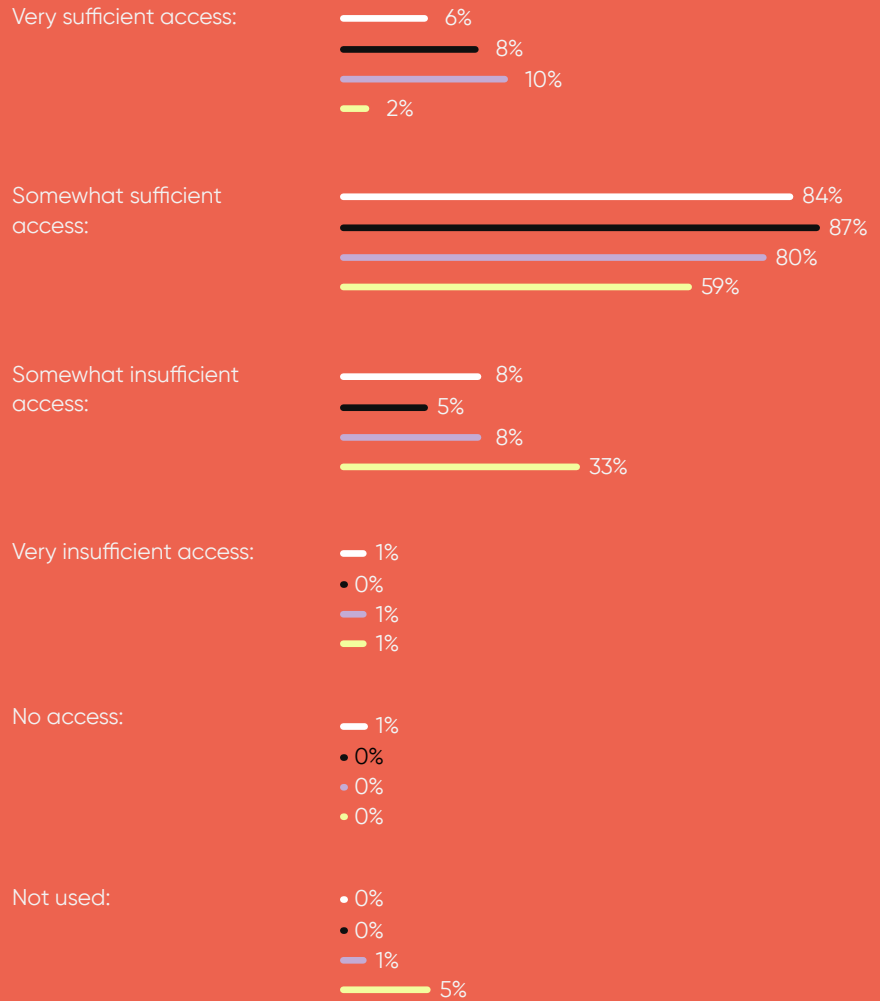
"There is a gap between the theoretical value of first-party data and its practical availability," said Daniel Knapp, chief economist at IAB Europe, in a Digiday article. "If data is available in principle, it is hardly available in readily refined and usable form. The financial cost of getting a robust data corpus, the complexity of vendors and tools, and not least the required perseverance and grit to overcome cultural obstacles within the organization may sometimes dampen marketer enthusiasm."

Our brands and agencies all indicate they're getting some of what they need, but they're not swimming in the data they're pursuing. Across every data kind, they told us they have at least somewhat sufficient access or better – 91% for first-party, 95% for second-party and 91% for third party. Even the slightly less-discussed category of zero-party data is sufficiently accessible – 60% put it at "somewhat" or better on the list. However, none of the data types scored highly regarding "very sufficient access."



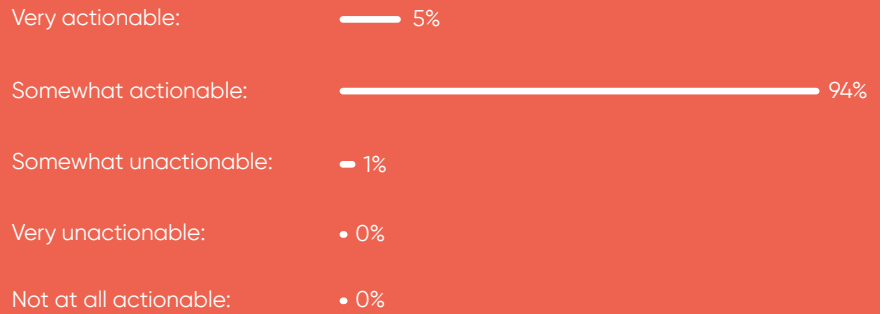
Q. To what degree does your DTC marketing team have access to the data it needs to generate positive outcomes?

● 1PD ● 2PD ● 3PD ● 4PD



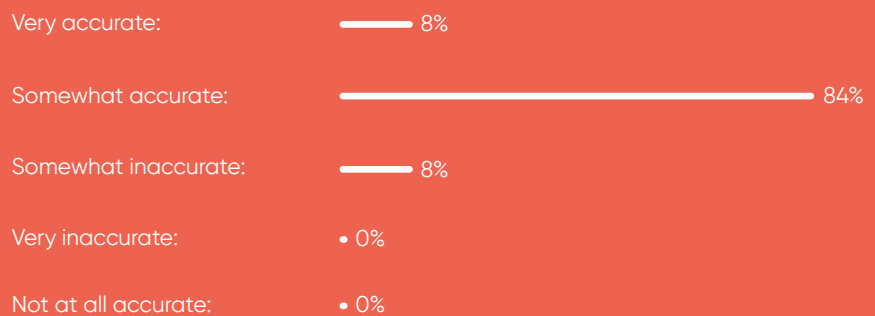
"Most brands believe that they have some access to data they need but struggle to fully put it into action in their marketing," Vargas said. "By consolidating all types of data into the same platform, it becomes more valuable to marketers by showing a complete view of the customer. If you can take action upon the data in the same platform – that's the best case scenario."

This echoes our survey findings regarding actionability. Only 5% of respondents said their data (of any kind) is "very actionable," while 94% said it was "somewhat actionable."

Q. Overall, to what degree is the data your DTC marketing team uses actionable?

Similarly, just 8% said their data is very accurate, while 84% said it is somewhat accurate.

"Without accurate data, DTC marketers are limited in their ability to create the truly personalized messaging that their customers expect," said Josh Mendelsohn, director of product marketing at Klaviyo. "When you use multiple platforms that claim to report on the same metrics, it's hard to know which data to trust and action upon."

Q. Overall, to what degree is the data your DTC marketing team uses accurate?**Challenge Point:**
Data fragmentation and the high cost of technology

Our respondents are tackling data quality and accuracy (62%) at the top of their lists of the challenges DTC marketing has faced in 2023, and they're explicitly tagging fragmentation across platforms as a leading pain point (61%).

Q. What causes of data-related challenges has your DTC marketing team encountered in the past year? Select all that apply.



Third on their challenge list is the high cost of the tech stacks they need to build to run their advertising campaigns (56% said so) and the perennial lift around data privacy and compliance (53%).

"With tech stacks growing in complexity and legacy solutions failing in usability, data accuracy and accessibility are really difficult for most marketers to achieve," said Anthony DelPizzo, product marketing lead at Klaviyo. "On top of that, 58% of martech leaders say they lack a strong customer data foundation."

61%

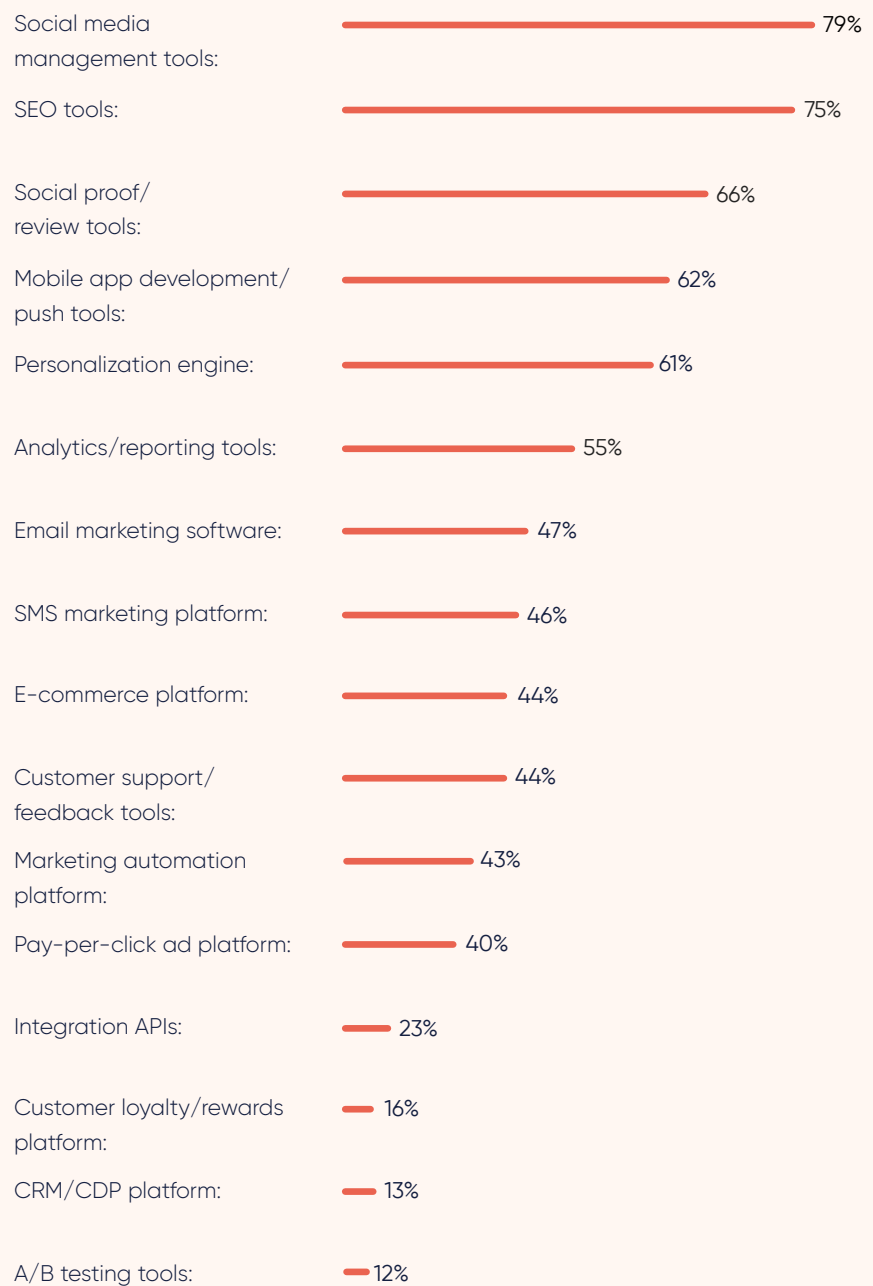
... of brands and agencies in Digiday's and Klaviyo's survey cite data fragmentation as a leading pain point.

Social media tools top tech-stack essentials, with mobile and e-commerce topping DTC marketers' next-to-installs

The DTC marketer's tech stack in 2023 prioritized tools for social media management (79%), SEO (74%) and social proof and review (66%).

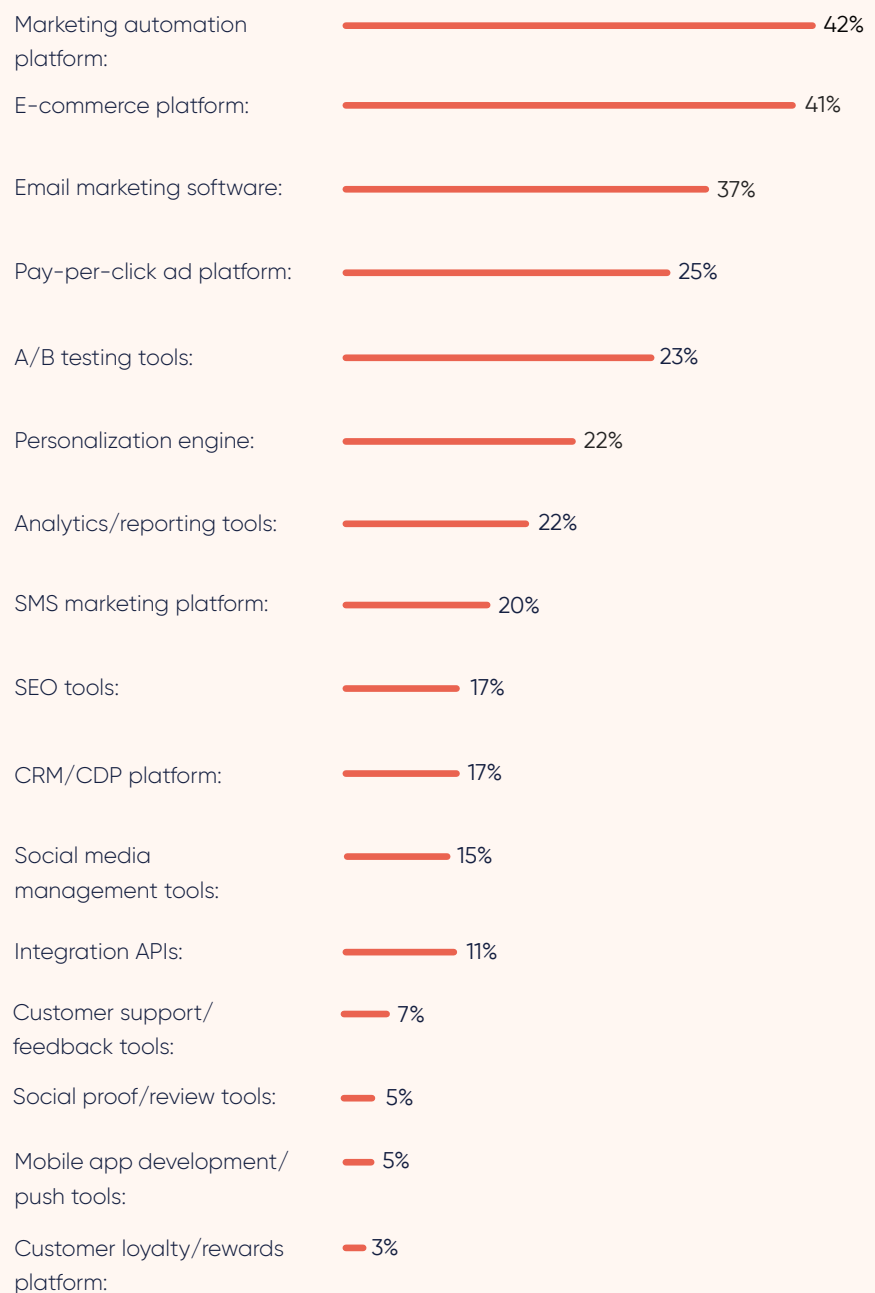
Mobile app management and personalization were also considerably present (62% and 61% respectively). Elements less commonly included in our respondents' tech stacks include A/B testing tools (12%).

Q. What elements are included in your DTC marketing technology stack in 2023? Select all that apply.



They also cited CRM/CDP platforms (13%), another investment many teams must work to win from CFOs looking at ROI. It's a missing piece with which professionals working with marketing teams are familiar, especially ahead of the deprecation of third-party cookies.

Q. What elements will you add to your DTC marketing technology stack in 2024? Select all that apply.



"Despite understanding the value of customer data, most brands haven't yet invested in the tools they need to take advantage of it, like CRMs or CDPs that are able to synthesize and analyze multiple data sources at once," Mendelson said.

"As the ability to rely on cookie data goes away, brands need to prioritize data management tools, or they will be left with one size fits all marketing that feels outdated."

The most commonly cited addition to their marketing tech stacks in 2024 is the marketing automation platform (42%), slightly ahead of an e-commerce platform (41%).

Brands may not necessarily be starting from scratch when adding e-commerce platforms, email marketing software and other tools to their tech stacks. Teams may be adding complementary platforms or purchasing and replacing existing platforms. Any of these approaches amount to a net change to the tech stack for our respondents in the coming year.

"As brands scale and goals shift, it's important to continuously evaluate and reassess existing tech stacks," Vargas said. "If you're hitting a ceiling with your existing platforms, or if it's not delivering the results you want, it's time to reassess. The tools you've used to get to this point may not be the ones you need in this next stage of growth."

Prioritizing investment in marketing automation platforms and other consolidated tools is also one way that brands and agencies are looking to limit the fragmentation they deal with across platforms and channels.

"The modern data stack will start consolidating," said Jessica Schanzer, product marketing lead at Klaviyo. "Marketing teams have had budgets cut this year, which means that they need to be more strategic with limited resources. Leaner teams will have to refocus on tactics that drive the most ROI and reassess their tech stacks to find more opportunities to consolidate. An effective, unified tech stack helps brands maximize resources by doing more with less."

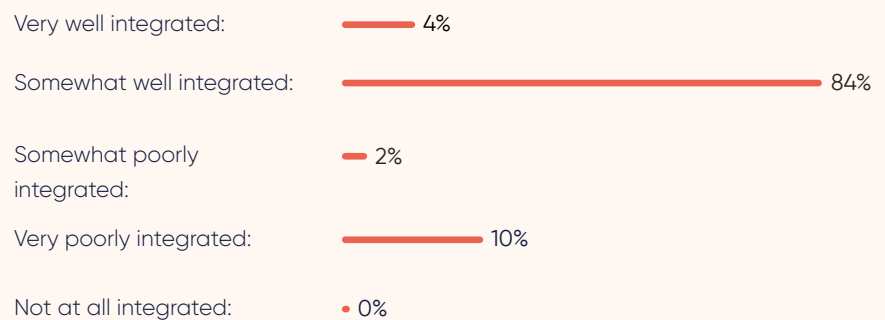
42%

... of survey respondents plan to add a marketing automation platform to their DTC marketing tech stacks in 2024.

96% of brands and agencies see room for improvement regarding tech stack integration

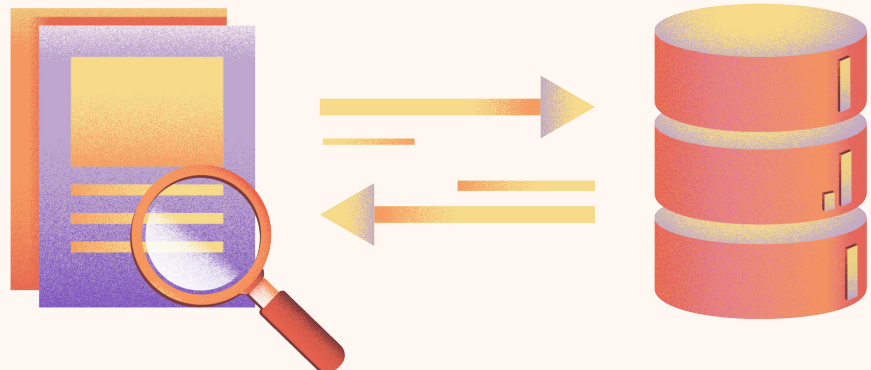
Similar to what our survey told us about the marketing team's view on data access, actionability and accuracy, their evaluation of the state of tech-stack integration is that it's somewhat well integrated (84% said so). However, another 12% of respondents characterize stack integration as "somewhat" or "very poorly integrated," likely due in part to fragmentation. Only 4% of brands and agencies assess the scenario to be "very well integrated."

Q. How well integrated are the elements of your marketing technology stack?

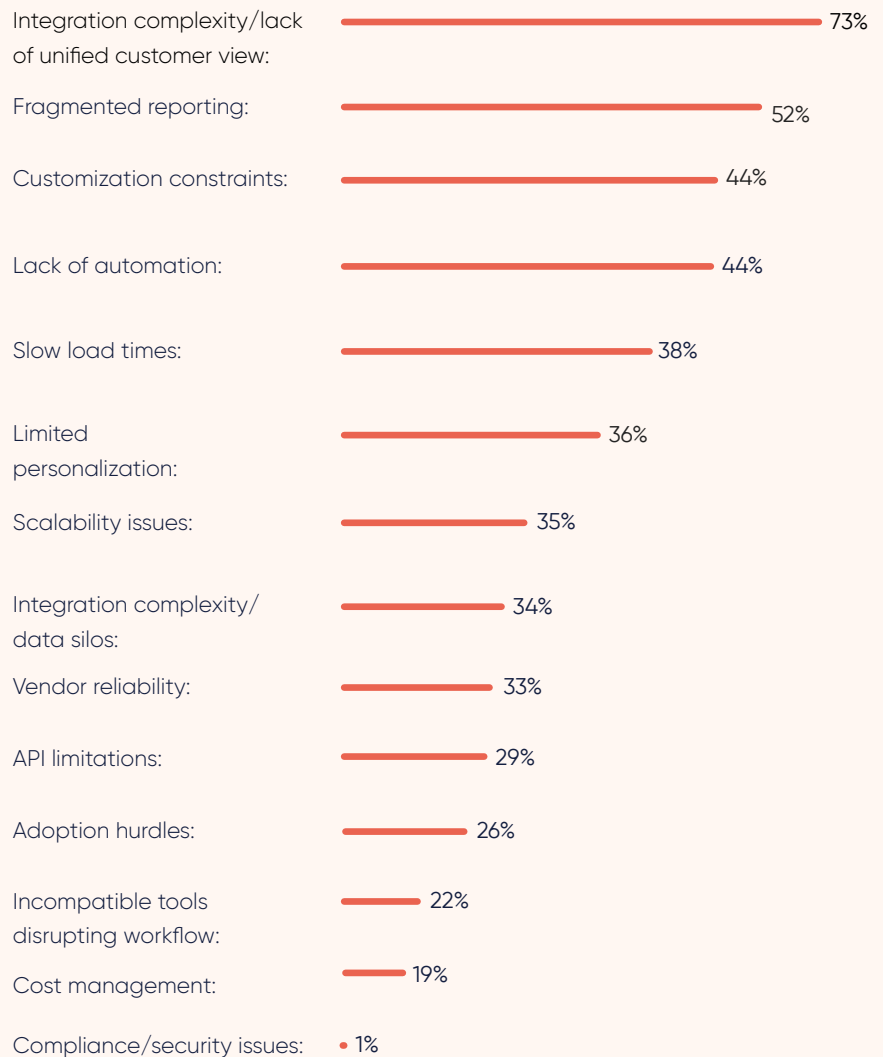


"To activate data effectively, establishing a single source of customer truth is pivotal," said DelPizzo. "This means integrating all tools together into a system that unifies data at scale into single customer profiles so that marketers can obtain a single view of each customer's interaction with their brand across their tech stack. Customer data platforms (CDPs) are most effective for this level of deep integration. But it's important that the platform building the profiles is accessible to marketers of any technical skillset to ensure full accessibility."

Indeed, overall complexity preventing a unified view of customers (73%) and fragmented reporting (52%) top the list of marketing tech-stack challenges. Customization constraints and barriers to automation tie for third place on the list of blockers to better tech stacks in 2023 at 44%.



Q. What technology-stack-related challenges has your DTC marketing team encountered in the past year? Select all that apply.



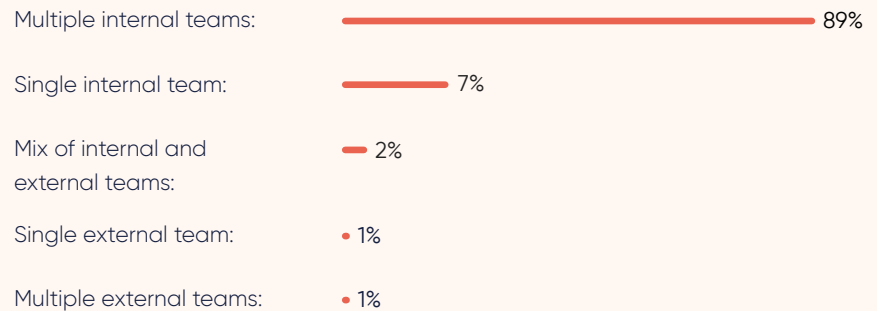
73%

... of our respondents said a lack of unified customer views (73%) tops the list of their marketing tech-stack challenges.

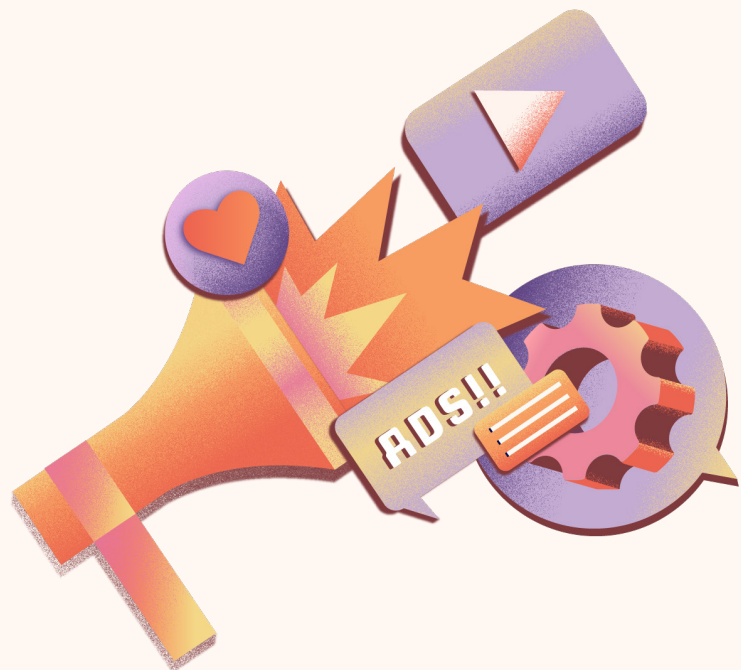
DTC marketing is almost always an in-house effort in 2023

Most of our respondents are running their marketing programs with multiple internal teams (89%), such as marketing, creative, data teams, customer support and product teams. Only 4% are turning to external teams at all.

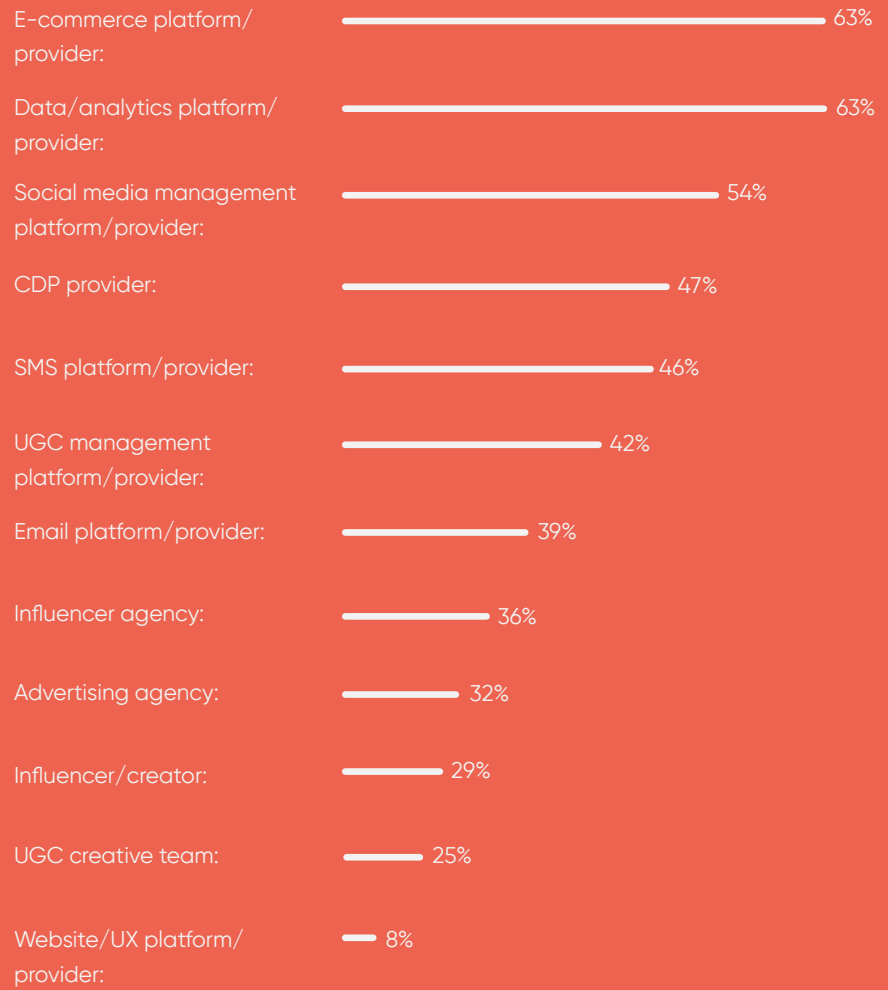
Q. How have you structured the team(s) that manage(s) your digital DTC marketing?



As the chart on the next page shows, when they bring in external partnerships such as services or software, it's most often for e-commerce solutions (63%) and data analytics (63%). Social media management teams came in second (54%), and then CDP, SMS and UGC providers clustered around their third-place spot on the list (47%, 46% and 43%, respectively).



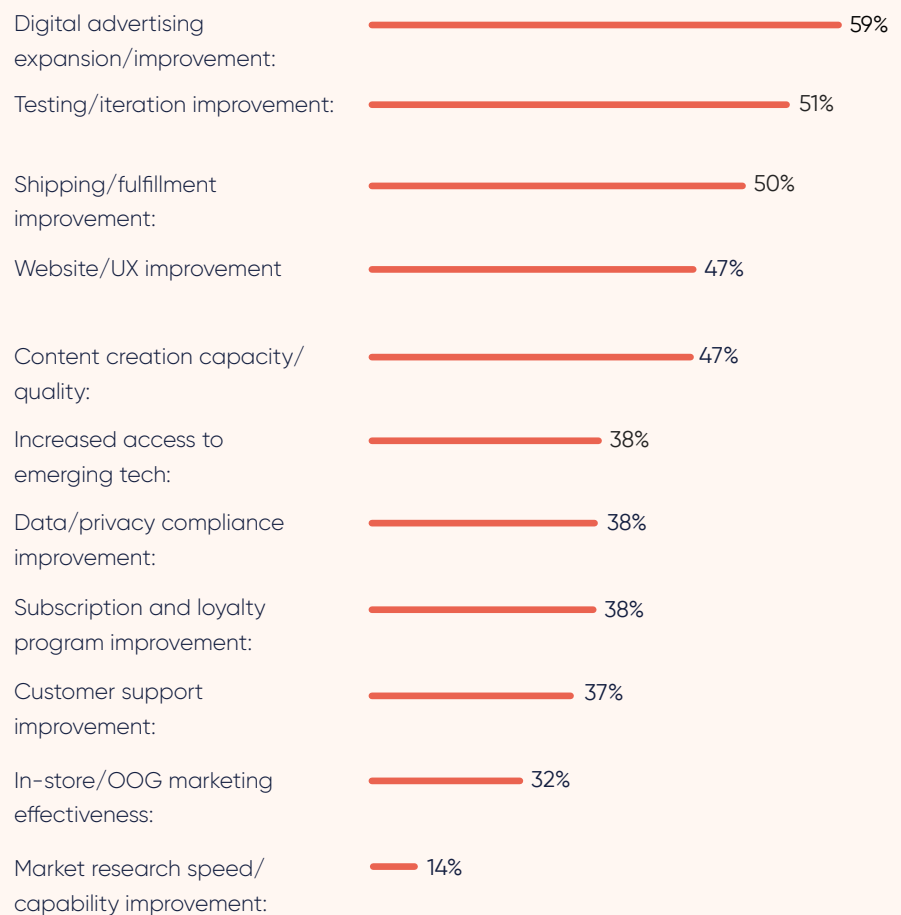
Q. What kind of external partnerships are instrumental to your digital DTC marketing success? Select all that apply.



New opportunities: DTC marketers expect 2024 to be a strong year for digital ad expansion, campaign testing and shipping/fulfillment

Our respondents also told us what they're planning for regarding promising opportunities in 2024. Their positive expectations include improvements and expansions to the digital advertising landscapes at 59% (likely riding on the backs of new real estate across CTV and RMNs, for example). Other promise points include improved testing and iteration (51%) and increasingly robust shipping and fulfillment solutions (50%).

Q. What do you expect will be areas of greatest opportunity for your DTC brand in 2024? Select all that apply.



"Many platform partners, and even Klaviyo, are expanding their technologies. Klaviyo recently introduced Reviews and CDP products; this should allow brands to consolidate their tech stacks, have data flow more seamlessly, and achieve greater ROI," said Taylor Clark, manager of partner enablement at Klaviyo. "Brands should look for agencies that are familiar with multiple platform types and platforms that offer a wider range of features. This will allow the brand and their agency to collaborate heavily on implementing the many features a platform can offer versus having many integrations managed by multiple points of contact."

Regarding testing and iteration improvements, those expectations are almost certainly borne by the lightning-fast evolution of generative AI in 2023.

"2023 has certainly been the year of large language models and generative AI, and I expect them to continue to be important in 2024," said Wayne Coburn, AI director of product at Klaviyo. "Marketers should focus on what vendors are doing to make gen AI useful and invest in tools that materially increase productivity instead of sparkles and marketing flash. The same advances in processing and machine learning that have allowed gen AI to take center stage are also supercharging a number of other, less flashy ML and AI features. In 2024, I expect marketers to take advantage of AI/ML in ways that seamlessly blend into the workflows. For example, a vendor's targeting algorithms might not be able to write you a sonnet, but it is going to be better than any human at making sure the right message is delivered to the right person."



In 2024, strong DTC marketing partnerships will rely on retention strategies and integration-forward capabilities

"From a services standpoint, brands should consider partnering with agencies that have a very good talk track for retention marketing," Clark continued. "Acquisition of new customers will always remain a top, maybe the top, priority, but building out a post-purchase marketing funnel will have a significant impact on a brand's success."

Questions brands should ask of their partners:

- How does the agency plan to increase repeat buyers?
- What is their strategy to nurture VIP customers?
- The cost of retaining a customer and getting them to their second purchase is much less than the cost of acquiring a customer. Can the agency tackle this part of the funnel?
- When evaluating software between non-technology partners and technology partners, include the potential cost of developer resources in the cost of the software without a pre-built integration – both initial and maintenance. Technology partners have pre-built integrations that can save tens of thousands; this often is not apparent in the proposed pricing.
- How can the agency plug holes in the funnel regarding platform or integration partners?

"One integration partner of ours is doing some really cool work around optimizing returns and how to retain that traffic and get that customer to replace/repurchase vs. move on entirely," Clark said. "This is also part of that retention conversation. How about help-desk software? Do your customers have questions about an integration that can automate and deliver a great customer experience? There are a lot of integrations out there that focus on customer satisfaction and retention, and I would recommend brands look into these for a strong 2024."

These partnerships and integrations will be critical as brands and agencies prepare for next year's coming changes. These changes include a sharper focus on video marketing across channels and platforms and a looming shift away from third-party data. As DTC marketers advocate for buy-in from other stakeholders, they will tackle data fragmentation by investing in – and streamlining – integrated tech stacks to ensure accuracy and efficiency.

To demonstrate ROI, savvy teams are putting customer lifetime value in the spotlight – considering how acquisition and retention efforts impact conversions and brands' bottom lines.

"Acquisition, retention and customer experience remain top of mind for DTC marketers, which is no departure from their typical focus and concerns," said Mendelsohn. "You need to get in front of prospects and acquire them, you need to deliver your product properly and on time, and then you need to test and iterate to turn one-time customers into repeat buyers and build loyalty."

Ultimately, "The foundation of DTC marketing isn't changing," Vargas said. "Even among all the changes in how to get in front of prospects and how to engage customers, greasing the wheels of the DTC flywheel remains of utmost importance."



About Klaviyo

Klaviyo (CLAY-vee-oh) powers smarter digital relationships, making it easy for businesses to capture, store, analyze, and predictively use their own data to drive measurable, high-value outcomes. Klaviyo's modern and intuitive SaaS platform enables business users of any skill level to harness their first-party data from more than 300 integrations to send the right message at the right time across email, SMS and push notifications. Innovative businesses like Dermalogica, Living Proof, Citizen Watch and more than 130,000 other paying users leverage Klaviyo to acquire, engage and retain customers – and grow on their own terms.

Learn more about Klaviyo:

<https://www.klaviyo.com>

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