BRIEF

Study: DTC brands increase marketing budgets 'dramatically' compared to traditional retailers

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Dive Brief:

- E-commerce marketing budgets have continued to increase across all retail businesses this year compared to last, but direct-to-consumer (DTC) marketers in the category are outspending their traditional peers on the channel, according to a new report by Commerce Next and Oracle. Notably, 78% of DTC companies increased their marketing budgets from 2018 to 2019, a rate "dramatically" higher than traditional retail peers, of whom about 60% reported increasing their marketing spend.
- Traditional retailers and DTC brands found some commonalties in areas of investment. Eighty-one percent of e-commerce marketers cited acquisition marketing as their top priority in 2018, and that they will spend even more on acquisition in 2019. Customer data platforms (CDPs) and personalization technology were the leading channels that retail marketers are prioritizing in 2019, regardless of their business model.
- Sixty-five percent of marketers surveyed for the research had upped their spend in CDPs and 52% had increased their investment in personalization technology. Retailers and DTC marketers alike are expected to focus on personalization technology, including CDPs and AI, to engage consumers during the critical 2019 holiday season. Digitally native brands will spend a larger component of their income on these tactics than traditional retailers.

Dive Insight:

DTC brands are digitally native by design, so it should come as no surprise that more are taking advantage of their positioning online to put heavier investments into e-commerce, customer acquisition and marketing. Many old guard retailers have adjusted to this trend in recent years by adopting more DTC strategies and, in some cases, outright acquiring digital disruptors eating into their market share.

Many leading DTC brands, like Casper or Warby Parker, were built on performance-based marketing roots, but as these companies mature mature and face greater pressure to differentiate in an increasingly crowded market, they're tapping into more traditional channels that are centered on brand building. More DTC businesses are investing in television, for example, but while still leaning into a digitally oriented approach. DTC brands put programmatic TV No. 4 on the list of technologies they are prioritizing for their investments, just behind chatbots and personalization technology, according to the Commerce Next and Oracle findings.

TV providers and streaming services are, in turn, building out solutions to better accommodate a DTC business model. NBCUniversal recently debuted a shoppable TV product that lets viewers buy what they see on their TV screen by using a smartphone camera. The over-the-top streaming platform Hulu is also experimenting with more performance-based products that integrate promotions, customer acquisition and shopping into the viewing experience.

The Commerce Next and Oracle report also identifies some shared pain points impacting retail marketers across the board. Retail marketers both young and old are struggling with silos and delivering a unified customer experience. The research suggests that 65% of marketers will increase their spend on CDPs this year, and 52% will spend more on personalization technology to account for those gaps.

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