Key DTC marketing trends to watch in 2024

Quad

The next chapter in DTC's evolution

Growth in direct-to-consumer (DTC) commerce has exploded since the pandemic, with U.S. sales expected to reach almost $200 billion by the end of 2024 according to eMarketer data.

From eyeglasses to shoes, mattresses to razors, groceries to luggage to pharmaceuticals, anything and everything you can think of is being sold directly to customers.

But in an increasingly complicated ecosystem, with competition from traditional retailers and new entries, success will require the ability to be agile, rapid and creative in the approach to marketing strategy.

To get ready for what's next, read on for five trends to watch in direct-to-consumer marketing in 2024.

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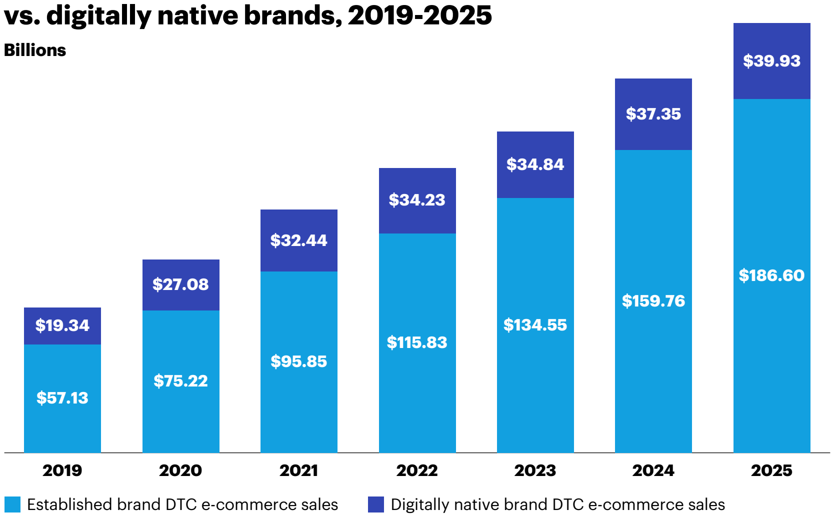
U.S. DTC e-commerce sales for established brands vs. digitally native brands, 2019-2025

Billions



Note: includes products sold online by established consumer brand manufacturers that sell directly to consumers via their owned and operated sites or apps, bypassing standard distribution methods through a retailer, wholesaler, or third-party platform such as a marketplace; excludes travel and event tickets; excludes food services and drinking place sales; established brands includes brands that did not start as online retailers and those that traditionally sold their products to wholesalers or retailers; digitally native includes products that sold online by digitally native vertical brands founded since 2010; includes only brands that started as independent online retailers

Source: eMarketer, March 2023

Expect new DTC disruptors in unexpected verticals

The history of direct-to-consumer shows big rewards for the first mover in a category. Companies such as Warby Parker, Allbirds, Casper, Dollar Shave Club, Chewy, Peloton and Quip established themselves by taking incumbents by surprise and disrupting entire industries.

In 2024, the benefits of DTC — including the ability to leverage first-party data, personalized engagement with customers and more direct control over messaging — are more compelling than ever and will continue drawing new entrants, particularly in new and unexpected niches.

After all, who would have guessed that products such as eyewear and mattresses would be able to bypass brick-and-mortar retail incumbents? Not to mention more recent DTC launches that have been going direct-to-consumer with items such as medication for hair loss, sexual health, anxiety and depression (e.g., Hers, Roman); meal replacement products (e.g., Soylent and Huel); and menswear and tuxedos (The Black Tux, The Tie Bar).

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DTC marketers will need to pay more attention to retail media networks (RMNs)

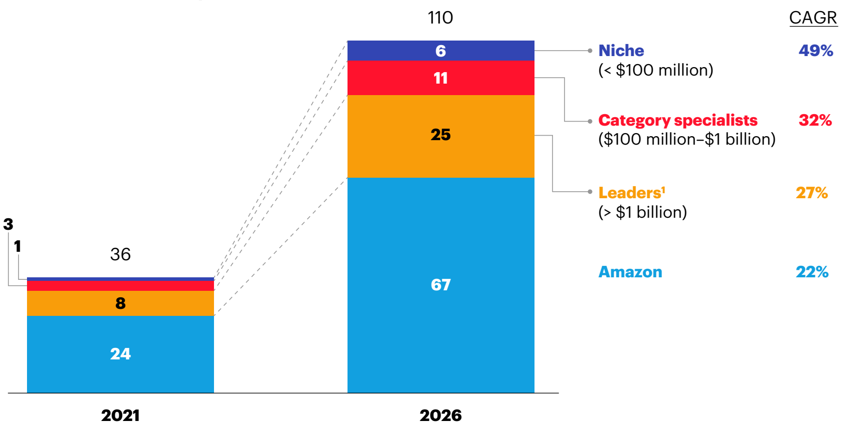
Amazon pioneered retail media networks (RMNs), with big box stores such as Walmart and Target quickly following suit. It's now a wider trend across retail, with other major players such as Walgreens, Costco, Sam's Club, eBay and Instacart launching networks, along with specialty channels such as pet care (Petco), auto parts (AutoZone), regional grocery chains (H-E-B) and online home goods (Wayfair).

Retail media networks offer marketers, including those with direct-to-consumer businesses, a significant new channel for generating sales. They are also disrupting the digital advertising market. A 2022 Boston Consulting Group study predicted that RMNs will become a $100 billion market within five years and account for one quarter of all digital media spending.

For DTC brands — especially those that are looking to expand beyond direct sales by partnering with national brick-and-mortar retailers — this means leaning into the dynamics and understanding this new channel. "Navigating the profusion of Retail Media Networks while identifying the right balance of audience, reach and cost-effectiveness is the challenge for DTC brands," said Marcus Lancaster, Head of DTC Strategy at Quad. "They can't engage every platform, so choosing the right one(s) is critical."

Amazon and a few major retailers lead in Commerce Media

US commerce media by size ($billions)



Note: The sizes of the "Leaders," "Category specialists," and "Niche" segments are based on their projected commerce media revenue in 2026. Because of rounding, not all segment values add up to the total value shown above each bar.

[1] Exclusive of Amazon, which is reported separately.

Sources: BCG Commerce Media Survey (2022), N = 35; BCG CPG Retail Media Benchmarking Survey (2021), N = 100; customer interviews; eMarketer; 10-Ks; BCG analysis.

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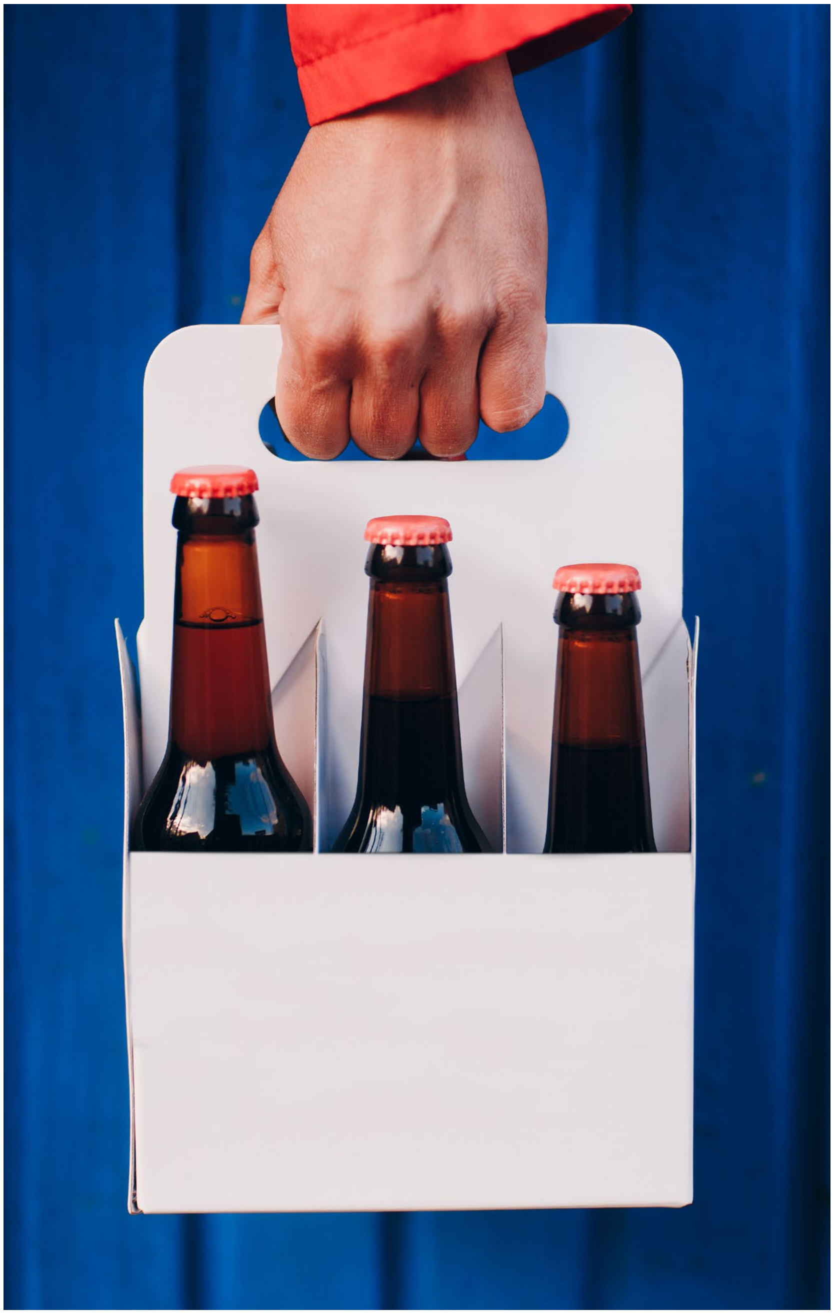
Inflation will continue to impact growth in food and beverage DTC in particular

People went all-in on direct-to-consumer food and beverage offerings during the pandemic, for obvious reasons. Venture capital investors have made about $6 billion in venture capital investments in DTC food and beverage startups between 2020 and 2022, according to Dealroom.com, which provides intelligence on startups and growth companies. While the pace of investment has slowed, investors in this sector are poised to put at least another $1 billion into the category this year.

Though the rate of inflation has recently declined, the cumulative effects will still likely take a toll into the new year. Deloitte recently surveyed 150 CPG executives on their outlook for 2024, and more than half (56%) said that growth would either be quite challenging or extremely challenging in the year ahead due to inflation's effects. Food and beverage DTC will not get a pass on these pressures.

$6 billion — **VC investments in DTC companies, 2020-2022**

56% — **Executives who expect growth to be quite challenging or extremely challenging**

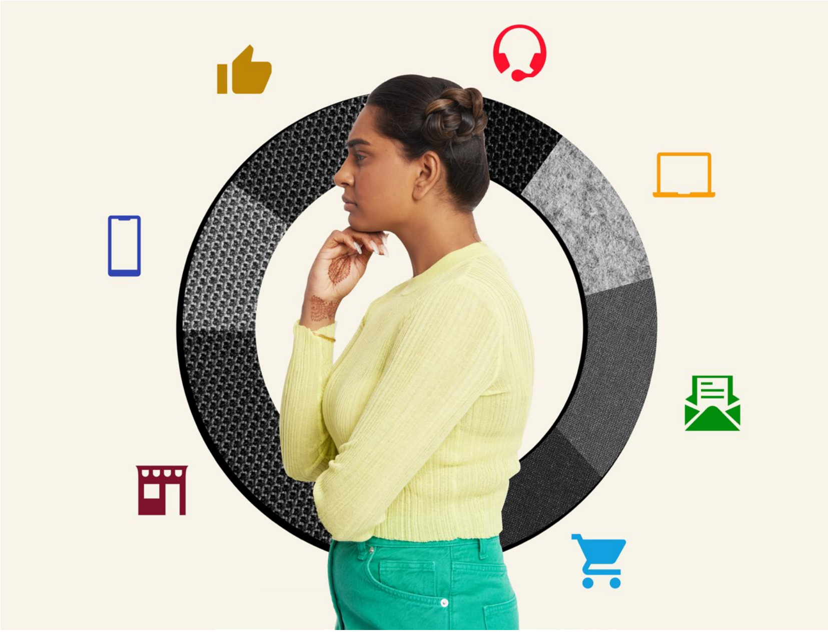


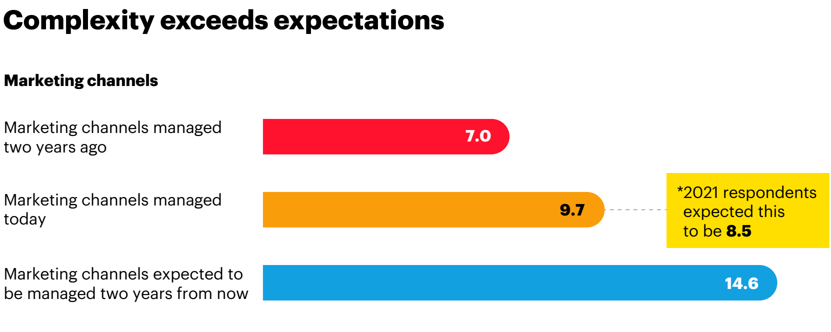
Every DTC marketer needs to consider becoming an omnichannel retailer — and marketer

Being a first mover helps you set the terms of engagement in your field. But the advantage doesn't last forever. Your success will quickly draw a crowd, as Casper, which pioneered direct-to-home mattresses, discovered. The company now is part of a dense field with several hundred competitors. That's one of the main reasons you now can purchase Casper mattresses in brick-and-mortar stores (its own showrooms as well as third-party retailers), as the company explores opportunities beyond e-commerce. It was a similar story for Dollar Shave Club, which disrupted men's shaving. DSC products now line the shelves at Target, CVS and other mass retailers.

The lesson: DTC brands must consider pursuing an omnichannel retail strategy — and, by extension, an omnichannel marketing strategy. A seamless approach to messaging across media, including owned-and-operated channels (e.g., the website and mobile app), social media, influencer marketing, retail media networks, direct mail and email, is vital to reaching customers wherever and whenever they're ready to buy.

Recent Forrester Consulting research commissioned by Quad suggests that brands are getting the message. Marketing and communications decision-makers in the survey told Forrester they are managing more channels on average today (9.7) than they expected two years ago (8.5) and expect continued growth to accelerate to 14.6 channels in the next two years.





*Base: 362 marketing and content/media strategy decision-makers at midsize to large US enterprises
Base: 355 marketing and content/media strategy decision-makers at midsize to large US enterprises
Source: A commissioned study conducted by Forrester Consulting on behalf of Quad, June 2023 and July 2021

DTC success will increasingly hinge on agility

Direct-to-consumer is not for the faint of heart for reasons that go beyond competitors looking to imitate your success. In 2024, DTC companies will have to grow increasingly flexible and agile as the latest trends and consumer behaviors emerge.

We see a host of additional factors coming into focus that will shape DTC strategy and tactics:

- Brands will continue to evolve personalization strategies beyond their owned channels. A survey from parcelLab noted that 49% of consumers say they've been incorrectly targeted for ads. Brands will work to improve ROI by serving more appropriate creative and will work with agencies that can deliver effectively.
- Warby Parker, Allbirds, Casper and Bonobos effectively mined influencer marketing to help turn their brands into gems. However, it will only get more challenging to find influencers who are true users and believers, versus those focused on getting the largest possible sponsorship deal.
- DTC brands facing the declining effectiveness of search and social ads will have to develop new strategies. Again, this heightens the importance of first-party data, one-to-one relationships and personalized content.
- Livestream shopping, late to catch on in the United States but now a fast-growing $30 billion-plus market, will become increasingly important to DTC success for its high conversion rate. One channel to watch closely is TikTok, which launched TikTok Shop in September, joining Amazon, eBay, HSN and others.

About Quad

Quad (NYSE: QUAD) is a $3 billion global marketing experience company that gives brands a more streamlined, impactful, flexible and frictionless way to reach their target audience via a uniquely integrated marketing platform. Quad connects every facet of the marketing journey efficiently and at scale through its innovative, data-driven offerings — from strategy and consulting to data and analytics, technology solutions, media services, creative and content solutions, and managed services. Quad provides a better marketing experience for its clients, so they can focus on delivering the best customer experience.

Quad employs approximately 15,000 people in 14 countries worldwide and serves more than 2,900 clients across the retail, publishing, consumer packaged goods, financial services, healthcare, insurance and direct-to-consumer industries. Quad is ranked as a leader in multiple industries including largest agency companies (Ad Age, #14); largest commercial printers (Printing Impressions, #2); and largest Milwaukee-area manufacturers (Milwaukee Business Journal, #1).

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