

The State of DTC Advertising in 2022

A THOROUGH EXAMINATION



\$530M

In ad spend analyzed



5,000+

Ecommerce stores' data
and insights



8 Trends

That will blow your mind

Introduction

DTC (direct-to-consumer) marketing is a wild, ever-evolving state of affairs.

As an industry, e-commerce is already massive, and it continues to grow rapidly. Shopify stores alone processed over **\$175 billion** in Gross Merchant Volume (GMV) last year, and they're on pace to well eclipse that number in 2022.

Here at Triple Whale, we're blessed to work with an enormous amount of customer data, including over **5,000 e-commerce stores** across a diverse range of verticals.

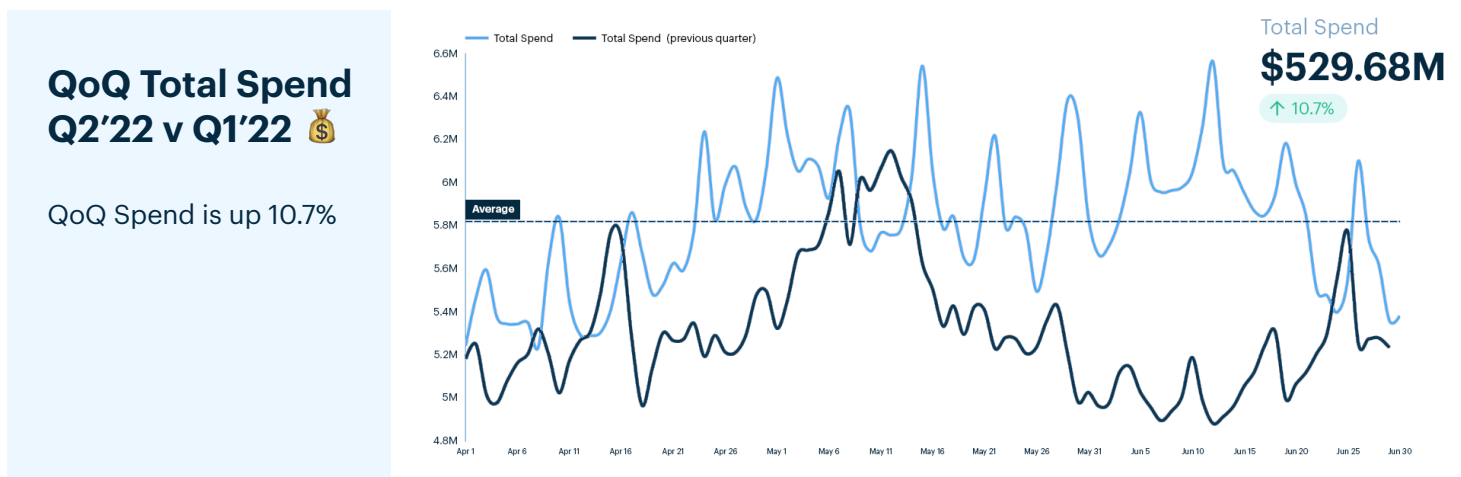
We dug into the data to find out what we could about the state of DTC advertising in 2022. Let's just say the results were quite enlightening.

Here are 8 *mind-blowing trends* that are defining the DTC advertising landscape in 2022.



1. Ad spend across platforms continues to grow at a healthy clip.

The U.S. alone will exceed \$1.3 trillion in online shopping revenue by 2025. That's an enormous amount of revenue; and in Q2 of 2022, advertisers did all they could to capture as much of that steadily-growing revenue as possible.



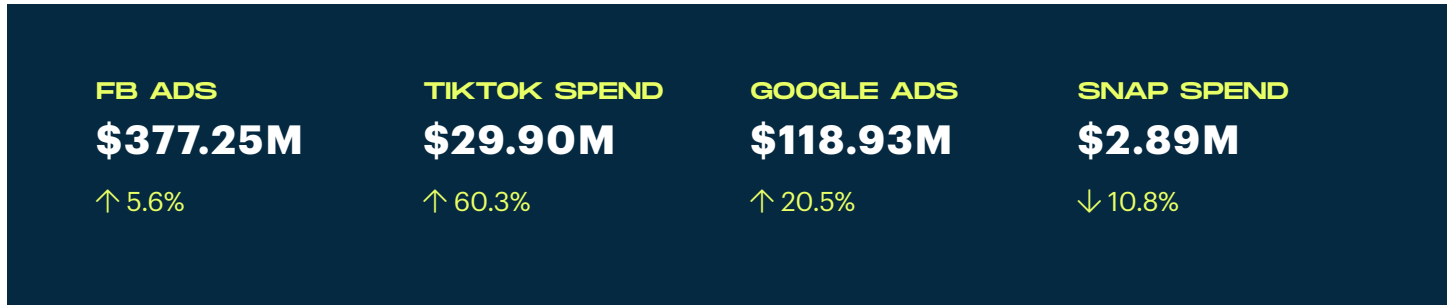
E-commerce brands spent a total of **\$529.7M** in cross-channel advertising in Q2 2022. That's an increase of nearly 11% over Q1.

That's a lot of dough, but how does that break down by channel? Where are DTC advertisers spending the big bucks in 2022?

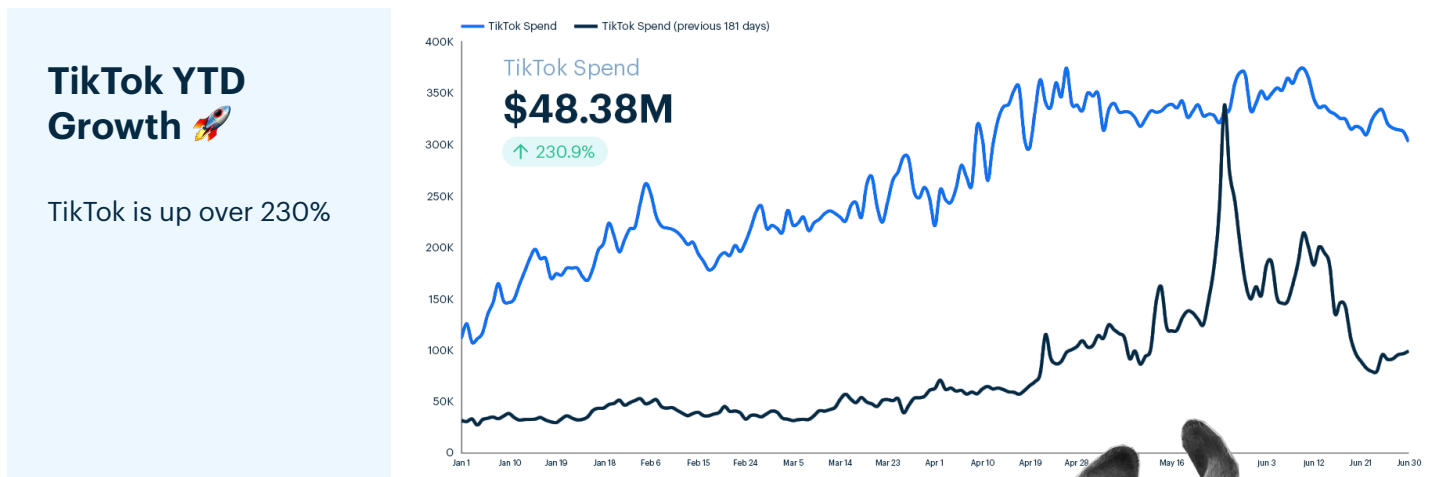
2. More and more advertisers are flocking to TikTok.

The biggest platforms in the online shopping and advertising world are seeing a **ton** of growth. According to our data, advertisers spent **\$377 million** on Facebook in Q2 2022, a 6% increase over Q1.

Meta still takes the cake on spend, but it's hardly the fastest growing platform in today's DTC landscape.



Just look at that TikTok growth! A **60% increase quarter-over-quarter**, with a total of about \$30 million.



TikTok is up 231% thus far in 2022 compared to the previous period. Talk about a pitbull on amphetamines.

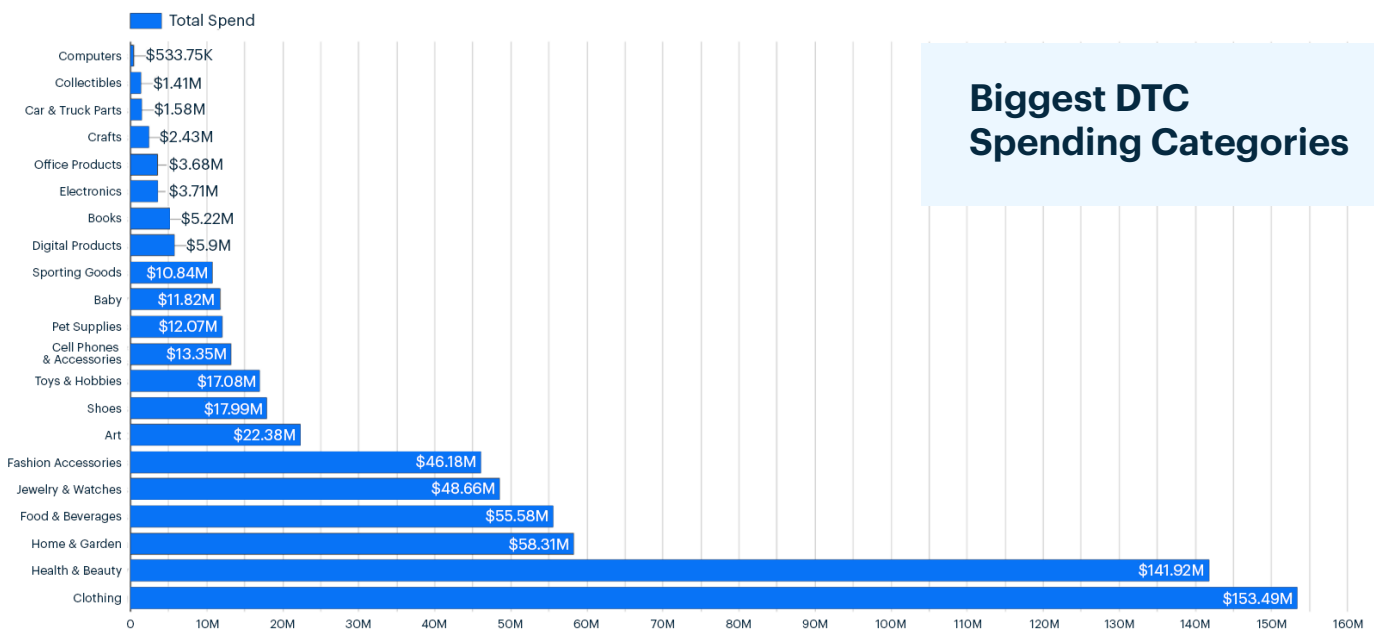
Google Ads also saw strong growth in Q2 2022 (20%) and was the second-highest DTC channel by spend at **\$119M**.





3. Clothing and Health & Beauty are the two highest-spend categories.

The biggest DTC spending categories won't come as a huge surprise, but it's interesting to see just how big of a lead Clothing and Health & Beauty have over the rest of the field.



At **\$153.49 million**, Clothing was far and away the highest spending DTC ad category in Q2 2022. Rounding out the top 5 are:

- **Health and beauty** — \$141.92 million
- **Home and garden** — \$58.31 million
- **Food and beverages** — \$55.58 million
- **Jewelry and watches** — \$48.66 million

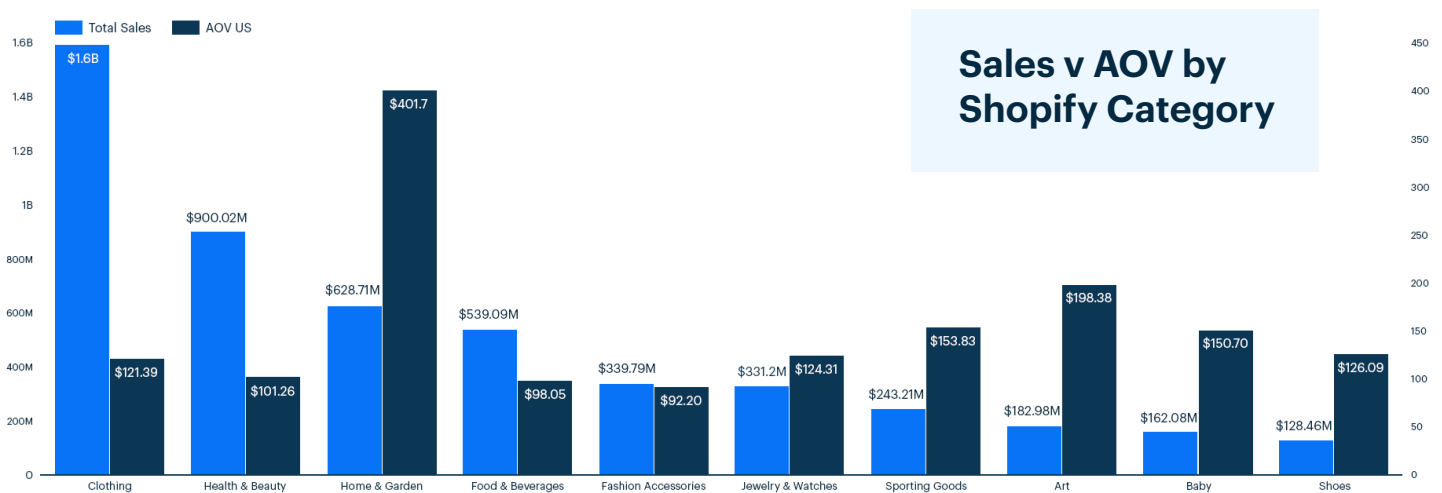
4. High AOV does not necessarily mean killer sales.

Average Order Volume (AOV) is the average amount of dough a customer spends when placing an order online (we know you already know that, but just in case you didn't 😊). You may think that a high AOV is "good," but that's not necessarily the case. AOV is influenced by a number of factors, including manufacturing costs, shipping costs, product bundling and much more.

That said, all DTC businesses love a big cart size. Here are the 5 industries that led the way in Q2:

1. **Cars and truck parts** — \$482 per customer
2. **Home and garden** — \$385 per customer
3. **Electronics** — \$296 per customer
4. **Office products** — \$291 per customer
5. **Digital products** — \$271 per customer

Not surprisingly, many of the top spenders are also the same categories that are printing money online. But check out the AOV breakdown on these categories.



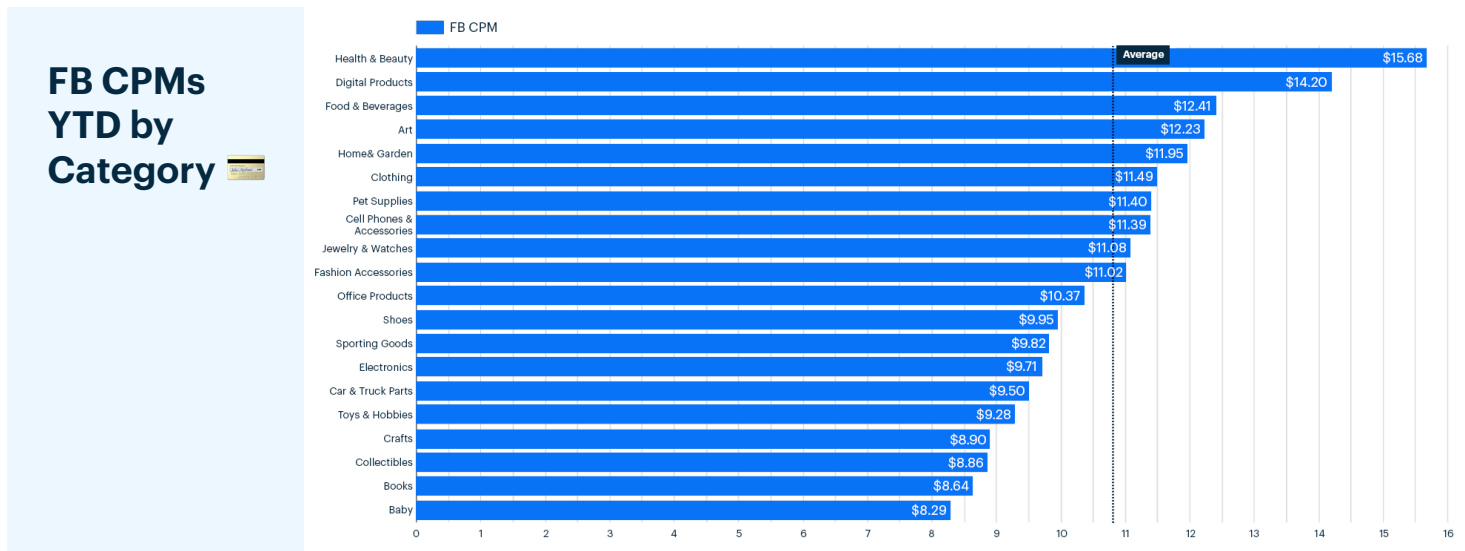
The takeaway here? A high AOV doesn't necessarily correlate to huge sales numbers. Our theory here is actually that LTV (customer lifetime value) makes up for the gap between AOV and sales.

How often is an automotive customer, for instance, coming back for a repeat sale? Probably not as much as you're returning to your favorite online clothing store for that sweet new quarter zip or mock-neck. You heard it here first: AOV does not always correlate to sales.

5. Spend efficiency varies widely on Facebook.

If you're looking for efficiency on Facebook spend, you can do a lot worse than CPM as an analog. CPM measures the cost it takes to get 1,000 people to see your ad. Like AOV, CPM depends on a variety of factors, including audience targeting, creative performance, niche, and more.

Who's getting the most bang for their buck on Facebook? Industries like Baby, Books, and Collectibles all have CPMs below \$10.



At the other end of the spectrum, you have Health & Beauty and Digital Products pulling down CPMs over \$14. That's some pricey reach! Think about the amount of remarketing those industries are doing, though, and it starts to make sense. Beauty brands go heavy on influencer marketing; awareness campaigns don't bring in a huge return on paid social.

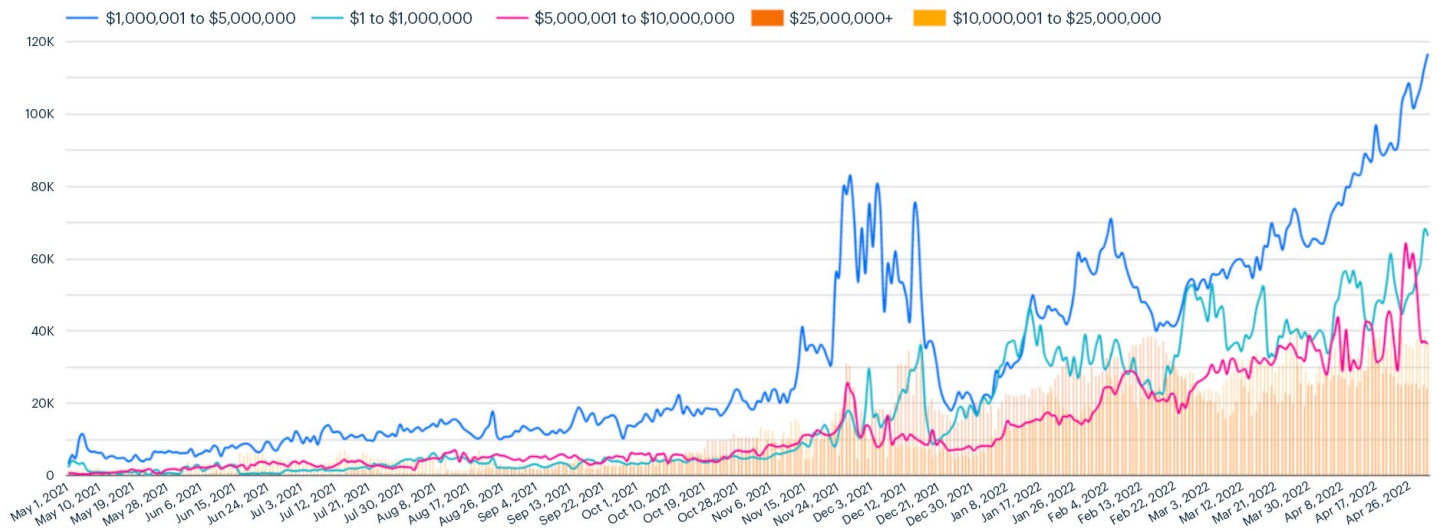
Spending more on the customers you've already acquired may increase CPMs, but it's also going to increase revenue and ROAS.

6. The little guys are driving adoption on TikTok.

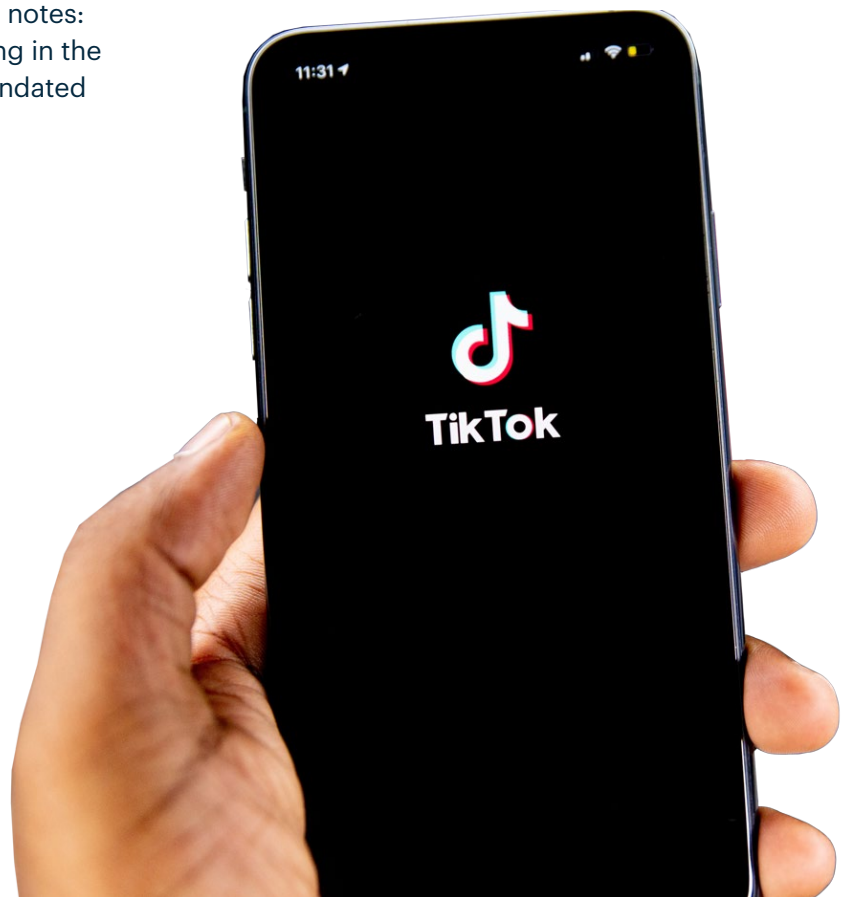
We mentioned the growing prevalence of TikTok among DTC advertisers. It's no longer a channel serious paid media buyers can avoid without cutting into revenue and profit.

Interestingly, it's not the *big spenders* that are driving up ad spend the most on TikTok. Stores in the \$1M - \$5M annual revenue range are skyrocketing platform usage and driving up aggregate spend.

TikTok Spend by Annual Revenue Cohorts 🤔



If your store has a comparable revenue run rate, take notes: it's time to get on TikTok while the needle's still moving in the upward direction (or before users are completely inundated with ads from new brands).



7. The rich are getting richer. 🤑

Let's talk about MER for a second (Marketing Efficiency Ratio). MER measures overall return on ad spend across your marketing ecosystem (all your ad platforms). Let's take a look at CPM, MER, and AOV across our revenue cohorts.

REV GROUP	FB CPMS	AOV	MER
\$1,000,001 to \$5,000,000	\$19.75	\$73.90	6.94
\$5,000,001 to \$10,000,000	\$19.63	\$79.53	9.82
\$1 to \$1,000,000	\$17.72	\$59.08	3.42
\$25,000,000+	\$14.41	\$128.73	22.67
\$10,000,001 to \$25,000,000	\$13.93	\$83.65	14.8
GRAND TOTAL	\$18.55	\$85.23	6.36

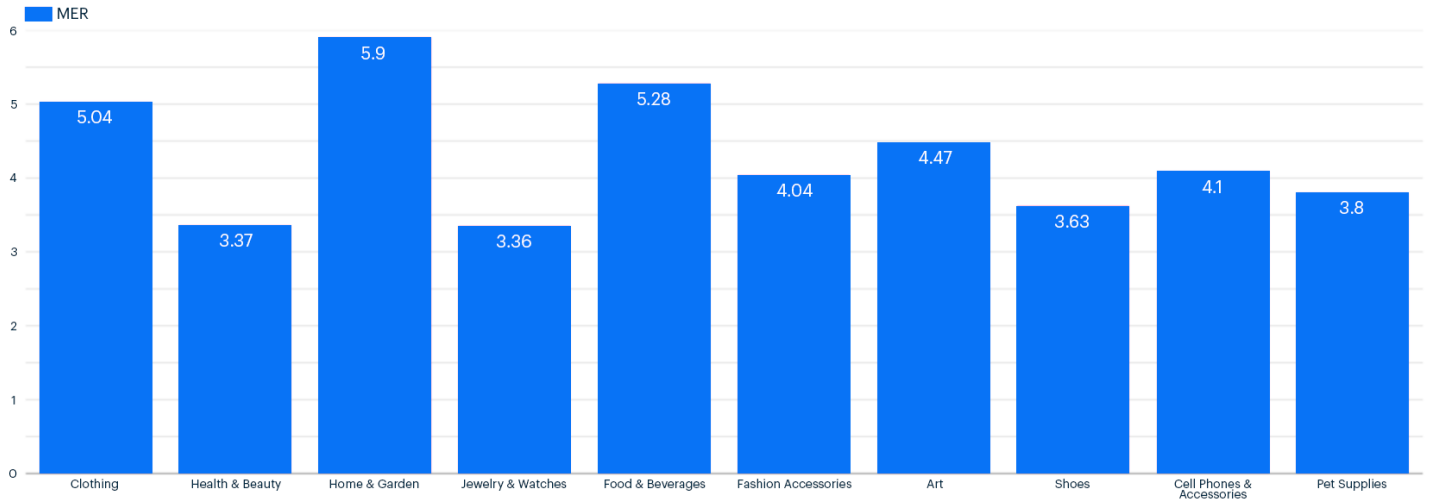
Any discernible trends? One thing that definitely stands out: stores with a \$25M+ annual revenue rate are crushing efficiency with a **22.7 MER**. They also have outstanding AOV of about **\$129**.

It's interesting to note that AOV and MER do seem to have a pretty strong correlation among these revenue cohorts. So while, as we mentioned, AOV doesn't necessarily correlate to strong sales, it does seem to drive strong efficiency across the marketing ecosystem.

8. High sales = high MER

Let's dive a bite deeper into the correlation between sales and MER, because it's super important. We showed you some of the highest-revenue categories in DTC earlier: Clothing, Health & Beauty, and Home & Garden. Let's take a look at how they're doing on the efficiency side.

Marketing Efficiency Ratio = Total Sales/Total Ad Spend



All three of those categories are among the most efficient in terms of MER, with Clothing and Home & Garden, in particular, **crushing at at 5+**. What's that mean?

Efficiency drives volume. The more efficient you are with your spend, the greater your ability to scale.

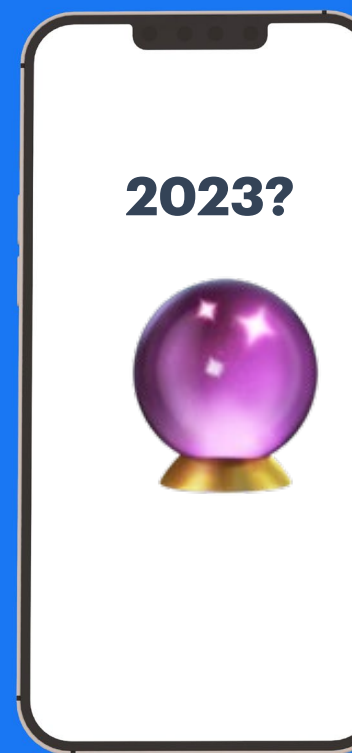
DTC in 2022 and beyond

Key takeaways? There are a few:

- Ad spend is climbing as more and more DTC brands invest in paid media.
- TikTok is invaluable, and may soon surpass Facebook as the most valuable platform for DTC advertisers.
- A high AOV is great, but it's not the end-all-be-all of revenue metrics.
- Efficiency (MER) is the name of the game. The more efficient you can make your spend at scale, the more revenue and profit you can drive.

ROAS was never the whole story, and now more than ever, understanding secondary metrics is vital to the health of your business.

More than 5,000 businesses are using Triple Whale to make accurate, data-driven decisions. We centralize all the metrics that matter (including MER, AOV, ROAS, and much, much more) into a single view, and our best-in-class attribution solution (Triple Pixel) gives DTC advertisers unrivaled visibility into performance in a post-IOS world.



Master the DTC landscape.

Triple Whale is the central source of truth for your eCommerce store.

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