



Direct-to- consumer survey

Findings across industries

October 2022



Executive summary



What we did

- Conducted a survey with 100 executives to understand their companies direct-to-consumer (DTC) business
 - Why companies launched a DTC business and what the value proposition is
 - Understand DTC operating strategies, including subscription models, physical retail, budgeting
 - Challenges in the last 12 months and priorities over the next 2 years



Direct-to-consumer motivations

- Gaining incremental sales and improving gross margin are top reasons for launching a DTC business
- The ability to deliver incremental sales often exceeds expectations while gross margin improvement is more in line with expectation
- Improved experience and exclusive product selection are the biggest value props for consumers
- Reducing customer acquisition cost has been the biggest marketing challenge over the last 12 months
- Reducing customer churn is a key priority over the next six months to two years

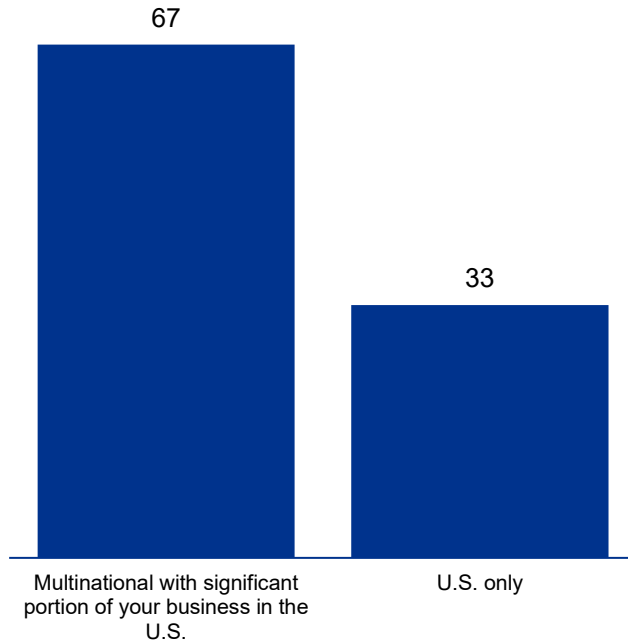


Other takeaways

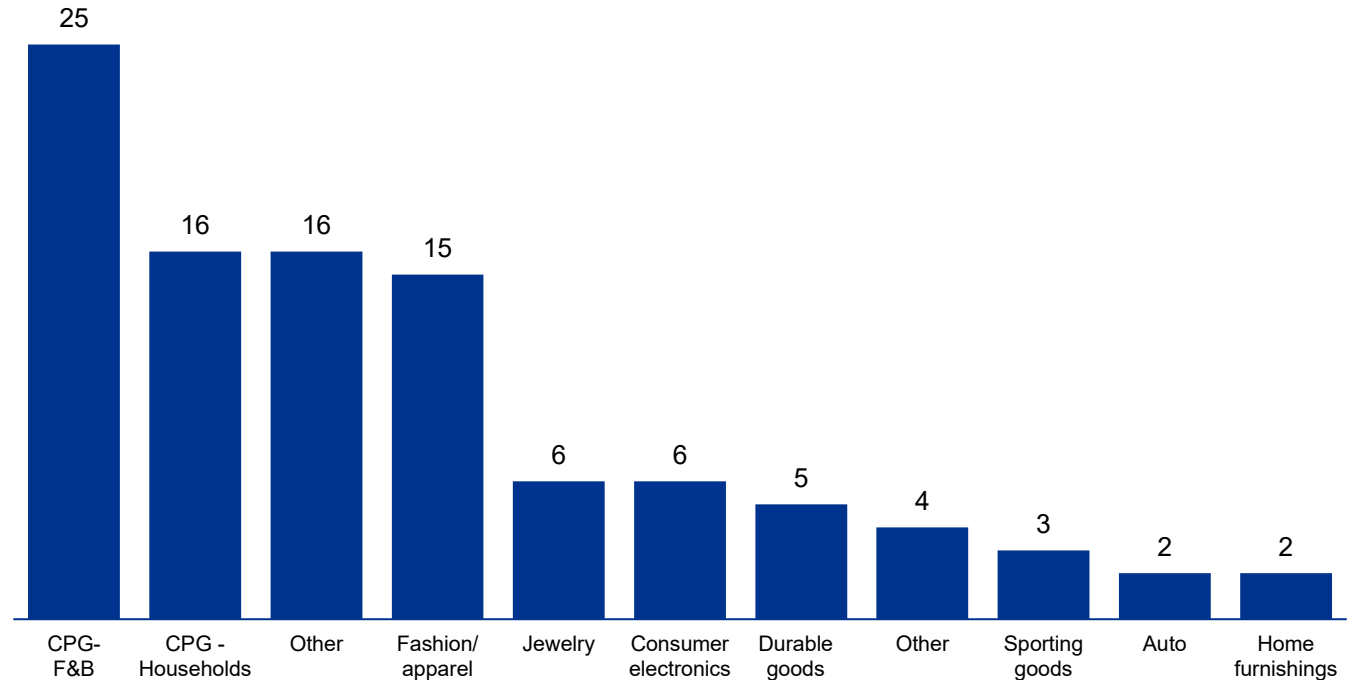
- 73 percent of companies that launched their DTC business more than five years ago see DTC as the main growth driver going forward versus an average across the survey of 56 percent
- Only 42 percent of businesses budget and track a separate P&L for their DTC business
- Supply chain has been the biggest challenge over the last 12 months; marketing efficiency is also considered a big challenge for DTC businesses
- Only 20 percent of non-finance executives are very confident their business accurately measures true DTC profitability

KPMG surveyed 100 executives who work at companies with a direct-to-consumer business.

Respondent's Company Business – by region (N=100, all respondents)



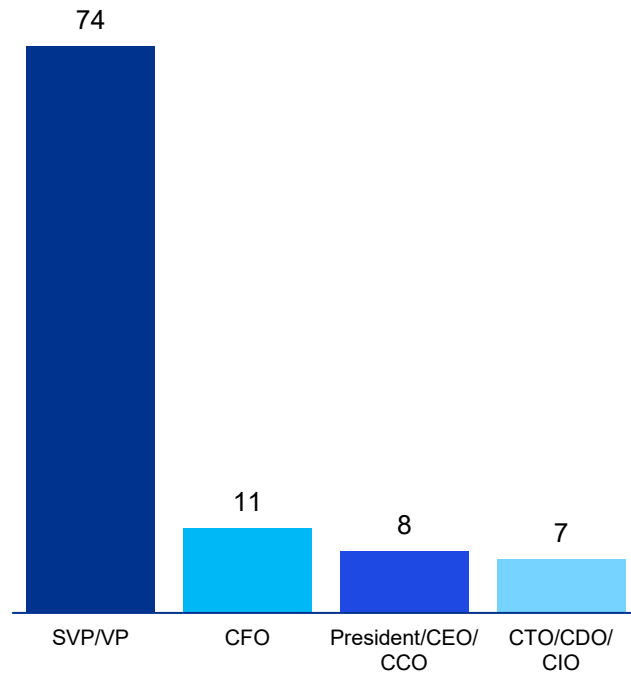
Respondent's Company Business – by industry (N=100, all respondents)



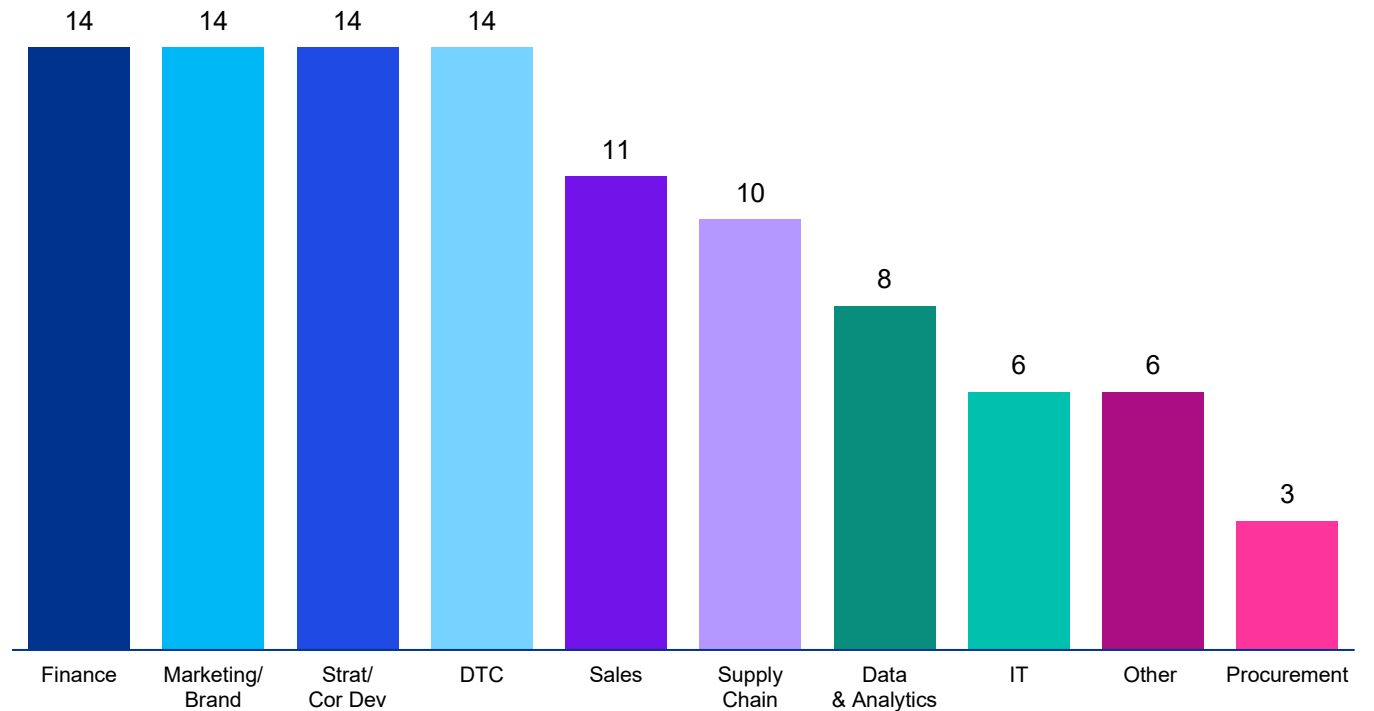
Source(s): Economic Direct to Consumer Survey Results

Majority of respondents are SVP/VP and there is an even split across different functions

Respondent's job title¹
(N=100, all respondents)



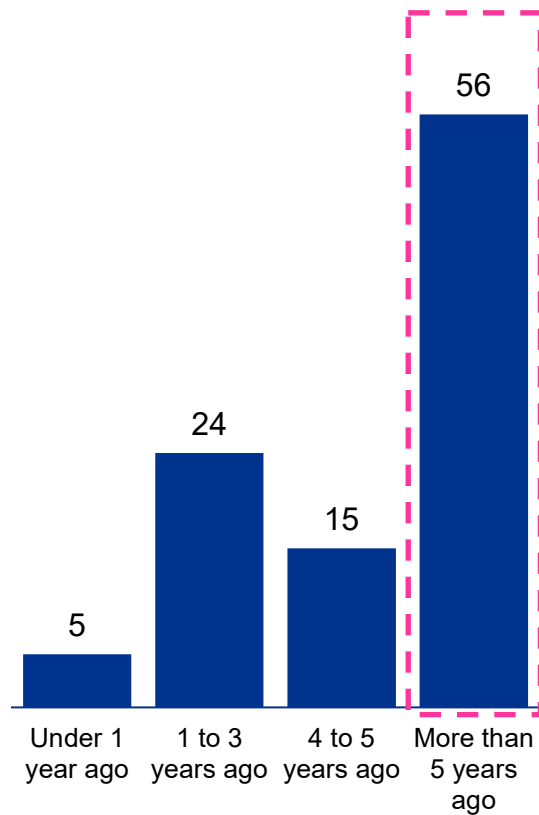
Respondent's function¹
(N=100, all respondents)



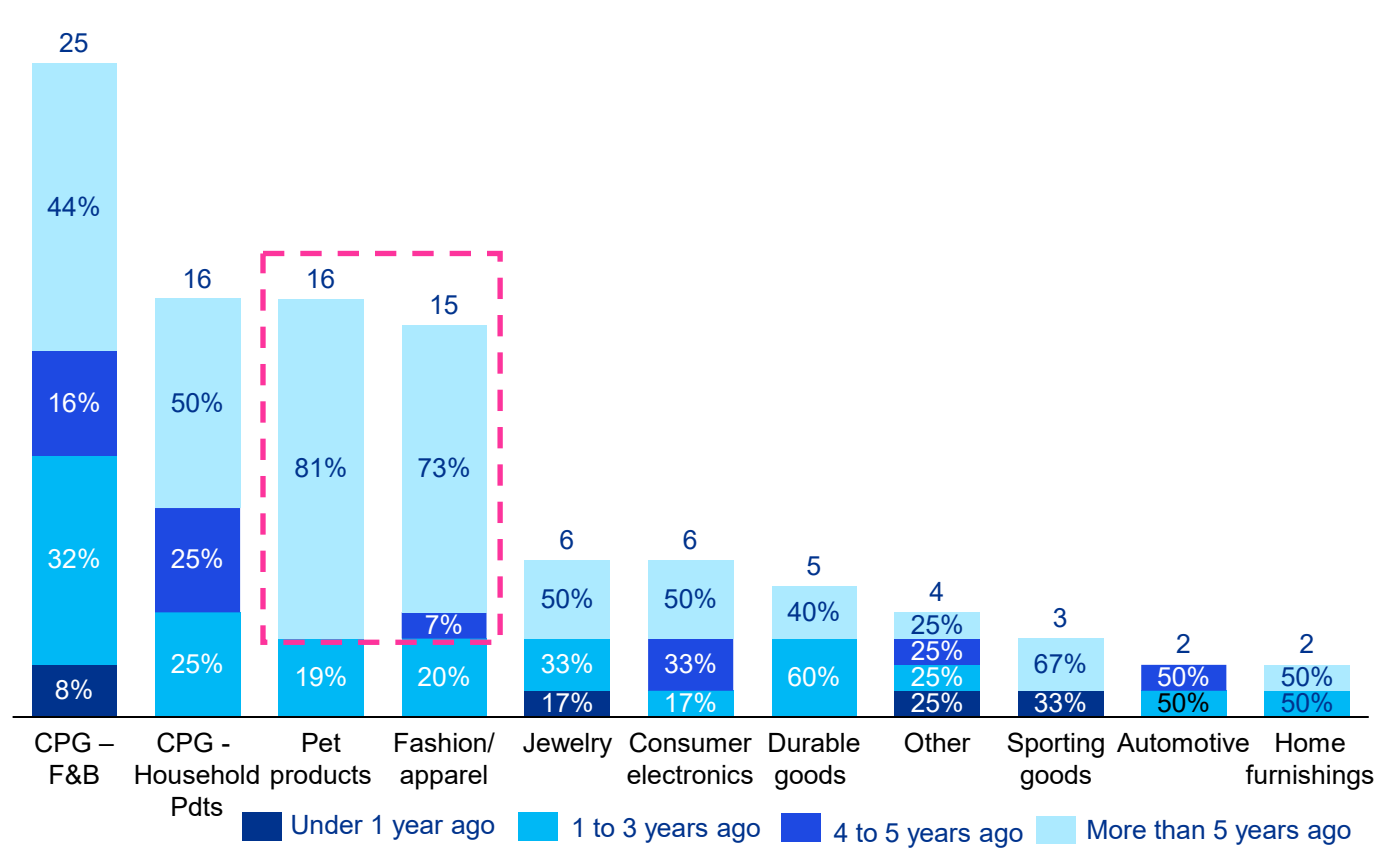
Source(s): Economic Direct to Consumer Survey Results

56 percent of respondents surveyed launched their DTC business more than five years ago; 81 percent of pet products and 73 percent of fashion businesses were launched more than five years ago.

When did you launch your DTC business?
(N=100, all respondents)



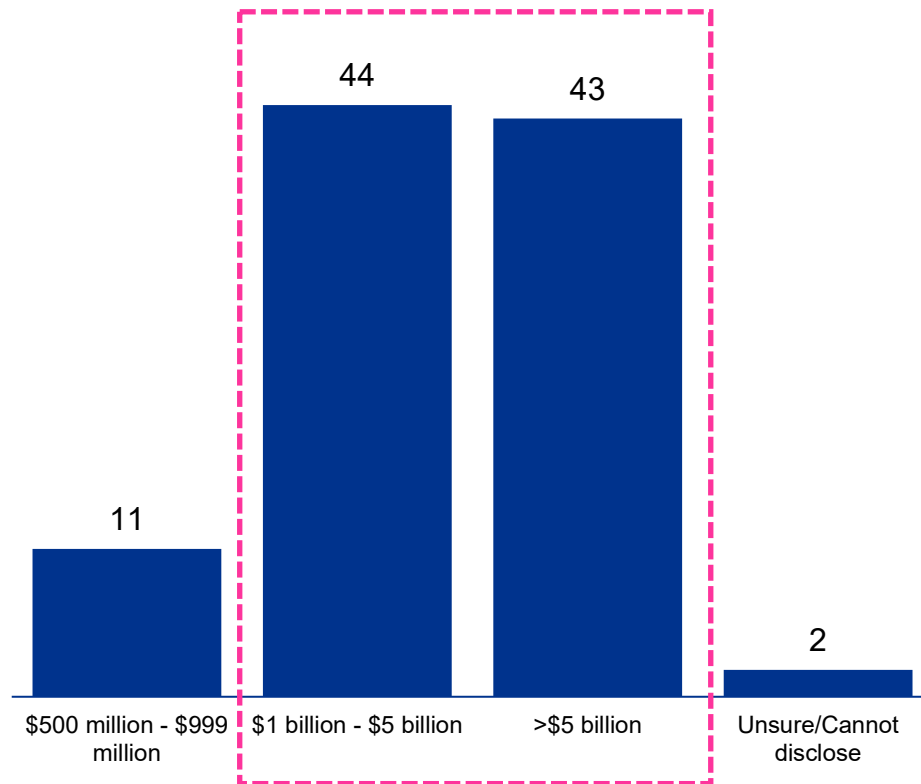
When did you launch your DTC business – by industry?
(N=100, all respondents)



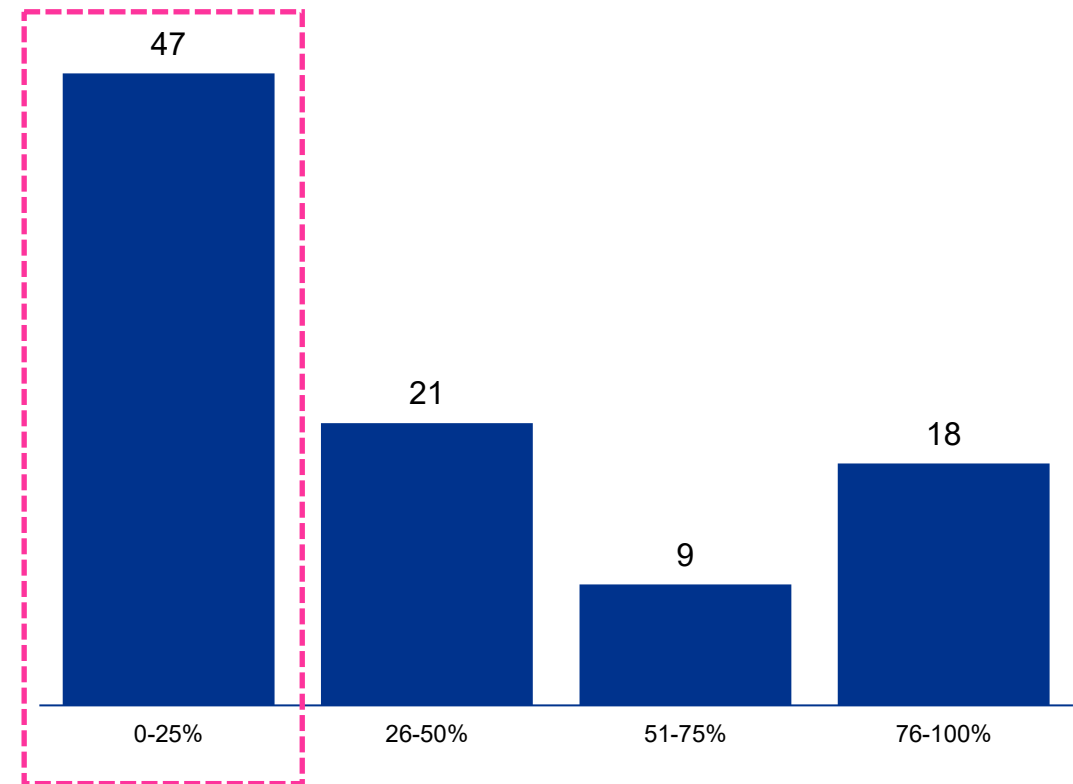
Source(s): Economic Direct to Consumer Survey Results

87 percent of businesses surveyed have revenue greater than \$1 billion; 47 percent of businesses surveyed have DTC revenue is less than 25 percent of total revenue.

What was your company's approximate revenue in 2021?
(N=100, all respondents)



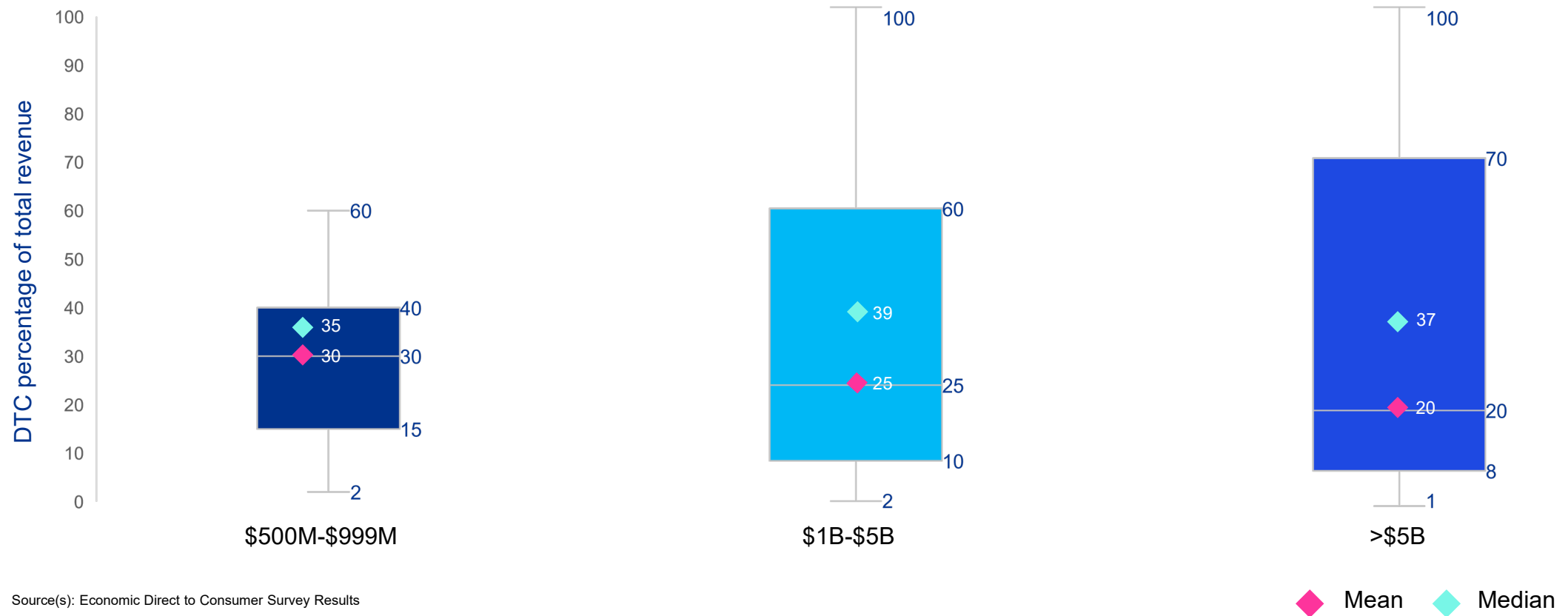
What percentage of your estimated total revenue is your DTC business?
(N=100, all respondents)



Source(s): Economic Direct to Consumer Survey Results

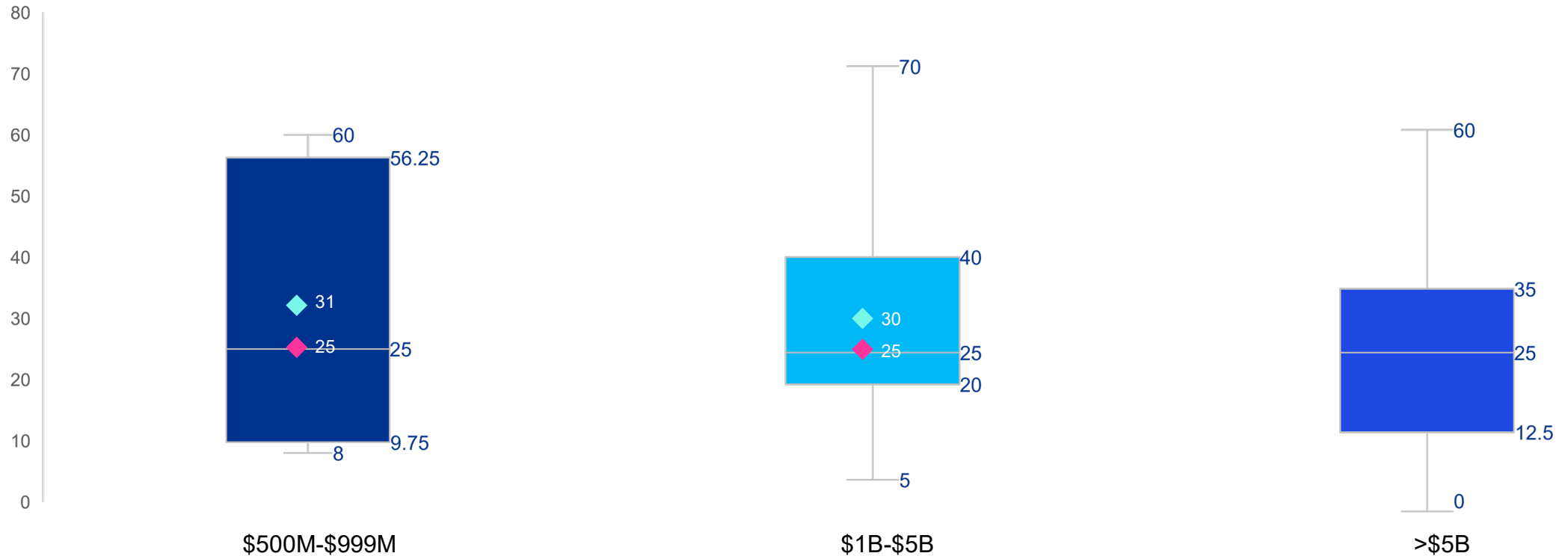
Companies with revenue below \$1 billion have a narrower spread of DTC revenue as a percentage of total revenue.

Company's approximate revenue in 2021 and what percentage of your estimated total revenue is your DTC business?
(N=76, all respondents)



Total company revenue has little impact on operating profit margin; the mean average for operating profit is 25 percent across all company sizes.

Estimated DTC operating profit margin and company's approximate revenue size
 (N=76, all respondents)



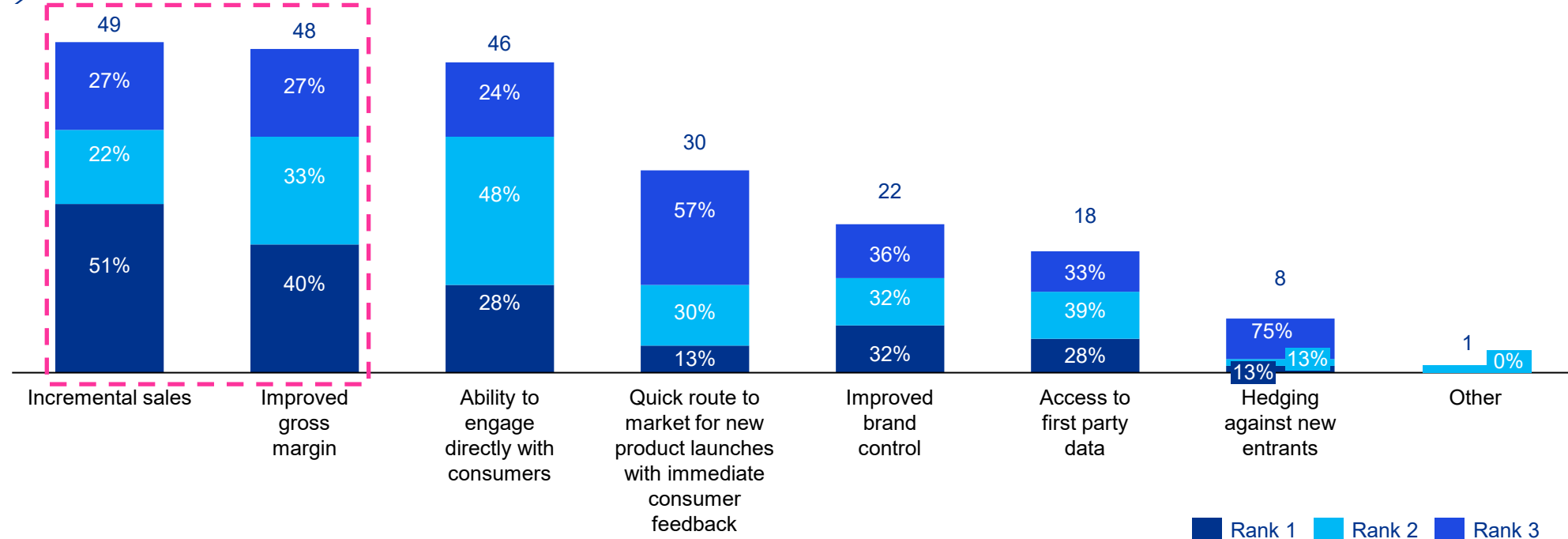
Note(s) Lower N count due to unsure / cannot disclose selected
 Source(s): Economic Direct to Consumer Survey Results

◆ Mean ◆ Median

Incremental sales and improved gross margin were the most popular reasons for launching a DTC business for SVP/VP's.

Please rank the top three following topics in terms of importance to your organization when launching your DTC business
(N count = 74, all respondents except of C-suite executives)

Sorted by count of impact ranking →



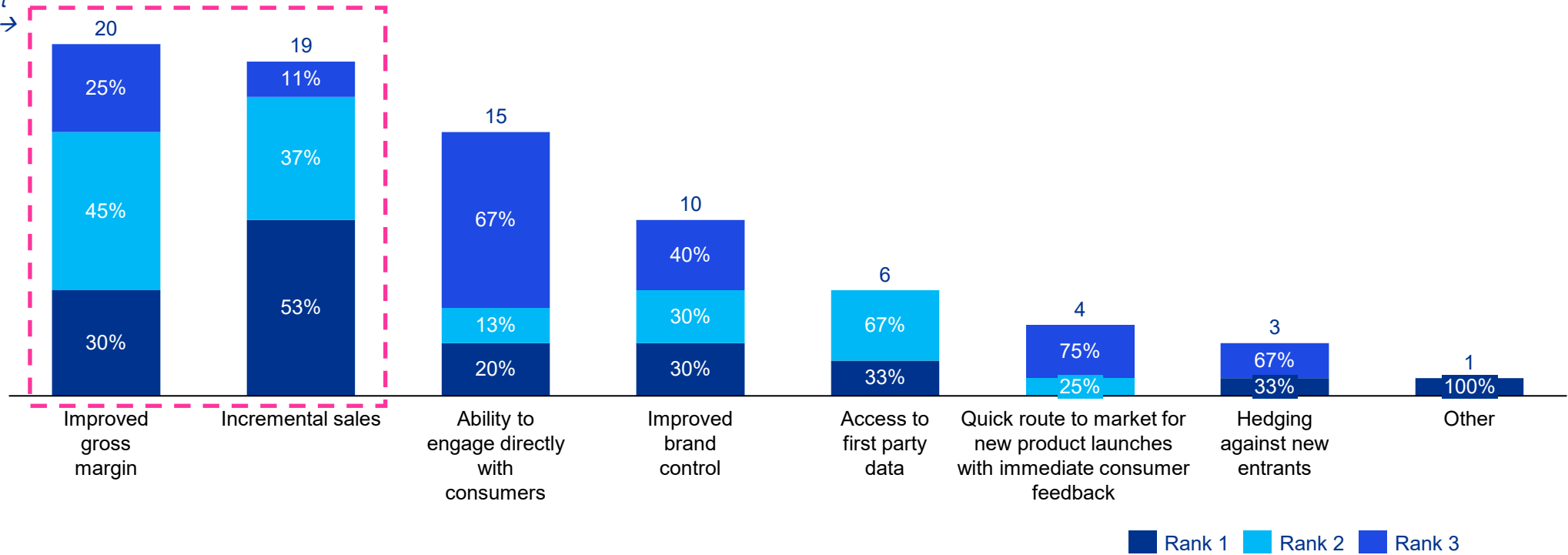
Note: **Percentages might not equal 100 due to rounding. Lower N count due to unsure / cannot disclose selected
Source(s): Economic Direct to Consumer Survey Results

In line with the overall survey, the C-suite sees incremental sales and improved gross margin as key reasons to launch a DTC business.

C-suite (CEO, CFO and CTO/CDO/CIO) respondents—Please rank the top three following topics in terms of importance to your organization when launching your DTC business.

(N count = 26)

Sorted by count of impact ranking →



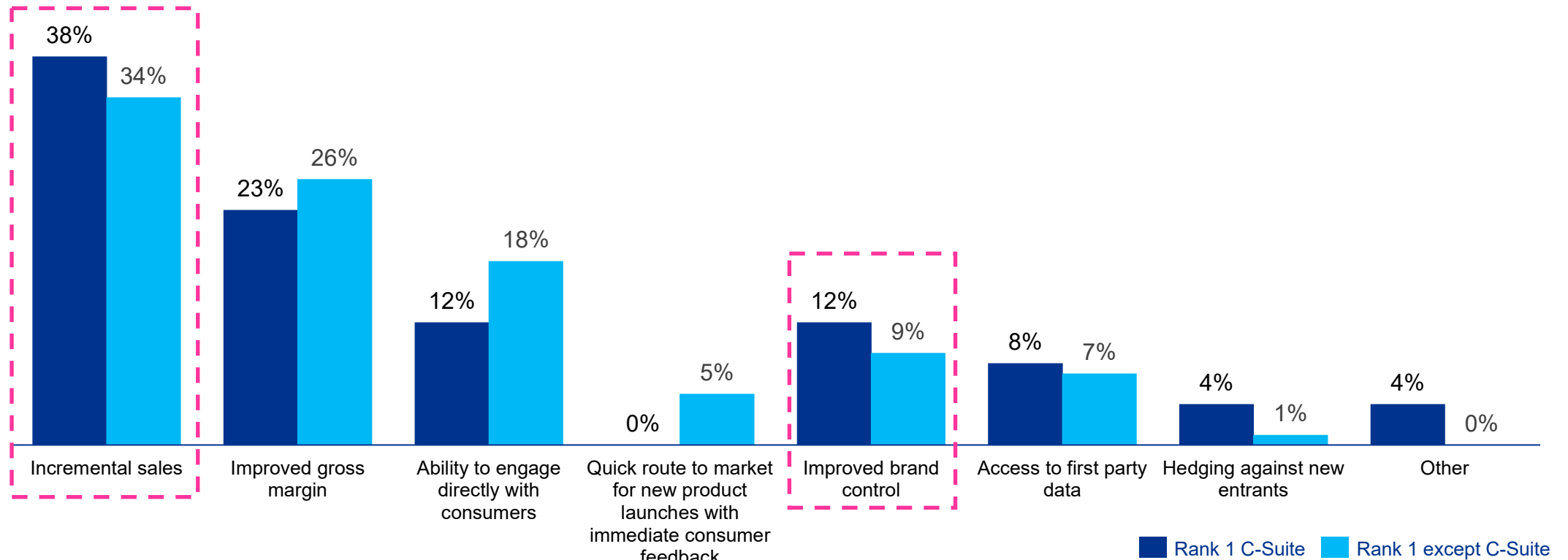
Note: **Percentages might not equal 100 due to rounding.
Source(s): Economic Direct to Consumer Survey Results

When looking at respondents' top ranks, the C-suite rank incremental sales and improved brand control more importantly than the broader respondent population.

Please rank the top three following topics in terms of importance to your organization when launching your DTC business.

(N count = 26, C-suite)

(N count = 74, all respondents ex C-suite)

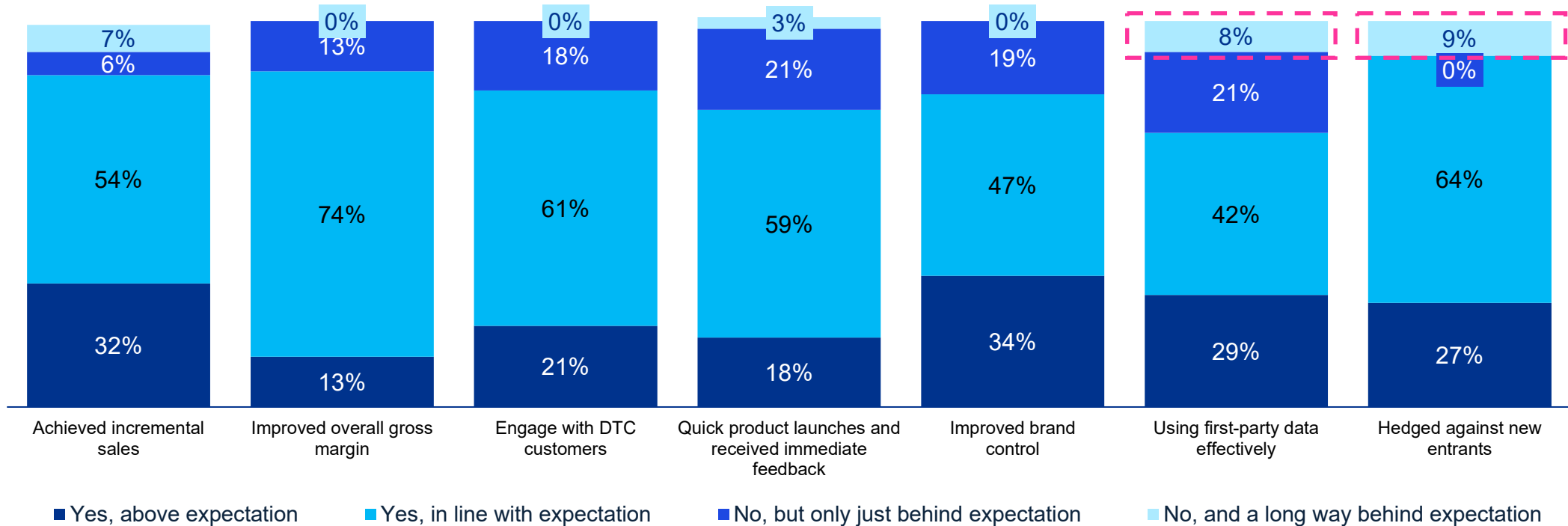


Note: **Percentages might not equal 100 due to rounding.
Source(s): Economic Direct to Consumer Survey Results

Respondents think that their use of first-party data and ability to hedge against new entrants, since launch, is a long way behind expectation.

Since launch how have you performed against expectation in the following areas?

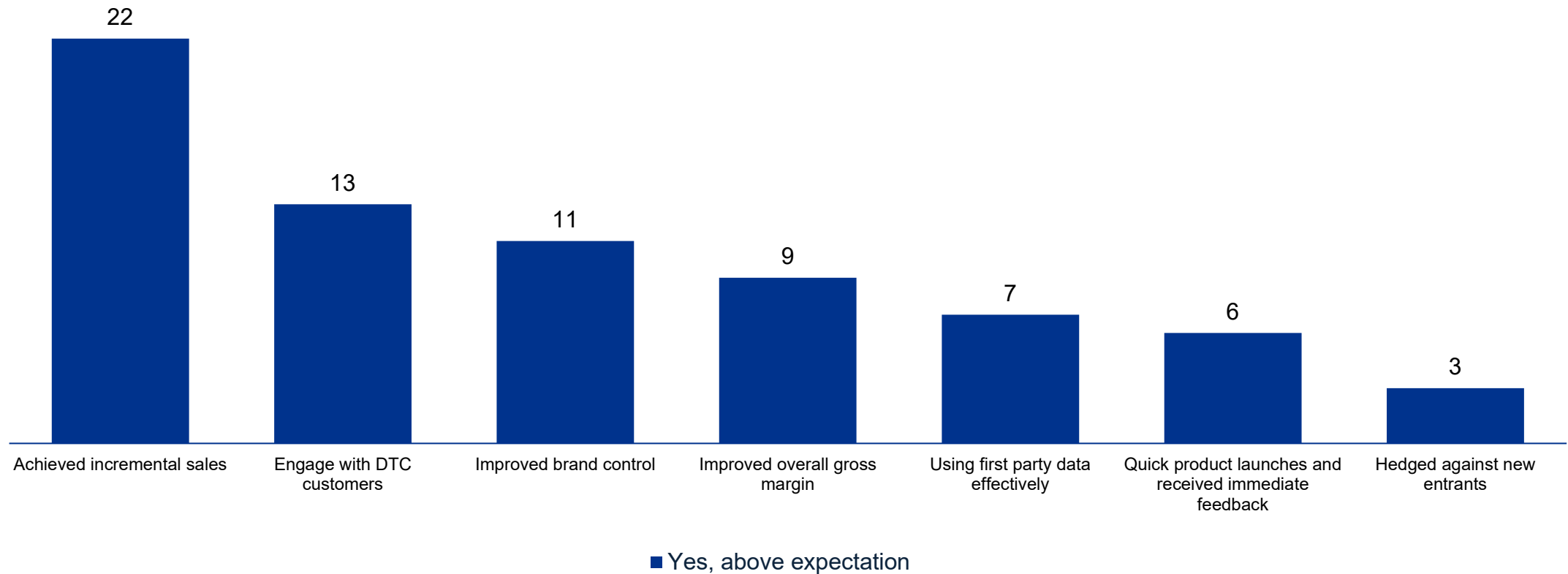
Sorted by overall count of impact ranking →



Note: **Percentages might not equal 100 due to rounding.
Source(s): Economic Direct to Consumer Survey Results

When looking at areas that have performed above expectation since launch, achieving incremental sales and the ability to engage with DTC customers have shined.

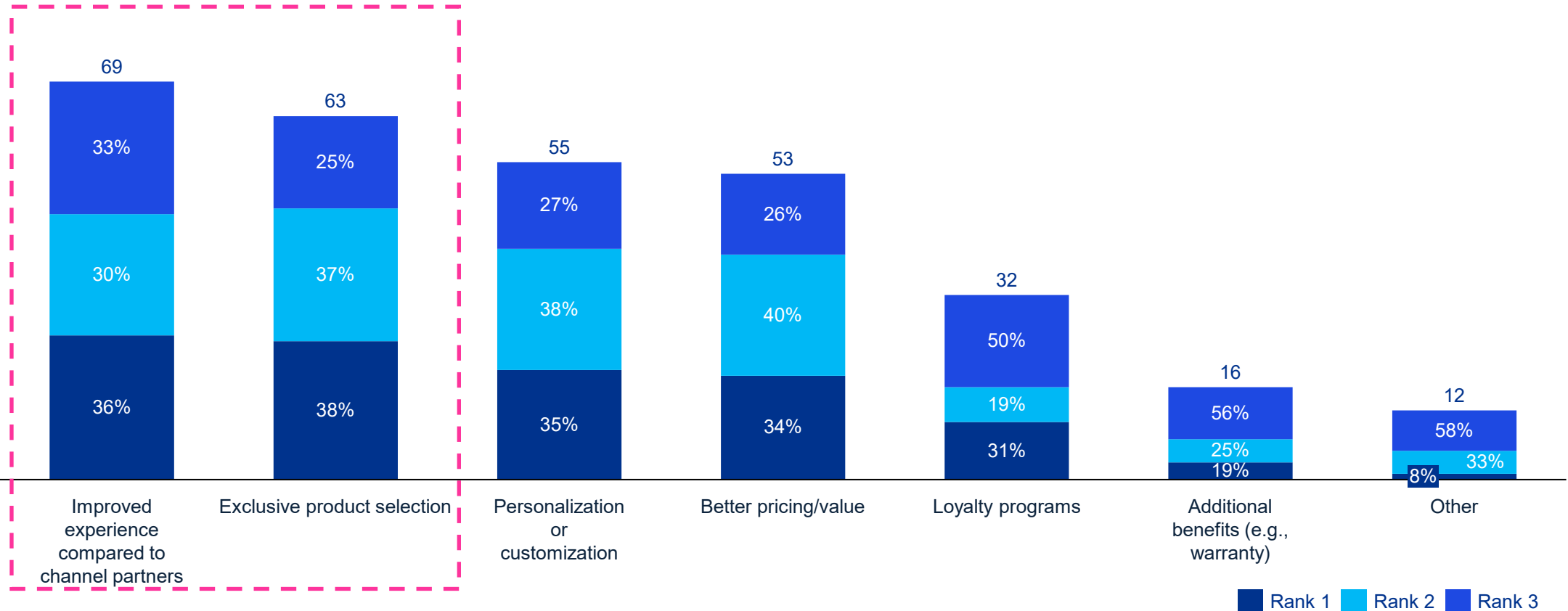
Since launch how have you performed against expectation in the following areas?
(N=100, all respondents)



Source(s): Economic Direct to Consumer Survey Results

Improved experience and exclusive product selection are regarded as the biggest value proposition for consumers.

Please rank the top three areas for your DTC value proposition (e.g. compelling reasons for customers to buy directly)
 (N=100, all respondents)



Note: **Percentages might not equal 100 due to rounding.
 Source(s): Economic Direct to Consumer Survey Results

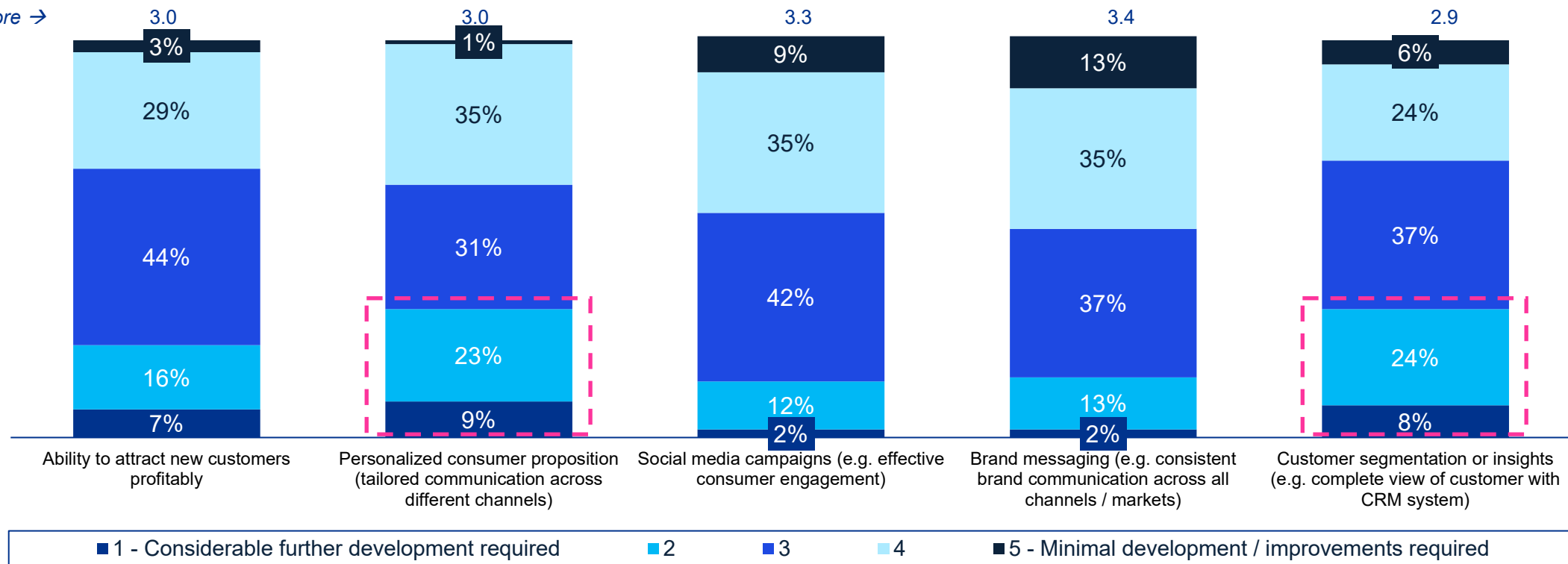
Personalized consumer proposition and customer segmentation are regarded as the two areas where considerable further development is required.

On a scale of 1 to 5, what is your organization's digital marketing expertise in the following DTC areas?

1 = Considerable further development required, 5 = Minimal development/improvements required

(N=86, all respondents except Marketing and Brand respondents)

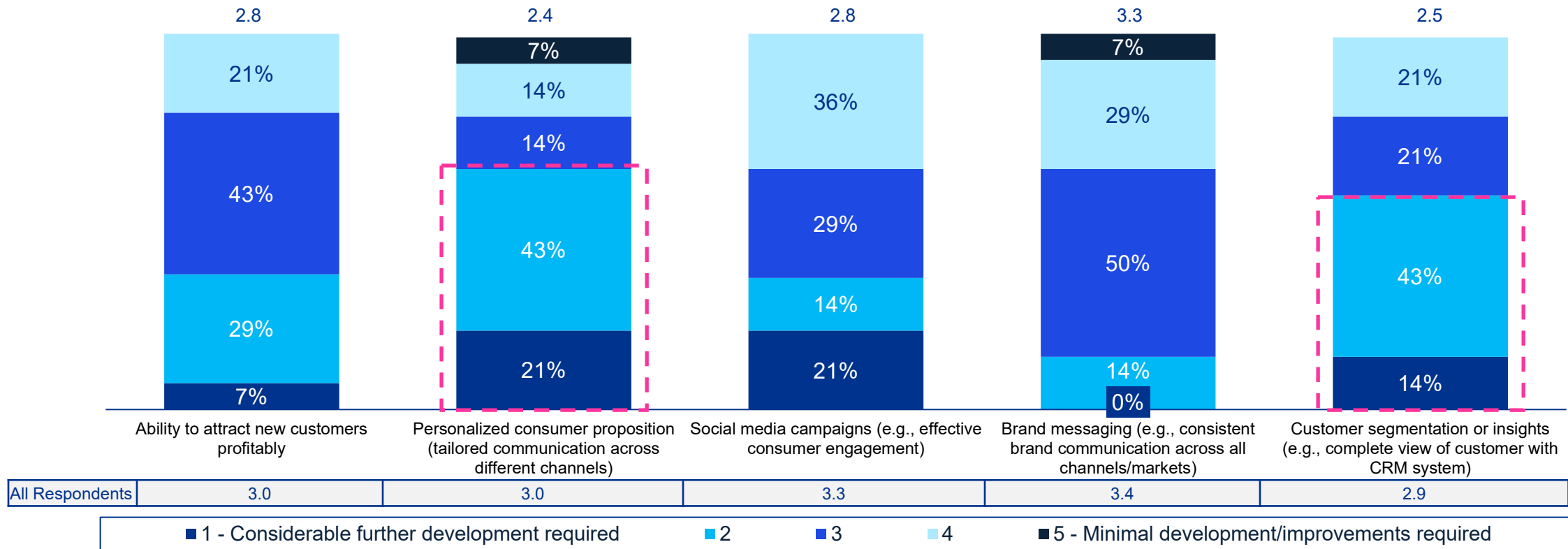
Average Score →



Note: **Percentages might not equal 100 due to rounding.
Source(s): Economic Direct to Consumer Survey Results

Marketing and Brand teams believe, even more strongly, that personalized consumer proposition and customer segmentation requires considerable further development.

Marketing and Brand respondents—On a scale of 1 to 5, what is your organization’s digital marketing expertise in the following DTC areas?
 1 = Considerable further development required, 5 = Minimal development/improvements required
 (N=14, Marketing and Brand Respondents)

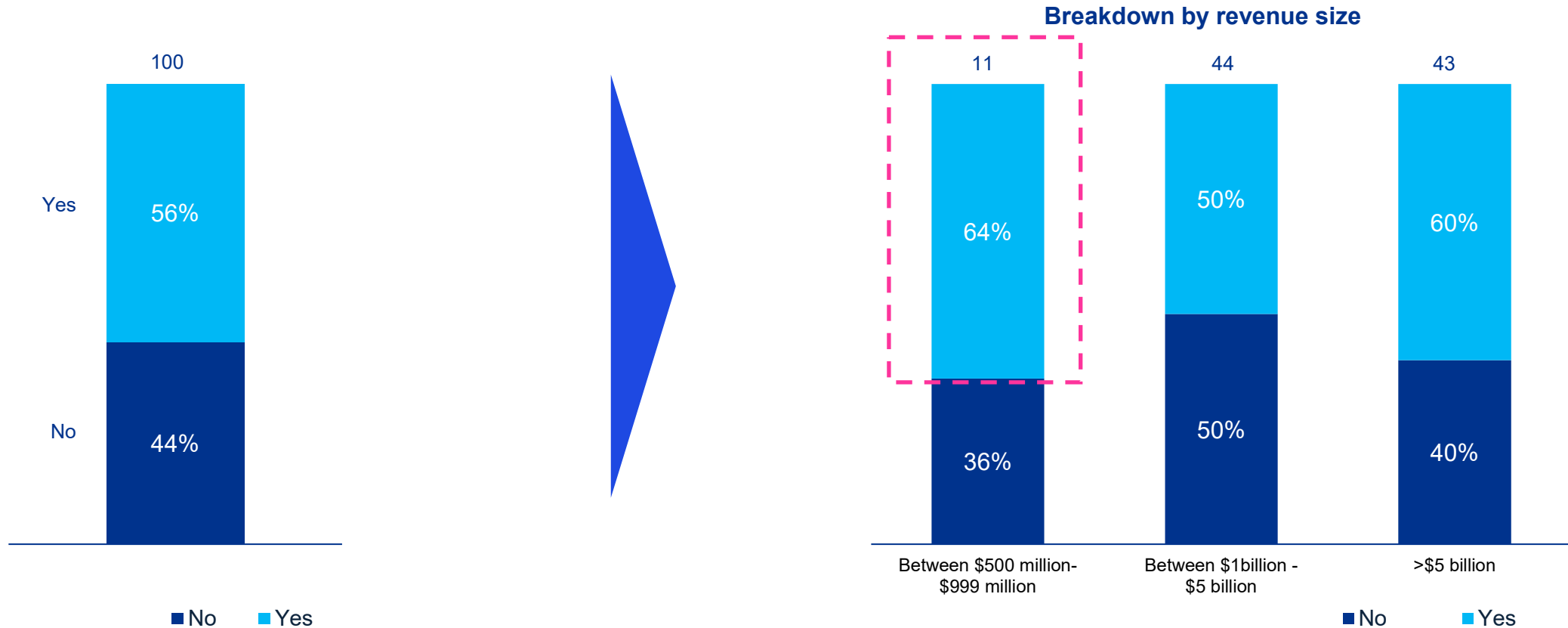


Note(s): **Percentages might not equal 100 due to rounding.
 Source(s): Economic Direct to Consumer Survey Results

Companies with revenue below \$1 billion have the biggest expectations for the future.

Does your company view the DTC business as the main growth driver over the next three years?

(N=100, all respondents)



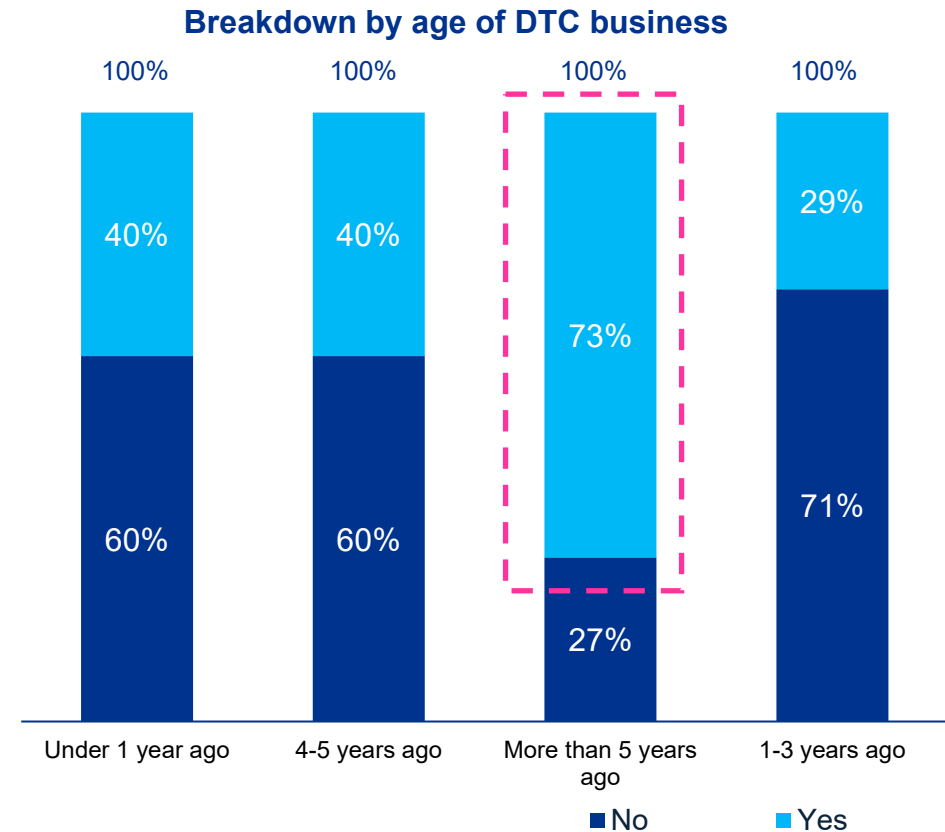
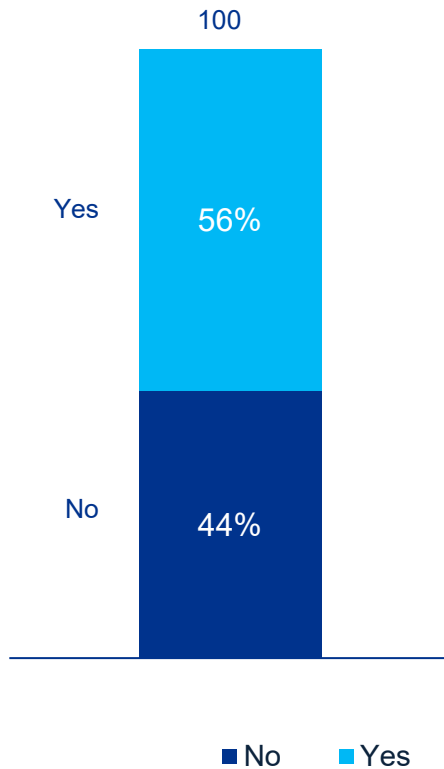
Note(s): (a) 2 respondents answered as unsure which has been removed from revenue breakdown data

Source(s): Economic Direct to Consumer Survey Results

Companies that launched their DTC business more than five years ago have the biggest expectations for the future.

Does your company view the DTC business as the main growth driver over the next three years?

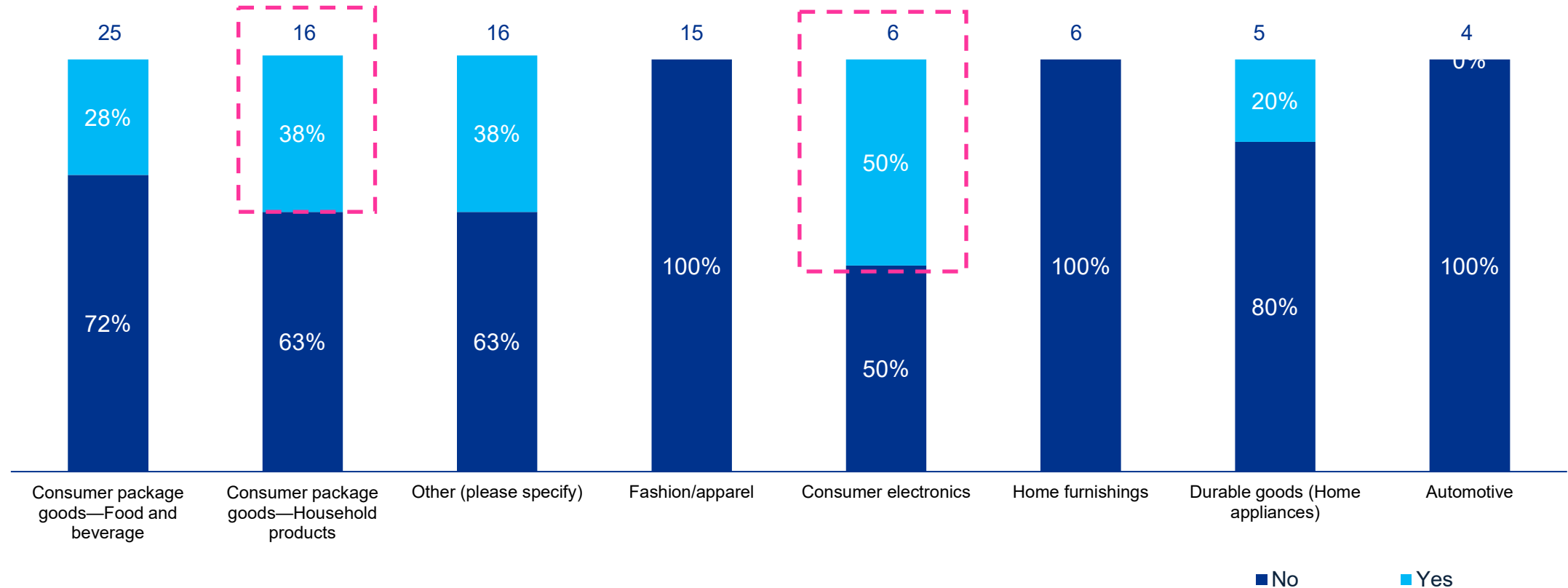
(N=100, all respondents)



Source(s): Economic Direct to Consumer Survey Results

Consumer electronics and household products have the highest adoption of a subscription model.

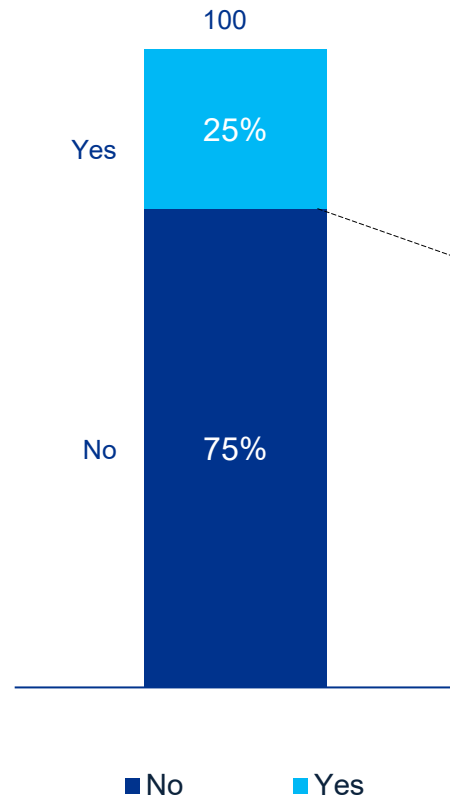
Do you currently offer a subscription option in your DTC business – by industry?
 (N=89, all respondents*)



Note(s): Have removed industries with an N count below 4
 Source(s): Economic Direct to Consumer Survey Results

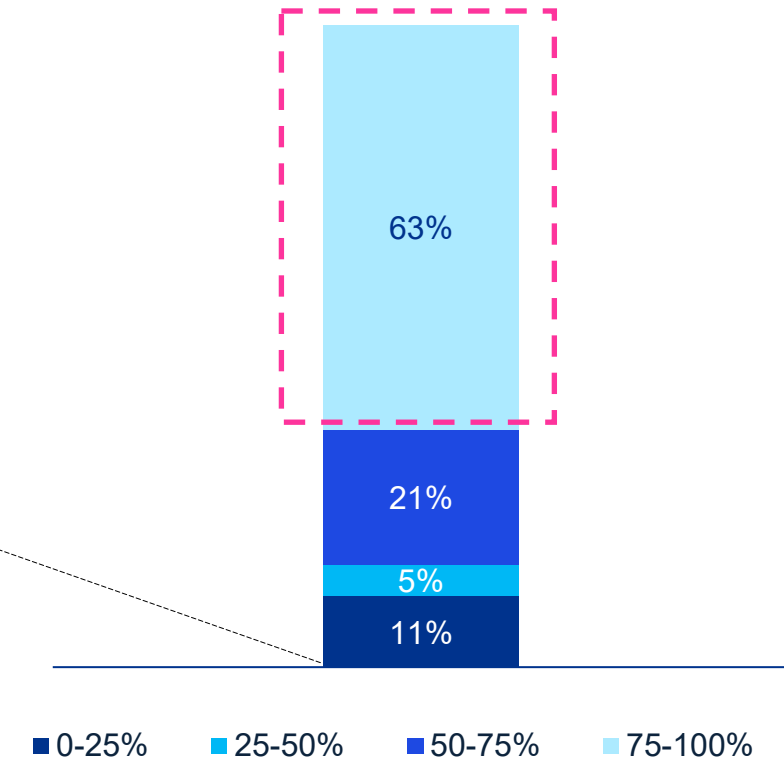
25 percent of companies offer a subscription model and for 63 percent of those companies, subscription revenue represents less than 25 percent of DTC revenue.

Do you currently offer a subscription model?
(N=100, all respondents)



Respondents that **do** currently offer a subscription model

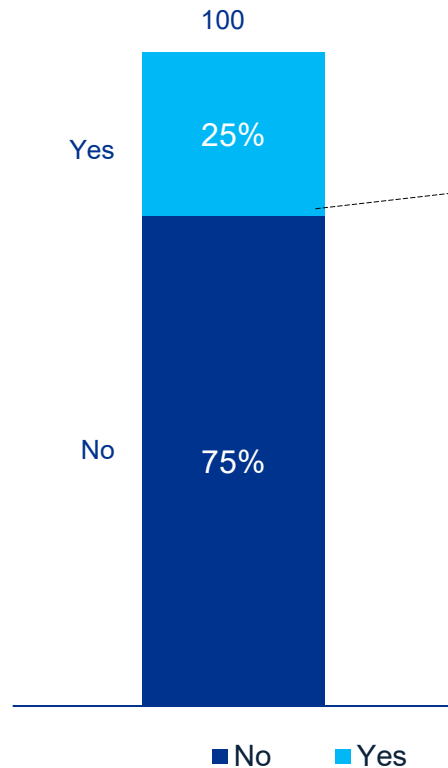
Percentage of DTC revenue that is subscription



Source(s): Economic Direct to Consumer Survey Results

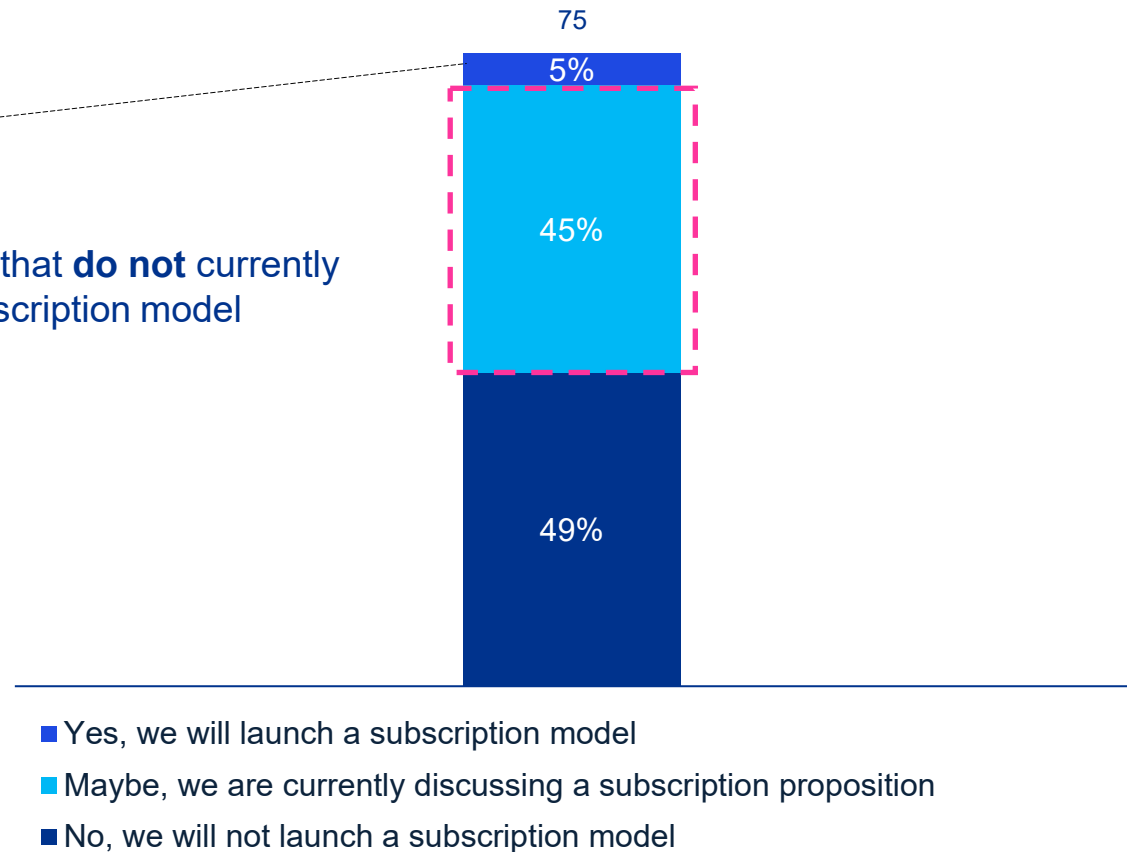
45 percent of companies that do not currently offer a subscription model are currently discussing launching one.

Do you currently offer a subscription model?
(N=100, all respondents)



Will you launch a subscription in next three years?

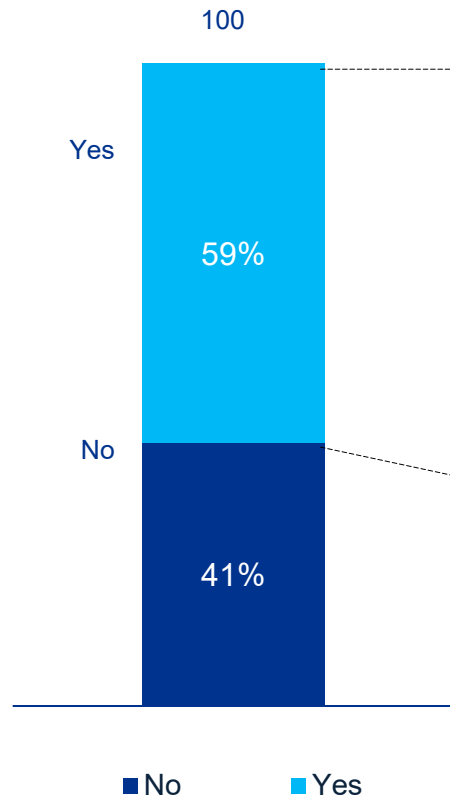
For respondents that **do not** currently offer a subscription model



Note(s): **Percentages might not equal 100 due to rounding.
Source(s): Economic Direct to Consumer Survey Results

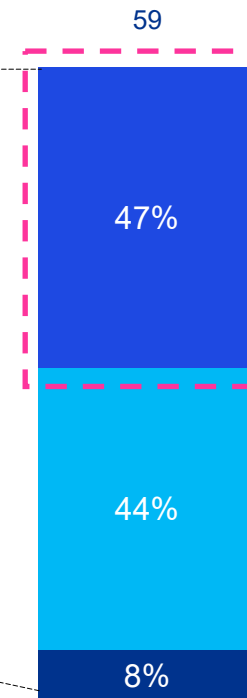
59 percent of DTC businesses have retail locations; 47 percent of the businesses that have retail stores consider them very important and are looking to open more.

Do you currently offer a subscription model?
(N=100, all respondents)



Importance of retail locations

Respondents who currently **do** have retail locations

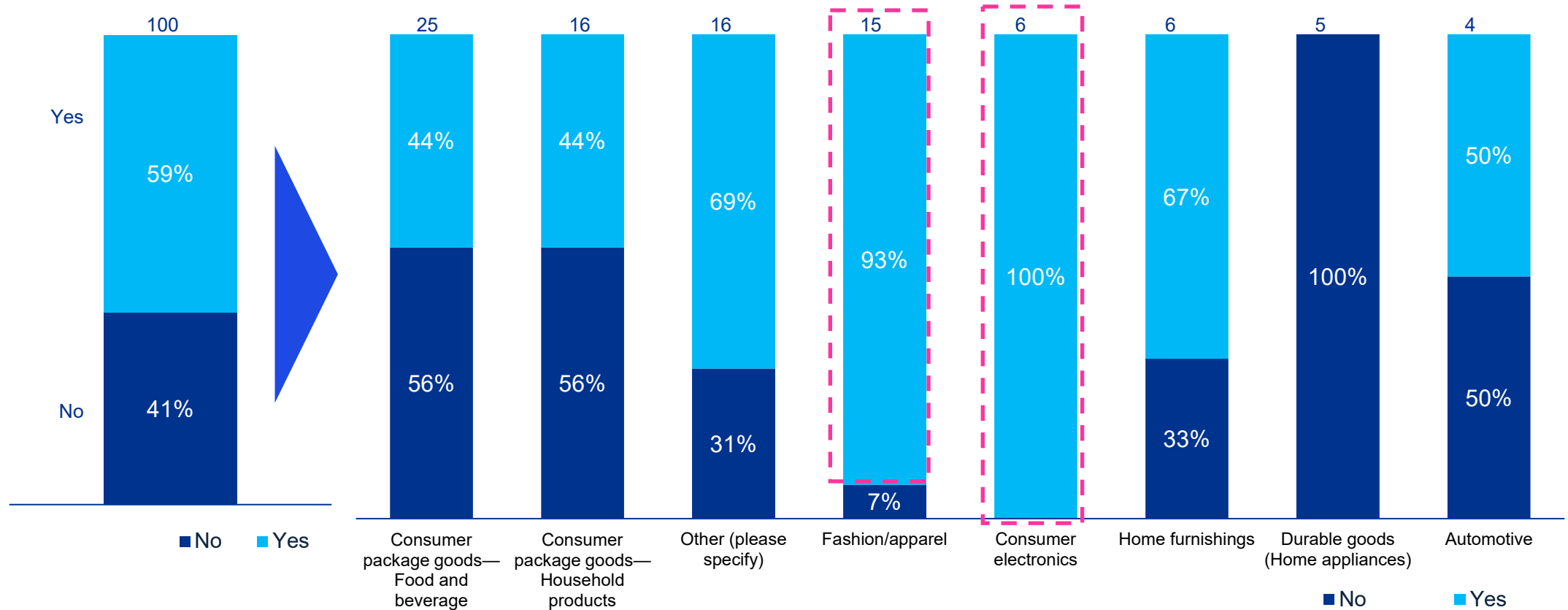


- Very important, we intend to open more
- Important but are happy with our current footprint
- Not important, we are looking to close them

Note(s): **Percentages might not equal 100 due to rounding.
Source(s): Economic Direct to Consumer Survey Results

Fashion/apparel and consumer electronics have the highest adoption of retail locations.

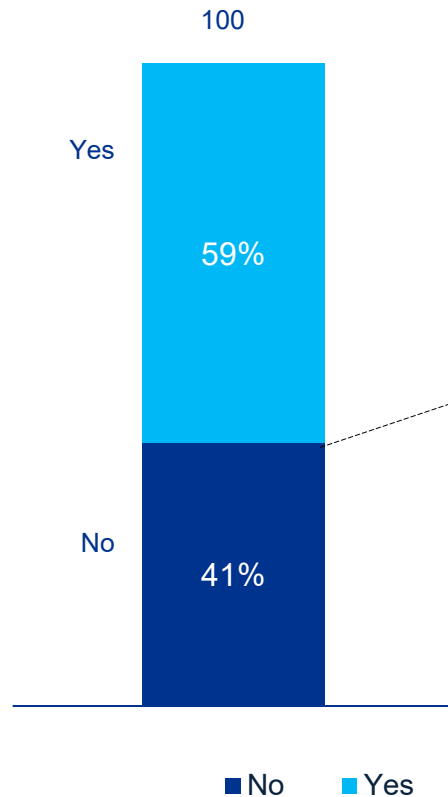
Do you currently have retail locations?
 (N=100, all respondents)



Note(s): **Percentages might not equal 100 due to rounding. Have removed industries with an N count below 4
 Source(s): Economic Direct to Consumer Survey Results

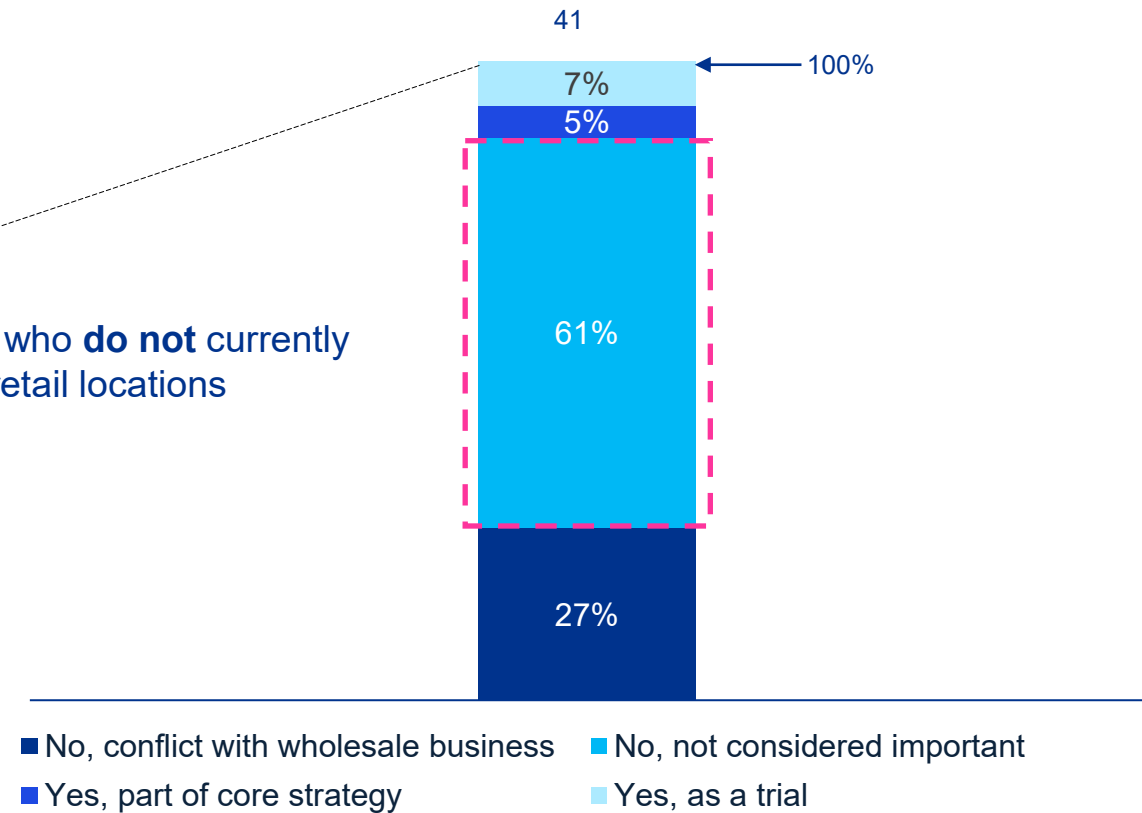
61 percent of respondents who do not have retail stores are not looking to open any.

Do you currently have retail locations?
(N=100, all respondents)



Do you intend to open any retail locations?
(N=41, do not currently have retail locations)

Respondents who **do not** currently have retail locations

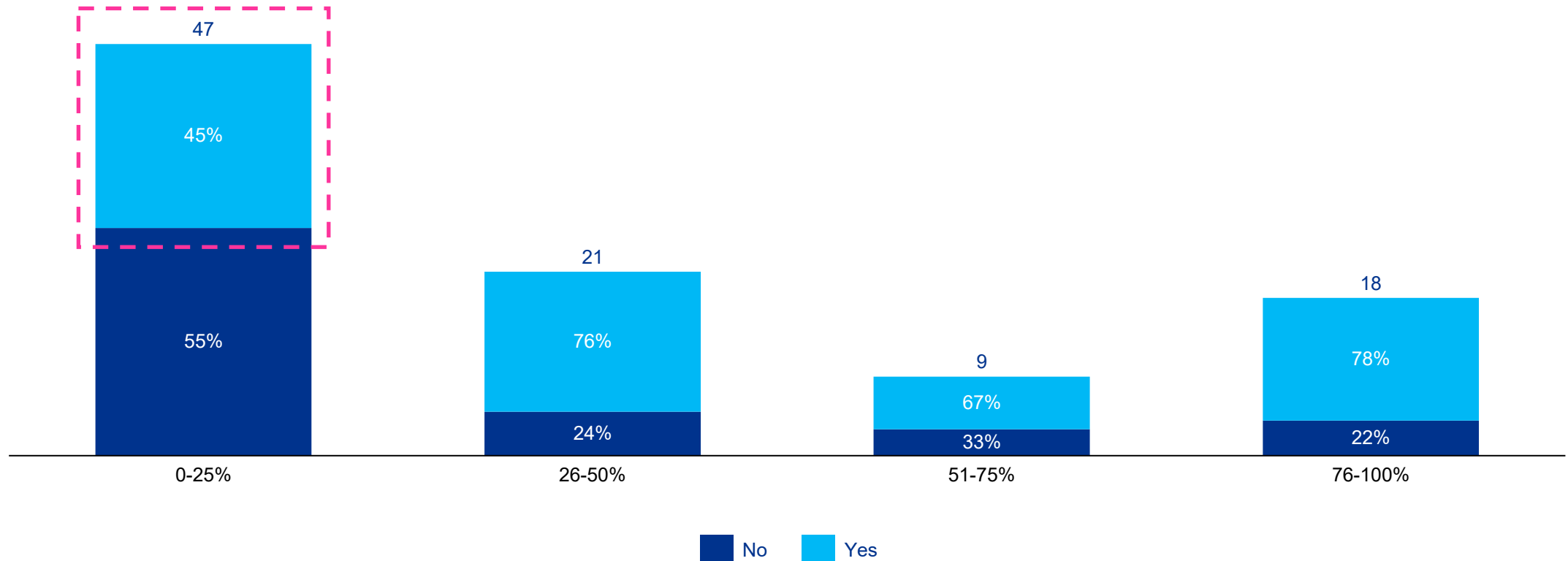


Source(s): Economic Direct to Consumer Survey Results

Businesses that have DTC revenue less than 25 percent of total revenue have the lowest adoption of physical retail.

Retail locations by DTC revenue as a percentage of total revenue

(N=100, all respondents)



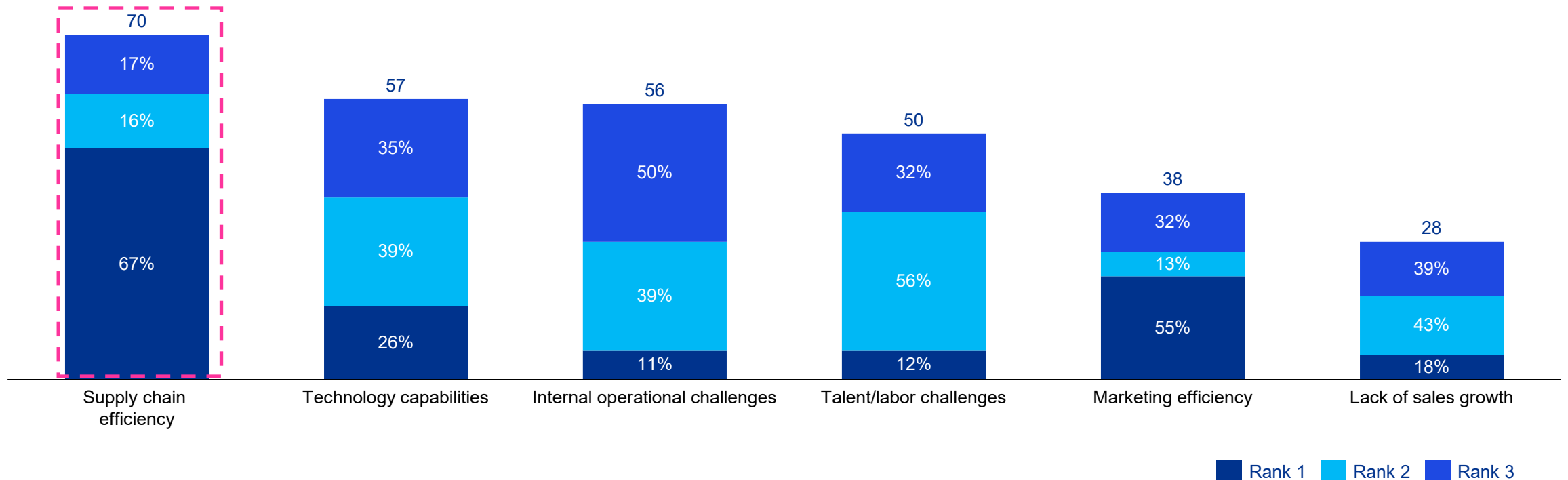
Note(s): 5 respondents selected "don't know/out of range" on the screener question
Source(s): Economic Direct to Consumer Survey Results

Supply chain has been the biggest challenge over the last 12 months.

Please rank your top three challenges over the last 12 months.

(N=100, all respondents)

Sorted by N count →



Note(s): Three votes on 'other' was excluded from this chart.

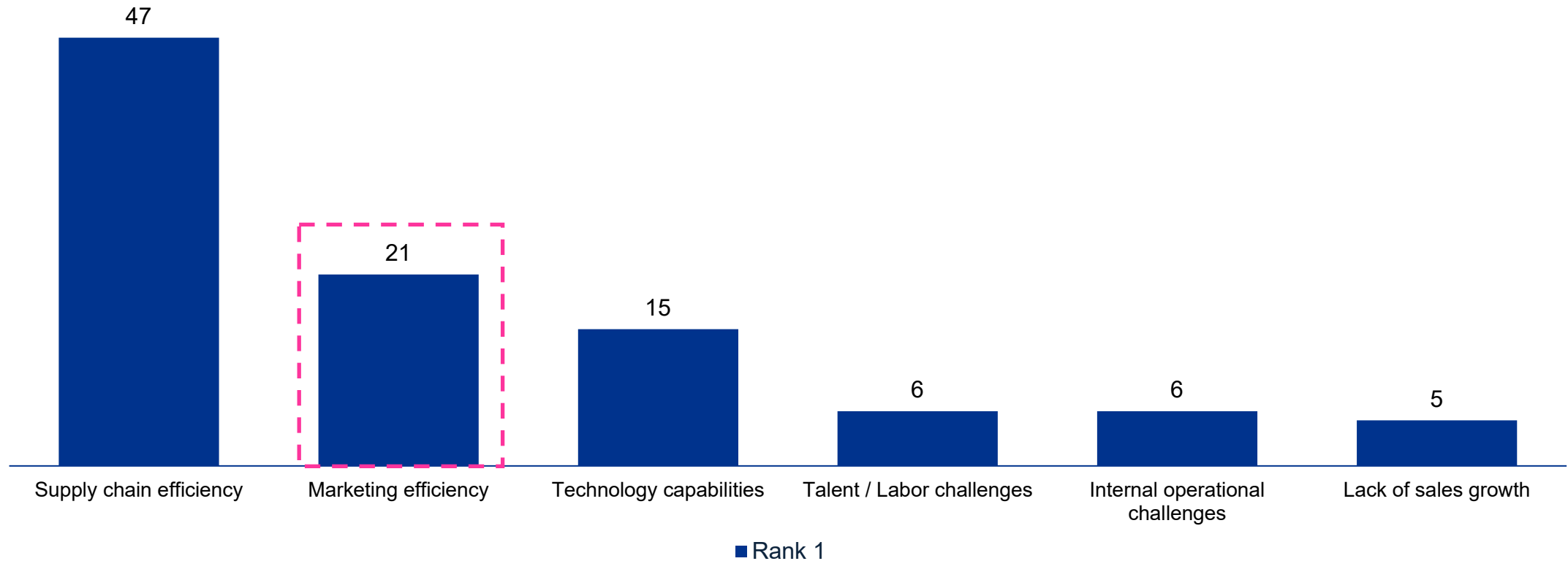
Source(s): Economic Direct to Consumer Survey Results

When looking at respondents' top ranks, marketing efficiency has also created a big challenge over the last 12 months.

Please rank your top three challenges over the last 12 months.

(N=100, all respondents)

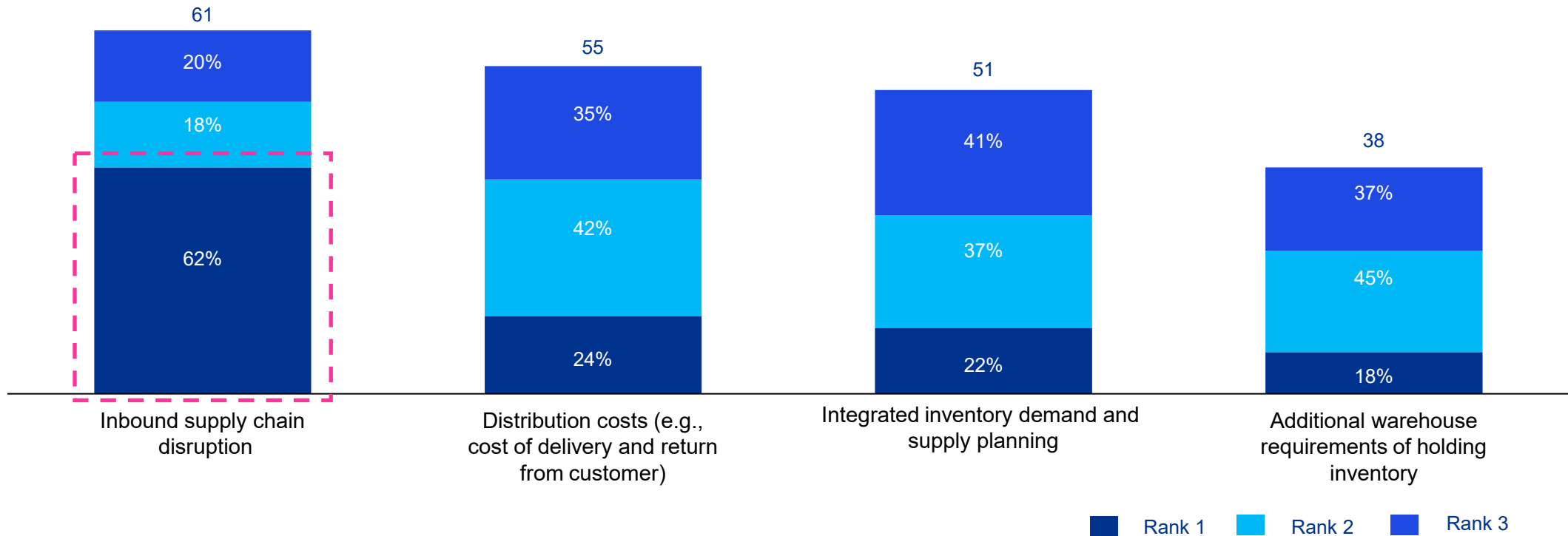
Sorted by N count →



Source(s): Economic Direct to Consumer Survey Results

Inbound supply chain disruption is clearly creating the biggest logistics challenge.

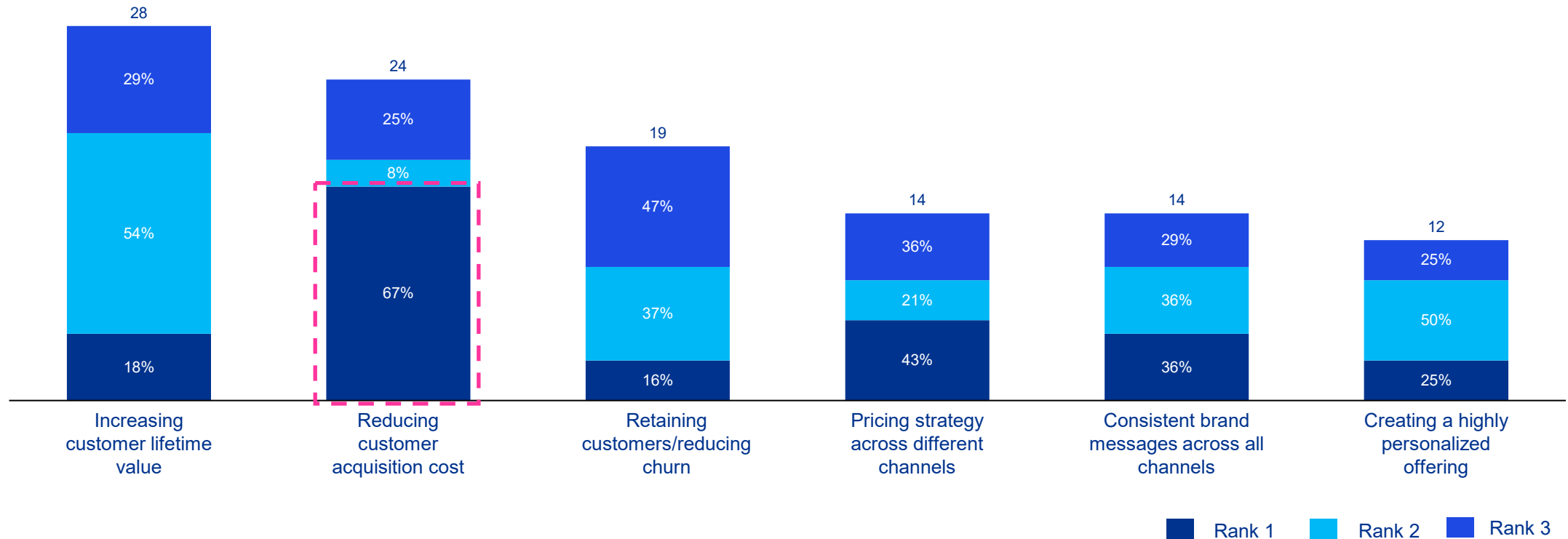
Please rank your top three supply chain challenges for the DTC business over the last 12 months.
(N=70, only respondents who highlighted supply chain as a top-three challenge)



Source(s): Economic Direct to Consumer Survey Results

When looking at respondents' top ranks, reducing customer acquisition cost is the biggest marketing challenge.

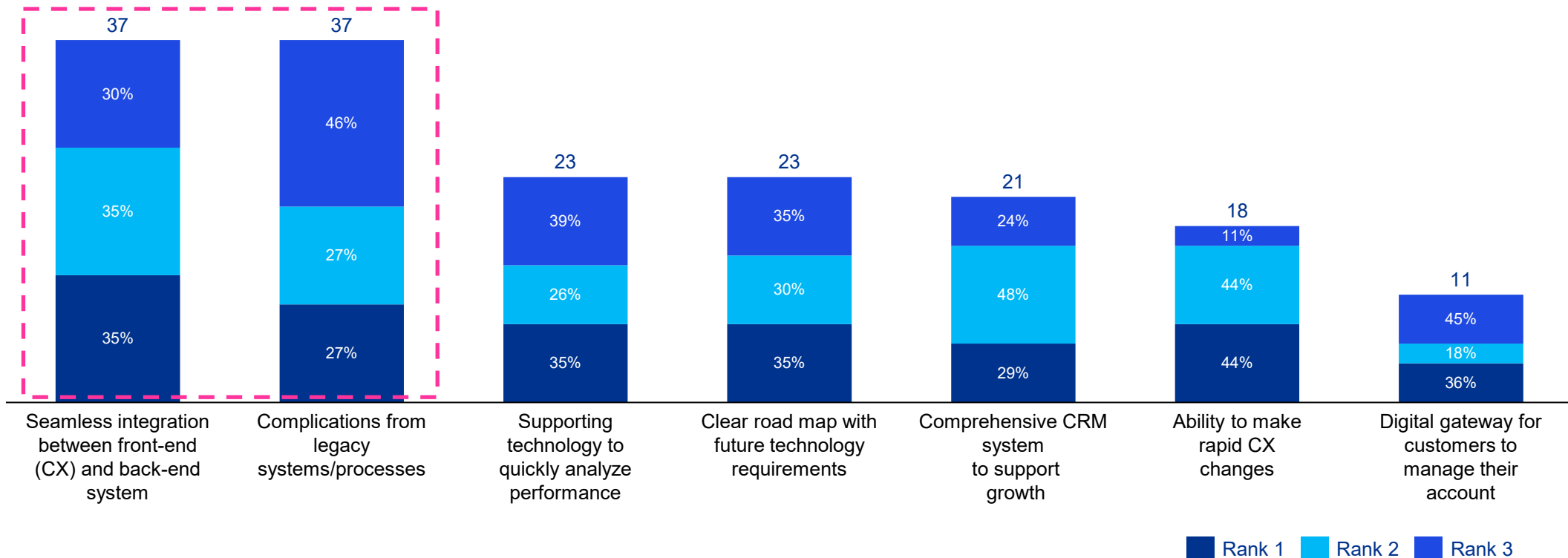
Please rank your top three marketing challenges for the DTC business over the last 12 months.
(N=38, only respondents who highlighted marketing as a top-three challenge)



Note(s): Percentages might not equal 100 due to rounding. Three votes on 'other' was excluded from this chart.
Source(s): Economic Direct to Consumer Survey Results

Integration between systems and complication from legacy systems is causing big challenges for DTC businesses.

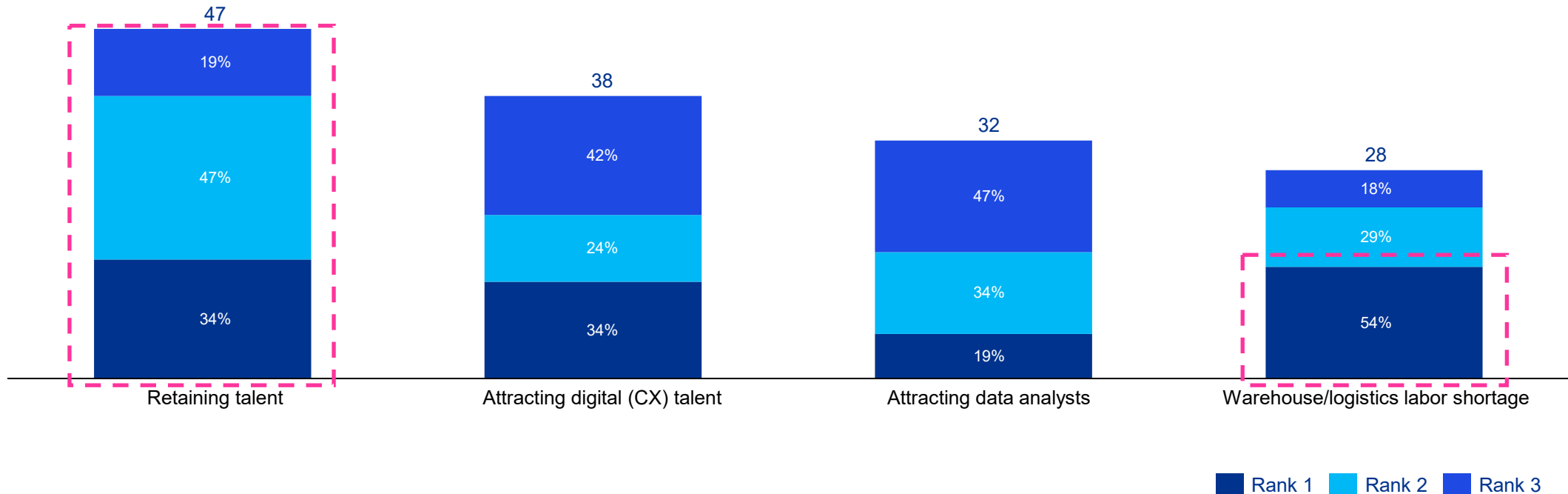
Please rank your top three technology challenges for the DTC business over the last 12 months.
 (N=57, only respondents who highlighted technology as a top-three challenge)



Note(s): Percentages might not equal 100 due to rounding. One vote on 'other' was excluded from this chart.
 Source(s): Economic Direct to Consumer Survey Results

Retaining talent is the biggest labor challenge for DTC businesses; warehouse labor shortage is also creating a major challenge.

Please rank your top three talent/labor challenges for the DTC business over the last 12 months.
 (N=50, only respondents who highlighted talent/labor as a top-three challenge)

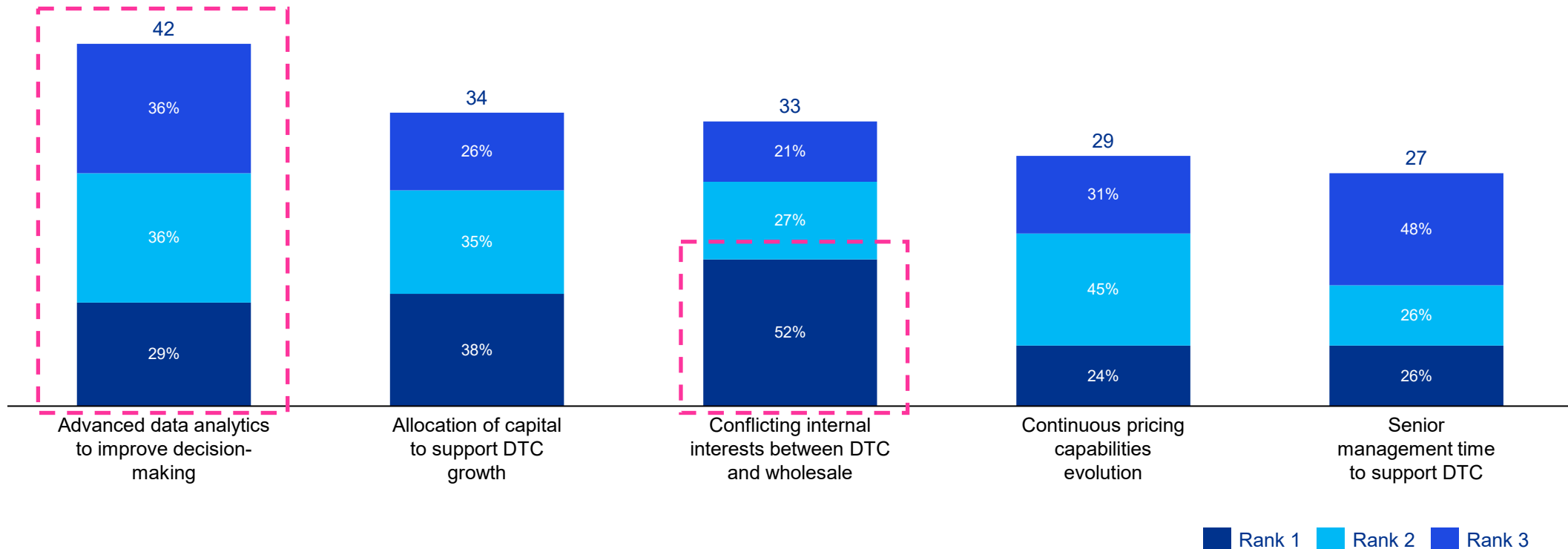


Note(s): Percentages might not equal 100 due to rounding. Five votes on 'other' was excluded from this chart.
 Source(s): Economic Direct to Consumer Survey Results

Advanced data analytics is the biggest internal challenge; conflicting internal interests between DTC and wholesale are also creating significant internal challenges.

Please rank your top three internal operational challenges for the DTC business over the last 12 months.

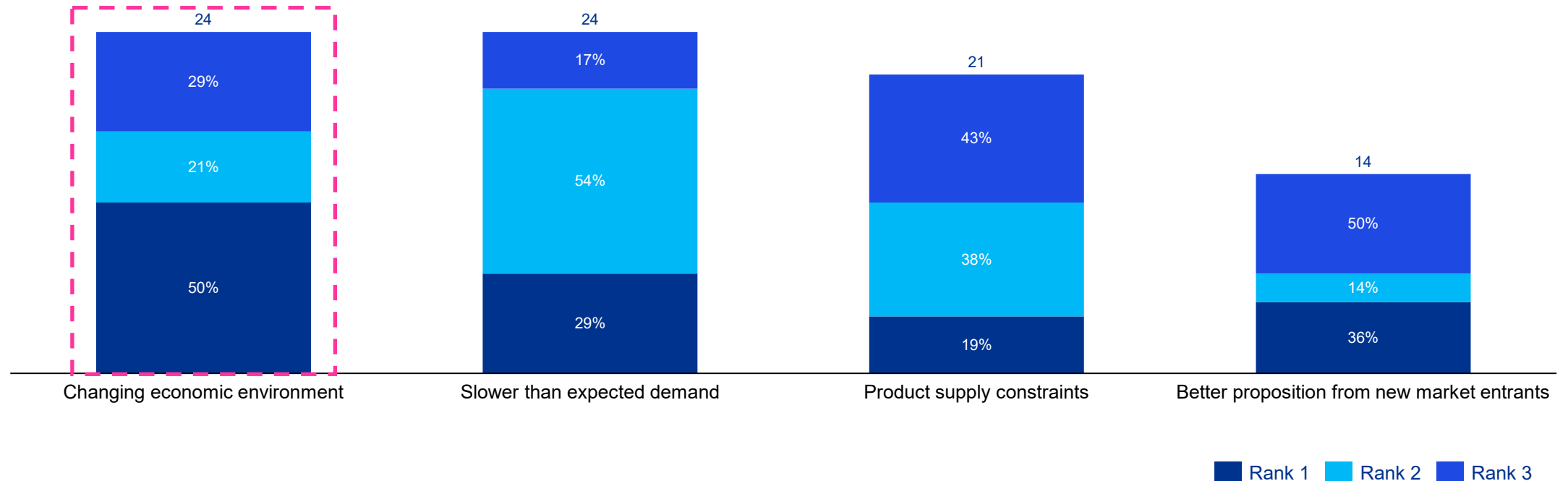
(N=56, only respondents who highlighted internal challenges as a top-three challenge)



Note(s): Percentages might not equal 100 due to rounding. Three votes on 'other' was excluded from this chart
 Source(s): Economic Direct to Consumer Survey Results

The changing economic environment is regarded as the biggest challenge to achieve sales growth.

Please rank your top three sales growth challenges for the DTC business over the last 12 months.
(N=28, only respondents who highlighted sales growth as a top-three challenge)



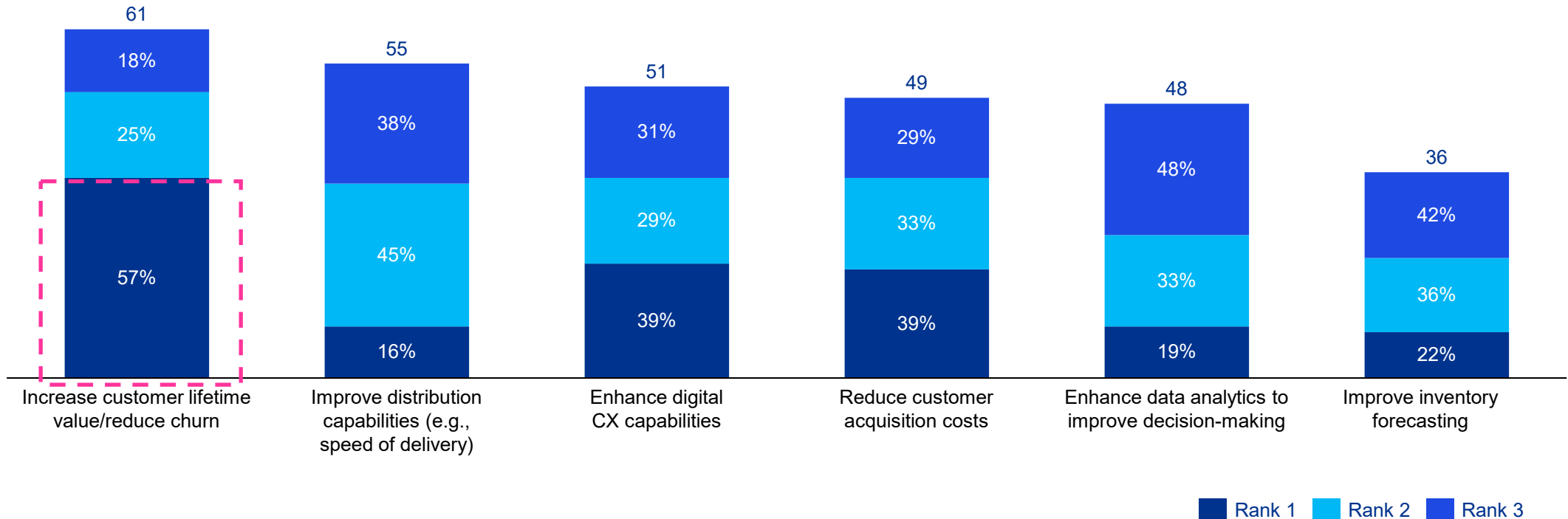
Note(s): Three votes on 'other' was excluded from this chart.
Source(s): Economic Direct to Consumer Survey Results

Reducing customer churn is a key priority over the next 6 to 12 months.

Please rank your top three DTC priorities over the next 6-12 months.

(N=100, all respondents)

Sorted by N count →

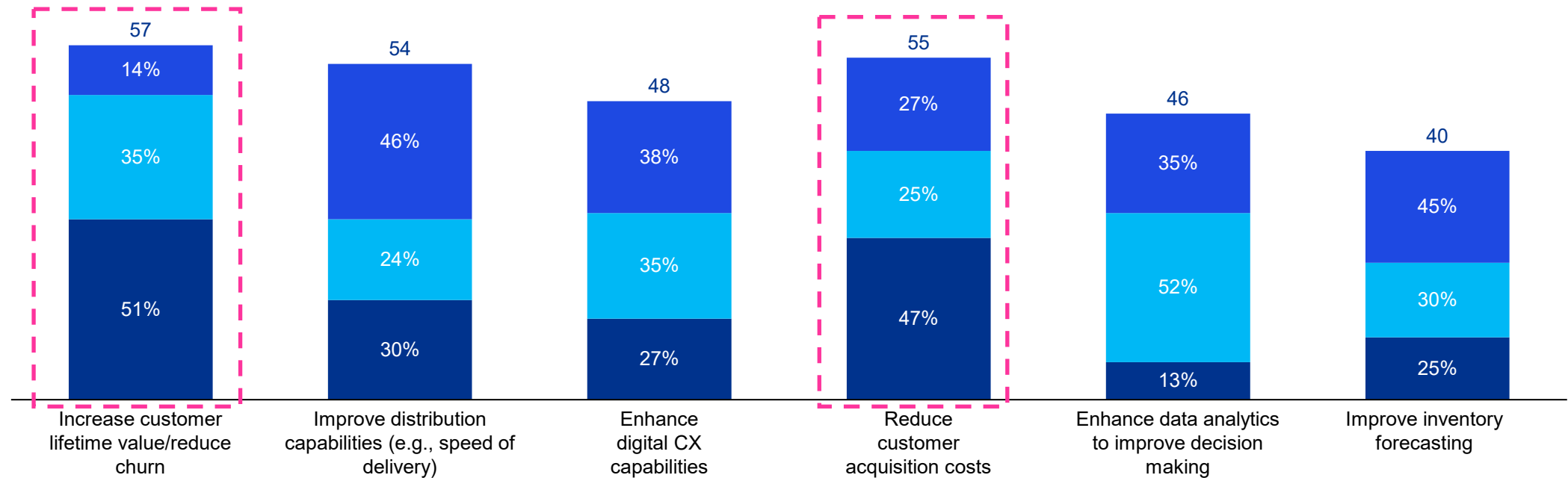


Note(s): Percentages might not equal 100 due to rounding.
Source(s): Economic Direct to Consumer Survey Results

There is little difference between short-and-long-term priorities; reducing customer acquisition costs and increasing lifetime value are key priorities over the next two years.

Please rank your top 3 DTC priorities over the next 2 years
(N=100, all respondents)

Sorted by 6-12 month N
count ranking →



Priorities over the next 6-12 months	61	55	51	49	48	36

Note(s): Percentages might not equal 100 due to rounding.
Source(s): Economic Direct to Consumer Survey Results

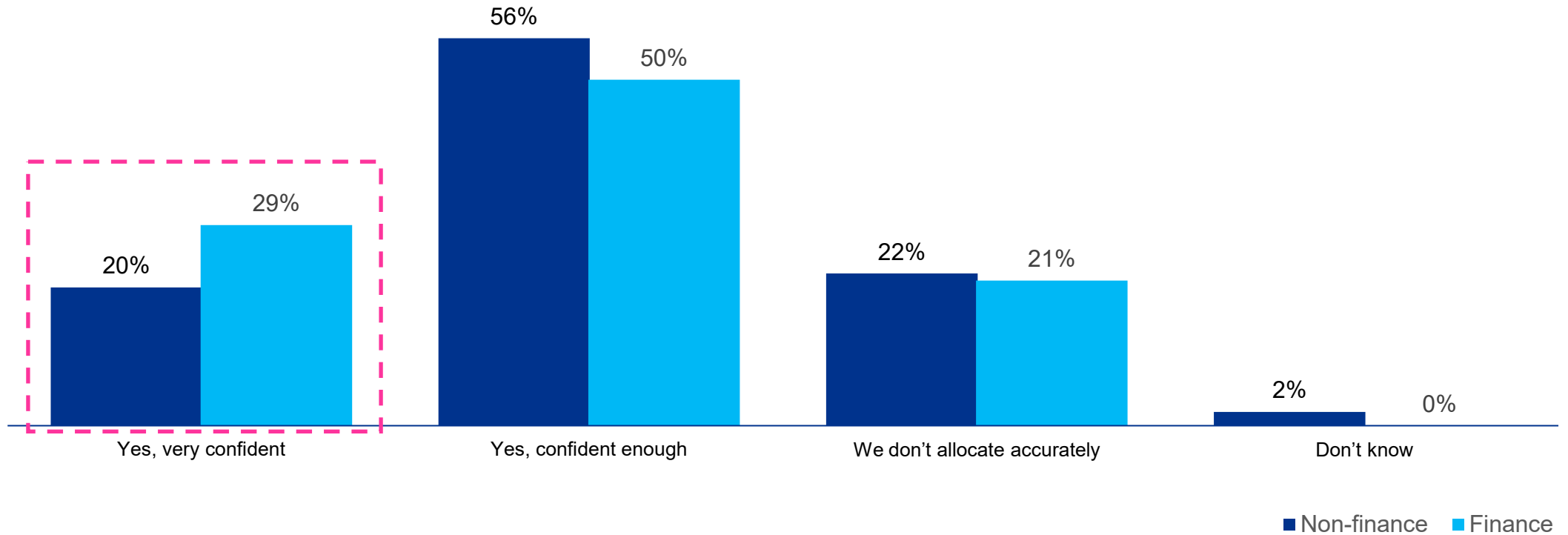
■ Rank 1 ■ Rank 2 ■ Rank 3

Nonfinance executives are less confident than finance executives that their company understands true profitability.

Are you confident that your company accurately measures the true profitability of the DTC business?

(N=86, nonfinance respondents)

(N=14, finance respondents)

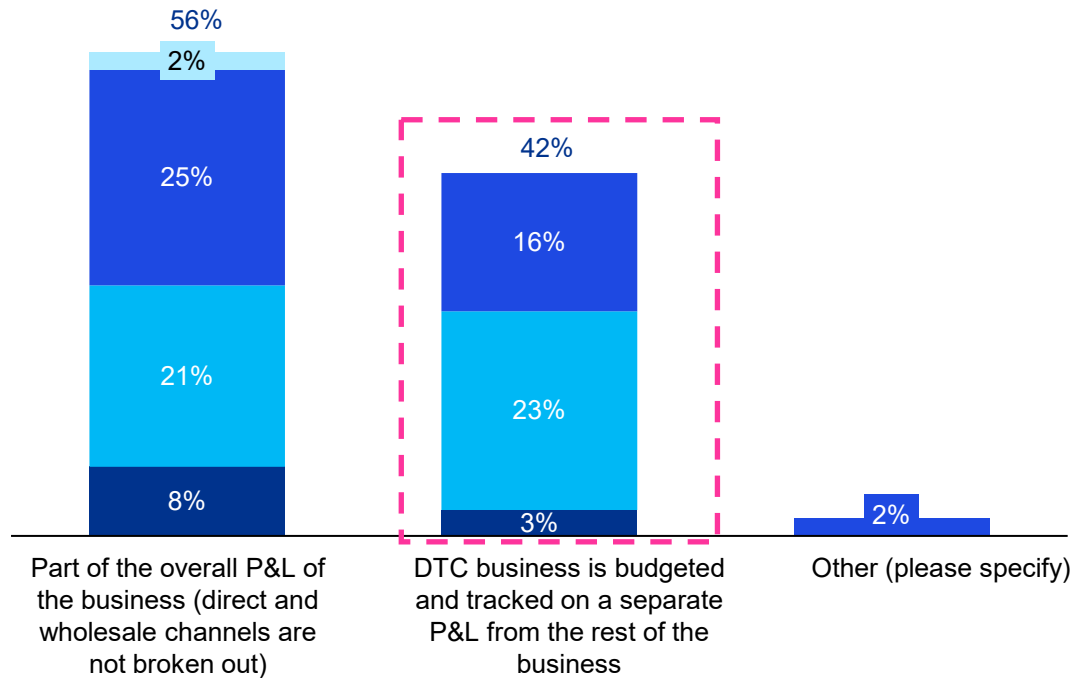


Source(s): Economic Direct to Consumer Survey Results

Only 42 percent of businesses budget and track a separate P&L for their DTC business.

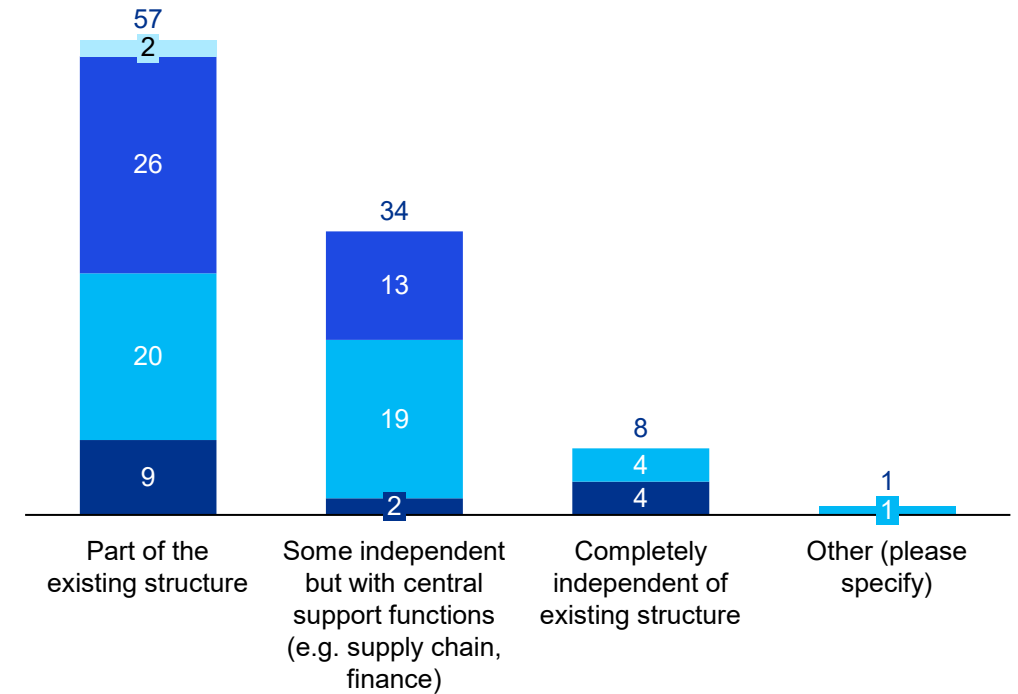
When budgeting your DTC business, how do you allocate revenue and costs?

(N=100, all respondents)



Where does your DTC team sit within your existing organizational structure?

(N=100, all respondents)

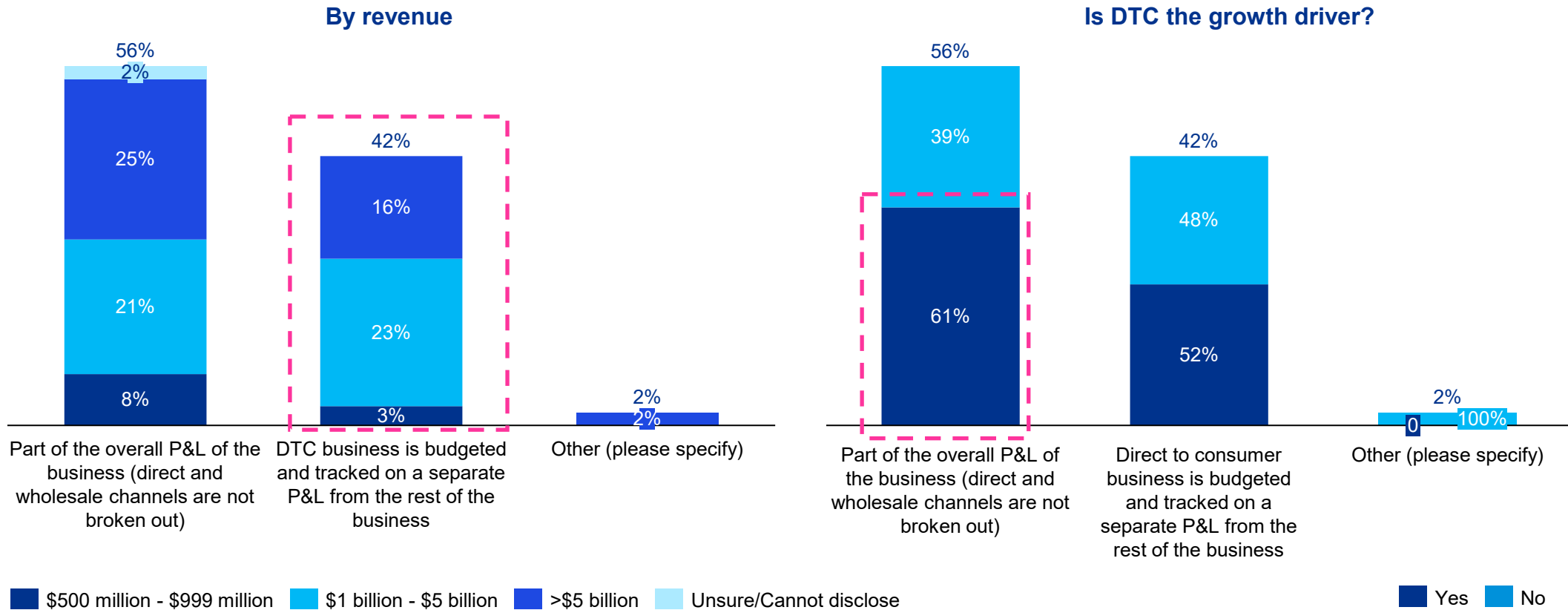


■ \$500 million - \$999 million ■ \$1 billion - \$5 billion ■ >\$5 billion ■ Unsure/Cannot disclose

Source(s): Economic Direct to Consumer Survey Results

Only 42 percent of businesses budget and track a separate P&L for their DTC business; respondents that budget their DTC business as part of the overall business are marginally more optimistic.

When budgeting your DTC business, how do you allocate revenue and costs?
(N=100, all respondents)



Source(s): Economic Direct to Consumer Survey Results

U.S. KPMG Consumer & Retail leadership team



Matt Kramer
National Sector Leader,
Consumer & Retail



Duleep Rodrigo
National Advisory Leader,
Consumer & Retail



Sam Ganga
Consulting Industry Leader
Consumer & Retail



Kevin Martin
Deal Advisory Leader
Consumer & Retail



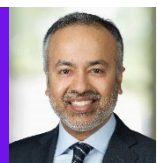
Elizabeth Miller
Retail Audit Leader



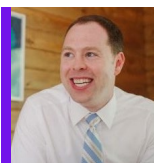
Allan Colaco
Consumer Goods Audit Leader



Brian Campbell
Tax Industry Leader
Consumer & Retail



Sunder Ramakrishnan
Principal
Research Lead



Scott Mishara
Director
Research Lead



Hugo Thompson
Senior Associate
Research Lead

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- 24,000 team members globally
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