KNO

2023 KnoCommerce Recap Report

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In 2023, 3,000+ brands ran surveys on KnoCommerce. In total 44,000,000+ answers were recorded across the following 5 questions:

- How did you first hear about us?
- What brought you to our site today?
- Where did you see our ad? (if ad selected in previous question)
- How long did you know about us before placing your first purchase?
- Who is this purchase for?

While there were 10s of millions of other responses, these 5 questions will guide our 2023 recap.

Like any data source, we do not have the full picture. We strive to be as accurate as possible, but the reality is that there are always going to be flaws in our research. We'll outline a few key considerations as follows, but if you really want to know the impact for your own brand, ask these questions and see what your customers tell you.

KNOWN LIMITATIONS

- Not every brand asks these questions, and not every customer answers. There may be some bias in who is answering these that could impact the data. We have plans to research this further with 3rd party data in 2024, but for now, understand that this is a limitation.
- The brands included change throughout the time frame. Some brands join, some leave, and some just change the questions they're asking. We're looking at total numbers here, so there is a bit of noise in terms of brands joining and dropping out.
- Every brand is different. If one brand has a $30 AOV, and another a $3,000 AOV, the data can look very different for those brands. For the purposes of this recap, we are not normalizing based on AOV or specific product categories. It means there may be a bit of noise in this data, but when we're looking at millions of respondents for each question, it's a pretty good view of the industry as a whole.

Themes of 2023

For 2023 there were a few themes we saw play out over the course of the year.

- In aggregate, channels that drive faster, easier-to-track conversions saw growth throughout 2023. Google and Facebook in particular both saw growth as discovery channels.

- We found that customers who are buying for their significant other have the highest AOV purchases, followed by people buying for family members.

- TikTok shops may be changing the purchase journey for TikTok users. Q4 looked very different compared to the rest of the year for TikTok discovery.

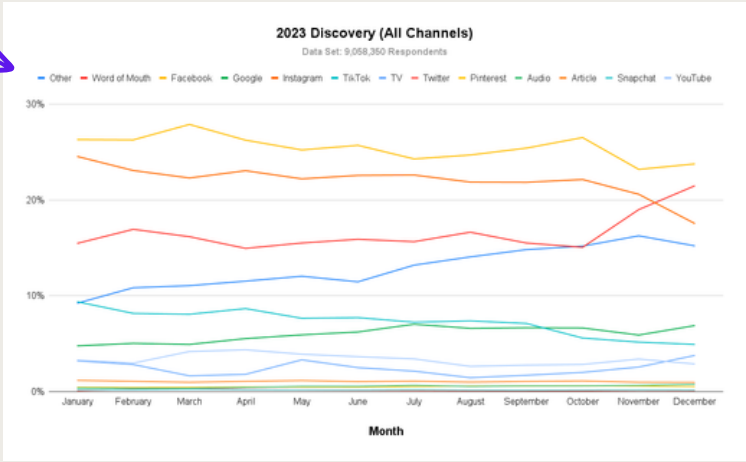
- Purchase consideration is longer than you think. Most customers take more than a week to go from product/brand discovery to purchase.

All this and more below.

KEEP READING!

Discovery Trends

In 2023, easier to track channels (like Google) and organic channels drove a higher percentage of revenue as the year progressed.

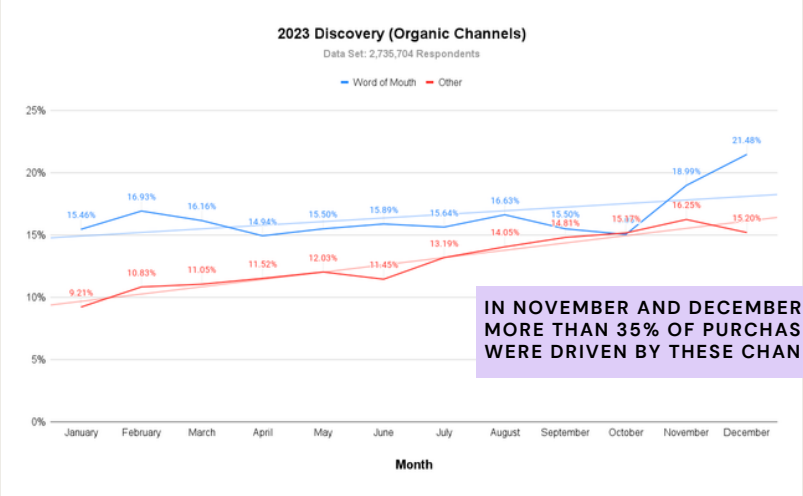


Some of this is seasonal. Those channels are often associated with gift giving, and Q4 is a heavy gifting time.

It is also likely that advertisers pulled back a bit from spending on channels that are harder to track and/or take longer to drive a purchase in 2023.

To get a better picture of paid vs organic, we'll break Word of Mouth and "Other" out from the channels where brands are spending on paid ads.

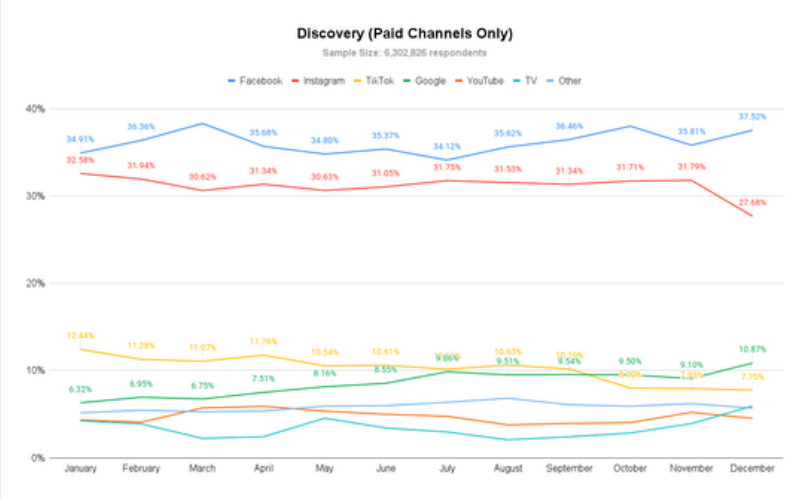
Isolating out paid channels to focus on Word of Mouth and "Other", we find that they collectively drove almost one-third of purchases in 2023 and trended up strongly throughout the year.



IN NOVEMBER AND DECEMBER MORE THAN 35% OF PURCHASES WERE DRIVEN BY THESE CHANNELS.

Filtering out Word of Mouth and "Other", we get a better view of how the more traditional paid placement channels trended in 2023.

Note that some of this would still be organic traffic, as we are reporting ALL discovery by channel, not explicitly filtering out Facebook organic vs Facebook paid, for example.



YOU'LL NOTICE THE FOLLOWING:

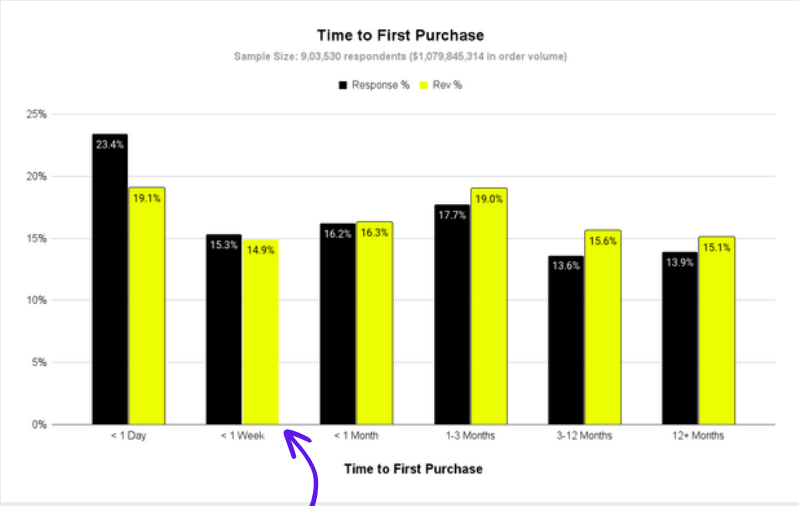
- Meta collectively drove 65-70% of paid discovery throughout the year.
- While Instagram trended down, Facebook trended up.
- TikTok had a slight downward trend for 2023, with a sharp drop starting in October. This lines up with the public launch of TikTok shops, a possible explanation for that drop. All our data is coming from on-site purchases, which means if TikTok is driving the discovery and purchase on their platform we're going to lose signal there... That drop would ultimately be a positive signal for TikTok, although it makes it harder for us to track.
- Google trended up strongly throughout the year. Our hypothesis is that brands were less likely to pull back spend in Google versus other channels because it's easier to track. As well, you'll see a nice bump for Google in December. This is almost certainly gifting driving discovery on Google.
- YouTube and TV saw some movement in 2023, but the impact seems to be pretty dependent on industry and size of business. We'll try to break this out further in another report.
- The other channels (X, audio, Pinterest, Snap, etc.) trended up slightly, but stayed pretty flat throughout the year and overall remain a small share.

Consideration Times

One of the questions we benchmark is: "How long did you know about us before placing your first purchase?"

If you're tracking time to conversion with Google Analytics, Shopify, etc. the data you'll see shows that most customers convert quickly, usually within a few days.

If you ask those same customers how long it took them to purchase, they'll likely give you a different answer. This is because the brand discovery journey isn't fully captured in a browser session.



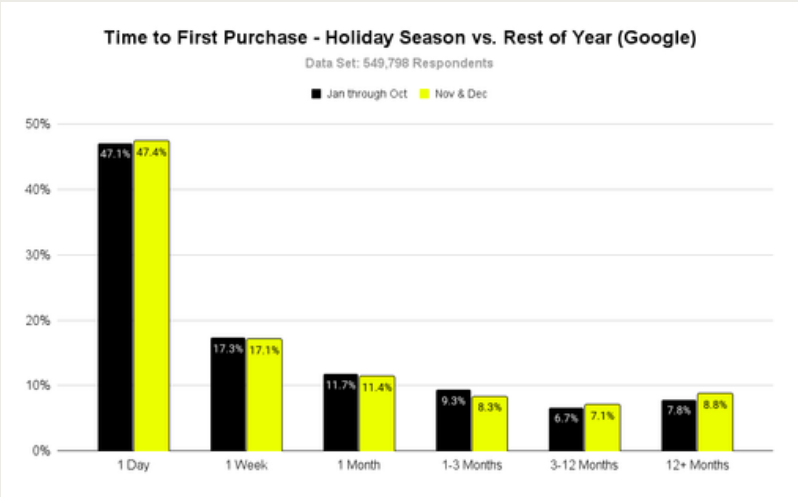
23.4% of people reported discovering a brand and buying the same day. An additional 15.3% reporting buying in the first week. 61.3% of people reported taking longer than a week to make their first purchase!

If you take a look at the revenue percentage bar (in yellow) you'll see that customers who took 1+ months to purchase actually drove more revenue. This is due to higher AOVs being associated with longer conversion times.

Important note: When a brand introduces a new channel, time to purchase is ALWAYS shorter (starting at day 1). In general we should expect longer purchase windows from Meta versus TikTok, for instance.

Google Consideration Time

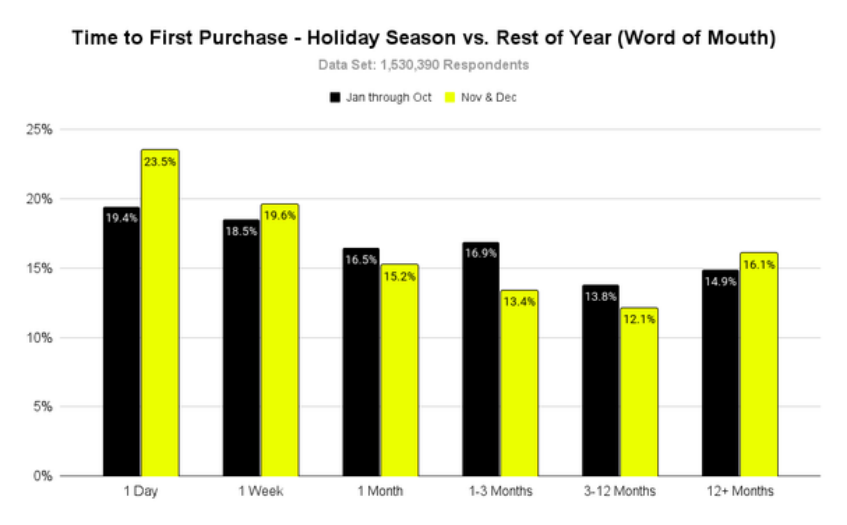
An overwhelming majority of the purchasers who discovered brands from Google made their purchase within a week of the discovery (64.5%), with 47.2% of customers making their purchase the same day as their search.



OF ALL CHANNELS, GOOGLE HAD THE LEAST CHANGE OVER THE HOLIDAY SEASON. THIS MAKES SENSE, GIVEN THE SHOPPING BEHAVIOR OF SOMEONE WHO IS SEARCHING FOR A PRODUCT ON GOOGLE.

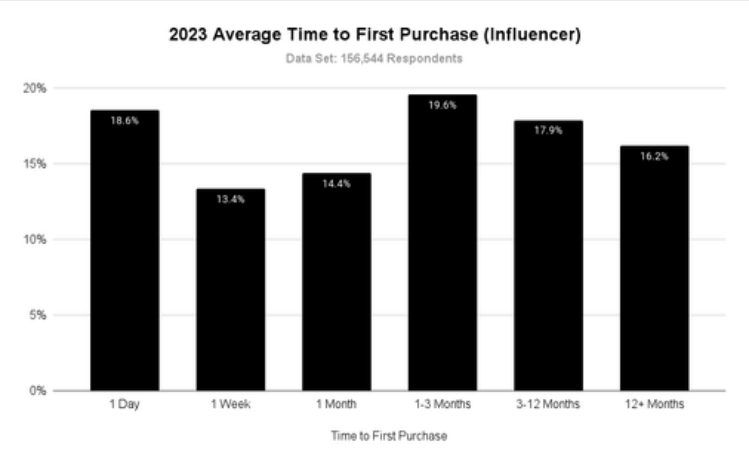
Word of Mouth Consideration Time

Compared to other times of the year, holiday shopping behavior influenced by Word of Mouth shows a significant change. The frequency of people considering purchases for over a week generally rose. Notably, the number of shoppers making purchases on the same day and within the same week grew by 21.1% and 5.9%, respectively.



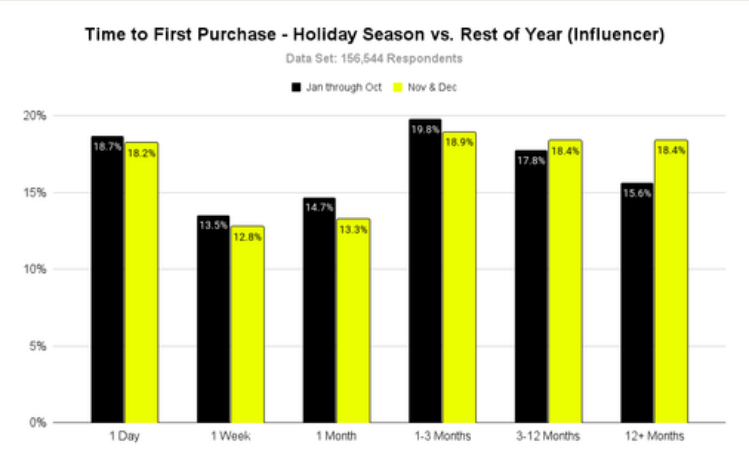
Influencer Consideration Time

Most purchases influenced by an influencer occurred between 1 and 3 months (19.6%), closely followed by same-day purchases (18.6%).



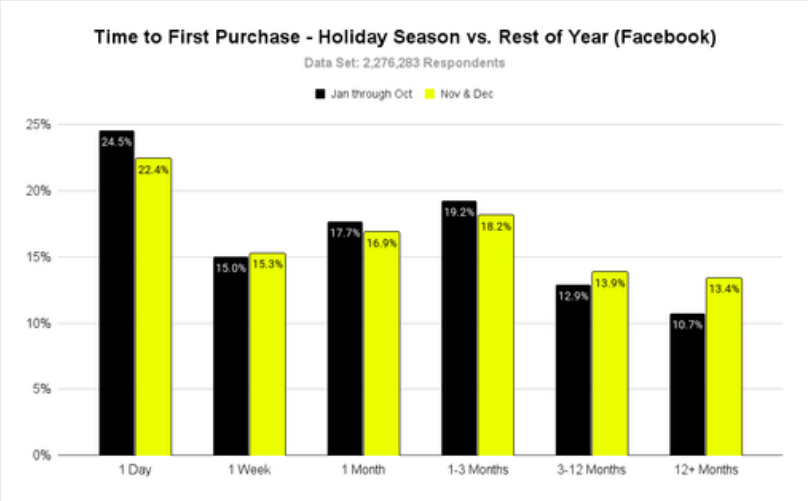
During the holidays, customers who discovered brands through influencers were more likely to have taken longer than 3 months to purchase.

Consideration time of less than 1 month decreased, while the 3-12 month consideration saw a 3% rise, and those over 12 months increased by 17.9%.



Facebook Consideration Time

For customers discovering brands on Facebook, their consideration remained largely unchanged for consideration times of less than a month. The 3-13 month and 12+ month buckets saw the greatest change.

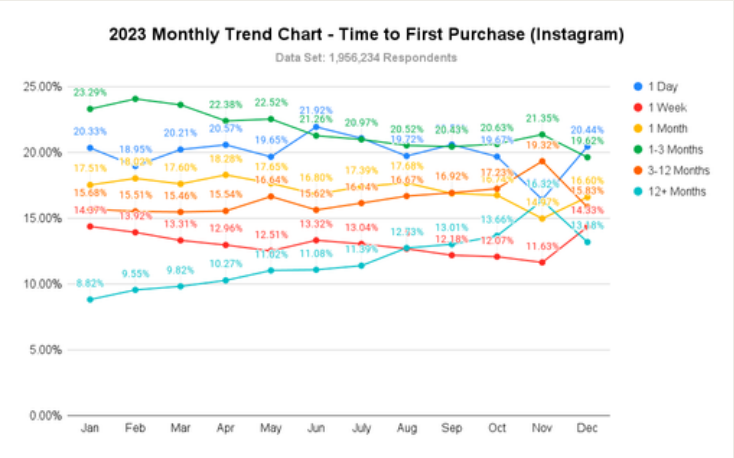


THE BIGGEST CHANGES ARE AN 8% DECREASE FOR SAME-DAY PURCHASERS AND A WHOPPING 25% INCREASE IN CUSTOMERS WHO WAITED LONGER THAN A YEAR TO MAKE THEIR PURCHASE.

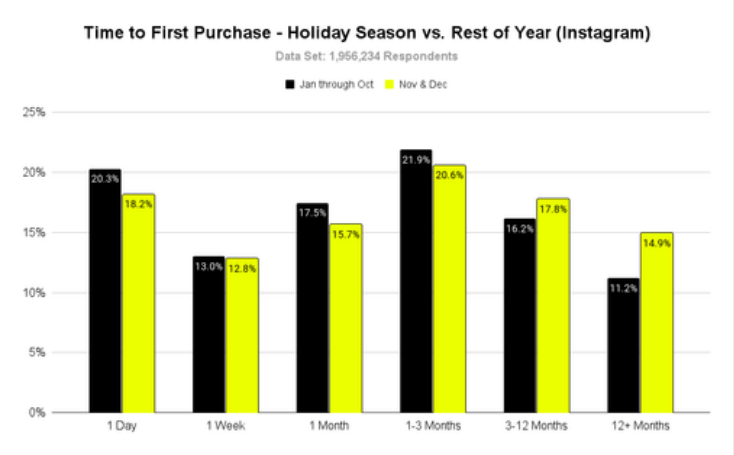
Instagram Consideration Time

For Instagram discovery, November buyers were far more likely to have known about a brand for **more than a month** before placing their first purchase. Likely BFCM was effectively capturing customers waiting for a deal.

December was reversed, with far more customers buying in less time. Likely this behavior is due to gifting.

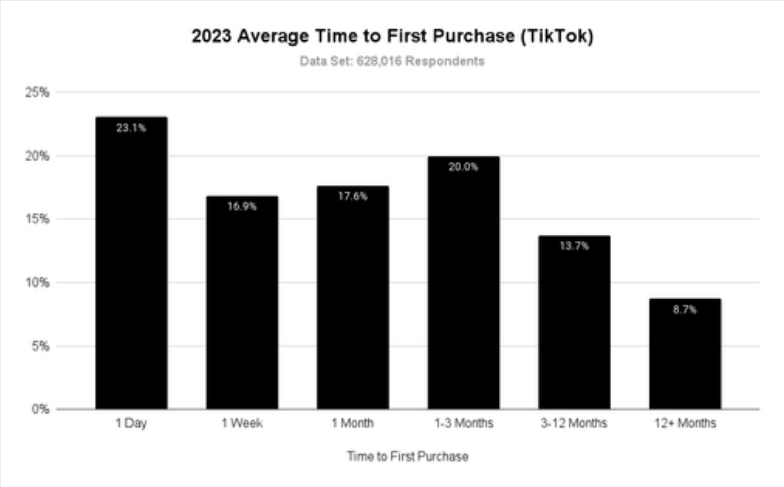


Overall trends for the holiday season vs. the rest of the year saw the frequency of all consideration windows drop for everything less than 3 months, while 3-12 months increased by 10% and 12+ months increased by 33%.

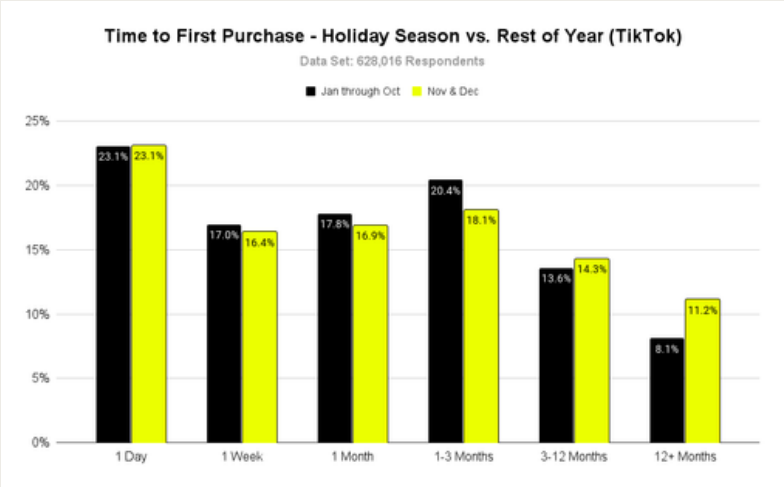


TikTok Consideration Time

TikTok purchasing behavior in general leans towards a faster conversion time with 57.6% of customers having a conversion time < 1 month, and 77.6% of customers under 3 months.



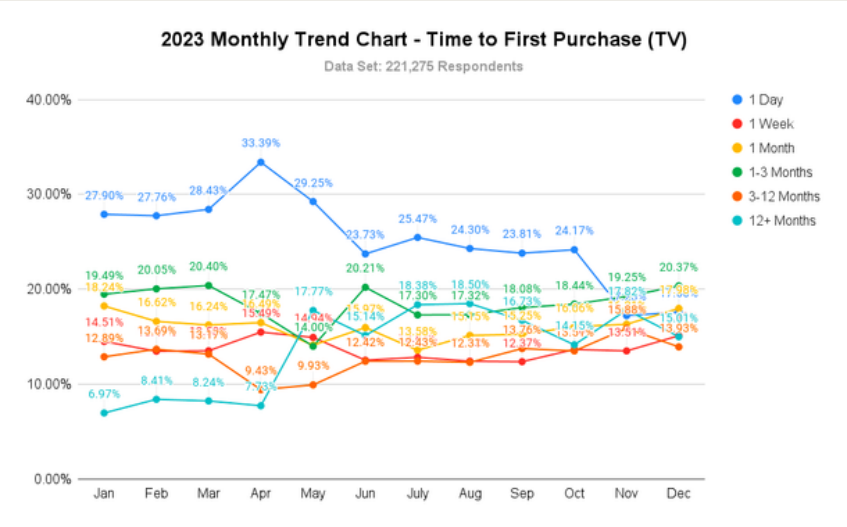
That being said, the holiday season still saw an increase in customers who purchased after 3-12 months (up 5.15% over the rest of 2023) and 12+ months (up 38.27%).



TV Consideration Time

For the TV discovery channel, there was a drastic decrease in November (for BFCM) in the frequency of same-day purchasers compared to the previous month (28.7%).

Same-week and same-month purchasers remained stable, but 1-3 month purchasers increased slightly (by 4.4%), 3-12 month purchasers increased significantly (by 17.5%) and 12+ month purchasers increased as well (by 25.9%).



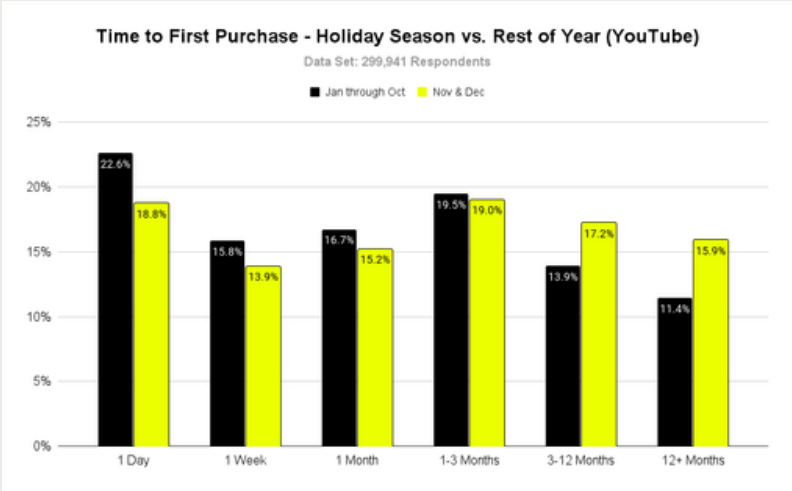
Overall you'll notice that there's a slight downward trend (pre BFCM) in 1 day, 1 week, and 1 month discovery for TV throughout the year.

This is likely due to the fact that TV is a newer channel for most brands and hasn't had the same "warm up" time as Meta, Google, etc. We would expect that trend to continue as long as brands continue investing further into TV.

YouTube Consideration Time

37% of customers who reported discovering brands on YouTube bought within a week of discovery.

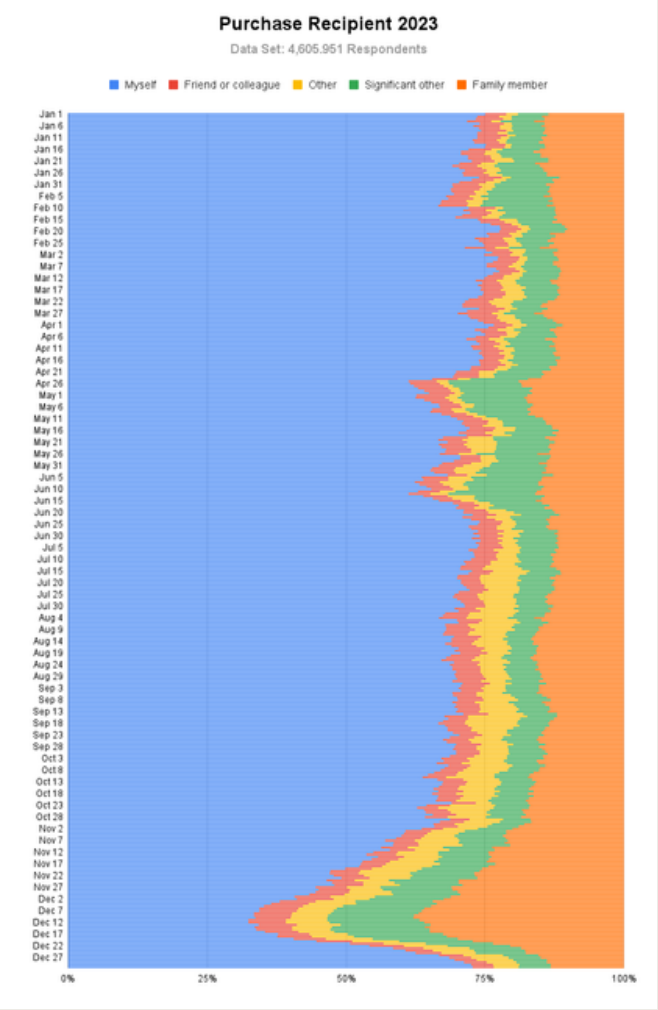
That time to first purchase increased for holiday purchases, with the 3-12 month, and 12+ month consideration buckets growing 23% and 39% respectively compared to the rest of the year.



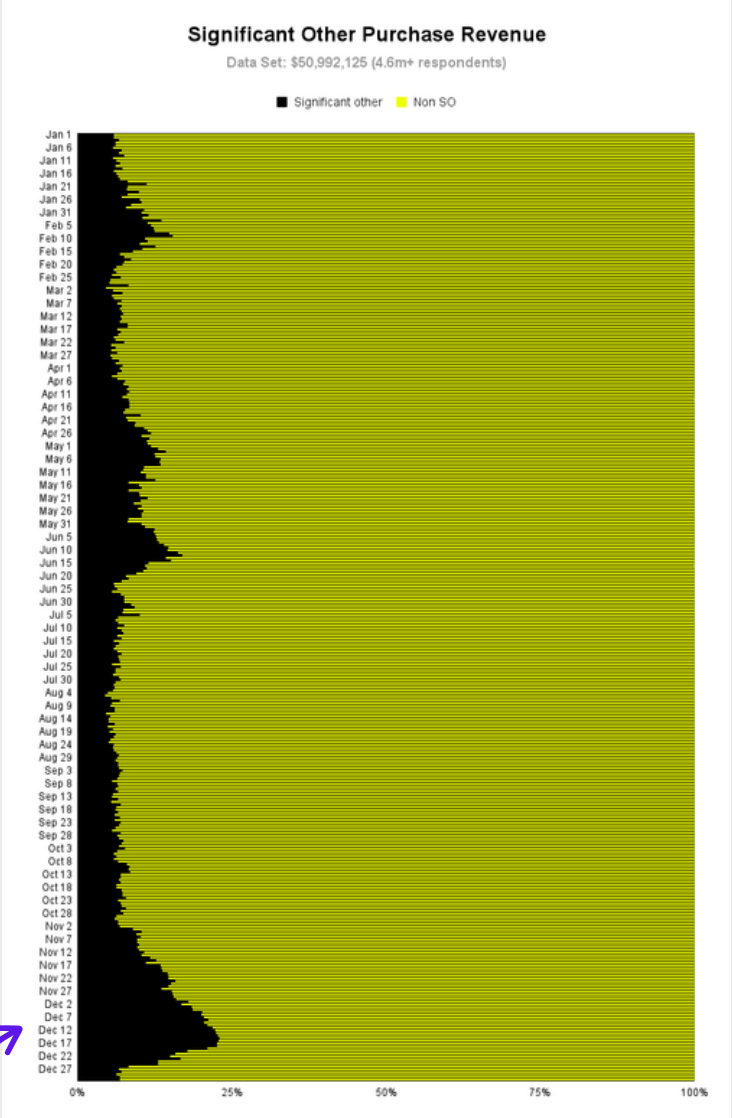
Gift Buying Trends

In 2023, 4.6 million customers answered the question “who is this purchase for?”. The responses look as you’d expect for certain key holidays, but there’s some really interesting insights in here, especially when looking at AOV.

Looking at who customers are buying for we can see the shift in spending for Valentines Day, Mother’s Day, Father’s Day, and Q4 gifting.

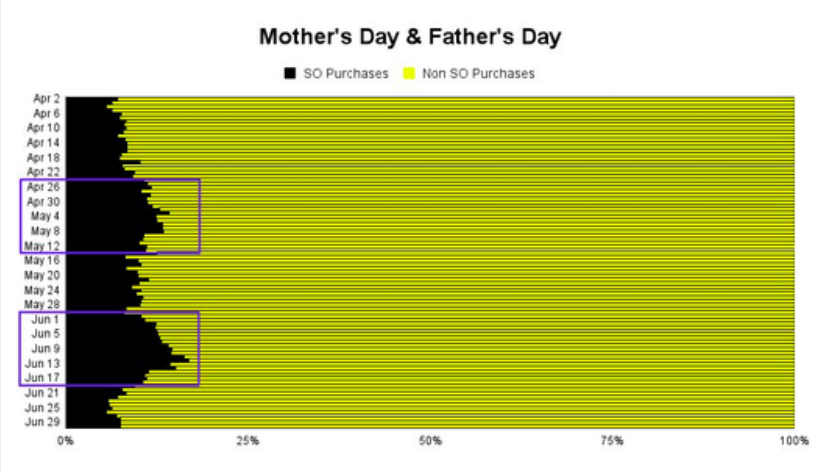


Specifically, revenue for people buying for their significant other shows up strongly for Valentine's Day, Mother's Day, Father's Day, and at the end of the year.

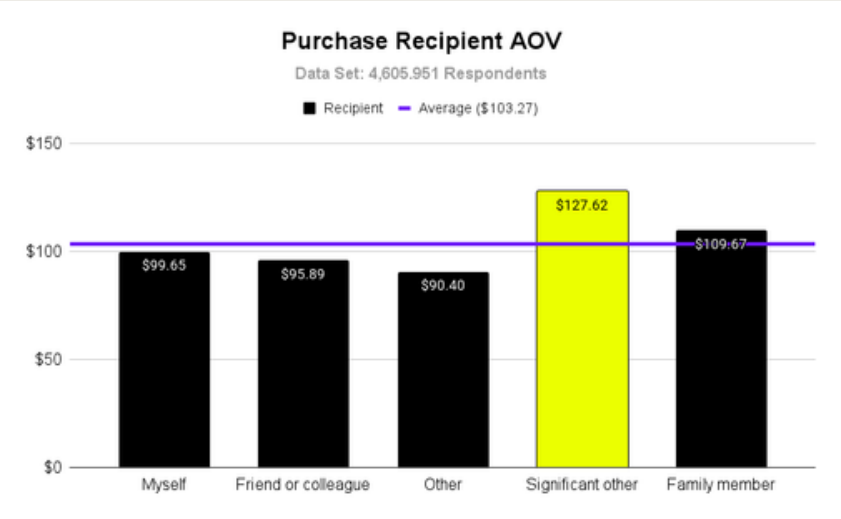


From November 24th - December 20th, purchases for Significant Other averaged 18.3% of revenue, versus just 10.7% for the full year average.

The US Mother's Day and Father's Day data points are interesting to see. In the two weeks leading up to Mother's Day, Significant Other purchases accounted for 12% of total revenue. Father's Day purchases were 13.7% in the same two weeks leading up to Father's Day.



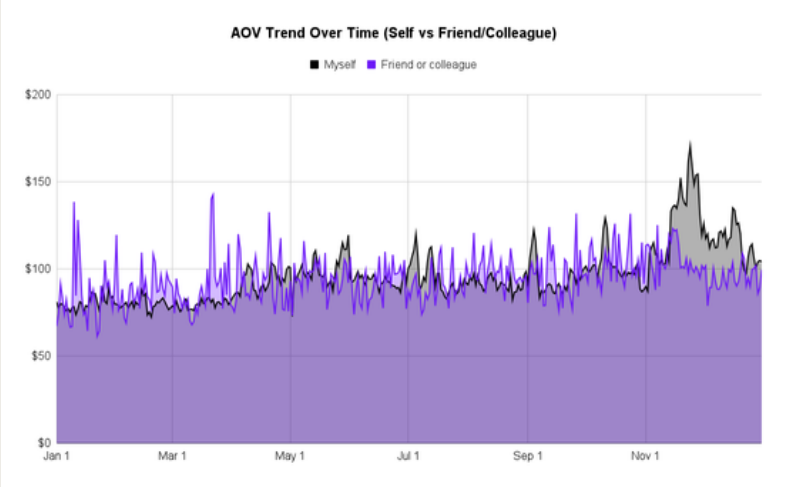
The AOV story looks even more compelling for Significant Other purchases.



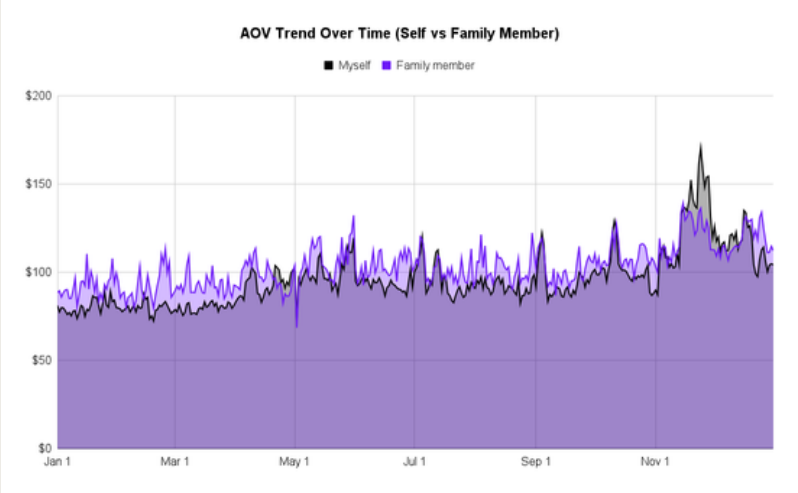
Customers who are buying for significant others or family members are likely to spend more money on their purchase compared to people who are buying for themselves or friends & colleagues.

People who were buying for themselves had a significantly higher AOV in November and December.

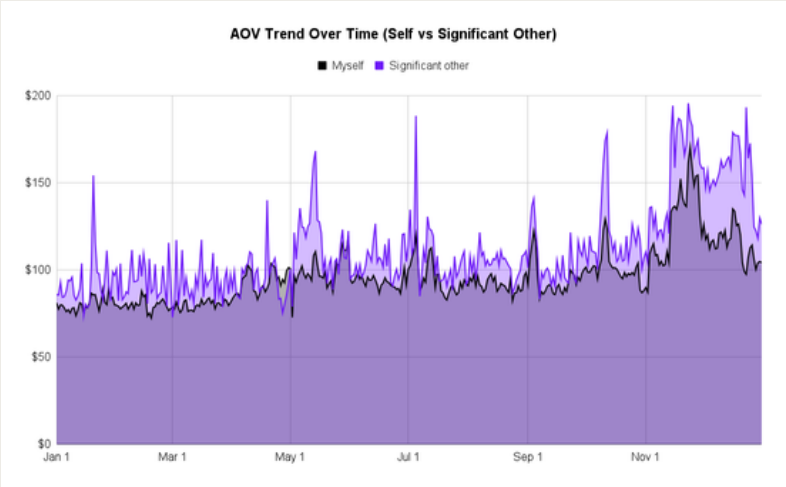
Here's how that looks compared to respondents who chose Friend or Colleague.



Comparing self to Family member purchases shows a different story… Family member AOV is slightly higher for most of the year, and then switches right around BFCM.



Self versus Significant Other is where the real difference lies. Significant Other absolutely crushes Self buying for AOV in November and December, and slightly exceeds Self for most of the rest of the year.



Conversion Driving Touch Point

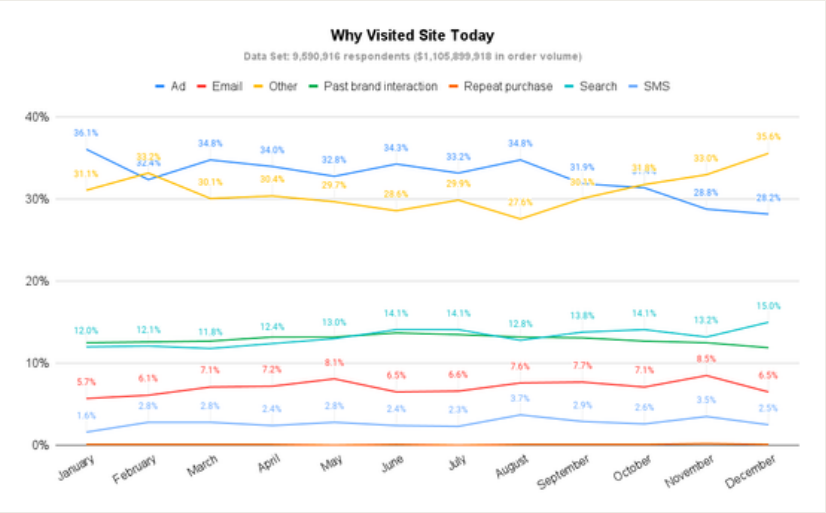
The question "What brought you to our site today?" was answered by 9,500,000+ respondents in 2023 associated with $1.1B+ in revenue.

"An Ad" was the top reason people said they came to make the purchase, driving 32.4% of conversions.

"Other" was second with 31.2%. Brands list a variety of reasons (including word of mouth) that we didn't track for this report. "Other" likely could be broken down further in future research.

Search was next at 13.3%, followed by "Past brand interaction" at 12.9%.

Email and SMS finish off the main channels driving conversion with 7.2% and 2.8% respectively.



A FEW HIGHLIGHTS:

- "Other" climbed rapidly for Q4, while "Ad" dropped significantly. This is likely due to the fact that brands are investing a lot to drive sales with retention efforts. As well, gifting is happening at scale, which means people are buying because of the influence of others.
- Search was strong in December, which again is likely tied to gifting behavior.
- Email and SMS were strongest in December. Again, likely tied to retention marketing efforts driving large sales volume.

Where Were Ads Viewed

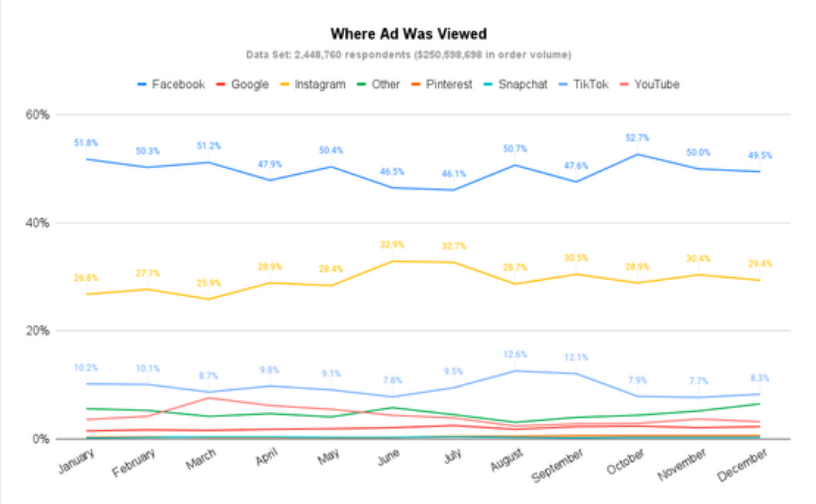
When someone answers the “What brought you to our site today?” question with “I saw an ad”, many brands ask the question: “Where did you see our ad?”.

In 2023 2,400,000+ people answered this question, associated with $250m+ in revenue.

Facebook was the number one driver of ad conversions, followed by Instagram.

Combined they drove almost 80% of last-touch purchases from an ad.

TikTok performance was rapidly rising through Q3 but dropped dramatically in Q4. We hypothesize that this is due to TikTok shops. TikTok is the only channel that saw this massive shift in both discovery and purchase-driving behavior in Q4, which is the likely explanation.



IMPORTANT NOTE: GOOGLE IS MOSTLY CAPTURED IN THE PREVIOUS QUESTION IN THE SEARCH BUCKET OF DATA.

Conclusion

2023 saw Meta remain the dominant source of discovery for DTC brands.

While it's unlikely we'll see that shift much in 2024, here are a few trends we'll be watching:

- We'll be tracking channels like TV and YouTube to see if they continue making moves.
- Snap, Pinterest, and X are all very interesting channels still. We'll keep watching and see if we can dive deeper on their performance in 2024.
- We'll be tracking TikTok trends for on-site purchase discovery as TikTok shops expands. If we continue seeing that downward trend in on-site purchase we may be witnessing a massive shift in buying behavior from social discovery.

Questions we'll look to answer in 2024:

- How do demographics fit into the DTC shopping story?
- What are the reasons people buy products online? How does that differ by product category? By demographics?
- What kind of impact do macroeconomics have on buying behavior? Not just total amount spent with brands, but what people are buying, and who they're buying for.

Questions?

If you'd like to learn more about any of this research, or would like to start studying these insights for your brand, reach out to our team at hello@knocommerce.com.

Thanks for reading along! Keep an eye out for more research this year.

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