DTC Index

February 2025 State of the Industry Report

State of the Industry Report

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Hey everyone! 👋

Welcome to the latest edition of The DTC Index State of the Industry Report!
A lot has happened since our last update, and there's lots to dive into.

- **Common Thread Collective** are unpacking the Super Bowl and the spending habits that followed—spoiler: it's not looking great for the Chiefs, on or off the field. CTC is also sharing an update on Meta's ad spend performance. If you've been following along, you know we've been watching costs rise while performance dips—but things might finally be turning around.
- **Varos** is breaking down Google's Performance Max, and let's just say, following all the hype when it first came out, the results now aren't at the same high.
- **KnoCommerce** is digging into self-reported vs. click-reported attribution, showing how video platforms are seeing higher self-reported attribution than others.

We release these reports every month, curating data and insights from top sources to bring you the clearest snapshot of the ecommerce industry. Let's get into it!

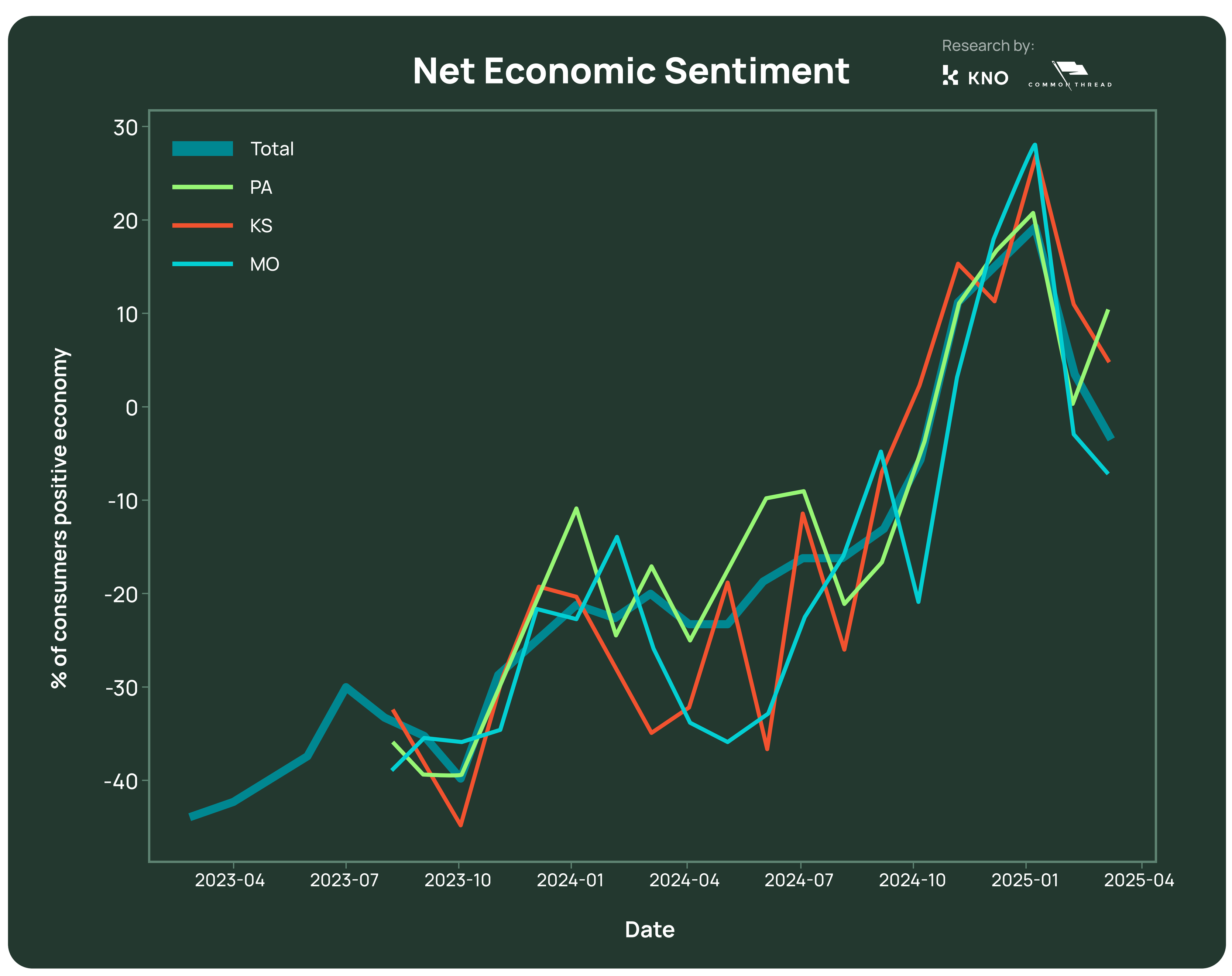
Unpacking the Superbowl With Common Thread Collective

Common Thread Collective

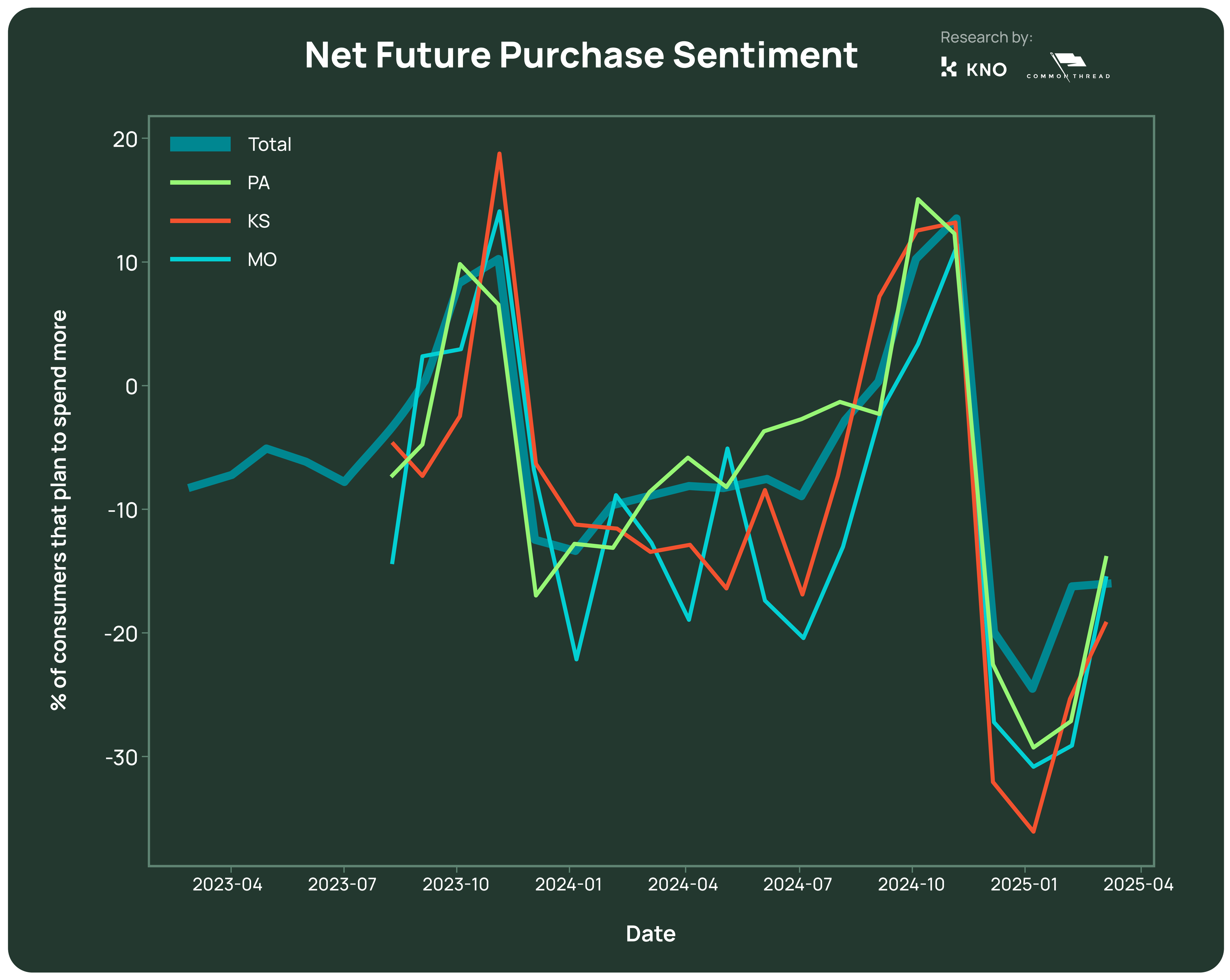
Some have a theory that the winner of the Super Bowl can signal a bull v bear market which is actually a pretty fun metric to consider.

What we know, and what often proves to be true, is that cities tend to see an uptick in purchases when their teams win. So, we wanted to explore whether a state's economy is impacted throughout the month.

Looking at the Net Economic Sentiment from our Direct-to-Consumer Confidence Index, there wasn't a significant impact in February. Maybe the win didn't hit right away?



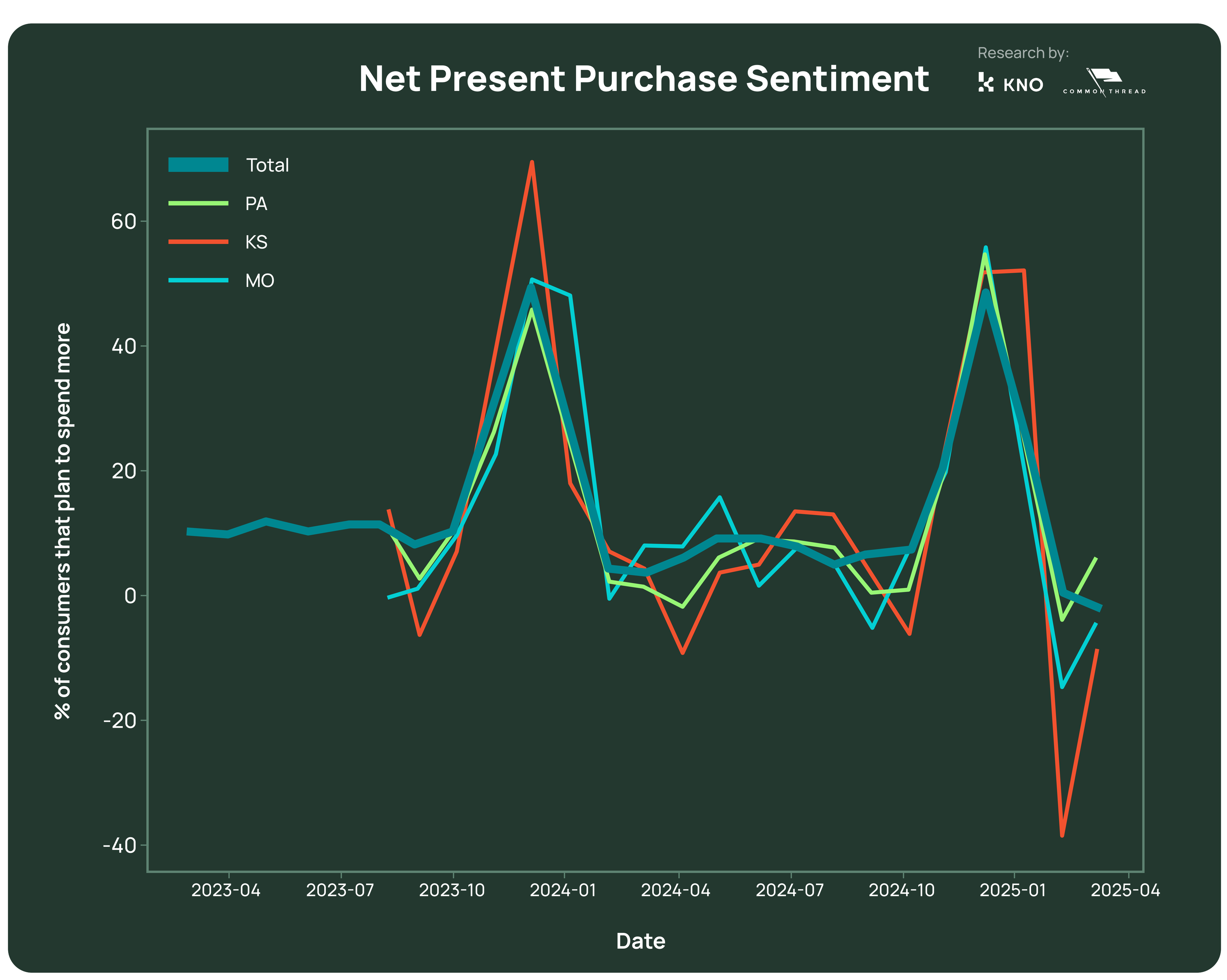
The **Future Purchase Sentiment** for these states followed a more drastic pattern than the national average, but with the small size of the sample, that can be expected.



It is important to note, that Kansas did have a **lower Future Purchase Sentiment than other states,** so this might be foretelling for the next chart.

If we look at the **Present Purchase Sentiment,** we saw a major dip in present purchases from Kansas in February.

Losses can come particularly hard for teams that have already purchased their fair share of championship hats and t-shirts in the last few years, especially when this time around they struggled to catch the ball and stay on their feet.



Was this oversized dip from the Super Bowl loss?

Kansas was already anticipating a spending slowdown before February even began.

Their **Future Purchase Sentiment** dropped from a high of **+13.2% in November** to **-35.9% in January**—a **-49.1% decline over two months**, putting them **11.4% below the national average** for January.

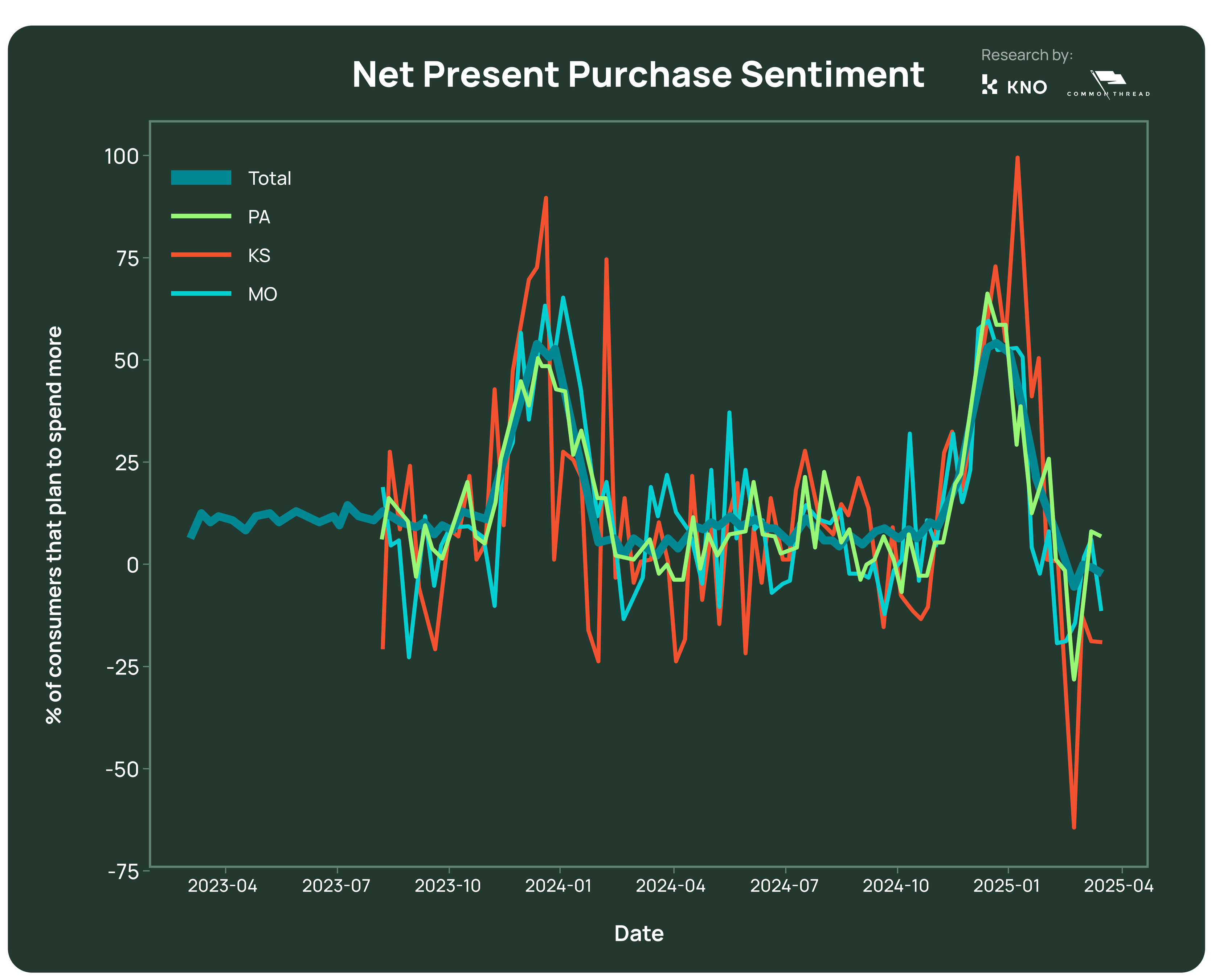
But the real shift came in **Present Purchase Sentiment**, which saw a **steeper** decline:

- From **+52.2% in January** to **-39.5% in February**—a **-91.7% drop.**
- In February, Kansas sat **38.9% below the national average** in present purchase sentiment.

Looking closer, Kansas was neutral on Present Purchase Sentiment in the **two weeks leading up to the Super Bowl.** But immediately after the loss?

- **One week post-Super Bowl:** dropped to **-44%.**
- T**wo weeks post-Super Bowl:** plummeted further to **-66%.**

The data suggests the Super Bowl loss may have played a role in accelerating the spending decline, particularly in short-term consumer confidence.



These weekly state samples are small, so subject to more drastic swings, but it looked like a bitter February for Kansas.

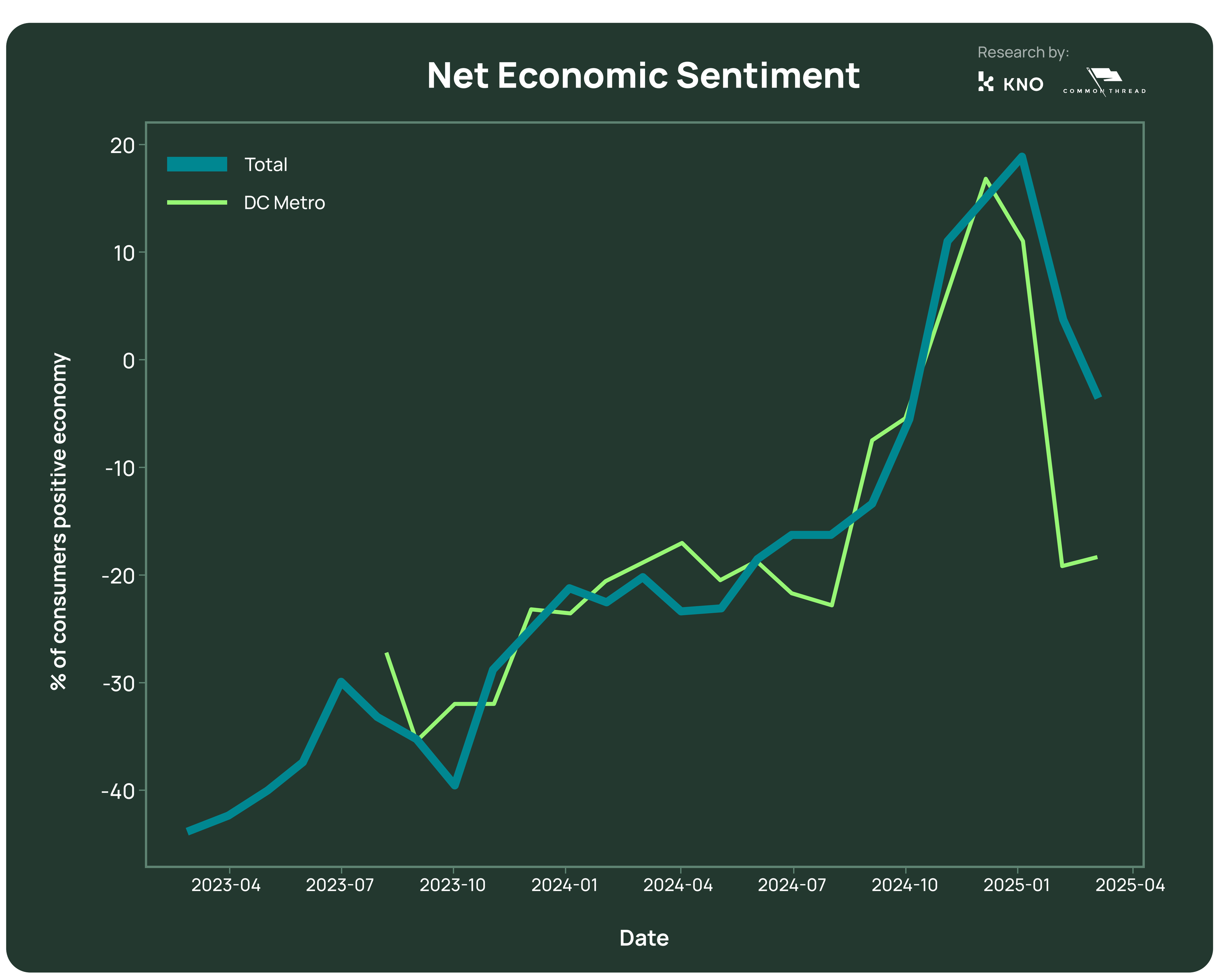
Were there any other notable states that differed from the national averages?

With federal spending cuts in focus, it's worth looking at the states most impacted by government funding: **Maryland, Virginia, and Washington D.C.** The **D.C. metropolitan area has been on the decline.**

Federal Spending accounts for [23% of the Gross Domestic Product of the United States](); much of that is in the form of contracts. According to The Pew Research Center, there are 449,500 federal employees in Virginia, Maryland, and Washington D.C with 43.3% of people in Washington D.C. working for the [federal government](); that is less than ⅕ of total federal employees. Given the heavy concentration of government jobs in this region, it **makes sense that federal spending cuts (and the potential for cuts) would have a stronger impact here.**

So how did this play out in consumer sentiment?

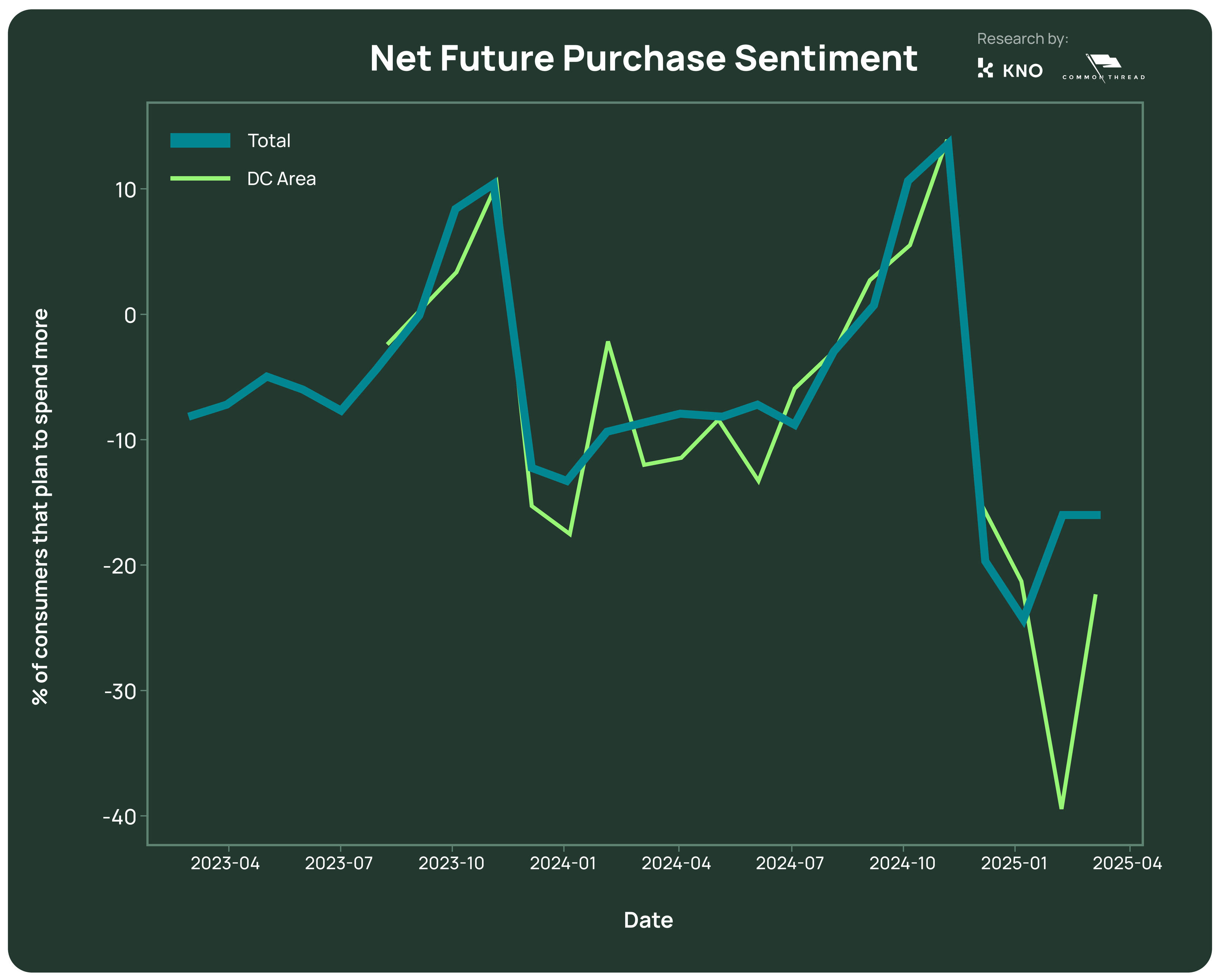
Well, sentiment about the economy in the **D.C. Metro area** (a broad region beyond just the city itself) **dropped significantly more in February than in the rest of the country**—which aligns with expectations.



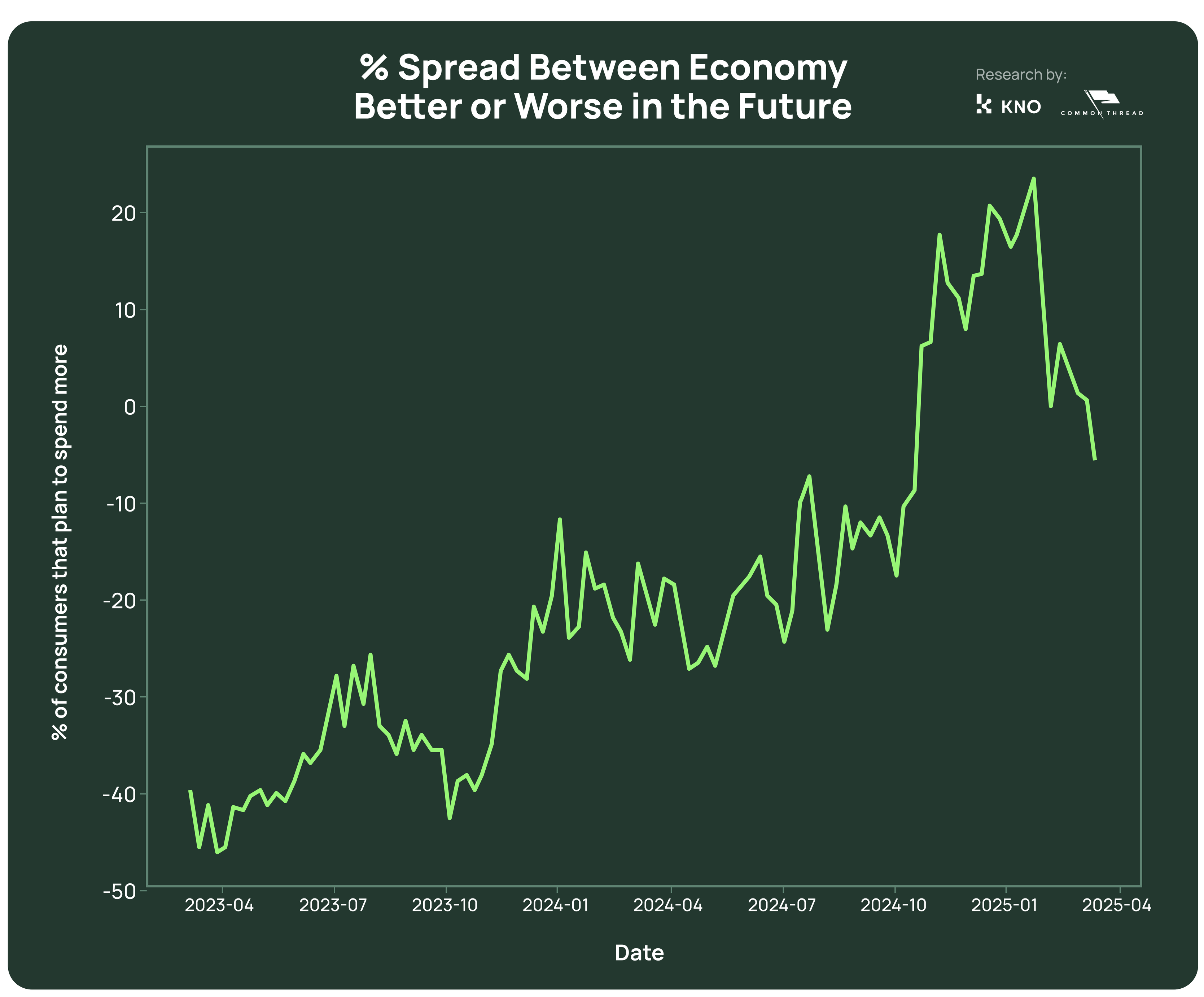
If this region was a state, it would be on the 19th percentile in terms of economic outlook.

We can pick up smaller states with fewer responses that have worse sentiment about the economy, but this is pretty rough.

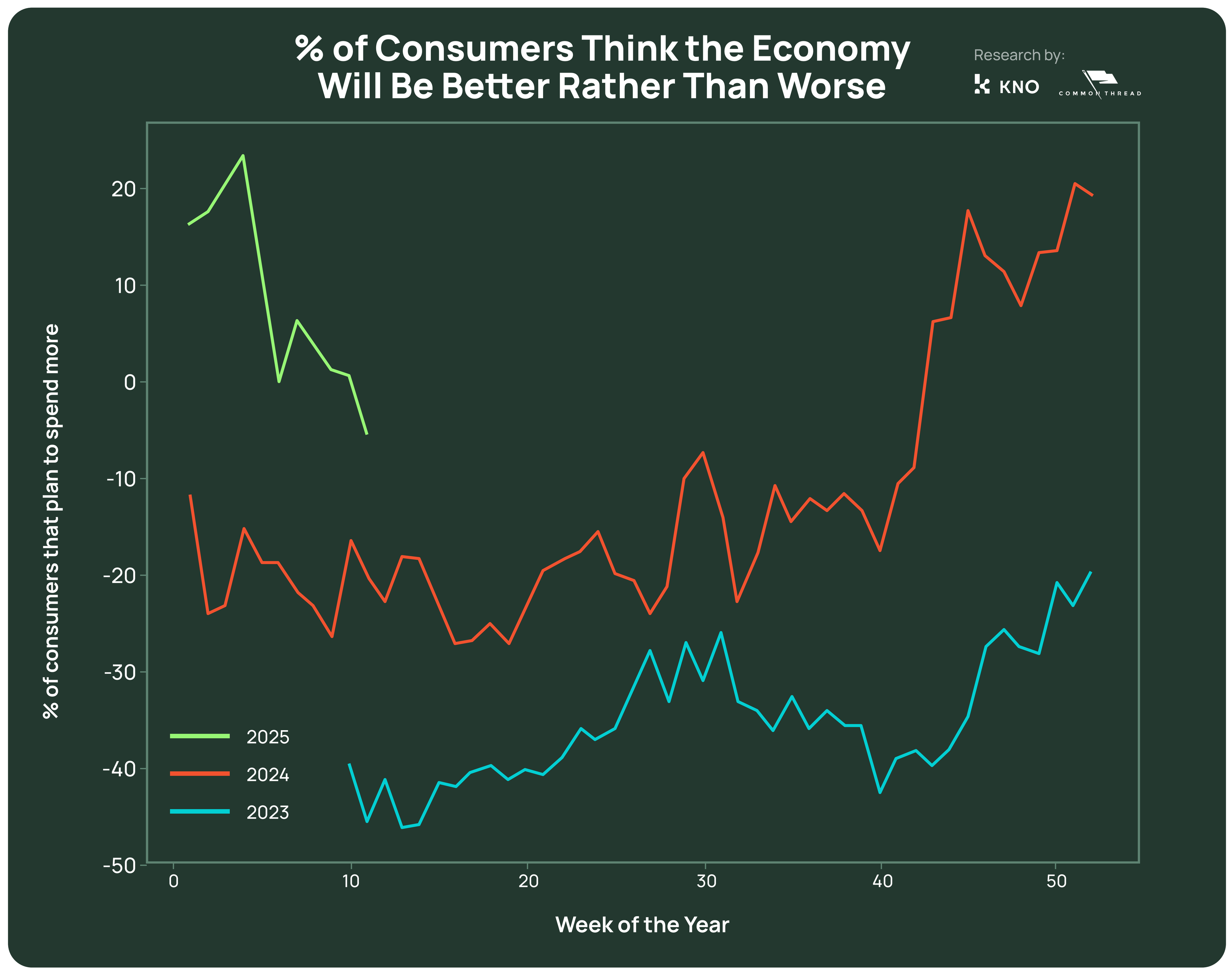
With that lower sentiment about the economy, we also see an even drastically lower sentiment about future purchases



Enough with the individual states lets go to the bigger picture: how do some of these metrics look for the whole country? **First, we see the Economic Sentiment has dropped significantly since mid January.**

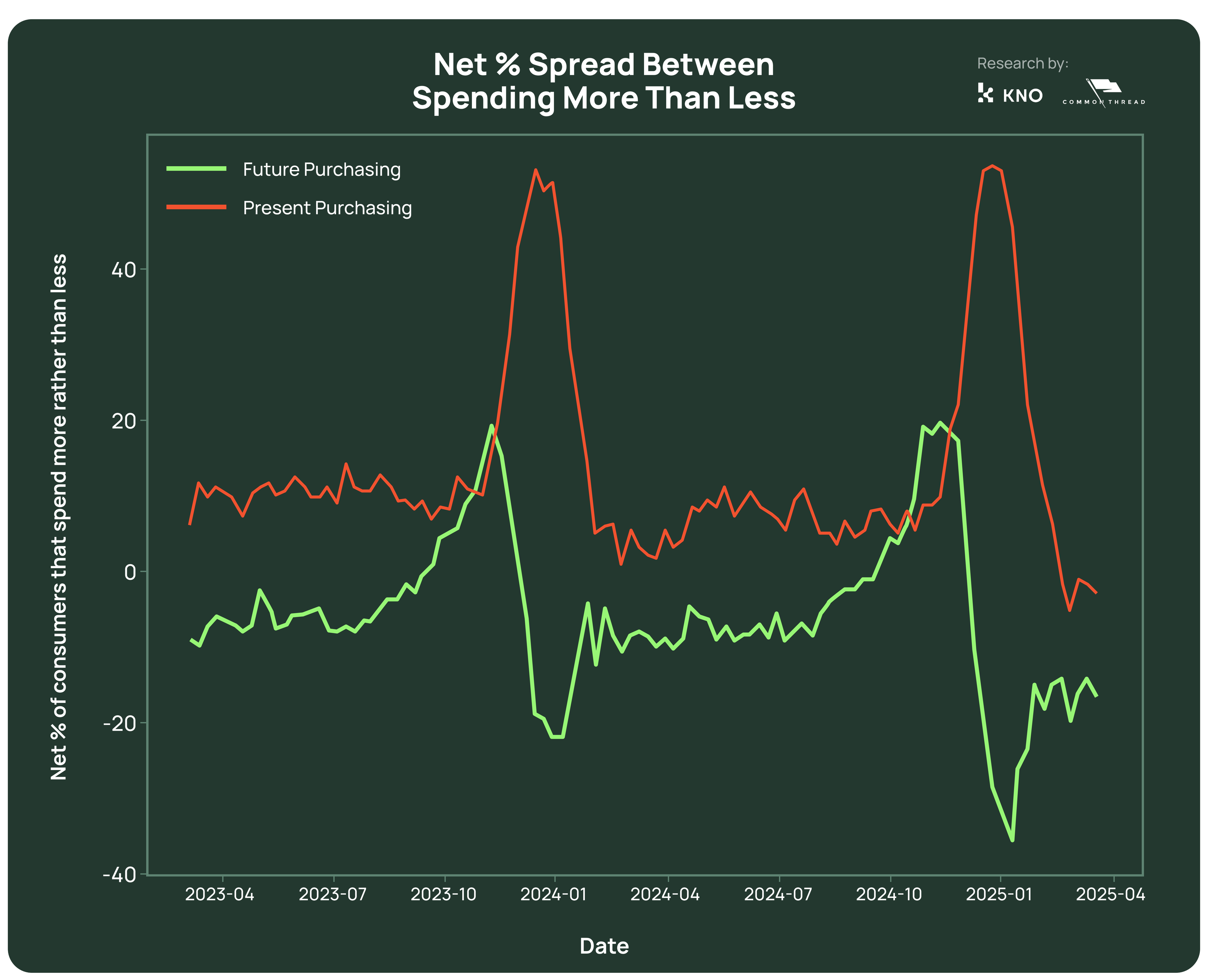


Last week's stock market drop further drove down Economic Sentiment, reaching its lowest point since the week of October 14th. However, it's still **significantly better** than this time in the past two years—small wins.



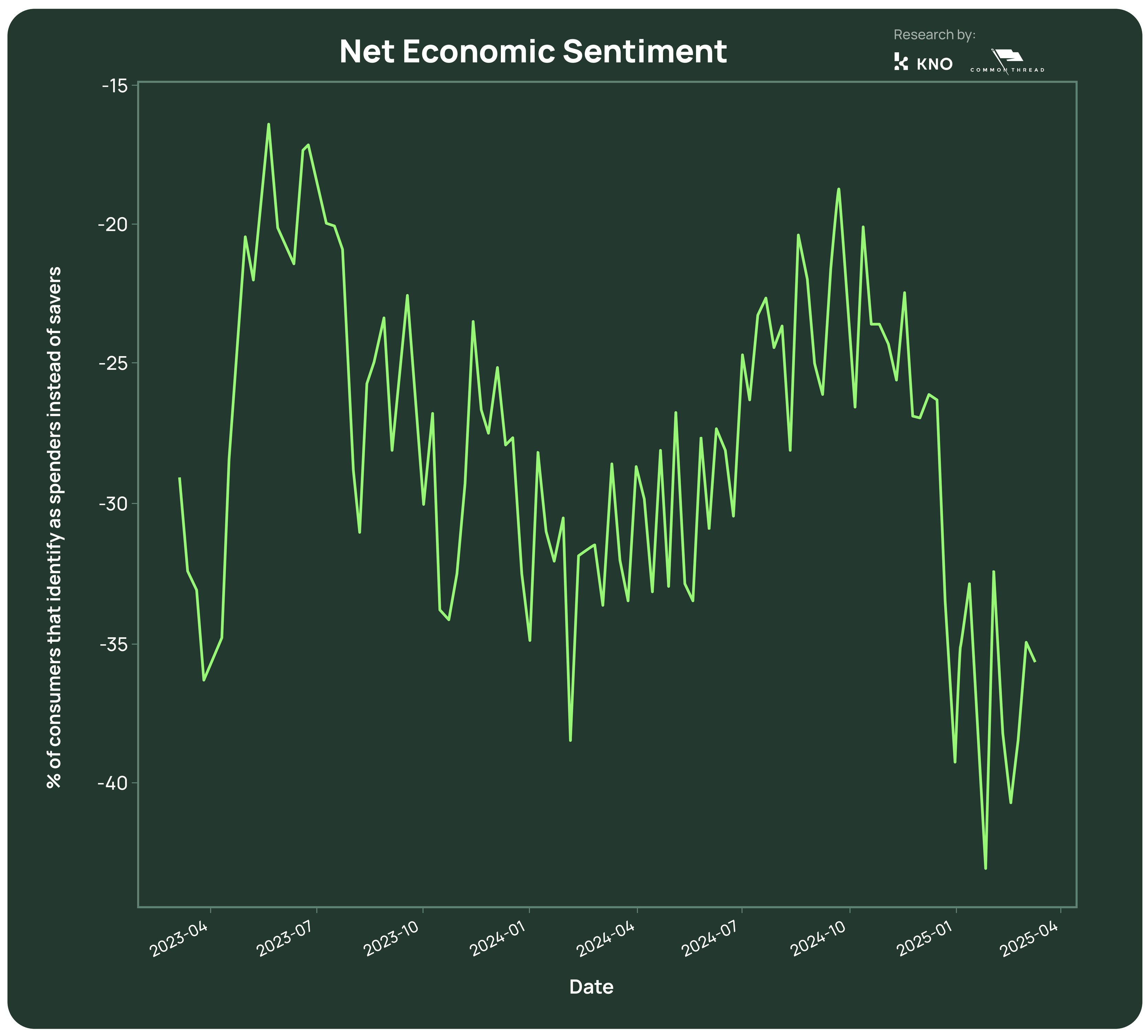
Weeks before we saw this drop in economic sentiment, we saw other metrics in the consumer survey that were a bit troubling.

First, the Future Purchase Sentiment hit a record low in the first week of the year: consumers were making a resolution to spend less in the upcoming months.

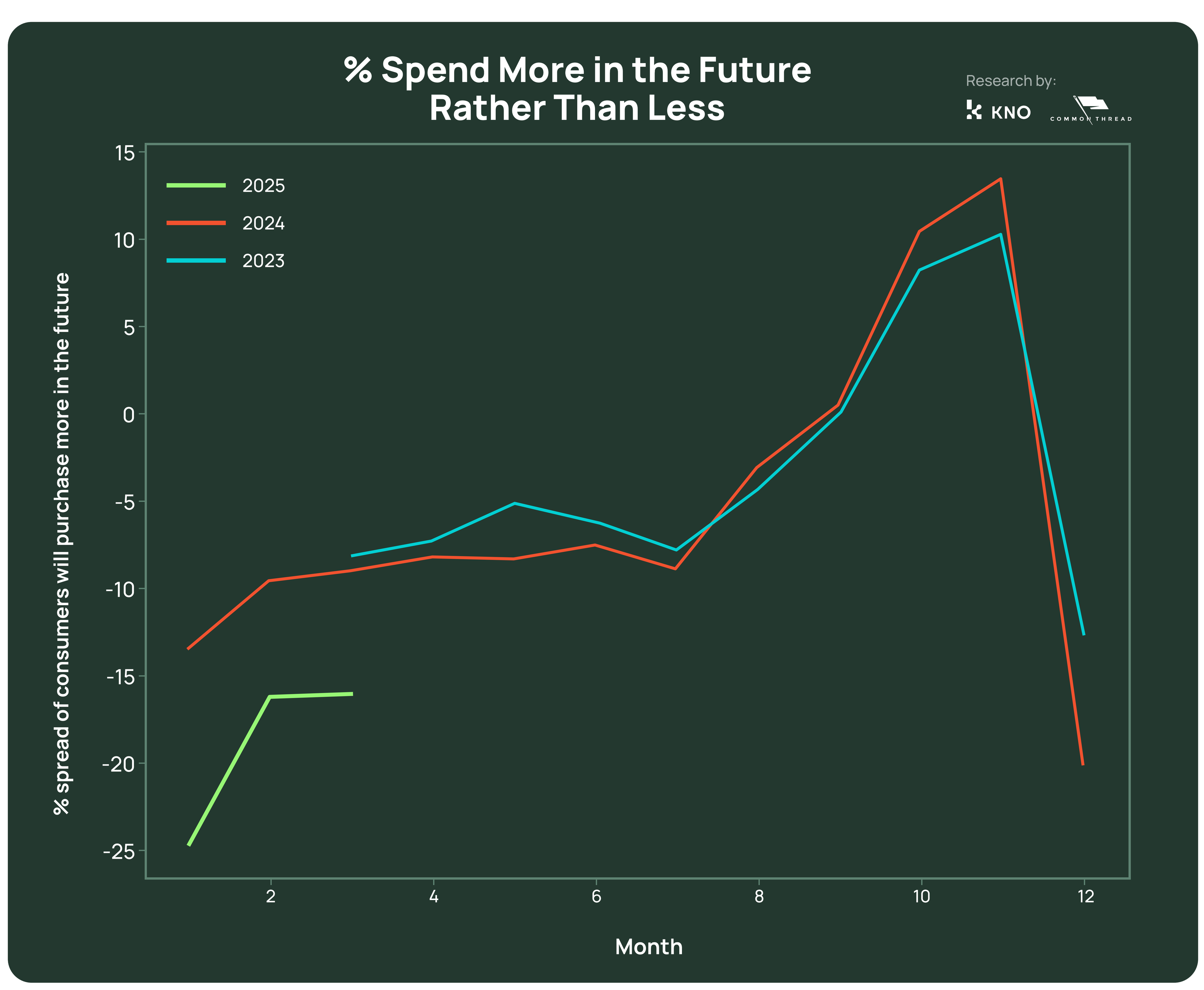


In the same chart we see: the week of February 17th we saw a record low in Present Purchase Sentiment with consumers saying they were spending less than normal currently.

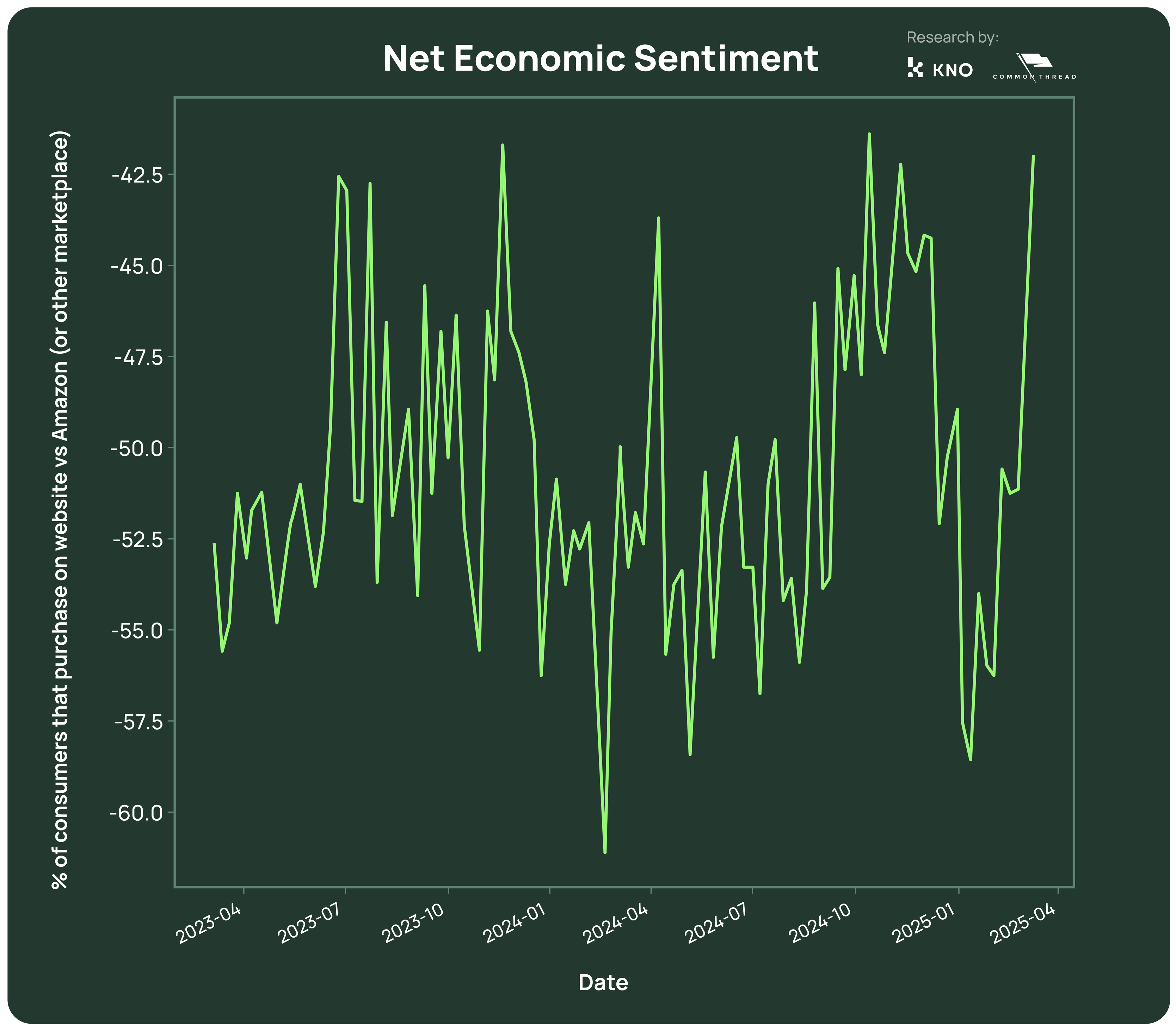
Between those 2 lows, we saw the highest percentage of consumers saying they enjoyed having money in the bank rather than spending in the week of January 27th:



That metric has climbed back up but still remains -7% below the previous years at this same time:



On the positive side, we've seen an increase in consumers saying they purchase more from a brand's website rather than a marketplace (like Amazon, Temu, and Walmart):



It's the third best value we've seen (most preferring website purchases).

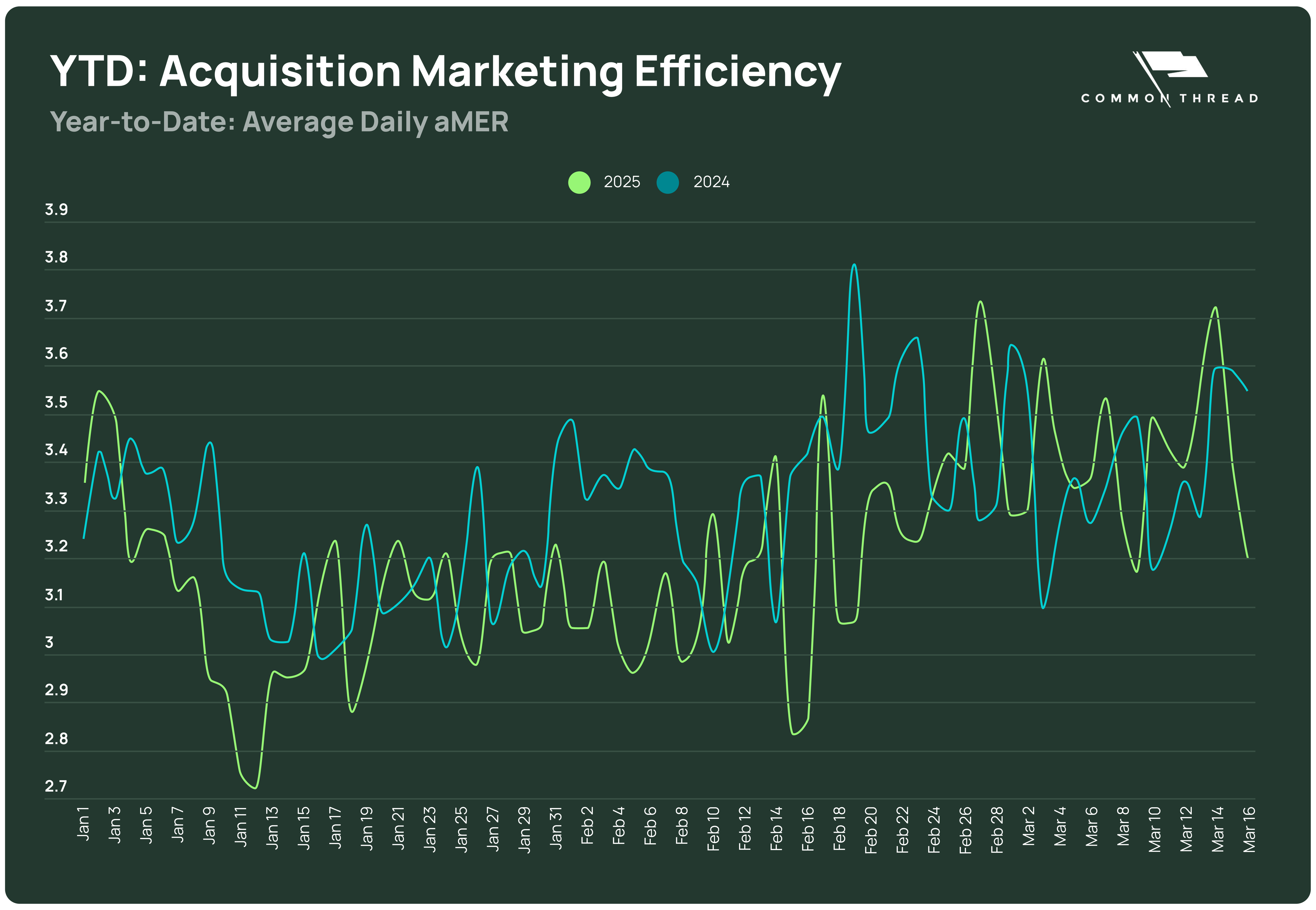
Meta Performance

Common Thread Collective

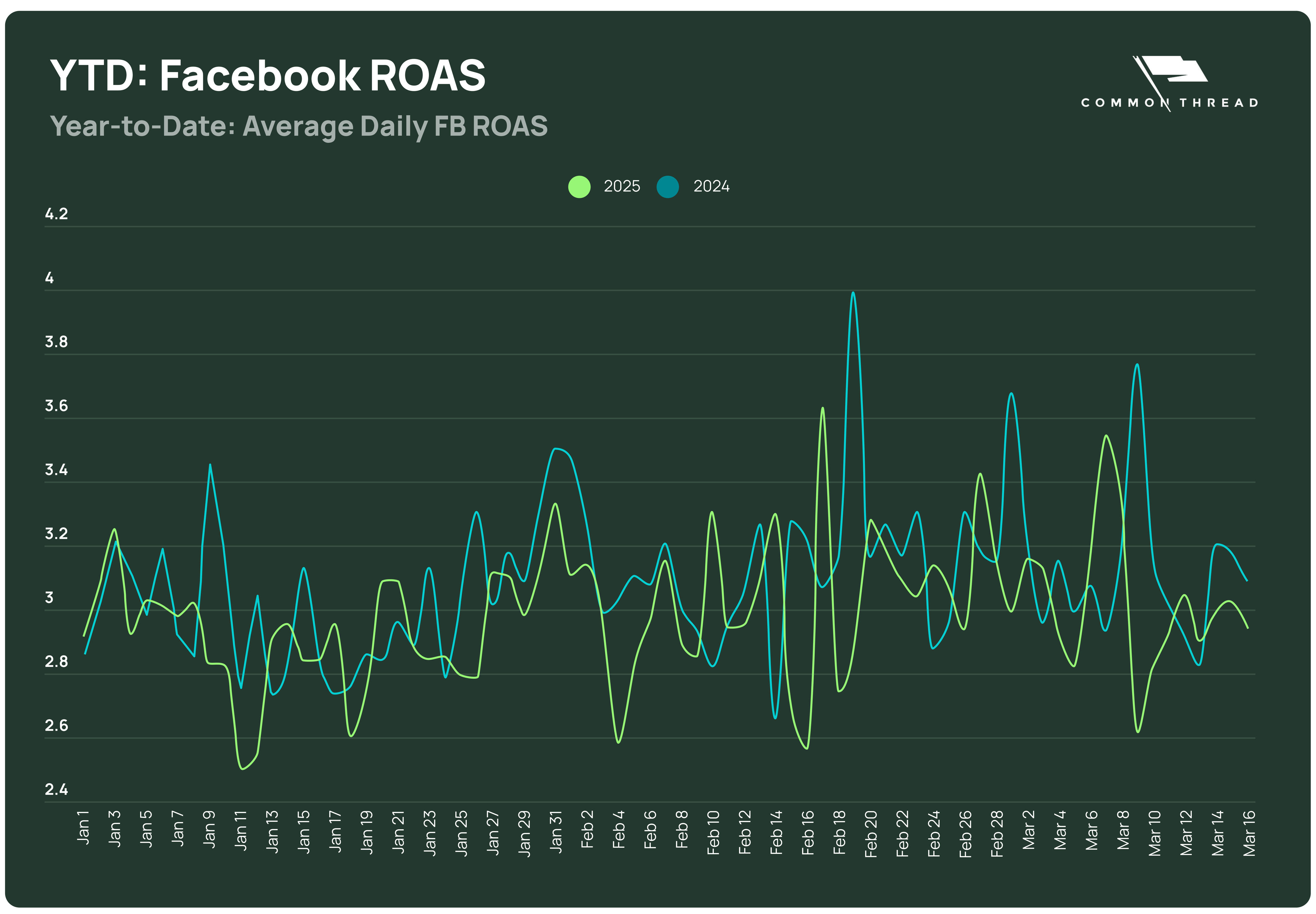
It's been a challenging year not just for Kansas, but also for Meta. In previous reports, we've observed a decline in Meta's ad spend, so here's the latest update.

The Acquisition Marketing Efficiency Ratio (aMER = New Customer Revenue / Total Spend) has dropped by -1.15% YoY over the past 28 days.

However, this marks an improvement, as aMER is down -3.01% year-to-date.

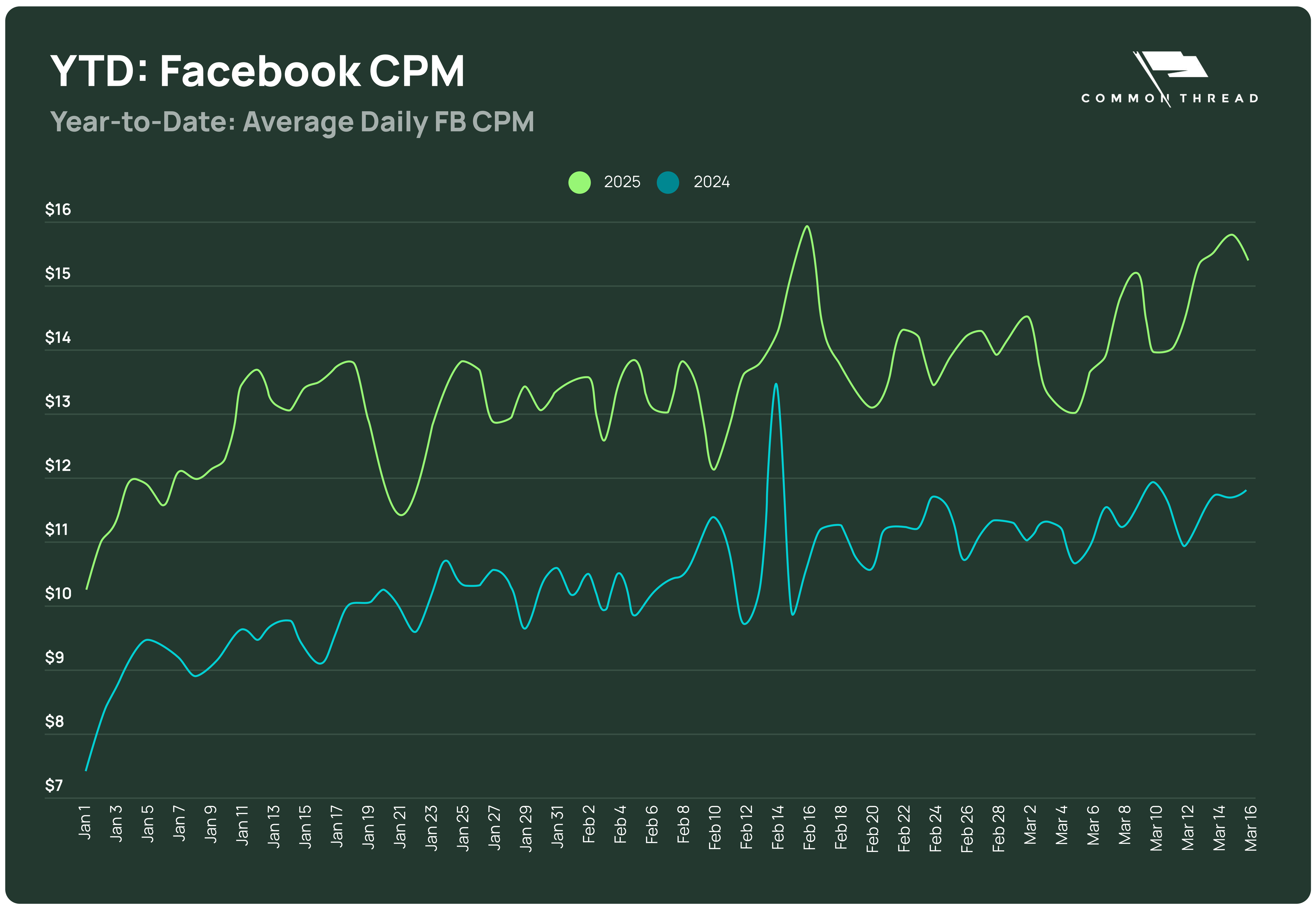


This same downward trend is seen in Facebook ROAS, which is down -3.34% YoY for the year-to-date:

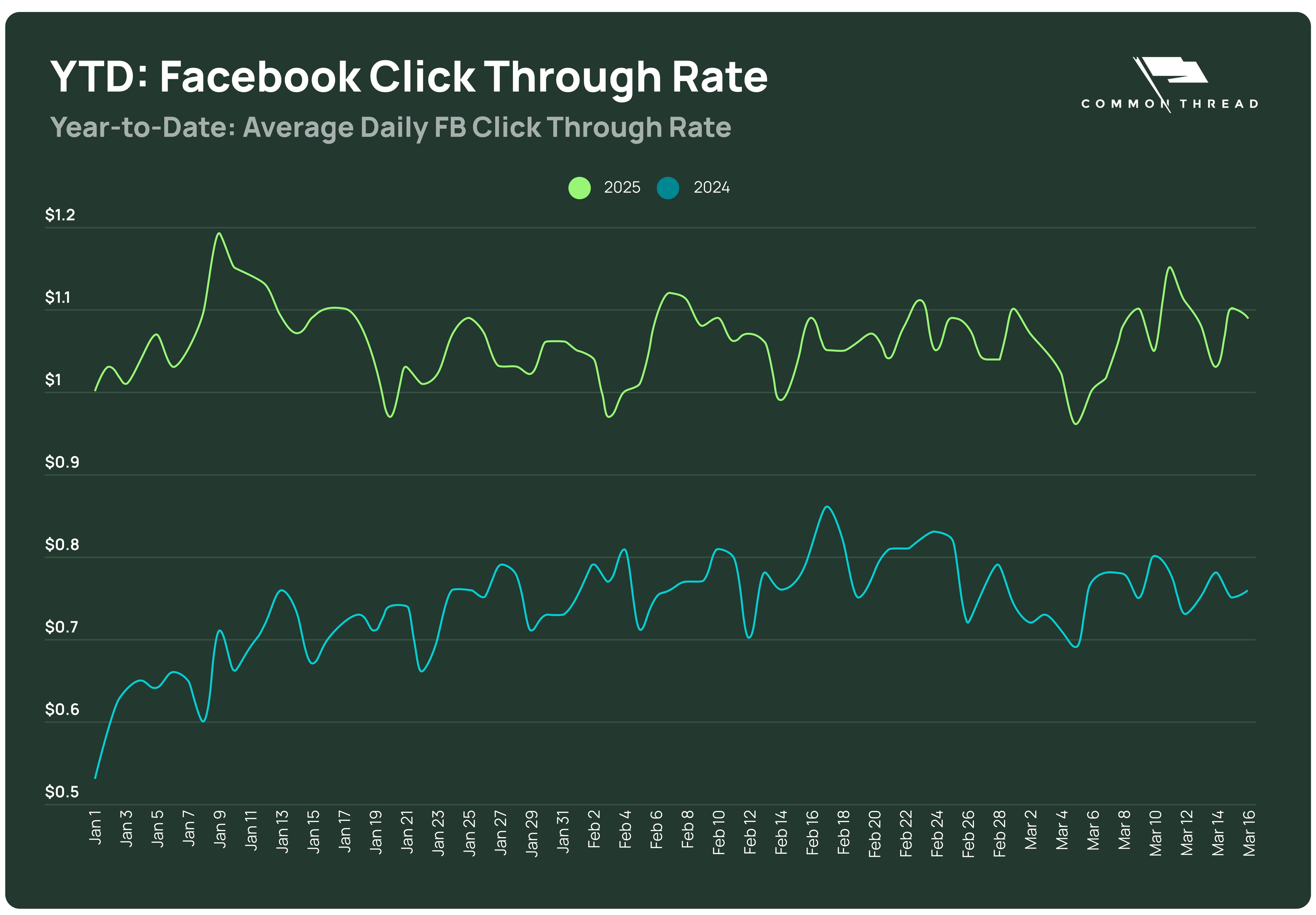


There is something different this year with Meta, I think their algorithm has adjusted and not for the better.

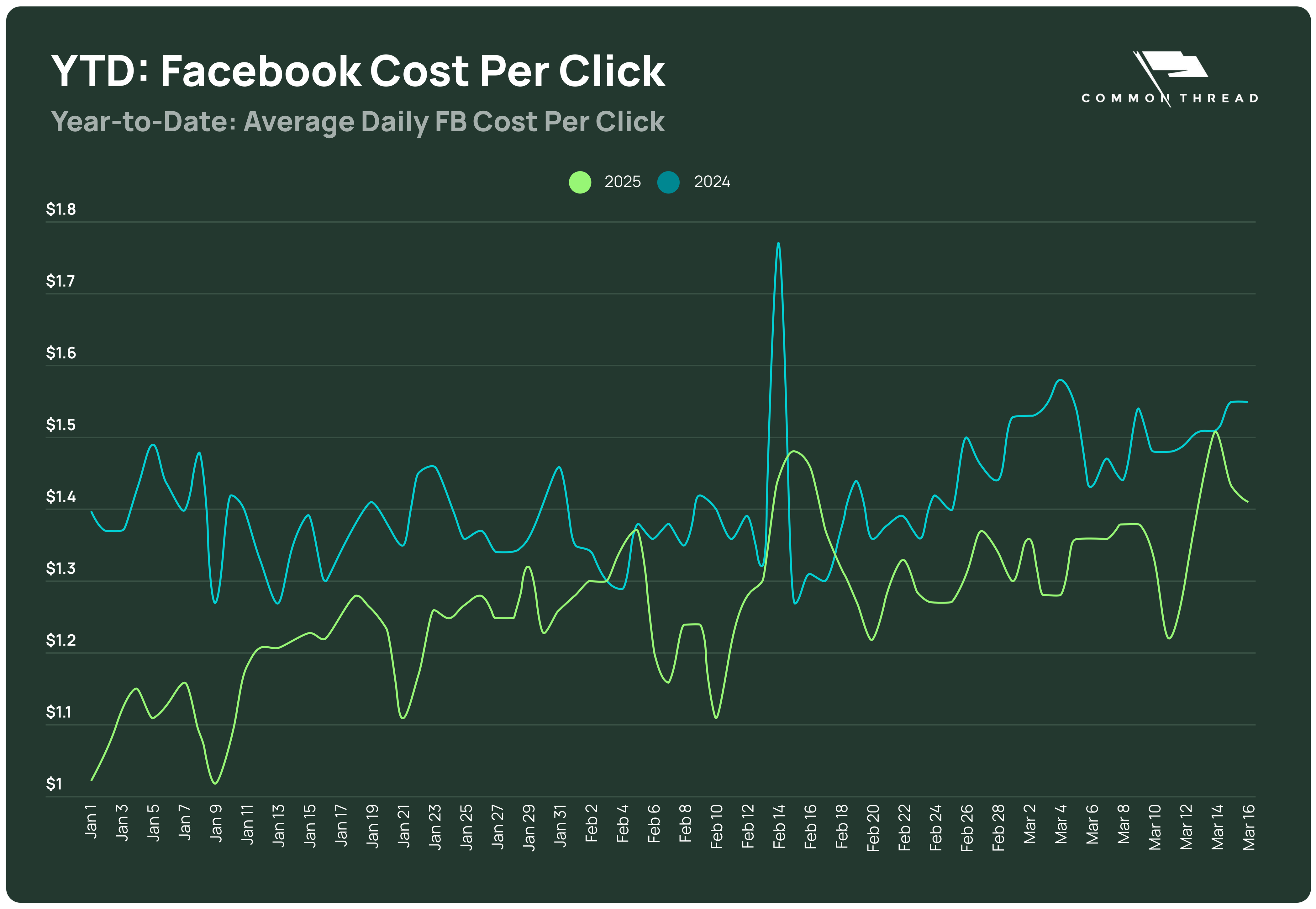
First, we're seeing higher CPM's by +28.48% YoY for YTD:



This would be horrible if it wasn't for the fact that **Click-Through Rate Improved +43.31% YoY:**



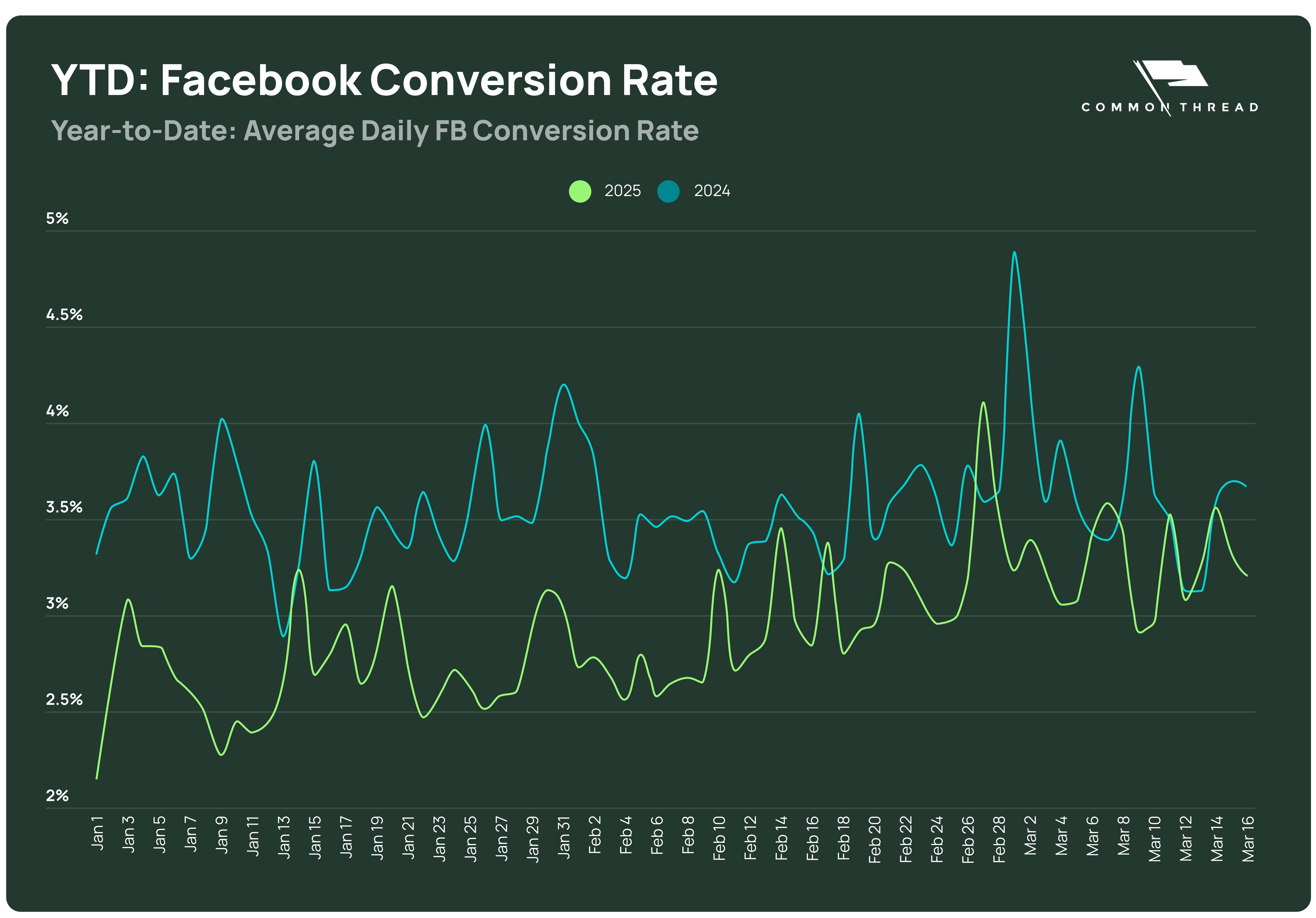
That actually means that Cost-per-Click on Meta is **actually down -10.35%:**



So that's some good news! Brands are getting customers on their site cheaper than last year!

The question is, are they able to convert?

Yes, but at an **-18.00% lower rate** than last year at the same time.



This rate was worse to start the year, but has improved to only being down -11.73% YoY YTD, but that's still hurting performance.

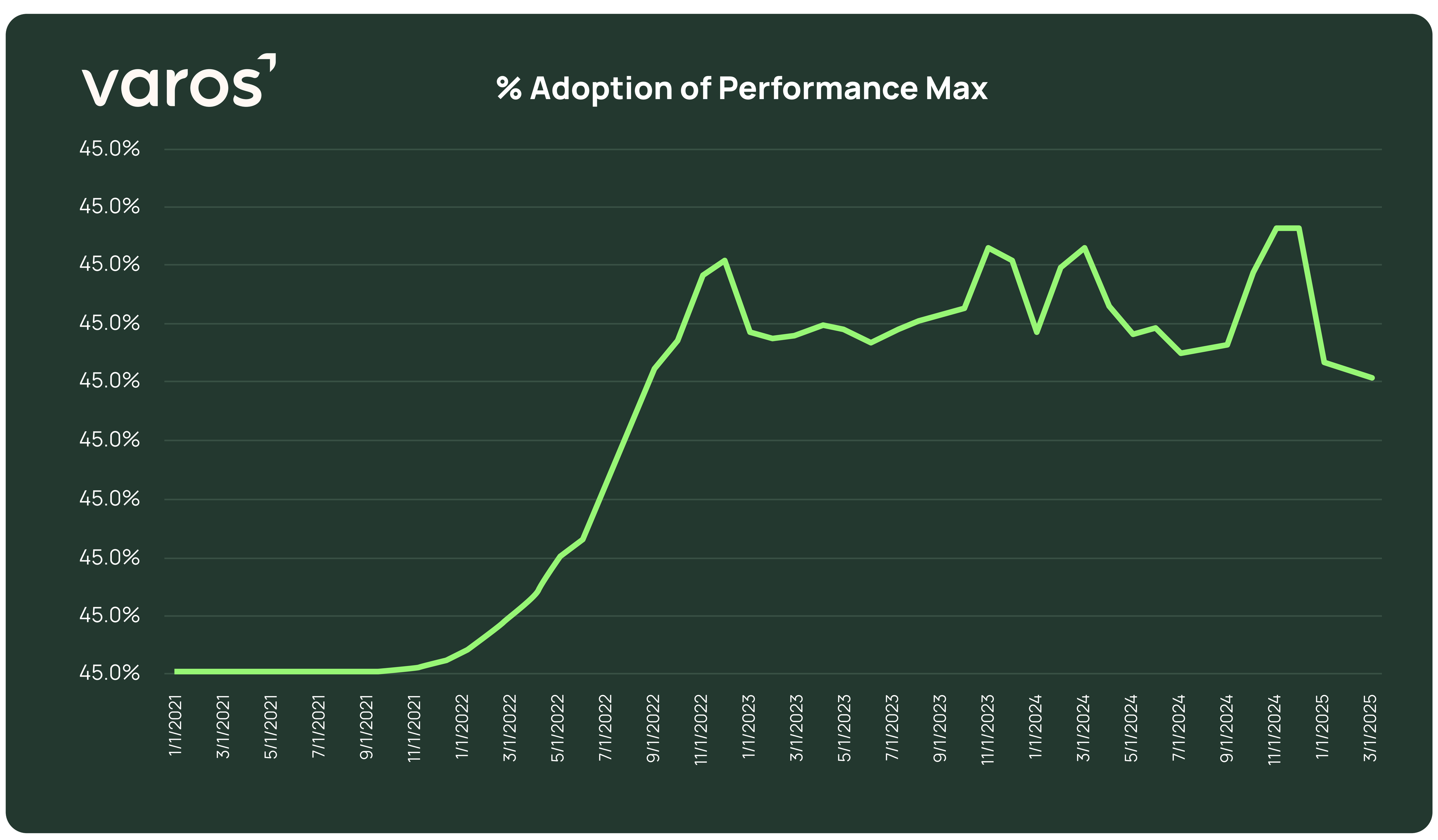
So, we've seen higher CPMs (+28.48%), much higher Click-Through Rate (+43.31%), and a lower Conversion Rate (-18.00%) on Meta. All of this leads to Meta's ROAS being down -3.01%. Which leaves us to conclude that something significant changed in Meta's delivery.

It might be something related to the [Andromeda announcement at the end of last year] and Meta's attempt to lean harder into ASC.

Performance Max Not Performing to its Max?

Varos

Adoption of Performance Max over time



After a rapid rise in adoption of Performance Max (% spend on PMAX of Google Spend), it has totally plateaued. Actually it's even seeing a slight decline.

This is an unfortunate sign for Google, which was hoping to see this adoption continue to rise.

Adoption of Performance Max over time

Detailed Publisher Platform	Total SoW	Δ Total SoW
Google Demand Gen	0.4%	4200%
Facebook Reels	9.2%	142%
Facebook Reels Overlay	0.8%	138%
Instagram Reels	5.9%	66%
Facebook Stories	1.5%	22%
Instagram Stories	10.9%	19%
Google Shopping	1.7%	-3%
Facebook Instream Video	0.5%	-4%
Facebook Feed	46.4%	-7%
Google Search	10.0%	-8%
YouTube	1.5%	-11%
Google Performance Max	6.0%	-23%
TikTok	2.2%	-30%
Facebook Marketplace	0.5%	-31%

varos

- **Biggest Gains**
    - **Google Demand Gen** (0.4% SoW) shows a massive 4200% increase, but it's starting from a very small base.
    - **Facebook Reels** (9.2% SoW) and **Facebook Reels Overlay** (0.8% SoW) are both up sharply (142% and 138%, respectively), indicating Reels are gaining traction.
    - **Instagram Reels** (5.9% SoW) also grew 66%, reinforcing that short-form video placements are on the rise.

- **Largest Overall Shares**
  - **Facebook Feed** remains dominant at 46.4% share, although it's down 7%.
  - **Instagram Stories** (10.2%) and **Google Search** (10.0%) are next, but both dipped slightly (19% increase for Stories is actually growth, while Search is down 8%).
- **Biggest Gains**
  - **Google Performance Max** (6.0% SoW) fell by 20%, suggesting advertisers may be shifting budgets away from automated Google placements.
  - **TikTok** (2.2%) and **Facebook Marketplace** (0.5%) also declined, at -25% and -31%, respectively, showing less share in these channels.

Overall, Facebook Feed remains the dominant driver of spend and traffic, while Reels (on both Facebook and Instagram) are rapidly gaining share. Google's new Demand Gen format has made a notable impact from a small base, whereas Performance Max, TikTok, and Marketplace have experienced a decline.

Ad Platform Insights

varos Ad platform data

	Meta	Google Search	TikTok
CPM	+24%	-15%	-18%
Spend	+31%	-9%	-41%
ROAS (platform defaults - e.g. 7dc/1dv for Meta)	-15%	-2%	+62

varos Revenue data from Shopify - YoY

	7 figure brands	8 & 9 figure brands
Revenue	+13%	+11%
New Revenue	+10%	+6%
Returning Revenue	+16%	+17%

- **Meta:** CPM is up 24% and spend is up 31%, causing ROAS to drop 15%. Higher costs are likely driving the lower efficiency.

- **Google Search:** CPM is up 25% and spend is up 9%, while ROAS is down just 2%—relatively stable performance.

- **TikTok:** CPM is down 18% and spend is down 41%, yet ROAS is up 62%. This indicates strong efficiency despite reduced investment.

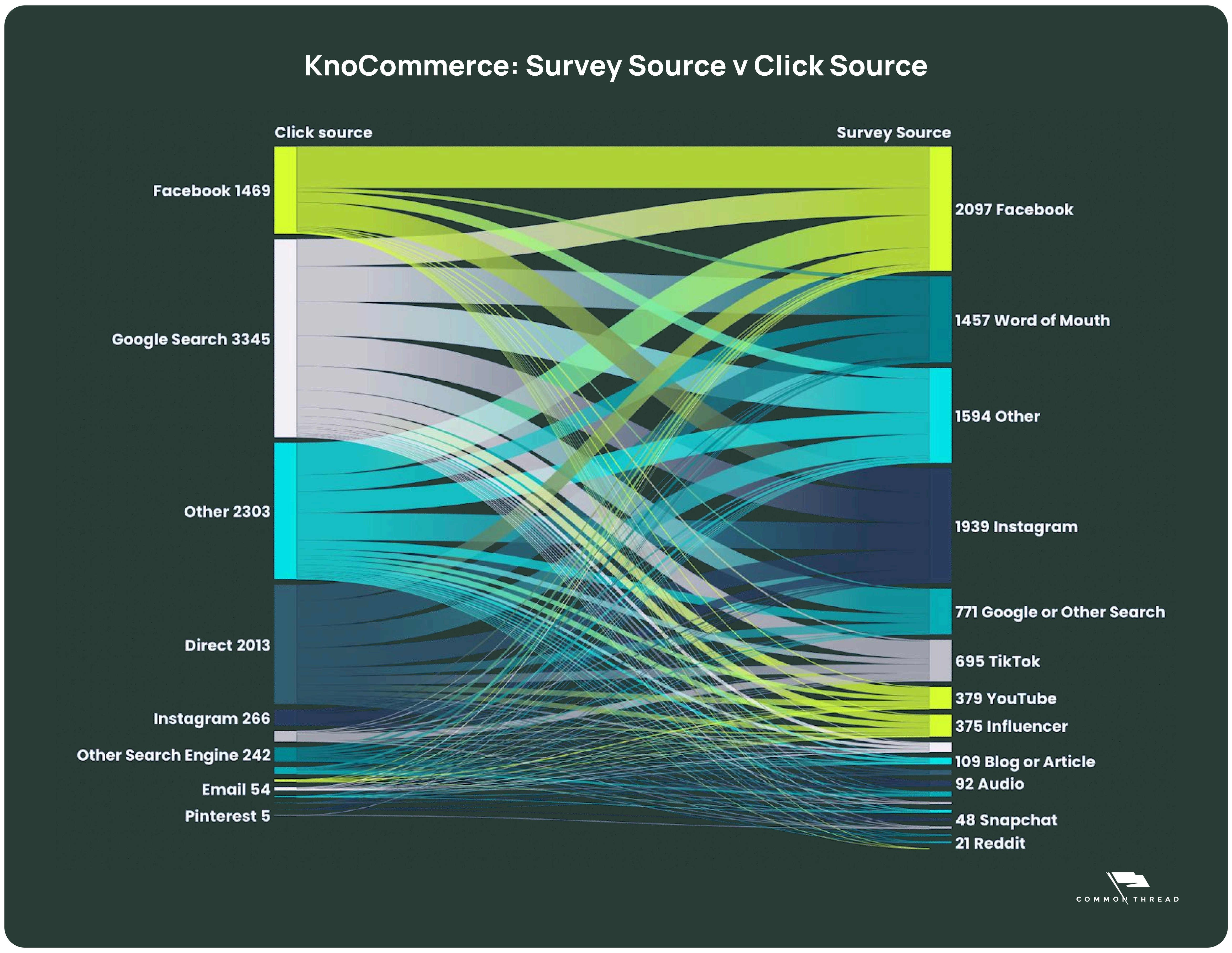
Ad Platform Insights

- **7-Figure Brands:** Total revenue is up 13%, with +10% in new revenue and +16% in returning revenue. Returning customers are providing a strong lift, while new customer growth is also healthy.

- **8 & 9-Figure Brands:** Total revenue is up 11%, driven by +6% in new revenue and +17% in returning revenue. Growth is leaning more on returning customers, suggesting an opportunity to boost new customer acquisition.

KnoCommerce: Clicks vs Self-selected Source

KnoCommerce



One of the more interesting questions we get to help answer at KnoCommerce is: **"where does someone say they found you, and how does that compare to what the click says?"**

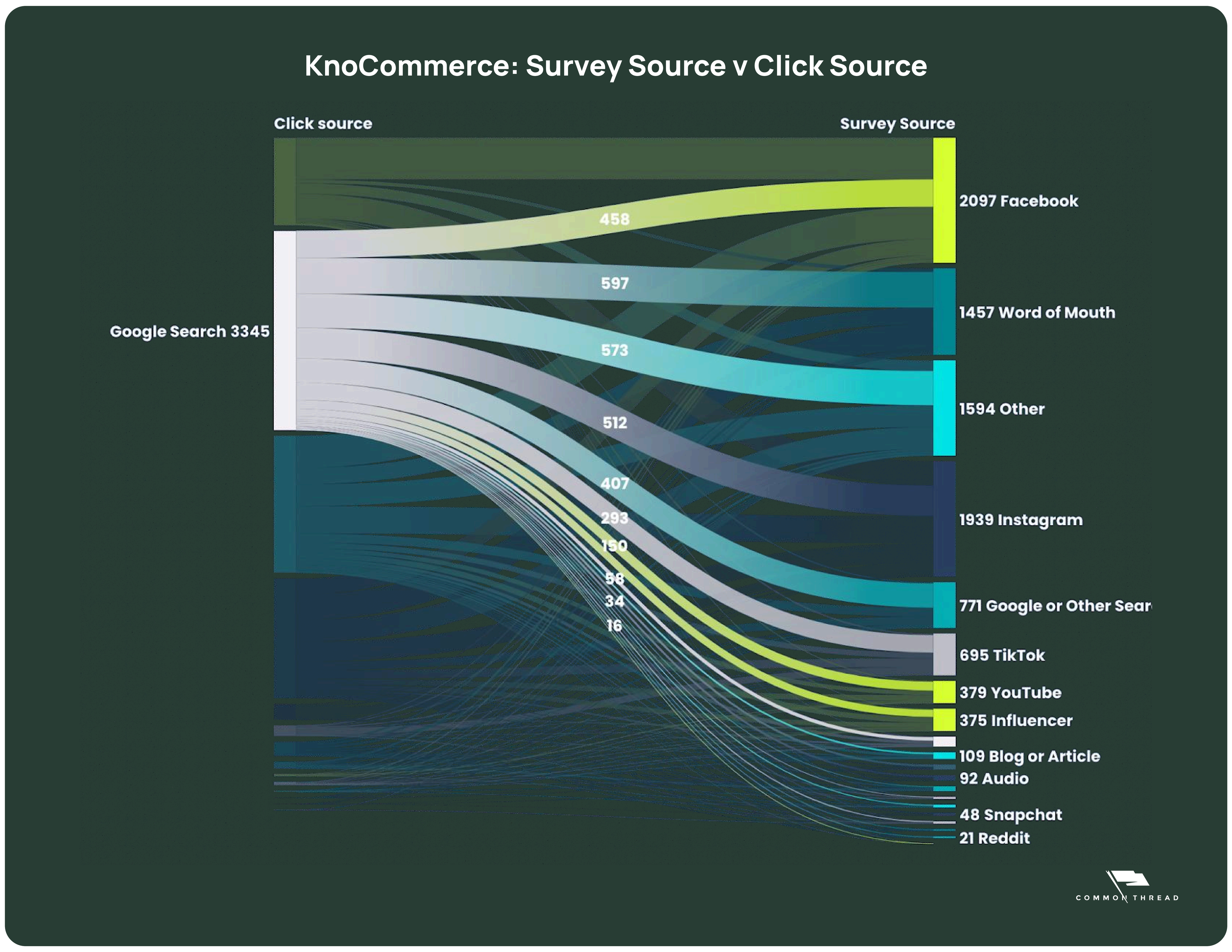
We look at this data frequently—both in aggregate and for individual brands—but until now, we haven't done a great job of visualizing that journey. That changes now.

Here's a sample of 10k orders. Most orders are going to be Google/search, Other, Direct, or Facebook as the click source.

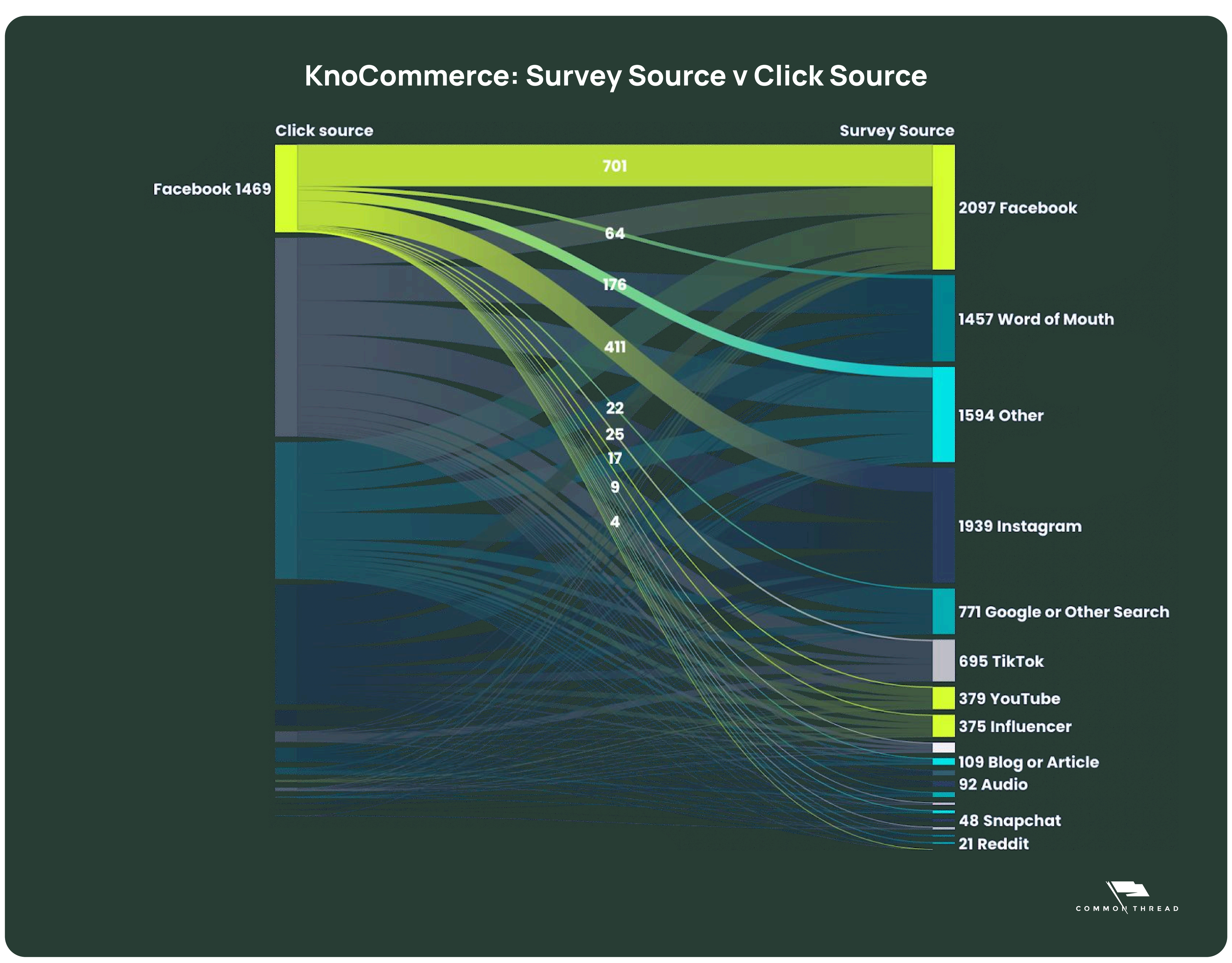
Most common survey sources end up being Facebook, Word of Mouth, Instagram, or Other.

The flow is super interesting, and should be expected, but I think often overlooked when we start looking at click data to measure impact.

Take Google as a click source. Only **12% of people who buy from a Google click, report discovering the brand on Google.**

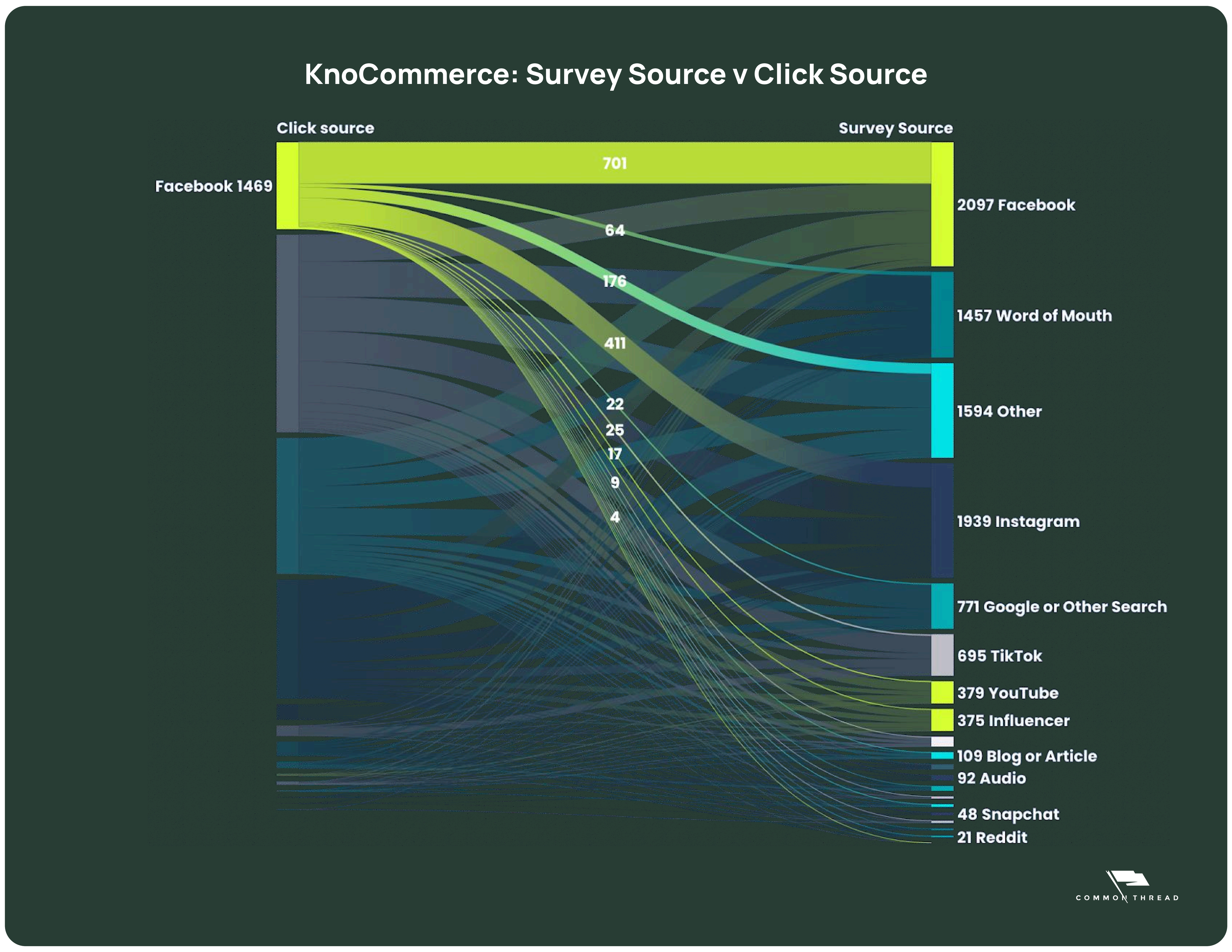


Facebook on the other hand, 48% of people who click from Facebook report finding the brand on Facebook.

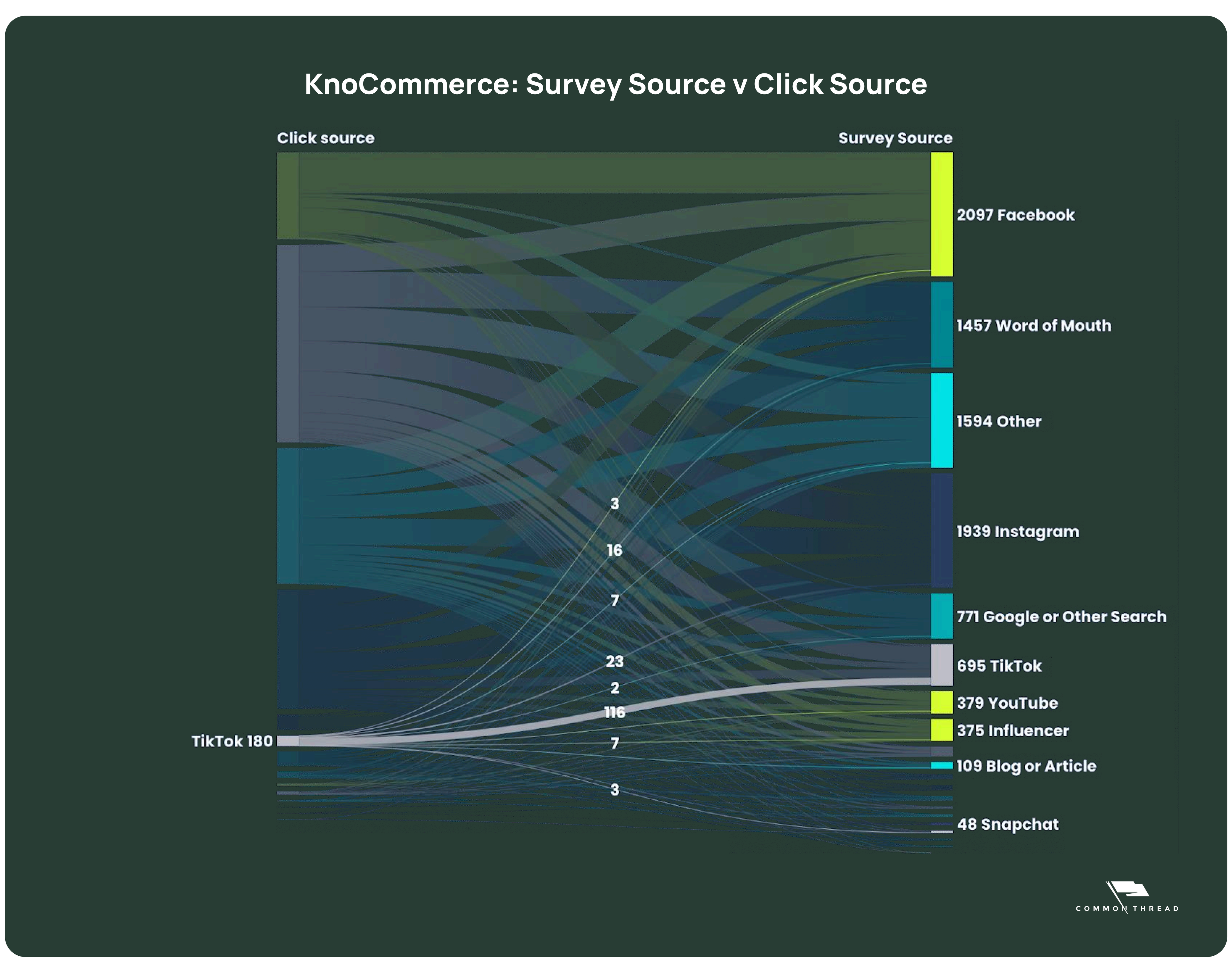


But here's where it gets really interesting. Platforms that are heavily video focused (like YouTube and TikTok), the majority of people who click through those platforms say they found a brand through the same platform.

61% of people who bought from a YouTube click report finding the brand on YouTube.



64% of people who bought from a TikTok click report finding the brand on TikTok.



For these channels in particular, you're going to find a massive difference in self-reported vs click reported attribution.

- **TikTok:** 180 clicks vs. 695 self-reported responses
- **YouTube:** 36 clicks vs. 379 self-reported responses

The full interactive chart can be found here if you want to explore what this looks like in more detail.

Catch the pod

We discuss what's happening in the industry and tease a little of this data every month in a special State of the Industry podcast episode. Watch or listen to our latest convo here.

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