



# Audio Advertising Drives DTC Success

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# Introduction

**For over a decade, direct-to-consumer (DTC) brands have delivered high-quality products at cheaper prices by selling through their own websites, allowing consumers to bypass the markup from traditional vendors. DTC brands disrupted the retail industry, which had long relied on department stores, big box stores, and major labels.**

DTC brands flourished as innovators among these “dinosaurs,” breaking the mold of what’s possible in retail. Consumers fell in love with brands such as Glossier, Casper, and Everlane—and so did the investment community. Venture capital investment in these brands exploded from \$60 billion in 2012 to a whopping \$643 billion in 2021.

**DTC brands' greatest asset has been their marriage of agility and innovation.** Lean supply chains and fast iteration have been hallmarks in the space, while the tight feedback loop between brands and customers has allowed them to test and refine to meet changing needs rapidly. Today, as the market slows and competition is increasingly fierce, DTC brands need to lean into those defining attributes more than ever and integrate them into a strategy that ensures their offerings are more than just a flash in the pan.

As a leading buyer across an ever-growing, ever-changing ecosystem of audio and video creator-based media, ARM works with hundreds of brands to develop

marketing strategies that deliver the results needed in today's world. Working with DTC brands at all stages of growth, we've witnessed **the power of audio to produce quantifiable ROI.** From our work with high-growth DTC marketers, we've gained perspective on how savvy brands are writing the rulebook for a new era of DTC entrepreneurship.

This ebook provides a guide for DTC brands that are ready for their next phase of growth. In the pages that follow, we'll share the whys and hows of audio advertising—including podcast, streaming, and broadcast—and best practices for using audio to help create sustainable, profitable growth.

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# Today's DTC Landscape

The pandemic ushered in DTC's golden years. With limited out-of-home shopping options and consumers seeking cost-effective options, DTC earnings boomed. As the world reopened, however, revenue waned. In fact, by 2021, DTC purchases were down 10% from previous years. A 2022 survey indicated that only 12% of consumers preferred DTC brands to other options.

With declining demand, most brands shifted focus to profitability, a necessary objective to satisfy venture capital backers.

No company has marketing dollars to waste, but DTC businesses must be more efficient with their budgets than ever. Already a performance-driven category, these brands are often at the forefront of emergent advertising channels. In fact, they were early adopters of podcast advertising to drive brand lift at highly efficient eCPMs. They've also been pivotal in the rise of creator-driven marketing as a whole, a \$5.1 billion ecosystem with a projected 15% compounded annual growth rate (CAGR) through 2025.

A man with a beard, wearing a blue button-down shirt and an orange cardigan, is sitting at a wooden desk in a home office. He is wearing large white headphones and is focused on his work, typing on a silver laptop. The desk is cluttered with a black mouse, a black desk lamp, a teal mug, and a pen holder. The background shows a cozy living area with a dark sofa, a yellow cushion, and a clock on the wall. The lighting is warm and ambient.

Today's DTCs are  
more focused on  
profitable growth  
than ever.



Today, DTC brands are still recovering from the post-pandemic downturn and continue to navigate challenges in positioning themselves effectively in a dynamic, complex market. With limited budgets and mounting pressures, efficiency remains paramount in DTC marketing strategies. 2024 offers a clearer economic outlook than preceding years, which DTC brands can use to their advantage for planning.

The perennial goal for DTC brands is to create profitable growth. Audio is a crucial piece of a comprehensive strategy to help DTC brands meet their objectives.



# Why Audio, Why Now

Audio has always been a reach medium, but it's become even more central within consumers' media diets over the past few years. With the rise of channels like streaming, podcasts, and vodcasts, brands can now leverage audio in different and complementary ways to engage precise audiences.

Roughly 214 million Americans stream audio every month. One in five Americans listen to a podcast every day, which is 3.5 times greater than five years ago. Within audio, podcast advertising alone represents a \$2 billion ad market in the U.S., and is expected to grow at 14.4% CAGR through 2027. The most avid listeners consume six hours of audio a day on average. These are powerful numbers. As the audio market expands, DTC brands can capitalize

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on the medium's uniquely tuned-in audience, competitive pricing, and partnerships with talent with similar values to create truly impactful messaging.

For DTC brands, the gold standard of audio advertising was once the host-read podcast spot. While this format still produces great results, other opportunities have emerged as the audio industry has matured. Today, DTC brands can execute both direct and programmatic placements for a wide range of audio opportunities as they do on Facebook for social media ads or Google Ad Network for display ads. Streaming audio ads, for example, take the engagement of traditional radio and add the precise contextual targeting of digital; podcasts boast timeliness, relevancy, and the trust of creator-based media. Audio, in its varied forms, has a role to play across

every point in the funnel thanks to its reach, resonance, and precision.

The versatility of audio allows brands to evolve their marketing strategies with data and automation. Balancing creator-led advertising with the accessibility of programmatic and streaming allows DTC brands to integrate audio into their budgets and goals. Audio's cost-effectiveness and performance have made it a staple of progressive omnichannel strategies.





## Audio is widely adopted and steadily growing

The massive audience of audio combined with the memorability and credibility of ads in the space can spell big returns for advertisers. Eight in ten Americans listen to terrestrial radio, half of them listen to streaming audio, and as channels like podcasts expand, the amount of time users spend with audio rivals linear TV. As such, audio has gained the reputation of being the “new primetime.”

As adoption skyrocketed, so has audience diversity. Podcast listeners reflect the diversity of the country as a whole, with racial backgrounds almost identical to the spread of the U.S. population. Listeners aged 12 to 34 years old grew 33% year over year, while those in the 35- to 54-year-old age group increased by 31%. The

gender breakdown is now near equal, with women representing 48% of listeners. Digital audio boasts similar numbers and for some demographics, skews quite high. For example, 85% of Hispanic people in the U.S. listen to digital audio (and 90% of them are listening to streaming audio or radio).

Digital audio listenership has been trending upward for years, and there is no indication it will slow. As inventory and audiences become more diverse, advertisers can place their messaging in more contextually relevant environments.

## Audio is performance-first

Brand awareness, website traffic, conversions—whatever the goal, the right audio mix can help brands achieve it. In early 2023, podcasts

narrowly trailed linear TV in terms of user base, marking it a powerful mass-media channel. There are 89 million weekly podcast listeners in the U.S.—that’s nearly 33% more subscribers than Netflix reaches weekly.<sup>1</sup> For reach and price, you can’t beat podcasts. Audio is also notable for its authenticity—81% of listeners do more than just listen, they trust the endorsements they receive from their favorite shows and hosts, and 53% feel a sense of community with other podcast listeners. That’s a powerful medium.

## Audio powers customer acquisition

Audio advertising of every flavor—but especially direct buys like host-read spots—achieves customer acquisition more handily than other strategies for several reasons. First, audio is opt-in media; people choose to listen. Seventy-four percent of podcast listeners tune in at least weekly, while 1 in 5 Americans listen daily. Two-thirds of the American population tune in to streaming services. Listeners connect especially strong to

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1 State of Podcasting 2023, iHeart Media, 2023.

podcast personalities, establishing trust and credibility. With hosts speaking directly to listeners, creator-led spots are an inherently intimate medium. There are no ad blockers, and fast-forwarding is tricky, increasing the chances that listeners might miss something when the conversation picks back up. The result is attentive, qualified listeners who will do more than hear the ad—they remember it. Podcast ads boast high recall rates, measured at around 71%; creator-read ads have a slightly higher recall rate at 79%.

## Audio media is mature and innovative

Digital audio has matured greatly over the past decade. Today, it is a medium with tremendous scale and the tools and software to match. While previously an upper-funnel brand awareness tactic, audio has expanded to the entire marketing funnel. Research shows that across every stage of the consumer journey—spanning awareness, consideration, conversion, and loyalty—audio has the most influence.<sup>2</sup> This

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2 State of Audio: Fuel the Funnel, Audacy, 2023.

gives DTC brands greater reach, impact, engagement, and memorability.

Audio pioneers have innovated how messages can be delivered. Emerging trends making waves include 3D audio, an immersive listening experience that mimics the ways in which humans perceive sound, and sensory phenomena such as autonomous sensory meridian responses (or ASMR, pleasurable sensations triggered by specific sounds). Simultaneously, concepts like sonic branding are reemerging as vital business assets, while entirely new technologies such as voice interactivity—which allows listeners to talk to ads they hear, and request information or place an order—could change the way people respond to audio ads.

## **Audio is measurable**

The emergence of advanced platforms and specialized agencies that help advertisers navigate the fragmented digital landscape has facilitated growth by creating methods to measure campaign

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performance. Attribution has matured dramatically in recent years, and methods of measuring key KPIs including impressions, reach, frequency, and audio completion rate have become very precise. Today, tools available to digitally measure all audio channels bring the medium(s) closer to parity with their digital counterparts. Audio publishers are also cracking the code on over-the-air radio attribution through next-level techniques such as lift analysis, daypart segmentation analysis, and time decay analysis. These three tactics measure marketing effectiveness over time outside of streaming audio and podcasting.

## Audio is brand-safe

Brand safety has become a common gripe in recent years as programmatic audio takes a bigger piece of the marketing pie. How can advertisers ensure that their message is delivered in suitable contexts, avoiding questionable or inappropriate content that can damage brand reputation? Tech innovators have developed solutions to address this concern, including software from Sounder and Barometer that uses speech recognition technology to quickly assess millions of podcast episodes for contextual relevance and brand safety.

Even host-read ads are easier to vet for suitability. The value of host-read ads are unmatched since audiences invariably feel a strong connection to podcast hosts. Yet, this presents a risk since advertisers don't always get approval on the final product. Technology can facilitate "onboarding" of hosts to brands, offering quick summaries of the brand, suitability parameters. Solutions can also map elements such as word

choice and topic based on the backlog of shows, helping brands invest in the episodes and creators that offer the best fit.

## Audio is complementary

Our lives keep us on the go, which means that marketing campaigns require flexible media. A more connected, mobile world means thinking beyond traditional ad spots. Audio is a unique format that remains complementary to other marketing approaches. With its ability to connect with otherwise hard-to-reach, ad-free video streamers<sup>3</sup>, it creates opportunities for brands to more effectively reach specific, qualified, and receptive audiences. Audio's power to cover ground that other verticals cannot makes it increasingly important in a more expansive media mix. Tactics that combine display and pre-recorded audio advertising can, for example, amplify the memorability of a campaign; or a host-read ad combined with social campaigns can boost branding and awareness efforts, effectively moving consumers closer to conversion.



## Audio is an alternative

Many people are exhausted by the omnipresence of technology in their lives. Some feel tired of the ubiquity of screens, others the neverending scroll of social feeds. Audio in its many forms offers an alternative means of entertainment. It acts as an antidote to screen fatigue (72% of people reported feeling screen fatigue; 42% cited it as a primary reason why they were attracted to digital audio) and, in the case of vodcasts, a more visually expressive way to connect with one's favorite creators while taking in audio content.



*allbirds*

# How Programmatic Audio Propelled DTC Brand Allbirds to Success

## GOAL

### **Increase revenue and order volume**

Allbirds is a DTC pioneer. The global brand sells shoes made of eco-friendly materials that have been worn by athletes and politicians alike. Facing a downturn in Q4 2022, with declining stock prices and slowing sales, the brand pivoted to focus on revenue and order growth. Allbirds partnered with ARM to pursue podcast and streaming strategies to achieve these goals.



## STRATEGY

### **Integrate programmatic audio to drive new media strategy**

With guidance from ARM, Allbirds conducted tests on competitive, high-reach CPM investments such as programmatic. ARM's recommended targeting strategy focused on the most successful direct podcast and streaming audience segments and the highest-performing interest groups identified by the brand's paid search and social campaigns. This methodology identified strategies with the greatest ROI.

## RESULTS

### **Higher ROAS and 39% lower cost per order**

Within two months, programmatic testing **produced 47% more site visits, a 39% lower cost per order, and 24% higher return on ad spend (ROAS)**. Compared to overall Q4 campaign investments across channels, programmatic accounted for only 15% of spend yet yielded 21% of order volume, 22% of total reported revenue, and 62% of site visits. Given this performance, Allbirds identified programmatic audio as a major opportunity to meet its goals of generating greater revenue and order volume.



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## Audio 101: Best Practices

The best audio ad placements are an extension of the shows in which they run, reflecting the same flare and friendliness of the podcasts, music, and other content. From creative and measurement to budget and strategy, we've outlined everything you need to get started.

## 1. Budget wisely

The average person spends nearly two hours consuming audio a day. Despite its high consumption, audio still captures just 3% of total digital advertising spending annually. As audio grows more rapidly than other forms of media to become the newest mass-reach medium in the U.S., marketers are still catching up to the trend. As such, it represents an opportunity for progressive DTC brands to experiment and invest before the ecosystem becomes crowded.

While audio remains a cost-effective channel, brands should set aside enough money in their budgets to test breadth and depth, allowing for discovery of the most effective spaces, personalities, and creative. Working with agency partners can be the most efficient way to identify the right investment to get started, place initial ads, and measure their efficacy to drive the strategy going forward.

## 2. Take a broad view

Effective digital advertising in any space requires testing and experimentation to hit on the right combination of programs, messages, and styles. Audio is no different. Brands will need to go through a discovery phase before they can get audio advertising down to a science. This requires taking a broad view on how and where to execute audio campaigns.

For example, they should start with smaller shows instead of making a beeline for the biggest names and podcasts with the largest audiences for host-read ads. Test personalities, messages, and audience niches. And move beyond creator-based spots and explore programmatic to see how it performs for your brand over a defined period of time.

### 3. Diversify approaches to measurement

Producing meaningful reports on audio campaign performance requires both direct and indirect measurement. Direct measurement is attribution that is roughly one-to-one, with results that can be directly tied to a specific campaign.

Methods of direct measurement include:

- Promo codes
- Vanity URLs
- Toll-free numbers
- Text response

Indirect measurement is another critical piece of the measurement puzzle, because direct measurement can't truly capture all activity generated by a campaign. Indirect measurement can supplement measurement activity to get a more comprehensive picture of performance.

Indirect measurement methods include:

- Post-purchase surveys
- Pixel-based attribution
- Conversion lift studies
- Advanced modeling
- Web + mobile app downloads

Marketers know that advertising touchpoints don't work in isolation. To measure effectively, a combination of these methods should be used to gain a holistic view of individual campaigns, accounting for the complex factors that influence consumer purchasing decisions.

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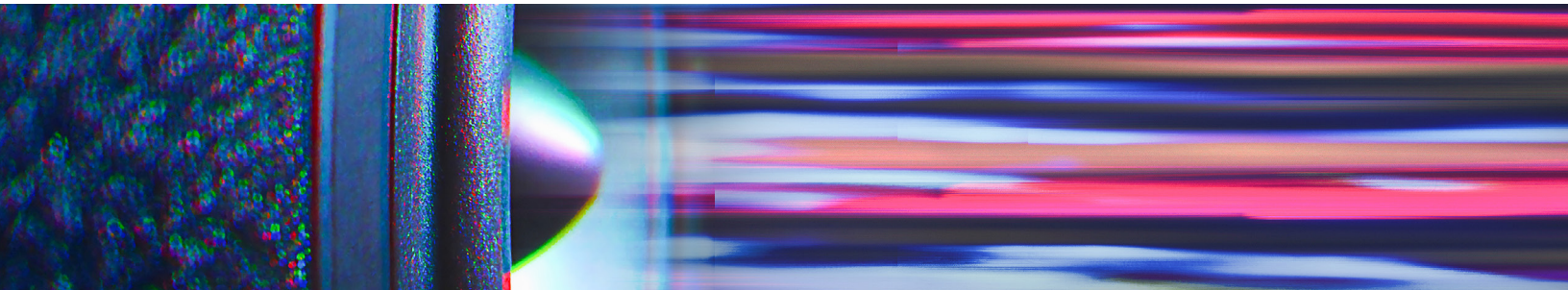
## Riding the sound wave

There is undeniable momentum in audio. Every day, creators inject new life into podcasting and streaming platforms, filling out niche interest categories, while listeners flock to the platforms that allow them to rest their eyes while gaining new insights. Outpacing the growth of all other forms of media, audio truly is a force to be reckoned with.

Podcasts and creator-backed audio are now an essential part of the cultural landscape. The biggest names are

the stuff of dinner table conversations, and even midsize podcasts regularly take their shows on tour, selling out venues across the country. This shift to audio will continue in the years to come, since young audiences have been the earliest and strongest adopters of mediums like podcasting. Since audio's early days, stakeholders have proactively addressed advertising risks, effectively making audio not just a nice-to-have piece of media strategy, but an essential buy.

The first wave of audio investment may be over, but the space is nowhere near critical mass, making now a crucial time for DTC brands to invest. Even if the time is right, however, execution isn't always easy.





Like all digital advertising, audio is fast-paced and dynamic. As such, newcomers benefit from the guidance of industry experts who can make planning and buying across a fragmented ecosystem easier. Since its inception over 25 years ago, ARM has been the preeminent creator-based media agency across podcasts, vodcasts, radio, streaming, and emerging audio. By combining the internal data, analytics, and marketing capabilities of a specialty agency with extensive connections and insights, we set DTC brands up for maximum performance.

ARM believes DTC brands can fill a crucial gap in the market, meeting consumer needs affordably while forging more meaningful connections. We are confident that audio is the best vehicle for extending that personal dialogue without sacrificing ad performance. **Ready to tap into the next wave of advertising? Let's talk.**

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# About ARM

Ad Results Media ARM, an expert audio agency with over 25 years of experience, empowers brands and agencies to boost channel performance and sales using the power of audio. Pioneering the podcast advertising landscape with the very first podcast ad placement in 2010, ARM now stands as the world's largest podcast media buyer. ARM leverages its deep expertise and proprietary data across all audio platforms to connect brands—such as Molson Coors, FanDuel, Allbirds and ZipRecruiter—with consumers where and when they are listening to deliver effective and cost-efficient campaigns. With audio experts across the United States, ARM's unparalleled industry connections drive results for brands and agencies. To learn more about ARM, visit [adresultsmedia.com](https://www.adresultsmedia.com).

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