



Brand Disruption 2020:

Direct Brands Go Mainstream

February 2020

Direct Brands Initiative Strategic Partners:



This report was produced by IAB. The final report, findings, and recommendations were not influenced by strategic partners.

Acknowledgments

This report would not have been possible without the collaboration and financial support of our Direct Brands Initiative Strategic Partners and supporting sponsor, listed below.

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Direct Brands Initiative Strategic Partners



Supporting Sponsor



Additionally, we extend our deepest appreciation to all the marketers, publishers, technology developers, and service providers that have contributed their time, insight, and enthusiasm in support of this report.

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7. Attention: The Battle to Reach Consumers



The Mainstreaming of the Direct Brand Economy

The Direct Brand Economy is Achieving Mainstream Status

The New York Times

Lord & Taylor Will Be Sold to Le Tote, a Clothing Rental Start-Up

Q Search

Bloomberg

Sign In

Business

Nike Pulling Its Products From Amazon in E-Commerce Pivot

THE WALL STREET JOURNAL

Maker of Schick Razors to Buy Upstart Harry's

Edgewell strikes \$1.37 billion deal for brand that sold razors online and moved into stores

WWD

P&G Freshens Grooming Segment With Billie Acquisition

ADWEEK 40

L'oréal Debuts a Personalized Direct-to-Consumer Hair Color Brand

2019: Incumbents Lead in Buying Successful Disruptors

The Metaphysics of Kylie Cosmetics Being Sold to Coty

On Monday, Kylie Jenner sold 51 percent of her cosmetics and skin care brand to [Coty for \\$600 million](#), a price tag that values the enterprise at \$1.2 billion.

—The New York Times

Purple Carrot to Be Acquired by Largest Japanese Organic Food Delivery Service, Oisix ra daichi Inc., Fueling Opportunity to Bring Plant-Based Meal Kits Global

—BusinessWire

[www.fooddive.com › news › blue-bunny-ice-cream-maker-wells-ente...](#) ▼

[Blue Bunny ice cream maker Wells Enterprises to buy Halo Top](#)

Sep 10, 2019 - While Eden Creamery was reportedly looking to sell Halo Top for the past couple of years — potentially for as much as \$2 billion — Halo Top's ...

Direct-to-consumer lingerie brand Lively acquired for \$85M

—TechCrunch

ANOTHER D-TO-C BRAND GETS SNAPPED UP AS STEVE MADDEN BUYS GREATS

—AdAge

Procter & Gamble acquires Walker & Company, Tristan Walker will remain as CEO

—TechCrunch

Hot Skin-Care Brand Drunk Elephant Sells For \$845 Million, Minting Founder A Fortune

—Forbes

How Oars + Alps Went From Launch To Exit In Less Than 36 Months



CLAIRE MCCORMACK
OCTOBER 28, 2019

f t in

Typically, founders don't talk about their brand being acquired before a deal is done, but are free to celebrate—and spill—after an acquisition. That's not the case with Mia Saini Duchnowski and Laura Lisowski Cox. Apparently for legal reasons, the co-founders of Oars + Alps must stay mum about S.C. Johnson scooping up their men's personal care brand for a reported \$20 million. They are open to discussing the intriguing twists and turns that Oars +

—beautyindependent.com

Target Group Inc., signs agreement to acquire CannaKorp, Inc., creators of the groundbreaking pod-based WISP Vaporizer

TORONTO, Feb. 5, 2019 /PRNewswire/ - Target Group Inc. (OTCQB: CBDY) ("Target Group" or the "Company"), is pleased to announce, that effective January 25, 2019, it has entered into an agreement to acquire Massachusetts-based CannaKorp Inc. ("CannaKorp"). CannaKorp is the holder of the patent-pending WISP™ vaporizing system.

—Target

32 Disruptors Founded in the Last 10 Years had M&As in 2019

Alcohol/Beer/Wine

DTC	Acquired by
Swish Beverages	ZX Ventures

Apparel/Fashion

DTC	Acquired by
Greats	Steve Madden
Reformation	Permira
Bow & Drape	WIN Brands Group
Lively	Wacoal

Consumer Electronics

DTC	Acquired by
littleBits	Sphero
Wisp	Target Group
Henge Docks	Brydge

Education

DTC	Acquired by
Thinkful	Chegg
CodeMonkey Studios	TAL Education Group
Portfolium	Instructure
zyBooks	Wiley
Osmo	BYJU's
Socratic	Google

Food & Beverage

DTC	Acquired by
NurturMe	Grays Peak Capital
Tio Gazpacho	Novamex
Halo Top	Wells Enterprises
Hungry Harvest	Ungraded Produce
Purple Carrot	Oisix ra daichi
Cameron's Coffee	Grupo Nutresa
Revive Kombucha	Peet's Coffee & Tea

Health/Wellness

DTC	Acquired by
Habit	Viome
AVA	Royal DSM
Foodstand	Diet ID

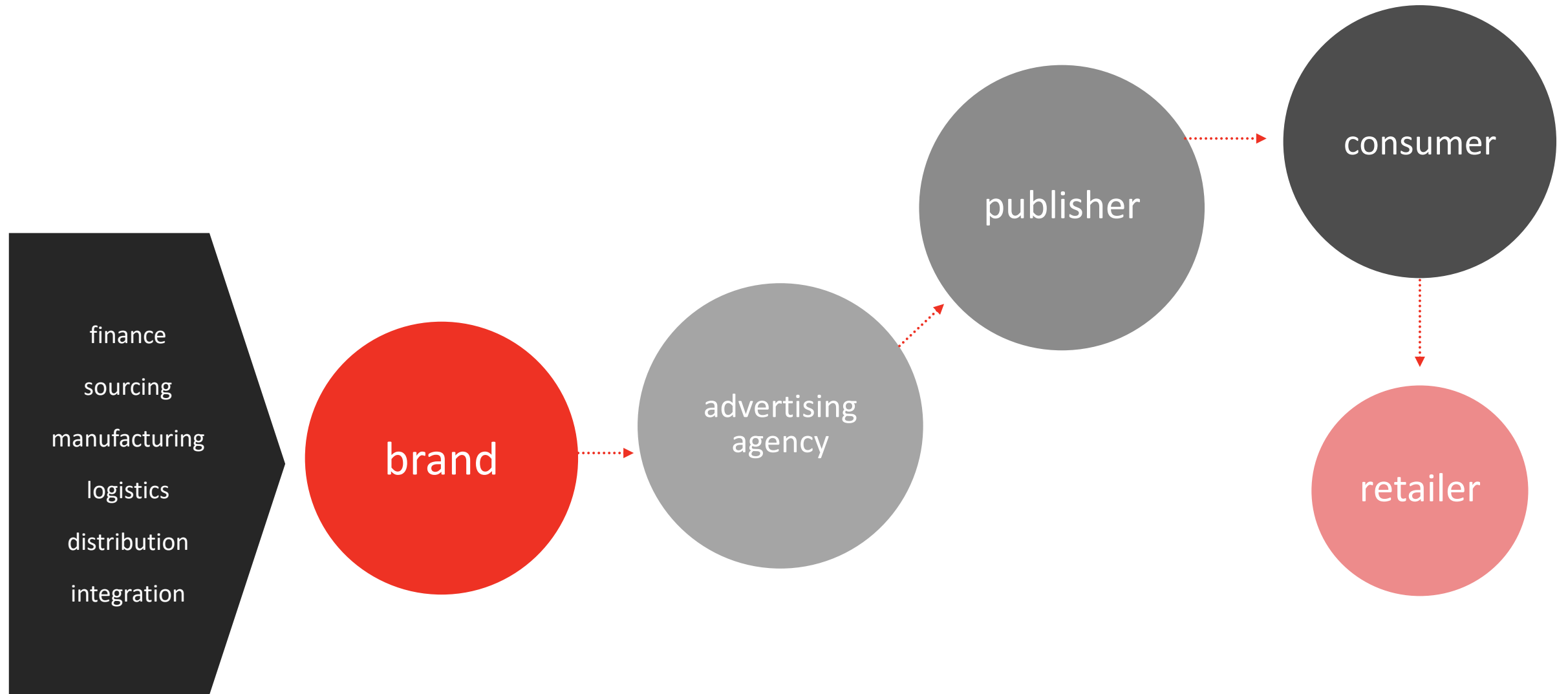
Personal Care

DTC	Acquired by
Sustain Natural	Grove Collaborative
Walker and Company	Procter & Gamble
Christophe Robin	The Hut Group
Drunk Elephant	Shiseido
Kylie Cosmetics	Coty
Oars & Alps	SC Johnson
Tatcha	Unilever
This Is L	Procter & Gamble

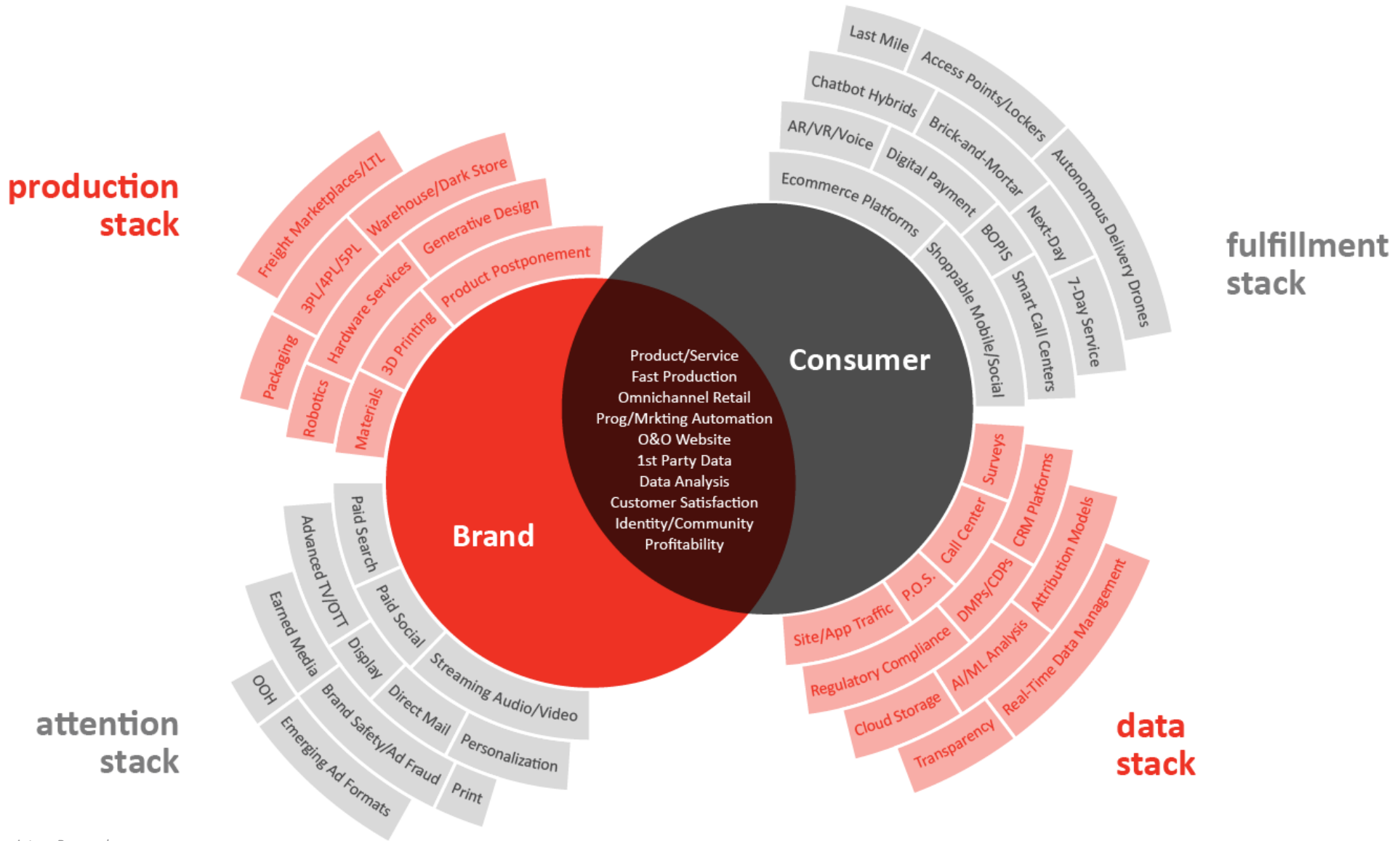
Top 2019-2020 Direct Brand Economy Trends

1. Brands are now born “storelessly” and grow across channels
2. The entire brand supply chain is increasingly available “as-a-service”
3. Delivery wars intensify: next-day now the norm, same-day the frontier
4. Buy online, pickup in-store (BOPIS) is the new normal in shopping
5. To survive, retailers and brands are engaged in a raging “experience war”
6. Emerging tech now fully emerged to elevate digital shopping experiences
7. A “Shopify ecosystem” is materializing as a direct brand alternative to Amazon
8. Digital data output will triple from 2019 to 2025, powering demand for – and availability of – personalized services, products, content, and marketing
9. Regulatory concerns about consumer data are high, but not yet affecting companies’ data investments
10. Video consumption is skyrocketing – entirely on direct-to-consumer channels
11. The video ad market is really two markets: story-based, and “me-based,” and both, content, commerce, and data are converging
12. Shoppable video ads are edging close to mainstream
13. Podcast and audio streaming are creating breakout brand opportunities

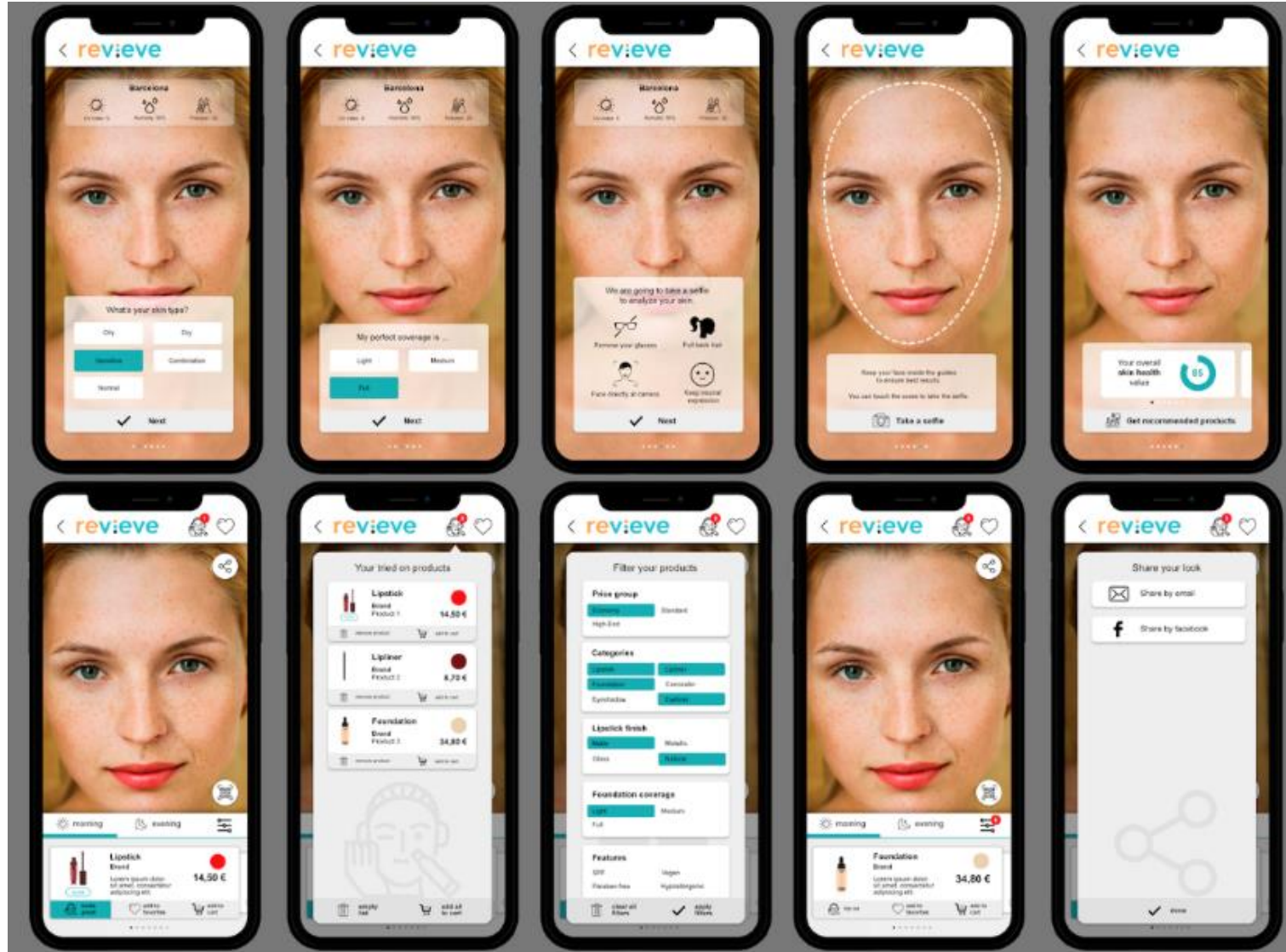
Indirect Brand Economy (1879 – 2010)



Direct Brand Economy, 2010+

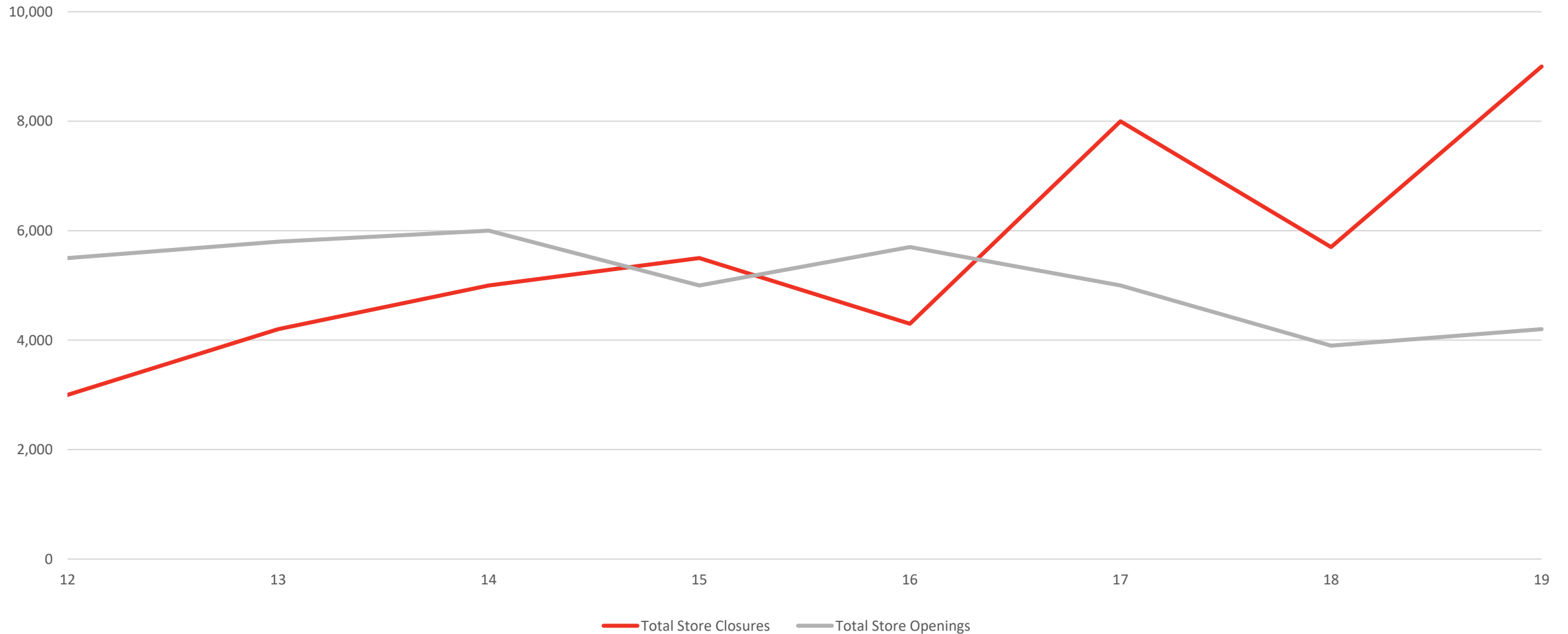


Welcome to the “Storeless Brand”



B&M Store Closings Up 68% YoY to a Record 9,300 Stores

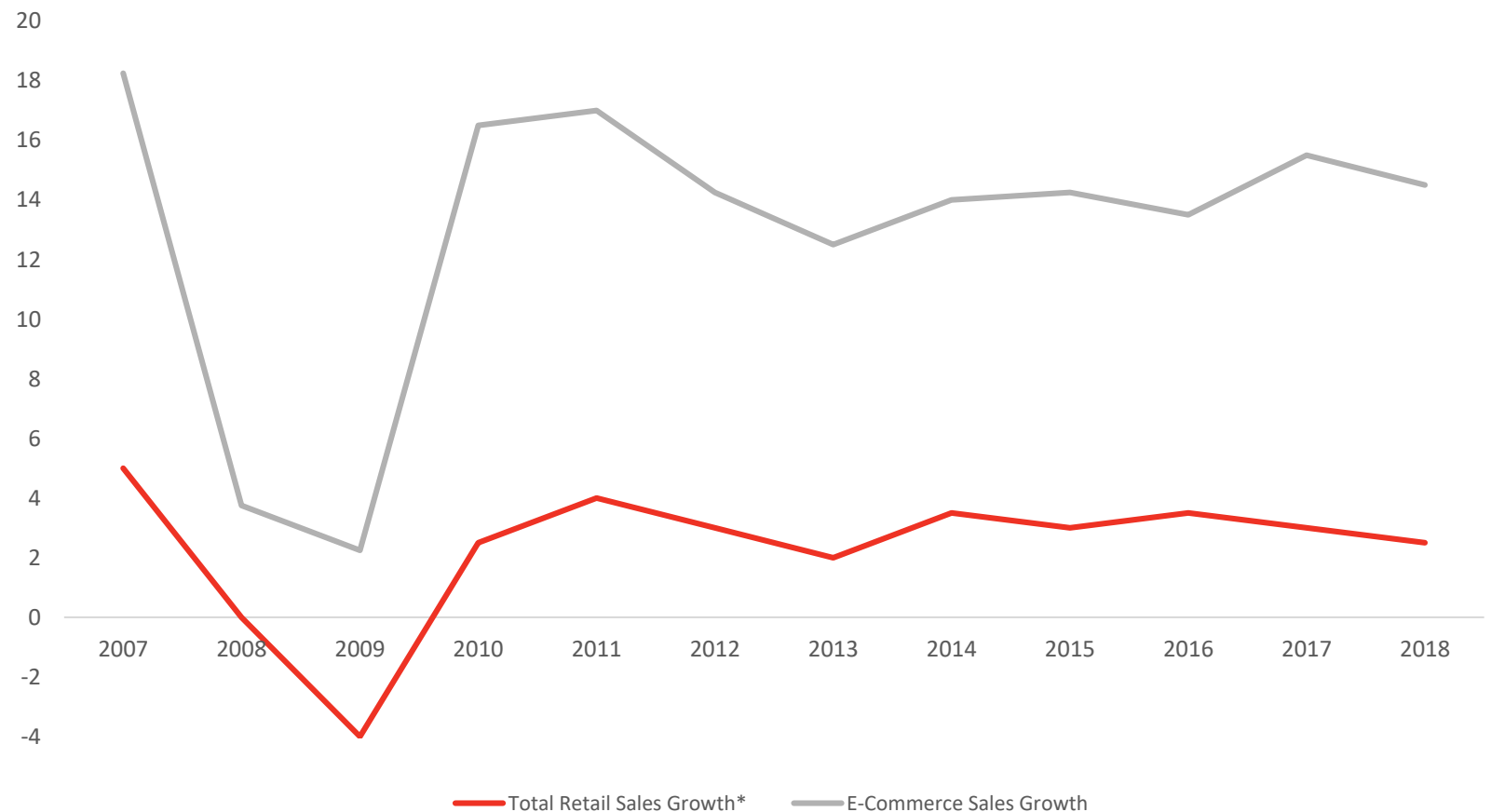
US Store Closings Have Spiked to Their Highest Levels in Years in 2019



The Rise of E-commerce Powers the Direct Brand Economy

- Ecommerce is growing 5x the rate of total retail, and its share has nearly tripled in the last decade (from 5% to 14%)
- 82% of U.S. adults shop online, accounting for nearly \$600 billion in 2019 (up 13% YoY)
- In 2020, for the first time mobile will account for half of all online sales

Comparing Growth: U.S. Retail Sales* vs. E-commerce



*Factoring out the sale of items not normally purchased online, such as fuel, automobiles and sales in bars and restaurants

E-commerce Market Share will Increase ~50% across All Categories by 2023

US Retail E-commerce Sales Share by Product Category

% of Total Retail Sales

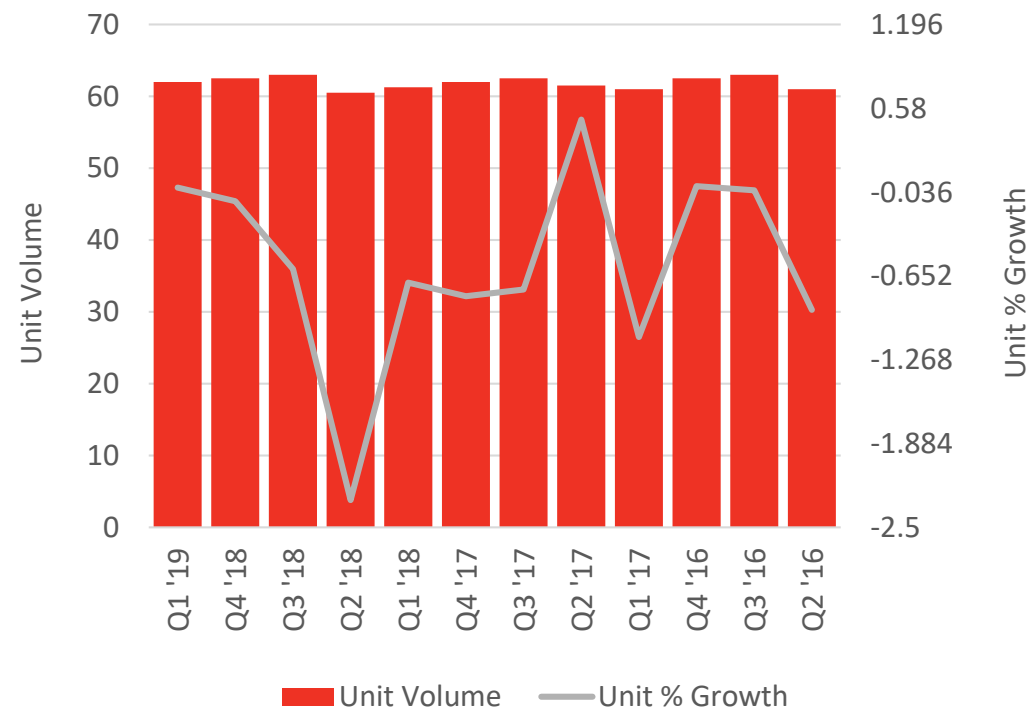
Timeframe	2019	2020	2021	2022	2023
Apparel & Accessories	25.20%	27.90%	31.00%	34.00%	37.00%
Auto & Parts	3.70%	4.10%	4.40%	4.70%	5.00%
Books, Music & Video	51.20%	56.20%	61.80%	67.80%	74.40%
Computer & Consumer Electronics	39.40%	43.40%	47.70%	52%	56.30%
Food & Beverage	2.60%	3.10%	3.60%	4.20%	4.80%
Furniture & Home Furnishings	22.20%	25.20%	28.30%	31.20%	34.30%
Health, Personal Care & Beauty	10.20%	11.70%	13.60%	15.50%	17.60%
Office Equipment & Supplies	26.60%	28.40%	30.30%	32.20%	33.90%
Toys & Hobby	32.70%	36.80%	40.80%	44.90%	49.00%
Other Categories	24.20%	24.30%	24.20%	24.20%	24.10%

CPG Sales are Gradually Shifting from Bricks to Clicks

While CPG brick-and-mortar unit & sales growth are flat to declining YoY, e-commerce sales are up significantly

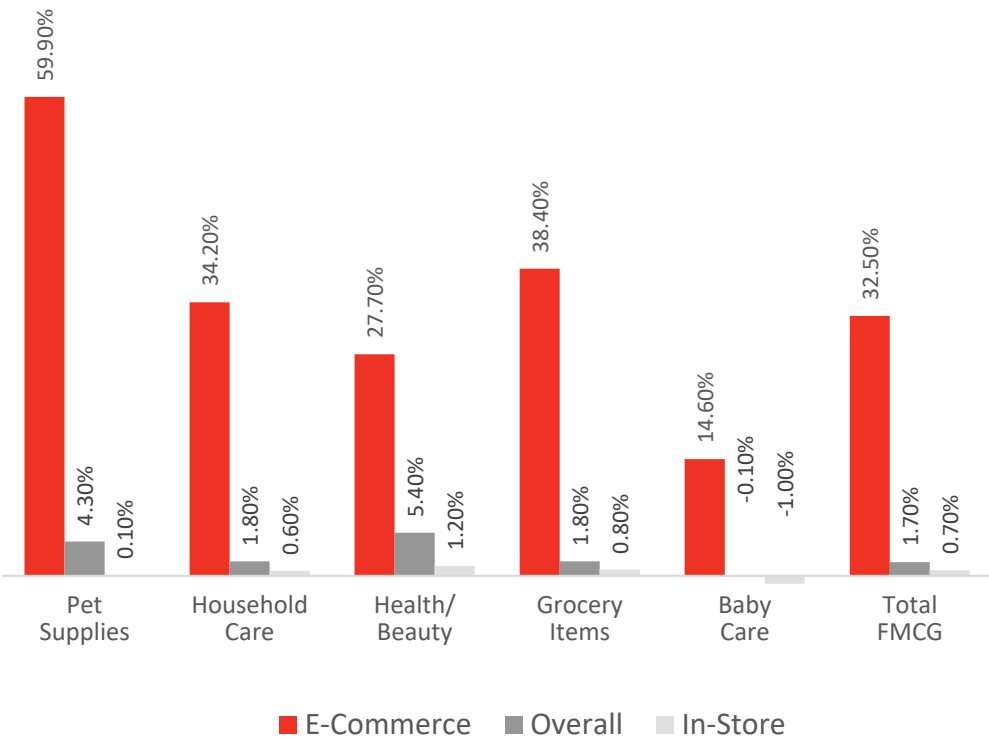
Consumption Growth Grinds to a Halt

CPG Brick-and-Mortar



What CPGs are Growing Fastest Online?

3-Year Compound Annual Growth Rate



60 Years of Big Brand Dominance is Eroding

Nearly 60% of the Top 20th Century Brands Have Lost Share or Stopped Trading

Brand	1923	1983	2016-2019	Brand	1923	1983	2016-2019
Swift's Premium Bacon	1	1	Out of Business	Sherwin-Williams Paint	1	1	3
Kellogg's Corn Flakes	1	3	3	Hammermill Paper	1	1	1
Eastman Kodak Cameras	1	1	Bankrupt	Gillette Razors	1	1	1
Del Monte Canned Fruit	1	1	2	Coca-Cola Soft Drinks	1	1	1
Hershey's Chocolates	1	2	2	Campbell's Soup	1	1	1
Crisco Shortening	1	2	1	Ivory Soap	1	1	6
Wrigley Chewing Gum	1	1	2	Lipton Tea	1	1	1
Nabisco Biscuits	1	1	1	Goodyear Tires	1	1	3
Eveready Batteries	1	1	6	Palmolive Soap	1	2	2
Golden Medal Flour	1	1	1	Colgate Toothpaste	1	2	3
LifeSavers Mint Candies (Wrigley)	1	1	5				

Marketing Strategies are Becoming Fundamentally More Personalized



"Once you have the smart audiences, you can do propensity marketing with people that have similar characteristics."

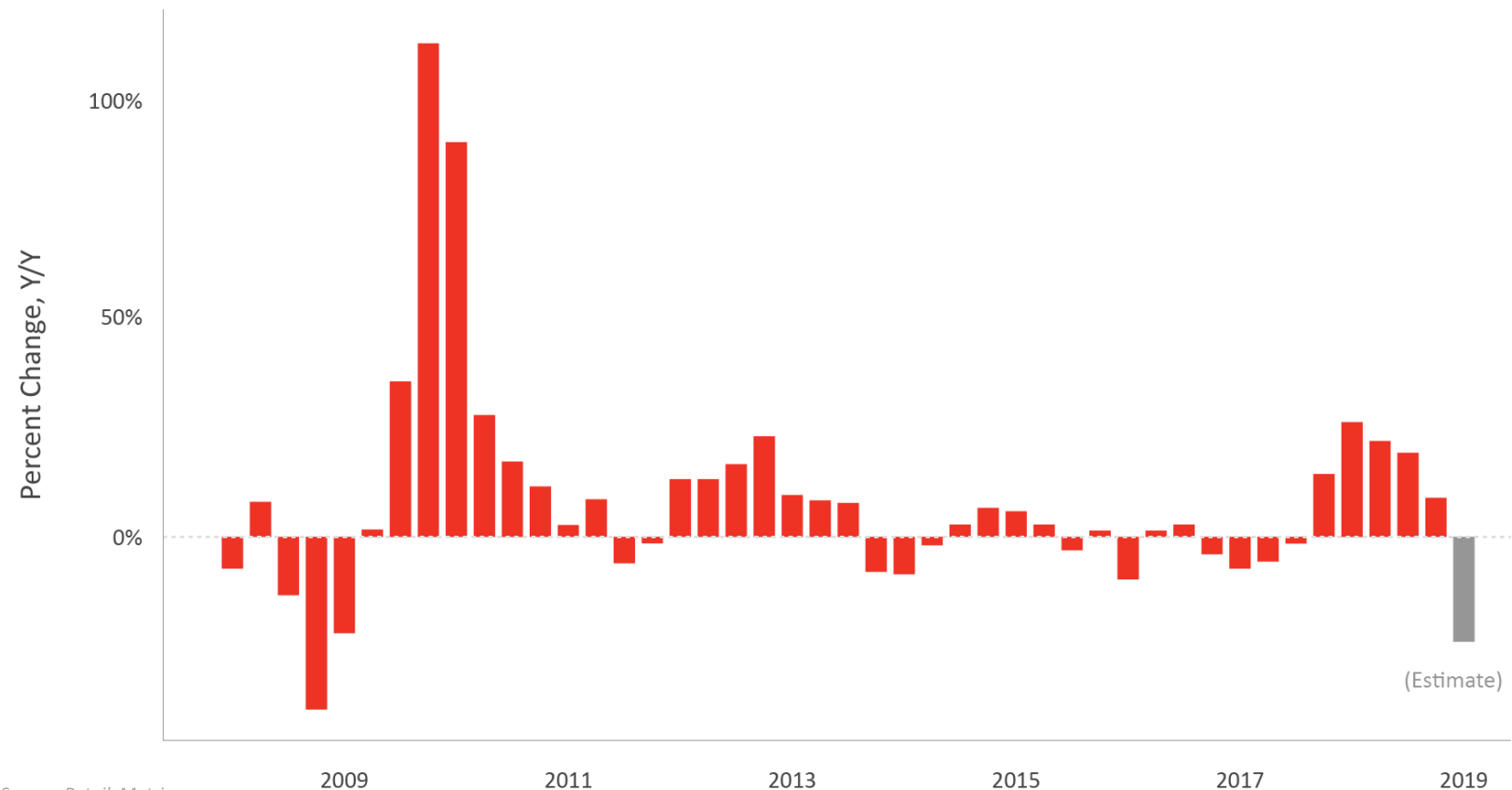
- David Taylor
CEO, Procter & Gamble
July 2019

Apparel Industry Illustrates Brands' Big Shift

- Apparel retailers' earnings were down 24% in Q1 2019—the worst showing since Q1 2008 (-40%)

Apparel Industry Profits

Retail Metrics Apparel Group percent change in earnings

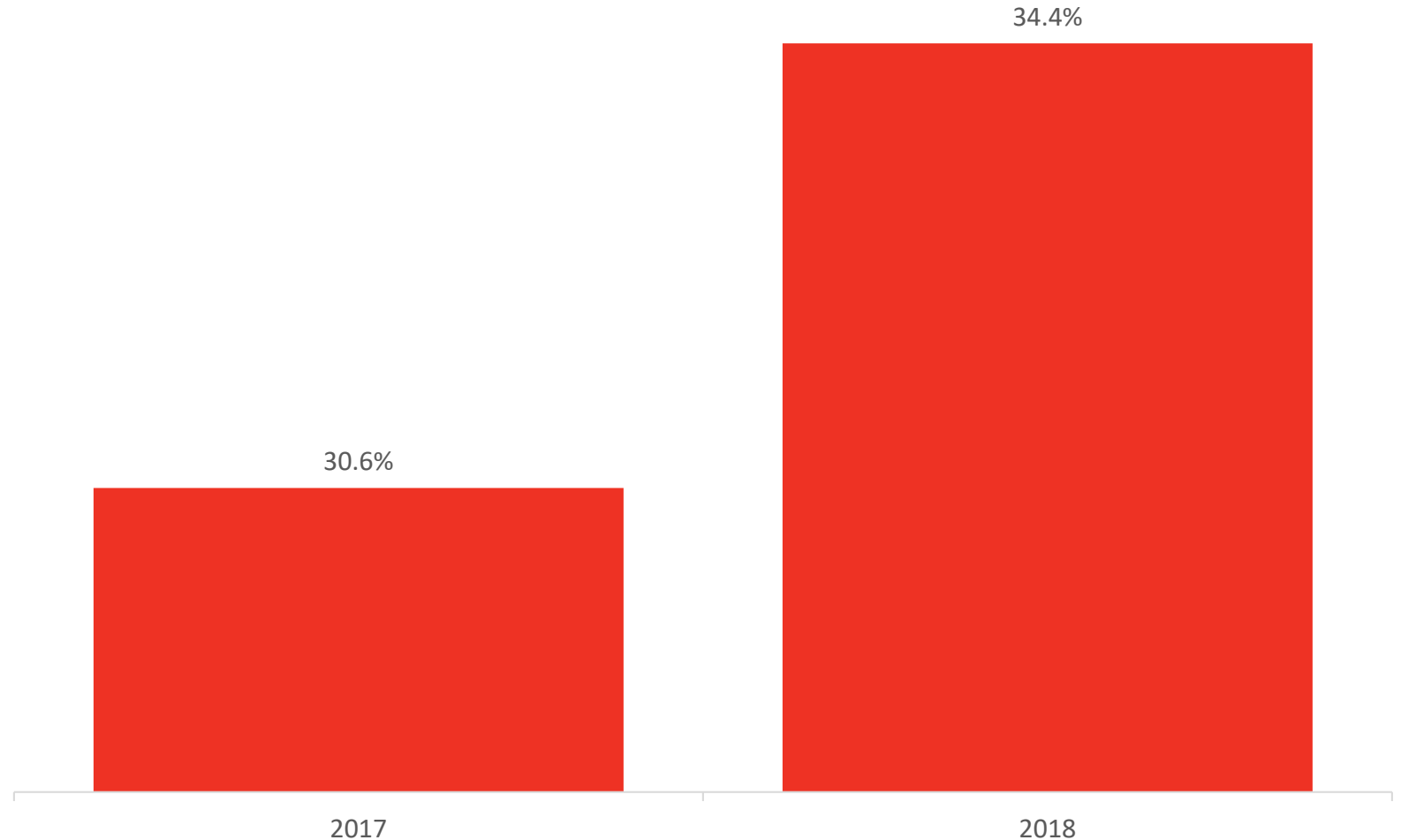


Source: Retail Metrics

Apparel Industry Illustrates Brands' Big Shift

- U.S. online apparel sales grew 18.5% in 2018 vs. total apparel (+5.3%) and now represent more than a third of all apparel sales

Online Share of Total Apparel Retail Sales



As Consumers go “e,” DTCs are Trouncing Top Women’s Underwear Brands

- The top five women's underwear brands' market share from 52% in 2013 to 41% in 2018
- Digitally native brands' share increased to 36% in 2018 from 28% in 2013
- Sales for Rihanna's lingerie brand Savage X Fenty, which debuted in 2018, are growing while Victoria's Secret's sales are declining

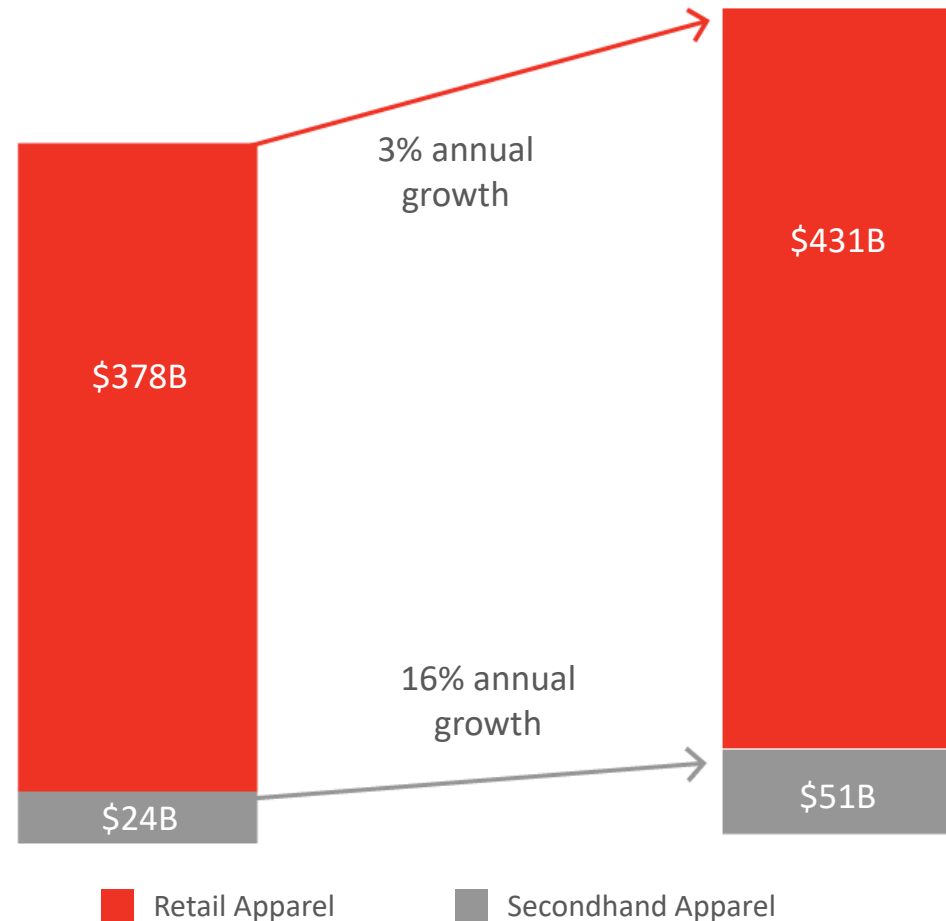


Savage X Fenty Lingerie by Rihanna

Secondhand Apparel Marketplaces Forecasted to Outpace Fast Fashion Giants

- Sales from The RealReal, ThredUp, Poshmark, Grailed, Depop, and other digital resale marketplaces are expected to reach \$64 billion in sales by 2028, \$20 billion more than the estimated fast fashion sales by global giants like H&M, Uniqlo and Zara

Secondhand is Capturing Market Share





Production:

At-Your-Service

Hardware-as-a-Service: Rent Your Own Tool Set

- Instead of paying full price for the purchase and upkeep of expensive equipment, manufacturers can now lease that equipment and pay only for the amount they use



The Leasing of Robots Will Grow From a Million to a Billion \$ Business by 2026

- RaaS (robots-as-a-service), the leasing of robotics using a cloud-based subscription service, is predicted to have 1.3 million installations by 2026 generate \$34 billion in revenue

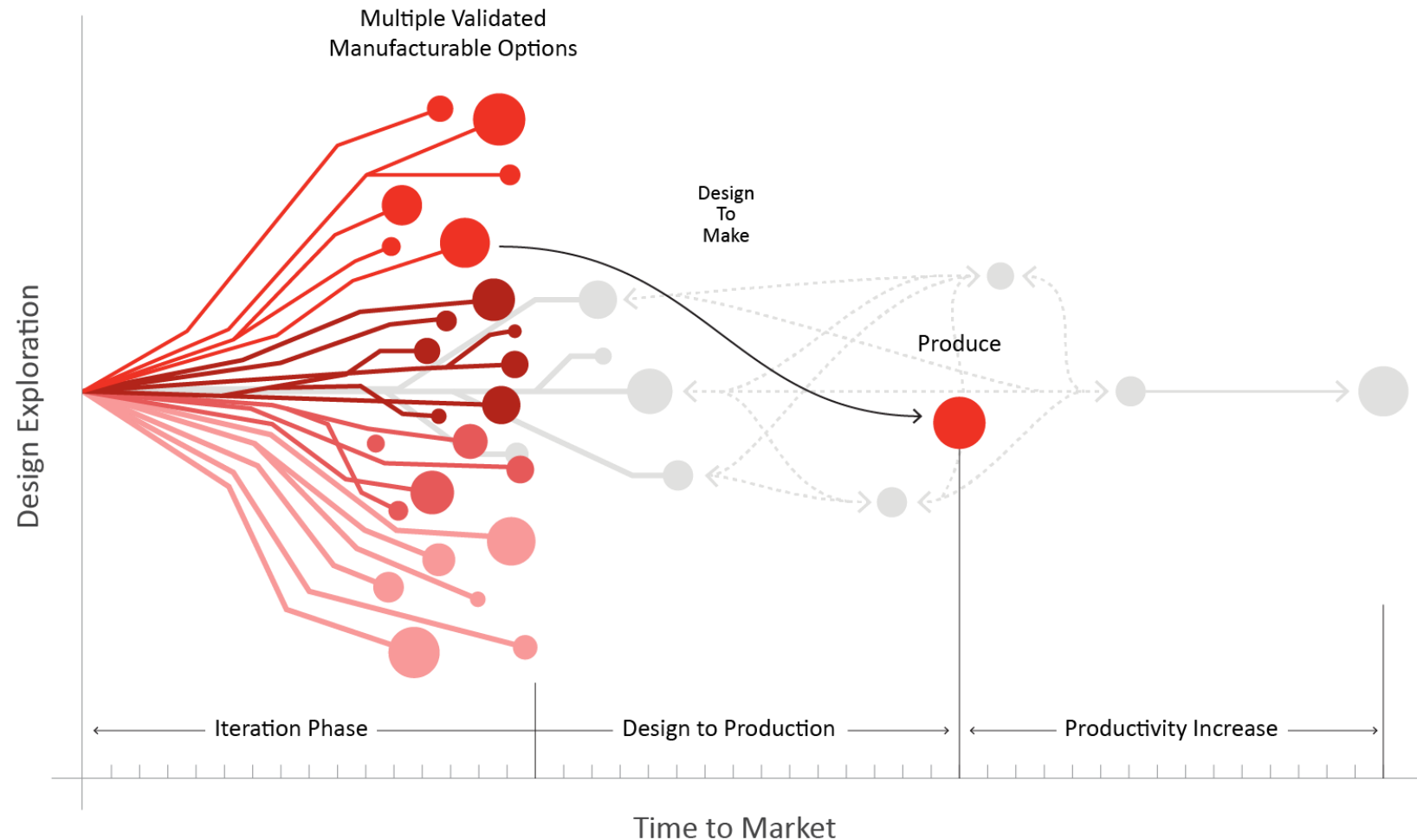


Google Cloud Robotics

A SaaS Product for Design Increases Speed-to-Market

- Generative design explores all the possible permutations of a solution, quickly generating design alternatives and maximizing production productivity

Generative Design



Warehouse-as-a-Service Marketplaces Align Storage Openings with Demand

- WaaS companies have created a marketplace for existing warehouses and 3PLs to match unused storage space, packaging providers, and smaller companies and brands

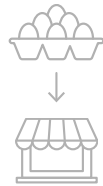


The 3PL Category Is Posting Its Highest Revenue Growth in a Decade

- Total U.S. third-party logistics gross revenues increased 15.8% in 2018 to \$213.5 billion (the highest since 2010) as the market expands into to 4PL and 5PL service levels

1PL

A farmer who delivers eggs to a grocery store for sale.



2PL

A courier delivers eggs from farm to grocery store.



3PL

A fulfillment company with a fleet of trucks cartons eggs and transports them from farm to grocery store.



4PL

A logistics company strategically manages a 3PL on behalf of the farmer to package and deliver eggs to grocery store.



5PL

A logistics company manages a farmer's complete supply chain network from production to delivery.



Product Postponement Places the Storefront + Consumer “At-Your-Service”



- To reduce complexities in the production stage, companies like Blueland produce and ship liquid cleaning products in tablet form only
- Zara's ships incomplete “product skeletons” that are completed at and tailored to the individual market destinations



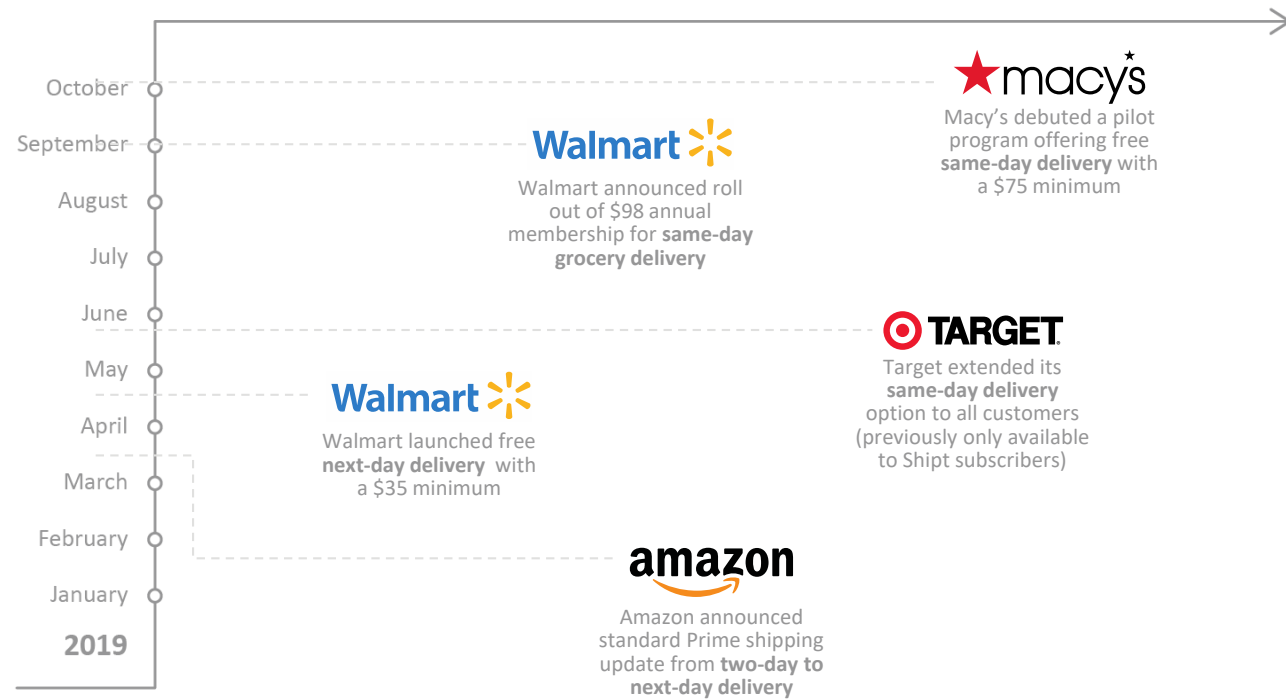
The Delivery Wars:

Speed Is of the Essence

In 2019 Amazon Forced Next-Day Delivery to be a Market Standard

- After Amazon rolled out one-day shipping for Prime members in Q2 2019, the competition increased their services as well

Response to Consumer Demand for Fast Shipping by Select Major U.S. E-commerce Companies in 2019



Two-Day Delivery is a Cost-of-Entry Standard for Brands

Key Benefits:

- Two-day shipping is available to 92% of the U.S.
- No pricing on website; cost-effective, high-level service fulfillment solutions
- Best-in-class providers in an alliance of design, implementation, fulfillment center, technology, automation, and delivery companies
- Business model based on those of the best E-commerce and online-to-offline (O2O) businesses, including distributed logistics, automated, multi-client, flexible, scalable, and focusing on inventory flow not storage
- Compelling value proposition including no upfront capital, low operating costs, increased revenue due to faster delivery, affordable two-day or under delivery, streamlined return processing
- Industries served include new forays into toys, healthcare, and food/beverage



Last-Mile Delivery is Expected to Grow at 10% CAGR Through 2025

- The rise in the volume of online orders and the consumer willingness to pay extra for fast delivery pushed the value of the Last Mile market to \$31.2b in 2018.
- Market will reach \$61.6b by 2025



Delivery Has Moved From Outside Your Door to Inside Your Spaces

Consumer Delivery Methods

Retailer	In-Home Delivery	In-Garage Delivery	In-Car Delivery
Amazon	✓	✓	✓
Walmart	✓	✓	
Target			
Walgreens			

Shippers Rise to The Challenge

- FedEx and UPS now offer delivery services 7 days a week
- UPS expanded its access point locations to 90% of the U.S. and enabled customers to tender shipments later for next-day ground delivery
- FedEx expanded its Freight Direct Business to 80% of the U.S.

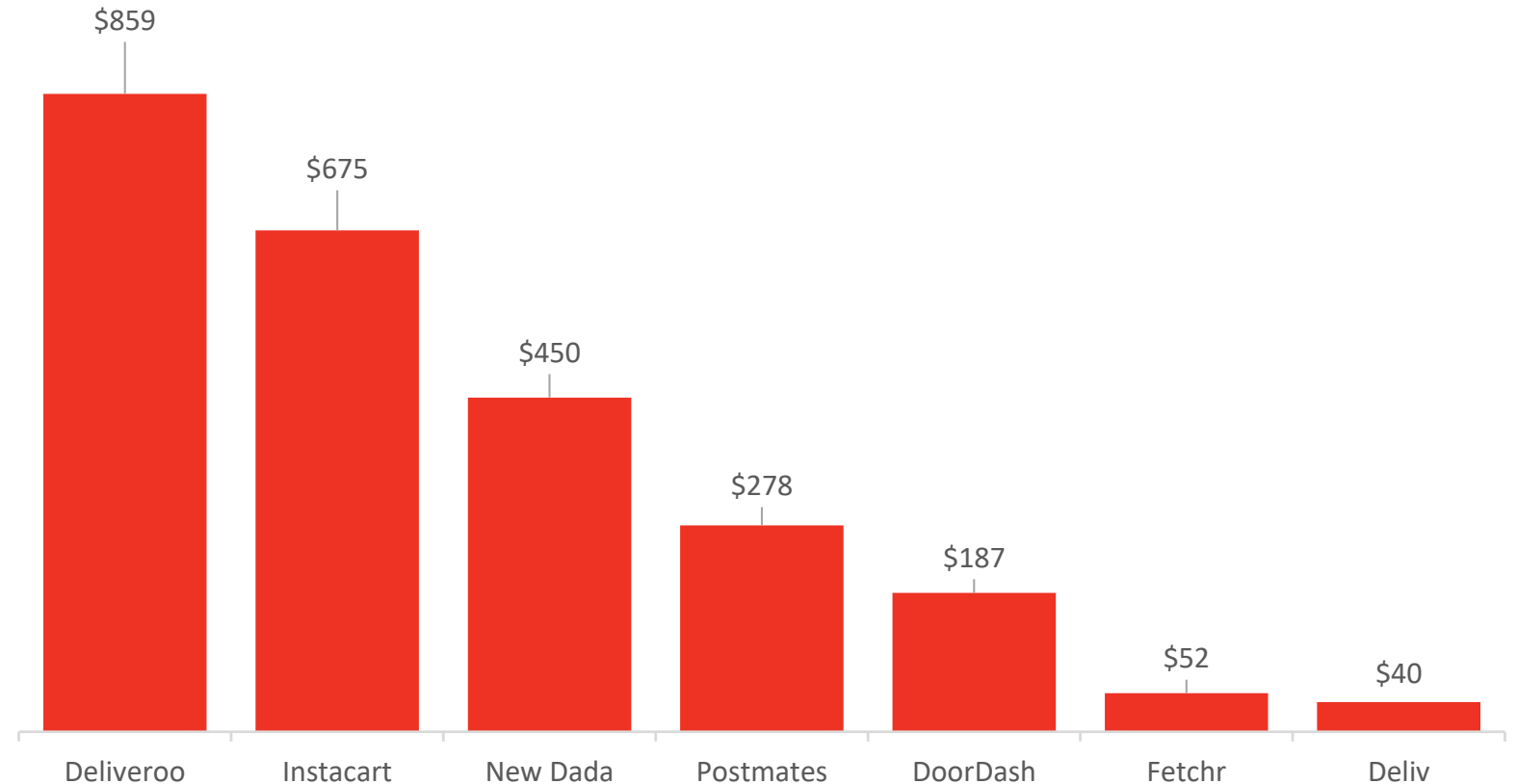


Crowdsourced Delivery Provides Low Barrier for Smaller Brands & Retailers

- The crowdsourced delivery model is meeting rising demand for parcel delivery by leveraging local nonprofessional couriers to get packages to customers' doors

Funding Raised to Date By Crowdsourced Delivery Startups

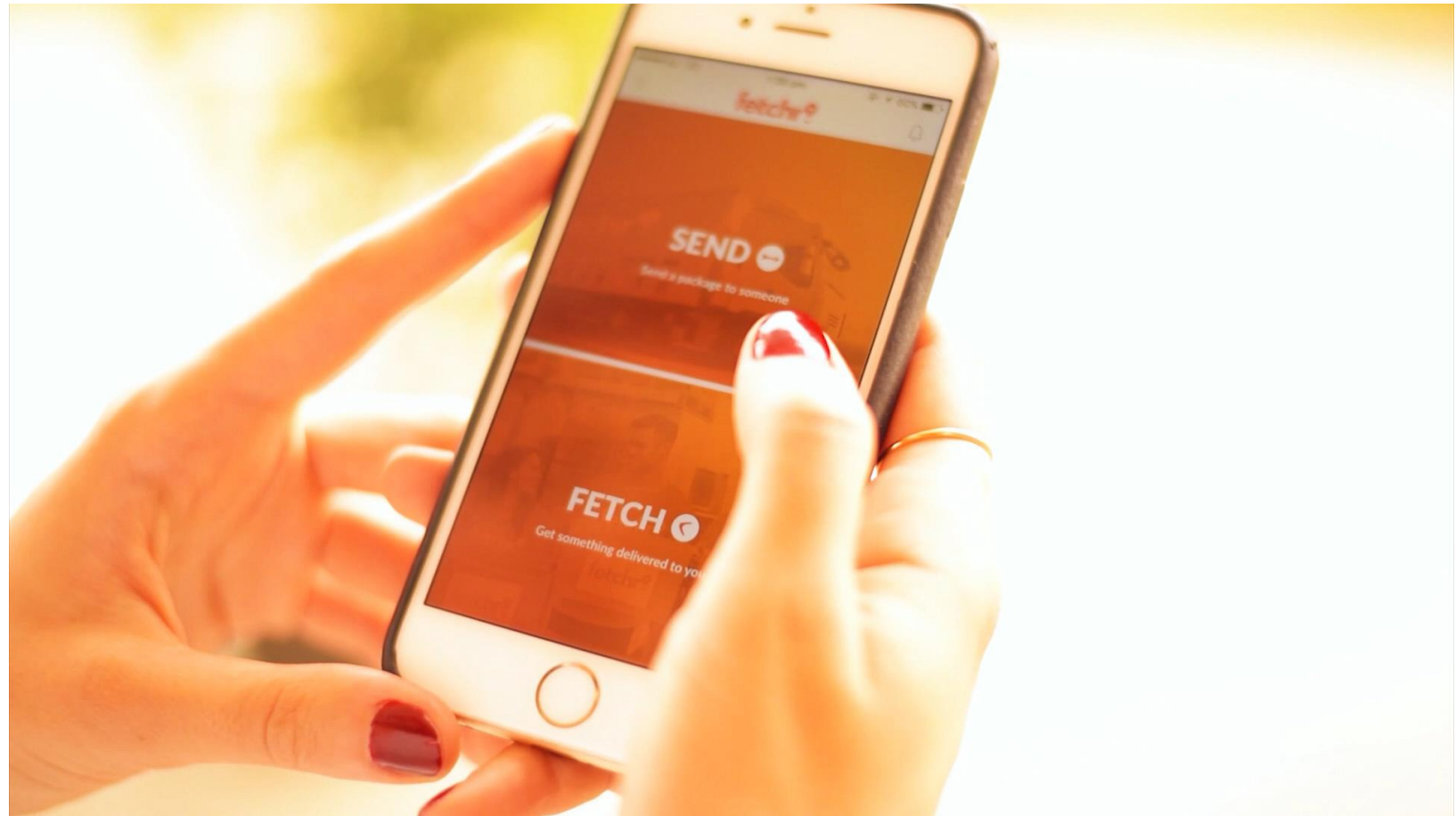
Global Millions (\$)



Source: Crunchbase, 2017

Crowdsourcing (& Amazon) Fueling the Same-Day Delivery War

- New crowd-sourced companies are emerging for same-day parcel delivery similar to Amazon including Fetchr, Deliv, Roadie, and Hired Hitch, which deliver by car, bicycle, motorbike or on foot



fetchr

Autonomous Delivery Vehicles Tests are Increasing



Amazon



PepsiCo

- Amazon's Scout robot, Pepsi's self-driving "snackbot", and Domino's self-driving Ford cars are the most noteworthy initiatives among leading brands and retailers

Drones, Soon to be a Reality, will Bring the Last Mile to the Air

- The FAA predicts commercial drone sales to more than quadruple this year from \$600K to \$2.7 million, as Google, UPS, Amazon, Walgreens, and Uber all forge ahead in the space



Wing



The New Shopping Experience:

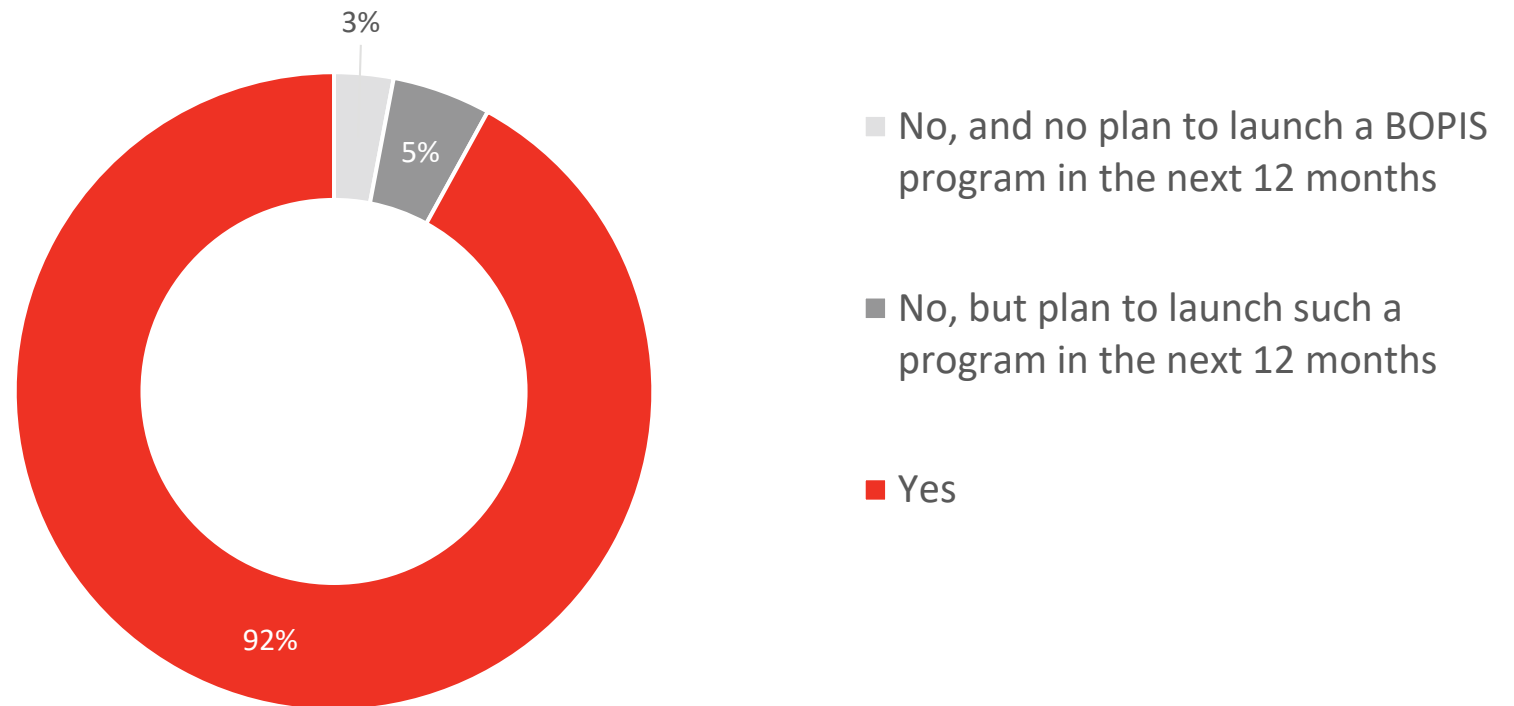
Selling Your Brand in an Omnichannel World

More Than 9 in 10 Retailers have a BOPIS Program

- BOPIS neutralizes retailer warehouse and shipping costs, lets them use existing employees, and offers incremental value as 85% of shoppers say they made an additional in-store purchase while picking up online orders

Retailers Adopting BOPIS Programs at High Rate

Does your company currently have a buy online, pickup in-store (BOPIS) program?



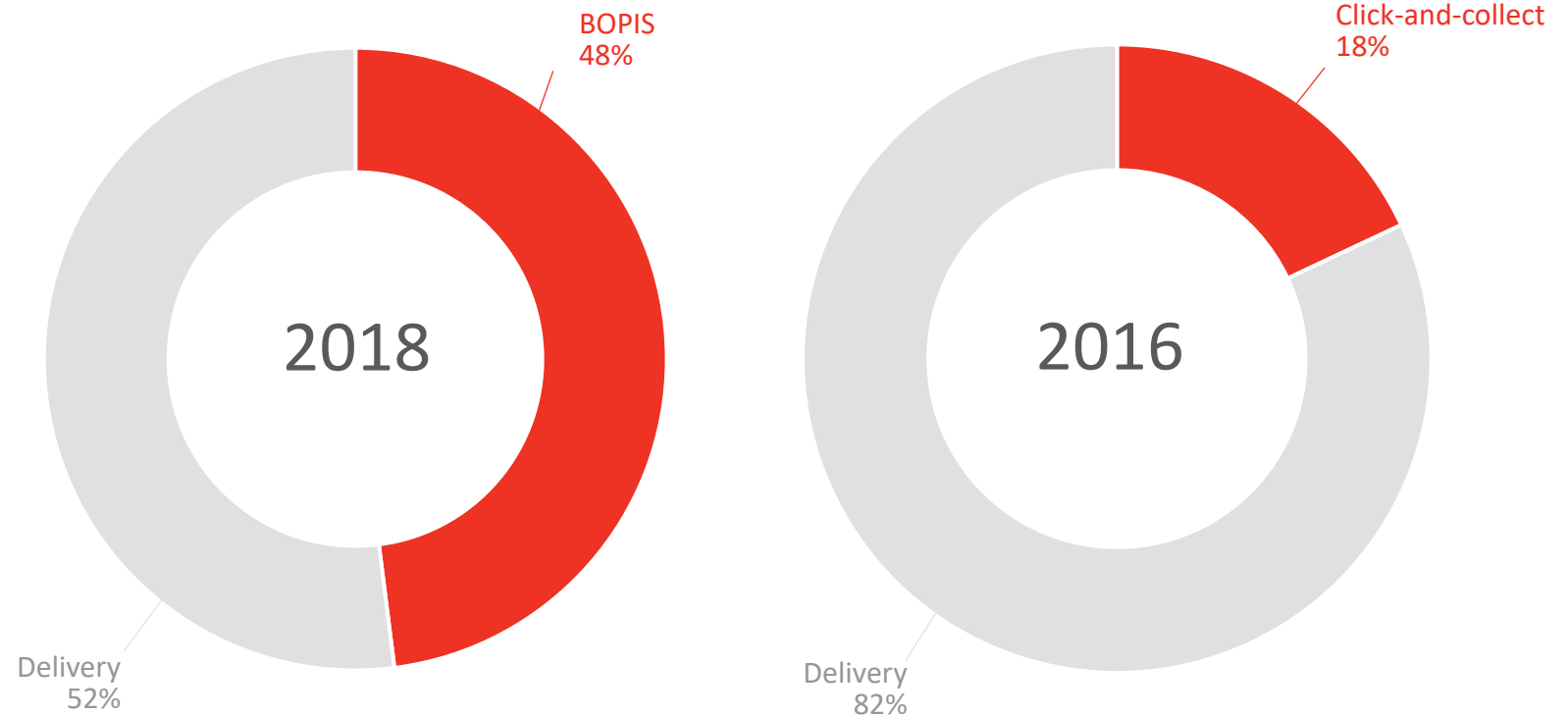
Source: NAPCOResearch

BOPIS Represents Nearly Half of Online CPG Orders

- Click-and-collect CPG orders increased 60% between 2016 and 2018
- The majority of online grocery sales are delivered by third-party drivers and delivery service

Click-and-Collect Has Surged Since 2016

How consumers got their online CPG orders



Source: Nielsen Retail Measurement Services, Total U.S. CPG; E-commerce sourced via Rakuten Intelligence; 52 weeks ended Aug. 25, 2018

Walmart Covers 80% of the U.S Population for Online Grocery Order Pickup



- In the last 2 years, Walmart has expanded the number of in-store pickup kiosks by 8x to 1,700 stores and expects curbside service will account for 33% of their digital sales in 2020

Target Integrates ~80% of E-Commerce Sales in Stores

“When Target customers order online and pick up at a store, use curbside pickup or select shipping via Shipt about 90% of the cost goes away.”

– **Brian Cornell**
CEO, Target
November 2019



Target

Retail Brands have Launched an “Experience War”

"In thinking about the two transformative elements of modern-day retail, it begins by creating unique and relevant experiences. If you can't create a customer experience in your brick-and mortar store, an experience that goes beyond convenience, you're just another node in the supply chain. And that in-store experience must then be extended to a digital mobile relationship."

— **Kevin Johnson**
CEO, Starbucks
January 2020



Amazon Go: The “Super-Convenience” Experience

- Shoppers scan their Amazon app while in-store video cameras and AI build a 3D profile allowing the shopper to simply grab what they need and walk out



Mitsubishi: The Geo-Specific, Interest-Based Pop-Up Experience

- Mitsubishi is partnering with data tech company BirdDog to identify prospective buyers and then connect with them at locations tailored to their interests (e.g., malls, cultural events, etc.) where the ride-and-drive is set up



Patagonia: Embracing Brand Extensions in Alternative Environments

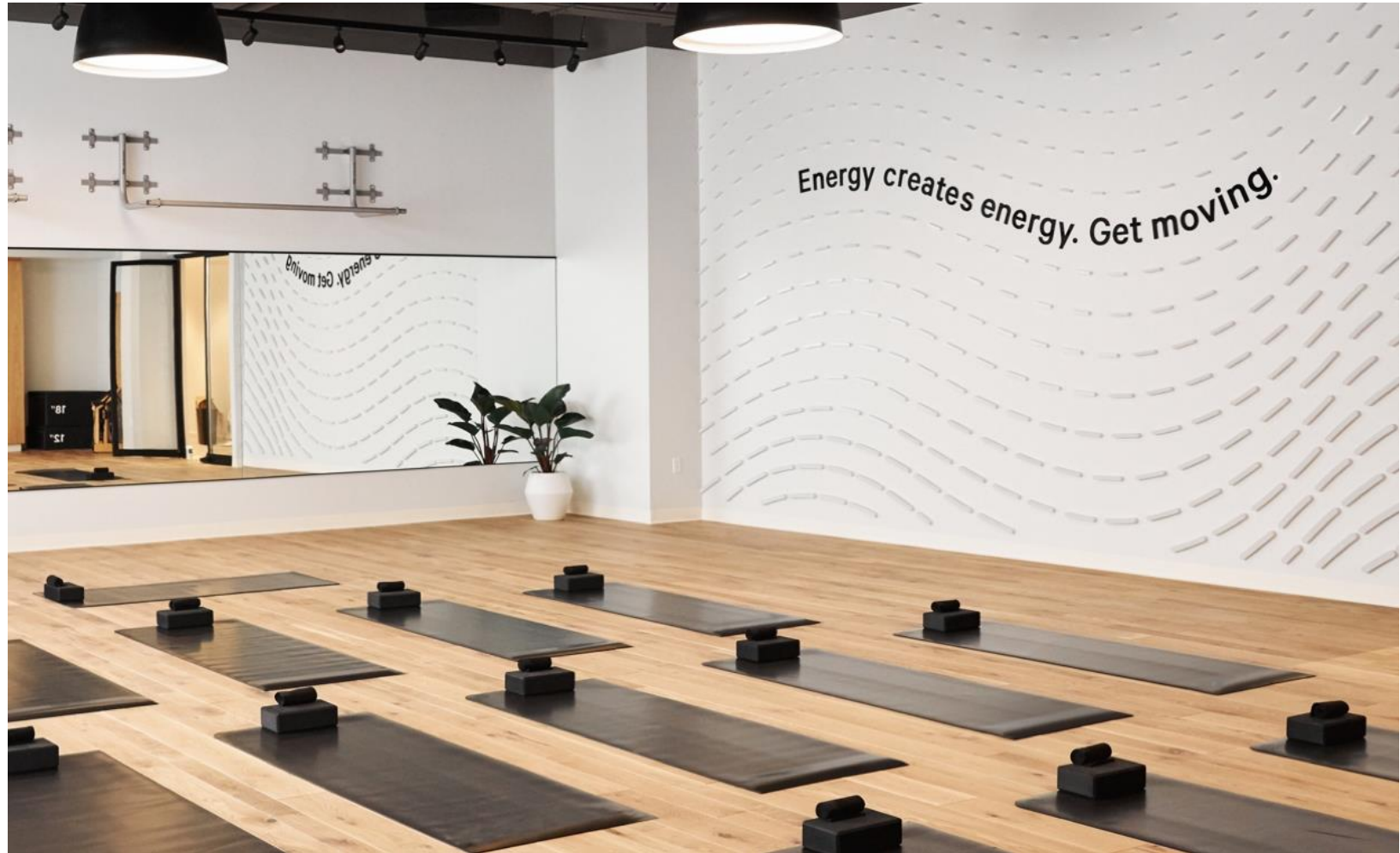
- Patagonia features three-month mobile pop-up stores stocked with their Worn Wear and ReCrafted Collections and services including repair and upcycling workshops



Nylon

Lululemon: The Store as a Clubhouse

- Lululemon's Mall of America location includes yoga and HIIT studios, a "grow room" customers can rent out for group meditations or other events, and a "fuel bar" complete with seating areas, coffee, smoothies, etc.



Lululemon/MSP Mag

Joann: the Store as Community Center

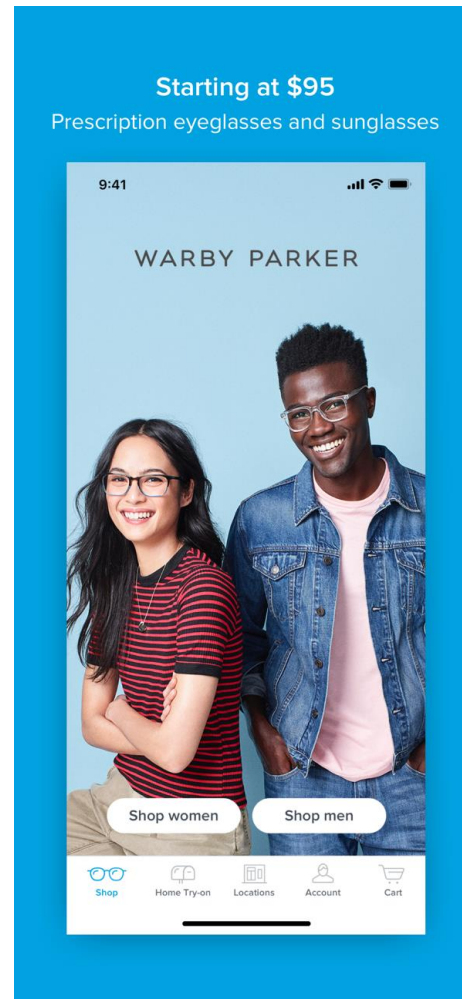
- Joann Fabric & Craft is remodeling its stores to include community spaces for hosting events and workshops including digitally-powered updates to staffers to execute online fabric cutting orders, a concierge service for custom sewing and tailoring needs, and 3D printers to buy or use in-store



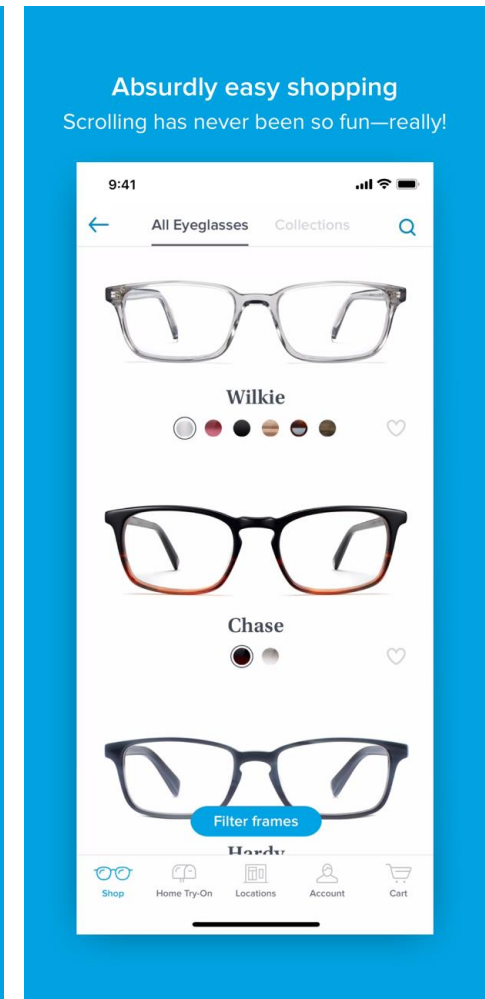
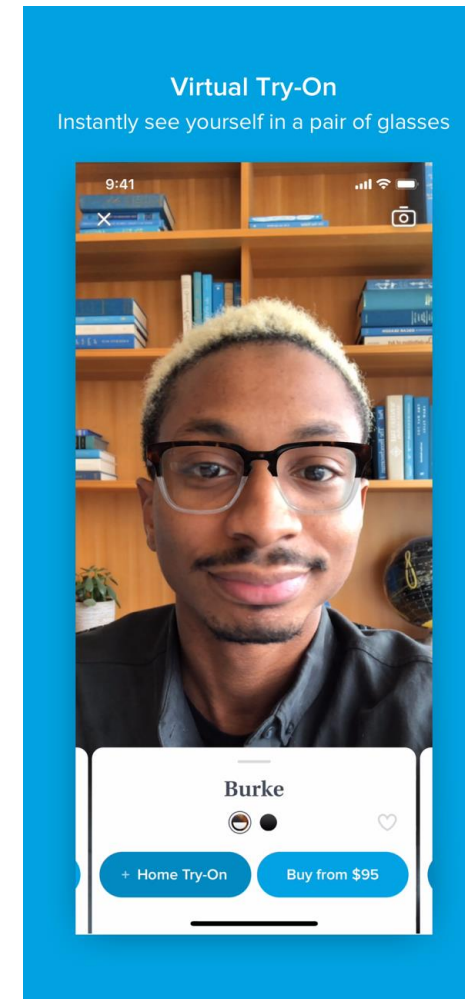
Joann Stores

Emerging Tech Personalizes and Elevates the Digital Customer Experience

- The Warby Parker Virtual Try-On app uses AR to overlay computer-generated frames onto the customer's face while AI provides personalized answers to customer queries based on location, seasonality, individual store-policies, inventory availability, etc.



Apple App Store



McDonald's: AI Personalizes Menus & Improves the Supply Chain

- McDonald's uses Dynamic Yield's AI-driven personalization software for an automated drive-through menu system for the customer that also provides supply chain efficiency by recommending items based on available inventory levels



McDonald's

“With Clarity” 3D Printing Revolutionizes Ring Shopping

- With Clarity's exclusive Home Preview service allows shoppers to create and receive up to two 3D-printed, replica rings that mimic the exact look and feel of their bespoke diamond creation, free of charge and middleman price markups



With Clarity



The New Shopify Economy:

Powering the Direct Brand Ecosystem

Amazon Continues to be a Frenemy

45% are actively selling on **Amazon** and of those ...

Amazon accounts for one-fifth of revenue

55% are not actively selling on **Amazon** and of those ...

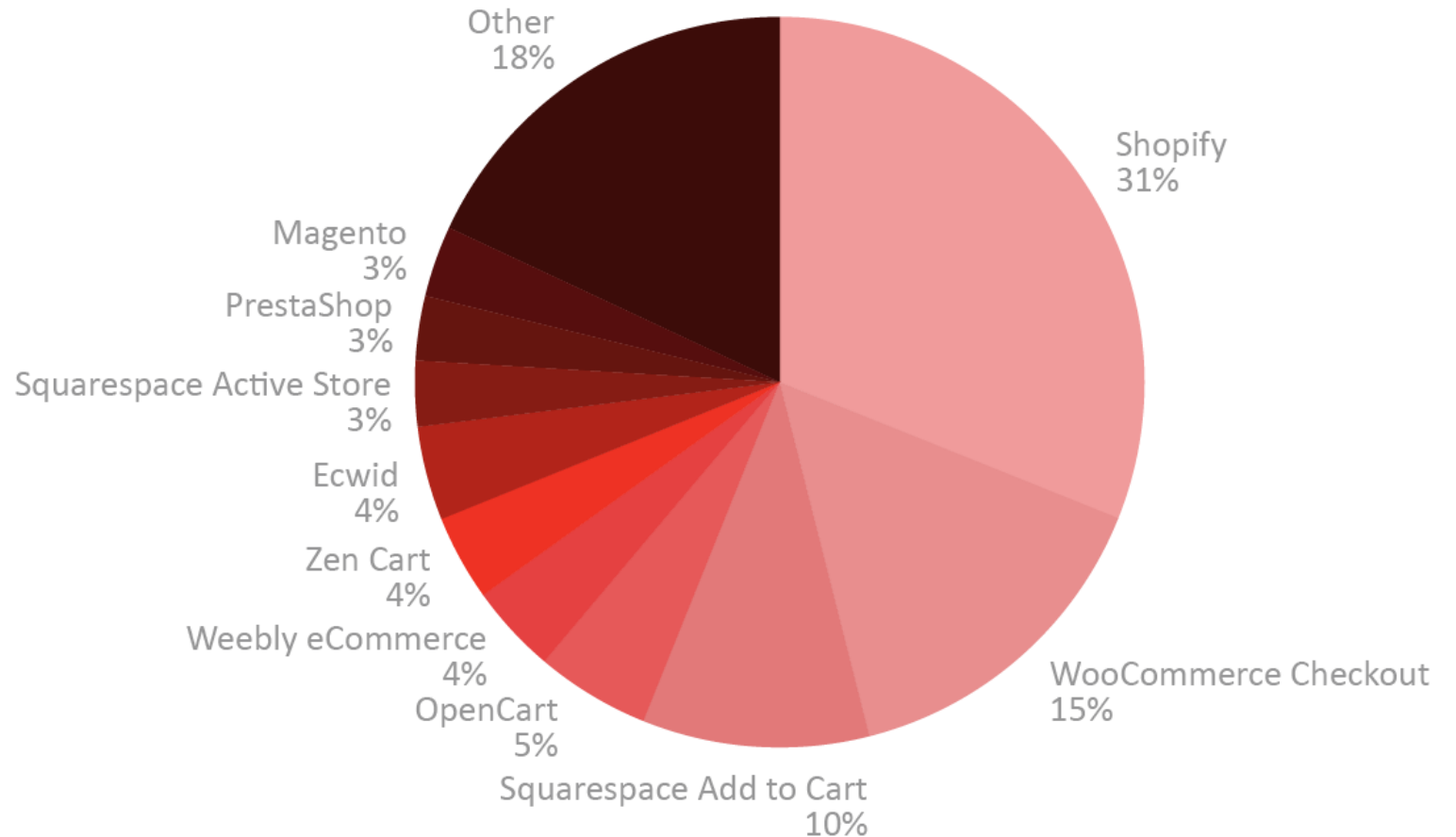
26% are testing or planning to test

29% not in use at all and not even testing

Shopify + WooCommerce = 46% of the \$4.4b E-commerce Software Market

- The U.S. E-commerce software application market will be worth over \$4.4 billion by the end of 2019, an increase of 14% year-over-year

Leading U.S. E-commerce Software Platforms 2019



Source: Trends.builtwith

The Shopify Fulfillment Network Aims to Compete with Amazon's FBA

- In 2019, Shopify launched an AI-powered fulfillment network which lets merchants reduce shipping costs and provide consumers with Amazon-level services

Delivery Timing and Type Capabilities

Retailer	Within 2 Hours	Same-Day Delivery	Next-Day Delivery	Two-Day Delivery	Subscriptions
Amazon	✓	✓	✓	✓	✓
Shopify	✓	✓	✓	✓	✓

Sources: zdnet, [Shopify creates AI-powered fulfillment network for SMB merchants](#); [Shopify Launches Fulfillment Network for SMB Merchants](#)

Shopify's New Retail Hardware Coordinates Transactions across Multiple Channels

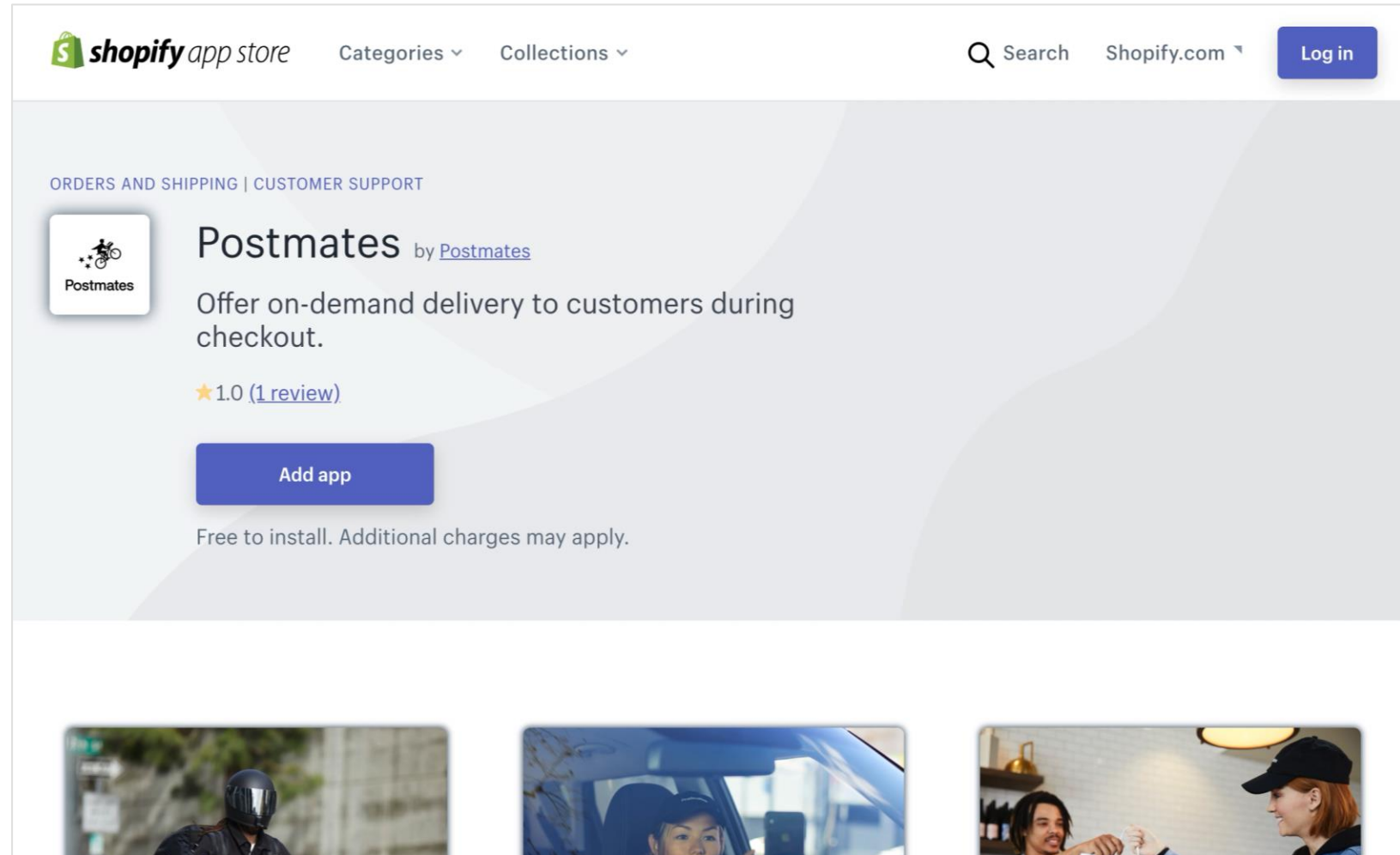
- Shopify's Tap & Chip Reader, Dock, and Retail Stand work together as a POS software system offering multi-channel inventory management, secure payments, and a consolidated backend that connects directly with a brand's online store



Shopify

Shopify Institutes Same-Day Delivery

- Same-day delivery platform Postmates has a delivery app in the Shopify App Store that lets smaller Shopify merchants offer their customers the new option of a two-hour delivery window





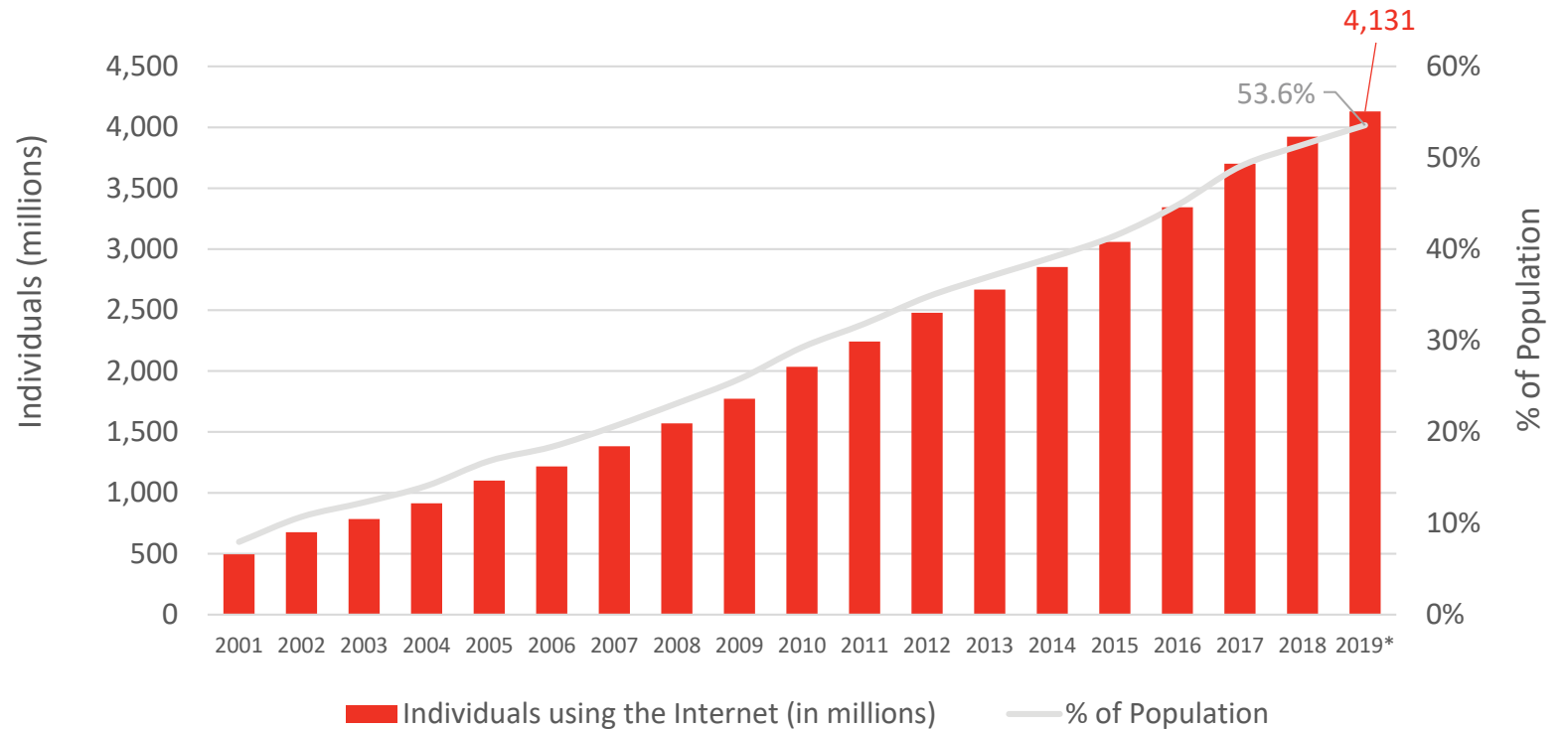
The First Party Data Economy:

Personalization Confronts Regulation

Internet Use is Increasing YoY to 4.1 Billion Internet Consumers Worldwide

- Around half the world uses the internet, including 87% of the US population (+13% in the last 5 years)

Global Numbers of Individuals Using the Internet, and % of Global Population, 2001-2019*

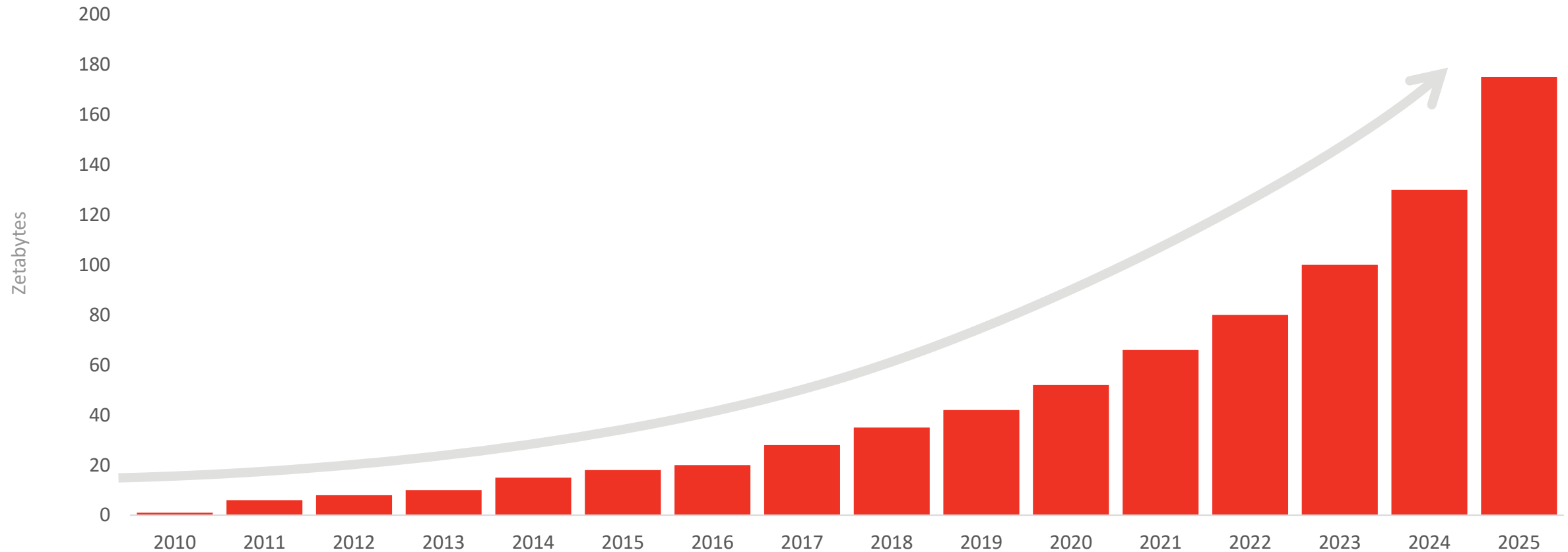


Note: * Estimate

Source: ITU World Telecommunication /ICT Indicators database

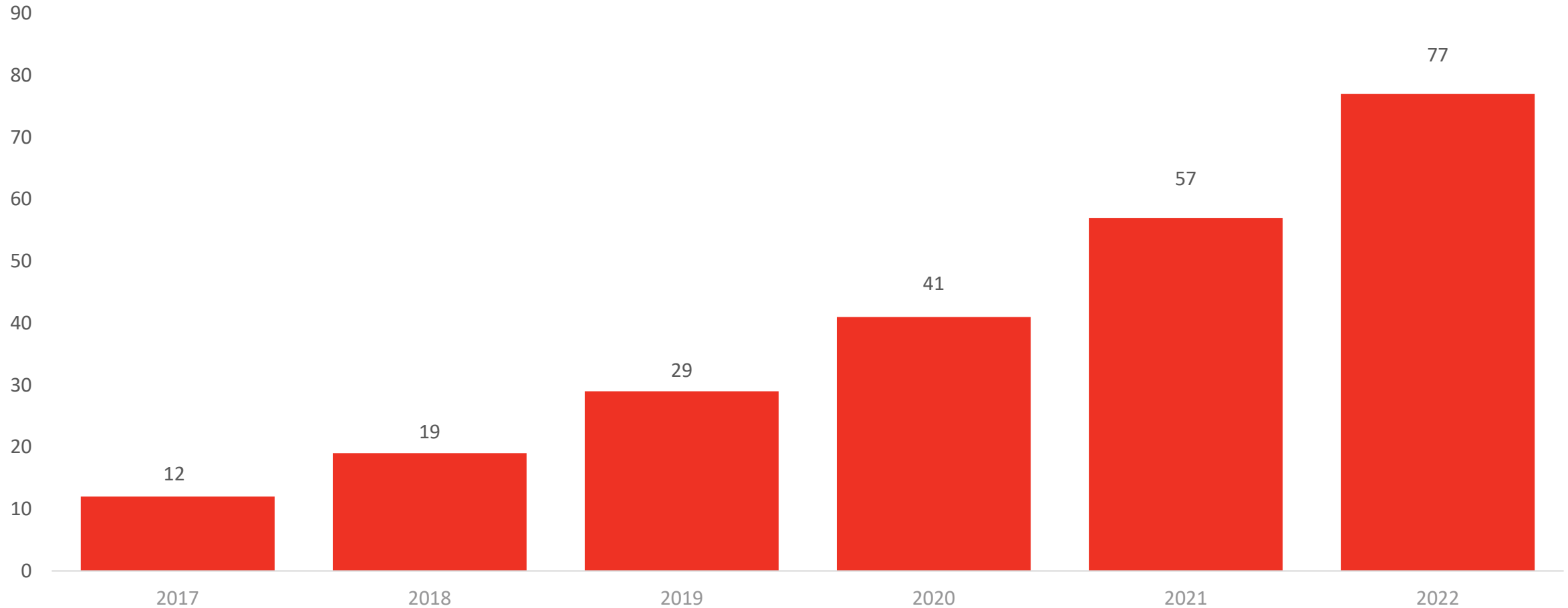
By 2025 the Amount of Digital Data Generated Globally will More than Triple

Annual Size of Global Digital Data Generated (ZB)



Mobile Data Generation is Projected to More than Double by 2022

Global Exabytes per Month



Source: Cisco VNI Mobile, 2019

IoT Device Data will Grow at a CAGR of 29% through 2025

- 41.6 billion connected IoT devices are estimated to generate 79.4 zettabytes (ZB) of data by 2025



Diverse Data Output = Refined Audience Targeting for Media Buying/Planning

Select Data Sets Used to Identify and Segment Audiences on Basic Attributes, May 2019

Data Type	First-Party Source	Second-Party Source	Third-Party Source
Identity: device-level; online-to-offline (O2O)	<ul style="list-style-type: none"> Customer relationship management (CRM)—e.g., email, address, phone number Point-of-sale (POS) 	<ul style="list-style-type: none"> Publisher/digital commerce platform (e.g., login info, email, username, etc.) Retailer (e.g., POS data) Agency Data co-op 	<ul style="list-style-type: none"> Identity resolution provider (standalone or as offered via DMP or DSP) Panels (e.g., Comscore, Nielsen)
Demographic: age, gender, household income	<ul style="list-style-type: none"> CRM Customer data platform (CDP) 	<ul style="list-style-type: none"> Publisher Data management platform (DMP) Demand-side platform (DSP) Data co-op 	<ul style="list-style-type: none"> Data reseller (e.g., Epsilon, Experian, Acxiom, etc.) Panels (e.g., Comscore, Nielsen) DMP offering access to third-party data sets DSP offering access to third-party data sets
Firmographic: company size, revenues, industry, etc.	<ul style="list-style-type: none"> CRM CDP 	<ul style="list-style-type: none"> Publisher Data co-op 	<ul style="list-style-type: none"> Third-party data reseller (e.g., Dun & Bradstreet) Site scrapers/crawlers
Behavioral: marketing-specific data	<ul style="list-style-type: none"> Website and app analytics Analytics from multichannel marketing hub (e.g., Salesforce, Oracle, Adobe, SAP, etc.) 	<ul style="list-style-type: none"> Publisher-provided analytics and reporting Platform-provided analytics and reporting (e.g., DSP, exchange, location analytics platforms, etc.) 	<ul style="list-style-type: none"> Ad server Attribution Panels/surveys Data resellers (e.g., intender data) Search data
Purchase	<ul style="list-style-type: none"> CRM Billing/invoice systems In-store/POS 	<ul style="list-style-type: none"> Retailer Publisher/digital commerce platform Data co-op Loyalty/credit card companies 	<ul style="list-style-type: none"> Data reseller (e.g., Kantar, IRI, Experian, etc.) O2O data onboarder
Psychographic: attitudes, interests, lifestyles, values	<ul style="list-style-type: none"> Surveys User profiles Website/app analytics (e.g., specific interest in content types) Social analytics 	<ul style="list-style-type: none"> Publisher Data co-ops 	<ul style="list-style-type: none"> Data resellers Panels Reputational/social monitoring and listening tools
Nonmarketing data	<ul style="list-style-type: none"> Call center Merchandising In-store, POS Billing/invoice 	<ul style="list-style-type: none"> Data co-op 	<ul style="list-style-type: none"> Data reseller (e.g., foot traffic data)

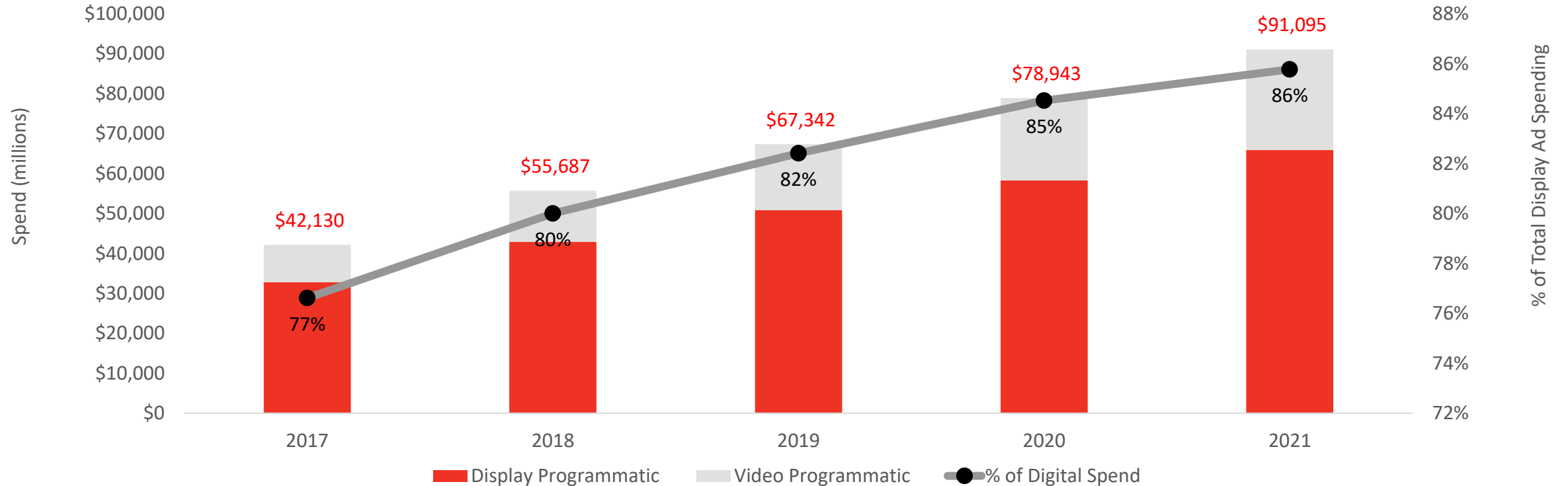
Engagement Data = Consumer Journey Optics + Opportunity for Lifetime Value

Select Data Sets Used to Identify and Segment Audiences Based on Their Existing Relationship with a Brand, May 2019

Data Type	First-Party Source	Second-Party Source	Third-Party Source
Voice-of-customer (VOC)/customer satisfaction	<ul style="list-style-type: none"> Call center logs Surveys/Net Promoter Score (NPS) 		<ul style="list-style-type: none"> Data resellers (e.g., iPerceptions) Panels
Sentiment	<ul style="list-style-type: none"> Natural language processing (call center activity, emails, etc.) On-site ratings and reviews 		<ul style="list-style-type: none"> Ratings and reviews on external sites Reputational/social monitoring and listening tools
Customer life cycle journey data: marketing-specific data	<ul style="list-style-type: none"> Website and app analytics Analytics from multichannel marketing hub (e.g., Salesforce, Oracle, Adobe, SAP, etc.) 	<ul style="list-style-type: none"> Publisher-provided analytics and reporting Platform-provided analytics and reporting (e.g., demand-side platform [DSP], exchange, etc.) 	<ul style="list-style-type: none"> Ad Server Search data Panels/surveys Attribution
Customer life cycle/journey data: purchase and loyalty data	<ul style="list-style-type: none"> Customer relationship management (CRM) Billing/invoice systems In-store/point-of-sale (POS) 	<ul style="list-style-type: none"> Retailer Publisher/digital commerce platform Data co-op Loyalty/credit card companies 	<ul style="list-style-type: none"> Data reseller (e.g., Kantar, IRI, Experian, etc.) Online-to-offline (O2O) data onboarder
External data: weather, competitor, economic, etc.		<ul style="list-style-type: none"> Data co-op Loyalty Publishers/specialty data owners (e.g., The Weather Company) 	<ul style="list-style-type: none"> Analysis of competitor website, financial earnings, etc. Data resellers Search analytics/data Panels/surveys

Data Growth Leads to Higher Programmatic Investment, Enabling Automated Buying

U.S. Programmatic Ad Spending and % of Total Display Ad Spending



Personalization is a Proven Tactic: Consumers are Likely to Purchase or Become Loyal

What Consumers are More Likely to do if a Brand Personalizes Content



Success With Personalization is Driving its Evolution and Usage Capabilities

Tier
four

Building Basic Personalization Capabilities

- Expand beyond email personalization to website and mobile channels; test social media and paid search
- Develop loyalty programs to reward and recognize customers
- Implement dynamic merchandizing and systematic retargeting based on website behavior
- Move toward greater customer data centralization and more-detailed customer segmentation
- Implement basic attribution and test-and-learn approaches

Scaling Advanced Personalization Capabilities

- Broaden use of paid digital channels to include personalized display and video marketing and paid social media
- Implement more dynamic personalized experiences on desktop and mobile websites and apps
- Start automating personalized offers and recommendations
- Develop advanced customer insights using integrated first- and third-party data
- Start using customer identifiers to track customer experiences across touch points
- Use programmatic approaches for audience activation and messaging

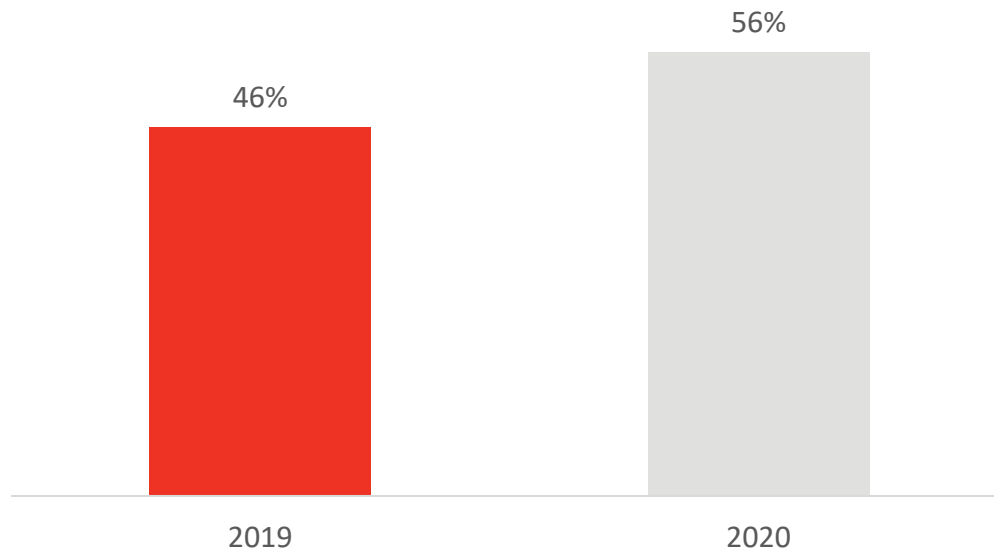
Delivering Highly Connected Experiences

- Integrate across paid, owned, and earned channels to create seamless customer experiences
- Use artificial intelligence and machine learning at scale for advanced real-time targeting and personalized messaging
- Implement real-time, advanced marketing that is triggered by online behavior and content consumption
- Create one centralized data source for a full view of the customer
- Implement an advanced measurement approach that is based on ROMI and that uses Media Mix Modeling, Multi-Touch Attribution, and an advanced test-and-learn method

Tier
one

10% More Direct Brands are Allocating Budgets for Personalization in 2020

DTC Budgets for Personalization by Year



“We have experienced firsthand the performance benefit of reaching consumers who browse our site online with a relevant piece of direct mail. We recognize the value of providing a physical reminder that they can share, discuss, and consider on their own terms. As a result of our digital and direct mail campaigns, we’ve been able to decrease our CPA and add new customers to the brand.”

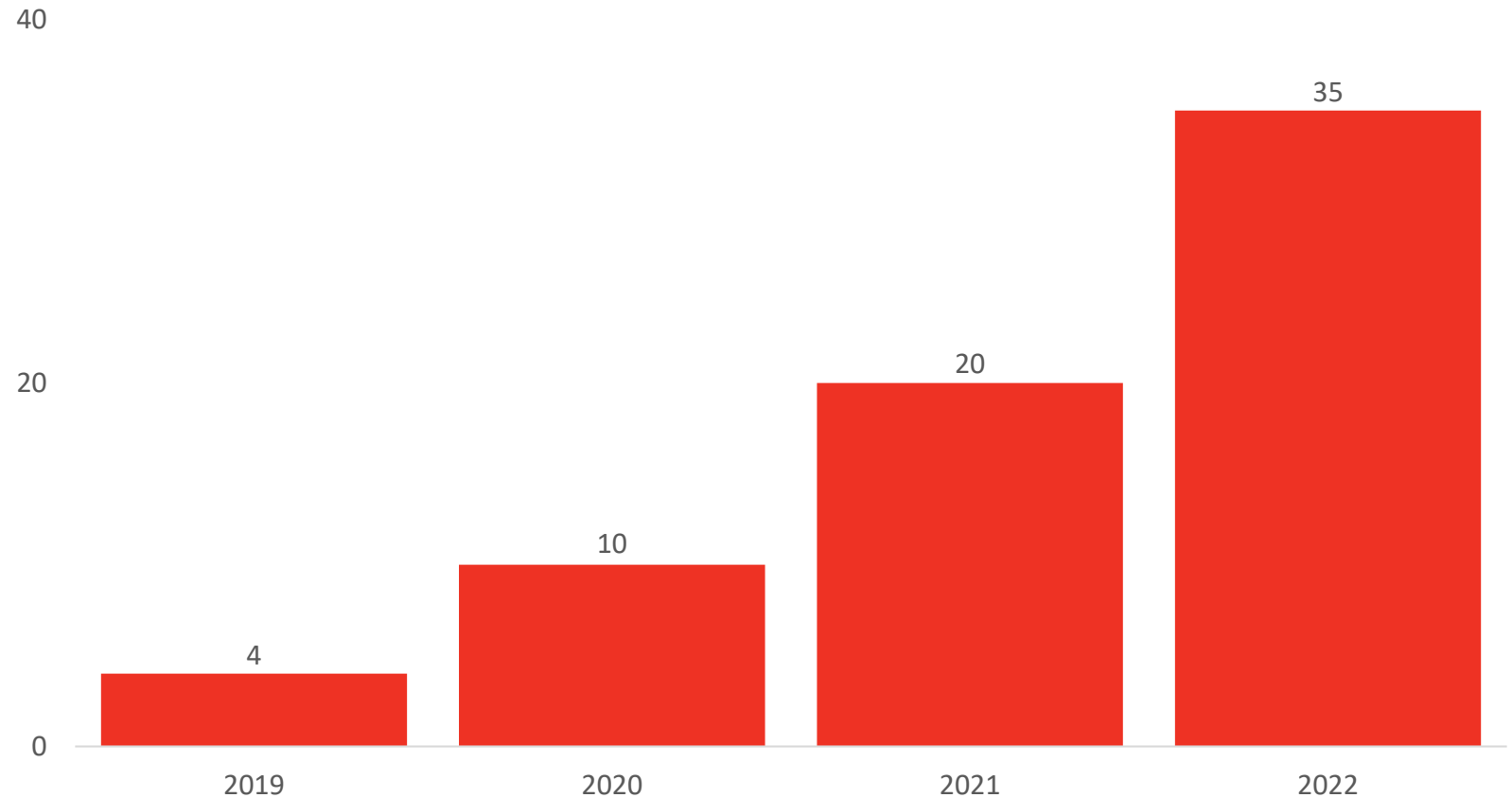
- **Scott Palladini**
Founder, Bear Mattress



Building on Personalization Success, Marketers are Greatly Increasing AI Projects

- Organizations see acceleration in their adoption of AI-powered applications

How Many Projects Using AI or Machine Learning will Companies Worldwide Deploy on Average?



Regulation + Browser Restrictions = Dramatic Constriction of Cookie-Captured Data

2019: The year that privacy got real for marketers

CCPA, cookie blocking and the rise of "surveillance capitalism."

MarTech Today

Google plans to drop Chrome support for tracking cookies by 2022

arsTechnica

End of Cookie Tracking as We Know it? Apple Releases ITP 2.1 Beta

PerformanceIN

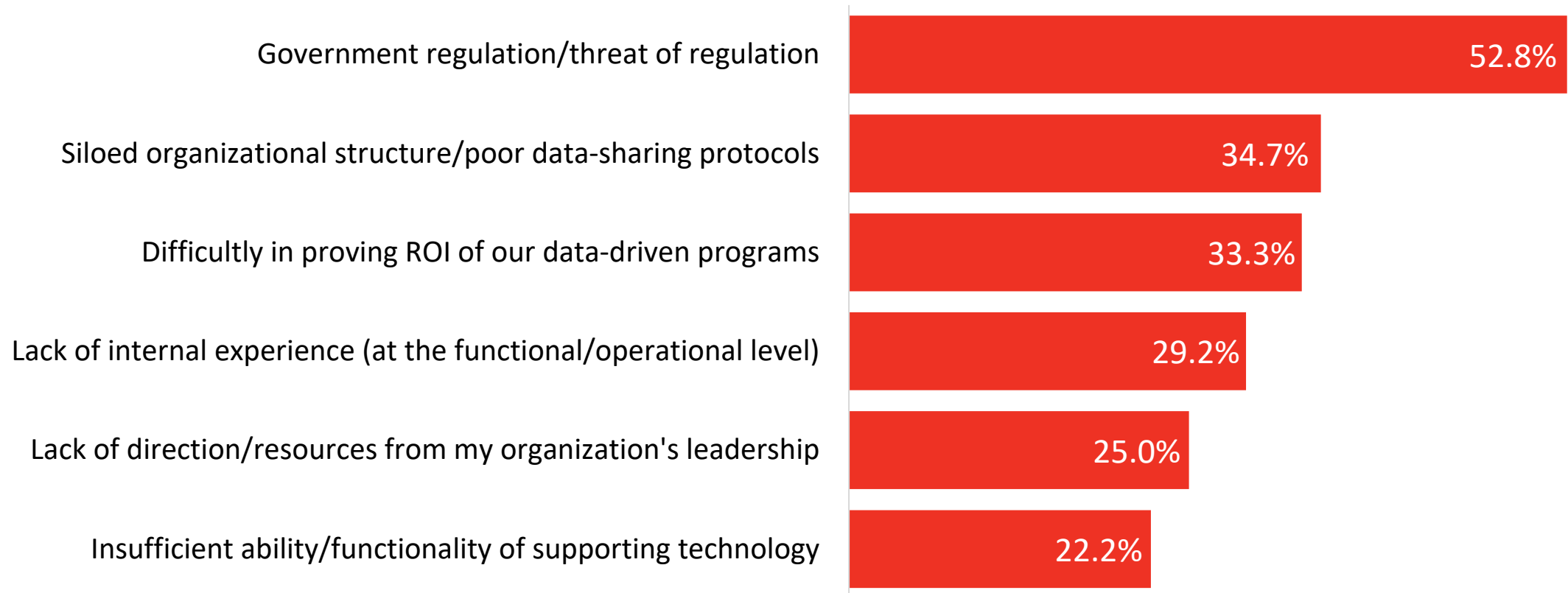
Mozilla: All Firefox users get California's CCPA privacy rights to delete personal data

The next version of Firefox will give users a way of requesting Mozilla delete their telemetry data.

ZDNet

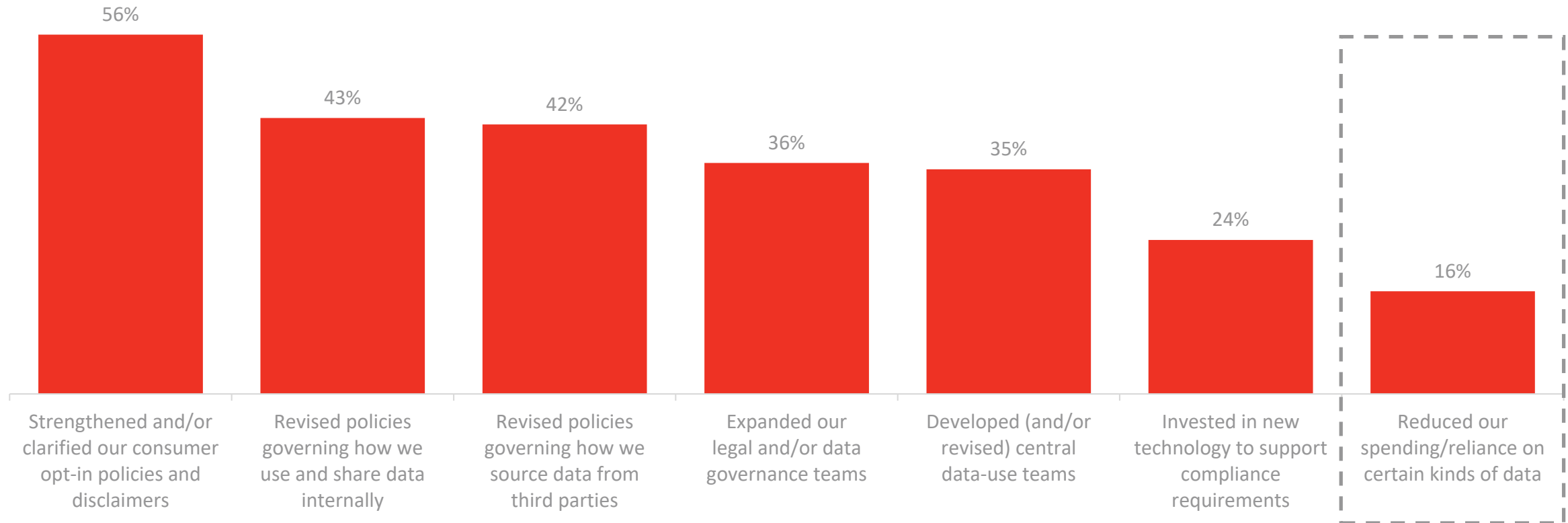
Marketers: Regulation is the Biggest Obstacle to Deriving Value from Data

Challenges that May Impede U.S. Digital Marketers' Ability to Derive Value from Their Data-Driven Marketing/Media Initiatives in the Year Ahead



Few Brands have Lowered Data Spending Due to Regulatory Anxiety

“Which of the Following Actions has Your Company Taken to Address New/Potential Data Privacy Regulation?”

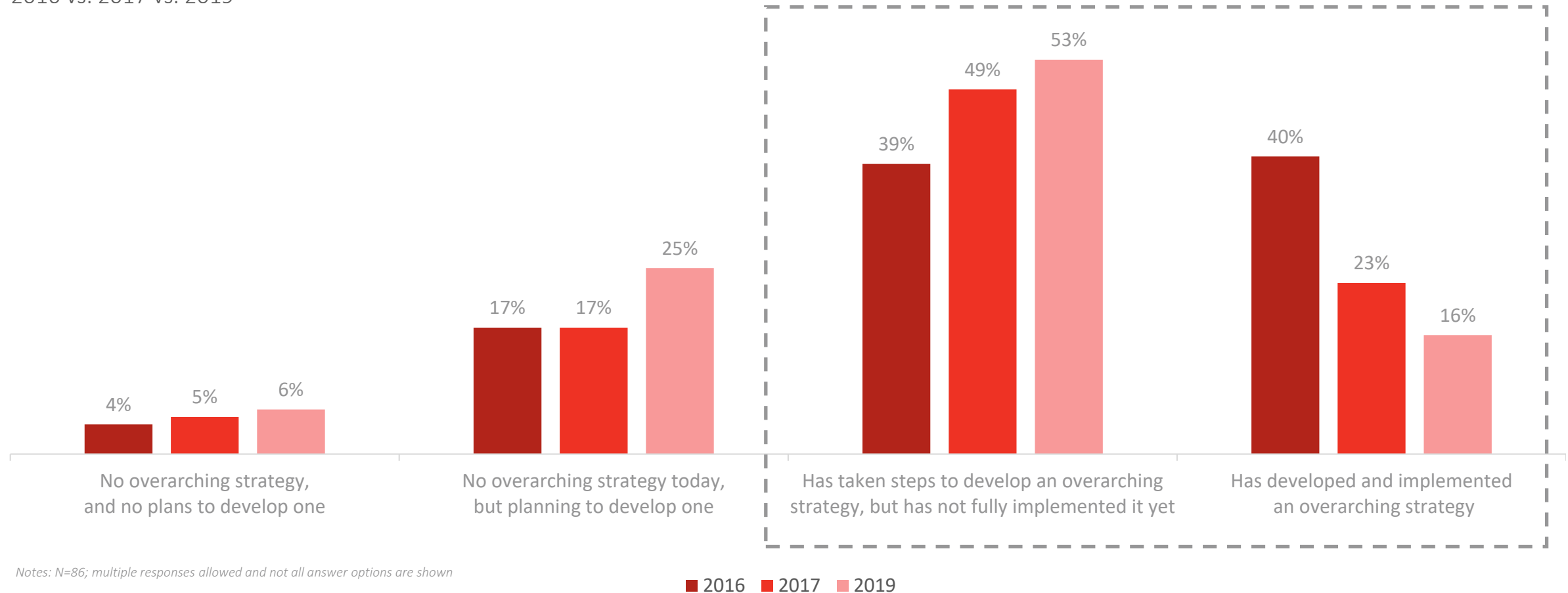


Notes: N=86; multiple responses allowed and not all answer options are shown

Instead ~70% of Companies are Building Strategies to Govern Data Use

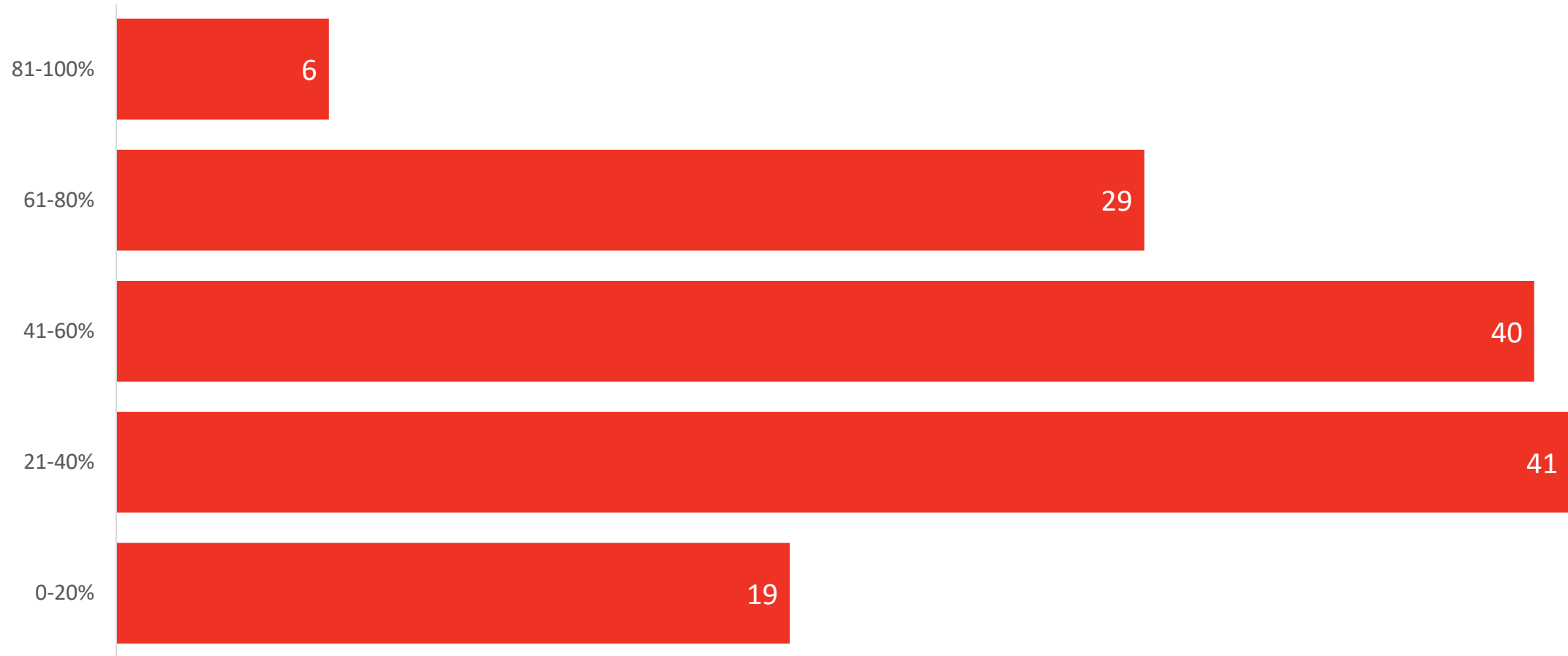
“To What Extent would You Say Your Organization has an Overarching Strategy to Govern How it Collects, Manages, Shares and Uses Audience Data?”

2016 vs. 2017 vs. 2019



Opportunity: More than Half of First-Party Data has yet to be Tapped

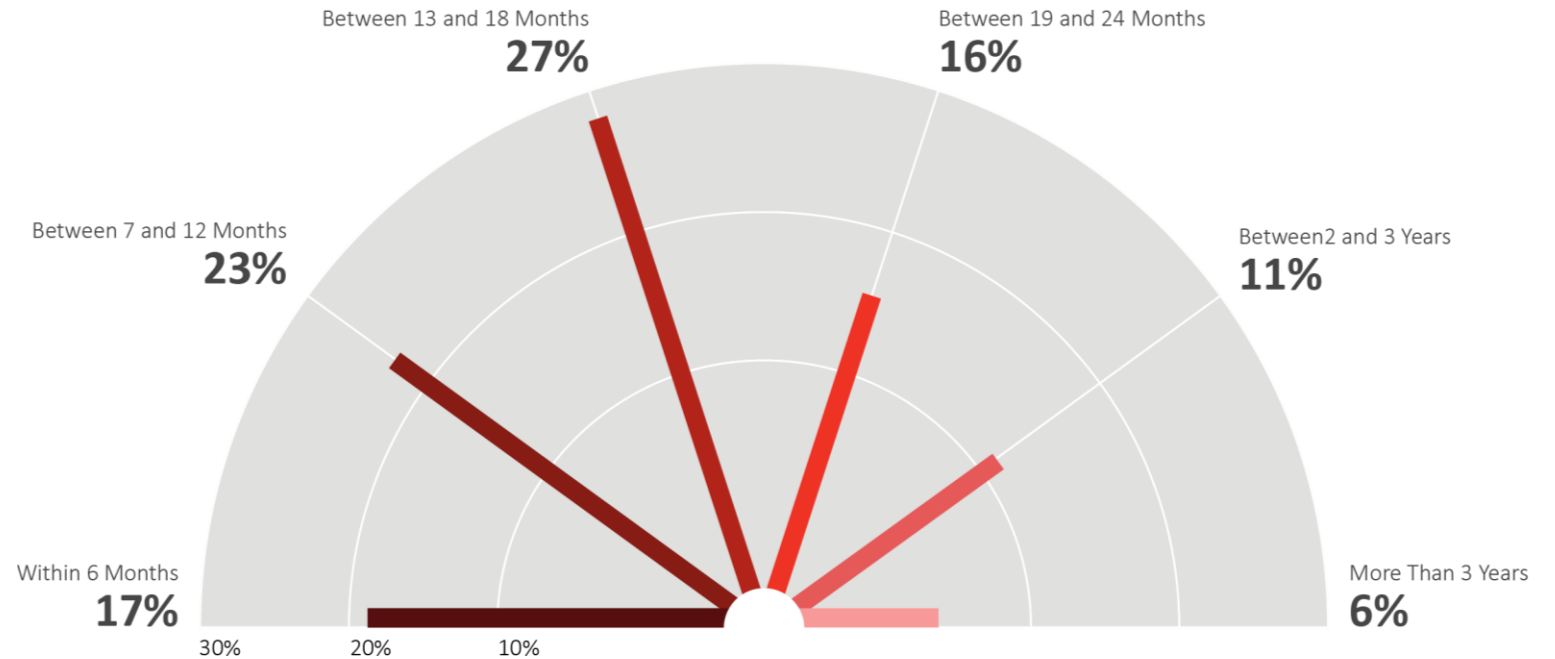
What Percent of Your Company's First-Party Data Potential do You Think You're Tapping Into?



Marketers are Now Working Fast to Achieve First-Party Goals

- Over two thirds of marketers (67%) expect to realize their first-party data goals in the next 18 months

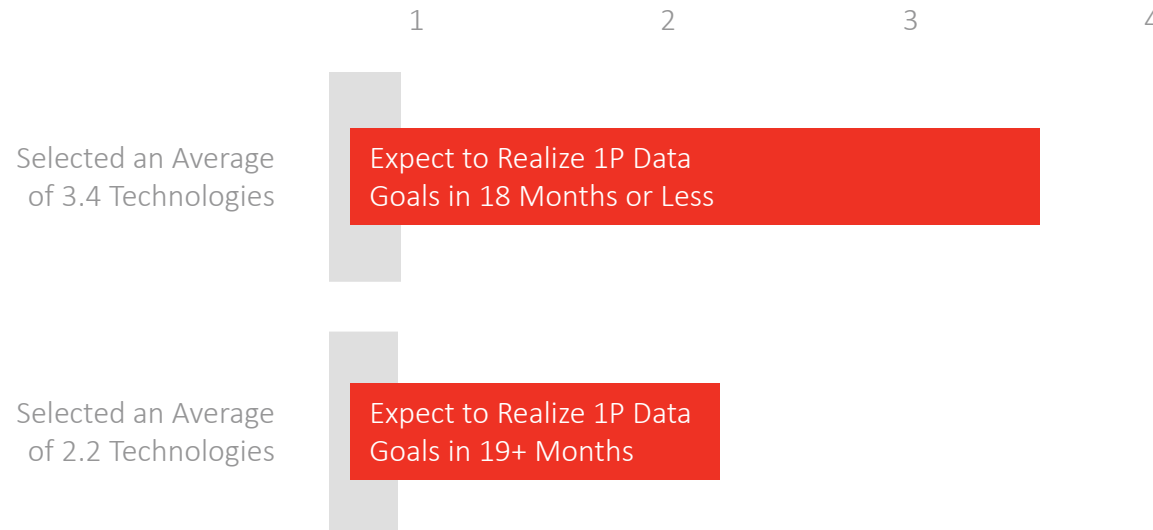
When Do You Anticipate Your First-Party Data Goals will be Realized?



Tech is Being Leveraged to Realize First-Party Data Potential Quickly

- Marketers will leverage a variety of technologies including DMPs, cloud infrastructure, data warehouses, e-commerce platforms, CRM, CDPs, etc.

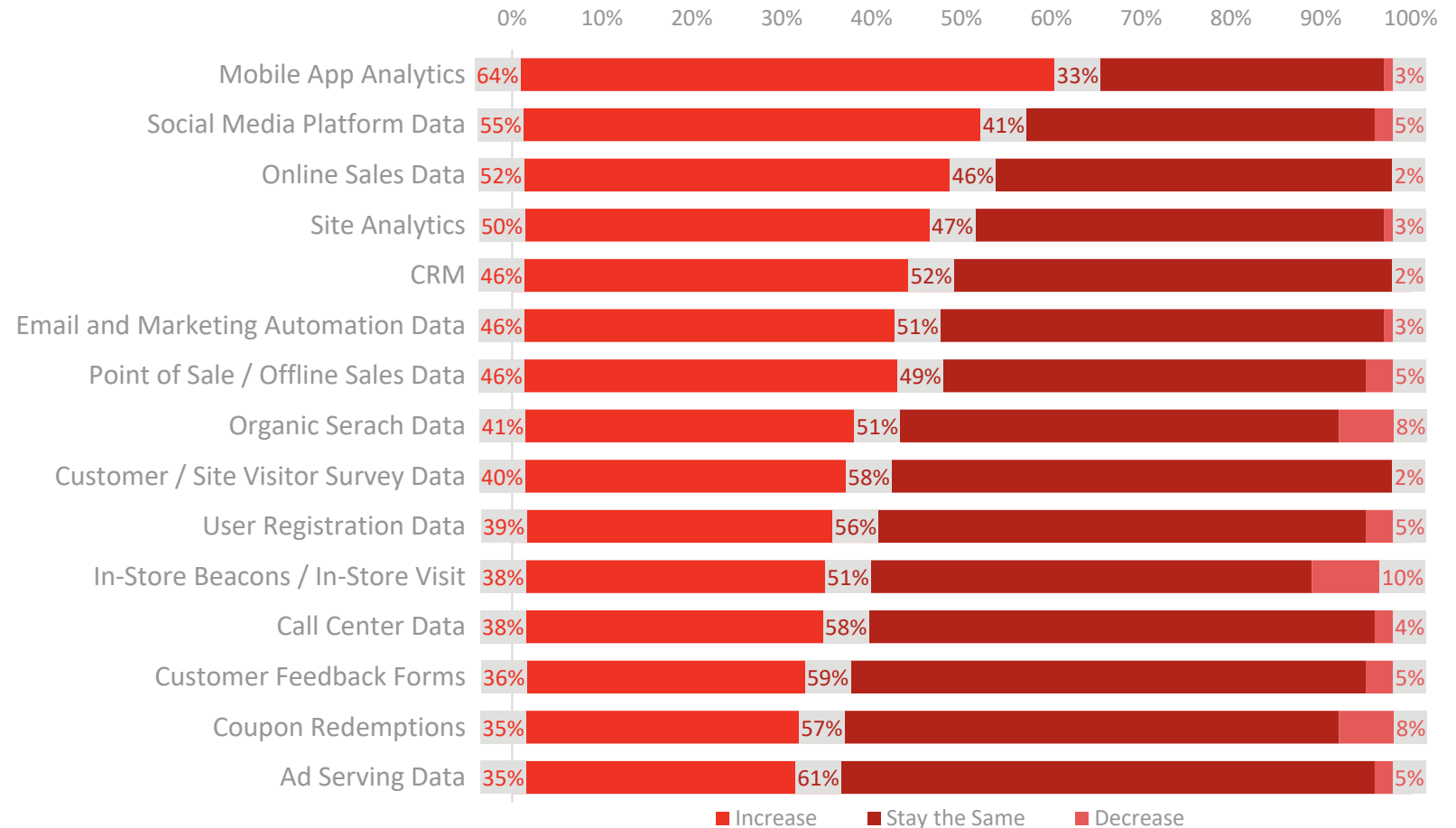
Marketers Who Expect to Realize Their First-Party Data Goals Sooner Use More Technologies on Average



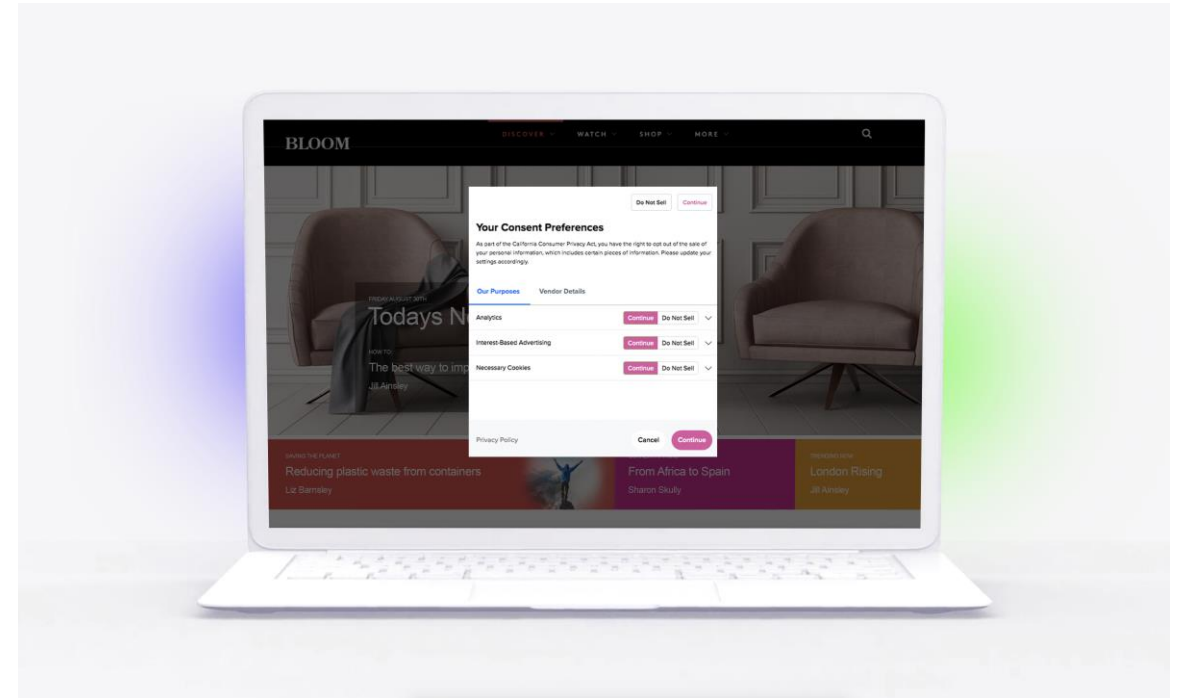
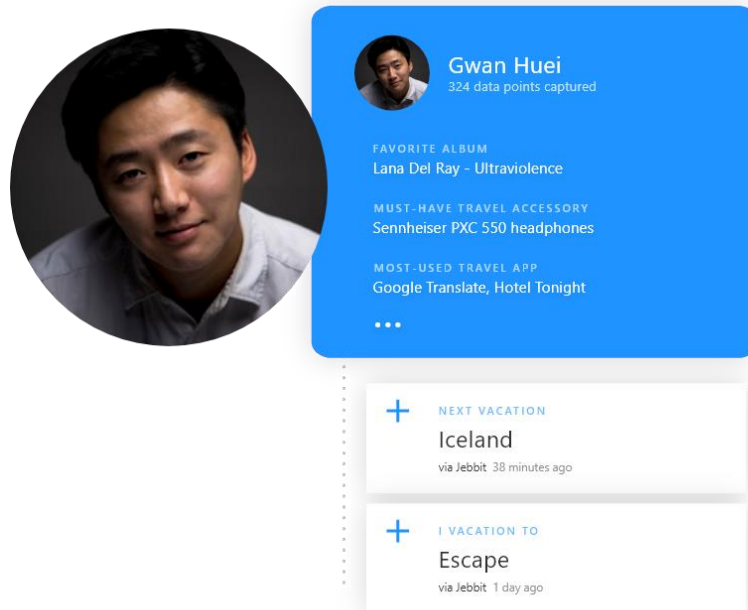
As Marketers Look to Increase First-Party Data, Complexity Arises

- Leveraging different types of first-party data (e.g. app and site analytics, social media, online sales, etc.) creates complexities when consolidating and parsing for insights

Expected Change in Use of First-Party Data, Next 12 Months



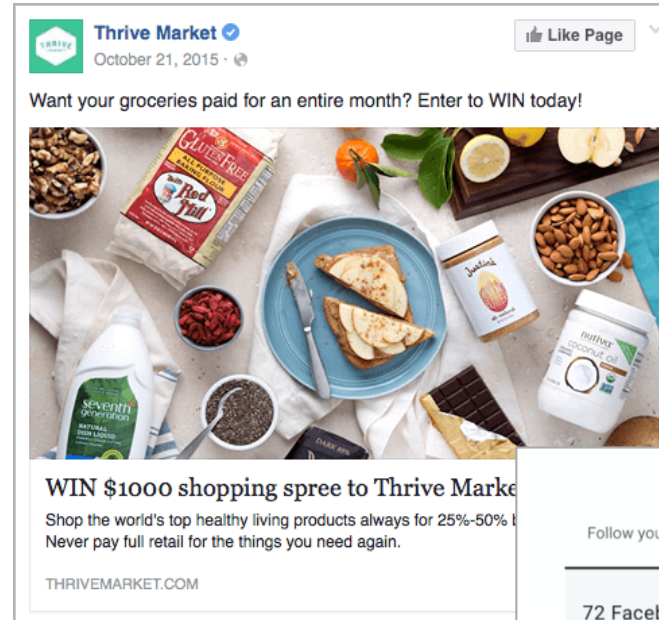
New Martech Solutions Surface to Generate Privacy-Compliant First-Party Data



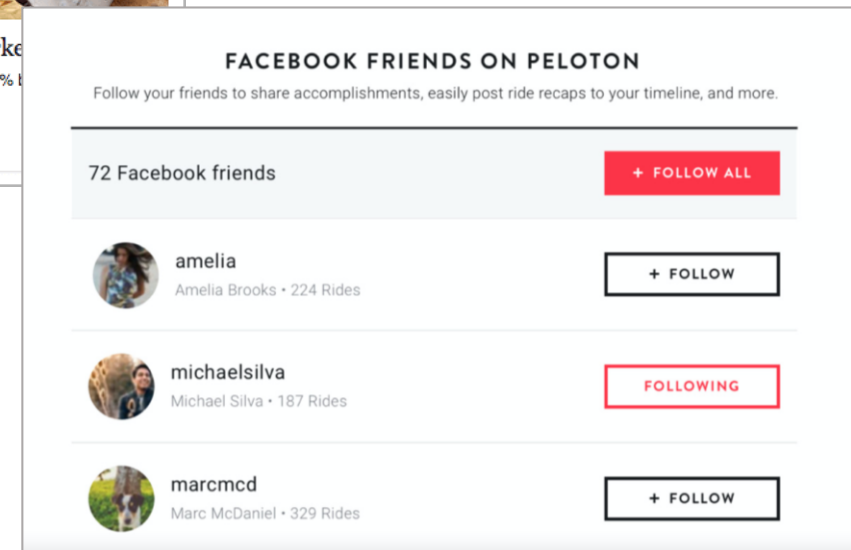
- Jebbit creates interactive, omnichannel experiences (such as product matches, personality quizzes, knowledge tests, etc.) on a brand's site/app that capture direct-from-consumer, first-party consented data while abiding to the four "right to" provisions under the California Consumer Privacy Act (CCPA)
- Sourcepoint uses emails shared directly by site visitors to generate a first-party, privacy-compliant data set enabling publishers to serve personalized ads on behalf of brands without requiring the use of third-party cookies

Facebook Groups are being Used to Get Data Directly from Consumers

- In Thrive Market's Facebook Group, subscription members share feedback on new products and swap recipes; Peloton's Facebook page is a forum that connects users and offers updates on new Peloton features and announcements



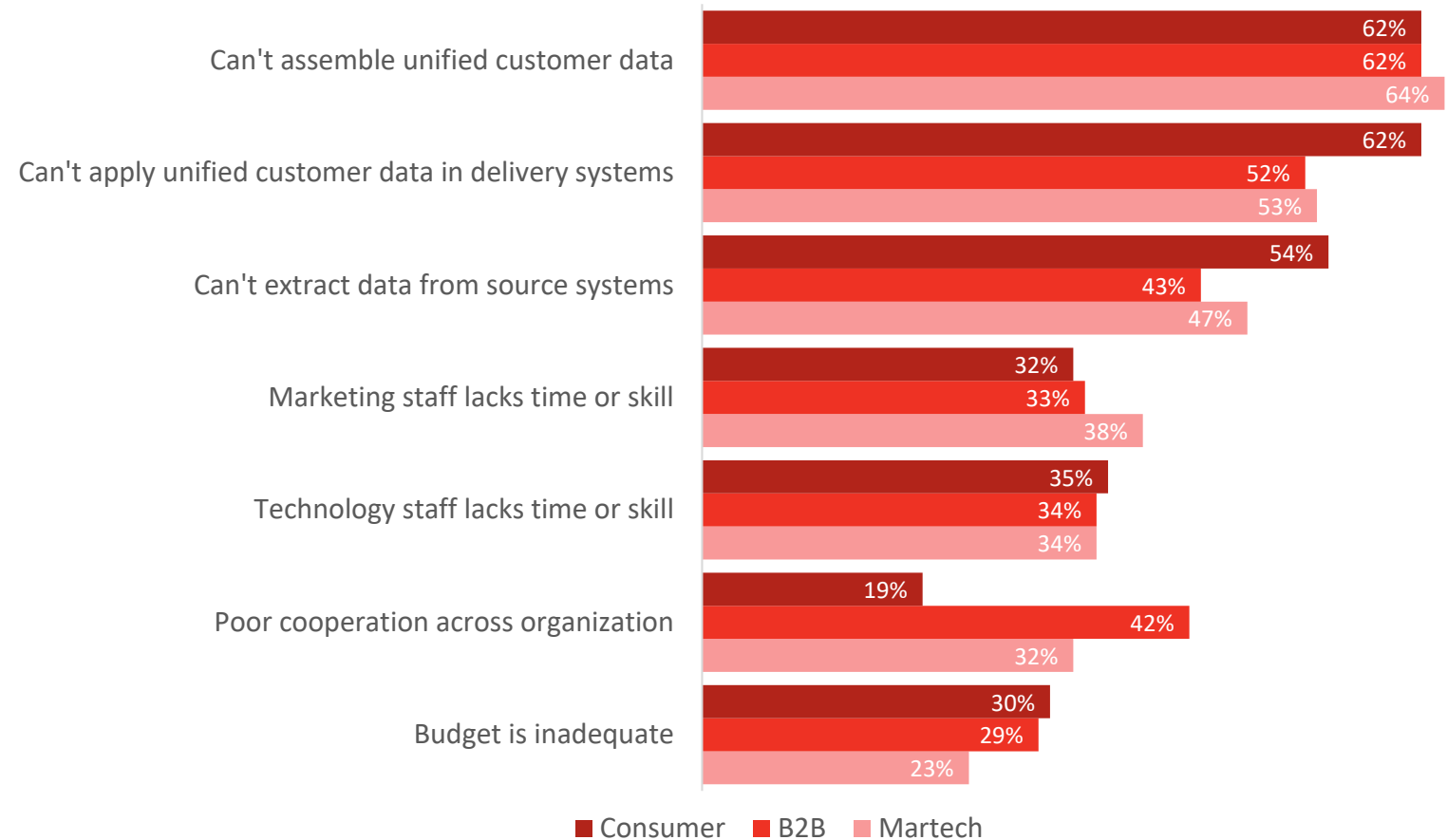
“The request-to-join nature of Facebook Groups makes them feel more intimate than public pages, helping to fuel more natural conversation”
-Digiday



As Second-Party and Third-Party Data Use Continues, Obstacles Beyond Legislation Remain

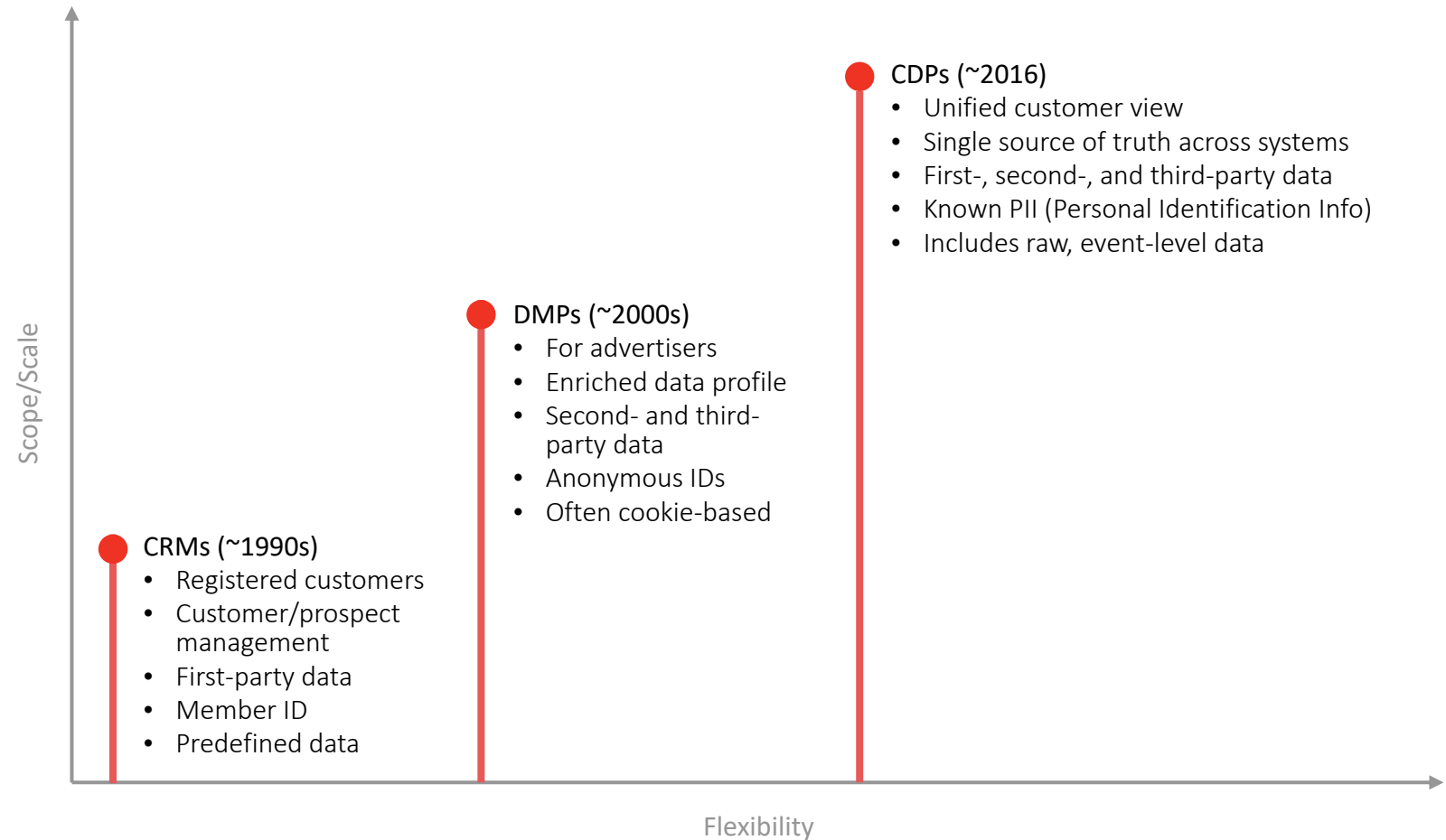
- Consumer, B2B, and marketing technology companies all have difficulty using customer data, particularly with assembling a unified dataset for advertising purposes

Obstacles to Using Customer Data (Top 3)



CDPs: Combine the Functionality of DMPs + CRMs for a Better Data Platform

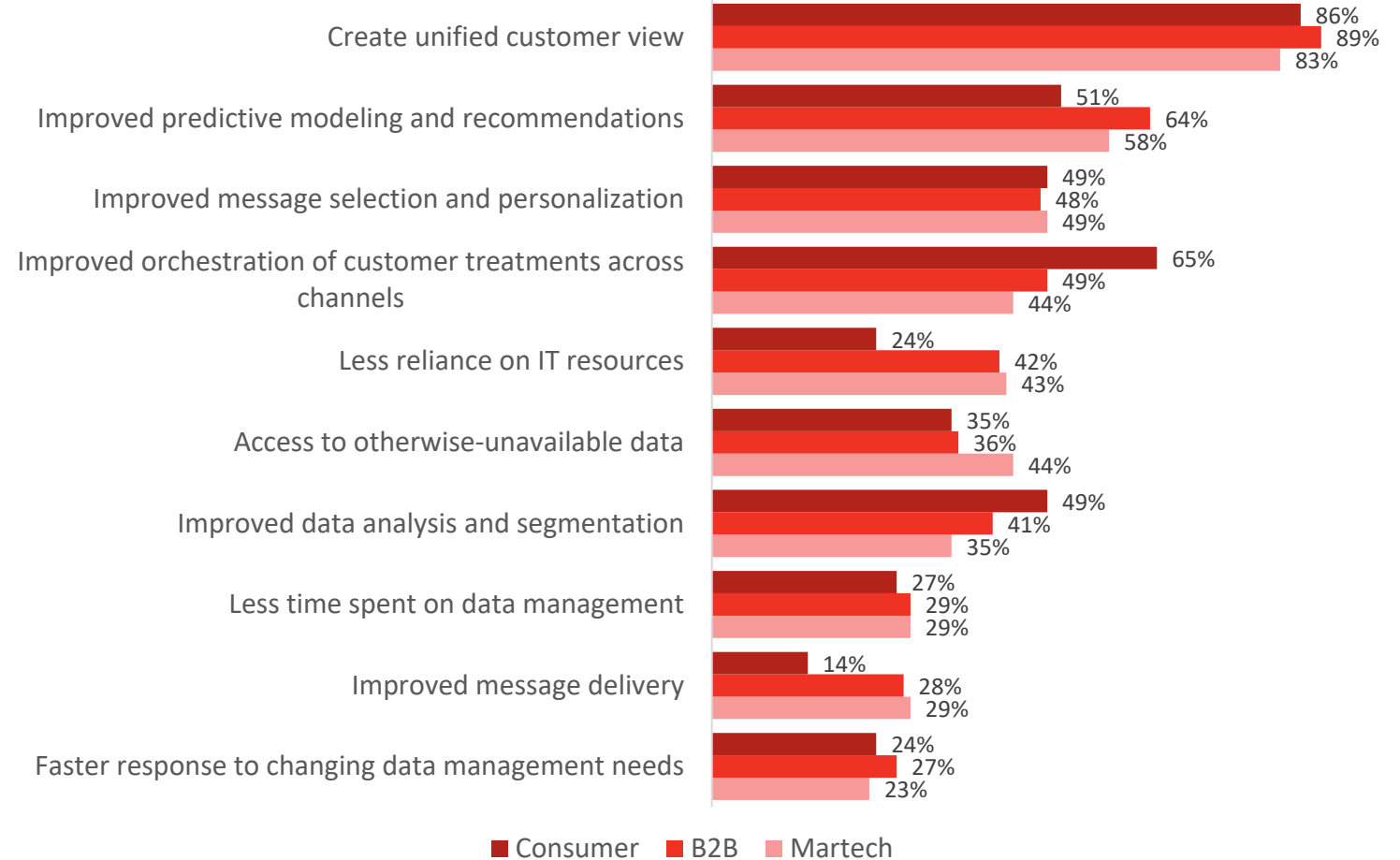
- Like data management platforms (DMPs), consumer data platforms (CDPs) leverage anonymous data (cookies, device IDs, etc.) but also use individual data (e.g. name, address, email, etc. from CRMs) to create a single unified customer profile beyond DMP customer segments



CDPs are Most Likely to be Leveraged to Build a Unified Customer View

- Nearly 50% of companies have adopted CDPs in the last 12 months and an additional 35% of companies are looking to do so within the next 12 months

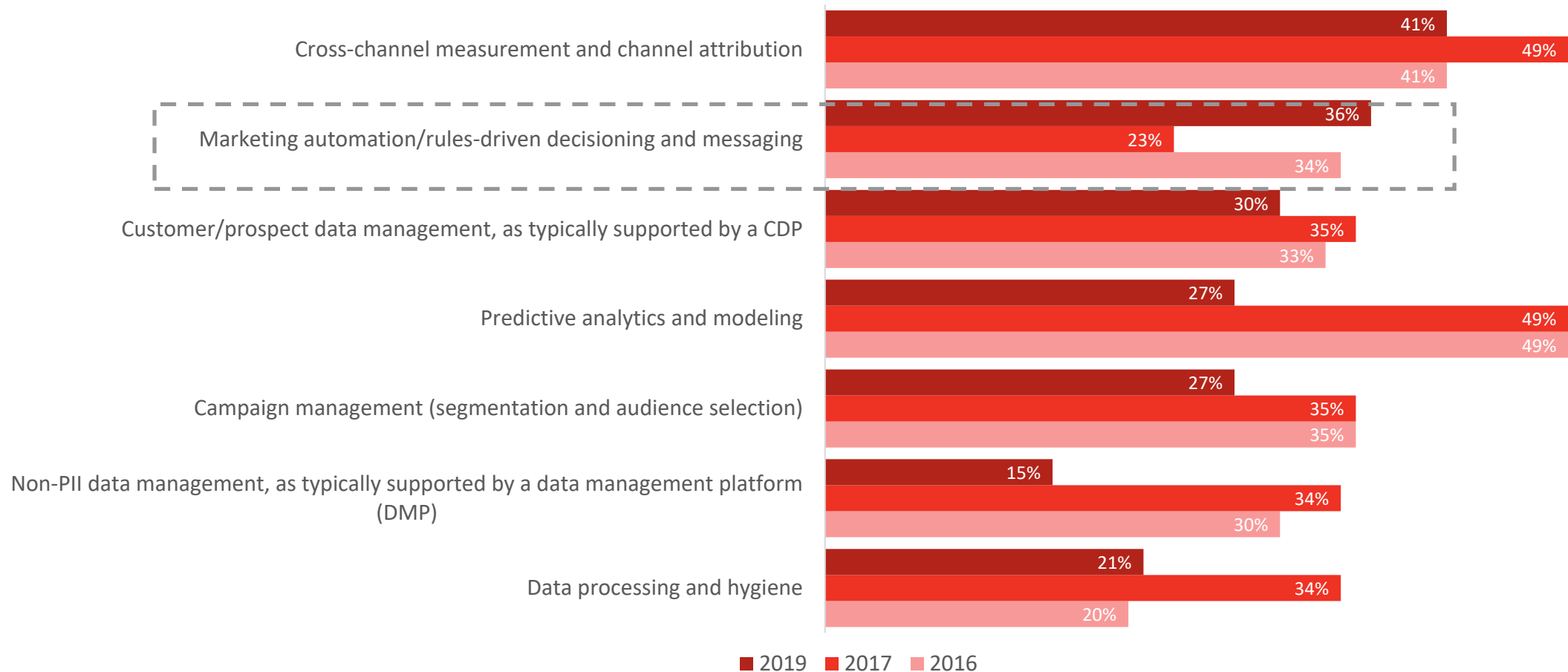
CDP Benefits (Top 3)



Measurement and Attribution Remain Most In-Demand Features

“What Specific Technology Functions or Features do You Think will be Most Important in Supporting Your Organization’s Efforts to Achieve Value from its Future Use of Audience Data?”

2016 vs. 2017 vs. 2019



Data Growth + Complexity will Increase Cross-Platform Measurement Challenges

- U.S. marketers utilizing programmatic and cross-channel advertising feel that optimizing campaigns and the complexity of integrating data sources are the biggest measurement challenges



Top 3 Pain Points

60% complexity of optimization

58% complexity of integrating data sources

48% conflicting ad results from different sources



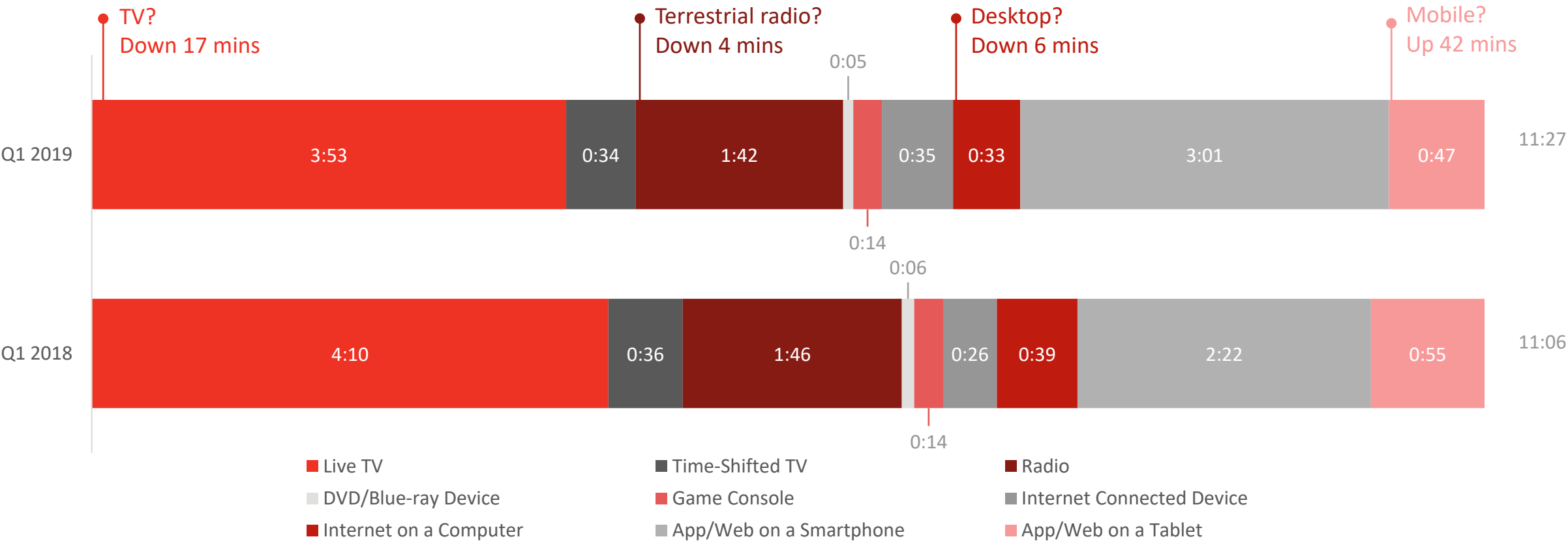
Attention:

The Battle to Reach Consumers

Daily Time Spent Consuming Media is +21 Min YoY

Average Time Spent Per Adult 18+ Per Day

Based on Total U.S. Population

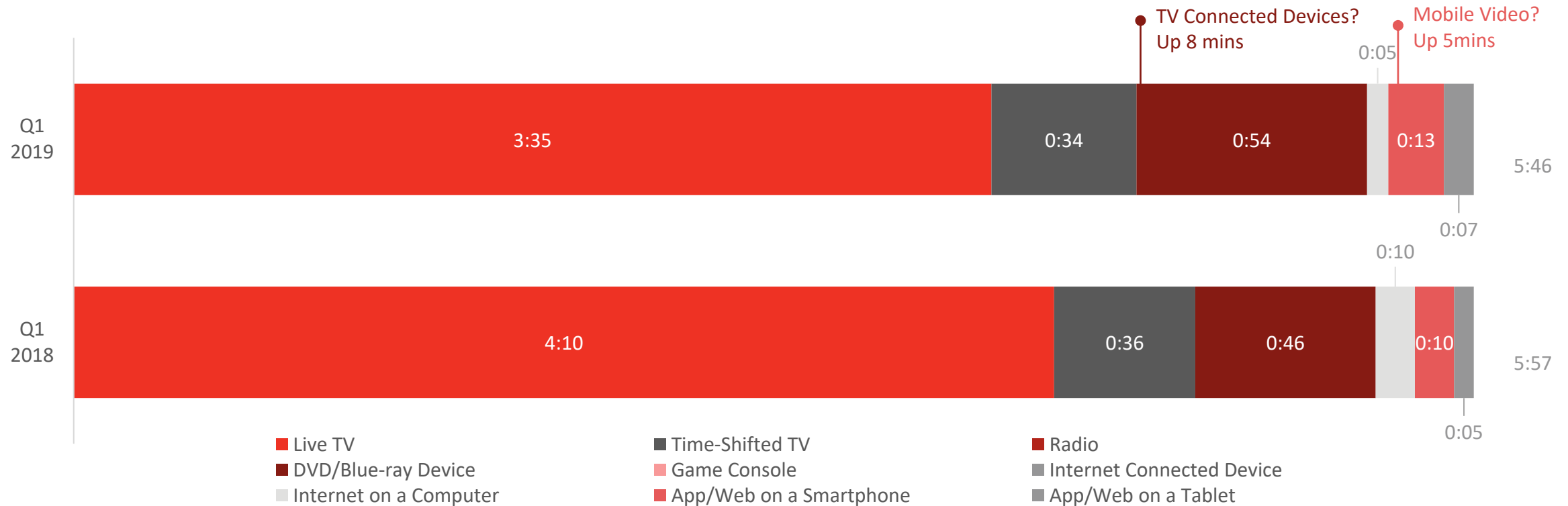


Every One of Those Additional Minutes is in an On-Demand DTC Channel

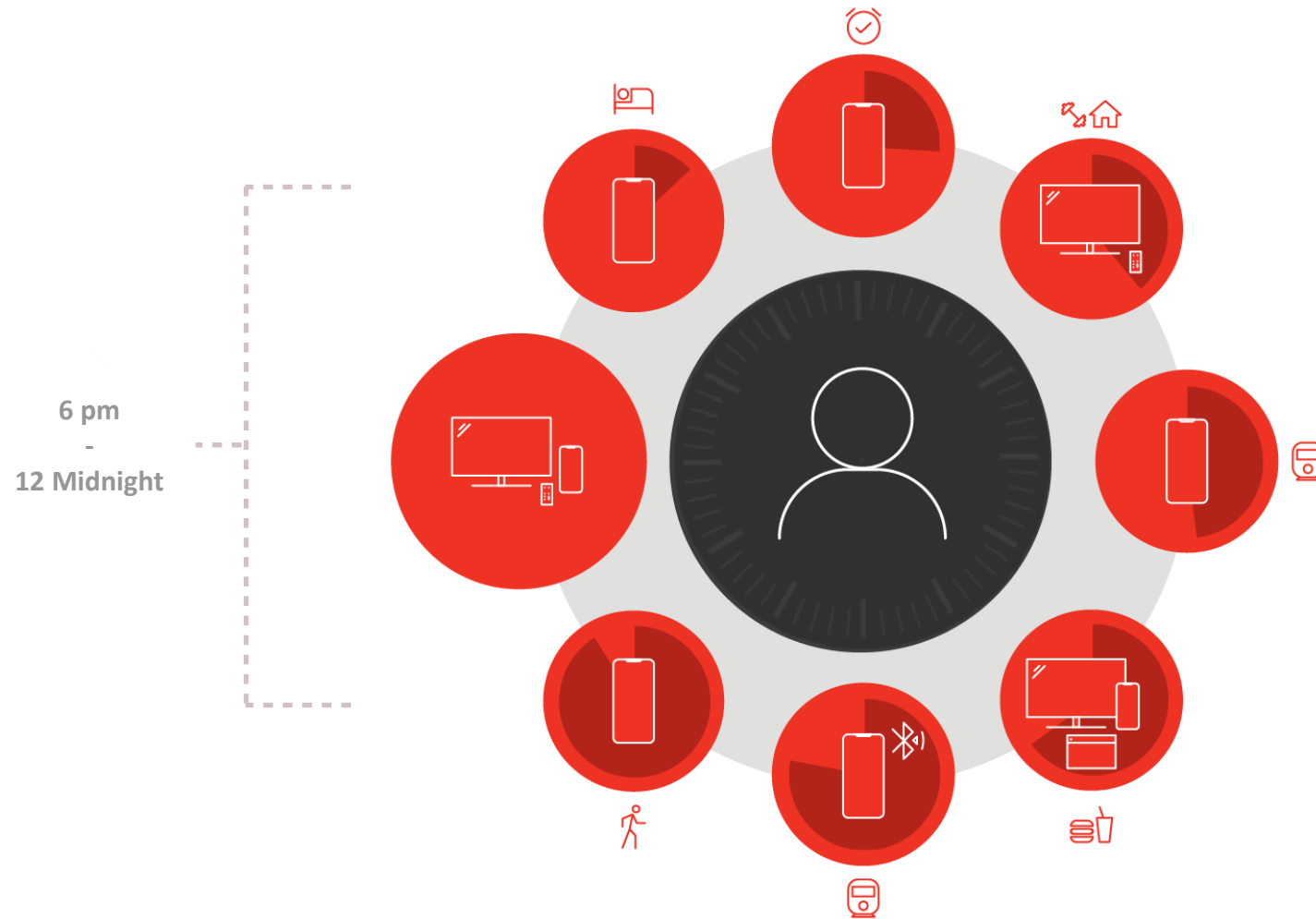
DTC Applies both to the Goods and Services People Buy and to the Mediums through which They're Consuming

Average Time Spent Per Adult 18+ Per Day on Video

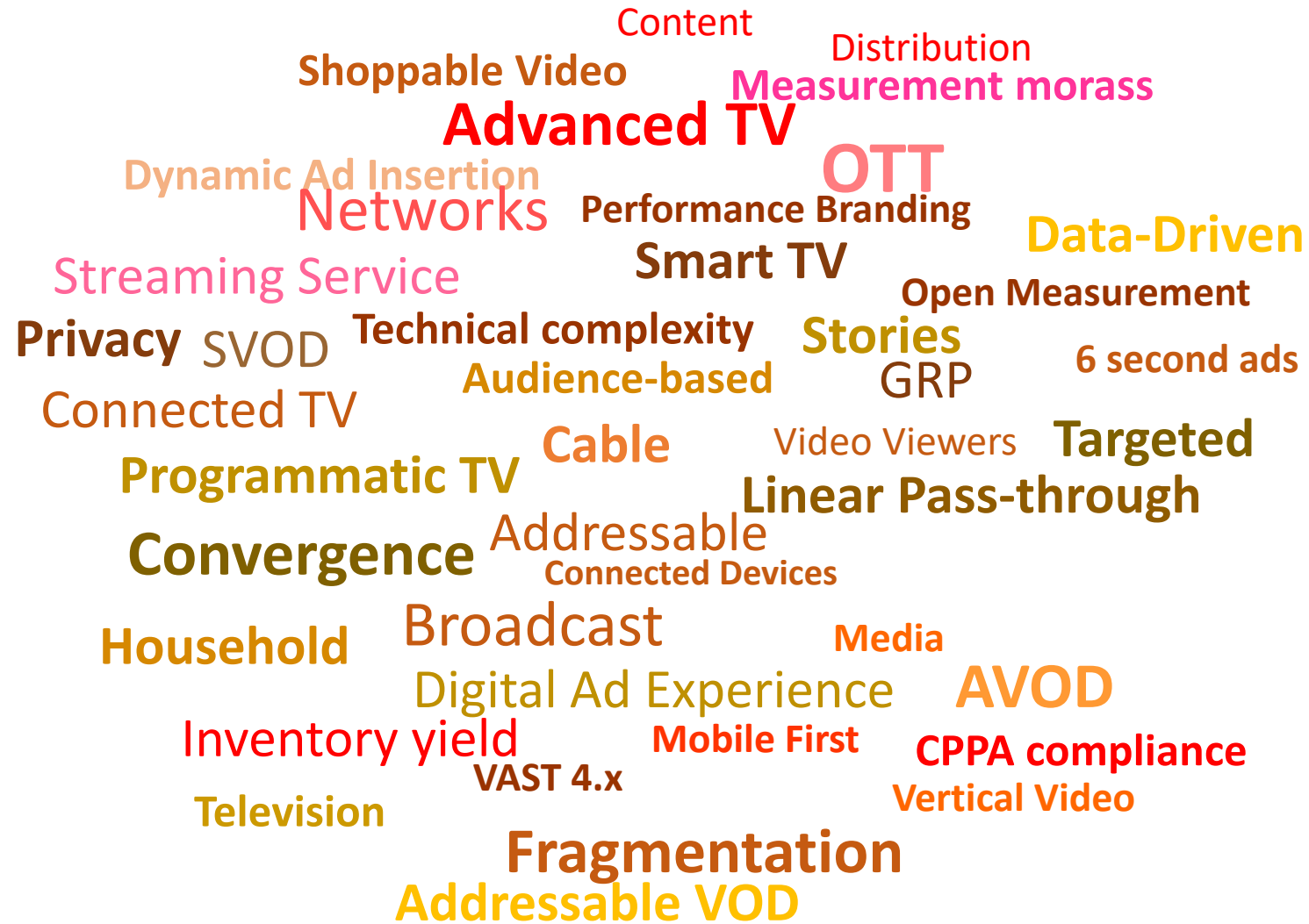
Based on Total U.S. Population



Video Now Comprises 80% of All Internet Traffic



The Current State of Video Is Confusing and Fractured



The Video Delivery and Consumption Landscape Overlaps



Industry is Focused on the “Streaming Wars”...

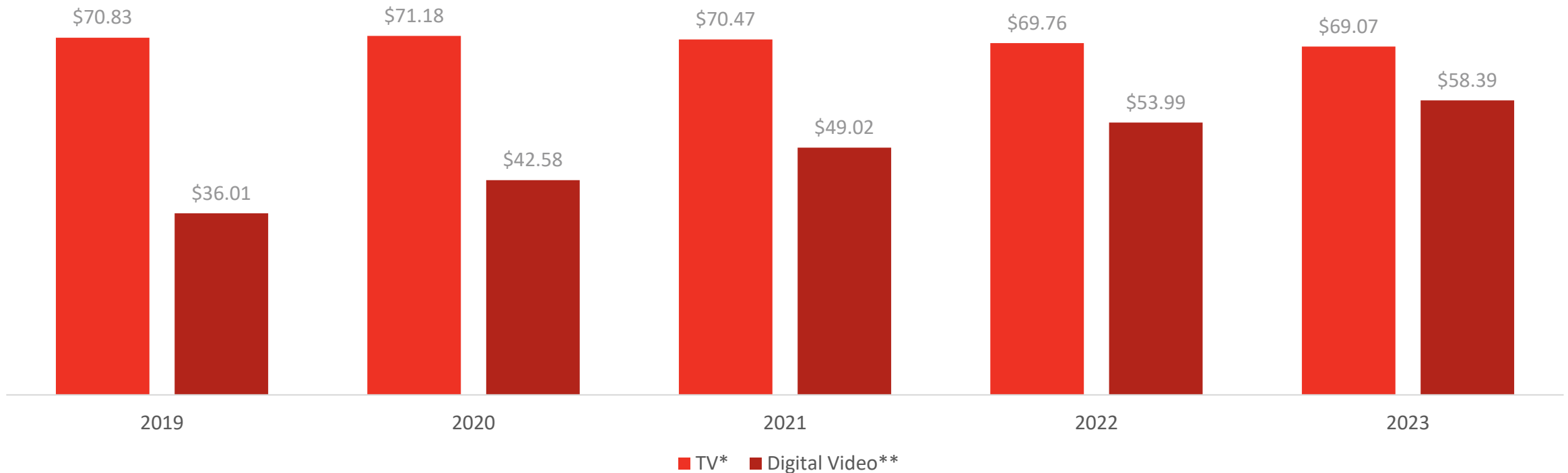
The logo for IMDb TV, featuring the text "IMDb" in black and "TV" in pink, set against a yellow background.The logo for Disney+, featuring the word "Disney" in its signature script and a "+" symbol, with a blue arc above it, all on a dark blue background.The logo for Apple TV+, featuring the Apple logo and "tv+" in white, set against a background of a cloudy sky with a bright light source.The logo for Amazon Prime Video, featuring the word "amazon" in black, a green play button icon, and "prime video" in blue, with the Amazon smile arrow below.The logo for AT&T TV, featuring "AT&T" in black and "tv" in blue, set against a white background.The logo for Peacock, featuring the NBC peacock logo above the word "peacock" in white, with a vertical row of colored dots to the right, all on a black background.The logo for HBO Max, featuring "HBO" in white and "max" in a larger white font, set against a purple-to-blue gradient background.

...The Reality: \$113 Billion in Video Ad Spend is Actually Two Markets...

1. Story-Based video (story/characters)

2. User-Generated Content (about me)

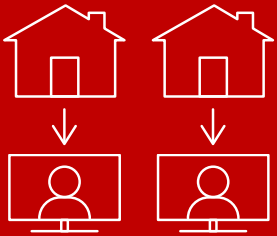
U.S. TV* and Digital Video** Ad Spending, 2019–2023
billions



... And There are Only Two Ad Models that Matter

1. By Program (Traditional)

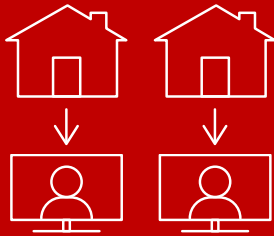
Traditional Linear TV



HHs viewing same show see same ad

(broadcast, cable, satellite in-home)

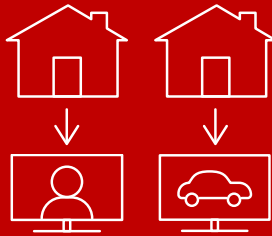
Data-Driven Linear



HHs viewing same show see same ad

(advertiser buys specific programs based on viewing data)

Addressable TV

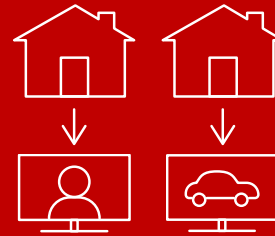


HHs viewing same show see different ads

(addressable HH data informs audience segmented buys)

2. By Audience (Internet Connected/Digital)

Connected TV



HHs viewing same show see different ads

(CTV device data and streaming service data informs audience buy)

Mobile & Tablet



Individuals view different content and different ads

(device data and publisher data informs audience buy)

Desktop & Laptop



Individuals view different content and different ads

(device data and publisher data informs audience buy)

Top Influencers Now Matching Leading Television Networks in Reach



Amanda Cerny



Zach King



Liza Koshy



James Charles



Nikkie de Jager

Top Instagram Influencers: 30 Major-League Instagrammers Worth Following

- 1. Amanda Cerny (@amandacerny) – 24.7M Followers
- 2. Zach King (@zachking) – 20.5M Followers
- 3. Liza Koshy (@lizakoshy) – 17.7M Followers
- 4. James Charles (@jamescharles) – 15M Followers
- 5. Nikkie de Jager (@nikkietutorials) – 11.8M Followers

VARIETY Read Next: Listen: Issa Rae Talks Spider-Man, 'The Photograph'

THE 50 TOP-RATED NETWORKS OF 2019 (BY ADULTS 18-49)

RANK	NETWORK	18-49 VIEWERS (000)	% CHANGE
1.	NBC	1,733	-26%
2.	Fox	1,617	-3%
3.	CBS	1,485	-6%
4.	ABC	1,473	-10%
5.	ESPN	712	-5%
6.	Univision	546	-11%
7.	Telemundo	544	-8%
8.	USA Network	499	-17%
9.	TNT	487	-16%
10.	TBS	486	-18%
11.	The CW	423	-30%
12.	TLC	422	+10%
13.	Bravo	411	-6%
14.	A&E	405	-1%
15.	MTV	393	-14%
16.	Adult Swim	385	-23%
17.	Discovery Channel	372	-14%
18.	ION	362	-5%
19.	Food Network	348	-9%
20.	HGTV	319	-16%

Live Streaming Is Inventing a New, Mass Segment with New Players



- Fortnite (250 million registered players; 53% GenZ, ages 10-25) generated 10 million participants for its live Marshmello concert in Feb 2019 and 2.3 million concurrent viewers for its 2019 eSports World Cup

Commerce, Content and Data are Converging in Video

- **Target's Roundel:** Creates campaigns and content for clients using first-party data
- **Walmart's Vudu:** Video-on-demand platform that streams ad-supported shows and movies with an audience extension network for scale
- **Amazon's Channels:** Provides subscription-based media companies (like HBO) a way to serve video to millions more customers



More Important than Content? First-Party Data as Connective Tissue

**XANDR ACQUIRES CLYPD IN MOVE
TO BUILD CONNECTED TV EMPIRE**

AdAge

**Roku buys adtech platform
dataxu for \$150 million**

TechCrunch

**Disney Takes Control of Hulu,
Snagging Another Streaming Service**

The Observer

Amazon is acquiring Sizmek
Ad Server and Sizmek DCO

AmazonAdvertising.com

Tech and Video Platforms Leverage First-Party Data Walled Garden-Like Ad Offerings

First-Party Data Owners are Creating Content and Selling both Ad Opportunities and Incremental Reach as Revenue Share to Brands and Media Companies

**Roku Partners With Adobe,
Opens Up First-Party Data to
Programmatic Buying**

Multichannel News

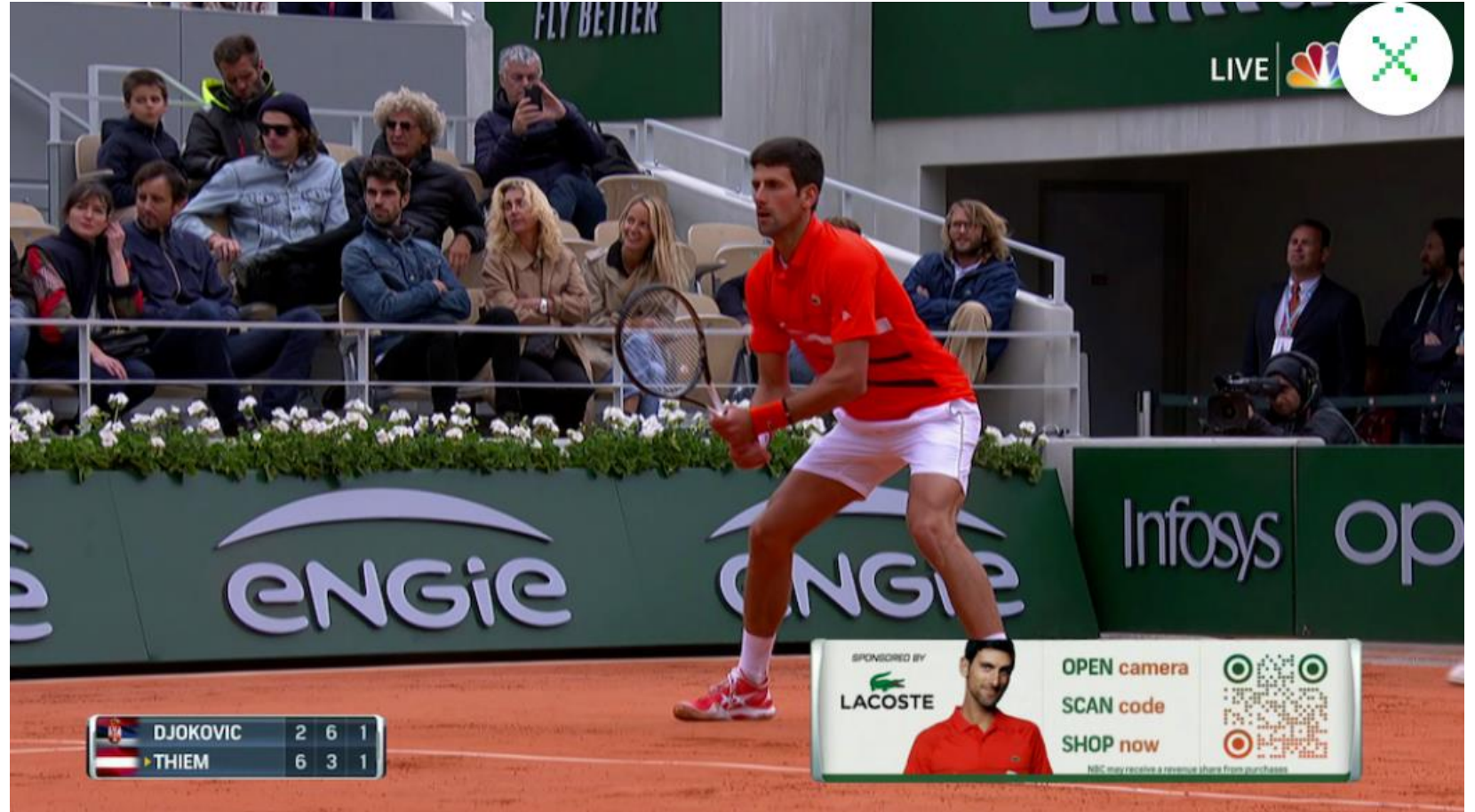
**Vizio Launches Ad Business As Ad-
Supported Streaming Takes Off**

AdExchanger

**Samsung Ads is trying to compete with Amazon, Roku for
connected TV budgets**

Digiday

Shoppable Ads: Connecting Content to Purchase Opportunities in Real-Time



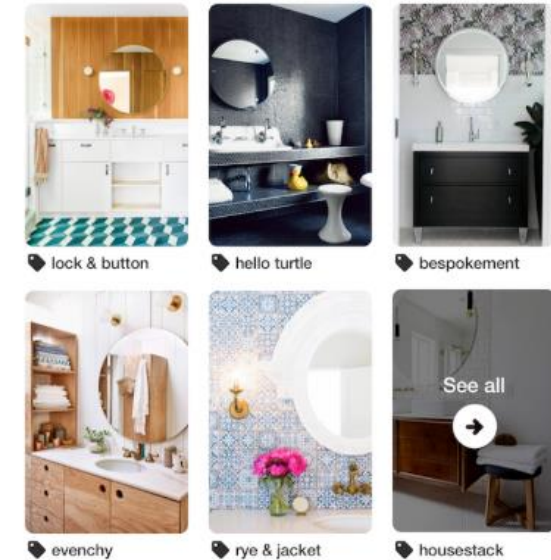
Pinterest Expands Shoppable Ad Capabilities to Mobile

Pinterest Launched Mobile Shoppable Updates in 2019, Including the New “Shop The Look” Mobile Ads:

- Brands’ profiles can be customized with videos or images
- Dedicated Shop tab enables “Pinner” to shop directly within brand profiles
- New messaging feature for brands provide quick support and feedback to customers



Products like this



More like this



TikTok Brings Short-Form, Shoppable Videos to Gen Z

- TikTok (27 million monthly U.S. users; 60% ages 16-24) is beta testing shoppable short-form videos which will allow viewers to click on the in-app video and be taken directly to the creator's store without leaving TikTok

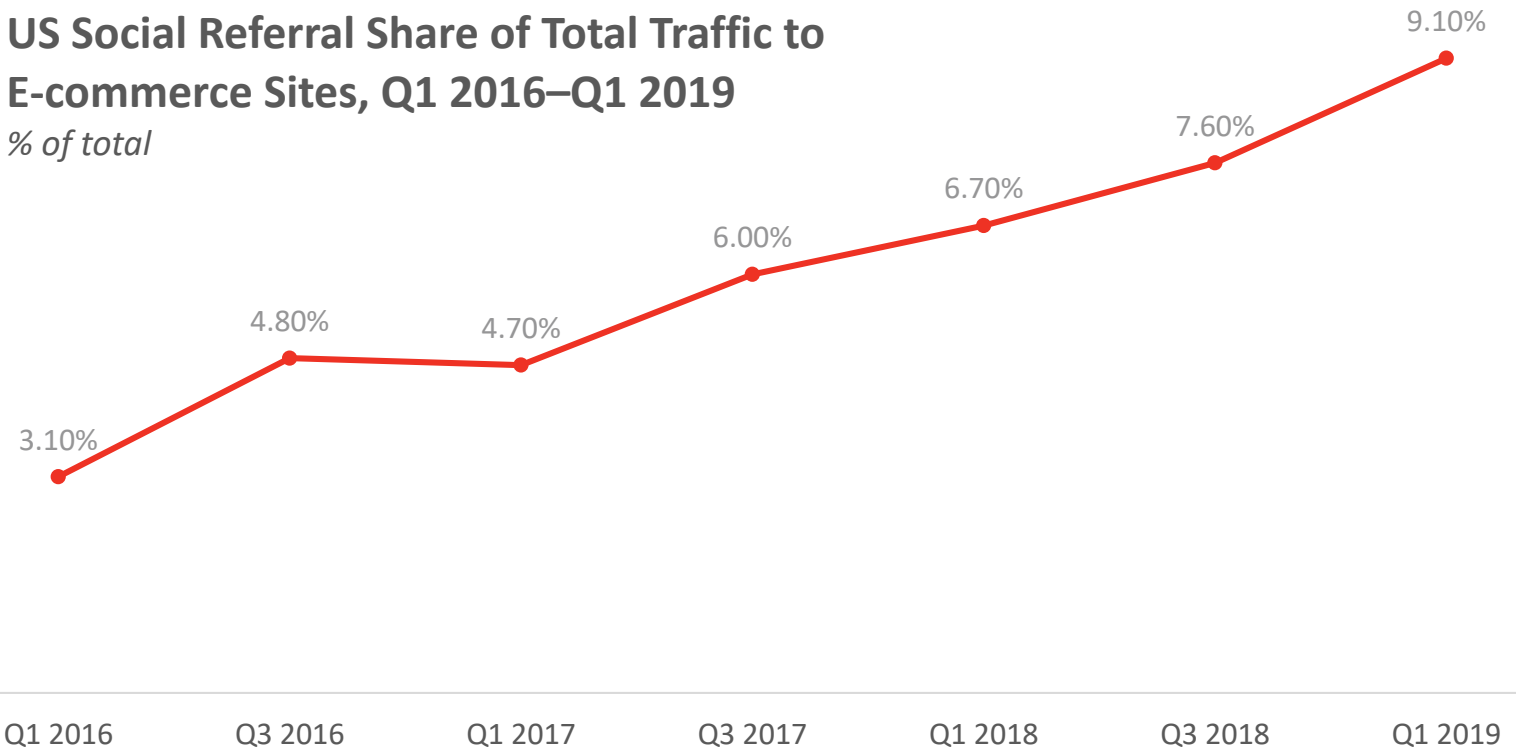


“Shoppable Social” Escalates Social Referrals

- The referral share of traffic that social provides e-commerce sites grew 20% from 7.6% to 9.1%; this is the largest growth seen since 2016

US Social Referral Share of Total Traffic to E-commerce Sites, Q1 2016–Q1 2019

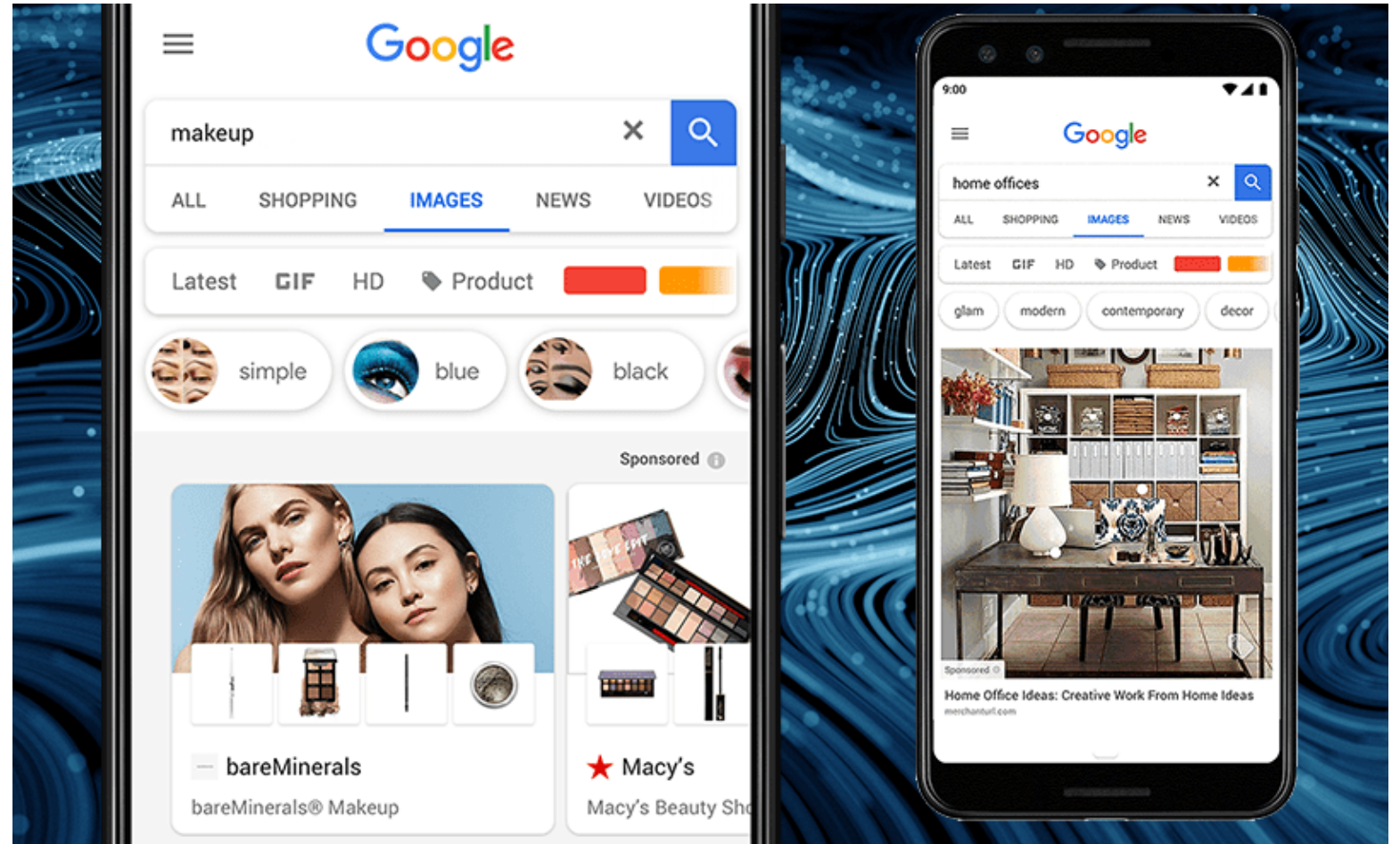
% of total



Note: social networks include Twitter, Reddit, Pinterest, Instagram and Facebook

Google Brings Shoppable Ads to Image Results

- Google found that 50% of online shoppers consider buying an item after seeing an image of it
- This insight led Google to create a shoppable image results page ad format, which allows retailers to showcase brands (and when users hover over a shoppable ad the price pops up)

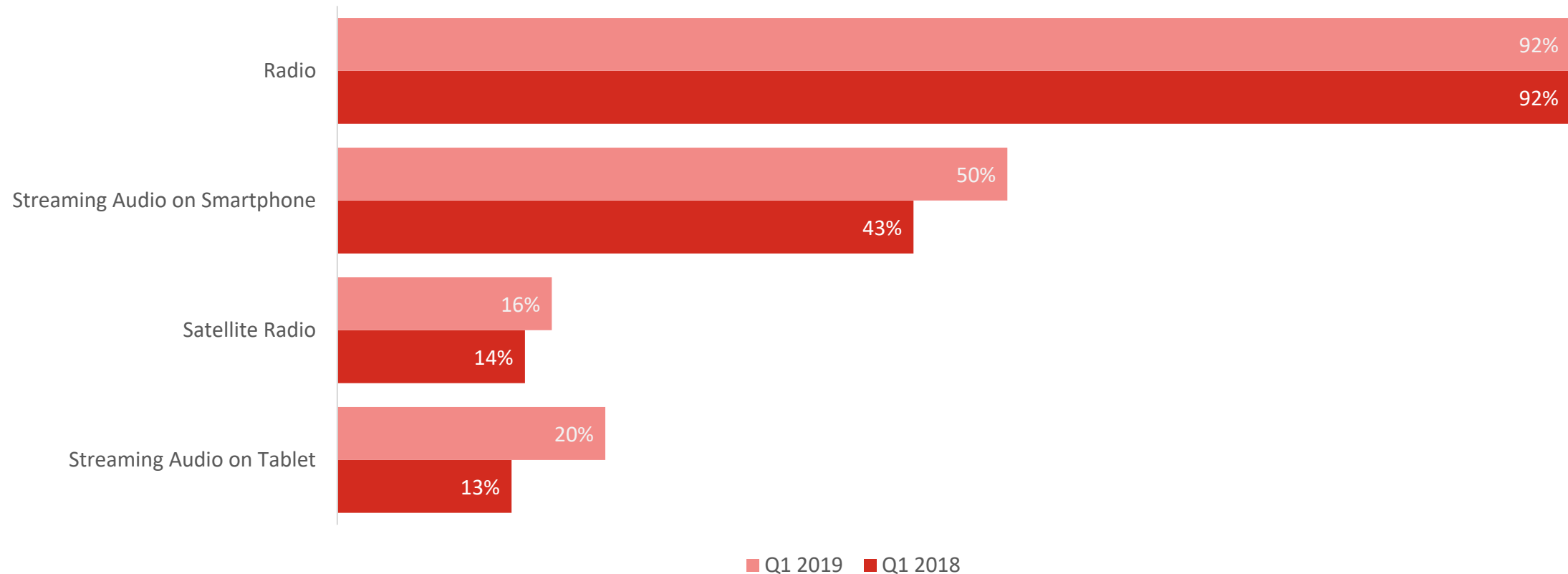


Beyond Video? Audio Streaming on Smart Phones is Up 16% YoY

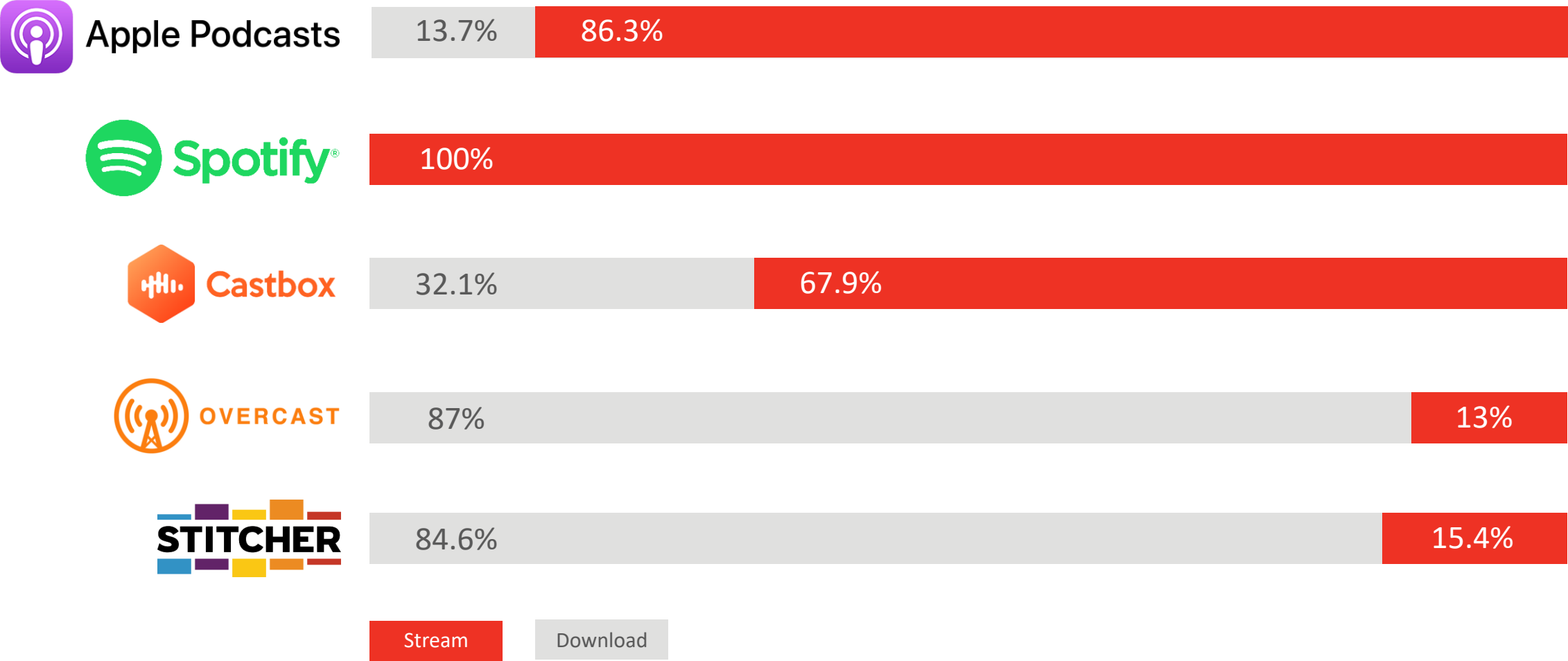
50% of U.S. Adults Now Use Their Smartphones to Stream Audio

Weekly Reach of Audio Amongst Adults 18+

Based on Total U.S. Population



Shift to Podcast Streaming Enables More Optimization via Dynamic Ad Insertion



Spotify Makes Streaming Dynamic and Measurable

Spotify Unveiled Streaming Ad Insertion (SAI), its New, Proprietary Podcast Ad Technology

- Real-time ad targeting
- Key performance metrics using first-party listener data



Spotify Podcast Ads
Powered by Streaming Ad Insertion (SAI)

Spotify Podcast Ads offer the intimacy and quality of traditional podcast ads with the precision and transparency of modern-day digital marketing.

AD DELIVERY

- Actual Ad Impressions
- Reach
- Frequency

AUDIENCE INSIGHTS

- Age
- Gender
- Device
- Listening Behavior

The graphic features three smartphone screens. The left screen shows a podcast player with an advertisement from 'Cody's Beverage Company' for 'GIMLET /reply-all/'. The middle screen shows the 'Podcasts' category menu with options like 'Podcast Charts', 'Educational', 'True crime', 'Comedy', 'Society & Culture', 'Stories', 'Music', 'News & Politics', 'Arts & Entertainment', and 'Sports & Recreation'. The right screen shows another podcast player with an advertisement from 'Cody's Beverage Company' for 'THE JOURNAL'.

Initially an Aggregator, iHeartRadio is Now Producing Content

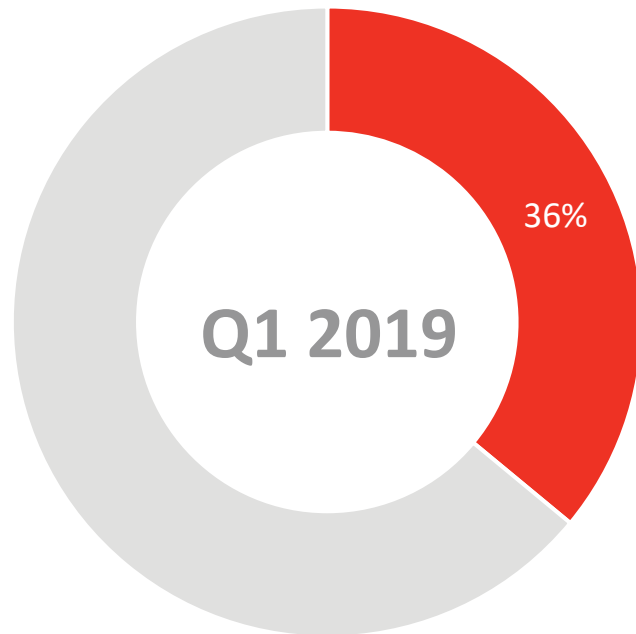
- By acquiring Stuff Media, iHeartRadio has transformed into a leading podcast publisher and leveraged first-party data to optimize campaigns for leading audio advertisers



More Than 1 in 3 Adults (36%) Use Voice Assistance

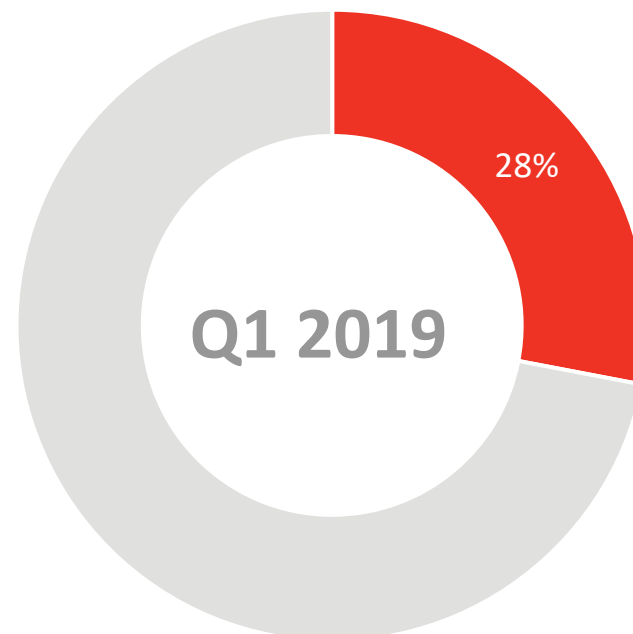
Voice Assistant Reach Among Adults 18+

Based on Total U.S. Population



Smart Speaker Penetration Among Households

Based on Total U.S. Population



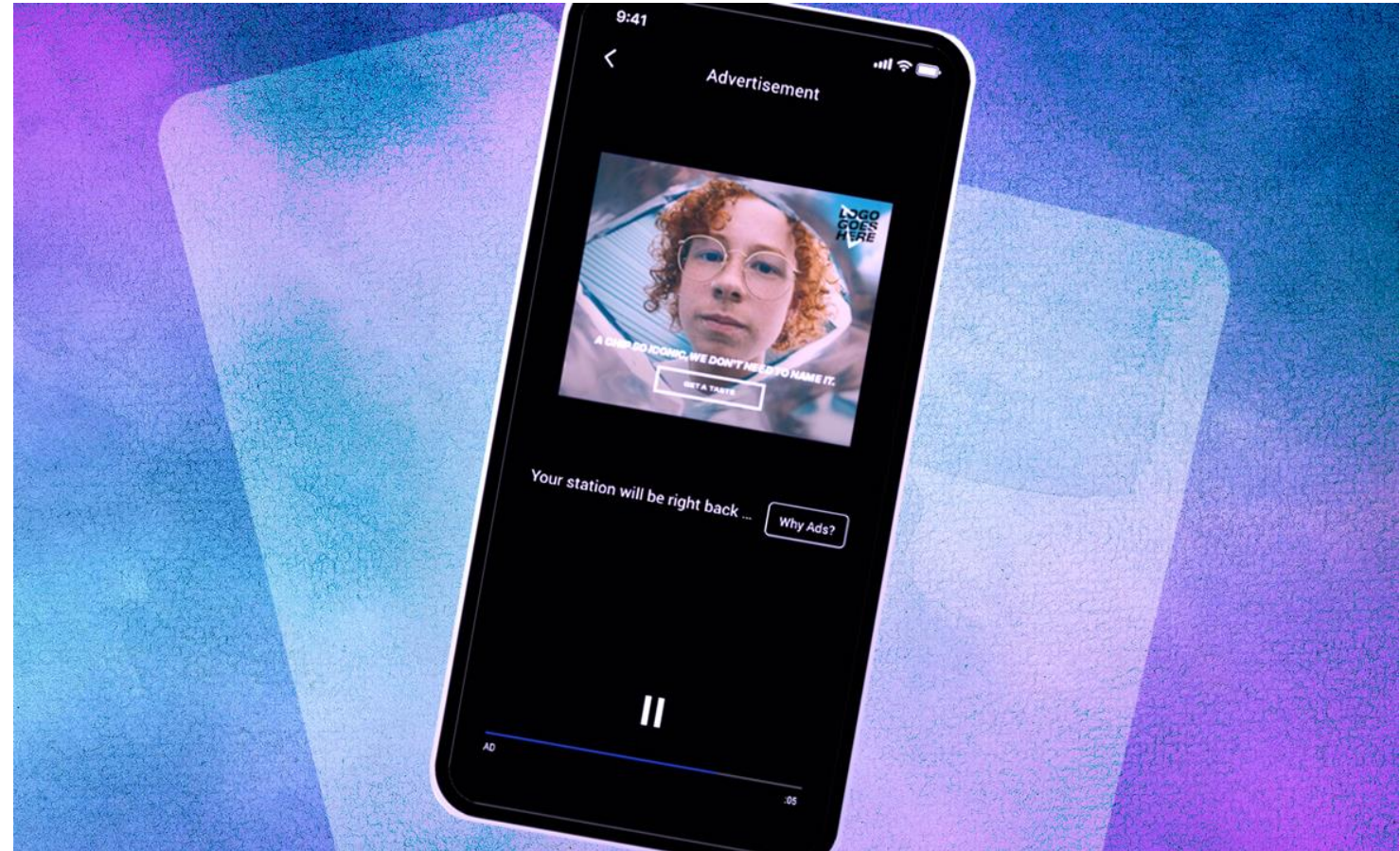
The Leading Ad Format? Storytelling-at-Your-Command

- Amazon's virtual smart home experiences across desktop, mobile, and connected TV give consumers a way to try out real "Alexa" voice commands — from turning on a coffee machine to vacuuming with a Roomba — populated with ads and E-commerce integrations

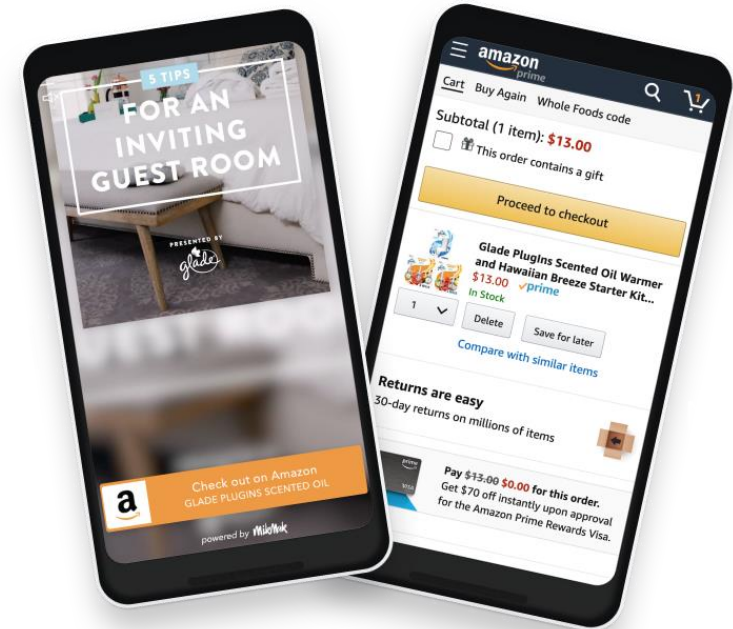
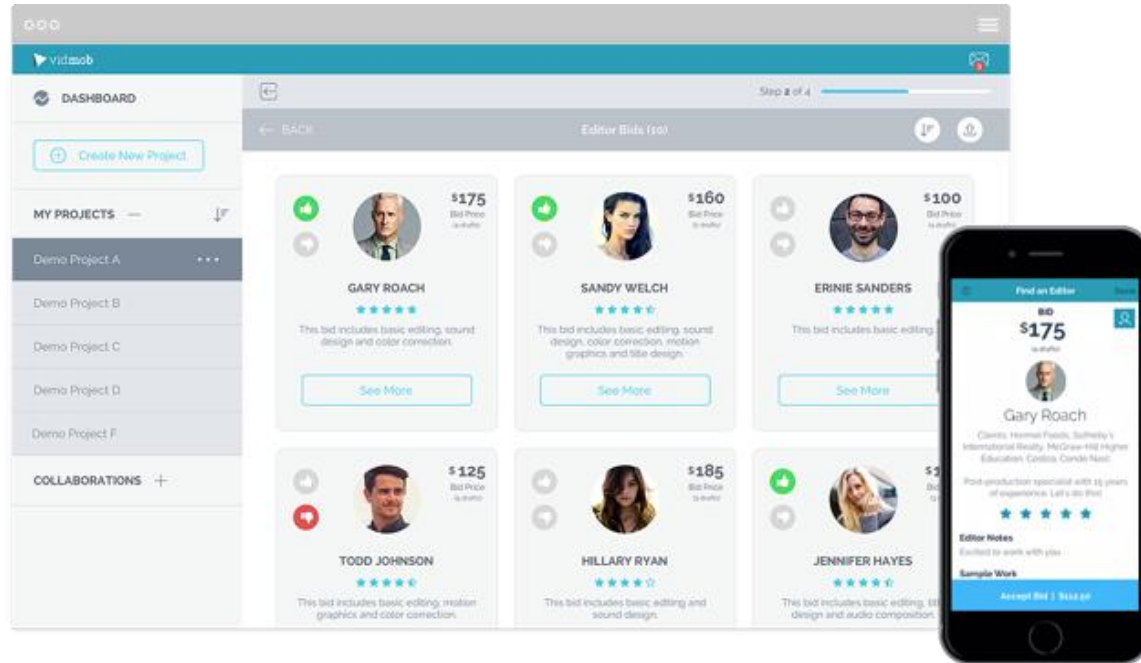


Interactive Voice Ads Enable Consumers to get More Details Faster

- Launched in 2019, Pandora's "Voice Mode" enables listeners to respond to ads with their voice to learn more about the promoted brand



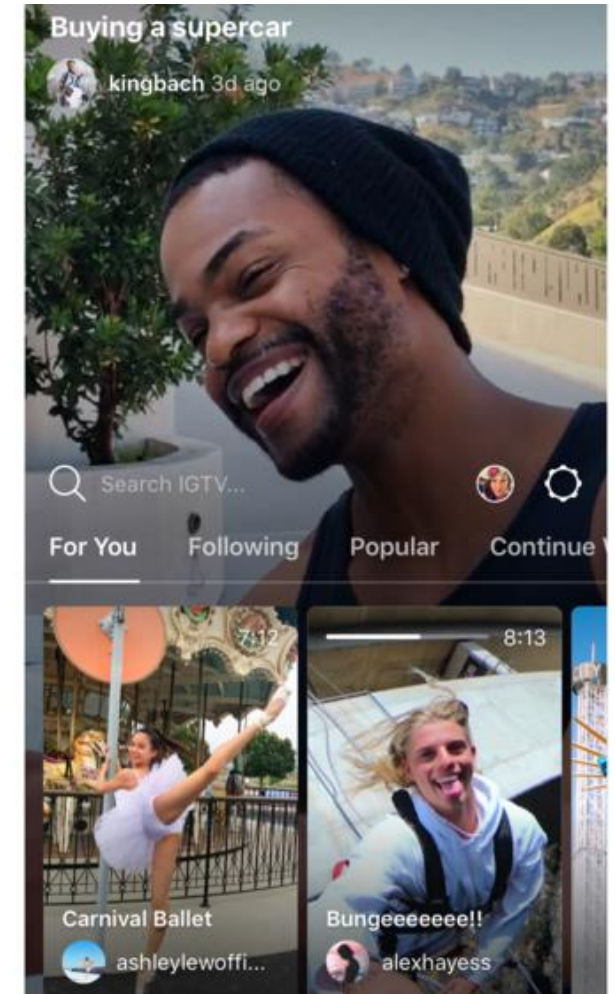
Creative = Disrupted. Trending: Creative-as-a-Service



- VidMob connects brands to people with relevant video creation skills allowing marketers to produce high volumes of video content that can be used across platforms and for different formats, in a short amount of time
- MikMak's mission is to make any media shoppable with any retailer, anywhere

Story Ads Integrate Brand Stories Seamlessly into Social Environments

- 1 in 3 of the most watched Instagram Stories are from businesses
- A study by VidMob found that 70% of Instagram and Snapchat users watch stories on both platforms daily



iab.

Thank You!

About Us



The Interactive Advertising Bureau (IAB) empowers the media and marketing industries to thrive in the digital economy. Its membership is comprised of more than 650 leading media companies, brands, and the technology firms responsible for selling, delivering, and optimizing digital ad marketing campaigns. The trade group fields critical research on interactive advertising, while also educating brands, agencies, and the wider business community on the importance of digital marketing. In affiliation with the IAB Tech Lab, IAB develops technical standards and solutions. IAB is committed to professional development and elevating the knowledge, skills, expertise, and diversity of the workforce across the industry. Through the work of its public policy office in Washington, D.C., the trade association advocates for its members and promotes the value of the interactive advertising industry to legislators and policymakers. Founded in 1996, IAB is headquartered in New York City.

For more information, please visit iab.com

About Our Strategic Partners



Google's mission is to organize the world's information and make it universally accessible and useful. Through products and platforms like Search, Maps, Gmail, Android, Google Play, Chrome and YouTube, Google plays a meaningful role in the daily lives of billions of people and has become one of the most widely-known companies in the world. Google is a subsidiary of Alphabet Inc.

For more information, please visit google.com.



Hulu is the leading premium streaming service offering live and on-demand TV and movies, with and without commercials, both in and outside the home. Launched in 2008, Hulu is the only service that gives viewers instant access to current shows from every major U.S. broadcast network; libraries of hit TV series and films; and acclaimed Hulu Originals like Emmy® and Golden Globe Award-winning series *The Handmaid's Tale* and *The Act*, Golden Globe Award-winning series *Ramy*, Emmy® Award-nominated series including *The Looming Tower*, *Catch-22*, *Castle Rock*, and *Pen15* alongside hit series *Marvel's Runaways*, *Dollface*, *Shrill* and *Oscar®* and Emmy®-nominated documentary film *Minding the Gap*. The service also streams live news, entertainment and sports from 21st Century Fox, The Walt Disney Company, NBCUniversal, CBS Corporation, The CW, Turner Networks, A+E Networks and Discovery Networks – available all in one place. Upcoming Hulu Originals include *Little Fires Everywhere* from Reese Witherspoon and Kerry Washington and *The Dropout* based on the ABC News investigative podcast and starring Kate McKinnon.

For more information, please visit hulu.com.



Pinterest is a visual discovery engine people use to find inspiration for their lives, including recipes, home and style ideas, travel destinations and more. People have saved more than 200 billion Pins across a range of interests, which others with similar tastes can discover through search and recommendations. Located in San Francisco, Pinterest launched in 2010 and has more than 300 million monthly users around the world. Available on iOS and Android, and at pinterest.com.

For more information, please visit pinterest.com.



Spotify's mission is to unlock the potential of human creativity—by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it. Spotify transformed audio streaming forever when it launched in Sweden in 2008. Discover, manage and share over 50m tracks and 500K podcasts for free. With 271m users across 79 markets, we are the largest audio streaming network in the world.

For more information, please visit spotify.com.

About Our Supporting Sponsor



PebblePost invented Programmatic Direct Mail[®] (PDM), the leading digital-to-direct mail platform, to enable the most relevant and respectful at-home marketing. Our full-stack platform leverages scaled proprietary data, algorithmic optimization, advanced measurement and analytics, and a printing and logistics supply chain to engage high-intent consumers with the greatest likelihood to convert and meet marketers' goals. PebblePost is a venture-backed company based in NYC.

For more information, please visit pebblepost.com.