

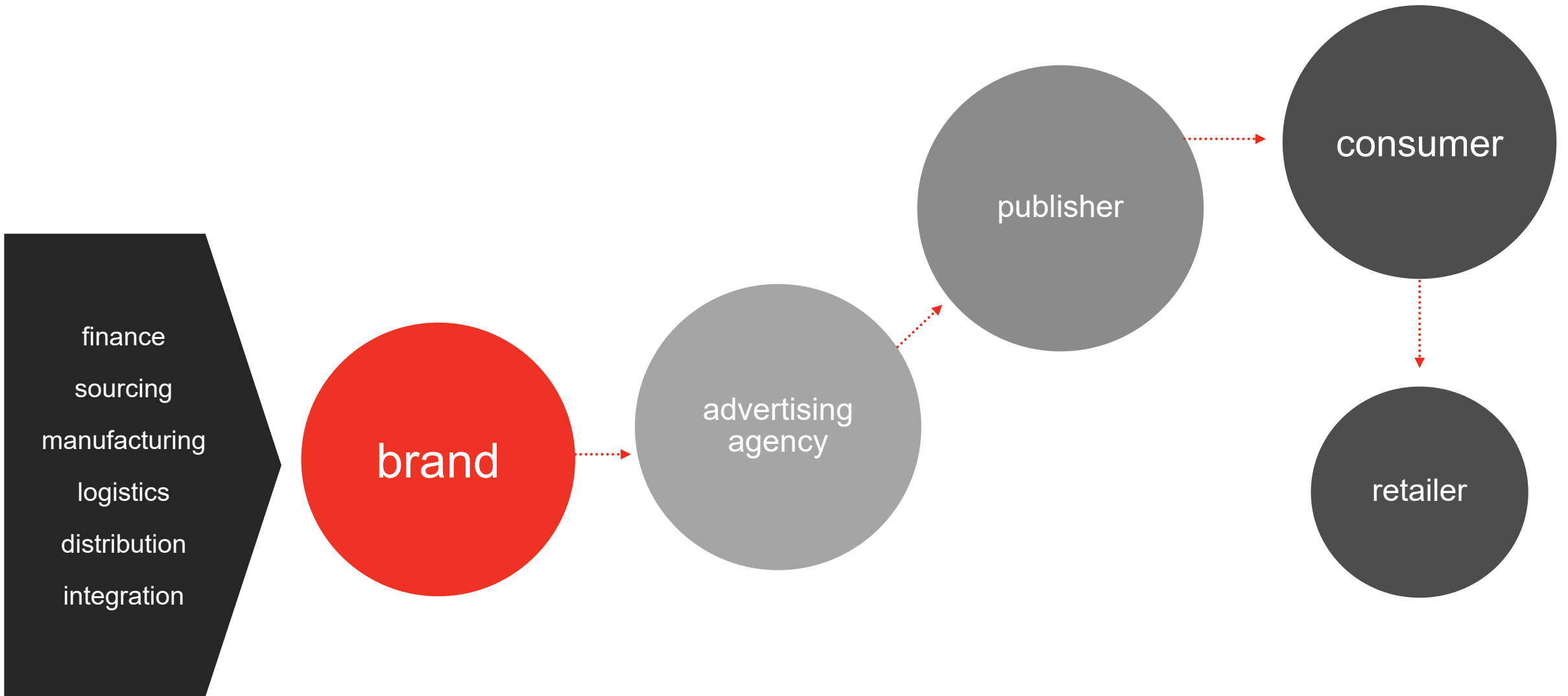
the IAB direct brands report

iab. How To Build a
21st Century Brand
2019-2020

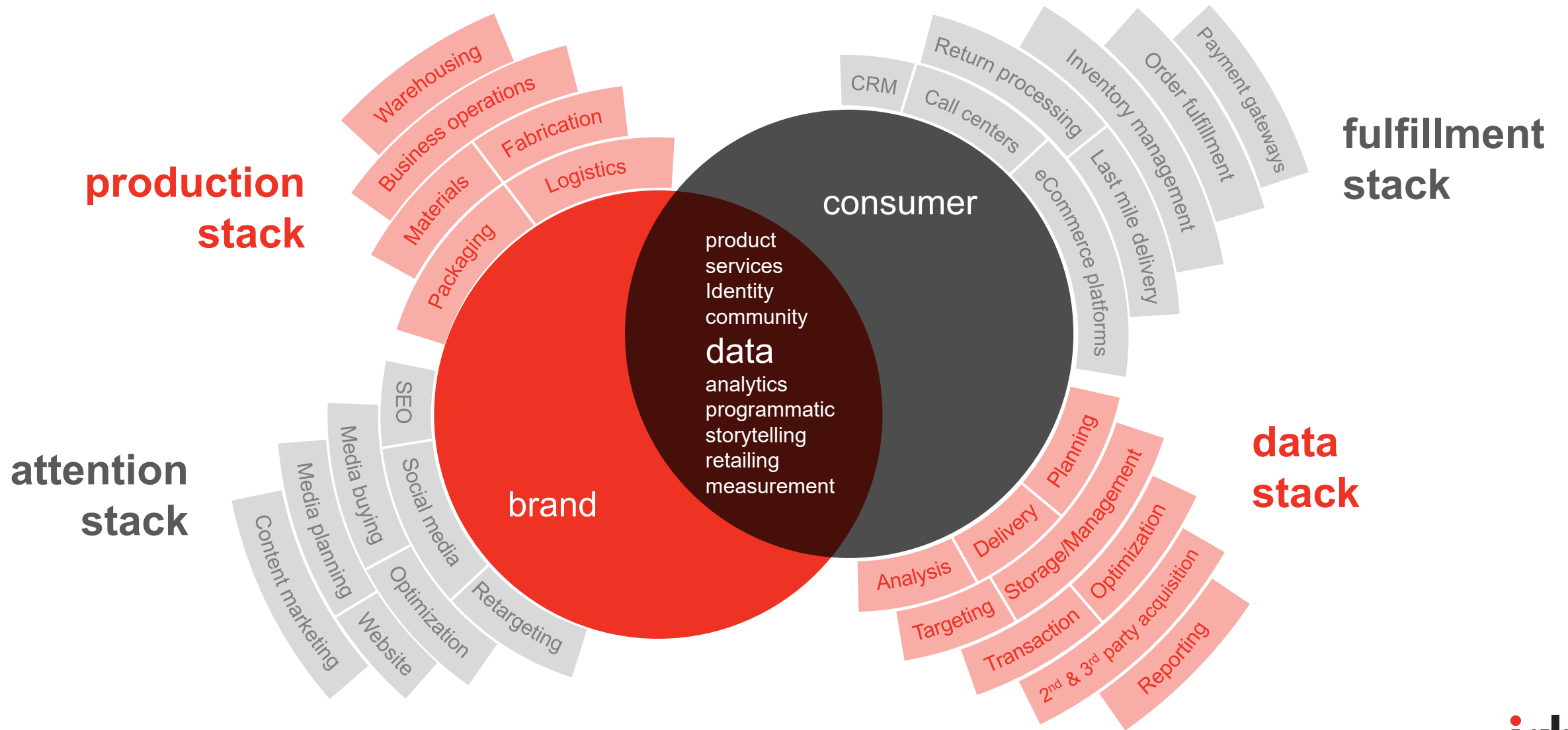
Direct Brand Initiative Strategic Partners:



Indirect brand economy, 1879 - 2010



Direct brand economy, 2010 +



iab. 250 BRANDS TO WATCH

APPAREL & FASHION

A DAY, ADORE ME, allbirds, AMERICAN GIANT, AURATE, A Y R, BAUBAX, Betabrand, BOMBAS, BOMBHELL, BOON+GABLE, BOW & DRAPE, BUCK MASON, bucketfeet, CAIRN, CARBON32, chubbies, COMBATANT GENTLEMEN, cotopaxi, CUYANA, DSTLD, DAGNE DOVER, Dia & Co, DOLLS KILL, DRAPER JAMES, Ellie, EVERLANE, fabfitfun, fabkids, FAME PARTNERS, FIVE F FOUR, FOOTCARDIGAN, gwynnie bee, HARPER WILDE, HICKIES, Huckberry, Hushmail, ivory clasp, JACK ERWIN, KID BOX, KNOTSTANDARD, KOIO, LEDBURY, LIVELY, M. GEMI, MM.LAFLEUR, MACK WELDON, MeUndies, MINISTRY OF SUPPLY, MIZZEN+MAIN, monica + andy, nadineWEST, Neighborhood Goods, NISOLO, ORCHARD MILE, ORIGINAL STITCH, Outdoor Voices, Paul + Evans, PISTOL LAKE, plae, POSHMARK, primary, R, Reformation, R, R, ROCKETS OF AWESOME, ROTHY'S, schoola, Shinyer, SOCK101, SOLE/SOCIETY, STANCE, STITCH FIX, sweatstyle, T A F T, TAMARA MELON, TECOVAS, The RealReal, THESIS, THIRDLOVE, THURSDAY BOOT CO., TOMBOYX, Tommy John, Tracksmith, TRND BTLR, TRUE, UNTUCKit, W, WANTABLE, yellowberry, pact

BABY CARE & PARENTING

bluum, THE HONEST CO., Owlet Baby Care, seesaw

BEAUTY

BEAUTYCOUNTER, BEAUTYLISH, BOXY CHARM, Curology, FACETORY, f, GLAM SQUAD, Glossier, ipsy, LOLI, MADISON REED, MEMEBOX, OARS + ALPS, PINROSE, SCENTBIRD

BEER/WINE/ALCOHOL

BREW PUBLIK, BRIGHT CELLARS, PRIZLY, Flaviar, Splash, VINEBOX, Winc

EDUCATION

CODE COMBAT, educents, littleBits, Surprise Ride, versame

FOOD/BEVERAGE/HOUSEHOLD/PET

ALOHA, BARK-BOX, BEAN BOX, blissmo, Blue Apron, Boxera, BULLETPROOF, Bulu Box, CALIFIA FARMS, CANDY CLUB, cleancult, CRAFT COFFEE, CC, DAILY HARVEST, DESERT FARMS, DIRTYLEMON, doggyloot, DOORDASH, FRESHLY, FUEGO BOX, Gobble, GREEN CHEF, HALO TOP, HEALTH-ADE KOMBUCHA, HOME CHEF, HUNGRY HARVEST, HUNGRY ROOT, KETTLEBELL KITCHEN, Love with Food, MUNCHERY, NATUREBOX, olie, POSTMATES, Pre, PRETTY LITTER, Revere Health, ripple, soylent, Sudden COFFEE, SUN BASKET, taste.guru, THE FARMER'S DOG, THRIVE MARKET, truBRAIN, try the world, ub, Wag!, YUMI

HOBBIES & LIFESTYLE

AIRSTEE, ALPHA OUTPOST, AWAY, BAUBLEBAR, Bouqs, DATEBOX, FANCHEST, G, Kiwi Co, KUIU, LOOTCRATE, LUGLOC, MOMENT, NOMATIC, Osmo, PARAVEL, PLEASE and carrots, ROBB VICES, rocksbox, TONAL, TRUE FACET, VAPOR LIQ

HOME & APPLIANCE

ARTLIFTING, BRANDLESS, BOLL & BRANCH, brooklinen, BURROW, Casper, domify, FRAMEBRIDGE, greetabl, Grove, HELIX, JOYBIRD, leesa, PARACHUTE, SNOWE, T, UGALLERY

PERSONAL CARE

billie, BIRCHBOX+, CANDID, DOLLAR SHAVE CLUB, EARGO, GOBY, H, hims, HUBBLE, KOPAR!, LOLA, NATIVE, QUIP, SimpleContacts, smile DIRECT CLUB, TEADORA, THINX, WARBY PARKER

WELLNESS & FITNESS

AliveCor, BuckBrushCo., CAPSULE, care/of, E, GoNoodle, green gorilla, HELLOFLO, HVMN, Keeps, monthly gift, ONE DROP, PELOTON, Ritual, uplift, vireo, vitafive, zeel

The IAB direct brands report

01. The Disrupted Consumer Economy, 2018-2019

2018 was peak retail apocalypse...

Major Chain Store Closures

Have Surpassed Great Recession Levels



Source: Cushman & Wakefield Research and Moody's Analytics

- More than 12,000 stores were projected to close in 2018 — up from roughly 9,000 in 2017, and the largest number of closures in U.S. history, according to Cushman & Wakefield
- 2017 retail closures were ~4x 2016 closures
- By 2022, analysts estimate that 1 out of every 4 malls in the U.S. could be out of business

...while growth in digital channels accelerated

Table 1. Estimated Quarterly U.S. Retail Sales: Total E-commerce¹

(Estimates are based on data from the Monthly Retail Trade Survey and administrative records. Unless otherwise specified, all estimates are revised based on the 2016 Annual Retail Trade Survey.)

Quarter	Retail Sales (millions of dollars)		E-commerce as a Percent of Total	Percent Change From Prior Quarter		Percent Change From Same Quarter A Year Ago	
	Total	E-commerce		Total	E-commerce	Total	E-commerce
Adjusted²							
3rd quarter 2018(p)	1,340,207	130,946	9.8	0.9	3.1	5.3	14.5
2nd quarter 2018(r)	1,328,094	126,985	9.6	1.6	3.6	5.7	14.9
1st quarter 2018	1,307,255	122,526	9.4	0.3	3.6	4.7	16.3
4th quarter 2017	1,303,390	118,216	9.1	2.4	3.4	5.9	16.6
3rd quarter 2017(r)	1,272,357	114,333	9.0	1.2	3.5	4.6	15.7
Not Adjusted							
3rd quarter 2018(p)	1,332,071	121,460	9.1	-0.7	0.8	4.9	14.3
2nd quarter 2018(r)	1,341,878	120,479	9.0	9.5	6.4	5.4	15.4
1st quarter 2018	1,225,399	113,244	9.2	-10.5	-20.1	5.5	16.1
4th quarter 2017	1,368,553	141,719	10.4	7.7	33.4	5.5	16.5
3rd quarter 2017	1,270,345	106,241	8.4	-0.2	1.8	4.3	15.6

(p) Preliminary estimate. (r) Revised estimate.

3rd quarter e-tail sales=
\$131B or 9.8% total sales

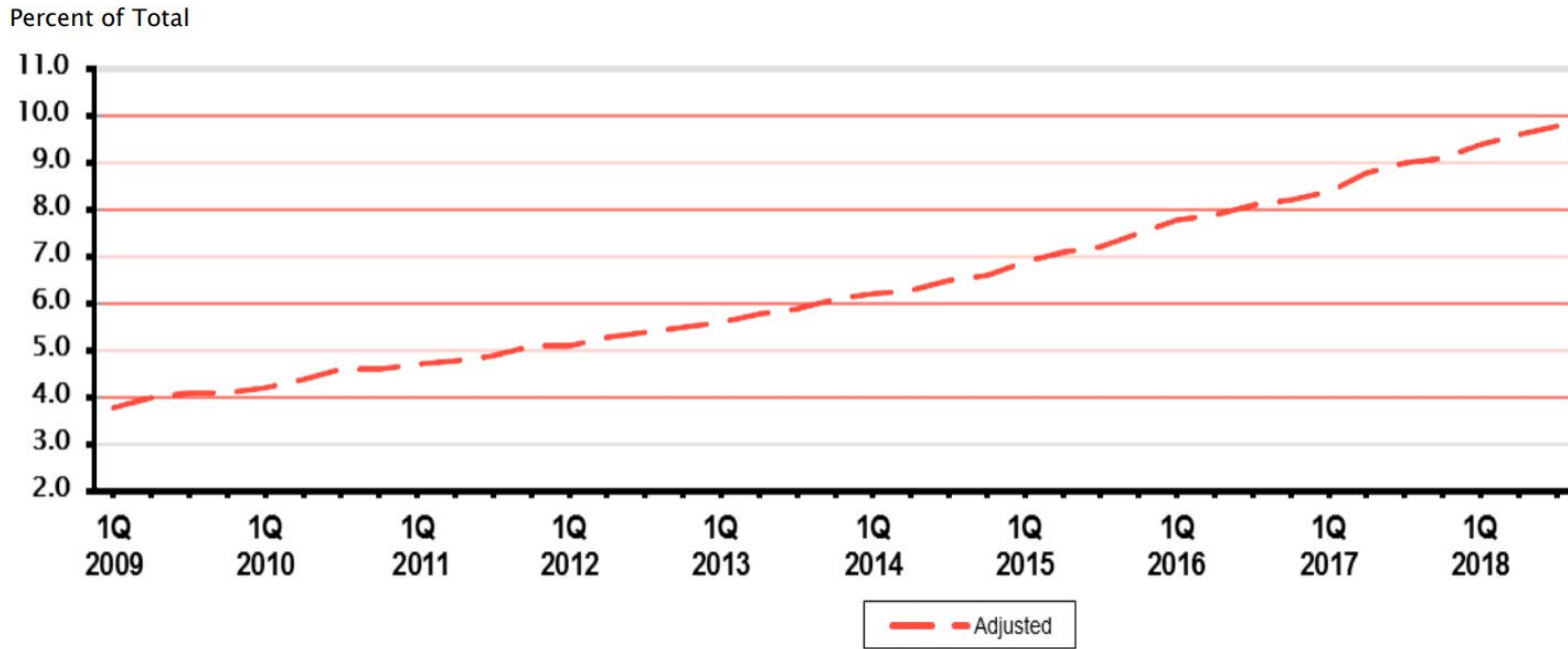
¹ E-commerce sales are sales of goods and services where the buyer places in order, or the price and terms of the sale are negotiated over an Internet, mobile device (M-commerce), extranet, Electronic Data Interchange (EDI) network, electronic mail, or other comparable online system. Payment may or may not be made online.

² Estimates are adjusted for seasonal variation, but not for price changes. Total sales estimates are also adjusted for trading-day differences and moving holidays.

Note: Table 2 provides estimated measures of sampling variability. For information on confidentiality protection, sampling error, nonsampling error, simple design, and definitions see http://www.census.gov/retail/mrts/how_surveys_are_collected.html.

A decade of steady, uninterrupted brick-and-mortar transition to e-tail

Estimated Quarterly U.S. Retail E-commerce Sales as a Percent of Total Quarterly Retail Sales: 1st Quarter 2009 – 3rd Quarter 2018



Adjusted:

E-Retail Q3: \$130.9Bil
+3.1% over Q2
And y/y Q3 +14.5%

Total Retail Q3: \$1340.2Bil
+9 over Q2
And y/y Q3 +5.3

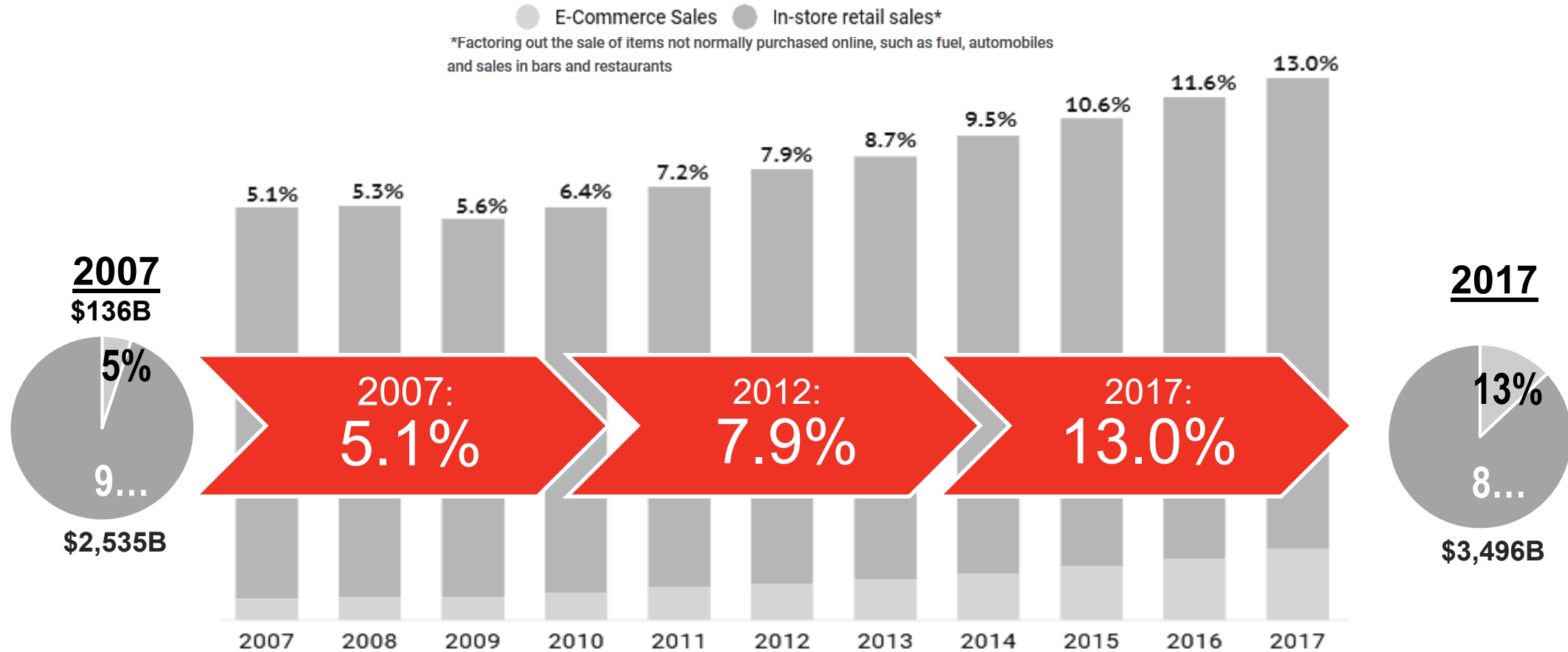
The Quarterly Retail E-Commerce sales estimate for the fourth quarter of 2018 is scheduled for release on February 20, 2019 at 10:00 A.M. EST.

For information, including estimates from 4th quarter 1999 forward, visit the Census Bureau's Web site at <http://www.census.gov/retail>. For additional information about Census Bureau e-business measurement programs and plan visit <https://www.census.gov/programs-surveys/e-stats.html>.

* The 90% confidence interval includes zero. The Census Bureau does not have sufficient statistical evidence to conclude that the actual change is different from zero.

Digital shopping's retail share grew 2.5x in a decade

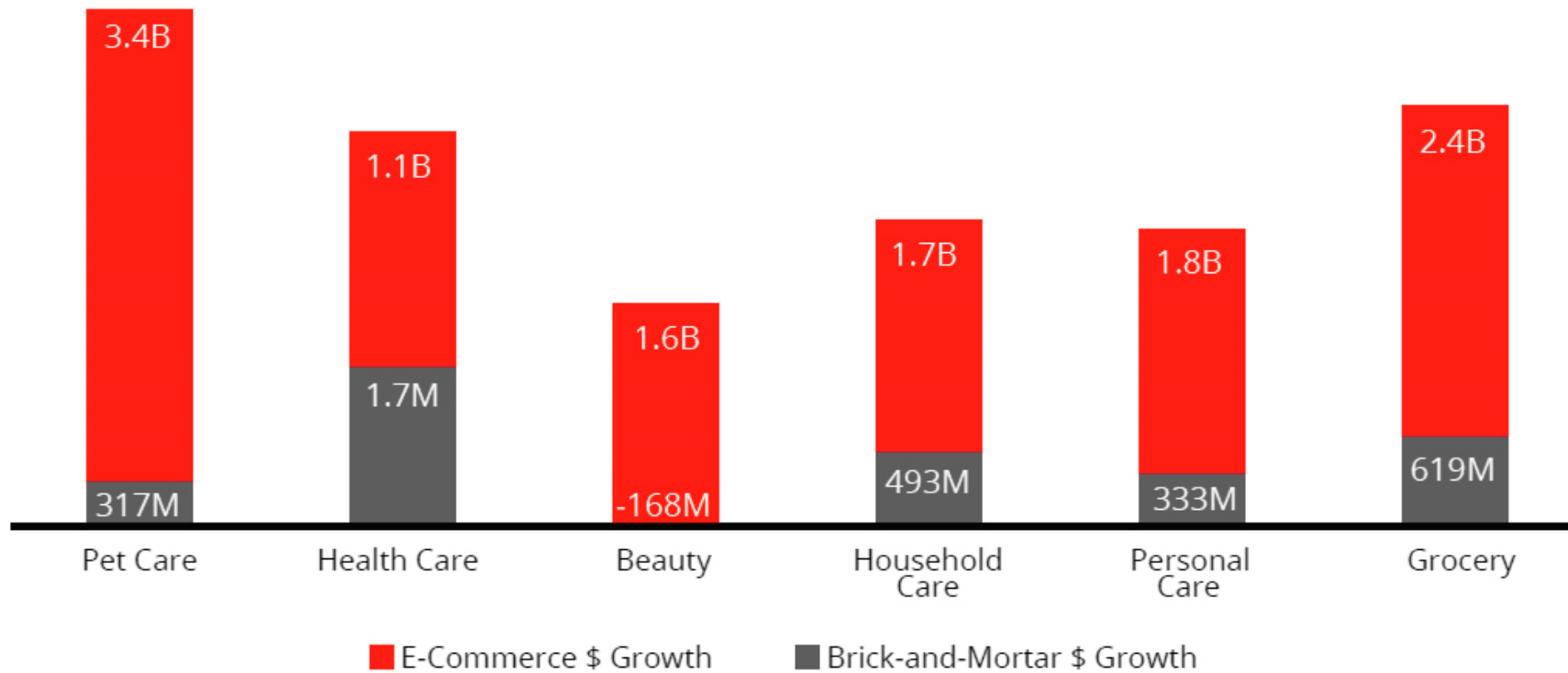
eCommerce as a Percent of Total Retail Sales



Across categories, digital retail \$ growth vastly exceeds brick-and-mortar

Absolute Dollar Growth

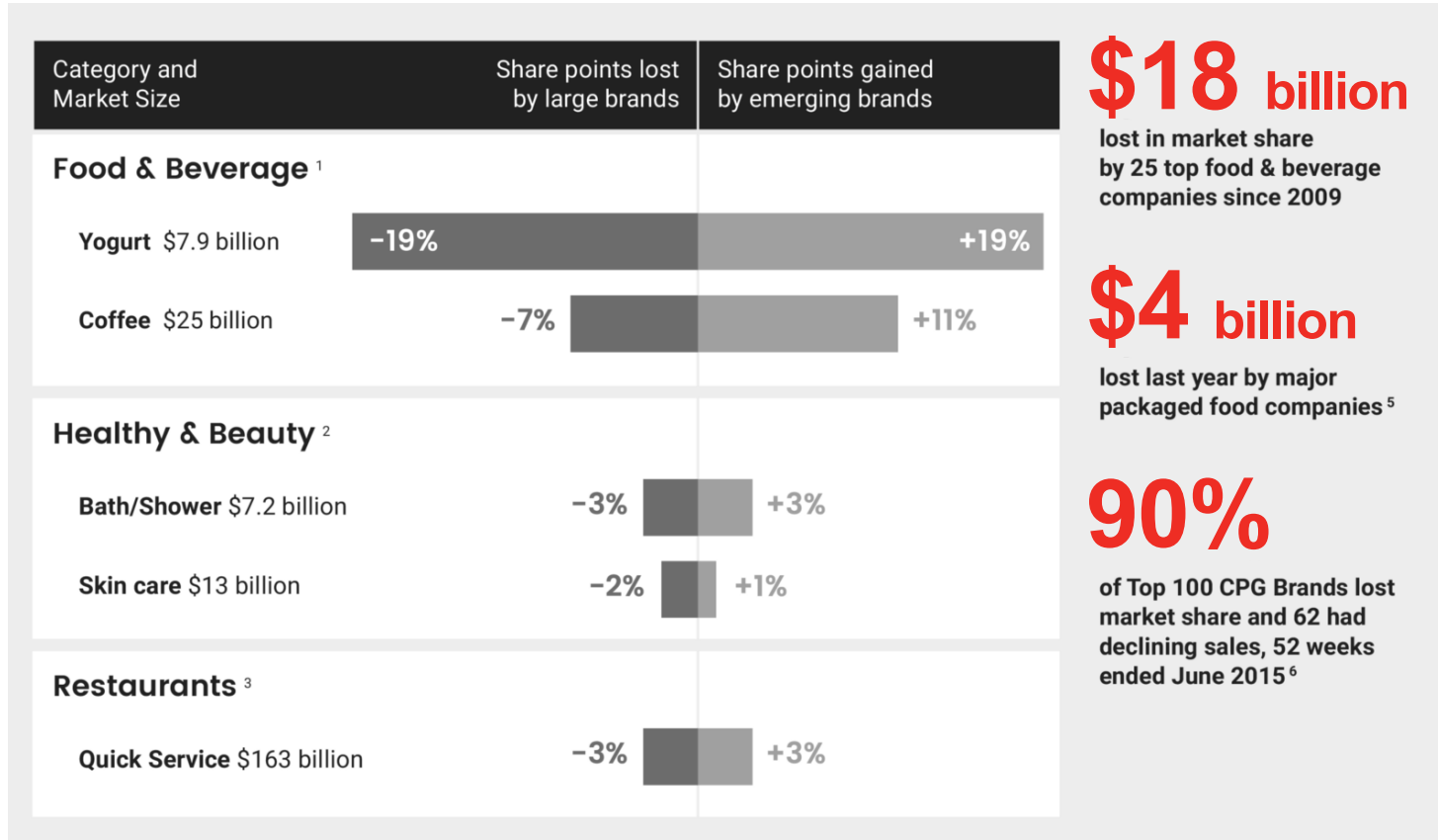
FMCG categories are seizing outsized growth from e-commerce



... and “e” helps emerging brands take share from incumbents

Seismic Shift in Market Share


Growing market shift to emerging brands



Slow adaptation to disruption is taking down incumbents

STAY INFORMED **THIRD POINT**

NESTLÉ HAS BEEN LATE TO PARTICIPATE IN KEY TRENDS DRIVING GROWTH IN THE FOOD AND BEVERAGE INDUSTRY



- ❖ Missed large trends that drove growth across food & beverage, e.g. natural pet food, organic baby food, flavored sparkling water, etc.
- ❖ Slow to renovate legacy brands with more modern attributes
- ❖ Failed to leverage enormous R&D budget with successful innovation at scale
- ❖ Not enough acquisitions of fast-moving smaller brands to better participate in growth

NEWER BRANDS TOOK SHARE, WHILE NESTLÉ HAS FALLEN BEHIND

Source: Third Point LLC; Google Images

THIRD POINT | **NESTLÉ** 7

In most categories, **direct brands** are stealing share from incumbents...



- More than 100 “bed-in-a-box” companies like Casper, Leesa, and Purple doubled U.S. market share between 2016-2018, to about 10%, as leading incumbent Tempur Sealy saw sales decline 4.6% in the first half of 2018 and the largest American retailer, Mattress Firm, declared bankruptcy.

In most categories, **direct brands** are stealing share from incumbents...



- US pet care industry sales grew by 4% in 2018. Online pet product sales were up 30% in the first half of 2018. Sales for direct brand dog walking services Rover and Wag! grew 30% and 165% respectively.

In most categories, **direct brands** are stealing share from incumbents...



- U.S. personal care and beauty product sales grew 4.5% in 2018. Online personal care and beauty sales grew 24%. Direct brand SiO Beauty tripled sales in 2018. Kylie Cosmetics generated \$420M in revenue in its first 18 months.

In most categories, direct brands are stealing share from incumbents...



- In a U.S. beer market that declined 1% by volume in 2017, craft brewer sales grew 5% by volume, and now account for more than 23% of the \$111.4 billion U.S. beer market. The 50 fastest growing craft brewers had median growth of 216%.

In most categories, **direct brands** are stealing share from incumbents...



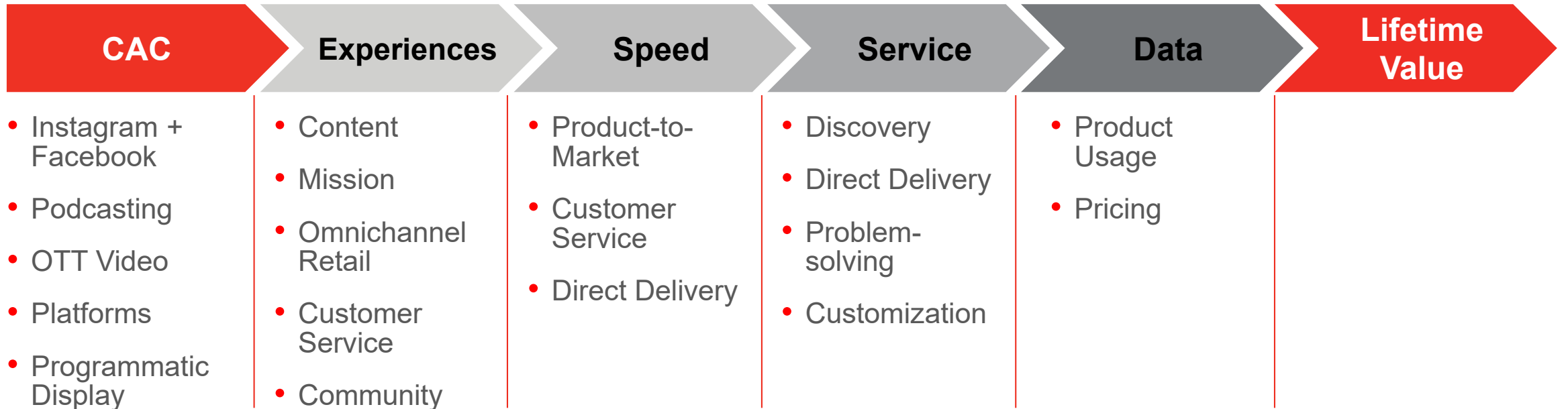
- The total U.S. furniture market was flat from 2017 to 2018, and expected to grow annually by only 0.7% through 2023. Digital sales accounted for a quarter of all dollars spent on home goods & furniture in 2018, and are projected to account for 38% of sales in 2022. “Fast furniture” startup Burrow has been growing 20% per month



The IAB direct brands report

02. The Direct Brand Playbook, 2019

Play 1: CAC-to-LTV is the new purchase funnel



“CAC is the new rent.”

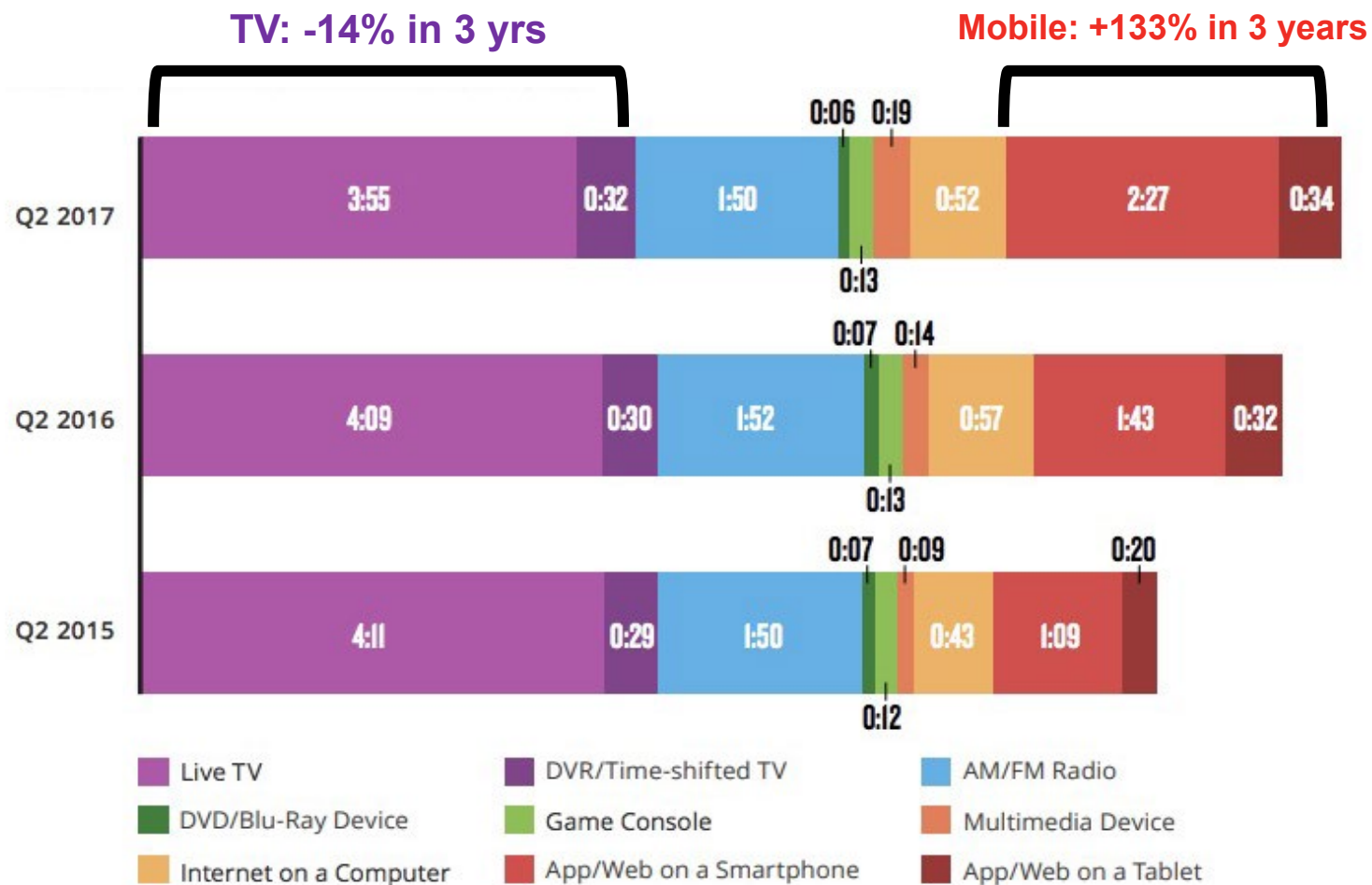
Daniel Gulati, Comcast Ventures



... and consumers are consuming the world on mobile devices

Average Time Spent Per Adult 18+ Per Day

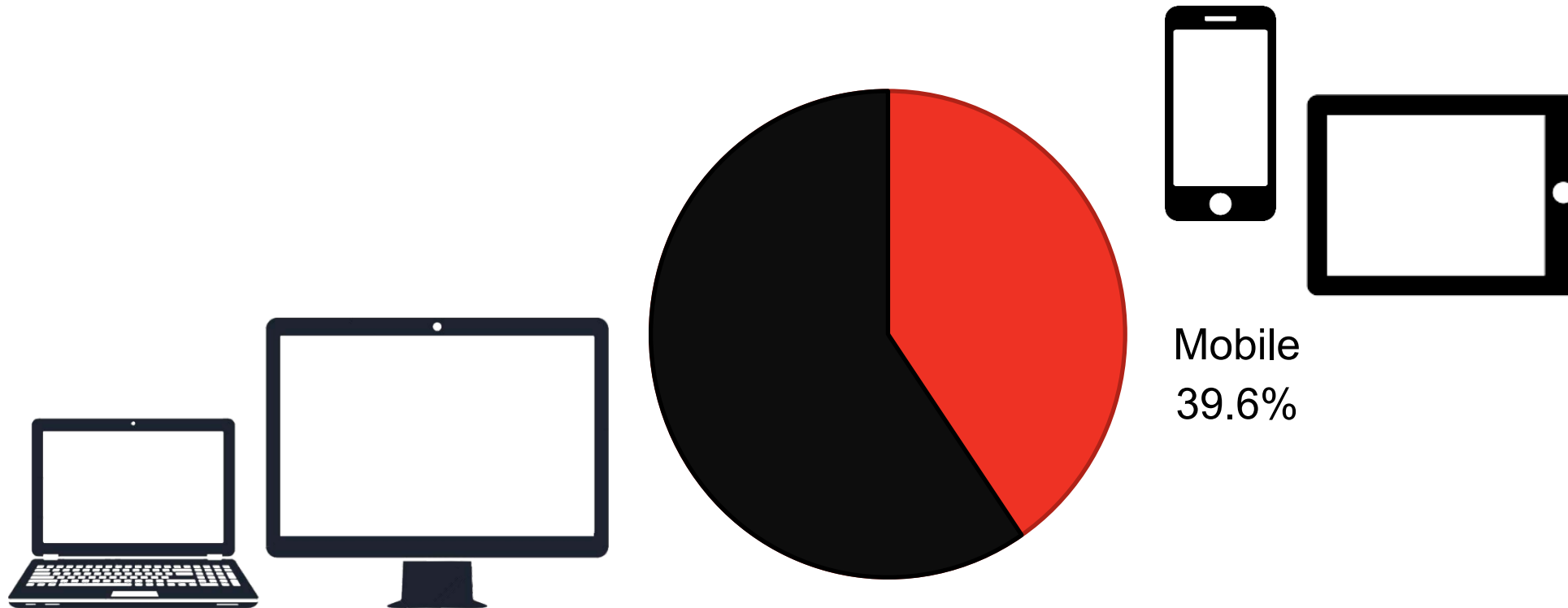
Exhibit 1 – Based on the Total U.S. Population



Daily Time Spent with Live TV decreased by ~14% in 3 years while mobile device time-spent was +133%

40% of all e-commerce currently is m-commerce

Mobile commerce = \$208.1B



Play 3: Storytelling gets more acquisitions more cheaply

Overview: To increase new customer acquisition, athletic sock disruptor Bombas advertised on podcasts valued for storytelling

They measured campaign performance using vanity URLs which led to a sign-up form to receive an emailed coupon code

Results: In a given week, ~50-60% of new customers could be attributed from paid channels... with podcasting ranging from 15% to 40% of that



Play 4: Community turns CAC into LTV

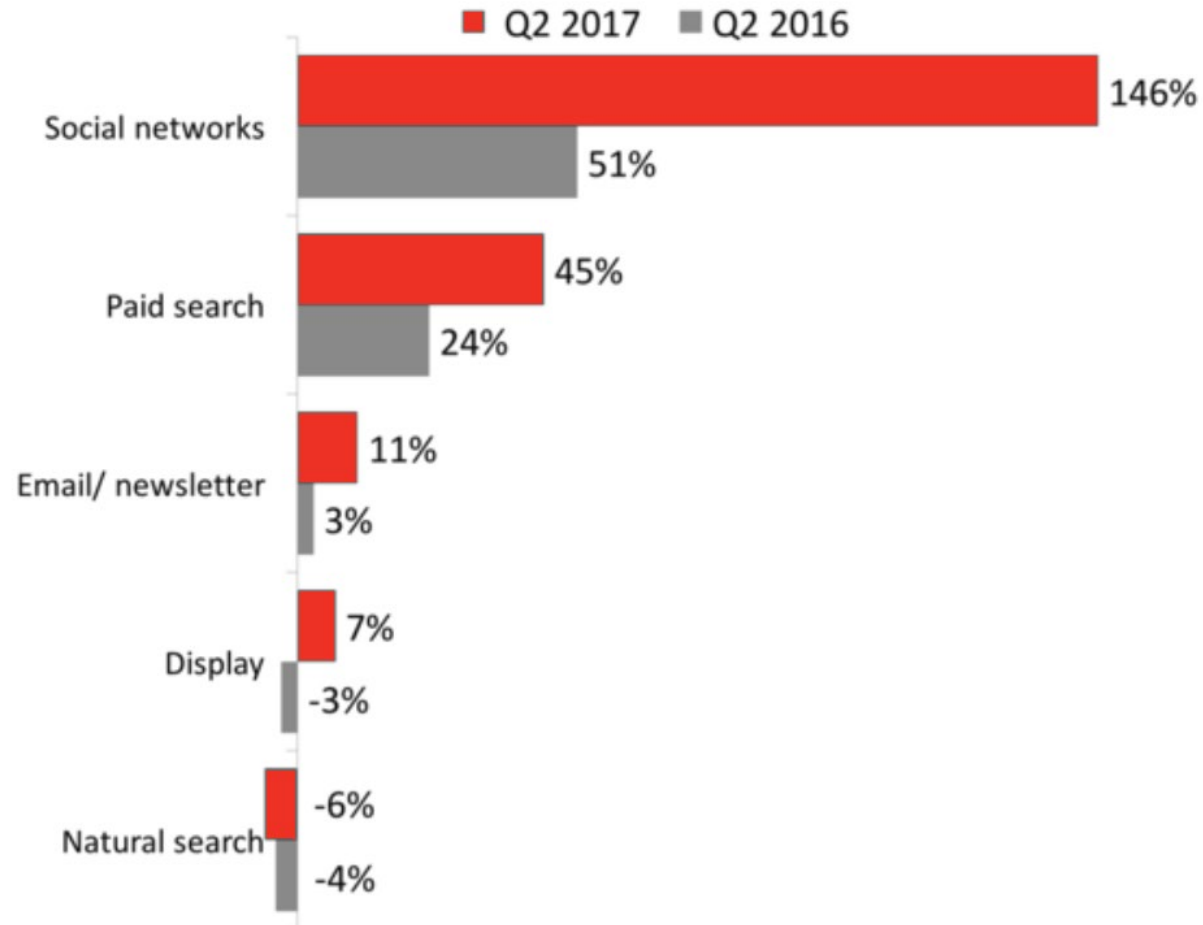
- Glossier: 70% of online sales come via peer referrals
- Fabletics: Found customers in areas with physical stores spend 2.8x more across all channels than customers in areas without stores.
- Matches Fashion: User-generated shoppable content drives 35% of site revenues

“We have a 360-degree marketing plan, so we have everything from radio to television now... but the biggest part of our marketing all goes toward our community. It's social media, it's community building, it's information sharing.”

— Ido Leffler, *Co-Founder, Brandless*

“shoppable social” is on path to generate \$165 billion in sales by 2021

Growth In Share Of Retail Site Visits By marketing channel



Play 5: For disruptors, branding must perform – and vice versa



“Traditional agency-brand relationships were a function of relationship building and pricing efficiency. That’s still important but for the DTC brands, it’s much more quantifiable. So we need to be prepared to be held accountable for those types of goals. There’s no fancy PowerPoint presentation or New York City dinner that explains away us not driving the business outcome that they want us to.”

–Sam Appelbaum, GM, Performance Marketing, Yellowhammer

“We don’t think that something like ‘impressions’ means anything. Since these brands are selling direct-to-consumer, we’re able to understand how certain stories work, and how placement and communications work, and then replicate the things that work. I don’t think that transparency has existed in our industry.”

–Jesse Derris, founder, Derris

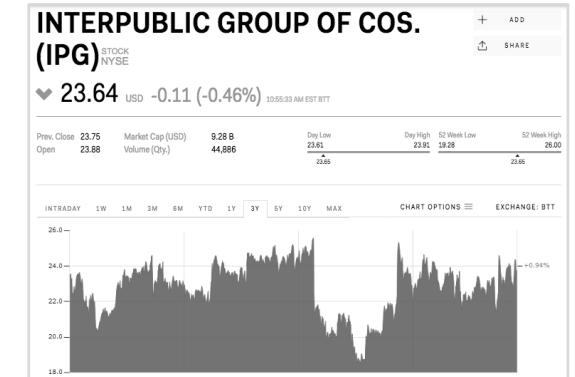


Amid an eroding unbundled agency model ...

Top 5 Agency Holding Co's Stock Prices: Last 3 Years to Dec. '18

U.S. agency revenue grew 1.8% in 2017, slowest growth since the ad market emerged from recession in 2010.

WPP had worst year since the financial crisis, declining revenues from like-for-like operations and a slightly reduced profit margin. This year company projects organic growth will be flat.



Interpublic, Omnicom and Publicis have also notably registered anemic growth.



...disruptor agencies are introducing end-to-end account consultancies

Company (Alpha)	Function/Specialty	Location(s)	Founded	Employees	Est. Yrly Rev	Approach / How Differ from Majors	Notable accounts (not all DTC)
Azione	PR	NYC, LA, SF.	2010	11-50	\$1M-\$10M	Incubating their own DTC brands; unique focus on developing strategy and building dynamic communication blueprints with organic approach to public relations and brand development.	Away, Dirty Lemon, launching new active-intimates DTC brand "The League".
Bullish	Creative, Investing, Strategy.	NYC, Greenwich CT, Denver.	2010	11-50	n/a	Accelerator Agency designed for businesses living early in an S-curve. One-part Creative Agency, one-part VC Firm, they deploy capabilities from both worlds to help brands speed the transformation of opportunities into outcomes.	Harry's, Birchbox, Warby Parker, Casper.
BVAccel	E-commerce; Shopify Plus agency	San Diego, NYC, Columbus, Tijuana, LA, Melbourne.	2013	101-205	\$10M-\$50M	Focused on what they call the 3 pillars of eCommerce - acquisition, conversion, and retention	Boll & Branch, Kylie Cosmetics, Chubbies, Daymond John, Red Bull.
Decoded	Creative, Media, Tech	NYC, LA, London	2014	11-50	\$1M-\$10M	Incubating their own DTC brands; proprietary creative production tech; proprietary tagging & experimental design process for measurement.	42 Birds, Dollar Shave, Amazon.
Derris	Pr, Branding, Content	NYC	2013	101-205	\$10M-\$50M	Opting for stakes in their clients' businesses; raised a \$10 million fund to invest in future clients by launching a separate wing called Amity Supply. Invests money into its clients' startups on top of the stake it already gets for its services.	Warby Parker, Everlane, Glossier, Harry's.
Diff	E-commerce	Montreal, Toront, NYC	2011	51-200	n/a	Helps brands scale on Shopify; work is dependent on the stage of the client's growth, i.e. a new site vs. fulfillment help; budget between \$20K-\$50K could get a DTC brand a pretty decent-sized team; positioned to not just get a site live, but also to enable the business to grow revenue; companies without the \$50K monthly budget retainer are offered alternatives like solving shipping.	Popsockets, Ministry of Supply, Bestseller.
Gin Lane	Creative Agency	NYC	2008	11-50	\$10M-\$50M	Opting for stakes in their clients' businesses; works exclusively with DTC brands; boiled branding down to an eight-week process that every new client goes through, and formed the creative identities now archetypal for DTC brands.	Hims, AYR, Quip, Smile Direct Club.
Red Antler	Brand building focusing on startups and new ventures.	NYC	2007	51-100	\$10M-\$50M	Offers an immense array of services: designing logos, digital experiences, and product packaging; producing content and advertising; and even coming up with names; Especially active with DTC brands.	Casper, Allbirds, Brandles, Birchbox.
YellowHammer	Performance Marketing	NYC, LA, Scottsdale, London	2009	51-100	\$1M-\$10M	Operates like an extension of its clients' businesses; gets paid on the basis of the brands' growth	Winc, Thrive, Boll & Branch, Fuego.

Play 6: Direct brands are becoming media promiscuous

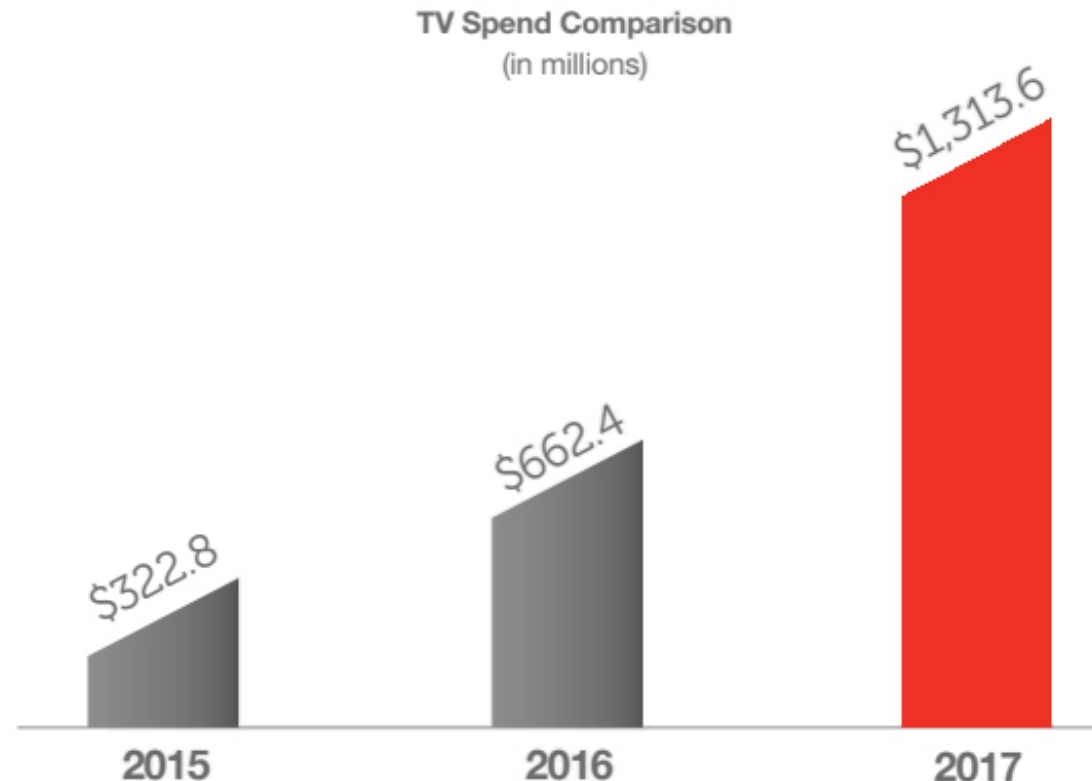
- ~90% launched with a Facebook-dominant strategy
- ~50% of marketing spend still goes to Facebook family
- 40%+ have customer acquisition cost management as a top 3 KPI
- During the first 6 months of 2017, the average Facebook CPMs >171%, and average CPC >136%.
- Respondents are testing ~3 **other marketing channels**

New marketing method pioneered	Examples
Celebrity organic media	The Honest Company*
Facebook right rail	Gilt, Zynga, Groupon
Youtube Influencer videos	Ipsy
Owned Media (into the Gloss)	Glossier
PR on frequent product launches	Warby, Bonobos*
PR around users generated stories	Zola*
Fashion bloggers	Stitch Fix*
Initial exclusivity	Snap* (spectacles)
Referral	Airbnb, Uber
Special Events	Cotopaxi

Disruptor brands are now colonizing main media

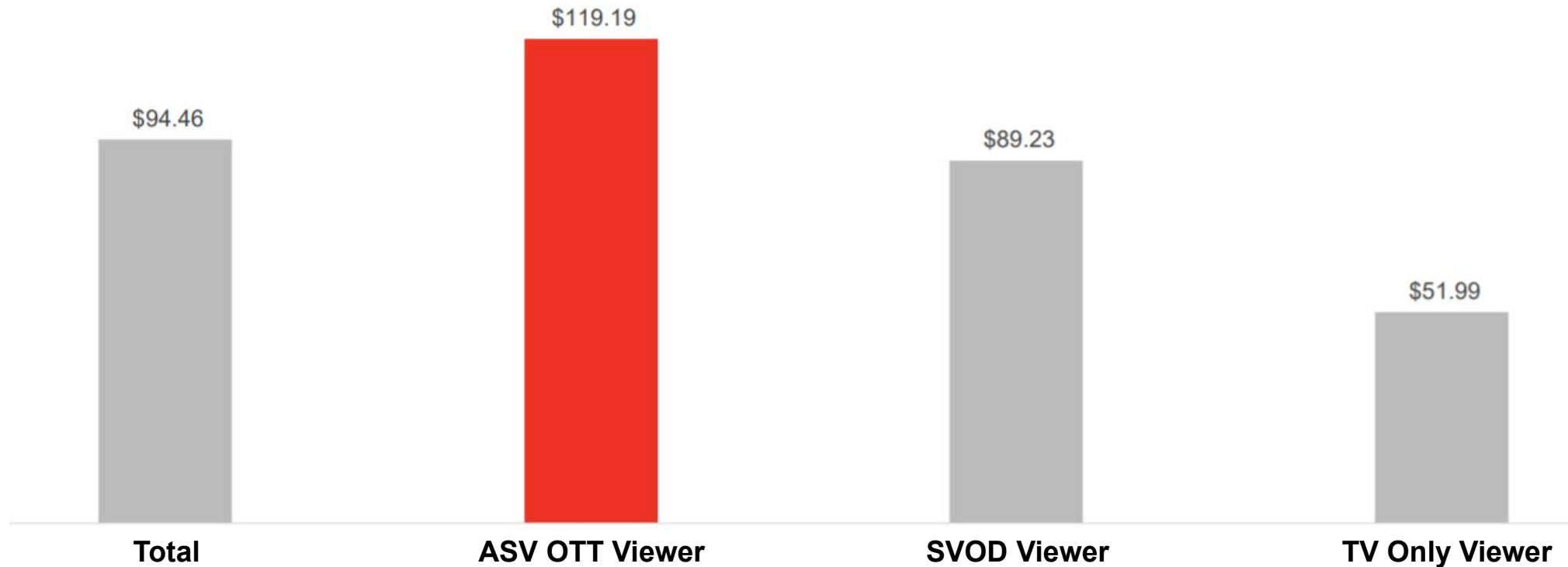
50 Direct-Disruptor Brands Collectively Spent Over \$1.3 Billion on TV in 2017, A 98% Increase YOY

“Direct-Disruptor” brands has accelerated spending recently in this very competitive environment, having invested over \$MM more in TV of the last year



Streaming consumers are disruptor-brand buyers

Mean Spend on Subscription Purchases (e.g., Pet food, Contact Lenses, Meal Kits, etc.)



Addressable TV will probably remain the favored disruptor buy

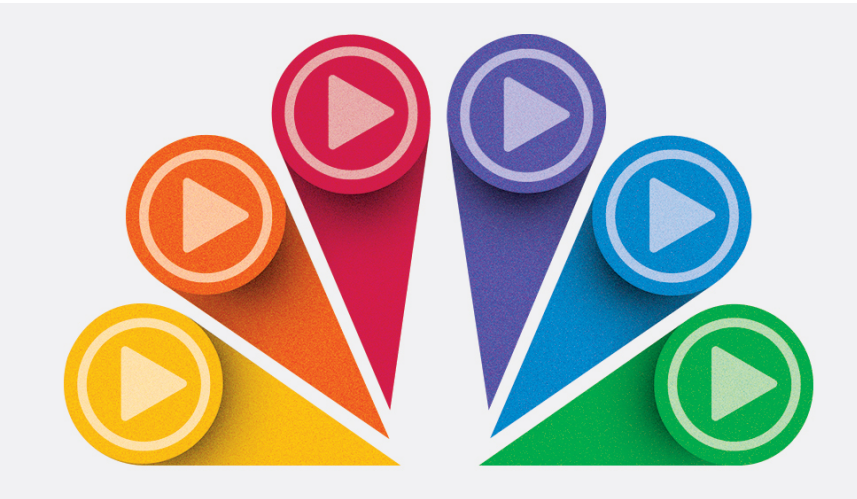
- ThirdLove started investing in TV in 2017 with a budget of \$286,000 for the first month. Within 3 months, they had spent \$3 million. ThirdLove's monthly TV budget has more than quadrupled since then. It has aired three separate ad campaigns and spent over \$13.2 million on TV in 2018, per Nielsen.
- ThirdLove buys a mix of traditional TV and addressable TV ads, and measures traditional TV ads and addressable TV spots with website visits, conversions and cost-per-actions using third-party TV analytics software. The company says TV could comprise 20% of its marketing spend by the end of 2019.



“As advertising on Facebook and other digital channels becomes more and more expensive, offline strategy, especially TV, is more and more important.”

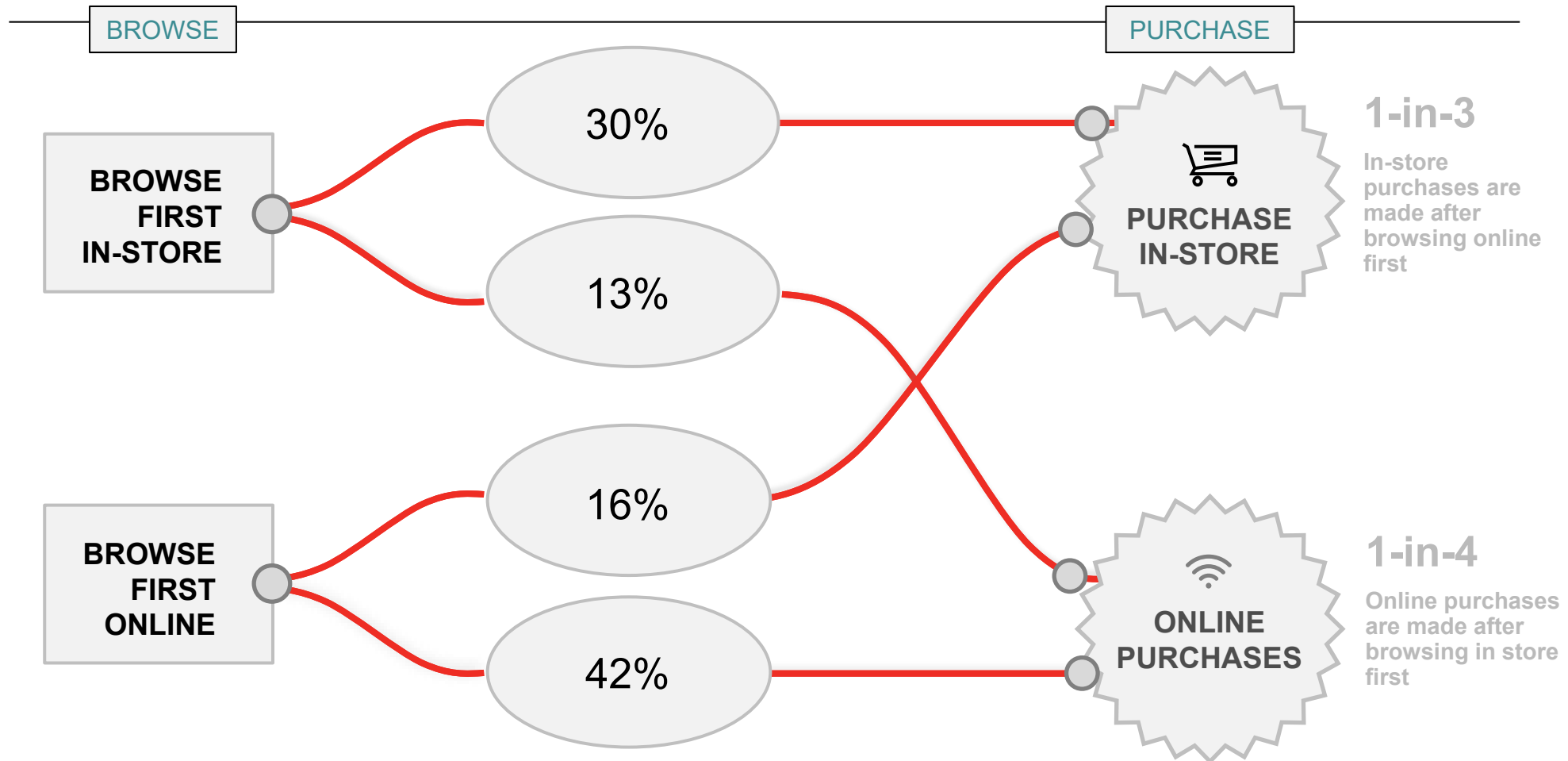
Heidi Zak, co-founder & CEO, *ThirdLove*

Big media streaming wars will increase reach and spend



Play 7: Omnichannel shopping is the new normal

Browsing and Buying: In Store vs. Online



Pop-up stores are today's “creative revolution”

- **Glossier**

- Launched a pop-up in San Francisco's Rhea's Café, which served its signature dishes while also merchandising the space to whimsically show off Glossier products amidst flowers and restaurant props.

- **Snowe**

- Pop-up in NYC is part of a shoppable loft, event space, and registry designed to inspire home transformations; “hybrid approach” of creating a physical location that can “inspire”—and make people shop.

- **Away**

- “Terminal A” pop-up in SoHo is a chic airport design with a TSA-style checkpoint, luggage scanners, a NYC-themed souvenir area, and the company's luggage line.
- The “Uniform Shop” area lets customers mix and match luggage color combinations, add limited-edition stickers to their own luggage, or purchase luggage with hand-painted monogramming, pins, and embroidery.



Digital retail enabler **Shopify** is assisting 150 disruptors to open locations

- GymShark apparel used Shopify to quickly set up pop-up shops in various markets using iPads and credit card readers. The POS app syncs inventory and sales on the go. Having an in-person presence helped to create excitement about the brand while also garnering important information from customers about what they like and what they would like to see in the future.
- Kylie Cosmetics is currently using Shopify to run a pop-up shop at Westfield Topanga outside Los Angeles. The shop features a glamorous replication of Kylie Jenner's own bedroom as well as a Christmas tree with Kylie Cosmetics for ornaments. The shop sells her full selection of cosmetics, gift sets, and lip kits.
- Casey Shagena of Menagerie, which used Shopify for a temporary pop-up shop, says, "Shopify has helped me grow my business with easy-to-use POS features."
- Mackenzie & Blaine Vossler of TheLocalBranch.com, which used Shopify to open a retail shop, say, "Using Shopify POS makes running our store on the road simple."



Stores are for experiencing as much as for selling

- Casper's "Dreamery" locations where fans of the brand can schedule a nap on one of Casper's cutting-edge mattresses; experience includes a sleep mask, robe, earplugs, makeup wipes, as well as a cup of coffee afterward..



Digitally-native brands will open 850 stores in the next 5 years

Casper will open 200 stores in North America within 3 years, lingerie startup Adore Me for up to 300 in 5 years, and Allbirds for stores in 4 cities in the next year.

More than half (60%) of the e-retailers studied opened their first pop-ups locations in New York, followed by LA (16.2%) and Toronto (5.4%). More than a third (41.3%) opened their first permanent location in New York, then LA and San Francisco (12% each) and Chicago (5.3%).

Nearly 62% of permanent stores opened in the same city where an e-commerce venture opened their first pop-up shop.

Last year the greatest number of permanent stores were opened by formerly online-only retailers, including Everlane, Allbirds, Away and MM.LaFleur.



Play 8: Fast is the new fashion... in every category



boohoo.com
TWENTYFOUR | SEVEN | FASHION

- Average time for direct brands to launch first product was **7 months**
- Today they can launch a product in **4 months**
- One-third of founders say their biggest mistake is moving too slowly to **iterate the core product** or change the portfolio”

Omnichannel buying + delivery drove 3PL CAGRs from -5.4% to +5.8% from 2014-2022

- IDC Manufacturing Insights predicts by the end of 2020 that 50% of all manufacturing supply chains will have the capability to enable Direct Brand consumption shipments and home delivery.
- The Global 3PL Market is expected to grow at a CAGR of 5.8% between 2018-2022.



Play 9: 2-day delivery is a cost-of-entry standard for brands

Key benefits:

- 2-day shipping is available to 92% of the U.S.
- No pricing on website; “cost-effective, high service level 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 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 same-day, next-day, and two-day delivery, streamlined return processing.
- Industries served include new forays into toys, healthcare, and food/beverage.



monarchfx^t
smarter logistics.

Amazon is pressing toward a 2-hour delivery standard

Amazon patents aim to streamline e-commerce fulfillment

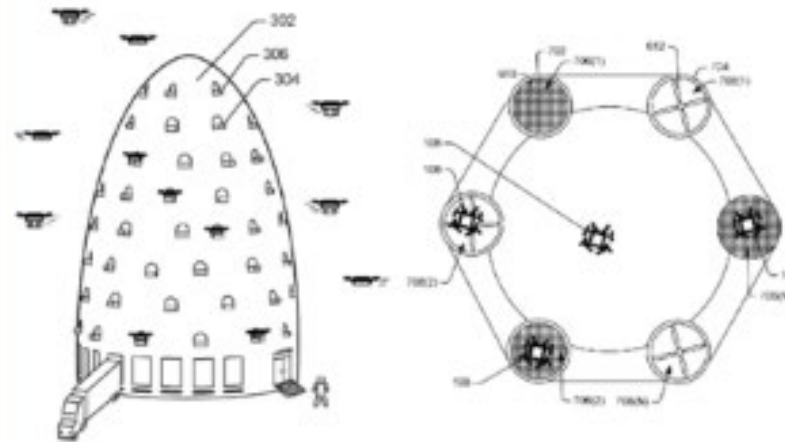
Patent: "Multi-Level Fulfillment Center for Unmanned Aerial Vehicles"

Date Granted: 10/2/17

This patent illustrates a multi-level fulfillment center that could accommodate inbound and outbound delivery drones. The facility primarily looks to enhance last-mile delivery in densely populated urban areas.

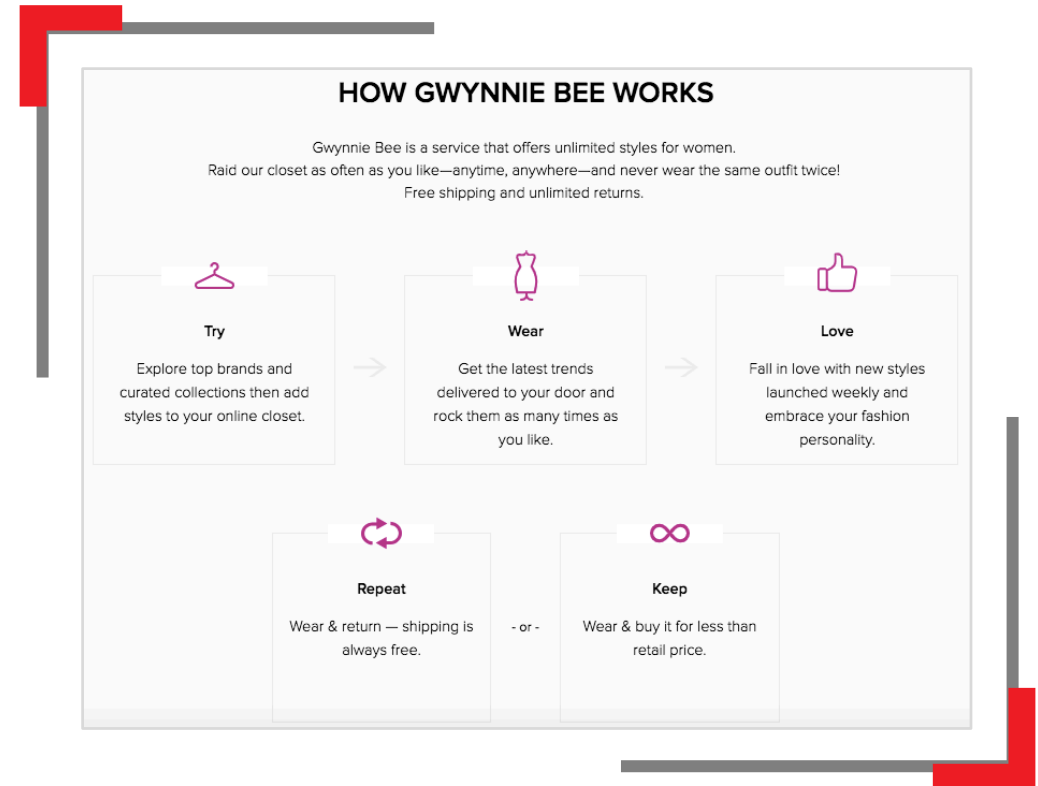
CBINSIGHTS

Amazon patents aerial "beehive" fulfillment center



Play 10: Delivery is discovery

- **Birchbox**
 - Discovery commerce platform offering consumers a personalized way to discover, learn about, and shop the best beauty, grooming, and lifestyle products on the market.
 - Each month, users are shipped a selection of samples, sourcing samples from both well-known and emerging brands.
- **Flaviar**
 - Offers a new way to discover premium spirits for a fraction of the bottle price.
 - Sends members a tasting pack of new and exciting flavors.
 - Ever-changing collection of craft and premium Spirits expertly curated from over 15K bottles of Whisk(e)y, Bourbon, Gin, Cognac, Rum and other spirits.
 - Samples enable try-before-you-buy: taste 1.5oz samples of craft and big brand spirits bundled in themed boxes, such as Star Spangled Bourbon, Flavours of Scotch, Gin O'Clock, and many more.
- **Gwynnie Bee**
 - Monthly clothing subscription service for plus-size women.
 - Plus-sized women's clothing is hard to come by the average American woman is plus-sized, but only 18% of clothing sold in 2016 was size 14 or higher.
 - Users pay a monthly fee to access an unlimited wardrobe and free shipping.
 - The company offers unrestricted access to designer clothing, unlimited exchanges, free shipping and returns, and personal style consultation services.
 - clothing rental-to-purchase option for plus-sized women.





The IAB direct brands report

03. Big Brands Battle Back

The trend: Wave of disruptor acquisitions sweeping across FMCG, home, beverages



The trend: Startup incubators & accelerators are most popular incumbent investments



AHEAD OF THE CURVE

PEPSICO

**Pepsico Snacks
Innovation Challenge**

Pitch us the future & we'll make it reality

The graphic features a central blue-bordered box containing the challenge title and tagline. Above the box is a lightbulb icon composed of various gears and mechanical parts. The entire graphic is framed by grey lines with red L-shaped accents at the corners.

Mars Petcare has a 3-part accelerator+venture+insights program



Ikea is two years into its “bootcamp” program



The trend: Aggressively building digital relationships

- **Nike Announced in '15 that It Plans to hit \$50b in Sales by '20 with Direct and Digital Businesses Being 2 Key Ways to Get There.**
- Fundamental to the direct strategy, per CEO Mark Parker (March of '18), is *“to be more personal at scale.”* Aim is to use data to treat every one of Nike’s customers as a unique individual and get more value out of each digital customer:
 - Why they acquired consumer data and analytics company Zodiac—to gain insight on its customers and how they behave.
 - Introduced the Nike+ mobile app in '16 designed to build a one-to-one relationship with athletes to aid the purchase apparel/shoes; included stories tailored based on inputs of interests and the ability to connect with an expert for training tips.
 - Focusing first on its super-fans: the Nike+ loyalty program members and app users, who on average spend nearly triple what Nike.com shoppers do.
 - Launched its SNKRS app in China in December '17, boasting that it got 2 million downloads in the first month alone, and just launched it in Japan, where it became the No. 1 free downloaded app in the iOS store.



Starbucks pins growth on digital relationships with occasional customers

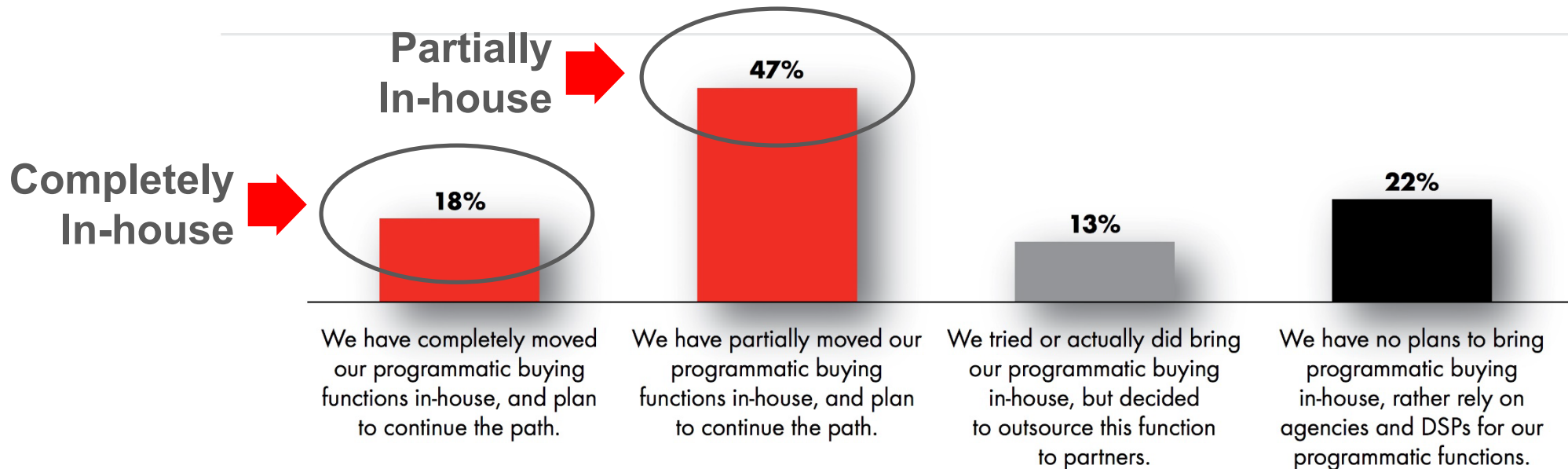
“Establishing digital relationships with many more customers represents a significant growth opportunity, as we have proven that a direct communications channel combined with personalization enhances the customer experience and drives customer engagement.”

Kevin Johnson
President & CEO
Starbucks



In-housing Spectrum Among Programmatic Buyers

Which of the following best describes your programmatic buying practices when it comes to bringing programmatic buying in-house? *(Among programmatic advertisers only)*



Although programmatic buying is still mostly about reach...

Benefits of Programmatic Buying:

	1	2	3	4	5	6
Better audience targeting	74%	22%	3%	1%	-	-
Real-time optimization	52%	33%	11%	2%	1%	1%
Ability to build audience reach	48%	42%	9%	1%	-	-
Cost efficiency	45%	35%	12%	4%	4%	-
Reach customers at multiple points along the purchase path	45%	29%	18%	5%	2%	-
Managing buys across channels	37%	42%	14%	5%	1%	-

Note: n=100; numbers may not add up to 100% due to rounding
Source: Association of National Advertisers (ANA), "The State of Programmatic Media Buying," Dec 18, 2017

% of respondents

1 Very important

2 Important

3 Moderately important

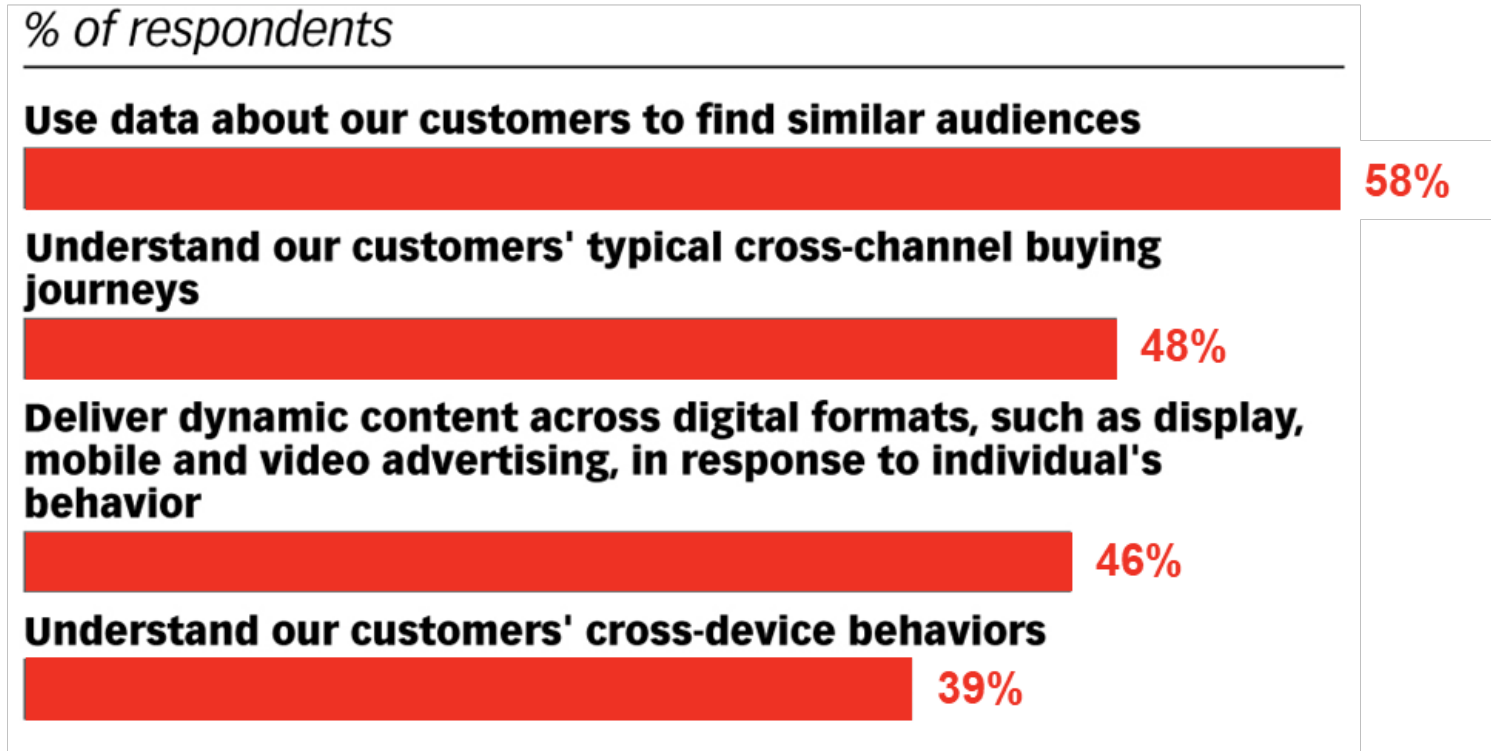
4 Slightly important

5 Not important

6 Don't know

...actionable insights are increasingly vital

Consumer-related Marketer Capabilities:





“We are redesigning our digital and marketing strategies and campaigns to own a direct relationship with our guests, truly serve their global needs and provide relevant offers, by using intelligent programmatic analytics.”

Remy Merckx
Vice President, Digital
Radisson Hotel Group

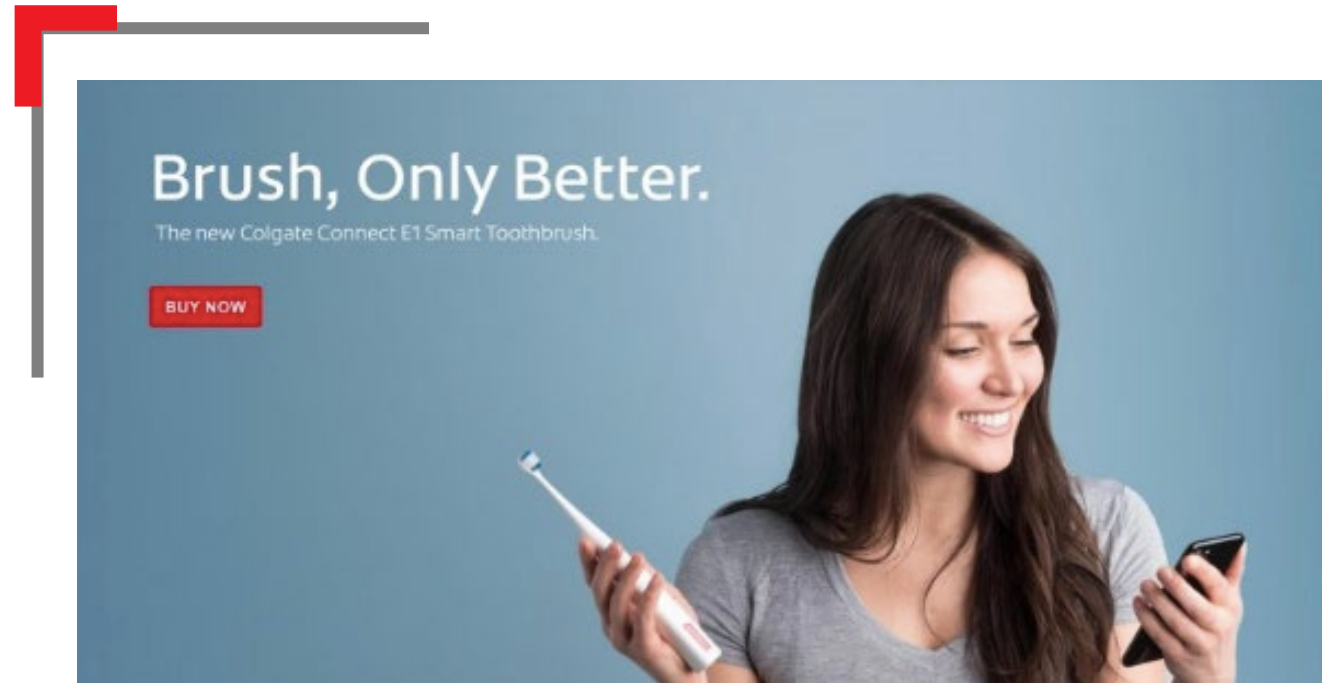
The trend: IoT is a major access route to voluntary 1st party behavioral data

- **Colgate E1 Smart Toothbrush**

- Toothbrush connects to dedicated application for iPad and iPhone to present data and brushing tips.
- Provides feedback to users on their brushing techniques to help improve daily routines.
- Built-in sensors take data in real time from brushing zones are sent to the app which analyses technique over time.

- **Diageo Connected Cocktail Maker**

- Testing a connected cocktail maker dubbed “Opn” in Paris and other European markets to increase its share of the at-home drinking market.
- Trials featured at-home alcohol delivery in less than an hour.



DMP growth and competition is accelerating

TTD leads agency intention; Oracle remains at the top of marketer list

Purchase Intention of Data Management Platforms (Among Top 10 Used)
Percent of Respondents Rating 8-10 On a 10-Point Scale

AGENCIES			Trend in Rank from Prior Wave (June 2017)
1	theTradeDesk	38%	+1 ↑
2	ORACLE bluekai	34%	-1 ↓
3	Adobe Audience Manager	33%	+2 ↑
4	MarketMoxie	31%	0 =
4	Salesforce DMP	31%	+3 ↑
6	Sizmek (formerly Rocket Fuel)	29%	-3 ↓
7	AUDIENCE	25%	+2 ↑
7	VIANT	25%	+3 ↑
9	TURN	24%	-4 ↓
9	exelate	24%	-2 ↓

MARKETERS			Trend in Rank from Prior Wave (June 2017)
1	ORACLE bluekai	41%	0 =
2	Salesforce DMP	38%	+2 ↑
3	Adobe Audience Manager	31%	-1 ↓
4	MarketMoxie	29%	+6 ↑
5	AUDIENCE	24%	-2 ↓
5	VIANT	24%	+3 ↑
7	theTradeDesk	23%	-3 ↓
7	exelate	23%	0 =
9	Sizmek (formerly Rocket Fuel)	22%	-3 ↓
10	TURN	19%	-2 ↓

- The \$500 million US DMP market expect to grow 43% annually 2015-2021.
- Forrester has identified 25 types of data used in DMPs, including social, mobile, and CRM data.
- New sources of first-party data are emerging, including TVs (data sets from set-top boxes and over-the-top video), automobiles, and wearable sensors.

Q: How likely are you to actually use each of the Data Management Platforms (DMPs) you said you are considering for use in the coming year?
Base: Use Data Management Platforms



The trend: Digital identity will become a consumer right



GDPR

Infographic illustrating key aspects of the General Data Protection Regulation (GDPR). The central text "GDPR" is connected by dotted lines to five icons: a person with a lock (Data Protection Officer), a document with a checkmark (Compliance), an alarm clock (25 May 2018), a padlock with an 'X' (Data Breaches), and a key (Personal Data).

- Data Protection Officer (DPO)
- Compliance
- 25 May 2018
- Data Breaches
- Personal Data



CALIFORNIA
CONSUMER PRIVACY ACT

Graphic for the California Consumer Privacy Act, featuring a padlock icon integrated into the word "CALIFORNIA". The background is dark blue with a network of yellow and green lines.

The trend: big retailers and brands are getting “experienced”



The trend: 2-day delivery prompting acquisitions & partnerships



Through delivery partnerships, fast food is getting faster

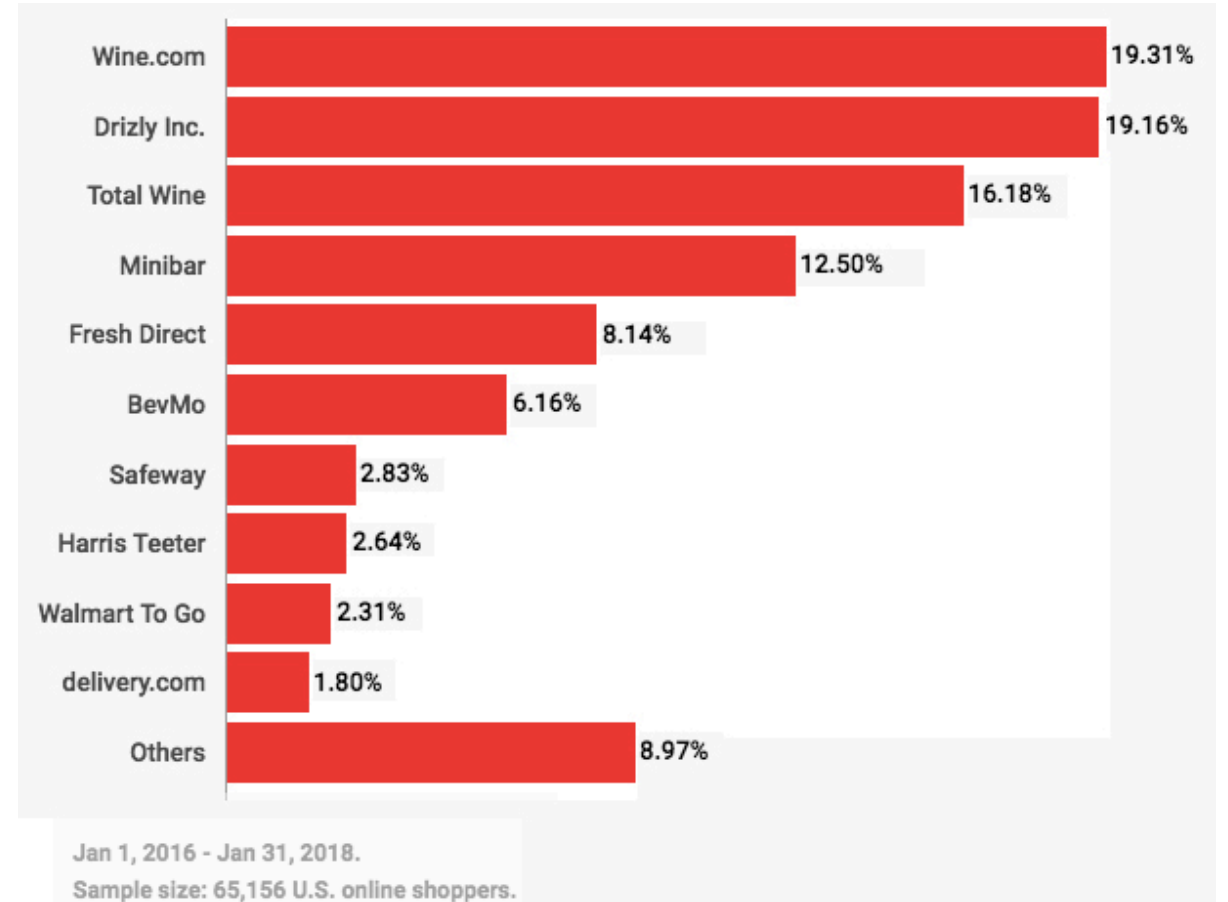


One app accounts for 61% of online alcoholic beverage sales

- Drizly's revenue grew nearly twice as fast as online alcohol sales overall.
- In comparison, Minibar Delivery, a direct competitor of Drizly, had revenue growth of 7% in 2017.
- AB-InBev used to Drizly to showcase limited edition beers (1933 Repeal Reserve Amber Lager and George Washington Brew), competing with craft brewers
- Other Drizly partners include MillerCoors, Brown Forman

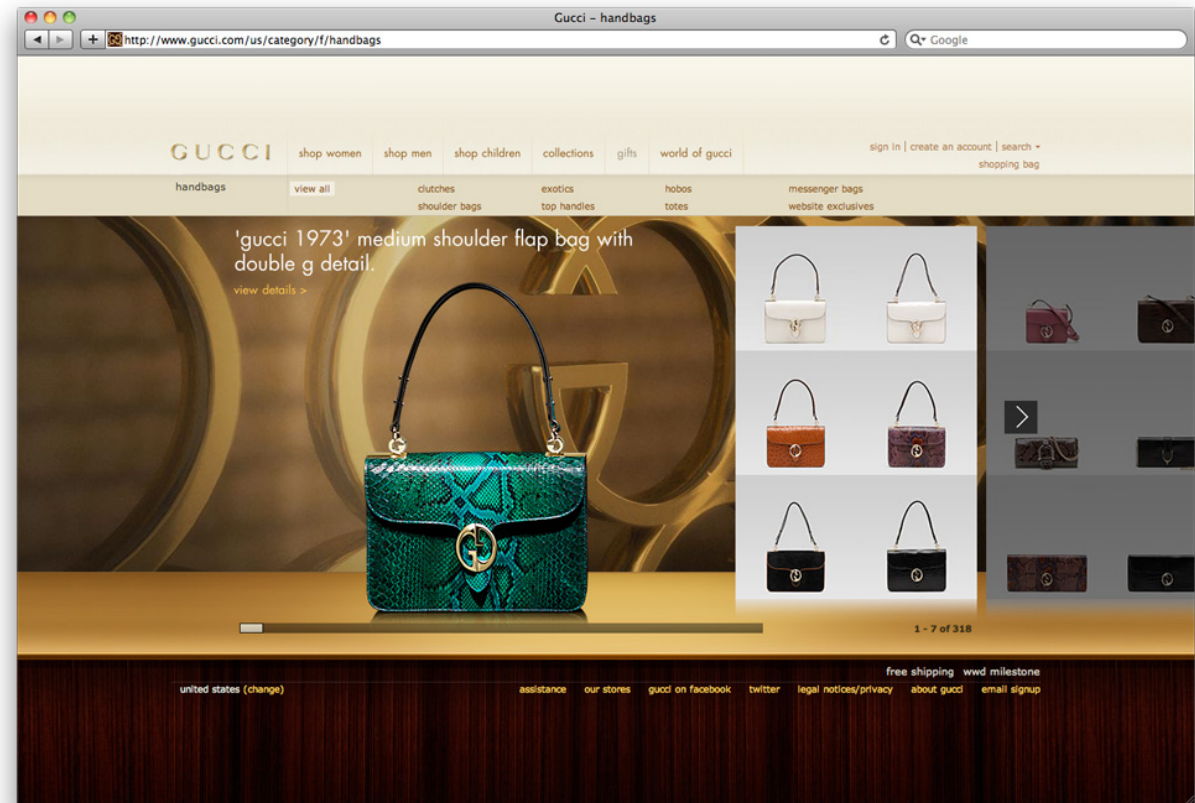
Online Alcohol Leaders

Ranked by market share of total online alcohol sales



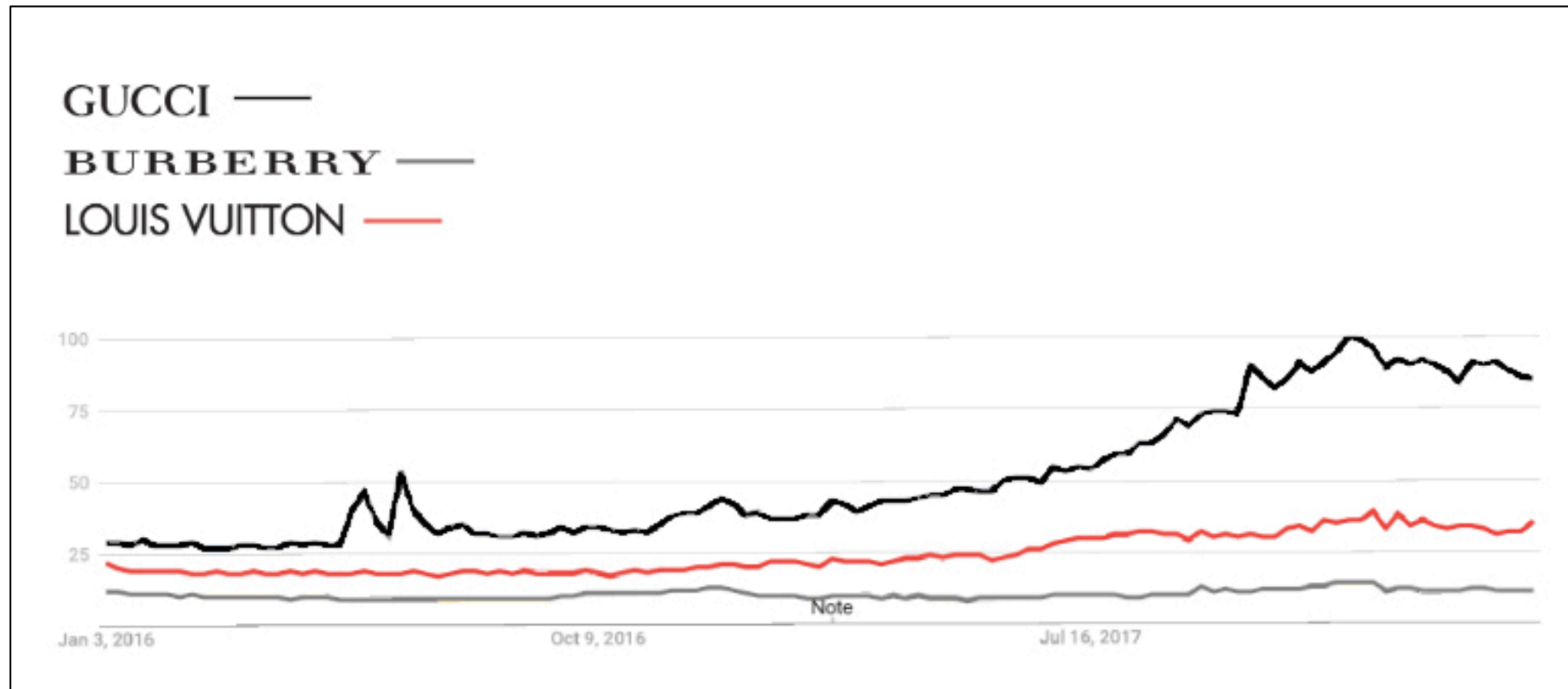
The trend: Boosting agility to minimize wholesale dependency

- Gucci e-commerce sales +88% 1H 2018, O&O store revenue +46%, direct sales now = 86% of all sales; Q3 '18 e-commerce sales grew 70% YOY.
- Gucci goal: wholesale revenue to account for less than 10% of total sales, prioritizing channels that showcase the complete Gucci collection, eliminating wholesale-buyer decisions.
- Gucci has bought out 10 suppliers to date, plans to cut its use of external suppliers to 40% of leather goods production, from 75% currently.



Agility = Front-end product-development speed + **back-end social penetration**

Search Interest Over Time

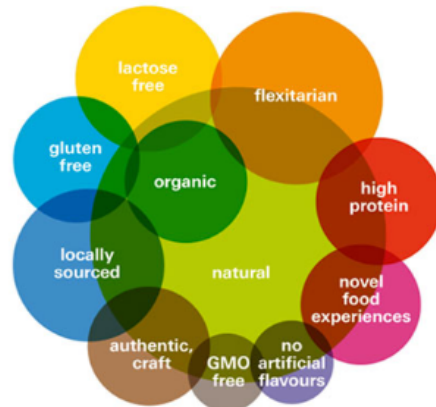


STAY INFORMED

THIRD POINT

CONSUMER PRODUCTS INDUSTRY HAS CHANGED

Consumers increasingly prefer variety of new product attributes



Shopping habits have also evolved

- ❖ Shift to eCommerce lowering barriers to entry and driving influx of new competition
- ❖ Rise of club stores and hard discounters accelerating shift to private label products

amazon

COSTCO
WHOLESALE



Alibaba.com

Source: Third Point LLC; Nestlé company materials; Google Images

THIRD POINT

NESTLÉ

6

hack

the CAC

add some V

to that LTV

mi casa

es su casa

**change the
omnichannel**

get

experienced

build brand

newsrooms