Direct Brands: Media & Customer Acquisition

2019-2020

Direct Brands Initiative Strategic Partners:

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

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.

Objective

Benchmark and understand Direct Brand media planning/buying decisions

- Strategies & objectives
- Media selection & preferences
- Media buys: drivers
- Advertising measurement
- Earned/owned impact on paid media
- Media management
- Where next?

Methodology

Online survey executed by Ipsos among 330 direct-to-consumer brand media professionals

- Companies represent all major consumer brand categories
- Responses were anonymous and aggregated

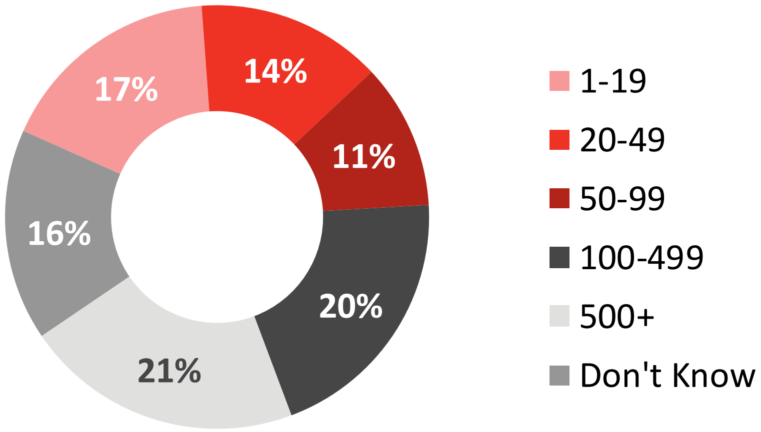
Note: Company information gleaned in tandem with the Direct Brand Founders Insights Benchmark study

Direct Brands: Profile

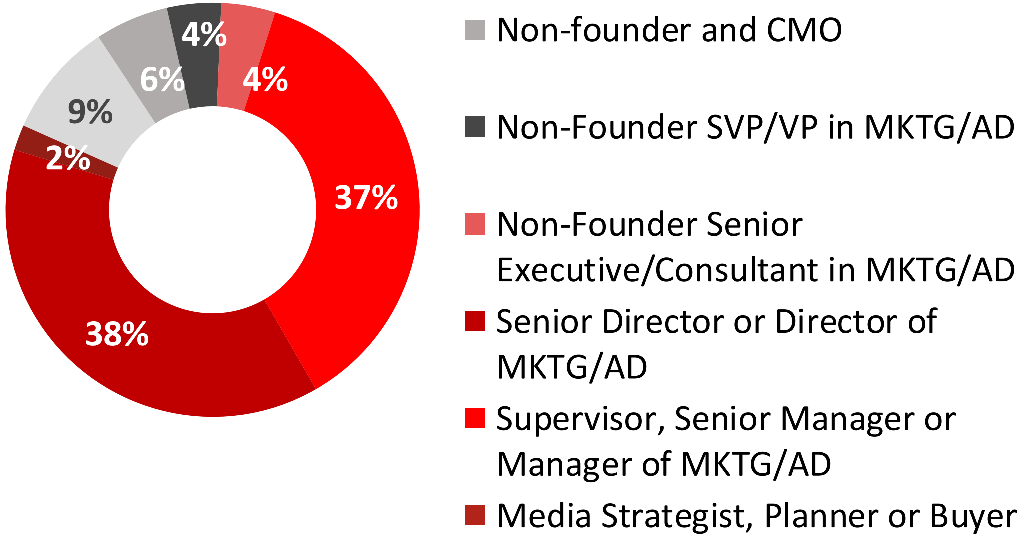
Direct Brands: Profile

Size of Company

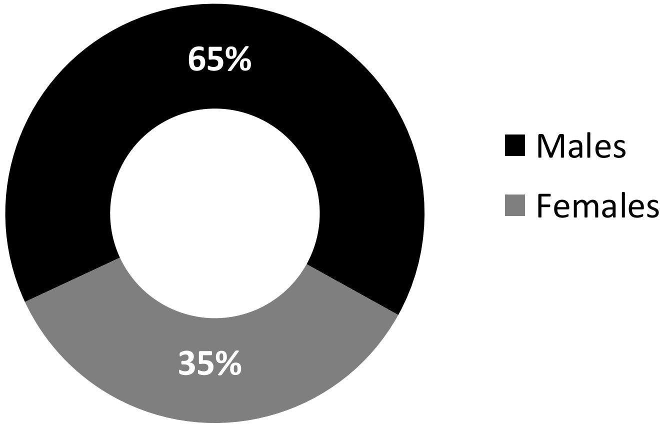
of full-time employees



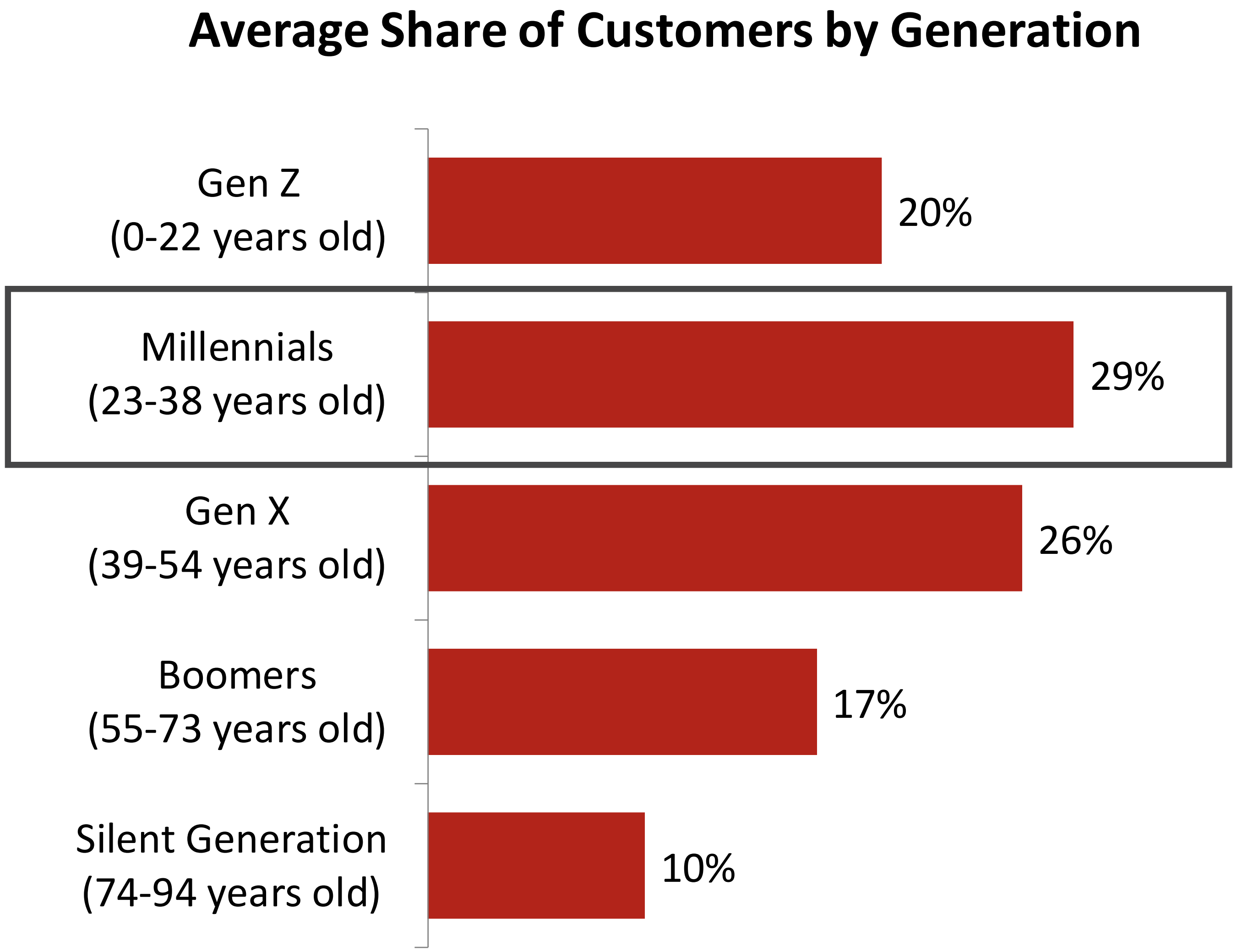
Titles



Gender



Direct Brands primary target: Millennials (*ish*)



Base: Total, n=330
To the best of your ability, what share of your customers can be attributed to the following generations? - Mean (Incl. 0) Summary

Paid media drives brand disruption!

98%

Believe they must invest in PAID media

72%

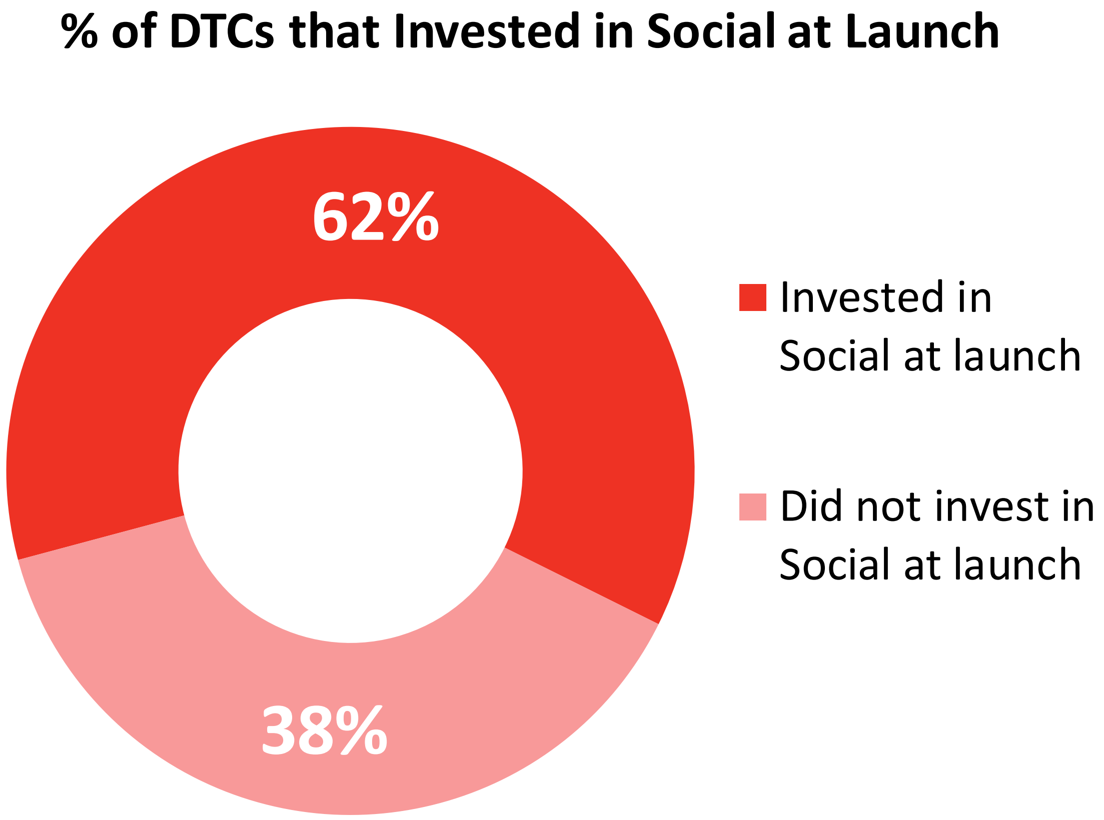
Think they can go dark for at least a period of time

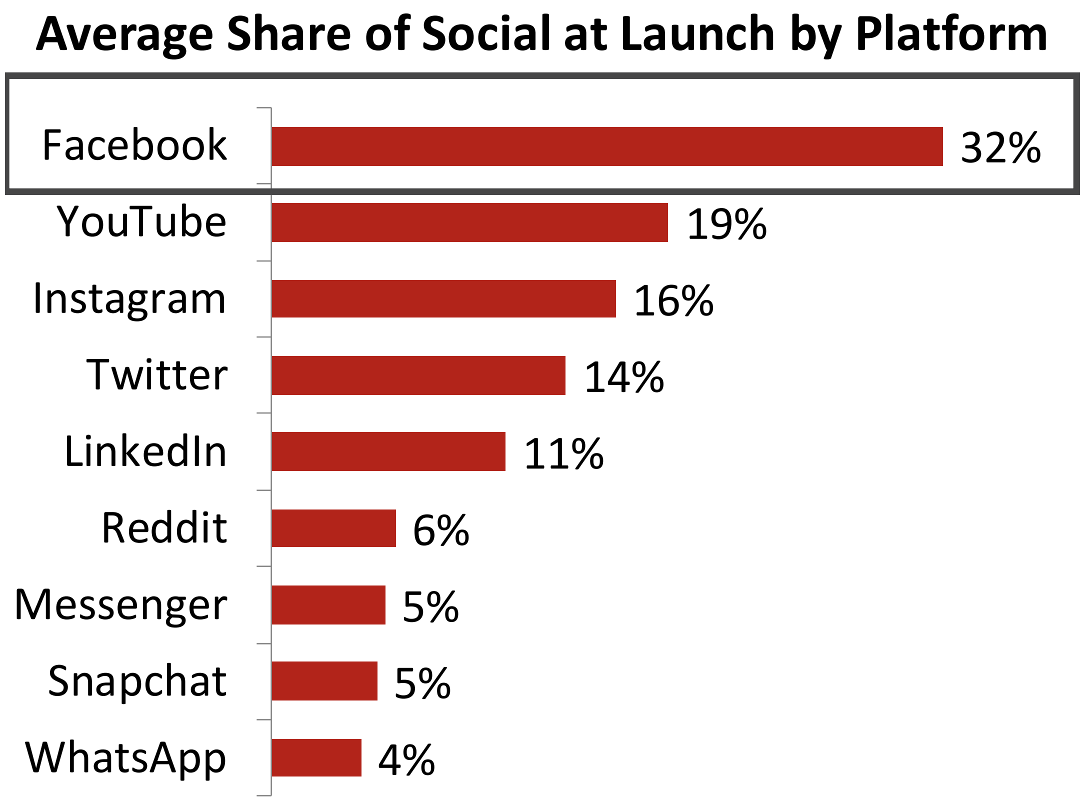
Base: Rely or would rely solely on earned media, n=298

Please consider your Owned and Earned Media. Do you now or have you ever relied only on Earned Media (i.e. no investment in PAID advertising campaigns)?
You indicated that you have relied or would consider relying solely on Owned and Earned Media. Please choose the statement which best reflects your expectations.

Direct Brands: Media Selection

Disruptors launch on social channels…



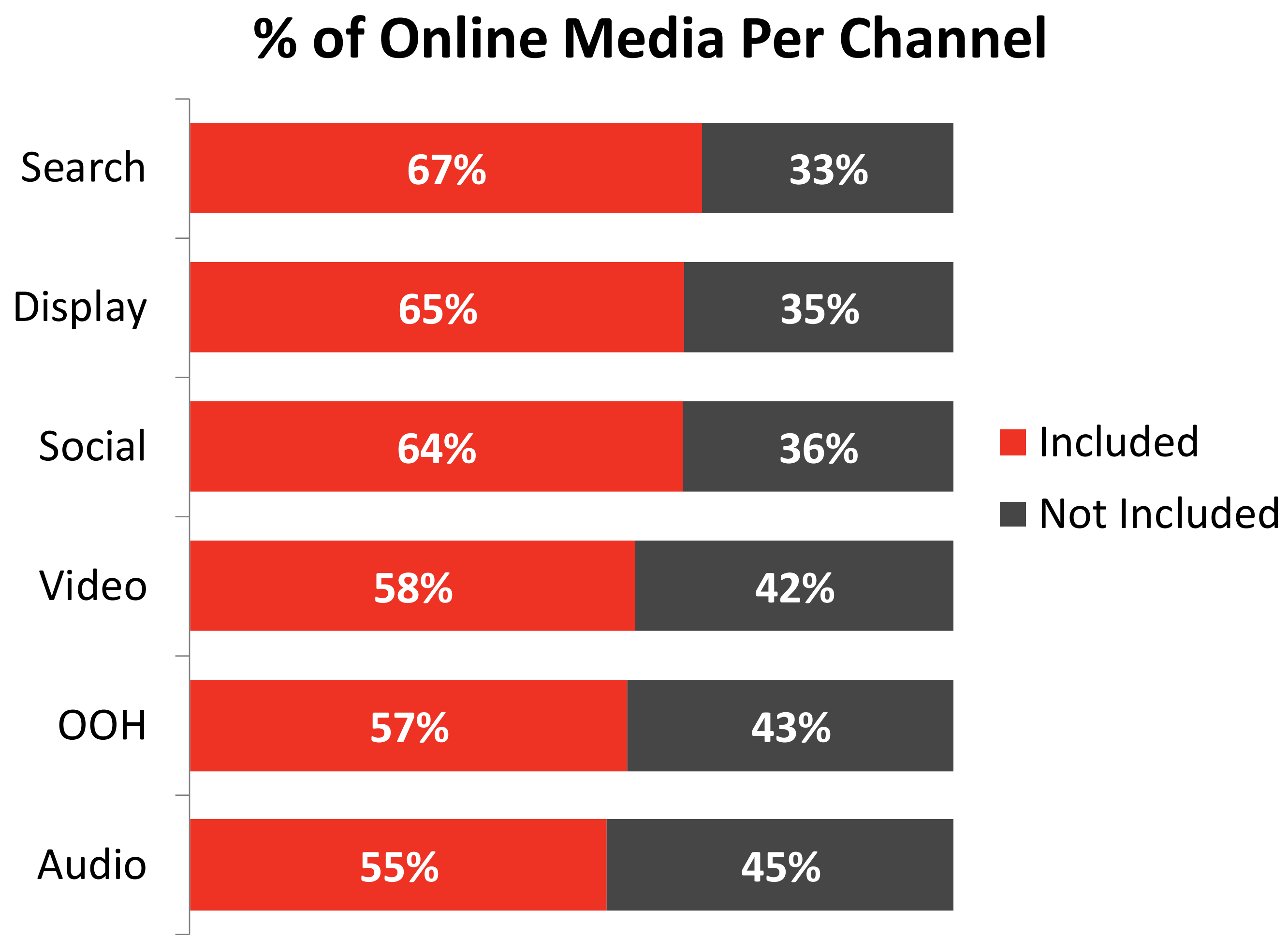


Base: Total, n=330; Invested in Social at Launch, n=203

When you first launched your Direct to Consumer (DTC) brand, what percentage, if any, of your marketing/advertising budget was invested in Social Media?

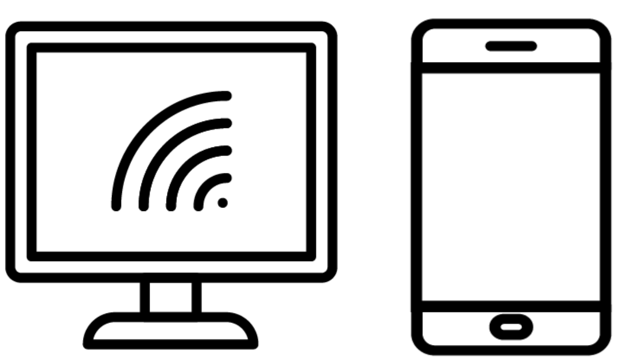
You indicated that you invested in Social Media at launch. Please estimate what the percentage of your social budget was by media brand. - Mean (Incl. 0)

…But they grow by leveraging all media



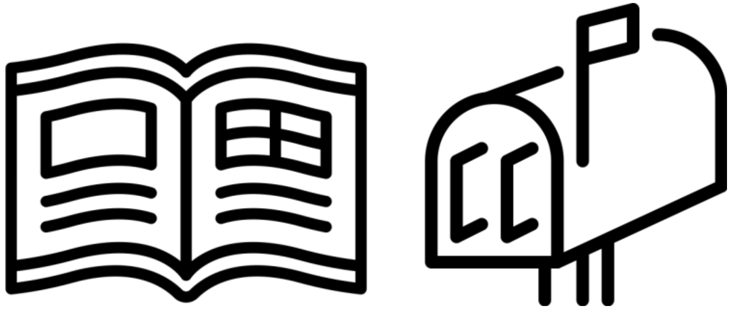
Base: Total, n=330
Please help us understand the level of intent your DTC brand has for buying/leveraging the following ONLINE PAID media platforms/ad types. NOTE: Search includes Google, Pinterest, Bing, and others

And their offline media spend is bigger than you think!



59%

Spend Online

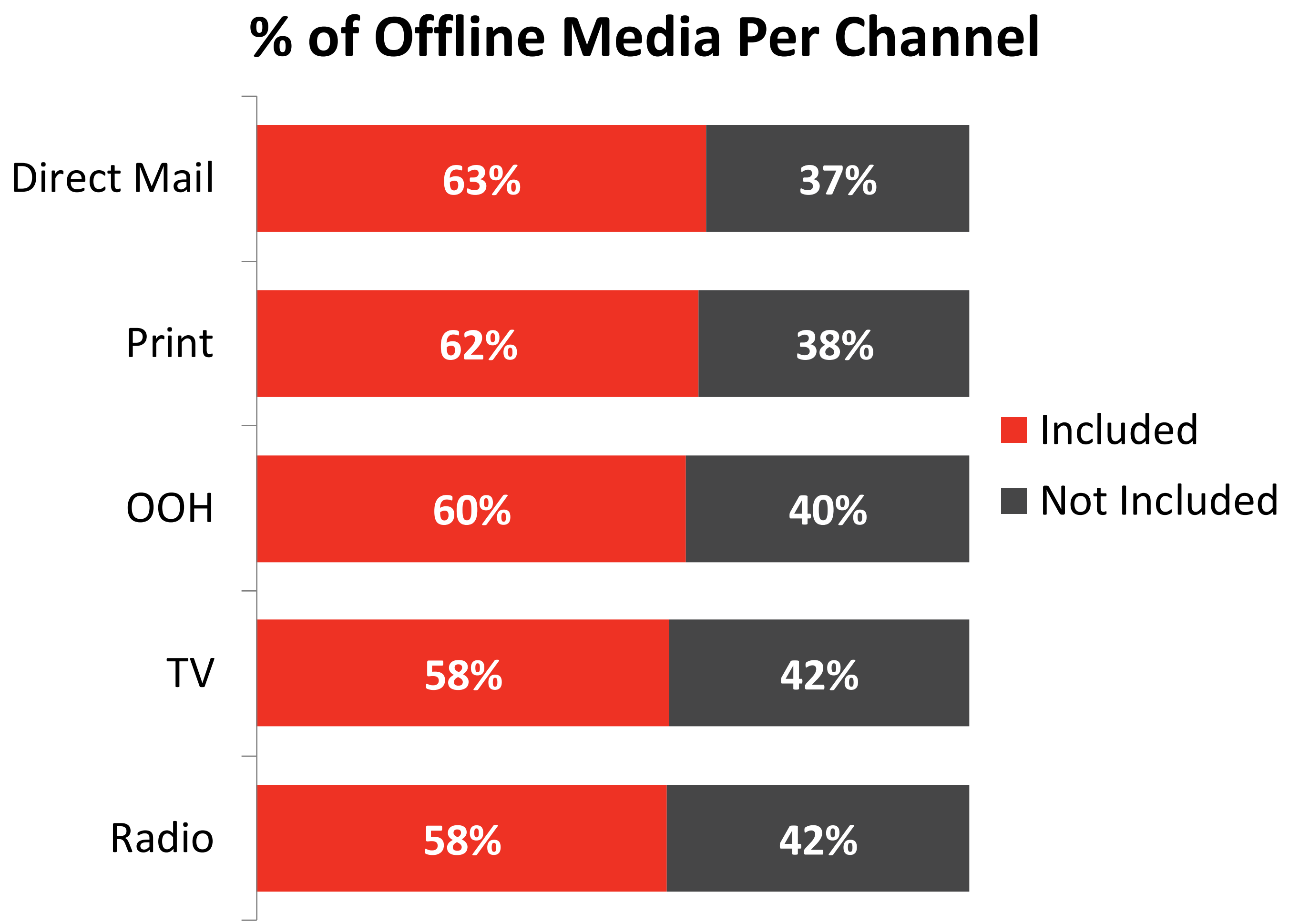


41%

Spend Offline

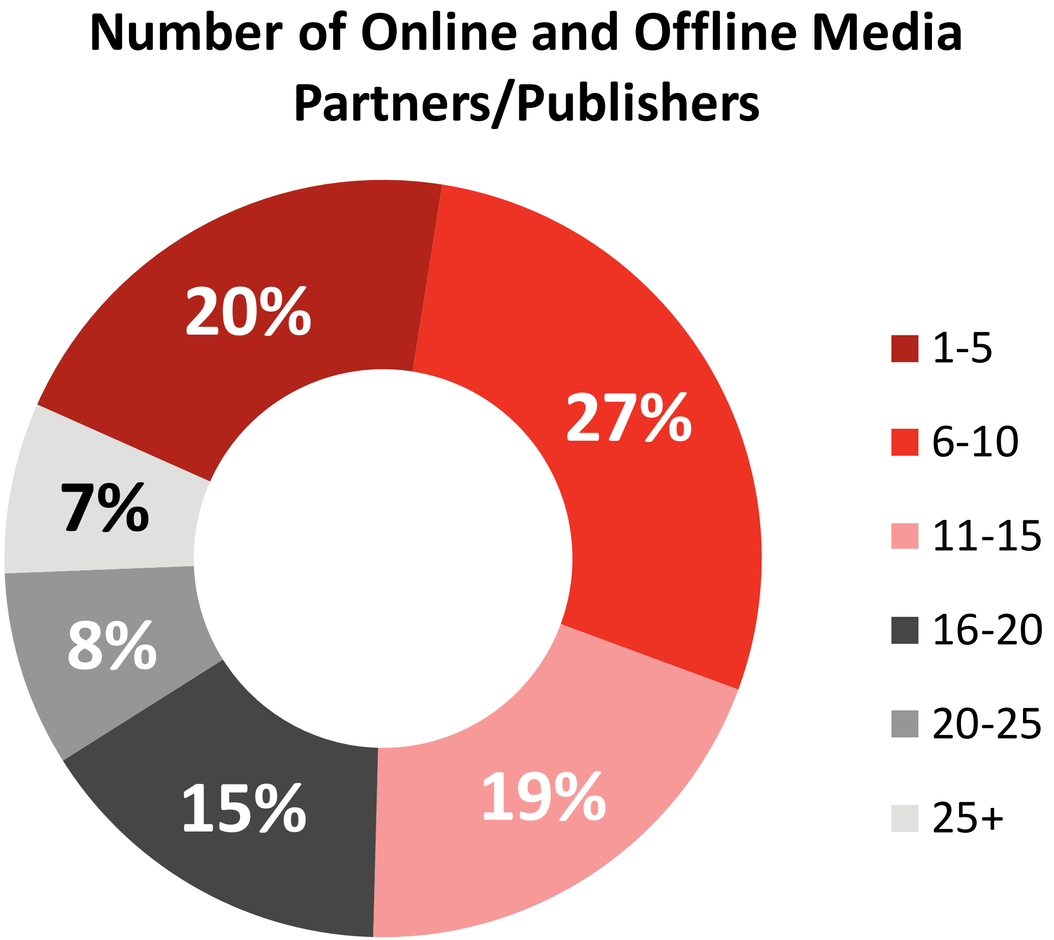
Base: Total, n=330; <15 Years, n=171; 15+ years, n=135
Please estimate the percentage of your 2019 media spend that is online vs. offline.

Offline is as diversified as the online media selection



Base: Total, n=330
Please help us understand the level of intent your DTC brand has for buying/leveraging the following OFFLINE PAID media platforms/ad types.

Nearly half of Direct Brands use 6 to 15 media partners



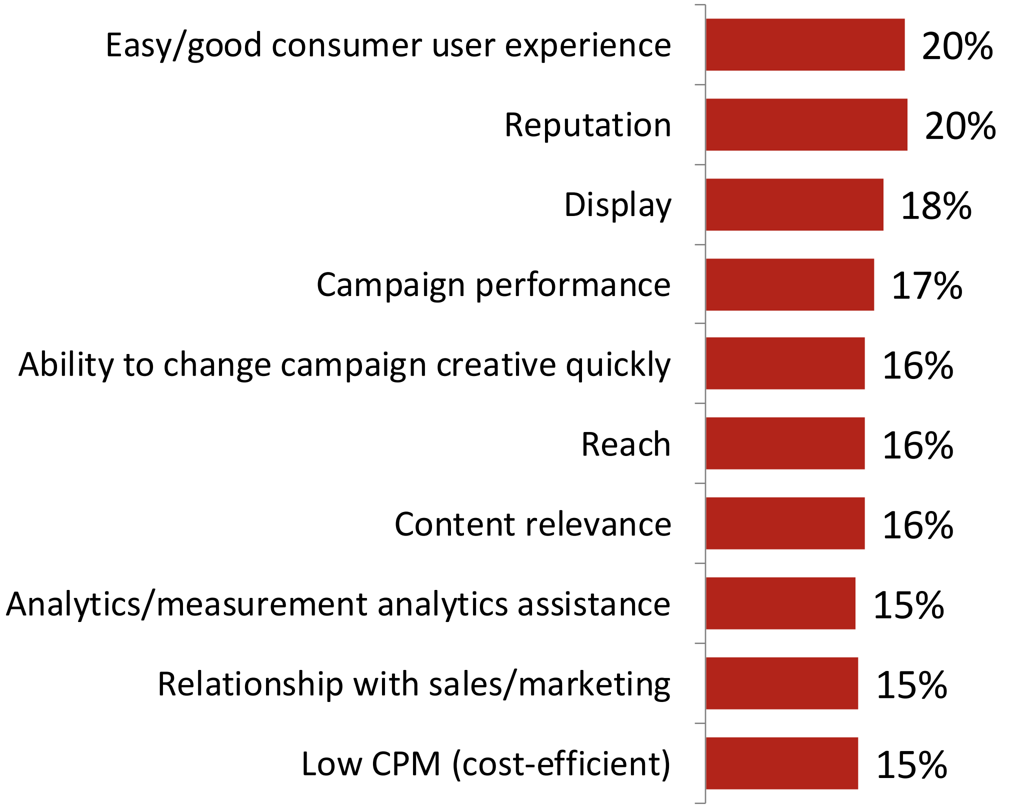
Base: Total, n=330
Please estimate the number of different ONLINE AND OFFLINE media brands/publishers are included in your 2019 plan?

PREMIUM content matters—massively…

94%

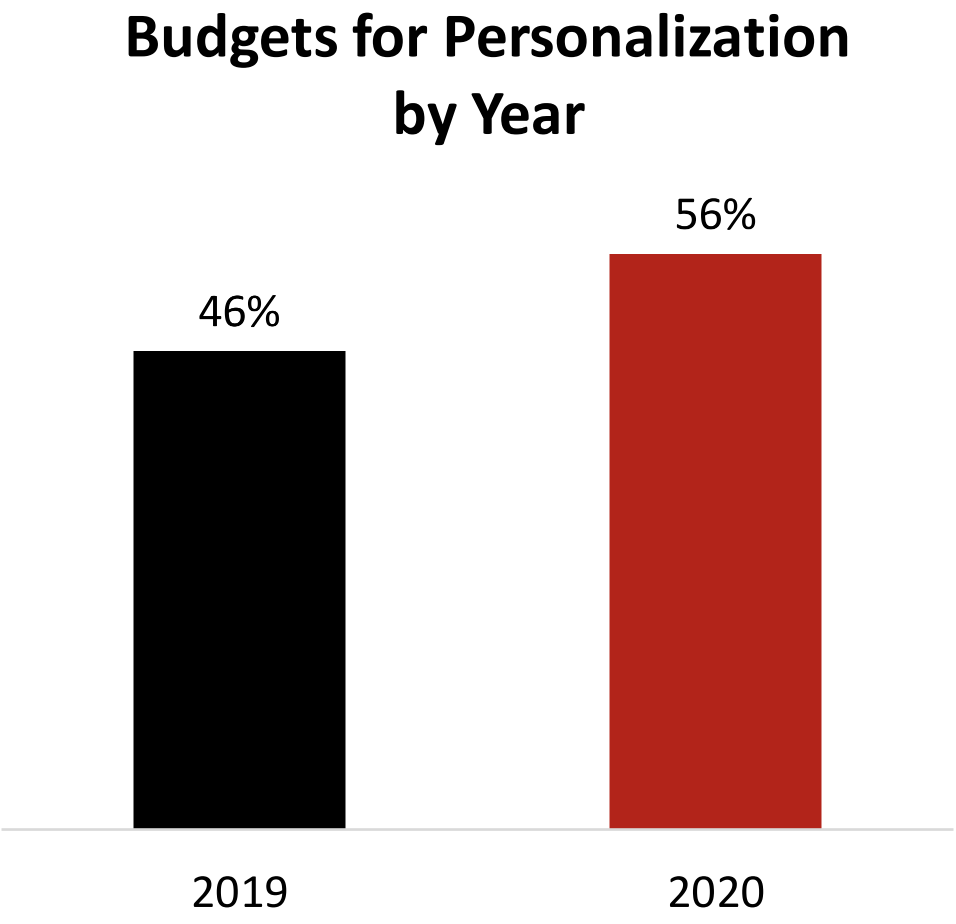
Direct Brands Using Content Publishers

Top Reasons for Including Content Publishers



Base: Total, n=330; 310 base for those using content partners
If you are advertising with any content publishers, please choose the top 3 reasons for those included in your advertising strategy.

…Although cookie cutter ads won't cut it



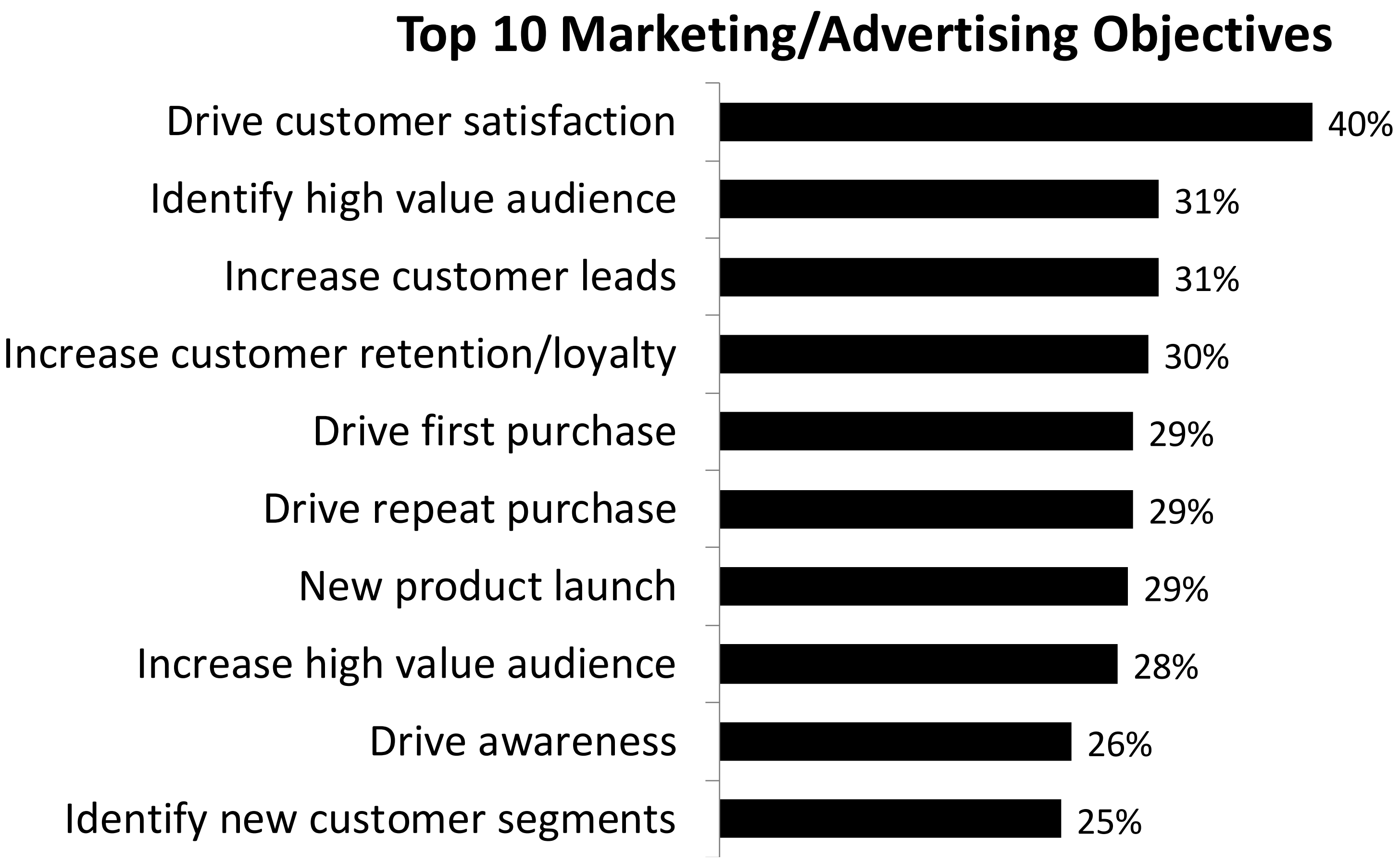
"We have experienced firsthand the performance benefit of reaching consumers who browse our site online with a relevant piece of direct mail. We recognize the value of providing a physical reminder that they can share, discuss, and consider on their own terms. As a result of our digital and direct mail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

Scott Palladini
Founder, Bear Mattress

Base: Total, n=330
Is the creation and delivery of personalized advertising included in your current or next year's budget?

Direct Brand Media Buy Drivers

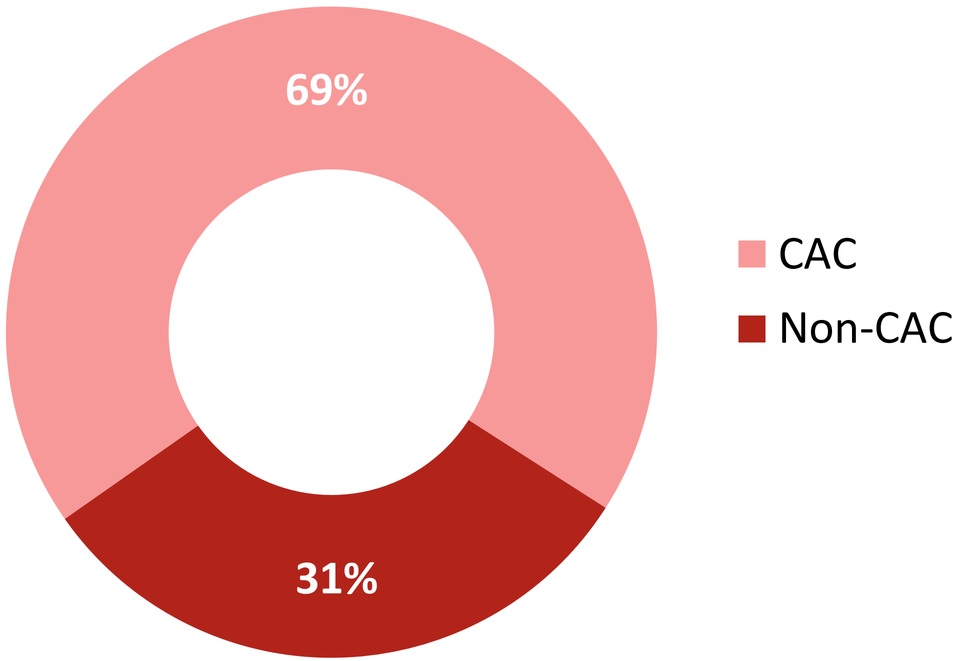
Customer satisfaction eclipses acquisition



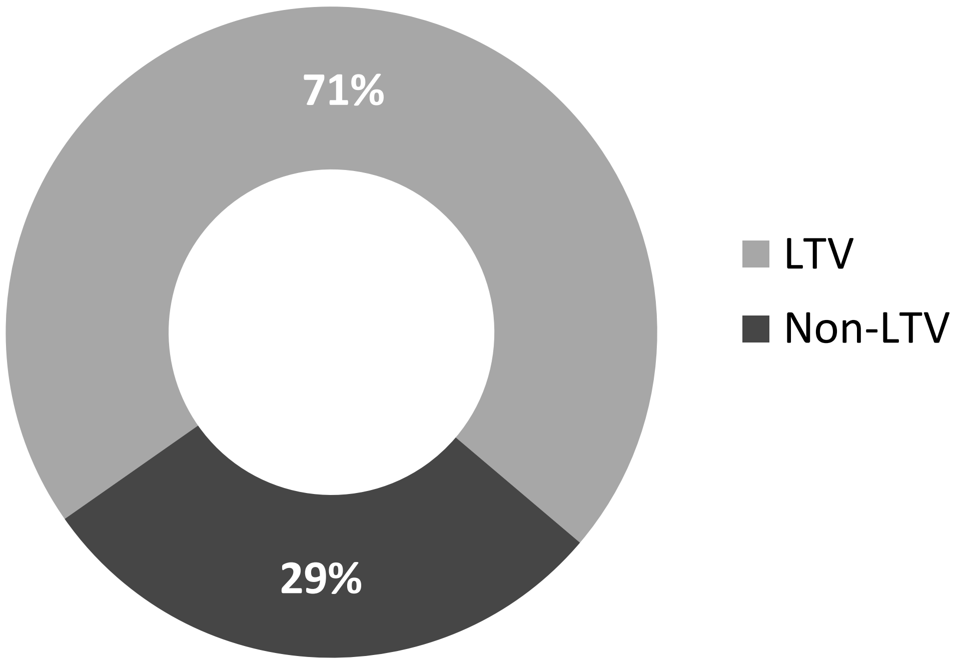
Base: Total, n=330; <15 Years, n=171; 15+ years, n=135
Which, if any, of the following objectives are included in your current marketing/advertising strategy?

More than two-thirds of Direct Brands have CAC and LTV media objectives

% of Direct Brands who Select Customer Acquisition Cost (CAC) as an Objective

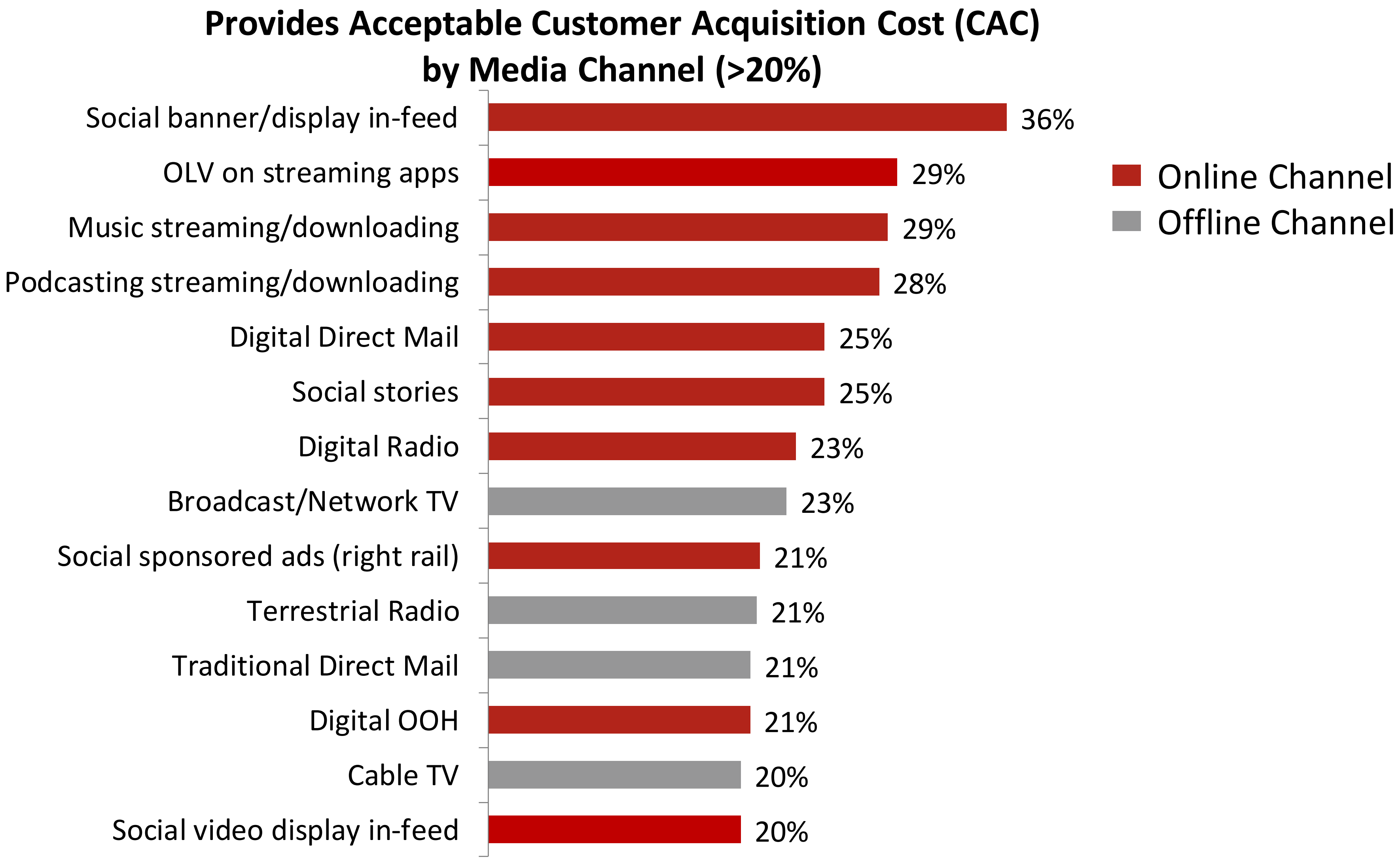


% of Direct Brands who Select Lifetime Value (LTV) as an Objective



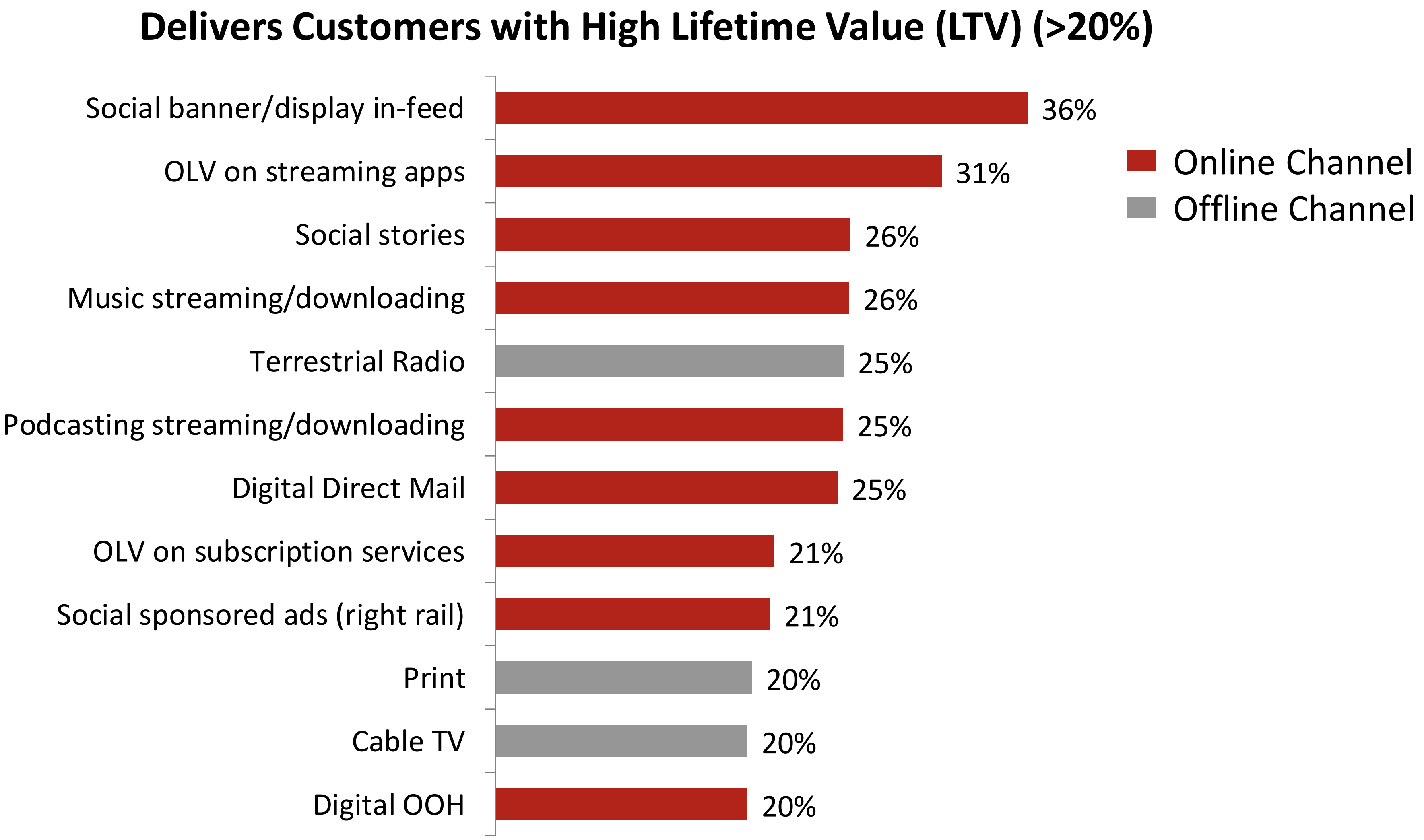
Base: Total, n=330
Which, if any, of the following objectives are included in your current marketing/advertising strategy?

Online social & streaming are preferred for CAC objectives…



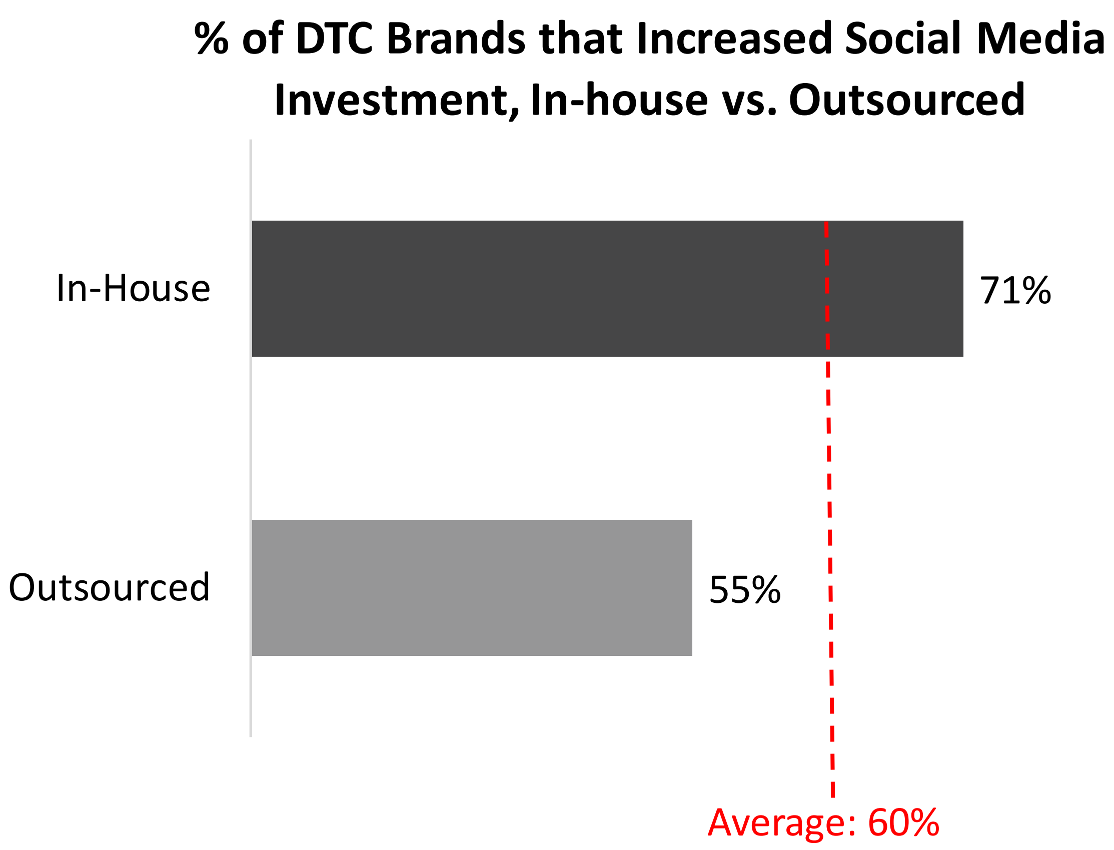
Base: Total, n=330
Please help us understand the level of intent your DTC brand has for buying / leveraging the following online paid media platforms / ad types. Please select the one option which best fits each medium.

…As well as for lifetime value objectives



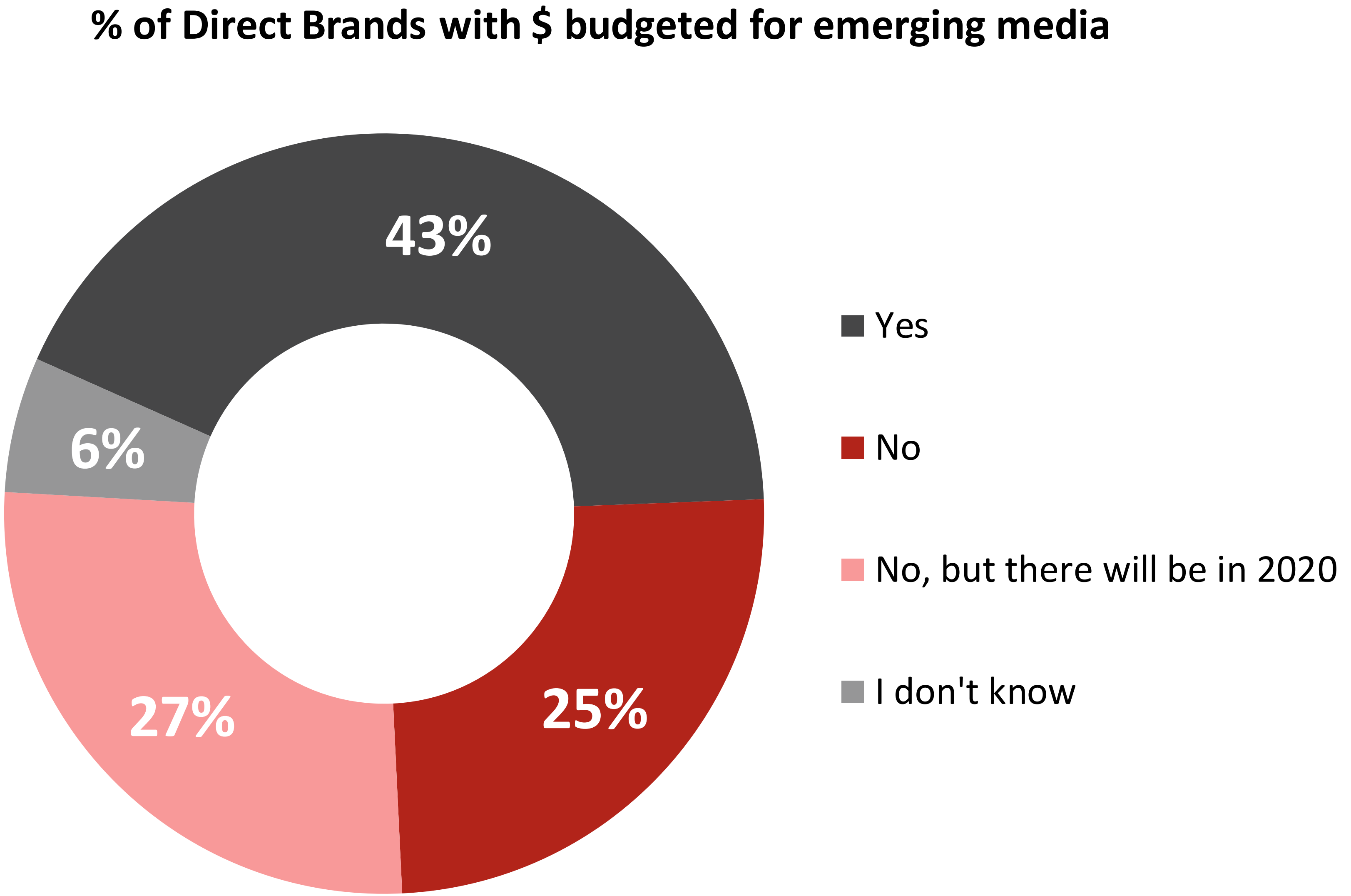
Base: Total, n=330
Please help us understand the level of intent your DTC brand has for buying / leveraging the following online paid media platforms / ad types. Please select the one option which best fits each medium.

Social investment increases when DTCs buy in-house



Base: Total, n=203, CAC, n=130, Non-CAC, n=73; LTV n=143, Non-LTV, n=60; In-House, n=62; Outsource, n=83
Please share the percentage of your advertising buy that is managed by the following methods.

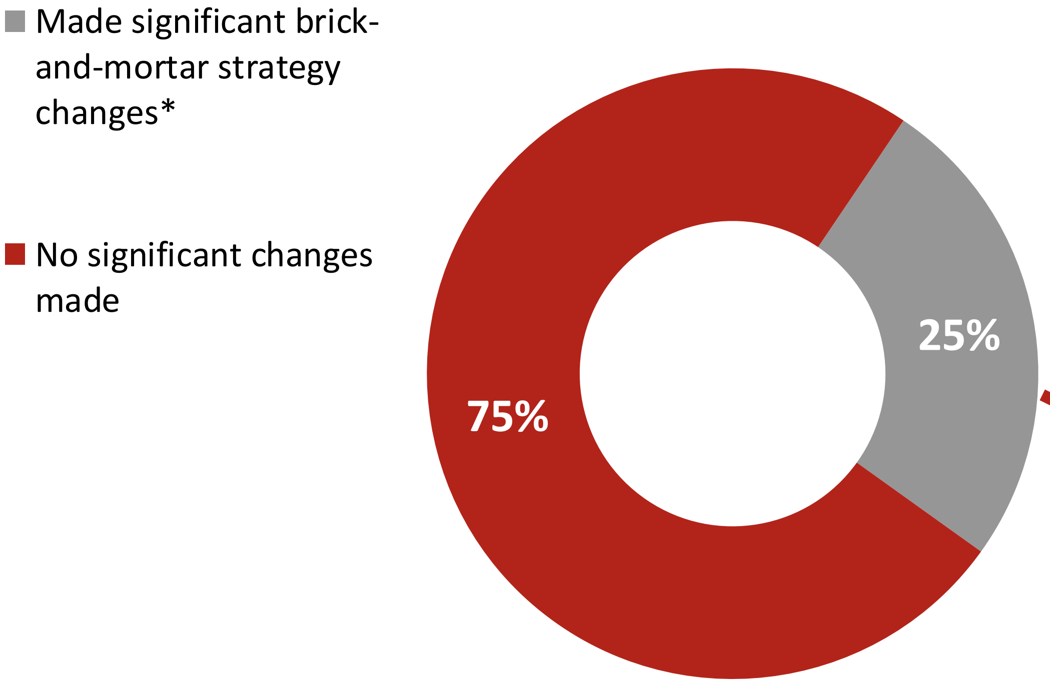
43% of Direct Brands currently have $ earmarked for emerging media



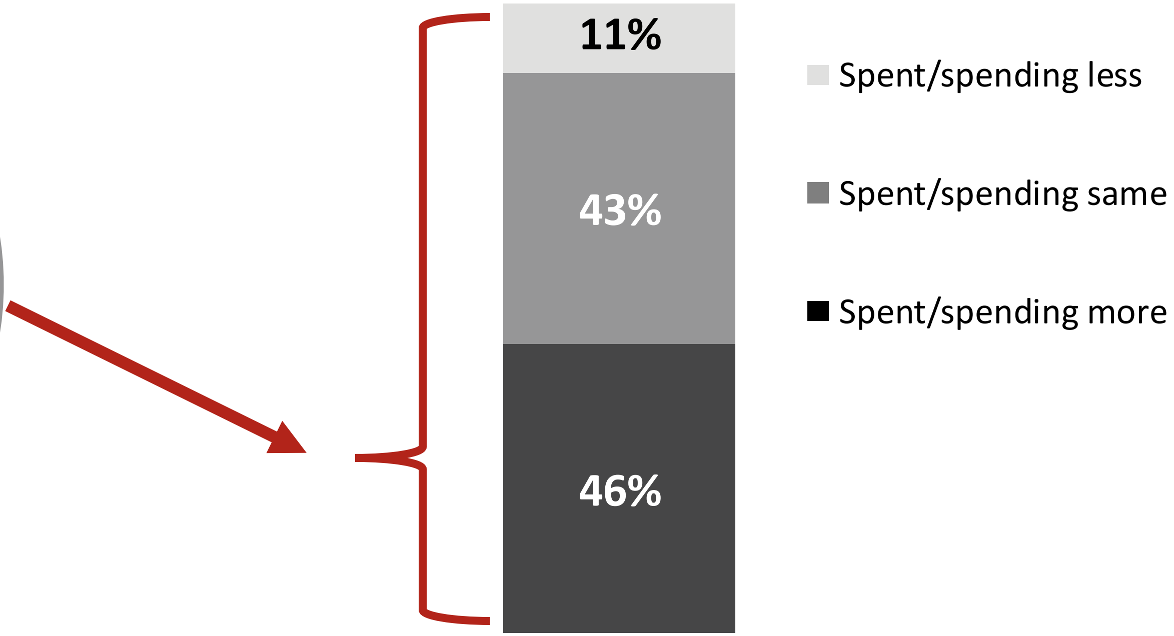
Base: Total, n=330
Is there a percentage of the budget earmarked for buying emerging media?

Brick & Mortar = BUY MORE MEDIA

% of Direct Brands that expanded brick & mortar retail this year



Spending among those with retail expansion



*Significant B&M changes include:
- Opened first brick-and-mortar location
- Expanded the number of brick-and-mortar locations

Base: Total, n=330; Among Spending More Retail Strategy, n=84
How, if at all, did the changes you made to your retail strategy affect your Paid Media spending?

Direct Brands: Measurement

Disruptors may look sophisticated…

~70% of Direct Brands invested in brining analytics expertise in-house

69%

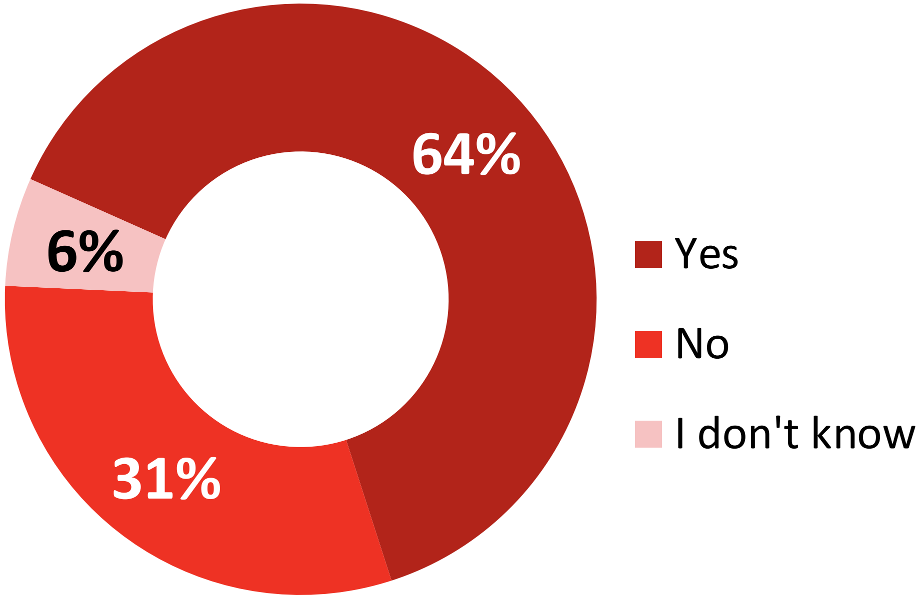
31%

Base: Total, n=330

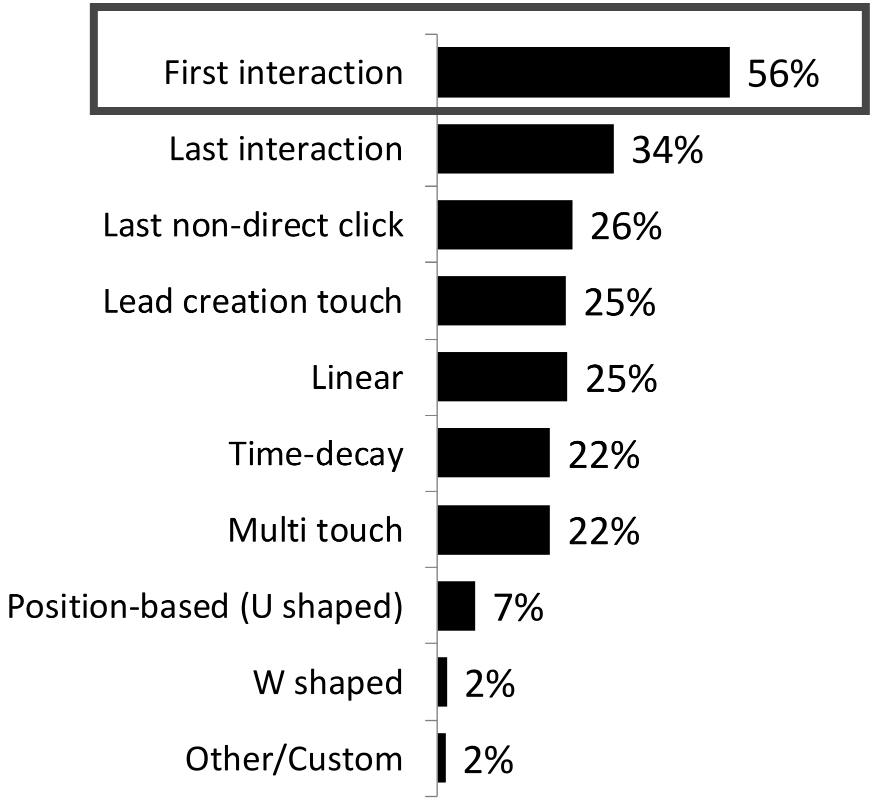
Do you have an in-house analytics person/team?

…But attribution modeling is still largely rudimentary

% of Direct Brands Using Attribution Models

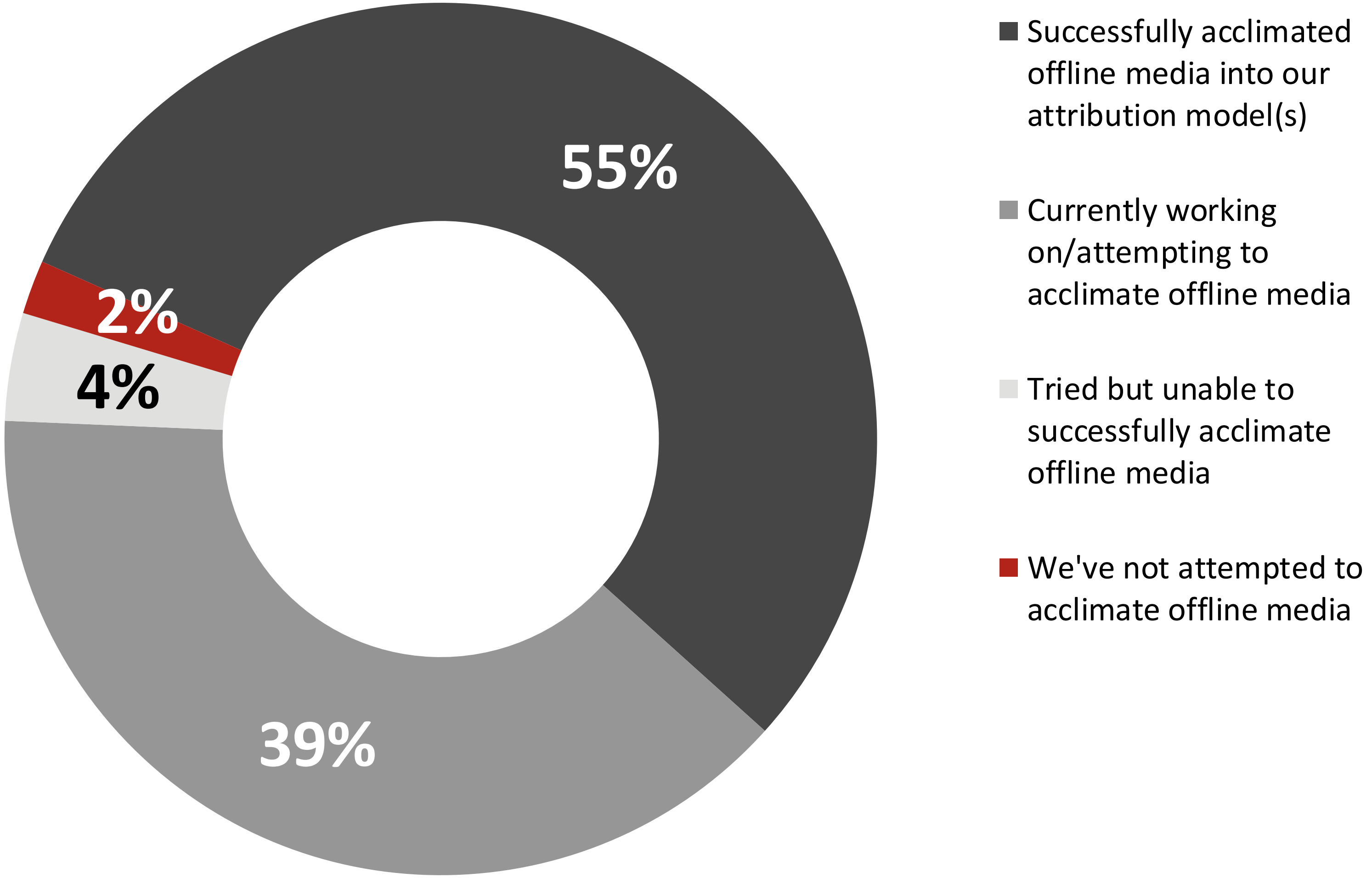


% of Direct Brands: Attribution Models by Type



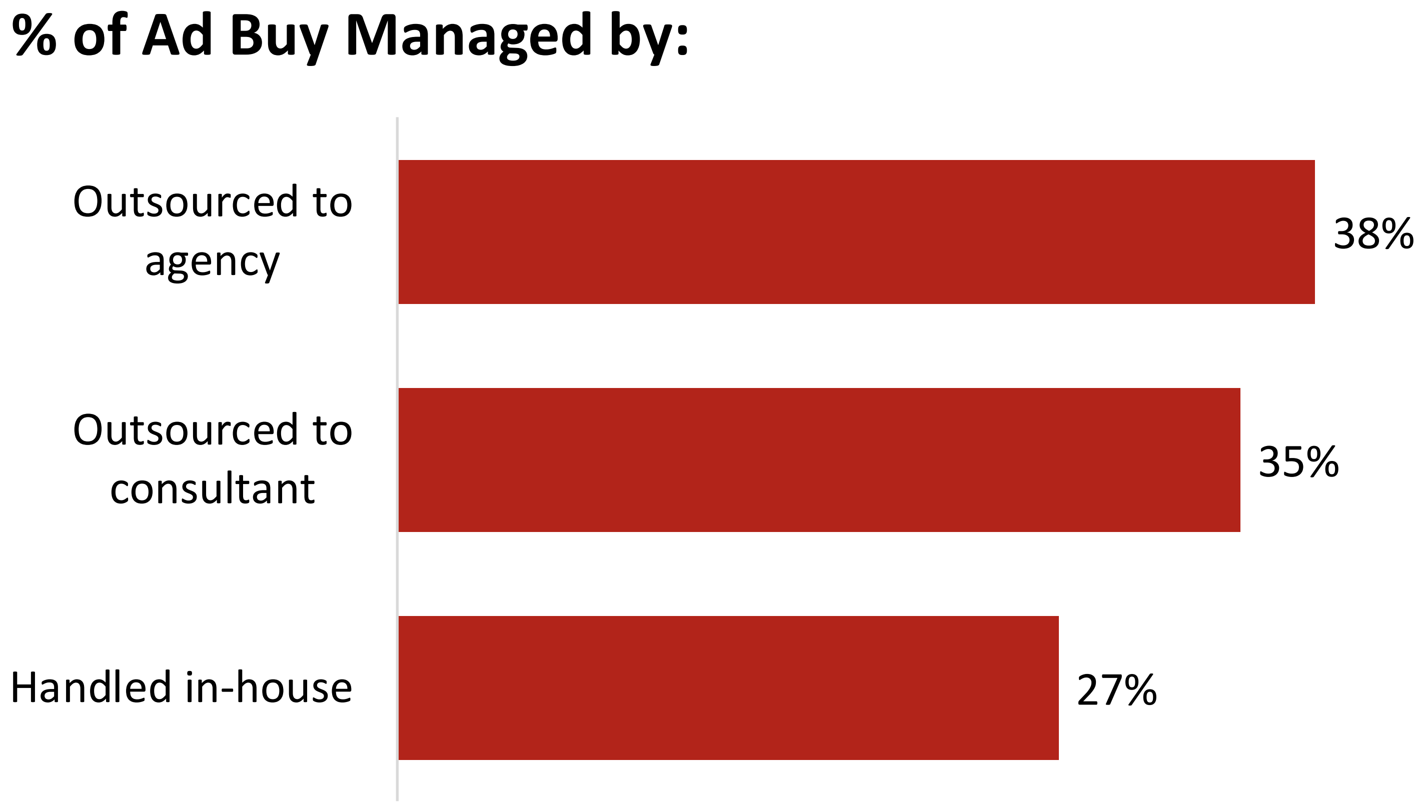
Base: Total, n=330
Are you currently using media attribution models to determine media value?
Please share the type of attribution model(s) you are using.

55% of Direct Brands have included offline media in their attribution model



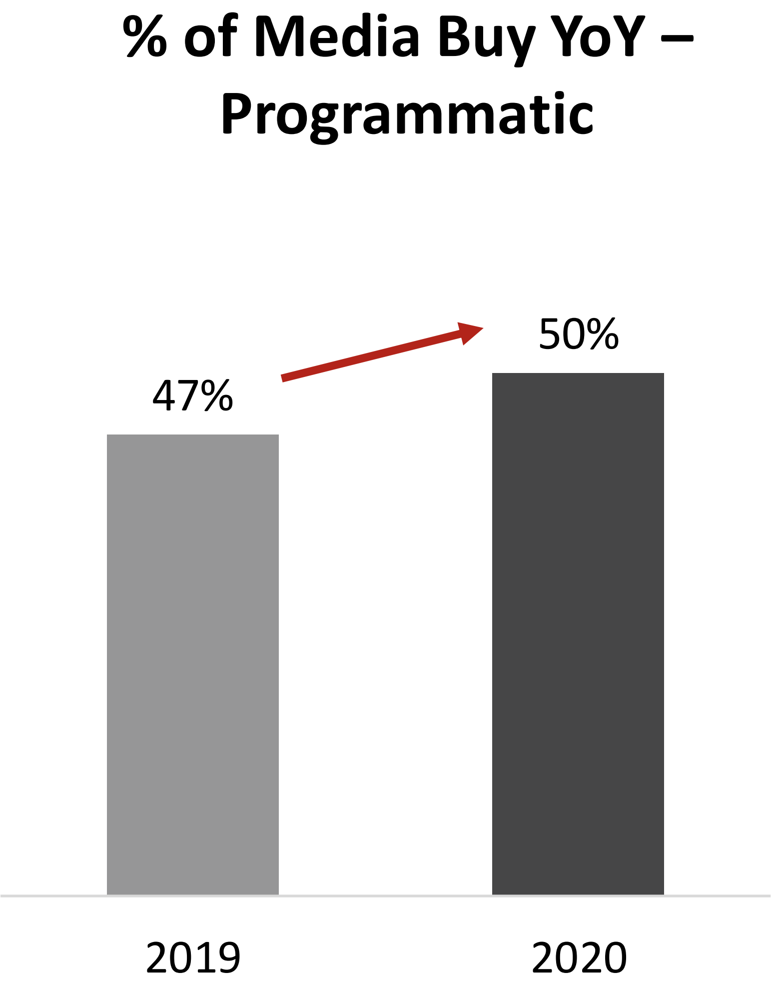
Base: Use media attribution models, n=210
Have you included OFFLINE media into your attribution model(s)?

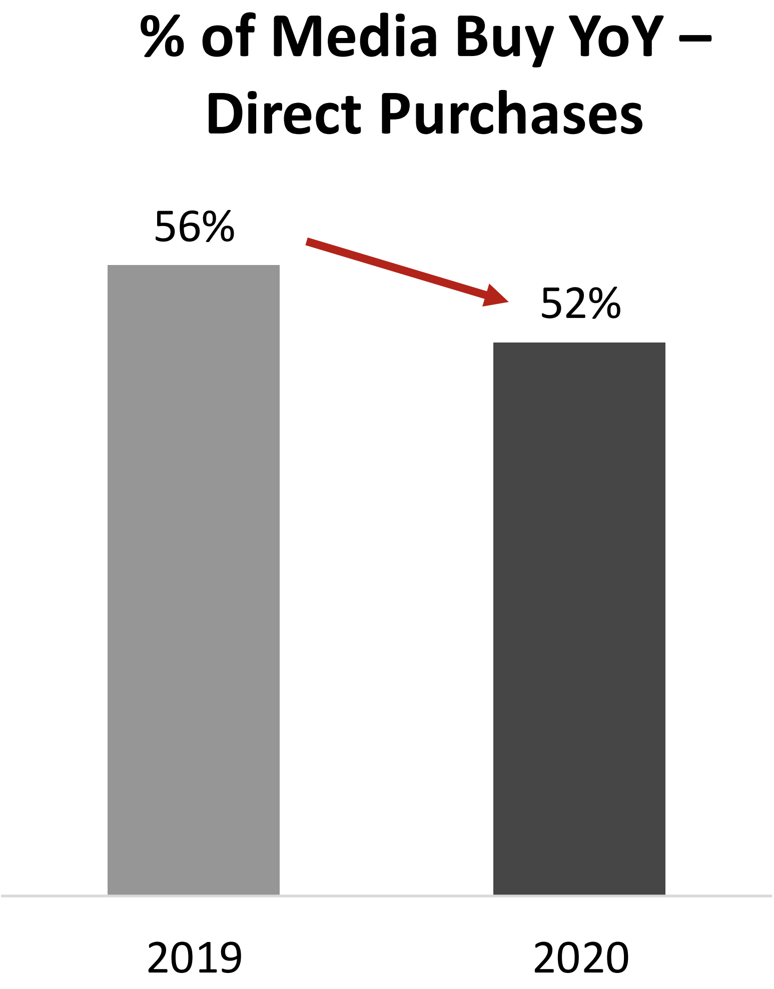
Ad buys are predominantly outsourced to third parties



Base: Total, n=330
Please share the percentage of your advertising buy that is managed by the following methods.

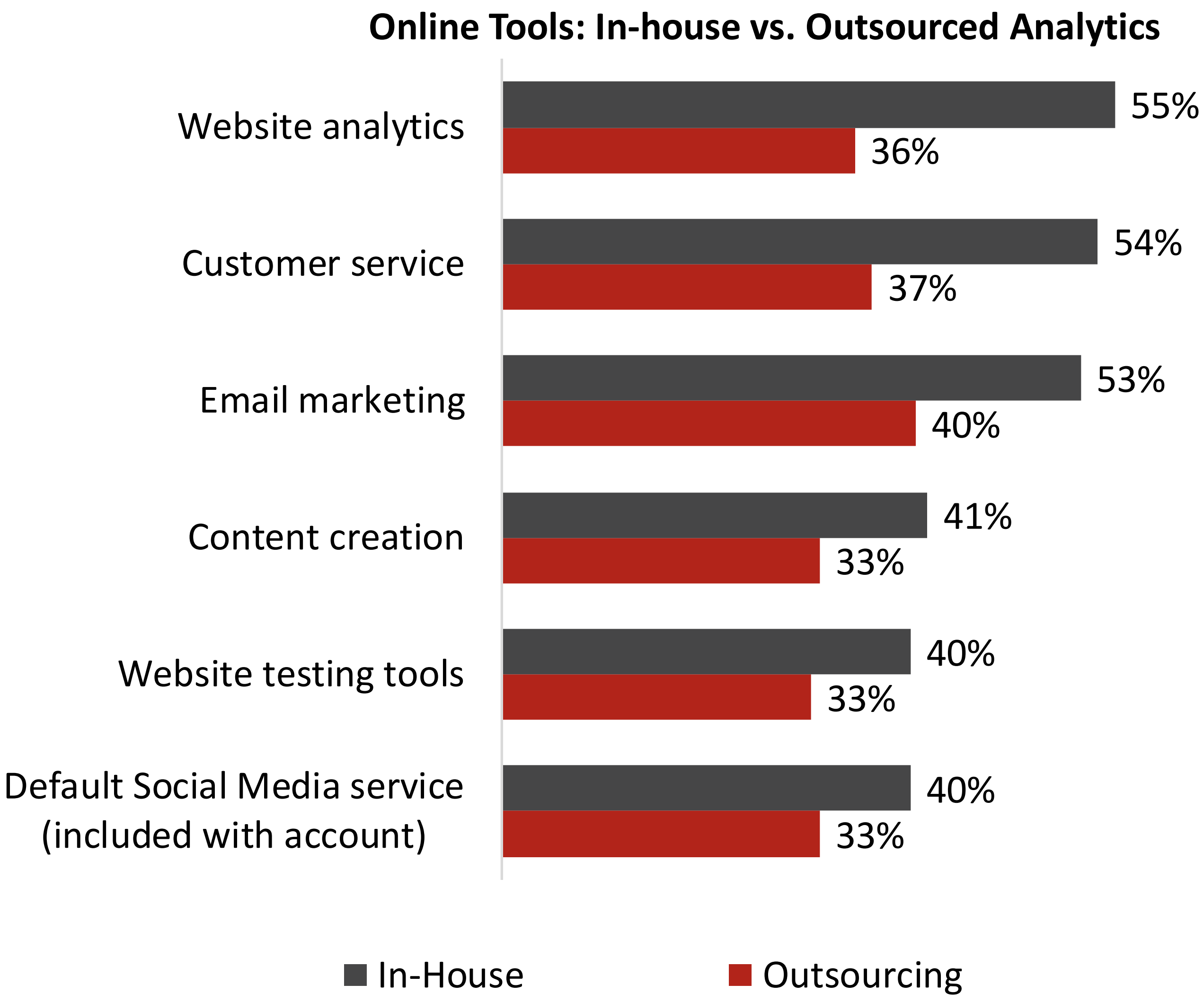
47% (and growing) of buys are Programmatic vs. Direct





Base: Total, n=330
What percentage of your total annual ad buy is programmatic vs. purchased directly with a publisher/platform?
How do you expect that to shift in the next two years? Please estimate the percentage of your total annual ad buy that is programmatic vs. purchased directly with a publisher/platform for 2020/2021.

Disruptors are programmatic—by design

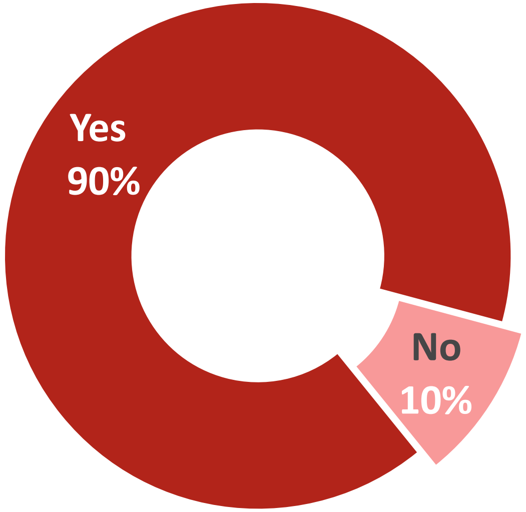


Base: In-House, n=80; Outsourcing, n=156
Which of the following tools for online marketing/advertising are you currently using or has your direct-to-consumer business used? (Currently using)

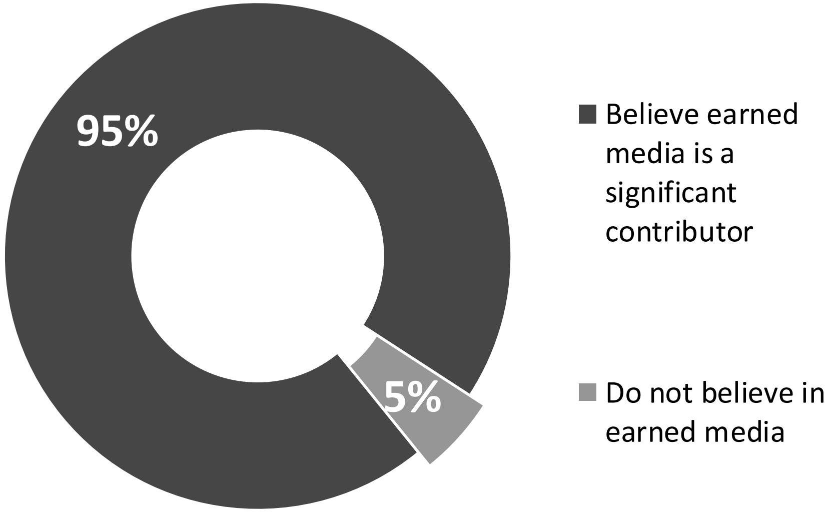
Earned / Owned Impact on Paid Media

Earned media makes brand disruption possible

% Reliance on Earned Media ONLY



Belief in Earned Media

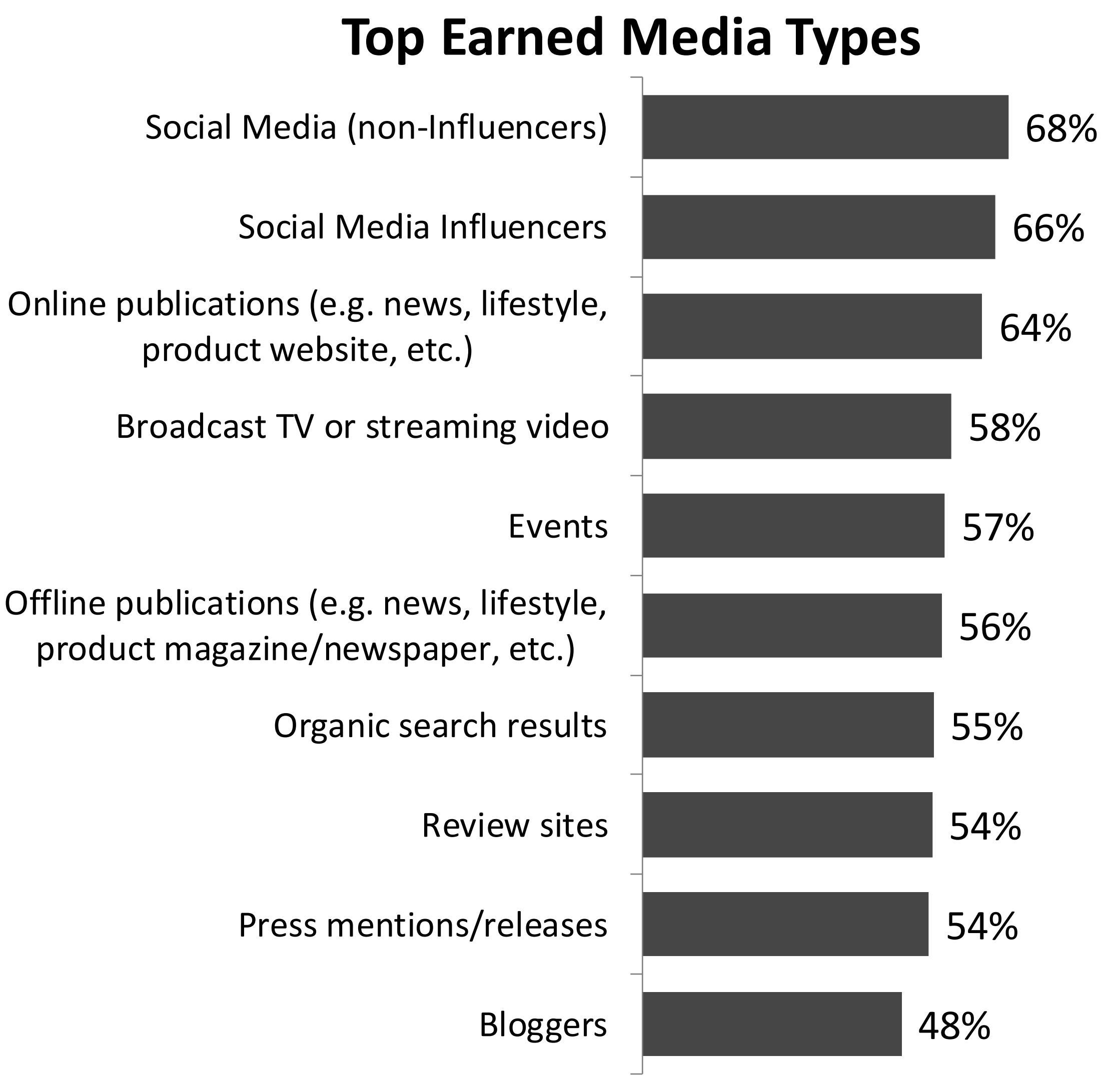


"… PR is the gift that keeps on giving: It lives on in search, it helps your SEO, it's its own strategy. I was a firm believer from launch that telling a story and building a narrative around a brand was invaluable from a marketing perspective."

Ariel Kaye
Founder, Parachute

Base: Total, n=330
Please consider your Owned and Earned Media. Do you now or have you ever relied only on Earned Media (i.e. no investment in PAID advertising campaigns)?
Earned Media as significant contributor(s)?

Social platforms are touted as the greatest contributor of “earned” media



Base: Total, n=330
Which of the following types of Earned Media have you identified as significant contributor(s) to the following objectives?

Media Buys: Where Next?

Top PAID media given unlimited budget:

Base: Total, n=330
If you were given an unlimited budget…Please select the top three media platforms/channels you'd invest in that you are not currently using.

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