Disrupting Brand Preference

The impact of Direct Brands across the path to purchase

July 2019

Strategic Partners:

Google PEBBLEPOST® Spotify®

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CASSANDRA

Acknowledgments

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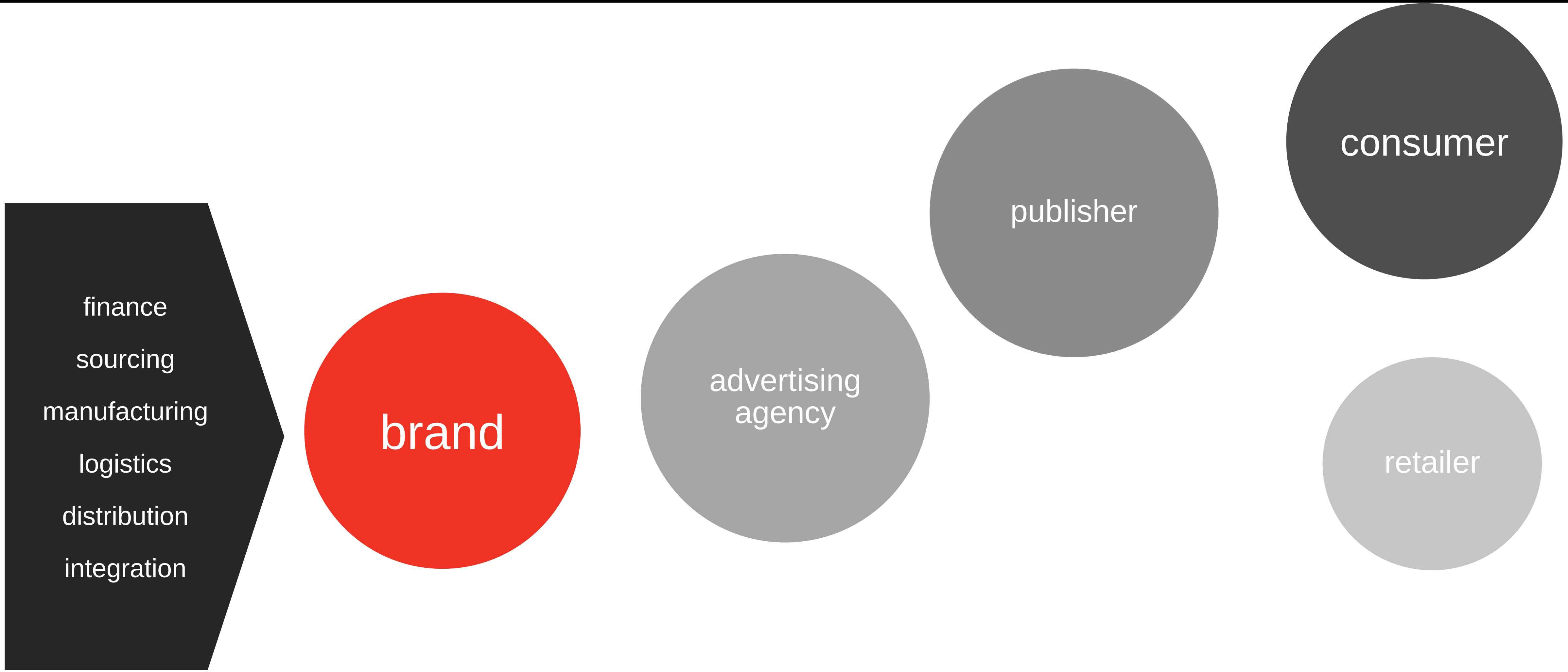
Strategic Partners:

Commissioned Partner:

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

Indirect brand economy, 1879 – 2010: Stable supply chains…



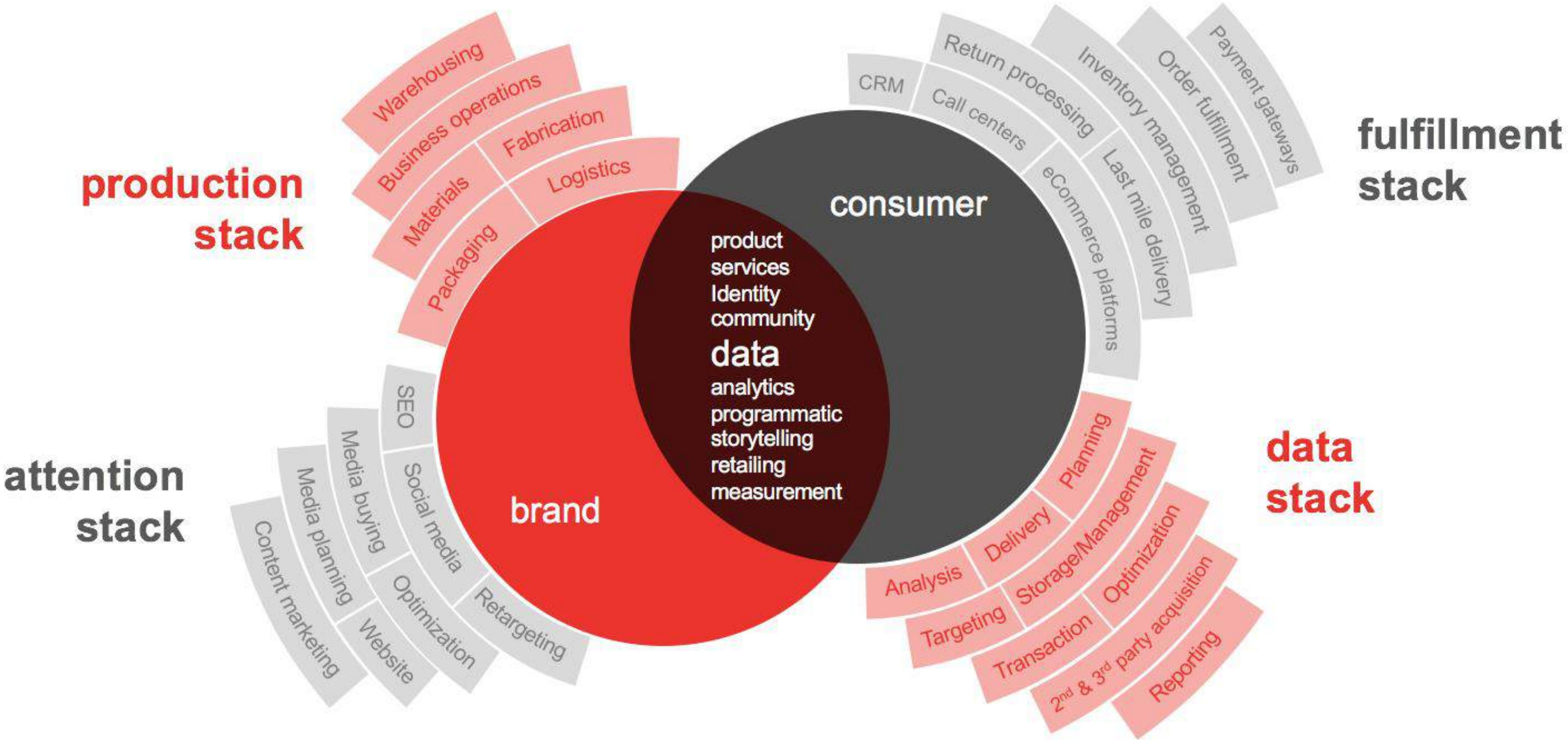
. . . Meant stable positions for brands across most consumer markets

First mover advantage?

Brand	'23	'83	Brand	'23	'83
Swift's Premium Bacon	1	1	Sherwin-Williams Paint	1	1
Kellogg's Corn Flakes	1	3	Hammermill Paper	1	1
Eastman Kodak Cameras	1	1	Prince Albert Pipe Tobacco	1	1
Del Monte Canned Fruit	1	1	Gilette Razors	1	1
Hershey's Chocolates	1	2	Singer Sewing Machines	1	1
Crisco Shortening	1	2	Manhattan Shirts	1	5
Carnation Canned Milk	1	1	Coca-Cola Soft Drinks	1	1
Wrigley Chewing Gum	1	1	Campbell's Soup	1	1
Nabisco Biscuits	1	1	Ivory Soap	1	1
Eveready Batteries	1	1	Lipton Tea	1	1
Golden Medal Flour	1	1	Goodyear Tires	1	1
LifeSavers Mint Candies	1	1	Palmolive Soap	1	2
Colgate Toothpaste	1	2			

Source: (1983), "Study: Majority of 25 Leaders in 1923 Still on Top," Advertising Age, P.32.

Direct Brand economy, 2010 + : Open supply chains and Direct Brand-consumer relationships



We define and differentiate them as Indirect and Direct Brands

Indirect Brand Economy, 1879 - 2010

"Indirect Brands" are characterized by value-creation based on dominating O&O, high-barrier, capital-intensive supply chains with value extraction accomplished through a series of third-party handoffs (brand to publisher to retailer).

Direct Brand Economy, 2010 -

Direct Brands create value through low-barrier, capital-flexible, leased or rented supply chains, with value extraction accomplished primarily through the direct relationships between the company and its end consumers.

They are hatching a proliferation of new brands with new attributes …cultivating new consumer preferences

iab. 250 DIRECT BRANDS TO WATCH

APPAREL & FASHION

ADAY, ADORE ME, allbirds, AMERICAN GIANT, AURATE, AYR, BAUBAX, Betabrand, BOMBAS, BOMBFELL, BOON+GABLE, BOW & DRAPE, BUCK MASON, bucketfeet, CAIRN, CARBON38, chubbies, COMBATANT GENTLEMEN, cotopaxi, CUYANA, DSTLD, DAGNE DOVER, Dia & Co, DOLLS KILL, DRAPER JAMES, Ellie, EVERLANE, fabfitfun, fabkids, FAME & PARTNERS, FIVE 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, Reformation, RENT THE RUNWAY, ROCKETS OF AWESOME, ROTHY'S, schoola, Shinesty, SOCK101, SOLE/SOCIETY, STANCE, STITCH FIX, sweatstyle, TAFT, TAMARA MELLON, TECOVAS, The RealReal, THESIS, THIRDLOVE, THURSDAY BOOT CO., TOMBOYX, Tommy John, Tracksmith, TRND BTLR, TRUE, UNTUCKit, WANTABLE, pact, yellowberry

BABY CARE & PARENTING

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

BEAUTY

BEAUTYCOUNTER, BEAUTYLISH, BOXY CHARM, Curology, FACETORY, GLAMSQUAD, Glossier., ipsy, LOLI, MADISON REED, MEMEBOX, OARS + ALPS, PINROSE, SCENTBIRD

BEER/WINE/ALCOHOL

BREW PUBLIK, BRIGHT CELLARS, DRIZLY, Flaviar, Splash., VINEBOX, Winc

EDUCATION

CODE COMBAT, educents, littleBits, Surprise Ride, versame

FOOD/BEVERAGE/HOUSEHOLD/PET

ALOHA, BARK BOX, BEAN BOX, blissmo, Blue Apron, Boxtera, BULLETPROOF, Bulu Box, CALIFIA FARMS, CANDY CLUB, cleancult, CRAFT COFFEE, CROWD COW, DAILY HARVEST, DESERT FARMS, DIRTYLEMON, doggyloot, DOORDASH, FRESHLY, FUEGO BOX, Gobble, GREEN CHEF, HALO TOP, HEALTH-ADE KOMBUCHA, HOME CHEF, HUNGRY HARVEST, HUNGRYROOT, KETTLEBELL KITCHEN, Love with Food, MUNCHERY, NATUREBOX, NOM NOM NOW, ollie, POSTMATES, Pre, PRETTY LITTER, Revere Health, ripple, soylent, Sudden Coffee, SUN BASKET, tasteguru, THE FARMER'S DOG, THRIVE MARKET, truBRAIN, TRY THE WORLD, ub, Wag!, YUMI

HOBBIES & LIFESTYLE

AIRSIDE, ALPHA OUTPOST, AWAY, BAUBLEBAR, The Bouqs Co., DATEBOX, FANCHEST, 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, dormify, FRAMEBRIDGE, greetabl, Grove, HELIX, JOYBIRD, leesa, PARACHUTE, SNOWE, UGALLERY

PERSONAL CARE

billie, BIRCHBOX, CANDID, DOLLAR SHAVE CLUB, EARGO, GOBY, H', hims, HUBBLE, KOPARI, 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

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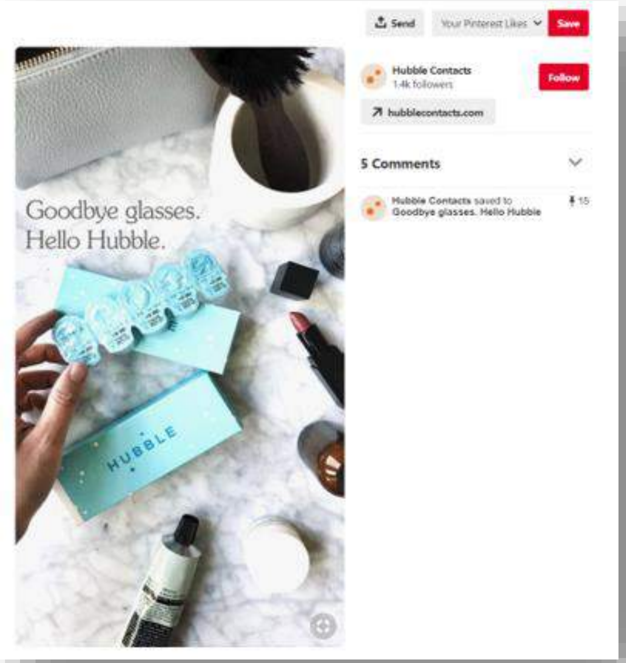
Have Disruptor Brands created a new customer journey paradigm?

- Do consumers of Disruptor Brands fundamentally differ from Incumbent Brand-only shoppers?
- What/who is driving Direct Brands throughout the purchase funnel?
- Which media brands/platforms are preferred?
- What is the motivation behind the discovery and trial of Disruptor vs Incumbent Brands?
- How do consumers define brand loyalty?
- What cultivates brand loyalty?

9 key findings for evolving brand marketing strategies



1. Direct Brand consumers represent 48% of U.S. shoppers and are younger, have higher HHIs and are consumed by the need to self express
2. Their chosen brands are not passive badges—rather, they are active mechanisms for public, cross-channel communication and self-promotion
3. They find brand value in their ability to contribute ideas and feedback to brands and their communities at scale
4. The "Facebook family" remains #1 for sharing brand attitudes—particularly by older, less prolific Incumbent shoppers
5. Disruptor Brands build consumer loyalty—as well as resulting LTV*—through cross-channel interaction
6. Search, shopping, and social media sites are approaching parity with TV for brand discovery
7. Four Influencers types; each wield power all across segments of the purchase funnel
8. 18.5% of consumers qualify as Super Influencers—a newly identified cohort who are strategic, deliberate, and prolific in their postings; 79% of all Super Influencers are Disruptor consumers
9. Disruptor consumers expect 24/7 omnichannel access

* Lifetime Value = LTV

Methodology

20-minute online survey among a nationally represented sample

Survey fielded May 2019

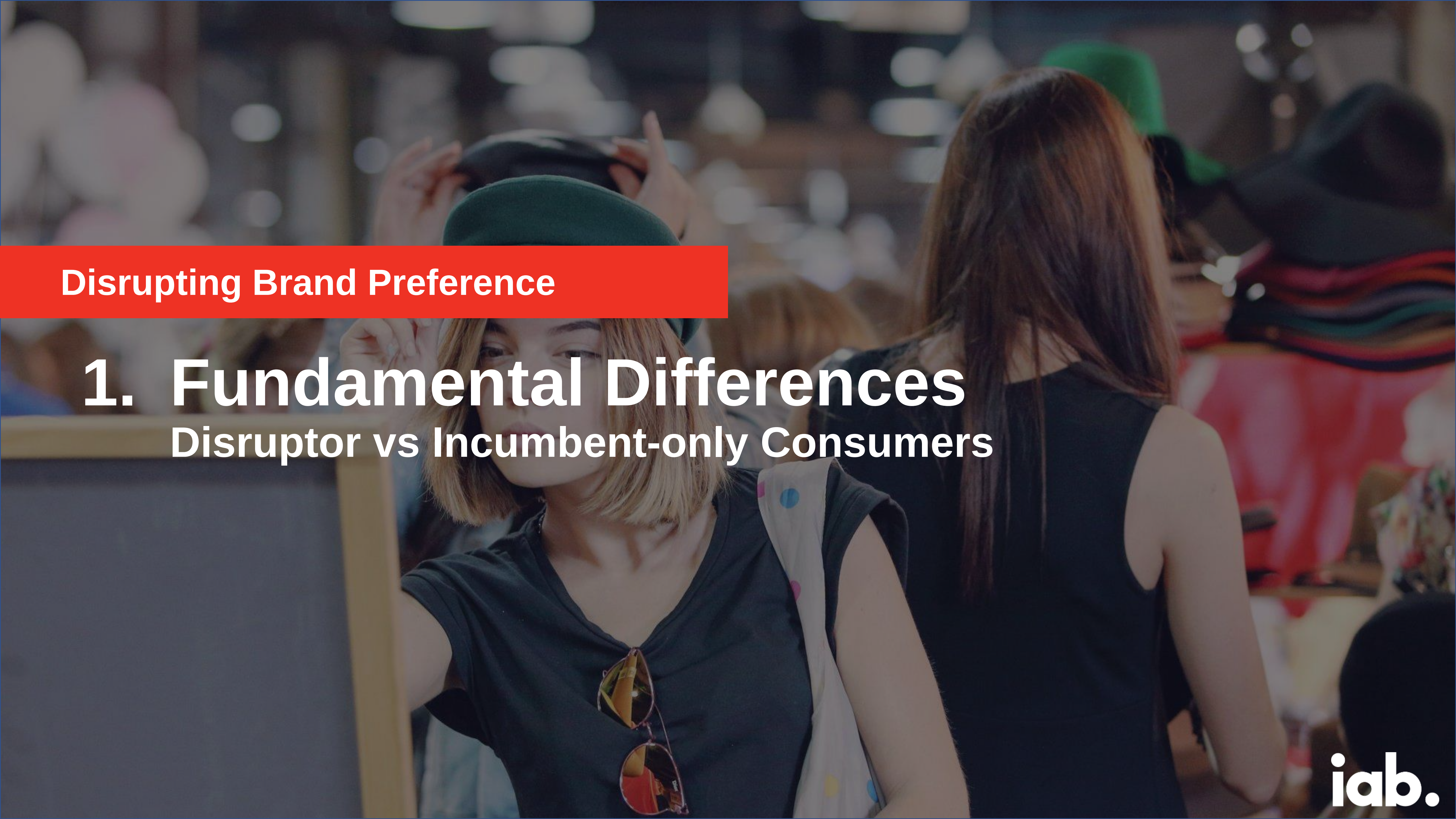
Recruitment Criteria:

3K TOTAL

- Individuals in the U.S. aged 13+
  - N = 1,000 age 13-34
  - N = 1,000 age 35-50
  - N = 1,000 age 50+
- Engagement with/awareness of Direct Brands
- Balanced for Census factors (e.g. gender, age, ethnicity, religion)

Analysis is based on Top 2 box unless otherwise noted;
Calculated at a 95% confidence level

Note: Differences of +/- 3%* or greater are statistically significant when comparing within the Direct or Incumbent brands;+/- 5%* or more is statistically significant when comparing between both groups

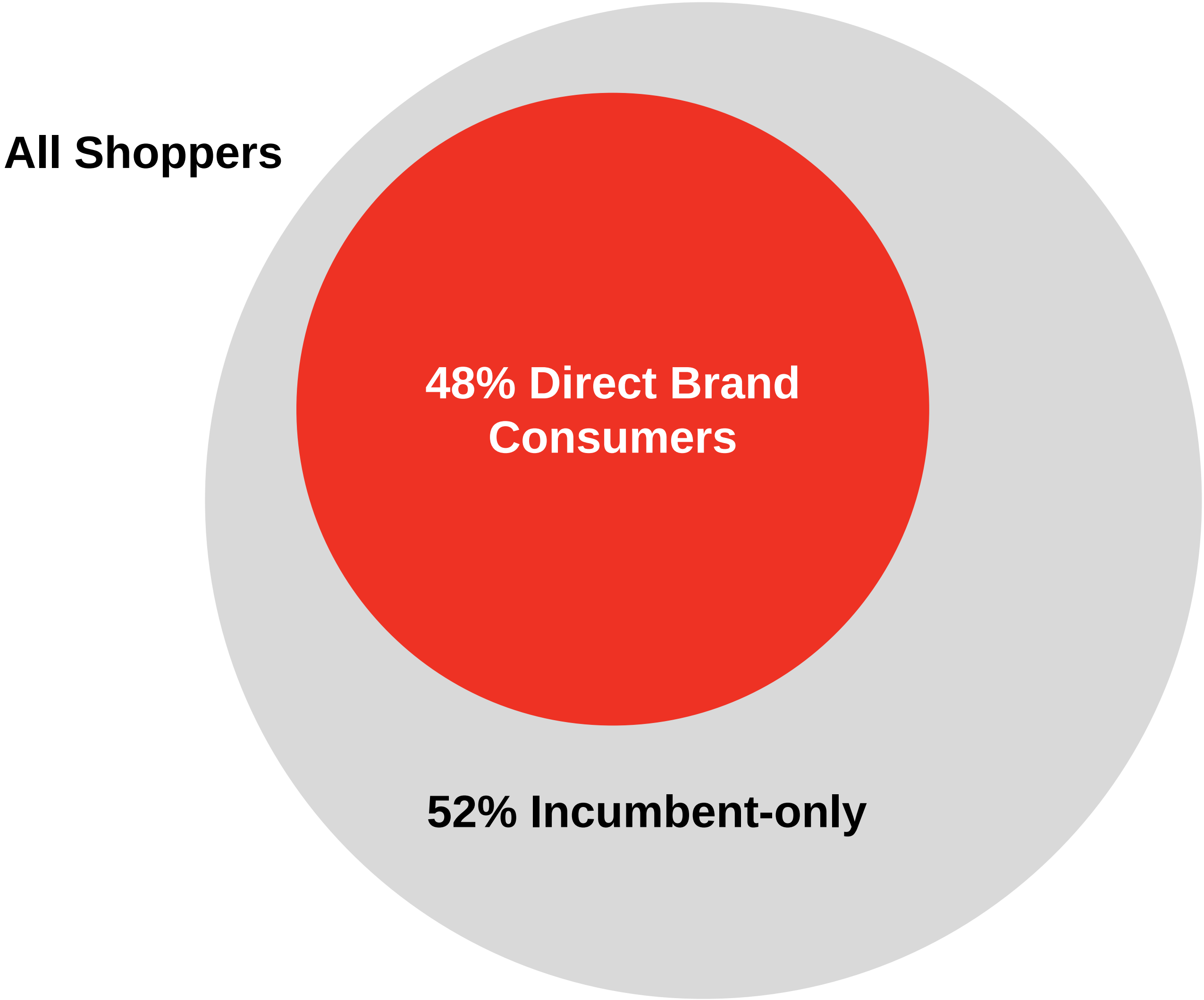


Disrupting Brand Preference

1. Fundamental Differences

Disruptor vs Incumbent-only Consumers

Nearly Half of today's consumers purchase Direct Brands



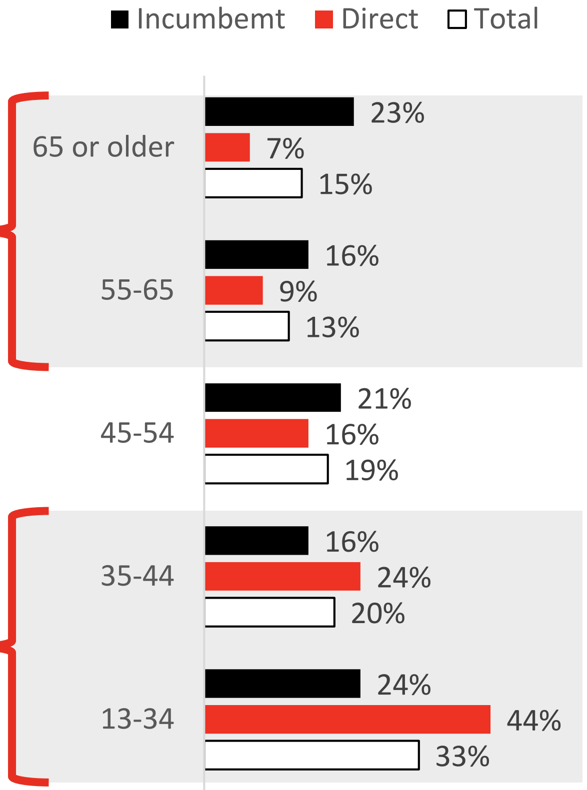
- All Direct Brand consumers also buy Incumbent brands
- 52% of Incumbent Brand-only shoppers do not buy any Direct Brands

Incumbent Brand-only shoppers: Older, Low HHI and Utilitarian

AGE

40% Incumbent Brand-only shoppers are **aging out**

68% Direct Brand consumers in **sweet spot**

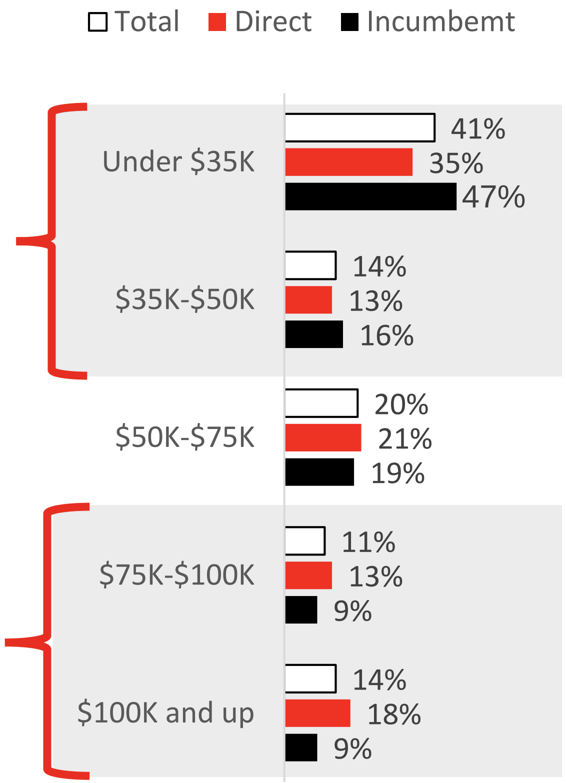


HHI

Note: US median HHI: $57,652*

63% Incumbent Brand-only shopper HHI: **under $50K**

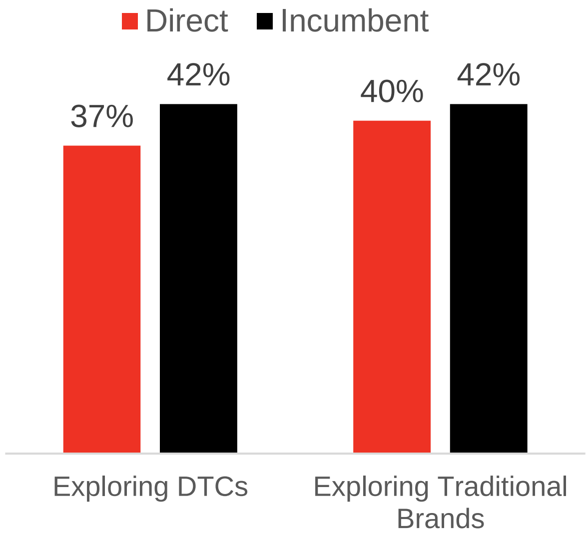
31% Direct Brand consumer HHI: **$75+K HHI**



MOTIVATION

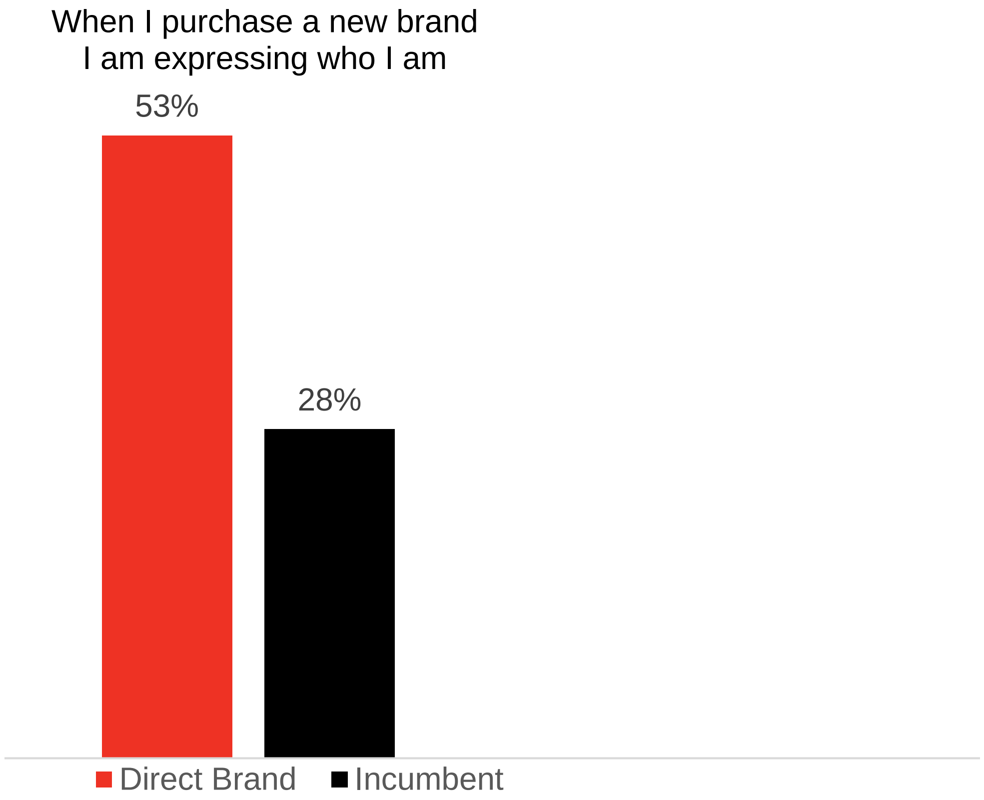
When you first hear of a brand, what makes you want to check it out further?

(Summary: "Solves a problem/serves a purpose that's new for me")



*Source: U.S. Census Bureau 2013-2017 American Community Survey

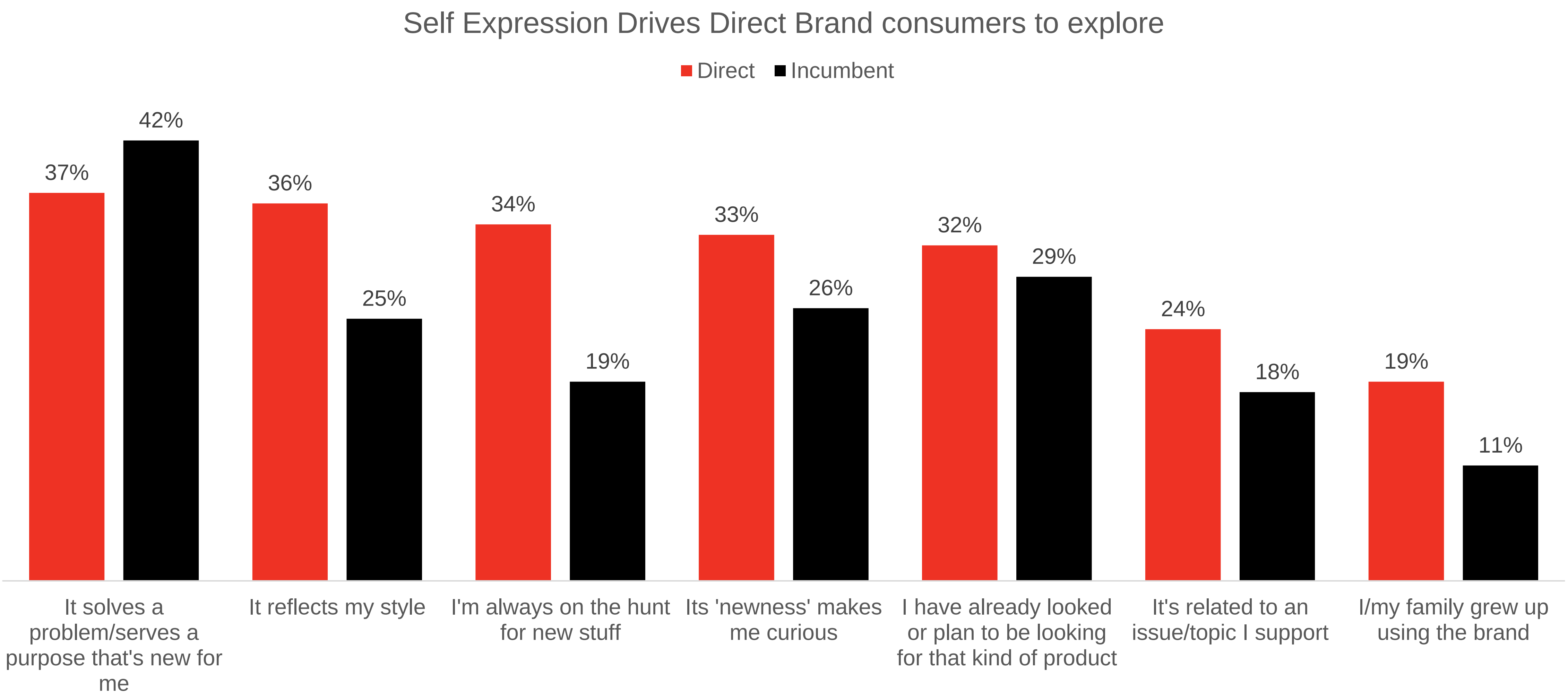
Disruptor Brand consumers represent a new cresting wave of American Shoppers



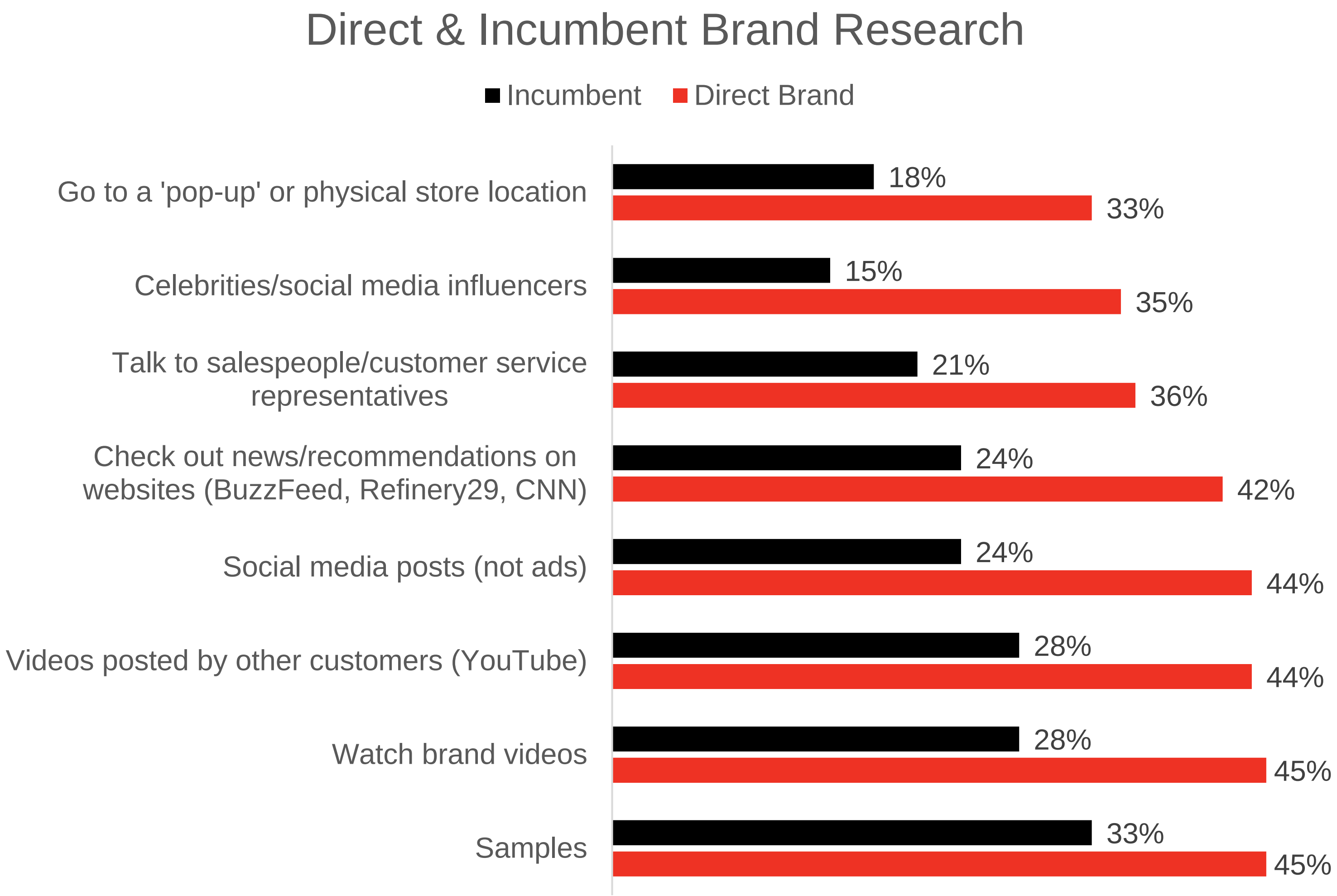
Younger + higher income + consumed with self expression:

- Nearly twice as likely to choose brands to express “who I am”
- They deliberately look for Disruptor Brands: 1 out of every 4 brand searches

The thrill of the hunt drives one third of Disruptor consumers to research a brand



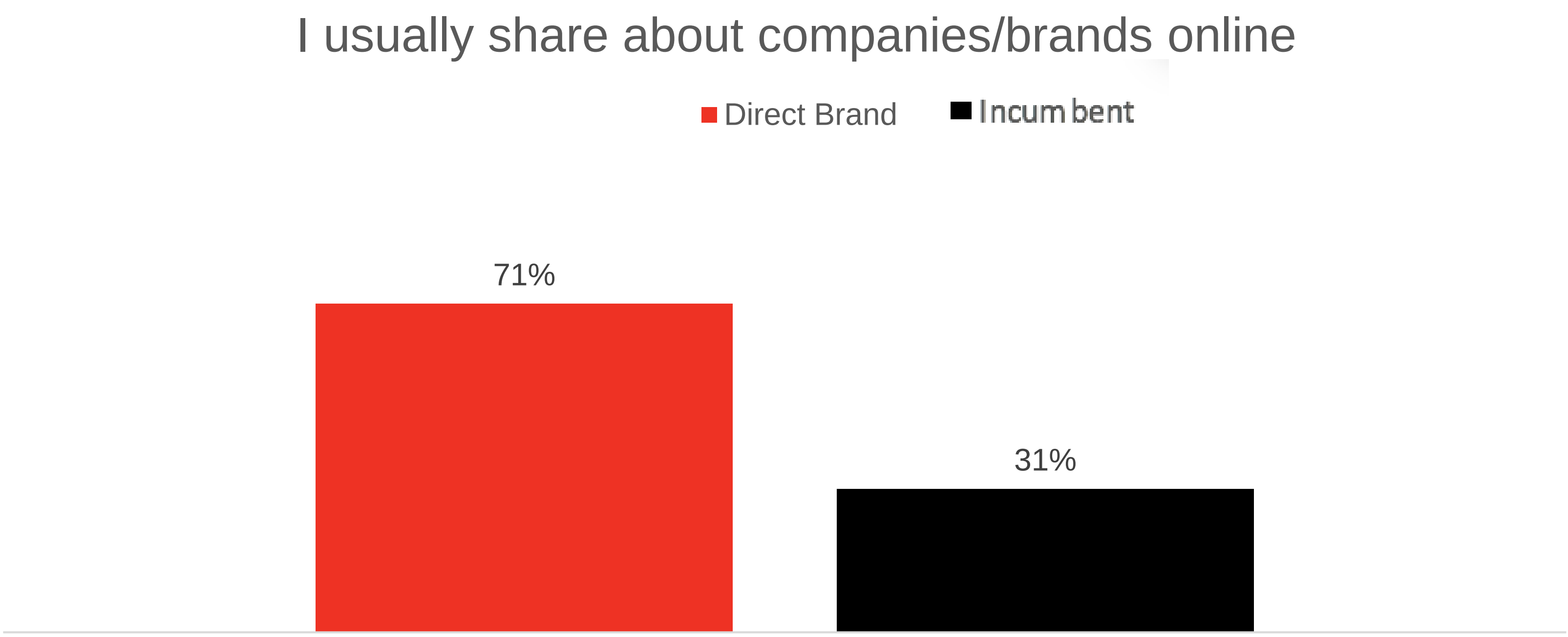
Direct Brand consumers are at least 36% more likely to research a brand pre-purchase



- 83% more likely to go to a pop-up or physical store location pre-purchase
- Nearly 2.5x more likely to consult Celebrities/Professional influencers pre-purchase
- 61% more likely to watch brand videos when researching Direct Brands
- 75% more likely to be perusing publisher sites for brand information

Disruptor Brands are the cornerstone to public, cross channel communication

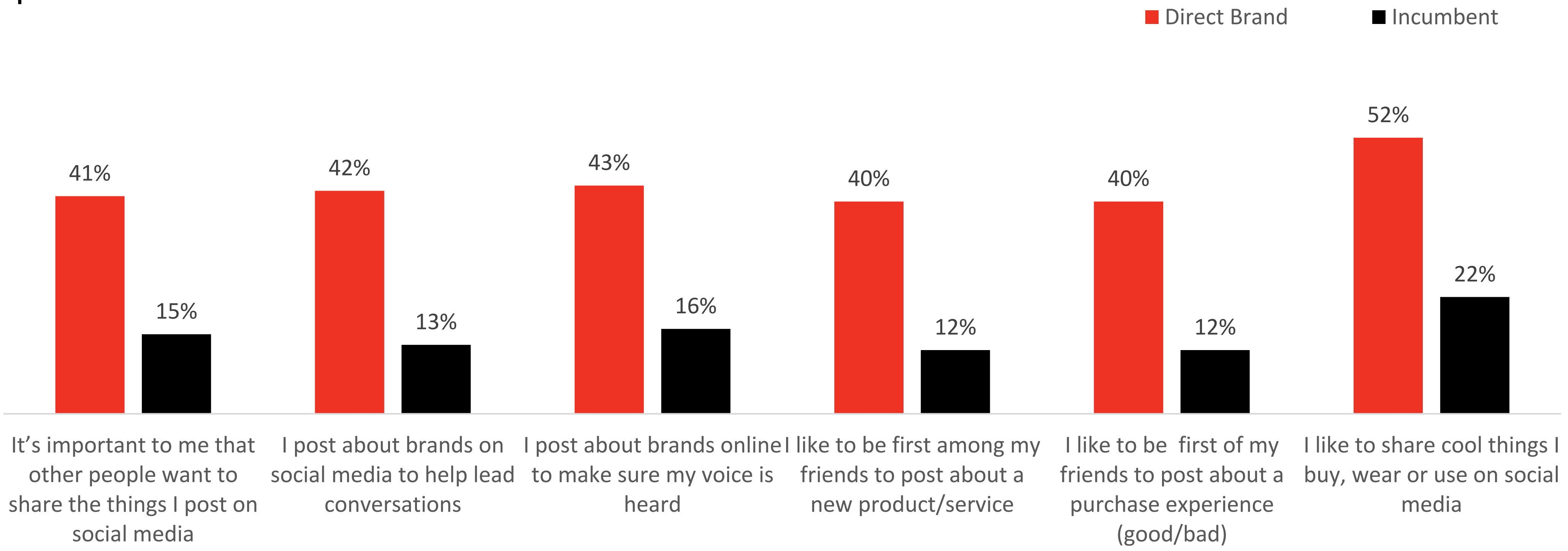
71% of Disruptor Brand consumers say they usually share online about companies/brands



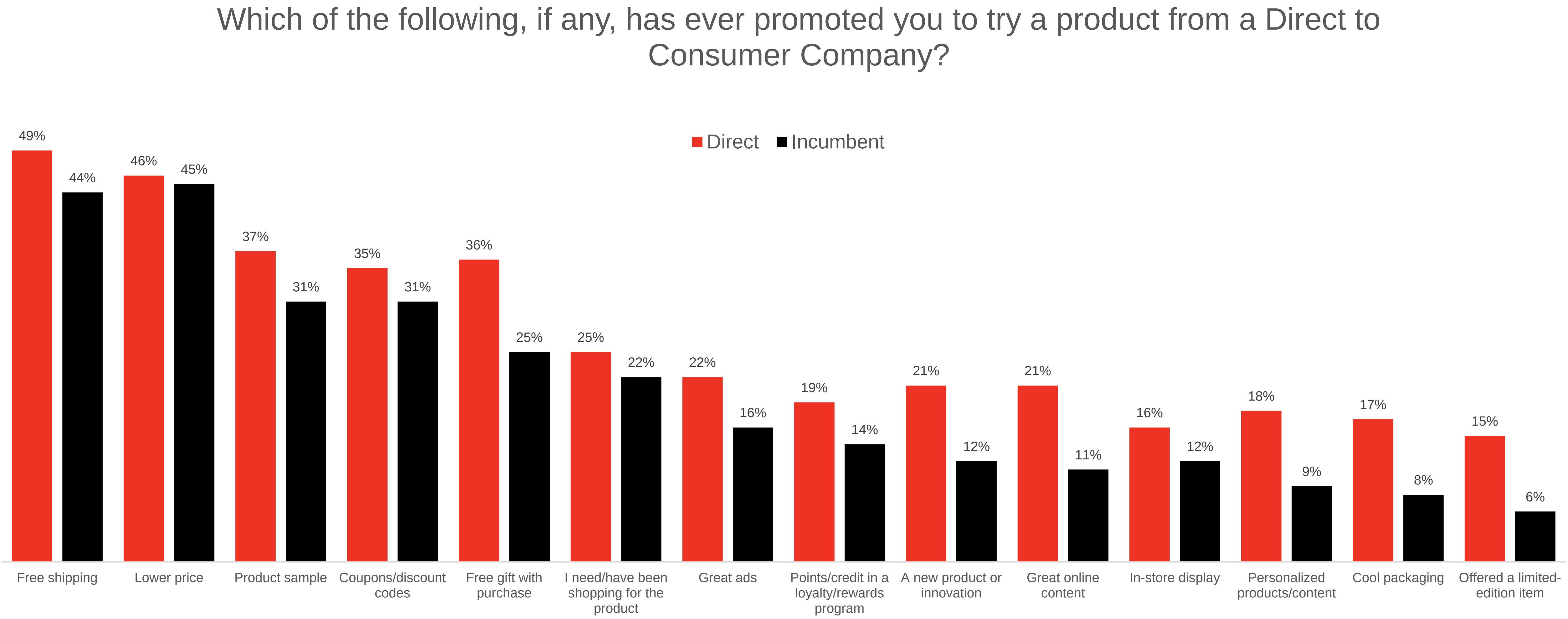
Brand value = ability to contribute opinions/suggestions to both brands and social communities

40+% of Direct Brand consumers say:

- It's important that others want to share their posts
- Their posts are meant to help them lead conversation
- They post to ensure their voice is heard



Disruptor Brand consumers are 75% more likely to try new a product/innovation



Disrupting Brand Preference

2. Engagement & Interaction

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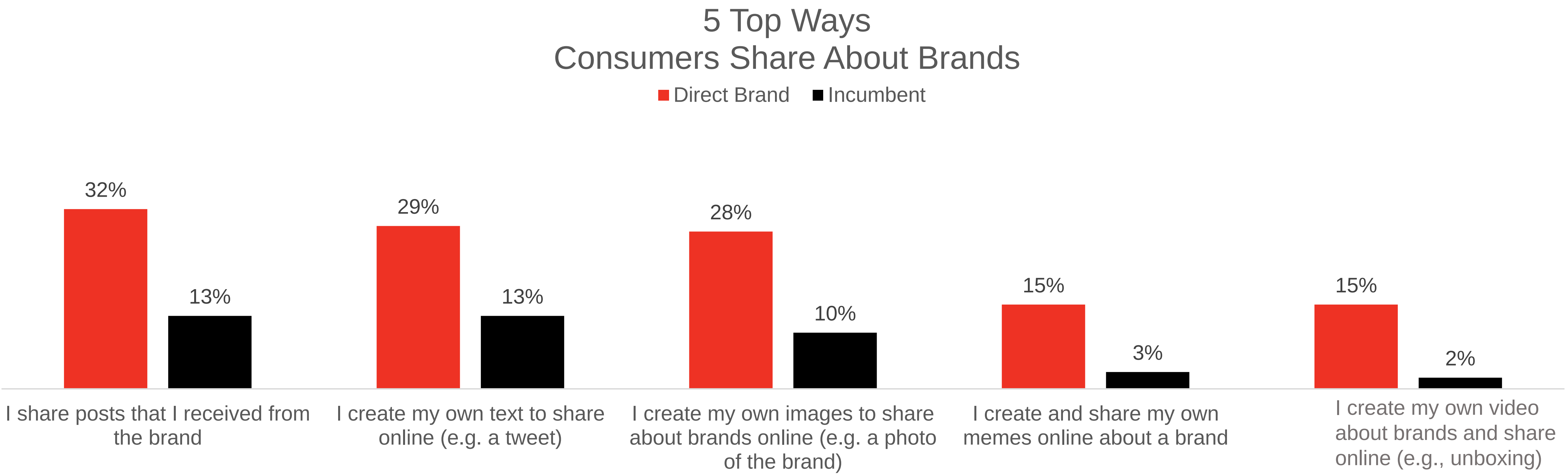
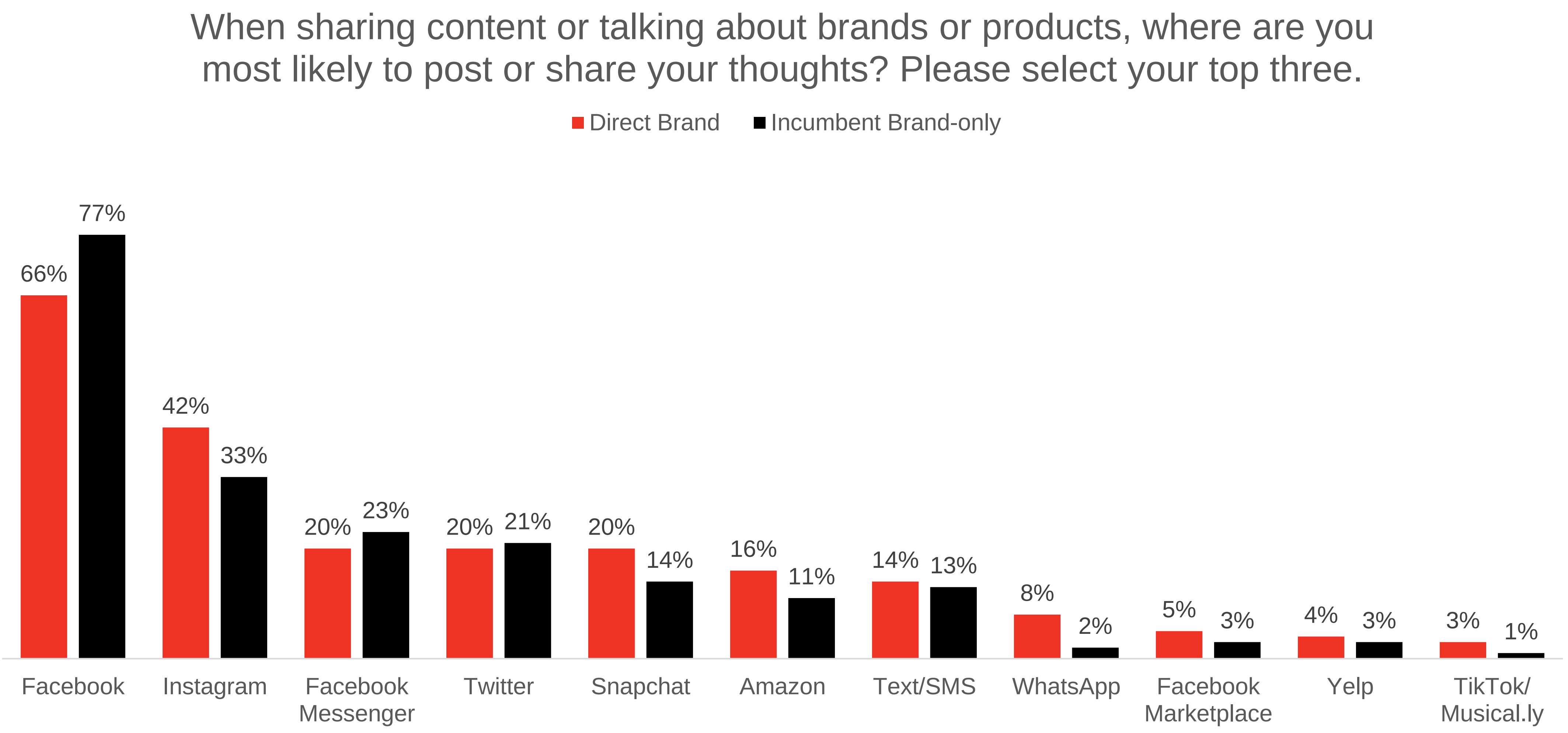
DTC consumers like sharing brand posts—perhaps the most efficient means of brand communications

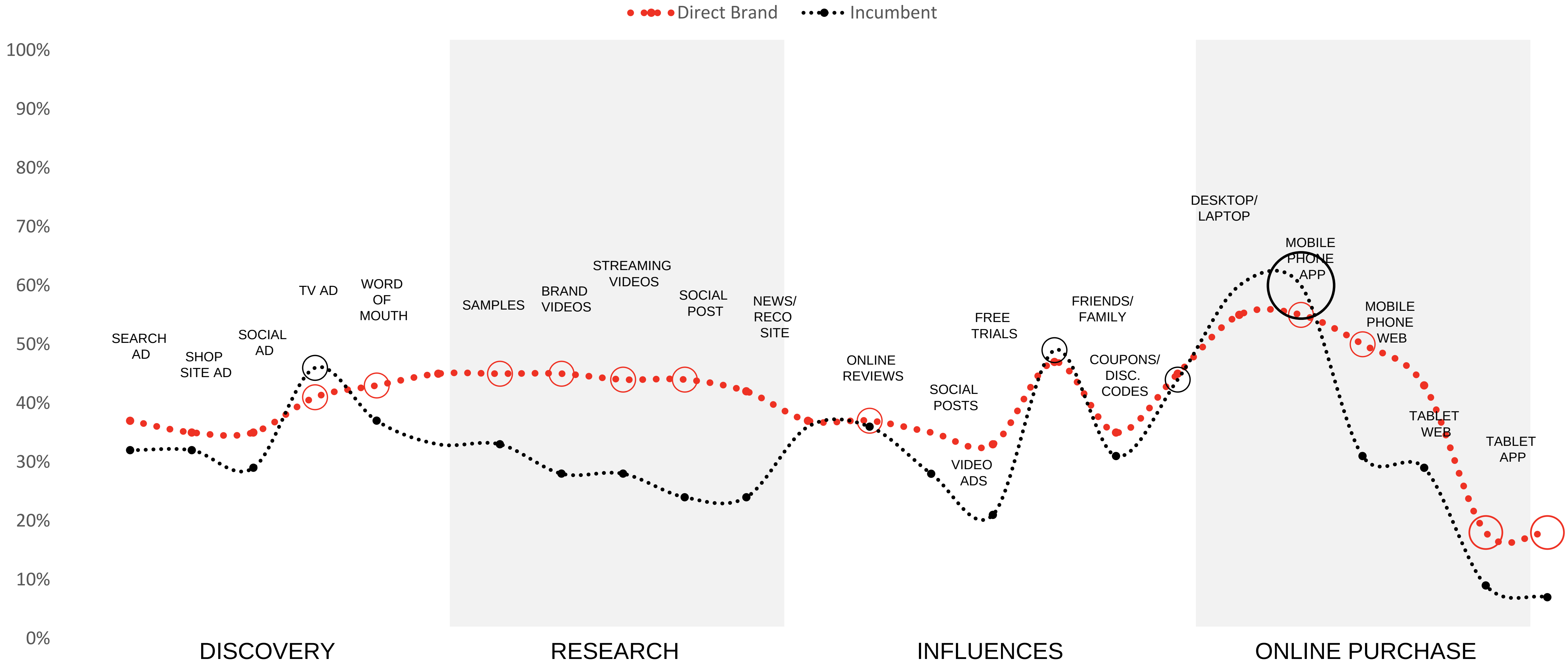
~30% re-post, create their own posts and share their own images about their brand discoveries



Facebook is preferred—but more popular among older, less prolific, Incumbent shoppers



Disruptor consumers don’t find marketing an annoyance…it’s a lifestyle



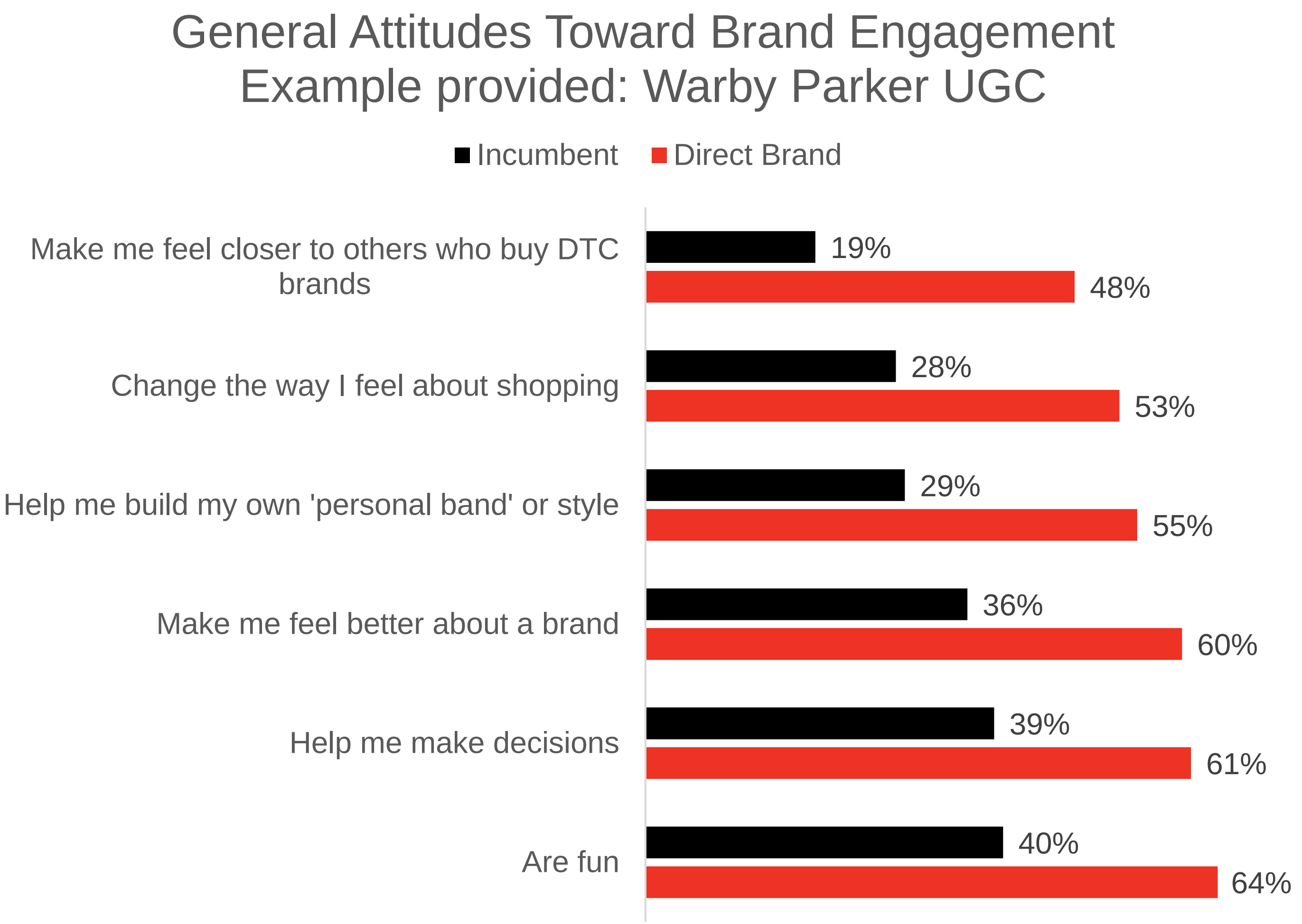
Disruptor Brands build consumer loyalty—and the resulting LTV—through cross-channel interaction

8 in 10 Direct Brand consumers say purchasing a brand is not enough to define loyalty:

Brand engagement/interaction is required

Key Actions defining Direct Brand Consumer Loyalty

Warby Parker: example of successful engagement, on- and off- line

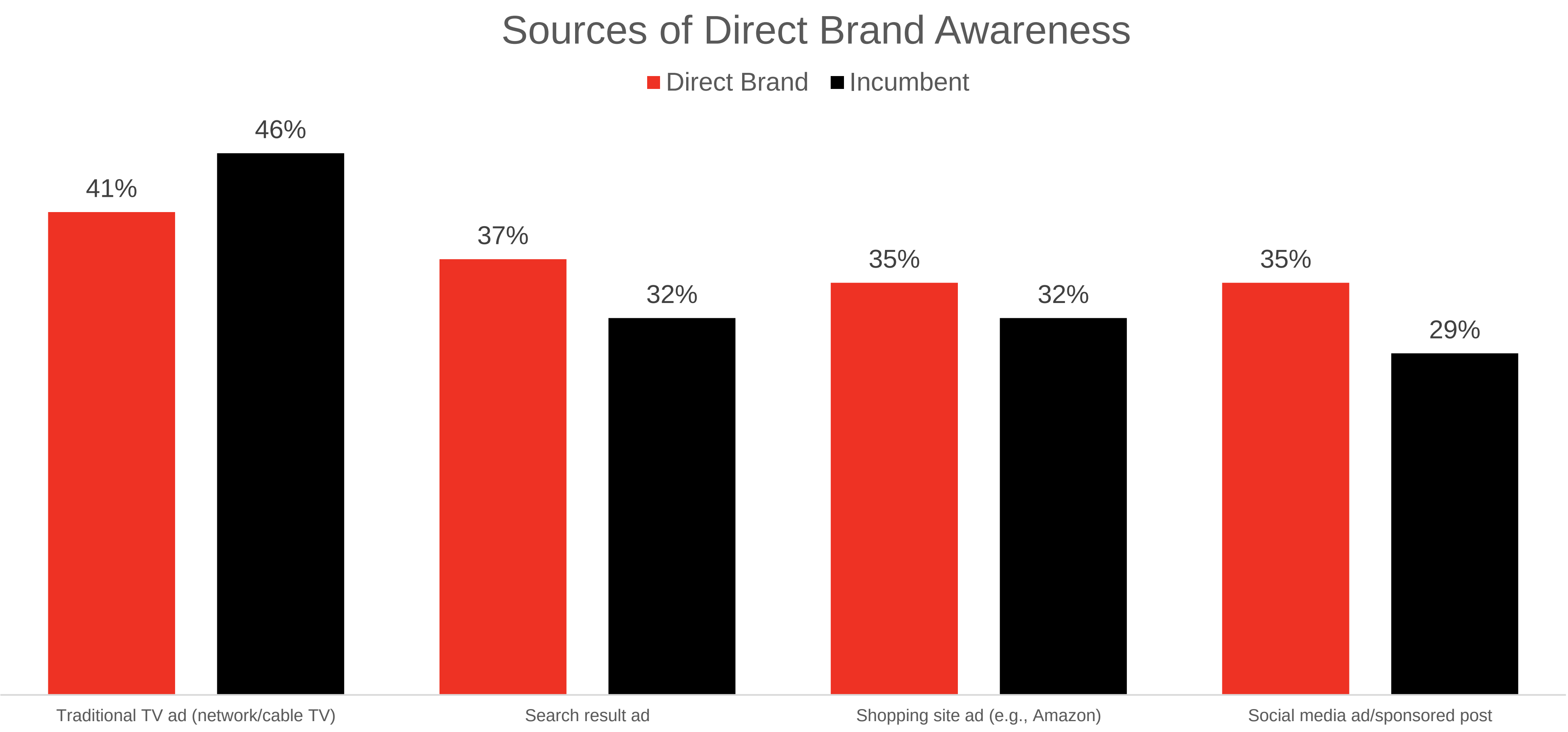


Warby Parker, a Direct Brand eyewear brand, sent select customers 3 sets of glasses and asked them to video themselves trying them on, and requested that they post the video on their social feed.

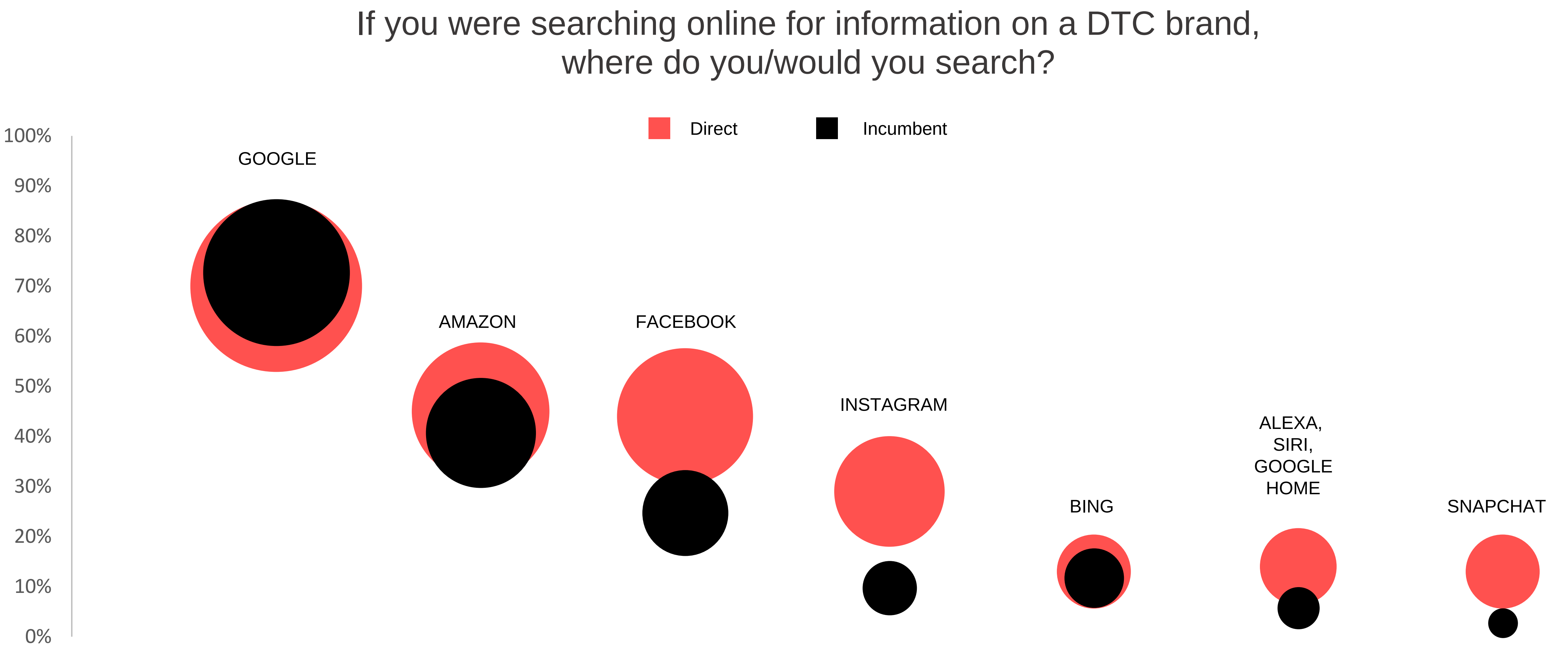
Shopping Disruption

3. Disruption in Media Choices

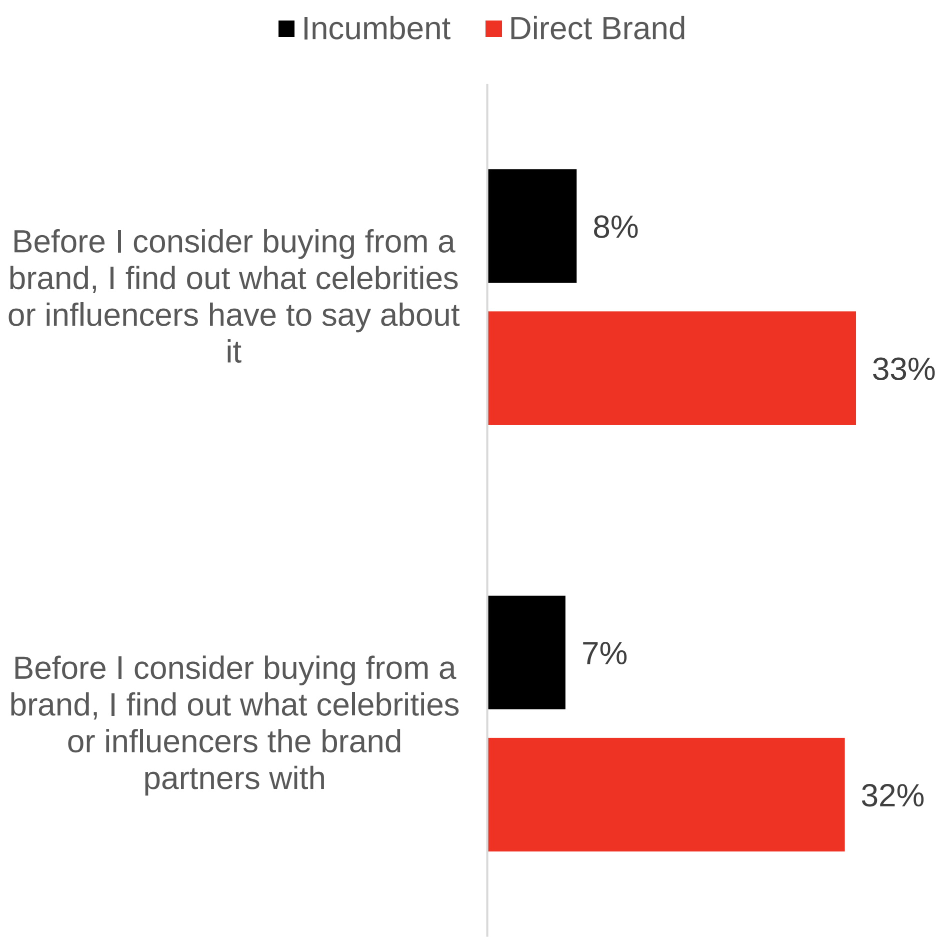
Search, shopping sites and social media are approaching parity with TV for Brand discovery

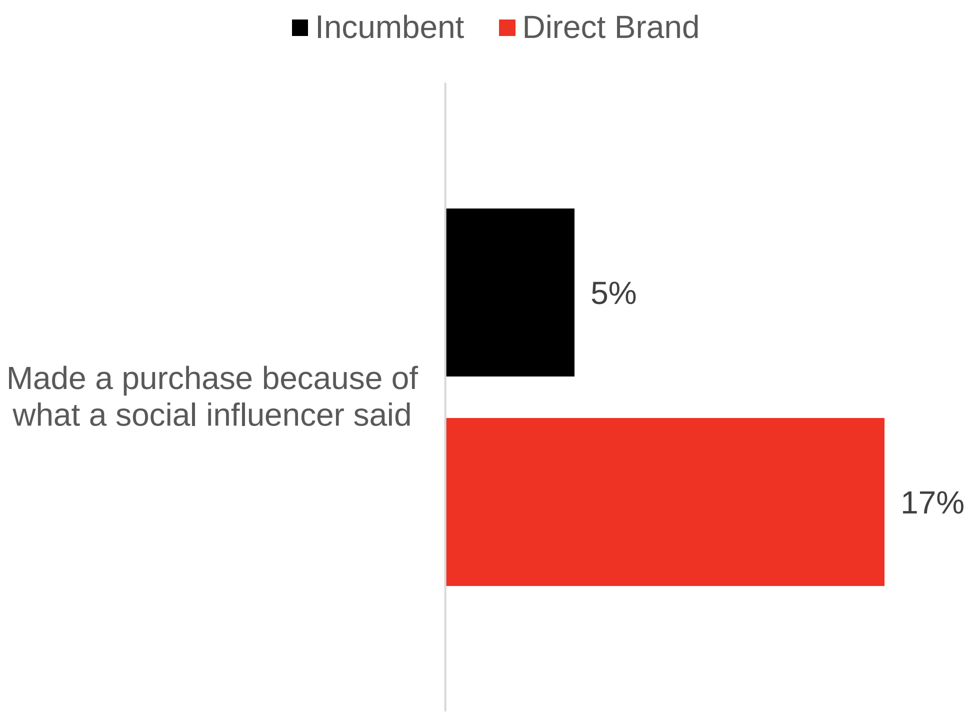


The Amazon Marketplace has emerged as a leading search platform



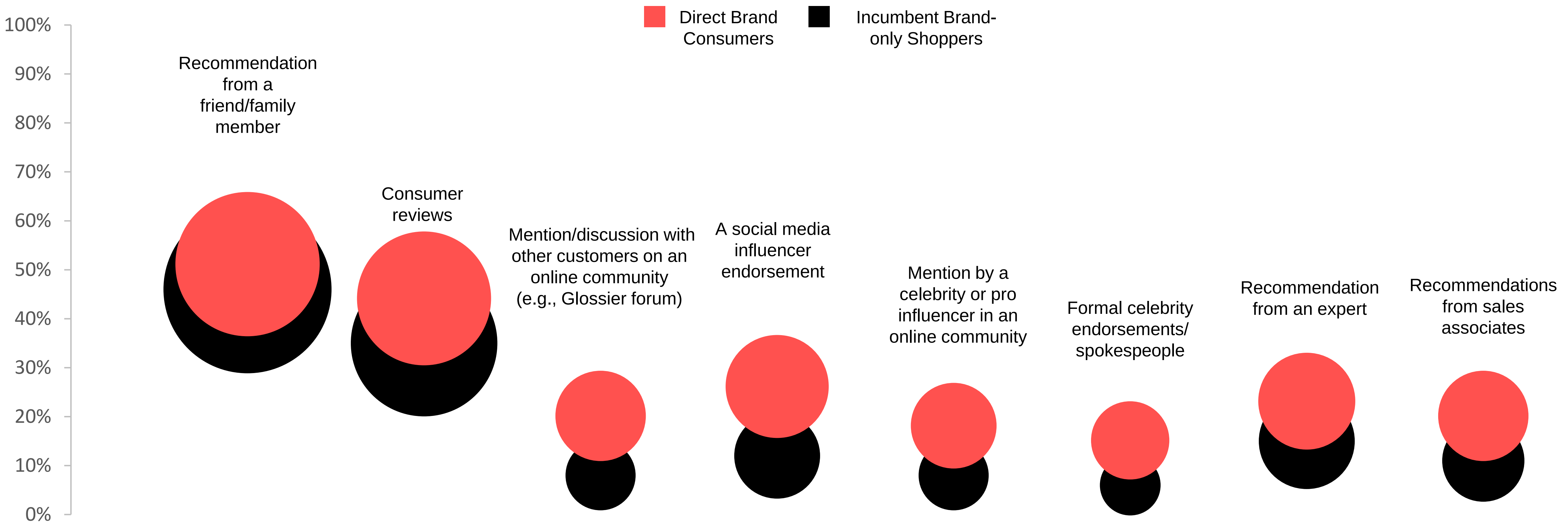
Overall, Influencers wield their greatest power over Direct Brand consumers during the exploration phase of the consumer brand journey





When prompting for trial, Influencer Endorsements ranks third as the most effective tactic

Which of the following actions by people, if any, has ever prompted you to try a product from a Direct to Consumer (DTC) company?



Disrupting Brand Preference

4. Influencers:

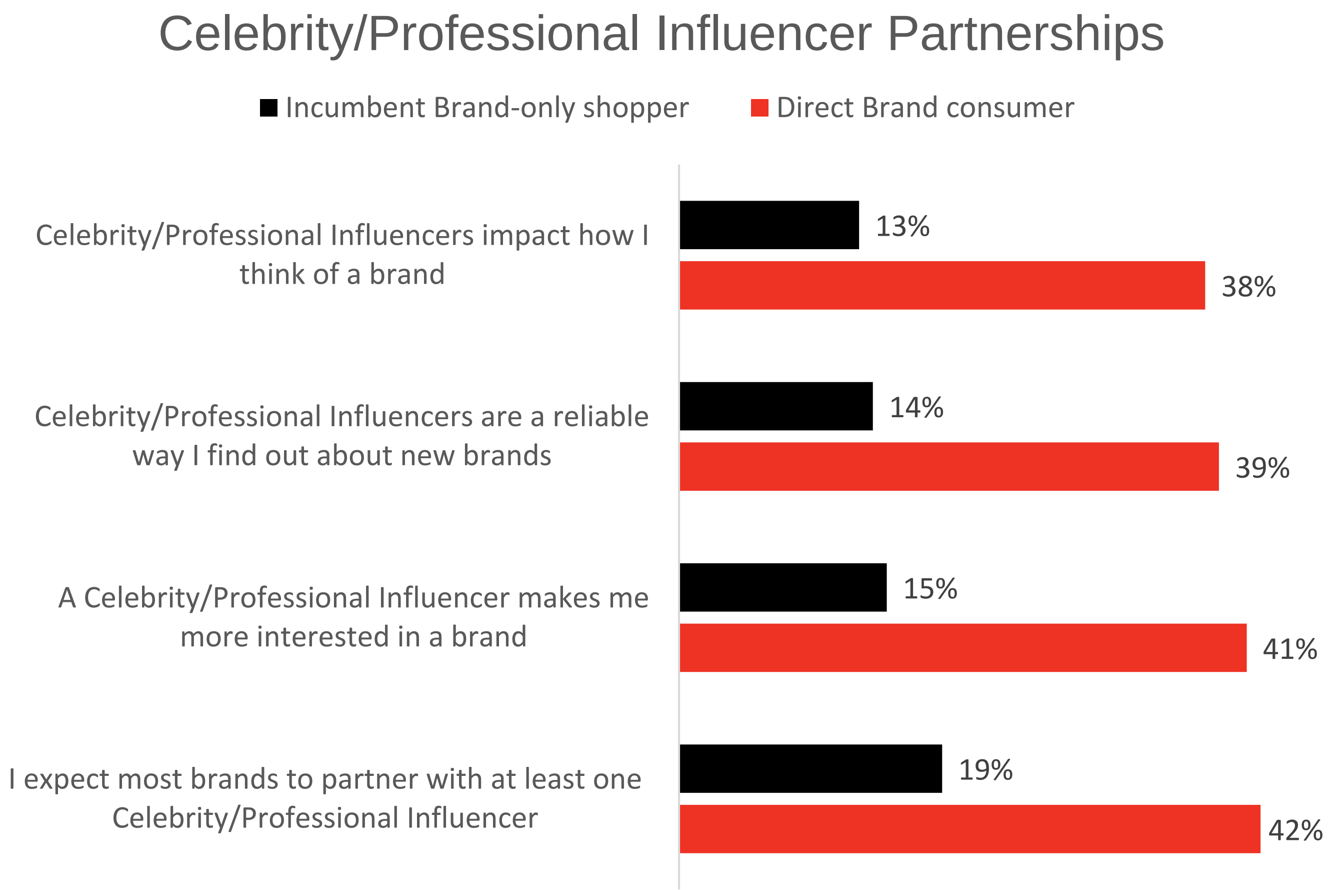
Impact across the consumer brand journey;
Plus: Disruptor Brand Super Influencers

Four Influencer types, each with a role to play

Bella Thorne via Vogue.com
https://www.vogue.com/article/bella-thorne-beauty-secrets-cystic-acne-prone-skin-glitter-eyes

1. Celebrity/Professional Influencers
1. ‘Experts’
2. ‘Real’ People
3. Super Influencers

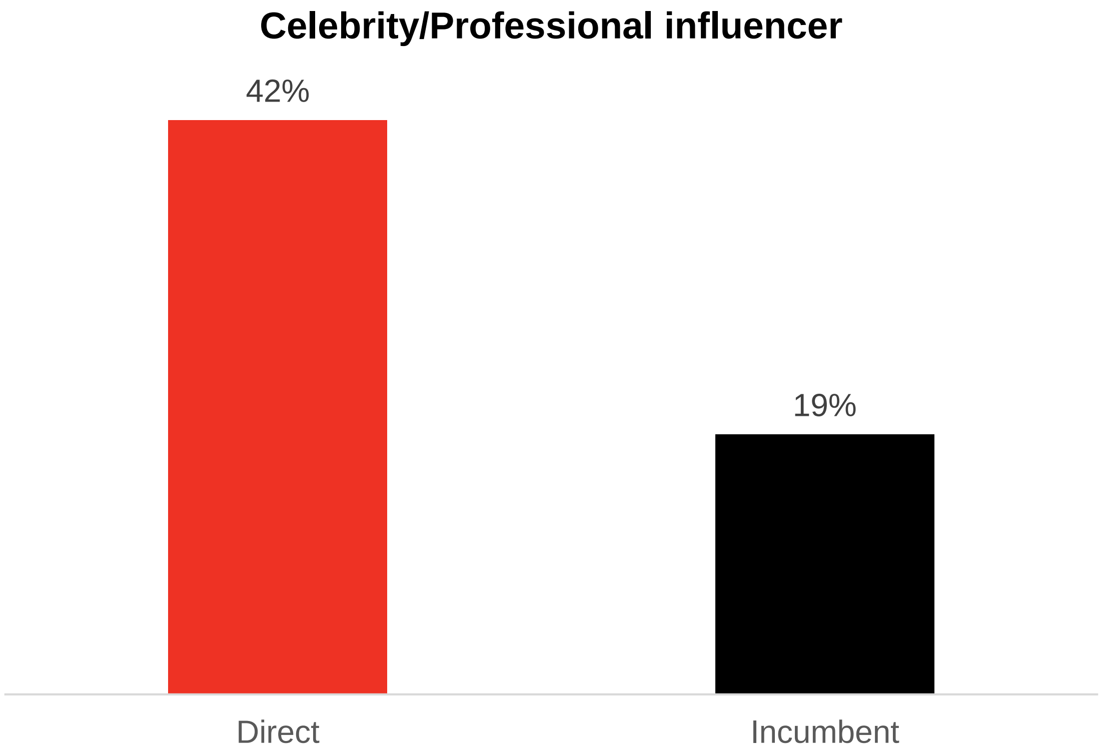
Celebrity/Professional Influencer role: drive brand awareness and interest



- Direct Brand consumers are 2x more likely to expect brands to partner with at least one Celebrity or Professional Influencer
- They are nearly 3x more likely to say a Celebrity/Professional Influencer has impact on their interest in a brand

Celebrity/Professional Influencers lend authenticity and credibility to brands they tout

Which of the following have ever prompted you to try a product from a Direct Brand?

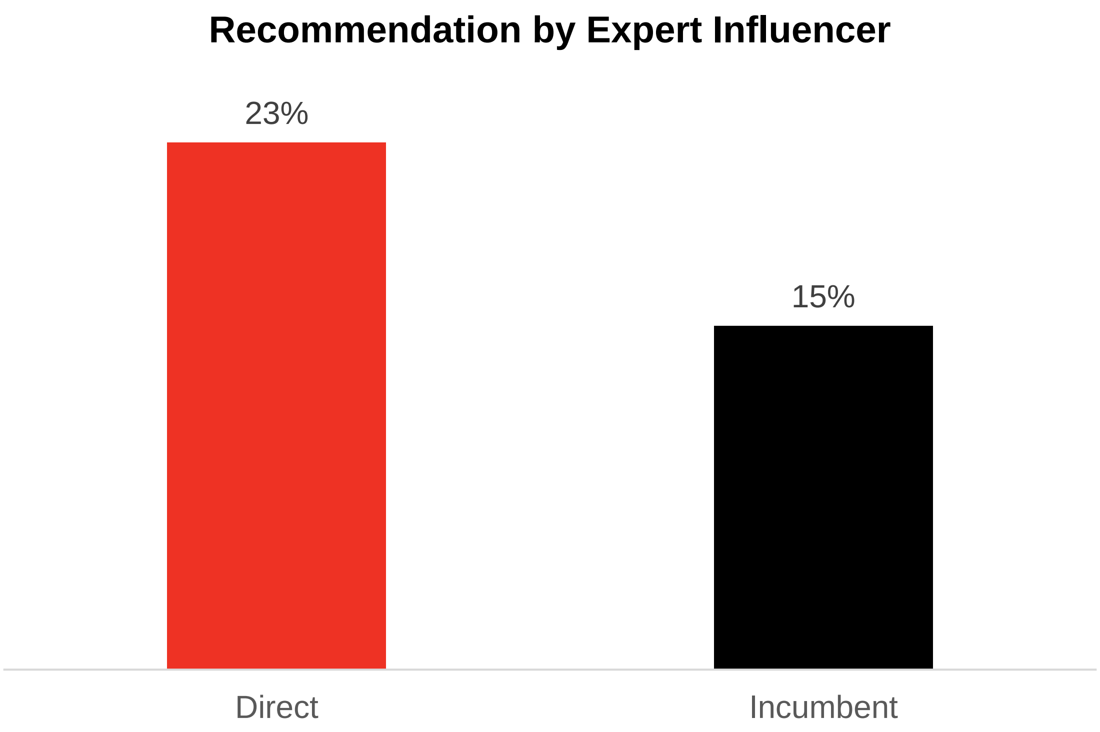


Disruptor Brand consumers are:

- 48% more likely to say the Celeb/Pro Influencer elevates authenticity
- Nearly 3x more likely to say Celeb/Pro Influencers are a reliable way to discover new brands
- More than TWICE as likely to say Celebrity/Professional influencers have prompted brand trial

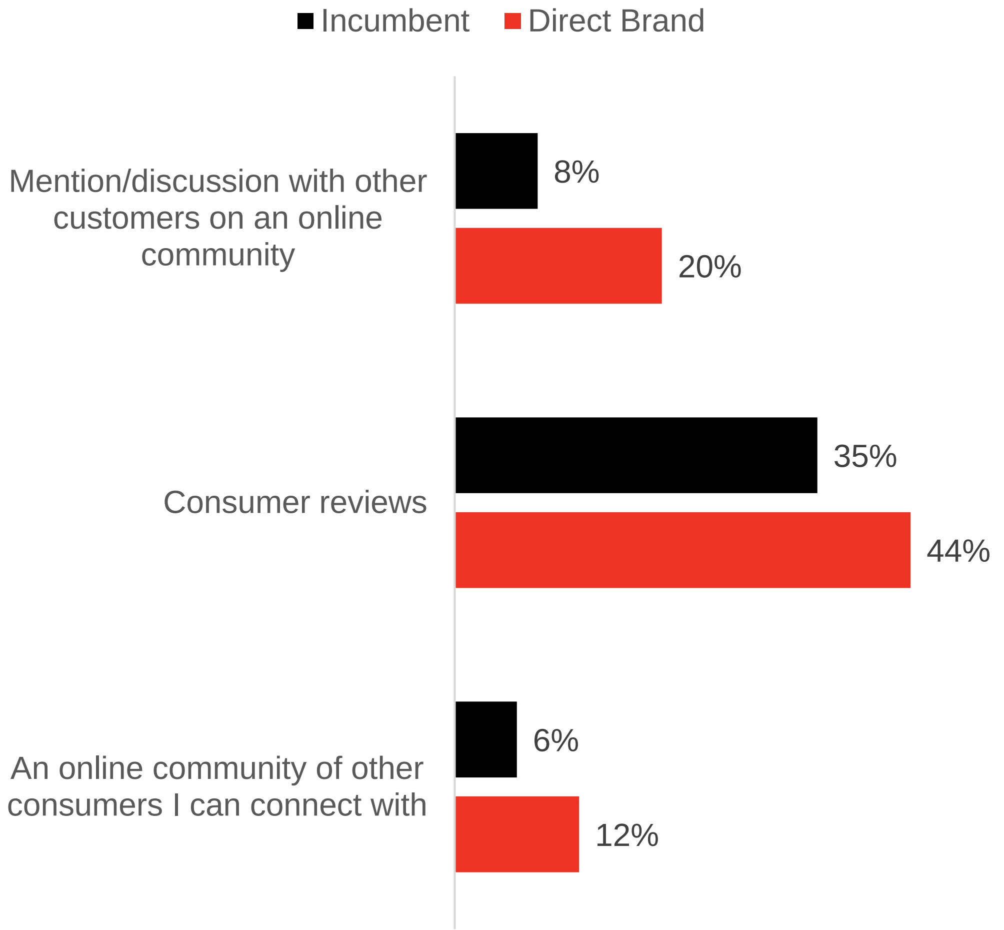
Expert Influencers have their greatest impact on the consideration-to-trial phase of the path

Which of the following have ever prompted you to try a product from a Direct Brand?



- Disruptor Brand consumers are more than TWICE as likely to say they only listen to Expert Influencers
- And they are 20% more likely to say they've been prompted to try a new brand as a result of a recommendation from an expert

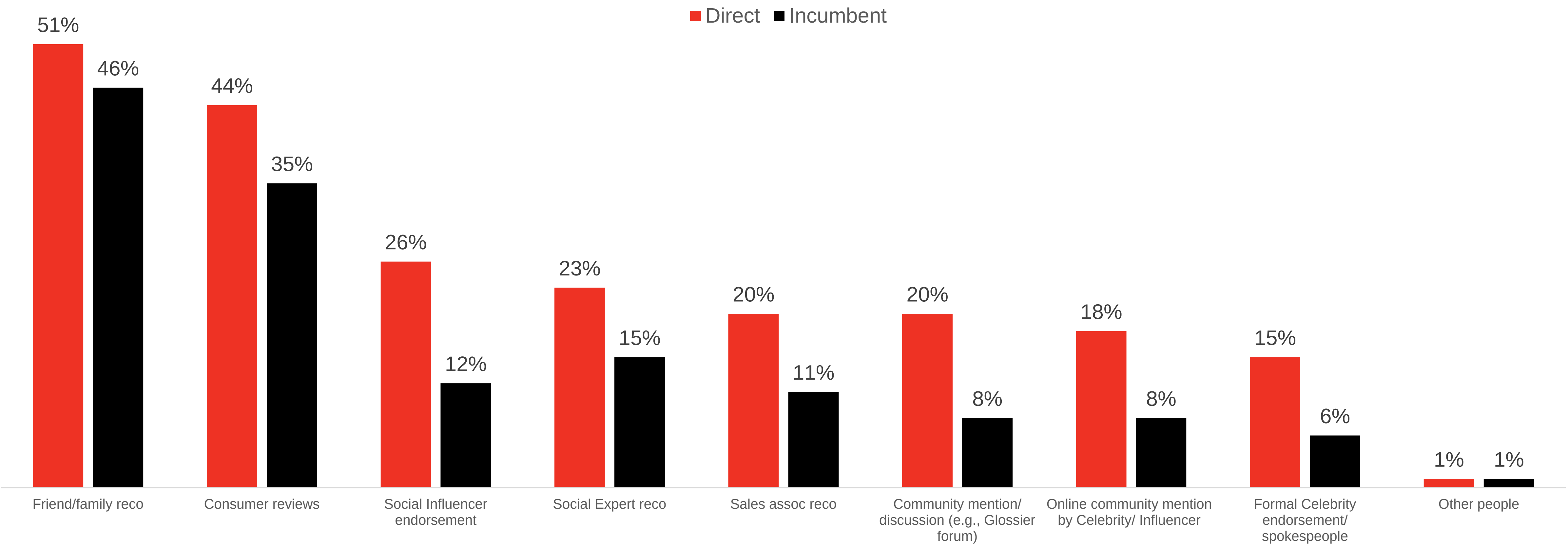
‘Real’ people have greater sway over Disruptor vs Incumbent-only shoppers



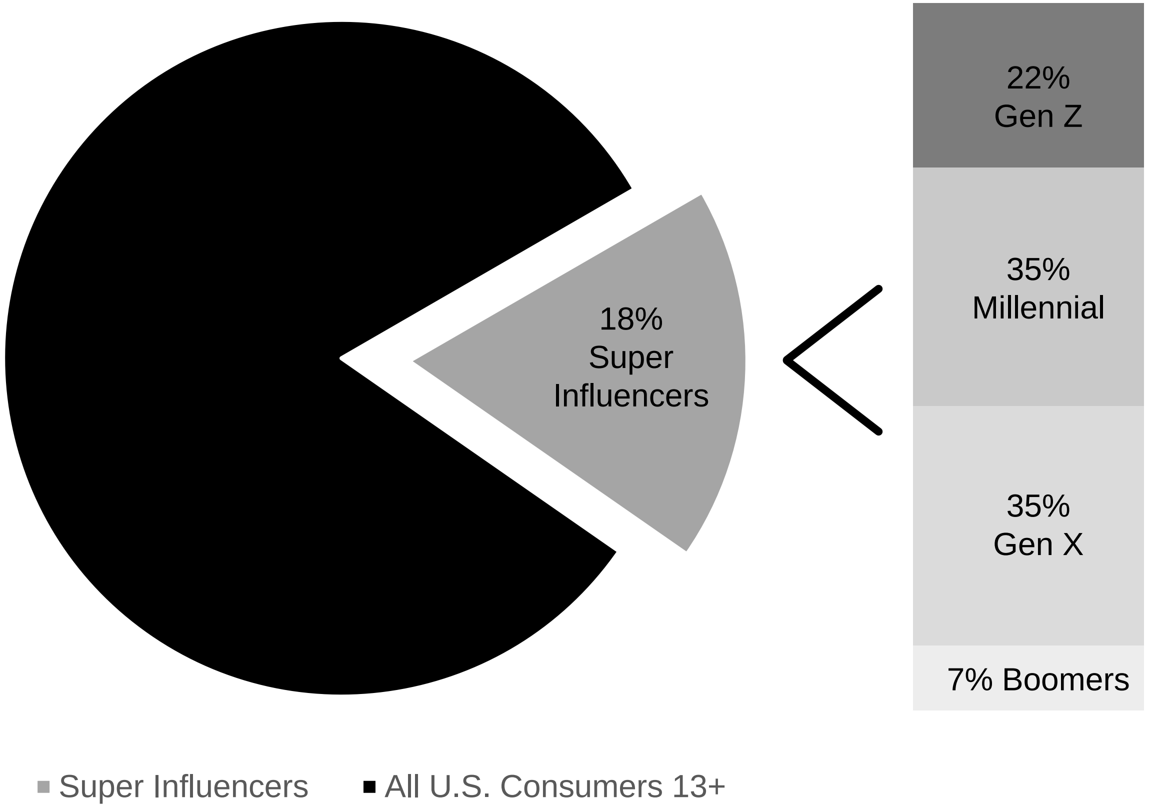
- Disruptor Brand consumers are 150% more likely to value online mentions by ‘Real’ people

The prevalence of online reviews, endorsements and discussion has amplified 'word of mouth'

Real People influence brand trial online and offline:



Super Influencers: 1 in 5 consumers driving others from awareness to consideration via deliberate + diligent postings



Super Influencers comprise 18.5% of total consumers

30% of Disruptor consumers are Super Influencers. They are defined by:

- How closely they identify to the brand content they share online
- The fact that they take the time and effort to create brand-centric content used to publicly build their personal brand

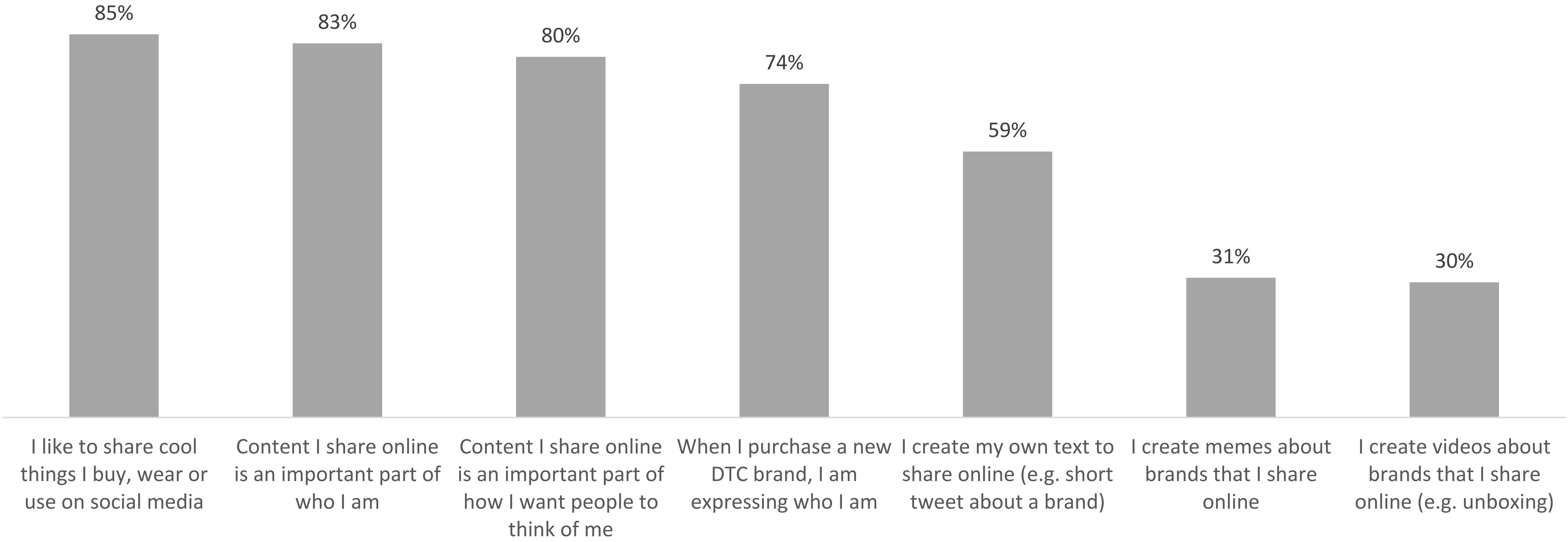
30% of Disruptor Brand consumers are Super Influencers

Super Influencers have a deliberate, self-defining set of behaviors

- Social Influence is NOT a byproduct of the younger generation
- Only 1 in 5 of all consumers can be categorized as a Super Influencers…
- … roughly 1 in 3 of Disruptor Brand consumers are these Super Influencers
- Asserting influence over the brand choices of others is central to their identity
- They are deliberate and strategic in how, where and what they share about brands
- 45% are always on the hunt for new stuff

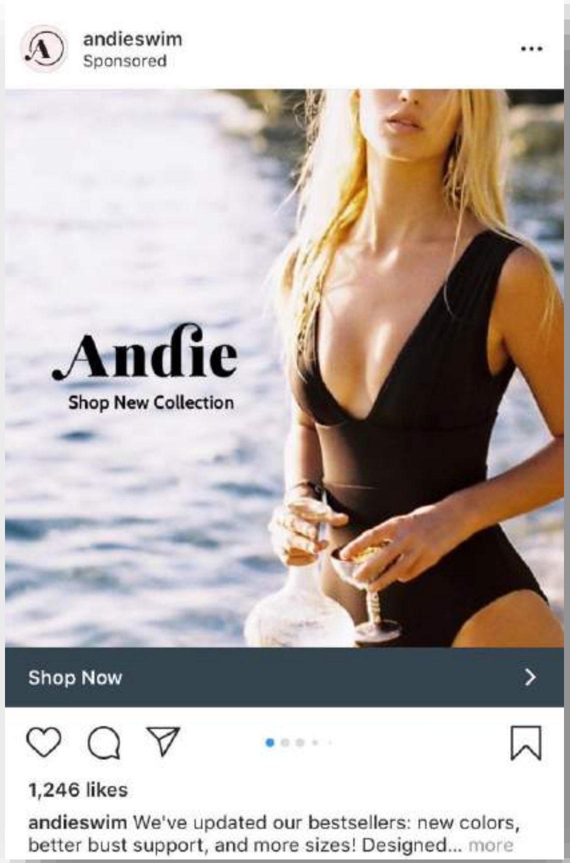
The self-creation of a Super Influencer

The following attributes were used to create the Super Influencer cohort



Note: Top box was used to identify Super Influencers.

Super Influencers chose brands to reflect their style…and leverage online when self-advertising

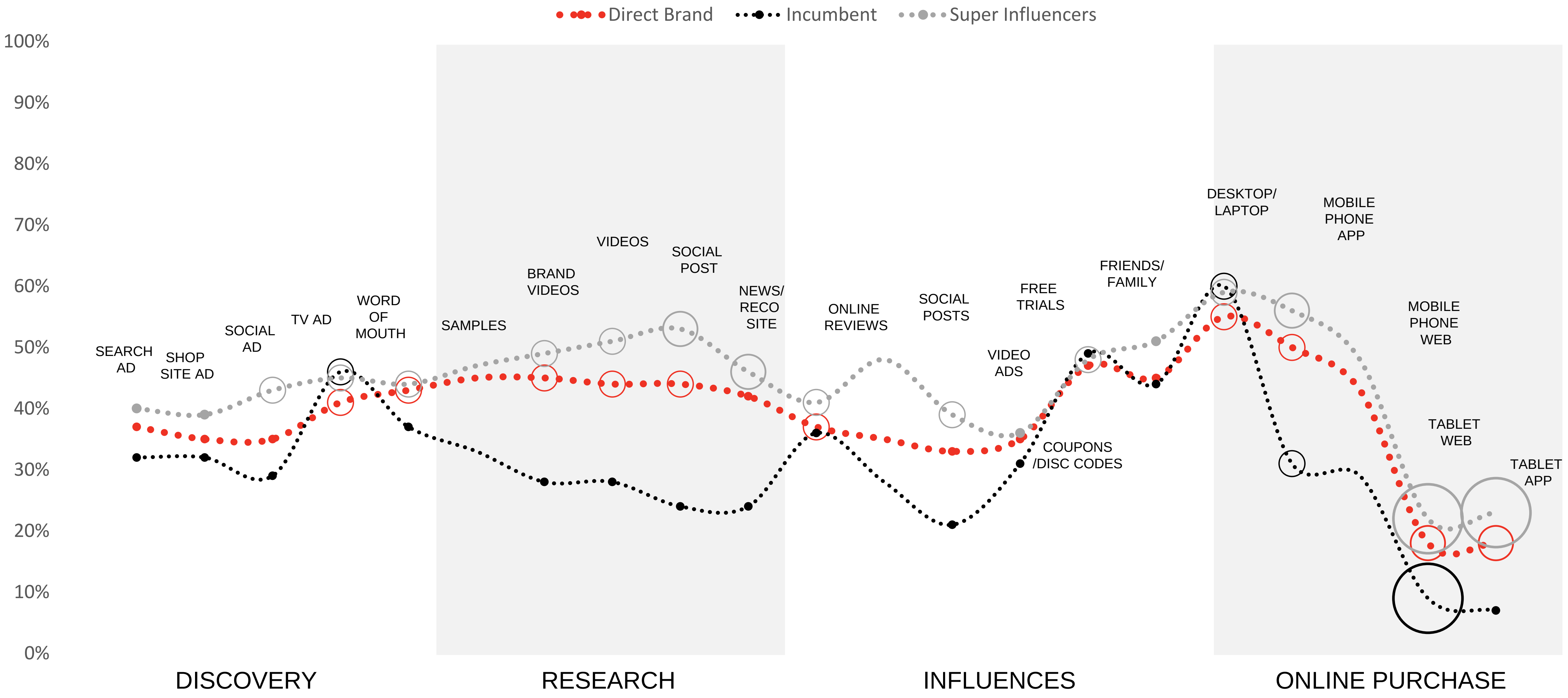


Beyond traditional advertising (e.g. TV/WOM) Super Influencers primarily learn about Direct Brands through social media ads/sponsored posts

- **47%** say if a Direct Brand reflects their style they are more intrigued to check them out

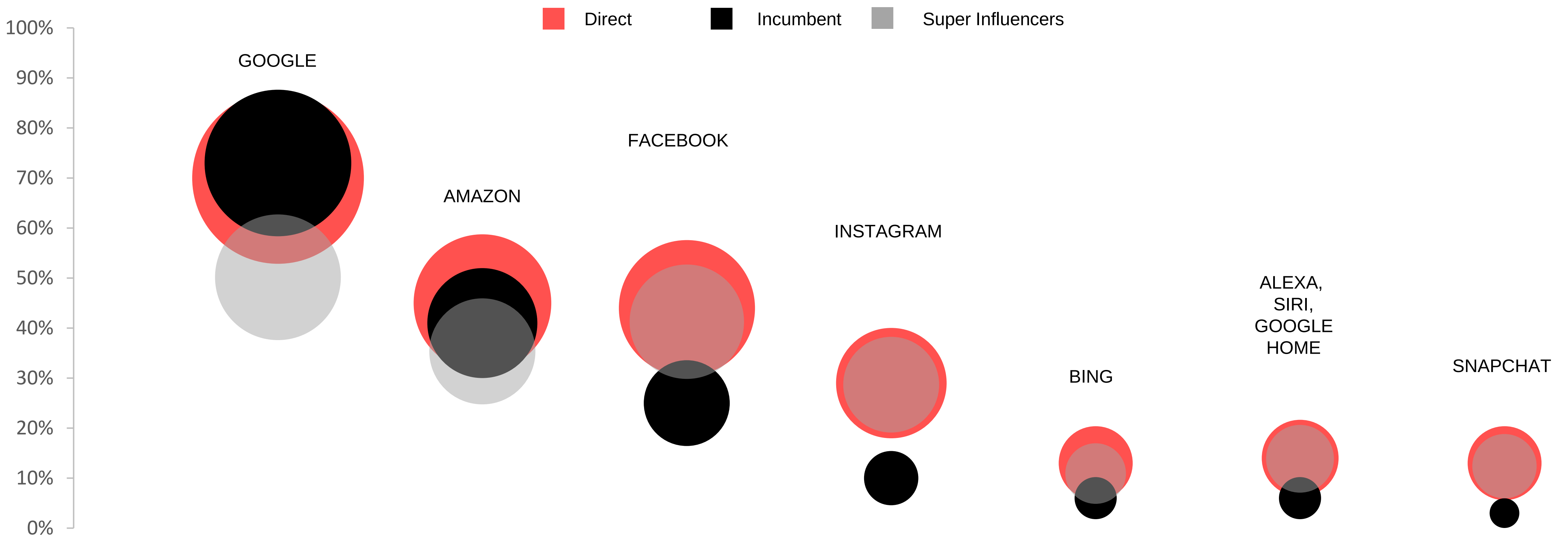
Note: Top box was used to identify Super Influencers

Super Influencers are the most brand-engaged consumers across virtually all touchpoints

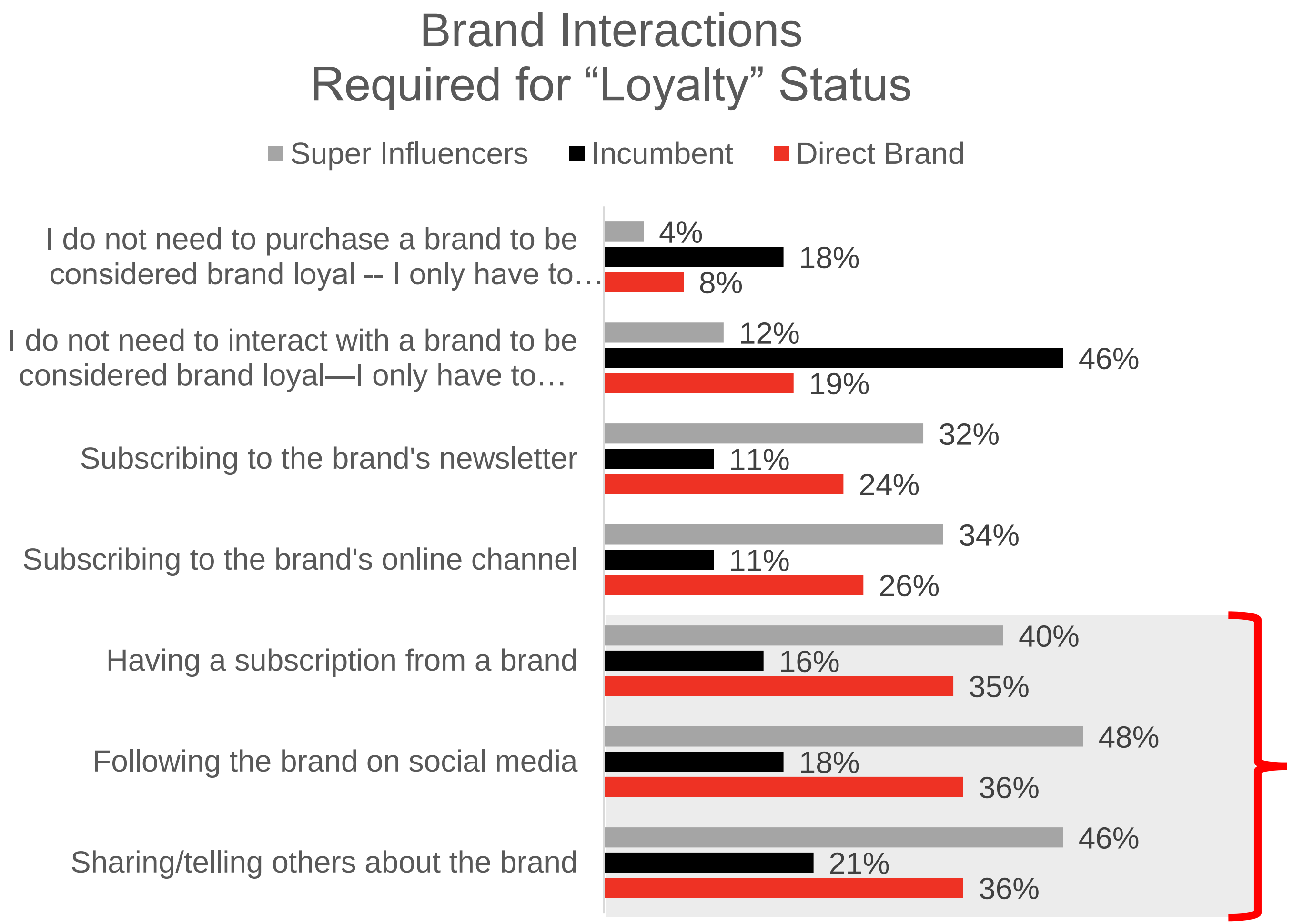


Super Influencers are more likely to leverage media with smaller footprints but with highly passionate communities

If you were searching online for information on a DTC brand, where do you/would you search?



Nearly half of Super Influencers follow their chosen brands

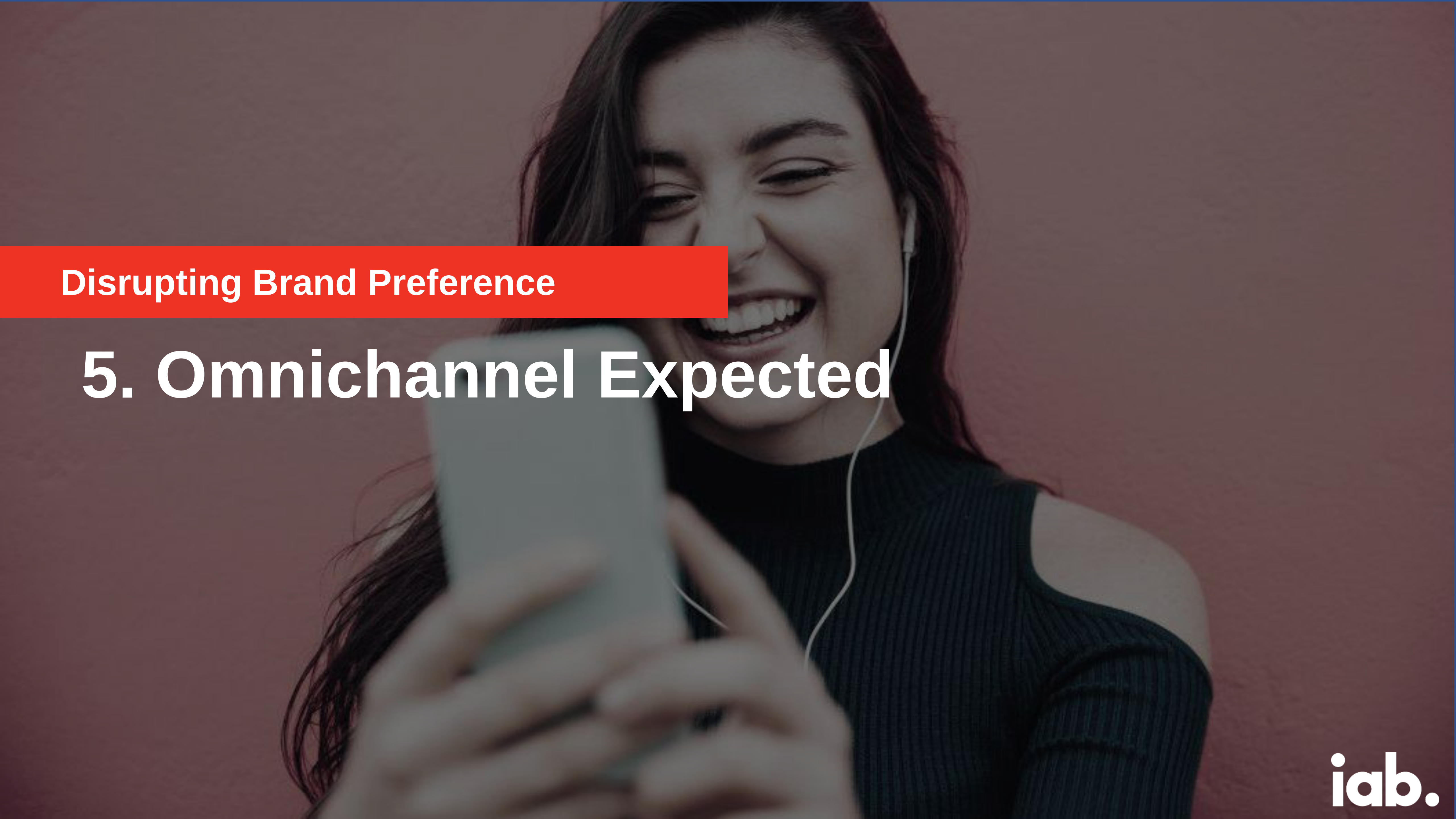


- 1 in 3 Super Influencers subscribe to a brand's newsletter
- 2 in 5 Super Influencers have a Direct Brand subscription
- Nearly half of Super Influencers follow their chosen brands socially and share them online

Key Actions defining Direct Brand Consumer Loyalty

Disrupting Brand Preference

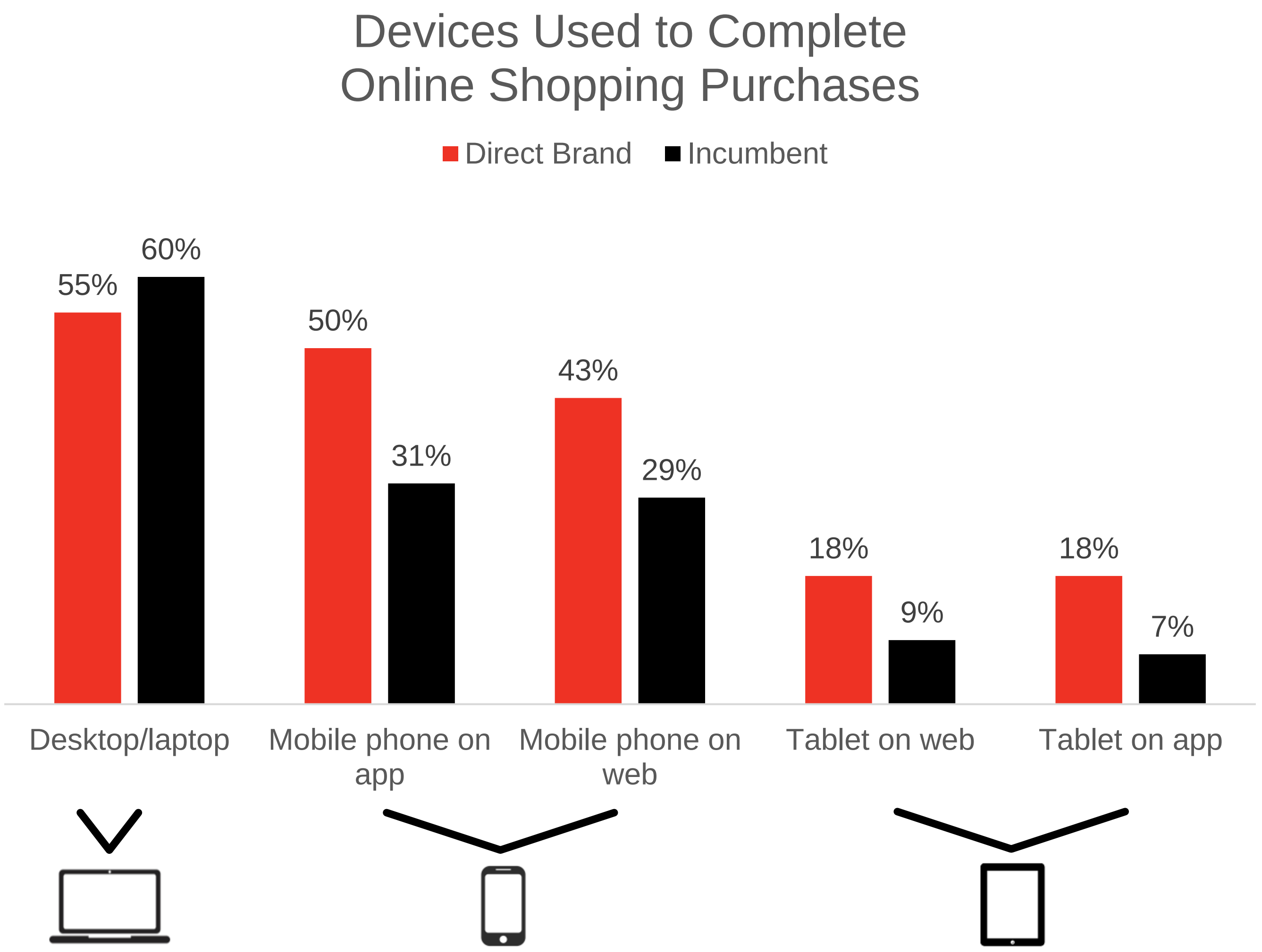
5. Omnichannel Expected



24/7 Omnichannel access is expected by Disruptor consumers

- Nearly 2 in 3 Direct Brand consumers say the ability to engage with a brand 24/7 is important —a +39% difference vs Incumbent-only shoppers
- Disruptor consumers are 2.5x more likely to engage in a brand experience (e.g., pop-up store)

Direct Brand consumers are more likely to complete purchases via mobile



While consumers are most likely to complete their online purchase through desktop/laptop…

- 61% of DTC consumers are more likely to use an app on their mobile phone
    - and 48% more likely to shop via mobile web

Disrupting Brand Preference

6. Insight to Action

Insights for evolving Brand marketing strategies

- Disruptor consumers are of greater value to brands, particularly those with new and innovative products…
- Brands must allow for continuous interaction and feedback—where Disruptor consumers find *their* most value
- Follow the lead of Disruptor brands: build consumer loyalty—as well as resulting LTV—through that cross-channel interaction…
- …And through 24/7, omnichannel options

- As search, e-com sites and social platforms approach parity with TV, consider Disruptor-native (online/social) ways to drive brand awareness
- Influencers hold sway over brand trust. Be both judicious in choosing partners and leverage the different roles each type of Influencer plays across the funnel
- Super Influencers can be found across the social sphere, but have much higher participation than others in more passion-driven ecosystems

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.

Spotify transformed music listening forever when it launched in Sweden in 2008. Discover, manage and share over 50m tracks for free, or upgrade to Spotify Premium to access exclusive features including offline mode, improved sound quality, Spotify Connect and ad-free listening. Today, Spotify is the most popular global audio streaming subscription service with 217m users, including 100m subscribers, across 79 markets. We are the largest driver of revenue to the music business today

PebblePost is the leading digital-to-direct mail marketing platform. We capture online interest and intent data to send relevant direct mail that activates buying decisions at home and drives conversions everywhere. We invented Programmatic Direct Mail® to help brands convert more shoppers into buyers using advanced targeting, algorithmic optimization, attribution, and quantitative analysis. PebblePost® is a venture-backed company based in NYC.

Thank You

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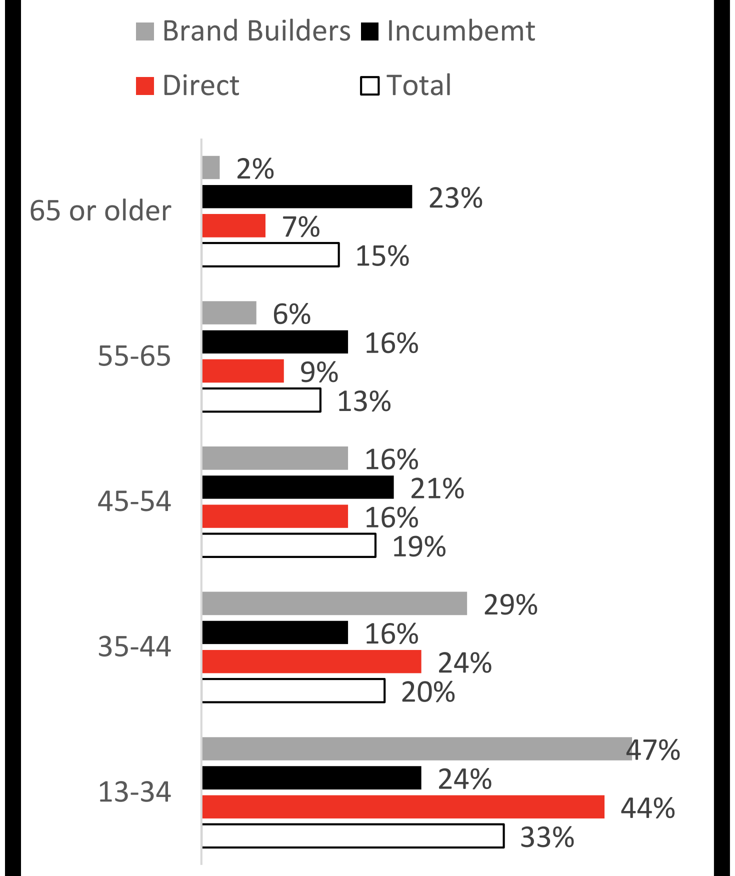
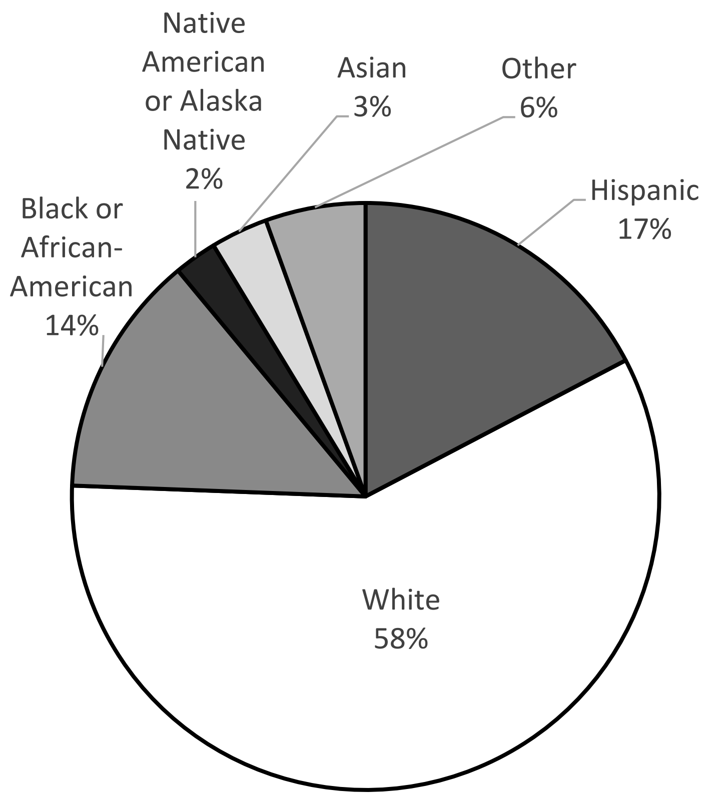
Appendix

Demographics (Total Sample)

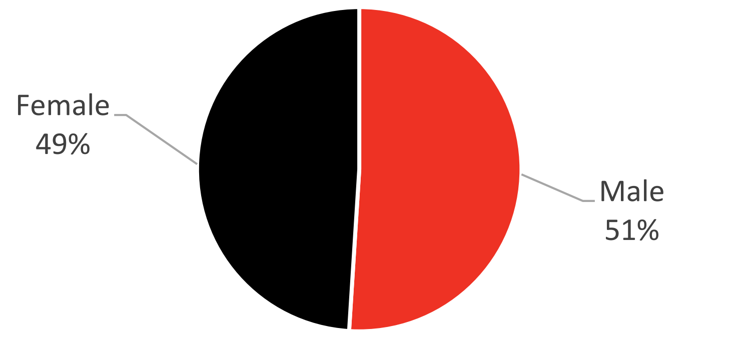
Sample was balanced for Census factors including gender, age, ethnicity, and religion



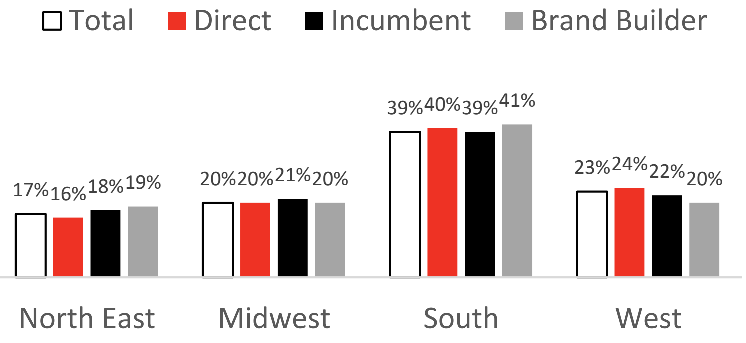
AGE



ETHNICITY



GENDER



REGION

iab.