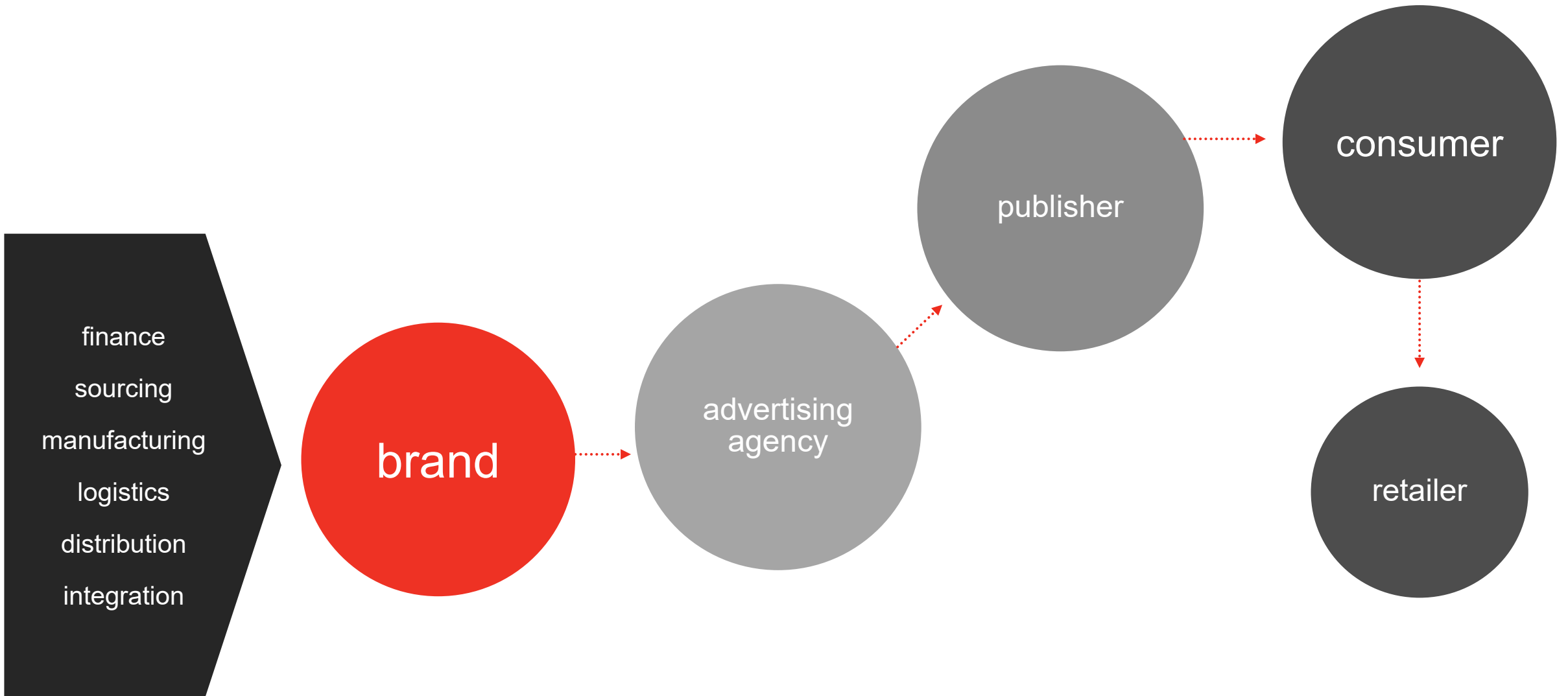the IAB direct brands report

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How To Build a
21st Century Brand
2019-2020

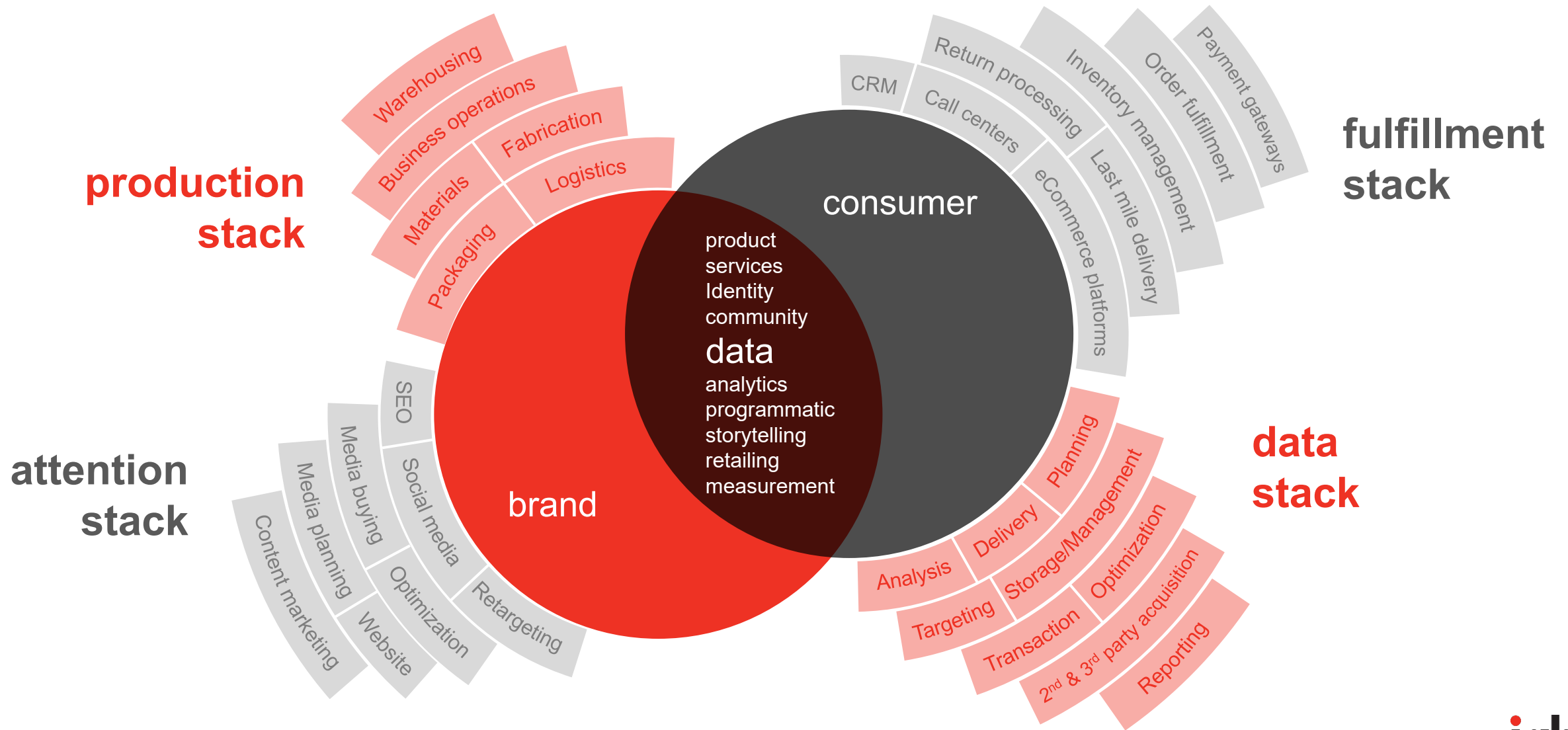Direct Brand Initiative Strategic Partners:

Google   hulu   Pinterest   Spotify

finance

sourcing

manufacturing

logistics

distribution

integration

brand

advertising agency

publisher

consumer

retailer

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production stack

Warehousing
Business operations
Materials
Fabrication
Packaging
Logistics

fulfillment stack

CRM
Return processing
Call centers
Inventory management
Order fulfillment
Payment gateways
Last mile delivery
eCommerce platforms

consumer

product
services
Identity
community
data
analytics
programmatic
storytelling
retailing
measurement

brand

attention stack

SEO
Media buying
Media planning
Content marketing
Social media
Optimization
Website
Retargeting

data stack

Analysis
Delivery
Planning
Targeting
Storage/Management
Optimization
Transaction
2nd & 3rd party acquisition
Reporting

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IAB. 250 DIRECT BRANDS TO WATCH

APPAREL & FASHION

ADAY, ADORE ME, allbirds, AMERICAN GIANT, AURATE New York, 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, KIDBOX, KNOTSTANDARD, KOIO, LEDBURY, LIVELY, M.GEMI, MM.LAFLEUR New York, 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, RTR, R, 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., TOMBOY X, Tommy John, Tracksmith, TRND BTLR, TRUE, UNTUCKit, WANTABLE, pact, yellowberry

BABY CARE & PARENTING

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

BEAUTY

B BEAUTYCOUNTER, BEAUTYLISH, BOXY CHARM, Curology, FACETORY, f, G GLAMSQUAD, Glossier., ipsy, LOLI, MADISON REED, STOWAWAY, MEMEBOX, OARS + ALPS, PINROSE, SCENTBIRD New York

BEER/WINE/ALCOHOL

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

EDUCATION

CODE COMBAT, Educents, littleBits, SR 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, CC CROWD COW, DAILY HARVEST, DESERT FARMS camel milk, 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, PRETTYLITTER, Revere Health, ripple, soylent, Sudden COFFEE, SUN BASKET, tasteguru, THE FARMER'S DOG, THRIVE MARKET, truBrain, TRY THE WORLD, ub, Wag!, YUMI

HOBBIES & LIFESTYLE

AIRHIVE, ALPHA OUTPOST, AWAY, BAUBLEBAR, The Bouqs Co., 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

AL ARTLIFTING, BRANDLESS, BOLL & BRANCH, brooklinen, BURROW, Casper, dormify, FRAMEBRIDGE, greetabl, Grove, HELIX, L, JOYBIRD, leesa, PARACHUTE, SNOWE, T, 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

01.The Disrupted Consumer Economy, 2018-2019

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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**

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Table 1. Estimated Quarterly U.S. Retail Sales: Total E-commerce[1]

(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.)

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

| 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	Total	E-commerce	Total	E-commerce
Adjusted[2]							
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.

[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.

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

Percent of Total
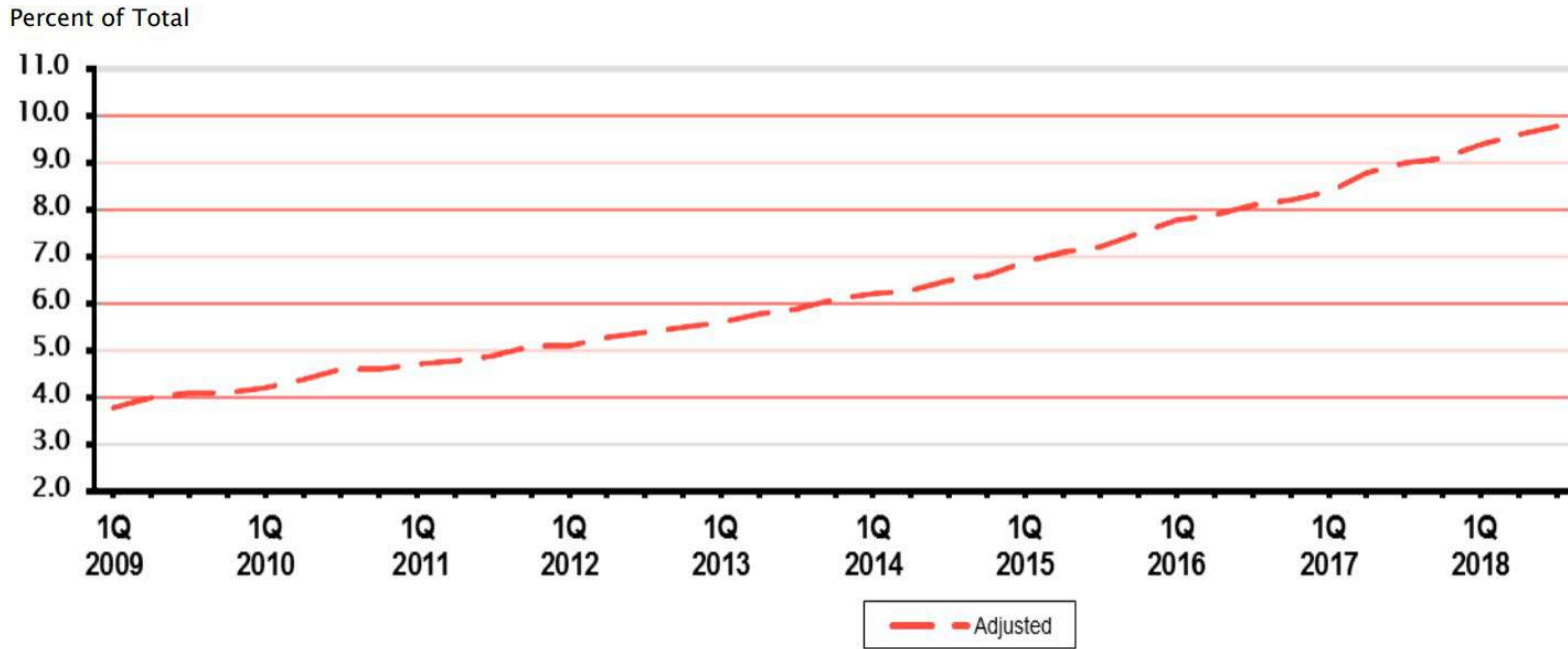
Adjusted:

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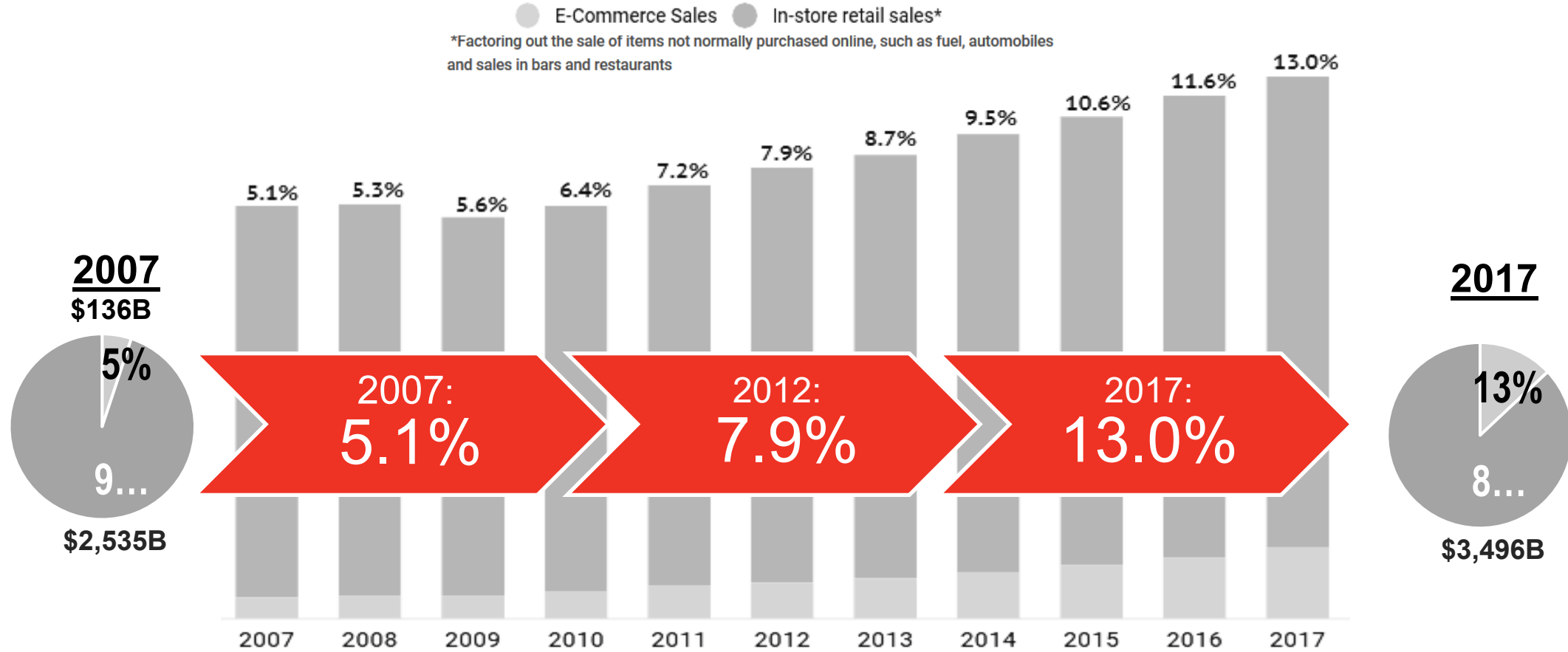
For information, including estimates from 4th quarter 1999 forward, visit the Census Bureau's Web site at http://www.census.gov/retail. For additional information about Census Bureau e-business measurement programs and plan visit https://www.census.gov/programs-surveys/e-stats.html.

* 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.

Source: https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf

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

eCommerce as a Percent of Total Retail Sales

● E-Commerce Sales   ● In-store retail sales*

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

2007
$136B
5%
9...
$2,535B

2017
13%
8...
$3,496B

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
5.1%	5.3%	5.6%	6.4%	7.2%	7.9%	8.7%	9.5%	10.6%	11.6%	13.0%

2007:
5.1%

2012:
7.9%

2017:
13.0%

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Absolute Dollar Growth

FMCG categories are seizing outsized growth from e-commerce

	Pet Care	Health Care	Beauty	Household Care	Personal Care	Grocery
E-Commerce $ Growth	3.4B	1.1B	1.6B	1.7B	1.8B	2.4B
Brick-and-Mortar $ Growth	317M	1.7M	-168M	493M	333M	619M

■ E-Commerce $ Growth   ■ Brick-and-Mortar $ Growth

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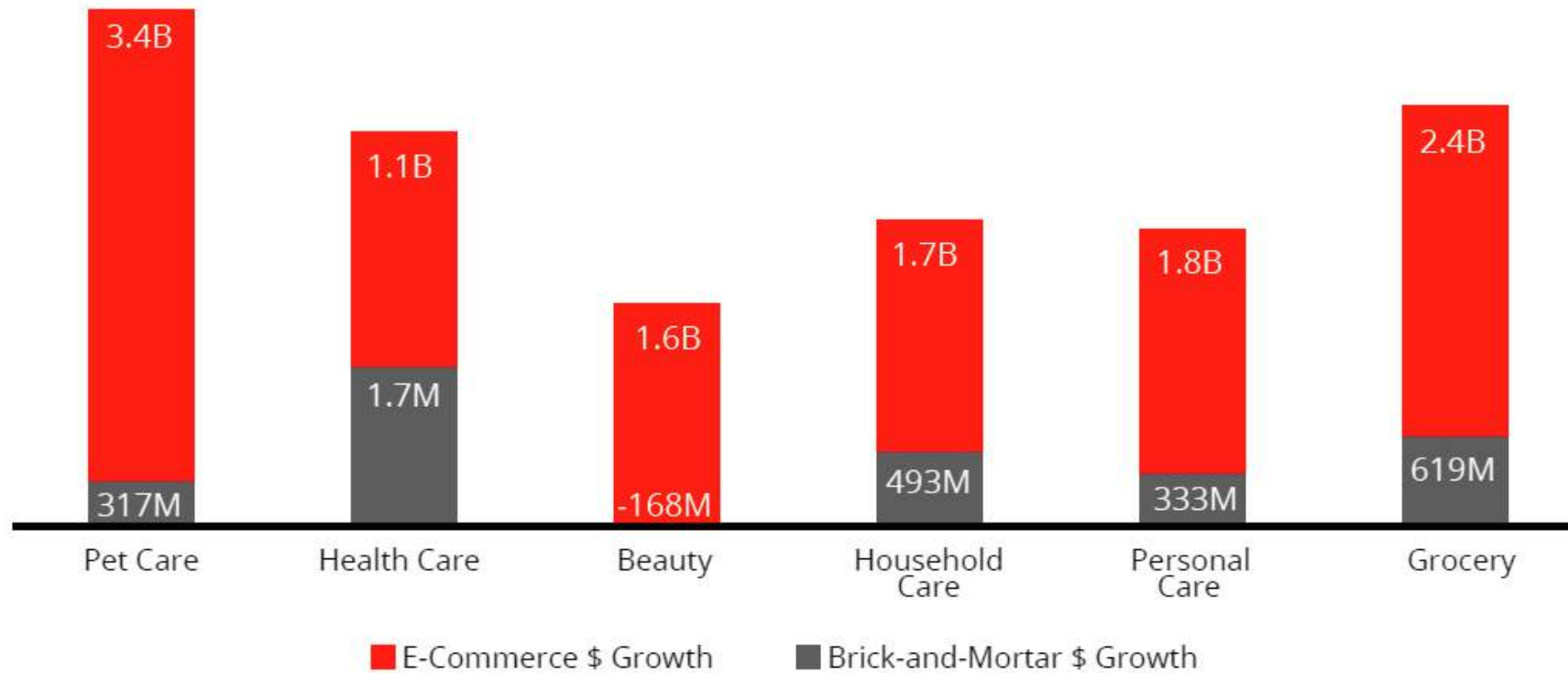
Seismic Shift in Market Share

Growing market shift to emerging brands

Category and Market Size	Share points lost by large brands	Share points gained by emerging brands
Food & Beverage [1]		
Yogurt $7.9 billion	−19%	+19%
Coffee $25 billion	−7%	+11%
Healthy & Beauty [2]		
Bath/Shower $7.2 billion	−3%	+3%
Skin care $13 billion	−2%	+1%
Restaurants [3]		
Quick Service $163 billion	−3%	+3%

$18 billion
lost in market share by 25 top food & beverage companies since 2009

$4 billion
lost last year by major packaged food companies [5]

90%
of Top 100 CPG Brands lost market share and 62 had declining sales, 52 weeks ended June 2015 [6]

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- 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.

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- 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.

https://retail.emarketer.com/article/premium-pet-food-drives-sales/5bbbc80bb979f1030c8374c5
https://www.americanpetproducts.org/press_industrytrends.asp
https://www.vox.com/the-goods/2018/9/12/17831948/rover-wag-dog-walking-app

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- 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.

https://beautyandmoneysummit.com/events/beauty-and-money-ny-2018
https://www.forbes.com/sites/richardkestenbaum/2018/09/09/beauty-industry-biggest-trends-skin-care-loreal-shiseido-lauder/#53e58d846982
https://www.digitalcommerce360.com/article/beauty-ecommerce-sales/
https://globenewswire.com/news-release/2018/06/22/1528369/0/en/Global-Cosmetic-Products-Market-Will-Reach-USD-863-Billion-by-2024-Zion-Market-Research.html

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- 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%.

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- 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

Sources: https://www.statista.com/outlook/17000000/109/furniture/united-states#market-onlineRevenueShare
https://www.architecturaldigest.com/story/fast-furniture-business-interior-define-burrow-floyd-the-inside-maiden

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02. The Direct Brand Playbook, 2019

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CAC	Experiences	Speed	Service	Data	Lifetime Value
• Instagram + Facebook	• Content	• Product-to-Market	• Discovery	• Product Usage	
• Podcasting	• Mission	• Customer Service	• Direct Delivery	• Pricing	
• OTT Video	• Omnichannel Retail	• Direct Delivery	• Problem-solving		
• Platforms	• Customer Service		• Customization		
• Programmatic Display	• Community				

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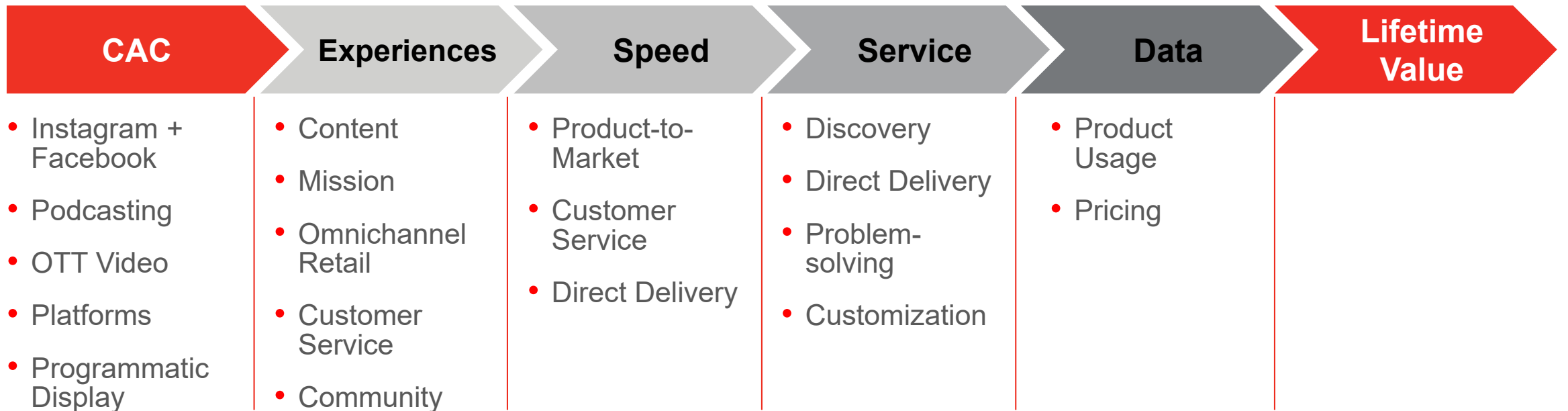
"CAC is the new rent."

Daniel Gulati,*Comcast Ventures*

Average Time Spent Per Adult 18+ Per Day

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

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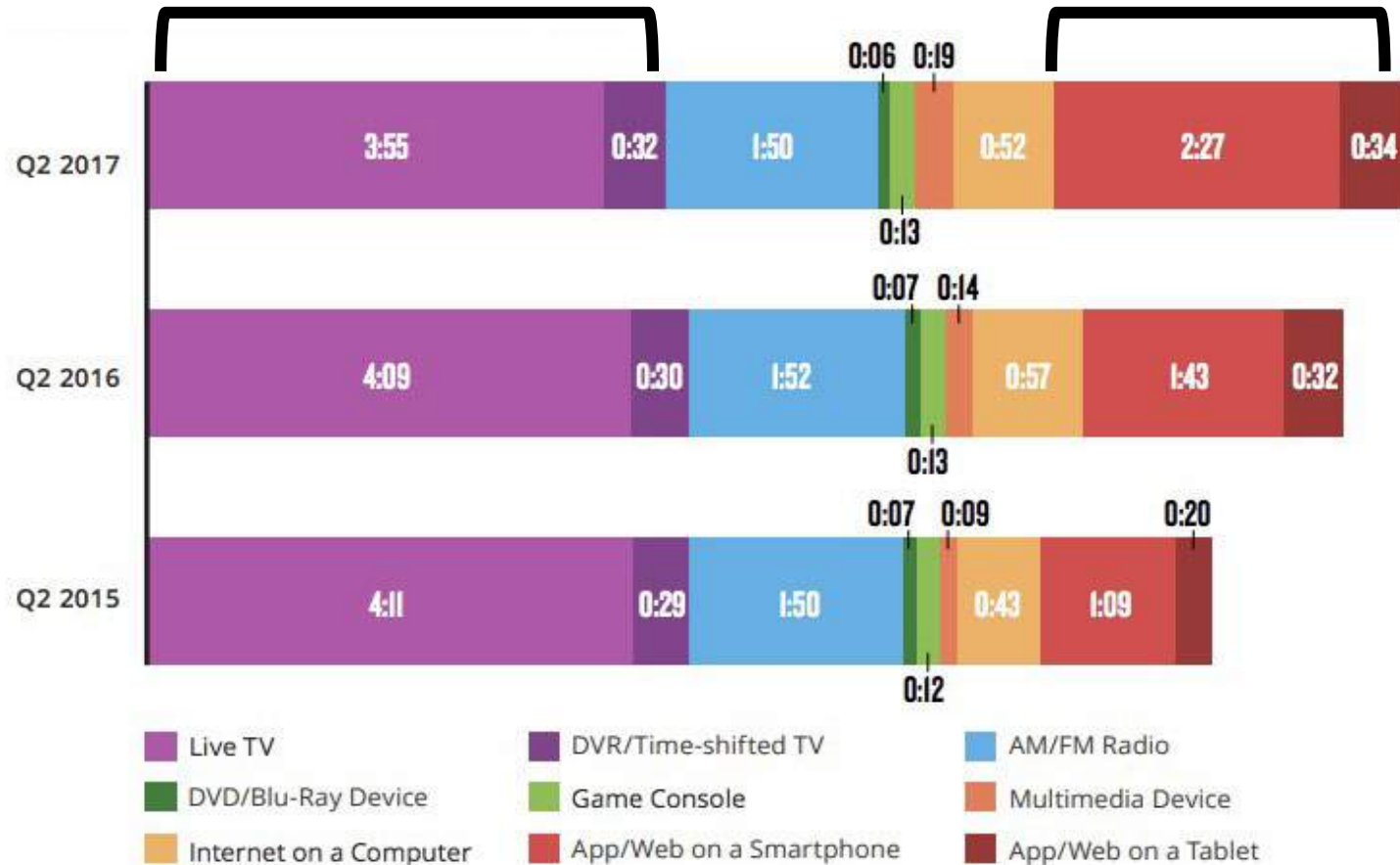
Daily Time Spent with Live TV decreased by ~14% in 3 years while mobile device time-spent was +133%

	Q2 2017	Q2 2016	Q2 2015
Live TV	3:55	4:09	4:11
DVR/Time-shifted TV	0:32	0:30	0:29
AM/FM Radio	1:50	1:52	1:50
DVD/Blu-Ray Device		0:07	0:07
Game Console	0:06	0:14	0:09
Internet on a Computer	0:52	0:57	0:43
App/Web on a Smartphone	2:27	1:43	1:09
App/Web on a Tablet	0:34	0:32	0:20

Q2 2017 markers: 0:06 0:19   0:13
Q2 2016 markers: 0:07 0:14   0:13
Q2 2015 markers: 0:07 0:09   0:12

Legend:
Live TV | DVR/Time-shifted TV | AM/FM Radio
DVD/Blu-Ray Device | Game Console | Multimedia Device
Internet on a Computer | App/Web on a Smartphone | App/Web on a Tablet

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Mobile commerce = $208.1B

Mobile
39.6%

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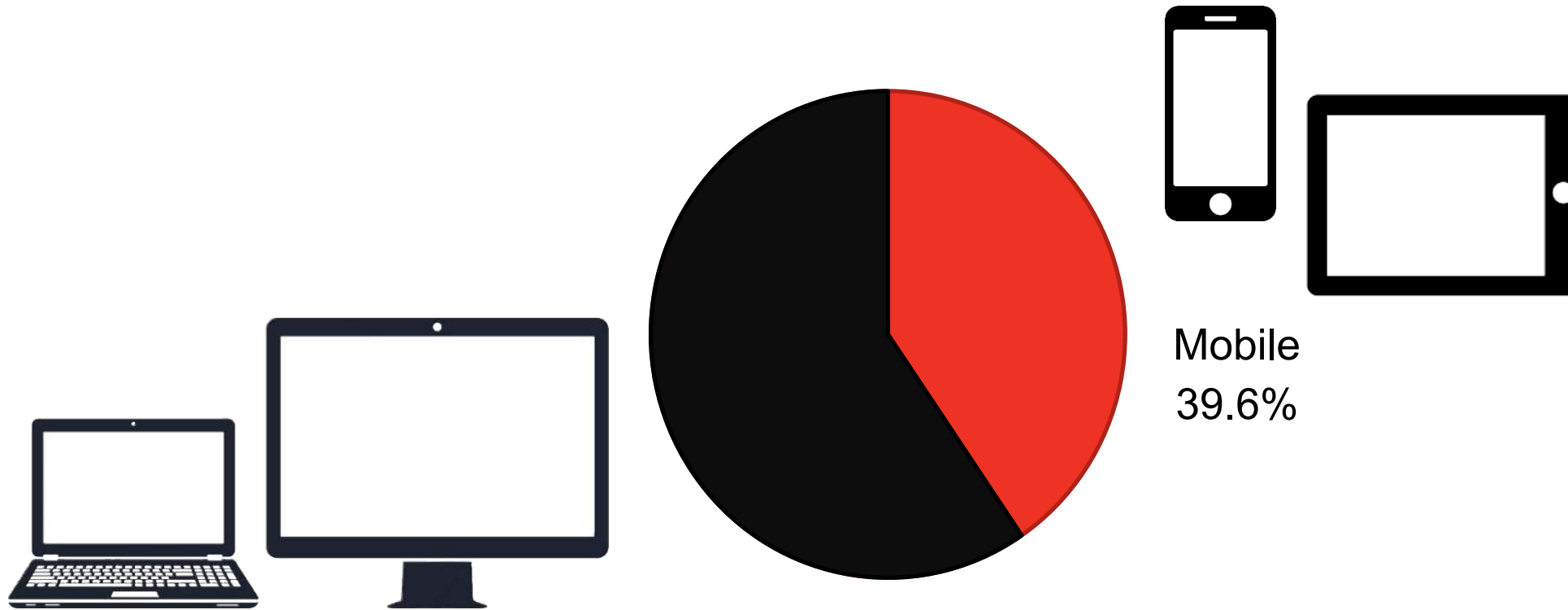
Overview: To increase new customer acquisition, athletic sock disruptor Bombas advertised on podcasts valued for storytelling

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

Source: Midroll

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- 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*

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Growth In Share Of Retail Site Visits
By marketing channel

■ Q2 2017   ■ Q2 2016

Channel	Q2 2017	Q2 2016
Social networks	146%	51%
Paid search	45%	24%
Email/ newsletter	11%	3%
Display	7%	-3%
Natural search	-6%	-4%

Source: Business Wire; ADI Retail Industry Report, n= 50 billion site visits, 2017

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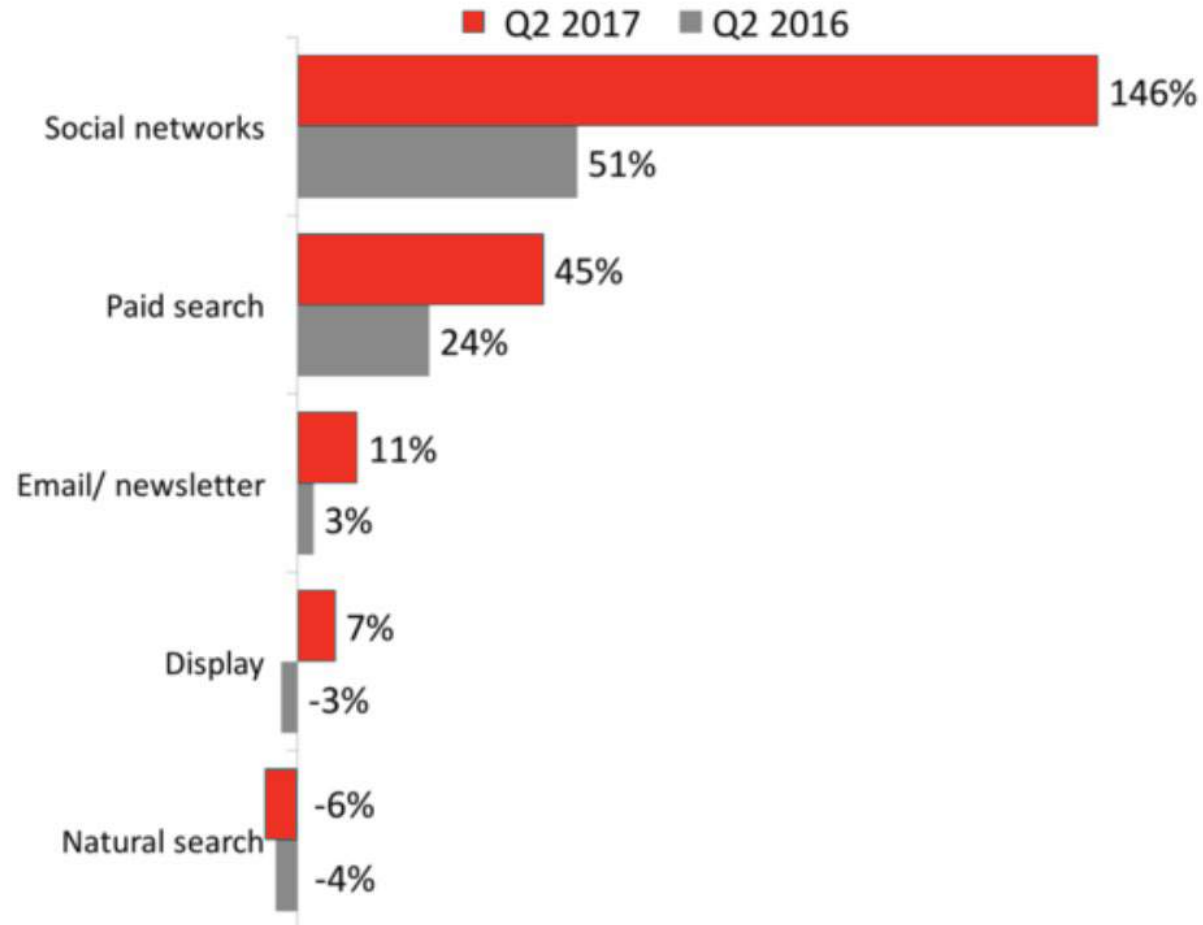
"Traditional agency-brand relationships were a function of relationship building and pricing efficiency. That's still important but for the DTC brands, it's much more quantifiable. So we need to be prepared to be held accountable for those types of goals. There's no fancy PowerPoint presentation or New 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*

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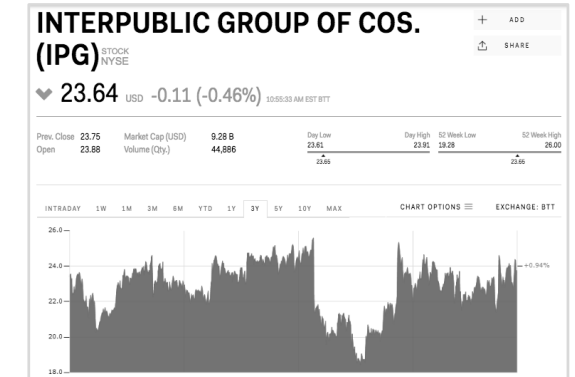
Interpublic, Omnicom and Publicis have also notably registered anemic growth.

Sources: AdAge.com State of the Agency Report, 4/30/18, TheEconomist.com, 3/28/18

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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 developmen.t	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. fulfillmet 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, Allbrids, 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.

Sources: Businessinsider.com, 11/14/18; Digiday.com, 10/31/18; CrunchBase; LinkedIn.

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- ~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

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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

TV Spend Comparison
(in millions)

$322.8 — 2015
$662.4 — 2016
$1,313.6 — 2017

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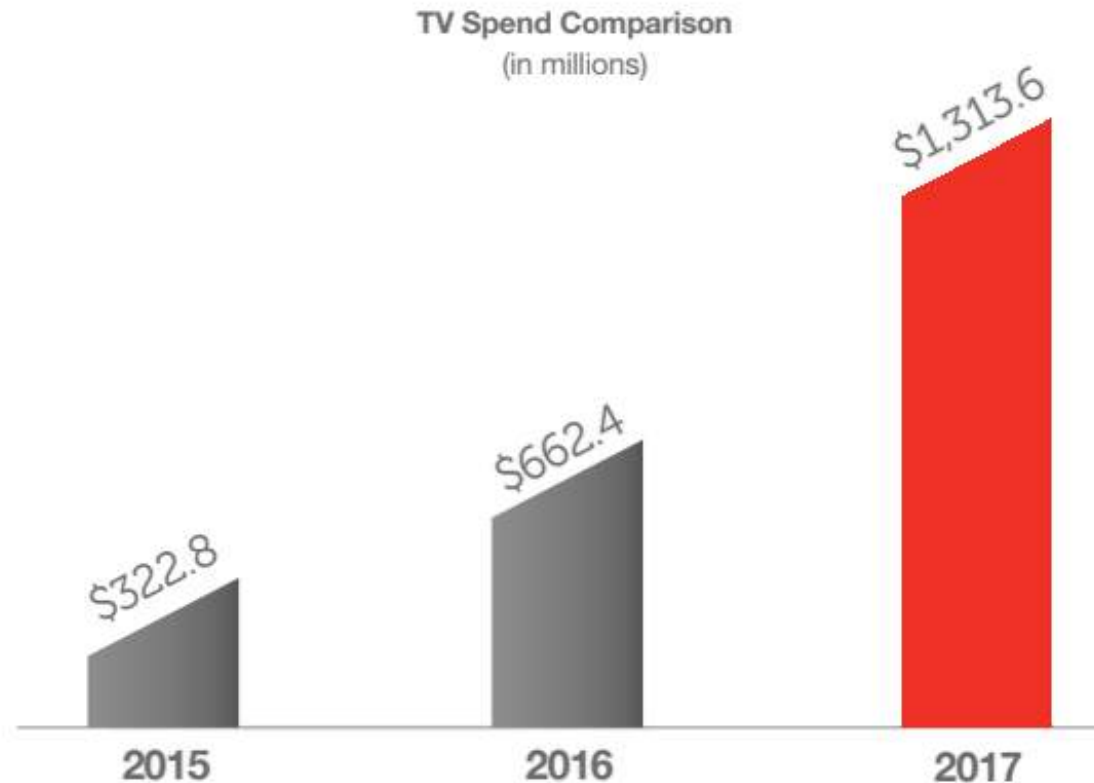
Streaming consumers are **disruptor-brand buyers**

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

Total	ASV OTT Viewer	SVOD Viewer	TV Only Viewer
$94.46	$119.19	$89.23	$51.99

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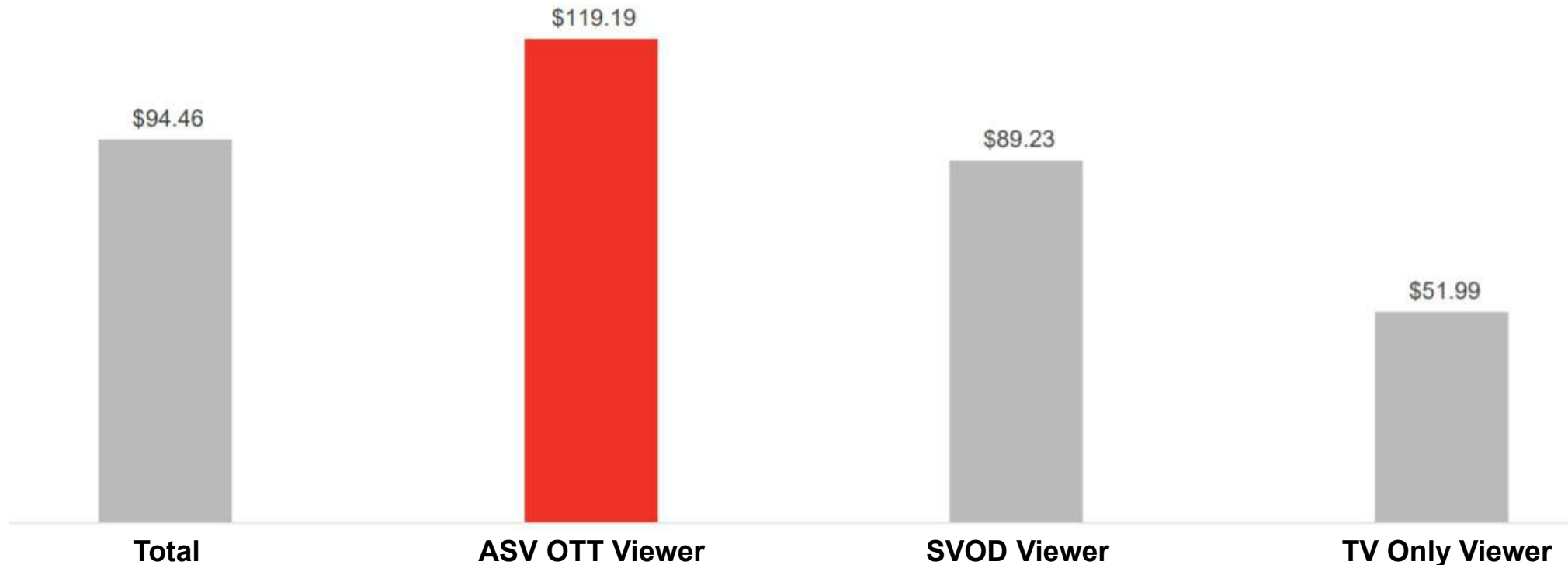
- ThirdLove started investing in TV in 2017 with a budget of $286,000 for the first month. Within 3 months, they had spent $3 million. ThirdLove's monthly TV budget has more than quadrupled since then. It has aired three separate ad campaigns and spent over $13.2 million on TV in 2018, per Nielsen.

- 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*

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Source: Videology/Advertiser Perceptions Advanced TV Trends, April 2018; eMarketer, July 2018

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Play 7: **Omnichannel shopping** is the new normal

Browsing and Buying: In Store vs. Online

BROWSE

PURCHASE

BROWSE FIRST IN-STORE

30%

13%

BROWSE FIRST ONLINE

16%

42%

PURCHASE IN-STORE

1-in-3

In-store purchases are made after browsing online first

ONLINE PURCHASES

1-in-4

Online purchases are made after browsing in store first

Source: IAB US-China Digital Commerce Study 2016. Base: US online shoppers.

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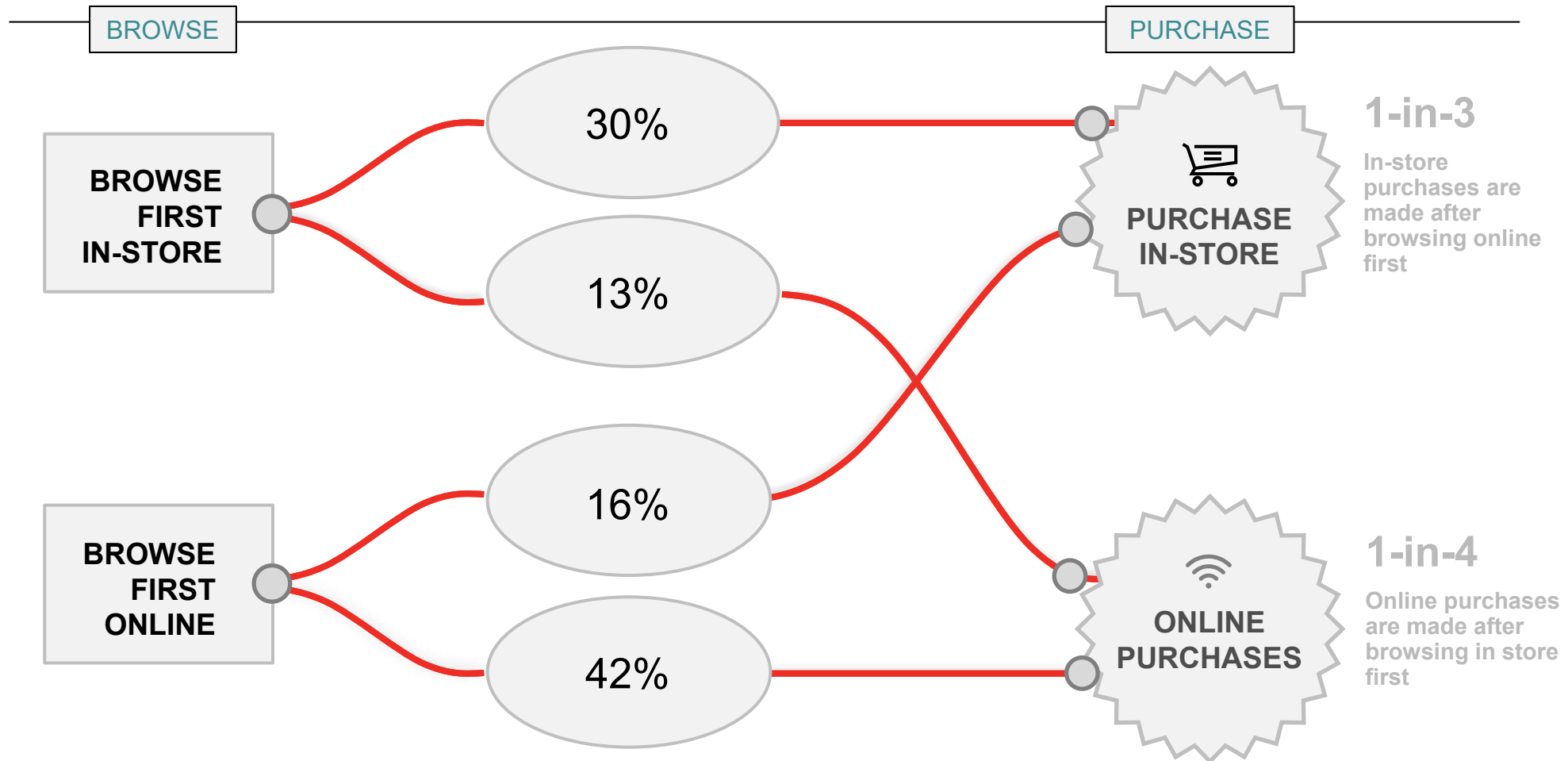
Pop-up stores are **today's "creative revolution"**

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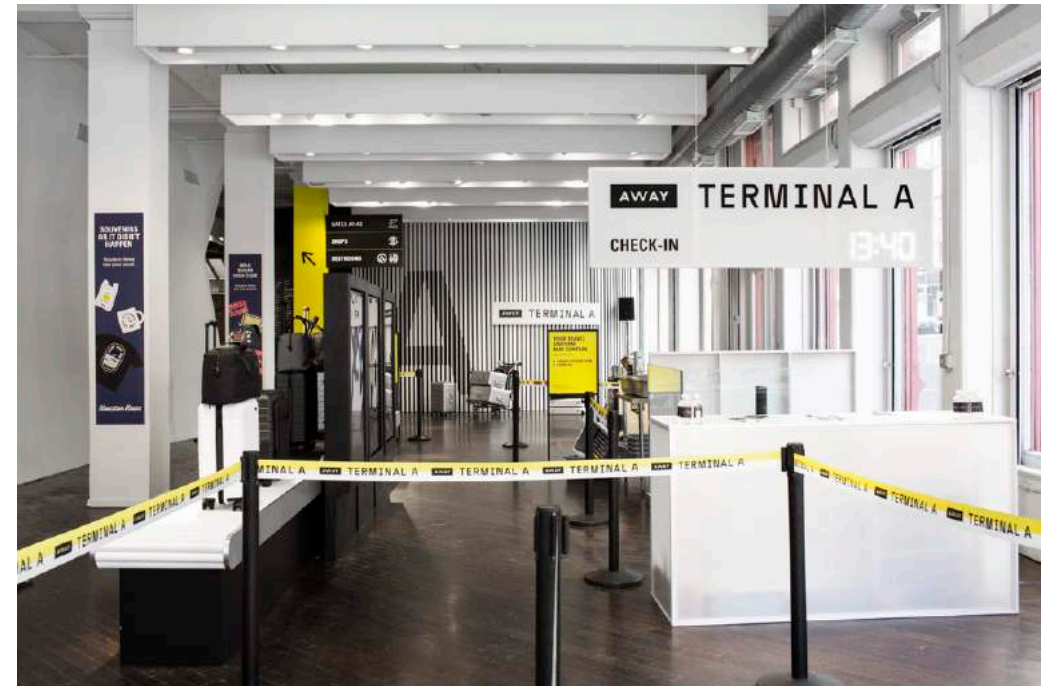
Digital retail enabler **Shopify is assisting 150 disruptors** to open locations

- 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 glamourous 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."

- 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..

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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.

Source: Retaildive.com, 10/10/18

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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"

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- 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.

THIRD PARTY LOGISTICS (3PL)

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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®
smarter logistics.

Source: Monarch website, Monarch newsroom article on ToyHouse LLC and DIFF; LogisticsBrief.com, 11/19/18; MMH.com, 9/4/18; DCVelocity.com, 6/28/18.

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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

Source:CBI, 3/28/18

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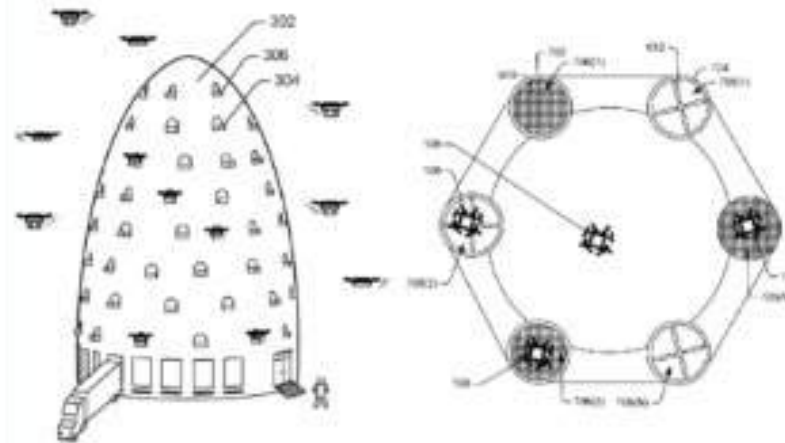
- **Birchbox**
  - Discovery commerce platform offering consumers a personalized way to discover, learn about, and shop the best beauty, grooming, and lifestyle products on the market.
  - Each month, users are shipped a selection of samples, sourcing samples from both well-known and emerging brands.
- **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 byt he 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.

HOW GWYNNIE BEE WORKS

Gwynnie Bee is a service that offers unlimited styles for women.
Raid our closet as often as you like—anytime, anywhere—and never wear the same outfit twice!
Free shipping and unlimited returns.

Try
Explore top brands and curated collections then add styles to your online closet.

Wear
Get the latest trends delivered to your door and rock them as many times as you like.

Love
Fall in love with new styles launched weekly and embrace your fashion personality.

Repeat
Wear & return — shipping is always free.

- or -

Keep
Wear & buy it for less than retail price.

The IAB direct brands report

03.Big Brands Battle Back

Source: CBI, https://www.cbinsights.com/reports/CB-Insights_Disrupting-CPG-Briefing.pdf

- **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.

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"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

TM

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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)*

Partially In-house

Completely In-house

18%
We have completely moved our programmatic buying functions in-house, and plan to continue the path.

47%
We have partially moved our programmatic buying functions in-house, and plan to continue the path.

13%
We tried or actually did bring our programmatic buying in-house, but decided to outsource this function to partners.

22%
We have no plans to bring programmatic buying in-house, rather rely on agencies and DSPs for our programmatic functions.

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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**   4 **Slightly important**
2 **Important**   5 **Not important**
3 **Moderately important** 6 **Don't know**

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Consumer-related Marketer Capabilities:

% of respondents

Use data about our customers to find similar audiences — 58%

Understand our customers' typical cross-channel buying journeys — 48%

Deliver dynamic content across digital formats, such as display, mobile and video advertising, in response to individual's behavior — 46%

Understand our customers' cross-device behaviors — 39%

Sources: http://totalaccess.emarketer.com/Chart.aspx?dsNav=Nr:P_ID:197976

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"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

Sources: https://www.campaignlive.com/article/in-housing-everything-need-know/1492428

- **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.

Brush, Only Better.
The new Colgate Connect E1 Smart Toothbrush.

BUY NOW

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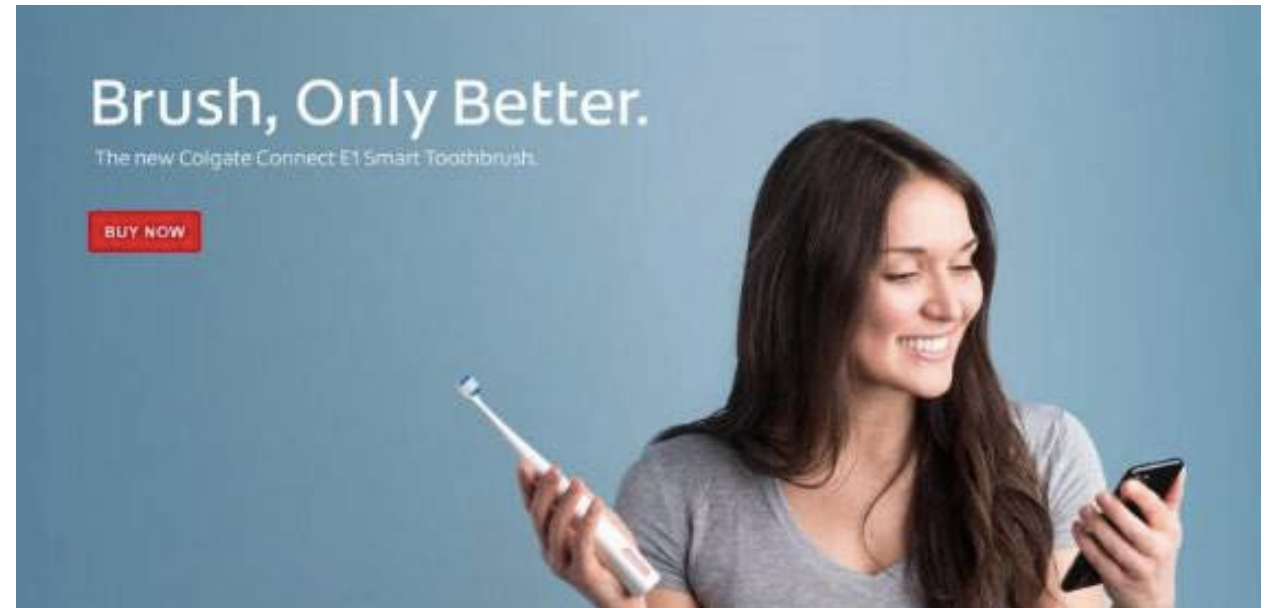
TTD leads agency intention; Oracle remains at the top of marketer list

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

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

Advertiser Perceptions

- 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.

/https://adexchanger.com/online-advertising/oracle-dmp-still-has-strong-consideration-among-marketers-but-will-it-last/
https://go.forrester.com/blogs/16-04-13-data_management_platforms_go_mainstream/

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- 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

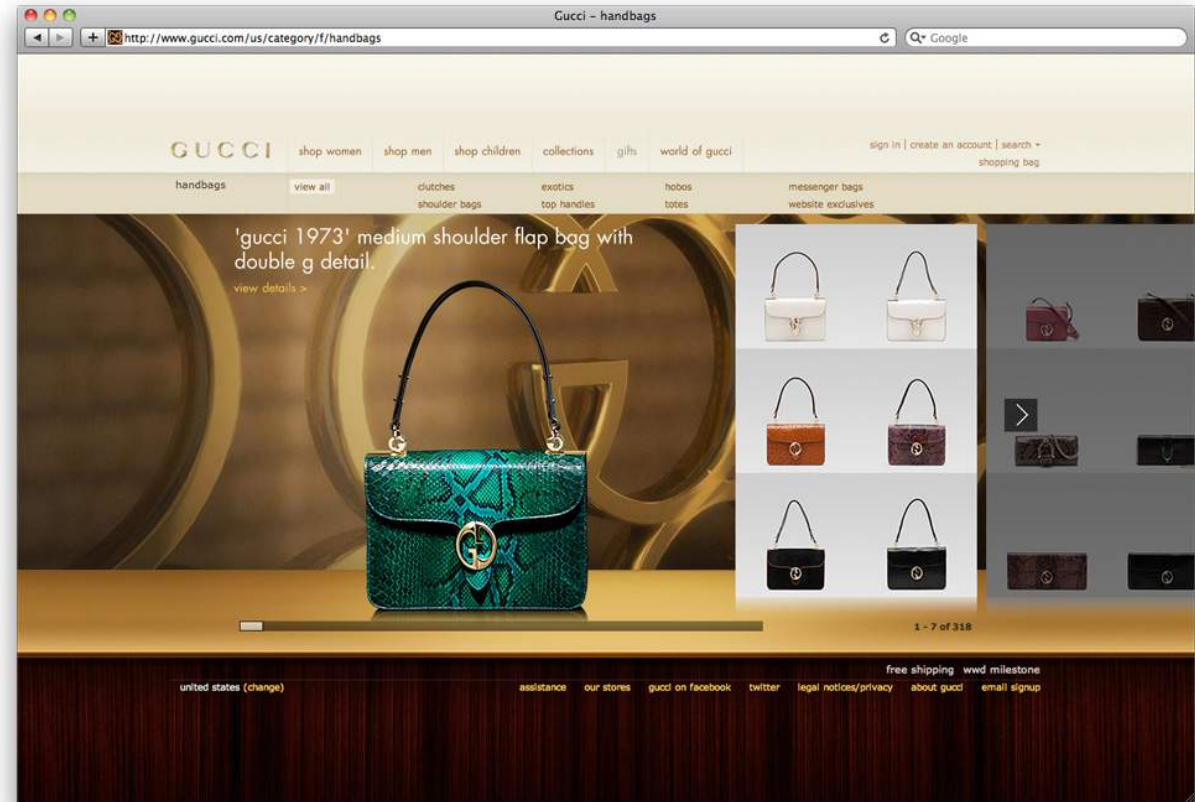- Other Drizly partners include MillerCoors, Brown Forman

Online Alcohol Leaders
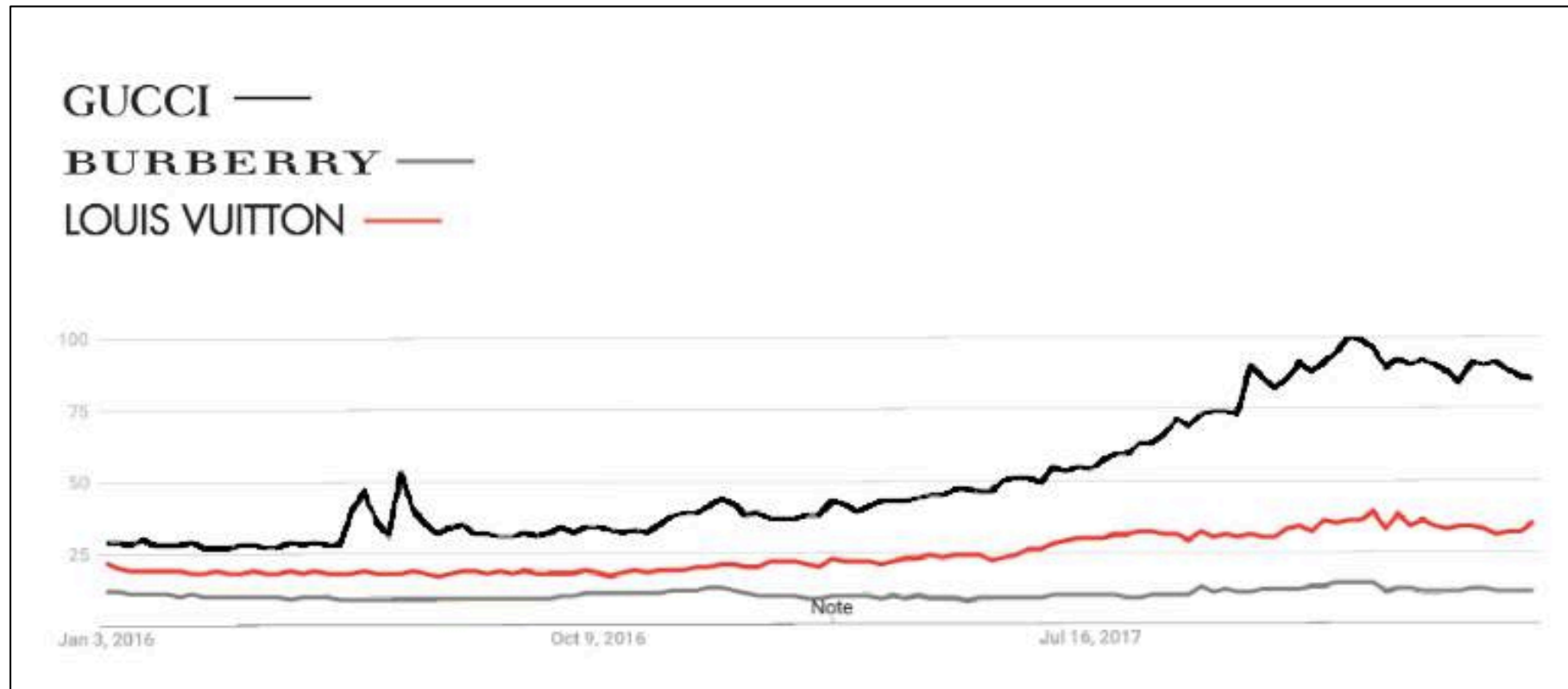
Ranked by market share of total online alcohol sales

Wine.com — 19.31%
Drizly Inc. — 19.16%
Total Wine — 16.18%
Minibar — 12.50%
Fresh Direct — 8.14%
BevMo — 6.16%
Safeway — 2.83%
Harris Teeter — 2.64%
Walmart To Go — 2.31%
delivery.com — 1.80%
Others — 8.97%

Jan 1, 2016 - Jan 31, 2018.
Sample size: 65,156 U.S. online shoppers.

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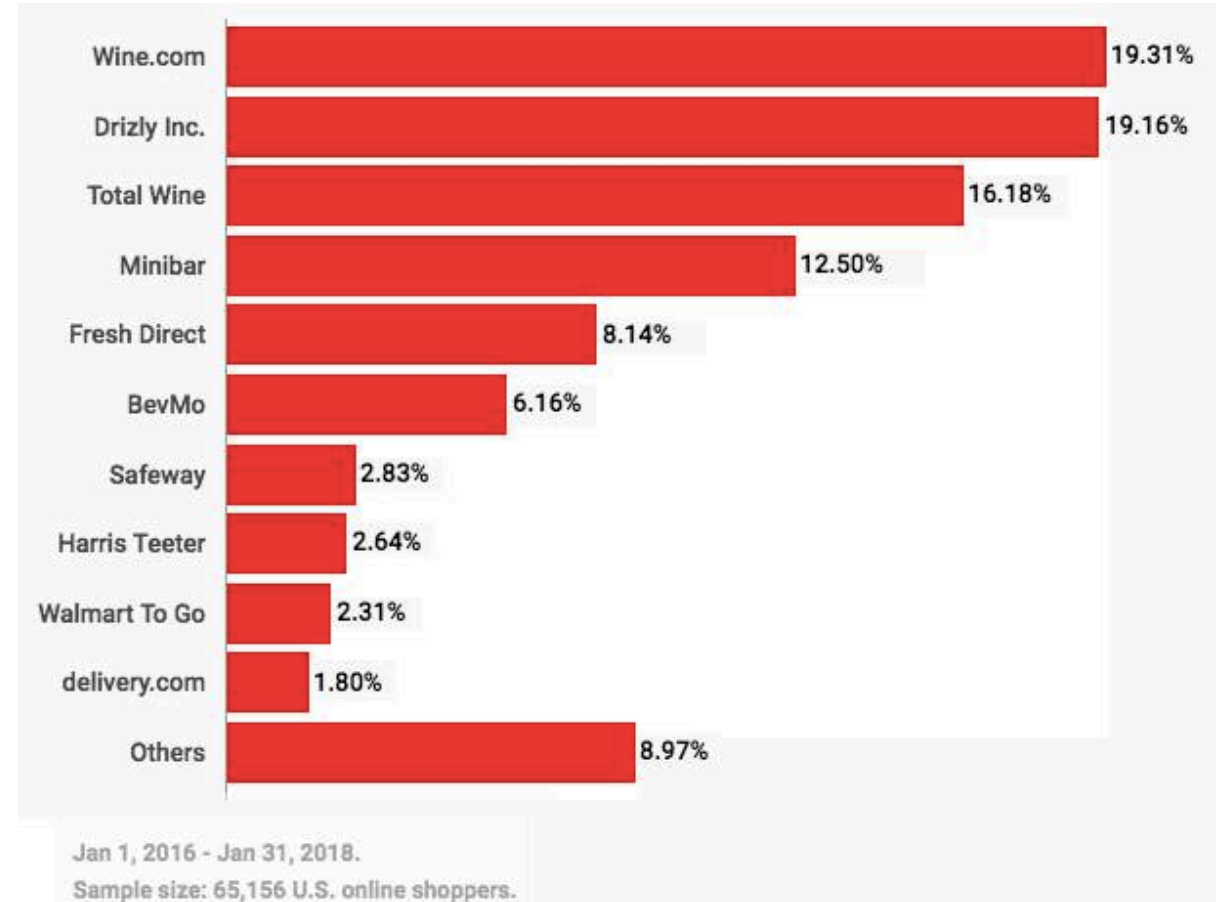
The trend: Boosting agility to **minimize wholesale dependency**

- 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.

Source: CPP-Luxury.com, 7/30/18

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Search Interest Over Time

hack
the CAC

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add some V
to that LTV

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mi casa

es su casa

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change the
omnichannel

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get
experienced

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build brand

newsrooms

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