How to Be a 21st Century Brand
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Every year, I stand in front of you, and I plead, cajole, and admonish you to clean up digital advertising, and be as trustworthy and transparent as our collective better nature would have us be.

This year, I'm not going to do that. Oh, you still must be trustworthy and transparent, and you still need to drive forward to create the safe, welcoming environment that human beings and businesses alike can appreciate and adore.

But today, I want to focus you on something deeply positive. And that subject is growth.

Last February, IAB commenced a study on the evolution of brand marketing. Today, we are releasing the results of that research. Without hyperbole, I believe we have cracked the code of the new consumer economy. I promise you will leave this IAB ALM understanding very deeply "How to Build a 21st Century Brand" – and how all of you in this room can be a well-rewarded part of the construction crew.

[SLIDE – ENDURING SHIFT]

Let me begin this journey with a claim: Warby Parker in eyewear, Glossier in cosmetics, Casper in mattresses, Away in luggage – these are not interesting curiosities. These companies actually represent an enduring shift in the way the consumer economy operates.

[SLIDE – BRAND GROWTH IN CRISIS]

To understand what they represent, and where we are hurtling, you first must understand where we are. If you're a longtime incumbent brand in most consumer categories, where you are, is in crisis.

[SLIDE – INDIRECT BRAND ECONOMY]

For nearly 140 years – since Procter & Gamble invented Ivory soap, ushering in the era of consumer packaged goods – dominant consumer-facing companies created value through their ownership and operation of high-barrier-to-entry, capital-intensive supply chains. In category after category, the most successful companies owned outright or had significant control over every major function within their supply chain, from the sourcing of raw materials to the ownership of their factories and warehouses, to the railway cars and trucks that got their goods to market.

So powerful was this form of value creation that brands could afford to go through a laborious form of value-extraction involving multiple third parties - and still make money. We call this "The Indirect Brand Economy."

Brands would first go through advertising agencies, because agencies, beginning in the late 19th Century, owned all the competitive pricing information about media. The agencies then went to another third party, what we today call publishers, because publishers controlled virtually all access to the consumer.

But the publishers were responsible, directly or indirectly, for getting the consumers to visit yet a third third-party, the retail store. As recently as 1992, physical retail stores claimed more than 96 percent of the $2 trillion in U.S. retail sales, according to the U.S. Census Bureau. Nonstore retailing - the selling of goods and services outside the confines of a retail facility, including direct selling, mail order, catalogue sales, telephone solicitations, and e-commerce - accounted for less than 4 percent of retail sales.

[NEW SLIDE – SUPPLY CHAIN DOMINANCE]

How powerful was such supply chain dominance? If you could make it to number one in your category, and you committed resources to distribution, production, and managerial expertise, chances are you could stay number one. In the 25 categories on this chart, 19 of the brands that were #1 in 1923 were still #1 in 1983.

[NEW SLIDE – GROWTH SLOWING]

But a few years ago, growth just started slowing down. Most parts of the consumer economy today are barely keeping up with the already anemic 2.6 percent GDP growth in the fourth quarter of 2017.

In some categories, the degree of slowdown is alarming. Total CPG unit purchases in the U.S. decreased by 2.5 percent in Q1 2017 compared with Q1 2016, according to our cousins at the Association of National Advertisers. This after flat growth from 2013 through 2016

[NEW SLIDE – PROFIT PRESSURES]

Unsurprisingly, this weak revenue picture has put severe pressure on company profits, with several of the world's most venerable CPG brands showing significant declines from 2016, and only one – Unilever – outperforming.

[NEW SLIDE – RETAIL APOCALYPSE]

Without question, one of the biggest contributors to incumbents' pain is the slow erosion of physical retailing. Almost 9,000 stores closed shop in the United States in 2017, with clothing stores leading the way. The commercial real estate firm Cushman & Wakefield estimates this will climb to around 12,000 closures this year.

Mind you, consumption isn't going away. What's changing is the way consumption is done. The singular fulfillment experience called the physical retail store is undergoing a big bang, and fragmenting into multiple fulfillment experiences.

[NEW SLIDE – IS PROPELLING]

Nonstore retailers – 4 percent of $2 trillion in retail sales in 1992 – by last February had grown to account for 10.4 percent of the $5.3 trillion retail economy.

In some categories, all growth is happening in these digital channels. For fast-moving consumer goods, Nielsen says dollar sales in brick-and-mortar stores increased just 0.1 percent during the first half of 2017. Online channels saw a 21.1 percent uptick in sales.

[NEW SLIDE – RAZORS]

How powerful is this revolution in retailing? Fundamentally, it's opened up the economy. A brand no longer has to fight its way onto scarce physical retail shelves to make its way to the buying public.

In the razor category, Gillette's share of the U.S. men's-razors business fell to 54% in 2016, from 70% in 2010. Almost all of that share has shifted to Dollar Shave Club, Harry's, and several other digital primary sellers.

[NEW SLIDE – CPG]

In 2016, small and medium-sized CPG manufacturers together represented 64% of sales, up from 39% in 2015.

[NEW SLIDE – CONTACT LENSES]

In contact lenses, incumbent growth has been good - J&J's Acuvue saw 8 percent revenue growth, and Bausch & Lomb saw 6 percent year-on-year growth in 3Q'17. But Hubble Contacts growth has been spectacular: 20% *monthly.*

[NEW SLIDE – PET FOOD]

In pet food, subscription service The Farmers Dog is averaging 40-50% revenue growth monthly, in a U.S. pet food market projected up 4.4% in 2018.

[NEW SLIDE – MATTRESSES]

Dozens of mattress companies selling direct to consumers online garnered more than 5% of the market in 2016, and were projected to double share in 2017.

[NEW SLIDE – GROCERY]

Grocery store revenue growth is projected to be about 1 percent annually through 2022. Over that same period, the market for Meal Kits is expected to grow by a factor of 10x.

[NEW SLIDE – SHOES]

Sales at U.S. shoe stores in February 2017 fell 5.2%, the biggest year-over-year tumble since 2009. Online-only players like Allbirds, Jack Erwin, and M.Gemi have gained nearly 15 percentage points of share over five years.

[NEW SLIDE – THE THREE LAST MILES TITLE]

What's propelling the increasing velocity of this new consumer economy? One compelling way to think about it is that there are three last miles that any consumer brand must traverse, and that technology is closing those gaps with increasing rapidity.

[NEW SLIDE – THREE LAST MILES]

There's the last mile to the head: Communication of the rational value of a product or service to the consumer. "Less filling, great taste." "50 percent off – today only." These are all rational or functional appeals.

There's the last mile to the heart: Emotional appeals that place a product or brand within someone's lifestyle, soul, or demographic. "Nobody gets between me and my Calvin's." "Baseball, hot dogs, apple pie, and Chevrolet." "Real women, real beauty" – these are historic emotional appeals.

And there's the last mile to the home: Getting the goods into the hands of the consumer.

[NEW SLIDE – THE CLOUD IS CLOSING]

The technology that is closing all three last miles is the cloud-based Internet.

I think it's fair to say that the cloud is to the 21st Century what the mechanical loom was to the 18th Century – a technology that changes the geographic scope and human scale of an endeavor.

Centuries of progress took goods and produced them faster, distributed them more widely, and got them to where they were needed just-in-time. The Cloud took this increasingly finely-tuned ability to manage supply and demand across borders, and enabled it to segment down to the individual level. For the first time, it became possible for customers to make demands of companies as individuals – and to have those demands fulfilled.

[NEW SLIDE – FORCING BRANDS]

This individual connectedness between companies and consumers – an impossibility just 25 years ago – is now an assumed right. Today, J.D. Power says two-thirds of consumers expect direct connectivity to companies.

[NEW SLIDE – FIRST PARTY DATA]

But this isn't a one-way street, of consumers making demands and companies meekly acquiescing. Brands get something equally valuable – first-party data that fuels every other function of the enterprise.

[NEW SLIDE – HOSTS THE RACE]

This is the proper way to look at the frenzied race to etail. It is not just about consumer convenience. It is not just about data. It is not just about the sale. It is about all three, together, inextricably intertwined. The greater the number of digital consumer relationships, the more a brand gains first-party data that continually improves every other enterprise function. The better your products, the more acute your customer value analysis, the more refined your pricing, the more precise your real-time analytics and offers, the more competitive your company becomes.

Strip away everything else you may have heard or think about digital advertising. Forget about opaque words like "programmatic" and malleable phrases like "content marketing."

You really only need to know one thing: A two-way relationship is inherently more valuable than a one-way impression – even though the full enterprise value may not be captured in the price of the advertising.

Understand this, and you understand half of the following equation: Data is to the 21st Century what capital was to the 21st Century.

[NEW SLIDE – THE CLOUD POWERS]

Why only half the equation? Because capital is no longer a barrier.

What's notable about the Cloud-centered industrial revolution is that every bit of it is for rent. The expensive, end-to-end, supply chain functions that companies used to need to own or control are now promiscuously available for lease. And by this, I'm referring not only to the so-called "soft functions" of marketing, communications, and customer care, but the extremely hard functions of sourcing, production, logistics, and fulfillment.

[NEW SLIDE – SCAAS]

This new supply chain revolution is called Supply Chain as a Service, and it allows companies to outsource to a single provider or to multiple providers any and all the essentials of their supply chain – inventory management, production, supply planning, quality control, maintenance - in the same way business process outsourcing enabled them to outsource back-office functions in the 1980s and 1990s.

The value of scale – one of the essential support structures of the Indirect Brand Economy – is eroding.

The simplest way to understand this, I think, is this: If 25 years ago, you had an idea for a better toothpaste, a radically better toothpaste, there was nothing you could do with that idea. You wouldn't know where to go for the raw materials – and even if you did, the mint and the sodium bicarbonate would be available to you only by the ton.

If you could get your hands on the raw materials, you wouldn't be able to make anything with them, because there were no assembly lines available to a bit player like you.

If somehow you managed to make something, you couldn't afford to distribute it – because small batch warehousing and transport was the most expensive form of storage and transportation. So there was no way for you to fulfill demand.

But that's okay, because you couldn't afford to drive demand, anyway. Prime-time television was simply outside your reach. So the Duane Reade's and the Kroger's – they wouldn't talk to you. Wal-Mart? Fuhgeddaboudit.

All you could do with your better toothpaste idea was to get your Aunt June to introduce you to her old high school friend who now works at Colgate Palmolive, so you could maybe sell your toothpaste concept to them.

[SLIDE – BETTER TOOTHPASTE]

Today, if you've got an idea for a better toothpaste, you can make it, market it, sell it, and deliver it yourself. You can find, sell, and deliver to your health-conscious segment… You can start a subscription service… Or you can "unbrand" it and bring it straight home, at a discount.

[NEW SLIDE – NEW FULFILLMENT FORMATS]

As costs of entry plummet, as physical retail stores lose their singular hold on consumer fulfillment, as the need for first-party data grows, so does a fragmentation of both consumer opportunity and the fulfillment experience.

Some say there are now four primary fulfillment formats, all built around the requirement for data: direct to consumer delivery, subscription commerce, on-demand, and second-hand marketplaces.

[NEW SLIDE – CONSUMER FRAGMENTATION]

But we are seeing new spins on these spins every day, with increasing numbers of hybrid models that blend offline and online experiences. Flash stores, personal curation services, platform partnerships, virtual reality stores – you should treat these as utterly separate fulfillment experiences, as different from the physical retail store as the Porsche is from the horse.

[NEW SLIDE – INDIRECT BRANDS]

I've already said I believe this is a revolution. But I think it's now important to give it a name. As I explained at the very beginning, we have lived for almost 140 years inside what we call the Indirect Brand Economy. Indirect Brands created value through their high-barrier-to-entry, capital-intensive, owned-and-operated supply chains, and extracted that value through indirect, one-way relationships with their end consumers, mediated by a series of independent third parties, ending with fulfillment in a physical retail store.

If that was then, what is now?

[NEW SLIDE – DIRECT BRAND ECONOMY]

We call it the Direct Brand Economy. We date its origin to 2010. That's the year Warby Parker was founded.

In this new economy, 21st Century Brands create value by tapping into a low-barrier-to-entry, capital-flexible, leased or rented supply chains. And they extract that value through a multiplicity of fulfillment models, all of which have a single thing in common: they aim to create a mutually beneficial, two-way relationship between the brand and the consumer, because that interactive relationship throws off the data that is the central competitive element for every other function in the enterprise.

In the Direct Brand Economy, supply chain functions reside in four “stacks.” These are the production stack, the attention stack, the fulfillment stack, and the data stack – all of their functions available to rent, or to insource, depending on your strategic requirements.

[NEW SLIDE – D2C LOGO ANIMATION]

We see no reason to believe this Direct Brand Economy will stop, let alone go into reverse. There is no credible argument that says giant shopping malls will again flourish, or that department stores will come back into favor. This “stack your own supply chain” is now so advanced and so embedded in the economy that the trends we’ve seen for the past decade will only accelerate.

In the longer, published version of this study, we go into much richer detail in the composition of the different supply chain stacks; how they interrelate to change the competitive opportunities for consumer-facing companies; and how this new competitiveness is showing up in U.S. economic data. I encourage you to download the full report and share it with your colleagues and business partners.

[NEW SLIDE – BIG BRANDS]

The Direct Brand revolution has not gone unnoticed by the giant incumbents. This illustration by the consulting firm CB Insights brilliantly captures the Direct Brand assault on incumbents. It shows how 42 upstart Direct Brands have targeted Procter & Gamble across all its categories.

[NEW SLIDE – MOST INCUMBENTS LAG]

Still, most incumbent big brands lag the Direct Brand Revolution. According to research by IDC, only 18 percent of 100 top consumer goods companies said they were making omnichannel fulfillment via DTC a business priority in the foreseeable future.

[NEW SLIDE – SOME ARE ADAPTING]

Yet some major incumbents have been adapting for years. By 2015, Nike was already showing 55 percent year-on-year increases in e-commerce sales. Nike plans for DTC sales to grow by almost 2.5 times in the next five years, from $6.6 billion in fiscal 2015 to $16 billion by fiscal 2020.

[NEW SLIDE – SOME ARE ACQUIRING]

Some are aggressively buying their way into the Direct Brand Revolution – acquiring both capabilities and talent. Unilever’s $1 billion acquisition of Dollar Shave Club was premised on "expertise and technology in direct-to-consumer sales we can use internationally and in other parts of our business," the company said at its Investors Day last November. Unilever says that 70% of its growth in "the near future" would come from two platforms, Personal Care, and e-commerce/DTC.

[NEW SLIDE – DRIVERS AND CHARACTERISTICS]

By now, I have a sense of what you're thinking: Very interesting, Randall, but what can I do with this other than exult (if I'm Instagram) or weep (if I'm me)?

I'll admit it: We don't have all the answers. But we have some insights and case examples. We also have speakers here, on this stage and in our breakout rooms, who will be able to give you clinical answers to these questions.

But let me give you a brief sense of what these Direct Brands are, what they want, and where they are going – in the words of their founders and leaders.

[NEW SLIDE – ANDY DUNN]

The first thing you need to understand is that technically, culturally, procedurally, and socially, Direct Brands are different than their forebears.

Andy Dunn, the founder of Bonobos, has promulgated 9 rules for identifying and running what he calls "Direct Native Vertical Brands," or DNVBs. Let me emphasize a few:

- A Direct Brand's **<u>primary</u>** means of interacting, transacting, and story-telling to consumers is via the web.
- It's not a store – it's not a horizontal e-commerce player that sells lots of other companies' goods and services. It's a **<u>vertically integrated brand</u>** - manufacturing, selling, and building relationships around its own goods and services.
- The digitally-native vertical brand is maniacally focused on the **<u>customer experience</u>** – you might even argue that it's selling the experience, with the product serving largely as the enabler of the experience.
- The digitally-native vertical brand drives a lot more **<u>customer intimacy</u>** than its competition. The data is better because every transaction and interaction is captured. "It's one CRM. It's one store, where everybody knows your name."

You find these motifs recurring whenever Direct Brand founders discuss their companies.

[NEW SLIDE – WARBY PARKER]

Warby Parker co-founders Neil Blumenthal & David Gilboa have emphasized that "Web-nativity" was and remains central to their business model.

[NEW SLIDE – GLOSSIER]

Emily Weiss, who founded Glossier first as a blog before it was a product brand, says the brand serves as a facilitator for customers to get close to each other.

[NEW SLIDE – BIRCHBOX]

A "maniacal focus" on the customer means you not only understand their passions, but how their passions are prioritized, says Katia Beauchamp, the founder of the beauty company Birchbox.

[NEW SLIDE – AWAY]

The deep understanding of the consumer also explains another recurring theme we see among Direct Brands – their focus on content as differentiator. Away Travel co-founder Steph Korey says, "Storytelling is a central part of our marketing."

[NEW SLIDE – MADISON REED]

Yet Direct Brands define content and storytelling in many different ways, far more varied than we've described them conventionally in the media business. When I asked the founder of hair-coloring company Madison Reed, Amy Errett, about it, this is what she told me: "We're all about content. In fact, all our customer support people are licensed cosmeticians."

[NEW SLIDE – EVERLANE]

Central to Direct Brands is their sense of mission, and how they use mission as part of their consumer-facing story. Michael Preysman, founder of fashion company Everlane, says the brand's mission around ethics and transparency includes exposing its factory operations, pricing, and markups to consumers.

[NEW SLIDE – DOLLAR SHAVE CLUB]

By now it should be self-evident that data lives at the core of a Direct Brand. Dollar Shave Club seed founder David Pakman of Venrock has explained why: first-party data provides significant advantages over high-priced competitors that are stuck with indirect – and thus less valuable – retail-based relationships.

[NEW SLIDE – WOMEN]

And one more trend I want to highlight: An extraordinary number of Direct Brand founders are women.

Is this an accident? A data anomaly? I am positive not. Among the barriers to entry that have fallen are cultural and social barriers. A young woman with a passion for building things – in my day, they were directed into teaching, like my mother. If she was curious, and a font of new ideas – she was directed into writing or magazine editing, like so many of my friends.

Today, with barriers to entry falling in industry after industry, with costs tumbling down, a young woman with a great idea and a passion for building something around it – she can look to Emily Weiss, and Amy Errett, and Jen Rubio and Steph Korey. She can look to Stitch Fix's Katrina Lake…

[NEW SLIDE – MORE WOMEN]

She can look at Alex Friedman and Jordana Kier of Lola and Dolly Singh of Thesis. She can look to the example of all these passionate women who are <u>building companies</u>.

This is why I am so excited to have Freada Kapor Klein and Ellen Pao speaking at this IAB Leadership Meeting about overcoming unconscious biases and creating inclusive, diverse workplaces. Because if you do not, you will be losing the talent and the customers who can grow your company.

[NEW SLIDE – BRAND STRATEGY]

So… if you're a publisher… if you're an ad agency… if you're a platform… if you're a tech company… and most importantly, if you're a brand or if you're thinking of starting a brand… what does the 21st Century Brand Economy mean for you?

First, let me tell you what it doesn't mean.

It doesn't mean that Direct Brands will immediately take the place of the industrial giants that have dominated consumer product categories for generations.

Today, in addition to this research, we are releasing a list of the IAB 250, powered by Dun & Bradstreet. These are the 250 Direct Brands we believe are most worth watching, according to our analysis of hard economic data from D&B as well as cultural data from various sources.

But one thing we know right now from this work: Most of these Direct Brands are small – under $1 billion in annual sales.

Size notwithstanding, here's one other thing we can state with confidence:

You must watch them. You must know them. You must partner with them. They are not only growing their own businesses, they are driving the responsive activities of the giant incumbents.

Which brings me to Strategy Number 1:

[NEW SLIDE – BECOME DIRECT]

There is only one strategy in the world: Become Direct.

For incumbent Indirect Brands, you must become a Direct Brand. For upstart Direct Brands, you must break through the revenue and share barriers that are keeping you small. For every other company that serves them, you must help them become direct, and grow their business in that environment.

[NEW SLIDE – DISNEY]

This applies to publishers, as well. It's now a commonplace that pressures on the traditional advertising economy will continue to drive down traditional advertising spend. Publicis "guru-in-chief" Rishad Tobaccawala this week publicly estimated that advertising spend will decline 30 percent in the next five years. Publishers need to become expert at selling themselves, not just their advertisers. Disney CEO Bob Iger said at the time he announced the acquisition of 21st Century Fox's major assets that direct to consumer offerings "are our highest priority this year."

[NEW SLIDE – 2-WAY RELATIONSHIP]

At the center of becoming direct must be the recognition that a two-way relationship is more valuable to all brands than a one-way impression. It's not that mass advertising won't matter. It's that it will become less valuable as more and more consumer-facing brands cross the chasm and concentrate their activity on creating, reinforcing, and extracting value from their direct consumer relationships.

[NEW SLIDE – 2- WAY CHARTS]

Media spending patterns don't lie. As the data from Zenith Media show, digital advertising will continue to skyrocket versus other media forms because it provides data-enriched value.

[NEW SLIDE – BRAND SAFETY]

This means that brand safety is not optional. It is a requirement in the 21st Century Brand Economy. The reason has little to do with the soft concept of "reputation." It's because if you don't have your consumers' trust, you won't get their data. And without their data, you don't have a company.

[NEW SLIDE – FIND YOUR NEXT]

For the major media that have built the economy since the advent of industrialization, you must find your next 5,000 customers.

Brian Wieser of Pivotal Research is the industry's most respected analyst of media spending patterns. His analysis – which includes a deep dive into a decade's worth of IRS data - is stark: 200 marketers account for around 90 percent of network TV spend, around 60 percent of all television, and around one-third of all paid media – and they are not growing.

Brian will be teaching a Master Class on media spend analysis later today. But for now, the summary lesson is: Main media need more customers from this long tail, and this long tail wants direct relationships and data.

That leads to another lesson. In the words of VC Andrew Cleland of Comcast Ventures, to get the new class of Direct Brands as customers, you must derisk the buy.

[NEW SLIDE – DERISK]

Digital platforms have created multiple mechanisms for reducing the participation risk for smaller advertisers. Others must learn from them. Different pricing schema are an element of de-risking the buy. It doesn't necessarily need to be lower pricing, just more adapted to risk. The pricing could, for example, be partially linked to website traffic or foot traffic in stores.

And most certainly, far richer analytics and more concrete attribution models are a way main media can increasingly take risk out of their models.

Self-serve mechanisms are another answer – especially self-serve options that allow brands to assemble their own creative, rather than reflexively relying on big agencies and their added production costs.

Certainly, another strategic takeaway from this emphasis on creative is that story matters.

[NEW SLIDE – STORY MATTERS]

Direct Brands are as subject to commoditization perceptions as Indirect Brands. Perhaps even more subject to such pressures, in that the barriers to entry are low, every competitor has access to the same supply chain functions, and the basic cost of attention also is low. Taken together, that renders differentiation by function or price difficult, and compels direct brands early in their lifecycle to start differentiating by lifestyle, and by story.

[NEW SLIDE – GIMLET MEDIA]

We think this is why publisher content studios have become such a popular service for Direct Brands. Consider the branded content podcast partnership between Menu Box service Blue

Apron and Gimlet Media. It's designed to enhance Blue Apron's strategy "to build a lifestyle brand around home cooking, deepen our relationship with our customers, and win new fans."

[NEW SLIDE – HYBRIDIZE]

This leads directly to the next strategic insight. The singular fulfillment experience – the drive-them-to-third-party-retail-store consummation of brand communications that dominated for more than a century – is now over.

That means you've got to help brands hybridize.

By "hybridize," I mean aid the brands as they develop their own presence across myriad spaces – especially the virtual and the physical. Here's the mantra to remember: Because there are now multiple ways to fulfill desire, you must have multiple ways to instill desire.

[NEW SLIDE – MASTERCARD]

Here, incumbent media companies have an advantage. Magazines, television networks, and radio stations have been developing in-store programs, ride-and-drives, and events for generations;. But as fulfillment experiences proliferate, so does the need for more creativity – as in this pop-up store created by Hearst's Marie Claire for Mastercard.

Why do Direct Brands want such multidimensional access to their consumers? Because no matter how intimate a brand's relationship with a consumer, that relationship is almost entirely one-dimensional. Mars Petcare will know its consumer only as a dog owner. But in IRL and in virtual space alike, we all live varied and complex lives.

[NEW SLIDE – BRING BRANDS]

Hence my final piece of strategic guidance: Bring brands a three-dimensional view of their one-dimensional customer. This is what the best media companies, agencies, researchers, and creatives have done since the beginning of modern marketing – understand the total consumer, everywhere he or she may be.

[NEW SLIDE – NBCU]

Applying that combination of creativity and analysis in all places and spaces is essential. Consider the many ways NBCU is able to showcase for CPG clients its ability to pump social media presence, provide cross-platform exposure, arrange live events, activate sports marketing, and develop branded content – all at scale, and all with data emerging.

A last word.

I have laid out for you a new framework for understanding the consumer economy. We are committing IAB to this framework – and to helping you navigate this exciting, obviously transcendental evolution in the way brands and consumers interrelate.

Eighty percent of what IAB, the IAB Tech Lab, and the IAB Education Foundation do will not change. We will still work with our members to identify best practices for growing company revenues and profits. We will still put the highest priority on brand safety and consumer safety, because as I say year after year, no trust means no data means no business.

We still will devote ourselves to developing global, cross-industry technical standards, to create greater, safer efficiencies in the marketing and media supply chain.

But here’s what will change.

[NEW SLIDE – IAB ACTIVITIES]

We’re going to bring the brands into the room. Our members have a lot to learn from them and their evolution. We also have a lot to teach them – about the best content marketing, risks to their data in the global public policy environment, best practices and technical developments in attribution modeling, and many other things.

The centerpiece of this mutual learning experience will be the IAB Direct Brands Conference on October 30-31, 2018. This conference will become an annual fixture on the IAB calendar.

At that event, we will release a more refined version of the IAB 250, pinpointing exactly which Direct Brands – both newcomers and evolved incumbents – are having the most impact in their categories.

We also expect to release our first-ever benchmarking report on the Direct Brand Economy, diving deep into their operations to learn how they work with media, marketing, and data partners, what obstacles they are facing, and what’s contributing to their growth.

And we’ll be collecting your case studies. Because our goal is to help them grow – and to help you grow.

There was a lot in here, and I know you want a wrap-up. Let me leave you with four key points.

- The world is awash in capacity for producing, marketing, and delivering goods and services to consumers – and drawing first-party data from those interactions. That “stack your own supply chain” is generating thousands of new companies, and changing the competitive requirements for all companies.
- To succeed in this new economy, you must become a Direct Brand, or serve the needs of Direct Brands – and what they need more than anything else is to create more, and more enduring, two-way relationships with their consumers.
- Creating those data-enriched relationships most certainly requires technology, but it also requires story, for there are three last mile gaps that must be closed: to the head, to the home, and to the heart.
- Maintaining and growing enduring two-way relationships between brands and consumers requires authenticity and trust. For trust equals data equals growth.

And growth is the goal. Growing businesses underpin a growing economy, and a growing economy creates more jobs and more fulfilling lives for human beings. So go forth and build this exciting 21st Century Brand Economy.

Thank you.

[END SLIDE – THANK YOU]