the rise of
the 21ˢᵗ century brand economy

IAB Annual Leadership Meeting
Palm Desert, CA
February 12, 2018

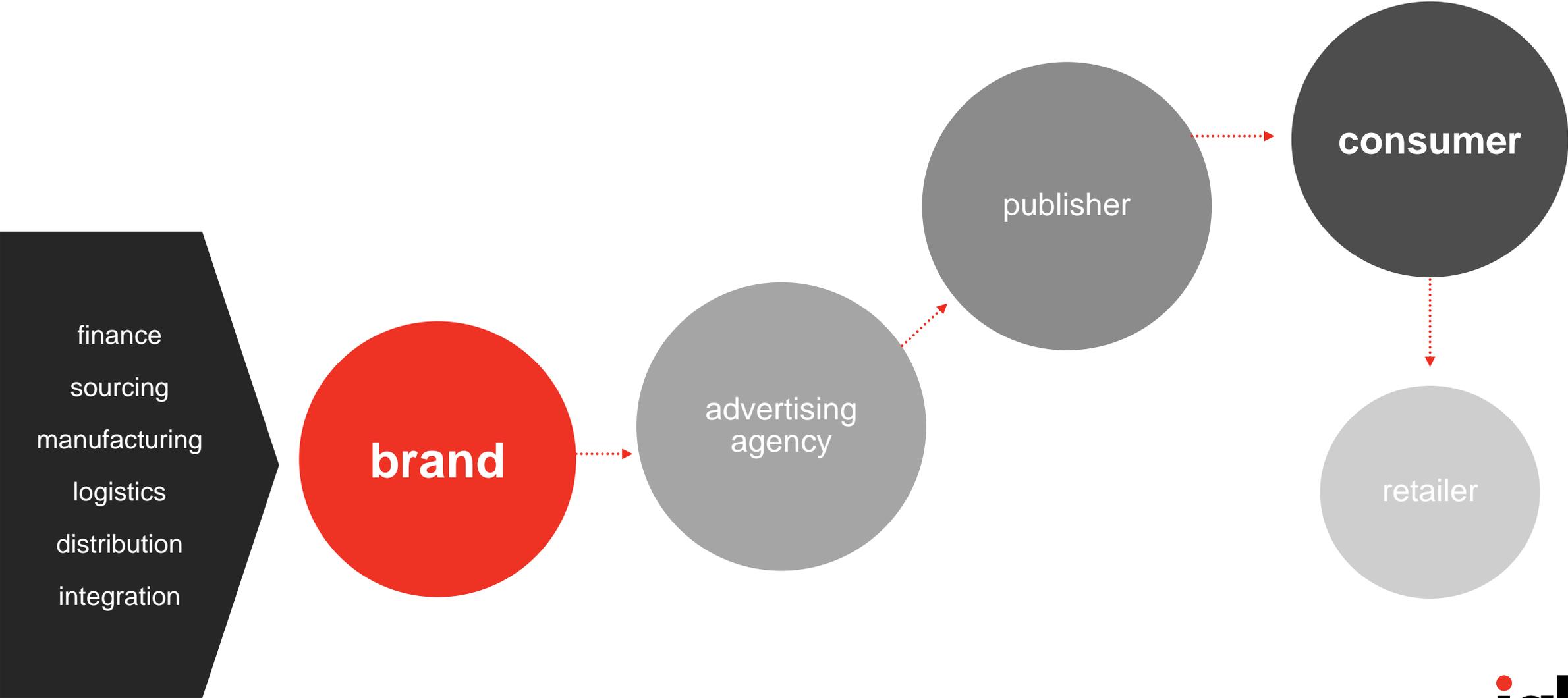# **table** of contents

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key takeaways

1. Permanent changes in industry supply chains are shifting the center of growth in the U.S. consumer economy.

2. Economic benefits are accruing to firms that create value by tapping into low-barrier-to-entry, capital-flexible, leased or rented supply chains. These include thousands of small firms in all major consumer-facing categories that sell their own branded goods entirely or primarily through their owned-and-operated digital channels.

3. The singular retail fulfillment experience has permanently changed to a variable experience, which in turn transforms all value-creation and –extraction activities before, during, and after the sale.

4. All retail sales growth is shifting from brick-and-mortar stores to digital, data-enriched channels.

5. First-party data relationships are important not for their marketing value independent of other functions, but because they fuel all significant functions of the enterprise, including product development, customer value analysis, and pricing.

6. An arms race for first-party data is influencing strategy, investment, and marketing strategies among major incumbent brands across all categories.

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enduring shift in the consumer economy

the 21st century brand economy

01. brand growth
in crisis

the indirect brand economy, 1879 - 2010

finance
sourcing
manufacturing
logistics
distribution
integration

brand

advertising
agency

publisher

consumer

retailer

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historically, **supply chain dominance** = market dominance

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			

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Fortune 500 – Growth rate by sector
Weighted revenue growth by sector (2014-16)

Rank	Sector	Number of companies	Weighted growth
1	Healthcare	45	12.6%
2	Technology	47	6.3%
3	Food & Drug Stores	10	3.2%
4	Retail	45	2.1%
5	Telecommunications	11	2.0%
6	Transportation	19	1.8%
7	Financial Services	78	1.1%
8	Business Services	19	0.5%
9	Defense & Aerospace	12	0.4%
10	Engineering & Construction	12	0.4%
11	Apparel	5	0.3%
12	Automotives	17	0.2%
13	Media	11	0.0%
14	Restaurants and Leisure	11	-0.1%
15	Household Products	15	-0.3%
16	Materials	20	-0.6%
17	Chemicals	14	-0.8%
18	Industrials	15	-1.2%
19	Food, Beverages and Tobacco	29	-1.4%
20	Energy	64	-19.0%

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the old CPG machine is sputtering …

US CPG In Store Retail Sales, by Store Type, 52 weeks ending Feb 19, 2017
Billions and % change vs. prior year

	CPG in-store retail sales	% Change vs. Prior year
Grocery*	$314.4	0.1%
Club	$83.1	-0.6%
Drug	$49.1	-0.1%
Mass/supercenter*	$32.0	-3.0%
Dollar	$15.7	-0.3%
Hardward-home	$5.0	-2.0%
Health/vitamin	$1.1	-3.4%
Total	**$759.5**	**0.5%**

Note: *excludes Walmart; **includes ecommerce
Source: IRI, "IRI Channel Performance Report," July 26, 2017

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INDUSTRY OVERVIEW

THE FMCG (FAST-MOVING CONSUMER GOODS) INDUSTRY DECLINED BY $3B IN 1Q'17, BUT WAS ABLE TO REBOUND TO FINISH +1% IN SALES VS. PRIOR YEAR. SLOW, SELECTIVE GROWTH IS EXPECTED AS DOLLARS SHIFT ACROSS THE STORE TO NEW CATEGORIES AND TO NEW CHANNELS

LEADING GLOBAL BRANDS: 2017 U.S. EARNINGS

P&G
(2017 YEAR TO DATE)
(+1%) → $27.3B

General Mills
(2017 YEAR TO DATE)
(-7%) → $10.2B

Kellogg's
3Q17
(+.06%) → $3.3B
*marks the first quarter of growth in over 2.5 years

Unilever
(FIRST FISCAL HALF)
2017 (+5%) > $7.1B

KraftHeinz
3Q'17
(-4%) → $4.4B

Coca-Cola
3Q'17
(-3%) → $2.7B

PEPSICO
3Q'17
(-10%) → $5.3B

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a retail apocalypse …

Clothing stores and entertainment chains lead store closing surge
Q1-Q3 2017 data

6,752 announced store closings

2,502	Apparel
1,933	Home entertainment
735	Footwear
553	Department stores
415	Misc. retail
240	Bookstores
165	Jewelry stores
155	Sporting goods

❯ More than 8,600 U.S. retail stores shuttered in 2017

❯ The number of bankruptcy filings by U.S. retailers, with at least $250 million in liabilities, nearly doubled in 2016.

Source: https://www.bloomberg.com/graphics/2017-retail-debt/

http://time.com/4865957/death-and-life-shopping-mall/
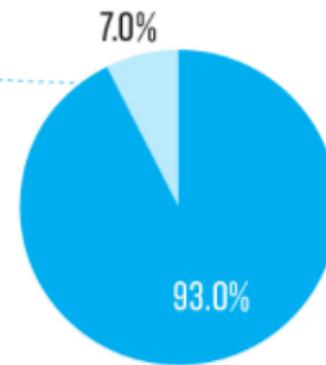file:///C:/Users/randall/Downloads/kp-pixlee-2017-digitally-native%20(1).pdf

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DOLLAR SALES GROWTH ACROSS CHANNELS

Online channels drove 90% of FMCG growth in the last year

TOTAL MARKET - $ (BILLIONS)
+1.4% VS. YEARS-AGO

$ SHARE

7.0%

$1,019

$1,005

93.0%

| YEAR-AGO | CURRENT | BRICK & MORTAR | E-COMMERCE |

Source: Nielsen

... **and towards digital** channels

Table 1.   Estimated Quarterly U.S. Retail Sales: Total and E–commerce[1]
(Estimates are based on data from the Monthly Retail Trade Survey and administrative records.)

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 2017(p)	1,268,887	115,345	9.1	1.1	3.6	4.3	15.5
2nd quarter 2017(r)	1,254,819	111,369	8.9	0.4	4.7	4.0	16.0
1st quarter 2017	1,250,055	106,383	8.5	1.1	4.7	5.1	15.4
4th quarter 2016	1,236,638	101,606	8.2	1.6	1.7	3.7	14.2
3rd quarter 2016(r)	1,217,100	99,875	8.2	0.9	4.0	2.1	15.4
Not Adjusted							
3rd quarter 2017(p)	1,268,782	107,002	8.4	–0.4	1.9	4.0	15.5
2nd quarter 2017(r)	1,274,074	105,024	8.2	9.4	6.8	4.4	16.2
1st quarter 2017	1,164,228	98,292	8.4	–10.4	–19.8	3.7	15.1
4th quarter 2016	1,299,699	122,515	9.4	6.5	32.2	3.6	14.0
3rd quarter 2016	1,220,051	92,644	7.6	–0.1	2.5	2.2	15.5

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

[1] E-commerce sales are sales of goods and services where the buyer places an 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, sample design, and definitions, see http://www.census.gov/retail/mrts/how_surveys_are_collected.html.

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Razors

Gillette's share of the U.S. men's-razors business fell to 54% in 2016, from 70% in 2010. Both Dollar Shave Club and Harry's combined U.S. share rose to 12.2%, from 7.2% in 2015.

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innovation-led growth is shifting to smaller DTC & boutique brands

CPG

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

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Contact Lenses

J&J's Acuvue: +8% YOY

Bausch & Lomb: +6% YOY

Hubble Contacts: +20% monthly

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Pet Food

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

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.

https://www.forbes.com/sites/amyfeldman/2017/05/02/dozens-of-upstart-companies-are-upending-the-15-billion-mattress-market/#70b4bedc7da3

Grocery

Grocery store revenue growth is projected to be ~1% annually through 2022. The market for Meal Kits is expected to grow by a factor of 10x over that period.

Shoes

Sales at U.S. shoe stores in February 2017 fell 5.2%. Online-only players like Allbirds, Jack Erwin, and M.Gemi have gained nearly 15 percentage points of share over five years.
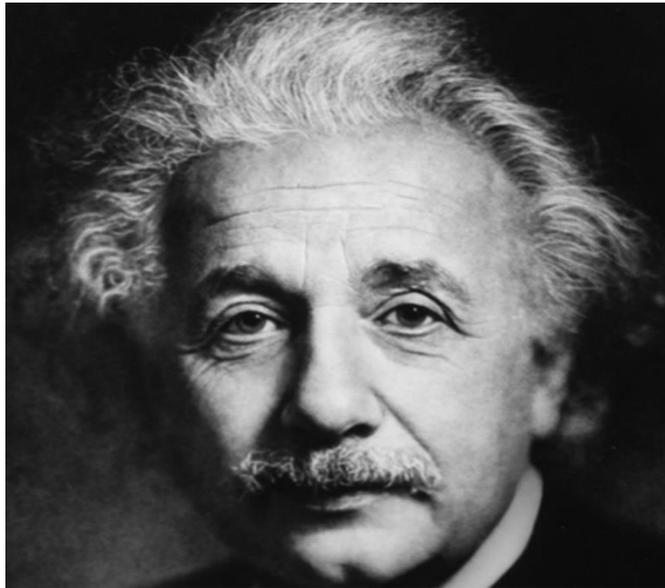
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the 21st century brand economy

02. the three last miles

brands must traverse three last miles

TO THE HEAD
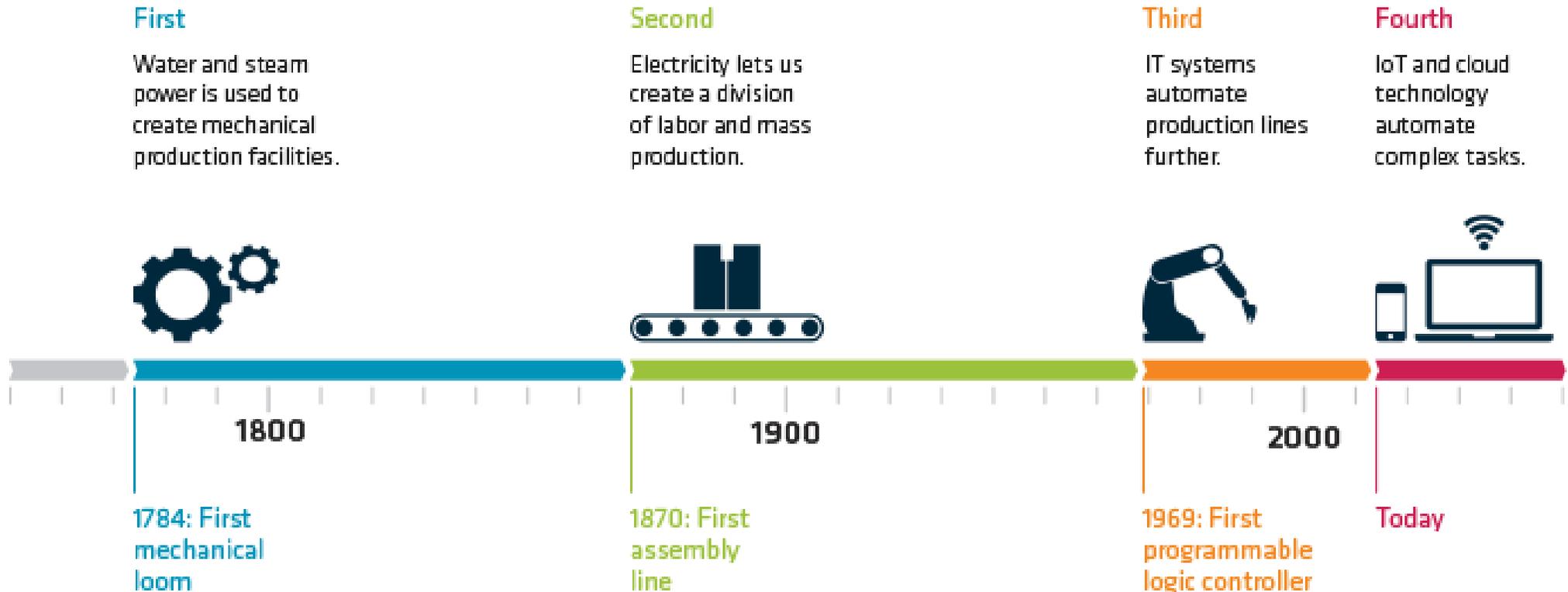
TO THE HEART

TO THE HOME

the cloud is closing all three gaps

Industrial Revolution Timeline

First
Water and steam power is used to create mechanical production facilities.

Second
Electricity lets us create a division of labor and mass production.

Third
IT systems automate production lines further.

Fourth
IoT and cloud technology automate complex tasks.

1800

1900

2000

1784: First mechanical loom

1870: First assembly line

1969: First programmable logic controller

Today

the cloud enables the "relocalization" of businesses ...

Machine	Mechanical Loom	Electricity	IT	The Cloud
Scale	Local	National	Global	Relocal
Relationship	One size fits all	One size fits everywhere	One size fits everywhere greatly	One size fits one
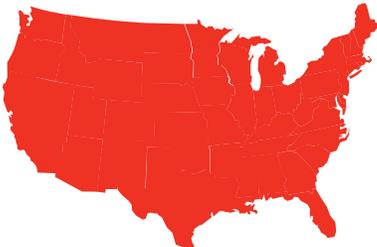
1st Industrial Revolution

2nd Industrial Revolution

3rd Industrial Revolution
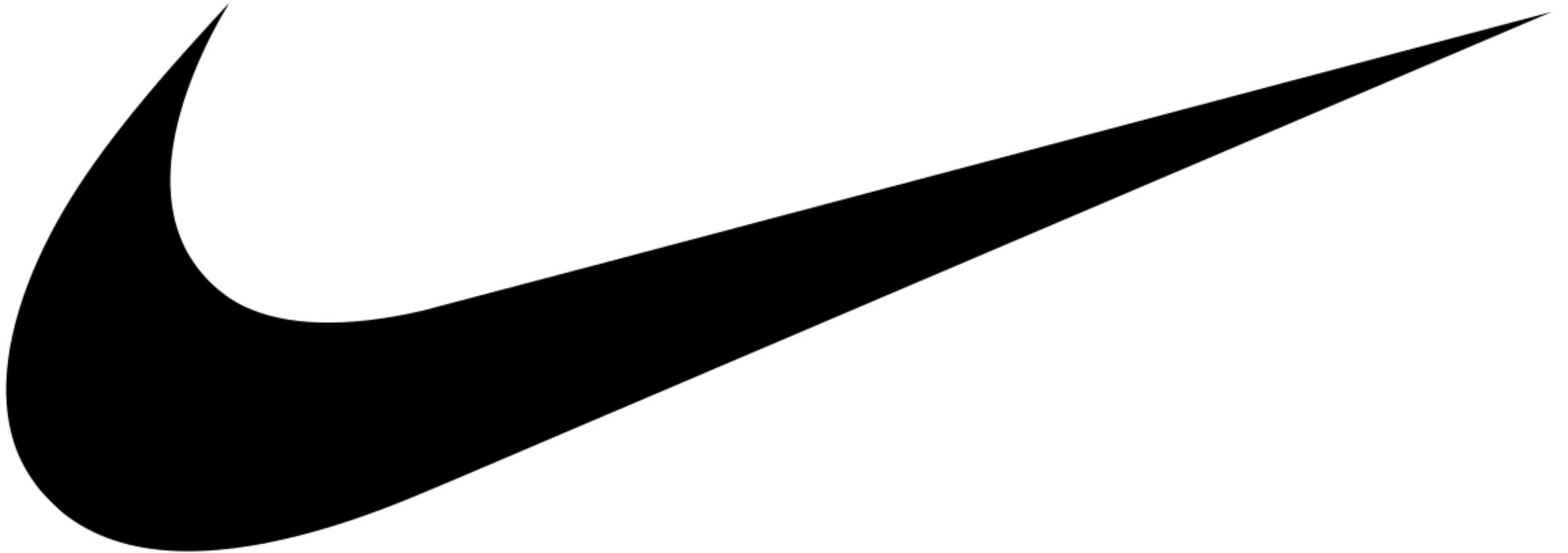
4th Industrial Revolution

2/3
of consumers expect direct brand connectivity

67%
of consumers have used a company's social media site for servicing

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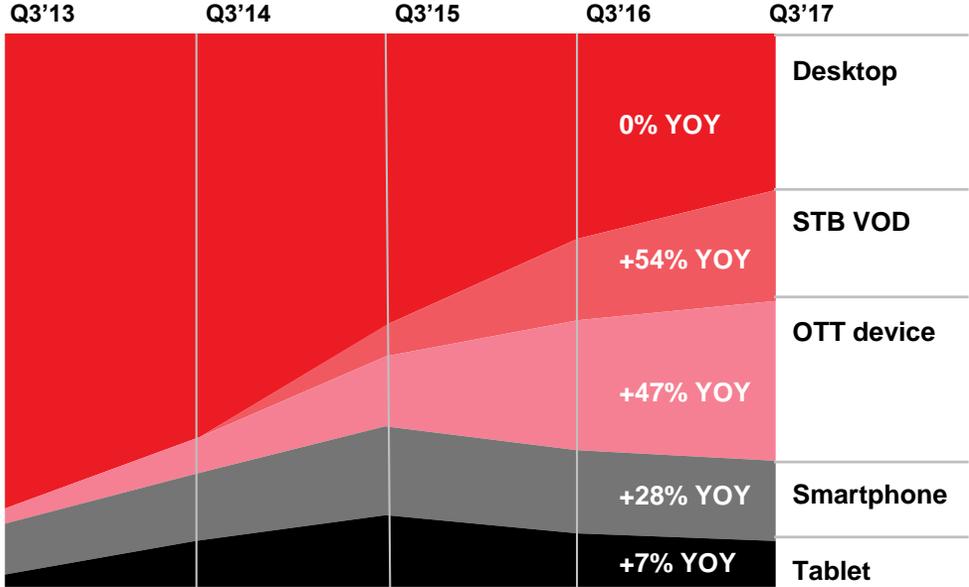# 1st party data fuels every enterprise function

the cloud hosts the race to e-tail (and its richer trove of data)

"What CPGs lack more than anything is actionable consumer data," says Brian Cohen, head of digital integration at marketing agency Catapult. "
A DTC engine allows them to collect insights directly."

the cloud turns media into data

Ad view composition and growth by device, US
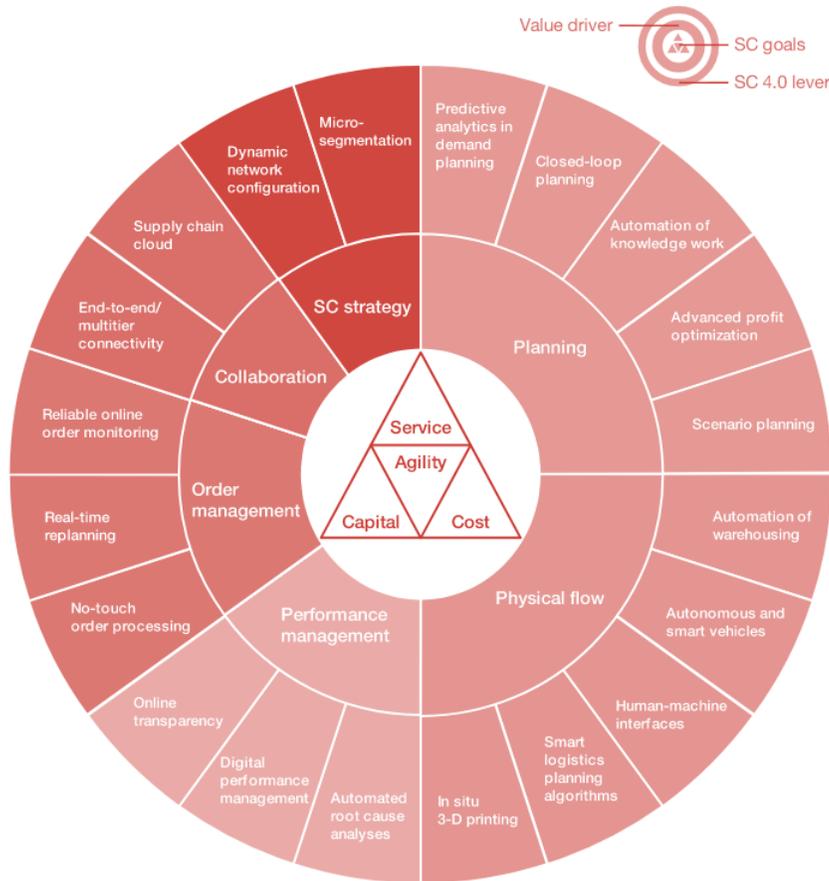Q3 2013 – Q3 2017

| Q3'13 | Q3'14 | Q3'15 | Q3'16 | Q3'17 |

0% YOY — Desktop

+54% YOY — STB VOD

+47% YOY — OTT device

+28% YOY — Smartphone

+7% YOY — Tablet

*FourFronts STB VOD and Canoe Phase III Integrations.

known as "SCaaS" (supply chain as a service) in the field

> " Rather than maintaining resources and capabilities in-house, companies can buy individual supply-chain functions as a service on a by-usage basis. Service providers' greater specialization creates economies of scale and scope, increasing the potential for attractive outsourcing opportunities. "
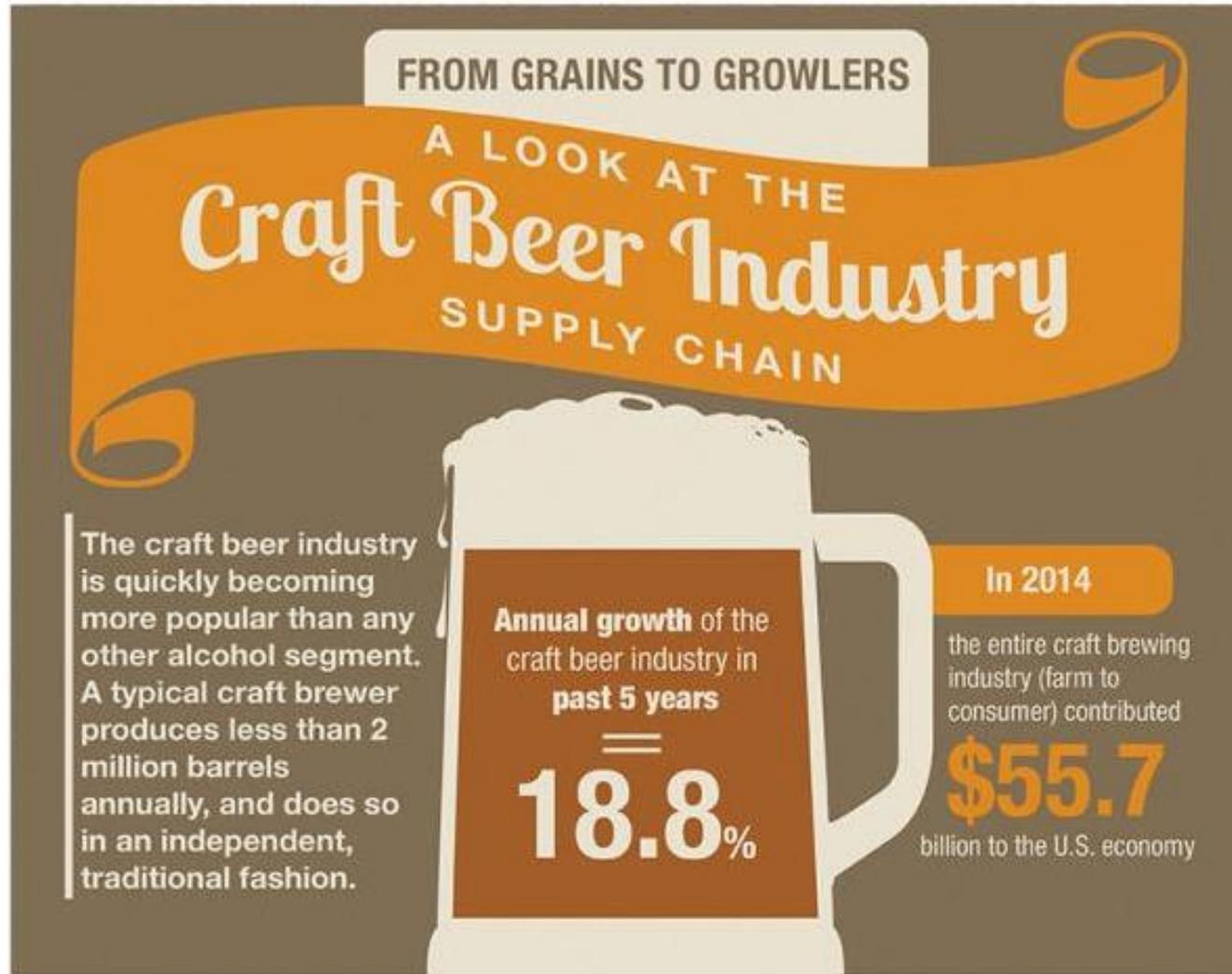>
> *McKinsey*

your better toothpastes, delivered

entry costs in consumer industries are plummeting

new fulfillment formats are proliferating …

... **with consumer fragmentation** breeding even newer formats

Intentional consumption, "lean closet

CUYANA

Personal curation

TRUNK CLUB
MEN'S OUTFITTERS

VR stores

Shareable experiences

Breakfast Club
T2 T2
T2 T2 Five

amazon
Prime now
expands partnership

SPROUTS
FARMERS MARKET

SPROUTS
FARMERS MARKET

ebay
MYER

ebay
In partnership with
MYER

Flash selling

唯品会
vip.com

Premium platform partnerships

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the indirect brand economy, 1879 - 2010

finance
sourcing
manufacturing
logistics
distribution
integration

brand

advertising agency

publisher

consumer

retailer

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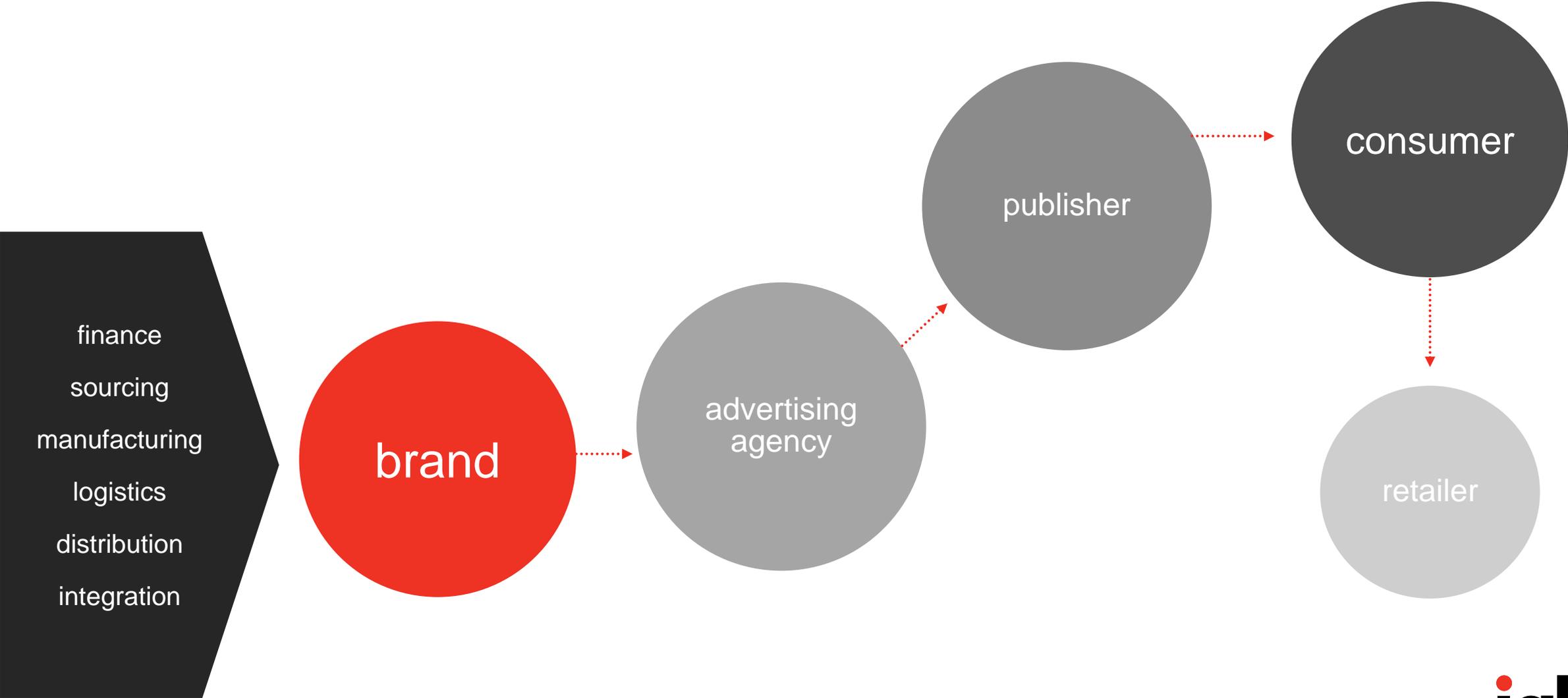
the direct brand economy, 2010 +

production stack

attention stack

fulfillment stack

data stack

Warehousing
Business operations
Fabrication
Materials
Logistics
Packaging

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

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

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

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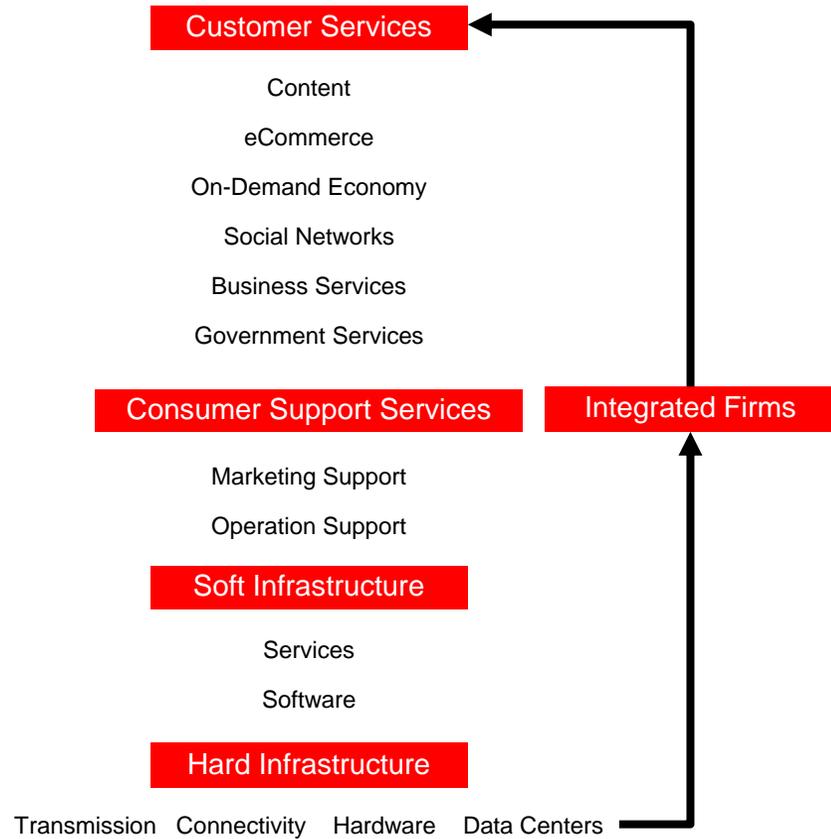35

D2C companies keep emerging.

the direct brand revolution is already evident in GDP...

Contribution of the Internet Ecosystem to U.S. GDP

	2008 Report	2012 Report	2016 Report
Direct employment due to internet	1,015,000	1,999,000	4,097,001
Direct and derived employment	3,050,000	5,100,000	10,383,000
Contribution of internet to GOP	$300 billion	$530 billion	$1,121 billion
Growth in GDP (% per annum compound)		15.5%	20.0%
Share of Total US GDP		2.1%	3.7%	6.0%

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... and jobs

Structure of the Internet 2016

Customer Services

Content

eCommerce

On-Demand Economy

Social Networks

Business Services

Government Services

Consumer Support Services   **Integrated Firms**

Marketing Support

Operation Support

Soft Infrastructure

Services

Software

Hard Infrastructure

Transmission   Connectivity   Hardware   Data Centers

Layer	2008 U.S. Employment	2012 U.S. Employment	2016 U.S. Employment
Infrastructure/Hard infrastructure	140,000	420,000	304,393
Infrastructure support/Soft infrastructure	165,000	254,000	662,691
Consumer services support	190,000	435,000	1,068,364
Consumer services	520,000	885,000	1,619,335
Integrated firms			442,218
Total	1,015,000	1,999,000	4,097,001
Growth in employment (% per annum compound)		18.5%	19.6%

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VCs are targeting all consumer categories for DTC disruption

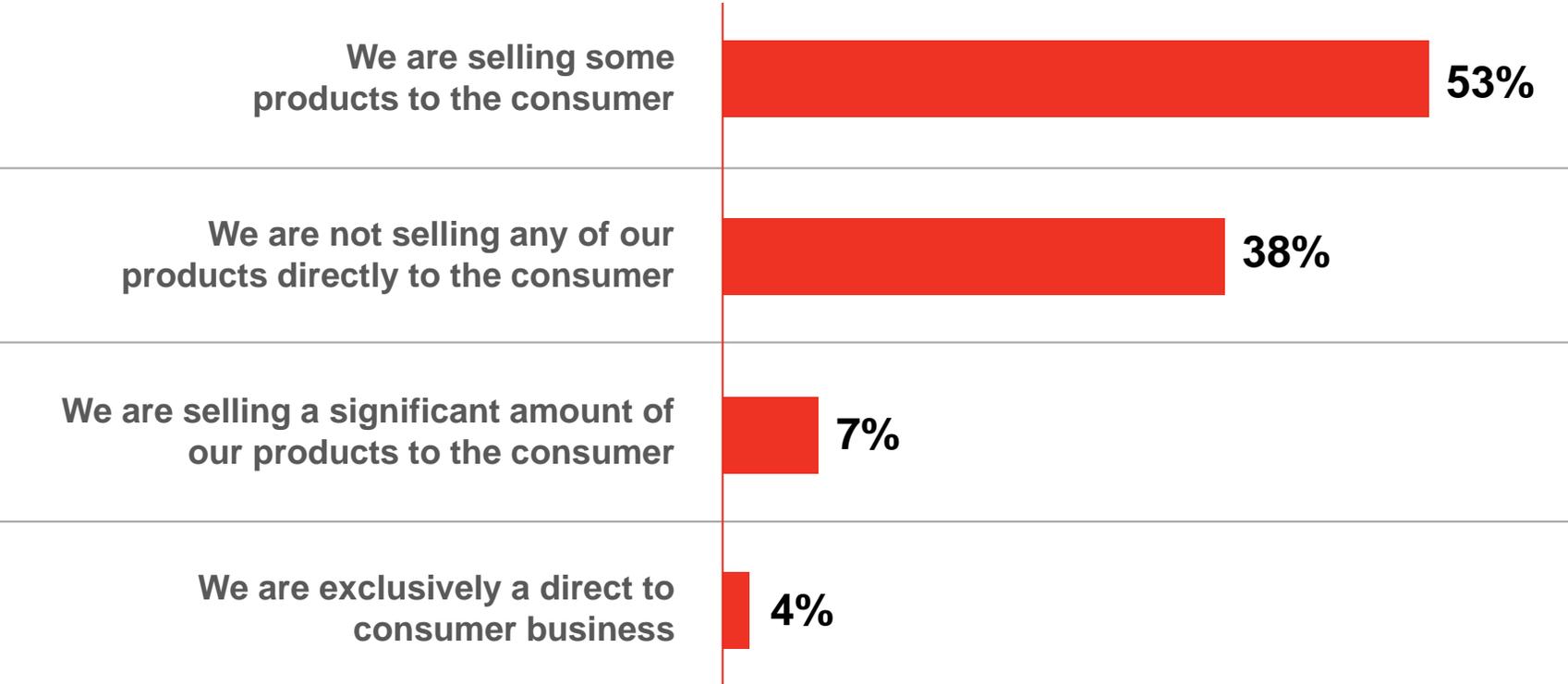| Category	Global Market Size (B)	Market Growth (CAGR)	Barriers to Entry	Repeat Rate/Retention	Purchase Frequency	Average Order Value*	Value to Weight Ratio*	Gross Margin*	Manufacturing Complexity	Market Concentration	Market Saturation	Existing Brand Affinity	Innovation in the Category	Regulated Industry	Consumable	Good for Subscription	Startups	Large Incumbents
Anti-Aging	$140	7.5%	High	High	High	Medium	High	High	High	Low	Low	Medium	Yes	Yes	Yes	Yes	Unity Biotechnology, Elysium Health, Teadora	Pfizer, Eli Lilly & Co, Merck, Novartis, Bristol Myers Squib, Roche, AbbVie, AmGen
Baby Care	$66	7.0%	Low	High	High	Medium	Low	Low	Low	Medium	Medium	Low	Yes	No	Yes	Yes	Honest Company, Happiest Baby, Owlet, Giggle, 4Moms, Snuza, Nutrinia	P&G, J&J, Kimberley Clark, Nestle, MeadJohnson
Bedding	$5	6.5%	Low	Low	Low	Medium	Medium	Medium	Low	Low	Medium	Low	No	No	No	No	Brooklinen, Parachute Home, Casper, Jill House Home, Reverie	Steinhoff, Ashley Furniture, Serta
Beverages (Non-Alcoholic)	$1,500	4.3%	Low	Medium	High	Low	Low	High	Medium	Low	High	High	Yes	Yes	Yes	Yes	Soylent, Dirty Lemon, Ripple, Juicero, Health Ade, Core Water, BulletProof Coffee, Sudden Coffee, Daily Harvest	Coca-Cola, Pepsico, Nestle, Dr. Pepper Snapple, Danone
Cars	$2,500	2.6%	High	Low	Low	High	High	Low	High	Low	High	High	Yes	Yes	No	No	Tesla, Faraday Future, Zoox, Rimac, Lucid Motors	Toyota, VW, GM, Hundaei/Kia, Ford, Nissan, Fiat
Contraceptive (Men's)	$7	8.2%	Medium	Medium	Medium	Low	High	Medium	High	High	Low	Medium	No	Yes	Yes	No	L Brands	Karex, Church & Dwight, Reckit Benkiser
Contraceptive (Women's)	$15	8.0%	High	High	High	Low	High	High	High	High	Medium	Medium	Yes	Yes	Yes	Yes		Pfizer, Merck, J&J, Teva
Contact Lenses	$12	7.6%	High	High	High	Medium	High	High	High	High	Low	Low	No	Yes	Yes	Yes	Hubble	J&J, Valeant, Novartis, The Cooper Companies
Cosmetics	$450	6.0%	Medium	High	High	Medium	High	High	Medium	High	High	Medium	No	No	Yes	No	Glossier, Memebox, Hush	P&G, L'Oréal, Unilever, Avon, Beiersdorf, Estee Lauder, Shiseido, Kao, LVMH
Eyewear	$102	7.0%	Medium	Medium	Low	High	High	High	Medium	High	Medium	Medium	No	No	Yes	No	Warby Parker, Felix Grey, Zenni	Luxoticca, Safilo
Feminine Care	$19	6.0%	Low	High	High	Low	High	Medium	Low	Medium	Low	High	No	Yes	Yes	Yes	Lola, Thinx, LunaPads	P&G, Hanesbrands, Kimberly Clark
Food (Packaged)	$2,400	6.4%	Low	Medium	High	Low	Medium	Low	High	Low	High	Medium	Yes	Yes	Yes	Yes	Blue Apron, Plated, Hello Fresh, Sun Basket, Freshly, Thrive Market, Sprig, Nature Box, Hungryroot, Green Chef, Home Chef	Tyson, Kraft, General Mills, Mondelez, Mars, Cargill, JBS
Footwear (Childeren's)	$25	6.0%	Low	Medium	Low	Medium	Low	Medium	Low	Medium	High	Medium	No	No	No	No	Plae	Nike, Adidas
Footwear (Men's)	$82	2.0%	Low	Medium	Low	Medium	Medium	Medium	Medium	Low	High	High	No	No	No	No	AllBirds, Greats, M.Gemi, Jack Erwin, Paul Evans	Nike, Adidas, Asics, Sketchers
Footwear (Women's)	$82	1.3%	Medium	Medium	Low	High	Medium	Medium	Medium	Low	High	High	No	No	No	No	M.Gemi, Tamara Mellon, Rothy's, Allbirds, Nobull, Shoes of Prey	Coach, Nike, Adidas
Furniture	$250	5.8%	Low	Low	Low	High	Low	Medium	High	Medium	Low	Low	Yes	No	No	No	Burrow, Greycork, Tylko, Interior Define	IKEA, Ashley Furniture, Herman Miller, Copeland Furniture
Shaving	$21	6.0%	High	High	High	Low	High	High	High	High	Medium	Medium	No	No	Yes	Yes	Dollar Shave Club, Harry's, Ella	Gillete, Schick (Energizer)
Hair Care	$80	3.0%	Medium	Medium	Medium	Low	Medium	High	Medium	Medium	Low	Low	No	No	Yes	Yes	Function of Beauty, Madison Reade, Nutrafol	P&G, Unilever, L'Oréal
Hair Loss	$4	5.0%	Medium	High	High	Medium	High	High	Medium	Medium	Low	Low	No	Yes	Yes	Yes		McNeil, Merck
Handbags	$140	8.0%	Low	Medium	Low	High	High	High	Low	High	High	Yes	No	No	No		Cuyana, Mon Purse, Dagne Dover	Coach, Chanel, Michael Kors, Hermès
Hats	$7	4.6%	Low	Low	Low	Medium	High	Medium	Low	High	High	Low	No	No	No	No		New Era
Jewelry (Fashion)	$25	7%	Low	Medium	Medium	Medium	Medium	Medium	Low	Low	High	Low	No	No	No	No	Bauble Bar, Stone & Strand, Mejuri, Wunderlust	Zara, H&M, Swarovski Group
Jewelry (Luxury)	$166	5.0%	Medium	Low	Low	High	High	High	High	High	Low	Medium	No	No	No	No		Zale Corp, Tiffany & Co, Karl Scheufle, Richemont, LVMH, Stuller, Van Cleef & Arpels
Kitchenware	$15	4.0%	Low	Low	Low	High	Low	High	Low	High	Medium	Low	No	No	No	No	Snowe	Meyer
Luggage	$34	11.5%	Low	Low	Low	High	High	High	Medium	High	Low	Low	No	No	No	No	Away, Raden, BlueSmart, Linjer	Samsonite, Delsey, LVMH, Rimowa
Mattresses	$24	6.5%	Low	Low	Low	High	High	High	Low	High	High	Low	No	No	No	No	Casper, Purple, Tuft & Needle, Loom & Leaf, Saatva, Helix Sleep, Boll & Branch, Yogabed	Sealy, Tempurpedic, Serta, Simmons
Oral Care	$10	6.8%	Low	Medium	Medium	Low	Medium	Medium	Medium	Medium	Medium	Medium	No	No	Yes	No	Quip, Goby, Koilbree	Colgate-Palmolive, Unilever, P&G
Pet Food	$60	4.0%	Low	High	High	Medium	Medium	Medium	Medium	Low	High	Medium	No	No	Yes	No	NomNomNow, Farmer's Dog, Ollie	Pedigree & Blue Buffalo (Mars)
Sexual Wellness	$20	7.0%	Low	Medium	Low	Medium	Medium	Low	Low	Low	Low	Low	Yes	No	No	No	Crave, Unbound, Nuelle	Doc Johnson, JimmyJane
Skincare	$121	4.9%	Medium	High	Medium	Medium	Medium	High	Medium	High	Medium	Medium	Yes	Yes	Yes	Yes	Oars & Alps, Curology, Cane + Austin	Nestle, L'Oréal, J&J, Benefit Cosmetics, Unilever,
Socks	$7	8.0%	Low	High	Medium	Low	Low	Low	Low	Low	Low	Low	No	No	No	No	Stance, Nice Laundry, Bombas	Hanesbrands, Fruit of The Loom (Berkshire Hathaway), Glidan
Underwear (Men's)	$9	6.0%	Low	Medium	Medium	Low	High	Low	Low	Low	Low	Low	No	No	No	No	MeUndies, Mack Weldon, Tommy John	Hanesbrands, Fruit of The Loom (Berkshire Hathaway), Glidan
Underwear (Women's)	$28	18.0%	Low	High	Medium	Medium	High	Medium	High	Medium	Medium	High	No	No	No	No	Lively, Third Love, Adore Me, True & Co, YellowBerry	Victoria's Secret, The Gap
Vitamins & Supplements	$162	6.5%	Low	Medium	High	Low	High	High	Medium	Medium	Medium	Medium	Yes	Yes	Yes	Yes	Ritual, Care/Of, Elysium	UGANA, Pfizer, Otsuka
Watches	$70	7.7%	Low	Medium	Low	High	High	High	High	Low	Medium	High	Yes	No	No	No	Shinola, Leonard & Church, MVMT	Swatch Group, Richemont, LVMH, Rolex

Indicates

Classification	Gross Margin	ACV (Per Unit)	Frequency (X per Year)	Repeat Rate
High	60%+	$100+	7+	60%+
Medium	40-60%	$30-$100	3-7	40%-60%
Low	<40%	<$30	<3	<40%

Unbundling Procter & Gamble

most incumbents lag the direct brand revolution

Direct-to-consumer selling

Category	Percentage
We are selling some products to the consumer	53%
We are not selling any of our products directly to the consumer	38%
We are selling a significant amount of our products to the consumer	7%
We are exclusively a direct to consumer business	4%

some have been adapting for years

Nike's Direct-to-consumer sales projections
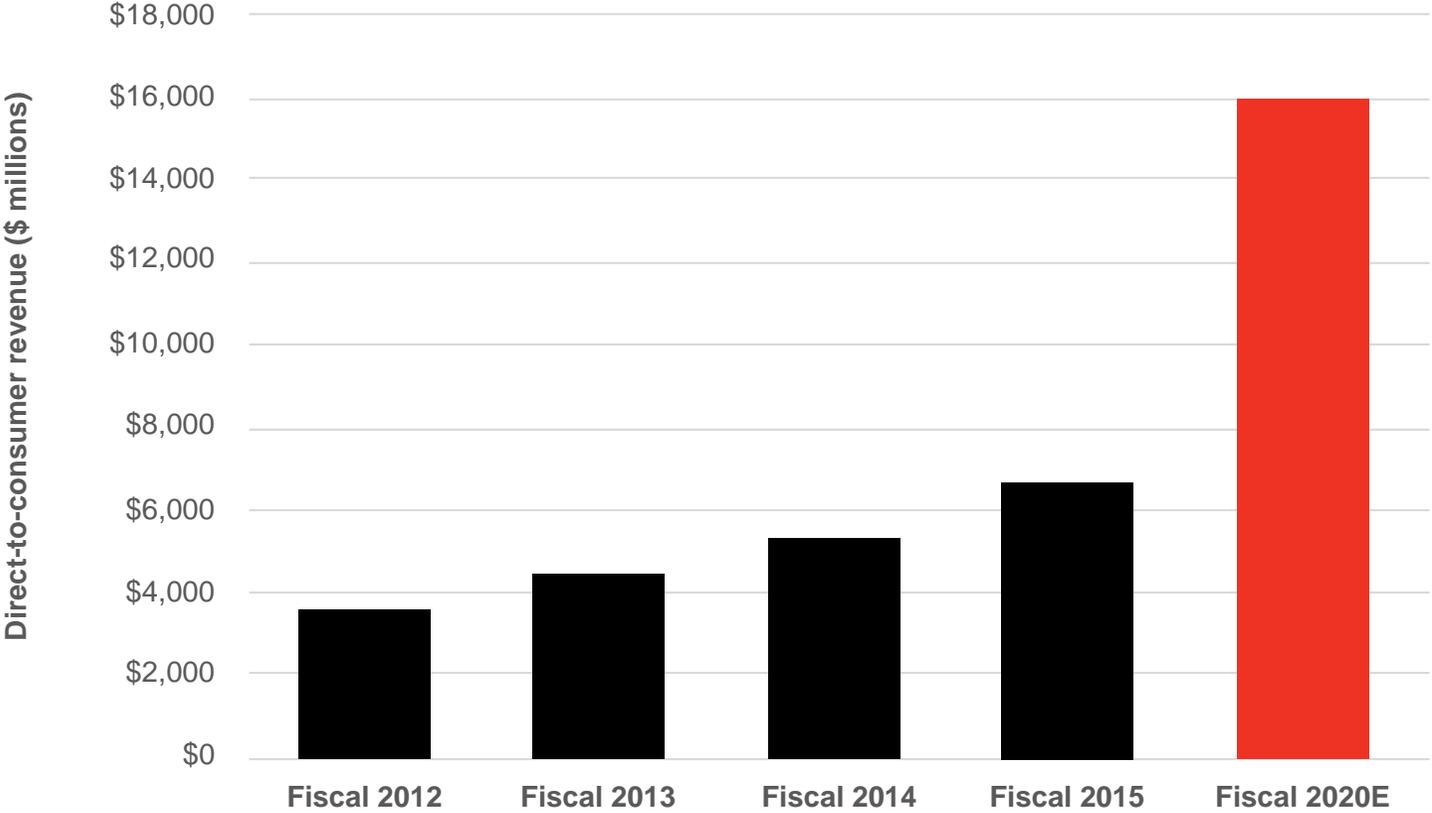
Differentiated channel strategies

Medium-term contribution to Unilever growth

40%

0%

Bubble size: % of future turnover

Hyper/Supermarkets (incl. Discounters/Convenience) — **Protect value**

Traditional trade — **Leverage strength**

Experience platforms — **Build equity**

E-commerce (incl. Direct-to-consumer) — **Build capability**
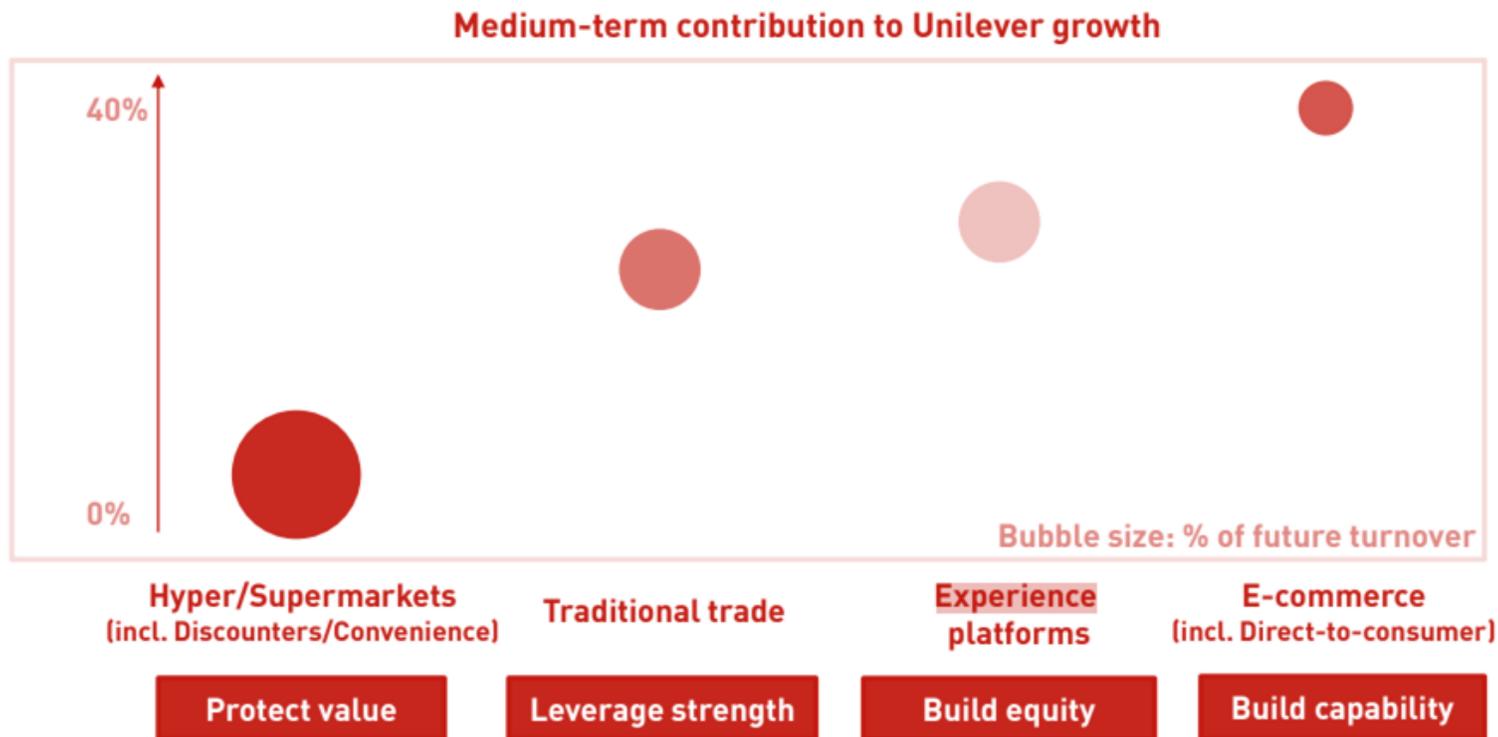
" The acquisition brings expertise and technology in direct-to-consumer sales we can use internationally and in other parts of our business. "

Paul Polman, CEO, Unilever, *on acquisition of Dollar Shave Club*

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the 21ˢᵗ century brand economy

03. direct brands -
drivers and characteristics

"dunn's rules"

> 1. Its primary means of interacting, transacting, and story-telling to consumers is via the web.
> 2. The DNVB requires the commercialization of an e-commerce channel, but that channel is an enablement layer—it's not the core asset.
> 3. The profit losing nature and small scale of the DNVBs leads most traditional retailers to ignore or underestimate these little tadpoles.
> 4. Some big companies now believe they can make these brands themselves.
> 5. It is not e-commerce, it's vertical commerce. The product gross margins are at least double that of e-commerce (e.g. 65% versus 30%). The contribution margins can be 4–5x higher (e.g. 40–50% versus 10%).
> 6. The digitally-native vertical brand is maniacally focused on the customer experience.
> 7. The digitally-native vertical brand drives a lot more customer intimacy than it's 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.
> 8. Deeper data on the consumer drives enables the DNVB to stay closer to the customer than its brick and mortar driven peers, and the ownership of the brand end-to-end fuels more affinity for a vertical commerce brand than even the best e-commerce experiences.
> 9. While born digitally, the DNVB need not end up digital-only.

Andy Dunn, founder, Bonobos

45

direct brands are Web native

WARBY PARKER
eyewear

" By circumventing traditional channels, designing glasses in-house, and engaging with customers directly, we're able to provide higher-quality, better-looking prescription eyewear at a fraction of the going price. "

Neil Blumenthal & David Gilboa,
co-founders and co-CEOs, Warby Parker

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"

The industry has historically focused on its most passionate and avid customers, who drive the majority of sales. Our customers were different. beauty was a part of her life, but not a passion of hers….We saw untapped potential to change her relationship with the category. "

Katia Beauchamp, co-founder, Birchbox

BIRCHBOX◆

Source: http://motto.time.com/5048663/the-boss-katia-beauchamp-birchbox/

direct brands use content as a differentiator **…**

" Storytelling is a central part of our marketing. We think about what stories we can feed to the press and to social media - things that make people take notice, things people want to share and talk about. "

Steph Korey, co-founder, Away Travel
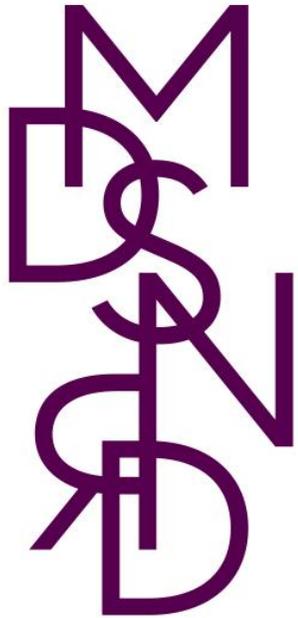
MADISON REED™

"We're all about content. In fact, all our customer support people are licensed cosmeticians."

Amy Errett, founder, Madison Reed

Source: personal interview

50
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" Building a true community means you put people first, are authentic and real with the people you serve, and can connect them to other members with shared affinities. "

Tina Sharkey, co-founder & CEO, Brandless

BRANDLESS ™

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their mission is their story

EVERLANE

WWW.EVERLANE.COM

> " It's really an opportunity to bring the mission to life… the ethics, the transparency. We tell you the cost of everything we make and then what you're paying so you can see that markup and we tell you the stories of our factories, and we want people to have a space where we can actually tell those stories in real life, not just online. "

Michael Preysman, founder, Everlane

direct brands are data-cored

"

- Offer highly-differentiated products with high product margins

- Invest only in zero-sum markets (A customer buying your product means they stop buying your competitor's products)

- Choose categories where incumbents sell only through retailers and have no direct relationship with their actual customers

- Choose categories where incumbents overly depend on broadcast advertising

- Look for products and services which gather usage data and utilize machine learning to improve over time

"

David B. Pakman, partner, Venrock, on the VC firm's investment in Dollar Shave Club

DOLLAR SHAVE CLUB

BOLL & BRANCH™

" The main reason a customer wouldn't buy our product online was because they wanted to be able to feel it themselves. We are remedying that with our physical location. "

Scott Tannen, co-founder and CEO of Boll & Branch

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women founders abound

Emily Weiss, *Glossier*

Steph Korey & Jen Rubio, *Away Travel*

Alexandra Wilkis Wilson, *Glamsquad*

Katrina Lake, *Stitch Fix*

Katia Beauchamp, *Birchbox*

Amy Errett, *Madison Reed*

Meaghan Rose & Maia Bittner, *Rockxbox*

Tina Sharkey, *Brandless*

still more women founders

Rachel Blumenthal, *Rockets of Awesome*

Dolly Singh, *Thesis Couture*

Claire Burke, *Goby*

Gauri Nanda & Audry Hill, *Toymail*

Jordana Kier & Alex Friedman, *Lola*

Shane Reilly, *Guildery*

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the 21st century brand economy

04. brand strategy
for revolutionary times

a two-way relationship

> a one-way impression

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MAJOR MEDIA AND MARKETING SERVICES

Spending forecast for 2018 and 2017. Spending for 2016.

	Spending (dollars in billions)			Year-to-year percent change		
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016	2016 vs. 2015
MAJOR MEDIA						
Internet	$78.3	$69.2	$60.4	13.1%	14.6%	16.9%
TV	68.1	68.4	68.1	-0.3	0.3	2.1
Radio	17.6	17.6	17.6	0.0	0.0	0.0
Magazine	15.1	15.9	16.6	-4.7	-4.5	-4.5
Newspaper	15.1	16.6	18.3	-9.0	-9.0	-8.0
Outdoor	9.6	9.3	8.9	3.0	4.0	4.0
Cinema	1.0	0.9	0.9	5.0	5.0	5.0
Total: Major media	**204.8**	**197.9**	**190.8**	**3.5**	**3.7**	**4.5**
MARKETING SERVICES						
Sales promotion	82.7	79.9	77.2	3.5	3.5	3.5
Telemarketing	59.6	57.9	56.2	3.0	3.0	3.0
Direct mail	47.6	48.5	49.2	-2.0	-1.4	-1.1
Event sponsorship	39.9	37.4	35.0	6.8	6.8	7.4
Directories	8.0	8.0	8.1	-0.4	-0.4	-0.6
Public relations	5.7	5.3	5.0	7.0	7.0	7.4
Total: Marketing services	**243.5**	**237.1**	**230.7**	**2.7**	**2.8**	**2.8**
Total: Major media and marketing services	**$448.3**	**$435.0**	**$421.5**	**3.1%**	**3.2%**	**3.6%**

SOURCE: Zenith (Advertising Expenditure Forecasts, March 2017). More info: zenithmedia.com. Numbers rounded. Internet including internet display, online video (including rich media), classified, paid search, internet radio, podcasts and social media for desktop and mobile.

SHARE OF U.S. AD SPENDING BY MEDIUM

From Zenith. The internet in 2017 will pass TV to become the largest U.S. ad medium, according to the media agency's forecast.
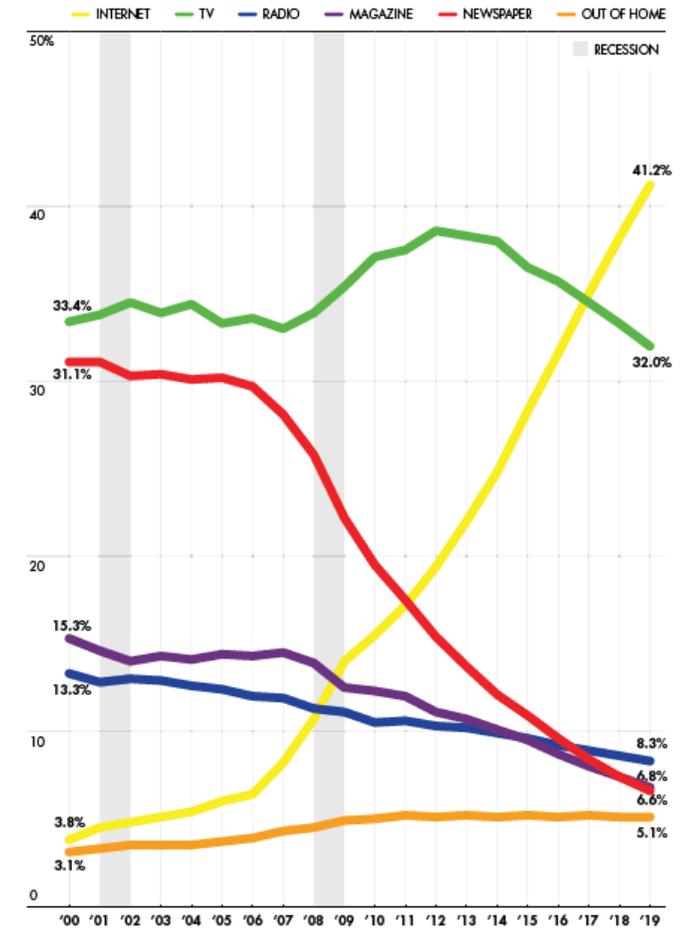
SOURCE: Zenith (Advertising Expenditure Forecasts, March 2017). More info: zenithmedia.com. Numbers rounded. Internet including internet display, online video (including rich media), classified, paid search, internet radio, podcasts and social media for desktop and mobile. Out of home including outdoor and cinema.

brand safety
is not optional

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find your next
5,000 customers

iab.

"de-risk"
the buy

iab.

SUNDAYSKY

SmartVideo Platform

Captivating the audience of one at enterprise scale with SundaySky's proprietary personalized video technology.

▷ **See how SmartVideo works**

More powerful personalized video

Create one-to-one connections with your customers through the emotional storytelling and compelling nature of personalized video. SundaySky crafts videos tailored to an audience of one with information relevant and specific to each customer, through its unique ability to leverage and synthesize real-time data. The result? A million unique videos for a million customers, creating strong bonds with each and every one of them.

Advertising and CRM solutions built on robust platform capabilities

DATA ACTIVATION	STRATEGIC STORYTELLING	PROGRAMMATIC PERSONALIZATION	MULTICHANNEL DISTRIBUTION	MEASUREMENT & INSIGHTS	INTELLIGENT OPTIMIZATION

story

matters

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help brands
hybridize

iab.

bring brands a 3D view of their 1D customer

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IAB Direct Brands Conference
October 30-31, 2018

IAB 250 2.0

# Direct Brands Benchmarking Study
Q4 2018

Best Cases

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the 21ˢᵗ century brand economy

05. direct brands
and the U.S. economy

research background

- IAB has conducted the study "Economic Value of Advertising-Supported Internet Ecosystem" every four years since 2008. The most recent study was released in March 2017.

- The study has been designed to understand the contribution of the industry to employment and GDP and explore the internet's many advertising benefits and non-business benefits.

- The main author is John Deighton, the Baker Foundation Professor of Business Administration at Harvard Business School, the founding editor of Journal of Interactive Marketing, and a two-term editor of Journal of Consumer Research

Economic Value of the Advertising-Supported Internet Ecosystem

John Deighton
Baker Foundation Professor of Business Administration
Harvard Business School
Leora Kornfeld
Marlon Gerra

iab.
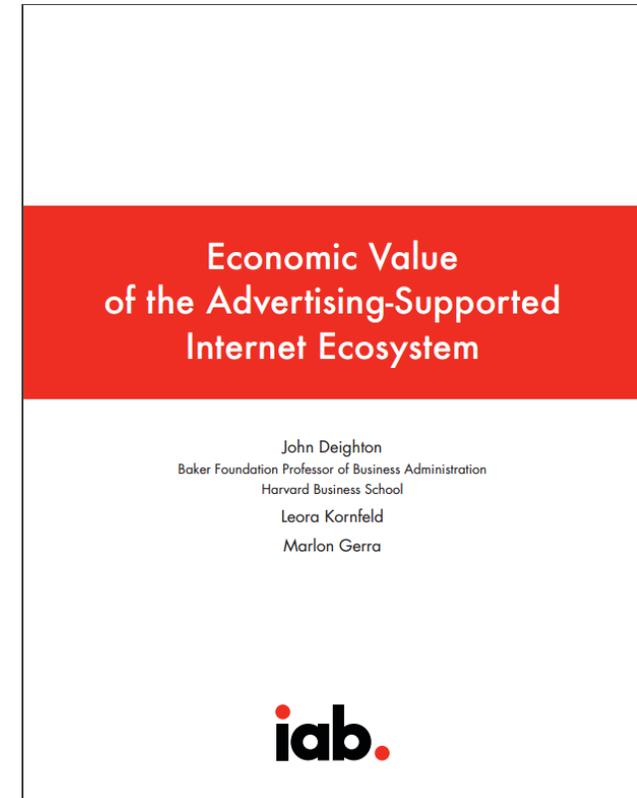
For more detail, visit **iab.com/economicvalue**

An employment-based methodology by identifying large firms in each layer of the internet and using a range of public and private sources to estimate each firm's revenue and employment as well as estimates of aggregates of small firms and self-employed people.

In addition, the report also uses **a top-down method** based on the U.S. Census Bureau's databases to decide how to allocate the employment to geographies at the state and congressional district level.

The study was conducted during the second half of 2016.

- The U.S. economy is increasingly an information economy, its fuel is data, and the internet carries the traffic.

- Across three studies at four-year intervals, we find that internet-related employment doubled, and then doubled again.

- Directly and indirectly over <u>10 million </u>jobs rely on it, and that number is growing at an accelerating rate.

■ **Millions of U.S. Workers**

1.02	**1.99**	**4.1**
2008	**2012**	**2016**

Direct Employment
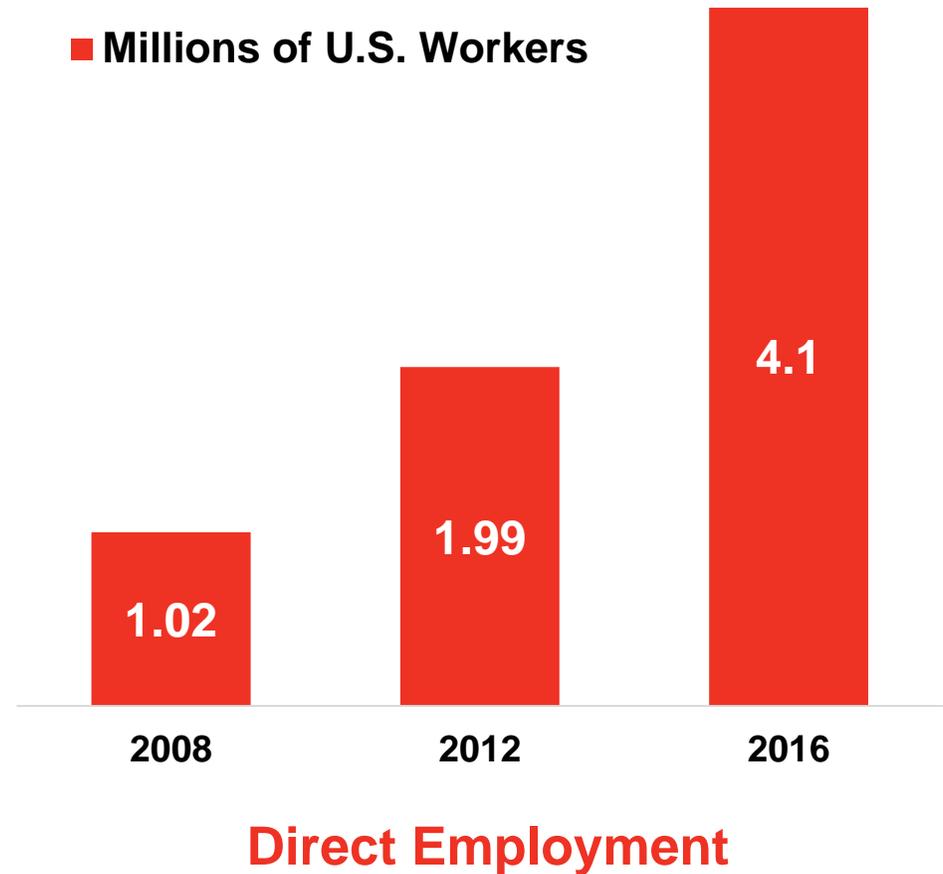
GDP contribution over $1 trillion

- $1.12 trillion contribution for the U.S. economy in 2016, more than double its previous contribution to the U.S. GDP.

- The industry currently accounts for 6% of the U.S. GDP, markedly higher than 3.7% in 2012.

- This growth represents a 20% compound annual growth rate from 2012 to 2016 - far outpacing the overall U.S. GDP average of 4% over the same four years.

■ **Billions of Dollars**

		1121
300	530	
2008	2012	2016

GDP Contribution

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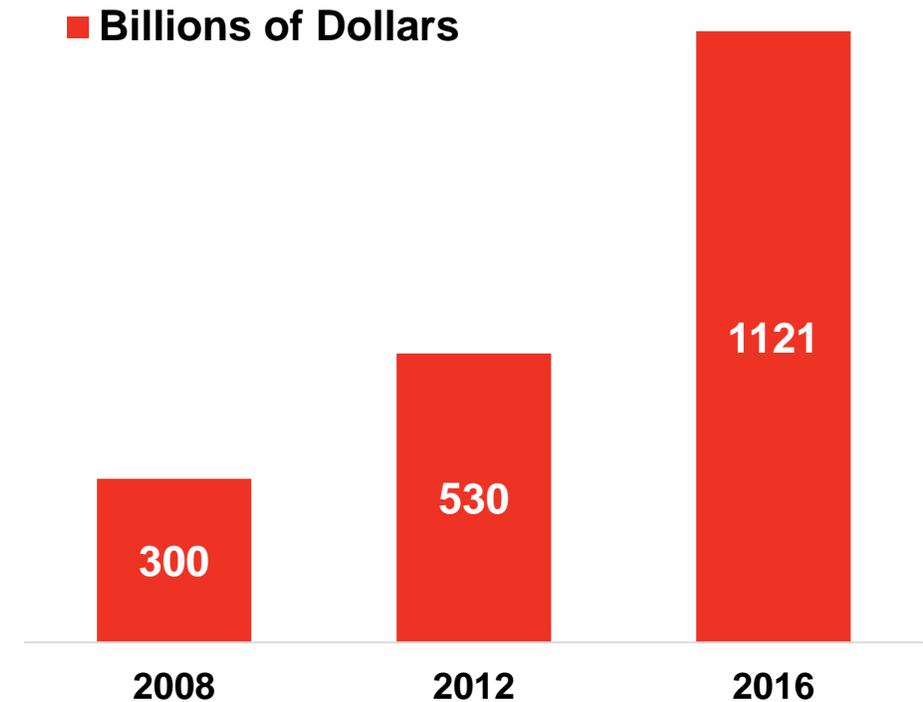
yet the internet is still in its take-off phase

The rate of job growth is greater each year than the year before

Contribution to GDP grows faster each year
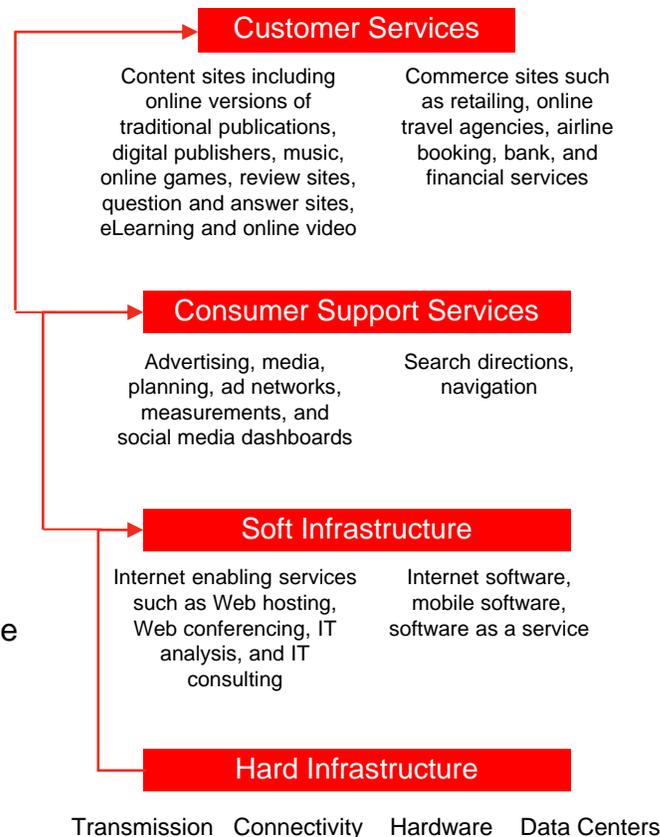
New sectors are becoming internet-reliant

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shifting internet infrastructure enables new brands, products, services

Mobile, video, e-commerce,
on-demand platforms,
user-generated content, music.

Verticals such as financial,
e-learning, travel, healthcare,
shipping, e-government,
programmatic marketing, attribution.

Enterprise IT is giving way to cloud and
network services. Video and mobile place
new demands on the supply chain.

The infrastructure is evolving from
backbone-branches to edge providers.

Customer Services

Content sites including online versions of traditional publications, digital publishers, music, online games, review sites, question and answer sites, eLearning and online video

Commerce sites such as retailing, online travel agencies, airline booking, bank, and financial services

Consumer Support Services

Advertising, media, planning, ad networks, measurements, and social media dashboards

Search directions, navigation

Soft Infrastructure

Internet enabling services such as Web hosting, Web conferencing, IT analysis, and IT consulting

Internet software, mobile software, software as a service

Hard Infrastructure

Transmission   Connectivity   Hardware   Data Centers

Examples

Online Video
Most significant new source of internet traffic.
Over-the-top transmission gives consumers unprecedented control over what video to watch and when.

New Marketplace
Entrepreneurs have been building out a market-making infrastructure, including advertising tech and marketing tech.

Cloud Computing
Software as a service allows tech to be consumed more flexibly and without substantial fixed cost. Digital startups and mature businesses can tailor information technology costs to needs.

New Infrastructure
Much of the internet's data no longer travels on the backbone. Instead it moves on the edge of the network, from data suppliers to distribution nodes and on to homes.

massive employment changes highlight direct brands' centrality

Employment by Layer	2008 Report	2012 Report	2016 Report
Infrastructure/Hard infrastructure	140,000	420,000	304,393
Infrastructure Support/Soft Infrastructure	165,000	254,000	662,691
Consumer Services Support	190,000	435,000	1,068,364
Consumer Services	520,000	885,000	1,619,335
Integrated Firms			442,218
Direct employment due to internet	1,015,000	1,999,000	4,097,001
Total (Direct and derived) employment	**3,050,000**	**5,100,000**	**10,383,000**

GDP Contribution	2008 Report	2012 Report	2016 Report
Contribution of internet to GDP	$300 billion	$530 billion	$1,121 billion
Share of Total US GDP	2.1%	3.7%	6.0%
Growth in GDP (% per annum compound)		15.5%	20.0%

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Hard Infrastructure

(*Four functions required to operate the internet*):

1. Manufacture of hardware

2. Long range transmission of data

3. Shorter range connectivity between data generators or transmitters and data stores or consumers

4. Storage and routing of data in data centers

Employment	2008 Report	2012 Report	2016 Report
Infrastructure/ Hard infrastructure	**140,000**	**420,000**	**304,393**

Infrastructure employment is declining not because the infrastructure is shrinking, but because firms that were classified as infrastructure just four years ago have changed their business models. Some have integrated into more profitable superstructure businesses, hoping to capitalize on proprietary claims on the internet traffic carriers. Others have exploited a new pattern to the internet's infrastructure, one that depends on software and services more than hardware.

Source: 2017 Economic Value of Advertising Supported Ecosystem, IAB

hardware: from computing equipment to data + cloud

- Manufacturing employment has held up well overall in the last four years of the evolution of the internet ecosystem.

- Personal access to the internet has migrated rapidly from machines configured for computing to mobile devices configured for communication.

- This shift has favored mobile equipment manufacturers like Apple and Qualcomm and those like Cisco that have benefited from growth in server sales, not mainframe computers.

■ **Employment**

142,177	196,905
2012	**2016**

data centers: 3x employment growth
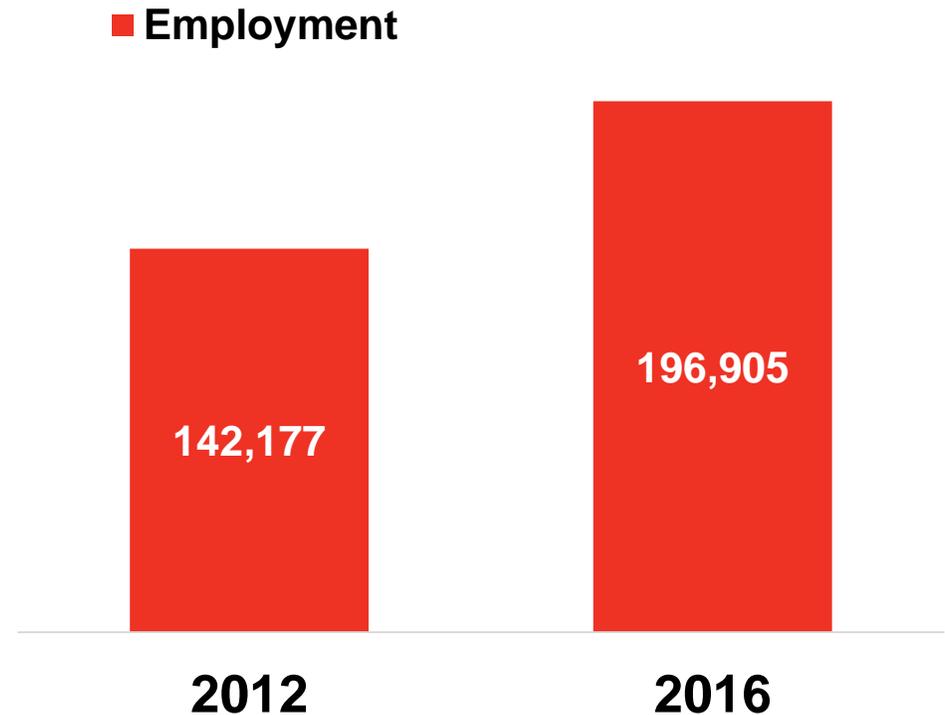
- Data centers are fundamental to the internet's infrastructure as the physical expression of the idea of the cloud.

- The infrastructure of the internet is gradually migrating from a linear data flow pattern to a networked pattern, where data travels as much among firms on the periphery of the internet as on the backbone.

- The backbone-and-branch pattern of the last two decades gives way to the more fluid pattern of the cloud.

- The change shows up in employment of nearly 3x increase from 2012 to 2016.

■ **Employment**

	2012	2016
	5,565	15,233

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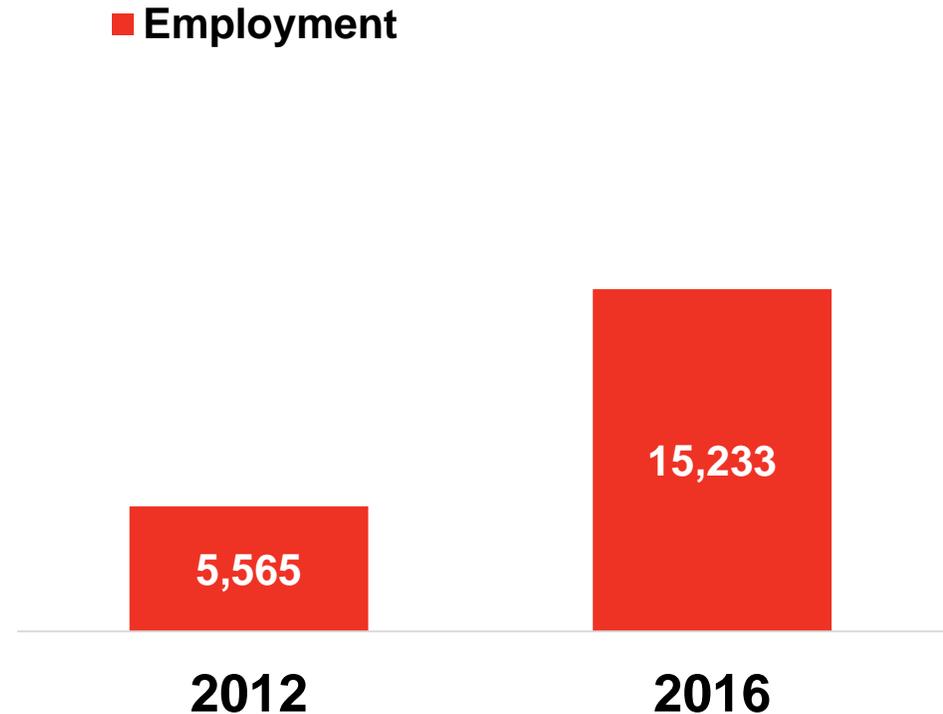
soft Infrastructure: up 4x

Soft Infrastructure refers to software and services built on the Hard Infrastructure to make it technologically feasible to perform commerce online.

Soft Infrastructure firms are either predominantly service providers or software vendors.

1. Service providers, including IT consulting, researchers, domain registry services

2. Software vendors including analytics software, CRM, network security, video software, etc.

Employment	2008 Report	2012 Report	2016 Report
Infrastructure Support/ Soft Infrastructure	165,000	254,000	662,691

repositioning enterprise IT consulting

- Enterprise IT consultants reposition as marketing and operations consultants.

- Oracle acquired Datalogix and BlueKai (small startups in the 2012 study) and created the Oracle Data Cloud and Marketing Cloud, broadening its consulting authority to include marketing analytics and programmatic advertising.

- IBM—by internal development of the Watson analytic engine and by acquisition of data suppliers such as the Weather Channel—has so evolved the nature of its consulting services.

■ **Employment**

210,406

80,698

2012   **2016**

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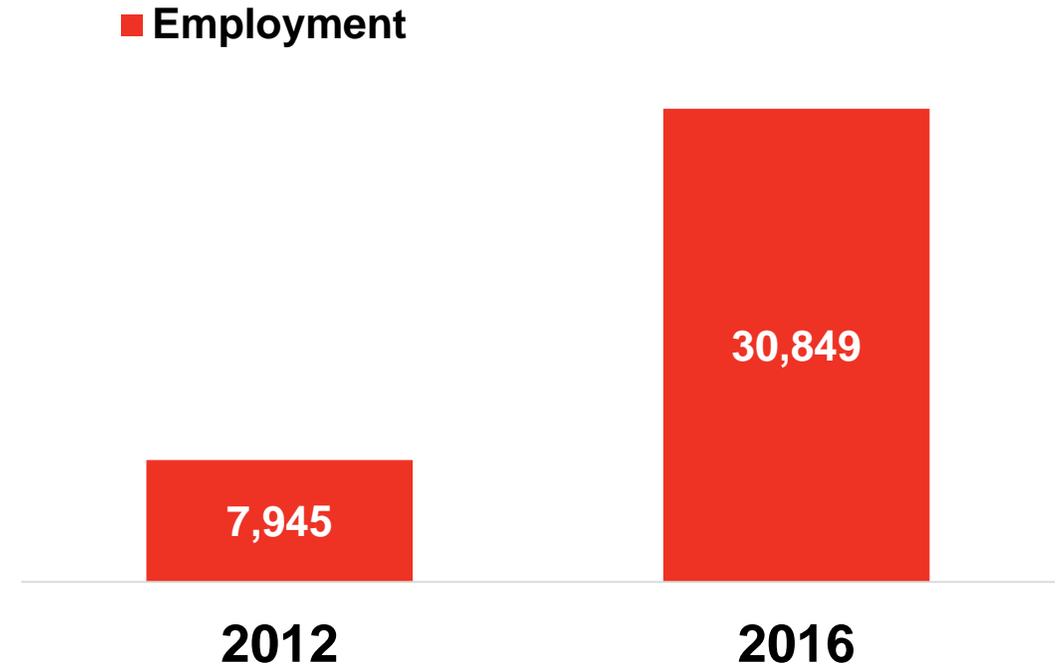
Firms in the Consumer Services Support layer perform services that must be tailored to particular clients in the Consumer Services sector. They have increasingly delivered their solutions through the Software as a Service (SaaS) model, in which the software is only accessible through the cloud.

1. Marketing Support: firms that help facilitate and promote the flow of commerce, entertainment, information and social interaction over the internet.

2. Operation Support: firms that provide solutions that enhance customer productivity or enable them to deliver a good or service they could not otherwise do efficiently.

3. General Enterprise Activity: estimated internet-dependent employment in general enterprises.

| Employment	2008 Report	2012 Report	2016 Report
Consumer Services Support	**190,000**	**435,000**	**1,068,364**

The consumer services support layer is the unsung hero over the years of innovation. Employment more than doubled every four years.

Consumers get the benefits of the Internet at low cost, and often for free, because entrepreneurs are building out analytical tools and support services to run them leaner, and to create new revenue sources that let even free services be profitable.
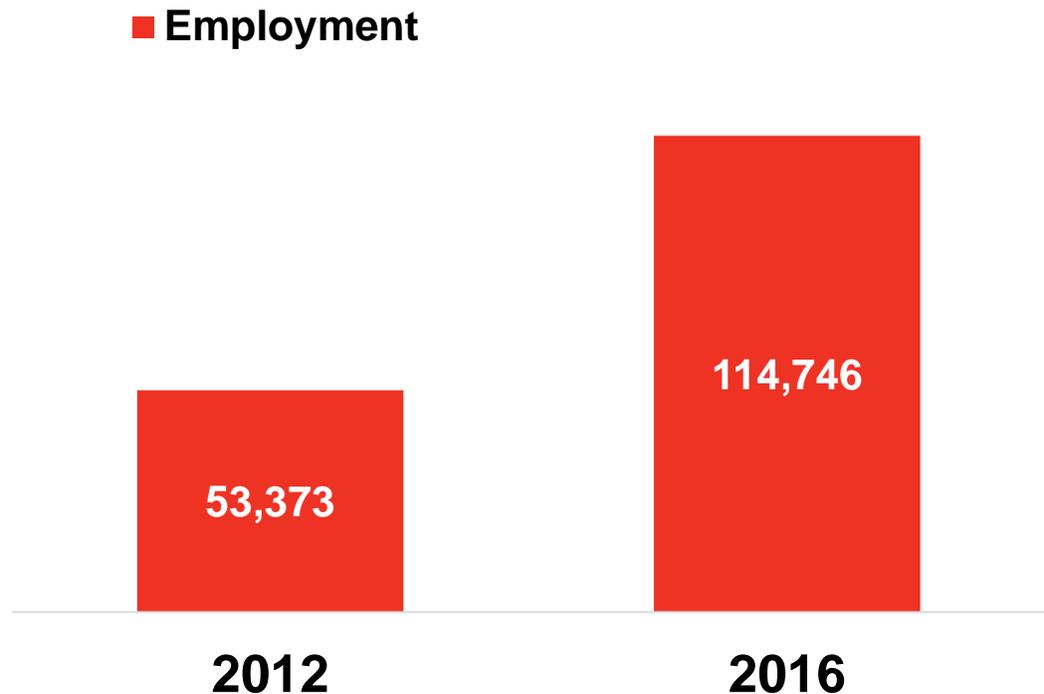
operation support: new category of customer services support

Operation support is a new category within the consumer services support layer in 2016. This speaks to the increasing demand from the direct consumer-facing brands and services to facilitate their business operations.

Sub-categories within Operation Support	Employment
Financial services support	7,569
E-learning Support	4,656
Travel Services Support	1,906
Healthcare Information Solutions	11,783
Shipping enabled by e-commerce	353,315
E-government Support	2,105
Other Web enabling services	182,284

Shipping

Particularly relevant to the fulfillment stack of the DTC brands, a large package shipping industry has developed to support the steady growth of e-commerce. In 2015 about 11.6 billion packages were moved in the U.S., About 4.6 billion of these packages were e-commerce packages.

# consumer services layer: seems mature, but tripled in size

- The internet as a consumer-facing experience is now over 20 years old.

- These consumer touchpoints include websites, apps, and messaging services. The content ranges from news to information, music, audio, photos, and video to services, and is accessed on phones, tablets, laptops, desktops, and living room screens.

- In the 2016 report, the following categories were included within the consumer services layer.

Employment	2008 Report	2012 Report	2016 Report
Consumer Services	**520,000**	**885,000**	**1,619,335**

Over time, new consumer-facing internet dependent platforms, devices, features, and use cases have emerged and more subcategories are now included in this layer, which illustrates the ever expanding capabilities of the internet. Consistently, the internet dependent employment in the consumer services layer has tripled from 2008 to 2016.

online retailing growth is exponential

- Retail e-commerce powers both internet-dependent employment within these e-commerce firms, as well as individual sellers that make a full or partial living out of selling products on these e-commerce platforms.

- This thriving community of workers illustrates the economic opportunity created by the internet, not just to mobilize individuals, but to build the software structures they rely on for trading, payment, and fulfillment.

E-COMMERCE FIRMS

■ **Employment**

2012	2016
477,685	770,211

INDIVIDUAL SELLERS

2012	2016
180,117	281,661
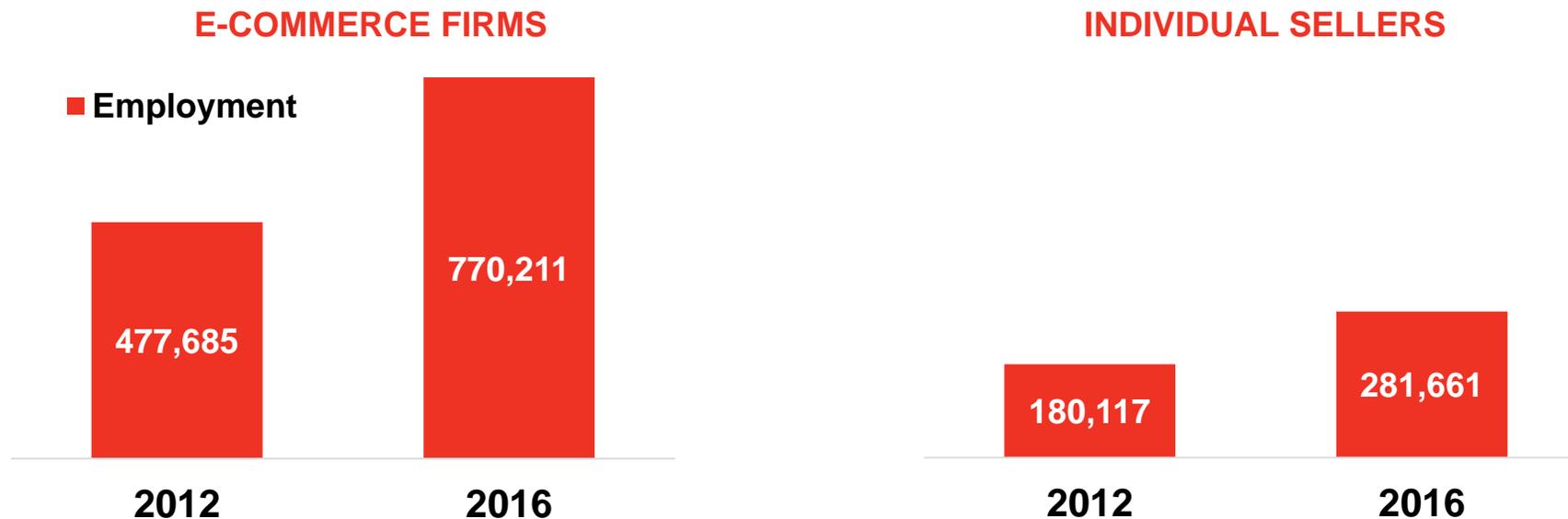
Note: Amazon, Apple, and Dell are not recorded here because they have other lines of business. Amazon is treated as an Integrated Firm, and Apple and Dell are included in the Hard Infrastructure layer.

Source: 2017 Economic Value of Advertising Supported Ecosystem, IAB

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e-commerce = ¼ of direct internet employment

E-commerce accounts for 976,000 jobs, almost a quarter of the entire direct employment base of the ad-supported internet ecosystem.

|		
Online retailing	**Online travel services**	**Online financial services**

- In 2016, **retail e-commerce** accounted for just **7.1%** of all retail sales. However it was where over **60% of retail growth** took place.

- **Amazon** has shifted from being primarily a platform for traditional retail conducted in the online environment to a platform for **small online sellers as third party merchants**.

- **Shopify**, an e-commerce platform company for small businesses, had **over 500,000 customers** as of Aug. 1, 2017, which is up **more than 50%** from September 2016.

This thriving community of workers illustrates the economic opportunity created by the internet, not just to mobilize individuals, but to **build the software structures they rely on for trading, payment, and fulfillment**

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financial services: 10x growth

From 2012 to 2016, online financial services industry has experienced significant shifts with a broadened definition from online banking to a wide range of services including day-to-day-banking, investment, digital payments and currencies, and the new sector of FinTech, or financial technology.

Major shifts since 2012 include:

- The eclipsing of the opening of financial products in the online vs. the branch environment.

- The top five banking activities—bill payment, viewing balances, viewing statements, retrieving transaction histories, and transferring funds—took place primarily online, increasingly on mobile.

- New in the 2016 reporting, the FinTech sector has attracted vigorous venture capital funding and experienced exponential growth in consumer uptake and revenues, ranging from 'robo-advisors', peer-to-peer lending, digital payment systems, micropayments, and crowdfunding platforms.

■ **Employment**

72,233

6,965

2012   **2016**

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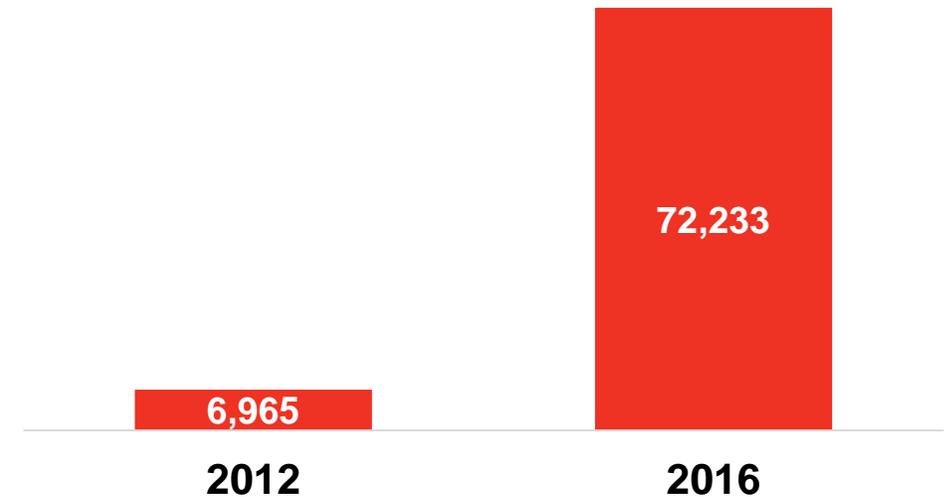
smb's and self-employed workers = 44% of the internet employment base

Large 56%

Individual 14%

Small & Medium 30%
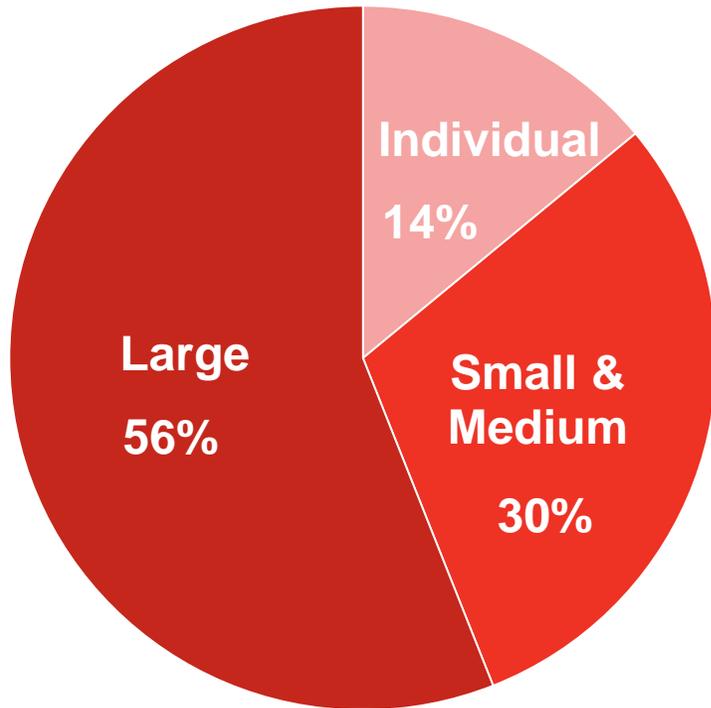
Large firms made up a little over half of the internet's employment base in 2016.

Mid-sized and small firms accounted for 30%.

Self-employed workers such as sellers on Etsy individuals trading on eBay, Craigslist sellers, on-demand economy workers, and freelance individuals doing coding, content creation, and other services for web sites made up 14%.

on-demand economy = $6 billion economic contribution

Characteristics of the on-demand economy include:

- Access over ownership (consumer point of view)
- Flexibility over fixed hours (worker point of view)
- Options and modularity of choice – e.g. a spare room instead of hotel, a shared ride instead of a cab

These platforms match workers to employers in a range of industries. People who drive for ride-hailing services, and part-time workers in the so-called gig economy, are in aggregate a full-time equivalent workforce of **147,000 people** and likely to grow much larger.
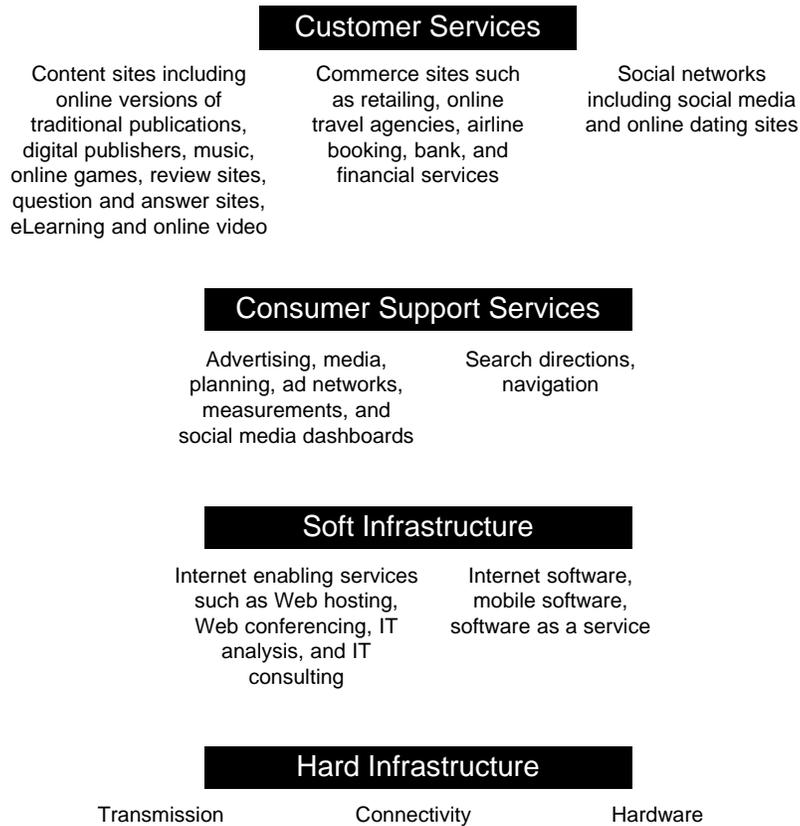
Our estimate for **Platforms & Services** is **$2.4 billion** and **12,803 jobs**.

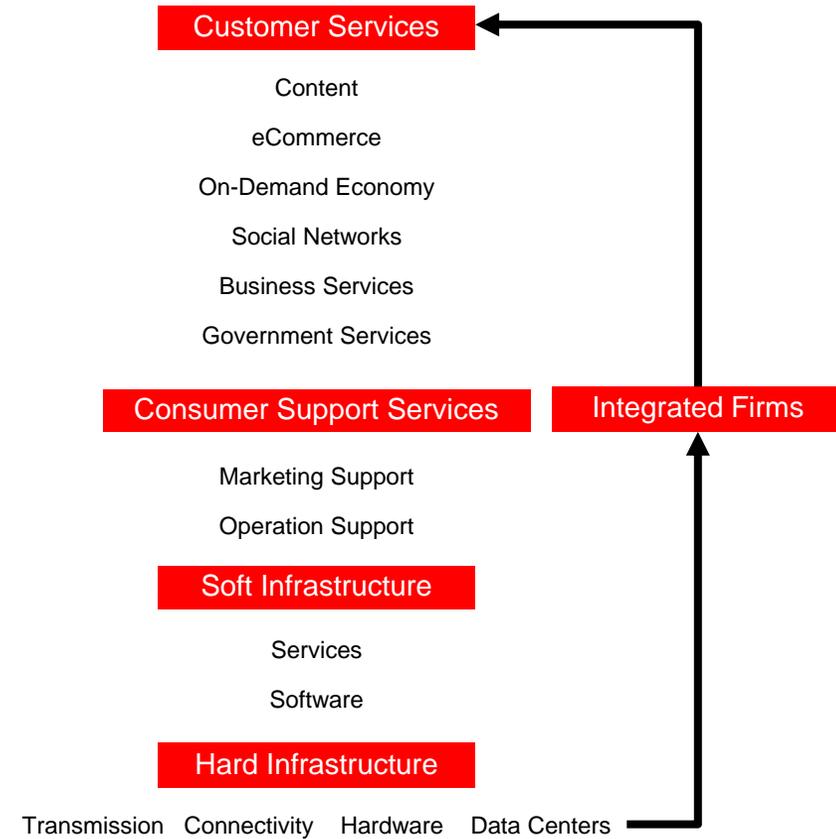Our estimate for **On-Demand Economy Worker** is **$6.04 billion** and **134,160 jobs**.

shifting structure of the internet and emergence of integrated firms
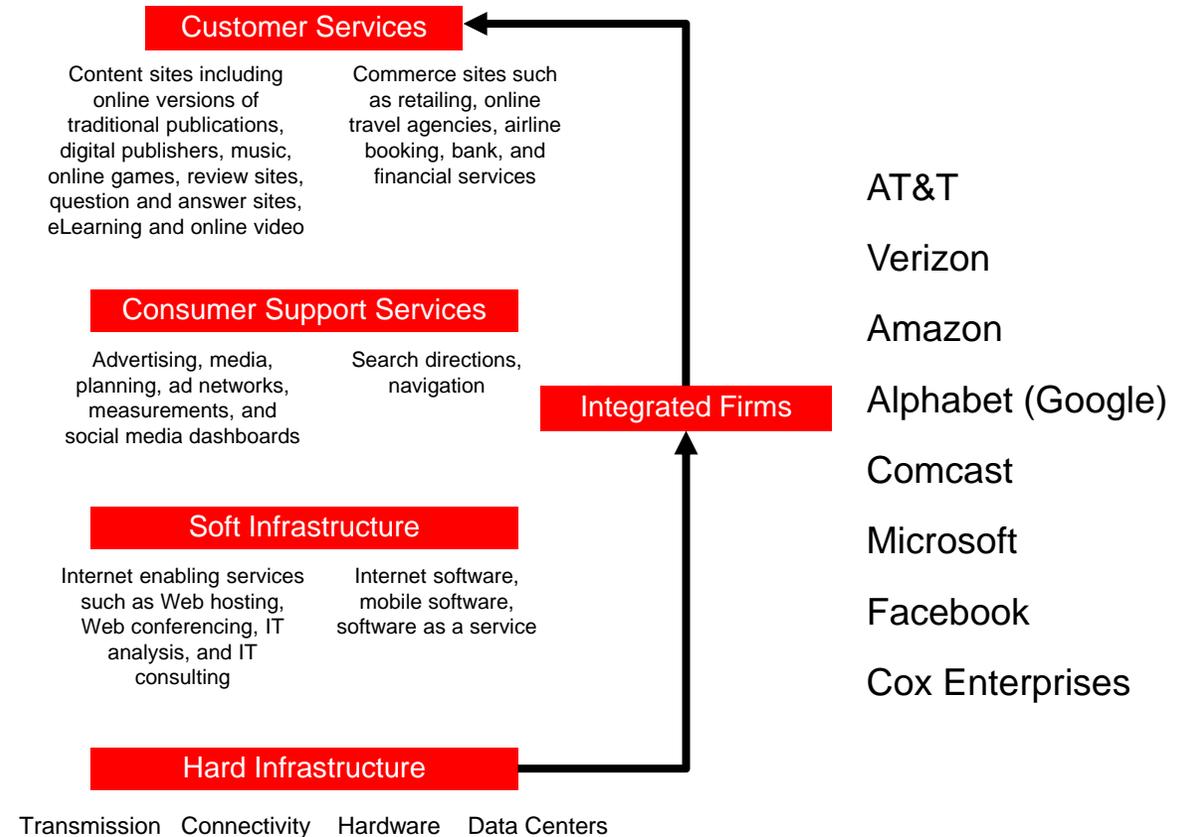
2012

Customer Services

Content sites including online versions of traditional publications, digital publishers, music, online games, review sites, question and answer sites, eLearning and online video

Commerce sites such as retailing, online travel agencies, airline booking, bank, and financial services

Social networks including social media and online dating sites

Consumer Support Services

Advertising, media, planning, ad networks, measurements, and social media dashboards

Search directions, navigation

Soft Infrastructure

Internet enabling services such as Web hosting, Web conferencing, IT analysis, and IT consulting

Internet software, mobile software, software as a service

Hard Infrastructure

Transmission   Connectivity   Hardware

2016

Customer Services

Content

eCommerce

On-Demand Economy

Social Networks

Business Services

Government Services

Consumer Support Services   **Integrated Firms**

Marketing Support

Operation Support

Soft Infrastructure

Services

Software

Hard Infrastructure

Transmission   Connectivity   Hardware   Data Centers

platforms = the new vertical integration

Integrated firms are vertically integrated firms that did not fit tidily into one layer of the internet or another and have highly intertwined internet-dependent revenues among discrete layers. This is a newly classified layer in the internet ecosystem.
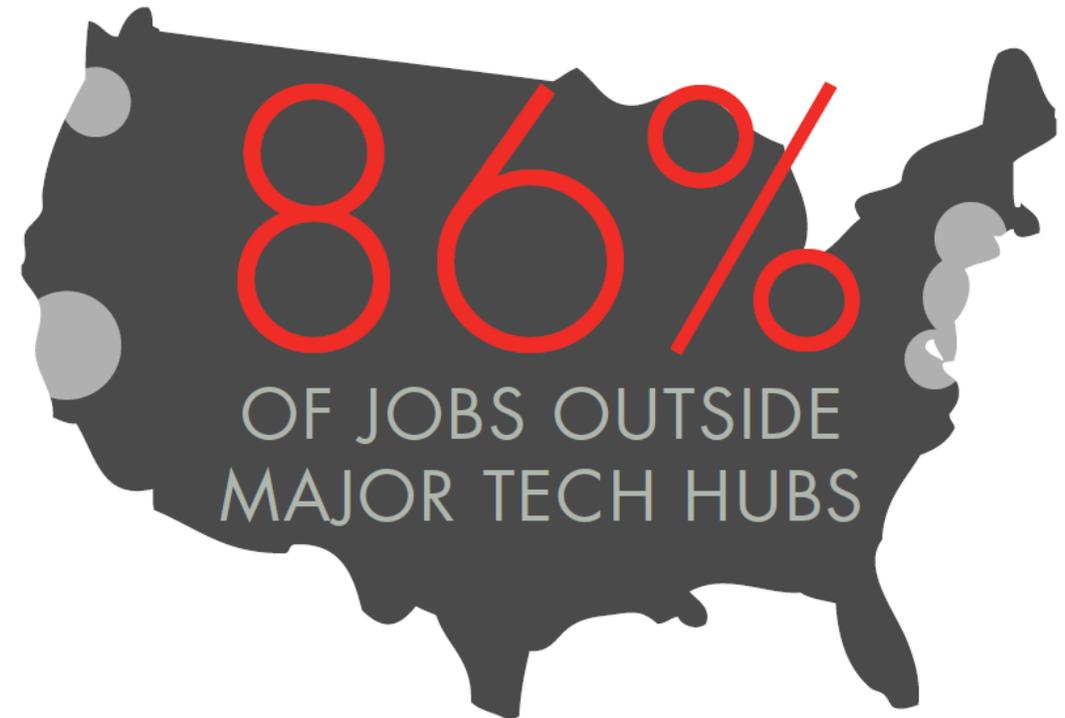
The patterns of integration are not identical, there are three main groupings:

- Content marketers integrating into transmission – Facebook, Google

- Transmission companies acquiring content – AT&T, Verizon, Comcast, Cox

- Integrating Vertically into Cloud Transmission and Data Services – Amazon, Microsoft

Customer Services

Content sites including online versions of traditional publications, digital publishers, music, online games, review sites, question and answer sites, eLearning and online video

Commerce sites such as retailing, online travel agencies, airline booking, bank, and financial services

Consumer Support Services

Advertising, media, planning, ad networks, measurements, and social media dashboards

Search directions, navigation

Integrated Firms

Soft Infrastructure

Internet enabling services such as Web hosting, Web conferencing, IT analysis, and IT consulting

Internet software, mobile software, software as a service

Hard Infrastructure

Transmission   Connectivity   Hardware   Data Centers

AT&T

Verizon

Amazon

Alphabet (Google)

Comcast

Microsoft

Facebook

Cox Enterprises

Geography: internet employment is spread across the entire U.S.

- The Bay Area of California accounted for **4%** of 2016 jobs.

- Other tech centers – Manhattan, Seattle, Virginia, Boston – accounted for another **10%.**

- But **86%** of the jobs are found spread across every state and county of the nation.

86% OF JOBS OUTSIDE MAJOR TECH HUBS

the stack-your-own supply chain: an overview

Repeat/Iterate

Idea

Make It
PRODUCTION STACK

Tell People About It
ATTENTION STACK

Get It In People's Hands
FULFILLMENT STACK

Collect & Use Signals
DATA STACK

99
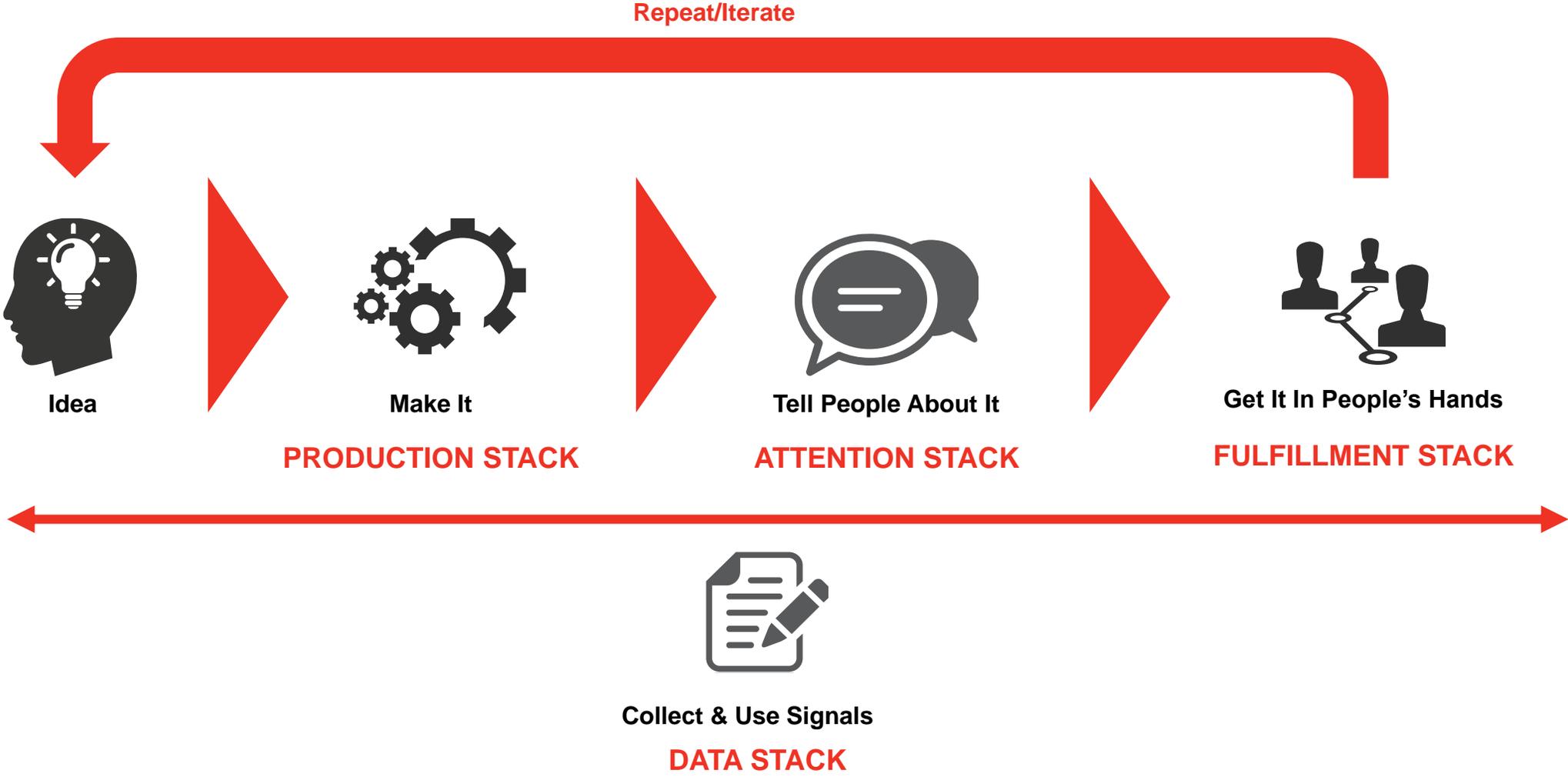
06. understanding
the production stack

MANUFACTURING

make the product

LOGISTICS

move the product

WAREHOUSING

queue the product
for sale

the production stack

manufacturing: global output has been increasing steadily this century

Manufacturing, value added (trillions US$)

Legend: ▬▬ World

iab.
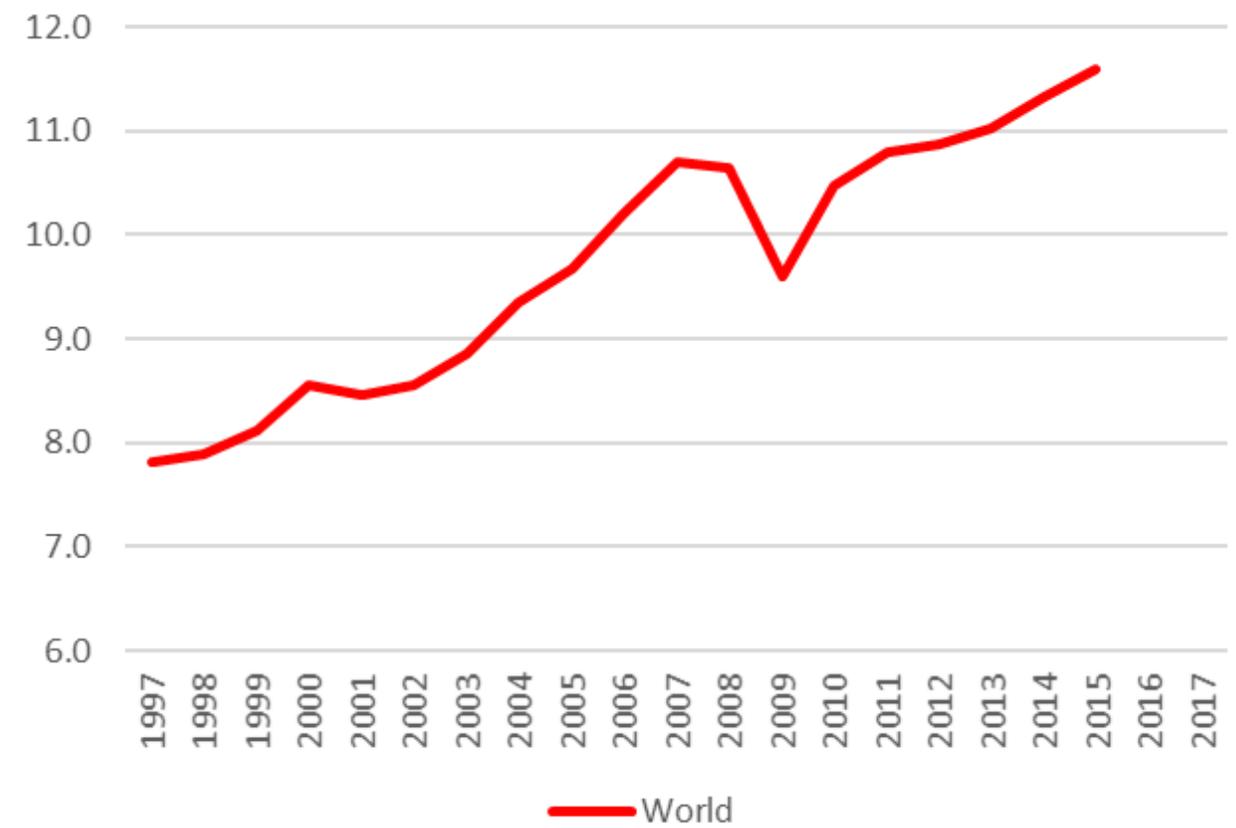
manufacturing: U.S. domestic output also has been growing

Manufacturing, value added (trillions US$)

Legend: United States
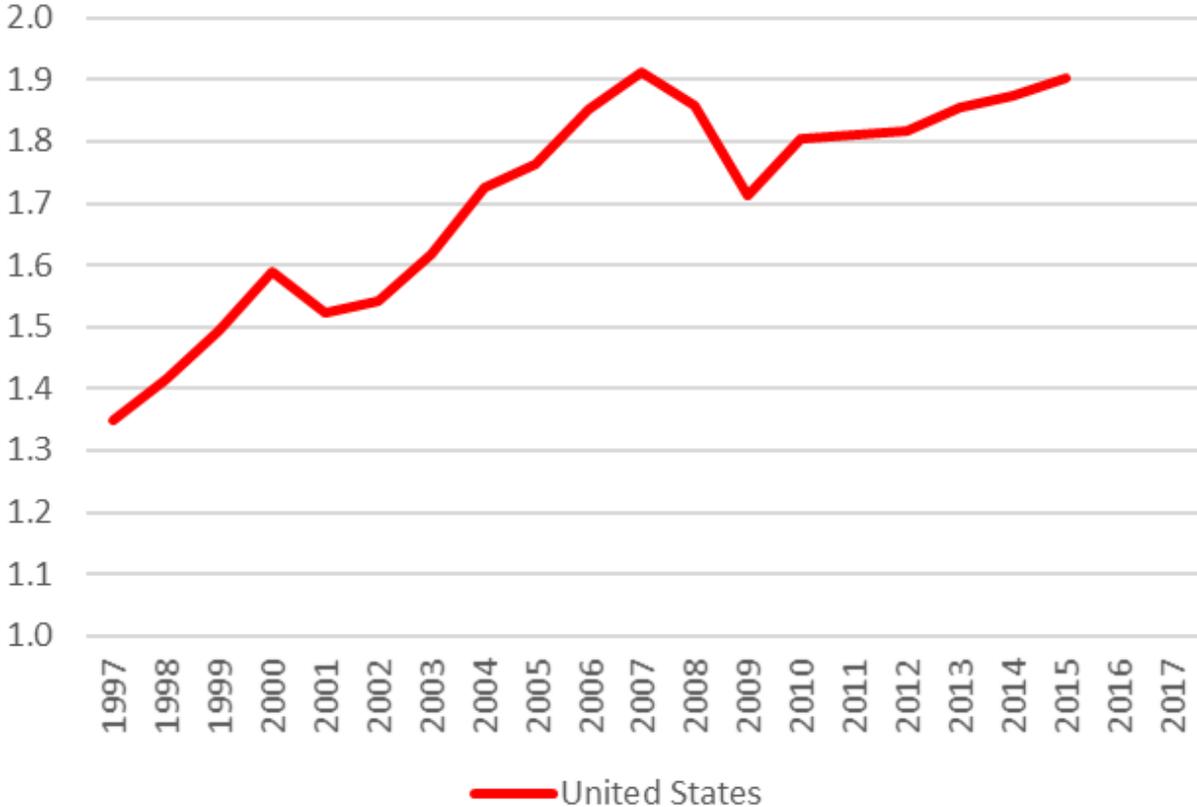
Source: http://api.worldbank.org/v2/en/indicator/NV.IND.MANF.KD?downloadformat=excel ; data in constant 2010 US$

the smaller the business, the bigger the tech payoff

cloud solutions even more important for smaller companies

Percentage of SMB and large-enterprise respondents who say the adoption of cloud/hybrid cloud system has significantly improved company performance in the following areas

47%
15%
Time to market

38%
17%
Business/revenue/profit growth

48%
32%
End customer experience

39%
26%
Ability to manage security

39%
28%
Ability to mitigate risk

■ Small business

■ Large enterprises
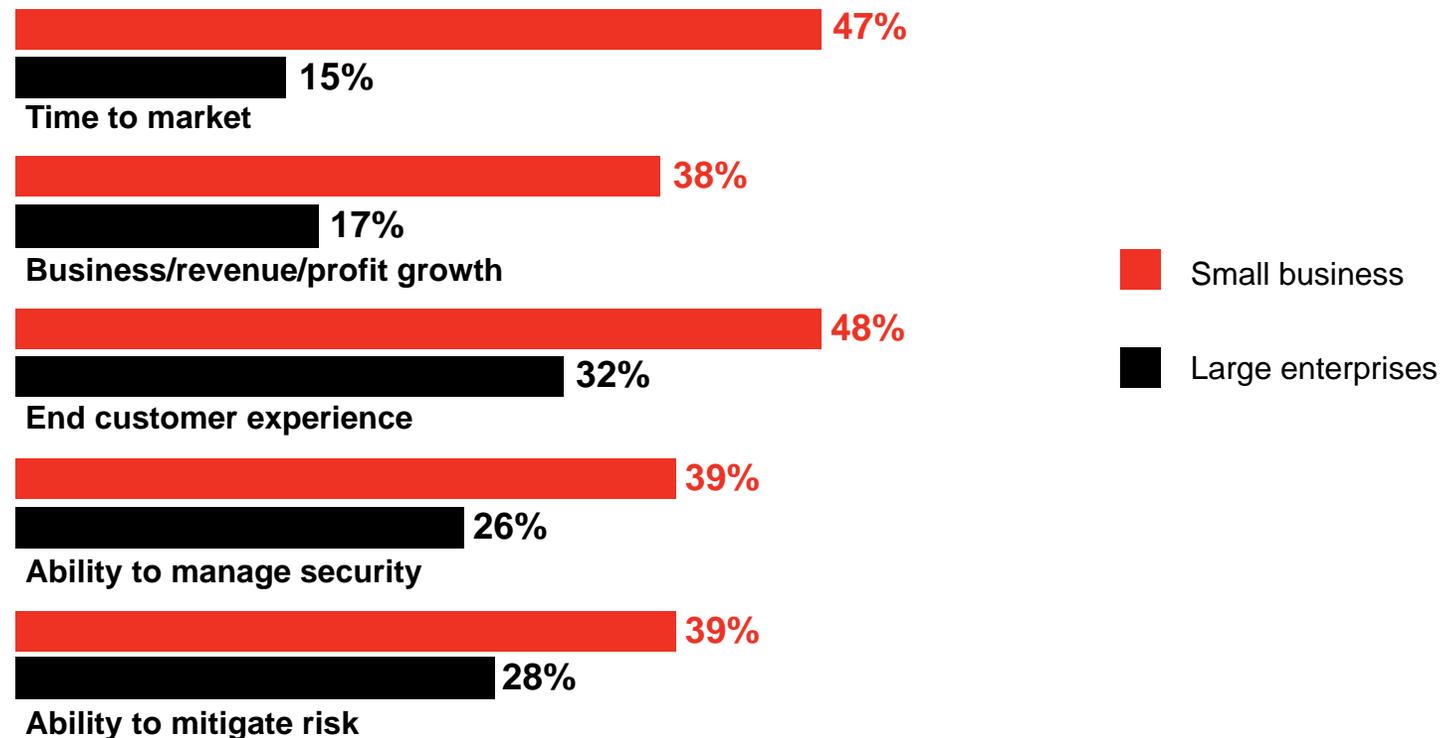
manufacturing: **is evolving** toward flexibility and scalability

Manufacturing Ecosystems

Distributed Local Manufacturing
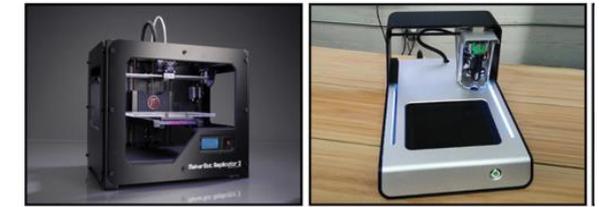
Hyper-Local Manufacturing

manufacturing: aggregated industrial ecosystems concentrate resources

- Special Economic Zones (like Shenzhen) have achieved a critical density of infrastructure and talent.

- Networks of smaller manufacturers (many started by former workers of large mega-factories) are sufficiently nimble and interconnected to allow for rapid prototyping, iterating, and scaling.

- Even giant Foxconn has launched a microfactory targeting initial product runs of 1K-10K units in order to compete for this segment of business.

- Each SEZ has a specialty, be it electronics (Shenzhen), footwear (Fujian), or motorcycles (Chongqing).

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manufacturing: local industry centers let startups bootstrap production

- Local manufacturing typically leverages both technology and community to keep costs down.

- At the same time, manufacturing tools have become both smaller and less expensive, allowing for small shops to have the same basic toolkit as larger, more capital-intensive facilities.

- This combination of immediate proximity to local markets, and technological flexibility, allow for rapid response to consumer needs.

- Platforms like OpenDesk allow for multiple facilities to share tools and talent, further reducing overall costs.

LIBERTY VIEW
INDUSTRIAL PLAZA
Sunset Park, Brooklyn

MANUFACTURE NEW YORK

manufacturing: **additive manufacturing** makes factories hyper-local

- Initial capital outlays for additive manufacturing (AM) are decreasing as the technology develops, and because they don't require tooling of molds or fixtures, their relative cost is already appealing.

- For small production runs, as well as for rapid iteration, AM is more cost effective than conventional techniques.

- Materials science has also increased the viability of AM, taking it beyond colored plastics and into materials that can simulate wood, bronze, iron, or ceramics.

Breakeven analysis comparing conventional and additive manufacturing process
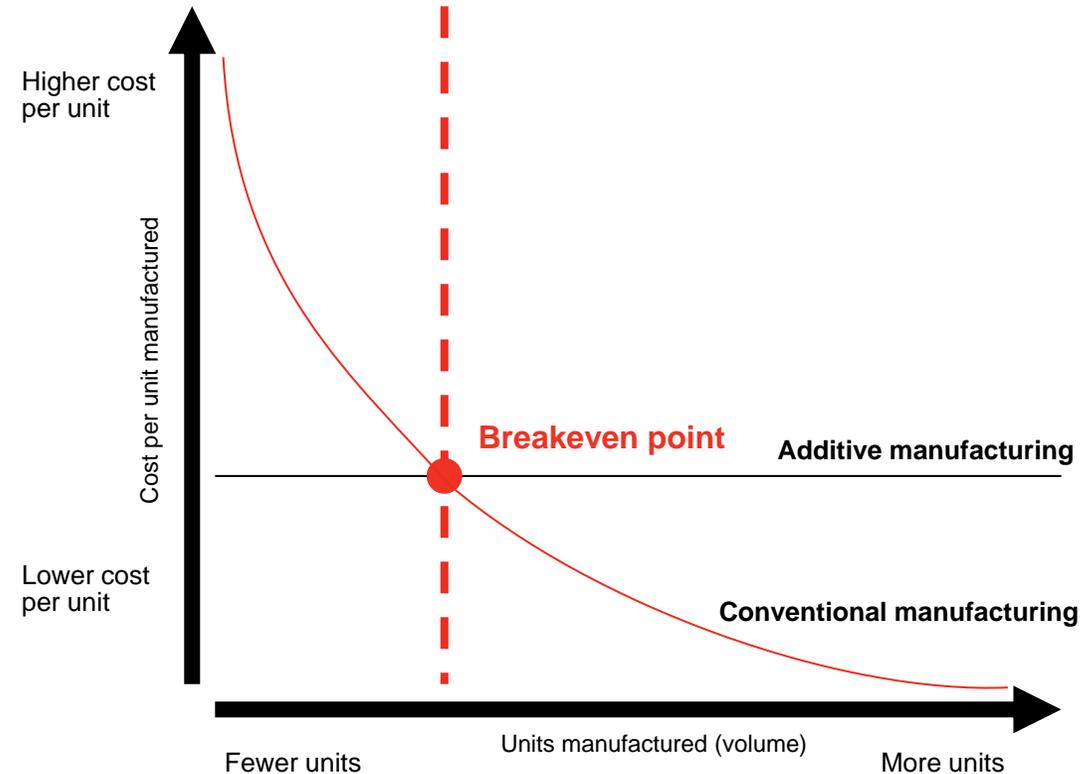
manufacturing: VC investments grew 4x from 2014-2015

investment in delivery startups is growing

In 2015, venture capital investments in supply chain and logistics start-ups was more than **four times higher** than in 2014 ($1,202 million versus $388 million), and venture capital dollars invested in the same space in the first quarter of 2016 alone was $1.75 billion.

Supply chain & logistics corporate annual global financing history
2012-2016 YTD (10/21/16)

57
(Full-year projection)

$2,156
(Full-year projection)

47   46

24

13

9

$38 $82 $215 $517 $1,742

2012   2013   2014   2015   2016 YTD (10/21/16)

■ Disclosed funding (SM)   —— Deals

https://www.cbinsights.com/research/supply-chain-logistics-startups-corporate-investors/

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" With last year's soaring air freight market defined by e-commerce as a new and likely long-term trend, with less-than-containerload (LCL) ocean shipments propelled by growth in small package shipments, and with North American trucking also redefined by e-commerce, **2017 was arguably the year when e-commerce most greatly impacted the entire supply chain**. "

logistics: demand for air freight more than doubled in the last year

shipping from global manufacturing partners is getting cheaper

Global demand for air freight, measured in freight tonne kilometers (FTKs) **grew 9% in 2017**- more than double the 3.6% annual growth reported in 2016 – **driven by the restocking cycle and buoyant demand for manufactured exports.**

shipping from global manufacturing partners is getting cheaper

Global container port throughput is estimated to have **grown by 5.8 percent** in the first quarter of 2017. If the current strong momentum is maintained, the full-year figure may be adjusted further upwards and could surpass the 5.1 percent volume increase that was recorded in 2014.

Source: https://www.joc.com/port-news/2017-volume-track-beat-capacity-growth_20170531.html

shipping from global manufacturing partners is getting cheaper

Nearly **70%** of the freight shipped throughout the US travels by truck at some point in its journey. **Shipments grew 7.7% in 2017** year-over-year, making it the **best year on record**.

Source: https://roadscholar.com/featured-content/investigative-report-2018-trucking-industry-forecast-and-expectations ; https://freight.usbank.com/download/USB_FreightIndex_Q4_Final.pdf

logistics: IoT driving costs down within existing infrastructures

shipping from global manufacturing partners is getting cheaper

- Several startups are turning to the cloud to drive logistics costs down while still using existing infrastructure

- Firms like Flexport, Freightos, and Haven automate processes within a client's logistics stack, from scheduling to routine paperwork

- These firms also employ IoT and sensor technology to generate real-time data feeds on the location and status of inventory

- Flexport, in particular, is investing $110MM in warehouses around the world to keep freight within their ecosystem

50 largest leases by market

Philadelphia
10 MSF
10 Deals

New Jersey
3.3 MSF
3 Deals

Cincinnati
3.4 MSF
3 Deals

Inland Empire
4.7 MSF
5 Deals

Atlanta
5 MSF
5 Deals

Dallas/Ft. Worth
8 MSF
8 Deals

118
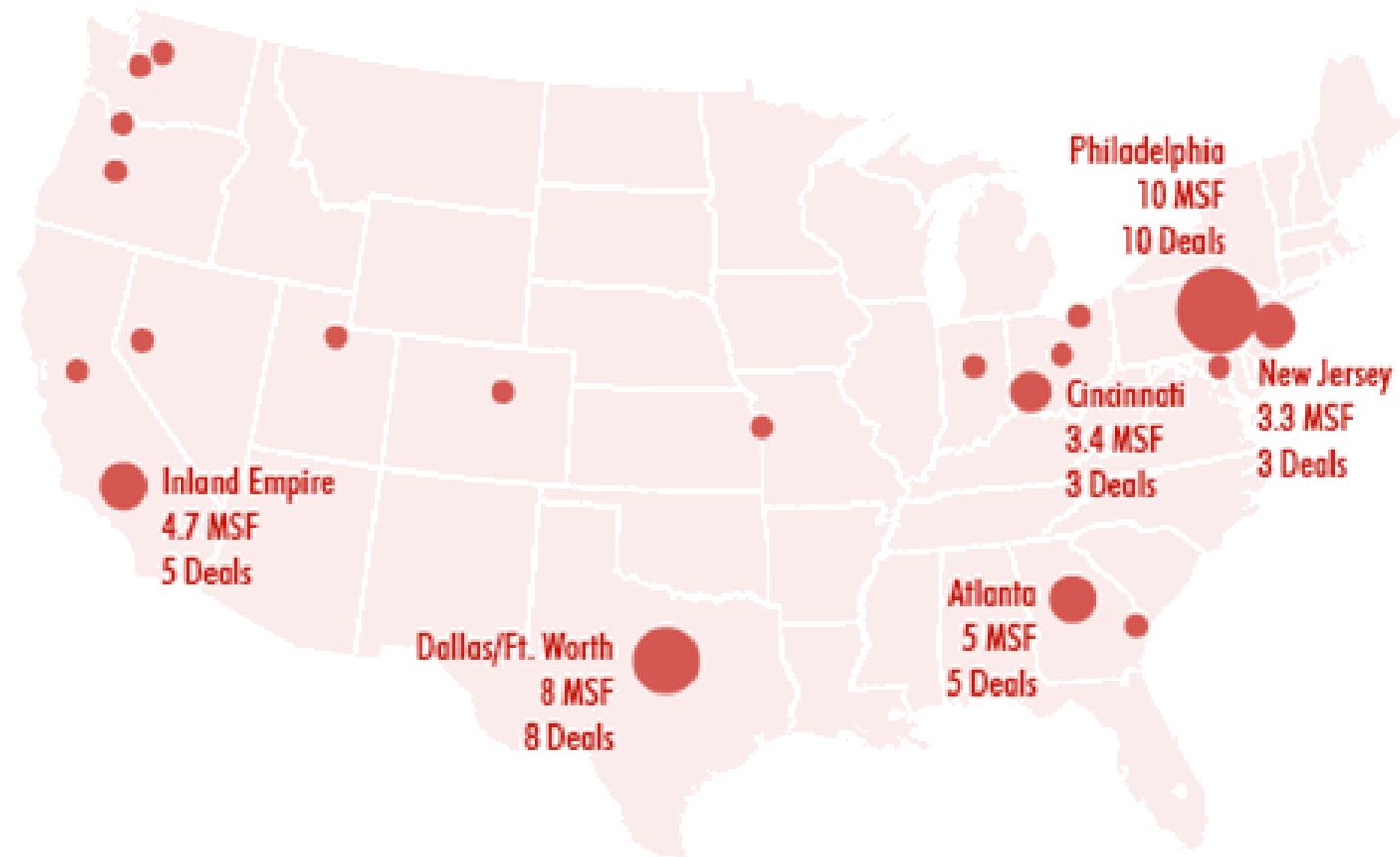
warehousing: increased demand pressuring warehouse costs

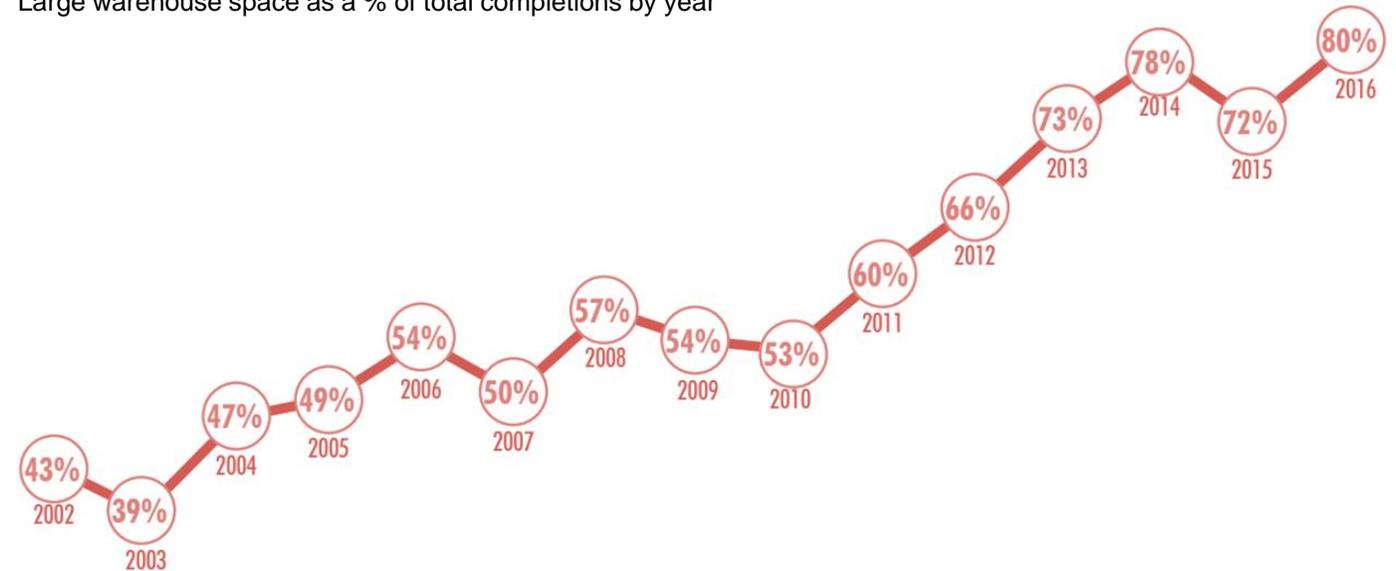## shipping from global manufacturing partners is getting cheaper
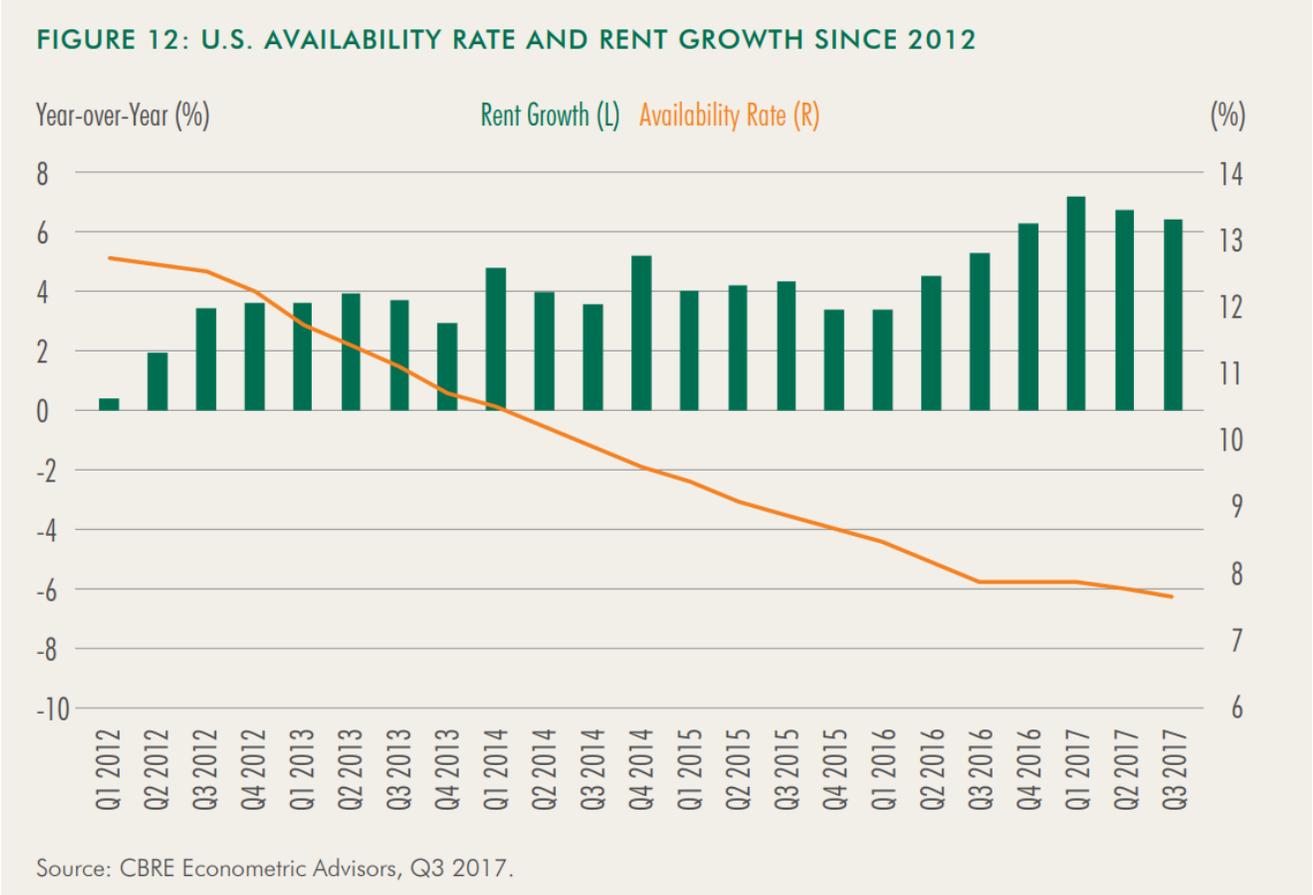
FIGURE 12: U.S. AVAILABILITY RATE AND RENT GROWTH SINCE 2012

Source: CBRE Econometric Advisors, Q3 2017.

shipping from global manufacturing partners is getting cheaper

CBRE estimates that for every **$1 billion** in new e-commerce sales, **1 million square feet of warehouse** will be needed.

New construction dominated by large warehouse space
Large warehouse space as a % of total completions by year

… **and flexible warehousing** solutions

shipping from global manufacturing partners is getting cheaper

- Platforms like Flexe are creating storage space markets to connect those with unused warehouse capacity with those who need it.

- Flexe currently offers space in more than 750 warehouses nationwide.

- Wide national distribution primes inventory for efficient and fast last mile delivery.

- Brands like Casper and Toms use Flexe for high-demand times like summer moving season (Casper) or holiday season pop-ups (Toms).

Flexe Network by region

Region	Number of warehouses
Northeast	112
South	108
Midwest	187
West	209
Canada	71

Number of warehouses
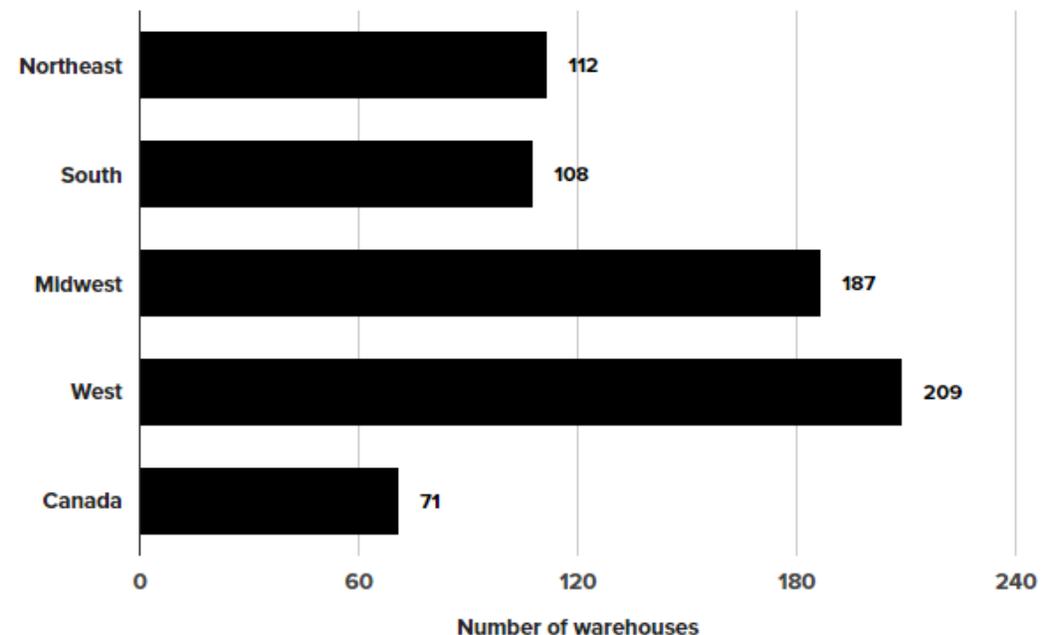
Data from Flexe

07. understanding
the attention stack

CREATE

your brand voice

CONNECT

with consumers

ENGAGE

in a value exchange

iab.

the attention stack

Engage

APP/WEB/MOBILE OPTIMIZATION   CROSS-PLATFORM OPTIMIZATION   EMAIL   RETARGETING/PERSONALIZATION

Connect

SOCIAL/CONTENT PLATFORMS   STREAMING AND WEB TV SERVICES   STREAMING DEVICES

Create

CREATIVE DEVELOPMENT   SOCIAL MEDIA   CONTENT STUDIOS   BLOG/HOSTING PLATFORMS

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create: massive platforms start at free

2017 Average Users/Month

YouTube	**221MM**
facebook	**202MM**
Instagram	**122MM**
Twitter	**117MM**
Snapchat	**102MM**
Pinterest	**102MM**

$0

Cost to have account

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social media accounts are free to set up, but benefit from investment nonetheless

- The Glossier brand was introduced with a series of posts on Instagram.

- 10 months of development were compressed into a few weeks of posts.

- By the time the first products were sold online, Glossier already had 13K followers on Instagram.

- One day later, the count surpassed 18K.
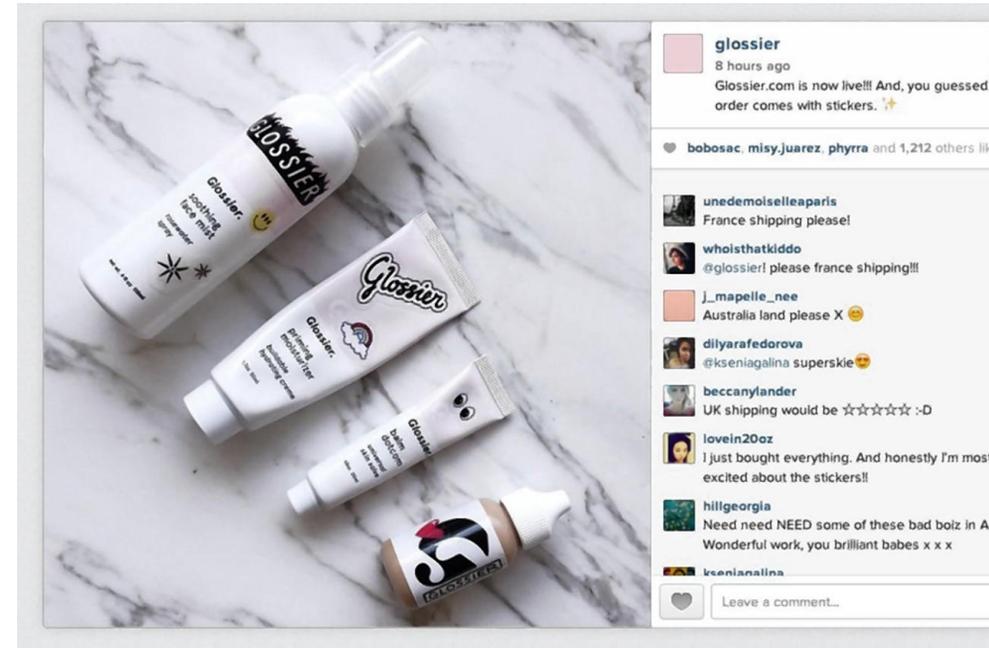
"Six weeks after its launch, [Glossier} announced $8.4 million in Series A funding led by Thrive Capital. [Founder Emily] Weiss used the money to invest in technology and data analytics that would study Instagram and other social platforms, measuring not just how well certain Glossier posts performed but how well each product performed"[1]

Source: https://www.wsj.com/articles/how-founder-of-beauty-brand-glossier-crafted-the-launch-on-instagram-1412709998 ; [1]https://www.entrepreneur.com/article/298014

Range of blog and hosting options:

	WP org	WP com	Blogger	Tumblr	Medium	Ghost	Squarespace	Wix
Price	$0 ❓	$0 ❓	$0	$0	$0	$0 ❓	$8-$24 per month	$0-$18 per month
Hosting incuded	✖	✔	✔	✔	✔	✔ / ✖ *	✔	✔
Custom domain included	✖	✖ ***	✖ ***	✖ ***	✖	✖ ***	✔	✔ ***
Mobile-friendly	✔ **	✔ **	✖	✔	✔	✔	✔	✔ **
Designs available	1000+	100+	Nearly none	100+	✖	100+	10+	100+
Plugins and extensions	1000+	✖	✖	✖	✖	✖	100+	10+
Ease of use	7/10	9/10	9/10	10/10	10/10	6/10	10/10	8/10

* hosting included for pro; no hosting for open source
** depending on the specific design you choose
*** you get a subdomain; you can hook up your custom domain as well

Source: https://startbloggingonline.com/blog-platform-comparison-chart/

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create: minimal investment can turn a blog into a company

$12,240 is estimated cost to launch professional blog in first year

BLOG BUDGET CALCULATOR	SETUP COSTS (ONE-TIME)	RECURRING COSTS (ANNUAL)
Hardware		
Computer	$2,000	
Digital camera	$750	
Video camera	$1,500	
Webcam	$100	
Microphone	$300	
Tripod	$250	
Lighting	$1,000	
Hosting, Tools & Software		
Domain name		$10
Email hosting		$10
Email list provider		$50
Blog hosting		$360
WordPress theme	$100	
Premium plugins	$200	
Spam protection		$60
SSL certificate		$50
Contracted services		
Custom logo and header	$250	
Additional custom design	$500	
Virtual assistant		$100
Training & Education		
Books		$100
Blog audit	$250	
Online Training		$300
Conferences		$1,500
Coaching/mentoring		$2,500
TOTALS	$7,200	$5,040

create: partnering with influencers amplifies a brand's message

Content creation/curation

Influencers can efficiently bring creative concepts to life through the lens of their social media influence, adding insights and producing original text, photo or video content that can be shared on their networks and also leveraged across platforms.

Content credibility

A well-chosen influencer's content will provide instantaneous relevance and high credibility within a targeted group or market, which will reflect well on both the publisher ad the brand.

Content amplification/distribution

Influencers are the masters on the platforms where they are most likely to reach the intended audience. From their own blogs or social media accounts, to paid amplification on their posts on social, their content will resonate and provide greater scale.

Content as extension of a publisher's thought leadership

Publisher's internal staff, in their own right, can be effective influencers for brands given their association with the publisher. Likewise, a publisher may have a list of available influencers, a "speaker's bureau" of sorts who are well versed on a publisher's unique DNA who can be readily called on to unite the brand with the publisher's unique reason for being.

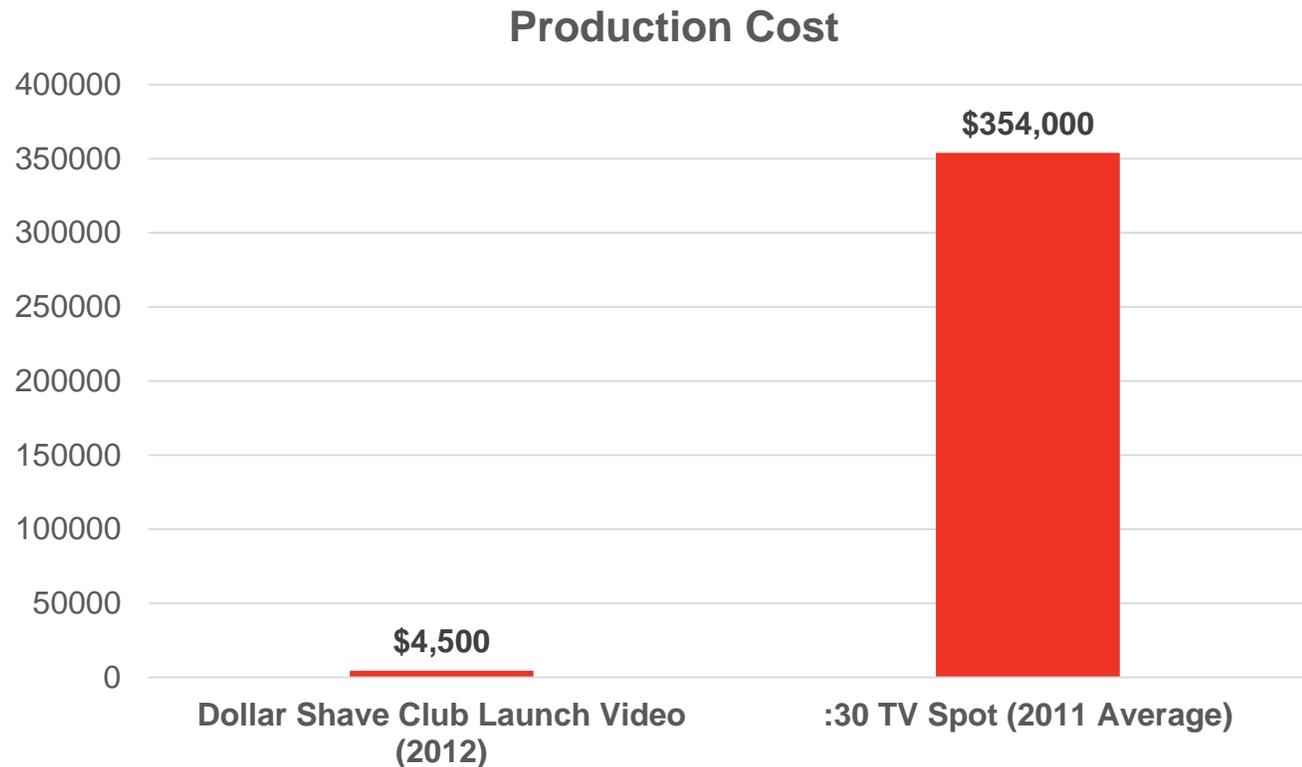# create: content marketing growing as influencer-partner

native content brings marketer and media brands together
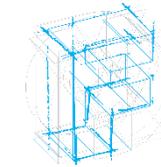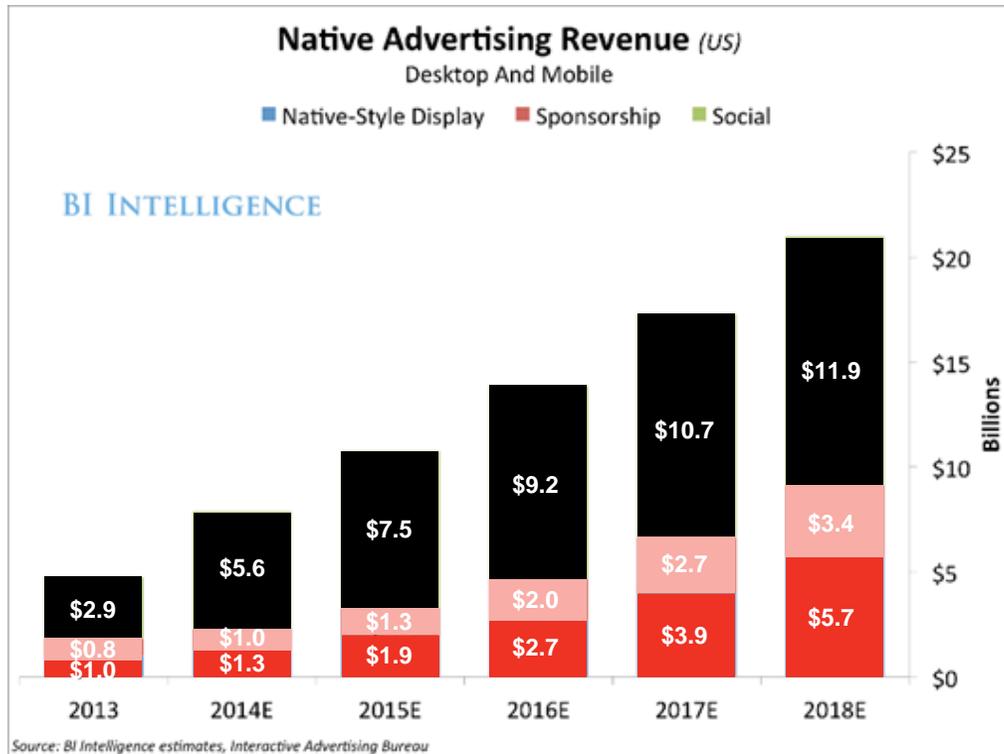
Native Advertising Revenue (US)
Desktop And Mobile
■ Native-Style Display ■ Sponsorship ■ Social

BI INTELLIGENCE

Year	Social	Sponsorship	Native-Style Display
2013	$2.9	$0.8	$1.0
2014E	$5.6	$1.0	$1.3
2015E	$7.5	$1.3	$1.9
2016E	$9.2	$2.0	$2.7
2017E	$10.7	$2.7	$3.9
2018E	$11.9	$3.4	$5.7

Source: BI Intelligence estimates, Interactive Advertising Bureau

Source: IAB Influencer Marketing for Publishers; https://www.iab.com/wp-content/uploads/2018/01/IAB_Influencer_Marketing_for_Publishers_2018-01-25.pdf

1977

3 Networks accounted for **93%** of all television viewing

connect: access into media ecosystem has exploded

2017

>1BN Websites
~5MM Apps
~224MM Social Media Users
>60% Watch OTT Video

133

connect: digital is the modern mass medium …

US internet users 2018-2022:
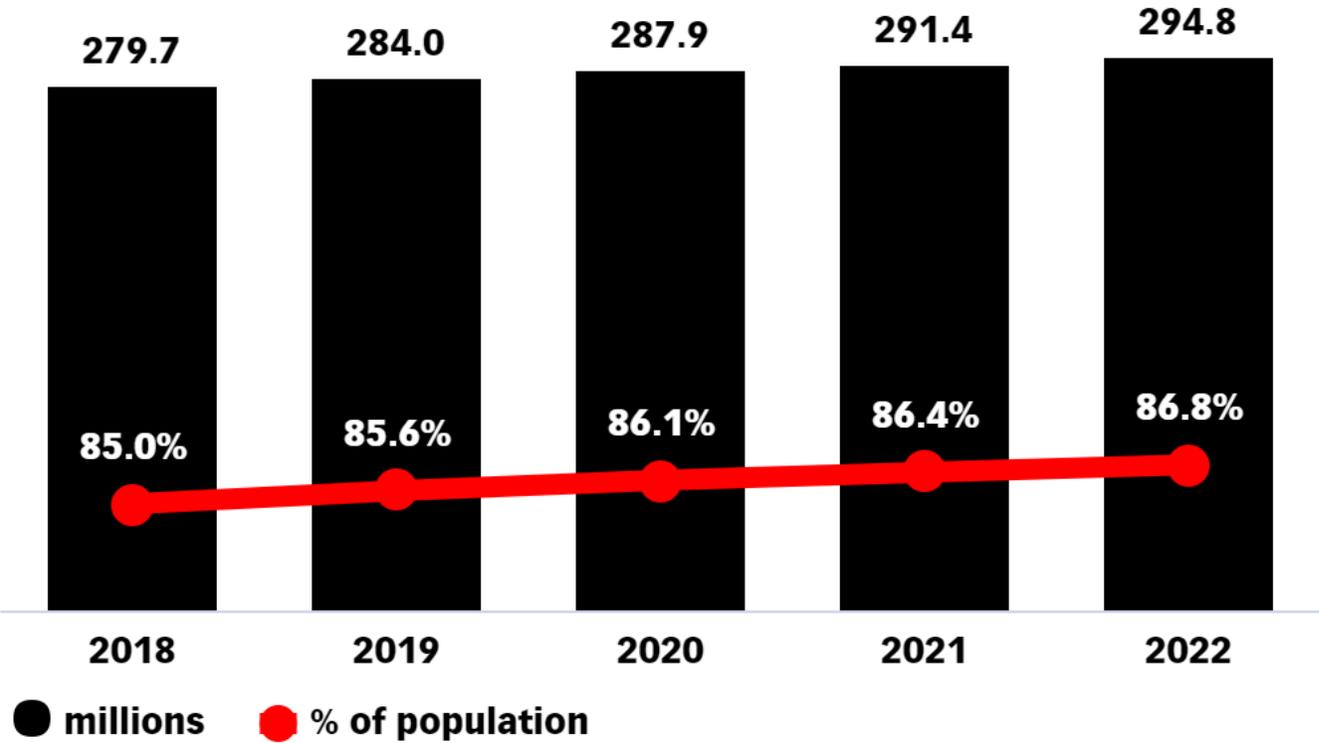
Source: eMarketer, January 2018

www.eMarketer.com

Source: https://numbers-na1.emarketer.com/584b26021403070290f93a13/5851918a0626310a2c186a2c

low-friction/DIY digital touchpoints have significant reach

% of total digital population reached monthly by:

71%
Blogs

87%
Social Networks

90%
Search/Navigation

Source: comScore Media Metrix Multiplatform, U.S., Desktop P2+ and Total Mobile P18+, Dec. 2017

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connect: consumers' time with digital screens is growing

U.S. consumers are spending ever-more time with digital screens

Total Minutes (MM)

Legend: Desktop (black), Smartphone (red), Tablet (pink)

Source: comScore, MediaMetrix Multi-Platform and Mobile Metris, U.S., Dec. 2013-Dec. 2017

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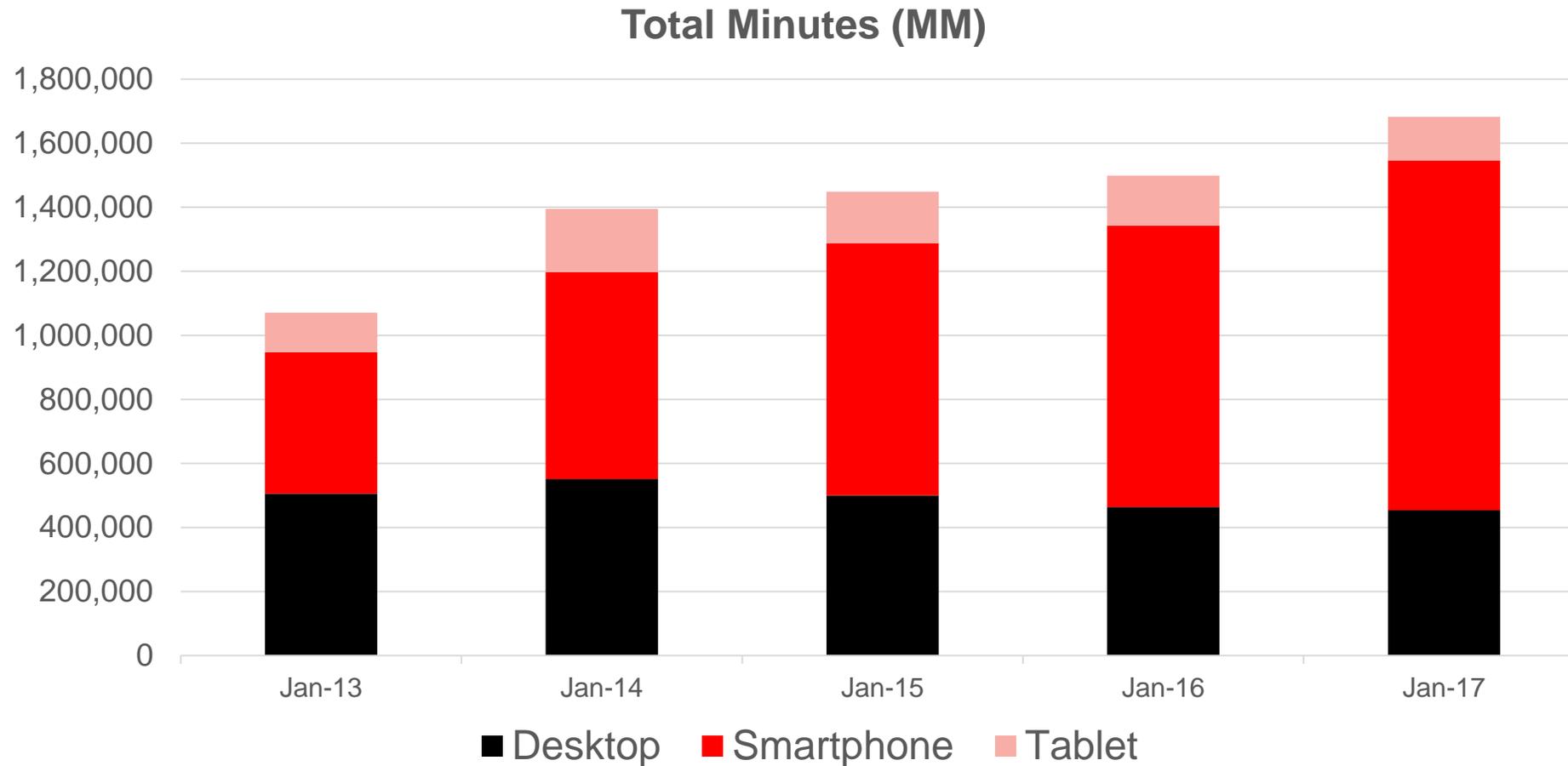
connect: 50-60%+ of that time = entertainment + social + search

entertainment, search, and social activities dominate digital screen time

Share of gross minutes by category:

COMPUTER

ENTERTAINMENT	26%
SEARCH & SOCIAL	23%
TELECOM & INTERNET SERVICES	12%
NEWS & INFORMATION	8%
COMMERCE & SHOPPING	7%
COMPUTERS & ELECTRONICS	5%
FINANCE	4%
HOME & FASHION	3%
FAMILY & LIFESTYLE	3%
EDUCATION & CAREERS	3%
OTHER	6%

SMARTPHONE

SEARCH & SOCIAL	29%
ENTERTAINMENT	26%
COMMUNICATION	11%
PRODUCTIVITY & TOOLS	11%
NEWS & INFORMATION	5%
TRAVEL	4%
COMMERCE & SHOPPING	4%
FAMILY & LIFESTYLE	4%
TELECOM & INTERNET SERVICES	1%
FINANCE	1%
OTHER	3%

TABLET

ENTERTAINMENT	43%
SEARCH & SOCIAL	20%
COMMUNICATION	11%
COMMERCE & SHOPPING	6%
PRODUCTIVITY & TOOLS	5%
FAMILY & LIFESTYLE	4%
NEWS & INFORMATION	4%
TRAVEL	2%
HOME & FASHION	1%
FINANCE	1%
OTHER	2%

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connect: digital consumers *are* video consumers

US digital video viewers 2018-2022:
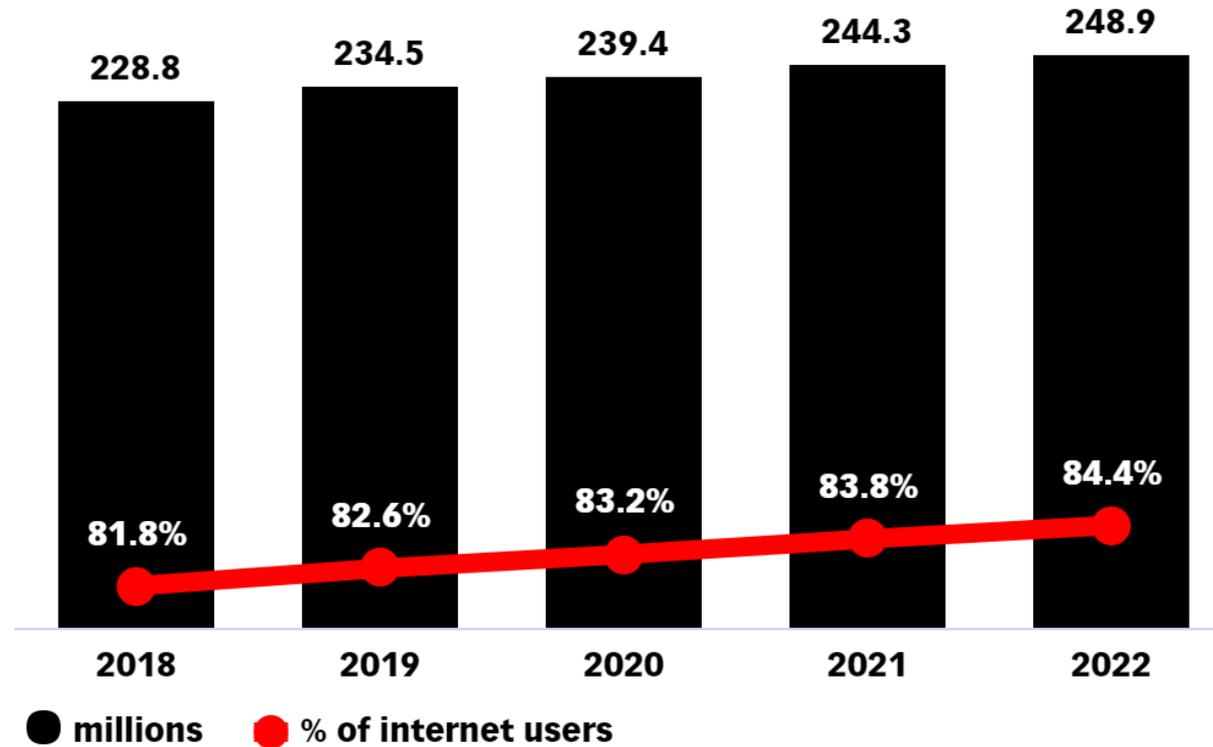
228.8   234.5   239.4   244.3   248.9

81.8%   82.6%   83.2%   83.8%   84.4%

2018   2019   2020   2021   2022

● millions   ● % of internet users

Source: eMarketer, January 2018

www.**eMarketer**.com

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Video is expected to make up **82%** of internet traffic over the next **3 years**

Global IP traffic

By 2020, video on the internet will eat up a bigger share of increased web traffic.

	2016	2021
		4%
		3%
		11%
		15%
Gaming	1%	
File sharing	8%	
Web/data	18%	
IP VOD	22%	
Internet video	51%	67%

2016
Total traffic: 96 exabytes

2021
278 exabytes

Source: Cisco

recode

iab.
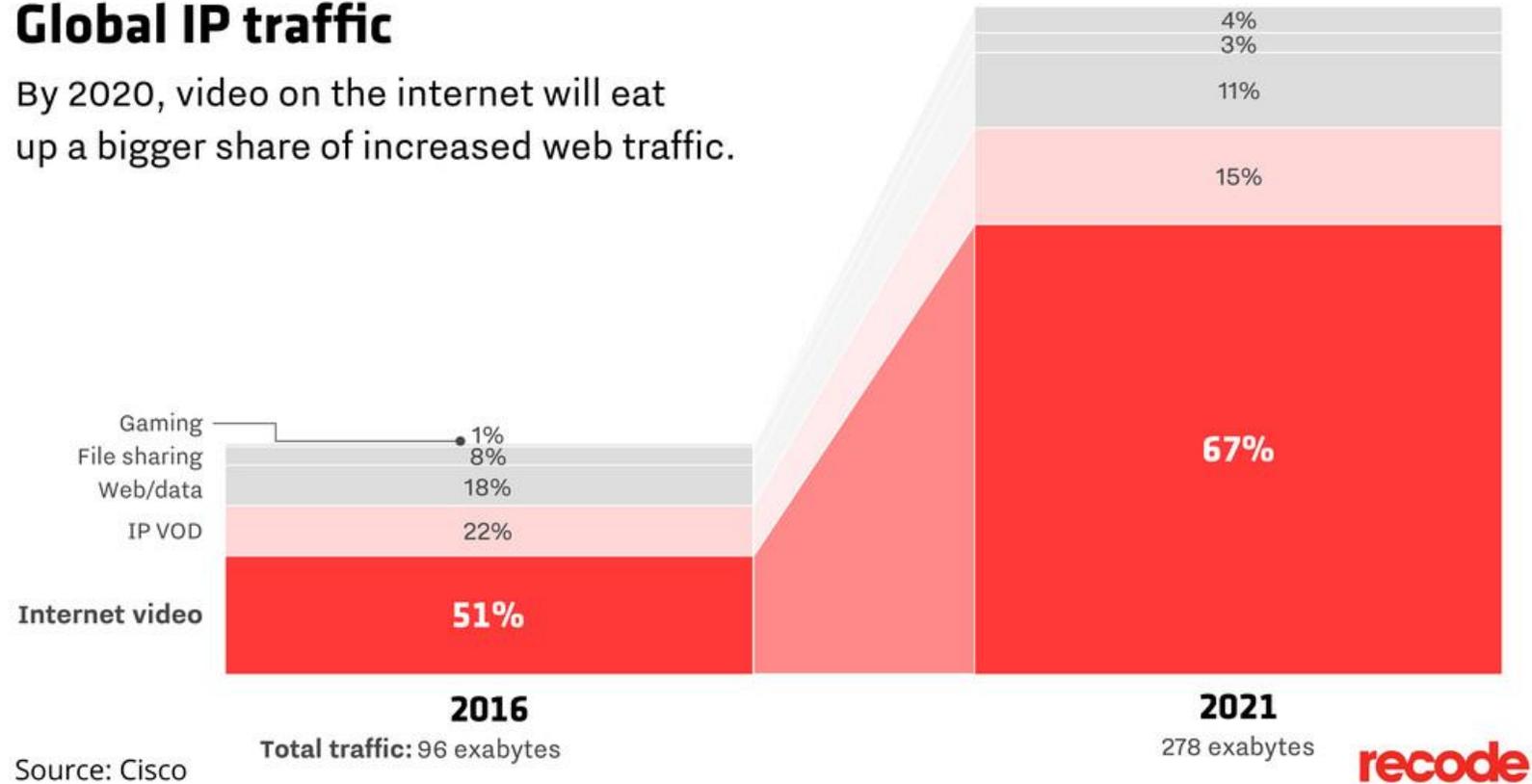
connect: many paths to the videos consumers want …

the paths to, and creators of, video content are increasingly diverse…

Video delivery and consumption 2017:
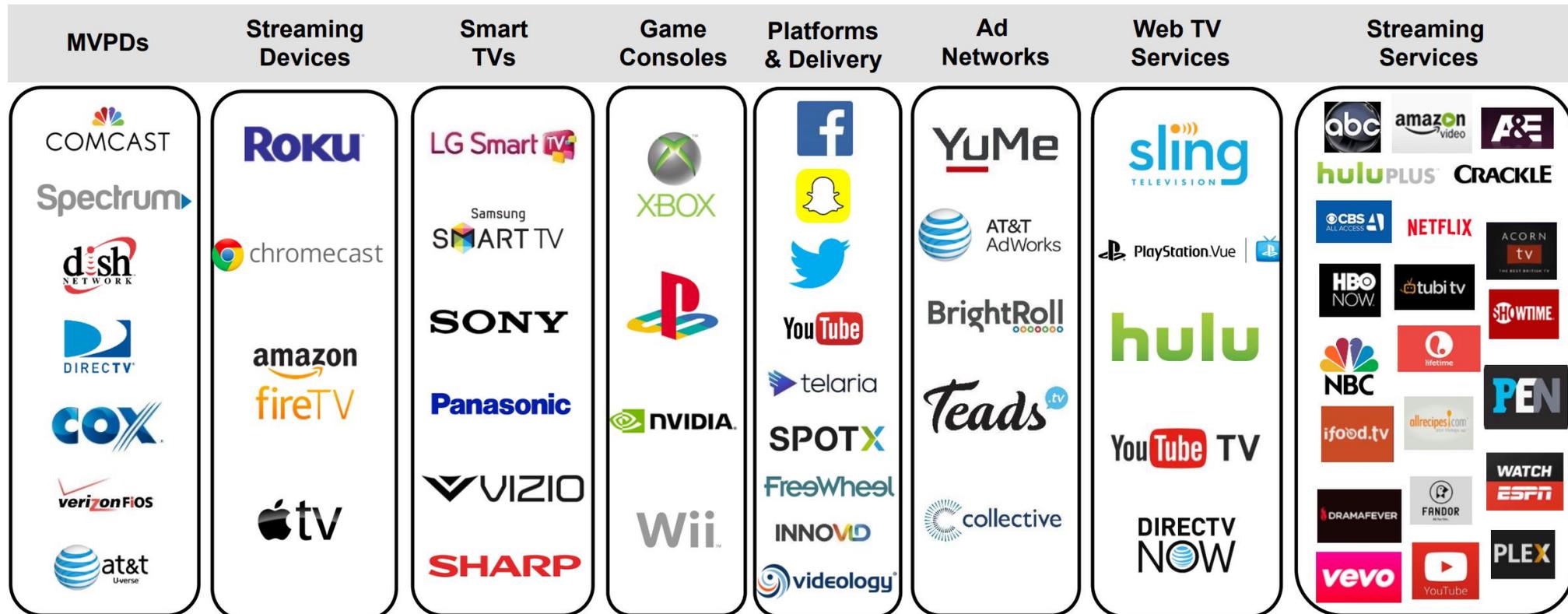
… but digital is preferred path

…and increasingly digital

How do you watch your favorite show?

64% (2014, Set top box)
31% (2014, An online source)
57% (2015, Set top box)
38% (2015, An online source)
53% (2016, Set top box)
40% (2016, An online source)
48% (2017, Set top box)
52% (2017, An online source)

2014   2015   2016   2017

■ **Set top box**
(live TV, VOD, or DVR)

■ **An online source**

iab.
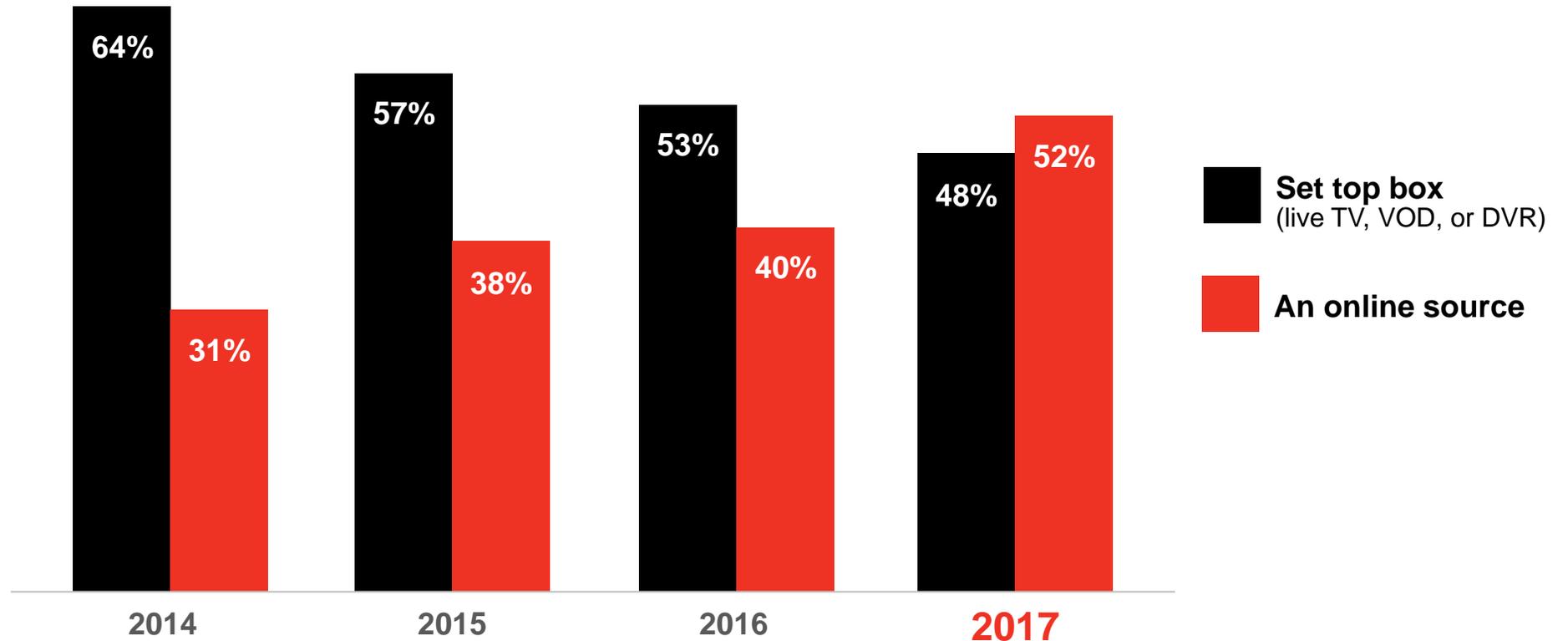
connect: ad spend patterns validate digital's power to connect

Digital Media's ability to **connect brands and consumers** is reflected in the consistent growth in marketer spend year after year.

Annual Digital Ad Revenue

Non-Mobile
Mobile

16% Overall CAGR

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total	16.9	21.2	23.4	22.7	26.0	31.7	36.6	42.8	49.5	59.6	72.5
Mobile					0.6	1.6	3.4	7.1	12.5	20.7	36.6
Non-Mobile	16.9	21.2	23.4	22.7	25.4	30.1	33.2	35.7	37.0	38.9	35.9
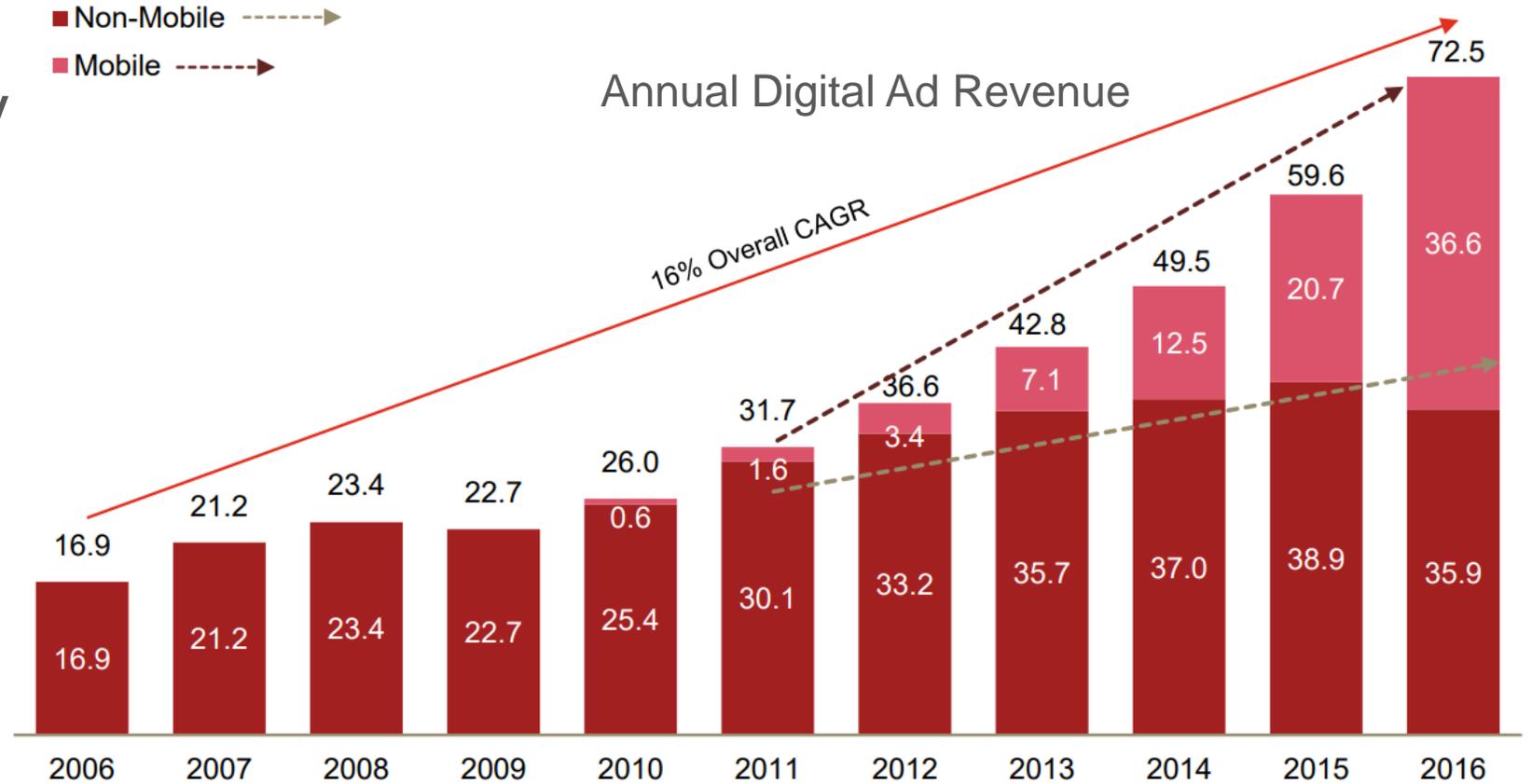
Source: IAB/PwC Internet Ad Revenue Report, FY 2016

- Casper's '**Late Night Snap Hacks'** featured video clips designed for users to play, record, and post on social media as evidence they were doing something other than lounging in bed.

- The site had **hundreds of thousands** of views within the **first few days** of launch, and was featured on sites like Mashable, Teen Vogue, Billboard, and The Next Web.
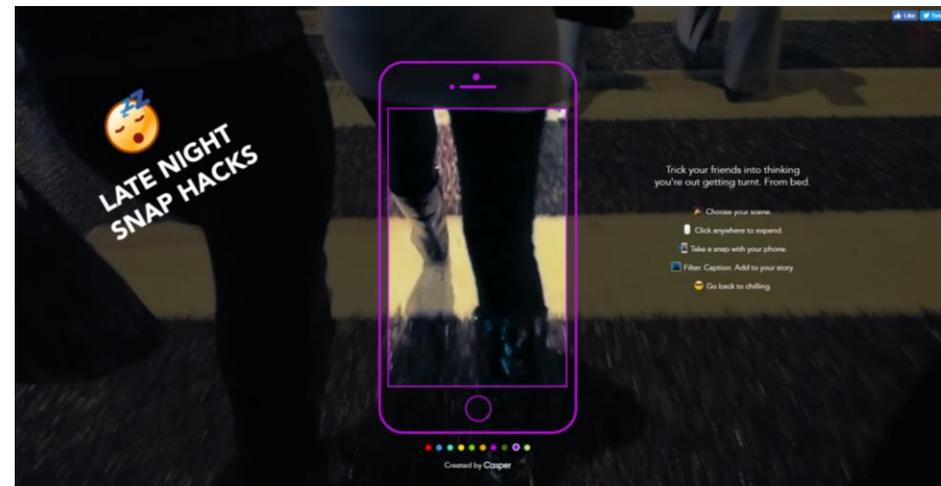
- Harry's encouraged people to spread the word in exchange for prizes.

- **10K people** gave Harry's their email addresses.

Harry's launch landing page
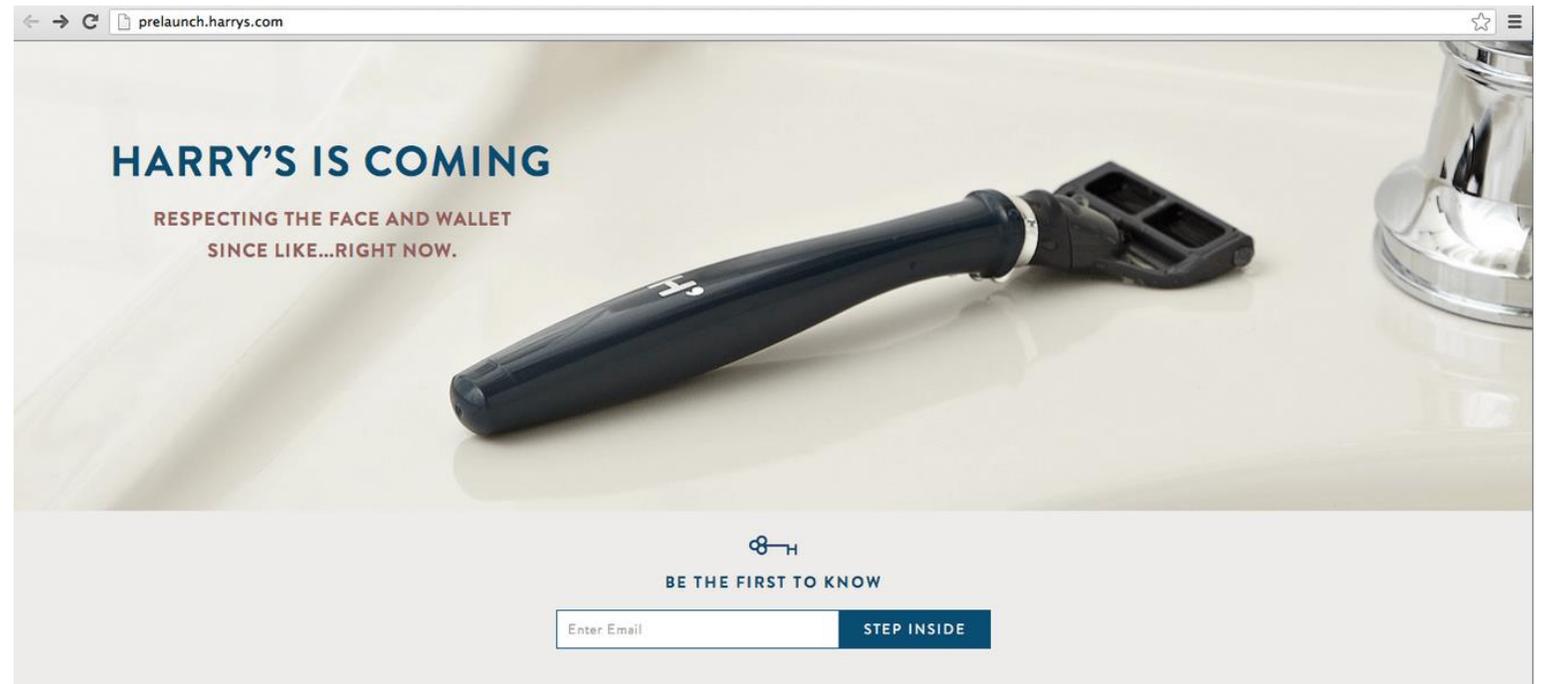
which in turn drove additional earned reach

Harry's: Number of referral sign-ups by day

Referrals accounted for over 65,000 sign-ups, or 77% of the campaign total
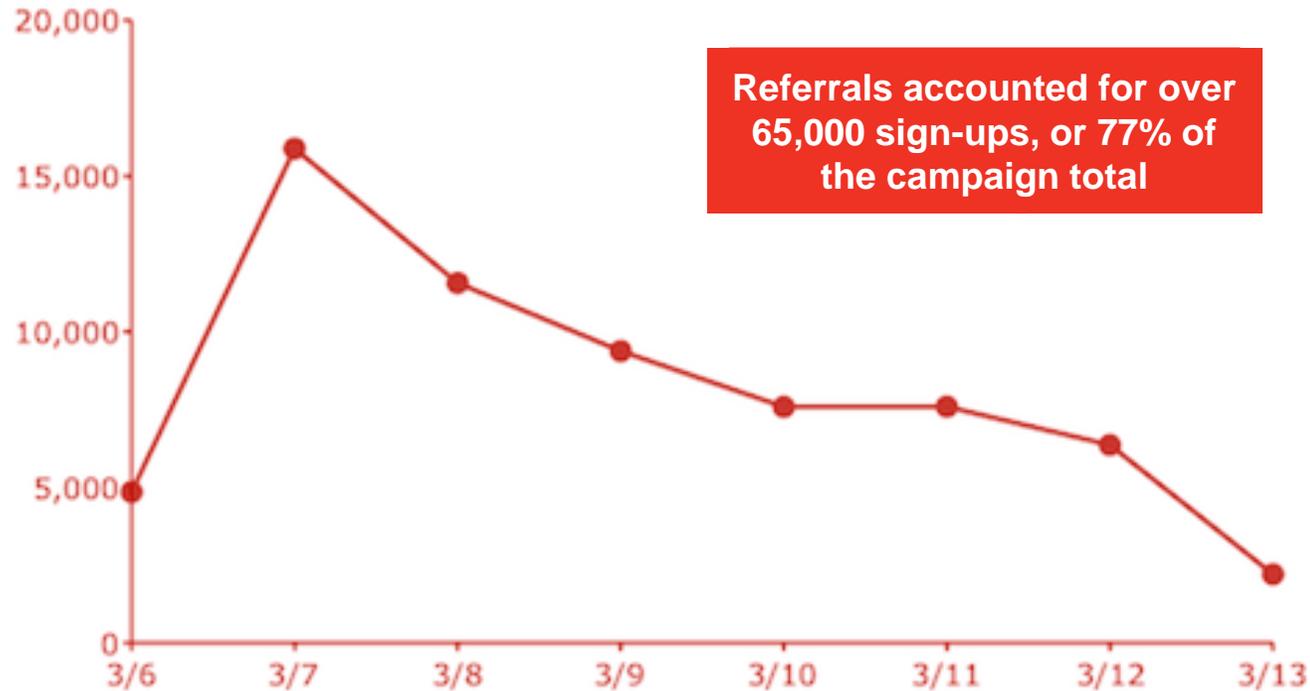
- 5 friends:
  free shave cream

- 10 friends:
  free handle with blade

- 25 friends:
  Winston shave set

- 50 friends:
  a year supply of free blades

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Source: https://www.cbinsights.com/research/direct-to-consumer-retail-strategies/#harry2

engage: real world interactions also creating digital data

Thinx created a unique URL "hellothinx.com" for its subway campaign and tracked online traffic from different cities.

Source: https://digiday.com/marketing/challenger-brands-embrace-classic-ad-channels-thinx-casper-like-subway-ads/
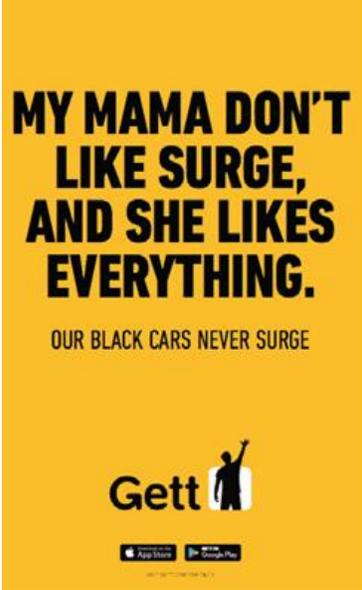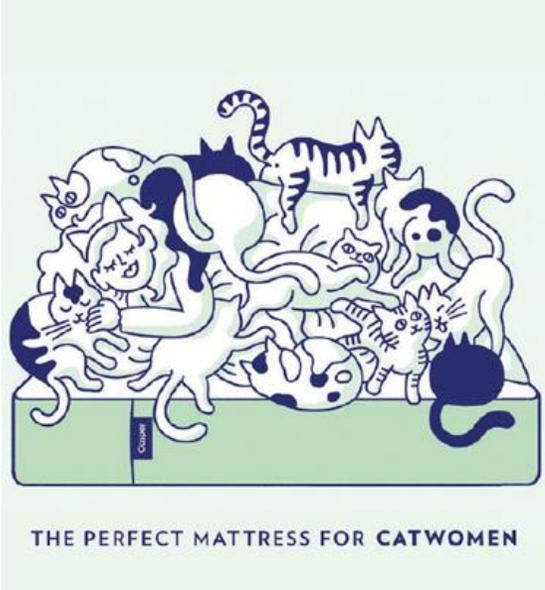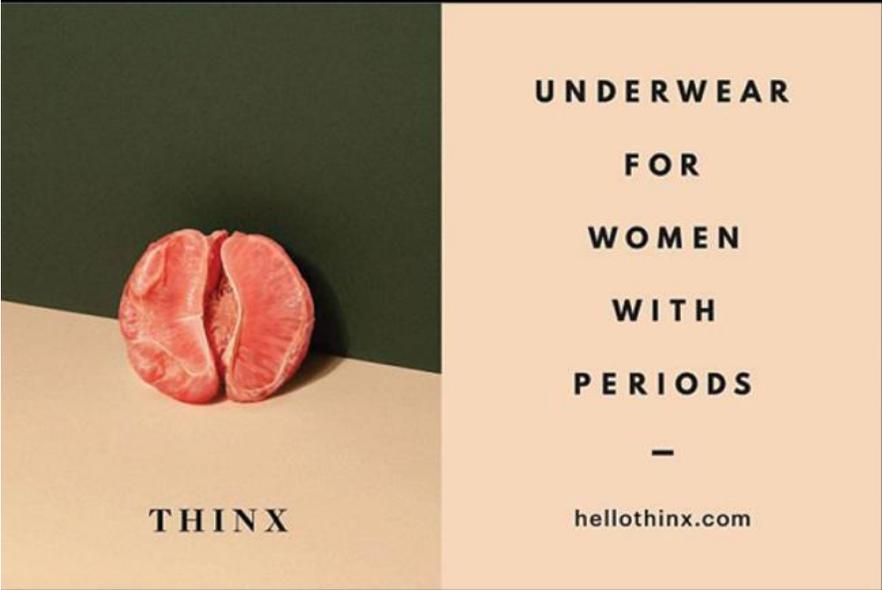
08. understanding
the fulfillment stack

TRANSACT

sell the product

DELIVER

get the product in the consumer's hands

TOUCH

maintain and grow the relationship

iab.

the fulfillment stack ...

Touch

CONTACT CENTERS — CUSTOMER RELATIONS

Deliver

ORDER PREP — LAST MILE

Transact

ECOMMERCE PLATFORMS — PAYMENT GATEWAYS

~70% of U.S. adults already buy online, and this is expected to increase

79.9%

82.4%   **Digital shoppers**

68.4%

73.1%   **Digital buyers**

2017   2018   2019   2020   2021
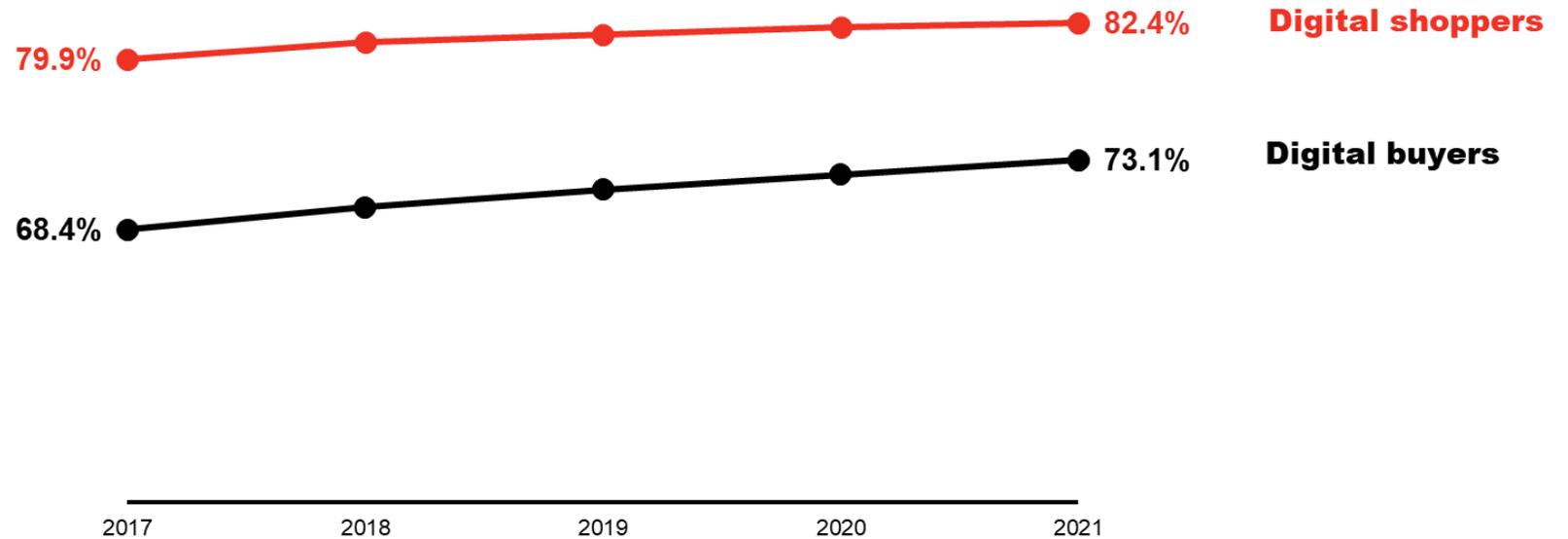
US Digital Shopper vs. Buyer Penetration (% of population)

150

transact: **many platforms exist** upon which to build a storefront

PLATFORM	MARKET SHARE	CLIENTS
Magento	**20%**	zumiez
WOO COMMERCE	**18%**	weber
Shopify	**10%**	GREATS
PrestaShop	**7%**	LOWE'S
opencart	**4%**	FX CREATIONS

transact: buying directly from a brand's content feed is growing

- Visual platforms like Instagram and Pinterest have been rolling out in-feed shopping tools.

- Brands are using these platforms to allow for their customers to move more quickly from discovery to purchase.

- This does not yet replace a brand's ecommerce site, as users are directed there to complete transactions.
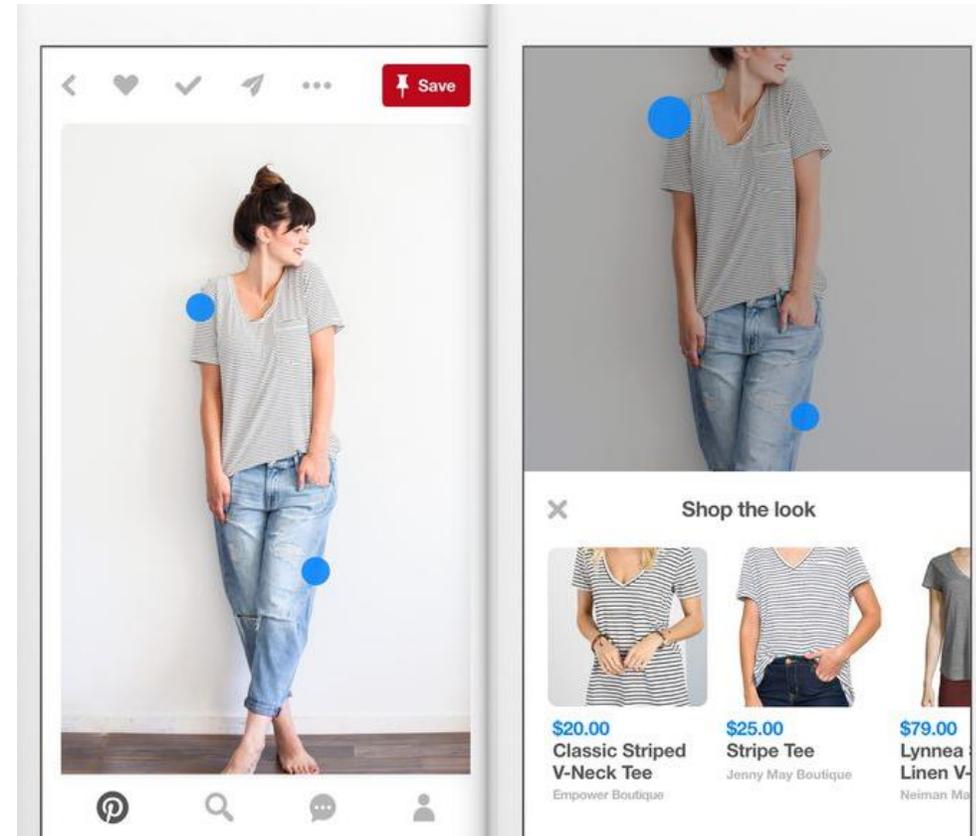
iab.

EVERLANE

We realized we need to have stores if we're going to grow on a national and global scale.[1]

AWAY

Plans to use a recent $20MM funding round to open at least 4 retail stores[3]

Glossier.

Glossier's store has more sales/sq. foot than the average Apple Store, and a 65% conversion rate.[2]

WARBY PARKER

By June '17 had 50 stores, and was planning to open 19 more by year's end[4]

"Recognizing the demand-generating power of physical engagement, numerous online retailers have opened up their own bricks-and-mortar stores."
HBR 12/7/17

https://hbr.org/2017/12/shoppers-need-a-reason-to-go-to-your-store-other-than-buying-stuff

Sources:[1]https://www.washingtonpost.com/business/economy/everlane-is-opening-its-first-stores-after-years-of-swearing-it-wouldnt/2017/11/22/32e7d142-c9ba-11e7-b0cf 7689a9f2d84e_story.html?utm_term=.c631823dcc65   [2]https://www.entrepreneur.com/article/298014

[3]https://skift.com/2017/05/26/travel-startup-funding-this-week-away-may-26-2017/   [4]hhttps://www.inc.com/magazine/201706/tom-foster/warby-parker-eyewear.html

payment gateway providers' projected growth points to increasing transaction volume

- Payment Gateways, which allow ecommerce sites to connect to banks and credit card companies, processed nearly $20BN in 2016.

- That is predicted to grow to nearly $58BN by 2022. a CAGR of nearly 20%.

- Payment gateway provider Stripe, who's customers include Facebook, Amazon, Pinterest, Lyft, Fitbit, and Instacart, was recently valued at $9.2 billion dollars.
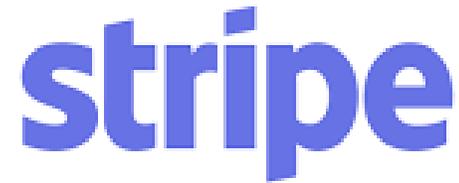
154

deliver: free > fast (but fast is important)

Shipping Options that Would Encourage US Internet Users to Purchase Digitally, March 2017

% of respondents

Free shipping	80%
Next-day shipping	36%
Same-day shipping	35%
2-hour shipping	22%
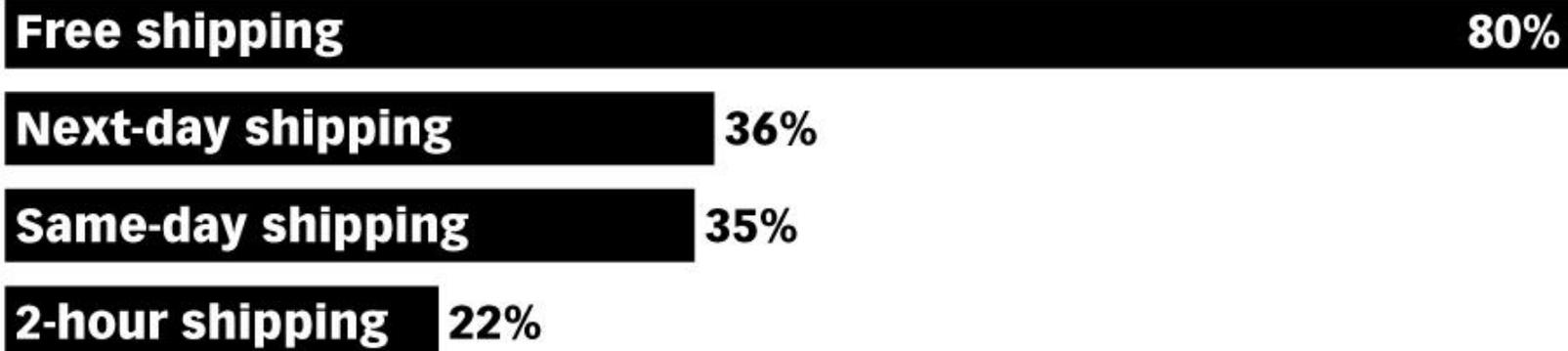
Note: ages 18+
Source: Walker Sands Communications, "Future of Retail 2017," July 12, 2017

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www.**eMarketer**.com
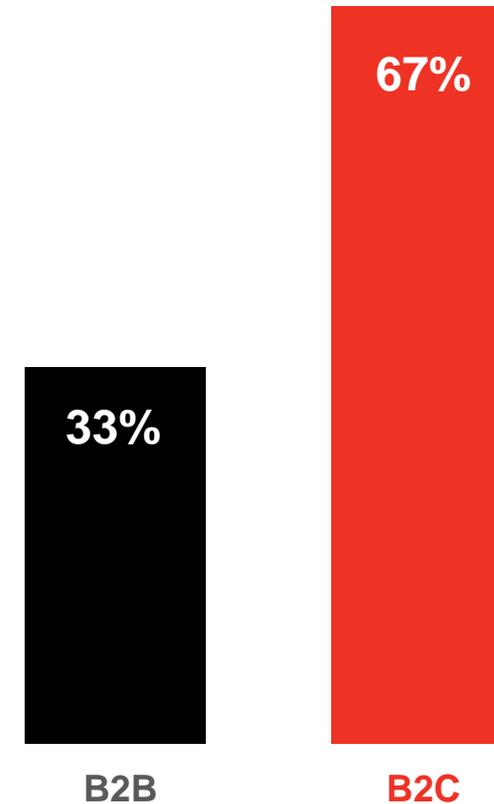
1998: Residential deliveries represented **20%** of the total domestic parcel market, or **$5 billion.**

2017: B2C deliveries will exceed **50%** and represent **$40 billion** in market size.

This is larger than the **total** parcel market size in 1998.

Home Delivery Blues

For truckers, labor-intensive residential stops are outpacing easier business deliveries.

Residential **40%**

Percentage change since 2010

Commercial **6.3%**

2010   2015
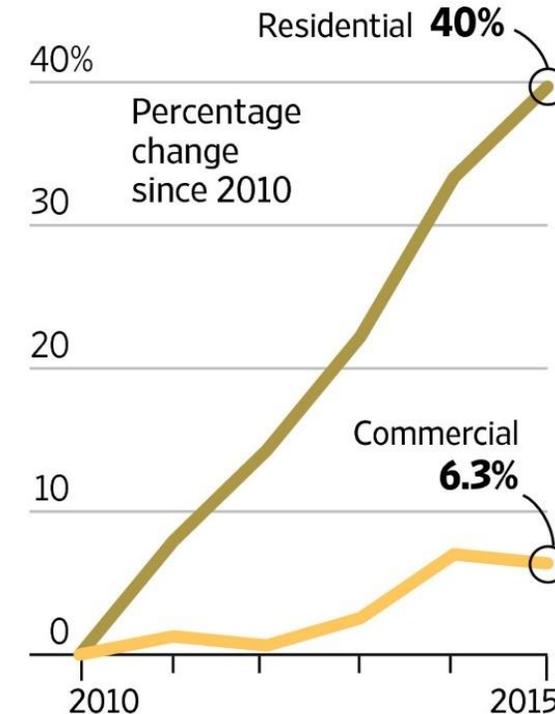
Source: SJ Consulting Group

THE WALL STREET JOURNAL.

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deliver: platforms like Fulfillment By Amazon lower barriers to entry

- Small and Medium Business sold 2 billion items through Fulfillment by Amazon.

- This accounts for more than half of the products Amazon sells online.

- FBA allows smaller companies to leverage Amazon's massive fulfillment infrastructure, and offer advanced delivery options like Prime two-day shipping.

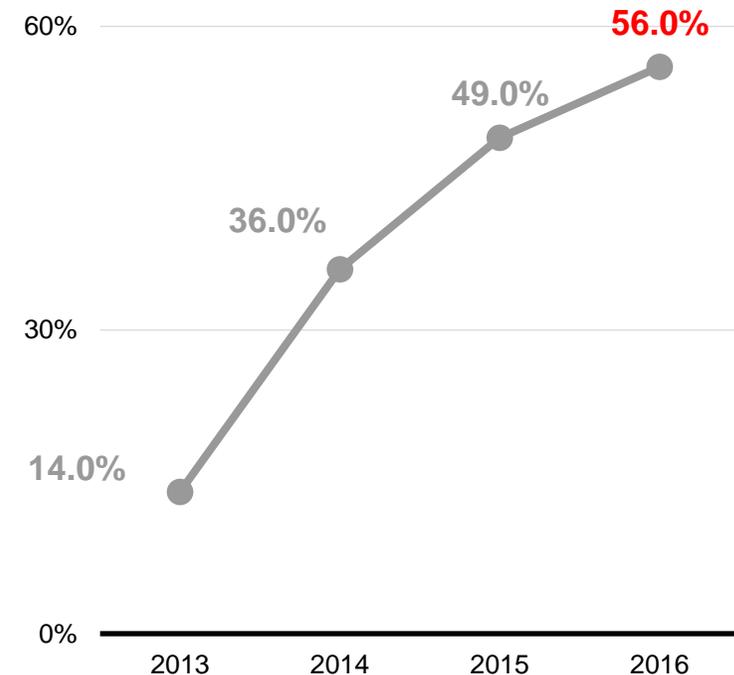- Amazon charges the small businesses fees for storage and shipping.

Source: https://www.pymnts.com/news/b2b-payments/2017/amazon-small-business-fulfillment/

Webrooming is the flipside of Showrooming

Why do people Webroom

- I don't want to pay for shipping – 47%

- I like to go to a store to touch and feel a product before I buy it – 46%

- I want to check an item's availability online before I purchase it in-store – 42%

- I like the option of being able to return the item to the store if I need to – 37%

- I will ask the store to price match the better price I found online – 36%
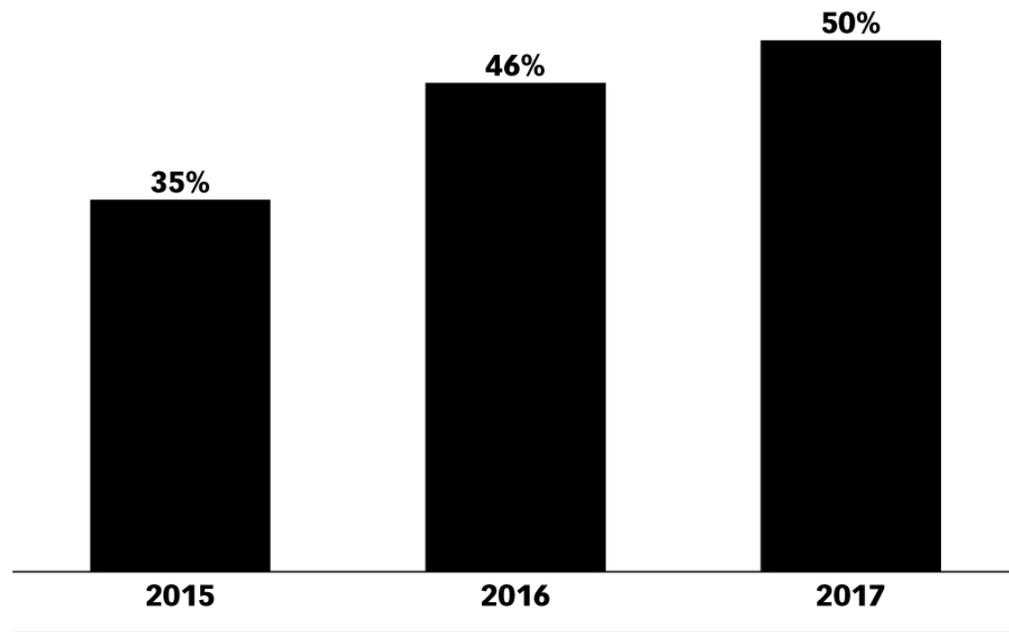
- I don't want to wait for the product to be delivered – 23%

US Digital-Influenced* In-Store Retail Sales Share (% of total in-store sales)

Source: http://www.adweek.com/brand-marketing/study-shows-prevalence-consumer-webrooming-157576/ ; *Deloitte, "The New Digital Divide," Sep 2016*

growth in spending on CCOs driven by service diversification

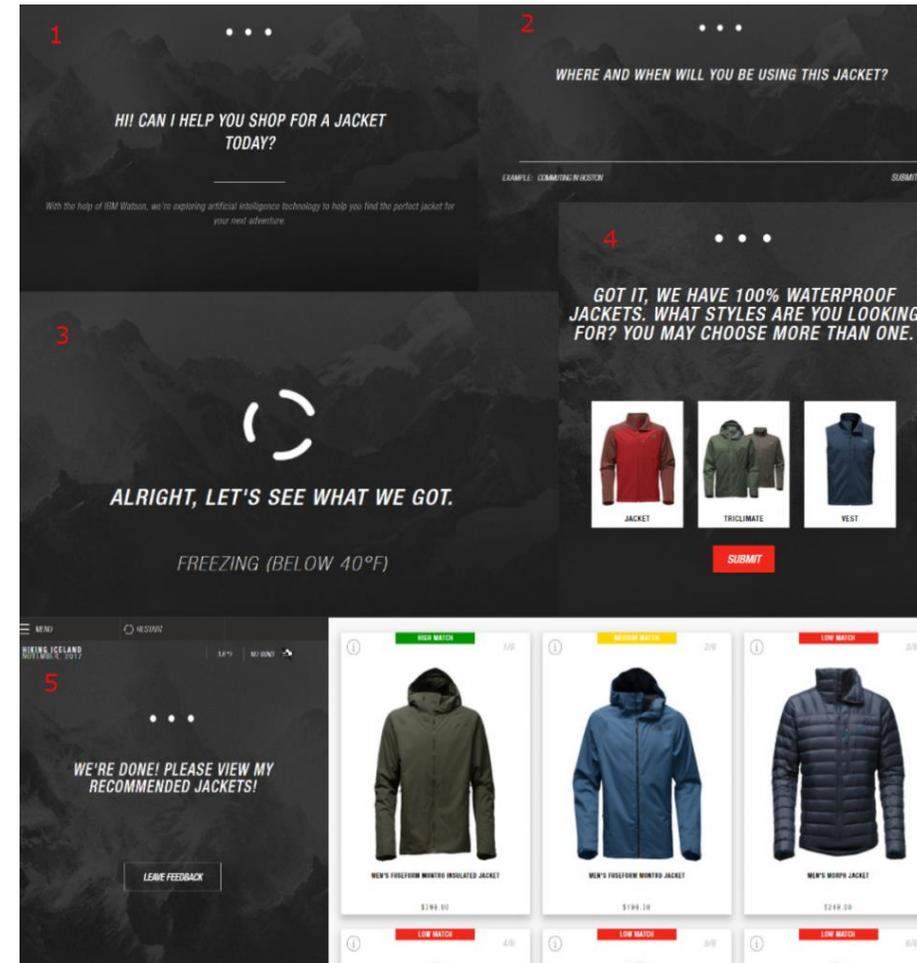North American Contact Center Outsourcing revenues in 2015 were **$9.4BN**, up 22.3% from 2013

Top 5 global CCO providers by total revenue
($ in U.S. billions, 2015)

$3.7 $3.0 $2.3 $2.0 $1.6

Teleperformance   Convergys   Alorica   Atento   Conduent
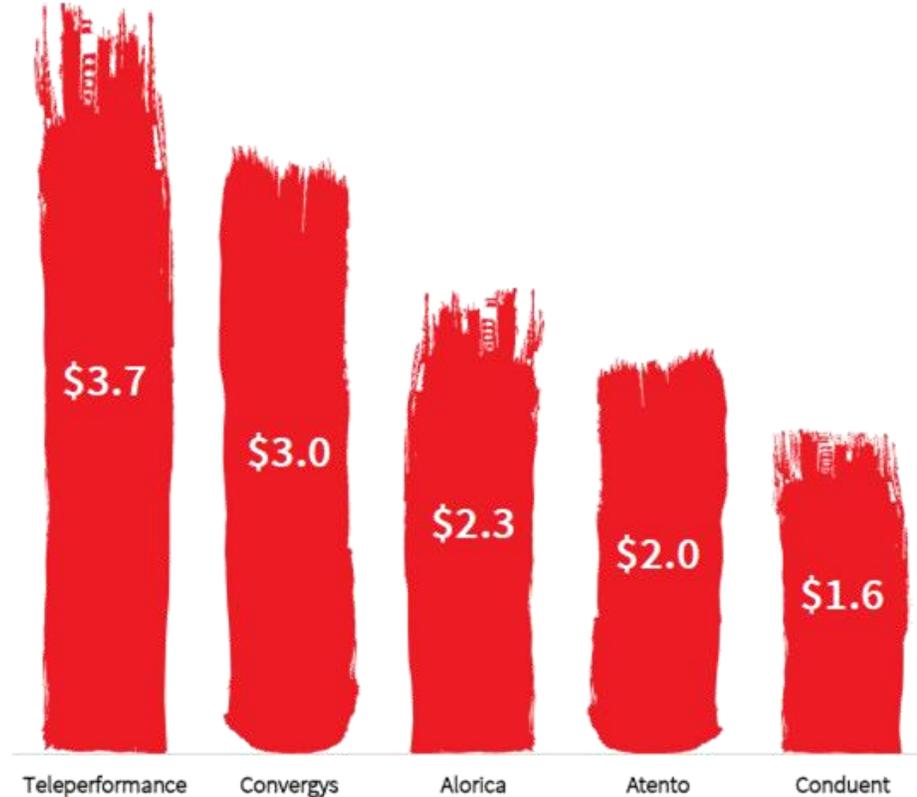
*Alorica revenue represents acquisition of EGS

Source: JLL Research 'Contact Centers Outlook: United States: 2017

The global chatbot industry is expected to grow at a **CAGR over 37% to 2021** and the market share of chatbots in the retail and e-commerce industry will be **39%**

Source: https://www.business2community.com/ecommerce/chatbots-e-commerce-drive-business-build-brands-01985880

09. understanding the data stack

GATHER

1st party data

ACQUIRE

2nd & 3rd party data

DEPLOY

data to build business

iab.

the data stack …

the world is awash in data

The U.S. alone generates **2,657,700** gigabytes of data **per minute.**

Source: http://www.iflscience.com/technology/how-much-data-does-the-world-generate-every-minute/ ; https://www.domo.com/learn/data-never-sleeps-5?aid=ogsm072517_1&sf100871281=1
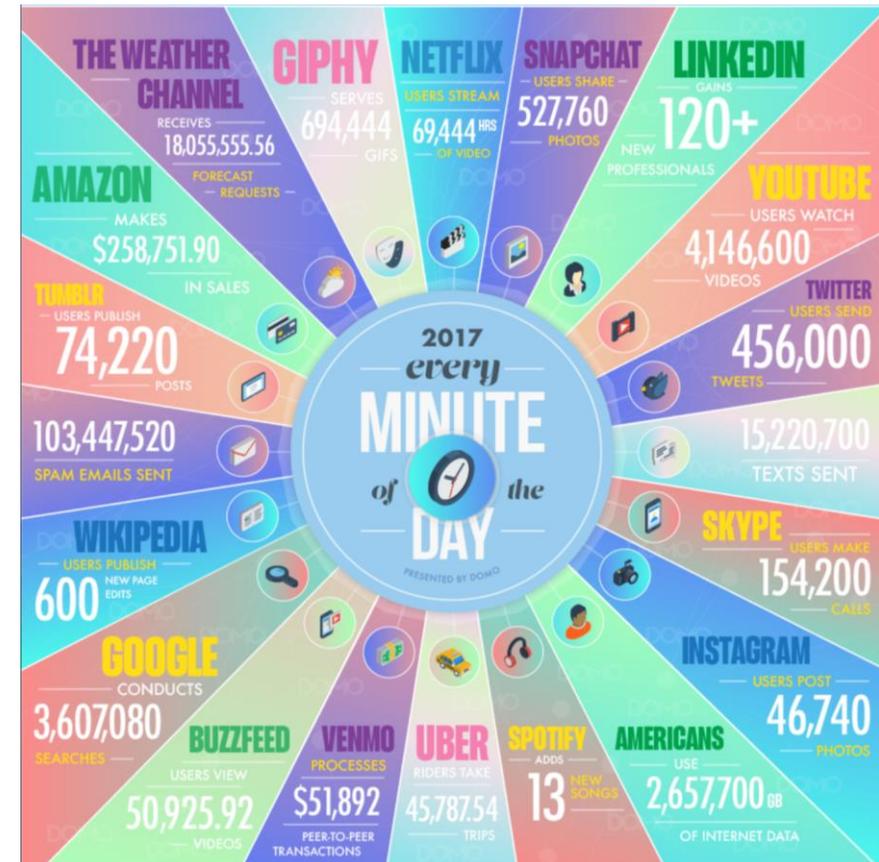
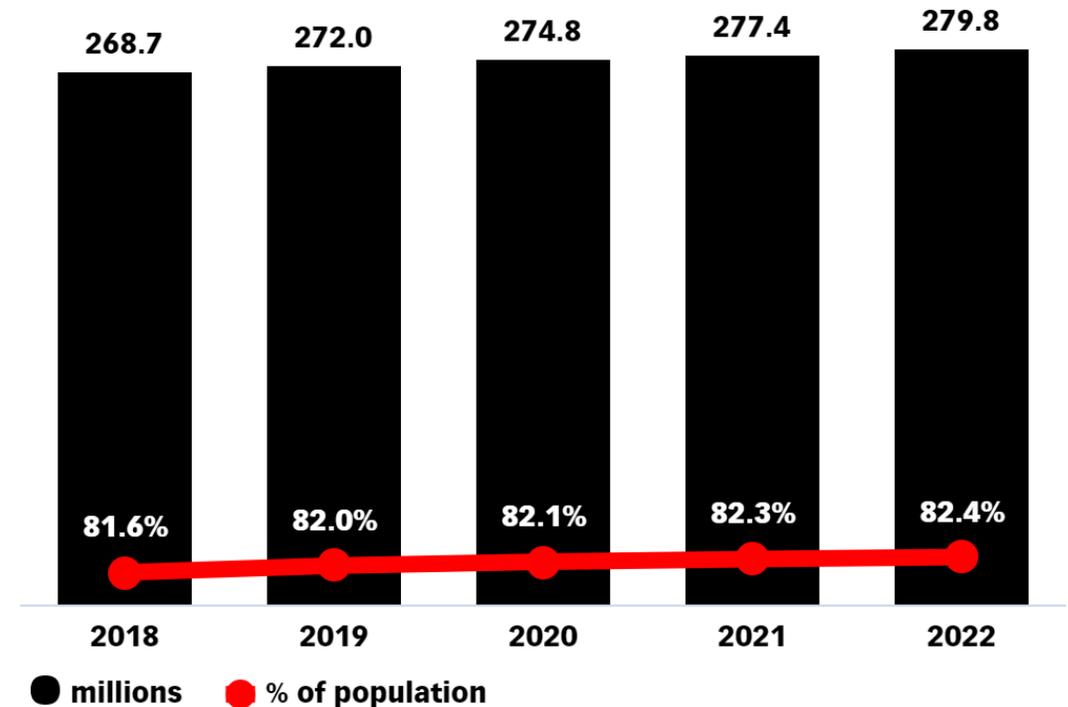**gather**: **data range** & **scale** are massive

Mobile phone sensors

- Accelerometer
- Gyroscope
- Magnetometer
- GPS
- Barometer
- Proximity Sensor
- Ambient Light Sensor

X

Mobile Phone Users
US, 2018-2022

2018	2019	2020	2021	2022
268.7	272.0	274.8	277.4	279.8
81.6%	82.0%	82.1%	82.3%	82.4%

● millions ● % of population

Source: eMarketer, January 2018

www.**eMarketer**.com

gather: data = brand-building signals

the consumer signals that emerge provide powerful tools to optimize relevance

Top criteria for targeting and personalization:

% of respondents

Criteria	%
Location	60%
Demographics	56%
Pages/content viewed	54%
Campaign source	50%
Previous visit behavior	48%
Persona	46%
Stage of customer journey	42%
Device	39%
Company	37%
Browser	34%
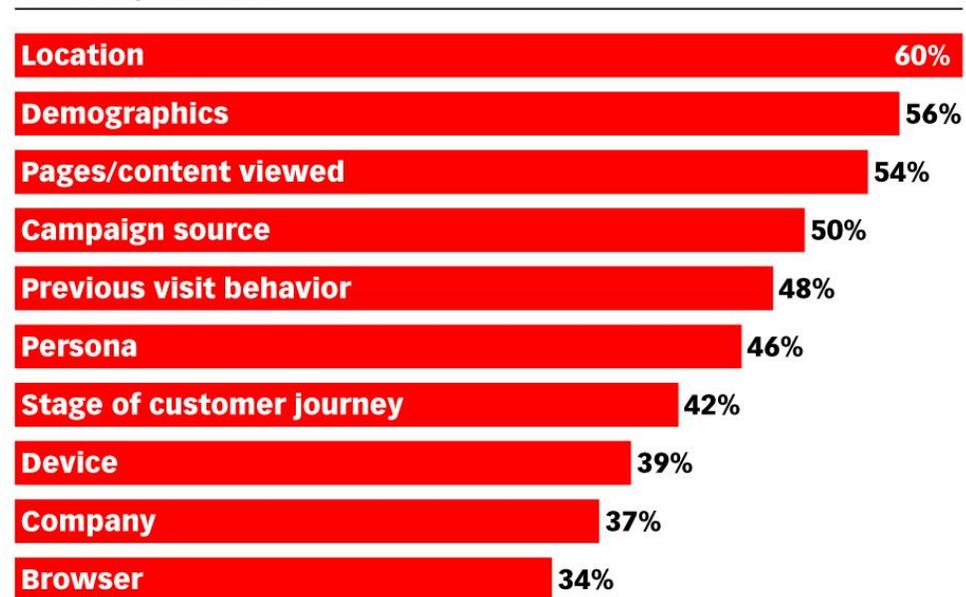
*Note: n=109; top 10 responses; *78% of respondents were from the US
Source: Evergage, "2017 Trends in Personalization" conducted by
Researchscape, April 25, 2017*

226559   www.**eMarketer**.com

gather: 1st-party data investments reflect economic importance

activation solutions include hosting, cleaning, and modeling

U.S. audience data activation investment:

$10.1BN
in 2017

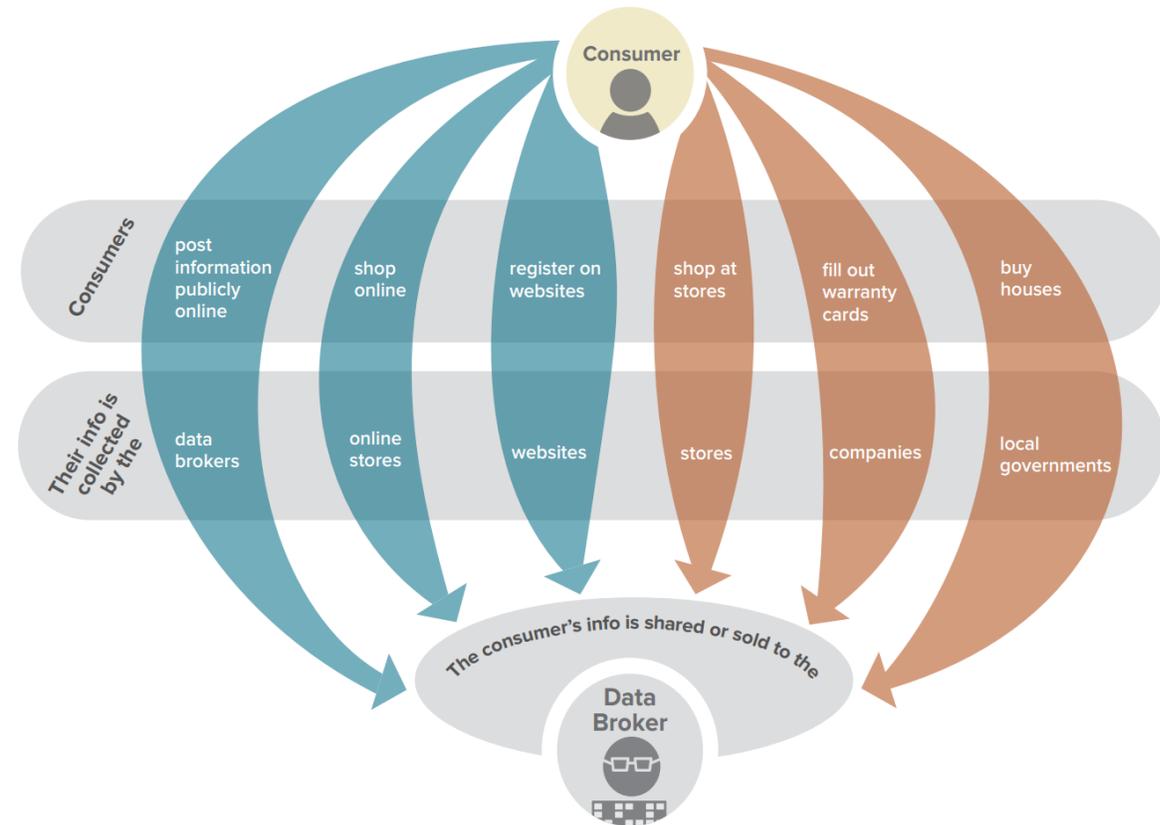Integration, processing and hygiene

Hosting and management

Analytics, modeling and segmentation

acquire: range of 2nd- & 3rd-party data sources is as wide as the data itself

3rd Party data is being aggregated from various sources

Public data, online shopping data, website registrations, in-store shopping, warranty data, and more is available for purchase

acquire: full-journey consumer data is available …

available data ranges across consumer behavior, identity, and transactions

U.S. Audience Data Types		2017E ($BB)
Category	**Description**	
Omnichannel	• Personally identifiable ("PII," including name, address, email address) and "non-PII" (interests, preference and certain behavioral) information used to identify customers and prospects and indicate ways to engage with them; typically for use across traditional (direct mail, offer optimization) and digital (email, display advertising, site experience, etc.) channels	$3.530
Transactional	• Purchase history associated with audience members/segments; often provided in aggregate, used to determine interests and needs and used to support segmentation for targeted marketing (includes credit, prescription and cooperative datasets that support marketing)	$2.997
Digital	• Online behaviors of customers and prospects (as transmitted through IP addresses, device IDs and other unique identifiers) indicating how these users interact and are likely to interact across digital devices and associated media channels	$2.078
Specialty	• Insights into customer and prospect behavior across new and emerging channels and specialty functions not easily integrated with other data types (including addressable TV, "Internet of things"/wearables, etc.), enabling customer/prospect profile enhancement, segmentation and marketing engagement planning	$0.886
Identity	• Information that supports the reconciliation of customer and prospect profiles built across a range of disparate touchpoints; can support onboarding of identity profiles in support of unification/optimization of cross-channel marketing engagements	$0.563
Total		**$10.054BB**

12

DMA | iab. DATA | WINTERBERRY W GROUP

activation solutions include hosting, cleaning, and modeling

3rd party audience data investment:

$10.1BN
in 2017

Omnichannel

Transactional

Digital

Specialty

Identity

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%**

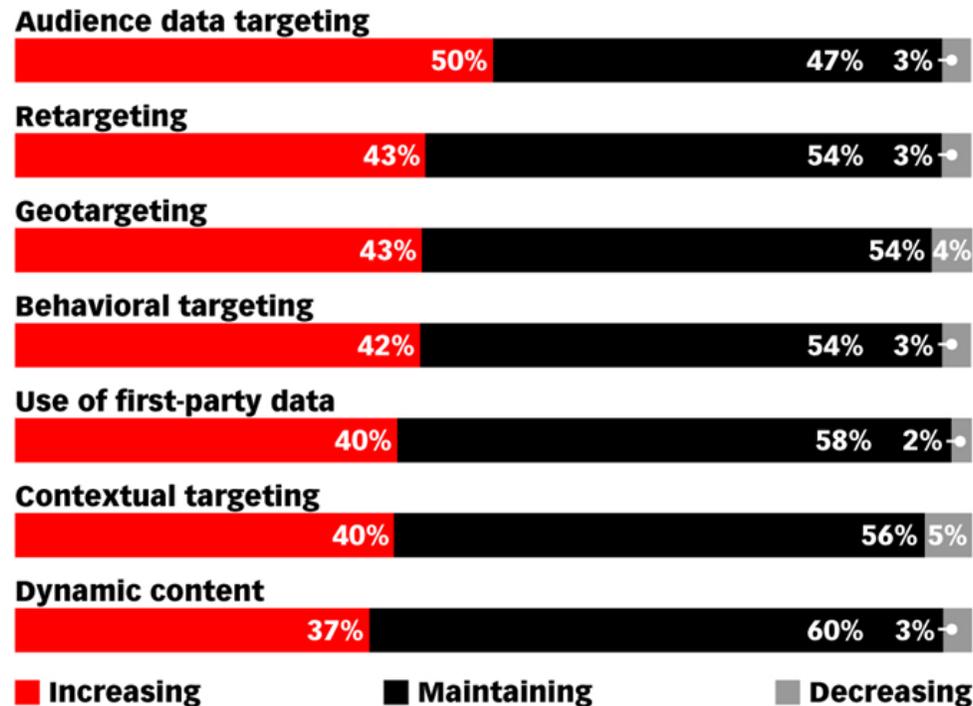Understand our customers' cross-device behaviors — **39%**

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

deploy: programmatic buying still mostly about reach …

marketers are seeing benefits to automation

Benefits of programmatic buying:

% of respondents

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

	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
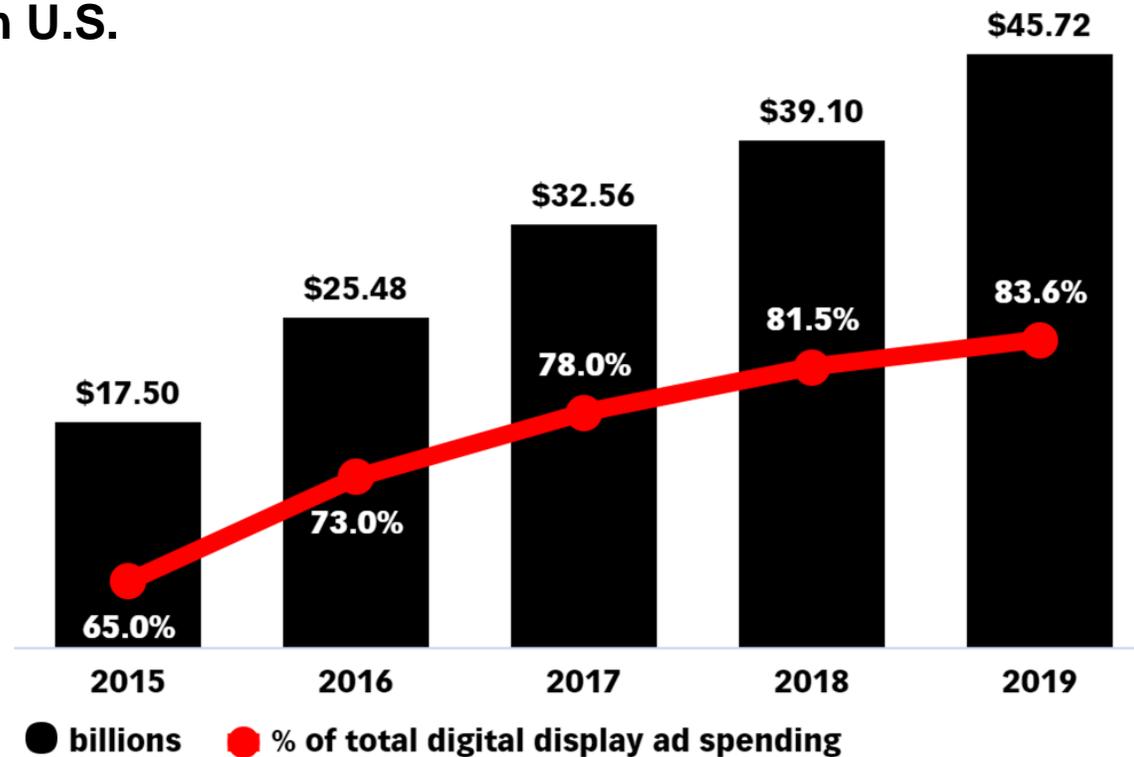
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www.**eMarketer**.com

... **as spend on programmatic** continues to grow

and automation continues to grow as a deployment method

Programmatic ad spend in U.S.

Source: eMarketer, September 2017

www.**eMarketer**.com

dmp growth and competition is accelerating

In October, Oracle was dominant as the most preferred DMP.
Salesforce is now a competitor

Preference of Data Management Platforms (Top 3)
Percent of Respondents

			% Change from Prior Wave
1	ORACLE | bluekai	23%	-8
2	salesforce DMP	19%	+16*
3	Adobe Audience Manager	9%	-2
3	MediaMath	9%	+1

"Oracle goes above and beyond
to manage/integrate clients."
- Marketer Executive

"Salesforce integrates with our CRM
system. A true valued partner."
- Agency Director

"Adobe Audience Manager offers
a collection of integrated online
marketing and Web analytics that
make my life easier."
- Marketer VP

"MediaMath's DMP is quite easy and
intuitive to upload campaigns, check the
stats and also to have a good overview."
- Agency Director

Q: If you were to only send out one RFP for an advertising campaign, which of these Data Management Platforms (DMPs) would you choose?
Base: Intending to Use Data Management Platform in the Coming Year (Fixed Base)
Q: What does [BRAND] do or offer that makes them your preferred partner?
Q: Where can [BRAND] be even better or improve?
Base: Selected Brand As Preferred (Variable Base)
*Note: Salesforce DMP was listed as "Krux" in previous wave.

Advertiser Perceptions

- The $500 million US DMP market is 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.

iab.

Randall Rothenberg
Patrick Dolan
Chris Kuist
Maggie Zhang
Eric Johns
Orchid Richardson
Susan Borst
Edward Kleban
Craig Coleman
Carmen Walkershaw