the IAB direct brands report

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How To Build a 21st Century Brand
2019-2020

Direct Brand Initiative Strategic Partners:

Google   hulu   Pinterest   Spotify

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00. What is the Direct Brand Economy?
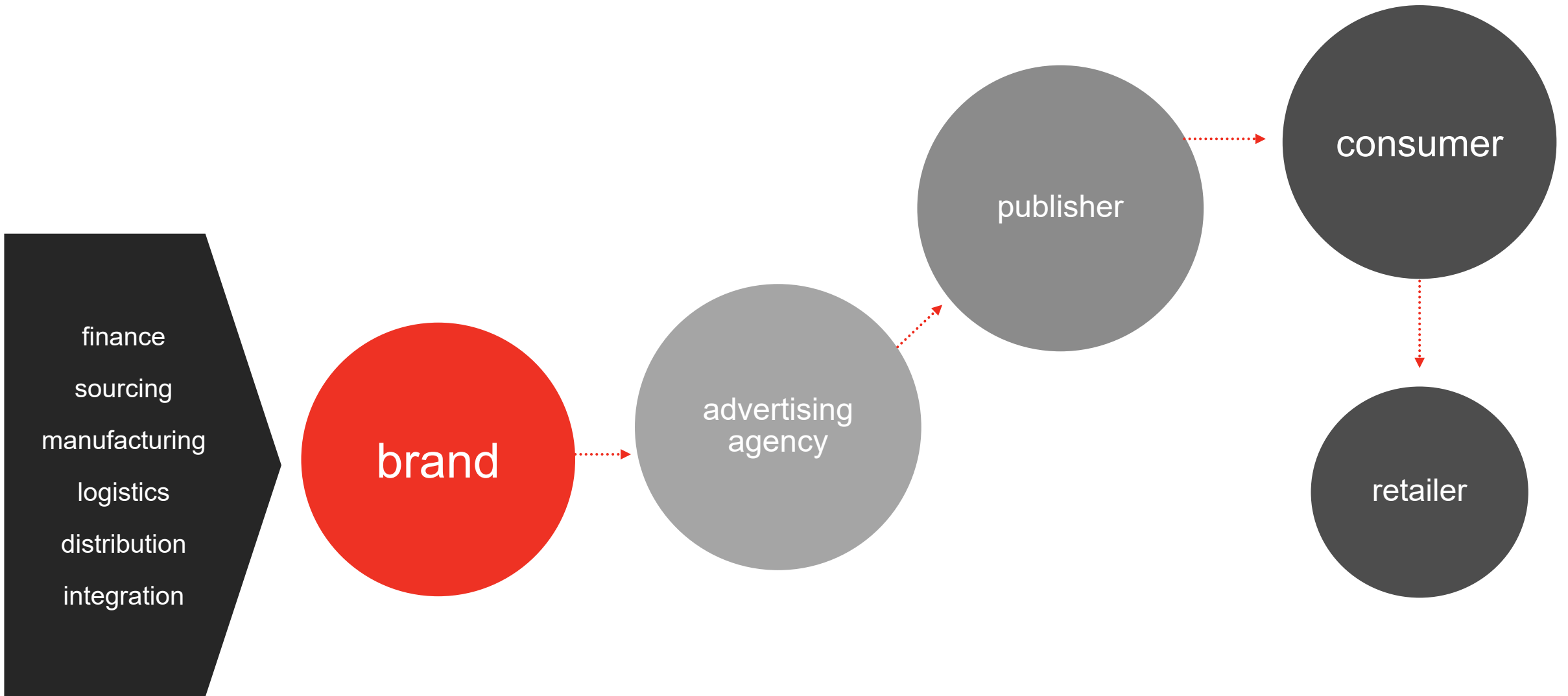
Indirect Brand Economy, 1879 - 2010

"Indirect Brands" are characterized by value-creation based on dominating O&O, high-barrier, capital-intensive supply chains with value extraction accomplished through a series of third-party handoffs (brand to publisher to retailer).
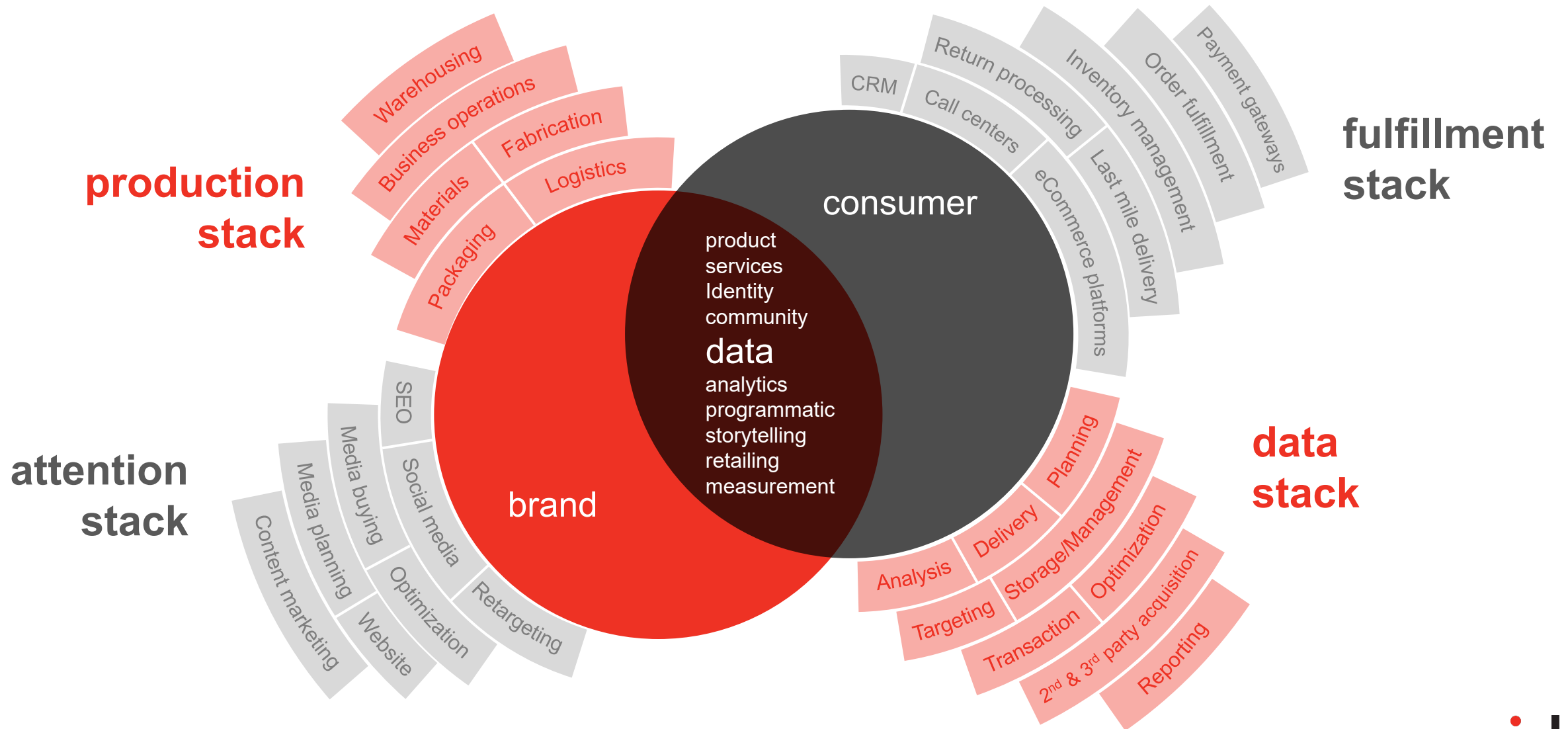
Direct Brand Economy, 2010 -

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

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finance

sourcing

manufacturing

logistics

distribution

integration

brand

advertising agency

publisher

consumer

retailer

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production stack

Warehousing
Business operations
Fabrication
Materials
Logistics
Packaging

fulfillment stack

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

consumer

product
services
Identity
community
data
analytics
programmatic
storytelling
retailing
measurement

brand

attention stack

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

data stack

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

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APPAREL & FASHION

ADAY, ADORE ME, allbirds, AMERICAN GIANT, AURATE NEW YORK, AYR, BAUBAX, Betabrand, BOMBAS, BOMBFELL, BOON+GABLE, BOW & DRAPE, BUCK MASON, bucketfeet, CAIRN, CARBON38, chubbies, COMBATANT GENTLEMEN, cotopaxi, CUYANA, DSTLD, DAGNE DOVER, Dia & Co, DOLLS KILL, DRAPER JAMES, Ellie, EVERLANE, fabfitfun, fabkids, FAME & PARTNERS, FIVE FOUR, FOOTCARDIGAN, gwynnie bee, HARPER WILDE, HICKIES, Huckberry, Hushmail, Ivory Clasp, JACK ERWIN, KIDBOX, KNOTSTANDARD, KOIO, LEDBURY, LIVELY, M.GEMI, MM.LAFLEUR NEW YORK, MACK WELDON, MeUndies, MINISTRY OF SUPPLY, MIZZEN+MAIN, monica + andy, dineWEST, Neighborhood Goods, NISOLO, ORCHARD MILE, ORIGINAL STITCH, Outdoor Voices, Paul Evans, PISTOL LAKE, plae, POSHMARK, primary, Reformation, RTR, R, ROCKETS OF AWESOME, ROTHY'S, schoola, Shinesty, SOCK101, SOLE/SOCIETY, STANCE, STITCH FIX, sweatstyle, TAFT, TAMARA MELLON, TECOVAS, The RealReal, THESIS, THIRDLOVE, THURSDAY BOOT CO., TOMBOY X, Tommy John, Tracksmith, TRND BTLR, TRUE, UNTUCKit, WANTABLE, pact, yellowberry

BABY CARE & PARENTING

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

BEAUTY

BEAUTYCOUNTER, BEAUTYLISH, BOXYCHARM, Curology, FACETORY, f, GLAMSQUAD, Glossier., ipsy, LOLI, MADISON REED*, STOWAWAY, MEMEBOX, OARS +ALPS, PINROSE, SCENTBIRD NEW YORK

BEER/WINE/ALCOHOL

BREW PUBLIK, BRIGHT CELLARS, DRIZLY, Flaviar, FIRST OF THE RED CELLARS, Splash, VINEBOX, Winc

EDUCATION

CODE COMBAT, Educents, littleBits, Surprise Ride, versame

FOOD/BEVERAGE/HOUSEHOLD/PET

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

HOBBIES & LIFESTYLE

AIRSTIR, ALPHA OUTPOST, BAUBLEBAR, The Bouqs Co., DATEBOX, FANCHEST, KiwiCo, KUIU, LOOTCRATE, LUGLOC, MOMENT, NOMATIC, OSMO, PARAVEL, PLEASE and carrots, ROBB VICES, rocksbox, TONAL, TRUE FACET, VAPOR LIQ

HOME & APPLIANCE

ARTLIFTING, AWAY, BRANDLESS, BOLL & BRANCH, brooklinen, BURROW, Casper, dormify, FRAMEBRIDGE, greetabl, Grove, HELIX, JOYBIRD, leesa, PARACHUTE, SNOWE, UGALLERY

PERSONAL CARE

billie, BIRCHBOX, CANDID, DOLLAR SHAVE CLUB, EARGO, GOBY, H', hims, HUBBLE, KOPARI, LOLA, NATIVE, quip, SimpleContacts, smile DIRECT CLUB, TEADORA, THINX, WARBY PARKER

WELLNESS & FITNESS

AliveCor, BuckBrushCo., CAPSULE, care/of, E, GoNoodle, green gorilla, HELLOFLO, HVMN, Keeps, monthly gift, ONE DROP, PELOTON, Ritual, uplift, vireo, vitafive, zeel

1. Direct brands are centered around individual consumer relationships and the data they provide

2. Direct brands are web-native

3. Direct brands are socially closer to the consumer

4. They are "maniacally focused" on consumer experience

5. Direct brands use content as a differentiator

6. They define content more broadly than incumbent brands and partners

7. Their mission is central to their story

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1. Think direct

2. A two-way relationship is more valuable than a one-way impression

3. Performance is the only metric that matters

4. Brand safety is not optional

5. Story matters

6. Find your next 5,000 partners

7. "De-risk" the buys

8. Go omnichannel

9. Get a 3d view of your 1d customer

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IAB empowers the media and marketing industries to thrive in the digital economy.
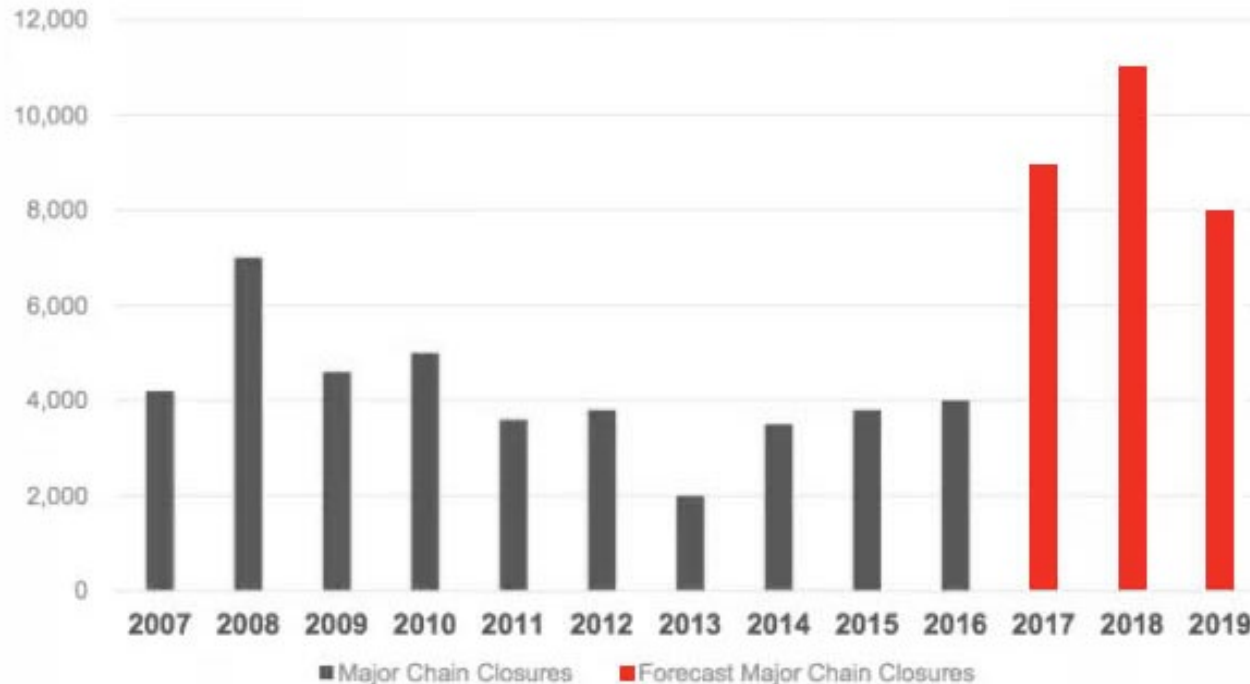
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The IAB direct brands report

01.The Disrupted Consumer Economy, 2018-2019

Major Chain Store Closures
Have Surpassed Great Recession Levels

Major Chain Store Closures

- More than 12,000 stores were projected to close in 2018 — up from roughly 9,000 in 2017, and the largest number of closures in U.S. history, according to Cushman & Wakefield

- 2017 retail closures were ~4x 2016 closures

- By 2022, analysts estimate that 1 out of every 4 malls in the U.S. could be out of business

Sources: Cushman & Wakefield Research and Moody's Analytics
https://sourcingjournal.com/topics/business-news/retail-apocalypse-2018-cushman-wakefield-prediction-76866/
https://money.cnn.com/2017/12/26/news/companies/retail-toughest-year-store-closings/index.html
http://time.com/4865957/death-and-life-shopping-mall/

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

(Estimates are based on data from the Monthly Retail Trade Survey and administrative records.
Unless otherwise specified, all estimates are revised based on the 2016 Annual Retail Trade Survey.)

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

| Quarter	Retail Sales (millions of dollars)		E-commerce as a Percent of	Percent Change From Prior Quarter		Percent Change From Same Quarter A Year Ago	
	Total	E-commerce	Total	Total	E-commerce	Total	E-commerce
Adjusted[2]							
3rd quarter 2018(p)	1,340,207	130,946	9.8	0.9	3.1	5.3	14.5
2nd quarter 2018(r)	1,328,094	126,985	9.6	1.6	3.6	5.7	14.9
1st quarter 2018	1,307,255	122,526	9.4	0.3	3.6	4.7	16.3
4th quarter 2017	1,303,390	118,216	9.1	2.4	3.4	5.9	16.6
3rd quarter 2017(r)	1,272,357	114,333	9.0	1.2	3.5	4.6	15.7
Not Adjusted							
3rd quarter 2018(p)	1,332,071	121,460	9.1	-0.7	0.8	4.9	14.3
2nd quarter 2018(r)	1,341,878	120,479	9.0	9.5	6.4	5.4	15.4
1st quarter 2018	1,225,399	113,244	9.2	-10.5	-20.1	5.5	16.1
4th quarter 2017	1,368,553	141,719	10.4	7.7	33.4	5.5	16.5
3rd quarter 2017	1,270,345	106,241	8.4	-0.2	1.8	4.3	15.6

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

[1] E-commerce sales are sales of goods and services where the buyer places in order, or the price and terms of the sale are negotiated over an Internet, mobile device (M-commerce), extranet, Electronic Data Interchange (EDI) network, electronic mail, or other comparable online system. Payment may or may not be made online.

[2] Estimates are adjusted for seasonal variation, but not for price changes. Total sales estimates are also adjusted for trading-day differences and moving holidays.

Note: Table 2 provides estimated measures of sampling variability. For information on confidentiality protection, sampling error, nonsampling error, simple design, and definitions see http://www.census.gov/retail/mrts/how_surveys_are_collected.html.

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

Percent of Total
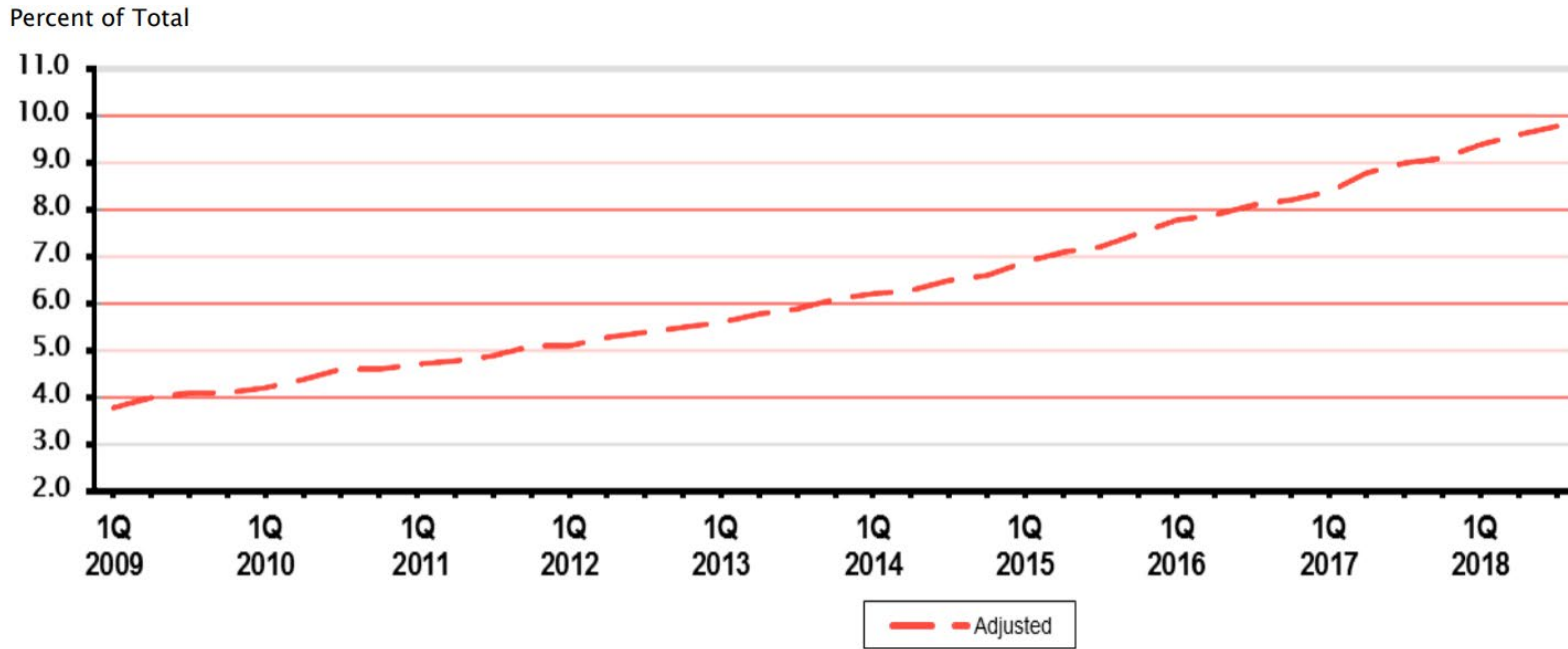
Adjusted:

E-Retail Q3: $130.9Bil
+3.1% over Q2
And y/y Q3 +14.5%

Total Retail Q3: $1340.2Bil
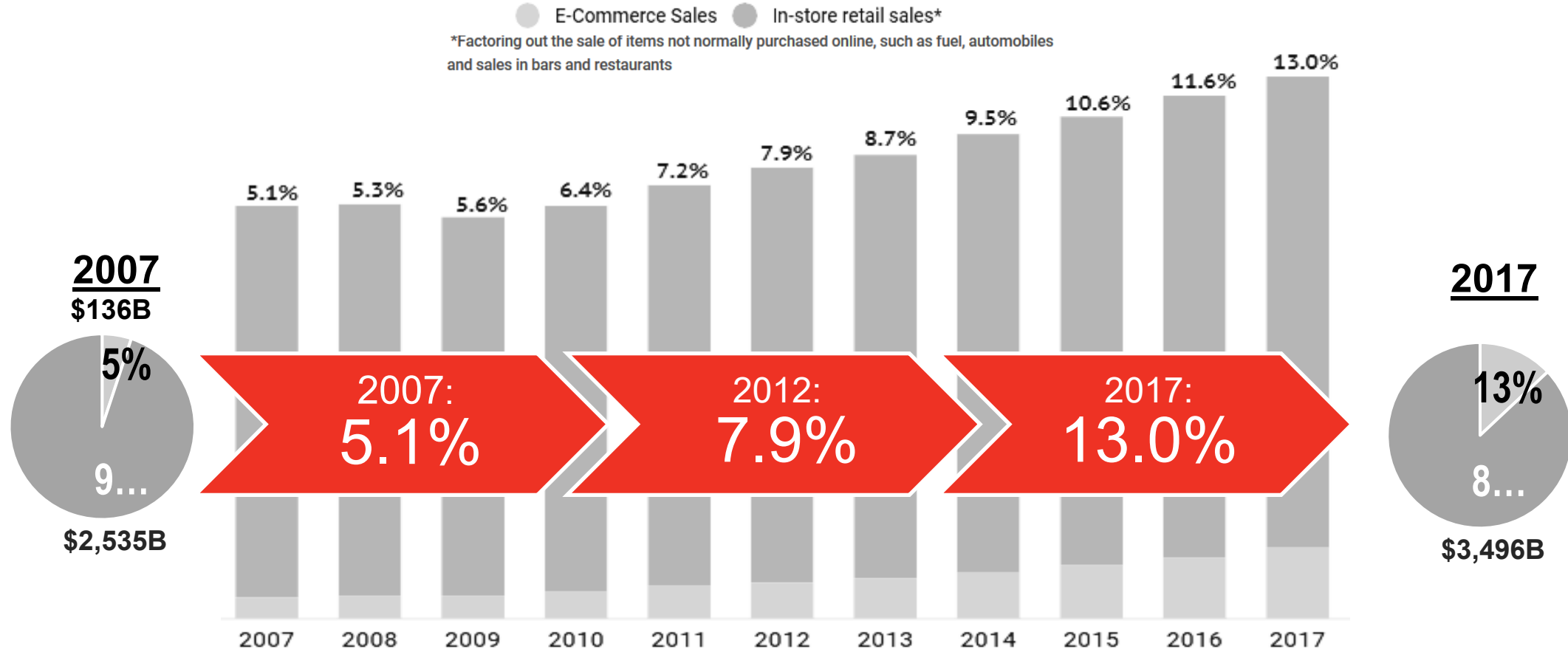+9 over Q2
And y/y Q3 +5.3

The Quarterly Retail E-Commerce sales estimate for the fourth quarter of 2018 is scheduled for release on February 20, 2019 at 10:00 A.M. EST.

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

* The 90% confidence interval includes zero. The Census Bureau does not have sufficient statistical evidence to conclude that the actual change is different from zero.

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

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eCommerce Sales Growth vs. Retail Sales Growth 10 Year Trend

Year over year
% Sales Growth

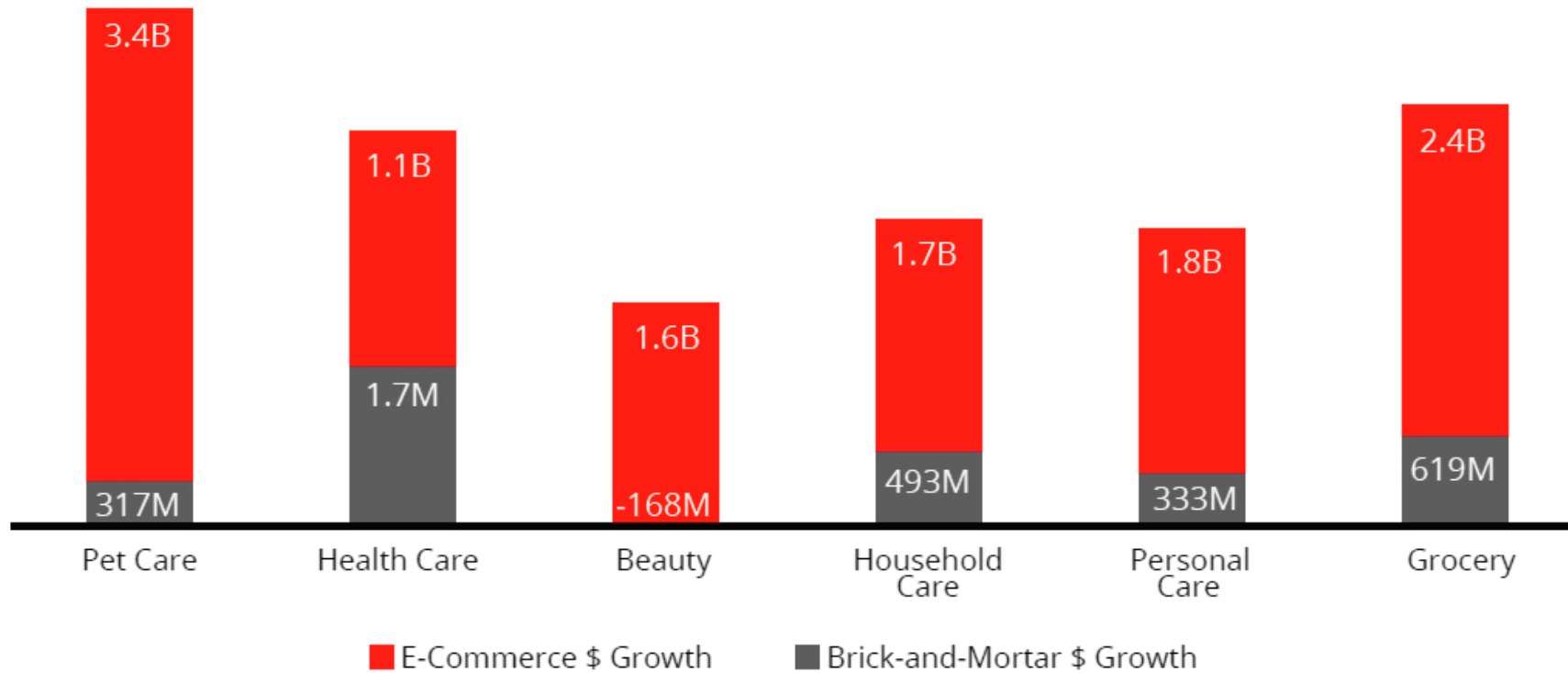● Total retail sales growth*   ● E-commerce sales growth

16%

3.6%
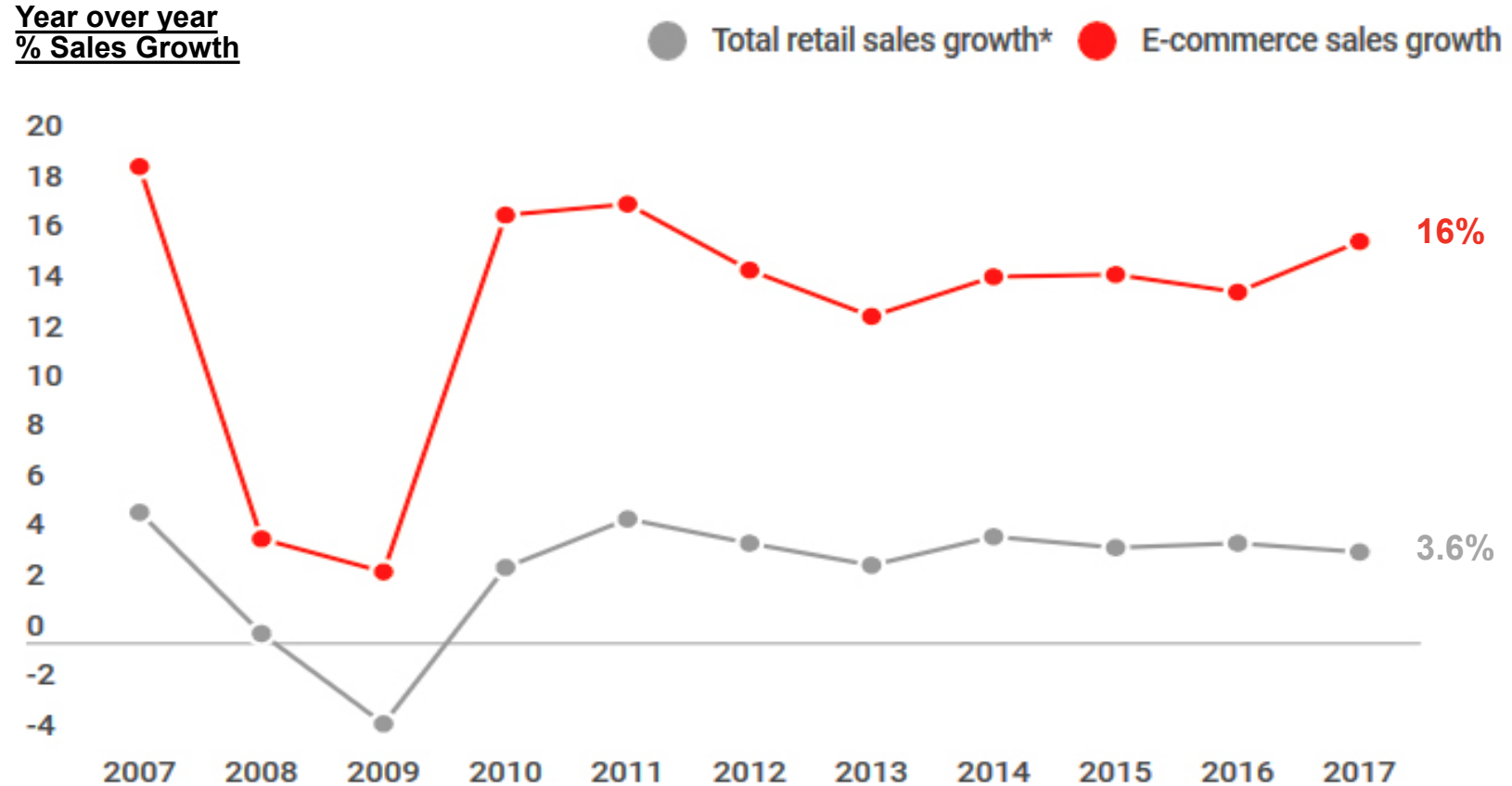
*Factoring out the sale of items not normally purchased online, such as fuel, automobiles and sales in bars and restaurants

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Absolute Dollar Growth

FMCG categories are seizing outsized growth from e-commerce

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

Categories and values:
- Pet Care: 3.4B (E-Commerce), 317M (Brick-and-Mortar)
- Health Care: 1.1B (E-Commerce), 1.7M (Brick-and-Mortar)
- Beauty: 1.6B (E-Commerce), -168M (Brick-and-Mortar)
- Household Care: 1.7B (E-Commerce), 493M (Brick-and-Mortar)
- Personal Care: 1.8B (E-Commerce), 333M (Brick-and-Mortar)
- Grocery: 2.4B (E-Commerce), 619M (Brick-and-Mortar)

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CPG Median CAGR Growth

2017 ➤ **2.5%**

2016 ➤ **3.0%**
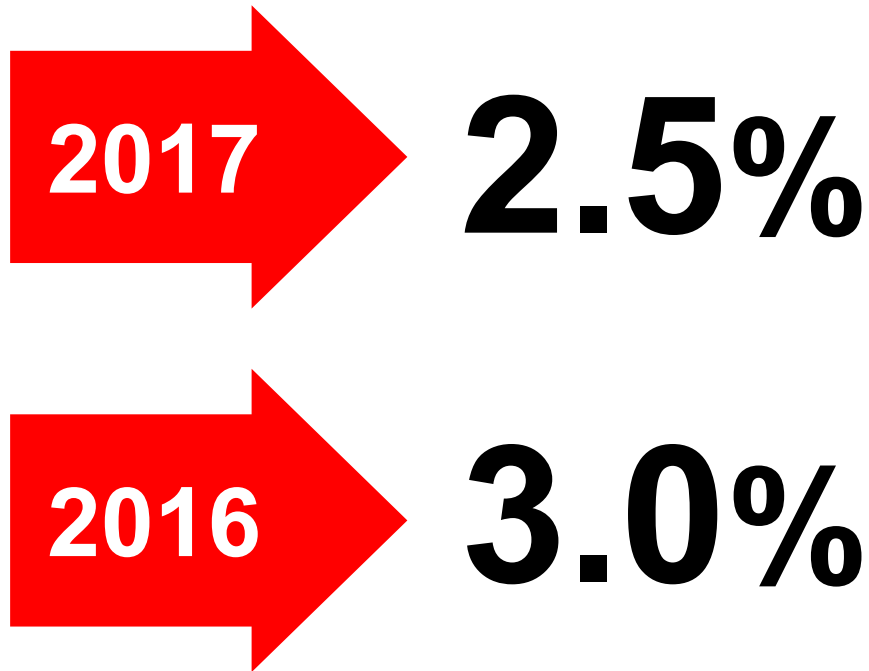
Top CPG Companies – Growth Rate
(Annual Sales Growth, 2015-2017)

2017 Rank	Company	Sales Growth 2014-2015	Sales Growth 2015-2016	Sales Growth 2016-017
1	Nestlé SA*	-3.2%	0.8%	0.4%
2	Philip Morris International	-7.7%	1.4%	4.2%
3	Procter & Gamble	-5.3%	-8.0%	-0.4%
4	PepsiCo	-5.4%	0.0%	1.2%
5	Unilever N.V.*	-1.1%	-1.0%	1.9%
6	Anheuser-Busch InBev	-7.4%	2.4%	5.1%
7	Christian Dior*	N/A	8.0%	11.0%
8	LVMH Moët Hennessy Louis Vuitton	16.4%	5.0%	13.0%
9	JBS SA*	-7.0%	4.6%	-4.2%
10	Tyson Foods	10.1%	-11.0%	3.7%
11	Coca-Cola Co.	-3.7%	-5.0%	-15.5%
12	Nike, Inc.	10.1%	6.0%	6.1%
13	Imperial Brands, PLC*	-11.3%	9.3%	9.5%
14	3M Co.	-4.9%	0.0%	5.1%
15	L'Oréal*	12.1%	4.7%	0.7%
16	Danone*	-4.7%	2.9%	12.5%
17	Kraft Heinz	N/A	44.0%	-0.9%
18	Mondelez International	-13.5%	-12.5%	-0.1%
19	Altria Group	3.7%	1.2%	-0.7%
20	Heineken Holding N.V.*	-4.3%	1.4%	5.3%

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Total FMCG – Share of Growth

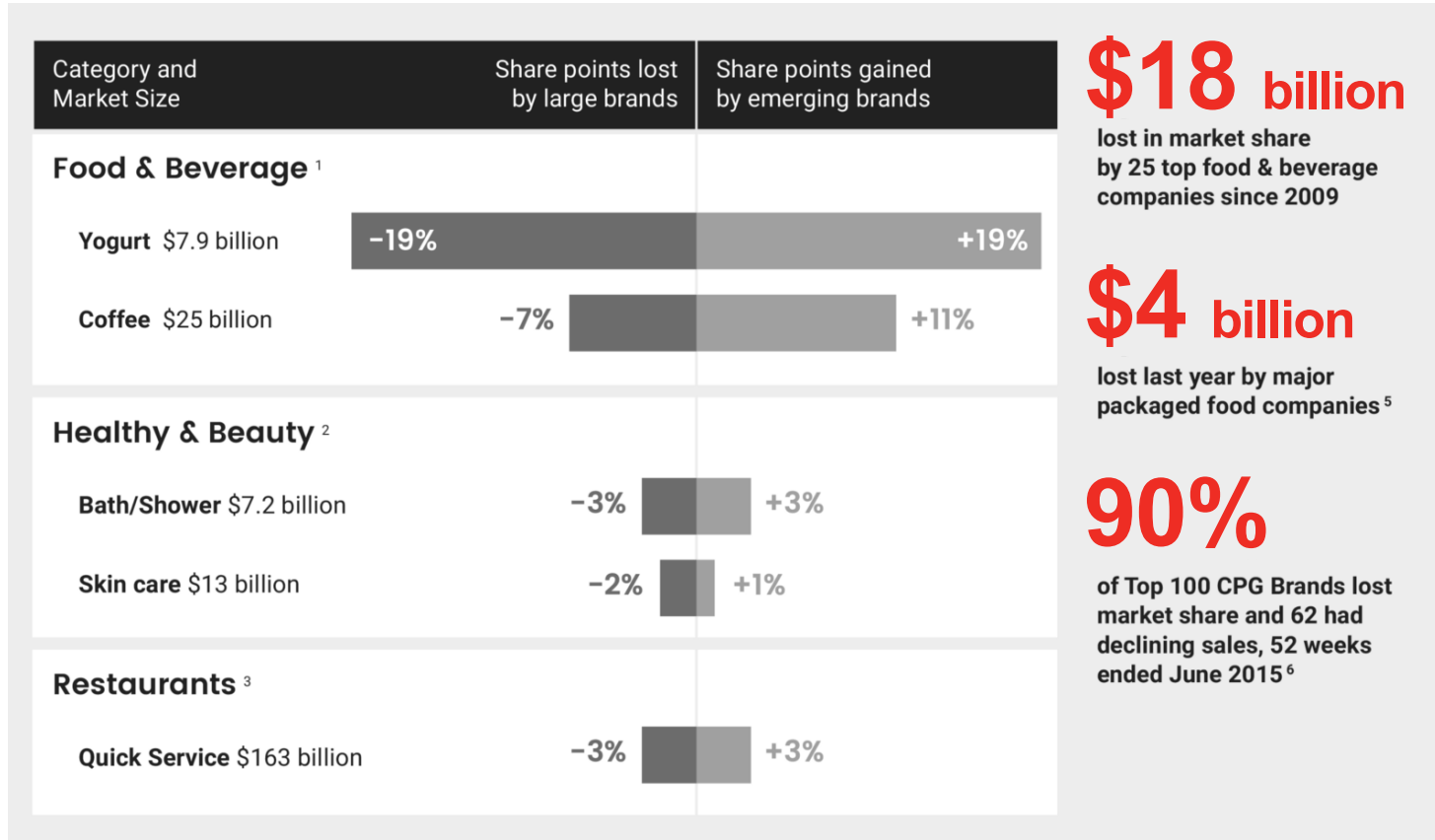**E-commerce drives 82% of total market growth**

- **30% of Americans** buy groceries online, a figure expected to grow to 70% in less than 10 years.

- **Nearly 1 in 4 Americans** (24%) and 40% of millennial consumers shop for consumer goods on their phone.

18%

82%

■ E-commerce   ■ Traditional Retail

13%

87%

■ Food
■ Non-Food

E-commerce $ Share

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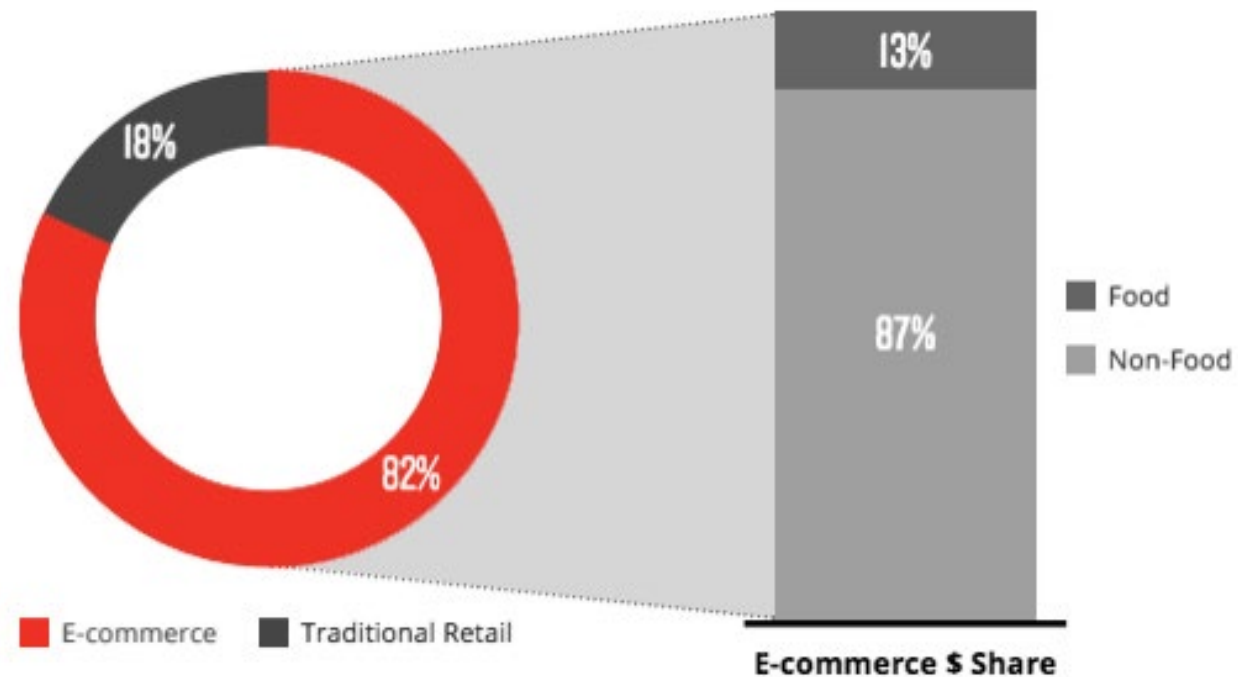
Seismic Shift in Market Share

Growing market shift to emerging brands

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

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

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

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

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Nike's direct-to-consumer growth outpaced wholesale last year

■ Year-over-year growth of DTC sales   ■ Year-over-year growth of wholesale sales

North America
- 5%
- -6%

Europe, Middle East, Africa
- 21
- 14

Asia Pacific & Latin America
- 21
- 5

Greater China
- 31
- 16

Source: Qz.com, 7/30/18; Nike's Annual Report, March '18

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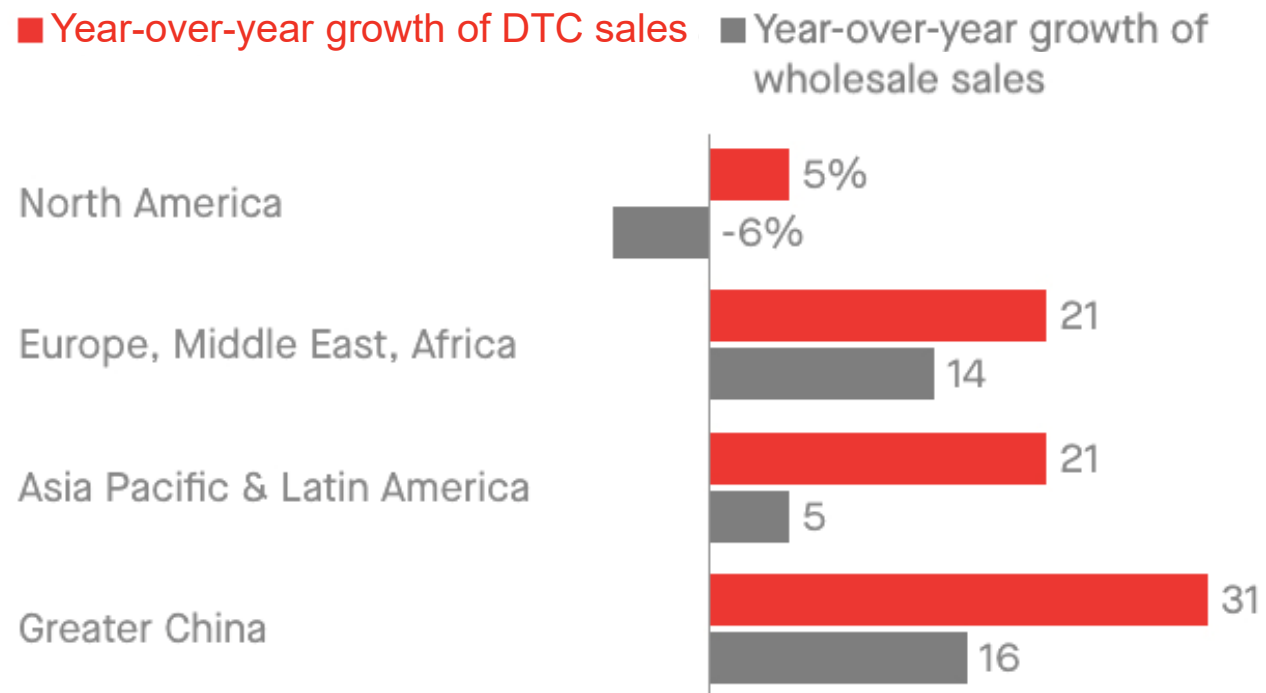
But **biggest winners in digital shopping shift** are direct brands

RETAIL DIVE Deep Dive   Opinion   Podcasts   Library   Events   Jobs   Topics ⌄
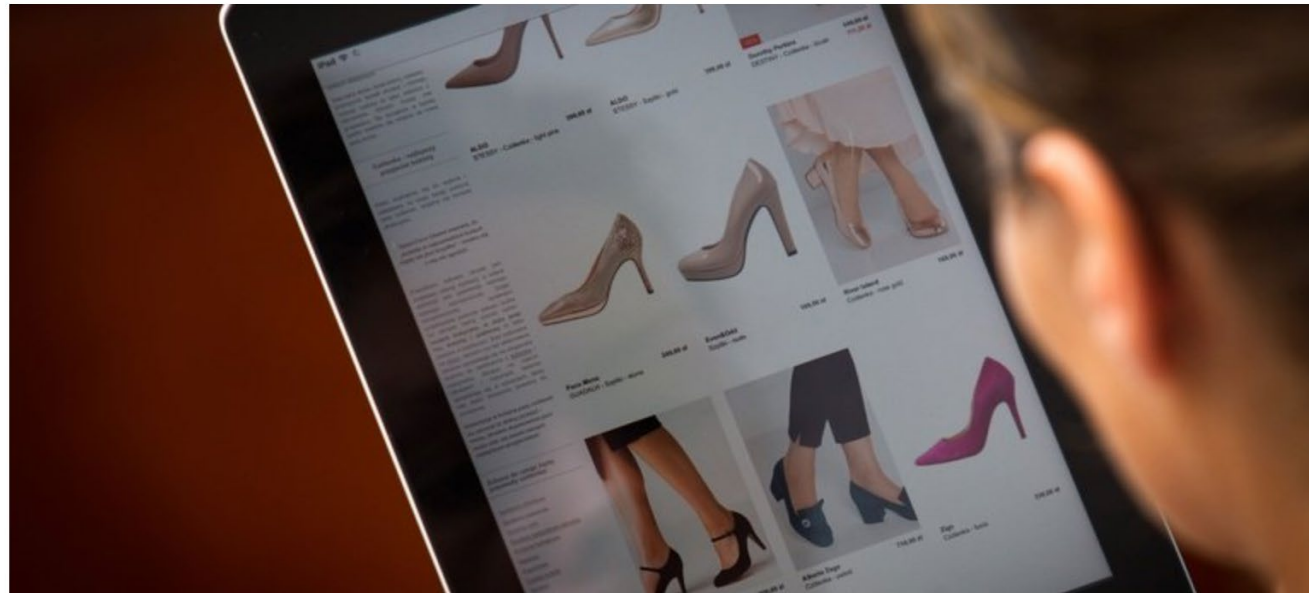
BRIEF

81% of consumers plan to shop direct-to-consumer brands

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- US pet industry sales grew by 4% in 2018. Online pet product sales were up 30% in the first half of 2018. Sales for direct brand dog walking services Rover and Wag! grew 30% and 165% respectively.

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

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In most categories, **direct brands are stealing share** from incumbents…

- U.S. personal care and beauty product sales grew 4.5% in 2018. Online personal care and beauty sales grew 24%. Direct brand SiO Beauty tripled sales in 2018. Kylie Cosmetics generated $420M in revenue in its first 18 months.

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

- The total U.S. furniture market was flat from 2017 to 2018, and expected to grow annually by only 0.7% through 2023. Digital sales accounted for a quarter of all dollars spent on home goods & furniture in 2018, and are projected to account for 38% of sales in 2022. "Fast furniture" startup Burrow has been growing 20% per month

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- In a U.S. beer market that declined 1% by volume in 2017, craft brewer sales grew 5% by volume, and now account for more than 23% of the $111.4 billion U.S. beer market. The 50 fastest growing craft brewers had median growth of 216%.

Source: https://www.brewersassociation.org/statistics/national-beer-sales-production-data/

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- American Department Stores continued a long-term decline over the five years to 2018, with revenue falling at an annualized rate of 4.1%. Digital stylist-in-a-box Stitch Fix expects revenue to increase 20%-25% for full year 2019.

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- More than 100 "bed-in-a-box" companies like Casper, Leesa, and Purple doubled U.S. market share between 2016-2018, to about 10%, as leading incumbent Tempur Sealy saw sales decline 4.6% in the first half of 2018 and the largest American retailer, Mattress Firm, declared bankruptcy.

- U.S. personal luxury goods brick-and-mortar sales grew 4% in 2018. Online luxury sales grew 22%. Italian luxury shoe direct brand Tamara Mellon tripled sales in the first half of 2018.

Sources: https://www.bain.com/about/media-center/press-releases/2018/fall-luxury-goods-market-study/
https://globenewswire.com/news-release/2018/11/15/1652066/0/en/The-Personal-Luxury-Goods-Market-Delivers-Positive-Growth-in-2018-to-Reach-260-Billion-a-Trend-That-is-
https://www.glossy.co/evolution-of-luxury/designer-brands-are-joining-the-direct-to-consumer-fray?utm_source=digiday.com&utm_medium=referral&utm_campaign=digidaydis&utm_content=milnes-designer-brands-join-direct-to-consumer-fray
https://www.fastcompany.com/40581360/luxury-shoe-startup-tamara-mellon-just-snagged-24-million

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- U.S. vitamin and supplement market grew 7% in 2018. Online vitamin and supplement sales grew 13%. Gwyneth Paltrow's wellness and lifestyle company Goop doubled its revenue in 2018.

Sources: https://www.prnewswire.com/news-releases/vitamin-packs-the-leader-in-customized-vitamins-officially-relaunches-as-persona-300692177.html
https://www.forbes.com/sites/maddieberg/2018/03/28/exclusive-gwyneth-paltrows-lifestyle-company-goop-raises-50-million-series-c/#1dd5a1166880
https://www.futuremarketinsights.com/reports/dietary-supplements-market
www.ibisworld.com/industry-trends/specialized-market-research-reports/online-retail/pharmaceutical-health-beauty/online-vitamin-supplement-sales.html
https://www.prnewswire.com/news-releases/premama-achieves-700-record-growth-continuing-to-fuel-the-emerging-maternity-wellness-category-300328723.html
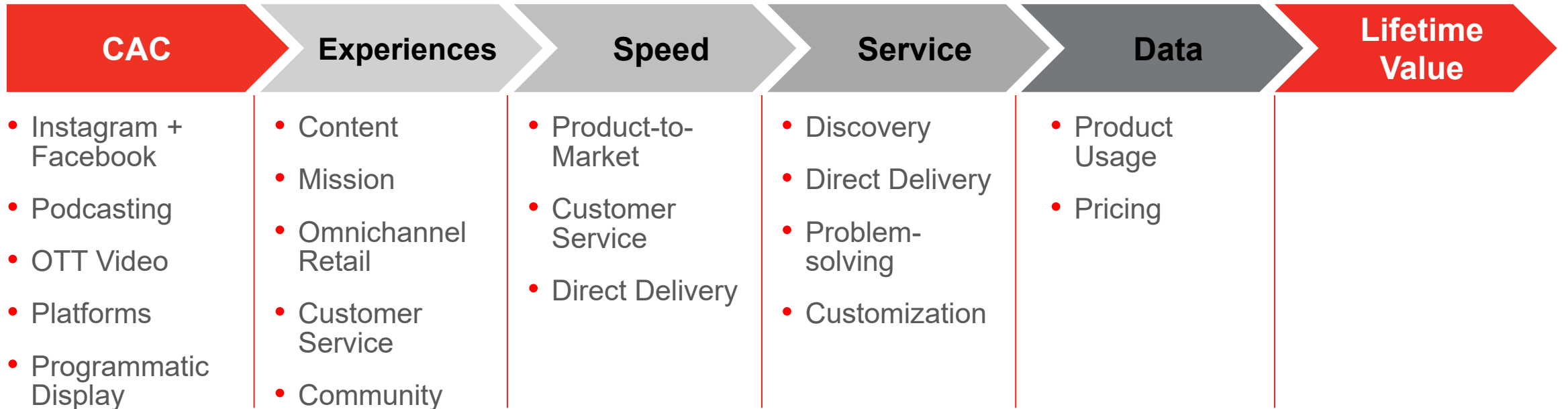
02. The Direct Brand Playbook, 2019

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1. CAC-to-LTV is the new purchase funnel.

2. Disruptor brands are acquiring individual customers at scale, overwhelmingly through mobile channels.

3. Storytelling lowers acquisition costs.

4. Community turns CAC into LTV.

5. For disruptors, branding must perform… and vice versa.

6. Direct brands are becoming media promiscuous.

7. Omnichannel shopping is the new normal.

8. Fast is the new fashion… in every category.

9. Direct brands speak bespoke.

10. Two-day delivery is the cost-of-entry standard for customer service – and two hours is next.

11. Delivery is discovery.

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

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"CAC is the new rent."
Daniel Gulati,*Comcast Ventures*

Sources: https://www.inc.com/magazine/201805/tom-foster/direct-consumer-brands-middleman-warby-parker.html

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Average Time Spent Per Adult 18+ Per Day

Exhibit 1 – Based on the Total U.S. Population
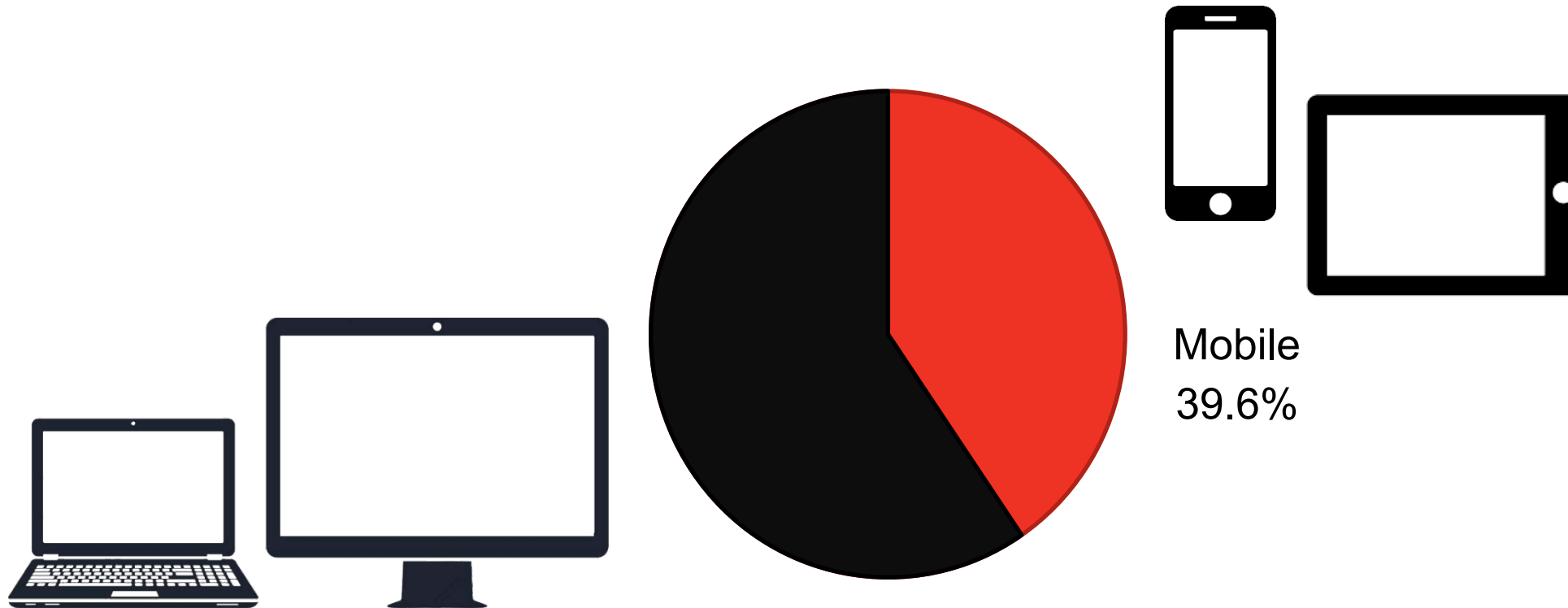
TV: -14% in 3 years **Mobile: +133% in 3 years**
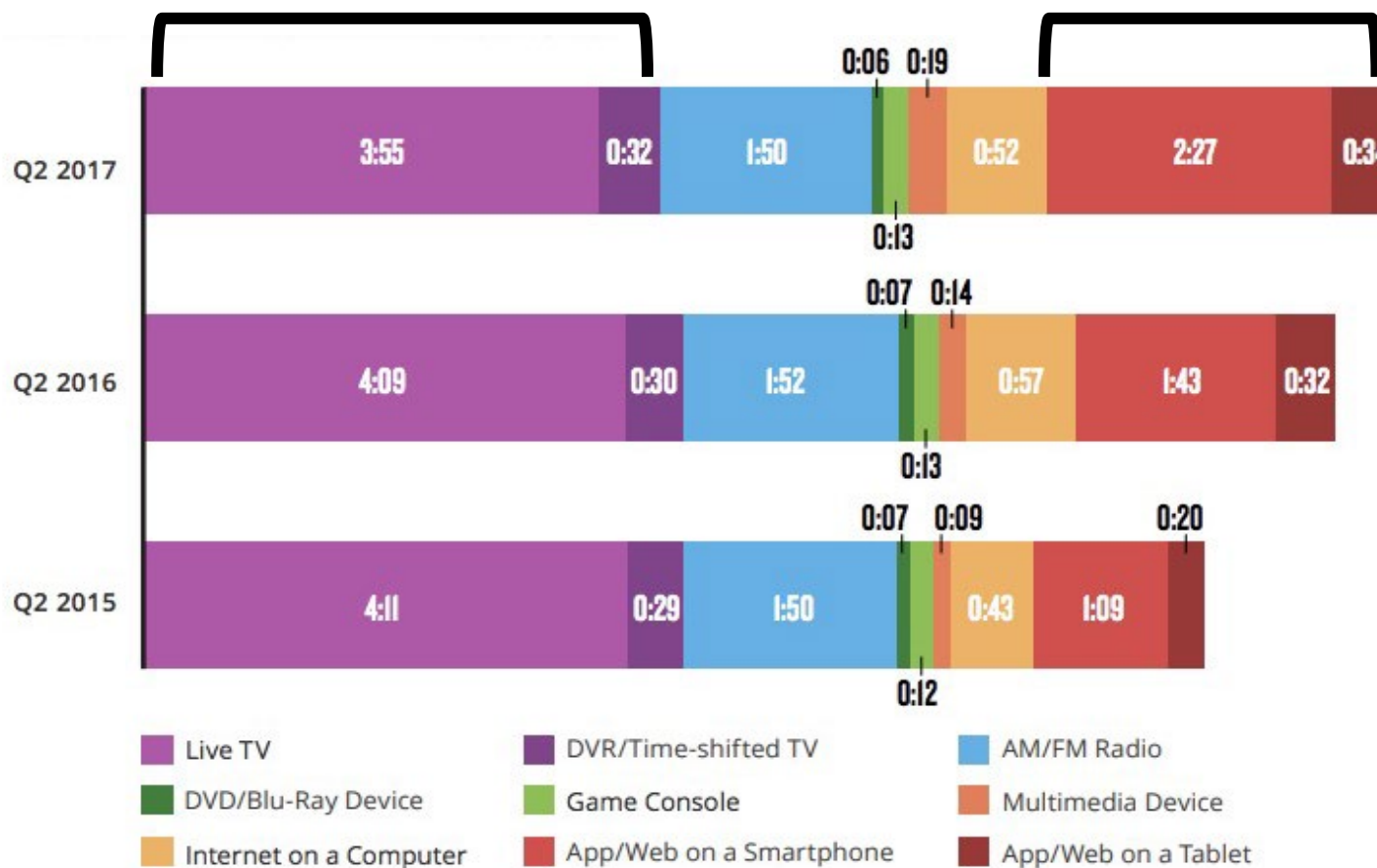
Daily Time Spent with Live TV decreased by ~14% in 3 years while mobile device time-spent was +133%
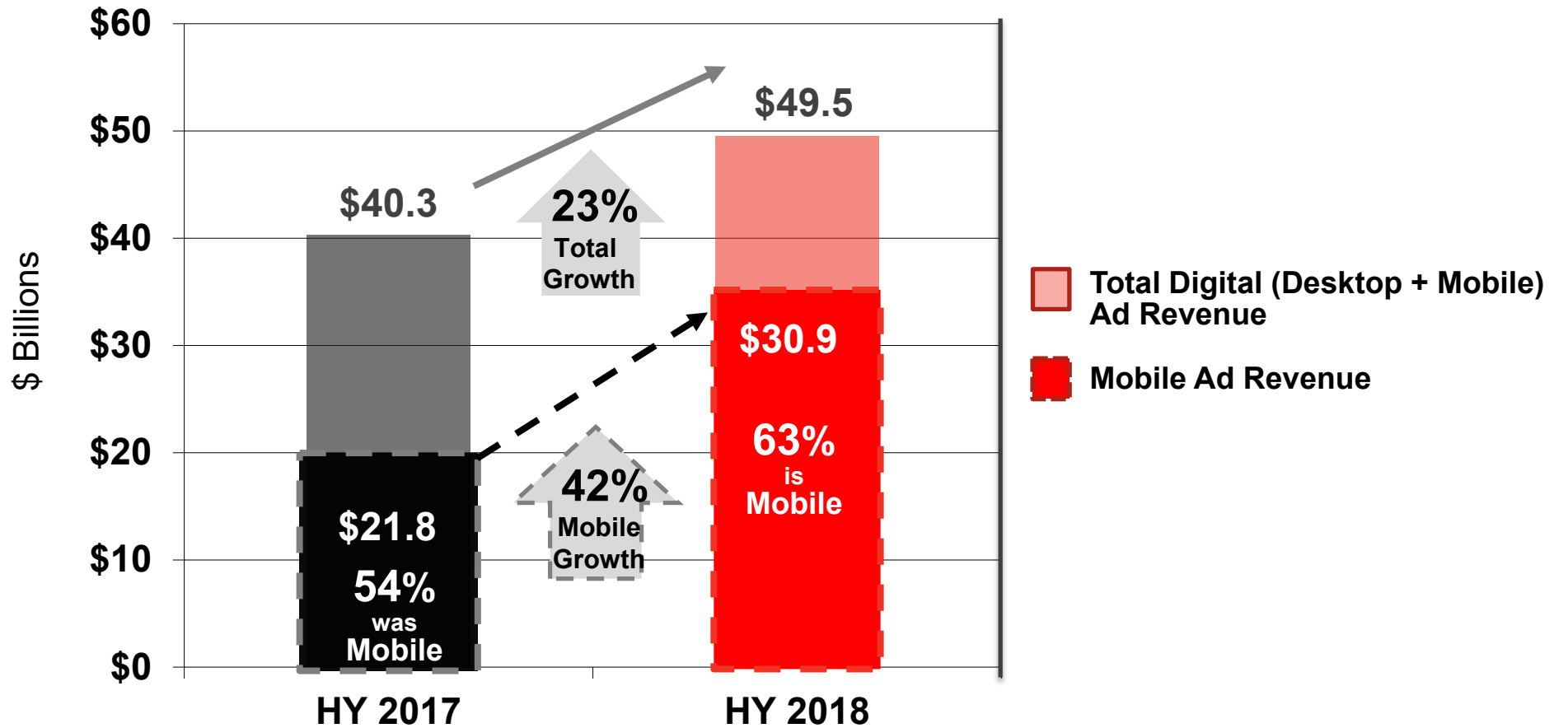

	Live TV	DVR/Time-shifted TV	AM/FM Radio
	DVD/Blu-Ray Device	Game Console	Multimedia Device
	Internet on a Computer	App/Web on a Smartphone	App/Web on a Tablet

Sources: Nielsen Total Audience Repor

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Mobile commerce = $208.1B

Mobile
39.6%

Sources: *eMarketer **Forrester, Mobile Commerce Forecast
:

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

They measured campaign performance using vanity URLs which led to a sign-up form to receive an emailed coupon code

Results: In a given week, ~50-60% of new customers could be attributed from paid channels… with podcasting ranging from 15% to 40% of that

Source: Midroll
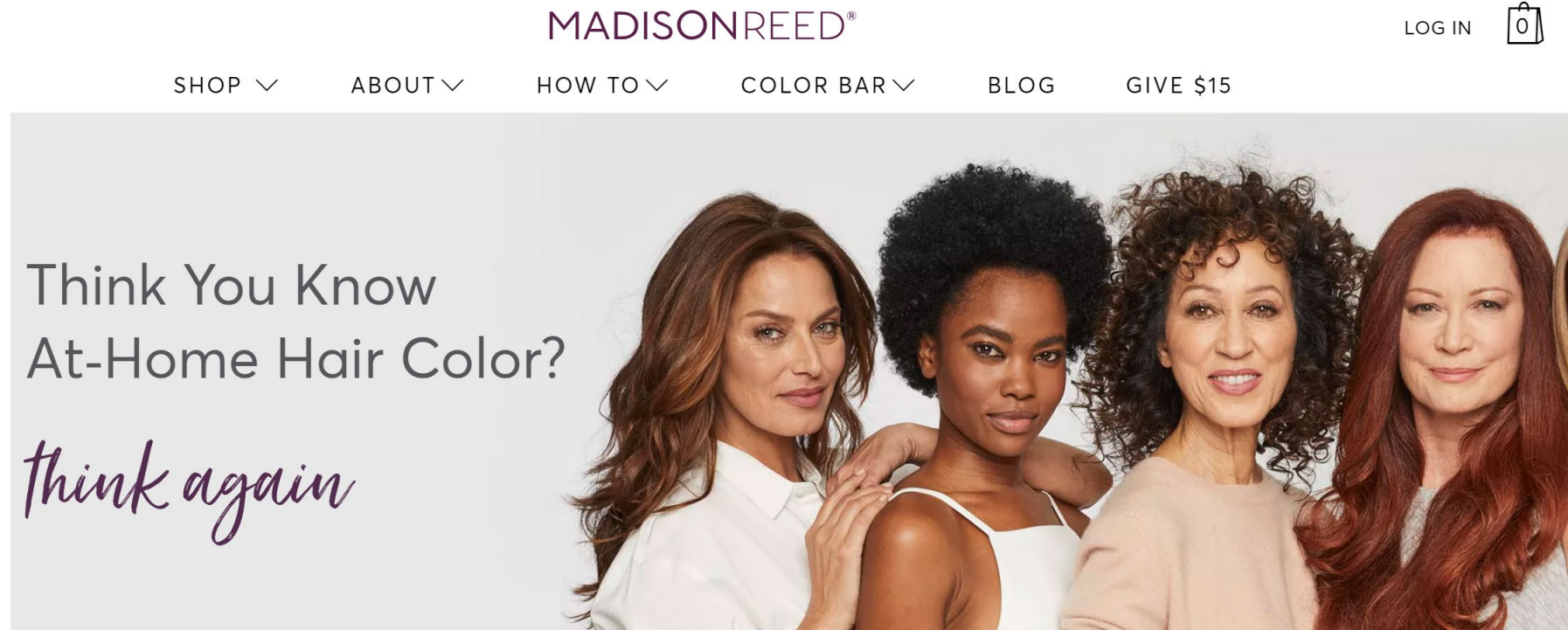
"We're always hungry to test new podcasts. Our budget is infinite, provided we meet a certain CPA goal."

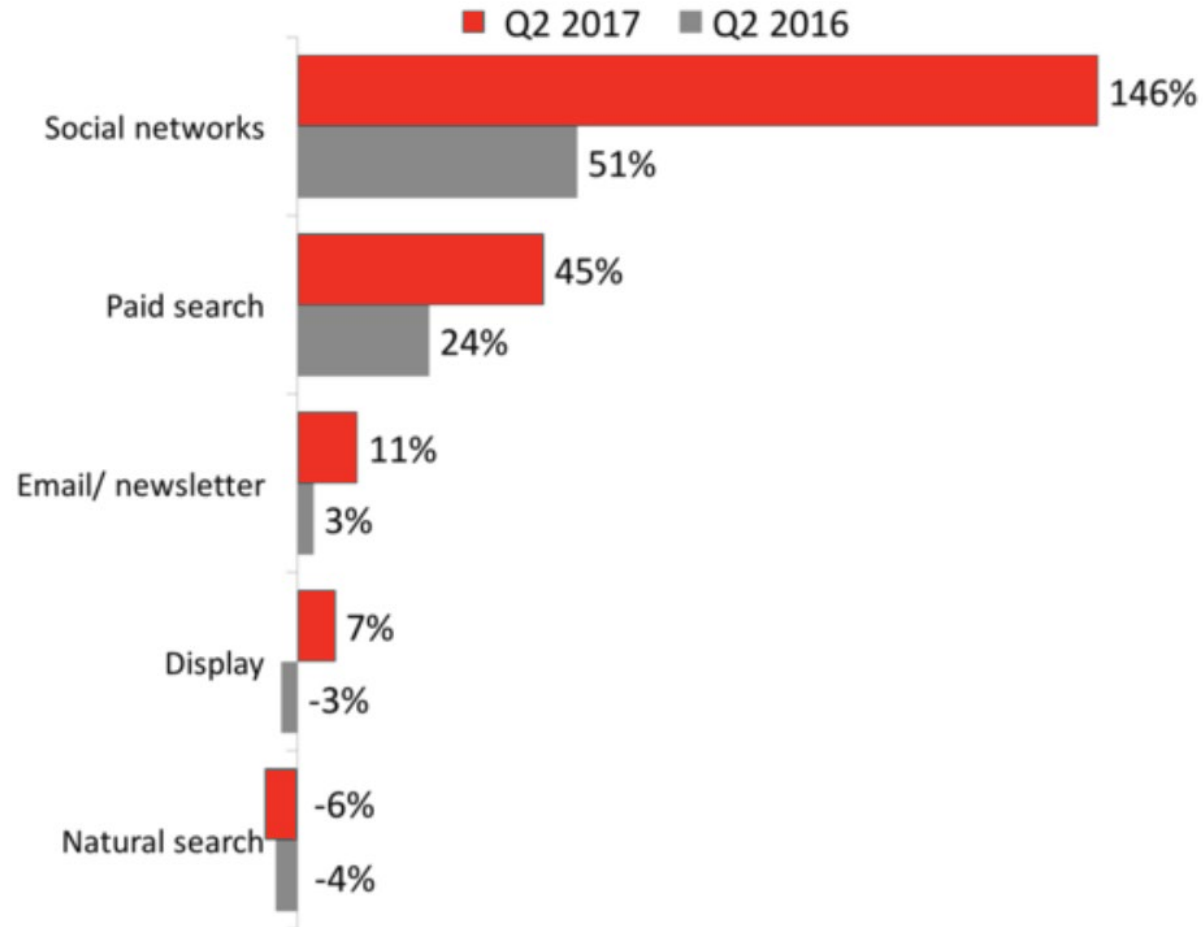– Aaron Driver, *SVP, Growth, Madison Reed*

- Glossier: 70% of online sales come via peer referrals

- Fabletics: Found customers in areas with physical stores spend 2.8x more across all channels than customers in areas without stores.

- Matches Fashion: User-generated shoppable content drives 35% of site revenues

"We have a 360-degree marketing plan, so we have everything from radio to television now… but the biggest part of our marketing all goes toward our community. It's social media, it's community building, it's information sharing."

— **Ido Leffler, *Co-Founder, Brandless***

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Growth In Share Of Retail Site Visits
By marketing channel

■ Q2 2017   ■ Q2 2016

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

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Play 5: For disruptors, **branding must perform – and vice versa**

"Traditional agency-brand relationships were a function of relationship building and pricing efficiency. That's still important but for the DTC brands, it's much more quantifiable. So we need to be prepared to be held accountable for those types of goals. There's no fancy PowerPoint presentation or New York City dinner that explains away us not driving the business outcome that they want us to."

–Sam Appelbaum, *GM, Performance Marketing, Yellowhammer*

"We don't think that something like 'impressions' means anything. Since these brands are selling direct-to-consumer, we're able to understand how certain stories work, and how placement and communications work, and then replicate the things that work. I don't think that transparency has existed in our industry."

–Jesse Derris, *Founder, Derris*

Sources: Businessinsider.com, 11/14/18 Digiday.com, 6/22/18; Digiday.com, 10/31/18.

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Top 5 Agency Holding Co's Stock Prices: Last 3 Years to Dec. '18

U.S. agency revenue grew 1.8% in 2017, slowest growth since the ad market emerged from recession in 2010.

WPP had worst year since the financial crisis, declining revenues from like-for-like operations and a slightly reduced profit margin. This year company projects organic growth will be flat.
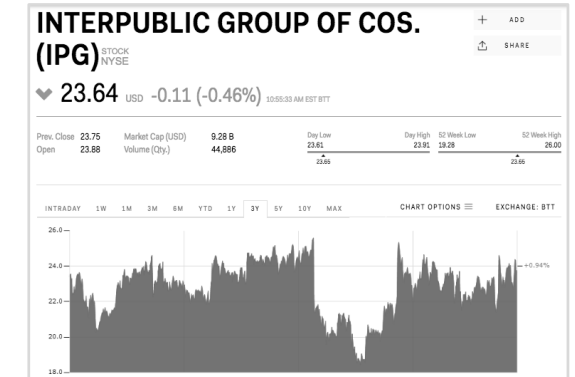
Interpublic, Omnicom and Publicis have also notably registered anemic growth.

Company (Alpha)	Function/Specialty	Location(s)	Founded	Employees	Est. Yrly Rev	Approach / How Differ from Majors	Notable accounts (not all DTC)
Azione	PR	NYC, LA, SF.	2010	11-50	$1M-$10M	Incubating their own DTC brands; unique focus on developing strategy and building dynamic communication blueprints with organic approach to public relations and brand developmen.t	Away, Dirty Lemon, launching new active-intimates DTC brand "The League".
Bullish	Creative, Investing, Strategy.	NYC, Greenwich CT, Denver.	2010	11-50	n/a	Accelerator Agency designed for businesses living early in an S-curve. One-part Creative Agency, one-part VC Firm, they deploy capabilities from both worlds to help brands speed the transformation of opportunities into outcomes.	Harry's, Birchbox, Warby Parker, Casper.
BVAccel	E-commerce; Shopify Plus agency	San Diego, NYC, Columbus, Tijuana, LA, Melbourne.	2013	101-205	$10M-$50M	Focused on what they call the 3 pillars of eCommerce - acquisition, conversion, and retention	Boll & Branch, Kylie Cosmetics, Chubbies, Daymond John, Red Bull.
Decoded	Creative, Media, Tech	NYC, LA, London	2014	11-50	$1M-$10M	Incubating their own DTC brands; proprietary creative production tech; proprietary tagging & experimental design process for measurement.	42 Birds, Dollar Shave, Amazon.
Derris	Pr, Branding, Content	NYC	2013	101-205	$10M-$50M	Opting for stakes in their clients' businesses; raised a $10 million fund to invest in future clients by launching a separate wing called Amity Supply. Invests money into its clients' startups on top of the stake it already gets for its services.	Warby Parker, Everlane, Glossier, Harry's.
Diff	E-commerce	Montreal, Toront, NYC	2011	51-200	n/a	Helps brands scale on Shopify; work is dependent on the stage of the client's growth, i.e. a new site vs. fulfillmet help; budget between $20K-$50K could get a DTC brand a pretty decent-sized team; positioned to not just get a site live, but also to enable the business to grow revenue; companies without the $50K monthly budget retainer are offered alternatives like solving shipping.	Popsockets, Ministry of Supply, Bestseller.
Gin Lane	Creative Agency	NYC	2008	11-50	$10M-$50M	Opting for stakes in their clients' businesses; works exclusively with DTC brands; boiled branding down to an eight-week process that every new client goes through, and formed the creative identities now archetypal for DTC brands.	Hims, AYR, Quip, Smile Direct Club.
Red Antler	Brand building focusing on startups and new ventures.	NYC	2007	51-100	$10M-$50M	Offers an immense array of services: designing logos, digital experiences, and product packaging; producing content and advertising; and even coming up with names; Especially active with DTC brands.	Casper, Allbrids, Brandles, Birchbox.
YellowHammer	Performance Marketing	NYC, LA, Scottsdale, London	2009	51-100	$1M-$10M	Operates like an extension of its clients' businesses; gets paid on the basis of the brands' growth	Winc, Thrive, Boll & Branch, Fuego.

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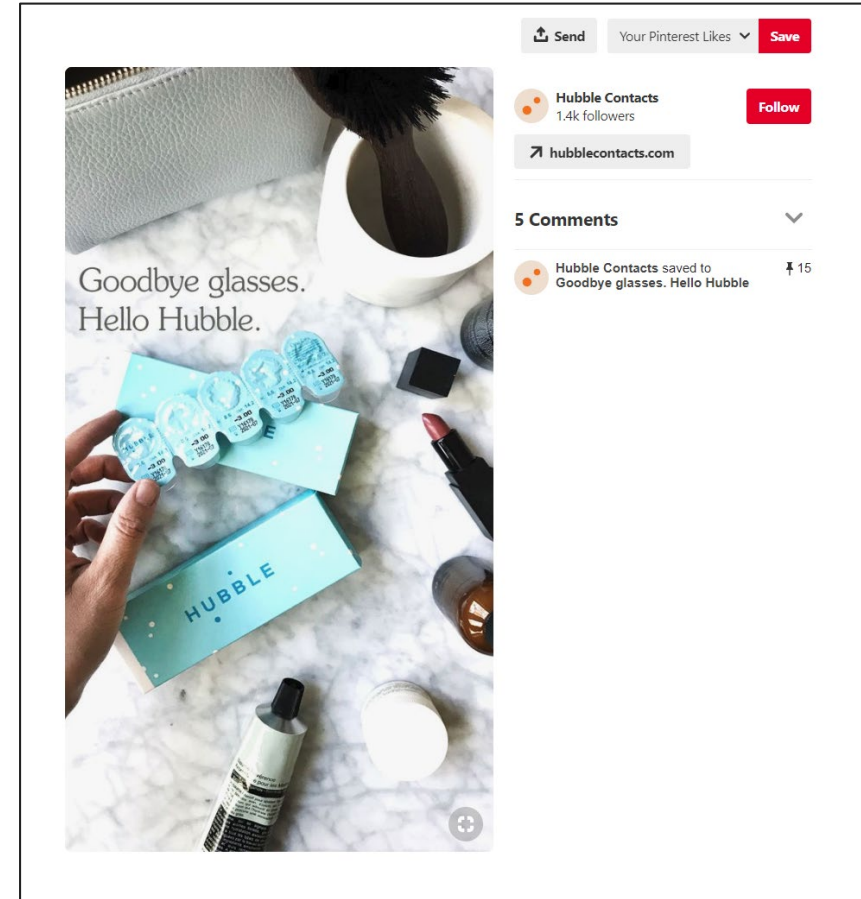# Play 6: Direct brands are **becoming media promiscuous**

- ~90% launched with a Facebook-dominant strategy
- ~50% of marketing spend still goes to Facebook family
- 40%+ have customer acquisition cost management as a top 3 KPI
- During the first 6 months of 2017, the average Facebook CPMs >171%, and average CPC >136%.
- Respondents are testing ~3 other marketing channels

New marketing method pioneered	Examples
Celebrity organic media	The Honest Company*
Facebook right rail	Gilt, Zynga, Groupon
Youtube Influencer videos	Ipsy
Owned Media (into the Gloss)	Glossier
PR on frequent product launches	Warby, Bonobos*
PR around users generated stories	Zola*
Fashion bloggers	Stitch Fix*
Initial exclusivity	Snap* (spectacles)
Referral	Airbnb, Uber
Special Events	Cotopaxi

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Other platforms are gaining traction among disruptor brands

Overview: To reach a wider audience and increase subscriptions, Hubble Contacts did A/B testing on Pinterest, iterating myriad images and messaging to determine best creative. They used Promoted Pins to drive site traffic using a special offer and sign up form, plus a combination of targeting tactics including actalikes, engagement retargeting, interests, keyword search and website retargeting.

**Results:** Hubble reduced new acquisitions 10% below average CPA.

50 Direct-Disruptor Brands Collectively Spent Over $1.3 Billion on TV in 2017, a 98% Increase YOY

"Direct-Disruptor" brands have accelerated spending recently in this very competitive environment, having invested over $MM more in TV of the last year

TV Spend Comparison
(in millions)

$1,313.6

$662.4

$322.8

2015   2016   2017

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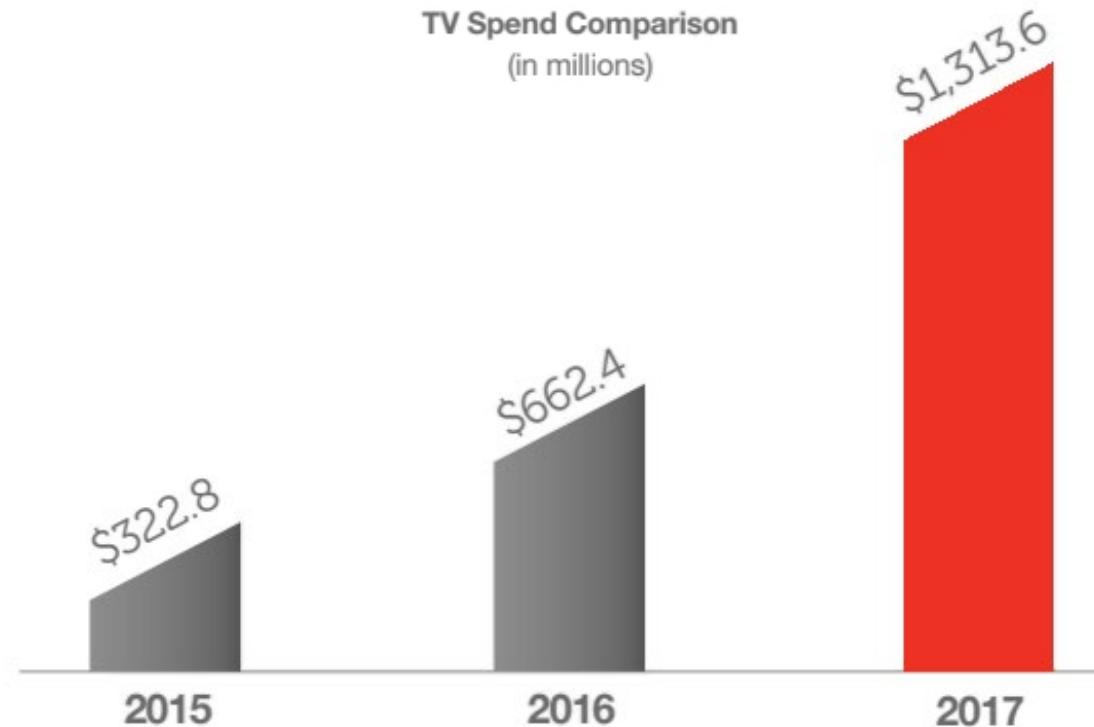
Streaming consumers are **disruptor-brand buyers**

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

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

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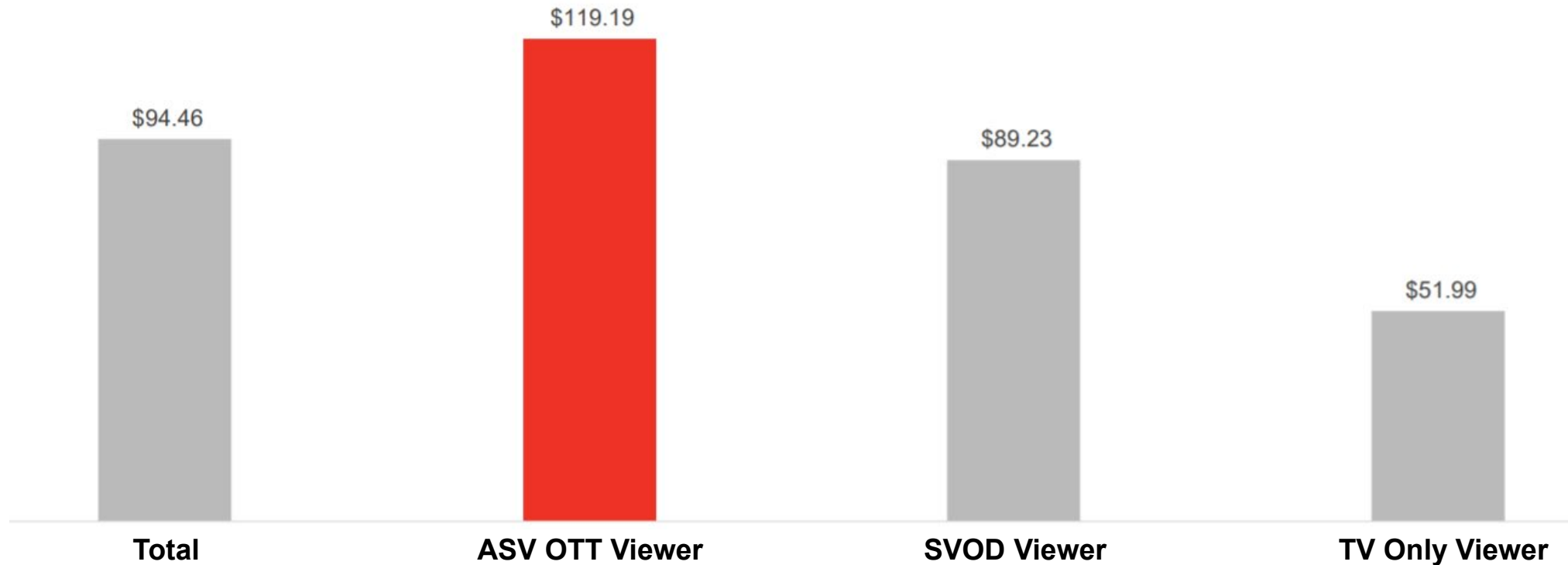
Casper

Overview: Bed-in-a-box company Casper wanted to run a national campaign designed to drive online purchases of their marquee mattress, The Casper, but still have flexibility for market customization. It created location specific videos to run in key markets (San Diego, New York, Los Angeles, etc.).

Results: Casper saw both a 41% lift in site traffic and a 28% decrease in cost per acquisition from the location-based video campaigns.
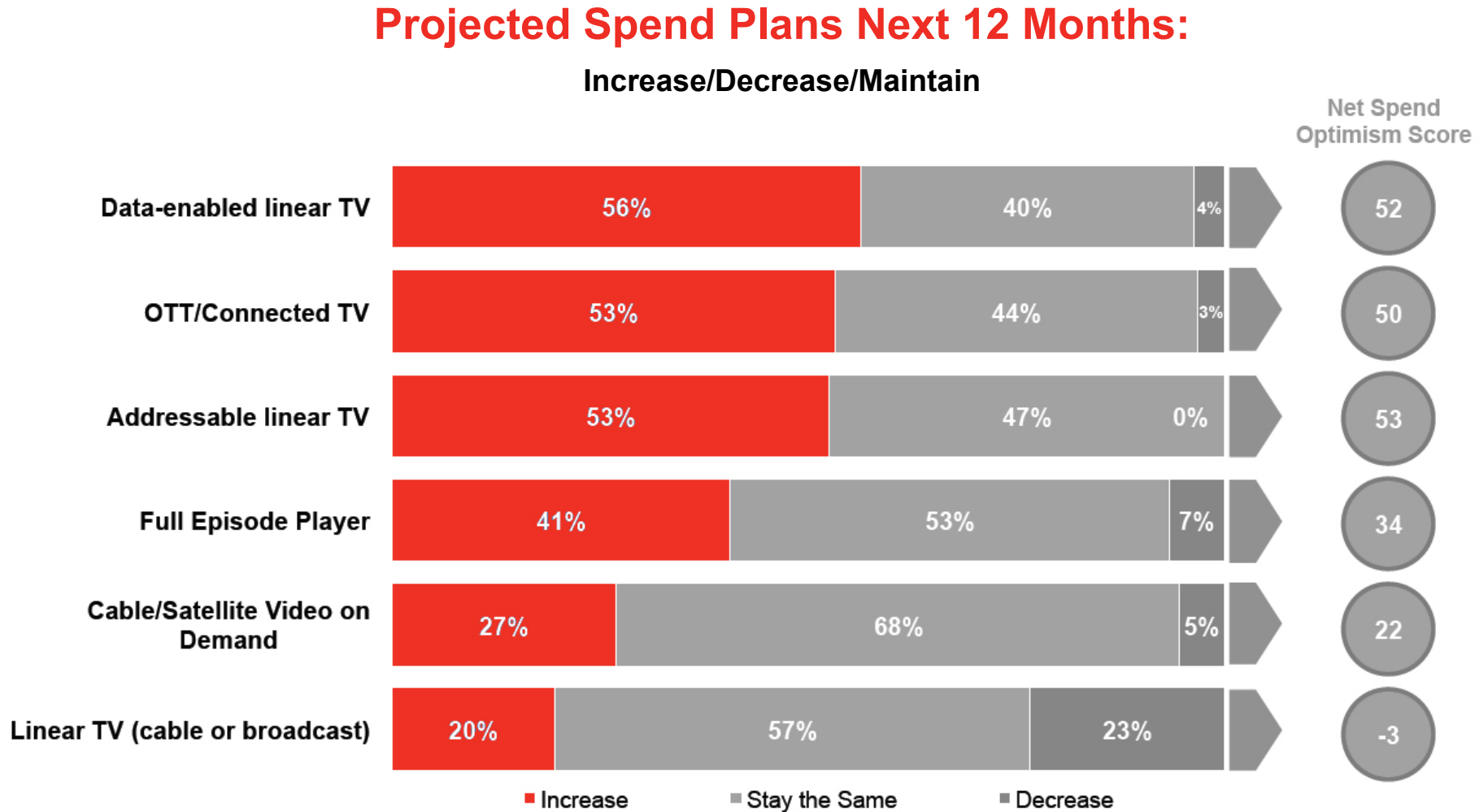
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- ThirdLove started investing in TV in 2017 with a budget of $286,000 for the first month. Within 3 months, they had spent $3 million. ThirdLove's monthly TV budget has more than quadrupled since then. It has aired three separate ad campaigns and spent over $13.2 million on TV in 2018, per Nielsen.

- ThirdLove buys a mix of traditional TV and addressable TV ads, and measures traditional TV ads and addressable TV spots with website visits, conversions and cost-per-actions using third-party TV analytics software. The company says TV could comprise 20% of its marketing spend by the end of 2019.

"As advertising on Facebook and other digital channels becomes more and more expensive, offline strategy, especially TV, is more and more important."
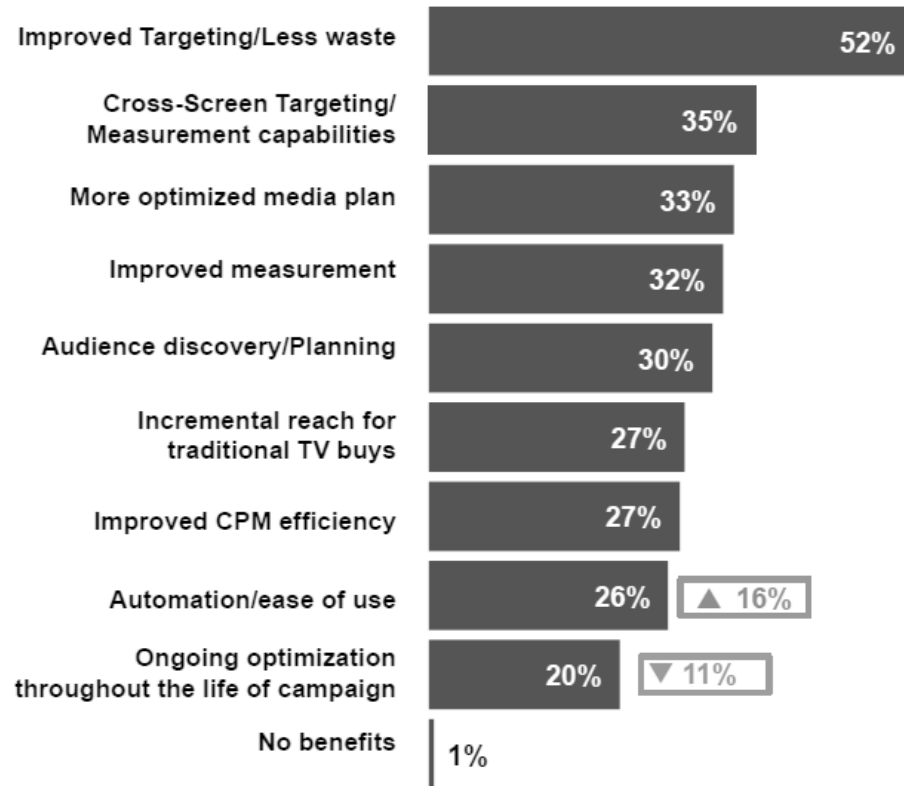
Heidi Zak, *Co-founder & CEO, ThirdLove*

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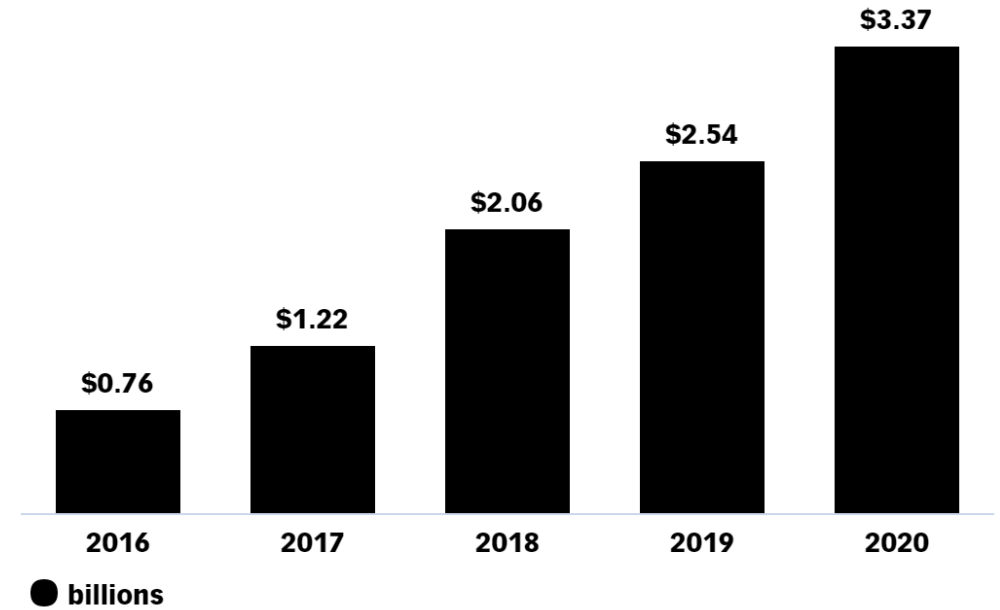# Most performance marketers plan to **increase advanced TV spend**

Projected Spend Plans Next 12 Months:

Increase/Decrease/Maintain

Net Spend Optimism Score

	Increase	Stay the Same	Decrease	Net Spend Optimism Score
Data-enabled linear TV	56%	40%	4%	52
OTT/Connected TV	53%	44%	3%	50
Addressable linear TV	53%	47%	0%	53
Full Episode Player	41%	53%	7%	34
Cable/Satellite Video on Demand	27%	68%	5%	22
Linear TV (cable or broadcast)	20%	57%	23%	-3

■ Increase   ■ Stay the Same   ■ Decrease

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**Top Three Benefits of Advanced
TV Advertising**

Addressable TV Ad Spending

U.S., 2016-2020

Benefit	%
Improved Targeting/Less waste	52%
Cross-Screen Targeting/ Measurement capabilities	35%
More optimized media plan	33%
Improved measurement	32%
Audience discovery/Planning	30%
Incremental reach for traditional TV buys	27%
Improved CPM efficiency	27%
Automation/ease of use	26% ▲ 16%
Ongoing optimization throughout the life of campaign	20% ▼ 11%
No benefits	1%

$0.76 — 2016
$1.22 — 2017
$2.06 — 2018
$2.54 — 2019
$3.37 — 2020

● billions

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Big media streaming wars will increase reach and spend

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

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Browsing and Buying: In Store vs. Online

BROWSE

PURCHASE

BROWSE FIRST IN-STORE

30%

13%

BROWSE FIRST ONLINE

16%

42%

PURCHASE IN-STORE

1-in-3
In-store purchases are made after browsing online first

ONLINE PURCHASES

1-in-4
Online purchases are made after browsing in store first

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

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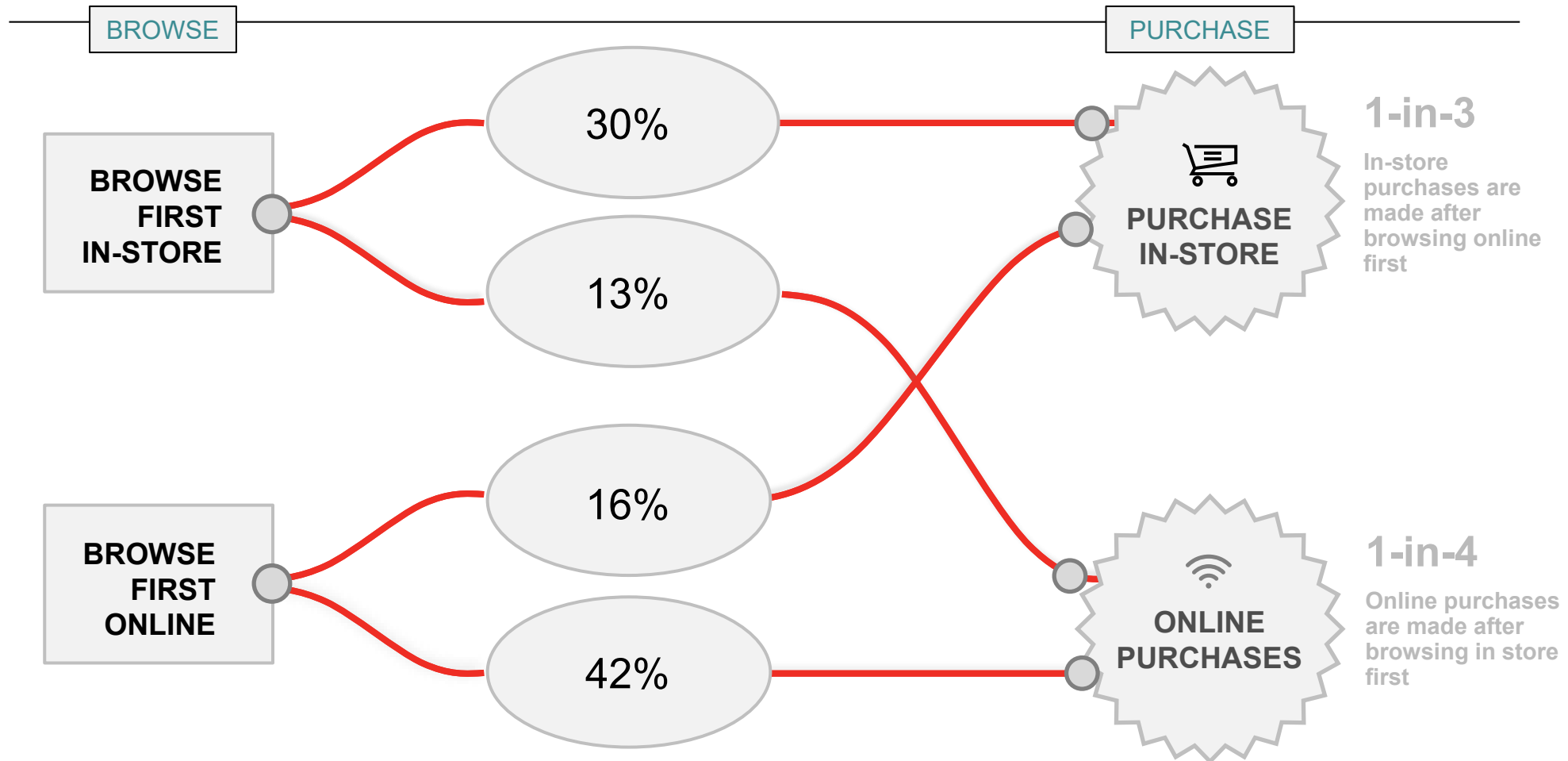
Pop-up stores are **today's "creative revolution"**

- **Glossier**
  - Launched a pop-up in San Francisco's Rhea's Café, which served its signature dishes while also merchandising the space to whimsically show off Glossier products amidst flowers and restaurant props.

- **Snowe**
  - Pop-up in NYC is part of a shoppable loft, event space, and registry designed to inspire home transformations; "hybrid approach" of creating a physical location that can "inspire"— and make people shop.

- **Away**
  - "Terminal A" pop-up in SoHo is a chic airport design with a TSA-style checkpoint, luggage scanners, a NYC-themed souvenir area, and the company's luggage line.
  - The "Uniform Shop" area lets customers mix and match luggage color combinations, add limited-edition stickers to their own luggage, or purchase luggage with hand-painted monogramming, pins, and embroidery.
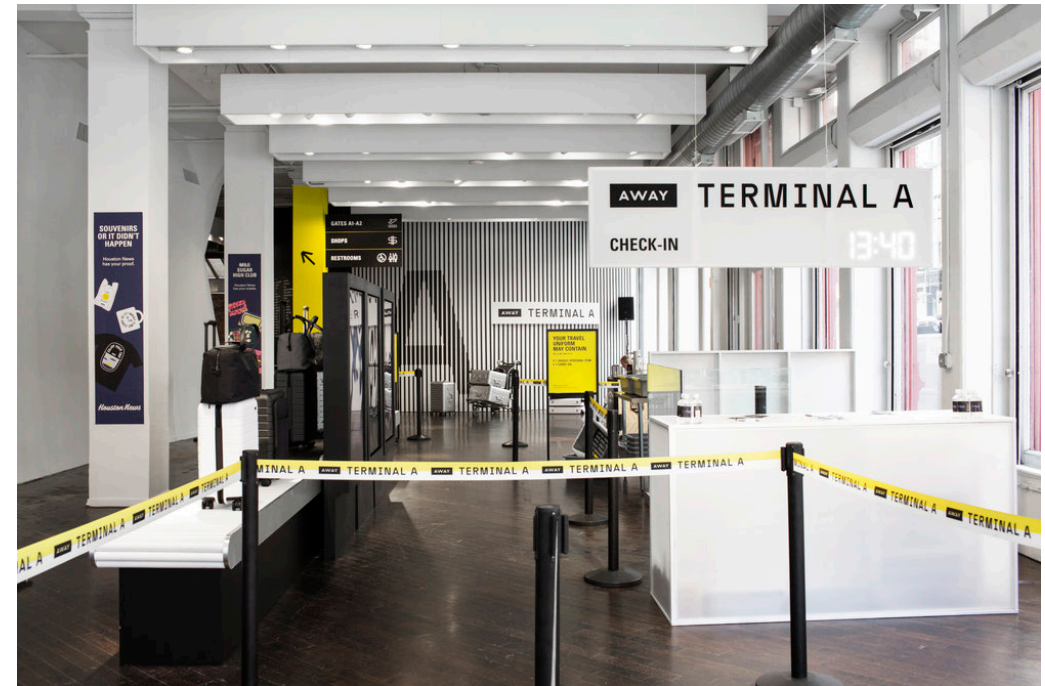
- Barkbox opened in BarkPark in September 2018 in Nashville, encompassing a landscaped green space designed for dogs to run around as well as access Bark-branded toys and treats.

- Followed the brand's launch in more than 1,800 Target stores nationwide last August, brand also introduced inside Urban Outfitters.

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- GymShark apparel used Shopify to quickly set up pop-up shops in various markets using iPads and credit card readers. The POS app syncs inventory and sales on the go. Having an in-person presence helped to create excitement about the brand while also garnering important information from customers about what they like and what they would like to see in the future.

- Kylie Cosmetics is currently using Shopify to run a pop-up shop at Westfield Topanga outside Los Angeles. The shop features a glamourous replication of Kylie Jenner's own bedroom as well as a Christmas tree with Kylie Cosmetics for ornaments. The shop sells her full selection of cosmetics, gift sets, and lip kits.

- Casey Shagena of Menagerie, which used Shopify for a temporary pop-up shop, says, "Shopify has helped me grow my business with easy-to-use POS features."

- Mackenzie & Blaine Vossler of TheLocalBranch.com, which used Shopify to open a retail shop, say, "Using Shopify POS makes running our store on the road simple."

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Digitally-native brands will open 850 stores in the next 5 years

Casper will open 200 stores in North America within 3 years, lingerie startup Adore Me for up to 300 in 5 years, and Allbirds for stores in 4 cities in the next year.

More than half (60%) of the e-retailers studied opened their first pop-ups locations in New York, followed by LA (16.2%) and Toronto (5.4%). More than a third (41.3%) opened their first permanent location in New York, then LA and San Francisco (12% each) and Chicago (5.3%).

Nearly 62% of permanent stores opened in the same city where an e-commerce venture opened their first pop-up shop.

Last year the greatest number of permanent stores were opened by formerly online-only retailers, including Everlane, Allbirds, Away and MM.LaFleur.

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A **new retail-as-a-service industry** is helping partner disruptors and established retailers

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Big retailers are hungry for **disruptor relationships**

- In December, Walgreens began rolling out its new partnership with Birchbox

- The pilot program started in 11 Walgreens stores in Chicago, Dallas, Los Angeles, Miami, Minneapolis and New York.

- Walgreens has a minority stake in the digital beauty subscription company.

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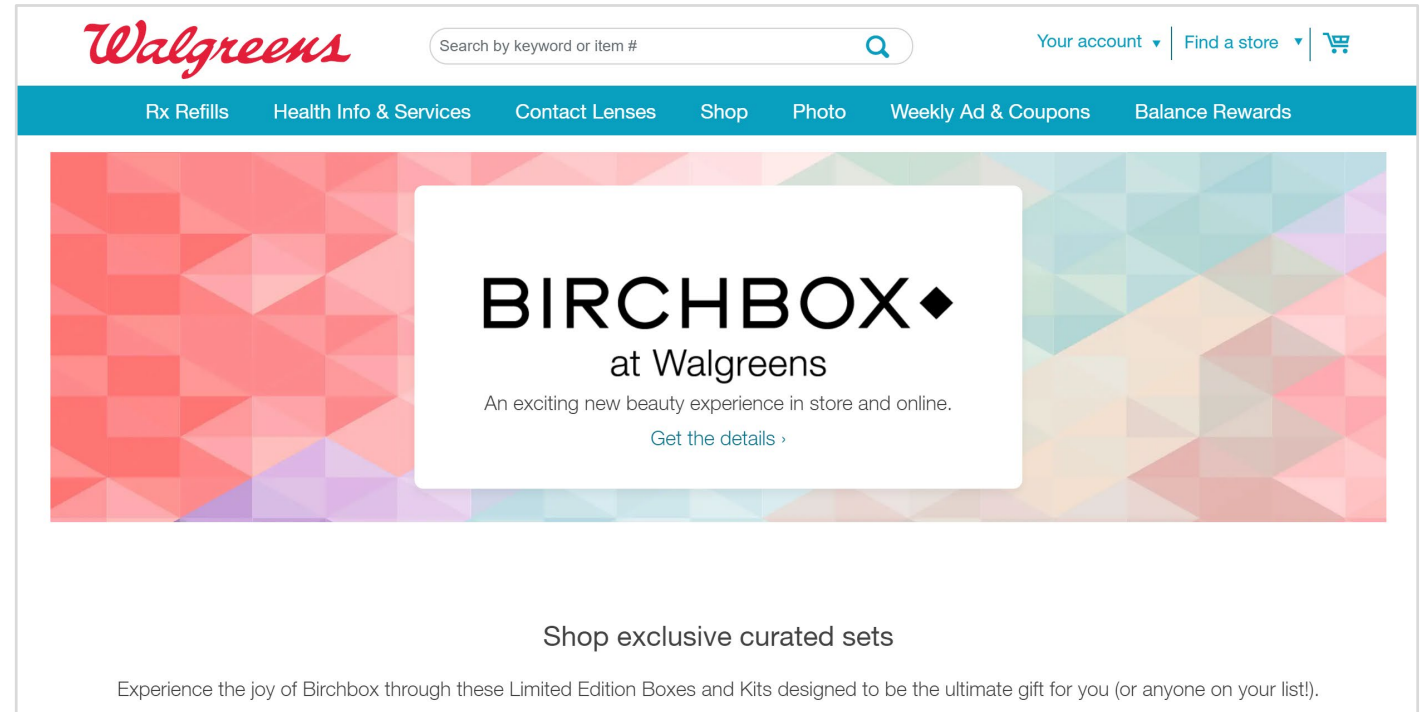
- Casper's "Dreamery" locations where fans of the brand can schedule a nap on one of Casper's cutting-edge mattresses; experience includes a sleep mask, robe, earplugs, makeup wipes, as well as a cup of coffee afterward.

- Dirty Lemon opened it's first "Drug Store" in Tribeca, New York in September 2018, allowing customers to pay through text messages.

- There are no lines, no cash registers, and no staff to monitor the refrigerators housed with the brand's "beauty elixirs" and "cleansing blends".

Source: CPCstrategy.com, 11/28/18
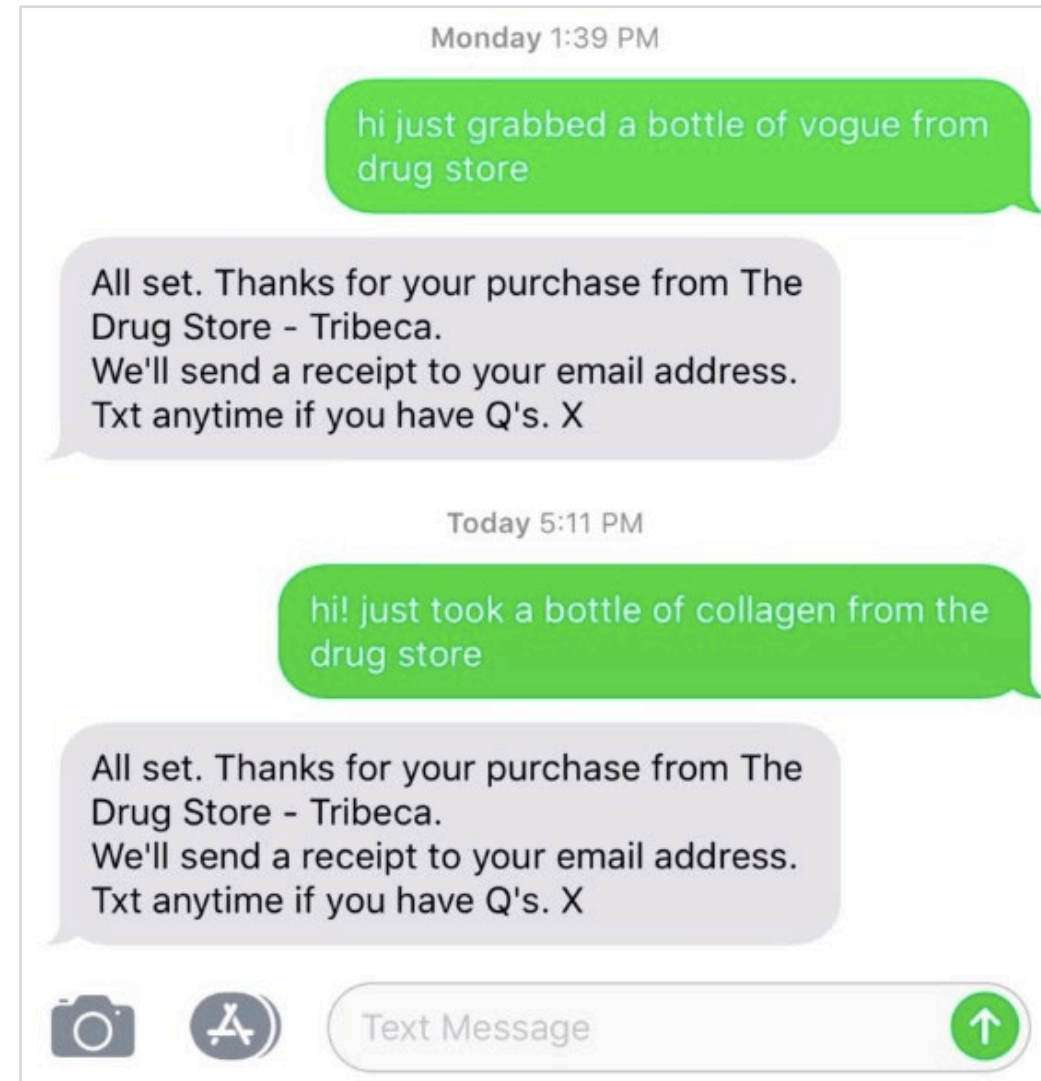
- Dollar Shave Club in November 2018 began testing vending machines at malls and transit hubs in New York, Los Angeles, San Francisco and Minneapolis. Automated machines offer six pre-bundled kits of various DSC products for $12, and members who have the DSC app will get notifications on their phones when they're nearby.

"While we're not going into mass retail, we are going to be increasing our presence in the real world. What's unique about these machines is that they're all travel and trial size products that allow people to try the products first and build affinity for them".

Michael Dubin, *Founder & CEO, Dollar Shave Club*

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Startup Re:Store expected to launch with 60 brands in San Francisco in Spring 2019.

Participating businesses will pay $350 a month and a 20% commission to Re:store, while $550 would add a coworking space, and $850 a month would enable inventory services and stock management.

Don't miss out.

Restore is the first co-working & retail space for cult-favorite online brands. We believe the future of retail is more than just a storefront but a sharable experience between makers and customers.

Stay tuned to be the first to know of events near you, future locations, and updates on new brands joining our space.

Your email_   SIGN UP

Source: Retaildive.com, 10/31/18

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boohoo.com
TWENTYFOUR | SEVEN | FASHION

- Average time for direct brands to launch first product was 7 months
- Today they can launch a product in 4 months
- One-third of founders say their biggest mistake is moving too slowly to iterate the core product or change the portfolio"

Source: www.iab.com/db/founders-survey

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- IDC Manufacturing Insights predicts by the end of 2020 that 50% of all manufacturing supply chains will have the capability to enable Direct Brand consumption shipments and home delivery.

- The Global 3PL Market is expected to grow at a CAGR of 5.8% between 2018-2022.

THIRD PARTY LOGISTICS (3PL)

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- NYC-based menswear line Noah produces ultra-small batch clothing lines — rumored to sometimes be as little as 12 or 24 items — and often sell out of these items quickly. The launches includes detailed blog posts about the items' sourcing and purpose.

Source: CB Insights, 2/27/18

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Agile supply chains **encompass and enable customer service**

- 92% of direct brand founders consider customer service a top 3 business-critical capability

- Every role is a customer service role

- "Listening" to the customer re-defines the brand's identify

89% vs **33%**

89% of companies with the strongest omni-channel customer engagement strategies retain their customers.

33% of companies with weak omni-channel strategies.
(ABERDEEN GROUP)

90% of consumers said they have had poor experiences seeking customer support on mobile.
(SOFTWARE ADVICE)

Engaging with customers, = **40% more** revenue per person.
(BAIN AND COMPANY)

72% of customers expect a response to their complaint on social media within one hour.
(ECONSULTANCY)

Source: www.iab.com/db/founders-survey

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Agile supply chains enable **mission-based marketing**

- Central to Beauty Counter's "clean beauty" brand identity are advocacy and education. Take-Way cards list 30 ingredients from the "The Never List" which is made up of more than 1,500 questionable or harmful chemicals they restrict from their products.

- In its first brick-and-mortar space, opened in October 2018 in New York, consumers are invited to use a phone booth inside the store to call government officials and show their support for industry regulatory reform.

Sources: CosmeticsDesign.com, 11/27/18

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Winc

- Direct-to-consumer winery that provides its members access to unique, small-lot wines from around the world starting at $13/bottle.

- Makes individual recommendations for members each month based on the company's proprietary Palate Profile system.

- Members can also make their own selections from an ever-changing assortment.

Pillpak

- Fills, sorts, and delivers medications in personalized packets based on when they need to be taken.

- The company's service helps users take the right meds at the right time.

- Delivers a simplified pharmacy solution for people managing multiple medications.

Curology

- Monthly subscription for custom skin treatments for acne.

- After filling out a questionnaire and sending in pictures, a dermatologist reviews the case and creates a treatment plan with customized skin care bottles for specific conditions (cystic acne, chronic dry skin, etc.

- $20 per month with access to a provider during the treatment.
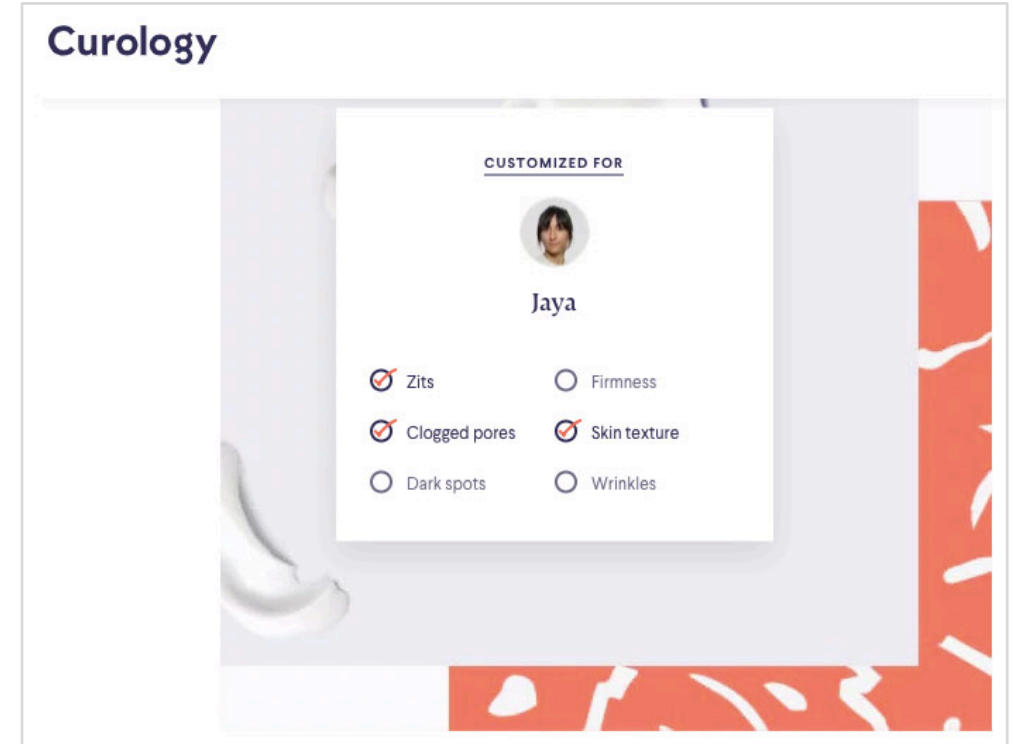
"One size fits one" is a source of disruptor competitive advantage

- Stitch Fix has developed its own internal sizing system for each brand and article of clothing, rather than using the industry standards.

- In 2018 the company created algorithms that help identify what sizes will work best with each customer. This enhances the customer experience, but Stitch Fix also uses the data to help brand partners improve their products, designs, and fit.
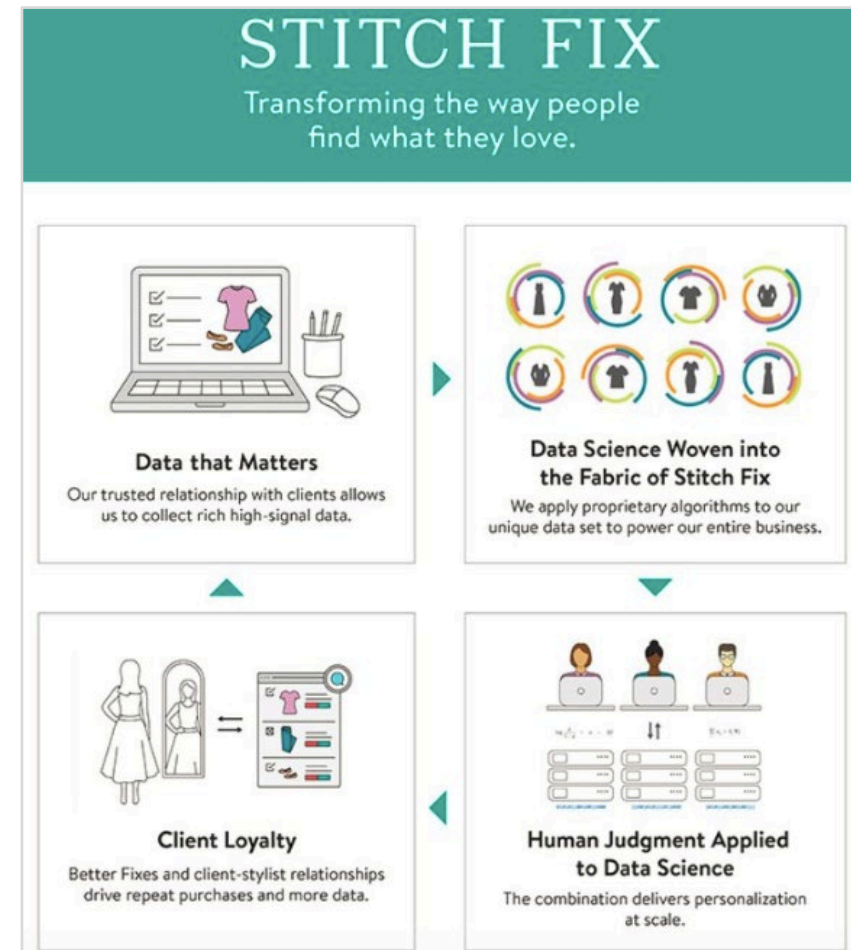
- Rent the Runway asks customers to fill out brief online surveys every time they return products that they rent from the site. Data points include the average number of times a customer wore a particular item, details about its fit, and the occasion for which the item is worn.

- The data-enriched, bespoke recommendations that result aim to help it steal market share from department stores and other multi-brand retailers, which rely on exclusive offerings to drive traffic to their stores.

"It's not happening in huge leaps and bounds, but Rent the Runway is definitely chipping away at market share from traditional retail. Big retailers like Neiman Marcus and Saks may have to eventually give up margin in order to retain exclusivity with designers."

Adheer Bahulkar, *Partner and Specialty Retail Lead, A.T. Kearney*

Key benefits

- 2-day shipping is available to 92% of the U.S.

- No pricing on website; "cost-effective, high service level fulfillment solutions."

- Best-in-class providers in an alliance of design/implementation, fulfillment center, technology, automation, and delivery companies.

- Business model based on those of "the best e-commerce and O2O businesses," including distributed logistics, automated, multi-client, flexible, scalable, and focusing on inventory flow not storage.

- Compelling value proposition including no upfront capital, low operating costs, increased revenue due to faster delivery, affordable same-day, next-day, and two-day delivery, streamlined return processing.

- Industries served include new forays into toys, healthcare, and food/beverage.

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

Amazon patents aim to streamline e-commerce fulfillment

Patent: "Multi-Level Fulfillment Center for Unmanned Aerial Vehicles"

Date Granted: 10/2/17

This patent illustrates a multi-level fulfillment center that could accommodate inbound and outbound delivery drones. The facility primarily looks to enhance last-mile delivery in densely populated urban areas.

CBINSIGHTS

Amazon patents aerial "beehive" fulfillment center

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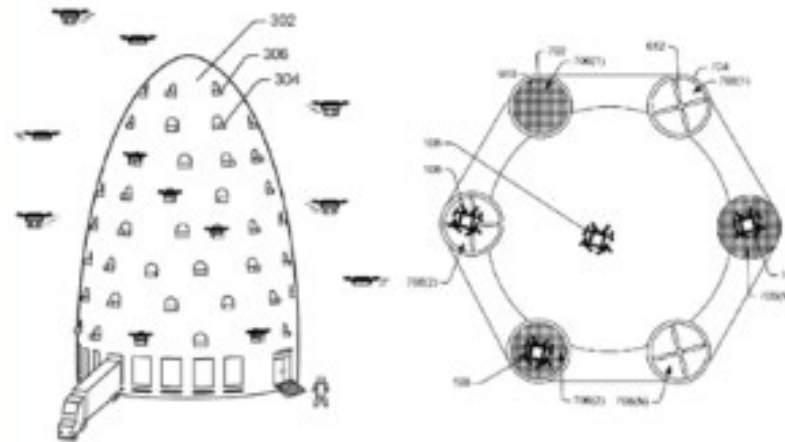
White glove delivery is becoming a point of competitive advantage

Saatva

- Offers free white glove delivery service, including set up of new mattress and removal of old mattress and packing material.

- Network of 19 factories and partners with 155 delivery firms to get them into customers' homes.

Vahdam Teas

- Package their tea within hours of harvest, then sends it with a "harvested by" date directly to fulfillment centers so that the consumer knows purchase is freshly picked, "from plantation to home in as few as ten days…"

- Temperature-controlled storage and the efficiencies of e-commerce enable the product to remain fresh.

Brilliant Bicycle

- Delivers their bikes direct to the consumer's door, 95% pre-assembled

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Scooter platform company Lime in 2018 reached unicorn status with a $335M round of funding.

Uber invested in the round and simultaneously announced a partnership with the company to integrate the scooter platform into Uber's mobile app.

Instant delivery is the next frontier

- Within 10 years, traditional deliveries will account for only 20% of all deliveries, and bicycle couriers only 2%.

- Matternet raised $16M in late June 2018 from Boeing HorizonX Ventures (and others) to expand its delivery program in the US and internationally.

- Competitors include Zipline International and Starship Technologies, among others.

"Autonomous vehicles including drones will deliver close to…80 percent of all items."

**McKinsey & Co.
"Parcel delivery:The future of last mile"
September 2016**

Source: CBI, 7/9/18

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

Flaviar
- Offers a new way to discover premium spirits for a fraction of the bottle price.
- Sends members a tasting pack of new and exciting flavors.
- Ever-changing collection of craft and premium Spirits expertly curated from over 15K bottles of Whisk(e)y, Bourbon, Gin, Cognac, Rum and other spirits.
- Samples enable try-before-you-buy: taste 1.5oz samples of craft and big brand spirits bundled in themed boxes, such as Star Spangled Bourbon, Flavours of Scotch, Gin O'Clock, and many more.

Gwynnie Bee
- Monthly clothing subscription service for plus-size women.
- Plus-sized women's clothing is hard to come byt he average American woman is plus-sized, but only 18% of clothing sold in 2016 was size 14 or higher.
- Users pay a monthly fee to access an unlimited wardrobe and free shipping.
- The company offers unrestricted access to designer clothing, unlimited exchanges, free shipping and returns, and personal style consultation services.
- clothing rental-to-purchase option for plus-sized women.

HOW GWYNNIE BEE WORKS

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

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

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

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

Repeat
Wear & return — shipping is always free.

- or -

Keep
Wear & buy it for less than retail price.

- BrewPublik's proprietary algorithm called "The Beergorithim" helps company workers and event attendees discover new beers through monthly deliveries.

- The company reports 150% YoY sales growth and now delivers beer, wine and liquor to over 500 companies, including to the headquarters of Google and LinkedIn.

- The company also said it aims to be in seven markets by the end of 2018. Some of its newer markets recently include Charleston and San Francisco.

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03.Big Brands Battle Back

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Top incumbent brand trends, 2018-2019

1. Big brands are at the beginning of a wave of direct-brand acquisitions.

2. Incubators, accelerators, and strategic partnerships are incumbents' most popular disruptor investments.

3. Building individual digital consumer relationships is the main brands' priority.

4. In-sourcing programmatic advertising capabilities and technology is becoming the norm, as brands seek to optimize data-enriched relationships.

5. IoT, chatbots, and other digital services are increasingly contributing to first-party, data-infused relationships

6. AR & VR, voice, and 3D printing are enabling experiences, customization, and rich data

7. DMP implementation is a natural outgrowth of the first-party data explosion.

8. Digital identity will become a consumer right.

9. The largest retailers and brands are getting "experienced."

10. Big brands are going omnichannel.

11. The 2-day / 2-hour delivery standard is prompting its own wave of big brand acquisitions and partnerships.

12. Incumbents are retooling their supply chains to match disruptors' innovation-to-market speed and reduce their own wholesale dependency.

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

AHEAD OF THE CURVE

PEPSICO

Pepsico Snacks Innovation Challenge

Pitch us the future & we'll make it reality

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Sources: Mars.com, 3/9/18, 4/5/18
:

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Source: Clarkconsulting.com, 7/8/18 FT.com, 6/20/17, CBI, 7/25/18

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Mars sees **DTC as chance to take power back** from retailers

- Mars INS launched in 2017 and piloting in '18.Online decentralized platform powered by a self-regulated community of shoppers/suppliers removing retailers from purchase process.

- Any manufacturer can list and sell products, gain customer feedback, and reward loyal shoppers.

- INS is disrupting the largest consumer retail market in the world. According to Persistent Market Research, the global grocery market will grow to $8.5tn in 2020. Online sales of groceries are expected to reach over $300bn by 2020.

HOW INS WORKS

- Directly connects grocery manufacturers and consumers
- Overcomes retailer domination
- Offers a variety of smart contracts to facilitate operations
- Uses the INS token as means of consumer loyalty program rewards

BENEFITS TO CONSUMERS
- High-quality groceries cheaper than in stores
- Groceries bought online easily and conveniently
- Unlimited access to suppliers of choice

BENEFITS TO MANUFACTURERS
- Full control of product pricing and listing
- Marketing and promotion directly to consumers
- Fast and detailed customer feedback

- **Nike Announced in '15 that It Plans to hit $50b in Sales by '20 with Direct and Digital Businesses Being 2 Key Ways to Get There.**

- Fundamental to the direct strategy, per CEO Mark Parker (March of '18), is *"to be more personal at scale."* Aim is to use data to treat every one of Nike's customers as a unique individual and get more value out of each digital customer:

  - Why they acquired consumer data and analytics company Zodiac—to gain insight on its customers and how they behave.

  - Introduced the Nike+ mobile app in '16 designed to build a one-to-one relationship with athletes to aid the purchase apparel/shoes; included stories tailored based on inputs of interests and the ability to connect with an expert for training tips.

  - Focusing first on its super-fans: the Nike+ loyalty program members and app users, who on average spend nearly triple what Nike.com shoppers do.

  - Launched its SNKRS app in China in December '17, boasting that it got 2 million downloads in the first month alone, and just launched it in Japan, where it became the No. 1 free downloaded app in the iOS store.

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"Establishing digital relationships with many more customers represents a significant growth opportunity, as we have proven that a direct communications channel combined with personalization enhances the customer experience and drives customer engagement."

– **Kevin Johnson, *President & CEO, Starbucks***

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In-housing Spectrum Among Programmatic Buyers

Which of the following best describes your programmatic buying practices when it comes to bringing programmatic buying in-house? *(Among programmatic advertisers only)*

Partially In-house

Completely In-house
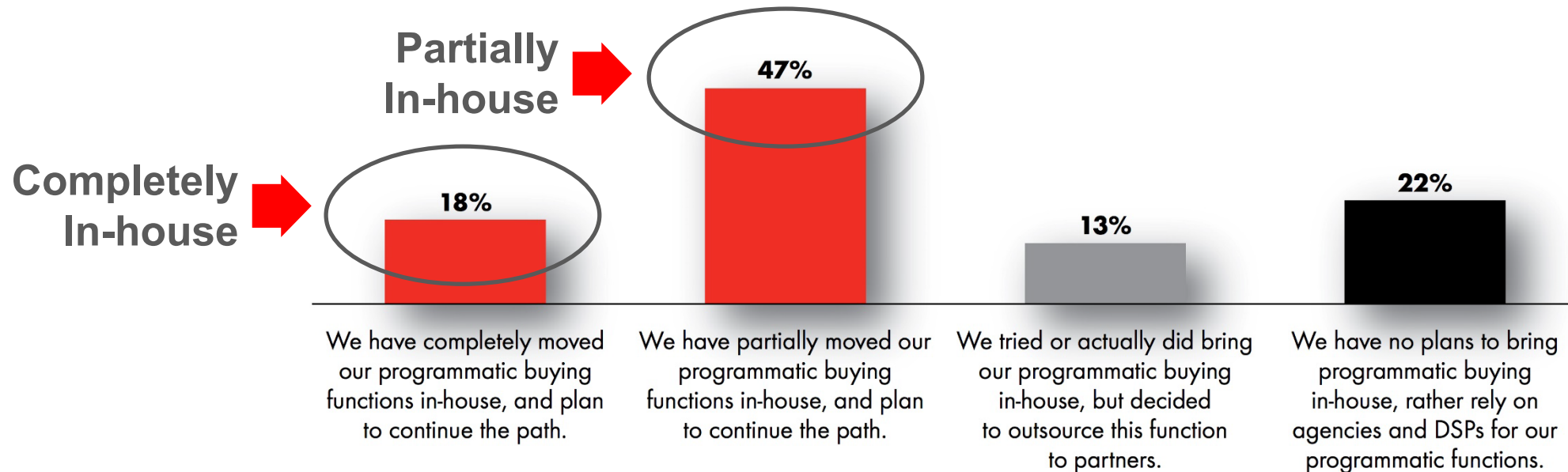
18%	47%	13%	22%
We have completely moved our programmatic buying functions in-house, and plan to continue the path.	We have partially moved our programmatic buying functions in-house, and plan to continue the path.	We tried or actually did bring our programmatic buying in-house, but decided to outsource this function to partners.	We have no plans to bring programmatic buying in-house, rather rely on agencies and DSPs for our programmatic functions.

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Benefits of Programmatic Buying:

	1	2	3	4	5	6
Better audience targeting	74%	22%	3%	1%	-	-
Real-time optimization	52%	33%	11%	2%	1%	1%
Ability to build audience reach	48%	42%	9%	1%	-	-
Cost efficiency	45%	35%	12%	4%	4%	-
Reach customers at multiple points along the purchase path	45%	29%	18%	5%	2%	-
Managing buys across channels	37%	42%	14%	5%	1%	-

Note: n=100; numbers may not add up to 100% due to rounding
Source: Association of National Advertisers (ANA), "The State of Programmatic Media Buying," Dec 18, 2017

% of respondents

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

Sources: http://totalaccess.emarketer.com/chart.aspx?r=215181

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Consumer-related Marketer Capabilities:

% of respondents

Use data about our customers to find similar audiences
58%

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

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

Understand our customers' cross-device behaviors
39%

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

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"We are redesigning our digital and marketing strategies and campaigns to own a direct relationship with our guests, truly serve their global needs and provide relevant offers, by using intelligent programmatic analytics."

– Remy Merckx, *Vice President, Digital, Radisson Hotel Group*

"We've realized that unlocking the data is about knowing a customer and how the person engages with brands, shops online, and how they interact with loyalty programs."

– Lisa Giarcosa, *Global Head of Experience, Planning and Integrated Media, Kimberly-Clark*

Colgate E1 Smart Toothbrush

- Toothbrush connects to dedicated application for iPad and iPhone to present data and brushing tips.

- Provides feedback to users on their brushing techniques to help improve daily routines.

- Built-in sensors take data in real time from brushing zones are sent to the app which analyses technique over time.

Diageo Connected Cocktail Maker

- Testing a connected cocktail maker dubbed "Opn" in Paris and other European markets to increase its share of the at-home drinking market.

- Trials featured at-home alcohol delivery in less than an hour.

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

BUY NOW
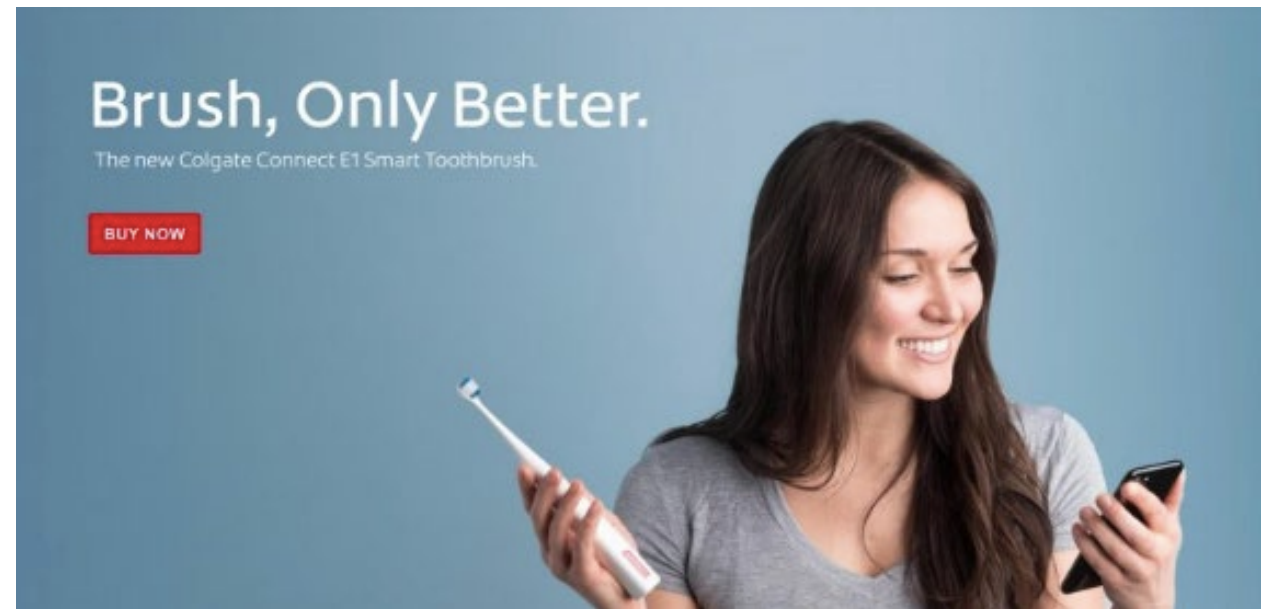
Diageo Facebook Messenger Chat Bot

- Introduced in 2017 a Facebook Messenger chat bot called Simi - Your Personal Bartender.

L'Oreal AI-Powered Chatbot on Facebook

- Launched in Q2 '17, named the "Beauty Gifter", asks the gift giver and the recipient questions to sell makeup and skin care gifts via Facebook Messenger.

Gucci

- FB-integrated chatbot built to increase shopper satisfaction and further promote Gucci's site.

Sources: Snipp.com, 6/26/17; BrandBastion.com, 7/9/18; VentureBeat.com, 5/2/17; ISL.com, 4/19/18; Newcred.com, 3/26/18

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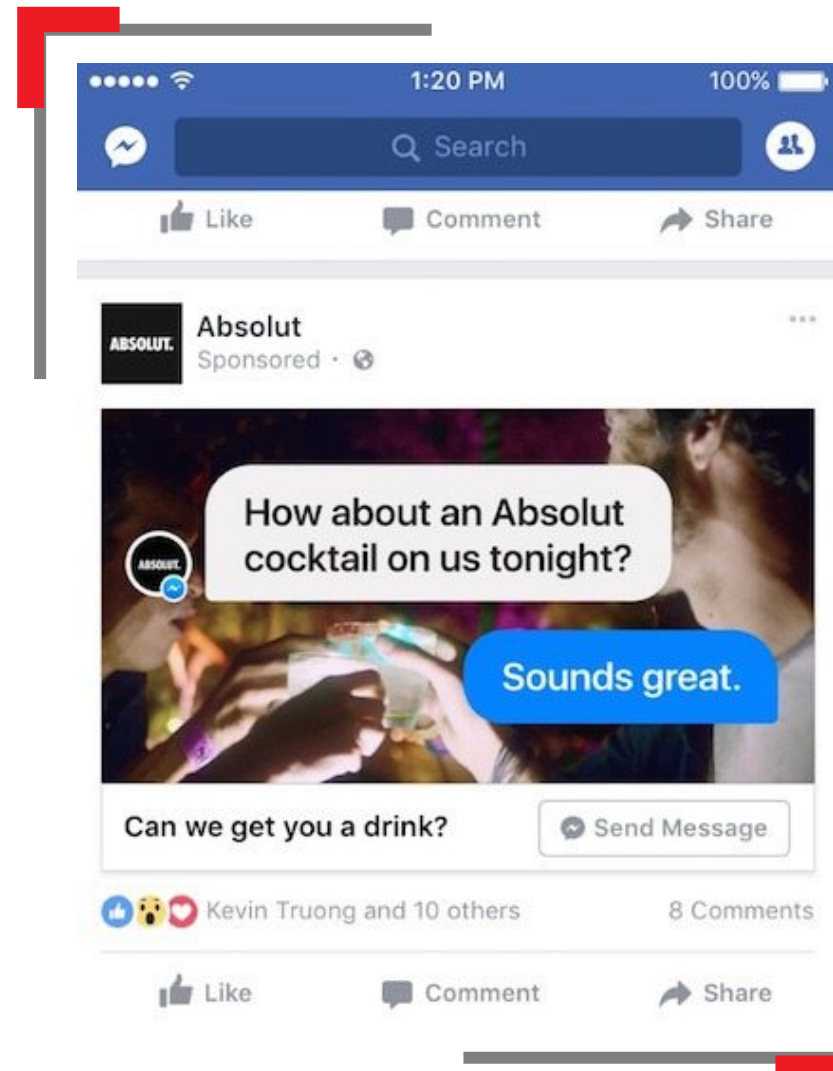
Loreal Facebook AR Partnership

- Collaboration will see L'Oréal's recently acquired AR entity Modiface create augmented reality-powered services such as make-up try-on for its brands that work with Facebook camera products.

Gap Dressing Room App with AR

- Uses AR to help online or mobile shoppers see how clothes will fit before they order them (reducing likelihood of returns).

Gucci VR Videos

- Collaboration with visual artists for a series of 360-degree VR videos available on its app and website.

Lowe's VR Headset

- Developed the Holoroom, a VR headset to help shoppers visualize bathroom and kitchen improvements.

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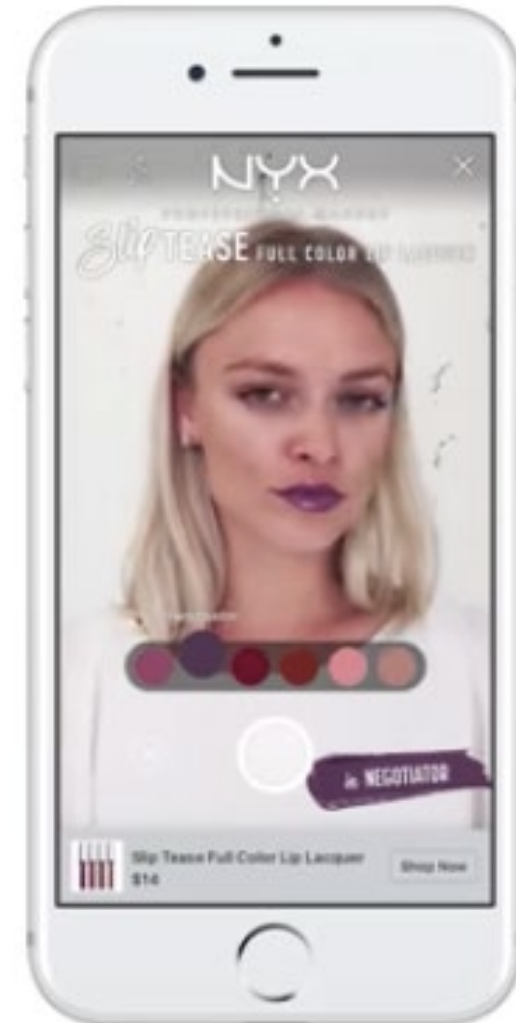
Mobile VR aids both **digital shopping and in-store experiences**

- Macy's aunched virtual reality furniture shopping experiences in about 70 of its stores nationwide, with plans to expand the capabilities to 20 more stores by January 2019.

- Experience called "See Your Space IRL," which lets users of the Macy's iOS mobile app virtually place images of Macy's furniture in their own living spaces.

- Found VR-influenced furniture sales increased by more than 60% versus non-VR furniture sales."
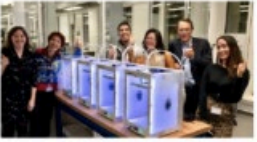
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3D Printing for Product Prototyping: L'Oreal is using 3D-printing to enable smaller batches, lower manufacturing costs, and shorter lead times. They're able to test virtual products before moving to production decisions which has led to accelerated development and enabled a reduction in cycle time from 60-day development cycle of first mock-ups with considerably high costs to 15-day cycle at a fifth of the cost. It has also enabled them to produce products that they were unable to produce before.

- Adidas in 2018 introduced 100,000 pairs of shoes with plastic midsoles made via a new 3D technology created by Silicon Valley startup Carbon. The new 3D business is expected to be profitable by 2019.

- New tech is 100x faster than original 3D shoe printing means any design can be tweaked — and customized — and fed to be printed through a cloud-based software model.

**Stop prototyping.
Start producing.**

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Miller Coors

"Miller Lite On-Demand" allows consumers to stock their fridge using a voice-activated Amazon Alexa command, or by using a programmable button known as AWS IoT that is based on the Amazon Dash Button hardware. Delivery requests fulfilled within one hour by Drizly.

EASIEST.
BEER RUN.
EVER.
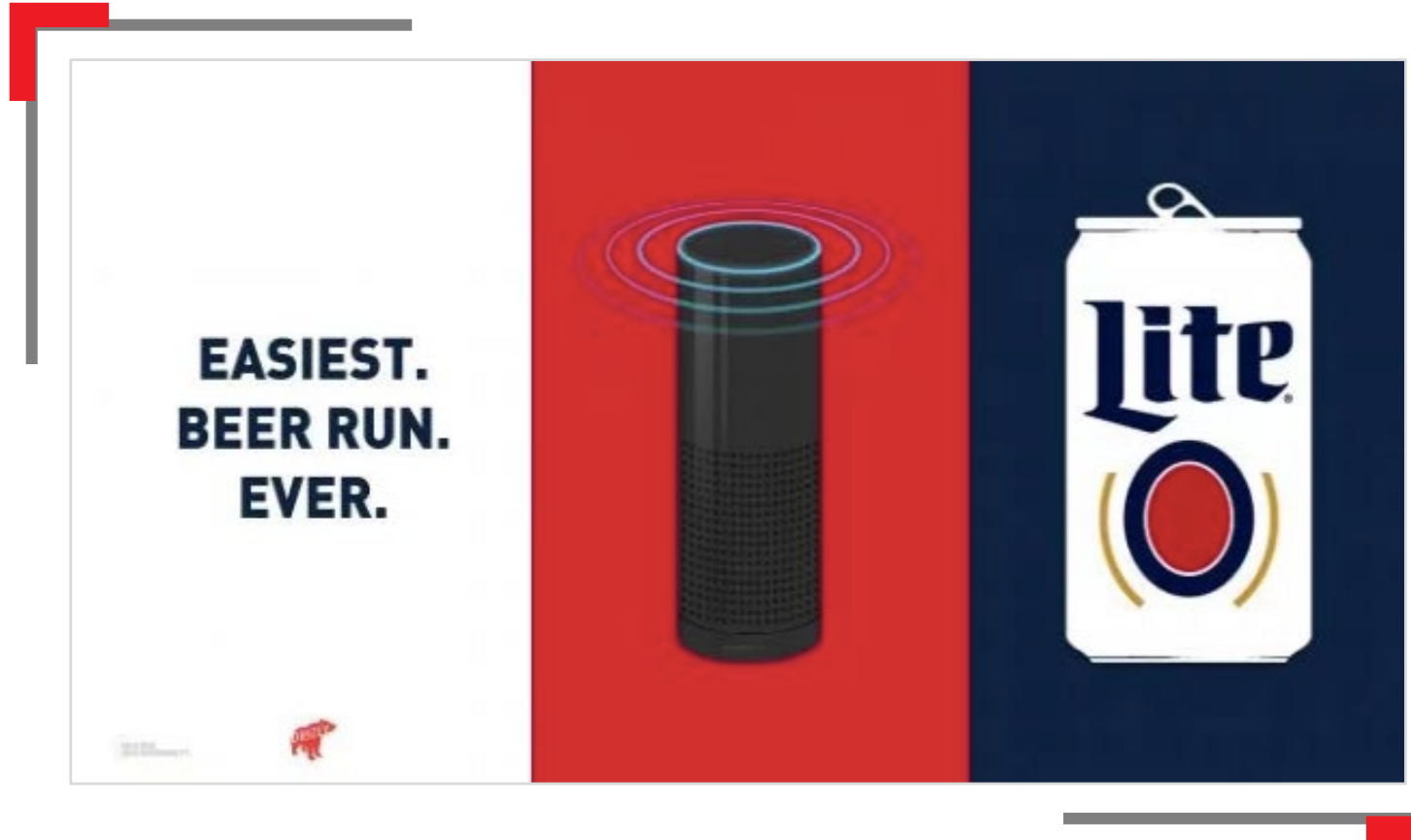
TTD leads agency intention; Oracle remains at the top of marketer list

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

AGENCIES

			Trend in Rank from Prior Wave (June 2017)	
1	theTradeDesk	38%	+1	⬆
2	ORACLE | bluekai	34%	-1	⬇
3	Adobe Audience Manager	33%	+2	⬆
4	MediaMath	31%	0	═
4	salesforce DMP	31%	+3	⬆
6	Sizmek (formerly Rocket Fuel)	29%	-3	⬇
7	AUDIENCE	25%	+2	⬆
7	VIANT.	25%	+3	⬆
9	TURN	24%	-4	⬇
9	exelate	24%	-2	⬇

MARKETERS

			Trend in Rank from Prior Wave (June 2017)	
1	ORACLE | bluekai	41%	0	═
2	salesforce DMP	38%	+2	⬆
3	Adobe Audience Manager	31%	-1	⬇
4	MediaMath	29%	+6	⬆
5	AUDIENCE	24%	-2	⬇
5	VIANT.	24%	+3	⬆
7	theTradeDesk	23%	-3	⬇
7	exelate	23%	0	═
9	Sizmek (formerly Rocket Fuel)	22%	-3	⬇
10	TURN	19%	-2	⬇

Q: How likely are you to actually use each of the Data Management Platforms (DMPs) you said you are considering for use in the coming year?
Base: Use Data Management Platforms

Advertiser Perceptions

- The $500 million US DMP market expect to grow 43% annually 2015-2021.

- Forrester has identified 25 types of data used in DMPs, including social, mobile, and CRM data.

- New sources of first-party data are emerging, including TVs (data sets from set-top boxes and over-the-top video), automobiles, and wearable sensors.

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Potential new CPG distribution channels

As stores strengthen private labels, CPG brands may seek new points of sale

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One app accounts for 61% of online alcoholic beverage sales

- Drizly's revenue grew nearly twice as fast as online alcohol sales overall.

- In comparison, Minibar Delivery, a direct competitor of Drizly, had revenue growth of 7% in 2017.

- AB-InBev used to Drizly to showcase limited edition beers (1933 Repeal Reserve Amber Lager and George Washington Brew), competing with craft brewers

- Other Drizly partners include MillerCoors, Brown Forman

Online Alcohol Leaders

Ranked by market share of total online alcohol sales

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

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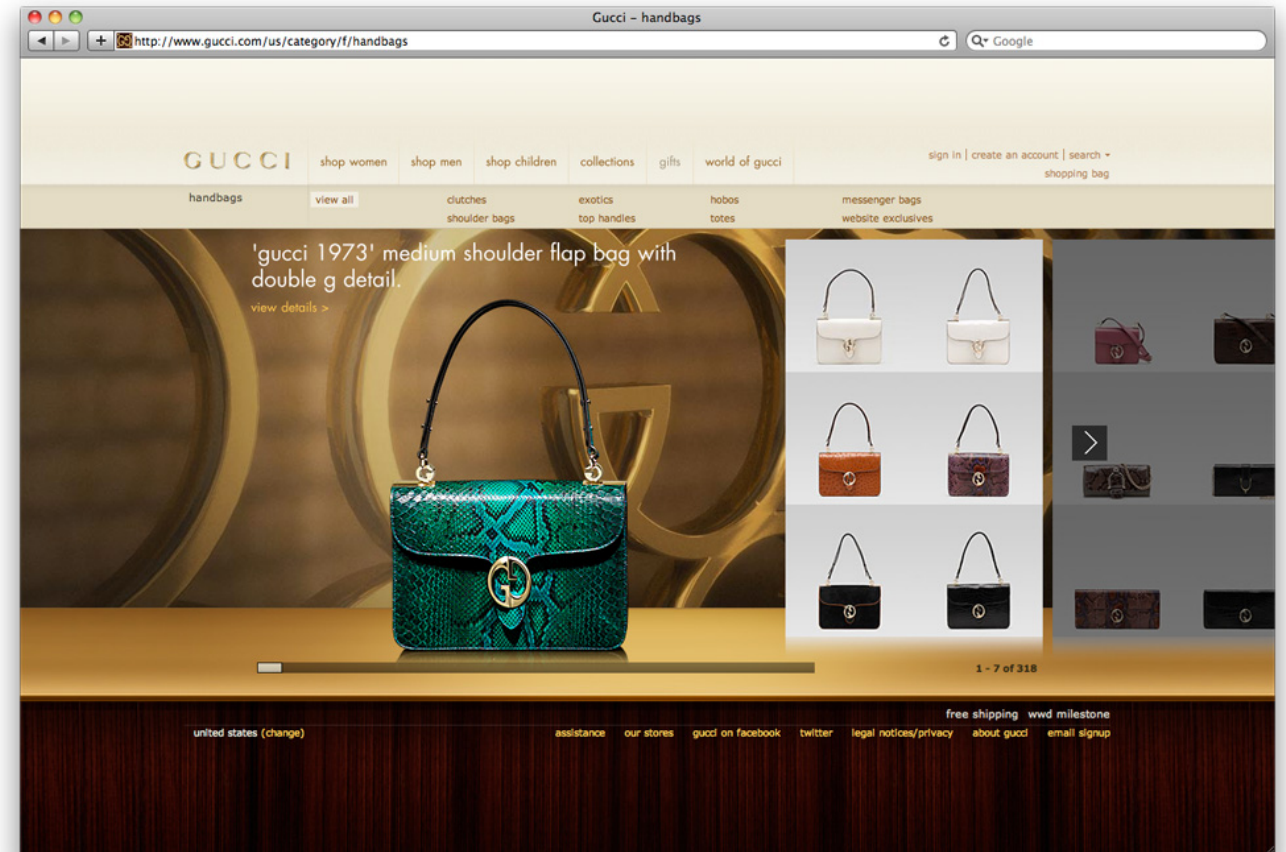Sample size: 65,156 U.S. online shoppers.

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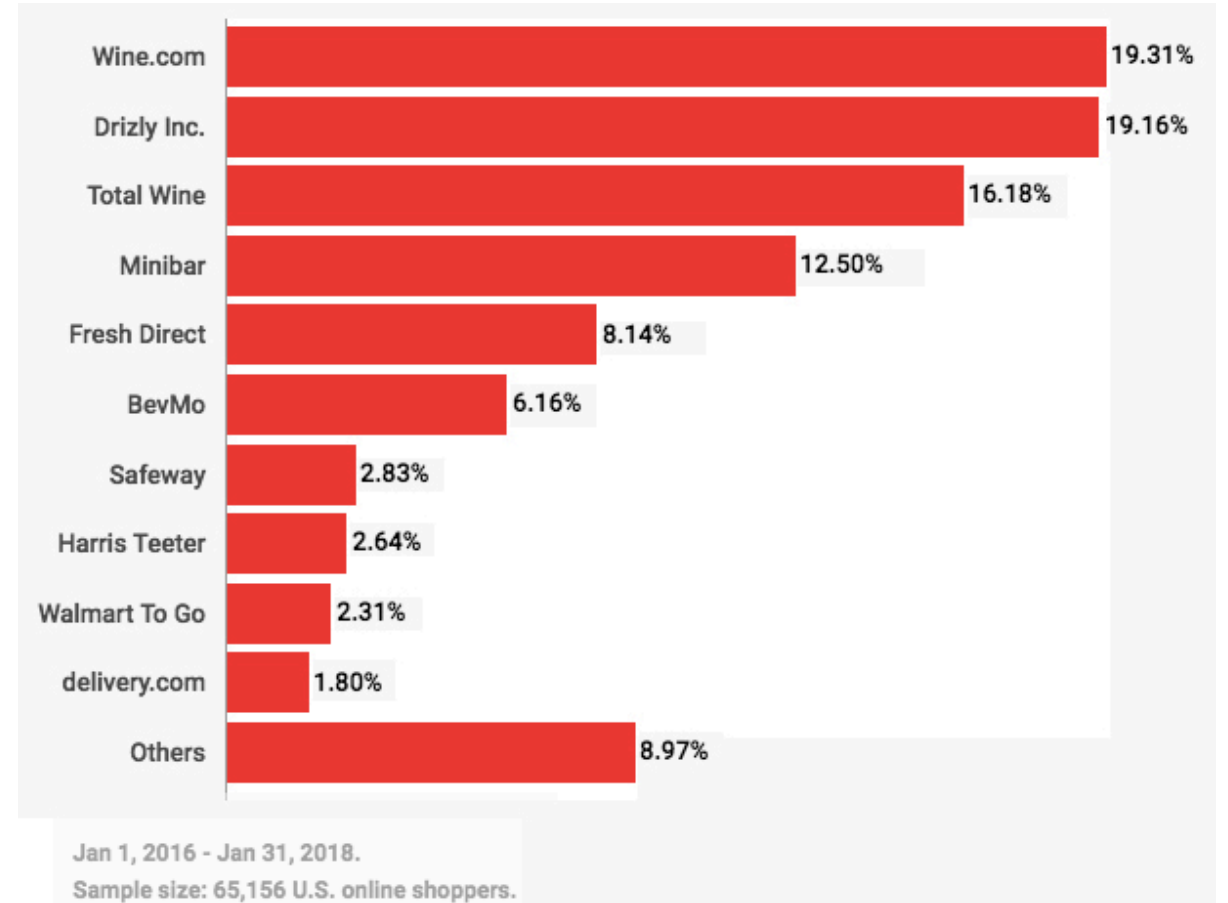
The brick-and-mortar food space partners with AV startups and automakers for autonomous ground delivery

Select partnerships (2017 – 2018)

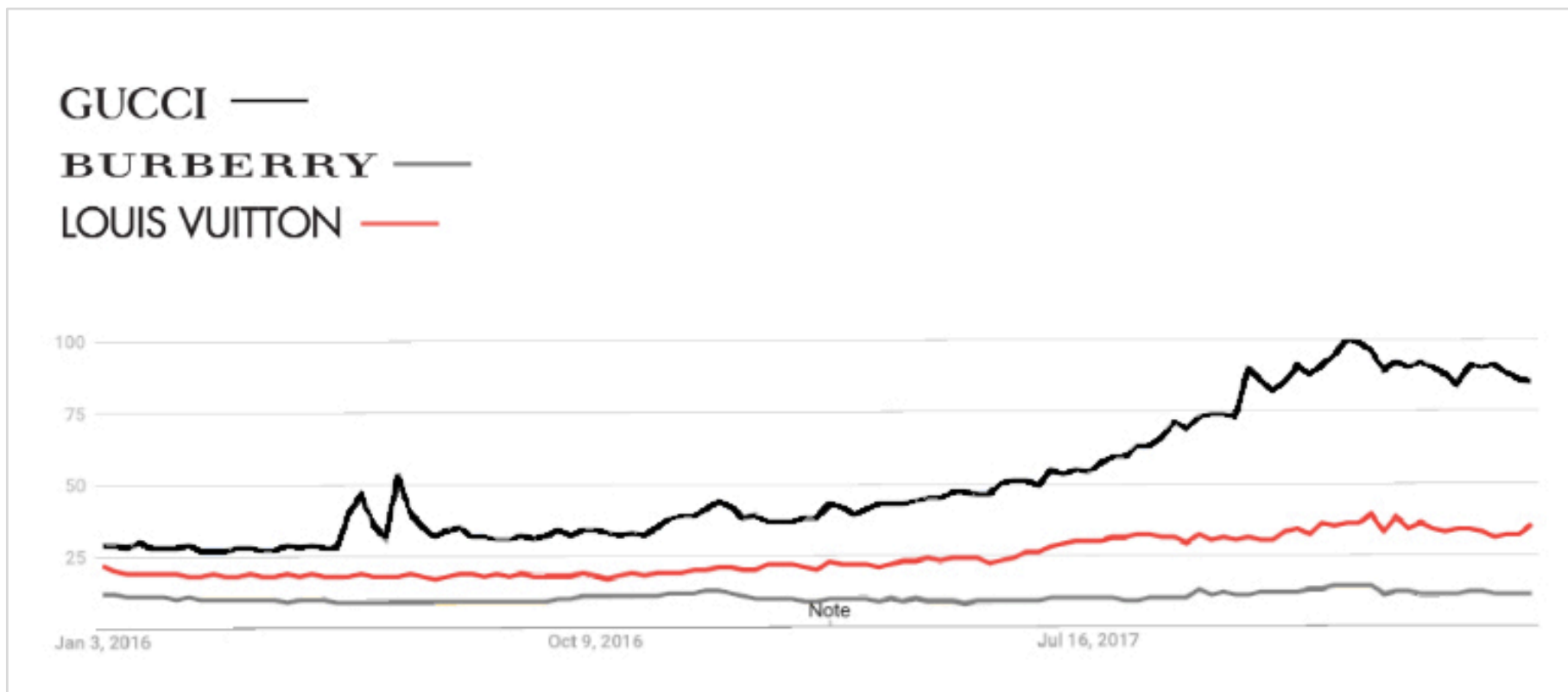| Date	Summary	Mobility Player	Food / Grocery Retail Player(s)
Jun'18	Grocery retailer Kroger partnered with autonomous delivery startup Nuro to expand its same-day grocery delivery capabilities.	nuro	Kroger
Feb'18	Ford has partnered with both delivery startup Postmates and restaurant Domino's in Miami to test customer interaction with autonomous vehicle delivery.	Ford	Domino's Pizza
Jan'18	Autonomous last mile delivery startup Udelv completed its first 2.5 mile public-road grocery delivery test from grocery retailer Draeger's Market to two customers in San Mateo, California.	udelv	Draeger's MARKET
Jan'18	Toyota partnered with Amazon and Pizza Hut as part of its larger 'mobility' alliance to help develop autonomous methods of delivering packages, food, and people to their final destinations.	TOYOTA	Pizza Hut
Jun'17	Robotics and mobility startup Starship Technologies partnered with UK-based grocery retailer Tesco to test grocery delivery via the startup's small autonomous delivery robots.	STARSHIP	TESCO
Mar'17	Domino's partnered with Starship Technologies to deploy Starship robots for pizza delivery in cities in both Germany and the Netherlands.	STARSHIP	Domino's Pizza

CB INSIGHTS

Source: CBI, 8/23/18

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- Gucci e-commerce sales +88% 1H 2018, O&O store revenue +46%, direct sales now = 86% of all sales; Q3 '18 e-commerce sales grew 70% YOY.

- Gucci goal: wholesale revenue to account for less than 10% of total sales, prioritizing channels that showcase the complete Gucci collection, eliminating wholesale-buyer decisions.

- Gucci has bought out 10 suppliers to date, plans to cut its use of external suppliers to 40% of leather goods production, from 75% currently.

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

Search Interest Over Time

04. data trends in the direct brand economy

CRM Data Usage

Percentage of advertisers using or planning to use CRM-based data to target digital ads

94% of Advertisers now use CRM Data – such as email addresses, phone numbers, and other brand interactions – to target advertising

■ Last fiscal year   ■ Current fiscal year   ■ Planned or continued use next fiscal year

ANTICIPATED TWO-YEAR GROWTH*

NORTH AMERICA

CRM-BASED DATA — 91% / 93% / 94% — **+3**%

Email addresses — 76% / 79% / 80% — **+5**%

Phone numbers — 56% / 59% / 62% — **+10**%

CRM-based data other than email addresses and phone numbers** — 55% / 65% / 70% — **+27**%

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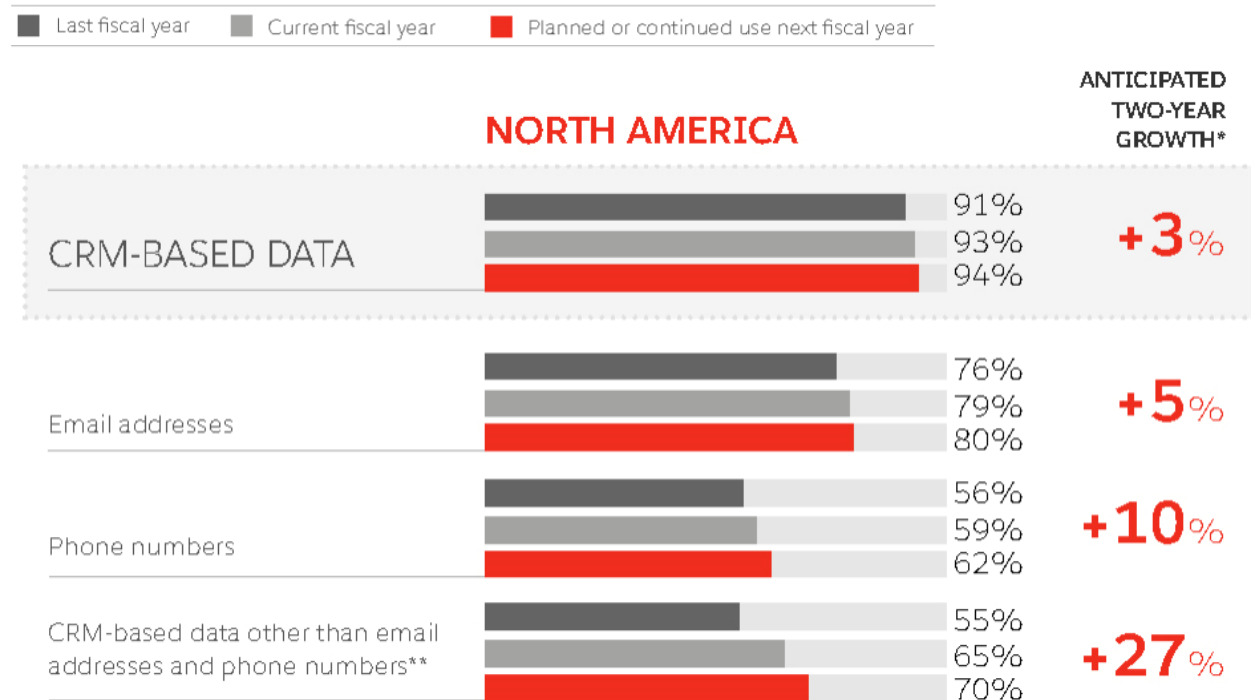
The U.S. alone generates **3,138,420** gigabytes of data **per minute**.

15%+ growth vs. 2017 (2,657,700 GB)

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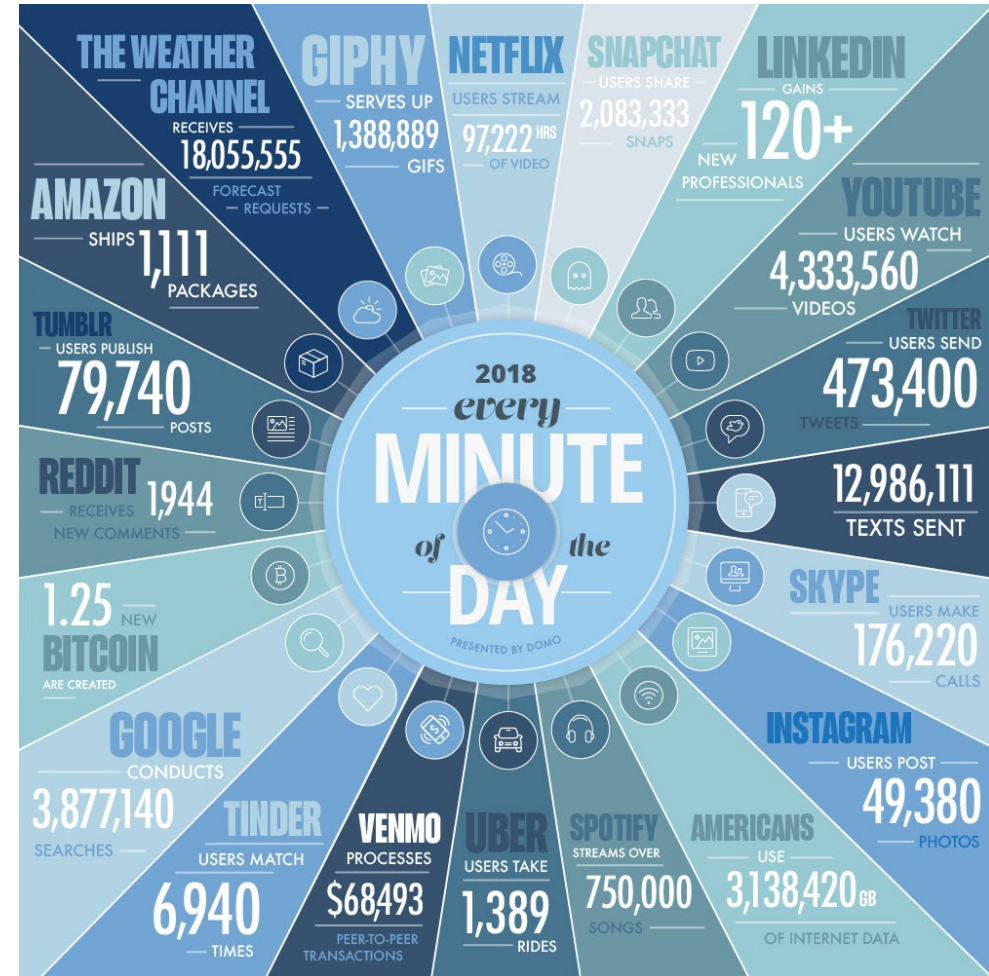
Number of devices connected to Internet globally:

2016: **11BN**
2020: **30BN**
2025: **80BN**

IDC predicts global **digital data generated will total 180 zettabytes annually** by 2025

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Mobile phone sensors

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

X

Mobile Phone Users

US, 2018-2022

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

● millions   ● % of population

Sources: https://fieldguide.gizmodo.com/all-the-sensors-in-your-smartphone-and-how-they-work-1797121002 ; https://numbers-na1.emarketer.com/584b26021403070290f93a20/5851918a0626310a2c186a7f

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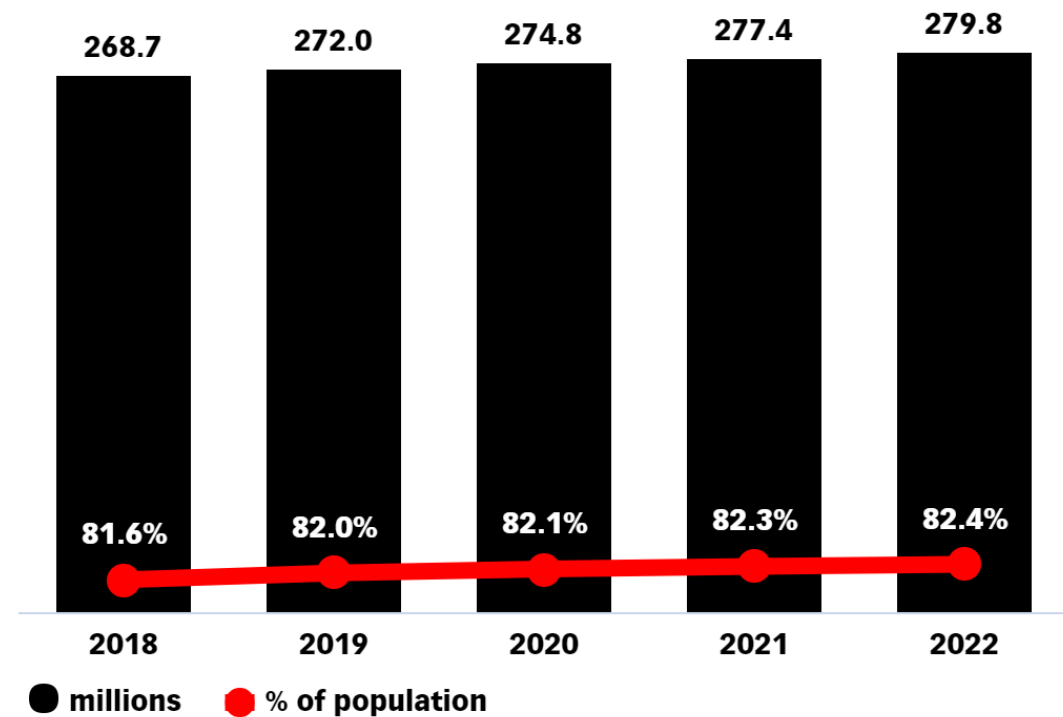
Top criteria for targeting and personalization:

% 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%
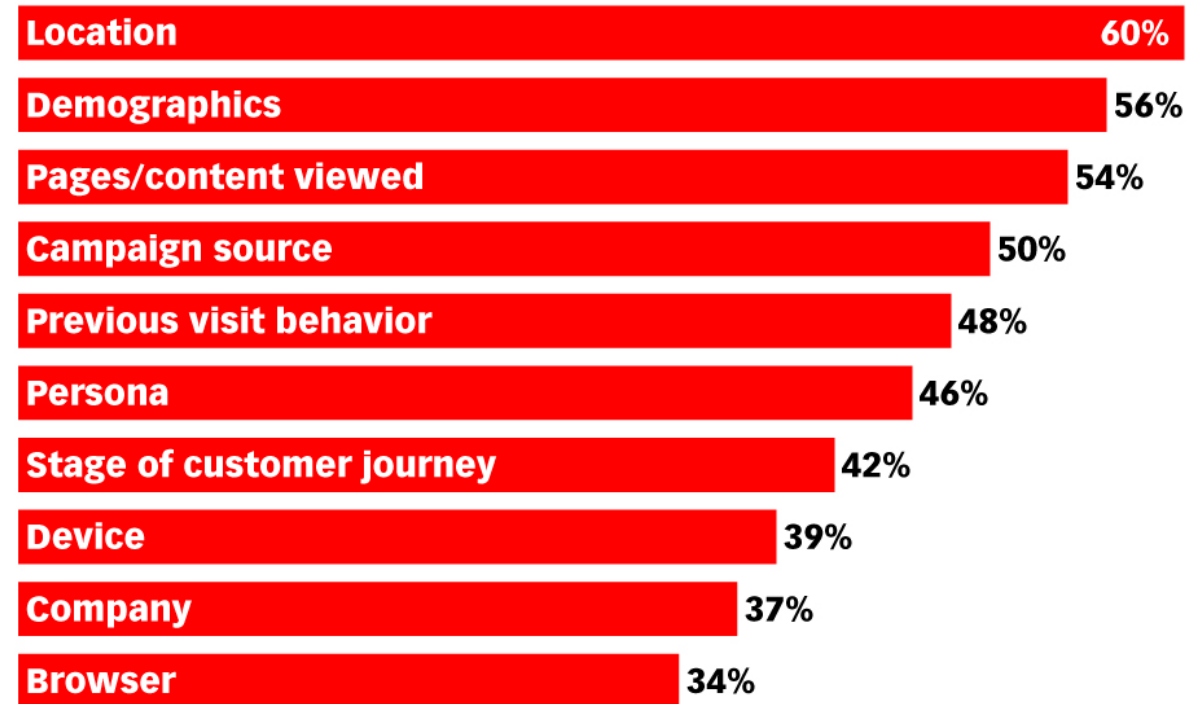
*Note: n=109; top 10 responses; *78% of respondents were from the US*
Source: Evergage, "2017 Trends in Personalization" conducted by Researchscape, April 25, 2017

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1st-party data investments reflect economic importance

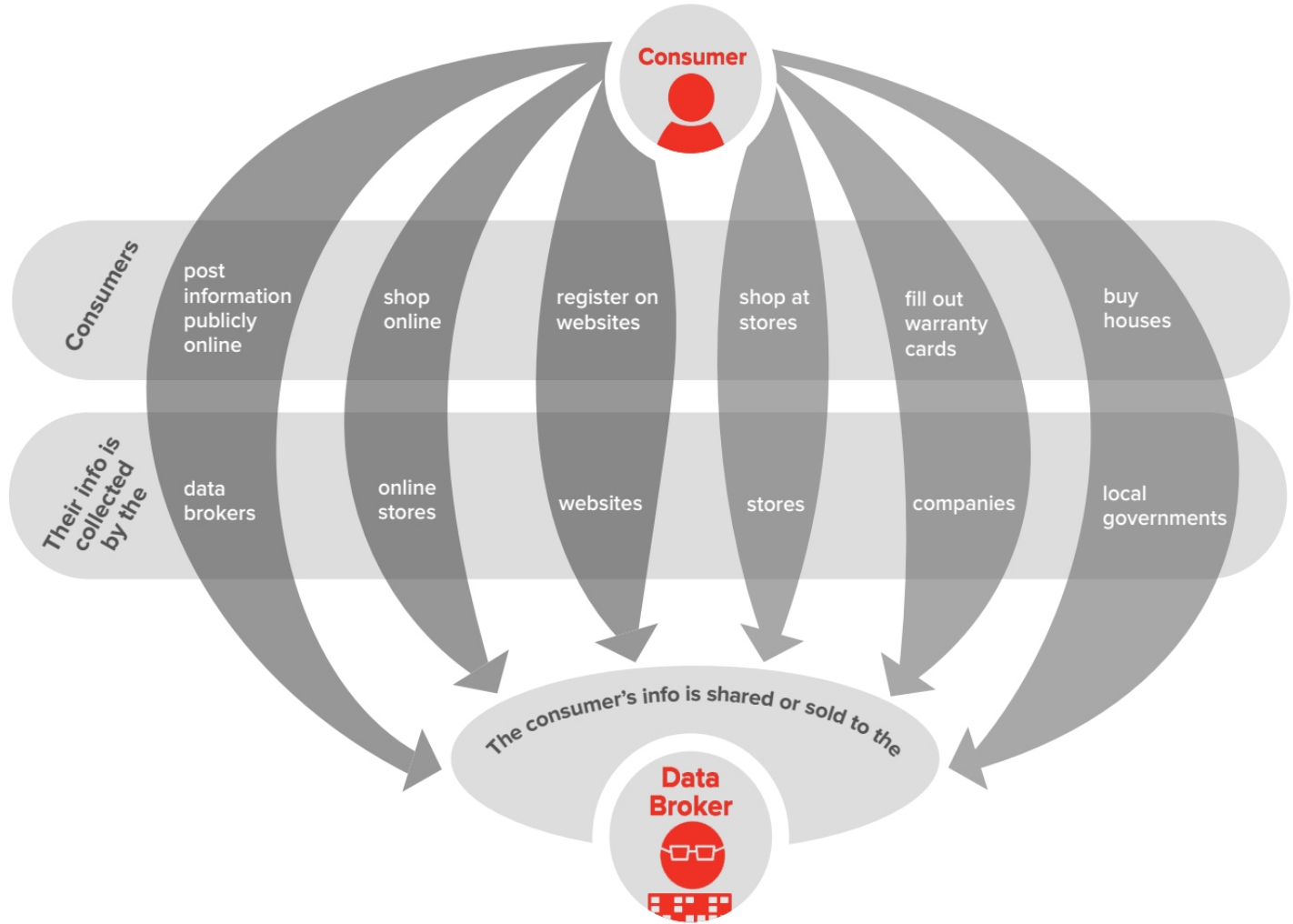## U.S. Audience Data Activation Solution Expenditures: By Functional Category

U.S. Audience Data Activation Solutions		Spending ($BB)		Growth Rate
Category	Description	2017	2018E	2017-2018E
Data Management, Processing & Integration	Managed services and technologies related to building and maintaining customer and prospect databases, data pools and other repositories and resources—enabling profile creation, customer relationship management (CRM) and structuring of data to support optimal campaign management for marketing and audience engagement. Includes data management platform (DMP), customer data platform (CDP) and identity resolution solutions—as well as integration, processing, hygiene and brand safety solutions supporting media placement and cross-channel marketing activation	$3.971	$4.967	25.1%
Analytics, Modeling and Segmentation (including measurement and attribution)	Managed services (and fees associated with underlying toolsets that may be dedicated to marketing purposes) that support development of audience insights through segmentation (for targeted marketing efforts and media planning), predictive modeling, measurement and spending/campaign attribution	$2.200	$2.264	2.9%
Total		$6.171BB	$7.231BB	17.2%

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

Source: https://www.ftc.gov/system/files/documents/reports/data-brokers-call-transparency-accountability-report-federal-trade-commission-may-2014/140527databrokerreport.pdf

Full-journey consumer data generated $12 billion in direct revenue in 2018

U.S. Third-Party Audience Data Expenditures: By Data Type

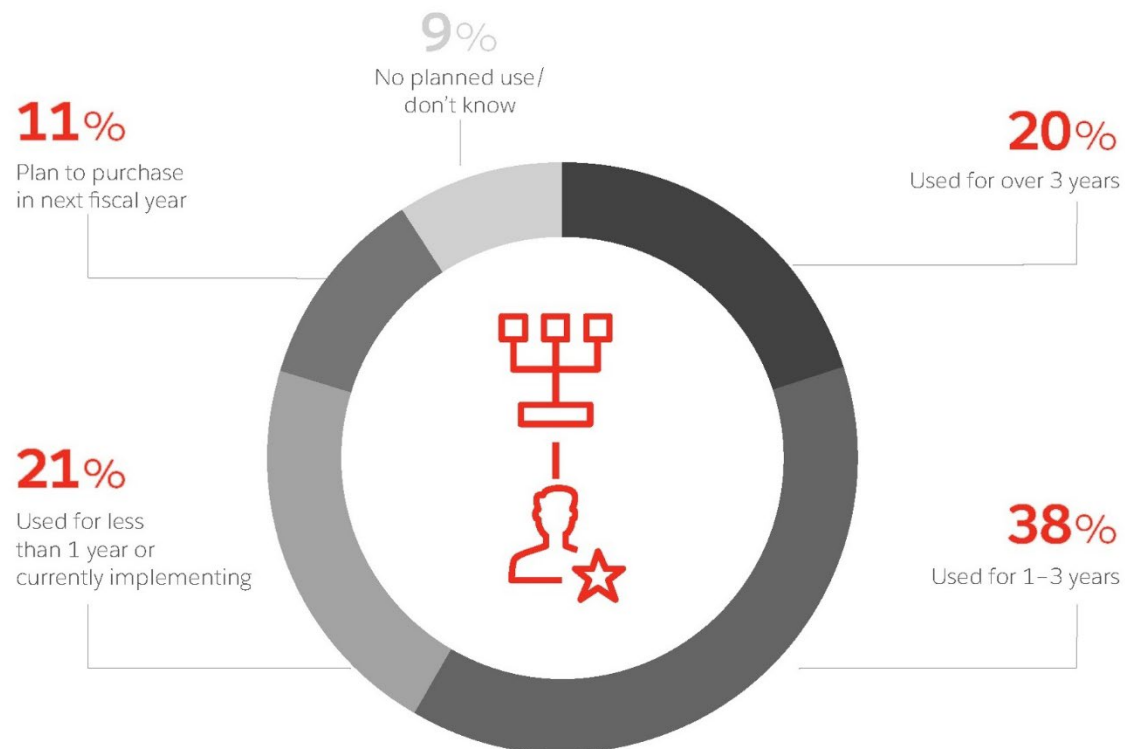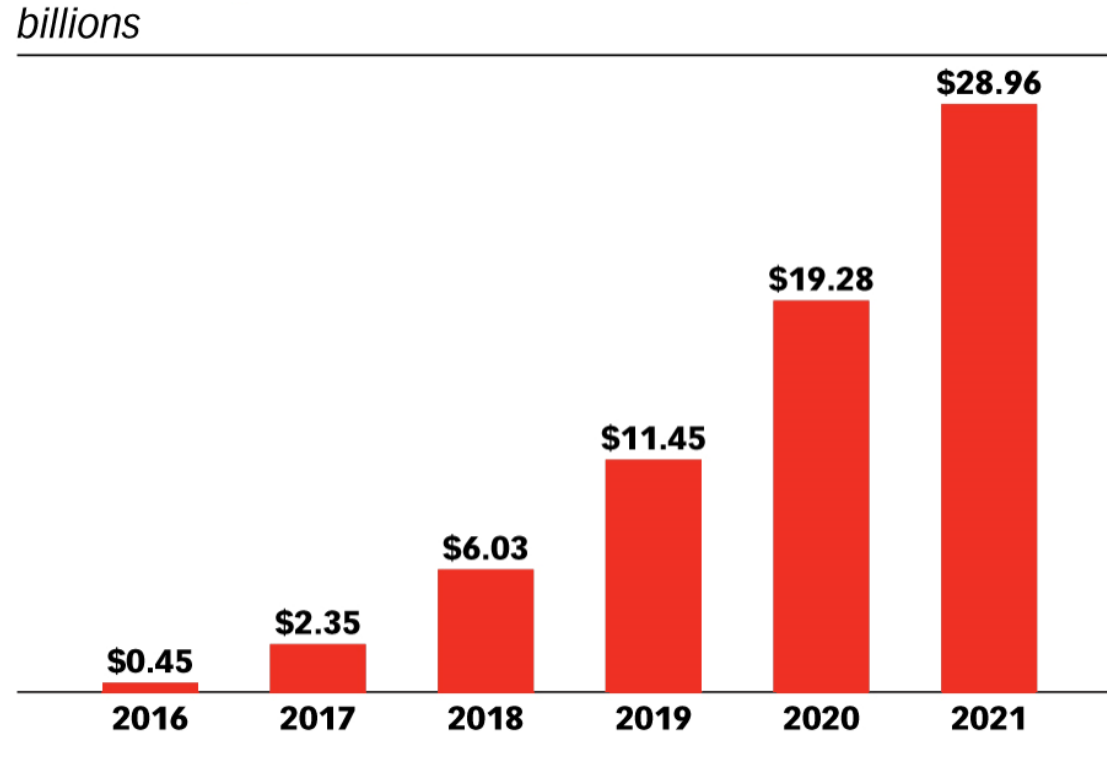| U.S. Third-Party Audience Data (By Type)		Spending ($BB)		Growth Rate
Category	Description	2017	2018E	2017-2018E
Digital	Online behaviors of customers and prospects (as transmitted through IP addresses, device IDs and other unique identifiers) indicating how these users interact and are likely to interact across digital devices and associated media channels; includes location data as well as onboarding services that enable the linking of offline data with online attributes	$2.677	$3.666	36.9%
Terrestrial/PII	Personally identifiable information ("PII," including name, address, email address) used to identify customers and prospects and indicate ways to engage with them; typically for use across traditional (direct mail, offer optimization) channels and for cross-channel/omnichannel marketing campaigns	$3.530	$3.618	2.5%
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)	$2.700	$2.796	3.5%
Specialty/ Emergent	Insights into customer and prospect behavior across new and emerging channels and specialty functions not easily integrated with other data types (including "Internet of things"/wearables, etc.), enabling customer/prospect profile enhancement, segmentation and marketing engagement planning; typically describes alternative data sources or enhanced data products that offer unique attributes not common to the market	$0.674	$1.017	50.9%
Identity	Information that supports the reconciliation of customer and prospect profiles built across a range of disparate touchpoints; can support development/enrichment of profiles in support of cross-channel marketing optimization	$0.563	$0.846	50.3%
Total		$10.144BB	$11.943BB	17.7%

Advertiser's DMP Usage

Percentage of advertisers who describe their company's use of DMP's as follows

91% of Advertisers have or plan to adopt a Data Management Platform

9% No planned use/ don't know

11% Plan to purchase in next fiscal year

20% Used for over 3 years

21% Used for less than 1 year or currently implementing

38% Used for 1–3 years

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Artificial Intelligence Technology* Spending Worldwide, 2016-2021

billions

Year	Spending
2016	$0.45
2017	$2.35
2018	$6.03
2019	$11.45
2020	$19.28
2021	$28.96

Note: includes consulting and within company implementation; *cognitive computing, intelligent automation, machine learning and deep learning
Source: Gartner as cited in press release, Dec 15, 2016

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Benefits of Implementing Artificial Intelligence (AI) According to Senior Executives Worldwide, June 2017

% of respondents

Bringing new insights and better data analysis

79%

Making our organization more creative

74%

Helping our organization make better management decisions

71%

Note: n=933 from companies that are already implementing AI
Source: Capgemini, "Turning AI into concrete value: the successful implementers' toolkit," Sep 8, 2017

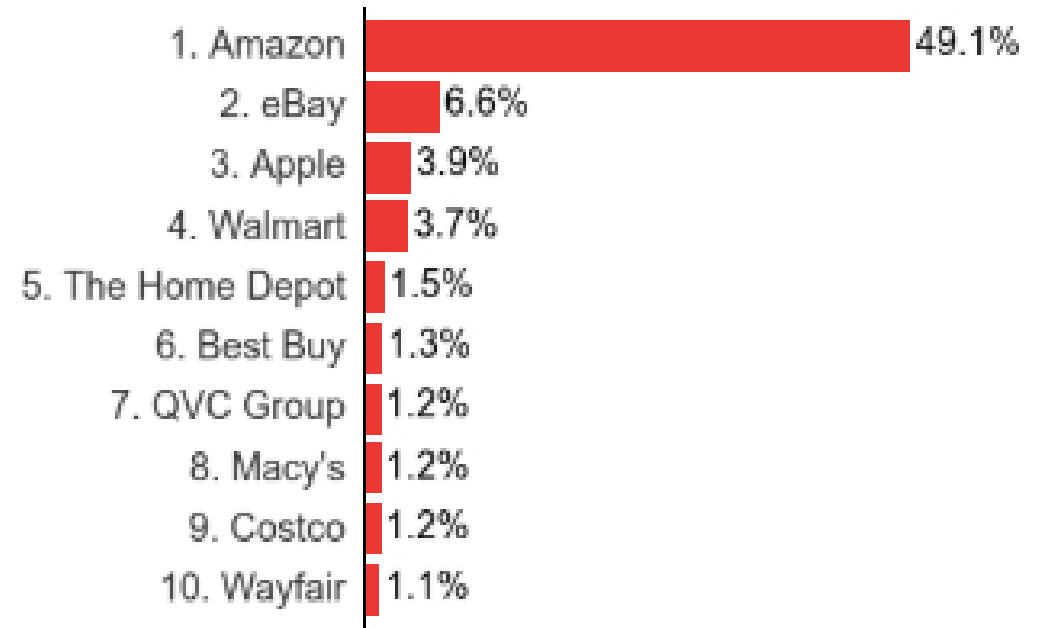Source: http://totalaccess.emarketer.com/Chart.aspx?dsNav=Nr:P_ID:211974

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05. Amazon & Walmart: Frenemies or Enablers?

Amazon dominates e-commerce through service, selection, and its status…

Top 10 U.S. Companies Based on % of E-commerce Sales

- ~30% of Americans and 92% of online shoppers say they have purchased through Amazon

- Amazon is set to clear $258.22 billion in US retail sales in 2018 - 49% of all online retail spend in the country, and 5% of all retail sales

- Amazon is also now the most popular product search engine on the web, surpassing even Google. Amazon has roughly three times as much volume for product searches.

1. Amazon	49.1%
2. eBay	6.6%
3. Apple	3.9%
4. Walmart	3.7%
5. The Home Depot	1.5%
6. Best Buy	1.3%
7. QVC Group	1.2%
8. Macy's	1.2%
9. Costco	1.2%
10. Wayfair	1.1%

Source: eMarketer, July 2018

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1. Amazon for Lead-generation

- Brands can use Amazon as a lead-generating platform by listing only a few products or product variations on the platform, and then directing consumers to their site for a broader selection of choices.

- Brands are able to benefit from Amazon's reach and search traffic in order to drive consumer interest back to their owned-and-operated website. They then can directly nurture the customer relationship.

2. Visibility through Amazon Search Ads

- Amazon's search marketing platform, Amazon Marketing Services (AMS), has seen rapid growth and is underlined challenging Google for ad revenue dollars. With Amazon being the largest search engine for products, brands can take advantage of its marketing potential.

- Sponsored Product Ads and Headline Search Ads are ways brands gain visibility on the world's largest eCommerce platform when consumers are searching for products like their own.

3. Brand-Specific Landing Pages on Amazon

- Amazon allows brands to have a bigger presence on its platform by creating brand-specific landing pages called Amazon Stores.
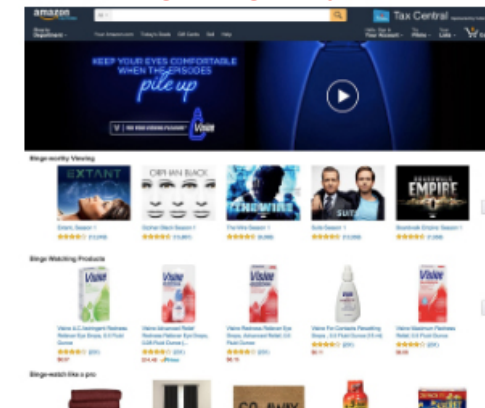
4. Optimizing for Amazon SEO

- Due to the sheer volume of product searches happening on its site, Amazon has incredible SEO superpowers. Brands optimize their brand's product listings on Amazon to gain more visibility.

- Amazon is now the most popular product search engine on the web.

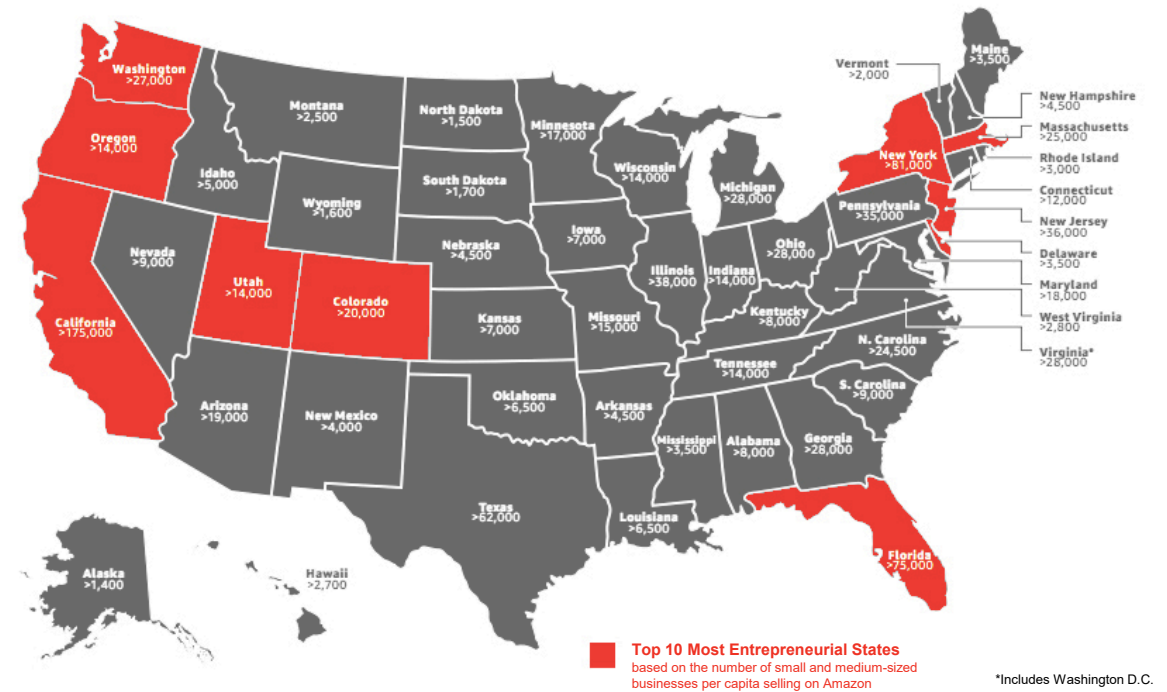**Your Ad**
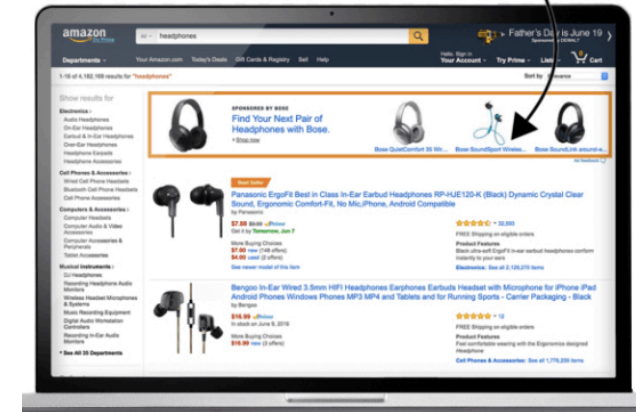
Landing Page Types

Template Landing Pages

Use templated pages to showcase your products with a pre-defined layout.

Source: DigitalCommerce360.com; 8/1/18.com

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Amazon has become **central to the growt**h of the Direct Brand Economy

Small and Medium-Sized Businesses Selling on Amazon Across America

- More than 300,000 small-and-medium-sized businesses started selling on Amazon in 2017

- Roughly half the items purchased on Amazon are bought from small- and medium-sized businesses with the top categories of products sold by these businesses include health and personal care, home, electronics, beauty, apparel, sports, and toys

- More than 20,000 small- and medium-sized business surpassed $1 million in sales using Amazon's online platforms in '17

- In '17, Amazon lent more than $1 billion to US SMBs

Washington >27,000
Oregon >14,000
Montana >2,500
North Dakota >1,500
Minnesota >17,000
Vermont >2,000
Maine >3,500
New Hampshire >4,500
Idaho >5,000
Wyoming >1,600
South Dakota >1,700
Wisconsin >14,000
Michigan >28,000
New York >81,000
Massachusetts >25,000
Rhode Island >3,000
Connecticut >12,000
Nevada >9,000
Utah >14,000
Colorado >20,000
Nebraska >4,500
Iowa >7,000
Illinois >38,000
Indiana >14,000
Ohio >28,000
Pennsylvania >35,000
New Jersey >36,000
Delaware >3,500
Maryland >18,000
West Virginia >2,800
Virginia* >28,000
California >175,000
Kansas >7,000
Missouri >15,000
Kentucky >8,000
N. Carolina >24,500
Arizona >19,000
New Mexico >4,000
Oklahoma >6,500
Arkansas >4,500
Tennessee >14,000
S. Carolina >9,000
Mississippi >3,500
Alabama >8,000
Georgia >28,000
Texas >62,000
Louisiana >6,500
Florida >75,000
Alaska >1,400
Hawaii >2,700

Top 10 Most Entrepreneurial States
based on the number of small and medium-sized businesses per capita selling on Amazon

*Includes Washington D.C.

Source: Amazon Small Business Report 2018

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- For Peloton, managing delivery and installation is core to its direct brand proposition and improves customer lifetime value, since customers are more likely to upgrade products or services after a better in-person experience

- Dream Pops, a vegan ice cream startup, is open to adding Amazon at some point but its frozen treats don't deliver well with Amazon's fulfillment centers, said co-founder and CEO David Greenfeld

- Bonobos doesn't sell on Amazon partially because of the channel conflicts – i.e. Bonobos paying to draw would-be direct customers to Amazon instead of its own properties. Also, Amazon's user interface doesn't enable the personalized fitting options Bonobos has on its site or app or with its retail partners Nordstrom and Stitch Fix

IS AMAZON FRIEND OR FOE TO YOUR BRAND?

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Sources: AdExchanger.com, 11/12/18

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- Fewer than 20% of direct brand founders consider Amazon a threat

- 31% are not selling on Amazon

- 39% <u>are</u> selling on Amazon or plan to within the year

- 58% say CPG companies are main competitors

Source: www.iab.com/db/founders-survey

iab.
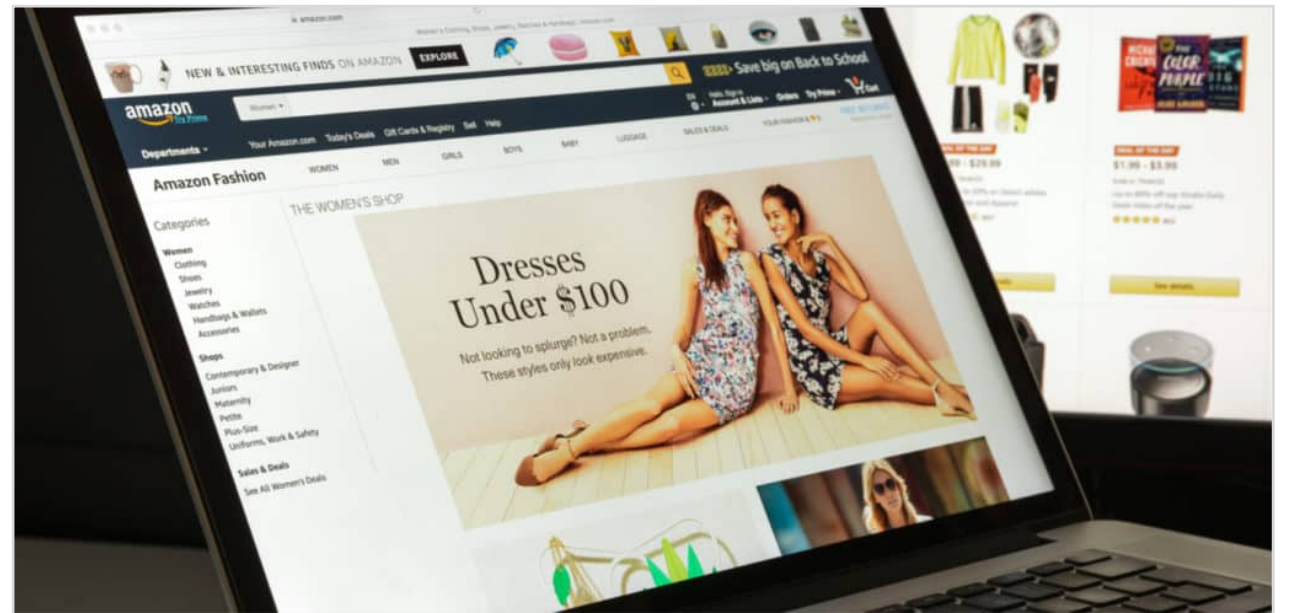
Many small brands crave **Amazon's ability to help them scale…**

- Pre-Amazon, pricing for fulfillment was highly unpredictable—inefficient for sellers needing to know exact shipping costs. Traditional 3PLs charge variable receiving fees, order handling fees, and storage fees; the final shipping fee is based on the shipping zone and carrier used

- Fulfillment by Amazon (FBA), launched in 2006, was a groundbreaking program. Sellers leveraged Amazon's vast network of fulfillment centers to store, pick, pack and ship their customer's orders, all for a predictable fee—no matter where the item was shipped

- Amazon quietly disrupted the fee model for logistics and order fulfillment; merchants have widely adopted the FBA program for the benefit of predictable fees—even using FBA to fulfill orders from non-Amazon channels

- Another benefit: sellers using FBA receive Amazon Prime eligibility. Prime eligible products are guaranteed to arrive within two days of the order being processed –table stakes when competing for Amazon's 100MM Prime members

Everything You Need To Know About
AMAZON FBA PRICES

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Key FBA Benefits:

- The Amazon name and logo lends credence to small brands selling via FBA

- Fast free shipping, and free 2-day shipping with Amazon Prime

- Available to ship to US, Canada, Mexico. Plans available for Pan-European and Export (100+ countries) as well

- 24/7 customer service that manages inquiries, refunds, returns, mostly free of fees

- Pay-as-you-go for storage space and fulfillment, shipping included

- Inventory management software and Amazon's API lets companies track products and inventory, manage excess/slow moving stock

- Pay only for services used

- Add-on programs for small/light packages, repeat order discounts, inventory performance measures, PPC sponsored products, flash sales, prep service, expert marketplace growth coaching, Amazon Exclusives, Amazon Handmade, Enhanced Brand Content program, and brand registry

- Website is clear and easy to understand for young entrepreneurs

Amazon's has been investing in their own fulfillment and infrastructure, including a fleet of trailers. AMAZON

Source: Amazon FBA website.

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With Vendor Central, Amazon handles sales and fulfillment and the merchant benefits from their powerful marketing/merch/promotion services. However, the merchant has no control over pricing which reduces their margins, and they don't capture the data on their consumers.
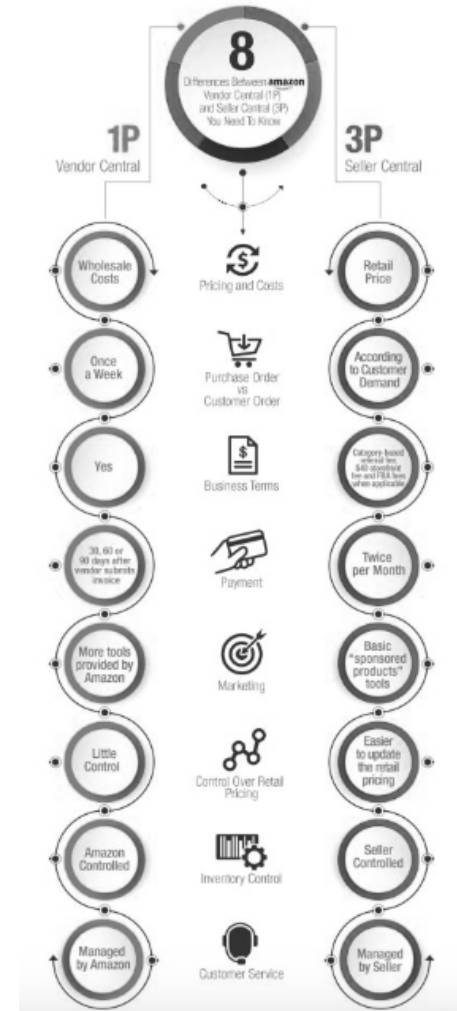
Amazon Vendor Central (1P / FBA)

- Wholesale platform; brands sell product directly to Amazon which handles selling and shipping; making them the seller-of-record.

- Invitation-based only; sellers must agree to a set of terms which are deducted monthly from Amazon-to-vendor payments, besides the wholesale pricing arrangement.

- Amazon places weekly purchase orders for a vendor's products at a wholesale cost which makes for more of a predictable schedule for vendors.

- Access to Amazon's marketing/merch/promo services: AMS , A+ detail pages, vendor powered coupons, best deals, lightning deals and Amazon Vine (product reviews program) as well as special and seasonal website placement opportunities such as holiday gift guides, dads & grads, mother's day, etc.

- All customer service is managed directly by Amazon

- **Drawback:** Brands pursuing this selling strategy have no control over product pricing. In exchange for attractive bulk purchase orders by Amazon, brands must essentially forego their MAP policy.

- **Drawback:** no analytics for the merchant on their customers.
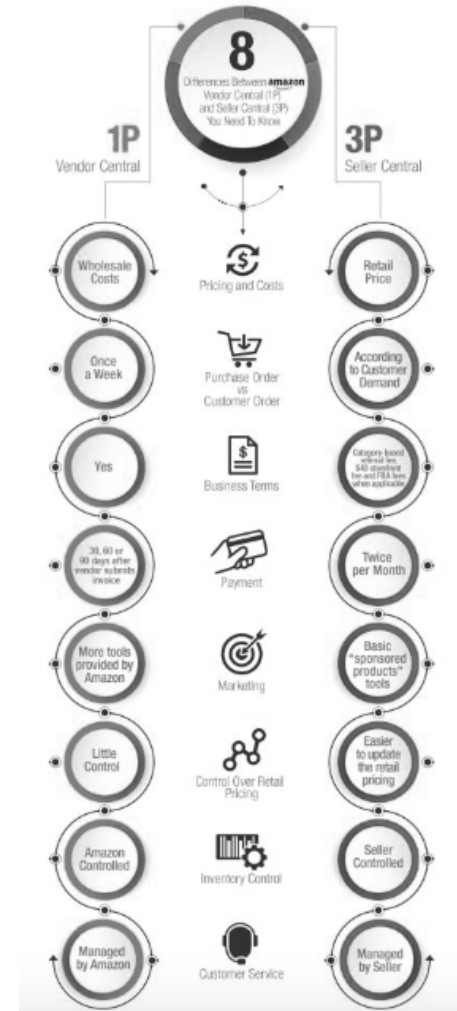
Amazon Seller Central (3P / Can Opt to Use FBA)

- Here, the merchant is the seller of record and in control of listings, shipping and customer service while Amazon is merely a channel through which the merchants sell their products directly to the customer.

- Anyone can sign up, add or connect to product listings, and sell their products to Amazon's audience of buyers.

- Merchants list their products at retail or list price and pay Amazon for the use of that virtual real estate and the related costs of the actual physical real estate in a warehouse when that seller uses Amazon's fulfillment services.

- Access to delivery addresses and phone numbers.

- Sellers only pay Amazon $40 per month for their storefront as well as a simple category-based referral fee and/or an FBA fee when Amazon manages fulfillment.

- **Drawback**: merchant handles customer service and any fall-off there results in being "dinged" by Amazon.

- **Drawback:** the merchant must be equipped to receive customer orders constantly.

- **Drawback**: no access to Amazon's marketing and promotional tools.

1. Amazon Seller Fees Continue to Climb

- Amazon has been raising its third-party seller fees in a number of categories including apparel, accessories, sunglasses, and handbags. They also raised their Fulfillment By Amazon fees for nearly all size categories, mainly targeting large and heavy items
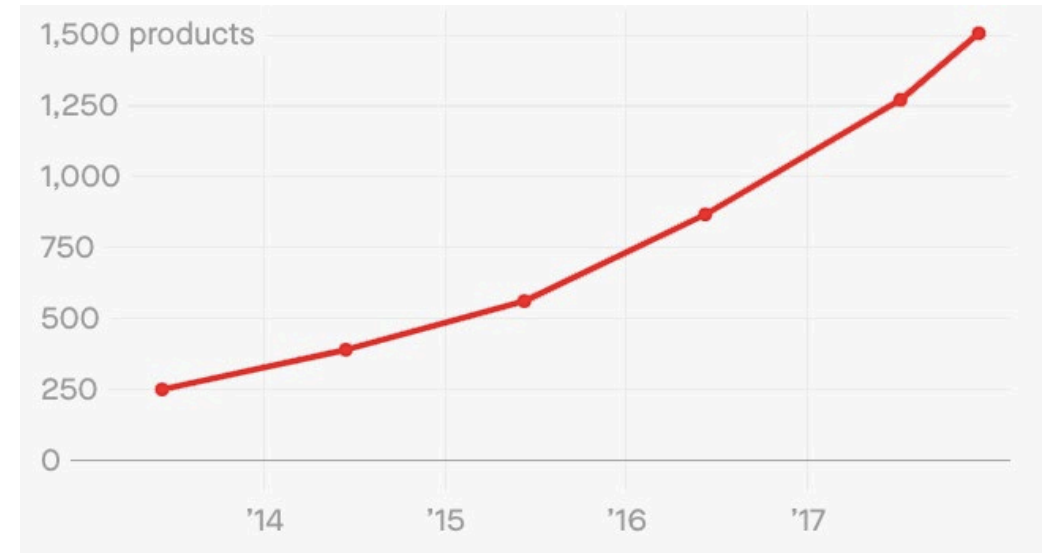
2. Amazon Continues to Gain Pricing Leverage Over Brands

- Brands pursuing the 1P Amazon selling strategy (Vendor Central) have no control over product pricing. In exchange for attractive bulk purchase orders by Amazon, brands essentially forego their MAP policy

3. Amazon is Emerging as a Manufacturer

- From private label clothing lines to housewares, Amazon is selling more and more products across categories. Directly competing with marketplace sellers, Amazon's strategy is clear: identify top selling products and manufacturer and sell their own. This approach is shifting Amazon's relationship with brands from harmonious ally to competitive rival
- A recent study by Gartner L2 logs Amazon at owning more than 80 private labels, predominantly in the clothing, shoes and footwear categories. According to research done by Quartz, their private labels have expanded from selling 252 products in June 2013 to 1,506 products at the end of last year

4. Amazon controls much of the data Direct Brands need to grow

The number of AmazonBasics products available on Amazon.com

Sources: AllyCommerce.com, 9/4/18: Gartner, 4/2/18; Quartz, 12/14/17.

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Walmart Still Dwarfs Amazon in Size

Total 2018 Net Revenue ($ Billions)

Global Ecommerce
$14.00B

**U.S Retail
$377.69B**

Total 2018 Net Revenue
$495.76B

**Int'l Retail
$118.07B**

Int'l $65.86B

U.S. $167.02B

Total 2018 Global Revenue
$232.88B

*Numbers in chart do not sum to multinational total revenue due to duplication within ecommerce and US.

- In 2016, Walmart purchased the online retailer Jet.com for $3.3B in what analysts said was an attempt to compete directly with Amazon

- In the first year, Walmart's e-commerce sales soared, but in 2018 its traffic and market share declined

- Will allow most New York customers to schedule three-hour windows for same-day or next-day delivery. Parcel, the same-day delivery startup Walmart bought last year, will service that demand exclusively. Products from local merchants and brands will be featured.
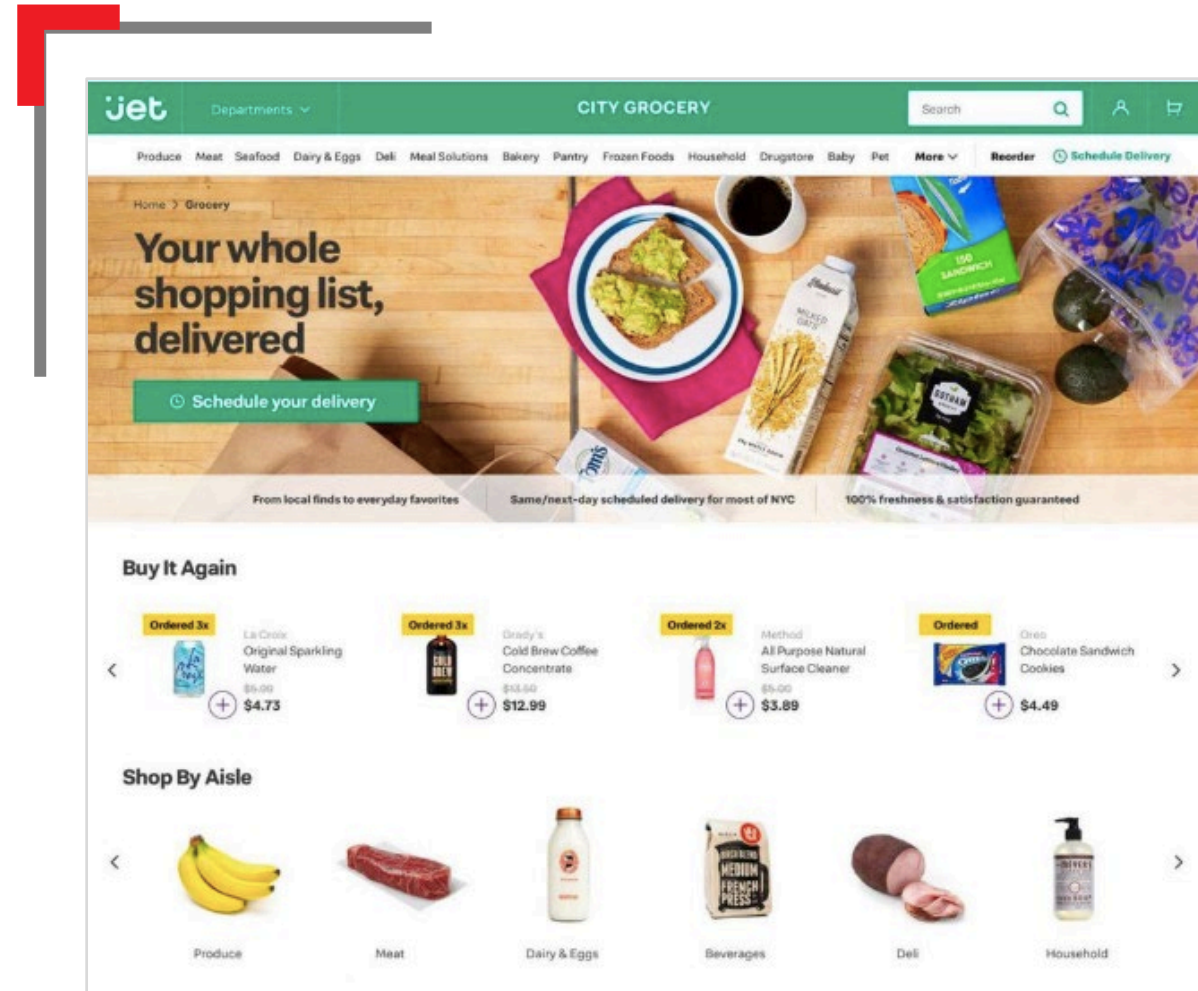
iab.

- Walmart acquired online plus-size women's retailer Eloquii, women's fashion brand Modcloth and men's brand Bonobos

- Has launched 4 new private-label apparel brands — a women's line, a plus-size line, a men's collection and a kid's brand — all trendier and more heavily marketed than the generic white-label offerings of the past

- Introduced Allswell, a bedding and mattress brand that's sold only online, through its own website

Sources: Digitaday.com, 10/5/18; Forbes.com, 7/15/18

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- 25% of all grocery dollars are spent at Walmart, vs. ~2% for Amazon.

- Walmart's online food ordering and pickup was available at 2,000+ stores, covering 69% of U.S. by end-2018.

- The retailer was on track to expand home delivery to about 40 percent of the U.S. by the end of 2018.

- Walmart already sells 11,000 organic food items.

The IAB direct brands report

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