Disrupting Brand Preference

The impact of Direct Brands across the path to purchase

July 2019

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Acknowledgments

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Additionally, we extend our deepest appreciation to the marketers, publishers, technology developers, and service providers that have contributed their time, insight, and enthusiasm in support of this report.
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Indirect brand economy, 1879 – 2010: Stable supply chains…

- brand
- advertising agency
- publisher
- consumer
- retailer

- finance
- sourcing
- manufacturing
- logistics
- distribution
- integration
...Meant stable positions for brands across most consumer markets

**First mover advantage?**

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<td>Kellogg’s Corn Flakes</td>
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<td>Coca-Cola Soft Drinks</td>
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<td>Wrigley Chewing Gum</td>
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<td>Campbell’s Soup</td>
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<td>Nabisco Biscuits</td>
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<td>Ivory Soap</td>
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<td>Eveready Batteries</td>
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<td>Golden Medal Flour</td>
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<td>Goodyear Tires</td>
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<td>LifeSavers Mint Candies</td>
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<td>Palmolive Soap</td>
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<td>Colgate Toothpaste</td>
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Direct Brand economy, 2010 +: Open supply chains and Direct Brand-consumer relationships
We define and differentiate them as Indirect and Direct Brands

**Indirect Brand Economy, 1879 - 2010**

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

**Direct Brand Economy, 2010 -**

Direct Brands create value through low-barrier, capital-flexible, leased or rented supply chains, with value extraction accomplished primarily through the direct relationships between the company and its end consumers.
They are hatching a proliferation of new brands with new attributes …cultivating new consumer preferences
Have Disruptor Brands created a new customer journey paradigm?

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

1. Direct Brand consumers represent 48% of U.S. shoppers and are younger, have higher HHIs and are consumed by the need to self express

2. Their chosen brands are not passive badges—rather, they are active mechanisms for public, cross-channel communication and self-promotion

3. They find brand value in their ability to contribute ideas and feedback to brands and their communities at scale

4. The “Facebook family” remains #1 for sharing brand attitudes—particularly by older, less prolific Incumbent shoppers

5. Disruptor Brands build consumer loyalty—as well as resulting LTV*—through cross-channel interaction

6. Search, shopping, and social media sites are approaching parity with TV for brand discovery

7. Four Influencers types; each wield power all across segments of the purchase funnel

8. 18.5% of consumers qualify as Super Influencers—a newly identified cohort who are strategic, deliberate, and prolific in their postings; 79% of all Super Influencers are Disruptor consumers

9. Disruptor consumers expect 24/7 omnichannel access

* Lifetime Value = LTV
Methodology

20-minute online survey among a nationally represented sample

Survey fielded May 2019

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

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

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

1. Fundamental Differences
   Disruptor vs Incumbent-only Consumers
Nearly Half of today’s consumers purchase Direct Brands

- All Direct Brand consumers also buy Incumbent brands
- 52% of Incumbent Brand-only shoppers do not buy any Direct Brands
Incumbent Brand-only shoppers: Older, Low HHI and Utilitarian

**AGE**

- 68% Direct Brand consumers in sweet spot
- 40% Incumbent Brand-only shoppers are aging out

**HHI**

- 63% Incumbent Brand-only shopper HHI: under $50K
- 31% Direct Brand consumer HHI: $75+K HHI

**MOTIVATION**

Incumbent Brand-only shoppers are more likely to buy for utilitarian purposes

When you first hear of a brand, what makes you want to check it out further? ("Solves a problem/serves a purpose that’s new for me")

- 40% Direct
- 42% Incumbent

*Source: U.S. Census Bureau 2013-2017 American Community Survey*
Disruptor Brand consumers represent a new cresting wave of American Shoppers

When I purchase a new brand I am expressing who I am

53%

28%

Direct Brand Incumbent

Younger + higher income + consumed with self expression:

• Nearly twice as likely to choose brands to express “who I am”

• They deliberately look for Disruptor Brands: 1 out of every 4 brand searches
The thrill of the hunt drives one third of Disruptor consumers to research a brand.

Self Expression Drives Direct Brand consumers to explore

- It solves a problem/serves a purpose that's new for me: 37% (Direct), 42% (Incumbent)
- It reflects my style: 36% (Direct), 25% (Incumbent)
- I'm always on the hunt for new stuff: 34% (Direct), 19% (Incumbent)
- Its 'newness' makes me curious: 33% (Direct), 26% (Incumbent)
- I have already looked or plan to be looking for that kind of product: 32% (Direct), 29% (Incumbent)
- It's related to an issue/topic I support: 24% (Direct), 18% (Incumbent)
- Grew up using the brand: 19% (Direct), 11% (Incumbent)
Direct Brand consumers are at least 36% more likely to research a brand pre-purchase

Direct & Incumbent Brand Research

- **Go to a ‘pop-up’ or physical store location**
  - Direct Brand: 33%
  - Incumbent: 18%

- **Celebrities/social media influencers**
  - Direct Brand: 35%
  - Incumbent: 15%

- **Talk to salespeople/customer service representatives**
  - Direct Brand: 36%
  - Incumbent: 21%

- **Check out news/recommendations on websites**
  - Direct Brand: 42%
  - Incumbent: 24%

- **Social media posts (not ads)**
  - Direct Brand: 44%
  - Incumbent: 24%

- **Videos posted by other customers (YouTube)**
  - Direct Brand: 44%
  - Incumbent: 28%

- **Watch brand videos**
  - Direct Brand: 45%
  - Incumbent: 28%

- **Samples**
  - Direct Brand: 45%
  - Incumbent: 33%

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

71% Disruptor consumers vs. 31% Incumbent Brand-only shoppers say:

“I usually share online about companies/brands”
(2x More)
40+% of Direct Brand consumers say:

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

<table>
<thead>
<tr>
<th>Perception</th>
<th>Direct Brand</th>
<th>Incumbent</th>
</tr>
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<tbody>
<tr>
<td>I like to share cool things I buy, wear or use on social media</td>
<td>22%</td>
<td>52%</td>
</tr>
<tr>
<td>I like to be first of my friends to post about a purchase experience (good/bad)</td>
<td>12%</td>
<td>40%</td>
</tr>
<tr>
<td>I like to be first among my friends to post about a new product/service</td>
<td>12%</td>
<td>40%</td>
</tr>
<tr>
<td>I post about brands online to make sure my voice is heard</td>
<td>16%</td>
<td>43%</td>
</tr>
<tr>
<td>I post about brands on social media to help lead conversations</td>
<td>13%</td>
<td>42%</td>
</tr>
<tr>
<td>It’s important to me that other people want to share the things I post on social media</td>
<td>15%</td>
<td>41%</td>
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Overall, Dsruptor Brand consumers are 75% more likely to try new a product/innovation

Direct Brand consumers are more likely to be swayed than Incumbent Brand-only shoppers by sampling and GWPs*

Which of the following, if any, has ever promoted you to try a product from a Direct to Consumer Company?

- Free shipping
- Lower price
- Product sample
- Coupons/discount codes
- Free gift with purchase
- Points/credit in a loyalty/rewards program

*GWP=Gift With Purchase
Great ads, great content and product innovation are more likely to prompt trial of Disruptor Brands

Which of the following, if any, has ever promoted you to try a product from a Direct to Consumer Company?

- Great ads
- A new product or innovation
- Great online content
- In-store display
- Personalized products/content
- Cool packaging
- Offered a limited-edition item
Disrupting Brand Preference

2. Engagement & Interaction
Disruptor consumers like sharing brand posts—perhaps the most efficient means of brand communications.

Approx. 30% re-post, create their own posts and/or share their brand discoveries images.

5 Top Ways Consumers Share About Brands

<table>
<thead>
<tr>
<th>Activity</th>
<th>Direct Brand</th>
<th>Incumbent</th>
</tr>
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<tbody>
<tr>
<td>I create my own video about brands and share online (e.g., unboxing)</td>
<td>2%</td>
<td>15%</td>
</tr>
<tr>
<td>I create and share my own memes online about a brand</td>
<td>3%</td>
<td>15%</td>
</tr>
<tr>
<td>I create my own images to share about brands online (e.g., photo of the brand)</td>
<td>10%</td>
<td>28%</td>
</tr>
<tr>
<td>I create my own text to share online (e.g., post/ tweet)</td>
<td>13%</td>
<td>29%</td>
</tr>
<tr>
<td>I share posts that I received from the brand</td>
<td>13%</td>
<td>32%</td>
</tr>
</tbody>
</table>
Facebook is preferred—but more popular among older, less prolific, Incumbent shoppers

When sharing content or talking about brands or products, where are you most likely to post or share your thoughts? Please select your top three.

- Direct Brand
- Incumbent Brand-only

Facebook: 77%
Instagram: 42%
Facebook Messenger: 66%
Twitter: 33%
Snapchat: 23%
Amazon: 21%
Text/SMS: 20%
WhatsApp: 16%
Facebook Marketplace: 14%
Yelp: 14%
TikTok/Musical.ly: 13%
Disruptor consumers don’t find marketing an ‘annoyance’…it’s a chosen lifestyle

Media’s role across each segment of the consumer journey
8 in 10 Direct Brand consumers say purchasing a brand is not enough to define loyalty:

Brand engagement/interaction is required.

Key Actions defining Direct Brand Consumer Loyalty:

- Sharing/telling others about the brand: 36%
- Following the brand on social media: 36%
- Having a subscription from a brand: 35%
- Subscribing to the brand’s online channel: 26%
- Subscribing to the brand’s newsletter: 24%
- I do not need to interact with a brand to be considered brand loyal, I only have to purchase it: 46%
- I do not need to purchase a brand to be considered brand loyal, I only have to love it: 19%
Warby Parker: example of successful engagement, on- and off-line

General Attitudes Toward Brand Engagement
Example provided: Warby Parker UGC

<table>
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<tr>
<th></th>
<th>Direct Brand</th>
<th>Incumbent</th>
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<tbody>
<tr>
<td>Make me feel closer to others who buy DTC brands</td>
<td>19%</td>
<td>48%</td>
</tr>
<tr>
<td>Change the way I feel about shopping</td>
<td>28%</td>
<td>53%</td>
</tr>
<tr>
<td>Help me build my own 'personal band' or style</td>
<td>29%</td>
<td>55%</td>
</tr>
<tr>
<td>Make me feel better about a brand</td>
<td>36%</td>
<td>60%</td>
</tr>
<tr>
<td>Help me make decisions</td>
<td>39%</td>
<td>61%</td>
</tr>
<tr>
<td>Are fun</td>
<td>40%</td>
<td>64%</td>
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Warby Parker, a Direct Brand eyewear brand, sent select customers 3 sets of glasses and asked them to video themselves trying them on, and requested that they post the video on their social feed.
Shopping Disruption

3. Disruption in Media Choices
Search, shopping sites and social media are approaching parity with TV for Brand discovery

Sources of Direct Brand Awareness

- Traditional TV ad (network/cable TV)
  - Direct Brand: 41%
  - Incumbent: 46%
- Search result ad
  - Direct Brand: 37%
  - Incumbent: 32%
- Shopping site ad (e.g., Amazon)
  - Direct Brand: 35%
  - Incumbent: 32%
- Social media ad/sponsored post
  - Direct Brand: 35%
  - Incumbent: 29%
The Amazon Marketplace has emerged as a leading search platform

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

- Google (Direct)
- Amazon (Incumbent)
- Facebook (Direct)
- Instagram (Direct)
- Alexa, Siri, Google Home (Incumbent)
- Bing (Incumbent)
- Snapchat (Incumbent)
Overall, Influencers wield their greatest power over Direct Brand consumers during the exploration phase of the consumer brand journey.

- Before I consider buying from a brand, I find out what celebrities or influencers the brand partners with: Direct Brand 32%, Incumbent 7%.
- Before I consider buying from a brand, I find out what celebrities or influencers have to say about it: Direct Brand 33%, Incumbent 8%.
- Made a purchase because of what a social influencer said: Direct Brand 17%, Incumbent 5%.
Which of the following actions by people, if any, has ever prompted you to try a product from a Direct to Consumer (DTC) company?

- Recommendation from a friend/family member
- Consumer reviews
- Mention/discussion with other customers on an online community (e.g., Glossier forum)
- A social media influencer endorsement
- Mention by a celebrity or pro influencer in an online community
- Formal celebrity endorsements/spokespeople
- Recommendation from an expert
- Recommendations from sales associates

When prompting for trial, Influencer Endorsements ranks third as the most effective tactic.
4. Influencers:
Impact across the consumer brand journey;
Plus: Disruptor Brand Super Influencers
Four Influencer types, each with a role to play

1. Celebrity/Professional Influencers
2. ‘Experts’
3. ‘Real’ People
4. Super Influencers
Celebrity/Professional Influencer role: drive brand awareness and interest

**Celebrity/Professional Influencer Partnerships**

- Direct Brand consumer
- Incumbent Brand-only shopper

1. **Celebrity/Professional Influencers impact how I think of a brand**
   - 38% Direct Brand consumer
   - 13% Incumbent Brand-only shopper

2. **Celebrity/Professional Influencers are a reliable way I find out about new brands**
   - 39% Direct Brand consumer
   - 14% Incumbent Brand-only shopper

3. **A Celebrity/Professional Influencer makes me more interested in a brand**
   - 41% Direct Brand consumer
   - 15% Incumbent Brand-only shopper

4. **I expect most brands to partner with at least one Celebrity/Professional Influencer**
   - 42% Direct Brand consumer
   - 19% Incumbent Brand-only shopper

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

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

Celebrity/Professional influencer

- 42%

Incumbent

- 19%

Disruptor Brand consumers are:

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

- Disruptor Brand consumers are more than TWICE as likely to say they only listen to Expert Influencers
- And they are 20% more likely to say they’ve been prompted to try a new brand as a result of a recommendation from an expert
‘Real’ people have greater sway over Disruptor vs Incumbent-only shoppers

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

![Chart showing consumer preferences]

- Direct Brand
  - Consumer reviews: 44%
  - An online community of other consumers I can connect with: 12%
  - Mention/discussion with other customers on an online community: 20%

- Incumbent
  - Consumer reviews: 35%
  - An online community of other consumers I can connect with: 6%
  - Mention/discussion with other customers on an online community: 8%
The prevalence of online reviews, endorsements and discussion has amplified ‘word of mouth’

Real People influence brand trial online and offline:

- Consumer reviews: 35% (Direct), 44% (Incumbent)
- Social Influencer endorsement: 26% (Direct), 12% (Incumbent)
- Social Expert reco: 23% (Direct), 15% (Incumbent)
- Community mention/discussion (e.g., Glossier forum): 20% (Direct), 8% (Incumbent)
- Online community mention by Celebrity/Influencer: 18% (Direct), 8% (Incumbent)
Super Influencers: the 1 in every 5 consumers driving others from awareness to consideration via deliberate + strategic postings

- 18.5% of all US consumers are Super Influencers
- 48% of all US consumers are Disruptor consumers
- 30% of Disruptor consumers are Super Influencers

Using a combined series of survey responses, we define Super Influencers as those who state that:

- The brands they buy/the brand-centric content they share online is a form of self expression
- They exhibit the importance they attach to brands-as-self-expression by taking the time and effort to create brand-centric content, publicly building their online status/personal brand

Roughly 1 in 3 Disruptor consumers are Super Influencers
Super Influencers have a deliberate, self-defining set of behaviors

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

A combination of the following “top box” attributes were used to create the Super Influencer segment:

- I like to share cool things I buy, wear or use on social media: 85%
- Content I share online is an important part of who I am: 83%
- Content I share online is an important part of how I want people to think of me: 80%
- When I purchase a new brand, I am expressing who I am: 74%
- I create my own text to share about brands online (e.g., post/tweet): 59%
- I create memes about brands that I share online: 31%
- I create videos about brands that I share online (e.g., unboxing): 30%

Self Expression

Exhibit Self Expression through brand-centric user generated content (UGC)
Super Influencers chose brands to reflect their style…and leverage online when self-advertising

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

- 47% report that when a Direct Brand reflects their personal style, they are more intrigued to check them out
Super Influencers are the most brand-engaged consumers across virtually all touchpoints.

Media’s role across each segment of the consumer journey.
Super Influencers are more likely to leverage media with smaller footprints but with highly passionate communities.

If you were searching online for information on a DTC brand, WHERE DO YOU/WOULD YOU SEARCH?

- Direct
- Incumbent
- Super Influencers

- GOOGLE
- AMAZON
- FACEBOOK
- INSTAGRAM
- ALEXA, SIRI, GOOGLE HOME
- SNAPSHOT
Nearly half of Super Influencers follow their chosen brands

Key Actions defining Direct Brand Consumer Loyalty

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

5. Omnichannel Expected
24/7 Omnichannel access is expected by Disruptor consumers

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

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

- 61% of DTC consumers are more likely to use an app on their mobile phone
  - and 48% more likely to shop via mobile web
The Interactive Advertising Bureau (IAB) empowers the media and marketing industries to thrive in the digital economy. Its membership is comprised of more than 650 leading media companies, brands, and the technology firms responsible for selling, delivering, and optimizing digital ad marketing campaigns. The trade group fields critical research on interactive advertising, while also educating brands, agencies, and the wider business community on the importance of digital marketing. In affiliation with the IAB Tech Lab, IAB develops technical standards and solutions. IAB is committed to professional development and elevating the knowledge, skills, expertise, and diversity of the workforce across the industry. Through the work of its public policy office in Washington, D.C., the trade association advocates for its members and promotes the value of the interactive advertising industry to legislators and policymakers. Founded in 1996, IAB is headquartered in New York City.

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For more information, please visit pebblepost.com.

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

For more information, please visit spotify.com.
Thank You

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Appendix
Demographics (Total Sample)

Sample was balanced for Census factors including gender, age, ethnicity, and religion.
When sharing about brands online, girls look for content that lends social currency & self-expression.

**Girls 13-17**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Direct</th>
<th>Incumbent</th>
</tr>
</thead>
<tbody>
<tr>
<td>It’s an expression of who I am/my style</td>
<td>44%</td>
<td>38%</td>
</tr>
<tr>
<td>It is funny/entertaining</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>It is trending or a hot topic</td>
<td>38%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Q: D7 When you see a story, ad, video or other content about a brand, what makes it worth sharing? Top three.
When sharing about brands online, boys seek out funny/entertaining content

Q: D7 When you see a story, ad, video or other content about a brand, what makes it worth sharing? Top three.

Boys 13-17

- It's funny/entertaining: 56%
- It's offering a special deal on a product/services I want/need: 35%
- It is something I think others would want: 33%
Podcasts: Favored by Disruptor consumers

Sources of Direct Brand Awareness

- Ad during a podcast: Direct Brand 6%, Incumbent 4%
- Host/announcer mentions brand on podcast: Direct Brand 9%, Incumbent 4%

- Podcast advertising and host/announcer mentions are 2x as likely to be favored by Disruptor consumers over Incumbent Brand-only shoppers