



# Disruptor Brands: Founders Benchmark Study

2019-2020

Direct Brands initiative Strategic Partners:



*This report was produced by IAB. The final report, findings, and recommendations were not influenced by strategic partners or sponsors.*

# Acknowledgments

This report would not have been possible without the collaboration and financial support of our Direct Brands Initiative Strategic Partners and supporting sponsor, listed below.

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Direct Brands Initiative Strategic Partners



Supporting Sponsor



Additionally, we extend our deepest appreciation to all the marketers, publishers, technology developers, and service providers that have contributed their time, insight, and enthusiasm in support of this report.

# Contents

- Objective
- Methodology
- Who You Are
- Built to Last
- The Money Shot
- Disruptor Differentiation
- Retail Everywhere
- What's Next

# Objective

Understand and benchmark the evolving strategies, operations, and models used by the key decision-makers behind today's disruptor brands

# Methodology

Online survey executed by Ipsos among **203** Direct to Consumer brand **founders as well as senior executives including Chief Executive Officer, President, other C-level and Senior Vice President/Vice President.**

- Companies represent all major consumer brand categories
- Responses were anonymous and aggregated

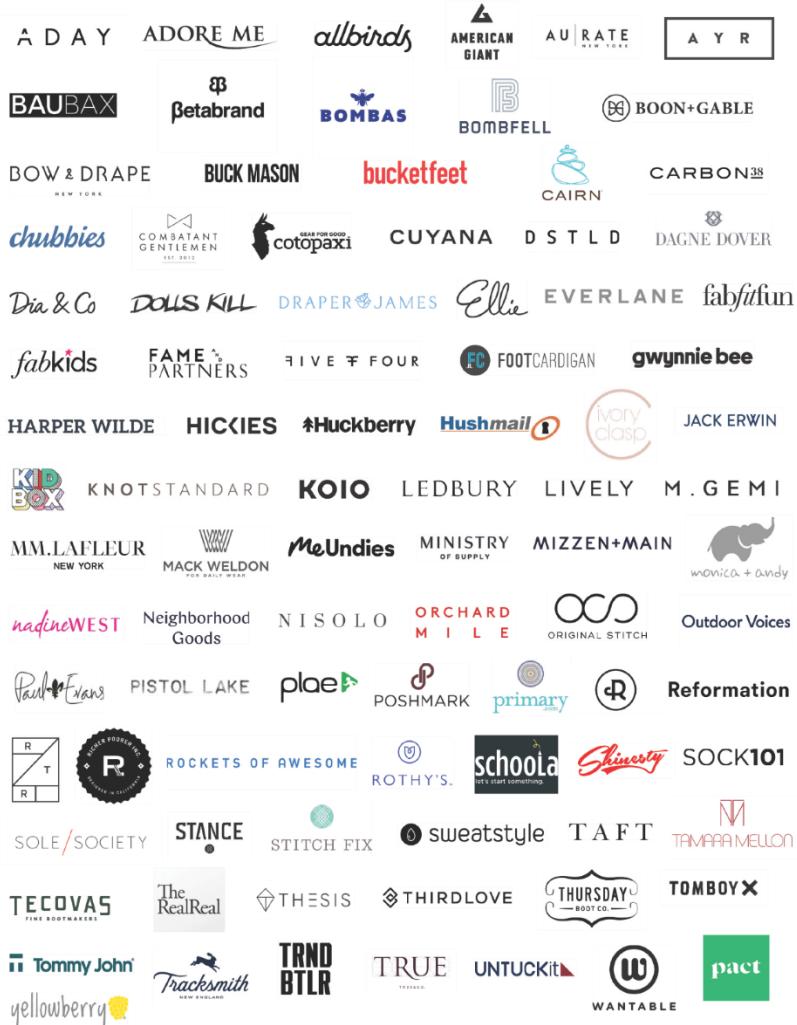
Note: Company information gleaned in tandem with the Direct Brand Media & Customer Acquisition Study

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# Who You Are

# iab.250 DIRECT BRANDS TO WATCH

## APPAREL & FASHION



## BABY CARE & PARENTING



## BEAUTY



## BEER/WINE/ALCOHOL



## EDUCATION



## FOOD/BEVERAGE/HOUSEHOLD/PET



## HOBBIES & LIFESTYLE



## HOME & APPLIANCE



## PERSONAL CARE



## WELLNESS & FITNESS



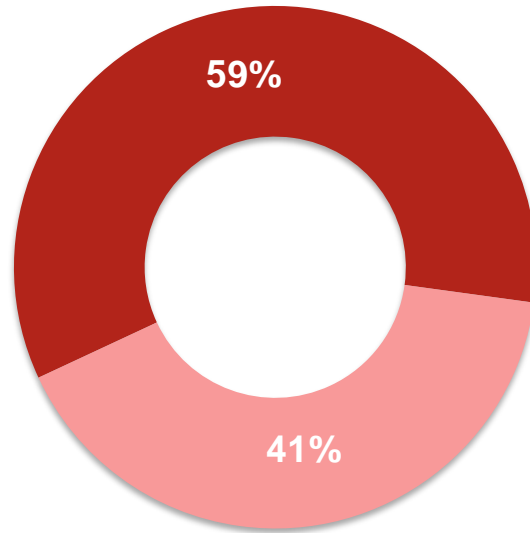
# Survey sample comparison to IAB 250

Funding Type	Founders Survey Sample	IAB 250 to Watch
Avg. Annual Revenue (Est. '19)	\$17.60M	\$17.95M
Avg. Annual Revenue < \$10M	59%	63%
Employees < 250	80%	95%
Venture Capital Funding	20%	9%
Angel Investor	15%	15%
Women: Founder/CEO/Pres.	38%	24%
Subscriptions	33%	31%

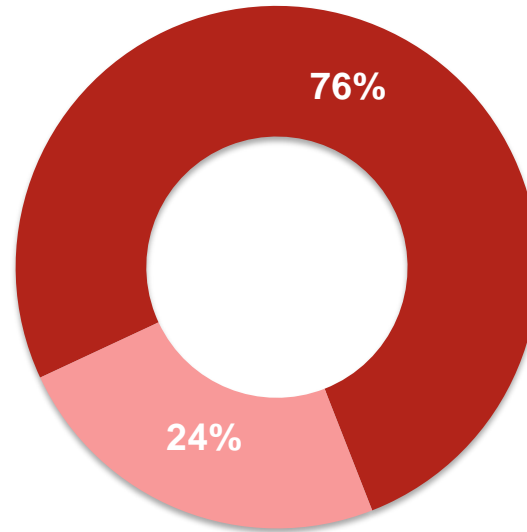


# Strong women leaders

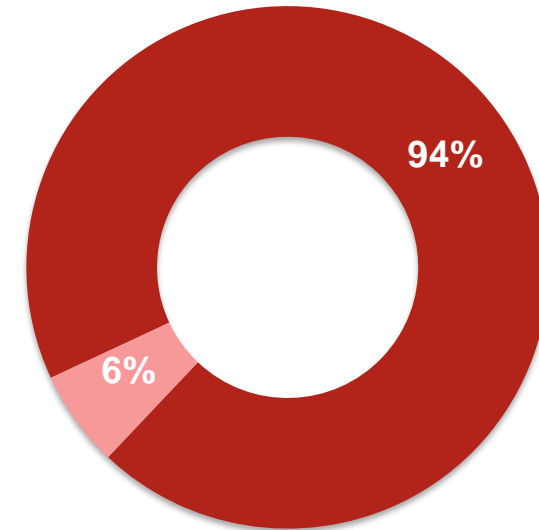
DTC Survey Respondents



IAB 250



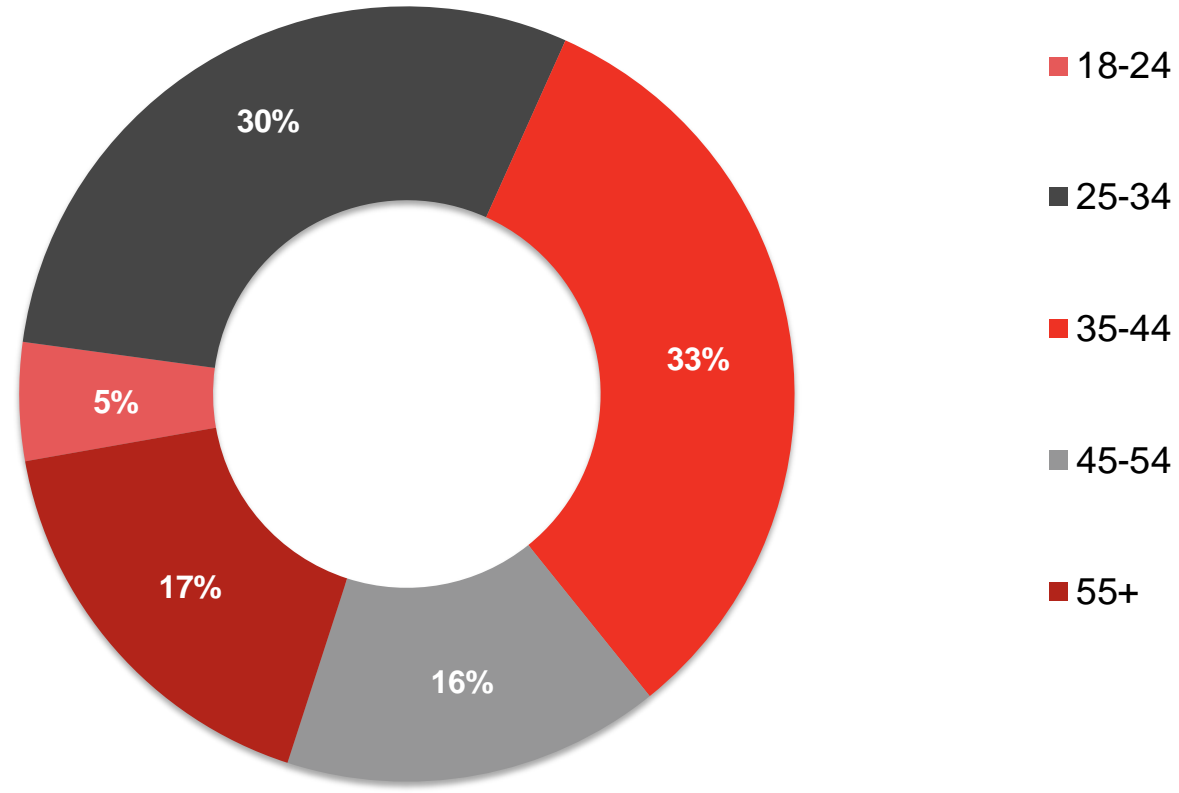
Fortune 500



■ Males ■ Females

# Millennial CEOs

Age of Respondents



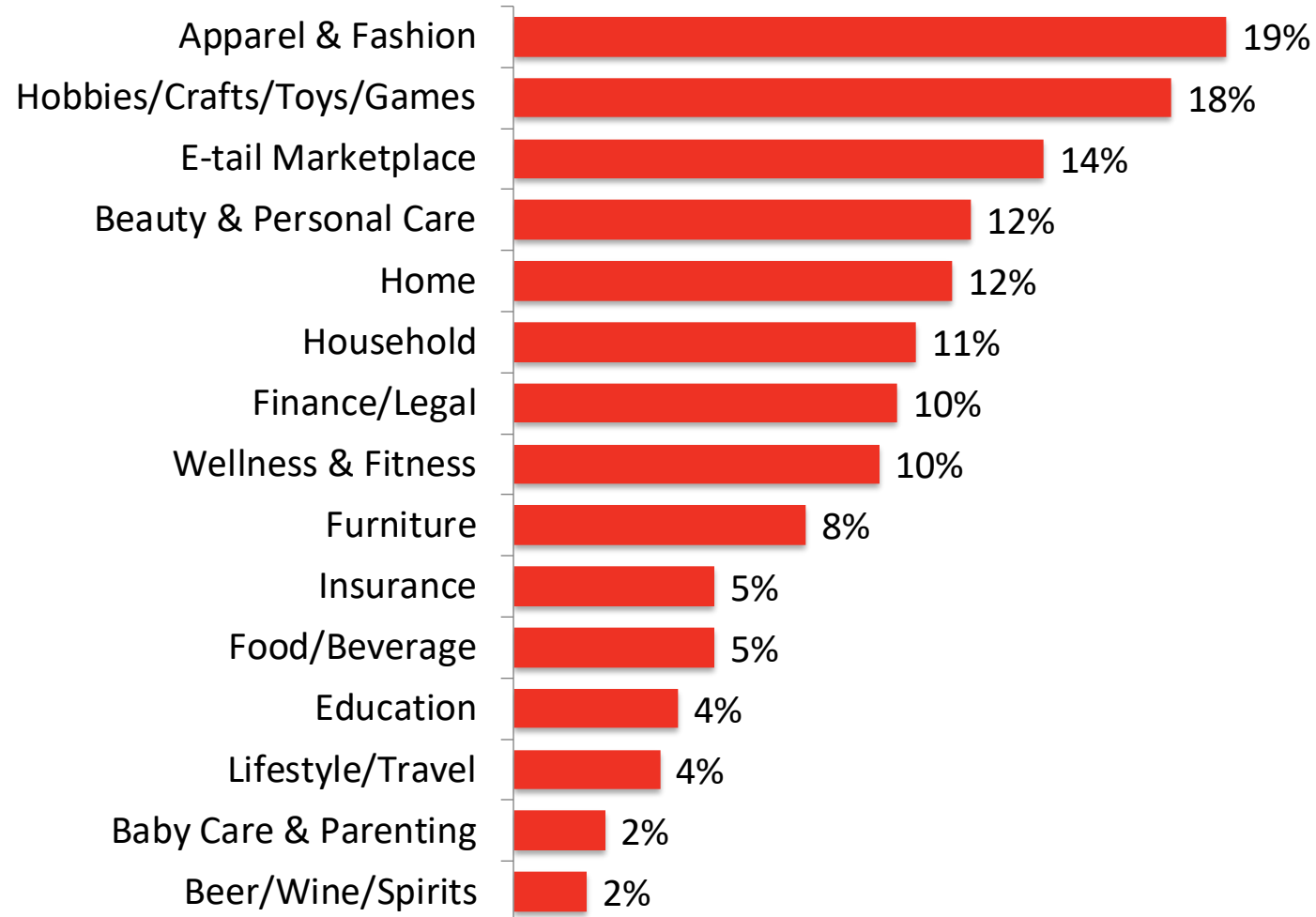
The top half of the slide features a vibrant red background. Overlaid on this background are several diagonal, semi-transparent red lines and a few small, solid red spheres, creating a dynamic, architectural feel.

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**Built to Last**

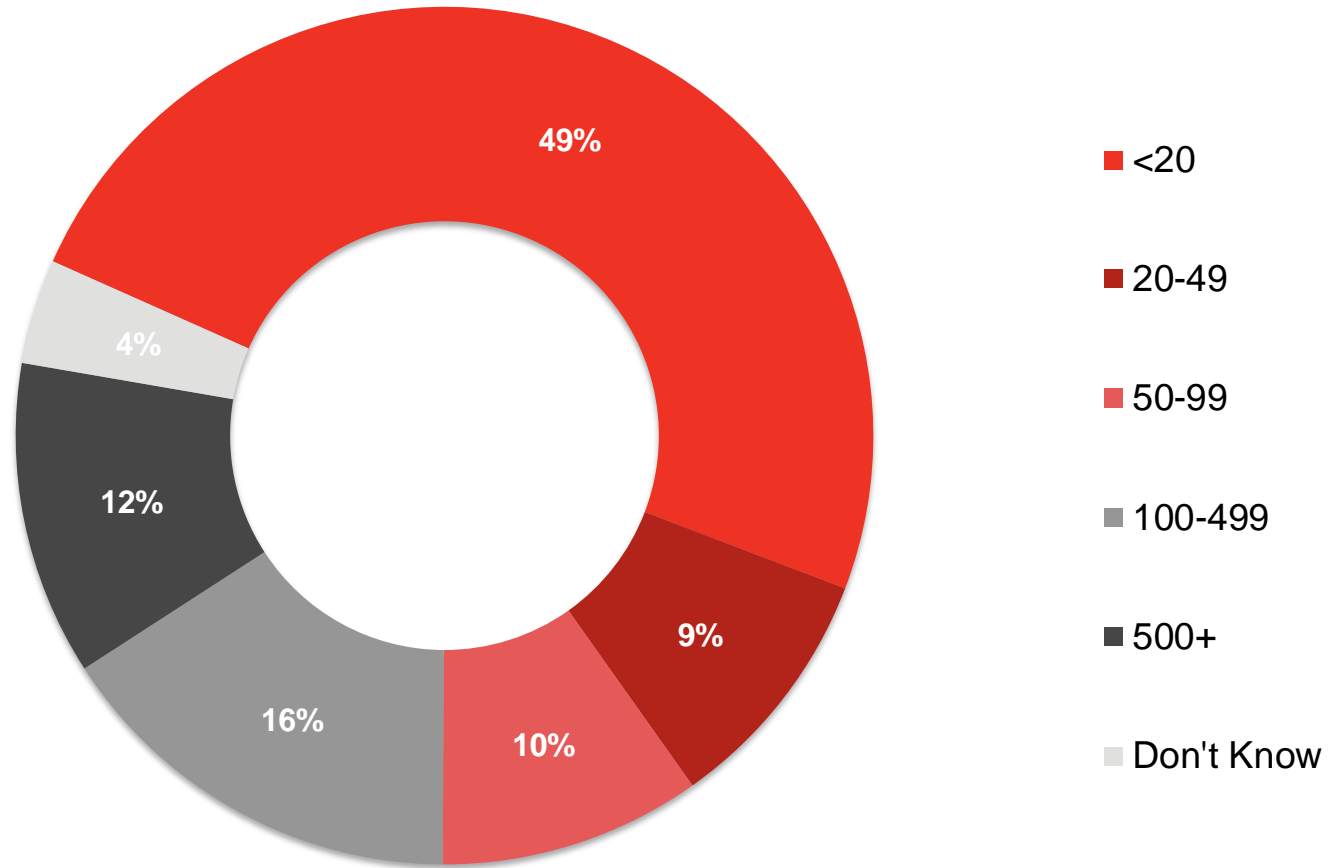
# Disrupting every industry

## % of Respondents by Category



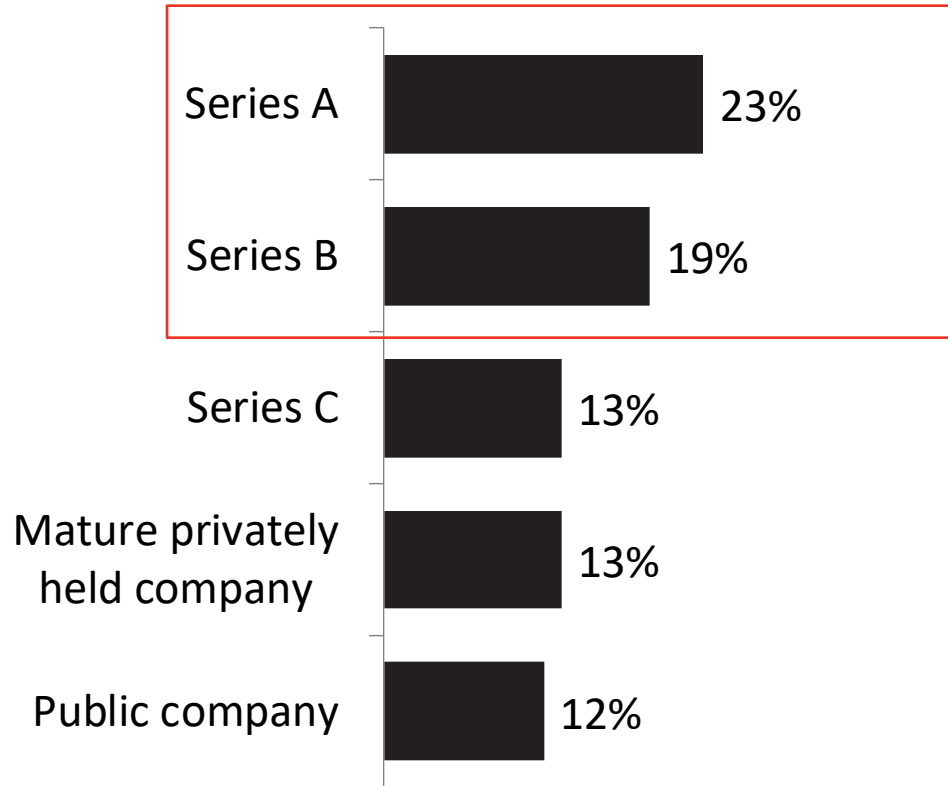
# Small business revolution

Size of Company



# Most disruptors are just getting started

## Company Funding Maturity Stage



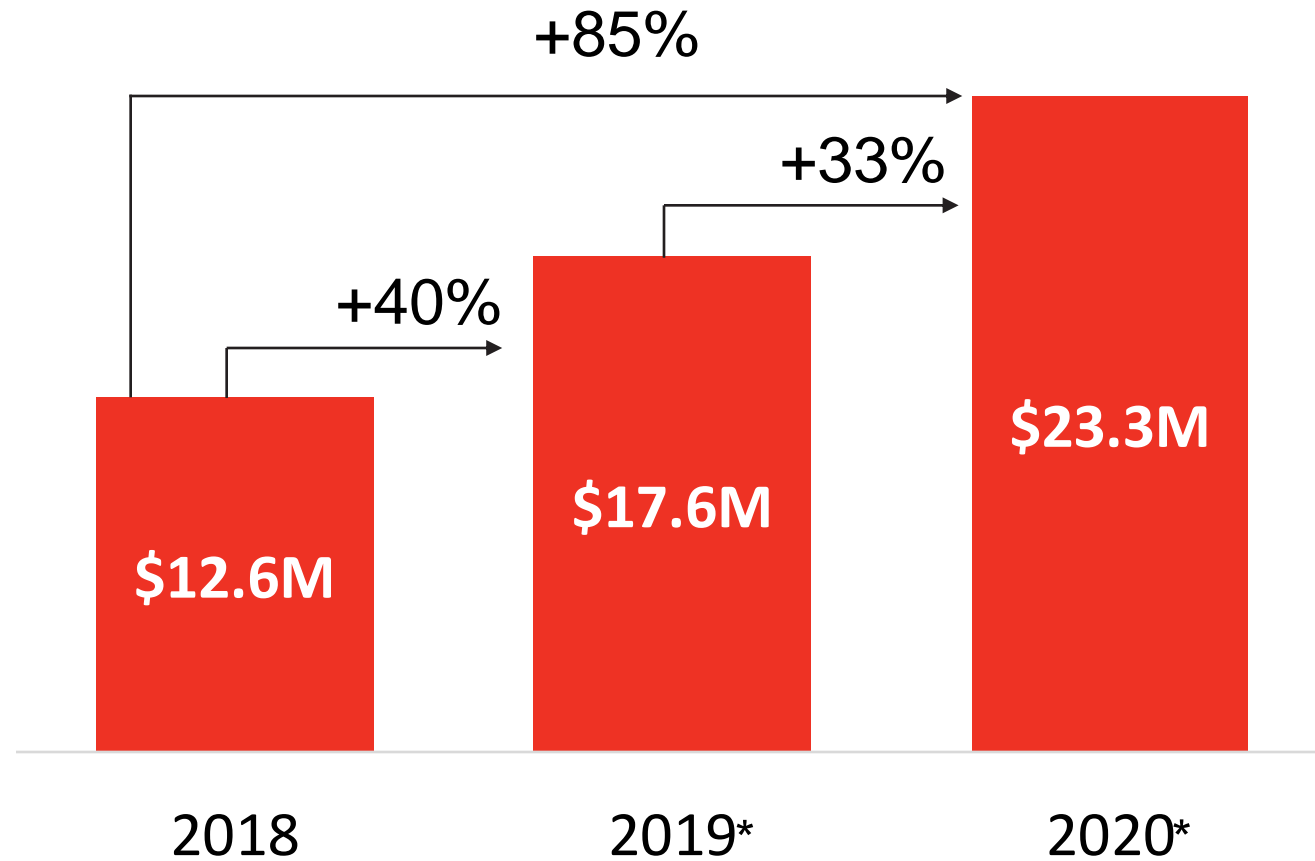
care/of

“You're always thinking about your survival...so [we try to] build a business that can really sustain itself and not have to...necessarily rely on venture capital and fundraising forever because that's not a way to sustain...”

— Akash Shah  
Co-Founder, Care/Of

# Growing robustly

## Average Annual Revenue\*



\*Estimated

# Great little businesses

**90%**  
Profitable

**~3 Yrs**  
To achieve  
profitability

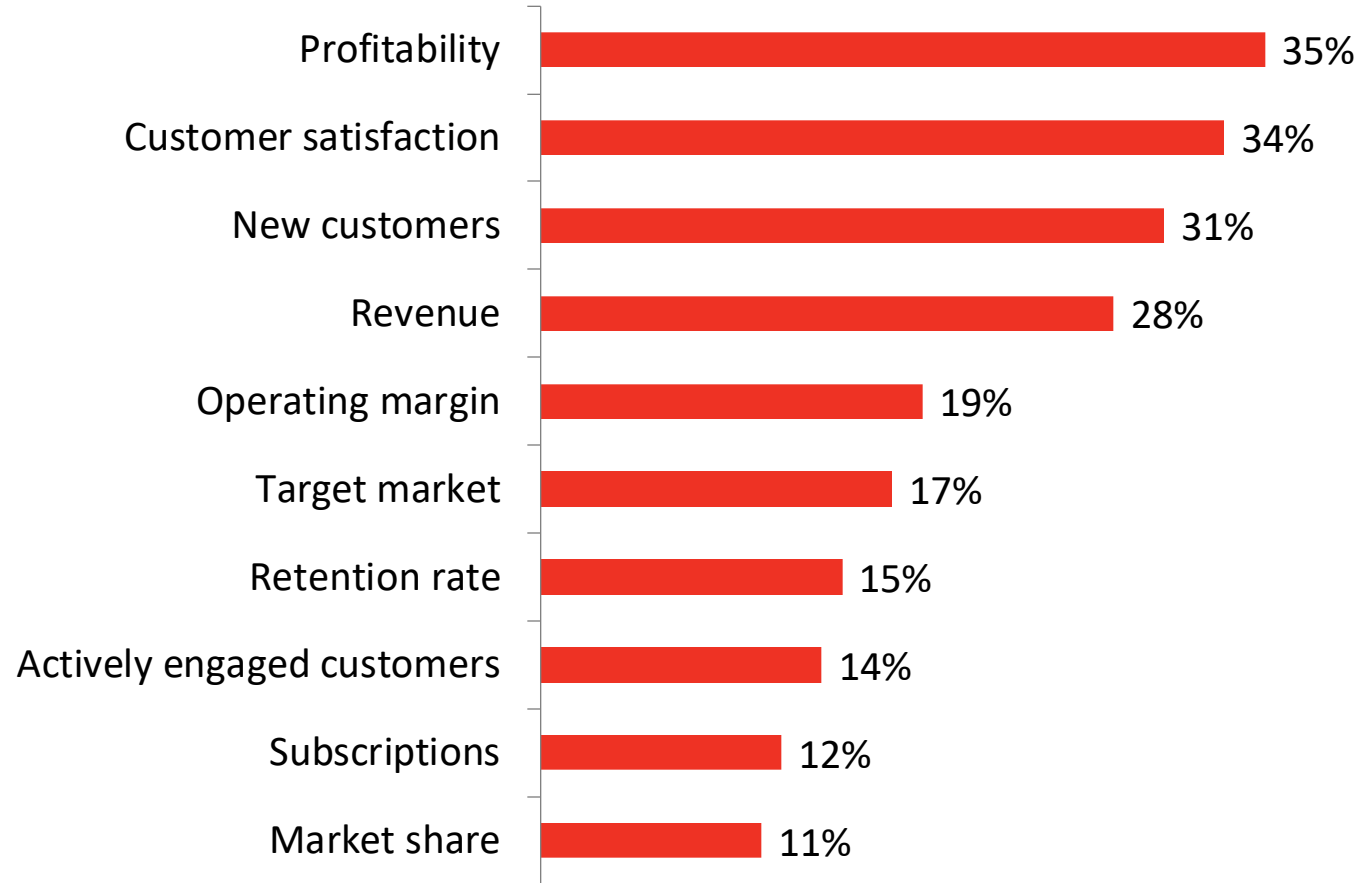
**3.5**  
Revenue  
multiple

**47%**  
Gross  
margin



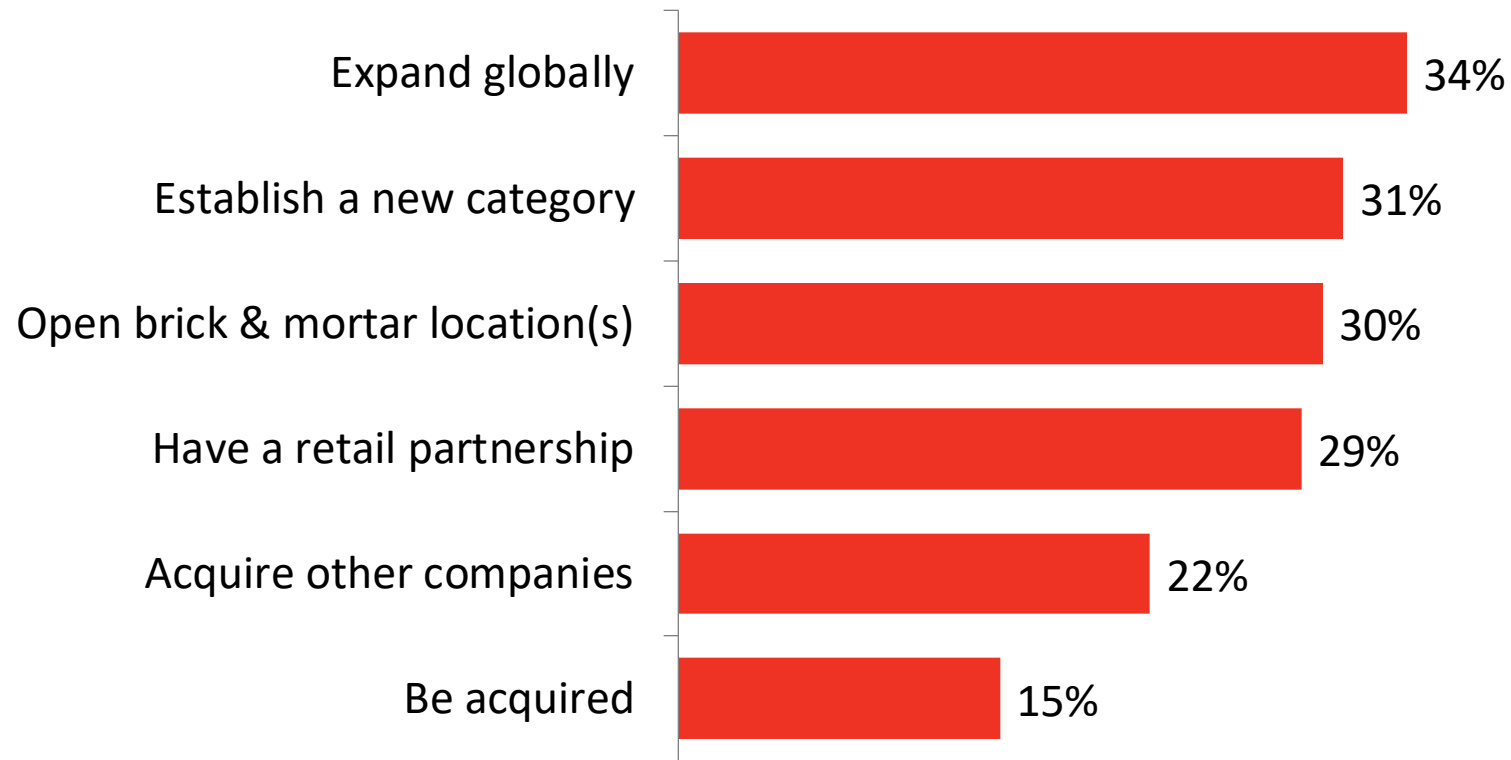
# Your goal: a healthy business

## Top 10 Business KPIs



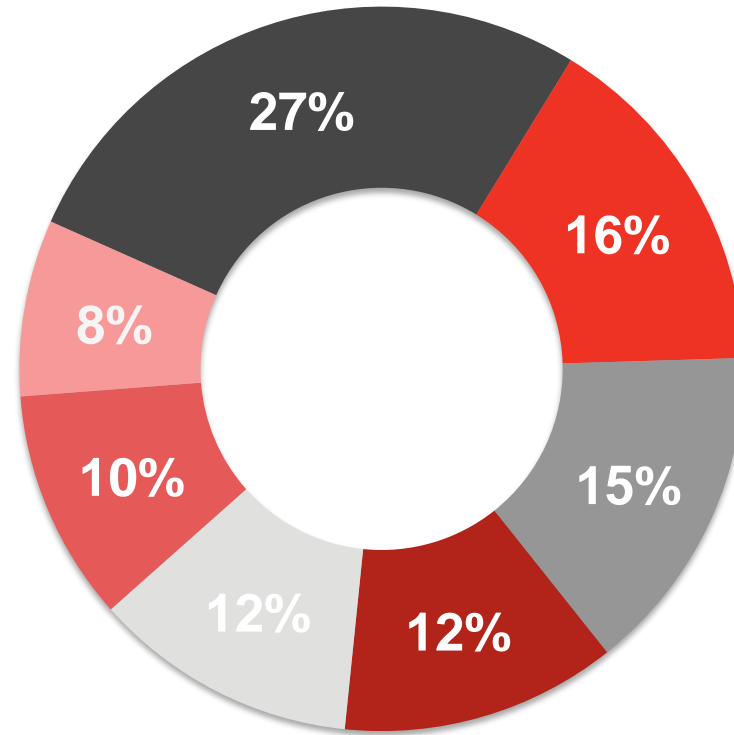
# Founders are not sellouts

## Long-Term Goals



# Disruptors are incestuous

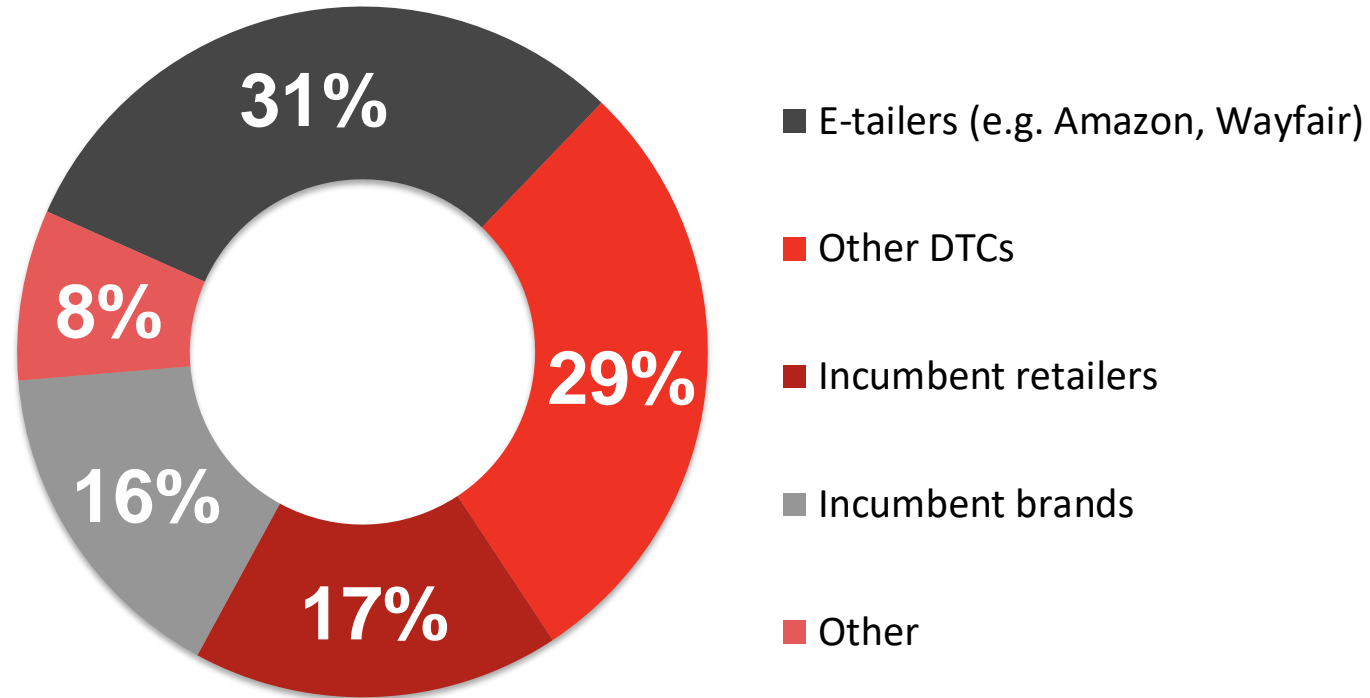
## Employment Before Current Role



- The industry my DTC brand currently exists
- Leadership position at another startup
- Founded a different business
- Finance/consulting/VC
- Large tech company
- Student (e.g. college, graduate school, etc.)
- Other

# The competition is digital

## Closest Primary Competitors



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# **The Money Shot**

# VC investment has benefits

**39%**

less VC  
investment and  
lower company  
valuation

**61%**

more VC  
investment and  
higher  
company  
valuation

# Third-party-funding correlates with profits

Funding Type	Average Annual Revenue (Est. '19)	% Profitable
Venture Capital Funding	\$21.9M	98%
No-VC Funding	\$16.4	88%
Any Third-Party Funding*	\$27.8M	97%
No Third-Party Funding	\$15.7M	85%

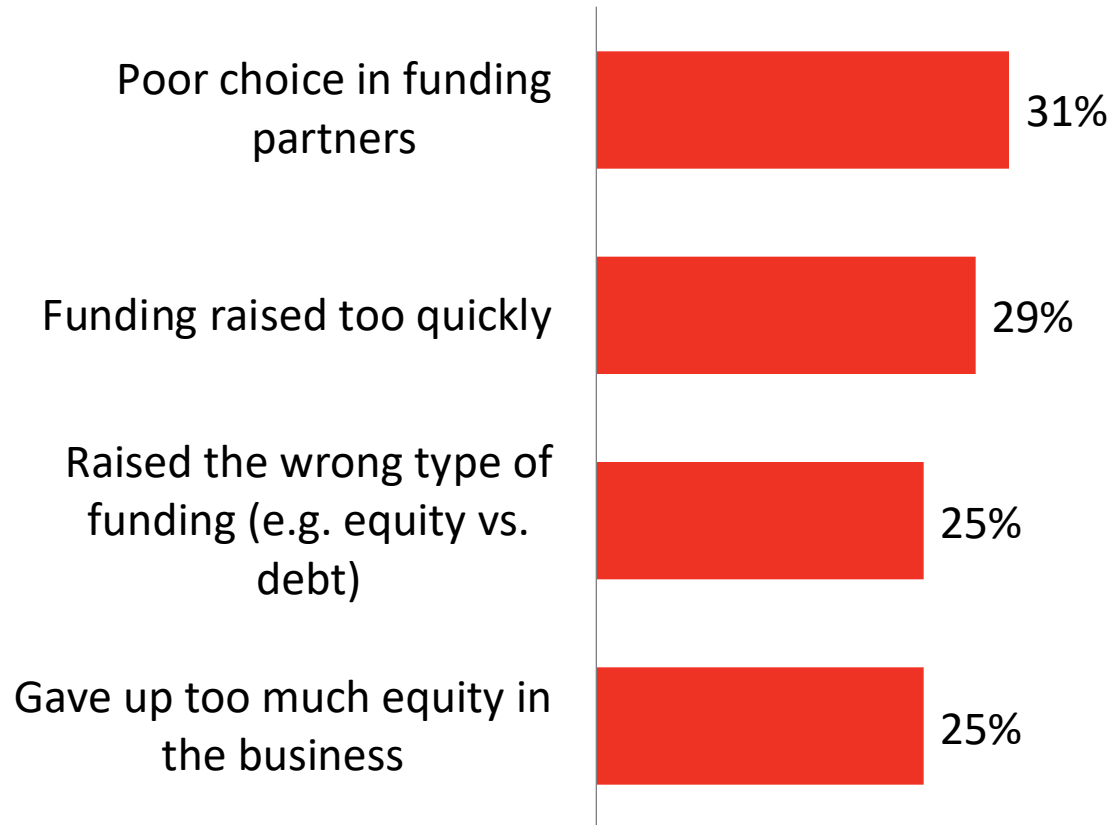


“The biggest challenge in the early days was honestly funding...[For] two and a half years, we bootstrapped the business while we were...constantly having meetings [with investors].”

— **Rich Fulop,**  
**Founder and CEO, Brooklinen**

# Funding choices can cause pain

## Top 4 Biggest Fundraising Concerns



“I see a lot of founders waste time with investors who do...SAAS enterprise and they've got a leggings company. No matter how good their business is, the enterprise investor is just not going to invest in the leggings company. So focus the fundraising.”

— **Melanie Travis**  
**Founder, Andie Swim**

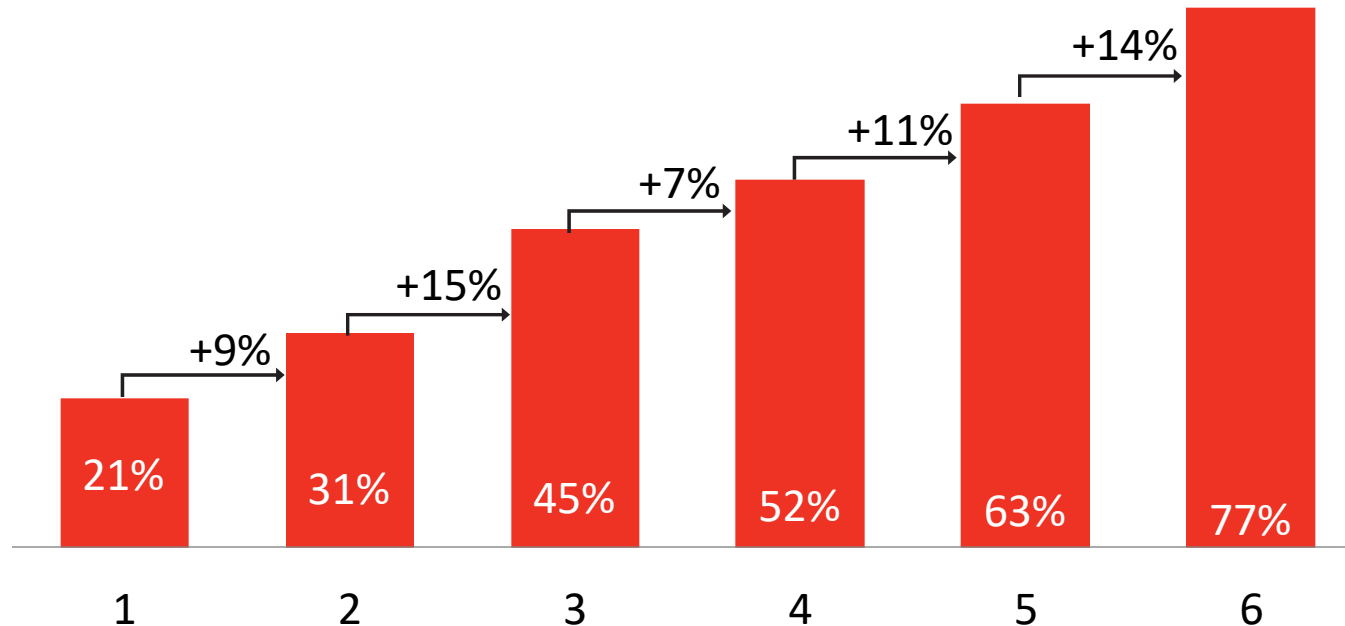




# Disruptor Differentiation

# Direct Brands are faster than incumbents

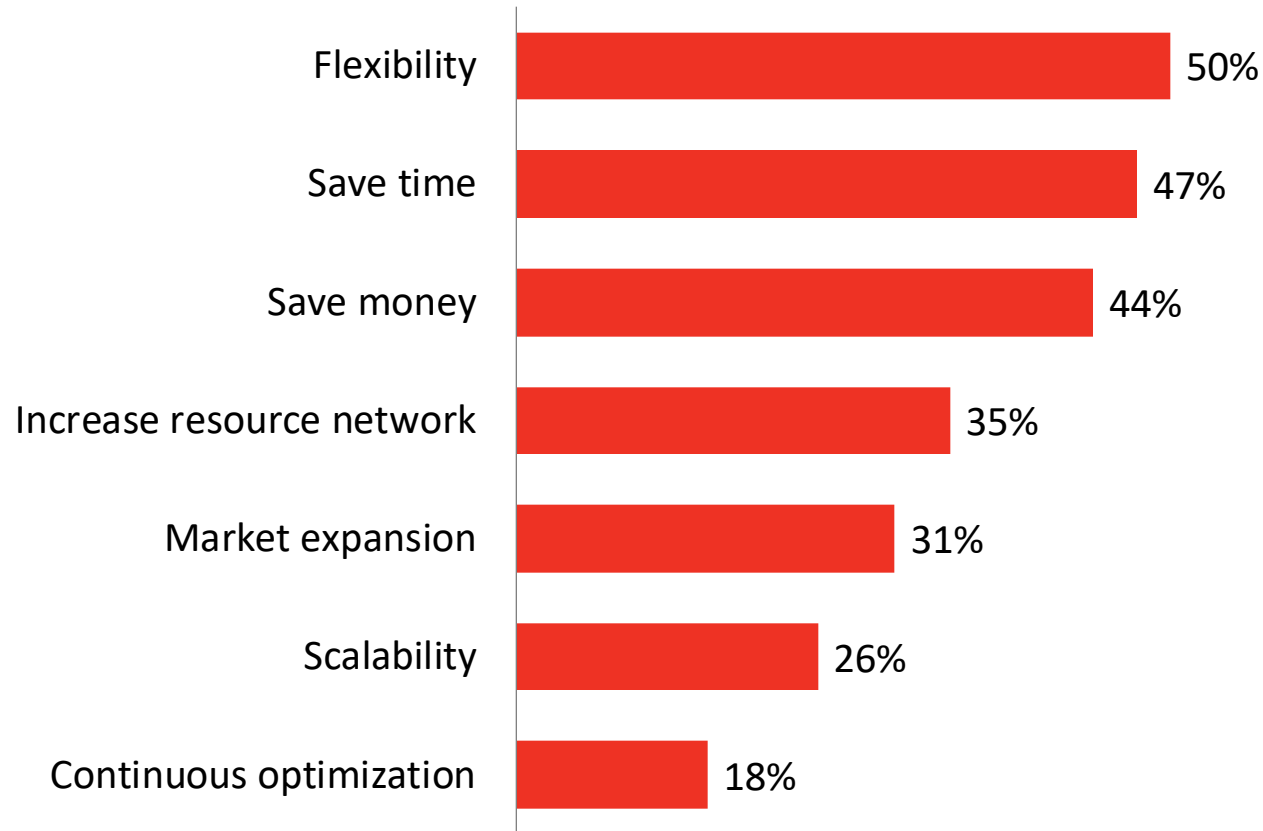
Number of Months from Product  
Ideation to Launch



**77%** of direct brands take **less than 6 months** to launch a new product.

# Pioneers in 3<sup>rd</sup>-party logistics

## Reasons for Using 3PLs



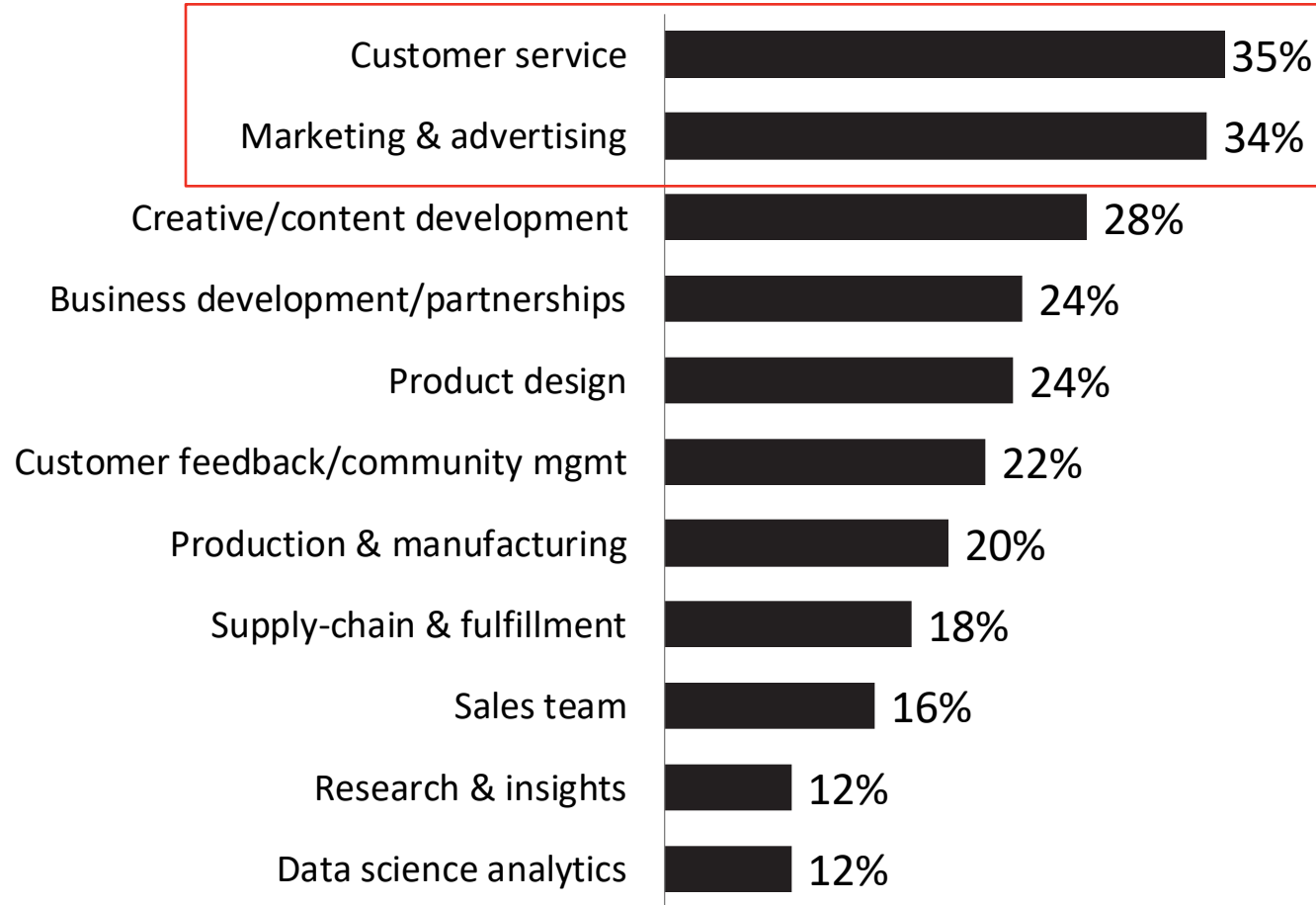
Examples of 3rd-party logistics pioneers include the following:



**XPO**Logistics

# Customer service is the most critical business function

## Areas of FTE Investment

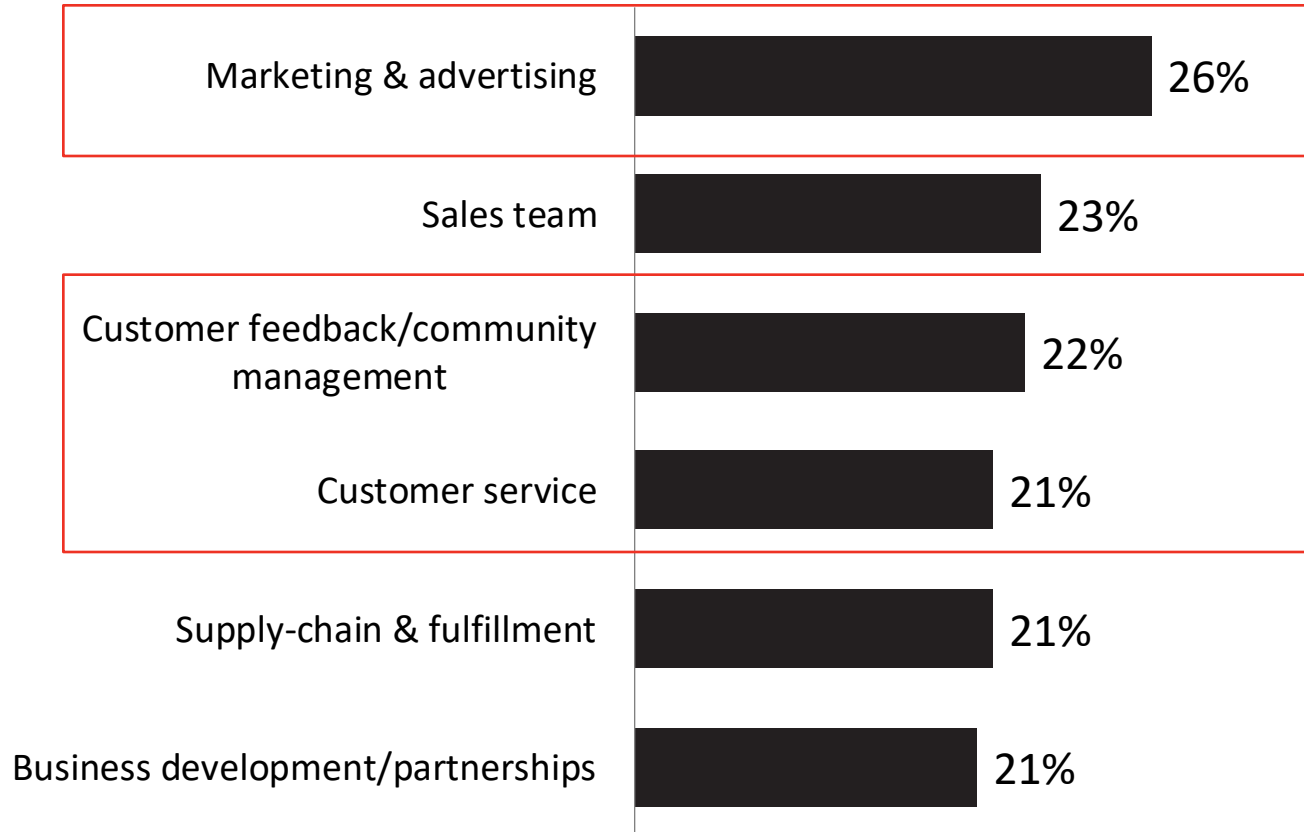


“...[Our customers] are the most powerful tool we have...and we need to understand why they love Lively and if we can take those soundbites as to why they love [our brand].”

— **Michelle Cordeiro Grant**  
Founder and CEO, Lively

# Marketing roles are the hardest to fill

## Most Challenging Roles to Fill



**29%** say they “hired the wrong people.”

“...[The] thing that's really helped us drive growth, is quite frankly, our growth and marketing team. I think we have one of the strongest, smartest teams in the entire country.”

— **Rob Schutz**  
Co-Founder and CDO, RoCare

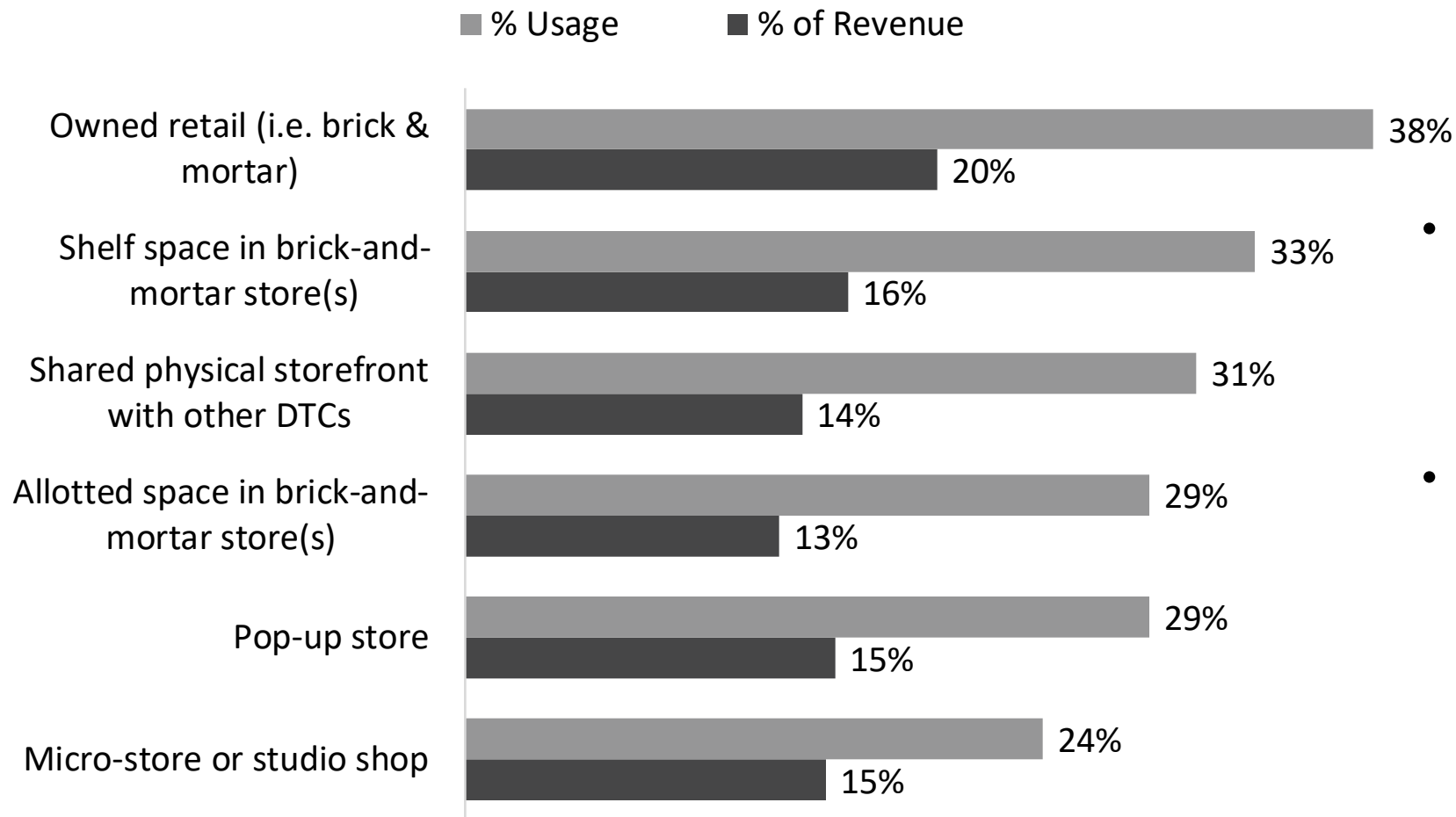




# Retail Everywhere

# One-third of disruptors are in IRL stores

## Brick & Mortar Sales Channels: Usage & Revenue



- Of those using owned brick-and-mortar store, it accounts for one-fifth (20%) of their revenue
- One in three (33%) sell product on a third party's brick & mortar shelves – Walmart and Target were most often cited as partners

Base: <15, n=203

Q: Which of the following best describes your presence across each of the following sales channels? (Bottom 2 Box Summary)

Q: Apply the percent that each of the following sales channels contributes to your overall revenue

# Amazon continues to be a “frenemy”

**45%** are actively selling on **Amazon**, of those...

...Amazon accounts for one-fifth of revenue

**55%** are NOT actively selling on **Amazon**, of those...

...26% are testing or planning to test

...29% not in use at all; not even testing

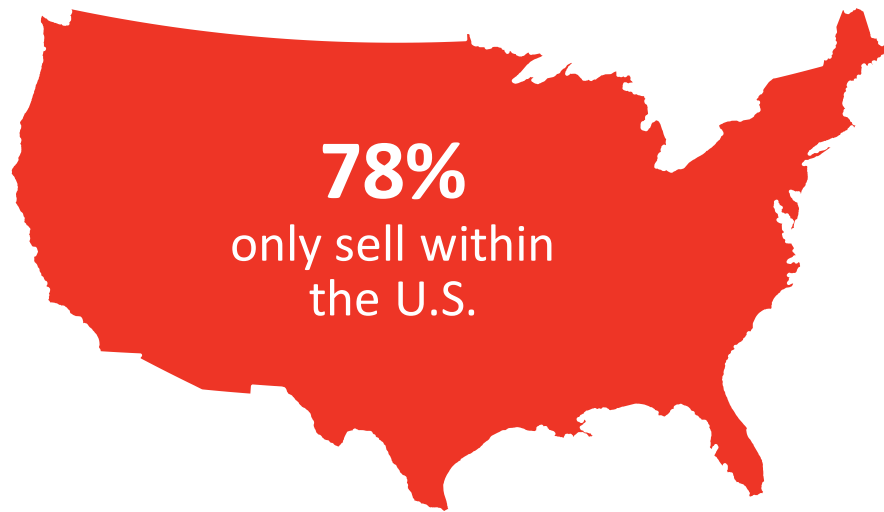




# What's Next

# Almost 80% of Direct Brands sell only in the U.S.

## U.S.-Only vs. Global Sales



**22%**  
sell  
internationally

Direct Brands founded in the U.S.  
selling globally include the following:

BIRCHBOX♦

  
**BOMBAS**

**Casper**

WARBY PARKER

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**Thank You**