Acknowledgments

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The final report, findings and recommendations were not influenced by strategic partners or sponsors.

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PebblePost

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.
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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
Who You Are
## Survey sample comparison to IAB 250

<table>
<thead>
<tr>
<th>Funding Type</th>
<th>Founders Survey Sample</th>
<th>IAB 250 to Watch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. Annual Revenue (Est. ‘19)</td>
<td>$17.60M</td>
<td>$17.95M</td>
</tr>
<tr>
<td>Avg. Annual Revenue &lt; $10M</td>
<td>59%</td>
<td>63%</td>
</tr>
<tr>
<td>Employees &lt; 250</td>
<td>80%</td>
<td>95%</td>
</tr>
<tr>
<td>Venture Capital Funding</td>
<td>20%</td>
<td>9%</td>
</tr>
<tr>
<td>Angel Investor</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Women: Founder/CEO/Pres.</td>
<td>38%</td>
<td>24%</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>33%</td>
<td>31%</td>
</tr>
</tbody>
</table>
Strong women leaders

DTC Survey Respondents: 59% Males, 41% Females
IAB 250: 76% Males, 24% Females
Fortune 500: 94% Males, 6% Females
Built to Last
Disrupting every industry

% of Respondents by Category

- Apparel & Fashion: 19%
- Hobbies/Crafts/Toys/Games: 18%
- E-tail Marketplace: 14%
- Beauty & Personal Care: 12%
- Home: 12%
- Household: 11%
- Finance/Legal: 10%
- Wellness & Fitness: 10%
- Furniture: 8%
- Insurance: 5%
- Food/Beverage: 5%
- Education: 4%
- Lifestyle/Travel: 4%
- Baby Care & Parenting: 2%
- Beer/Wine/Spirits: 2%

Base: <15 years, n=203
Q: Which of the following best classifies your direct-to-consumer category of business?
Small business revolution

Size of Company

- <20: 49%
- 20-49: 12%
- 50-99: 16%
- 100-499: 9%
- 500+: 4%
- Don't Know: 10%

Base: <15 years, n=203
Q: How many full-time employees are currently on staff?
Most disruptors are just getting started

Company Funding Maturity Stage

- Series A: 23%
- Series B: 19%
- Series C: 13%
- Mature privately held company: 13%
- Public company: 12%

“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*

$12.6M
$17.6M
$23.3M

2018
2019*
2020*

+40%
+85%
+33%

*Estimated

Base: <15, n=203
Q: What is your approximate annual sales revenue for the following years?
Great little businesses

90% Profitable

~3 Yrs To achieve profitability

3.5 Revenue multiple

47% Gross margin
Top 10 Business KPIs

- Profitability: 35%
- Customer satisfaction: 34%
- New customers: 31%
- Revenue: 28%
- Operating margin: 19%
- Target market: 17%
- Retention rate: 15%
- Actively engaged customers: 14%
- Subscriptions: 12%
- Market share: 11%

Q: Which overall business KPIs matter most to you?

Base: <15, n=203
Founders are not sellouts

Long-Term Goals

- Expand globally: 34%
- Establish a new category: 31%
- Open brick & mortar location(s): 30%
- Have a retail partnership: 29%
- Acquire other companies: 22%
- Be acquired: 15%

Base: <15, n=203
Q: Which, if any, of the following are your long-term goals for the company?
Disruptors are incestuous

Employment Before Current Role

- 27% The industry my DTC brand currently exists
- 16% Leadership position at another startup
- 15% Founded a different business
- 12% Finance/consulting/VC
- 10% Large tech company
- 8% Student (e.g. college, graduate school, etc.)
- 12% Other

Base: <15, n=203
Q: What was your employment status before taking on your role at your company?
The competition is digital

Closest Primary Competitors

- E-tailers (e.g. Amazon, Wayfair): 31%
- Incumbent retailers: 29%
- Incumbent brands: 16%
- Other DTCs: 8%
- Other: 17%

Base: <15, n=203
Q: Which ONE, if any, of the following do you consider your company's closest primary competitors?
The Money Shot
VC investment has benefits

39%
less VC investment and lower company valuation

61%
more VC investment and higher company valuation

Base: <15, n=203
Q: Which of the following best describes your strategy regarding VC fundraising?
Third-party-funding correlates with profits

<table>
<thead>
<tr>
<th>Funding Type</th>
<th>Average Annual Revenue (Est. ‘19)</th>
<th>% Profitable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venture Capital Funding</td>
<td>$21.9M</td>
<td>98%</td>
</tr>
<tr>
<td>No-VC Funding</td>
<td>$16.4</td>
<td>88%</td>
</tr>
<tr>
<td>Any Third-Party Funding*</td>
<td>$27.8M</td>
<td>97%</td>
</tr>
<tr>
<td>No Third-Party Funding</td>
<td>$15.7M</td>
<td>85%</td>
</tr>
</tbody>
</table>

“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
“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

Top 4 Biggest Fundraising Concerns

- Poor choice in funding partners: 31%
- Funding raised too quickly: 29%
- Raised the wrong type of funding (e.g. equity vs. debt): 25%
- Gave up too much equity in the business: 25%

Base: <15, n=203
Q: Which, if any, of the following statements are/were your biggest concerns and/or lessons learned about fundraising?
Disruptor Differentiation
Direct Brands are faster than incumbents

Number of Months from Product Ideation to Launch

21% +9%
31% +15%
45% +7%
52% +11%
63% +14%
77%

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

Base: <15, n=203
Q: Thinking about when your business started vs. present day, how much time does it take to get from product/service ideation to product/service launch?
Pioneers in 3\textsuperscript{rd}-party logistics

### Reasons for Using 3PLs

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility</td>
<td>50%</td>
</tr>
<tr>
<td>Save time</td>
<td>47%</td>
</tr>
<tr>
<td>Save money</td>
<td>44%</td>
</tr>
<tr>
<td>Increase resource network</td>
<td>35%</td>
</tr>
<tr>
<td>Market expansion</td>
<td>31%</td>
</tr>
<tr>
<td>Scalability</td>
<td>26%</td>
</tr>
<tr>
<td>Continuous optimization</td>
<td>18%</td>
</tr>
</tbody>
</table>

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

- Amazon
- FedEx
- XPO Logistics

**Base:** <15, n=203

**Q:** Which, if any, of the following are key reasons why you chose a 3rd Party Logistics provider?
Customer service is the most critical business function

Areas of FTE Investment

- Customer service: 35%
- Marketing & advertising: 34%
- Creative/content development: 28%
- Business development/partnerships: 24%
- Product design: 24%
- Customer feedback/community mgmt: 22%
- Production & manufacturing: 20%
- Supply-chain & fulfillment: 18%
- Sales team: 16%
- Research & insights: 12%
- Data science analytics: 12%

“...[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

- **Marketing & advertising**: 26%
- **Sales team**: 23%
- **Customer feedback/community management**: 22%
- **Customer service**: 21%
- **Supply-chain & fulfillment**: 21%
- **Business development/partnerships**: 21%

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

Base: <15, n=203
Q: In which core roles is it most challenging to find candidates who will succeed at your company?
Retail Everywhere
One-third of disruptors are in IRL stores

- 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

### Brick & Mortar Sales Channels: Usage & Revenue

<table>
<thead>
<tr>
<th>Channel</th>
<th>% Usage</th>
<th>% of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned retail (i.e. brick &amp; mortar)</td>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>Shelf space in brick-and-mortar store(s)</td>
<td></td>
<td>33%</td>
</tr>
<tr>
<td>Shared physical storefront with other DTCs</td>
<td></td>
<td>31%</td>
</tr>
<tr>
<td>Allotted space in brick-and-mortar store(s)</td>
<td></td>
<td>29%</td>
</tr>
<tr>
<td>Pop-up store</td>
<td></td>
<td>29%</td>
</tr>
<tr>
<td>Micro-store or studio shop</td>
<td></td>
<td>24%</td>
</tr>
</tbody>
</table>

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

Base: <15, n=203
Q: Which of the following best describes your presence across each of the following sales channels?
What’s Next
Almost 80% of Direct Brands sell only in the U.S.

U.S.-Only vs. Global Sales

78% only sell within the U.S.

22% sell internationally

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

- Birchbox
- Bombas
- Casper
- Warby Parker
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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