Direct Brands Initiative Strategic Partners:

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

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Direct Brands Initiative Strategic Partners

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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.
Benchmark and understand Direct Brand media planning/buying decisions

• Strategies & objectives
• Media selection & preferences
• Media buys: drivers
• Advertising measurement
• Earned/owned impact on paid media
• Media management
• Where next?
Methodology

Online survey executed by Ipsos among 330 direct-to-consumer brand media professionals

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

**Note:** Company information gleaned in tandem with the Direct Brand Founders Insights Benchmark study
Direct Brands: Profile
Direct Brands primary target: Millennials (ish)

Average Share of Customers by Generation

- **Gen Z** (0-22 years old) 20%
- **Millennials** (23-38 years old) 29%
- **Gen X** (39-54 years old) 26%
- **Boomers** (55-73 years old) 17%
- **Silent Generation** (74-94 years old) 10%

Base: Total, n=330

To the best of your ability, what share of your customers can be attributed to the following generations? - Mean (incl. 0) Summary
Paid media drives brand disruption!

Base: Rely or would rely solely on earned media, n=298

Please consider your Owned and Earned Media. Do you now or have you ever relied only on Earned Media (i.e. no investment in PAID advertising campaigns)? You indicated that you have relied or would consider relying solely on Owned and Earned Media. Please choose the statement which best reflects your expectations.

**98%** Believe they must invest in PAID media

**72%** Think they can go dark for at least a period of time
Direct Brands: Media Selection
When you first launched your Direct to Consumer (DTC) brand, what percentage, if any, of your marketing/advertising budget was invested in Social Media?

You indicated that you invested in Social Media at launch. Please estimate what the percentage of your social budget was by media brand. - Mean (Incl. 0)

% of DTCs that Invested in Social at Launch

- Invested in Social at launch: 62%
- Did not invest in Social at launch: 38%

Average Share of Social at Launch by Platform

- Facebook: 32%
- YouTube: 19%
- Instagram: 16%
- Twitter: 14%
- LinkedIn: 11%
- Reddit: 6%
- Messenger: 5%
- Snapchat: 5%
- WhatsApp: 4%
...But they grow by leveraging all media

<table>
<thead>
<tr>
<th>Channel</th>
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</thead>
<tbody>
<tr>
<td>Search</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>Display</td>
<td>65%</td>
<td>35%</td>
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<tr>
<td>Social</td>
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<td>36%</td>
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<tr>
<td>Video</td>
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<tr>
<td>OOH</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>Audio</td>
<td>55%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Base: Total, n=330

Please help us understand the level of intent your DTC brand has for buying/leveraging the following ONLINE PAID media platforms/ad types. NOTE: Search includes Google, Pinterest, Bing, and others.
And their offline media spend is bigger than you think!

59%  
Spend Online

41%  
Spend Offline

Base: Total, n=330; <15 Years, n=171; 15+ years, n=135
Please estimate the percentage of your 2019 media spend that is online vs. offline.
Offline is as diversified as the online media selection.

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Included</th>
<th>Not Included</th>
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</thead>
<tbody>
<tr>
<td>Direct Mail</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>Print</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>OOH</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>TV</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>Radio</td>
<td>58%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Base: Total, n=330

Please help us understand the level of intent your DTC brand has for buying/leveraging the following OFFLINE PAID media platforms/ad types.
Nearly half of Direct Brands use 6 to 15 media partners

Number of Online and Offline Media Partners/Publishers

- 27% use 1-5 media partners
- 20% use 6-10 media partners
- 19% use 11-15 media partners
- 15% use 16-20 media partners
- 8% use 20-25 media partners
- 7% use 25+ media partners

Base: Total, n=330

Please estimate the number of different ONLINE AND OFFLINE media brands/publishers are included in your 2019 plan?
PREMIUM content matters—massively...

94%

Direct Brands Using Content Publishers

Top Reasons for Including Content Publishers

- Easy/good consumer user experience: 20%
- Reputation: 20%
- Display: 18%
- Campaign performance: 17%
- Ability to change campaign creative quickly: 16%
- Reach: 16%
- Content relevance: 16%
- Analytics/measurements analytics assistance: 15%
- Relationship with sales/marketing: 15%
- Low CPM (cost-efficient): 15%

Base: Total, n=330; 310 base for those using content partners
If you are advertising with any content publishers, please choose the top 3 reasons for those included in your advertising strategy.
…Although cookie cutter ads won’t cut it

We have experienced firsthand the performance benefit of reaching consumers who browse our site online with a relevant piece of direct mail. We recognize the value of providing a physical reminder that they can share, discuss, and consider on their own terms. As a result of our digital and direct mail campaigns, we’ve been able to decrease our CPA and add new customers to the brand.”

Scott Palladini
Founder, Bear Mattress

Budgets for Personalization by Year

2019: 46%
2020: 56%
Direct Brand Media Buy Drivers
Customer satisfaction eclipses acquisition

Top 10 Marketing/Advertising Objectives

- Drive customer satisfaction: 40%
- Identify high value audience: 31%
- Increase customer leads: 31%
- Increase customer retention/loyalty: 30%
- Drive first purchase: 29%
- Drive repeat purchase: 29%
- New product launch: 29%
- Increase high value audience: 28%
- Drive awareness: 26%
- Identify new customer segments: 25%

Base: Total, n=330; <15 Years, n=171; 15+ years, n=135

Which, if any, of the following objectives are included in your current marketing/advertising strategy?
More than two-thirds of Direct Brands have CAC and LTV media objectives

% of Direct Brands who Select Customer Acquisition Cost (CAC) as an Objective

- 69% CAC
- 31% Non-CAC

% of Direct Brands who Select Lifetime Value (LTV) as an Objective

- 71% LTV
- 29% Non-LTV

Base: Total, n=330
Which, if any, of the following objectives are included in your current marketing/advertising strategy?
Online social & streaming are preferred for CAC objectives...

Provides Acceptable Customer Acquisition Cost (CAC) by Media Channel (>20%)

- Social banner/display in-feed: 36%
- OLV on streaming apps: 29%
- Music streaming/downloading: 29%
- Podcasting streaming/downloading: 28%
- Digital Direct Mail: 25%
- Social stories: 25%
- Digital Radio: 23%
- Broadcast/Network TV: 23%
- Social sponsored ads (right rail): 21%
- Terrestrial Radio: 21%
- Traditional Direct Mail: 21%
- Digital OOH: 21%
- Cable TV: 20%
- Social video display in-feed: 20%

Online Channel
Offline Channel

Base: Total, n=330
Please help us understand the level of intent your DTC brand has for buying / leveraging the following online paid media platforms / ad types. Please select the one option which best fits each medium.
...As well as for lifetime value objectives

Delivers Customers with High Lifetime Value (LTV) (>20%)

- Social banner/display in-feed: 36%
- OLV on streaming apps: 31%
- Social stories: 26%
- Music streaming/downloading: 26%
- Terrestrial Radio: 25%
- Podcasting streaming/downloading: 25%
- Digital Direct Mail: 25%
- OLV on subscription services: 21%
- Social sponsored ads (right rail): 21%
- Print: 20%
- Cable TV: 20%
- Digital OOH: 20%

Base: Total, n=330

Please help us understand the level of intent your DTC brand has for buying / leveraging the following online paid media platforms / ad types. Please select the one option which best fits each medium.
Social investment increases when DTCs buy in-house

% of DTC Brands that Increased Social Media Investment, In-house vs. Outsourced

- In-House: 71%
- Outsourced: 55%

Average: 60%

Base: Total, n=203, CAC, n=130, Non-CAC, n=73; LTV n=143, Non-LTV, n=60; In-House, n=62; Outsource, n=83

Please share the percentage of your advertising buy that is managed by the following methods.
43% of Direct Brands currently have $ earmarked for emerging media.
Direct Brands: Measurement
Disruptors may look sophisticated...

~70% of Direct Brands invested in bringing analytics expertise in-house

69%

31%

Base: Total, n=330
Do you have an in-house analytics person/team?
Are you currently using media attribution models to determine media value?

Please share the type of attribution model(s) you are using.

% of Direct Brands Using Attribution Models

- 64% Yes
- 31% No
- 6% I don’t know

% of Direct Brands: Attribution Models by Type

- First interaction: 56%
- Last interaction: 34%
- Last non-direct click: 26%
- Lead creation touch: 25%
- Linear: 25%
- Time-decay: 22%
- Multi touch: 22%
- Position-based (U shaped): 7%
- W shaped: 2%
- Other/Custom: 2%
55% of Direct Brands have included offline media in their attribution model

- 55% Successfully acclimated offline media into our attribution model(s)
- 39% Currently working on/attempting to acclimate offline media
- 4% Tried but unable to successfully acclimate offline media
- 2% We've not attempted to acclimate offline media

Base: Use media attribution models, n=210
Have you included OFFLINE media into your attribution model(s)?
Ad buys are predominantly outsourced to third parties

% of Ad Buy Managed by:

- Outsourced to agency: 38%
- Outsourced to consultant: 35%
- Handled in-house: 27%

Base: Total, n=330

Please share the percentage of your advertising buy that is managed by the following methods.
47% (and growing) of buys are Programmatic vs. Direct

**Base: Total, n=330**

What percentage of your total annual ad buy is programmatic vs. purchased directly with a publisher/platform? How do you expect that to shift in the next two years? Please estimate the percentage of your total annual ad buy that is programmatic vs. purchased directly with a publisher/platform for 2020/2021.
Disruptors are programmatic—by design

Online Tools: In-house vs. Outsourced Analytics

<table>
<thead>
<tr>
<th>Tool</th>
<th>In-House</th>
<th>Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website analytics</td>
<td>36%</td>
<td>55%</td>
</tr>
<tr>
<td>Customer service</td>
<td>37%</td>
<td>54%</td>
</tr>
<tr>
<td>Email marketing</td>
<td>40%</td>
<td>53%</td>
</tr>
<tr>
<td>Content creation</td>
<td>33%</td>
<td>41%</td>
</tr>
<tr>
<td>Website testing tools</td>
<td>33%</td>
<td>40%</td>
</tr>
<tr>
<td>Default Social Media service</td>
<td>33%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Base: In-House, n=80; Outsourcing, n=156
Which of the following tools for online marketing/advertising are you currently using or has your direct-to-consumer business used? (Currently using)
Earned / Owned Impact on Paid Media
Earned media makes brand disruption possible

**% Reliance on Earned Media ONLY**
- **Yes**: 90%
- **No**: 10%

**Belief in Earned Media**
- **Believe earned media is a significant contributor**: 95%
- **Do not believe in earned media**: 5%

“... PR is the gift that keeps on giving: It lives on in search, it helps your SEO, it’s its own strategy. I was a firm believer from launch that telling a story and building a narrative around a brand was invaluable from a marketing perspective.”

Ariel Kaye
Founder, Parachute
Social platforms are touted as the greatest contributor of “earned” media

Top Earned Media Types

- Social Media (non-Influencers): 68%
- Social Media Influencers: 66%
- Online publications (e.g. news, lifestyle, product website, etc.): 64%
- Broadcast TV or streaming video: 58%
- Events: 57%
- Offline publications (e.g. news, lifestyle, product magazine/newspaper, etc.): 56%
- Organic search results: 55%
- Review sites: 54%
- Press mentions/releases: 54%
- Bloggers: 48%

Base: Total, n=330
Which of the following types of Earned Media have you identified as significant contributor(s) to the following objectives?
Media Buys: Where Next?
Top PAID media given unlimited budget:

**Social media: Influencer video**
- Brand-created event
- Radio – Terrestrial
- Video: Ad-supported streaming app requiring cable/satellite/telco login

**Social media: Banner/display in-feed**
- TV: Broadcast/Network/Cable

**Video: Ad-supported, subscription-based streaming services**
- Traditional Direct Mail
- Search: Shopping

**Social media: Stories**
- Open web sites: Sponsored

**Video: Ad-supported, free streaming sites/apps**
- Social media: Influencer posts/blogs
- Open web sites: Paid

**Social media: Video display in-feed**
- Sponsored third-party event
- Out-of-home: Digital

**Social media: Sponsored ads**
- Video: Addressable linear/VOD

**Audio: Music streaming/downloading**
- Newspaper/Magazine
- Search: Video display
- Audio: Streaming/downloading other audio
- Digital to Direct Mail

**Search: Text**
- Search: Image

**Audio: Podcasting streaming/downloading audio podcasts**

**Search: Shopping**

**Print: OOH**

Base: Total, n=330

If you were given an unlimited budget...Please select the top three media platforms/channels you’d invest in that you are not currently using.
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For more information, please visit hulu.com.

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