Brand Disruption 2021

The IAB Annual Report on the Evolving Consumer Ecosystem

November 2020

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The 2021 recipe for brand growth

1. **The fastest-growing brands of 2021 will be**: Storeless, data-rich, live, participatory, entertaining, localized, and streaming.
2. **Small brands will continue to chip away**: All the trends in production, distribution, retailing, and marketing make small brands more competitive against large brands. But big brands' scale, recognition, and trust still give them significant advantages.
3. **You cannot delay gratification**: With Walmart and Amazon competing to make 2-hour delivery the norm in major markets, delivery partnerships for rapid fulfillment are now essential for all brands.
4. **How do I engage thee? Let me count the ways**: While the goal of marketing remains "creating a customer," the way to do so is through participation via ongoing communities, social selling, live virtual events, classes, and other forms of active involvement in the brand – tactics that will experience hypergrowth as COVID mainstreams them.
5. **Make it stream, make it shoppable, and make it FAST**: Media advertising increasingly will focus on driving participation in live events. Successful publishers, brands, retail brands, and experience providers will partner to promote and fulfill live experiences, and enable shopping directly. The growth of free, ad-supported, streaming TV will boost the usage of shoppable media.
6. **Brands must be data companies that make things, not the other way around**: Consumer-facing companies cannot remain competitive without growing their 1st party relationships and 1st party data.

1. The COVID Disruption

One Big Takeaway

COVID accelerated the transition from a brick-and-mortar consumer economy to a "storeless" economy by up to 500%, permanently altering the brand value chain.

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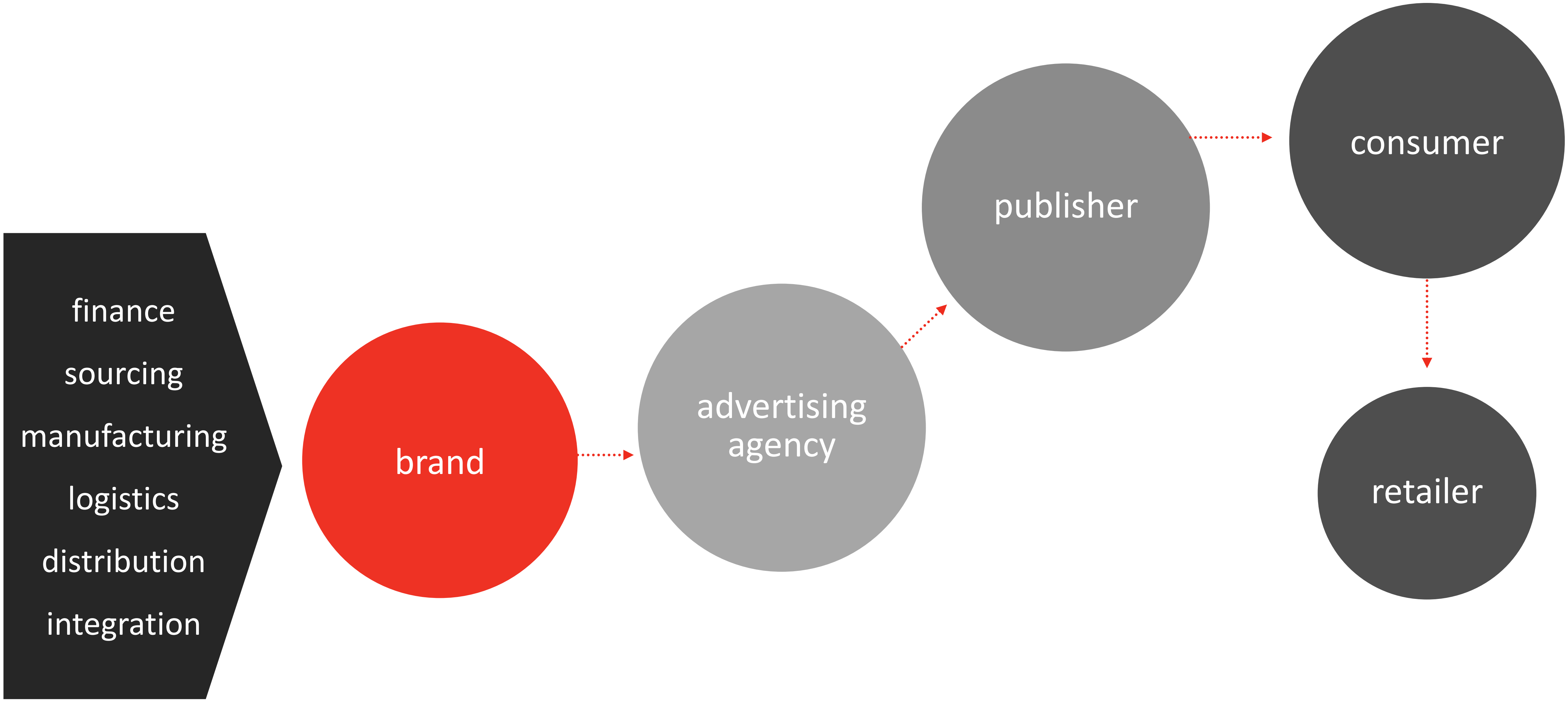
The Indirect Brand Economy (1879 – 2010) required tightly woven supply chains and physical stores…



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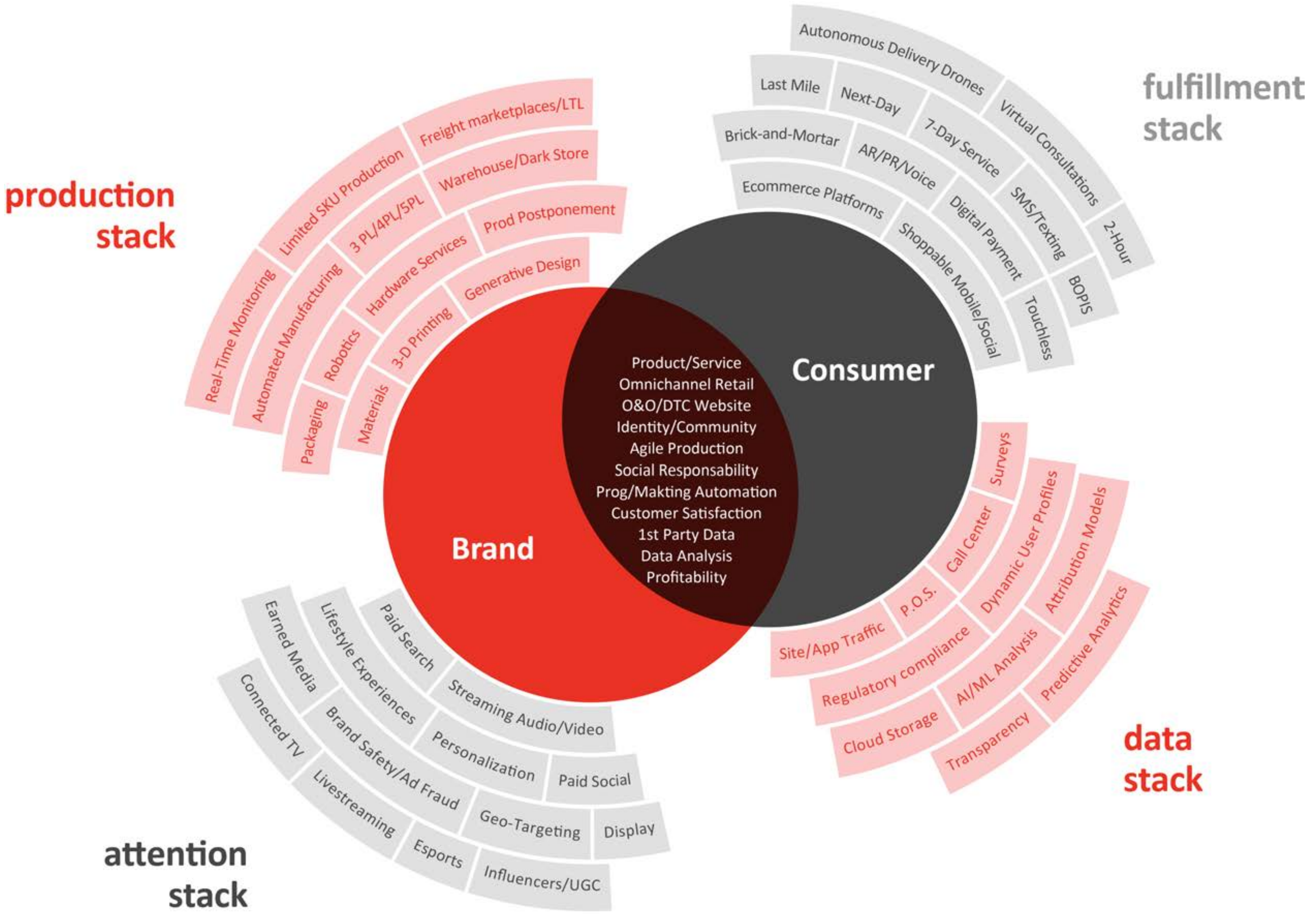
… While the Direct Brand Economy (2010 -) rewards agile outsourcing and scaled individual relationships



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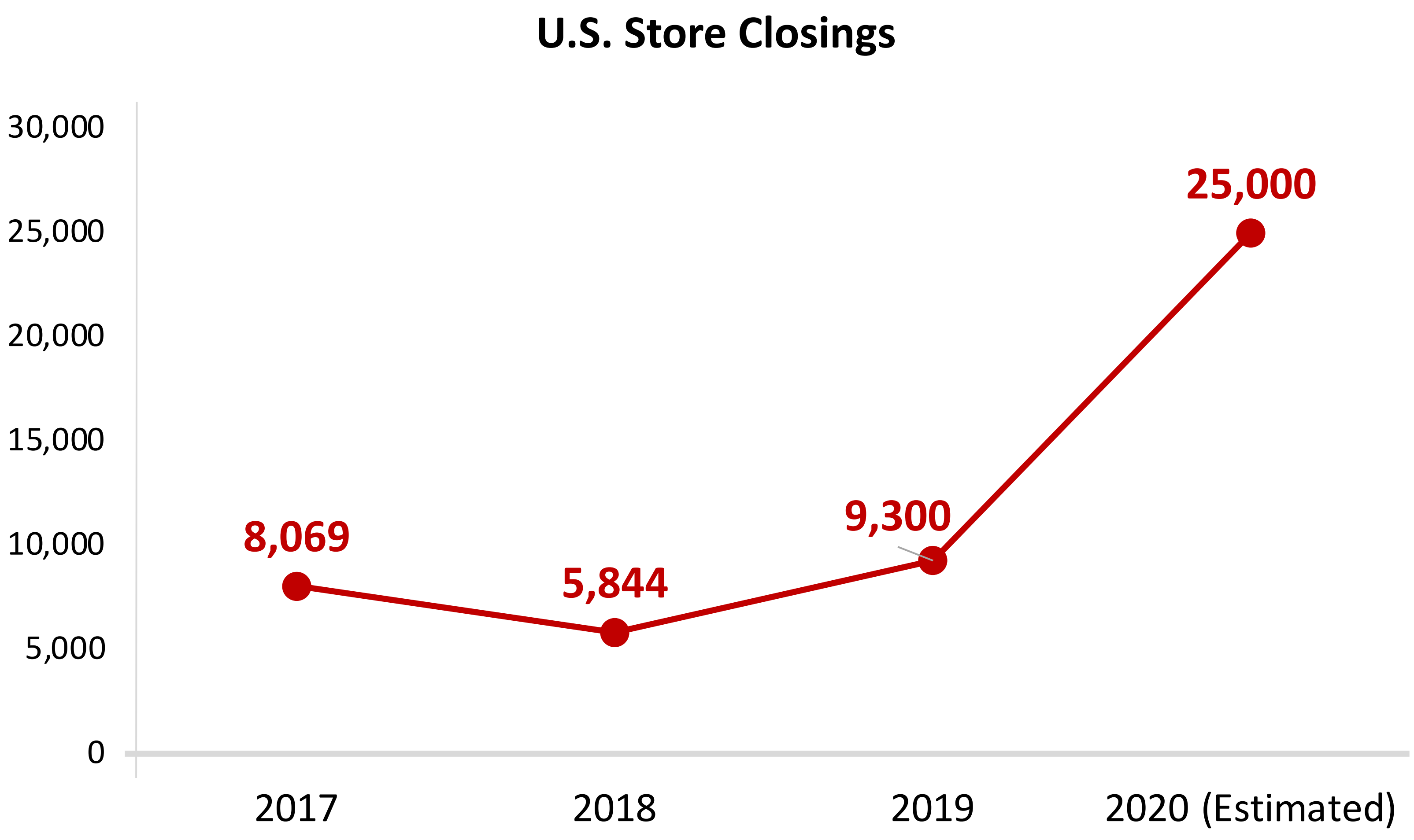
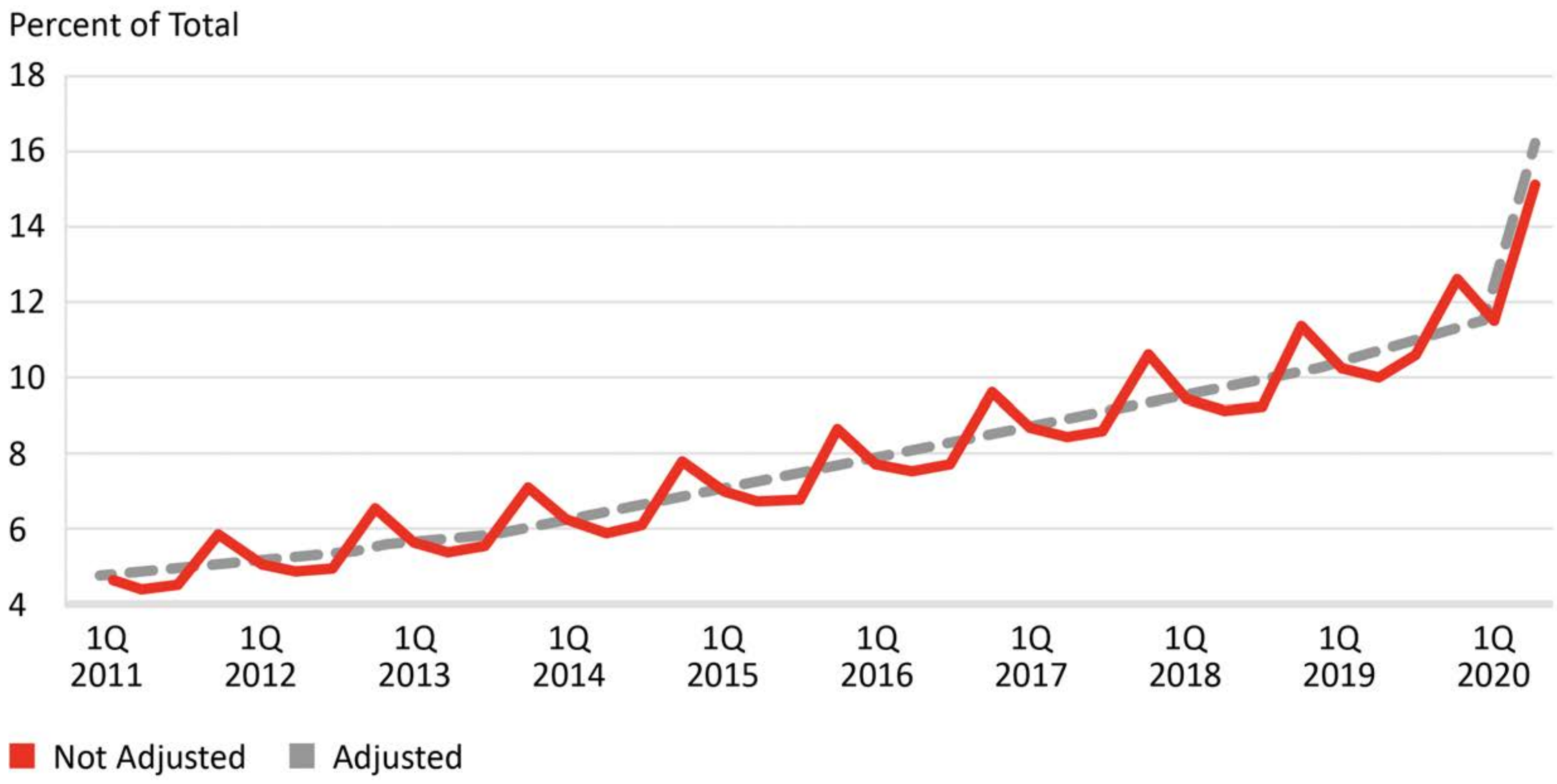
The U.S. economy is becoming storeless: Physical store closings will rise ~3x in 2020



Sources: Retail Dive; CNBC

Online retail spending was up 30% through the 1st quarter…

Estimated Quarterly U.S. Retail E-commerce Sales as a Percent of Total Quarterly Retail Sales:

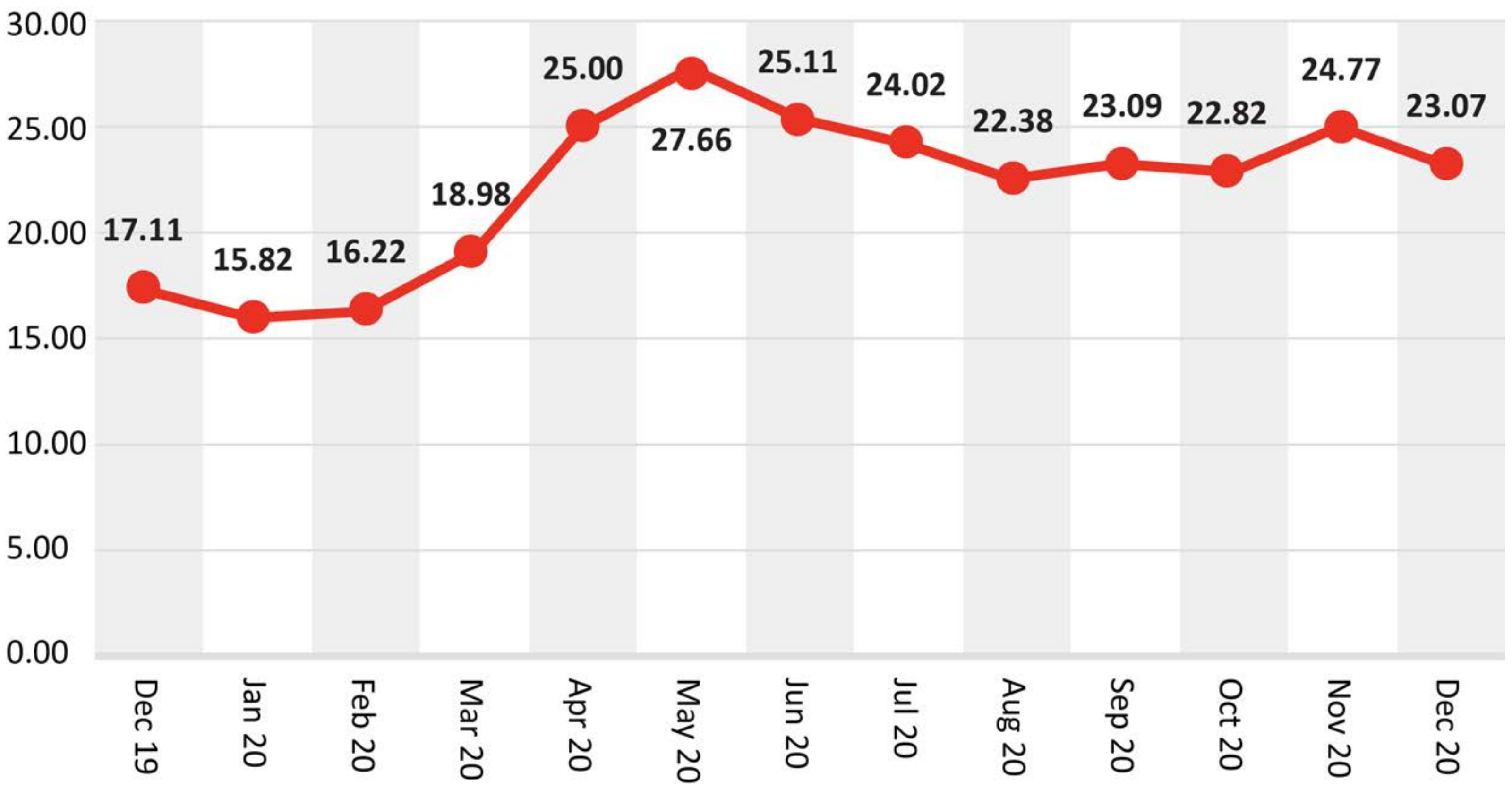


**Excludes products not able to be sold online (e.g. gasoline)*
Source: The Commerce Department, 8/8/20; Digital Commerce 360.; Adobe Analytics; August 2020

…And grew digital shopping's share of retail 5-7x faster than pre-COVID rates

Overall Online Penetration by Month

% of total retail sales

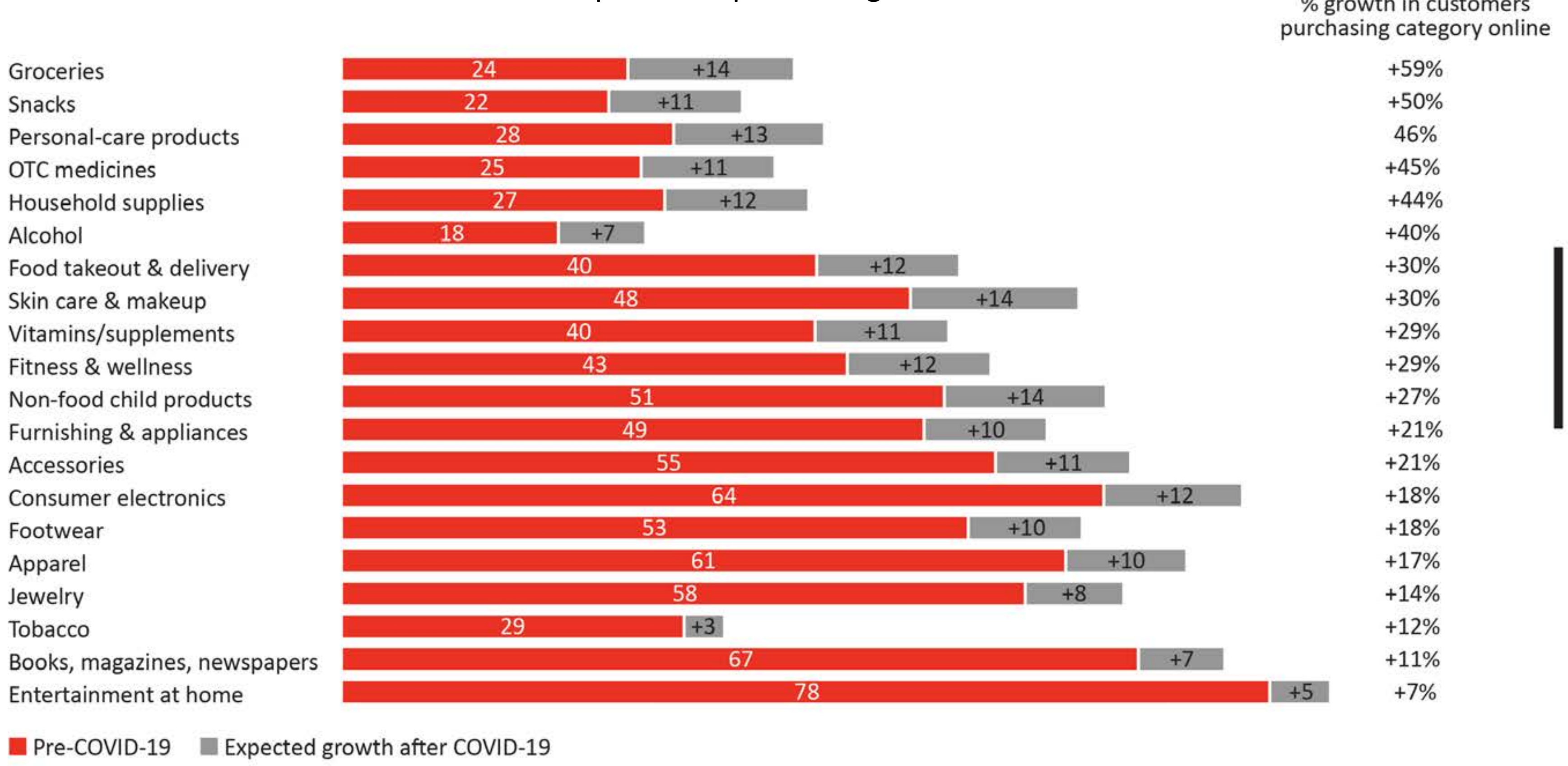


Source: GlobalData/Amazon, 9/15/20 (U.S. data, including 4th quarter estimates

COVID is turning most categories into majority-online by consumer activity

Consumer's Use of Online Channel before and Expected Use after COVID-19

% of respondents purchasing online*



~15—45%
growth in consumers who purchase online for most categories

Question 1: Before the coronavirus (COVID-19) situation started, what proportion of your purchases in this category were online vs from a physical store/in person?
Question 2: Once the coronavirus (COVID-19) situation has subsided, tell us what proportion of your purchases in this category you think will be online vs from a physical store/in person?
** Includes respondents who chose "some online," "most online," and "all online." Respondents who indicated that they have not bought the category online and do not intend to do so in the next two weeks are classified as not purchasing online.*

Source: McKinsey & Company COVID-19 US Consumer Pulse Survey 7/30—8/2/2020, n - 2,024, sampled and weighted to match the US general population 18+ years

Sources: Financial Times, 8/11/20; McKinsey, 8/7/20

COVID also is accelerating dollar-volume shifts from physical to digital stores…

U.S. Retail E-commerce Sales Share by Category

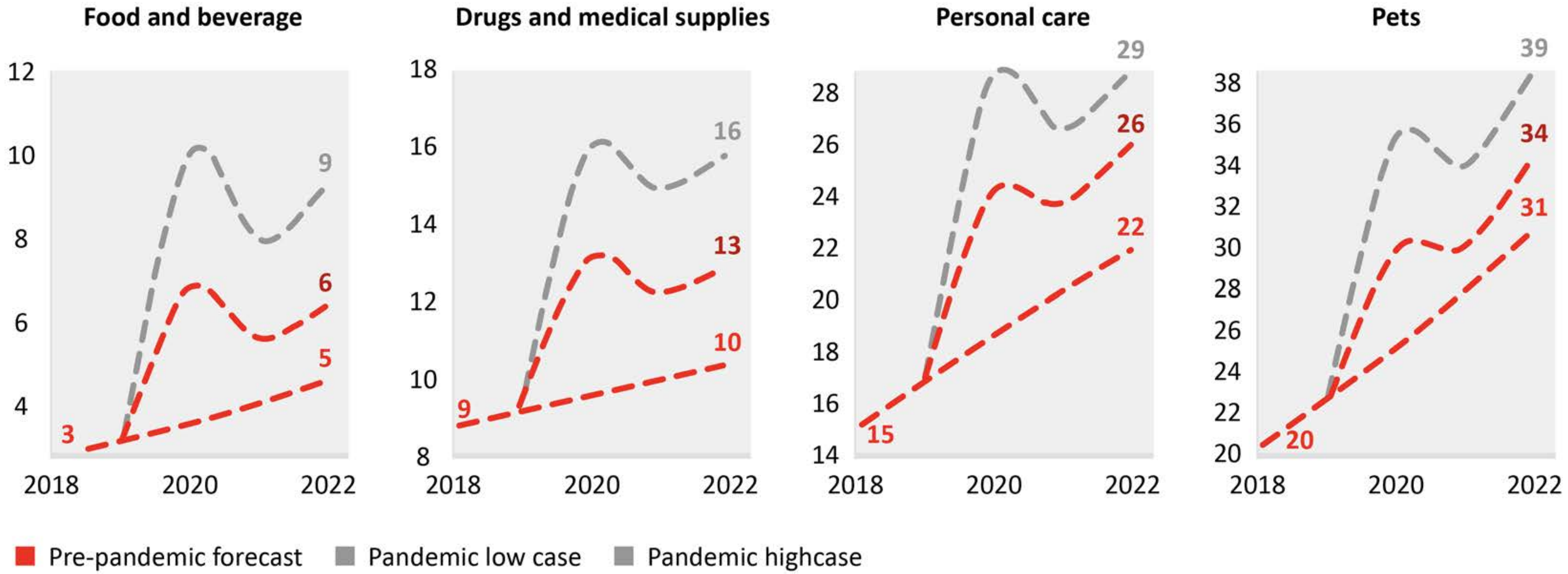
% of total retail sales

	2018	2019	Pre-coronavirus (Feb 2020)	Post-coronavirus (May 2020)	2021
Apparel and accessories	23.3%	26.4%	28.9%	36.7%	34.8%
Auto end parts	3.3%	3.5%	3.9%	5.2%	4.9%
Books/music/video	43.5%	47.9%	54.9%	62.7%	58.7%
Computer and consumer electronics	35.8%	39.0%	42.7%	49.5%	48.5%
Furniture and home furnishings	20.1%	22.8%	25.5%	29.9%	29.3%
Food and beverage	2.2%	2.7%	3.2%	3.7%	4.3%
Health, personal care and beauty	9.2%	10.5%	11.1%	13.0%	13.5%
Office equipment and supplies	26.9%	28.9%	26.6%	39.3%	36.6%
Toys and hobby	30.3%	34.9%	36.8%	47.8%	45.0%
Other	4.0%	4.3%	4.4%	6.1%	5.4%
Totals	**9.9%**	**11.0%**	**12.0%**	**14.5%**	**14.4%**

Source: eMarketer, 7/22/20

… far beyond projections

E-Commerce Sales as Share of Total Market Sales (%)



Source: Forrester Analytics; BCG analysis

Source: BCG, [7/1/20]

Digital grocery sales have grown 500% since 2019, with shopping frequency doubling

June Scorecard: Online Grocery Delivery & Pickup

*Total U.S. — Past 30-day activity**

Performance Metrics	Aug 2019	March 2020	April 2020	May 2020	June 2020
Sales (Past 30 days)	$1.2 B	$4.0 B	$5.3 B	$6.6 B	$7.2 B
Spend (Average per order)	$72	$85	$85	$90	$84
Orders (# Past 30 days)	16.1 M	46.9 M	62.5 M	73.5 M	85.0 M
Customers (# Active during past 30 days)	16.1 M	39.5 M	40.0 M	43.0 M	45.6 M
Frequency (Monthly average/customer)	1.0	1.2	1.6	1.7	1.9

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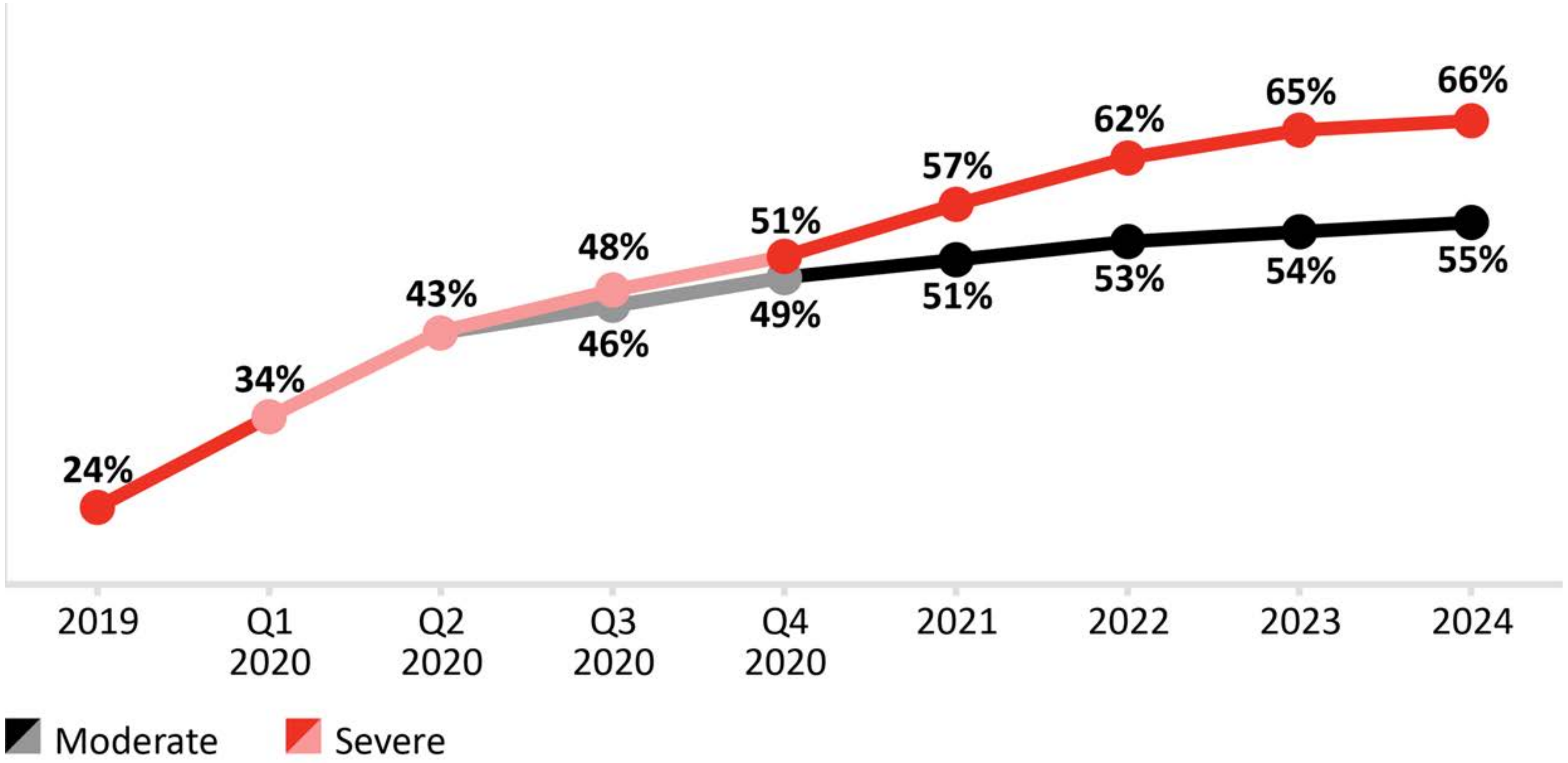
Source: TechCrunch, 7/6/20

The percentage of digital grocery shoppers will more than double from 2019-24

U.S. Online Grocery Penetration Forecast



Note: Penetration is defined as percent of consumers who have ever purchased groceries online for delivery or pickup. The moderate case considers if the pandemic subsides during Q3 2020, while the severe case looks at if concerns persist until there is a vaccine in 2021 or 2022.

Source: Business Insider Intelligence estimates, Business Insider Intelligence "Coronavirus Consumer Study," Coresight Research, Bain & Company, Brick Meets Click

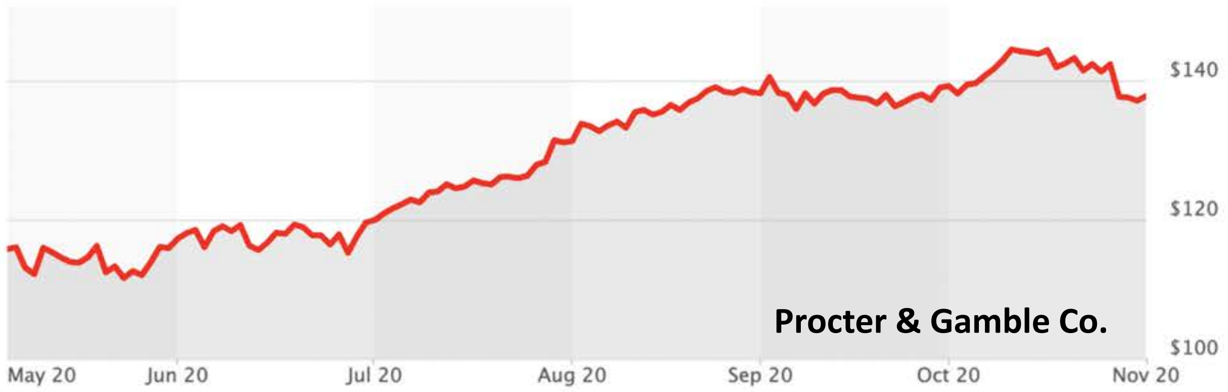
Methodology: Business Insider Intelligence considered third party data and the April 2020 Business Insider Intelligence "Coronavirus Consumer Study" to determine this forecast. The survey polled 1,199 US adults ages 18+ online on March 31, 2020. The sample resembles the US population (based on census data) on the criteria of age, gender, income, and living area.

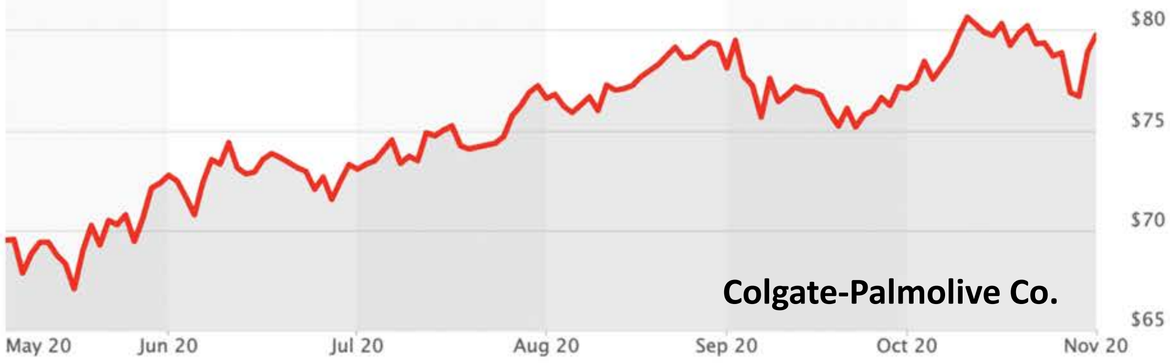
Source: Business Insider, 8/1/20

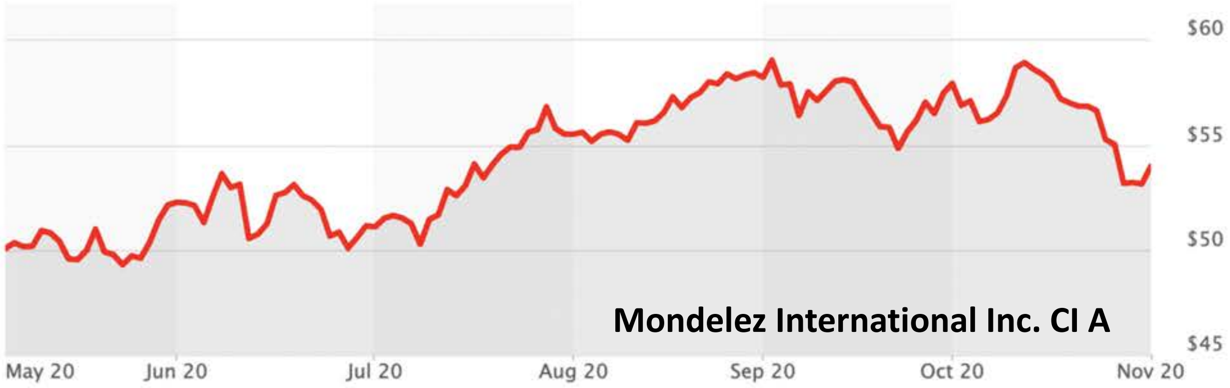
Increased demand is boosting the value of leading CPG brands…

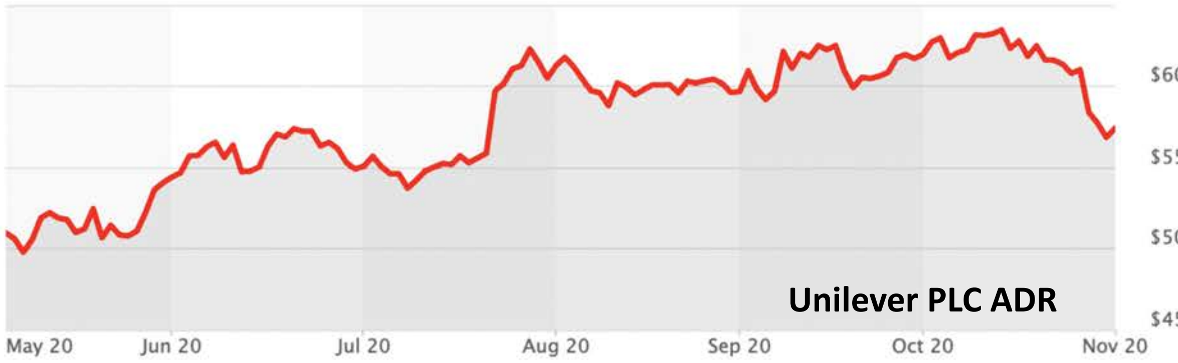
Since COVID's emergence, the CPG industry demand index is up 10% YoY; typical industry growth is 2-3%

Stock Market Value: Last 6 Months (11/2/20)









Source: MarketWatch, 11/2/20; IRI, 8/7/20

…But digital media democratize the scale and competitiveness of smaller brands

200

# of advertisers supplying 88% of U.S. network television revenue

10 million

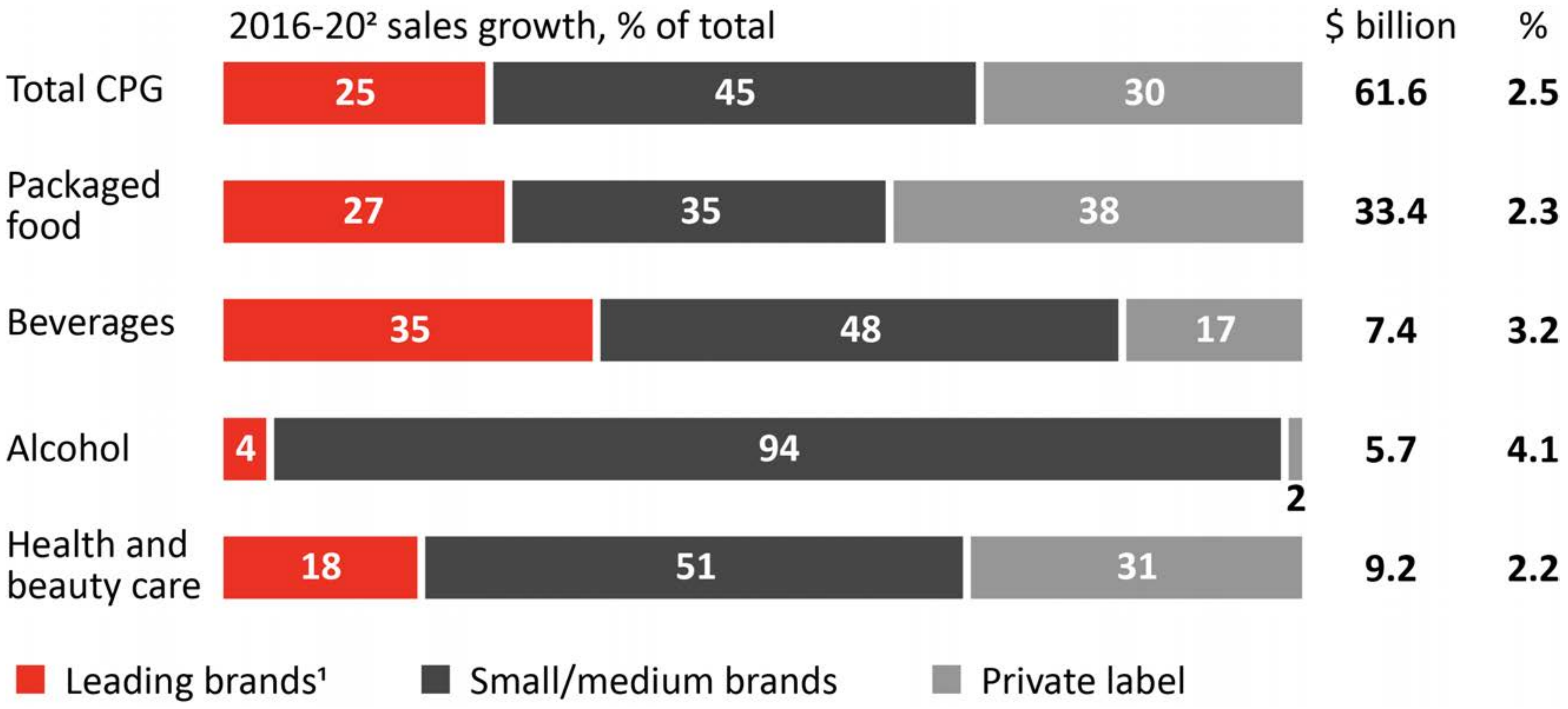
# of individual advertisers on Facebook

Source: Brian Wieser, Group M; Facebook Earnings Call 10/29/20

Smaller brands have been outgrowing large brands in physical stores

Sales Growth across U.S. Nielsen-Covered Stationary Channels by Type of Brand (2016 –20)

% of total

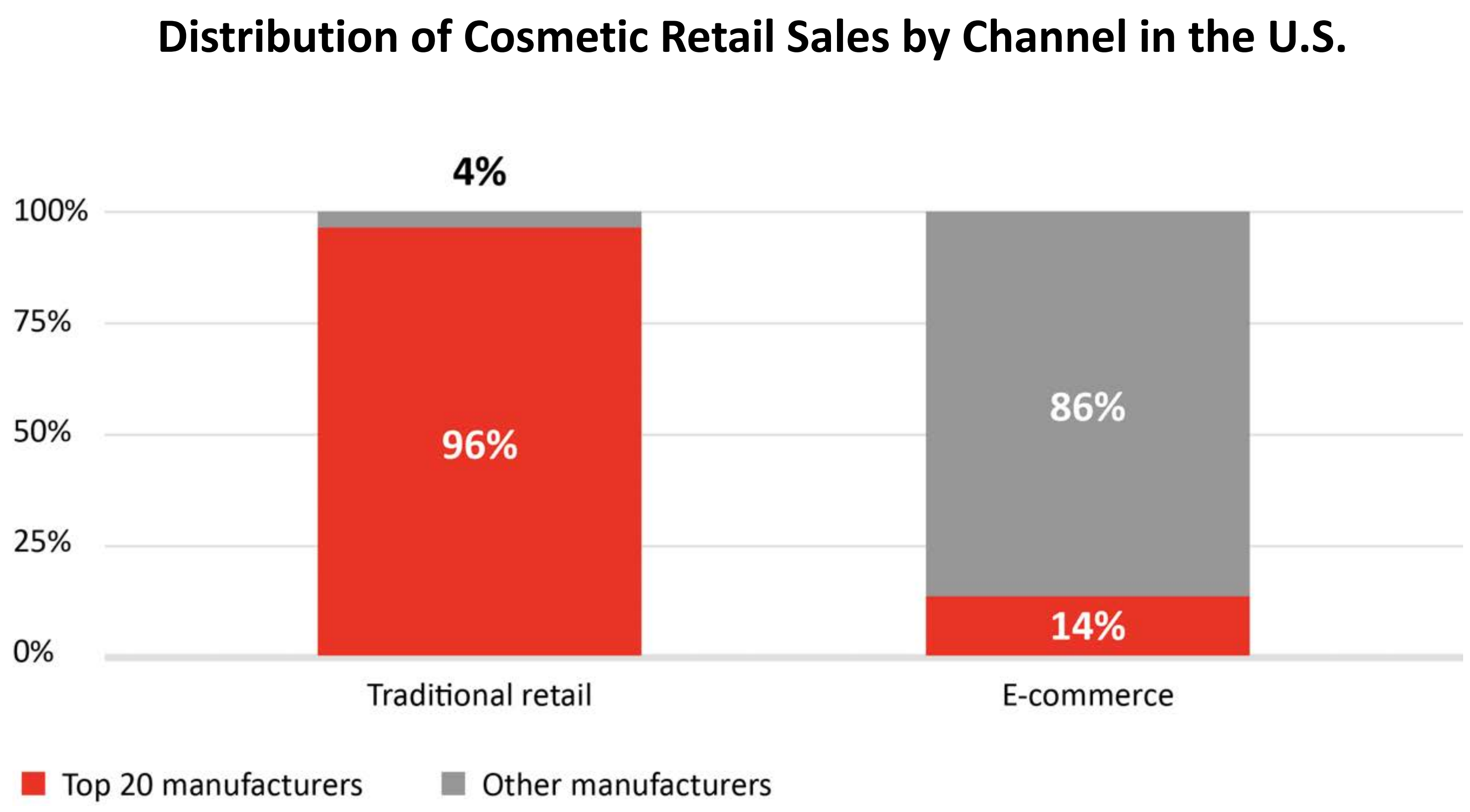


[1] *Leading brands defined as the top 3 brands by TTM 04/2016 Sales by sub-category (e.g. whiskey, hair care), small / medium business brands as remaining brands apart from Private Label.*
[2] *Includes food/grocery, drug, mass merchandisers, Walmart, club stores, and dollar stores. Years referred to 12 months, ending in April of that year (e.g. 2016 = 12 months from 05/2015 to 04/2016).*

Source: Nielsen

Source: McKinsey, 7/30/20

When consumers go digital, disruptor brands benefit most…



Source: Inc; CBNC, 3/20/19; Common Thread, 3/16/20

…When consumers go digital, disruptor brands benefit most…

With offline beauty product sales declining 1%+ YoY and online sales growing ~5%, Glossier doubled its revenue to $100M and added over 1 million new customers

Source: Inc; CBNC, 3/20/19; Common Thread, 3/16/20

…When consumers go digital, disruptor brands benefit most…

Brick-and-mortar pet food sales were flat in 2019; online sales were up 53%. **Chewy's** net sales grew 40% to $4.85B, and 46% in Q1 2020

Source: Pet Food Processing, 4/8/20; NY Post, 2/16/20; Pet Product New, 3/2/20; Pet Food Industry, 7/2/20; IBIS World, 9/28/20; Tinuiti, 8/7/20

…When consumers go digital, disruptor brands benefit most…

2019 consumer home goods spend was up 3%; Wayfair's total net revenue was up 35% to $9 billion, 6x Crate & Barrel

wayfair®

Source: Wayfair, 2/28/20; Furniture Today, 5/18/20; Factor-A; Business Insider, 7/24/20; Forbes, 10/18/20; Source: Bed Times, 6/9/20; Furniture Today, 8/7/19; Emarketer, 7/22/20

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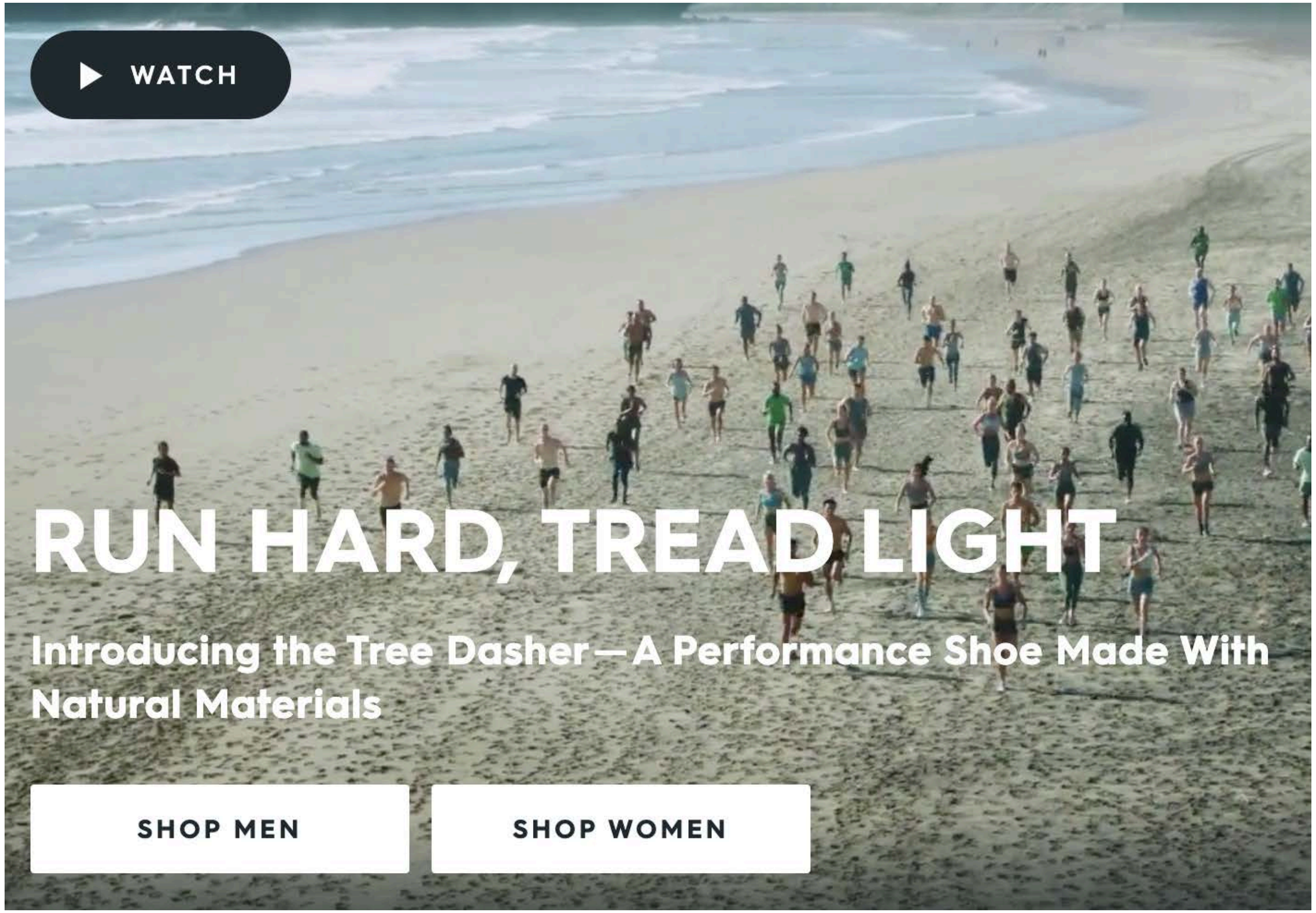
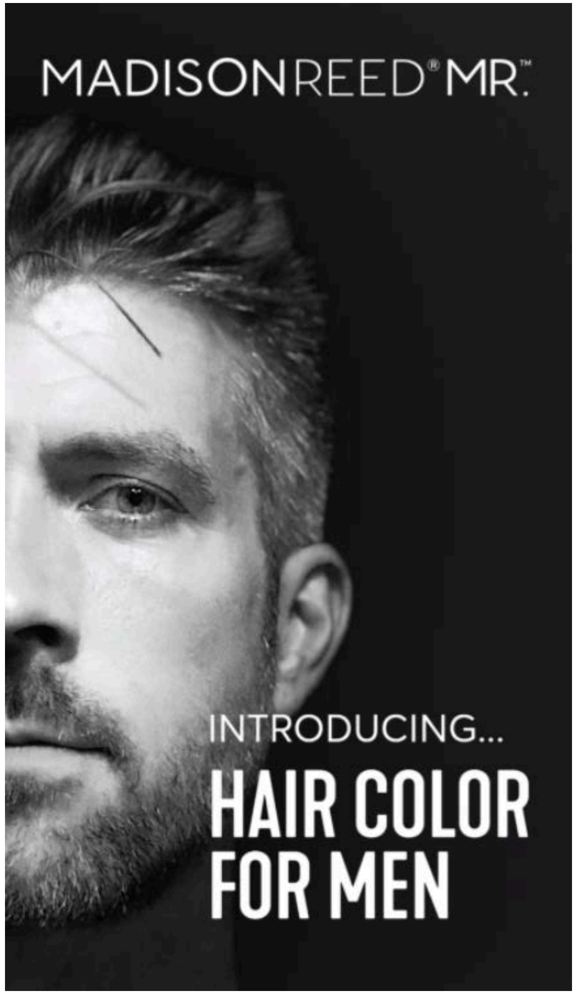
…When consumers go digital, disruptor brands benefit most…

With 100% of apparel sector growth occurring in digital channels, Poshmark doubled revenue in 2019 to $2 billion

Source: Stitch Fix; CNBC, 6/23/20; Fast Company, 9/25/19; Digital Commerce 360, 8/4/20; Digital Commerce, 8/25/20;

First-wave disruptors are pushing their brands into new segments





Source: Retail Dive, 4/29/20; Sources: Retail Dive, 7/20/20; Media Post, 7/1/20

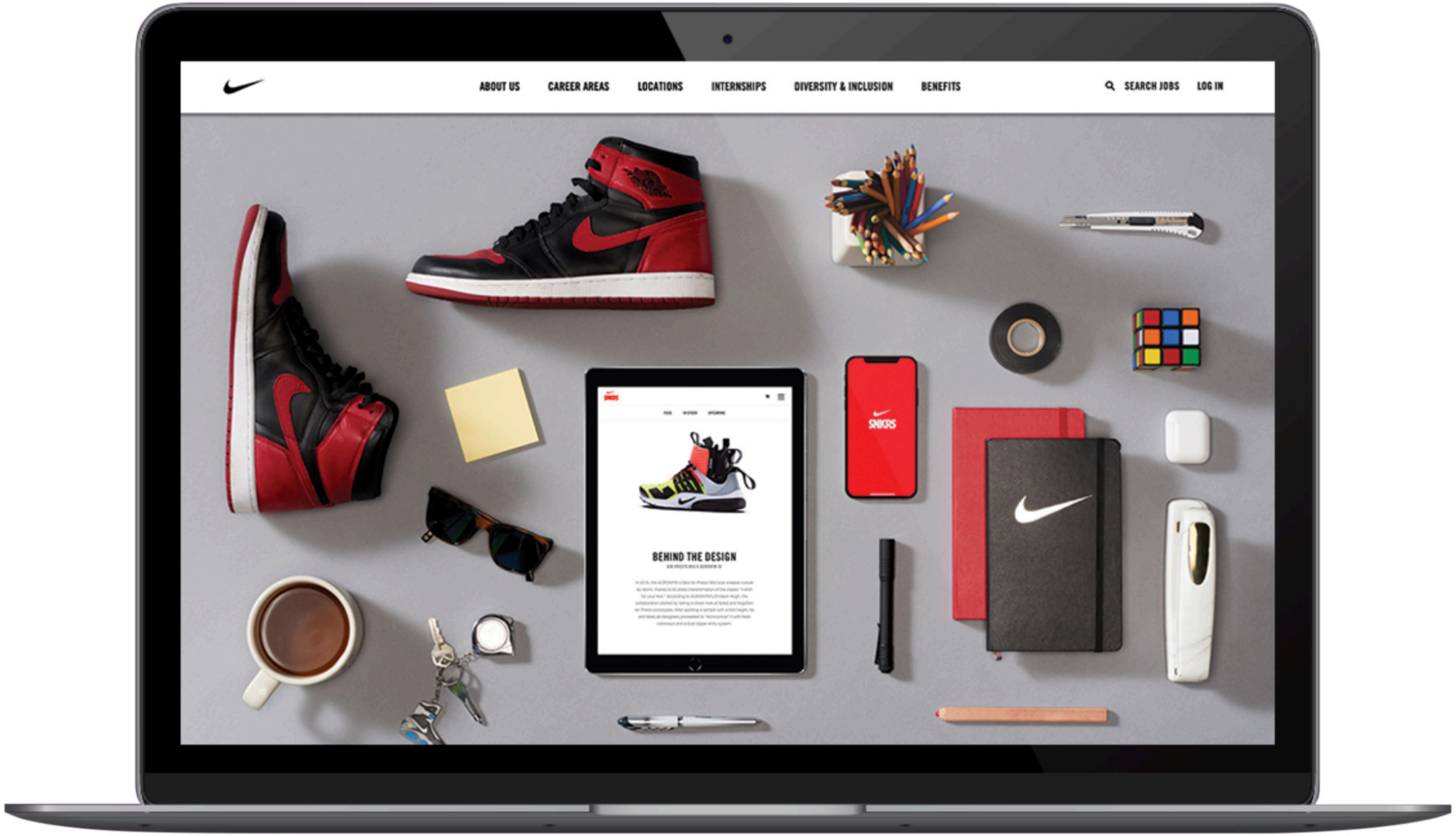
Big brands are playing catch-up, and amping up direct consumer sales

PantryShop By PepsiCo

SNACKS.COM

Sources: PRNewswire; Marketing Dive; Digiday, 9/9/20; Digital Marketing Industry News, 6/9/20

Nike is shifting increasingly from wholesale to O&O and DTC



Source: [Marketing Dive]

Brands increasingly are data companies that make products – not vice versa

Source: Food Business News, 2/24/20; Source: Medium, 1/16/20

2. Bricks Support Clicks

One Big Takeaway

168 years of store-centered discovery are ending. Bricks now augment clicks – as distribution hubs, BOPIS centers, and brand-entertainment venues.

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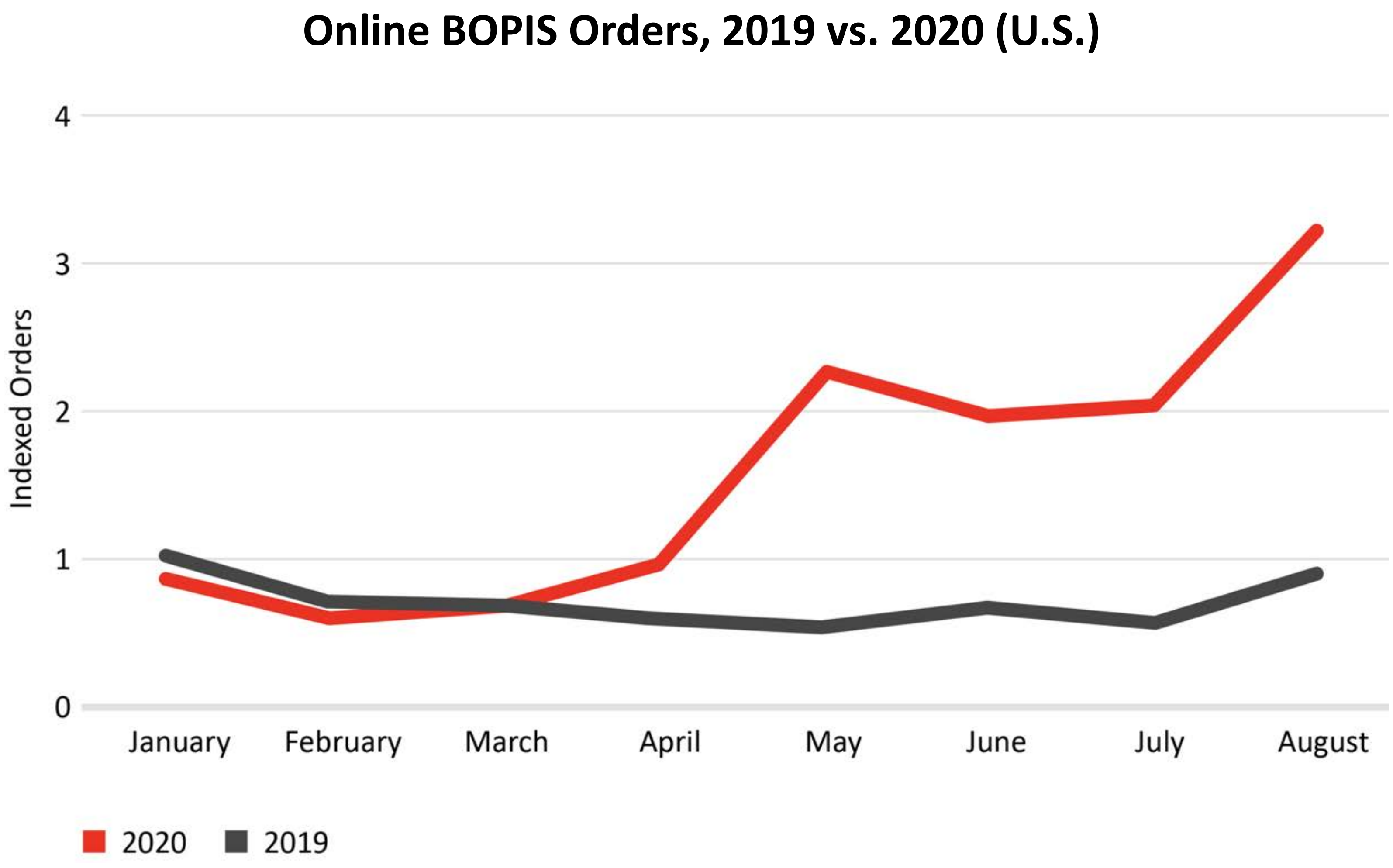
BOPIS has surged 259% since the pandemic began

BOPIS = Buy Online, Pick Up in Store



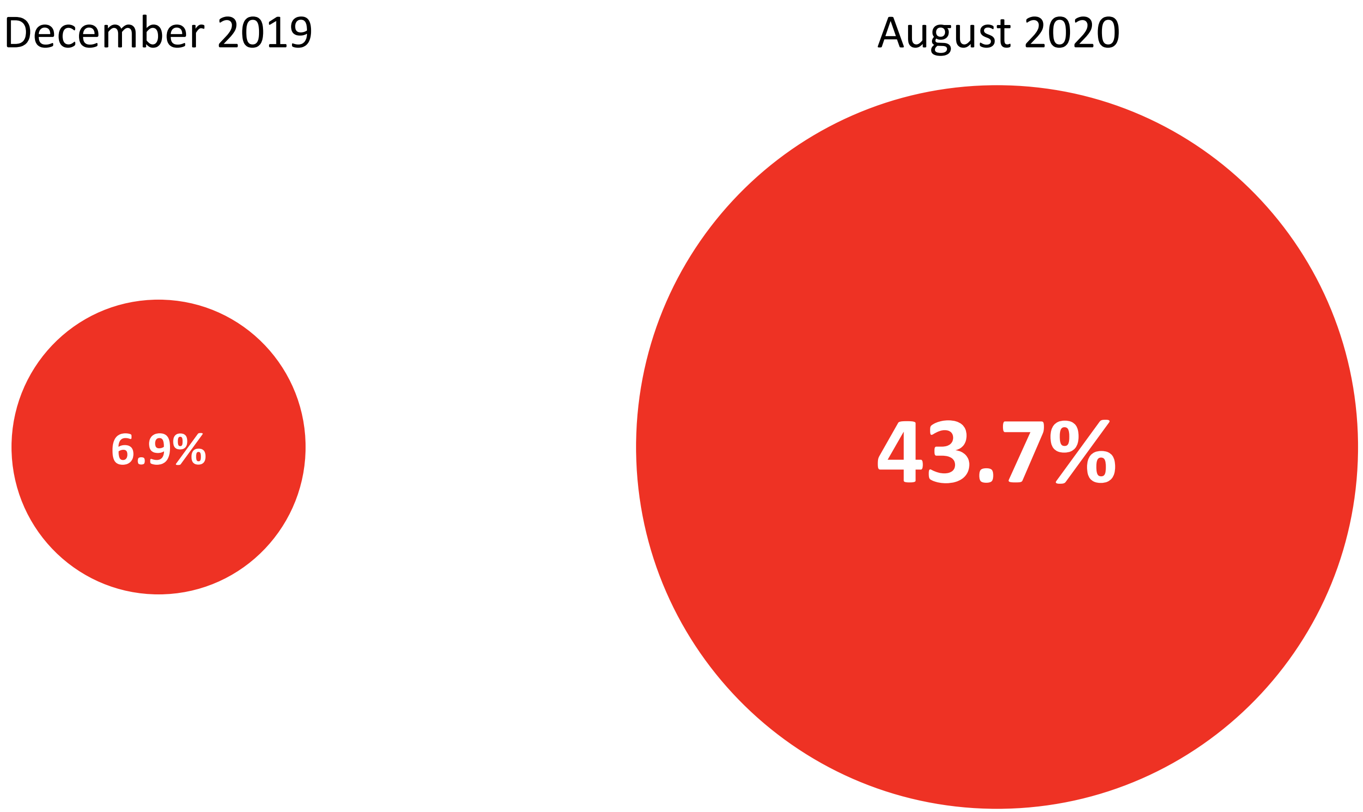
Source: Adobe Analytics

Source: McKinsey, May 2020; Retail Dive, 9/18/20 ; Emarketer, May 2020

Top 500 retailers offering “curbside pickup” grew 500% since December

Curbside Pickup Growth

% of Top 500 retailers with stores offering curbside pickup*



** Data based on the 245 retailers in Digital Commerce 360's Top 500 North American retailers as of August 2020.*

Source: Digital Commerce 360

More than 2/3 of consumers will continue to click-and-collect after COVID

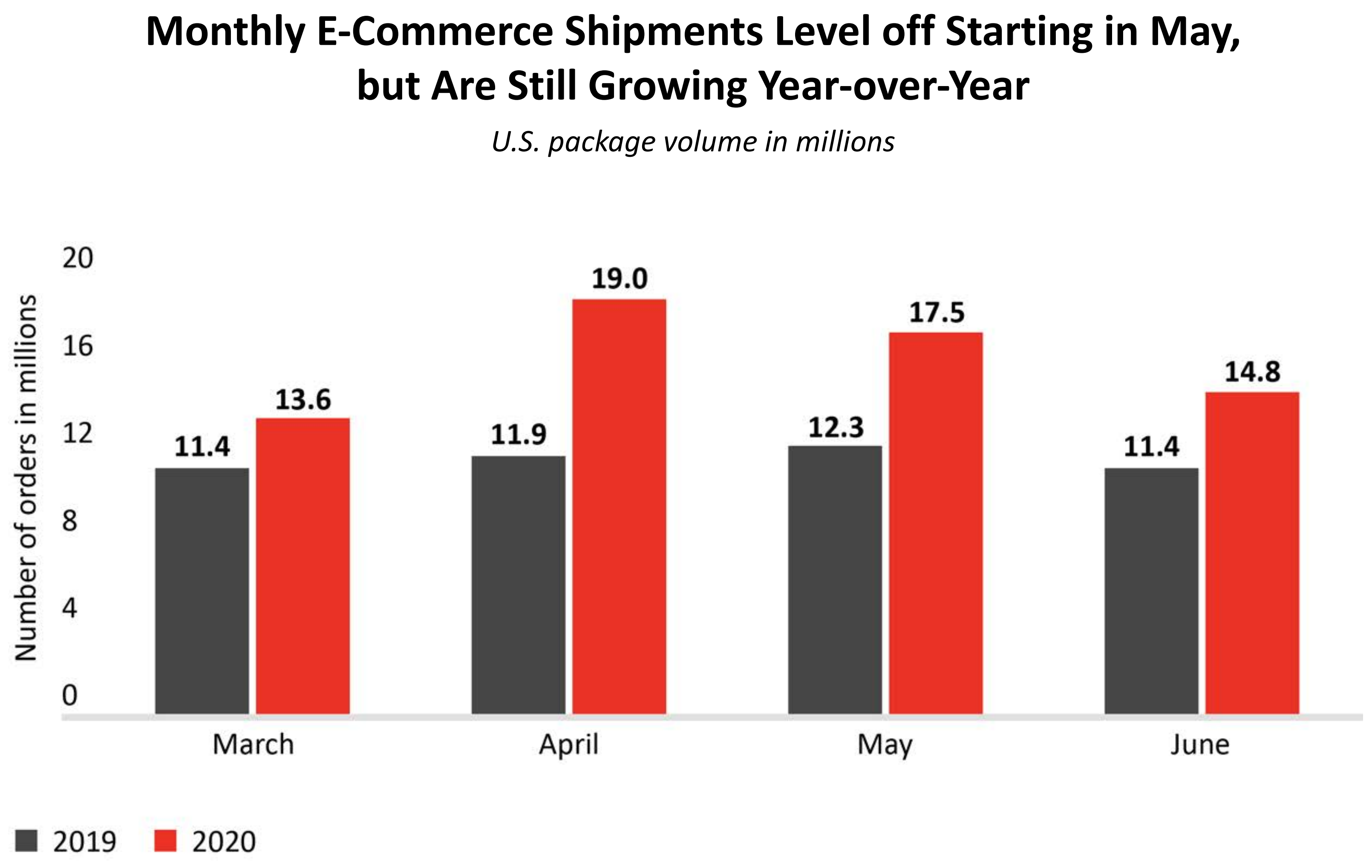
Future Habits

Compared to before the pandemic, which of the following will you do more of once things have returned to normal? (%)

Collect online orders from inside a store	Collect online orders from curbside / outside a store	Return an item bought online to a store
59.6%	68.2%	49.7%

Source: GlobalData/Amazon, 9/15/20

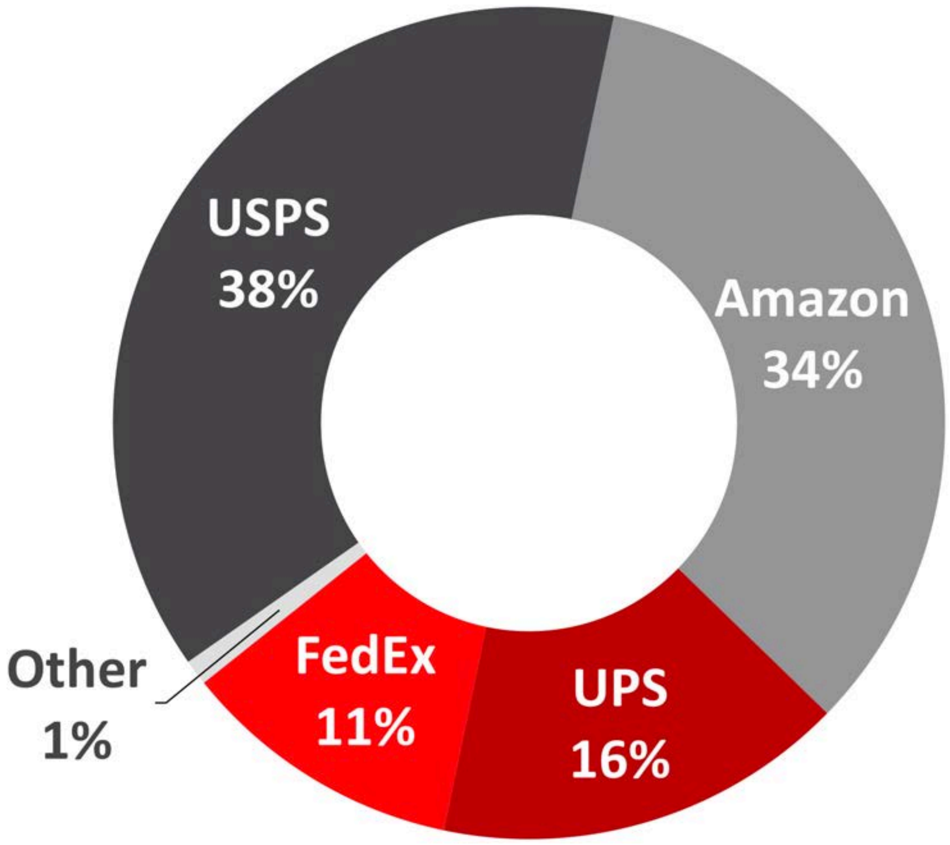
U.S. monthly e-commerce shipments increased 38% YoY during COVID



Sources: Bloomberg, 7/30/20; Digital Commerce 360, 7/31/20

After USPS, Amazon is the current leader in the U.S. delivery race, with more share than FedEx and UPS combined

Share of July 2020 U.S. Package Deliveries



Source: PYMNTS, 8/13/20

Target’s same-day delivery grew 278% YoY

+24.3% Comparable Sales

+195% Comparable Digital Sales

+10.9% Comparable Store Sales

$3.35 GAAP EPS from continuing operations

$3.38 Adjusted EPS*

Indicates all-time record

Digital Growth

We’ve added 10 million new digital guests in the first half of 2020.

Same-Day Services

Our safe and convenient same-day fulfillment offerings grew **273%** and continued to help build trust with guests.

drive up — We saw the fastest growth in Drive Up, which grew **more than 700%.**

Q2 2019

Q2 2020

Shipt — Year-over-year Target sales fulfilled by Shipt **grew more than 350%.**

order pickup — In-store pickup sales increased **more than 60%** in Q2.

Order Pickup has been in stores for 5 years and continues to grow in popularity.

Source: Tech Crunch, 8/20/20; Tech Crunch, 6/25/20; Supply Chain Dive, 5/11/20; Source: Progressive Grocer, 8/11/20

Amazon transformed same-day delivery to multi-hour delivery

Source: Supply Chain Dive, 3/3/20

Walmart, Instacart, and Amazon set the new standard: 2-hour delivery

Sources: Business Insider, 8/1/20; Supply Chain Dive, 5/1/20

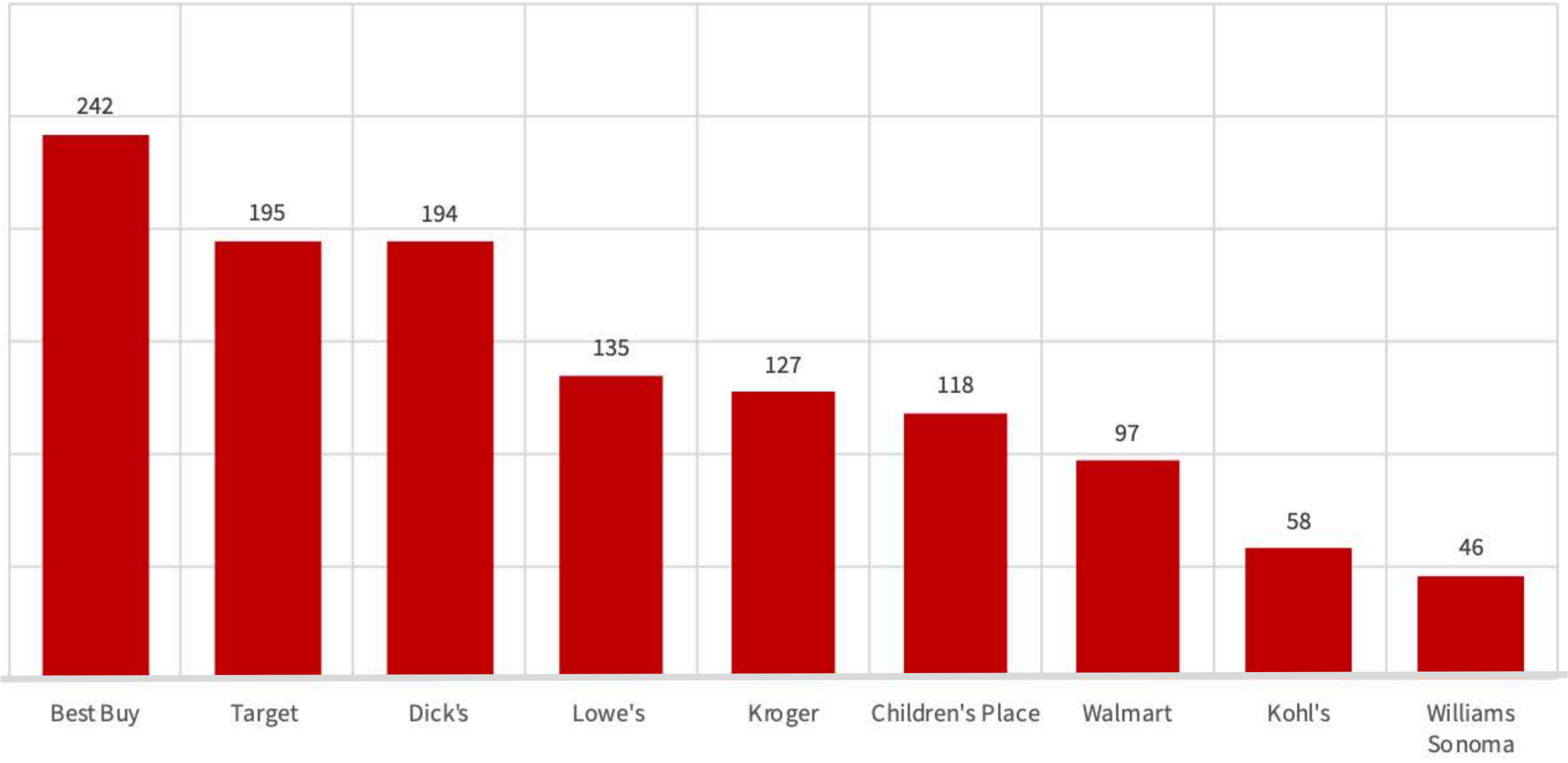
Amazon, UPS, and Alphabet-owned Wing now have FAA drone-delivery approval

Sources: CNBC, 8/31/20; Target, 3/3/20

Top retailers have doubled their omnichannel offerings in 2020

Digital/Multichannel Growth Rates of Selected Retailers

% growth Q2 2020 vs. Q2 2019



Source: GlobalData/Amazon, 9/15/20

Best Buy and BB&B are converting ~25% of stores into shipping hubs & fulfillment centers

Sources: Supply Chain Dive; CNBC; Fast Company; Source: Retail Touchpoints, 5/2/20

Brick-and-mortar stores now enhance the digital experience, not vice versa

Source: S&P Global, 7/9/20

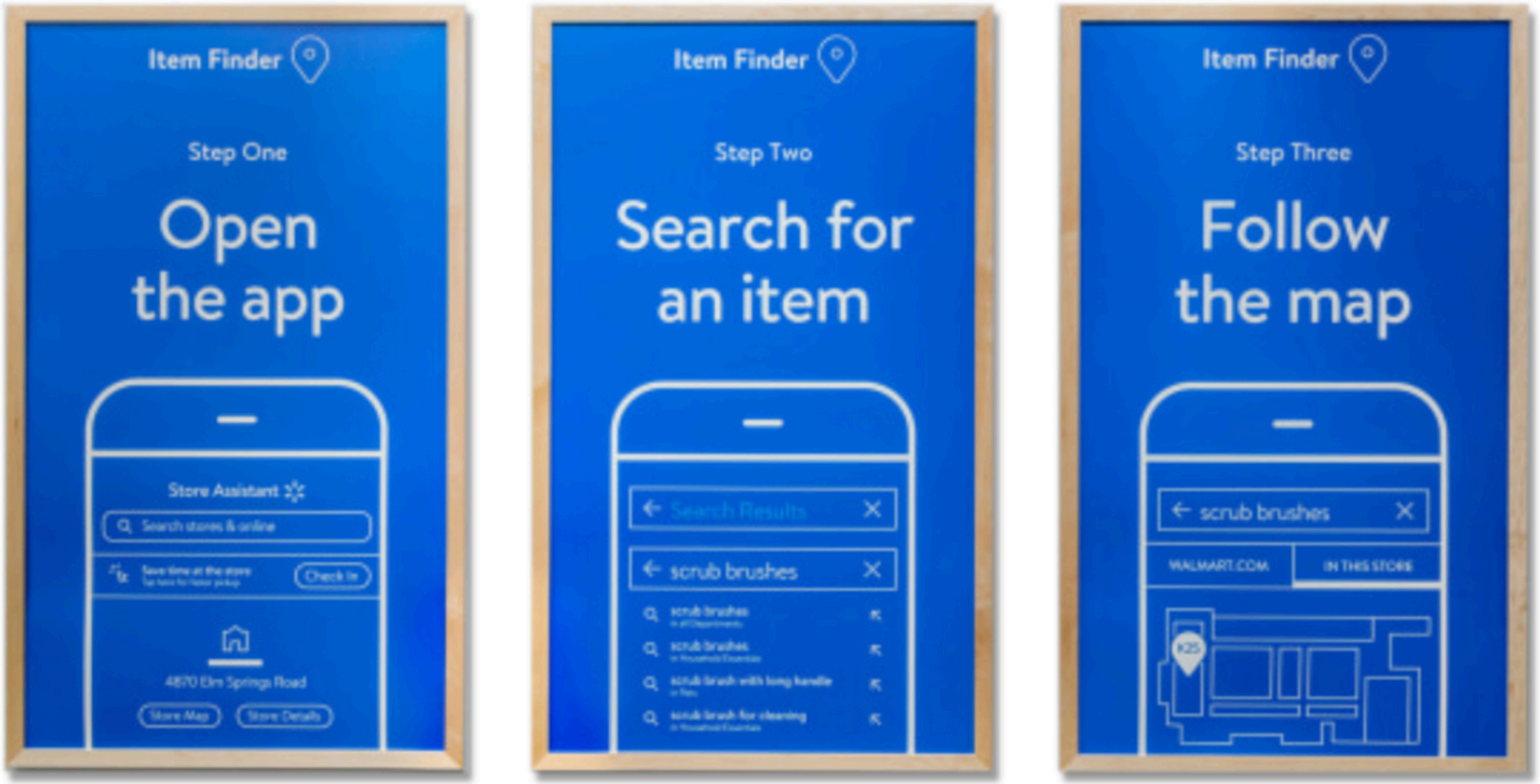
Even "showcase stores" are being shuttered, as investment shifts to digital offerings

"As part of Gap Inc.'s strategy to adapt to the changing needs of the customer and growth of our online business, we are looking thoughtfully at our real estate to support the best path forward."

- Gap Inc., August 19, 2020

Sources: Retail Dive, 9/8/20; 8/20/20

Walmart rolling out merged digital-physical shopping to 1,000 stores by the end of its next fiscal year



Source: Marketing Dive, 10/1/20

Walmart, CVS, Amazon expand contactless options for in-store shopping

Source: Retail Dive, 7/15/20

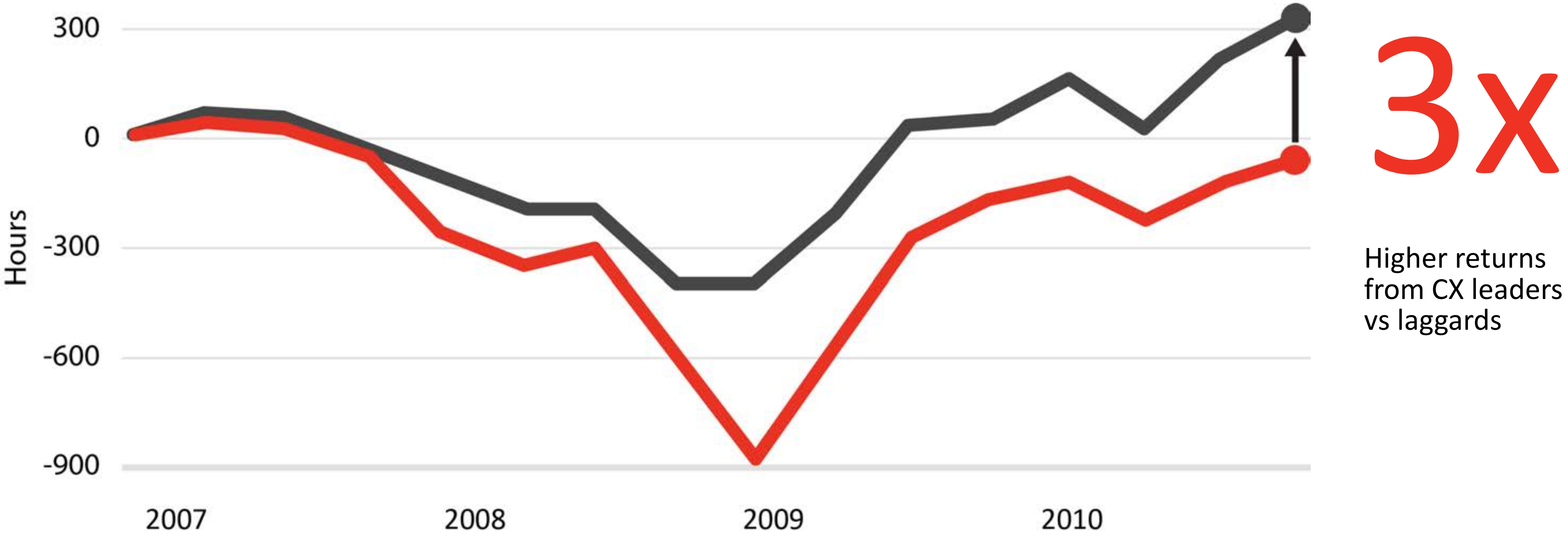
3. Retail Reimagined

One Big Takeaway

The medium is the store: Livestreams, AR, showrooming, social selling “experiences” are proving more effective than physical stores, becoming brands’ new competitive arena.

Recessions reward customer experience innovators

Financial Performance (Total Shareholder Returns) of CX Leaders vs Laggards[1]

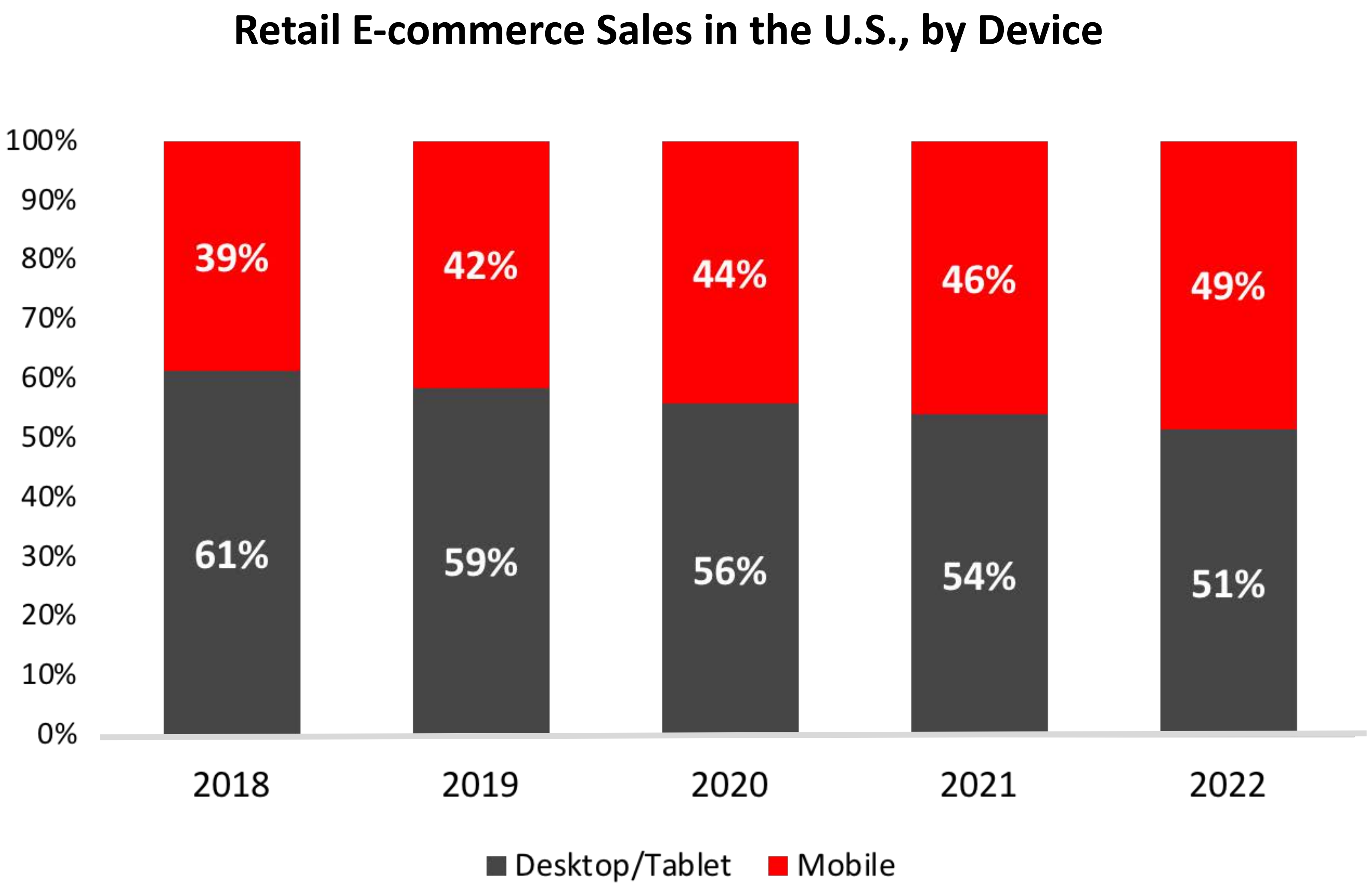


[1] *Comparison of total shareholder returns for publicly traded companies ranking in the top 10 of Forrester's CX performance index from 2007–09.*

Source: Forrester Customer Experience Performance Index (2007–09)

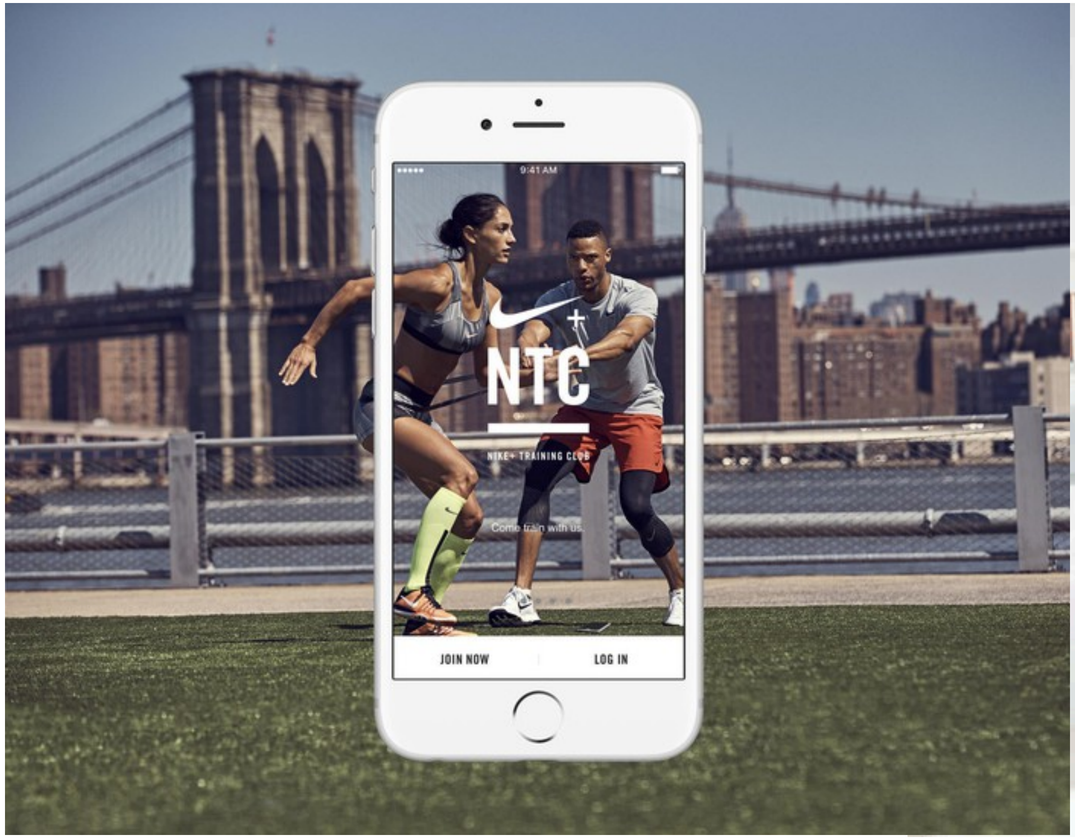
Source: McKinsey 5/14/20

After the COVID recession, the rewarded innovators will be mobile-centric



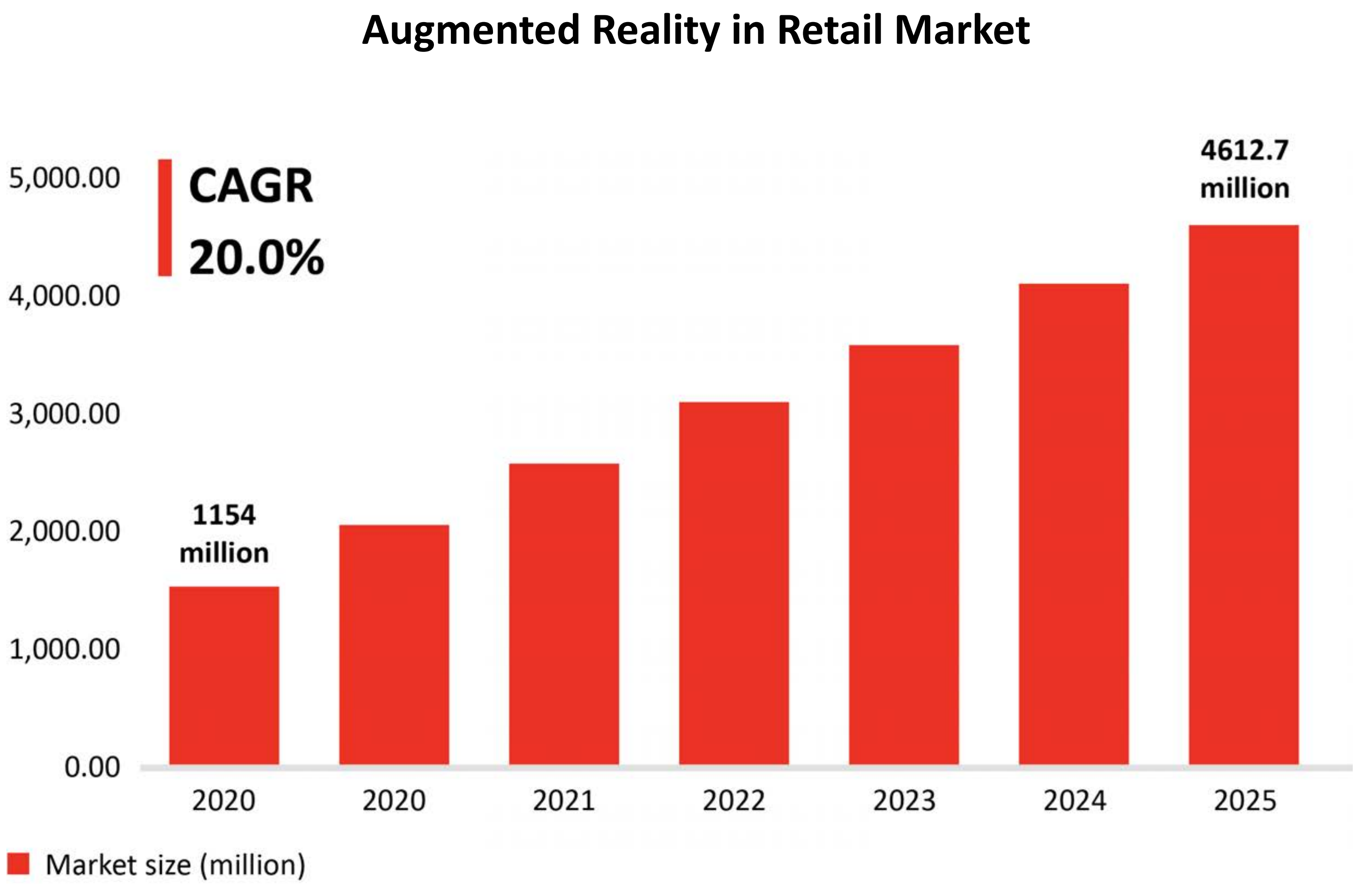
Source: eMarketer

Nike made its "Training Club" app free, while Lululemon spent $500mm on Mirror



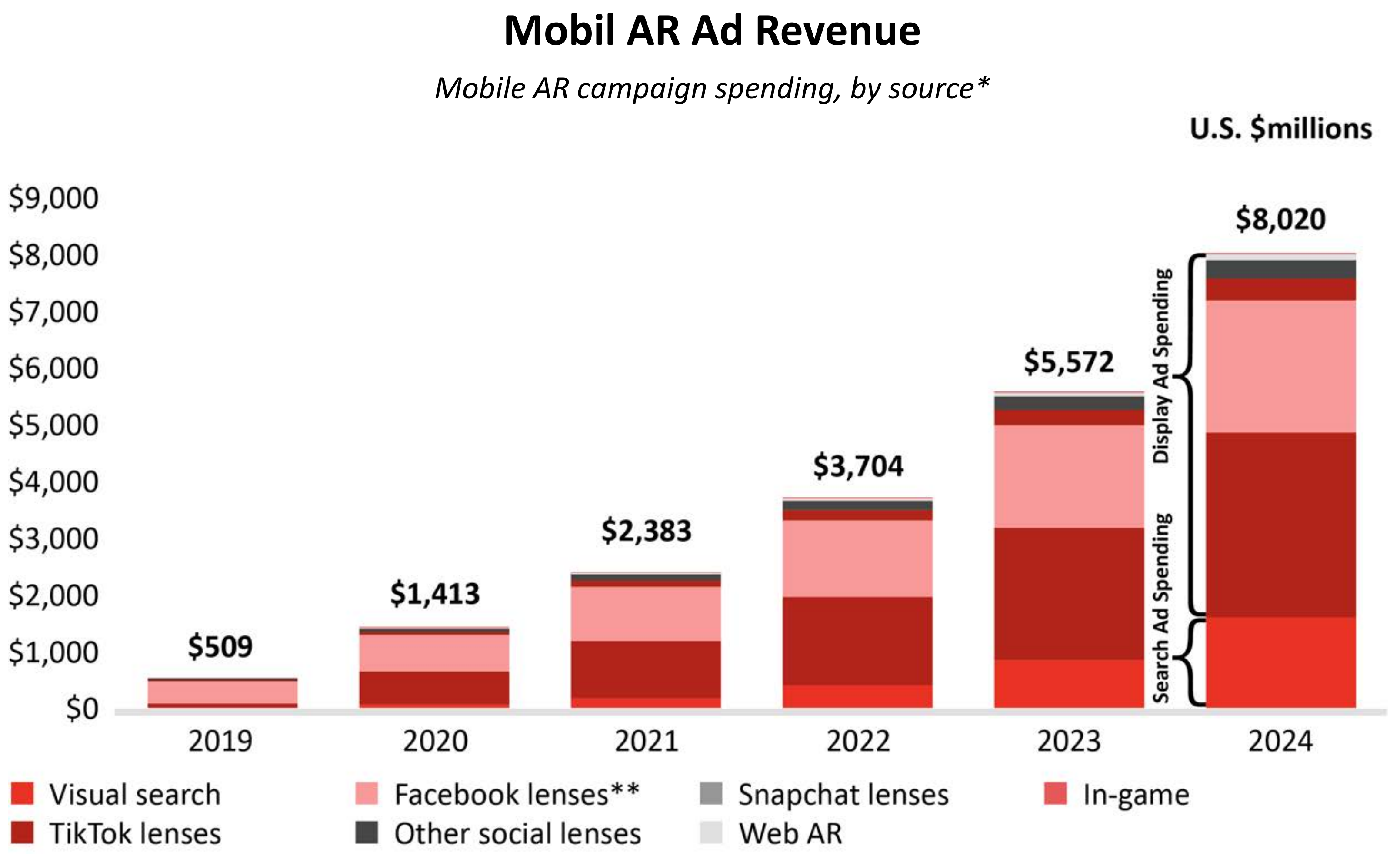
Source: The Motley Fool, 7/15/20; Source: NY Times, 6/29/20

Retailers will grow their AR investments globally by ~300% to $4.6b by 2025



Source: Valuates Reports, April 2020

Mobile AR ad revenue is forecast to nearly triple in 2020, grow 6x more by 2024



** Doesn't include platforms endemic to China*
** Doesn't include non-advertising marketing spend such as self-distributed brand apps and experiences*
*** Includes Instagram, Messenger and all Facebook properties that distribute AR lenses*

Source: ARtillry, July 2020

Shopify found that AR 3D models increased conversion rates 250%

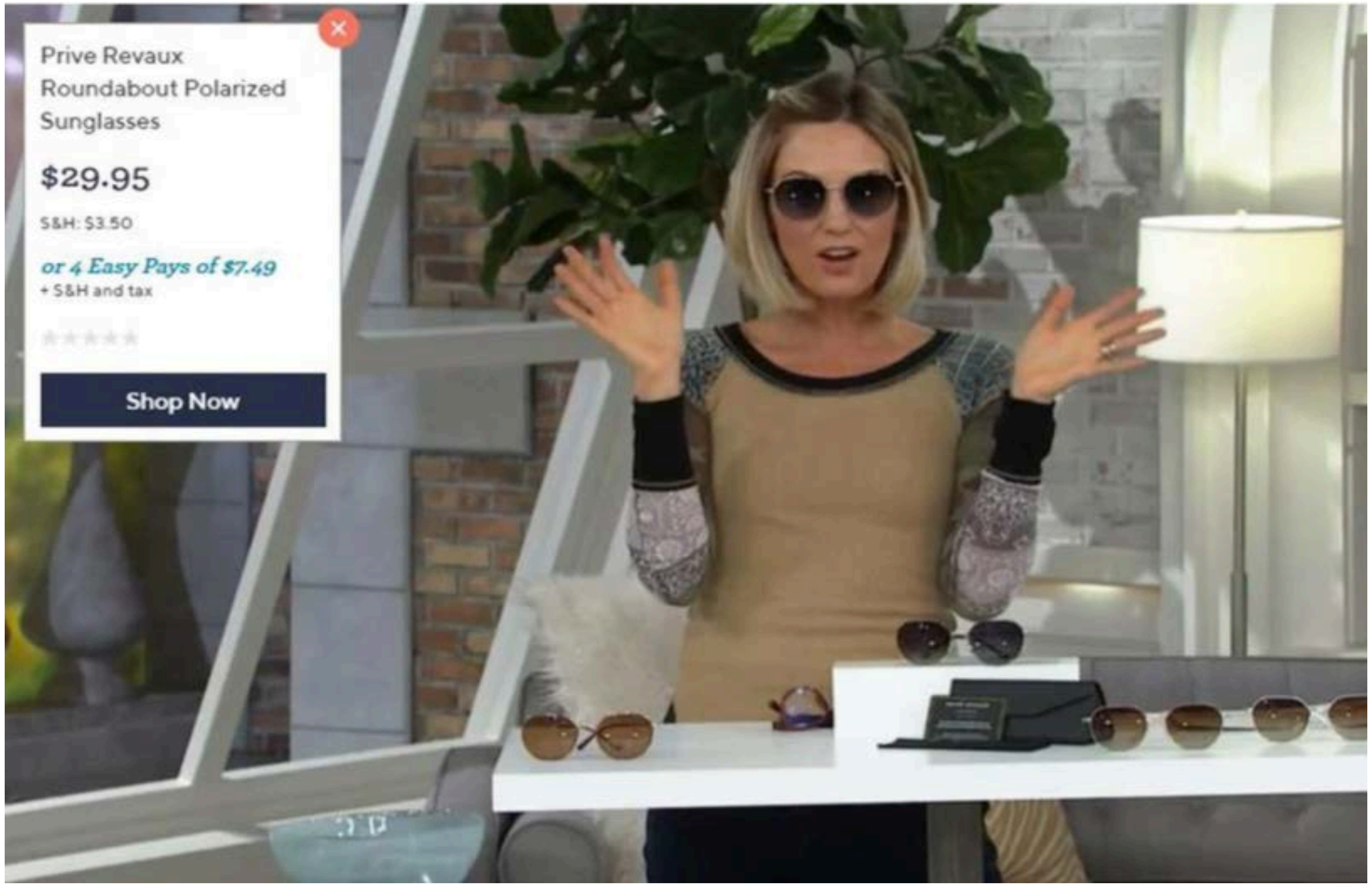
Source: Dezeen, 6/5/20; Source: PSFK, 8/13/20; Source: Tech Crunch, 8/25/20

Livestreaming: The new television advertising?

With livestream audiences exceeding 6 million per event, global livestream-generated sales are expected to double in 2020, to $120 billion.

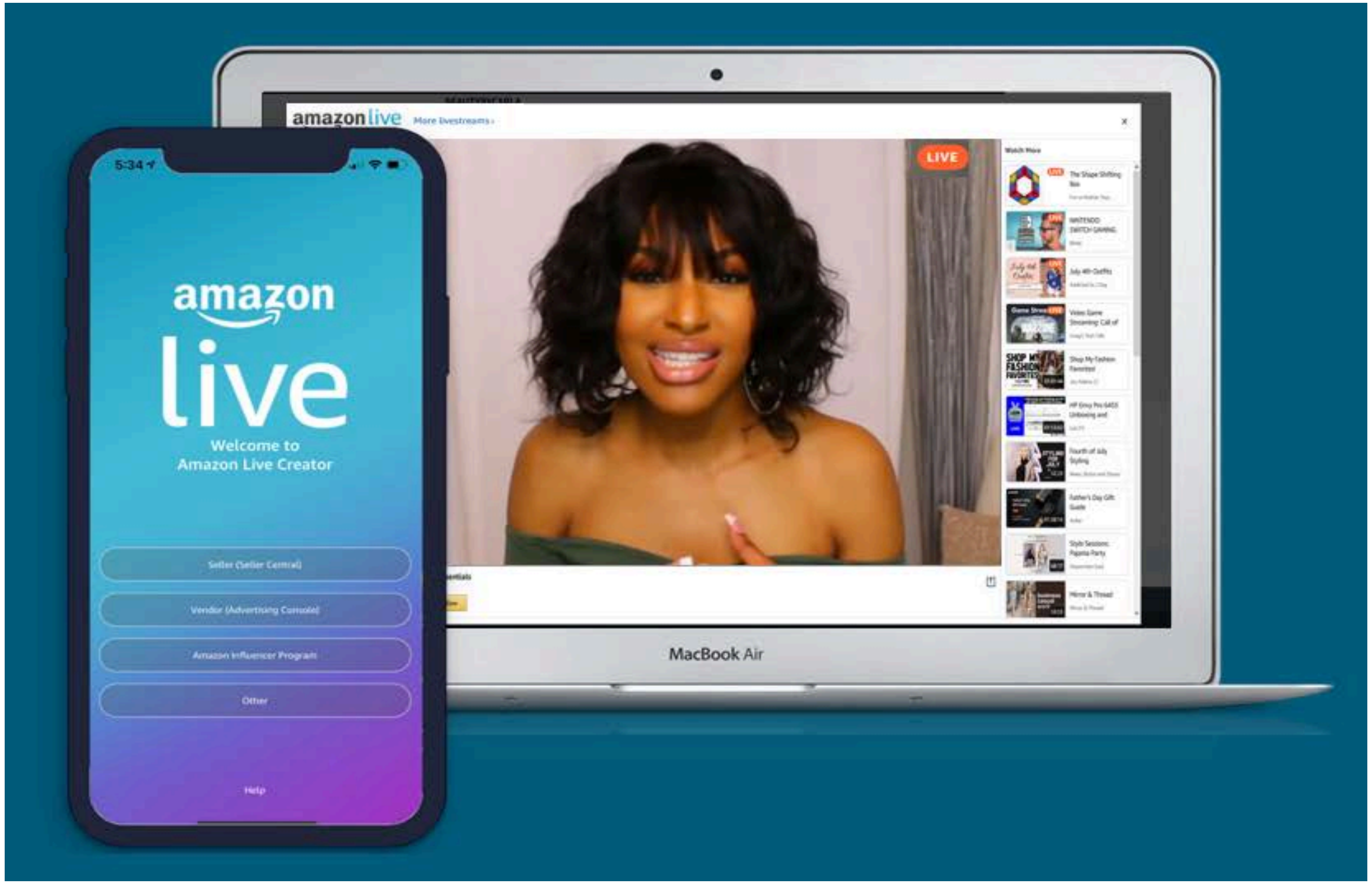
Source: Digital Commerce 360, 9/16/20

QVC and HSN fast-tracked their transition to livestreams…



Sources: Marketing Dive, 7/9/20; NY Times, 3/27/20

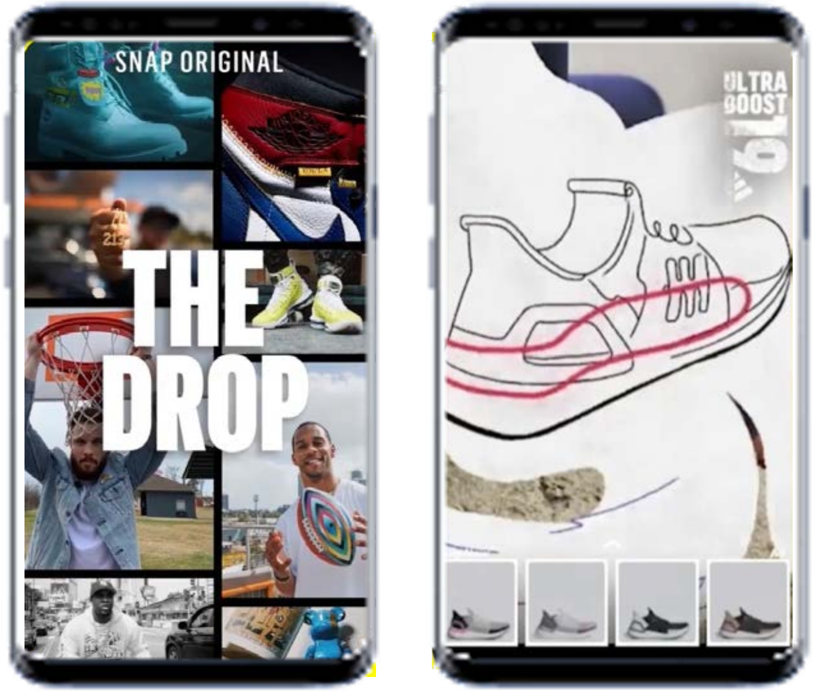
…Amazon brought influencers onto Amazon Live…



…General Mills hosted livestreams to promote the return of iconic brands

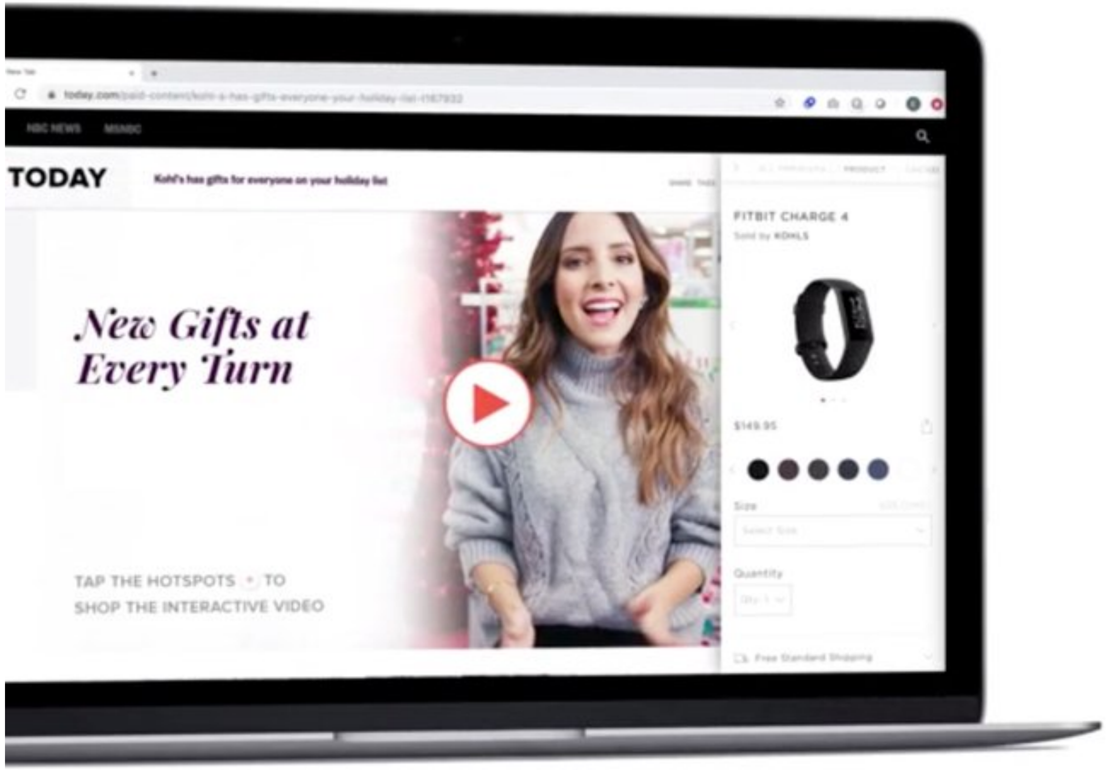
Source: Marketing Dive, 9/22/20

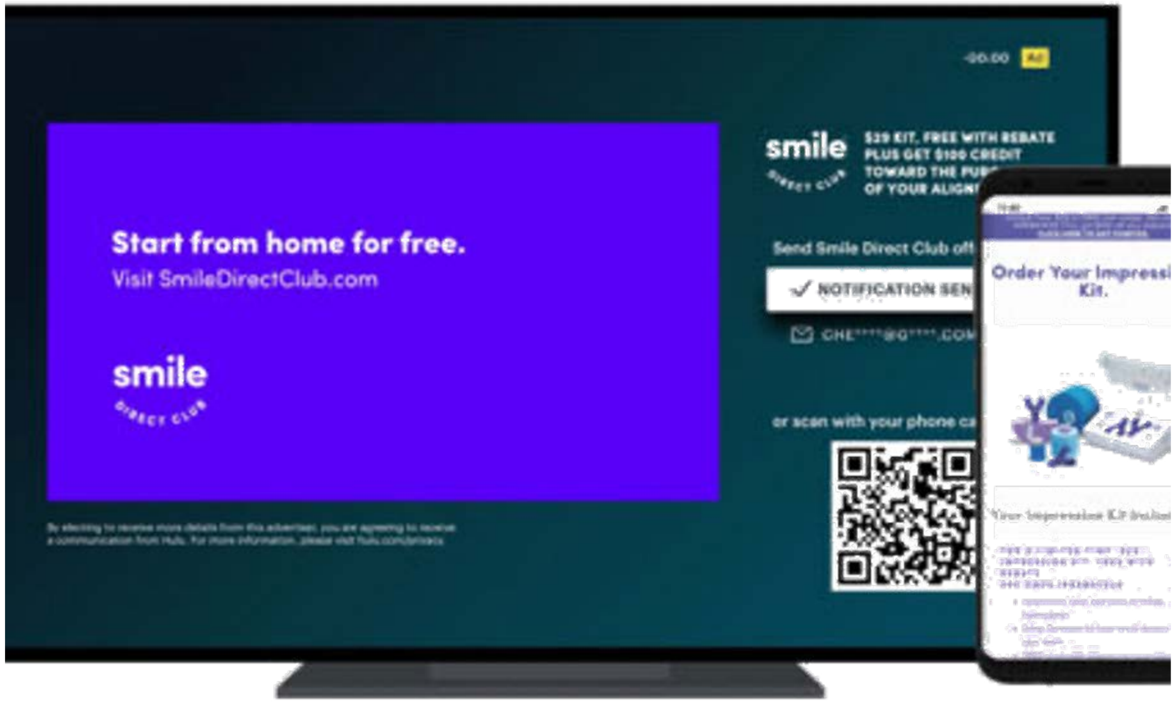
TikTok, Snap are blending livestreams with shoppable ad formats



Sources: Mobile Marketer, 8/24/20; 9/1/20 ; Source: Mobile Marketer, 6/24/20

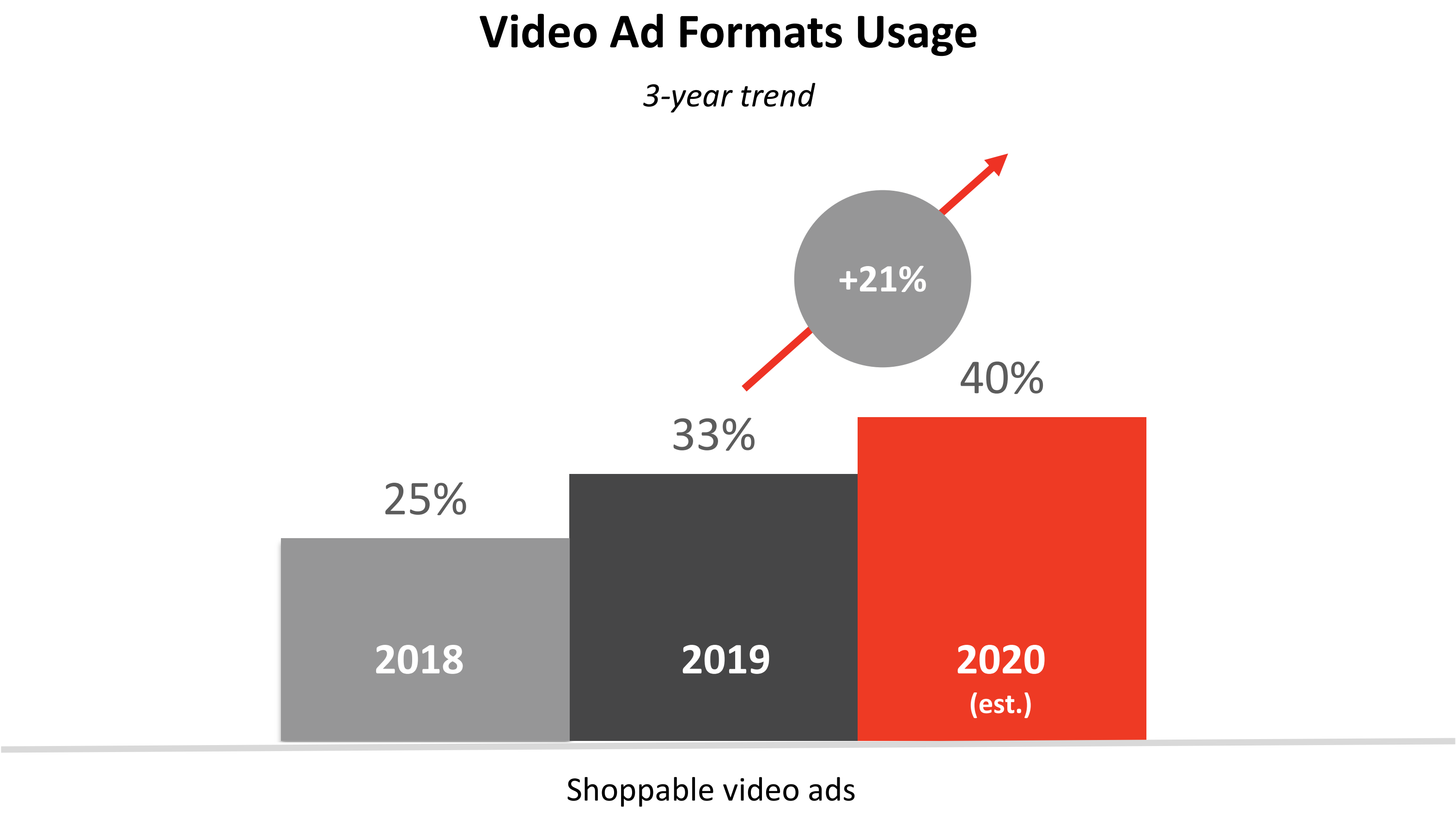
NBCU, Disney’s Hulu, YouTube among major media cos rolling out shoppable ads





Source: AdAge, 4/23/20; Source: Mobile Marketer, 6/23/20; Source: Mobile Marketer, 6/22/20

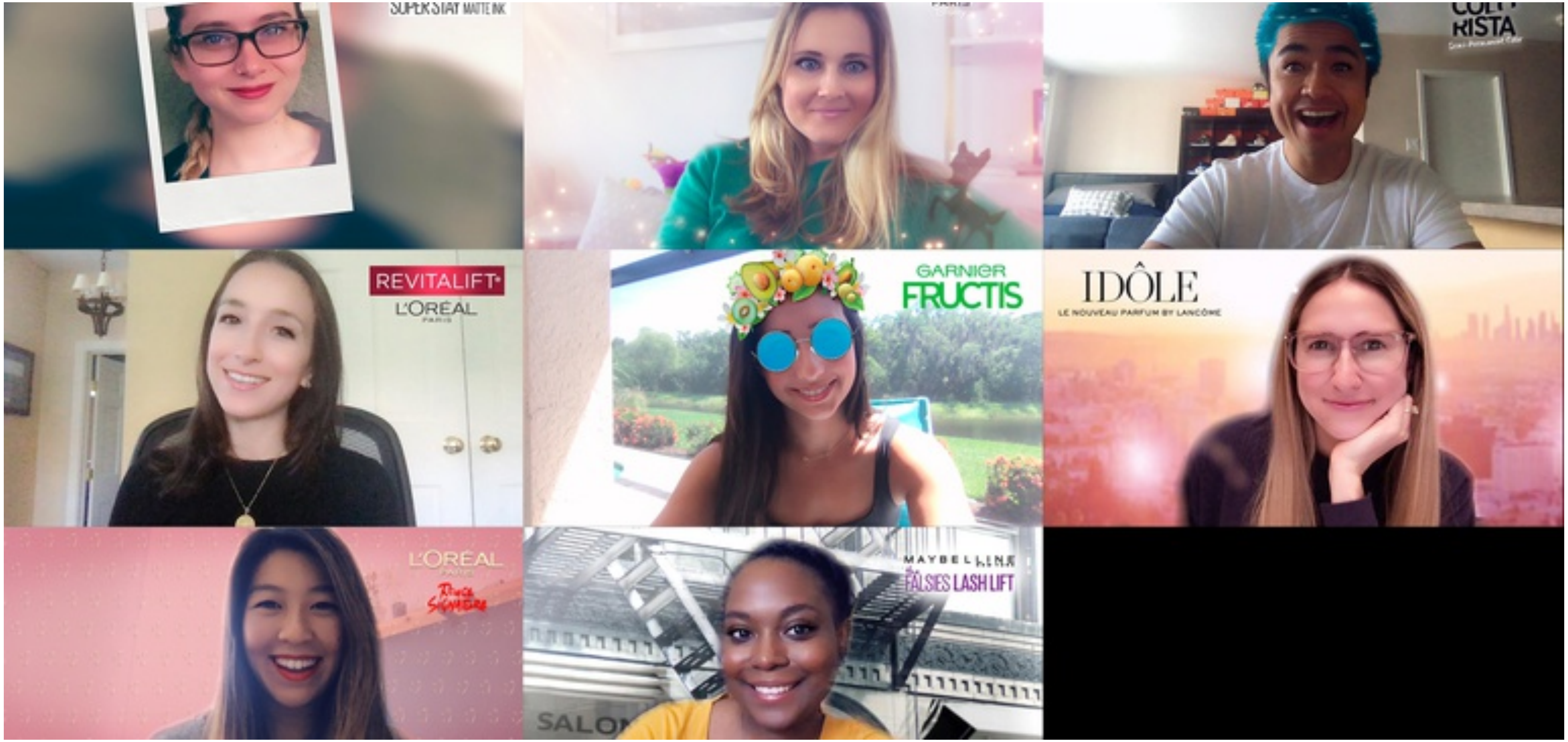
Performance-based shoppable video ads are expected to increase 21% YoY



Q210: Which of the following video ad formats has your (company/client) in the [ASSIGNED MARKET SECTOR] market sector used in campaigns in 2018 and 2019? Which does your (company/client) plan to use in 2020?

Base: Total Respondents

Tech is enabling social commerce, e.g. L'Oréal on Snap's desktop app…



Source: Retail Dive, 4/30/20

… and Hormel's multichannel, community-driving pizza party

Source: Marketing Dive, 9/21/20

Live digital consultations drove increased sell-through for Parachute & Bobbi Brown

Source: Forbes, 7/29/20

With Cadillac Live's success, GM is rolling out showrooming across the company

SHOP•CLICK DRIVE

Source: Adweek, 6/23/20; GM Authority, 6/1/20

Digital engagement scales immensely: Signet → 20mm consumers in 3 months

Source: HFN, 3/25/20, Source: Signet Jewelers, 6/9/20

Retailers and brands are becoming media owners & operators to scale even more

Sources: Marketing Dive, 9/21/20; Forbes, 7/7/20; Source: Marketing Dive, 8/7/20

4. The Disruption-Friendly Supply Chain

One Big Takeaway

Rapid advances in supply chain management and 3rd party logistics are aiding disruptors and eroding big brands' scale advantages.

Big brands are reducing SKU production to cut costs, creating small brand openings

Kraft Heinz is eliminating 1,100 products (20% of lines) by end-2020 in order to increase supply chain efficiency and focus on "working brands" like Oscar Mayer.

Source: CNBC, 9/15/20; Source: Marketing Week, 8/28/20

Small batch manufacturing partnerships are helping disruptor brands fill the slots

Low Minimum Quantity Orders

Our order quantities for your custom formula starts at 1,000 market-ready units. Starting manufacturing runs at 1,000 units makes it easier for companies looking to get started in competitive industries can do so more confidently with lower investments in inventory.

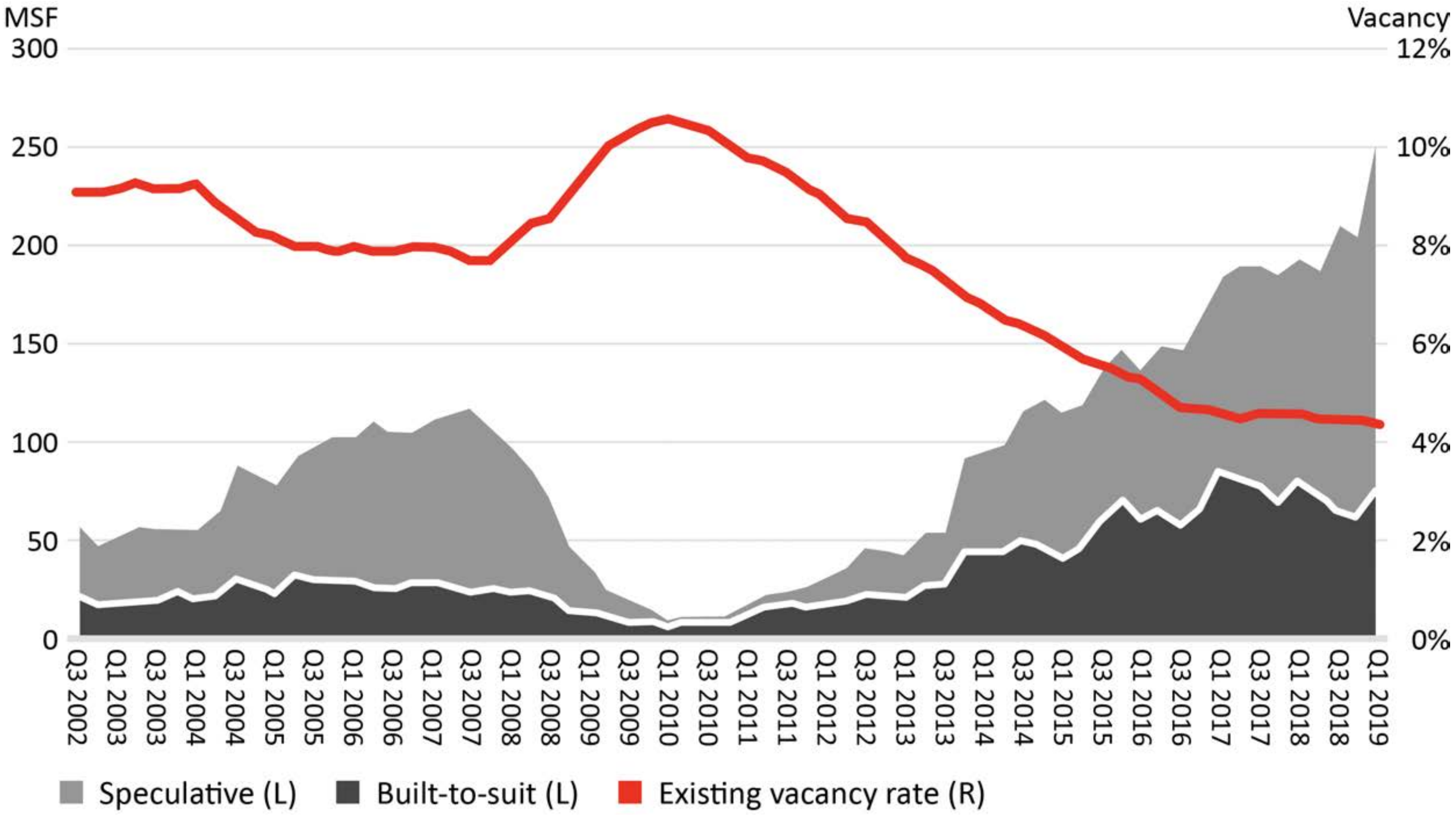
DYNAMIC BLENDING
SIMPLE CONTRACT MANUFACTURING

Wiivv has seen personalized footwear orders double YoY since 2014; its factory can scale up to a million pair, and accommodate partnerships with major brands

Source: The New York Times, 3/18/20

U.S. warehouse demand is at record levels; flexible warehousing solutions are filling the gap

U.S. Warehouse Space Under Construction



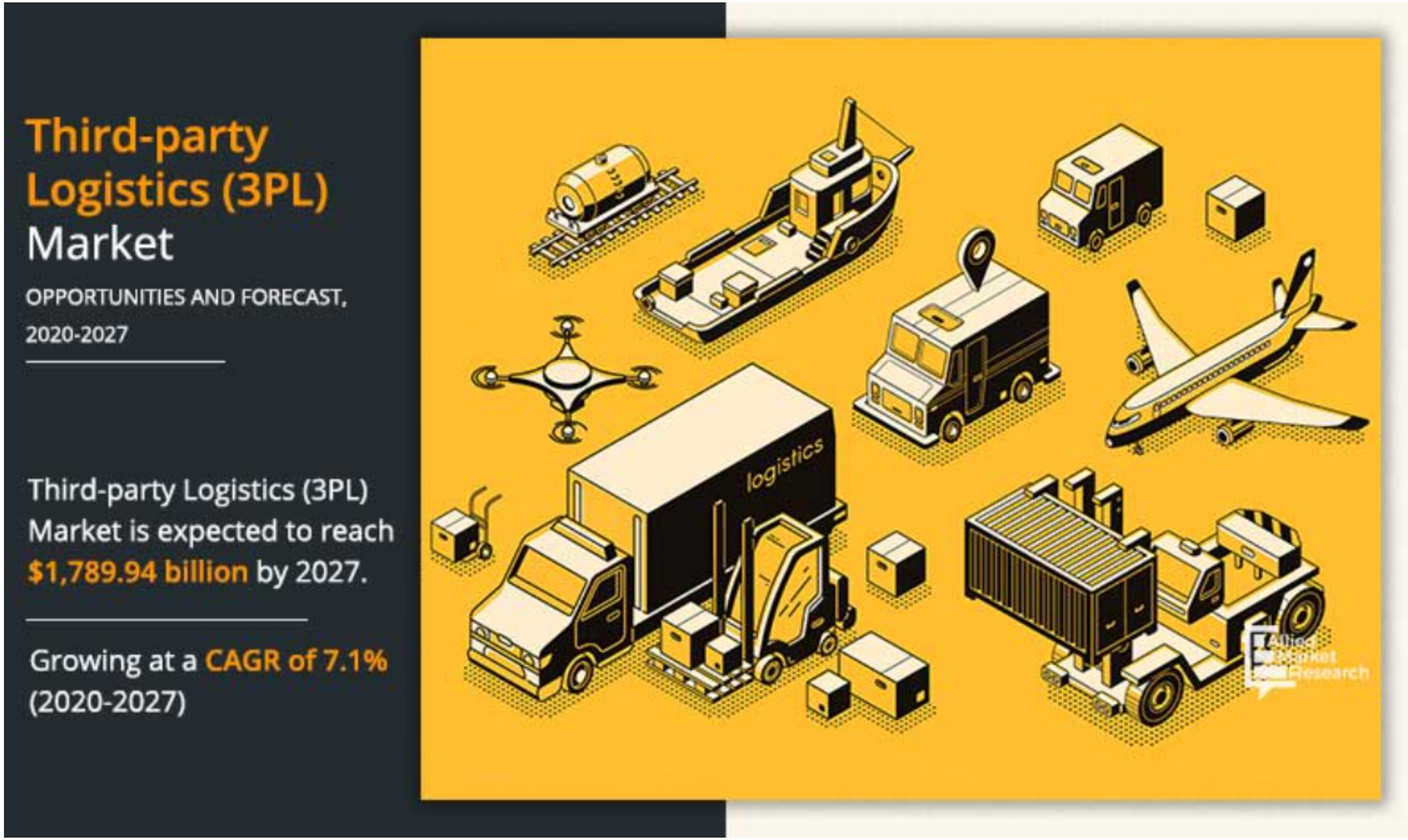
Source: CBRE Econometric Advisors, Q1 2019.

Source: CNBC, 7/9/20; Supply Chain Digest, 7/7/20; Source: CB Insights "Supply Chain & Logistics Tech Trends to Watch", 2020 ; Supply Chain Dive, 6/18/20

"Digital freight matching" emerges to help SMBs connect to shippers and carriers

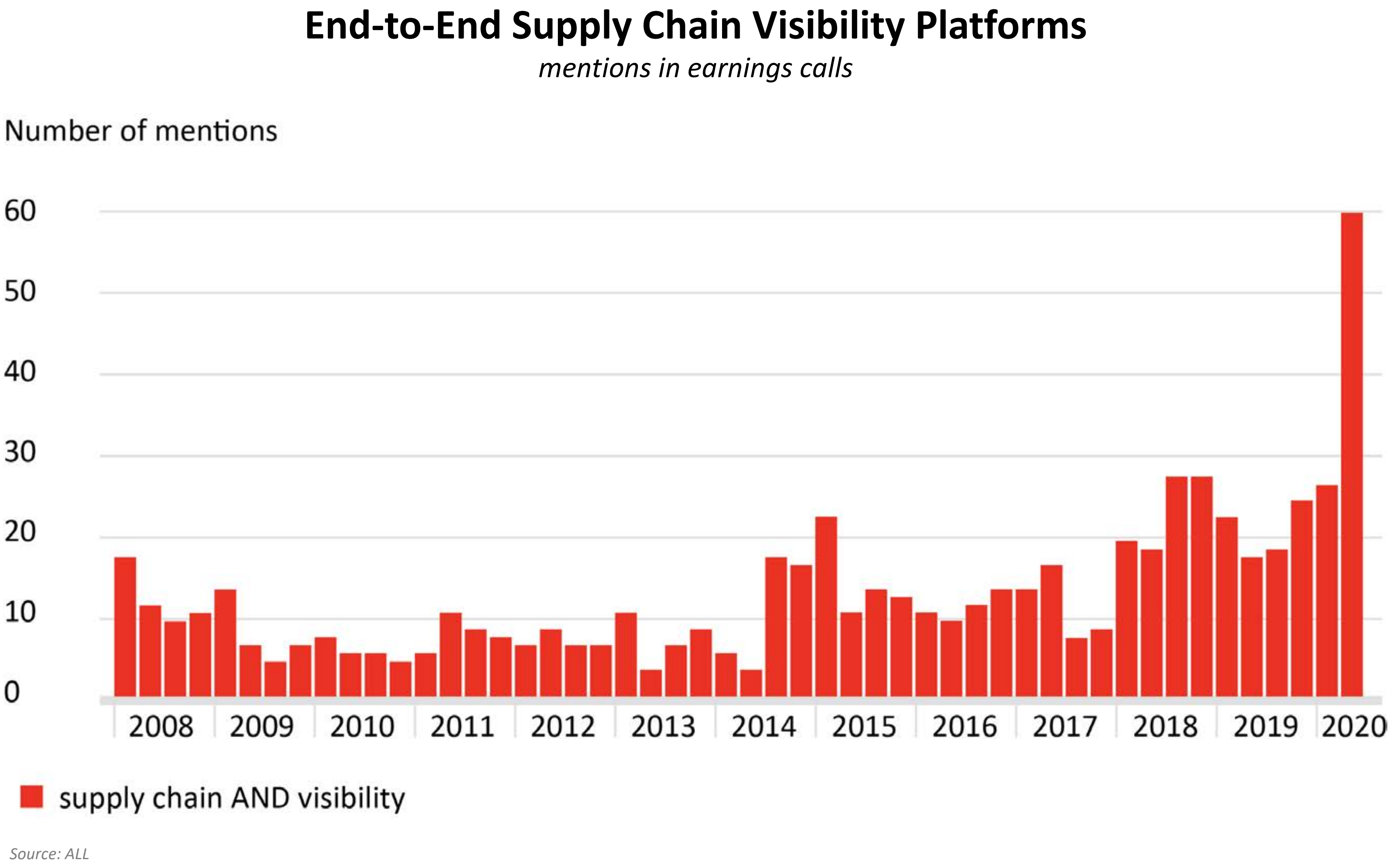
Sources: CB Insights "Supply Chain & Logistics Tech Trends to Watch", 2020; Freight Waves, 6/2/20

Global outsourced logistics – 3PLs & 4PLs – CAGR will grow 4-7% through 2027



Sources: Allied Market Research, 7/22/20; Freight Waves, 8/19/20; Sources: 24/7 Customs Brokers News, 9/29/20; The Insights Partners, July 2020

“End-to-End Visibility Platforms” are a COVID-era product



Source: CB Insights ”Supply Chain & Logistics Tech Trends to Watch”, 2020

Supply Chain tech collaborations enable real-time visibility, insight, and expansion

Sources: Logistics Management, 7/14/20

Supply chain visibility can increase sales conversions 9%, UPS & Google have found

Source: Supply Chain Dive, [8/28/20]

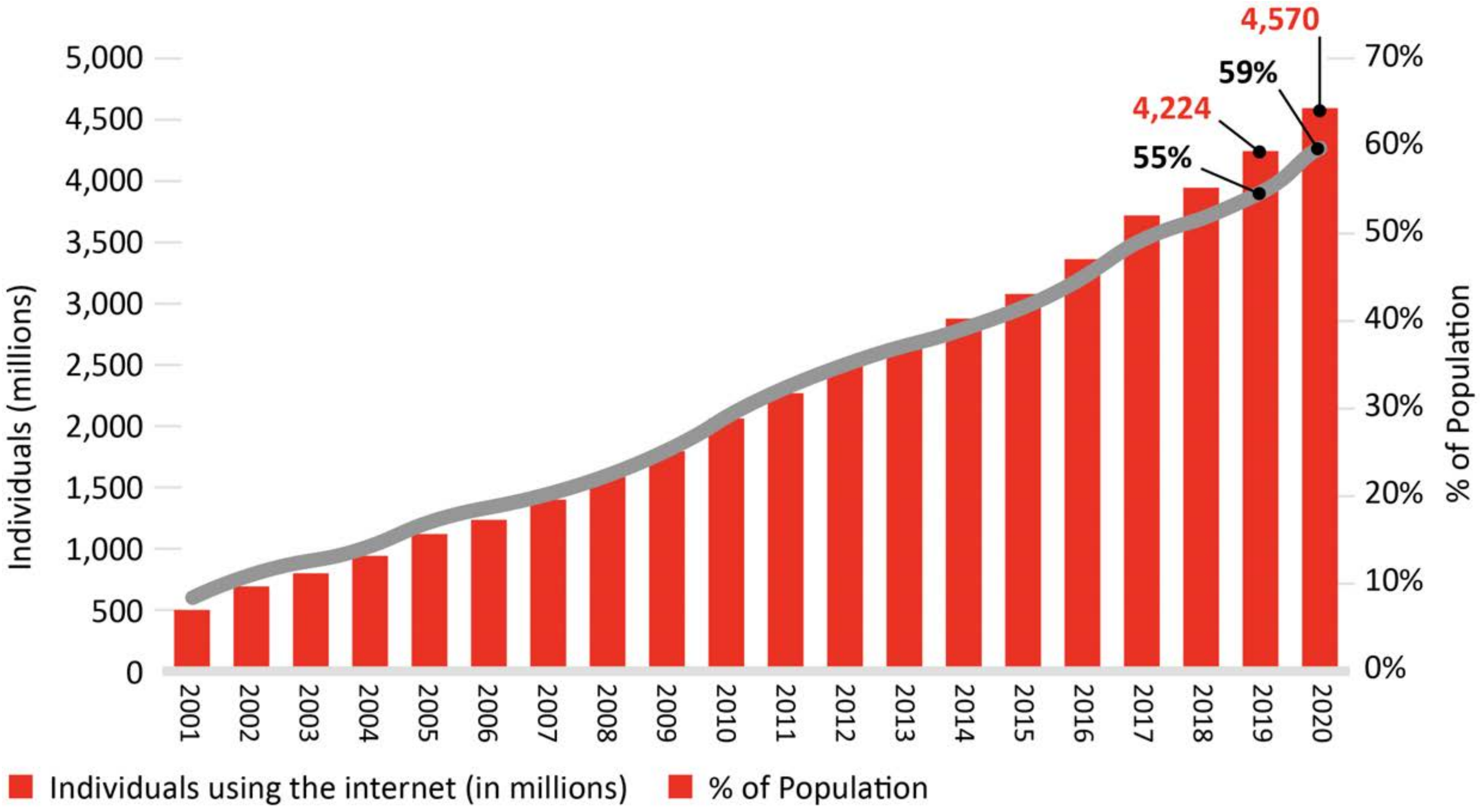
5. The Primacy of 1st Party Data

One Big Takeaway

Government privacy regulations and browser/OS data restrictions are driving 60% of marketers to stress-invest in 1st party data.

More than 346 million new internet users came online in the last year

Global numbers of individuals using the internet, and % of global population, 2001–2020*



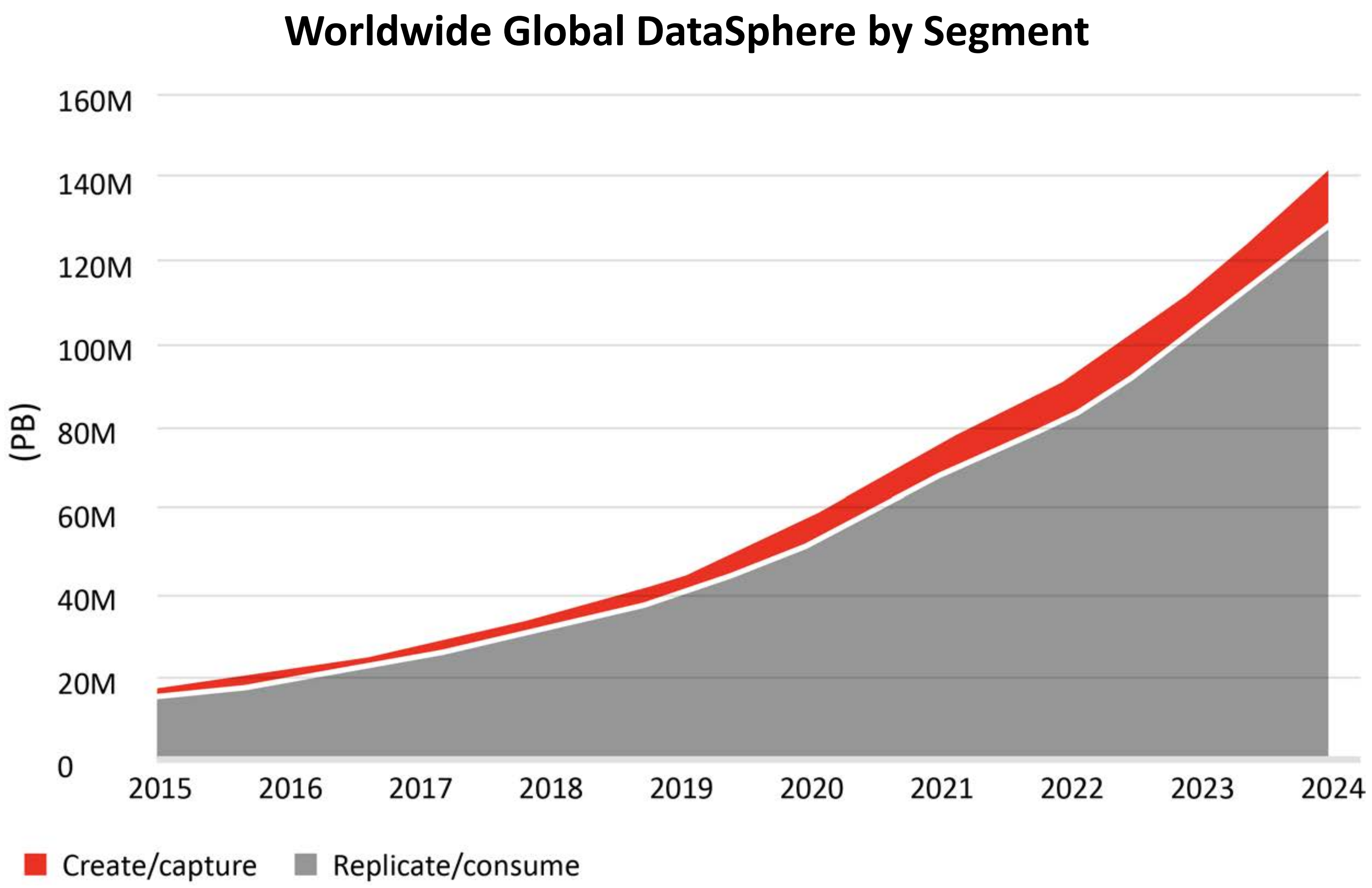
*Note: * Estimate*

Sources: ITU World Telecommunication / ICT Indicators database & DataReportal

iab.

Sources: DataReportal, July 2020; ITU, 2019

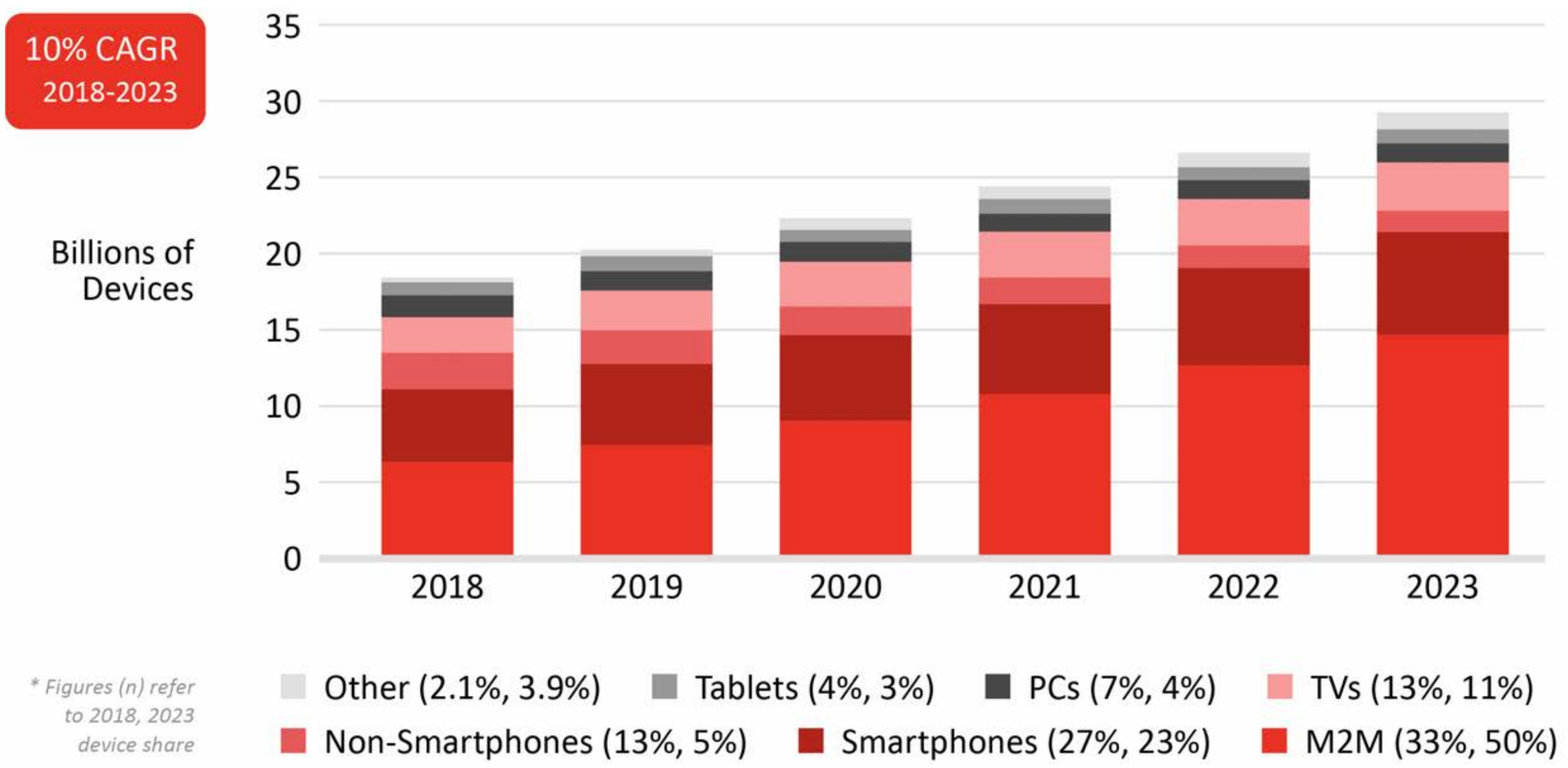
The volume of data created will more than triple over the next 4 years



Source: IDC, 5/8/20

IoT devices will account for half of all the data generated by 2023

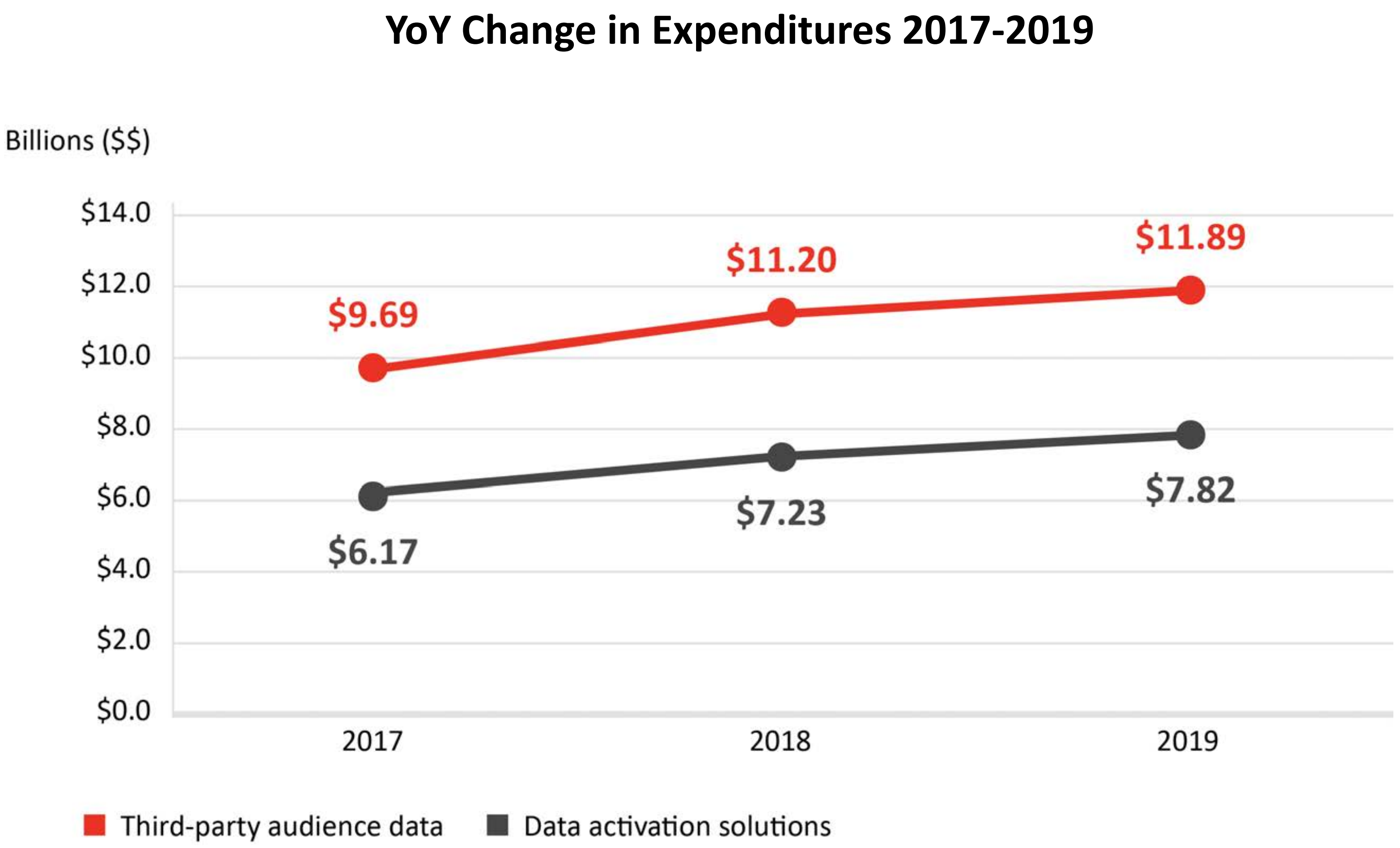
Global Device and Connection Growth



Note: M2M = IoT

Source: Cisco, 3/9/20

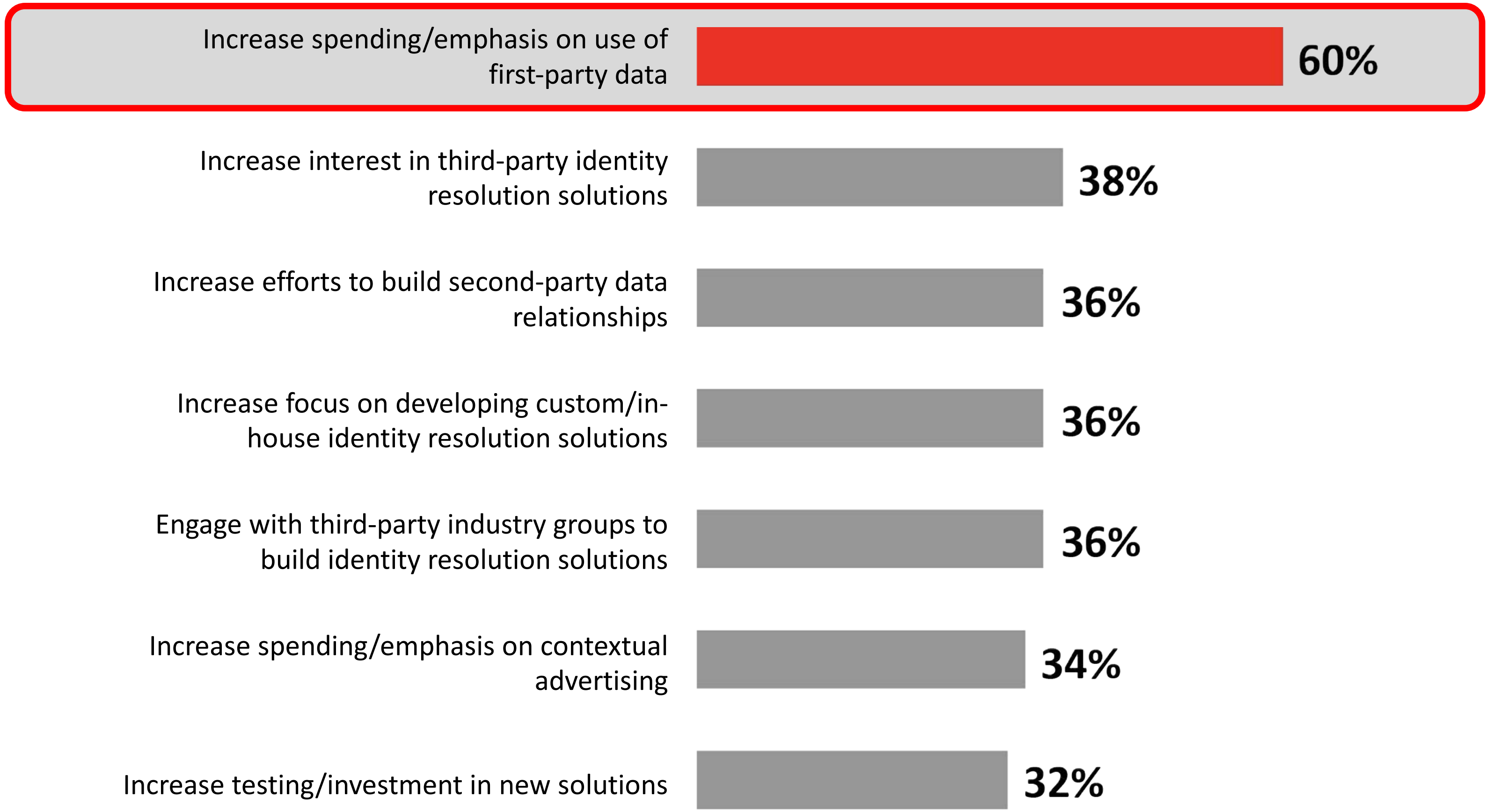
Marketer investments have favored 3rd party data solutions…



Source: IAB, 7/22/20

…Until now: Increased use of 1P data is the highest post-cookie priority for brands

"Google and other major browser developers have discontinued support for third-party audience cookies (or announced plans to do so). How do you expect this change will affect your use of data?"



Source: IAB, 7/22/20

1P data is the cornerstone of Nestlé's move to an "audience-based strategy"

Source: WNIP, May 2020; Source: Harvard Business School Digital Initiative, 4/18/20

1P data-modeling prompted Stitch Fix to offer one-off purchases for non-subscribers

Source: Totem, 9/4/20

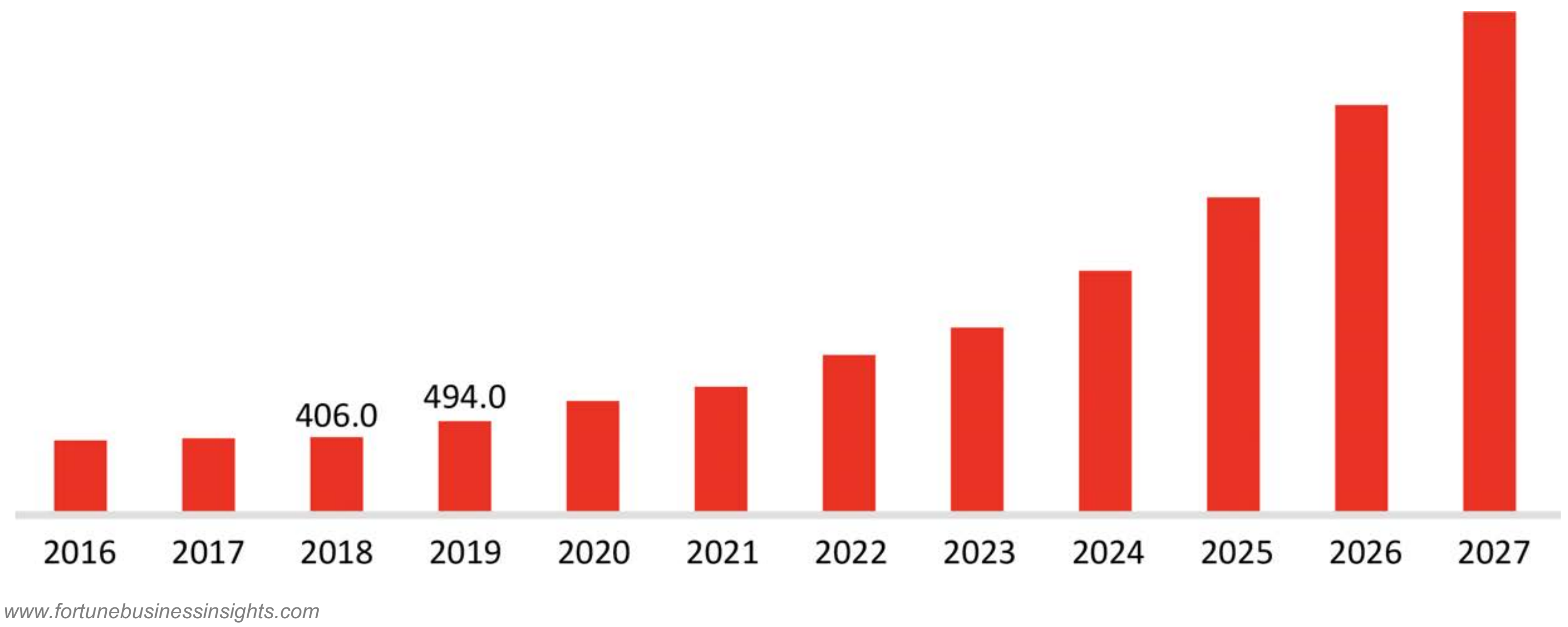
Publishers like Meredith & NYT are offering 1P datasets for ad activation and strategy

meredith

Source: Digiday, 7/17/20

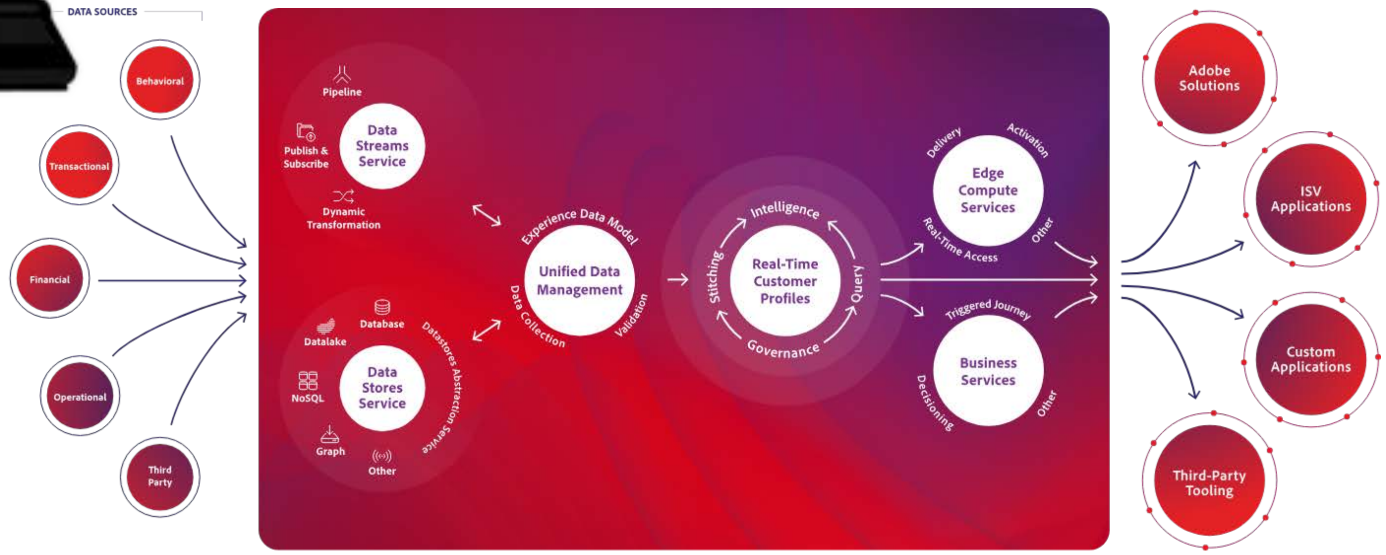
CDPs are another solution: Demand will triple by 2027 as brands try to unlock 1P data

North America Customer Data Platform Market Size, 2016-2027 (USD Million)



Sources: Blueconic, 9/25/20; Fortune Business Insights, June 2020

All 3 major marketing clouds have released CDPs in the last 12 months

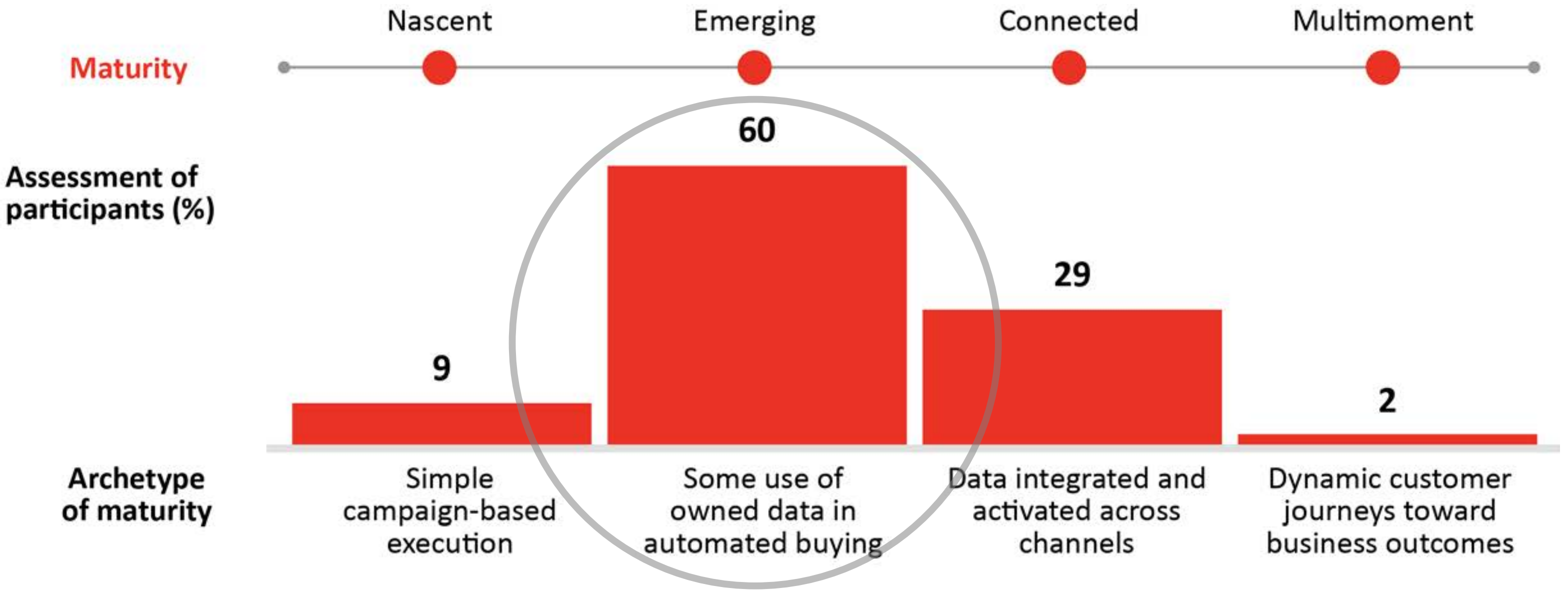


AB InBev's CDP shows how consumers engage with its 500+ brands

Source: AdExchanger, 4/22/20

Although the potential of 1P data remains unrealized by brands

Most Brands Have Not Achieved Full Digital Marketing Maturity



Source: BCG Digital Marketing Maturity Study, May 2020.

Note: The benchmark is continually expanding. The percentages above reflect data from 585 companies all over the world.

"Differential privacy" may offer addressability with unidentifiable 3rd party data

The unified ID: Solution… or chaos?

The Trade Desk: Unified ID 2.0

Unified ID Solution

Neustar: Fabrick

Merkle: Merkury

Mk

MERKURY

Acxiom: Real Identity

REAL IDENTITY
BY ACXIOM

LiveRamp: Authenticated Traffic Solution

Identity Resolution: Authenticated Traffic Solution (ATS)

Create Value, Engender Trust.

ATS enables individuals to participate in a two-way value exchange with brands and publishers. By authenticating themselves, individuals are able to maintain control over the use of their data. In return for individuals' trust, brands and publishers can create valuable experiences and content. This is the promise of a trusted ecosystem.

Source: The Trade Desk, 8/19/20; Neustar, 7/29/20; Merkle, 2/11/20; Acxiom, 1/23/20; LiveRamp, 5/30/19

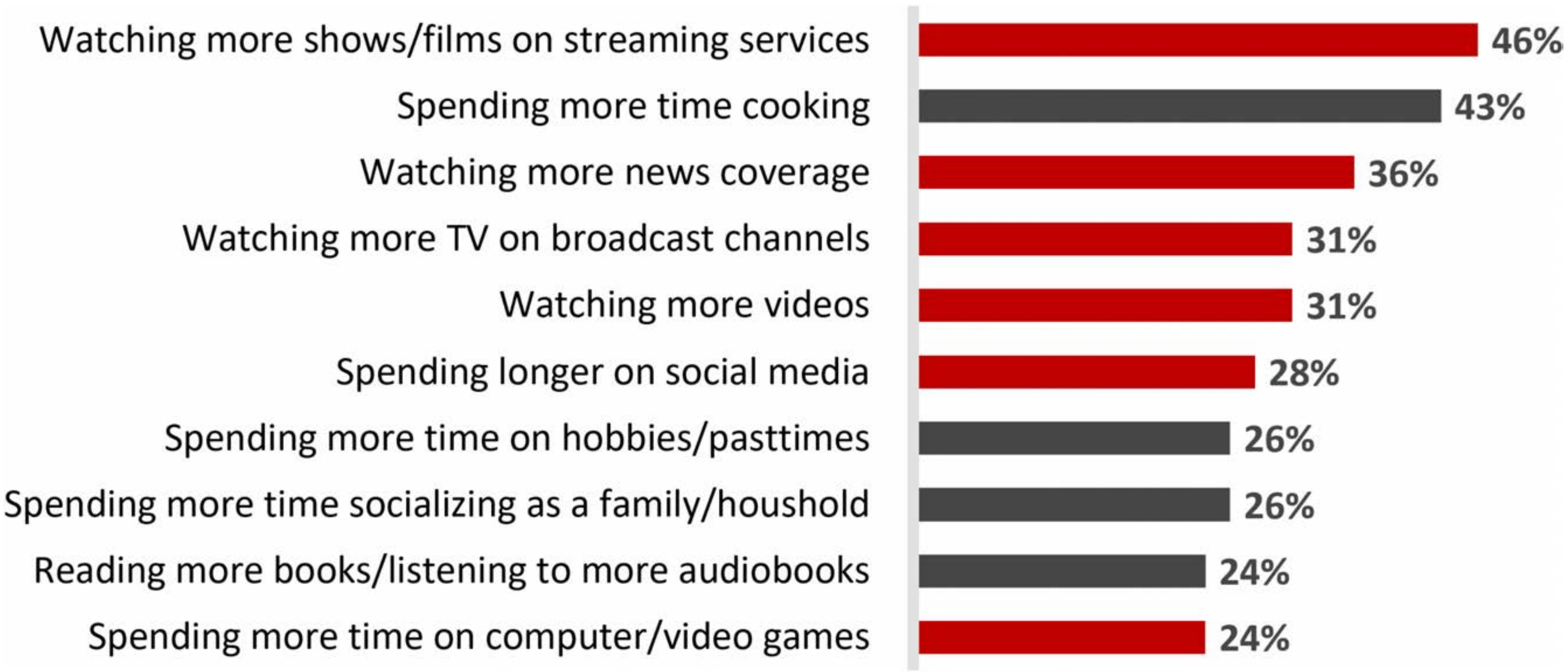
6. The Whole World Is Streaming

One Big Takeaway

With connected TV viewing up 35% during COVID, ad inventory is becoming more affordable, heightening competition between large and small brands.

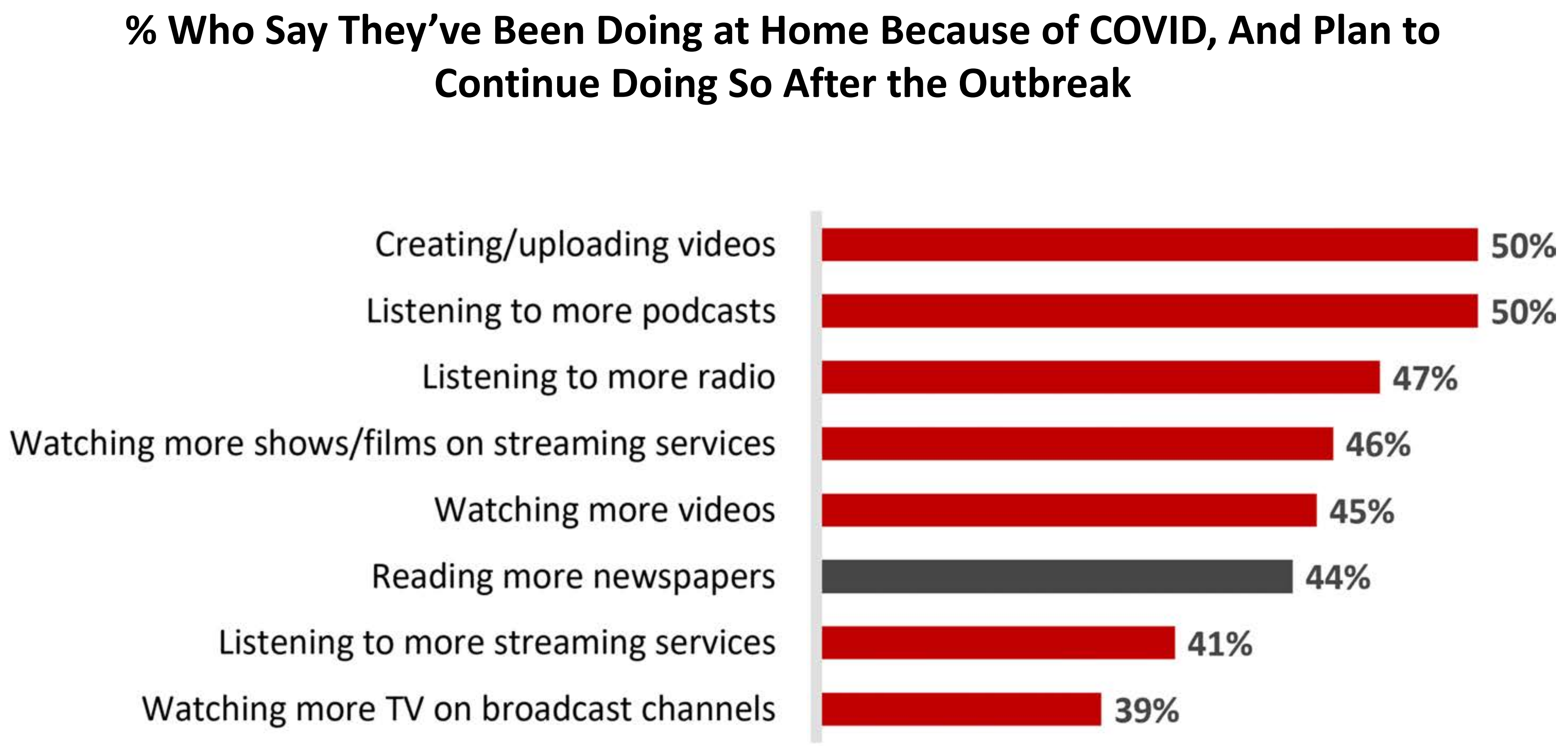
6 of top 10 consumer quarantine activities are media-related…

Top 10 Things Consumers Say They've Been Doing at Home Because of COVID



Source: GlobalWebIndex, July 2020

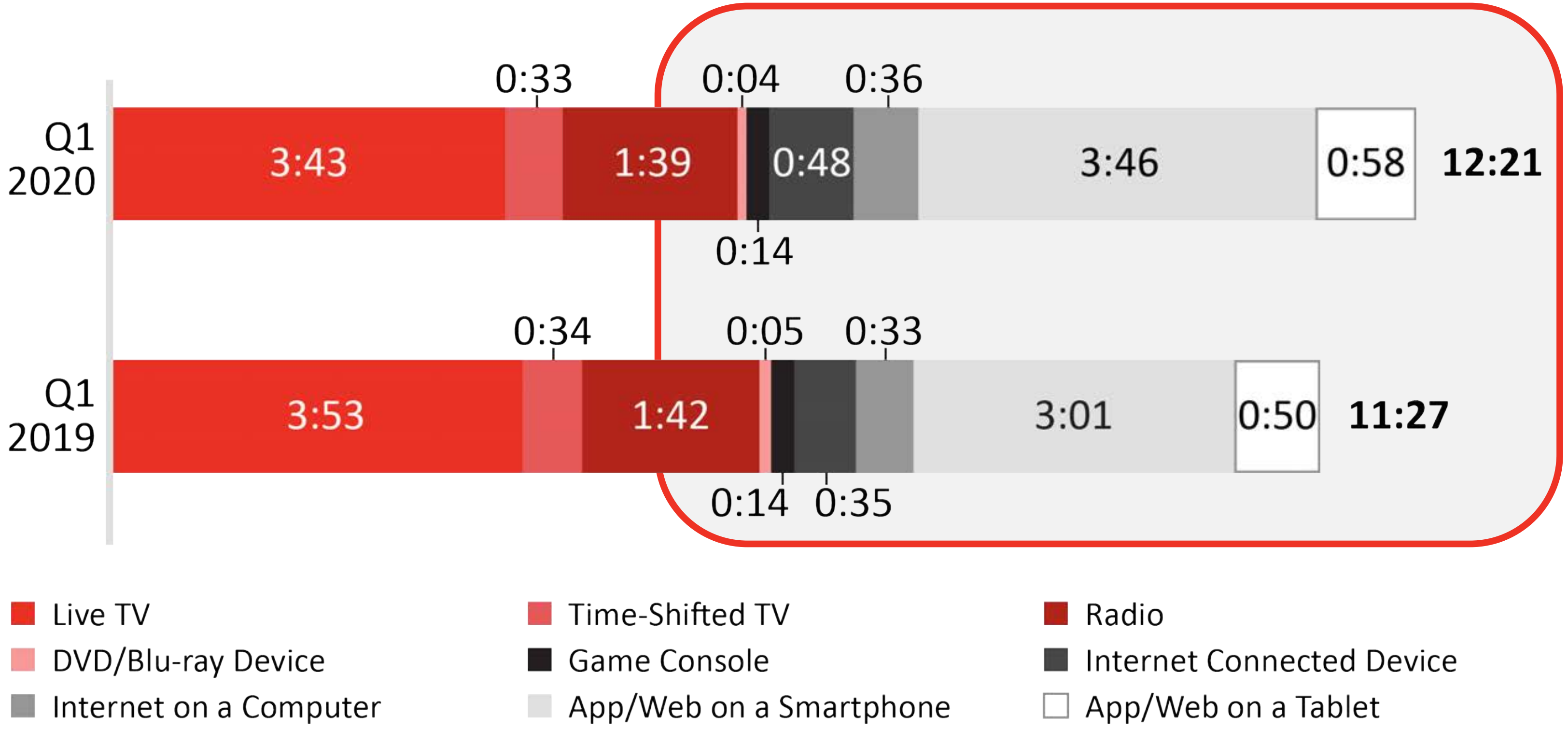
… and consumers intend to continue high streaming video and audio consumption



Source: GlobalWebIndex, July 2020

Total digital-media time spent is up 16% YoY while traditional is nearly all down

Average Time Spent per Adult 18+ per Day
Based on Total U.S. Population



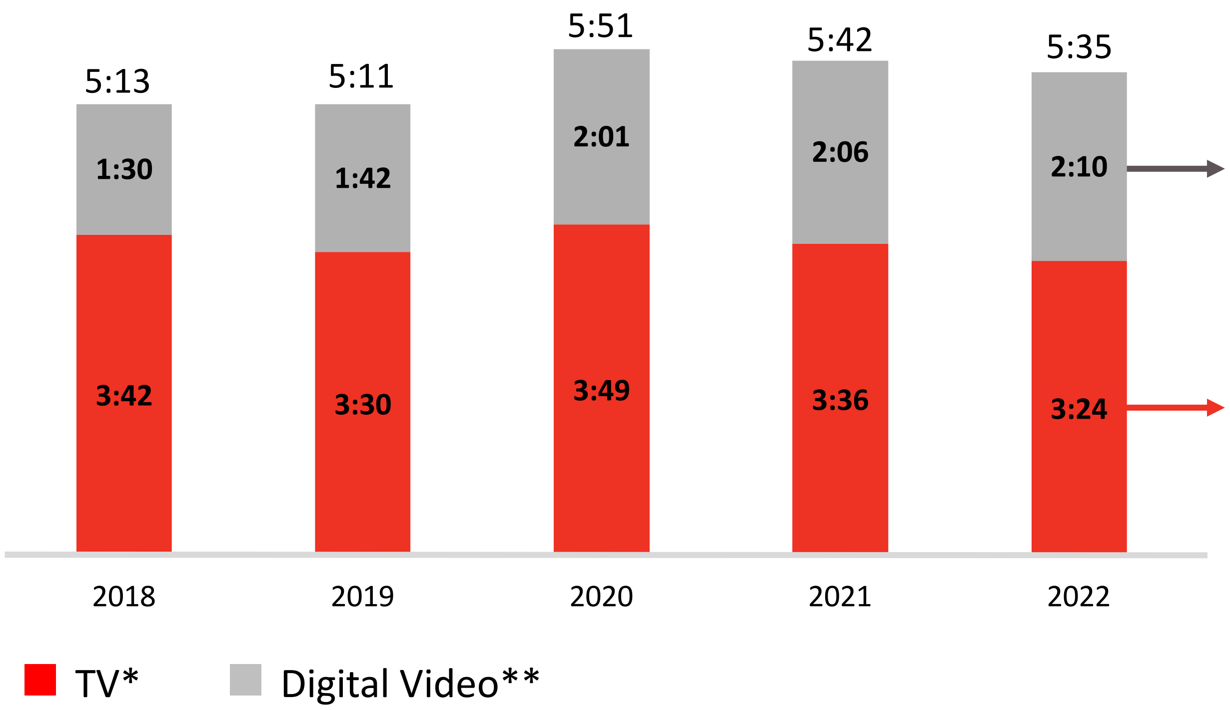
Note: Some amount of simultaneous usage may occur across devices. Internet Connected Device is inclusive of Smart TV app usage. Measurement enhancements to the mobile panel in the past year contributed to increases in usage levels beyond pure organic growth.

Source: Nielsen, 8/13/20

Digital video continues to take share from linear TV

TV vs. Digital Video: Average Time Spent in the U.S. 2018-2022

Hours:mins per day among population



Digital video consumption will increase 7% from 2020 to 2022.

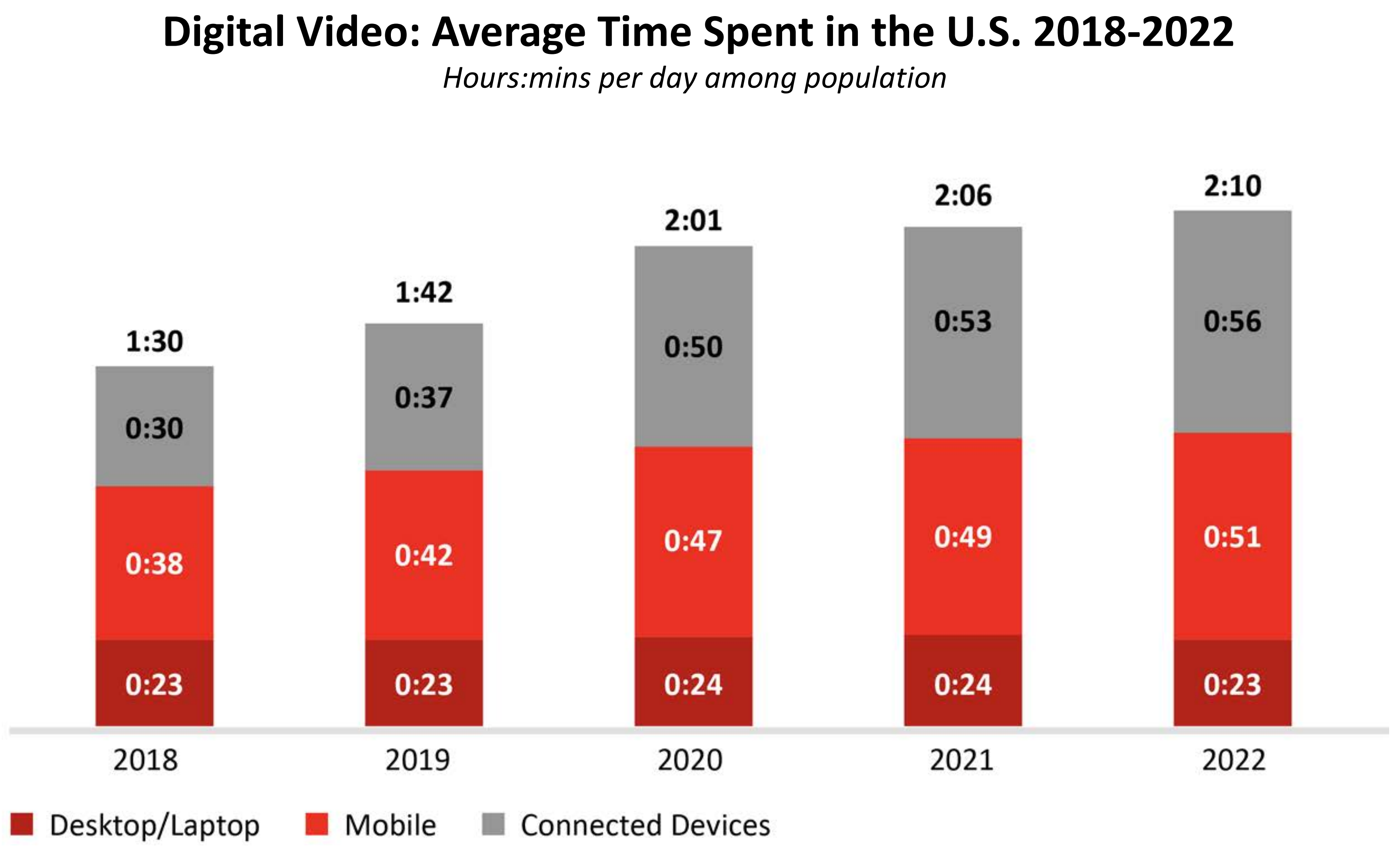
TV consumption will decrease 11% in the same time period.

**Includes live, DVR and other prerecorded video (such as video downloaded from the internet but saved locally)*

***Includes viewing via desktop/laptop computers, mobile (smartphones and tablets) and other connected devices (game consoles, connected TVs and OTT devices)*

Sources: eMarketer, 4/29/20; NBCU, 9/24/20

Digital video growth is being driven by CTV – up 35% because of COVID

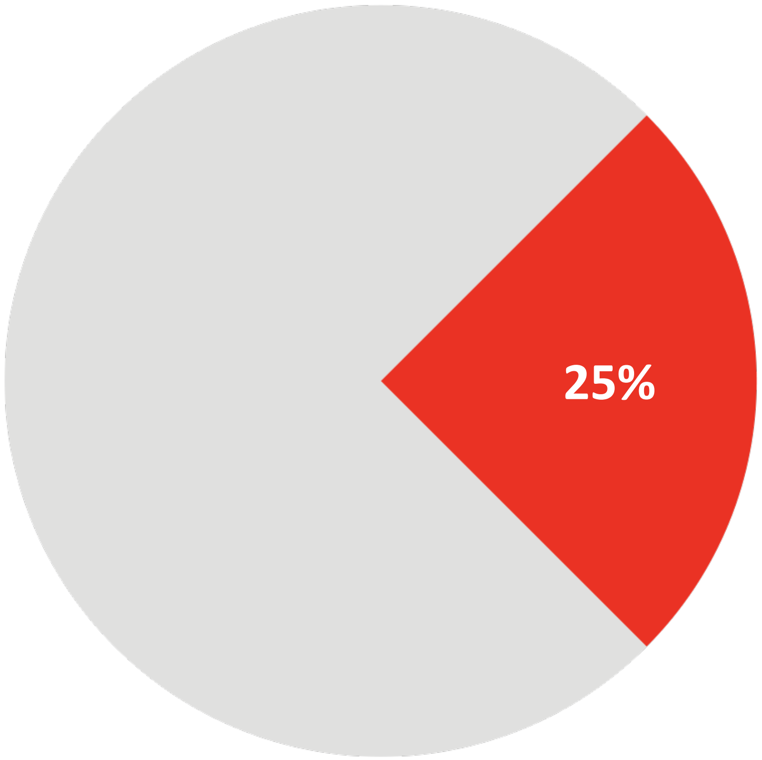


Source: eMarketer, April 2020

Weekly streaming video minutes climbed 74% YoY in Q2 2020, to 25% of U.S. TV usage

% of Streaming Out of Total Usage of TV

Among Streaming Capable Homes



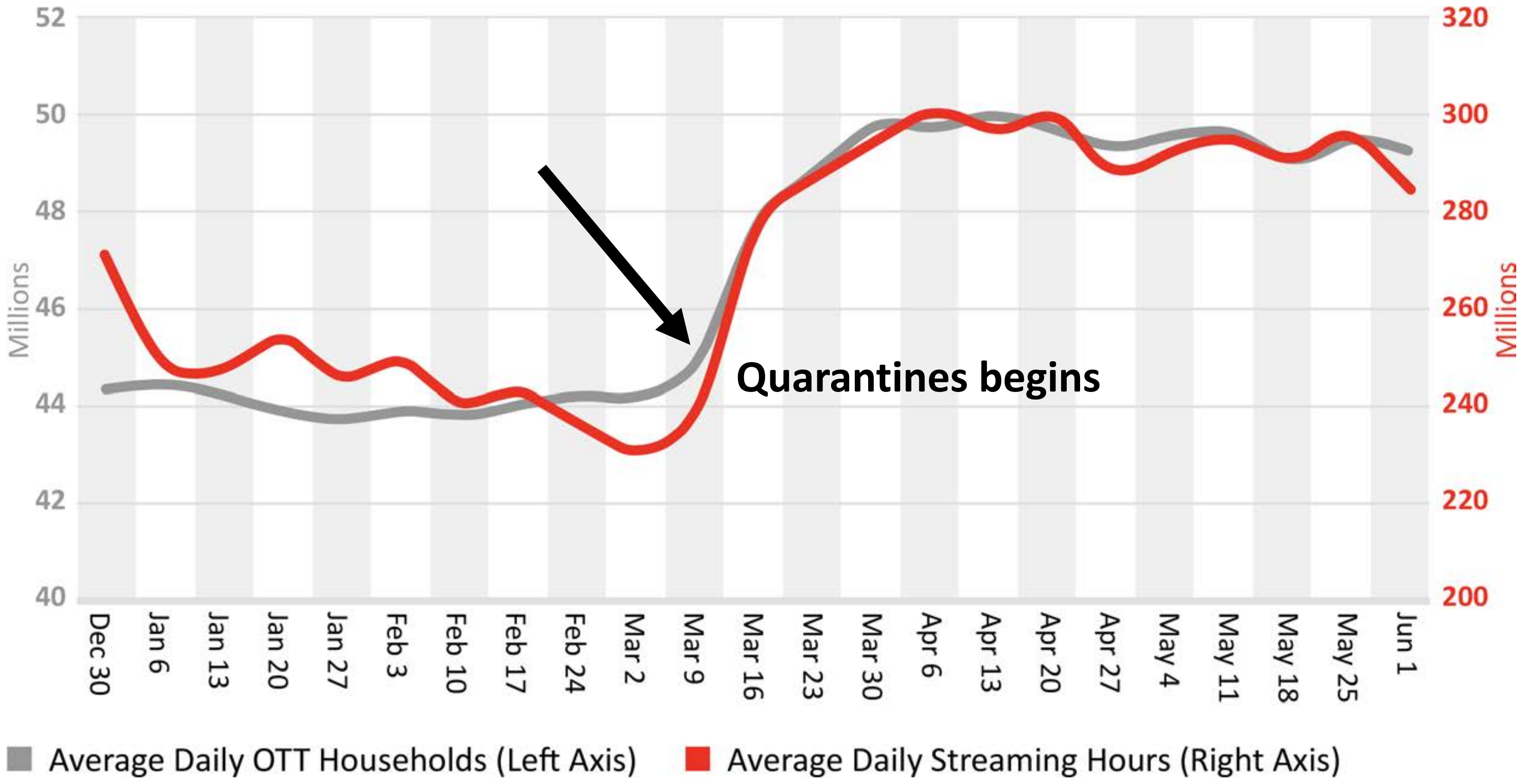
Q2 2020, P2+

Source: Nielsen, 8/23/20

Video streaming on OTT/CTV devices has increased 16% during COVID

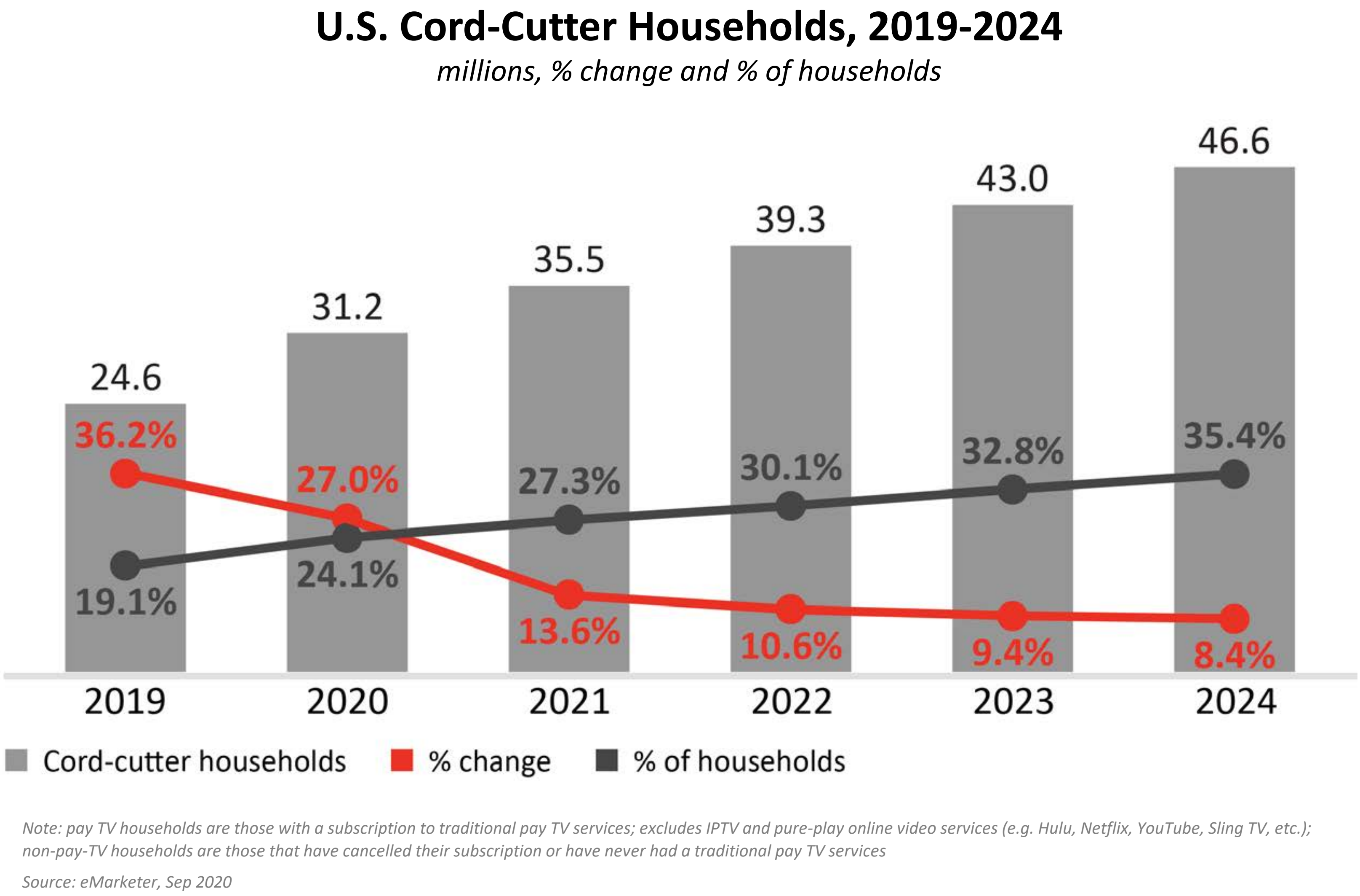
Average Daily Streaming Household and Hours by Week

(Custom Weekly Data)



Source: Comscore, 6/23/20

Cord-cutting will increase 27% YoY in 2020 for a total of 31.2M U.S. HHs

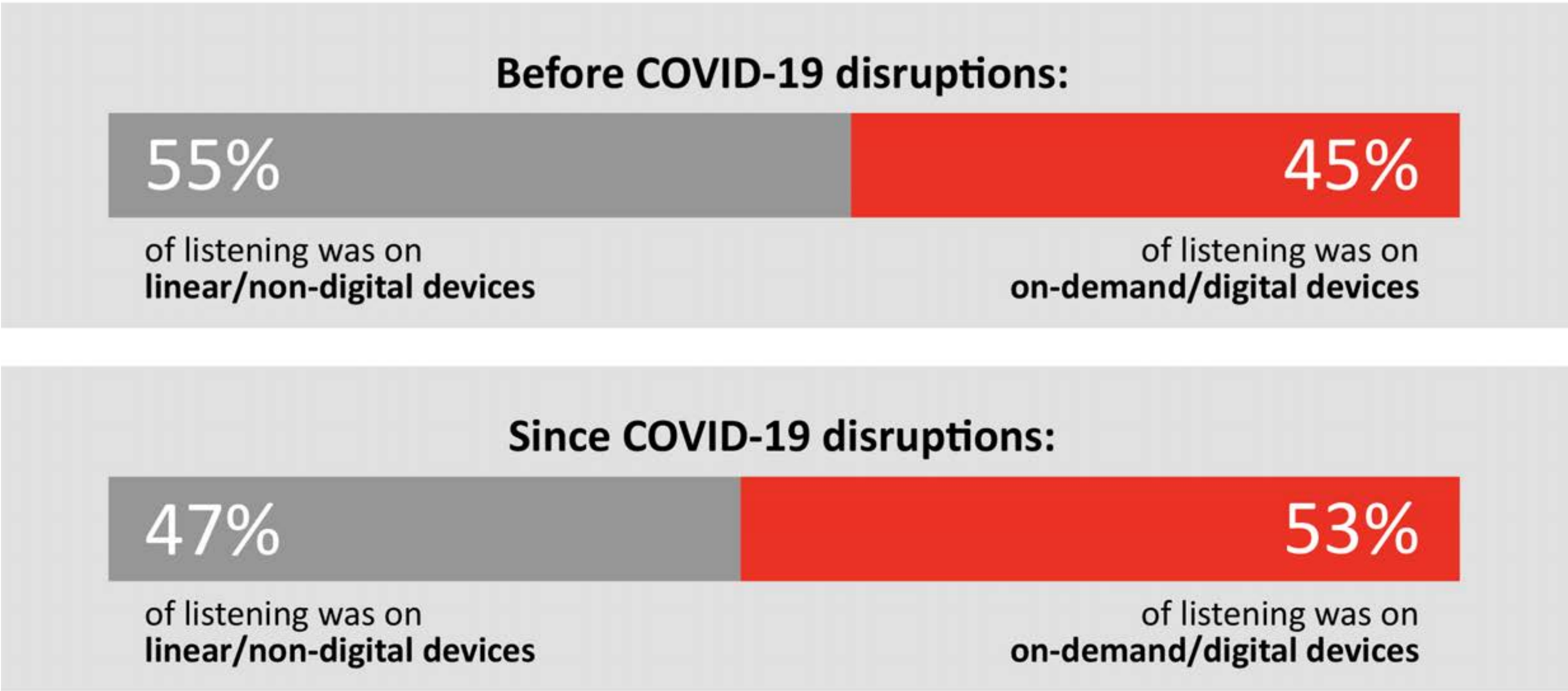


Source: eMarketer, 9/1/20; August 2020

During COVID, streaming/on-demand listening overtook radio

Digital Device Listening Crosses the 50% Threshold During COVID-19 Disruptions

Share of Ear®



Linear/non-digital devices:
AM/FM radio reciever, CD player, SirusXM reciever, TV channels

On-demand/digital devices:
Computer, Internet-connected TV device, Mobile device, Smart speaker

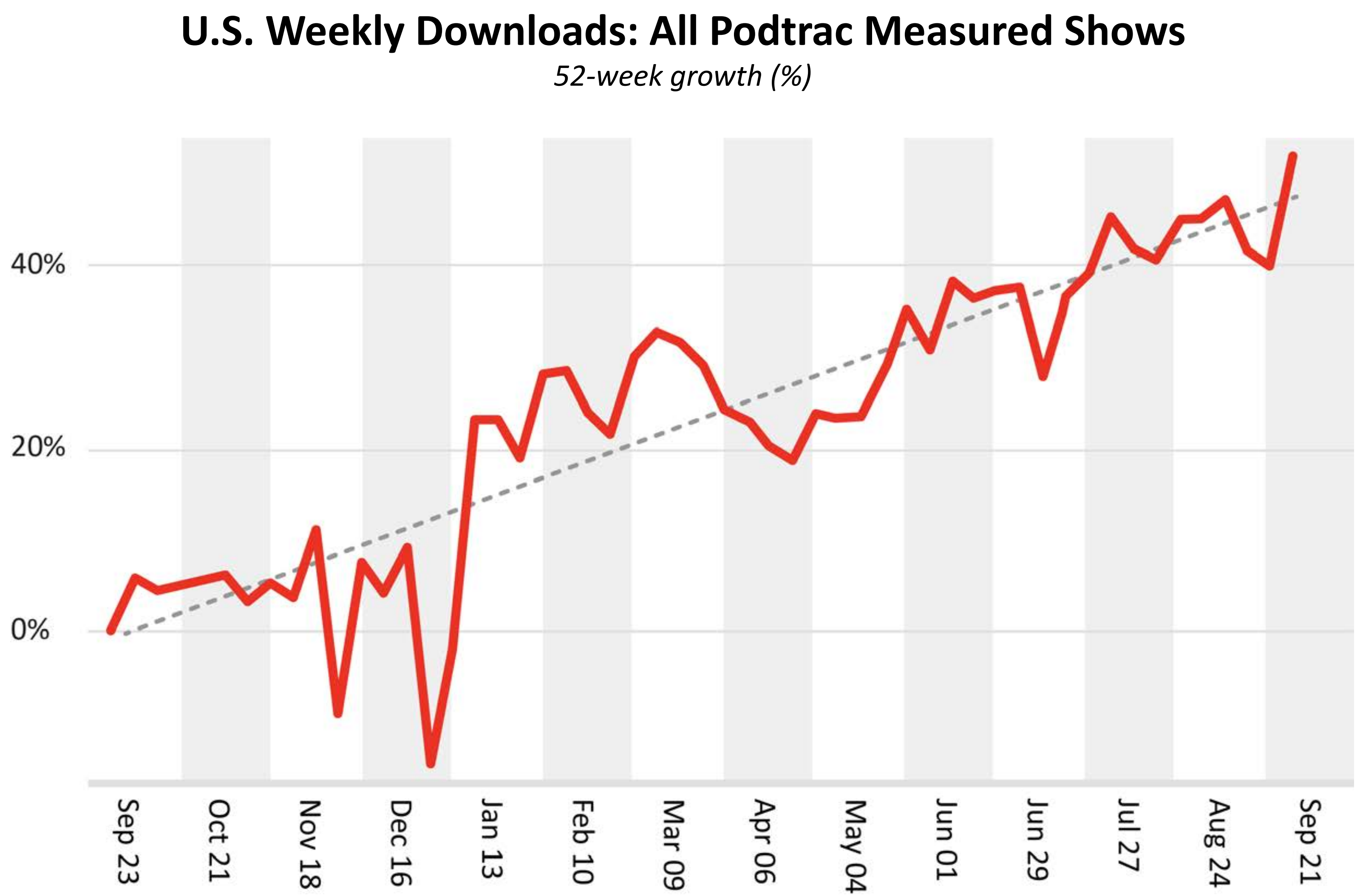
Source: Edison, 7/21/20

On-demand audio streaming is up 16% YoY through July 2020

Audio Type	Total 2020 Year to Date (thru July) (% vs. year ago)
Total Audio Activity	+9.4%
On-Demand Audio Streaming	+16.2%
Total Album Sales	-18.1%
Physical Albums	-20.3%
Digital Album	-14.3%
Digital Song Sales	-23.3%

Source: Nielsen, July 2020

Podcast downloads grew 52% YoY



Source: Podtrac, 9/21/20

Leading streaming audio players double down on Podcast production stacks

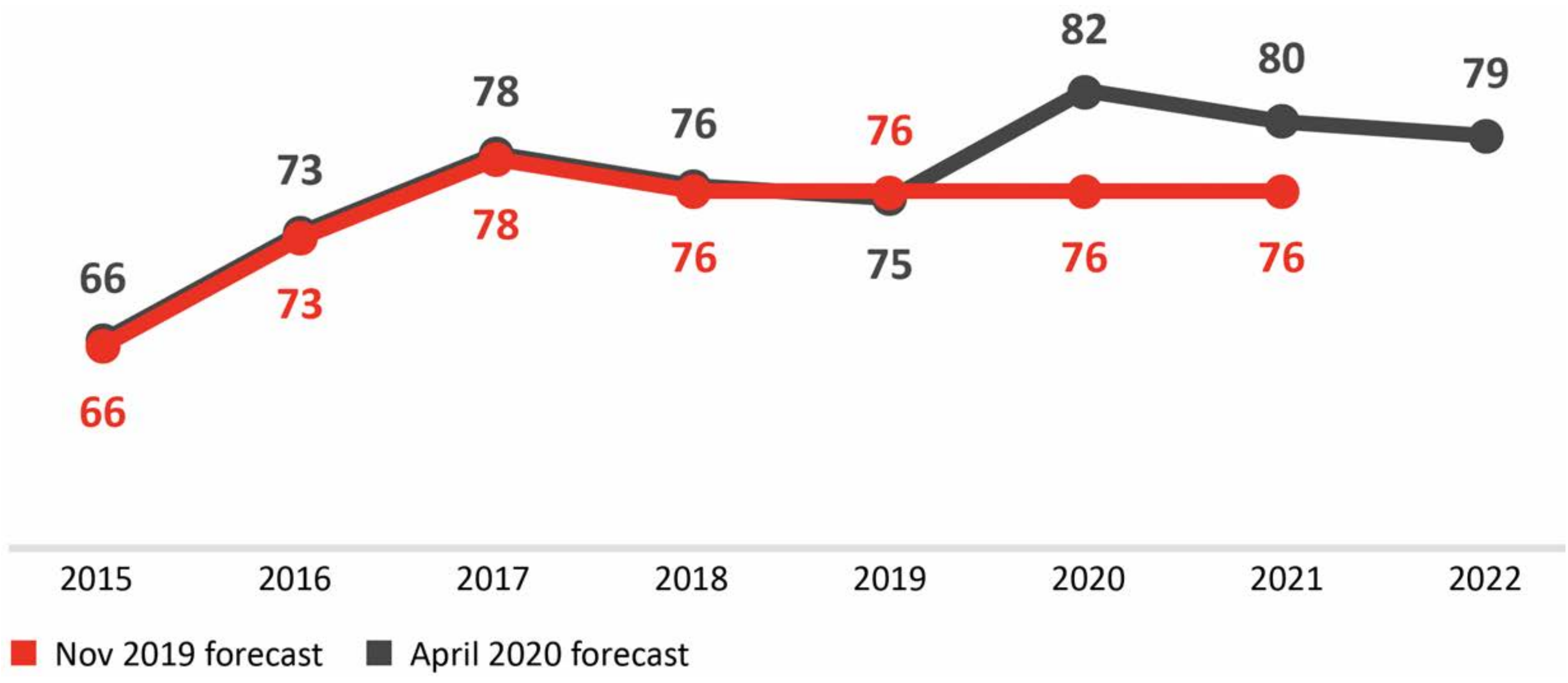
SiriusXM | STITCHER

Sources: Spotify, 6/18/20; Marketing Dive, 8/7/20

U.S. adults will spend on average 82 minutes a day on social media, +~7 minutes YoY

Social Networks: Average Time Spent by U.S. Adult Social Network Users, 2015-2022

minutes per day, Nov 2019 vs. April 2020



Note: ages 18+ who use social networks at least once a per month; time spent with each medium includes all time spent with that medium, regardless of multitasking or device

Source: eMarketing, May 2020

Source: eMarketer, 5/12/20

Increasing SVOD & TV costs adding to consumer financial strain…

Cable / Satellite & Live Streaming TV providers

PROVIDER	CHANNELS	MONTHLY PRICE
AT&T TV NOW	125+	$55–$135/mo.
AT&T DIRECTV	155–330+	$59.99–$134.99
DISH	190–290+	$59.99–$94.99
Verizon Fios TV	125–425+	$50–$90
Spectrum TV	125–200+	$44.99–$89.99
Xfinity TV	140–200+	$70.99–$89.49
fuboTV	160+	$54.99–$84.99/mo.
Cox TV	75–140+	$25–$69.99
YouTube TV	85+	$64.99/mo.
Hulu + Live TV	65+	$54.99/mo.
Sling TV	50+	$30–$45/mo.

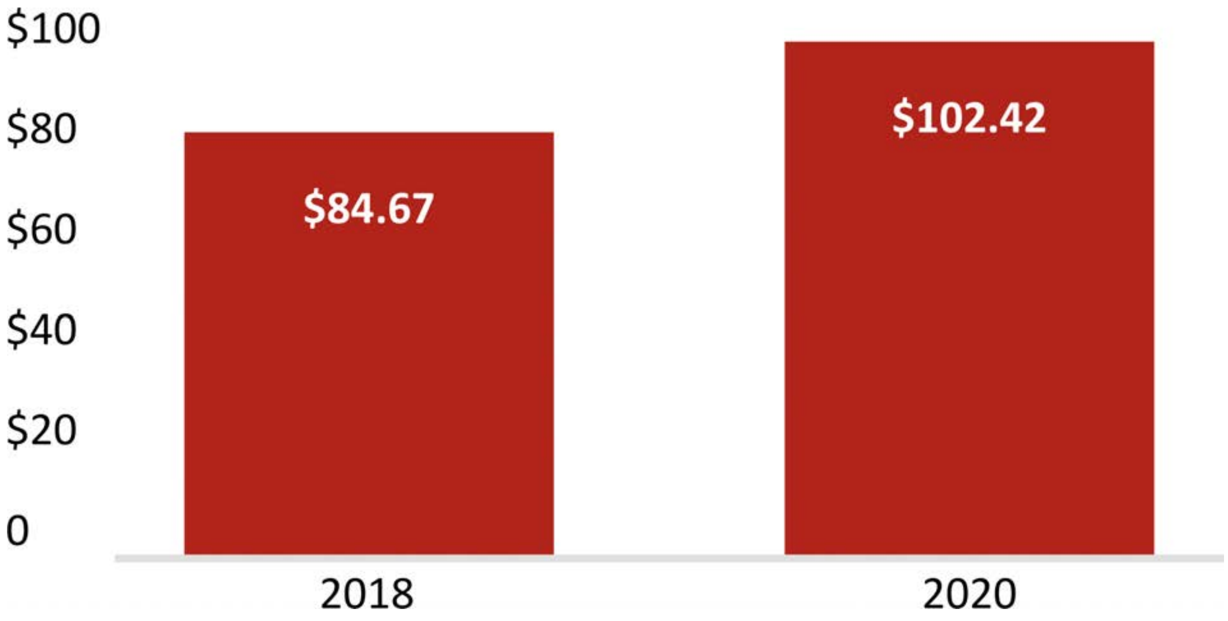
= Live streaming TV Provider

Source: Variety, 7/8/20

… with further pressure on SVOD prices coming from young male gamers

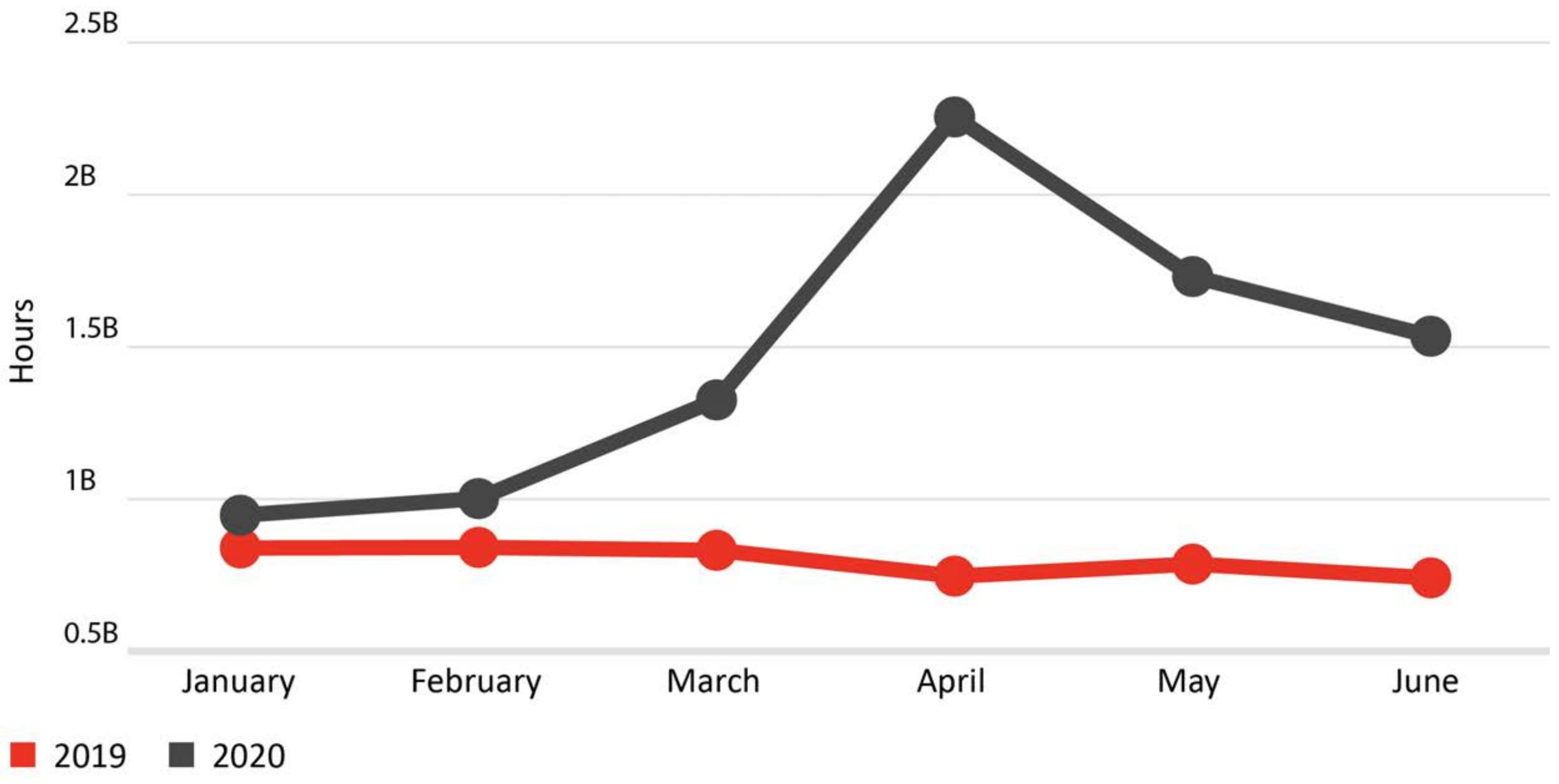
Dollars Spent on Fortnight In-Game Purchases

by Average Spender



Twitch added 1 billion+ monthly viewing hours during prime COVID period

Monthly Worldwide Hours Watched on Twitch

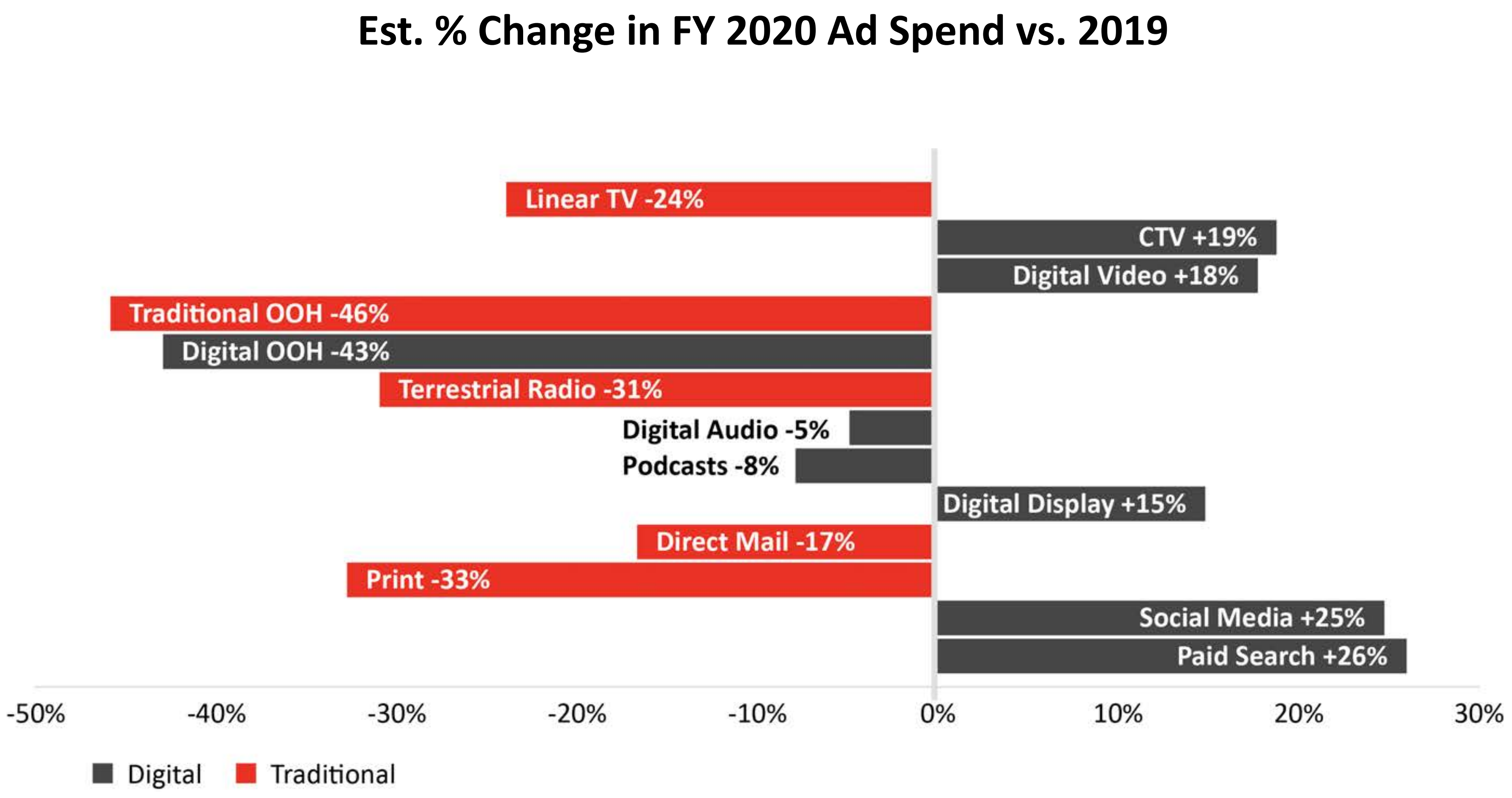


Source: SuperData

E-sports is now a competitive advertising medium

After experiencing a 75% increase in their gaming audience early in 2020, **Verizon** signed a three-year deal to serve as the official 5G and network services provider of e-sports' Legends Championship Series, gaining a large reach opportunity to showcase new 5G technology

Only digital channels can expect net gains in FY2020 ad spend

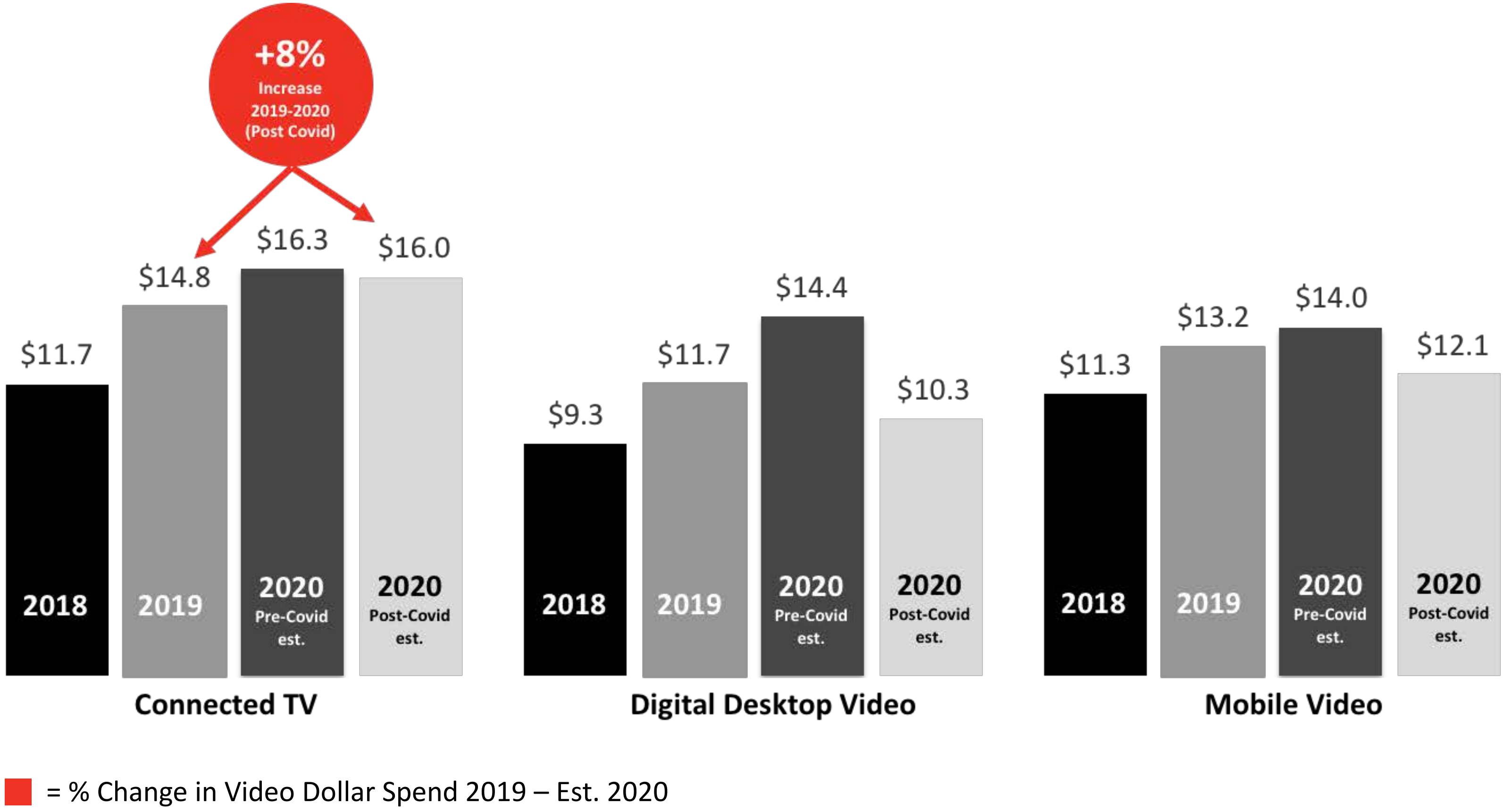


n=135

Q: Please share your expected % increase/decrease or (0) for no change for 2020 (Jan-Dec) vs. 2019 (Jan-Dec) by CHANNEL for your primary brand.

CTV is expected to drive resiliency for digital video ad spend in 2020…

Average Spend per Advertiser– 3 Year Trend (in millions)



Q10: Keeping in mind your video spend in the [ASSIGNED MARKET SECTOR], to the best of your knowledge for each media type what exactly was your (company's/client's) spend in 2018 and 2019? What do you anticipate spending in 2020? Base: Total Respondents Who Spent on Video Types (Variable Base)

Source: IAB, 6/23/20

Free Ad-Supported Streaming Television (FAST) will likely draw ad dollars

Pluto TV added 12 million additional viewers in 2019-Q1 2020

Xumo added 4.5 million additional viewers from Apr 2019-Feb 2020

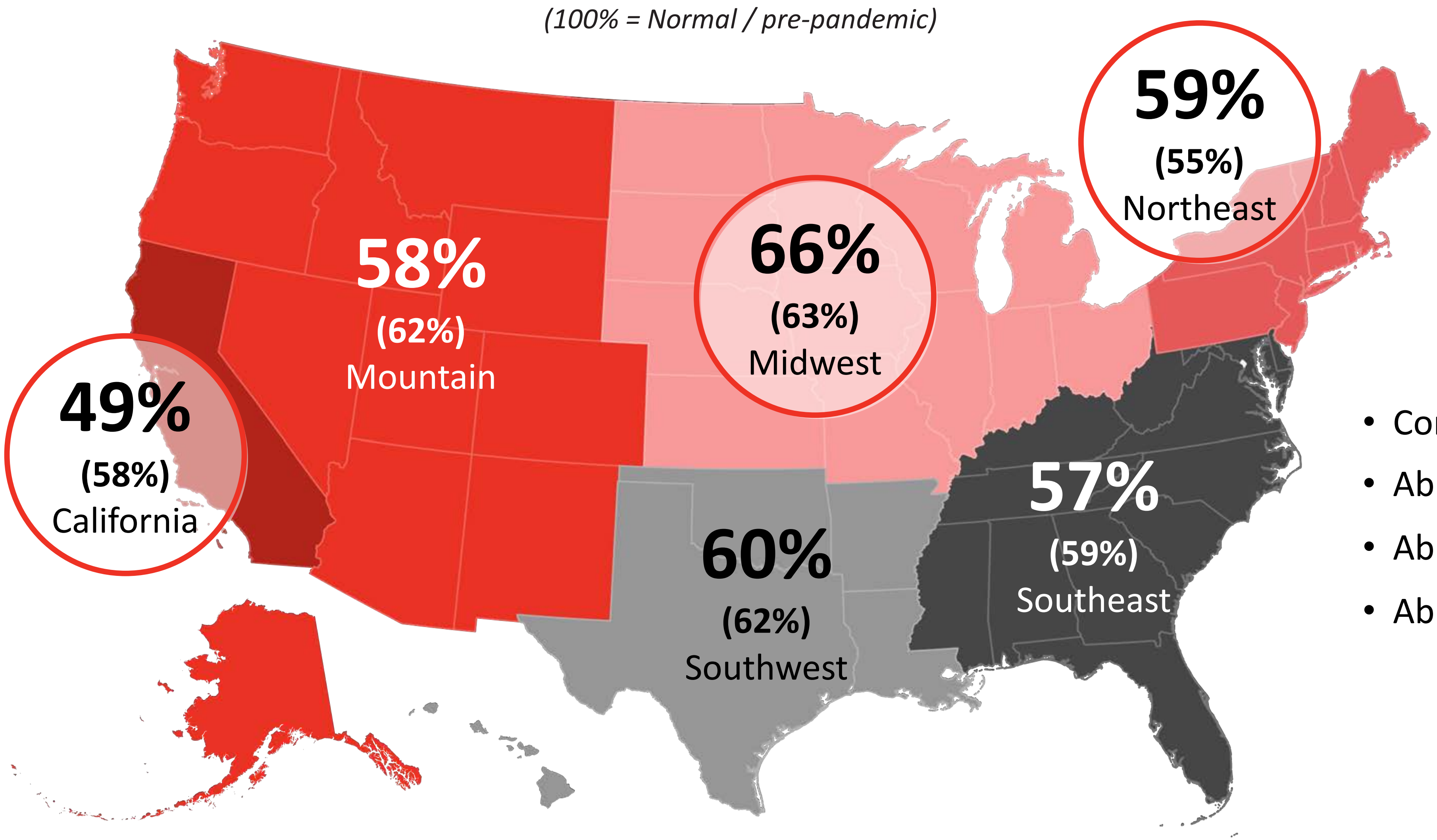
The growth of the FAST space has attracted big media companies; **Comcast** launched **Peacock** in Q2 2020

FAST Providers

	LG Channels	Pluto TV	Peacock	Redbox Free Live TV	Roku Channel	Tivo+	Samsung TV Plus	STIRR	Vizio WatchFree	Xumo
Owner	LG	ViacomCBS	Comcast	Redbox	Roku	Tivo	Samsung	Sinclair	Vizo	Comcast
Platform Agnostic/ Exclusive	Exclusive to LG smart TVs	Agnostic	Agnostic	Agnostic	Agnostic	Exclusive to later model Tivo devices	Exclusive to Samsung smart TVs	Agnostic	Exclusive to Vizio smart TVs	Agnostic
Powered By	Xumo	Pluto	Comcast	Xumo	Partially by Xumo	Xumo	Partially by Pluto & Xumo	STIRR	Pluto	Xumo
Has AVOD Component	No	Yes	Yes	No	Yes	Yes	No	Yes	No	Yes
Estimated Monthly Users	No Data Available	24.2 million	Not launched	No Data Available	No Data Available	No Data Available	No Data Available	No Data Available- Reached 1m downloads in July 2019	No Data Available	10 million
Year of Launch	2016	2014	2020*	February 2020	2018	2019	2018	2019	2018	2016
Total # of Channels	182	244	22+ seasonal live sports	28	54	26 at launch	91	91	No data available	181

Source: Variety, 7/8/20

Staggered re-entry plans & consumer behaviors are localizing ad spend and creative



Top Drivers

- Confidence in the economy
- Ability to shop for necessary items
- Ability to make future plans
- Ability to go about routine OOH

Source: Forethought Normality Index, June 2020

COVID driving further localization of marketing strategies

Coca-Cola

PANDORA

Lindblad Expeditions

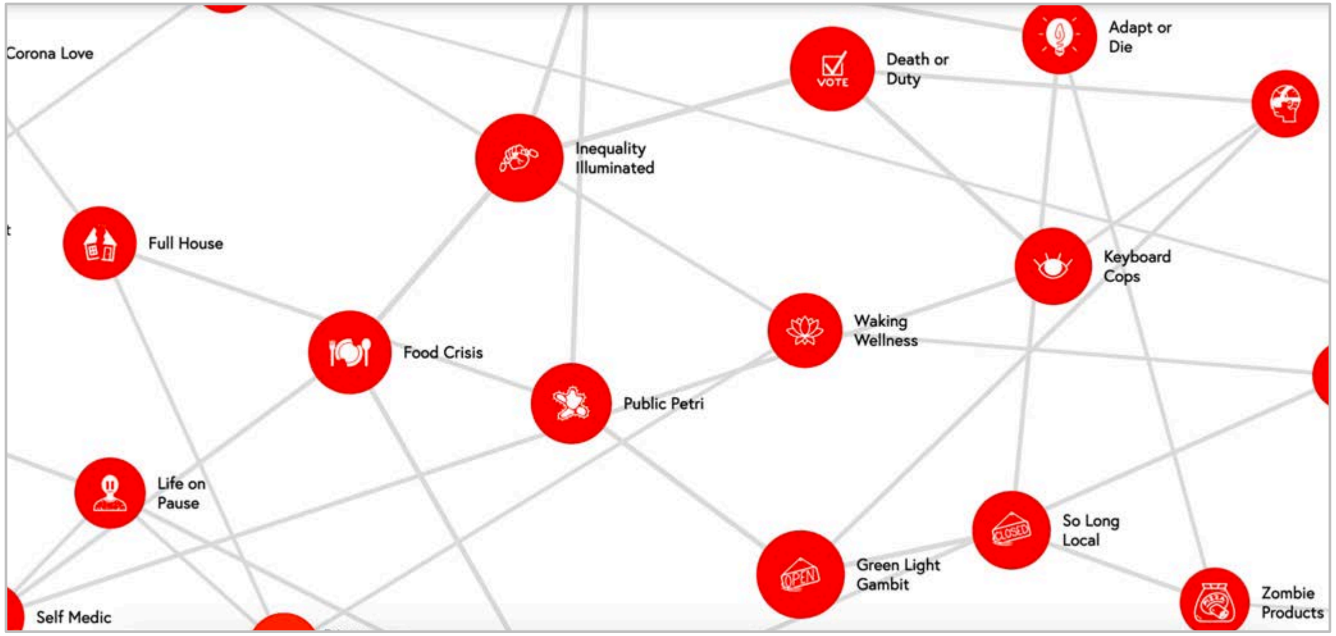
Sources: NY Times, 7/28/20; AdExchanger, 7/14/20

Digital tools like "Tension Map" offer brands real-time guidance on geo-messaging

"The consumer psyche and what they wanted to hear and needed to hear from brands would just change week to week"

— **Chris Brandt, Chipotle CMO**

COVID Tension Map • Why Tension Works



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The Interactive Advertising Bureau 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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TikTok is the leading destination for short-form mobile video. Our mission is to inspire and enrich people's lives by offering a home for creative expression and an experience that is genuine, joyful, and positive. TikTok has global offices including Los Angeles, New York, London, Paris, Berlin, Dubai, Mumbai, Singapore, Jakarta, Seoul, and Tokyo.

www.tiktok.com

Thank You

Chris Bruderle
Senior Director,
Research & Analytics
IAB
chris@iab.com

Sue Hogan
Senior Vice President,
Research & Analytics
IAB
sue@iab.com

Randall Rothenberg
Executive Chair
IAB

randall@iab.com