What Is the Direct Brand Economy?

Powered by nimble supply chains and 1st party, data-enriched customer relationships, Direct Brands will continue to steal share and pose significant threats to the growth and vitality of incumbent brands.
The Indirect Brand Economy (1879 – 2010) required tightly woven supply chains and physical stores.
The Direct Brand Economy (2010 - ) rewards agile outsourcing and scaled individual relationships.
It is birthing new brands with new attributes, and cultivating new consumer behaviors.
Digital media democratize the competitiveness of smaller brands...

- # of advertisers supplying 88% of U.S. network television revenue: 200
- # of individual advertisers on Facebook: 10 million

Source: Brian Wieser, Group M; Facebook Earnings Call 10/29/20
...Massively scale the availability of new consumer goods and services

142,000

# of items carried in an average Walmart supercenters

350 million

# of products carried by Amazon, including Amazon Marketplace

Sources: Walmart; BigCommerce
…Increase the reach, segmentation, variability, and complexity of their marketing…

# of U.S. cable TV networks with prime-time ratings above 1 million households: 8

# of YouTube channels with 1 million+ subscribers: 22,000

Sources: Tubics, 11/13/20; The Wrap, 12/30/19
...And break the century-old retail-media cartel’s lock on the consumer economy

Distribution of Cosmetic Retail Sales by Channel in the U.S.

- Traditional retail: 96%
- E-commerce:
  - Top 20 manufacturers: 14%
  - Other manufacturers: 86%

Sources: Inc; CBNC, 3/20/19; Common Thread, 3/16/20
COVID & Commerce

COVID accelerated the transition from a brick-and-mortar consumer economy to a “storeless” economy by 200-300%, permanently altering the brand value chain.
E-commerce growth has accelerated while the other markets are stagnant.

### U.S. Growth: E-commerce vs. Brick-and-Mortar vs. Total Retail vs. GDP, 2010-2020*

<table>
<thead>
<tr>
<th>Year</th>
<th>E-commerce sales growth</th>
<th>Brick-and-mortar sales growth</th>
<th>Total retail sales growth</th>
<th>GDP growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>0.0%</td>
<td>2.2%</td>
<td>1.8%</td>
<td>3.0%</td>
</tr>
<tr>
<td>2011</td>
<td>0.0%</td>
<td>3.4%</td>
<td>3.0%</td>
<td>3.4%</td>
</tr>
<tr>
<td>2012</td>
<td>0.0%</td>
<td>1.8%</td>
<td>2.2%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2013</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2014</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2015</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2016</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2017</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2018</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2019</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2020</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

*Total Retail sales & Brick-and-Mortar sales include items that cannot be purchased online, i.e., gas, cars, etc.
Sources: U.S. Department of Commerce, 8/19/21; Retail Dive, 1/19/21; The World Bank

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**Insight**

Brands can retain top line revenue growth—even as brick and mortar declines—by leveraging e-commerce and its multiple marketing channels. Despite a decline in physical stores, brands that invest in e-commerce can match or exceed the pace of GDP growth.
E-commerce growth is driving sales from physical to digital across categories

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel &amp; accessories</td>
<td>24.2%</td>
<td>26.9%</td>
<td>36.3%</td>
<td>33.8%</td>
</tr>
<tr>
<td>Auto &amp; parts</td>
<td>3.4%</td>
<td>3.6%</td>
<td>4.1%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Books, music &amp; video</td>
<td>46.9%</td>
<td>50.8%</td>
<td>63.1%</td>
<td>65.7%</td>
</tr>
<tr>
<td>Computer &amp; consumer electronics</td>
<td>36.2%</td>
<td>39.4%</td>
<td>49.6%</td>
<td>50.2%</td>
</tr>
<tr>
<td>Food &amp; beverage</td>
<td>2.3%</td>
<td>3.0%</td>
<td>5.3%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Furniture &amp; home furnishings</td>
<td>20.9%</td>
<td>23.6%</td>
<td>29.7%</td>
<td>30.3%</td>
</tr>
<tr>
<td>Health personal care &amp; beauty</td>
<td>9.7%</td>
<td>11.4%</td>
<td>14.8%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Office equipment &amp; supplies</td>
<td>26.8%</td>
<td>28.7%</td>
<td>36.4%</td>
<td>38.1%</td>
</tr>
<tr>
<td>Toys &amp; hobby</td>
<td>31.2%</td>
<td>33.9%</td>
<td>40.8%</td>
<td>40.3%</td>
</tr>
<tr>
<td>Other</td>
<td>3.3%</td>
<td>3.7%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Source: eMarketer, 10/11/21
Omnichannel = the only channel: Consumer use of delivery, click-and-collect, BOPIS are up 45-125%

**Methods Consumers Have Used for Purchases**

- **Did before pandemic**
- **Doing now (June 2021)**

<table>
<thead>
<tr>
<th>Method</th>
<th>Before Pandemic</th>
<th>Now (June 2021)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order items from a local store and have them delivered to your home</td>
<td>22%</td>
<td>32%</td>
</tr>
<tr>
<td>Order items from a local store and do in-store pickup</td>
<td>25%</td>
<td>38%</td>
</tr>
<tr>
<td>Order items from a local store and do curbside pickup</td>
<td>16%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: Nielsen, 7/28/21
The “On-Demand Economy” is here: The “delivery frontier” has moved from days to minutes.

Gorillas’ Ten Minute Grocery Delivery to Launch in the U.S.

With Grocery Delivery in 15 Minutes or Less, JOKR Wants to Reinvent Food Shopping

Fridge No More puts 15-minute delivery to the test in the US

Instacart Launches “Priority Delivery” & Introduces 30-Minute Grocery Delivery

15-minute grocery delivery services are trying to compete with Amazon and DoorDash

Insight

The On-Demand Economy means brands need to fulfill the consumer desire for immediate gratification. By partnering with delivery platforms, brands can leverage embedded ad opportunities, upsell/cross-sell, and data/insights. On-demand delivery will also require brands to optimize their order management and supply chains to ensure inventory readiness.
“Dark” convenience-store sales grew 346% in 2020, drew 5x more investment so far in 2021

Dark convenience stores have seen a surge in funding

Disclosed deals & equity funding ($M), 2016 – 2021 YTD (04/30/21)

The increasing speed of delivery is opening new shopping occasions built around immediate in-home gratification, and an advertising onslaught to drive demand, as consumers order not just meals and movies for immediate delivery but fashion, beauty, health products, etc.

Source: CB Insights, 5/10/21
Stores are becoming digitally-powered ecosystems to serve each stage of the omnichannel shopping process.
Stores are being customized to match regional online shopping habits, bypass checkout, and streamline shoppertainment, social spaces, and BOPIS.

Sources: WSJ, 8/24/21; Retail Dive, 8/19/21; Amazon, 6/5/21; HBR.org, 6/4/21; CB Insights, 4/21/21
E-commerce is also creating new categories: with purpose-driven commerce leading the way

Secondhand market share to grow by 9 points over the next 10 years, more than any other sector.

Resale, rental, and subscription will be the fastest growing sectors over the next 10 years as consumers seek fun and convenience.

Fast fashion market share to stay roughly flat over the next 10 years.

Source: ThredUp, 6/23/21
The endless virtual shelf is a threat to established brands’ loyalty

What US customers have done since COVID-19 started¹ and intend to continue

<table>
<thead>
<tr>
<th>Have done</th>
<th>Growth, Aug 2020-Feb 2021¹</th>
<th>Intend to continue</th>
</tr>
</thead>
<tbody>
<tr>
<td>New shopping method²</td>
<td>40</td>
<td>76</td>
</tr>
<tr>
<td>Different brand</td>
<td>39</td>
<td>79</td>
</tr>
<tr>
<td>Different retailer/store/website</td>
<td>34</td>
<td>78</td>
</tr>
<tr>
<td>New digital shopping method</td>
<td>29</td>
<td>81</td>
</tr>
<tr>
<td>Private label/store brand</td>
<td>26</td>
<td>81</td>
</tr>
</tbody>
</table>

1. Q: Since the coronavirus (COVID-19) crisis started, which of the following have you done? 23% of the consumers selected “none of these”
2. Q: Which best describes whether or not you plan to continue with these shopping changes once the coronavirus (COVID-19) crisis has subsided (i.e., once there is herd immunity)? Possible answers: “will go back to what I did before coronavirus” and “will keep doing this and NOT go back to what I did before coronavirus”
3. Growth indicated by numbers greater than 1 (e.g., 1x indicates no growth, 1.1x indicated 10% growth)
4. Includes curbside pickup and delivery apps

Members of Gen Z were born in 1997-2012, millennials in 1981-96, Gen X in 19-80, and baby boomers in 1946-64. The traditional/silent generation is not included due to a low sample size

Insight

The competitive set has expanded—and the new, nimble disruptors come with notable points of differentiation. They are purpose driven, transparent about product origin/ingredients, and focused on solutions.

Source: McKinsey, 8/11/21
The endless e-comm shelf allows small CPG brands to grow 2x faster than large incumbents – and to take share

<table>
<thead>
<tr>
<th>CPG sales revenue (%)</th>
<th>Revenue CARG 2016-2019 (%)</th>
<th>Revenue growth 2020 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$801 billion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.5</td>
<td>+1.2</td>
<td>1.8</td>
</tr>
<tr>
<td>8.1</td>
<td>+0.1</td>
<td>4.5</td>
</tr>
<tr>
<td>11.6</td>
<td>+0.4</td>
<td>2.1</td>
</tr>
<tr>
<td>17.9</td>
<td>+0.1</td>
<td>1.9</td>
</tr>
<tr>
<td>47.8</td>
<td>-1.8</td>
<td>0.5</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$845 billion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.7</td>
<td>+0.2</td>
<td>11.9</td>
</tr>
<tr>
<td>8.2</td>
<td>+0.6</td>
<td>18.3</td>
</tr>
<tr>
<td>12.0</td>
<td>+0.5</td>
<td>15.4</td>
</tr>
<tr>
<td>18.0</td>
<td>-0.2</td>
<td></td>
</tr>
<tr>
<td>46.0</td>
<td>-1.2</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$933 billion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.0</td>
<td>+0.6</td>
<td></td>
</tr>
<tr>
<td>8.8</td>
<td>+0.4</td>
<td></td>
</tr>
<tr>
<td>12.6</td>
<td>+0.5</td>
<td></td>
</tr>
<tr>
<td>17.9</td>
<td>-0.2</td>
<td></td>
</tr>
<tr>
<td>44.9</td>
<td>-1.2</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: IRI data for multioutlet and convenience (MULO+C); BCG analysis.
Note: Large companies were defined as companies that had sales of more than $6 billion in 2020.
When consumers go digital, disruptor brands benefit most

**Market Disruption**

- Overall, the apparel category declined 12% in 2020
- Disruptor brands ThredUp, Allbirds, and Stitch Fix saw revenue increases YoY: 14%, 13%, and 11%, respectively

**First-Wave Disruptors**

- THREDUP
- Allbirds
- Stitch Fix

**Contending Disruptors**

- VUORI
- JUSTFAB
- KNOTSTANDARD
When consumers go digital, disruptor brands benefit most

**Market Disruption**

- Seasonally-adjusted rate of used cars sales plunged 13% thru Sept YTD, after an 8% 2020 decline

- Used vehicle disruptor Carvana units sold were up 76% YoY in Q1 2021, +96% Q2, after a 37% 2020 increase. Vroom increased 82% in units sold in 2020 YoY

**First-Wave Disruptors**

- [Carvana](https://www.carvana.com)
- [Vroom](https://www.vroom.com)

**Contending Disruptors**

- [Shift](https://www.shift.com)
- [Roadster](https://www.roadster.com)

Sources: Cox Automotive, 10/15/21; 1/8/21; The Wall Street Journal, 9/11/21; Carvana, 8/5/21; 5/6/21; CarMax, 4/1/21; Vroom, 3/3/21
The lockdown saw digital brands expand into new product categories.

Insight
Consumer brand loyalty continues to exist. Disruptor brands have leveraged loyalty to expand into additional categories.

Sources: Front Office Sports, 9/13/21; Retail Dive, 9/13/21; CNB, 9/17/21; Retail Dive, 5/25/21; WSJ, 5/19/21; Retail Dive, 3/11/21; Retail Dive, 2/19/21
With their Gen Z appeal, Direct Brands are now colonizing major chain retailers. 

Big Box retailers are giving prominent instore placement to smaller brands—thereby decreasing shelf space for traditional, dominant players.

Source: Retail Dive, 8/9/21; 7/19/21; 6/23/21; 5/4/21; 4/13/21; 3/15/21
Big brands are now disrupting themselves

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**adidas**

Aims for DTC to be 50% of sales by 2025—up 66% vs. pre-pandemic

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**crocs™**

DTC sales increased nearly 80% YoY, making up 52% of Q2 revenues

---

**LEVI’S**

DTC sales represented ~40% of sales in 2020; goal is 60% in 2021

---

**UNDER ARMOUR**

Overhauled its wholesale partnerships and exited 2-3K N.A. stores; Q4 2020 DTC sales increased 11% to $655M

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**Insight**

Brands are seeing the benefit of D2C, as they increase both top line revenue and margin.

Sources: Footwear News, 7/21/21; Forbes, 4/12/21; Retail Dive, 3/11/21; Quartz, 3/10/21
2021’s biggest brand crisis: Supply chain bottlenecks

While all brands are being impacted by supply chain challenges, larger brands likely have the cash reserves to weather these challenges. Heightened consumer expectations for speed, personalization, and mission mean brands will have to be transparent regarding origin, supply, and availability.
The Data Dilemma

95% of brands are changing their data strategies over privacy concerns. To thrive in the post-cookie/ID ecosystem, brands need to pursue a four-pronged strategy that includes 1P data, alternative IDs, contextual signals, and anonymous cohorts.
Brands are data companies that make products – not vice versa

“Deep Brew will increasingly power our personalization engine, optimize store labor allocations, and drive inventory management in our stores. In many ways, Deep Brew, and the focus on **machine learning and AI**, is all about finding ways to help humans have more time to be human.”

- Starbucks CEO Kevin Johnson on the company’s “Deep Brew” AI platform

January 20, 2020
The data battle line has been drawn

"[The gatekeeping of the mobile app ecosystem is] stifling innovation, stopping people from building new things, and holding back the entire internet economy."

"If a business is built on misleading users, on data exploitation, on choices that are no choices at all, it does not deserve our praise. It deserves reform."

Sources: The New York Times, 10/29/21; CNBC, 2/1/21
They have cause for concern: Addressable audiences are shrinking…

Only 15% of U.S. iOS users are opted into app tracking

On average, apps are seeing 16% of their iOS user population opting in to tracking

**US Weekly Opt-in Rate After iOS 14.5 Launch Across All Apps**
% of Mobile Active App Users Who Allow App Tracking Among Users Who Have Chosen to Either Allow Or Deny Tracking

Source: Flurry Analytics, Data through 9/6/2021, n=2.5M daily mobile active app users using iOS versions with AT&T framework (iOS 14 and above) Note: Opt-in rate = app users who allow tracking divided by (app users who allow tracking + app users who deny tracking)

**Sources:** The Wall Street Journal, 10/21/21; Flurry, 9/6/21

**US Weekly Opt-in Rate Across Apps that Have Displayed the Prompt**
% of Mobile Active App Users Who Allow App Tracking Among Users Who Have Chosen to Either Allow or Deny Tracking

Source: Flurry Analytics, Data through 9/6/2021, n=2.5M daily mobile active app users using iOS versions with AT&T framework (iOS 14 and above) Note: Opt-in rate = app users who allow tracking divided by (app users who deny tracking + add users who deny tracking) in apps that have shown the prompt
• **Adore Me’s** iOS’ CPMs following the iOS 14.5 update went up 19.5%

• **Facebook** advertisers have reduced spend by about 30% on average

• **Snap** reported in late October that Apple’s privacy changes have hurt its ad business, and saw a more than 20% decline in its share price (from ~$75 to $57)

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Sources: The Wall Street Journal, 10/21/21; AdExchanger, 10/11/21; Marketing Dive, 9/23/21; 9/14/21; Venture Beat, 9/2/21; MOLOCO
Regulation & deprecation prompting 95% of brands to adjust their data strategies

Main Reason for Adjusting Data Collection/Usage Strategies
To Protect Consumer Data Privacy

- 55% The restrictions placed by the browsers/operating systems
- 40% The data privacy laws
- 5% We have not adjusted our data strategies

Source: IAB Brand Disruption Survey 2021, n=402; Survey Q: When thinking about the need to protect consumer data privacy, which of the following is the main reason why you have adjusted your data collection/usage strategies?
Increased use of 1P data is the highest post-cookie priority for buyers

<table>
<thead>
<tr>
<th>% Expected Data-Use Changes Due to Cookie/ID Deprecation</th>
</tr>
</thead>
<tbody>
<tr>
<td>42% Increase spending on use of first-party data</td>
</tr>
<tr>
<td>36% Bring data management in-house</td>
</tr>
<tr>
<td>35% Centralize all CRM data into one repository</td>
</tr>
<tr>
<td>31% Increase use of AI for consumer insights</td>
</tr>
<tr>
<td>29% Increase focus on developing in-house identity resolution solutions</td>
</tr>
<tr>
<td>27% Increase efforts to build second-party data relationships</td>
</tr>
<tr>
<td>24% Increase spending / emphasis on contextual advertising</td>
</tr>
</tbody>
</table>
But fewer than half of buyers are collecting “insightful” 1P data about media, shopping & behaviors.
1P data deployment by brands remains largely unsophisticated

Current Uses of 1P Data

- Managing advertising campaign reach and frequency: 36%
- Measuring ad campaign KPIs/ROI: 36%
- Serving personalized ads: 36%
- Personalizing product/service experiences: 35%
- Conducting campaign effectiveness/brand-lift studies: 33%
- Conducting audience segmentation: 31%
- Implementing cross-device tracking: 30%
- Retargeting: 29%
- Creating ad-attribution models: 29%
- Serving dynamic ads: 28%
- Creating lookalike models: 27%
- Conducting A/B testing: 24%

Source: IAB Brand Disruption Survey 2021, n=402; Survey Q: Which of the following tactics and implementations are you currently doing using your first party data?
84% of ad buyers increasing CTV spending say consumer privacy issues contributed to the increase

**Insight**

The ability to deliver addressability in a privacy-compliant way is setting up CTV to be a top beneficiary of the cookie and privacy wars as brands cited addressability as the #1 reason for leveraging OTT/CTV; CTV ad spend is expected to surpass $14B this year, an increase of over 2x since 2019.

**Impact of Deprecation of Cookies and Mobile Ad Ids on Increased CTV Spend**

Among those increasing TV Everywhere, Pure Play Streaming or vMVPDs Spend in 2021

- **Had a great effect** 22%
- **Had some effect** 62%
- **Had little effect** 14%
- **Had no effect** 2%

Sources: eMarketer, 10/14/21; IAB Brand Disruption Survey 2021, Brands investing in Digital Video n=334; Survey Q: Please select and rank your top 5 reasons for leveraging OTT/CTV on your media plan with 1 = the most important. (Rank 1st Summary); IAB Video Ad Spend 2020 & Outlook for 2021, Base: Increased TV Everywhere, Pure Play Streaming or vMVPDs Spend in 2021; Survey Q: You indicated that you increased your spending in TV Everywhere Apps, Pure Play Streaming Services, or vMVPDs. How much did the potential deprecation of cookies and mobile ad ids affect that decision?
Together with the endless e-commerce “shelf,” the limitless digital media “EPG” – and consumers’ firm preference for interactive media - is a primary driver of disruptor brand discovery, consideration, and choice.
Digital time spent by consumers jumped an hour in 2020 – digital media now consume 42% more time than analog

U.S. Average Time Spent per Day with Media (Hr:Mins)

<table>
<thead>
<tr>
<th>Year</th>
<th>Digital</th>
<th>Traditional</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>6:49</td>
<td>5:33</td>
</tr>
<tr>
<td>2020</td>
<td>7:50</td>
<td>5:31</td>
</tr>
<tr>
<td>2021</td>
<td>7:59</td>
<td>5:13</td>
</tr>
<tr>
<td>2022</td>
<td>8:09</td>
<td>4:57</td>
</tr>
<tr>
<td>2023</td>
<td>8:20</td>
<td>4:45</td>
</tr>
</tbody>
</table>

Note: ages 18+
Traditional includes TV, newspapers, magazines and radio

Source: eMarketer, 5/27/21
But consumer time spent with digital video grew 25% in 2020, far faster than total digital

- CTV time spent added nearly 20-minutes in 2020 and will grow 7 minutes more in 2021

Digital Video*: Average Time Spent in the US, by Device, 2019 – 2023

*Does not include video on social networks (see def. below)

hrs:mins per day among population

Note: ages 18+; includes all time spent with online video activities, regardless of multitasking; includes viewing via desktop/laptop computers, mobile (smartphones and tablets), and other connected devices (game and consoles, connected TVs, or OTT devices); excludes video streamed through social networks; numbers may not add up to total due to rounding

Source: eMarketer, April 2021
Video viewers are spending 47% more time streaming today than two years ago

- In August 2021, streaming video accounted for 28% of video viewership—up 12% vs. 2020 and 47% vs. 2019

Source: Nielsen, 9/16/21; 8/23/20
Netflix is king, but AVODs rule

June 2021
8.3B Total Hours Watched

26% Netflix
21% YouTube
13% hulu
9% Amazon Video
4% Disney+

Others 18%
Peacock TV 1%
PBS 1%
Pluto TV 2%
Tubi TV 2%
HBO Max 3%
AVOD sees the most growth in time spent YoY, 2x SVOD and gaining share from linear

Change in Share of Time Spent

-13%  
Linear

+100%  
SVOD

+200%  
AVOD

May 2020 – May 2021

Source: TVision, 6/23/21
In 2020, digital audio surpassed radio in avg. daily time spent, and is gaining more share in 2021

- More than half (51%) of U.S. consumers said they’ve listened to digital music more during the pandemic and nearly a quarter (24%) have increased podcast listening.

Radio vs. Digital Audio**: Average Time Spent in the US, 2019 – 2023

hrs:mins per day among population

---

Sources: InsideRadio, 6/11/21; MAGNA & Spotify, 6/3/21
Podcasting is now a mainstream medium — 40% of Americans 12+ listen each month, up 2x in last 5 years

% of Americans 12+ Who Have Listened to a Podcast...

- In the last month
- In the last week

Source: Edison Research and Triton Digital, 3/11/21
Content, commerce, and community are now merged. Direct sales of goods on social platforms grew nearly 40% last year and will reach $80 billion in 2025.
Social media has already achieved near parity in audience size with TV, and will likely surpass it in the next few years

- **TikTok** was #1 downloaded app in the U.S. in Q2 2021, following 70% growth in avg. monthly time spent in 2020

![Social Network Users](https://via.placeholder.com/150)

**Social Network Users**

*US, 2019-2023*

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions</th>
<th>% of Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>205.3</td>
<td>62.2%</td>
</tr>
<tr>
<td>2020</td>
<td>212.9</td>
<td>64.0%</td>
</tr>
<tr>
<td>2021</td>
<td>216.3</td>
<td>64.6%</td>
</tr>
<tr>
<td>2022</td>
<td>219.7</td>
<td>65.1%</td>
</tr>
<tr>
<td>2023</td>
<td>223.4</td>
<td>65.8%</td>
</tr>
</tbody>
</table>

*Sources: App Annie, Q2 2021; eMarketer, 4/1/21; 4/1/21*
Brands say social media were their biggest success drivers during COVID

Top 10 Biggest Drivers of Success Considering Market Disruptions Due to COVID

- Using Social Media to promote and sell the product/service: 27%
- Production speed: 18%
- Using your website to promote and sell the product/service: 17%
- Ability to customize the product/service: 16%
- More convenience for the customer: 15%
- Delivery speed: 15%
- Using a 3P sales channel to promote and sell the product/service: 15%
- Competitive pricing: 14%
- Value proposition: 14%
- Partnership(s) with a 3P retailer(s): 14%

Source: IAB Brand Disruption Survey 2021, n=331; Survey Q: Which, if any, of the following have been your biggest drivers of success considering the market disruptions due to COVID (starting Q1 2020)? Select up to three.
Opinion leadership has shifted away from media gatekeepers: 8-in-10 U.S. marketers now use social influencers

- More than 1/3 of brands have deployed new influencer tactics since the lockdown

### Types of Influencer/Content Creator Tactics Leveraged by Brands

<table>
<thead>
<tr>
<th>Type of Influencer/Creator Tactics</th>
<th>Since Pre-COVID</th>
<th>New Since COVID</th>
<th>N/A - Do Not Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product mention</td>
<td>56%</td>
<td>37%</td>
<td>7%</td>
</tr>
<tr>
<td>Social Media, blog, newsletter takeover</td>
<td>54%</td>
<td>36%</td>
<td>10%</td>
</tr>
<tr>
<td>Campaign dedication</td>
<td>49%</td>
<td>37%</td>
<td>14%</td>
</tr>
<tr>
<td>Curated product lists</td>
<td>49%</td>
<td>36%</td>
<td>15%</td>
</tr>
<tr>
<td>Gifting product for promotion</td>
<td>45%</td>
<td>36%</td>
<td>19%</td>
</tr>
<tr>
<td>Product giveaways</td>
<td>44%</td>
<td>37%</td>
<td>19%</td>
</tr>
<tr>
<td>Product co-creation</td>
<td>47%</td>
<td>33%</td>
<td>20%</td>
</tr>
<tr>
<td>Challenges/sweepstakes/contests</td>
<td>47%</td>
<td>33%</td>
<td>20%</td>
</tr>
<tr>
<td>Brand Ambassador Programs</td>
<td>43%</td>
<td>37%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: IAB Brand Disruption Survey 2021, n=402; Survey Q: What types of influencer/content creator tactics are you leveraging in 2021? Include Social Media, newsletters, blogs, etc. Please indicate if a tactic is new to your marketing/advertising plan since the COVID outbreak (Q1 2020) or has been part of your plan since before COVID.
Small is beautiful: “Nano” & “micro” influencer use shows the most COVID-era growth

- Influencers with smaller followings are being leveraged more than mega/celeb partnerships

### Types of Influencer/Content Creator Partnerships Leveraged by Brands

<table>
<thead>
<tr>
<th>Influencer Type</th>
<th>Since Pre-COVID</th>
<th>New Since COVID</th>
<th>N/A - Do Not Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nano Influencers (1K-10K followers)</td>
<td>44%</td>
<td>40%</td>
<td>16%</td>
</tr>
<tr>
<td>Micro Influencers (10K-100K followers)</td>
<td>48%</td>
<td>38%</td>
<td>14%</td>
</tr>
<tr>
<td>Macro Influencers (109K-1M followers)</td>
<td>48%</td>
<td>36%</td>
<td>16%</td>
</tr>
<tr>
<td>Mega/Celeb Influencers (1M+ followers)</td>
<td>37%</td>
<td>40%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Sources: AdAge, 9/21/21; IAB Brand Disruption Survey 2021, n=402; Survey Q: What types of influencer/content creator partnerships do you leverage? Please indicate if an influencer type is new to your marketing/advertising plan since the COVID outbreak (Q1 2020) or has been part of your plan since before COVID.
Some large brands are trying to reverse-engineer Glossier, bringing influencers inside their walls…

- **West Elm** launched its first ambassador program in April, called “The Collective”, allowing both design professionals and social media influencers to build their own West Elm shop pages with curated product lists and designs.

Source: Marketing Dive, 4/14/21
Express’s new “Express Community Commerce” program, allows style experts with the brand to build looks from editor-access-only items, create content for their digital storefronts and social media profiles, and earn sales commissions on the special seasonal products bought from their posts.
• **American Eagle** and Twitch are partnering to create a weekly custom segment, a five-part documentary series, and community watch parties spotlighting select Twitch streamers, who will each also help to produce new, limited-edition collections for American Eagle and curate outfits from the retailer’s existing apparel.
Sales associates becoming digital ambassadors, enabled by TikTok & specialist platforms

- A Wendy’s employee generated 70K followers to his “Baconator” tutorials on TikTok
- Dunkin’s “Crew Ambassadors” program has four Dunkin’ baristas and in-store workers with large TikTok followings
- Sephora’s “Sephora Squad” are employee influencers active on TikTok

Source: Digiday, 11/11/20
As brands double down on influencers/creators, so do the platforms

- Snap Inc. Announces New Tools and Monetization Opportunities for Creators
  - Facebook to invest $1B in creators in bid to bolster Reels, livestreaming offerings
- Snap is Rolling Out a Marketplace for Brands and Creators
- Mark Zuckerberg unveiled 3 Instagram features aimed at helping creators earn more money on the app
  - Instagram Announces New 'Creator Week' Event to Provide Platform Insights and Tips
- Twitter Opens Up Tipping to All Users, Part of its Continued Push to Facilitate Creator Monetization
  - Pinterest rolls out new monetization features for creators
- Pinterest Launches $500K Creator Fund to Create A More Inclusive Social Media Experience
  - YouTube takes aim at TikTok, Snap with $100M creator fund

Sources: Social Media Today, 8/23/21; Retail Dive, 7/27/21; Marketing Dive, 7/15/21; Insider, 6/8/21; Snap Inc. via Businesswire, 5/20/21; SocialMediaToday, 5/18/21; Marketing Dive, 5/13/21; Adweek, 5/5/21; Yahoo!, 4/13/21
Big brands are embracing a role as content-driven social communities, through direct investment…

- **Kraft Heinz** will invest $100M more in marketing in 2021 vs. 2019, including its new “What's Cooking” digital platform for food creators to share content, interact with audiences, and collaborate with other creators.
Direct sales on social networks will double to $80B by 2025

Insight

Commerce is inherently social. Adding livestreaming, social influencers, virtual fitting/try-ons, and streamlined checkout will enhance the user experience and accelerate conversion.

Note: includes products or services ordered via social networks (such as Facebook, Instagram, Pinterest, Wechat, Line, VK, and others) regardless of the method of payment or fulfillment; excludes travel and event tickets, tips, subscriptions, payments, such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice goods sales.

Source: eMarketer, May 2021

Sources: eMarketer, 8/17/21; Retail Dive, 7/19/21
Now with 1 billion users, TikTok has become a discovery engine for Amazon...

- TikTok hashtags such as #AmazonFinds (13.3B views), #AmazonMustHaves (4.7B views) and #FoundItOnAmazon (2B views) drive millions of views to Amazon items—Amazon’s affiliate recommenders make between 1%-10% on each sale
Walmart’s new “4Walls” TikTok channel is using both paid and organic content that taps influencers to feature original content around DIY décor, celebrity homes, and Walmart products.

Sources: MediaPost, 9/22/21; Adweek, 4/6/21; TikTok, 4/6/21
Livestreaming – accelerated in the U.S. during the pandemic – grew 83% in ‘21, will double again by 2023

Apparel and fashion is by far the leading category in livestream events.

% of livestreamers

- 35.6 Apparel and fashion
- 7.6 Beauty
- 7.4 Fresh food
- 4.6 Consumer electronics
- 3.6 Furnishing and home decor
- 0.2 Automobile and local online-to-offline sales (eg, tickets, experiences)

Sources: McKinsey, 7/21/21; CNBC, 5/3/21; Forbes, 3/27/21; Retail Dive, 3/17/21
Being inherently social, big brands see huge ad opportunities in gaming as the U.S. user base nears 200M
Advertising spend will increasingly migrate toward media that enable some combination of social activity, entertainment, and commercial transactions.
All advertising spend growth is in digital media – linear media ad spend is down 13 points since 2019

- Digital media will drive 52% more ad revenue vs. 2019 and power a total media ad revenue recovery in 2021—up 24% vs. 2019

COVID Recovery Index: Net Advertising Revenues by Channel
2021 Forecast vs. 2019

87% 2019 = 100% 152% 124%

Linear Media (National TV, Local TV, Print, Radio, OOH, and Cinema)
Digital Media (Search, Social, Video, Display, Audio, Other (Email))
All Media

Includes Cyclical Events (Elections 2020, Summer Olympics 2021, Winter Olympics 2022). Digital ad sales include pure players and traditional media owners.

Source: Magna, 9/27/21
Digital media channels now comprise 72% of brands’ advertising budgets.

**Brands’ Budget Share by Channel**

- **15%** Digital Video (incl. OTT/CTV)
- **13%** Social Media
- **12%** Display
- **12%** Paid Search (SEM)
- **10%** Email
- **7%** Digital Audio (excl. Podcasts)
- **7%** Podcasts
- **5%** Digital Out-of-Home (DOOH)
- **5%** TV (Linear, Addressable, Data-Driven)
- **18%** All other Traditional Media (Radio, Print, OOH, Direct Mail)

Source: IAB Brand Disruption Survey 2021, n=floating base; Survey Q: Identify the percent share of your 2021 (full year) ad media budget by CHANNEL.
Within digital, the greatest ad growth is in video, social, search, and audio.

COVID Recovery Index: Net Advertising Revenues by Digital Channel
2021 Forecast vs. 2019

- Digital Media: 152%
- Video: 169%
- Social: 165%
- Search: 151%
- Audio: 149%
- Display: 98%
- Other (e.g. Email): 83%

2019 = 100%

Includes Cyclical Events (Elections 2020, Summer Olympics 2021, Winter Olympics 2022). Digital ad sales include pure players and traditional media owners.
Advertiser use of retail media networks is growing slowly, but investments rising

% of Buyers Allocating Budget to Retail Media Networks

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>23%</td>
<td>77%</td>
</tr>
<tr>
<td>2020</td>
<td>26%</td>
<td>74%</td>
</tr>
<tr>
<td>2021</td>
<td>28%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Average % of Budgets Being Allocated to Retail Media Networks

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>16%</td>
<td>21%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Sources: IAB Q1 2021 Impact Study, n=142; Survey Q: What percentage of your media budget was allocated to retail media networks for the past three years (e.g., Walmart, Target, Best Buy, CVS, Home Depot, etc.)? IAB Q1 2021 Impact Study, Retail Media Network buyers: 2019, n=32; 2020, n=37; 2021, n=40; Survey Q: What percentage of your media budget was allocated to retail media networks for the past three years (e.g., Walmart, Target, Best Buy, CVS, Home Depot, etc.)?
Evidence suggests retail media owners want to attract DTC consumers, and extract big brand dollars.

**Reasons for Partnering with Retail Media Networks in 2021**

*Sorted by combination of DTCs and Big Brands responses (total)*

- **Good reporting capabilities**
  - DTCs: 52%
  - Big Brands: 45%

- **Able to leverage customer data/knowledge**
  - DTCs: 44%
  - Big Brands: 51%

- **Access to highly engaged audiences at POS**
  - DTCs: 43%
  - Big Brands: 51%

- **Good synergy between online and offline presence**
  - DTCs: 44%
  - Big Brands: 42%

- **Retailer partnership requires media buy**
  - DTCs: 29%
  - Big Brands: 47%

- **ROAS is strong**
  - DTCs: 18%
  - Big Brands: 24%

**Insight**

Nearly half of big brands investing in retail media networks say that retailers are requiring them to advertise on their networks vs. less than one-third of disruptors. DTCs likely have more bargaining clout with retailers due to their direct relationships with younger, digital shoppers, combined with their ability to use their e-comm expertise to bypass the large retailers.

Source: IAB Brand Disruption Survey 2021, DTCs investing in online retail media networks n=197, Big Brands investing in online retail media networks n=172; Survey Q: Share the reasons you are partnering in your media budget with online retail media networks in 2021 (full year).
Buyers are investing 23% more on shoppable ads this year, with plans for further increase in 2022 (+17%)

- By next year half of buyers will be investing in shoppable ads (up from 45% in 2021 – see left)

With shopping and content consumption increasingly happening in one place—on digital—the opportunity for publishers is to build on the trust they’ve established with their readers to recommend and facilitate commerce directly on their pages.

Sources: IAB Fall 2021 Impact Study, n=298; IAB March 2021 Impact Study, n=142; Fall 2021 Impact Study Q: Do you expect to have an increase/decrease in investment during 2022 (vs. projected spend in 2021) for any of the following?; March 2021 Impact Survey Q: Do you expect to have an increase/decrease in investment during 2021 (vs. actual spend in 2020) for any of the following?
The 2022 Direct Brand Economy: challenges and opportunities

**Challenge:** Consumers now live and thrive in a purpose driven, rapidly expanding, omnichannel ecosystem

**Opportunity:** Leverage consumer data and insights to understand how consumers browse, shop, and buy. Develop messaging and activations to meet consumers in their diverse and desired channels

**Challenge:** Commerce is social

**Opportunity:** Lean into the power of influencers, immersive entertainment, gaming, collaborative shopping, VR/AR and harness the power of people in digital channels

**Challenge:** The definition of Brand Loyalty has changed

**Opportunity:** Brand Loyalty still exists—but it is challenged by Disruptor Brands and consumers who value transparency, integrity, and purpose

**Challenge:** Reduced addressable audience sizes, limited tracking indicators, and increased ad costs (especially on social media)

**Opportunity:** Recalibrate your strategy to include 1P data, alternative IDs, contextual signals, and Google’s sandbox initiative; CTV is an important solution as it’s still addressable, but not subject to browser controls or regulatory interference

**Challenge:** Supply chain issues, inventory disruption, and inflation

**Opportunity:** Embrace on demand, leverage partnerships, embedded ads, tap into dark stores, and optimize your supply chain
Thank You!

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