

iab.
BRAND
DISRUPTION
SUMMIT 2021
INDUSTRIES RISING

Brand Disruption 2022

The IAB Annual Report on the Evolving Consumer Ecosystem

November 8, 2021

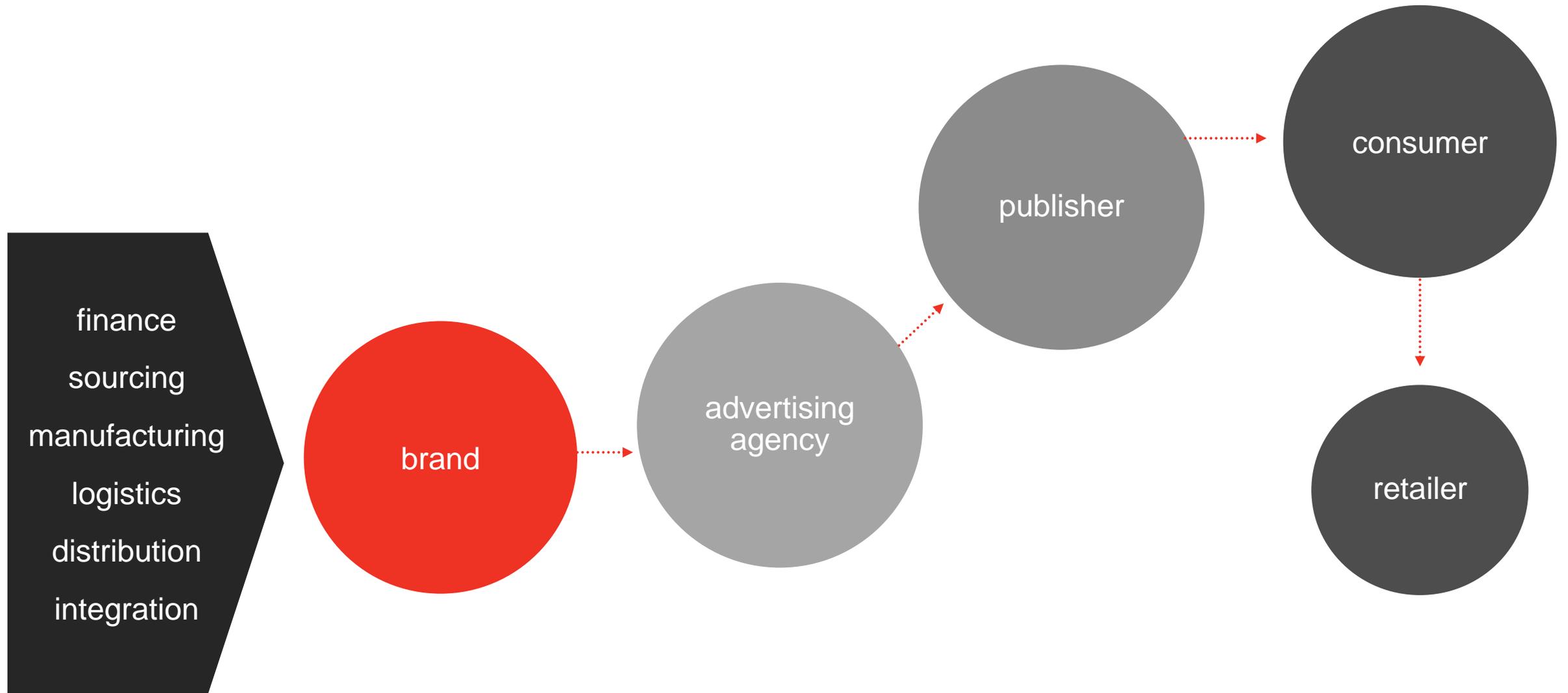
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What Is the Direct Brand Economy?

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

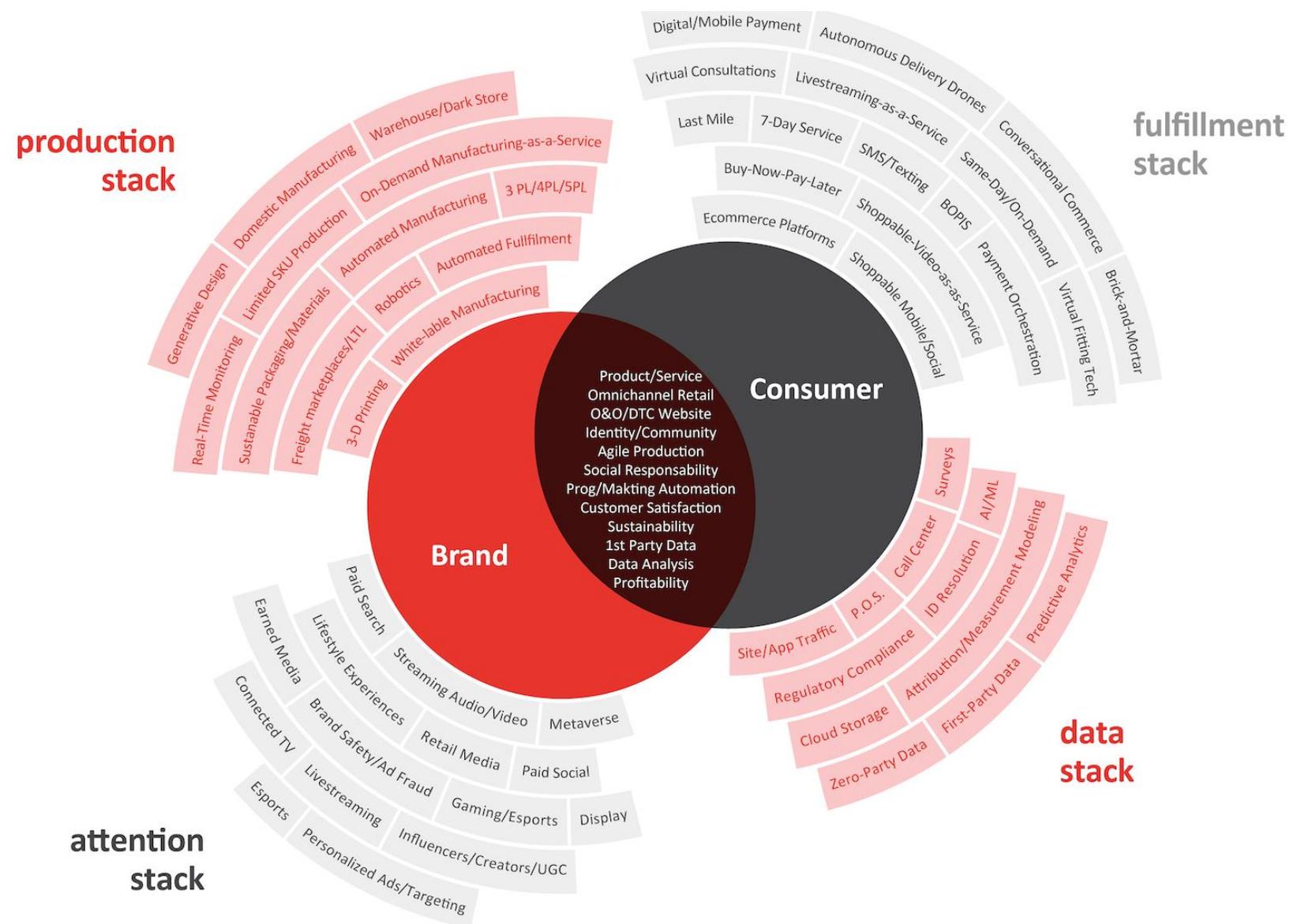


It gave a handful of brands stable, decades-long positions in most consumer markets

First mover advantage?

Brand	'23	'83	Brand	'23	'83
Swift's Premium Bacon	1	1	Sherwin-Williams Paint	1	1
Kellogg's Corn Flakes	1	3	Hammermill Paper	1	1
Eastman Kodak Cameras	1	1	Prince Albert Pipe Tobacco	1	1
Del Monte Canned Fruit	1	1	Gillette Razors	1	1
Hershey's Chocolates	1	2	Singer Sewing Machines	1	1
Crisco Shortening	1	2	Manhattan Shirts	1	5
Carnation Canned Milk	1	1	Coca-Cola Soft Drinks	1	1
Wrigley Chewing Gum	1	1	Campbell's Soup	1	1
Nabisco Biscuits	1	1	Ivory Soap	1	1
Eveready Batteries	1	1	Lipton Tea	1	1
Golden Medal Flour	1	1	Goodyear Tires	1	1
LifeSavers Mint Candies	1	1	Palmolive Soap	1	2
Colgate Toothpaste	1	2			

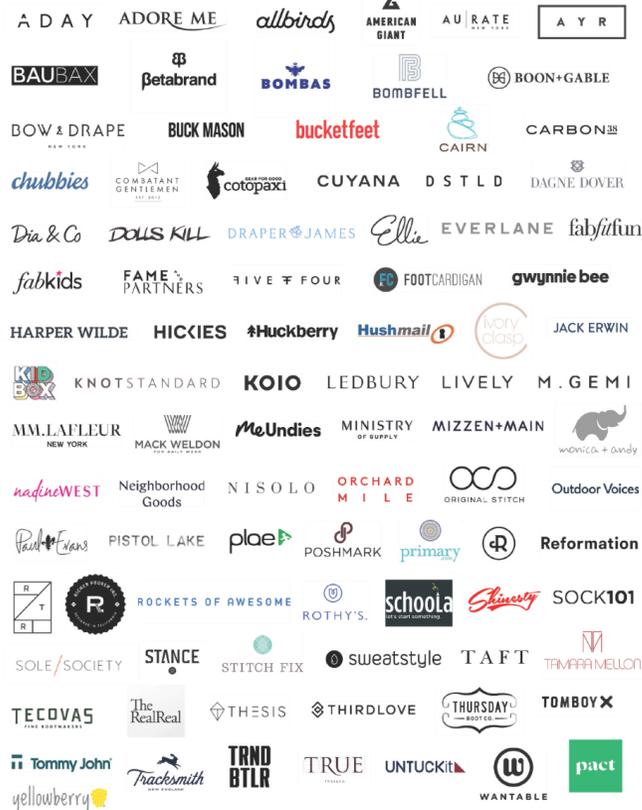
The Direct Brand Economy (2010 -) rewards agile outsourcing and scaled individual relationships



It is birthing new brands with new attributes, and cultivating new consumer behaviors

iab. 250 BRANDS TO WATCH

APPAREL & FASHION



BABY CARE & PARENTING



BEAUTY



BEER/WINE/ALCOHOL



EDUCATION



FOOD/BEVERAGE/HOUSEHOLD/PET



HOBBIES & LIFESTYLE



HOME & APPLIANCE



PERSONAL CARE



WELLNESS & FITNESS



Digital media democratize the competitiveness of smaller brands...

200

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

10
million

of individual
advertisers on
Facebook

...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

...Increase the reach, segmentation, variability, and complexity of their marketing...

8

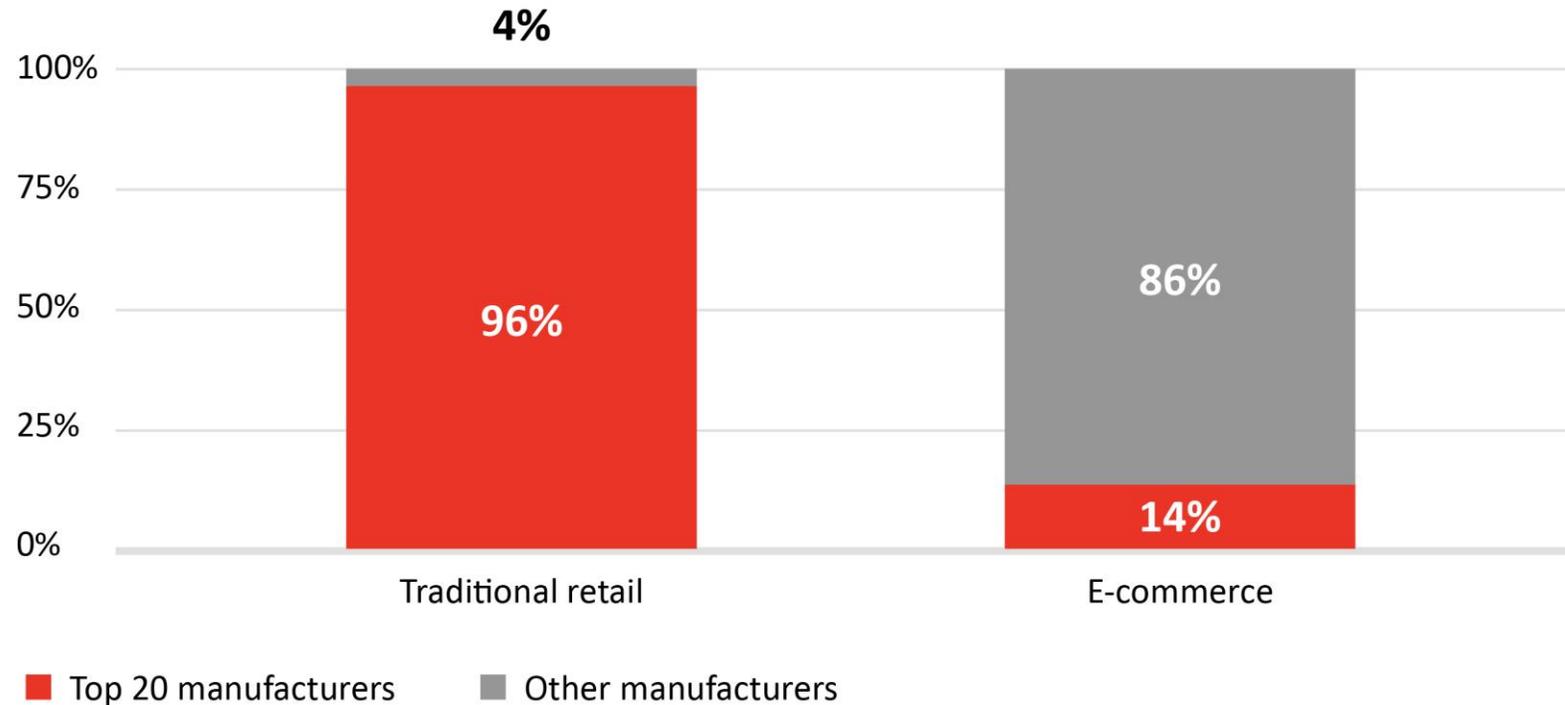
of U.S. cable TV networks with prime-time ratings above 1 million households

22,000

of YouTube channels with 1 million+ subscribers

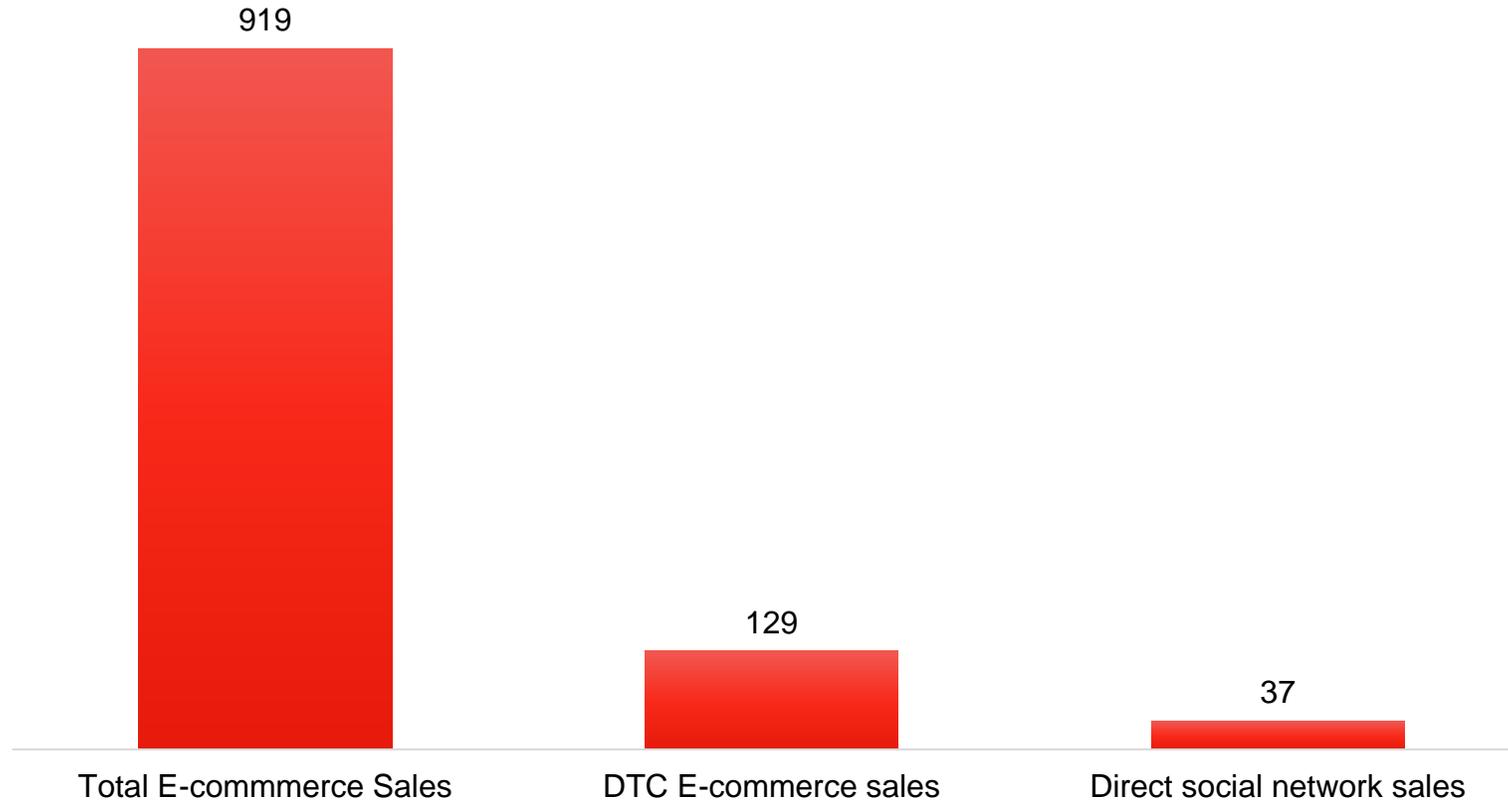
...And break the century-old retail-media cartel's lock on the consumer economy

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



Sizing the brand disruption market

U.S. 2021 [Billions]

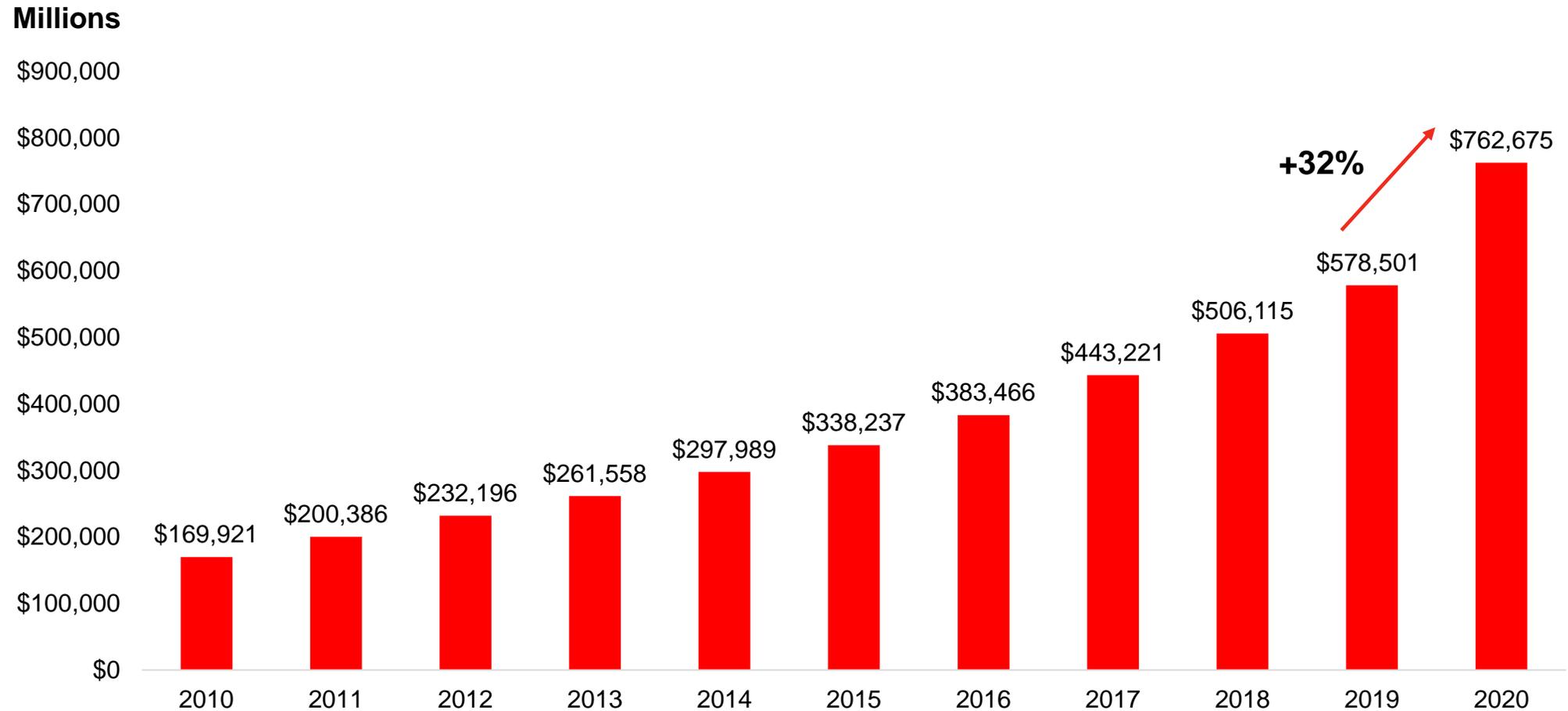


COVID & Commerce

COVID accelerated the transition from a brick-and-mortar consumer economy to a “storeless” economy by 200-300%, permanently altering the brand value chain.

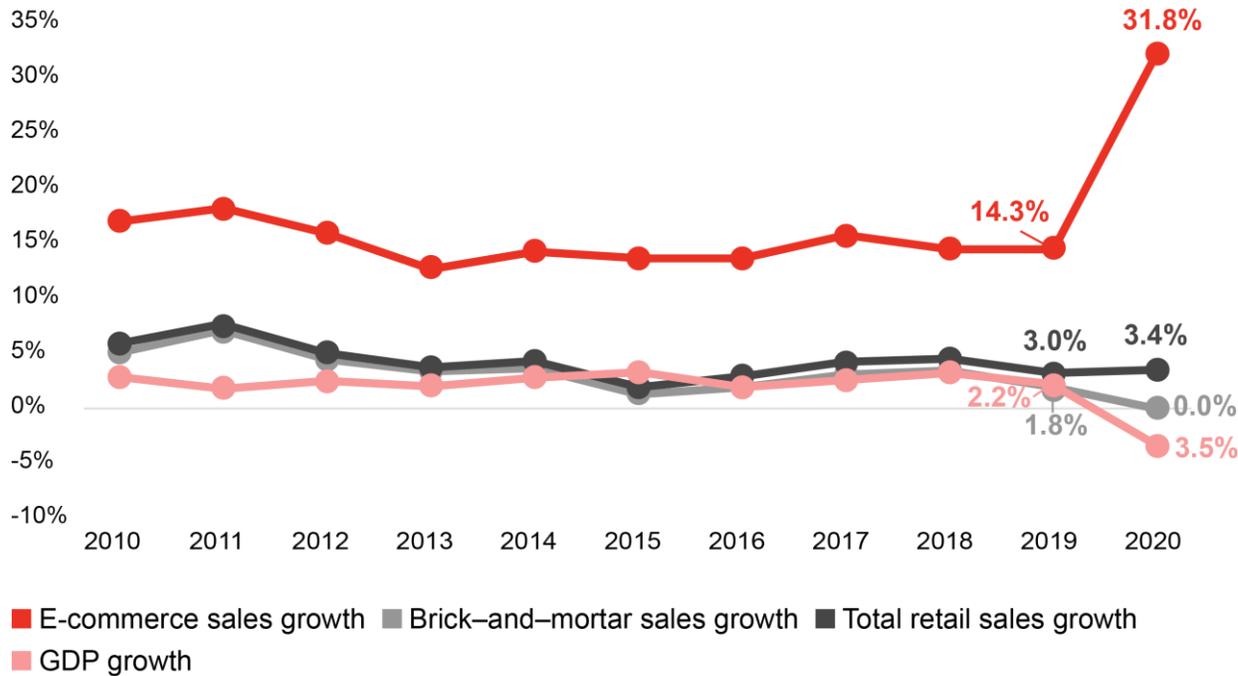
2020 crossed the e-commerce chasm: U.S. sales grew 32% - 2x faster than ever before...

Yearly U.S. E-commerce Sales



...While the other markets are stagnant

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



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.

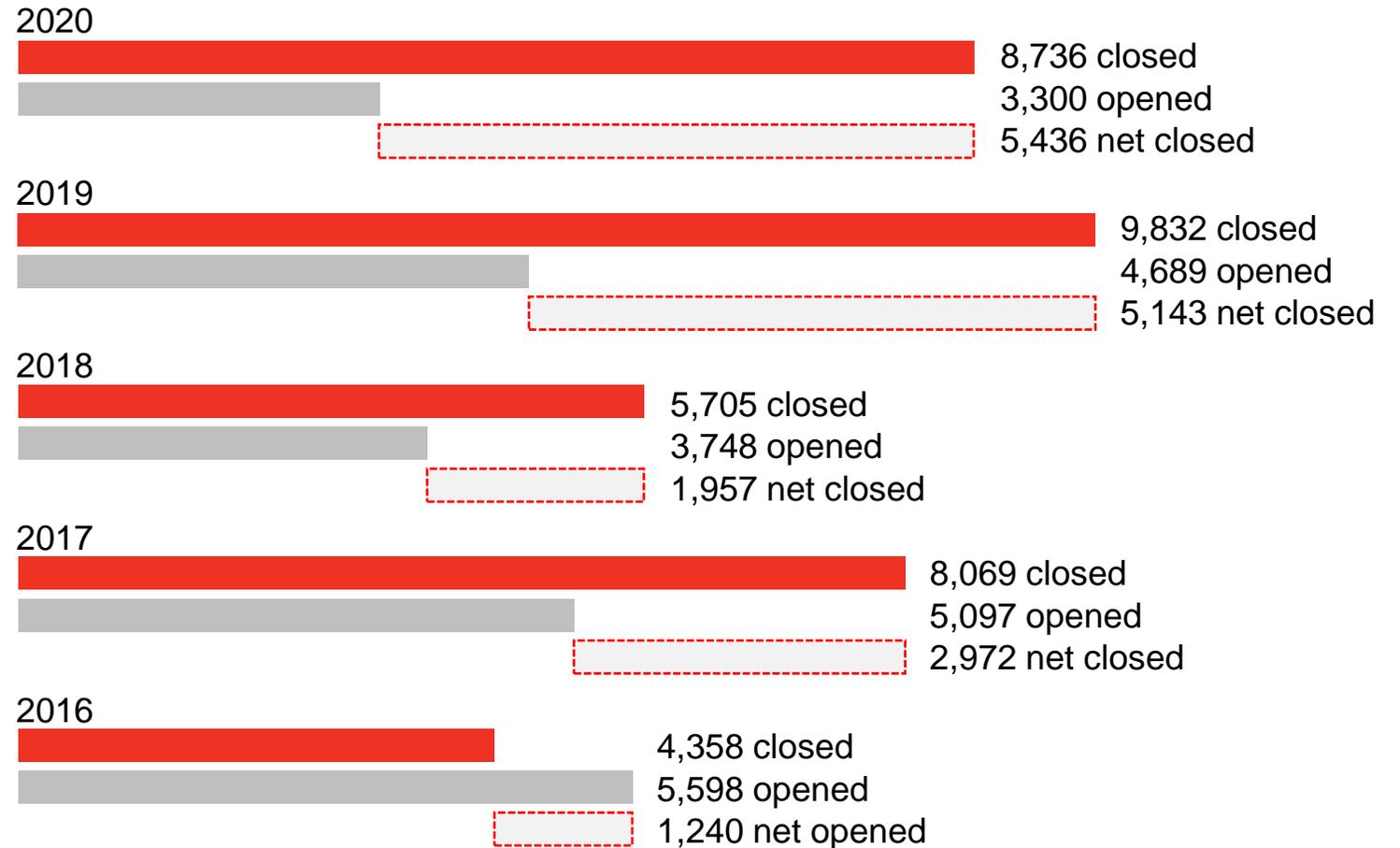
The U.S. increasingly is a “storeless” economy



Insight

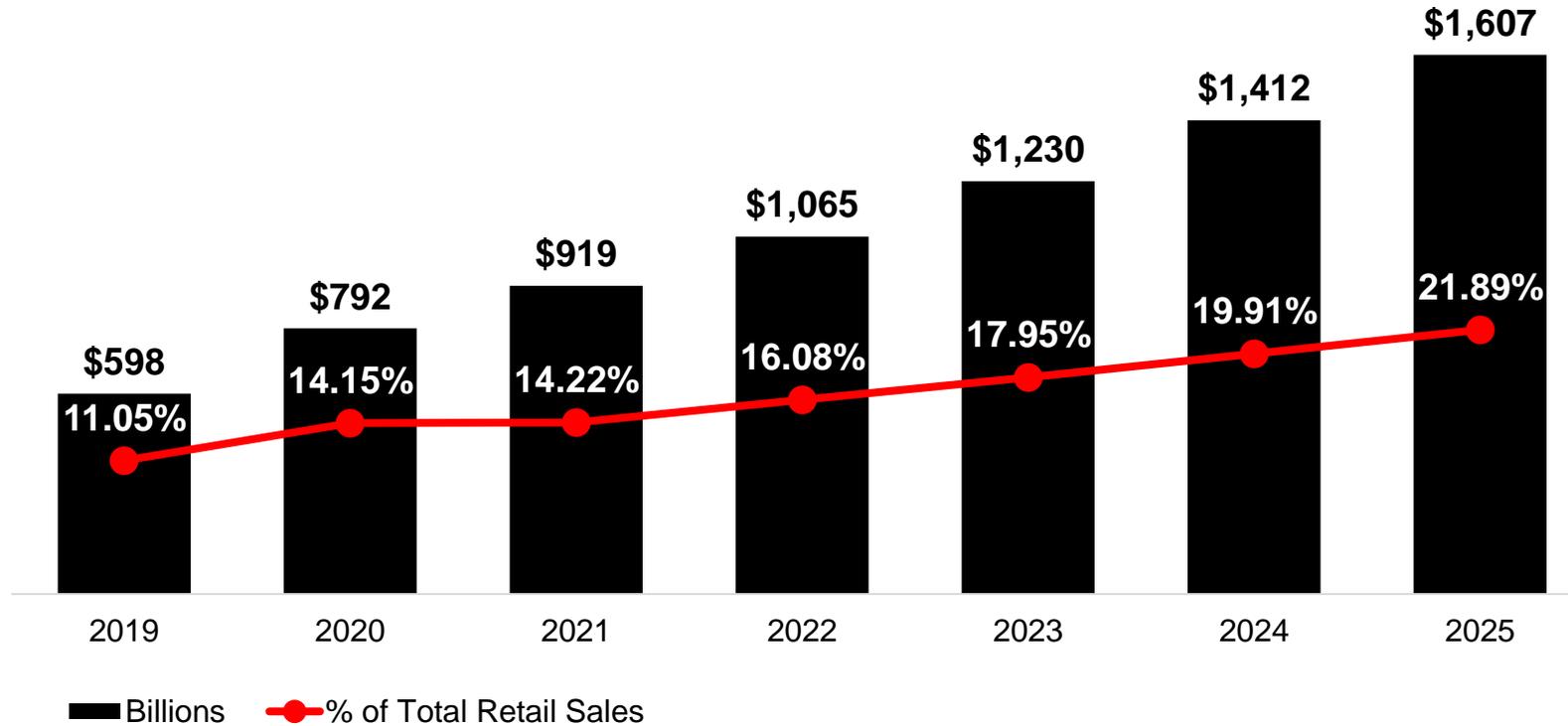
Store closures were already on the rise year over year pre-COVID, and COVID accelerated the trend. The momentum towards digital domination shows no signs of a reversal.

Net U.S. Store Closures, 2016 - 2020



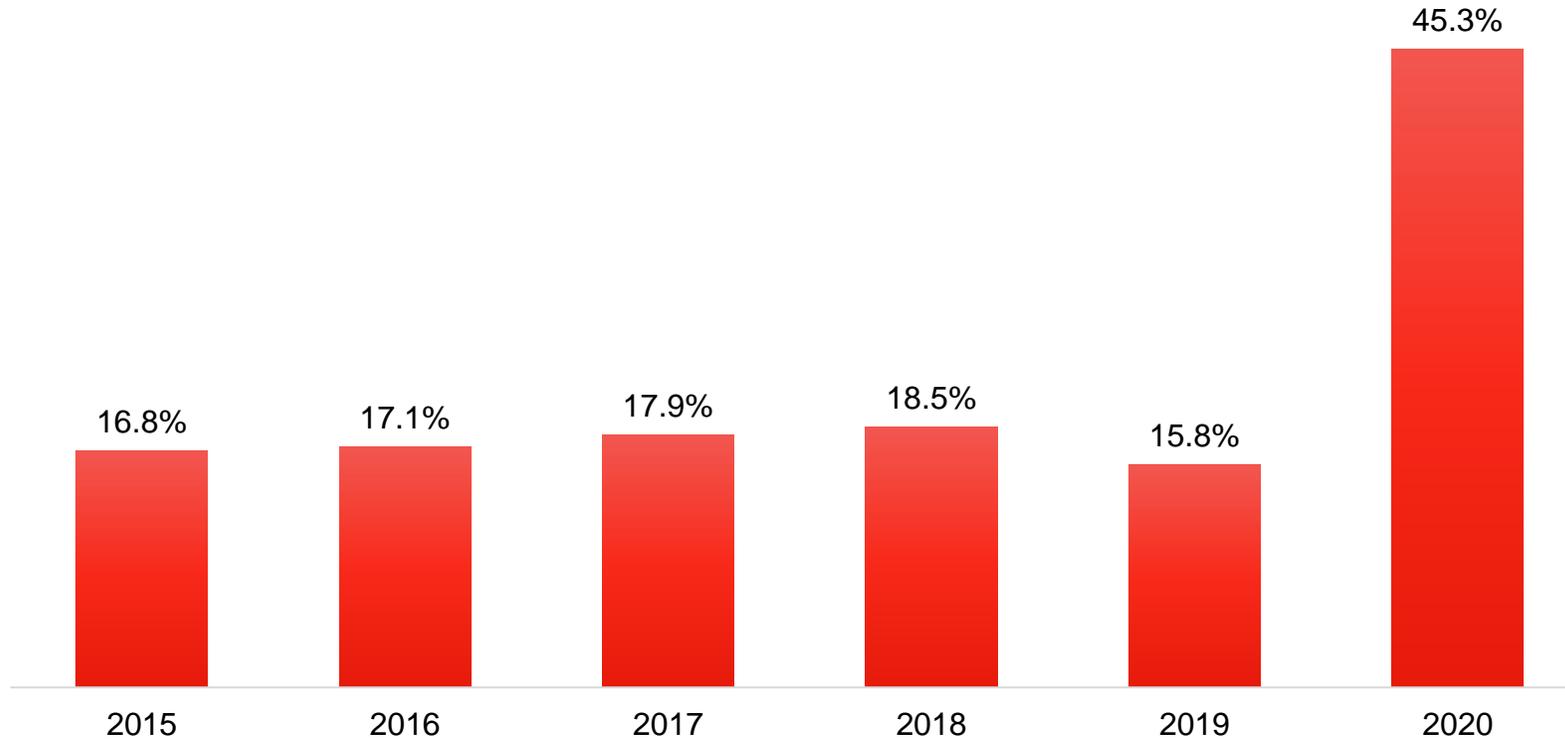
By 2025, e-commerce will account for nearly a quarter of total retail

U.S. Retail E-commerce Sales



Top digital retailers' average annual sales growth surged 2.5x in 2020

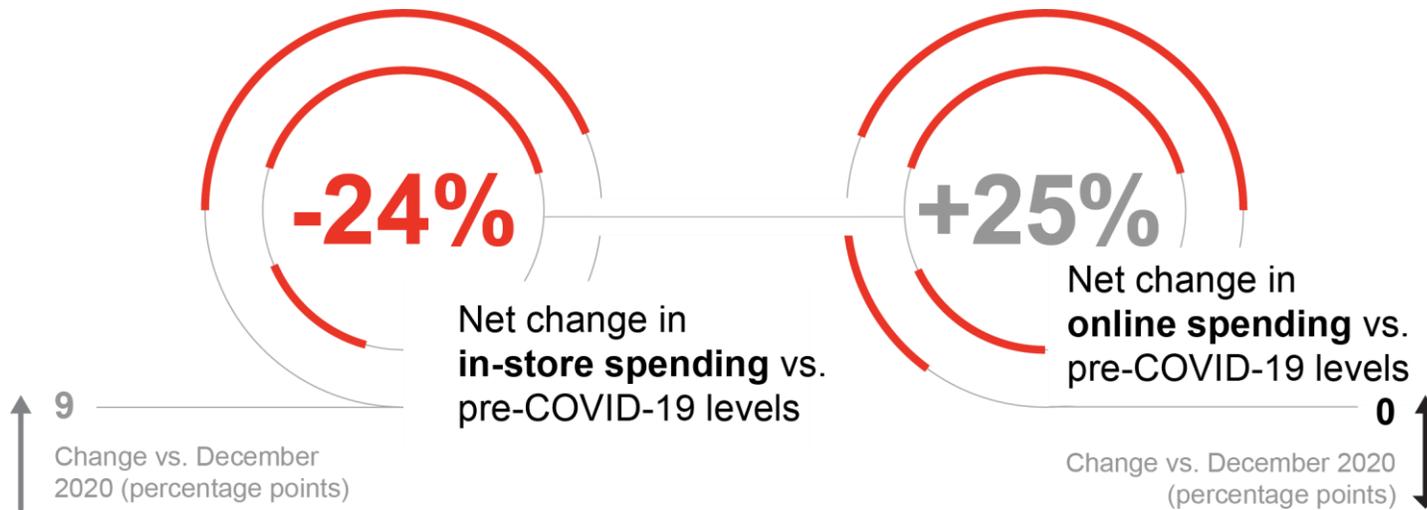
North America's Top 500 Digital Leaders' Combined % Change in Sales Growth YoY



Consumers aren't coming back like before: Online retail spending exceeds pre-pandemic levels

- E-commerce is up 57-58% in Q1 and Q2 of 2021 vs. 2019
- Nearly 2 in 5 consumers plan to shop only via e-commerce for the 2021 holidays

Channel Spending Today vs. Before COVID-19



Insight

Along both utilitarian and emotional dimensions—everything from easing curbside pickup to concierge services to enhanced AR/VR visualizations—retailers and brands will need to reimagine the in-store experience

Not only are there more e-commerce buyers, but average spend-per-buyer has increased nearly 43% since pre-COVID

Retail E-commerce Metrics in the U.S.

	2019	2020	% Change 2020 vs. 2019	2021	% Change 2021 vs. 2020	% Change 2021 vs. 2019
Digital buyers (millions)	196.8	206.7	5.0%	209.6	1.4%	6.5%
Dollars per digital buyer	\$3,039	\$3,866	27.2%	\$4,335	12.1%	42.6%

E-commerce growth is driving sales from physical to digital across categories

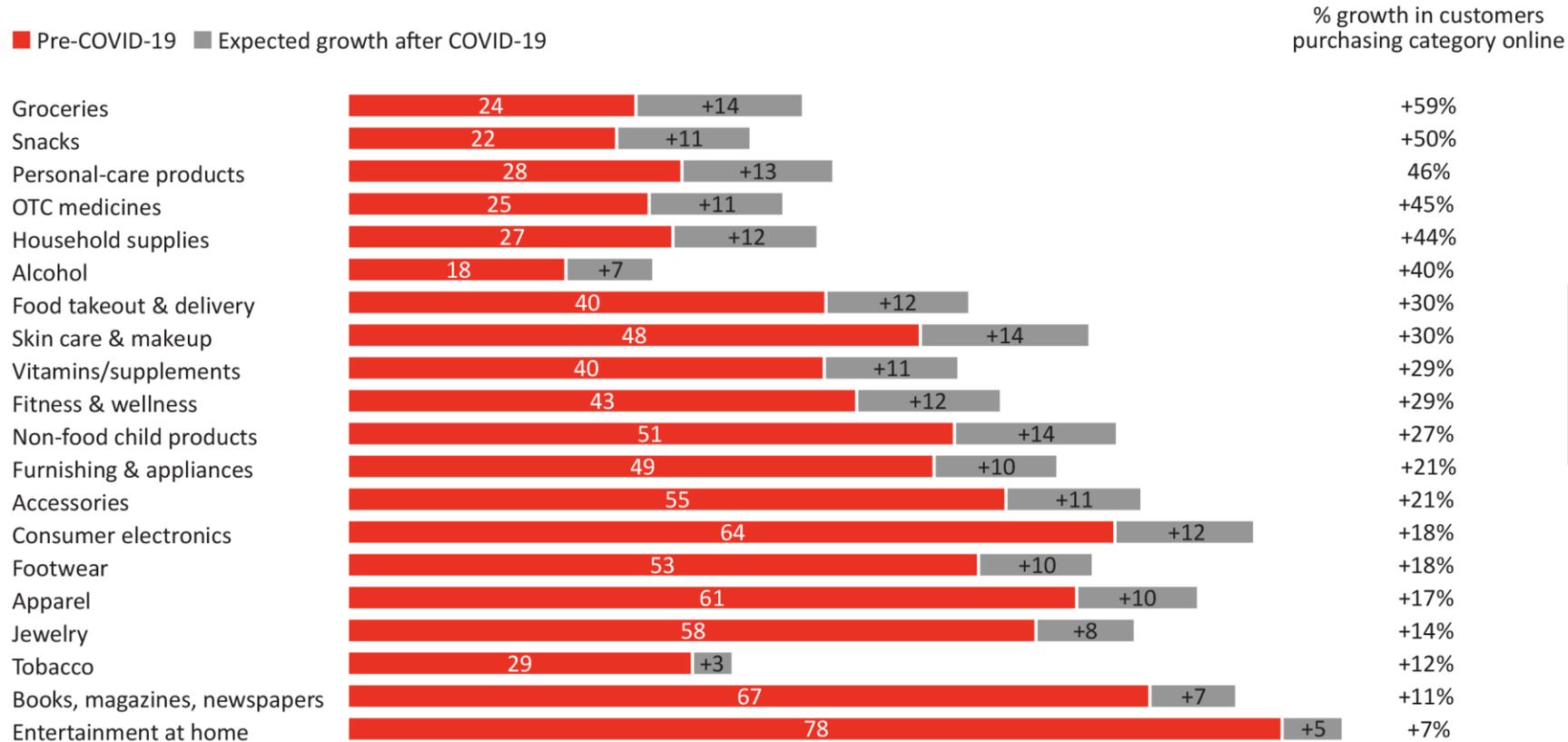
U.S. Retail E-commerce Sales Share by Category

% of total retail sales

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

COVID is turning most consumer categories into majority-online by purchase %

Consumers' use of online channel before and expected use after COVID-19^{1,2} % of respondents purchasing online³



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

¹Q: Before the coronavirus (COVID-19) situation started, what proportion of your purchases in this category were online vs from a physical store/in person?

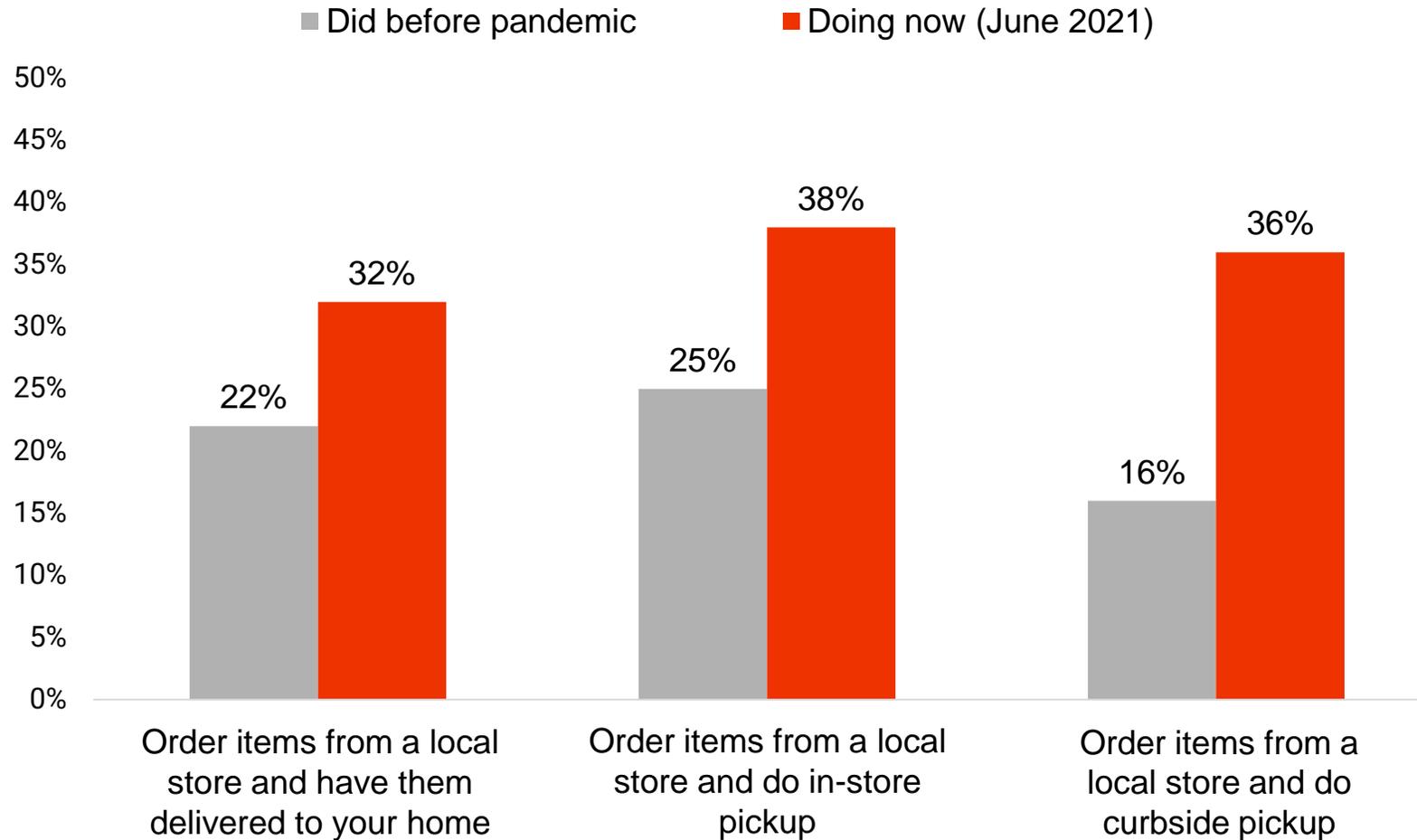
²Q: Once the coronavirus (COVID-19) situation has subsided, tell us what proportion of your purchases in this category you think will be online vs from a physical store/in person?

³ 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

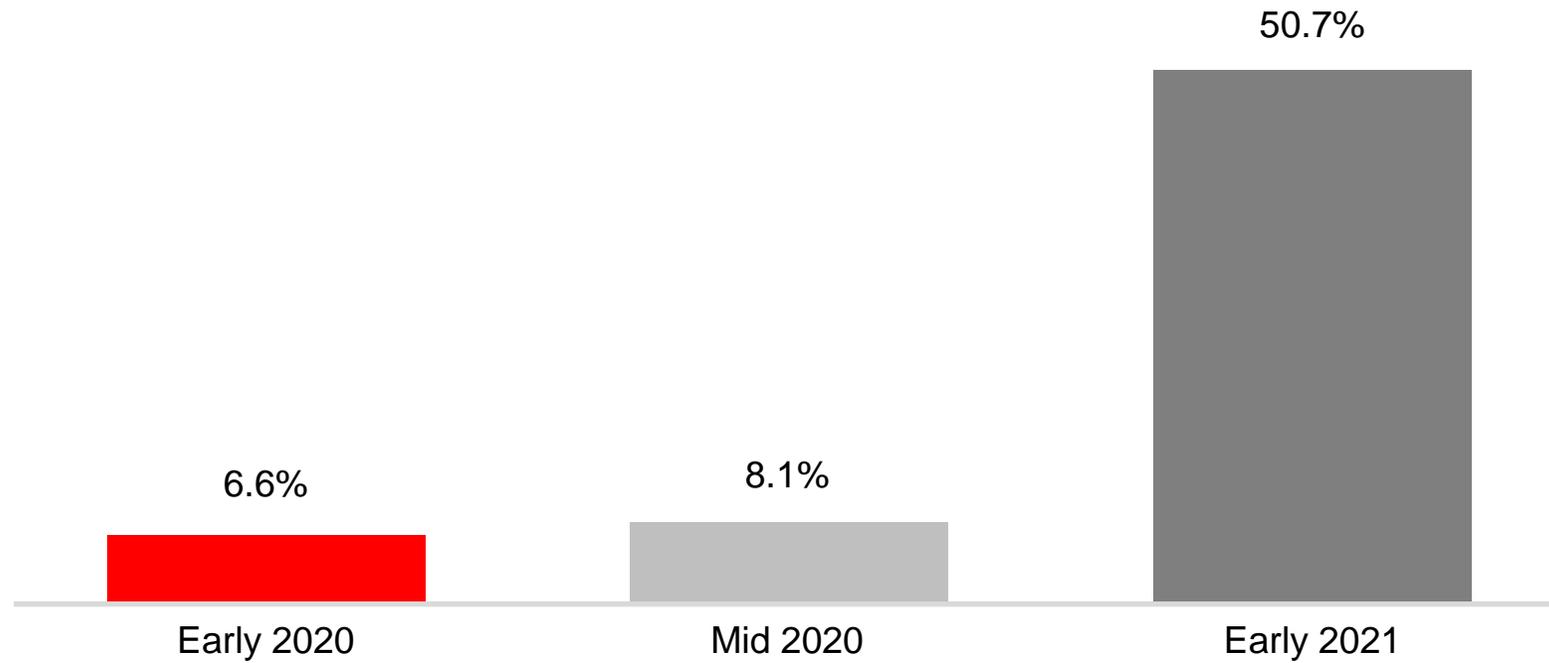
Omnichannel = the only channel: Consumer use of delivery, click-and-collect, BOPIS are up 45-125%

Methods Consumers Have Used for Purchases



Retailers adapting: Retailers offering click-and-collect +600% since early 2020

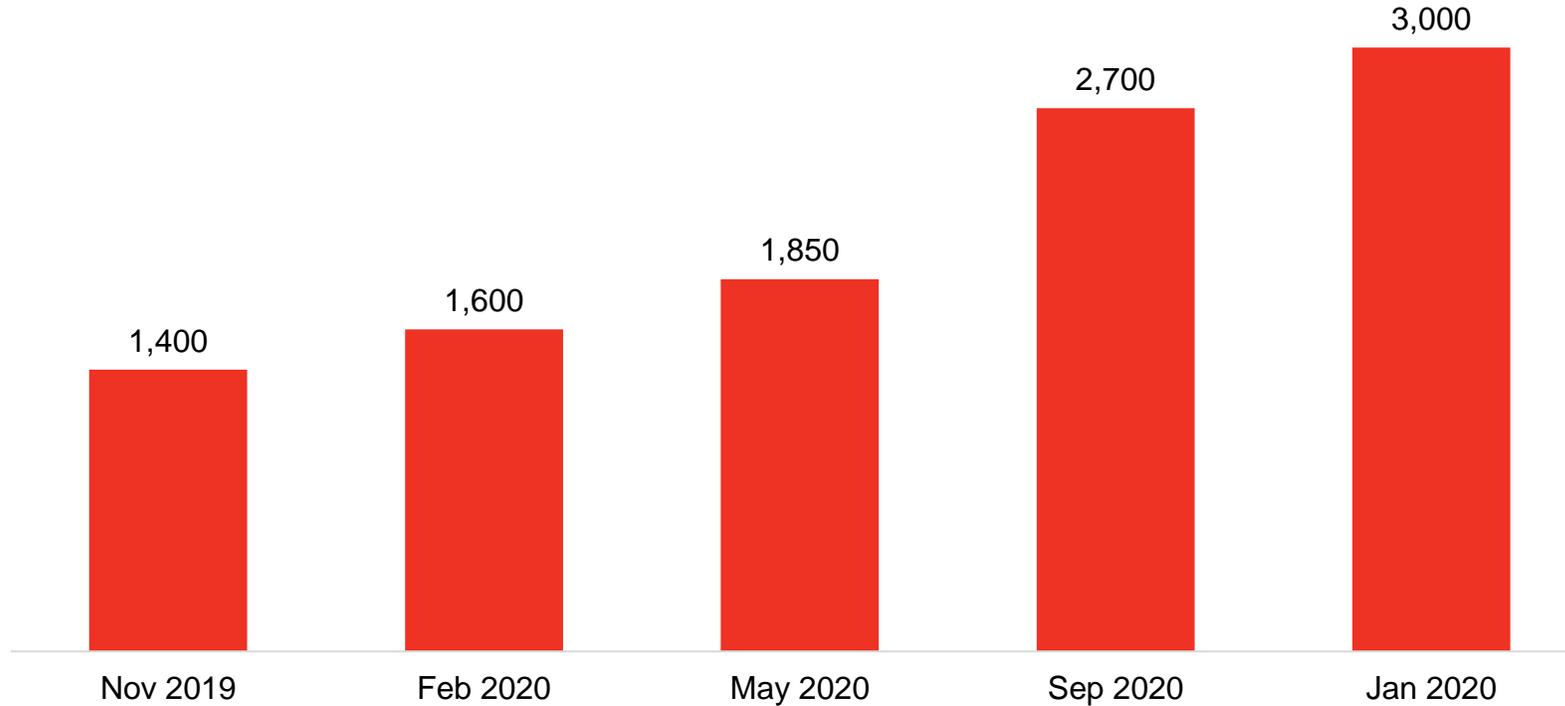
Percentage of retail chains in 2020 Digital Commerce 360 Top 1000 offering curbside pickup



Walmart more than doubled its same-day delivery offerings in just over a year

Walmart's same-day delivery push

Number of stores offering grocery delivery over the past 14 months



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



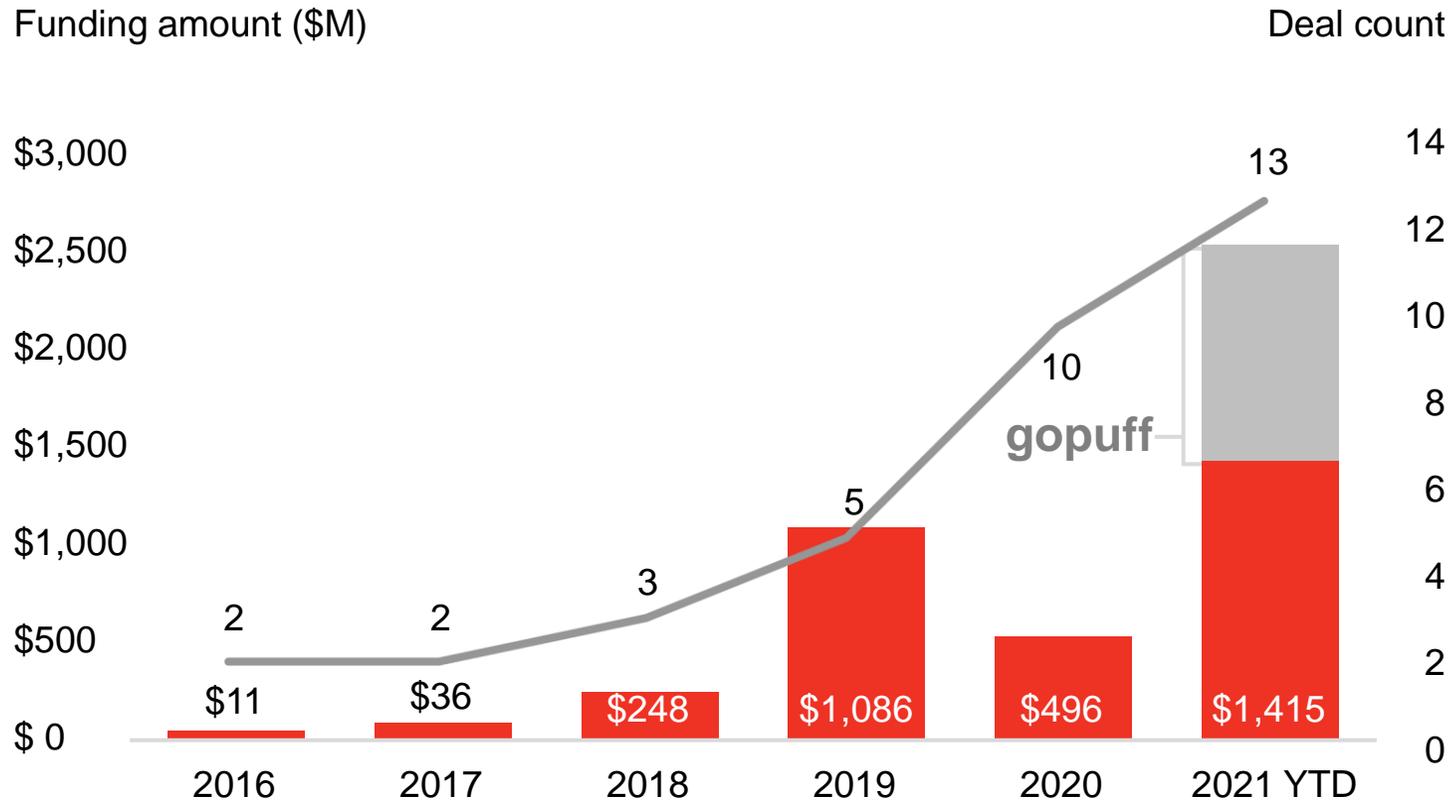
Insight

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)



Insight

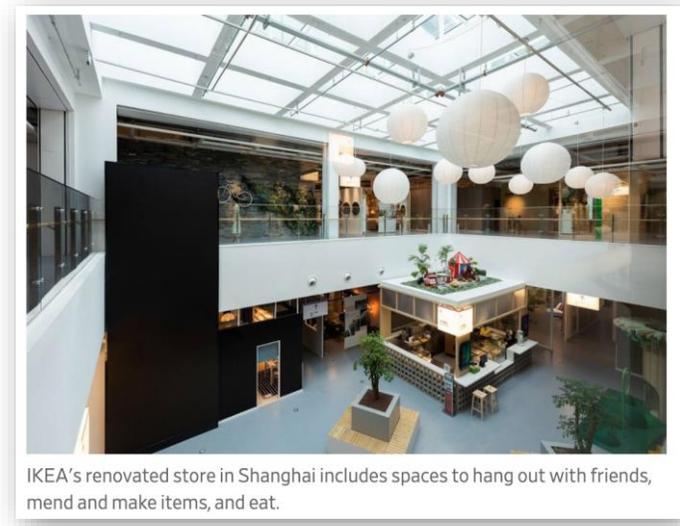
The increasing speed of delivery is opening new shopping occasions built around immediate in-home gratification, and an advertising onslaught to drive demand, as consumers order not just meals and movies for immediate delivery but fashion, beauty, health products, etc.

Stores are being customized to match regional online shopping habits, bypass checkout, and streamline shoppertainment, social spaces, and BOPIS

EXPRESS



amazon



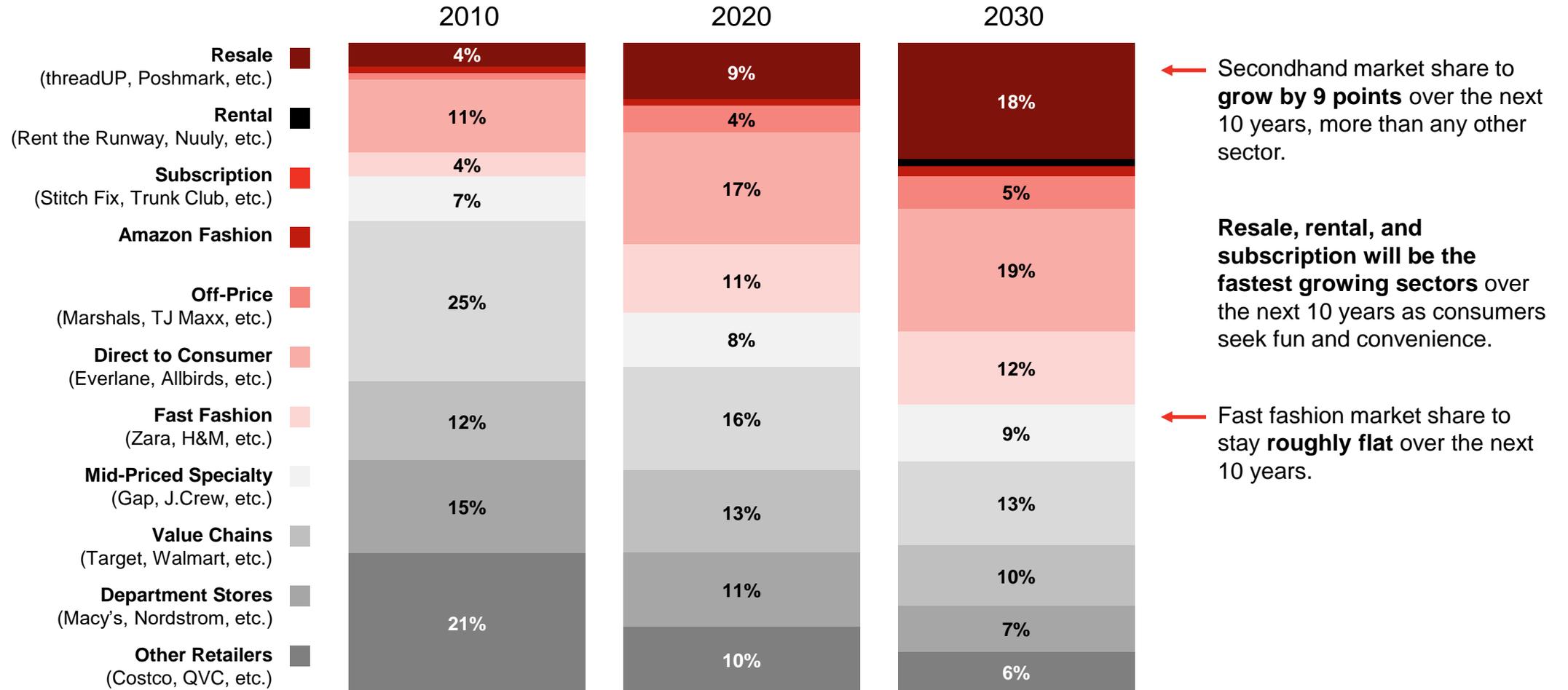
CIRCLE K™

giant eagle

Kroger

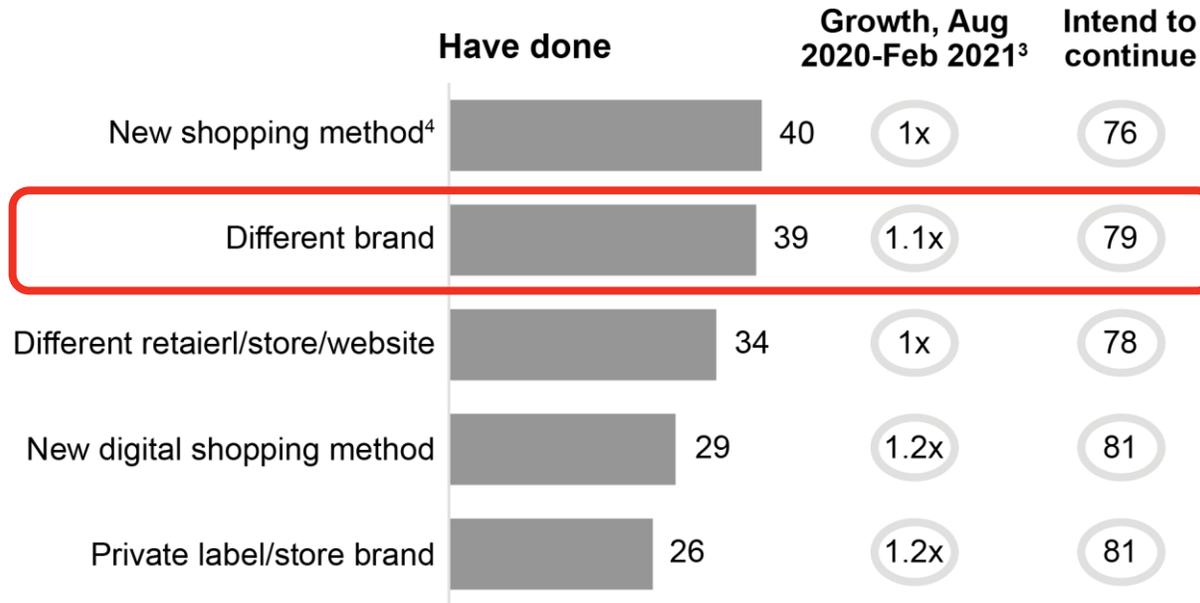
E-commerce is also creating new categories: with purpose-driven commerce leading the way

Share of Closet



The endless virtual shelf is a threat to established brands' loyalty

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



44% of millennials and Gen Z have tried a new brand⁶

35% of baby boomers have tried a new brand⁶

77% of consumers have tried new shopping behavior

84% of millennials and Gen Z have tried a new shopping behavior⁶



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.

1. Q: Since the coronavirus (COVID-19) crisis started, which of the following have you done? 23% of the consumers selected “none of these”

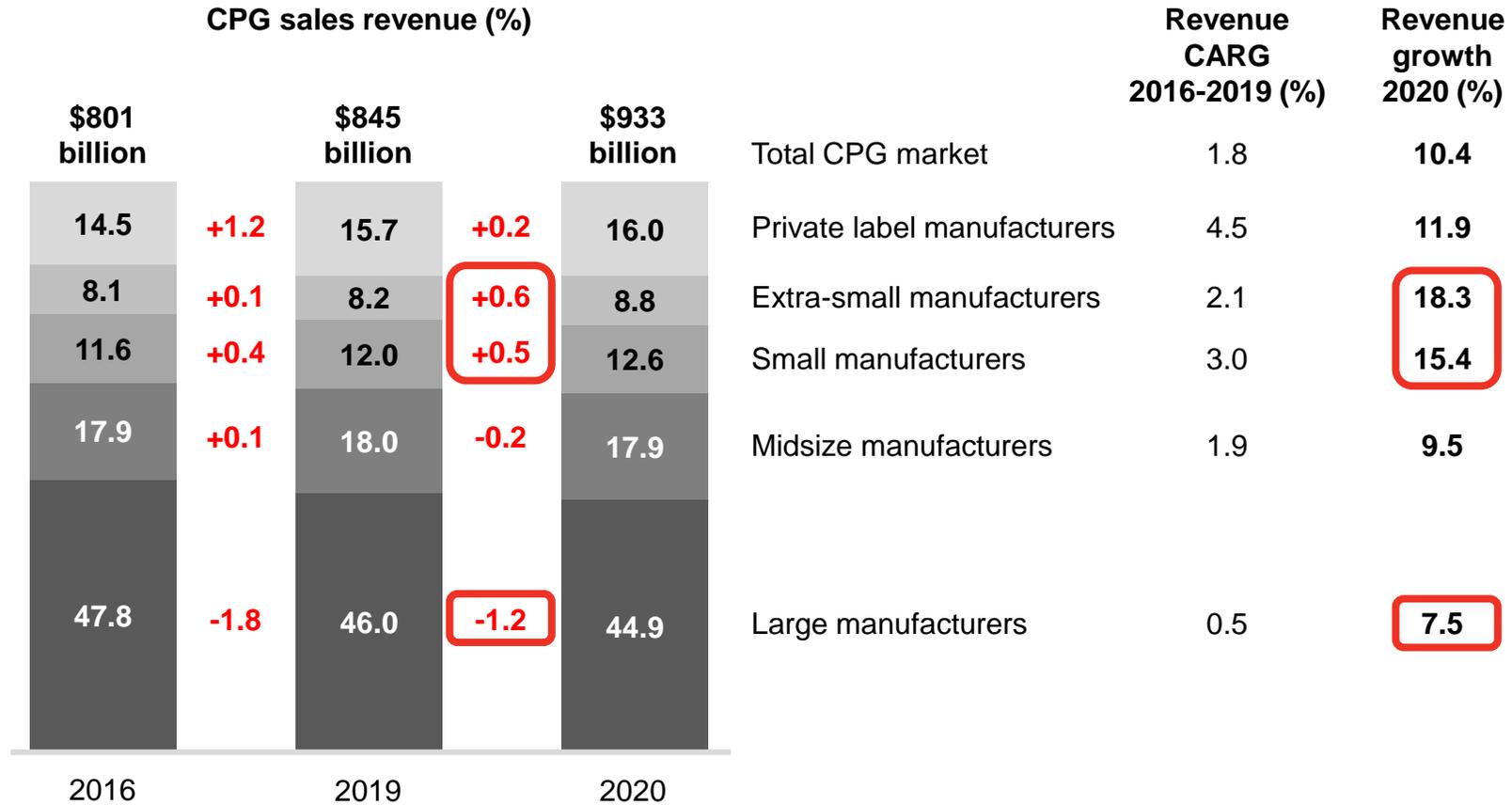
2. Q: Which best describes whether or not you plan to continue with these shopping changes once the coronavirus (COVID-19) crisis has subsided (i.e., once there is herd immunity)? Possible answers: “will go back to what I did before coronavirus” and “will keep doing this and NOT go back to what I did 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

The endless e-comm shelf allows small CPG brands to grow 2x faster than large incumbents – and to take share



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



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



VROOM[®]

Contending Disruptors

SHIFT

ROADSTER

When consumers go digital, disruptor brands benefit most

Market Disruption

- **Wayfair**, at \$14.1 billion revenue, is more than 2x the size of \$6.8 billion **Williams-Sonoma** – and grew 55% YoY 2020, vs. 15% for its smaller rival

First-Wave Disruptors



Contending Disruptors

outer[®]

feather

When consumers go digital, disruptor brands benefit most

Market Disruption

- Pet food sales grew 10% in 2020
- **Chewy's** net sales grew 47% to \$7.15 billion – landing it on the Fortune 500 list of largest U.S. companies

First-Wave Disruptors

The Chewy logo is written in a bold, blue, rounded, lowercase font.

Contending Disruptors

The logo for The Farmer's Dog is written in a red, hand-drawn, cursive font.

Wild One

The lockdown saw digital brands expand into new product categories



Loungewear



Loungewear



O&O Apparel



Private-label Activewear



Activewear



Men's Shoes



Insight

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

With their Gen Z appeal, Direct Brands are now colonizing major chain retailers



Insight

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

Jinx **stojo**

Grove

COLLABORATIVE

STATE

GIVE. BACK. PACK.

care/of

BUBBLE



Big brands are now disrupting themselves



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



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



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



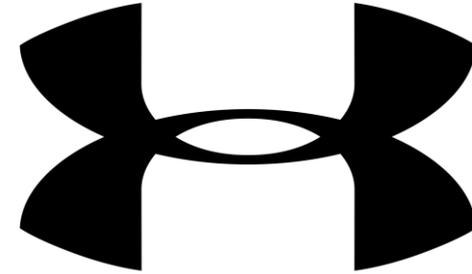
Insight

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

...As many established brands dramatically cut wholesale ties

The Knix logo is displayed in a bold, black, lowercase serif font within a white rectangular box with a thin grey border.

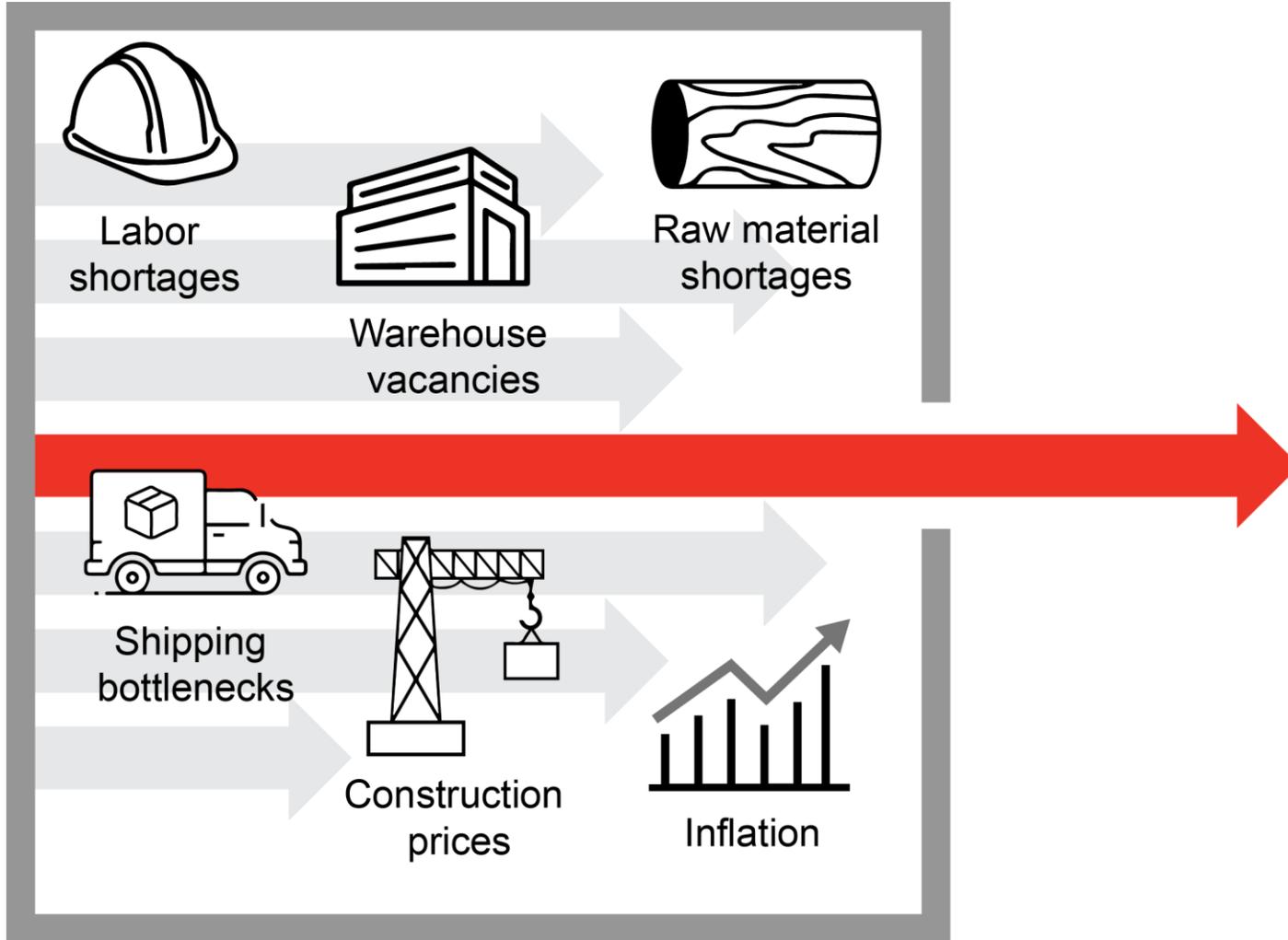
Changed from wholesale to DTC by pulling out of 700 third-party retail stores; now reports a five-year avg. annual growth rate of 150%



UNDER ARMOUR

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

2021's biggest brand crisis: Supply chain bottlenecks



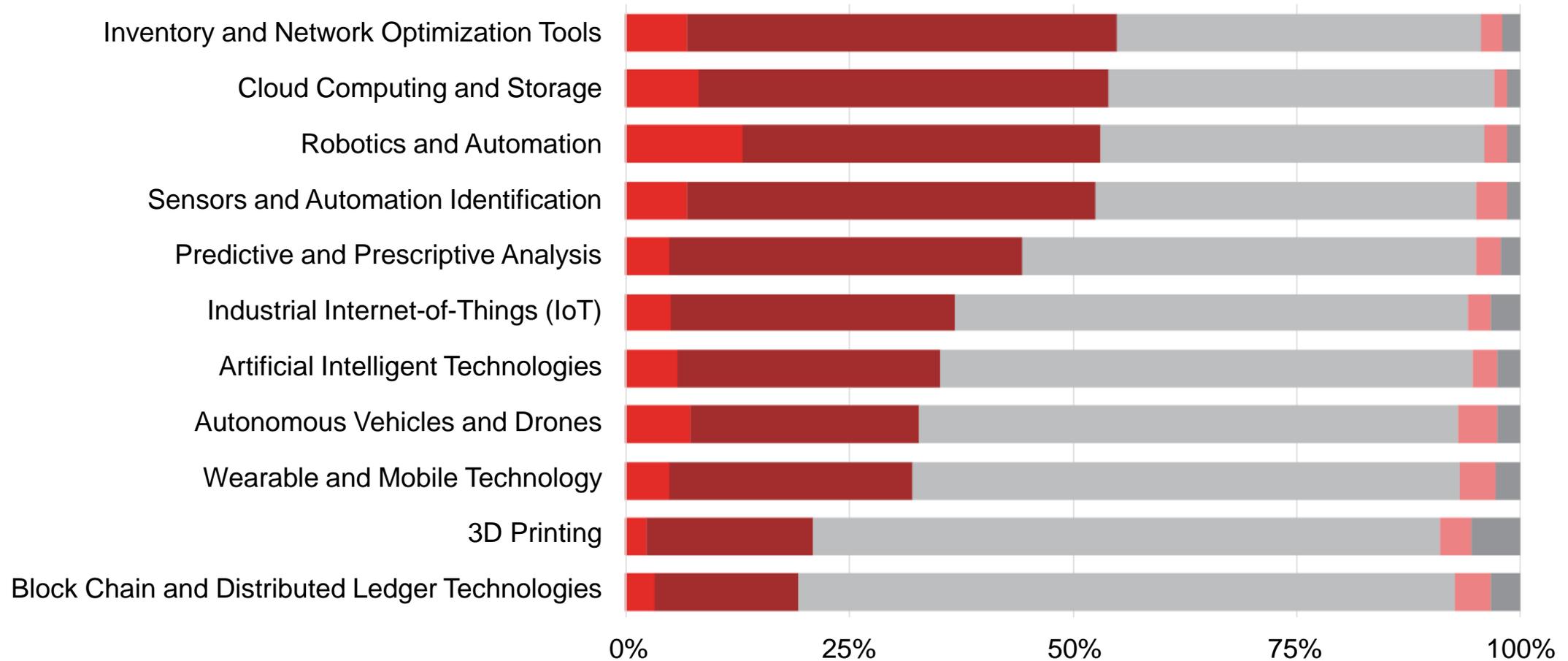
Insight

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.

More than half of companies are investing in digital supply chain resiliency

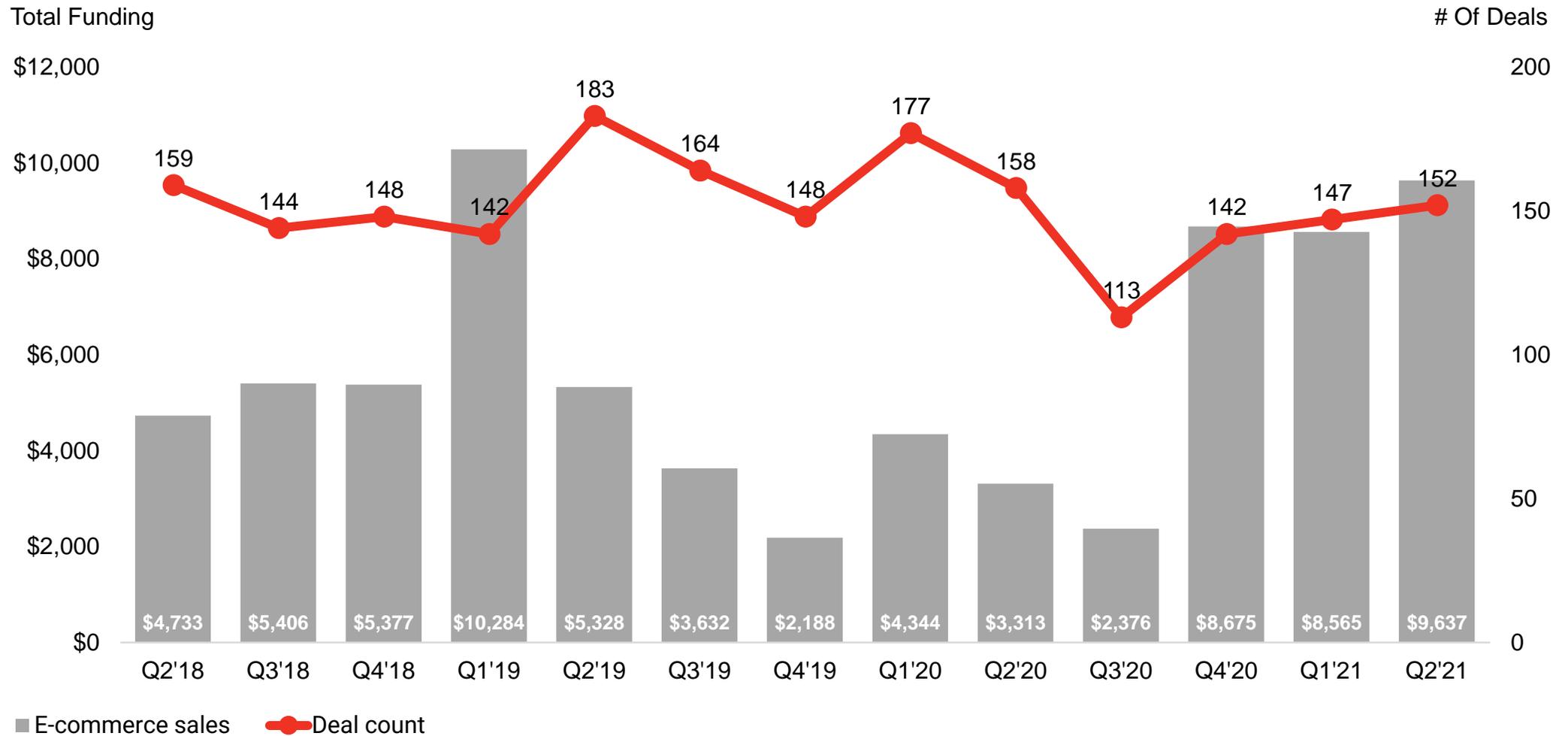
Change in Supply Chain Investments



■ Substantially increasing investment ■ Increasing investment ■ No change ■ Decreasing investment ■ Substantially decreasing investment

Since Q4 '20, supply chain tech deals/funding are up 2-3X as emerging tech is a key element to innovation

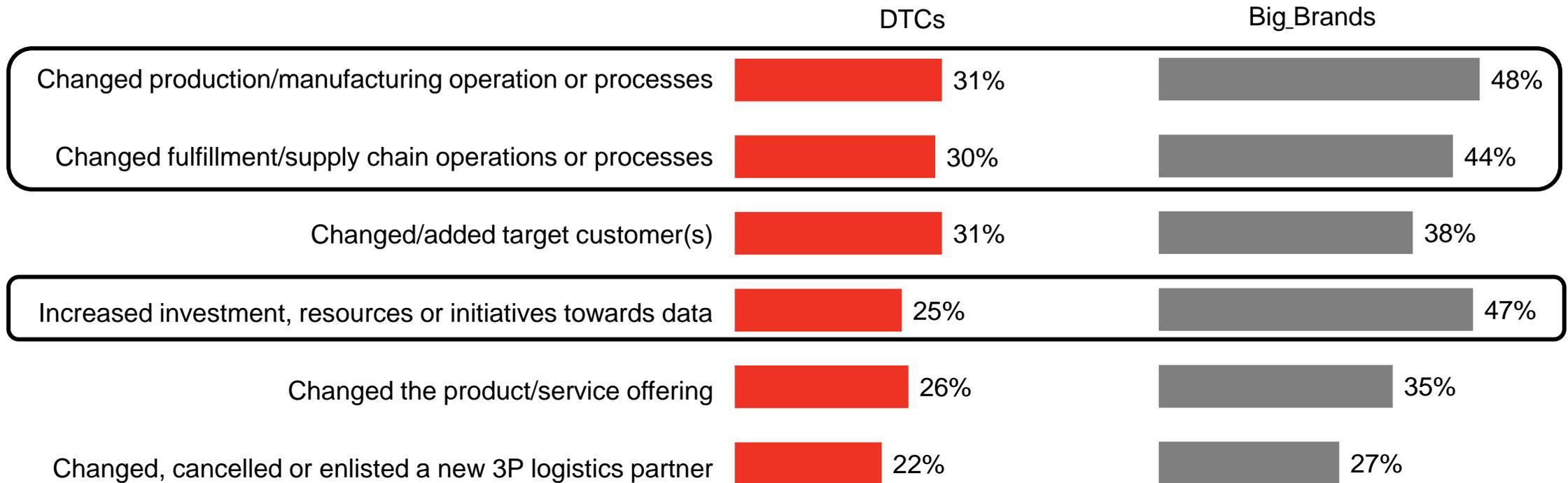
Supply chain deals and funding pick up in
Quarterly global supply chain & logistics tech deals and funding (\$M), Q2'18 – Q2'21



Big brands made significantly more production, fulfillment, and data adjustments

Actions Taken as a Result of the Market Disruptions Since the COVID Outbreak

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



For disruptors, expect logistics, production, & marketing consolidation

Thrasio raises \$750M more in equity for its Amazon roll-up play

Berlin Brands Creates \$302M Acquisition Fund For D2C Startups And Amazon Sellers

Elevate Brands Raises \$250M to Grow Amazon Rollup Business

Suma Brands raises \$150M to acquire and grow e-commerce brands into household names

Branded Raises \$150 Million in Funding and Acquires 20 Top-Selling Marketplace Brands USA - English ▾

Perch acquires Web Deals Direct for \$100M+ to boost to its Amazon roll-up play

Foundry Launches To Grow Enduring Omni-Digital Brands, Raises \$100 Million of Long-Term Private Equity Capital

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.

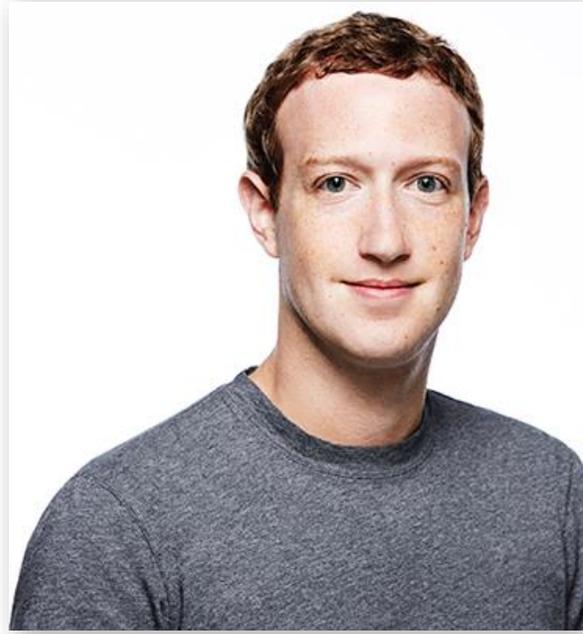
Brands are data companies that make products – not vice versa

“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



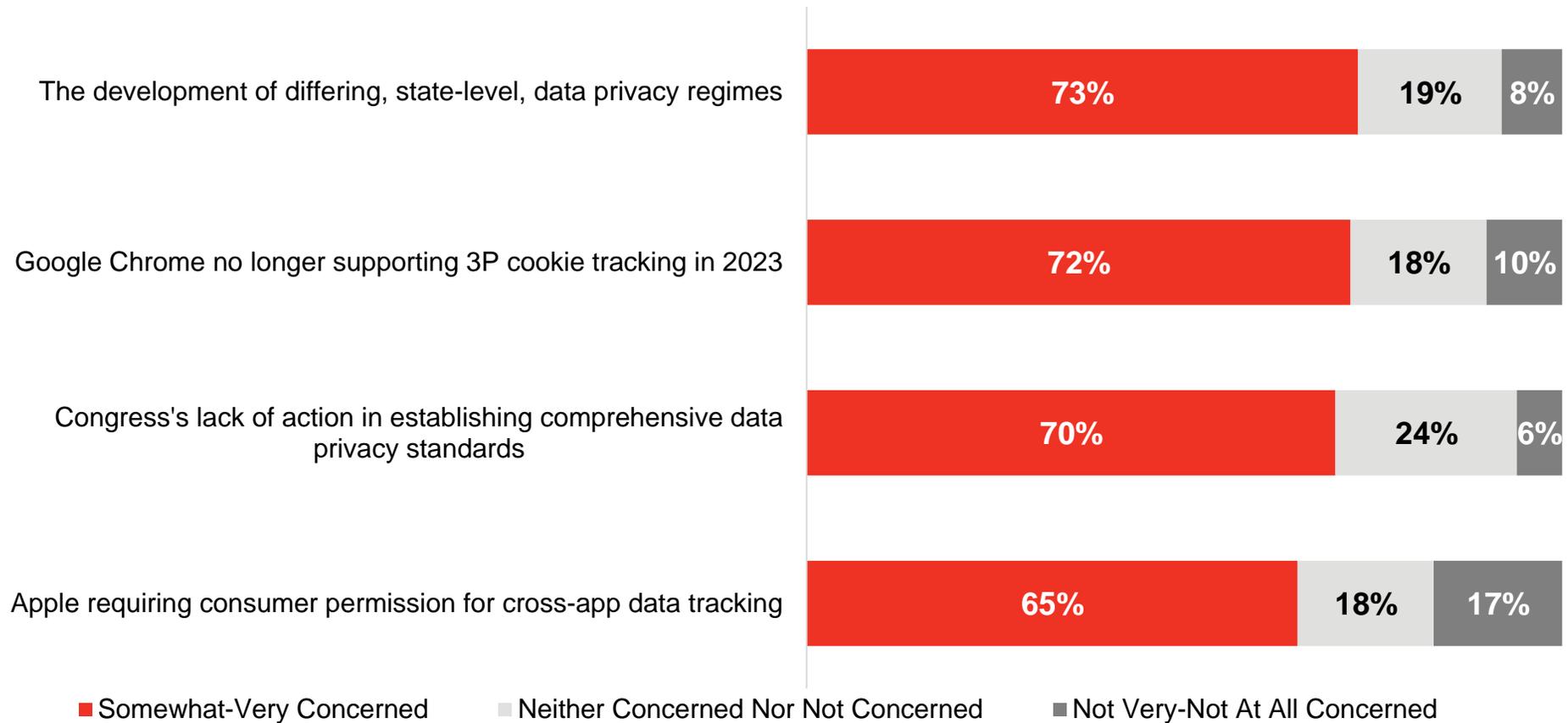
“[The gatekeeping of the mobile app ecosystem is] stifling innovation, stopping people from building new things, and holding back the entire internet economy.”



“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.”

Privacy legislation & cookie deprecation are worrying most brands

Level of Concern for Impact on the Advertising/Marketing Ecosystem

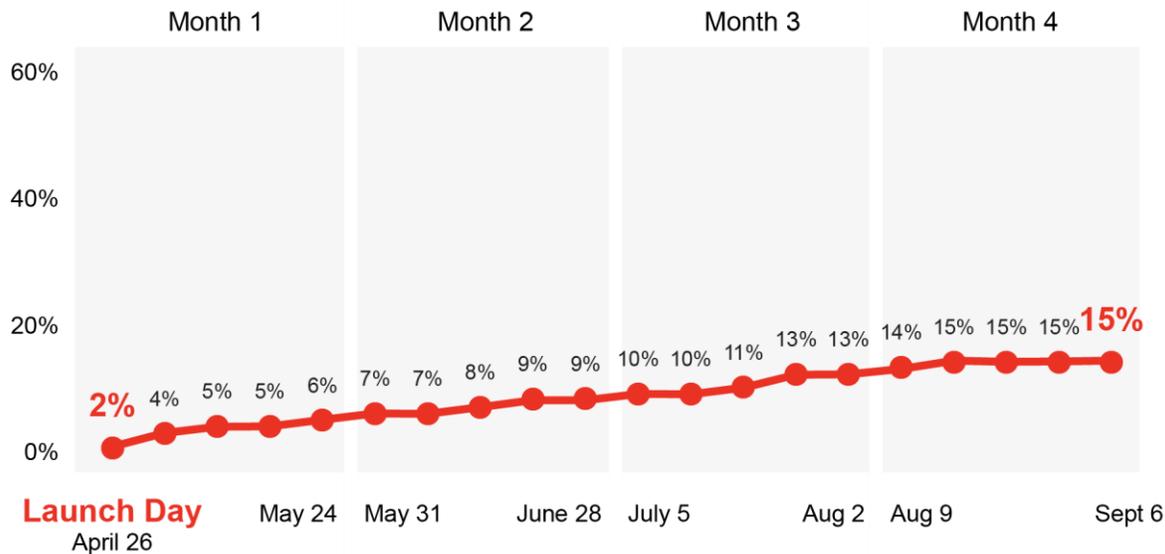


They have cause for concern: Addressable audiences are shrinking...

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

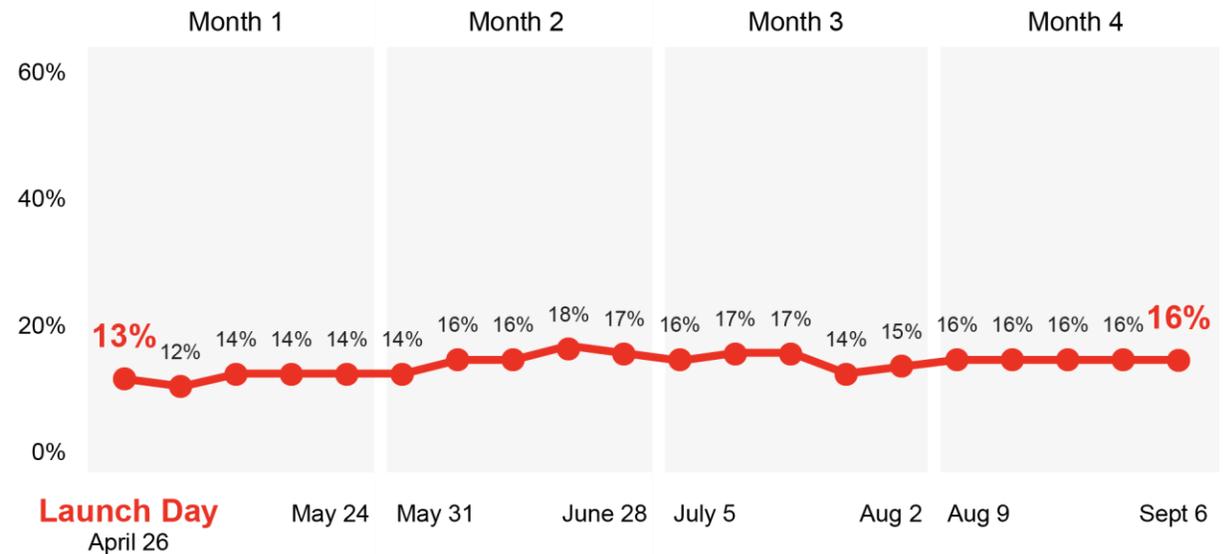


Source: Flurry Analytics, Data through 9/6/2021, n=2.5M daily mobile active app users using iOS versions with AT&T framework (iOS 14 and above) Note: Opt-in rate = app users who allow tracking divided by (app users who allow tracking + app users who deny tracking)

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

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

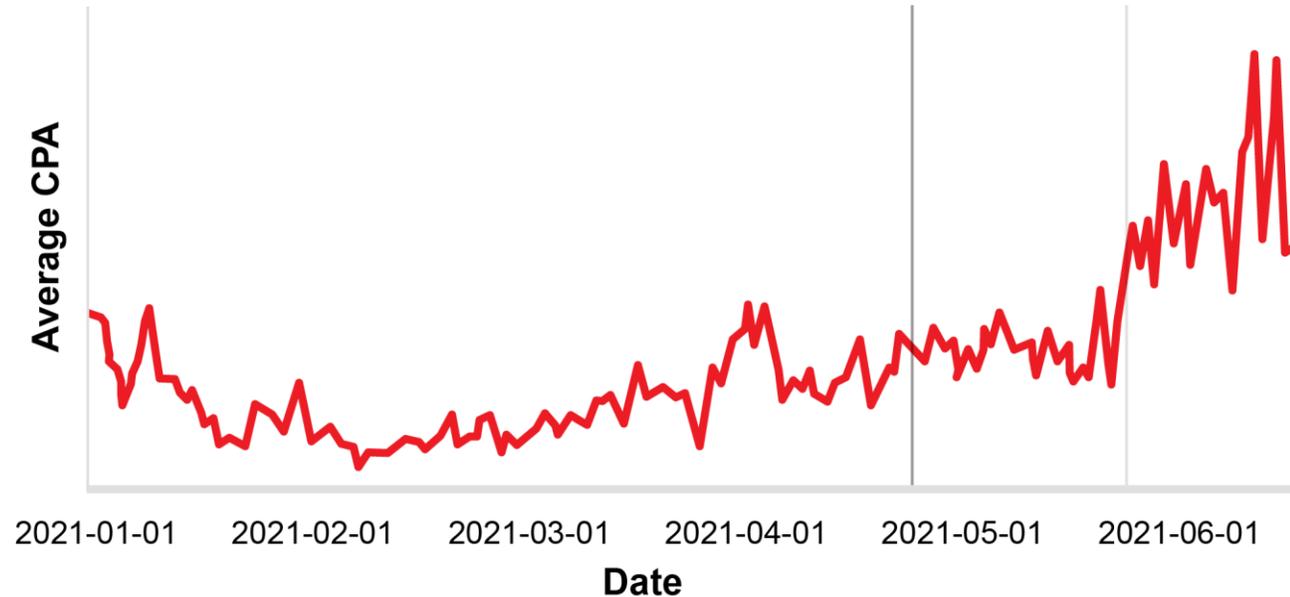


Source: Flurry Analytics, Data through 9/6/2021, n=2.5M daily mobile active app users using iOS versions with AT&T framework (iOS 14 and above) Note: Opt-in rate = app users who allow tracking divided by (app users who allow tracking + add users who deny tracking) in apps that have shown the prompt

...and advertising + customer acquisition costs rising as much as 200%

- **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)

The Impact of ATT on Non-LAT CPA Rates

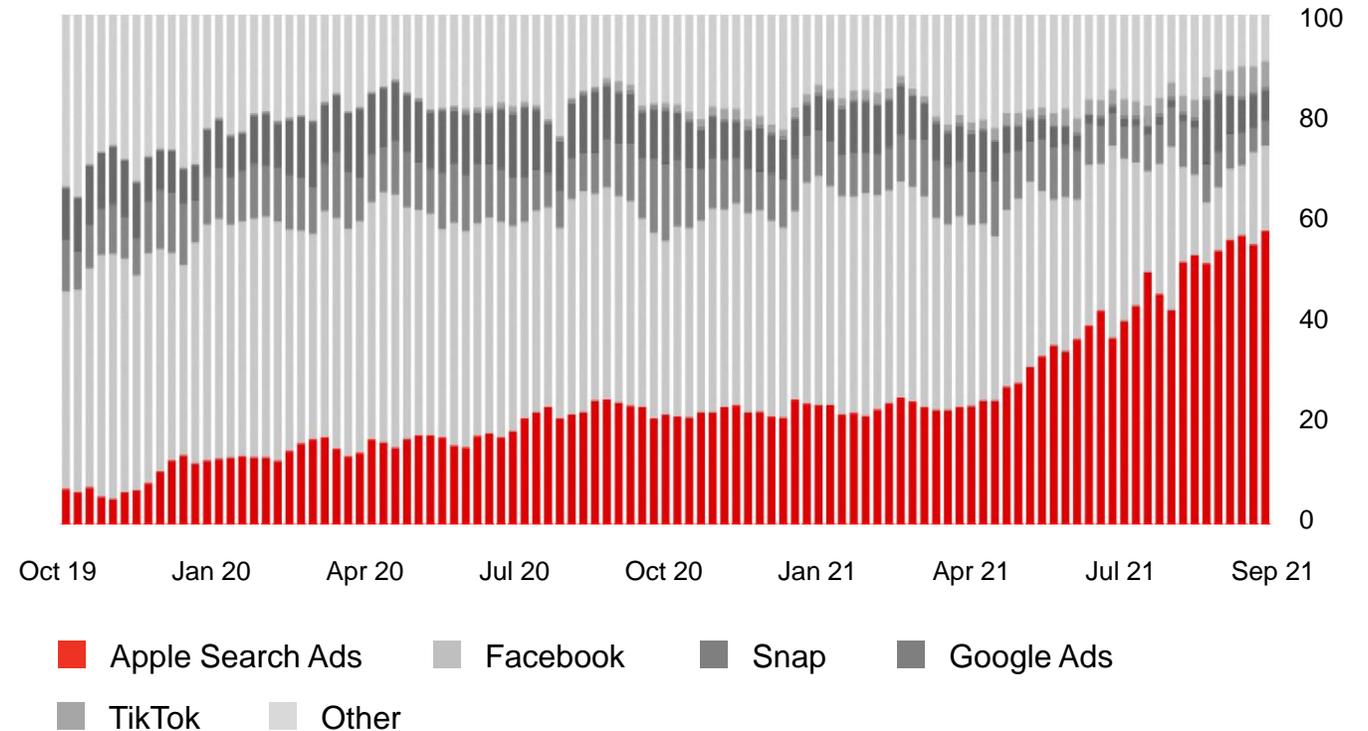


Above: CPA costs for tracked users increased by 63% after the release of iOS 14.5 and 94% more after iOS 14.6 went live – a 200% total uptick in price.

Apple's ad business market share has grown more than 3x since the iOS 14.5 launch

- “Apple’s advertising business has more than tripled its market share in the six months after it introduced privacy changes to iPhones that obstructed rivals, including Facebook, from targeting ads at consumers.”
- Within 3 years, researchers predict Apple’s ad business will grow 4x – from \$5B this fiscal year to \$20B-per-year

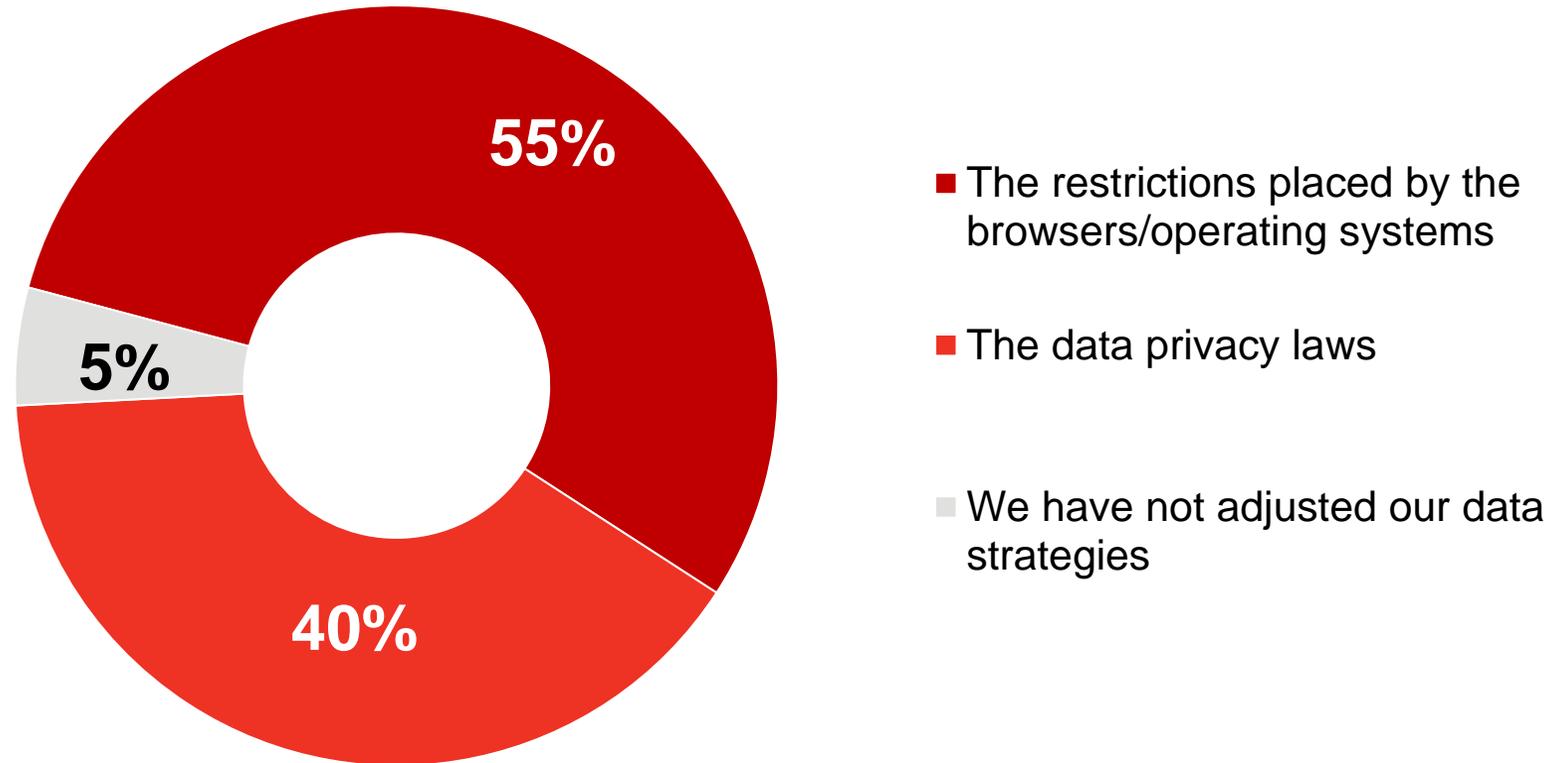
Apple privacy push Capped rivals and helped its own add network thrive
Share of total installs (%)



iOS 14.5 was launched April 26 this year
Source: Branch

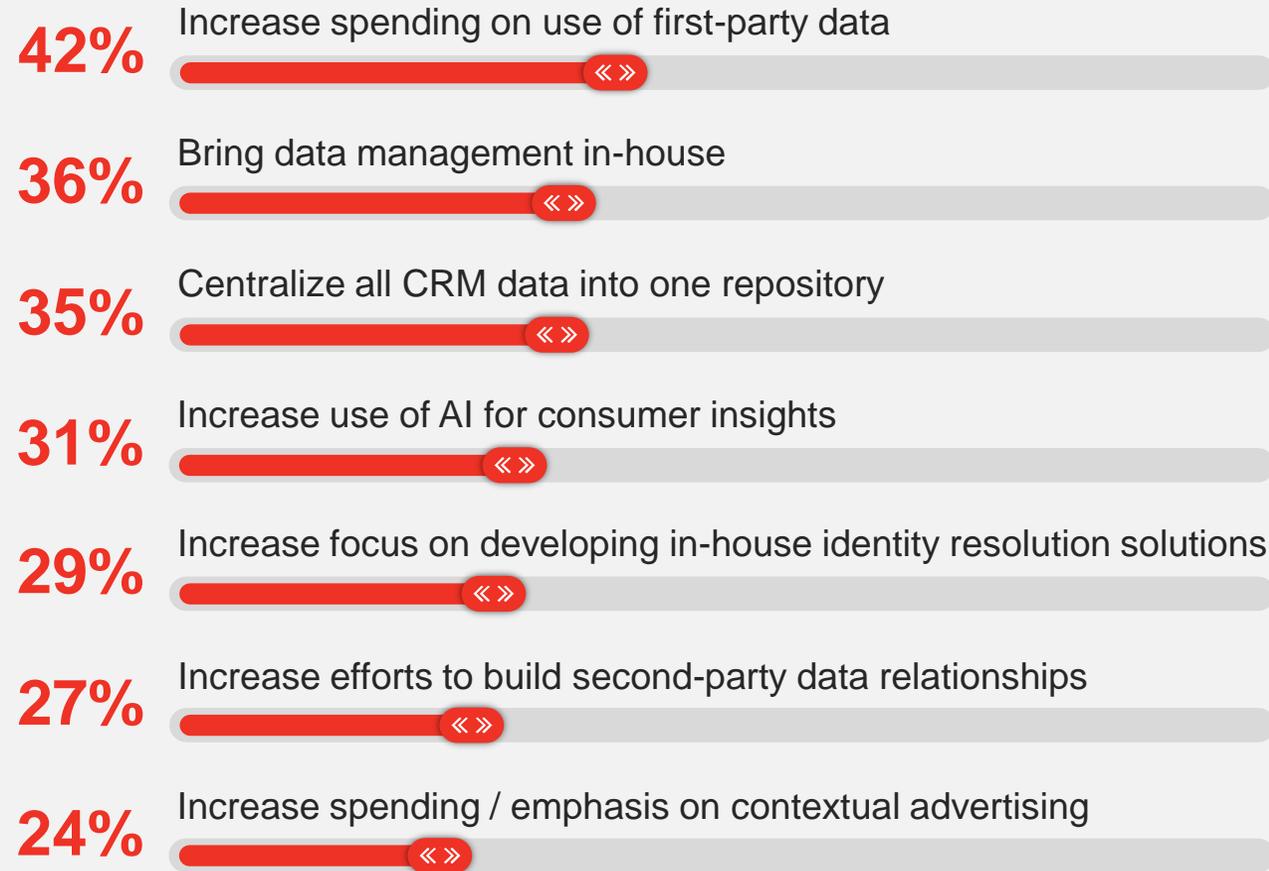
Regulation & deprecation prompting 95% of brands to adjust their data strategies

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



Increased use of 1P data is the highest post-cookie priority for buyers

% Expected Data-Use Changes Due to Cookie/ID Deprecation



AB InBev collected 1P data on 2.5B consumers, and is seeing sales increases up to 80% in tests leveraging this data

“In tests, Anheuser-Busch has produced sales increase of 50-80%, 35% higher ad recall, and 18% increase in people's likelihood of buying its brands versus benchmarks”

--Luiz Felipe Barros, VP Data Center of Excellence and Global Media, Anheuser-Busch InBev

The logo for AB InBev, featuring the letters 'AB' in a stylized red font with a white outline, followed by 'InBev' in a dark brown, serif font.

Closing loops: Walmart & The Trade Desk mold a new DSP

- Walmart's new DSP merges The Trade Desk's inventory (across display, streaming, mobile, audio, and CTV) with Walmart's 1P in-store and online shopper data for a closed-loop, measurement system for brands



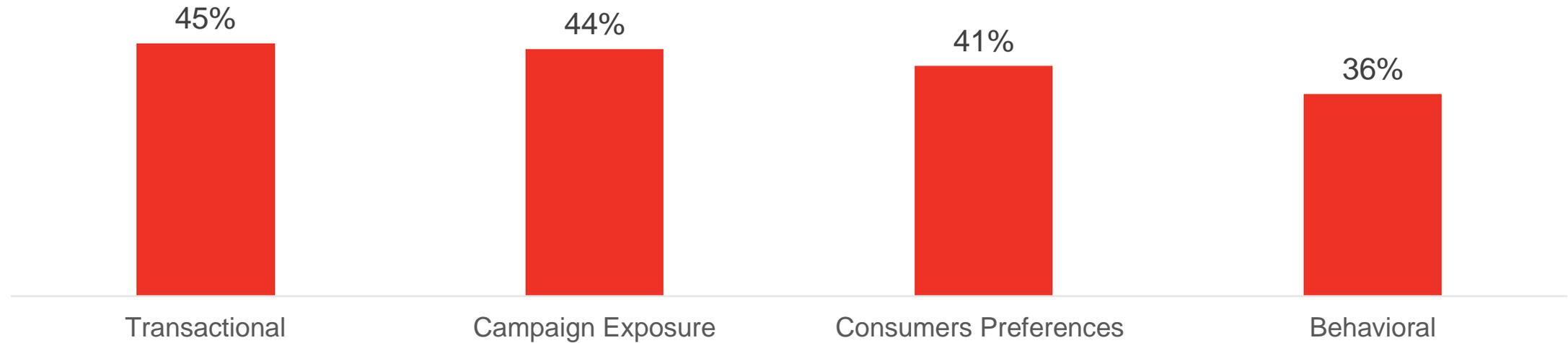
Amazon DSP data + Whole Foods shopping data = online/offline ad attribution

- Amazon is providing advertisers with attribution data showing when ads bought through its DSP led to purchases made in-person at Whole Foods



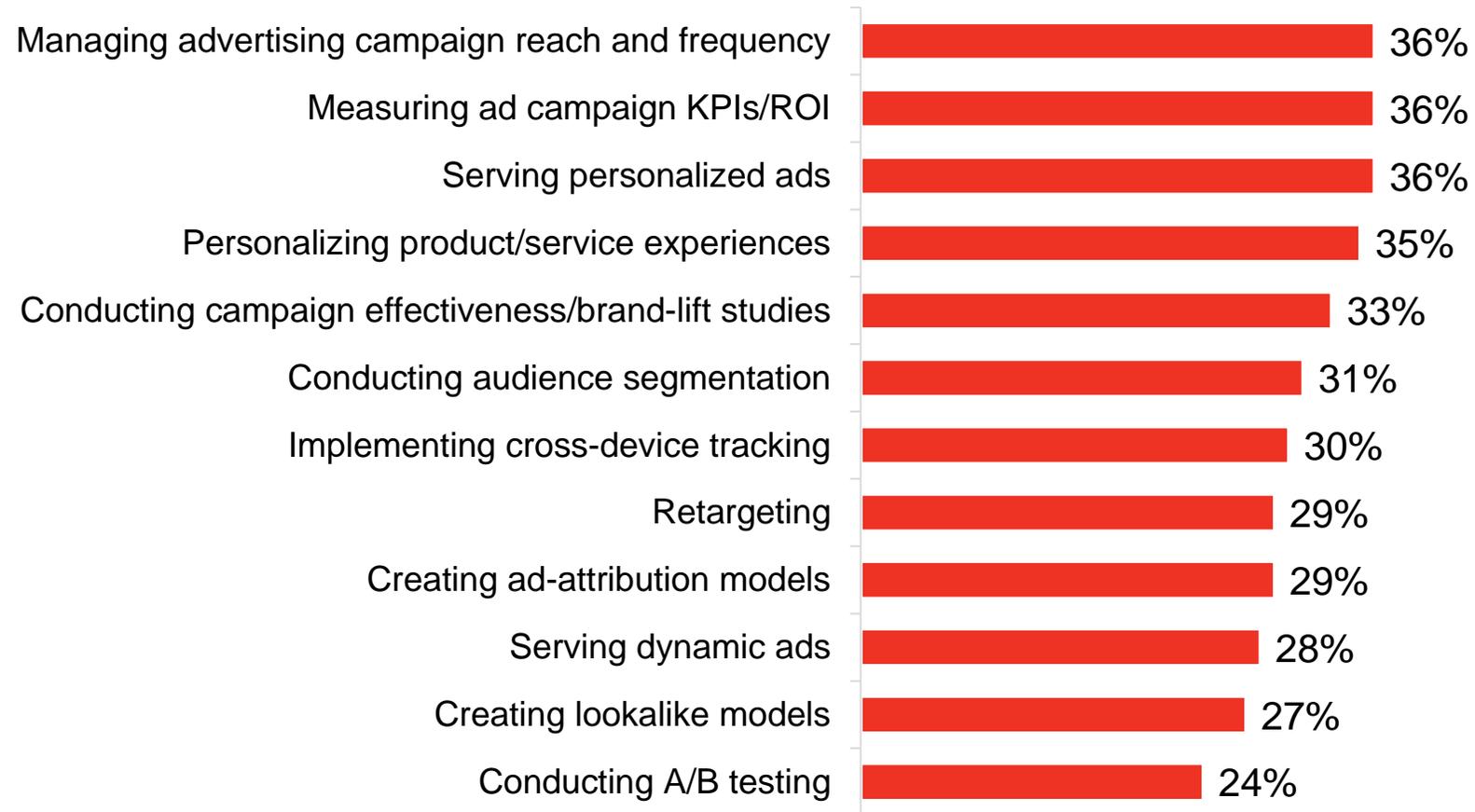
But fewer than half of buyers are collecting “insightful” 1P data about media, shopping & behaviors

Types of 1P Data Collected Directly



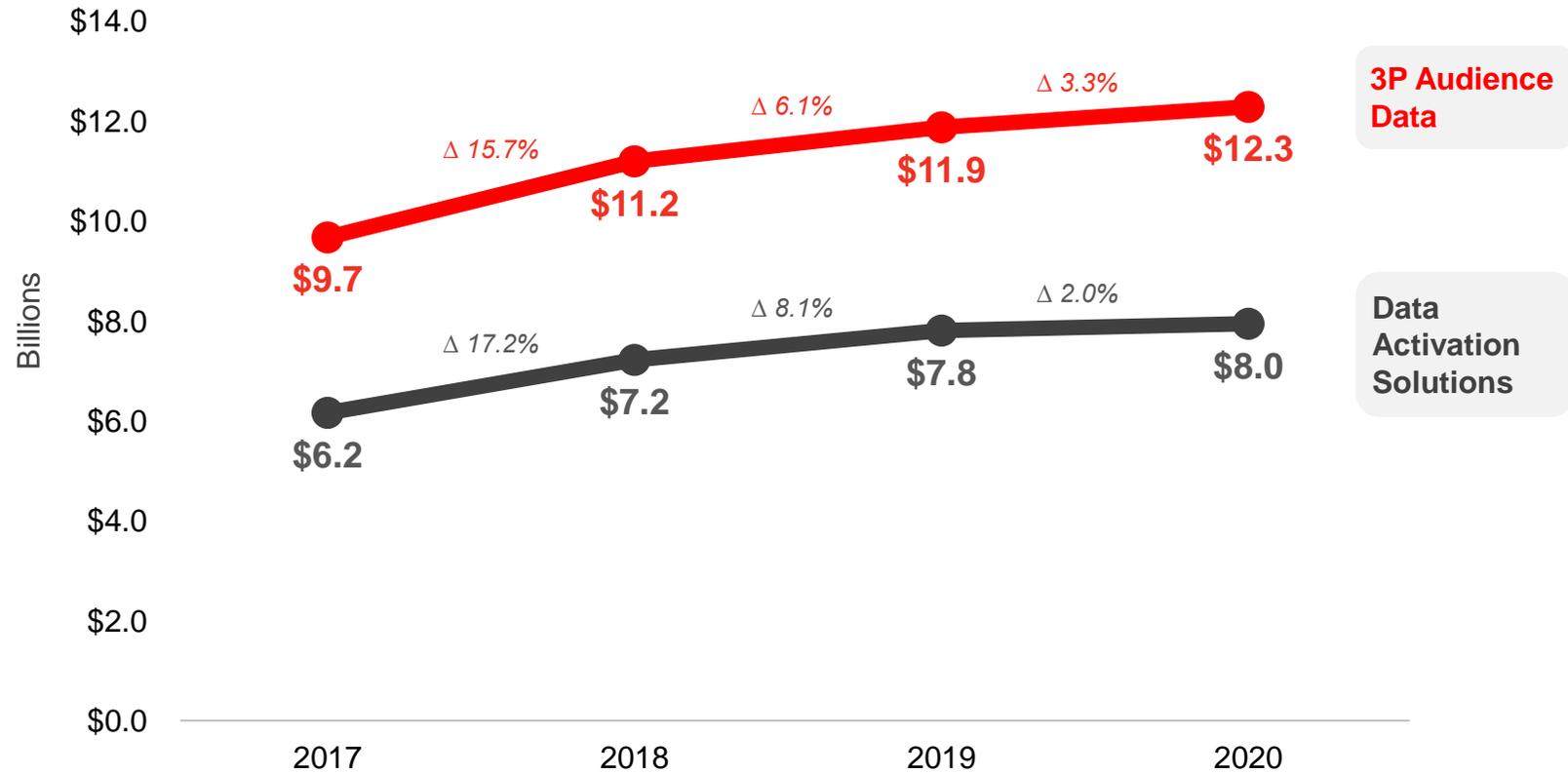
1P data deployment by brands remains largely unsophisticated

Current Uses of 1P Data



Buyers remain highly dependent on 3P data

Year-over-Year Change in 3P Data-Related Expenditures



84% of ad buyers increasing CTV spending say consumer privacy issues contributed to the increase

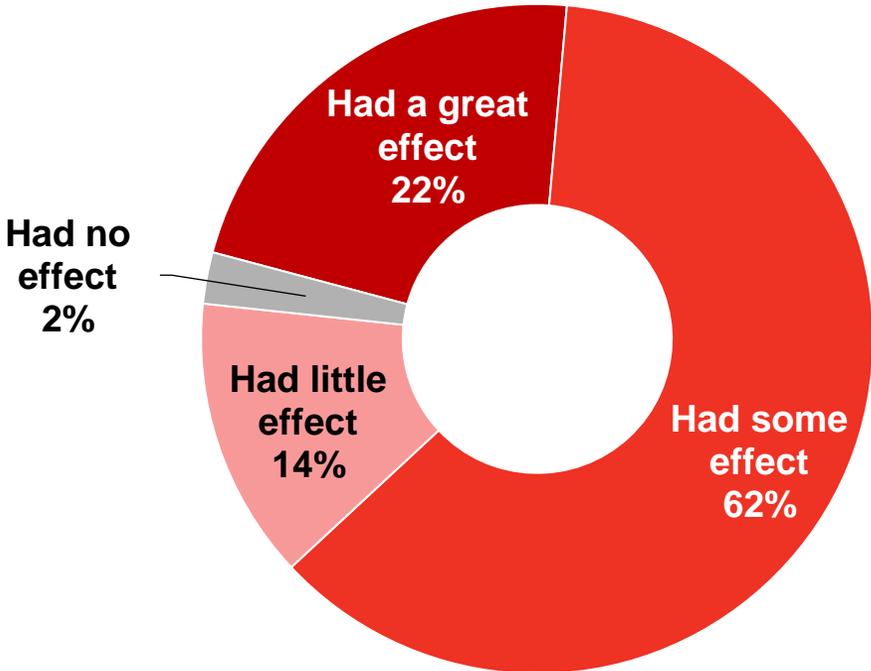


Insight

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



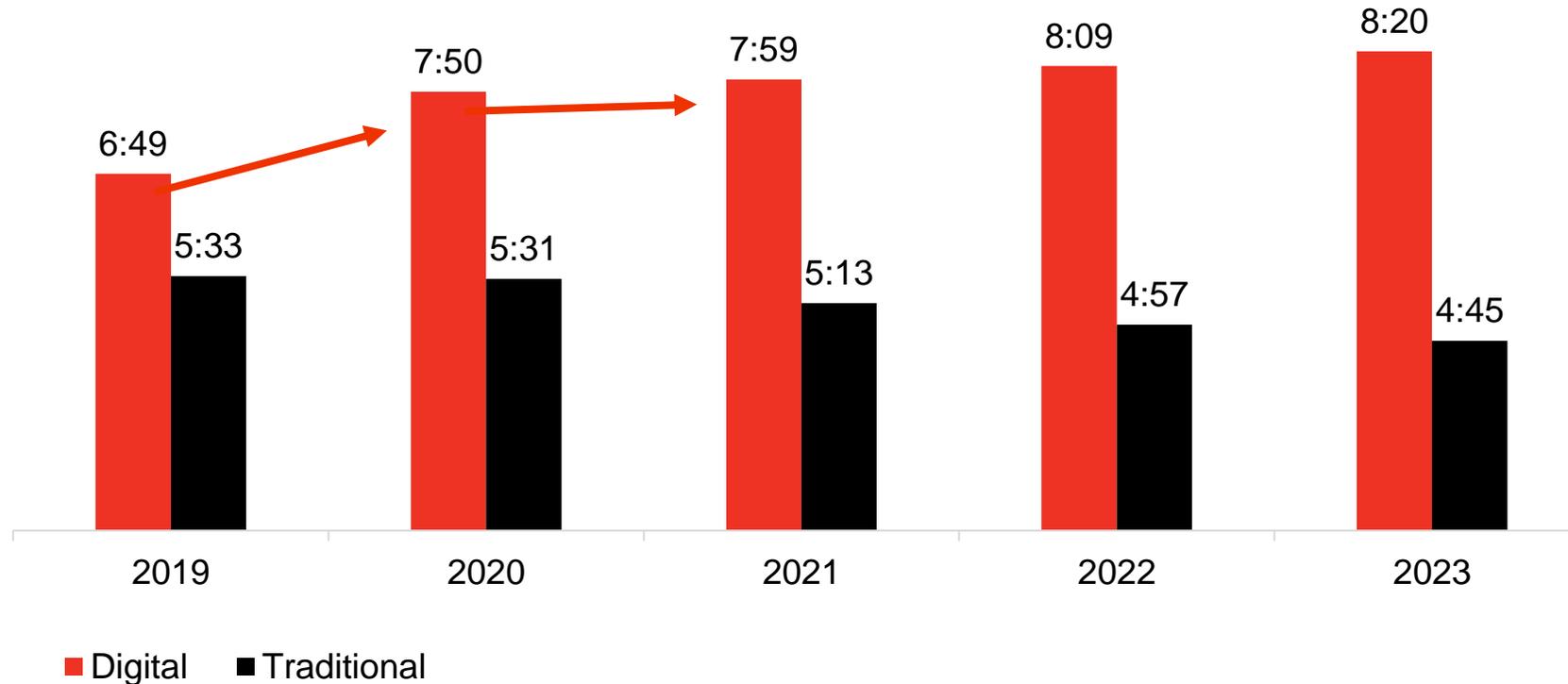
Sources: eMarketer, 10/14/21; IAB Brand Disruption Survey 2021, Brands investing in Digital Video n=334; Survey Q: Please select and rank your top 5 reasons for leveraging OTT/CTV on your media plan with 1 = the most important. (Rank 1st Summary); IAB Video Ad Spend 2020 & Outlook for 2021, Base: Increased 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?

Media Consumption Transformed

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)



Note: ages 18+

Traditional includes TV, newspapers, magazines and radio

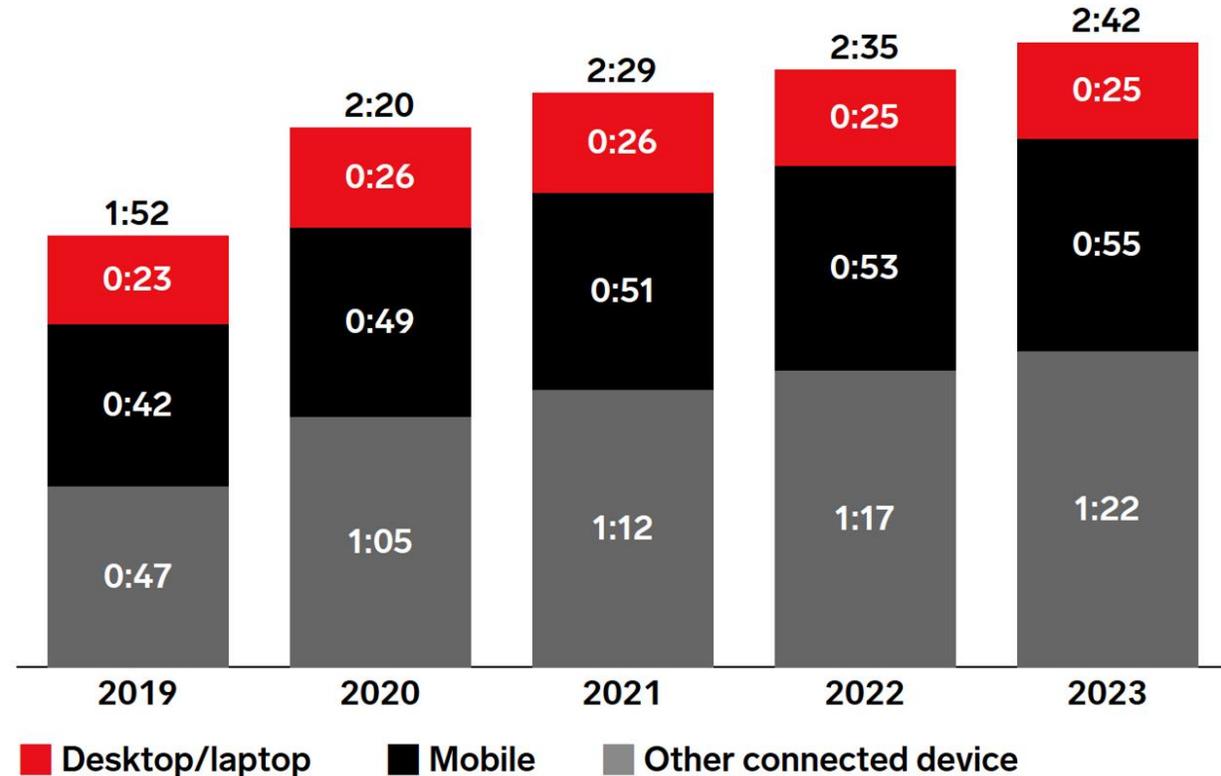
But consumer time spent with digital video grew 25% in 2020, far faster than total digital

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

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



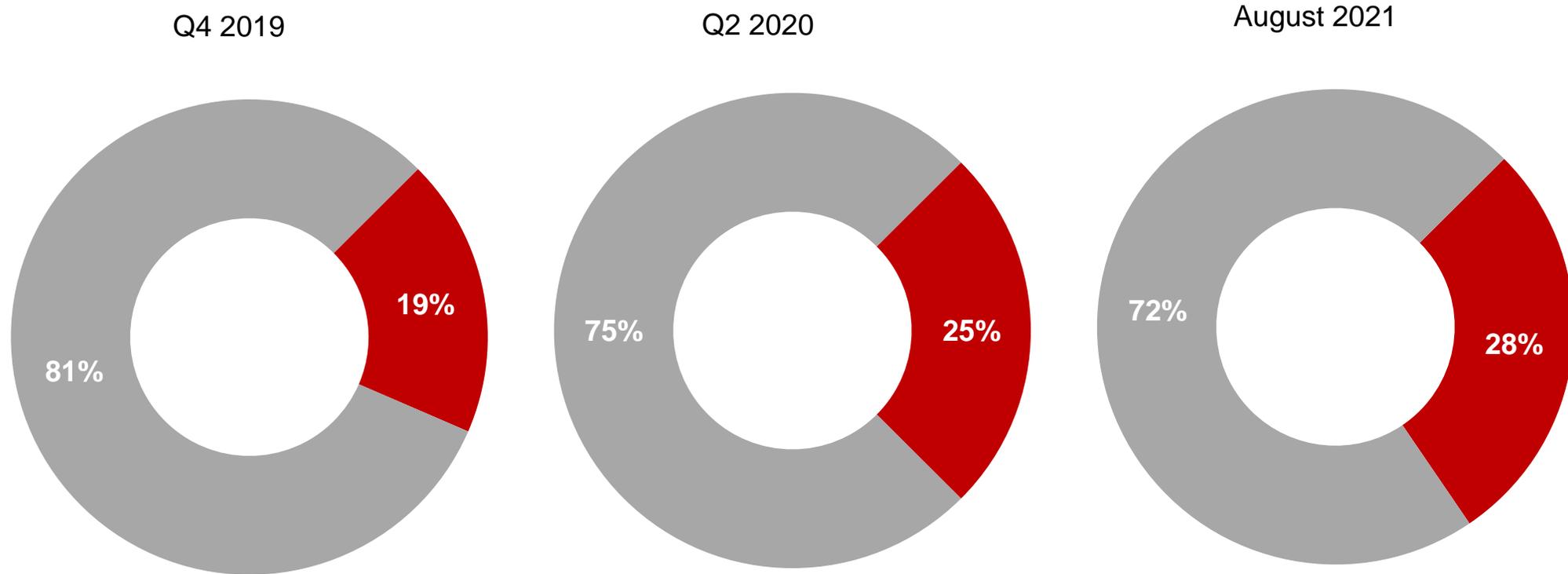
Note: ages 18+; includes all time spent with online video activities, regardless of multitasking; includes viewing via desktop/laptop computers, mobile (smartphones and tablets), and other connected devices (game and consuls, connected TVs, or OTT devices); excludes video streamed through social networks; 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

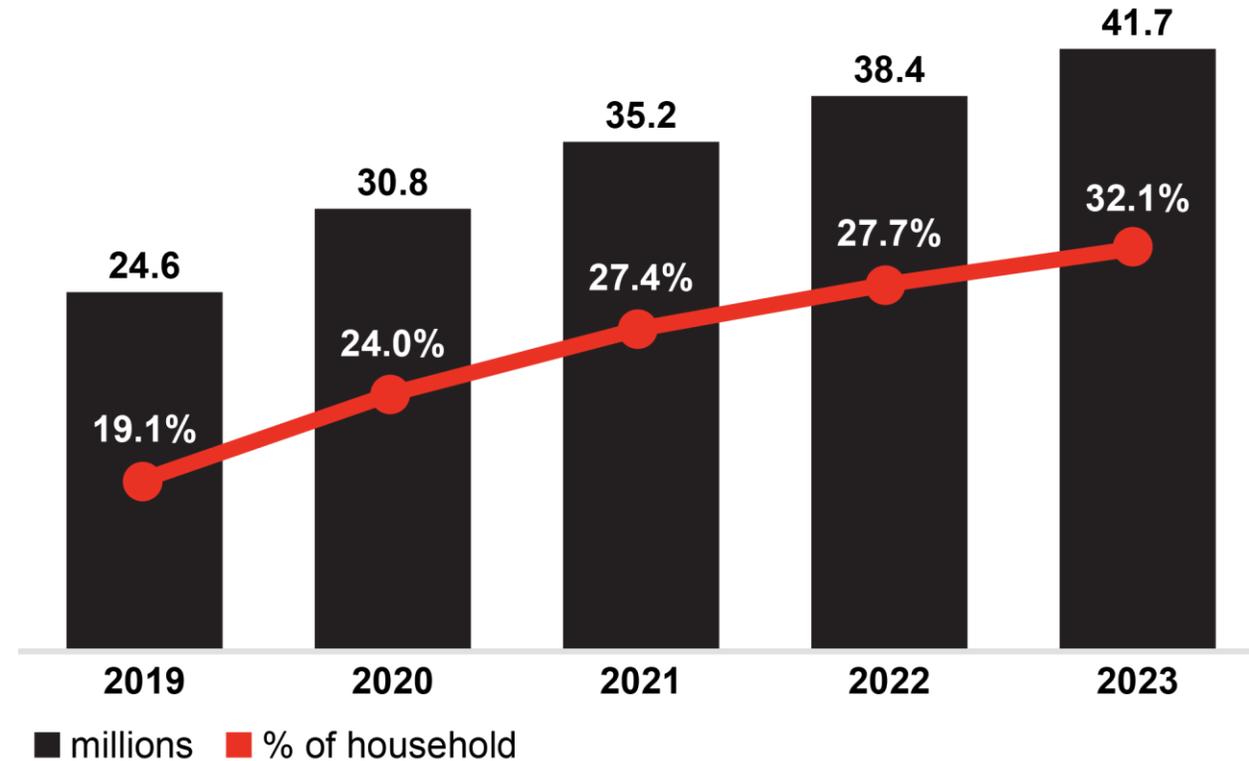
% of Streaming Out of Total Usage of TV, P2+



A quarter of U.S. households already have cut the cord – climbing to one-third by 2023

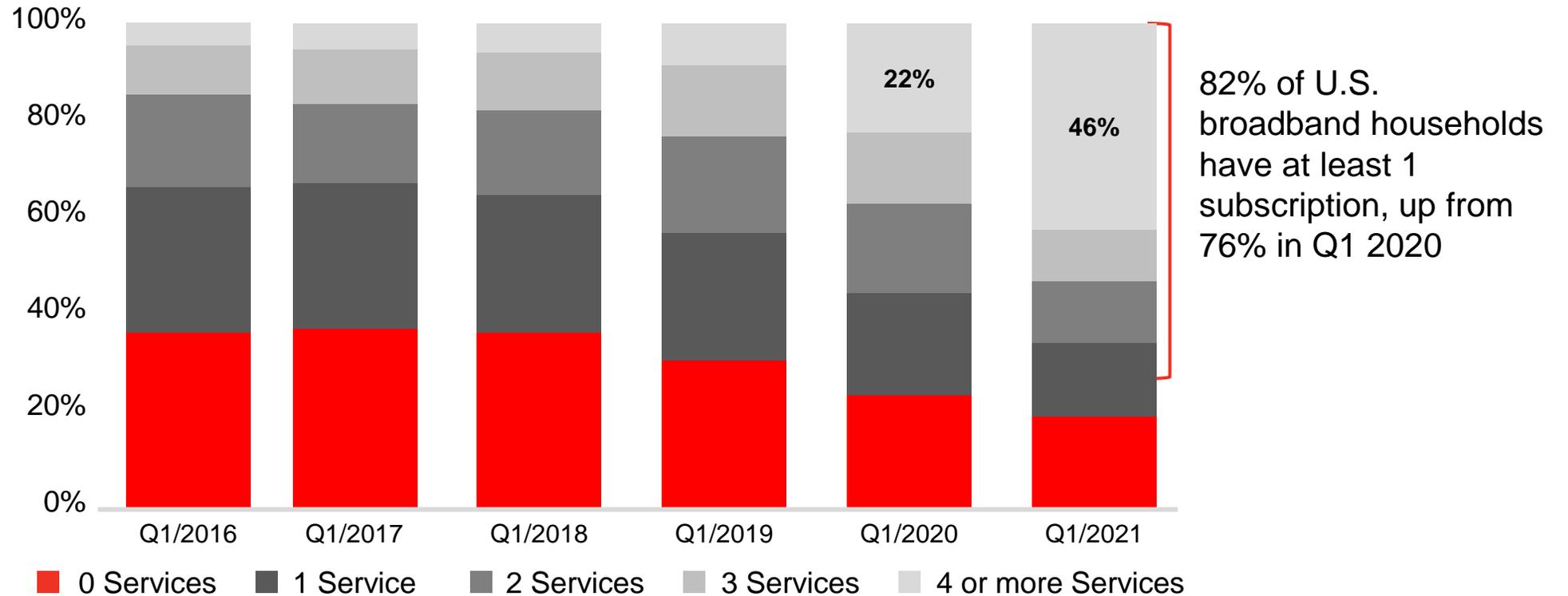
Cord-Cutter Households
US, 2019-2023

- Pay-TV providers* lost ~1.23M net video subscribers in Q2 2021



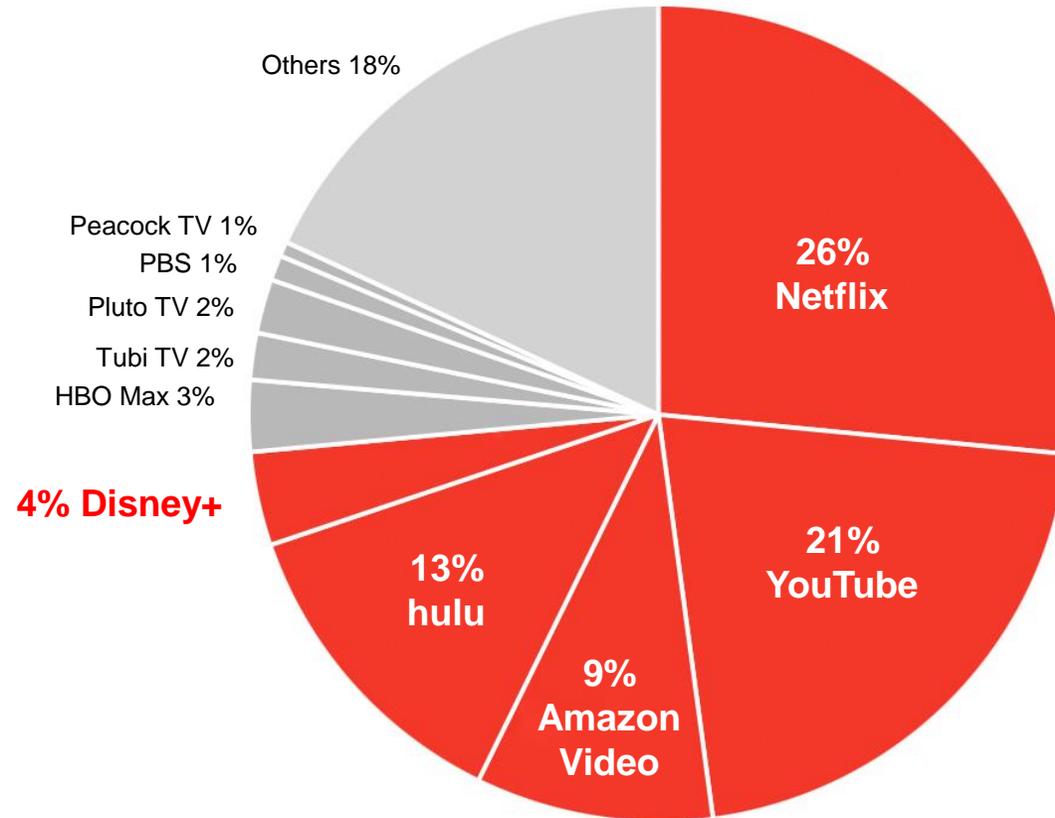
Nearly half of U.S. broadband HHs have 4+ subscription streaming services—2x more than 2020

Number of Subscription Streaming Services in U.S. Broadband Homes

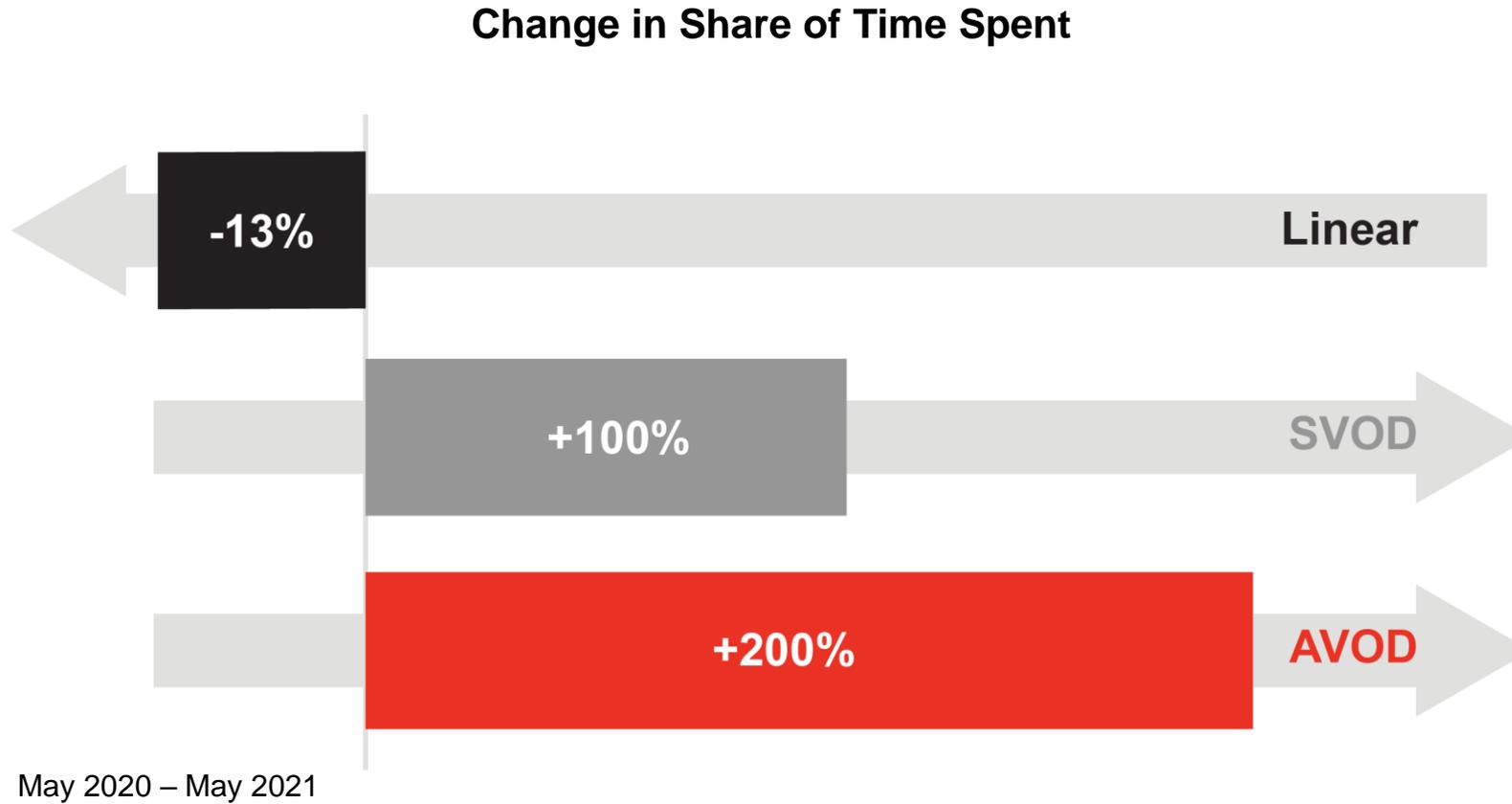


Netflix is king, but AVODs rule

June 2021
8.3B Total Hours Watched



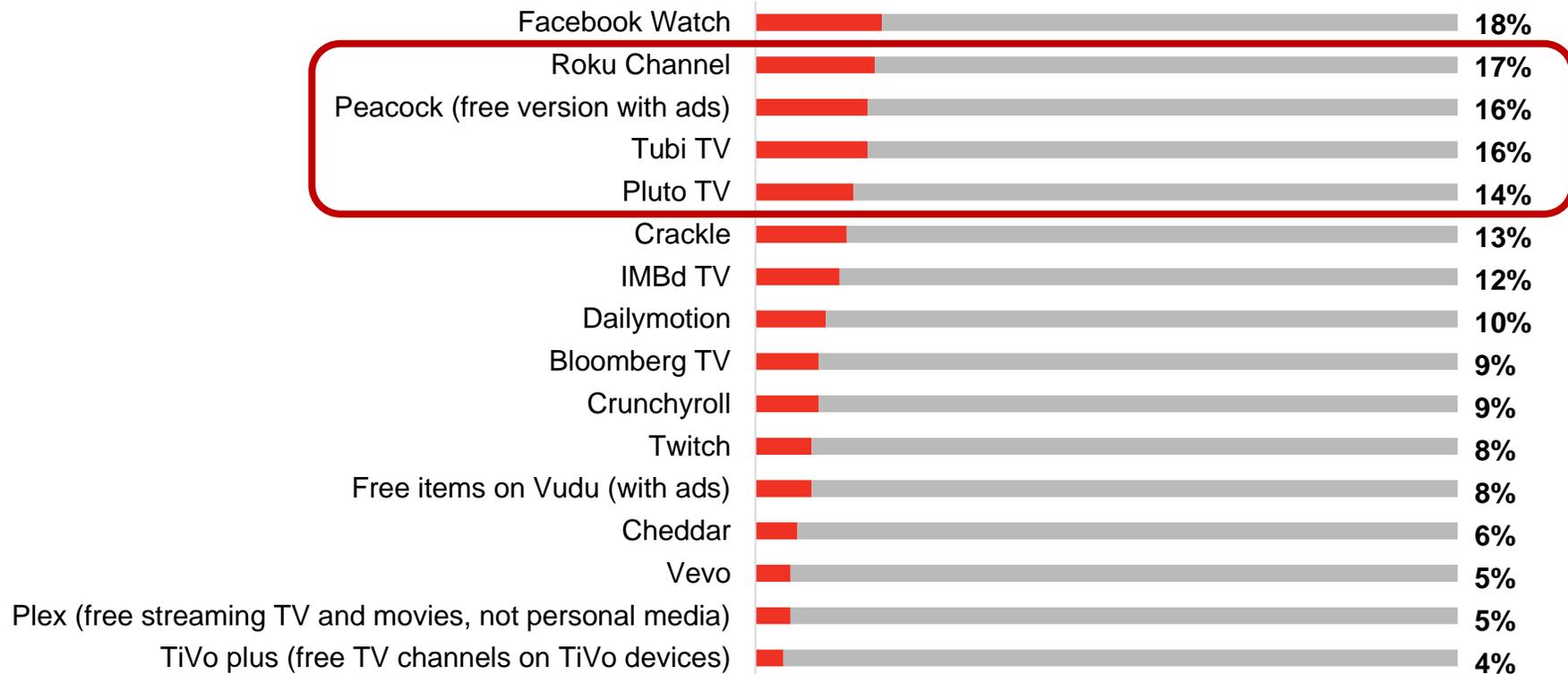
AVOD sees the most growth in time spent YoY, 2x SVOD and gaining share from linear



FAST TV services are among N.A. users' most popular AVOD services

Most Popular AVOD Services other Than YouTube

Percentage of respondents that indicated they use the service type in question; Respondents could choose more than one option

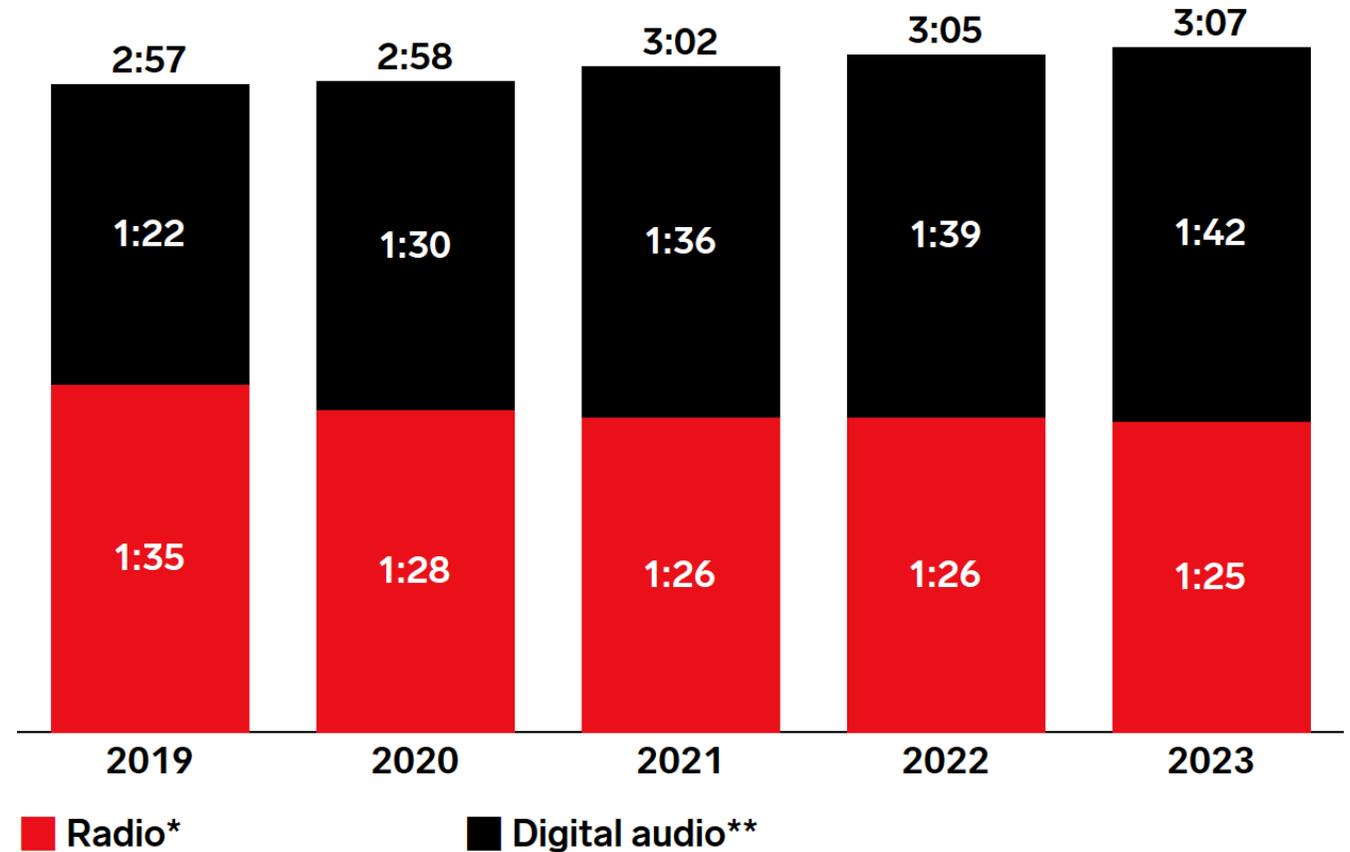


In 2020, digital audio surpassed radio in avg. daily time spent, and is gaining more share in 2021

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

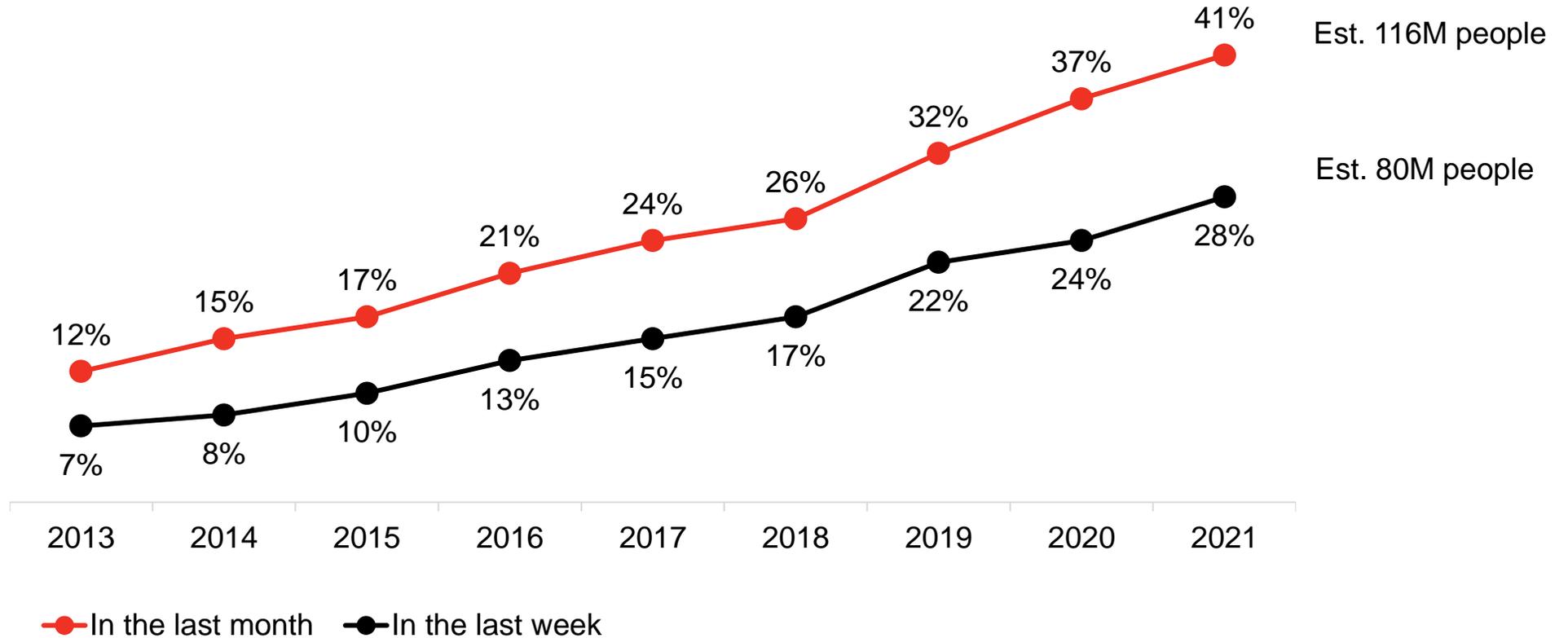
hrs:mins per day among population

- 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

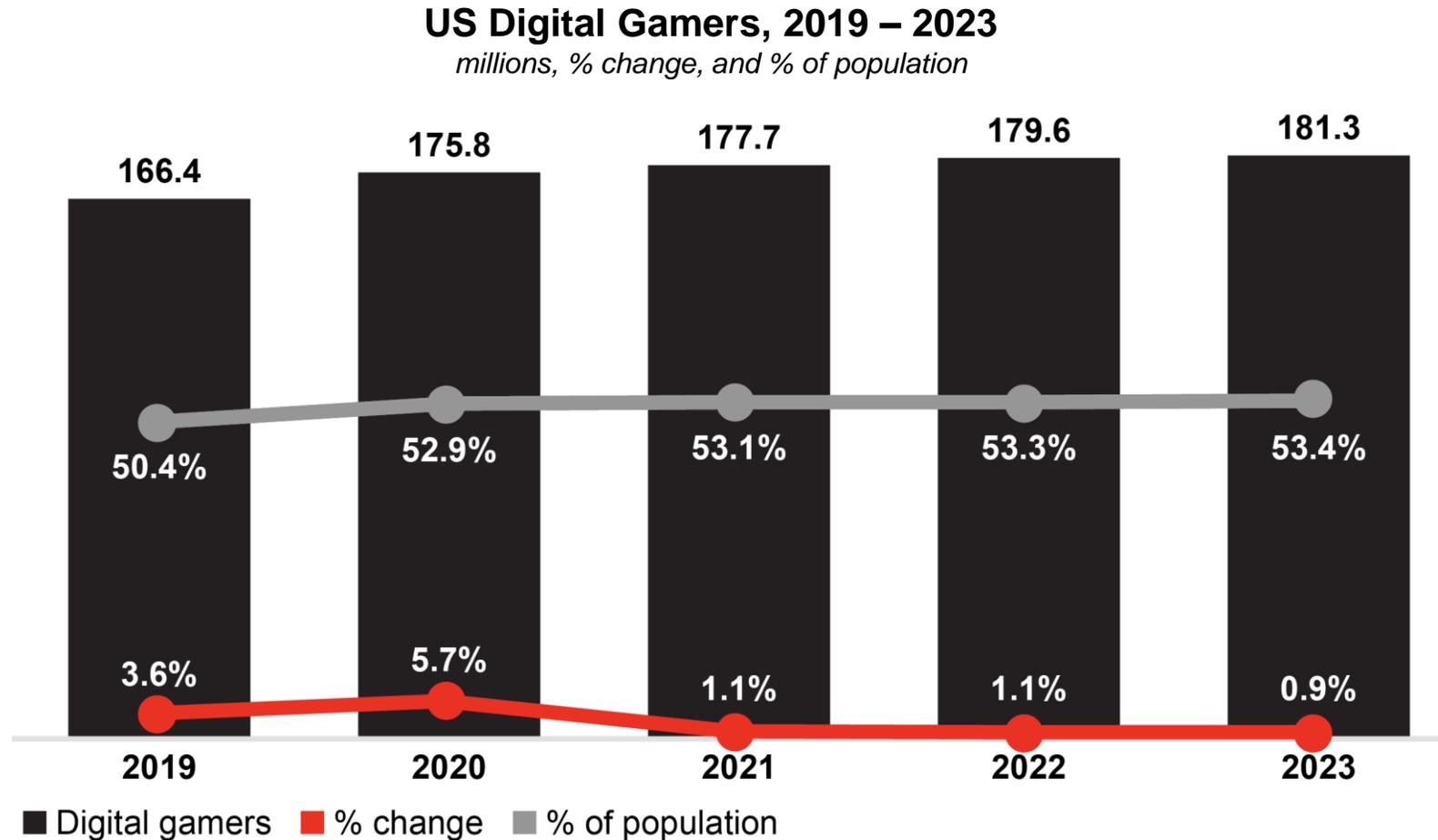


Podcasting is now a mainstream medium — 40% of Americans 12+ listen each month, up 2x in last 5 years

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



More than half of all Americans play digital games – although growth is slowing



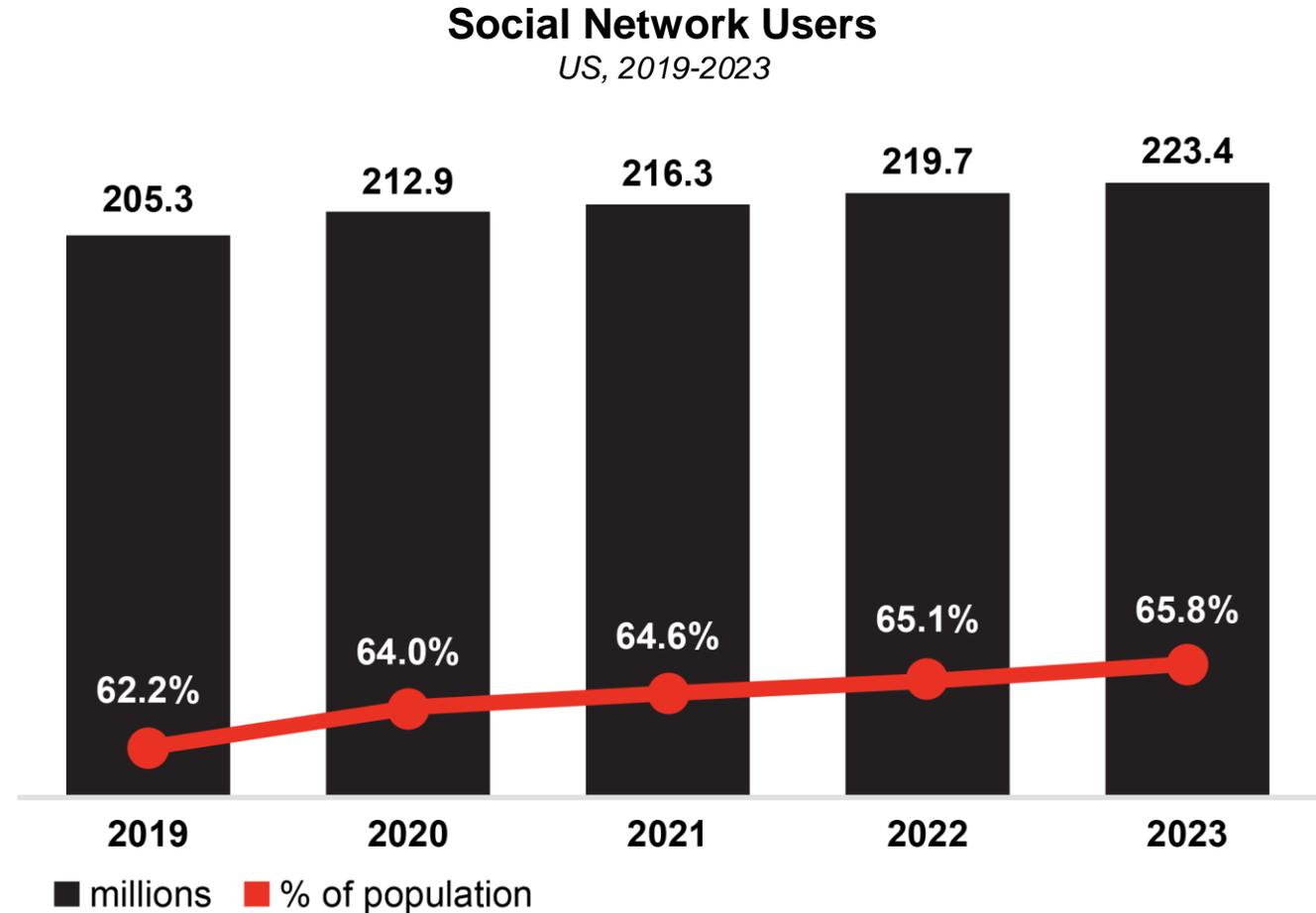
Note: Internet users of any age to play games through the Internet or games that update via the Internet at least once per month via any device; includes desktop/mobile app and browser gaming, online Consul gaming, and gaming on social networks
Source: eMarketer, Feb 2021

Social Media, Influencers, & Creators

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.

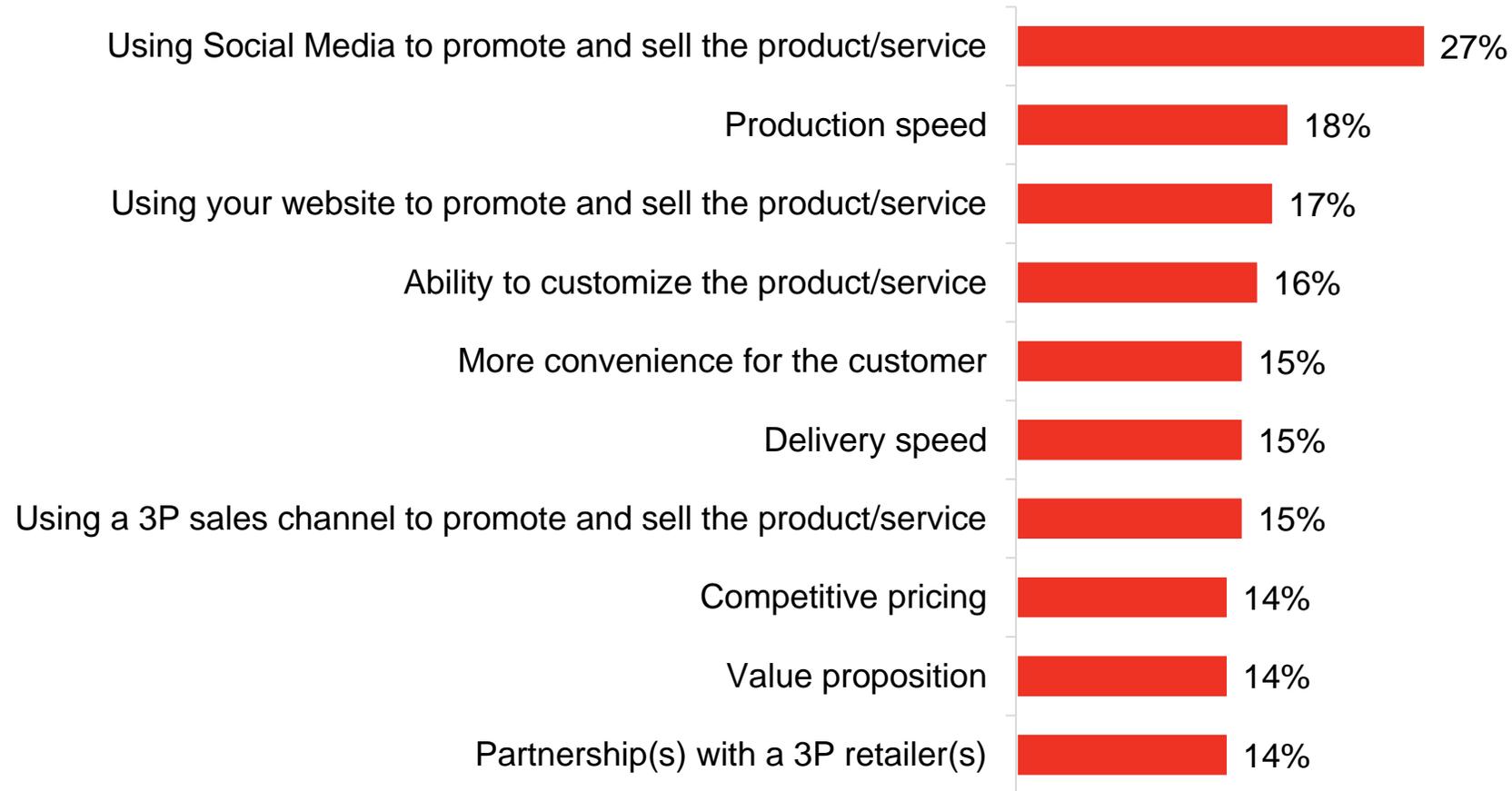
Social media has already achieved near parity in audience size with TV, and will likely surpass it in the next few years

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



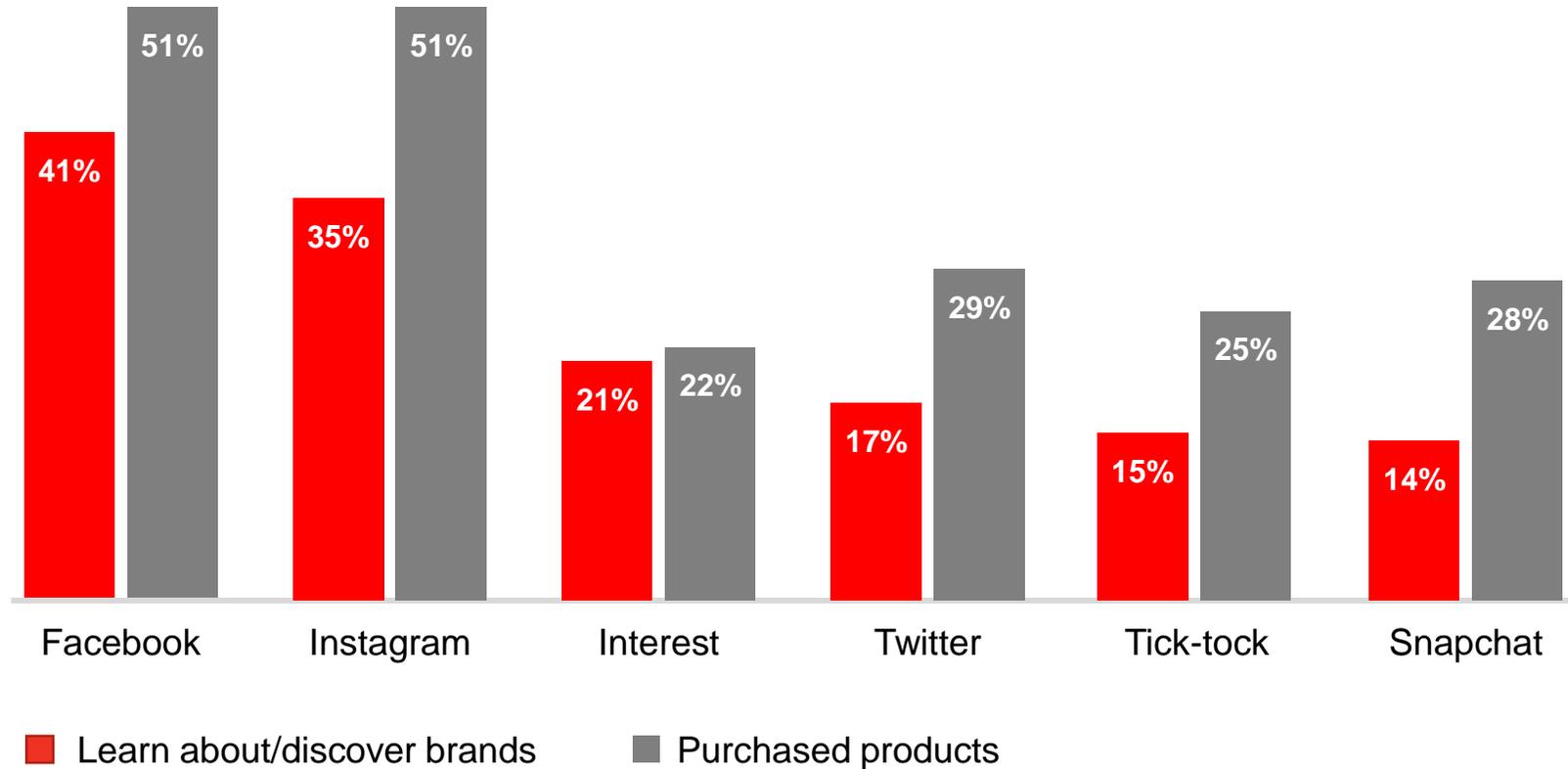
Brands say social media were their biggest success drivers during COVID

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



1/4 to 1/2 of consumers have bought products discovered in social media

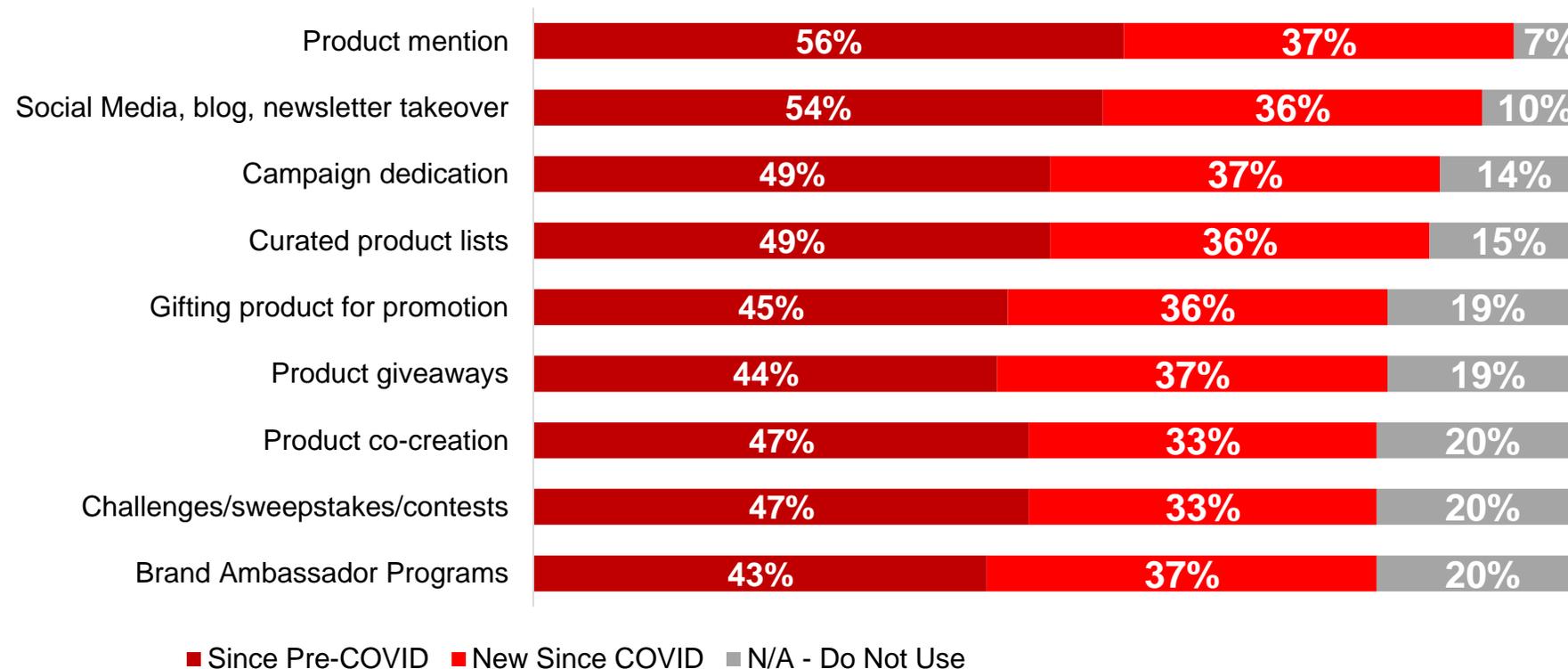
Percent of shoppers who discovered brands and purchased products through social media



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

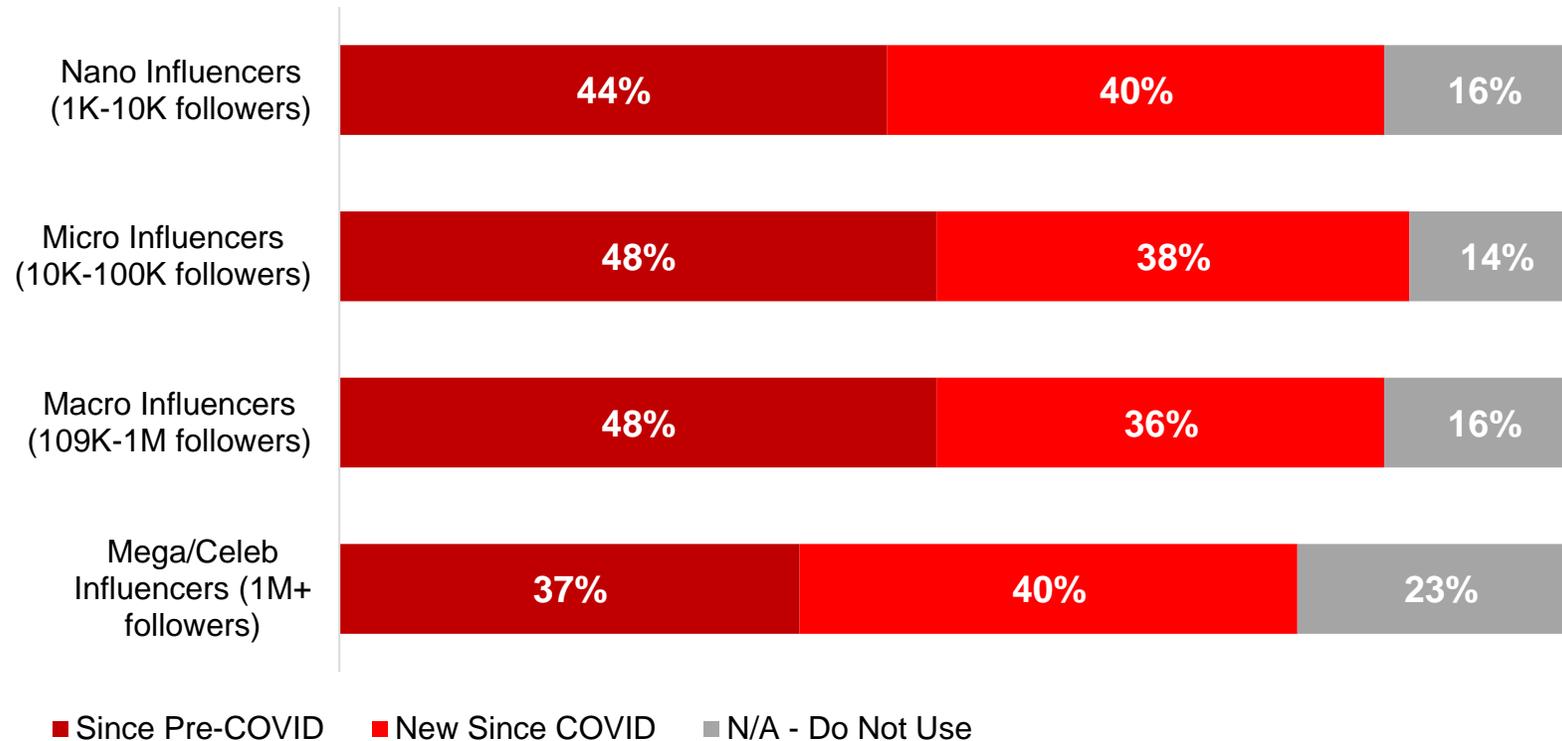
Types of Influencer/Content Creator Tactics Leveraged by Brands



Small is beautiful: “Nano” & “micro” influencer use shows the most COVID-era growth

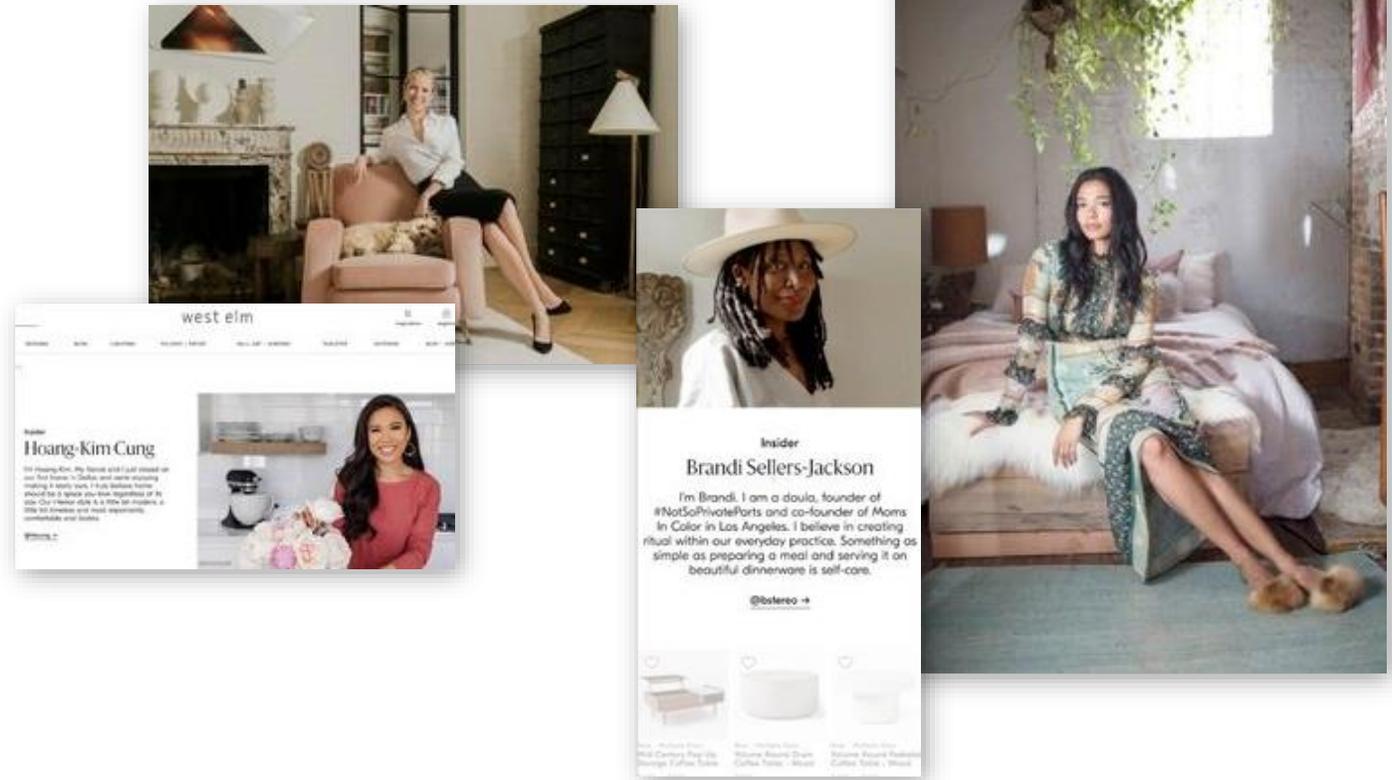
- Influencers with smaller followings are being leveraged more than mega/celeb partnerships

Types of Influencer/Content Creator Partnerships Leveraged by Brands



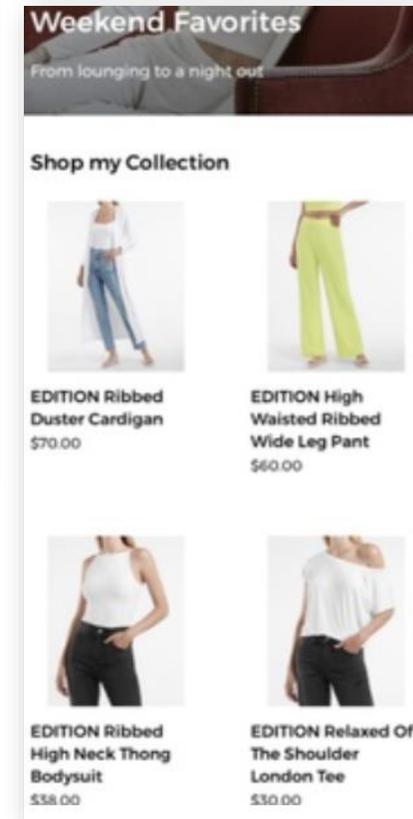
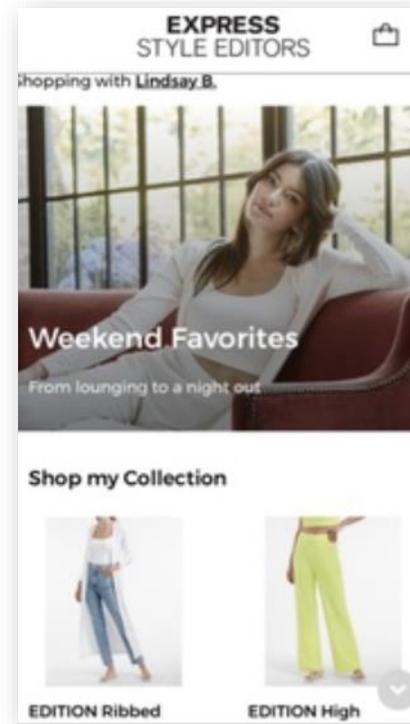
Some large brands are trying to reverse-engineer Glossier, bringing influencers inside their walls...

- **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



... introducing commissioned curation programs...

- **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



... and even providing “revenge of the nerds” fashion platforms

- **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

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

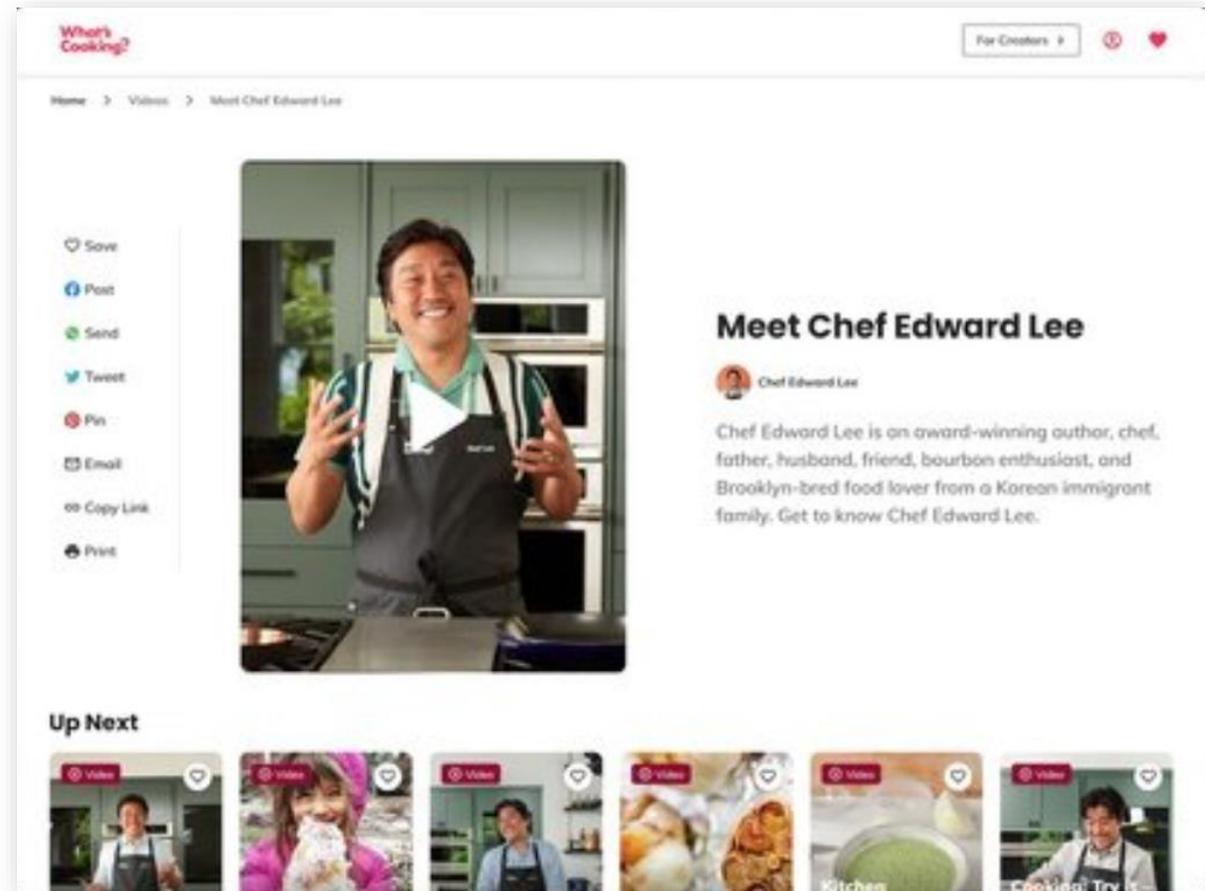
Pinterest rolls out new monetization features for creators

Pinterest Launches \$500K Creator Fund to Create A More Inclusive Social Media Experience

YouTube takes aim at TikTok, Snap with \$100M creator fund

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



... and partnerships

- Capitalizing on the pandemic-driven surge in health & fitness, **Colgate's** Hum electric toothbrush partnered with the **Obé Fitness** digital platform to help consumers improve overall wellness



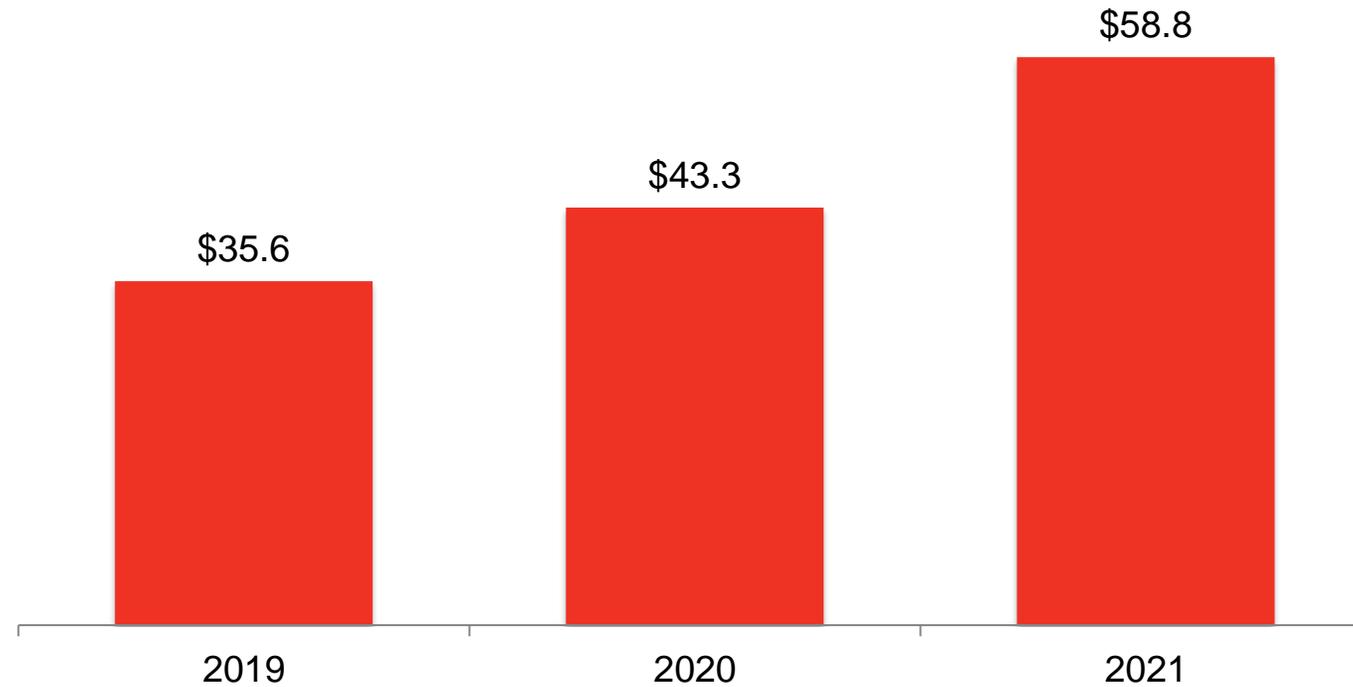
Brand communities extend well beyond product marketing, even into recruitment

- With 150M monthly active users, the otherwise ad-free **Discord** app provide opportunities for brands to engage directly with customers and manage communities: **Chipotle's** job fair received 24K applications in a week



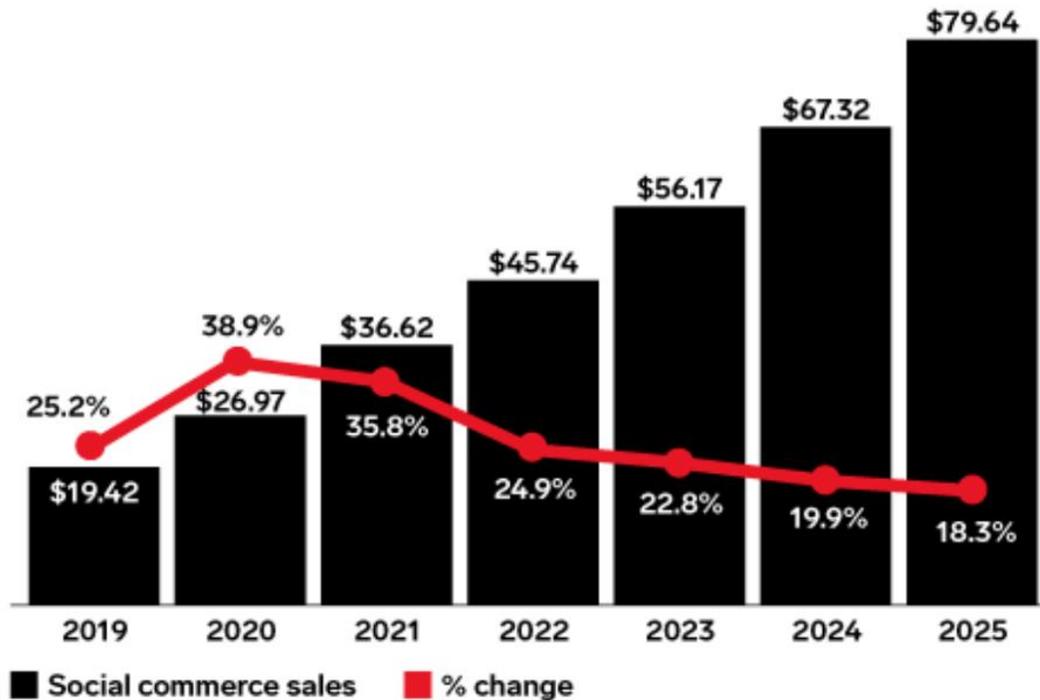
Social ad revenue is expected to reach nearly \$60B in 2021, an increase of 36% vs. 2020

Social Net Advertising Revenue Forecast 2019-2021, in Billions



Direct sales on social networks will double to \$80B by 2025

US Retail Social Commerce Sales, 2019 - 2025
billions and percent change



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

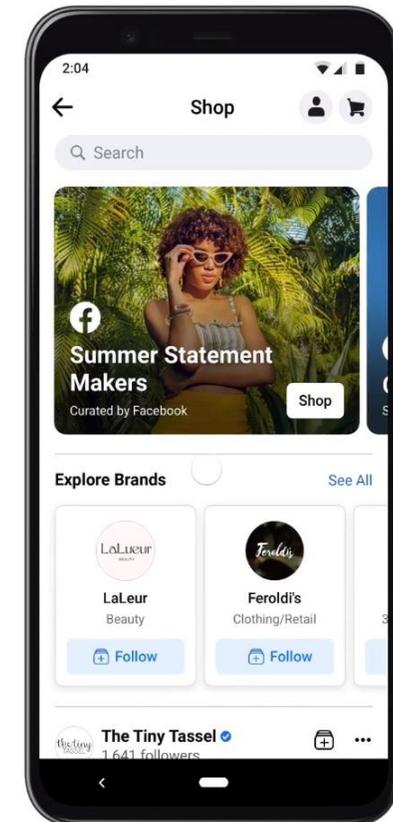
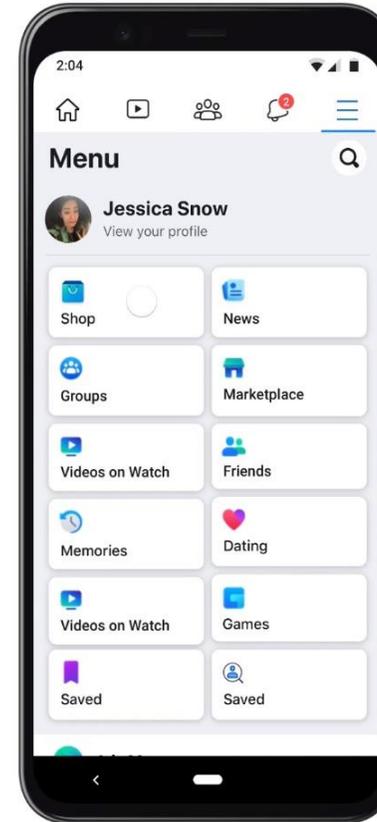
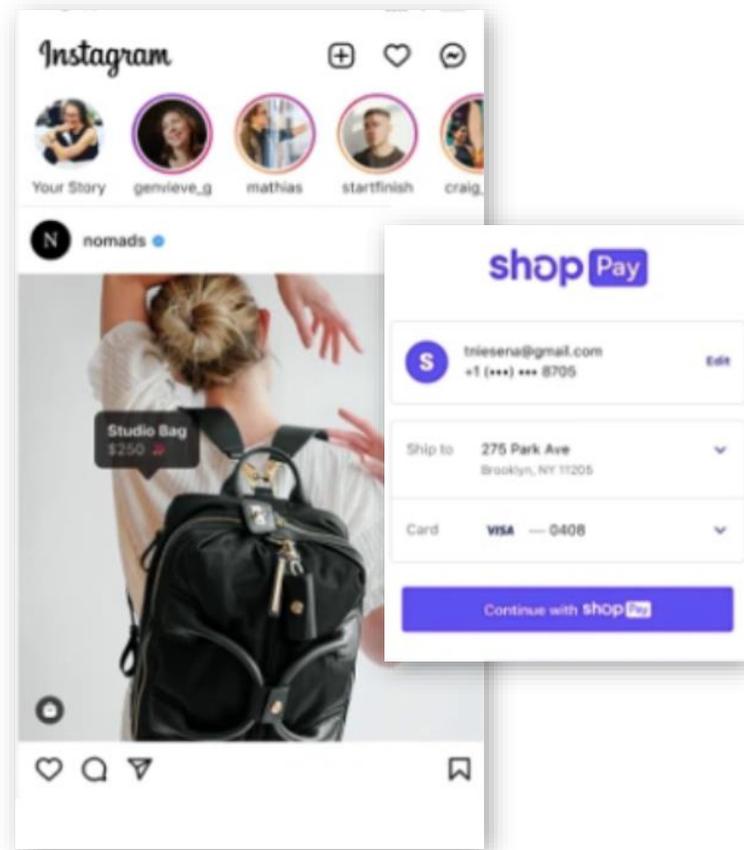
Source: eMarketer, May 2021



Insight

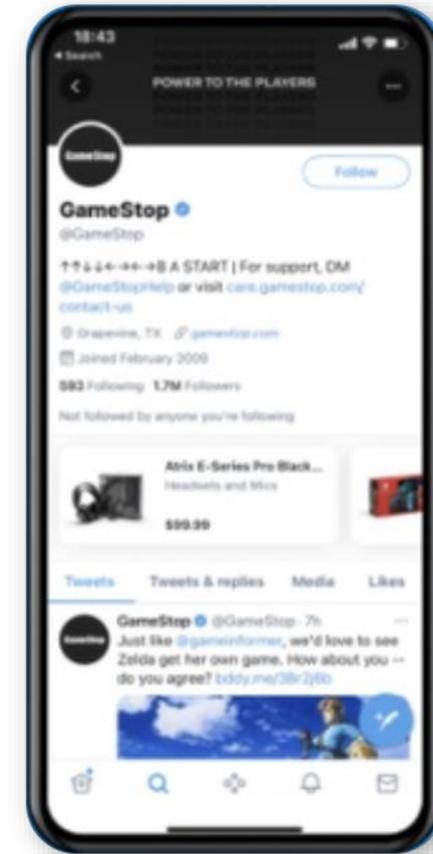
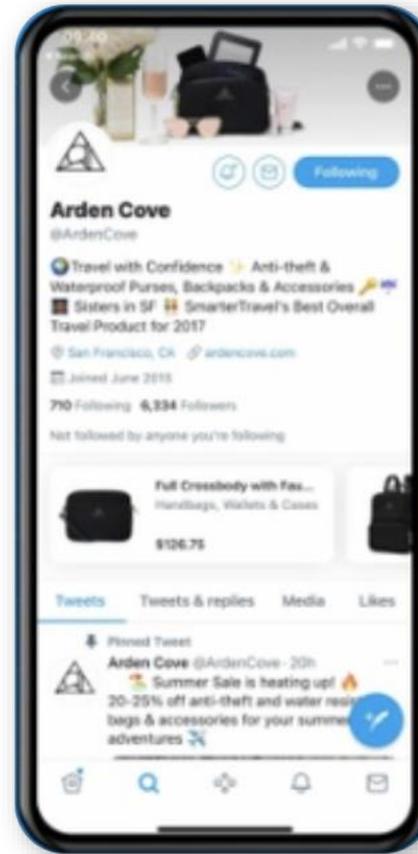
Commerce is inherently social. Adding livestreaming, social influencers, virtual fitting/try-ons, and streamlined checkout will enhance the user experience and accelerate conversion.

Facebook is making commerce a priority across its stable of apps



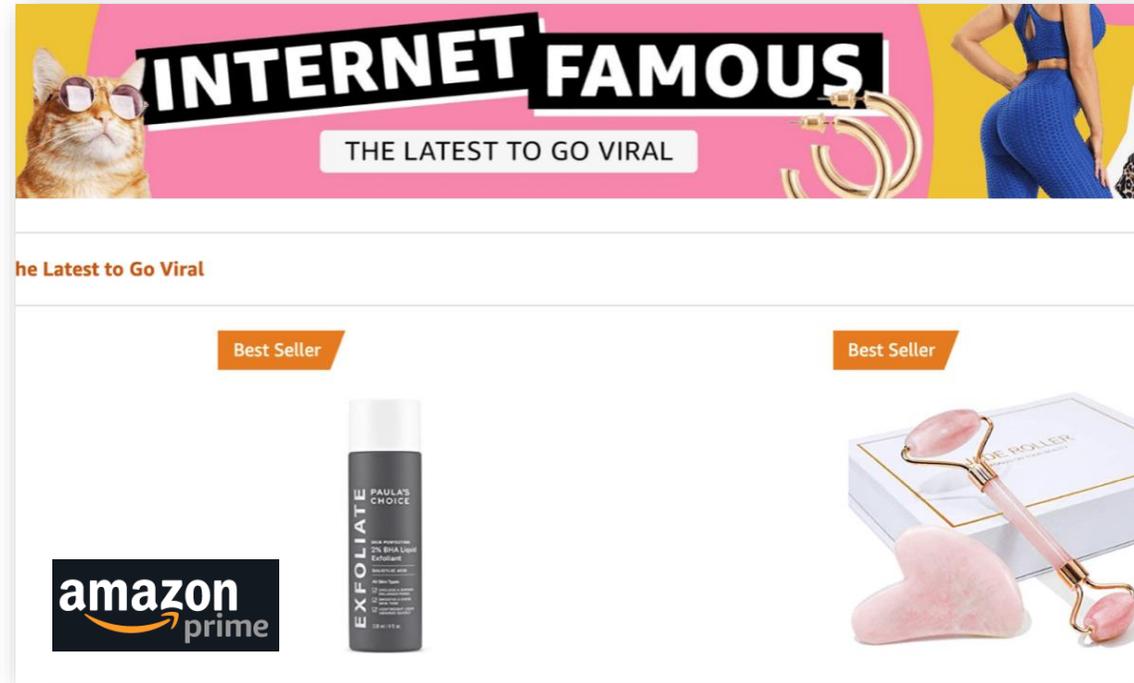
With “Shop Module,” Twitter this year made its first significant entry into e-commerce

- Shop Module is powered by store-fronts that brands/retailers use to display products at the top of their Twitter profiles—shoppers can browse products, and make purchases within the app



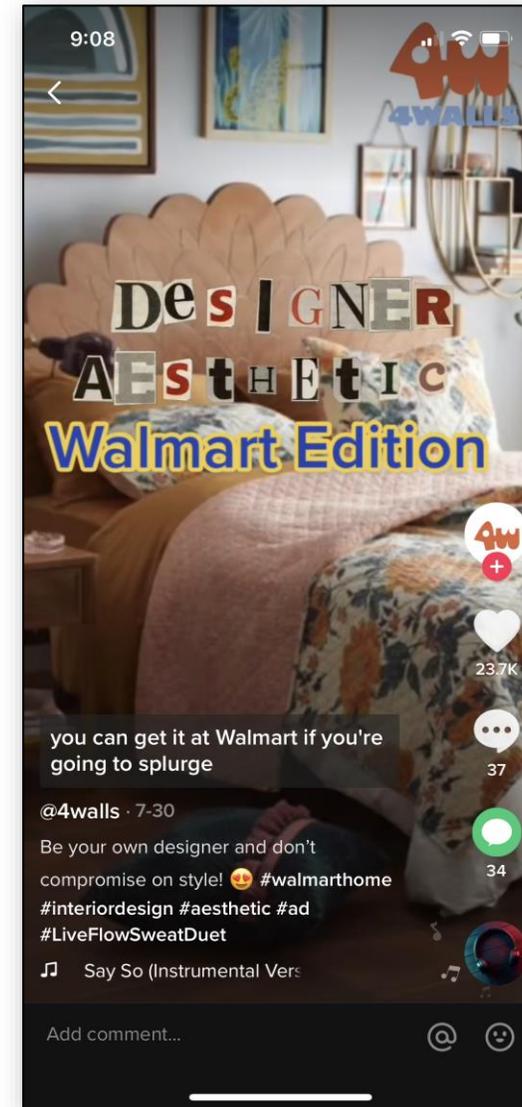
Now with 1 billion users, TikTok has become a discovery engine for Amazon...

- 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



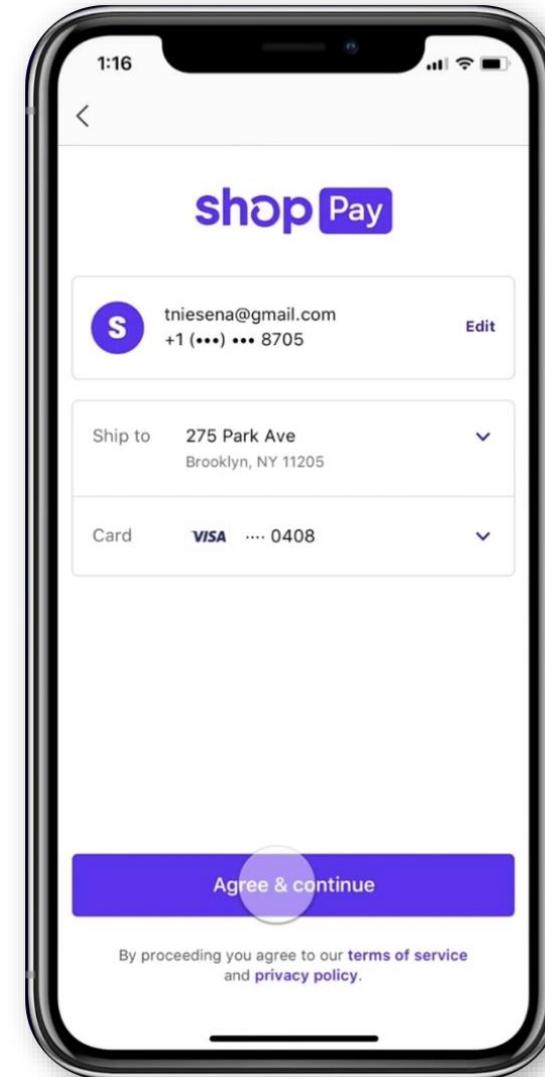
... and for Walmart

- 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



Shopify is now directly integrated into leading digital platforms, enabling purchases for 1M merchants

- Shopify partnered with Facebook, Instagram and Google to expand its payment option (“Shop Pay”) to all Shopify merchants selling across those platforms; Shop Pay will be available to more than one million merchants across the platforms—even if they don’t use Shopify’s online store



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 livestreamers¹



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)

NORDSTROM

bloomingdale's

★ macy's

Klarna.

COSMOPOLITAN

Livestreaming-as-a-Service platforms are VC darlings

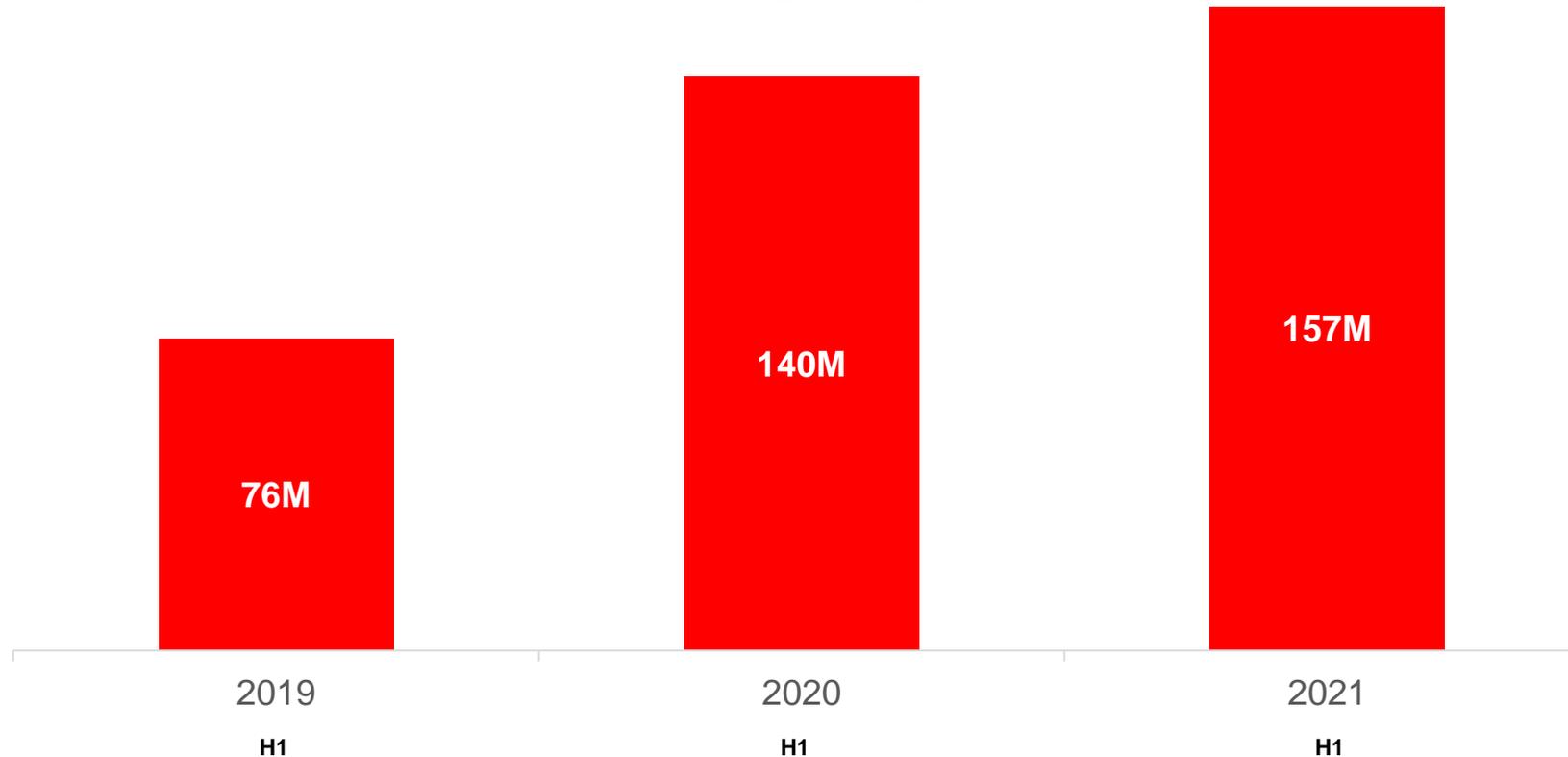
- Livestream startups like **ShopShops**, **Whatnot**, **Talkshoplive**, **Ntwrk**, **Verishop**, **Supergreat**, and **Popshop** have raised millions in funding this year as brands look to launch and scale their video-selling channels

The logo for Ntwrk, featuring a stylized diamond shape to the left of the word "NTWRK" in a bold, black, sans-serif font.The logo for Supergreat, with the word "SUPERGREAT" in a colorful, bubbly font where each letter is a different color (purple, green, pink, yellow, blue, red, yellow).The logo for Diageo, with the word "DIAGEO" in a bold, pink, sans-serif font.The logo for Vans, featuring the word "VANS" in a bold, red, sans-serif font with a horizontal line above the letters, and the slogan "OFF THE WALL" in a smaller, black, sans-serif font below it.The logo for Ulta Beauty, with the word "ULTA" in a large, grey, sans-serif font and "BEAUTY" in a smaller, grey, sans-serif font below it, all enclosed within a grey, curved swoosh.

Gaming has doubled its volume of social chatter, especially among women & youth

- The mobile gaming, digital video gaming, and eSports ad market surpassed \$6B in 2020 (a 25% increase YoY) and is forecast to reach \$7.5B by the end of this year

Tweets about gaming in the US



Being inherently social, big brands see huge ad opportunities in gaming as the U.S. user base nears 200M



TAMPAX
Gaming Fest

All-Star Female Gaming Panel
+ Valorant Tournament
April 16 | 8PM EST
twitch.tv/KittyPlays

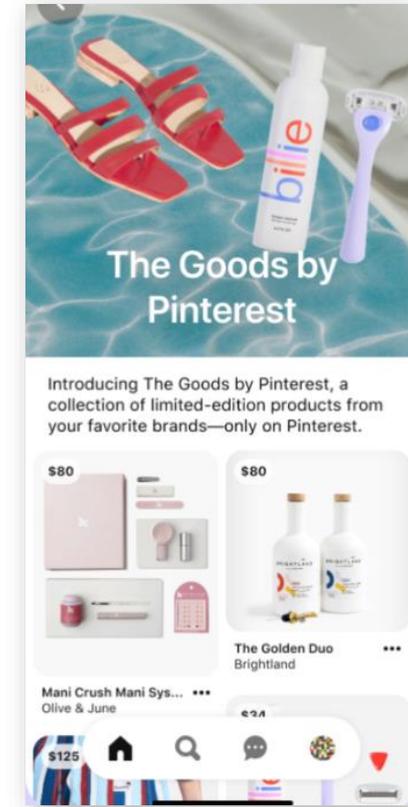
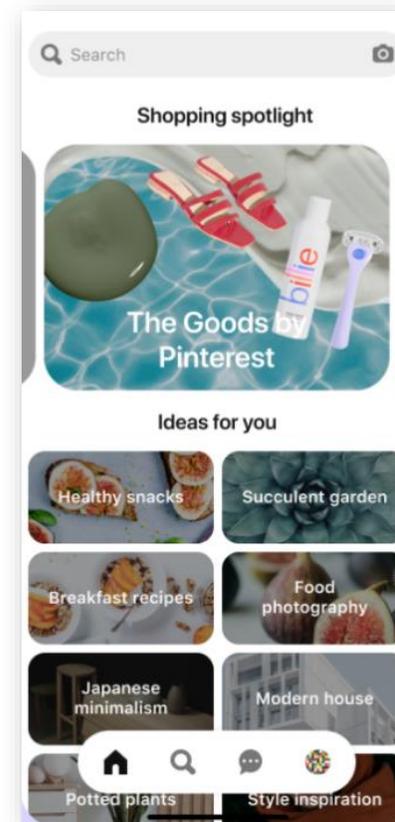
Featuring
itsHafu
Panelist

Hosted by
KittyPlays

Pinterest is among many platforms & publishers courting disruptor brands with shoppable media

Pinterest's newest in-app shopping features:

- “The Goods by Pinterest”
- “Shopping List”
- “Shop from a Board”
- “Shop from Search”
- “Shop from Pins”
- “Shop with Lens”



Hulu introduced Hulu Ad Manager, with small advertisers able to place self-service ads for only \$500

- “It’s really difficult to advertise on TV or too expensive. We thought this would be a great way to help change that.”
 - Faye Trapani, director of self-service platform sales, Hulu.

What locations are you targeting? [?]

Type the name of a state, city, designated market area (DMA), or a ZIP code of the Hulu viewers you are trying to reach and select it from the list.

Type and select one or more locations.

LOCATION	INCLUDE	EXCLUDE	
Beverly Hills, CA	<input type="radio"/>	<input checked="" type="radio"/>	×
Los Angeles, CA	<input checked="" type="radio"/>	<input type="radio"/>	

Shopify is merging e-comm and ads, to help disruptors target customers across Facebook and Google

- Shopify's pending "Audiences" tool will be a "data exchange network" allowing brands to use their own and Shopify's first-party data to target audiences across Facebook and Google



Roku is providing streaming-TV-ads-as-a-service for Shopify merchants

- In a move to make it easier for smaller brands to invest in CTV, Roku is launching an app that provides Shopify merchants a seamless way to create and activate CTV ad campaigns across the Roku network



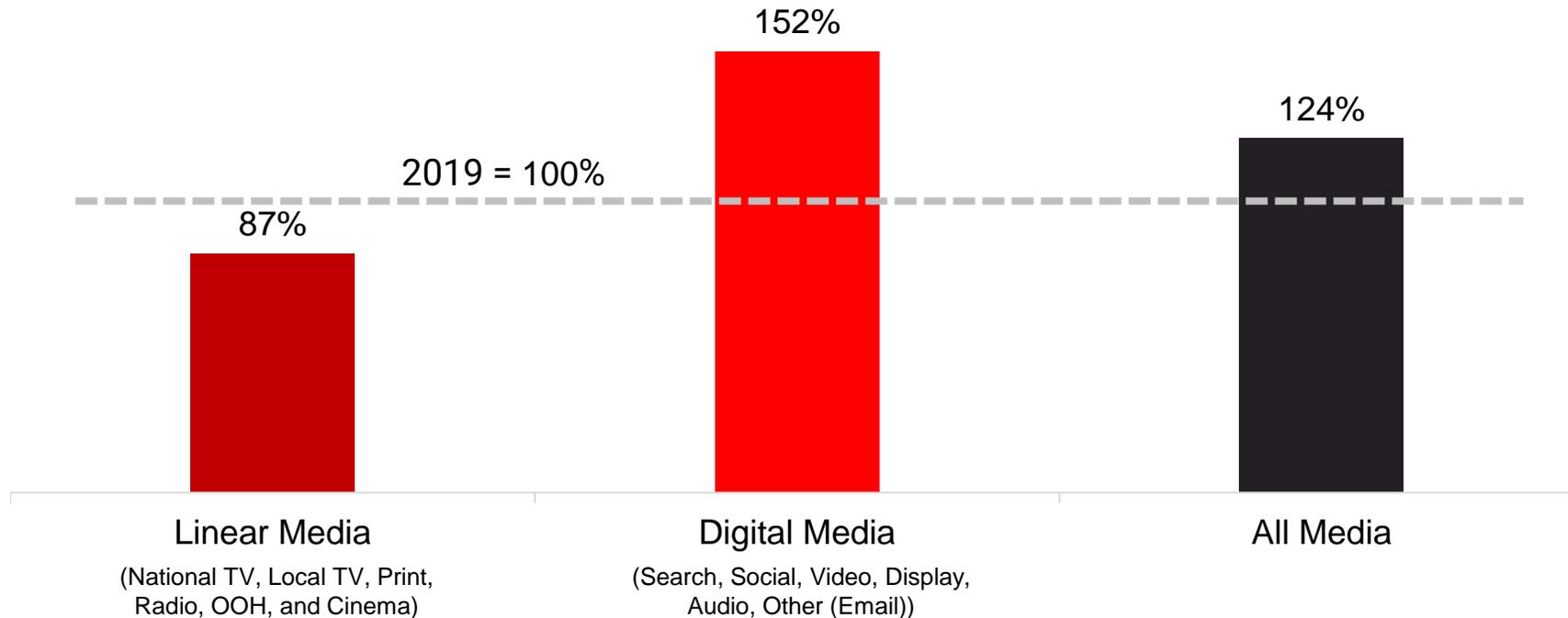
The Advertising Impact: Follow the Money

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

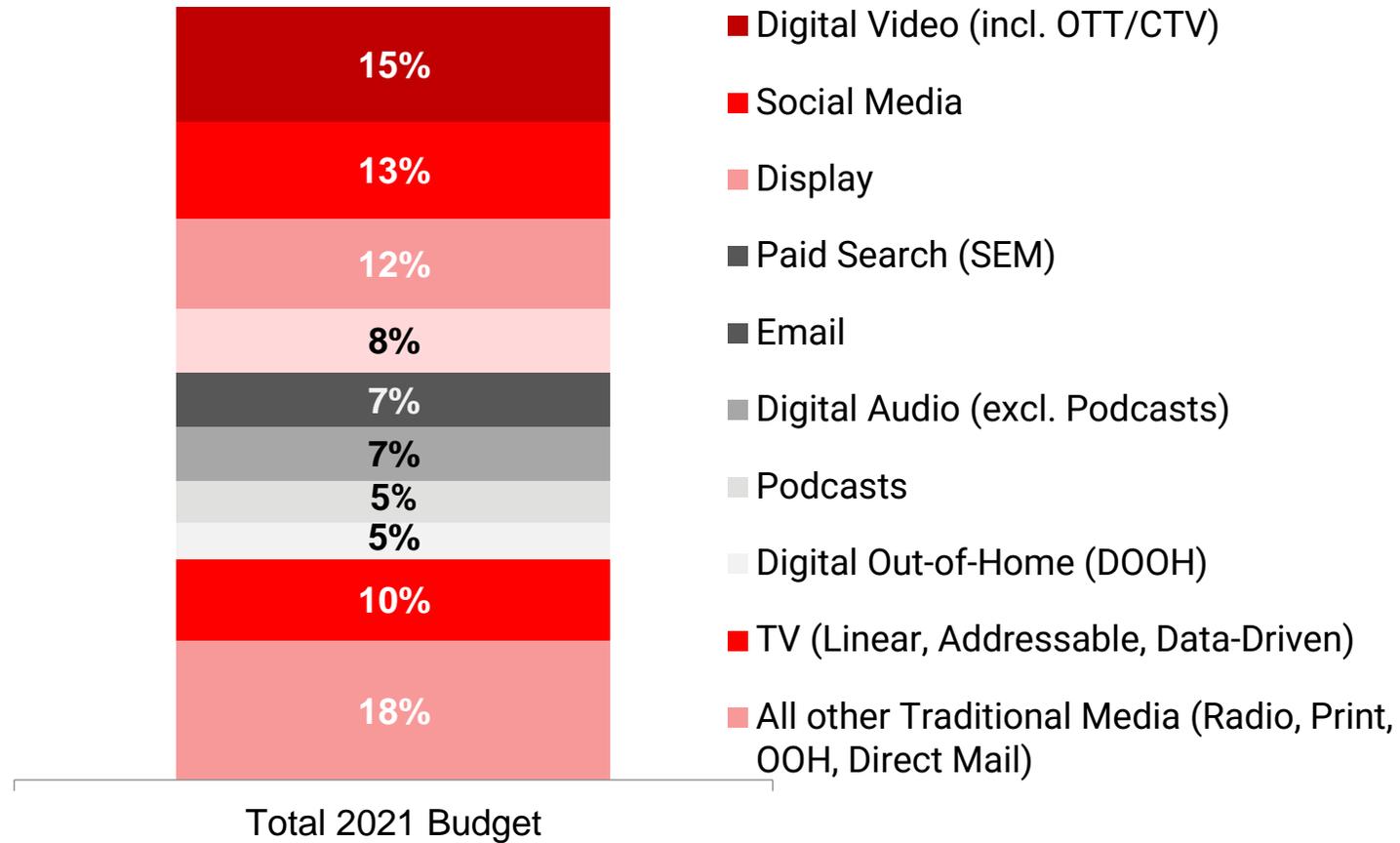
COVID Recovery Index: Net Advertising Revenues by Channel 2021 Forecast vs. 2019



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

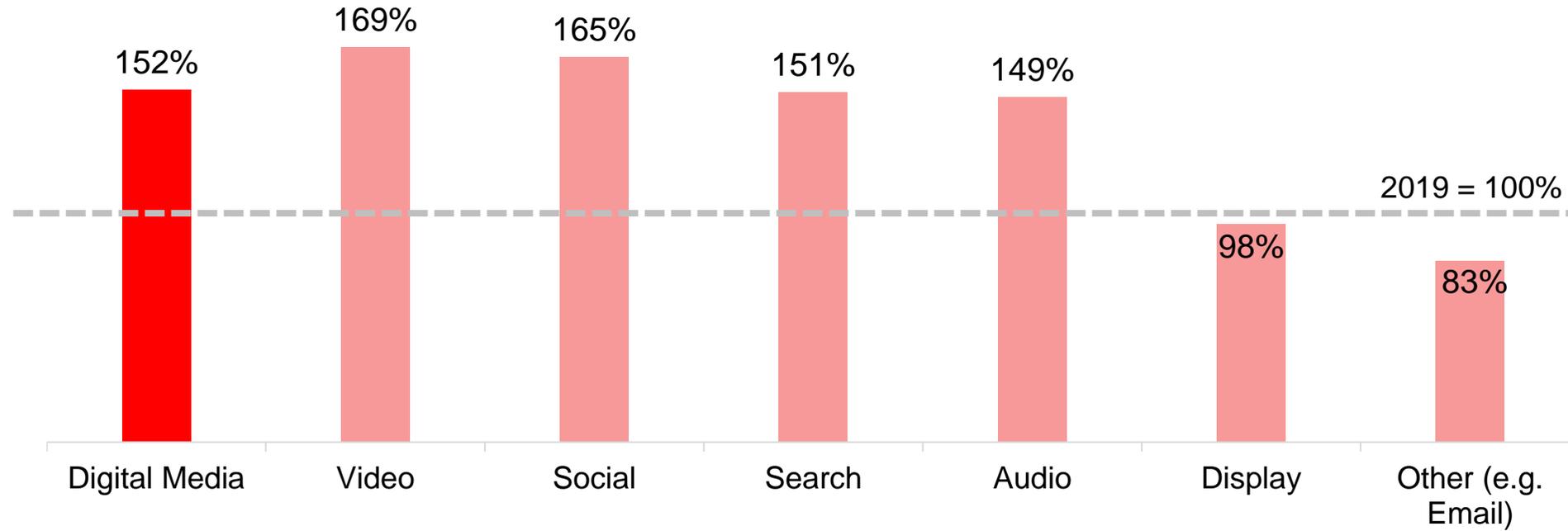
Digital media channels now comprise 72% of brands' advertising budgets

Brands' Budget Share by Channel



Within digital, the greatest ad growth is in video, social, search, and audio

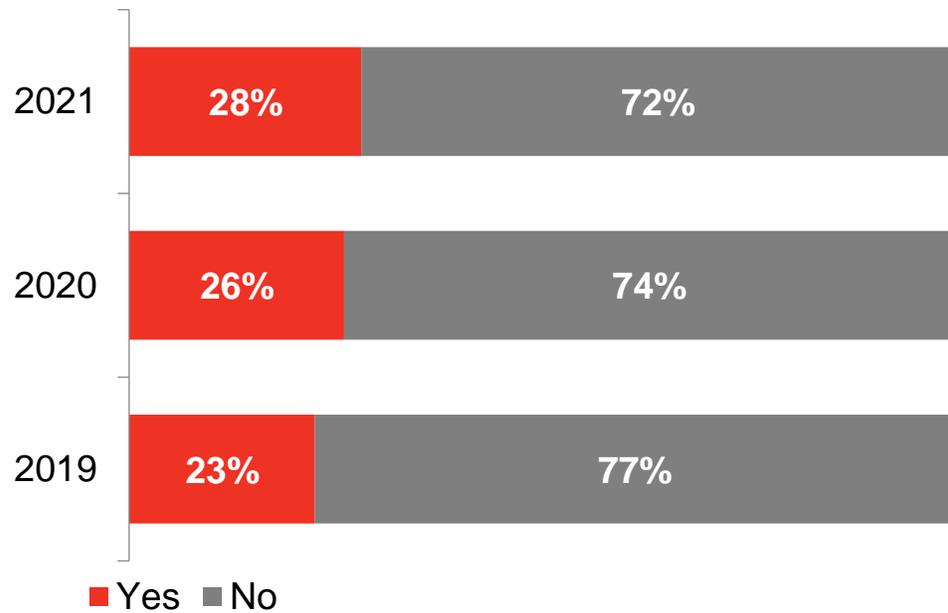
COVID Recovery Index: Net Advertising Revenues by Digital Channel
2021 Forecast vs. 2019



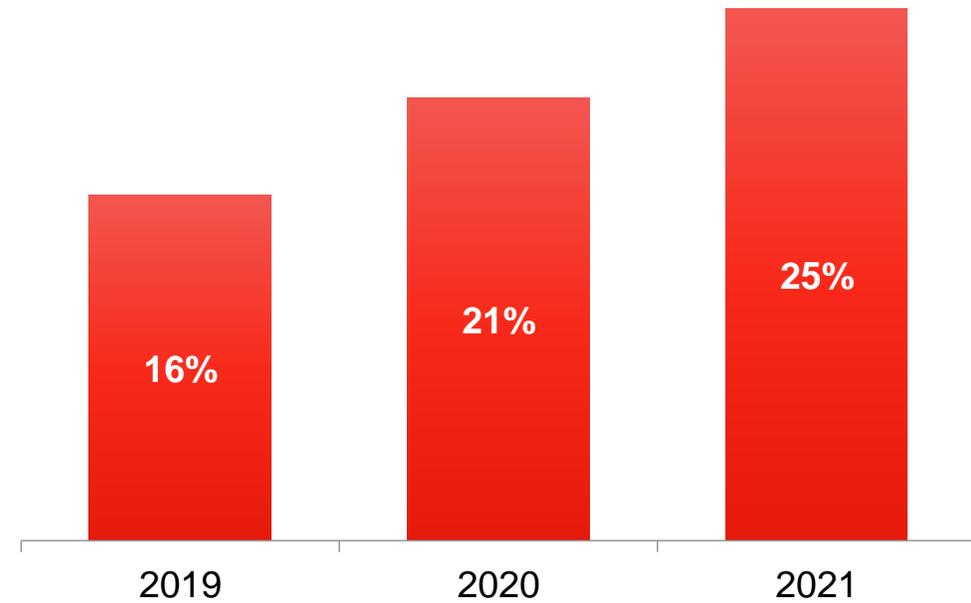
Includes Cyclical Events (Elections 2020, Summer Olympics 2021, Winter Olympics 2022). Digital ad sales include pure players and traditional media owners.

Advertiser use of retail media networks is growing slowly, but investments rising

% of Buyers Allocating Budget to Retail Media Networks



Average % of Budgets Being Allocated to Retail Media Networks



Retail media operations are meant to compete with Amazon



- Partnered with The Trade Desk on a DSP
- Acquired tech to automate/optimize display ads
- Offering in-store TVs/checkout screen ads and OTT/CTV/Linear TV inventory

The Walgreens logo, featuring the word "Walgreens" in a red, cursive script font.

- Added an advanced TV, first-party data play to its network



- Testing a self-serve platform letting brands buy/manage their campaigns, including a self-serve kit for smaller brands

Evidence suggests retail media owners want to attract DTC consumers, and extract big brand dollars

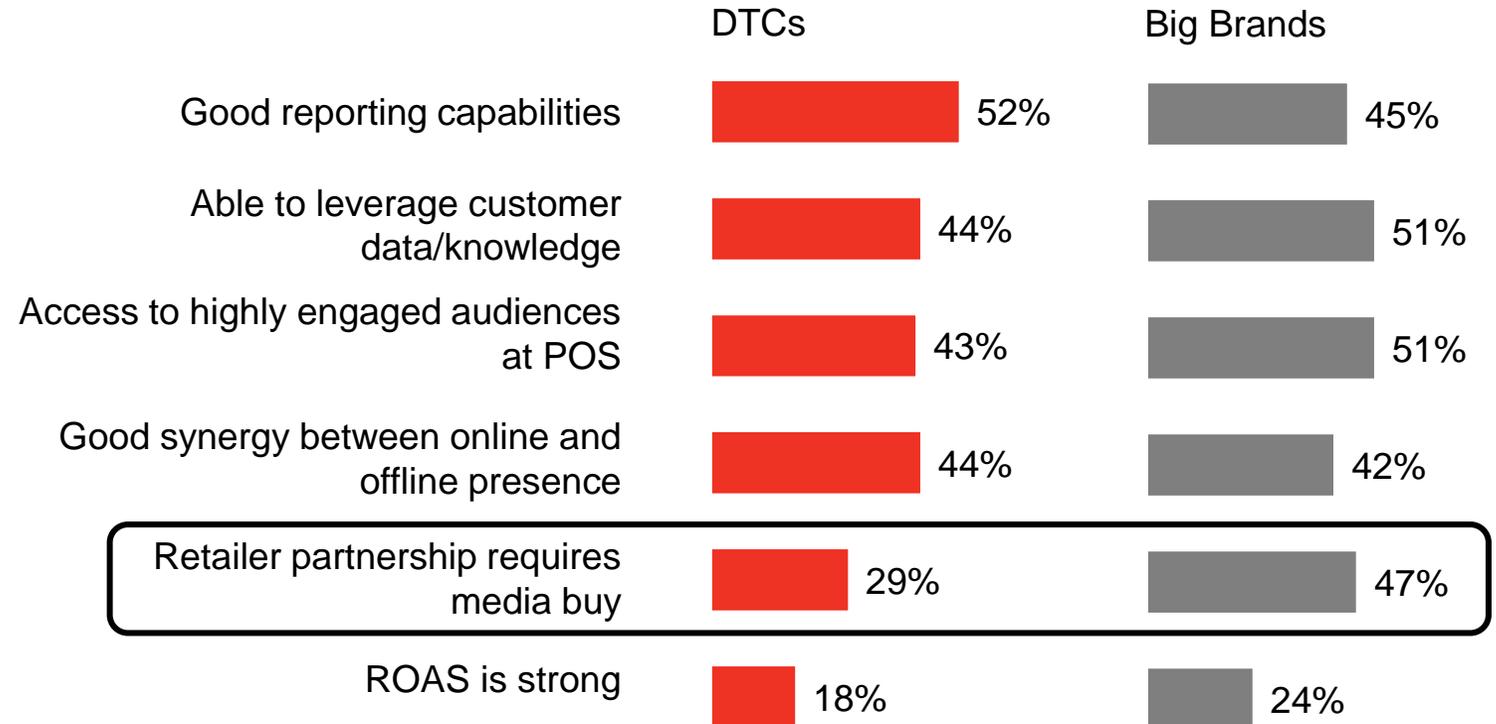


Insight

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.

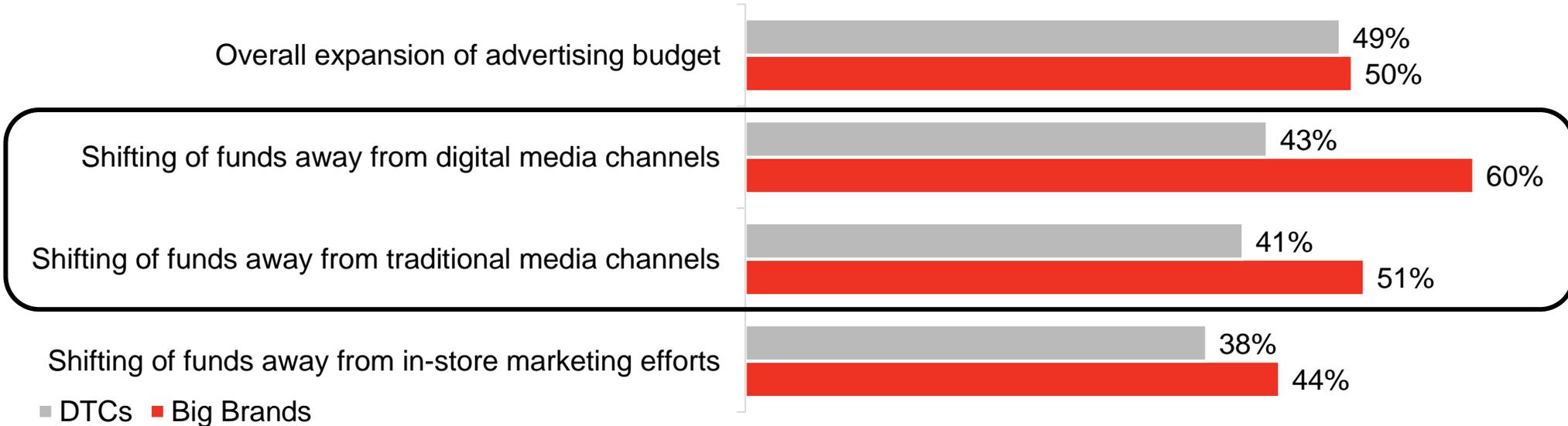
Reasons for Partnering with Retail Media Networks in 2021

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



Big brands are funding retail media with money from other media budgets

How Brands are Funding Retail Media Network Investments

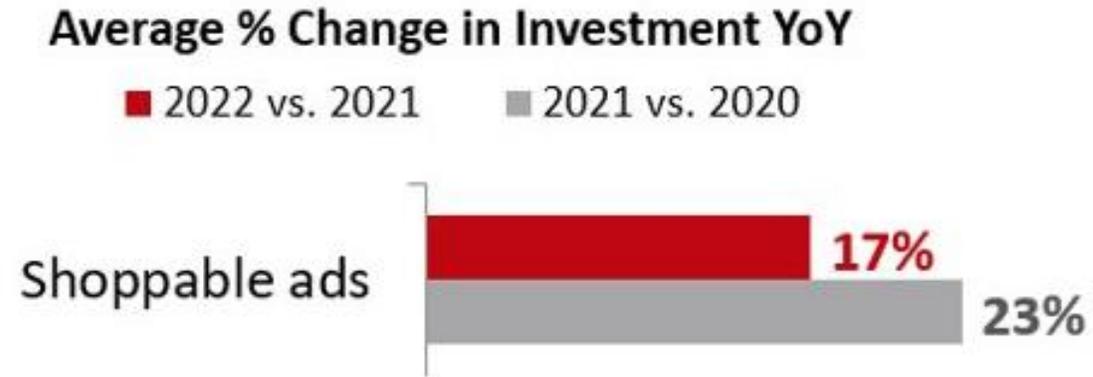


Insight

Driving this trend is retail media's ability to execute closed-loop measurement and attribution; big brands lacking 1P data are leaning-in in earnest

Buyers are investing 23% more on shoppable ads this year, with plans for further increase in 2022 (+17%)

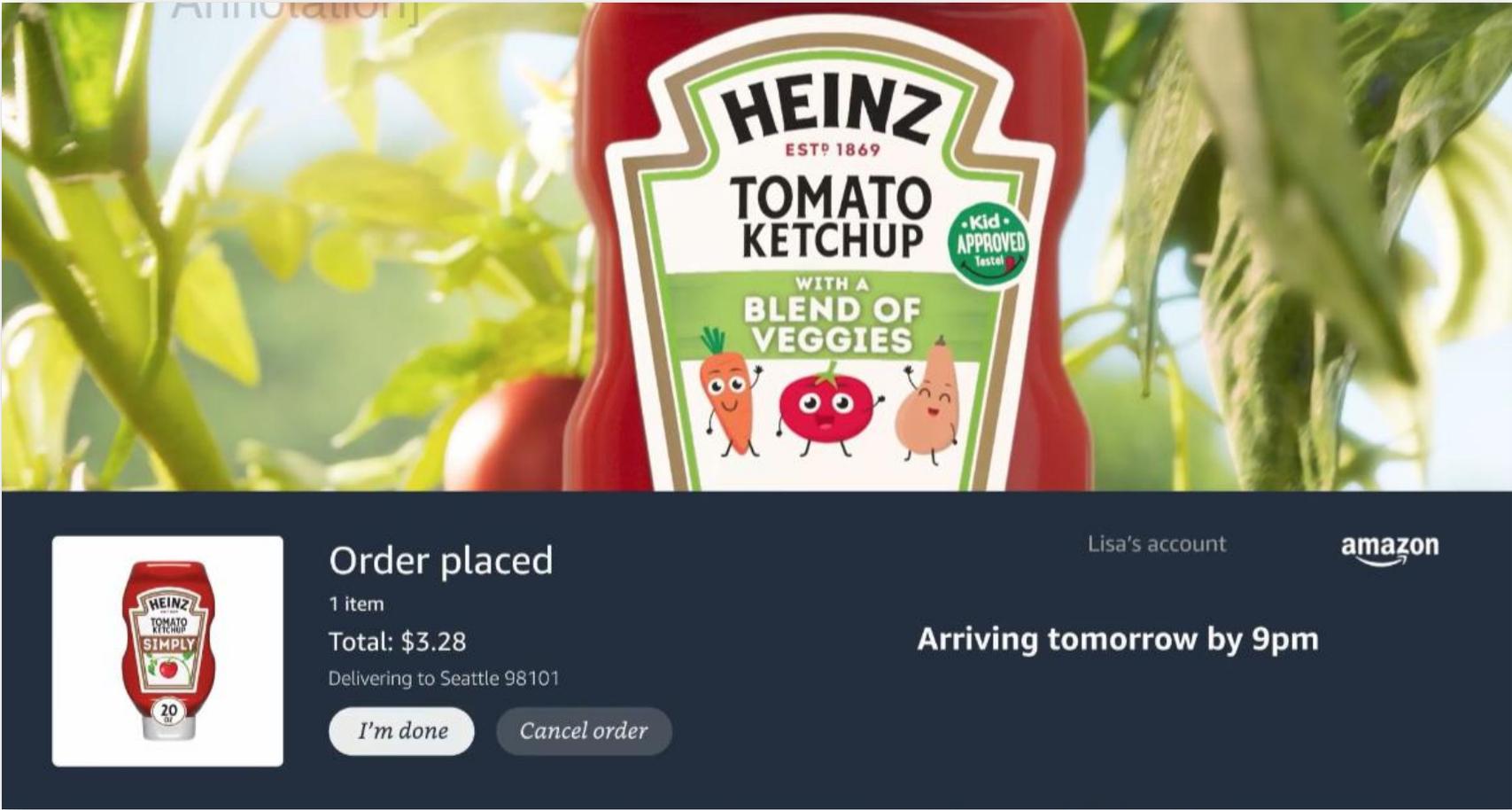
- By next year half of buyers will be investing in shoppable ads (up from 45% in 2021 – see left)



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.

Direct shoppability – e.g., Fire TV’s voice-activated purchasing – will drive more ad growth

- During the ad break, the purchases can be activated via voice commands or the remote control that connect directly to the viewer’s Amazon account



HEINZ
ESTD 1869
TOMATO KETCHUP
Kid APPROVED
WITH A BLEND OF VEGGIES

Order placed

1 item
Total: \$3.28
Delivering to Seattle 98101

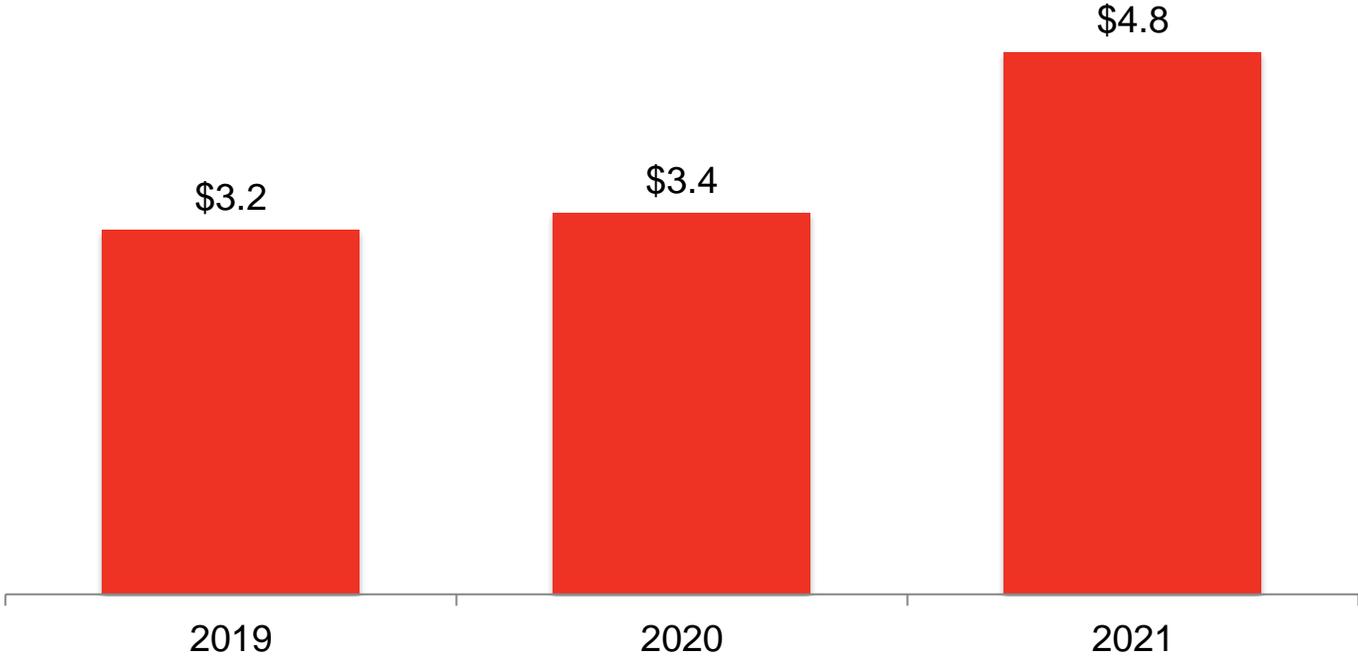
Arriving tomorrow by 9pm

Lisa's account amazon

I'm done Cancel order

Digital audio ad revenue is expected to soar 42% YoY to reach nearly \$5B in 2021

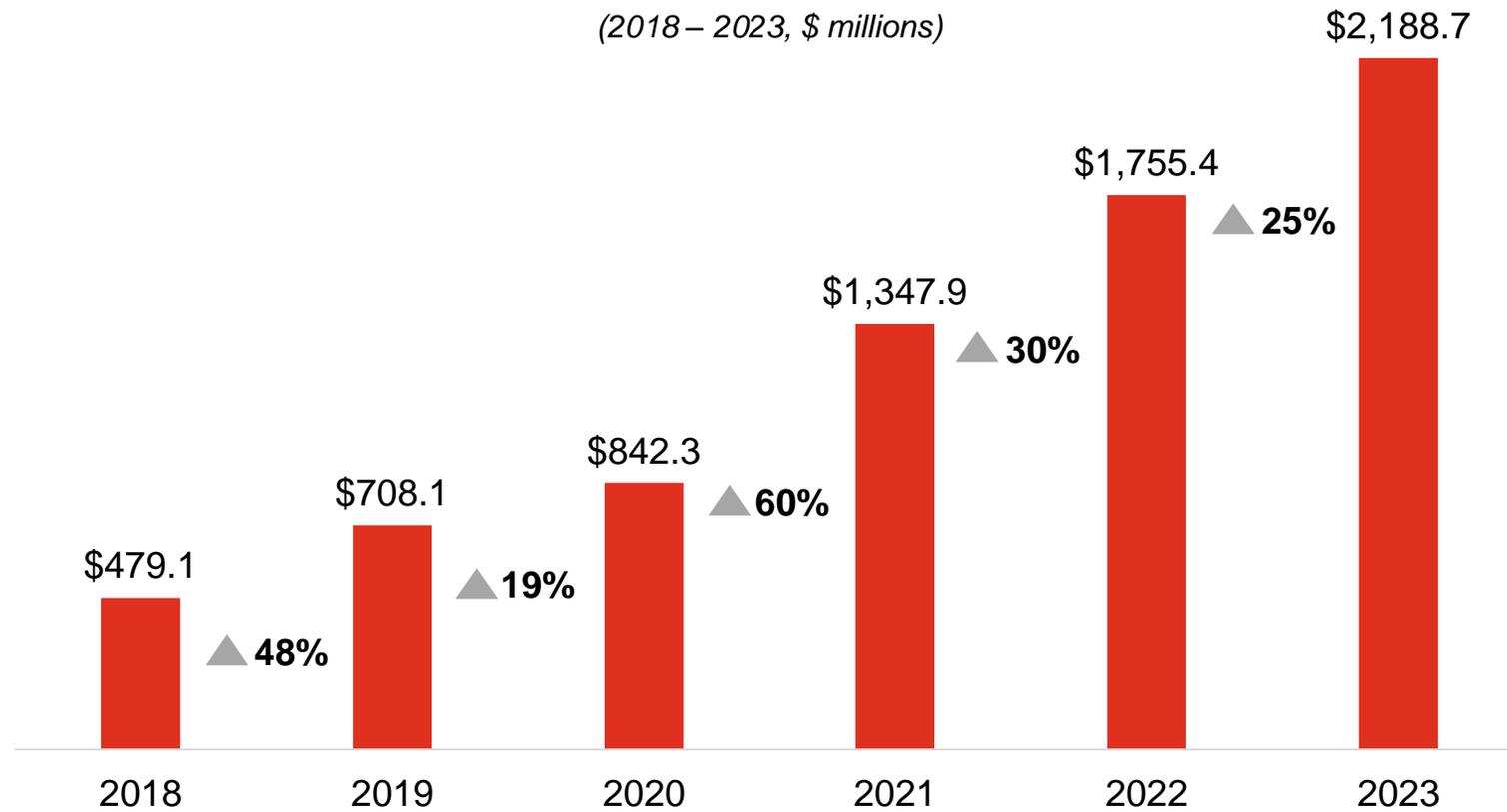
Digital Audio Net Advertising Revenue Forecast 2019-2021, in Billions



Podcast ad revenues are expected to exceed \$1B this year, and \$2B by 2023

Total Market Podcast Revenues

(2018 – 2023, \$ millions)



Mtn. Dew made its entrée into podcasting with an 8-10 episode branded series

- By using comedian/influencer Druski as the host (2.4M Instagram and 1.1M TikTok followers), Mtn Dew is also leveraging the power of influencer marketing to promote the show and drive buzz



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

Additional data and insights available on request (1 of 4)

Please reach out to chris@iab.com.

The First Shelf: COVID & Commerce

- ❑ **Innovations and accelerations in the “delivery frontier”:**
 - Statistics in parcel shipping and on-time package delivery rates
 - Same-day delivery: growth in consumer usage and retailer offerings
 - Statistics and market map of the last-mile industry
 - Innovation and acceleration examples in last mile delivery
 - Statistics in “cloud kitchens” (virtual kitchens)
 - Innovation and acceleration examples in online convenience services
 - Examples of leading retailers, shippers and grocers expanding their fulfillment capacities in various ways
- ❑ **Examples of how when consumers go digital, disruptor brands benefit most:** in apparel, CPG, furniture/home furnishings, and fitness categories
- ❑ **DTC success stories:** list of IAB 250-to-Watch DTCs that have IPO'd
- ❑ **Supply chain:**
 - Manufacturing: revenue, output, material and labor shortages, and production backlog
 - Logistics: trucking, container port throughput and prices, and air freight
 - Warehousing: rents
 - 3PLs: 3PL and 4PL market
 - Innovation and acceleration examples being made to combat disruption

Additional data and insights available on request (2 of 4)

Please reach out to chris@iab.com.

The First Shelf: COVID & Commerce (continued)

- ❑ **E-commerce Infrastructure:** statistics and examples of innovations and accelerations from shopping to payments to returns, and customer service throughout
 - **Statistics include:**
 - Mobile commerce (m-commerce) market size
 - Conversational commerce (c-commerce) market
 - Publisher revenue driven by affiliate commerce
 - Virtual shopping assistance market
 - Virtual fitting room market
 - Digital payments market
 - Buy-Now-Pay-Later (BNPL) market
 - **Innovation and acceleration examples**
- ❑ **Brick-and-mortar Reimagined:** statistics and examples of innovations and accelerations on how stores are becoming digitally-powered ecosystems to serve each stage of the omnichannel shopping process
 - **Statistics in in-store retail tech deals/funding and key drivers of growth**
 - **Innovation and acceleration examples**

Additional data and insights available on request (3 of 4)

Please reach out to chris@iab.com.

The Second Shelf: Media Consumption Transformed

- Media consumption statistics:** in AVOD viewership, FAST viewership, and music streaming

The Third Shelf: Social Media, Influencers, & Creators

- Statistics and market map of the creator economy**
- Examples of livestreaming both on and off social media**

Advertiser Spending & Innovations

- Advertiser spending statistics and reasons for investment:**
 - Digital video buyers' share of digital video spend 2021 by channel
 - CTV buyers' budget allocation by CTV type
 - Metaverse market size
 - Marketers' investments in content marketing
- Publisher innovations and accelerations for advertisers**
- Brand ad format innovations and accelerations**

Additional data and insights available on request (4 of 4)

Please reach out to chris@iab.com.

The Data Dilemma

- ❑ **Statistics on data volume, users, collection, and usage:**
 - Volume of Internet users, IoT connected devices, data created/replicated, and mobile users
 - Types of basic first-party data buyers are collecting
- ❑ **Statistics on and strategies/solutions for the deprecation of third-party cookies/IDs:**
 - Statistics on the threat of the third-party cookies/IDs to publisher/platform revenue
 - Latest industry identity and measurement solutions being adopted: new ID frameworks, non-ID based solutions, and contextual solutions
 - Examples of innovative brand and agency uses of first-party data
- ❑ **Examples of new sell-side tools for cross-channel attribution, online/offline measurement, and accessing/using first-party data for marketing/advertising purposes**
- ❑ **Examples of innovative uses of artificial intelligence/machine learning (AI/ML)**



The Interactive Advertising Bureau (IAB) empowers the media and marketing industries to thrive in the digital economy. Its membership is comprised of more than 650 leading media companies, brands, and the technology firms responsible for selling, delivering, and optimizing digital ad marketing campaigns. The trade group fields critical research on interactive advertising, while also educating brands, agencies, and the wider business community on the importance of digital marketing. In affiliation with the IAB Tech Lab, IAB develops technical standards and solutions. IAB is committed to professional development and elevating the knowledge, skills, expertise, and diversity of the workforce across the industry. Through the work of its public policy office in Washington, D.C., the trade association advocates for its members and promotes the value of the interactive advertising industry to legislators and policymakers. Founded in 1996, IAB is headquartered in New York City.

For more information, please visit iab.com

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YouTube Advertising

YouTube believes that everyone deserves to have a voice, and that the world is a better place when we listen, share and build community through our stories. YouTube Ads helps businesses grow by reaching their customers and finding new ones.

Thank You!

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Meredith Guinness (Green), Manager, Research and Analytics: meredith@iab.com

Randall Rothenberg, Executive Chair: randall@iab.com

Key takeaways, 2018 - 2020

2018

1. Permanent changes in industry supply chains are shifting the center of growth in the U.S. consumer economy.
2. Economic benefits are accruing for brands that create value by tapping into low-barrier-to-entry, capital-flexible, leased or rented supply chains. These include thousands of small brands in all major consumer-facing categories that sell their own goods entirely or primarily through their owned-and-operated digital channels.
3. The singular retail fulfillment experience has permanently changed to a variable experience, which in turn transforms all value-creation and –extraction activities before, during, and after the sale.
4. All retail sales growth is shifting from brick-and-mortar stores to digital, data-enriched channels.
5. First-party data relationships are important not for their marketing value independent of other functions, but because they fuel all significant functions of the enterprise, including product development, customer value analysis, and pricing.
6. An arms race for first-party data is influencing strategy, investment, and marketing strategies among major incumbent brands across all categories.

2019

1. There is a playbook emerging that takes brands from customer acquisition cost (CAC) to lifetime value (LTV).
2. Disruptor brands are acquiring individual customers at scale, overwhelmingly through mobile channels.
3. Storytelling lowers acquisition costs.
4. Community turns customer acquisition cost (CAC) to lifetime value (LTV).
5. For disruptors, branding must perform...and vice versa.
6. Direct brands are becoming media promiscuous, moving beyond social media marketing—spending on channels such as over-the-top (OTT) and addressable television.
7. Omnichannel shopping is the new normal, from online to brick-and-mortar to pop-up shops.
8. Fast is the new fashion in every category, with new product launches happening in just 4 to 7 months.
9. Two-day delivery is the cost-of-entry standard for customer service—and 2 hours is next.
10. Delivery of one product should empower the discovery of others.

Key takeaways, 2018 - 2020

2020

1. Brands are now born “storelessly” and grow across channels
2. The entire brand supply chain is increasingly available “as-a-service”
3. Delivery wars intensify: next-day now the norm, same-day the frontier
4. Buy online, pickup in-store (BOPIS) is the new normal in shopping
5. To survive, retailers and brands are engaged in a raging “experience war”
6. Emerging tech elevating digital shopping experiences
7. A “Shopify ecosystem” is materializing as a direct brand alternative to Amazon
8. Digital data output will triple from 2019 to 2025, powering demand for – and availability of – personalized services, products, content, and marketing
9. Regulatory concerns about consumer data are high, but not yet affecting companies’ data investments
10. Video consumption is skyrocketing – entirely on direct-to-consumer channels
11. The video ad market is really two markets: story-based, and “me-based,” and both, content, commerce, and data are converging
12. Shoppable video ads are edging close to mainstream
13. Podcast and audio streaming are creating breakout brand opportunities

2021

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. 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. 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. Consumer-facing companies cannot remain competitive without growing their 1st party relationships and 1st party data.