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Direct Brands: Media & Customer Acquisition

2019-2020

Direct Brands Initiative Strategic Partners:

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Acknowledgments

This report would not have been possible without the collaboration and financial support of our Direct Brands Initiative Strategic Partners and supporting sponsor, listed below.

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Additionally, we extend our deepest appreciation to all the marketers, publishers, technology developers, and service providers that have contributed their time, insight, and enthusiasm in support of this report.

Objective

Benchmark and understand Direct Brand media planning/buying decisions

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

Methodology

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

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

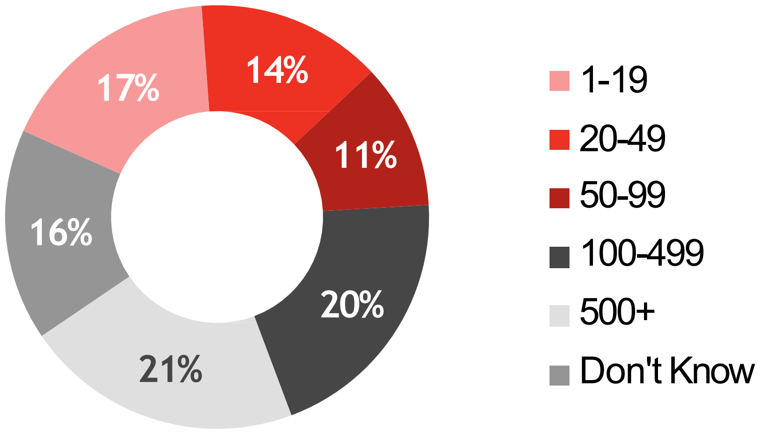
Note: Company information gleaned in tandem with the Direct Brand Founders Insights Benchmark study

Direct Brands: Profile

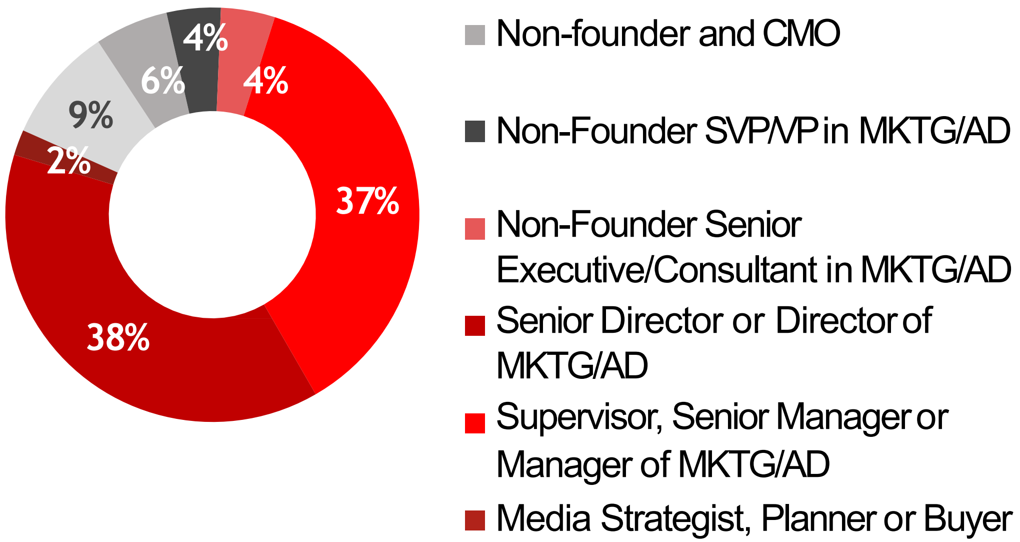
Direct Brands: Profile

Size of Company

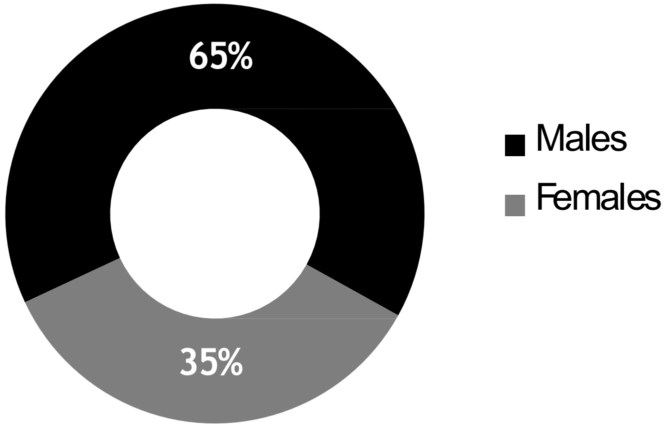
of full-time employees



Titles

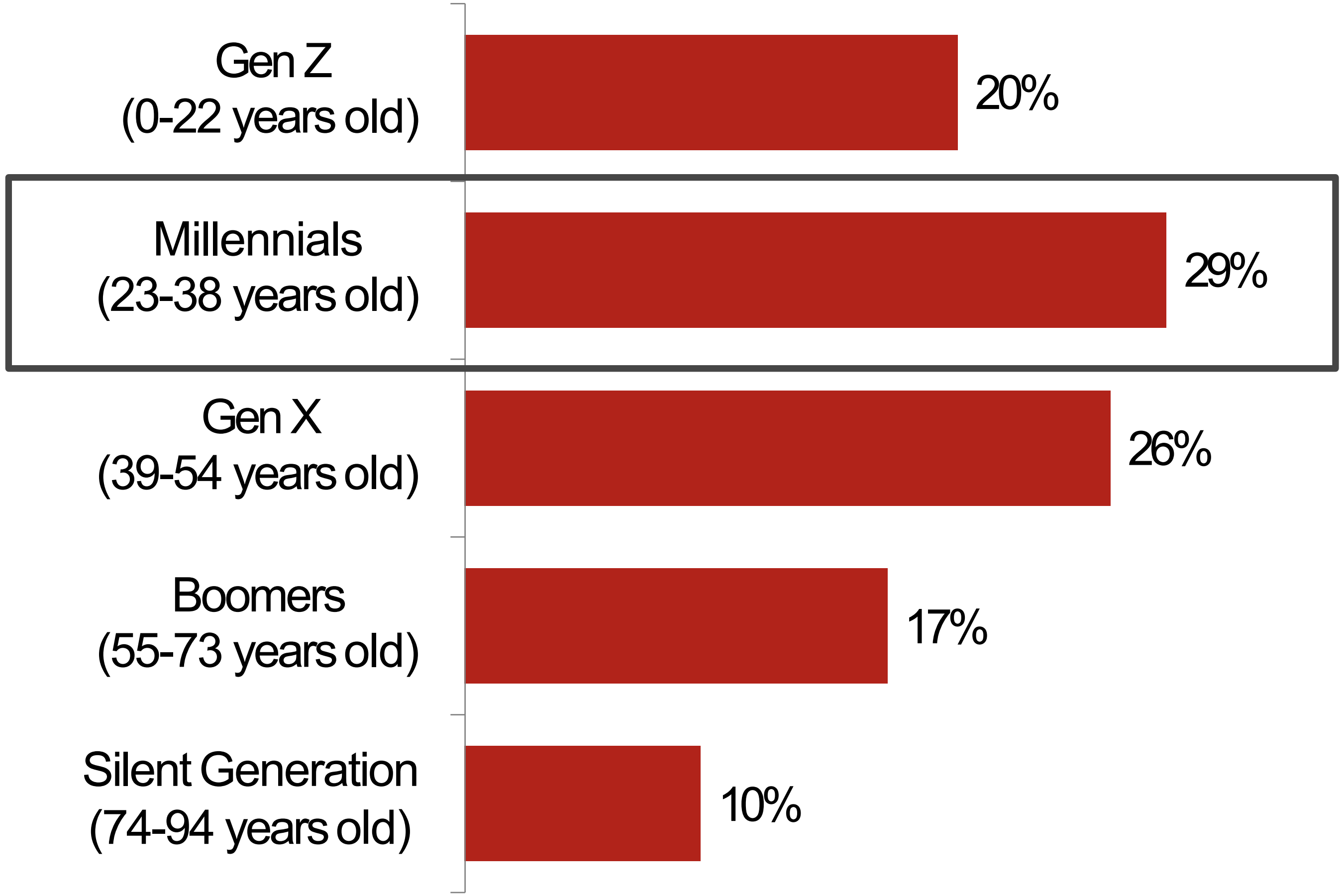


Gender



Direct Brands primary target: Millennials (*ish*)

Average Share of Customers by Generation



Base: Total, n=330
To the best of your ability, what share of your customers can be attributed to the following generations? - Mean (Incl. 0) Summary

Paid media drives brand disruption!

98%

Believe they must invest in PAID media

72%

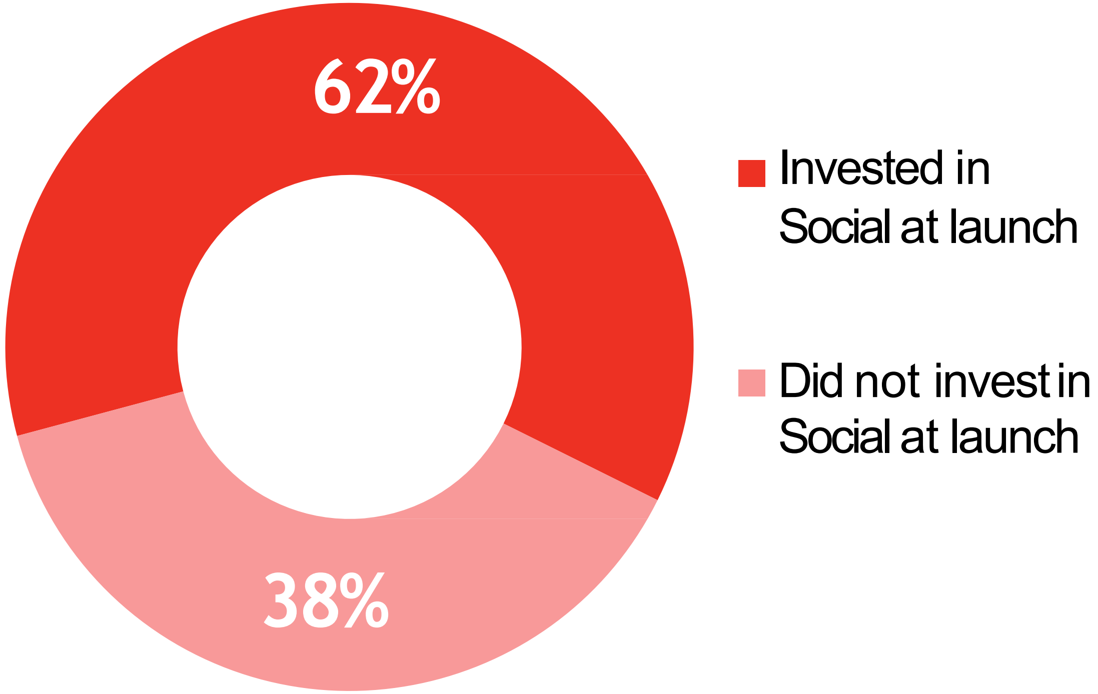
Think they can go dark for at least a period of time

Base: Rely or would rely solely on earned media, n=298
Please consider your Owned and Earned Media. Do you now or have you ever relied only on Earned Media (i.e. no investment in PAID advertising campaigns)?
You indicated that you have relied or would consider relying solely on Owned and Earned Media. Please choose the statement wh ich best reflects your expectations.

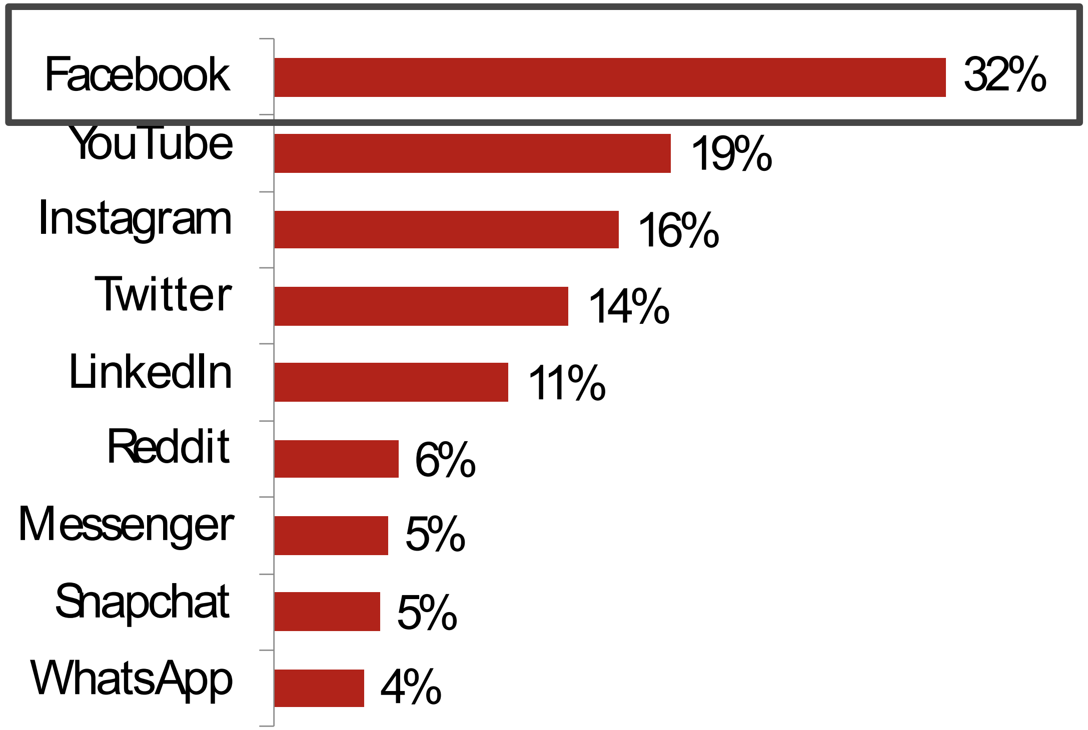
Direct Brands: Media Selection

Disruptors launch on social channels…

% of DTCs that Invested in Social at Launch



Average Share of Social at Launch by Platform

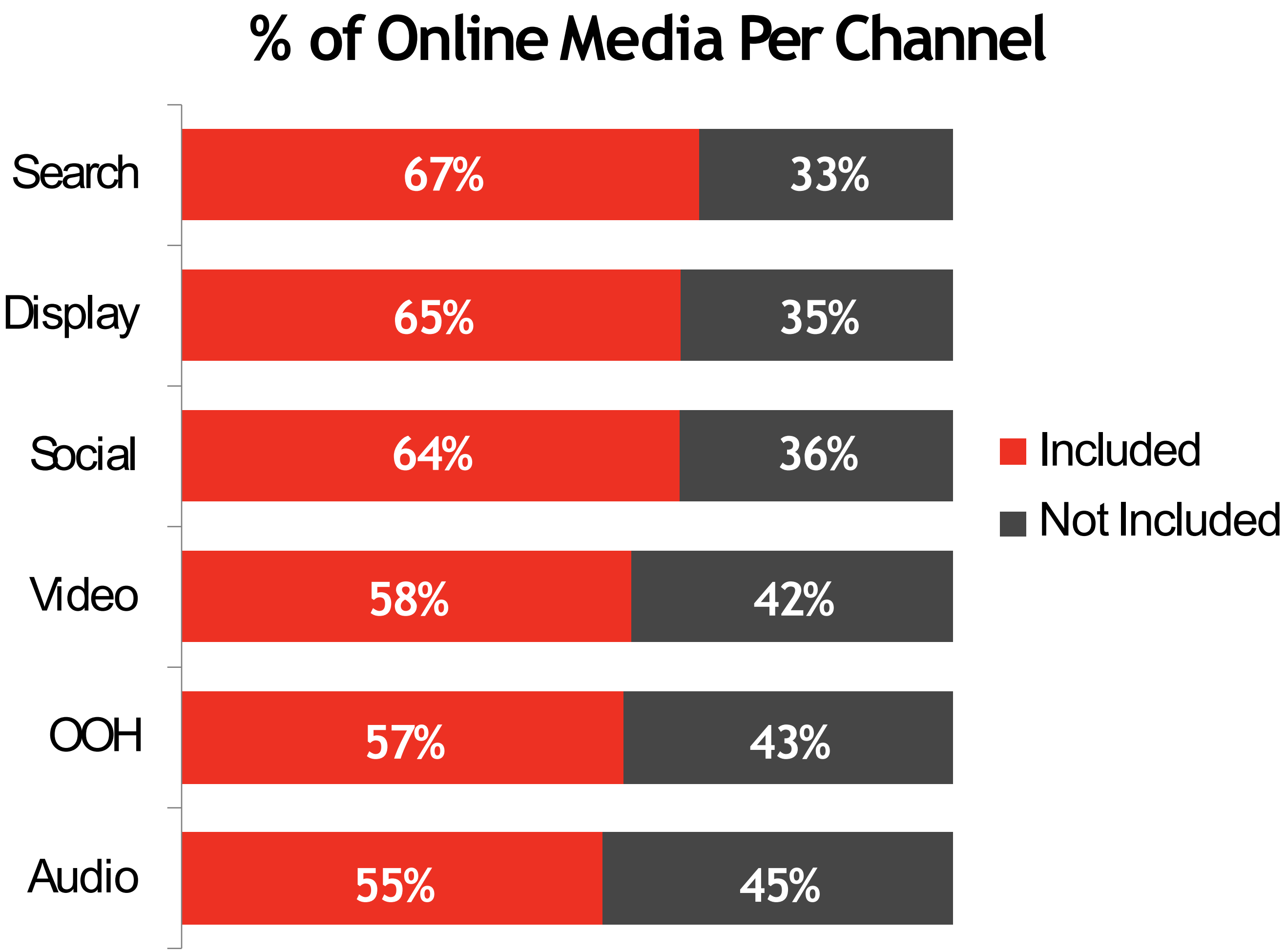


Base: Total, n=330; Invested in Social at Launch, n=203

When you first launched your Direct to Consumer (DTC) brand, what percentage, if any, of your marketing/advertising budget was invested in Social Media?

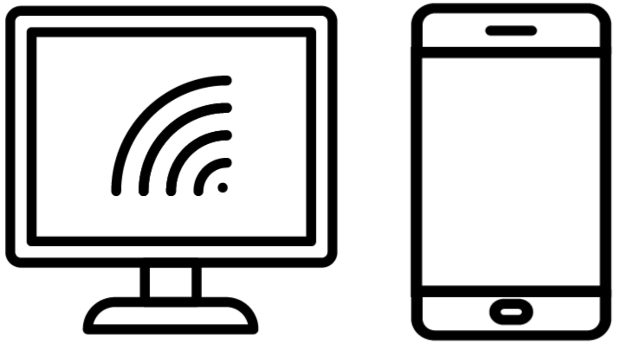
You indicated that you invested in Social Media at launch. Please estimate what the percentage of your social budget was by media brand. - Mean (Incl. 0)

...But they grow by leveraging all media



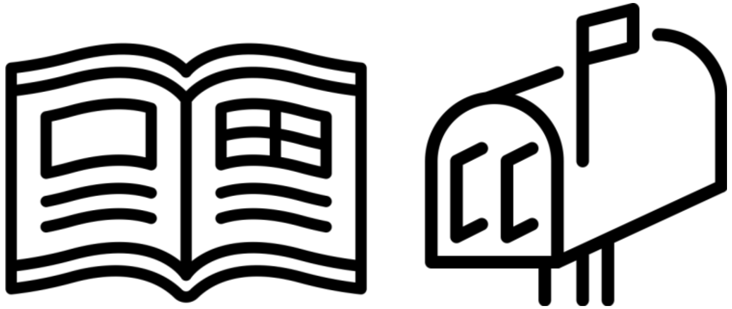
Base: Total, n=330
Please help us understand the level of intent your DTC brand has for buying/leveraging the following ONLINE PAID media platforms/ad types. NOTE: Search includes Google, Pinterest, Bing, and others

And their offline media spend is bigger than you think!



59%

Spend Online

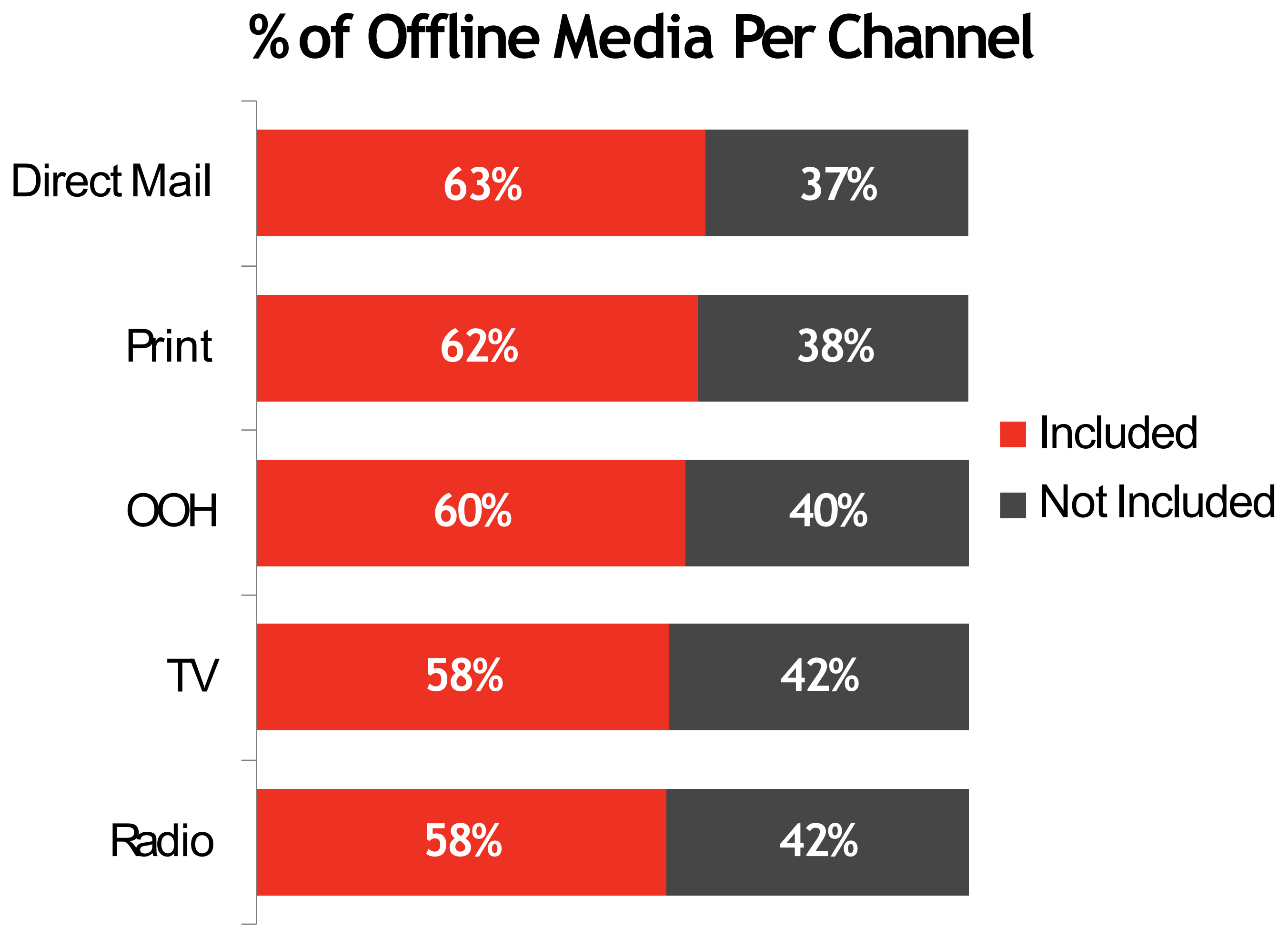


41%

Spend Offline

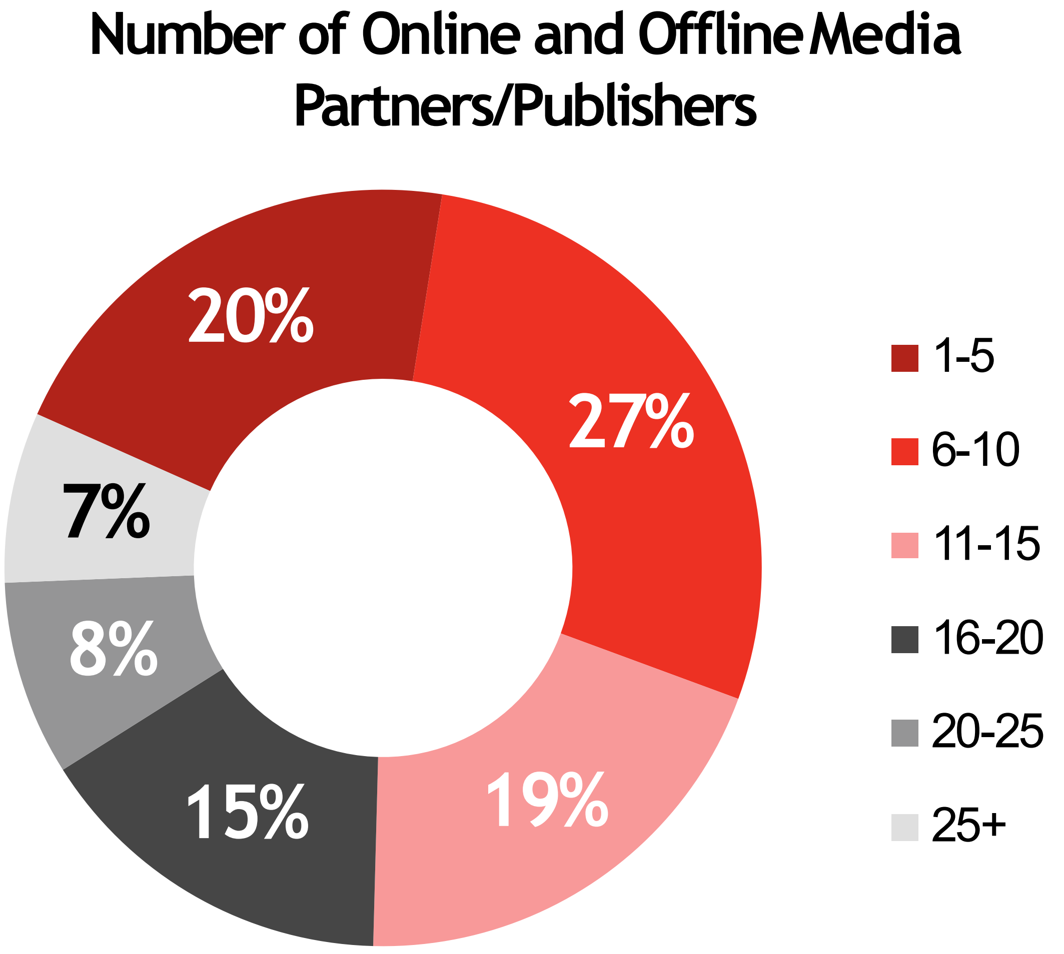
Base: Total, n=330; <15 Years, n=171; 15+ years, n=135
Please estimate the percentage of your 2019 media spend that is online vs. offline.

Offline is as diversified as the online media selection



Base: Total, n=330
Please help us understand the level of intent your DTC brand has for buying/leveraging the following OFFLINE PAID media platforms/ad types.

Nearly half of Direct Brands use 6 to 15 media partners



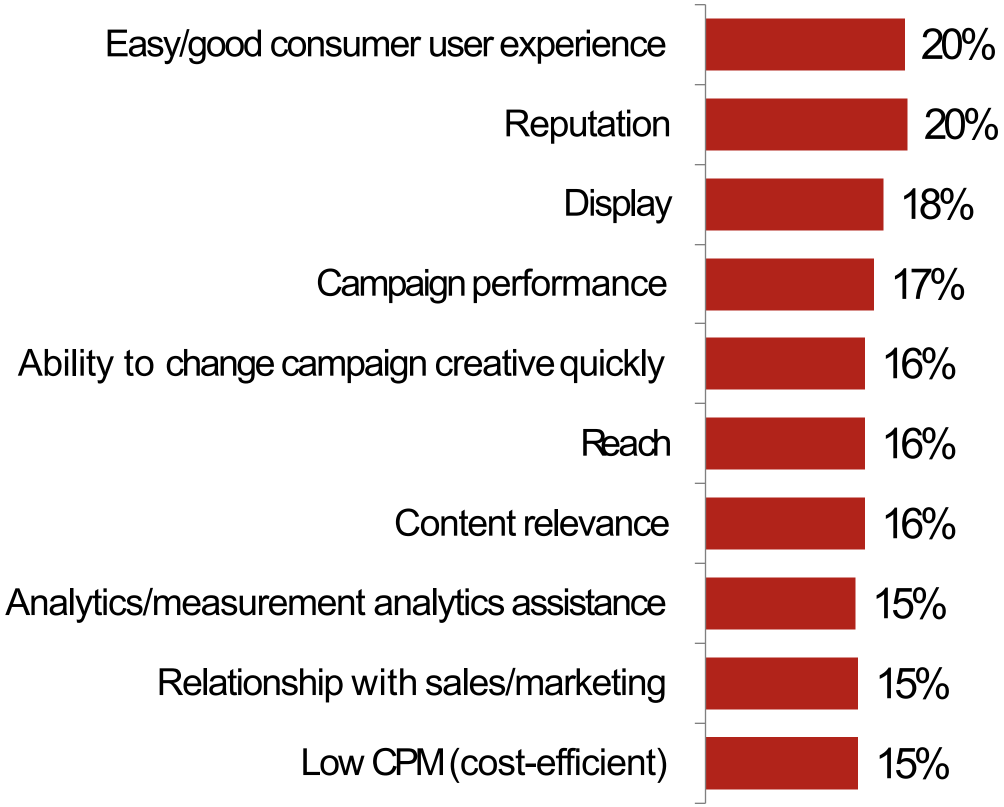
Base: Total, n=330
Please estimate the number of different ONLINE AND OFFLINE media brands/publishers are included in your 2019 plan?

PREMIUM content matters—massively…

94%

Direct Brands Using Content Publishers

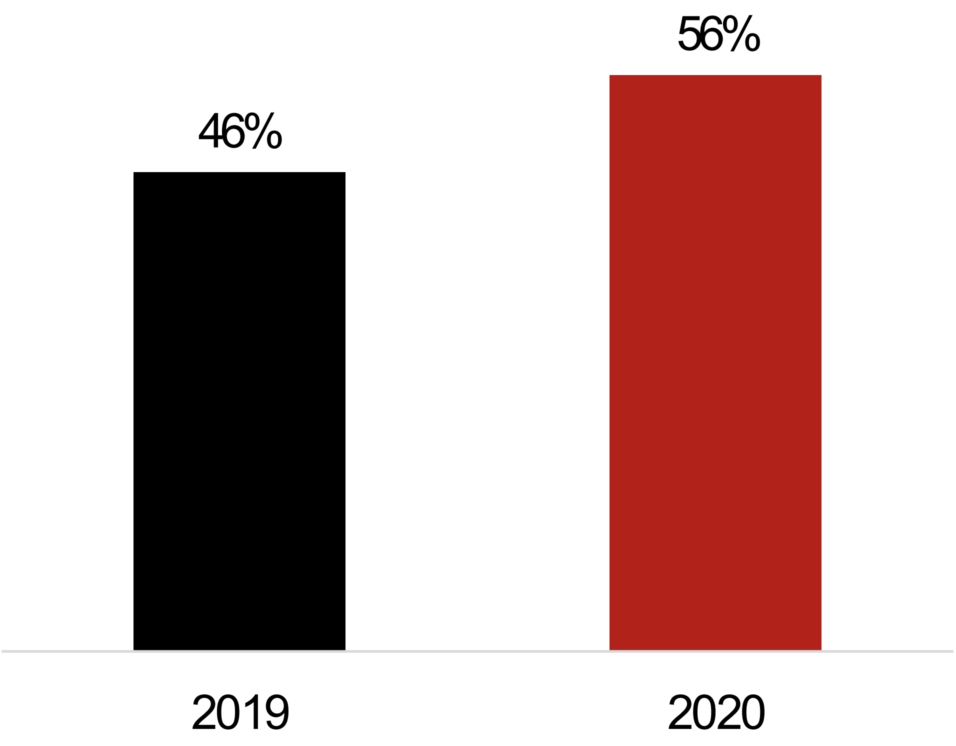
Top Reasons for Including Content Publishers



Base: Total, n=330; 310 base for those using content partners
If you are advertising with any content publishers, please choose the top 3 reasons for those included in your advertising strategy.

…Although cookie cutter ads won't cut it

Budgets for Personalization by Year



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

Scott Palladini
Founder, Bear Mattress

Base: Total, n=330
Is the creation and delivery of personalized advertising included in your current or next year's budget?

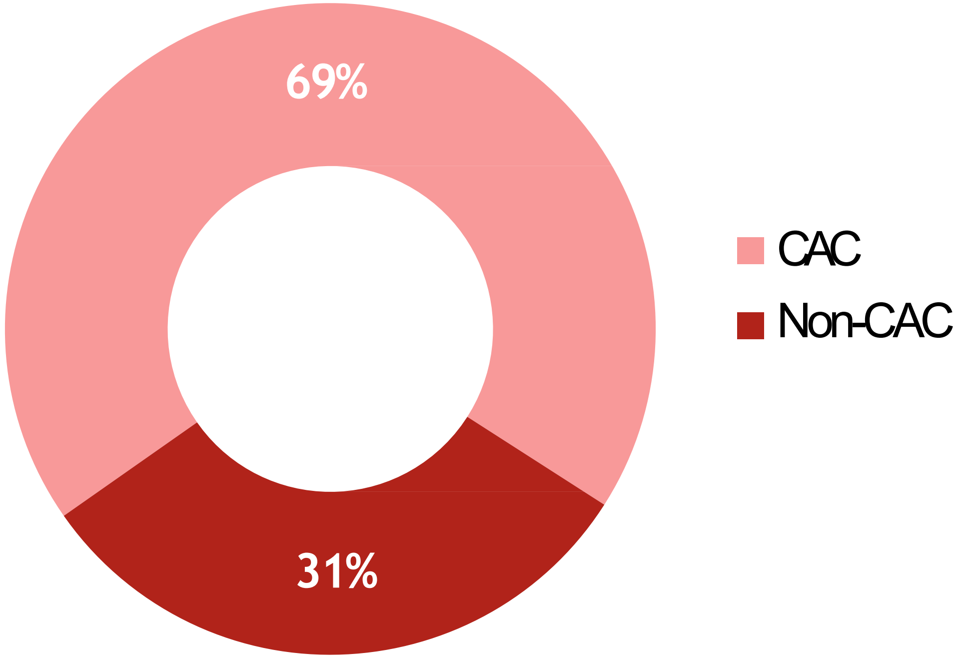
Direct Brand Media Buy Drivers

Customer satisfaction eclipses acquisition

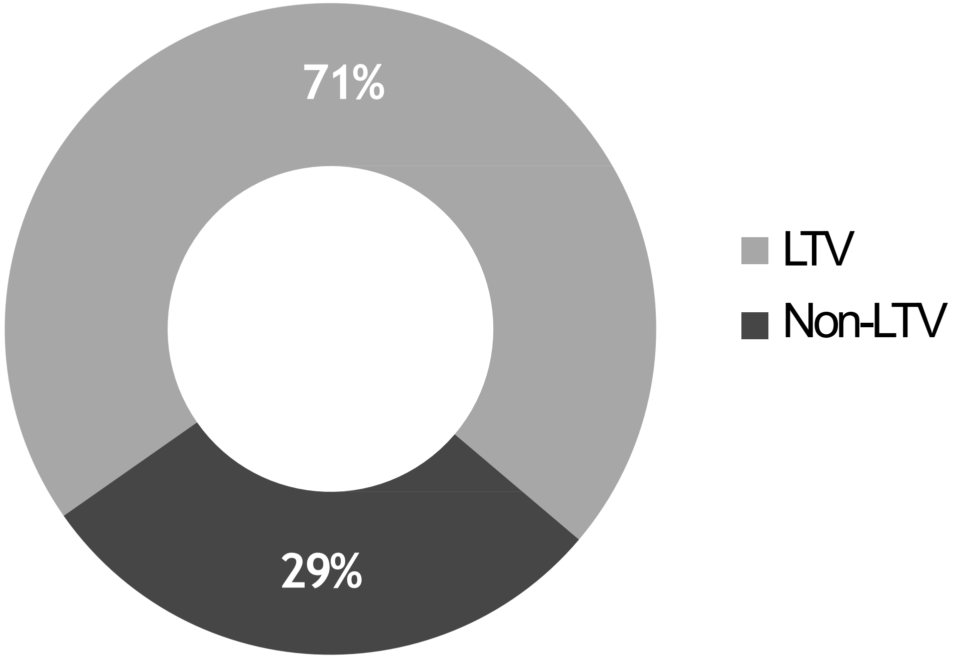
Base: Total, n=330; <15 Years, n=171; 15+ years, n=135
Which, if any, of the following objectives are included in your current marketing/advertising strategy?

More than two-thirds of Direct Brands have CAC and LTV media objectives

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

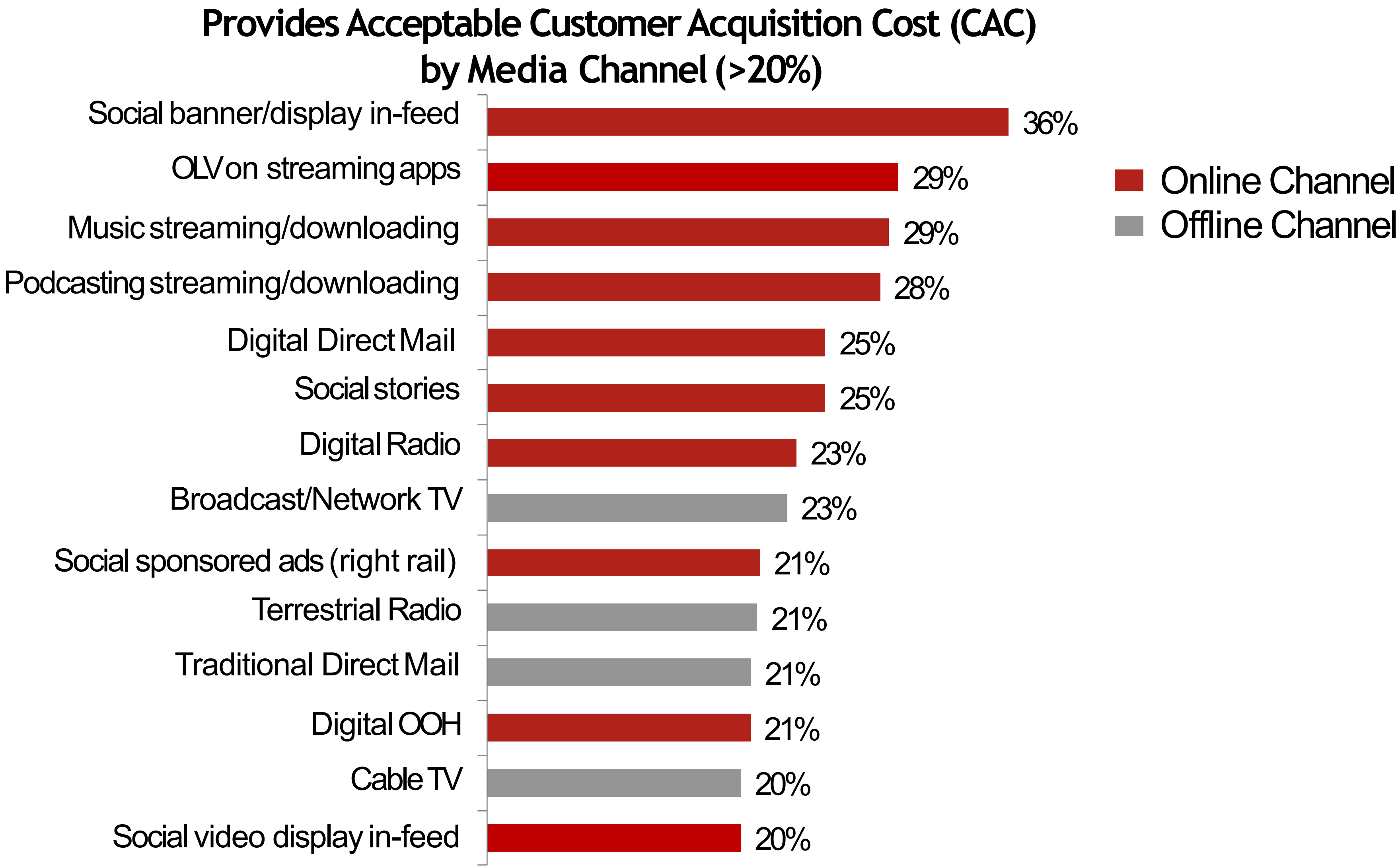


% of Direct Brands who Select Lifetime Value (LTV) as an Objective



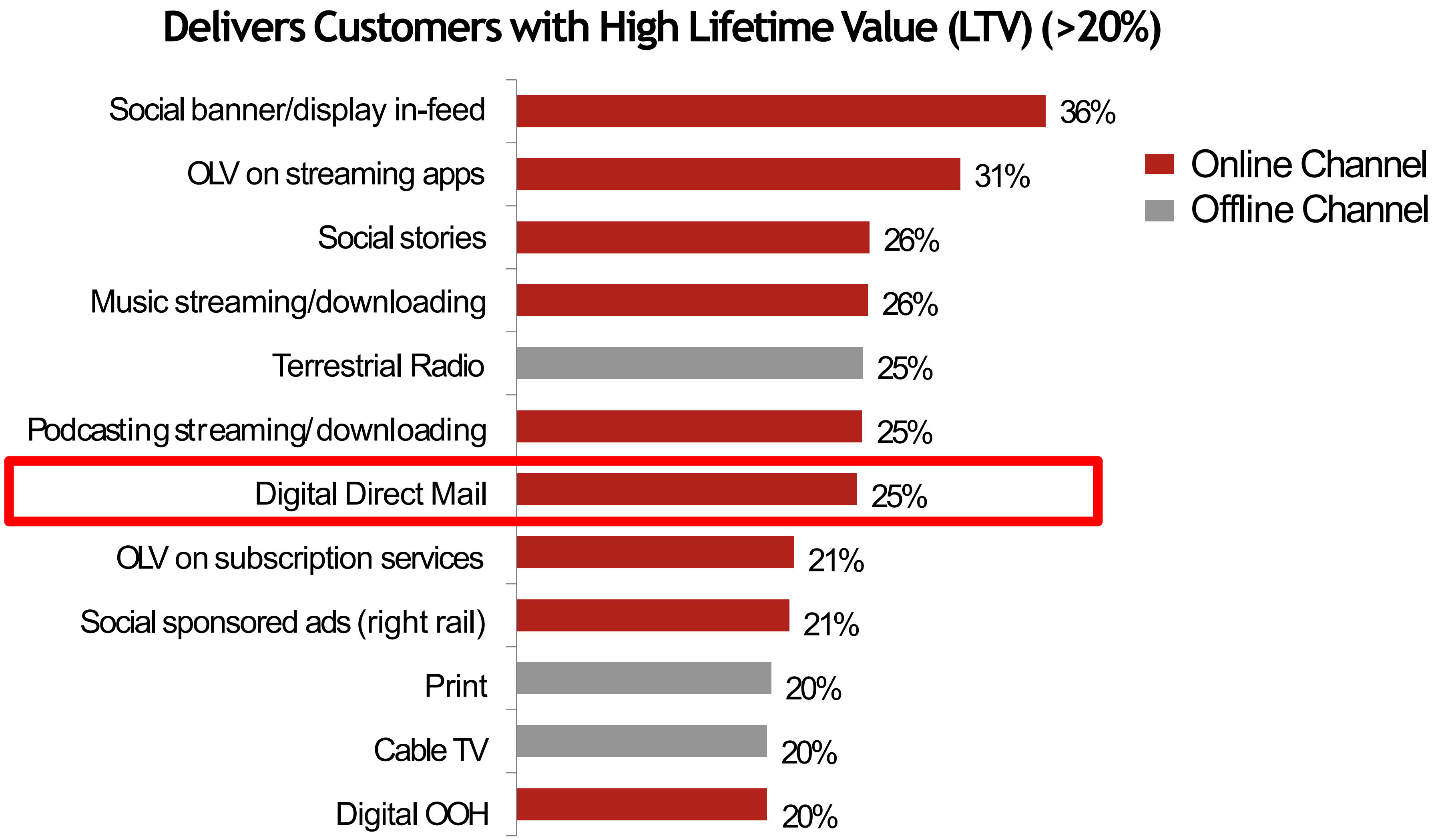
Base: Total, n=330
Which, if any, of the following objectives are included in your current marketing/advertising strategy?

Online social & streaming are preferred for CAC objectives…



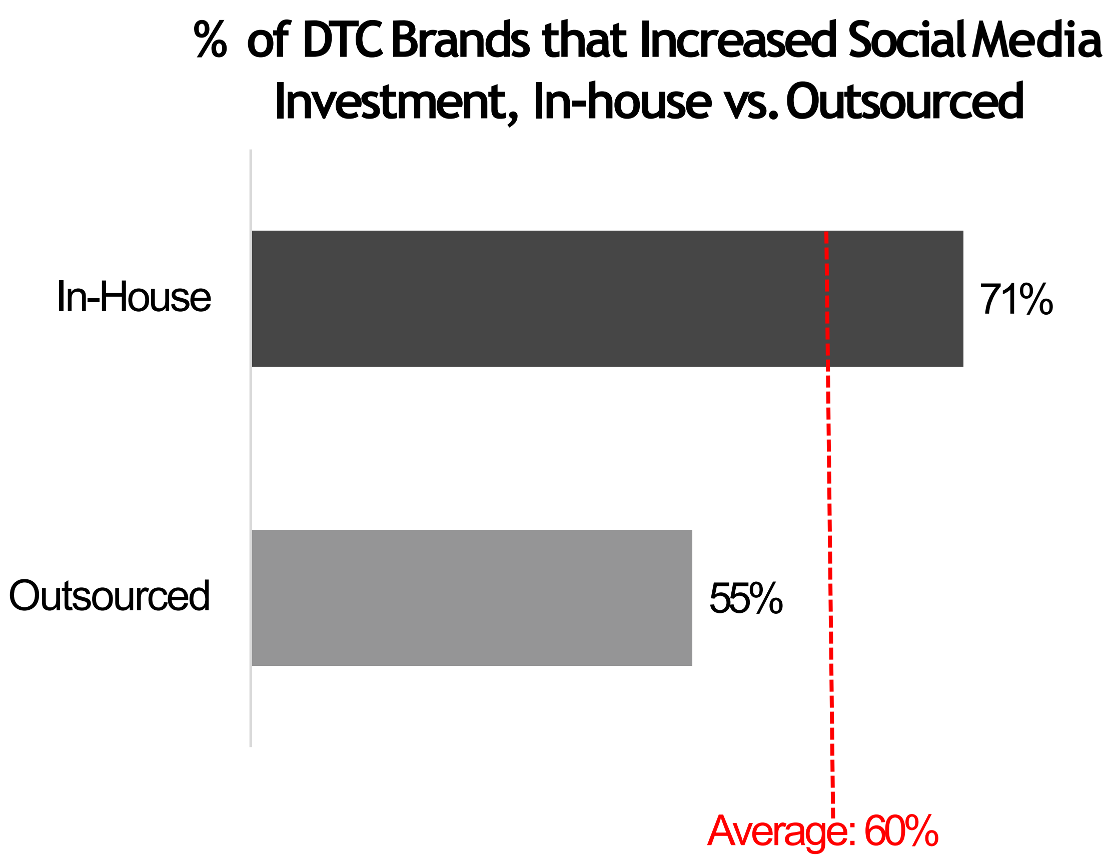
Base: Total, n=330
Please help us understand the level of intent your DTC brand has for buying / leveraging the following online paid media plat forms / ad types. Please select the one option which best fits each medium.

…As well as for lifetime value objectives



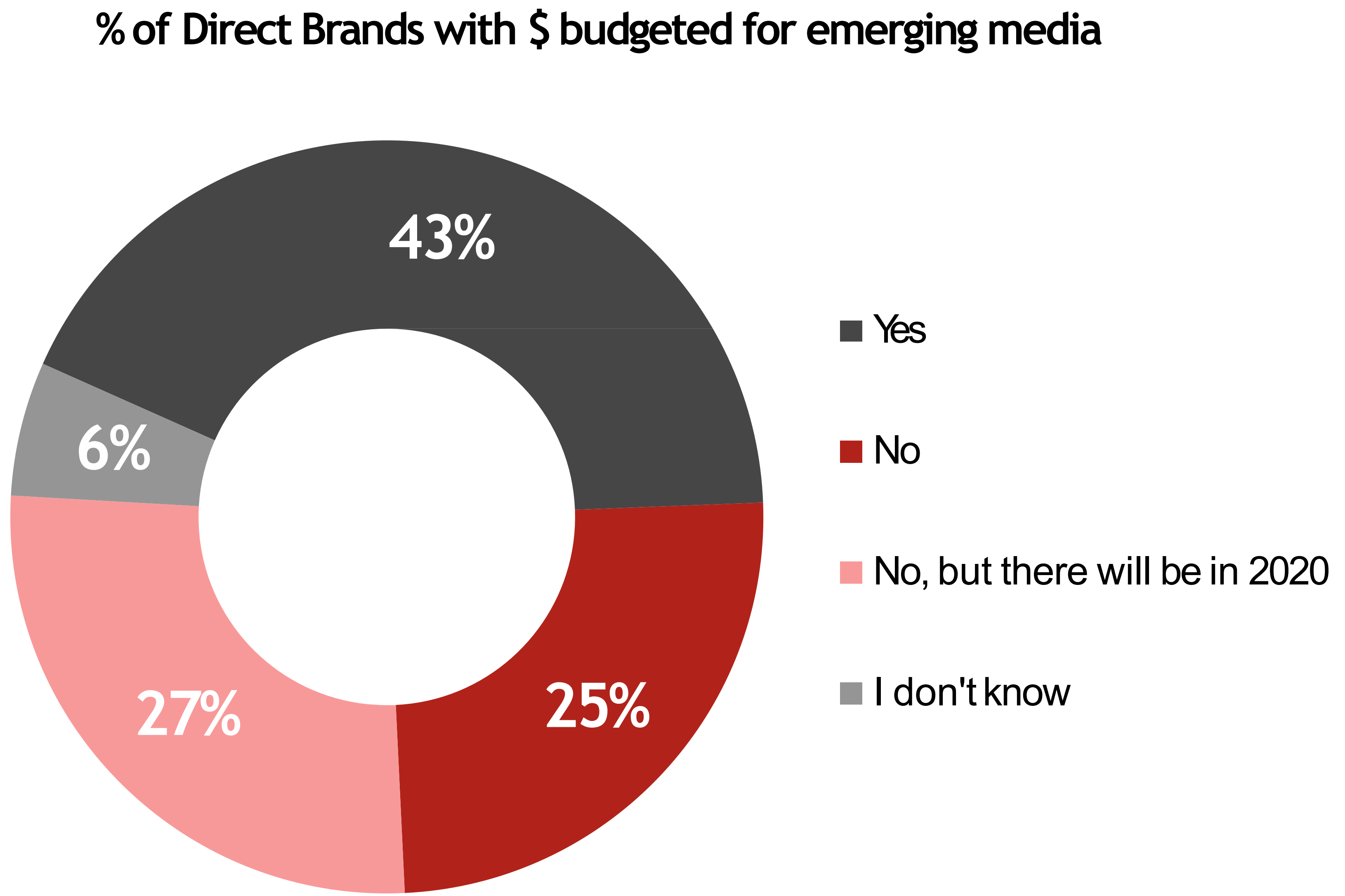
Base: Total, n=330
Please help us understand the level of intent your DTC brand has for buying / leveraging the following online paid media platforms / ad types. Please select the one option which best fits each medium.

Social investment increases when DTCs buy in-house



Base: Total, n=203, CAC, n=130, Non-CAC, n=73; LTV n=143, Non-LTV, n=60; In-House, n=62; Outsource, n=83
Please share the percentage of your advertising buy that is managed by the following methods.

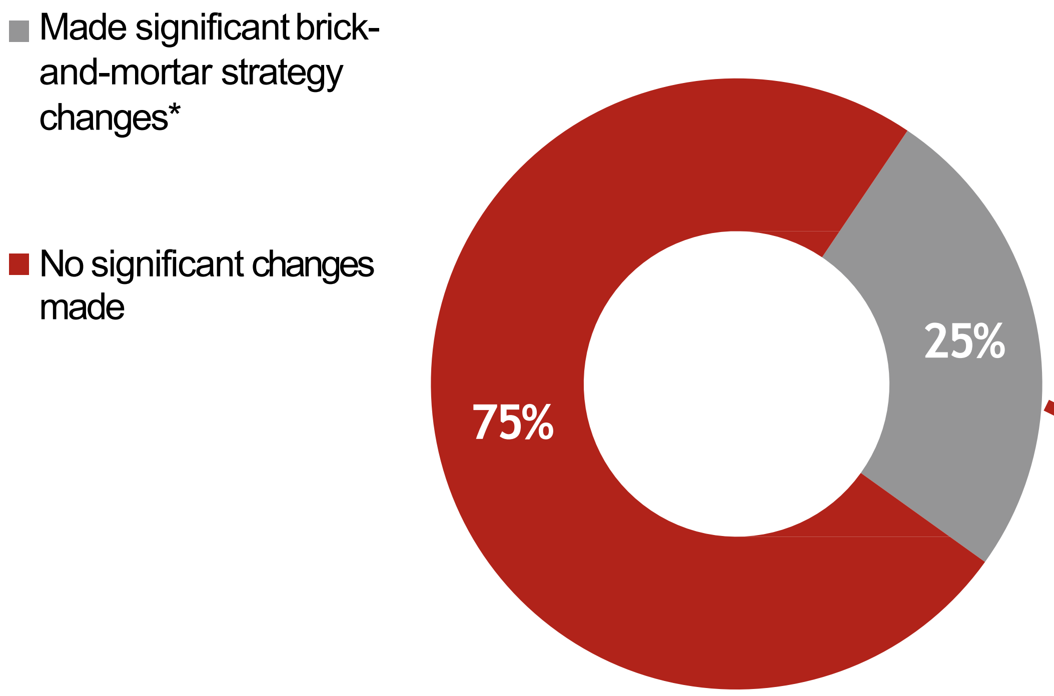
43% of Direct Brands currently have $ earmarked for emerging media



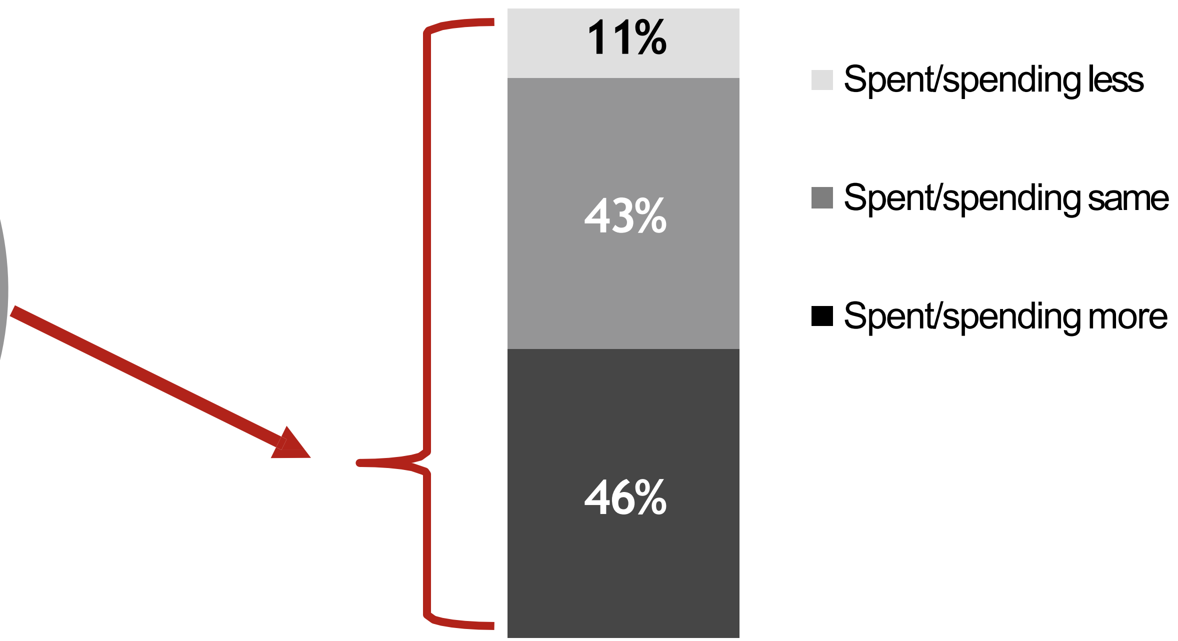
Base: Total, n=330
Is there a percentage of the budget earmarked for buying emerging media?

Brick & Mortar = BUY MORE MEDIA

% of Direct Brands that expanded brick & mortar retail this year



Spending among those with retail expansion



*Significant B&M changes include:

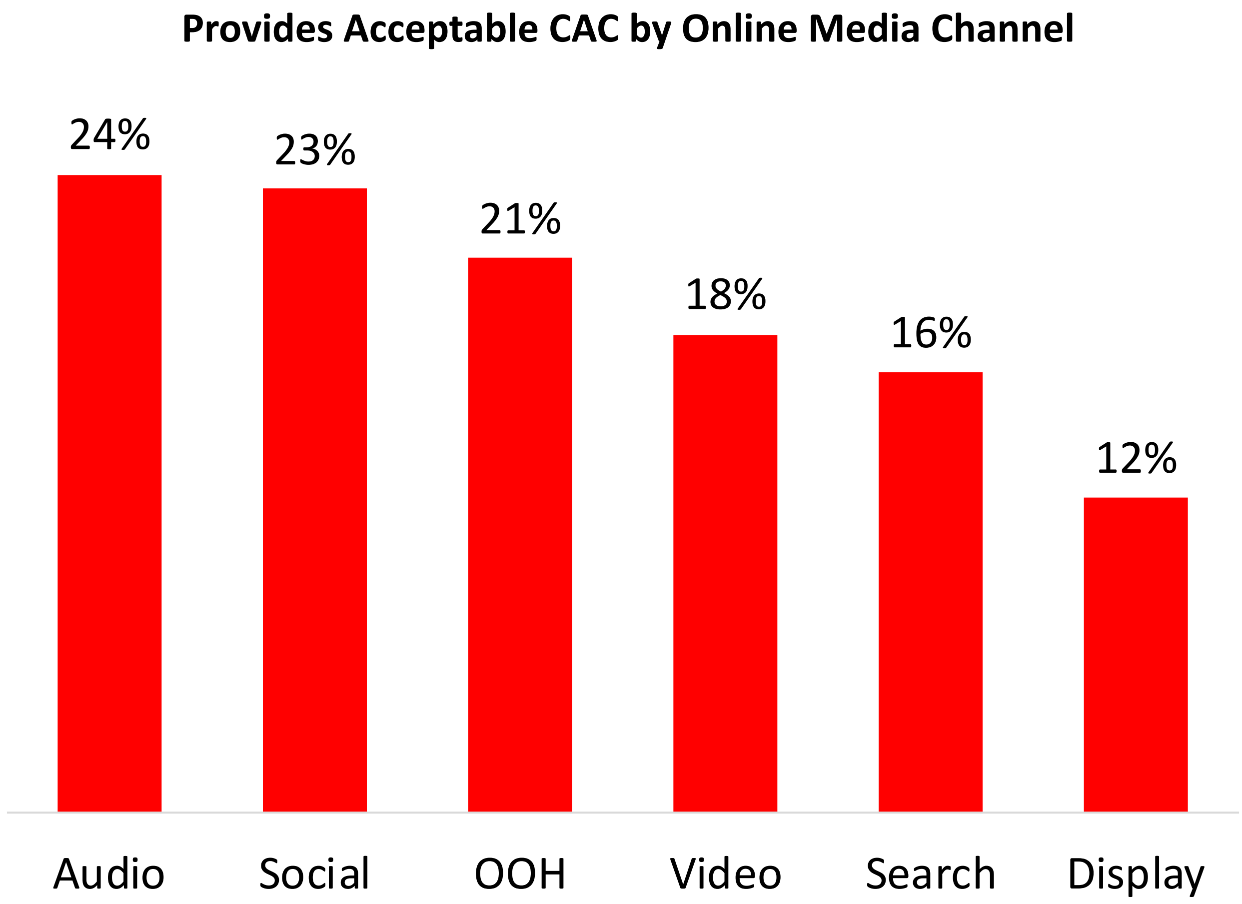
- Opened first brick-and-mortar location
- Expanded the number of brick-and-mortar locations

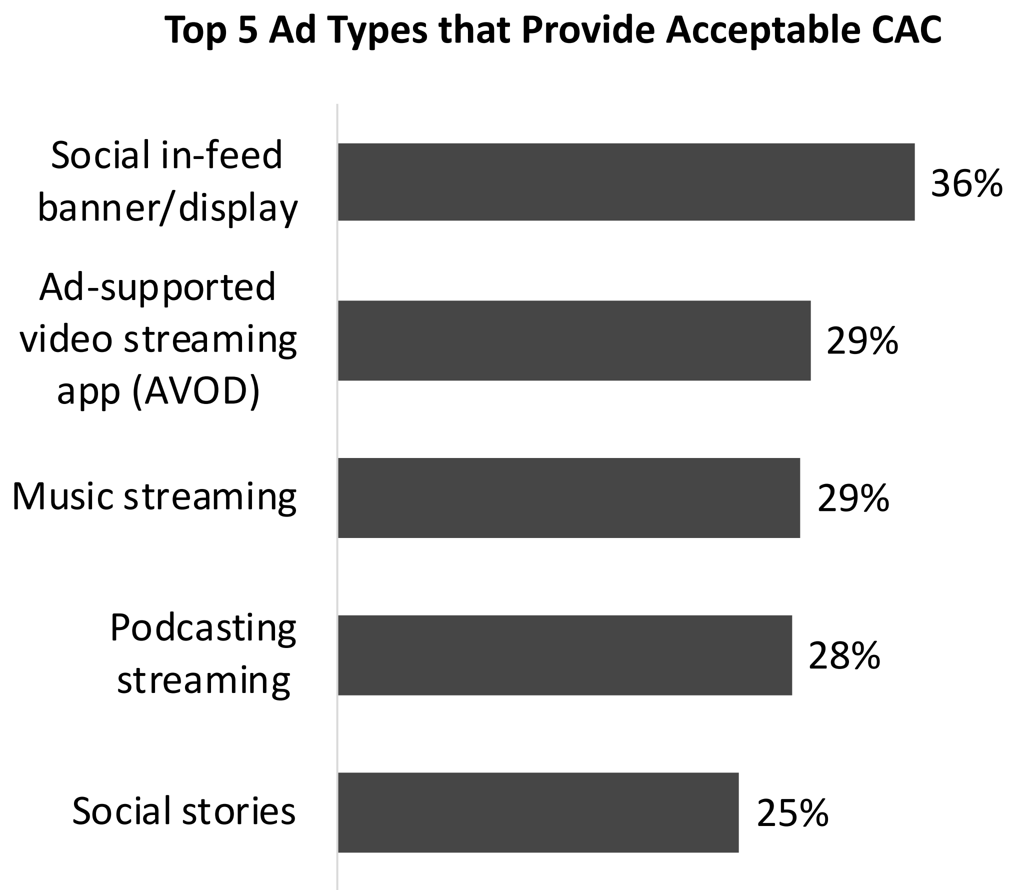
Base: Total, n=330; Among Spending More Retail Strategy, n=84
How, if at all, did the changes you made to your retail strategy affect your Paid Media spending?

Direct Brands: Measurement

In aggregate, Online Audio and Social channels perform slightly higher than for delivering an acceptable Cost per Customer Acquisition…

…But when ad types are parsed, Social In-feed and AVOD outpace all other media measured



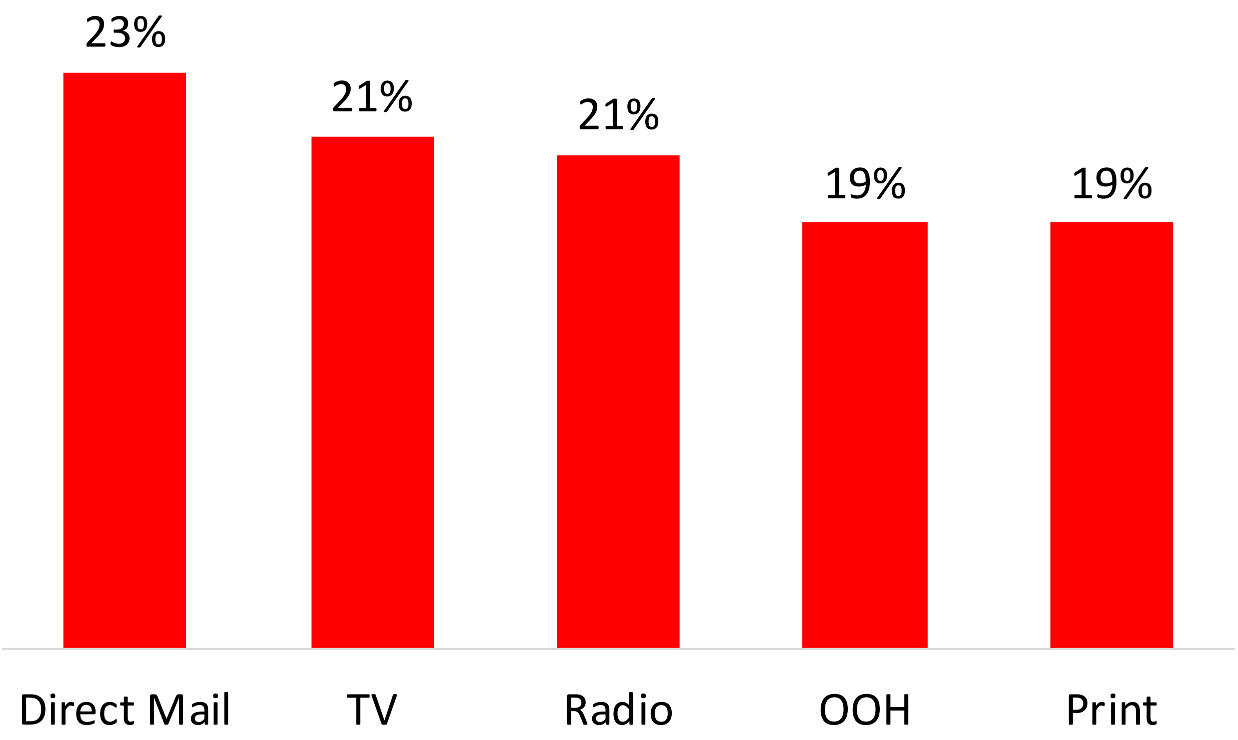


Base: Total, n=330
Q.47: Below are the PAID media you've identified as part of your current strategy. Which, if any, of the following describe why you selected each?

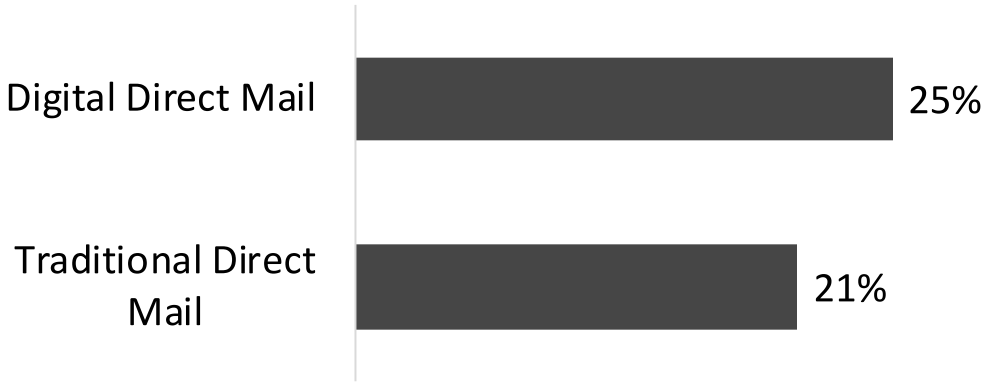
Direct Brands cite Direct Mail as the Offline channel that provides an acceptable Cost per Customer Acquisition (CAC)…

…and Direct Mail performance is led by Digital Direct Mail

Provides Acceptable CAC by Offline Media Channel



Provides Acceptable CAC by Direct Mail Type

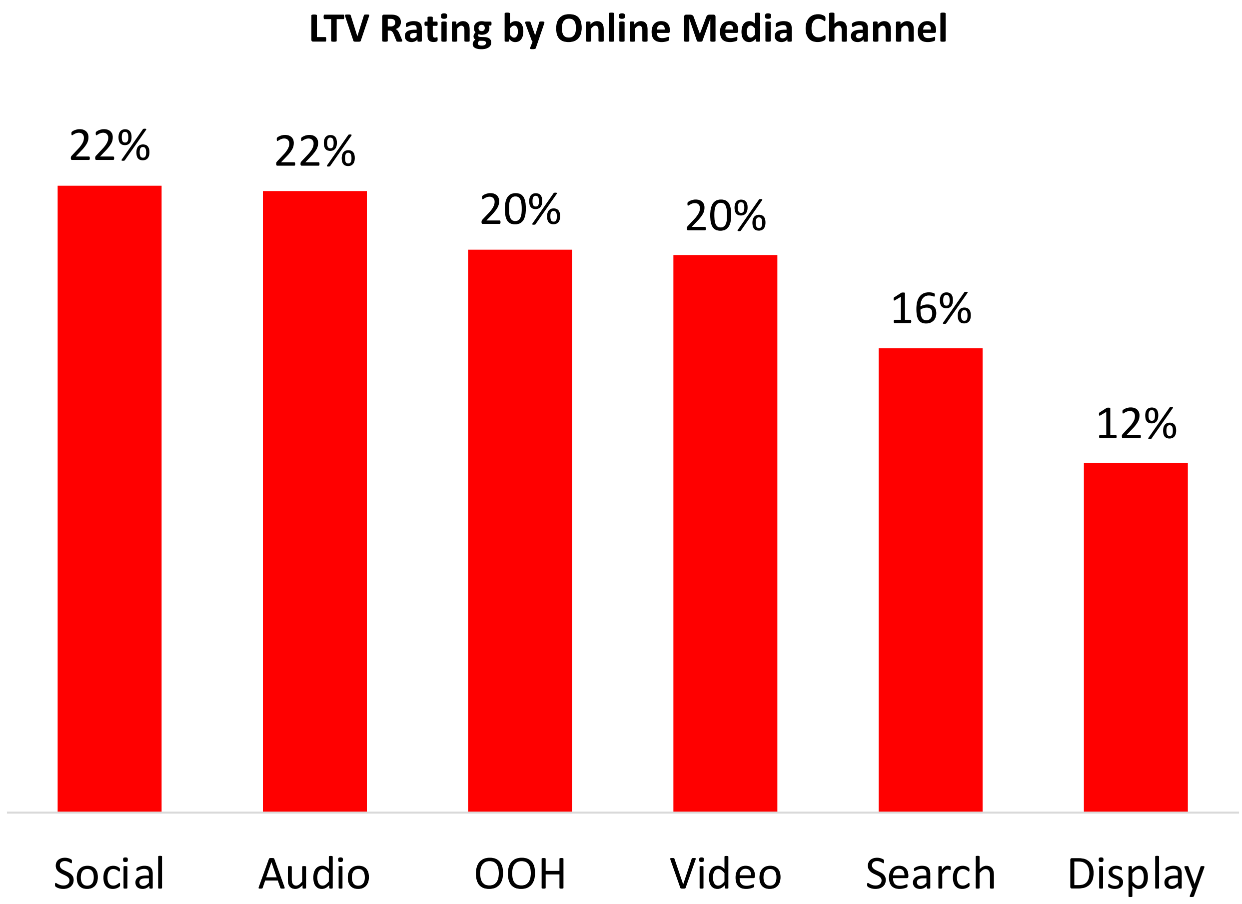


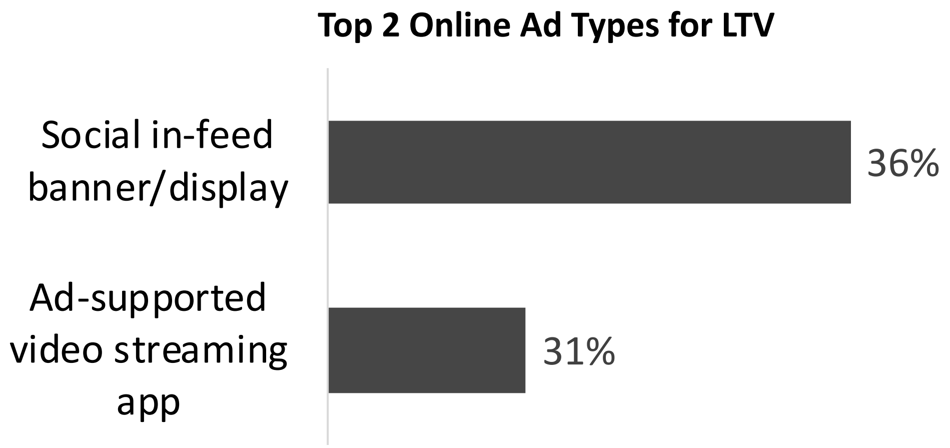
Provides Acceptable CAC by TV Type

Base: Total, n=330

Q.47: Below are the PAID media you've identified as part of your current strategy. Which, if any, of the following describe why you selected each?

For delivering audiences with greater Lifetime Value, Social In-Feed and AVOD Online ad types also lead Online



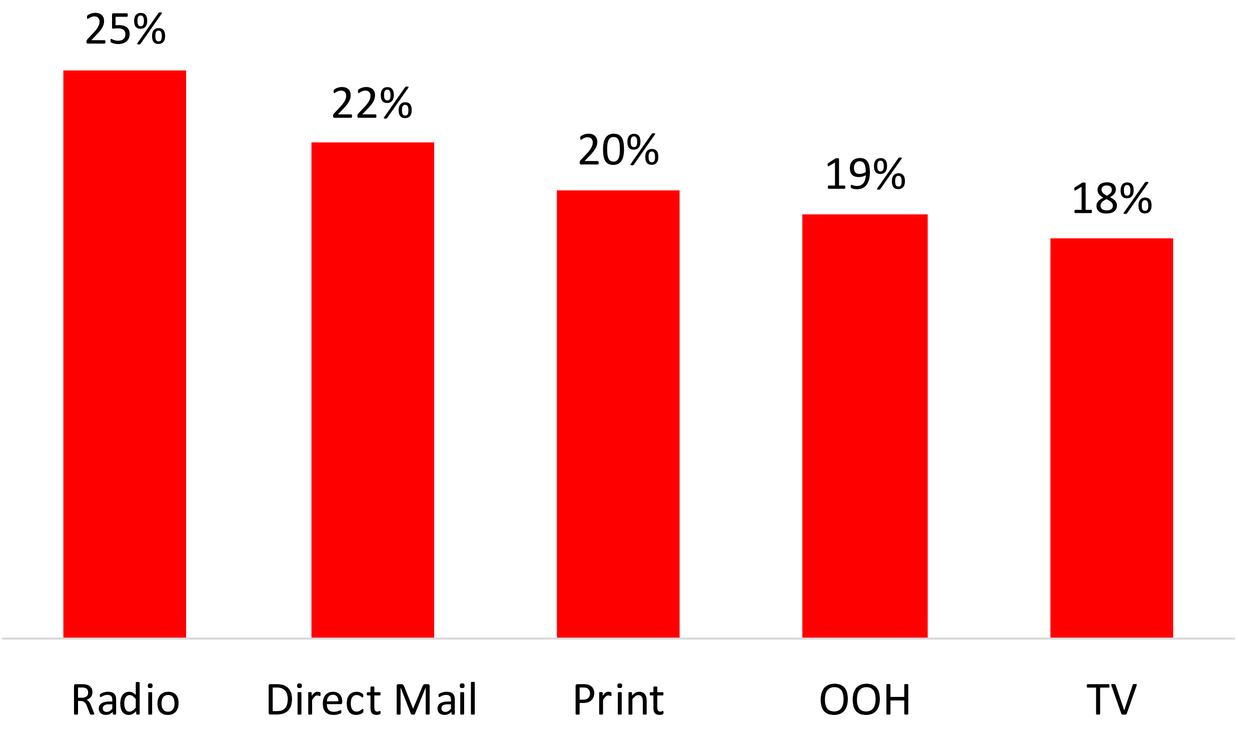


Base: Total, n=330
Q.47: Below are the PAID media you've identified as part of your current strategy. Which, if any, of the following describe why you selected each?

Offline, Radio and Direct Mail are the top two most instrumental in delivering customers with high Lifetime Value

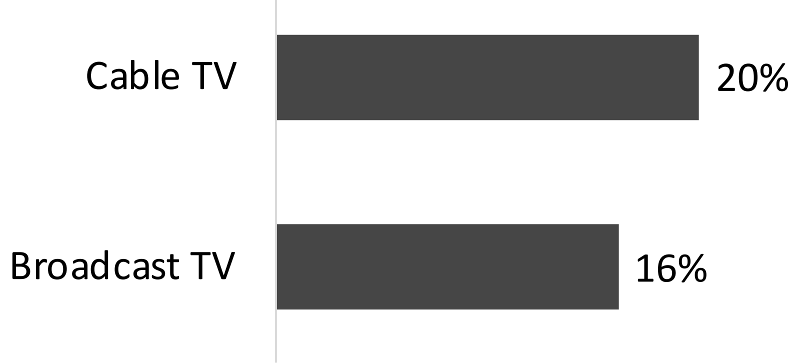
…but when parsing by Ad Type, Digital Direct Mail leads in the Offline selection

LTV Rating by Offline Media Channel



Direct Mail LTV Rating by Type

TV LTV Rating by Type



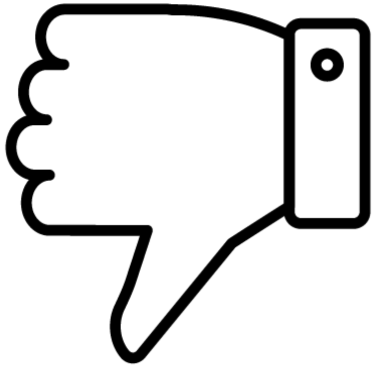
Base: Total, n=330

Q.47: Below are the PAID media you've identified as part of your current strategy. Which, if any, of the following describe why you selected each?

Disruptors may look sophisticated…

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

69%

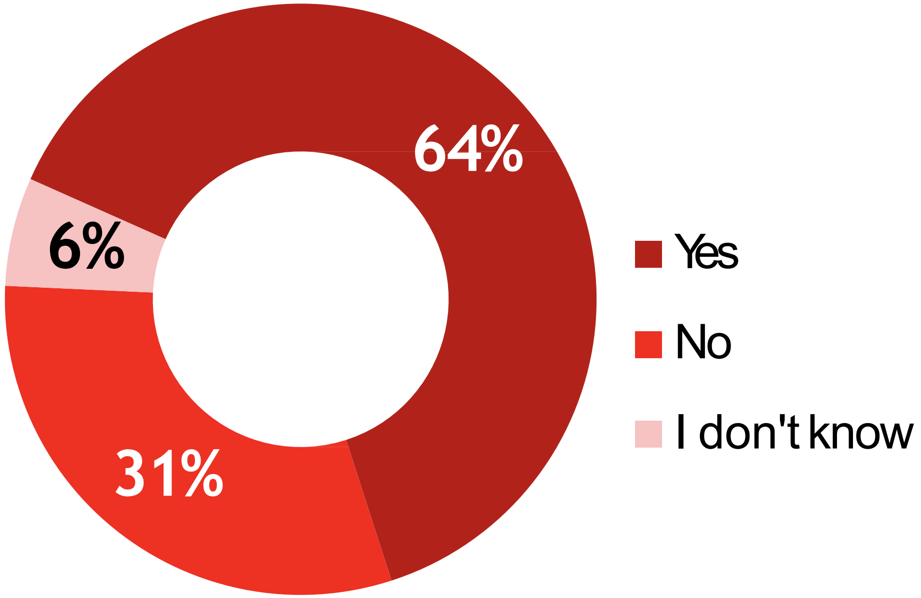


31%

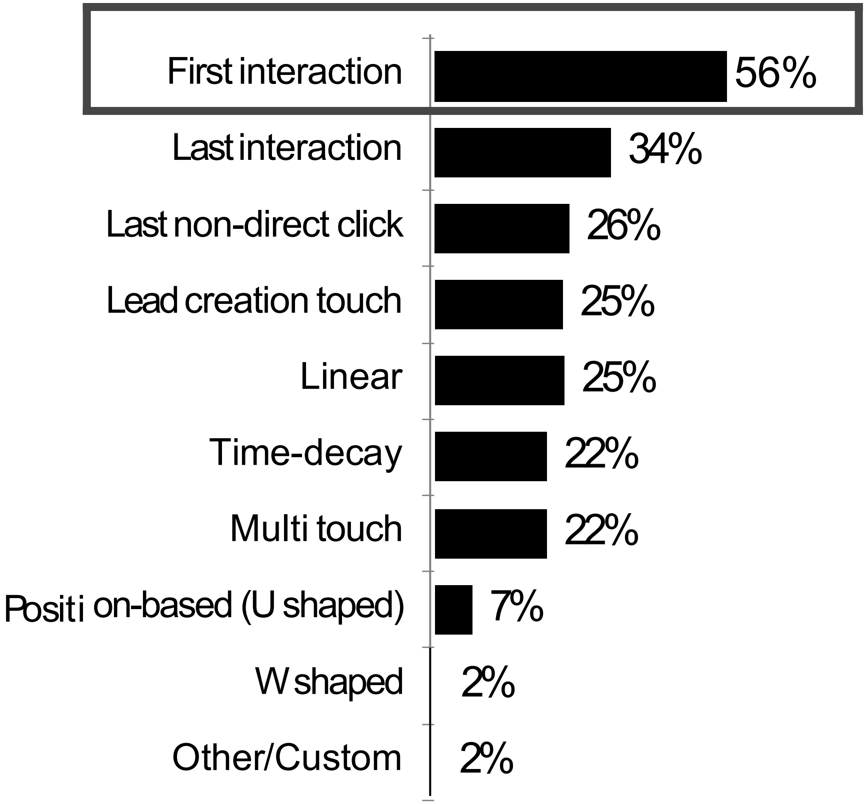
Base: Total, n=330
Do you have an in-house analytics person/team?

...But attribution modeling is still largely rudimentary

% of Direct Brands Using Attribution Models

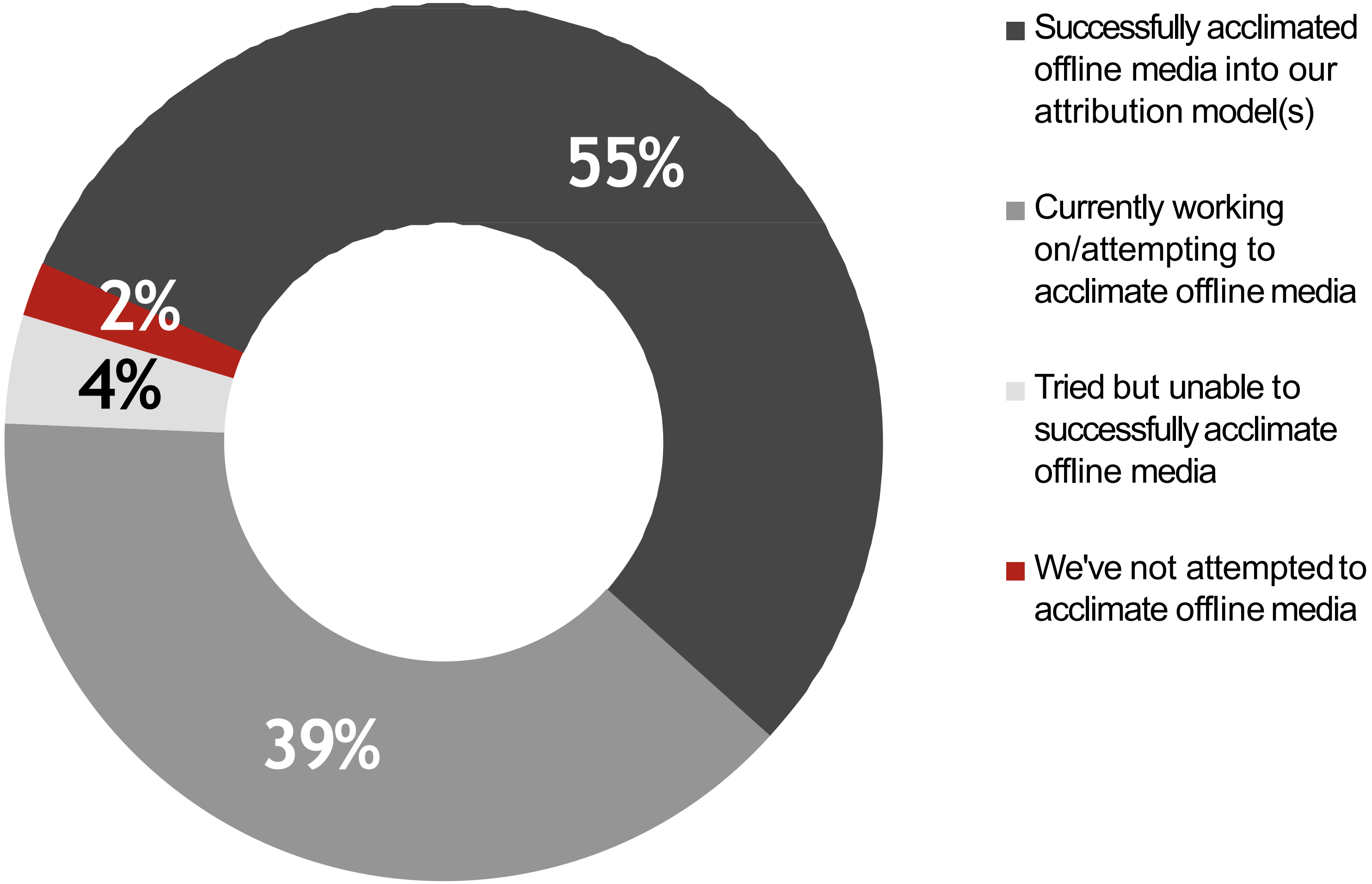


% of Direct Brands: Attribution Models by Type



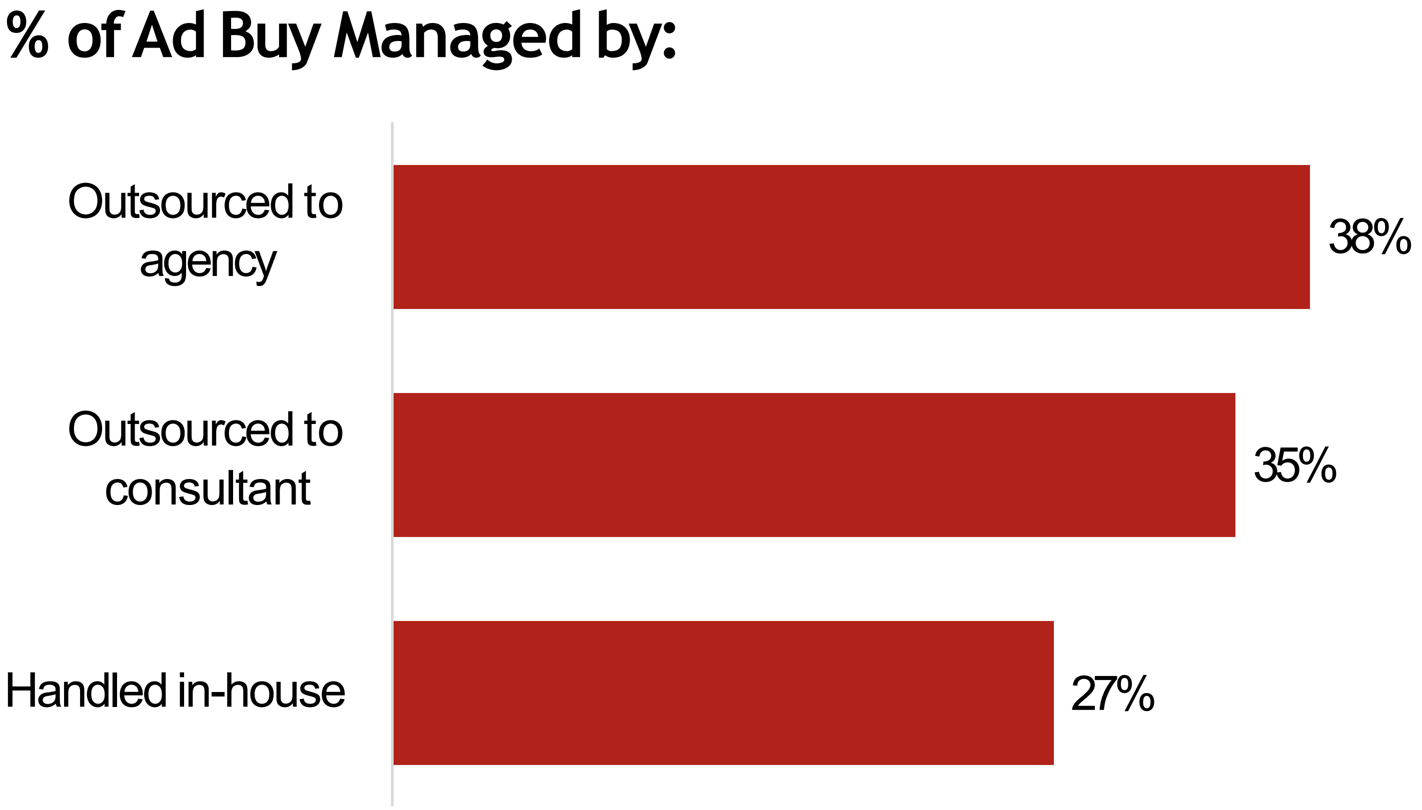
Base: Total, n=330
Are you currently using media attribution models to determine media value?
Please share the type of attribution model(s) you are using.

55% of Direct Brands have included offline media in their attribution model



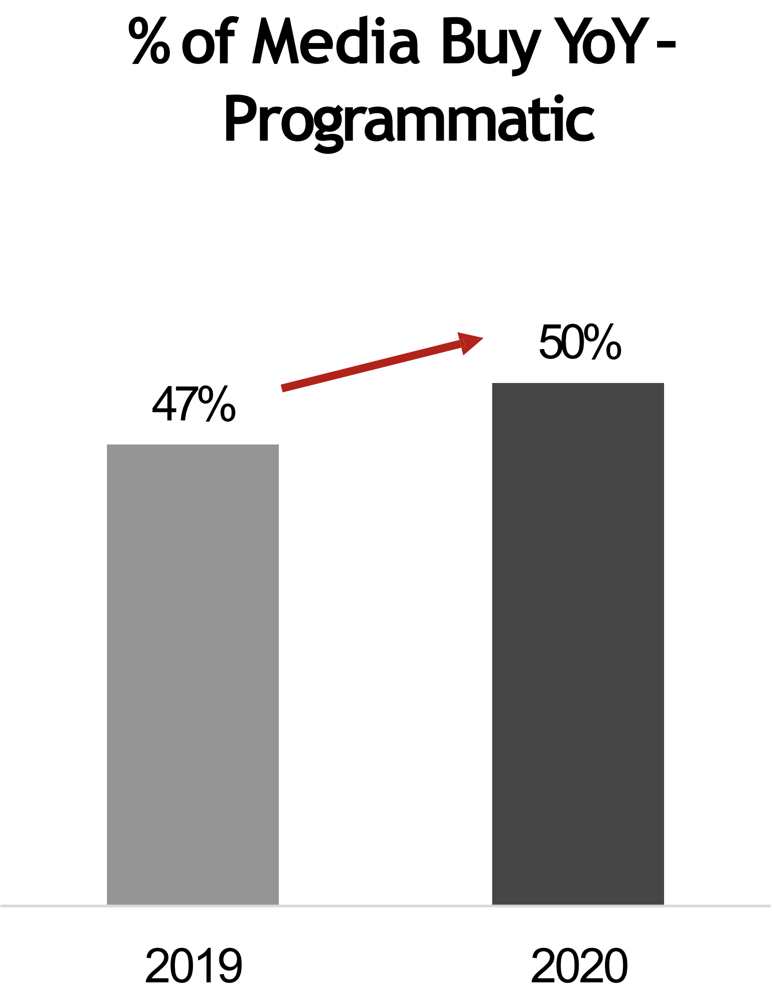
Base: Use media attribution models, n=210
Have you included OFFLINE media into your attribution model(s)?

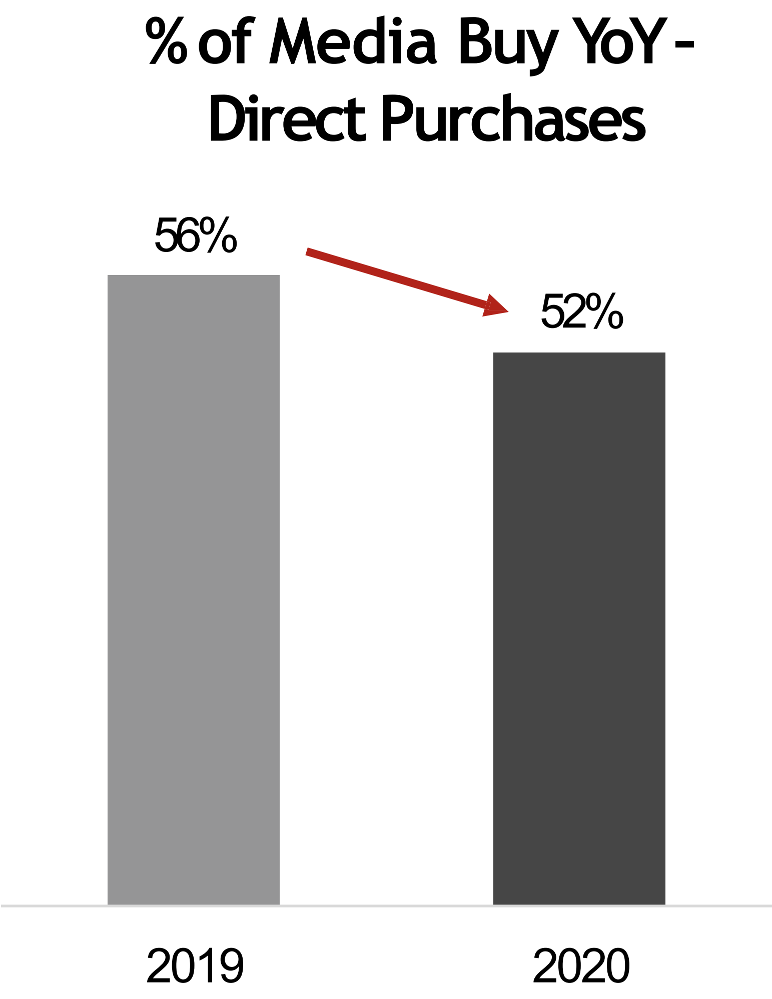
Ad buys are predominantly outsourced to third parties



Base: Total, n=330
Please share the percentage of your advertising buy that is managed by the following methods.

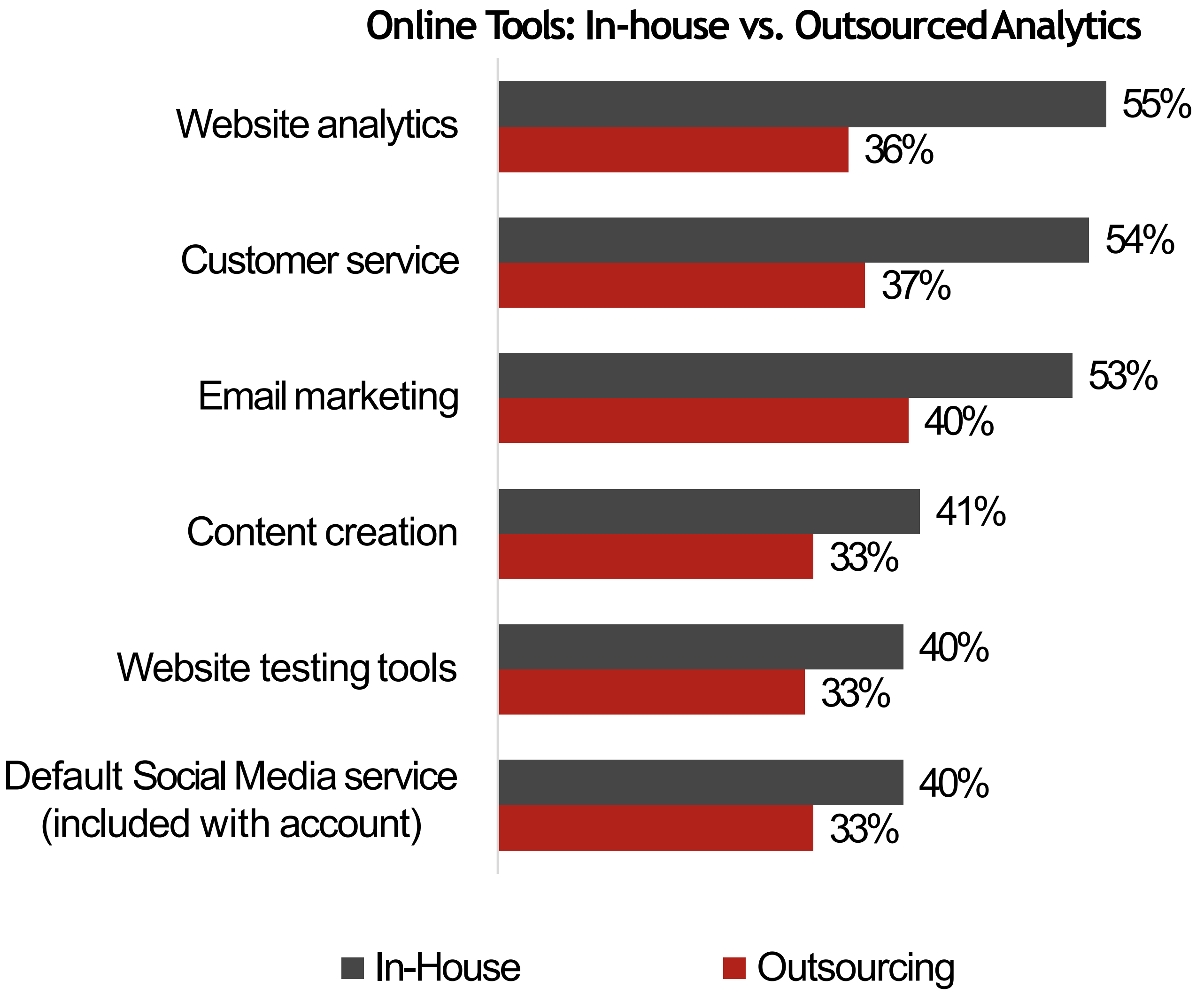
47% (and growing) of buys are Programmatic vs. Direct





Base: Total, n=330
What percentage of your total annual ad buy is programmatic vs. purchased directly with a publisher/platform?
How do you expect that to shift in the next two years? Please estimate the percentage of your total annual ad buy that is pro grammatic vs. purchased directly with a publisher/platform for 2020/2021.

Disruptors are programmatic—by design

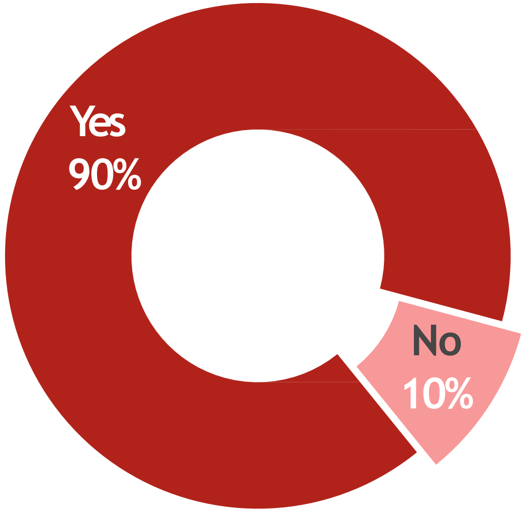


Base: In-House, n=80; Outsourcing, n=156
Which of the following tools for online marketing/advertising are you currently using or has your direct-to-consumer business used? (Currently using)

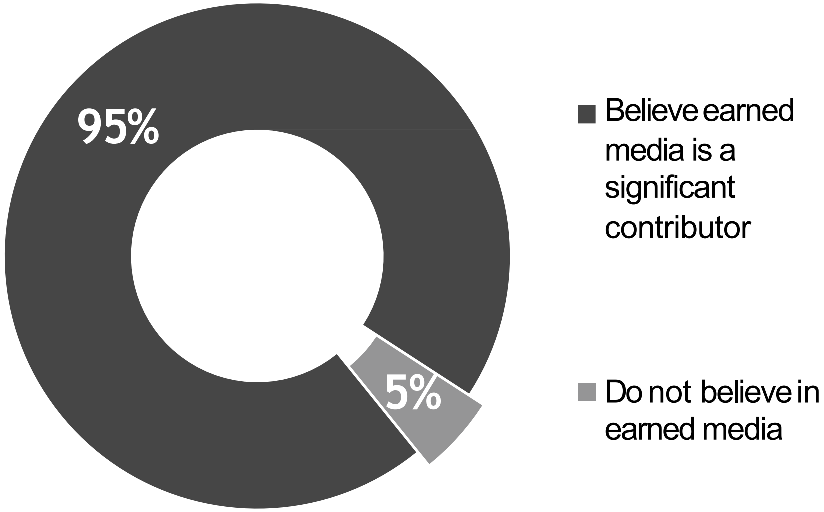
Earned / Owned Impact on Paid Media

Earned media makes brand disruption possible

% Reliance on Earned Media ONLY



Belief in Earned Media

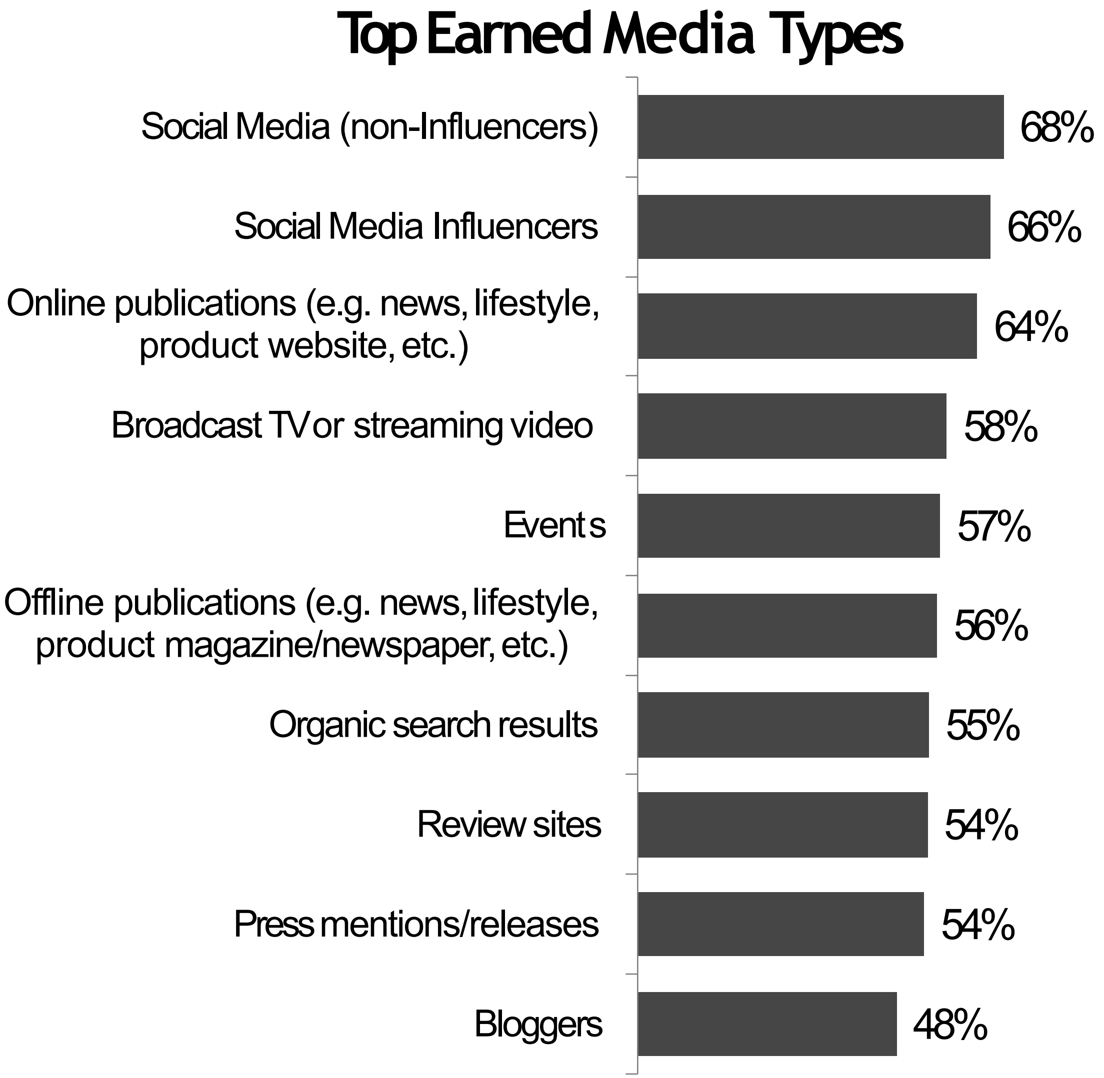


"... PR is the gift that keeps on giving: It lives on in search, it helps your SEO, it's its own strategy. I was a firm believer from launch that telling a story and building a narrative around a brand was invaluable from a marketing perspective."

Ariel Kaye
Founder, Parachute

Base: Total, n=330
Please consider your Owned and Earned Media. Do you now or have you ever relied only on Earned Media (i.e. no investment in PAID advertising campaigns)?
Earned Media as significant contributor(s)?

Social platforms are touted as the greatest contributor of “earned” media



Base: Total, n=330
Which of the following types of Earned Media have you identified as significant contributor(s) to the following objectives?

Media Buys: Where Next?

At least 1/3 of Direct Brands that are not using the following Online media will consider them for ad buys in the future

% of Direct Brands not Including in current media buy:

35%

33%

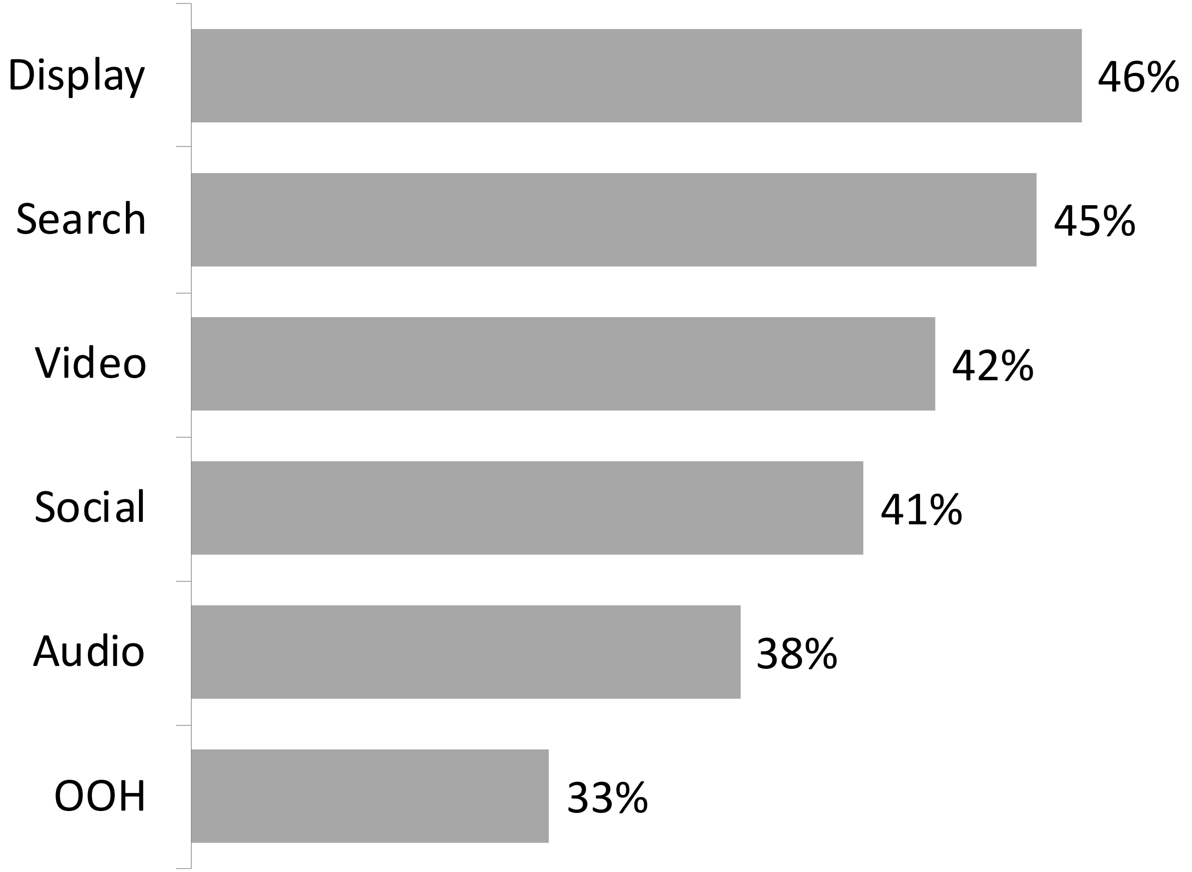
42%

36%

45%

43%

% Considering in Future Planning



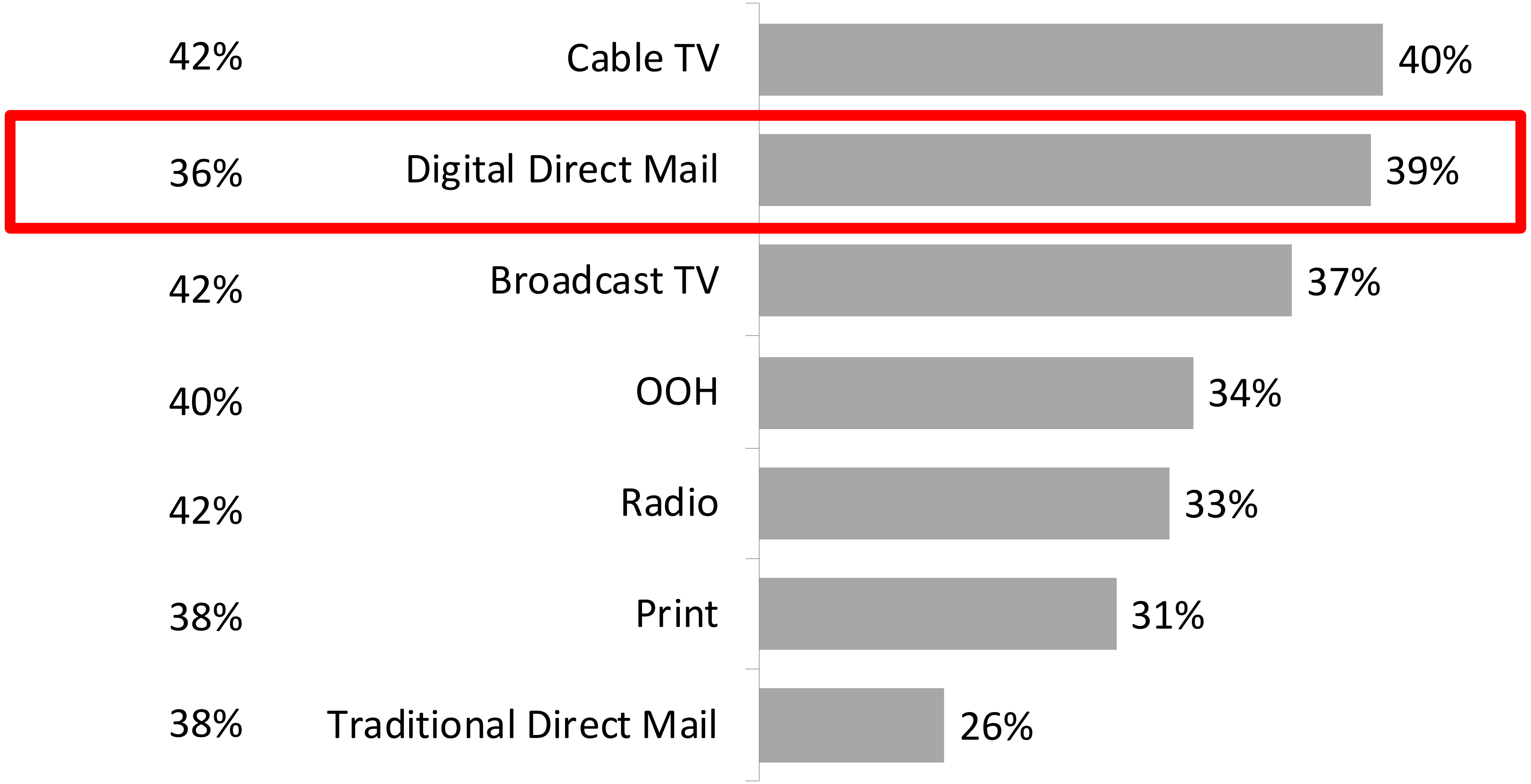
Base: Total, n=330

Q.43: Please help us understand the level of intent your DTC brand has for buying/leveraging the following ONLINE PAID media platforms/ad types.

…and more Direct Brands currently excluding the following Offline media will consider them in the future

% of Direct Brands not Including in current media buy:

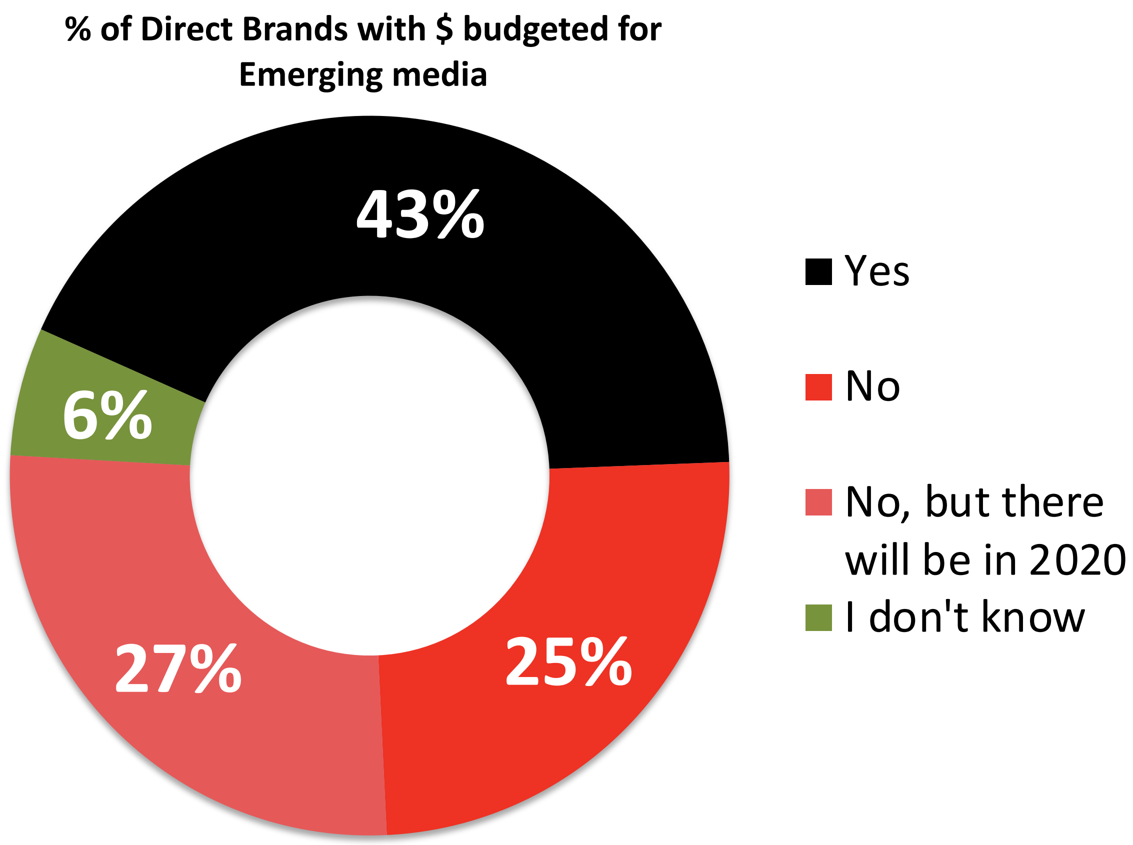
% Who Will Consider Offline, by Media Type



Base: Total, n=330

Q.44: Please help us understand the level of intent your DTC brand has for buying/leveraging the following OFFLINE PAID media platforms/ad types.

43% of Direct Brands currently have $ earmarked for Emerging media



Direct Brands report that in 2020, nearly 70% will have some budget for Emerging media

Base: Total, n=330
Q.74: Is there a percentage of the budget earmarked for buying emerging media?

Top PAID media given unlimited budget:

Audio: Music streaming/downloading
Newspaper/Magazine
Events: Sponsored
Search: Video display
Audio: Streaming/downloading other audio
Social media: Influencer video
Digital to Direct Mail
Audio: Podcasting streaming/downloading audio podcasts
Brand-created event
Search: Text
Search: Image
Radio - Terrestrial
Video: Ad-supported streaming app requiring cable/satellite/telco login
Social media: Banner/display in-feed
TV: Broadcast/Network/Cable
Pop up store
Traditional Direct Mail
Search: Shopping
Audio: Digital radio
Print OOH
Video: Ad-supported, subscription-based streaming services
Social media: Stories
Search: Banner/display
Open web sites: Paid
Open web sites: Sponsored
In-store
Social media: Influencer posts/blogs
Video: Ad-supported, free streaming sites/apps
Out-of-home: Digital
Social media: Video display in-feed
Social media: Sponsored ads
Video: Addressable linear/VOD
Sponsored third-party event

Base: Total, n=330
If you were given an unlimited budget...Please select the top three media platforms/channels you'd invest in that you are not currently using.

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hulu

Hulu is the leading premium streaming service offering live and on-demand TV and movies, with and without commercials, both in and outside the home. Launched in 2008, Hulu is the only service that gives viewers instant access to current shows from every major U.S. broadcast network; libraries of hit TV series and films; and acclaimed Hulu Originals like Emmy® and Golden Globe Award-winning series The Handmaid's Tale, Emmy® Award-nominated series including The Looming Tower, The Act, Catch-22, Castle Rock, and Pen15 alongside hit series Marvel's Runaways, Ramy, Shrill and Oscar® and Emmy®-nominated documentary film Minding the Gap. The service also streams live news, entertainment and sports from 21st Century Fox, The Walt Disney Company, NBCUniversal, CBS Corporation, The CW, Turner Networks, A+E Networks and Discovery Networks – available all in one place. Upcoming Hulu Originals include Little Fires Everywhere from Reese Witherspoon and Kerry Washington and The Dropout based on the ABC News investigative podcast and starring Kate McKinnon.

For more information, please visit hulu.com.

Pinterest is a visual discovery engine people use to find inspiration for their lives, including recipes, home and style ideas, travel destinations and more. People have saved more than 200 billion Pins across a range of interests, which others with similar tastes can discover through search and recommendations. Located in San Francisco, Pinterest launched in 2010 and has more than 300 million monthly users around the world. Available on iOS and Android, and at pinterest.com.

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