
2020

Deciphering Direct-to-Consumer

An Insider's Guide to America's Fastest Growing Brands

Agenda

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Digital-Native, Data-Driven, Outcomes-Obsessed Companies

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Their Innovative Approach to Growth and the Consumer

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A Deeper Look At The Evolution Of DTC Brands

5 Blurring The Lines Between 'Legacy' & 'Direct'
How DTC Tactics Are Inspiring Traditional Companies

Deciphering Direct-to-Consumer

While the world's biggest marketers are all searching for growth, **a new growth sector** within the American economy has quickly emerged over the last few years: **Direct-to-Consumer**.

As a rising segment within e-commerce, Direct-to-Consumer (DTC) companies **bypass traditional sales models** by selling their product directly to end customers.

DTC brands have been a disruptive force throughout society and have **rapidly taken market share from legacy companies** in even the most established categories like razors, shoes and mattresses. Direct-to-Consumer **isn't a fad** either as consumer acceptance and, most importantly, purchases continue to increase.

Within this guide, you'll see the **impact** the DTC segment is having within specific categories, learn about the **DNA of DTC brands** and their customers, discover their **innovative approaches to growth** and **how they're evolving** as they mature, and see **why incumbent brands are looking to DTC companies** for inspiration on how to evolve their business for today's world.

America's Fastest Growing Sector

Digital-Native, Data-Driven,
Outcomes-Obsessed Companies



What is the top priority of the world's largest marketers?

According to a GroupM analysis of recent earning call transcripts, the word **'grow'** (or **'growing'** & **'growth'**) was cited almost **three times more often** by top management than anything else among a data set of more than 300,000 words.

Also worth noting, **'consumers'** (or **'customers'**) – the key to supporting growth – ranked #2.

While almost all marketers are talking about growth, **what is the real growth sector in the American economy?**

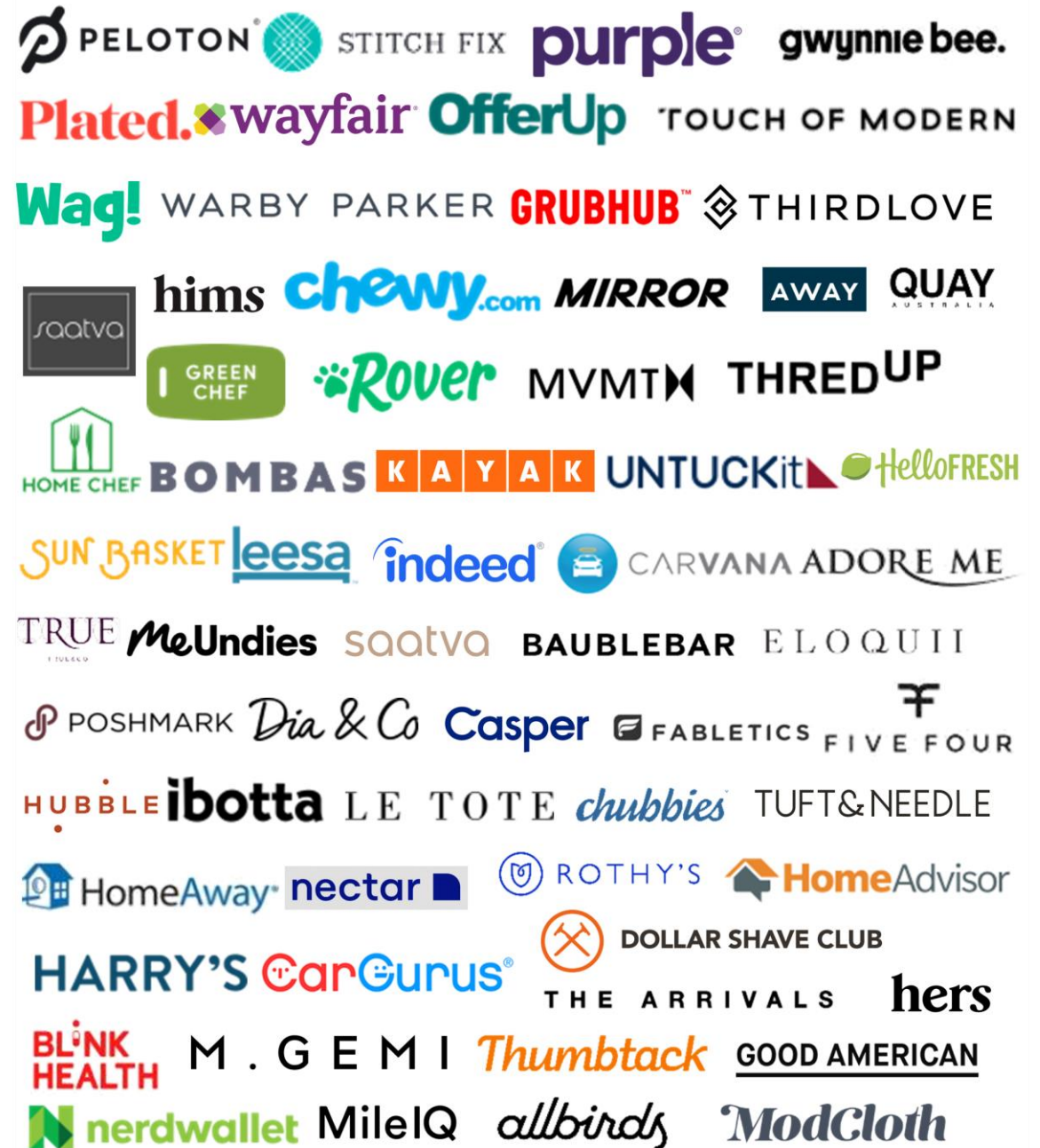


Source: Groupm, What Marketers Are Thinking About: Growth, Growth and More Growth, 9/16/2019, Brian Wieser (based on 35 companies with more than \$1.5bn in annual spending and that also allocated 4% or more of annual revenue to advertising, excluding major media owners).

Most of the fastest growing brands in the U.S. are Direct-to-Consumer

What are Direct-to-Consumer (DTC / D2C) or 'Direct' Brands?

Direct-to-Consumer (DTC / D2C) means the company is able to bypass traditional sales models by selling their product directly to end customers without being encumbered by third-party retailers, wholesalers or other parts of the legacy infrastructure / supply chain



'First mover' DTC brands began disrupting established categories anywhere from 5 - 20 years ago with varying degrees of success

Mattresses

Casper

(2014)

Meal Kits & Food Delivery

HelloFRESH

(2011)

Women's Clothing

gwynnie bee

(2011)

Men's Clothing

BONOBOS

(2007)

Eyewear / Contact Lenses

eyeconic.

(2001)

Luxury Bedding

BOLL & BRANCH™

(2013)

Pet Care

chewy

(2011)

Cosmetics / Beauty

tria.
BEAUTY

(2008)

Vacation Rentals

HomeAway

(2004)

Home Security

SimpliSafe™

(2006)

Transportation

Uber

(2009)

Dog Walking

Rover

(2011)

In-Home Services

Thumbtack

(2008)

Shaving & Grooming Products



DOLLAR SHAVE CLUB

(2011)

Personal Finance

nerdwallet

(2009)

Lingerie

ADORE ME

(2011)

Real Estate

REDFIN

(2004)

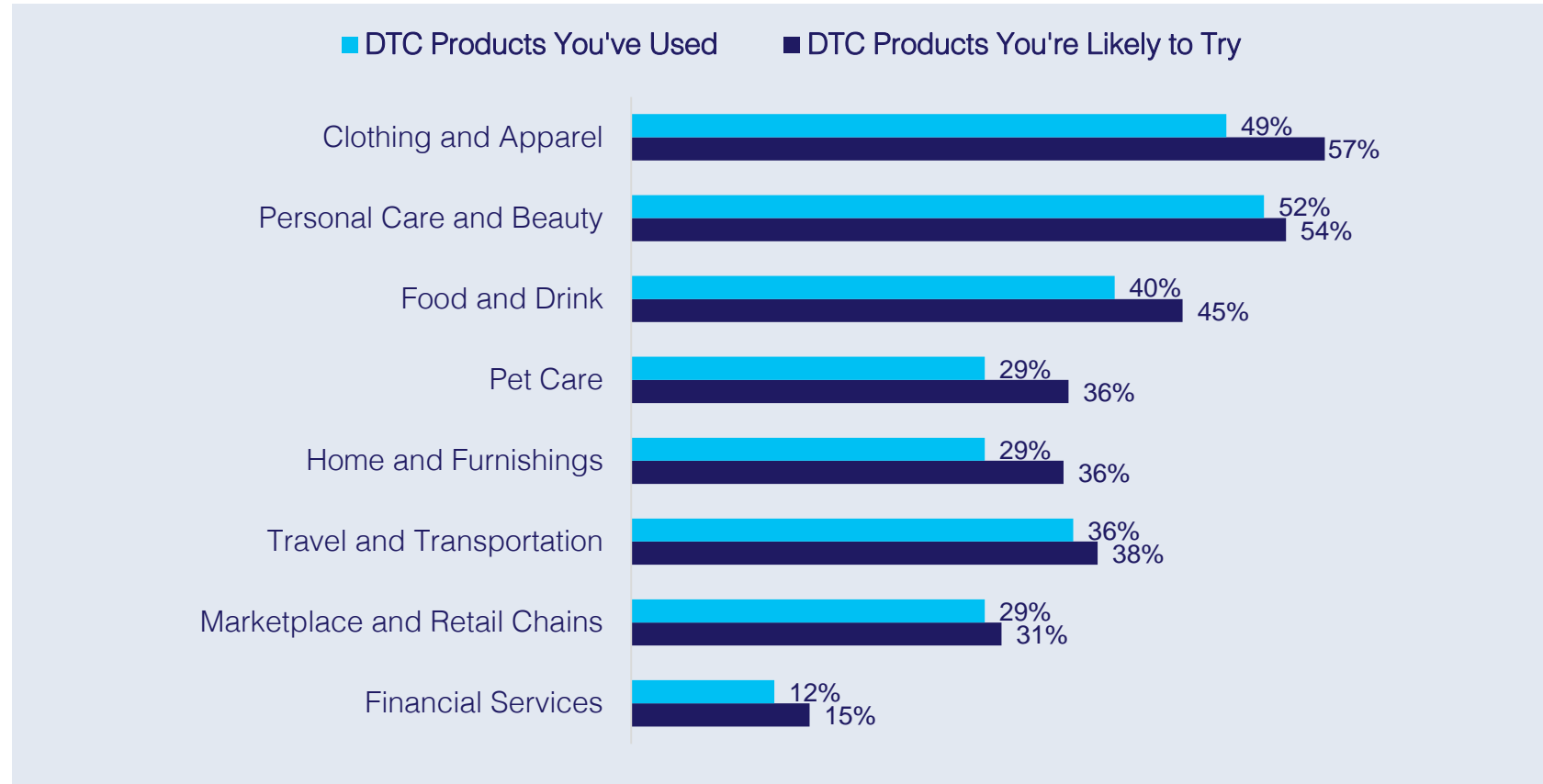
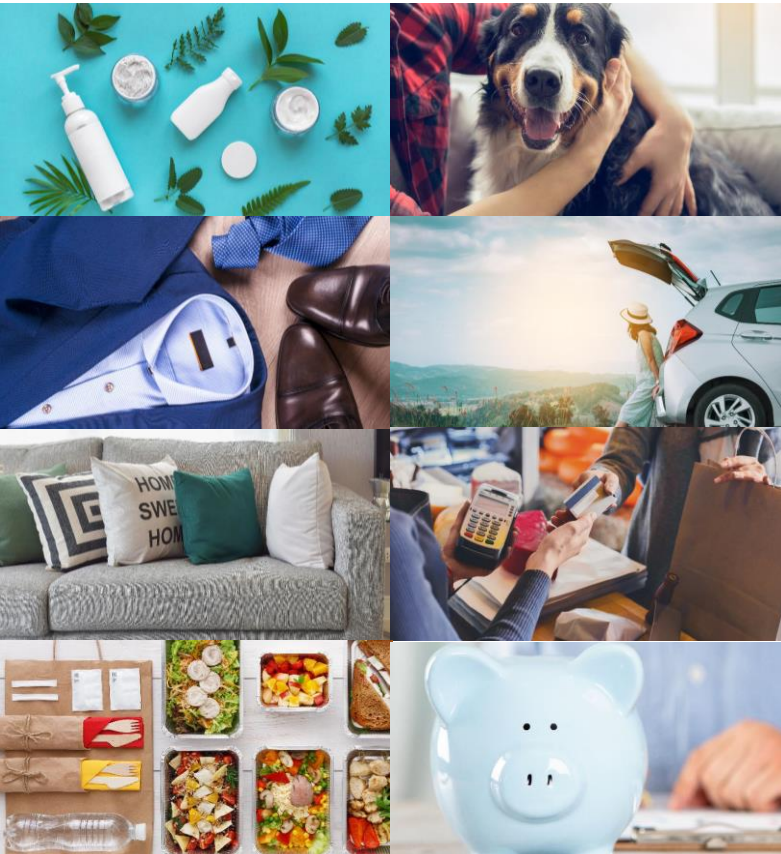
(year) = year founded

Recently, more DTC brands have entered the marketplace, by disrupting the original disruptors, within these established categories

<p><u>Mattresses</u></p> <p>Casper (2014) leesa (2014)</p> <p>purple (2015) nectar (2016)</p>	<p><u>Meal Kits & Food Delivery</u></p> <p>HelloFRESH (2011) Plated. (2012)</p> <p>Blue Apron (2012) HOME CHEF (2013)</p>	<p><u>Women's Clothing</u></p> <p>gwynnie bee (2011) Dia & Co (2014)</p> <p>ELOQUII (2014)</p>	<p><u>Men's Clothing</u></p> <p>BONOBOS (2007) PROPER CLOTH (2008)</p> <p>UNTUCKit (2010) FIVE FOUR (2012)</p>	<p><u>Eyewear / Contact Lenses</u></p> <p>eyeconic. (2001) WARBY PARKER (2010)</p> <p>HUBBLE (2016) ZENNI (2003)</p> <p>GlassesUSA.com (2009)</p>
<p><u>Luxury Bedding</u></p> <p>BOLL & BRANCH™ (2013)</p> <p>brooklinen (2014)</p>	<p>GREEN CHEF (2014)</p> <p>SUN BASKET (2014)</p>	<p><u>Pet Care</u></p> <p>chewy (2011) BARK=BOX (2011)</p>	<p><u>Cosmetics / Beauty</u></p> <p>tria. BEAUTY (2008) ipsy (2011)</p>	<p><u>Vacation Rentals</u></p> <p>HomeAway (2004) airbnb (2008)</p>
<p><u>Home Security</u></p> <p>SimpliSafe (2006) ring (2012)</p>	<p><u>Transportation</u></p> <p>Uber (2009) Lyft (2012)</p>	<p><u>Dog Walking</u></p> <p>Rover (2011) Wag! (2014)</p>	<p>BIRCHBOX (2010)</p>	<p>hometogo (2014)</p>
<p><u>In-Home Services</u></p> <p>Thumbtack (2008) TAKL (2016)</p> <p>puls (2015)</p>	<p><u>Shaving & Grooming Products</u></p> <p>DOLLAR SHAVE CLUB (2011) HARRY'S (2013)</p>	<p><u>Personal Finance</u></p> <p>nerdwallet (2009) SoFi (2011)</p>	<p><u>Lingerie</u></p> <p>ADORE ME (2011) TRUE (2012)</p> <p>THIRDLOVE (2013)</p>	<p><u>Real Estate</u></p> <p>REDFIN (2004) PURPLE BRICKS (2012)</p> <p>HomeLight (2012) Offerpad (2015)</p>

(year) = year founded

Trend-driven, high-trial categories such as personal care, apparel, food and pet care are some of the most popular DTC categories



Source: Adweek, May 19, 2019: [Infographic: What People Want From Direct-to-Consumer Brands](#), Toluna & Unmetric, 2019.

DTC startups that were only founded within the last decade have been siphoning market share from legacy brands who have existed for over 70 years

Category	 Razors	 Shoes	 Mattresses
DTC Brand Market Share	12%	15%	20%
Sampling of DTC Brands	 DOLLAR SHAVE CLUB (2011) HARRY'S (2012)	M . G E M I (2014) <i>allbirds</i> (2015)	TUFT&NEEDLE (2012) Casper (2013)
Category Incumbents	Gillette (1901)	 adidas (1949)	 Sealy (1883)

(XXXX) = Year Founded

Source: Luma Partners, 2019.

DTC brands are finding success across categories with their ability to evolve with consumers and fulfill a need that may not have been met previously by other brands

Category Insights

How the Category is Evolving

Pet Care



Pet ownership is at an all-time high and while adults continually find themselves pressed for time they rely on DTC services to help care for, and spoil, their pets

Adults 18+:
58% own a pet and **67%** believe pets deserve to be pampered

- U.S. pet industry sales grew by **4%** in 2018
- Online pet product sales were up **30%** in the first half of 2018
- Sales for direct brand dog walking services Rover & Wag! grew **30%** and **165%** respectively

Personal Care & Beauty Products



An abundance of make-up / skincare online tutorials and beauty-obsessed social influencers inspire consumers to splurge on personal maintenance. In fact, watch time for beauty YouTuber videos increased **75%** b/t 2017 & 2018

Adults 18+:
80% feel it is important to be well-groomed and **54%** prioritize maintaining a youthful appearance

- U.S. personal care & beauty products sales grew 4.5% in 2018
- Online personal care & beauty sales grew 24%
- Direct brand SiO Beauty tripled sales in 2018, while Kylie Cosmetics generated \$420MM in revenue in its first 18 months

Furniture



DTC brands' customization abilities allow consumers to 'build' a home that truly reflects their personal style

Adults 18+:
67% feel their home is an expression of their personal style and **46%** are more willing to purchase a product if they are able to customize it

- The total U.S. furniture market was flat from 2017 to 2018 and expected to grow annually by only **0.7%** through 2023
- However, digital sales accounted for a quarter of all dollars spent on home goods & furniture in 2018 and are projected to account for **38%** of sales in 2022

Sources:
 MRI-Simmons, 2019 Doublebase, U.S Adults 18+.
 Pet Ownership: American Pet Products Association via The Washington Post, 1/31/2019; reflects most recent available data from 2016.
 Pet Care: <https://www.emarketer.com/content/premium-pet-food-drives-sales> – American Pet Products Associate (APPA) as cited in press release, March 22, 2018, https://www.americanpetproducts.org/press_industrytrends.asp
 Pet Care: <https://www.vox.com/the-goods/2018/9/12/17831948/rover-wag-dog-walking-app> - transactional data provided by Earnest Research
 Personal Care & Beauty Products: <https://www.thinkwithgoogle.com/data/beauty-youtuber-video-watch-time-data/>
 Personal Care & Beauty Products: <https://www.digitalcommerce360.com/article/beauty-ecommerce-sales/>
 Personal Care & Beauty Products: <https://www.forbes.com/sites/richardkostenbaum/2018/09/09/beauty-industry-biggest-trends-skin-care-loreal-shiseido-lauder/#9b79d2469823>
 Personal Care & Beauty Products: <https://beautyandmoney.com/events/beauty-and-money-nv-2018>
 Furniture: <https://www.statista.com/outlook/17000000/109/furniture/united-states> – CAGR 2019-2023
 Furniture: <https://www.statista.com/outlook/17000000/109/furniture/united-states#market-arpu>

DTC brands are attentive to consumers' modern needs even within 'necessity' categories such as food preparation, eyewear and mattresses

Category Insights

Meal Kits



Often times, hectic work & personal lives don't leave much room for meal planning or grocery shopping, especially for the **49%** of employed U.S. women who are their household's primary breadwinner

Adults 18+:

66% are often too busy to finish everything they need to do in a day and **73%** are always on the lookout for quick and easy meal options

DTC eyewear brands typically offer more cost-efficient eyewear (frames / contact lenses) than an optician and, as an added bonus, they can be delivered right to your door

Adults 18+:

62% wear eyeglasses, contact lenses and / or sunglasses and **56%** are willing to use the Internet to shop for fashion products

Mattresses



Many consumers prefer shopping online for mattresses over the potentially awkward in-store experiences of trying out mattresses and dealing with over-bearing salespeople

Adults 18+:

55% are medium-heavy sleepers (7+ hours / night), **53%** would rather shop online than go to a store

How the Category is Evolving

- The U.S. meal kit market generated around \$2.2 billion in 2017 and has continued to increase each year
- The market is projected to reach \$14.2 billion by 2025

- The U.S. online eyewear market was valued at \$338 million in 2017, a 16% increase compared to 2016
- The market is expected to reach \$505.4 million by 2025

- More than 100 'bed-in-a-box' companies like Casper, Leesa and Purple collectively doubled their U.S. market share between 2016-2018 as leading legacy brand Tempur Sealy saw sales decline 4.6% in the first half of 2018 and Mattress Firm declared bankruptcy

Sources:
 MRI-Simmons, 2019 Doublebase, U.S. Adults 18+.
 Meal Kits: Forbes, *Women Are Working More Than Ever, But They Still Take On Most Household Responsibilities*, 5/27/19
 Meal Kits: <https://www.adroitmarketresearch.com/industry-reports/us-meal-kit-market>
 Meal Kits: <https://globalnewsclip.com/2019/07/30/u-s-meal-kit-market-size-2019-industry-analysis-share-trends-growing-demand-segmentation-and-forecasts-2025/>
 Eyewear: <https://www.prnewswire.com/news-releases/us-online-eyewear-market-size-worth-usd-5054-million-by-2025-hexa-research-678739483.html>
 Mattresses: <https://www.usatoday.com/story/money/2018/08/07/mattress-firm-mattress-wars-casper-leesa-steinhoff-international/921721002>

Style and luxury is even becoming more accessible through DTC brands who are tailoring high-end goods to the needs of individual consumers

Category Insights

How the Category is Evolving

Department Stores



Many consumers don't like to spend their free time shopping & prefer brands that provide customizable products that convey the right image

Adults 18+:

57% don't think that shopping is a great way to relax and **48%** feel you can tell a lot about a person by the clothes they wear

- American department stores continued a long-term decline over five years through 2018, with revenue falling at an annualized rate of 4.1%
- Several clothing subscription services have seen double-digit growth, like 'stylist-in-a-box,' Stitch Fix, which expects to increase revenues 20-25% in 2019

Luxury Goods



Time-pressed, affluent consumers are looking for luxury & convenience. A greater level of comfort with online shopping has led to an increase in their willingness to purchase even expensive luxury items via the Internet

Adults 18+:

64% are typically willing to pay more for high-quality items and **71%** of adults with a \$100K+ HHI are so busy, they often can't finish everything they need to do

- U.S. personal luxury goods brick-and-mortar sales grew 4% in 2018 while online luxury sales grew 22%

Luggage



A need for quality, cost-efficient, smart luggage is on the rise as record-breaking levels of Americans are traveling each year

Adults 18+:

43% are planning on traveling in the next year, **67%** would rather book a trip over the Internet than meet with a travel agent & **64%** feel technology helps make their lives more organized

- The smart luggage company, Away, grew 198% year over year in revenue
- By 2018, 80% of incremental dollars in luggage sales were generated online

Sources:

MRI-Simmons, 2019 Doublebase, U.S. Adults 18+.

Department Stores: <https://www.ibisworld.com/industry-trends/market-research-reports/retail-trade/general-merchandise-stores/department-stores.html>

Department Stores: <https://markets.businessinsider.com/news/stocks/stitch-fix-stock-price-climbs-on-analyst-buy-rating-2019-7-1028372461>

Luxury Goods: <https://www.bain.com/about/media-center/press-releases/2018/fall-luxury-goods-market-study/>

Luggage: <https://www.rakutenintelligence.com/blog/2018/running-away-smart-luggage-company-sees-sales-growth-of-nearly-200-percent>

Luggage: <https://www.npd.com/wps/portal/npd/us/blog/2018/luggage-takes-flight/>

Travel: AAA Newsroom, AAA Says 115.6 Million Travelers will Break Holiday Records, 12/12/2019.

DTC brands continue to grow and are nearly everywhere (CPG, ‘on-demand services,’ ‘subscription boxes’), thriving in even the most niche categories

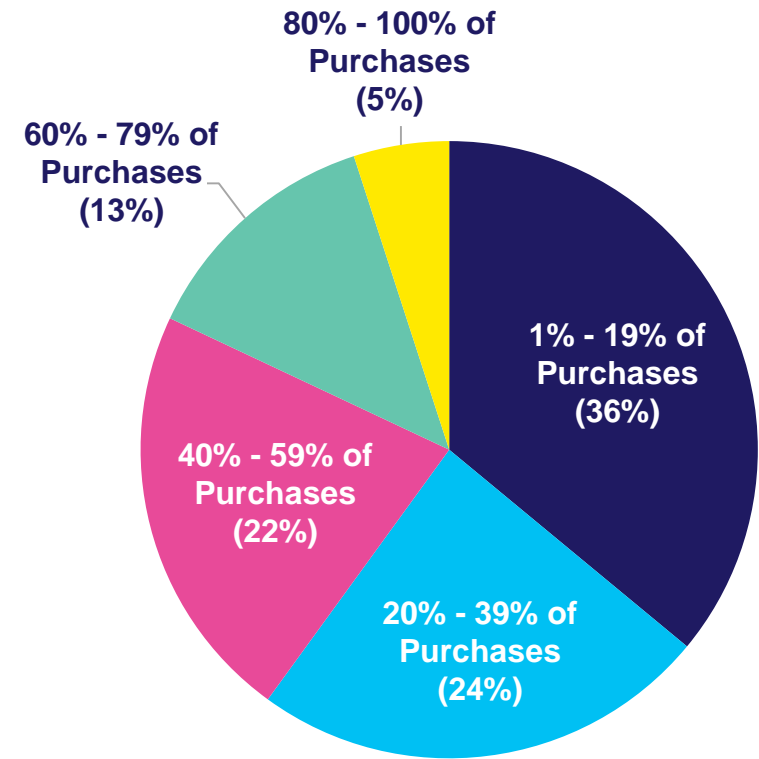
<p><u>Watches</u></p> <p>MVMTM (2013)</p>	<p><u>Hair Coloring</u></p> <p>MADISONREED® (2013)</p>	<p><u>Wine Club</u></p> <p>TR TASTING ROOM (2010)</p>	<p><u>Luxury Consignment</u></p> <p>The RealReal AUTHENTICATED LUXURY CONSIGNMENT (2011)</p>	<p><u>Healthy Snacks</u></p> <p>graze.com nature delivered (2007)</p>	<p><u>Socks</u></p> <p>BOMBAS (2013)</p>	<p><u>Hearing Aids</u></p> <p>EARGO (2010)</p>
<p><u>Water Filters</u></p> <p>FILTERSFAST.COM Filter. Purify. Protect. (2005)</p>	<p><u>Hair Loss</u></p> <p>Keeps (2017)</p>	<p><u>Coconut Oil-Based Beauty Products</u></p> <p>KOPARI (2015)</p>	<p><u>Invisible Braces</u></p> <p>smile DIRECT CLUB (2014)</p>	<p>NATUREBOX (2011)</p>	<p><u>Massages</u></p> <p>SOOTHE (2013)</p>	<p><u>Wholesale Retailer</u></p> <p>BOXED (2013)</p>
<p><u>Air Filters</u></p> <p>Filter Easy. (2013)</p>	<p><u>Wedding Registry</u></p> <p>ZOLA (2013)</p>	<p><u>Luggage</u></p> <p>AWAY (2015)</p>	<p><u>Electric Toothbrushes</u></p> <p>QUIP (2014)</p>	<p><u>Therapy</u></p> <p>talkspace (2012)</p>	<p><u>Murder Mystery Game (Subscription)</u></p> <p>HUNT A KILLER (2016)</p>	<p><u>Language</u></p> <p>+Babbel (2007)</p>
<p><u>Exercise</u></p> <p>PELOTON® (2012)</p>	<p><u>Kids' Education</u></p> <p>Little Passports A GLOBAL ADVENTURE (2010)</p>	<p><u>Designer Dresses</u></p> <p>RENT THE RUNWAY (2009)</p>	<p><u>Gifts For Men</u></p> <p>MAIN GRATES AWESOME GIFTS FOR MEN. (2012)</p>	<p><u>Boots</u></p> <p>TECOVAS FINE BOOTMAKERS (2014)</p>	<p><u>Vests (Apparel)</u></p> <p>SCOTTeVEST (2000)</p>	

(year) = year founded

‘Direct-to-Consumer’ is not only here to stay but is projected to account for a significant portion of purchases in the near future

Two-thirds of Internet Users expect that **20% or more** of their total purchases will be through DTC brands within the next five years

How Much Do US Internet Users Expect to Purchase from DTC Companies in the Next 5 Years?



The DNA of DTC Brands

Their Innovative Approach to
Growth and the Consumer



DTC brands build themselves around the needs of the modern consumer



How Are DTC Brands Attracting Consumers?



Deliver On A Specific Consumer Need



Ensure That Their Products Are Designed & Executed Well



Offer Their Product At A Fair Price



Take Pride In Excellent Customer Service / Experience



Simplify The Buying / Returning / Exchanging Process

DTC brand's modern business models deliver many benefits to consumers over traditional retailers, especially when it comes to cost, flexibility and customer service

Primary Reasons For Purchasing DTC Over Traditional Retailers



48%

Cheaper Cost



43%

Fast, Free Shipping & Easy Returns



26%

Positive Media Coverage Or Reviews



26%

Superior Customer Service



22%

Better Product Design



16%

Better Company & Brand Design



15%

Company Donates To People In Need With A Product Purchase



12%

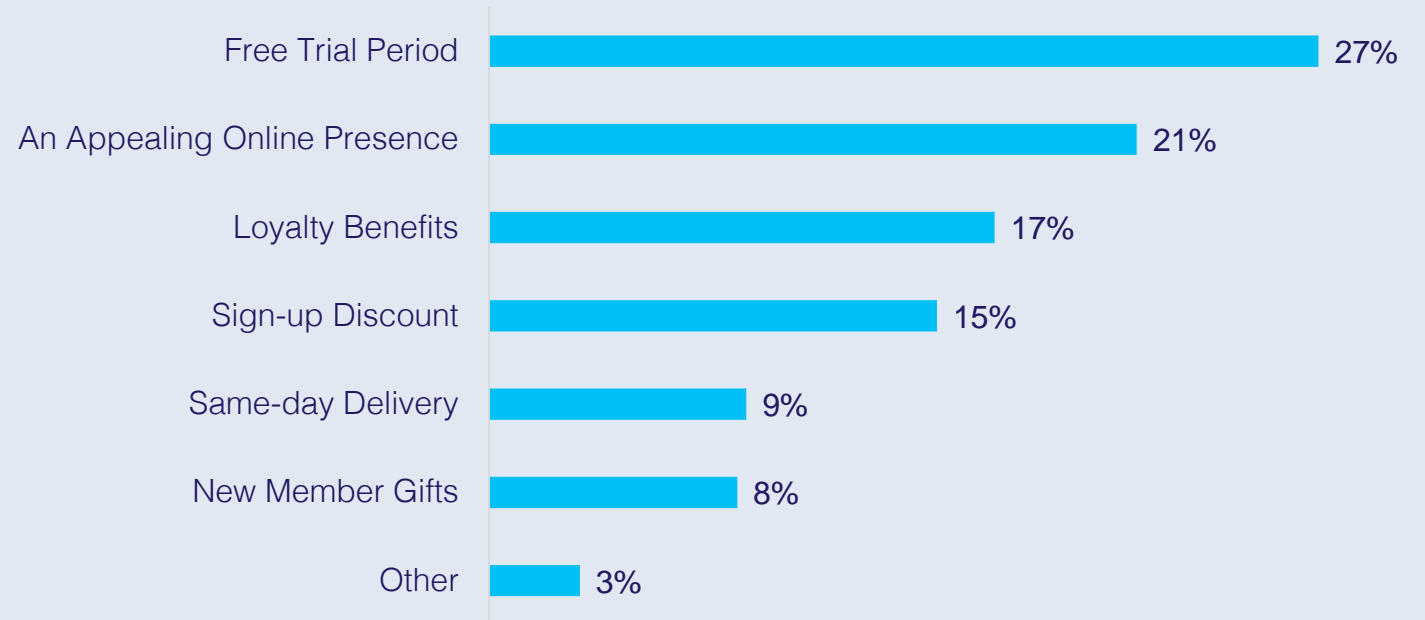
Ability To Subscribe To Automatic Refills Of Product

Source: Diffusion, 2020 Direct-To-Consumer Purchase Intent Index, 2019; respondents able to select multiple options.

Being digital-native, DTC brands can more easily lure in prospective customers through 'free trials' and other online-based acquisition methods



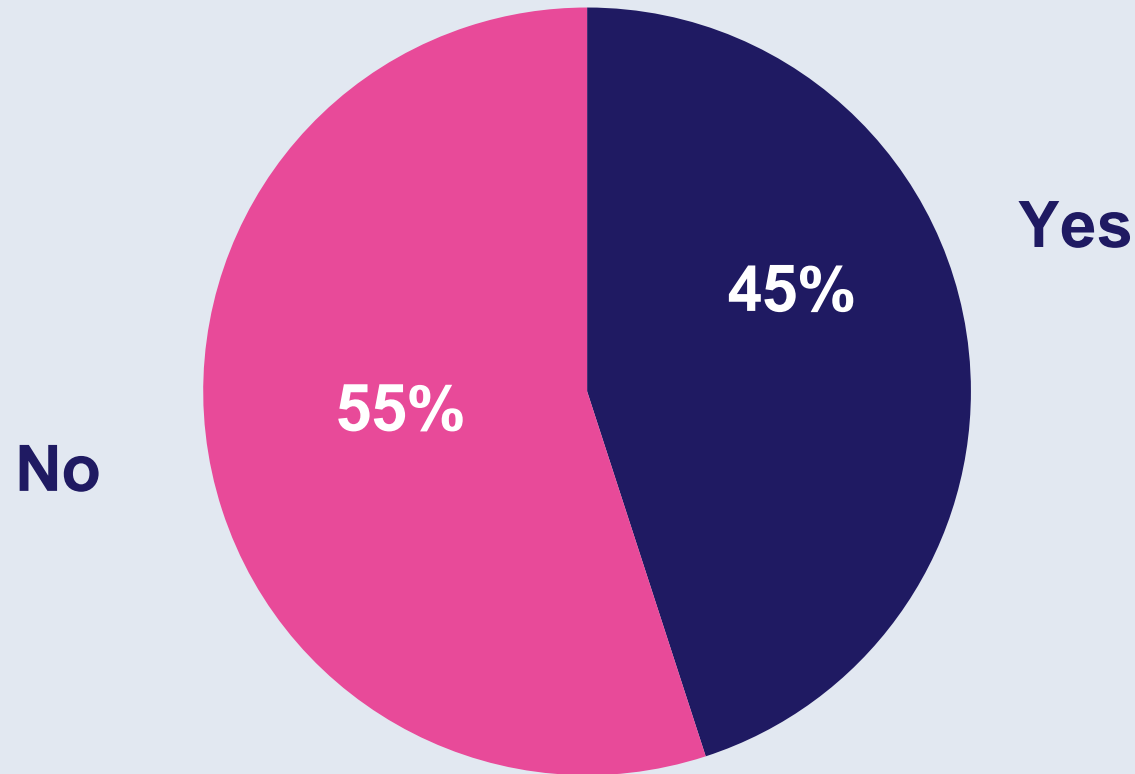
Which of the Following Would Most Compel You to Consider Trying a New DTC Brand?



Source: Adweek, May 19, 2019: [Infographic: What People Want From Direct-to-Consumer Brands](#), Toluna & Unmetric, 2019.

With the influx of new entrants across categories & the ability to convert free-trial users into paying customers, almost half of consumers have now purchased a product from a DTC brand

Have you ever bought from a DTC brand?



Source: Adweek, May 19, 2019: [Infographic: What People Want From Direct-to-Consumer Brands](#), Toluna & Unmetric, 2019.

Even though DTC brands sell directly to the consumer, they are not traditional Direct Response products

Direct-to-Consumer Brands

PELOTON



Casper



HelloFRESH



MVMT



QUIP



STITCH FIX



Direct Response Products





DTC brands differentiate themselves from Direct Response products and their incumbent competitors by adhering to a common set of core principles...

DTC Brands' Core Principles

They're **E-commerce**

They're **Data-Obsessed**

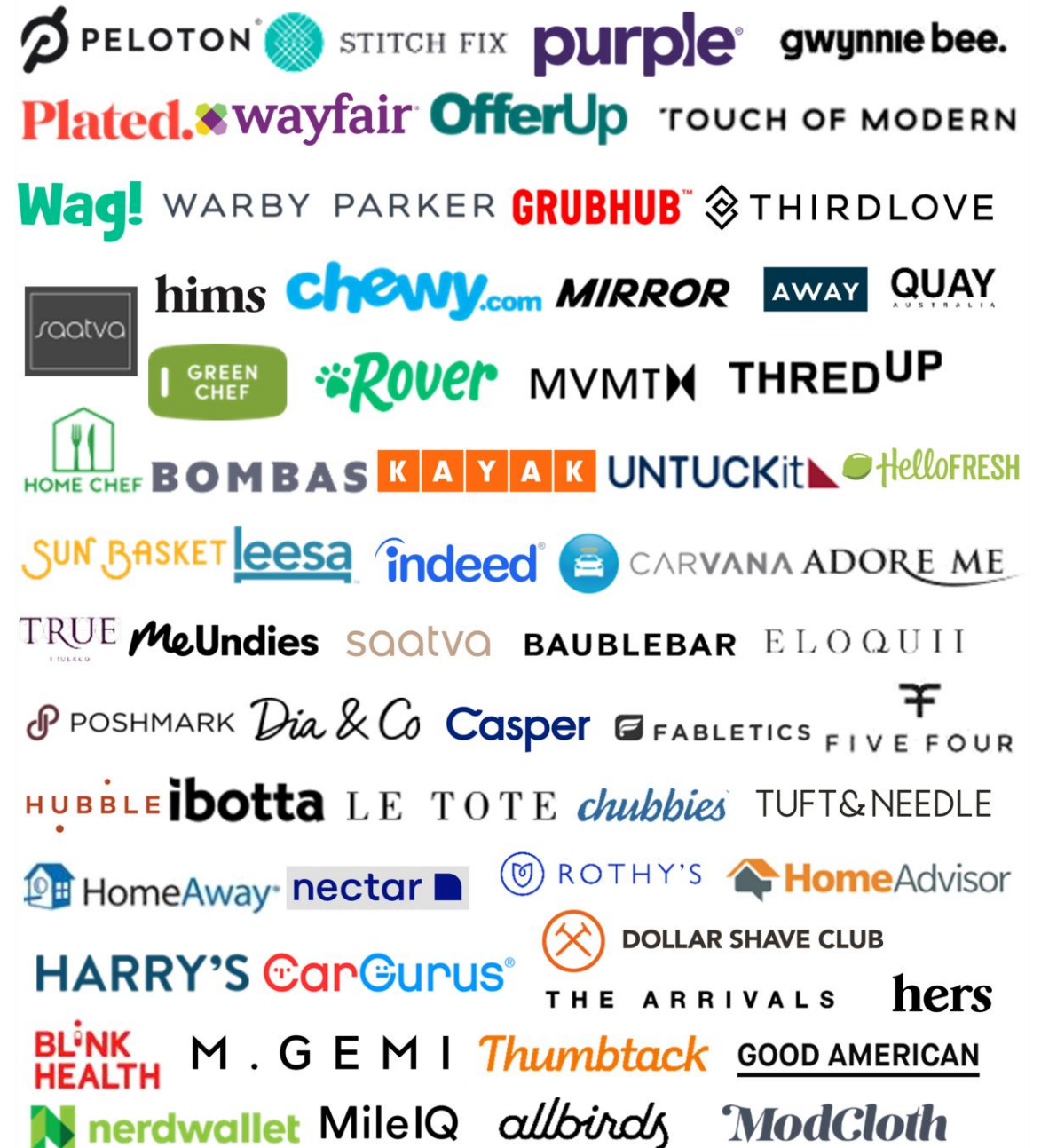
They're **Socially-Interactive**

They're **Design-Focused**

They're **Consumer-Centric**

They're **Customer-Led**

They're **Mission-Driven**



They're Data-Obsessed

- ▶ DTC brands capitalize on their direct relationship with their customers online, which gives them the ability to collect and analyze first-party data internally and use it to continually build a better product and enhance the customer experience.



“When you see our data making a direct impact on a customer’s happiness, it really shows that using data isn’t cold or impersonal. It’s the best way to get to know our customers and figure out how we can give them exactly what they want — a perfectly fitting bra.”

- Heidi Zak, Co-Founder & Co-CEO, ThirdLove

“Internally, we are a tech company first and foremost. Outwardly, we focus on the product, the experience and the community, but everything comes together because of serious technology we have behind the scenes.”

-Graham Stanton, Co-Founder & SVP Global Marketing & Sales, Peloton



“We understand online very well, we also understand consumer behavior and we’re a very data driven company. Those are all advantages we have, because that is basically where we came from.”

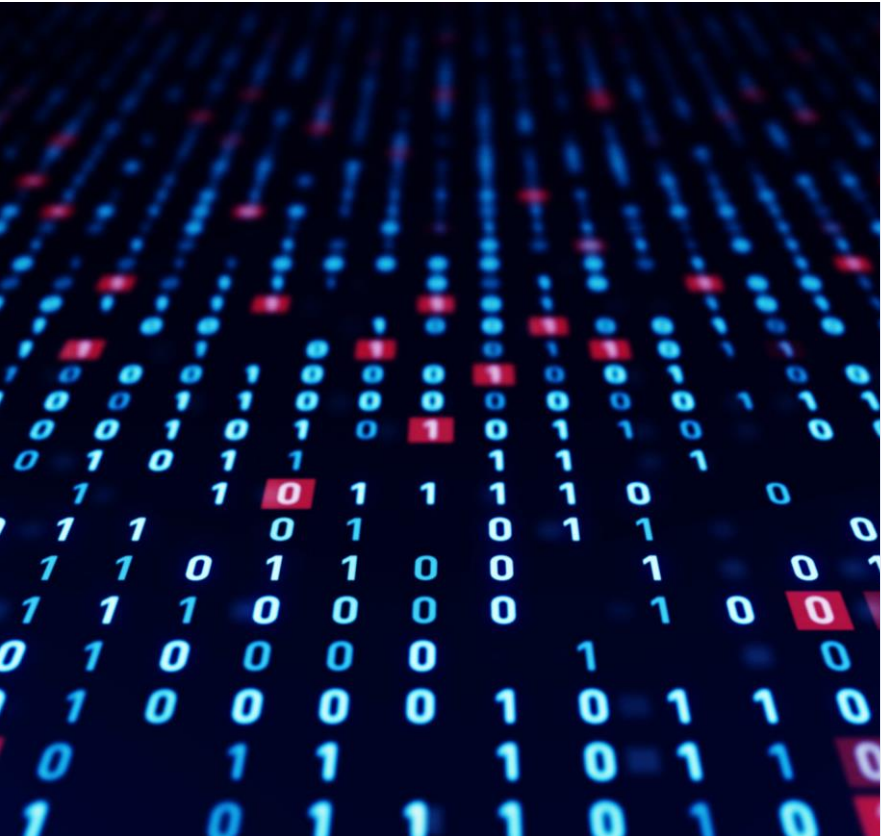
- Constantin Eis, Co-Founder & Global Managing Director, Casper

Bonus Consumer Insight

74% of DTC shoppers feel that technology has an impact on their daily life

Source: VAB analysis of MRI-Simmons, 2019 Doublebase (Index vs. A18+); DTC Brand Shopper Target (36% of A18+ population) = (“Ordered any item over the Internet in last 12 months”) + (Agree with 2 out of 3 statements: “The Internet is a great way to actually buy products [any agree]”, “I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]”, “In general, I’d rather shop online than go to a store [any agree]”) + (Agree with 2 out of 3 statements: “Simplicity-Keeping your life and mind as uncluttered as possible [very important]”, “I prefer to shop at stores that specialize in a specific type or style of product [any agree]”, “Technology helps make my life more organized [any agree]”).

With data science a core competency, most DTC companies rely on data & analytics for their media decision-making



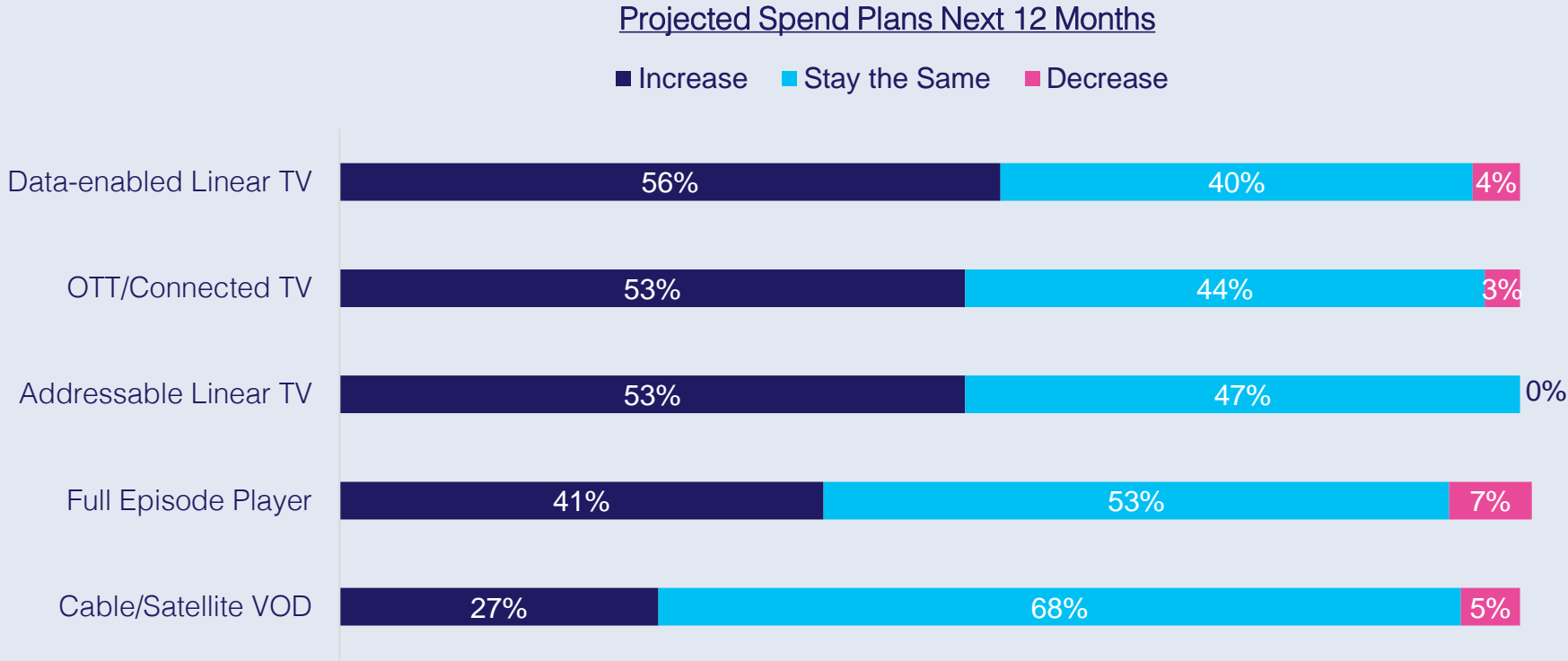
Performance is their currency and DTC companies know exactly what media works for growing and perhaps, more importantly, retaining their customer base

DTC's top KPIs are focused on growth metrics like sales, customer acquisition, conversion rates and website traffic

Through their own analytics, these brands can quickly 'test & learn' how their media placements (and creative content) are performing and their agility allows them to react / optimize swiftly and scale up when necessary

DTC brands are embracing advanced TV for its ‘digital-like’ targeting

▶ In fact, DTC brands who value performance & branding are planning to increase their spend in advanced / addressable TV data solutions



Real-World Example:
ThirdLove buys a mix of traditional TV and addressable TV ads, and measures traditional TV ads and addressable TV spots by website visits, conversions and cost-per-actions using third party-party TV analytics software.

Source: Amobee (Videology) Ad Perceptions Survey April 2018. IAB, How To Build a 21st Century Brand, 2019-2020;

They're Socially-Interactive

- ▶ 27% of [DTC shoppers](#) like to connect with brands on social media – by maintaining a strong presence online, DTC brands are able to directly engage with customers through a two-way ‘feedback and response’ conversation in real-time which aids in cultivating brand ambassadors and retaining recent purchasers

AWAY

How Away has Leveraged Social Media to Gain a Cult Following

BARK-BOX

BarkBox uses social media and cute pups to drive customer engagement

BIRCHBOX ♦

How Birchbox uses social media for personalisation and discovery

airbnb

Airbnb leverages social media challenge to build global community

Source: VAB analysis of MRI-Simmons, 2019 Doublebase (Index vs. A18+); DTC Brand Shopper Target (36% of A18+ population) = (“Ordered any item over the Internet in last 12 months”) + (Agree with 2 out of 3 statements: “The Internet is a great way to actually buy products [any agree]”, “I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]”, “In general, I’d rather shop online than go to a store [any agree]”) + (Agree with 2 out of 3 statements: “Simplicity-Keeping your life and mind as uncluttered as possible [very important]”, “I prefer to shop at stores that specialize in a specific type or style of product [any agree]”, “Technology helps make my life more organized [any agree]”).

Inherently digital, DTC brands reap benefits from advertising on social platforms through which they can engage directly with avid & loyal customers in real-time

▶ For example, DTC brands have seen success from utilizing Snapchat's Dynamic Ads format, which allows advertisers to automatically create ads from their own product catalogs & serve them to users on the platform based on interest they have shown in the brand online

By targeting consumers who have already expressed interest in their brand with personalized ads, these brands were able to decrease their [cost per purchase](#) while increasing their [return on ad spend](#)

VITALY
(Accessories)

-21% in cost-per-purchase

+29% in ROAS vs. other cross-platform e-commerce ads

PRINCESS POLLY
(Women's Apparel)

-60% in cost-per-purchase

+171% in ROAS vs. similar product-focused campaigns

SHADY RAYS®
(Sunglasses)

-66% in cost-per-purchase

+286% in ROAS vs. other cross-platform e-commerce ads

Source: Business Insider, Direct-to-consumer brands that have tested Snapchat's latest ad format say it's helping drive returns while bringing their cost-per-purchase down, 10/17/2019.

Multiscreen TV companies can also provide brands an opportunity to partner with ‘Influencers’ and create branded content which is distributed across their portfolio of social and digital platforms

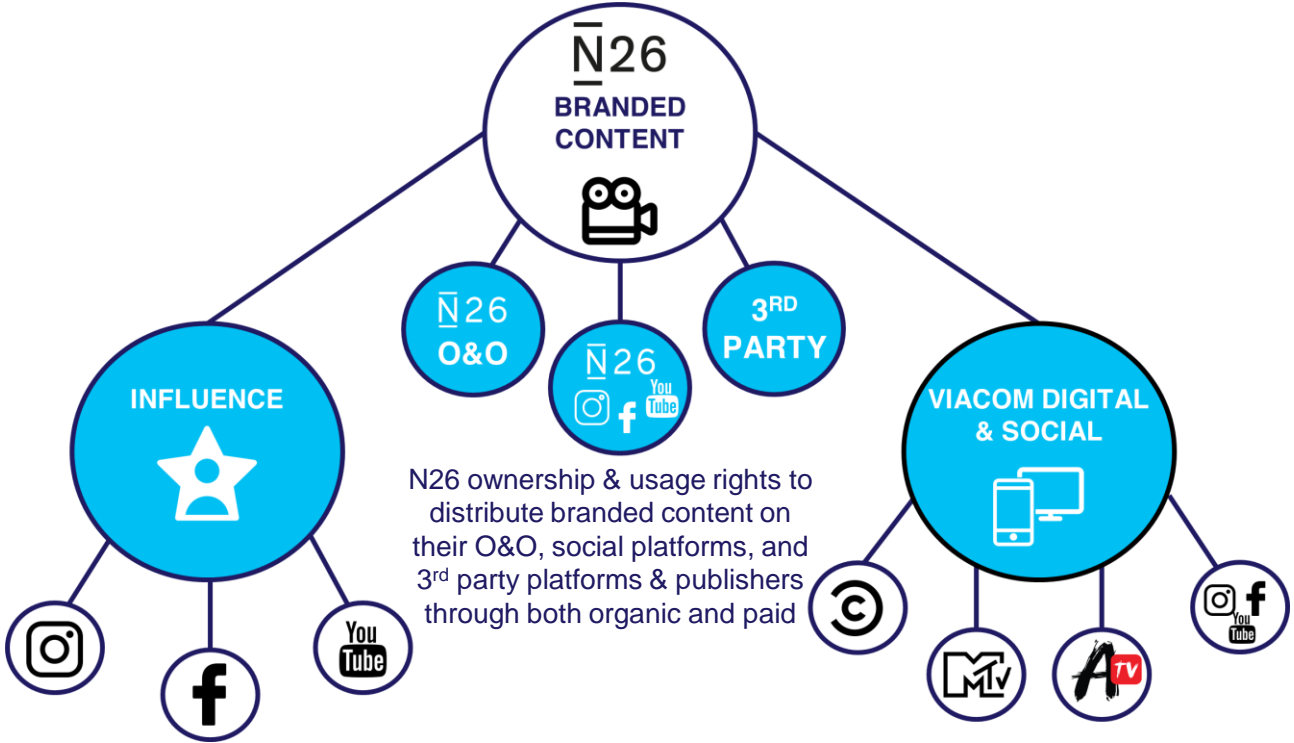
The Category: Mobile Banking

- The Objective:**
- Boost **Brand Awareness & Positive Association** Among U.S. Millennials & Gen Z
 - Build **Brand Reinforcement**
 - Drive **Brand Conversion & Consumer Sign-Up**

- The Strategy:**
- Create custom video content to tell the brand’s story & forge a meaningful connection with brands
 - Leveraging Viacom’s extensive reach & engaged audience base, **distribute content** across the content ecosystem:
 - Viacom O&O platforms
 - N26’s social footprint & 3rd party platforms
 - Tap ‘**influencers**’ to call consumers to action by either **downloading the N26 app** or **signing up on their website**

VIACOMCBS / N26 Partnership

Content Ecosystem



Enlist trusted influencers that the audience looks to for guidance to show, rather than tell, the many benefits of N26 and drive users to take action

Targeted cross-platform distribution of N26 brand creative across Viacom Digital properties including, Sites, Apps, and VOD/OTT

They're Design-Focused

- ▶ DTC brands often pride themselves on having a sleek, recognizable yet simple style for both product functionality and as 'talk value' across social media. Product design is becoming even more important as a way for DTC brands to differentiate themselves from similar new brand entrants crowding the marketplace.



“The insight that kicked this whole journey off was, ‘**Could you make a very, very simple sneaker that wasn’t adorned with branding?**’ It felt like it was very, very hard to find.”

-Tim Brown, Co-Founder, **Allbirds**

“Unlike the big brands that overdesign and overcharge, we make a high-quality shave that’s made by real guys for real guys... We’ve built Harry’s to reflect our passions and values: **affinity for simple design, appreciation of well-made things, and a belief that companies should make the world a better place.**“

CB Insights, 'We Analyzed 14 Of The Biggest Direct-to-Consumer Success Stories To Figure Out The Secrets To Their Growth — Here's What We Learned,' 9/19/2019

Bonus Consumer Insight

72% of [DTC shoppers](#) say they buy brands that reflect their style

Source: VAB analysis of MRI-Simmons, 2019 Doublebase (Index vs. A18+); DTC Brand Shopper Target (36% of A18+ population) = (“Ordered any item over the Internet in last 12 months”) + (Agree with 2 out of 3 statements: “The Internet is a great way to actually buy products [any agree]”, “I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]”, “In general, I’d rather shop online than go to a store [any agree]”) + (Agree with 2 out of 3 statements: “Simplicity-Keeping your life and mind as uncluttered as possible [very important]”, “I prefer to shop at stores that specialize in a specific type or style of product [any agree]”, “Technology helps make my life more organized [any agree]”).

They're Consumer-Centric

- ▶ Many DTC companies are founded on the desire to make peoples' lives easier by solving a common problem. They recognize that their customers lead busy lives and by tapping into that mindset, they are able to simplify the shopping experience and make the customer their primary focus.

chewy.com

"We have folks in customer service that are dedicated to reading and responding to reviews. **We are proactive about responding to our customer reviews to show them that we care.**"

- Kelli Durkin, VP of Customer Service, Chewy

WARBY PARKER

"**From inception, customer service was incredibly important to us.** We were building Warby Parker as an antidote to the poor customer service we experienced, and the high prices we saw, while shopping for glasses."

- Neil Blumenthal, Co-Founder & Co-CEO, Warby Parker

wayfair

"**We're very customer-oriented....**We've always built our own technology, so we've been able to do creative things that help customers get what they want."

- Niraj Shah, Co-Founder & Co-CEO, Wayfair

Bonus Consumer Insight

78% of [DTC shoppers](#) purchase products to help organize their life

Source: VAB analysis of MRI-Simmons, 2019 Doublebase (Index vs. A18+); DTC Brand Shopper Target (36% of A18+ population) = ("Ordered any item over the Internet in last 12 months") + (Agree with 2 out of 3 statements: "The Internet is a great way to actually buy products [any agree]", "I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]", "In general, I'd rather shop online than go to a store [any agree]") + (Agree with 2 out of 3 statements: "Simplicity-Keeping your life and mind as uncluttered as possible [very important]", "I prefer to shop at stores that specialize in a specific type or style of product [any agree]", "Technology helps make my life more organized [any agree]").

They're Customer-Led

- ▶ 83% of [DTC shoppers](#) rely on the reviews of others before buying a product and 33% often write product reviews themselves. Due to their e-commerce business model, DTC brands can not only tackle issues directly from consumers in real time, and typically faster than their more traditional competitors, but they can also use customer feedback to quickly enhance their product offering.

hims hers

“Your customers will tell you very loudly when you’re doing a good job and when you’re not doing a good job of hitting your mission, and **it’s an incredibly motivating feedback loop to have**”

Hilary Coles, Co-Founder
Hims & Hers
Business of Fashion, 5/8/19

allbirds

“We don’t have to wait for the wholesalers to feed [responses] back to us or wait for ‘open to buy’ windows; **we can make those changes in real time** and we’ve done that from the beginning,” said Brown. “**[Customers] are a part of this journey** and I think its been an enormous business advantage for us.”

Tim Brown, Co-Founder
Allbirds
Business of Fashion, 5/8/19

GOOD AMERICAN

“You learn the hard way, right, **because if you ask for customer feedback, my god, you’re going to get it** — good or bad or ugly...Size 15 is now my third best selling size, and it didn’t exist [before].”

Emma Grede, Founder & CEO
Good American
Business of Fashion, 5/8/19

Source: VAB analysis of MRI-Simmons, 2019 Doublebase (Index vs. A18+); DTC Brand Shopper Target (36% of A18+ population) = (“Ordered any item over the Internet in last 12 months”) + (Agree with 2 out of 3 statements: “The Internet is a great way to actually buy products [any agree]”, “I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]”, “In general, I’d rather shop online than go to a store [any agree]”) + (Agree with 2 out of 3 statements: “Simplicity-Keeping your life and mind as uncluttered as possible [very important]”, “I prefer to shop at stores that specialize in a specific type or style of product [any agree]”, “Technology helps make my life more organized [any agree]”).

They're Mission-Driven

- ▶ Today, more and more consumers are looking to buy brands with a purpose. In fact, **37%** of [DTC shoppers](#) shop with the expectation that a brand should support social causes. By actively taking steps to improve the world, DTC brands are able to increase brand loyalty and build more of an emotional connection with their customers.

BOMBAS

Bombas founders wanted to help the homeless – by giving them socks



"We just got obsessed with this idea that we could help solve a problem through starting a business."
- David Heath, Co-Founder, *Bombas*



Leesa Sleep Tackles Bedlessness on World Homeless Day

The mattress company will organize mattress giving events around the country and donate one mattress for every mattress sold on October 10th
Gold Medalist Aly Raisman joins Leesa in New York at Bowery Mission
Philanthropic children across America join forces with Leesa to make a difference in their communities

"It's our responsibility to be a force for good through business. At Leesa, giving is a privilege that we never take for granted."
- David Wolfe, Co-Founder & CEO, *Leesa*

Outdoor Voices

Outdoor Voices Encourages Consumer Activism With Nationwide Climate Strike Support



Bonus Consumer Insight

63% of [DTC shoppers](#) are willing to pay more for a product that is environmentally safe



TOMS works with more than
100 GIVING PARTNERS
TO DELIVER TOMS SHOES, SIGHT, WATER, SAFE BIRTHS AND BULLYING PREVENTION TO PEOPLE IN NEED.

Source: VAB analysis of MRI-Simmons, 2019 Doublebase (Index vs. A18+); DTC Brand Shopper Target (36% of A18+ population) = ("Ordered any item over the Internet in last 12 months") + (Agree with 2 out of 3 statements: "The Internet is a great way to actually buy products [any agree]", "I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]", "In general, I'd rather shop online than go to a store [any agree]") + (Agree with 2 out of 3 statements: "Simplicity-Keeping your life and mind as uncluttered as possible [very important]", "I prefer to shop at stores that specialize in a specific type or style of product [any agree]", "Technology helps make my life more organized [any agree]").

By adhering to a **core set of principles**, DTC brands have tapped into a rising class of consumers who are **time-pressed & tech savvy**.

Unlike legacy brands who were built around last-century values, DTC brands have been **shaped to fit today's lifestyle**.

DTC Brands' Core Principles

They're **E-commerce**

They're **Data-Obsessed**

They're **Socially-Interactive**

They're **Design-Focused**

They're **Consumer-Centric**

They're **Customer-Led**

They're **Mission-Driven**

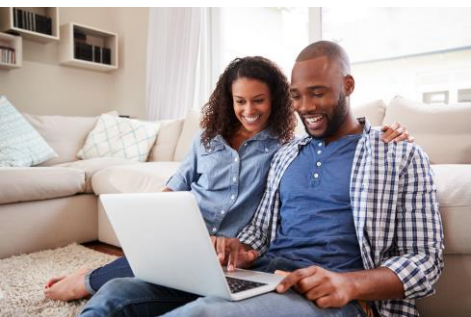
The 'Direct-to-Consumer' Shopper Profile

Who Are They And What Motivates Them?



Who is the DTC Shopper?

- ▶ DTC shoppers are more likely to be **educated**, **affluent**, **young professionals** living in **metropolitan areas** who are focused on their **careers** and **family**



'DTC Shopper' Key Characteristics

- Affluent young professionals who lead busy, time-pressed lives
 - **24%** have a household income of \$100K - \$150K (**137**)
 - **56%** consider their work to be a career, not just a job (**124**)
 - **70%** are so busy, they often can't finish everything they need to in a day (**106**)
- Tech-savvy and eager to adopt new technologies / media
 - **70%** are fascinated by new technology (**121**)
 - **20%** have listened to podcasts on their phone in the last 30 days (**149**)
- Distinguished by a mindset rather than their life-stage or age group
 - **23%** are between the ages of 25 and 34 (**126**)
 - **29%** are between the ages of 35 and 49 (**118**)
 - **43%** have children living at home (**112**)

% = percent of DTC Brand Shoppers. (xxx) = index vs. A18+

Source: VAB analysis of MRI-Simmons, 2019 Doublebase (Index vs. A18+); DTC Brand Shopper Target (36% of A18+ population) = ("Ordered any item over the Internet in last 12 months") + (Agree with 2 out of 3 statements: "The Internet is a great way to actually buy products [any agree]", "I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]", "In general, I'd rather shop online than go to a store [any agree]") + (Agree with 2 out of 3 statements: "Simplicity-Keeping your life and mind as uncluttered as possible [very important]", "I prefer to shop at stores that specialize in a specific type or style of product [any agree]", "Technology helps make my life more organized [any agree]").

To understand the mindset of the DTC Shopper, VAB explored their **core characteristics** and developed **4 custom archetypes** based on who they are and what motivates them



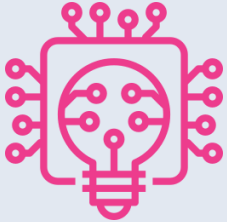
Mobility, early technology adoption, convenience, comfort, knowledge and advocacy highlight the main characteristics of the DTC shopper

VAB's Four DTC Shopper Archetypes



Internet Idolizers

They are **constantly connected** and **use the Internet for exploration**, whether it's to buy an otherwise 'hard-to-find' product, conduct price comparisons or shop for their personal needs. They **make great use of their mobile device** for both functional reasons and shopping.



Technology Tastemakers

They are busy professionals who see technology as a way to better organize and streamline their lives. They have their **finger on the pulse of the latest technology** and these early adopters **own a lot of gadgets that feature the latest tech innovations**.



Convenience Conquerors

Due to their busy lifestyles, convenience is key for DTC shoppers. They have a **strong comfort level with conducting even their most sensitive transactions online** and they use this to their advantage to **gain cost efficiencies** when shopping and making purchases.



Perceptive Purchasers

They **seek quality** and are **willing to pay** for it. As they explore products to enhance their lives, these shoppers do their **due diligence through research** to make sure they are making the right purchase. Once they do use a product, they will **use their voice as an advocate** if they have a positive experience.

Source: VAB analysis of MRI-Simmons, 2019 Doublebase; DTC Brand Shopper Target (36% of A18+ population) = ("Ordered any item over the Internet in last 12 months") + (Agree with 2 out of 3 statements: "The Internet is a great way to actually buy products [any agree]", "I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]", "In general, I'd rather shop online than go to a store [any agree]") + (Agree with 2 out of 3 statements: "Simplicity-Keeping your life and mind as uncluttered as possible [very important]", "I prefer to shop at stores that specialize in a specific type or style of product [any agree]", "Technology helps make my life more organized [any agree]").



Internet Idolizers

- ▶ DTC shoppers are **constantly connected** and they **use the Internet for exploration**, whether it's to buy an otherwise 'hard-to-find' product, conduct price comparisons or shop for their personal needs. They **make great use of their mobile device** in particular for both functional reasons (like getting directions) and shopping.

Constantly Connected

- **70%** would feel disconnected without the Internet **(123)**
- **69%** say going online is one of their favorite things to do with their free time **(119)**
- **65%** like to be connected, either by phone or Internet, at all times **(118)**

Online Explorers

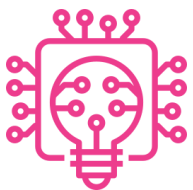
- **87%** use the Internet to buy hard-to-find products **(125)**
- **81%** like to compare prices across different sites before purchasing something online **(119)**
- **72%** are willing to use the Internet to shop for fashion products **(129)**

Anytime, Anywhere Accessibility

- **79%** say whenever they are going somewhere new, they rely on their phone / mobile device to help get them there **(115)**
- **68%** often use their mobile device to compare prices before making a purchase **(121)**
- **61%** often use their mobile device inside a store to help them make a purchase decision **(124)**

% = percent of DTC Brand Shoppers. (xxx) = index vs. A18+

Source: VAB analysis of MRI-Simmons, 2019 Doublebase (Index vs. A18+); DTC Brand Shopper Target (36% of A18+ population) = ("Ordered any item over the Internet in last 12 months") + (Agree with 2 out of 3 statements: "The Internet is a great way to actually buy products [any agree]", "I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]", "In general, I'd rather shop online than go to a store [any agree]") + (Agree with 2 out of 3 statements: "Simplicity-Keeping your life and mind as uncluttered as possible [very important]", "I prefer to shop at stores that specialize in a specific type or style of product [any agree]", "Technology helps make my life more organized [any agree]").



Technology Tastemakers

- ▶ DTC shoppers are busy professionals who see technology as a way to better organize and streamline their lives. They have their **finger on the pulse of the latest technology** and these early adopters **own a lot of gadgets that feature the latest tech innovations**. Often they are the **first of their friends to try new products** which extends to emerging media like podcasts and online video steaming services as well.

Tech Junkies

- **70%** are fascinated by new technology **(121)**
- **63%** enjoy reading about new technology products **(119)**
- **37%** like to have a lot of gadgets **(117)**

On The Cutting Edge

- **60%** say they prefer products that offer the latest in new technology **(115)**
- **35%** say they are among the first of their friends and colleagues to try new technology products **(119)**

Emerging Media Adopters

- **60%** say that online access to TV programs means always something to watch **(119)**
- **52%** say that subscribing to online video services is totally worth the money **(124)**
- **20%** have listened to podcasts on their phone in the last 30 days **(149)**

% = percent of DTC Brand Shoppers. (xxx) = index vs. A18+

Source: VAB analysis of MRI-Simmons, 2019 Doublebase (Index vs. A18+); DTC Brand Shopper Target (34% of A18+ population) = ("Ordered any item over the Internet in last 12 months") + (Agree with 2 out of 3 statements: "The Internet is a great way to actually buy products [any agree]", "I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]", "In general, I'd rather shop online than go to a store [any agree]") + (Agree with 2 out of 3 statements: "Simplicity-Keeping your life and mind as uncluttered as possible [very important]", "I prefer to shop at stores that specialize in a specific type or style of product [any agree]", "Technology helps make my life more organized [any agree]").



Convenience Conquerors

- ▶ Due to their busy lifestyles, **convenience is key** for DTC shoppers. Because they are tech tastemakers and Internet idolizers, these consumers have a **strong comfort level with conducting even their most sensitive transactions online** and they use this to their advantage to **gain cost efficiencies** for themselves, like their desire for 'free shipping' when making purchases.

Mobile Enabling 'Ease of Use'

- **72%** say that mobile apps have made their life so much more convenient **(119)**

Comfortable Making Online Transactions

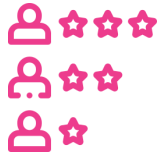
- **82%** would be happy to use the internet to carry out their day-to-day banking transactions **(128)**
- **80%** would rather book a trip over the Internet than meet with a travel agent **(119)**
- **73%** have paid bills online in the last 12 months **(142)**

Utilizing Internet For Cost Efficiencies

- **84%** say the offer of 'free shipping' attracts me to a shopping website **(118)**

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Source: VAB analysis of MRI-Simmons, 2019 Doublebase (Index vs. A18+); DTC Brand Shopper Target (36% of A18+ population) = ("Ordered any item over the Internet in last 12 months") + (Agree with 2 out of 3 statements: "The Internet is a great way to actually buy products [any agree]", "I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]", "In general, I'd rather shop online than go to a store [any agree]") + (Agree with 2 out of 3 statements: "Simplicity-Keeping your life and mind as uncluttered as possible [very important]", "I prefer to shop at stores that specialize in a specific type or style of product [any agree]", "Technology helps make my life more organized [any agree]").



Perceptive Purchasers

- ▶ DTC shoppers **seek quality** and are **willing to pay a premium** for it. As they explore products to enhance their lives, these shoppers do their **due diligence through research** online and amongst friends to make sure they are making the right purchase. Once they do use a product, they will **use their voice as an advocate** if they have a positive brand and consumer experience...or they will do the opposite if they have a bad experience.

Quality Seekers Willing To Pay A Premium

- **74%** are typically willing to pay more for high-quality items **(115)**
- **71%** are willing to pay more for top quality electronics **(123)**

Avid Researchers

- **83%** say before purchasing a product online, they typically read online reviews submitted by others **(120)**
- **79%** like to read reviews before buying technology or electronics **(121)**
- **79%** say before buying electronics, they do as much research as possible **(121)**
- **67%** enjoy learning about technology or electronic products from others **(122)**

% = percent of DTC Brand Shoppers. (xxx) = index vs. A18+

Vocal Customers

- **66%** say when they find a technology or electronic product they like, they typically recommend it to people they know **(123)**
- **42%** give others advice when they are looking to buy technology or electronic products **(120)**
- **41%** often take the opportunity to discuss their knowledge of technology or electronic products with others **(118)**
- **33%** like to share their opinions about products and services by posting reviews and ratings online **(106)**

Source: VAB analysis of MRI-Simmons, 2019 Doublebase (Index vs. A18+); DTC Brand Shopper Target (36% of A18+ population) = ("Ordered any item over the Internet in last 12 months") + (Agree with 2 out of 3 statements: "The Internet is a great way to actually buy products [any agree]", "I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]", "In general, I'd rather shop online than go to a store [any agree]") + (Agree with 2 out of 3 statements: "Simplicity-Keeping your life and mind as uncluttered as possible [very important]", "I prefer to shop at stores that specialize in a specific type or style of product [any agree]", "Technology helps make my life more organized [any agree]").

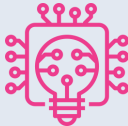
Why do marketers covet DTC shoppers?

▶ DTC shoppers have an outsized influence on the mass market and are predicted to be the “shoppers of tomorrow”

Vocal Early Adopters



Internet Idolizers



Technology Tastemakers



Convenience Conquerors



Perceptive Purchasers



Hard-to-Reach Audience With Above-Average Household Income



Median HH Income: **\$97K**

- Under \$50K: **20% (58)**
- \$50K - \$75K: **16% (94)**
- \$75K - \$99K: **15% (111)**
- \$100K - \$150K: **24% (137)**
- \$150K+: **24% (146)**

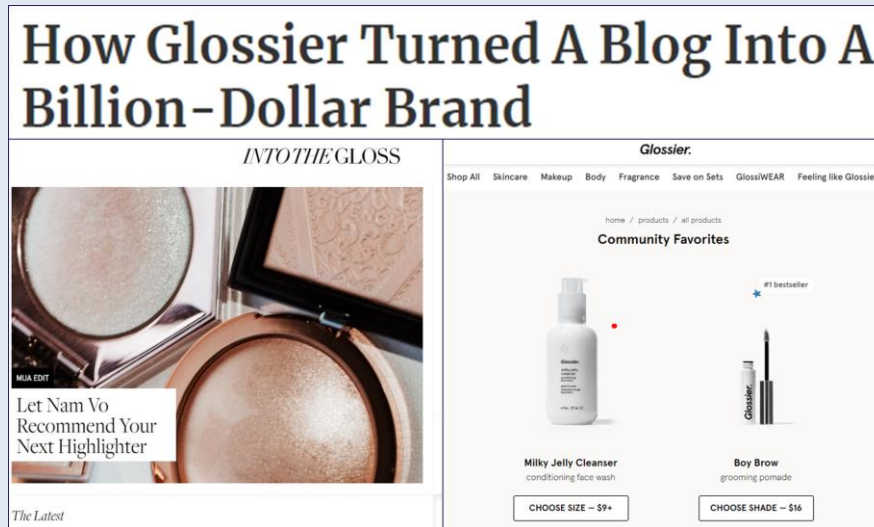
Source: VAB analysis of MRI-Simmons, 2019 Doublebase (Index vs. A18+); red indicates indices below 90; DTC Brand Shopper Target (36% of A18+ population) = (“Ordered any item over the Internet in last 12 months”) + (Agree with 2 out of 3 statements: “The Internet is a great way to actually buy products [any agree]”, “I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]”, “In general, I’d rather shop online than go to a store [any agree]”) + (Agree with 2 out of 3 statements: “Simplicity-Keeping your life and mind as uncluttered as possible [very important]”, “I prefer to shop at stores that specialize in a specific type or style of product [any agree]”, “Technology helps make my life more organized [any agree]”).

From Rebellious Kids To Responsible Adults

A Deeper Look At The Evolution
of DTC Brands



At inception, many DTC concepts start as a kernel of idea, or at least the desire to fulfill a consumer need through data & technology, and evolve into a brand



“It was never a pivot, (it) was a **total evolution** of the same mission, but with tactile content.”

- Emily Weiss, Founder, Glossier

Glossier.



PYMNTS.com
(online B2B publication)

“So seven years ago, **we were thinking about using data and tech to build a business with a strong economics unit that would positively impact the lives of consumers....And we did a bunch of analysis**, and found that apparel wasn’t working well online and hasn’t to date – and it seemed like a massive opportunity on the tech side to build something really disruptive.”

- Christine Hunsicker, Founder & CEO, Gwynnie Bee

gwynnie bee

As an idea becomes a business, many DTC brands set up point-of-sale & distribution systems through e-commerce platforms like Shopify, which is built specifically for online retailers



MVMTM

PARACHUTE

COLOURPOP

BOLL & BRANCH™

Tommy John®

leesa
a mattress redesigned

TESLA

puravida
LIVE FREE

chubbies

allbirds

DESMOND & DEMPSEY

BOMBAS

PIPCORN
DELICIOUS MINI POPCORN

DIGIDAY

Network effect: How Shopify is the platform powering the DTC brand revolution

“The 21st-century brand is the direct-to-consumer brand,” said Jeff Weiser, chief marketing officer at Shopify. **“A couple of things have enabled the rise of the DTC, which is the ability to outsource the supply chain.”** For Weiser, who described himself as “loving” anything to do with DTC, what Shopify does is power all of that ability — from selling to payments to marketing. “We run the gamut of a retail operating system.”

Brands above represent a sampling of DTC brands who use Shopify

DTC brands establish their customer base through social media, but to grow beyond their initial loyal, niche consumers they must add platforms that provide a broader audience

DTC Advertising Evolution

Social Media

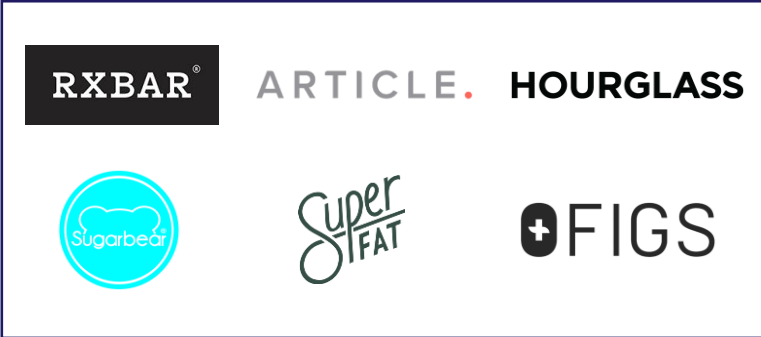
Sampling of brands that are primarily advertising in this channel



TERRITORY TERRITORYFOODS.COM Nextdoor INKBOX NUMI Payoff feals

Podcasts, Out-of-Home, Satellite Radio

Sampling of brands that have added these channels to their media mix



RXBAR ARTICLE HOURGLASS Sugarbear Super FAT FIGS

Multiscreen TV

Sampling of brands that have added TV to their media mix



BOXED TECOVAS chewy.com ROTHY'S classpass CARVANA

DTC Brand Maturity



To become “**main-stream**” and grow into a household name, DTC brands **must attract consumers beyond the typical DTC shopper.**

These customers **may not be as comfortable purchasing products online** or making a purchase without testing, or touching, it first.

For these brands, it’s **time to get physical...**



Many DTC brands create pop-up shops to directly connect with consumers and provide them with immersive, shareable, ‘on-brand’ experiences

- ▶ Over 150+ DTC brands have opened temporary pop-up shops throughout the country, especially in trendy neighborhoods where they can attract attention and clientele who will happily provide free PR by spreading the word to their social following



- Hungryroot opened a pop-up in New York’s Flatiron neighborhood for New Yorkers looking for nutrient-rich, vegan friendly, ready-made meals
- The brand refers to it as a ‘modern convenience store’ where customers can purchase customized Hungryroot oat cups, along with over 60 other Hungryroot products
- The pop-up also hosted a rotating series of events like weekend workouts and happy hours



- Barkbox opened BarkPark in September 2018 in Nashville, encompassing a landscaped green space designed for dogs to run around as well as access to Bark-branded toys and treats
- BarkPark will have trained professionals or ‘hosts’ that will monitor dog play and ensure safety with events like ‘Downward Dog Yoga’ and ‘Okto-Bark-Fest’
- This followed the brand’s launch in more than 1,800 Target stores nationwide in August 2018. The brand was also introduced inside Urban Outfitters.



Bonus Consumer Insight

72% of [DTC shoppers](#) feel it is very important to have stimulating experiences

Source: Forbes – DTC Healthy Food Brand Hungryroot Launches New York Pop-Up, March 26, 2019. Fortune – BarkBox Is Thinking Outside the Box With a New Experimental Retail Concept, August 16, 2018. MRI-Simmons, 2019 Doublebase; Index vs. A18+, DTC Brand Shopper Target (34% of A18+ population) = (“Ordered any item over the Internet in last 12 months”) + (Agree with 2 out of 3 statements: “The Internet is a great way to actually buy products [any agree]”, “I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]”, “In general, I’d rather shop online than go to a store [any agree]”) + (Agree with 2 out of 3 statements: “Simplicity-Keeping your life and mind as uncluttered as possible [very important]”, “I prefer to shop at stores that specialize in a specific type or style of product [any agree]”, “Technology helps make my life more organized [any agree]”).



The concept of a ‘DTC neighborhood’ is starting to take shape as more digital-native brands flock to the same areas within a metro area when opening up pop-up shops or permanent brick-and-mortar locations

Similar Client Base:

*“People who shop digitally native brands look similar....the category might change – clothing, home furnishing, menswear — but **these digital brands attract similar shoppers....Now these digital brands are coming to the same place because their shopper is very similar,**”*

- Jon Levy, VP of Brand Management, Leap

Centralized Where Consumers Reside:

*“When brands are starting to look at e-commerce data, they see where their customers live and shop. Brands have the billing zip codes, shipping zip codes and IP addresses **where people come from,**”*

- Jon Levy, VP of Brand Management, Leap



Source: Glossy, The Rise of the DTC Neighborhood, 12/16/2019.

Established brands looking to expand significantly are opening permanent brick-and-mortar stores, many of which are meant to create experiences almost as much as sales

▶ In fact, digitally-native brands will open 850 stores in the next five years, with Casper opening 200 stores within three years and Adore Me planning to open 300 stores in five years

2012	2013	2014	2015	2016	2017	2018
<p>BONOBOS</p>  <p>LXR AND CO</p>   <p>Reformation</p> 	<p>WARBY PARKER</p>  <p>PELOTON</p>  <p>sugarfina</p>  <p>elf</p> 	<p>Outdoor Voices</p>  <p>RENT THE RUNWAY</p>  <p>Zappos</p> 	<p>UNTUCKit</p>  <p>INDOCHINO</p>  <p>amazon books</p>  <p>BAUBLEBAR</p>  <p>FABLETICS</p>  <p>chubbies</p> 	<p>PARACHUTE</p>  <p>Glossier.</p>  <p>ModCloth</p>  <p>M. GEMI</p>  <p>A Y R</p> 	<p>AWAY</p>  <p>M.M.LAFLEUR</p>  <p>ELOQUII</p>  <p>allbirds</p>  <p>amazon go</p>  <p>TheRealReal</p>  <p>QUAY</p>  <p>goop</p>  <p>EVERLANE</p> 	<p>Casper THE ARRIVALS</p>  <p>ROTHY'S</p>  <p>FLOYD</p>  <p>ADORE ME</p>  <p>MeUndies</p>  <p>MIRROR</p>  <p>2019</p> <p>wayfair</p> 

"Many digitally-natives view (store) rent basically as search....What's the number of shoppers that come into my door divided by rent, which is basically what they'd be doing for Google Ad Words and things like that."

- Ray Hartjen, Marketing Director, RetailNext (Retail Dive, 4/18/19)

Source: JLL Retail Research Point of View, U.S., 2018. Year represents when the first store opened for each brand.

DTC brands have further increased their reach by developing partnerships with big retailers in order to get shelf space in front of more consumers



It's a complementary relationship as physical retailers need new, interesting product selections in stores while digital brands need new distribution points to acquire new customers more efficiently and build profitability

- For example, **65%** of Walmart Shoppers, **54%** of Target shoppers and **47%** of Nordstrom shoppers do not fall within the DTC shopper target



Source: MRI-Simmons, 2019 Doublebase; Index vs. A18+, DTC Brand Shopper Target (36% of A18+ population) = ("Ordered any item over the Internet in last 12 months") + (Agree with 2 out of 3 statements: "The Internet is a great way to actually buy products [any agree]", "I prefer purchasing things online for a fixed price, as opposed to bidding in online auctions [any agree]", "In general, I'd rather shop online than go to a store [any agree]") + (Agree with 2 out of 3 statements: "Simplicity-Keeping your life and mind as uncluttered as possible [very important]", "I prefer to shop at stores that specialize in a specific type or style of product [any agree]", "Technology helps make my life more organized [any agree]").

DTC brands often follow a similar trajectory when looking to grow from a rebellious kid to a responsible adult



At inception, many DTC brands start as a kernel of an idea



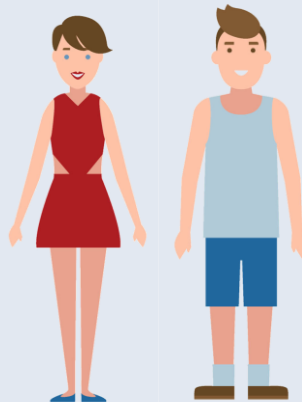
As an idea grows into a business, DTC brands establish themselves online through an e-commerce platform



After developing their brand through social media, DTC brands start testing other advertising channels like podcasts and experimenting with physical spaces like pop-up shops to provide more immersive experiences



These experiments with temporary, physical spaces can morph into more permanent brick-and-mortar locations



To increase their exposure among new customers, DTC brands are entering partnerships with major retailers to gain shelf space and moving into multiscreen TV advertising



The most successful DTC brands become acquisition targets of large conglomerates as traditional companies look to adopt their business practices and tech/innovation skillsets

Blurring The Lines Between 'Legacy' & 'Direct'

How DTC Tactics Are Inspiring Traditional
Companies



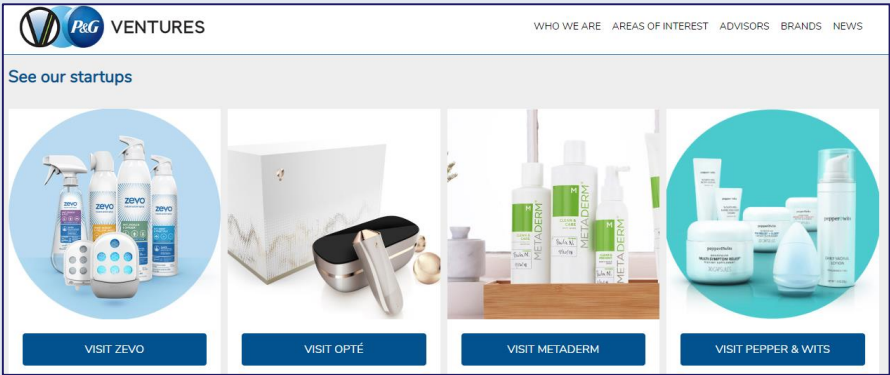
Traditional companies have been buying DTC brands to adopt new business practices and strengthen their positioning within the marketplace

Buyer	Seller	Date	\$\$\$	Buyer	Seller	Date	\$\$\$
		Apr '17	\$3.35B			May '18	\$200MM
		Aug '16	\$3.3B			Aug '13	\$150MM*
		Jul '19	\$2.2B			Jun '19	\$100MM
		Feb '18	\$1.0B			Feb '19	\$100MM
		Jul '16	\$1.0B			Jul '19	\$85MM
		May '11	\$1.0B			Aug '19	\$85MM
		Jul '14	\$350MM			Aug '18	N/A**
		Jun '17	\$310MM			May '19	N/A**
		Sep '17	\$300MM			Oct '19	N/A**
		Feb '11	\$270MM			Jan '20	N/A**

Source: Based on company announcements and publicly reported data & filings augmented from sources including LUMA, TechCrunch, AdAge, Adweek, Business Insider & CNBC. *\$\$\$ are estimated based on press reports as figures were not publicly released by either company. Above chart represents a sampling of recent acquisitions.

Beyond acquisitions, many major traditional companies are taking a page from the DTC handbook by creating internal tech incubators to nurture their own DTC brands

DIGIDAY  **'Brands start DTC': Inside Procter & Gamble's startup brand studio P&G Ventures** 9/30/2019



P&G now has several DTC acquisitions under its belt as a way to buy into relevance....However, acquisitions are culturally messy. And late-term free-spirited brands brought into the fold can get choked by the bureaucracy of big companies. **P&G Ventures is a way to find the best of both worlds — to play a role in the inception of different business and brand models, and then throw its weight at channel management and marketing weight behind them.**

- Dipanjan Chatterjee, VP and Principal Analyst at Forrester, in an email.

ADWEEK **L'ORÉAL**
L'oréal Debuts a Personalized Direct-to-Consumer Hair Color Brand
 Straight out of the company's tech incubator 5/8/2019



“[The goal of the data is] either to **improve for the customer [experience] through personalization** or through shades we should we carrying”
 – Guive Balooch, VP of Technology, L'Oréal

“The more information we collect, the more precise we will be even in the **understanding of the goal of the person**”
 - Olivier Blayac, General Manager, Color&Co

In fact, direct-to-consumer strategies and best practices are being adopted by established brands of all sizes across categories to grow their business



Under Armour Inc.'s **direct-to-consumer revenue**, which includes e-commerce sales, **grew 16.7% last year**, the retailer reported on Tuesday. In the fourth quarter, its direct-to-consumer revenue grew 13.5%.

Under Armour's direct-to-consumer sales grow nearly 17% in 2017

UNDER ARMOUR

Bloomberg News, 2/13/18



"A direct-to-consumer website allows us far deeper insights around clickstream data, consumer behavior, how they operate and where they live," said Trey Harshfield, Molson Coors' global director of e-commerce. "It's effectively solving another problem of driving awareness around buying beer."

Even Molson Coors is hatching a direct-to-consumer strategy

MOLSON COORS

Digiday, 4/1/2019



When Nike announced in 2015 that it plans to hit \$50 billion in sales by 2020, the **direct-to-consumer and digital businesses were two of the key ways it intended to get there.**

Nike is trying to become the next great direct-to-consumer brand

NIKE

Quartz, 3/23/18



Lisa Mathison, senior director/media at Conagra Brands states, **"We're observing what those brands are doing and we're trying to adapt,** and adopt some of those practices into our own marketing strategies.

Conagra draws lesson from direct-to-consumer brands

CONAGRA

WARC, 8/20/19



Much of Vans' **success is owed to its direct-to-consumer online channel**, which saw 50 percent growth year over year in the quarter.

How a Booming DTC Business is Powering Vans

VANS

Footwear News, 1/18/19



Amber Stepper, vice president of marketing noted, "the company has evolved many times over its 100 year history, and **developing the Evenflo Gold brand as a DTC model is the next step in that journey.**"

Why Traditional Brands Are Moving To DTC Model

EVENFLO

MediaPost, 2/27/19

Key takeaways about DTC brands



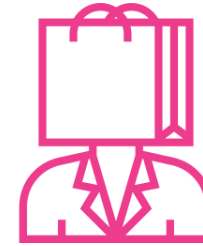
Fastest Growing Sector

While the world's biggest companies are searching for 'growth,' digital-native DTC brands are grabbing it by quickly taking market-share from established brands across categories.



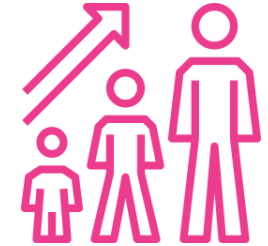
Modern Business Models

While DTC brands thrive across many established categories, they differentiate themselves from incumbent competitors by adhering to a common set of core principles focused on data, design, digital, the consumer and brand purpose.



The DTC Shopper Profile

Mobility, early technology adoption, convenience, knowledge and advocacy are the main characteristics of the DTC shopper. They are 'Internet Idolizers,' 'Technology Tastemakers,' 'Convenience Conquerors,' and 'Perceptive Purchasers.'



Evolving & Inspiring

As DTC brands explore new areas of growth, they begin to implement more tactics from traditional brands' playbooks while legacy companies look to the DTC segment for innovation and to apply best practices to their own businesses.

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