



Direct Outcomes

Analyzing The 'Big Bets' DTC Brands Are Making On TV

Find the complete Marketer's Guide at thevab.com



Deciphering Direct-to-Consumer

4 Key Takeaways

1

They are masters of their data universe and their own internal data analytics drive their business decisions

2

The only measurements that matter are the ones counting customer activations & business outcomes

3

Not distracted or persuaded by hype or false narratives, they let their numbers – and consumer actions - speak for themselves

4

Disrupting media through analytics by leveraging undervalued inventory to their strategic advantage



The *Direct Outcomes* marketer's guide

highlights how TV has been instrumental in driving consumer action across each stage of the purchase funnel for a robust set of Direct-to-Consumer brands

Today, not only are categories of all shapes and sizes being disrupted by Direct-to-Consumer brands, but now the original disruptors are being disrupted by new 'direct' brand entrants.

Case in point, in the 'mattress-in-a-box' category alone there are over 150 brands competing with the likes of Casper and Leesa for consumers' attention and, more importantly, their share of wallet.

These hypercompetitive business environments have sparked a need for marketers to **focus on both customer retention and acquisition** as brands look to reach a wider, new audience to expand their customer base.

While DTC brands typically launch with a social media-dominant strategy, **many brands have evolved and are going big into TV** as rising digital costs, difficulties

in effectively scaling their audience and advertising saturation present challenges to achieving further growth.

These brands have effectively employed TV to drive both **short- and long-term success** through the purchase funnel – from **skyrocketing website traffic that brings in millions of new prospective customers** immediately after a TV campaign launches to **significant lifts in sales** seen during sustained TV campaigns.

The proof of success is highlighted by the DTC brands themselves. With their cutting edge analytic tools and team of data scientists at their disposal, DTC brands **know exactly what media works for driving their business** which is why a set of 125 companies have bet big on TV, collectively **investing \$3.8 Billion** in TV advertising during 2018, a **60% increase** from just the year prior.

You Innovate. TV Elevates.

What Are Direct-to-Consumer (DTC) or 'Direct Brands'

Direct-to-Consumer (DTC) means the company is selling their product directly to end customers without third-party retailers, wholesalers or other middlemen

First-party data collection as well as performance measurement and analytics are core competencies of these companies

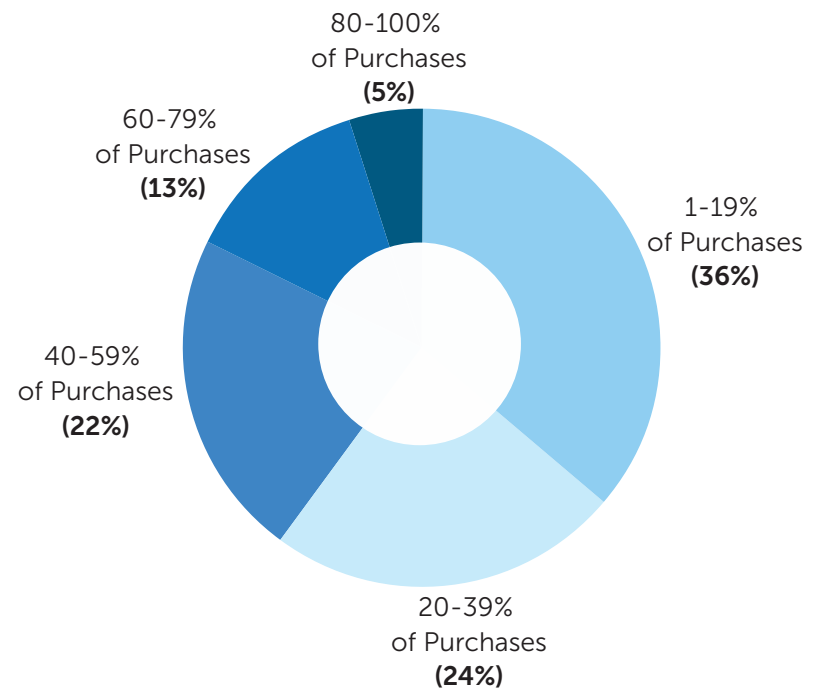
Chart Source: Luma Partners, 2019 D2C Brand Lumascape

Consumers Are Quickly Embracing DTC Brands

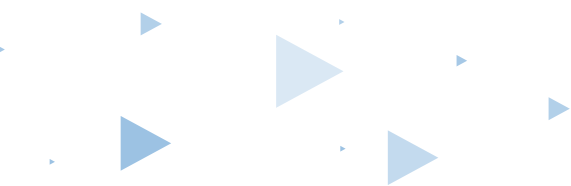
DTC brands are resonating with consumers due to their Frictionless Convenience, Product Quality and Fast & Free (Low-Cost) Shipping

64% 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?



Source: Diffusion, "2018 Direct-to-Consumer Purchase Intent Index" conducted by YouGov, October 4th, 2018



DTC brands are obsessed with utilizing data & technology to improve the consumer experience and maximize sales & profitability

With cutting edge analytic tools & a team of data scientists at their disposal, media channels are scrutinized and optimized on a real-time basis...

Simply put, **DTC companies know exactly what media works for driving their business**



*"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 & 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



At VAB, We've Been Passionate
About Identifying DTC Growth
Brands Within The U.S. Economy

Over the last six years,

VAB has tracked the business effects of TV spending from over 265 data-focused, performance-driven, digital-native DTC brands spanning 85+ categories



2014
'What's Driving Digital'
75 'Pure Play' Internet Brands



2016
'What's App'ning'
60 Mobile Apps



2017
'The Market-Changer's Playbook'
35 Category Disruptor Brands



2018
'Direct Impact'
50 Category Disruptor Brands

Through our in-depth, multi-year analyses, a key insight we've uncovered is the ability of TV to drive website traffic for DTC brands across categories

More specifically, brands typically see an immediate surge in website traffic upon the launch of a TV campaign

TV Spend Vs. Website Traffic Correlation

'The Market Changer's Playbook'
(Category Disruptors)



**50
Brands**

80%
Correlation between
TV spend & website traffic

'Direct Impact'
(Category Disruptors)



**35
Brands**

90%
Correlation between
TV spend & website traffic

In Fact, 'Direct-to-Consumer' Brands Are Now Some Of The Biggest TV Evangelists

*"A lot of people oftentimes don't understand the economics of TV and how to measure it. **TV can be less expensive and more beneficial than digital.** It just takes more to get an initial test off the ground, but **from a CPM basis, it's comparable, if not better, in some places,** especially now that people are buying for these hyper-targeted custom audiences in digital."*



David Webb, Director of Growth & Analytics, HelloFresh (Digiday, 6/20/18)

*"If I were advising another company, **I would tell them to test TV.** But, as a competitor, I would tell them not to."*

Jerry Hum, Co-Founder & CEO, **TOUCH OF MODERN** (May 2019)

***"We see the benefits of using it (TV) early.** It's not a small investment in terms of developing the creative and media costs, but **it's a channel that enables you to tell a story.**"*



Steven Gutentag, Co-Founder, Keeps (Digiday, 1/22/19)

***"Television is definitely a growing channel for us.** There is something physical about TV...Something physical that someone touches. **In some ways, it's just more real.**"*

Heidi Zak, Co-Founder & CEO, ThirdLove (Digiday, 1/22/19)



*"Increasingly, **TV provides you with just as much analytics and ability to attribute** where customers are coming from."*



Malcolm Scovil, Head of Marketing, Tophat (Digiday, 6/20/18)

*"The Wayfair brand is only a little over six years old and we've been able to build it as a household brand very quickly over just the last few years. **Without using television, I don't think we would be where we are today.**"*

Niraj Shah, Co-Founder, Wayfair (2018)





In 2019, We Conducted Our Largest
Analysis Yet, Exploring 125 DTC
Brands Across 52 Categories

125

'Direct-to-Consumer'
brands analyzed across
52 DTC categories

These
data-focused,
performance-driven
brands are **obsessed with**
investing in media that delivers
quantifiable **business outcomes**



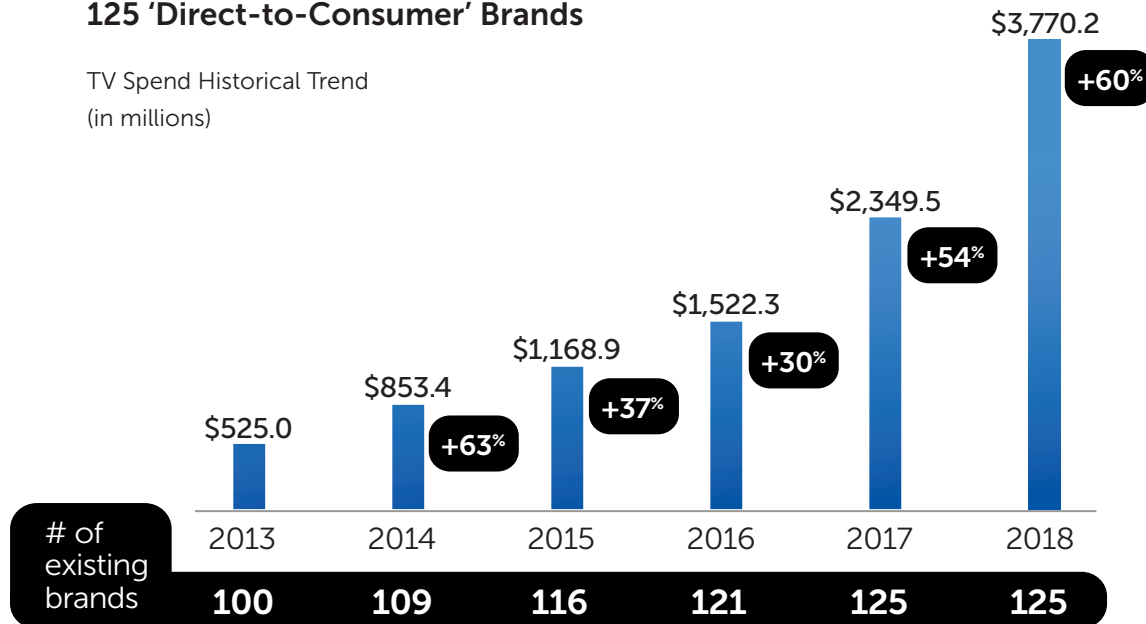
When challenged to grow big and increase their customer base and build revenues they all made the 'Big Bet' on TV

In fact, these 125 DTC brands collectively spent almost \$3.8 Billion on TV in 2018, 2.5x what was invested in 2016

DTC brands have accelerated spending recently - these 125 brands alone added \$1.4 Billion to the TV advertising marketplace over the last year

125 'Direct-to-Consumer' Brands

TV Spend Historical Trend
(in millions)



Source: VAB analysis of Nielsen Ad Intel data, calendar years 2013-2018. TV spend includes national cable TV, broadcast TV, Spanish language cable TV, Spanish language broadcast TV, spot TV, syndication TV. Reflects the cume TV spend of the 125 brands identified in this report. Not all companies existed since 2013 as reflected at the bottom of the chart. Existing brands = the number of brands that had launched publicly by that year out of the 125 brand grouping.

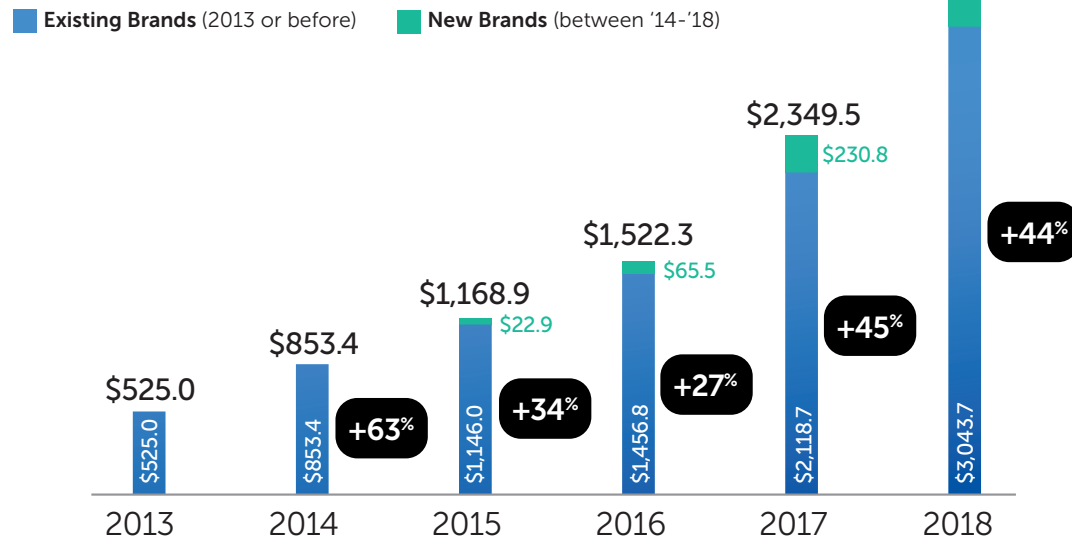
During this six-year time period, the vast majority of spending is from organic growth by brands that were launched in 2013 or before...

...the balance is due to newer brands entering the marketplace and launching TV campaigns

Brands that launched several years ago and are active on TV continue to increase their investment - adding **over \$900 Million** in TV advertising last year

125 'Direct-to-Consumer' Brands

TV Spend Historical Trend (in millions)



Source: VAB analysis of Nielsen Ad Intel data, calendar years 2013-2018. TV spend includes national cable TV, broadcast TV, Spanish language cable TV, Spanish language broadcast TV, spot TV, syndication TV. Reflects the cume TV spend of the 125 brands identified in this report.



For The Purposes of This
Analysis, We Sorted The 125
DTC Brands Into Two Segments

It's important to understand that 'Direct-to-Consumer' brands exist across a multitude of categories, serve a myriad of consumer purposes and can be at a different business lifecycle / maturity level relative to other DTC brands

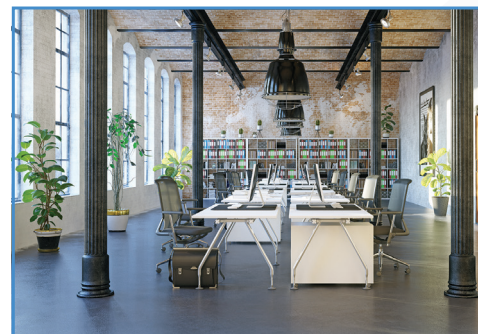
Because of this, developing one overarching 'like-for-like' analysis comparison across all 125 brands can be challenging, therefore, we designated each DTC brand into one of two groups based on similar characteristics:

125 'Direct-to-Consumer' Brands Analyzed



'Emerging' Brands (63 Brands)

Newer brands with an average age of 8 years old who only began investing in TV within the last three years (last two years on average)

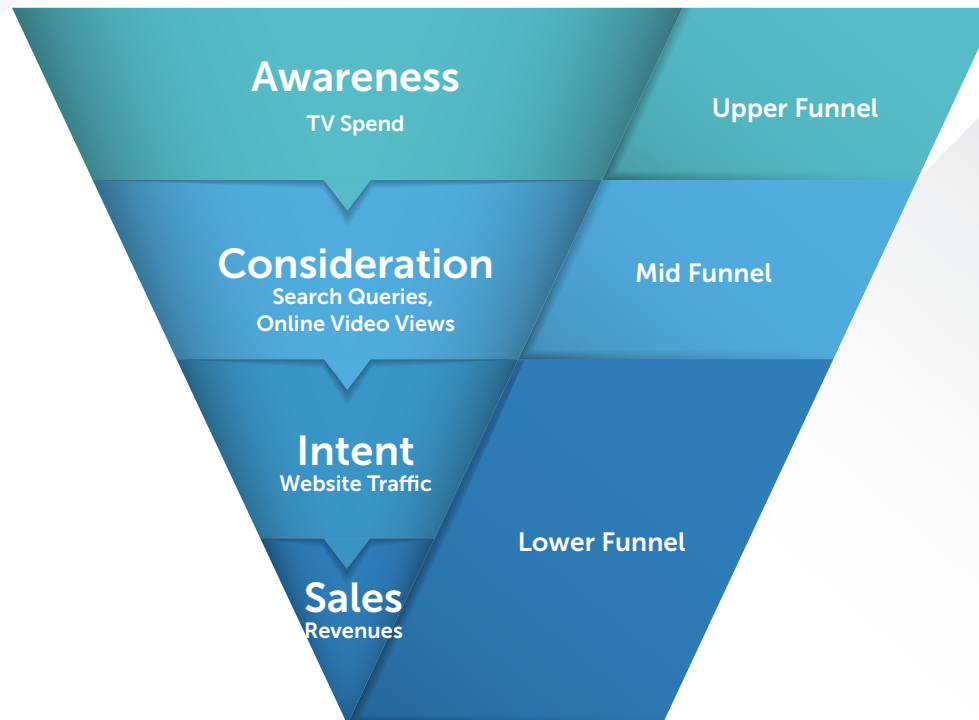


'Expanding' Brands (62 Brands)

Brands with an average age of 13 years old who have been investing in TV for at least the last four years (eight years on average)

We then explored how TV advertising **drives consumer action** through the purchase funnel for both the younger 'Emerging' brands and the more mature 'Expanding' brands

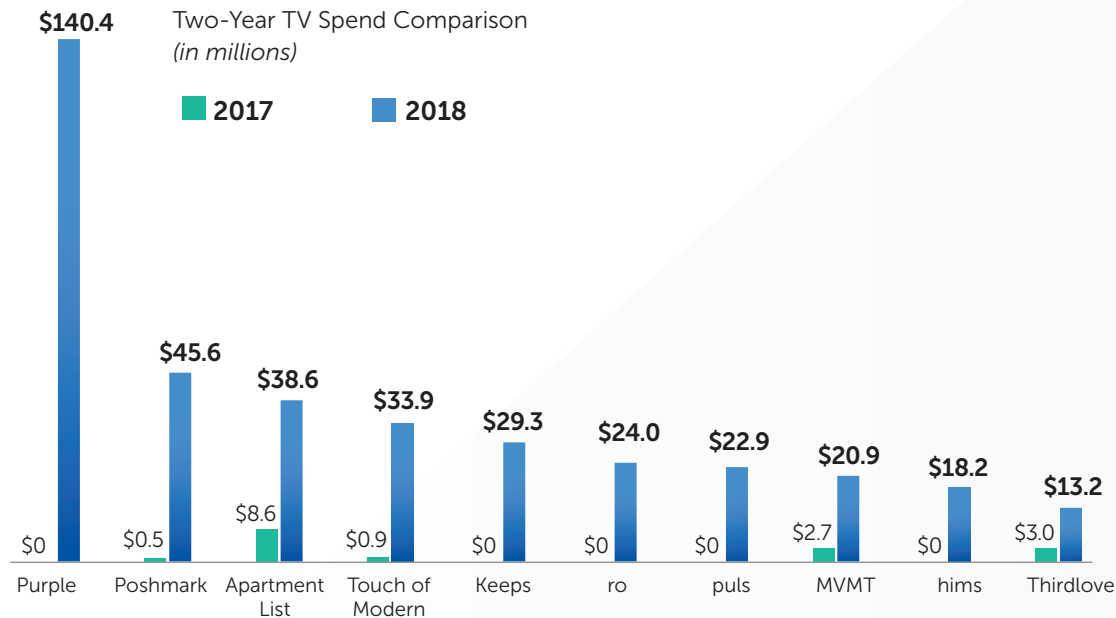
We analyzed the TV spend and individual key metrics (where available) including digital interactions, website traffic and revenues across brands



Many 'Emerging' DTC brands across categories have made a Big Investment in TV over the past year...

In fact, 65% of 'Emerging' brands (41 out of 63) were either new TV advertisers in 2018 or they were existing advertisers who more than doubled their TV investment YoY

Sampling: 10 'Emerging' DTC Brands That Went Big Into TV



Source: VAB analysis of Nielsen Ad Intel data, calendar years 2013-2018. TV spend includes national cable TV, broadcast TV, Spanish language cable TV, Spanish language broadcast TV, spot TV, syndication TV. Chart reflects a sampling of brands across various categories.

Unlike most advertising, the storytelling nature and visceral connection of TV advertising compels people to go online to re-watch ads again...

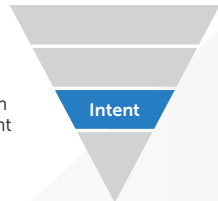
In fact, most 'Emerging' brands saw Double- or Triple-Digit Lifts in non-paid online video views of their TV ads as they increased their TV investment

**Sampling of Brands:
TV Spend vs. Online Video Views**

YOY % Increase:
2017 vs. 2018

Brand	TV Spend	Online Video Views
Curiosity Stream	+527%	+285%
Glasses USA	+25%	+321%
Home Chef	+149%	+4,478%
HometoGo	+27%	+445%
Hunt A Killer	+706%	+2,663%
Leesa	+28%	+36%
MVMT	+682%	+387%
PillPack	+1,637%	+2,075%
Poshmark	+8,426%	+1,102%
Purplebricks	+361%	+283%
Smile Direct Club	+105%	+122%
TAKL	+74%	+431%
The RealReal	+90%	+264%
Touch of Modern	+3,874%	+3,172%
TURO	+8,635%	+5,096%

Source: TV spending based on VAB analysis of Nielsen Ad Intel data, TV spend (national cable TV, national broadcast TV, Spanish language broadcast TV, Spanish language cable TV, spot TV, syndication TV), calendar years 2017 & 2018. Digital actions based on VAB analysis of iSpot.tv data and reflects earned, not promoted, online video views of TV ads (YouTube, iSpot.tv). Digital actions are correlated to TV ad airing data.



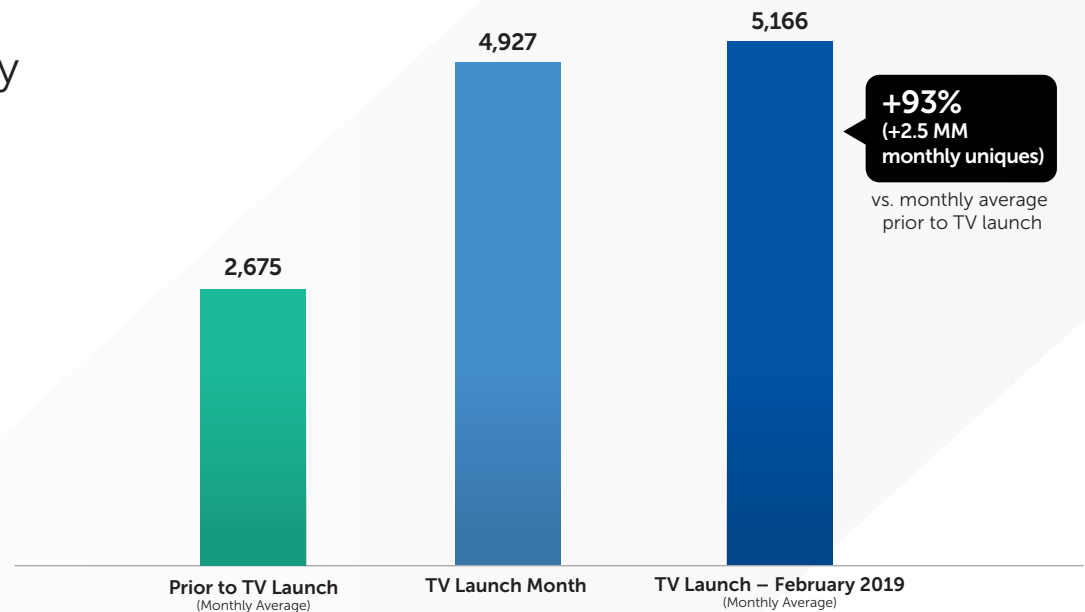
On average, monthly unique visitors see an immediate surge upon the launch of a TV campaign and this audience only continues to grow through the duration of a brand's TV flight:

The average 'Emerging' brand saw an **84% increase** in their unique website traffic during their TV launch month and a **93% average monthly increase** from launch month to present day

'Emerging' DTC Brands*:

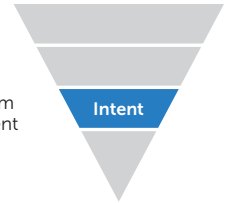
Average Monthly Website Unique Visitors (000)

Based Over A Four-Year Time Period: Mar '15 – Feb '19



*Reflects the 39 brands that are measured in Comscore and had reported monthly unique visitors in at least one month prior to their TV campaign launch

Source: VAB analysis of Nielsen Ad Intel data, TV spend (national cable TV, national broadcast TV, Spanish language broadcast TV, Spanish language cable TV, spot TV, syndication TV), March '15 – February '19 (calendar months). VAB analysis of Comscore mediameatix multiplatform media trend data, total audience (Desktop P2+, Mobile 18+), March '15 – February '19 (calendar months). 'Prior to TV Launch' reflects the average monthly unique visitors based on when each brand's website began being measured by Comscore, or starting from March 2015 if measurement began before that month. Three brands within the 63 'emerging' brand groupings were not measured as of February 2019: Brooklinen, Hunt-A-Killer, Keeps.



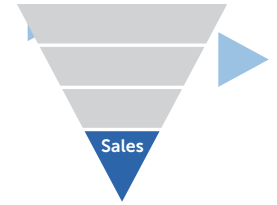
While most DTC brands start with a social media-dominant strategy (Facebook, Instagram, etc), website traffic skyrocketed for many 'Emerging' brands once they launched a TV campaign

Sampling of Brands: Monthly Website Unique Visitors (000) Comparison

Based Over A Four Year Time Period (Mar '15 – Feb '19)

Brand	Monthly Average: Prior To TV Launch	Monthly Average: TV Launch – Feb '19	# Diff	% Diff
Betabrand	188	377	+189	+101%
Bonobos	33	88	+55	+165%
CarGurus	12,142	20,862	+8,720	+72%
Chewy.com	1,791	8,338	+6,547	+366%
grammarly	1,835	5,199	+3,365	+183%
Luxury Retreats	98	205	+107	+109%
lyft	2,471	10,549	+8,078	+327%
nerdwallet	4,430	10,363	+5,932	+134%
noom	1,245	3,006	+1,761	+141%
Poshmark	5,978	13,812	+7,833	+131%
SoFi	260	606	+346	+133%
stockX	1,113	2,254	+1,141	+102%
Tecovas	549	1,013	+464	+85%
Zelle	1,584	3,008	+1,424	+90%
Zola	254	1,324	+1,070	+422%

Source: VAB analysis of Nielsen Ad Intel data, TV spend (national cable TV, national broadcast TV, Spanish language broadcast TV, Spanish language cable TV, spot TV, syndication TV), March '15 – Feb '19 (calendar months). VAB analysis of Comscore mediаметrix multiplatform media trend data, total audience (Desktop P2+, Mobile 18+), March '15 – Feb '19 (calendar months). 'Prior to TV Launch' reflects the average monthly unique visitors based on when each brand's website began being measured by Comscore, or starting from March 2015 if measurement began before that month.



In Regards To Sales, 'Emerging' DTC Brands Often See Their Revenues Take Off When They Launch Their First TV Campaign

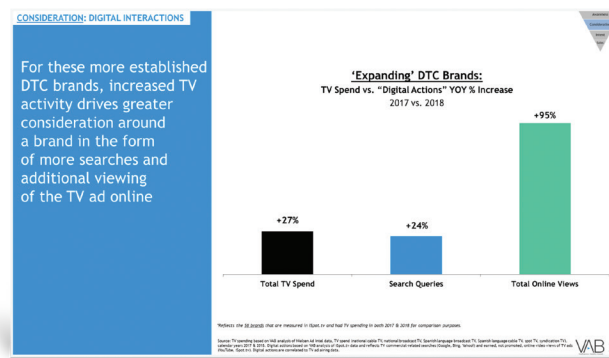
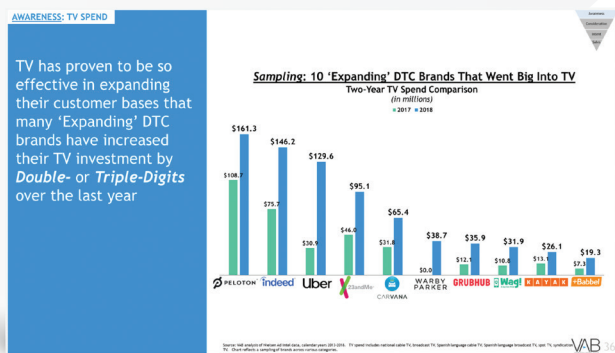
Brand	Year Founded	TV Launch		2016	2017	2018	'17 vs '18 YoY Diff	
Touch of Modern	2009	2017	TV Spend (000):	--	\$852	\$33,871	+\$33,019	▲ +33%
			Revenue (000):	\$118,000	\$150,000	\$200,000	+\$50,000	
Car Gurus	2006	2017	TV Spend (000):	--	\$15,538	\$50,560	+\$35,022	▲ +44%
			Revenue (000):	\$171,302	\$282,664	\$405,780	+\$123,116	
Chewy.com	2011	2016	TV Spend (000):	\$85,433	\$99,405	\$137,282	+\$37,877	▲ +73%
			Revenue (000):	\$880,000	\$1,500,000	\$2,600,000	+\$1,100,000	
Thirdlove	2013	2017	TV Spend (000):	--	\$3,023	\$13,195	+\$10,172	▲ +100%
			Revenue (000):	\$20,000	\$80,000	\$160,000	+\$80,000	
Etsy	2005	2018	TV Spend (000):	--	--	\$7,662	+\$7,662	▲ +34%
			Revenue (000):	\$276,537	\$317,755	\$425,841	+\$108,086	

Source: TV spend based on VAB analysis of Nielsen Ad Intel data, TV spend (national cable TV, national broadcast TV, Spanish language broadcast TV, Spanish language cable TV, spot TV, syndication TV), CY 2016-2018. Revenues for public companies are based on company filings (10-K) for U.S. revenue via SEC.gov (EDGAR). Revenues for private companies are based on reports/projections/guidance provided publicly by company founders/representatives, or analyst estimates/forecasts, and reported within business/technology news outlets such as Bloomberg, CNBC, Digiday, Forbes, Inc., Recode, TechCrunch, WSJ, etc.

In total, the full 55-page 'Direct Outcomes' marketer's guide provides 300+ data proof points

over 29 charts & graphs highlighting how TV has been instrumental in driving consumer action and positive business outcomes across each stage of the purchase funnel for 125 DTC brands

Guide Excerpt from 'Expanding' Segment



INTENT: WEBSITE TRAFFIC

In Fact, Tight Correlations Exist Between TV Spend And Website Traffic For 'Expanding' DTC Brands That Have A Continual Advertising Presence

TV Spend Up, Website Traffic Up
(24-month vs. 24-month comparison: Mar '15 - Feb '17 vs. Mar '17 - Feb '19)

Brand	Mar '15 - Feb '17	Mar '17 - Feb '19	% Difference
Avg Monthly TV Spend (000):			
Mar '15 - Feb '17:	\$337	\$1,138	+272%
Mar '17 - Feb '19:	\$1,254	\$1,980	+74%
Avg Monthly Unique Visitors (000):			
Mar '15 - Feb '17:	413	10,983	+252%
Mar '17 - Feb '19:	1,454	19,992	+82%

Source: VAB analysis of Nielsen TV ad spend data, 2015-2019. TV spend includes national cable TV, broadcast TV, spend on pay-per-view TV, and over-the-top TV. TV spend excludes mobile TV, and TV advertising on mobile devices. © 2019 VAB. All rights reserved. VAB is not responsible for any errors or omissions in this document. VAB is not responsible for any errors or omissions in this document. VAB is not responsible for any errors or omissions in this document.

SALES: ACQUISITIONS

'Expanding' DTC Brands Who Launched TV Campaigns Have Also Become Attractive Acquisition Targets By 'Incumbent' Companies Looking To Own A Disruptor

Acquired Brand	Year Founded	TV Launch	Cume TV Spend*	Buyer	Acquisition Date	\$\$\$
HomeAway	2004	Mar '15	\$7.7MM	Expedia	Dec '15	\$3.9B
jet	2014	Sep '15	\$58.8MM	Walmart	Aug '16	\$3.3B
ring	2012	Feb '15	\$96.7MM	amazon	Feb '18	-\$1.0B
DOLLAR SHAVE CLUB	2011	Jan '13	\$142.3MM	Unilever	Jul '16	\$1.0B
Plated.	2012	Dec '14	\$57.8MM	Albertsons	Sep '17	\$300MM
graze	2007	Nov '13	\$78.9MM	Unilever	Feb '19	N/A***

*Cume TV Spend is based on 24-month TV spend from Mar '15 to Feb '19. **Acquisition price is based on the most recent acquisition price. ***Acquisition price is based on the most recent acquisition price. © 2019 VAB. All rights reserved. VAB is not responsible for any errors or omissions in this document. VAB is not responsible for any errors or omissions in this document. VAB is not responsible for any errors or omissions in this document.

Download the full guide at www.TheVAB.com/Insight/DirectOutcomes



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