Disruptor Brands: Founders Benchmark Study

2019-2020

Direct Brands initiative Strategic Partners:

This report was produced by IAB. The final report, findings, and recommendations were not influenced by strategic partners or sponsors.

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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Direct Brands Initiative Strategic Partners

Supporting Sponsor

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.

Contents

Objective

Understand and benchmark the evolving strategies, operations, and models used by the key decision-makers behind today's disruptor brands

Methodology

Online survey executed by Ipsos among **203** Direct to Consumer brand **founders as well as senior executives including Chief Executive Officer, President, other C-level and Senior Vice President/Vice President.**

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

Note: Company information gleaned in tandem with the Direct Brand Media & Customer Acquisition Study

Who You Are

iab. 250 DIRECT BRANDS TO WATCH

APPAREL & FASHION

ADAY, ADORE ME, allbirds, AMERICAN GIANT, AURATE NEW YORK, AYR, BAUBAX, Betabrand, BOMBAS, BOMBFELL, BOON+GABLE, BOW & DRAPE NEW YORK, BUCK MASON, bucketfeet, CAIRN, CARBON38, chubbies, COMBATANT GENTLEMEN, cotopaxi, CUYANA, DSTLD, DAGNE DOVER, Dia & Co, DOLLS KILL, DRAPER JAMES, Ellie, EVERLANE, fabfitfun, fabkids, FAME & PARTNERS, FIVE FOUR, FOOTCARDIGAN, gwynnie bee, HARPER WILDE, HICKIES, Huckberry, Hushmail, ivory clasp, JACK ERWIN, KIDBOX, KNOTSTANDARD, KOIO, LEDBURY, LIVELY, M.GEMI, MM.LAFLEUR NEW YORK, MACK WELDON, MeUndies, MINISTRY OF SUPPLY, MIZZEN+MAIN, monica + andy, nadineWEST, Neighborhood Goods, NISOLO, ORCHARD MILE, ORIGINAL STITCH, Outdoor Voices, Paul Evans, PISTOL LAKE, plae, POSHMARK, primary, Rent the Runway, Reformation, Rhone, Ricardo Pouyou Inc, ROCKETS OF AWESOME, ROTHY'S, schoola, Shinesty, SOCK101, SOLE/SOCIETY, STANCE, STITCH FIX, sweatstyle, TAFT, TAMARA MELLON, TECOVAS, The RealReal, THESIS, THIRDLOVE, THURSDAY BOOT CO., TOMBOYX, Tommy John, Tracksmith, TRND BTLR, TRUE, UNTUCKit, WANTABLE, pact, yellowberry

BABY CARE & PARENTING

bluum, THE HONEST CO., Owlet Baby Care, seesaw

BEAUTY

BEAUTYCOUNTER, BEAUTYLISH, BOXY CHARM, Curology, FACETORY, f, GLAMSQUAD, Glossier., ipsy, LOLI, MADISON REED, MEMEBOX, OARS + ALPS, PINROSE, SCENTBIRD NEW YORK, Snow

BEER/WINE/ALCOHOL

BREW PUBLIK, BRIGHT CELLARS, DRIZLY, Flaviar, Club of the Red Cellar, Splash, VINEBOX, Winc

EDUCATION

CODE COMBAT, educents, littleBits, Surprise Ride, versame

FOOD/BEVERAGE/HOUSEHOLD/PET

ALOHA, BARKBOX, BEAN BOX, blissmo, Blue Apron, Boxtera, BULLETPROOF, Bulu Box, CALIFIA FARMS, CANDY CLUB, cleancult, CRAFT COFFEE, CROWD COW, DAILY HARVEST, DESERT FARMS camel milk, DIRTYLEMON, doggyloot, DOORDASH, FRESHLY, FUEGO BOX, Gobble, GREEN CHEF, HALO TOP, HEALTH-ADE KOMBUCHA, HOME CHEF, HUNGRY HARVEST, HUNGRYROOT, KETTLEBELL KITCHEN, Love with Food, MUNCHERY, NATUREBOX, NOM NOM NOW, ollie, POSTMATES, Pre, PRETTYLITTER, ReverеHealth, ripple, soylent, Sudden Coffee, SUN BASKET, tasteguru, THE FARMER'S DOG, THRIVE MARKET, truBRAIN, TRY THE WORLD, ub, Wag!, YUMI

HOBBIES & LIFESTYLE

AIRSIDE, ALPHA OUTPOST, AWAY, BAUBLEBAR, The Bouqs Co., DATEBOX, FANCHEST, Kiwi Co, KUIU, LOOTCRATE, LUGLOC, MOMENT, NOMATIC, Osmo, PARAVEL, Please and carrots, ROBB VICES, rocksbox, TONAL, TRUE FACET, VAPOR LIQ

HOME & APPLIANCE

ARTLIFTING, BRANDLESS, BOLL & BRANCH, brooklinen, BURROW, Casper, dormify, FRAMEBRIDGE, greetabl, Grove, HELIX, JOYBIRD, leesa, PARACHUTE, SNOWE, T, UGALLERY original art. original you.

PERSONAL CARE

billie, BIRCHBOX, CANDID, DOLLAR SHAVE CLUB, EARGO, GOBY, H', hims, HUBBLE, KOPARI, LOLA, NATIVE, quip, SimpleContacts, smile direct club, TEADORA, THINX, WARBY PARKER

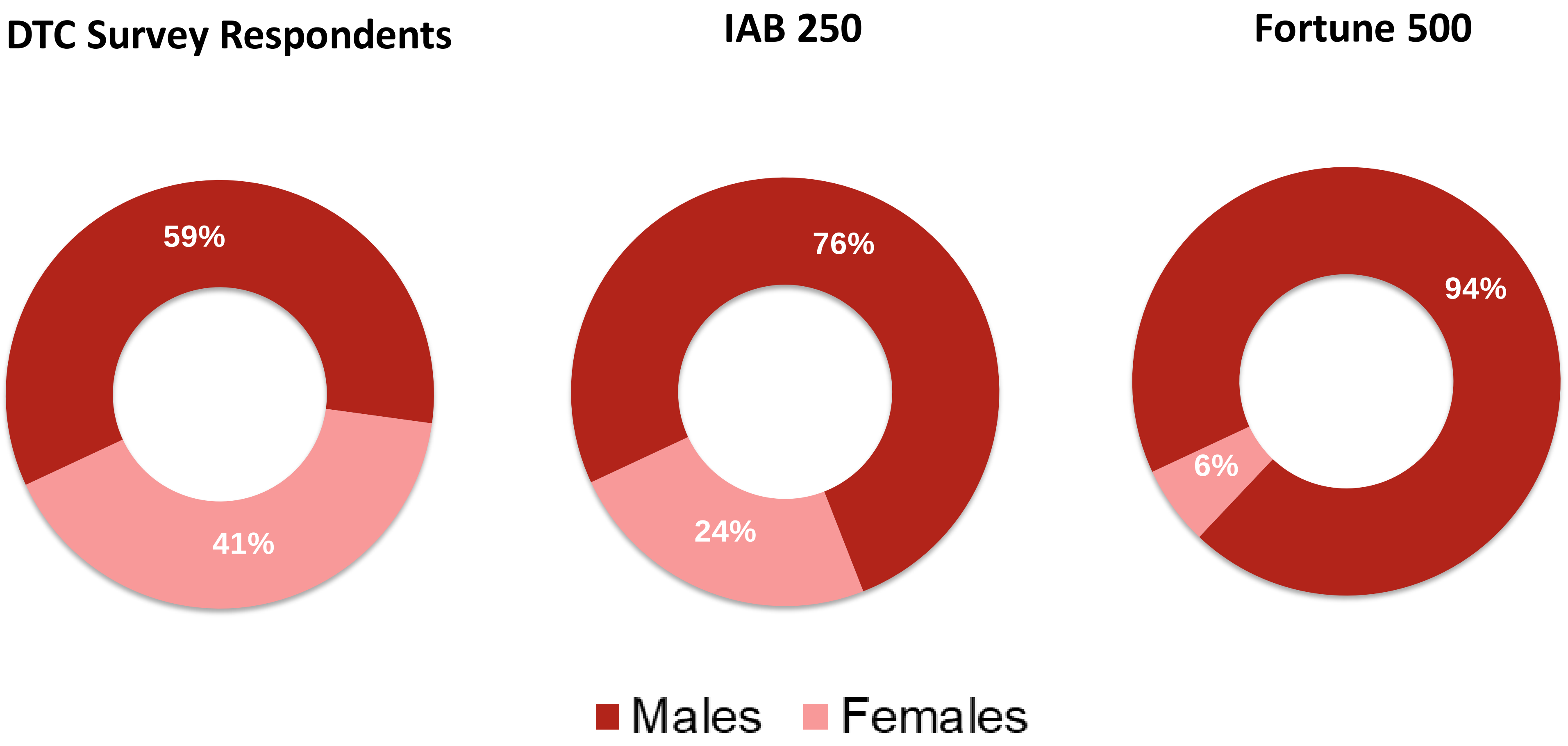
WELLNESS & FITNESS

AliveCor, BuckBrushCo., CAPSULE, care/of, E, GoNoodle, green gorilla, HELLOFLO, HVMN, Keeps, monthly gift, ONE DROP, PELOTON, Ritual, uplift, vireo, vitafive, zeel

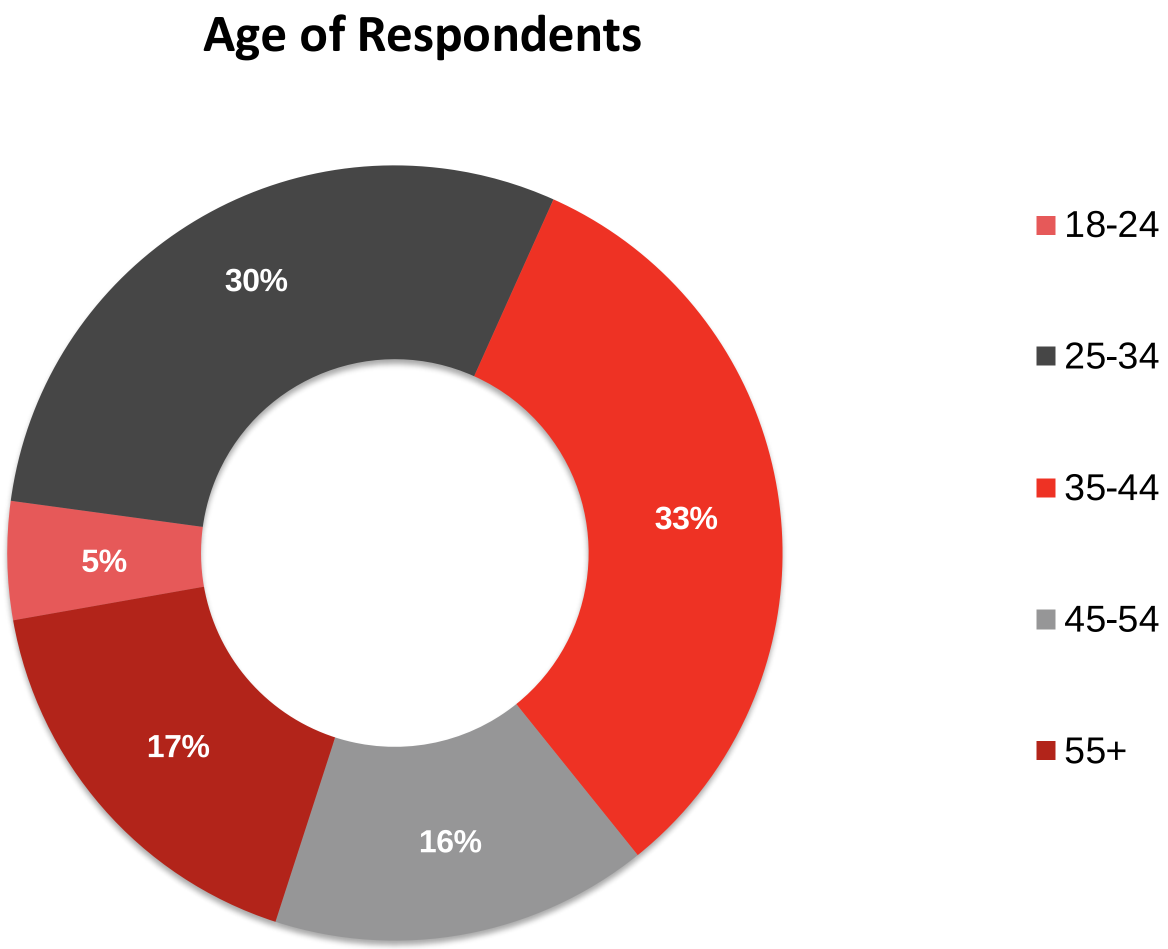
Survey sample comparison to IAB 250

Funding Type	Founders Survey Sample	IAB 250 to Watch
Avg. Annual Revenue (Est. ‘19)	$17.60M	$17.95M
Avg. Annual Revenue < $10M	59%	63%
Employees < 250	80%	95%
Venture Capital Funding	20%	9%
Angel Investor	15%	15%
Women: Founder/CEO/Pres.	38%	24%
Subscriptions	33%	31%

Strong women leaders

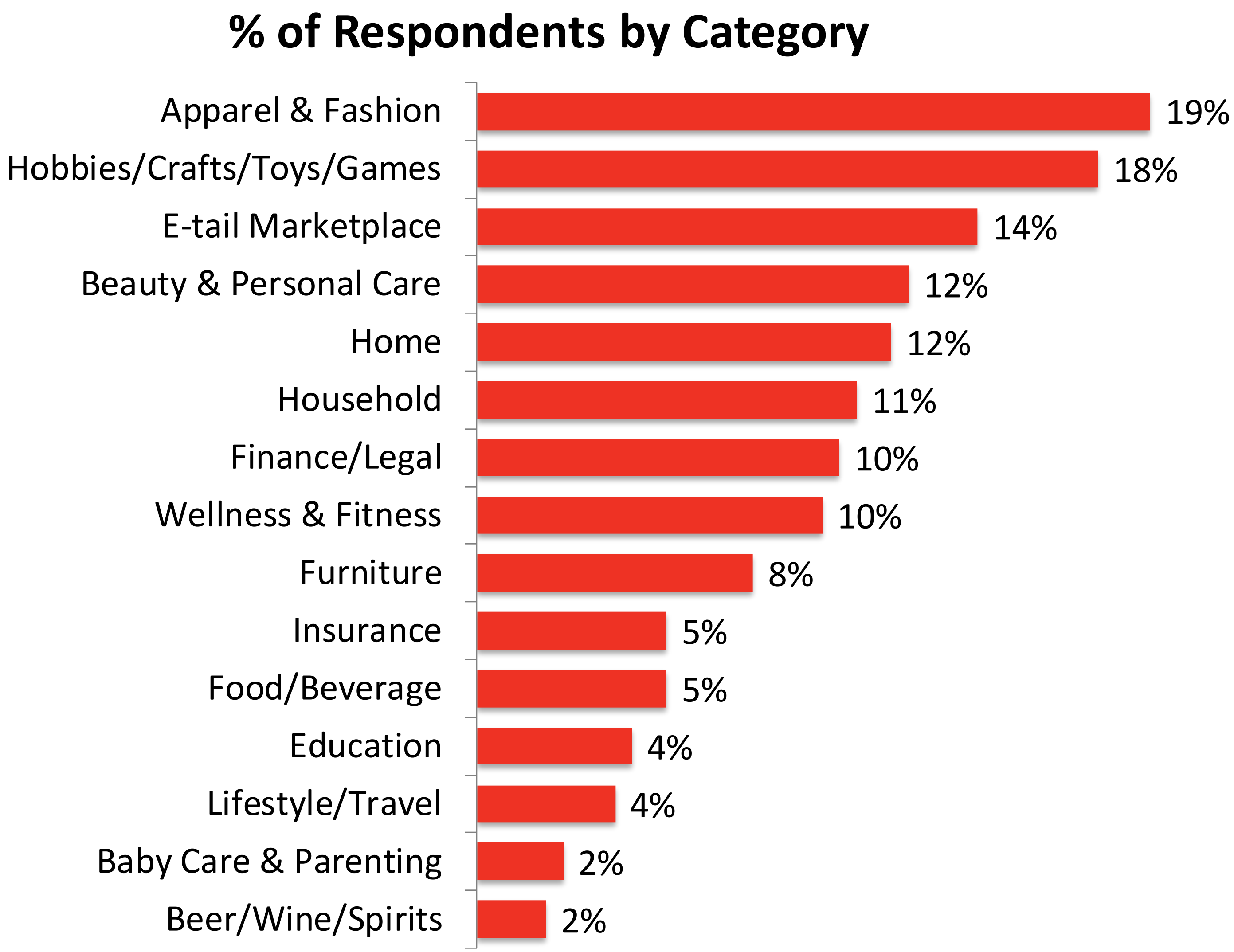


Millennial CEOs



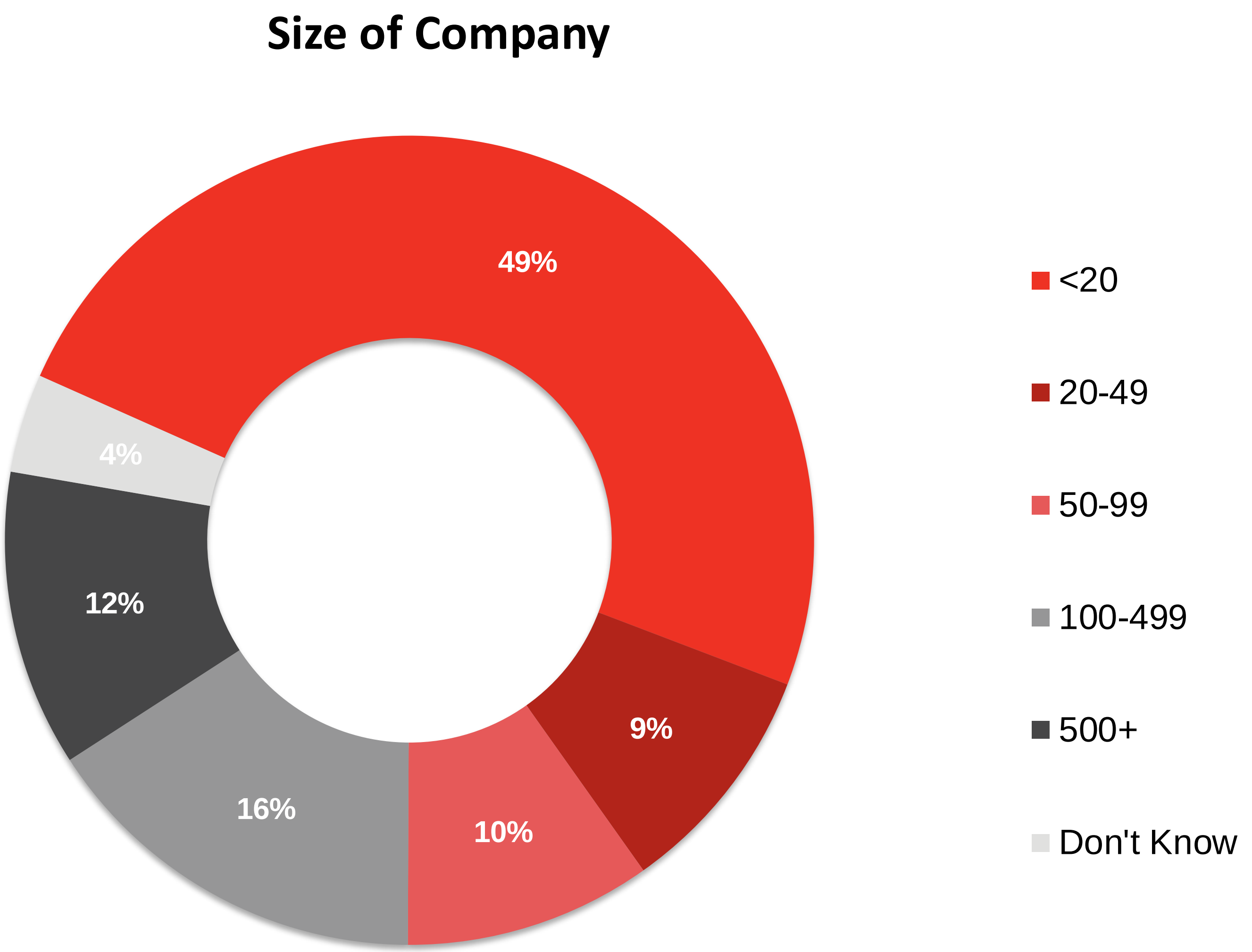
Built to Last

Disrupting every industry



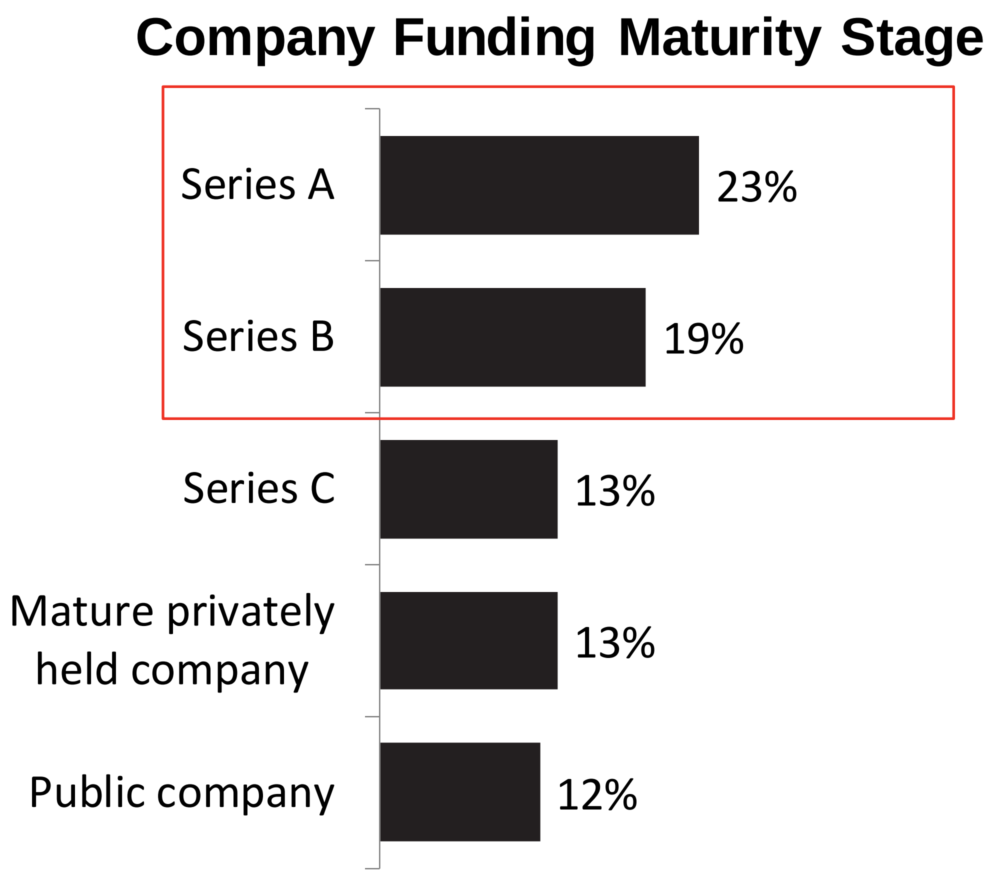
Base: <15 years, n=203
Q: Which of the following best classifies your direct-to-consumer category of business?

Small business revolution



Base: <15 years, n=203
Q; How many full-time employees are currently on staff?

Most disruptors are just getting started

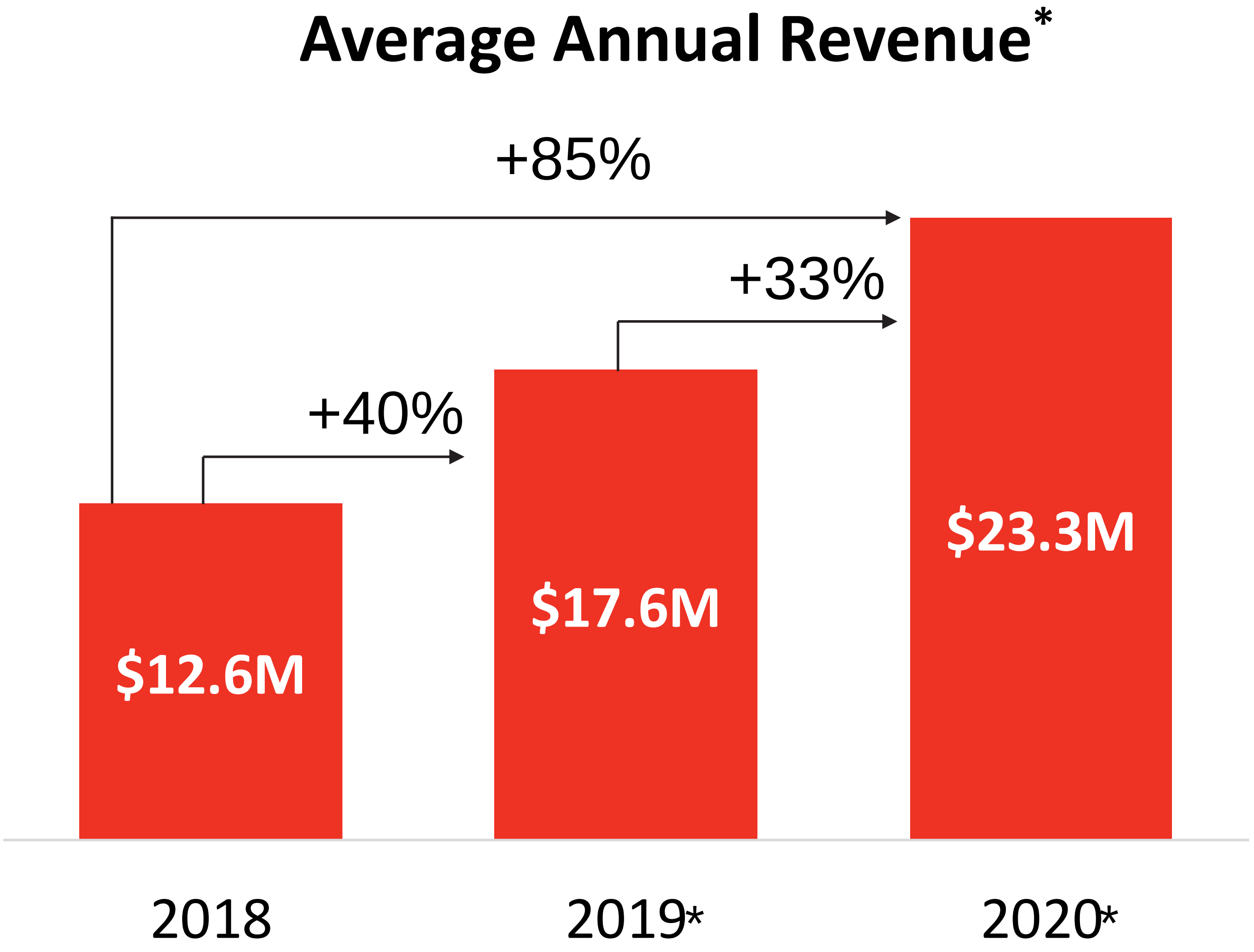


“You're always thinking about your survival…so [we try to] build a business that can really sustain itself and not have to…necessarily rely on venture capital and fundraising forever because that's not a way to sustain…”

— **Akash Shah**
Co-Founder, Care/Of

Base: <15, n=203
Q: Which of the following tiers best describes your company's funding maturity?

Growing robustly



*Estimated

Base: <15, n=203
Q: What is your approximate annual sales revenue for the following years?

Great little businesses

90%

Profitable

~3 Yrs

To achieve profitability

3.5

Revenue multiple

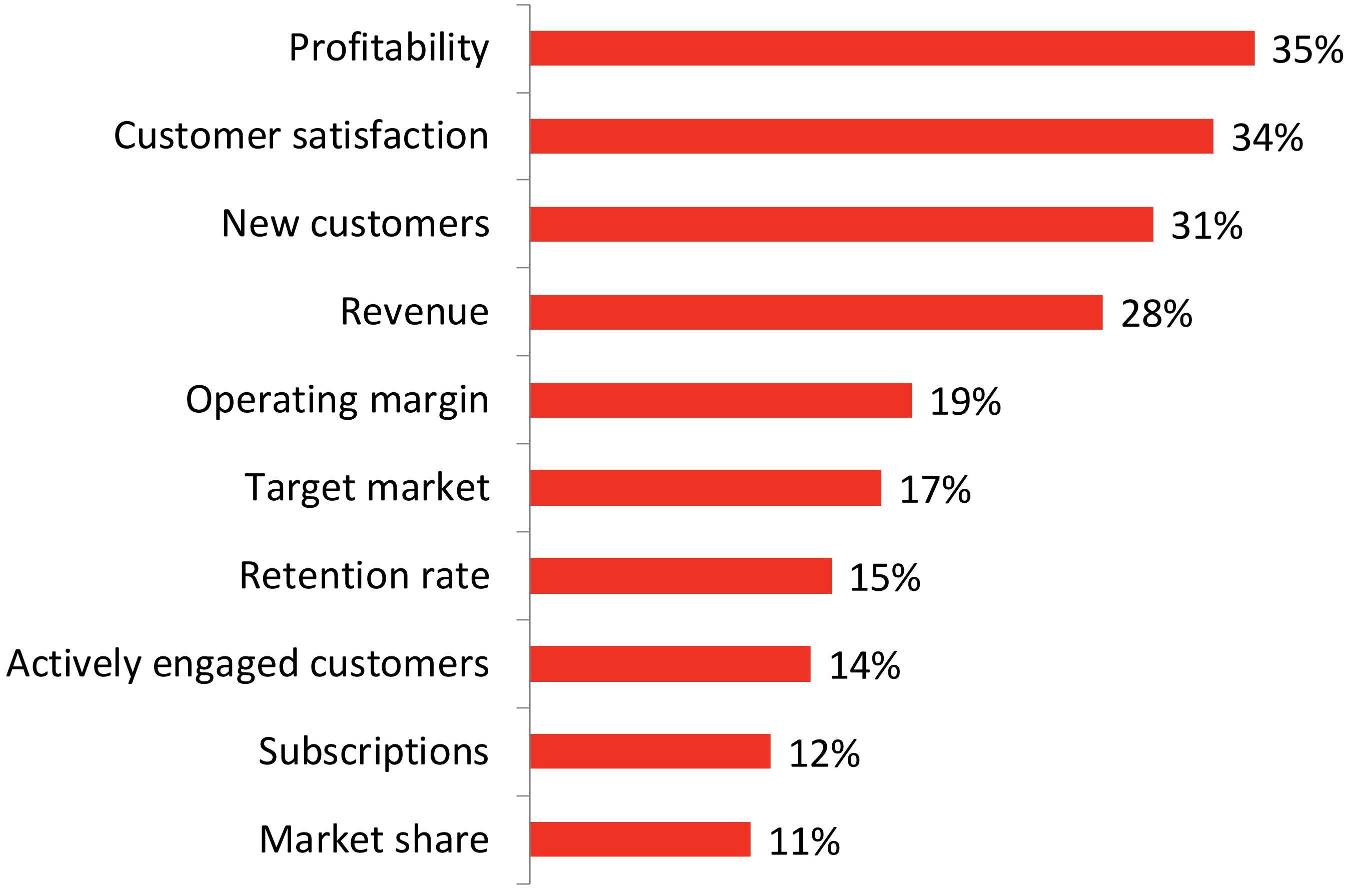
47%

Gross margin

iab.

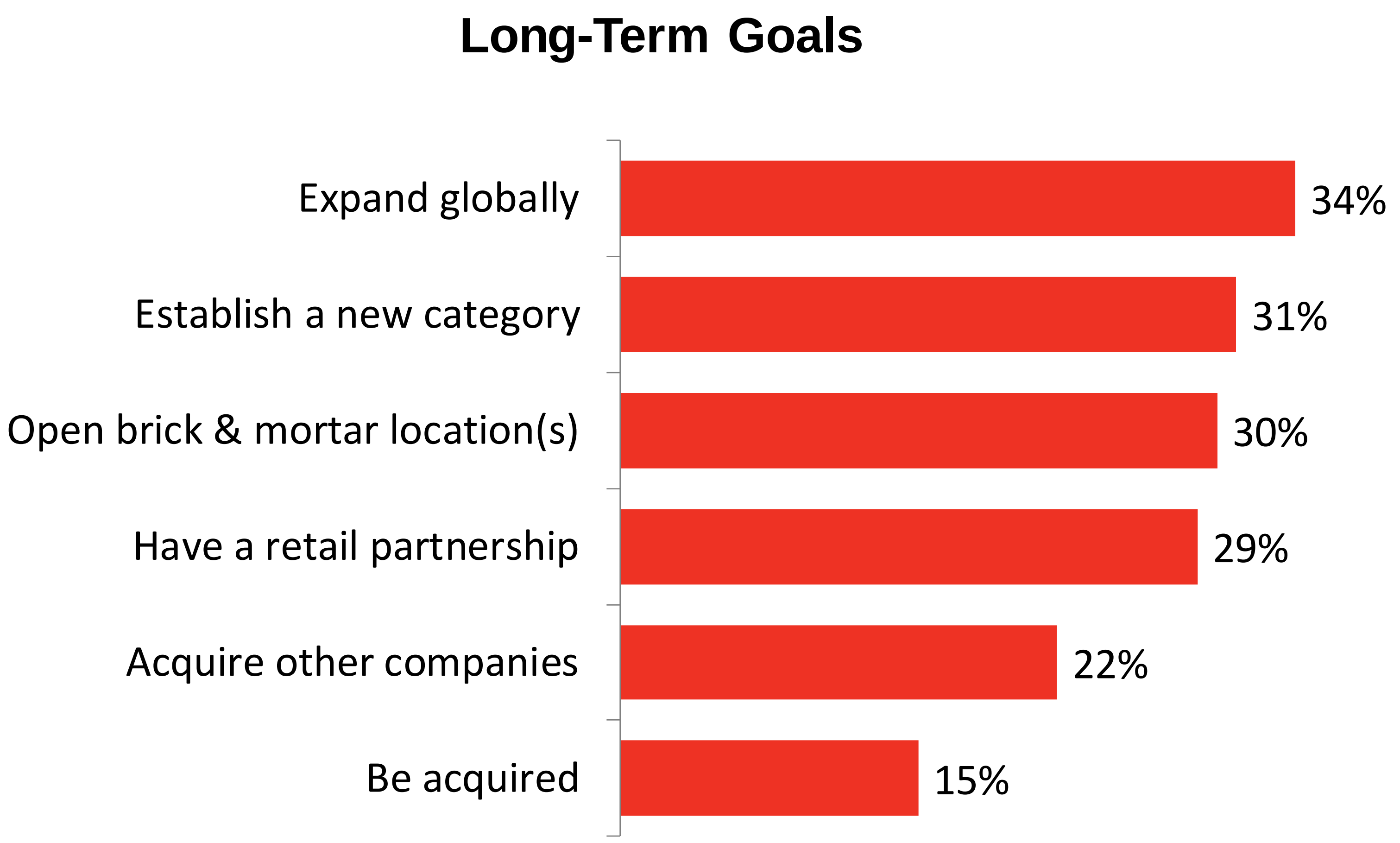
Your goal: a healthy business

Top 10 Business KPIs



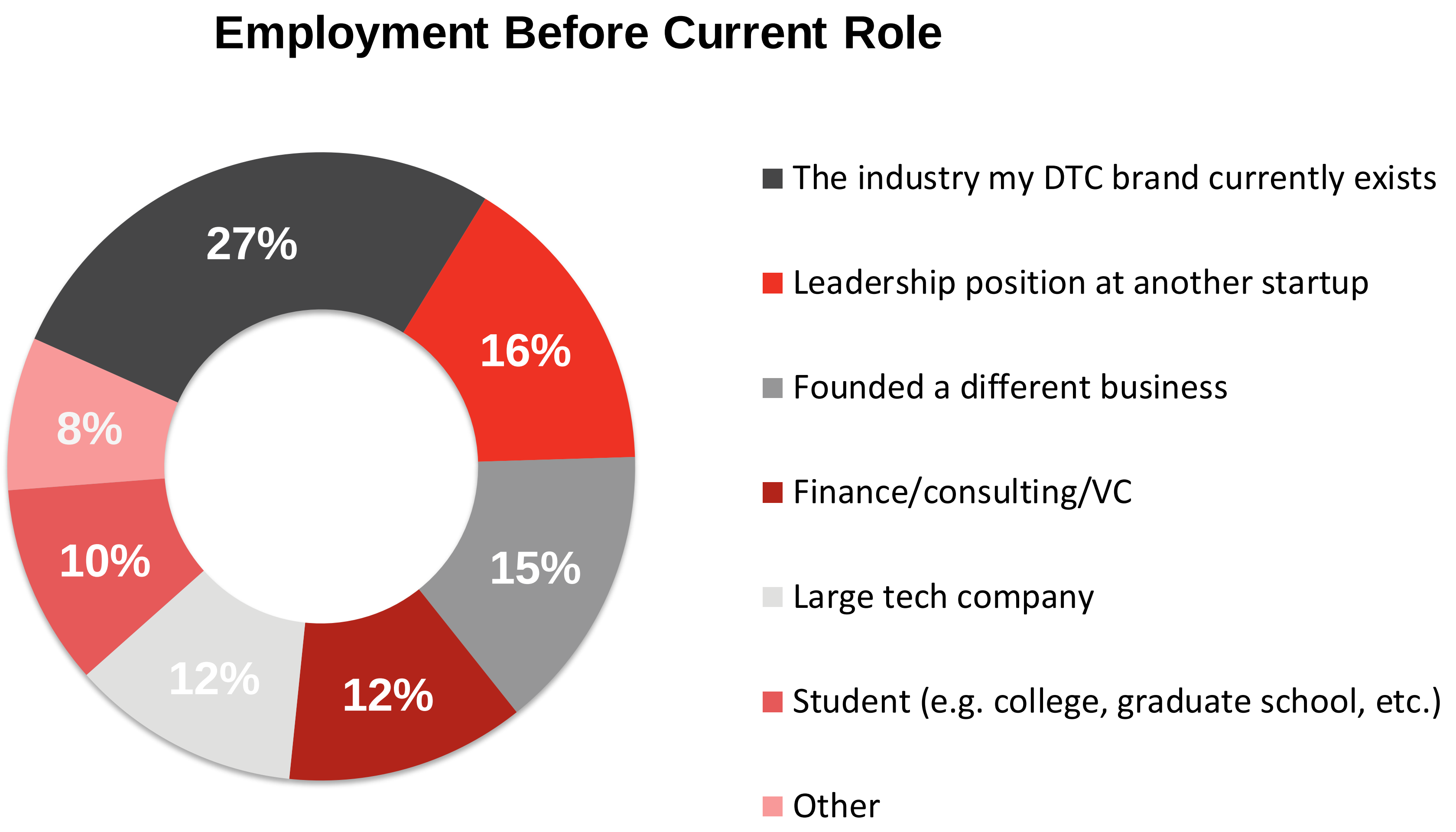
Base: <15, n=203
Q: Which overall business KPIs matter most to you?

Founders are not sellouts



Base: <15, n=203
Q: Which, if any, of the following are your long-term goals for the company?

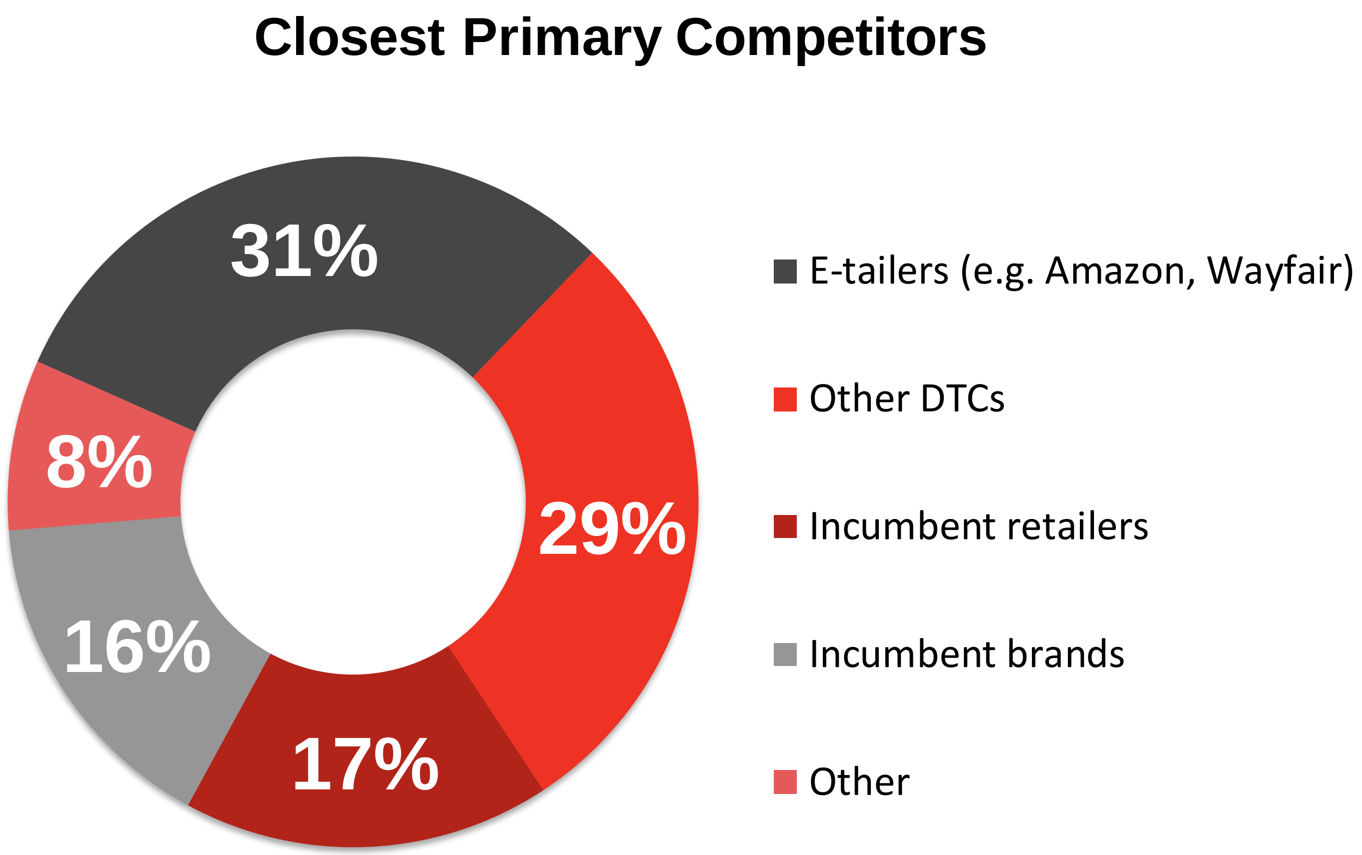
Disruptors are incestuous



Base: <15, n=203

Q: What was your employment status before taking on your role at your company?

The competition is digital



Base: <15, n=203
Q: Which ONE, if any, of the following do you consider your company's closest primary competitors?

The Money Shot

VC investment has benefits

39%

less VC investment and lower company valuation

61%

more VC investment and higher company valuation

Base: <15, n=203

Q: Which of the following best describes your strategy regarding VC fundraising?

Third-party-funding correlates with profits

Funding Type	Average Annual Revenue (Est. '19)	% Profitable
Venture Capital Funding	$21.9M	98%
No-VC Funding	$16.4	88%
Any Third-Party Funding*	$27.8M	97%
No Third-Party Funding	$15.7M	85%

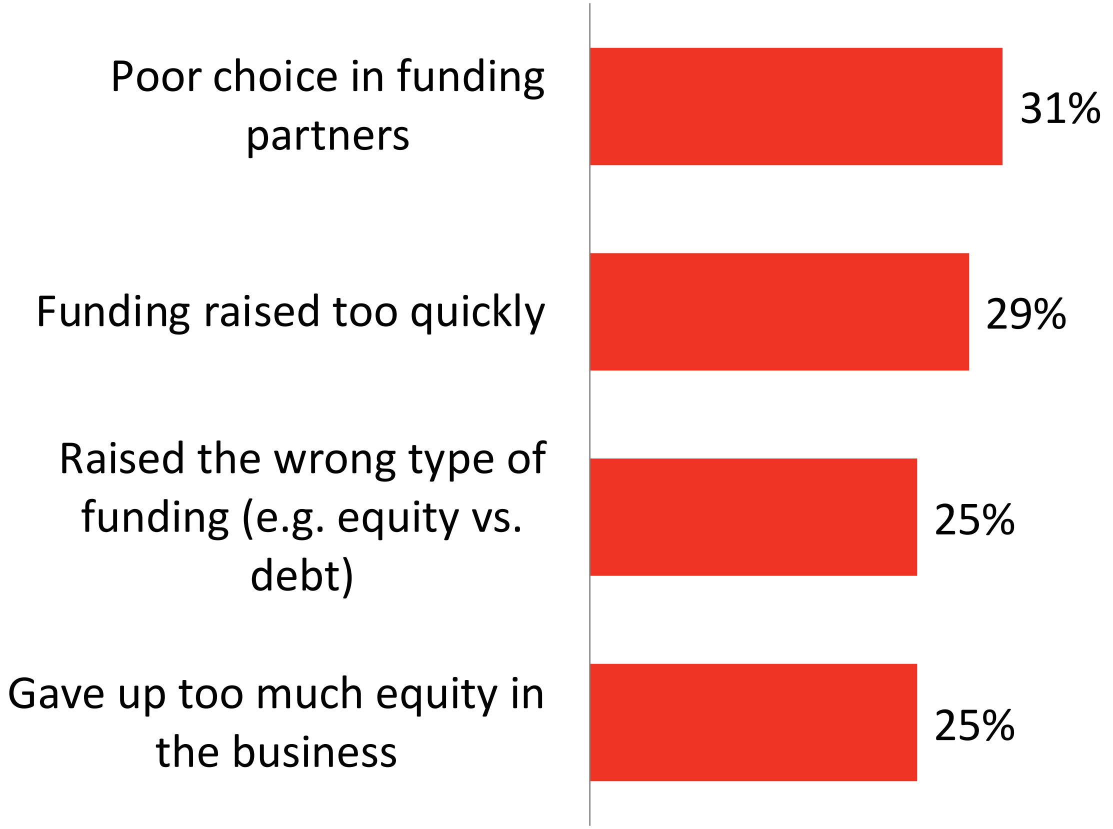
"The biggest challenge in the early days was honestly funding...[For] two and a half years, we bootstrapped the business while we were…constantly having meetings [with investors]."

— Rich Fulop,
Founder and CEO, Brooklinen

Base: <15, n=203
Q: Which, if any, of the following financial sources have you used for funding your business?
Q: Have you achieved profitability?

Funding choices can cause pain

Top 4 Biggest Fundraising Concerns



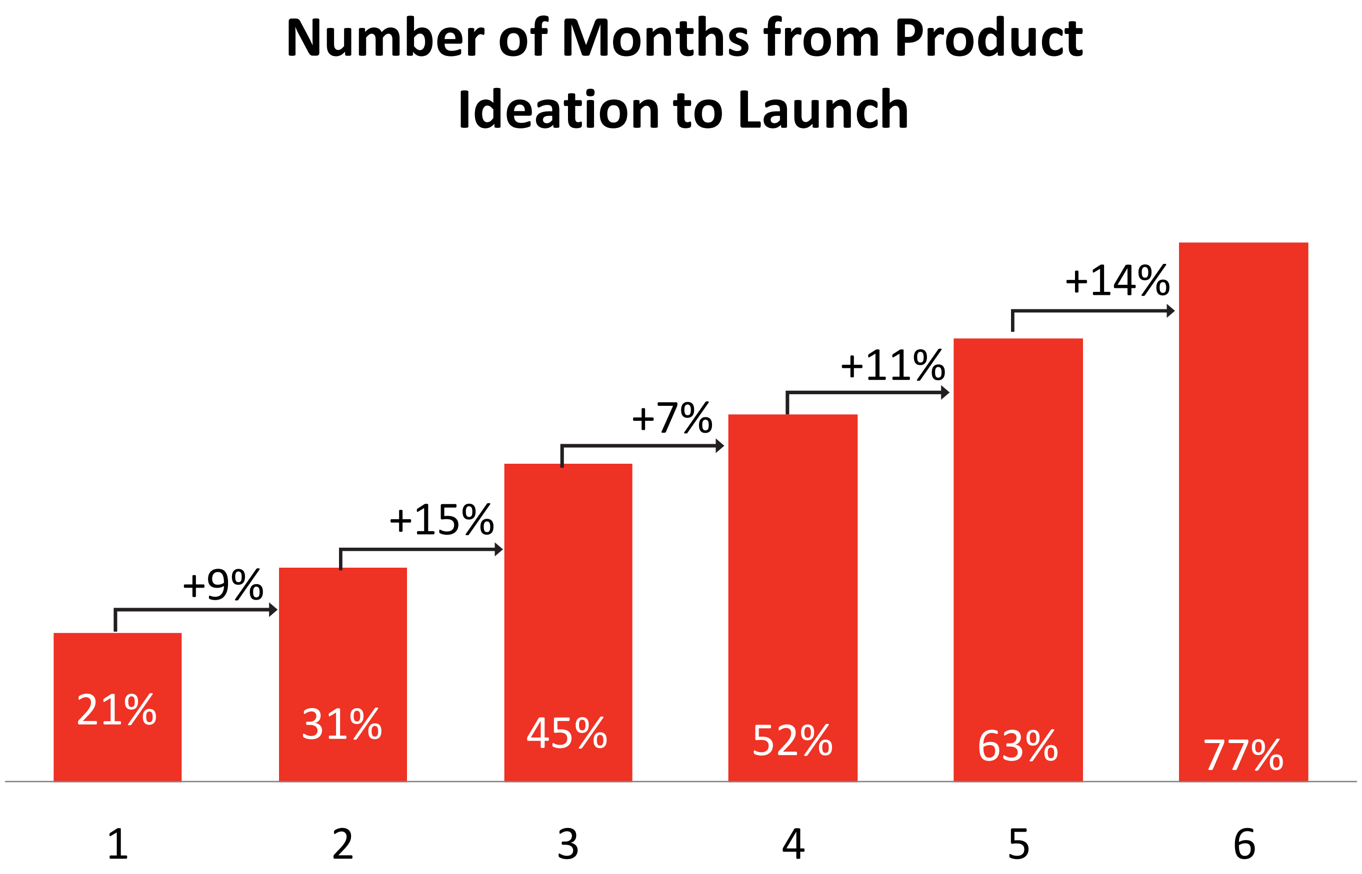
"I see a lot of founders waste time with investors who do...SAAS enterprise and they've got a leggings company. No matter how good their business is, the enterprise investor is just not going to invest in the leggings company. So focus the fundraising."

— Melanie Travis
Founder, Andie Swim

Base: <15, n=203
Q: Which, if any, of the following statements are/were your biggest concerns and/or lessons learned about fundraising?

Disruptor Differentiation

Direct Brands are faster than incumbents



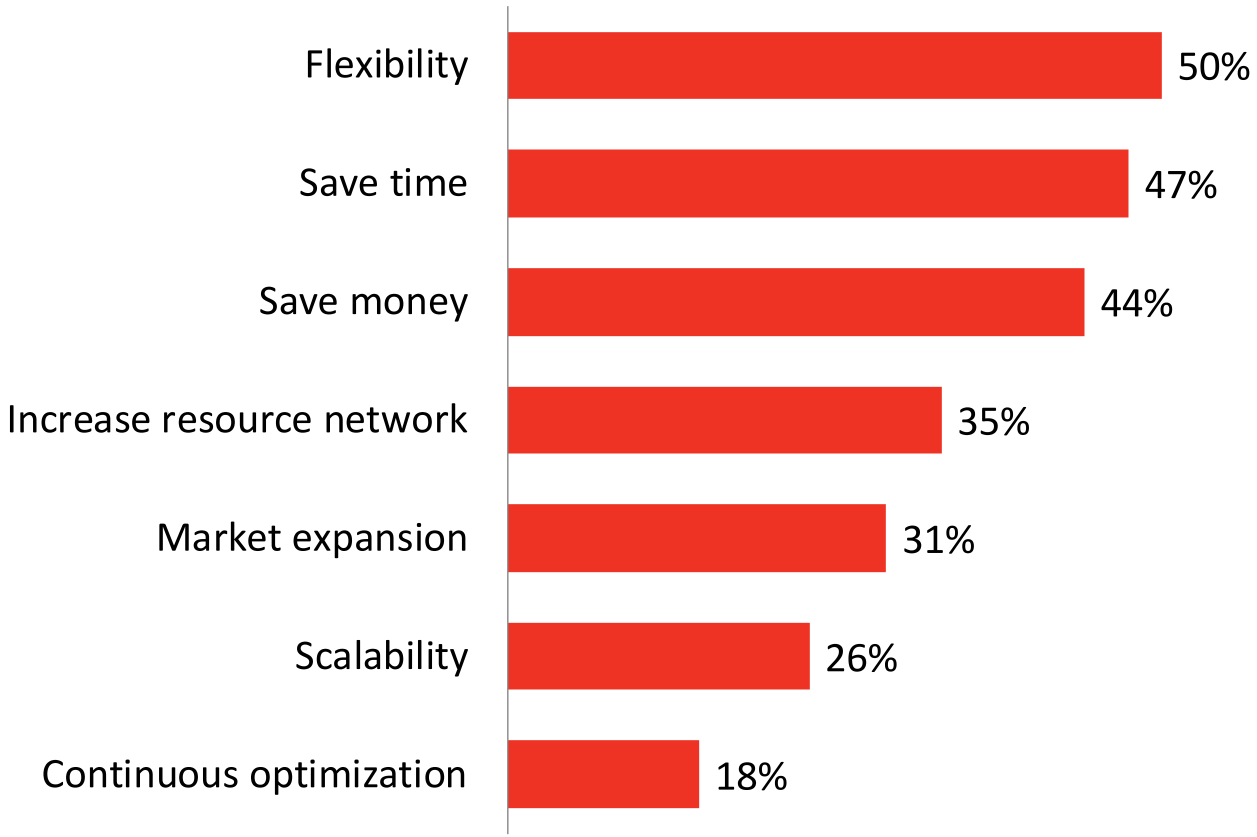
77% of direct brands take **less than 6 months** to launch a new product.

Base: <15, n=203

Q: Thinking about when your business started vs. present day, how much time does it take to get from product/service ideation to product/service launch?

Pioneers in 3rd-party logistics

Reasons for Using 3PLs



Examples of 3rd-party logistics pioneers include the following:

amazon seller central

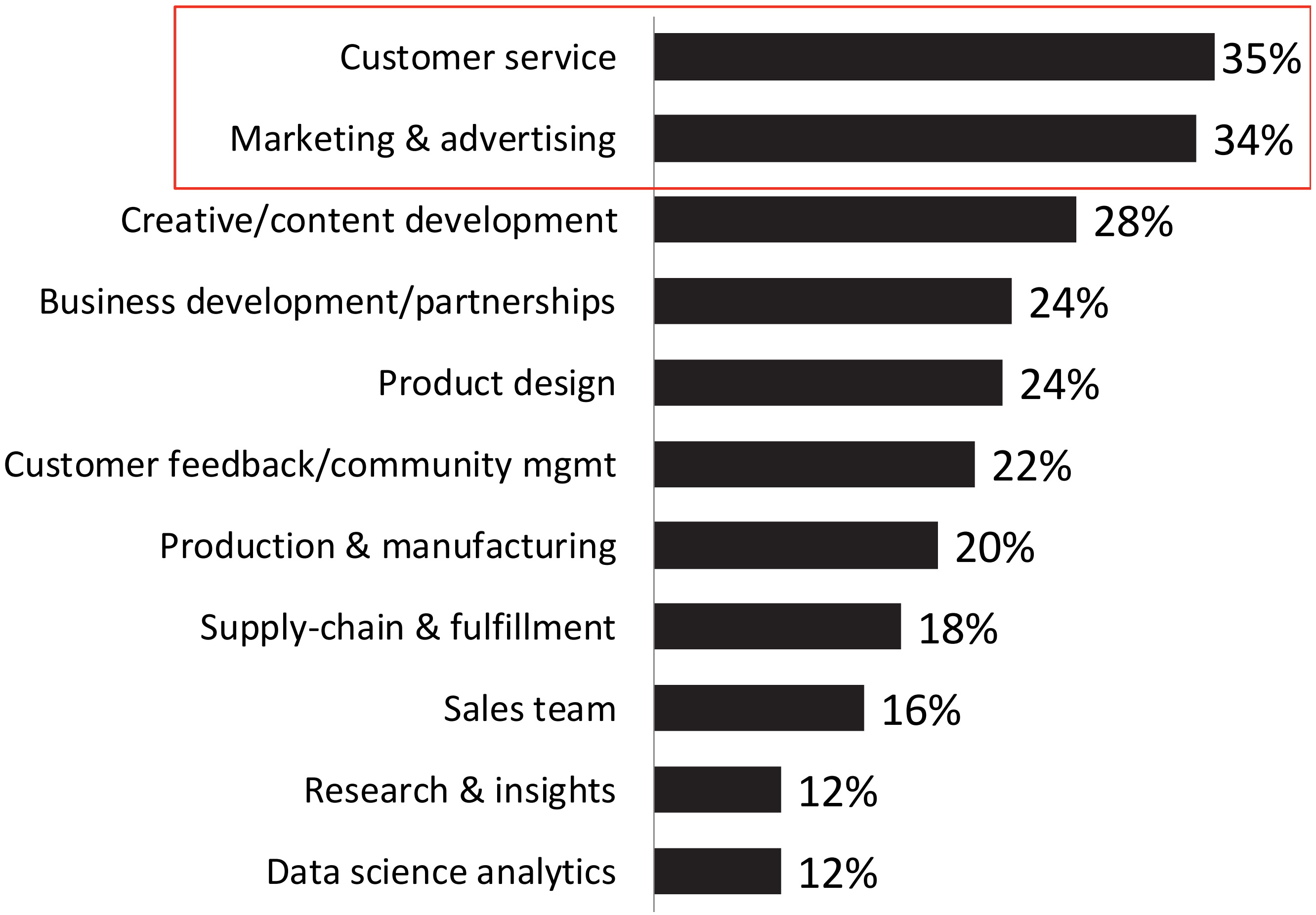
FedEx Supply Chain

XPOLogistics

Base: <15, n=203
Q: Which, if any, of the following are key reasons why you chose a 3rd Party Logistics provider?

Customer service is the most critical business function

Areas of FTE Investment



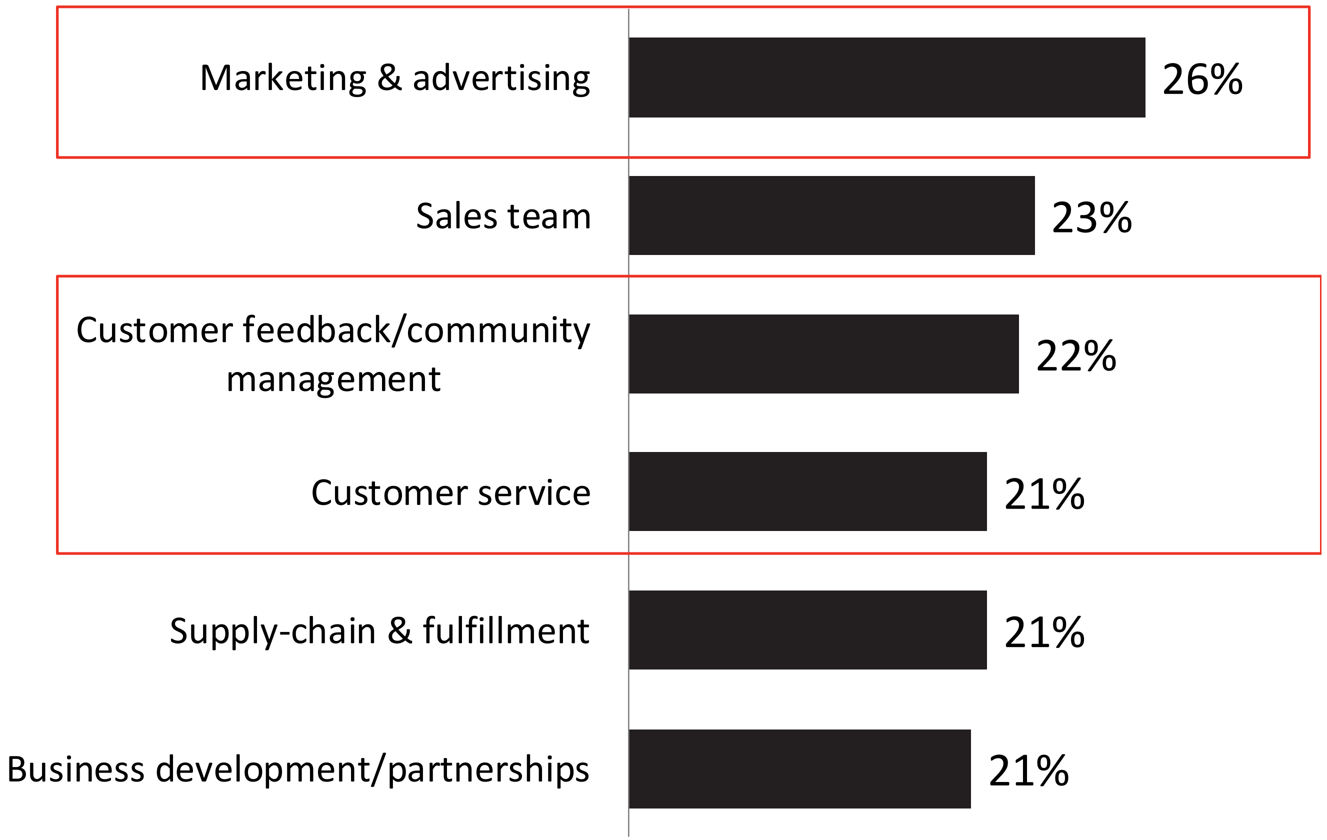
"…[Our customers] are the most powerful tool we have…and we need to understand why they love Lively and if we can take those soundbites as to why they love [our brand]."

— Michelle Cordeiro Grant
Founder and CEO, Lively

Base: <15, n=203
Q: What are the top 3 areas of full-time employee investment your direct-to-consumer brand has made in the past 12 months?

Marketing roles are the hardest to fill

Most Challenging Roles to Fill



29% say they "hired the wrong people."

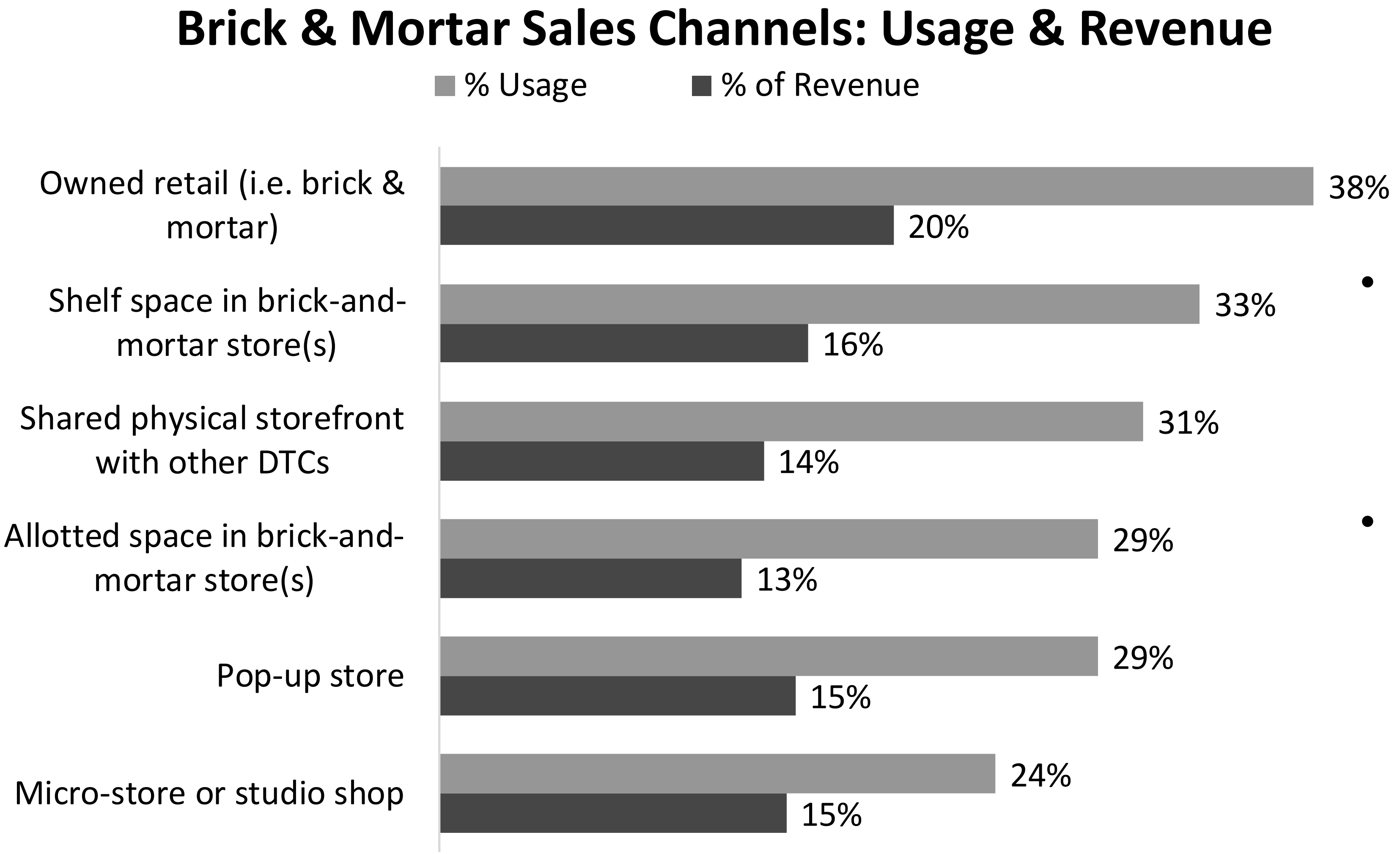
"…[The] thing that's really helped us drive growth, is quite frankly, our growth and marketing team. I think we have one of the strongest, smartest teams in the entire country."

— Rob Schutz
Co-Founder and CDO, RoCare

Base: <15, n=203
Q: In which core roles is it most challenging to find candidates who will succeed at your company?

Retail Everywhere

One-third of disruptors are in IRL stores



- Of those using owned brick-and-mortar store, it accounts for one-fifth (20%) of their revenue
- One in three (33%) sell product on a third party's brick & mortar shelves – Walmart and Target were most often cited as partners

Base: <15, n=203
Q: Which of the following best describes your presence across each of the following sales channels? (Bottom 2 Box Summary)
Q: Apply the percent that each of the following sales channels contributes to your overall revenue

Amazon continues to be a “frenemy”

45% are actively selling on **Amazon**, of those…

…Amazon accounts for one-fifth of revenue

55% are NOT actively selling on **Amazon**, of those…

…26% are testing or planning to test

…29% not in use at all; not even testing

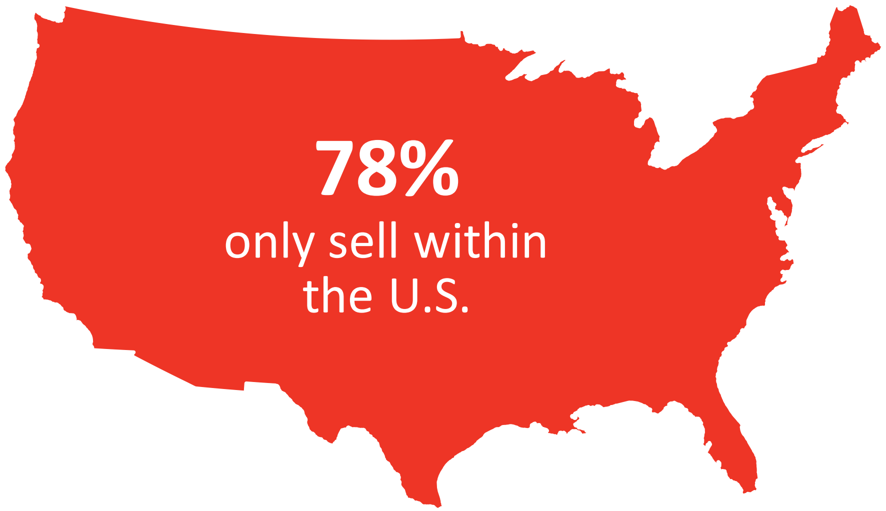
Base: <15, n=203

Q: Which of the following best describes your presence across each of the following sales channels?

What's Next

Almost 80% of Direct Brands sell only in the U.S.

U.S.-Only vs. Global Sales



22%
sell
internationally

Direct Brands founded in the U.S. selling globally include the following:

BIRCHBOX

BOMBAS

Casper

WARBY PARKER

iab.

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