

7 insights into the direct brand economy

By  Jessica Tennant

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In her opening address at the IAB Summit, which took place on Thursday, 30 May at the Joburg Theatre in Braamfontein, IAB CEO Paula Hulley shared seven key insights from the IAB Global Direct Brand Report on the direct brand economy.



Paula Hulley

Photographer: Rikki Hibbert

Today, we have digital rights to almost anything and business is changing at an increasingly rapid rate to the extent that it has already changed. Hence the 'new now' – the theme of this year's Summit. "Due to the availability of constantly new (now) technology, today we are in the business where value is created in a hyper-available, stack-your-own-supply-chain, where ideas can become products virtually overnight."

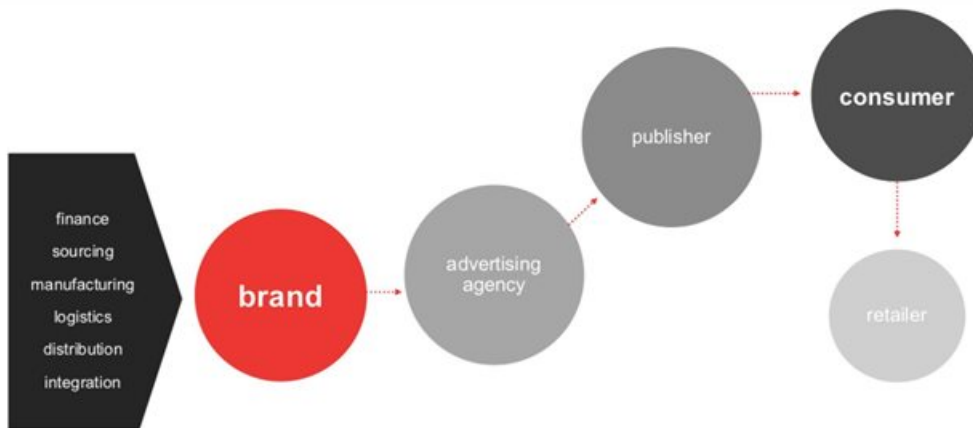


#IABSummit19: Balancing the power of the new now

Jessica Tennant 28 May 2019

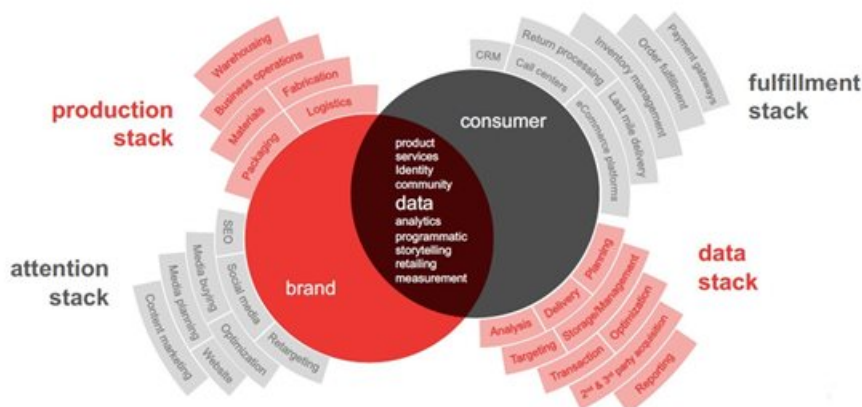


the indirect brand economy, 1879 - 2010



This is the old operating model or the indirect brand economy. Although it has worked for us for quite some time, in the new direct brand economy, marketers need to be at the centre; there needs to be a direct relationship between the company and the consumer. “These digitally native, disruptive brands are carving the new paths to value in a consumer economy, creating new ways of marketing, new ways of selling and new ways of competing.”

the direct brand economy, 2010 +



The IAB Global research Hulley shared is essentially a new direct brand roadmap that uncovers lessons from incumbent brands, the up-and-coming direct brands, publishers and the entire support system that enables this growth from technology to suppliers, she explained.

Marketing-led, not tech-led

From the research, there tends to be an assumption that direct brands are technical brands, but they’re actually marketing-led. “They are not technically-led, and although technology has allowed for transformation, the founders say that marketing is their most critical business function... They consider technology as an enabler, but they’re not actually considering themselves tech brands.”

The founders surveyed ranked marketing as the number one capability for them, followed by customer service, production and product design. It’s essential that these work in harmony and we as marketers step outside of our comfort zones and interact with other industries to better understand how to be at the centre and to be customer-focused in each of these areas.

Hack the CAC

CAC stands for the cost of customer acquisition. It makes sense that direct brands acquire their customers directly. “It’s a one-on-one relationship, but they do this at scale through the technology that is made available to them,” explained Hulley.

“ CAC is the new rent. – Daniel Gulati, Comcast Ventures ”

There’s a perception that digital is cheap. In the retail space, some tend to think that an online store is a more lucrative option than opening a physical store, but the cost of customer acquisition is the new rent, said Hulley. “The money that you’ve spent in the online space to acquire your customers is your new rent, and you need to change your perception that digital or running online digital or m-commerce or v-commerce is cheap.”

Change the omnichannel

With omnichannel shopping becoming the new norm, from online to bricks and mortar to pop-up shops, we all need to understand how online and physical work together, she said. “It is not about digital only. It is not about physical only. We need to understand how these worlds come together.”

Whether someone starts their shopping experience online first or offline first has different implications for your revenue models. Hulley [referred to Nike](#) to illustrate her point that it’s about the two working together. “If you look at their last quarter, their sales were up 7%. Their digital sales were up 36%. And one of the nuggets that came out of this was that they can show that customers who use the Nike app average 40% higher sales across all of Nike’s retail stores than those who don’t use the app.”

Get experienced

Some big brands are getting this right. They have their physical and online stores and then on top of this they’re also popping up in areas they’re looking to reach or as part of a campaign to create a different experience.

If you have an online store and are looking to move in-store, the key is not to copy paste the online model. “Don’t just create your online shop offline. Try and think about what other experiences you can give your customers offline in a physical store that they can’t have online.”

Again, looking at Nike. Over the past year, they have built a feedback loop of customer data that flows from its collection of apps into its stores. Nike’s new concept stores can include new digital features like app-reserve for sneakers, mobile checkout and buy online, pick up in-store lockers.

Warby Parker is another example. It started off as a digitally native brand and their big insight was that their reading glasses were too expensive. A single company owning the market being able to keep prices artificially high while reaping huge profits from consumers who have no other options. Warby Parker was started to create an alternative. By

circumventing traditional channels, designing glasses in-house, and engaging with customers directly, they are able to provide higher-quality, better-looking prescription eyewear at a fraction of the going price.



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Jessica Tennant 4 Jun 2019



Delivery is huge when it comes to experience. “Delivery is the new discovery, so brands like Birchbox are proactively delivering samples outside of purchased deliveries to open up product discovery, and our case study shows that purchases go up exponentially.”

Timing is also important here. Overseas, two-day delivery of a product has become the new expectation. “A two-day delivery is the cost of entry. That’s the baseline. Two days. And Amazon is working towards a two-hour delivery model!”

Build brand newsrooms

Another assumption that people have is that they perceive direct brands to be ‘brandless’, especially in the marketing mix, with only a heavy performance focus.

Some of the insights that came out of the report is that marketers use content marketing, editorial and PR as part of their marketing mix. “78% use email marketing for their products and emphasise storytelling at every relevant moment alongside their direct tactics.

“Storytelling reinforces community building and the trick with the direct brand economy is that, yes, you have a direct relationship with your consumer through that direct interface with no intermediaries in between, but if you want to scale, it happens in the community and the community doesn’t scale without a great brand message and great storytelling.”

Another important area is audio marketing. Podcasts are giving brands a voice, voice search will be 50% of all search by 2020 and the audio marketing options are growing.

Mi casa es su casa

In English, this means, ‘my house is your house’.

“Do you know where your personal data is? Whose house is your data in?” It’s a scary thought, but your data is sitting in a number of different ‘houses’ and some of us aren’t even aware as to how it’s being utilised.

What about your business data, do you know where it’s sitting? “There is definitely a trend for some companies to bring data in-house so that they have more access to it, but it’s not just about bringing your data in-house. Our data, as businesses, sit in multiple areas. How do we look at that and get that one-customer view and also understand how we protect that data and use it to the best of our ability?”

Actionable insights, as is legislation on privacy and transparency, are increasingly vital in order to do our job as marketers and “if we don’t understand how our customer journeys are playing out, and responding to them, we will be unable to prosper in this ‘new now’”.



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Paula Hulley 25 Jan 2019



Add some V to that LTV

"This is about brands that people love and that people value."

“ A brand is trust, a brand is your culture and it is your currency. ”

"A common thread through all our research workshops was that customer care is the role of everyone in the company. It is so important, so we need to create value at every relevant point in the customer journey to ensure lifetime value and to thrive in the 'new now'."

For the full report, click through to the [IAB website](#)

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