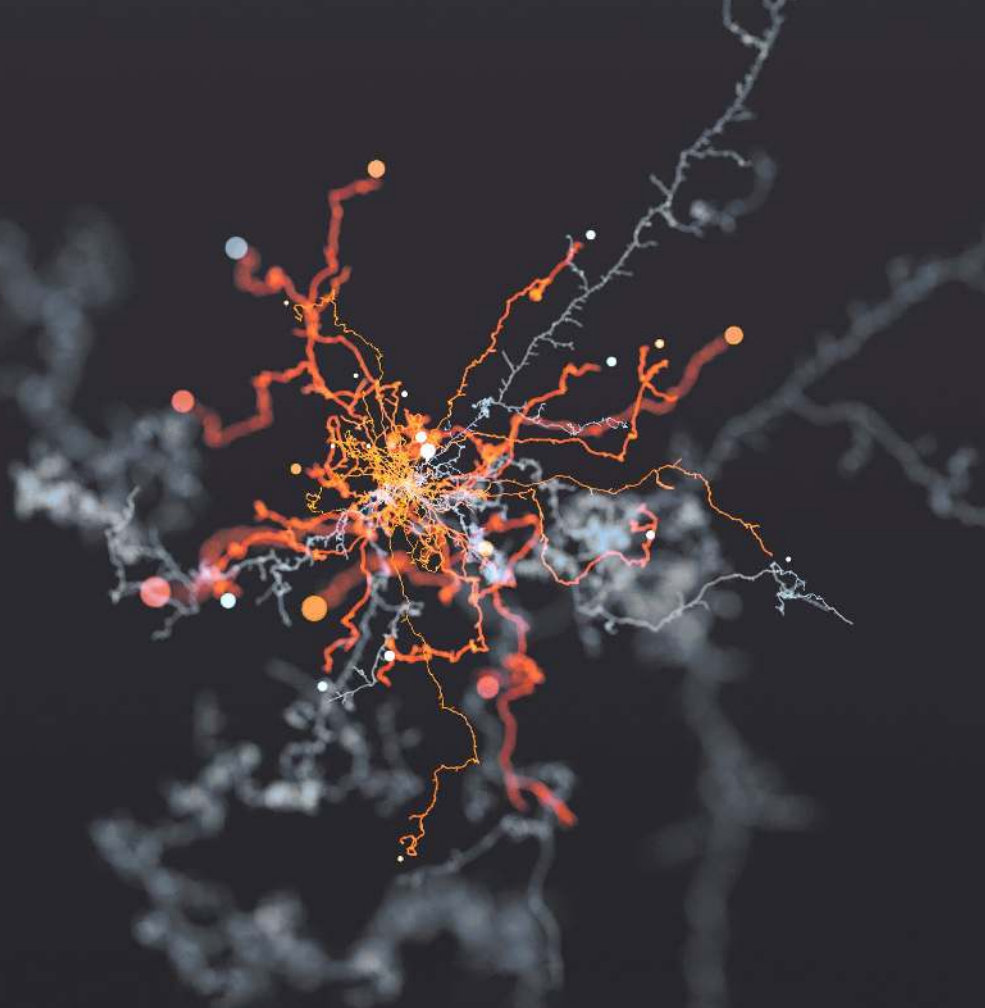# criteo

STATE OF
Ad Tech 2019

Global

Executive Summary and Intro

Since AT&T debuted a campaign with the very first banner ad in 1994, the world of advertising has never been the same. With the advent of advertising technology, new channels and devices started to offer different ways for advertisers to connect with customers.

From the pop-up-happy 90s to Google's debut in 1998 and Facebook's launch in 2004, there has been one clear direction for ad-tech: personalization. But how are advertisers working toward that direction? And what is the state of ad-tech going to be in 2019 and beyond?

In this report, we'll be diving into exclusive research findings from our work with research firm Euromonitor International on our survey, "Acquire, Convert, Re-engage." We spoke with 901 marketers around the globe about how they convert customers today - and what works best..

Read on to discover:

1 The Ad-Tech landscape

2 The Art & Science of Conversion

3 The Secrets to Re-Engagement

4 The Ad Platform for the Open Internet

The Current Ad-Tech Landscape

Today, more than 3.5 billion people are regular Internet users. Online is now the second largest and fastest growing ad spend channel in the world, accounting for 34% of total ad spend in 2017. Soon, it will overtake global ad spend on TV.

Our research projects that by 2022, there will be 4.66 billion internet users in the world and 56% will have two or more connected devices.

The world is digital. The majority of people will have multiple devices. So you'd think it would be easy for advertisers to reach their target consumers. But ad-tech has never been more complicated. Here's what we see for the top 2019 ad-tech trends:

1 More Ecommerce Companies Become Ad Companies.

2 Transparency, Transparency, Transparency.

3 Ads Won't Advertise, They'll Tell Stories.

Top 2019 Ad-Tech Trends

1 More Ecommerce Companies Become Ad Companies.

Ecommerce giant Alibaba is often referred to as an ad company, instead of an ecommerce company. That's because 60% of the company's revenue actually comes from ads, not the products sold. Amazon's ad business is growing massively – with expected growth of 55% in 2019 alone, according to J.P. Morgan.

In 2019, ecommerce companies will continue to rethink how brand partnerships and product placements work together. CPM will take a front seat next year. Through sophisticated technology, it's possible to maximize revenue from all the visitors to an ecommerce website, even if they don't buy – as long as retailers can show brands that those impressions are valuable.

Top 2019 Ad-Tech Trends

2

Transparency, Transparency, Transparency.

Marketers want to know where their ads are being placed. They want to know which ads are working and how much revenue each ad contributes. Consumers want to know how their data is used. Publishers want to know how audiences interact with the ads on their websites and how much revenue is really being generated for partners.

Wherever you are in the ad-tech ecosystem, you probably want more transparency. As the big tech players keep consolidating – and building higher walls – it's hard to really dive into the details on ad performance.

With the passage of GDPR and more privacy laws on the way, we know that transparency, privacy, and security are intertwined. Ads are at the center of the storm.

How can you personalize content but ensure customer data is secure? How can you know that a partner is using your ad dollars to create the best possible campaigns?

All of these issues are at the forefront of the industry. New solutions, strategies, and partnerships will happen next year as companies work on adapting to this new reality.

Top 2019 Ad-Tech Trends

3   Ads Won't Advertise, They'll Tell Stories.

When we look at the success of direct-to-consumer companies like Away, Harry's, and Warby Parker, it's not the product that grabs our attention – it's the story. By matching quality product with a unique and shareable story, these companies have carved out a niche in the market.

Consumers can get great discounts anywhere on the Internet. Ads need to be personalized to the point of telling a story to the individual consumer. That means creating a full funnel ad experience – through data.
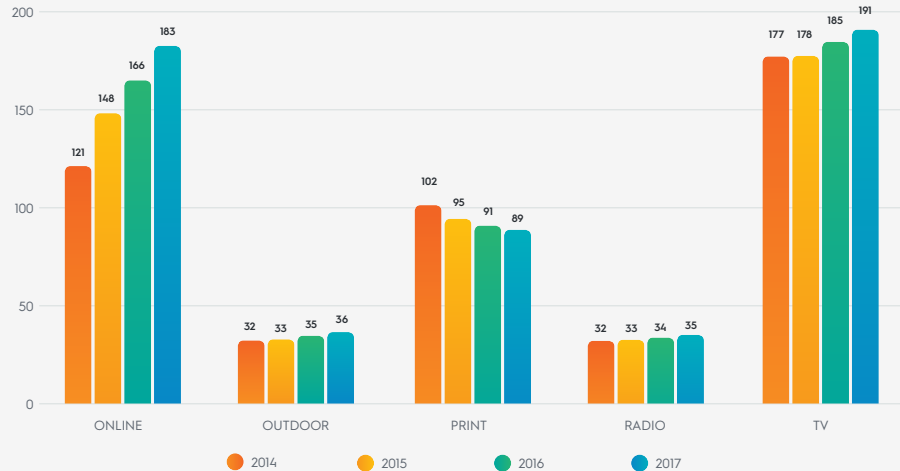
Great ads will matter more than ever, but especially those that understand a customer's needs and tell a great story through product and content. The best ads in 2019 won't sell. They will entertain, educate, and inspire.

Ad-Tech by the Numbers

You don't have to look much further than our research on overall spending habits to understand how prominent digital has become. Around the world, ad spend on online tactics increased at a CAGR of 14.6% from 2014-2017.

Global Adspend in *USD billion

	ONLINE	OUTDOOR	PRINT	RADIO	TV
2014	121	32	102	32	177
2015	148	33	95	33	178
2016	166	35	91	34	185
2017	183	36	89	35	191

● 2014　● 2015　● 2016　● 2017
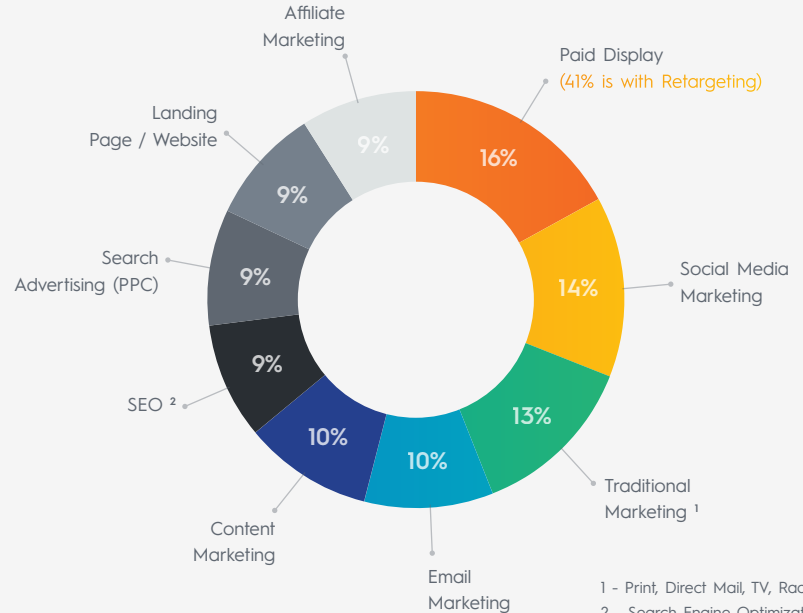
*Constant exchange rate applied

Source: Euromonitor International Passport - Economies and Consumers, 2018 Edition

Ad-Tech by the Numbers

When it comes to tactics, marketers are spending the most on paid display. Social media ad spend is increasing as well. Globally, 16% of marketing budgets went to paid display, with 41% of that budget spent on retargeting. The second highest share of ad spend (14%) went to social media. Traditional marketing (TV, Print, and Radio) takes up 13% of marketing budgets, as TV remains a major channel across the globe.

Marketing Budget Allocation by Activities, N=901

- Affiliate Marketing — 9%
- Paid Display (41% is with Retargeting) — 16%
- Social Media Marketing — 14%
- Landing Page / Website — 9%
- Traditional Marketing [1] — 13%
- Search Advertising (PPC) — 9%
- Email Marketing — 10%
- SEO [2] — 9%
- Content Marketing — 10%

1 - Print, Direct Mail, TV, Radio Ads
2 - Search Engine Optimization

Source: "Acquire, Convert, Re-engage," Euromonitor & Criteo, 2018

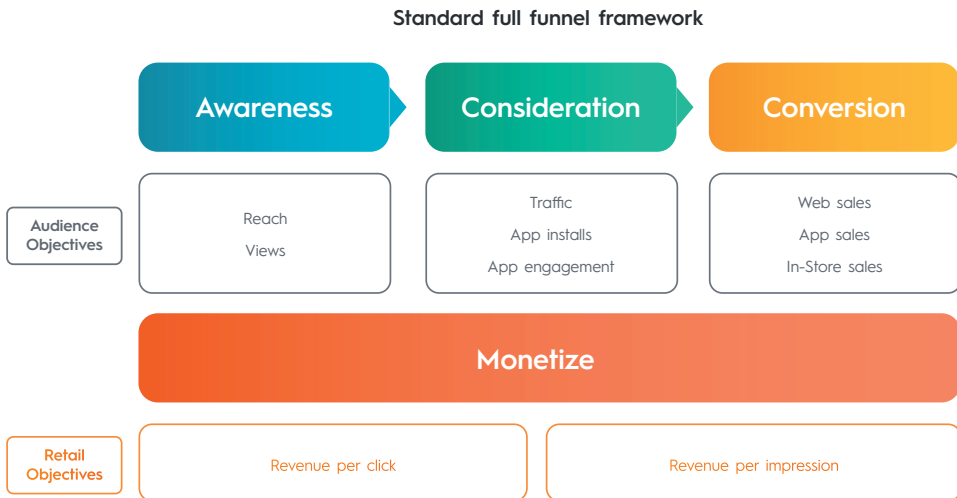# The Awareness-Consideration-Conversion Methodology

All of these marketing tactics are meant to build customer relationships throughout the shopper journey. At Criteo, we define this by the "Awareness, Consideration, Conversion" methodology.

Each phase has its own objectives. For awareness, marketers need to think about how to maximize reach and views. During the consideration phase, the focus turns to traffic. Are you getting the right audience to the right product pages? Are you seeing noticeable increases in app installs and engagement?

Finally, during the conversion phase, marketers track sales across each channel.

There's a fourth part to this methodology for retailers: monetization. This is where marketers start to think about revenue based on web audience and partners.

In our study with Euromonitor, we dug into the details around conversion campaigns.

Standard full funnel framework

Awareness	Consideration	Conversion

Audience Objectives

Reach Views	Traffic App installs App engagement	Web sales App sales In-Store sales

Monetize

Retail Objectives

Revenue per click	Revenue per impression

The Art & Science of Conversion

A conversion can happen in an instant or it can happen over the course of a few months.

That's also why it can be a challenge to define a methodology for conversion tracking. Unlike measuring web traffic, conversion campaigns can't be measured by looking at just one marketing vehicle. With a variety of tactics across channels that can all contribute to a conversion, it's also hard to measure which tactics are bringing the highest ROI.

What we found is that marketers distribute their budgets across 10 primary channels. They face different challenges across the board, but shared with us some of their strategies for success.

Our survey found that marketers worldwide experience these three challenges when running conversion campaigns:

Unifying fragmented data

Multiple teams and multiple systems means fragmented data. As marketers use so many different channels and tools to execute conversion campaigns, it becomes difficult to keep everything unified. Without a single view of what's happening on a customer level, marketers can't link conversions to the advertising driving those conversions.

Difficulty in measuring the return on investment

Attribution is a challenge for conversion campaigns. Marketers must balance the competing demands of generating high ROI while managing ad spend costs. The diffusion of ad spend across channels makes it hard to calculate a clear ROI.

Connecting online and in-store shopper data

With today's shopper journey often starting in-store and ending online — or vice versa — conversion campaigns aren't really about targeting one group over the other. It's about having a unified view of both. Trends like in-store pick up and same-day delivery make it easy for shoppers to move in either direction. The most effective conversion campaigns can target a customer who starts looking in a store, and then decides to buy on their phone later in the day.

The Conversion Tactics that Work

When we asked about the most commonly used tactics for conversion campaigns, marketers pointed to social media marketing. Paid display and email weren't far behind. SEO was the fourth most popular.

Top 4 Channels Used for Conversion
(% of marketers using given channel in their campaigns)

1 Social Media Marketing (53%)

2 Paid Display Advertising (43%)

3 Email Marketing (41%)

4 Search Engine Optimization (SEO) (38%)

Source: "Acquire, Convert, Re-engage," Euromonitor & Criteo, 2018, N=796

Strategies for Success

Globally, marketers told us they have their two top strategies for success:

1   Maximize ad placement quality.

2   Provide compelling and unique offers.

Strategies for Success

1 Maximize ad placement quality.

For marketers everywhere, it doesn't matter how good your ads are if they're not seen. According to global marketers, having high quality ad placements is key to conversion campaigns. In APAC, leather goods brand Bellroy makes sure their banners appear on top regional newspapers, which over-index for their target audience, a person in-market for a new wallet.

Strategies for Success
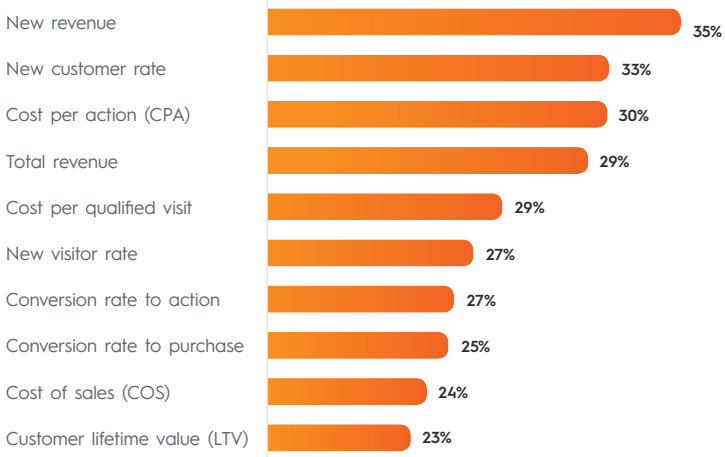
2 Provide compelling and unique offers.

Marketers said that ongoing campaigns with compelling offers is one of the surest ways to maximize revenue at the conversion stage. These offers should go beyond the basics, such as sign-up discounts, and focus on linking the offer to limited-time promotions. Australian skin-care brand Asarai's summer 25% off event and Sephora's "Beauty Appreciation" event are both examples of using targeted, timely offers to driving additional sales from brand-preferring consumers.
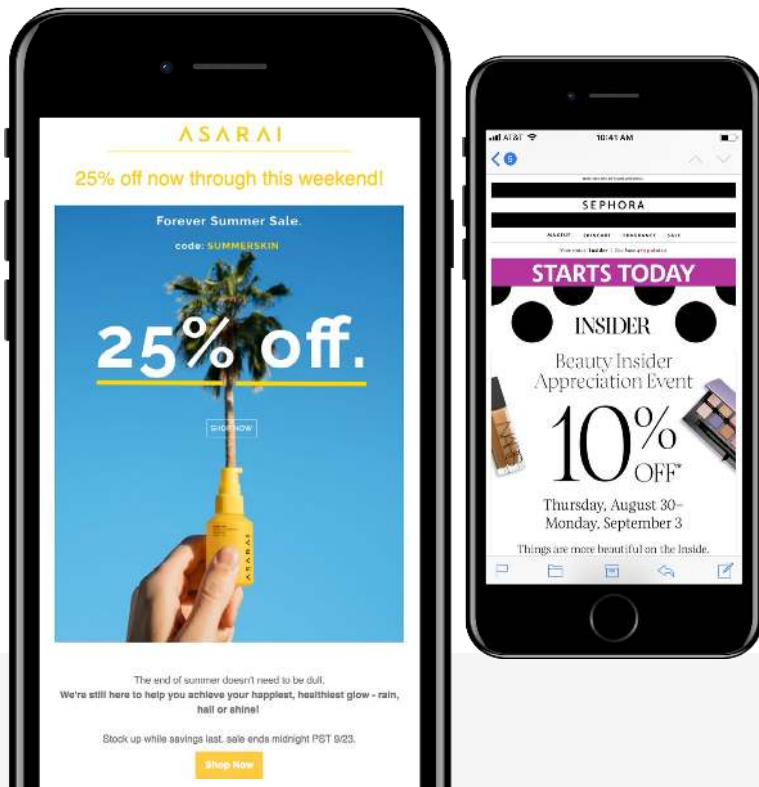
Want to really figure out how to fix fragmented data, get stakeholder buy-in, and measure ROI?

Start by defining the objective that matters to you. Marketers worldwide told us that there is no one true metric when measuring conversion. The top ten listed were:

Metric	Percentage
New revenue	35%
New customer rate	33%
Cost per action (CPA)	30%
Total revenue	29%
Cost per qualified visit	29%
New visitor rate	27%
Conversion rate to action	27%
Conversion rate to purchase	25%
Cost of sales (COS)	24%
Customer lifetime value (LTV)	23%

Source: "Acquire, Convert, Re-engage," Euromonitor & Criteo, 2018, N=796

Conversion campaigns are as much about attribution as they are about sales numbers. Without being able to show which channels and tactics really move the needle, marketers won't be able to secure the budget or stakeholder buy-in that they need. When you have the proper tools and partners in place to measure data-driven attribution, then you can rest assured that your marketing dollars are being well-spent.

The Secrets to Re-engagement

When we surveyed marketers about re-engagement, we focused a lot on mobile tactics. It's the part of the sales funnel where your customers, already familiar with your brand and products can become brand advocates and loyal customers.

Research shows the success rate of selling to an existing customer is between 60-70%, while that of selling to a new customer is 5-20%. Also, returning customers can bring in **up to two-thirds of your brand's profits.**

Marketers indicated that campaign KPIs depend on the type of campaign. For example, an app-rengagement campaign might focus on driving a new qualified visit from a lapsed user. An app-repurchase campaign might focus on in-app post-click conversion rate.
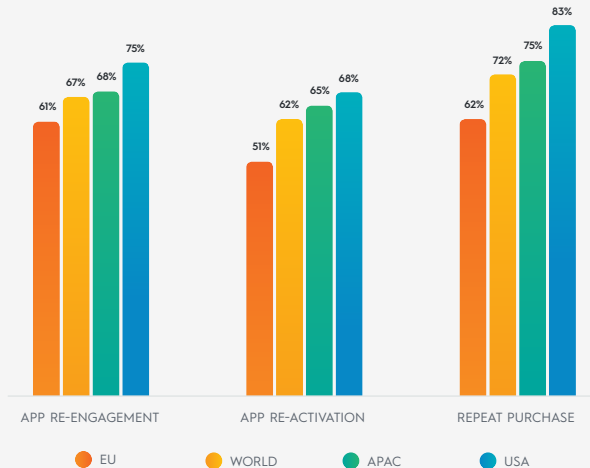
The US Leads in All Three Campaign Types

1 2 3 4

Our research found that while globally, over 60% of marketers ran three type of re-engagement campaigns, the US leads all other markets in all three campaign types.

Additionally, we found that pureplay online companies are ahead of brick-and-mortar companies in terms of re-engagement activities. Online-only businesses need to be more active digitally, whereas a business with brick-and-mortar locations may focus on marketing initiatives for in-store campaigns.

% of Marketer with Targeted Campaign for

APP RE-ENGAGEMENT
- EU 61%
- WORLD 67%
- APAC 68%
- USA 75%

APP RE-ACTIVATION
- EU 51%
- WORLD 62%
- APAC 65%
- USA 68%

REPEAT PURCHASE
- EU 62%
- WORLD 72%
- APAC 75%
- USA 83%
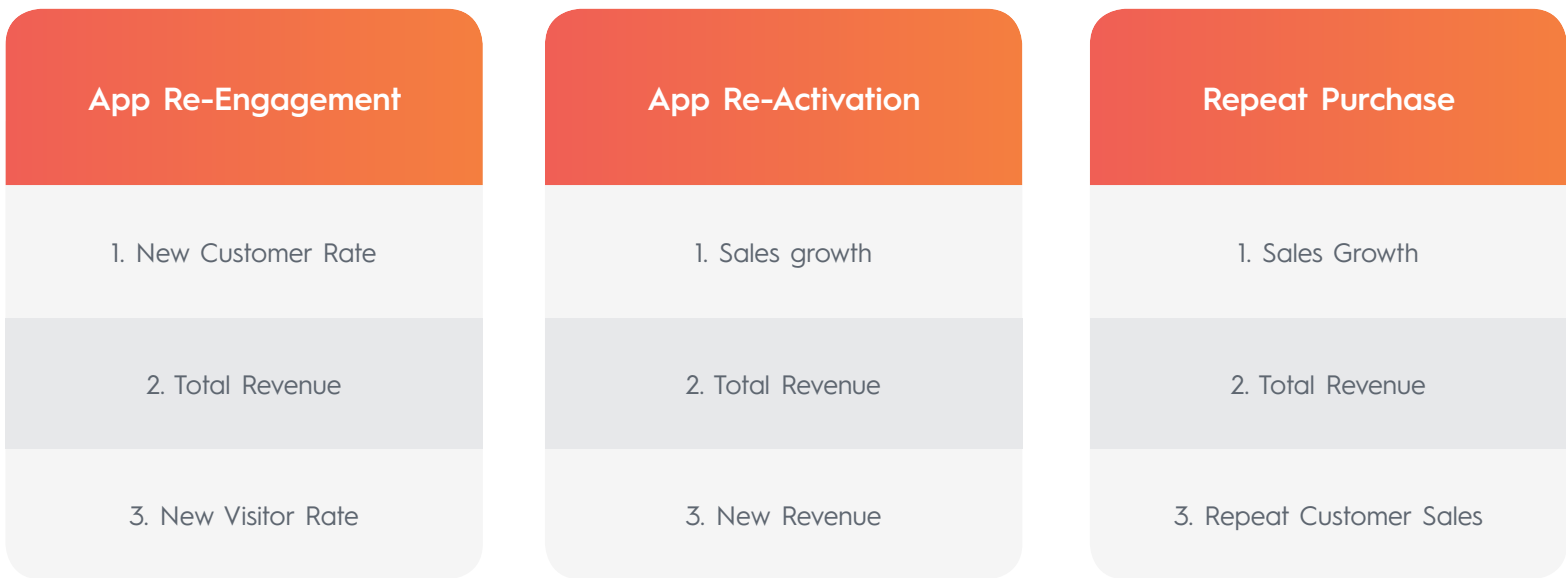
● EU   ● WORLD   ● APAC   ● USA

Source: "Acquire, Convert, Re-engage," Euromonitor & Criteo, 2018, N=901 (Global), N=551 (APAC), N=150 (EU), N=100 (USA)

Metrics Used to Measure Re-engagement Success

Globally, marketers measured re-engagement success using the following metrics:

App Re-Engagement	App Re-Activation	Repeat Purchase
1. New Customer Rate	1. Sales growth	1. Sales Growth
2. Total Revenue	2. Total Revenue	2. Total Revenue
3. New Visitor Rate	3. New Revenue	3. Repeat Customer Sales

Source: "Acquire, Convert, Re-engage", Euromonitor & Criteo, 2018, N=601 (App Re-Engagement), N=558 (App Re-Activation), N=653 (Repeat Purchase)
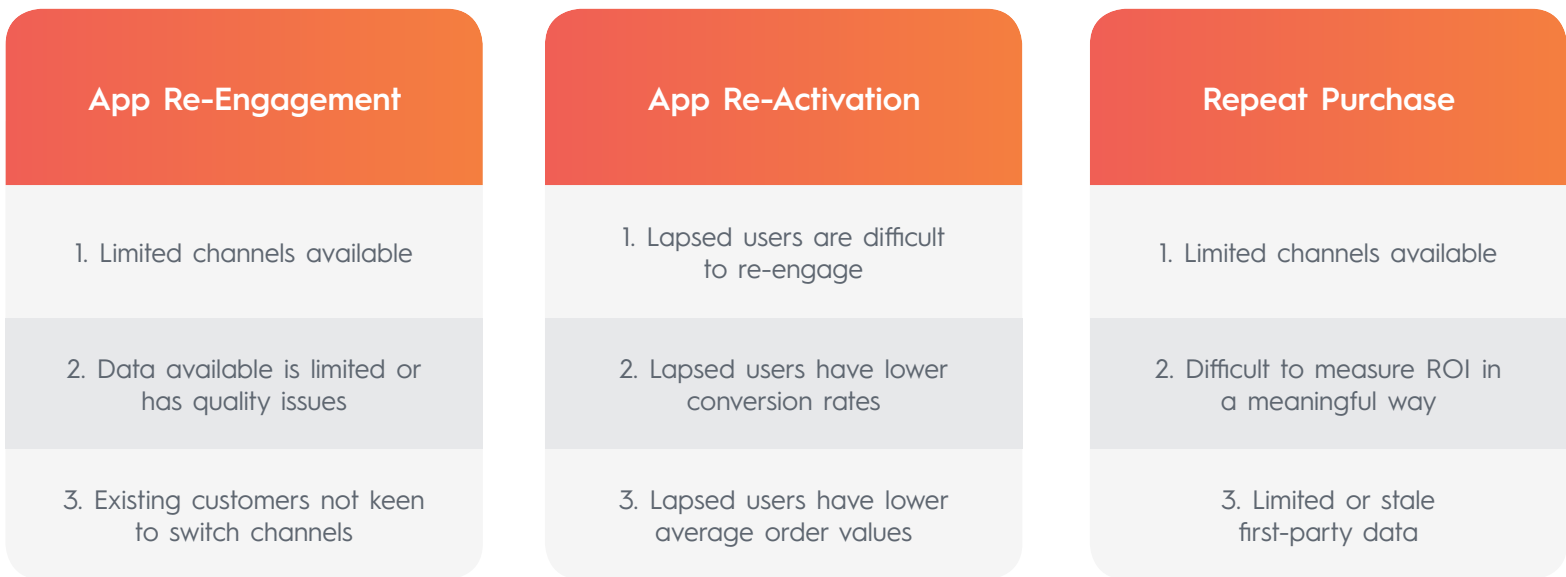
The Challenges of Re-engagement Campaigns

Why aren't more marketers investing heavily in re-engagement campaigns?
Here is what respondents said when we asked:

App Re-Engagement

1. Limited channels available

2. Data available is limited or has quality issues

3. Existing customers not keen to switch channels

App Re-Activation

1. Lapsed users are difficult to re-engage

2. Lapsed users have lower conversion rates

3. Lapsed users have lower average order values

Repeat Purchase

1. Limited channels available

2. Difficult to measure ROI in a meaningful way
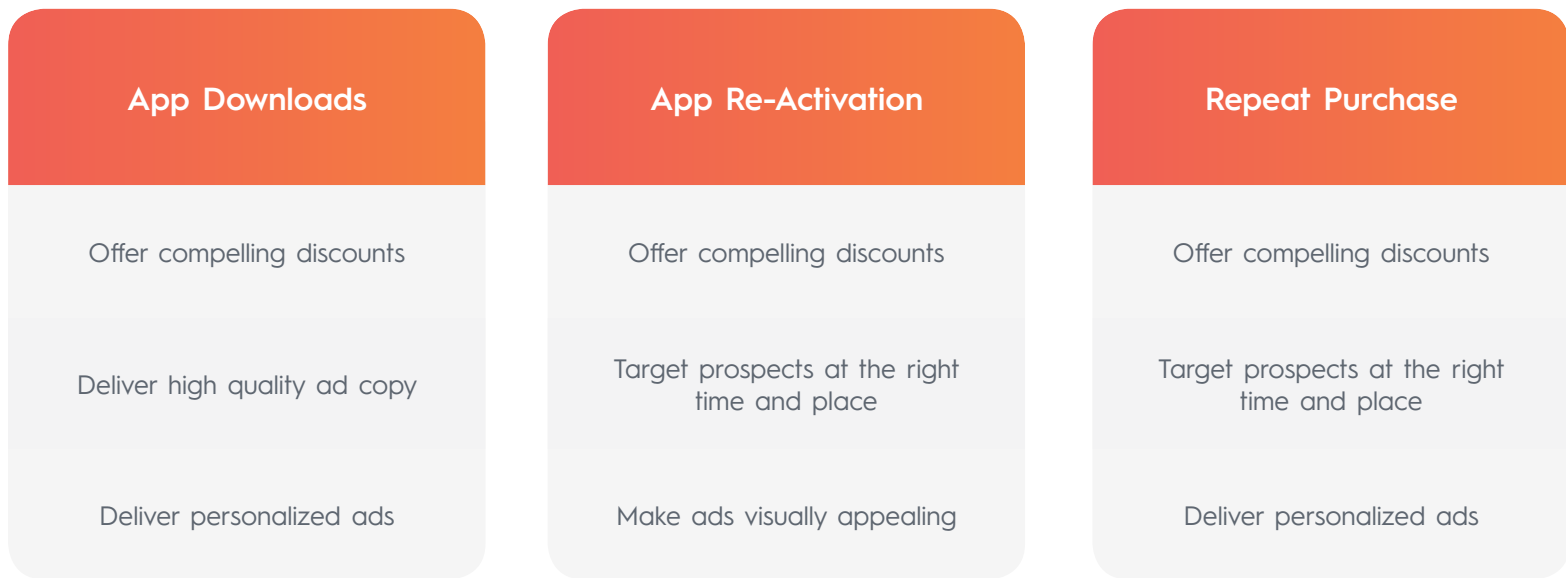
3. Limited or stale first-party data

The Re-Engagement Tactics that Work

So how do marketers solve re-engagement challenges?

Respondents pointed toward tactics like compelling discounts, high quality ad copy, and targeting prospects at the right time and place:

App Downloads	App Re-Activation	Repeat Purchase
Offer compelling discounts	Offer compelling discounts	Offer compelling discounts
Deliver high quality ad copy	Target prospects at the right time and place	Target prospects at the right time and place
Deliver personalized ads	Make ads visually appealing	Deliver personalized ads

The Re-Engagement Tactics that Work

For app downloads, app re-activations, and repeat purchase campaigns, global marketers say that offering compelling discounts comes first.

OTA Expedia and Expedia Japan encourage mobile browsers to download or re-activate the Expedia app with app-exclusive discounts of up to 40% versus what a shopper might find on the mobile or desktop site.
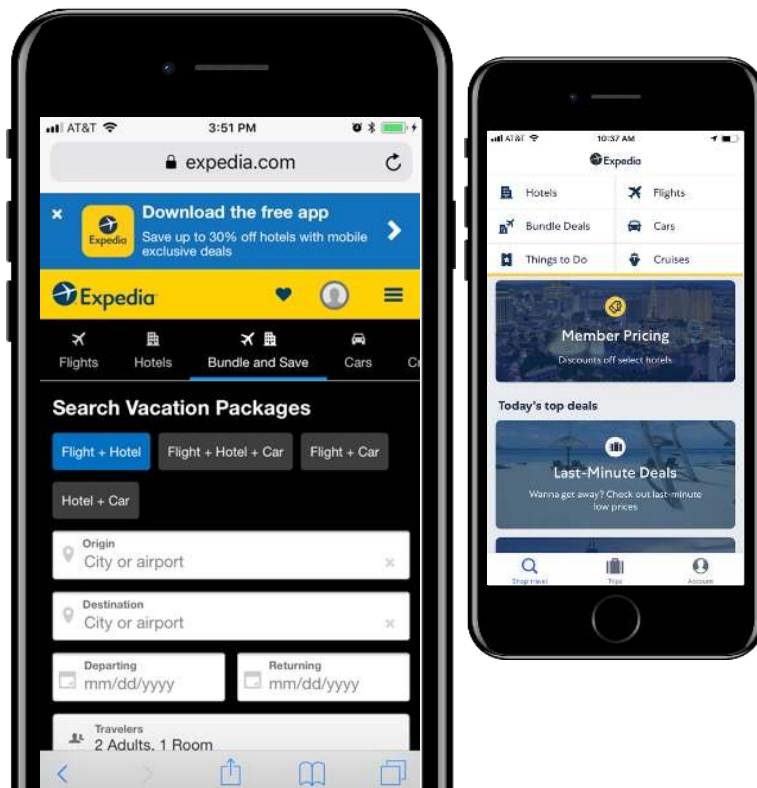
The Re-Engagement Tactics that Work

● ● ● ● ● ● ● ● ○

Rideshare app Lyft sends email campaigns that, when clicked, open directly in the app to get riders to activate the offer as well as become active in the app again.
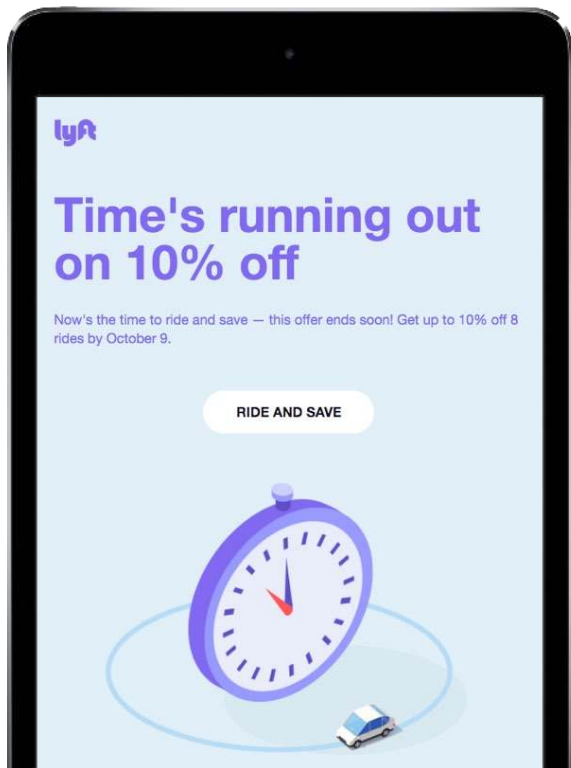
The Re-Engagement Tactics that Work

Beauty retailer Dermstore follows up with customers with a personalized request for a product review and an offer of membership points that can be applied to a future purchase.
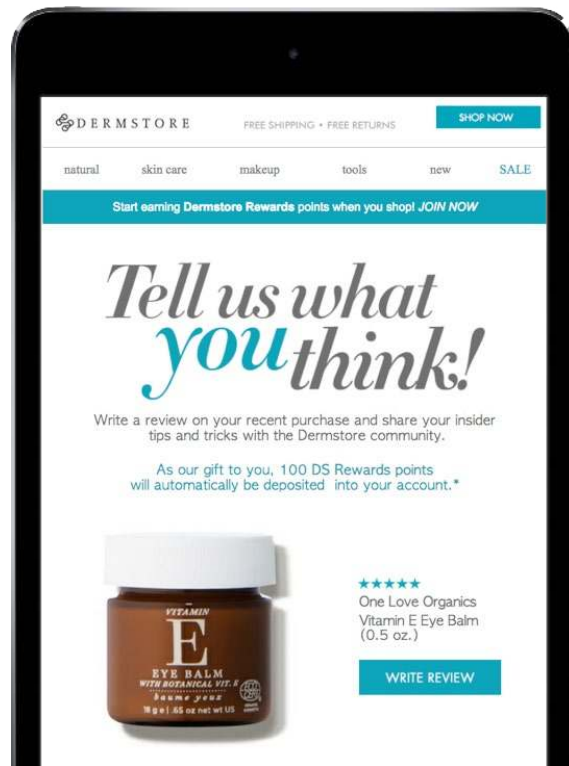
The Re-Engagement Tactics that Work

Korean online grocery and CPG retailer Homeplus encourages repeat purchases by offering prominent ads with a strong promotion just as shoppers visit their mobile site. Ad clickers are directly routed to the Homeplus app, which is aware of the promotion.

The Ad Platform for the Open Internet

Every tactic in our survey goes back to data. And, in turn, personalization. As marketers, we know that personalized ads are effective. As more marketing budgets go digital around the world, personalization has to get more sophisticated.

That's why the biggest tech giants today do so well. With massive amounts of data, it's easy to create an individual experience for every shopper at every touchpoint. Most other companies can't collect or activate the data on that scale. But, by working across the Open Internet, it's possible.
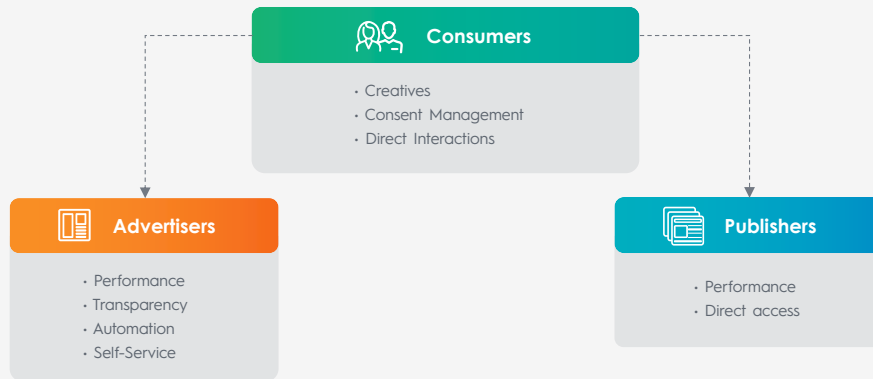
Advertiser and Consumer Benefits

The Ad-Tech Ecosystem of the Open Internet offers value to consumers and companies of every size. No one business controls the market, so consumers get more choices. Advertisers get more flexibility, and publishers get more control.

In effect, the Open Internet allows for a diversity of ideas and innovations that drive opportunity for all, instead of distributing power and control to just the big players.

We've tried to build a foundation for the Open Internet with the Criteo Ad Platform.

When companies work with the Criteo Ad Platform, their advertising campaigns are powered by data from 1.4 billion active shoppers and more than $615 billion in annual sales transactions.

That amount of data allows ads to be extremely personalized and extremely intelligent – and allows companies to own the relationships with their customers from start to finish.

Consumers
- Creatives
- Consent Management
- Direct Interactions

Advertisers
- Performance
- Transparency
- Automation
- Self-Service

Publishers
- Performance
- Direct access

Advertiser and Consumer Benefits

● ● ● ● ● ● ● ● ● ●

Advertisers benefit from performance, transparency, automation and self-service: They can control their ads, see who's being targeted, and better manage the process from start to finish when deploying on the Open Internet.

Consumers benefit from higher quality ads which directly support the publisher community responsible for the zero-cost content enjoyed by all. They also have a much stronger, more direct relationship with brands and retailers.

Publishers, too, benefit from enhanced performance – maximizing ROI – while getting direct access to their audiences instead of depending on third parties to show content across the ecosystem. That means a more predictable and stable environment.

Criteo has already come a long way in building the Open Internet. We were founded on the principles that everyone should have an equal opportunity across the ad-tech ecosystem.

The Open Internet means transparency, diversity, and opportunity. When we think about how digital ads are going to be the future of the Internet, we want that future to be open.

Active on the Open Internet

1 18,000+ retailers and brands

2 1000s of publishers

3 1.4 billion active monthly shoppers

About Criteo

Criteo (NASDAQ: CRTO) is the advertising platform of the open Internet, an ecosystem that favors neutrality, transparency and inclusiveness. 2,700 Criteo team members partner with over 18,000 customers and thousands of publishers around the globe to deliver effective advertising across all channels, by applying advanced machine learning to unparalleled data sets. Criteo empowers companies of all sizes with the technology they need to better know and serve their customers. For more information, please visit www.criteo.com.

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