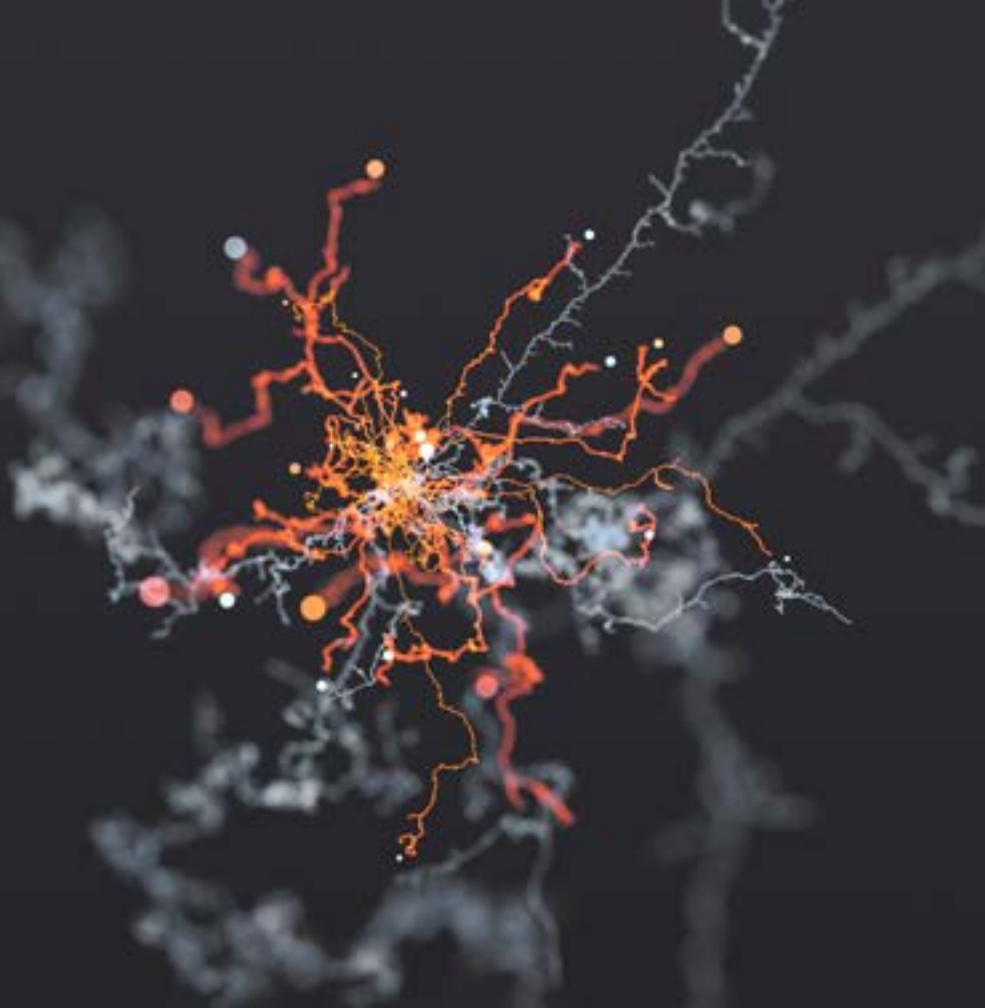criteo.

STATE OF
Ad Tech 2019

EMEA

Executive Summary and Intro

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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 advertisers different ways for advertisers to connect with customers

From the pop-up-happy 90s to Google's debut in 1998 and Facebook's debut in 2004, there has been one clear direction for ad-tech: personalisation. 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 dive into exclusive findings from our work with research firm Euromonitor on our survey, "Acquire, Convert, Re-engage." We spoke with 150 marketers from around the globe about how they convert customers today - and what works best.

Read on to discover:

1 The current 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 maximise 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 personalise 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 personalised 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.
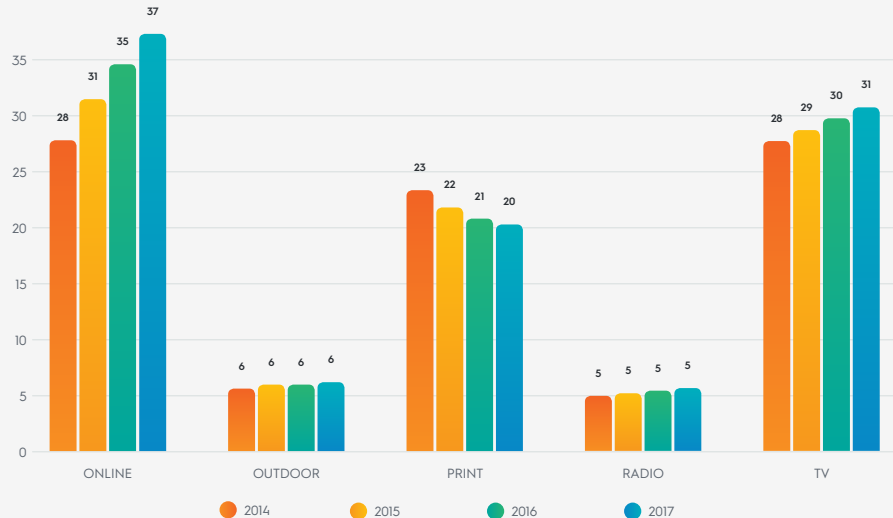
The Current Ad-Tech Landscape

Today, more than 3.5 billion people are regular Internet users. So it makes sense that, on a global level, **40.2% of total ad spend** is now going to digital.

Research from Ecommerce Europe projects that the ecommerce market at large will grow to €602 billion by the end of 2018. The United Kingdom (€178 billion), France (€93.2 billion) and Germany (€93 billion) are the biggest ecommerce markets in the EU.

Our research projects that by 2022, there will be 441 million internet users in the EU and over 86% will have two or more connected devices.

In the UK, online ad spend is the only category seeing double-digit growth. In France, online ad spend has overtaken TV and other traditional spending, growing at triple the rate as other channels. In Germany, online ad spend is the largest channel, accounting for 33% of total ad spend in 2017.

Adspend in EU, in *USD billion

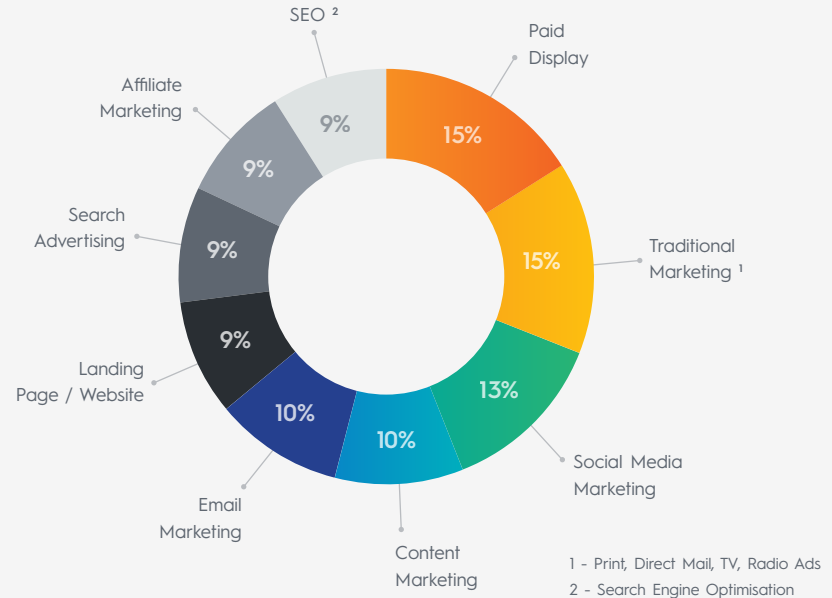|	ONLINE	OUTDOOR	PRINT	RADIO	TV
2014	28	6	23	5	28
2015	31	6	22	5	29
2016	35	6	21	5	30
2017	37	6	20	5	31

*Constant exchange rate applied

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

Paid Display ad spend a key focus for Marketers in 2017

When it comes to tactics, marketers are spending heavily on paid display. Social media ad spend is increasing as well.

(EU) Marketing Budget Allocation by Activities, N=150

- Paid Display — 15%
- Traditional Marketing [1] — 15%
- Social Media Marketing — 13%
- Content Marketing — 10%
- Email Marketing — 10%
- Landing Page / Website — 9%
- Search Advertising — 9%
- Affiliate Marketing — 9%
- SEO [2] — 9%

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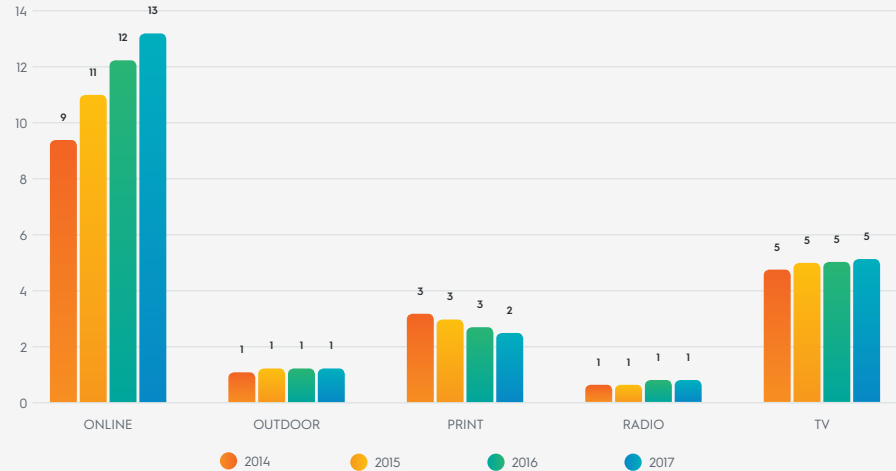2 - Search Engine Optimisation

Paid Display ad spend key focus for Marketers in UK

In the UK, 18% of marketing budgets went to paid display.
The second highest share of ad spend went to social media.

Adspend in UK, in *USD billion

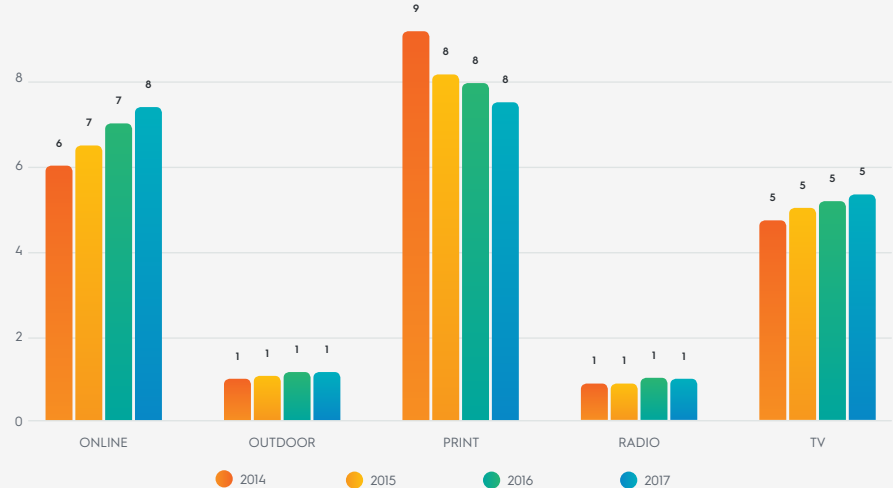|	ONLINE	OUTDOOR	PRINT	RADIO	TV
2014	9	1	3	1	5
2015	11	1	3	1	5
2016	12	1	3	1	5
2017	13	1	2	1	5

● 2014   ● 2015   ● 2016   ● 2017

*Constant exchange rate applied
Source: Euromonitor International Passport - Economies and Consumers, 2018 Edition

Paid Display ad spend key focus for German Marketers

For German marketers, 15% of ad budgets went to Paid Display Advertising and another 14% to social media. Traditional marketing took 15% of spend in 2017.

Adspend in DE, in *USD billion

|	ONLINE	OUTDOOR	PRINT	RADIO	TV
2014	6	1	9	1	5
2015	7	1	8	1	5
2016	7	1	8	1	5
2017	8	1	8	1	5

● 2014 ● 2015 ● 2016 ● 2017

*Constant exchange rate applied

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

Traditional marketing remains significant spending area in France

In France, traditional marketing still takes up a significant share (18%) of ad spend as TV remains a major channel for ads. Just about 13% of budgets were spent on Paid Display Advertising tactics like retargeting and banner ads.

Adspend in FR, in *USD billion
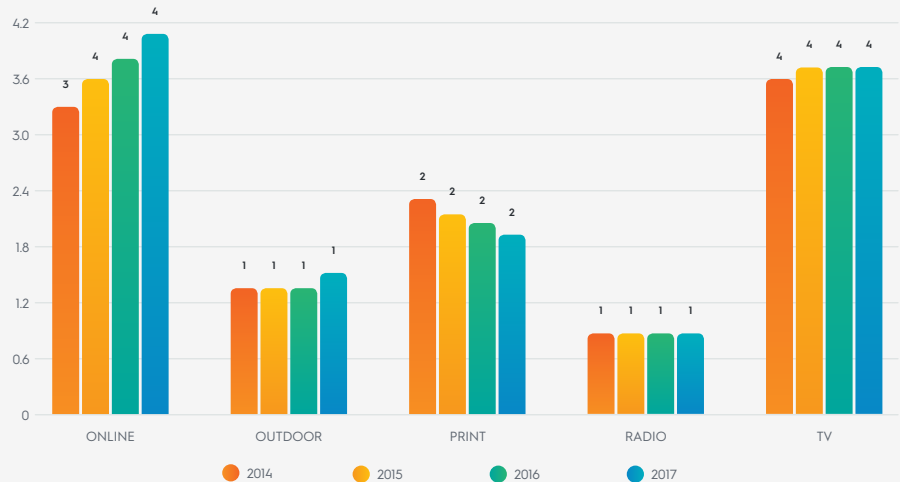
Legend: ● 2014 ● 2015 ● 2016 ● 2017

*Constant exchange rate applied

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

The Awareness-Consideration-Conversion Methodology

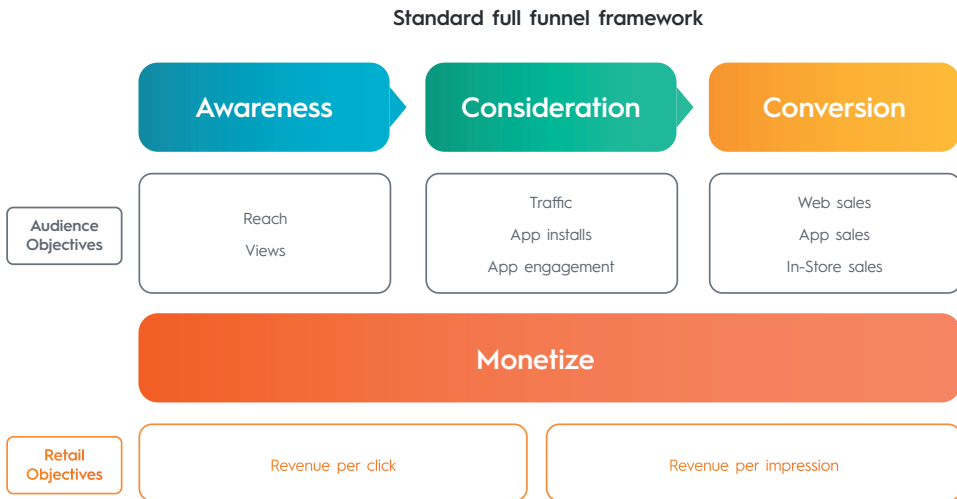All of these marketing tactics are meant to build customer relationships throughout the shopper journey. At Criteo, we define this by the "Awareness, Consideration, Conversion" methodology.

Each phase has its own objectives. For awareness, marketers need to think about how to maximise 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

	Revenue per click	Revenue per impression
Retail Objectives		

The Art & Science of Conversion

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A conversion can happen in an instant or it can happen over the course of a few months. That's also partly 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 channel. 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 EU marketers 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.

Getting stakeholder buy-in

When your data is fragmented, it's hard to prove the value of each conversion campaign. And that makes it hard to get stakeholders to buy into new campaigns. Aside from centralising your data, aligning teams on objectives, tactics, and metrics can go a long way solving for these difficulties.

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 the ad spend costs. The diffusion of ad spend across channels makes it hard to calculate a clear ROI.

The Conversion Tactics that Work

When we mapped out what tactics are used and which ones are perceived to be effective, email marketing won the mix for conversion campaigns. Paid display and social media weren't far behind. Here is the complete conversion tactics map:

Channels used for Conversion campaigns: penetration vs perceived effectiveness

PERCEIVED
EFFECTIVENESS

95%

85% — Affiliate Marketing

Content Marketing

Email Marketing

75% — Landing Page and Website Optimisation

65% — Paid Display Advertising

Social Media Marketing

55% — Search Advertising (PPC)

Search Engine Optimisation (SEO)

45%

25%   35%   PENETRATION 45%

● PAID CHANNELS   ● ORGANIC CHANNELS

Source: "Acquire, Convert, Re-engage," Euromonitor & Criteo, 2018
N=132 *% of marketers using a given channel and rating it as effective or very effective

Strategies for Success

EU marketers came up with three major strategies for success

1 Find the right partners.
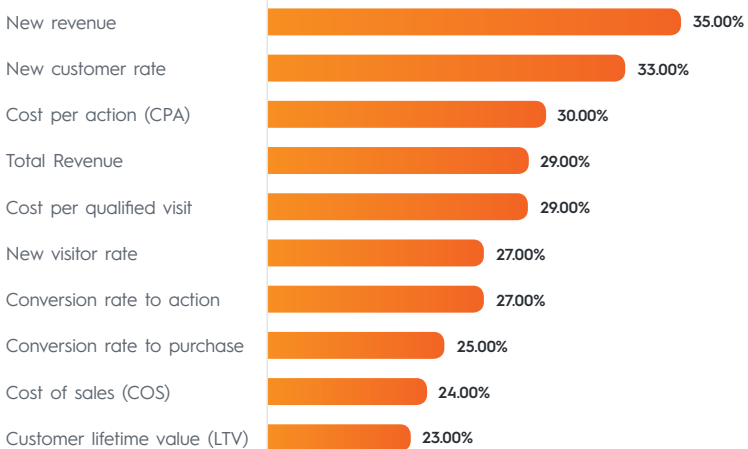
2 Build fully optimised ad creative.

3 Have a consistent voice.

Understanding the Metrics that Matter

EU marketers told us that there is no one true metric when measuring conversion.
The top ten listed were:

Metric	Value
New revenue	35.00%
New customer rate	33.00%
Cost per action (CPA)	30.00%
Total Revenue	29.00%
Cost per qualified visit	29.00%
New visitor rate	27.00%
Conversion rate to action	27.00%
Conversion rate to purchase	25.00%
Cost of sales (COS)	24.00%
Customer lifetime value (LTV)	23.00%

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

The Secrets to Re-engagement

Re-engagement marks the part of the sales funnel where your customers, already familiar with your brand and products, can become brand advocates and loyal customers.

The top metrics measured depends on campaign type and our research focused on three types: App re-engagement, app re-activation, and repeat purchase.

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.

When we asked about re-engagement, just over half (58%) of EU marketers said they use targeted campaigns to connect back with customers. These campaigns are most prevalent in the UK and France. Only a little more than a third (36%) of German marketers said they ran targeted campaigns for app re-engagement. The numbers were lower for app re-activation (28%) and repeat purchase (28%).

According to the Google Consumer Barometer, more shoppers in the UK are using the Internet to research and search for products than German users, and a higher number of German shoppers buy in-store. This all indicates that the German ecommerce market is not yet as mature as the UK or French market.

When marketers do run re-engagement campaigns, these are the top three metrics they're measuring for each campaign type.

The Top Metrics Measured

1 2 **3** 4

App Re-Engagement

1. Traffic Growth

2. Sales Growth

3. Repeat Customer Sales

App Re-Activation

1. Sales Growth

2. Total Revenue

3. New Visitor Rate

Repeat Purchase

1. Email Opens

2. New Customer Rate

3. Traffic Growth

Source: "Acquire, Convert, Re-engage", Euromonitor & Criteo, 2018, N=01 (App Re-engagement, N=77 (App Re-Activation, N=03 (Repeat Purchase)

The Challenges of Re-engagement Campaigns

Mature market or not, why aren't more marketers investing heavily in re-engagement campaigns?
Here is what respondents said when we asked:

App Re-Engagement

1. Existing customers not keen to switch channels

2. User engagement tends to be low

3. Limited data available

App Re-Activation

1. Lapsed app users have lower conversion rates

2. Lapsed users are difficult to re-engage

3. Lapsed app users show lower lifetime value

Repeat Purchase

1. Limited channels available

2. Difficult to measure ROI

3. Lack of integration with CRM

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 ad testing:

App Downloads

Integrating internal and third party customer database

Use innovative ad formats with compelling ad copy

Offer compelling discounts

App Re-Activation

Test ads in order to identify which ones are most effective

Offer compelling discounts

Make ads graphically compelling

Repeat Purchase

Offer compelling discounts

Use innovative ad formats

Target prospects at the right time and place

The Re-Engagement Tactics that Work

For app downloads, EU marketers say that ad copy quality comes first. For app re-activation campaigns, EU marketers say testing ads to find which ones are most effective is key.

With the growing popularity of people-based testing, marketers can conduct ad testing with consistency. Instead of using advertising cookies or devices as the audience, people-based testing means test groups won't see each other's creatives, and tends to deliver more accurate results and indicate the creative that's working. Aside from ad testing, EU marketers say offering compelling discounts and making ads graphically compelling are keys to app re-activation success.

And for repeat purchase campaigns, EU marketers agree that motivating with compelling discounts is the number one tactic. Next is innovative ad formats – like interactive ads or even unexpected ad placements (advertising on the steps leading down to the metro rather than on or in the trains), and targeting prospects at the right time and place.

Breaking the Silos for Integrated Campaigns

Despite the fact that an average of over 50% EU marketers run campaigns at each of the three stages of the shopper journey, less than 60% of those surveyed run campaigns at all of the stages.

France leads the region with 74% of marketers running campaigns at all three stages. The UK comes in second with 68%, and Germany is last, with just 34% of marketers running full-funnel campaigns.

An integrated campaign means you're taking one interconnected approach and deploying consistent messaging across multiple channels to a specific audience. While this is obviously ideal, it's harder than it looks.

Marketers can start by building the right infrastructure. First, by building a powerful, open Internet that can help them make the most of their data across channels and devices.
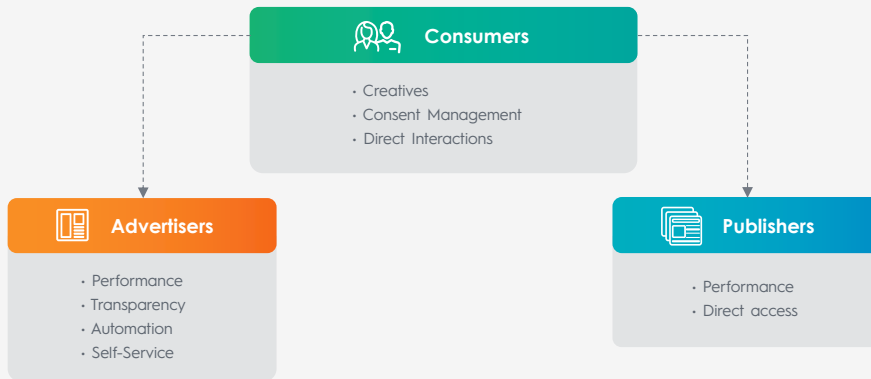
Advertiser and Consumer Benefits

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 personalised 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 – maximising 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.