

The New Normal: Performance Advertising Drives Effectiveness

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Executive Summary

Digital advertising continues to rapidly evolve to deliver a more personalized, real-time, cross-device experience. Performance advertising — defined as advertising whose objective is to drive a specific action and where advertisers only pay when that action, such as an acquisition or sale, is completed — has reached a tipping point driven by rapid shifts in consumer behavior and technological innovation. Over half of customers expect digital media to work well for them all the time and across all devices, which is a shift Forrester refers to as “always-addressable customers,” and these customers have the power to abandon companies that fail to deliver.¹

In Q4 2015, Criteo commissioned Forrester Consulting to evaluate the current state and future trends around personalized, performance-based marketing. To further explore this topic, Forrester hypothesized that the eCommerce marketer’s performance playbook reached a tipping point. Personalized marketing, driven by rapid shifts in consumer behavior and expectations, advanced enough to enable marketers to deliver it efficiently and at scale. eCommerce marketers neglecting these trends will quickly find themselves at a disadvantage versus their peers.

In conducting in-depth surveys with 152 marketers, Forrester found that retargeting programs are commonplace today, and that marketers who invested in advanced personalization capabilities (referred to in this report as “enhanced retargeting marketers”) saw their advertising become more effective in the past two years. Building upon this success, they plan to continue to invest in these capabilities to rise to competitive pressures and customer demand.

“Enhanced retargeting marketers” are marketers who have invested in at least two capabilities to enhance their retargeting efforts.

KEY FINDINGS

Forrester’s study yielded four key findings:

- › **Better ROI and market pressures are driving performance advertising adoption.** Over half of enhanced retargeting marketers said they were driven to pursue these capabilities because their customers expect personalized advertisements. Nearly a third expect their competition to follow suit in the next two years.
- › **Marketers who don’t adopt advanced personalization capabilities are in danger of being left behind.** Fifty-nine percent of survey respondents said they will invest in technology to deliver retargeting campaigns across devices in the next two years, and 69% will focus on improving marketing measurement. Over half of enhanced retargeting marketers, now realizing the benefits of their program, will be increasing their investment by at least 25%.
- › **Performance advertising is a competitive differentiator today; it will be table stakes tomorrow.** Consumer expectations demand brands reach their customers with the most relevant advertising content possible. Today, these capabilities help your advertising rise above the clutter of advertising messages, but tomorrow this ability will be a requirement to get noticed at all.
- › **Performance advertising is the new normal.** Nearly half of surveyed marketers reported engaging in at least basic retargeting advertising programs, and over half of these marketers have started to focus efforts on personalized advertising specifically.

The New Normal: Performance Advertising Drives Effectiveness

Performance advertising is essential for successful advertisers looking to optimize their customer relationships. Enhanced capabilities such as personalization across channels and customer relationship management (CRM) data integrations are driving value for marketers who adopt them. That said, implementing enhanced retargeting programs isn't necessarily easy. Marketers struggle with integrating tools and data sources, managing internal skill gaps, and acquiring buy-in from key stakeholders.

MARKETERS ARE MOVING BEYOND RETARGETING

Retargeting programs are now commonplace, as marketers seek to stay engaged with their existing customers and serve advertising to them based on their shopping behavior. Our study found that 47% of marketers — and 49% of eCommerce marketers, specifically — were running retargeting campaigns.

Nevertheless, the marketers who have brought retargeting into their roster of advertising capabilities are not content to stand still. We found that 54% of marketers running retargeting campaigns took the next step to deliver advertising content that is personalized for their customers, including product recommendations, personalized offers, and other content at the customer level. For the purposes of this study, “enhanced retargeting marketers” have adopted at least two of these capabilities.

MARKETERS ADOPTING ENHANCED RETARGETING FIND THEIR CAMPAIGNS ARE MORE EFFECTIVE

We found that enhanced retargeting is, simply stated, paying off. The enhanced retargeting marketers in our study were 32.8% more likely than respondents overall (85% versus 64%, respectively) to say their advertising had become more effective in the past two years (see Figure 1).

This subset of marketers are meeting their customers when and where they are best positioned to buy, and it is paying off with a better return on advertising spend.

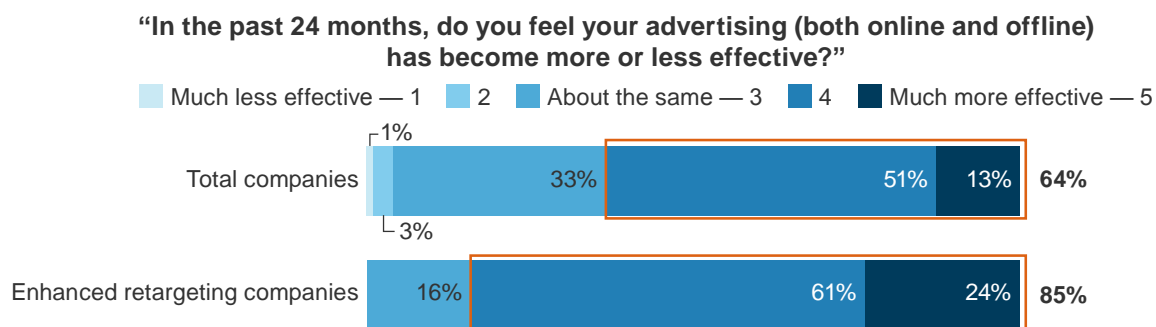
RETARGETING IS BEING APPLIED ACROSS DEVICES, CHANNELS, AND CUSTOMER OBJECTIVES

Marketers are applying retargeting across their digital touchpoints. Outside of classic desktop display, 46% of marketers are retargeting across multiple devices and channels, including mobile web, mobile in-app, email, and social platforms.

Retargeting is classically associated with lower-funnel objectives: 60% of the marketers we surveyed focus these programs on helping to drive conversion or purchase completion. But 42% see retargeting programs as an asset for ongoing customer engagement, keeping in touch with customers around sales, promotions, and new products after they make a purchase.

FIGURE 1

Enhanced Retargeting Marketers Experience Better Returns On Investment For All Advertising



Base: 152 business decision-makers in a marketing functional role (percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Research on behalf of Criteo, September 2015

FIGURE 2

Over Half Of All Marketers Plan To Invest In Cross-Device Personalization

“You indicated that you are currently running retargeting campaigns. Has your company invested in any of the following capabilities to enhance those efforts?”



Base: 72 business decision-makers at companies currently running retargeting campaigns

Source: A commissioned study conducted by Forrester Research on behalf of Criteo, September 2015

CROSS-DEVICE PERSONALIZATION CAPABILITIES ARE THE NEXT “NEED TO HAVE”

Today, personalization enables marketers to rise above the clutter of undifferentiated advertisements. The study found that 22% of marketers can target customers based on a single view of the user across devices and channels today, and over half will be investing in cross-channel retargeting capabilities over the next two years (see Figure 2).

These capabilities are enabled by linking a company's first-party data (e.g., CRM data) to other planning and measurement tools to drive more effective targeting and creative production. The study found that 51% of marketers have invested in the ability to apply first-party data to targeting and/or creative production.

Performance advertising, as it stands today, is a competitive differentiator, but it's poised to become a requirement in the near future. Why? Because your customers are already empowered to spend their money with advertisers that cater to their demands, and the competition is starting to catch on. Our study found that over half of enhanced retargeting marketers felt their customers expected personalized, cross-channel marketing, and 28% felt their competitors would be increasing their personalization capabilities in the near future.

Performance Marketing Is Worth The Effort, Despite Challenges

There are a number of challenges to onboarding enhanced retargeting programs, and marketers who take steps to evolve programs past the basics still wrestle with them. Our study found challenges with integrating various customer data sources, overcoming a lack of internal skills or knowledge, maintaining customer data quality, and getting funding for the program (see Figure 3 on next page).

LEADING FIRMS TACKLE CHALLENGES HEAD ON

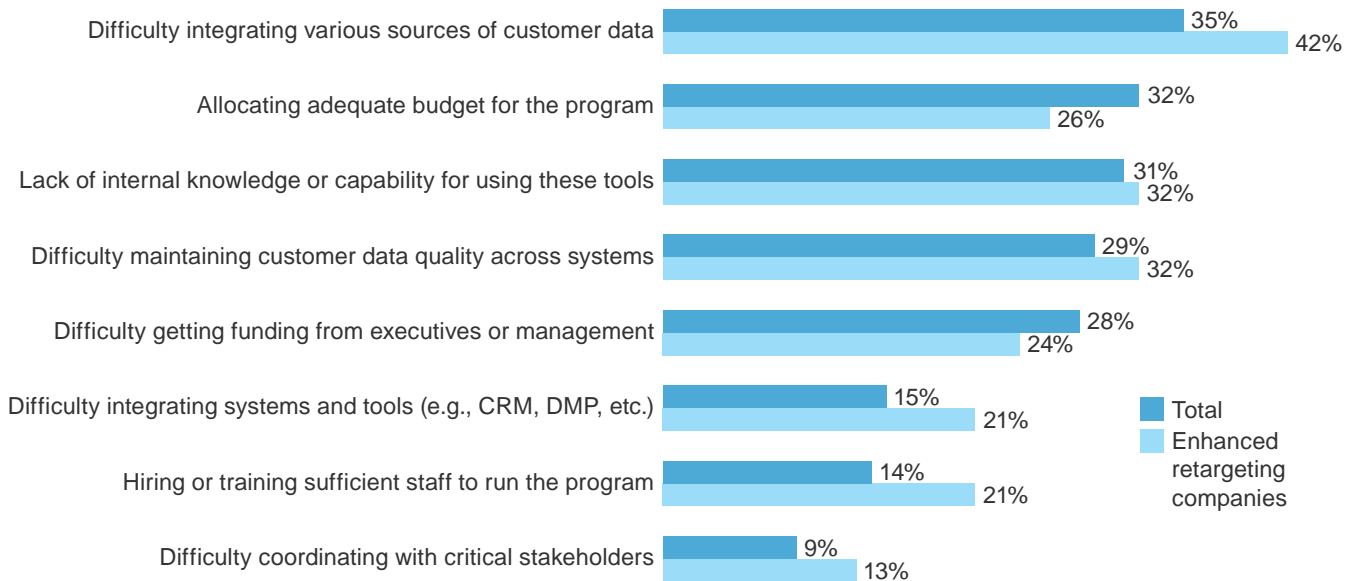
Rather than allowing these challenges to hold them back, the marketers in our survey, especially enhanced retargeting marketers, are doubling down on their retargeting capabilities, expanding the programs and improving their ability to manage them.

Enhanced retargeting marketers are investing in capabilities like delivering campaigns seamlessly across devices, expanding retargeting, and extending enhanced features to a wider swath of marketing efforts. They expect to improve upon their ability to measure their programs, helped by better CRM integration with attribution solutions, and more than half are looking to build in-house teams and capabilities to help manage the programs going forward.

FIGURE 3

Even Enhanced Retargeting Marketers Struggle With Performance Advertising Challenges

“You indicated that you are currently running or planning to run retargeting campaigns. Which of the following challenges did you experience while you were implementing the program?”



Base: 116 marketers who are either currently or planning to run retargeting campaigns

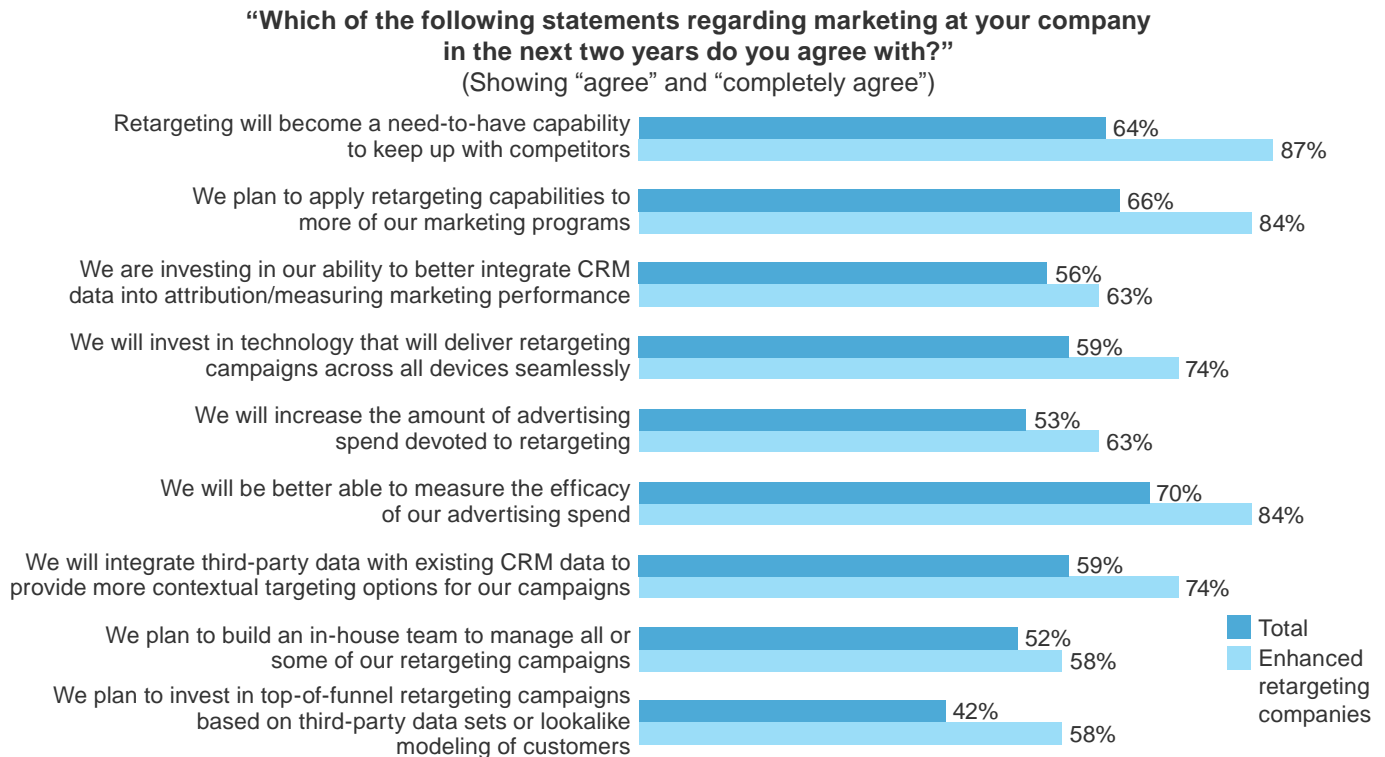
Source: A commissioned study conducted by Forrester Research on behalf of Criteo, September 2015

These marketers are taking these steps because they understand that building upon their retargeting programs is essential for staying competitive in the future (see Figure 4 on next page). They realize they cannot afford to be left behind in a market that is constantly competing for customers' attention and share of wallet, and having the ability to deliver highly relevant advertising on a one-to-one basis, at the right time and within the right customer context, is essential for success.

In addition to expanding their retargeting programs, marketers are also looking to exert more control over them. Forty-six percent of survey respondents said they run their retargeting campaigns in-house, whereas 44% were working collaboratively with their agency. Only 8% were content to let their agency run their retargeting campaigns completely.

Ultimately, there's no one right way to pursue these kinds of programs. As the data, analytics, and technology requirements of enhanced retargeting efforts come to bear, managing all the tools and needs will likely be too much for many marketing teams to handle on their own.

FIGURE 4
Marketers Are Looking To Expand Their Personalization Capabilities



Base: 152 business decision-makers in a marketing functional role

Source: A commissioned study conducted by Forrester Research on behalf of Criteo, September 2015

The marketers in our survey reported using a wide array of technologies to supplement their retargeting programs. Overall, slightly less than one third reported using a unified programmatic platform to govern the program overall (see Figure 5 on next page).

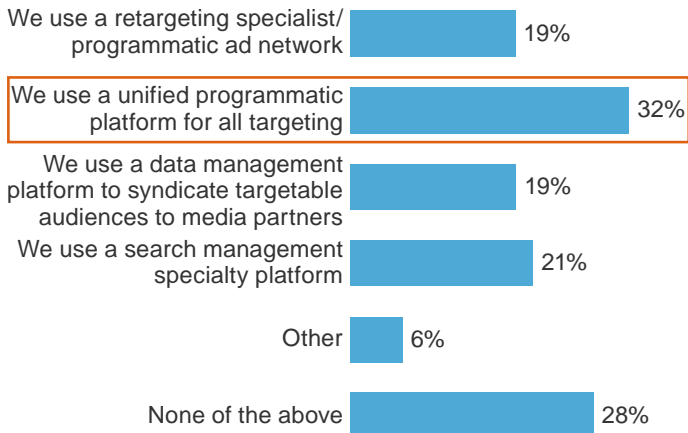
HOW DO MARKETERS MEASURE SUCCESS?

Clearly, establishing the success of programs is critical to marketers today. A majority, 70%, said they plan to improve measurement of their ad spend effectiveness, and 64% said they will invest in better integration of CRM with attribution/marketing performance.

FIGURE 5

One Third Of All Marketers Use A Unified Programmatic Platform To Consolidate Targeting

“You indicated that you are currently running retargeting campaigns. Which of the following technologies do you use to support the program?”



Base: 152 business decision-makers in a marketing functional role
Source: A commissioned study conducted by Forrester Research on behalf of Criteo, September 2015

A key tool that marketers are using to gauge the efficacy of their marketing programs is attribution modeling, where individual customer touchpoints, classically conversions or sales, are tracked to determine their impact on a desired outcome. Our panel showed that 76% of marketers and 84% of enhanced retargeting marketers used at least some form of attribution to measure their campaigns. Of the different attribution approaches, predefined rules-based attribution was most common, used by 31% of all marketers and 45% of enhanced retargeting marketers. Basic, first-, or last-touch attribution models, on the other hand, were being used by only 14% of total marketers and 16% of enhanced retargeting advertisers.

One significant area where enhanced retargeting marketers differed from everyone else was in the ways they used attribution. Enhanced retargeting advertisers were far more likely to use attribution tools to measure conversions, cost per click, and return on investment than everyone else.

HOW DO ATTRIBUTION AND OPTIMIZATION FIT INTO PERFORMANCE ADVERTISING?

Effectively reaching and serving customers today requires that companies become customer obsessed, creating a highly targeted and cohesive marketing plan across channels, tactics, and stages of the customer journey.

Multiple factors — including shifts in customer power and control, the proliferation of big data, and challenges of getting a single view of the customer — make it so laying the foundation of effective attribution approaches is elusive for many marketers.²

Forrester’s research has shown that attribution is gaining ground as an approach to understanding marketing efficacy, but applying attribution models effectively to cross-channel campaigns remains a struggle — regardless of company size, vertical, and marketing objectives. To help with the challenging task of getting cross-channel attribution up and running, many marketers are turning to external partners for help, but they are not totally ceding control of their programs. Recent Forrester research found that 35% of marketers currently running a cross-channel attribution program combined internal resources with those of an external agency or consultancy to manage their programs.³

Finally, once an attribution program is running and marketers are able to measure, analyze, and adjust plans to improve performance, it’s incumbent that they continue to evolve their attribution and marketing programs by staying vigilant. Successful programmatic buyers are “always on” in monitoring and optimizing programs, through both automated and manual optimization processes.⁴

Reaping Benefits Across Channels

The enhanced retargeting marketers from our study have been reaping the benefits of their performance advertising investments with more effective advertising across channels and enhanced measurement of their activities.

As we mentioned earlier, the enhanced retargeting marketers in our study were far more likely to say they’ve experienced increased marketing efficacy in the past two years — but how is that actually playing out?

In particular, enhanced retargeting marketers found their efforts improving in mobile display, in-app, email, social, and native advertising.

These marketers are taking the necessary steps to delight their customers by creating more personalized, targeted marketing programs across channels, thereby delivering more relevant content for customers. The challenge is to not just excel at individual channels, but to tie your marketing strategy together across channels in a comprehensive way.

Forrester has found in its past research that customers are well accustomed to interacting with companies across

multiple channels, with any touchpoint, on any device, and at any time. This creates an expectation that marketers should interact with them in a way that continues the conversation seamlessly across channels, regardless of device.⁵

A NOTE ON PRIVACY:

As this study has demonstrated, driving better return on investment, meeting customer expectations, and anticipating competitive pressures are three significant drivers of enhanced retargeting marketers' push for more sophisticated personalization.

Forrester has stated that how a company handles privacy is a competitive differentiator. Companies that fail to implement a cohesive privacy strategy and program will struggle to succeed at best and be a ticking time bomb for customer outrage at worst.⁶

Protecting customer identity must go beyond compliance. All of the techniques that can help identify users across multiple devices force marketers to develop airtight practices for protecting consumer data. Marketers must protect their customer data because ignoring privacy legislation will hurt their relationship with customers.⁷

Key Recommendations

Forrester's in-depth surveys with marketing leaders yielded several important recommendations:

- › **Don't rest on your retargeting laurels.** With the space evolving, marketers should take the opportunity to re-evaluate their capabilities and technology partners. Seek partners that excel in next-level capabilities (those listed in Figure 2) and specialize in multiplatform, multichannel, multisource customer data integration. Integrating various sources of customer data is the most significant hurdle to personalized marketing identified in this report.
- › **Evaluate whether best in breed or a unified stack is the right approach for you.** Our data demonstrates that there is no one-size-fits-all approach to setting up your marketing analytics stack. Legacy data and systems, future technology investments, and the capabilities of your in-house team are all factors that should be weighed in deciding how your company approaches its investment.
- › **Plan for omnichannel capabilities at scale.** The marketers we surveyed identified conversions as their biggest indicator of success. To drive the most conversions with retargeting, you need to work with a vendor that can find consumers again at different points along the path to purchase. This means having the ability to plug in to the most inventory across different devices and ultimately understanding how these touchpoints contribute to conversion events.
- › **Prepare to substantiate your business case.** Twenty-eight percent of our respondents stated that making the business case to executives/management was a significant hurdle to adopting their program. Consider running a test case based on diligent measurement and A/B scenario testing, underpinned by attribution modeling, to demonstrate the program's benefits on conversions and efficiency. If you're looking to switch vendors, look into running head-to-head, apples-to-apples tests to determine which vendor will drive the best results.
- › **Services and expertise can be a critical value add.** Due to different requirements and expectations, there is no one right way for a given company to run its programs, between an in-house approach, a managed service, or heavy reliance on agency or technology partners. This study found the most common approach had marketers managing their programs cooperatively with agency partners. Especially at the beginning of the program, high-touch services can be a huge added-value component, providing setup and optimization expertise gleaned from a number of accounts.

Conclusion: Don't Get Left Behind

This study, and Forrester's research before it, has demonstrated that marketers are waking up to the benefits of performance advertising, in terms of what customers expect from them and also in terms of meeting these expectations with emerging data and execution capabilities.

Marketers who are looking to run performance advertising programs are facing many challenges. However, they are also addressing these challenges by turning to vendor partners to help with the onboarding and management of these programs. Today, leading vendors focusing on personalization have many of the enhanced capabilities underlying advanced personalization approaches as part of their natural offering can help provide expertise and guidance as marketers get up to speed in taking control over their programs.

Ultimately, the benefits of personalization are evident in the current climate, and the risks of ignoring them will increase in the very near term.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 152 marketers in the US, UK, France and Germany to evaluate their approaches to retargeting, marketing personalization and performance advertising. Survey participants included decision-makers in marketing with knowledge and responsibility for predictive advertising, contextual marketing, performance-based campaigns, advertising spend and driving conversions. Questions provided to the participants asked about their companies' current approach to performance advertising. Respondents were offered a small monetary incentive as a thank you for time spent on the survey. The study began in March 2015 and was completed in September 2015.

Appendix B: Endnotes

¹ Source: "Create An Audience-Obsessed Media Buying Practice," Forrester Research, Inc., January 13, 2015.

² Source: "Embrace Cross-Channel Attribution As The New Marketing Measurement Standard," Forrester Research, Inc., July 3, 2014.

³ Source: "The State Of Cross-Channel Attribution Technologies 2015," Forrester Research, Inc., March 9, 2015.

⁴ Source: "The Future Of Digital Media Buying," Forrester Research, Inc., December 2, 2014.

⁵ Source: "The New Messaging Mandate," Forrester Research, Inc., August 8, 2012.

⁶ Source: "Build A Privacy Organization For Consumer Data Management," Forrester Research, Inc., November 16, 2015.

⁷ Source: "Bridging The Cross-Device Chasm," Forrester Research, Inc., November 23, 2015.