



Criteo Commerce Marketing Ecosystem revs retailing engine

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Consumer embrace of both digital and traditional retailing fuels a mandate for cooperative business models

Today's consumer navigates online and offline channels for media consumption and purchasing. When consumers toggle between the online and real worlds, retailers increasingly face data-driven opportunities and challenges. The dynamic nature in which consumers engage with brands and purchase products is disrupting the retail industry, impacting even the largest brick-and-mortar retailers. In 2016 Walmart (NYSE: WMT) closed over 100 stores, while Macy's (NYSE: M) announced plans to close 100 stores in 2017. Even with Walmart's purchase of e-commerce specialist Jet.com for \$3 billion in mid-2017, the company will need to maintain relevancy in a fragmented media landscape where consumers control how, where and when brand engagement and commerce occur.

The data economy requires that brands and retailers alike recalibrate their respective sales and marketing strategies. A shift in mindset and capabilities is required for them to thrive in a consumer-centric world and capitalize on omnichannel marketing and commerce. Forward-thinking brands and retailers that embrace a collaborative approach to data sharing will be best positioned to add value during the consideration process. In addition, privacy and personal data regulations such as the European Union's General Data Protection Regulation (GDPR) are emerging that require retailers to enable best practices on behalf of consumers or face strong penalties. Data co-ops pave the way for marketers and publishers to create relevant, compliant and engaging experiences for consumers, which should ultimately lift consideration and commerce opportunities.

Criteo is positioned to address omnichannel retail needs through its ecosystem

Digital platforms such as Facebook (Nasdaq: FB), Salesforce (NYSE: CRM) and Amazon (Nasdaq: AMZN) have become lynchpins for advertising, marketing and commerce, respectively. Criteo (Nasdaq: CRTO) announced a new solution that provides retailers with an open, outcome-based and unified solution to bring together retailers and brands to develop data sets and intelligent targeting technology through collaboration and participation. Given trends in consumer behavior, brands need to partner with as many retailers as possible to maximize sales opportunities. However, brands typically do not have the resources to support such endeavors — this is where Criteo has emerged to address retail industry needs, enabling data-driven, omnichannel marketing and commerce programs. Launched in August, Criteo Commerce Marketing Ecosystem (CME) is an alternative to closed data



systems (or walled gardens) provided by Google, Facebook and Amazon. On Oct. 10, Criteo announced two new CME solutions: Criteo Audience Match and Criteo Customer Acquisition.

With Criteo Audience Match, a retailer can maximize value from first-party data assets in a CRM platform and data management platform (DMP). By leveraging Criteo's identity graph of over 2 billion devices to onboard audiences from their CRM platform or DMP, brands and retailers are able to re-engage consumers across mobile and desktop media. This Data as a Service (DaaS) offering represents a greenfield opportunity for Criteo as it enters a segment where vendors such as LiveRamp and Facebook (Nasdaq: FB) offer similar data solutions that activate offline data via digital channels. LiveRamp, a division of Acxiom (Nasdaq: ACXM), is a Criteo partner and does not support advertising, whereas Criteo Audience Match will more directly compete with Facebook's Custom Audiences. TBR estimates this niche within the DaaS market will surpass \$400 million in 2017, growing over 40% year-to-year.

Criteo Customer Acquisition allows retailers that participate in the data co-op to go beyond known consumers, finding prospects or "look-alikes" for brand awareness and commerce opportunities. This solution competes with Facebook Lookalike Audiences, as well as core capabilities of demand-side platforms (DSPs), including Google-owned DoubleClick Bid Manager. While Criteo Customer Acquisition leverages similar machine-learning frameworks as DSP peers, Criteo's key value proposition will be the massive amounts of transactional data pooled from the CME co-op. Criteo Customer Acquisition will be a strategic lever for brands and retailers seeking to generate net-new customers, while Criteo Audience Match enables opportunities for cross-sell, upsell and re-engagement with consumers.

The fragmented media and technology landscapes pose tremendous execution challenges for marketers, as they adapt their processes to new technical capabilities, new data sources and new privacy regulations. Given these market conditions, the launch of the Criteo CME is timely and represents a logical extension of the company's existing performance-based marketing business.

The data economy prospers via integration and cooperation, not walled gardens

Criteo's network effect and co-op synergies include an ecosystem of over 16,000 advertisers and thousands of publishers, plus a deterministic graph of over 2 billion devices. The Criteo CME enables brands and retailers to maximize the value of their data assets, improving the customer experience via data, permission and industry cooperation. In an era where mega vendors and walled gardens increasingly maximize profits while limiting transparency and insights for retailer and brand partners — a framework that promotes "give to get" and cooperative environments such as Criteo's — should resonate with the retail industry and brand marketers. Data co-op participants that share data assets will receive value in the form of more complete views of their customers and prospects, paving the way for more relevant messaging.

A strategic new direction for Criteo

The development of Criteo CME represents a big bet for the company as it competes against the walled-garden vendors. The open platform, cooperative data environment and continual deployment of insights align to key concerns and needs of brands and retailers. Brands and retailers already relying on Criteo should immediately assess the new offer, and net-new firms should consider CME as one component of the data-driven strategies. The company's footprint in the commerce space is highlighted by the fact that its network observed \$550 billion in sales during the 12-month period ending in June 2017. TBR estimates Criteo's net revenues (excluding traffic acquisition costs) will approach \$1 billion in 2017. In 4Q16 Criteo acquired commerce specialist HookLogic for an estimated \$250 million, adding 1,000 brands and 50 retail partners to its network — the latter has grown to an estimated 100 since the acquisition. In addition to strengthening the network effect and deepening commerce capabilities, HookLogic has diversified Criteo's roster of advertisers, including some of the largest travel and



hospitality brands. As of June 30, 2017, Criteo had over \$300 million in cash and \$8.5 million in debt. The company's strong balance sheet and capital set the stage for additional investments to bolster its CME.

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