

APRIL 18, 2018

**NEW SHOPPER ENGAGEMENT SOLUTIONS
SEGMENT WILL EMERGE, REACHING \$38B
BY 2021 WITH A 36% CAGR**





MARKETERS WILL ABANDON POINT TOOLS AND SHIFT TO INTEGRATED SOLUTIONS TO DRIVE SUCCESSFUL CONVERSIONS IN THE MODERN CONSUMER SHOPPING EXPERIENCE

Marketers currently use multiple tools and services to engage consumers in the shopping experience, from initial interest to a successful purchase. As consumer online and offline behaviors (and the reach of digital marketing) become more sophisticated, most marketers will seek an integrated solution TBR calls Shopper Engagement, which takes the massive amounts of real-time, high-quality signals from consumers across channels and devices and activates them in real time to drive a conversion.

Providers will consolidate tools for audience targeting and retargeting; physical and online engagement; customer behavior analysis; offer, pricing and cart analysis; and other siloed functions into Shopper Engagement offerings. The Shopper Engagement Solutions market is expected to grow very rapidly, outpacing other high-growth digital marketing to become a \$38 billion segment by 2021. While the segment will integrate existing technologies into a platform for brands that are tech savvy, TBR predicts that agencies and services firms will also enter the space, offering outcomes-based services for brands seeking speed, expertise and results. Key market makers will include Amazon, Google, Criteo, and Facebook.

AS CONSUMER PURCHASING BEHAVIOR EVOLVES, BRANDS AND RETAILERS ACCELERATE INVESTMENT INTO SHOPPER ENGAGEMENT SOLUTIONS

The consumer path to purchase continues to evolve as online and physical business models converge. There is no single road map for customer purchasing. The consumer journey will be omnichannel and orchestrated across all digital devices. As a result, brands and retailers will focus on delivery of relevant messages through paid media. Brands and retailers are ramping up budgets for Shopper Engagement campaigns to leverage the massive amounts of customer data from past purchases or inquiries (i.e., CRM data) or online browsing behavior (i.e., cookies, device IDs).

The advent of Shopper Engagement is a result of increasingly integrated advertising and marketing activities, representing a critical component of the customer experience (CX). TBR estimates Shopper Engagement initiatives will create a \$15 billion business and solutions opportunity in 2018 for tech vendors and digital marketing services (DMS) firms. The latter provide services that include strategy, integration and execution for campaigns. The solutions market will experience a 36% CAGR from 2018 through 2021, outpacing growth of the larger CX technology market. Forward-thinking enterprises are already approaching marketing through an omnichannel lens that unifies brand marketing, performance advertising and outcome-based marketing, improving CX and driving commerce.



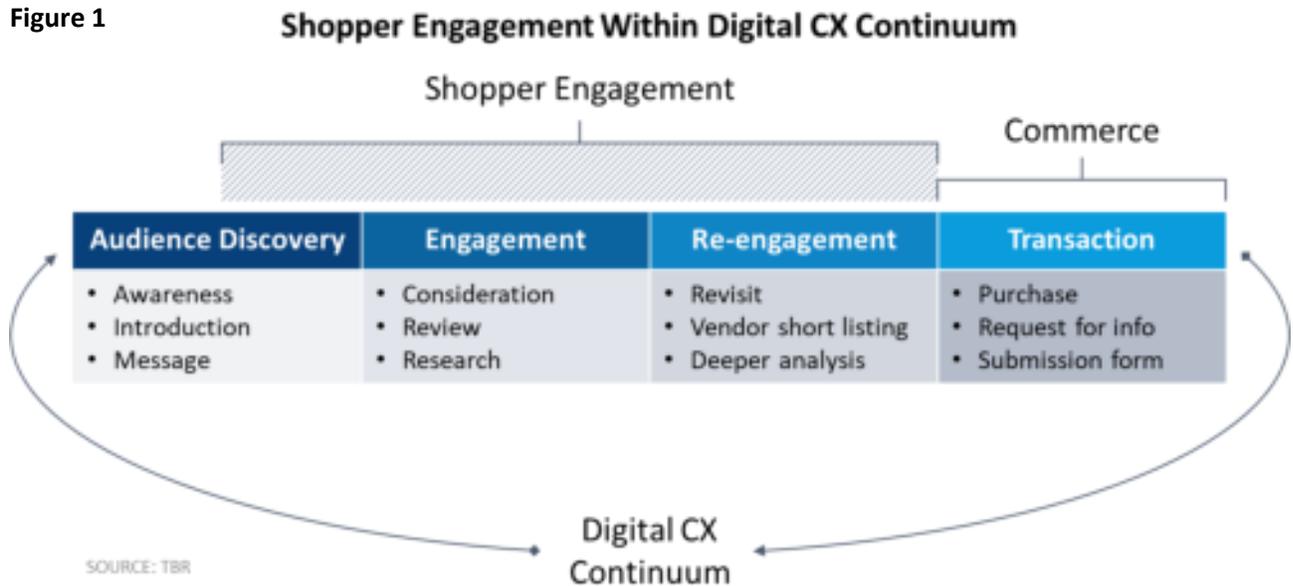
Marketers and their DMS partners will need support from content partners such as TV networks, online content publishers and news organizations to fully capitalize on Shopper Engagement opportunities. This includes technologies implemented by publishers that will support Shopper Engagement through both editorial and video content. Publishers that enable data from brand CRM systems and other data assets will play a critical role in overarching CX, including Shopper Engagement.

SHOPPER ENGAGEMENT DEFINITION

Shopper Engagement begins within audience discovery in TBR’s CX Process Continuum, shown in Figure 1, meaning that the consumer has had some contact with the brand, is aware of offerings and demonstrates that he or she is a potential shopper. Shopper Engagement concludes with the hand-off to the commerce platform for a successful purchase. It integrates and shapes the intervening media engagements and programmatic marketing, guiding consumers toward a purchase.

Typically, [prospecting campaigns will provide brand awareness and engagement](#) between a customer and brand. This “first touch” may occur via an advertisement, resulting in a website visit, mobile app download or in-store purchase. In a privacy-centric and compliant way, consumer IDs are then created, which allow for re-engagement through advertising and/or marketing with messaging designed to drive commerce — this is the crux of Shopper Engagement. IDs may be derived from CRM data, email, mobile device IDs, cookies or other consumer data points. Additionally, IDs may also be created through audience targeting based on look-alike audience segmentation into those customers who have a high probability of engagement. Shopper Engagement solutions stop at the point of purchase by the consumer, as shown in Figure 1.

Figure 1



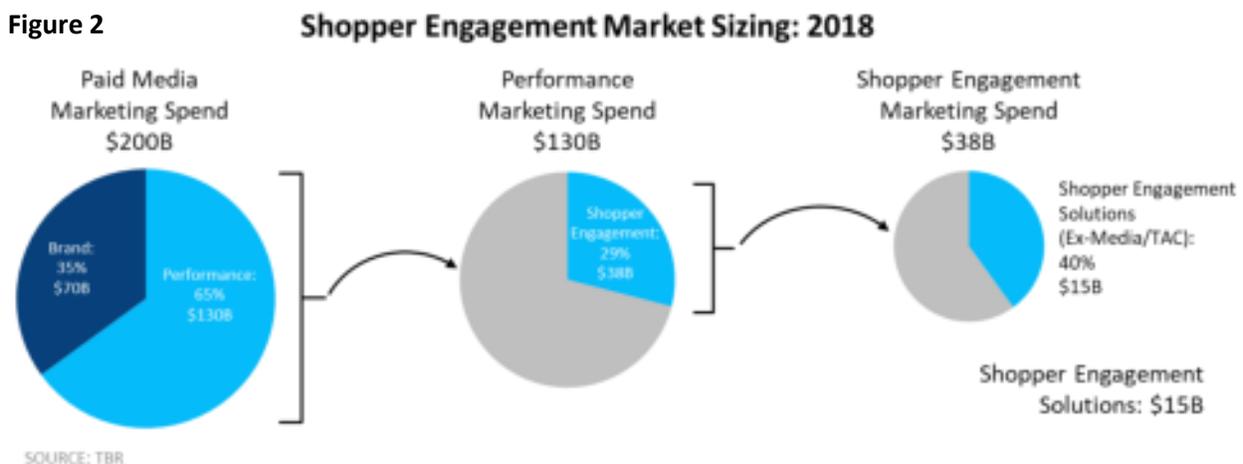


The core solutions powering Shopper Engagement include people-based advertising and programmatic marketing, while DMS provides the services layer, such as campaign planning, implementation and management. These marketing technologies and services enable a transaction, but do not perform it like a commerce platform. Vendors and agencies capture revenue opportunities through different means such as with Software as a Service (SaaS) or managed services delivery models. A variety of factors can influence which vendor or business model a client chooses. Considerations include readiness for technology adoption, internal subject matter expertise and pricing models. Through its benchmarks of advertising technology (ad tech) vendors, marketing technology vendors and digital marketing services firms, TBR has identified key vendors that are capitalizing on Shopper Engagement revenue opportunities.

SHOPPER ENGAGEMENT AND THE UNDERLYING PAID MEDIA MARKET

TBR estimates marketing budgets in the form of paid media, which underlies Shopper Engagement campaigns, will grow from \$200 billion in 2018 to \$300 billion in 2021. During this time, managing brand and performance budgets under a single umbrella will deliver a number of synergies, including improved CX for the brand, as well as operational and media efficiencies. Figure 2 highlights this shift and corresponding Shopper Engagement revenue opportunities for agencies and tech vendors.

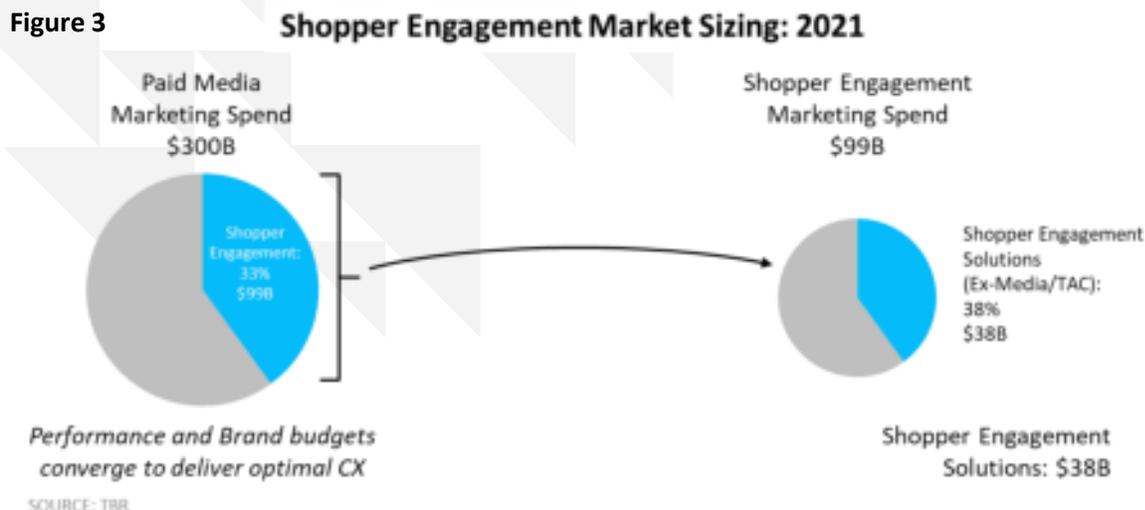
The \$200 billion in expected paid media spend in 2018 is split between Brand (\$70 billion) and Performance (\$130 billion). Shopper Engagement marketing spend in 2018 comprises 29% of performance marketing spend and 19% of paid media marketing spend for a total of \$38 billion. The \$15 billion Shopper Engagement Solutions market excludes media and traffic acquisition cost (ex-media/TAC) components of the overall \$38 billion Shopper Engagement market as shown in Figure 2. The solutions market does not include revenue from media nor TAC, payments made to firms that direct consumer or business traffic to their websites.



By 2021 Shopper Engagement spend will increase to \$99 billion, creating a total of \$38 billion in Shopper Engagement Solutions opportunity, coincidentally the same as the Shopper



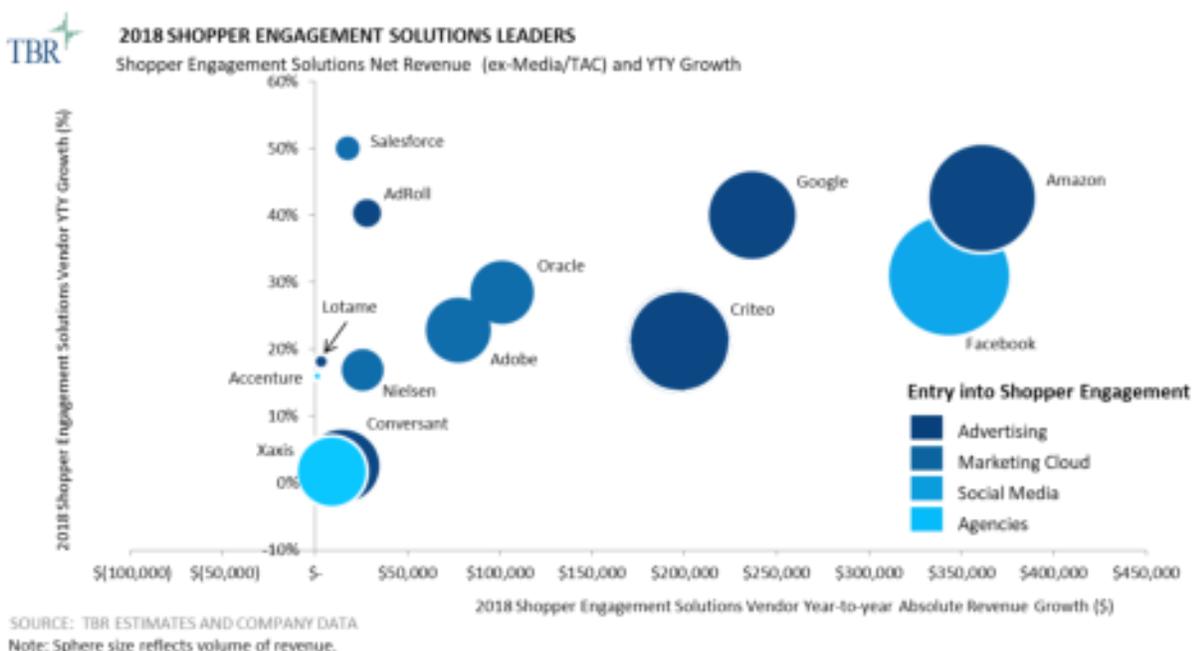
Engagement market in 2018. The underlying paid media market will combine the Brand and Performance categories and grow to \$300 billion as traditional and video media continue to be digitized. The share of this market allocated to Shopper Engagement spend will increase from 19% to 33%, while the ex-media/TAC solution component will decrease slightly as a percentage of Shopper Engagement marketing spend.



KEY SHOPPER ENGAGEMENT SOLUTION PROVIDERS CAPTURE MARKET SHARE THROUGH SERVICES, TOOLS AND ECOSYSTEMS

While consumer behavior underpins the Shopper Engagement market, brands and retailers will build business opportunities by delivering robust CX. TBR has identified four key subsegments that are participating and converging on the Shopper Engagement opportunity.

Figure 4





The subsegments and market share leaders are listed below with strengths in parentheses:



Advertising: Google (search and programmatic display ads), Criteo (remarketing and people-based ads) and Amazon (commerce)

Google, Criteo and Amazon are extending legacy capabilities in advertising, remarketing and commerce, respectively, to capitalize on Shopper Engagement. Amazon Advertising Platform and Google leverage SaaS and technology-led business models, integrating proprietary data sets, owned media properties and programmatic tools.

Criteo supports clients with outcome-based marketing solutions that leverage programmatic tools while activating client data across its partner ecosystem. Criteo has extended core capabilities from its roots in remarketing to its Commerce Marketing offering, fully addressing shopper engagement end to end. Similarly, Google and Amazon have extended from search and commerce, respectively.



Agencies: Accenture (vertical expertise and systems integration)

Accenture has become a force in the high-growth digital marketing services arena leveraging its core enterprise IT services and deep vertical expertise. Meanwhile, Accenture supports a third model whereby it partners with leading technology vendors, then wraps an agency services layer and proprietary value-add tools en route to campaign execution, which may be based on time and materials, FTEs or outcomes.



Marketing Cloud: Salesforce (CRM-based ads)

Salesforce has integrated its sales and marketing technologies into acquired advertising technologies and through partnerships with publishers to capitalize on Shopper Engagement. Customer data derived from CRM fuels data-driven, personalized ads for better re-engagement and audience targeting.



Social Media: Facebook (people-based ads)

Facebook provides brands better one-to-one connections with consumers with higher performance-to-brand ratios than the market standard (80% performance to 20% brand). Currently, 50% of Facebook's performance revenue in 2018 is Shopper Engagement, which will increase to 62% in 2021.

Figure 6 highlights estimated revenues and market share of leading Shopper Engagement vendors, including pure play and multiline vendors. The way in which the Shopper Engagement leaders recognize revenues will vary based on their respective delivery model. In some instances, vendors and agencies will record media and TAC as a cost of business. In other instances, vendors and agencies will pass through cost of media. TBR's analysis compares net revenues, removing TAC and revenue from media.



Figure 5

Money flow view: Today and 2021

By 2021 publishers will integrate commerce tools

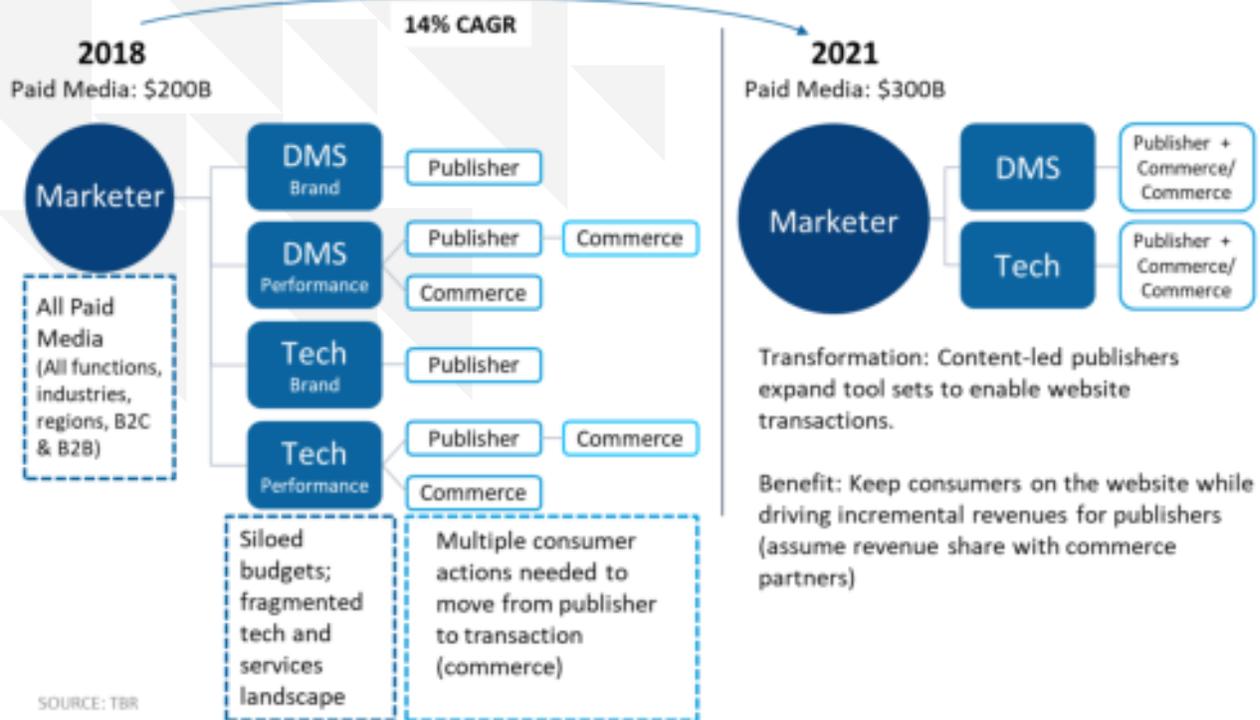


Figure 6

TOTAL SHOPPER ENGAGEMENT SOLUTIONS NET REVENUES (EX-MEDIA/TAC): 2018 TO 2021						
Market share of leading solutions providers (in \$usd millions)						
2018 Rank	2018 Market Share	Shopper Engagement Solutions Enabler	2018 Shopper Engagement Solutions Revenue	2021 Shopper Engagement Solutions Revenue	2021 Rank	2018 - 2021 CAGR (USD)
1	9.6%	Facebook	\$ 1,450	\$ 3,250	1	31%
2	8.0%	Amazon	\$ 1,210	\$ 2,930	2	34%
3	7.4%	Criteo	\$ 1,120	\$ 1,800	3	17%
4	5.5%	Google	\$ 830	\$ 1,590	4	24%
5	3.9%	Conversant	\$ 590	\$ 740	7	7%
6	3.4%	Xaxis	\$ 510	\$ 600	8	6%
7	3.0%	Oracle	\$ 450	\$ 940	5	27%
8	2.8%	Adobe	\$ 420	\$ 790	6	24%
9	1.2%	Nielsen	\$ 180	\$ 250	9	13%
10	0.6%	AdRoll	\$ 100	\$ 210	10	29%
11	0.3%	Salesforce	\$ 50	\$ 90	11	19%
12	0.1%	Lotame	\$ 20	\$ 30	12	17%
13	0.0%	Accenture	\$ 10	\$ 10	13	14%
	54.1%	Other Vendors	\$ 8,160	\$ 24,370		44%
	100%	Total Market	\$ 15,100	\$ 37,600		36%

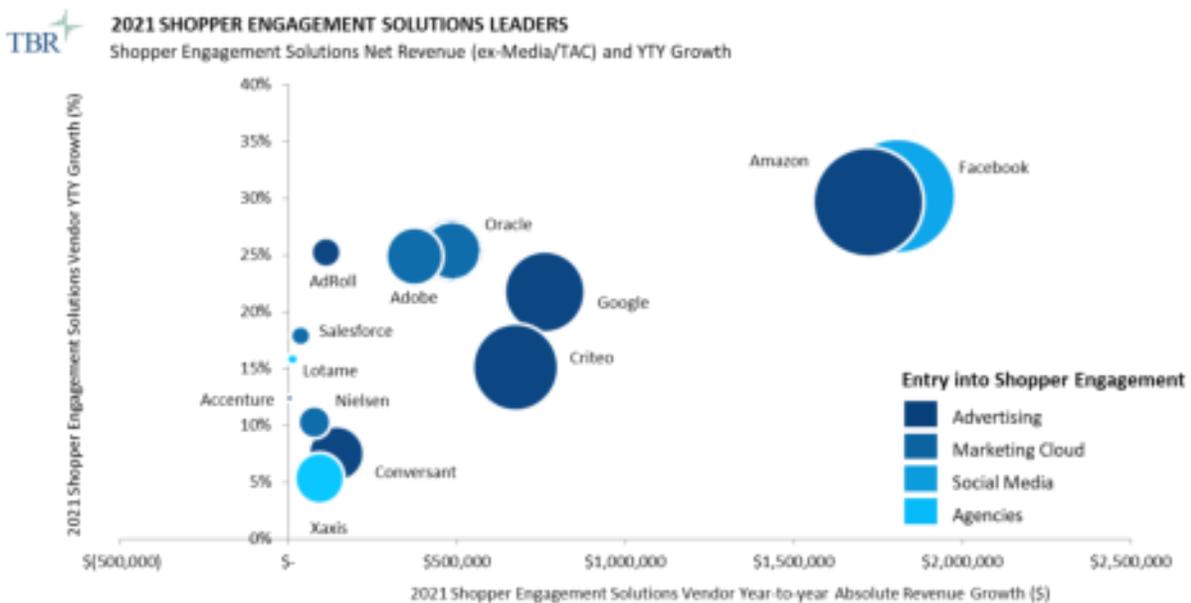
SOURCE: TBR ESTIMATES AND COMPANY DATA
 Note 1: Excludes traffic acquisition costs and revenue from media
 Note 2: CAGR may not match revenue due to rounding



TBR believes the following vendors will increase market share by 2021 due to their unique business drivers:

- **Amazon** — highly valuable commerce data is just beginning to be leveraged via advertising business
- **Criteo** — data collective of tens of thousands of advertisers, publishers, and retailers based consumers’ commerce actions both online and offline
- **Facebook and Google** — command massive market share in online advertising; their respective footprints are occurring organically
- **Salesforce** — integrations of audience targeting via Salesforce DMP, of retargeting via Commerce Cloud, and of retargeting with Facebook and Google via CRM integrations
- **Adobe** — build-out of ad tech functionality and integrations across Experience Cloud offerings
- **Accenture** – DMS business will grow with market, presenting Shopper Engagement opportunities
- **AdRoll** — remarketing specialist will capture share based on market growth
- **Conversant** — dependent on market growth and support from parent company (Epsilon)
- **Oracle** — continued leadership in audience data exchange and audience targeting via Data Cloud and success of retargeting tied to Responsys
- **Lotame** — dependent on vendor-agnostic needs from clients
- **Nielsen** — success of ecosystem to find expanded uses for audience targeting and measurement

Figure 7



SOURCE: TBR ESTIMATES AND COMPANY DATA
Note: Sphere size reflects volume of revenue.



WHAT TO EXPECT FROM THE MARKET PLAYERS

The Shopper Engagement market is highly fragmented, with vendors competing for share through different solutions and delivery models.

As the market develops, TBR anticipates the following trends for Shopper Engagement:

- **A fragmented media and technology landscape** poses tremendous execution challenges for the enterprise, which creates opportunities for DMS firms.
- **Investment in software, media and data will be required** to keep pace with consumers in the fast-moving Shopper Engagement space.
- Brands and retailers that develop programs that **drive synergies across advertising, marketing and commerce** will be positioned to maximize business performance.
- As the Shopper Engagement Solutions market grows from \$15 billion in 2018 to \$38 billion by 2021, **vendors and agencies will win share through unique data sets, machine learning, network effects and vertical expertise.**
- **Publisher activity and participation is critical.** While Facebook, Google and Amazon will likely capture massive share, other publishers and content owners will have opportunities to capture Shopper Engagement revenue streams. This will largely be through enriched audience profiles and advanced segmentation.
- **Opportunities exist for cloud-based, end-to-end technology providers** that will support — but not deliver the business result — across all areas of customer engagement, including advertising, marketing, sales, commerce and services. Key players will include AT&T, Verizon, Oracle and Adobe. They will leverage their respective video capabilities and unique data assets to capture market share.

ABOUT TBR

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