



Criteo Positions Itself as a Platform – Goes Up-Funnel, Doubles Down On Retail Solutions

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IDC's Quick Take

Criteo is moving fast to diversify its revenue sources, aiming to drive growth while at the same time becoming less dependent on its retargeting business. The company has consolidated its advertising technology into a platform that now supports both its original "Marketing Solutions" business as well as its relatively new "Retail Media" business. The former branches out into the upper sales funnel, with solutions to drive awareness and consideration beyond the original retargeting conversion business. The latter, also addressing the entire funnel, is adding a package of solutions designed to help retailers monetize their Web sites by giving them tools to run ads on behalf of their brand partners. IDC believes that with these steps, Criteo has a good chance to thrive in the ever-more-competitive advertising technology business.

News Highlights

On April 23, 2019, Criteo CEO Jean-Baptiste "JB" Rudelle, briefed analysts on the company's positioning and some of its major strategic initiatives.

Criteo has declared as its mission to be the leading advertising platform for the open Internet. In other words, for any digital advertising campaign not running in Google's, Facebook's or Amazon's walled gardens, Criteo wants to be the ad tech platform facilitating those campaigns. In doing so, the company aims at the walled gardens' weak spots: being locked in with an overwhelmingly powerful publisher which might well have interests conflicting with those buying ads on their service, losing control over data handed over to one of the big players, as well as limited means to measure the efficacy of their campaign.

Criteo seeks to fulfil its mission via two different offerings. One is "Marketing Solutions", the other "Retail Media". Marketing Solutions is a set of products, comprised not only of retargeting and conversion applications but also new solutions which address the upper part of the sales funnel and aim to drive brand and product awareness as well as consideration. In essence, this means Criteo is branching out from direct response advertising into brand advertising.

This is one major step in the company's attempt to diversify beyond its retargeting product monoculture. Retargeting – the company's original business- still stands for roughly 90% of the company's revenue, which is a strategic vulnerability. Criteo has worked diligently on diversifying its product portfolio, steadily increasing its non-retargeting revenue to now 10%, and continues to do so.

The Retail Media solution is a relatively new product, conceived to help Criteo to branch out and diversify revenue streams. It is designed to help retailers monetize their Websites by enabling them to sell ad space to the brands that sell products on the retailer's site – just like Amazon does with its

Sponsored Products offer. In a win-win, this offer will help Criteo not only grow sales, but also help retailers to become more resilient visa-a-vis Amazon's competition.

Criteo offers both product sets, Marketing Solutions as well as Retail Media, as a managed service, and, increasingly, also as API-based self-serve solution. The self-serve offer taps into the growing trend of brands taking programmatic technology in-house. It not only increases Criteo's pool of potential clients, but also reduces the overhead needed to support them – more sales, less cost, more profitability.

For both Marketing Solutions and Retail Media offers, Criteo has several key assets that will help it along the way. Its shopper graph, a database of 1.5+ billion users and their interests, also allows the onboarding of first party CRM data, supports omnichannel campaigns, as well as real-time attribution of campaign outcomes. Its AI solution helps improve product recommendations, producing innovative, dynamic creative optimization (DCO) and predictive bidding. A proprietary header-bidding solution and relationships with exchanges and supply-side platforms guarantees a wide audience reach.

IDC's Point of View

Criteo is taking the right steps to address challenges posed both by its origin as a pure retargeting company as well as by a market which becomes more competitive by the day. Expanding into brand advertising and the upper sales funnel is an opportunity to grow sales, which should pay off, given that retailers are wary of Amazon's growing power. Likewise, the Retail Media product could add significant new revenue – however, Criteo will compete head on with Amazon for which vendor provides monetization solutions to retailers, so growth might be more difficult to accomplish.

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