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New CEO, New Criteo

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IDC's Quick Take

Criteo's new CEO outlined at the company's Analyst Day the company's product strategy designed to counter the potential negative effects of the phaseout of third-party cookies and of privacy regulation. Criteo plans to continue offering new products for upper sales funnel advertising (i.e., campaigns designed to drive awareness and consideration, not just conversion). Simultaneously, it will branch out into verticals in which brand advertising is more common. Criteo also named mobile in-app advertising and connected TV (CTV) advertising as other strategically important targets. The company has correctly identified the challenges it is facing as well as the opportunities that present themselves. With proper execution, Criteo has good chances to remain one of the major independent players in the ecosystem of the open internet.

News Highlights

On January 28, 2020, Criteo introduced its new CEO, Megan Clarken, at the company's Analyst Day. Clarken laid out her strategy for Criteo, with which she doubles down on the company's strategy: continuing to branch out from its retargeting business — a strategic vulnerability with the decline of the cookie environment, an ecosystem that is important for retargeting.

Clarken's debut left a good impression. An authentic, experienced, no-nonsense leader, she described Criteo's path forward in a concise, convincing manner. Clarken joins Criteo after 15 years at Nielsen in global executive positions, most recently as chief commercial officer for Nielsen Global Media.

Clarken explained Criteo's strategy as consisting of five parts:

- Most importantly, Criteo is embracing an "up and across" strategy. That means, one, continuing moving up from retargeting and conversion campaigns — still providing more than 90% of the company's revenue — into the upper parts of the funnel, namely, awareness and consideration, and into supporting more brand-related campaigns.
  Two, this also means the company will move from just verticals that are mainly in need of direct response campaigns —for instance, retail, travel, and classified — across other verticals — for instance, CPG and automotive — that are more in need of brand campaigns. The former Criteo especially called out "indirect brands" (i.e., direct-to-consumer brands) as a growth area in addition to serving traditional "indirect brands."
- Furthermore, Criteo will redouble its efforts to further grow its mobile in-app advertising business as well as its video advertising business. The company has no shortage of video inventory — this will come in handy for supporting brand campaigns. Video will be a critical part of the industry's —and Criteo's — future: More than $70 billion still sit in traditional, linear TV advertising — all of which will eventually go digital. Any publisher or vendor not getting a piece of that pie will be relegated to the third or fourth tier.

- The company will also continue its efforts around retail media — in essence, a product that enables retailers to sell and run advertising on their websites, thus providing retailers with an incremental revenue stream that comes in handy in the competition with Amazon. This is still a fairly small business, but one that grows rapidly. This offering will also allow Criteo to get a foot in the door with brands in verticals that may not have been Criteo's usual clientele, such as CPG, consumer electronics, apparel, and beauty, as well as with their agencies. Making buying retail media across retailers easier and more flexible for our brand and agency customers is our top product priority for 2020.
- Finally, Criteo will retain is "open" attitude toward the market, meaning that it is ready to cooperate with partners, acting as a digital advertising Switzerland of sorts.

At the same time, Clarken stressed that focusing on the aforementioned initiatives does not mean that the company's retargeting business will be neglected — quite the opposite. She envisions strengthening the business by further developing the company's technology. Clarken also maintained that the financial market overestimated Criteo's reliance on third-party cookies for its retargeting solutions. (Third-party cookie placement had been made more difficult in late 2018 by Apple for its Safari browser, and Google recently followed, announcing its intent to phase out all third-party cookie use on Chrome over the next two years.) To wit, she called the drop of the company's stock price following Google's January Chrome announcement (down more than 20%) "incredibly unfair" and vowed to work with investors to explain why Criteo's retargeting is less dependent on cookies than is usually assumed.

IDC's Point of View

Criteo is continuing to execute on a strategy that will give it a good chance to weather the disruptions of the advertising ecosystem — from the twilight of the cookies and increasing privacy concerns via the ascent of video and mobile advertising to the looming presence of giants such as Google, Facebook, and Amazon and attendant increases in competitive pressure. Clarken presented herself as a competent leader with the ability to see Criteo through its transition to a more diversified product portfolio. A more-than-$400-million war chest in cash may come in handy to buy promising technology companies that are a good fit with the company's strategy and time to market.

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