



Commerce & Digital Marketing Outlook 2018



December 2017



2018: A Vibrant Future for Commerce



The world of commerce is changing rapidly and dramatically. Large scale customer data, both online and offline, has become a core asset for retailers and brands to understand and connect with today's omnichannel shopper. Things like voice-activated shopping and search require a different look at content strategies, while new legislation may mean restructuring out-dated org charts. Meanwhile, data collaboration initiatives and offline-online integrations demand innovations like never before.

Criteo's direct relationships with 17,000+ advertisers and thousands of publishers enable us to feel the pulse of the market and detect emerging trends. This report presents what we believe will be the eight major trends in the commerce marketing landscape in 2018.

With the increasing emphasis of offline innovations, omnishoppers, and data collaboration, we know that this is only the beginning of what is going to be a very exciting year.



Mollie Spilman
Chief Operating Officer, Criteo

The 8 commerce marketing trends to watch in 2018



- 1** The Rise of Voice Shopping
- 2** The Social-Commerce Relationship
- 3** Connecting Offline-to-Online Sales
- 4** The Data Collaboration Imperative
- 5** The Power of Product Feed Optimization
- 6** Understanding GDPR & Data Management
- 7** The Battle for Video
- 8** The Growth of Acquisitions and Partnerships

1. The Rise of Voice Shopping



Giving Commerce a Voice

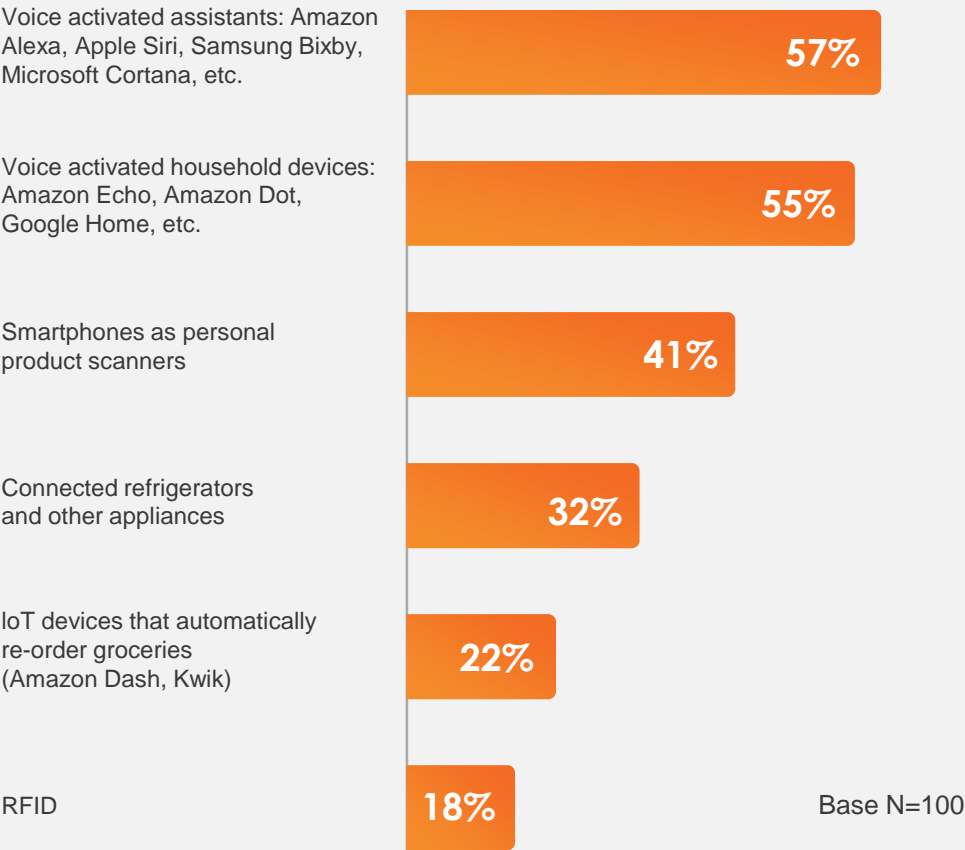


People are going to shop more using voice through devices like Google Home or Amazon’s Echo.

The market for smart speakers will become saturated, with Google and Amazon competing with devices from companies such as Harman Kardon and Cortana from Microsoft. Apple’s HomePod, Google’s Home Max, and Facebook’s Aloha will add to the mix.

Brand managers believe that voice-activated devices and personal assistants will be the technology they work with the most in the next two years, according to the findings from the Trade Marketing in Transition Report from Criteo and Kantar/Millward Brown.

Which of the following technologies do you expect to be working with in the next two years?



Source: Criteo, Kantar/Millward Brown, Trade Marketing in Transition Report 2017

Voice-Activated Personalization

Impact in 2018



Contextual voice ads will personalize recommendations or content. Right now, Best Buy is integrating with Alexa to showcase the “deal of the day.”

With rich data on consumer interests and preferences, smart speakers will be able to offer existing services and relevant new add-on products and services.

2. The Social-Commerce Relationship

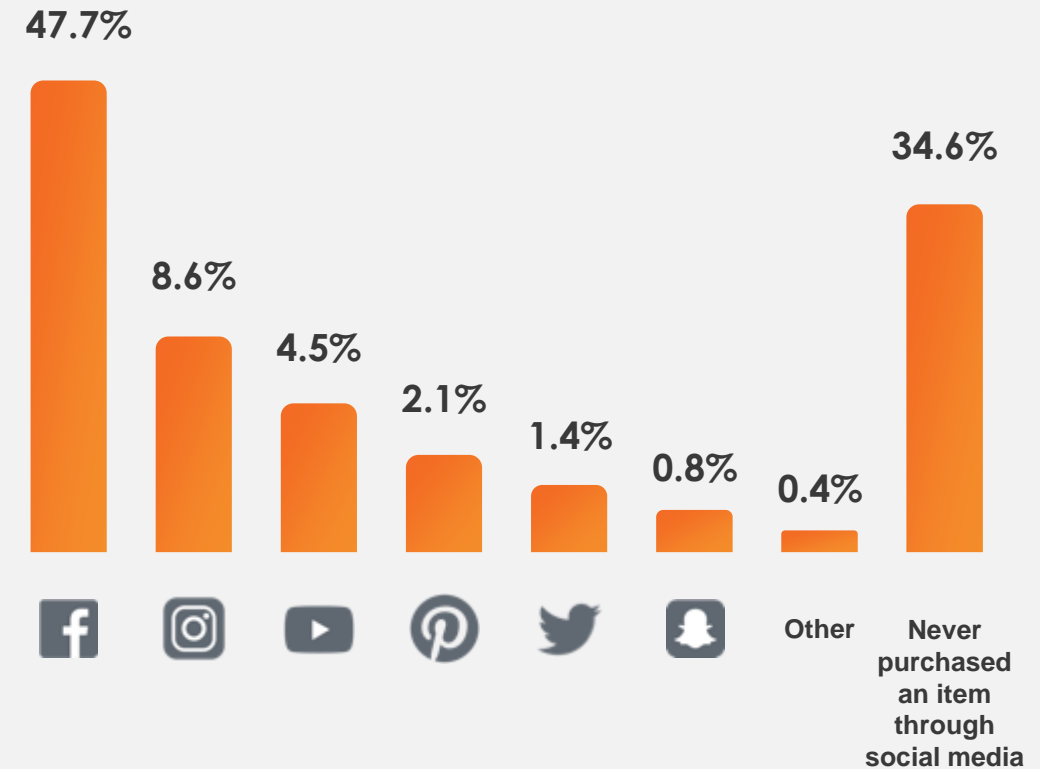


Blurring the Line Between Social & Commerce



- Facebook's Marketplace service has been running in a number of countries including the U.S., UK and Australia, and lately has been expanded to buyers and sellers in 17 European markets.
- Amazon is moving into with the launch of Amazon Spark. Like Instagram and Pinterest, Spark showcases product images and allows for instant purchases.
- Social messaging services like Facebook Messenger and WhatsApp will integrate as chatbots for more companies.
- Amazon also plans to launch a social messaging platform "Anytime" in 2018 – a service with similar features as in WhatsApp and Slack, plus Alexa integration.

Social Media Platform on which US Social Media users last made a purchase directly from a Social Media Post*, October 2017
% of respondents



Note: n=514 who use social media at least once a week and follow any celebrities or people they don't personally know on social media; numbers may not add up to 100% due to rounding: *or link within a post

Source: Open Influence, Oct 24, 2017

Navigating the Walled Gardens

Impact in 2018



As major social networks create walled gardens of customer data, brands and retailers will need to find ways to own the customer relationship – and the data that goes with it.

A woman with long blonde hair and bangs is looking down at her smartphone in a bookstore. She is wearing a light pink long-sleeved top. The background shows bookshelves and a wooden floor. A semi-transparent dark blue circle is on the left side of the image.

3. Connecting Offline-to-Online Sales



The Convergence of Online & Offline



- Amazon's acquisition of Whole Foods will give the tech giant an understanding of buying habits and upsell opportunities, while providing fulfillment and delivery services.
- Major retailers will continue to offer better ways to collect products purchased online from their stores, including dedicated parking and in-store lockers

Customer Order fulfillment options that Retail Executives Offer/Plan* to offer, Feb 2017

Fulfillment Option	% of respondents
Click & Collect in-store	51%
Buy online, ship to store	48%
Buy online, return to store	44%
Use third-party retailers as collection points for online orders	28%
Same day click & collect	23%
Click & collect as a drive-thru in your parking garage	21%

Source: JDA and PWC, "CEO Viewpoint 2017: The Transformation of Retail", Feb 23, 2017 Note: n-351 respondents from the U.S., UK, Germany, Japan, China and Mexico *in the next 12 months

Turning Retail Traffic into Web Traffic

Impact in 2018



Retailers will seek partnerships that enable them to better use in-store CRM data to find and reach consumers online, with personalized campaigns for re-engagement and upsell. There will be an increasing emphasis on driving offline foot traffic to online interactions



4. The Data Collaboration Imperative



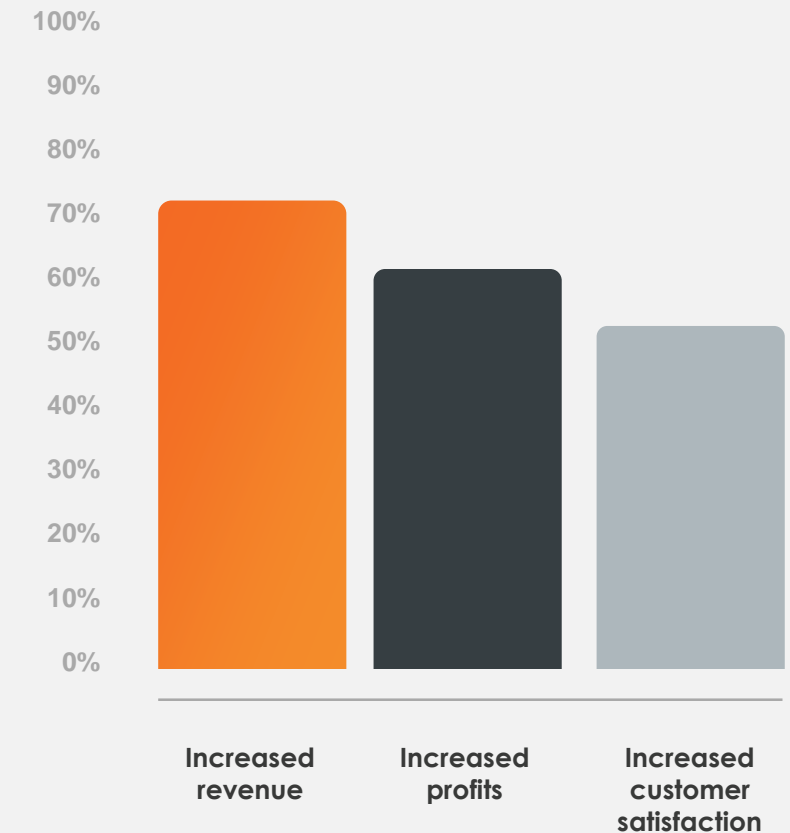
Opening the Walled Gardens



Brands and retailers are concerned about walled gardens of data from tech giants like Amazon and Facebook.

Three-fifths of brands and retailers are already part of a data collaboration initiative and are pooling non-personally identifiable data to better connect with shoppers.

Top 3 benefits of pooled data assets/collaboration (percent of respondents)



Source: Criteo and Forbes Insights, The Commerce Data Opportunity: Collaboration Levels the Retail Playing Field, Q4 2017

Creating an Alternative Ecosystem

Impact in 2018



To stay competitive and innovative, retailers and brands will continue to pool data assets to personalize content and build better customer relationships.

72% of marketing execs believe data collaboration will lead to increased revenue, increased profits (65%), and increased customer satisfaction (56%).

5. The Power of Product Feed Optimization



Product Feeds 2.0

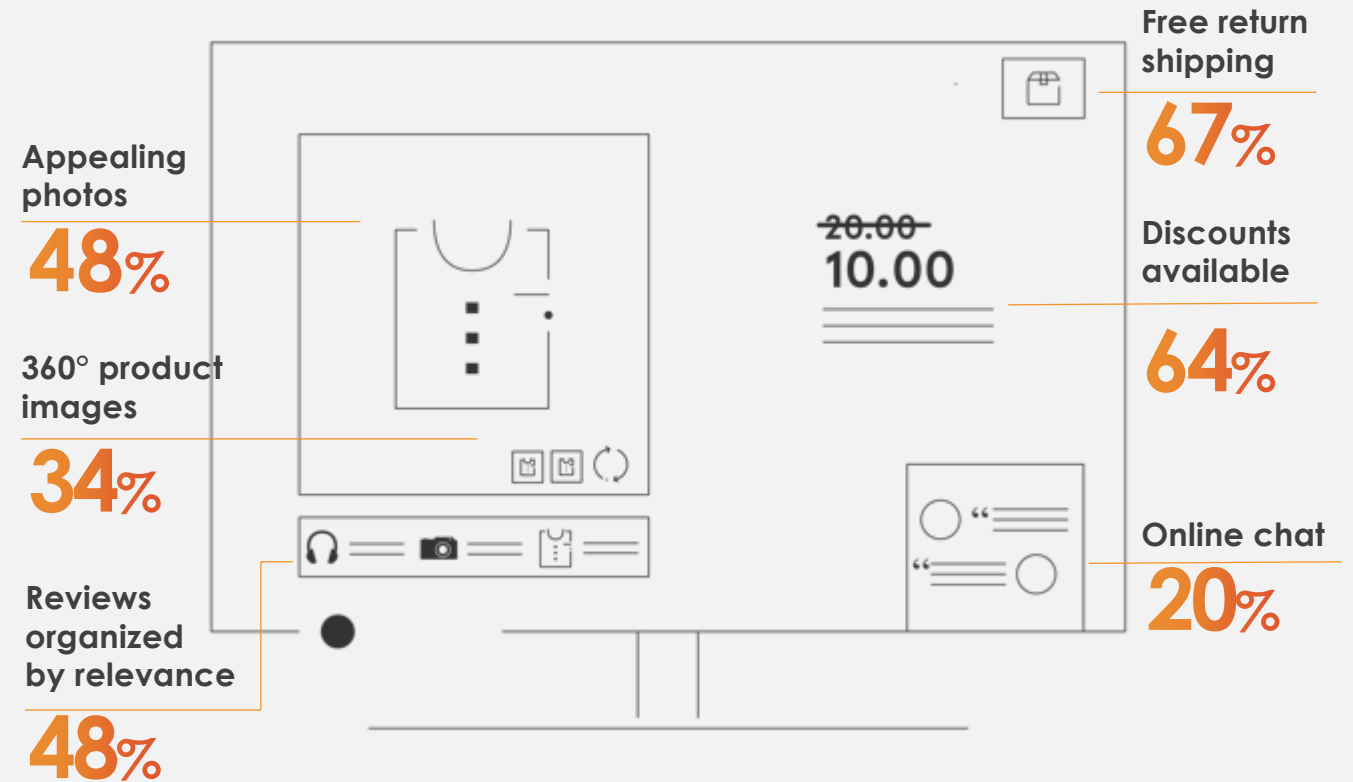


Advertisers will look for ways to streamline the management of product feed assets, including product descriptions and visual imagery.

Contextual product photos, high-resolution close-ups, 360-degree images, and other product details will become crucial to giving shoppers the best potential online experience.

How eCommerce sites can improve conversion

Percent of shoppers that say these website factors are very important



Source: Criteo Shopper Story, U.S. 2017, n=2435

Using enriched display to improve online user experience

Impact in 2018



Data management will become more important than ever as advertisers work to correlate product information from brands and retailers while integrating merchant data with user-generated content.

Even product information like reviews will have to be managed better, as teams create new techniques to respond to feedback and complaints.



6. Understanding GDPR & Data Management



The New Age of Data Protections



- General Data Protection Regulation (GDPR) will come into force on May 25, 2018, affecting marketers and companies looking to reach more than 500 million EU citizens.
- GDPR will have global impact and apply to all companies tracking EU residents for analytics and marketing purposes.

Attitudes Toward Retailers Using Browsing Data

(percent of total)



Source: Criteo Shopper Story, UK 2017, N=1515

Personalization + Transparency

Impact in 2018



By ensuring greater protection of each individual's data, GDPR will reinstall confidence and trust in consumers – this in turn will benefit businesses that offer transparency and choice to consumers.

Marketers will need to manager their audience data more carefully. Personalization, trust, and transparency will go hand-in-hand, creating a better relationship with shoppers and businesses.

7. The Battle for Video



Ad Breaks, Cord-Cutters, and Facebook



Possibilities for new programmatic video ad inventory will emerge as ad breaks are inserted into more video content.

Cord-cutters are streaming multimedia content, which means social platforms including Facebook, YouTube, Instagram and Snapchat are prioritizing video and looking for premium quality content that mimics TV.

Amazon also plans to let video ads flow automatically from its live-streaming hub Twitch and through the Amazon Advertising Platform to its properties, including Fire TV and the Amazon home page.

How big is the audience?

Video ad formats

Where does the video play?



2+ billion monthly active users (Q2 2017)

In-feed, mid-roll ad breaks, post-rolls between suggested videos in News feed

Newsfeed, pages; people and events profiles/walls, Watch tab, Search results, Instant articles, Messenger, Embedded (public) videos on the web



700+ million monthly active users (Apr 2017)

In-feed video ads, stories ads

Users' personal feeds, user profiles, Explore tab, Instagram stories, Direct message, Embedded (public) videos on the web



1.5+ billion monthly logged-in users (June 2017)

Ads can be pre-, mid-, or post-roll, skippable after 5 seconds, non-skippable ads that last 15-20 seconds and longer ones lasting upto 30 seconds, non-skippable pre-roll "Bumper" ads lasting up to 6 seconds

Throughout the website (in channels, search results, autoplay experience, etc.), Embedded video on the web



174+ million daily active users (Q2 2017)

Post- and mid-roll Snap video ads that appear between stories and Snap Shows

User stories and Our stories, personal messages from users, in Publishers' Discover stories, Snap shows

Video = Conversion

Impact in 2018



Share of consumer online time spent on video is bound to increase steadily, forcing advertisers, publishers and media companies to reorganize and increase focus on video.

More video consumption means more ads – and a new battle for programmatic advertisers and their partners.



8. The Growth of Acquisitions & Partnerships



The Growth of Acquisitions & Partnerships



- Big retail acquisitions and partnerships have taken place in the last six months: Amazon and Whole Foods, Amazon and Kohl's, Walmart and Google's Express service, etc. Walmart also bought ModCloth, Bonobos and Shoes.com.
- In 2018, many other retailers and brands will look for strategic acquisitions and partnerships to stay competitive, and to expand and strengthen their operations.

2018 will be the year of eGrocery with Amazon buying WholeFoods and Alibaba announcing a \$2.9 billion investment in Sun Art, China's top hypermarket operator

\$13.7 billion in August 2017



HK\$22.4 billion (\$2.9 billion)



Can't build, then buy

Impact in 2018



More pure players will proactively look for opportunities for strategic acquisitions and partnerships to bridge offline and online worlds and generate crucial value from it. In the race to compete with Amazon, for many retailers, the discussion is not about “build”, it’s about “buy”.

Key takeaways for commerce and digital marketing success in 2018



There are some big shifts ahead of us in 2018. Retailers and marketers should consider the following to prepare for the new opportunities and challenges:

Collaborate and pool data to stay competitive with the digital giants.

A big opportunity and a growing necessity for retailers and brands now is to collaborate and pool data – so they have the scale similar to the digital giants, and can better connect online and offline data for a greater understanding of shopper needs.

Deliver seamless and relevant shopping experiences across all devices and channels.

Identify and engage with customers across devices and channels based on their browsing patterns and shopping interests. CRM or DMP data can help to accurately target audiences across web, mobile browser and apps – enabling marketers to re-engage with customers and improve conversions through personalized product recommendations.

Provide experiences to inspire shoppers.

We live in an experience-based economy. Whether online or offline, businesses need to create innovative customer experiences to stand out and build loyalty. That means optimizing your data strategy and putting all that data to use – only by personalizing for each individual can businesses truly connect with their shoppers in new and meaningful ways. This year, digital noise in social and search threatened to bury most companies. In 2018, the noise will only grow louder.

Thank you



Mollie Spilman

Chief Operating Officer, Criteo





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can be found at: criteo.com/insights**



About Criteo

Criteo (NASDAQ: CRTO), the leader in commerce marketing, is building the highest performing and open commerce marketing ecosystem to drive profits and sales for retailers and brands. More than 2,700 Criteo team members partner with over 17,000 customers and thousands of publishers across the globe to deliver performance at scale by connecting shoppers to the things they need and love. Designed for commerce, the Criteo Commerce Marketing Ecosystem sees over \$550 billion in annual commerce sales data.

For more information, please visit www.criteo.com.