

A woman is sitting on a dark-colored bench in what appears to be a shopping mall or a modern public space. She is wearing a light blue denim jacket over a dark, textured knit top and a red and white plaid skirt. She is holding a silver smartphone in her hands and looking at the screen. A large shopping bag with a red and white plaid pattern is resting on the bench next to her. The background is slightly blurred, showing architectural elements like white columns and a yellow safety line on the floor.

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Digital Commerce & Marketing Outlook 2017

January 2017

2017: A Shifting Landscape

Digital commerce is clearly on a roll. In the US, mobile sales on Black Friday 2016 increased by 50 percent vs. 2015. In China, Singles Day 2016 showed double-digit YOY growth. And in France, more consumers than ever before made online purchases during the big January sales.

While there's every reason to celebrate these results, you may also want to fasten your seatbelt. There are some big shifts ahead of us in 2017 that will keep things very interesting for digital marketers – and we should know. Our direct relationships with 13,000+ advertisers and 17,500+ publishers puts Criteo in a unique position to feel the pulse of the market and detect emerging trends – often before the rest of the industry.

This report gives you a look at what we see on the horizon. We've distilled for you the six trends we believe will have the highest potential to both disrupt the market and create new opportunities for growth.

Enjoy!

Elie Kanaan
EVP Marketing, Criteo



The 6 digital commerce and marketing trends to look out for in 2017



Mobile Order Values Match Desktop

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Consumers will use mobile to make high-value purchases.



Retailers Unite

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Retailers will seek opportunities to pool resources as they face increasing competition from Amazon.



Paid Search Drives Discovery

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Product Listing Ads will emerge as a key channel for customer acquisition.



Programmatic Fuels Video ROI

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Video ads will deliver ROI, leveraging the full potential of programmatic technology.



Transparency Wins

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Manufacturer brands will demand more transparency with their trade marketing budgets.



West Models East

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Developed markets, too, will prioritize mobile over desktop, modeling emerging markets.

A photograph of three young women standing outdoors, smiling and looking at a smartphone held by the woman on the left. They are holding red shopping bags. A teal circle with the number '1' is overlaid on the image.

1

Consumers will use mobile to make high-value purchases.

Key Facts

- Desktop was once the king of high-ticket purchases, but in 2017, consumers will feel equally comfortable purchasing expensive items on smartphones.
- The AOV (Average Order Value) on mobile apps was 27 percent higher than desktop in Q2 2016*. The AOV on mobile browsers was only 9 percent lower than desktop during the same period.

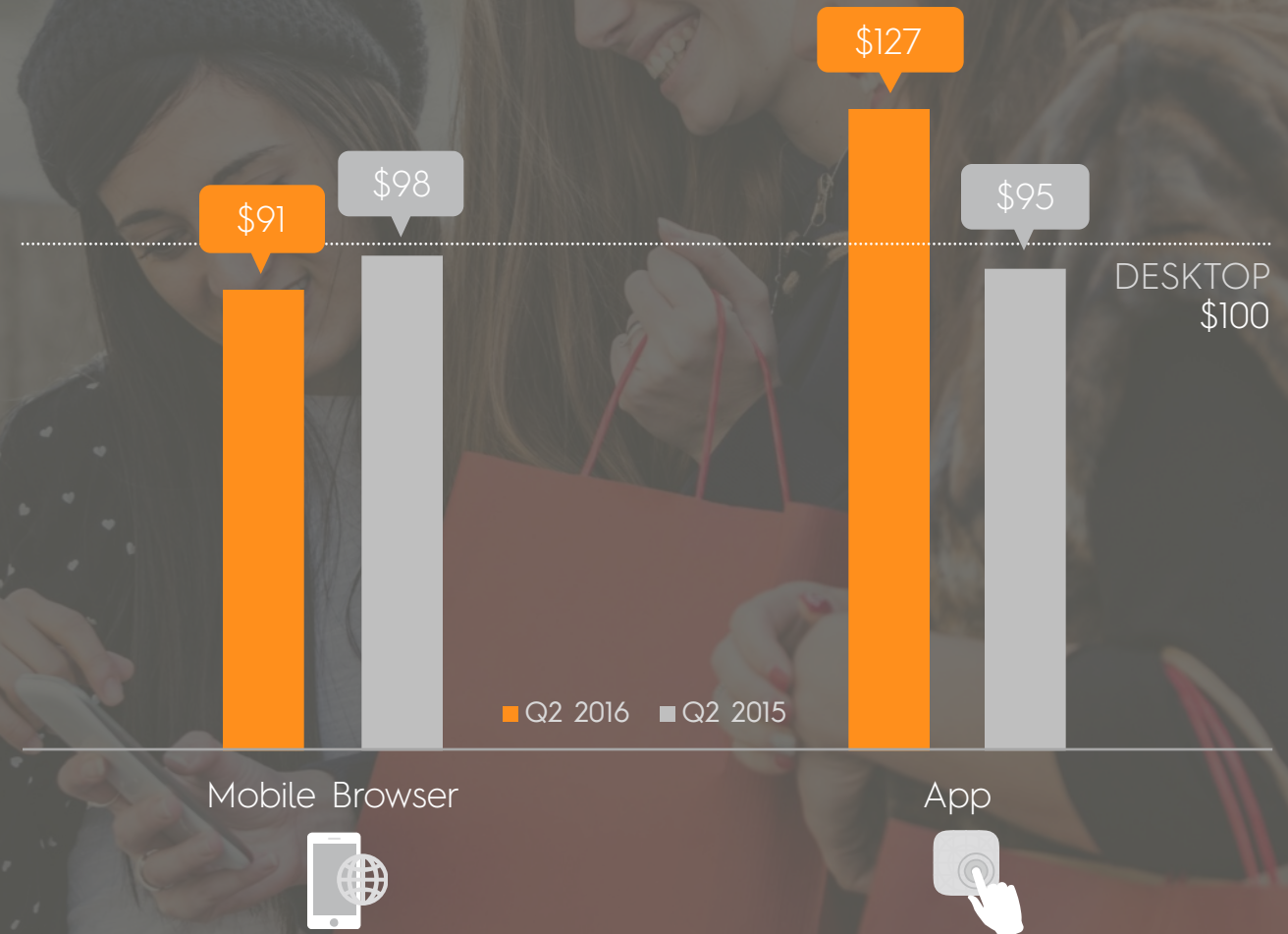
Implications for retailers:

Ensure a perfect mobile checkout experience for every transaction

To capture rising mobile AOV, retailers must focus on consumer security and convenience in the mobile checkout process. Easy navigation and a shorter checkout process will encourage consumers to complete high-dollar shopping journeys on mobile.

Global Retail Mobile Average Order Value, by Channel

Indexed versus Desktop



*Source: Criteo, State of Mobile Commerce Report, H1 2016 US.



2

Retailers will seek opportunities to pool resources as they face increasing competition from Amazon.

Retailers will seek opportunities to pool resources as they face increasing competition from Amazon.

Key Facts

- In 2017, a growing number of independent companies will enable retailers to pool resources (e.g., share customer data) to better compete with Amazon and decrease dependence on Facebook and Google.
- Criteo, by acquiring HookLogic, now has a native search advertising solution that combines multiple retailers to create reach comparable to Amazon's.

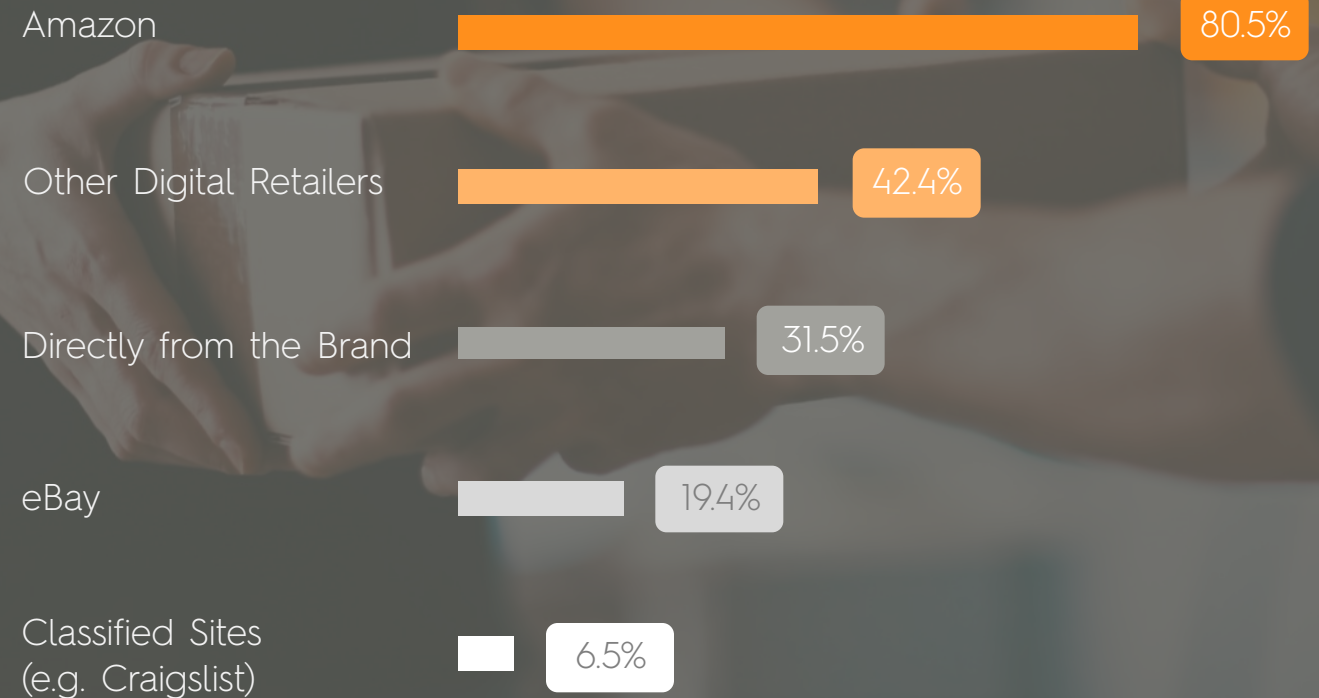
Implications for retailers:

Look for the right partnerships in 2017

Retailers need to partner with technology companies that can make their products more discoverable online. This may involve sharing data and pooling resources with fellow retailers, but will also help in retaining healthy margins.

Digital Channels Used by US Digital Buyers to Purchase Products

% of Respondents, Mar 2016



3

Product Listing Ads will emerge as a key channel for customer acquisition.

Key Facts

- In 2017, retailers will invest more in Google Shopping (commonly known as Product Listing Ads, or PLAs) and expand their search capabilities to improve customer discovery and conversions.
- As paid search gets more competitive and advertisers get more sophisticated with segmentation and attribution, high-investment channels must be more accountable for results.

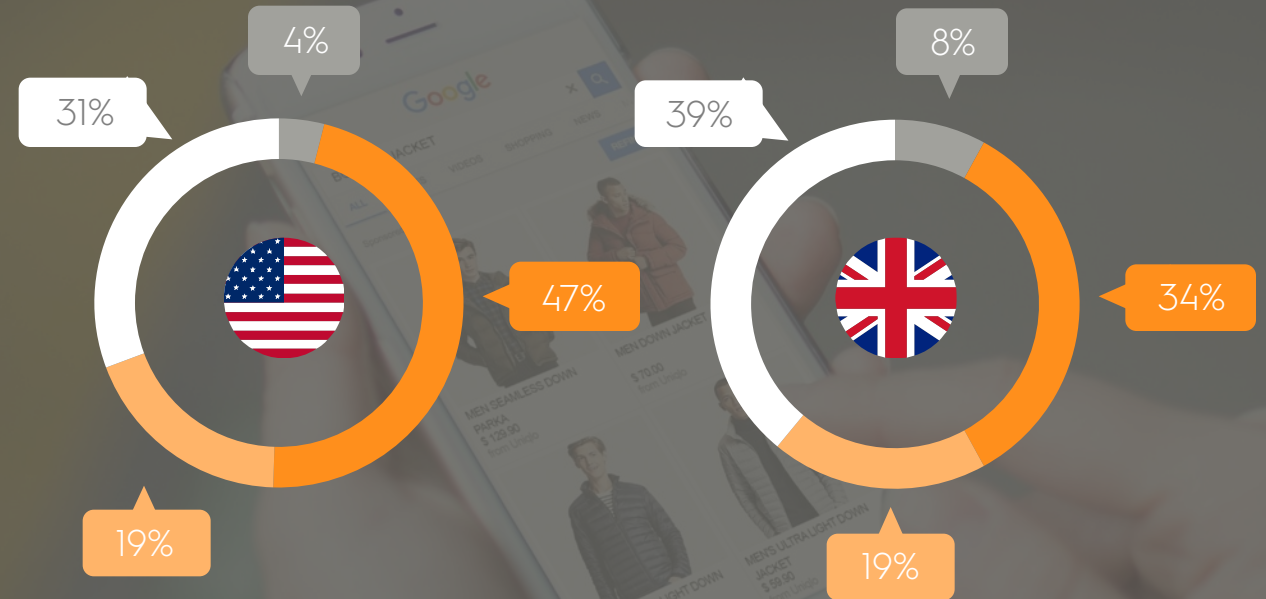
Implications for marketers:

Focus on discovery with continued pressure on efficiency

Retailers should invest in search channels, such as PLAs that primarily address users in the discovery phase, and in technologies that put data behind customer acquisition efforts.

US and UK Digital Retailers Who Use Product Listing Ads (PLAs) vs. Paid Search

% of Respondents, Jul 2016



- Neither
- Only PLAs
- Only Paid Search/Text Ads
- Both

Source: ChannelAdvisor, E-Commerce Holiday Season Survey 2016
 *Numbers may not add to 100% due to rounding

A man with short brown hair, wearing a light blue button-down shirt over a grey t-shirt and brown pants, is sitting on the ground. He is wearing large black headphones with red accents and is smiling while looking at a red tablet computer he is holding with both hands. The background is a blurred cityscape with tall buildings under a bright sky. A teal circle with the number 4 is overlaid on the image.

4

Video ads will deliver ROI, leveraging the full potential of programmatic technology.

Key Facts

- A large share of media ad inventory, including video ads, is now purchased programmatically.
- In 2017, programmatic advertising will be used not just for buying video ads, but also to automate ad creation and optimization.
- Thousands of dynamically-generated variations of video ads will allow marketers to run highly targeted campaigns, customized to the individual in real time, to deliver ROI.

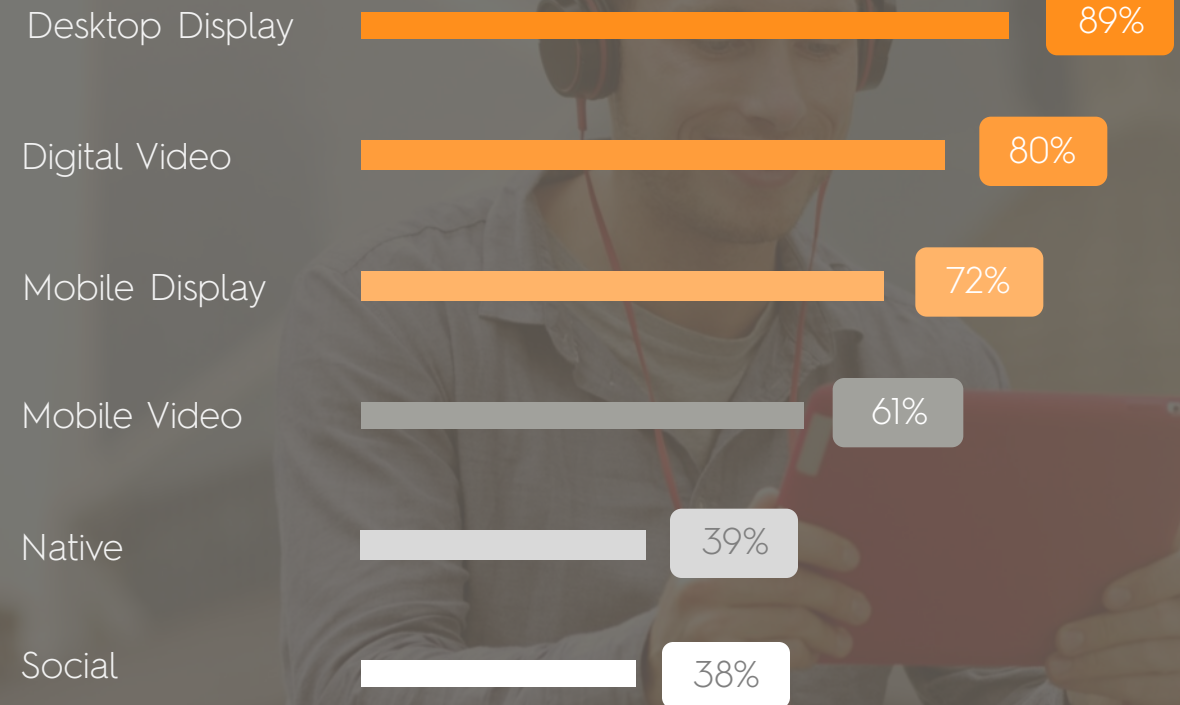
Implications for advertisers:

Capture ROI with real-time campaign optimization

With programmatic, advertisers can now create thousands of combinations of messaging and animations, overlaid on video ads in real time to deliver a highly personalized user experience.

US Marketers Who Buy Ads Programmatically

By Media Format, Mar 2016





5

Manufacturer brands will demand more transparency in trade marketing.

Key Facts

- In 2017, manufacturers will increasingly demand precise and unbiased ROI measurement for the large amounts of money they spend with retailers.
- Manufacturer sales and marketing budgets will converge as consumers become more identifiable across platforms and media. Competition for spend will increase as budgets realign toward the goals of branding and performance.

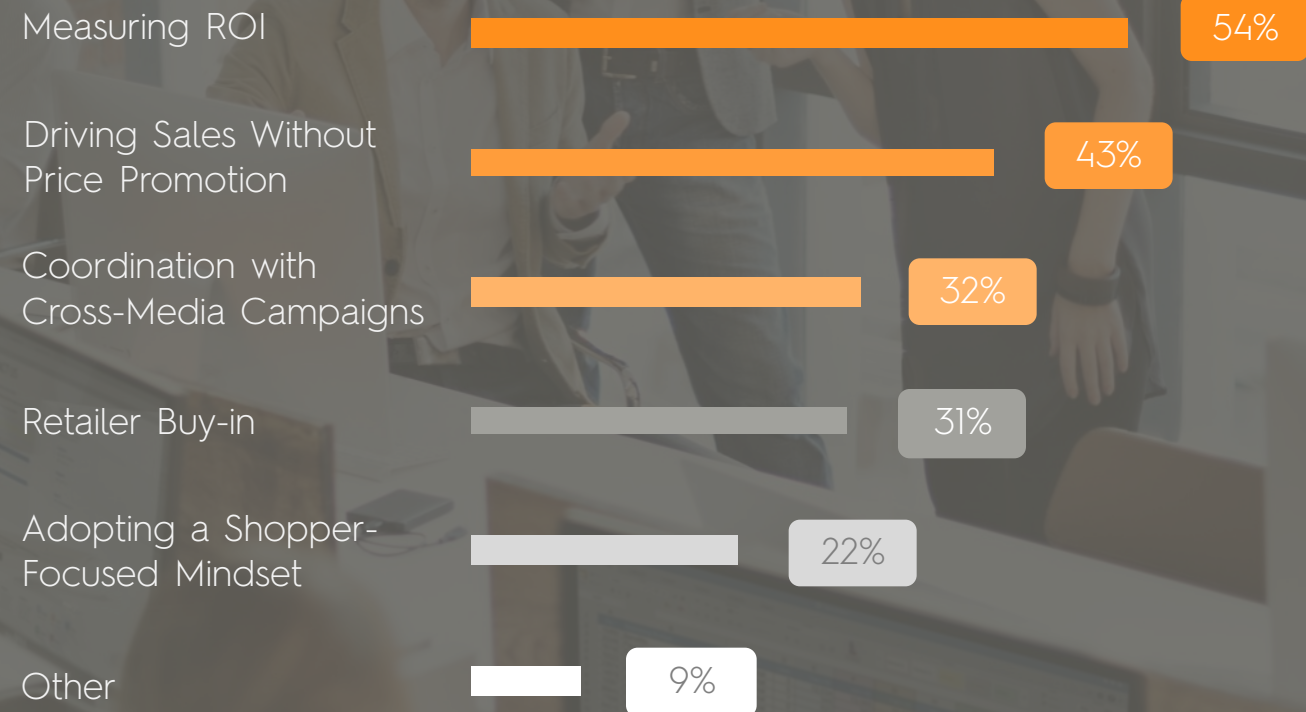
Implications for retailers:

Manufacturers will direct budgets to programs that demonstrate sales growth at scale

To compete for trade marketing budgets, retailers must have technology in place to accurately measure ROI for manufacturers.

Biggest Challenges to Establish the eCommerce Side of Their Business According to US Marketers

% of Respondents, May 2016



A woman with curly hair is smiling and looking at her smartphone. The image is overlaid with a semi-transparent teal circle containing the number 6.

6

Developed markets, too, will prioritize mobile over desktop, modeling emerging markets.

Key Facts

- In 2017, expect a majority of online retailers to become “mobile first” brands.
- Retailers who are leaders in mobile web maturity see 39* percent more conversions than the late adopters.
- Asia, especially China, leads the world in share of mobile sales and in mobile innovation, such as in-store payments, taxi hailing, and other superior user experiences.

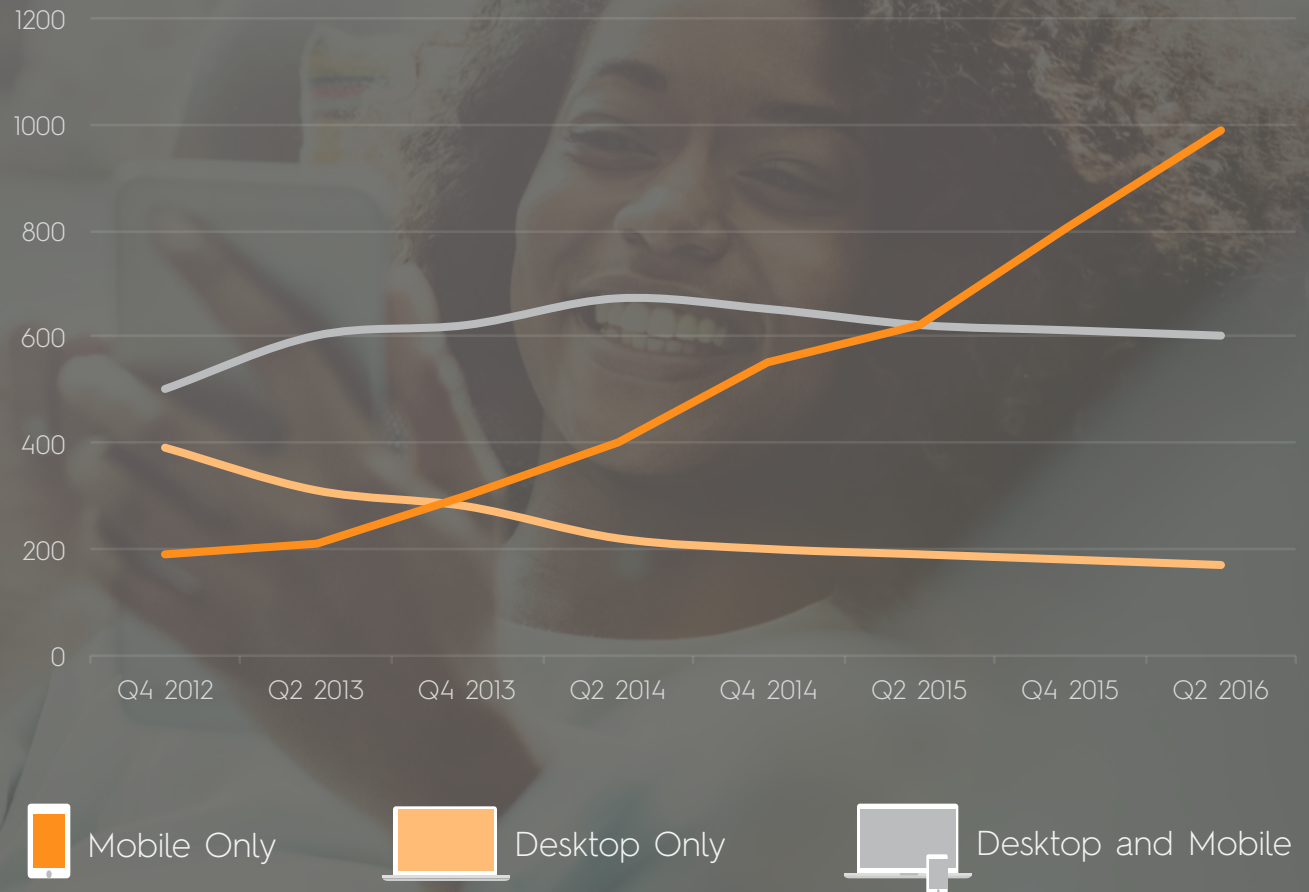
Implications for marketers:

Learn from mobile-first and mobile-only best practices in emerging markets

Being mobile responsive is no longer sufficient. With mobile becoming the primary digital channel to interact with consumers, retailers must make mobile the priority in their site designs.

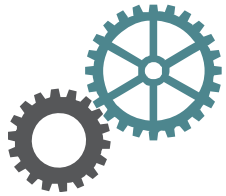
Facebook now has more than a billion mobile-only users.

Facebook Monthly Active Users by Device



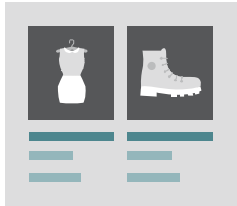
Key takeaways for digital commerce success in 2017

2017 will be defined by significant shifts in marketing technology and consumer behaviour. Retailers and marketers should consider the following to prepare for these new trends:



Build capabilities to compete with and reduce dependency on digital giants

Retailers must invest in technologies that connect online and in-store customer touchpoints in order to retain their shares of manufacturers' trade budgets.



Seize the massive opportunity to find new customers through search

Marketers should invest more in PLAs, to primarily address users in the discovery phase, and in technologies that put data behind customer acquisition efforts.



Think mobile first

Mobile will continue to grow and be the most important driver for digital commerce in 2017. Retailers and marketers must ensure they offer a great mobile experience as consumers look to complete more shopping journeys on mobile.

A person is walking on a sidewalk, carrying several shopping bags. The person is wearing dark pants and brown boots. The shopping bags are in various colors and patterns, including pink, white, and blue with polka dots. The background is a blurred city street.

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Thank you!

About Criteo

Criteo (NASDAQ: CRTO) delivers personalized performance marketing at an extensive scale. Measuring return on post-click sales, Criteo makes ROI transparent and easy to measure. Criteo has over 2,200 employees in 30 offices across the Americas, Europe and Asia-Pacific, serving 13,000 advertisers worldwide, with direct relationships with 17,500 publishers.

Criteo ads reach over 1.2 billion unique Internet users (comScore, Jan 2016).

This and other Criteo reports may be found at:

<http://www.criteo.com/resources>

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