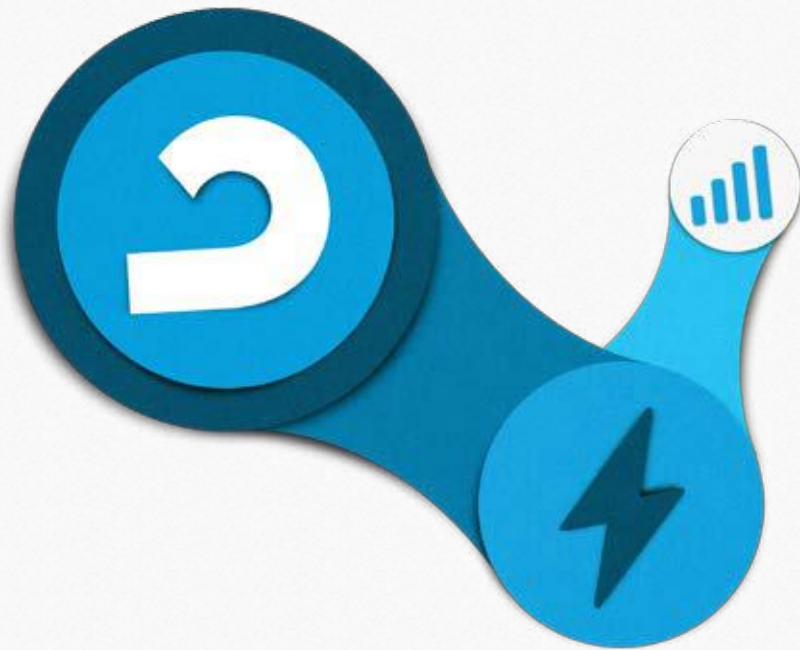

2017

STATE OF
PERFORMANCE
MARKETING

NORTH AMERICA & EUROPE



AdRoll



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EXECUTIVE SUMMARY

By Adam Berke, President and CMO, Founding Team, AdRoll

Introduction

In previous editions of this report, our primary focus was on how industry professionals approach the concept of programmatic advertising. While this is still important, the industry has evolved as the knowledge and skill sets of marketers have grown. So, when we surveyed 1,000 US marketers* this year, we decided to shift our focus to understand how they're reaching prospects throughout the entire marketing funnel. Our mission was to uncover how marketers coordinate various different channels and technologies to achieve their goals.

Attribution is king

Last year, we reported on how attribution had become one of the most discussed topics in digital media. In the time since, interest in marketing measurement has only intensified in order to better evaluate efforts and optimize decision-making processes. While a majority of marketers currently rely on first- or last-click models, almost 60% reported that they plan on changing their approach in 2017. To underline the growing importance of attribution, 40% also reported spending the majority of their budget on measurement alone.

Email marketing becomes dynamic

Originally, email marketing consisted of drafting one piece of content and sending it to a large, varied batch of recipients. However, this has changed over time. Marketers evolved by creating behaviorally triggered campaigns that grouped together audiences of similar users and, today, this trend has continued. Campaigns are now being created from dynamic content personalized to an individual user. In fact, a majority of marketers in this year's report stated that their email campaigns are dynamically focused on user behavior. This means that their email sends will populate with content based on the actions a person has taken online.

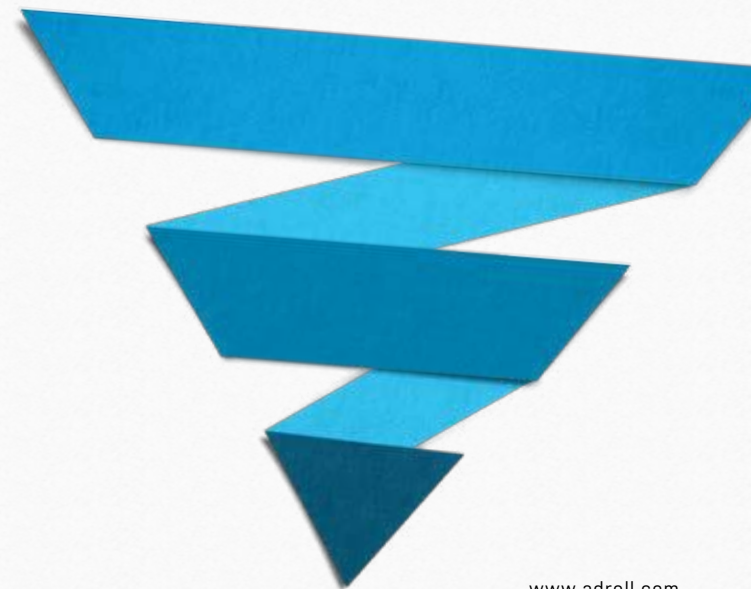
Programmatic continues to shine

In addition to these new insights, some of the trends from past years persist. For example, marketers have continued to embrace a programmatic approach to digital marketing. Over 50% responded that they are currently investing more than half of their budgets in programmatic initiatives alone. Additionally, more than two-thirds of marketers state that programmatic advertising results in a greater return on investment (ROI) than traditional media buying.

Conclusion

One way to characterize the overall trends we're seeing is that the technology is actually starting to line up with the promise and vision marketers have had for many years—but didn't necessarily have the tools to deliver. We're seeing real-world applications of data-driven decision making, machine learning, and automation. So where are we in the evolution of technology's ability to solve marketing challenges? What attribution models are marketers moving toward? How are strategies changing to ensure ads reach prospects at each stage of the marketing funnel? What challenges are marketers seeing when creating mobile campaigns? We've compiled the answers to these questions and more in order to provide insight into how modern marketers are approaching digital advertising in 2017.

*We also surveyed over 300 European marketers. Results on pages 16-17.



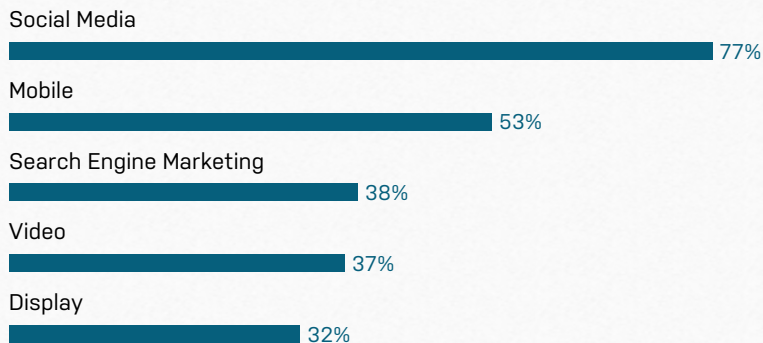
PROGRAMMATIC ADVERTISING

66% of marketers report that programmatic advertising results in greater ROI than traditional media buying.

Programmatic advertising involves the buying and selling of advertising space in real time. It uses data and machine learning to target and optimize campaigns instead of relying on human performance. Companies that provide programmatic marketing technologies, like AdRoll, can help marketers with this process. With these technologies, advertisers can ensure that the right message is served to the right consumer at the right time—without having to pull all the levers themselves.

While programmatic advertising was new to the scene only a few years ago, performance marketers have rapidly adopted the practice in recent years. In 2013, only 7% of marketers dedicated more than half of their budgets to programmatic. By 2015, that had increased to over 30% and, in 2016, it jumped to over 50%. What's perhaps most surprising is that the number of marketers reporting to spend less than 10% of their budgets on programmatic has fallen from 40% to under 8% over that same period. Backing up this trend, almost two-thirds of marketers state that they will increase their programmatic budgets in 2017.

PERCENTAGE OF MARKETERS RUNNING PROGRAMMATIC ON EACH CHANNEL



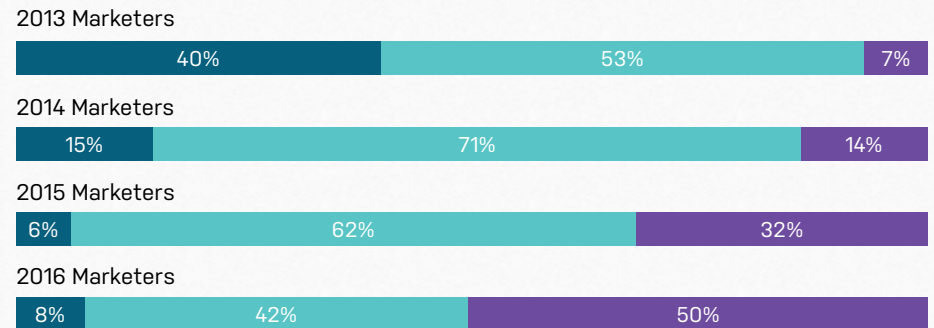
80% of marketers are familiar to extremely familiar with programmatic advertising.

Programmatic ties your ads to the web, social, mobile, and beyond

Programmatic ads aren't restricted to desktop users and website visitors. Last year, over 75% of marketers decided to run programmatic advertising on social media platforms, up over 10% from 2015. Marketers are also seeing the benefits of running programmatic advertising on mobile devices—with almost two-thirds of all marketers expanding their campaigns to mobile devices in 2016.

YEAR-OVER-YEAR INVESTMENT IN PROGRAMMATIC ADVERTISING

● <10% of Budget ● 10–50% of Budget ● >50% of Budget



THE ADROLL CONNECTION

AdRoll gives marketers the opportunity to programmatically serve ads to customers wherever they go online—whether it be on desktop, social channels like Facebook, or mobile. When examining AdRoll customers that had extended their campaigns to include a social media platform as well as the web, we noticed an average increase in click-through rates (CTRs) of over 66% and a 43% overall increase in the number of impressions.¹ Now, AdRoll customers can even retarget customers through their email, helping them to coordinate campaigns across previously siloed channels.



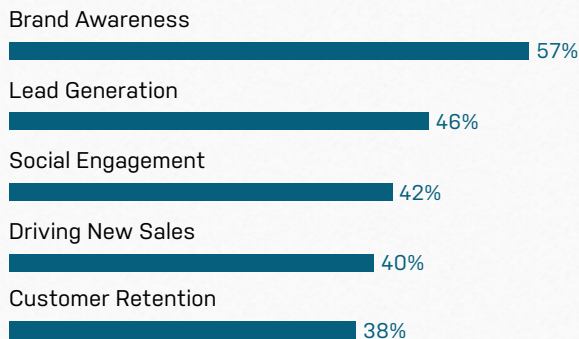
RETARGETING

42% of marketers spend the lion's share of their budgets on retargeting.

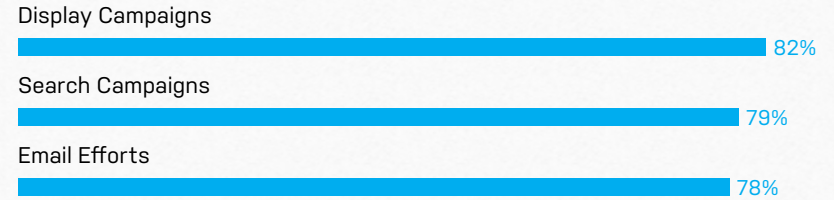
Because retargeting can have such a high ROI, it became the first real breakout use case for programmatic marketing. Retargeting works by leveraging behavioral data from your site or app to deliver personalized messages to your users wherever they may go online. And, while retargeting can usually help boost the performance of any one marketing goal, nearly 70% of advertisers reported using it to fulfill multiple different campaign objectives at once.

Unsurprisingly, the majority of marketers still view social media as the hottest topic in retargeting—with email following closely behind. Viewability and attribution were new additions to this year's list, as both topics dominated many aspects of advertising throughout 2016. Looking into the next year, the majority of marketers are planning on increasing or maintaining their retargeting spend—and only 8% are planning to allocate under 15% of their budgets to the strategy.

THE MOST COMMONLY LISTED OBJECTIVES FOR RETARGETING CAMPAIGNS:



RESPONDENTS THOUGHT RETARGETING PERFORMED THE SAME AS, OR BETTER THAN, THEIR...



THE MOST POPULAR CHANNELS FOR RETARGETING



THE ADROLL CONNECTION

It all starts with a cookie. They're everywhere on the Internet. Think of a website that you log into—for example, Facebook. Have you ever noticed that once you've signed in, you don't have to sign in again the next time you visit? Well that is done through the magic of cookies, tiny data packets stored in your browser that turn the Internet into your stomping grounds.

That's how retargeting works. When someone visits your website, the AdRoll Pixel places a cookie in their browser. As long as that cookie remains in their browser, we'll recognize that they've been to your website and help you serve ads directly to them.

MOBILE MARKETING

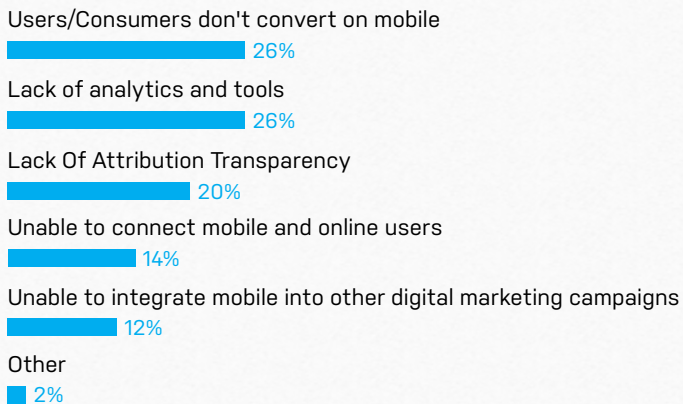
It's estimated that Americans spend an average of 60 hours a week consuming content across multiple digital devices. **And, according to Google, 93% of people who use a mobile device to research purchases go on to make one.**² So it's not a surprise that many marketers are beginning to understand the benefits of adding mobile advertising initiatives to their display marketing campaigns. However, many are still unsure of how to take advantage of this platform.

68% of marketers plan to increase their mobile retargeting budget in 2017.

Why so hesitant?

When considering cross-device campaigns, marketers reported that they were still deterred by several challenges—including a perceived lack of users converting on mobile and an inability to track campaign performance. These challenges meant that some marketers decided not to run mobile campaigns—with many still feeling that it has yet to develop a good user experience.

WHAT'S THE BIGGEST CHALLENGE FOR MOBILE ADVERTISING?



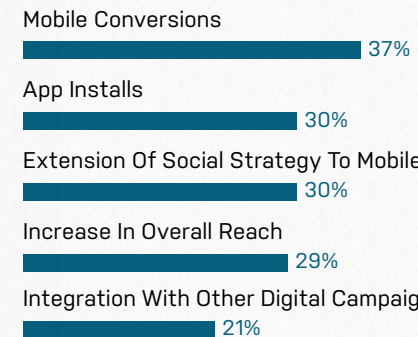
In order to overcome this, it's important for marketers to understand and identify the behavior of their consumers as they move across devices. This is because consumers don't usually make purchase decisions in one session or using one device. However, new technologies are arising to help marketers to distinguish customer journeys:

- **Deterministic cross-device models:** Deterministic cross-device matching uses a stable identifier, usually an email address, to match multiple devices with a single user. This method tends to be more precise, but it is difficult to scale.
- **Probabilistic cross-device models:** Probabilistic models use an algorithm to infer if two or more devices are likely to belong to a single person. This method will deliver either a high probability of a data match with little scale, or a lower probability of a data match but at a large scale.

Because each of these methods has their advantages and drawbacks, the future probably lies in marketers adopting a hybrid of both methods of cross-device data tracking.



PERCENTAGE OF MARKETERS WHO LISTED THE FOLLOWING MOBILE KEY PERFORMANCE INDICATORS (KPIs)



OVERCOMING THE FEAR OF MOBILE: HOW ADROLL CAN HELP

It seems many marketers still feel that customers aren't likely to convert on mobile devices. While conversion rates can vary between desktop and mobile ads, we've found that marketing across the two platforms can improve campaign performance. When compared to those who ran only desktop ads, AdRoll customers who ran desktop and mobile campaigns simultaneously in 2016 saw their CTRs increase by 120% and their number of total impressions increase by almost 40%.³

EMAIL MARKETING

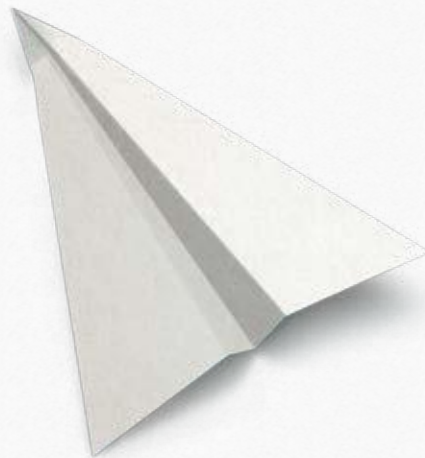
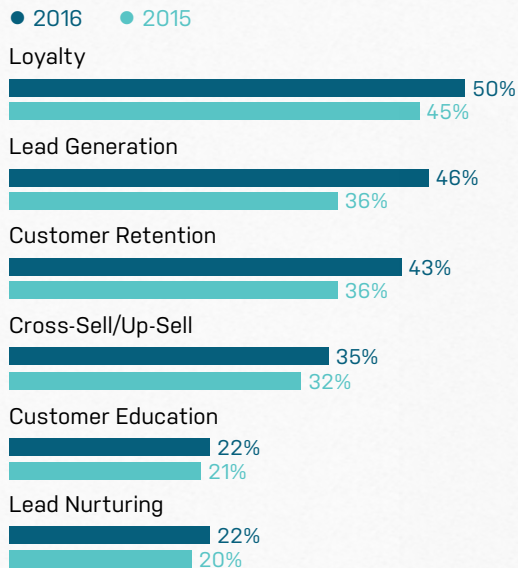
Almost **70%** of marketers say their email is dynamic based on user behavior. Is yours?

Email gains popularity

Email is currently experiencing a renaissance of sorts as marketers take programmatic technologies that were originally developed for paid media and apply them to their customers' inboxes. In fact, almost 70% of marketers surveyed in this year's report claimed that their email campaigns are dynamic based on user behavior—shifting away from traditional batch sends. One of the most effective ways for marketers to capitalize on this trend is through email-retargeting products like AdRoll Email, which sends prospective customers content directly related to the pages they've visited on your site.

Most marketers choose to run email campaigns with multiple marketing objectives, which vary from business to business. Loyalty sends are still the most popular, with cross-sell offers and lead generation pitches coming in close behind.

PERCENTAGE OF MARKETERS WHO RUN PROGRAMS AIMED AT EACH OBJECTIVE

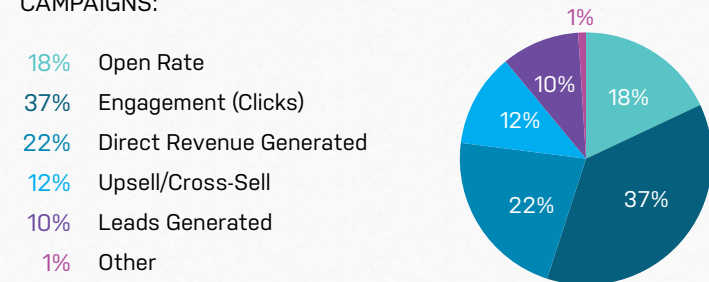


One thing marketers struggled with in 2016 was figuring out how to integrate their email campaigns with their other marketing efforts—such as messaging, reporting, and aligned KPIs. Almost 30% of all those surveyed said their emails are barely integrated or have no integration whatsoever.

IS YOUR EMAIL MARKETING DYNAMIC BASED ON USER BEHAVIOR?



HERE IS HOW MARKETERS PRIMARILY MEASURE THE SUCCESS OF THEIR CAMPAIGNS:



THE ADROLL EMAIL SOLUTION

EMAIL

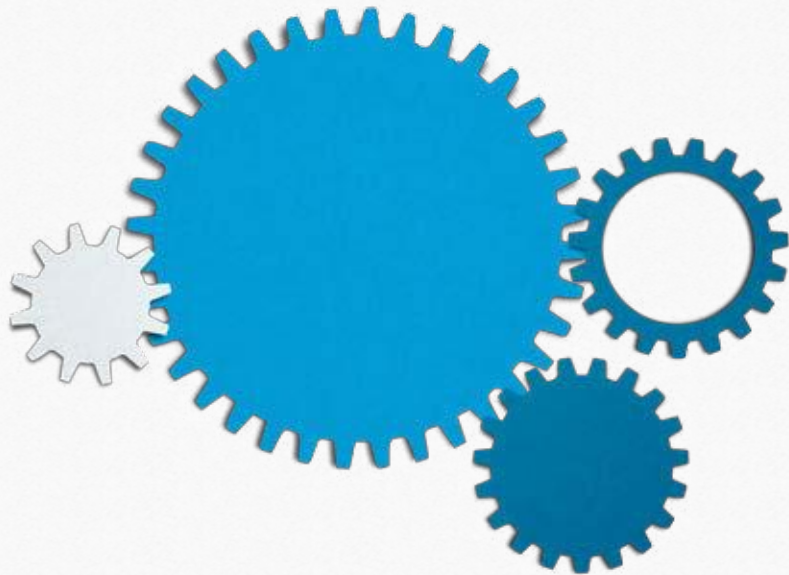
When an advertiser joins AdRoll Email, we automatically update their AdRoll pixel to recognize when an email is submitted on any page of their website. By associating each cookie that an AdRoll pixel drops with a unique email, we're able to match subscribers to the actions they take on that advertiser's website for AdRoll Email. Almost a third of all marketers surveyed stated that they measured the success of their email campaigns through engagement or clicks. Customers who use AdRoll email see open rates of 50–60% and click-through rates of 10–20%.⁴

ATTRIBUTION

Almost **75%** of marketers find attribution important or critically important. Fewer than 3% find no value.

Attribution is critical to marketing success because it allows marketers to evaluate their results and measure the impact of their advertising. Yearly trends support this fact, as they continue to show that marketers are placing more and more importance on marketing analytics and attribution. Of the marketers we spoke to, almost 75% believe attribution is critical or very important to marketing success, and almost 40% said that they spend the lion's share of their yearly budgets on campaign measurement. Despite this, we're still seeing many marketers place too much importance on single-click attribution models.

Almost **40%** of marketers spend the lion's share of their budgets on attribution and measurement.



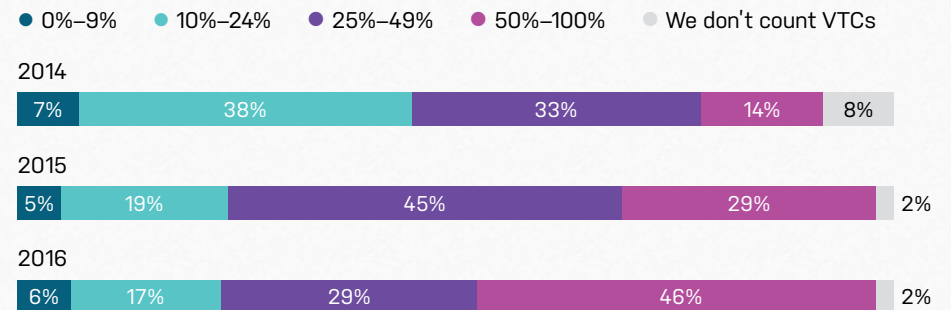
Almost **65%** of marketers use a single-click attribution model, yet 57% plan on changing their model.

The solution

While many marketers still value single-click attribution models, they can be problematic because they're only able to measure a portion of your audience—those who click. They discount altogether the much larger audience of internet users who make a habit of never clicking on advertising. While it may be popular, last-click measurement only takes into account the small fraction of online users who interact with ads.

A simple alternative to last-click attribution is blended attribution. This incorporates customer touchpoints, including both ad views and clicks, before the purchase. This metric retains the simplicity and immediacy of click-based attribution, while accounting for the cumulative effect of views.

WHAT WEIGHT DO YOU ATTRIBUTE TO VIEW-THROUGH CONVERSIONS?





FULL-FUNNEL PERFORMANCE MARKETING

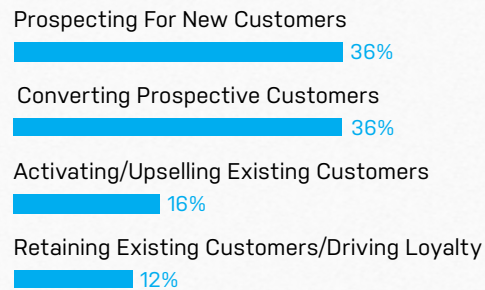
The full-funnel perspective allows marketers to adjust the way they approach their campaigns based on where a prospect is in the buying cycle. Because customers require a different approach at every stage of the funnel, it's important to adjust your marketing strategy accordingly.

The customer journey refers to the path that prospects take from brand awareness to conversion. Although each customer's journey is different, you can generally break the stages down and label them as upper, middle, and lower funnel. Upper-funnel campaigns consist of brand awareness and prospecting campaigns. Middle-funnel campaigns aim to convert prospects and activate upsell opportunities, while lower-funnel campaigns aim to retain and grow your existing customer base.

Marketers will use many different channels in order to attract, and eventually convert, customers at each of these different stages. For example, 36% of marketers found paid search to be their highest-performing channel, while 61% listed display ads and retargeting as the channels that gave them the best results.

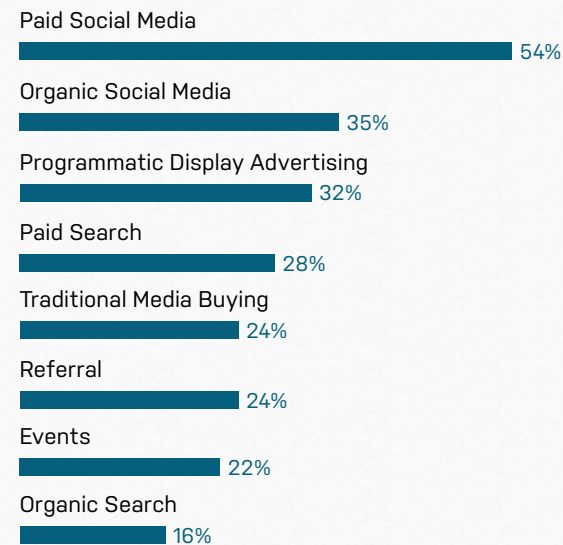
Campaigns at the top of the funnel should consider success metrics that take into account criteria like the quality of new visitors and lift on retargeting. On the other hand, lower-funnel campaigns should be measured on criteria like how effective they are in converting new customers and growing lifetime value.

HOW DO YOU ALLOCATE YOUR MARKETING BUDGET ACROSS THE CUSTOMER LIFECYCLE?



Marketers already use retargeting to get in front of the customers they care about the most. **Over 56%** use retargeting for brand-awareness initiatives.

WHEN TRYING TO ATTRACT NEW CUSTOMERS, THESE WERE THE MOST SUCCESSFUL CHANNELS FOR MARKETERS:



BEST PRACTICES

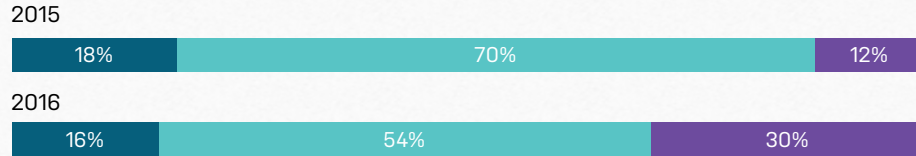
Marketers should also employ many different strategies to effectively reach customers at each stage of the funnel. Full-funnel strategies allow marketers to diversify their advertising efforts and target customers at all stages of the customer journey. By setting up the right KPIs to measure success, marketers can learn how to optimize campaigns and grow their business.



TRENDS ACROSS EUROPE

Programmatic

INVESTMENT IN PROGRAMMATIC ADVERTISING

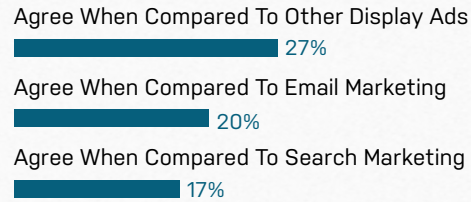


● <10% of Budget ● 10-49% of Budget ● 50-100% of Budget

Fewer than 15% of marketers believe programmatic advertising provides less ROI than traditional media buying.

Retargeting

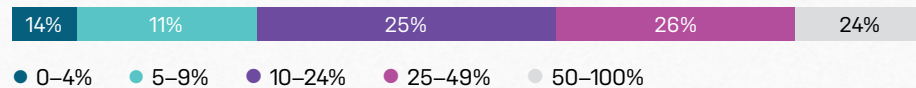
RETARGETING IS PERFORMING AS WELL AS OR BETTER THAN ALTERNATIVES



60% of marketers are spending at least **25%** of their budgets on retargeting.

Attribution

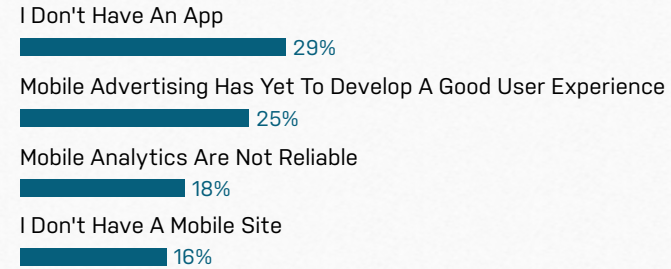
PERCENT OF BUDGET SPENT ON ATTRIBUTION AND MARKETING ANALYTICS



84% of marketers see the importance of attribution to their marketing success.

Mobile

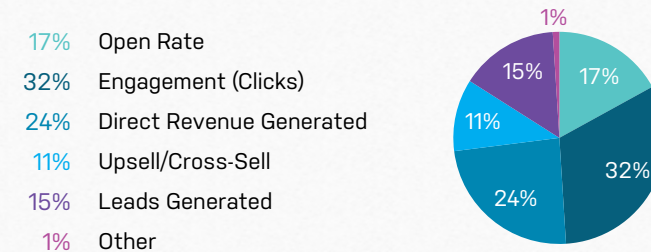
TOP 4 REASONS GIVEN FOR NOT RETARGETING ON MOBILE



58% of marketers are already retargeting on mobile.

Email marketing

HOW DO YOU MEASURE THE SUCCESS OF YOUR EMAIL CAMPAIGNS?



57% of marketers responded that their email campaigns are dynamic based on user behavior.

Over **300** marketers surveyed across Europe.

CREDITS

Sources

AdRoll, [State of the Industry: A Close Look at Retargeting and the Programmatic Marketer, 2014.](#)

AdRoll, [State of the Industry: A Close Look at Retargeting, Programmatic Advertising, and Performance Marketing, 2016.](#)

1. Pulled from a list of the average CTR and number of impressions served for all spending AdRoll customers throughout 2016.
2. Allison Mooney, Brad Johnsmeyer (May 2015). I-Want-to-Buy Moments: How Mobile Has Reshaped the Purchase Journey. <https://www.thinkwithgoogle.com/articles/i-want-to-buy-moments.html>
3. Data pulled from all spending AdRoll accounts during the year of 2016. The data compares customers who ran ads across only desktop to those who ran across desktop, mobile, mobile in-app, & mobile WCA simultaneously.
4. Aggregate data from live SendRoll customers since April 2016. Comparison in relation to email benchmark data from Mailchimp.

Statistics

We use statistics from live AdRoll campaigns. AdRoll processes over 150 terabytes of data every day, which translates to 30x more data than the New York Stock Exchange processes in the same amount of time; that much data gives us a lot of insight into current advertising trends.

About AdRoll

AdRoll is a leading performance marketing platform with over 30,000 clients worldwide. Its suite of high-performance tools works across devices, helping businesses attract, convert, and grow their customer base. The company is home to the world's largest opt-in advertiser data co-op, the IntentMap™, with over 1.2 billion digital profiles. AdRoll's goal is to build the most powerful marketing platform through performance, usability, and openness.

AdRoll is headquartered in San Francisco, with offices in New York, Tokyo, London, Dublin, and Sydney. Learn more at www.adroll.com.



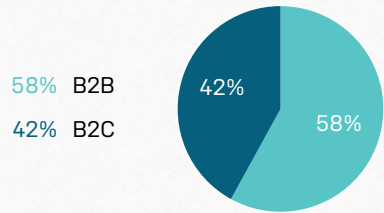


APPENDIX: METHODOLOGY

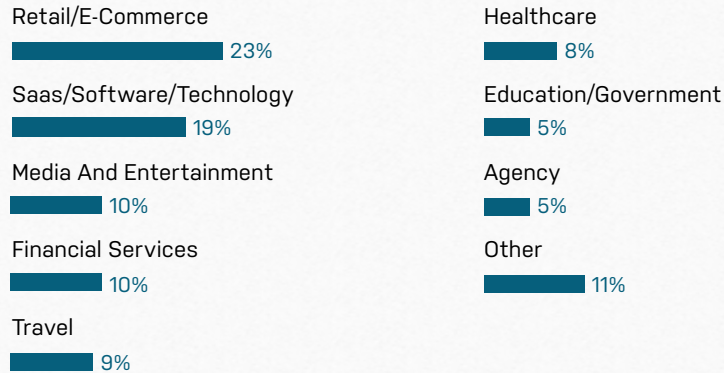
AdRoll partnered with Qualtrics, a third-party research firm, to survey a diverse group of individuals in the US who currently occupy advertising positions or leadership roles. The people we surveyed represent a cross-section of 1,000 B2B and B2C marketing professionals, and 70% are in marketing manager levels or higher.

1000 marketers surveyed across the US.

PRIMARY FOCUS OF COMPANIES THAT RESPONDED



INDUSTRIES REPRESENTED



PRIMARILY MID-SIZED COMPANIES



● <50 Employees ● 50-100 ● 100-500 ● 500-1,000 ● 1,000-5,000 ● 5,000+

65% of respondents spend over half of their marketing budget on digital marketing.

US MARKETERS SPENT THE FOLLOWING AMOUNTS OF THEIR BUDGETS ON DIGITAL



● 0%-9% ● 10%-24% ● 25%-49% ● 50%-74% ● 75-100%

AdRoll

www.adroll.com