STATE OF THE INDUSTRY

A CLOSE LOOK AT RETARGETING, PROGRAMMATIC ADVERTISING AND PERFORMANCE MARKETING

AUSTRALIA / NEW ZEALAND 2016
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EXECUTIVE SUMMARY

Introduction
The numbers are in—and programmatic advertising is proving stronger than ever. To get an accurate reflection of the growth of programmatic ads, AdRoll surveyed 200 Australian marketers and, this year, also surveyed New Zealanders. Overall, 265 marketers from Australia and New Zealand completed our 2016 survey.

Mobile dominates the news
This year, marketers are thinking mobile first, despite persistent challenges. The percentage of marketers retargeting on mobile had a surprisingly large disparity—52% for B2B and 41% for B2C. Nevertheless, 51% of marketers plan to increase their mobile-advertising budget in 2016, which speaks to the importance of reaching people where they’re spending more and more time: on mobile devices. In many ways, marketers are outpacing the business realities. For example, 24% of marketers still don’t have a mobile app and 21% still don’t have a mobile-optimised site. Some advertisers find that the user experience of mobile advertising continues to be a hindrance, with 27% stating that it’s their biggest stumbling block. Yet there’s plenty of opportunity to make mobile work better, transforming it into exactly what marketers want.

More than ever, measurement matters
Attribution continues to be a hot topic: 61% assert that solving for attribution is critical or very important to success in marketing. Although many marketers have now adopted an attribution model that tracks multiple customer touch points, there are still 52% who turn to the single-click method. Disconcertingly, 39% of marketers are now attributing only 10–24% of conversions to view-throughs; the number of marketers attributing over 50% of their conversions to view-throughs is a mere 12%.

The programmatic era
Marketers have enthusiastically embraced the programmatic era: an incredible 92% of marketers are planning for programmatic ad budgets to increase or stay the same in the coming year. Further proof of this shift, a solid 55% of marketers believe that programmatic ads provide a greater return on investment than traditional media.

Conclusion
With a strong grasp on social—and more ambitious investment in mobile—which channels are programmatic marketers eying? How does traditional media, like email, TV and video, come into play? And how are marketers tracking success across such different platforms? We’ve got answers to these questions and more in our State of the Industry ANZ 2016.
KEY FINDINGS

**Investment in retargeting is increasing**
- 38% spend 10-24% of their entire online ad budget on retargeting
- 31% intend to increase their retargeting budgets over the next 12 months

**Retargeting is performing well as or better than alternatives**
- 81% agree, when it’s compared to other display ads
- 79% agree, when it’s compared to email
- 80% agree, when it’s compared to search

**Retargeting is being redefined throughout the funnel**
- 62% say the top objective for retargeting is brand awareness
- 40% say it’s sales growth
- 37% say it’s customer retention, lead generation and social engagement
- #1 campaign-success metric among Australian marketers is total conversions

**Media buys are matching modern mobile media consumption**
- 52% of B2B marketers are currently retargeting on mobile, compared to only 41% of B2C marketers
- Over 1/2 of marketers say social media is the hottest topic in retargeting, with email retargeting placing second

**The attribution gap is on marketers’ minds**
- 92% consider attribution to be at least somewhat important to success
- 49% feel that the future of attribution is better multi-touch tracking
- 41% aren’t sure how to effectively implement or analyse attribution tracking
Programmatic advertising has experienced remarkable growth in the relatively short time that it’s been around. We wanted to better understand how performance marketers view this space.

Given its time-saving optimisations, programmatic advertising continues to be adopted rapidly. Looking ahead to 2016, 44% of marketers expect to increase their programmatic-advertising budgets.

Programmatic advertising outdoes even itself
Standard display is where programmatic advertising began. However, once programmatic became available on social media, it overtook all other categories. Most marketers have adopted programmatic buying for social media and, for B2C, programmatic for social media is 22 percentage points more popular than programmatic for display advertising—a considerable accomplishment.

**InVESTMENT IN PROGRAMMATIC ADVERTISING**

<table>
<thead>
<tr>
<th></th>
<th>2016 ANZ Marketers</th>
<th>2016 AU Marketers</th>
<th>2016 NZ Marketers</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10% of Budget</td>
<td>21%</td>
<td>19%</td>
<td>35%</td>
</tr>
<tr>
<td>10–50% of Budget</td>
<td>68%</td>
<td>69%</td>
<td>63%</td>
</tr>
<tr>
<td>&gt;50% of Budget</td>
<td>11%</td>
<td>12%</td>
<td>2%</td>
</tr>
</tbody>
</table>

92% of marketers expect budgets for programmatic ads to increase or stay the same.

55% of marketers believe programmatic ads provide a greater return on investment than traditional media.

**MARKETERS BUY PROGRAMMATIC ADS ACROSS A RANGE OF CHANNELS**

- Social media: 68%
- Display: 46%
- Mobile: 43%
- TV: 31%
- Video: 25%
RETARGETING

An indispensable tool for driving conversions, retargeting can be employed at every stage of the marketing funnel. Although retargeting is known primarily as a performance marketing tactic, survey respondents reported using it to fulfill a variety of objectives, including brand awareness, lead generation and sales growth. Retargeting continues to be a fundamental component in nearly every marketer’s digital strategy.

Retargeting was one of the first tools that let marketers collect, analyze and act on customer intent data from their website. That is, marketers can use retargeting to analyze how a customer interacts with the site and to identify a customer’s product preferences or objective. They can then use programmatic ad buying accordingly to serve the customer relevant, timely and engaging content.

Marketers have spoken: retargeting helps meet almost every marketing goal.

WHICH OBJECTIVES DOES RETARGETING FULFIL?

<table>
<thead>
<tr>
<th></th>
<th>B2C</th>
<th>B2B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand awareness</td>
<td>66%</td>
<td>58%</td>
</tr>
<tr>
<td>Social engagement</td>
<td>43%</td>
<td>32%</td>
</tr>
<tr>
<td>Sales growth</td>
<td>41%</td>
<td>40%</td>
</tr>
<tr>
<td>Customer retention</td>
<td>35%</td>
<td>38%</td>
</tr>
<tr>
<td>Lead generation</td>
<td>35%</td>
<td>38%</td>
</tr>
<tr>
<td>Community building</td>
<td>31%</td>
<td>19%</td>
</tr>
<tr>
<td>Product cross-sell and upsell</td>
<td>17%</td>
<td>24%</td>
</tr>
<tr>
<td>Lead nurturing</td>
<td>10%</td>
<td>20%</td>
</tr>
</tbody>
</table>

WHAT PERCENTAGE OF YOUR ONLINE AD BUDGET GOES TO RETARGETING?

<table>
<thead>
<tr>
<th></th>
<th>ANZ</th>
<th>AU</th>
<th>NZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10%</td>
<td>24%</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>10-50%</td>
<td>61%</td>
<td>63%</td>
<td>56%</td>
</tr>
<tr>
<td>&gt;50%</td>
<td>8%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>I don't know</td>
<td>7%</td>
<td>6%</td>
<td>15%</td>
</tr>
</tbody>
</table>

31% of marketers plan to increase their budget in 2016 for retargeting.

RETARGETING PERFORMS THE SAME OR BETTER THAN . . .

<table>
<thead>
<tr>
<th></th>
<th>ANZ</th>
<th>AU</th>
<th>NZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other display</td>
<td>81%</td>
<td>83%</td>
<td></td>
</tr>
<tr>
<td>Email</td>
<td>72%</td>
<td>79%</td>
<td></td>
</tr>
<tr>
<td>Search</td>
<td>62%</td>
<td>83%</td>
<td></td>
</tr>
<tr>
<td>Other display</td>
<td>68%</td>
<td>85%</td>
<td></td>
</tr>
</tbody>
</table>

62% of marketers use retargeting for brand awareness.
SOCIAL RETARGETING

Social is still the leader of the pack. Social networks allow brands to have a two-way conversation with extremely engaged consumers—like the ones found in Australia and New Zealand.

Social media earned a 53% vote from marketers, who said it was the hottest topic in retargeting. This is up from last year, when 49% agreed. Given the trend, AdRoll predicts that social media will continue to attract the interest of ANZ marketers.

Social media retargeting won 59% of B2C and 46% of B2B votes. This low-CPM ad space offers two-way consumer engagement—a highly engaging and effective form of communication for advertisers, when combined with retargeting data.

WHAT’S THE HOTTEST TOPIC IN RETARGETING?

70% of marketers purchase social-media space programmatically

Social media retargeting
18% Email retargeting
13% Mobile and cross-device retargeting
08% Viewability
05% CRM integrations
03% Attribution

FACEBOOK ADOPTION BY COUNTRY

COUNTRY | NUMBER OF USERS | % OF POPULATION
--- | --- | ---
Australia | 14 million | 61%
New Zealand | 2.5 million | 56%

FACEBOOK PERFORMANCE WHEN ADDING MOBILE AD SIZES TO NEWS FEED CAMPAIGNS

21% of marketers cite paid social media as a top-performing channel

Impression reach +60%
Click-through rate (CTR) +64%
Costs per click (CPCs) -36%
MOBILE RETARGETING

Smartphones, phablets and tablets are an everyday part of our lives. In 2015, Australians spent 42% of their digital screen time on mobile—a number likely to increase in 2016.4 Retargeting offers many cross-device advantages, such as the ability to re-engage desktop visitors as they move to their mobile devices, or vice versa. There’s even device-to-device retargeting for mobile, bringing users back to popular shopping apps and mobile-friendly sites.

Not surprisingly, mobile continues to be a top priority for marketers. Half of marketers are retargeting on mobile—and another half of those marketers plan to increase their investment in 2016. However, of the remaining marketers who aren’t yet retargeting on mobile, most report that the user experience of mobile advertising is still a hindrance.

WHAT ARE YOUR KEY PERFORMANCE INDICATORS (KPIs) FOR MOBILE RETARGETING?

<table>
<thead>
<tr>
<th>KPI</th>
<th>ANZ</th>
<th>AU</th>
<th>NZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in app installs</td>
<td>54%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integration with other digital campaigns</td>
<td>42%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in overall reach</td>
<td>42%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in mobile conversions</td>
<td>39%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extension of social strategy to mobile users</td>
<td>38%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-the-go users reached in consideration stage</td>
<td>32%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At-home users reached watching TV</td>
<td>19%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of email addresses collected</td>
<td>14%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of customer service calls</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ARE YOU CURRENTLY RETARGETING ON MOBILE?

47% of marketers are currently retargeting on mobile.

WHY AREN’T YOU RETARGETING ON MOBILE?

<table>
<thead>
<tr>
<th>Reason</th>
<th>ANZ</th>
<th>AU</th>
<th>NZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile advertising has yet to develop a good UX</td>
<td>27%</td>
<td>29%</td>
<td>23%</td>
</tr>
<tr>
<td>I don’t have an app</td>
<td>24%</td>
<td>27%</td>
<td>16%</td>
</tr>
<tr>
<td>Mobile analytics are not reliable</td>
<td>22%</td>
<td>26%</td>
<td>10%</td>
</tr>
<tr>
<td>I don’t have a mobile site</td>
<td>21%</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>My customers aren’t mobile</td>
<td>19%</td>
<td>13%</td>
<td>35%</td>
</tr>
<tr>
<td>I don’t know how to measure attribution</td>
<td>08%</td>
<td>08%</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>02%</td>
<td>02%</td>
<td>03%</td>
</tr>
</tbody>
</table>

51% of marketers plan to increase their investment in mobile in 2016.
EMAIL MARKETING

We're seeing advertising-technology vendors offering a number of new email-marketing solutions—ones that, until 2015, were traditionally associated with marketing technology. For example, AdRoll released customer relationship management (CRM) retargeting, allowing marketers to use email lists and CRM data to target valuable customers across social.

Not to be outdone, CRM platforms now allow ad-targeting data to be similarly integrated with their systems and used for email marketing.

The primary measure of success for email campaigns is clicks, with revenue generated following not far behind.

However, when it comes to integrating these email campaigns with other marketing campaigns, there’s plenty of room for improvement: only 12% of ANZ marketers say that their email campaigns are ‘very integrated’.

HOW DO YOU MEASURE THE SUCCESS OF EMAIL CAMPAIGNS?

- 35% Engagement, i.e., clicks
- 27% Direct revenue generated
- 14% Open rate
- 13% Cross-sell and upsell sales
- 11% Leads generated

HOW INTEGRATED ARE YOUR EMAIL CAMPAIGNS WITH OTHER CAMPAIGNS?

ANZ

Very integrated 12%
Integrated 53%
Somewhat integrated 28%
Not integrated 7%

UNITED STATES, IN COMPARISON

Very integrated 41%
Integrated 37%
Somewhat integrated 17%
Not integrated 5%

65% of marketers feel their email campaigns are well integrated with efforts across other digital channels—but that there’s still room for improvement.

18% of marketers say email retargeting is the hottest topic in retargeting.
ATTRIBUTION

The ‘right’ way to approach attribution is becoming increasingly complex. Marketers are finding more use cases for—and more-sophisticated approaches to—programmatic advertising. The unintended consequence of these clever solutions is fragmentation across devices and platforms, making it trickier to measure campaign success and to give credit where it’s due.

Nevertheless, marketers are generally getting a better handle on attribution. Last year, only 36% of Australian marketers were tracking campaigns using an attribution model with multiple touch points; this year, that number grew to 48%. This typically taboo topic is finally coming into the open and becoming more important than ever.

HOW IMPORTANT IS ATTRIBUTION?

ANZ 2016
- Very important or critical: 62%
- Somewhat important: 30%
- Not that important: 6%
- Unimportant or don’t track attribution: 2%

AU 2016
- Very important or critical: 65%
- Somewhat important: 27%
- Not that important: 6%
- Unimportant or don’t track attribution: 2%

AU 20141
- Very important or critical: 36%
- Somewhat important: 54%
- Not that important: 7%
- Unimportant or don’t track attribution: 3%

HOW KNOWLEDGEABLE DO YOU FEEL ABOUT MARKETING ATTRIBUTION AND ANALYTICS?

- 42% Track attribution on most campaigns; analyse results
- 22% Track attribution; not sure how to effectively analyse results
- 17% Use multitouch attribution model; analyse how channels contribute to overall marketing mix
- 12% Think attribution and analytics are important; not sure where to begin
- 07% Don’t know anything about attribution or analytics

92% of marketers acknowledge the importance of attribution

62% of marketers believe attribution is critical or very important to marketing success
ATTRIBUTION, CONTINUED

WHAT WEIGHT DO YOU ATTRIBUTE TO VIEW-THROUGH CONVERSIONS FOR YOUR ONLINE DISPLAY CAMPAIGNS?

<table>
<thead>
<tr>
<th>Region</th>
<th>0–9%</th>
<th>10–24%</th>
<th>25–49%</th>
<th>50–74%</th>
<th>75–100%</th>
<th>We don’t count VTCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANZ</td>
<td>18%</td>
<td>39%</td>
<td>25%</td>
<td>9%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>AU</td>
<td>17%</td>
<td>40%</td>
<td>28%</td>
<td>8%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>NZ</td>
<td>22%</td>
<td>35%</td>
<td>13%</td>
<td>13%</td>
<td>17%</td>
<td></td>
</tr>
</tbody>
</table>

WHAT IS YOUR PRIMARY ATTRIBUTION MODEL FOR DIGITAL MARKETING?

<table>
<thead>
<tr>
<th>Region</th>
<th>First/last touch</th>
<th>Multi-touch</th>
<th>Algorithmic or custom</th>
<th>I don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANZ</td>
<td>53%</td>
<td>39%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>AU</td>
<td>58%</td>
<td>33%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>NZ</td>
<td>27%</td>
<td>57%</td>
<td>11%</td>
<td>5%</td>
</tr>
</tbody>
</table>

WHAT IS THE FUTURE OF ATTRIBUTION?

- Better multi-touch attribution modelling
- Viewability tracking, i.e. confirming that ads have been seen
- Better technology for solving ‘fractured user’ problem across devices
- Other

94% of marketers track view-through conversions

53% of ANZ marketers still use single-touch attribution
MARKETING TO THE CUSTOMER LIFE CYCLE

When it comes to finding new customers, converting prospects, cross-selling and retaining converted customers, our survey finds that marketers tend to spend fairly evenly.

Marketers cite paid social media, programmatic display advertising and paid search as top-performing channels for achieving various marketing objectives. One third of marketers report that programmatic display ads are particularly excellent for acquiring new customers, while also driving overall return on investment (ROI) for their business. When determining campaign success, total conversions is the most heavily used metric.

WHICH MEASUREMENTS DO YOU USE TO DETERMINE A DIGITAL CAMPAIGN’S SUCCESS?

<table>
<thead>
<tr>
<th>Measure</th>
<th>ANZ</th>
<th>ANZ B2B</th>
<th>ANZ B2C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total conversions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROI/ROAS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CPA</td>
<td>17%</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>CTR</td>
<td>15%</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>CPC</td>
<td>14%</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>CTC</td>
<td>10%</td>
<td>09%</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>01%</td>
<td>0%</td>
<td>02%</td>
</tr>
</tbody>
</table>

40% of marketers feel that paid social media is the best-performing channel for acquiring new customers.

36% of marketers feel that organic social media is the best-performing channel for acquiring new customers.

HOW DO YOU ALLOCATE BUDGET ACROSS THE CUSTOMER LIFE CYCLE?

<table>
<thead>
<tr>
<th>Phase</th>
<th>ANZ (%)</th>
<th>ANZ B2B (%)</th>
<th>ANZ B2C (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>36% Prospecting for new customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26% Converting prospective customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18% Activating or upselling customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20% Retaining customers, driving loyalty</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
CREDITS

Sources
5 AdRoll, Retargeting on Facebook, Facebook by the Numbers, 2015.

Statistics
We use statistics from live AdRoll retargeting campaigns. AdRoll processes over 150 terabytes of data every day, which translates to 30 times 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 advertising platform with over 25,000 active advertisers worldwide. To reach beyond existing audiences, we’ve introduced AdRoll Prospecting to help businesses attract new customers. Our innovative and easy-to-use marketing platform enables businesses of all sizes to create personalised ad campaigns based on their own website data, driving maximum return on online advertising spend. AdRoll provides a high degree of transparency and reach across the largest display inventory sources, including Google AdX and Facebook Exchange. The company is backed by leading investors such as Foundation Capital, IVP, Accel Partners, Merus Capital and Peter Thiel. For more information, please visit www.adroll.com.
APPENDIX: METHODOLOGY

AdRoll partnered with third-party research firm Qualtrics in late 2015 to survey a diverse group of 265 individuals in Australia and New Zealand who are in marketing and advertising positions or in executive roles, and they represent a cross-section of company sizes and industries. The surveyed marketers regularly plan and run day-to-day campaigns, and 58% are at the manager level or higher. We excluded respondents who were in non-marketing roles or who identified as being ‘not at all familiar’ with digital display and paid social advertising.

**TO WHICH INDUSTRY DO YOU BELONG?**

- 28% Retail/E-commerce
- 12% Media and Entertainment
- 12% SaaS/Software/Technology
- 11% Education and Government
- 08% Financial Services
- 07% Travel
- 06% Healthcare
- 06% Agency

**HOW WOULD YOU BEST DESCRIBE YOUR ROLE?**

- 41% Manager/Sr. Manager
- 14% Specialist
- 13% Consultant
- 09% Owner/Founder
- 09% Associate/Analyst
- 06% Director/Sr. Director
- 06% Other
- 02% VP/SVP

**WHAT IS THE SIZE OF YOUR COMPANY?**

- 27% <50 employees
- 18% 50-99
- 21% 100-499
- 12% 500-999
- 13% 1,000-4,999
- 09% 5,000+

**IS YOUR COMPANY PRIMARILY B2B OR B2C?**

- 56% B2B
- 44% B2C