

smaato[®]



The Retailer's Guide to In-App Advertising

2019

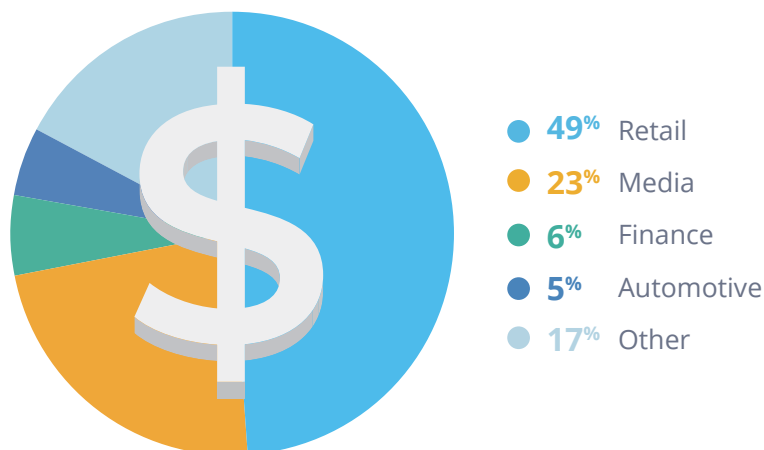
Introduction

Smartphones are at the core of both the online and offline shopping experience. Customers are not just shopping online in record amounts. These shoppers also use their smartphones while inside brick and mortar retailers to check reviews, compare prices, and ultimately decide whether to make a purchase.

With the smartphone being the focal point of the omnichannel experience, in-app advertising has never been more important than it is now.

Just how critical is in-app advertising to retail? For starters, no industry spends as much money on in-app advertising as retailers do. On the Smaato platform in H2 2018, retailers spent 49 cents of every dollar. To reach customers and drive sales, retailers are turning to in-app advertising.

The Share of In-App Ad Spending by Vertical H2 2018



Source: Smaato Publisher Platform (SPX)

In-app advertising offers retailers advanced targeting parameters and a highly-engaged global audience. With in-app advertising becoming increasingly important to retailers, now is the time to leverage and optimize this medium to make maximum impact.

The Retailer's Guide to Mobile Advertising provides key insights to help retailers and their media partners improve campaigns and boost sales.



Retail Goes Mobile: Stats and Trends

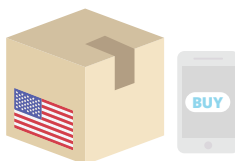


Half of all retail purchases are digitally influenced¹

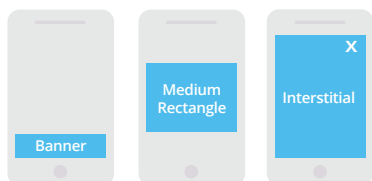


In 2019, **\$4.2 trillion** in global sales will be made through mobile²

25% of 2018 holiday sales in the US were done on mobile phones³



76% of visits to fashion retailer websites are on mobile devices⁴



15% of holiday digital advertising spending by retailers in 2018 went to display ads — more than native, video, audio, and email⁵

Retail digital ad spending in the US is projected to rise by 20% in 2019 to **\$28 billion**⁶



1/4th of users

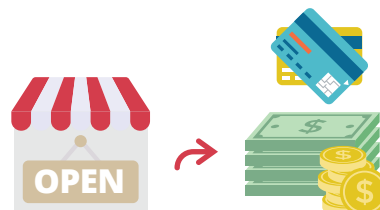
say they click on retargeting ads because it reminds them of a purchase they want to make⁷



RETAILER

Omnichannel shoppers buying online and offline from a retailer spend **30%** per purchase compared to other shoppers⁸

Retailers **spend more** on all forms of digital advertising than the media, entertainment, travel, and healthcare industries combined⁹



Sources: ¹Forrester, December 2018 | ^{2,3,6,9}eMarketer, February 2019 | ⁴RetailDive, February 2019 | ⁵Nanigans, October 2018 | ⁷iVend Retail, January 2018 | ⁸Ayden, March 2018

Go Granular to Reach Shoppers

The big advantage that mobile apps have always held over mobile websites is device IDs. Advertising through mobile websites is reliant on cookies, which decay within 24 hours and are now becoming blocked by the biggest browsers. Meanwhile, device IDs used by mobile apps last an average of 21 months and offer sophisticated targeting options.

With the rich data associated with device IDs, retailers can focus directly on the most relevant customers. Here are three ways to do that.

01

Location Targeting

Thanks to always-improving location data, retailers have the power to pinpoint geographic areas for relevant campaigns. Users welcome this personalization, with one survey showing 40% of smartphone users are more likely to use apps that personalize in-app content by location.⁹ GPS data can be accurate to within 10 to 100 meters, while geofencing allows advertisers to target a specific geographic area (like a city neighborhood).

02

Language Targeting

Targeting by language can also make an impact when deploying the right creatives. Launching creatives in the native language of a user's location is generally the best practice, but targeting certain users within a country by their own native language is especially effective. Targeting English-speaking tourists in Italy or Chinese-speakers in the US, for example, is possible with the data provided by device IDs. The effort is worthwhile, as these advertisements have proven to be effective when used correctly.¹⁰

03

Putting the Data Together

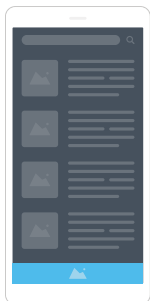
With the rich data offered by in-app advertising, retailers have the power to go really niche with their targeting. A combination of data that takes advantage of demographics, age information, specific app categories, and more allows retailers to be as specific as they want when promoting a store or product.



Sources: ⁹ Localytics, January 2018 | ¹⁰ Journal of International Consumer Marketing, October 2017

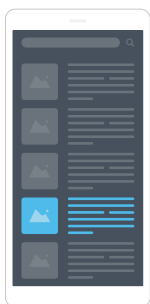
The Right Ad Formats for Retailers

Accurate, relevant customer data is the key to connecting with customers. However, the creatives themselves should not be overlooked, especially when it comes to ad formats. The different options when it comes to display and video each have their own advantages. Here is a look at some of the most effective — and most commonly used — in-app ad formats leveraged by retailers.



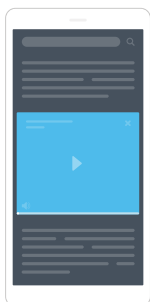
Banner Ads

These are the workhorses of digital advertising. While banner ads might be old fashioned, they are still remarkably versatile, easy to create, and effective. They are also inexpensive compared to newer formats (and especially video). Google released a banner ad campaign to promote its wearable devices and saw brand recall increase 16% and purchase intent rise 9%.¹¹ That might not be as high as other formats, but the positive return on investment is undeniable.



Native Ads

Native advertising is growing at a rapid pace, both in video and display formats. By blending creatives in with existing content, users receive a seamless and uninterrupted experience. A survey of UK shoppers found that native advertising increased purchase intent for 31% of respondents. Furthermore, 15% were more likely to purchase a product shown in a native ad versus a display ad.¹² Compared to banner ads, native attracts an 8X higher click-through rate.¹³



Outstream Video

Video is a vital tool for retailers, with video ad spending taking up 14% of all digital ad spending during the holidays.¹⁴ The reason is that video works, with click-through rates 7.5X higher than display ads.¹⁵ Out of all the video ad formats, outstream is the most popular for retailers on the Smaato platform. These ads appear in non-video environments, such as social media feeds and news articles. Compared to instream video (pre-roll and mid-roll), advertisers say that outstream better drives online and in-store purchases.¹⁶

Did You Know?

Mobile ads make a fast impression on users — in just 400 milliseconds, to be precise.¹⁷ That is how long a person needs to see and react emotionally to an ad, according to a study commissioned by the Mobile Marketing Association. Well-known brands triggered the fastest response, while video ads were more likely than static ads to create an emotional response in viewers.

With judgments being made in the blink of an eye, retailers need to develop strategies to make a great first impression.

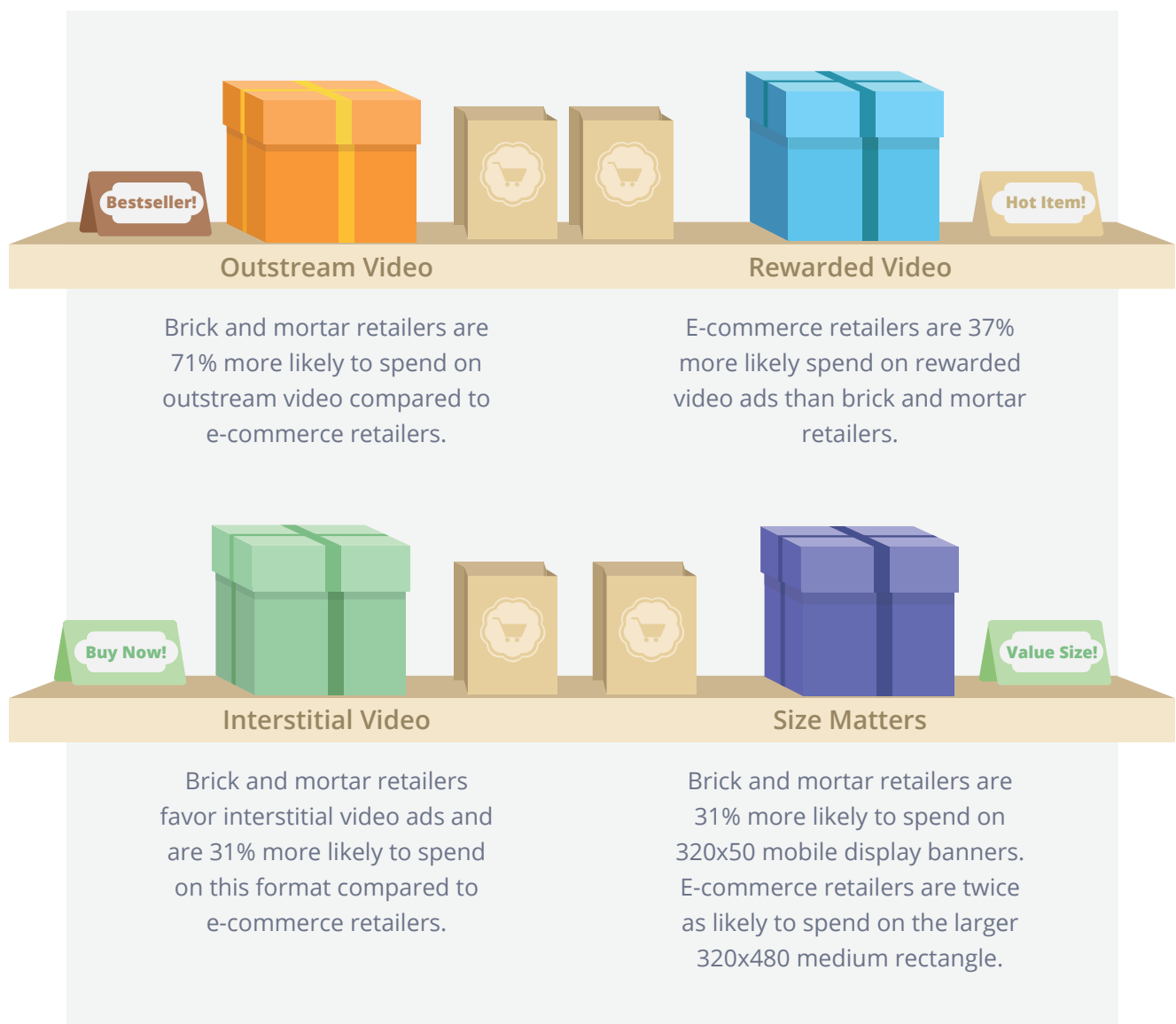
Sources: ¹¹ Think With Google, September 2015 | ¹² Oath, December 2018 | ^{13,15} Smaato/Liftoff, May 2018 | ¹⁴ Nanigans, October 2018 | ¹⁶ Teads, 2016 | ¹⁷ Mobile Marketing Association, March 2019

Ad Strategies: E-Commerce vs. Brick and Mortar

The line between what defines e-commerce and brick and mortar retailers blurs more with each year. Traditional retailers emphasize creating omnichannel strategies that can drive sales both in-store and online. Meanwhile, some of the world's biggest online-only retailers are expanding to physical stores.

While the two sides of retail are converging, there are still some key differences when it comes to in-app advertising. By analyzing total spend across ad impressions on the Smaato platform for the busy Q4 2018 holiday season, we can see how brick and mortar retailers focus their campaign dollars compared to e-commerce retailers.

How Do Retailers Spend on In-App Advertising? Q4 2018

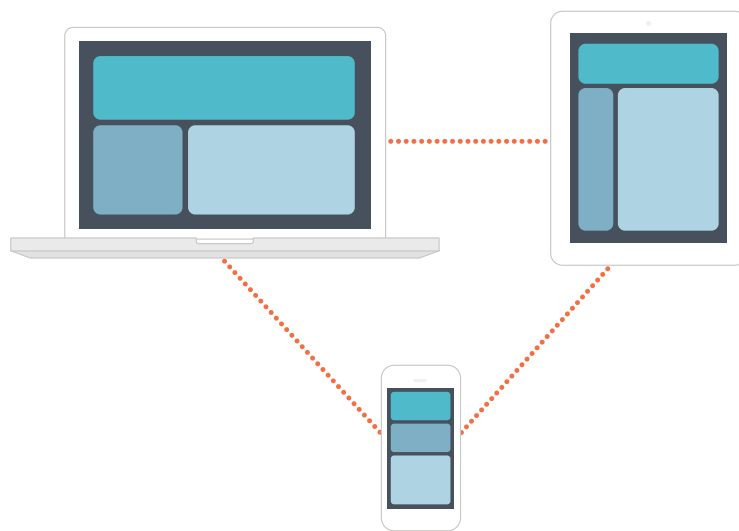


Looking Ahead: Figuring Out Cross-Channel Attribution

Cross-channel attribution is one of the most significant problems facing omnichannel marketers. In a 2018 survey of marketers, “recognizing a customer on different channels and devices” and “accessing cross-channel data” were among the most worrisome challenges.¹⁸

Resolving this issue is a priority for the digital advertising industry. Spending is rising significantly to find a solution to identifying users outside the Google-Facebook duopoly. Demand-side platforms (DSPs), supply-side platforms (SSPs), and data management platforms (DMPs) typically all have their own identifiers for users, which makes attribution a challenge even within a single channel such as web.

Some of these universal ID solutions only work on web through a process called cookie syncing. Others aim to provide full cross-channel solutions (web, in-app, and more) that work across different devices.



Here are three of the most promising universal ID solutions that can be used by retailers:

- » The Advertising ID Consortium made its universal ID solution, based on LiveRamp’s IdentityLink, available in late 2018. The ID solution is cross-channel for mobile, in-app, desktop, and connected TV.
- » DigiTrust, acquired by the IAB Technology Lab in 2018, is a non-profit universal ID solution. This web-based solution is supported by many well-known digital media industry players.
- » The Trade Desk’s unified ID solution is rising in popularity, with a number of ad tech companies adopting this option for the web.

Universal IDs still have room for improvement and adoption rates are far from perfect. However, industry trends point towards improved match rates both within web and across channels. It remains to be seen which universal ID solution will be most effective. With this continuous improvement, retailers will have a better understanding of their users and advertising campaigns.

¹⁸Target Marketing, March 2018

What's Next?

In-app advertising can be a retailer's best friend when deployed properly. The right creatives combined with targeted data has the potential to drive some serious sales for both e-commerce and brick and mortar retailers. Retailers are already the most prominent vertical deploying in-app advertising. Right now, all signs point towards even more growth.

For retailers and their partners, the Smaato platform provides a simple way to purchase inventory from over 90,000 mobile publishers and app developers worldwide. The precise targeting parameters available within the Smaato Demand Platform (SDX) empower advertisers to identify and target their ideal audience. Find out more at www.smaato.com/advertisers.



Smaato, the global in-app advertising platform, drives the technology that keeps apps free. Smaato's full-featured mobile ad server empowers apps of all sizes to reach their full monetization potential by connecting them with the world's top advertisers. The Smaato SDK provides publishers with seamless integration and maximum control of their inventory. Founded in 2005 by mobile pioneers Ragnar Kruse and Petra Vorsteher, Smaato is headquartered in San Francisco, California, with additional offices in Berlin, Hamburg, New York, Shanghai, and Singapore.

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