



IAB EUROPE'S GUIDE TO ECOMMERCE FOR DIGITAL ADVERTISING

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Introduction

Retail media is causing a great deal of excitement in the media and marketing sectors today. There are four [key reasons](#):

1. **The rapid growth of e-commerce:** The COVID-19 pandemic accelerated the growth of ecommerce with millions more people now comfortable buying goods online. The increase in shoppers translates to an increase in advertising targets on websites and apps. Retail sales in Europe now equate to €671m and are expected to reach nearly 1 trillion by 2025 (*source: Statista*).
2. **Shift in consumer behaviours:** As mentioned above, the pandemic has accelerated the growth of online shopping. In line with this, consumer shopping and search behaviours have also shifted. For example, 74% of product searches now start on Amazon compared to 65% on search engines in the US (*source: JungleScout*).
3. **The deprecation of third-party tracking IDs:** The deprecation of identifiers across display (cookies) and mobile (Mobile Device IDs) has forced marketers to rethink their strategies. First-party data owners are considered an important source of customer insights, and retailers have access to large volumes of this data from across the sales cycle. This data pool is further augmented by decades-worth of intelligence from customer loyalty schemes. This data can now be activated and shared with partners via cleanrooms, in which marketers and retailers can match their anonymised data. These first-party data sets can be brought to life for the marketer in the form of highly targeted audiences that can be activated at the right time in their purchase cycle - for example. if you are a detergent brand, targeting consumers who have bought detergent two months ago and likely at the point where they need to buy again.
4. **“Closing the loop” between marketing and sales:** Retail media promised to link sales to marketing in a way not achieved before. Doing so will enable marketers to demonstrate return on investment (ROI) for their campaigns. What's more, by using data cleanrooms, this can be achieved in a privacy-compliant way, which further adds to the potential growth trajectory of retail media.



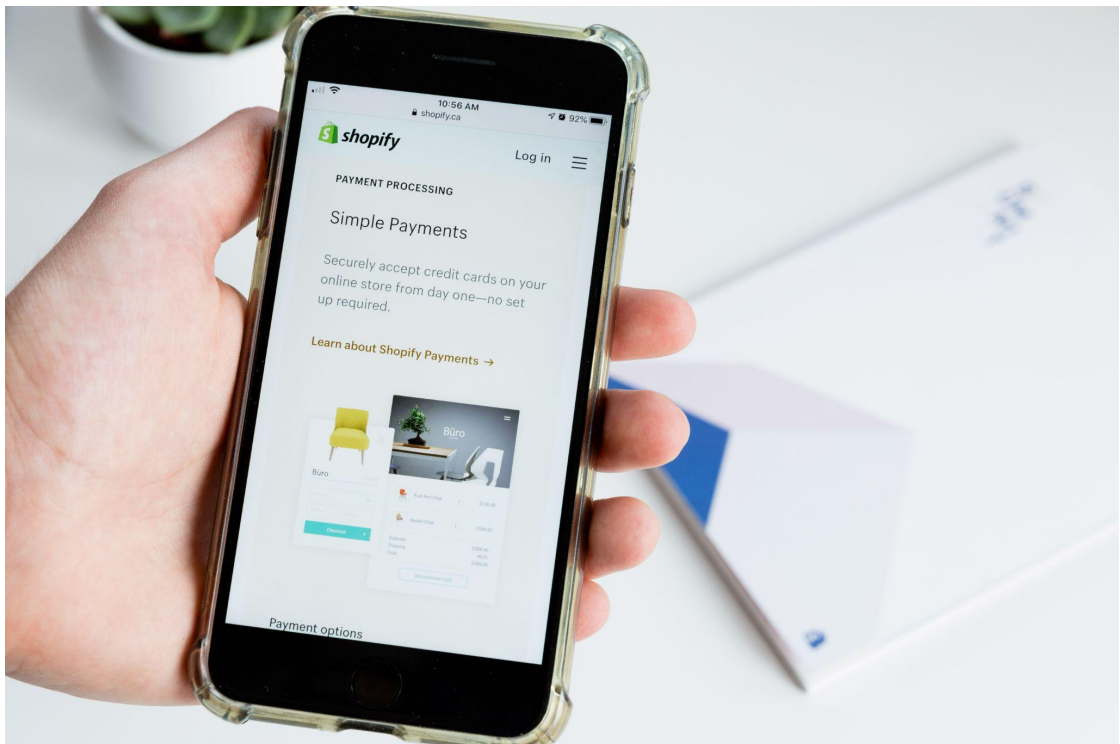
With the ecommerce and retail media markets set to develop rapidly over the next few years, IAB Europe's Brand Advertising Committee (BAC) has produced this Guide to act as an introduction to ecommerce and retail media advertising in Europe. The Guide, which is aimed at buyers that are starting to explore opportunities in this category, provides insights into how ecommerce works, the available ad formats, and considerations and best practices for the digital advertising ecosystem.

SECTION ONE

DEFINITIONS

Digital Ecommerce Advertising can be broken down into five key areas:

- Ecommerce - allows advertisers to sell products online via a website or app
- Search commerce - allows advertisers to sell products via a search engine or platform
- Social commerce - allows advertisers to sell products directly via a social media platform
- Retail media and market places - allows advertisers to place ads on retailer websites, apps and online marketplaces. This can also include in store and out-of-home retailer displays.
- Direct to consumer - the process of advertisers selling their products directly to a consumer via one of the above methods



SECTION TWO

ECOMMERCE AD FORMATS

When looking at the range of ecommerce or shoppable ad formats offered by publishers or ad platforms, there is no set size or ad feature. Display, native, or video ads can all be enabled to support ecommerce by how you treat the creative and what features you enable if limited by the ad platform. Therefore, all display and video formats have the ability to be ecommerce enabled.

- **Sponsored ads** (also known as Product Listing Ads, or PLA) appear on retailers' search results, category pages and product description pages. They are typically used by brands who already have products to sell on the retailer or ecommerce site. They're the best-known retail media format, and are valued for their capacity to transition interest into purchase (see Figure 1). The key sponsored ad formats include:
 - Sponsored product ads
 - Sponsored brand ads
 - Sponsored display ads

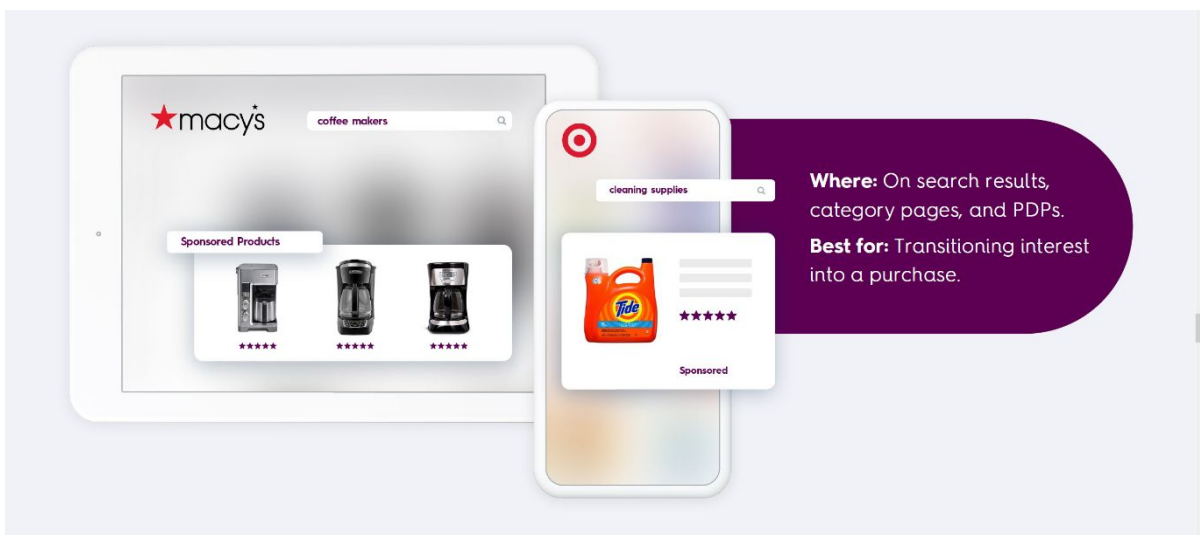


Figure 1: sponsored ads

- **Display ads delivered via a DSP**, also known as banner ads, typically appear on high-traffic locations such as the home page of retail websites, or on category pages in the ecommerce context. As opposed to sponsored display ads (see above), these are typically used by brands who want to target consumers according to their product searches, for example a holiday company may target against suntan lotion product searches. They are prized for boosting the awareness and visibility of a brand as well as for their ability to reach shoppers considering their options within a given product category. Display ads are different from other ads because they do not show up in search results (see Figure 2).
- Display ads may also be **off site retail media ads** which do not appear on retail websites themselves, but on partner sites that shoppers visit either after leaving a retailer site or whilst generally browsing the internet. Some ecommerce sites also provide the opportunity to target consumers who haven't visited their site before. They benefit both brands and retailers by bringing relevant audiences back to complete their purchase (see Figure 3).

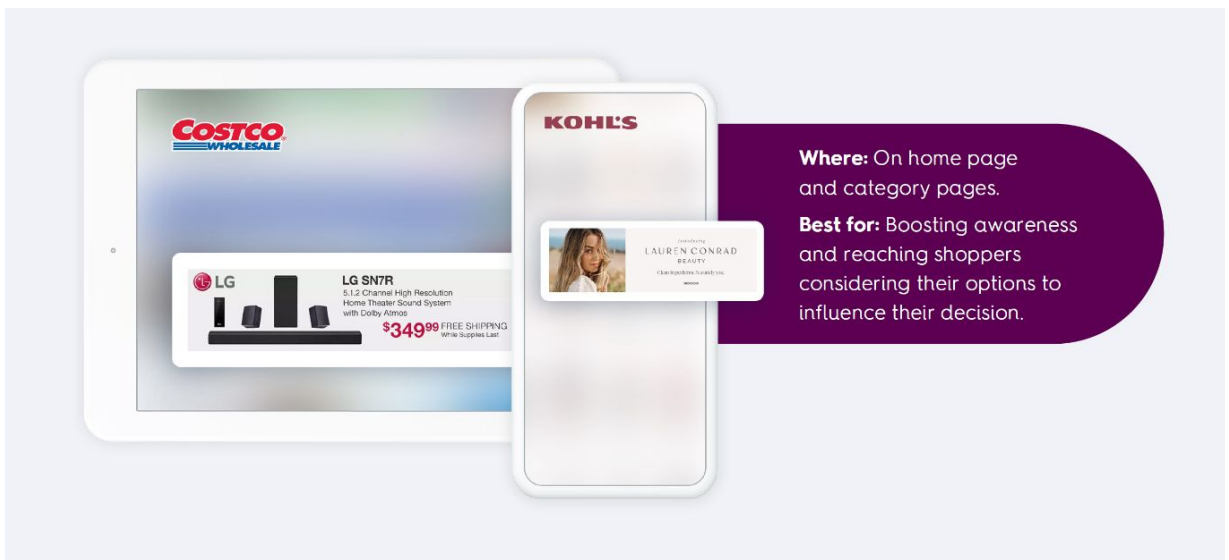


Figure 2: display ads

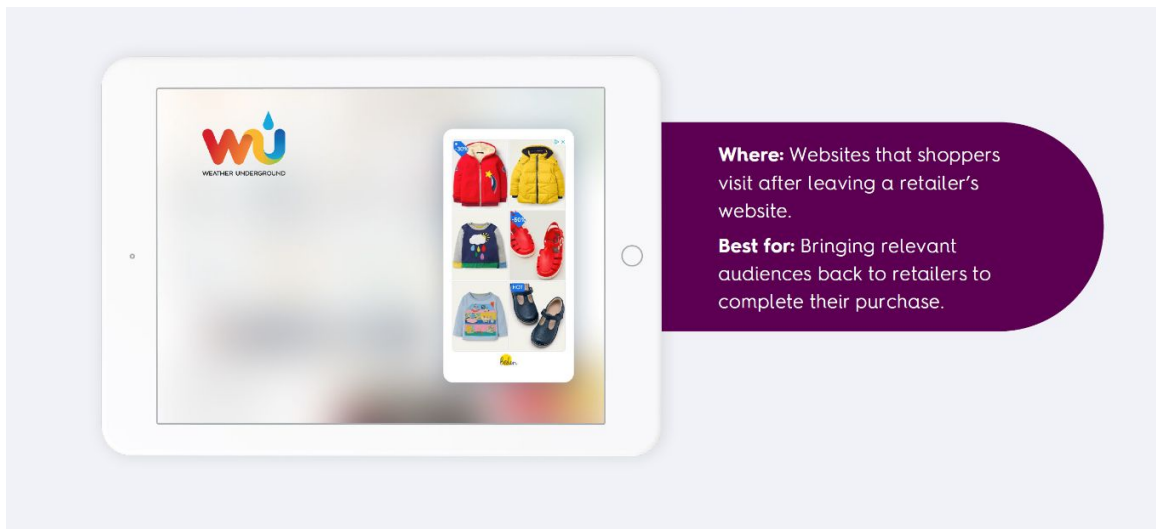


Figure 3: offsite ads

- **Digital out of home (DOOH) ads** have the ability to be ecommerce enabled through the use of QR codes. The codes can direct consumers from billboards, signages and displays to ecommerce sites.
- **Social media promotions:** this could include organic social, paid social, promotion via influencers or word of mouth.
- **Native advertising** is a type of paid advertising in which ads mimic the look and feel of web page content. In ecommerce, an example is “other people liked” suggestions for shoppers to click.

When it comes to ad targeting on retail media, historically brands have leaned heavily on keyword search (i.e., PPC). Brands choose sets of keywords for their ads to appear aside and then adjust depending on the best-performing combination.

Search engine optimisation (SEO) is also important - tools and techniques include linking, meta descriptions, and creating high-level content that other sites will link to. SEO is organic and therefore highly prized by advertisers.

Other types of targeting have now appeared, in particular those that use machine learning to automatically match a given product with relevant keywords. This system has the advantage of minimising the amount of manual work involved in setting up and piloting campaigns.

SECTION THREE

OPEN AND CLOSED LOOP MODELS

There is a distinction between brands that advertise on ecommerce sites (open loop) and retailers that act as media / advertising channels (closed loop).

The main difference is that closed-loop systems are agile and have the ability to self-correct. An open-loop system does not.

Closed loop enables alignment between sales and marketing and defines the operations between the two departments. A closed-loop model is also directly related to sales (i.e., retailers can provide register / till data). Because of this, advertisers can access greater insights to inform and influence campaigns. Where brand recognition could be a potential blocker (i.e., supply side adoption) the closed-loop approach offers greater flexibility

Market participants include open internet publishers, retailers (where data is available), brands (sometimes the retailer is the brand, in the case of whitelabeled goods for example).

SECTION FOUR

BUYING METHODS

There are three different ways through which sellers and buyers can transact ecommerce ad formats: real-time bidding (RTB) via programmatic methods; pay per click and direct.

- **Real-Time Bidding (RTB)** is an open marketplace programmatic auction where ad inventory is sold and bought through a bidding system that occurs during the milliseconds that a web page is loaded by a user. An RTB auction is effective for an advertiser because the advertiser can value each opportunity to buy an ad impression in real-time, allowing for accepting or rejecting each ad impression in the campaign. DSPs can be used here on behalf of advertisers to automate the purchasing of online advertising. A DSP helps set the buying parameters of the advertiser's campaign and monitors its performance. On the sell side, Supply-Side Platforms (SSPs) can be used to help better manage and sell publisher inventory.
- **Pay Per Click (PPC)** in an auction based buying system in which an advertiser decides which keywords are relevant for their products, and then place their CPC (cost-per-click) bid at what they are willing to pay for the click. It's important to note that they only pay if the ad is clicked.
- **Direct:** media buyers liaise directly with the publisher or retailer to buy ecommerce ad slots.

SECTION FIVE

MEASUREMENT AND METRICS

As mentioned, one of the most exciting elements of ecommerce media is that it promises to close the loop between sales and marketing data. To facilitate this, marketers and agencies need to employ technology solutions either in-house or through trusted partners. For example, verification, or the assessment of whether a campaign has been seen by the correct audience and under the correct context, will be vitally important, especially for products or services with high keyword demand.

Toward More Granular Measurement

Digital marketers more familiar with a lower-funnel approach will have to adapt their approach, with the aim of securing more granular key performance indicators (KPIs) than impressions and clicks. Ultimately, ROI will be a primary focus, with incremental return on ad spend (ROAS) and advertising cost of sale (ACOS) set to become more prominent metrics for brands and agencies in the closed-loop environment. Comparative metrics are also set to play a greater role following the privacy-enforced shift in individual targeting to group analysis. This can include assessments such as new buyers vs. existing customers, as well as competitor analysis to ascertain how the rest of the market is performing.

Ecommerce media offers a high-quality understanding of audiences and their buying habits, inventory that is also the point of sale, and a reduction of friction. The strength of audience data that ecommerce media can provide could take it from a predominantly ROI-based opportunity to a full-funnel system, allowing marketers to reach broader audiences. Ecommerce media is not just about sales – the data gathered can be used to refine new products (and how they are marketed) before they are launched. It can also be used to strengthen the relationship between retailers and their partner brands.

Ecommerce data activation itself could take place within the marketer's or retailer's cleanroom to capitalise upon the proximity between sales and media data, as well as leveraging measurement technology layer output, ensuring a comprehensive closing-of-the-loop between the two data sets.

Further activation and optimisation can occur at the DSP-level and within the retailer ad stack, in order to appropriately manage programmatic demand alongside incoming contextual (keyword) signals and direct sold inventory.

Full Funnel Consumer Journey Analysis

One of the developments across retail media platforms is the desire to move 'up the funnel' – that is, to make ad formats accessible that create interest or intent among potential buyers as well as convert existing demand among people already in the market.

One example is Amazon with their [Amazon Marketing Cloud](#) (AMC) - this offers new opportunities to analyse the impact of media across the funnel., AMC allows you to explore what people who see ads go on to do, and compare that behaviour with people who see 'lower- funnel' ads like Sponsored Products alone.



Ecommerce Advertising Metrics

The following metrics can be considered to analyse the performance of ecommerce or retail media advertising.

1. Advertising Performance Metrics
 - Return on Ad Spend (ROAS)
 - CPM
 - CTR
 - CPC

2. Sales Metrics
 - Topline sales
 - Spend as a percentage of sales
 - Margin contribution
 - Incremental sales

3. Business and Competitive Metrics
 - Growth
 - Loyalty (repeat purchases, subscription ratios etc.)
 - Profitability
 - Market share
 - Category share
 - Share of voice (organic)
 - Share of voice (paid)

SECTION SIX

KEY CONSIDERATIONS AND BEST PRACTICES

There are a number of things to consider when launching an ecommerce ad. These include:

- **Pricing:** If displaying the price of the product, is it likely to change while the campaign is running? How easy is it to change the ad if the price changes? Consumers will be put off if they see an offer on an ad has expired on the ecommerce site. Pricing in the ads should be in sync with the purchase journey of the user.
- **Availability:** Is the product being advertised likely to run out of stock? Consider plans to pause or change the ad creative if the product it is advertising runs out of stock. As this can lead to a negative user experience. Also consider if users in certain markets may see the ad and the product is not available to ship to that market.
- **Product Features:** Does the ecommerce ad convey the product features accurately? The ad should convey the correct product features, including features available in the market it is running in if there are differences within individual markets. For example, only showing a right-hand drive car in a market where consumers drive on the right.
- **Shoppable features:** Is there a clear Call To Action directing consumers to "Buy now" or "Shop"? The ad should provide a clear view of the product and pricing and direct users to an ecommerce-enabled site.
- **Product Ratings and Reviews:** What ratings and reviews does the product have from other customers? Do they help or hinder with selling the product?

The Opportunity: A Retailer Perspective

At its core, creating a media offering provides an additional revenue stream for retailers but it must be easy to invest in, measurable, transparent, and engaging. As with CTV, retail media opens up opportunities for smaller brands that may not necessarily be able to afford to invest in in-store promotions. However, retailers need to approach this opportunity carefully to avoid damaging existing relationships with brands.

Another important consideration is ensuring that retail media doesn't cannibalise other advertising revenue streams that existing clients are already investing in. To avoid this risk, retailers need to clearly communicate the unique value of their digital advertising offerings and partnership opportunities. Finally, retailers should keep a careful eye on the volume of advertising they present to consumers and ensure that the user experience does not become one whereby consumers are bombarded with sponsored products.

It is important to remember that retailers are also advertisers. Now is the time for retailers to experiment and find the best combination of channels to promote their own brand. To do this, retailers will need to leverage the data they have from on-site, in-session ads, and use that information to guide how they target audiences. Again, this will need to be a seamless process, and requires interoperability between platforms.

The customer experience challenge

Investing in ecommerce media alongside other channels can provide brands with a close-loop 360-degree view of their customers both online and offline. The challenge for brands is to find a way to connect data from each channel and engage consistently with consumers across said channels. This is a complex process, made even more challenging when you consider that the brands don't own the data – the retailers do. To overcome this challenge, brands need to work closely with retailers and platforms to enable them to operate seamlessly. An example of progress in this area is [Amazon Attribution](#) which allows buyers to see the impact on purchases and revenue driven by non-Amazon ads.

Brands also need to be mindful that their messaging will need to evolve if they are to capture and maintain consumer attention. Establishing authentic partnerships with retailers will create opportunities for brands to build highly engaging programmes for consumers, such as discount coupons and content partnerships. They must also focus on delighting consumers beyond product and building lasting relationships.

SECTION SEVEN

THE FUTURE

Section 7. The Future

The European ecommerce and retail media market is accelerating quickly with [retail media advertising expected to reach €24.8bn by 2026](#) and within this off-site is expected to continue to grow its share. The opportunity in ecommerce media is not exclusive to large businesses such as Amazon and Walmart. While these businesses have the scale that enabled them to build customised retail media solutions from the ground up, partnerships can offer smaller or newer players a way to run a custom retail media programme without needing to hire legions of ad operations, product, and sales teams. These partnerships can range from full-service to only helping where capabilities are currently lacking – for instance, in managing programmatic video and / or display demand.

We can also expect to see growth in new industries with airlines, hotels and digitally native companies tapping into the retail media market.

Moreover, outside of luxury verticals, ecommerce is a relatively low-margin sector, whereas media is high-margin by contrast. Revenues generated through ecommerce media operations can therefore be used to support income from the mainstay of a retailer's business.

Four further trends

In addition to the above, we can expect to see four other important trends play out in the future:

1. **Evolution of measurement.** Improving lower-funnel performance is perhaps the biggest opportunity right now but with the reach that retail media offers there will be developments in the upper funnel. Clearly defined KPIs and robust testing will prove the uplift in brand metrics that retail media brings and further stimulate growth.
2. **Simplification of the retail ecosystem.** We know that simplification will be key to the success of retail media and that may come in one of three ways: retailers may form a consortium, an independent solution (similar to Ozone Project) may emerge, or we may see specialist retail media DSPs emerge.

The benefit of any of these approaches is that they provide a springboard for independent retail media to compete on a global scale with the Amazons of the world more effectively and provide consumers with more choice. There will be two other battles: one between retail media and social media, and the other between retail media and search. Retail media's superior data, granular targeting, and measurement capabilities have the potential to spur brands to move budgets in this direction.

3. **The move to self-service.** Programmatic will be the predominant buying mechanism for retail media once there are robust first-party integration capabilities, the right optimisation tools, and retail media-specific algorithms. This will enable a move to a self-service model giving buyers more control which will provide a further boost in revenue for retailers.
4. **Further consolidation.** Finally, B2B companies will follow suit in certain categories such as office supplies and construction where products and materials made by multiple brands are largely purchased through a central supplier.
5. **Diversification of ad inventory.** We can expect to see more ad inventory types becoming available such as OTT ads via ecommerce DSPs.



Summary

As people increasingly use online channels to shop for goods and services, the relative importance of ecommerce and retail media in the broader marketing mix is only going to grow. With the ability to reach customers across different stages of the purchase lifecycle, retail media advertising is a flexible approach that provides a broad range of use cases to brands. These features will only prove more important as the depreciation of cookies drives brands into the hands of retailers so they can make use of retailers' rich first-party data sources.

Perhaps most importantly, the visibility retailers have into actual sales, promises to achieve what has long been considered the Holy Grail of advertising - linking ad campaigns to real-world purchases. Marketers will be able to prove the value of their campaigns and benefit from better insights to improve their campaigns.

This introductory Guide highlights some of the ad formats, buying methods, measurement options and key considerations and best practices for buyers using ecommerce or retail media advertising. As the category develops, IAB Europe will continue to support buyers and the whole ecosystem in their retail media journeys. Working across industry we will continue to provide advice, recommendations, and market intelligence as appropriate.

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