INSIDER INTELLIGENCE | eMarketer

The Great Realignment

Who Stands to Win the Battle for Consumers’ Time, Attention, and Money

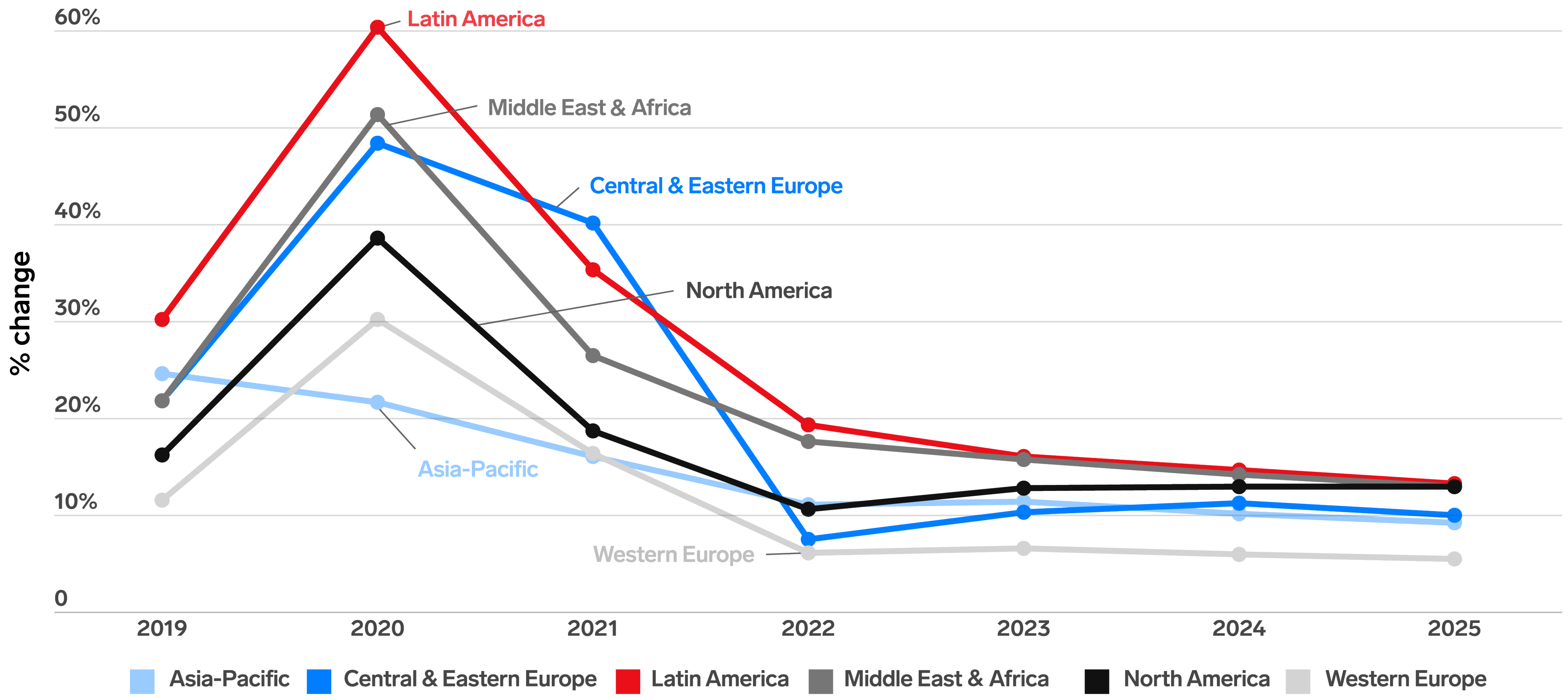
Presented by:

TEALIUM

The digital acceleration of 2020 was a global phenomenon—but it didn’t happen evenly. And neither has the slowdown.

‘Shark fin-like’ ecommerce growth happened almost everywhere

Ecommerce Growth by Region



Note: China pulled down increases for Asia-Pacific; ecommerce in the country had been growing at a breakneck pace prior to 2020, so the pandemic didn’t accelerate growth to the same degree.

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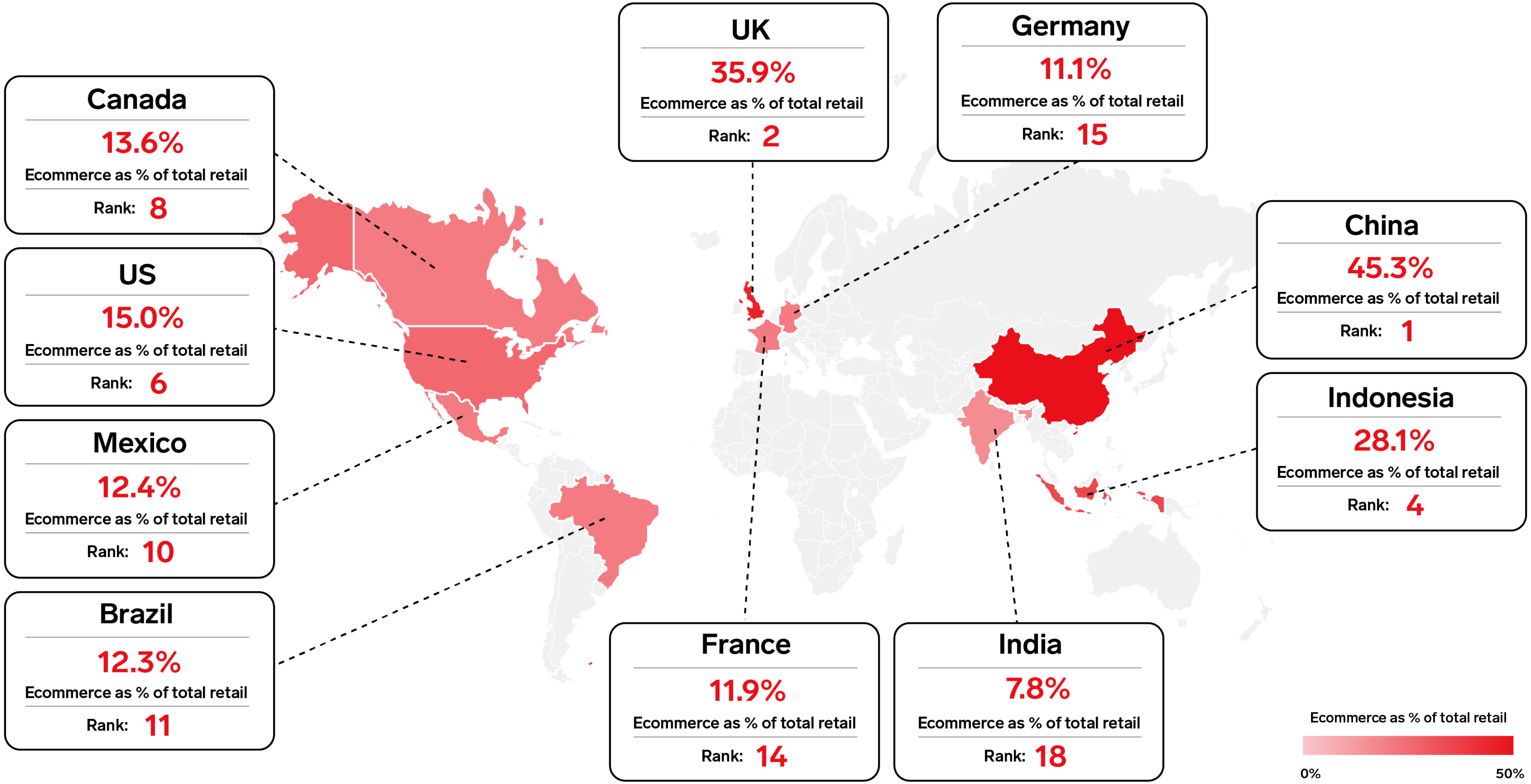
Ecommerce remains unevenly spread; high ecommerce channel share is in countries with big digital grocery markets



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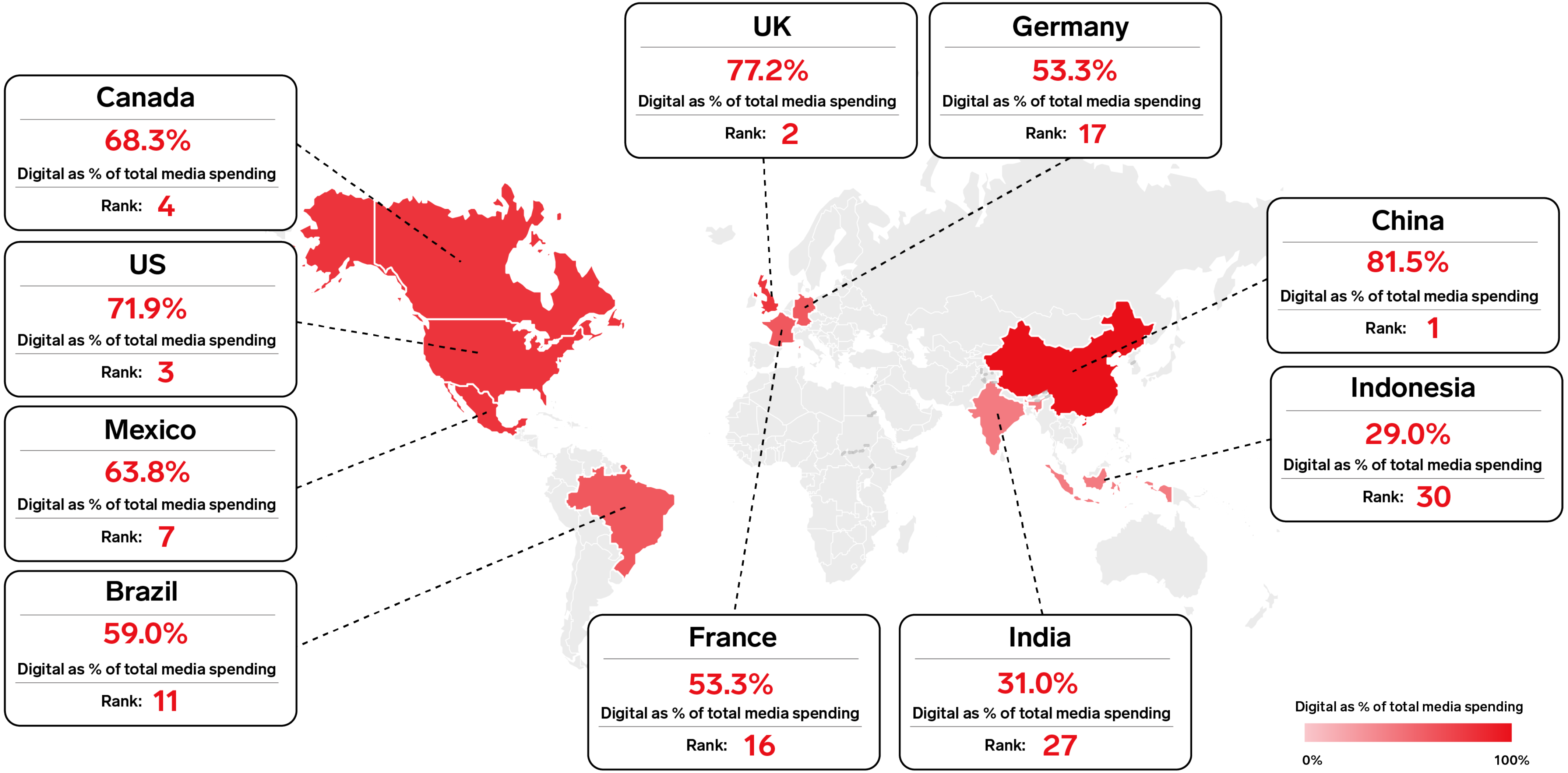
Digital advertising also spiked globally—though some ecommerce leaders like Indonesia are laggards in this area



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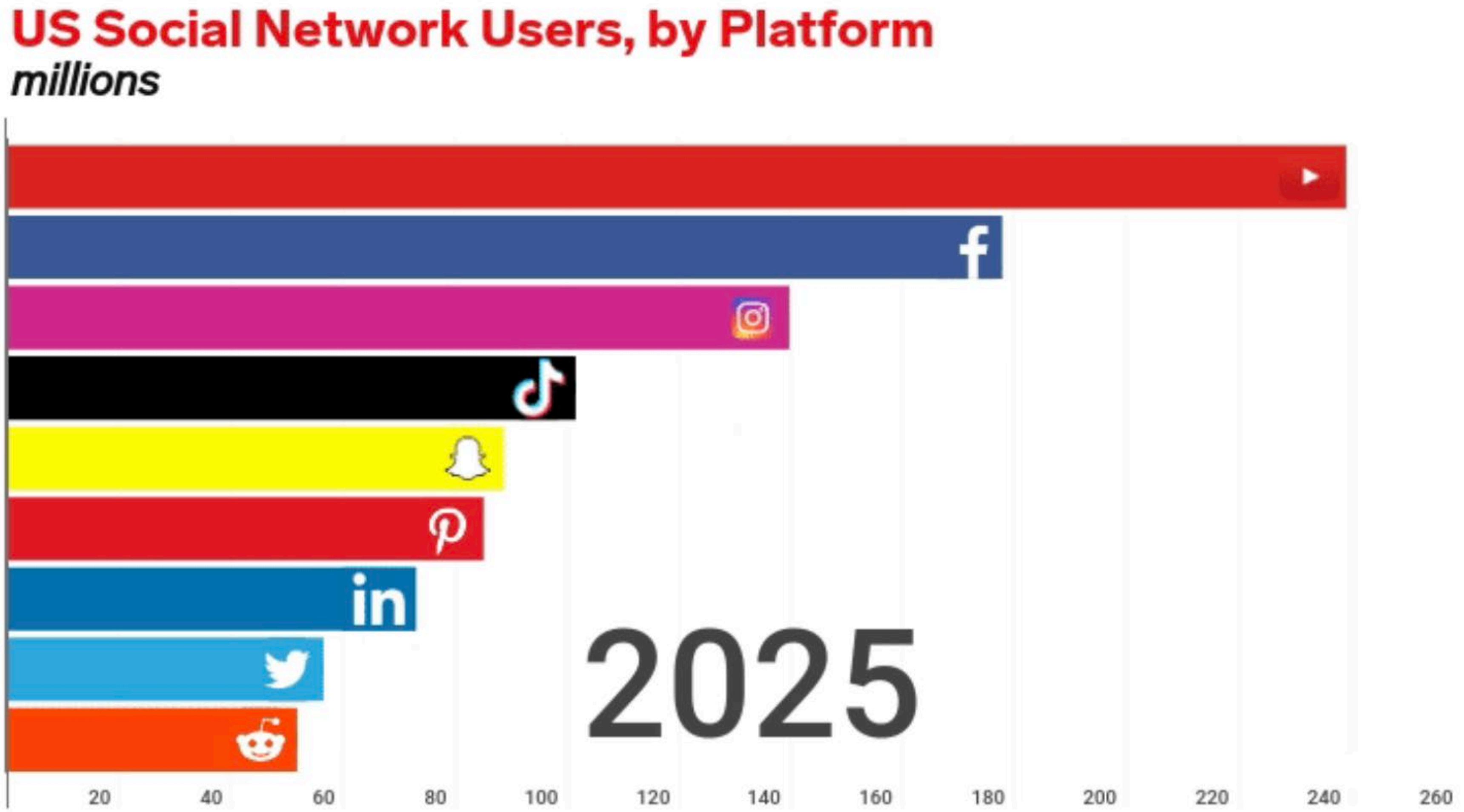
TikTok's ascent has been rapid, leading every social platform to chase its strategy and growth



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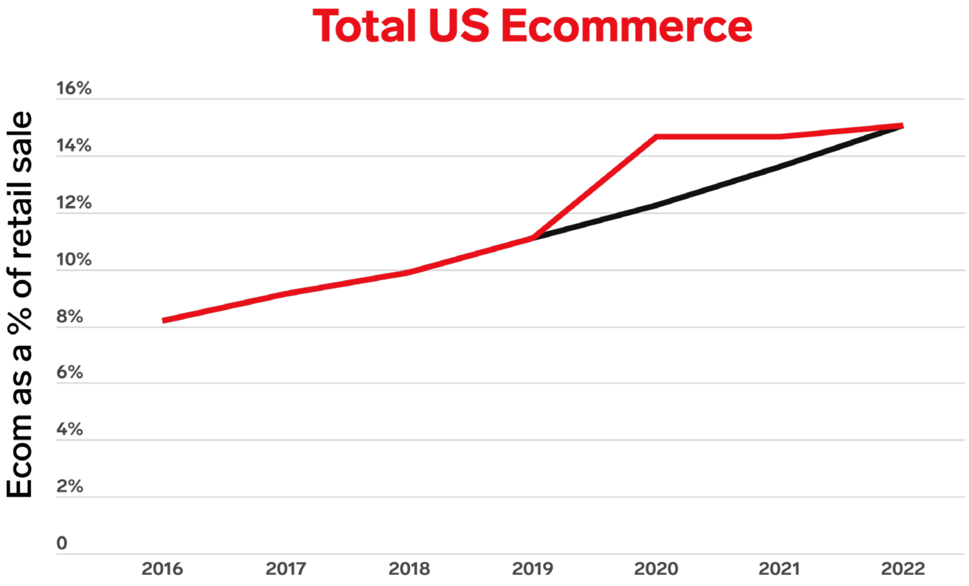
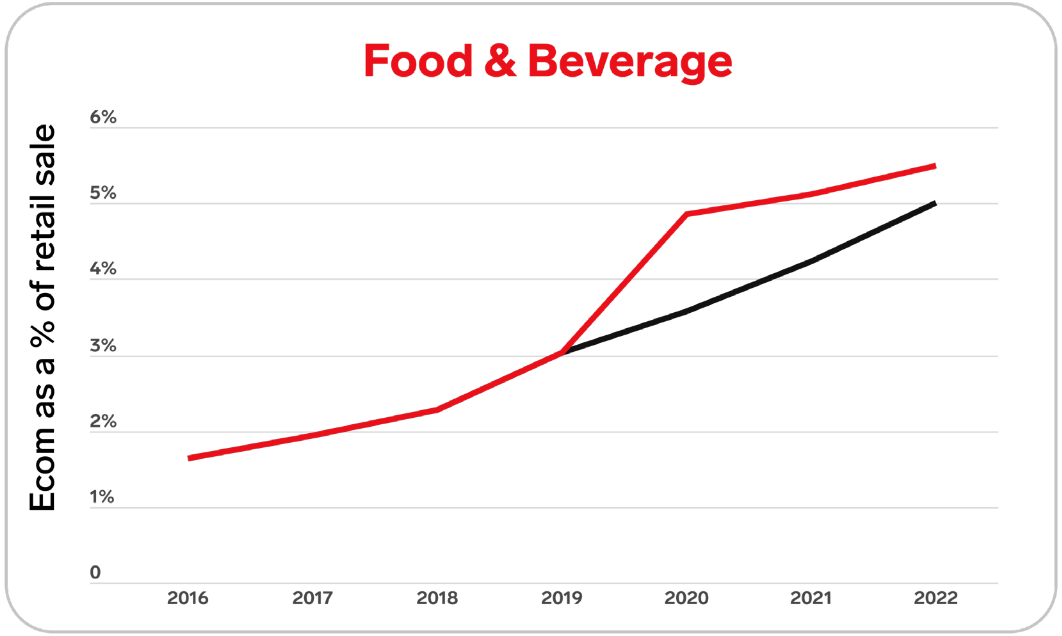
With macroeconomic turmoil and digital markets in flux, who is set to win over pandemic-weary, inflation-impacted consumers?

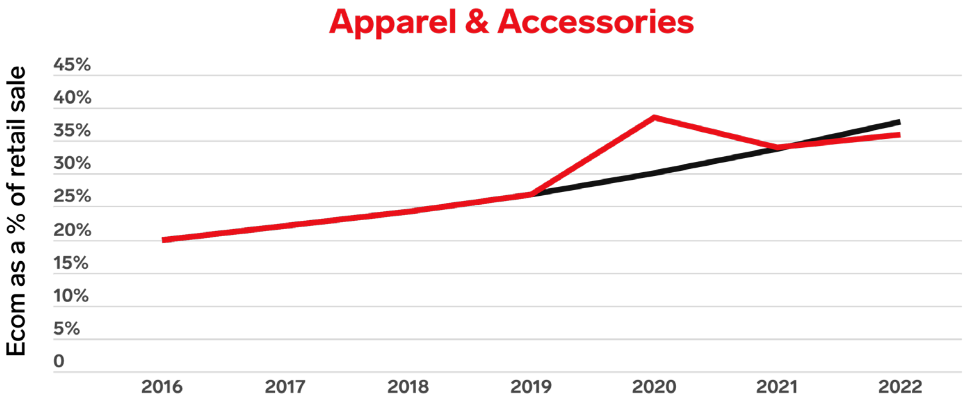
We take a look at the unfolding opportunities in this current era of uncertainty.

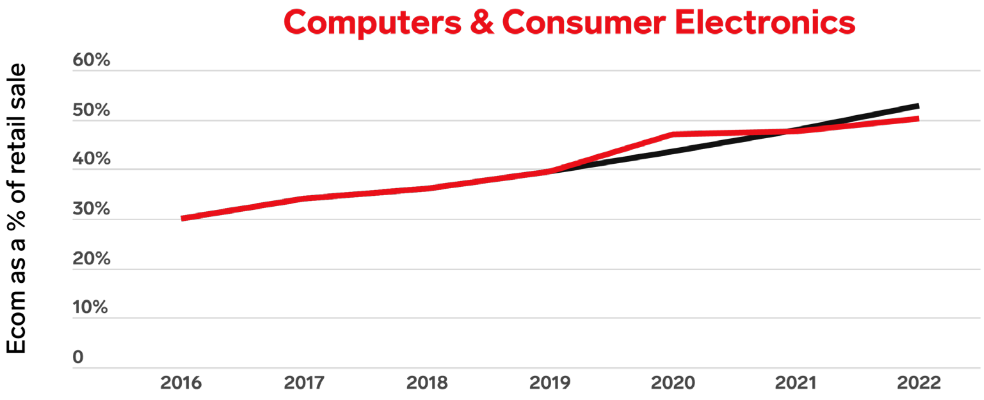
First, the permanent ecommerce acceleration really did happen—but primarily in one area.

Consumer behavior has changed for good in digital grocery









Estimated Actual

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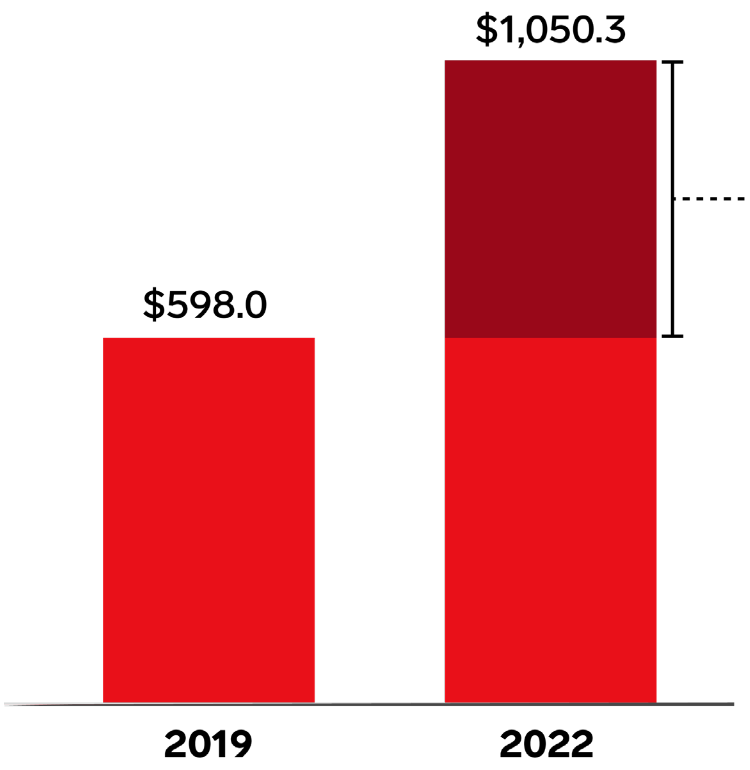
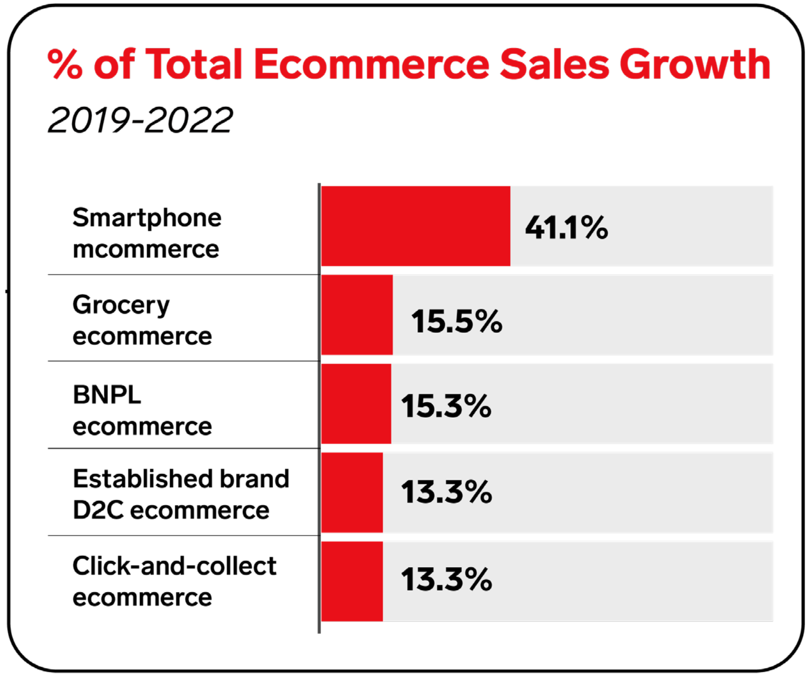
The ecommerce boom has been driven by mcommerce, grocery, BNPL, D2C, and click and collect

US Retail Ecommerce Sales

billions





Recent ecommerce growth hasn't been driven by exciting innovations like AR, voice, and social commerce.

Instead, it has mostly come from friction-reducing capabilities like Apple Pay, BNPL, click and collect, and brands selling D2C.

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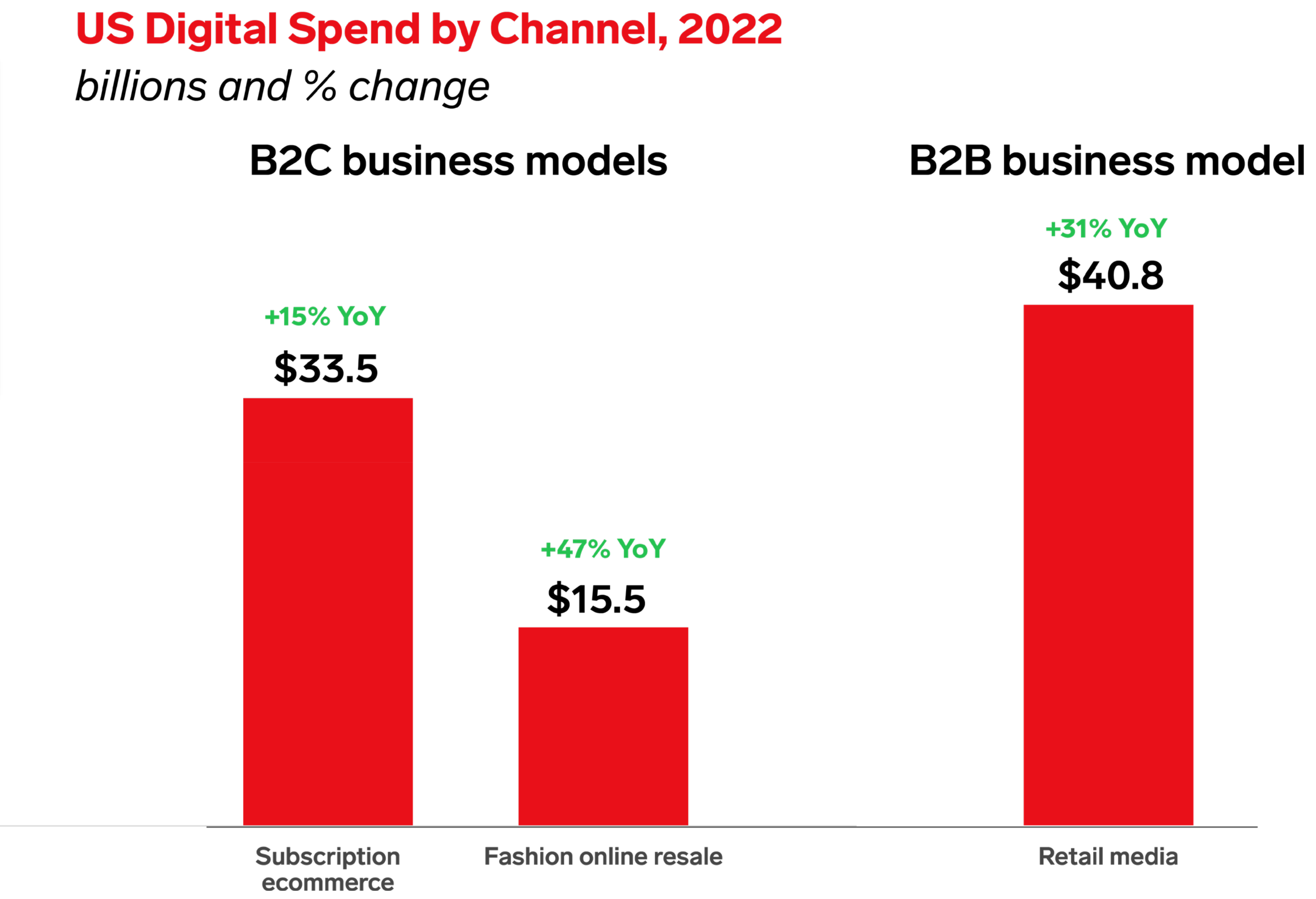
As ecommerce slows, retailers need new revenue streams—like retail media, subscriptions, and resale

Retailers are finding new revenue streams to drive incremental growth and profits.

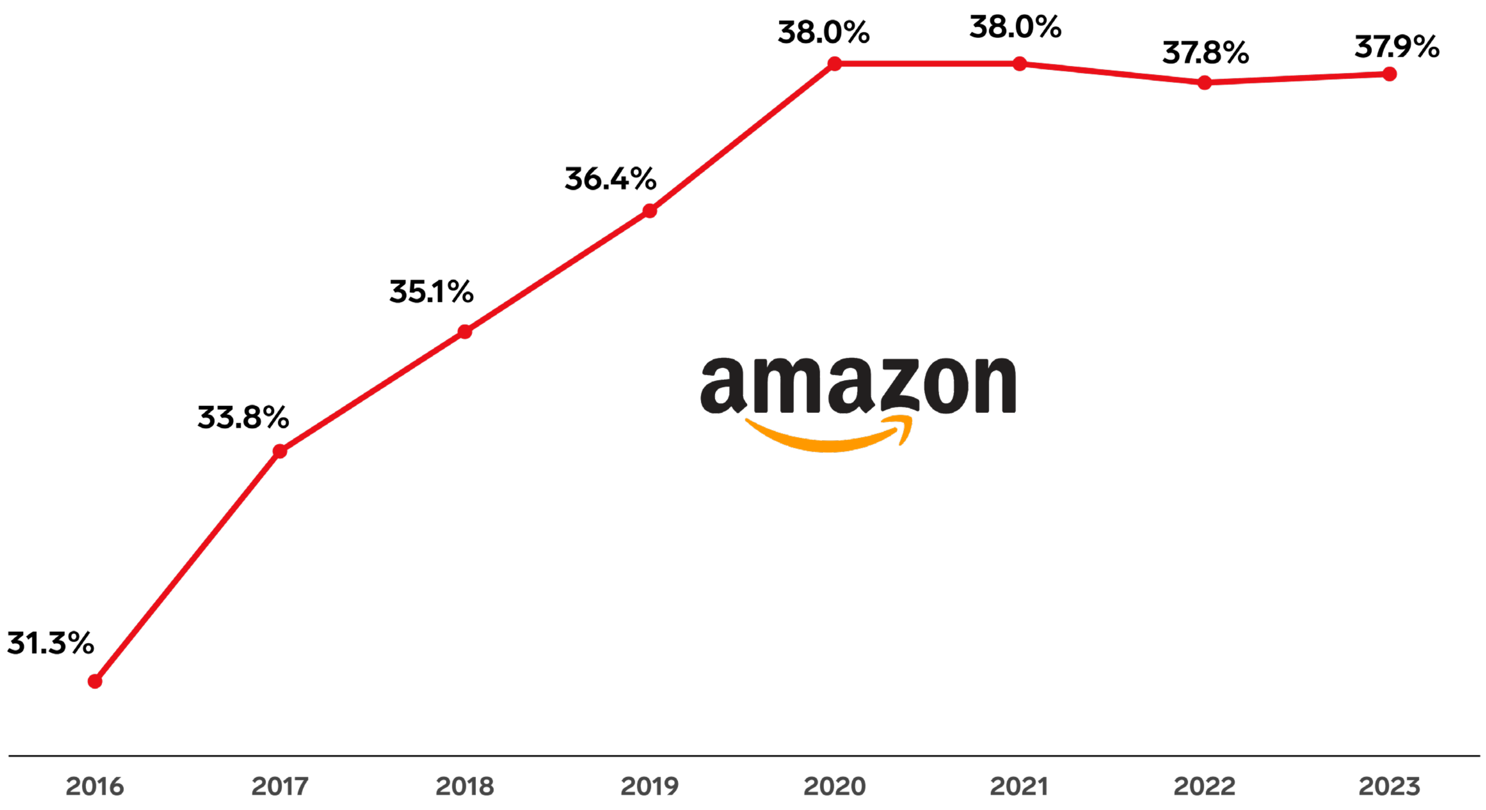


Presented by: TEALIUM

Even Amazon has proven vulnerable, with traditional retailers fighting back.

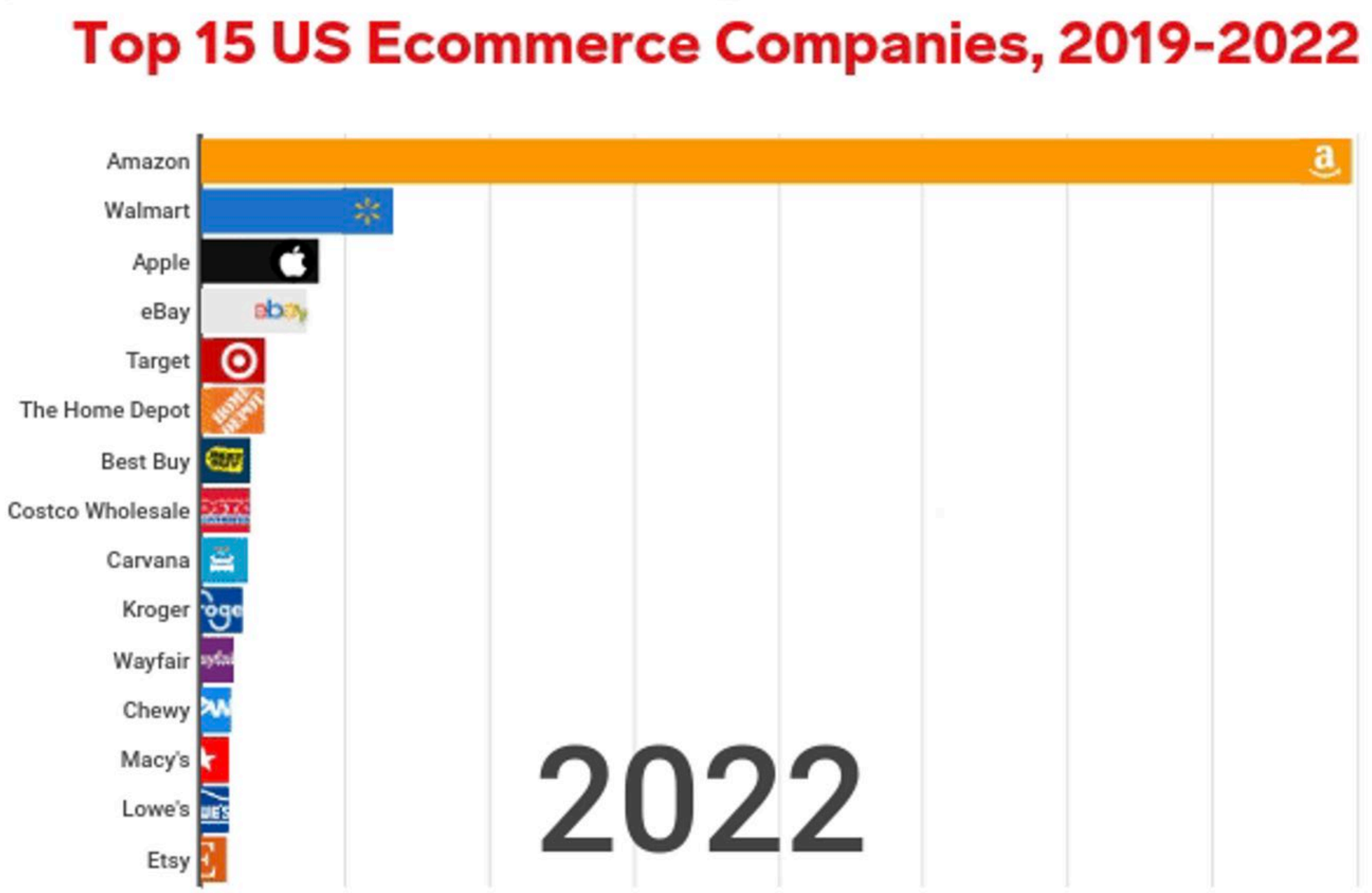
Amazon is now losing ecommerce market share amid intensifying competition and missing certain growth trends

Amazon US Ecommerce Market Share



Amazon's inability to capitalize on D2C and click and collect is a relative disadvantage when compared with competitors like multichannel retailers and strong retail brands.

Brick-and-mortar retailers are gaining ground in ecommerce, driven by click and collect



Walmart, Target, Best Buy, Costco, Kroger, and Home Depot have all grown ecommerce by 100%+ from 2019 to 2020, while gaining significant market share.

But Amazon still holds the top overall market share by a wide margin.

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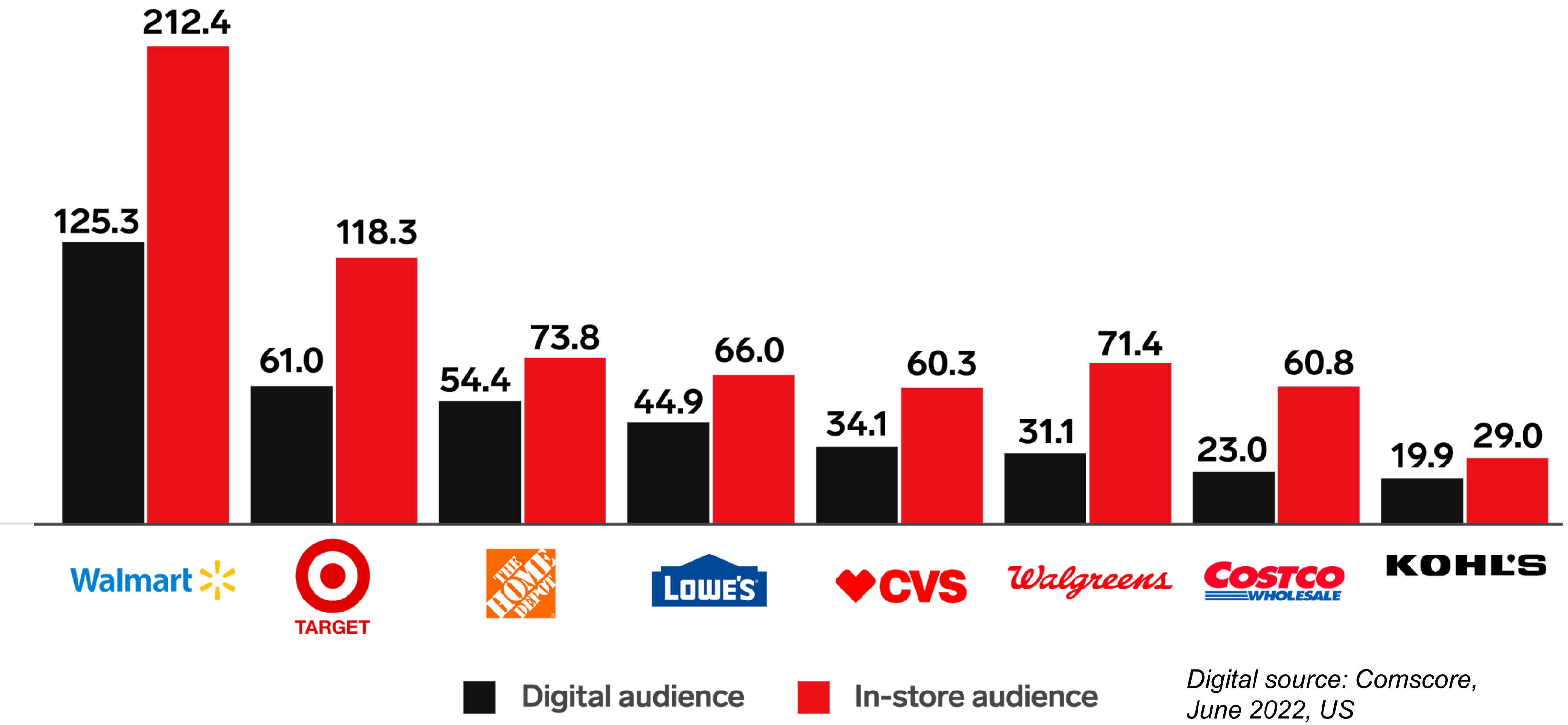
Digitization of the store is the next megatrend as retailers use digital technologies to reach in-store audiences

US Monthly Audience Reach

millions



Digital source: Comscore, June 2022, US

In-store source: Placer.ai, June 2022, US

Physical retail will be the next major channel. Brands can reach shoppers at relevant moments, close to the point of purchase—where 85% of retail occurs.

Other digital efforts will include automated checkout, dynamic pricing, inventory optimization, and in-store analytics.

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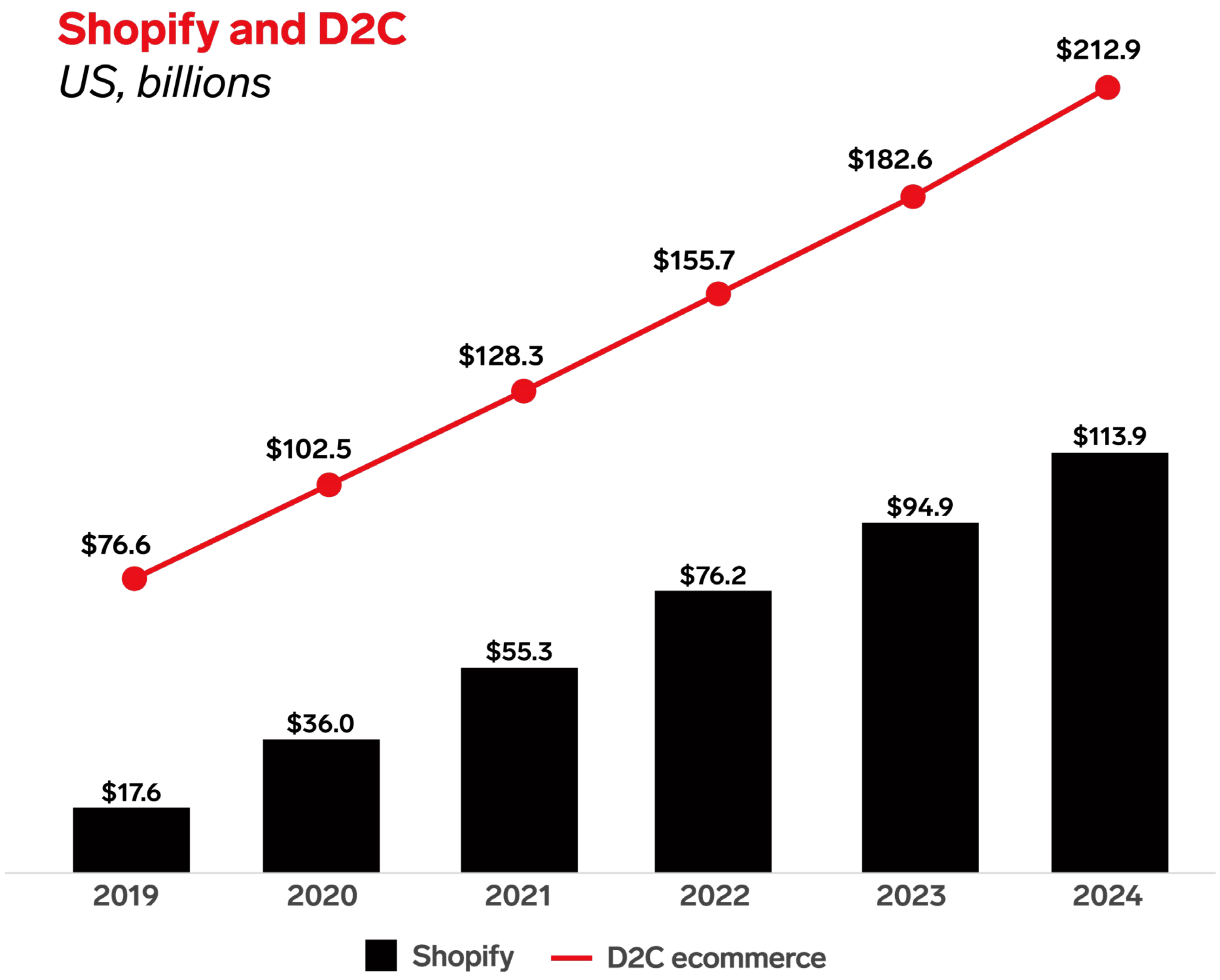
D2C remains a bright spot for ecommerce—
but there's more to the story than you think.

Shopify lowered barriers to brands selling online, giving rise to the D2C ecommerce trend



Social commerce helped with demand, while Shopify lowered the barrier of entry for brands—both large and small—to sell online.

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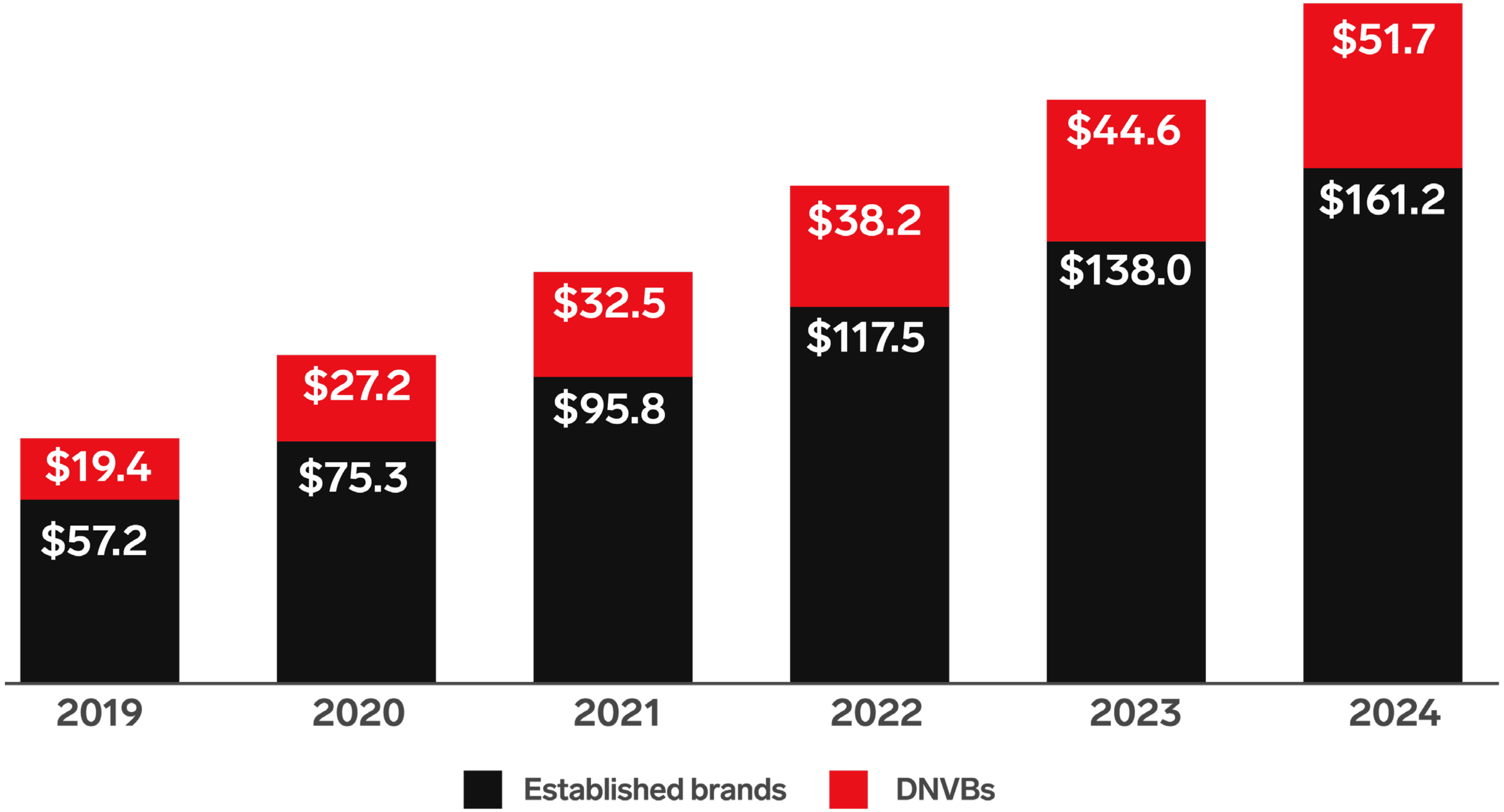
It's not just the digital natives—D2C growth has been driven primarily by established brands

Established Brands vs. DNVB D2C Ecommerce Sales

US, billions



Established brands drive 3 out of 4 D2C ecommerce dollars.

Brands like Nike, Lululemon, and Levi's going D2C are accounting for most of this growth, not DNVBs like Warby Parker, Allbirds, or Peloton.

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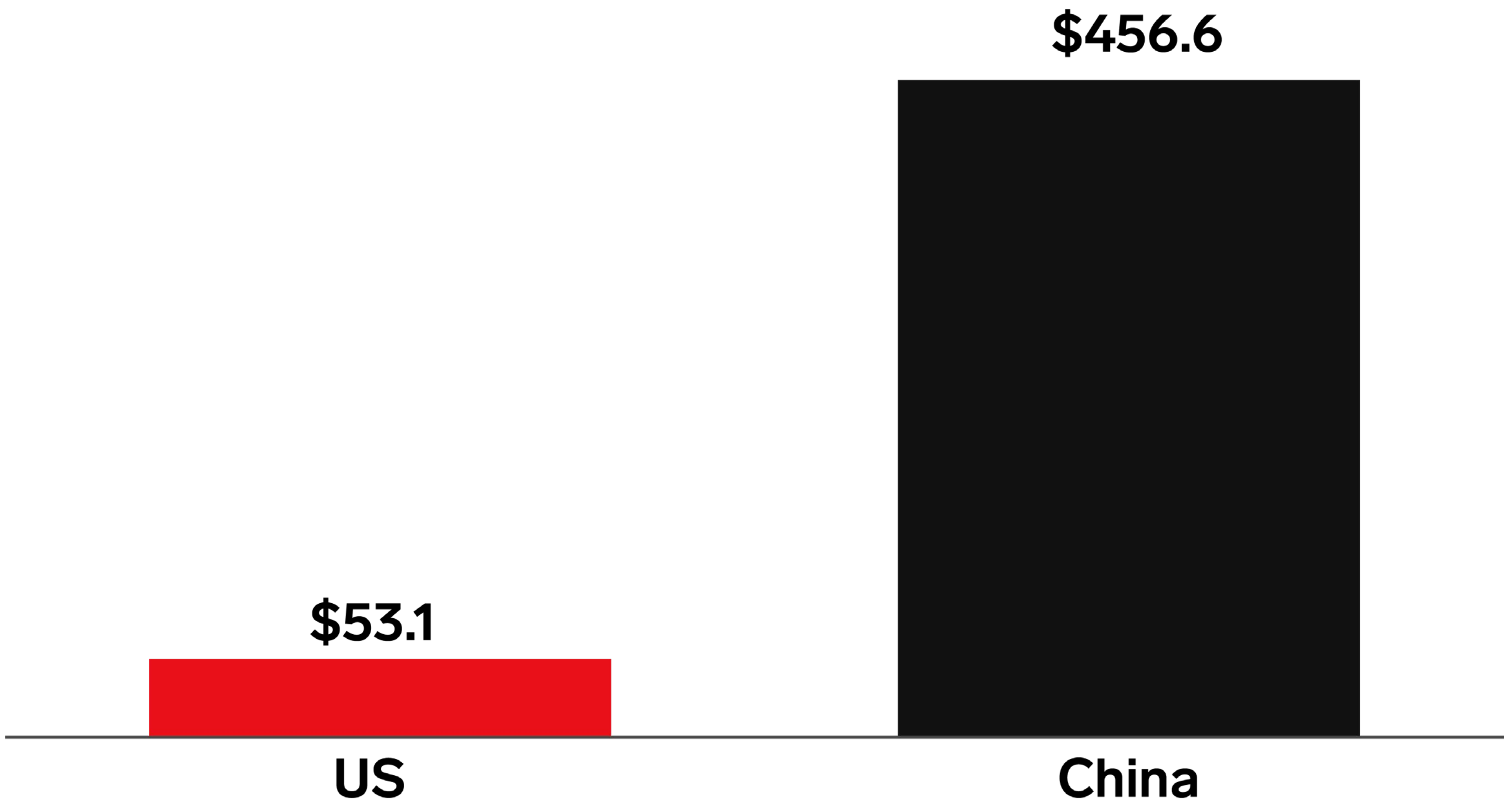
Social commerce has surged alongside D2C, but the trend won't mirror that of China

Social Commerce, 2022
billions



Social commerce in the US is only 5% of ecommerce today, and about one-ninth the size of China's social commerce market.

In China, social media and ecommerce have long been integrated experiences, and there's an appetite for group buying and livestreaming that may not be matched in Western markets.

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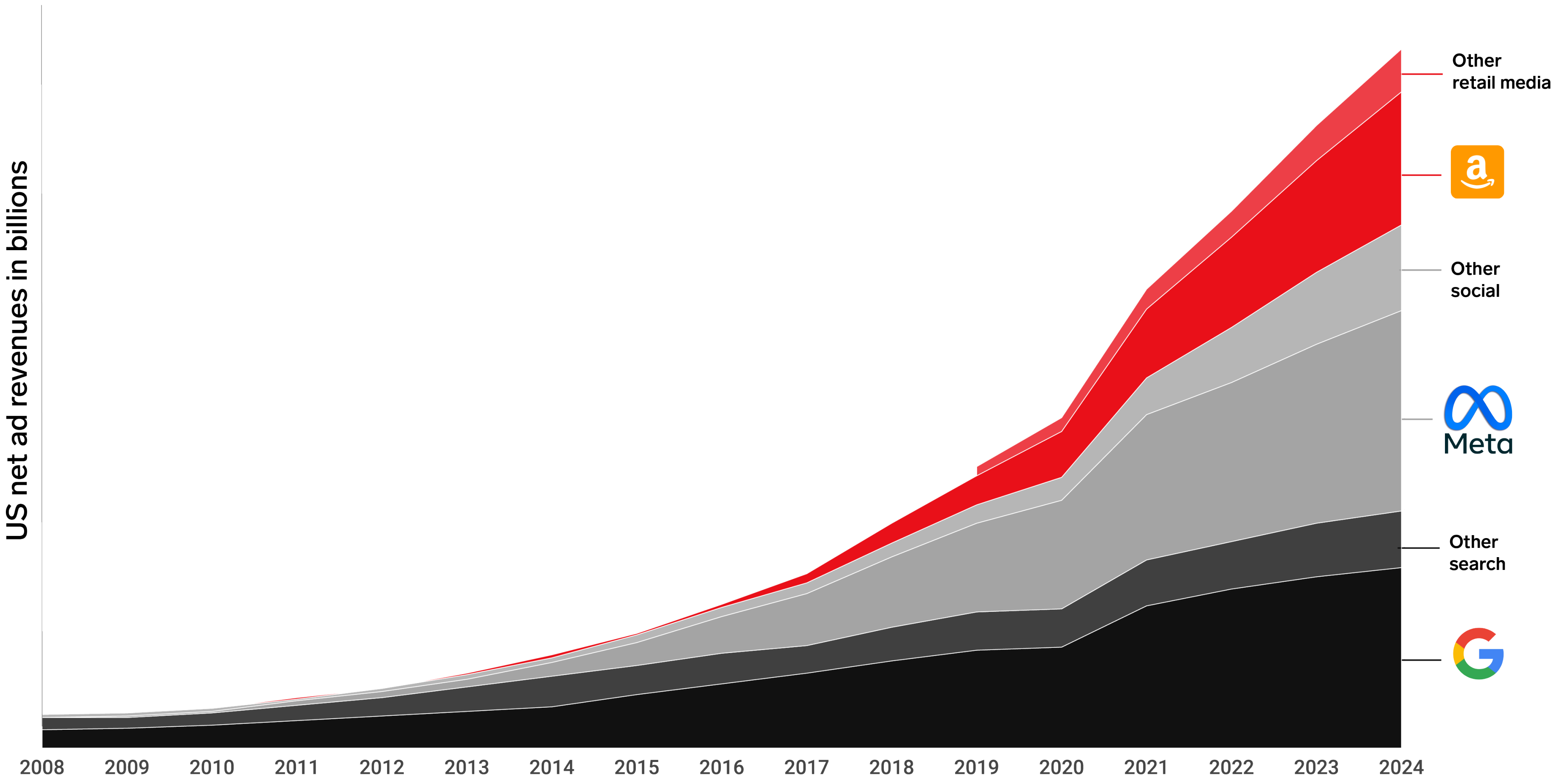
Retail media is more than just a new revenue source—it's the third big wave of digital advertising.

Retail media will top $60 billion by 2024 and is closing the gap with search and social advertising

Retail Media: The 3rd Wave of Digital Advertising, by Top Player



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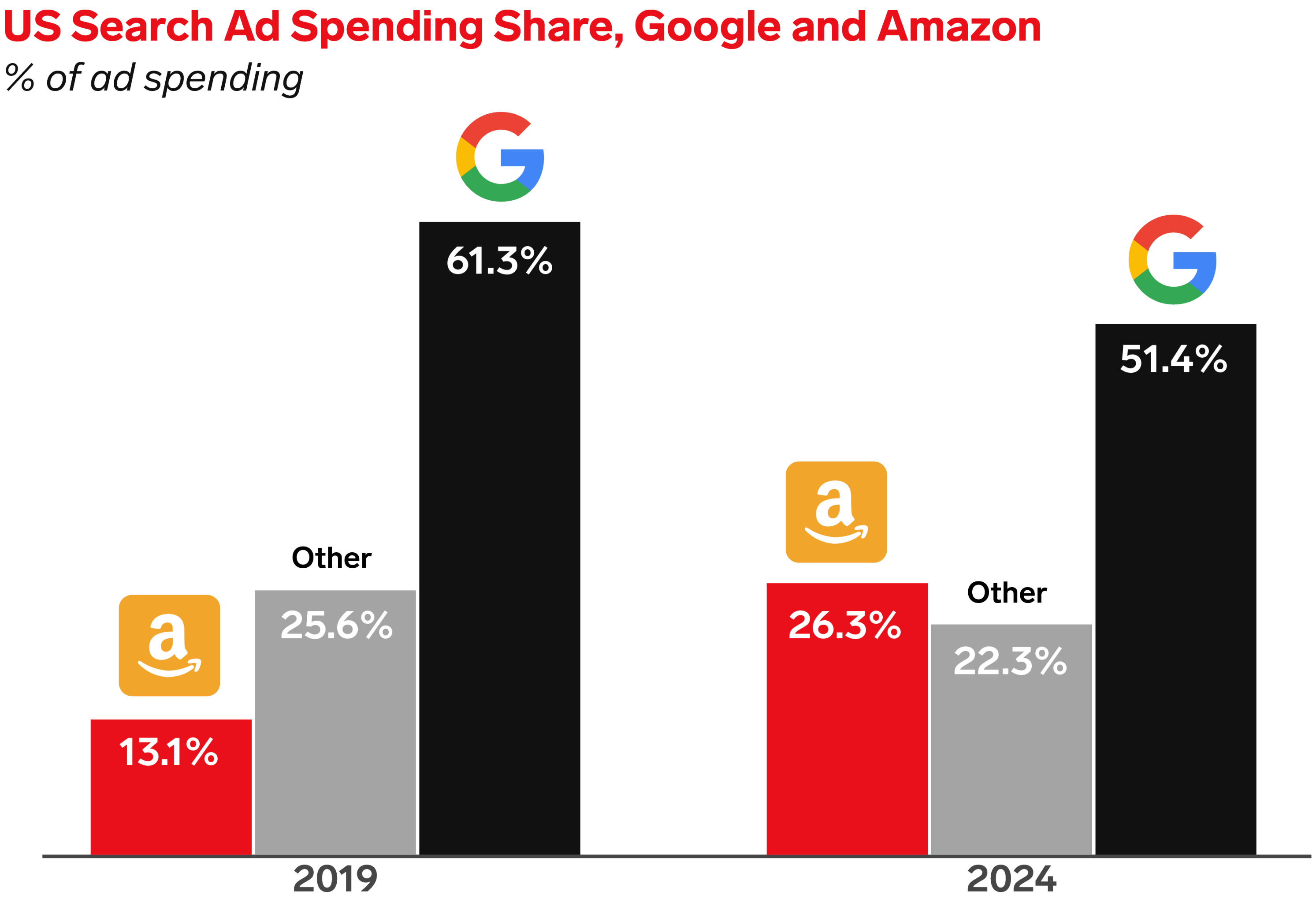
The connection between product searches and ecommerce is amplifying retail media's share of ad spending



This is why Amazon will double its share of US search, mostly at Google's expense, from 2019 to 2024.

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The death of the third-party cookie is one of the biggest drivers of retail media ad spending

Major Events in the Ongoing Deprecation of Third-Party Identifiers

2016
April
The EU adopts the General Data Protection Regulation (GDPR)

2017
June
Apple starts blocking some third-party cookies in Safari

2019
August
Google announces Privacy Sandbox initiative to develop privacy-forward standards for open-web advertising

2019
September
Mozilla announces Firefox will block cookies by default for all users

2020
January
California Consumer Privacy Act, the first state data privacy legislation, takes effect

Google announces deprecation of third-party cookies in Chrome by 2022

2020
March
Apple starts blocking all cookies that enable cross-site tracking in Safari

2021
April
Apple allows iOS 14.5 users to opt out of sharing data associated with their Identifier for Advertisers through its AppTrackingTransparency framework

2021
June
Google delays deprecation of third-party cookies in Chrome to late 2023

2022
February
Google introduces the Privacy Sandbox on Android

2022
July
Google delays deprecation of third-party cookies in Chrome to H2 2024

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Navigating third-party cookie loss with a first-party data strategy

This sponsored article was contributed by Tealium.

Heidi Bullock
CMO, Tealium

For years, brands have relied on third-party cookies to track and understand online buyer behavior, but these morsels of information will soon go away once the industry transitions away from this strategy. Data deprecation comes in many forms, such as third-party cookie loss, new identifiers, ad blockers, privacy restrictions, and walled gardens. This is all one way of saying: it's time to rethink your data strategy.

And who needs cookies when you've got cake?

First-party data offers a more delicious customer experience. Any company with a customer (so … everyone) collects first-party data, but without a true strategy in place for using this first-party data, the information can be scattered across an enterprise, stuck in silos, and basically not doing the business any good. It's time for brands to create a more intentional, focused and effective plan.

To continue providing the best customer experience (CX) possible, brands will have to change any strategy that relies on third-party cookie technology and identifiers. A good first step is to move to a first-party data strategy.

Keep reading to learn how to get ahead of the strategy game in four simple steps:

Step 1: Place value on data collection, identification, and consent

Use the data you obtain directly from customer relationships instead of buying it from a third party or collecting it through a third-party cookie. The data will be more accurate and current, which is better for creating the right type of experiences for buyers.

Step 2: Restrategize your targeting mix

There are generally three buckets of targeting that brands aim for: contextual, audience, and 1:1 (as in retargeting or personalization). A first-party data strategy can play a role in revisiting contextual targeting.

Step 3: Make your first-party data a differentiator

Every brand will still need to be effective at contextual targeting. But you can differentiate and distance yourself from competitors by leveraging your first-party data to optimize performance.

Step 4: Facilitate a value exchange across the full customer journey, not just at the start

Thriving in a new world without third-party cookies involves more than just acquiring new customers. It's important to take care of the ones you already have. First-party data can help fuel the value exchange across the full customer journey—including post purchase.

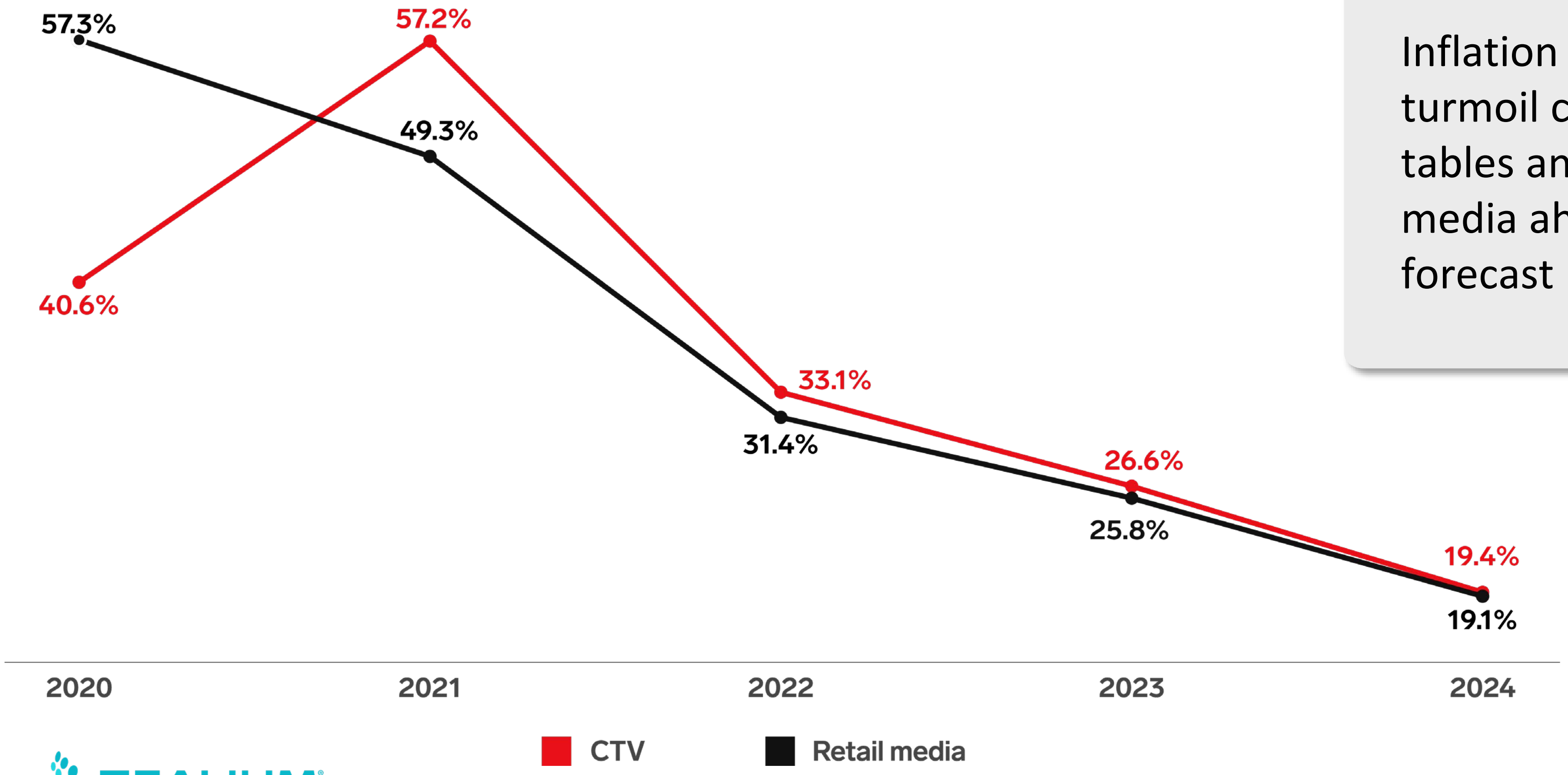
Once the shift away from third-party cookies accelerates, we'll quickly find out who's ready to stand out from the crowd with relevant, timely and insightful customer experiences. Those who aren't prepared may get left behind because nobody wants a generic and one-size-fits-all experience.

Prepare your strategy now to avoid building a strategy from nothing in an environment where there's simply less data available. Learn more about how Tealium can help you build a first-party data strategy that stands the test of time and sustains your advertising, marketing and CX campaigns.

To continue providing the best CX possible, brands will have to change any strategy that relies on third-party cookie technology and identifiers.

Despite retail media's meteoric rise, there is one digital ad spending area that is growing even faster: connected TV

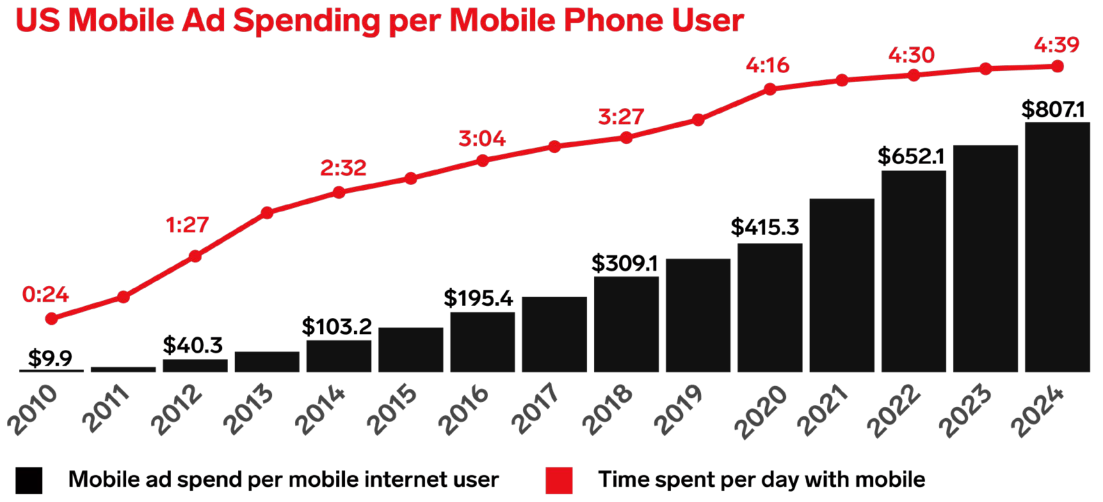
US CTV and Retail Media Ad Spending Growth

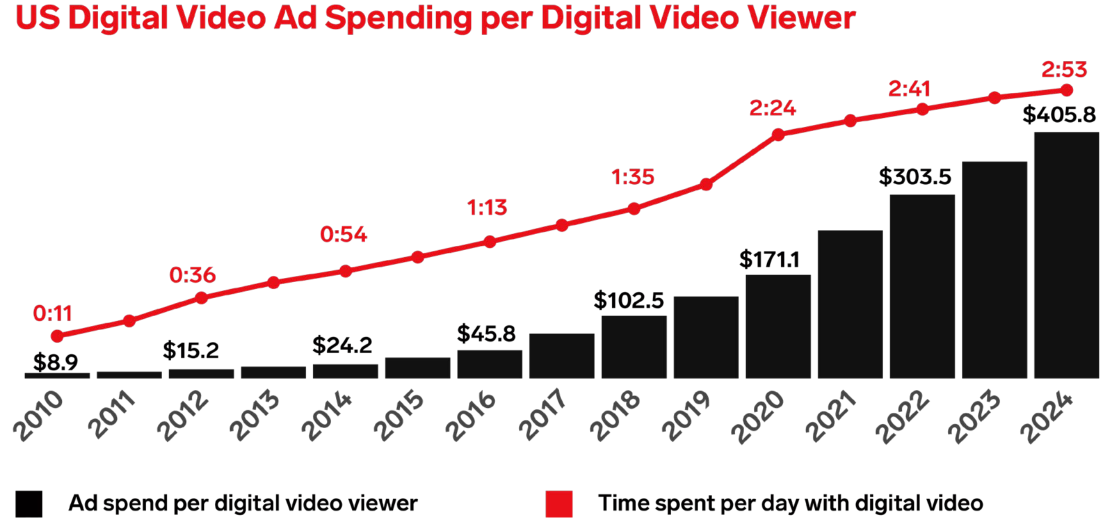


Inflation and economic turmoil could turn the tables and put retail media ahead in our next forecast update.

Presented by: TEALIUM

Ad dollars typically take years to catch up with consumer behavior shifts—look at mobile and digital video





In both cases, adoption happened quickly, but ad spending didn't truly scale for roughly a decade.

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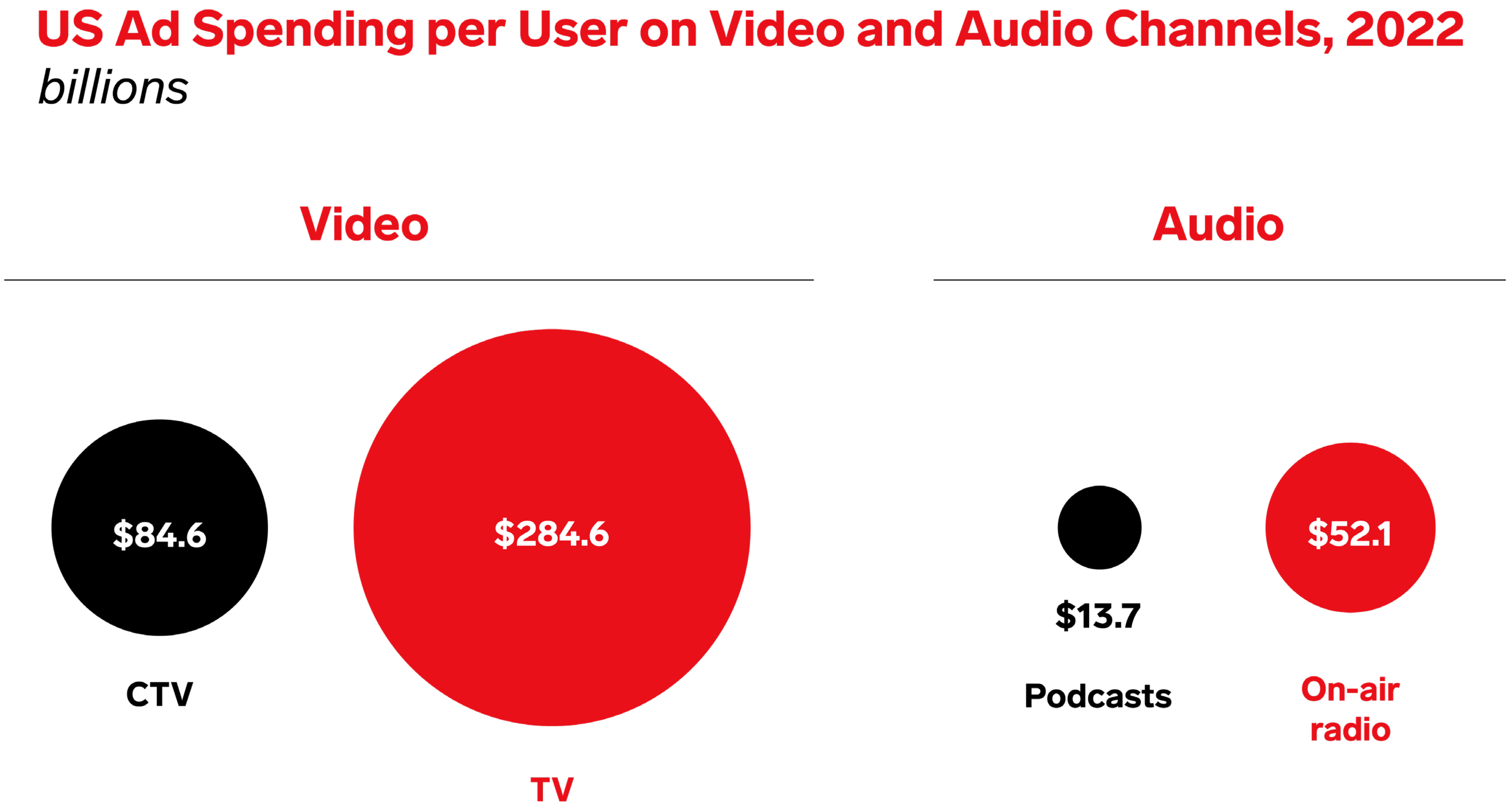
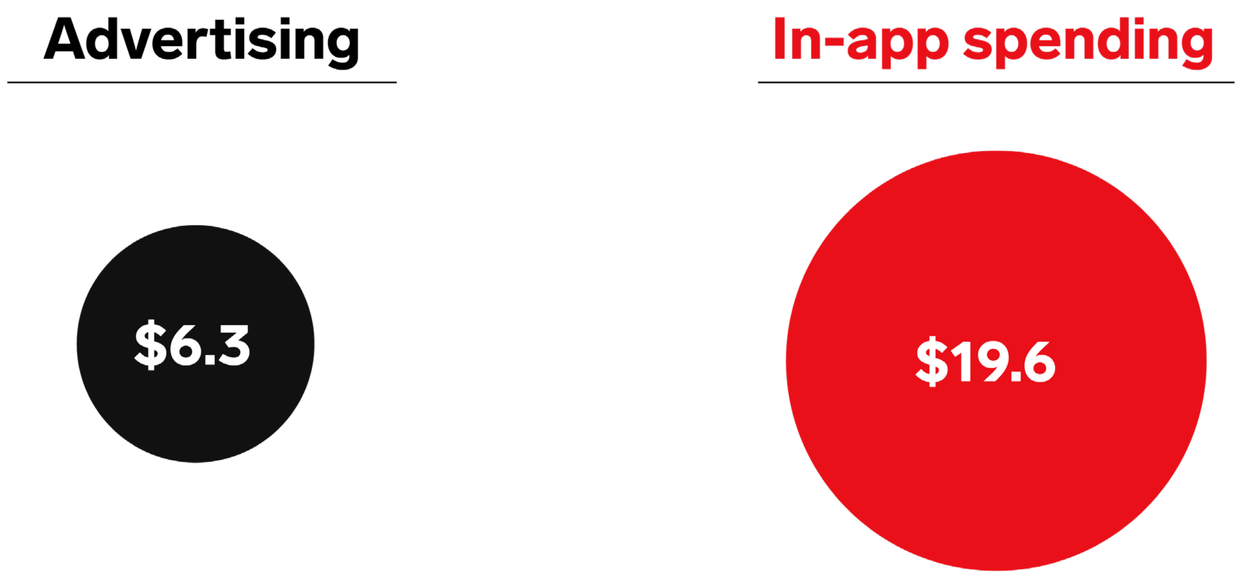
Spending on newer channels like CTV and podcasts still lags far behind traditional ones



Gaming is yet another area where advertisers aren’t taking advantage of a captive audience

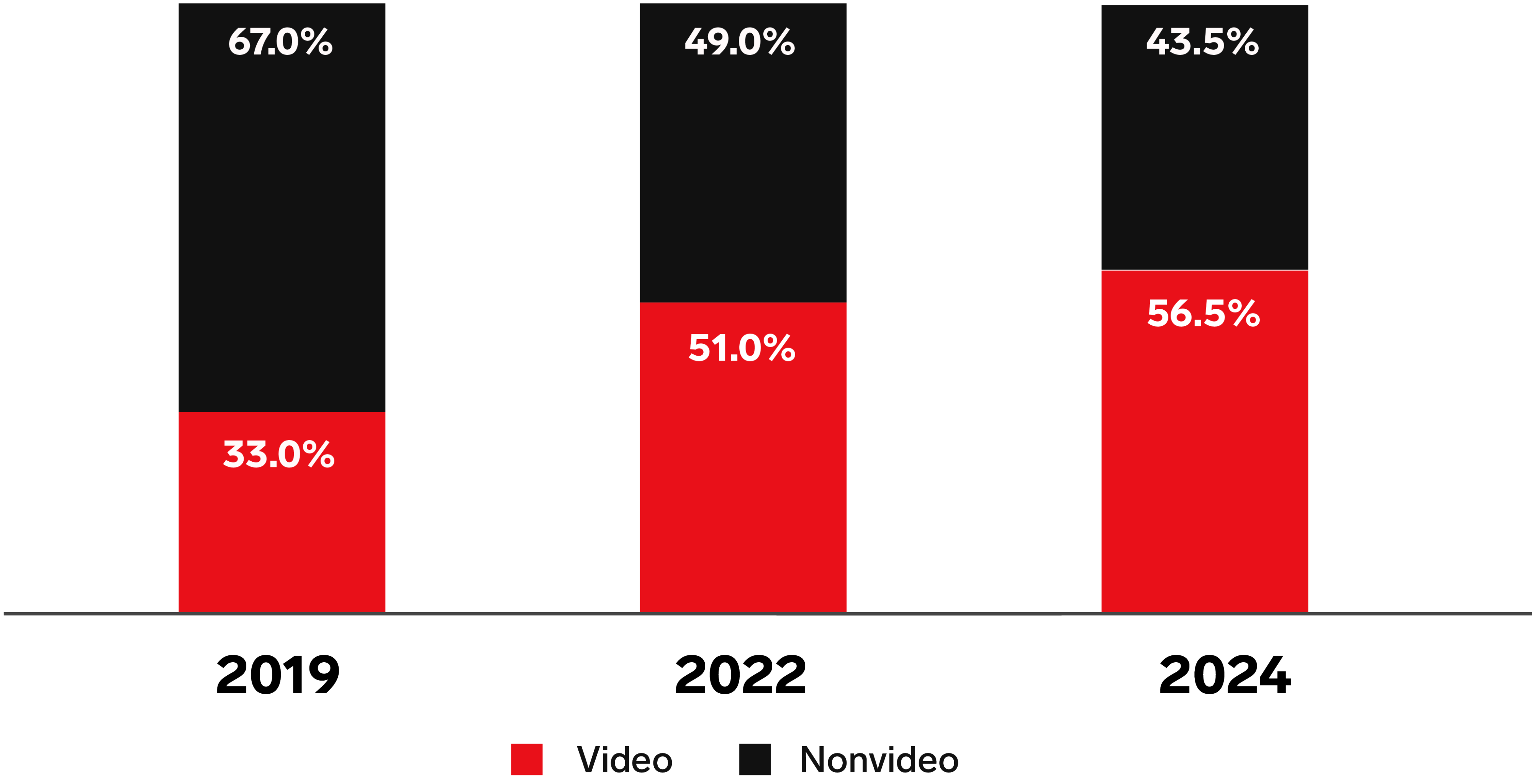
US Gaming Monetization, 2022
billions



Consumers are also watching more video via social, turning social networking into entertainment.

One player is remaking the entire space.

Video now accounts for half of time spent on social



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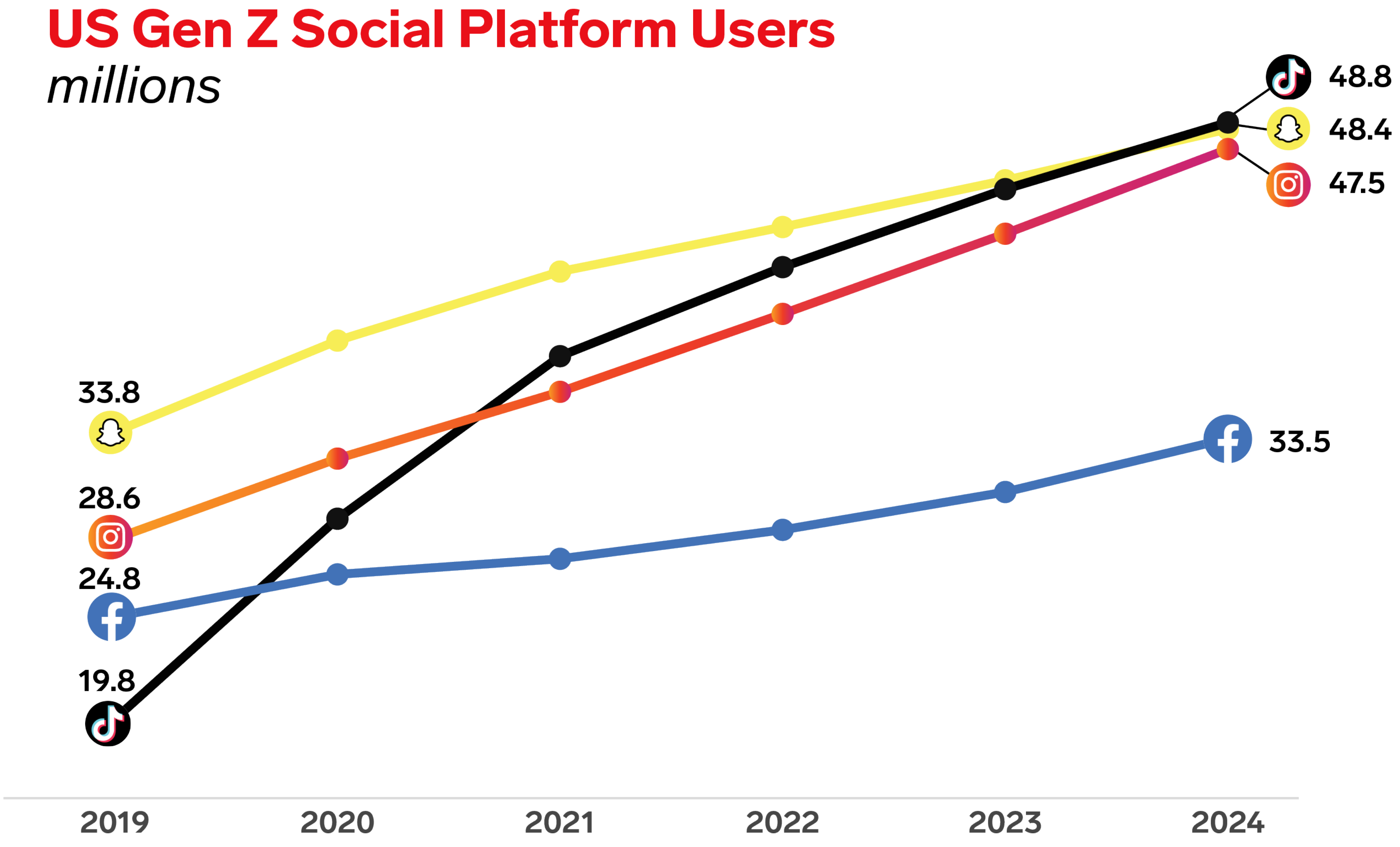
Gen Z uses a more diverse set of social platforms than any other generation



TikTok surpassed Instagram in Gen Z users in 2021 and will surpass Snapchat in 2024.

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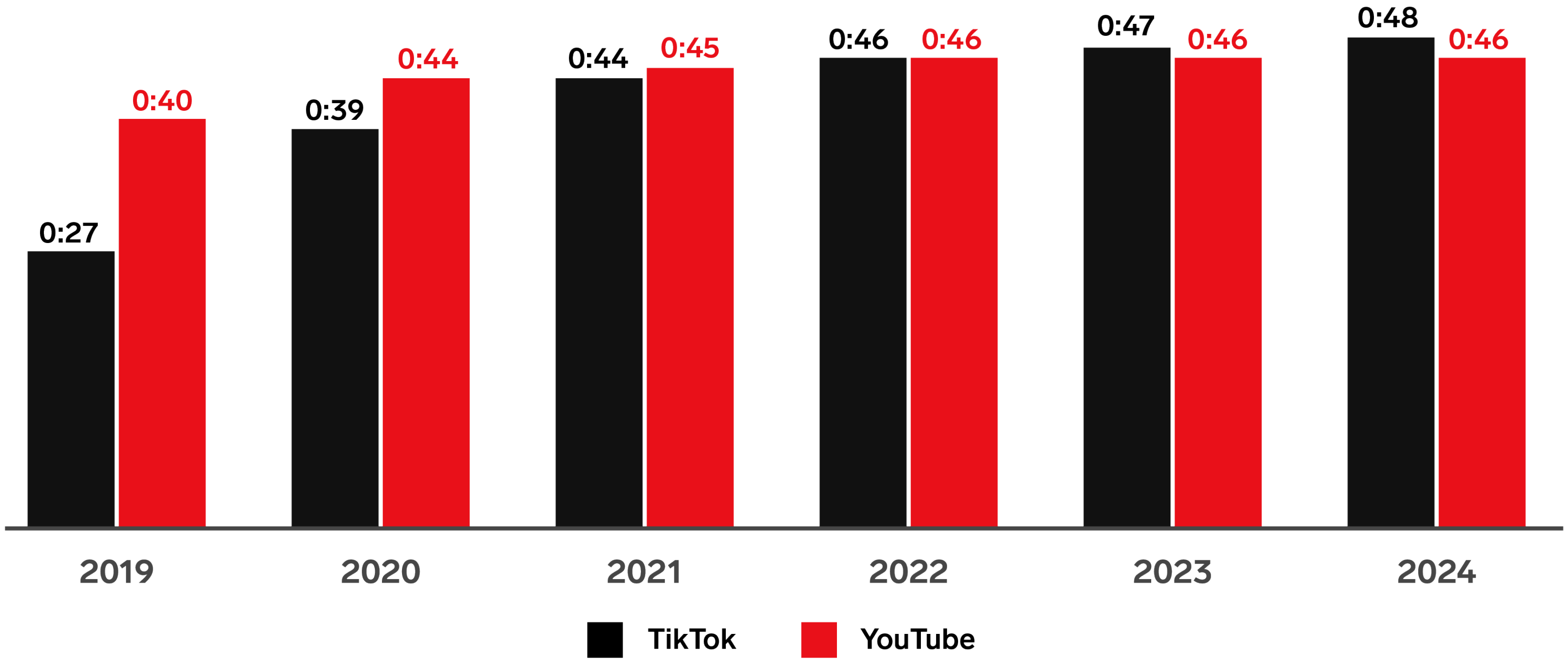
TikTok users now spend as much time on the platform as YouTube users spend on YouTube

Average Time Spent per Day With Social Platforms

US, time spent with TikTok and YouTube

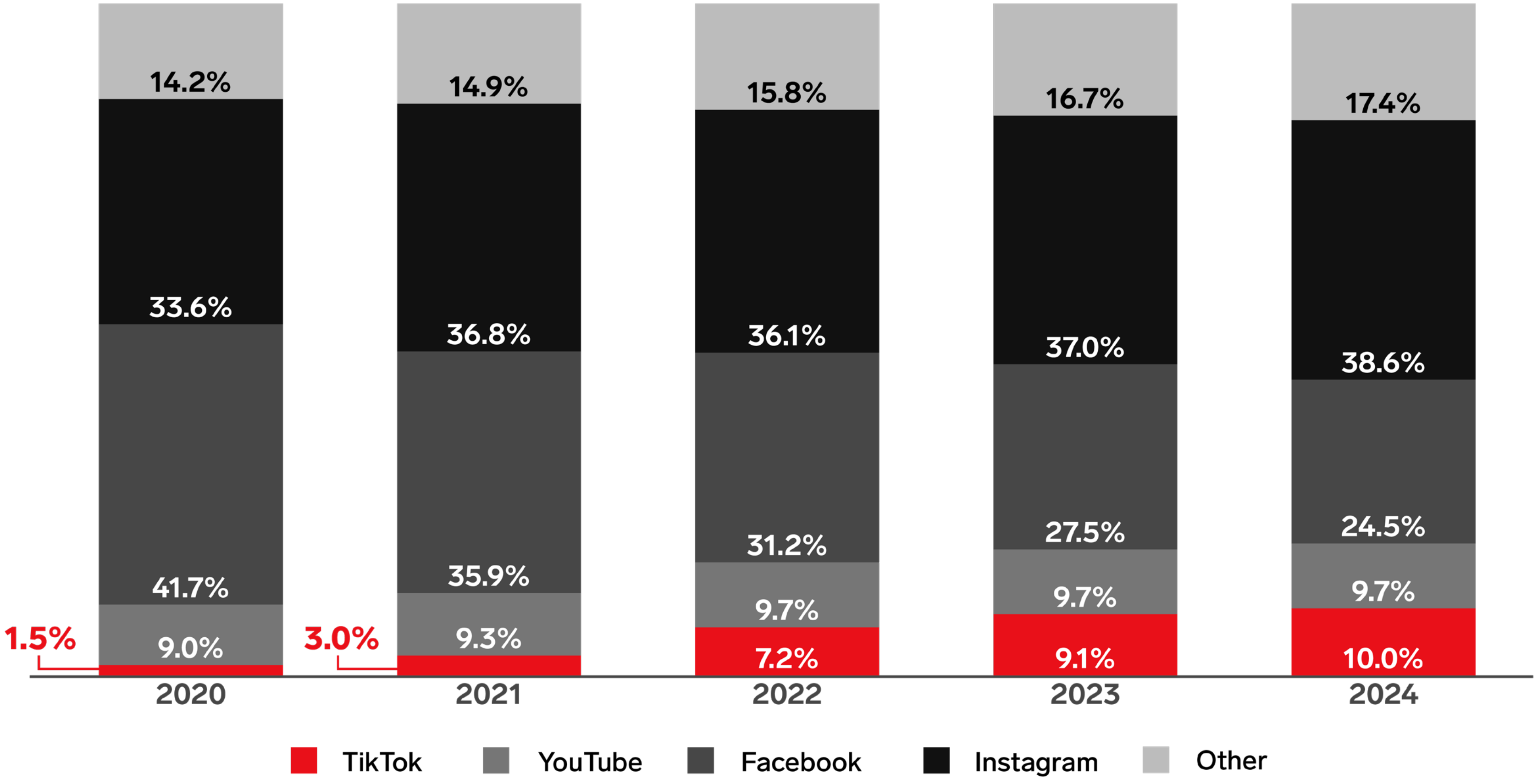


Note: Estimates of average time spent with media are based on the total US adult population. Those under 18 are not included.

These figures represent adults only. If we were to include teens, time spent would be much, much higher.

TikTok's ad business is reaping the rewards

US Social Network and YouTube Ad Revenue Share, by Company



Economic uncertainty and ATT privacy changes are causing advertisers to fuel more money into TikTok.

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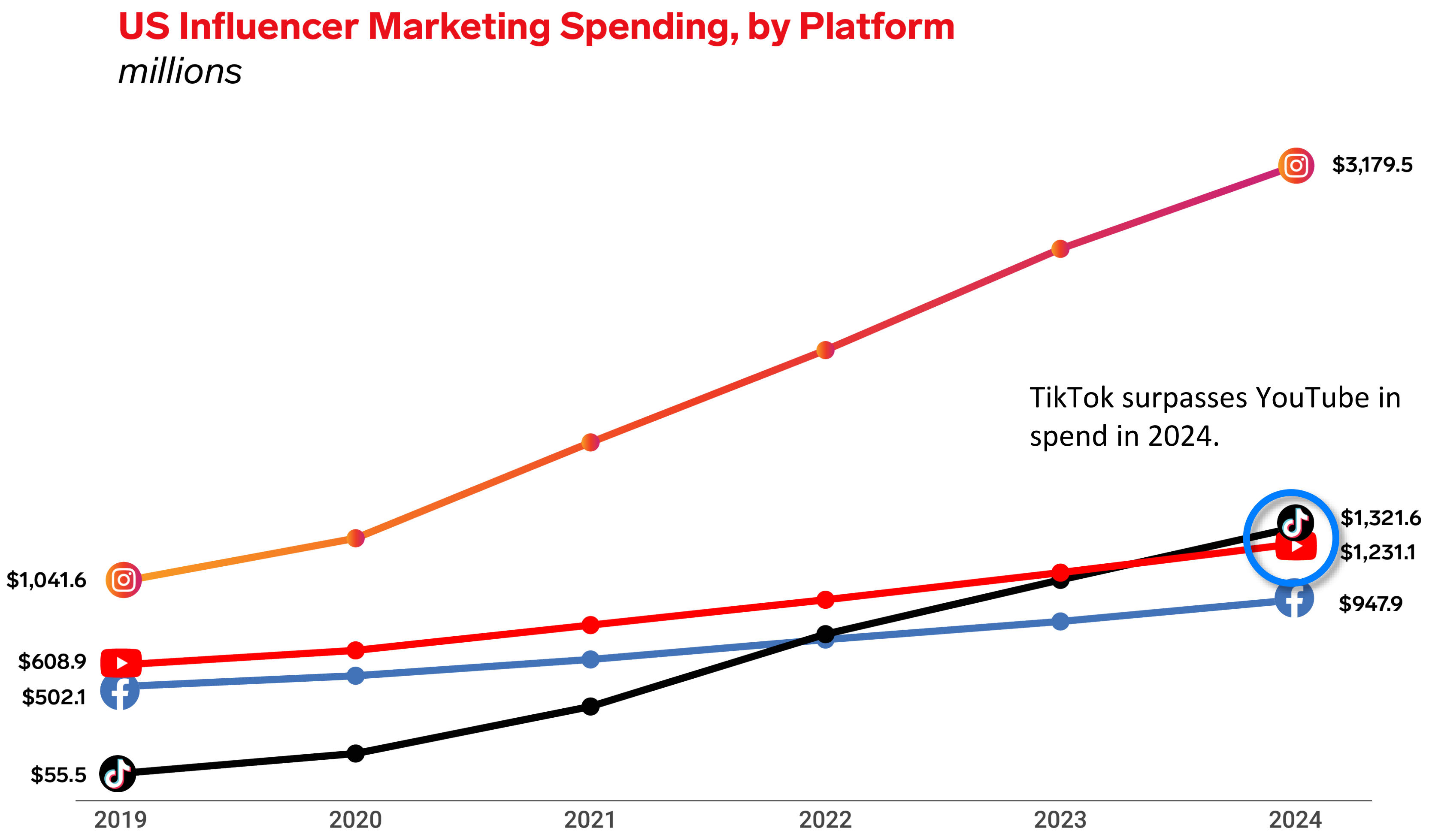
As influencer marketing continues to grow, the competition for creators will intensify.

The influencer market is Instagram's to lose, and it must ensure its approach to creators doesn't do just that



Creators are critical to all platforms maintaining and building engagement.

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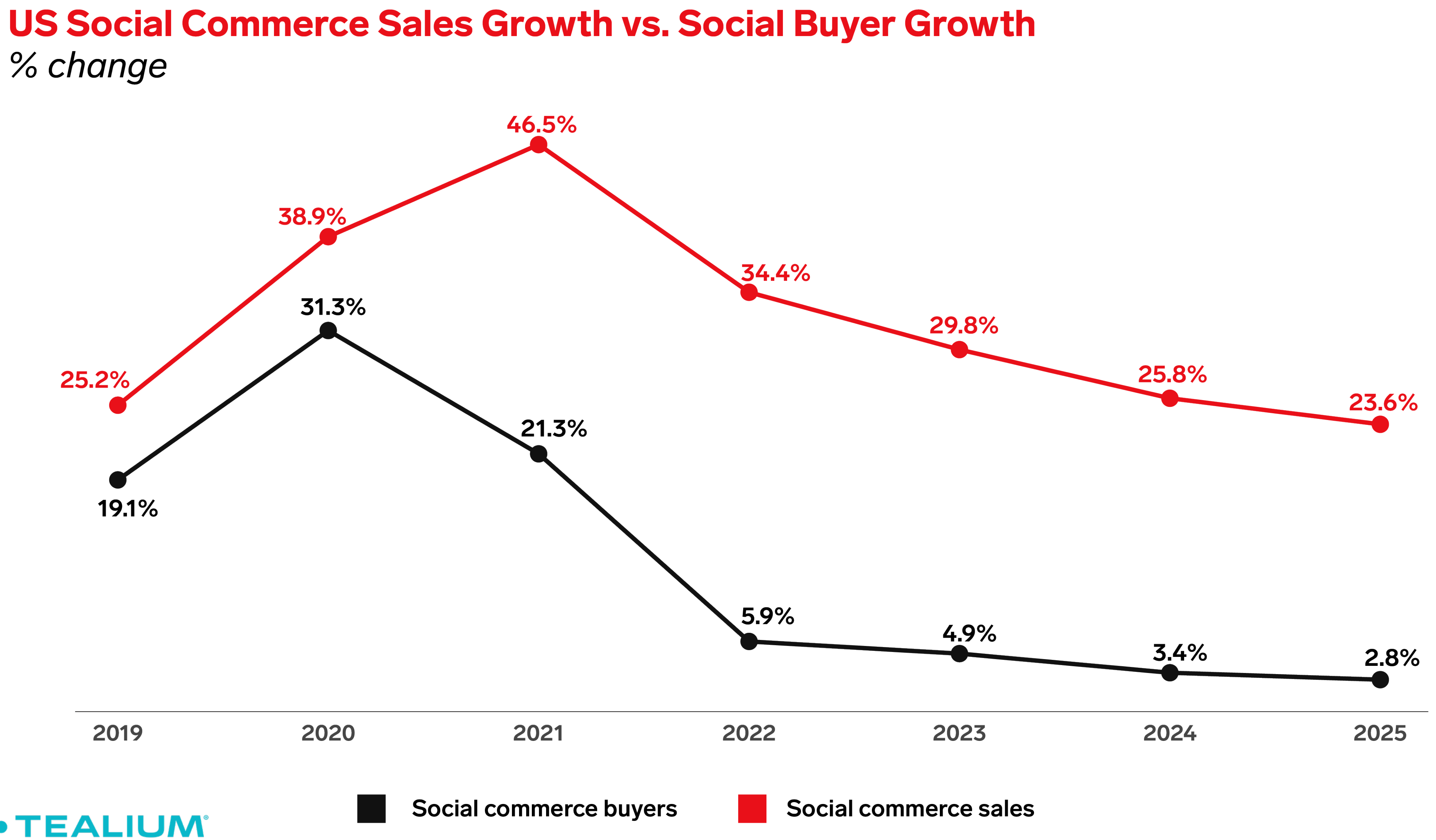
The influx of new social buyers is largely over, but increased spending per buyer will drive social commerce



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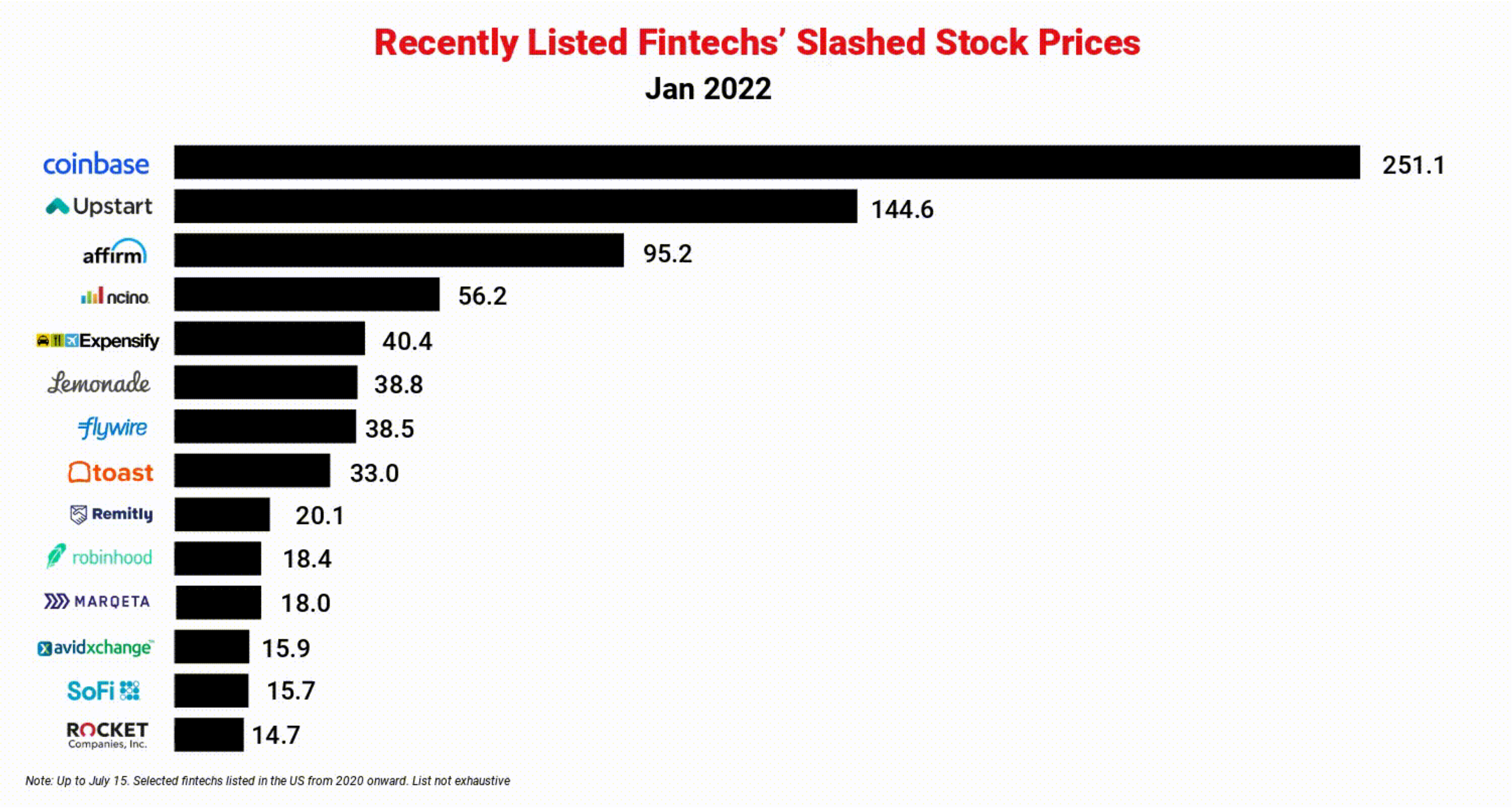
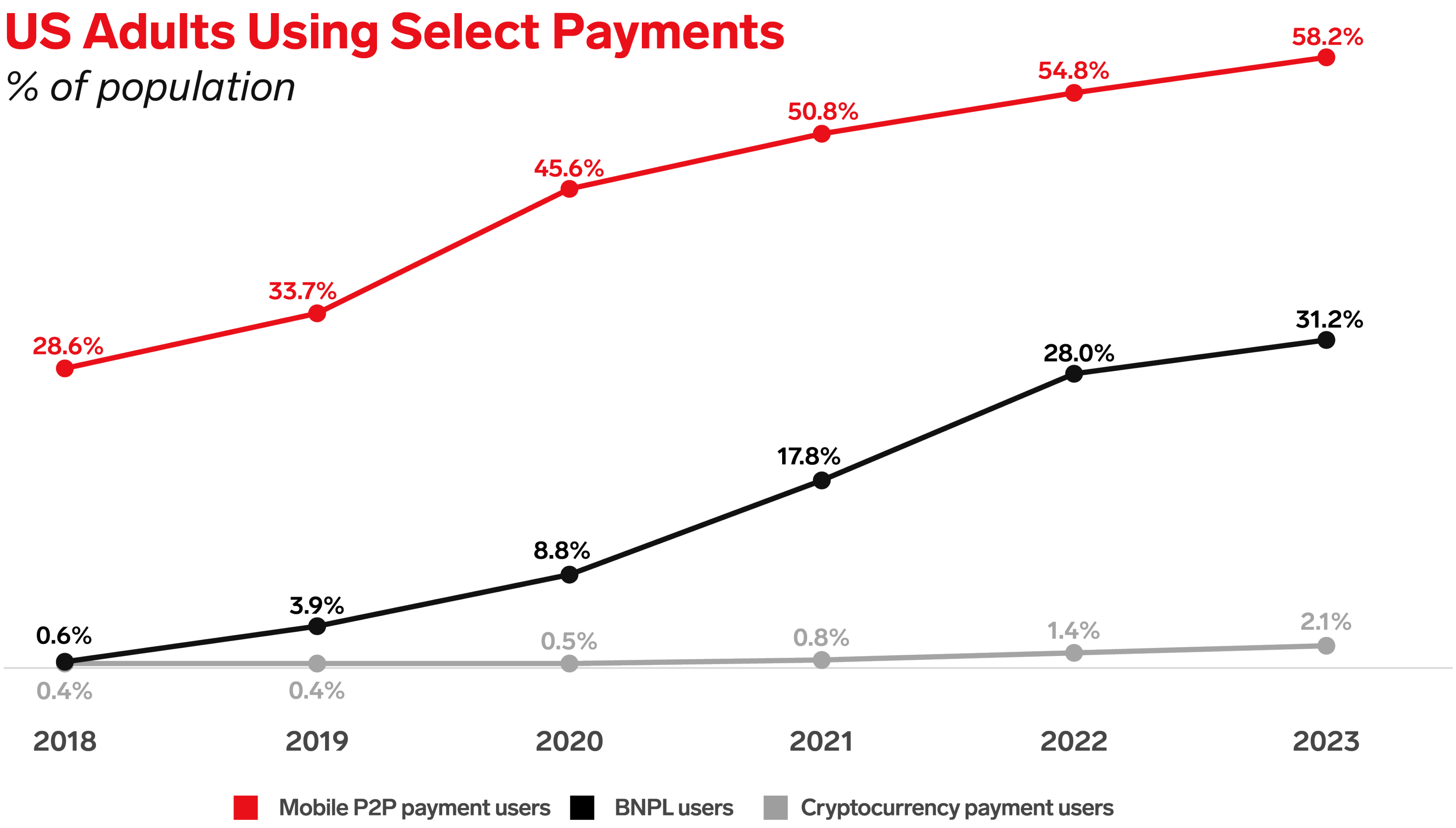
The winner will be the platform that can connect the dots between video, creators, and commerce.

While valuations of most digital-first companies have come crashing down to earth, nowhere else has it been as apparent as in fintech.

Economic turmoil has caused fintech valuations to plummet



But user growth in fintech areas such as emerging payments shows a brighter picture than company valuations



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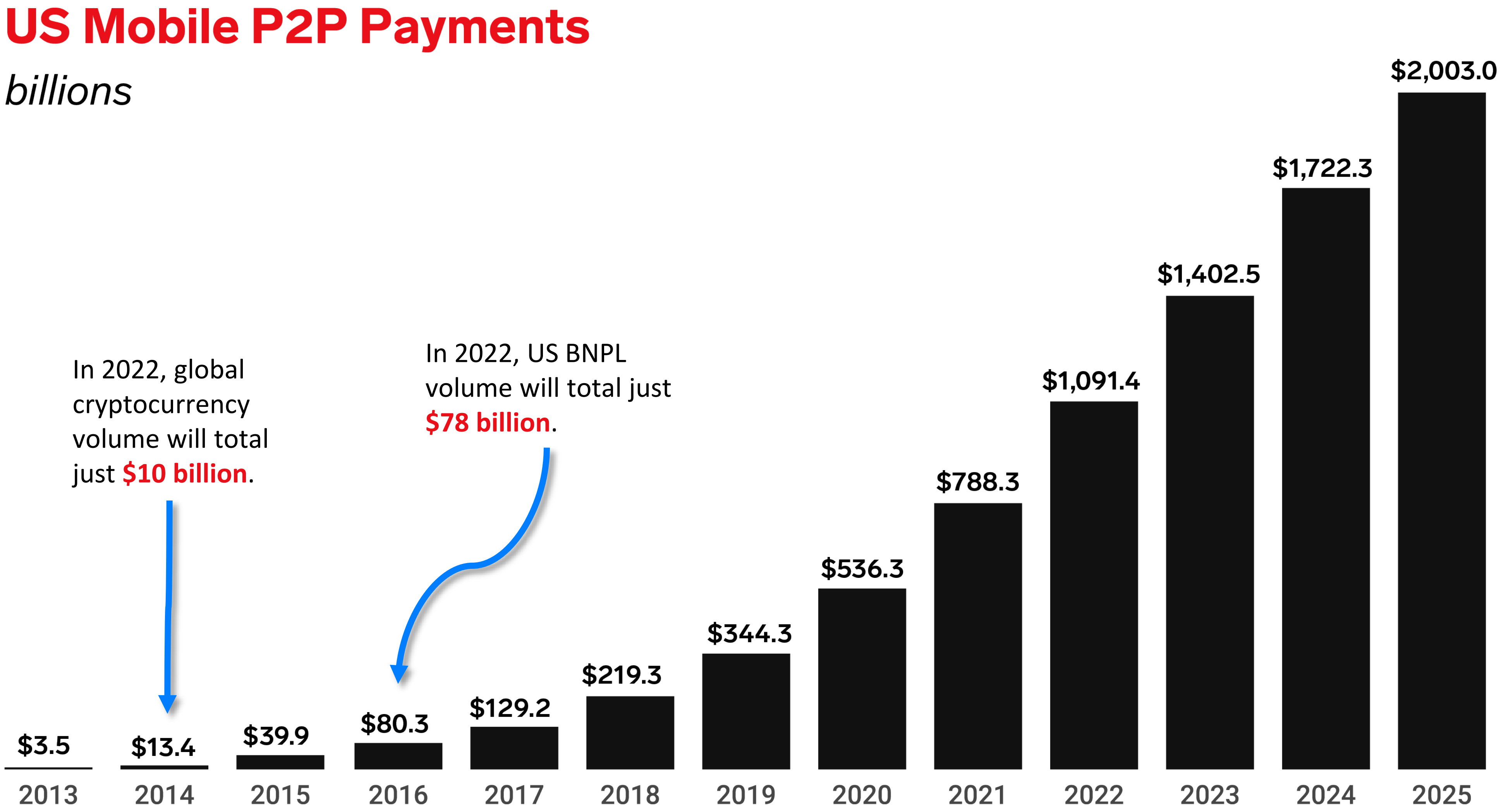
Mobile P2P payments volumes are far ahead of other emerging options—this shows how high-growth innovations can scale over time



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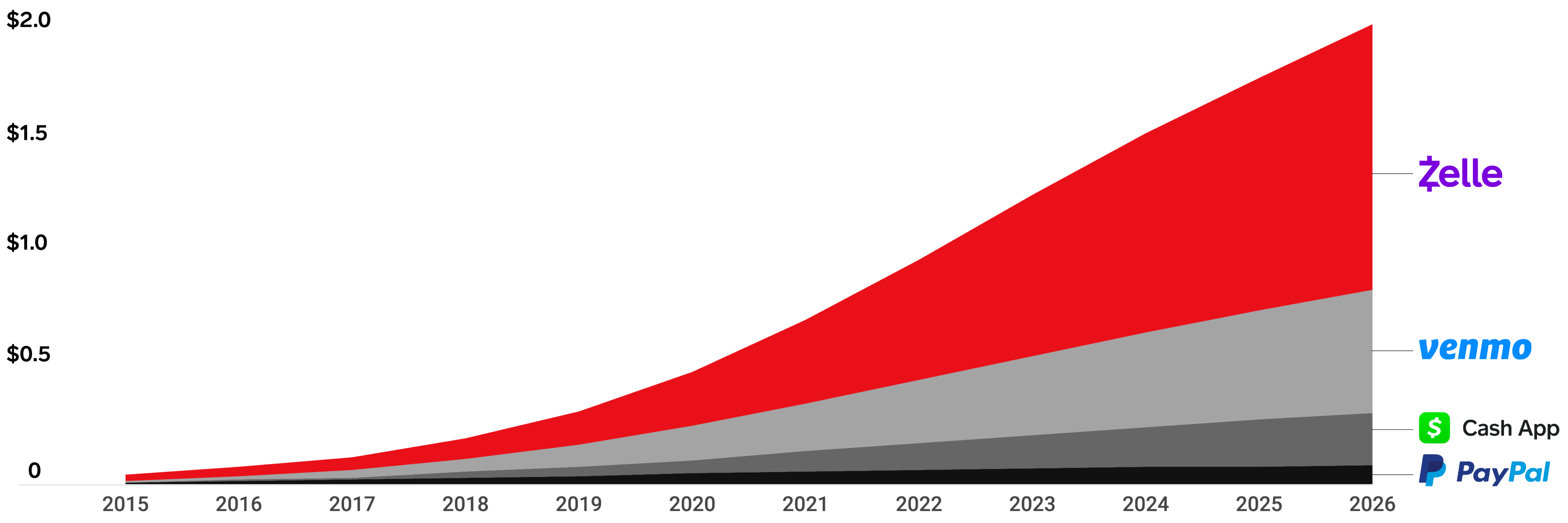
Mobile P2P also shows how incumbent models—like bank-offered Zelle—can reclaim the lead over entrants

US Mobile P2P Payments by Provider
trillions



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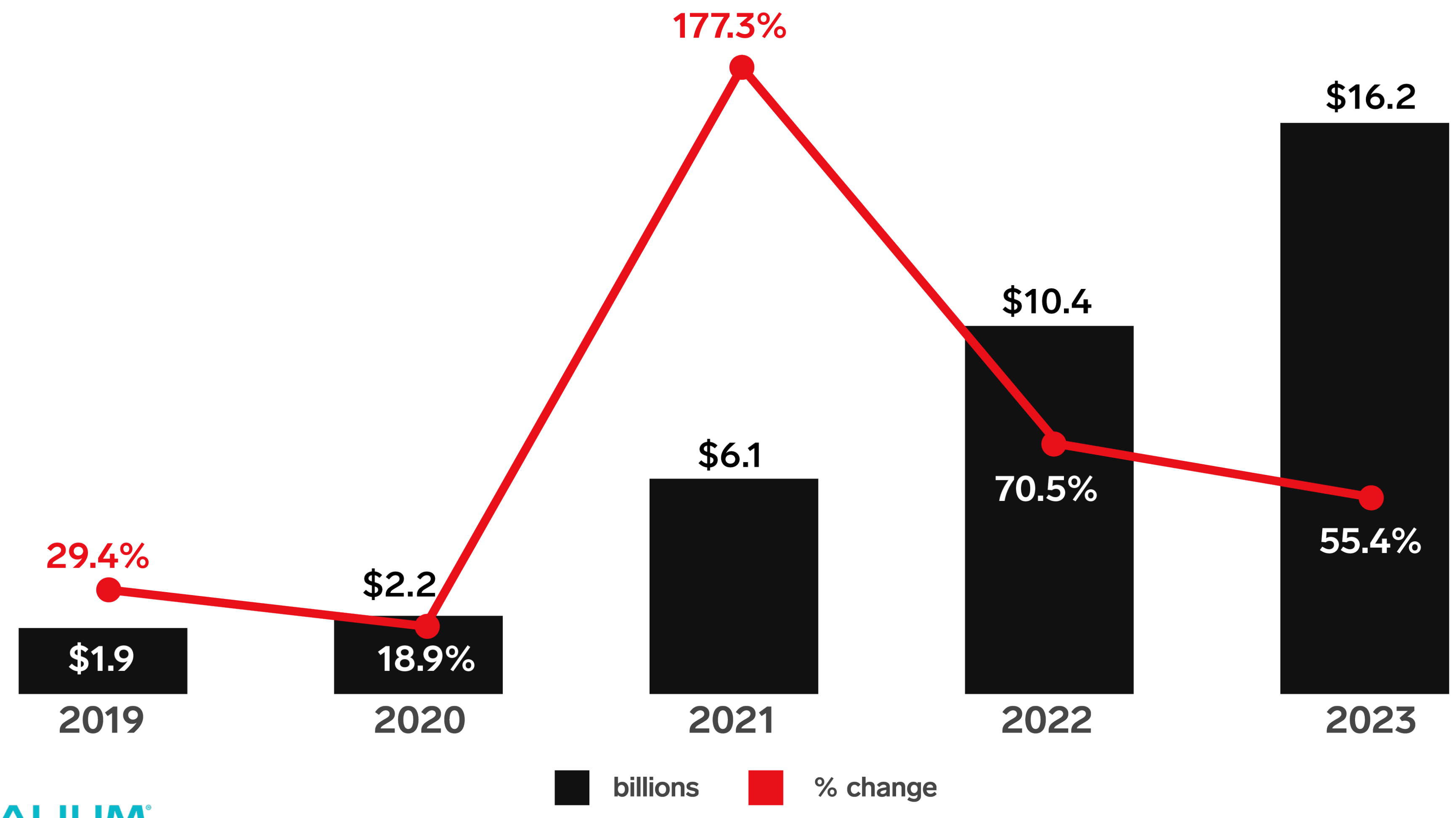
Despite slowed growth rates, cryptocurrency is still showing tremendous opportunity going forward

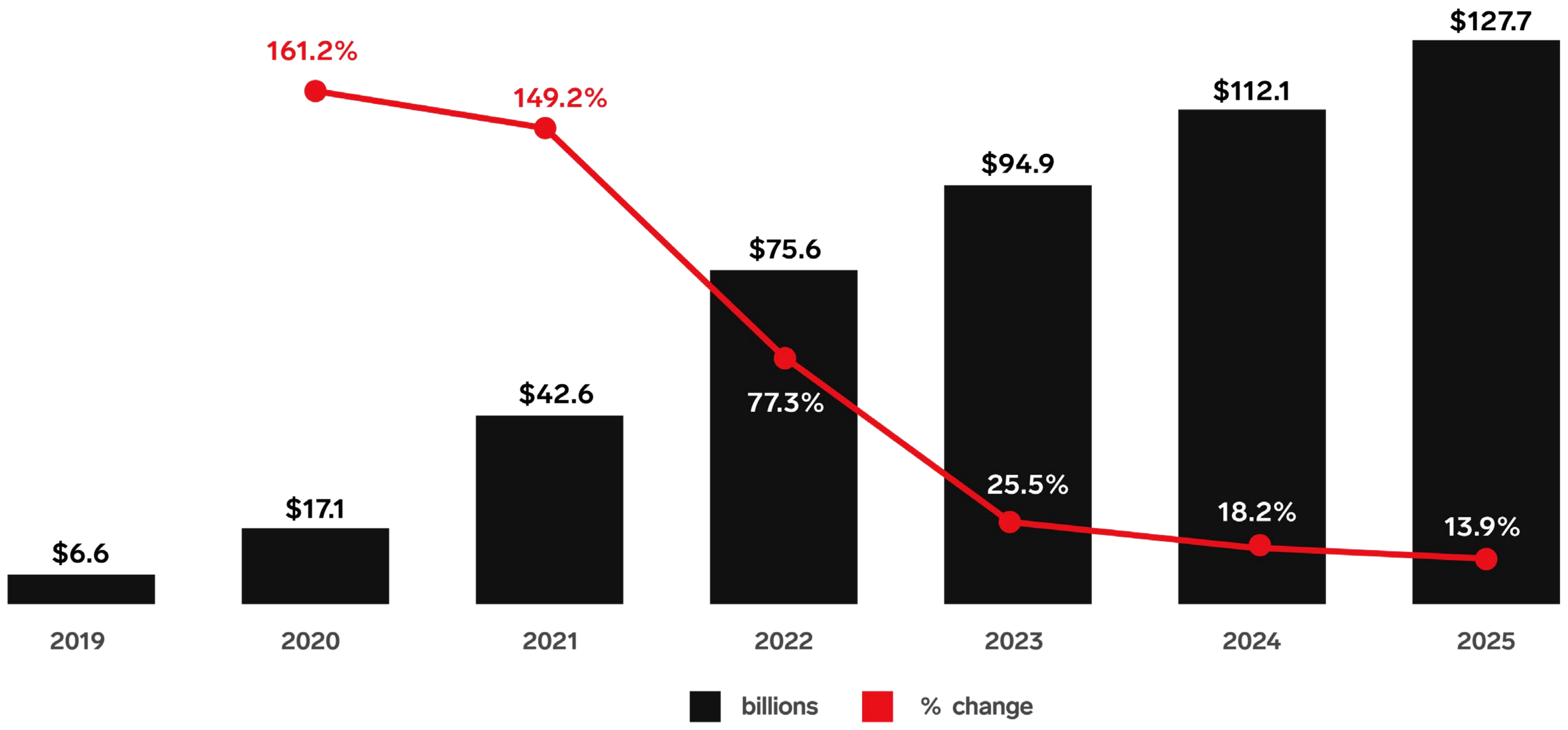
Worldwide Cryptocurrency Transaction Payment Value



Presented by: TEALIUM

BNPL's payments volume in the US alone is over 7 times that of global cryptocurrency

US Buy Now, Pay Later Payment Value



Its interest-free credit model is catching fire with consumers and retailers.

Presented by: TEALIUM

Like crypto, BNPL is also catching heat from regulators—credit worthiness, underwriting, and advertising are under the microscope

2021

March
CFPB broadens abusiveness standard
Seeks to exercise the "full scope of its statutory authority" to protect consumers against abusive business practices

July
CFPB cautions consumers about BNPL
Informs users via blog post about risks and their consumer protection rights

July
Sen. Sherrod Brown pushes CFPB to investigate fintech
Asks how CFPB intends to protect consumers from risks around receiving financial services from fintechs

October
CFPB initiates Big Tech payments practices inquiry
Seeks to understand whether data practices and scale advantage harm consumers

November
Congressional task force investigates fintech products
Explores their growth, risks, and potential benefits at a hearing

December
Six senators urge CFPB to act on BNPL
Call for review of products and action to protect consumers

December
CFPB launches BNPL information-gathering probe
Requests that five major providers report on industry practices

2022

January—March
CFPB invites public comment on BNPL practices
Asks consumers, merchants, and regulators for perspectives to inform regulatory action

July
CFPB scrutinizes Apple Pay Later launch
Raises concerns over Apple's use of BNPL data and effect on market

Presented by: TEALIUM

In conclusion

- Understand where a permanent ecommerce acceleration did and didn't happen—and the drivers of that growth.
- Prepare for the third big wave of digital advertising: retail media.
- Seek out advertising opportunities on emerging digital platforms like CTV, podcasts, and gaming—they remain undermonetized just like every fast-growing new platform.
- Position your advertising commerce strategies for the TikTokification of social media, and get ready for a merger of video, creators, and commerce.
- Look beyond the constant news cycle of fintech valuation declines and prepare for the rapid growth of many emerging payment types.

Sources

All data is from Insider Intelligence forecasts unless otherwise noted.