



Adobe

STATE OF DIGITAL ADVERTISING

SUMMIT 2018 | ADOBE DIGITAL INSIGHTS

Methodology

Most comprehensive and accurate report of its kind in industry

Based on analysis of aggregated and anonymous data via:



Adobe Experience Cloud

Adobe Analytics Cloud

Adobe Ad Cloud

Adobe Campaign

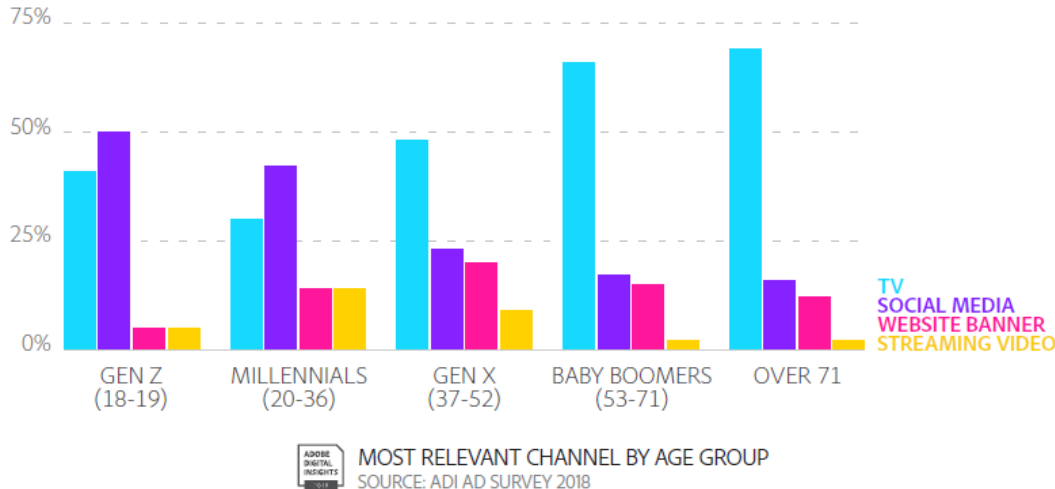
- Report based on analysis of over 183 billion visits to U.S. websites
- Online video data based on 12 billion plays of TVE and 9 billion ad impressions
- E-mail analysis based on 150 billion e-mails sent via Adobe Campaign in 2017
- ADI Summit Survey 2018: we surveyed 1,000 consumers and 250 digital marketers in the U.S. between February and March 2018 about their views on digital advertising

Consumers demand relevance

Key findings

1. Relevance is personal: what people think of advertising depends on demographics, device, and more
2. Millennials see social media ads as the channel where ads are getting more relevant
3. TV is still viewed as the device & channel with the most relevant ads, but not seen as getting better
4. Smartphones are the device where ads are getting more relevant
5. Searchers have shifted to mobile and marketers follow
6. Video shows us that one size does not fit all
7. E-mail reminds us that timely messages are relevant messages
8. Marketers can do better

Relevance is personal, even in advertising



Social media is the most relevant channel for Millennials & Gen Z

- Half of Generation Z (50%) and 42% of Millennials identify social media as the most relevant channel, while Generation Xers, Baby Boomers and older overwhelmingly prefer TV

Across age groups, men see TV as more relevant than women do (52% to 43%)

- Women prefer social media as the most relevant channel compared to men (35% to 22%)

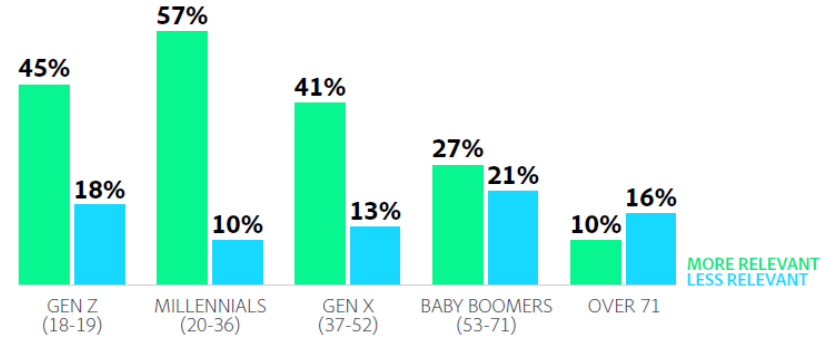
Ads are getting better, but not for everyone or everywhere

Personalized content is improving ad relevance

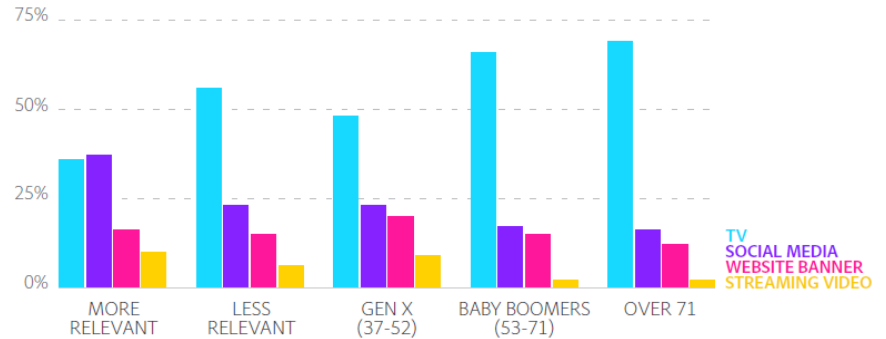
- People who find social media most relevant also feel that ad quality has improved,
- Those that think TV is the best source for relevant content are more likely to feel that ad quality has declined

Millennials are most likely to see ads increasing relevance

- Generation that grew up with social media is most likely to see ads getting more relevant



ADOBE DIGITAL INSIGHTS
AD QUALITY IMPROVEMENT, PREVIOUS TWO YEARS
SOURCE: ADI AD SURVEY 2018



ADOBE DIGITAL INSIGHTS
CHANGE IN RELEVANCE BY MOST RELEVANT CHANNEL
SOURCE: ADI AD SURVEY 2018

Source: Adobe Digital Advertising Survey, 2018



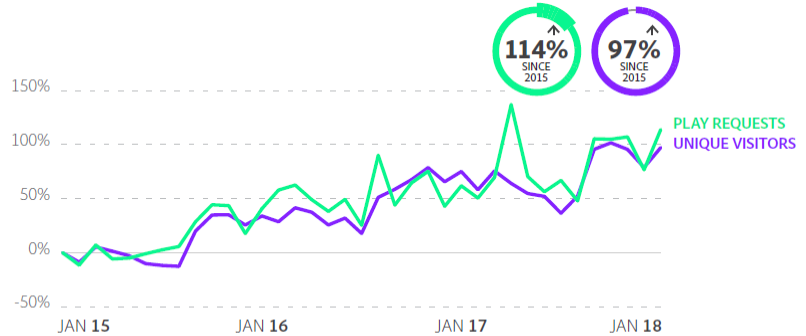
The line between digital and TV continues to blur

Digital video viewing continues to grow at a steady pace

- TVE views and users has doubled over the past two years (up 114% and up 97%) over the past two years

TV Everywhere increases its primetime share year-over-year and its only going to increase

- On-demand TV viewers are shifting more into key evening hours (5PM-11PM) year-over-year
- Nearly two-thirds (60%) of Gen Z consider “watching TV” as using a streaming service (such as Netflix, Hulu, Amazon Prime)



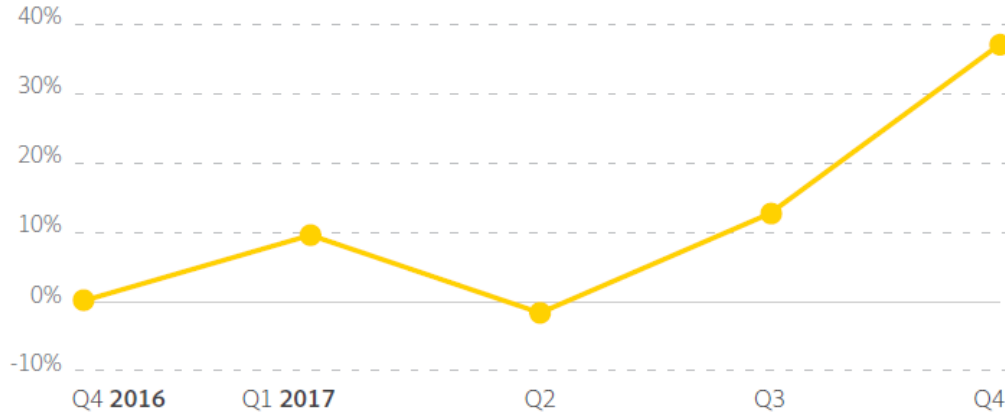
ADOBE DIGITAL INSIGHTS TV EVERYWHERE PLAY REQUESTS AND USER GROWTH (NORTH AMERICA)
SOURCE: ADOBE PRIMETIME



ADOBE DIGITAL INSIGHTS WEEKDAY VIEWING: TV AND TV EVERYWHERE
SOURCE: ADOBE PRIMETIME AND AC NIELSEN

Source: Adobe Primetime, Adobe Digital Insights Digital Marketing Survey, 2018

TV emerges as a digital device



UNIQUE VISITOR GROWTH FROM TV CONNECTED DEVICES
SOURCE: ADOBE PRIMETIME

TV is increasingly the living room internet portal

- Just as more video is watched on mobile and desktop devices, TV Connected Devices are the source of more and more website visits
- This further blurs the line between TV and digital device



Source: Adobe Primetime

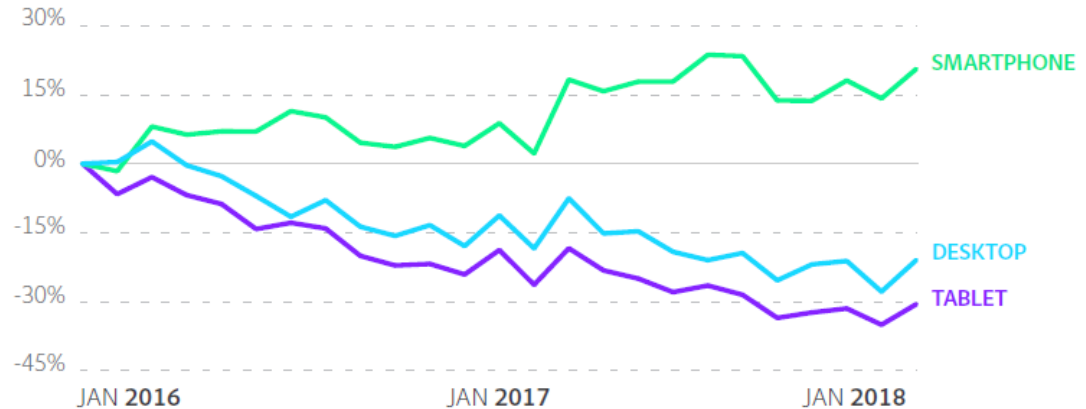
Mobile is the dynamic screen in consumers' lives

Smartphone continues its rapid rise as the go-to device for consumers

- By January 2018, smartphone visits are up 21% in the U.S. across all verticals, compared to January 2016
- Desktop and tablet visits (down 21% and 31%, respectively, since January 2016) are shrinking

Mobile is also where ads are getting more relevant

- Owning a smartphone doubles the chances someone thinks ads are getting more relevant

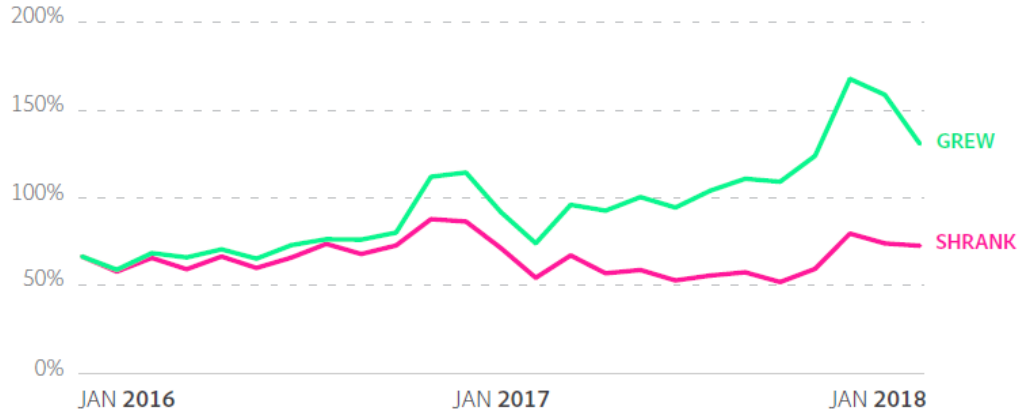


DEVICE VISIT TREND ALL INDUSTRIES (UNITED STATES)
SOURCE: ADOBE ANALYTICS



Source: Adobe Primetime, Adobe Digital Advertising Survey 2018

Mastering mobile can drive retail growth



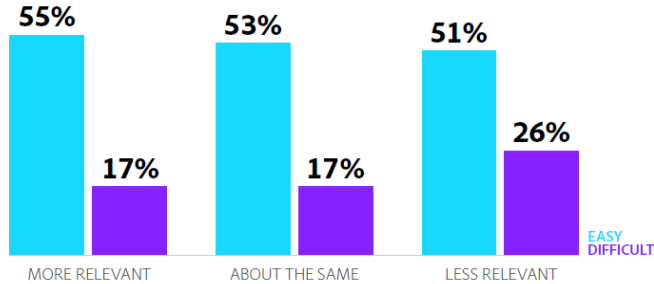
SMARTPHONE TREND IN RETAIL BY GROWTH SEGMENT (UNITED STATES)
SOURCE: ADOBE ANALYTICS

Mastering the smartphone experience is a key to driving growth

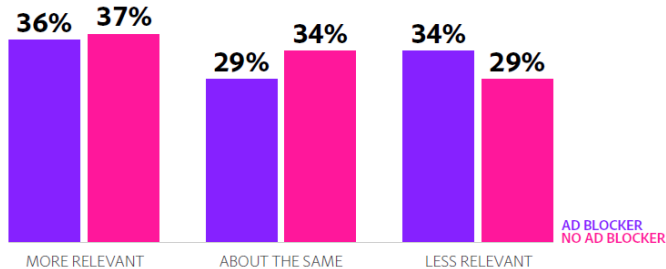
- Growing retailers had 48% more visits from smartphones in January 2018 compared to January 2016, while shrinking retailers smartphone visits are nearly flat for the last two years (up 5% in January 2018 relative to January 2016)



Good content struggles to cut through the clutter



ADOBE DIGITAL INSIGHTS
EASE OF IGNORING ADS BY CHANGING RELEVANCE OF ADS
SOURCE: ADI AD SURVEY 2018



ADOBE DIGITAL INSIGHTS
AD RELEVANCE VS. USE OF AD BLOCKER IN PRIMARY BROWSER
SOURCE: ADI AD SURVEY 2018

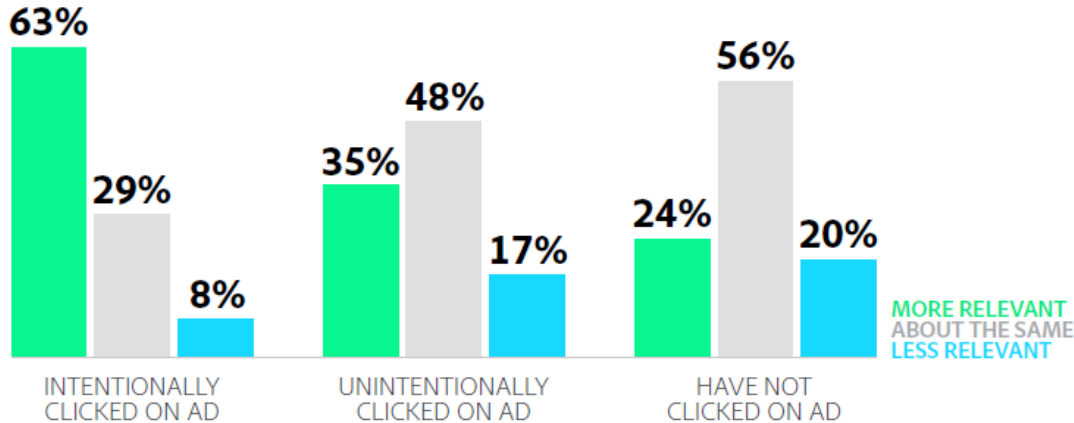
Even relevant content has a hard time breaking through to consumers' attention

- More than half of people think online ads are easy to ignore regardless of age or gender

Ad blockers do not improve perceived ad relevance

- People who used ad blockers do not have significantly different perception of ad relevance

Clickers give insight on relevant ads



INTENTIONAL CLICKING VS. IMPROVING AD RELEVANCE
SOURCE: ADOBE ANALYTICS

Half of clickers did it by mistake

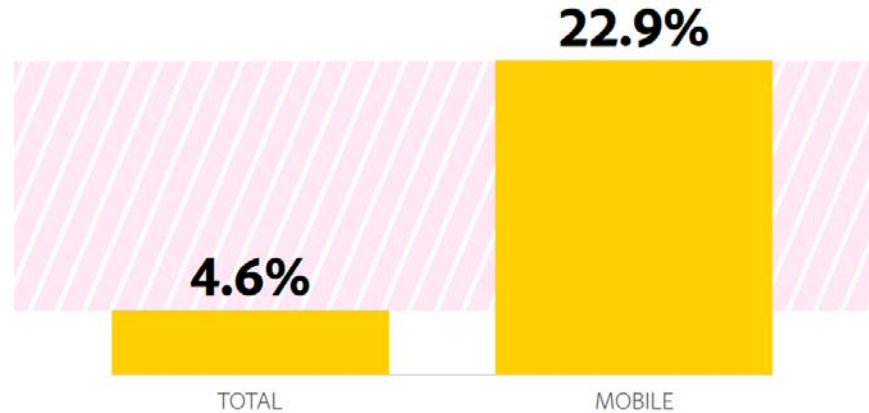
- As many survey respondents said they had only ever unintentionally clicked on ads as said they had ever intentionally clicked
- So clicks don't mean any one ad is relevant to an audience

But clickers see ads as getting more relevant

- Either improving ad relevance is getting people to click, or people who click are seeing more relevant ads

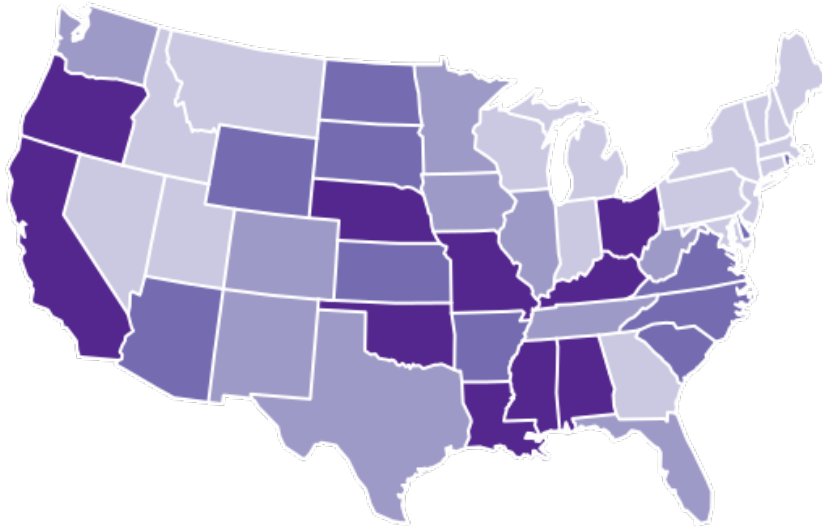
Search: getting clickers requires focusing on the audience

- Audiences have shifted search to mobile and marketers have responded: average monthly spend from digital marketers is up by 4.6% year-over-year in 2017, but average spend on mobile is up 22.9%



CHANGE IN AVERAGE MONTHLY SEARCH SPEND (NORTH AMERICA, 2016 - 2017)
SOURCE: ADOBE MEDIA OPTIMIZER

Video: one size never fits all



■ Highest viewable completion rates (Feb 2018)
■ Lowest viewable completion rates (Feb 2018)

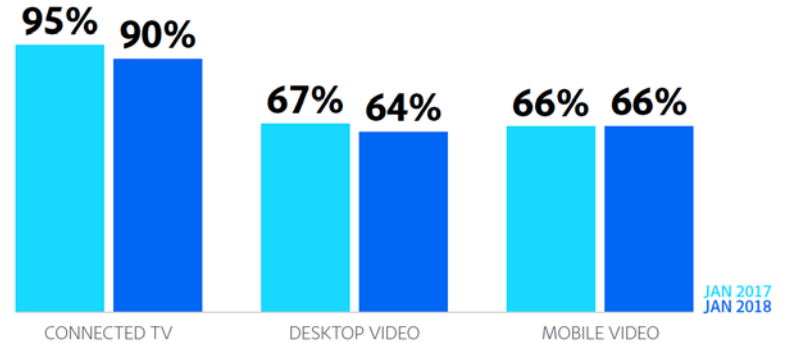
Regional variation is strong across states when it comes to viewable completion rates

- Different states stick with video ads for different periods of time
- This leaves huge opportunities to optimize creative across regions
- Similar patterns exist around demographics, psychographics and behavioral segments
- Advertisers lose a lot of audience attention when applying a one-size-fits all creative to all of the US

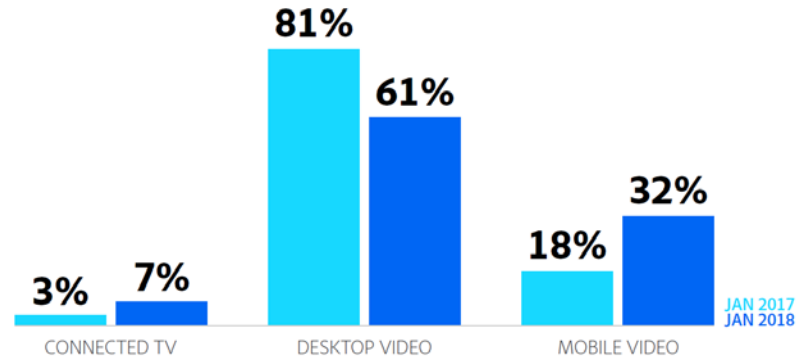
Video: mobile is the dynamic screen

Mobile keeps a consistent completion rate even with increasing share

- TV connected devices fell in terms of completion rates year-over-year (95% to 90%) while their share of video ad impressions increased from 3% to 7%
- Desktop video had a 20% drop in share of video impressions between 2017 and 2018 (81% to 61%) split mostly towards mobile video (added 16%) but also TVCD (4%)
- Mobile video has maintained a 66% completion rate despite a doubling in completion rates year-over-year



ADOBE DIGITAL INSIGHTS VIDEO AD COMPLETION RATE BY DEVICE (UNITED STATES) SOURCE: ADOBE AD CLOUD



ADOBE DIGITAL INSIGHTS SHARE OF VIDEO IMPRESSIONS BY DEVICE (UNITED STATES) SOURCE: ADOBE AD CLOUD

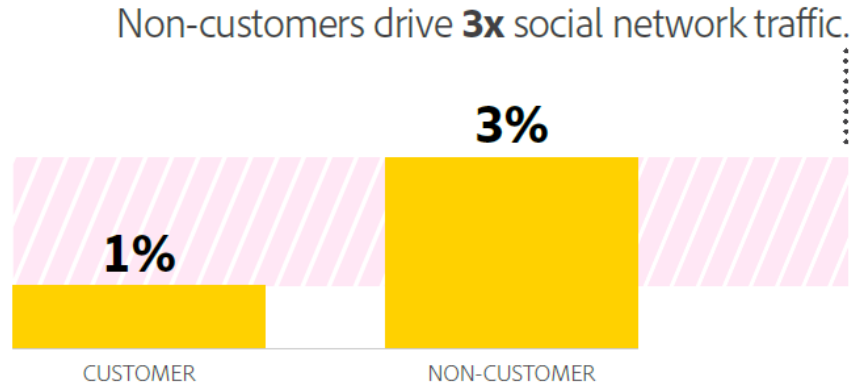


Source
Adobe Ad Cloud

Social is the channel of the future for new customers

Social media drives 3x more traffic for non-customers than customers

- Non-customers are 3 times more likely to visit retailers from social media than customers (up from 2.5x in 2016Q4)
- Younger generations preference for social media as a relevant channel means this number is going to continue to increase

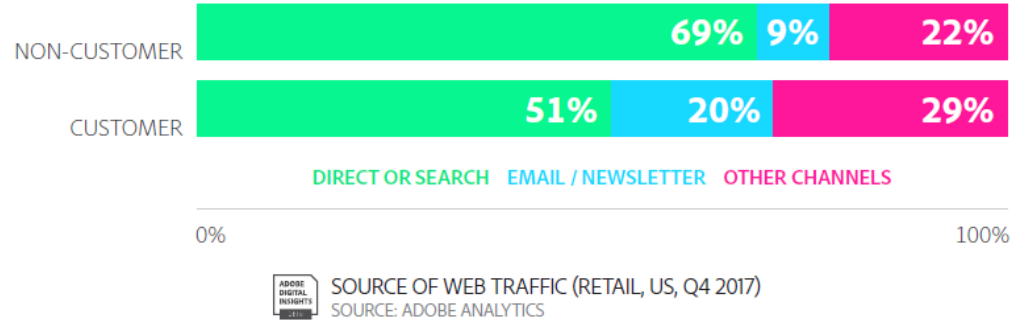


SOURCE OF WEB TRAFFIC FROM SOCIAL NETWORKS (RETAIL, US, 2018)
SOURCE: ADOBE ANALYTICS

With search, e-mail remains key channel to customers

Direct and search remains the primary source of visitors in retail for customers (52%) and non-customers (69%) alike

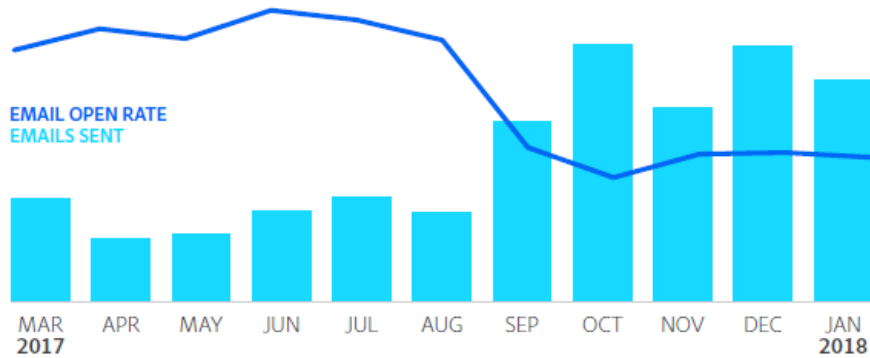
- E-mail drives a fifth of visits from customers (20%) and nearly a tenth from non-customers (9%)
- The importance of other marketing channels is increasing; the share of visits coming from customers is up to 29% in retail (from 23% in 2016Q4)



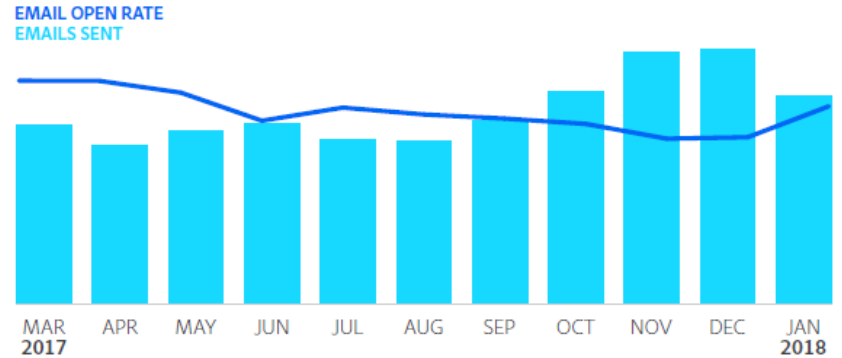
E-mail: relevancy depends on audience and time

Reaching customers by e-mail varies by industry and time of year

- For Financial Services, e-mail open rates fell after a spike in e-mail sends at the end of 2017
- In retail, open rates stayed consistent even as e-mail sends peak during the holiday season

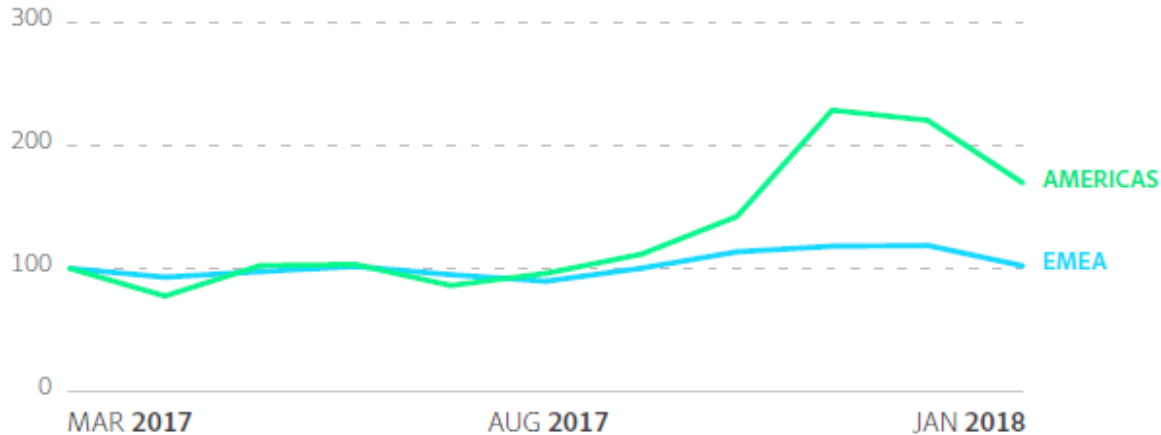


ADOBE DIGITAL INSIGHTS
AVERAGE E-MAILS SENT AND OPEN RATE BY VERTICAL (FINANCIAL SERVICES, MARCH 2017-JAN 2018)
SOURCE: ADOBE CAMPAIGN



ADOBE DIGITAL INSIGHTS
AVERAGE E-MAILS SENT AND OPEN RATE BY VERTICAL (RETAIL, MARCH 2017-JAN 2018)
SOURCE: ADOBE CAMPAIGN

European retailers not sure Thanksgiving retail is relevant



- Marketers between regions can benefit from taking the pulse of their customers. In Europe, marketers refrain from the Thanksgiving and holiday retail push over e-mail



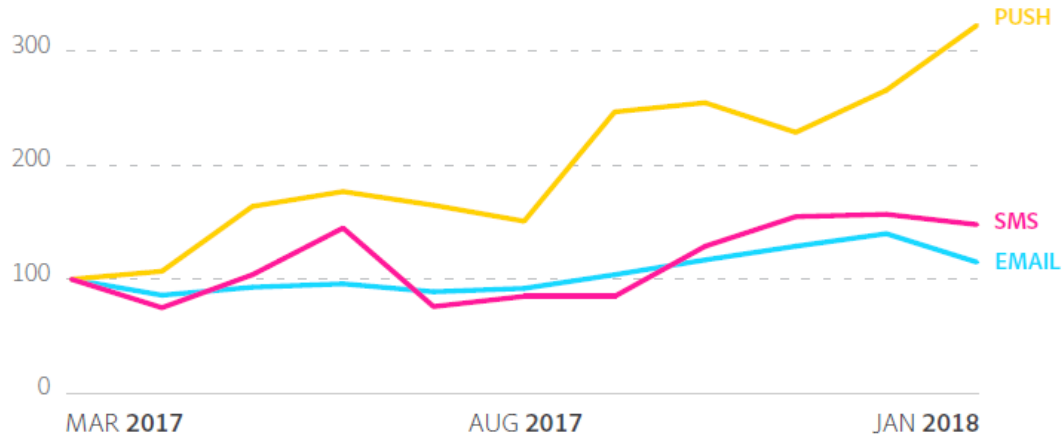
AVERAGE E-MAILS SENT, EMEA VS. NON-EMEA
SOURCE: ADOBE CAMPAIGN



Methodology: Total e-mails sent indexed (March 2017 = 100)

Source: Adobe Campaign

Is Push the Future?



AVERAGE SMS, PUSH, AND E-MAILS SENT BY MARKETER (INDEXED, MARCH 2017 = 100)
SOURCE: ADOBE ADOBE CAMPAIGN

Push sees little push-back

- As mobile becomes the preferred screen, marketers are making big pushes into push. Push notification sends are up over 300% over the last 9 months
- While e-mail and SMS follow a typical pattern, we're seeing a major shift into push notifications
- The jury is out on the push: when will marketers know its too much?

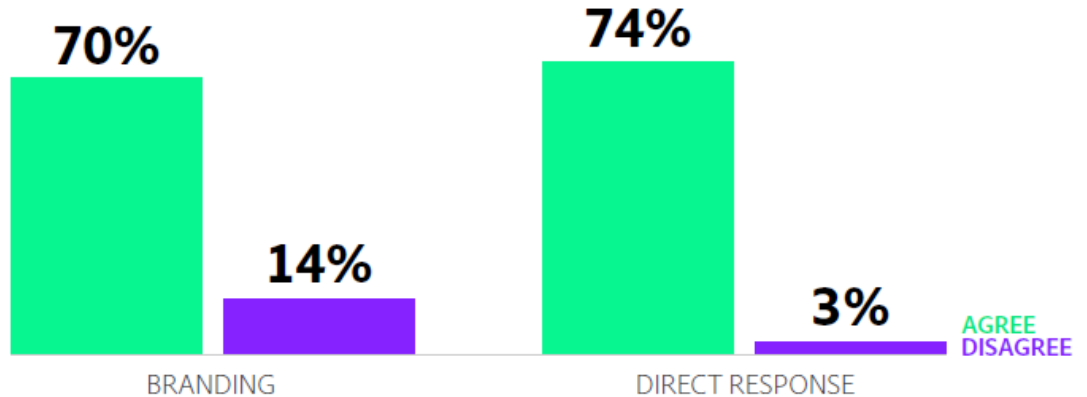


Marketers think they are more relevant than they are

More than 70% of advertisers see their ads as relevant to the audience they are targeting

- Yet only 8% of people think the ads they see online are always relevant
- And only 27% of people think the ads they see online are at least often relevant
- Most marketers must be less relevant than they think they are

My call-to-actions in banner ads are directly relevant to the audience I'm targeting.



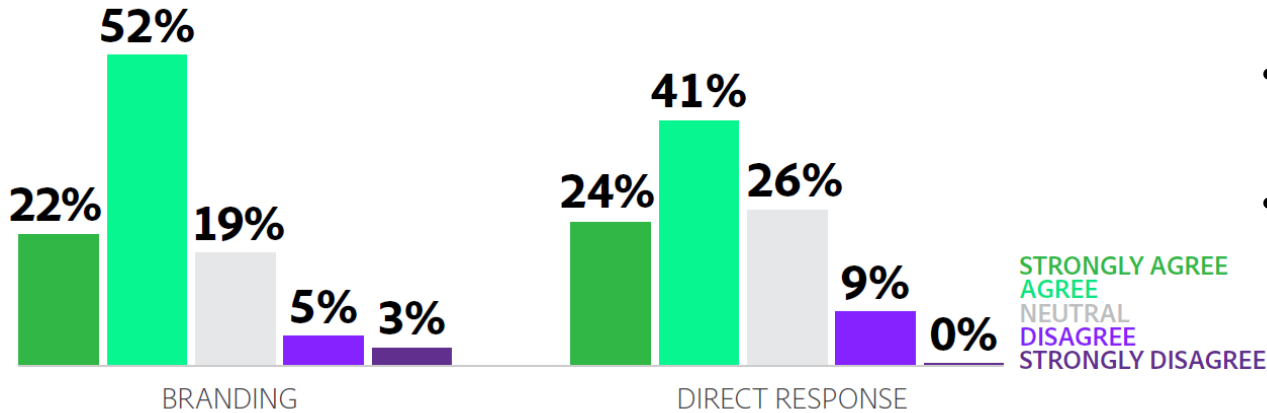
SOURCE: ADI AD SURVEY 2018



Source: Adobe Digital Advertising Survey, 2018

Marketers can be more relevant

My creative and media strategy is tightly integrated.



Connect medium and message

- Audiences tune out of ads that don't feel relevant
- Targeting allows marketers to reach specific audiences with specific interests and needs
- Creative and media strategy have to be tightly integrated to get the right message to the right audience



SOURCE: ADI AD SURVEY 2018



Source: Adobe Digital Advertising Survey, 2018