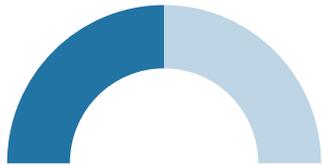


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The State of Performance Advertising KPIs: 2020

REPORT

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F O R W A R D

Peter Drucker features heavily in business theory. Sift through enough guides and you'll find the management guru's most famous quote, "What you can't measure, you can't improve."

Few statements summarize our industry so perfectly. Performance advertisers use tried and tested metrics to inform ad budgets. Biddable media campaigns live and die based on cold, hard results.

Today, however, Drucker's quote risks subversion. Retailers haven't stopped measuring their campaigns' success; whether they still measure for the right things is another story.

Crealytics works with some of the world's most forward-thinking advertisers. Their success reflects a willingness to question the status quo around industry KPIs. Plenty more, the theory goes, resist turning the page to more advanced methods. Efficient ad campaigns take precedent over effective ones.





F O R W A R D

Take Return on Ad Spend, which excels at shedding top-down light on performance. It also provides an easy yardstick for budget setters. Next-gen automation only enhances its appeal, making it a go-to metric despite its weaknesses. But while today's set-and-forget algorithms achieve dizzying new ROAS figures, they signify a turning point.

Commoditized tools and goals breed no competitive advantage. Moving away from revenue-centric KPIs helps to break this paradigm.

Retailers operate in a hyper-competitive landscape. Throw in rising acquisition costs and even the biggest names feel pressure to invest wisely, test ruthlessly and evolve their assessments of performance. Anecdotally, many of those we speak to recognize the need for more enhanced measurement. This report explores whether the perceived need for advanced KPIs reflects industry norms.

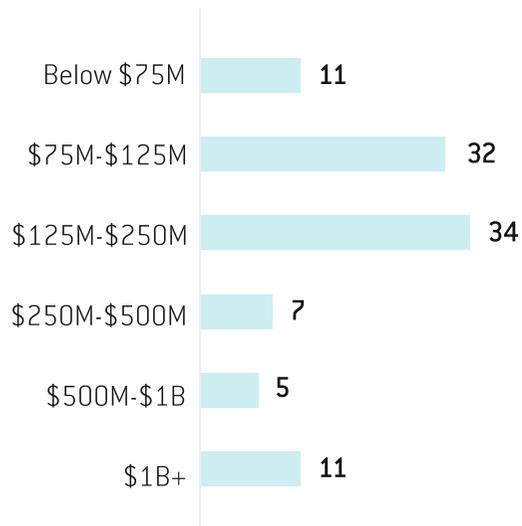


Who took part in our survey?



Creatlytics conducted a survey among 100 e-commerce companies of all sizes, types and verticals. Roughly 2/3 are represented by the Internet Retailer Top 500

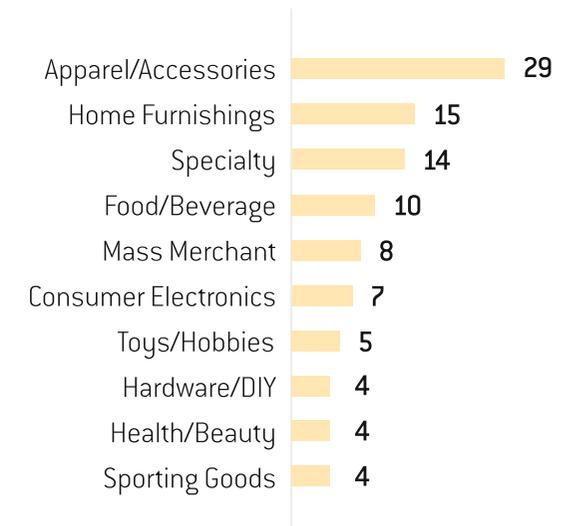
BY WEB SALES 2018



BY TYPE



BY CATEGORY



Who took part in our survey?



To secure a representative survey, we sought 100 eCommerce companies composed of different sizes, types and verticals. Only senior decision makers – from director level upwards – answered our questions. Approximately 66% of all companies surveyed are in the Internet Retailer Top 500 list.

In terms of sales volume, the bulk of companies who participated made between \$75 and \$250 million in web sales per annum. A further 12% generated between \$250 million and \$1B. We gave equal weight to the groups at both ends of our scale. Eleven of our interviewed companies made below \$75 million. The same number represented companies that generated over \$1 billion.

To create a healthy mix of perspectives, company types ranged from retail chain to brand manufacturers, and from online-only to catalog-based retailers. They incorporate ten separate categories.

Only senior decision makers – from director level upwards – answered our questions. Approximately 66% of all companies surveyed are in the Internet Retailer Top 500.

What are the most commonly used KPIs in 2020?



To begin with, we asked our recipients to rank – for each channel they use – the KPIs they deemed most valuable across tracked campaigns. The question was open ended; they submitted their responses without the aid of examples.

Answers mirrored varying levels of strategic maturity. However, the leading metric indicates no shift in the status quo. ROAS – the most basic of the four KPIs given – ranked most important across Search, Social and Display.

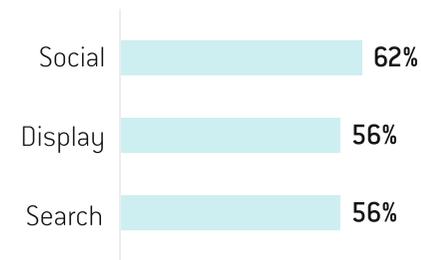


[Efficiency still beats effectiveness as the primary KPI, but more advanced metrics are gaining recognition.](#)

This popularity can be explained in two ways. Firstly, ROAS delivers quick insight into top-line performance. Setting targets takes little strategic focus.

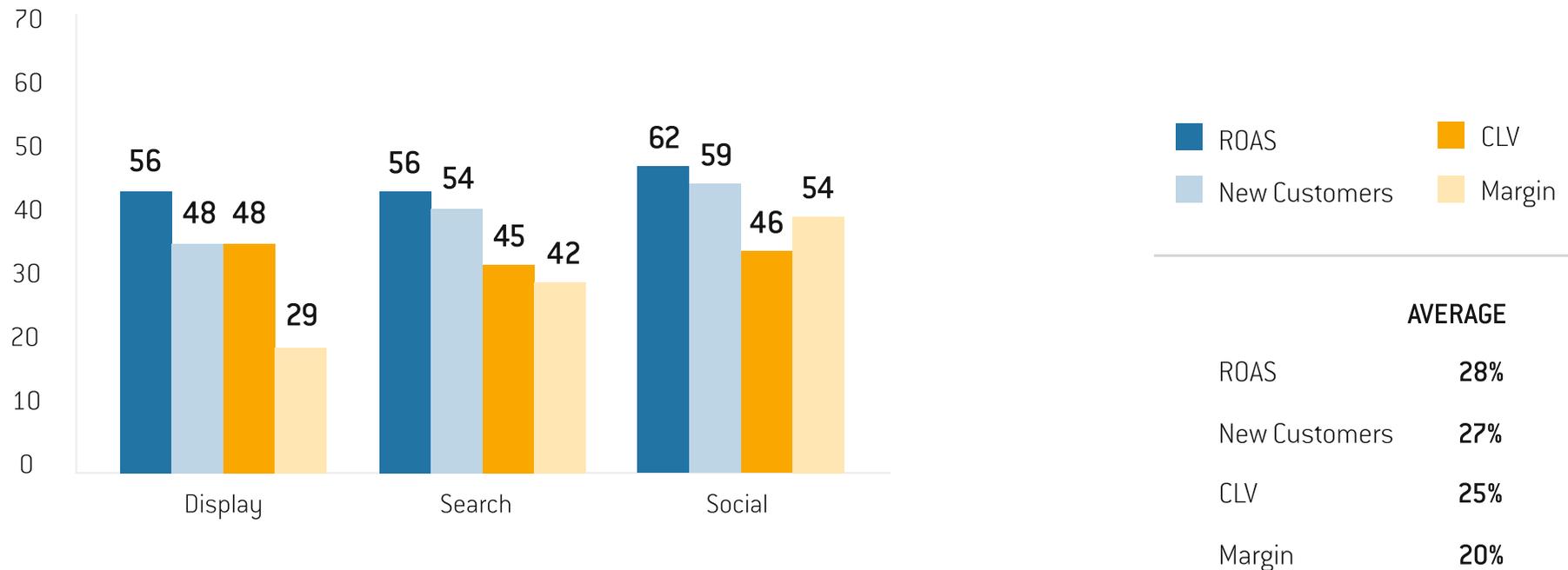
Fast turnaround between setting and delivering on goals works for budget makers under pressure to show short-term results. Secondly, digital marketers can rely on proven methods to secure ROAS targets (brand and retargeting campaigns) in addition to advanced automation.

More sophisticated KPIs also appeared in our respondents' top five KPIs. Margin, New Customers and Customer Lifetime Value show a clear awareness of advanced alternatives.



ROAS triumphs as the most important KPI in practice across Social, Search and Display

What are the most commonly used KPIs in 2020?

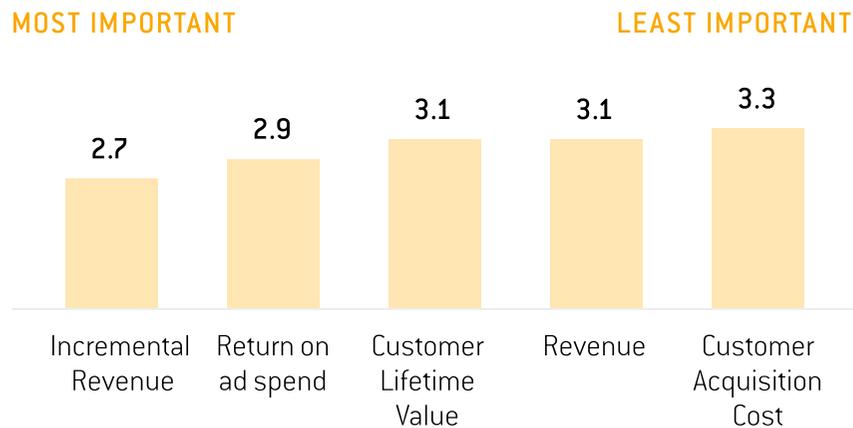


Return on Ad Spend (ROAS), New Customers, Customer Lifetime Value (CLV) and Margin are the most commonly cited metrics

Industry perceptions around measurement KPIs.



“Rank the five KPIs you feel to be the most important to performance marketing, regardless of whether you use them or not.”



Respondents then ranked their top five KPIs based on perceived industry importance, regardless of whether or not they used them in their own campaigns.

On average, 32% of our recipients considered incremental revenue as “most important.”

This raises an interesting point – they recognize that measuring revenue alone doesn’t reflect causality.

ROAS typically indicates Revenue/Ad Spend, whereas revenue (and incremental revenue) represent absolute numbers. Why, then, did most respondents view ROAS as more significant than revenue? Given the fact that ROAS decreases when revenue goes up, we surmise that the respondents prioritize meeting certain efficiency levels.

We also see an interesting paradox with the addition of Customer Lifetime Value and Customer Acquisition Cost. Despite CLV’s median ranking, participants valued its counterpart – Customer Acquisition Cost – as least important.

↳ [Could this paradox highlight a gap in understanding certain KPIs’ mechanics? After all, CAC determines the ROI of an acquired customer cohorts.](#)

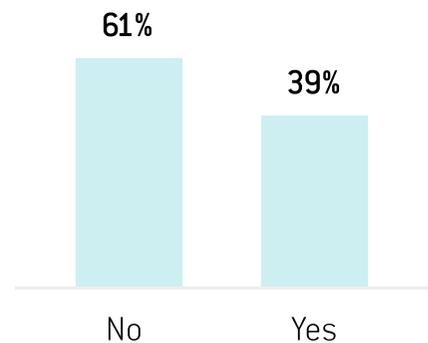


Attitudes to incremental value



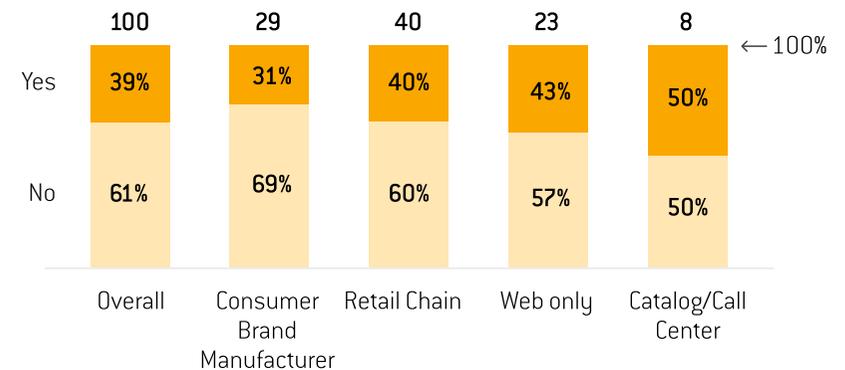
What relationship do retailers have with incrementality?

HAVE YOU STARTED MEASURING FOR INCREMENTALITY?



We know that ROAS remains the de-facto metric for retailers in practical terms. But awareness of and desire for incremental revenue doesn't tally with the metric's key component. Of those who considered testing to be 'very important,' only 1/3 actually did so. Only 39% of those surveyed told us they'd started testing for incrementality.

COMPARING RETAILERS WHO VALUE INCREMENTAL REVENUE AS A KPI VS. THOSE WHO ACTUALLY TEST FOR IT.

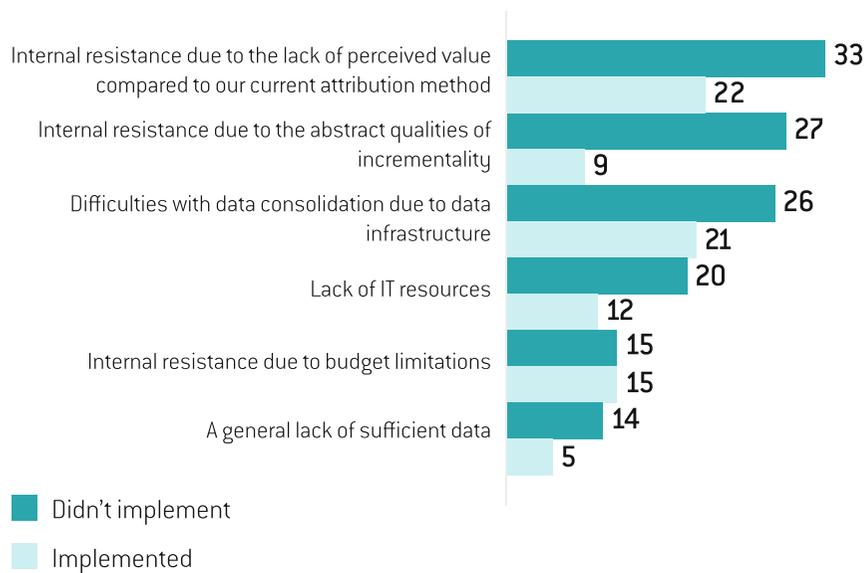


This figure varied nominally between retailer types but mirrored historic preferences. Consumer brand manufacturers, who tend to have less offline visibility into their shoppers, tested for incremental revenue the least. Catalog-driven retailers take a different approach. Around half test for the KPI, reflecting a natural affinity for knowing their customers.

Attitudes to incremental value

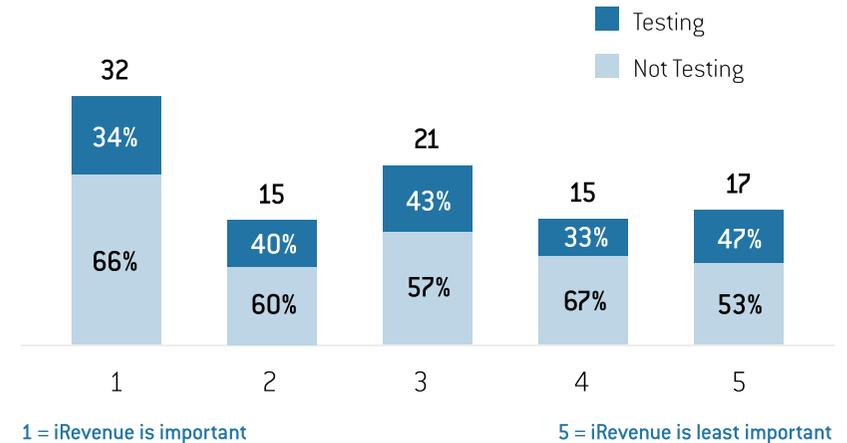


What relationship do retailers have with incrementality?



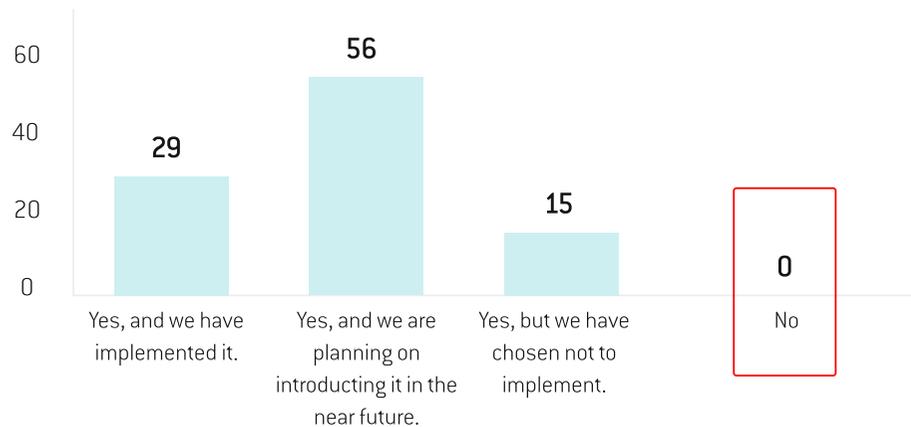
Incrementality testing is an advanced, multi-faceted concept. Both parties – those who tested and those who didn't – reported mutual challenges, with siloed data, budget limitations and perceived lack of IT resources all making the list. Companies who had already implemented testing posit a

COMPARING RETAILERS WHO VALUE INCREMENTAL REVENUE AS A KPI VS. THOSE WHO ACTUALLY TEST FOR IT.

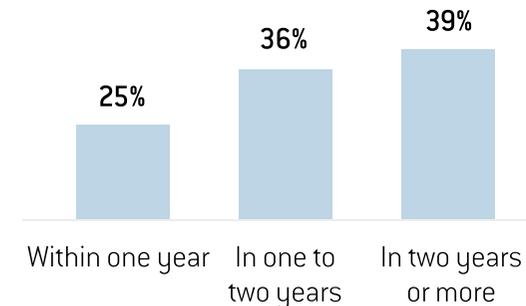


chicken/egg scenario. Did they experience less internal resistance around its value thanks to supporting data? Or simply benefit from a more agile culture?

Perspectives on Customer Lifetime Value



WHEN DO YOU PLAN TO START IMPLEMENTING CLV-BASED MARKETING KPIs?



CLV-based marketing KPIs play a prominent role for advertisers in 2020, with all of our respondents at least considering its implementation. Of those interested in CLV, 25% plan to implement it within a year, 36% within 2 years, and a further 39% view it as a longer-term (2+ years) project.

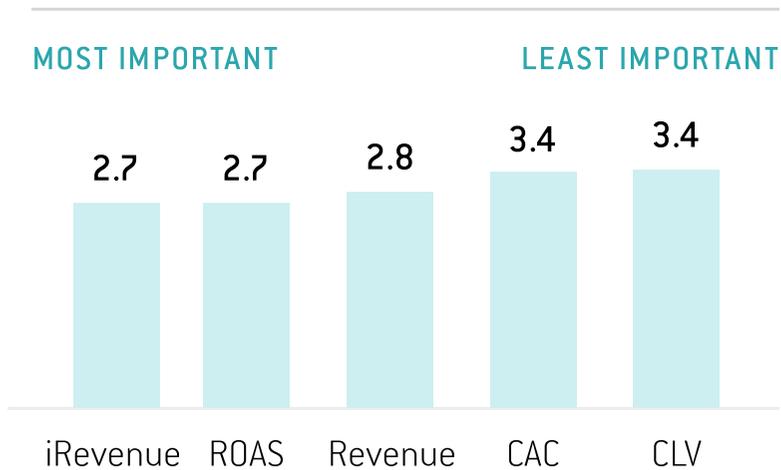
* For the purposes of this survey, we define Customer Lifetime Value (CLV) as the predicted net profit attributable to the timespan of a relationship with a customer.

Perspectives on Customer Lifetime Value



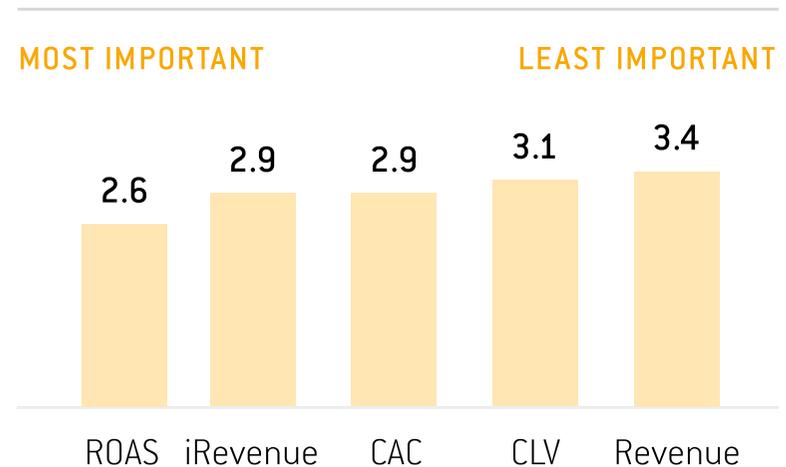
CLV's significance by segment

RETAIL CHAINS



Retail chains considered CLV to be the least important metric of the five cited. This tallies with their traditional focus on short-term, offline retail, where maximizing repeat customers bears less relevance.

BRAND MANUFACTURERS



Brand manufacturers – brands that produce consumer products and sell them either via DTC, marketplaces or wholesale – often experience low ROAS and high acquisition costs.

Perspectives on Customer Lifetime Value

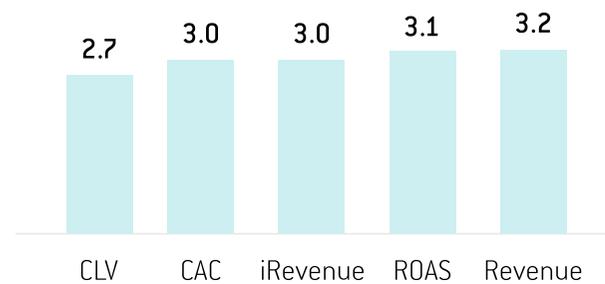


CLV's significance by segment

APPAREL

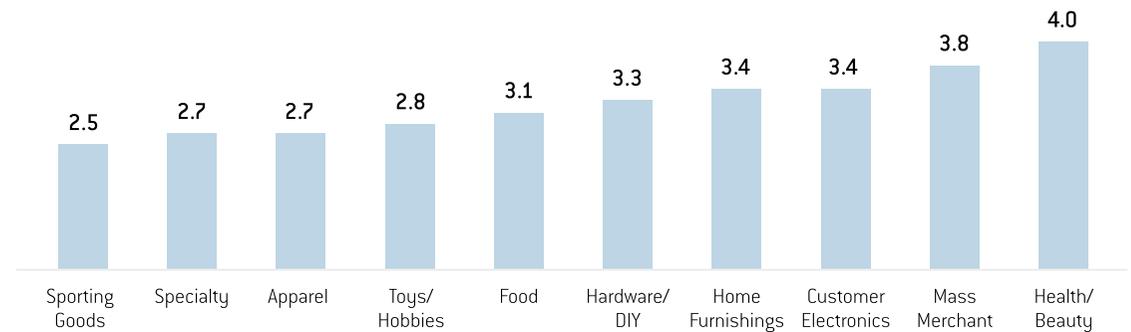
MOST IMPORTANT

LEAST IMPORTANT



MOST IMPORTANT

LEAST IMPORTANT



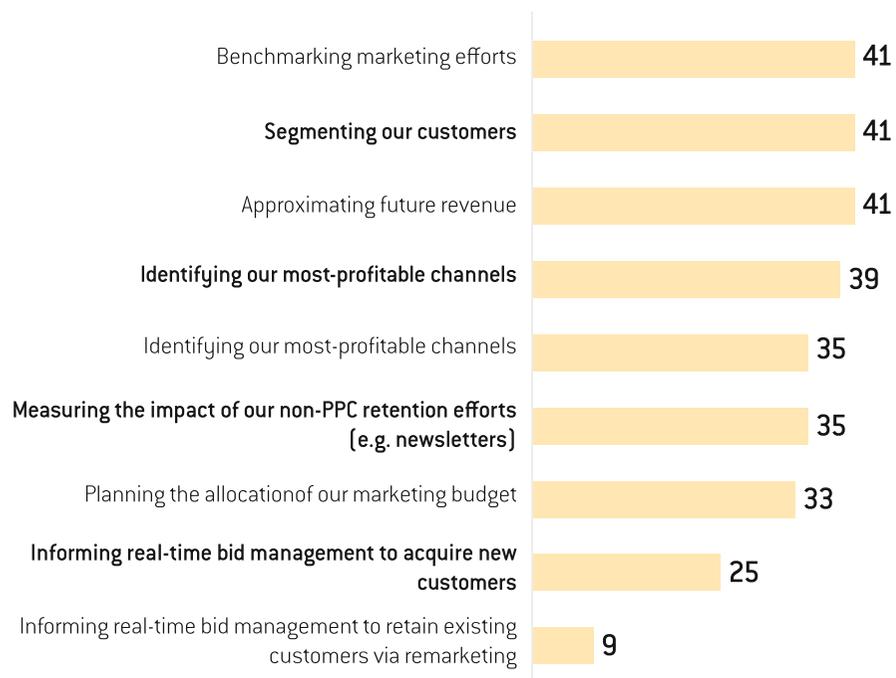
Apparel shops valued CLV more than retail chains or brands. This shouldn't come as a surprise. With higher return rates than other sectors, many have had to acquire a better understanding of long-term customer profitability.

Certain verticals showed much greater interest in CLV than others

Perspectives on Customer Lifetime Value



“For what reason do you use – or plan to use – your CLV-based marketing KPI?”

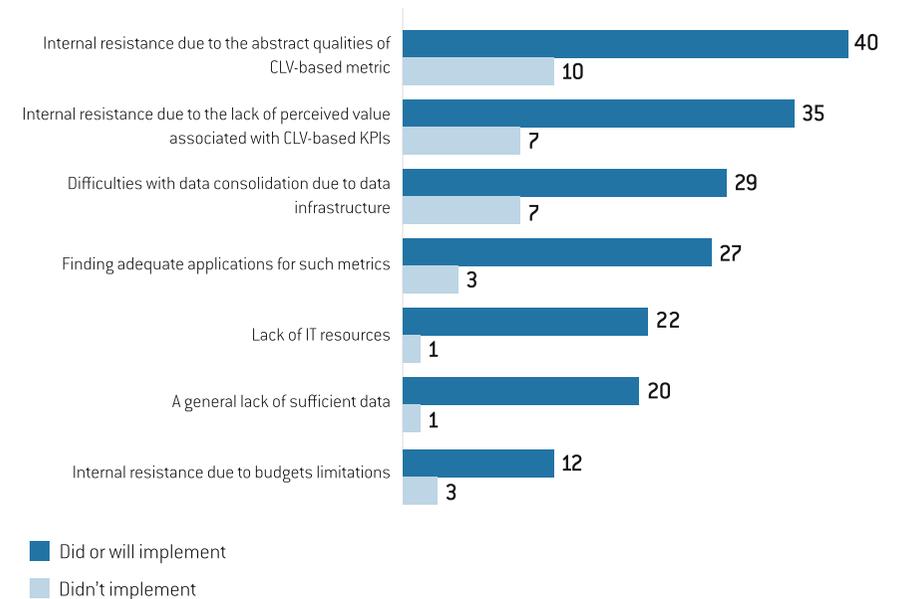


Those who use (or plan to use) CLV cited several reasons for doing so. Most of their explanations boiled down to gaining an analytical advantage. Benchmarking – specifically ROI on marketing spend – featured heavily in our responses. Adoption for customer segmentation, gauging future revenues and focusing on new customers all proved popular, and reflect a growing appetite for advanced measurement techniques.

Perspectives on Customer Lifetime Value



“What were the biggest challenges, or what do you anticipate will be the biggest challenges, with implementing a CLV-based metric as a KPI?”



Whether due to ‘abstract qualities,’ or simply due its perceived low benefit, many companies face internal resistance to CLV’s implementation. Among those who either have or plan to use CLV-based metrics, other barriers include lack of data, adequate applications, and IT resources.

About

WBR Insights works with a range of companies to deliver thought leadership research, conferences and events.

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Crealytics helps retailers and brands activate customer data to master paid media performance and acquire new, loyal customers.

Through performance advertising and marketplace solutions, we service over 60 worldwide eCommerce brands including ASOS, Urban Outfitters, and Foot Locker. In 2019, Crealytics generated over 3B in revenue for clients.