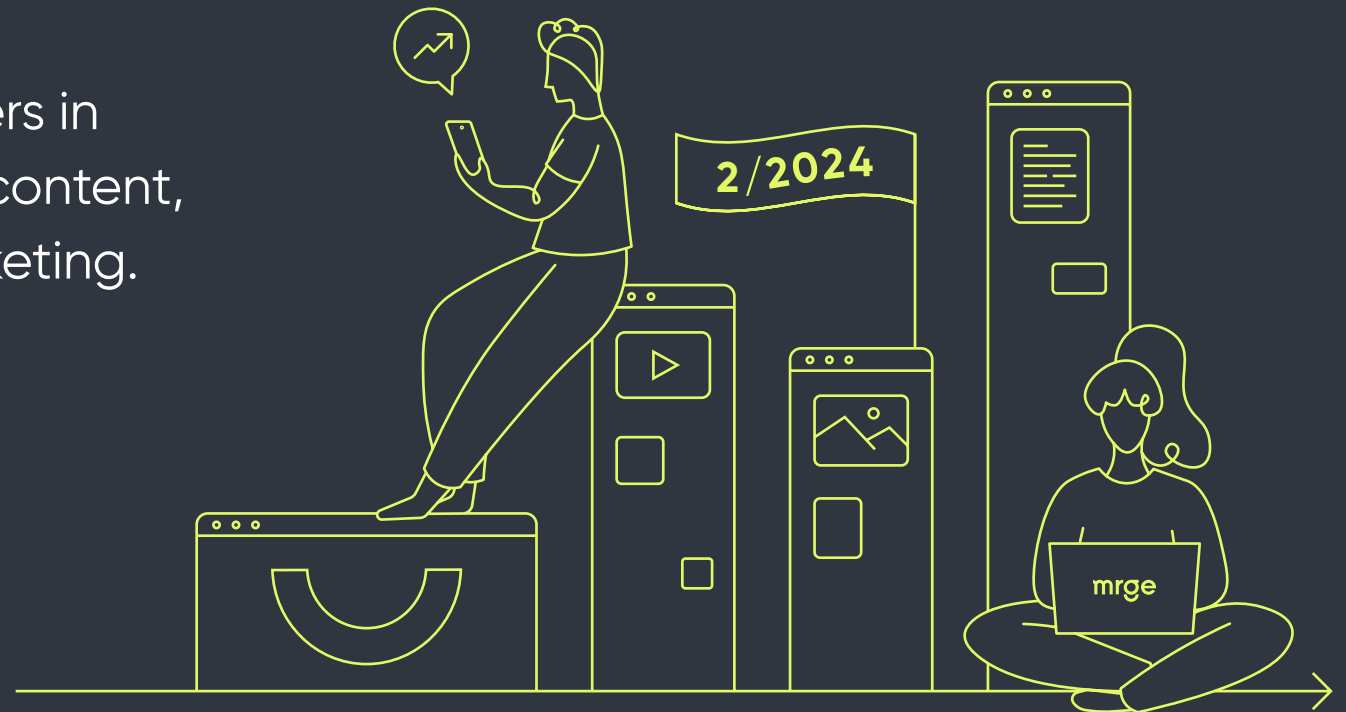


REPORT 2/2024

mrge commerce
advertising

State of Commerce Advertising

The industry index for decision-makers in performance marketing, commerce content, partner marketing, and affiliate marketing.



Quo Vadis Commerce Advertising: Challenges and opportunities in the age of AI, Google Updates & Co.

Dear Readers,

The latest and 5th edition of our Commerce Advertising Report presents a multifaceted view with significant changes on the horizon. Yet, it is particularly pleasing to note that the surveyed experts are optimistic about the second half of 2024. This indicates a vibrant industry that continually adapts to new challenges.

Three themes emerged from our results:

Google and its anticipated updates present the industry with a range of challenges, from "Big Change" to "Less Traffic."

Another technology that will have a massive impact on our industry is Artificial Intelligence, which our respondents identified as the "multi-tool" for its potential to drive growth across the entire value chain.

Lastly, our guest contributors shed light on the importance of transparency and the "Customer Journey" in Commerce Advertising. Commerce Advertising continues to expand its remit across the online marketing landscape.

I hope you enjoy our report, gain valuable insights, and share in the optimism of the respondents.

Happy reading!

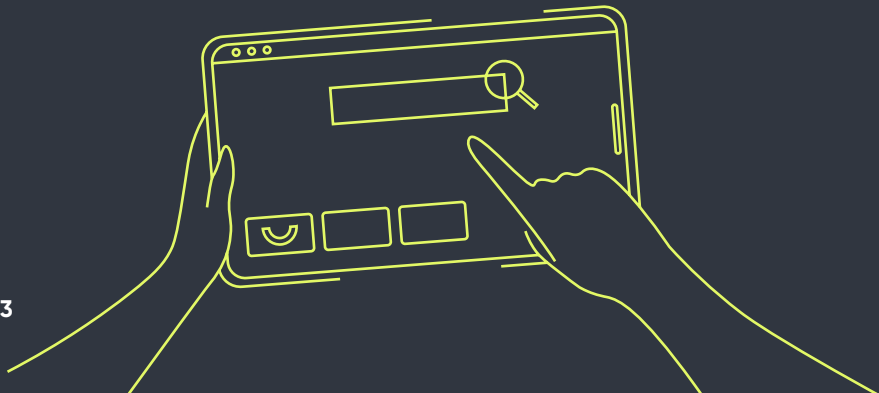
Felix Witte

General Manager /
SVP Publishers & Advertisers



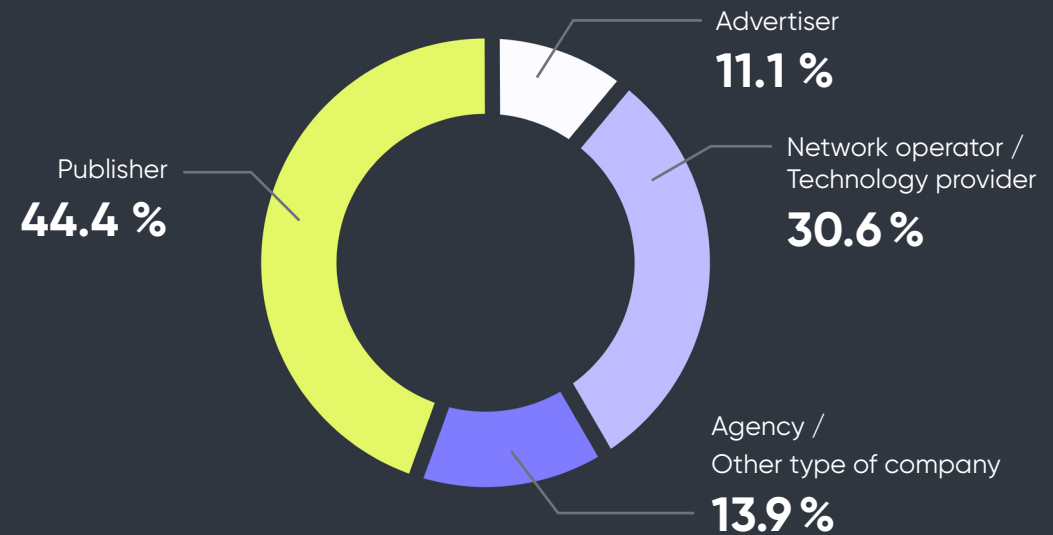
What is Commerce Advertising?

Commerce Advertising is an approach to online advertising that combines the strengths of performance marketing, commerce content, and affiliate marketing: Contextual advertising along the customer journey helps users make better purchase decisions, opens up diversified monetization channels for publishers, and enables advertisers to maximize performance by accessing purchase-critical touchpoints.



About the study

Between June 6 and 18, 2024, 72 industry experts took part in the survey for the industry index "State of Commerce Advertising / 2nd edition of 2024." Nearly 45% of participants were publishers, around 11% were advertisers, slightly over 30% were networks or technology providers, and agencies along with other company types collectively made up about 14%.



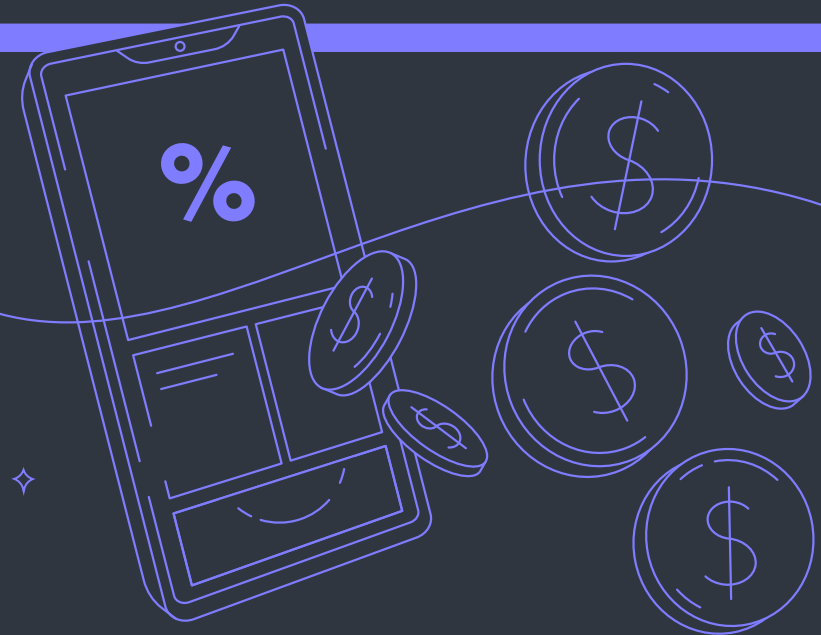
Key Takeaways

→ Google keeps the Commerce Advertising industry on its toes **1**

The expected updates from the search giant in Mountain View are not only the most popular topic among respondents but are also seen as the biggest challenge for the industry. Specifically, coupon pages must adapt to new conditions. Competition will intensify, and fundamentals – from traffic to stricter data protection rules to handling user privacy—will change.

→ AI promises growth across the entire value chain of Commerce Advertising **2**

Artificial intelligence is expected to drive growth across various aspects of the Commerce Advertising industry, from content creation and targeting to personalization options and campaign optimization, despite the current lack of extensive practical experience.



Key Takeaways

→ Commerce Advertising is becoming more relevant across all stages of the sales funnel **3**

Guest questions about the customer journey and how Commerce Advertising impacts sales reveal new possibilities. By leveraging high-quality content, strategic partnerships, and social media, Commerce Advertising can take on an expanded role in the upper and mid-funnel stages.

→ The industry is optimistic about the second half of 2024 **4**

The challenging macroeconomic landscape has made its mark, resulting in lower satisfaction compared to the last survey at the beginning of the year. However, there is a positive sentiment as we look ahead, over 75% are optimistic about the second half of 2024.

Overall State of the Industry

Reflecting on the past and assessing the future:
the current sentiment of the industry.

Mirror, Mirror on the Wall

The essentials of the current status indicate a balanced perspective. While challenges exist, the outlook for the future is positive, reflecting unprecedented levels of optimism in the latest survey.



How satisfied are you with your commercial performance in the first half year of 2024?

The industry's sentiment mirrors the fluctuations of the economy. The absence of key commercial events like Christmas, Cyber Week, and Black Friday impacts the mood within the Commerce Advertising world.

Nearly a quarter of respondents rate the first half of 2024 as unsatisfactory. However, despite the current economic conditions, 3 out of 4 are not dissatisfied with their commercial performance.



Very satisfied
13.9%



Satisfied
23.6%



Neutral
38.9%



Dissatisfied
23.6%



Very dissatisfied
0.0%

What is your outlook on your commercial performance in the second half of 2024?

The current economic situation is challenging but not without hope. The industry's outlook for the second half of the year is optimistic, with a strong anticipation of recovery and the approaching Q4.

Confidence in the industry is notably high, with over 75.0% of respondents expressing positive expectations. Pessimistic views are minimal, accounting for only 6.9% of respondents.



Very optimistic

11.1%



Optimistic

65.3%



Neutral

16.7%



Pessimistic

6.9%



Very pessimistic

0.0%

Market Review

How much business is generated with Commerce Advertising? How does Commerce Advertising compare to other digital advertising forms? And what is the preferred payment method?

Money, Money, Money

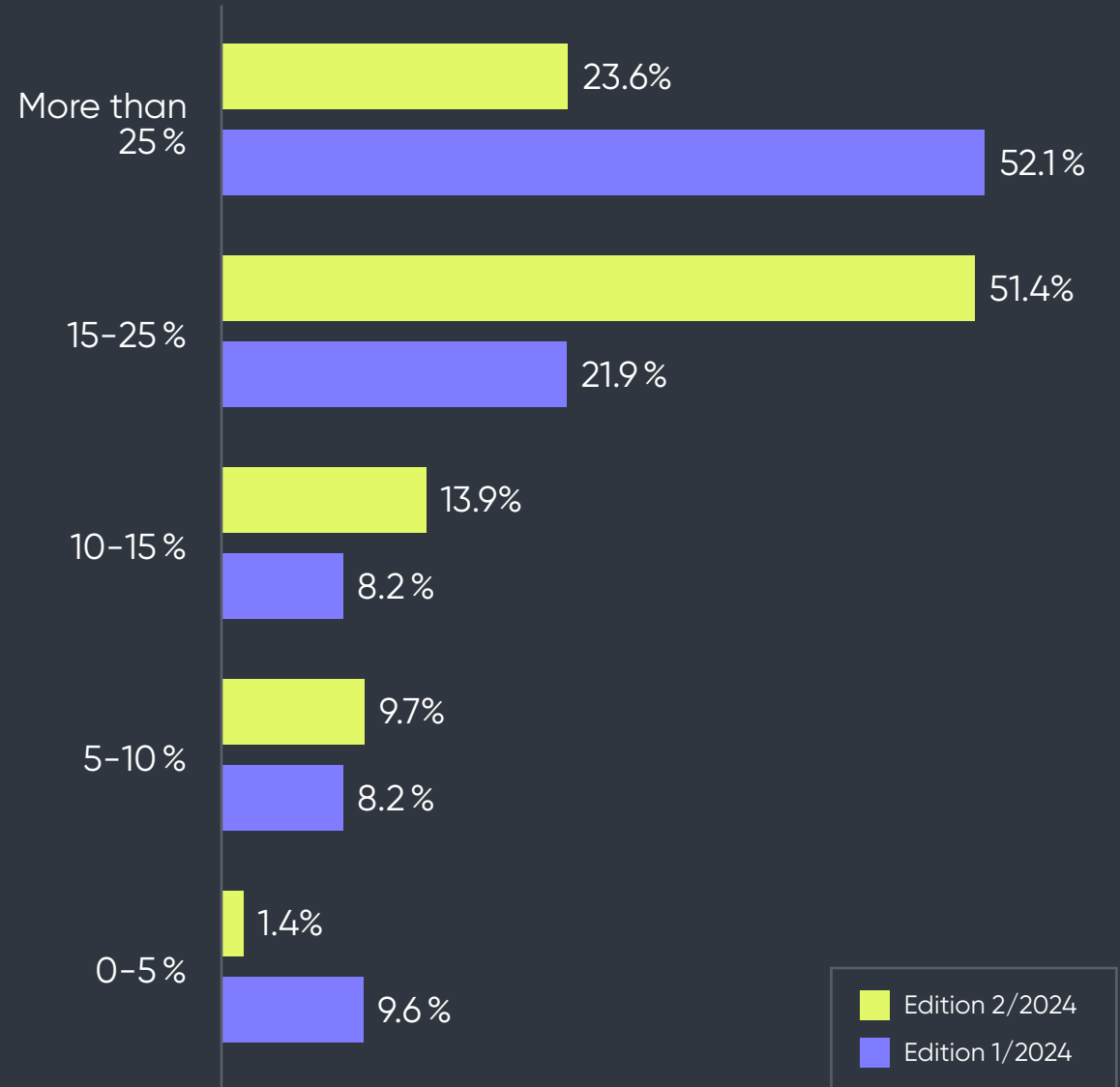
Commerce Advertising is viewed as a substantial revenue generator for the majority of respondents (75%). Coupon Pages, influencers, and cashback sites/extensions are the top 3 channels. Performance-based payment is the preferred method of payment.



What share of your total sales is generated by Commerce Advertising?

Despite potential seasonal shifts, Commerce Advertising remains a significant revenue driver.

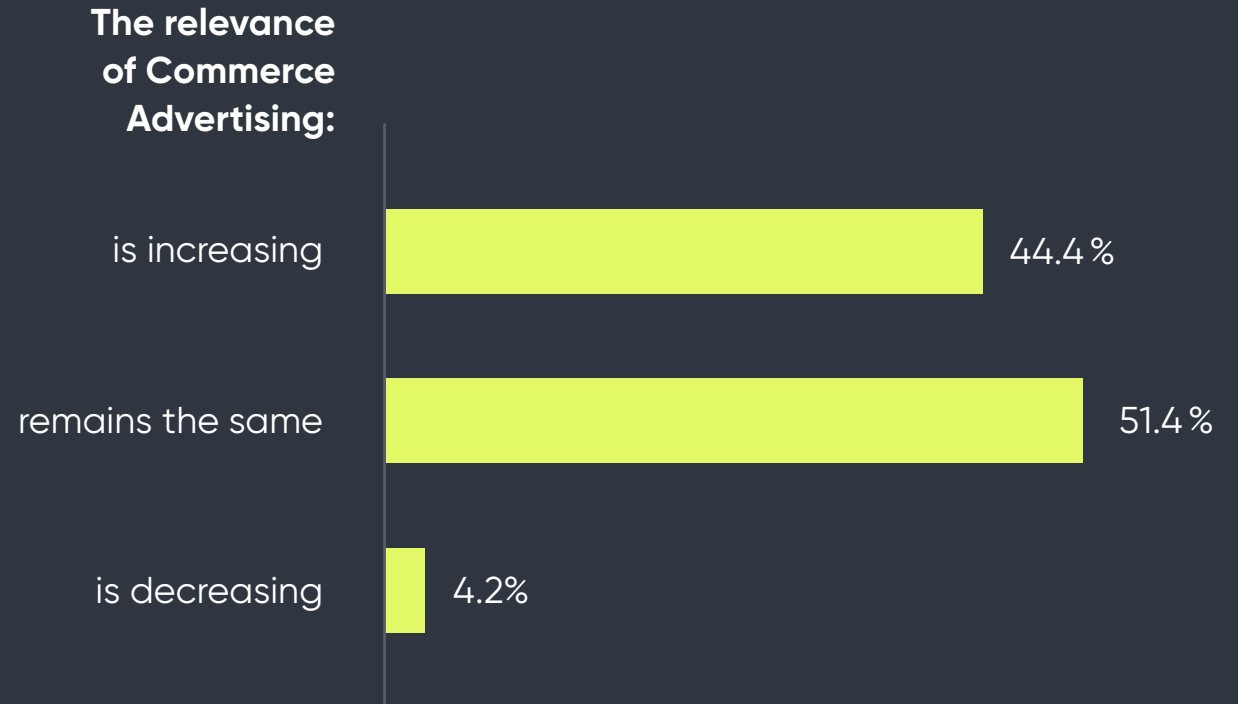
Nearly one in four of respondents (23.6%) now generates more than a quarter of their revenue through Commerce Advertising. In the previous survey, this figure was over half (52.1%). Conversely, those making 15%-25% of their revenue have increased from 21.9% to 51.4%. Overall, 75% of respondents generate at least 15% of their revenue through Commerce Advertising, compared to exactly 74% previously.



What role does Commerce Advertising play in your sales compared to other digital advertising forms?

The importance of Commerce Advertising compared to other digital advertising forms will remain high and is expected to increase.

44.4% of respondents state that the importance of Commerce Advertising is increasing compared to other digital advertising forms. At the same time, 51.4% of respondents reported that its importance remains unchanged, while only 4.2% perceive a decline in the relevance of Commerce Advertising.

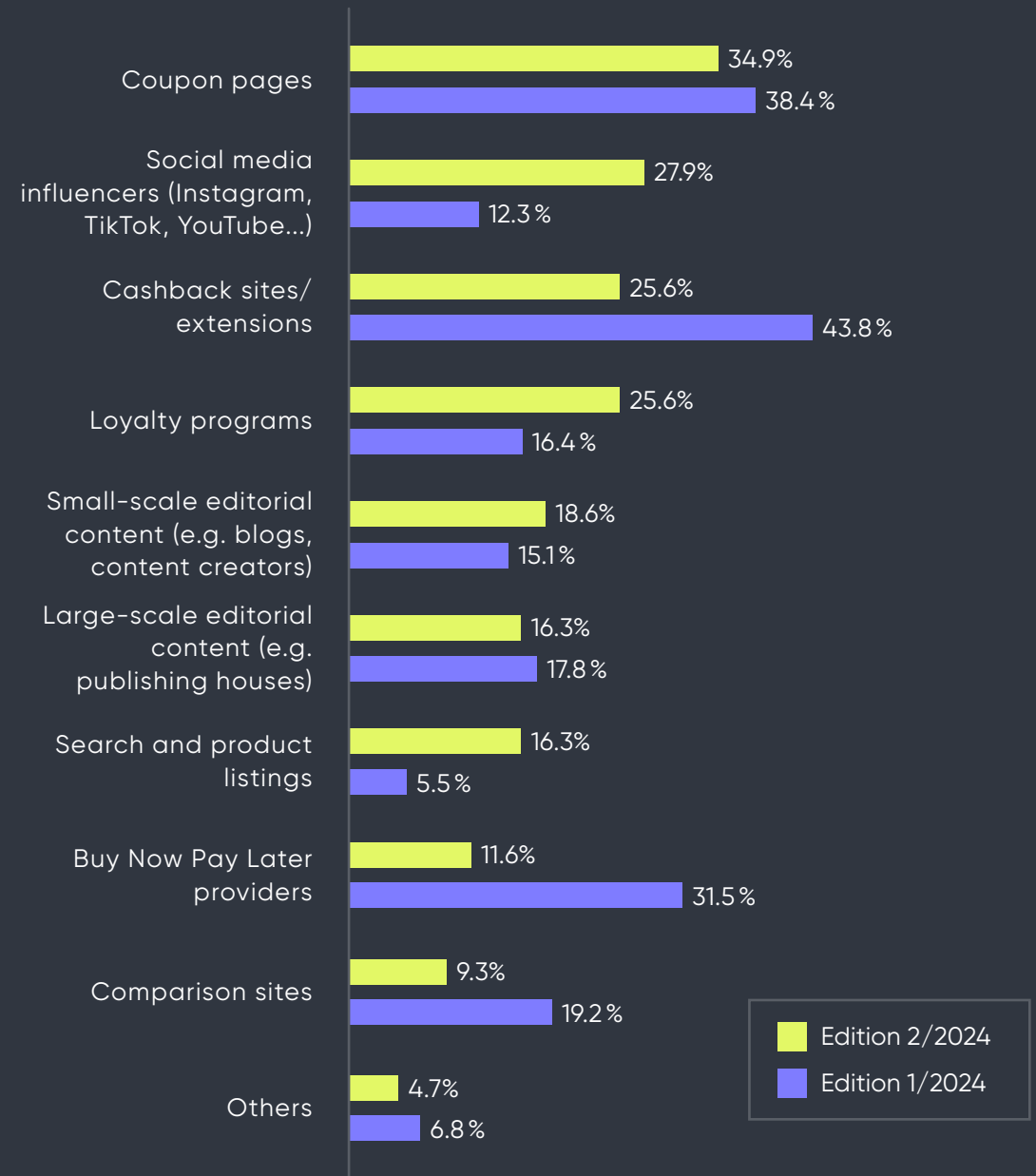


What publisher types generated the most sales for you in the first half of 2024?

**Up to 3 answers possible*

One publisher type is recently gaining favour: Social media influencers have risen from a position in the back ranks to the winner's podium.

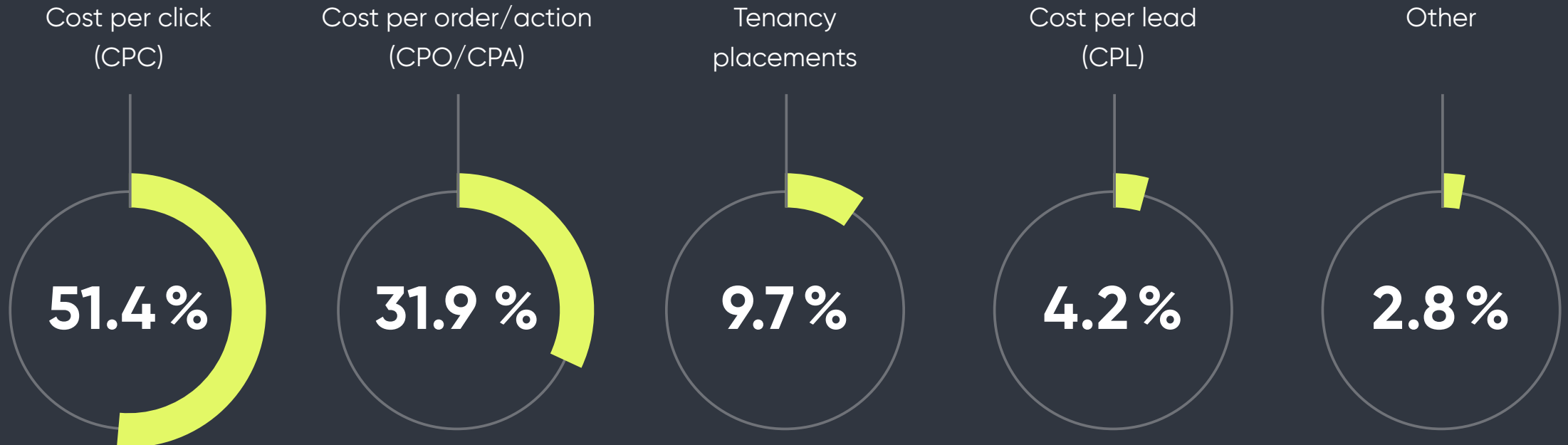
Coupon pages and cashback sites remain among the top 3. The Buy-Now-Pay-Later (BNPL) providers have swapped their positions with influencers.



What is your favorite **billing model**?

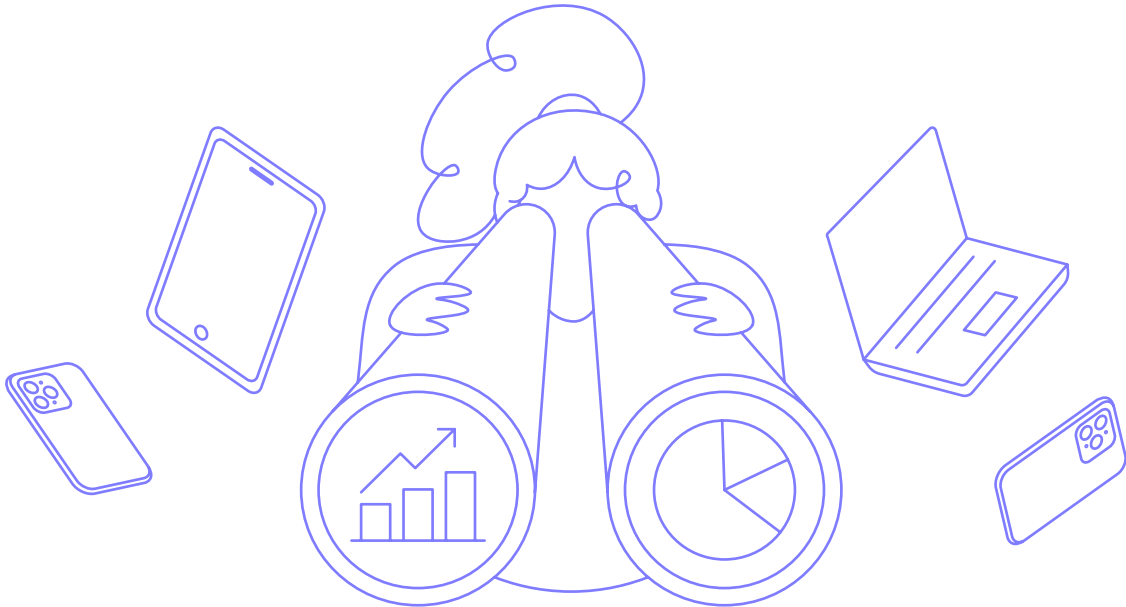
In Commerce Advertising, performance takes center stage, even when it comes to billing. Cost per click (CPC) and Cost per order/action (CPO/CPA) remain the industry's undisputed favorites.

Over half of respondents prefer CPC (51.4%). 31.9% of respondents favor CPA/CPO, the even more performance-oriented option, regardless of whether they are publishers or advertisers, as the percentages are similar for both groups.



Trends & Challenges

Trends, challenges and new technologies.
This is how the industry sees the future.



There are more challenges but also opportunities. Three key themes will define the upcoming period:

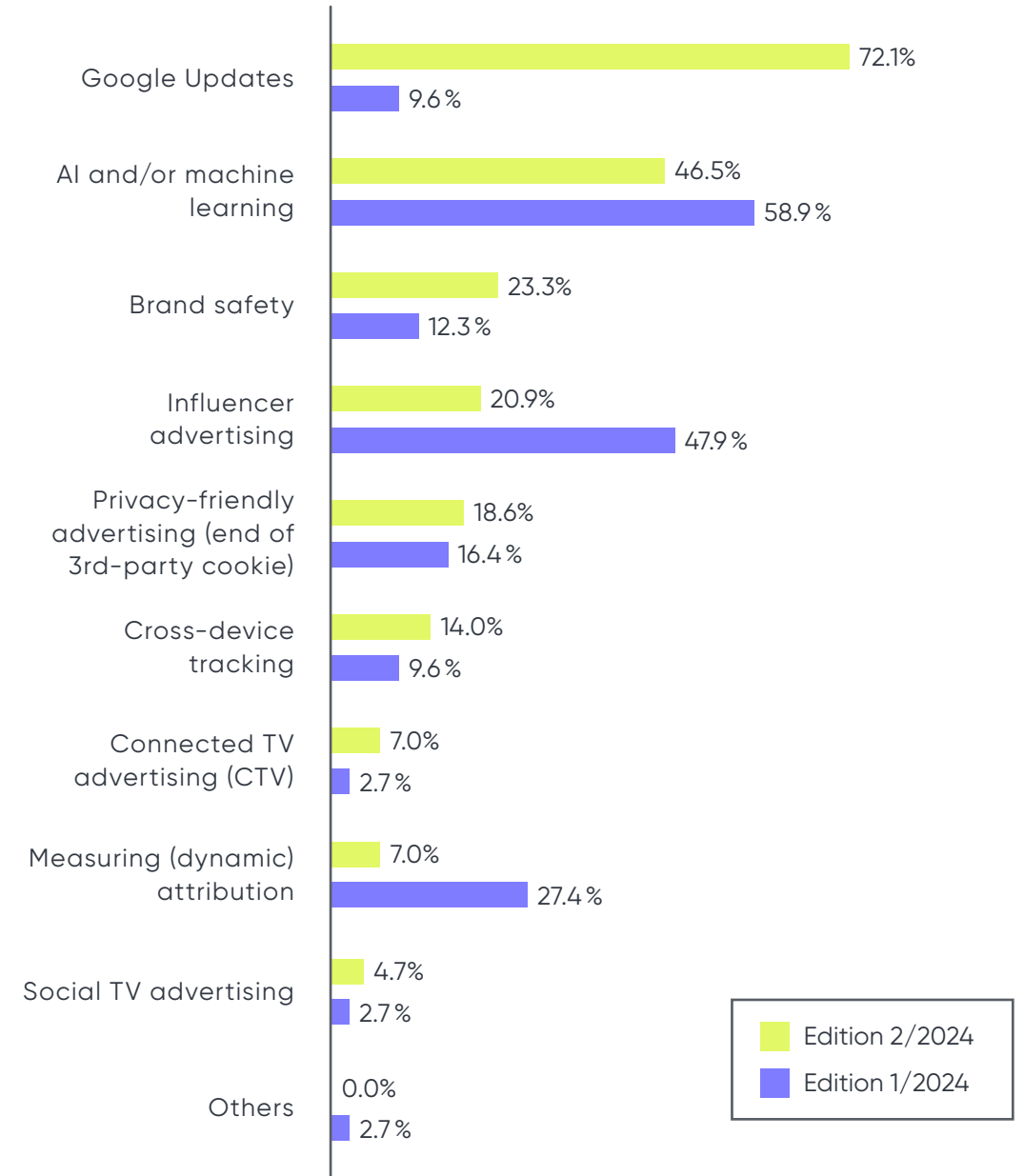
- Google is the force that influences the industry like no other.
- The use of AI will transform many aspects of the business.
- Transparency is essential in response to customer demand and regulation.

What are the top industry trends in Commerce Advertising right now?*

**Up to 3 answers possible*

Two themes dominate: Google and the anticipated updates, alongside AI with its possibilities, stand as the top trends overshadowing all other developments.

Google updates take over the first place in trends with 72.1% of respondents, up from just 9.6% in the last survey. AI remains top-tier with 46.5% (previously 58.9%). Brand safety, influencer advertising, and privacy-friendly advertising lag behind in positions 3 to 5.



What is the biggest challenge in Commerce Advertising you see for the second half of 2024?

Survey respondents highlighted five potential challenges:

- Loss of trust among consumers and advertisers and the resulting need for transparency
- Increased requirements for data privacy and data protection compliant advertising
- Tracking and attribution of advertising success
- General economic conditions and associated budget cuts
- Technological changes such as Google updates and AI

"Google updates and things like AI overview make our content rating off."

"Tighter budgets on advertiser side."

"As consumer skepticism towards affiliate marketing grows, prioritizing transparency, authenticity, and delivering genuine value becomes crucial to safeguarding our reputation long term and also to maintaining trust with our audience."

"Data regulations and privacy and because of that developing and implementing new technologies. (...)"

"Certainly attribution, the modern consumer journeys are nowadays by far not nonlinear anymore. (...)"

As different approaches to transparency get implemented in Commerce Advertising, how important is transparency to your business?

GUEST QUESTION BY



Anke Arens

Director | Cooperation & Publisher Development



Transparency is deemed crucial, with nearly 95% of respondents considering it very, extremely, or simply important.

The breakdown is as follows: Extremely important 50%, very important 30.5%, and important 13.9%



Extremely important

50.0%



Very important

30.5%



Important

13.9%



Somewhat important

2.8%



Not important at all

2.8%

Growth opportunities and threats in the age of AI, Google Updates & Co

Two technologies are reshaping the Commerce Advertising world: Google updates and AI. Here's how the industry views the impact of these technologies on business.

Key insights on opportunities and risks:

Deepened and expanded partnerships, along with AI, are seen as the primary growth drivers of the industry. Google updates present a challenge, a threat, and a game-changer all in one.

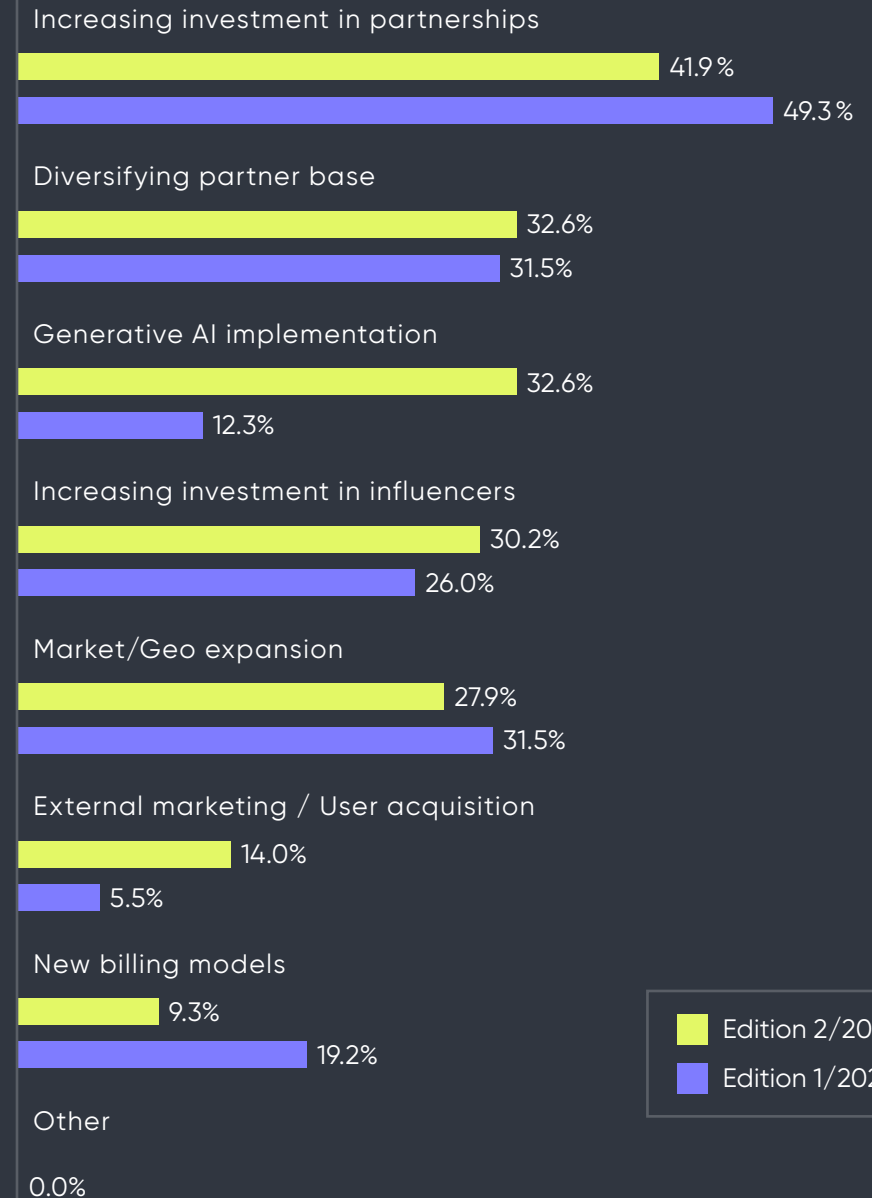


What do you see as the **biggest opportunity for revenue growth** in the next six months?

**Up to 3 answers possible*

The ubiquitous topic of AI also plays a significant role in growth. Alongside an intensification of partnerships, AI is categorized as a top growth opportunity.

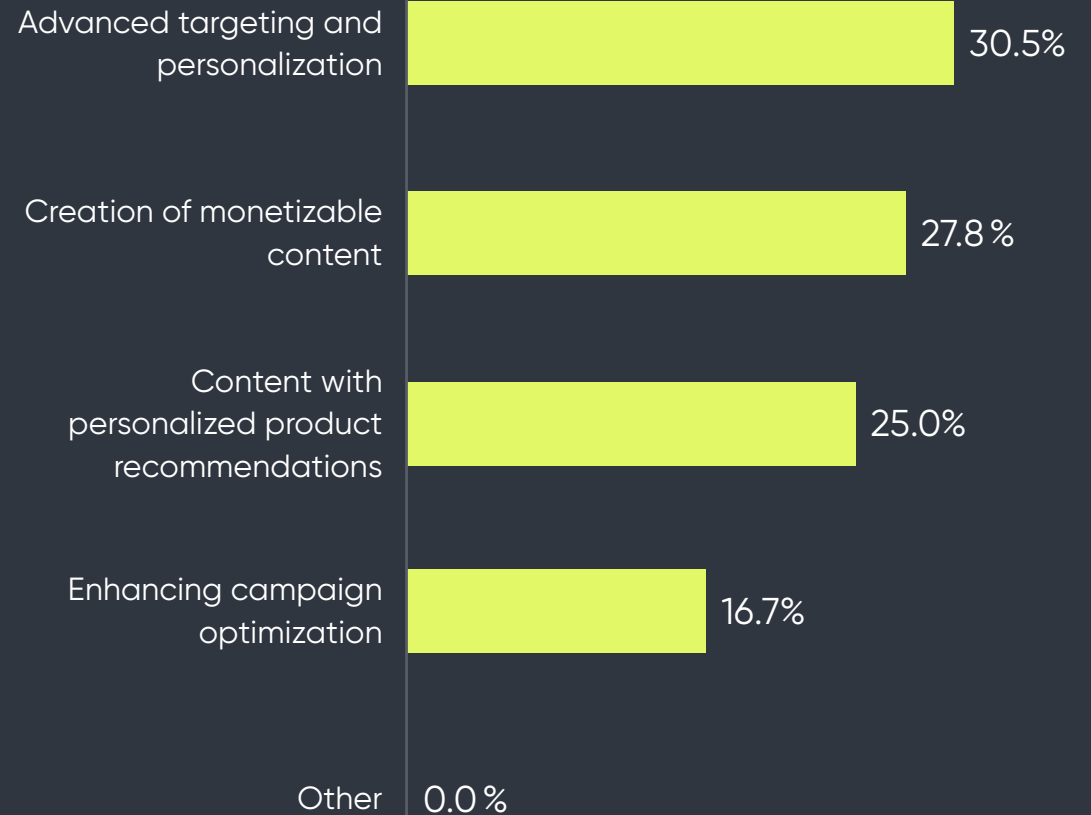
Respondents continue to prioritize increasing investments in partnerships (41.9%, compared to 49.3% in the last survey) and diversifying their partner base (32.6%, up from 31.5%). Generative AI implementation (32.6% vs. 12.3%) is the not-so-surprising rising star.



In the context of AI, which area do you think holds the most potential for growth in Commerce Advertising?

AI, the multi-tool, is considered a growth driver across the entire value chain. From content creation to targeting, personalization, and campaign optimization.

AI is particularly seen as having high potential in advanced targeting and personalization through audience segmentation or SEA optimization driven by AI (30.5%), closely followed by creation of monetizable content (27.8%) and tailor-made content with personalized product recommendations (25.0%). For 16.7%, AI has the greatest impact on enhancing campaign optimization through intelligent real-time bidding decisions.



If you are currently utilizing any of the options from the previous question: **What has been your experience and/or success with it?**

While expectations for the future are high, the industry is still in the early stages of experimenting with AI.

"AI is a useful technology but it's not a replacement for human creativity and originality."

"AI has not delivered the research capabilities anticipated."

"We have seen ups and downs. Learning heaps along the way but it's hard to filter useful tools."

With various Google updates—from shelving third-party coupon sites to AI Overviews—many are left wondering if affiliate marketing has a fighting chance on the platform. **Heading into 2025, will Google continue to be a priority in your strategy?**

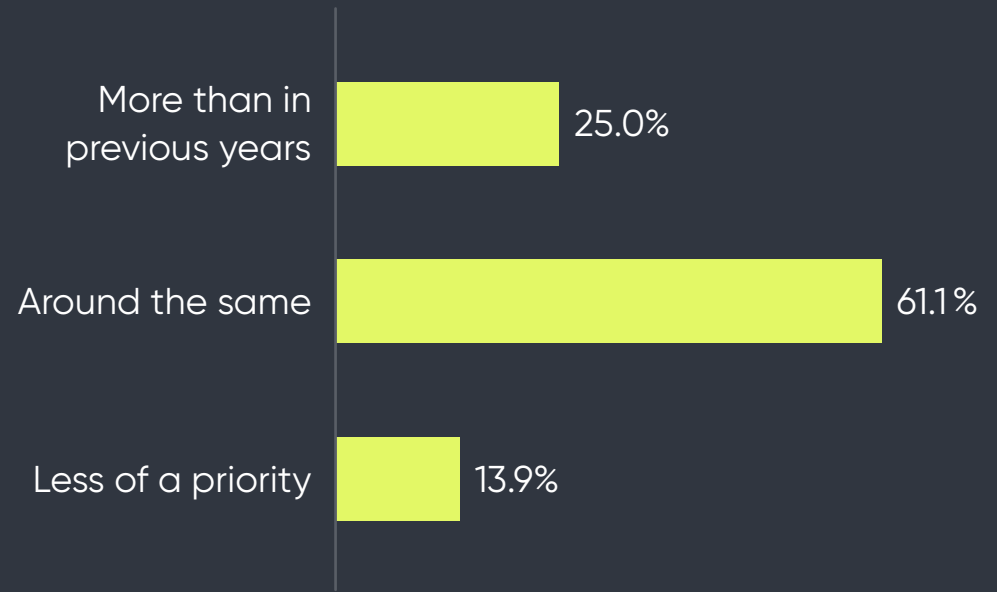
When Google makes a move, the online world takes notice, and that includes Commerce Advertising. The expected updates are too crucial to disregard.

According to the survey, 61.1% of respondents indicated that Google's importance will remain the same, 25.0% believe it will be more important than in previous years, while only 13.9% think that Google will be less of a priority in their strategies.

GUEST QUESTION BY



Sol Wilkinson
Journalist



What impact do you foresee from recent or upcoming Google updates on your Commerce Advertising efforts? **What changes do you anticipate over the next 12 months?**

Google updates will continue to shake up the industry with its changes in data privacy and user experience, prompting companies to adjust their practices. Coupon publishers will be particularly affected by this. New competition will emerge.

"Google will more directly attack the coupon space."

"Greater reliance on AI tools for ad placement and optimization."

"Changes in Google's algorithms could potentially impact our traffic and engagement metrics. (...)"

"These developments are very likely reshaping our approach, focusing more on user privacy and elevating the overall user experience. (...)"

"Less traffic."

"Content affiliates figuring out Google and diversifying more into social."

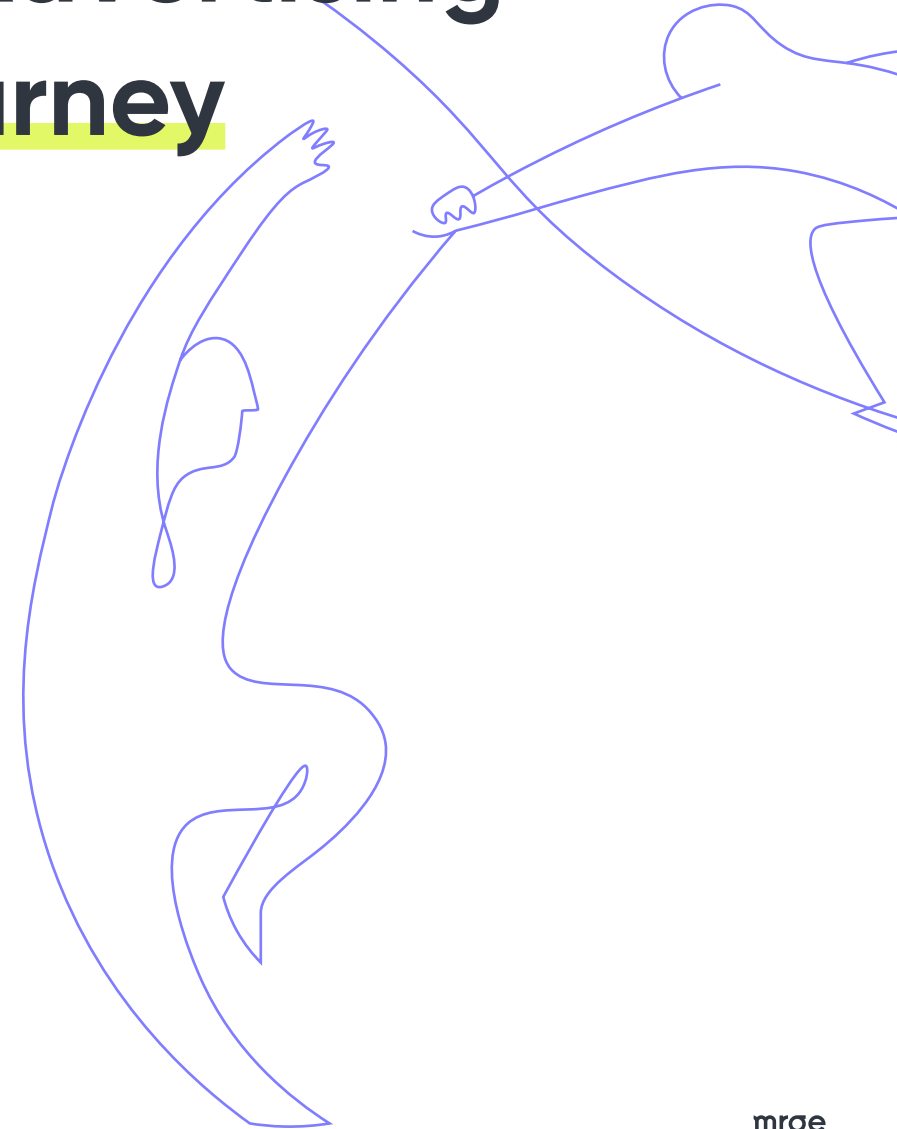
"A big change in the entire Coupon category scenario between the Publisher and then the Advertisers investment will happen. I think new kind of opportunities will be provided from the Publishers, in order to avoid the chaos generated by the Google updates."

Opportunities for Commerce Advertising along the entire Customer Journey

Customer Journey, touchpoints, and full funnel activities. Successful growth strategies in Commerce Advertising take a holistic view.

Key Points on the Customer Journey

Engaging consumers at every level remains the key to success in marketing. Commerce Advertising should leverage its versatility to achieve this goal.



GUEST QUESTION BY



André Koegler
Strategic Partnership Development Manager



What approaches can be taken to maximize growth through upper- and mid-funnel activities?

Generating growth in the early stages of the customer journey is a challenge for the Commerce Advertising industry. Strategic partnerships, social media, effective audience targeting, and the creation of valuable content are crucial.

"Content partnerships."

"Get more strategic partnerships."

"Influencer partnerships on a performance model. Tenancy placements."

"Investing in high-quality content that educates, informs and also inspires our audience."

"Invest in brand awareness and social channels."

"Produce engaging content."

GUEST QUESTION BY

**Valeria Alesiani**

VP of Publisher Partnerships

Rakuten
Advertising

How important are full-funnel tactics compared to advanced audience strategies for your brand?

Commerce Advertising must balance between the full-funnel approach, addressing many different user groups and advanced audience strategies, targeted at specific user groups. Successful brands use both to engage their audience.

"Audience is the priority."

"Combining both leads to a more robust marketing strategy."

"As marketers, we have access to so much technology it can make our heads spin. But, if we use it correctly, we can deliver more personalized experiences that efficiently move potential customers down the funnel."

"They're both super important for reaching and engaging our audience. (...)"

About **mrge**

mrge, the intelligent platform for Commerce Advertising, connects over 5,500 publishers, 55,000 advertisers, and 100 networks across more than 160 countries. By integrating smart tools, technologies, and formats, mrge brings campaign messages closer to content, creating value for publishers, advertisers, and users alike.

mrge combines the strengths of four market-leading companies: digidip, focusing on premium publishers; shopping24, offering solutions for product recommendations; SourceKnowledge, an established CPC platform in North America; and Yieldkit, providing extensive reach and performance. Supported by the private equity investment group Waterland as the majority owner, mrge is led by CEO Dave Reed, CTO Nils Grabbert, CFO Michael Schambach, and CRO Justin Kuykendall. mrge has offices in Hamburg, Berlin (Germany), and Montreal (Canada), employing over 130 professionals.

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We are.

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