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Between 2014 and 2021, Meta (formerly Facebook) and Alphabet (i.e., Google/YouTube) dominated well over half of the advertising spend on digital advertising in the US. According to market figures from 2022, this figure has now fallen well below 50% for the first time - and is likely to continue to fall in a growing market that generated over USD 230 billion in 2022. The rise of new advertising channels, particularly retail media channels such as Amazon and Walmart, is one of the factors contributing to this.

In addition to an increasing fragmentation of advertising channels, this development also means new opportunities and requirements for advertisers. This includes an understanding of how different channels work and the successful advertising in each case. The increasing abundance of screen stimuli is also shifting the focus to perception, to the so-called System 0. To measure the impact of an advertisement realistically and increase its performance, advertisers must test creations in a realistic media environment, i.e., in context (InContext). From start to finish destination, i.e., from ad insertion to purchase (Ad2Cart).





A new trio in the US advertising sky

Retail media and the differentiation of digital advertising (advertising channels)

In recent years, the duopoly of the two advertising giants Alphabet (Google) and Meta (Facebook) has been virtually unassailable.

Since 2014, they have together accounted for more than 50 percent of digital advertising revenue in the USA, a growing market in which over 230 billion US dollars were generated (Statista, 2023a). For this reason agencies have invested enormous financial and human resources into social media advertising to maximize the returns from these important platforms.

But the advertising market is in flux. In 2022, the share of Alphabet and Meta in digital advertising expenditure in the USA was only 48.4 percent and is expected to fall to around 45% this year (Statista, 2023b). The reasons for this are both technological changes as well as changes in user behavior. On the one hand, the ability to turn off app tracking on Apple devices has led to major losses in the target group accuracy of ad placement on Facebook and thus significantly increased the cost of advertising and in some cases more than doubled (Haggin, 2023).

On the other hand, due to changes in shopping habits and media usage, robust new channels have been established. In the time of the corona lockdowns online shopping has experienced an unprecedented boom.

Product research begins more and more frequently directly at the point of sale - and in many cases this is now Amazon. The e-internet giant is used for more than half of all US product searches as a starting point, and has become a marketplace for advertising, on which almost 12 percent of US advertising expenditure in 2022 were realized (Goodwin, 2023).

Although it can be assumed that Alphabet and Meta will continue to hold an important position in the advertising market in the coming years. However, forecasts indicate that the growth of Retail Media will continue, and that the Amazon advertising ecosystem will soon achieve a 15 percent market share in the advertising market.





Other players that will permanently change the media landscape for advertising are streaming services, not least the agreement between Netflix and Microsoft (Peters, 2022), as well as commerce media.

However, for reasons of space cannot be discussed in this article due to space be discussed in this article. First, the rise of Amazon is the most important development in the field of e-commerce advertising since 2020, although the importance of the channel had already increased before 2020 had already increased. In addition to Amazon, other e-commerce giants such as eBay or Walmart have also made efforts to increase their advertising revenue.

Retail media has established itself as a fully-fledged advertising established. For advertisers, this means that they can advertising directly to the point of sale. As customer data, advertising measurements and sales figures are collected under one roof, it is also easier to establish correlations and understand the exact impact of certain campaigns on sales and turnover.

Social media advertising had developed into a targeting and measurement possibilities, social media dominant channel. However, this channel is only able to measure able to measure exactly how many sales results from a single ad or campaign. The already described changes to app tracking on Apple devices described above also contribute to this.

Ecommerce as an advertising channel helps marketers, the last mile of the customer journey and the direct and immediate impact of advertising measures on the sales performance.

To the extent that marketers are increasing their spend on Ecommerce platforms, they and their market researchers need to develop approaches and strategies develop approaches and strategies that social media efforts.

Hybrid social and retail media

It can be instructive to follow the development of major social media platforms such as Facebook, Pinterest, Instagram and TikTok to look at. By offering prominent influencers the opportunity to communicate directly with consumers, these channels have changed the way leading brands advertise to their most valuable customer fundamentally changed the way they advertise.

More recently, these platforms have moved from simply encouraging transactions, but to enable them directly. They are increasingly becoming retail media - retail, i.e., commerce, is becoming natural part of the business model. While the role of social media in media in e-





commerce continues to develop, the role of "retail media" is changing such as Amazon or Walmart, which, with Walmart Media, has established a corporate unit, comparable to Amazon Advertising.

Already in the last decade e-commerce giants were the end of the line for millions of purchases - low prices and fast shipping spoke in favor of Amazon and other e-commerce companies. In the first quarter of 2023, the share of online retail in the total turnover of the US retail business amounted to 15.1 percent and reached a new record of 273 billion US dollars new record (Coppola, 2023).

In the meantime, Amazon is often the first and the last port of call for shoppers. More than 50 percent of all digital product searches begin on Amazon. Search engines such as Google account for 32 percent, social media is at two percent.

For the Gen Z, the picture is somewhat different: Google accounts for 38 percent of product searches ahead of Amazon with 36 percent. Five percent of users start their search on social media channels. Nevertheless, it is clear that it is a great advantage for brands to as early as possible on their customer journey and therefore invest as close as possible to the point of sale.

The various advertising options are described on Amazon Advertising. Advertising can be placed for specific keywords. Through different forms of partnership and possibilities for of insertion result in a large number of possible customer contacts, which in addition to the design or product presentation and description - make up the largest part of the analysis requirement.

Let us note that e-commerce and advertising media are increasingly merging and that new, hybrid models are developing.

New creative needs

In recent years, the shopping experience has changed for many people. ECommerce has arrived in the center of consumer society. Accordingly, many things have become more differentiated, or rather differentiation has become normalized. It is therefore important that managers understand the of e-commerce in the various channels and understand the channels well.

An important basic idea is the digital overstimulation due to the long duration of use and the often-simultaneous use of different end devices. Current data shows that users worldwide spend almost seven hours per day in front of a screen (Howarth, 2023).





This flood of digital stimuli has a clear impact on human perception. While initially exponentially more is "perceived" per unit of time this curve flattens out massively with consumption, this curve flattens massively. The distribution attention to several screens screens at the same time further increases the pressure on content creators, to offer appealing experiences.

Marketers are therefore under constant pressure to deliver compelling messages in even smaller time windows. Whereas a television advertisement during prime time has perhaps 30 seconds to make an impact, with digital channels this is often only a fraction. Creative advertising media must therefore be able to reach the mere perception of the user and influence their behavior within milliseconds.

This is no longer just about emotional and rational reactions or pure instincts, but it is about purely physical perception.

Targeting perception with System 0

This purely physical perception is the gatekeeper for the entire flow of information in relation to a user's experience. It is even more fundamental than the known by Kahneman as System 1 and System 2, respectively thought processes (Kahneman, 2016) and is therefore called System 0.

As the most fundamental process of experience this process, like a like a sluice gate, makes it possible to "navigate" the rational and even intuitive decision-making processes.

What does not reach the retina cannot have any effect behind it unfold. Without a perceived stimulus, no reaction. The mere visibility on a screen and the duration or repetition of a stimulus is only one side of the coin. What is more important, however, is that the eye is focused on the stimulus. Stimulus, direction and ultimately reaction. This connection can and must be measured.

Our investigations have shown that the duration of the alignment is only sometimes barely more than the blink of an eye. But if you no longer have the luxury of 30 seconds for storytelling, this has a fundamental impact on the way how advertising is developed, tested and measured.





In this context, sensory perception is the first key: Is an advertisement depicted and perceived at all? This can be determined using eye tracking- also on mobile devices (eye square, n.d.). Then come the measurements in system 1, and finally the effect in system 2, be it through surveys or through an also through an action, such as placing a product in the shopping cart.

The so-called "Customer Journey" from the advertising insertion in the media context, the search and the search results, the product detail page through to the product page right through to the shopping cart and can therefore be compared and analyzed (Ad2Cart).

To better understand how their advertising works – from perception to reaction – advertisers understanding, advertisers need to take the time to test their creative advertising media in a realistic media and usage environment.

The most effective way, is, to place it directly in the context in which it will appear to reduce external interference and distortions. This means first of all, to measure perception - e.g., using eye-tracking - to measure the users' reactions to ads in their Instagram feeds or in Amazon search results, correlating them with purchasing in relation to purchasing decisions and finally evaluate.

Marketers can use A/B tests to evaluate the effectiveness of their campaigns and thus sharpen their approach to System 0. Our tests show that the current digital advertising environment requires fast, "information dense" creations, e.g., images such as faces or iconic brand representations.

Ultimately, all creative elements - i.e., images, shapes, colors, texts - can and should be optimized to create a better and more and more convincing experience for the viewer.

Best practice tips

The following tips on how to ensure campaigns bear fruit immediately and increase conversion rates, can be derived:

(1) In-context measurement: Amazon and other Ecommerce platforms offer the opportunity to test advertising materials in a live environment so that the user does not notice that advertising is being tested. Tools such as "Ad2Cart", which tests users from the individual advertisement to the product search through to purchase, offer marketers the most comprehensive testing solution available today.





Testing in a live environment (e.g., the various stages of an Amazon product search: search, search results and product detail pages) provides an unadulterated picture of whether and how users react to advertising.

(2) Identify what leads to the shopping cart: Testing advertising media in e-commerce offers a high degree of precision, as the effects of an advertisement on sales can be analyzed precisely. This enables brands and advertisers to identify the specific moments in the buying process that lead customers to their product - and to put the product into the shopping cart.

The analysis of this information allows to then develop similar campaigns or to increase the emphasis on powerful moments.

(3) Compare creative implementations: Not all e-commerce platforms are the same, and depending on the website some ads perform better than others. These differences in performance are related to the timing and duration of a contact: An ad that is based on a story performs better when it is shown for longer, while a graphic with a more immediate impact on platforms with short playback times performs better. Understanding these nuances helps marketers to develop customized ads, is the strengths of the individual platforms.

(4) Test and refine: As with all marketing measures, the success of Ecommerce advertising depends on its ability to analyze performance and refine campaigns accordingly. One size fits all will never be a successful strategy. Instead a continuous series of tests, driven by detailed data insights, will help to improve returns with each new campaign.

Conclusion

With the end of the stable Google-Facebook duopoly, the relatively peaceful times of digital advertising planning and design are over. In the years 2020 and 2021, the rise of Ecommerce intensified. Large e-commerce platforms such as Amazon have understood that advertising and sales belong together - and that they can integrate both into their business model.

For advertisers, this means on the one hand, this means very good, data-supported placement opportunities. More and more different forms of advertising must be weighed up and optimized. As not only the shopping behavior but also the search and viewing behavior of users have changed, this must be considered. In addition, the fragmentation on and between screens, that pure perception is already the first obstacle. New test methods, that display advertising in a live context measure and compare perception and compare them in relation to a concrete reaction, e.g., a concrete result, are the new standard.





Management Takeaway

Amazon and other retail media are independent and growing advertising channels. For advertisers, depending on the depending on the product and target group in the most realistic usage situations possible, i.e., in context and refine them. Here in the modern media environment fast, "information-dense" creations, e.g. iconic images, clear texts and clear overall compositions.

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