State of eCommerce advertising report

January – March 2022

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Contents

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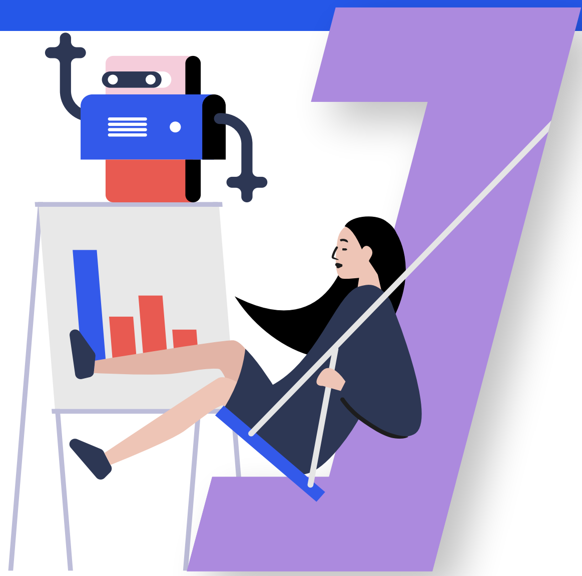
Introduction

Understanding patterns in the market is a hugely useful resource for coming up with new marketing strategies, validating your hypotheses and communicating with C Suite and investors. At Fospha, our clients regularly ask us for support in identifying market trends and staying ahead of their competition. Unfortunately, until now there has been no widely available resource that allows eCommerce brands to look at market data that compares fairly between marketing channels.



The reasons for this are simple. The first is a relative lack of cross-brand data – there are few publicly available resources that compile marketing data across many eCommerce brands. The second and more crucial reason is a lack of good quality marketing measurement in eCommerce. Most brands are measuring their marketing spend using either Google Analytics or ad platform tools. These approaches are both fundamentally flawed – Google Analytics has a strong bias towards bottom-of-funnel media and makes no attempt to account for the role of view-through, and ad platform tools use inherently partisan black-box approaches that do not offer a useful point of comparison between channels. Privacy changes like ITP 2.0 and iOS 14.5 have also weakened both of these systems of measurement.

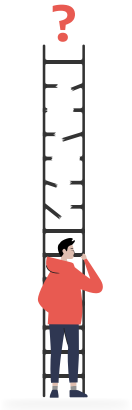
By contrast, Fospha's measurement is independent, incorporates clicks and view-through, and uses the same model across all channels.

Taking anonymized data from a section of Fospha clients, this document is therefore finally presenting an independent cross-channel report into digital marketing in eCommerce. The first in an upcoming series of quarterly summaries, it integrates the findings from our platform into an actionable document for eCommerce marketers.

High Performer
SPRING
2022

Who are Fospha?

Fospha is the marketing measurement platform for eCommerce



1. Increased competition is pushing up costs, squeezing margins and threatening growth targets.

2. Headwinds like iOS14, cookie deprecation and the privacy-first movement make it harder than ever to reliably see what's going on.

3. Cross channel reporting with a single source of truth becoming more difficult as the number of channels increases, each with their own attribution methodology.

Fospha Marketing is a new type of marketing measurement.

Using machine learning to combine multi-touch attribution and marketing mix modelling in one view, our platform gives clear, actionable insights on where to spend to maximize your growth.

Our best-in-class approach shows you the impact of all clicks and impressions, restoring visibility you lost with iOS14 and future-proofing you against further privacy changes.

Fospha provides:

1. Quick and easy cross channel reporting.
2. Improved decision making, performance & optimisation.
3. The most complete view, with no data loss through privacy changes.

Fospha clients achieve on average:

+75% Spend growth

-9% Customer acquisition cost

+33% Return on advertising spend

Huel

"If you're trying to scale a D2C brand – invest in Fospha!"
Ben Bokaie, Head of Performance

SPOKE

"The most sophisticsted attribution model I've ever worked with"
Jake Higgins, VP Growth

CUUP

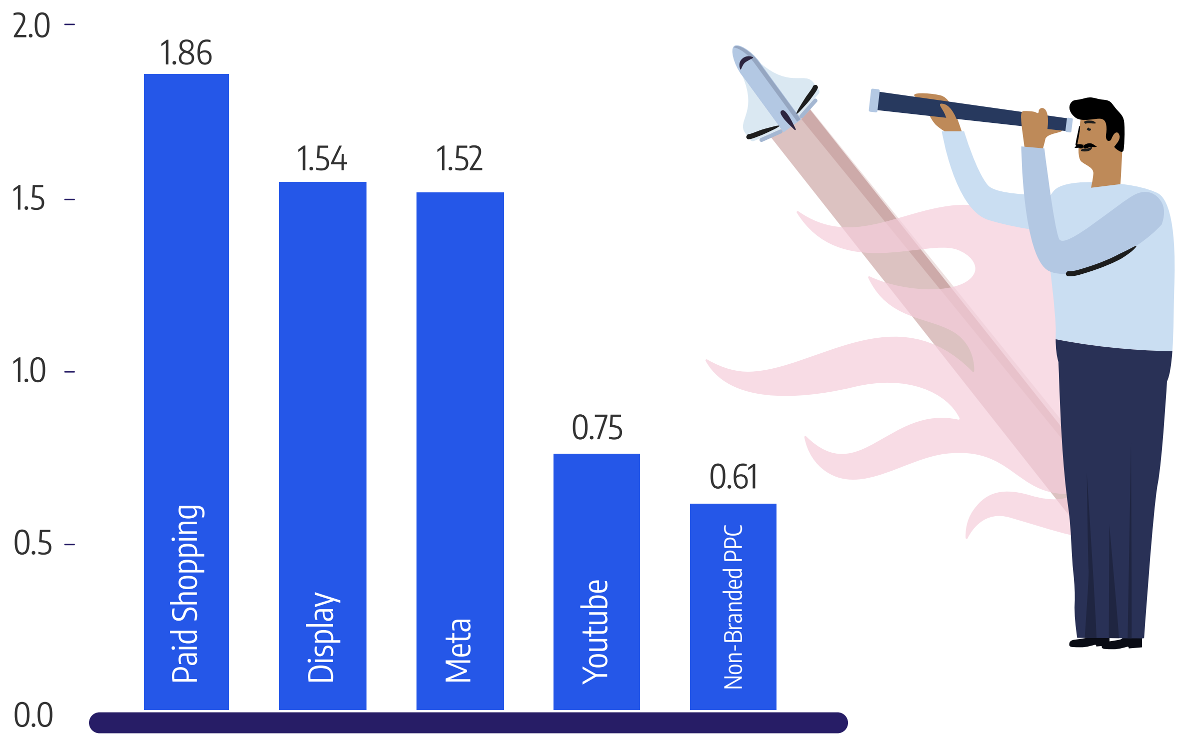
"The reporting I've been looking for my whole career"
Kathrin Paramasivam, VP Growth

Huel · Living proof. · Wild · GRIND · LetsGetChecked

ROAS by channel and ad platform

Meta delivers a solid ROAS even post-iOS 14

ROAS (Channels/Platforms with >5% of total spend)

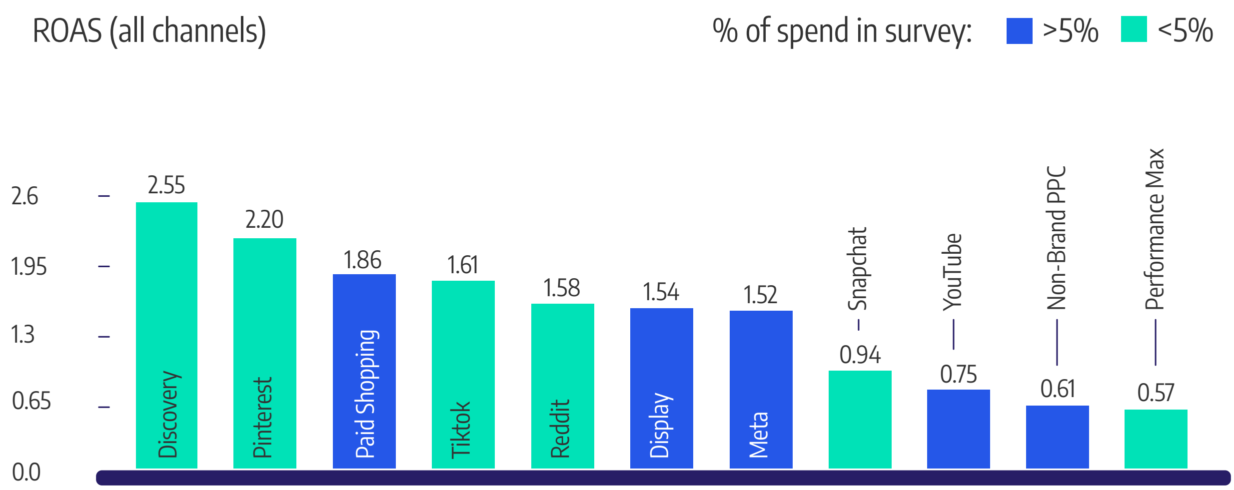


For channels with a high level of investment (calculated here as 5% of total spend or above), Paid Shopping has comfortably the strongest ROAS. This is despite it showing a negative impact on Average Order Value (covered later), showing that it is great for driving cheap acquisitions.

Meta's 1.5X ROAS is interesting, particularly in context of the high level of spend going into Facebook and Instagram (48% of total spend included in this study). While this ROAS is lower than some of the challenger socials, it is impressive at that scale and reinforces the important role this channel has to play in the D2C mix.

With a ROAS of just 0.61X, Non-Brand PPC looks poor in this view. Typically this is one channel where a low ROAS is not a barrier to investment for many brands – the work that PPC does in supporting SEO efforts, combined with its ability to capture customers at scale, means it retains a place in the mix.

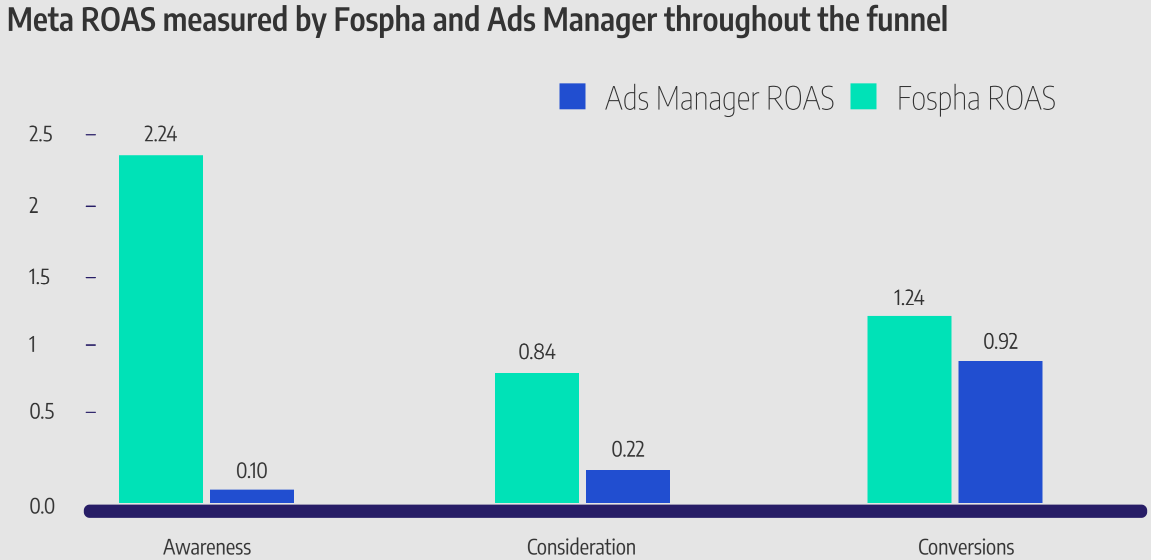
TikTok, Reddit and Pinterest are the strongest challenger socials.



When broadening the scope to add smaller channels too, it's interesting to see Google's two emerging channels, Discovery and Performance Max, at opposite ends of the ROAS spectrum. While these are both fairly low spend channels channels and the results should be interpreted with a degree of caution, Discovery is a much stronger performer at this stage than PMax.

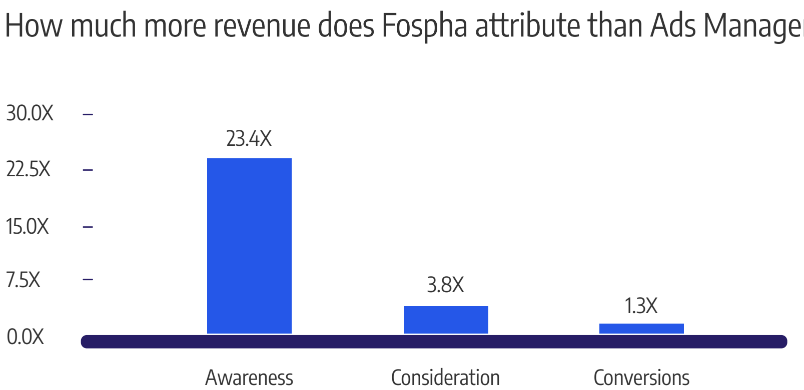
Of the challenger socials, Pinterest stands out as the highest ROAS at 2.2X, with Reddit and TikTok also outperforming Meta.

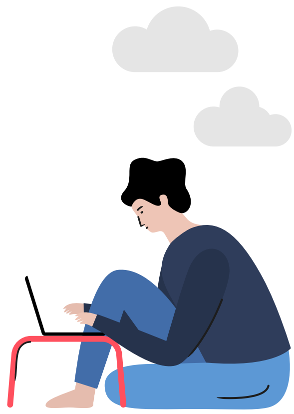
Since iOS 14, Meta struggles to report top of funnel sales



While it is very well established that iOS 14 has had a serious impact on Meta's ability to report revenue in Ads Manager, this chart showing performance throughout the funnel provides a slightly different angle.

What we can see here is that the iOS update disproportionately impacts top of funnel campaigns. This makes sense: now that Meta is measuring using a 7-day click/1-day view model, activity that is designed to warm audiences up but not immediately convert them is almost always falling outside their attribution window.

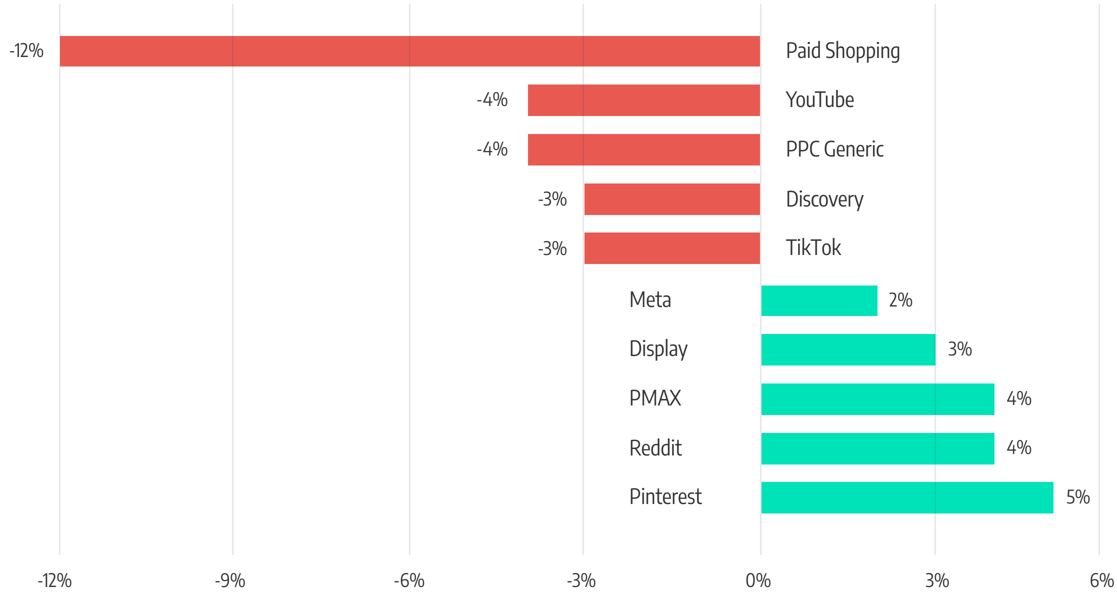




Interestingly, we can see that Meta is underreporting revenue for all media types, even at the bottom of the funnel. But the problem becomes drastically worse as you move up the funnel.

Paid Shopping has a detrimental impact on AOV (but Reddit and Pinterest are great)

Impact of Channels on AOV



This chart shows how much AOV from each channel differs to blended AOV across all channels

We see Paid Shopping broadly deliver great ROAS because of its generally low cost per acquisition, but the low CPAs are somewhat counteracted by a smaller average basket size. Here the average basket size is a massive 12% smaller than average for sales that incorporate Paid Shopping. Looking at an individual brand level, there are very few exceptions to this rule. – it's consistent across almost every client in this dataset, so is very likely to be true for you too.

This fits what you might expect for the channel. Google Shopping is a price comparison site, so likely to increase price sensitivity. People are also shopping for one specific product, not engaging with a brand, so when they click through are more likely to check out without visiting other pages or growing their basket.

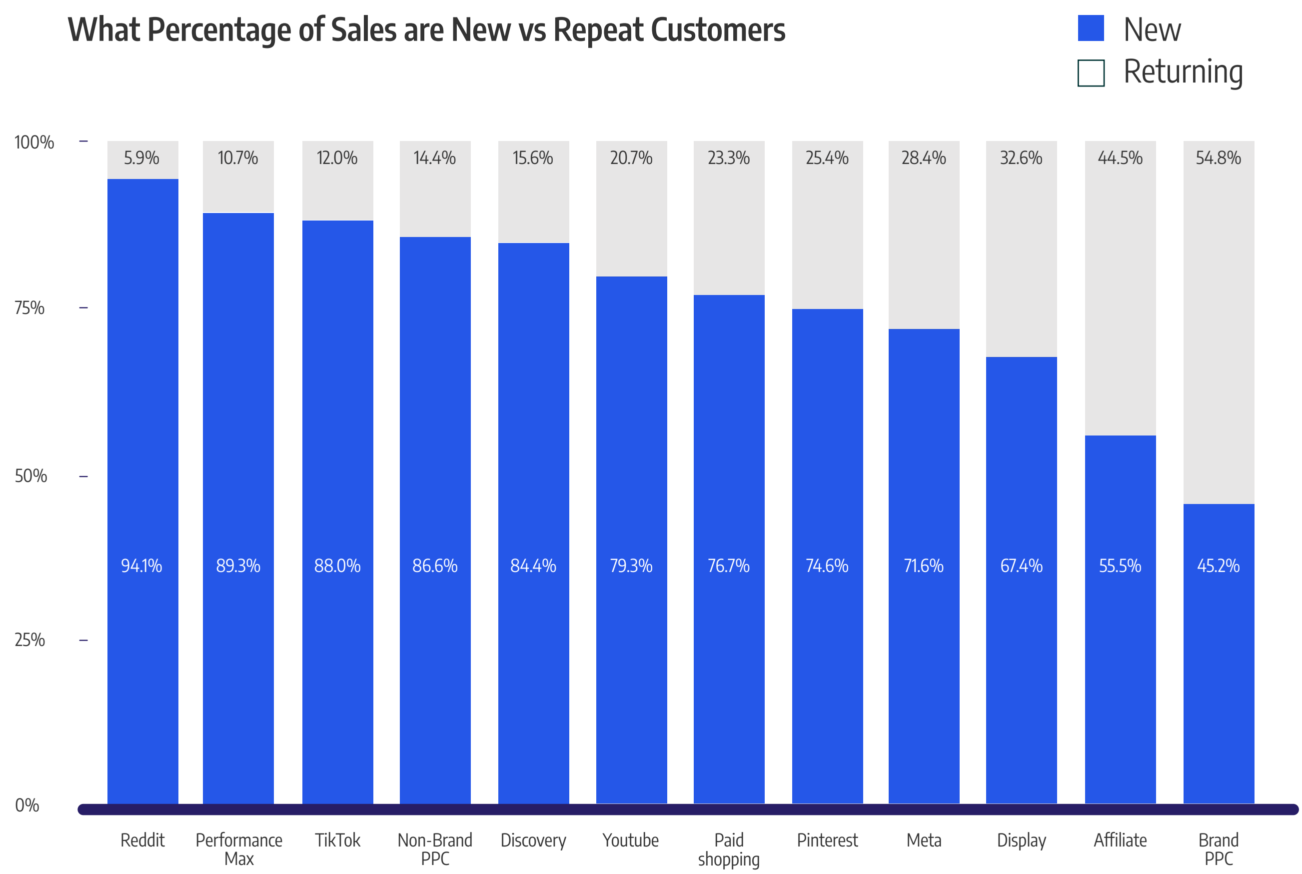
At the other end of the scale, Reddit and Pinterest have the strongest positive impact on AOV. This makes sense too – they are both thematically organized platforms, with ads well-integrated into their UX.

Pinterest in particular is an aspirational platform that people are known to use for shopping inspiration, so it makes sense that customers spend a bit more when they're acquired from there.

From Fospha's research in this area, AOV is a good leading indicator for future Lifetime Value of a customer. While that data is not included in this report, we will include this as a focus for future reports.

Which channels are best for pure acquisition?

Reddit, Performance Max and TikTok are the strongest drivers of new customers



One of the common themes Fospha find when onboarding new brands is that they rarely have a clear idea of where their new customers are coming from.

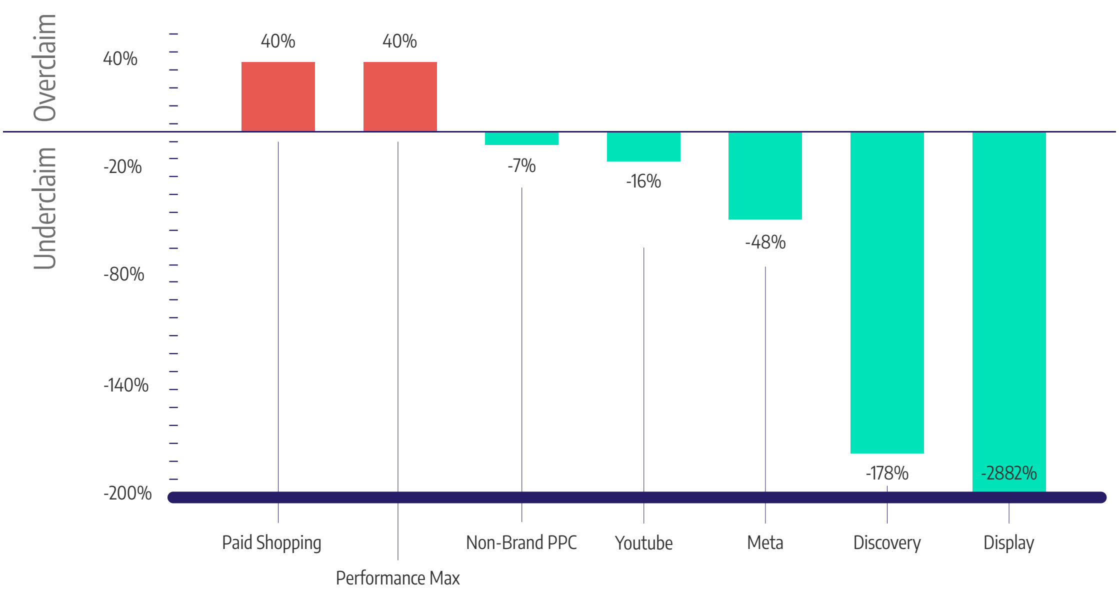
Beyond some painful and unscalable manual reconciliation efforts, the most common approach we see to measuring new and repeat customers by channel or campaign is to set a campaign-level objective (e.g. acquisition) and then report on all sales coming from that campaign as meeting that objective (i.e. being new customers). When auditing this with our data science-led approach, the results we see are very different.

While it is probably unsurprising that Affiliate and Brand PPC have a very low new customer acquisition %, Meta's position as fourth-poorest channel for acquiring customers may come as a shock. Granted, a marginally higher % of Meta budgets fall into Remarketing than they do for challenger channels like Reddit, but the overwhelming majority of Meta spend is still on acquisition. Instead, the high volume of repeating customers through Meta is likely to be a result of higher saturation in the platform.

The action here is clear – use Facebook and Instagram for scale, but as spend levels grow make sure to support it with new customer acquisition through Reddit, Performance Max and TikTok.

Paid Shopping overclaims revenue, Meta underclaims by 50%

Do Ad Platforms Overclaim or Underclaim Revenue?

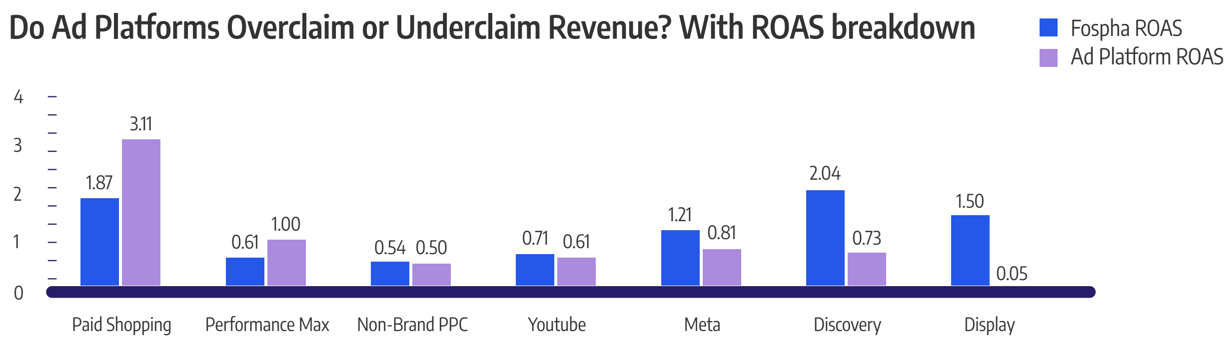


This iteration of this chart only includes a few channels – Facebook, and those channels that fall within the Google ecosystem. These were the ones available in this first dataset, however next quarter's report should feature an expanded channel list.

The theme, however, is clear – channels that drive most of their value with clicks generally provide their customers with more generous attribution models than those that primarily deliver impressions. This is likely to be the result of data privacy issues – view-through has always presented a tougher reporting challenge than clicks, and particularly in the last 12 months we have seen platforms like Meta switch from over-reporting revenue to under-reporting it.

Where we see this trend reversed is with some (though not all) of the challenger social platforms, who still maintain very generous attribution models. Although not featured in this chart, Pinterest regularly comes up with clients as a platform that reports very unrealistic revenue numbers in-platform.

Do Ad Platforms Overclaim or Underclaim Revenue? With ROAS breakdown



Conclusions

08.

Performance is still strong in Facebook/Instagram for brands that have the tools to measure it.

iOS 14 has been particularly brutal for Meta's ability to report performance for top of funnel media. There can be strong ROAS here if you're prepared to invest and have good measurement to guide you.

We've seen a lot of noise around YouTube advertising, however while there have been isolated success stories the broader picture is that it is underperforming by most metrics for most brands.

Paid Shopping is clearly a high-ROAS channel in the short term despite its negative impact on average basket size. In the limited studies we have done, low-AOV channels have corresponded with low Lifetime Value over a longer period, so it is likely that these Paid Shopping acquisitions are also lower-yield in the long term.

Reddit and TikTok stand out as the challenger socials to invest in, with strong performance from a ROAS and new customer acquisition perspective.

Ultimately, the most successful strategy we see relies on Facebook/Instagram and a smaller amount of Google PPC for scale, then supplements that with challenger socials like Reddit and TikTok for high-return sales and acquiring new customers at scale.

Appendix - Data overview

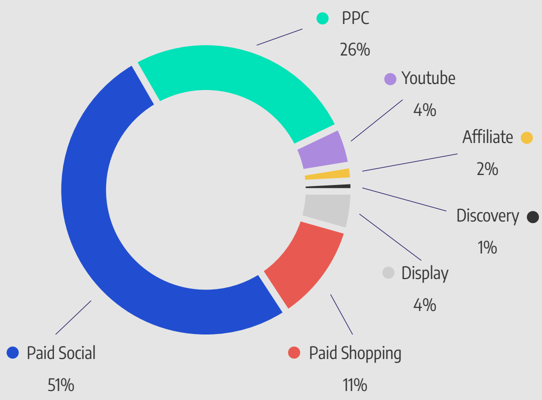
09.

This report is taken from a subset of Fospha clients, with data from January to March 2022. They are UK, EU and North American Direct to Consumer (D2C) eCommerce brands with a blend of eCommerce and Subscription business models. Combined, they spent a total of $31m on ads in Q1.

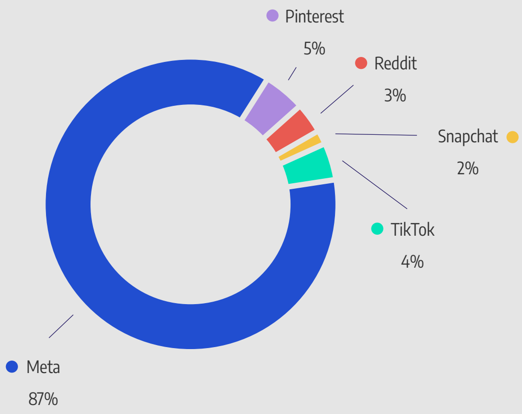
Paid Social is their biggest advertising channel, with the majority of that being spent on Meta channels (Facebook and Instagram). They are also active spenders in Paid Search (24%), predominantly through Google, and spend on other Google media like Paid Shopping (12%), YouTube (5%), Discovery (1%), and Performance Max (1%).

They represent a variety of business sizes, with the biggest single category being $1m+ in monthly marketing spend.

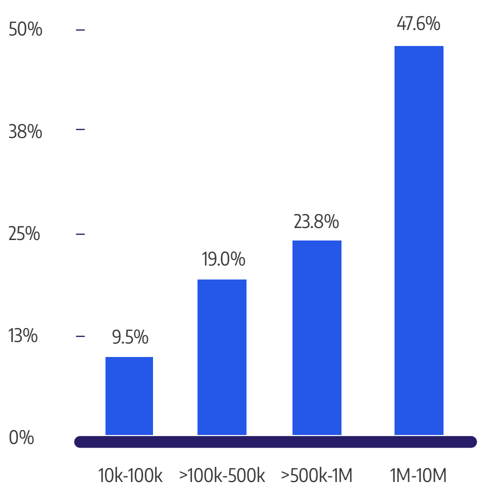
Spend % across Ad Channels



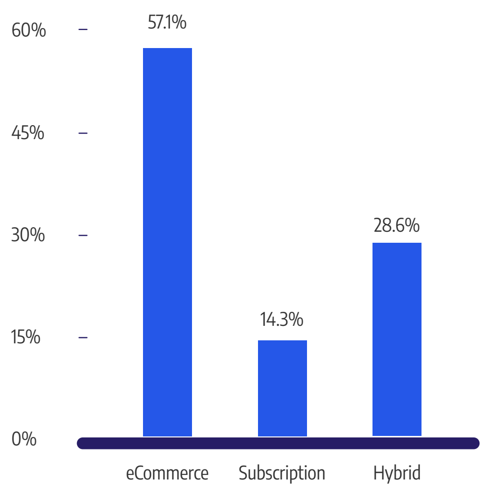
Breakdown of Paid social spend



% Distribution of Brands in Study by Monthly Spend



% Distribution of Brands in Study by Business Model



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Fospha shows you how well your ads are really working. **Click here** to book a platform demo!

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