



## How Will You Thrive in the Face of the **Biggest Threat to Retail?**

## Executive Summary:

### Amazon revolutionized retail.

What one thing has made Amazon a digital superpower? It isn't their vast selection of goods – even as a small online bookstore, they were disrupting retail by transforming the way we buy and consume media. It isn't their reliable delivery – customers expect this of any retailer. It isn't their customer service – while it excels in the eyes of consumers and has a positive impact on Amazon's bottom line, it's nothing that most other retailers can't mimic or even surpass.

**Amazon's key differentiator has long been their ability to monetize their data better than any retailer on the planet.** They created a destination for people to buy nearly anything they want, then monetized shopper data by selling limited access to this valuable information to their marketplace vendors. Now they're gobbling up the marketing budgets of vendor brands.

The surprising thing about Amazon's success selling ad space to vendors is not the program's astronomical sales figures, but that they didn't launch their lucrative digital ad program earlier.



**Kimberly-Clark's partnership with Vantage in the FreshDirect Digital Co-op Program has been very successful for us in acquiring new customers and converting browsers into buyers. We want to work with this technology in all our retail partnerships.**

Francisco Silva  
Ecommerce Business Development Manager  
Kimberly-Clark





## Executive Summary continued:

As a competing retailer, you're also collecting an immense trove of shopper data. You might think extracting actionable insights from that information and creating new revenue streams requires a huge team and tons of extra time and budget. Not true - you can keep your analytics and marketing teams lean and enable them to monetize your shopper data quickly and affordably with the right technology.

All you need is a solution that offers brands a real bang for their advertising buck compared to Amazon. Vantage, the worlds only integrated digital co-op communications and ad platform, is that solution.

You cannot afford to only work with the large brands with big budgets. Unlock the long-tail of brands.

Gain a greater share of brand ad dollars by running your own co-operative digital ad program powered by Vantage – a solution that is even more effective, transparent, and profitable than Amazon Advertising.

Now's the time to set up or augment your program with **Vantage**, which has already proven to exceed sales targets quickly and maximize Return on Ad Spend (ROAS) with minimal investment.

## The rise and rise of Amazon Advertising

Amazon's share of the online advertising market is growing rapidly, increasing its strength over retailers big and small. More and more brands are adapting their marketing to include an "Amazon Advertising strategy" in their plans, and many traditional retailers have yet to offer an alternative to Amazon.

Google and Facebook are still the leading digital ad sales platforms in the US, but an increasing amount of brand ad spend is going to Amazon Advertising.

Many retailers with co-op programs have been focused on supporting the biggest brands with large budgets. No longer.

Brands of all sizes are looking for new ways to drive steady growth and a thriving future. Retailers, in turn, must offer a solution to all potential brand partners. With no alternative, brands will direct more and more of their dollars to Amazon Advertising. The ad spend that continues to flow to Amazon has helped it become a nearly unstoppable retail and digital advertising powerhouse.

"Nearly unstoppable". Brands are urgently looking for other outlets for their advertising dollars. Sellers don't receive much data from Amazon about the impact of their ad spend, and they share a growing concern that they may be funding a potential direct competitor as Amazon ramps up production of its private-label goods at a breakneck pace.

In **Q4 2018** alone, Amazon's revenues from advertising exceeded  
**\$1 billion.**

Predictions of Amazon's ad sales growth range to  
**\$16 billion**  
by 2021

and to  
**\$50.6 billion**  
by 2028



## Digital and co-op advertising offer new revenue streams to retailers.

Trade marketing, which traditionally places products in noticeable locations in brick-and-mortar stores is losing out to Amazon. Brands are shifting their marketing budgets away to Amazon, and taking money directly out of trade marketing budgets with their traditional retail partners. An estimated \$178 billion annually in the US, trade marketing budgets are the first target in Amazon's US strategy to attack retailers.

With Amazon's accelerating growth in the digital ad market, retailers have a new imperative to launch new programs to win a greater share of brands' trade marketing, digital advertising, and co-op advertising budgets, large or small, it adds up.

Total digital ad spending in the US will grow to \$129 billion this year; Amazon's US ad business is expected to grow to almost 10% of this total.

The US co-op advertising budget is currently estimated to be \$70 billion. A 2018 BIA advertiser survey revealed that around half of this amount actually goes unused because retailers and brands can't execute. Of the amount that is used, only a very low 20% is being spent on digital advertising.



**Lowe's captured real opportunities with a digital co-op advertising program that gives brands actionable insights, access to digitally savvy customers, and better value for their ad spend than Amazon Advertising.**



**Scott Simon**  
Director of Online Merchandising  
Lowe's

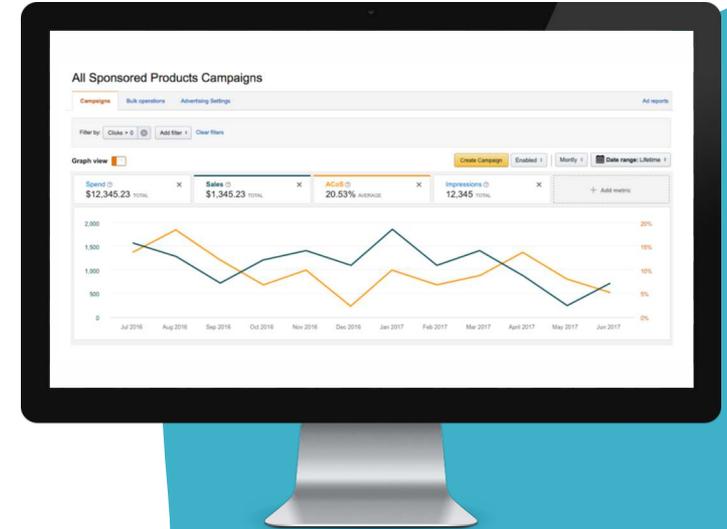


## Nothing to see there: Amazon Advertising reporting lacks transparency and granularity

As brands spend more on digital advertising, they are demanding greater transparency and actionable insights from the retailers they advertise with. This is a relatively new demand; historically, brands have regarded co-op advertising as a necessary black hole into which they must reluctantly allocate budget without any means of determining their return on investment (ROI) or return on ad spend (ROAS).

Many manufacturers now see Amazon as another essential distribution channel due to its massive user base and purchase dataset. Yet Amazon Advertising users complain that tracing ad buys to sales still ranges from difficult to impossible because the toolkit itself lacks the required sophistication. Nearly half (46%) of digital marketers and advertisers said that inadequate reporting is one of the biggest problems they face when advertising on Amazon. Brands also report discrepancies between the numbers that Amazon presents and their actual ROAS.

A closer look at one of the key metrics in the Amazon Advertising performance dashboard, the Advertising Cost of Sales (ACoS), brings this problem to light.



Advertisers complain about misleading metrics on Amazon Advertising.

Advertising Cost of Sales as a metric fails to provide an accurate reflection of an ad campaign's success, as it lumps together both the brand's revenue and Amazon's fees, which can be over 30% of a product's gross sales. Therefore, a seemingly good ACoS could be concealing a money-losing campaign due to hidden fees.

To get a better understanding of an Amazon ad campaign's effectiveness, brands are forced to calculate, on their own, both of the following:

- **The advertising cost of net (ACoN), which works with the net revenue a brand gets after Amazon takes its cut, or**
- **The advertising cost of profit (ACoP), which also takes production costs into account**

Amazon's misleading metrics force brands to compile and analyze measurements manually. Recalibrating campaigns requires more manual effort, costing brands more time and money, and tying up resources analyzing data.

Many agencies that work with Amazon see this as a strategic move to try to force them to buy data.

ARA Basic, which is free, offers reports on business metrics including sales and inventory levels. However, brands that sell through Vendor Central must pay for demographic data as part of a subscription to Amazon Retail Analytics (ARA) Premium, which can cost as much as \$30,000 per year.



“Brands like the Vantage digital co-op program that gives them a clear overview of every campaign's performance, with accurate and transparent reporting and actionable insights”

Scott Simon  
Director of Online  
Merchandising, Lowe's

Unlike Amazon Advertising's limited one-size-fits-all program, retailers can offer brands digital advertising that connects retailer and shopper intent data to create a holistic view of the shopper on terms that make sense for both parties.

Retailers and brands can leverage digital co-op advertising solutions that are powered by artificial intelligence and machine learning technologies that automate campaign split-testing and optimization. This places little to no demand on brand and retailer marketing resources. These technologies deliver an affordable and effective means of precise targeting that Amazon Brand Analytics simply cannot match.

## Keep on knocking, but you can't come in: Amazon is a walled garden

Dissatisfaction with the quantity and quality of data from Amazon Advertising reports is another sore point among digital advertisers. Because all campaign measurements take place within Amazon's ecosystem, or walled garden, it lacks valuable transparency. A recent survey reported that 68% of advertisers feel walled gardens provide insufficient data to analyze and measure ad campaigns effectively.

Another issue that brands have with Amazon Advertising is they can experience difficulties getting their ads placed advantageously if they don't have a lot of product reviews.

In essence, Amazon Advertising is the digital version of the worst parts of traditional co-op advertising: an essential black hole for ad spend that provides inadequate, non-transparent measurement, and overall is lacking actionable insights.

Retailers can offer greater flexibility and useful measurements than Amazon's walled garden; they can also ensure precisely targeted and timed placements without requiring product reviews.

To do so, they should work with a digital ad co-op program provider that has strong partnerships with platforms like Google and Facebook. The provider can help them set up, launch, and maintain effective co-op advertising programs that provide valuable custom campaign insights, such as audience behavior and demographics.

Retailers can also rely on their solution provider for data analysis support that helps brands understand their campaign metrics and how to maintain or improve them.



**Vantage is a digital ad co-op program provider that has strong partnerships with platforms like Google and Facebook.**

**Scott Simon**  
Director of Online Merchandising, Lowe's

## DIY analysis and bad UX: Amazon Advertising delivers a cumbersome user experience

Ad buyers are not happy about having to buy space in an advertising market that fails at UX basics. Common grievances about Amazon Advertising are that it is difficult to navigate, offers lackluster support and has slow rudimentary tools and dashboards instead of actionable real-time guidance. Buyers state that buying ads and setting up and managing campaigns on Amazon is more laborious than on Facebook and Google, due primarily to Amazon's patchy ad infrastructure and overlapping programs.

“ [Amazon Advertising] is Google a decade ago. ”

Eric Heller  
Founder, Marketplace Ignition

Amazon Advertising's inefficient optimization tactics are also a pain point for 43% of the digital marketers and advertisers surveyed by Third Door Media in 2018. After a long wait for measurements, marketers and advertisers must then take the time to analyze the results by themselves, determine which ads are performing best, and optimize the campaign – all manually. Real-time campaign monitoring, analysis, and optimization is simply not an option.

Because Amazon Advertising doesn't enable advertisers to schedule and download campaigns efficiently, they need to manually go through each campaign in the dashboard to see performance data. For brands that have a large range of products, the daily collection and analysis of this data, then updating campaigns based on results, can become especially cumbersome.

Because of Amazon's sheer size, many brands have felt forced to shift ad spend there, to a marketplace that has inefficient reporting capabilities, complicates campaign performance analysis, and demands excessive manual labor. In the absence of alternatives that can help them grow their sales, brands are reluctantly working with Amazon.

This is a real opportunity for retailers to win more brand spend; they simply need to offer comparable or a better digital co-op ad program with fast, sophisticated, comprehensive, and intuitive tools and dashboards, case studies, and sales support for brands and retailers. Even better, a platform that uses artificial intelligence and machine learning technologies can automate A/B testing, performance data collection and analysis, then optimize campaigns based on the results, while enabling advertisers to review metrics whenever they want. This solution should enable brands to advertise through retail ad marketplaces to scale, making it easy for them to run, monitor, and optimize campaigns for multiple products.

## Jack of all trades, master of some – but not ads: Amazon is not a pure-play advertiser

Retailers need to leverage the innovative advertising products and services that companies like Facebook and Google deliver without becoming overwhelmed by the ad platforms themselves. As the leading pure-play advertisers, Google and Facebook give brands best-in-class granularity in consumer targeting capabilities, but they're not the only games in town – and today's lean marketing teams can't afford to work with each ad platform individually, they need a platform that can automatically optimize across many marketing channels.

Amazon focuses primarily on marketing to consumers on-site, basing its advertising program on consumer shopping habits and promoting brands while consumers are in the decision-making process. Its ability to build audiences based on other retail inferences is limited.

Amazon cannot offer the reach and innovation that the market including Facebook and Google can. Both brands and retailers stand to gain more through co-op advertising programs that are supported by Google and Facebook, which are both far ahead of Amazon in the advertising space. Brands and retailers also stand to benefit when Google and Facebook introduce powerful new marketing products.



Choosing a partner that works across advertising platforms like Facebook and Google enables retailers to provide brands with smart targeting and automated campaign optimization that Amazon cannot.

With a proven digital co-op advertising platform, retailers gain the opportunity to offer brands a highly effective means of advertising and increasing sales. To make it easy for brands to use, the solution needs to be simple to set up, and should feature automated campaign optimization to guarantee results.

## A win-win situation: Digital co-op advertising helps retailers and brands sell more together

Collaboration between brands and retailers is the key to long-term success for all parties (except, maybe Amazon). An effective digital co-op advertising program empowers brands and retailers to connect retailer and shopper intent data to engage customers at every stage of the buyer's journey and increase conversions with data-driven digital ad campaigns.

To compete with Amazon Advertising and Amazon itself, retailers and brands need to collaborate and leverage their data in a way that is secure, scalable, and privacy-enhancing. The key is to do so with a platform that does not force the retailer to sacrifice control of their data or undermine their data protection. The retailer's ad platform solution should be easy to use without straining resources, time, or budgets at the retailer or the brand.

A co-op ad program that uses artificial intelligence can work with several data sources in real time, recognizing browsing and buying patterns and adapting campaigns to maximize sales almost instantly. Such a platform grows smarter over time, and as it identifies audiences and audience behaviors, it continuously improves ad content personalization at each stage of the path to purchase, making smarter offers over time.

To maximize returns on minimal investment, retailers should look for a digital co-op ad solution provider that is a Google Global Partner and Global Facebook Marketing Partner. The program should have a track record of having proven itself more effective, measurable, and adaptable than Amazon Advertising.



## You're sitting on a goldmine: Retailers can monetize online shopper data

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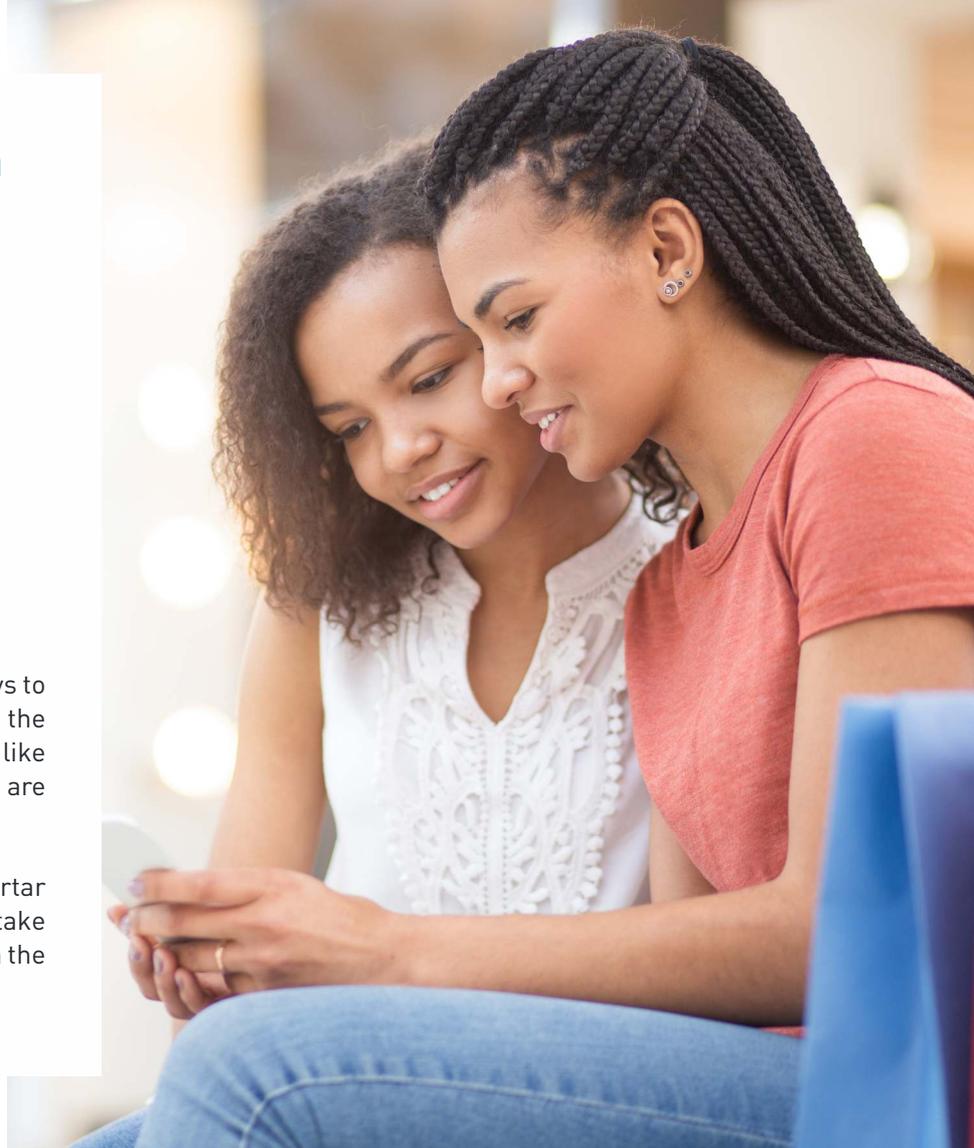
**Vantage makes collaboration possible while protecting our data and our customers privacy.**

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**Chris Parsons**  
Director of Ecommerce  
Leading Retailer

When a brand joins a retailer's digital co-op ad program, the brand pays to advertise in the program; which means their ads can appear in the retailer's online store, in applications, and throughout ad networks like Facebook and Google. These ads will only appear to consumers who are most likely to buy, at times they are most likely to buy.

For example, a mother who buys diapers in a retailer's brick-and-mortar store could see an online ad for baby wipes later that day. The ad could take her to a product page or even a page dedicated to that brand of wipes in the retailer's online store, where she could buy those wipes immediately.



## Vantage Digital Co-Op Advertising gets results



Seeing the opportunity to generate new revenue streams, major retailers, such as Walmart, Target, and Kroger, are talking about offering their own digital co-op advertising programs. All retailers need to offer an alternative to Amazon for brands to spend their marketing dollars. To get more brand marketing dollars away from Amazon, retailers need their co-op programs to be able to:

- Launch quickly, as Amazon has a considerable head start. Vantage can be up and running within weeks.
- Deliver real-time analytics and forecasting. Vantage business intelligence and forecasting help generate more revenue, cultivate loyal customers, and drive profitability.
- Support the long tail of brands. Offer insights and the ability to drive compelling action for brands of all sizes. With Vantage, retailers can capture new ad budgets without adding overhead.
- Intelligently build marketing target audiences and recommended budgets to a/b test dozens, hundreds, or even thousands of ads, creative, claims and offers.
- Use artificial intelligence to dynamically present discounts, promotions, and offers.
- Drive advertising and optimize in real-time to deliver increased traffic, sales, and engagement using multiple competing ad platforms like Facebook, Instagram, and Google. Vantage AI delivers the leading ROAS in the industry.
- Help monetize retailers' own properties, including selling ad space on their websites, and integration with apps, email and messaging.
- Offer an effective turnkey solution that has proven itself as an alternative to investing in the costly, lengthy, and resource-straining processes of I.T. development, and network integration and on-going management, integration of retail and brand purchasing data, testing, maintenance, updating, and support.
- Demonstrate a wide range of support services including strategic guidance, content creation, and media agency partnerships with comprehensive payment and procurement options, including access to credit.



To maximize ROI or ROAS, the Vantage system automatically determines initial bidding and budgeting strategies, then continuously measures click through rates and returns generated by every variation of ad in each campaign. Vantage artificial intelligence and machine learning algorithms determine which ads are working best and whom they are working for. whom Vantage then automatically re-allocates budgets in real time to the top-performing ads, placements, and channels.

Exclusive technology partnerships with platforms like Facebook and Google allow Vantage to leverage shopper data in ways never before possible. Specialized AI and machine learning capabilities build campaign strategies and audiences for retailers and brands in real-time and unlike other marketing platforms, Vantage automatically executes on those strategies to increase sales and boost customer lifetime value for brands and tomorrows leading retailers.

“ Vantage gave FreshDirect a new way to connect with our vendors and make the most of our retail data. From one vendor alone, we are seeing over 25.9x ROAS! ”

**Michelle Harmon-Madsen**  
SVP Brand Partnerships, FreshDirect



Vantage is the world's only integrated digital co-op advertising platform.

Built to exceed sales targets quickly and with minimal investment, Vantage helps retailers and their brand partners engage shoppers wherever they are, when they are most likely to buy.

**Partner with Vantage to provide a smarter, more profitable customer experience and unlock new revenue today.**



**“ The Vantage Digital Co-Op program is so easy to set up, we had brand campaigns up and running in no time. ”**

Michelle Harmon-Madsen  
SVP Brand Partnership, FreshDirect

**“ The integration with Vantage was exceptionally easy. ”**

Ecommerce Director, Leading Grocer

**“ Vantage is game-changing. ”**

Alex Yale  
Market Development Manager, Facebook

**“ I've been in this industry for a while and I've never seen anything this simple. I totally love it. ”**

Brett Willms  
Google Ads Lead



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