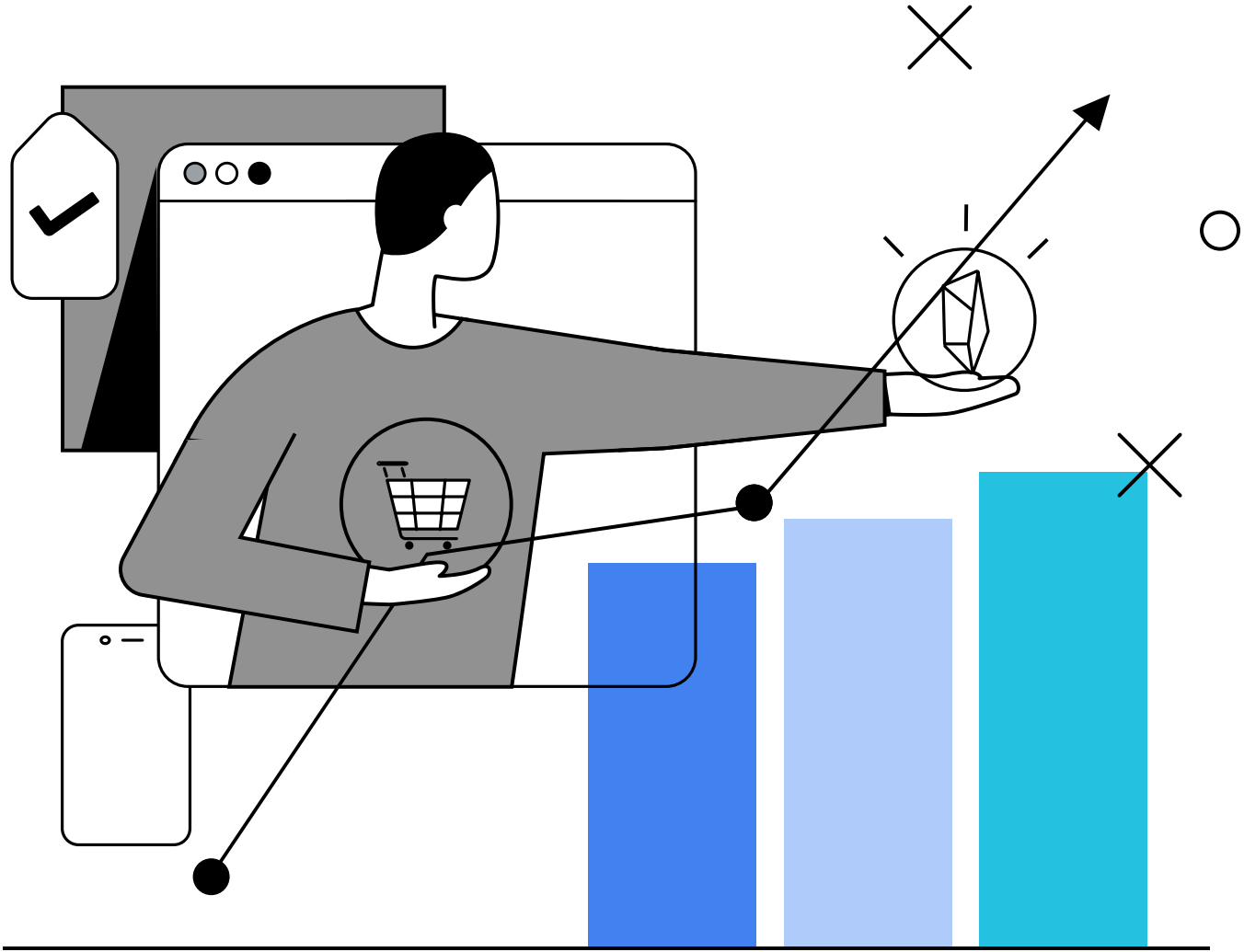


Rethink commerce traffic: Unlocking the value of ad monetization

2022 Asia-Pacific Research Report



Content

Glossary	3
Foreword:	4
Part I: The post-pandemic challenges	6
Challenge #1: How to improve conversion rate?	9
Challenge #2: How to acquire valuable traffic?	10
Challenge #3: How to outshine hordes of competitors?	10
Part II: Meeting challenges by going wide or deeper – or by truly transforming	12
Part III: Ad monetization: the overlooked opportunity	15
Assumption #1: Ad monetization disrupts user experience, weakens brand image, and cannibalizes conversions	17
Assumption #2: Ad monetization only helps if you have huge traffic	20
Assumption #3: Ad monetization means huge investment and uncontrollable content	22
Part IV: Value creation means more than monetization	24
Best practice case #1: How a coupon website nearly doubled its income and enhanced its user experience with ad monetization	27
Best practice case #2: How an online marketplace dispelled ad monetization concerns and embraced a positive growth cycle	29
Gaming: An adoption journey with lessons for commerce businesses	31
Part V: Three steps for starting and managing your ad monetization business	33
Step 1: Positioning	35
Step 2: Resources	35
Step 3: Optimization	36
Conclusion	37
Research methodology	38
Acknowledgement	39

Glossary

Words	Definition
Bricks & Clicks	Bricks & clicks business model refers to the combination of a physical retail location (the brick) and e-commerce sales channel or online store (the click)
Commerce	Commerce is a broader concept than e-commerce; it refers to both internet-based online purchasing information/behavior and business models for all physical, virtual goods and services
EC / E-commerce	E-commerce refers to a business model that allows companies and individuals to buy and sell goods and services online
OTA	Online travel agency
DTC	Direct-to-consumer stands for brands that sell to consumers without any intermediaries
Marketplace	A platform that enables large numbers of vendors to sell products to buyers
Drop-shipping	A form of online retail business wherein the seller accepts customer orders through multiple self-created independent websites but does not keep goods in stock. When an order is placed, the seller sends it to a third-party — the manufacturer, another retailer, or a wholesaler — which ships the goods directly to the buyer
Commission-based commerce	Businesses who operate as information intermediaries and earn commissions when transactions are made
Transaction-based commerce	Businesses which focus on operating a brand or their own branded products and earn revenue from product sales
Click-in ads	Ads placed on an online shopping platform that allow suppliers to promote their product and drive conversion within the platform
Click-out ads / Third-party ads	Ads placed on an online shopping platform which, when clicked, lead users to the third-party advertiser's landing page (also known as third-party ads)
Mn.	Million
CAGR	Compound annual growth rate
YoY	Year-over-year
CPC	Cost per click. The amount an advertiser pays for each click on their ads
eCPM	Effective cost per thousand impressions – an estimate of the revenue you receive for every thousand ad impressions. eCPM is calculated as (Total Earnings / Impressions) x 1000
CTR	Click-through rate

Foreword:

After more than 30 years of online evolution, the commerce industry has embarked on its latest chapter. Spurred by COVID-19, the growing percentage of retail sales that take place online has given the industry impetus for new growth and business model innovation – with APAC leading the way.

But the commerce industry still must meet some key challenges, including improving conversion rates, acquiring valuable traffic, and outshining competitors. Under these circumstances, businesses are exploring opportunities both to grow their core transaction business and to transform and diversify their business models.

But one fundamental innovation that can contribute extra revenue to the original business with low investment and an easy operating model has been overlooked by many commerce businesses – ad monetization.

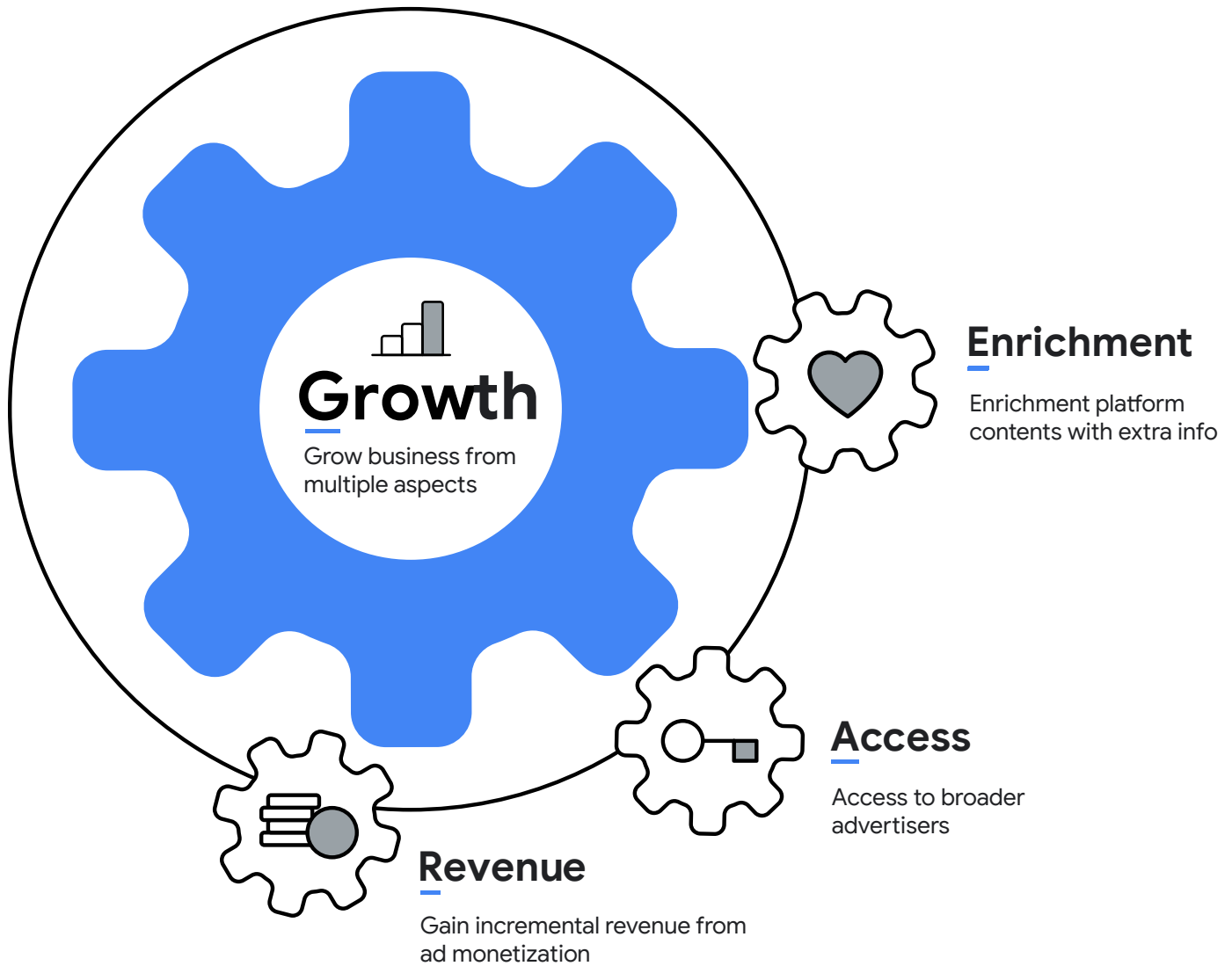
Industries as diverse as gaming; mobile tools and utility apps; bricks and clicks; and news and media are actively integrating ad monetization into their business models, and enjoying new sustainable revenue streams as a result. But this potential initiative is still new to many commerce businesses, especially those with a transaction-based model.

To understand what keeps commerce businesses from unlocking the value of ad monetization and what has helped early adopters achieve success, Deloitte and Google conducted in-depth interviews with direct decision-makers from 14 Asia Pacific-based commerce businesses that operate globally, targeting North America, Europe and Asia Pacific in particular (we can further categorize these businesses as transaction-based and commission-based, or as comprising five sub-sectors: DTCs, travel brands, marketplaces, coupon & price comparison platforms, and online travel agency (OTA) platforms) and 8 experts from the commerce ecosystem, including tech platform and ad solution providers.

These interviews surfaced several common concerns held by commerce business decision-makers towards ad monetization:

- 🔍 Worry about negative impact on user experience and cannibalized conversion
- 🔍 Concern over limited income contribution
- 🔍 An assumption of difficulty based on low awareness of available turnkey solutions

We next studied these concerns, including research on the impact of third-party ads on the online shopping journey; review of various ad monetization business cases worldwide; and collation of commerce businesses' actual ad monetization best practices.



In this paper we present our learnings about ad monetization’s potential as a driver of multidimensional value, and a simple three-step methodology by which commerce companies can quickly start generating revenue from this initiative.

Running a business isn’t easy. We hope this paper offers our readers useful perspectives as you explore new growth opportunities.

Taylor Lam
Vice Chairman of Governing Board
TMT Industry Leader
Deloitte China

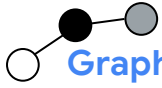
Joyce Zhang
Director of Online Partnerships Group
Greater China
Google



The post-pandemic challenges

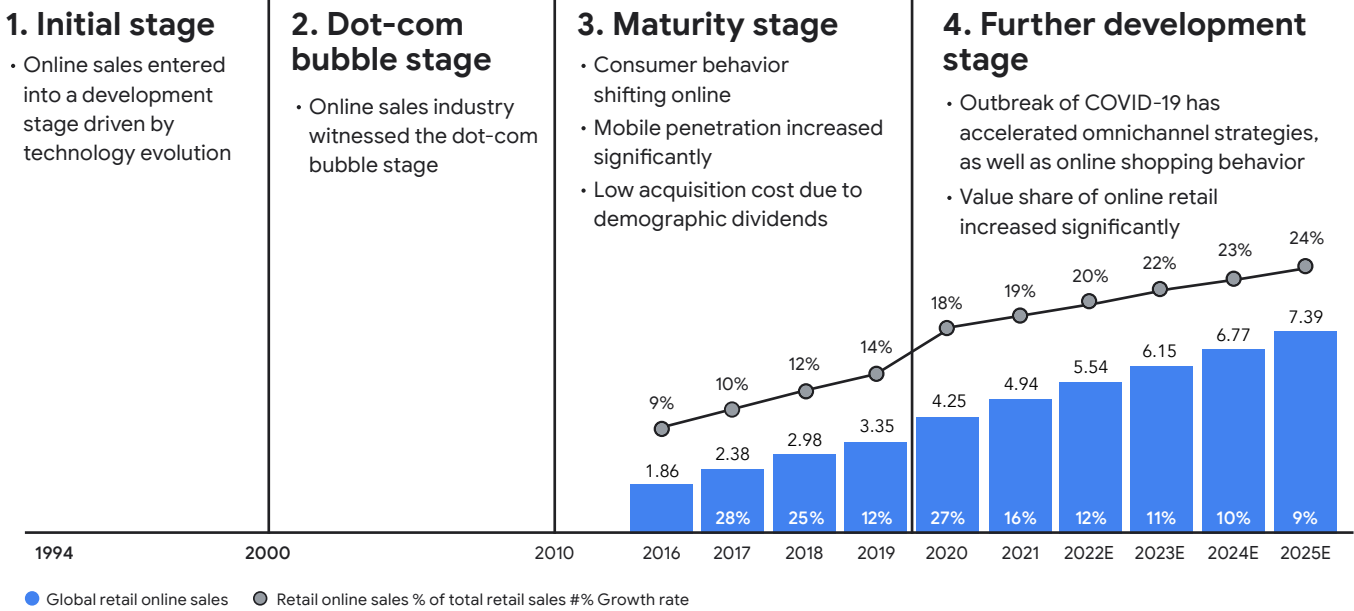
COVID-19 brought big changes to global commerce, as social distancing, lockdowns, and other pandemic responses altered consumer habits. Most notably, for our purposes – global online sales grew 27% from 2019 to 2020, outpacing the CAGR from 2016-2019 (22%). Online sales' revenue share, similarly, jumped from 14% in 2019 to 19% in 2021.





Graph 1: Global retail online sales and value share over retail value (2016-2025E)

Unit: Billion USD, %



Source: eMarketer, Euromonitor and Deloitte interview, research and analysis

Since 2015 the APAC region has been the world's largest online retail market. ¹ APAC commerce businesses continue to seek new ways to augment their businesses via internal optimization and external growth, with China the leading innovator of new models like social commerce ² and live commerce, ³ which are later adopted across the globe.

This project focused on APAC respondents, but they all run businesses beyond this region. Our research found several challenges that companies around the world face as the global economy emerges from the pandemic years.

¹ eMarketer, Euromonitor and Deloitte interview, research and analysis

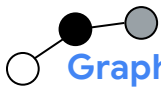
² The process of selling and promoting products through social media platforms

³ The act of selling products online through live video while shoppers interact with the brand in real-time

Challenge #1:

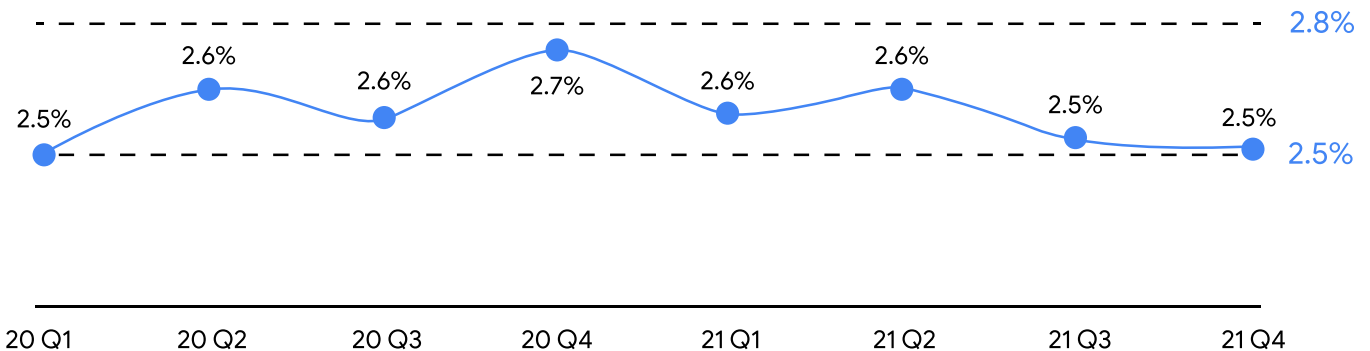
How to improve conversion rate?

In Q4 2021, global online shopping's average conversion was only 2.5% – meaning that out of 100 shoppers who visit an online platform, more than 97 will leave without making a purchase. This rate has hovered at 2-3% for the past two years. If anything, emerging models like livestreaming commerce and ever-growing product and service choices make shopper attention harder than ever to maintain, even as online platforms continue to gain traffic.



Graph 2: Global online shopping conversion rate

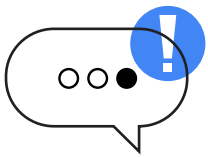
Unit: %



Source: Kibo, Deloitte interview, research and analysis

Challenge #2:**How to acquire valuable traffic?**

In the U.S., the average cost per click (CPC) for some major traffic acquisition channels has increased for the past two years, jumping more than 30% since the beginning of 2020⁴. 12 of the 14 APAC commerce businesses we interviewed mentioned the challenges of rising traffic cost. These businesses need to find new ways to leverage online ads to drive their return on ad spending and business profitability.

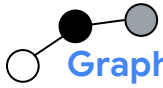
Challenge #3:**How to outshine hordes of competitors?**

Despite (or because of) recent growth in online sales, the industry is becoming ever more competitive. As global online shopping matures, the sheer size of the largest marketplaces has intensified rivalries between sellers and independent direct-to-consumer (DTC) merchants.

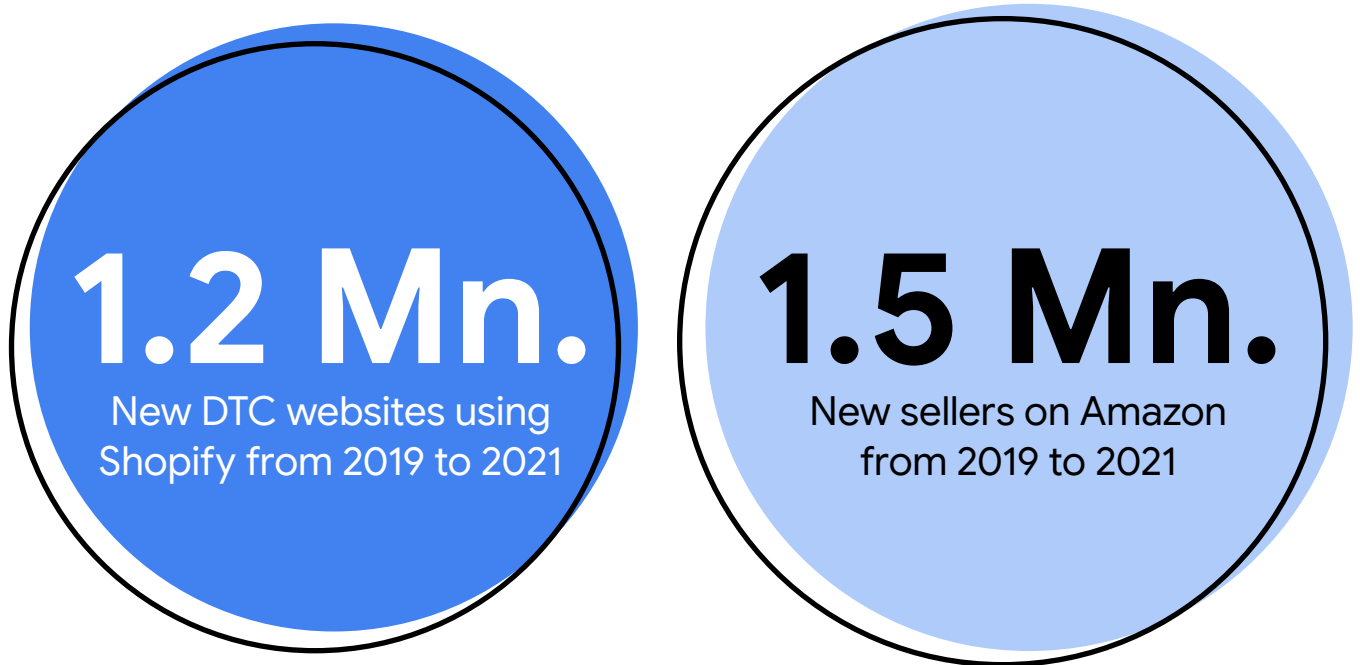
Take the growth in commerce platforms Shopify and Amazon, for example:

- Between 2019 and 2021 nearly 1.2 million new DTC businesses built websites globally on Shopify; today the platform hosts more than 3 million DTC sites in total.
- Similarly, between January 2019 and January 2021, the number of Amazon sellers increased from nearly 4.5 million to around 6 million. Over the past three years, an average of two new sellers opened a store on Amazon every minute.

⁴ Revealbot, average CPC trend in the U.S.



Graph 3: Rapidly growing commerce players worldwide



Source: BuiltWith, Marketplacepulse; Deloitte interview, research and analysis

The challenges to today's commerce businesses are real. Here are the ways in which these businesses are seeking to meet them.



Meeting challenges
by going wider or
deeper – or by truly
transforming

When we interviewed decision-makers at those 14 Asia Pacific-based commerce businesses, we learned they're actively exploring three broad categories of opportunity.

Going wider – Optimizing their core business by expanding to new geographic markets.

Going deeper – Optimizing internal processes like supply chains and product quality.

Truly transforming –

- **Some leading DTCs** are exploring a hybrid “brands + marketplace” model, looking to create a marketplace for selected suppliers (and creating another revenue stream via commissions) while still selling their own DTC brands.
- **Travel brands:** As one of the pandemic's most vulnerable sectors, travel brands today are looking for ways to improve their business. A leading Chinese hotel chain, for instance, established its own platform selling peripheral travel products based on reservation traffic.
- **Marketplaces:** Along with transaction-based commissions, some marketplaces are exploring ways to maximize lifetime customer value by offering value-added services and loyalty programs.
- **Drop-shipping businesses:** This model focuses on building multiple websites to take advantage of one-time traffic to sell currently fashionable items without actually stocking any goods. Today many businesses are trying to improve brand recognition by moving to this DTC model.

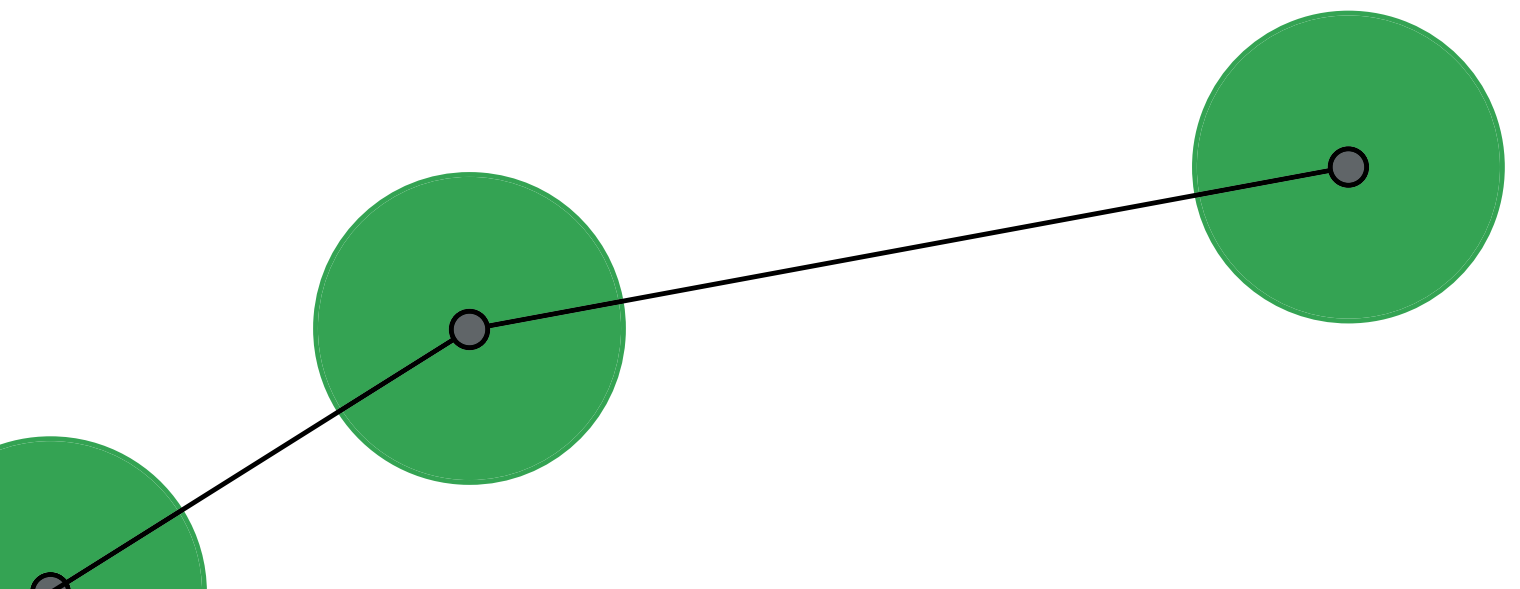
But as our interviews showed, businesses that are pursuing these growth opportunities still face concerns around the resources involved in these new areas:

“... We were considering expanding to new markets, but we need to consider the different preferences for clothing design and styles of different markets. This requires thorough market research, product sampling and development as well as new customer engagement. It takes a lot of time and additional investment, but at the same time, creates uncertainty and does not guarantee success ... “

— A global fashion and beauty DTC company

“... As an early adopter of drop-shipping to the U.S. and European markets, we’re trying to transform into offering DTC brands. We can’t be 100% sure the transition to branding is the right way to go at the moment. It’s definitely a very expensive choice, and we can’t afford to fail ... “

— A North American and European market-focused online drop-shipping business

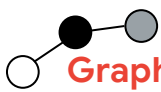


A woman with long dark hair, wearing a light-colored blazer, is smiling and looking at a laptop screen. A man with short dark hair, wearing a dark button-down shirt, is also looking at the screen and has a slight smile. The image is overlaid with a semi-transparent red filter. There are several circular cutouts: one on the man's face, one on his hand near the laptop, and one on the woman's hand near the laptop. The text "Ad monetization: the overlooked opportunity" is written in white, sans-serif font in the lower-left quadrant.

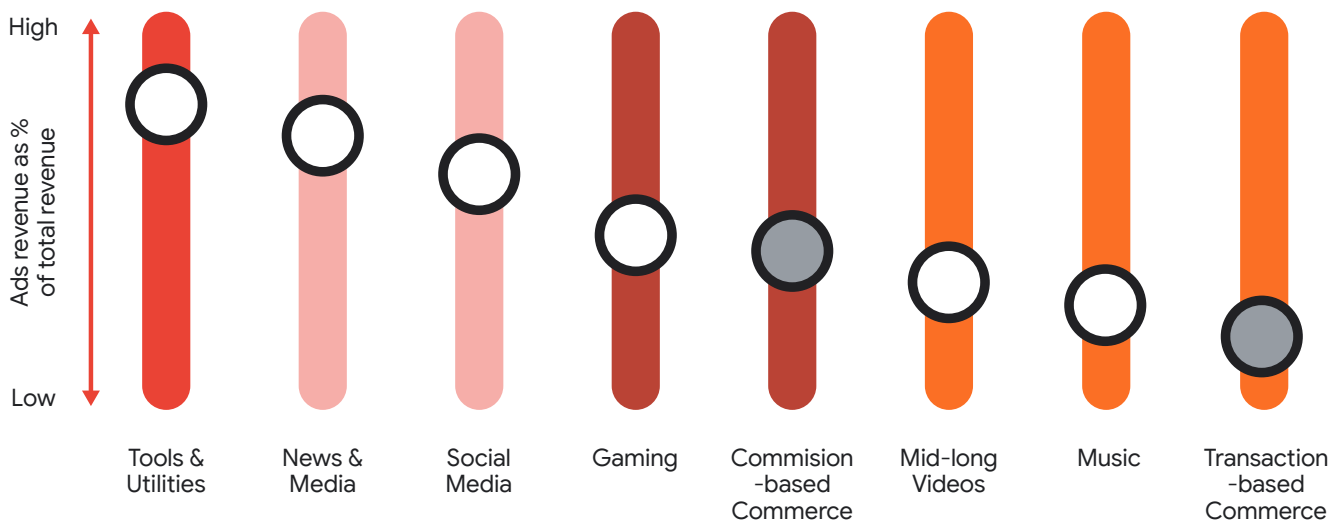
Ad monetization:
the overlooked
opportunity

Ad monetization is a way to earn money by matching ads to your websites or apps based on your content and visitors. The ads are created by advertisers who want to promote their products on your websites or apps; they reach target customers, and you earn the ad money.

This isn't a new concept. Numerous industries have used ads as a part of their business model over the years. In China those sectors would include tools and utilities, news and media, social media, gaming, and others for whom ads have been a significant revenue generator.



Graph 4: Ad monetization adoption level by industries, Chinese internet businesses view



Source: Companies' annual reports; iResearch; Deloitte interview, research and analysis

But although ad monetization is widely used in various industries, it isn't commonly practiced by commerce businesses, especially transaction-based businesses. Our research aims to understand what commerce businesses think about ad monetization, and to describe successful cases of early adopters.

Negative perceptions of ad monetization.

Our interviews reveal that to date, very few commerce businesses have embraced ad monetization as a business opportunity. In fact, it's still a largely unfamiliar topic for many such businesses, whose reluctance comes in large part from three common three assumptions.

Assumption #1:

Ad monetization disrupts user experience, weakens brand image, and cannibalizes conversions

User experience remains a top priority for commerce businesses, DTCs and OTAs alike. Some interviewees worried that users would be distracted by these ads, either losing interest and trust or leaving for the advertiser's website without having made a purchase.

“... DTCs rarely consider ads monetization. The key concern lies on the possible impact on user experience and transaction rate. However, on some non-core pages, especially for content-sharing and user interaction communities with no transactions, there could be chances to place ads as long as the content is aligned with brand image ...”

— Former director of business development,
a global e-commerce platform provider

In 2021 Kantar and Google [studied](#)⁵ whether online ads negatively impact shopping experiences. They found that concerns about diminished experience were overblown; third-party ads didn't cannibalize or otherwise hinder online shoppers' reported experience. These results held across both mature (U.S.) and emerging (Brazil) markets, and across both desktop and mobile devices.

⁵ Research was conducted from 15th Nov – 3rd Dec 2021, published in 2022 as 'New opportunities in e-commerce: Unlocking the value of third-party ads for online shoppers'; Click [here](#) for more information

Kantar shopper research—

Unlocking the value of third-party ads for online shoppers



The Kantar research focused on 18-35-year-old active online apparel shoppers⁶ in the U.S. and Brazil (n=1600 per market). The research simulated an online shopping environment, performing A/B testing with groups of shoppers with and without exposure to third-party ads, while also monitoring behavioral and survey responses.

The researchers concluded that **third-party ads neither cause cannibalization nor hinder the shopping experience; shoppers are open to ads if they're relevant, informative, and interesting.**

Our research, similarly, compared before-and-after transaction rates and user behavior for businesses that have already adopted ad monetization, and found that user experience, brand image and transactions weren't negatively impacted by this adoption.

To allay such concerns, we suggest that businesses that are considering ad monetization conduct A/B testing on their platform or non-core pages. Businesses that want to avoid traffic diversion by third-party ads can implement click-in solutions that sell ads to their own supplier and drive conversion within their platform.

⁶ Active online apparel shoppers are users who actively looking to buy apparel or looking to buy apparel in the next month

Leading Bricks & Clicks businesses, whose business model is similar to commerce businesses, are embracing ad monetization on their platforms.

Walmart adopted ads on its website as early as 2007, and expanded its ad business in 2018. Since then Walmart has actively deployed diversified ad formats like video ads and buy box banners on its online platforms to let advertisers maximize their efficacy. The company is also introducing automation to help advertisers develop campaigns more easily. According to Walmart's 2021 earnings release, its ad business generated US\$2.1 billion in revenue in 2021.

Kroger launched an ad monetization business in 2017 which allows advertisers to purchase product listing ads, digital coupons, and targeted ad placements on Kroger's high-traffic online platforms. According to Kroger's CEO, the company will continue to grow its ad business to drive alternative revenue streams. In 2022 Kroger further scaled its ad business by opening inventory to make it easier for third-party platforms to buy ads and manage their campaigns.

Target offers interest-based banner ads with diversified placements using technical assistance from its Roundel subsidiary. As consumers flocked to digital options during the COVID-19 pandemic, Target added a third-party solution that let supplier and non-supplier advertisers launch and manage campaigns more automatically and effectively.

E-mart, a large supermarket originally from South Korea, runs a website which offers both banner and search ads. Advertisers can pay for premium placements and even independent site pages to gain broader exposure.



Assumption #2:

Ad monetization only helps if you have huge traffic

Worries about limited traffic revenue drove some commerce businesses' doubts about ad monetization. Some respondents worried that ads wouldn't generate enough revenue to be worth the effort. Others haven't realized that ad monetization can be a quantifiable part of their business model as a traffic-oriented business.

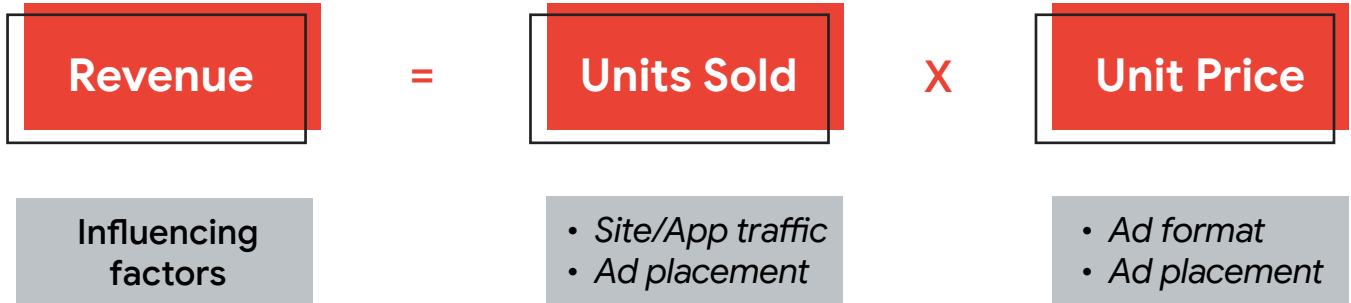
“...We only have several million monthly visits for our website; we don't think that's big enough for ads to make considerable income. Maybe when we have traffic similar to leading online fashion brands, we'll consider doing that ... “

— An APAC-based global online drop-shipping business

Decision-makers need to judge ad monetization's feasibility by learning what revenue their business potentially could earn. For commerce businesses, that means taking into account prospective ads' placement and format. This formula offers one reasonable estimate.

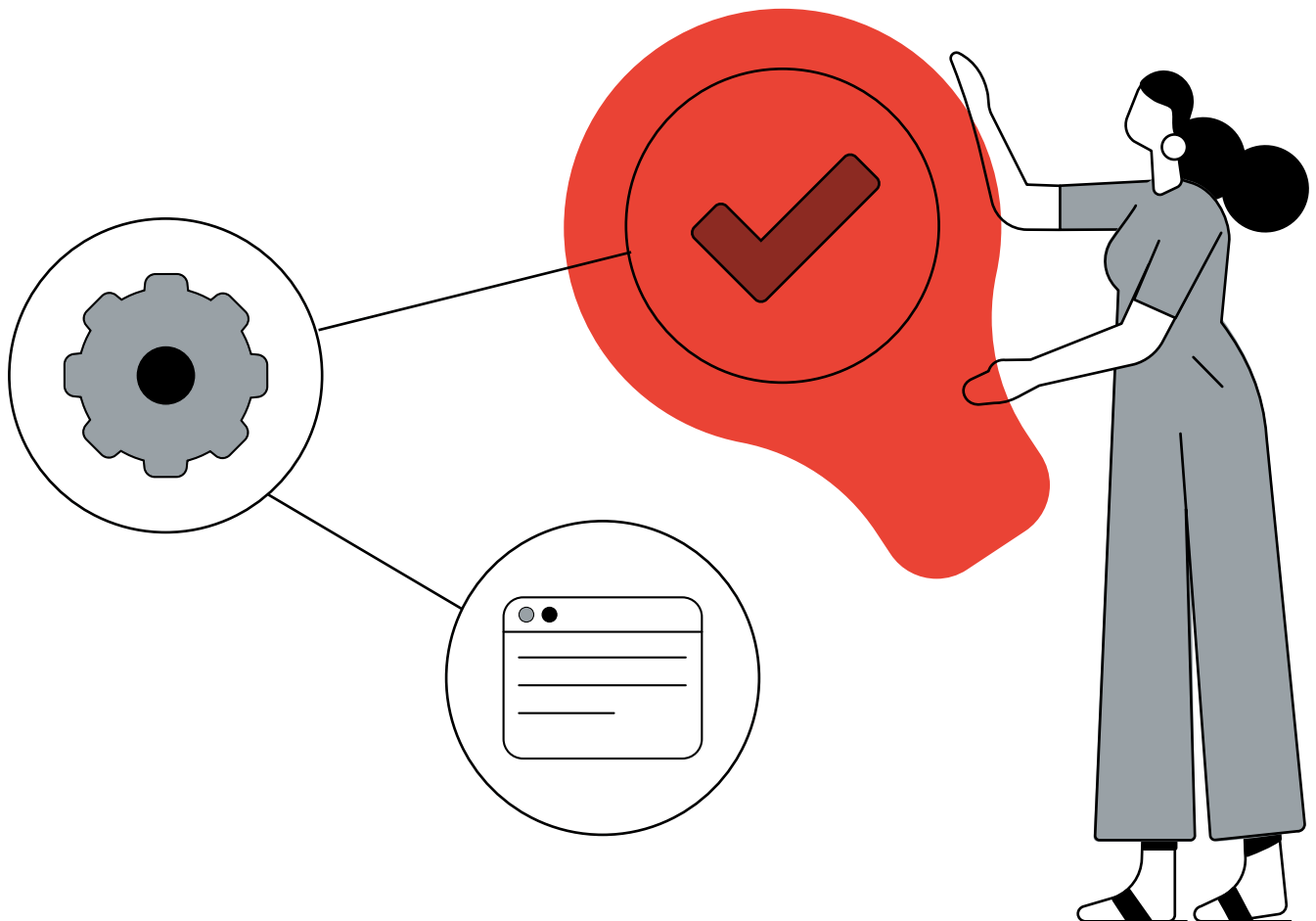


Graph 5: Illustration of ad monetization revenue (with reference to the commerce business model)



Source: Google; Deloitte interview, research and analysis

Even if incremental revenue from a new ad business is less significant, it can still improve a business' overall profitability or be reinvested in other areas. Ad monetization can also bring non-financial value to a business (we'll offer a model of ad value beyond revenue a bit later).



Assumption #3:

Ad monetization means huge investment and uncontrollable content

Many decision-makers who see that ads can be part of a successful business model are still unsure how to do it right. They worry that deploying ads will be a huge project and don't know what kinds of skill sets they need. Will it take a multi-million-dollar investment to get started? Will the project siphon too many people and resources from the company's core business?

“... We did discuss ad monetization. We estimated an initial investment of US\$7.5 million and an ad monetization team headcount of 100. That would have been a huge investment ...”

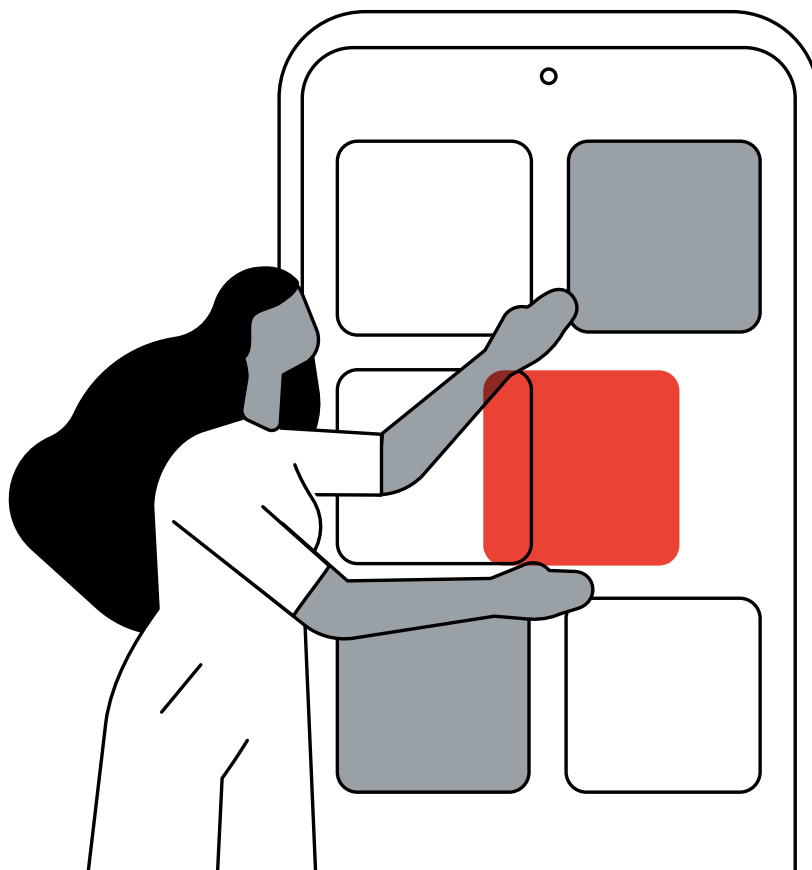
— An APAC-based global online drop-shipping business



In fact, there are already mature third-party ad monetization solutions that most commerce businesses can easily deploy. Our study of early adopters suggests that:

- It's realistic to plan to start an ad business with one or two part-time employees supported by appropriate tools and solutions.
- Even after reaching a certain scale, a full-time team of two can manage daily operations for a growing ad monetization business.
- Ad technology has produced solutions for reviewing and blocking ads to avoid ads that clash with a business's brand image and direct competitors. For example, Google's ad monetization product offers options that allow publishers to block:
 - individual ads
 - ads related to a specific advertiser, a sensitive topic, or a specific category
 - ads from a certain source
 - certain types of ad formats or behaviors.

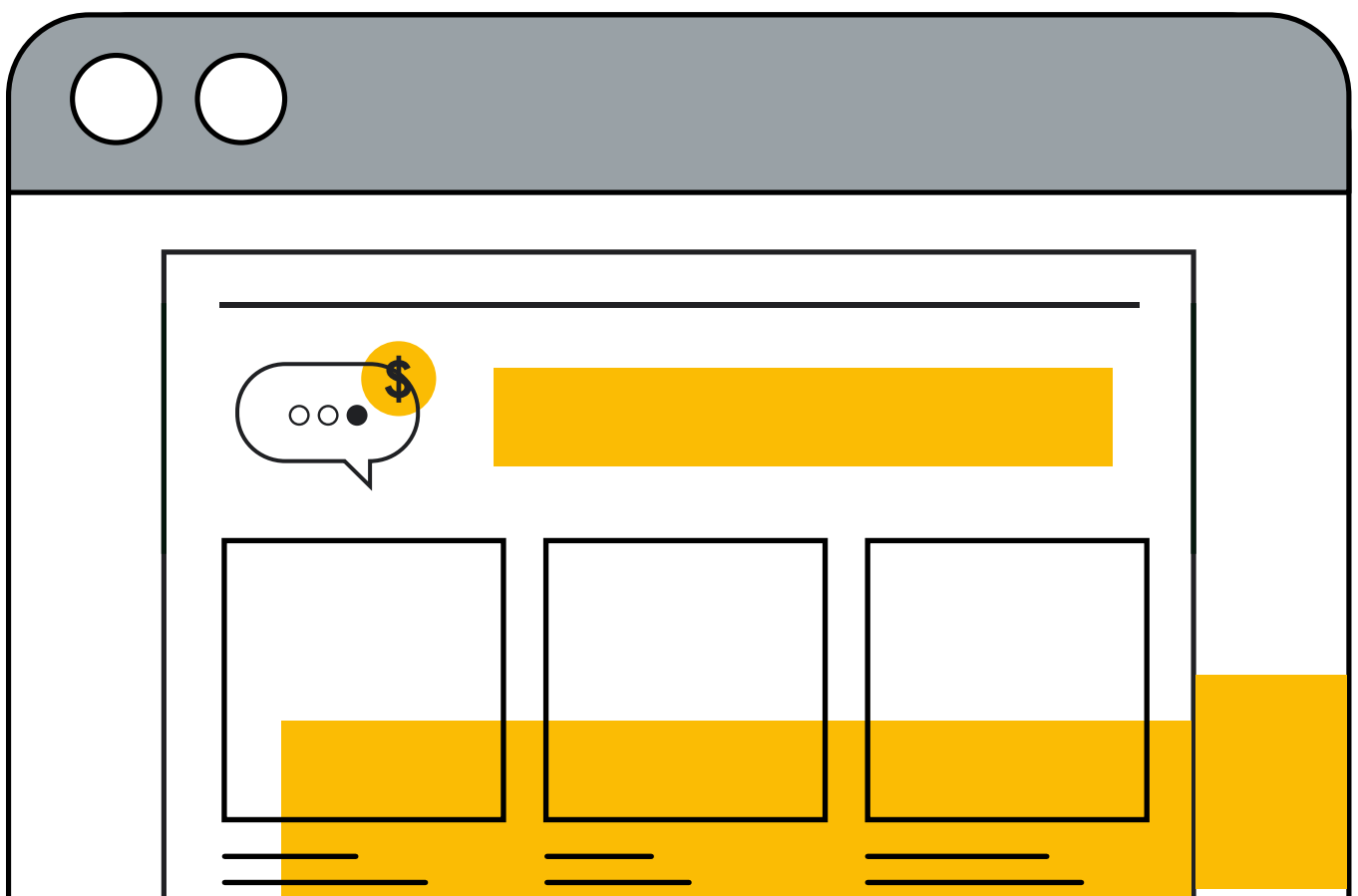
Next we'll explore best practices and operational frameworks that show how your peers are leveraging ad monetization solutions to ramp up their growth.





Value creation
means more than
monetization

We studied numerous ad monetization cases worldwide and here we will summarize this initiative's value based on these best practices. We've also selected two cases from different sectors to show how commerce companies can add ad monetization to their core transaction business. Finally, we'll study the gaming industry's more advanced adoption journey.

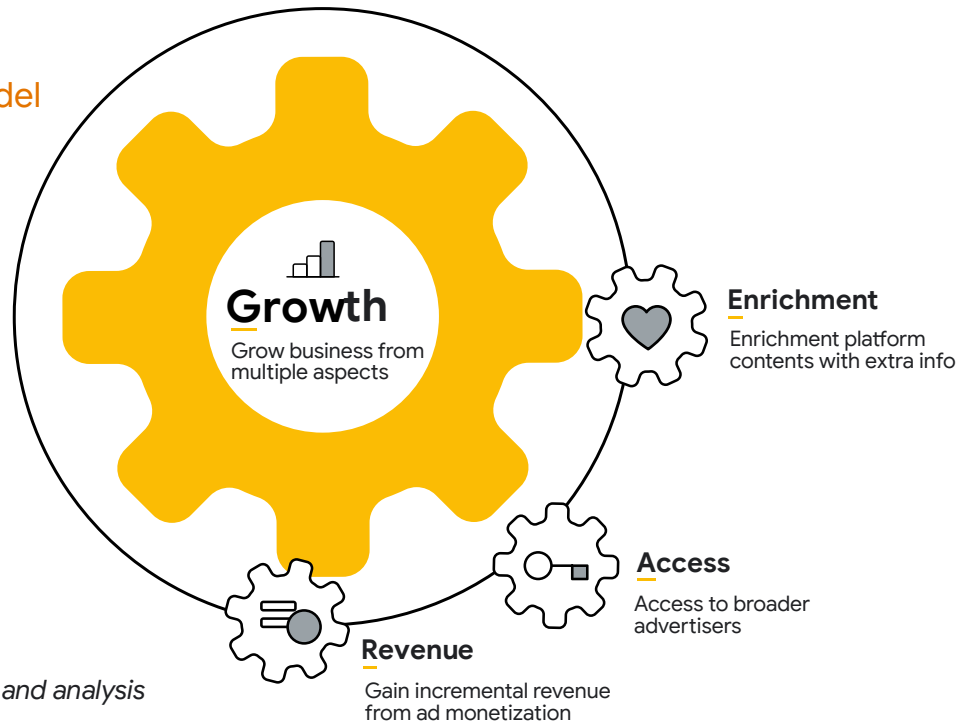


Let's start by noting that ad monetization creates more than just monetary value.

In fact these programs can grow a business in three different ways, as shown in the “GEAR” value model.



Graph 6: “GEAR” value model



Source: Deloitte interview, research and analysis

Growth: Ad monetization can lead to overall business growth through content enrichment, access to broader advertiser demand, and incremental revenue.

Enrichment: With proper ad format and placement, ad monetization can enrich an online platform with useful and attractive content which increases user stay-time and chances of interaction. According to Kantar shopper research,⁷ 58% of shoppers would click on an ad if it featured a product they were interested in, while 50% said that they would click if the ad contained an attractive promotion or offer.

Access: Ad monetization tools give commerce businesses the ability to meet the broader demands of large numbers of advertisers from different business sectors without having to invest significantly to expand their in-house sales and systems teams.

⁷ Research was conducted from 15th Nov – 3rd Dec 2021, published in 2022 as 'New opportunities in e-commerce: Unlocking the value of third-party ads for online shoppers'; Click [here](#) for more information

Revenue: Ad monetization's most direct value is its ability to generate incremental revenue from a commerce platform's unutilized traffic, which helps improve the business's overall profitability or can be reinvested to drive further growth.

Best practice case #1:



How a coupon website nearly doubled its income and enhanced its user experience with ad monetization

What triggered the ad monetization business?

A coupon website offers online shoppers up-to-the-minute real time coupons, promo codes, sales, and offers aiming to help them save money and time. These bargains earned the company a user base of nearly 20 million monthly visits. Its major revenue stream was the commission income it earned from its partnerships with more than 20,000 brands.

Yet, as we see industry-wide, traffic acquisition costs are rising; the coupon site spends much of its marketing budget on acquiring users and channeling traffic from multiple ad platforms. They needed a way to diversify their revenue stream and generate non-commission income.

The solution turned out to be ad monetization. Here's how.

When the site adopted ads, it first focused solely on banner ads. But they quickly learned that banner ads alone wouldn't capture sufficient value. Soon, aided by Google AdSense, the company adopted a new ad format: search ads, which can provide highly relevant messages based on keywords that users searched for.⁸ Search ads also align well with the site's original search-based coupon and price-comparison functionality.

⁸ Search ads are based on users' search intent, therefore relevant to their personal interests

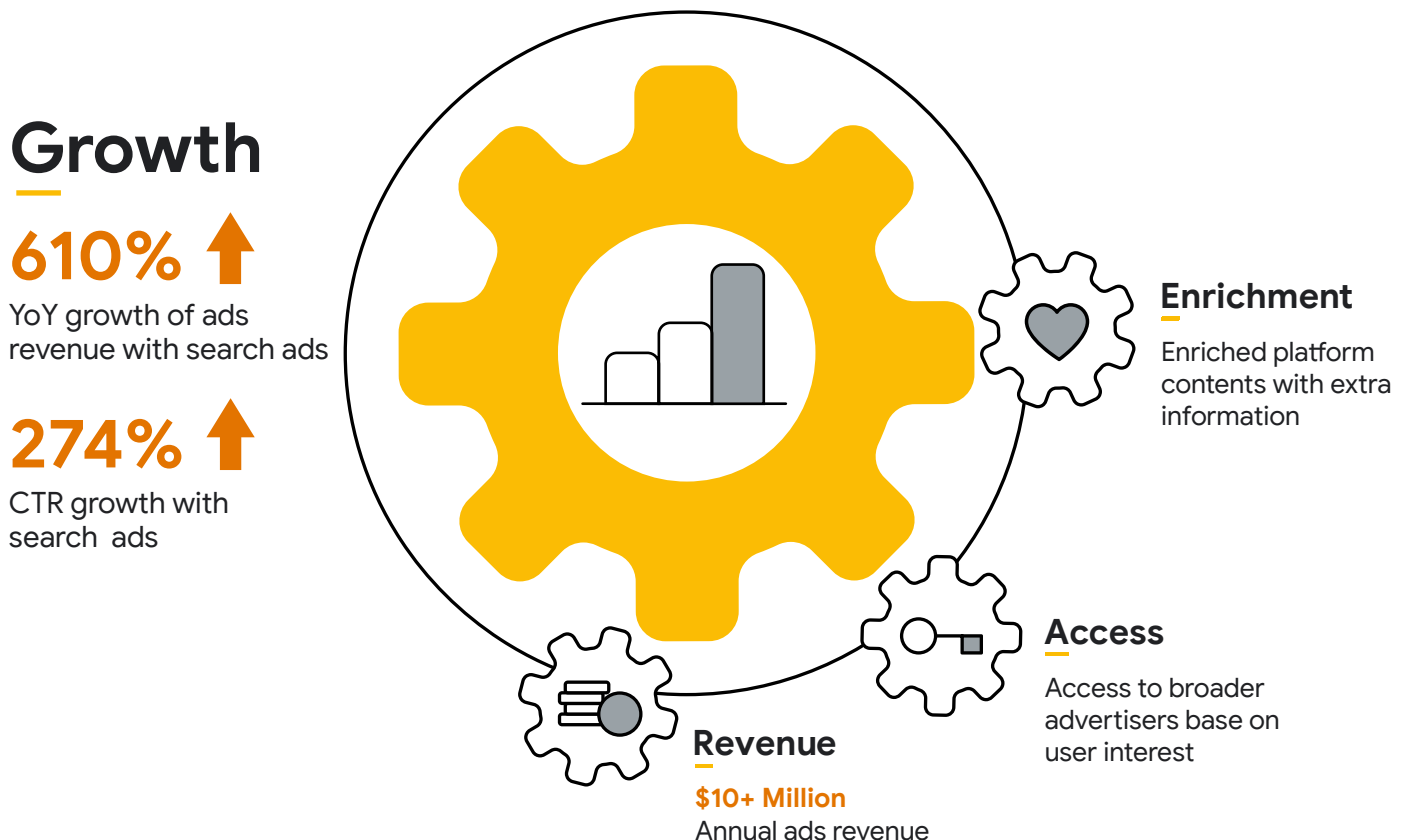
Within one year of adopting search ads, the company saw a 610% year-on-year (YoY) increase in ad revenue and an annual growth of 274% in click-through rate (CTR). Within one year, an ad operations team with less than 10 people was producing annual ad revenue exceeding US\$10 million, accounting for nearly 40% of the website's total revenue. Revenue from ads today almost equals revenue from the site's original commission-based business.

How ad monetization enriched the platform content as well as user experience?

Adopting ads doesn't have to diminish a website's user experience; in fact, search ads can provide users with even more relevant and comprehensive information about the products they're already looking for. In this case, the extra information provided by ads enriched the website's content and helped its users find even more bargains.



Graph 7: Value in growth, enrichment, access and revenue



Source: Deloitte interview, research and analysis

Best practice case #2:

How an online marketplace dispelled ad monetization concerns and embraced a positive growth cycle

This online marketplace had been reluctant to adopt ads in order to protect their highest priority: the positive experience most users had on their website.

So when they adopted ad monetization, the business sought to mitigate any negative impact by phasing ads in over the course of several months, and only on non-core business sector pages (tertiary pages) with lesser traffic.

When the trial ended, data showed that not only had user experience not declined, but that previously loss-making non-core business sectors now earned a profit thanks to ad revenue. Convinced by this trial, the company adopted ad monetization into its core business sectors.



Graph 8: Adoption journey of ad monetization



Source: Deloitte interview, research and analysis

New ad formats enrich user experience while upping long-term growth.

The company worked with Google to explore new ad formats. They started with search ads and then, after lots of data analysis and with access to lots of Google provided advertisers, added more innovative formats like search shopping ads. Each new format was aligned with the site's nature as a marketplace, and the enhanced search function strengthened the overall user experience. Today they employ multiple ad formats within each page, which maximizes ad value while offering users enriched information.

The bottom line: new formats vastly increased this company's CTR and effective cost- per-thousand-impressions (eCPM), with >200% CTR growth and >100% eCPM growth. And they achieved these numbers with only two business and one technical employee involved.



Graph 9: Value of ads in growth, enrichment, access and revenue

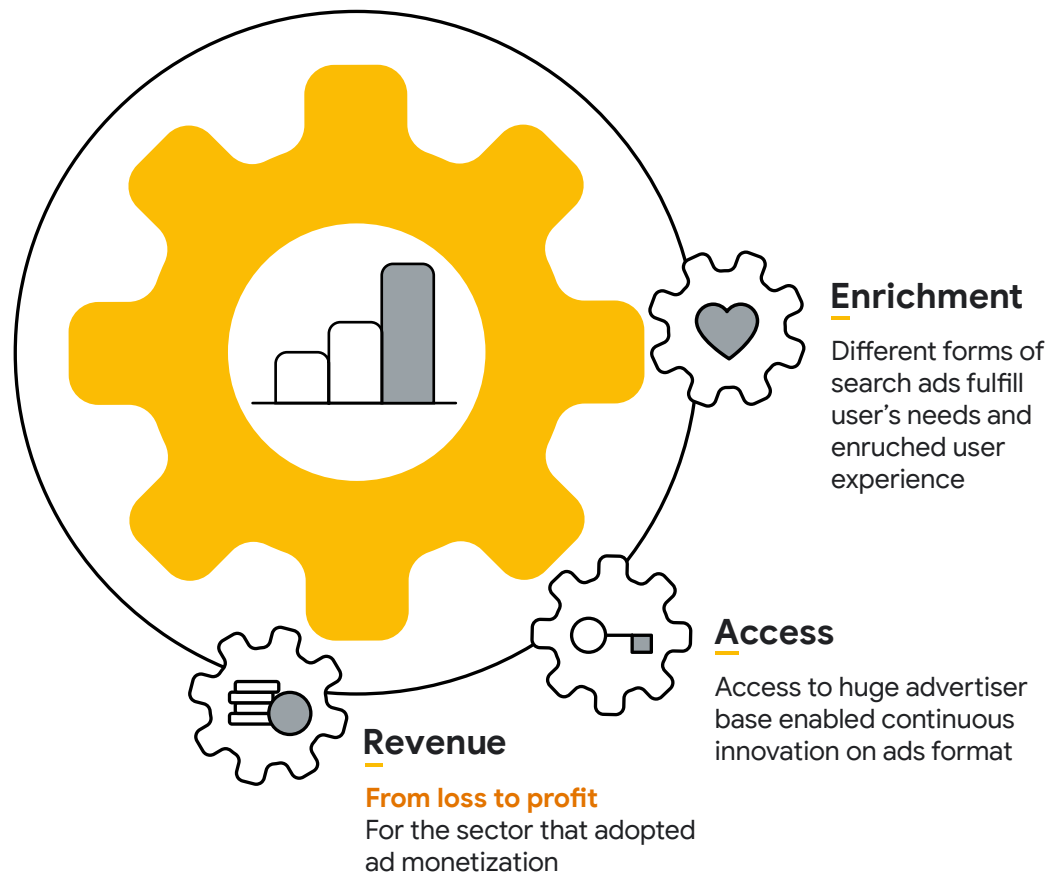
Growth

200% ↑

CTR growth after ads upgrade

100% ↑

eCPM growth after ads upgrade



Source: Deloitte interview, research and analysis

Gaming:



An adoption journey with lessons for commerce businesses

In adopting ad monetization, the gaming industry faced many of the same challenges that commerce businesses face today.

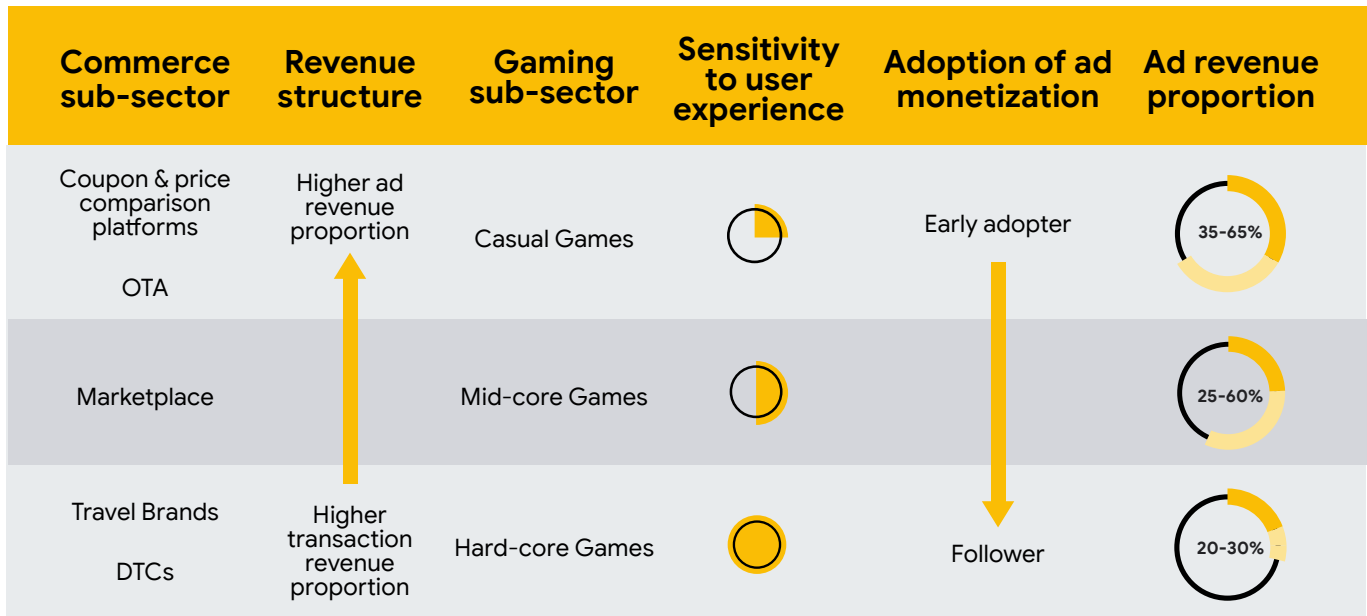
Most of gaming's major revenue derives from in-game purchases and in-game ads. Different types of games—casual games, mid-core games, and hard-core games—vary in ad acceptance, resulting in varying percentages of in-game ad revenue. These differences offer a roadmap for what revenue structure and monetization solutions the commerce industry should aspire to.

Commerce businesses like **coupon & price comparison platforms**, for instance, might naturally be more open to ads and could expect monetization percentages similar to those of casual games.

DTCs, on the other hand, might favor ad formats more similar to those for hard-core games which prioritize user experience and in-game purchases. Let's now take a closer look at how the gaming industry has adapted ad monetization to suit its particular needs.



⁹ Casual games generally have simpler rules, shorter sessions, and fewer learned skills. Typical examples include arcade games, action puzzles, and word puzzles. Mid-core games are relatively more complicated in rules and skills; typical examples include casino, sports, and racing games. Hard-core games have the most complicated rules and longest sessions including card battler, action RPGs, and MMORPGs.


Graph 10: Ad monetization adoption journey, commerce vs. gaming


Source: Unity, TopOn; Deloitte interview, research and analysis

In recent years, more hard-core games have adopted ads as part of their business model; according to the gaming analytics company Unity data, ads today account for 20%-30% of that group's total revenue. Hard-core games were slowest to adopt ads as monetization, due to concerns about the negative impact on the gaming experience. But the optimization of ad formats, especially the development of rewarded ads¹⁰ which integrate ads with gameplay, means that hard-core games now not only benefit from ads' monetary value, but are also enjoying more in-game purchases and incrementally greater user engagement due to longer play time.

It's worth noting, however, that although today's gaming industry commonly enjoys revenue from both in-game purchase and in-game ads, this took years of exploration to develop.

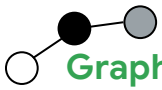
In our research and case studies on commerce businesses, we've seen how the commerce industry's early adopters are benefiting from ads. We expect that commerce businesses will, to some degree, follow the same adoption journey that the gaming industry has completed, and that more companies will learn to enjoy the benefits of ad monetization.

¹⁰ Ads wherein players are incentivized to watch an ad with in-game rewards (e.g. special items).



Three steps for starting and managing your ad monetization business

Commerce businesses that are interested in exploring ad monetization but still unsure how to start can consider the following simple, three-step operational framework.



Graph 11: Three-step operational framework



1. Positioning

Clarify the positioning of ad monetization and define the measurement for success



2. Resources

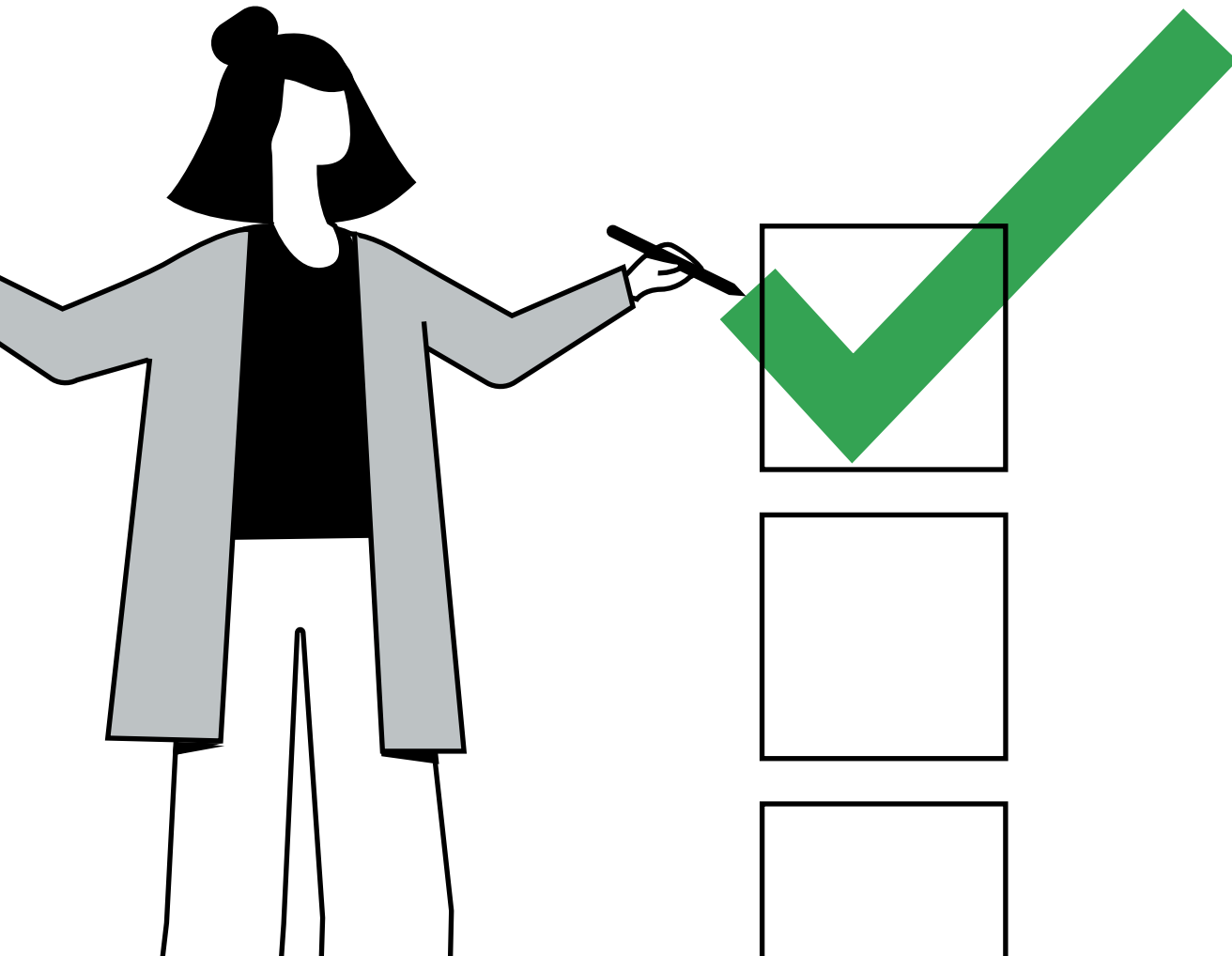
Confirm organizational capability readiness and resources; Select the right tool & assign the right team



3. Optimization

Choose appropriate ad format and placement, run a trial before full launch, and continuously iterate

Source: Deloitte interview, research and analysis



Step 1: Positioning

Clarify the positioning of ad monetization to align with your business strategy across the key stakeholders in your organization, and define the metrics for success.

Before entering the ad monetization business, decision-makers should first clearly identify the role that ads will play based on the nature of your business and its current needs: ads can either be an important new business area that adds substantial revenue to your overall earnings, or simply additional funding for reinvestment. More importantly, companies should align the new business effort throughout their organizations, so everyone is on the same page.

Based on all this positioning, decision-makers can define the appropriate success metrics and begin the effort on the right track, with a clear blueprint in mind.

Step 2: Resources

Confirm your organizational capacity in order to select the right approach.

Businesses should next check and confirm their internal capacity, readiness, and resource commitment to this new venture. In general there are two approaches to ad monetization:

- **Deploying third-party solutions:** A much easier, lower investment and lower entry barrier approach. Commerce businesses could start ad monetization by appointing just one or two full-time or even part-time employees to manage daily operations. Most other needs can be outsourced to third-party solution providers. This approach also skips self-operating solutions' development phase, thus expediting revenue collection.
- **Self-operating solution:** This allows a business to maintain firmer control over ad content and advertiser relationships. Self-operating businesses can also directly negotiate ad fee rates, and needn't split the income with any third parties. But this approach requires more resources; businesses that take this path will probably wind up needing to staff entire teams, including technical, sales and operations.



Graph 12: Comparison of third party and self-operating solutions

	Third-party solution	Self-operating solution
Investment	<ul style="list-style-type: none"> • Minimum tech requirement for ad implementation and trouble shooting • Minimum operation resources required 	<ul style="list-style-type: none"> • Full investment in tech development and maintenance • Full investment in ad sales and operations
Efficiency	<ul style="list-style-type: none"> • Short lead time for test and scale 	<ul style="list-style-type: none"> • Longer lead time for development, test and implementation
Income	<ul style="list-style-type: none"> • More demand from more advertisers • Revenue share with solution provider or usage fee 	<ul style="list-style-type: none"> • Direct deals with engaged advertisers • No revenue share or usage fee

Source: Deloitte interview, research and analysis

Step 3: Optimization

Choose appropriate formats and placements, run a trial before full launch, and continuously iterate.

Once the business has clearly identified internal resources and the right tools to deploy, the next step is to carefully consider how and where to place ads. As we discussed earlier, **ad format and placement** are the two key factors that will impact your monetization revenue.

But commerce businesses can also monitor other key metrics like conversion rate during the trial. A/B testing can help you identify and adopt the best approach to maximizing value and ideal fit with your core business.

Another important factor that commerce businesses need to build into their ad monetization strategy is the first-party data that derives from their own direct engagement with users. This first-party data is crucial to enhancing users' ad experience and achieving monetization growth in an evolving privacy environment.

Conclusion

Ad monetization seems to be overlooked by many commerce businesses as an option for new business exploration. Our research has revealed several common assumptions made by decision-makers towards ad monetization, which are often out of step with what their ad business actually can achieve. In fact, these challenges can be met by deploying available, market-tested ad solutions, not to mention the ongoing development of new ad technology.

We've also reported on commerce businesses with varying business models that have become early ad adopters and enjoy the benefits of ad monetization. These cases show that in today's increasingly challenging market environment, it's time for commerce businesses to rethink their traffic and unlock the full value of platform visits with ad monetization.



Research methodology

This research combines quantitative and qualitative analysis, incorporating the results of multiple first- and second-hand studies including:

Commerce businesses in-depth interviews

Deloitte conducted in-depth interviews with 14 Asia Pacific based commerce businesses running global operations, particularly targeting North America, Europe and Asia Pacific. These businesses varied widely across different sectors, including DTCs, travel brands, marketplaces, coupon & price comparison platforms, and OTA platforms.

Industry expert interviews

Deloitte conducted interviews with 8 experts from the commerce ecosystem, including tech platform providers and ad solution providers, to learn how the ad monetization business works and why it is potentially a business model that deserves more attention.

Ad monetization best practice case studies

Through public market information, and expert interviews, Deloitte studied how some early adopters of ad monetization in the commerce industry actually made the move into advertising, and how they gradually discovered the best practices through business development.

Global commerce industry analysis

Deloitte conducted industry analysis regarding market size development, historical development, and competitive landscape to better understand the industry and what challenges industry participants are facing right now.

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