



State of eCommerce Report Q1 2024

A Fospha Research Report



Q1 2024



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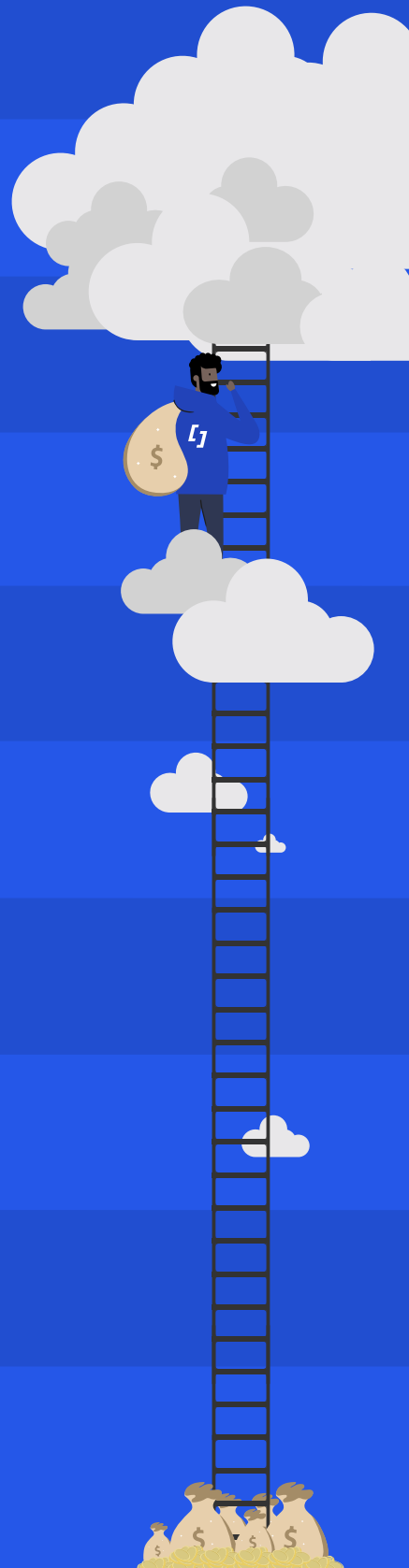
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Introduction

In the shifting world of digital privacy and consumer behaviour, it is harder than ever for retail eCommerce brands to set their strategies and drive affordable customer acquisition and retention. Fospha is in a unique position to shine a light into the market and help. Using a market-leading attribution model built specifically to be unaffected by privacy restrictions, and insight into the strategies working well for the best performing brands in North America and EMEA, this report compiles insights on the best channels and strategies to win in 2024.

We've noticed 5 distinct trends that will lead the way in 2024:



Paid social is under-invested

- ↳ When using the basic last non-direct click method used by Google Analytics, it's near impossible to prove the impact of paid social. This means most brands are not reaching paid social's full potential.



Top-of-funnel is under-invested

- ↳ Although we've seen a recent increase in brands investing in upper funnel (Traffic & Brand Awareness), the pixel-based attribution most brands still rely on was made for a different age. It's good at measuring clicks, but clicks are barely half the picture for ambitious eCommerce brands now – but they are still using the same measurement. When you mismeasure, you mismanage.



TikTok is effective for customer acquisition and scale in other channels

- ↳ A consequence of using simple pixel-based measurement methodologies like GA or Triple Whale means many brands have effectively scaled easy-to-measure bottom of funnel activity and are struggling to find their next opportunity. The key to unlocking more headroom is to move up the funnel, where scaling spend in upper funnel ads in Meta or in channels like TikTok unlocks new audiences. Those audiences can then be converted through Meta and Google, allowing you scale spend further.



Inaccurate measurement impacts the marketing-finance relationship

- ↳ Measurement is the reason CFOs and CMOs have disagreements – but it's also the answer to aligning. Implementing reliable measurement can make you the Finance team's favourite marketer.



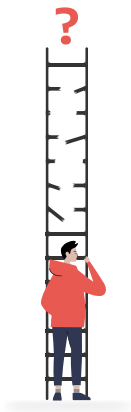
Measurement isn't a chore, it's an opportunity to differentiate

- ↳ When using just Google Analytics' or Ads Manager metrics, you know everyone is looking at the same signals. In our experience, marketers' decisions are limited by their measurement - you follow the patterns you see in your data. Better measurement is your opportunity to see the world differently and take the opportunity others are missing.



Who are Fospha?

The marketing measurement platform for eCommerce.



- ① Increased competition is pushing up costs, squeezing margins and threatening growth targets.
- ② Headwinds like iOS17, 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 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 cutting-edge 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 clients achieve on average:



Getting started with Fospha:

- ① Fast, with a live platform within **2 weeks**
- ② Easy, requiring just **10 minutes** setup
- ③ Affordable, with pricing from **\$2000/month**

To get started, click [here](#) to apply for a free trial.



Huel®

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

SPOKE

“The most sophisticated attribution model I've ever worked with
Jake Higgins, VP Growth”

THE ESSENCE VAULT *Perfumes*

“For brands like us focused on driving fast, profitable growth, you need to be speaking to the guys at Fospha
Connor Martin, CEO”

Paid social investment at only 59% of profitable maximum

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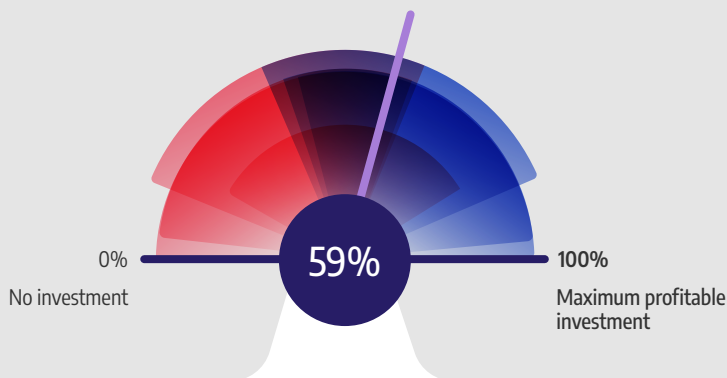
The question we hear all the time is: how much more can I spend in a channel before it stops being profitable?

There are risks involved in rapidly scaling a channel, particularly when you've only held a certain channel at a low spend level. It's possible you've already reached the point of saturation, meaning spending more won't have a worthwhile impact on customer acquisition.

Fospha have launched a new beta tool that answers this question, accurately predicting how much brands can afford to scale each channel before they see diminishing returns. The headroom we see in paid social is most exciting, where Fospha shows that brands are missing out on 41% of their potential opportunity. This shows that, on average, even advanced brands are leaving money on the table with paid social.



Brands are missing 41% of the opportunity in paid social



It's a huge finding that supports how under-invested paid social is – there's a substantial opportunity remaining, particularly in the channels that have already proven their ability to deliver results at high spend levels, like Meta and TikTok.

It's worth noting that Fospha's client base is comprised of mostly brands spending >\$500k/month in digital marketing and includes some of the very early adopters and biggest spenders on paid social channels - so the average headroom for the market is likely to be much higher!



All major channels deliver strong relative ROAS, with Meta as champion

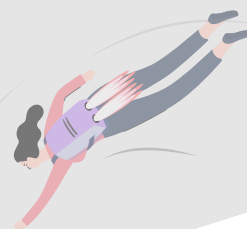
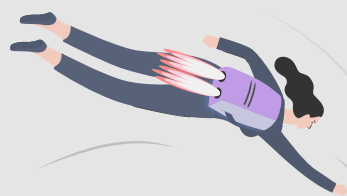
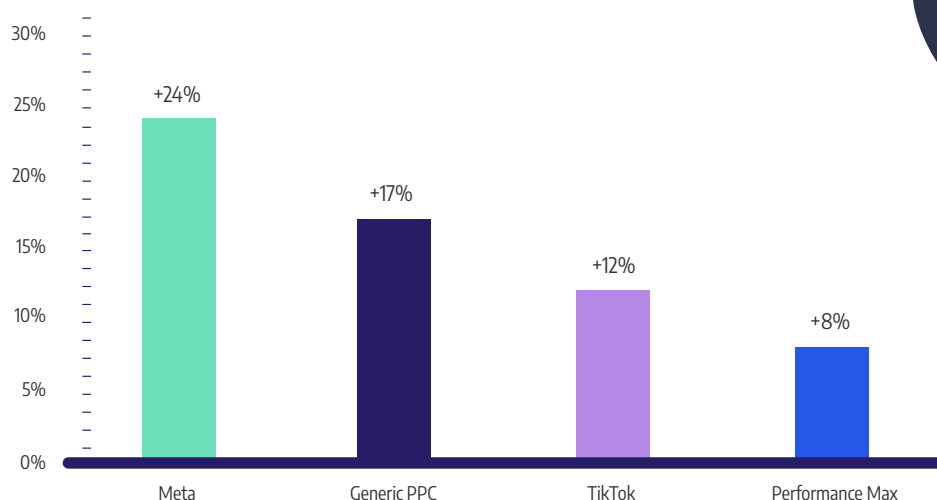
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We're using a metric throughout this report that we are terming 'Relative ROAS'.

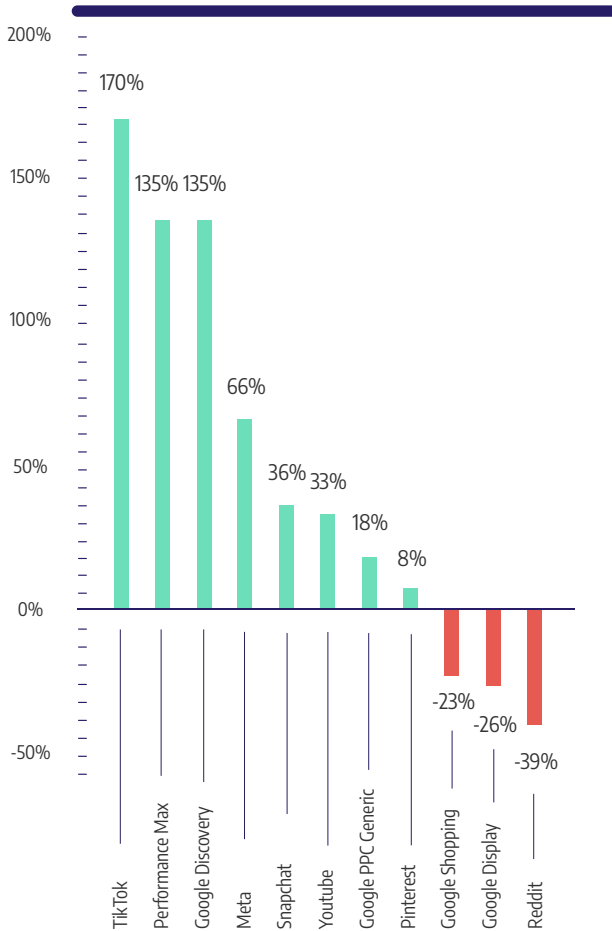
Relative ROAS is designed to show us not just total performance, but performance relative to what "good" looks like for each brand. So a channel's Relative ROAS tells us how much better or worse it is than the average ROAS across all channels.

Meta continues to be a non-negotiable investment for brands looking to advertise at scale, and it's proven particularly strong for its ROAS impact in H2 2023 - especially considering the volume of revenue it drives in this study. At a +24% relative ROAS, it's clear Meta is an indispensable part of your channel mix.

Relative ROAS: Best performing channels



TikTok shows the biggest growth of all channels year-on-year



Generic PPC follows Meta at +17%, a recovery from recent years. The work that PPC does in supporting SEO efforts, combined with its recent strong performance and ability to capture customers at scale, means it retains a place in the mix.

TikTok – by far the fastest-growing channel of the year – reports an impressive +12% relative ROAS. What's interesting here is that TikTok has retained a strong relative ROAS despite spend levels nearly tripling in a year. This is a good sign for TikTok's ongoing potential to scale as a core channel for brands.

Finally we have Performance Max. Following the mass removal of branded activity from this channel, nominal ROAS expectedly fell in PMAX across the board. (check our last State of eCommerce report for detail on this change) However, this channel maintains an +8% relative ROAS despite this update, cementing itself as a reliable core channel.

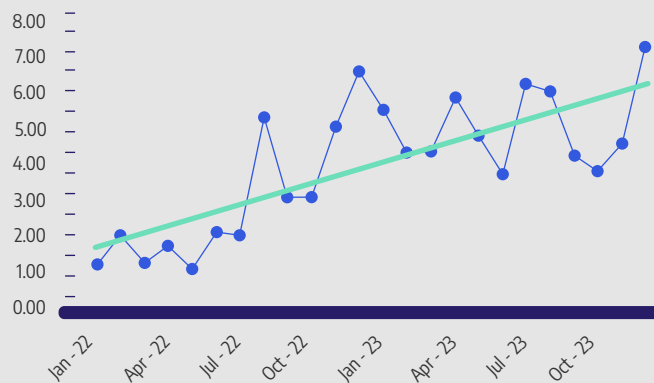


Snapchat is a growth channel to watch

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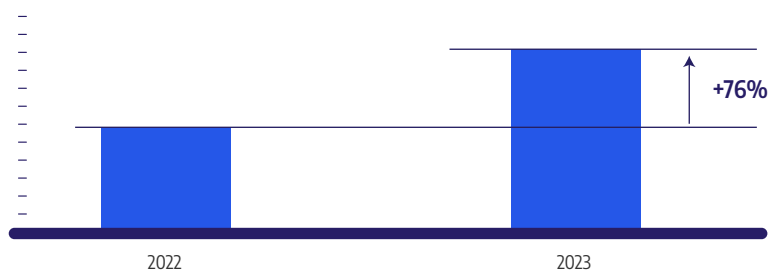
We've looked at our major channels in detail – but as one of the growth channels for our brands, Snapchat has seen amongst the strongest performance yet.

Snapchat ROAS increased by 504% in 12 months



Between 2022 and 2023, ROAS in Snapchat has increased by 504% up to 6.93 ROAS on average – beating the average paid social ROAS of 4.72. This is despite Snapchat spend rising by 76% - a clear signal of opportunity at higher spend levels.

Snapchat spend grew 76% YoY



This big improvement in performance has come as no surprise to the team at Snap, who note that it coincides exactly with their release of their new 7/0 attribution and optimization model in Ads Manager. Fospha customers using 7/0 have seen a big uplift in performance, which Snap say is mirrored across the market.

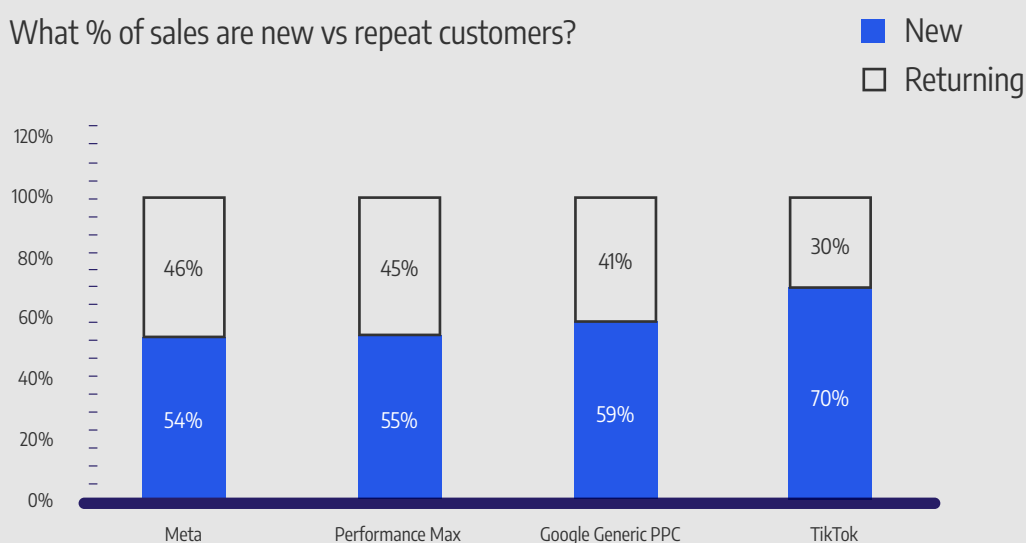
Considering channel diversification is the best strategy for high returns, if you're looking to expand – Snapchat is certainly one to consider.

TikTok strongest for new customer acquisition

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One of the common themes Fospha finds when onboarding new brands is that they rarely have a clear idea of where their new customers are coming from. Unlike the ad platforms or GA, Fospha can discern whether purchases driven by specific channels are from new customers or repeat purchasers. This gives a unique view on which channels are best overall for driving new customers.

What % of sales are new vs repeat customers?



We see TikTok massively outpacing the competition as a platform for new customer acquisition. TikTok is increasingly becoming a popular platform for product discovery, even overtaking Google for some cosmetics and apparel searches. It also boasts a fast-growing audience of young consumers, so it's not so surprising to see TikTok take the crown for new customers.

Meta's results show that Facebook & Instagram are great for scale, and point to the quality of its retention capabilities. However, Meta activity should be supported with new customer acquisition through TikTok and generic paid search.



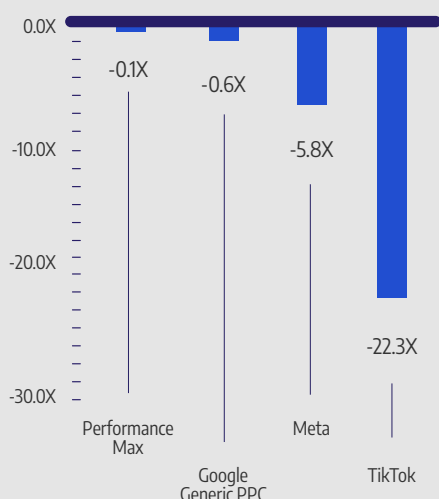
All paid channels are under-represented by Google Analytics

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One of the biggest challenges for eCommerce brands is the lack of data standardization across reporting platforms. Ad platforms all use different forms of measurement, while Google Analytics relies on last non-direct click, making it impossible to know who to trust, or to accurately report on performance. To get a true view of marketing effectiveness, it's crucial to put all your data in one place, and measure using a consistent method.

■ Major channels

TikTok is the most under-reported major channel by GA

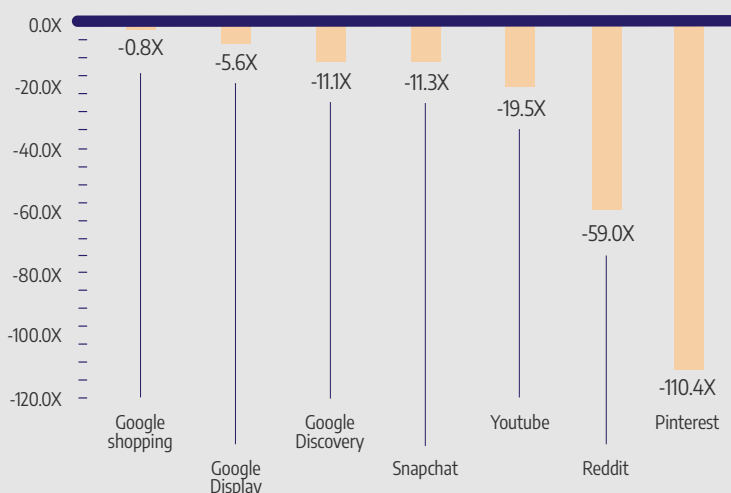


Google Analytics tends to under-represent impressions-led channels (i.e. paid social) the most, and we see that reflected in these results. Amongst our largest spend channels, GA underclaims the most in TikTok, a channel that's famously difficult to measure using a click-based model, as it's a discovery channel which kicks off the journey to conversion. Unsurprisingly, GA is most generous to PMAx, Generic Search & Shopping which drive most of their value with clicks.

The key takeaway here is that if you want an accurate view of paid social, GA is the platform to veer away from for measurement.

■ Growth channels

Pinterest is the most under-reported growth channel by GA

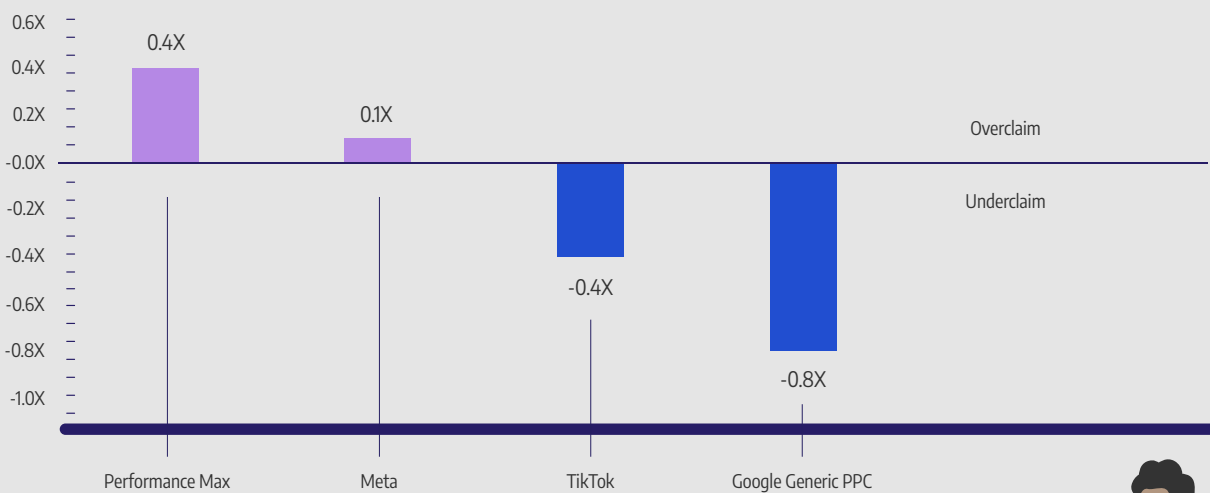


Ad platforms still struggle to measure majority of channels

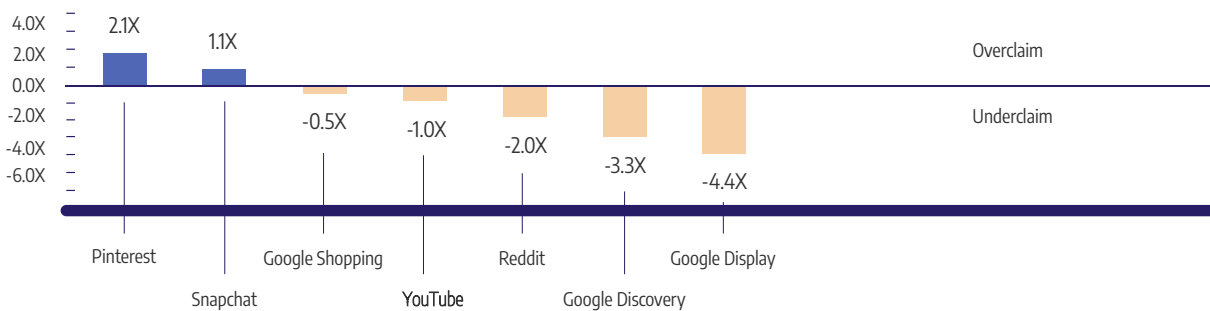
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When checking Ads Manager, it's easy to forget that what you're looking at is a subjective lens. In reality, every ad platform uses a different form of measurement, and their methods are typically black box and lack transparency. Each channel only has a view over its own performance – and there's little visibility over how this data is interpreted. This makes it difficult to conduct a like-for-like comparison of performance, when relying on each platform's individual assessment. Here we outline where on average your ad platforms are claiming too much, or not enough credit.

Of the major channels, PMAX overreports performance the most



Growth channel reporting even less accurate



Most paid social channels underestimate their effectiveness in driving sales. This marks a notable shift from a few years ago when most platforms typically overclaimed substantially – reporting 50-200% more sales than Fospha's empirical approach could prove. This change is likely impacted by the ongoing challenges resulting from iOS 14 and 17, as the reporting implications of these updates have a more pronounced effect on platforms delivering impressions-led media.

A key callout here is that for growth channels, the ad platforms underclaim credit to a much greater extent. Major channels see less of a sizeable disparity between ad platform and Fospha metrics, with Meta standing out as closest to reality, on average.

However, diving deeper on Meta we see problems here too. Particularly for higher funnel media, Meta struggles to attribute correctly – i.e. Consideration (Traffic) and Awareness. Where brands adopt a full funnel approach, we tend to see substantial differences emerge between Fospha Attribution and Meta attribution. See this in the analysis below.

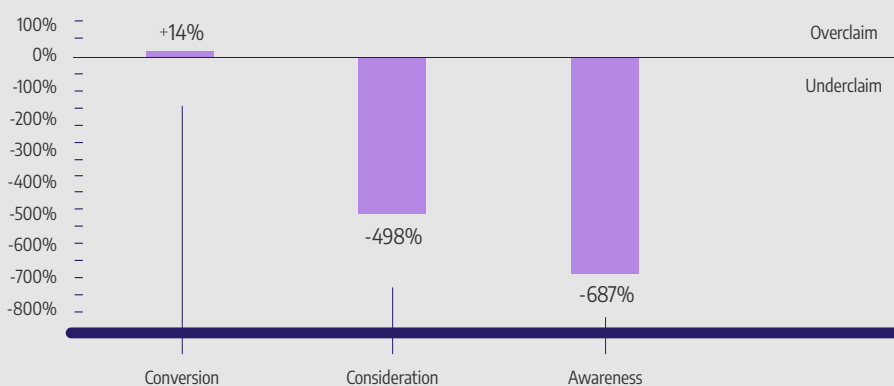


Meta massively under-reports the impact of Brand & Traffic ads on sales

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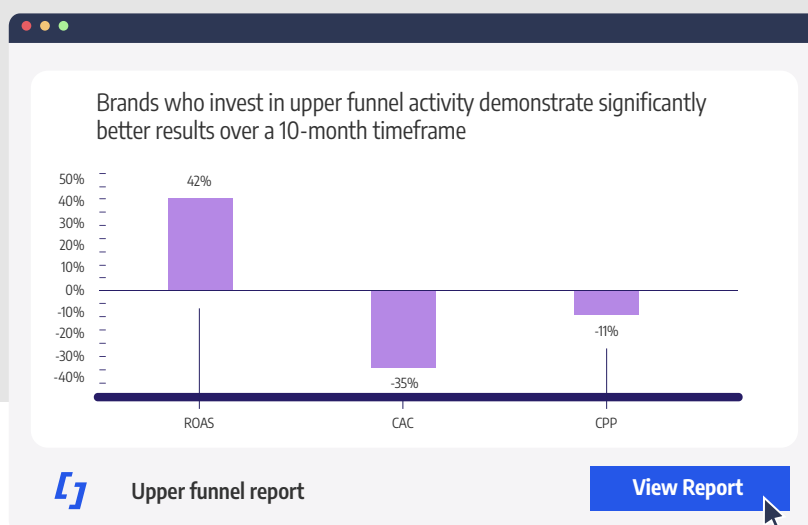
At channel level, the extent to which Meta misattributes seems small – but these results are strongly influenced by the reliance on Conversion activity, which still comprises 88% of brands' Meta spend*. Meta tends to attribute better further down the funnel, where activity is click-based and more easily tracked. When looking at Meta's attribution for mid (Traffic/ Consideration) and top of funnel (Brand Awareness), the differences are significant.

Meta undervalues higher funnel by up to 687%



* Check our Appendix for brands' average Meta spend across the funnel.

The objectives that are heavily impressions-driven receive far less credit with Meta than they deserve, while the platform over-attributes to Conversion activity. For a brand that's interested in scaling higher funnel in Meta, but only looking at results in Ads Manager, it would be a no-brainer to write off Traffic & Brand Awareness. In reality, our upper funnel research has found that brands spending in Awareness & Traffic long-term, see far stronger results:



On the flipside, we see that brands only spending in bottom of funnel have a much lower ceiling of available headroom for scaling profitably. The data tells a clear story - to maximise performance in Meta at scale, brands need to invest across the entire funnel.

Summary

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1

Paid social remains hugely under-invested. Advertisers have only fulfilled 59% of the potential in paid social, with scope to nearly double spend and still gain profitable returns.



2

Meta and TikTok lead the pack for paid social success, with Meta posting the highest relative ROAS of all channels.



3

TikTok is key to driving new customers, yielding higher % new conversions than every single channel. If you're looking for acquisition, TikTok is your port of call.



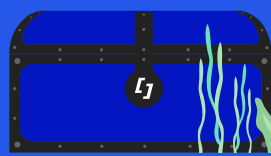
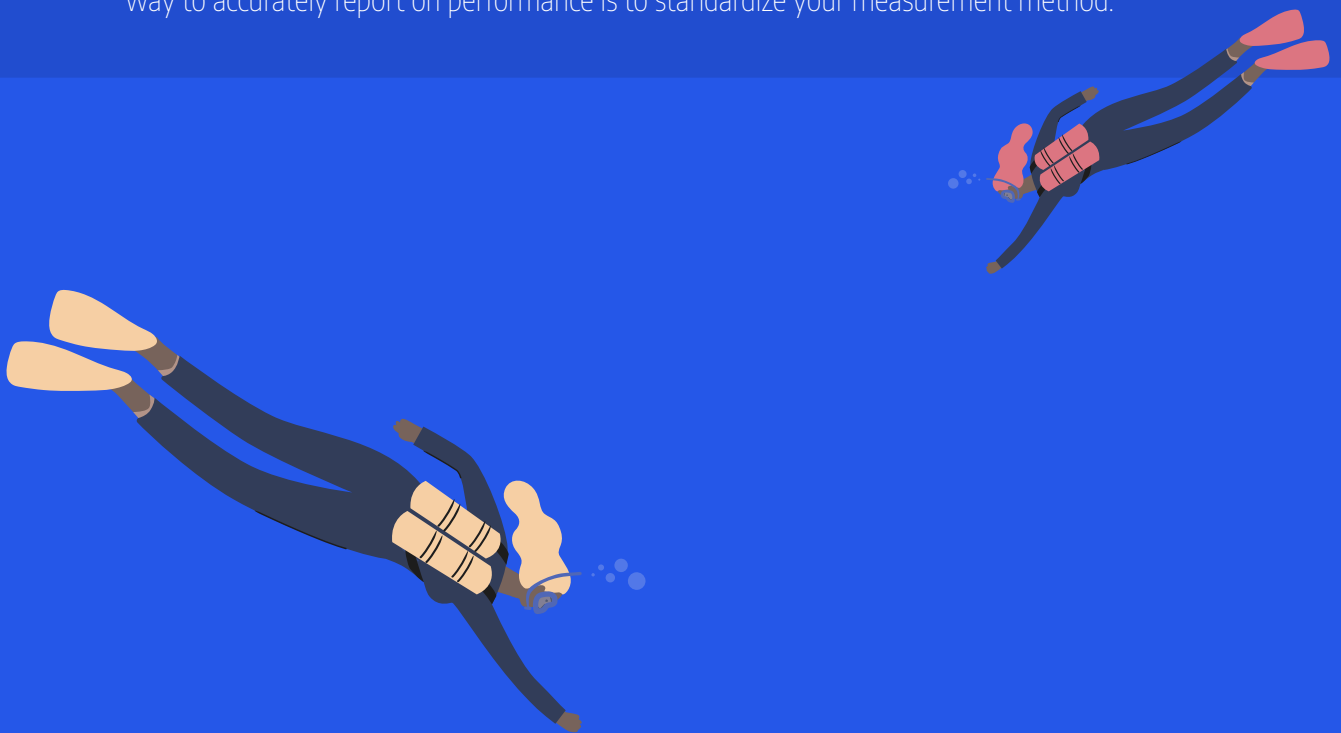
4

Snapchat is the growth channel to watch – since its major update, performance has improved significantly with strong gains on ROAS YoY.



5

Google Analytics and the ad platforms' own attribution significantly under-represent impressions-led channels. With massive differences in attribution across platforms, the only way to accurately report on performance is to standardize your measurement method.



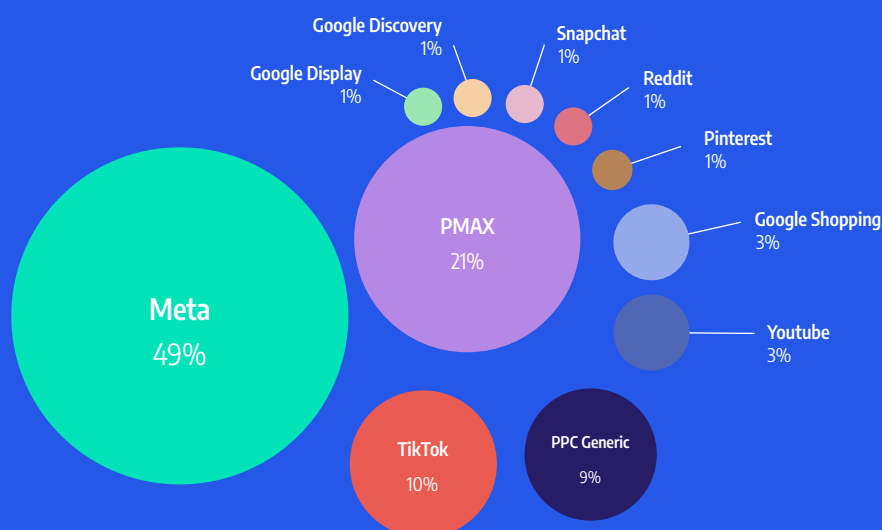
Appendix

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1 Channel spend & share of budget

On average, this is what % of spend each channel constitutes in a brand's channel mix.

We use the terms 'major' and 'growth' to indicate the prominence of a channel, on average, in brands' channel mixes. Where a channel is >9% of spend, it is 'major', while channels comprising <9% of spend are 'growth'. See our average channel mix breakdown below:



2 Fospha brands' average spend across the funnel in Meta

Brands are increasingly spending in higher funnel, but Conversion activity still makes up the bulk of spend in Meta. However, as we discovered as part of our [upper funnel research](#), the most effective brands spend upwards of 20% in Brand Awareness & Consideration.

