



THE EVOLUTION OF RETAIL MEDIA: POWERED BY DATA, RMNs OFFER FULL-FUNNEL ADVERTISING

INTRODUCTION

Media networks were one of retailers' hottest new accessories in 2022, and brands have eagerly jumped on board. In fact, the explosion of retail media has been so seismic that *Insider Intelligence* crowned it the **"third big wave of digital advertising"** (search and social were the first two).

Not only does retail media allow retailers to **access untapped revenue** from existing channels, but it has **arrived at a moment of great disruption in the world of marketing**. Traditional TV viewership continues to decline at the same time that the third-party identifiers that marketers have become reliant on to effectively target their digital campaigns are going by the wayside.

Enter retail media, an entirely new advertising channel that offers the benefit of rich first-party consumer data, a viewership with high purchase intent and a direct connection to the actual end transaction. Case in point: "It took search **14** years to go from **\$1 billion** to **\$30 billion** in digital ad spend," said Andrew Lipsman, Principal Analyst for Retail and Ecommerce at *Insider Intelligence* during an **NRF session** earlier this year. "It took social **11** years. It took retail media **five** years."

In 2022, global retail media revenue reached **\$101 billion**, according to **GroupM**. That figure represents **18%** of all global digital advertising and **11%** of all advertising. In the U.S. alone, *Insider Intelligence* projects that retail media spending will reach **\$45 billion** in 2023. And those numbers will only grow, with Group M predicting that retail media advertising will increase **60%** by 2027, **exceeding the expected growth for all digital advertising**.

There is no doubt that the opportunity is massive, but as with any nascent sector in the midst of rapid expansion, there have been some growing pains. **"There are new requirements that come with turning into an advertising company for a retailer — that's not a core competency,"** said Lipsman in an interview with *Retail TouchPoints*.

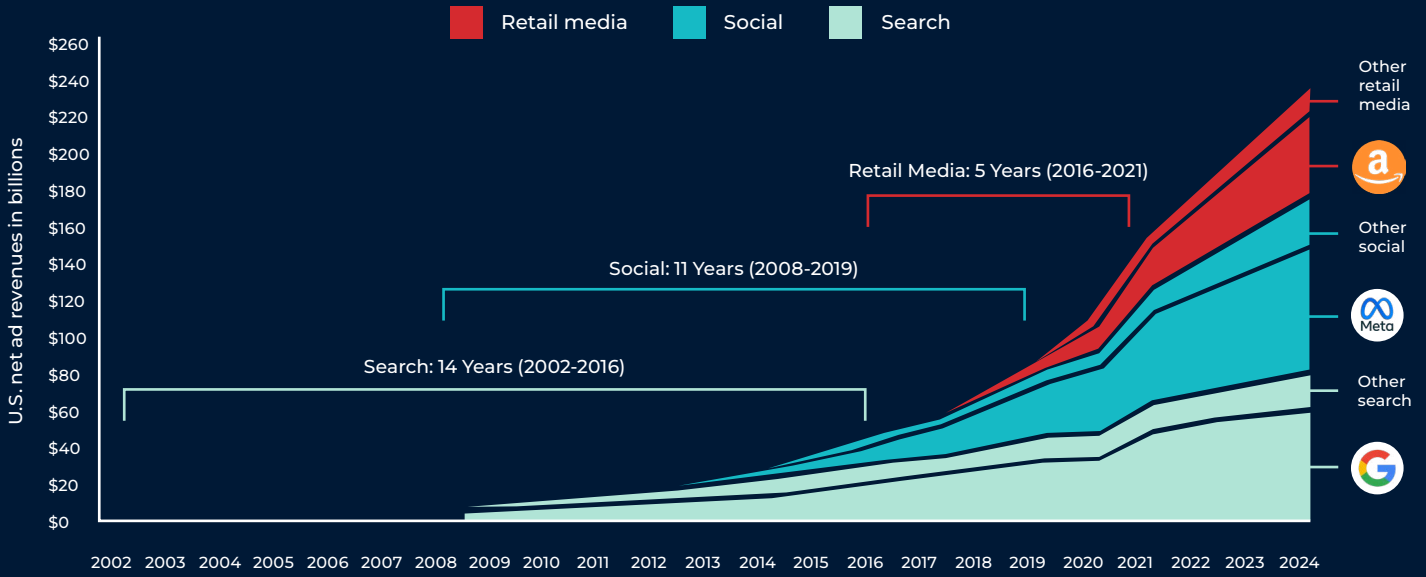
"You have **two worlds that previously were totally divided**, did not talk to each other, did not speak the same language, and now they are colliding," said Lindell Bennett, who was on the ground in the early days of **Amazon's** ad business and now serves as Chief Revenue Officer at point-of-sale media platform **Cooler Screens**. "Whether you come from the retail side or the media side, you have to learn the other side, and it can be very difficult for some people to understand and navigate because the cultures are very different as well."

That collision and eventual integration of retail with media is happening as we speak and includes:

- Moving beyond retailers' websites and into the wider web to create a **full-funnel, omnichannel offering** — one that increasingly also includes another hot advertising channel, **connected TV (CTV)**;
- **Leveraging the physical store as a retail media platform**, particularly as competing retailers look to take spend away from retail media juggernaut Amazon; and
- A necessary **standardization of the larger retail media ecosystem** to remove pain points for brands and create **universal measurement standards** that will allow retail media to compete in the broader media landscape.

RETAIL MEDIA BY THE NUMBERS

The Three Waves of Digital Advertising — Years from \$1B to \$30B



Source: Insider Intelligence

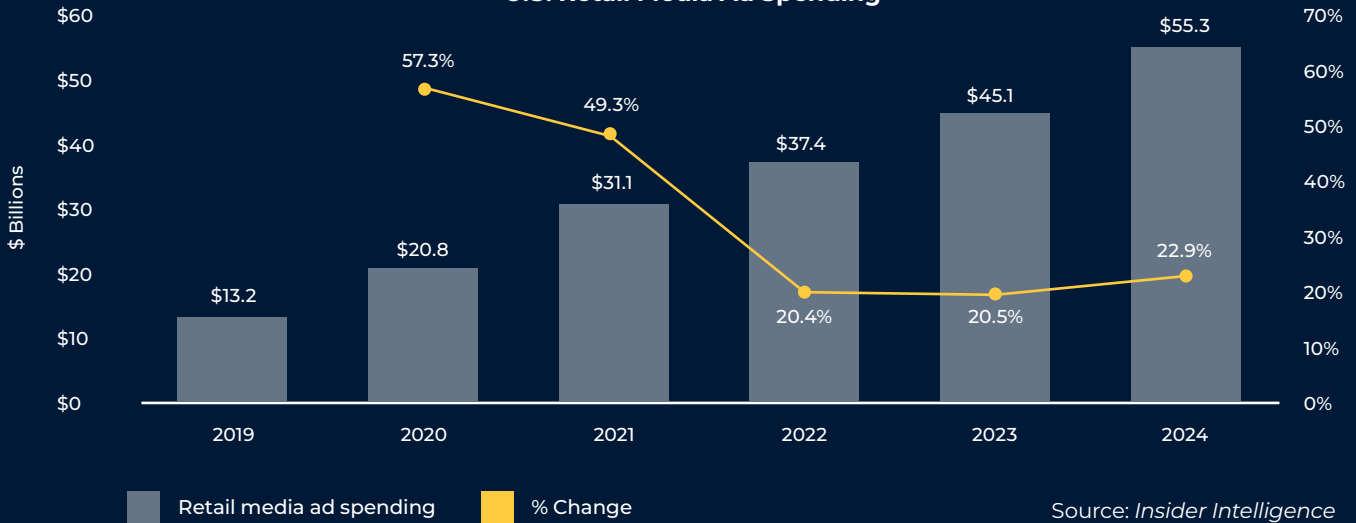
Retail media will grow faster than all other major U.S. advertising channels this year, except connected TV.



Projected 2023 growth
Source: *Insider Intelligence*

And it will account for **25%** of total digital media spending by 2026, according to **BCG**.

U.S. Retail Media Ad Spending



Source: *Insider Intelligence*

One-quarter of retailers are generating more than **\$100 million** in revenue from their media networks. Source: **Forrester**

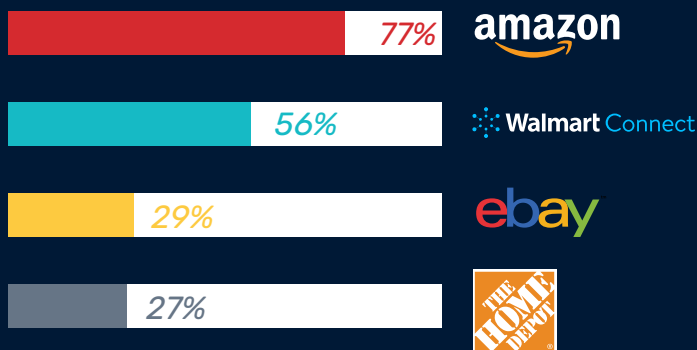
Amazon is by far the leader in retail media, capturing more than three-quarters of the U.S. market. In 2023, Amazon will be roughly 12X larger in share than its nearest competitor, Walmart.



Source: **Insider Intelligence**

Share of U.S. Retail Media Market

But that doesn't mean that advertisers aren't spending elsewhere. While **77%** of CPG brands work with Amazon, **56%** work with Walmart Connect, **29%** with eBay and **27%** with Home Depot.



Source: **Merkle**

WHAT'S IN A NAME?

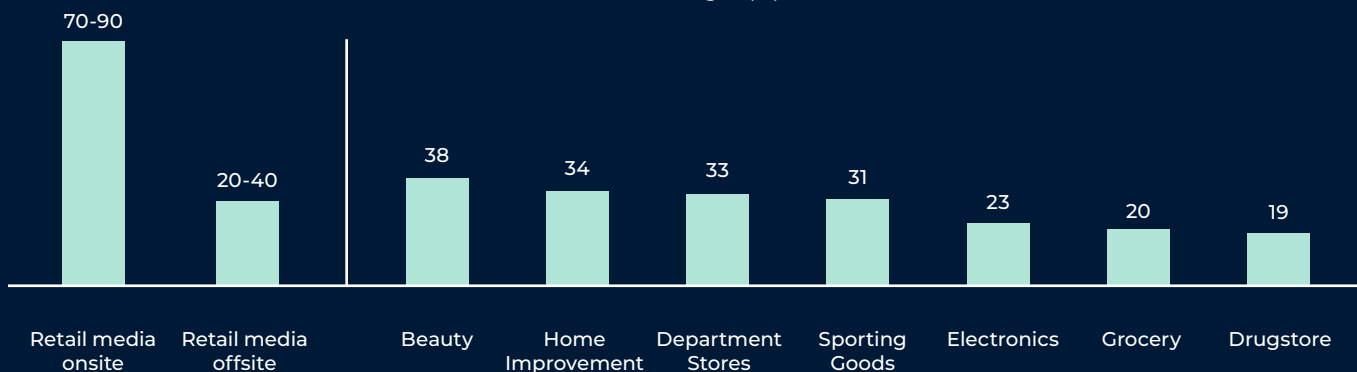
"It's time to stop calling it 'retail media' and start saying 'commerce media,'" declared Forrester analyst Sucharita Kodali on **LinkedIn** in response to a story about Uber and Lyft's big ad gains.

So which is it, "retail" or "commerce"? Eventually, it might be neither: Paul Brenner, Chief Strategy Officer and President of Audio Out-of-Home at **Vibonomics**, said in comments shared with *Retail TouchPoints* that he believes the distinction of "retail" (or "commerce") will fade away as retail media becomes more integrated into the broader media stack.

Michael Schuh, VP of Media Strategy and Product at **Kroger Precision Marketing** and **84.51°**, agrees: "In some senses I don't like the term 'retail media networks.' It makes it seem like we're this separate thing, when in reality we're just a media company within a retailer. I think there should be and there will be this movement toward thinking of retailers as just another media company and another investment lever for brands."

Retail Media Margins Far Exceed Typical Retail Margins

Gross margin (%)



Source: **BCG**



MOVING 'OFF-SITE' WHILE KEEPING CLOSED-LOOP MEASUREMENT

With the retailer website having now been fully conquered, the **new frontier for retail media is everywhere else, or “off-site”** as it’s referred to by the folks in media.

“This year we’re going to see a significant amount of dollars going into off-site activations, with **CTV and social commerce in particular** seeing a big resurgence, where you’re able to buy that audience in this off-site environment and still have closed-loop measurement,” predicted Jeffrey Bustos, VP of Measurement Accessibility Data at the **Interactive Advertising Bureau (IAB)** in an interview with *Retail TouchPoints*.

This is the true promise of retail media — using retailers’ first-party data to target ads across the web. A number of the early entrants in retail media are already doing this effectively:

- **Nordstrom** shared at NRF that off-site now makes up **60%** of its advertising business;
- In late 2022, **Lowe’s** announced an **integration with Yahoo’s demand-side platform (DSP)** to enable off-site experiences for the brands advertising through its media network;
- Earlier this year, **Albertsons** became the first retailer to utilize **Pinterest’s** new integration with **LiveRamp**, which allows Albertsons to join its data with Pinterest platform data in a **privacy-safe clean room** and thus offer its RMN advertisers closed-loop reporting on Pinterest campaigns;
- Walmart has teamed up with a whole host of platforms, including **TikTok, Snap, Roku** and **Firework**, to enable off-site, video-based advertising; and
- **Kroger** has partnered with **Magnite** to **expand its offering into CTV**.

“We’ve done studies where we’ve executed media buys in the off-site programmatic space against our first-party data versus against a standard third-party data segment, and we’ve seen **150%** difference in sales performance between the two,” said Kroger Precision Marketing’s Schuh. “**People are sometimes hesitant to invest in retail media because it’s a little more expensive, but what we’re proving out is that it pays for itself twice over** because there’s that much higher relevancy for the audience.”

"As competition for consumer attention increases and the number of digital touch points made by consumers continues to rise, brands and retailers have to be more efficient with how they are connecting their products to potential customers," said Bradley Hearn, Product Marketing Manager at [ChannelAdvisor](#), a CommerceHub company, in comments shared with *Retail TouchPoints*. "A critical component in creating that efficiency comes down to accurate targeting. Leveraging multiple ad types and multiple channels gives you the ability to become more strategic with your campaigns, target consumers across the entire buying funnel and deliver your potential customers the right product ad, in the right place, at just the right time."

This kind of closed-loop measurement on the open web is having a huge impact not just on **where brands spend their money, but how they build their campaigns**. "When you bring in all this off-site opportunity, it changes the way we've been building brand awareness," explained Bustos. "Before, you had your upper-funnel video or social campaigns to drive awareness, and then you had to do a brand lift study or some sort of MTA [multi-touch attribution] map at the end to understand how your sales were going. Now with retail media off-site within CTV or social, **you literally have the capability to run upper-funnel media and immediately understand how consumers are reacting and engaging with your brand.**"

CTV in particular is generating a lot of excitement in advertising circles, both as a standalone channel and for the potential of integrations with RMNs. Some even dub this convergence **"the next frontier" of digital advertising**.

"With more traditional linear TV investments now moving to the connected TV space, it will be interesting to see how retail data influences that — from a **relevancy** standpoint, from a **reducing wasted spend** standpoint and for **closing the loop**, really for the first time at scale, from big screen ad exposure to in-store or online sales," said Schuh. **"That world hasn't changed much for years, and now it's undergoing massive change**, especially as the likes of **Disney** and **Netflix** and others open up ad-supported formats. It's going to be really cool to see how these two things continue to converge."

Fellow grocer Albertsons is not far behind its [new owner Kroger](#) in moving swiftly into CTV through its new partnership with Omnicom Media Group and The Trade Desk, which will enable the use of Albertsons' shopper data **to target and measure CTV ad buys**. And the CTV tie-ups aren't only on the retailer side — commerce media platform [Criteo also has teamed up with Magnite](#) to bring CTV opportunities to all its retail media clients.

Given the growing complexity in this space, Schuh believes retailers must play a central role in helping brands manage and navigate their investments. "If you roll back a couple of years, almost all retail media investment was from shopper teams," he said. "We've now moved beyond that, and **brands are starting to diversify their funding sources in retail media**. We see brand teams, investment teams and agency teams investing much more heavily in the retail media space. **The trick is [that] those teams aren't always talking to each other, so one funding source from a brand might be actually competing with another funding source.**

"Retailers have a real role to play in helping to bring those teams together and planning investment holistically to drive the biggest impact across their entire business," Schuh added.



HOW LEGACY CREEK INCREASED AD EFFICIENCY, BOOSTED SALES AND ACHIEVED AN 85% JUMP IN Q4 REVENUE YOY WITH CHANNELADVISOR

Company Overview

AJ Tack originally launched in 2002 as an online tack store selling equestrian supplies. In an industry that traditionally consists of brick-and-mortar shops, its founder saw an opportunity to sell quality, sought-after products online and establish a presence on ecommerce marketplaces.

An ambitious father and daughter team, Michael Farrell and Maddie Roeber, purchased the business under Legacy Creek LLC dba AJ Tack in May 2020 and significantly expanded the company's product offerings to include items popular among current horse owners and riders. They also performed a complete overhaul and rebranding of the company's standalone website.

The Situation

When Roeber and Farrell took over AJ Tack, the company was already utilizing the **ChannelAdvisor** platform to sell on **Amazon, Walmart** and **eBay** while another firm managed its **Google Ads**.

The team wanted the full benefit of ChannelAdvisor's multichannel commerce platform, specifically when it came to cleaning up data and managing listings. Roeber, company President, explained that "there was a large learning curve having to navigate the different platforms. A lot of our time was spent trying to get things cleaned up to list products or trying to determine what was wrong with a listing."



According to Legacy Creek, ChannelAdvisor's automated delivery of accurate product data and digital marketing expertise far surpassed other vendors and the choice to lean further into their partnership with ChannelAdvisor was easy.

"We did look at other companies, but just based on research and the offerings from each company — plus the relationship we already had with ChannelAdvisor — we decided to go with ChannelAdvisor on the marketing side as well," said Farrell, who serves as CEO.

The Solution

Legacy Creek enlisted the help of **ChannelAdvisor Managed Services** to break through the noise and stand apart from its competitors on Amazon, eBay and Google. From digital marketing to diverse selling channels, the company takes full advantage of ChannelAdvisor's breadth of offerings, including **Managed Services for Digital Marketing and Marketplaces** and **Self-Service Marketplaces**.

The Results

With in-house ChannelAdvisor strategists guiding the way, Roeber and Farrell said they were able to stay nimble and focused, and make informed business decisions that increased profits, improved ad efficiency and decreased distractions and manual errors.

ROAS Success on Amazon

Farrell adds that Legacy Creek products began to capture the Buy Box on Amazon more frequently. The company reported a stellar performance during the critical fourth quarter in 2021, when Legacy Creek sales through Amazon advertising jumped **236%** YoY, further boosting ROAS by **28%** in Q4 and lifting overall sales.

"We focus on sales, more effectively spending dollars and getting a higher return for each dollar," Farrell said.

The Legacy Creek duo said they now direct their energy to critical areas and their plans for growth. ChannelAdvisor assists Legacy Creek's efforts on **Shopify**, Amazon, eBay, Walmart and Google with plans to expand audience reach on new channels.





Source: Cooler Screens

WHY THE STORE IS RETAIL ADVERTISING'S 'LAST MILE'

While it might seem like all eyes are on digital, advanced RMNs are looking to another area to grow their offering — stores. “Smart marketers are looking to run full-funnel marketing and advertising campaigns, so everything from TV and brand awareness campaigns all the way through the end of the path to purchase, which is the store — the last mile of advertising, so to say,” said Lipsman.

It's worth noting that the **\$45 billion** in U.S. retail media spending in 2023 projected by *Insider Intelligence* only accounts for online media, which is why Lipsman thinks **physical stores are the next big media channel** — especially since **70% to 85%** of sales still happen in stores, depending on the category.

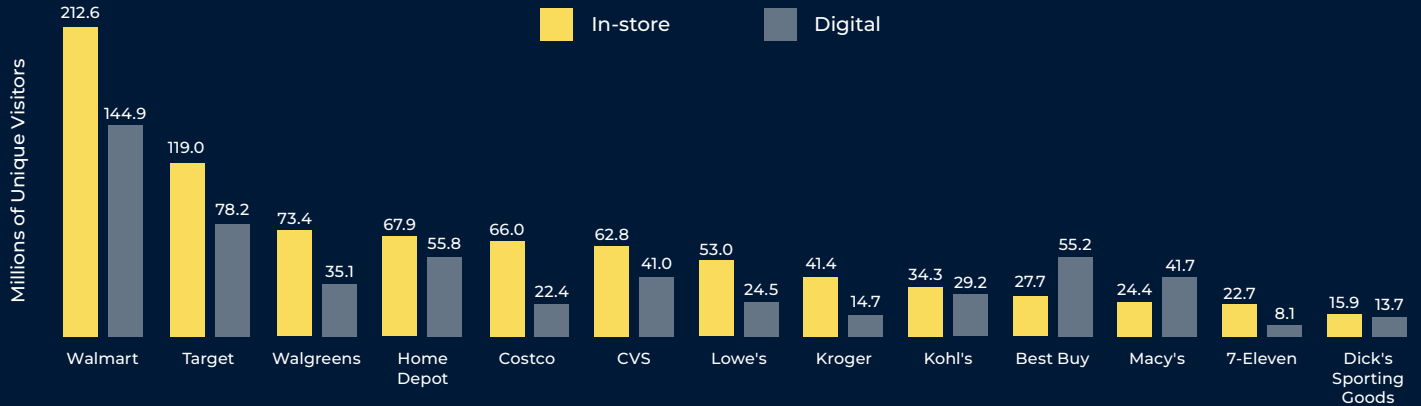
“There's only one Amazon — nobody else has the online reach that Amazon has,” said Cooler Screens' Bennett. “But Amazon doesn't have the physical footprint of Walmart or Kroger or Costco. [Those retailers] have more people coming to their physical brick-and-mortars than their online channels, so **all of these other [retail media] players besides Amazon have to go in-store at some point.**”

Once a store begins to digitize, the places where retail media could be offered multiply, although Lipsman is careful to note that “there is a CX consideration. Any retailer is going to have to be very careful to make sure that they don't overwhelm consumers.” Among the potential surfaces that could be turned into advertising platforms are **front-of-store signage, TV walls, end caps, drop-down screens** between the aisles, **smart shelf labels** and the **screens on smart carts**.

In-store media activations also can provide retailers (and brands) with valuable foot traffic and purchase data. For example, the four-year-old Cooler Screens has moved into stores in a big way **in the cooler aisle**, with digital screens that replace the glass on cooler doors. Current clients include Kroger, **Walgreens** and **Circle K**. “What was exciting to me about Cooler Screens was the ability to collapse the marketing funnel in a matter of feet in a store,” said Bennett. “It's not just digital signage, it adjusts to the user at that point of decision within a matter of feet. So at six to 12 feet we're going to present one type of ad. Then when that person steps forward at six feet or less, we're going to give them a different kind of ad. And then if they pause for six seconds, we're going to give them what reminds me of a last-second retargeting ad.”

“It’s all privacy safe, so we don’t know who that individual is, but we are getting data on how many people are at a certain distance, then how many people move to another distance, how many people grab a door, how many people buy it at the point of sale,” Bennett continue. “Even just with the cooler aisle to start, that gives you much more data to show measurement and make that media more efficient. **If you do that across the store, then you really do have a parallel to what you can do in an ecommerce environment. Media and measurement across the store — that’s the next level.**”

In-Store vs. Digital: U.S. Monthly Audience Reach — November 2022



Source: Insider Intelligence

Of course, all of this requires a pretty significant infrastructure investment on the part of the retailer, which Bennett points out can actually be a differentiator in the increasingly crowded retail media landscape, since most retailers don’t have the capital to do it. “There are sliding scales of how this can be done,” Lipsman explained. “With some of these startups there are often retailer tradeoffs, where maybe the startup will take on the CapEx costs in return for revenue shares on the advertising.”

For Lipsman, in-store retail media, while an important part of the larger mix, is a very different animal than online retail media. **“Think of the in-store media channel more as a replacement for TV ad spend,”** he said. “What is TV best at? **High-quality branding impressions delivered in a brand-safe environment at scale.** But that scale is harder and harder to get on TV, particularly with the audiences that TV advertisers want, those 18- to 40-year-olds. You can’t reach them on linear TV anymore in most cases, but they do go into stores, so you can reach them there and drive that brand awareness and equity at scale.”



BRINGING STANDARDIZED MEASUREMENTS TO RETAIL MEDIA

Perhaps the biggest challenge facing retail media today is not the individual offerings but the multitude of them — each with its own unique elements. This heterogeneity means brands usually max out at **three to five** RMNs, according to Lipsman: “The only way to be able to scale buys across all the [retail media] platforms that are out there and be able to work realistically with the mid- and long-tail of retail media networks is through **standardization and buying platforms that enable you to do cross-network buys**,” he noted.

Indeed, in a new report from the **Association of National Advertisers**, **57% of marketers said that lack of standardization across platforms was a big challenge**, resulting in low-quality, inconsistent data and reporting that make it difficult to compare cross-platform results.

CPG giant **Unilever** for one has been very vocal in calling for a set of **retail media measurement standards**, and the IAB is working on doing just that. The trade association will launch a working group in the first half of this year to address these challenges, bringing together industry stakeholders including retailers, brands and advertising agencies. In an effort being undertaken in partnership with the Media Rating Council, the ultimate goal is to develop standards that will enable consistent measurement, metrics and outcomes across all RMNs.

“There needs to be consistency in the definition and the granularity of metrics that retailers provide,” said the IAB’s Bustos. “**If you want to play in the programmatic space, then retailers need to provide the same level of reporting granularity that an average programmatic platform would provide.**” The group hopes to have a working draft available for public comment by October 2023 and then be able to publish the standards by January of 2024.

“The [retail media] data asset is important from an audience-building standpoint and reducing wasted spend, but **I think why brands are so interested is that ability to tell that story of what worked with their media investment and then be that much more effective with the next campaign**,” said Schuh. “Getting the closed-loop measurement right in retail is so important, and whenever the standards get created, those performance measures need to be real business outcomes — Did I improve household penetration? Did I bring in new buyers? Did I drive incremental sales lift? Did I get more people to convert than I otherwise would have on a true test-and-control methodology?”

The other side of the equation is making it easier for brands to manage their RMN investment holistically across networks. Some existing solutions help brands do this in specific segments of retail media, such as **Pacvue, Skai, ChannelAdvisor, Criteo** and **CitrusAd**. Kroger, for example, has integrations with both Pacvue and Skai that Schuh said have had “good success and good feedback from brands.”

But, said Lipsman, “as we start thinking about all of the different channels where [retail media] can occur — including the big new ones that need to be pieced into the equation like streaming TV and in-store — you realize that **there has to be a scaled player who is seen as independent to enable that opportunity**. Realistically, it's probably going to be DSP [demand-side platform] players.” According to Lipsman, that means companies like:

- **Microsoft**, which has **Xander** and **PromoteIQ** and just launched the **Microsoft Retail Media Network**;
- **The Trade Desk**;
- **Google**, which Lipsman points out is already working with a lot of the big players in digital advertising and has **YouTube**; or even potentially
- **Instacart** for the grocery sector.

Publicis Groupe, which **acquired CitrusAd** in 2021, has begun working on a **cross-network solution** in Europe and Latin America in partnership with **Carrefour Group**, one of the first retailers in Europe to launch an RMN. And digital media company **Quotient is vying for a place** at the table as well with its new aggregated Retail Ad Network.

Kroger’s strategy at the moment is to be “DSP agnostic,” said Schuh. “We want to create the capability for brands to come build audiences with us, pair that with [ad] inventory and then buy in whatever demand-side-platform they want to,” he said. “**So instead of waiting for a demand platform to build one retail media buying center, we've said ‘Let's just make our data and our inventory accessible wherever a brand wants to buy in their own tech stack as it exists today, whether that's The Trade Desk or Google's platform or Verizon or Yahoo's DSP.’**”

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