

R O U N D U P

RETAIL MEDIA: DIGITAL ADVERTISING'S NEXT BIG THING

March 2023

Retail media has the potential to be advertising's biggest wave due to its close proximity to the point of sale and the rich layer of first-party data it offers advertisers. eMarketer has curated this roundup of insights, articles, and interviews to help marketers understand the growing influence of retail media and its impact on the advertising ecosystem. It examines our forecasts for retail media growth, the benefits and challenges of using retail media, the key players in the market, and the trends driving its growth.

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SPONSOR MESSAGE

This roundup is made possible by LiveRamp, a dynamic data collaboration platform trusted by leading companies to build strong relationships and deliver exceptional experiences. With data collaboration now possible for all retailers and brands, LiveRamp sees an exciting shift happening in the democratization of data to power more engaging customer experiences everywhere. The next frontier of commerce media will create new engagement and revenue opportunities for retailers and their partners that are committed to putting customers and their privacy first.

We hope you enjoy the roundup. Learn more at [LiveRamp.com](https://liveramp.com).

GET READY FOR **RETAIL MEDIA 2.0**

If the “Retail Media 1.0” era was primarily about search-driven ecommerce, then Retail Media 2.0 will be about moving up the funnel and across retail channels. Here’s a look at the evolution of Retail Media 2.0.

Retail Media 1.0 has seen unprecedented expansion.

Sponsored product ads have risen rapidly, first on Amazon and then across the landscape, as dozens of emerging retail media networks (RMNs) sought to monetize their ecommerce traffic.

- Search has driven the lion’s share of retail media ad spend and fueled the growth of a market expected to reach \$45 billion in the US this year.
- Search propelled the retail media market from \$1 billion to \$30 billion in just five years, more than twice as fast as it took social media (11 years) and search (14 years) to accomplish the same.

And retail media search is far from done. It still has plenty of runway as the dozens of newer RMN entrants evolve their offerings. But the dawn of a new era is emerging.

Brands are quickly transitioning into the Retail Media 2.0 era.

As RMNs get serious about using first-party data for targeting display, video, and streaming TV ads—often by partnering with third-party publishers and media companies—brand dollars are migrating into these formats. That means retail media will become as much about branding as it is about performance advertising.

Retail media off-site digital ad revenues are hitting an inflection point.

This slice accounted for 12.7% of the US retail media market last year, and it’s gaining momentum.

- US retail media off-site digital ad spend will jump by nearly \$2 billion this year to \$6.54 billion, rising by 37.7%—about twice the rate of the rest of retail media, according to our forecast.
- Its current exponential growth trajectory points to even larger increases in net new ad spend in the coming years.

Retail Media 2.0 will require brands to consider these upper-funnel formats within the context of national media budgets that currently go to places like linear TV, Facebook, and YouTube. Retail media is already starting to give linear TV a run for its money and will likely surpass that ad market in the next few years.

Brands need omnichannel sales data for a complete picture of return on ad spend (ROAS).

As retail media ads move into display, video, and streaming TV, brands will be ready to take advantage of closed-loop measurement that links ad exposure to sales.

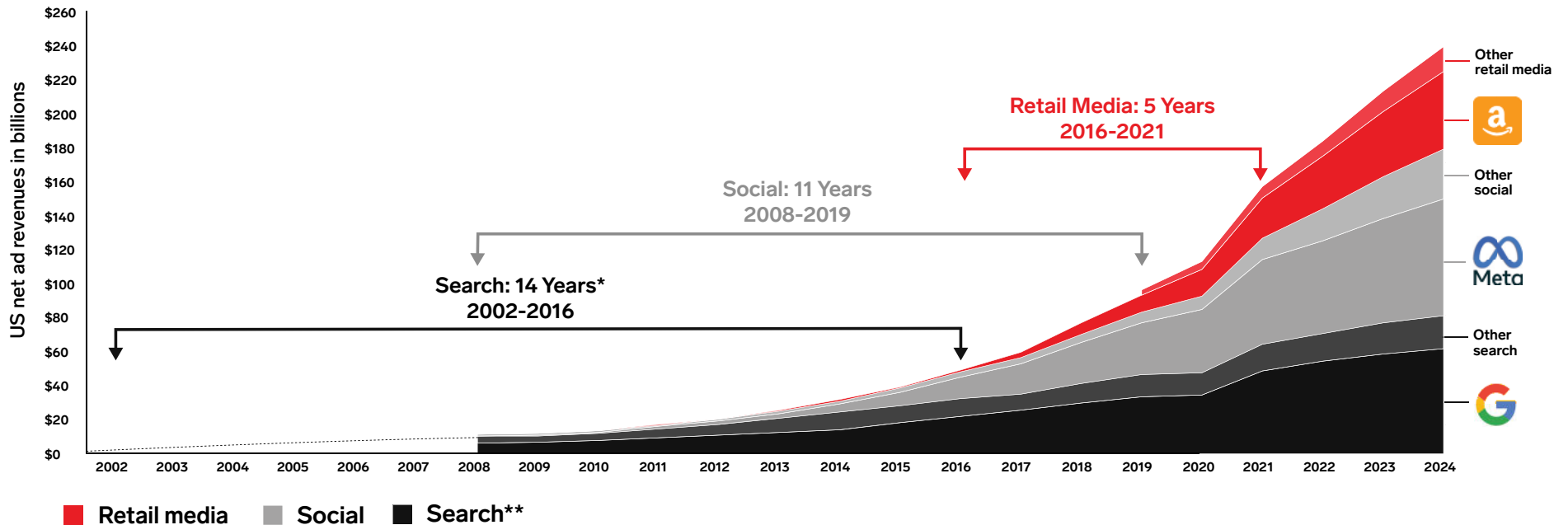
- With nearly 85% of retail sales happening in-stores, brands will want to know how products on physical store shelves—and not just digital shelves—are influenced by these ads.
- But they’ll also want assurance that attributed sales are actually incremental to give them a truer picture of ROAS.

RMNs must bring their offline sales data into the equation if they want to encourage more brand investment.

The Retail Media 2.0 era—and its evolution across formats and channels—is already underway. Which brands are ready to take advantage?

Retail media is already starting to give linear TV a run for its money and will likely surpass that ad market in the next few years.

Years for Search, Social, and Retail Media Advertising Markets to Grow From \$1 Billion to Over \$30 Billion



Note: *Using IAB's estimates of \$900 million in search advertising revenues in 2002. **excludes search ad revenues from retail media advertising
 Methodology: Estimates are based on the analysis of various elements related to the ad spending market, including macro-level economic conditions; historical trends of the advertising market; historical trends of each medium in relation to other media; reported revenues from major ad publishers; estimates from other research firms; data from benchmark sources; consumer media consumption trends; consumer device usage trends; and eMarketer interviews with executives at ad agencies, brands, media publishers, and other industry leaders.
 Source: eMarketer, Oct 2022

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RETAIL MEDIA: WHAT IS IT AND WHY IS IT SO IMPORTANT?

Retail media is digital advertising that appears on a retailer's owned and operated assets or on third-party publishers' properties and other media content powered by the retailer's first-party shopper data.

Ads can exist within several of a retailer's properties:

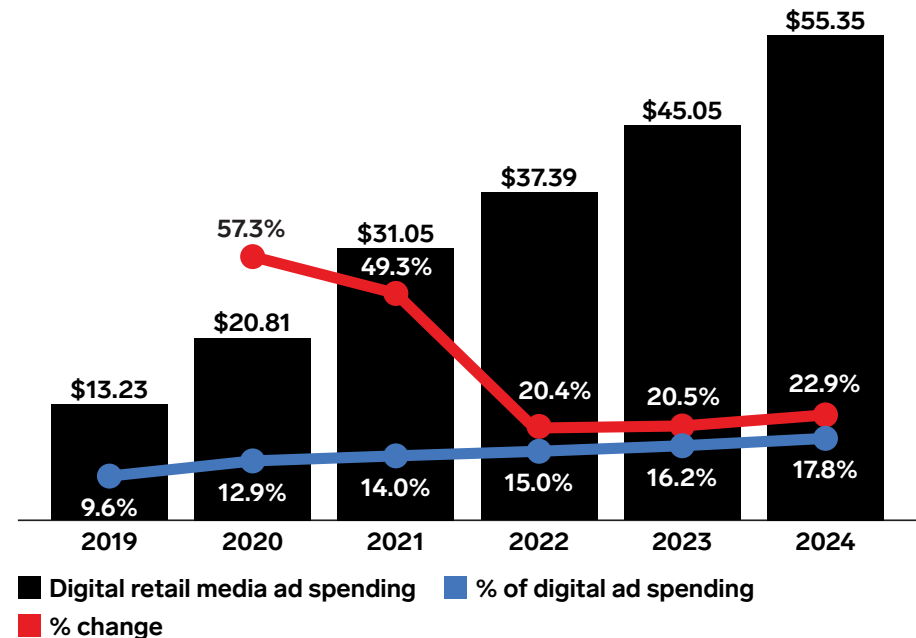
- Websites
- Mobile apps
- Streaming services
- Email channels
- Stores
- And in venues serviced by the retailer's partners, such as social networks, publisher sites, streaming services, and digital billboards.

eMarketer's definition of retail media also comprises nonretail entities that sell ads connected to ecommerce activity, such as delivery services or hotels.

Retail media spans a broad and growing spectrum of merchants.

- Digital-first operations (Amazon, Wayfair)
- Marketplaces (eBay, Amazon)
- Mass merchandisers (Walmart, Target, Best Buy)
- Discount warehouses (Costco Wholesale)
- Grocers (The Kroger Co.)
- Department stores (Macy's)
- Category specialists (The Home Depot)
- Delivery services that support retailers (Instacart)

US Digital Retail Media Ad Spending, 2019-2024
billions, % change, and % of digital ad spending



Note: digital advertising that appears on websites or apps that are primarily engaged in retail ecommerce or is bought through a retailer's media network or demand-side platform (DSP); examples of websites or apps primarily engaged in retail ecommerce include advertising on Amazon, Walmart, and eBay; examples of retail media networks include Amazon's DSP and Etsy's Offsite Ads; includes ads purchased through retail media networks that may not appear on ecommerce sites or apps
Source: eMarketer, Oct 2022

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Retail media's scope is expanding as networks move further into video and CTV. While most spending is tied to performance-driven product searches on retail properties, a growing percentage consists of off-site ads. In 2023, \$6.54 billion will be spent on off-site retail media ads, making up 14.5% of retail media ad revenues. By contrast, the total was \$1.83 billion in 2020, or 8.8% of the total. Higher-funnel formats like video and connected TV (CTV) fall primarily into the off-site category, so the growth in off-site spending indicates that retail media is becoming increasingly relevant for brand-oriented campaigns.

For retailers, advertising is a logical extension of their core businesses and a higher-margin revenue source than selling goods in stores or online.

Why is retail media such a juggernaut?

- For retailers, advertising is a logical extension of their core businesses and a higher-margin revenue source than selling goods in stores or online. Julie Jeancolas, global head of media and customer engagement solutions at retail analytics firm dunnhumby, told VideoWeek in January 2022: "Because of the high margins that media delivers versus retailers' core business, this could add 10% to 15% of group EBIT from retail media." For context, Amazon's ad business earned \$37.74 billion in 2022, which amounted to 15.8% of its revenues from online and physical stores (not including third-party seller services).
- For advertisers, retail media sits at or close to the point of purchase and gives visibility into retailers' rich first-party data. This is even more valuable because legacy identifiers have significantly eroded and are expected to continue to do so. Companies that support retail media through programmatic ad tech, measurement, and other services are eager to tap into an opportunity for targeted advertising, especially now that other parts of the ad ecosystem, like social and traditional media, are struggling.

MEET THE **BIGGEST PLAYERS** IN RETAIL MEDIA

At its core, the retail media market is simple: An advertiser buys an ad on a retail property, and that ad is served to visitors of that property. Beneath the surface, though, it's a complex and tangled value chain that involves not just advertisers and retailers, but also agencies, aggregators, nonretail merchants, delivery services that partner with retailers, social networks, publishers, streaming services, demand-side platforms, supply-side platforms, and other ad tech providers.

- Buyers have options that meet their targeting, attribution, and measurement KPIs. Depending on an advertiser's objectives, it may choose a path as simple as buying directly from a retailer with a media network, or as complex as partnering with a buy-side platform that serves ads across a wide range of retail and nonretail properties. New retail media players and partnerships are constantly emerging, so buyers may be overwhelmed with choices.
- Retailers are bringing functions they'd previously outsourced to partners in-house. Amazon went from partnering with vendors like dataxu and The Trade Desk—both of which supported the retailer's effort to sell inventory on its Fire TV platform—to phasing out those alliances and building what is essentially a walled garden. Others, like Target, Kroger, and Walmart, are currently working with partners but may bring more of their retail media businesses in-house if having more control over their media operations serves them better. The market is in rapid flux, and more consolidation is likely.

Which categories of retailers have media networks?

The short answer is pretty much all of them. The universe of retailers with media inventory runs from digital-only operations to brick-and-

mortar chains, from mass merchandisers to category specialists, from discounters to luxury merchants—and it includes commerce intermediaries and nonretail players that sell goods or services and have ad inventory.

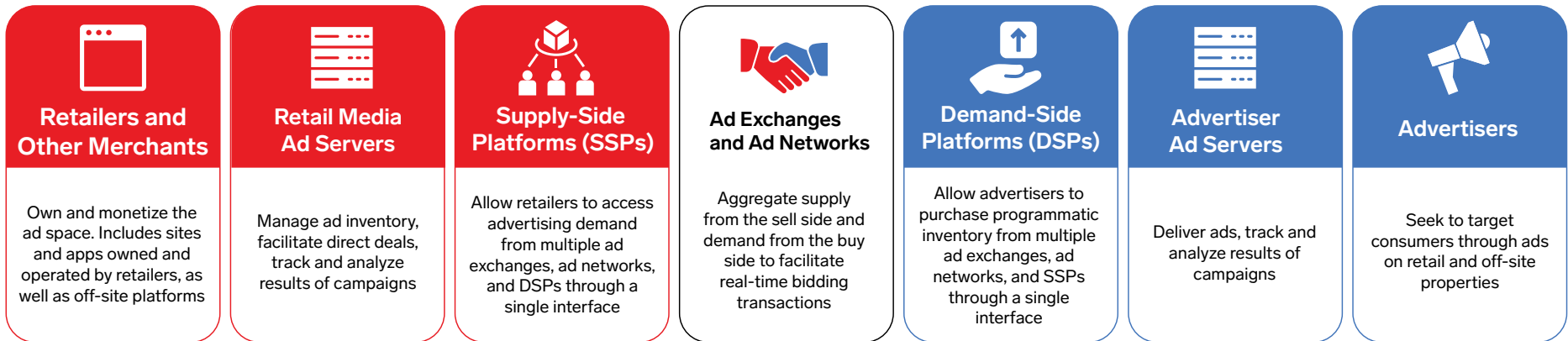
The common denominators are scale, actionable first-party data, and digital properties that lend themselves to ad inventory. Without those criteria, it's questionable whether a retailer should be building its own media network rather than outsourcing it to third-party vendors.

- **Scale:** In a June 2022 LiveRamp survey of consumer packaged goods (CPG) advertisers, 99% of respondents said a viable RMN requires access to a minimum audience of 6 million. Retailers that don't meet that requirement aren't necessarily shut out of the ad market if their media networks are interoperable with others; if small, local retailers pool their audiences, they could achieve the kind of scale CPG marketers look for.
- **Actionable first-party data:** The erosion of third-party cookies and mobile identifiers has put a premium on first-party data. Retailers have troves of this data from transactional histories, loyalty programs, email lists, coupons, and other touchpoints with customers. This data is critical for advertisers and is a huge part of what's driving growth in retail media spending.
- **Digital properties that lend themselves to ad inventory:** An environment where ads are a natural part of the customer experience is a big plus for RMNs. Mass merchandisers and marketplaces are inherently built to support product and category ads, so they're well suited for ad placements. By contrast, some specialty retailers, particularly in segments like luxury goods, don't typically carry advertising on their sites or apps, so their retail media opportunity lies mainly in partnering with luxury department stores.

Key Retail Media Players

Sell Side

Buy Side



Source: Insider Intelligence, 2022
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Retailers have troves of first-party data from transactional histories, loyalty programs, email lists, coupons, and other touchpoints with customers.

CAN SOCIAL MEDIA AND RETAIL MEDIA BE FRIENDS?

We've entered the third wave of digital advertising: retail media. The first two waves—search and social—aren't going away and have even blended. Search is already a major component of retail media; social is the next integration. But in order to evolve, social media platforms and RMNs need to work together to serve advertisers.

Full-funnel approach: Advertisers still view social media as a discovery medium and retail media as a conversion-driver. But both platforms are “potentially full-funnel,” according to Liz Cole, executive director and US head of social at VMLY&R, speaking at eMarketer’s “Attention!” summit in March.

Social media and retail media are both “environments where you can get very clear digital signals from consumers,” said Cole.

They share engaged audiences, targeted advertising, and ecommerce integrations.

Better together: “In some cases, retail media and social media are partnering together,” said our analyst Debra Aho Williamson. “Microsoft has partnered with Meta. Pinterest has an agreement with LiveRamp and Albertsons.”

These partnerships enhance closed-loop measurement. Brands “want to understand if those ads not only drove great engagement and traffic, but also ultimately conversion,” said Melanie Zimmermann, vice president and head of Macy’s Media Network.

“It seems like budgets are being diverted not directly from social to retail, but from everywhere to retail,” said Cole. “The bigger trend that we’re seeing is dollars from traditional mass media and broadcast being diverted into both social and retail media.”

Change in Media Budgets* in 2023 According to Brand Advertisers Worldwide, by Channel

% of respondents, Sep 2022

	Significant decrease (<-10%)	Slight decrease (0%—10%)	Maintain 2022 budgets	Slight increase (0%-10%)	Significant increase (>10%)
Retail media	0%	3%	46%	15%	36%
Paid social	0%	10%	38%	50%	2%
Paid search	0%	7%	59%	32%	2%
Digital audio	0%	21%	49%	30%	0%
Mobile in-app	0%	12%	64%	24%	0%
Gaming/esports/metaverse	2%	7%	45%	36%	42%
Influencer marketing	2%	20%	34%	34%	10%
Advanced/connected TV	2%	2%	28%	60%	7%
Digital out-of-home (DOOH)	2%	16%	44%	35%	3%
Digital display	2%	23%	40%	35%	0%
Linear TV	12%	47%	30%	9%	2%
Radio	23%	23%	47%	7%	0%
Print	26%	37%	37%	0%	0%

*Note: numbers may not add up to 100% due to rounding; *regional and worldwide Source: World Federation of Advertisers (WFA), "2023 Media Budgets Flash Survey Results" in partnership with Ebiquity, Oct 11, 2022*

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But there are hiccups. Much like at the onset of social media, retail media advertisers struggle with a “lack of standardization from one platform to another,” said Cole.

Across ecosystems, a video view may be a different number of seconds, or a unique user could be defined by differing criteria. “It makes it very difficult to compare things directly and make smart decisions,” said Cole.

Retail media platforms gain a competitive advantage through silos. They can show their unique offerings.

Retail media has work to do, according to Zimmermann. “When competing for those upper-funnel media budgets, retail media networks need to provide many self-service solutions to agencies.”

Like any good relationship, both sides need to contribute, which they can do by improving measurement and standardization across formats.

“It seems like budgets are being diverted not directly from social to retail, but from everywhere to retail.”

— Liz Cole, Executive Director and US Head of Social, VMLY&R

REACHING COMMERCE MEDIA'S NEXT FRONTIER

This sponsored article was contributed by [LiveRamp](#).



Kimberly Bloomston
Senior Vice President, Product, LiveRamp

In a short time, commerce media has become a universal channel for brands, publishers, and suppliers to better serve consumers. This year, brands are projected to spend up to \$122 billion on retail media and commerce media worldwide, according to a WARC media analysis. And the industry is only growing, with eyes now on streaming TV, Insider Intelligence data shows.

At RampUp 2023, LiveRamp's digital marketing conference, I sat down with Jonathan Lustig, head of revenue at Walgreens Advertising Group, and Austin Leonard, head of sales at Sam's Club Member Access Platform (MAP), to share perspectives on how to succeed in commerce media's next era. Here's what they said:

1 Center your commerce media strategy around privacy-first customer experiences.

A core imperative for commerce media is to use data efficiently while protecting consumer privacy, and building one-to-one relationships with consumers starts with trust and integrity. For Walgreens Advertising Group, data democratization is a priority in keeping the customer at the center of the company's strategies while meeting partner needs.

"Understanding the consumer journey is about data protection, and also consumer desire at an aggregated level, so we can build audiences that are favorable to our clients," Lustig said.

2 Deliver value to partners through measurement and analytics.

Today, even when customers are in-store, their phones are part of the shopping experience—creating more measurement opportunities than ever before. For Sam's Club MAP, the next frontier is working with partners to engage members before they start their shopping

experience. Through a partnership with LiveRamp, The Trade Desk, and IRI, Sam's Club MAP launched a retargeting platform to help advertisers leverage shopper data for real-time optimization with third-party verification.

"Efficiency and customization are really important. All of us have had the experience where we purchase something and the next website we go to is the product we just purchased," Leonard said. "That's not a great advertising experience for a consumer or the person paying for the ad."

Through automated retargeting, Sam's Club MAP will be able to provide a smarter campaign experience for members and suppliers—creating a win-win situation that drives incremental growth and better personalization.

3 Test, learn, and partner to fuel your sophistication journey.

The next frontier of commerce media will require collaboration between brands, publishers, and their partners to test, learn, and iterate on campaigns that provide a satisfying buying and advertising experience across touchpoints.

"What our members count on us for is a great shopping experience," Leonard said. "There's a lot of focus on testing before we put anything on the site. It has to be additive to the member experience."

Lustig added that Walgreens Advertising Group works with partners like LiveRamp to maintain integrity while building a map for suppliers and advertisers to create one-to-one customer connections across channels.

"You need to think about your strategy from the perspective of the consumer engaging with multiple buying platforms on- and off-site," he said. "How does this feed into all that you're doing to make a holistic, sticky relationship with the consumer?"

Watch the full conversation [here](#).

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- Higher Conversion Rates
- New Revenue Streams
- Increased Customer Loyalty



Discover the Power of Data Collaboration

RETAIL MEDIA'S CTV OPPORTUNITY

What do you get when you cross a \$35 billion ad platform with a 160 million viewer streaming service? A snapshot of Amazon's US retail media CTV potential.

Luxury brand Movado is leveraging that potential to push video campaigns for Amazon Prime and Freevee viewers.

"We're able to be a lot smarter in what we're doing and see that efficiency that we're looking for" in Amazon's CTV advertising, said Alicia Reich, vice president of digital marketing at Movado Group, speaking at the "Attention!" summit.

Retail media is more than just search. Retail media will make up a \$45.05 billion ad market in the US this year, according to eMarketer's forecast, with most of those revenues—\$34.59 billion—coming from Amazon.

- The data that powers search ads for Amazon shoppers can also power CTV ads for its streaming viewers.
- Movado is able to target customers with an understanding of who is a past purchaser, gifter, casual product viewer, cart abandoner, or brand fan. They can combine that data with CTV viewing behaviors to better target ads, according to Reich.

"We're seeing connected TV really fit more into a mid-funnel approach," said Reich, who mentioned that CTV can also offer lower-funnel opportunities like remarketing. That sort of targeting is one reason why CTV advertising is growing in the US while linear declines.

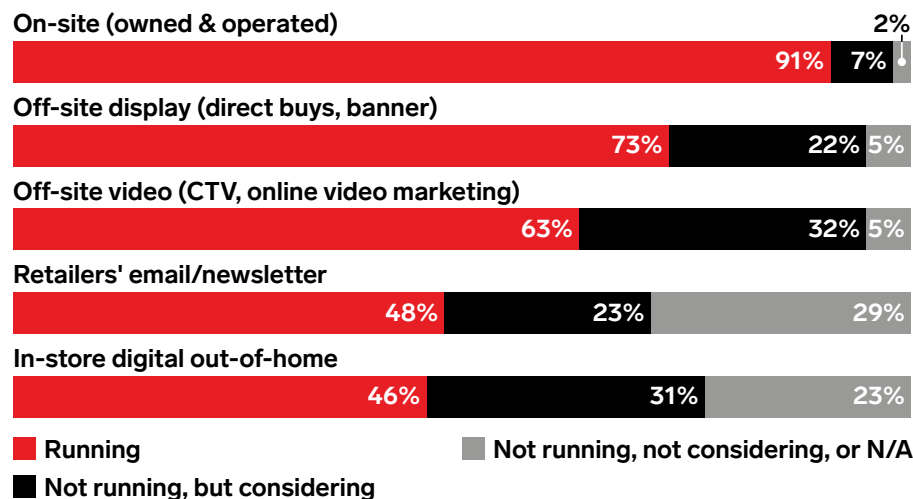
Where's the money? For Movado, retail media dollars are coming primarily from social, where the company has seen a decline over the past few years. As social media analytics become less clear, retail media's rich data availability is becoming increasingly attractive.

This offer won't last. Platforms leveraging CTV and retail media data are here to stay, but it will probably get more expensive. "More brands will participate. Costs will go up. And then we'll have to optimize," said Behzad Soltani, president commercial and CTO of Movado Group.

But as consumer data becomes more obscure due to iOS changes, cookie deprecation, and potential regulations, brands should take advantage of retail media. "I think the most important thing right now is, as advertisers and as brands, we need to prepare. We can't wait," Soltani said.

Types of Retail Media Network Ad Tactics Being Leveraged by US Buy-Side Ad Decision-Makers, Nov 2022

% of respondents



Note: n=56 who are currently investing in retail media network advertising
Source: Interactive Advertising Bureau (IAB), "2023 Outlook Survey," Nov 17, 2022

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MANAGING THE COMPLEXITY OF RETAIL MEDIA NETWORKS

RMNs are both still in their infancy and intimidatingly complex. Most brands advertising via retail media are using multiple networks, according to the Association of National Advertisers (ANA), but data and analytics aren't standardized across platforms. The result is a major headache for advertisers.

Here are six tips for using retail media right.

1 Know where your shopper is.

Just because a RMN is available doesn't mean it's right for your brand. More than half (56%) of marketers advertise on five or more RMNs, according to the ANA. Experiment with different RMNs to meet your shoppers where they want to buy.

2 Find your unique media mix.

"If you think about a category like confections or chocolate, a majority of the sales have been in-store," said Julie Liu, director of ecommerce at Ghirardelli Chocolate Company, speaking at our most recent "Attention!" summit. "It's a very impulsive category. Probably people aren't doing a lot of research online before they buy it."

But Ghirardelli can still leverage RMNs by considering differing behaviors. Amazon may be primarily for gifters, while Instacart is the place for converting those impulse shoppers.

3 Keep your team in the know.

RMNs are changing fast, with more players entering the game and introducing new features. Reporting across platforms is also inconsistent. For Amy Lanzi, COO of Publicis Commerce, education on

the latest changes and cross-platform analytics are important points of investment.

"Our biggest pain point is really keeping up with all the transformation," said Lanzi. But if marketers can stay up to date on all the new features and data RMNs are releasing, that transformation becomes an opportunity, not a headache.

4 Fill the funnel from the bottom up.

That's Quartile CEO Daniel Knijnik's advice for brands branching into retail media. For brands with smaller ad budgets, "you might want to focus a little bit more bottom of funnel, maybe sales," Knijnik said. "A much bigger brand that has a much bigger budget can start trying to do everything."

Experiment with different RMNs to meet your shoppers where they want to buy.

5 Target other product pages.

Knijnik said this approach provides the highest ROAS.

RMNs offer display and search opportunities, but advertising on other product pages can target key customers who are ready to buy (e.g., using high-end wine opener pages to advertise high-end wine glasses).

In this way, brands can leverage competitor listings as a platform for advertising, which Knijnik said is a great use for tech. "Always

remember that [competitors are] a moving target, right? So your competitors, they change their prices, they go out of inventory. They have promotions, they win or lose bestseller badges. So being able to keep up with all that, it's almost impossible without technology."

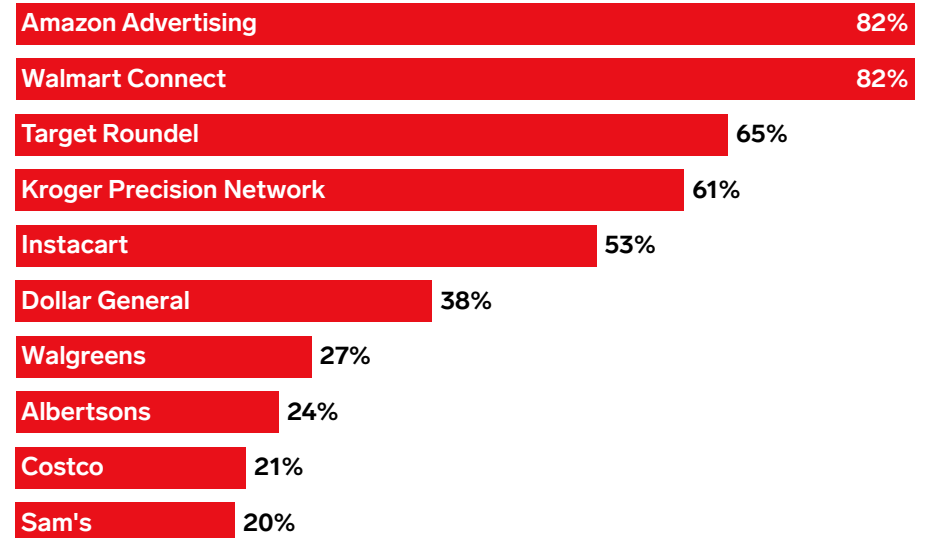
⑥ Learn on Amazon, then use that data.

"Amazon is the most sophisticated retail media network," said Lanzi. Amazon's cloud offerings and data warehouse make it something of a practice platform for other RMNs. Amazon's tools also offer some insight into what other RMNs may offer down the road. "So learn on Amazon," Lanzi advised.

Knijnik called learning from Amazon "the holy grail." "Once you start really being able to use everything you learn on your Amazon campaigns, and you can apply that to your Google or Instacart or Walmart campaigns," brands can quickly become more efficient.

Leading Retail Media Networks Used by US Marketers, Summer 2022

% of respondents



Note: in the past year

Source: Association of National Advertisers, "Retail Media Networks: A Forced Marriage or Perfect Partnership?" Jan 30, 2023

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Sources and Methodology

This eMarketer Roundup features a compiled collection of our forecasts and analysis from recently published articles and reports. Here is the list of articles and reports used in this roundup:

Get ready for Retail Media 2.0: Why 2023 will be retail media's inflection point

Retail Media Explainer: What Marketers Should Know About This Advertising Juggernaut

Can social media and retail media be friends?

Retail media's CTV opportunity

Managing the complexity of retail media networks

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