

Retail media adds another wrinkle to retailer-supplier price negotiations

Article

The insight: Retailers' efforts to boost their high-margin retail media businesses are complicating their ability to negotiate with brand partners, particularly as they push for price

concessions to alleviate the pressure on inflation-weary shoppers.

- Measures like pulling products from shelves—previously a highly effective bargaining tool—can make brands less willing to invest in retailers’ ad services, a consumer goods executive told Reuters.

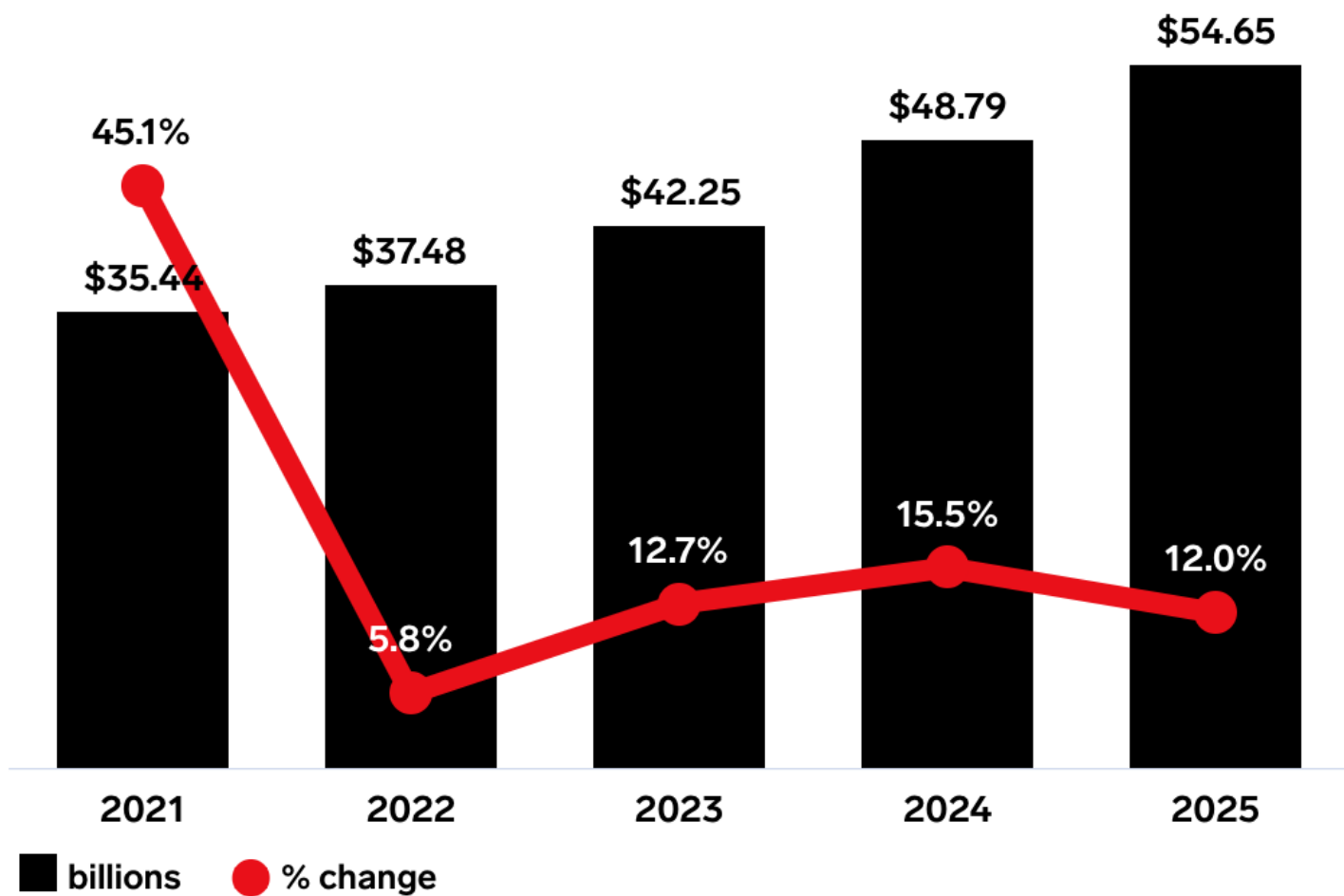
The dynamic: We expect **CPG digital ad spending** in the US to grow 15.5% this year to **\$48.79 billion**, the fastest growth rate in three years. While retail media won’t get all of those dollars, the steady flow of CPG ad budgets to retailers like **Walmart** and **Kroger** is giving suppliers more negotiating room during price talks.

- Brand spending on retailers’ websites and in stores offers leverage when negotiating prices with suppliers, a spokesperson for Belgian supermarket **Colruyt** told Reuters.
- But that didn’t prevent the grocer from **pulling products from Mondelēz**, **Anheuser-Busch InBev**, and **Unilever** from its shelves during contentious price negotiations—a sign that while the balance of power may be shifting, it’s still tilted in retailers’ favor.

The big takeaway: The growing complexity of the relationship between CPGs and retailers could force the latter to make more concessions in pricing or product placement. But it could also go the other way, making CPGs feel that they have to advertise on retailers’ platforms to secure more favorable positioning—much like advertising on **Amazon** has become a near-necessity for sellers looking to get in front of shoppers.

CPG Industry Digital Ad Spending

US, 2021-2025



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices on all formats mentioned; numbers may not add up to total due to rounding

Source: EMARKETER Forecast, December 2023