Sara Lebow

The biggest challenges facing retail media right now

Article

Retail media is the fastest-growing ad channel we track in the US, growing by 26.0% this year. Its share of total US media spend will reach 14.1% this year, and come 2028, nearly 1 in 5 ad dollars spent in the US will go to retail media. But the channel has the potential to grow even more. Here are four key factors that present challenges to retail media growth right now.

1. Lack of standardization

Challenge: Due to inconsistencies in ad types and measurement, it's difficult to compare retail media networks (RMNs).

What this means for advertisers: Advertisers need to do their own analysis or work with third parties to understand how one campaign performs compared with another. But brands cannot test out every retailer: On average, brands work with six RMNs in the span of a year, according to an August 2023 survey from Coresight Research. Several groups, including the Interactive Advertising Bureau and Albertsons Media Collective, have proposed standardization guidelines, but widespread adoption is likely a ways away.

What this means for retailers: The biggest RMNs don't have a ton of incentive to standardize. Amazon still accounts for 77.0% of US retail media ad spend, per our March 2024 forecast, so Amazon doesn't have much incentive to play nice with other RMNs. The same could be said of Walmart, which has a 6.8% share of US retail media ad spend, and Target, which has a 3.2% share.

The remaining RMNs are focused on standardization in order to secure retail media ad dollars that aren't going to Amazon.

2. Competing with Amazon

Challenge: Amazon is by far the biggest RMN in the US, accounting for $41.95 billion in retail media ad revenues this year, per our March 2024 forecast.

What this means for advertisers: Brands are likely already advertising with Amazon to sell on the platform. But for those who aren't selling on Amazon or for those focused on off-site advertising, there are still plenty of other RMNs to work with.

What this means for retailers: For Amazon, it's good news. For everyone else, it means the US retail media market is a bit more competitive. But $12.53 billion will still go to non-Amazon RMNs in the US this year, and that figure is growing.

Partnerships with off-site publishers and streaming networks is also a growing opportunity.

3. Off-site integration

Challenge: Some $10.64 billion in US retail media ad spend is going to off-site formats this year. But integrating off-site retail media can be difficult.

What this means for advertisers: Advertisers may be purchasing connected TV (CTV) or other forms of advertising through RMNs or through the third parties with whom those RMNs work. That complicates an already fractured ad-buying process.

What this means for retailers: Retailers need data infrastructure set up so off-site platforms like streamers can access that data and target consumers. These pipelines are already complicated, and while first-party retail media data empowers ad targeting, the process is technically challenging because it requires safe data-sharing with programmatic ad platforms.

4. Siloed budgets

Challenge: Traditionally, lower-funnel and upper-funnel marketing efforts are managed by separate teams on the brand side. Retail media is moving up the marketing funnel, which means silos between brand and product marketing teams could prevent ad spend.

What this means for advertisers: Brands need to make sure marketers across the funnel are working with RMNs, and that they are looking at budgets holistically to prevent redundant spend or missed marketing opportunities.

What this means for retailers: Retailers need to communicate the true value of retail media networks in order to unlock ad spend. If brands view RMNs as strictly bottom-of-funnel channels, they won't see those upper-funnel ad dollars.

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