

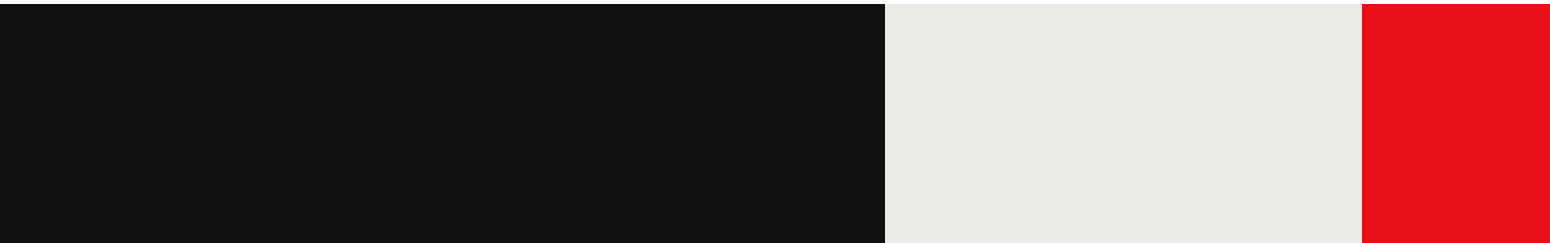
Retail media networks hit their stride in 2021

Article



The trend: 2021 was the year that marketers fully embraced retail media networks—and the year that retailers fully embraced their role as advertising platforms.

What's the appeal? For retailers, media networks function mainly as an additional revenue source, but they have other benefits.

- Retail margins have historically been small, and they're getting smaller thanks to inflation and rising logistics costs. With retailers finding themselves increasingly squeezed by **Amazon's** low
- 

prices and free shipping, having an alternative revenue source enables them to compete on price and keep customers coming back.

- Retailers also have access to lots of first-party customer data and valuable insights about how people shop. For example, a consumer packaged goods (CPG) brand that chooses to spend with **Target** would be able to reach customers where they are and identify people with purchase intent—and also potentially guarantee better product placements within the store or on the retailer’s ecommerce platform.

Motivations for US CPG Brands to Work with Retail Media Networks, 2020 & 2021

% of respondents in each group

	2020	2021
Gain access to a retailer’s first-party data	33%	62%
Build a stronger partnership with the retailer	49%	51%
Better understand the shopper at the retailer	19%	51%
Leverage owned and operate retailer inventory	29%	49%
Open co-branding opportunities	38%	37%
Deliver more personalized communications	43%	34%
Access reporting tied to sales (closed loop)	48%	28%
Oblige merchants as part of negotiations	48%	14%

Note: 2020 n=100; 2021 n=100

Source: Merkle, "The Evolution of Retail Media Networks" conducted by Ugam, Oct 11, 2021

270408

eMarketer | InsiderIntelligence.com

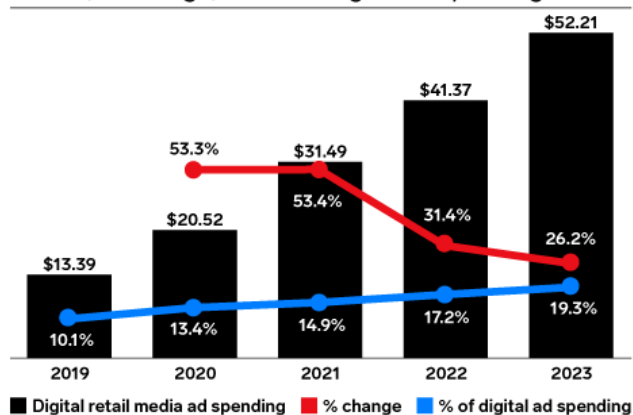
Major players: While Amazon **still dominates** with **77.7%** of **US digital retail media spend**, companies like **Walmart** and **Instacart** are emerging as media networks to watch.

- We forecast Walmart’s US digital advertising revenues **will hit \$1.55 billion** this year, a **53.5%** increase for the year. For Q3, the company **reported** that its ad business had increased revenue by **240%** over two years. While the retailer declined to share specific numbers, the CFO at the time, Brett Biggs, noted that “increased contributions from advertising revenue have helped offset cost pressures” from inflation and supply chain issues.
- Instacart had **\$300 million** in revenue from advertising last year, and hopes to **reach \$1 billion** by next year, **per** the Wall Street Journal.
- A study by Merkle **found** that 77% of CPG brands work with Amazon, while 56% work with Walmart Connect, 29% with **eBay**, and 27% with **Home Depot**.

A few key stats:

- In 2021, a quarter of retailers reported receiving **more than \$100 million** in revenue from their media networks, **according to Forrester**.
- By 2023, we predict that retail media **will exceed \$50 billion** and receive **nearly 20%** of all digital ad spend.

US Digital Retail Media Ad Spending, 2019-2023
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 2021

270532 eMarketer | InsiderIntelligence.com

New entrants in 2021: Several retailers and commerce platforms made their media network debut this year, including:

- **Albertsons**
- **Dollar Tree**
- **Gopuff**
- **Lowe's**

What to expect in 2022: With third-party cookies set to vanish next year, expect to see more advertisers turning to retail media networks to provide valuable insights into consumer behavior. At the same time, Amazon's stranglehold on retail media spend will start to slip, giving competitors like Walmart and Instacart an opportunity to establish themselves.

- We anticipate digital retail media advertising will **jump by 31.4%** in 2022 to **\$41.37 billion**, marking it out as one of the digital ad segments with the highest growth.

- However, retailers will need to come up with new ad formats and advanced capabilities to prove to brands they are effective at bringing in new customers.