

3 ways retail media networks can navigate the tension between ads and CX

Article

An emerging strain between retailer ads and customer experience (CX) is brewing as consumers grow more sensitive to high ad loads online and in stores. Retailers' core

competency of delivering exceptional CX is now being pitted against their own retail media networks' (RMNs) desire to expand their digital advertising surface area to capture high-margin revenues.

Fortunately, retailers can effectively navigate this tension—in both ecommerce and physical store experiences—to monetize shopper audiences with advertising while maintaining the integrity of their CX.

Several top retailers are already showing the way. Here are three strategies to follow.

1. Prioritize search ad relevance to earn permission to increase ad loads

Amazon Ads is the 800-pound gorilla of the retail media space, with most of its revenues coming from sponsored products that are on their way to dominating the market. Despite having by far the highest ad loads in the industry, Amazon does not appear to have turned customers away. That's because of its best-in-class ad relevance.

According to our “**Retail Media Networks Perception Benchmark 2022**” report, Amazon ranked No. 1 in ad relevance according to ad buyers. Its second-lowest ranking—No. 5—was for ad load (which is generous, considering Amazon has the highest ad load among RMNs). When ads don't align with customer intent, it can turn off shoppers and brands alike.

Amazon has clearly prioritized ad relevance, which CFO Brian Olsavsky highlighted following Amazon's blockbuster Q2 2021 earnings when its ads business grew 77%. “We're using new deep learning models to show more relevant sponsored products [and] we continue to improve the relevancy of the ads being shown on the product detail pages.”

Amazon Ads, Ranked by Retail Media Network Attributes



Traffic scale	1
Traffic quality	3
Audience targeting capabilities	3
Advertising relevance	1
First-party consumer insights data	2
Access to in-store/omnichannel purchase data	6
Return on ad spend (ROAS)	3
Reporting metrics and key performance indicators (KPIs)	2
Platform ease of use	3
Closed-loop sales attribution	4
Variety of available ad formats	3
Advertising load	5
Off-site targeting capability	3

Methodology: Data is from the Insider Intelligence report titled "Retail Media Networks Perception Benchmark 2022." Insider Intelligence surveyed 145 US respondents during October 13-November 29, 2021 to gauge B2B-level advertisers' preferences and the value they place on 13 most important criteria when they are deciding which retail media networks to use for advertising. Respondents to the online survey were consumer goods advertisers who are at least manager-level with knowledge of digital ad placement/ad buying and advertising agencies. The data of this online survey were collected via Insider Intelligence's client database as well as third-party sample providers. The margin of error was +/-8 percentage points at the 95% confidence level.

Source: Insider Intelligence, "Retail Media Networks Perception Benchmark 2022," March 2022

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Amazon has the resources, organizational culture, and head start in retail media to reap the benefits of search ad relevance. What can other retailers do to close the gap?

“By adding a decisioning layer before rendering ads, retailers can improve the relevancy of their Sponsored Ads, open up more inventory, and get more revenue through their incumbent vendors,” said Andreas Reiffen, CEO and founder of Crealytics, a retail media supply-side platform. “Search ads that are as relevant as organic results will create a win-win-win

situation: Shoppers find what they are looking for, advertisers get a better return on their ad investment, and retailers can monetize their sites more effectively.”

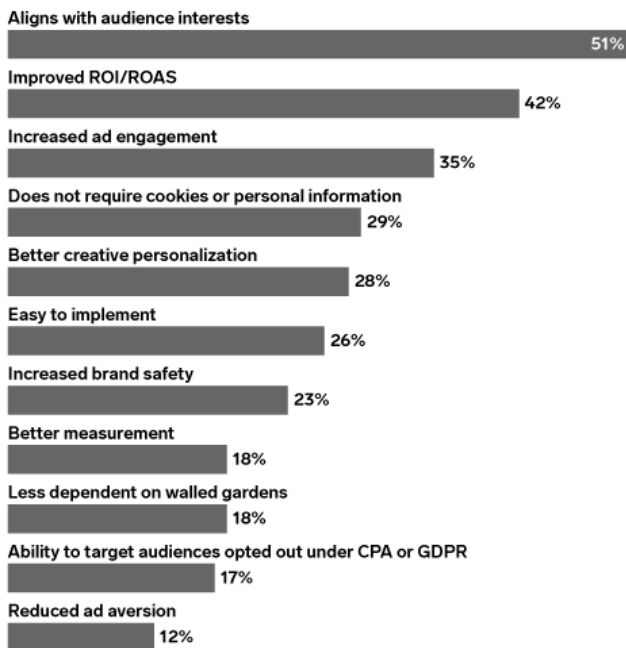
2. Use contextual signals to avoid personalized ads that seem creepy to shoppers

Because first-party data is seen as RMNs’ greatest asset, it’s easy to overlook contextual relevance. But the key reason retailer ads are effective is because they’re put in front of shoppers who are there to buy.

Brands and agencies realize personalization isn’t a panacea and that contextual advertising benefits include alignment with audience interests, improved return on ad spend, and higher ad engagement, per a second quarter 2022 Advertiser Perceptions study commissioned by StackAdapt.

Leading Benefits of Contextual Targeting According to US Agency and Brand Marketers, Q2 2022

% of respondents



Note: top 3 responses
Source: Advertiser Perceptions, "Cookieless Strategies with a Dash of AI" commissioned by StackAdapt, Oct 4, 2022

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Retailers should build their advertising experiences—especially in-store—around contextual factors like time of day, time of week, physical proximity, season, weather, or relevant

shopping behavior.

Avoid the temptation to build all ad experiences around personalization. Targeted offsite ads will require this approach to some extent, but there is no need to introduce personalized targeted ads into the in-store experience. This conjures up visions of the dystopian advertising future from “Minority Report” for most shoppers.

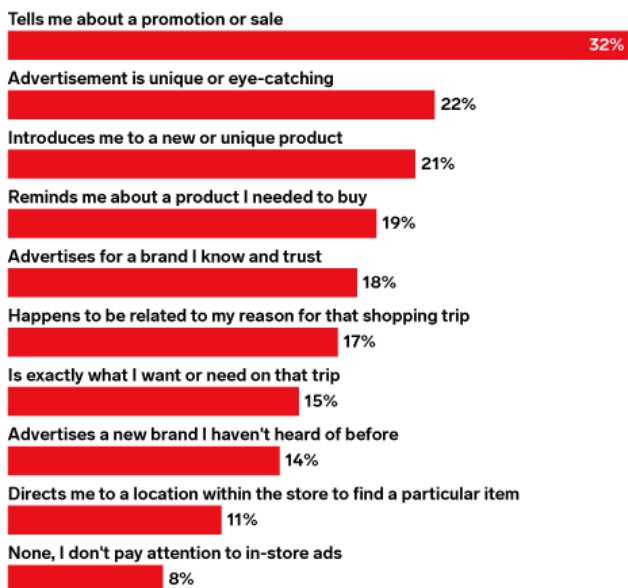
3. Emphasize quality of creative—not quantity of impressions—to command high CPMs

Over time, digital ad markets turn into commodity marketplaces. With few constraints on supply, ad sellers’ primary incentive becomes generating as many impressions as possible, which only exacerbates the race to the bottom on price. Because physical stores have inherent supply constraints, retailers need not slip into the commoditization trap. They should instead treat their inventory like TV, where inventory is scarce and high-quality, brand-safe, contextually relevant environments are maintained.

Shoppers want high-quality ads in physical stores. In addition to promoting attractive deals, the most attention-grabbing in-store ads will be unique and eye-catching, or introduce shoppers to new products, per a July 2022 Path to Purchase Institute study.

In-Store Advertising Features That Most Catch US Shoppers' Attention/Make Them Want to Learn More About the Product, July 2022

% of respondents



Note: respondents chose their top 2

Source: Path to Purchase Institute, "Shopper Engagement with Retail Media," Oct 3, 2022

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Fewer surfaces that promote engaging ad experiences will not only maintain the integrity of the CX, but will keep costs per thousand (CPMs) high for RMNs.

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