

What's behind retail media's skyrocketing growth and what may be holding it back

Article

Retail media has the potential to become one of the biggest growth engines in the history of digital media, our analyst Max Willens said.

Over 1 in 6 dollars spent on digital ads in the US will go toward retail media this year, a 17.1% slice of all digital advertising, according to our forecast.

There are three major factors contributing to retail media's growth.

1. The rise in ecommerce sales

Total retail ecommerce sales in the US will grow 10.0% this year to reach \$1.148 trillion, coming out to about \$5,262.14 in sales per digital buyer, per our forecast.

“Which is just basically another way of saying that most Americans buy lots and lots of things online,” said Willens on a recent [“Behind the Numbers: The Daily”](#) podcast episode. That means US consumers have a high exposure to digital advertisements, and retailers can use their purchase data to make the targeting and delivery of those ads more efficient and accurate.

2. Proliferation of ad formats

While the core of retail media spending is sponsored search ads, retail media networks offer a variety of ad formats, including connected TV, video, off-site display, audio, and in-store media.

“[Advertisers] can use retailers to target consumers almost anywhere with any kind of digital advertising, and that is very powerful.”

3. Relationships

Growing out a new ad format can be a bit of a challenge. To get advertisers to sign on, you need to prove that it's worth their marketing dollars, which you can't do unless you have advertiser partners already in place.

With retail media, those partnerships already exist, making it easier to build out entire ad networks. “[Retailers] already have relationships in place with thousands, if not millions, of potential ad buyers,” said Willens.

Speed bump ahead: The space is evolving quickly—maybe too quickly for ad buyers and sellers.

- In March 2022, our forecasting team expected retail media would exceed \$51 billion this year. Since then, Meta, Snapchat, Pinterest, TikTok, Roku, and a large number of retailers all jumped into retail media, and we downgraded our forecast by about 12%.

- Advertisers are struggling to determine where to put their dollars with so many options.
- Measurement is also a challenge. “It then gets really difficult when you sit down with all the data and go, ‘OK, but which one of these is actually doing a better job?’”

The bottom line: Despite potential challenges, retail media is a gold mine for advertisers because it taps directly into their concerns and interests, said Willens.

- At its core, retail media is powered by on-site search, which is attractive to advertisers because it's close to the point of sale and it helps to connect the dots between search and purchase.
- “It sits on big, big piles of privacy-compliant first-party data,” said Willens, and is invaluable to advertisers amid the increasing loss of data signals due to cookie deprecation and privacy regulations.

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