Retail media, merchant teams must work together to maximize in-store marketing
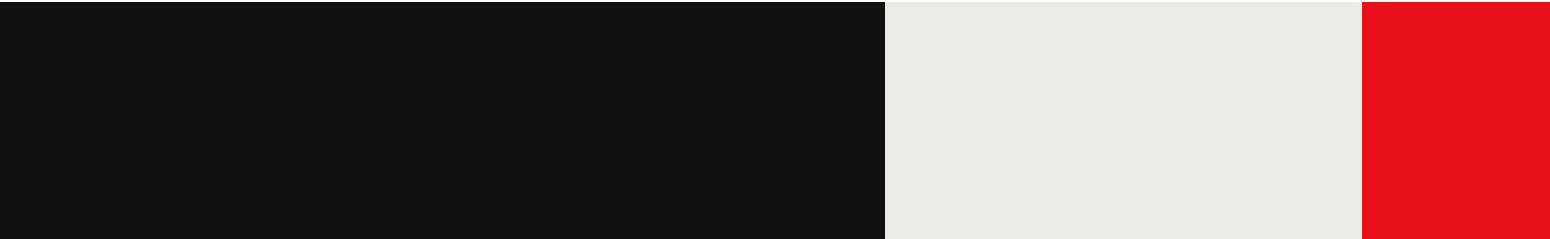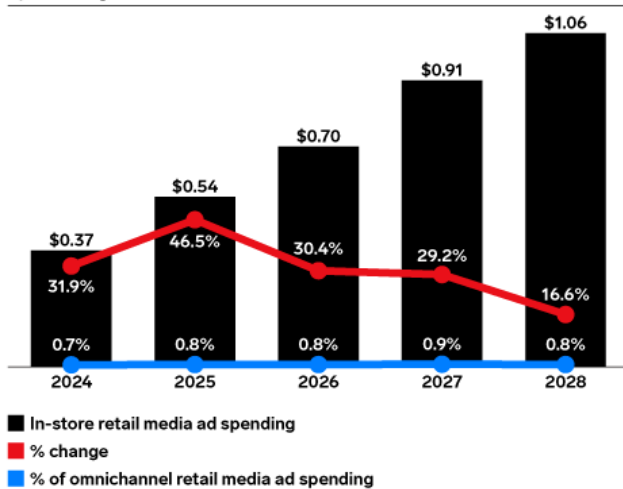
Article

US in-store retail media ad spend will total $370 million this year. But as the channel expands, oversaturating stores with ads can cause tension between retail media teams, which focus on

maximizing ad dollars, and merchants, which focus on the store as a whole. Online advertising and in-store advertising are not two distinct channels, but instead work together.

"It's crucial to navigate the tensions between merchants, focused on product sales, and retail media teams, aiming for engaging customer experiences that generate advertiser funding and compelling media inventory," wrote the Interactive Advertising Bureau (IAB) in its recent Digital Out of Home (DOOH) & In-Store Retail Media Playbook 2024 report.

In-Store Retail Media Spend Will Top $1 Billion— but Not Reach 1% of Total Retail Media—by 2028

billions in US in-store retail media ad spending, % change, and % of omnichannel retail media ad spending, 2024-2028

	2024	2025	2026	2027	2028
In-store retail media ad spending	$0.37	$0.54	$0.70	$0.91	$1.06
% change	31.9%	46.5%	30.4%	29.2%	16.6%
% of omnichannel retail media ad spending	0.7%	0.8%	0.8%	0.9%	0.8%

Note: digital advertising that appears on a retailer's on-premise signage, either in-store or in the immediately adjacent exterior (e.g., parking lot); includes place-based advertising at grocery stores, gas stations, restaurants, etc.; excludes common area signage not directly affiliated with a retailer (e.g., inside of malls)
Source: EMARKETER Forecast, March 2024

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There are three major points of tension between retail media and merchant teams, as noted in the IAB's report:

- **Space utilization:** Merchant teams want an assortment of inventory throughout the store to maximize sales per square foot. Retail media teams want to turn those square feet into ad inventory through promotions and digital displays.

- **Product placement:** Merchants look to historical sales data and seasonality when assessing where products are in-stores. Retail media teams tend to focus on experience and brand loyalty.

- **Visuals:** Merchant teams tend to aim for consistency and cohesion around a store, so that everything feels specific to that retailer. Retail media teams search for ways products can stand out, in order to benefit advertisers.

Both merchant and retail media teams are focused on the same downstream goal: sales. But they need to find common ground in how they are working toward that goal.

Establish common benchmarks. Merchants and retail media teams must work toward common KPIs with overlapping benchmarks.

- Short term, these can look like boosting product sales or driving traffic to sites.
- Long term, these goals may include increasing lifetime value, recruiting new customers, or growing a certain category.

Build cross-functional teams. At Target, the same person oversees its retail media network, Roundel, and manages its guest engagement team. Making sure retail professionals are working within both retail media and merchant teams will help both of these teams work toward a better customer experience.

Share data and analytics. The same way teams shouldn't be siloed, data and analytics should also be available to everyone. A "data-driven culture," as the IAB calls it, will lead both teams to make the best decisions for the business overall, rather than a specific team. Sharing data can also reinforce how useful retail media can be to the overall business, as advances in retail media through real-time analytics and AI-powered customer segmentation help retailers improve marketing and inventory management on the whole, per the IAB.

This was originally featured in the Retail Media Weekly newsletter. For more marketing insights, statistics, and trends, subscribe here.