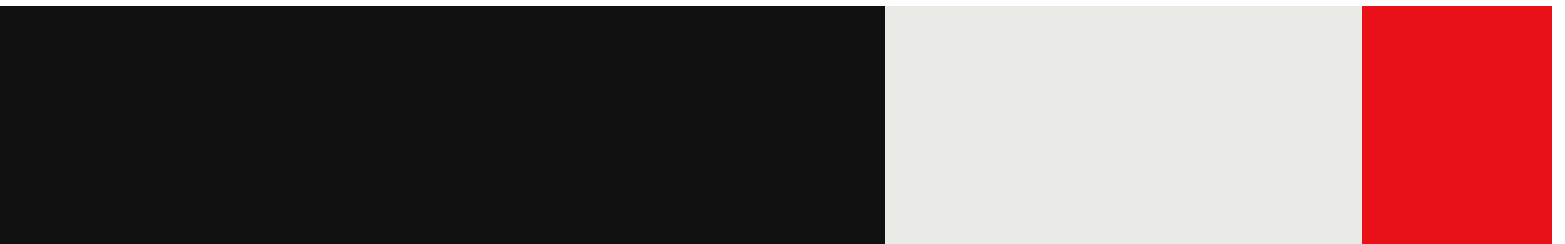


Reimagining Retail: How retail media networks are using non-endemic ads to keep growing and what the risks are

Audio



On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss what's fueling the non-endemic retail media fire, how to do non-endemic advertising the wrong way, and how success is measured. Join our analyst Sara Lebow as she hosts vice president of content Suzy Davidkhanian and analyst Sarah Marzano.

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Episode Transcript:

Sara Lebow (00:00):

Build scale and optimize your creator affiliate programs for maximum ROI. With awin, leverage the platform's best in class technology and award-winning expertise in end-to-end influencer program and campaign measurement to your brand's advantage and drive impressive results. Visit awin.com/emarketer to learn more. Hello listeners. Today is Wednesday, May 15th. Welcome to Behind the Numbers re-Imagining Retail, an e-marketer podcast made possible by a win. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sarah Libo. Today's episode topic is How are Retail media networks using non-endemic advertising to keep growing? Before we jump into that, let's meet today's guests. Joining me for today's episode. We have VP of content on our retail desk, Susie David Canyon. Hi Susie.

Suzy Davidkhanian (00:58):

Hi Sarah. Thanks for having me.

Sara Lebow (01:00):

Thanks for being here. Also here is principal analyst Sarah Marzano. Hi Sarah.

Sarah Marzano (01:05):

Hello.

Sara Lebow (01:06):

Welcome back to the podcast. Okay, we are going to get started with free sample. Our did you know segment where I share a fun fact tidbit or question? It's a question because on and she likes competition. The question is, so Mother's Day was this past Sunday in the US and in Canada. Shout out to my mom who is a devoted listener. Do you guys know what the most popular Mother's Day gift is in the us?

Suzy Davidkhanian (01:36):

Wait, by volume or by unit? By dollar volume or by unit?

Sara Lebow (01:40):

By percentage of people buying it.

Suzy Davidkhanian (01:42):

Flowers.

Sarah Marzano (01:43):

I was going to say that

Sara Lebow (01:46):

You're both right. Sort of. It's a tie between flowers and greeting cards. According to the NRF

Sarah Marzano (01:51):

Greeting cards count as a gift. Oh,

Sara Lebow (01:53):

That's the moms of the country.

Sarah Marzano (01:54):

A little bar. I got to talk to my household about this.

Sara Lebow (01:56):

Did your eight month old get you a greeting card?

Sarah Marzano (01:59):

No.

Sara Lebow (02:00):

How's that? But

Suzy Davidkhanian (02:01):

You got good cuddles and that's what counts.

Sara Lebow (02:04):

Okay, let's keep moving. Let's jump into our segment. Tell me this, tell me that where we discuss an interesting retail topic. Today's topic is how retail media networks are using non-endemic advertising to keep growing retail media. Ad spend is projected to grow by 26% this year per our forecast. And an emerging piece of that pie is going to come from non-endemic. First, we need to figure out what non-endemic really means though. So what does non-endemic advertising mean?

Sarah Marzano (02:36):

So non-endemic advertising in retail media is simply when retailers make their ad inventory available to advertisers who are promoting either products or services that aren't sold directly by that retailer. So not something that you can buy on that retailer's website or in their stores.

Sara Lebow (02:55):

So if I'm the Home Depot and I'm serving a barbecue sauce ad next to a grill product, that might be a non-endemic advertisement Yes.

Sarah Marzano (03:03):

On those retailers websites. Yeah.

Suzy Davidkhanian (03:05):

So relevant to the people who would normally be on the marketplace, but complimentary to what's already on the site.

Sara Lebow (03:13):

And I feel like we're seeing an increasing number of brands do this. I know Walmart Connect just made some announcements specific to supporting non-endemic brands. Right?

Sarah Marzano (03:22):

Yeah. So I think there's a couple trends going on in retail media that are sort of adding fuel to the appetite for non-endemic. The first is that retailers who have more mature developed retail media networks are recognizing that they might be reaching a level of saturation among their endemic brands. So they're really well optimized among monetizing advertisements among the brands that they carry. And even though they might be looking at growth from

those programs over the next few years, it's not as significant of growth as they might like to see. So increasingly looking at opening up ad inventory beyond the brands that they carry in order to continue fueling the growth of what they've recognized is a very profitable revenue stream.

Sara Lebow (04:04):

That makes sense. It probably looks like a lot of growth. If Kraft Heinz starts advertising with you, it probably looks like a lot less growth when they continue advertising with you. You need to find ways to bring those new names in.

Sarah Marzano (04:16):

Yeah, that's exactly right. And I think non-endemic is one of the ways that retailers are looking to really accelerate and add incremental growth and the other being moving offsite where there is a lot more inventory to open up

Suzy Davidkhanian (04:28):

Or in store.

Sarah Marzano (04:29):

That's right.

Suzy Davidkhanian (04:30):

Which we talk about all the time. But I also think the most important part too here is how can you find a whole new way of monetizing your platform? And so it's like one, do you grow either by continuing to do what you're doing but just finding more people. So that's one. Or it's just squeezing more money out of your current brands. But we know that budgets are limited, so this is just another way of increasing the pool, but it really, I think it's really important for us to remind everyone that it only works if you're complimenting the products that you're already selling and if you're thinking about a shared consumer profile because it wouldn't work otherwise. Right. Sarah, what was the example you were telling me about the other day?

Sarah Marzano (05:08):

Yeah, so I think there's certainly considerations when it comes to doing non-endemic, right? And the first is going to be ensuring that the offering that you're bringing into the mix feels relevant and complimentary to your audience. When retailers are going to want to really think through this, especially if they're opening up inventory on one of their own properties, whether that's on their website or on their app, or even in their stores, if you are allocating real estate to advertisers that feel really irrelevant to your customer base, then you run the risk of eroding the customer's experience and you're obviously running the risk of the advertiser not seeing the results that they would otherwise like to see, which

Suzy Davidkhanian (05:46):

That's a really important part. So not only are you trying to figure out how to measure it properly, which I'm sure we'll about, but trust is really important. And understanding that you don't want to clutter the consumer experience, whether it's with too many ads of the same thing or things that they're not interested in or things that they can't afford, which was this example. It was a budget value sort of chain that was advertising a very high end carb automotive brand. And so yes, you're going to make an incremental amount of dollars on that and it might be really easy year one, but it'll certainly be hard to replicate in year two.

Sara Lebow (06:23):

Yeah, that sounds like a real risk. I think the other risk here is that you have to make sure that these brands are truly non-endemic, which is to say that they aren't competing with what you are selling on your retailer website. And I think that can be difficult If you are an Amazon or a Walmart, you need to look to totally different industries because there aren't a lot of retail industries that you don't have a vested stake in.

Sarah Marzano (06:46):

And I think we're going to see a lot of activations in non-endemic go towards services. So things like financial services or insurance or health services, things that are truly sitting outside of that retailer's ecosystem, but are certainly part of their consumers day-to-day lives.

Suzy Davidkhanian (07:01):

And it sounds like, I mean we're talking about this in a very sort of umbrella kind of theoretical way, but Amazon has already started doing it so that if you are, and Walmart is in the process of, or has started to do it as well. But the example for Amazon was, I think it was you're

looking at, but it could be anything, right? You're looking at a bathing suit, you're looking at beach towels, you're looking at the example I think they had was luggage. And then you're serviced either a hotel or an airline, some sort of ad that is sort of tangentially related to potentially you traveling because you're buying a suitcase.

Sara Lebow (07:35):

That's fascinating because you have Marriott and other, I guess we're loosely calling them commerce media networks doing the opposite thing where you're looking at the Beach Hotel and you're being served the ad for a retailer or a brand selling you that bathing suit or that suitcase.

Suzy Davidkhanian (07:52):

Well, at the end of the day, I think they all have different customers, and so they're all trying to figure out how can you find more similar customers to the ones that you already have on your marketplace and that would buy whatever the non-endemic brand product services and the platform is just trying to monetize more better.

Sara Lebow (08:10):

So we know that retail media has been working for endemic advertisers, but how does the non-endemic advertising aspect change things here and what is the relationship between those advertisers and the retailers?

Sarah Marzano (08:25):

Yeah, I think the value of retailers first party data has been more than proven by the success we've seen from retail media networks over the past decade or so, and obviously increasingly over the past few years. And I think what's happening is that endemic brands or seeing the proof points or investing these dollars sometimes as part of doing business with their retailers, but being obviously offered up more and more options for doing that. But non endemics who are looking to future proof their advertising investments with this continuously impending deprecation with a third party cookie are also seeing the value of retailers first party data. So you have this nice ideally tidy case of two-way demand, where the retailers are looking to further monetize their data, use their toolkit to expand beyond the walls of their endemic brands, and you've got these non endemics who have an appetite to really be able to leverage that data. And again, I think whether that's on the retailer's onsite properties, if

they're willing to open up that ad inventory or just using the targeting capabilities offsite across the open web to ensure that the impressions that they're getting from their campaign feel really relevant.

Suzy Davidkhanian (09:36):

And for some, isn't it also offsite, but on their own platforms, if you think about Amazon and Amazon Prime and all of their live stream sports where they're using their data from the ad network too and here too, it's like either they're the endemic brands that they're talking about in the prime video or, but that's another really seamless way of using the data, not disrupting the customer experience and increasing the breadth of eyeballs, let's call it to a product that you might not have thought about otherwise.

Sarah Marzano (10:06):

Yeah. Im DB was an example with Amazon's non endemic activations as well, which I feel like is not commonly known that they own IMDB and operate it. So

Sara Lebow (10:14):

Where Amazon was putting ads on the I MDB site. Yeah, I mean it's interesting when you go offsite either on one of these owned sites which are borderline offsite or truly offsite with non-endemic ads because it really is just the data that is the currency there, then retail media is not being activated on the website, nor is it being activated using the brands that are sold on the website. So it's two different touch points of partnerships there.

Suzy Davidkhanian (10:40):

So I think of retail media as the data part and the retail media platform as the marketplace, the onsite stuff. And so the currency is the data, but that's the retail media part.

Sarah Marzano (10:53):

You're right. So the offsite activations are still leveraging the retailer's first party data to segment that audience and again, make sure that the impressions that are generated by that offsite campaign are relevant. I think anytime you move offsite, you're sacrificing a little bit of the control and a little bit of the data granularity in terms of what you can ensure in terms of who actually the impressions are coming from and the environment that that's happening in. But again, you have the advantage of the increased scale and inventory available if you

compare who's on the open web and all the spaces you can place an ad versus on a retailer's owned property. And I think as retail media moves offsite, a lot of retailers are famously very protective of their own digital properties, and so there might be more willingness where there wasn't before to engage with non-endemics.

Sara Lebow (11:40):

I want to talk a little bit more about that data granularity and about measuring success, which is something that one of you teased at before when we're talking about, I don't want to call it traditional retail media, but it's because it's not. But when we're talking about onsite search ads like our retail media 1.0 as called it before, it's really easy to measure that conversion when you are talking about another party coming in and advertising their own products. How can you measure that? The ads are a success?

Sarah Marzano (12:09):

I think it's really important to consider the goal of the sort of advertisement. So yeah, the foundation of retail media is sponsored product listings on a retailer's website. It exists really low in the funnel. It's easy to provide that closed loop attribution and those performance metrics because you know exactly what you want the customer to do, right? You're showing them and promoting a product really close to the point of purchase. But I think whether it's non-endemics, again, on a retailer's website or offsite, the goals really shift and change. But retail media is already going through that evolution as they move endemic brands offsite into mid and upper funnel, more brand storytelling spaces. So you see the goals and the measures for success already evolving. I think for a non-endemic brand, it's sort of thinking through the way you would almost any digital advertising campaign, right? What's the call to action? What are you hoping the customer does? And it could be, again, as simple as measuring impressions that you're able to achieve with one campaign versus another, and every advertiser's going to have sort of a benchmark baseline that they're looking to achieve.

Suzy Davidkhanian (13:14):

So it's also things like click-through rates, right? Or it's really, it's thinking about the KPIs and understanding what is it? Are you trying to drive sales or are you just trying to drive awareness? What is it that you're trying to do? But if you think about the TV ads where it's like get a free vitamins if you use this code. So that's another way that they're closing the loop to figure out if it's going to work or not. So say it was the luggage with an airline or a hotel and

it's like asking on Amazon or whatever so that you get a discount potentially when you're booking your flight, then they can attribute it to the Amazon campaign. So it's figuring out clever ways really. I think of one, like Sarah said, deciding what is it that you're measuring for in terms of what is it you're trying to achieve? And then two, figuring out ways that you can elicit behaviors with codes. And basically it's tagging, how are you tagging things in a way that you can pick up the tags after.

Sarah Marzano (14:05):

Yeah. I think as we get into more sophisticated iterations, and probably there are folks already doing this, so no one ding me, but we're going to be looking at data collaborations, data clean rooms, and ways to get really sort of granular by partnering the two entities data sources to understand exactly who you were able to reach, who you might not have been reaching before, and what the result was.

Suzy Davidkhanian (14:26):

Because part of also the data from retail media is that you understand people's who they are because you know where they're living, who they're banking with, at least their credit cards, a lot of information about them, their preferences. So the granularity of the data you have makes lookalike modeling and making sure that you're targeting the right person. Also, part of the success of doing it, even if you can't attribute it to a sale, it's much better than just hoping that your personalization campaign is working.

Sara Lebow (14:57):

So this promise of retail media as providing closed loop attribution, it's a little more complicated than just the add on Amazon becomes the purchase on Amazon, but we're still closing that loop through these new complex ways of connecting data to a purchase. It's just that the loop is getting maybe a little bigger and more twisted along the way.

Sarah Marzano (15:18):

I think it's possible, but it's not necessarily going to be the goal going out of the gate in terms of what the promise is for non-endemic advertising, leveraging retailer first party data.

Suzy Davidkhanian (15:27):

I was going to say also when any advertising campaign that they're doing, what is it that they're trying to achieve? And then once they realize what they're trying to achieve, then they find the right tactics and channels, whether it's through retail media, whether it's through advertising on a mobile app outside of retail media in general, whether it's in store, whether it's on a bus stop, whatever it is that makes sense for what it is that you're trying to achieve. If you're just doing an awareness campaign, it's very different than if you're trying to grow sales in a direct one-to-one sort of relationship.

Sara Lebow (15:54):

Okay. Well, that is all we have time for today, so thank you for being here, Susie.

Suzy Davidkhanian (15:59):

Thanks for having me,

Sara Lebow (16:00):

And thank you, Sarah.

Sarah Marzano (16:01):

Thanks for having me too.

Sara Lebow (16:04):

Thank you to our listeners and to Victoria who edits the podcast. We'll be back next Wednesday with another episode of re-Imagining Retail and e-Marketer Podcast. And tomorrow you can join Marcus for another episode of the Behind the Numbers Daily, an e-Marketer podcast made possible by Awin.