

5 charts on the current and future state of retail media

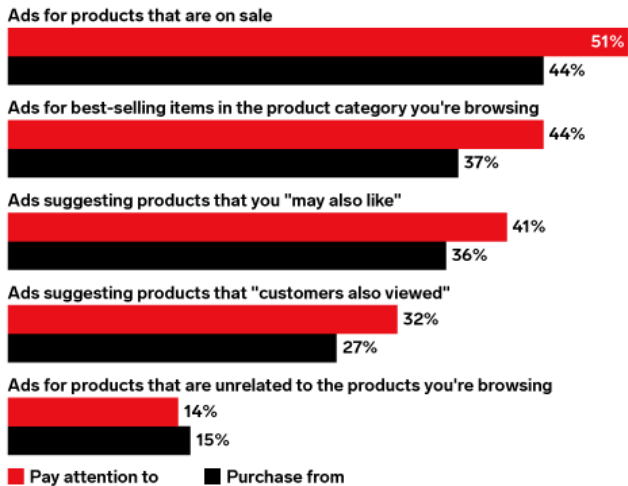
Article

As retail media grows, it is changing. At the moment, search remains retail media's bread and butter and sales ads are the best awareness drivers. In the future, in-store media and shoppable video ads may take on a bigger role. But no matter how ad formats change, one thing is for certain: Measurement will be key for retail media's continued growth.

1. Sale ads are still the best drivers of awareness, purchase

Types of Retail Media Ads That US Digital Shoppers Pay Attention to vs. Purchase From, March 2023

% of respondents



Note: in the past 12 months

Source: Integral Ad Science (IAS), "Driving ROI In Retail Media Networks," Aug 8, 2023

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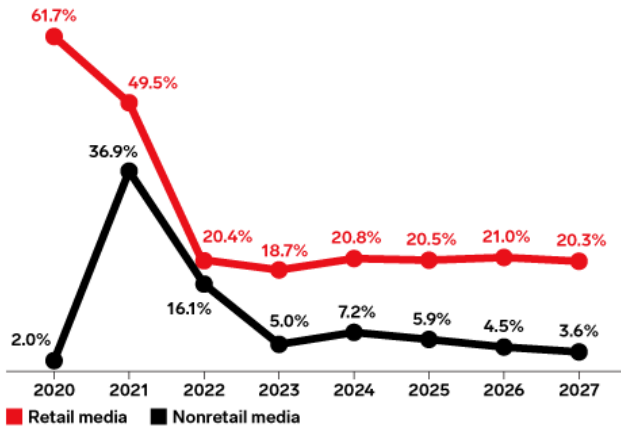
Many retailers are leaning on algorithms and predictive technologies like AI and machine learning to help serve customers more personalized, curated ads.

Price is one of the most important factors in purchasing decisions, which means retailers need to balance ads that promote discovery and predictive analysis with ads that serve more practical purposes like discounts or deals.

2. Retail media is boosting search ad spend

Growth in US Search Ad Spending, Retail Media vs. Nonretail Media, 2020-2027

% change



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices for all formats mentioned; includes contextual text links, paid inclusion, paid listings, and SEO; retail media includes 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 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, March 2023

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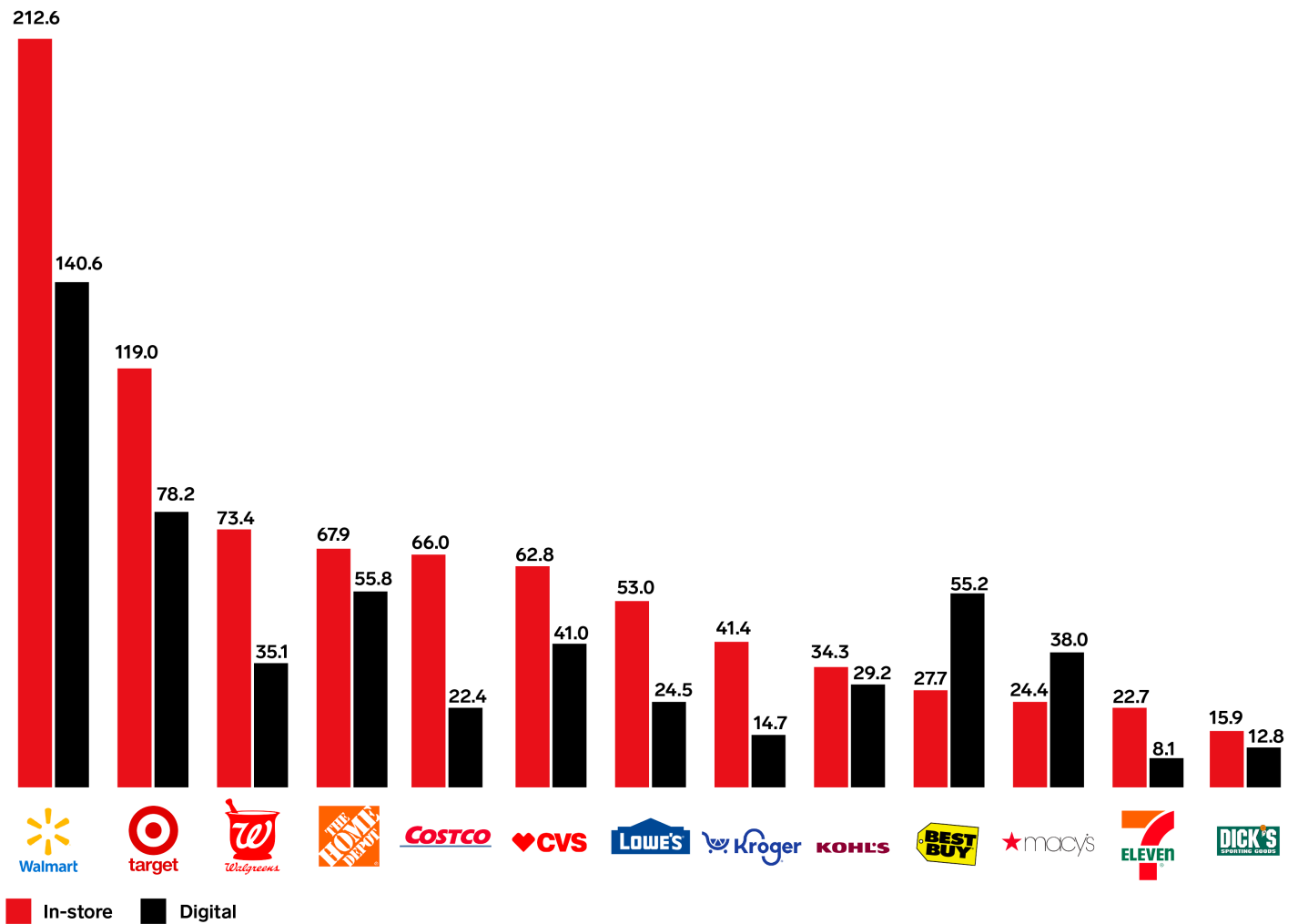
US retail media search ad revenues will grow at a rate nearly four times faster than the rest of search advertising this year, according to our forecast.

Amazon will account for nearly all of the \$29.69 billion US retail media search ad spend this year, though Walmart and Instacart are also contributing to retail media's share of search ad spend, per our forecast.

3. In-store retail media presents a giant opportunity

In-Store vs. Digital US Monthly Audience Reach, Nov 2022

millions of unique visitors



Note: data is for the branded stores and websites of each retailer
 Source: In-store: Placer.ai, Dec. 15, 2022; Digital: Comscore Media Metrix Multi-Platform, Jan. 13, 2023

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In-store retail media has the potential to reach hundreds of millions more consumers, including those who are less reachable by digital advertising.

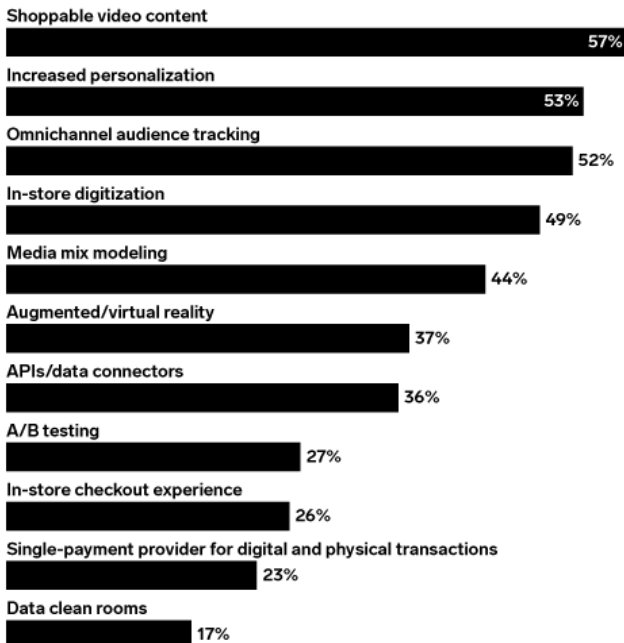
Though in-store retail media ad spend will only reach \$240 million in 2023, we expect it to grow rapidly over the next four years, more than tripling by 2027, per our forecast.

Still, it will continue to make up a small fraction of retail media ad revenues for the foreseeable future as retailers figure out what works and what doesn't work for the in-store environment.

4. Shoppable content may be the next big thing in retail media

Retail Media That Ad Agency Professionals Worldwide Think Will Be the Next Frontier, April 2023

% of respondents



Source: Path to Purchase Institute, "What Your Agency Won't Tell You About Retail Media," June 27, 2023

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Fifty-seven percent of retail media ad agency professionals think shoppable video content will be the next frontier of retail media, per the Path to Purchase Institute.

And a few retailers are already on the forefront.

- **Walmart is testing shoppable CTV ads** via its partnership with Roku.
- **Albertsons has piloted shoppable Facebook and Instagram video ads** with Meta.
- **The Fresh Market has created an entire retail media network** to experiment with shoppable video, partnering with Firework on shoppable live commerce.

5. Retail media networks need to prove their worth

Leading Challenges That Could Slow Investment Growth to Retail Media According to Retail Media Decision-Makers in North America, Jan 2023

% of respondents



Note: n=167

Source: Skai and BWG Strategy, "The State of Retail Media: 2023," March 29, 2023

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The top two barriers to retail media's growth are poor return on investment (ROI) and the inability to prove incrementality, per a survey from Skai and BWG Strategy.

To prevent brands from abandoning their retail media investments, retail media networks must stop thinking like retailers and start thinking like media companies, **according to our analyst Andrew Lipsman.**

This means embracing media standardization, providing multiretailer third-party measurement, and operating less like a walled garden and adopting a more open approach.

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