

4 trends that have the potential to shape grocery in 2024

Article



As retail media evolves, ad placements off-site and in-store will help grocery advertisers reach shoppers in new and more engaging ways, but consumers may not be in a spending mood as credit card balances grow and savings accounts shrink. If Amazon can get grocery right, it may be able to fight off losing share to Walmart. But if the Kroger-Albertsons merger goes through, it could change everything.

1. The sure thing: Retail media goes off-site and in-store

Retail media ad spend will be just shy of \$60 billion next year, growing 28.6%, per our forecast. While the majority of spend (81.5%) will still be on-site, a growing amount of spend is moving off-site (\$11.04 billion) and in-store (\$370 million).

As advertisers seek more engaging ad formats, **retail media networks** will continue to expand into **connected TV (CTV)** and **in-store media formats** like radio or digital screens placed throughout the store. Some networks have already begun experimenting with these types of formats.

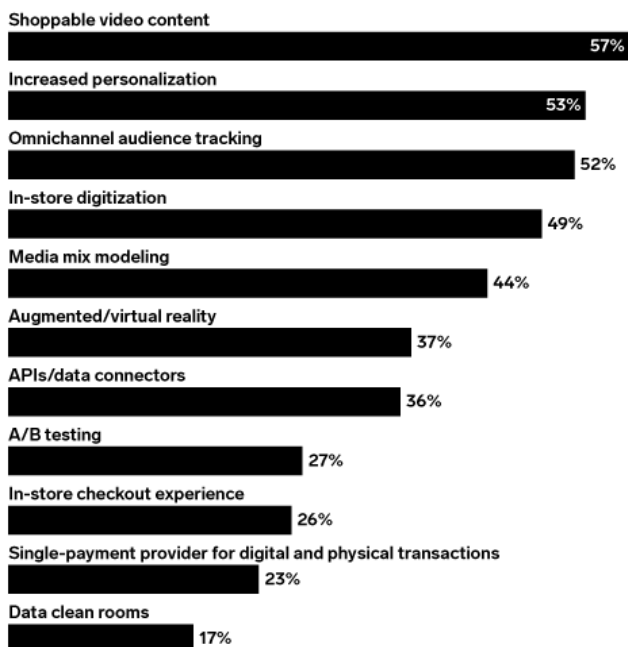
- **Walmart has introduced audio ad spots to Walmart Radio**, giving advertisers the ability to purchase ads by region or by store so they can more accurately target consumers.
- **Hy-Vee is using digital displays** installed in aisles, across meat and seafood counters, and in food courts to enable ad partners to reach shoppers in-store.

Consumers will also notice more shoppable ads from grocery brands, specifically on CTV and social platforms.

- Over half (57%) of retail media ad agency professionals worldwide think **shoppable video content will be the next frontier** of retail media, according to April 2023 Path to Purchase Institute data.
- In addition, 80% believe that **social media is a mandatory retail media channel** for consumer packaged goods clients.

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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2. The refresh: Amazon grapples with grocery

Amazon spent a great deal of 2023 trying to refine its grocery strategy, which we expect to continue into 2024.

- The retailer just announced it would test a **grocery subscription add-on for Prime** members, giving shoppers access to unlimited free grocery delivery on orders of \$35 or more from Whole Foods Market and Amazon Fresh.
- It has also expanded Amazon Fresh grocery delivery and pickup to non-Prime members across the US.
- After about a yearlong pause, **Amazon plans to resume opening its Amazon Fresh grocery stores**, which will **feature improvements** in selection, stock, and a redesigned space.

If Amazon succeeds in this revamp, **it could position itself better against grocery giant Walmart.**

- In 2023, we forecast Amazon's grocery ecommerce sales will reach \$36.41 billion, compared with Walmart Inc.'s \$49.32 billion.
- Amazon's share of total grocery ecommerce sales is declining, going from 23.5% in 2020 to 18.5% in 2024, per our forecast. Meanwhile, Walmart's share is back on the rise after dipping a bit in 2021 and 2022, projected to hit 26.9% of total grocery ecommerce sales in 2024.
- Though it doesn't seem likely that Amazon will catch up to Walmart, a renewed grocery strategy may reverse the trend and help Amazon keep some of its grocery share rather than losing it.

3. The wait-and-see: Consumer spending patterns remain murky

Despite inflation cooling, it's unclear if consumers will spend more in 2024, or if they'll buckle down even tighter.

Walmart CEO Doug McMillon said to CNBC that high credit card balances and shrinking bank accounts **may have consumers spending less**, which would further impact grocers' bottom lines.

But a bright spot among the unknown may be private label items.

- Nearly all (96%) grocery shoppers currently purchase private label products at least occasionally, per FMI The Food Industry Association.
- 37% of consumers do this to save money, per Numerator, but store brand quality and taste are also drawing consumers in.
- **Target's Good & Gather** generated over \$3 billion in sales in 2022, according to Erica Thein, vice president of food and beverage owned brands at Target, leading the retailer to expand its private label food and beverage products, per Store Brands.

4. The potential game changer: The Kroger-Albertsons merger

It's been over a year since **The Kroger Co. and Albertsons Companies announced plans to merge**, but the Federal Trade Commission has yet to approve the deal. But, according to Kroger, it has **met all the antitrust law requirements for the merger**, per Supermarket News, which means the merger could be closer than ever to proceeding.

- If approved, there would be massive retail media implications, with a reach of over 85 million households, per Supermarket News.
- It would also create a physical footprint that would rival Walmart, even if Kroger and Albertsons sell the 413 locations they said they would to help the deal go through.

The combined company would also have an incredible amount of first-party customer data, which would be quite an incentive for advertisers who wanted to better target and measure their retail media campaigns.

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