

Why advertisers and retailers need to pay attention to incrementality in retail media

Article

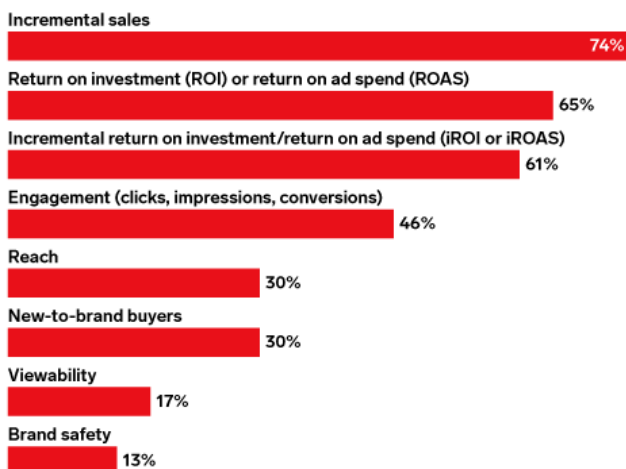
US buyers' most valuable metric when assessing campaign performance on retail media networks isn't return on ad spend (ROAS) or ROI. It's incrementality, according to May 2022 data from Criteo.

“[ROAS is] a metric that doesn't give you the full picture. You can narrowcast the targeting of a campaign to a small audience and you can have a very high ROAS, but it might not really move the needle on sales impact that much,” said our analyst Andrew Lipsman on our “[Retail Media Measurement: Closing the Loop Across Media Formats and Sales Channels](#)” webinar.

Retail media buyers need to understand the incremental lift their ad spending has over conversion rate in order to determine where they should spend more. But there are a host of other factors at play when it comes to retail media measurement.

Metrics Used by Brands Worldwide to Evaluate Investment in Retail Media Networks, Sep 2022

% of respondents



Source: Merkle, "Retail Media Research Report," Oct 14, 2022

281080

eMarketer | InsiderIntelligence.com

On-platform obfuscation: One of retail media's strengths, specifically in search ads, is its ability to drive conversions and the clear ability to measure that connection. If a consumer searches a product, clicks an ad, and then makes a conversion, that entire transaction can be attributed to the ad. But that understanding of intent can also be a problem for performance marketers.

“I think the proximity to purchase in retail media is kind of a double-edged sword here when it comes to measuring performance of on-platform ads, because it's even easier for a purchase

that was already going to happen to be routed through a sponsored listing,” said our analyst Evelyn Mitchell-Wolf.

That means retail media networks and the brands that advertise with them need to go beyond ROAS when understanding ad impact.

That’s where incrementality comes in. Brands want better incrementality measurement capabilities. “It is the top thing that I hear from brands today, particularly CPG [consumer packaged goods] brands,” said Lipsman.

In fact, 37% of retail media decision-makers in North America said the inability to prove incrementality could slow investment growth to retail media, according to a January report from Skai and BWG Strategy.

ROAS is not a band-aid solution because there is no correlation between campaign performance as measured by ROAS versus incremental ROAS, according to retail media analytics company Incremental.

That means brands should work with their data to create a holistic picture of retail media attribution, and retailers should improve incrementality metrics to unlock more ad spend.

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

281053

eMarketer | InsiderIntelligence.com

Don't forget about incremental expansion of reach. It's not quite the same as incremental measurement, but it's important. Most customer reach happens off-site and in-store, rather than on retailer websites. That means measurement also needs to cross these boundaries.

"It's the off-site reach and that audience extension you can get that helps you get those incremental audiences," said Lipsman. "These brands are saying, 'We want to know not just how these ads perform on-site, but also with the other 85% of retail sales that are happening in-store,'" said Lipsman.

Watch the full webinar.

This was originally featured in the eMarketer Daily newsletter. For more marketing insights, statistics, and trends, subscribe [here](#).