

Search enhancements test retailers' balance of ad revenues and customer experience

Article

Retailers, advertisers, and customers are at odds when it comes to retail search experiences. Retailers are looking to expand ad revenues. Advertisers need the ability to drive product

sales by expanding visibility through keyword use and placements. And consumers don't want the hassle of sifting through sponsored items that aren't relevant to them.

The rise of retail media ad spend—expected to reach nearly \$60 billion and grow 28.5% in the US in 2024, according to our forecast—comes with increasing pressure for retailers to strike the right balance in appealing both advertisers and consumers.

“[Retailers] have to make sure that they're monetizing surface space, but the ads that are served still have to be very meaningful and tied to that particular search,” our analyst Jeremy Goldman said on a recent episode of the **“Behind the Numbers”** podcast.

Retailers are investing in search advertising: Retail giants such as **Amazon, Instacart, and Walmart** are looking to transform the traditional keyword-based search experiences on their websites into more tailored experiences.

“Nobody wants to search,” Goldman said. Consumers want everything that they're looking for to appear instantaneously, which isn't possible, Goldman said. Retailers can make their digital interfaces as frictionless as possible to get as close as they can to turning this dream into a reality. “That's why you see things like visual search catch on,” said Goldman.

Walmart recently introduced sponsored videos for search, allowing advertisers to hit upper-funnel objectives (through visual storytelling) as well as lower-funnel objectives (by engaging customers who are searching and primed for purchase).

- Next year, US search ad spend will reach \$127.84 billion, growing 12.4% YoY, per our forecast.
- Search will account for 41.6% of overall US digital ad spending in 2024.

The cost of getting retail media search right: The increase of retail media ad inventory shouldn't clutter or detract from the shopping experience.

Retailers that prioritize ad dollars over customer experience are focusing on “short-term metrics,” Goldman said. Although they may be bringing in ad revenues, the enduring impact of a poor search experience may convince consumers to search elsewhere.

He suggests retailers ask themselves, “are [we] monetizing too much surface? Are [we] really making sure that those retail media ads are well-placed when somebody's running a search?”

- Retail media search ad spend, in particular, will grow 20.8% YoY in 2024, per our March 2023 forecast.

- Last year, retail media made up 26.9% of all US search advertising. In 2027, it'll make up around 38.8%.

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