

Why retail media will be the third and biggest wave of digital advertising

Article

The first big wave of digital advertising was search, which dominated the 2000s, followed by social media, led by Facebook.

The third wave—retail media—is upon us, and it’s going to be the biggest we’ve seen, our analyst Andrew Lipsman said during the keynote session of our **virtual summit** last week.

The forecast: Retail media will be a \$45 billion market this year and will continue to grow by about \$10 billion in 2024, according to our forecast.

“This is, in part, why we have seen every single retailer develop their own retail media network over the last couple of years,” said Lipsman.

Today’s retail media networks fall into five categories: digital marketplaces or platforms (Amazon, Shopify, Etsy), mass merchandise or department stores (Walmart, Target, Macy’s), category specialists (The Kroger Co., CVS, The Home Depot), commerce intermediaries (Uber, Instacart, Gopuff), and other commerce verticals (Expedia, Klarna, Marriott).

One category rules them all: The future of retail media is tied distinctly to grocery and grocery ecommerce, according to Lipsman. All of the top 13 retail media networks used by brands (identified in a survey by the Association of National Advertisers) sell groceries and/or consumer packaged goods.

Currently, Amazon makes up the lion’s share of retail media ad spend, but companies like Walmart and Instacart are gaining traction, growing by 42% and 41% this year, respectively.

Retail media 1.0: Current state

“The 1.0 era is what got us to where we are today, which is, broadly, search advertising and sponsored products,” said Lipsman.

We expect US onsite search ad spend to reach nearly \$30 billion this year, accounting for over 27% of total search ad spending.

But there’s plenty of room for retail media networks to grow their search business, especially if they make improvements to their search capabilities.

For example, during Q2 2022, **Walmart made two key updates to its retail media network:** it enhanced search relevancy and switched to a second-price auction model. This resulted in an almost instantaneous decrease in cost per click and increase in ad spend.

Retail media 2.0: The next phase

The **future of retail media advertising** will have three distinct growth drivers, Lipsman said.

1. Moving up the funnel

Retail media is moving up the funnel into new formats, including open web, social, and streaming TV formats.

Retail media will disrupt TV advertising as we know it, said Lipsman, because of its ability to use first-party data for targeting and measurement.

However, it's important to note that as you move further up the funnel, there can be a longer conversion time—often more than a week.

2. Omnichannel sales attribution

“Right now, we can see online ads drive online sales,” said Lipsman, “but that’s just a small piece of the equation. There’s another 85% of sales that are happening in retail stores. And they’re not being accounted for in that [return on ad spend] equation yet.”

In an Insider Intelligence survey, we asked marketers what the most important attributes for retail media networks were. Not surprisingly, traffic quality and traffic sale were at the top of the list, but right below those was in-store/omnichannel sales data.

Lipsman said there is potential for retail media to help brands achieve omnichannel sales attribution and get a clearer picture of how marketing efforts are performing in-store and online.

3. In-store retail media

As physical stores become more digital, in-store retail media will become more prominent across multiple surfaces, said Lipsman. These include on shelves, TV screens in-store, video screens at gas pumps, screens at checkout, in-store audio, and even digital display at electric vehicle charging stations.

“Retail media is going to prove that physical stores are the next major mass-media channel,” he said. “We need to start thinking of [in-]store traffic as eyeballs that brands can reach in a contextually relevant, brand-safe environment [with] a lot of the [same] benefits traditional TV has provided.”

[Watch the full session.](#)

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