

Get ready for Retail Media 2.0: Why 2023 will be retail media's inflection point

Article

If the "Retail Media 1.0" era was primarily about search-driven ecommerce, then Retail Media 2.0 (with credit to Peter Moustakerski) will be about moving up the funnel and across retail

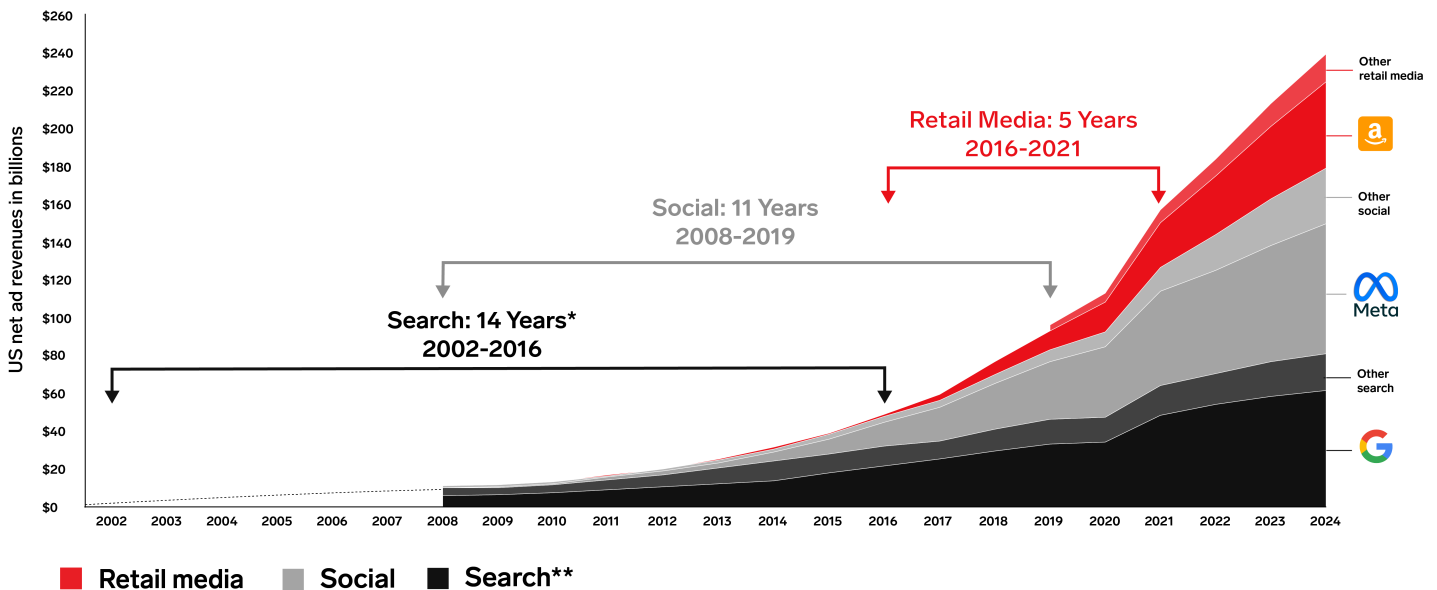
channels. Here's a look at the evolution of Retail Media 2.0.

Retail Media 1.0 has seen unprecedented expansion.

Sponsored product ads have risen rapidly, first on Amazon and then across the landscape, as dozens of emerging retail media networks (RMNs) sought to monetize their ecommerce traffic.

- Search has driven the lion's share of retail media ad spend and fueled the growth of a market expected to reach \$45 billion in the US this year.
- Search propelled the retail media market from \$1 billion to \$30 billion in just five years, more than twice as fast as it took social media (11 years) and search (14 years) to accomplish the same.

Years For Search, Social, and Retail Media Advertising Markets to Grow From \$1 Billion to Over \$30 Billion



Note: *Using IAB's estimates of \$900 million in search advertising revenues in 2002. **excludes search ad revenues from retail media advertising
Methodology: Estimates are based on the analysis of various elements related to the ad spending market, including macro-level economic conditions; historical trends of the advertising market; historical trends of each medium in relation to other media; reported revenues from major ad publishers; estimates from other research firms; data from benchmark sources; consumer media consumption trends; consumer device usage trends; and eMarketer interviews with executives at ad agencies, brands, media publishers, and other industry leaders.
Source: eMarketer, Oct 2022

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And retail media search is far from done. It still has plenty of runway as the dozens of newer RMN entrants evolve their offerings. But the dawn of a new era is emerging.

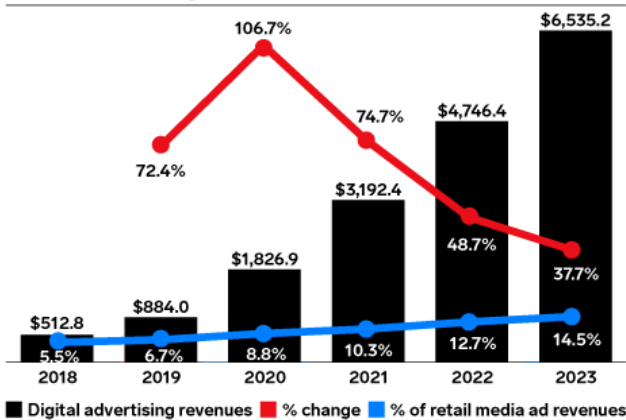
Brands are quickly transitioning into the Retail Media 2.0 era.

As RMNs get serious about using first-party data for targeting display, video, and streaming TV ads—often by partnering with third-party publishers and media companies—brand dollars are migrating into these formats. That means retail media will become as much about branding as it is about performance advertising.

Join us to hear more from Insider Intelligence's Andrew Lipsman as he shares why retail media is destined to be the biggest of digital advertising's three big waves, followed by a live fireside chat with Rich Lehrfeld, senior vice president and general manager of Walmart Connect.

US Retail Media Off-Site Digital Advertising Revenues, 2018-2023

millions, % change, and % of retail media ad revenues



Source: eMarketer, Oct 2022

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Retail media off-site digital ad revenues are hitting an inflection point.

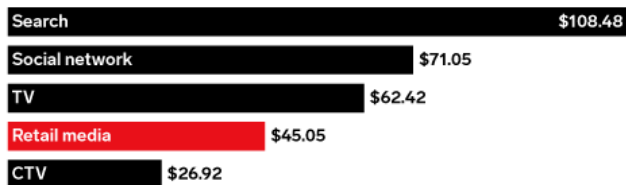
This slice accounted for 12.7% of the US retail media market last year, and it's gaining momentum.

- US retail media off-site digital ad spend will jump by nearly \$2 billion this year to \$6.54 billion, rising by 37.7%—about twice the rate of the rest of retail media, according to our forecast.
- Its current exponential growth trajectory points to even larger increases in net new ad spend in the coming years.

Retail Media 2.0 will require brands to consider these upper-funnel formats within the context of national media budgets that currently go to places like linear TV, Facebook, and YouTube. **Retail media is already starting to give linear TV a run for its money** and will likely surpass that ad market in the next few years.

US Connected TV (CTV), Retail Media, TV, Social Network, and Search Ad Spending, 2023

billions



Note: search ad spending includes contextual text links, paid inclusion, paid listings, and SEO; social network ad spending includes paid advertising appearing within social networks, social network games, and social network apps; TV ad spending includes broadcast TV (network, syndication, and spot) and cable TV; excludes digital; retail media ad spending 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); CTV ad spending includes digital advertising that appears on CTV devices
Source: eMarketer, Oct 2022

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Brands need omnichannel sales data for a complete picture of return on ad spend (ROAS).

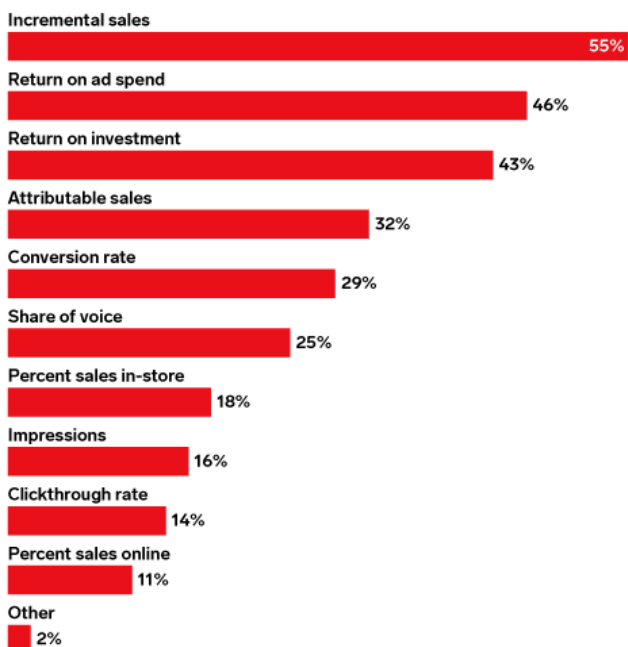
As retail media ads move into display, video, and streaming TV, brands will be ready to take advantage of closed-loop measurement that links ad exposure to sales.

- With nearly 85% of retail sales happening in-stores, brands will want to know how products on physical store shelves—and not just digital shelves—are influenced by these ads.
- But they'll also want assurance that attributed sales are actually incremental to give them a truer picture of ROAS.

RMNs must bring their offline sales data into the equation if they want to encourage more brand investment.

Most Valuable Metrics When Assessing Campaign Performance on Retail Media Networks According to US Retail Media Buyers, May 2022

% of respondents



Note: among CPG and durable goods professionals; respondents chose their top 3
Source: Path to Purchase Institute, "State of Retail Media" in collaboration with Criteo, Aug 16, 2022

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The Retail Media 2.0 era—and its evolution across formats and channels—is already underway. Which brands are ready to take advantage?

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