

The Retail Industry Is an Extraordinarily Balanced Digital Ad Buyer

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Traditionally, retailers have leaned by a small margin toward direct-response advertising, rather than branding. Thus, we expect retail will slightly exceed the US digital ad spending average in search, but not display, this year. The industry will, nonetheless, be extremely balanced in allocating its digital ad dollars, splitting them almost evenly between formats, and within formats as well.

Retail Industry Digital Ad Spending in the US, by Format, 2020

billions, % change and % of total

Display	\$13.53
—% change	2.3%
—% of total display	18.1%
—Video	\$6.55
—% change	11.8%
—% of total video	18.5%
Search	\$13.42
—% change	4.8%
—% of total search	24.7%

Note: includes mail order/catalog, restaurants/fast food, drug stores, retail stores, cosmetics stores, and merchants of apparel, home furnishings/textiles, toys, pet food/supplies, appliances, jewelry and general merchandise; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms

Source: eMarketer, August 2020

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Retailers will spend \$13.53 billion on digital display advertising in 2020, a marginal uptick of 2.3% from 2019. Display will represent 47.9% of the vertical's overall digital ad spending, compared with search's 47.5%. This is right in line with the display-to-search ratio that retail has seen over the past few years.

Of the \$13.53 billion in display spend, video will claim \$6.55 billion, a balanced 48.4% of the format's digital ad dollars. Video's share of retail's display spending has skyrocketed from 28.1% in 2016 to nearly 50% this year, a surge that can be attributed to the emergence of viable connected TV (CTV) ad opportunities and the recent popularity of video advertising in social media.

The retail industry will spend 4.8% more on search ads in 2020. At \$13.42 billion, that's a healthy 24.7% of total US search ad spending.

Though retailers will increase ad spend in these formats, these increases signify dramatic decelerations when compared with 2019

figures. The coronavirus and the ensuing recession have constrained ad spending growth for nearly every industry, and retail is no exception. Display and search spending in the retail category, however, should rebound nicely next year. We forecast that the industry will see 27.8% growth for display and 24.6% growth for search in 2021.

As a vertical, retail will probably always have a wide range of brands and products that will find value in both search and display advertising. Retail and ad industry insiders regularly offer a vast—and, at times, contradictory—array of opinions about how retailers prefer to allocate their digital ad budgets, which speaks to the great diversity within retail. In containing these multitudes, no other vertical we cover but retail will spread its digital ad dollars quite so evenly.