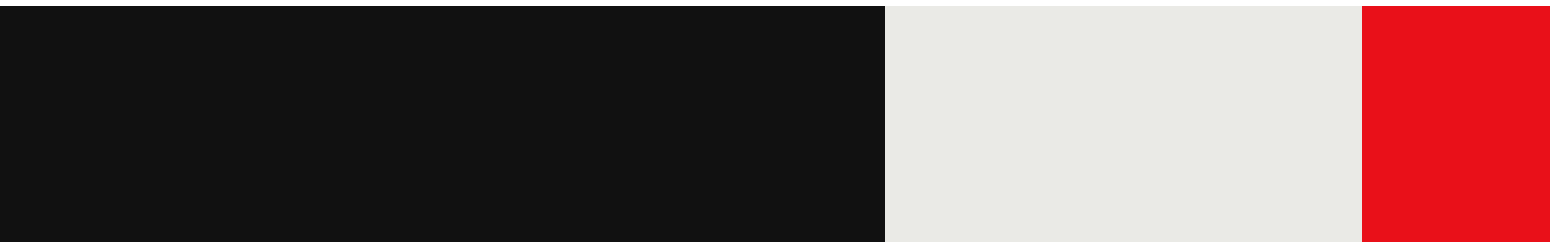



How retailers can tackle 2025 challenges

Article



Retailers face big hurdles in 2025. From competing with Amazon's advertising empire to figuring out generative AI (genAI) technology to keeping shoppers on apps, these challenges are forcing [retailers](#) to adapt quickly.

Here's what these problems look like today—and how they could potentially be resolved.

1. Smaller retail media networks (RMNs) vie for limited spend

[Amazon](#) and [Walmart](#) account for 84.2% of US [retail media](#) ad dollars, per our November 2024 forecast, leaving other RMNs competing for a small slice.

“These smaller and newer [retail media networks](#), for the most part, aren’t offering the buying capabilities and [measurement](#) tools that brands need in order to scale more sophisticated retail media strategies,” said our analyst Blake Droesch [on a recent webinar](#).

To stay competitive, smaller RMNs need to offer these capabilities or unique draws for advertisers. Formats like off-site or in-store advertising can serve as such a draw, but the immense hardware and tech infrastructure required for these investments will limit smaller RMNs’ success in these areas.

“[Investing in expensive formats] is going to be an unrealistic option for many of the smaller retailers who are already struggling to find success with retail media,” Droesch said.

Looking ahead: [Ad tech](#) platforms will be crucial for smaller RMNs to stay competitive by offering robust ad buying and measurement solutions. The reliance on ad tech may still benefit Amazon, which [made its retail media solution available to other RMNs](#) at the start of the year.

2. Consumers and retailers alike are not yet comfortable with AI

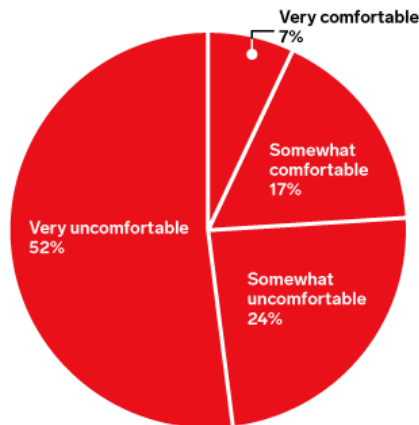
“For all of generative AI’s capabilities, it also has some limitations,” said our analyst Sky Canaves.

For retailers, 2 in 3 organizations recognize their employees lack the skills to work with genAI, per NTT. That will likely change, as 61% of organizations worldwide plan to make a significant investment in genAI in the next two years, per NTT. “Upskilling will become a bigger priority for retailers and their frontline employees,” Canaves said.

On the consumer side, 52% of US adults are very uncomfortable sharing personal data with AI tools for enhanced shopping experiences and recommendations, according to EMARKETER and CivicScience.

Extent to Which US Adults Are Comfortable Sharing Their Personal Data With AI Tools for Enhanced Shopping Experiences and Recommendations, Sep 2024

% of responses



Note: n=1,841 ages 18+

Source: EMARKETER and CivicScience, conducted by CivicScience, Oct 17, 2024

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Looking ahead: As retail organizations invest in genAI, employees will become more comfortable with the tech, which will help improve the use of more complex predictive AI tools.

“GenAI makes predictive AI more accessible because it provides natural language interfaces that employees can engage with more easily,” said Canaves. GenAI can also reduce costs around complex tasks like coding predictive models.

For consumers, [Gen Z](#) is leading the charge toward becoming more comfortable with sharing personal information with genAI in exchange for rewards.

3. Retailers struggle to keep consumers using their apps

Just 9.0% of consumers continue using ecommerce apps one week after download, according to Adjust. Retailers are losing attention, conversions, and shopper information from previously engaged users.

“Retailers will use their owned and operated channels, like apps, to keep audiences engaged,” predicted Driesch, who sees this happening via gamification and entertainment. “At the heart of these initiatives, we see an opportunity to build long-term affinity with customers but also

encourage more short-term goals, like bolstering [loyalty](#) programs, tracking downloads, and boosting engagement.”

Looking ahead: Retailers will take a greater stake in media and entertainment content by launching more in-app games and producing their own episodic media to entertain potential shoppers.

“We see more brands launching their own production companies and really blurring this line between branded content and entertainment value,” Droesch said.

[Watch the full webinar.](#)

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