

Retail media's growth spurt comes with growing pains

Article



“I don’t think it’s an exaggeration to say that retail media is one of the most important and potentially most transformative ad spending channels in media right now,” our analyst Max Willens said during a recent [Meet the Analyst Webinar](#).

The channel’s growth is staggering. It took only five years for retail media to become a \$30 billion channel. In comparison, social took 11 years and search took 14.

Retail media is experiencing a reality check: Last year, we forecast retail media would bring in \$61.15 billion in ad revenues by 2024. A perfect storm (difficult macroeconomic conditions, measurement challenges, and a confusing number of choices) led us to downgrade that forecast to \$55.31 billion.

Challenges ahead: As the number of retail media networks (RMNs) increases, it's difficult to evaluate incrementality and identify which networks are worth investing in.

- “This is especially true when you think about the metrics that advertisers are using to evaluate retail spending,” said Willens, citing a Merkle study from last year that revealed more than half of retail media advertisers consider the channel to be upper-funnel ad spending.
- As there's no third-party “arbiter of truth” for RMNs, advertisers are struggling to make sense of it all.

How brands and RMNs can help:

1. **Simplify access.** “If you're a RMN and you offer [connected TV] (CTV) and digital out-of-home in addition to on-site options, you have to [make it easy] for folks to come in and buy that inventory from you,” Willens said.
2. **Solve for measurement your way.** “There isn't a universal source of truth. Work within your organization to come up with a pragmatic lens to view retail media spending.”
3. **Don't sit on the sidelines.** “If you're someone who spends any kind of budget in digital media, you have to get into retail media and figure out how to make it work for your organization. The opportunities are pretty numerous.”

The who's who: Unsurprisingly, Amazon is the top dog of retail media, said Willens, generating more than three-quarters (\$33.96 billion) of US ad spend this year, per our forecast.

- Others, like Walmart (\$3.16 billion), Instacart (\$1.14 billion), and eBay (\$0.45 billion), are carving out their own places within the channel.
- Those are just a fraction of the RMNs advertisers have to choose from. As the channel grows, retailers beyond consumer packaged goods are getting involved, from department stores to delivery companies.

- “[It’s] a really encouraging picture of how widely penetrated and how thoroughly suffused retail media is into the digital landscape when you have eight of the 10 largest US ecommerce retailers [joining in],” said Willens. “You have grocers, you have office supplies, you have pet [retailers].”

On again, off again: On-site media will account for over 85% of retail media spend this year, bringing in \$38.59 billion (compared with \$6.55 billion in off-site spend), per our forecast.

- Search is the dominant on-site ad format, generating \$29.69 billion this year.
- However, retail media display ad spend will nearly triple over the next five years, reaching \$43.26 billion by 2027.

Looking ahead, off-site retail is going to be a “big deal,” said Willens, particularly across social media, where brands can use retailer data to better target audiences.

- Surprisingly, CTV may not be as big of a driver of retail media growth as previously expected.
- Retail media spend on CTV “is going to grow and going to grow fast,” said Willens, “but it’s doing so from a small base and it’s going to remain under 10% of retail media display ad spend through 2025.”

And though it only represents 0.5% of retail media ad spend this year, in-store presents a chance for brands to reach a portion of consumers who prefer to shop at brick-and-mortar stores.

Want to learn more about the potential of off-site and in-store media? [Watch sessions on-demand](#) from our “Attention! Streaming and the New Digital Ad Economy” virtual summit last week.

[Watch the full webinar.](#)

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