

Why our analysts predict retail media networks to boom this year in Canada and the United Kingdom

Article

Retail media networks will challenge Google and Meta in Canada. While the duopoly will command 60.4% of digital advertising in Canada in 2023, retail media networks—including

Amazon Media, Walmart Connect, and Loblaw Media in Canada—are catching up with ecommerce-related search and display.

Consumer purchase history is the main attraction. The duopoly relies on behavioral data (e.g., search history on Google, interests and browsing activity on Meta’s properties). But retail media relies on rich, first-party consumer purchase data.

- Brands in Canada cited first-party data as the primary benefit of working with retail media networks, per August 2022 Merkle polling.
- Retail media has a data advantage that fills the void left by cookie deprecation and the removal of third-party identifiers.

Why Do Retailers/Brands in Canada and the US Work With Retail Media Networks?

% of respondents, Aug 2022

	Canada	US
Access to a retailer's first-party data	66%	59%
To better understand the shopper at the retailer	58%	72%
To build a stronger partnership with the retailer	57%	67%
Owned and operated retailer inventory	45%	43%
To deliver more personalized communications	45%	61%
Co-branded opportunities	40%	17%
Access to reporting tied to sales (closed loop)	38%	28%
Feel compelled to as part of merchant negotiations	34%	13%
To prepare for changes to third-party cookies	15%	4%

Source: Merkle, "2022 Retail Media Research Report," Oct 12, 2022

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Prediction

- **Retail media will become a primary promotional channel for brands in key categories.** Ecommerce will account for 14.6% of total retail sales in 2023. But in some categories—like sporting goods, hobby, books, music, and video; computer and consumer electronics; and apparel and accessories—it’ll account for almost half of sales and be a primary ad channel for advertisers.

Report by Paul Briggs Dec 15, 2022

Canada Trends to Watch for 2023



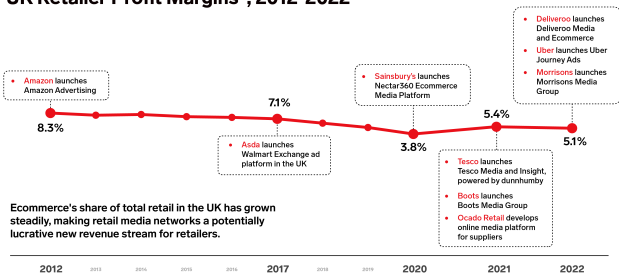
Retail media booms as brands and retailers seek to boost profits in the UK

Retail media offers retailers serious margins. Retail media networks (RMNs) are gaining ground as inflation-hit retailers look for ways to boost profits and capitalize on the shift to online shopping. RMNs could provide margins of between 40% and 80%, while Alvarez & Marsal forecasts that average retail margins are only 5%.

Advertisers have followed shoppers' digital footfall. In the UK, ecommerce's share of total retail sales is among the highest in the world. Brands want to reach their customers wherever they are, and retail media looks like an increasingly safe bet.

Facing Declining Margins, UK Retailers Are Launching Retail Media Networks

UK Retailer Profit Margins*, 2012-2022



Ecommerce's share of total retail in the UK has grown steadily, making retail media networks a potentially lucrative new revenue stream for retailers.

Note: Includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets. *weighted pre-tax profit margins.
Source: eMarketer, Nov 2022; Alvarez & Marsal as cited in press release, June 13, 2022

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Predictions

More retailers will launch their own RMNs.

- Tesco, Sainsbury's, Morrisons, and Boots have all followed Amazon's lead by launching RMNs in recent years—and more rivals are likely to follow suit.
- RMNs allow retailers to monetize their first-party data and create additional revenue streams.

Brands will increase their investment in retail media.

- A large proportion already have, but tough market conditions will encourage even more investments in 2023.
- In addition to offering closed-loop attribution, RMNs give brands access to retailers' first-party data, help them better understand shoppers, and allow them to build stronger partnerships with retailers and deliver personalized communications.

In-store will become a bigger part of the RMN equation.

- Tesco has already installed 500 digital screens outside of its stores, and other retailers will likely follow suit.
- In-store and digital signage will represent 30% to 35% of revenues for European RMNs over the next three years, per July 2022 McKinsey & Company data.

Report by Bill Fisher, and Carina Perkins Dec 14, 2022

UK Trends to Watch for 2023



