

# Reimagining Retail: How standardization can unlock retail media spend, and retail media ad buying predictions

Audio

On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss how standardization can unlock retail media spend, when we are likely to see it, and where the future of targeting is headed. Then for "Red-Hot Retail," our analysts give us some spicy predictions about the future of retail media ad buying. Join our analyst Sara Lebow as she hosts analyst Max Willens and vice president of business intelligence at Advertiser Perceptions Nicole Perrin.

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Episode Transcript:

Sara Lebow:

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Hello, listeners. Today is Wednesday, September 13th. Welcome to Behind the Numbers: Reimagining Retail an eMarketer podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's episode topic is Retail Media. First, let's meet today's guests. Joining me today we have Senior Analyst Max Willens. Welcome back, Max.

Max Willens:

Glad to be here, Sara.

Sara Lebow:

And also with us is a special guest, Advertiser Perceptions SVP of Business Intelligence, Nicole Perrin. Hey Nicole.

Nicole Perrin:

Hey Sara. Glad to be back on the pod as well.

Sara Lebow:

Glad to have you. Let's get started with free sample. Our Did You Know Segment where I share a fun fact tidbit or question. Today, it's a pop quiz. I have a feeling you both know this one, but let's see if you can pull it up from memory. So our question for today is, when Amazon was first incorporated in July of 1994, what did Jeff Bezos call it?

Max Willens:

I do not feel good about not knowing this off the top of my head or having it in my memory banks.

Nicole Perrin:

Likewise.

Sara Lebow:

I feel like you're going to know it once I say it. Amazon was originally called Cadabra. Does that ring any bells?

Max Willens:

That's right.

Nicole Perrin:

It does.

Max Willens:

That's right.

Sara Lebow:

Yeah, you can just say it does. Yeah. As in abracadabra. A History Channel article I read about this said that Bezos changed the name after someone misheard it as cadaver, which I believe because I told a friend about this, and she said, "That sounds like cadaver." So, ultimately, a good choice on Bezos's part. The reason that I googled this is someone asked me last week if I knew what Google was originally called. Do either of the answer to that one because I did not.

Max Willens:

I didn't realize that.

Nicole Perrin:

I didn't know it wasn't originally called Google.

Sara Lebow:

For like a split second in 1995 when they started it, Google was called BackRub. If you don't believe me-

Nicole Perrin:

That does not ring a bell. I'm fine admitting that does not ring a bell.

Sara Lebow:

If you don't believe me, you can backrub that. It's on Google's website. Someone told me that is like a dinner party fact, and I was like, "That's not real." And it's on Google's website. They're proudly admitting this history.

Max Willens:

They can look back at last now.

Sara Lebow:

Yeah, a good vote for changing the name of your company early on.

Max Willens:

Kidding.

Sara Lebow:

Okay, now it's time for our next segment, Retail Me This, Retail Me That, where we discuss an interesting retail topic. Today's topic is Retail Media Measurement. 87% of marketers reported that their organizations plan to maintain or increase spending on retail media in the coming year according to Skai's State of Retail Media Report. Max, you and Andrew mentioned standardization as an unlock for retail media spend when we covered this topic back in June. What does standardization really mean in this context?

Max Willens:

So I think the sort of simplest way to describe it or to characterize it is basically allowing ad buyers to determine whether they're comparing apples or oranges or apples to apples when it comes to their spending. So there's lots of different things that could and should be standardized when it comes to buying across retail media, but I think the simplest way to think about it is a conversion window. So some retailers offer a conversion window that's just a couple of days. Some of them offer a much wider, as much as 30 days. And that disparity can create wildly different pictures of the effectiveness of the ad spending.

And really, for advertisers to develop a very clear picture of which RMNs are driving the best results for their businesses, that some measure of standardization is going to have to take place. But the absence of standardization probably isn't going to keep people on the sidelines. Most people have been able to figure out the power and efficacy of retail media.



And so this is really about unlocking more spending rather than determining whether or not to invest in at all.

Sara Lebow:

Yeah, I mean, especially because 75% of spend is going to Amazon right now, which is standard among itself. So standardization still talks about right now, only 25% of the industry. Now, that could be way more of the industry with standardization, it sounds like you're saying, or is that too much of an extrapolation?

Max Willens:

Well, yeah. I mean, it is, to a certain extent, going to determine the pace at which Amazon's market share deteriorates. I think in our recent forecast, we had that Amazon's market share peaked maybe last year and is going to kind of continue sliding as more investment goes into places like Walmart and elsewhere. But yeah, it's the ability of everybody else in the space to cobble together a measurement standard could kind of help jolt we're spending in that direction.

Sara Lebow:

So what is going to, I guess, inspire everyone to cobble together that measurement standard? And Nicole, I'll go to you on this one. When are we going to see that meeting of the minds?

Nicole Perrin:

Yeah, so it's a good question, and I guess I'm a little bit skeptical that we ever will, or I'm skeptical of how widespread it will ever be. You and Max were just talking about the very large share of this market that's represented by Amazon. As an incumbent player here, they don't really have an interest in participating in this kind of standardization, and other large players are likely to feel the same way. There are other very large retailers that have been pretty successful in increasing the size of their businesses and gaining some of that market share, such as Walmart.

And in many cases, these are retailers that have a longstanding relationship with advertisers who are already spending on in-store efforts that are similar to retail media. And I'm really referring to more traditional types of marketing, like shopper marketing, co-op marketing, that retailers have been partnering with their suppliers on for a long time. Those programs are themselves often not standardized in this way, and advertisers, or I should say, brands are

really used to working with several retailers that are their partners for selling their products and using them to buy promotions, advertising, slotting fees, and so forth.

So I think there's a number of retailers that don't necessarily have a huge interest in moving towards standardization. This is an area where more companies are essentially setting up new walled gardens within digital media. We've seen that happen with social platforms. We've really seen it happen with CTV and streaming platforms as well. That is happening with retail media too. So I think that there's lots of reasons why the buy side might hope for some more cooperation and standardization there, but whether they're going to get it, I think, is another question.

Max Willens:

Yeah, I think everything that Nicole just said is super on point, and I think to the extent that there is possibility for this to come about, it's going to happen when spending starts to level off at least a little. I mean, right now, everybody that's in this business, unless you're Gap, which you could argue probably shouldn't have gotten into it in the first place, everybody is just seeing their numbers point up into the right very sharply.

And when things are going in that direction, it's pretty hard to muster the collective will needed to say, "All right, I'm going to naturally expose myself to more competition, to more pressure, to more margin difficulty for the greater good." That's a very difficult thing to sort of build a coalition around, but if you fast-forward a couple of years and maybe spending begins to level off, then the urgency around that topic of conversation starts to increase a little bit.

Sara Lebow:

Yeah.

Nicole Perrin:

Yeah, and I totally agree with that. I was also just going to add. I think one of the interesting things about standardization, Max, you mentioned attribution conversion windows, and that is something that advertisers would like certainly have standardized. One of the other things, though, that I thought was sort of remarkable in the Albertsons Media Collective sort of proposal for a standardization framework was when it came to the ad formats, they actually kind of acknowledged that the ad formats that are specific to retail media networks, like



sponsored brand videos, should maintain non-standardized specs in order to continue to facilitate innovation.

Those ad formats are the most important ones for retail media networks representing huge shares of that spend. So I think it's interesting to note that even those hoping for standardization are not necessarily thinking that it will be a totally across-the-board thing and they are expecting that there still will be some really meaningful non-standard formats in the mix.

Max Willens:

Yeah, 100%.

Sara Lebow:

What's the motivation there? Is the idea that if you keep those video ads non-standard that they'll be increasingly creative?

Max Willens:

Well, you don't want to expose yourself to the added competition of out-stream video on a publisher website. If it all looks and feels like that, then it potentially complicates or makes the creative less tailored to the environments offered by RMNs. And also too, it just exposes you to being lumped in with so many other different kinds of supply that it naturally drives down your CPMs. So they want it to be standard but not too standard.

Sara Lebow:

Okay. So Albertsons doesn't want the same exact videos that are going to be playing in Kroger.

Max Willens:

Or on the New York Times' website or on BuzzFeed. That's what they don't want.

Sara Lebow:

Yeah. I mean, related to what you were saying before, Max, we have omnichannel retail media ad spend in the US at 45 billion this year. But we have that increasing by double digits every year through the end of our forecast ending in it. 2027 is when that forecast ends, and we

have retail media ad spend at over 100 billion. So it seems like if the buyers are willing to buy, there's not a ton of incentive for the sellers to acquiesce to things that they might want.

Max Willens:

Yeah. Right now, oil is erupting out of the ground. They're not going to disrupt or do much to disrupt it at the moment. And to your point, though, also, and just to sort of characterize that growth, I wrote a forecast report on this sector, and I'm pretty sure that retail media is going to grow faster than any other ad spending channel through the end of the forecast period. So just when you're talking about 20%-ish growth for the next four years, it's just very difficult to sort of elbow yourself into the party and go, "Can we add... slow down for a second to talk about standardization of ad formats?"

Sara Lebow:

Well, it's interesting that you say that. I think that our number two... I might be wrong about this. I think it's CTV-

Max Willens:

[inaudible 00:11:23].

Sara Lebow:

... is growing second fastest to retail media, and that's another area where we're having this exact same conversation. When will it be standardized? When will that unlock spend?

Max Willens:

Yep.

Sara Lebow:

But you're seeing that the demand is there.

Max Willens:

Exactly right.

Sara Lebow:

One of the advantages of retail media is first party data available for targeting. Where is the future of targeting headed?

Nicole Perrin:

So I think that the way I look at it, the main future of targeting and data use generally is really about data protection. And I know the conversation industry is often about privacy. And in many cases, consumer privacy is an important part of the impetus behind both the laws being passed and the decisions that companies are making. But I would say that data protection from a business standpoint is more important to these companies and that they care about their consumers. They have certainly come a long way in terms of caring about consumer privacy. But the data is super valuable to them, and it becomes less valuable to them if they are sharing it far and wide if it's leaking all over the programmatic ecosystem, and so forth.

So that just really goes back to my point earlier about the fact that these retailers are doing their best to set up walled gardens so that they can get the biggest benefit out of the data that they have without allowing their competitors to benefit from it as much. So I do think that the first-party data will continue to be used within retail media networks for targeting as well as for measurement. I think the data clean rooms are going to be a really important part of how advertisers can unlock the most value and most understanding from their retail media buys. But in terms of what else the data can be used for, I think it's going to be quite locked down.

Sara Lebow:

So this explosion of partnerships between retail media networks and things like CTV, is that sort of going to come to a slow, or are you saying more just within retail media networks, there's not going to be as much sharing?

Nicole Perrin:

Well, I think that those deals are typically set up in some pretty stringent ways that allow both of the companies to mutually benefit from what they're doing without just opening the floodgates as had been traditionally the case in programmatic when everyone just had an identifier flying through the bid stream attached to their impression.

Max Willens:

I think what's interesting too, though, when you talk about, I think, everything Nicole said about security and leakage is absolutely paramount, and it's going to really do a lot to shape the thinking about what kind of partnerships can be forged as lots of retailers think about offsite spending. Right now, most of the spending in this channel is onsite search essentially. It's I go to Amazon, I type camping stove into the search box, and there is a sponsored result up at the top for a Coleman camping stove or whatever. But there is, over the next several years, billions of dollars are expected to pool into offsite spending, which goes to third-party websites, which goes to social, which goes to CTV.

And I think it's not inconceivable that in the next couple of years, maybe a retailer that doesn't think too clearly about it couldn't find itself in a kind of a PR bind because somebody who searches for something on a retailer's website then gets served a bunch of ads reflecting that search while they're watching TV and see something on an ad-supported streaming service in a way that really sketches them out. And because the climate around privacy is such that there's a lot more scrutiny of practices that lead to outcomes like that. I do think that the retailers are going to have to be very careful about the kinds of partnerships they forge as they seek to drive more revenue through offsite placements.

Sara Lebow:

Yes. And once again, not a new conversation.

Max Willens:

Yes.

Sara Lebow:

It's happening in a new capacity, but to what extent can you target ads without creeping people out without creeping lawmakers out? I mean, that's the conversation we've seen with every emerging media channel.

Max Willens:

Yeah. It's especially sensitive, though, I think, given the nature of the data that we're talking about, right. Imagine going to a Walmart or a Target or an Amazon, a couple three searches, and, all of a sudden, you send them the data that says, "Someone in my household is pregnant, someone in my family has diabetes. I have a child with special needs." And all of a sudden,

that's something that people just don't even think about dumping into a search box on a retailer's website.

But if people start thinking, "Oh my God, now people know that, and it's being used." Even though people might not understand the exact mechanics of it or the extent to which that data is anonymized or aggregated, it can still creep people out really quickly. And so I think that there's just kind of an added level of sensitivity that needs to be brought to bear to it.

Sara Lebow:

Yeah.

Nicole Perrin:

Yeah. I mean, I think that pregnancy example, of course, is one of the classic now-

Max Willens:

[inaudible 00:16:27].

Nicole Perrin:

... quite old examples of people getting pretty freaked out by this type of data use. But I would say I definitely experience, in my own life, grocery loyalty leading to all kinds of retargeting out on the web and so forth. And I'm a little bit surprised that there hasn't been a little bit more questioning of it to date even. And I think there is some possibility for that going forward.

Sara Lebow:

Yeah, nothing scarier than the idea that your family or roommates are essentially looking through your search history.

Nicole Perrin:

They know I buy really expensive eggs.

Sara Lebow:

How expensive.

Nicole Perrin:

I don't even know.

Max Willens:

[inaudible 00:17:04].

Sara Lebow:

So, according to that same Skai survey, 20% of marketers are not happy with retail mediums measurement capabilities, and an additional 67% say they're only happy with some of the networks that they're working with. How is this impacting where brands are spending money?

Max Willens:

I think it's really only impacting it as a matter of degree. I mean, I think, as Nicole pointed out earlier in this conversation, a lot of the spending that's gone on to date is born out of existing relationships. And a lot of it is endemic, right. If you are a company that sells power tools, you're going to advertise on the Home Depot's RMN unless you're crazy. That's just a sensible, natural place to spend your money.

And so even if you think that their measurement framework is frustrating or you don't like the way that they're targeting and measurement works, you still know that that's where your customers are. And so you're going to spend the money needed to get in front of them. So I think there's an argument to be made that the dissatisfaction on the buy side with where things are at might be holding maximum spend back, but it's not keeping people from spending money, if that makes sense.

Sara Lebow:

Yeah.

Nicole Perrin:

Yeah. And I mean to that point, the stat indeed is that 67% are only happy with some of the networks. So they are working with ones that are not happy with. One of the things that we've found a few times at Advertiser Perceptions, where we've done research on retail media, is that one of the major reasons advertisers use a given retail media network is because they sell products at that retailer. So your example of a power tool brand and Home Depot, they know that they need to be there even if the measurement is somewhat inadequate. The other



thing that I think I've found in our research and this is something that I hear people talk about too much, but I personally think it's really interesting.

I think the kind of typical line is that retail media is used for lower-funnel purchases. You think of the search ad, the person's in market, they click on it, they buy it, that's it. But we've actually found that mid-funnel is a really important reason that advertisers are using retail media. And if you think about it makes a lot of sense because the whole reason that you're buying those search keywords is so that you can be in the consideration set so that when someone does a search, you're in the results for them to see at all. So the thing about mid-funnel is it's always been incredibly hard to measure, and I think we're really used to talking about how hard it's to measure the top of the funnel.

It's really hard to measure the middle of the funnel as well. So I think part of it is like, what are you comparing this to? Do advertisers have some other mid-funnel solution where they're happy with the measurement? Probably not. So I'm sure that they wish their measurement could be improved, but I don't know that the retail media partners are necessarily performing worse in our respect than their other partners. And again, they need to be there for consideration. They just need to be.

Sara Lebow:

That's a great point. I mean, search isn't necessarily the very last step before buying something. I searched toothbrush on Amazon the other day, but that was a cursory search. I was seeing what was out there. I wasn't ready to make that purchase, and I was browsing it like I would browse a catalog.

Nicole Perrin:

Yep. And if someone wasn't in those search results, you just... you'd never think about them.

Sara Lebow:

And I still need to buy a new toothbrush. Let's keep moving. Now it's time for our next segment, Red Hot Retail. This is our guests opportunity to give us their very specific and potentially risky predictions on a topic. The predictions can be mild, medium, spicy, or extra hot. The higher the spice level, the riskier the prediction. Our guests will tell me what spice level to expect and then share the prediction. Today, Nicole and Max are sharing four

predictions for the future of retail media ad buying. So, Max, why don't you start us off with a spice level and a prediction.

Max Willens:

I'm glad I get to go first because that means I get to start with a mild and inoffensive prediction, which is that the standard that gets adopted by however many RMNs adopt it is not out there yet. So, with apologies to Albertsons et al., I think that what we're going to find conversation dominated by is something that just is not out there yet. And I say that largely because, as we've been discussing, I think that this is something that's a ways away, and being the first to sort of posit something is often... does not confer much advantage. So that's my prediction.

Sara Lebow:

Okay, so I'll ask you the 100 billion dollar question then. How will folks know when it is out there?

Max Willens:

When something gets adopted.

Sara Lebow:

Fair enough. Okay, Nicole, why don't you give us our next spice level next prediction?

Nicole Perrin:

Okay, so I'll give you a medium prediction-

Sara Lebow:

Oof.

Nicole Perrin:

... which is that there's going to be a big slowdown in new entrants to the retail medium market. We've seen lots of retailers enter this market over the past few years, so that is going to slow down. And at the same time, I think that we're going to see smaller players and more regional players outsourcing more of these operations, whether that's to ad-tech partners to agencies and focusing instead on their core competencies and ways that they can continue to

grow profit not only from selling ads but by refocusing on their retail oriented core competencies.

Sara Lebow:

So do you think that those smaller players... I guess what do you think that the outsourcing organizations look like there?

Max Willens:

There's a whole bunch.

Nicole Perrin:

Yeah, there's a bunch of partners that do this. They are sometimes agencies. Sometimes, they are more ad tech oriented. Just one example of a company that does work like this is Criteo. There are all kinds of aggregators and other approaches for retailers to take so that they can get something out of advertising but not actually have to manage it themselves.

Sara Lebow:

Yeah, I agree with this. I think this will be the case for in-store as well. I was just talking to some folks about just how much hardware is involved in adopting in-store retail media, and I think that that definitely requires third-party players to be involved.

Max Willens:

Yeah, 100%.

Sara Lebow:

Max, why don't you give us our next spice level next prediction?

Max Willens:

I'm not going to go any spicier than that. But I do have a medium prediction-

Sara Lebow:

Oof.

Max Willens:

... which is that one of the key players that will emerge in this conversation around measurement and standardization will be Shopify. They've been sort of... I think a lot of people have been sort of waiting for them to kind of make their way into this space and for a lot of different reasons. The first being the just number of merchants and potential advertisers. And in a way, they potentially could help unlock a lot of inventory.

They've begun forging partnerships here and there that would enable them to sort of serve as a layer for all of this. And my prediction is that as they sort of start getting more assertive about getting involved in retail media, that they could emerge as a key kind of rallying point for conversations around this stuff.

Sara Lebow:

Yeah, I don't think this is far off from stuff that Shopify has already done. I know I've talked on this podcast before about how much Shopify has worked with creators to sell their own products, so they're no stranger to that creator aspect, that advertising aspect. And so I could definitely see them sort of shifting that into, I don't know, standardization space, ad tech space. Okay. Nicole, can you give us our final spice level and final prediction?

Nicole Perrin:

I can and I will. It is extra hot. So get ready.

Sara Lebow:

I'm ready. Max, are you ready?

Nicole Perrin:

[inaudible 00:24:37]-

Max Willens:

Hope so.

Nicole Perrin:

So my prediction is that we will eventually see something along the lines of maybe a little bit of an upfront marketplace for retail media ads because we'll see suppliers pushing retailers toward offering contractually guaranteed pricing on certain ads, and they'll commit these,

quote-unquote, ad dollars as part of their existing joint business planning. I mentioned earlier in the episode, and Max talked about it as well.

A lot of digital retail media spending is hand in hand with these more traditional forms of marketing. And I think that as the teams at brands become less siloed, as the shopper marketing people work more closely with the e-commerce or digital people, and also as agencies continue to kind of do their best to take on retail media as a competency for themselves, I think that we'll see those silos between the offline and online sides of this breakdown.

And it seems like there's a really strong chance that we'll just result in this more comprehensive joint business planning between retailers and suppliers and long-term commitments of whether we still call it ad dollars or whether it kind of returns to its previous life as non-advertising marketing spend, that that'll be part of upfront commitments.

Max Willens:

I just want this to happen just because I can imagine a future where Joel McHale, dressed as a giant piece of broccoli, has to run out on stage to try to butter up all the agencies to get them to spend money with Walmart.

Sara Lebow:

Isn't there an episode of community where he is dressed as broccoli? No, he's a cool cat. That's an episode of community that exists, little podcast lore. I'm a huge community fan, so I'd be all on board for the Joel McHale broccoli Walmart. Also, I think that we have upfronts. They're blending with new fronts already. I think that there's a lot of potential for storefronts to be the third part of that season.

Nicole Perrin:

Oh my gosh, that's a really good name. I have to say, Max, what I think would be the funniest part is the idea of turning the procurement people who are so involved in shopper marketing and retail media, converting them into the agency upfront people who want to be so wind and dying to the traditional way, like the opposite sides of marketing land.

Max Willens:

My God.

Sara Lebow:

Yeah. I mean, I do think that the way that we think about retailers is going to... or I mean for you guys. I'm sure already has transformed, though. In the way that how we think about Facebook and Meta right now looks nothing like how we thought about it 15 years ago. You just have a different sort of feeling associated with that company. I mean, that'll definitely be the case with Kroger, Albertsons, Walmart.

Max Willens:

100%.

Sara Lebow:

That is my prediction. It's pretty mild. Okay. Thank you for joining me today, Nicole.

Nicole Perrin:

Thanks for having me.

Sara Lebow:

And thank you, Max.

Max Willens:

Thank you, Sara. It was fun.

Sara Lebow:

And a special shout out to my mom because it's her birthday today. Happy birthday, mom, one of our loyal podcast listeners. Please give us a rating and review wherever you listen to podcasts and follow us on Instagram @behindthenumbers\_podcast. Thank you to listeners and to Victoria, who edits the podcast. We'll be back next Wednesday with another episode of Reimagining Retail an eMarketer Podcast. And tomorrow, join Marcus for another episode of the Behind the Numbers Daily.