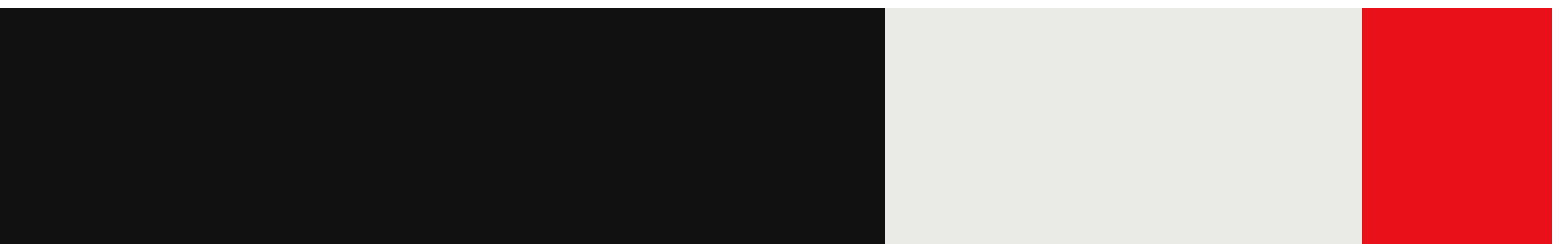


Around the World: The retail media opportunity (and maturity) in key regions

Audio



On today's episode, host Bill Fisher is joined by our analysts Paul Briggs, Matteo Ceurvels, and Carina Perkins to discuss everything retail media-related. There's been a boom in the US, but

how big is the opportunity elsewhere, and who are the early wave-makers in this space?

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Episode Transcript:

Speaker 1:

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Bill Fisher:

Hello, everyone. Welcome to Behind the Numbers: Around the World, an eMarketer podcast.

It's Monday, June the 26th, and I'm your host for today, Bill Fisher. And it's my absolute pleasure to welcome you all to Around the World with Regional Retail Media Maturity.

Welcome, folks, to a Behind the Numbers show that takes you around the world looking at what various countries are doing in the worlds of commerce, media and advertising. Each month I give you a global news recap, then I speak with a few of our regional experts to get their take on the main theme for today's show, which this week is the next big wave in digital advertising, retail media. We will be asking, how big is the opportunity in different regions?

Paul Briggs:

When it's pretty clear that results are being driven in new experimental formats, if you will, then the investment will start to pile in at that point.

Bill Fisher:

Who are the main players and what are their strategies?

Matteo Ceurvels:

It's a very diverse landscape, be it digital marketplaces, mass merchandise, category specialists, or commerce intermediaries, thinking about those last mile players.

Bill Fisher:

And where next for retail media?

Carina Perkins:

We're still seeing that the vast majority of retail media revenues are on site, but we're really going to see more exploration of offsite programmatic display, video CTV.

Bill Fisher:

Okay, I'm going to kick things off today with our Three In Three segment.

I have three minutes to cover three interesting and related news stories we've seen in Around the World towers this month. The timer is set. Let's go.

Our first story is a global one and sets the foundation for today's episode with news of the size of the global retail media advertising markets. Earlier this month, GroupM published its mid-year forecast for global advertising, and predicted that retail media network advertising would increase at such a clip that by 2028, revenues from this channel would surpass global TV ad revenues, including CTV. Earlier this year, Magnite's, Chief Revenue Officer Sean Buckley had this to say about the channel to beat TV.

Sean Buckley:

But to your point, the retail media side has also become a leading topic in the industry and it's a really exciting place right now. We've spent a lot of time...

Bill Fisher:

Despite, or perhaps because of the current economic conditions around the world, retail media continues to be a hot topic of discussion in the ad industry. Bigger than TV? We'll see.

For our second story, we're across Europe and Latin America with this one and looking at a new retail media venture between French supermarket Giant Carrefour and advertising group Publicis. Just a couple of weeks ago, the two companies officially launched what they're calling Unlimitail, that just six months after first announcing they were working on the project. According to the official press release, the venture will see Carrefour and Publicis leverage their leadership positions in their respective industries, aiming to bring to Europe and Latin America the same scale and connectivity that is enabling the retail media boom in the US. Here's our very own Andrew Litzman speaking last year about that US boom that had already gotten well underway in 2021.

Andrew Lipsman:

US retail media ad spend will surpass \$41 billion this year, a \$10 billion increase from a breakout 2021. It's no wonder that dozens of top retailers are launching their own retail media networks. Join me on Friday-

Bill Fisher:

Expect to see more relationships in the coming year as everyone and their dog aims to get on the retail media wave.

And for our final story, we're heading stateside where Walmart Connect is working with NBCUniversal to bring targeted ads to live sports. In another retail media focused announcement, Walmart Connect revealed that it is working with NBCUniversal to integrate retail media powered ads within live sports streams, a first for the media giant. Through the partnership, brands will be able to target ads during NBCU live sports based on Walmart's customer data and measure the impact on store and e-commerce sales. This isn't the first partnership of its kind to link rich first-party retail data with a CTV or addressable TV platform. UK pharmacy retailer Boots partnered with public service broadcast ITV last year to do something similar. Here's Boots CMO Pete Markey speaking to Beat TV about the company's strategy.

Pete Markey:

But we are using TV more programmatically now, particularly using our first-party data to connect with customers through different platforms like Infosun to reach people through ITV and Channel 4's on-demand services. So we're evolving our entire-

Bill Fisher:

TV and retail media. Could that be a home run?

And that's my Three in Three this month. Now it's time for the next three, my guests for today, that is. And I'm starting with our principal analyst for Canada. It's Paul Briggs. Hey Paul.

Paul Briggs:

Hey Bill. Look forward to the discussion today.

Bill Fisher:

Great to have you. Next is our principal analyst covering Spain and Latin America. It's Matteo Ceurvels. Hi, Matteo.

Matteo Ceurvels:

Hey, Bill. Great to be here.

Bill Fisher:

Great to have you back. And finally, it's our senior retail analyst covering the UK and sometimes Western Europe, Carina Perkins. Good day to you, Carina.

Carina Perkins:

Hi, Bill. Good to be back.

Bill Fisher:

Welcome to the show. Okay, I have a quick question. Are we generous tipper in the room?

Paul Briggs:

I like to think so.

Bill Fisher:

Of course you would say that. We would all say that. We're all generous, right? I only ask because it's time for our Culture Shock.

This is where I take you to various countries around the world and give you some cultural facts or introduce you to some culturally specific norms. And today we are looking at tipping around the world. Matteo, you are our US resident on the podcast today. What's the standard amount you tip?

Matteo Ceurvels:

I'd say anywhere 18 to 20, depending on the service.

Bill Fisher:

Bang on. I'm glad you said that, because that's the stat I've got. So according to Payscale, if you are a restaurant in the US, it's the norm to tip your server around 20% of the bill. So well done. That level of generosity doesn't translate to many other countries, but tipping is still

very common across continents except one. In Oceania, tipping is largely not expected apparently, although it is still appreciated of course.

Speaker 10:

Thank you.

Bill Fisher:

In Australia in particular, there's a belief that they shouldn't be imitating a country like the US where a server may receive up to 60% of their income from tips alone. That's according to Payscale. With a much higher minimum wage compared with the rest of the world, gratuities aren't vital for survival. Elsewhere around the world, apparently in Brazil, Thailand, and Finland, service is usually included in the bill. Is that right, Matteo? Yeah, you're nodding.

Matteo Ceurvels:

That is correct.

Bill Fisher:

Yeah. Meanwhile in China and Japan, tipping is perceived as offensive. So be careful with misplaced generosity there if you don't want a rebuke. So how close do we get to 20% the rest of the group here? I admit I don't do 20%.

Carina Perkins:

I'm a 10-percenter, I admit.

Bill Fisher:

Yeah. Paul?

Paul Briggs:

I think 15 is probably my standard, although it's funny that you're talking about various countries. I was on vacation in France last couple of weeks and in many examples in Paris there's no tip. It's simply a flat number and you tap your card and away you go. So that was a bit of a culture shock. That was a culture shock for me.

Bill Fisher:

That's the French way, and typically I think you are quite Canadian, Paul. Right in the middle ground.

Paul Briggs:

Right.

Bill Fisher:

I like that. Okay, anyway, time to talk about the real topic of today and that's retail media. But what exactly are we talking about when we say retail media advertising? Well, that's actually a bit problematic in itself because definitions do vary. However, we define it as digital advertising that appears on a retailer's owned and operated assets or on third party publishers' properties and other media content powered by the retailer's first-party shopper data. So we're talking about ads that you might see on a retailer's own e-commerce site and that accounts for the vast majority of retail media ad spend. It's usually search based, but it could also be advertising that appears between content on demand TV platform, so long as it's powered by a retailer's first-party data.

Very simple, eh? This is actually covered a little bit in last Re-imagining Retail podcast, so do go and check that out. Now we have some pretty solid forecasts for retail media network ad spending in the US and for e-commerce channel ad spending, that's that subset of retail media, in China. Both are fairly big markets. China's light-years ahead of everyone else, but the US is seeing significant growth. Elsewhere around the world though, we hear lots of talk about retail media being this huge juggernaut, but there aren't many reliable numbers out there. So for the next 10, 15 minutes we're going to try and unpick that.

So let's start by attempting to size the market for retail media in our respective regions. Who wants to kick this off?

Matteo Ceurvels:

I can go, I'll go since I just wrote the recent report on it. So yeah, that is the golden question of the year, I'd say. What is the size of retail media ad spending? Everyone wants to know. So in Latin America we are seeing data that points to the fact that retail media is surging past \$1 billion in spending. Now this was a stat hidden in a report and forecast put out by one of our data partners, Portada, but what we saw in the data is that it actually surpassed and hit the \$1 billion milestone in 2021 and is now surging well past that last year and this year as well.

Now if we pull back a bit, the other good question is, what does \$1 billion mean? So that's roughly about 8% of total digital ad spending. Now why is that important? Because it's always been well established that Latin America trails the US by about four or five years. And if we look at where retail media ad spending share was in the US four years ago, it was exactly at 8.3%. So it's really following in the footsteps. So that points to me that we should see a similar trajectory of growth play out within the region in terms of share, albeit a smaller billions dollar base, but in terms of share we should see that share keep growing.

Bill Fisher:

Yeah, that's really interesting because I know we've been talking about this, Carina, as well. And did we come to a conclusion where the UK sort of lags? The US is a similar timeframe, wasn't it?

Carina Perkins:

We're seeing a similar lag. So GroupM estimates that UK retail media revenues will grow to about 6.5 billion by 2027, which would make it about 16% of total digital ad revenue. And the US reached that in 2023, so it was kind of 17. So again-

Bill Fisher:

Four years.

Carina Perkins:

... On a similar trajectory there. Yeah.

Bill Fisher:

What about Canada, Paul? Where's Canada?

Paul Briggs:

So there's a couple of different sources that we've been tracking to size the opportunity in Canada for retail media. One is the GroupM research that a few of us have already mentioned. So in 2022, it was roughly \$3.5 billion dollars Canadian in terms of ad spending in retail media, and that's sort of nearing parity with TV, by the way. You mentioned that earlier, Bill. So it's a sizeable market. It is growing at scale and there's a tremendous amount of interest.

The other data point that we have is from Standard Media Index, which indicated that retail media grew 27% last year in 2022. So that far outpaces all other digital ad formats and far outpaces traditional ad formats as well, like connected TVs and other high growth digital format. But it doesn't really even compare it to retail media at this stage.

Bill Fisher:

Sorry, did you say how many years behind the US it looks like Canada's lagging or do we have a sense for that?

Paul Briggs:

Yeah, I think it's similar to what Matteo and Carina had just mentioned in terms of a five-year lag. It may be little less than five years, maybe closer to three, but the lag still exists for sure.

Bill Fisher:

Yeah. Does anybody have any ideas what's behind this lag? Why are regions lagging behind the US? The US is always in front. Why?

Paul Briggs:

In the case of Canada it's really about size and volume and opportunity. I think many marketers, many brands in the country take a wait-and-see approach on new formats. So formats that are tested in the US where is numerous opportunities to test and to optimize, that typically is what the Canadian approach is, is to see what's happening in other markets and then when it's pretty clear that results are being driven in new experimental formats, if you will, then the investment will start to pile in at that point.

Bill Fisher:

Is that the same in other regions? Yeah?

Matteo Ceurvels:

I would say so. I definitely think LATAM does take the cues from the US as well. And more recently with China becoming more integrated into the regional economy, I'd say they're also taking cues from China as well, but in certain aspects. So in term in terms of say social commerce, live commerce. But in terms of the digital ad spending, I mean, China's so far

advanced out of any of our markets. That's not a fair comparison. But I would say yeah, usually the point of reference is the US in terms of this.

Carina Perkins:

I think the UK is quite interesting because the UK's actually a very mature e-commerce market and in terms of penetration, e-commerce as a percentage of total retail sales, it's actually ahead of the US. But I think as Paul mentioned, it perhaps comes down to scale. So the US big-box retailers that led on the retail media charge have colossal scale and in Europe and the UK the retail market is a bit more fragmented. So we really saw retailers start to pounce on the opportunities when we saw that big surge in online shopping during COVID.

Bill Fisher:

Okay, so you've mentioned some of the retailers. So let's move now. Let's segue into looking at some of the big players in our regions, who they are and what they're doing in this space. Again, who's going to be brave and kickoff this discussion?

Paul Briggs:

I'm happy to do that. Bill. Speaking of what's happening in Canada, I think the usual suspects, Amazon and Walmart Connect are significant players. They drove innovation in this market for sure. But a third player, Loblaw Media, which is associated with the largest national grocer in Canada, also has a Shopper Drug Mart banner as well. So it's a very influential retailer.

They have something called PC Optimum, which is a loyalty program. More than 18 million Canadians are part of that program. So Loblaw Media has developed a range of opportunities for CPG brands in particular to access that loyalty program through their retail media network. And while they don't report their financial results, at this stage, it's fairly clear by talking to a bunch of advertisers in this market that Loblaw Media opportunity is a real good one and is providing a bit of an option or an alternative to the Walmarts and the Amazons of the world.

Bill Fisher:

And that's a big problem, right? A lot of these retailers don't report this, which is why we have such a hard time coming up with a number. Interesting to hear about the loyalty data there, because I know that's something that's certainly big in the UK and maybe Europe. Carina, anything to add on that?

Carina Perkins:

Yeah, so one of our big retail media players in the UK is Tesco. It launched Tesco Media Insight in November 2021. And the platform is powered by Dunnhumby, which is its data science and loyalty division, which also helped establish its club card loyalty program. And that kind of really rich first-party data has helped it really get ahead in the retail media space.

And alongside Sainsbury's and Boots, as you mentioned, it's been innovating around connected TV. It's also formed offsite partnerships with other media owners. And Tesco has really moved quickly on the digitization of in-store retail media. So it's established quite an extensive smart screen network, which I think is really interesting because in the UK we are seeing digital grocery losing a little bit of share. And so for brands to really target consumers at the point of purchase, they also want to be in store but still benefiting from that loyalty data.

Bill Fisher:

And Matteo, you've written about this very recently. I know you've got a really good handle of the landscape in LATAM. Tell us about that.

Matteo Ceurvels:

Yeah, so like other markets, data is very scarce, so you have to do a bit of data sleuthing to make some very good informed insights. But within Latin America specifically, we've identified that there are over 15 players, roughly 17 that we could confirm. Now there are others that are pending that may or may not have one, but at least the ones we confirm, it's actually 17 at the moment. Now given the size of the region, we have a mix of regional players, à la Mercado Libre, for instance, the region's largest e-commerce player. We have other regional players like Cinco Sud, Falabella, and Rappi within that space. Now there are other market-specific ones, in Brazil, Magazine Luiza, Americanas, Via Varejo, Carrefour, and then iFood in Brazil, Uber in Mexico as well. So it's a very diverse landscape, be it digital marketplaces, mass merchandise, category specialists, or commerce intermediaries, thinking about those last mile players.

Now, it's very interesting to see when we look at some of the major retailers, their traffic to their site is actually bigger than a lot of the major publishers in certain countries. Now this is the case in Mexico in particular where we do see players like Mercado Libre, Amazon, and Walmart having user traffic greater than the main publishers of the country, which is a very interesting trend that has only accelerated over the years.

And not only that, in terms of growth, I put together an analysis of our top 10 fastest-growing companies ranked by digital advertising revenues. So within that top 10 global ranking, seven players were retailers or retail media networks and three of those players were Latin American retailers. Mercado Libre with growth over 70%, Falabella with growth inching close to 50%, and Walmart with growth around 16%, roughly multitudes higher or faster than the average growth rate globally. So we are seeing this rapid acceleration where LATAM players are essentially leading the charge in terms of this innovation and these next waves of digital advertising.

Bill Fisher:

Okay, so perfect segue again. Thanks for this Matteo, fed me a good line there. Innovation. What's next? If I gave each of you 30 seconds just to give me a real crystal ball gazing, what do you think is going to be on the horizon the next 1, 2, 3 years for retail media in your region? What would it be? Let's start with you, Matteo.

Matteo Ceurvels:

My initial assumption was I was kind of betting on the in-store aspect, but we have some new data from an upcoming report that we'll be publishing later this summer that broke that hypothesis down very quickly. So in-store is not growing as much as I thought it was going to be in terms of advertiser interest. Now where I think the innovation is definitely going to happen is Latin America in general skews very heavily towards display ad formats in general as a general media mix of advertising.

And now we're seeing those media buying habits play out within the retail media segment as well. Sponsored product ads, sponsor search still leads, but we are seeing much faster allocations towards branding formats, the branded display, branded videos on retailer sites as well as programmatic solutions using retailers trove of first-party data to target consumers offsite. So I'd say the display aspect of the programmatic aspect are two areas of innovation that we should expect to see Latin America excel in over the short term.

Bill Fisher:

And Paul, you're nodding furiously there. Similar story for Canada?

Paul Briggs:

Yeah, I totally echo what Matteo was saying in terms of ad format. So roughly about three quarters of the investment in retail media in Canada is sponsored search. It's very clear that the people on these sites have clear intention of what they want to buy, so search is very predictable and performs very well for advertisers, but that's going to change. I think as we're seeing more branding efforts, more display opportunities come about, I think that is really what we're going to see. That three quarters ratio, so three to one ratio of search versus display, I think that's going to move more towards a 50-50 split in the next couple of years. So that's one big area is format.

The other area is I think just an expansion of the number of retailers who are going to monetize their audience. I think that is still lagging in Canada. There's only a handful of players that are really invested. I think that's going to change in the next year or two, where we're going to see a whole host of other retailers really look at building out networks to target their audiences.

Bill Fisher:

Sure. And Carina, what have you got for us?

Carina Perkins:

Well, I think that we're going to see a bit of a shift I think in the onsite and offsite. In Europe, we're still seeing that the vast majority of retail media revenues are on site, but we are really going to see more exploration of offsite programmatic display, video, CTV. And like I said, we've already seen some of the big players such as Tesco, Sainsbury's, and Boots exploring partnerships with CTV.

I think in the UK in-store is going to be quite a big deal. I saw some McKinsey and Company research that said in-store accounts for a much bigger percentage of retail media in Europe than it does in the US, which I think is interesting. And so I think we're going to see more retailers following Tesco's leads and installing digital display screens in stores to really capture those purchasing moments.

Bill Fisher:

Awesome. Thanks everybody. That was a really fantastic conversation, a really interesting area. But it's now time to move on because it's time for our Recap Stats Quiz.

This is where we recap today's theme with a few related stats questions for my guests. There's no prize, it's all about bragging rights. There are only three questions, they're multiple choices so it's nice and quick.

Let's get into it. Here's our first question. And this is a test to see if you were listening. I mentioned in the news segment about GroupM's claim that global retail media ad revenues would exceed TV revenues, including CTV, but by what year? 2024, 2026 or 2028. Okay. Matteo's given me a signal for that one. He doesn't want to give the game away because he was clearly listening. What about you other two?

Paul Briggs:

I think it was 2026, Bill.

Bill Fisher:

Okay. And Carina?

Carina Perkins:

I think it was 2028.

Matteo Ceurvels:

I was trying to give you a C as a-

Bill Fisher:

Yeah.

Matteo Ceurvels:

That was my attempt at a C.

Bill Fisher:

Matteo and Carina, you are correct, Paul, tut-tut, you weren't listening, but I would've tuned out to my voice anyway, so no worries. It is indeed 2028.

Next up, we discussed a little bit about China's market leading position. We haven't gone into the numbers, but when it comes to e-commerce channel ad spending, we predict that by 2025 this channel will account for a third of total media ad spending in the country. Remarkable. But

what was that proportion in 2019 when we first started tracking this measure? So by 2025 it will account for 33% of total media ad spending. In 2019, did it account for 29%, 25%, or 16%?

Paul Briggs:

I'd say the low number, 16%.

Carina Perkins:

I'm going to go for 25.

Matteo Ceurvels:

I'm going to go for the highest one, because I could have sworn it was on a decrease, but I could be dreaming, imagining things.

Bill Fisher:

Matteo, you're on a roll. 29%, and you did see a decrease, but that's as a proportion of digital ad spending. A slight decrease, but for total media it's on an increase but not much from 29% in 2019 to 33 by 2025. And for the final question, Amazon is widely credited as having been the first to launch a retail media network. But when? Was it in 2010, 2012 or 2015?

Carina Perkins:

2012.

Paul Briggs:

I'll say 2015. I'm oh for two already, so this might make it over three, but 2015 is my final answer.

Bill Fisher:

Matteo, what have you got?

Matteo Ceurvels:

I have a timeline chart with this, but I'm blanking. So I'm going to go with 2015.

Bill Fisher:

It was 2012. Well done, Carina, and unlucky Paul.

Carina Perkins:

I was confident on that one.

Bill Fisher:

It's not your best week, Paul.

Paul Briggs:

No, oh for three. Yeah.

Bill Fisher:

Yeah. But I'm happy with this because we've got a tie-break. I always like a tie-break. So Carina and Matteo, you got two each. And this is a free-form, so you just got to give me a number and the closest wins.

Okay. It was the Cannes Lions Festival last week, so I have a Cannes-themed tiebreaker. According to Bespoke Yacht Charter, how much does it cost to hire an entry-level yacht for the event week? I'm looking for the total in Euros and it doesn't include VAT. So it's not your big super yachts, it's just a little tiny yacht. How much you getting charged for the week's hire?

Matteo Ceurvels:

Half a million?

Bill Fisher:

I'm going to say 20-

Matteo Ceurvels:

Oh, sorry. Go ahead, Carina.

Carina Perkins:

Oh, I'm going much lower. I'm going to say 25,000.

Bill Fisher:

And what have you said? A million?

Carina Perkins:

That's probably way too-

Matteo Ceurvels:

I said half a million.

Bill Fisher:

Half a million. Okay, so 500,000, and what? 20,000 for you?

Carina Perkins:

25,000.

Bill Fisher:

25,000, okay. Well done. That was quite close. €35,000. You can be looking at more like 100 to 150 for the bigger yachts, but for an entry level, 35,000. This doesn't include the €50,000 charge for the yacht pass. That will give you a berth for the yacht as well, which I feel is quite important for the event, right?

But well done, everybody. I quite enjoyed that quiz, but we have got a winner and it is Carina. Well done.

Carina Perkins:

Thanks very much.

Bill Fisher:

And that's what I like about this show. We always end with a winner, because it is time to call and end to today's podcast. Paul, thanks for speaking with us today.

Paul Briggs:

Thank you, Bill.

Bill Fisher:

Matteo, great to have you on the show again.

Matteo Ceurvels:

Thank you, Bill. Always a pleasure.

Bill Fisher:

And Carina, thank you as always.

Carina Perkins:

Thanks, Bill.

Bill Fisher:

And thanks to all of you for listening in today to Around the World, an eMarketer podcast. Tune in tomorrow for our Behind the Numbers Daily Show hosted by Marcus. If you want to ask any questions, you can of course, email us at podcast@emarketer.com.

I hope to see all of you next month for another edition of Behind the Numbers: Around the World. No gratuity is expected. Bye for now.