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Why retail media networks need to start acting like media companies—not retailers

Article

Cara Pratt, senior vice president of Kroger Precision Marketing at 84.51˚, is right when she says that “retail media is media.” While the fast-rising ad format may draw its unique power from retail—specifically the first-party consumer purchase data used for high-octane targeting and closed-loop measurement—it's not a physical product sold on store shelves and shouldn't be treated as such.

Retailers are new to the media-selling game, so they should be forgiven for sometimes losing sight of this fact (even if it's in their interest not to). Retailers want brands to spend on retail media ads using national media dollars—which represents net new ad spend—and grumble that retail media often pulls from existing shopper and trade marketing funds. But earning national media dollars will only come if retail media networks (RMNs) stop acting like retailers and start acting like media companies.

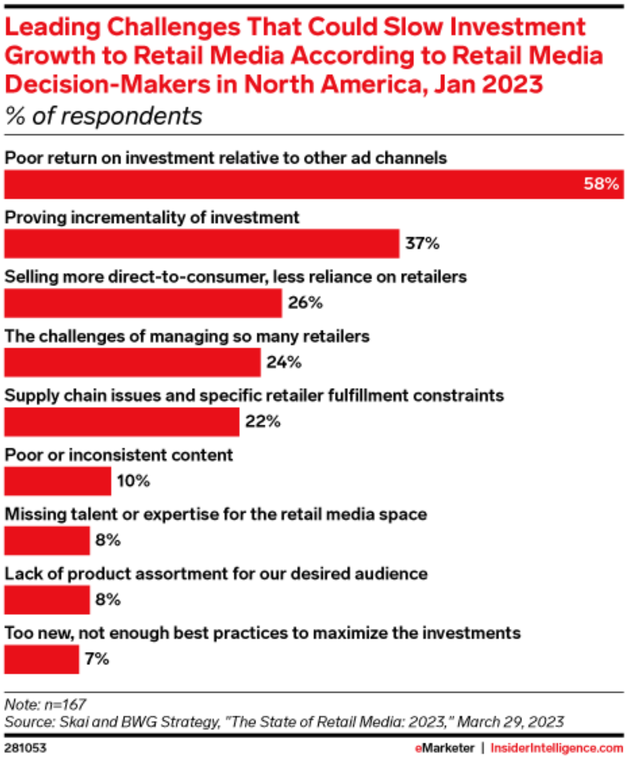
The disconnect happens because most RMNs haven't evolved beyond their original purpose of driving their own traffic and sales.

"This view is inaccurate and puts the focus of retail media on the retailer's needs above the advertiser's," said Jonathan Lustig, head of revenue at Walgreens Advertising Group. "Retail media networks should provide an advertiser with the best possible solution to reach their consumer. This means delivering the right message when it's most relevant, on the device and channel the consumer is already engaging with. When retail media networks operate this way, they're able to serve as a true media partner to advertisers."

When RMNs ignore sales at competitors, they undercut their own value for brands

Retailers can adopt too insular a view of performance by ignoring brand sales at competitors. This understates return on ad spend (ROAS), which ironically gets in the way of even greater brand investment.

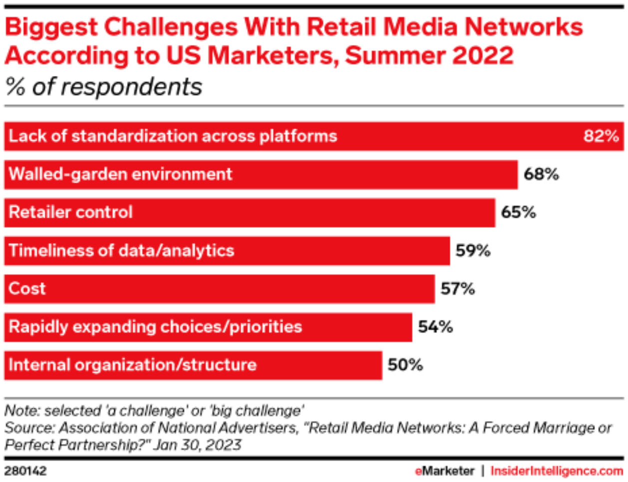
As of January, the top inhibitors of further retail media investment in North America were poor performance and an inability to prove incremental sales effectiveness, according to a study from Skai and BWG Strategy. But that's exactly what happens when RMNs neglect the full sales impact of their campaigns.



There is an average halo effect—in terms of incremental sales lift occurring outside of the RMN's four walls—of 25% to 35%, according to a Circana meta study of 100 consumer packaged goods retail media campaigns. That means RMNs may report an incremental ROAS of $1.50 to brands when the real number would be closer to $2.00. How might a more complete picture of incremental ROAS change the way brands invest?

RMNs that solve brands' key pain points will capture more spend

Earlier this year, the Association of National Advertisers reported on brands' biggest challenges with RMNs. By addressing these pain points, retailers will begin to act more like traditional media companies, better serve the needs of brands, and give them the confidence to invest.



- **Stop operating as walled gardens.** RMNs don't engender much goodwill from brands when they feel arm-twisted into spending on media just to drive traffic to the retailer. Even Amazon—which has a lot of leverage to keep acting like a walled garden—is adopting a more open approach. For the first time, the company is allowing advertisers on its demand-side platform to drive traffic for products to their own sites, even when those products are also being sold on Amazon. This is an acknowledgment that if an RMN wants to maximize advertiser spend, it needs to put the advertiser's goals above its own.
- **Embrace media standardization, transparency, and accountability.** Digital publishers have long been held to the Interactive Advertising Bureau's standards around advertising formats and measurement approaches. RMNs shouldn't be surprised that brands are now asking them to do the same. Albertsons Media Collective published the white paper Transforming Retail Media Through Standardization to call for standardization around common principles for retail media measurement, including industry-accepted approaches to ad viewability and verification, and transparency in attribution windows and incrementality measurement. When brands have the consistent metrics needed to make smart allocation decisions, it will give them the confidence to invest in retail media overall.
- **Provide multiretailer third-party measurement.** RMNs don't need to suppress the unique KPIs that best articulate the value of their platform, but they will need to operate within the context of industry-accepted third-party audience and sales lift measurement. National brands want to understand the national reach of their campaigns, the delivery of these campaigns within their priority audience segments, and the sales effectiveness thereof. Media companies love to complain about Nielsen's TV ratings, but the TV ad industry benefits when the buy-side and sell-side can align around a common currency. Retailers similarly need to

embrace multiretailer sales lift measurement to account for brand sales influenced by retail media campaigns, wherever that transaction occurs.

As RMNs adopt a more brand-centric mindset, they’ll find more willing advertiser partners, tap into national media budgets, and attract nonendemic advertisers.

It’s time for retailers to stop acting like retailers and start acting like media companies. Because retail media isn’t retail—it’s media.