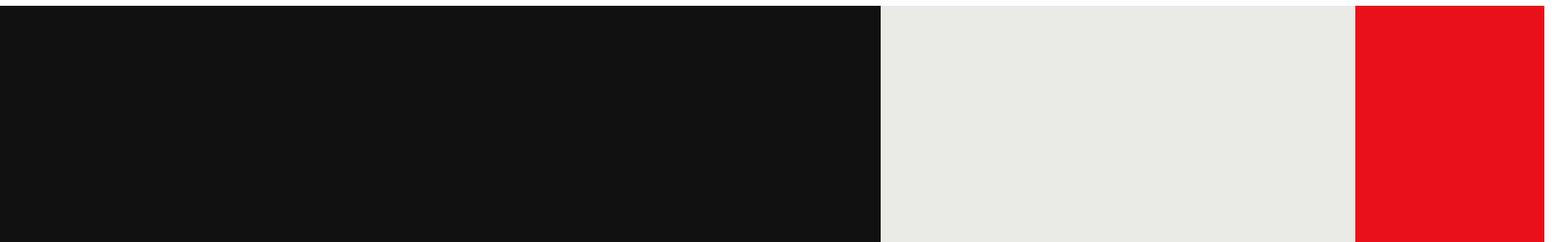


Reimagining Retail: Where in-store retail media is headed and activations that are moving the needle

Audio



On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss in-store retail media: what's holding it back, cooler screens and smart carts impact, and what digital advertising looks like outside the store. Then, for "Pop-Up Rankings," we rank the top three activations in retail media. Join our analyst Sara Lebow as she hosts analysts Arielle Feger and Sarah Marzano.

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Episode Transcript:

Sara Lebow:

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Hello listeners. Today is Wednesday, April 3rd. Welcome to Behind the Numbers: Reimagining Retail, an eMarketer podcast made possible by Walmart Connect. 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 in-store retail media. Before we get to that, let's meet today's guests. Joining me for today's episode we have podcast regular, senior analyst, Arielle Feger.

Arielle Feger:

Hi, I'm thrilled to be here today.

Sara Lebow:

I am thrilled to have you here today. Also with us today making her debut on the podcast is principal analyst, Sara Marzano. Welcome to the pod, Sara.

Sara Marzano:

Hi. So excited to be here. Longtime listener, first time podcaster.

Sara Lebow:

First time podcaster?

Sara Marzano:

Yeah.

Sara Lebow:

Welcome. We're upping our Sara count here at eMarketer and it has been confusing for everyone, but with Sara, it's a lifelong confusion. It's not a big struggle.

Sara Marzano:

Truly, truly. I'm used to it.

Sara Lebow:

Okay, let's get started with free sample, our did you know segment, where I share a fun fact, tidbit, or question. I'm going open-ended question today. It was just Easter. We are currently in Ramadan and Passover is on its way. What spring holiday related brand just announced a rebrand? Do either of you know? It's connected to one of these holidays.

Sara Marzano:

Spring holiday related brand?

Sara Lebow:

Commonly associated with one of these holidays.

Arielle Feger:

I do know this, it's Manischewitz.

Sara Lebow:

It's Manischewitz.

Sara Marzano:

I wasn't going to get that.

Sara Lebow:

Manischewitz, which to me is synonymous with Matzah, gefilte fish, and sweet wine that tastes like a hangover has rebranded. The rebrand looks honestly pretty similar. It's orange instead of blue is kind of the vibe. I found out while researching this, that Manischewitz wine is actually owned by a different company and has been since 2021, so it will not be part of the rebrand. Do you guys have spring seasonal foods that you favor? Arielle? You're a big Peeps person, right?

Arielle Feger:

No, I hate Peeps. How dare you? Probably because you feel the passion, either way.

Sara Lebow:

What about you Sara?

Sara Marzano:

The candy has me thinking about the Reese's Easter shapes. I got hold of some of the eggs recently, big fan of those.

Sara Lebow:

I truly believe that the eggs have the correct ratio of peanut buttered chocolate of any Reese's.

Sara Marzano:

I think so too.

Arielle Feger:

If that's correct.

Sara Marzano:

It's an exciting time for Reese's lovers.

Sara Lebow:

For Candy Evolution.

Sara Marzano:

Yeah.

Sara Lebow:

All right, 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 in-store retail media. Spoiler alert, on this podcast, we are fans of the in-store ad channel, but U.S in-store retail media ad spend is only 0.6% of U.S retail media ad spend. And while in-store is growing, we don't expect it will hit 1 billion before the end of our forecast period in 2027. So it's still lower than a billion dollars across the US right now. So Sara, our first question is for you, what is holding in-store retail media spend back?

Sara Marzano:

Yeah, so I think there's lots we could say on this topic. I think the two main things I want to highlight, when we talk about in-store retail media in our forecast, we're really talking about

digital forms of retailers advertising in-stores and a big piece of that is we're thinking about physical hardware and equipment. So digital signage, things like digitally enabled cooler screens, a lot of exciting stuff, but they're expensive. A lot of them don't naturally exist in physical stores today. And so there's a big financial investment for retailers who want to make these part of the in-store shopping experience, and a lot of them aren't very tested or proven just yet, so it's new.

Sara Lebow:

Yeah, I mean I think that the concept of naturally occurring in the store is very funny, but I get what you're saying. TV screens are pretty a easy retail media win in some stores, stores that sell electronics specifically already there, but if they're not already there, then they're kind of hard to implement, especially because the store is kind of an intense environment. People have shopping carts, they're ramming into things. Some vandalism is intentional, a lot of it isn't in the store, so it's not the easiest environment.

Arielle Feger:

It's also a lot harder to test and learn to bring a bunch of equipment in and then only to find out it's not effective or it doesn't work. So I think the online environment is a lot easier for retail media networks to try new things and new placements, but I still think there's a lot of potential in in-store retail media.

Sara Lebow:

And the online environment also theoretically has unlimited inventory. Obviously, this is also an issue with online retail media. You get cluttered search results because of so much paid search advertising, but if paid search is something you want to try, that ad can appear. It's not tangible. Versus in the store, there's quite literally limited space. And so in both spaces you don't want to have consumers inundated with advertisements, but in the store that might be a little more apparent, especially not something they're used to.

Arielle Feger:

Absolutely.

Sara Marzano:

Yep.

Sara Lebow:

So we've talked on this podcast before about high-tech in-store ad types like cooler screens and smart carts. Cooler screens are those literal screens over cooler doors. They were a fumble for Walgreens a few years ago because they were blocking consumers from seeing what was behind the doors. How bullish do we feel about these high-tech, in-store retail media ventures right now?

Arielle Feger:

I think it's kind of a gamble. I think if you have the right tech that makes consumers' lives easier, then I think it's a win-win. But as we saw with cooler screens, anything that's hindering customers from getting what they want or seeing what's available is going to be a problem and I know that with carts, with tech, it can break down, it can not work. So there's also that element which can introduce friction into shopping experience.

Sara Marzano:

Yeah, I absolutely agree. I think something that is resoundingly true with retailers, whether it's online or in-stores, really thinking through what you're inserting into the path to purchase and making sure that the goal is really removing friction. And obviously you want to balance things like product discovery and inspiration along that, but some of the buzzy, really high-tech ways that we can bring retail media into physical spaces, I think are likely to be at risk of being the most disruptive to the customer's experience. And I think you also have to think about, do you want to put something in front of the customer that they don't know how to use? And the amount of friction that can introduce into a shopping experience.

Sara Lebow:

Yeah, I mean, how often do you get a shopping cart that has a broken wheel that you can't really use?

Sara Marzano:

The worst.

Sara Lebow:

If that is happening on a screen, on the shopping cart level, it can be a problem. I want to be clear, I don't think any of us are saying that we don't think any of these will ever happen or

high-tech solutions will ever happen. But yeah, stores really need to be thoughtful about where they're investing.

Sara Marzano:

Absolutely.

Sara Lebow:

I mean, with that in mind, what will happen? What is happening? Where is the money that is going to stores right now going in terms of retail media? Sara, why don't you take that one first?

Sara Marzano:

Sure. Yeah, no, I think some of the most interesting activations is retailers who are taking programs that maybe traditionally fell into shopper marketing, but thinking through how to infuse digital connectivity. So things like in-store sampling or demo stations that are being matched back with measurements that can take the dollars invested and really measure the efficacy of the campaign.

Sara Lebow:

Yeah, that makes sense. I mean this is another way that in-store retail media is similar to online where measurement is the big challenge. Online, the reason for that is walled gardens and silos. In-store, that persists too, but then there's the issue where it's just not a closed loop in the same way. Well, it depends on how you consider closed loop? Because sure, the person's in the store getting the ad and then buying the thing, but you don't see the conversion click in the same way.

Arielle Feger:

In a similar vein to what Sara Marzano was saying, I think we're going to have to start clarifying which Sara we're talking about here. I think in-store radio is a place where we're seeing retailers start to play, I think because consumers are already primed to listen to things in the store, whether it be music or announcements, it's kind of a low-stakes environment to start testing different ads and promotions. So I think we're starting to see that a little bit more and again, it doesn't take a lot of investment or lift when it comes to implementing.

Sara Lebow:

Do you really feel like consumers are primed to listen to in-store audio? I mean, when I go to the store, I feel like everyone has their AirPods in.

Arielle Feger:

I think there's always going to be people who aren't going to listen for whatever reason, but I do think that it's yet another way to get to consumers, whether or not it's one consumer or all consumers in the store. I still think it's another layer of introducing them to something new.

Sara Lebow:

And also those people who are listening to their AirPods are likely on their phones, which means there's a lot of potential for omnichannel app retail media, which isn't necessarily bucketed into that in-store ad spend, but does have activations that take place in the store.

Sara Marzano:

Yeah, I think the note on in-store audio, I agree with everything Arielle said and in terms of it being a lower lift, and most brick-and-mortar retailers already have audio systems that they're playing either advertisements or music on, and I think what'll be really sort of interesting is to look at how retailers layer the presence of that type of a marketing message with other marketing that's happening in the store. I think that'll be key in terms of if we think about how aware shoppers are of those messages that they're hearing in an audio format, if you could reinforce that using screens or using a mobile app push or using a sampling station, using and layering some of those activations together to see the behavior that it inspires.

Sara Lebow:

You walk into Target, you have the Peeps end cap display, you get the Peeps audio, you get the Peeps sample, and by the end, Arielle is sold on buying Peeps.

Sara Marzano:

You're coming around.

Arielle Feger:

Remains to be seen.

Sara Lebow:

But it does feel like almost like a return to basics. The things that will educate shoppers, help shoppers are the things that will work the best and also the things where you already have the hardware to do it. So in-store audio, like we said, TVs in-stores that already have them. And then I think there's much to be said for end cap displays and things like that that aren't going away anytime soon. Although the money that goes to them might be shifting around from shopper marketing toward retail media and that comes with its own set of complications.

Sara Marzano:

I think it'll be interesting to see how retailers take advantage of the fact that customers are really used to using their phones and their mobile apps while they shop in-store and so in that sense, the customer is sort of providing the technology themselves and so how do you leverage that channel to bring the messaging to the customer in-store?

Sara Lebow:

Yeah, Target's retail media lead, Sara Travis also named Sara, once said, it's something I was at, that 85% of people in Target are on their phone and that goes up with Gen Z. So yeah, I definitely think that omnichannel apps specifically are a huge opportunity.

Sara Marzano:

Absolutely.

Sara Lebow:

And a huge opportunity to collect data on consumers, which is the name of the game in retail media. Okay. That's all we have time for in the first half. So now it's time for pop-up rankings, where we take a look at specific examples and we rank them. Today, Arielle, Sara and I are going to share three in-store activations that get us excited about retail media. Arielle, you go first.

Arielle Feger:

Yeah, I am super excited for Ulta Beauty's Smart Vending Machines. They are piloting them currently in 10 cities across the U.S and essentially all people have to do, if you're a rewards member, you just put in your phone or your email. If you're not a rewards member, you can join right at the machine and you can claim a free travel size beauty product every week, which I think is really interesting.

So that's a great incentive to keep coming back to get new things. They're constantly refreshing the assortment, and again, you get a little travel size and you like it, you're going to buy the full size. So it really is just its own little ecosystem which keeps people coming in, trying products. And for Ulta, it's driving rewards member signups, and you're getting additional customer info on their preferences and how often they're coming in-store. So it's really a win-win all around.

Sara Lebow:

So the retail media opportunity here then is if I'm like Huda Beauty and I sell with Ulta, I might be gunning for a spot in that vending machine so that folks can sample my product.

Arielle Feger:

Absolutely. Yeah. It's a trial-based system, so it really helps people to try new brands. And if you're a new brand, you'd want to get in there.

Sara Lebow:

This to me is reminiscent of something that's worked great for Sephora, which is free sample size products on your birthday or during your birth month definitely gets you in Sephora during that month and this gets rid of the friction of having to talk to someone. I think the challenge here is the hardware and also people maybe taking advantage of it. The hardware of a vending machine, I mean, we have all experienced a vending machine. We've all kicked a vending machine in our lives.

Sara Marzano:

It's a universal affair.

Sara Lebow:

I would say a lot of childhood involves kicking a vending machine. So the vending machines have to actually work. People who work in your store become vending machine technicians. And then of course Ulta has a ton of young people in there. Now, I sound think young people are going to take advantage of the free [inaudible 00:14:59] thing, but I mean, I don't know. I could see people really going overboard with trying products.

Arielle Feger:

I mean, I think there's definitely that chance, but as we were discussing earlier, this is kind of the hardware part of it is one of the challenges of retail media in-store. So for sure, there's definitely going to be some troubleshooting what works best. But, I think that to the extent of having something that's engaging and that people are definitely going to be using, I think that it's a really great opportunity.

Sara Lebow:

I mean, I went into a Sephora last week, a bunch of the samples were missing or broken. I still tried some of them on my hand. I still bought a product. I still got my birthday gift. So if it's working for Sephora, it'll probably work for Ulta. Sara, why don't you tell us your activation that gets you excited about in-store retail media?

Sara Marzano:

Yeah, I mean, I think it's coming off of the heels of Arielle's example. It's sampling and product discovery. So Walmart's demo stations and sampling that they've announced bringing into stores as part of their in-store retail media offerings and it goes back to that sort of what's old is new again, so these aren't necessarily super technical activations that come with any hardware infrastructure, but they're talking about using QR codes, whether that's recipe inspiration or letting customers add products that they discover via sampling to their cart via the QR code, and that being really the way to bring the digital connectivity piece into play.

Sara Lebow:

Yeah, it definitely sounds like a return to basics for me. In this way, it's really useful for shoppers. A point of tension could be brands having to spend money in places that they didn't necessarily think they would need to spend money, so like getting those spots. This is good for retailers because it means more inventory, more ad spend, but for brands, it might kind of feel like a pay-to-play situation.

Arielle Feger:

But that's kind of retail in general too, right? It's all pay-to-play. So I can see maybe some brands bristling at it, but for some brands that's an extra opportunity to get their product in front of people and could be certainly worth paying for.

Sara Lebow:

For sure.

Sara Marzano:

Yeah, and I think what's so exciting about and why it's on the top of everyone's mind, but in-store retail media is the vast audiences that a lot of the brick and mortar players have access to, so I think it'll really come down to when we're asking advertisers to spend more and in new places, it's how does that pay off? How does the retailer really deliver on that incremental return on ad spend and prove out the efficacy of those advertising dollars?

Sara Lebow:

Well, that's a great point. It's something Arielle wrote about a few weeks ago. When you're talking about a Walmart or even a smaller player than Walmart, you're talking about audiences that rival CTV audiences and they're audiences that are actively buying. So if you're thinking of the store as a media channel, which is the entire point of this conversation, then the shoppers as an audience is a really big engaged audience.

Arielle Feger:

And they're ready to buy. Most people go to the store with a purchase in mind, so they're already in that mindset, which I think is incredibly valuable.

Sara Marzano:

We have some data in our path to purchase study showing how much more likely customers are to make a purchase immediately if they discover a new product while they're shopping in-store, because they're already, to your point, Arielle, in that mindset. So it's a great time to kind of facilitate that discovery of a new product that the call to action is more likely to pay off.

Sara Lebow:

Okay. It is my turn to share an activation that gets me excited about in-store retail media, and I am cheating at my own game by a stepping slightly outside of the store doors. So last year, TikTok partnered with Gas Station TV on their products at the gas pump to create engaging video content there. This to me, is definitely a retail media opportunity. So many retailers have their own gas stations that are right there, but beyond gas stations, there are a lot of other places just outside of the store where people are idling and just failing to look at ads.

So the gas station is one of them, so is waiting at click and collect, as are charging stations where people sit in their car and wait for them to charge. There are challenges here. People are definitely on their phones in these situations and also because these activations are outside, the hardware needs to be really robust because it's open to the elements. But overall, I think thinking about the outside of the store, the parking lot, the charging stations as an expansion of retail media is really wise.

Arielle Feger:

Yeah, absolutely.

Sara Marzano:

I think it's really smart to think about instances where a shopper is going to be lingering, physically staying in one place for a few moments, whether that's at a gas station or maybe even waiting in their car for a curb-side pickup order, we talked about cooler screens earlier in the show in terms of that disruption, right? If someone's trying to get into something or see what's there, and then you're interrupting this behavior that someone's trying to get completed. So thinking through where you're going to have traffic, so to speak, that's hanging out for a few seconds makes a lot of sense.

Arielle Feger:

For those of you who don't know, Sara Lebow's favorite thing to do is think about-

Sara Lebow:

What is it?

Arielle Feger:

Where ads can be put while people are stationary or idling positions. And she's brilliant at it, so.

Sara Lebow:

Advertisers, come talk to me. I have ideas.

Sara Marzano:

There are surfaces everywhere.

Sara Lebow:

There's so many places where you're just standing there. Yeah, there are surfaces everywhere and there are moments of idling everywhere. My big one is the microwave, but I've got other ideas. Come to me. I'm thinking about them all the time.

Arielle Feger:

Jack Donaghy from 30 Rock would be proud.

Sara Lebow:

I have a lot of ways that I can think of making the experience of the world even more like a shopping mall. You too can be a billboard.

Sara Marzano:

Oh, boy.

Sara Lebow:

Okay. On that note, that is all we have time for today. So thank you for roasting me today, Arielle.

Arielle Feger:

Always happy to do it.

Sara Lebow:

And thank you for debuting on the podcast, Sara, excited to have you back.

Sara Marzano:

Thanks for having me.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts. Thank you to our listeners and to Victoria who edits the podcast and always keeps good things in store for us. 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, an eMarketer podcast made possible by Walmart Connect.

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