

Taking a look at the 5-year outlook for Walmart Connect's ad business

Article

Walmart will net \$2.22 billion in US digital ad revenues this year, per our forecast. This makes it the only retail media ad business outside of Amazon to net more than \$1 billion, ranking second among all retail media networks with 5.9% share of retail media ad spend this year.

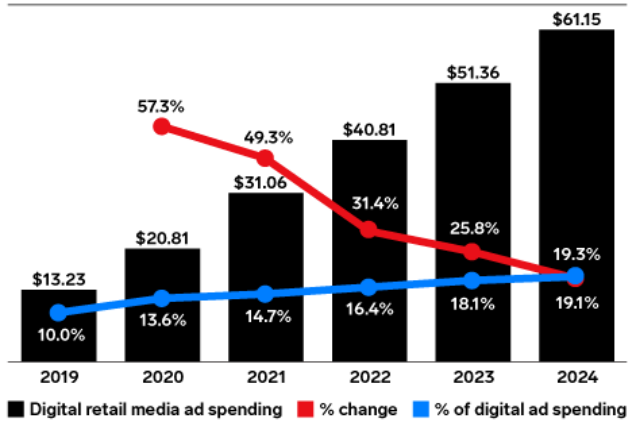
Ad revenues remain a small fraction of Walmart's retail business. The business has attractive margins but will need to reach even greater scale to meaningfully improve the company's

bottom-line performance.

The 5-Year Outlook

Walmart will gain share of the fast-growing retail media advertising market in the coming years. We forecast that Walmart's US net ad revenues will nearly triple between 2021 and 2024 to \$4.52 billion, accounting for 8.2% share of US retail media digital ad spending. Walmart will also emerge as a more important player in the wider digital ad ecosystem by the end of 2024, moving ahead of Snap, Twitter, and Yahoo into the No. 8 position with 1.5% of total US digital ad spending.

US Digital Retail Media Ad Spending, 2019-2024
billions, % change, and % of digital ad spending



Note: digital advertising that appears on websites or apps that are primarily engaged in retail ecommerce or is bought through a retailer's media network or demand-side platform (DSP); examples of websites or apps primarily engaged in retail ecommerce include Amazon, Walmart, and eBay; examples of retail media networks include Amazon's DSP and Etsy's Offsite Ads; includes ads purchased through retail media networks that may not appear on ecommerce sites or apps
Source: eMarketer, March 2022

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Walmart is well positioned for the future of digital advertising. The deprecation of cookies and third-party identifiers, plus growing privacy legislation and regulatory constraints, favor the key players in retail media. Any decline in the availability and effectiveness of third-party behavioral data makes first-party shopper data that much more valuable to advertisers.

Beyond the privacy backdrop, Walmart is poised to take advantage of retail media's next three pillars of growth: upper-funnel ad formats, offline sales attribution data, and in-store digital media.

Its partnership with The Trade Desk has accelerated Walmart's shift into upper-funnel ads using a proven DSP. Walmart's offline sales data footprint could substantially change the

ROAS equation, while its huge store footprint and hundreds of millions of monthly shoppers could prove that the store is the next major media channel for brands.

Walmart could benefit from digital or streaming video assets to fuel its advertising flywheel.

This could explain Walmart's interest in acquiring TikTok a couple years ago. And Walmart's recent partnership with Paramount+, which bundles the ad-supported offering into Walmart+ memberships, could signal a more strategic ad targeting and measurement partnership, or even an eventual acquisition. As Walmart Connect matures, access to high-value streaming inventory will be critical to unlocking its full potential for brands.

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The Power of Walmart

