

What does China's story about retail media tell us about the US' growth potential?

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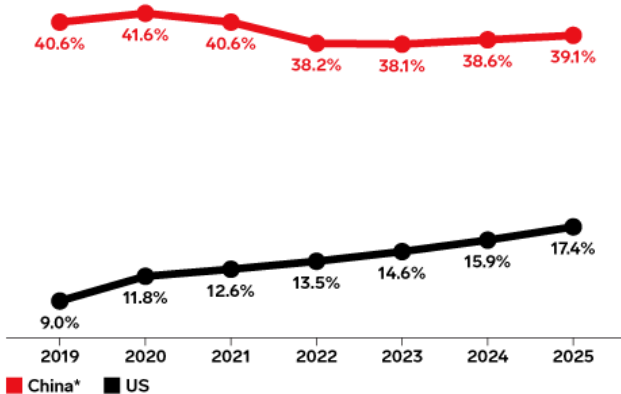
Retail media advertising has been a prominent part of the digital ad industry in China for many years. While overall digital ad spending in the US far exceeds digital ad spending in China, the

same has never been true of ecommerce channel ad spending. However, the US is now growing faster and has more headroom for growth than China.

China's example would suggest that retail media has enormous headroom for growth in the US. Companies like Amazon have been growing their ad revenues by leaps and bounds, and yet ecommerce channel ad spending will still only represent 14.6% of the US digital ad market this year. In China, the share will be 38.1%.

Ecommerce Channel Ad Spending in China* vs. the US, 2019-2025

% of total digital ad spending



Note: digital advertising that appears on websites or apps that are primarily engaged in retail ecommerce; examples include advertising on Amazon, Walmart, Alibaba, and JD.com; excludes advertising on social networks or search engines; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; *excludes Hong Kong
Source: eMarketer, March 2023

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Advertisers in the US still have a lot more choices than those in China, so an eventual 40% share for retail media seems unlikely. For instance, in China, ecommerce search ad spending will represent 64.0% of total search spending this year, largely because Baidu remains unattractive to many marketers. But in the US, where Google is preeminent, ecommerce search will only attract around 27% of search dollars.

- **The field remains crowded.** Traditional search, social media, short-form video, and connected TV (CTV) will all continue to jockey for marketer attention in the US, limiting to some degree how big retail media can get. Whereas in China, only short-form video platforms and **Tencent** are truly competitive with the likes of Alibaba and co.

- **Still, business is booming.** Retail media is having its moment in the US, where we project it will outpace all other forms of advertising over the next several years. We forecast accelerating spending growth this year and next across each of the various metrics related to retail media (total omnichannel, ecommerce channel, ecommerce search, ecommerce display, and in-store).

Report by Ethan Cramer-Flood May 25, 2023

How Retail Media Advertising in China Compares With the US

