

What the Kroger-Albertsons merger tells us about the future of retail media networks

Article

Kroger plans to acquire Albertsons, a nearly **\$25 billion deal** that will result in a **retail media network** capable of reaching 85 million US households, according to the company.

It's quite literally a big deal. Whether or not the deal goes through—the merger is vulnerable to **antitrust concerns**—it reflects the major potential for retail media, which refers to company-owned advertising networks.

- “The key rationale [for the merger] is retail media,” said our analyst Andrew Lipsman on our **“Behind the Numbers: Reimagining Retail”** podcast. “It’s amazing that they stated that so explicitly up front.”
- Retail media will bring in \$37.39 billion in US ad spend this year, more than triple what it was in 2019.
- Both companies have high-quality first-party data through loyalty programs. That data is valuable, especially in a cash-strapped advertising ecosystem struggling to accurately target consumers.

How do online sales drive offline spend? Advertisers don’t have much explicit data on this. But retail media that follows how consumers behave online and in stores will foster a new age for targeted advertising.

- “Right now we’re just really accounting for online in most campaign measurement,” said Lipsman. “If you can account for offline, you might see that your return on ad spend of \$4 goes up to \$6, maybe \$8, maybe \$10, and that starts to funnel in a lot more investment.”

The future of retail media will be physical. Online search makes up much of retail media ad spend right now (think boosted results on an Amazon search). But with consumer data, more and more ad spend will trickle to stores.

- Some **90%** of grocery sales still happen in stores. That’s over \$1 trillion in sales that advertisers will be able to target more accurately—if they have access to the right data.
- “Stores are the next new media channel,” said Lipsman. Stores are “contextually relevant,” meaning consumers are already expecting to make purchases, and “brand safe,” meaning ads won’t end up near controversial content.
- “As analog experiences at store shelves, endcaps, cooler doors, and checkout aisles are replaced with **dynamic and interactive** digital experiences, new opportunities abound,” summarized Lipsman in a recent Analyst Take.

A match made in aisle seven: By combining their footprints, Kroger and Albertsons would create one of the largest in-store media channels in the US. Those stores give it an advantage

over Amazon and Instacart, whose retail media networks are primarily digital, and Walmart, which lacks high-quality first-party data from in-store shoppers.

- “There are only so many ad dollars to go around,” said our analyst Zak Stambor. “As these networks grow more sophisticated, the competition’s only going to intensify.”

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