



The Seven Challenges for Retail Media in 2023

www.retailmedia.works

COLIN LEWIS

MICHAEL ISLIP

Introduction: It's Time for Take-Off

We've seen the surge of retailers building retail media businesses across the globe. We've seen all the stories about size, scale, and growth.

Talking to retailers, advertisers, analysts and marketers across about Retail Media- we found that there were a set of common threads that came through all our conversations.

Michael and I collated these ideas to reflect the trends and learnings that stood out to us from talking to people in Australia, US, Canada, France, Turkey, Chile, Ireland, Hong Kong, Holland and the UK.

Here at Retail Media Works, we believe that 2023 is the time for advertisers to buckle up and get retail media on their radar, for retailers to do their part in evangelising retail media and for the wider retail media tech ecosystem to speak the language of marketers not the languages of tech.

If you have any questions, insights or ideas about retail media please do get in touch.

Colin Lewis and Michael Islip

colin@retailmedia.works michael@retailmedia.works



Challenge #1

**The Peak of Inflated Expectations
with Retail Media**

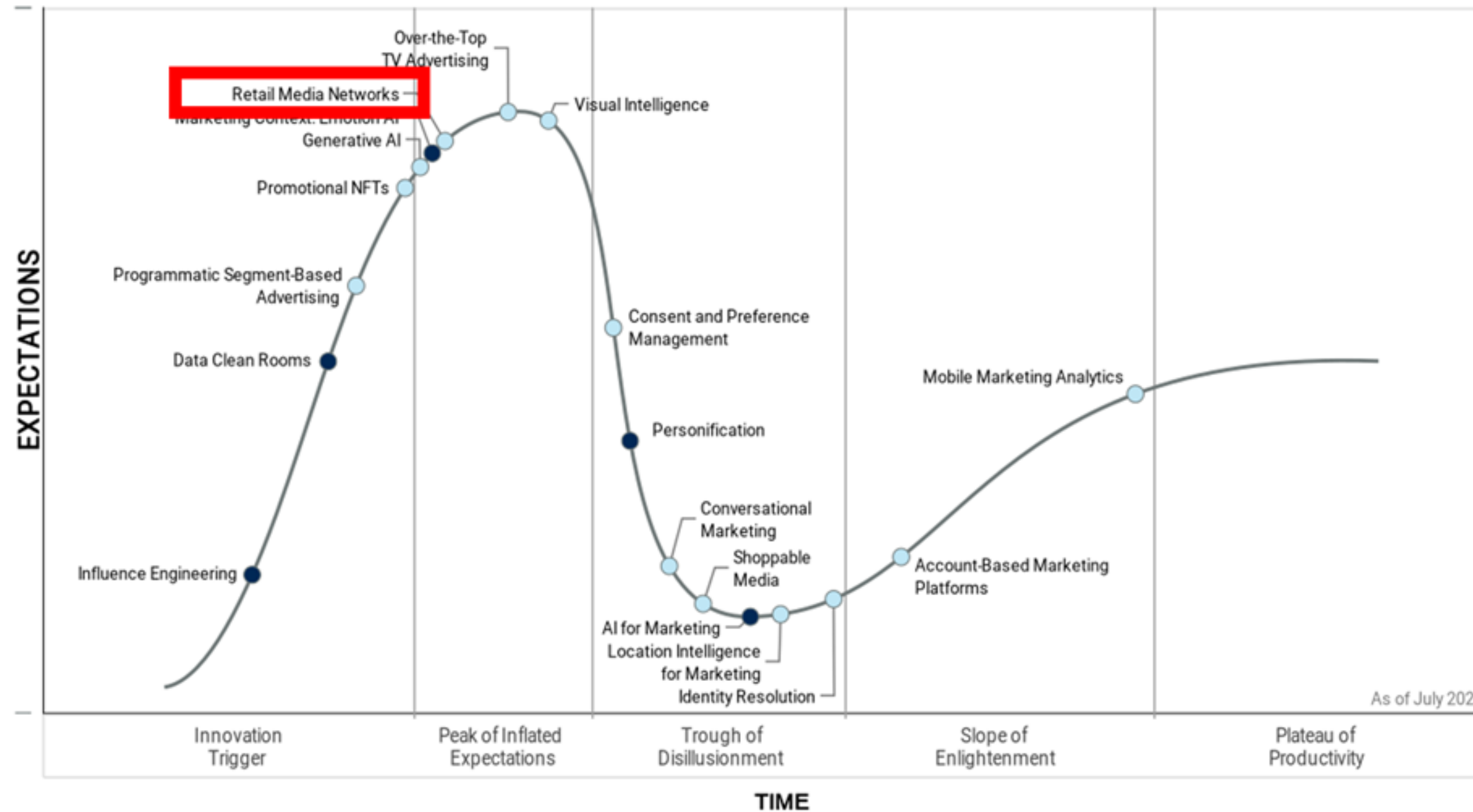




"The Gartner Hype Cycle provides a view of how a technology or application will evolve over time. The Gartner Hype Cycle allows clients to get educated about the promise of an emerging technology within the context of their industry and individual appetite for risk."



According to Gartner, Retail Media Networks are rising to be the 'peak of inflated expectations'.



What follows the 'peak of inflated expectations'? The 'trough of disillusionment', of course.

We have seen this before:

Imagine it's 2007 and someone has just explained Google AdWords to you for the first time.

Do you...

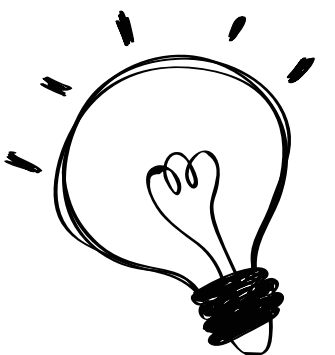
A > Put your head in the sand and say 'that will never catch on'

B > Quickly join the dots to see the massive opportunity coming?

Many marketers did A) in 2007.
Good marketers are already doing B)

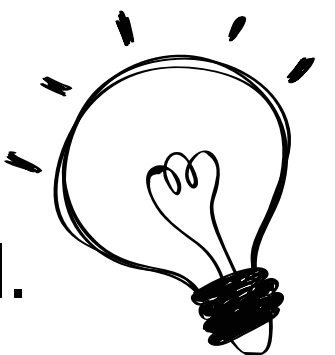
THOUGHTS FOR BRANDS

- Choose your Retail Media network wisely: Traffic quality, relevance and targeting capabilities are important, but they are no use without data.
- Brands should be insistent on knowing the quality and quantity of insights and data available from a Retail Media Network. The success of any Retail Media campaign is contingent on data quality.
- Rethink the Joint Business Plan (JBP) as a result of the potential of retail media to enable better joint plans to increase category sales, conversion and basket size.
- Allocate your retail media budget for each step of the shopper funnel - 'awareness', 'consideration', 'purchase intent' and 'purchase' 'loyalty' to align with your brand goals.



THOUGHTS FOR RETAILERS

- Make sure you have a clear value proposition that differentiates you from other Retail Media Network.
- Create advertising and insight packages that solve a problem for brands – not just what you can sell.
- Look at the Joint Business Plan (JBP) as an opportunity to harness retail media to enable better joint plans with your suppliers to increase category sales, conversion and basket size.
- Remember that you are now in the media business – not just a retailers or a trader. Media businesses are different to retailing and require a different mindset.
- Price your media for value created – not for what you can get away with. If you price with the mindset of the latter, you will just be offering trade marketing proposition with a different label.



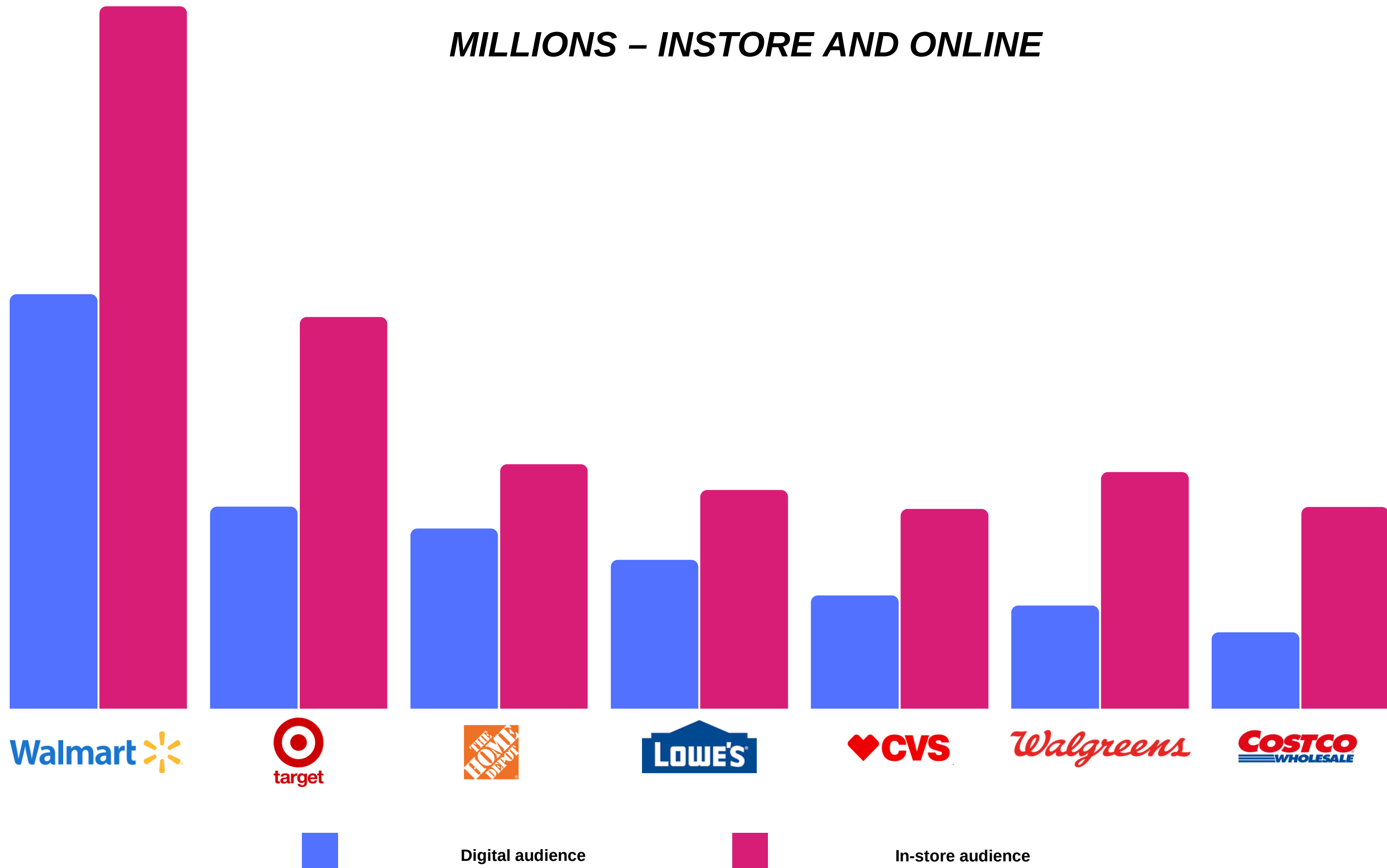
Challenge #2

**Space – The Final Frontier
(as in store floorspace!)**



US Monthly Audience Reach

MILLIONS – INSTORE AND ONLINE



Source: Andrew Lipsman, Insider Intelligence

Digital source: ComScore, June 2022, US

In-store source: Placer.ai, June 2022, US



*"The digitization of the physical store—one of retail's next megatrends - will radically transform retailers' ability to provide dynamic, interactive media experiences at store shelves, endcaps, cooler doors, and checkout aisles. As this trend emerges, we will come to realize that **physical stores are the next major media channel.**"*

Andrew Lipsman, Insider Intelligence



So writes Andrew Lipsman, Principal Analyst, Retail & Ecommerce. He also asks the question:

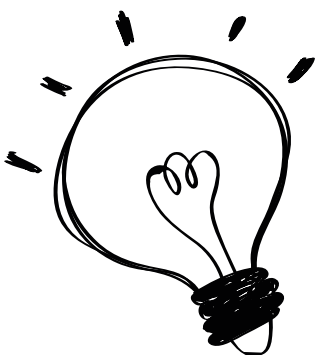
Is delivering ads close to the point of purchase as **performance advertising** or **brand advertising**?

“Think about it this way: in-store digital media helps brands reach and influence consumers at scale, during opportune moments, in brand-safe contextually relevant environments.”

THOUGHTS FOR RETAILERS

Andrew Lipsman of Insider Intelligence writes, “*in store might be akin to traditional TV advertising, and maybe even better*” . Here are several ways to reframe the role of instore:

- At top retailers, brands can reach tens of millions of shoppers every week more than 100 million every month in the US. TV rarely achieves that anymore.
- There is lots of ‘media’ running in store – but much of it is offline,
- Treating stores as a media channel could unlock brands’ national media budgets rather than just shifting spend from trade and shopper marketing.
- But there is a BIG but. There are lots operational and technical challenges in implementing in-store ads as self-serve or programmatically (Lots – in fact!).



Challenge #3

**The Proliferation of Retail
Media Advertising Networks**



“

“As the foundation of limitless access to user data is challenged and potentially eradicated, the ground beneath the digital advertising ecosystem shifts, and new operating models emerge.... One of those new operating models is that everything becomes an ad network”

”

“The changes due to the death of the cookie bestow a privilege upon any form of first-party data that can be used for ad targeting in a native environment. Put another way, any one i.e., retailers sitting on piles of first party data are in pole position to attract ad spend and offer closed-loop attribution.

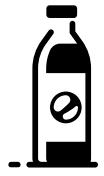
Eric Seufert of MobileDevMemo.com

The snag is obvious.

“Suddenly every retailer under the sun has their own media network – but they’re not connected, and you can’t really buy across all of them.”

Mike Froggatt, Lead Analyst at Gartner.

Everything is an advertising network.



*“**Brands** find the lack of standardisation across media platforms challenging to navigate.”*

Emily Frankel, Senior VP and Head of eCommerce Marketing.



“..... more seamless, personalised and franchise-focused ecommerce experience through its ShopDisney platform, which will be complemented by greater integration with Disney Parks apps and social media platforms.” **Disney Media & Entertainment Distribution (DMED) Ad Platform.**



***Apple** generates about \$4 billion in annual revenue from its ad business but wants to grow the segment into the “double digits”* **Bloomberg.**

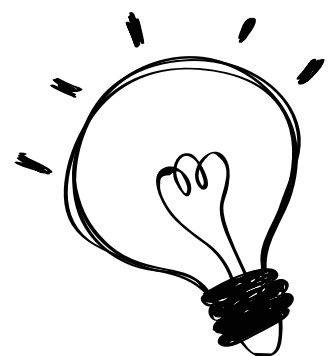


Uber have an advertising platform called Uber Journey Ads to deliver ads in the Uber and Uber Eats apps, sponsored emails, in displays on top of cars, in-vehicle tablets.

Lyft has announced its own advertising subsidiary, Lyft Media.

THOUGHTS FOR EVERYONE

- Fragmentation means multiple consoles for marketers to work with, multiple different flavours of retail media networks and multiple different measures and attribution.
- Brands will push back on this duplication of walled garden advertising networks.
- Research by Insider Intelligence already shows that *audience size* (traffic and scale), *audience quality*, *targeting capabilities* and *audience relevance* matter most to brands. If you are a retailer who does not offer these, then you must have a unique value proposition.
- Aggregated consoles, aggregated measures and aggregated tools will be launched. The question is who will do this? Brands must watch out for who claims to deliver this – as this is a difficult problem to solve.



Challenge #4


**Abstractions and Algorithms:
The Role of the Digital Shelf
Makes Retail Media a
Moving Target**



"Unlike physical store shelves, which retailers reset a few times a year, 'digital shelves' generate in real time the moment shoppers search for a product or browse through a product category. And often times they show customised results depending on the location or profile of the shopper. The fundamental difference between these two scenarios is that digital shelves are determined by algorithms, which require a completely new layer of interaction between retailers and suppliers."

Vince Jones, Head of eCommerce at PepsiCo.



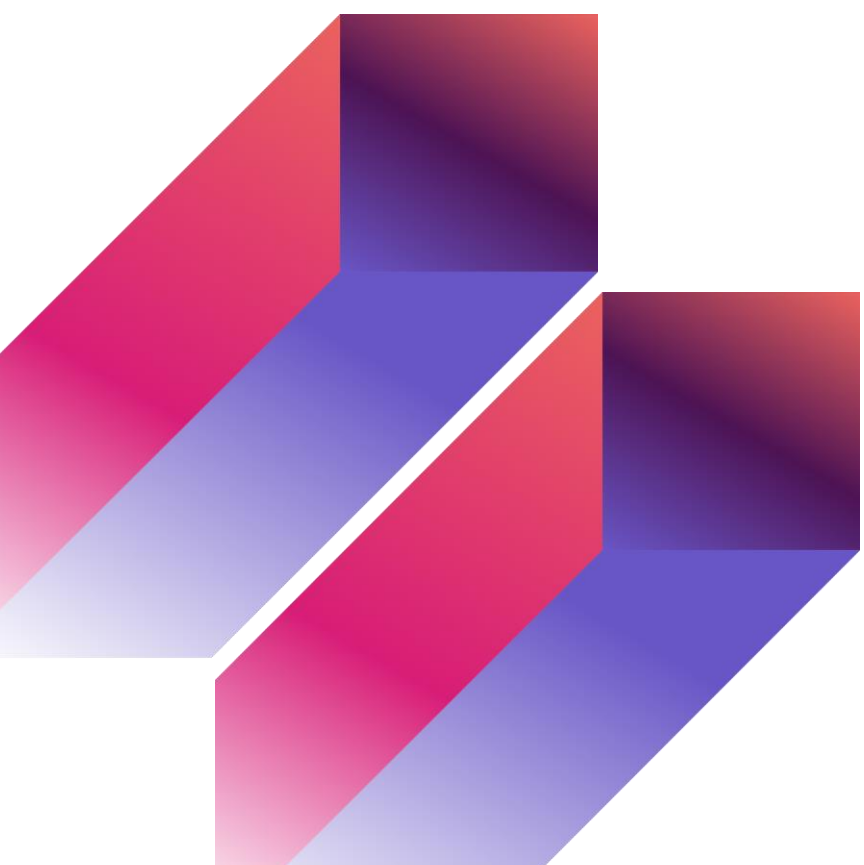


Digital shelves change from shopper to shopper and moment to moment – depending on the searches made. This is completely unlike physical store shelves.

As a result, both brand and retail struggle to make sense of these layers of abstraction, unsure where to put their efforts and how to place them.



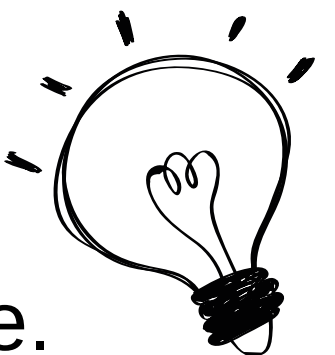
Even P&G CFO Andre Schulten has difficulty explaining their switch to digital to Wall St: “*We are actively shifting our spending from linear non-targeted TV into programmatic and into digital spend that is a lot more targeted and a lot more precise in terms of delivering reach. It is difficult to describe media sufficiency in dollars.*”



“It’s a difficult explanation to make, even internally”, according to P&G CFO Jon Moeller. Moeller even said to Wall St “*I’m sure it’s frustrating because you don’t have visibility to all of that,*” Moeller said. “*You just have visibility to the dollars, which I completely understand.*”

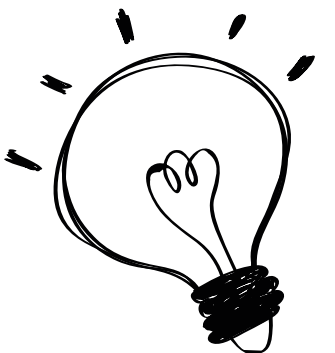
THOUGHTS FOR BRANDS

- Human nature being what it is, people understand what we can see, touch, feel and hear.
- With programmatic media and digital shelves, we never see what the other person sees, we only see the outcome – did the shopper buy or not?
- Algorithms run retail media and relationships with actual people are being replaced by user interfaces.
- CPG executives must work hard to get buy in from CEOs for doubling down on spend on Retail Media Networks
- At the same time, CPG executives should tap into the newer full funnel propositions that Retail Media Networks are offering deliver on brand goals – not just performance.



THOUGHTS FOR RETAILERS

- Remember the obvious: we are still at the early stages of Retail Media Networks. Many brands see Retail Media as just another trade marketing proposition – or worse still – another ‘tax’ on brands to get distribution.
- Brands need a credible story around data and insight to win over brands. Expecting budgets to be increased without a corresponding increase in value creation from retailers is not exactly a credible strategy.
- Focus on enabling brands to reach customers at every step along the path to purchase – in other words, create full-funnel propositions that support traditional CPG objectives around brand and consideration.



Challenge #5

**Isn't Retail Media just
Shopper Marketing and Shelf
Wobblers on Steroids?**





Cynics, naysayers and snake-oil salesmen abound in advertising. There is a particular type of naysayer who looks at any new media they see through the lens of *‘how things were in my day’*, or what a bad company Amazon is and therefore, “*Amazon Advertising is bad.*”



This particular type of naysayer believes that Retail Media or Amazon Advertising is just the online version of:

- Listing fees
- Trade advertising
- Shelf wobblers
- End caps



As advertising legend, Bob Hoffman says, *'relying on own behaviours and tastes is narcissism disguised as strategy'*.

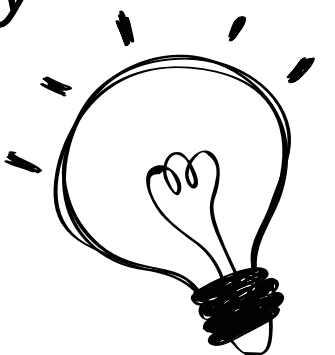
THOUGHTS FOR THE CYNICS

The Retail Media Networks are ready for the cynics. Here is what Brian Spencer, Director - Product Strategy & Innovation, Kroger Precision Marketing has to say:

“What is happening with Kroger Precision Marketing is that we are making the top of the funnel narrower. Brands are no longer buying big TV campaigns using a scattergun approach at the top of the funnel. At the bottom of the funnel, conversely, retail media makes the bottom of the funnel a little bit wider, because grocery is a category that you shop every week.

We really believe that the whole funnel can be precise: at the top of the funnel, retail data can make the top of the funnel more efficient. We can reduce waste. We know exactly which people were exposed and not exposed at the top of the funnel.

Retail Media is about reducing waste at the top of the funnel”



Challenge #6

**The Real Game -
New Forms of Collaboration**

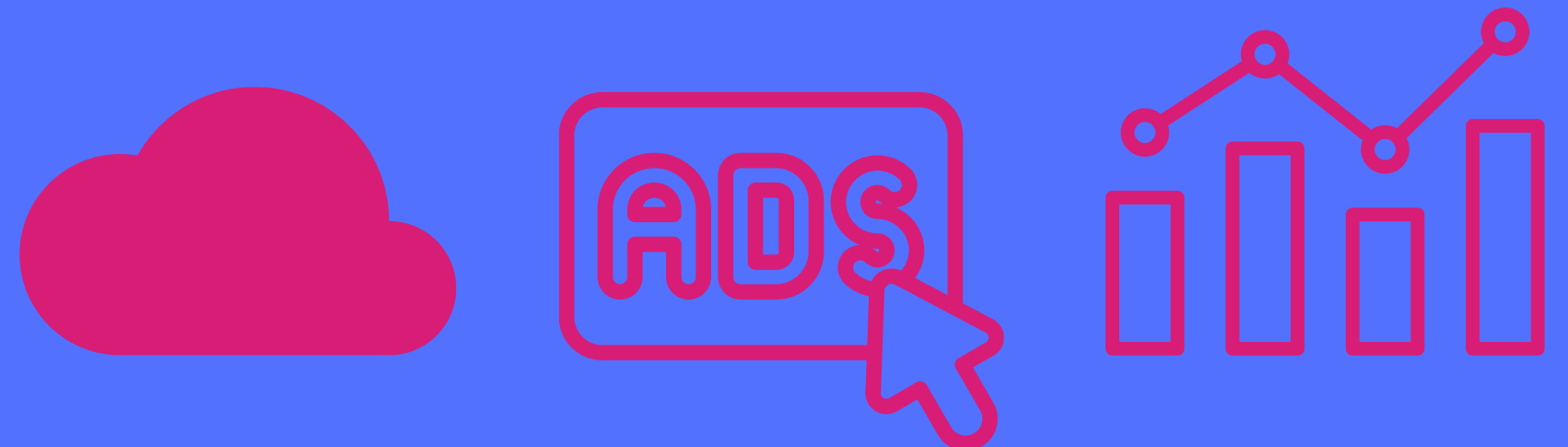


As Retailers create “walled gardens” of consumer data that combines actual shopper intent and purchasing data combined with loyalty card data, a *new game* will have to emerge between brands and retailers. This *new game* will be based on total collaboration to unlock value.

What form will this take?

We already have the answer, as Amazon has already shown the way with its Amazon Marketing Cloud. Amazon force their customers to sign in and shop which means they can track and attribute shopping to ad served.

When Amazon shares this data, brands get advertising and funnel analytics second only to direct to consumer websites – perhaps even better.



THOUGHTS FOR EVERYONE

Retail Media will drive at least six different ways for better collaboration:

1. Better joint execution to drive more traffic, increase basket size, more availability, cost reduction
2. Breakthroughs in joint business planning between brands and retailers to create and capture more value through retail media onsite and shopper and performance marketing.
3. Deeper understanding of trends to drive category and brand growth
4. Improved consumer experience and reduced barriers to conversion using clickstream data from the consumer journey or deep-diving in the top search terms by category
5. Innovation through the creation of new products that can use the power of retail media to test and learn about the shopper's reaction to new products
6. Reduce out of stock instances by having real-time inventory management connected to demand.

QUESTIONS FOR EVERYONE

The question here is...

Are retailers and brands ready to break their previously antagonistic relationship and work together?



Challenge #7

**Does Retail Media Drive
Incremental Sales?**



Is Retail Media Incremental?

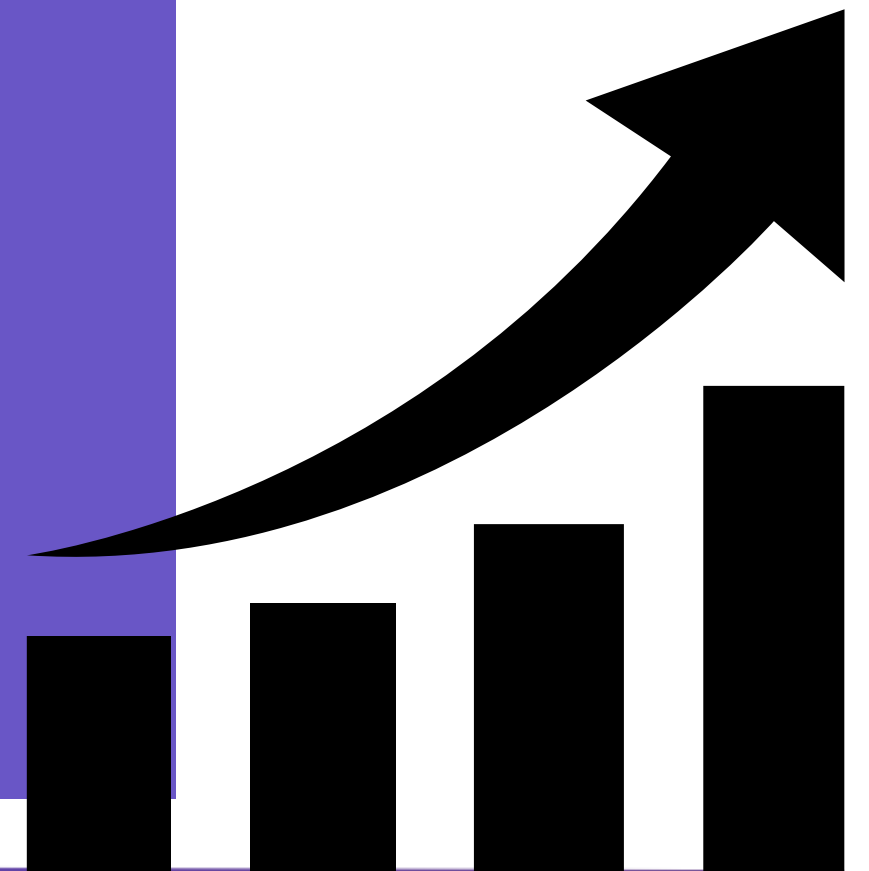
This is the question that many brands are asking of the retail media networks they are being asked to invest in. *Lift* is another term used to describe the incremental results gained from retail media advertising activities.



The key is to measure if sales conversions are new to the brand or to know if the attributable conversion is cannibalising the organic customer base or being attributed to sales where the shopper arrived from other paid media sources.

As Russ Dieringer of Stratably points out:

“A brand spend is driven by the metrics they are optimising, like new to brand and incrementality sales. Instead of shifting search funds to branded terms and applauding increased ROAS, brands are instead saying, let's grow actual sales and maybe that means non-branded tactics are preferred even if ROAS is lower”.



THOUGHTS ON INCREMENTALITY

- The answer to the question of Incrementality depends on the type campaign, spend, share of voice, media types, demographics. Brands should be specific about what 'sort' of incrementality they are referring to.
- Sales lift is not the only measure that matters: ROAS, ROI and new to brand also matter to brands
- Russ Dieringer of Stratably points out that brands need to start with understanding the consumer first, because all products and categories have unique paths to purchase: *"How are they going to use Kroger differently than Walmart? Differently than Target, differently from Amazon?"*
- Metrics in the retail media 'game' are not standardised: Trade bodies such as the IAB in the UK, USA and across the world are doing great work on this topic. These need to be addressed and agreed quickly for retail media to have credibility with brands and for the industry to grow.
- New channels will affect metrics: Andrew Lipsman of Insider Intelligence writes: *"Retail media is moving up the funnel into streaming TV, instore retail media is rising and the impact of offline attribution data"* means that more measurement frameworks will need to be introduced which will move the conversation away from just focusing on incrementality or conversion as being the most important measure.



@retailmedia.works

GET IN TOUCH



www.retailmedia.works

www.linkedin.com/in/colinlewis/

colin@retailmedia.works

<https://www.linkedin.com/in/mislip/>

michael@retailmedia.works