NIQ

Retail media: the two biggest challenges* facing brands today.

*AND THEIR SOLUTIONS.

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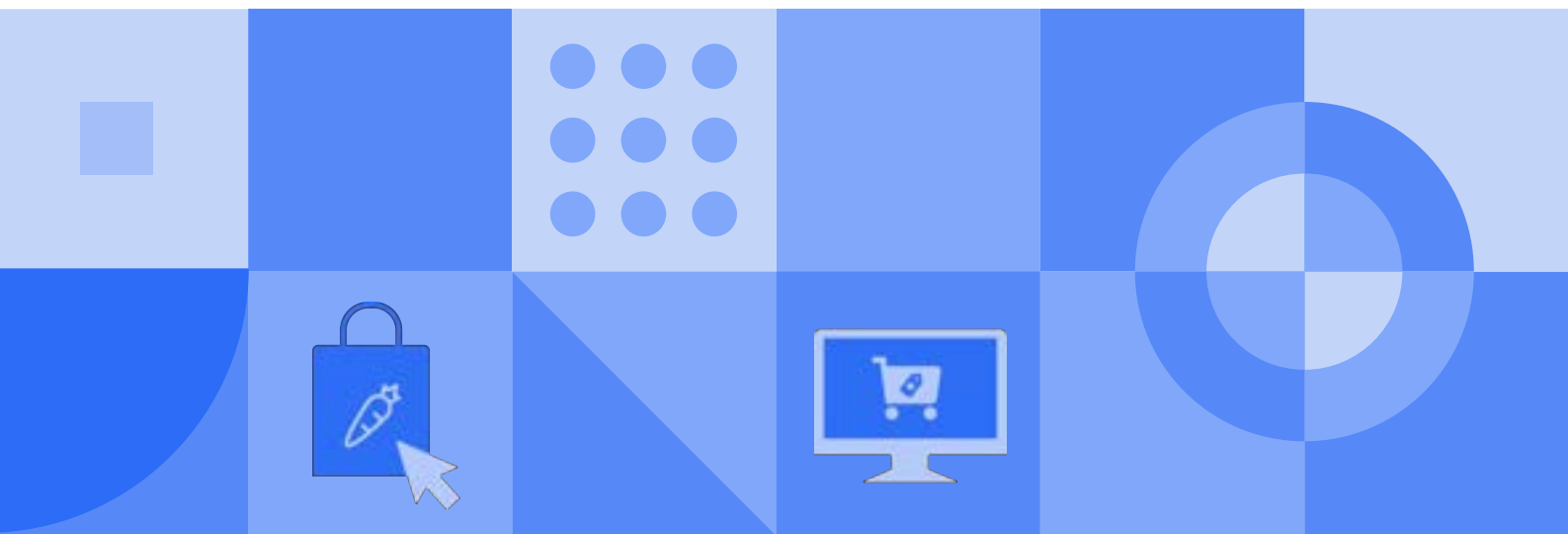


Introduction

It would be the **understatement of the year** to say that **retail media networks** (RMNs) are a hot topic. Brands are spending more and more on retail media as it rapidly becomes a cornerstone in the advertising strategies of CPG (consumer packaged goods) brand manufacturers.

Why all the interest? There are several factors:

"A 21.8% rise this year (in retail media ad spending) will outpace growth rates in nearly all other forms of ad spending."

-eMarketer 2024

1. Ecommerce is growing.

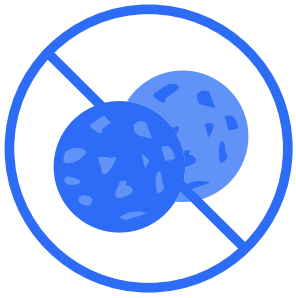
As more shoppers spend more time online browsing, researching, shopping and buying, **advertisers know they need to be where shoppers are**, and retailer sites is where that is.

"Digital-influenced retail sales' share of total retail sales will increase from 60% in 2022 to 70% in 2027."

-Forrester

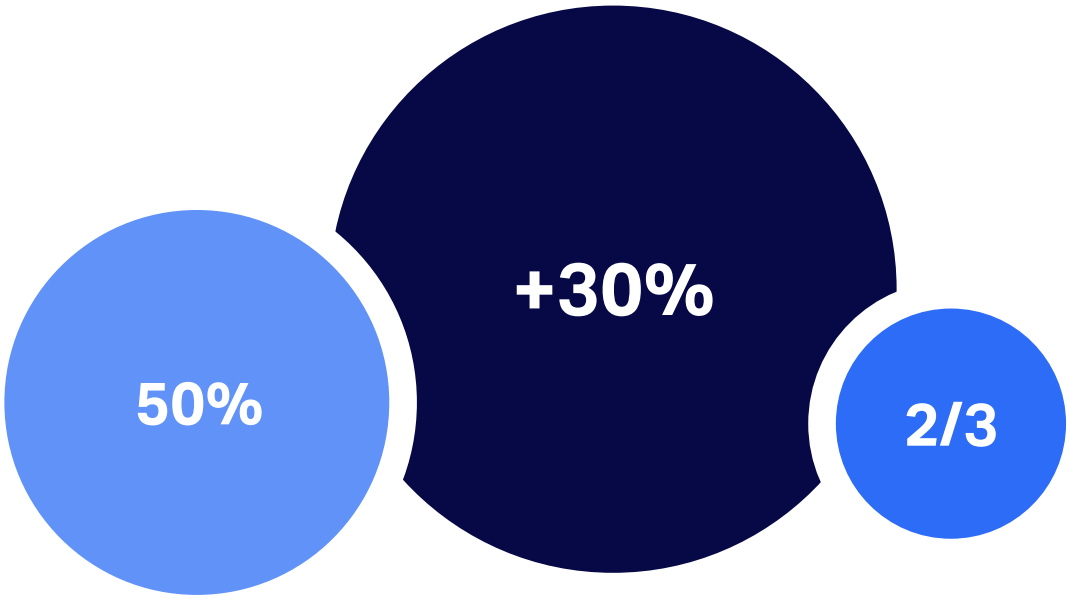
2. The impending cookieless future.

Google recently delayed the end of cookies for a third time, but the new end date is early 2025, and due to regulatory and industry pressure, this date may stick. As a result, all the third party data cookies have been bringing advertisers for years—not to mention Google itself—will be no more. RMNs have emerged as the best, and probably better, option.



3. The strength of first party data

Retail media networks provide advertisers with access to **rich first-party data collected from shoppers**. It's rich in that it's more complete and precise—and therefore more valuable than the 3P data that cookies gather. This data includes purchase history, browsing behavior, and demographic information, enabling highly targeted and personalized advertising. Retailer 1P data is **increasingly deep**, and retailers can leverage this customer data to offer **precise targeting, improving ad relevance and effectiveness.**



4. Checkout proximity

Ads on a retailer site appear at critical moments along the consumer journey, making them **more effective than simple display or shelf advertising**. This flexibility based on shopper activity enhances the impact of advertising, as it reaches consumers **when they're in a buying mindset**. This personalization leads to higher conversion rates and better return on ad spend (ROAS).

5. Comprehensive measurement

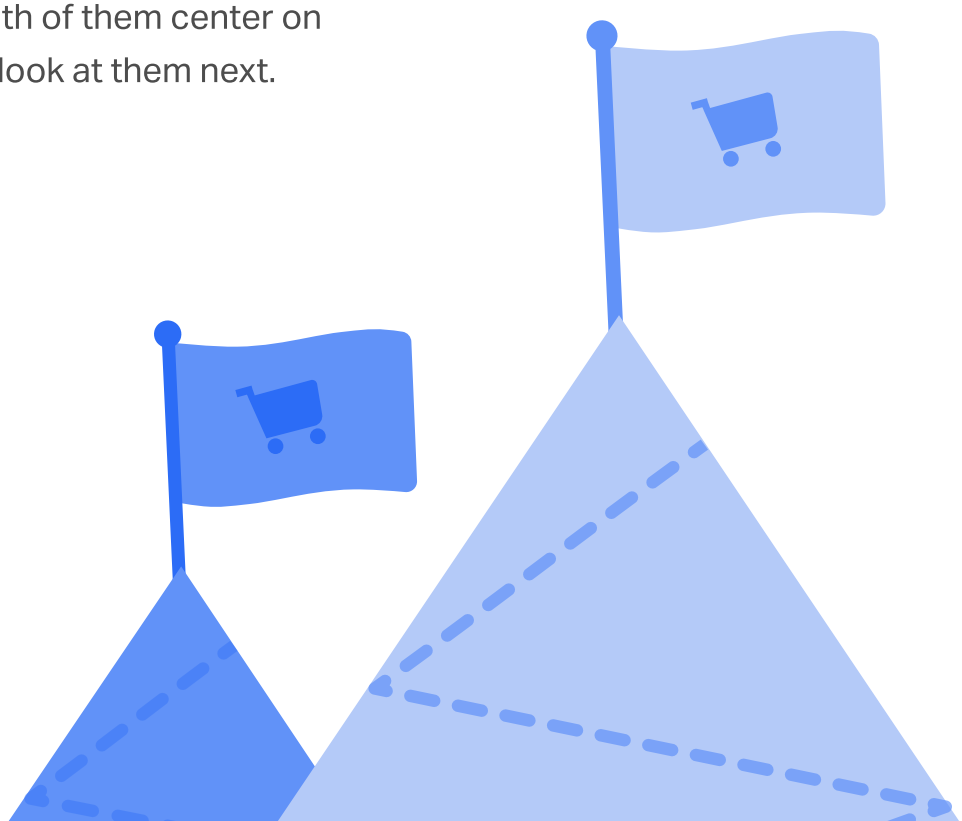
RMNs offer robust closed-loop measurement and attribution capabilities. Advertisers can track the **entire customer journey** from ad exposure to purchase, allowing for precise measurement of ad performance. This end-to-end visibility helps advertisers see which campaigns drive sales, so they can optimize their strategies accordingly. This ability to link advertising spend directly to sales has been a **highly sought-after feature** in performance-driven marketing for some time.

"Retail media is forecast to grow by more than 20% this year... reaching $55.35 billion in 2024."

-Insider Intelligence

However, despite the obvious benefits for retailers (margins for advertising on their RMNs well in excess of core retail operations, improved customer experience, enhanced loyalty programs) and the potential benefits for brands outlined above, many brands report that with their increased ad spend their ROAS is **actually decreasing.**

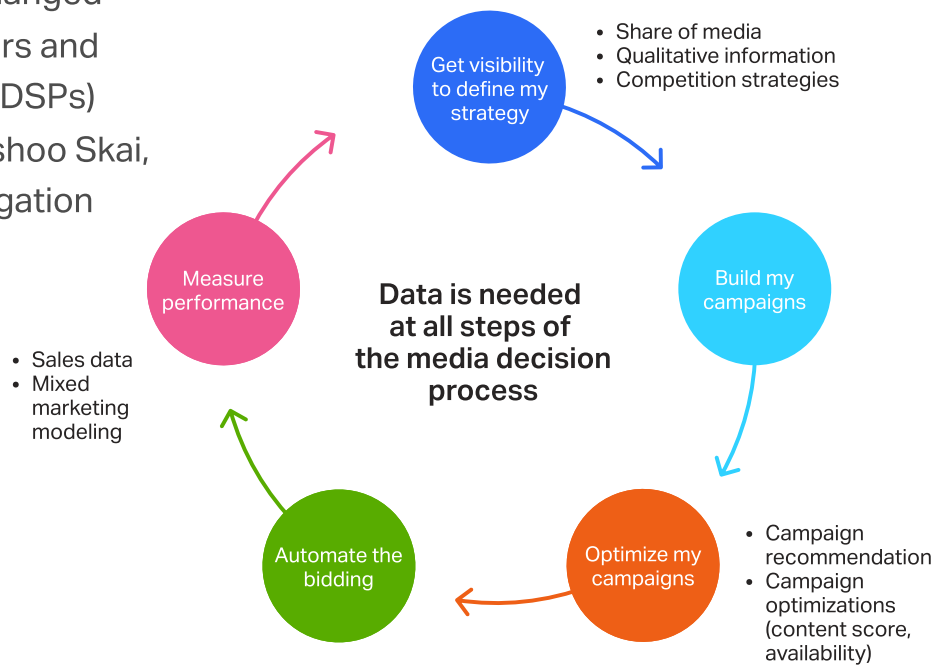
CPGs companies face two major challenges in retail media and both of them center on managing data. We'll look at them next.



Challenge 1: Integrating data from multiple retailer networks

There are a few different terms here which refer to aspects of one larger problem -- RMNs all collect and store their own data their own way. These data silos create a **fragmentation of data** because it's isolated by retailer. A lack of **standardization** across retailers means CPGs struggle with accessing data from various RMNs. Thus, consolidating and analyzing this information is an issue. The standardization problem is compounded by the fact that KPIs are not consistent across retailers either, which means analyzing data—once it has been accessed and aggregated--is challenging.

A good digital shelf service provider can resolve that issue. Increasingly, data is exchanged between service providers and demand-side platforms (DSPs) like AMZ, Pacvue or Kenshoo Skai, which makes data aggregation **even more complex.**

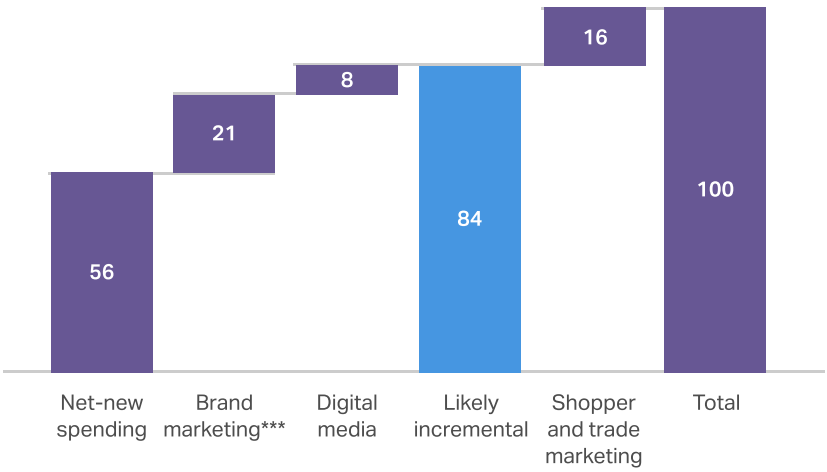


Adding yet another level of difficulty, silos also often exist within CPGs. Is retail media the purview of marketing, trade or commercial teams? If they all play a role in advertising, do they collaborate seamlessly? Does the CPG have an **ecomm center of excellence (COE)** where RM data, advertising budgets and P&Ls live together?

This infographic from McKinsey indicates that advertising spending can come from several departments. **It is essential for any silos to be removed** so that RM budgeting, reporting and strategy is handled in a centralized manner.

Spend on retail media is coming from all budget sources, with over 80 percent likely to be net new.

Initial source of budget for RMN spending* and subsequent source of substitution**, % (n = 188)



Source: McKinsey

Impact summary

- Inconsistent data formats and quality across different retailers create difficulty aggregating data.
- An absence of standardized KPIs and reporting methods across RM platforms complicates measuring and comparing campaign effectiveness.
- Without the holistic view standardization would provide, optimizing advertising strategies through data-driven decisions is difficult.

Solutions

1. Internal org

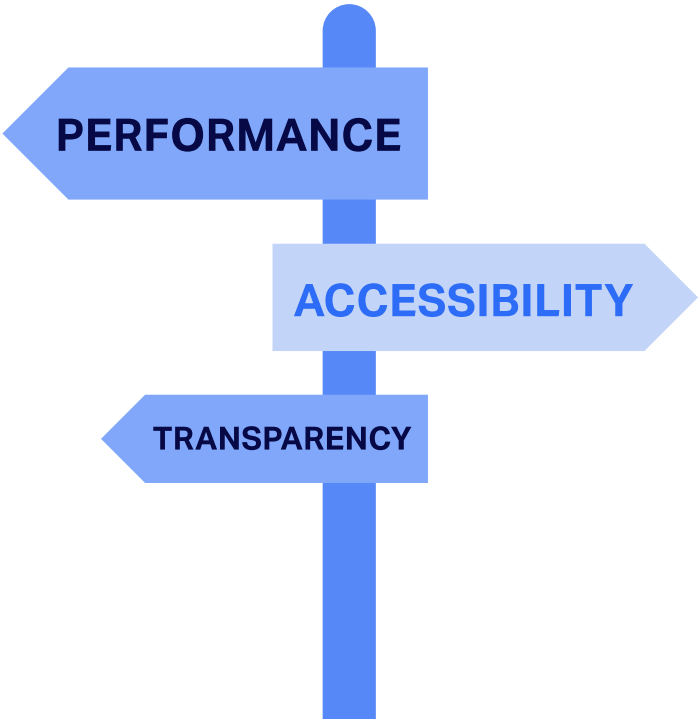
The first step is to ensure a CPG has optimized their internal organization to **manage retail media**, as mentioned.

2. RMN choice

Next, r**eviewing the capabilities offered** at various RMNs to verify that they're the right platforms to meet the CPG's objectives is advised. All of these networks are relatively new and they're evolving quickly, with widely varying offerings. Depending on the platform, **some degree of collaboration with retailers is also possible**--to standardize data reporting for instance--and where that can be achieved, both parties will benefit, with the added plus of enhancing the JBP process.

"The three most important factors for capturing, driving, and retaining advertising spend are providing superior performance, giving access to otherwise inaccessible audiences, and offering transparency."

-McKinsey



That said, **Amazon should be considered by all CPGs** because it's easily the most dominant retail media presence in the US and Europe.
It continues to innovate across its ecosystem, especially in integrating its ad-supported Prime Video estate with their significant data resources and tech like Amazon Marketing Cloud (AMC). The scale of data that Amazon has in relation to even a fair-sized retailer everywhere but Asia is significant.

Retail Media Ad Revenues, by Company
US, 2023, billions

Note: Includes advertising that appears on desktop and laptop computers, as well as mobile tablets, and other internet-connected devices, and includes all of the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites

Source: Insider Intelligence, eMarketer, October 2023

3. Analytics tools

The biggest key to solving the data access and standardization issue is **data integration platforms.** These centralized management tools can harmonize data from multiple sources. They are advanced analytics tools that process and interpret data and visualize the result in a user-friendly interface. They typically feature **standardized KPIs** and **customizable dashboards**, and work across RMs to enable CPGs to measure, compare and optimize campaigns.

Challenge 2: Measuring ROI and attribution

As mentioned, one of the things that makes retail media so attractive to advertisers is **its potential for attributing a sale to a specific advertisement.** Targeting a specific shopper at a critical moment increases the odds of conversion, but reporting on whether the conversion occurs is the end, prized metric RMNs offer. With it, an optimization feedback loop is created which **increases ROAS.**

However, accurately attributing sales and understanding the effectiveness of retail media campaigns is complex. Retail media operates in a multi-touch environment where consumers interact with multiple touchpoints before making a purchase.

"73% of retail consumers use multiple channels to shop."

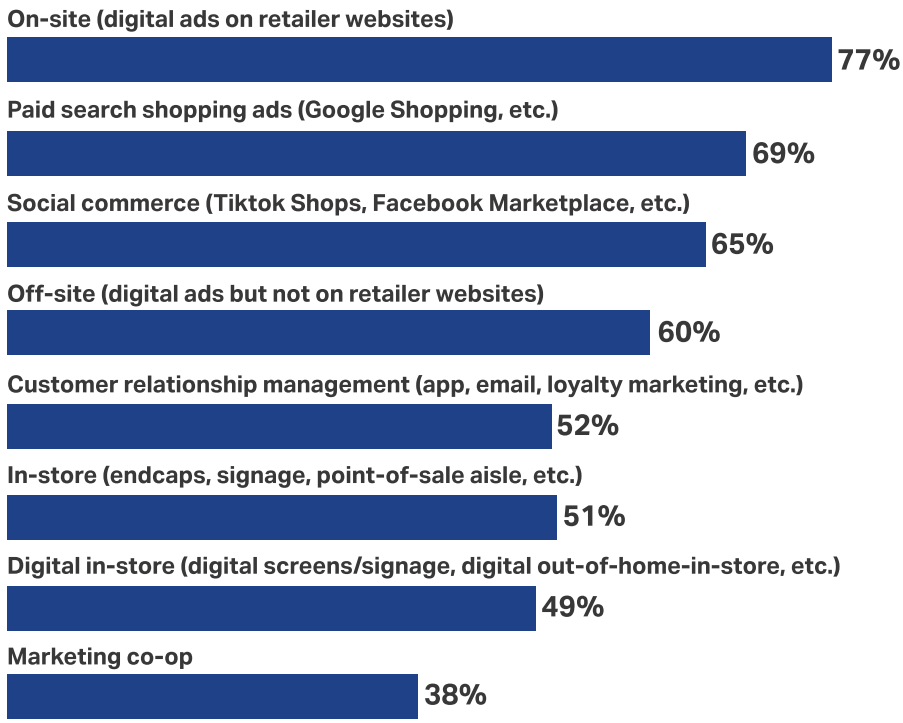
-Harvard Business Review

"62% of offline purchases are influenced by online."

-Forrester

How many times did a shopper see an ad before they bought the product? Where did they see the ad? On social media? Amazon? Subscriber TV? These can be difficult questions to answer, especially given the breadth of choices on offer for CPGs.

Components of US Advertisers' Retail Media Strategies, Dec 2023
% of respondents



Note: n=98 with 59% agency professionals and 41% consumer product manufacturers
Source: Skai and Path to Purchase Institute, "The State of Retail Media, 2024," Feb 7, 2024

Impact summary

- Inability to precisely measure the influence of each media touchpoint.
- Challenges in justifying media spend and optimizing future campaigns.

Solutions

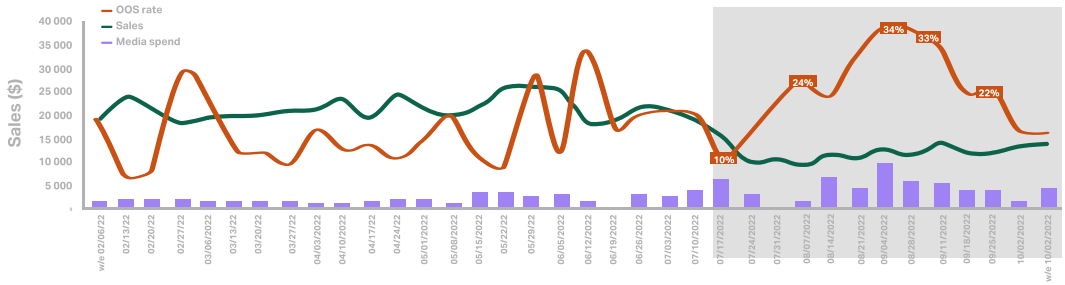
1. Omnichannel measurement

Data from online and offline channels are often stored in separate systems. Bringing them together can reveal **how in-store sales are impacted by digital advertising.** This is a multi-touch AI attribution model which requires several sources of data, and can be of great value to a CPG.

2. Cross-referencing digital shelf data

Digital shelf KPIs like **share of voice** (the portion of advertising visibility one campaign has vs. competitors during a given period) give a primary, and very useful, indication of the potential for a campaign's success. A deeper analysis can be made when two digital shelf KPIs are combined. For instance, when a product's rate of out of stock (OOS) is combined with the timing of a RM activation, the efficiency of the media buy can be monitored and therefore, predicted by looking at sales in the same period.

To drive up sales, ensure low OOS rates coincide with media spend



3. Mixed marketing modelling (MMM)

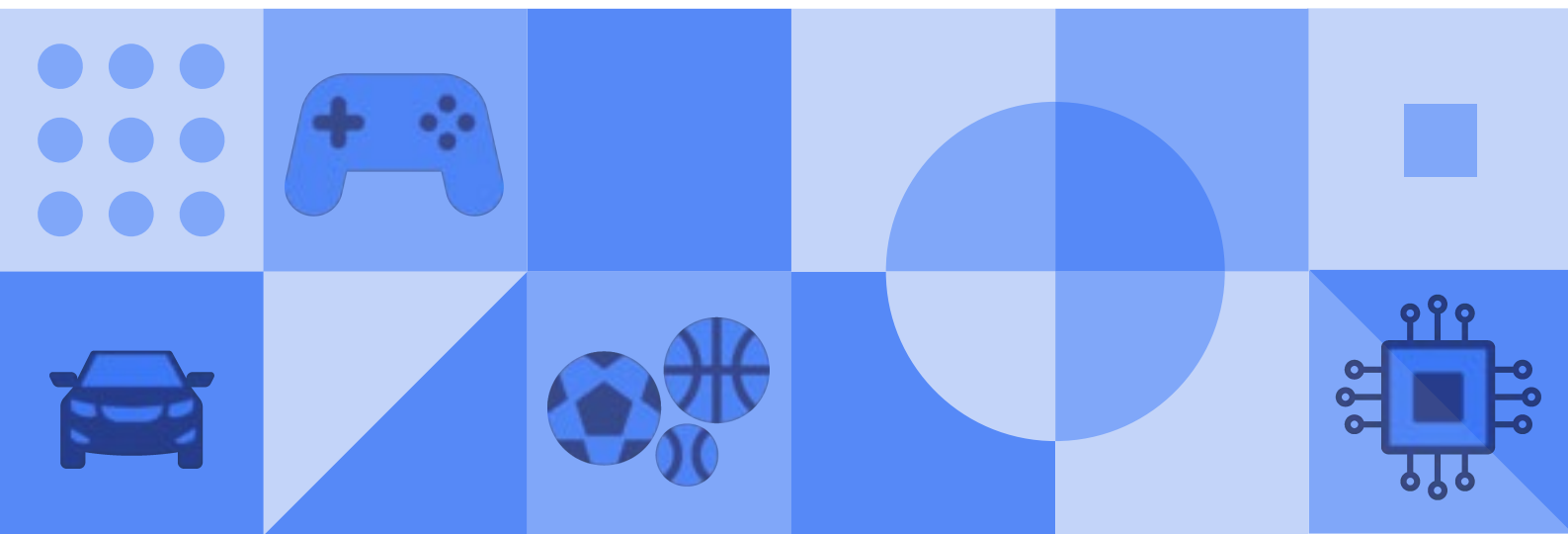
Multi-touch attribution models can reveal the efficacy of a retail media spend by testing different combinations of activations on different platforms. Incrementality testing and a variety of automated programmatic ad buying—often influenced by competitor activity and other market forces in real time—are the essence of MMM. These are advanced methods that rely on machine learning. They're still in their infancy, so **it's important to ensure the model is robust.**

Conclusion

“By 2028, we believe that spending in retail and commerce media will be bigger than for all of global television and streaming advertising.”

-McKinsey

As mentioned, AMZ is significantly scaling their retail media offering through their connected TV (CTV) offering, Prime Video, and Walmart acquired VIZIO in 2024 to accelerate Walmart Connect, their RMN. Retail media is extending to industries like rideshare and delivery companies, shoppable media, live sports, and other industries, and the growing role of AI in all aspects of advertising is huge.

As retailers become media companies and that becomes their major source of revenue, **regulatory issues and data privacy** will also have a big impact on the evolution of the industry, and many changes are to come.

In short, this is a period of major transition for the advertising industry and the complexity is enormous for CPGs. Data integrity remains the **crucial foundational element** for every company that wants to benefit from the potential of retail media.