

A nighttime photograph of a city skyline, featuring several tall skyscrapers with their windows and facades illuminated with various colors of light, primarily blues and whites. The buildings are set against a dark night sky. The overall scene is a dense urban environment.

MAGNA

**RETAIL MEDIA
THE TAKE-OFF**

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RETAIL MEDIA: TEN KEY FINDINGS

1. The take-off of Retail Media post-COVID was triggered by the acceleration in Ecommerce for **Consumer Packaged Goods**.
2. Another catalyst is the growing limitations in third-party consumer data (e.g. iOS) while retailers are seating on **troves of first-party customer data** increasingly attractive for brands to leverage.
3. The world's largest retailers are seizing the opportunity to **develop high-margin advertising revenues** alongside low-margin retail revenues.
4. As a result, Retail Media advertising sales will reach **\$121 billion in 2023 (+13% vs 2022)**.
5. In Europe and the US, Retail Media is dominated by Amazon (70%) but **large retailers (e.g. Walmart)** are catching up from a low base.
6. Retail Media networks already funnel **20% of digital transactions** across search, video, and display advertising formats.
7. **Retail Media is growing the overall advertising market** rather than just cannibalizing traditional media channels because RM spending is mostly coming from **existing trade marketing agreements** between retailers and brands, rather than media budgets.
8. The bulk of Retail Media activity, outside ecommerce pure players, is driven by **'endemic' brands** (whose products are already displayed in the retailer's stores) in the form of sponsored product search.
9. But Retail Media activity will grow further as **non-endemic brands** (whose products or services are NOT sold by the retailer) are also interested in leverage consumer data.
10. Retail Media will therefore reach **\$170 billion by 2027 worldwide** (growing +9% per year compared to +5% for advertising spending across all channels), and **\$70 billion in the US** (by +18% per year).

WHAT IS A RETAIL MEDIA NETWORK (RMN)?

A retail media network (RMN) is a platform operated by a retail chain, allowing brands to run advertising campaign in store, across the retailer's digital media properties, and throughout the open internet. Retail stores are a frequent touchpoint for consumers, and they remain one of the last untouched sources of granular consumer purchase data.

Retail Media campaigns leverage shopper data through credit card purchase details, reward cards, app logins, and in-store sales (rather than from third party sources). The goal for brands and for Retail Media publisher partners is to harness rich retailer data sets to better connect with consumers through relevant advertising. Given the headwinds that platforms like Facebook are now facing because of privacy restrictions, and the difficulty of tying advertising campaigns to sales online or physically, Retail Media networks suddenly look like saviors in the eye of marketers. The visibility and compliance that Retail Media Networks offer on consumer transactions seem to solve many of the problems marketers have been struggling with in the last few years.

Retailers already have a huge collection of consumer information. In-store sales, online sales, reward memberships have created clean identity graphs that are perfectly connected with actual sales. Selling ads on increasingly trafficked retailer properties is a no-brainer. Brands also want to leverage that retailer data to supercharge campaigns off-site across a network of premium properties.

For the retailers, who overall operate in a low-margin industry, advertising sales – even if they represent a very small percentage of revenues – give them an opportunity to increase these margins. This is especially true for grocery store chains, where margins are razor-thin. As a result, most large retailers, like Walmart, have now jumped into the advertising space with both feet.

While TV remains a central format for large national consumer brands, they are increasingly looking for precise attribution and easy-to-define ROAS. Retail media also provide a brand-safe environment for advertisers. **For national consumer brands, retail media networks offer a good compromise between targeting and brand safety, with clean, action-based, granular purchase behavior data.**

Small businesses and direct-to-consumer brands are also branching out to retail media networks in addition to Google shopping ads, or Amazon product listing ads, because of the growth of **self-service programmatic offerings**. While these offerings don't offer all the perks that come with managed service offerings at retailers, they still allow leveraging retailer targeting data on-site and across the open web.

WHY RETAIL MEDIA IS TAKING OFF

Retail Media has multiple tailwinds right now which have led to an explosion of advertising spending.

The primary tailwind of course is the increase in Ecommerce activity. While consumers have returned to stores following COVID, they remain much more engaged with ecommerce than pre-COVID.

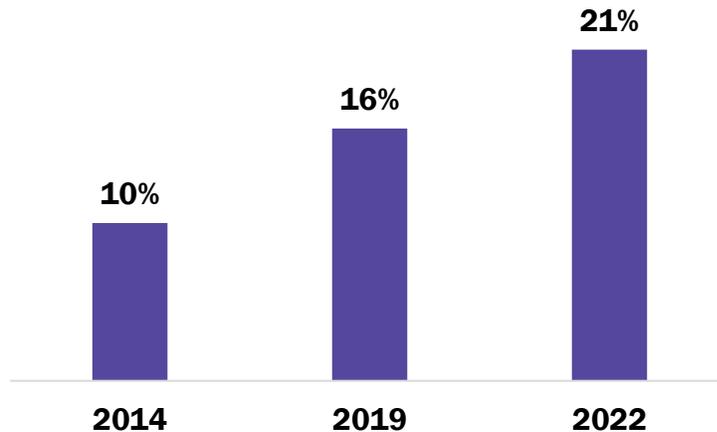
The second tailwind is the deterioration of targeting data available to brands and publishers. Apple (57% market share in the US) has stopped offering iPhone device IDs. Similarly, Google Chrome (50% browser market share in the US) is planning to deprecate third party cookies in 2024. The fewer high quality data points that are available for targeting and measurement, the more valuable retail data.

In addition, the explosion in programmatic spending over the past decade has resulted in brands becoming addicted to precise attribution and return figures. Retailers own the point of purchase and allow brands to precisely value retail media campaigns.

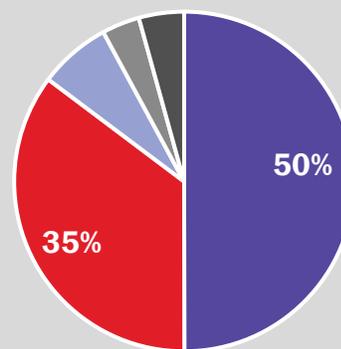
Finally, retailers have realized that the relatively low margin retail business they are in (as low as 2% for grocery stores) pales in comparison to digital advertising margins (which could be as much as 10-20x higher depending on the retailer). As a result, the sophistication and breadth of retail media offerings has exploded over the past few years.

This results in a digital advertising environment focused on two things. Firstly, brands and publishers are looking for cookieless targeting and measurement replacements to stand in for third party cookies and device IDs rather than giving up or scaling down on programmatic targeting and measurement, which are now too valuable and integral to business models: there is no going back to pre-programmatic days. Second, brands are turning to retail media networks for granular targeting campaigns that are perfectly matched to sales.

US ECOMMERCE SHARE OF RETAIL SALES

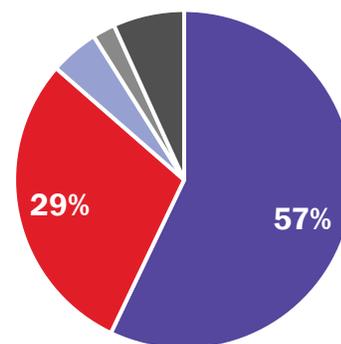


US BROWSER MARKET SHARE



■ Chrome ■ Safari ■ Edge ■ Firefox ■ Other

US SMARTPHONE MARKET SHARE



■ Apple ■ Samsung ■ Motorola ■ Google ■ Other

WHY USE RETAIL MEDIA NETWORKS?

Retail media networks can be expensive for brands. On-site inventory comes at a premium price, and leveraging retailer data for off-site campaigns can be a 30%+ price premium to the cost of 3rd party data. They are still so popular, however, because with fewer and fewer data signals (cookies going away, Apple device ID changes) retail data becomes the gold standard.

Furthermore, advertisers becomes increasingly focused on ROAS and precise attribution with every year, and retailers represent the lowest possible

point in the advertising funnel: the point of purchase.

Small brands stick with retailer-owned digital properties. Big national brands can leverage valuable data for a (slightly more) full-funnel offering. This includes off-site opportunities leveraging partner publishers, as well as combining media opportunities with in-store advertising formats like shelf signs, audio, digital OOH, and coupons.



OWNED DIGITAL



PARTNER DIGITAL



IN-STORE

Sponsored Product Ad

Sponsored Brand Page

On-Site Display

Mobile Placement

Email Placement

Dedicated Brand Email

Digital Coupon

Long-Form Streaming

Short-Form Video

Social Media

Prog. Self-Service

Integrated DSP

Digital Audio

Influencer Marketing

Affiliate Links

In-Store Static Signage

In-Store Audio

In-Store Digital OOH

Coupons

RETAIL MEDIA AD REVENUES FORECAST

Global retail media network advertising revenues will reach an estimated \$121 billion this year (2023), up by +13%.

In the US, retail media advertising revenues will grow to \$36 billion this year (2023), up +15%.

The market can be broken in three components:

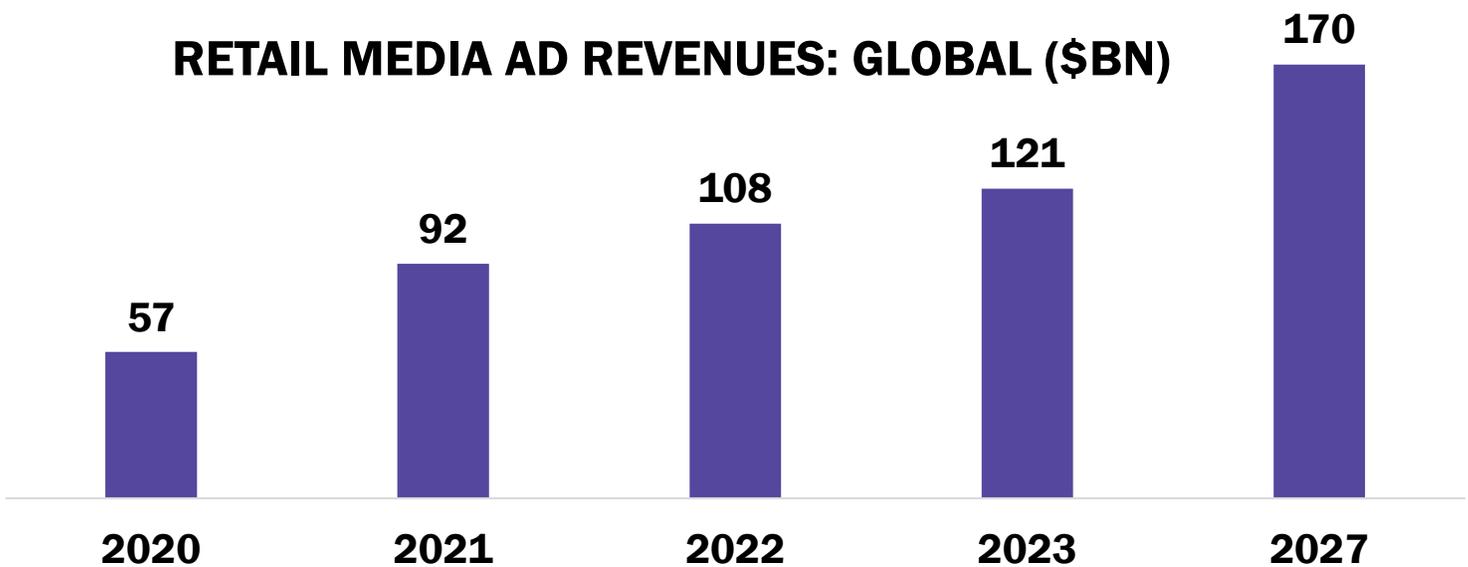
1. Brand spending on the retail media properties of retailers such as Amazon, Alibaba, Wal-Mart, and Target.

2. Budgets managed by retailers, leveraging retail data, used to purchase inventory across a network of third-party premium publishers.

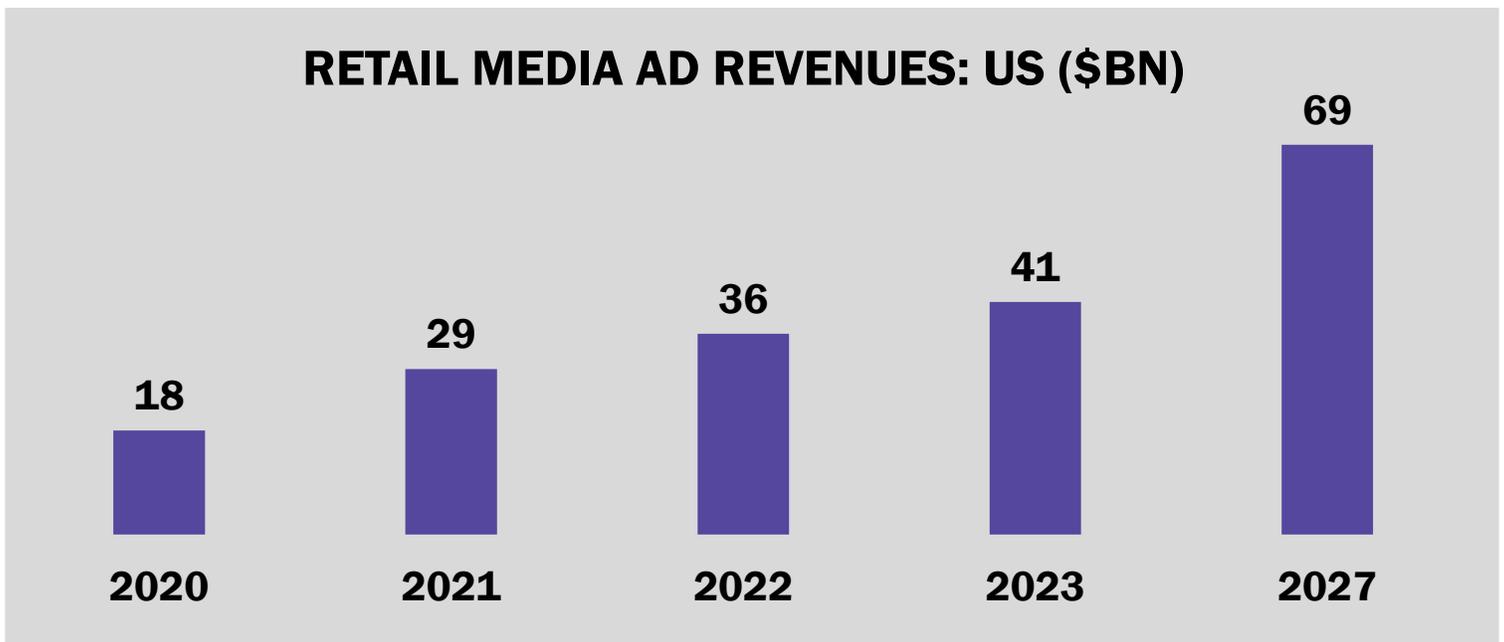
3. Ad campaigns that leverages retailer data through a DSP or self-service platform across the web.

For these latter two buckets, ad spending figures (\$121bn globally, \$36bn in the US) only represent the value to the retailer (net of TAC).

RETAIL MEDIA AD REVENUES: GLOBAL (\$BN)



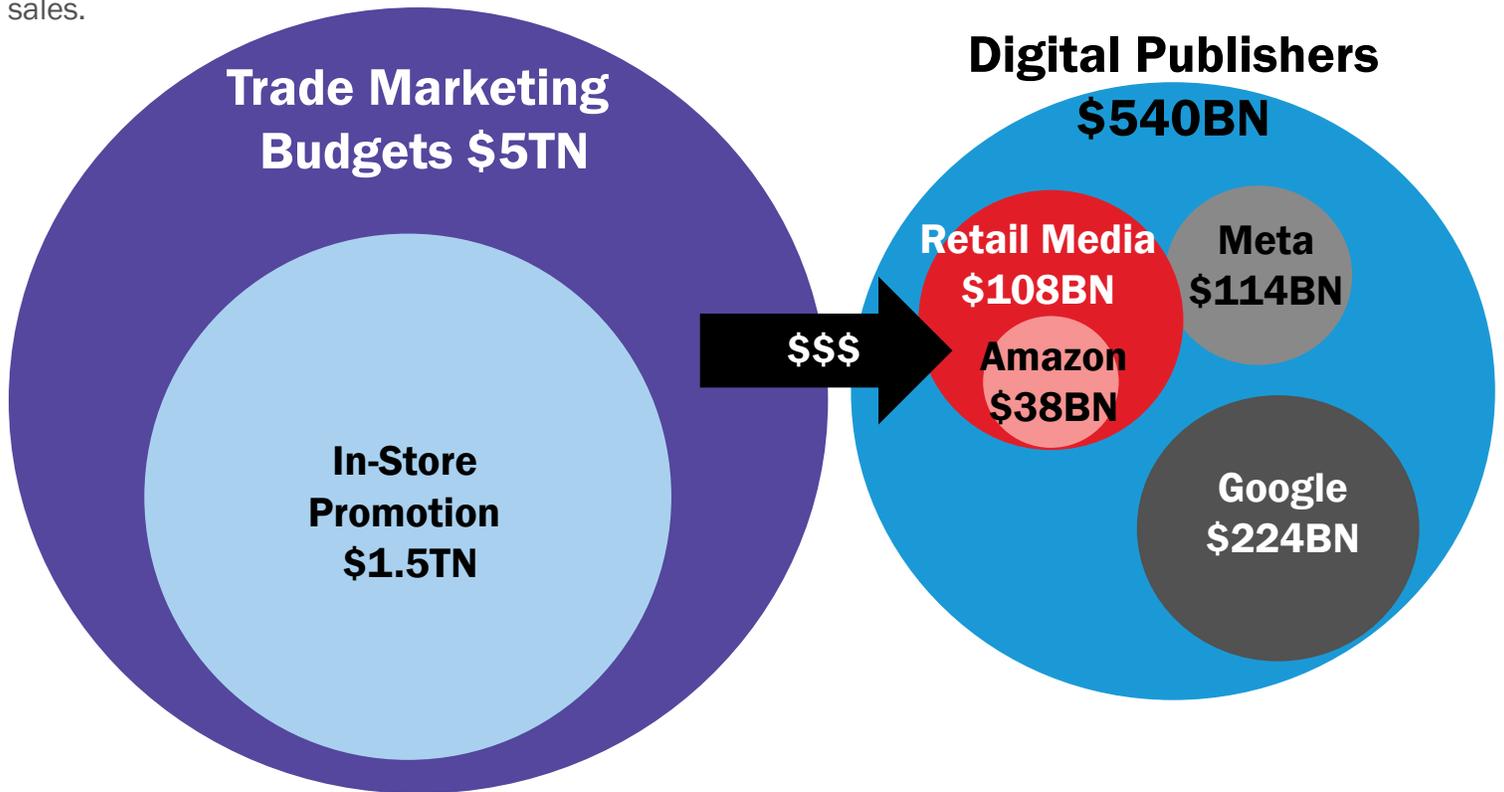
RETAIL MEDIA AD REVENUES: US (\$BN)



RETAIL MEDIA IS GROWING THE AD PIE

Retail media advertising spending is coming from multiple buckets. Some of course comes from cannibalization of other advertising formats. However, the bulk of it comes from brands' trade marketing budgets and in-store promotion budgets, being partly re-allocated to supporting ecommerce sales.

In addition, retail media as a spending strategy is consolidated in this report, but it represents a slice of spending in MAGNA's standard digital rollup from search advertising, video advertising, and display advertising. That slice is growing, but still a minority of each of those core digital sub-formats.



RETAIL MEDIA SHARE OF SEARCH SPENDING



Source: Public Sources, MAGNA, Forrester. Reading example of the bottom chart: Retail media spending represents 33% of total MAGNA global search spending, or 24% of US search spending. All \$108 billion of retail media revenues in 2022 are contained within MAGNA's total advertising revenue estimate in 2022 of \$540bn for digital formats (across search, video, display, and social).

MAGNA

MAGNA MARKET INTELLIGENCE

50 REPORTS PER YEAR

- US Ad Forecast (4 updates/year)
- US Industry Verticals (x2)
- US Video Update (x4)
- US Media Landscape (x4)
- US Media Access (MAQ) (x4)
- US Sports Report (x1)
- US Time Spent with Media (x4)
- US Multicultural Audiences (x3)
- Global Ad Spend Forecast (x2)
- Global Media Inflation (x2)
- Global Industry Verticals (x1)
- Global Programmatic (x2)
- Global Search
- Global Social
- Market Profiles (top markets)



PREMIUM MARKET INTELLIGENCE

- MAGNA Intelligence is the leading source for insights and forecasts on the global advertising marketplace and media economy, since 1950.
- Produced by a New York-based analyst team supported by an international research network.
- Topics/metrics include net ad spend, ad costs, media consumption trends and ad tech (programmatic).
- Data and forecasts for 70 countries and 15+ media categories.
- Capabilities include reports, datasets, analyst briefings, custom research & consultancy.
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