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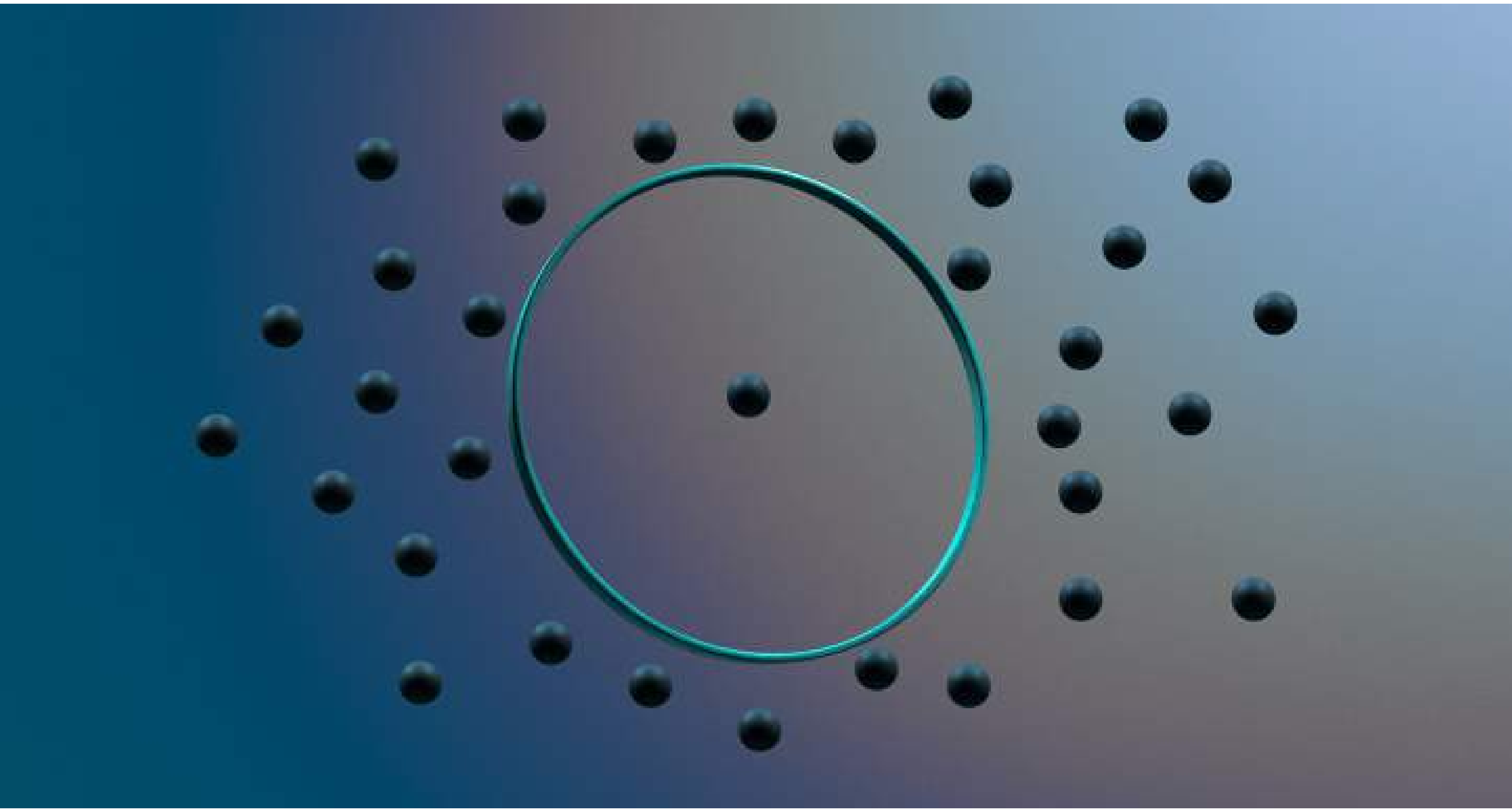
# Busted! Five myths about retail media

Retail media networks are transforming the advertising landscape and boosting top retailers' bottom lines. Our latest survey helps debunk five mistaken beliefs about RMNs.

*By Marc Brodherson, Jon Flugstad, Quentin George, and Jack Trotter*





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**Marketing budgets are flowing** toward retail media networks (RMNs) as retailers, from Amazon to big-box stores to grocery chains, capitalize on the shift to e-commerce while offering advertisers unique audiences and valuable data insights to build new high-margin businesses. Manufacturers and brands are increasing their ad spend on RMNs because they offer unique, valuable audiences and provide data that measure ad effectiveness, thus helping to close the loop between ad view and product purchase.

Despite this success, retailers and advertisers alike question the trajectory of retail media. How sustainable is the growth of RMNs as an advertising channel? How much space remains for RMNs other than Amazon? Is the marketing spend on retail media really new or merely a shift from marketing budgets that already benefit retailers, such as shopper and co-op marketing?

Our latest Retail Media Networks Advertiser Survey helps answer these questions and exposes five widely held beliefs about RMNs as myths. The accompanying charts further illustrate the retail-media reality and the opportunities it provides for brands, manufacturers, marketers, and retailers.

## Myth #1: Retail media is an Amazon-only story

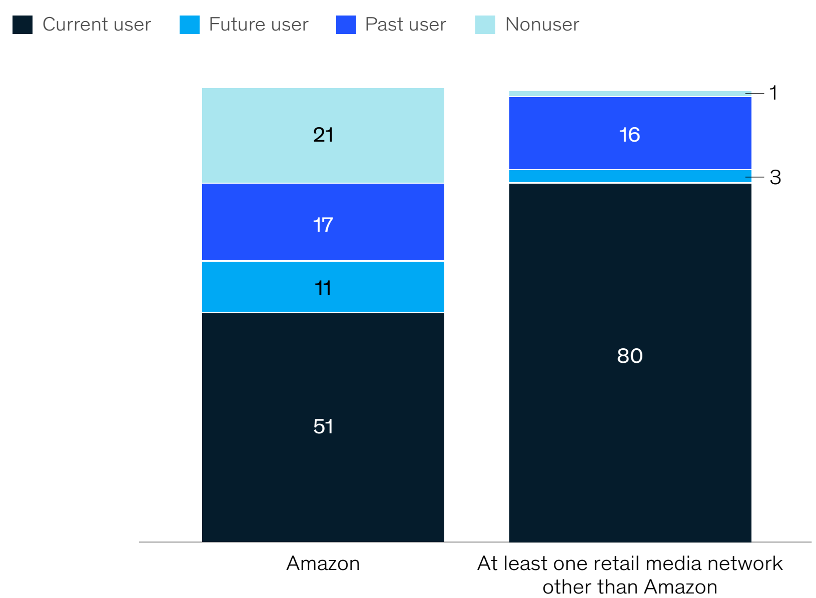
Wrong. While Amazon is the leading RMN by market share and advertiser usage, a majority of advertisers have spent or plan to spend on other RMNs as well. In fact, 80 percent of advertisers currently use at least one retail media network in addition to Amazon (Exhibit 1).

As they scale and build out their value propositions, advertisers are recognizing the benefits of diversifying into other RMNs that provide access to unique, highly targeted audiences, a range of reasonable costs per thousand impressions (CPMs), and other advantages that make them attractive advertising options.

Exhibit 1

### Most advertisers spend on RMNs other than Amazon.

**Percent of advertisers that are current, future, or nonusers across RMN providers,[1]** %




[1]Q: *Please indicate your familiarity with the following*; Possible answers: "Retail Media Networks"; "Never spent on advertising with them"; "Considered, but never spent on advertising with them"; "Have spent on advertising previously, but not currently doing so"; "Currently spend on advertising with them"; and "Have not used, but plan to use within the next 12 months."
[2]Past or current user includes: "Have spent on advertising previously, but not currently doing so" and "Currently spend on advertising with them"; Future user includes: "Have not used, but plan to use within the next 12 months"; Nonuser includes: "Never spent on advertising with them" and "Considered, but never spent on advertising with them."
Source: Retail Media Network Survey (2022, n = 188)

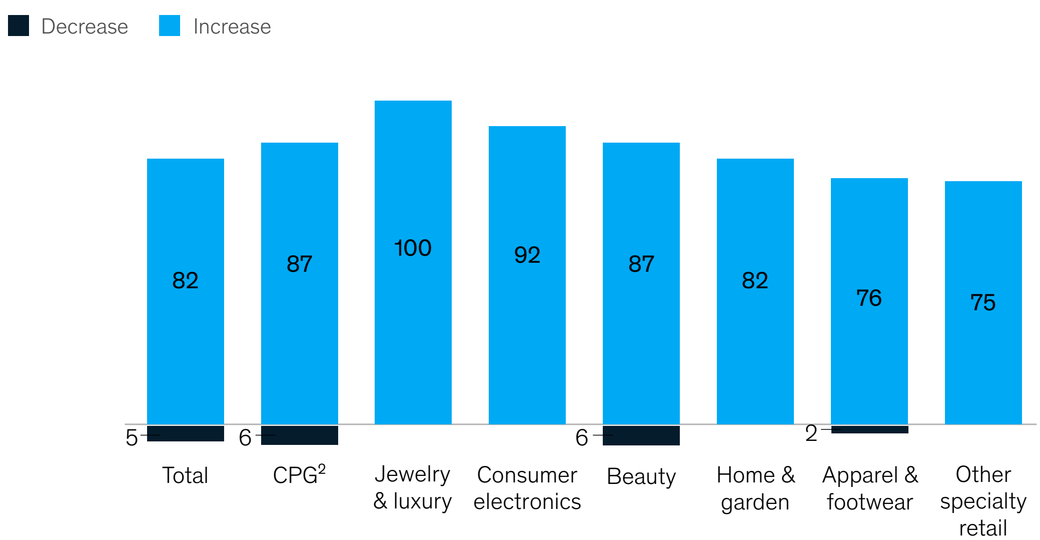
## Myth #2: RMN is a CPG-focused phenomenon

Not according to our research. While consumer packaged goods (CPG) companies are among the most bullish about RMNs, with more than 85 percent of survey respondents planning on increasing spend in the next 12 months, other verticals stand out as much or more. Sellers of jewelry and luxury goods, consumer electronics, and beauty products, for example, report similar planned growth in RMN spend (Exhibit 2). Overall, 80 percent of advertisers surveyed across verticals plan to increase RMN spend in the next 12 months, and approximately 20 percent plan to increase it by more than 10 percent. Just 5 percent of respondents plan to downshift their retail media spend in the same period.

Exhibit 2

### More than 75 percent of non-CPG advertisers anticipate increasing spend.

**Anticipated change in spend on RMNs in the next year,[1]** %




[1]Q: *Do you anticipate spending levels with retail media networks to change over the next year?*
[2]CPG includes both food-and-beverage and household products.
Source: Retail Media Network Survey (2022, n = 188)

## Myth #3: RMN spend comes from dollars retailers already earn

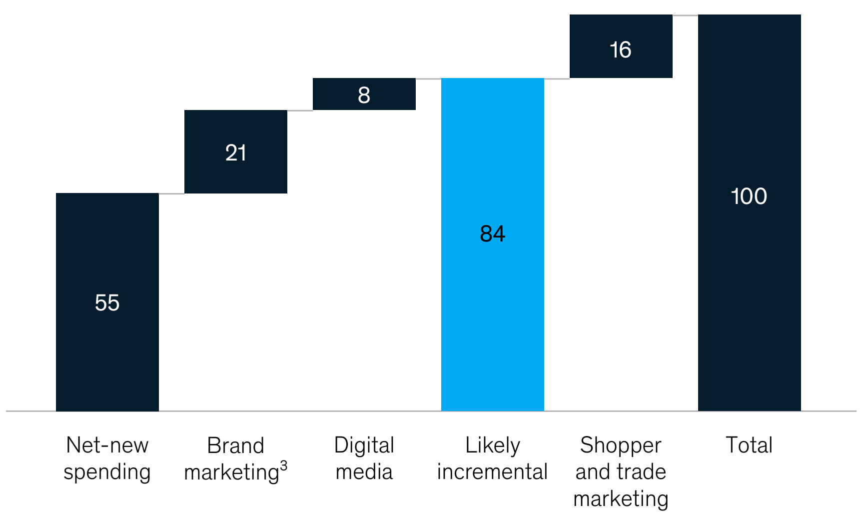
False. Our research suggests that more than 80 percent of spend flowing into retail media networks is incremental and comes from all sources, including net new spend and reinvestment of brand and performance budgets (Exhibit 3). So for retailers, RMNs provide an incremental source of high-margin revenue, and substitution for shopper or co-op marketing can be managed.

On the advertiser side, this surge in budgetary allocation to RMNs delivers performance that justifies the investment, a conclusion supported by the fact the median advertiser has already been spending on RMNs for three to four years.

Exhibit 3

### 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[1] and subsequent source of substitution,[2]** % (n = 188)




[1]Q: *Where did the initial spend on retail media come from?* Possible answers: "Net-new spend (increase in overall marketing budget)"; "Substitution (taking from another budget)."
[2]Q: *From which sources did the substitution for retail media spend come from?* Possible answers: "Existing trade budgets"; "Existing shopper marketing budgets"; "Sponsorship budgets"; "Brand TV"; "Other mass media"; "Digital media budgets."
[3]Brand marketing includes mass media (n = 7), sponsorship (n = 7), and brand TV (n = 7).
Source: Retail Media Network Survey (2022, n = 188)

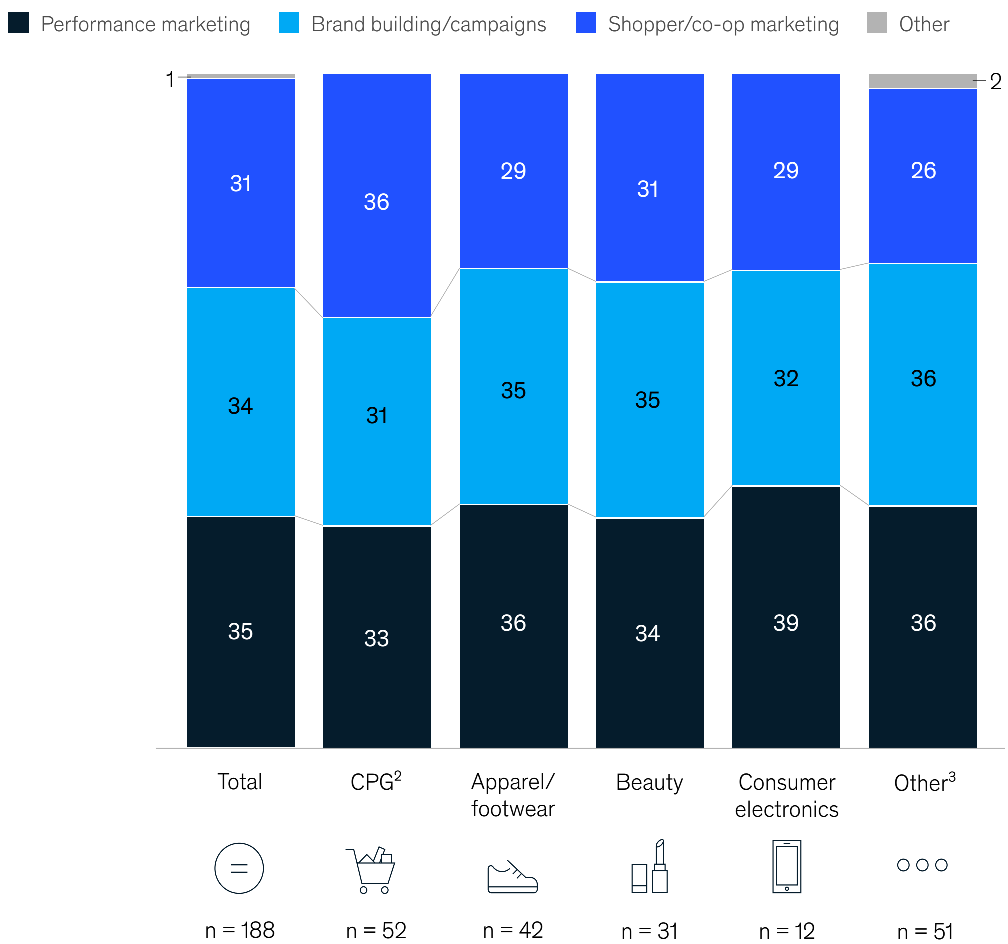
## Myth #4: RMNs are mainly a substitute for lower-funnel or shopper marketing

Not quite. Lower-funnel and shopper-marketing outcomes are important, but for advertisers, brand building is equally so. In fact, advertisers surveyed place equal emphasis on RMNs for performance marketing and brand building (Exhibit 4). The implication for retailers is clear: to compete for advertisers' investments, they must have the capabilities to offer robust, end-to-end campaigns.

Exhibit 4

## Brand building is as important to advertisers as other outcomes.

**Advertisers anticipated RMN spend allocations to the following objectives[1]**
In the next 12–24 months, % (n = 188)




[1]Q: *Looking ahead to the next 12-24 months, what percentage of spend on Retail Media do you anticipate targeting at achieving the following advertising objectives?*
[2]CPG includes consumer packaged goods (n = 30) and household products (n = 22).
[3]Other industries here include online travel agencies (n = 1), jewelry/luxury goods/accessories (n = 7), flowers/gifts/greetings (n = 3), home furnishings (n = 11), sports/outdoors (n = 6), other specialty retails (n = 8), marketing agencies (n = 15).
Source: Retail Media Network Survey (2022, n = 188)

## Myth #5: Enabling advertisers to self-serve gives RMNs a major competitive advantage

In fact, the opposite is true. Self-serve was the least important buying factor for the advertisers surveyed. Many other factors mattered more, including performance, access to unique audiences, and ease of working with the RMN (Exhibit 5).

That doesn't mean self-serve should be neglected, however. In the 12 months preceding our survey, 50 percent of RMN investments were made through a self-serve platform or solution. Self-serve can be a lucrative table-stakes offering that helps win additional advertiser spend, but it's clearly not a source of competitive advantage.

Exhibit 5

### Performance, brand building, and ease of use are key factors in retail media network choice; self-serve is least important.

**Relative importance of key factors when selecting retail media networks[1, 2] vs pain points customers face now**

| **Reasons** | **Importance compared with average** (n = 188) | **Pain points[3]** (high, medium, low) | **Differentiators** | **Table stakes** |
|---|---|---|---|---|
| Reasonable cost of media (cost per mile) impressions | 14% | High | ✓ | |
| Access to audiences otherwise not reachable | 13% | Low | | ✓ |
| Best performance delivery (high return on ad spend) | 12% | High | ✓ | |
| Unique brand/ shopper insights | 10% | Medium | ✓ | |
| Scale/size of audience otherwise not reachable | 10% | Low | | ✓ |
| Easy to work with (excellent service) | 6% | Medium | ✓ | |
| Unique ad inventory (eg, sponsored search) | 5% | Low | | ✓ |
| 'Close the loop' between ad spend and actual sales | –2% | Medium | | ✓ |
| Transparency (auditability, viewability) | –2% | High | | ✓ |
| Omnichannel buying opportunities | –8% | Medium | | ✓ |
| Offers support services like creative production | –16% | Low | | ✓ |
| Granular, accurate, timely reporting | –19% | Low | | ✓ |
| Self-serve access to buying and optimizing ads | –21% | High | | ✓ |

[1]Q: *Please think about your experience selecting retail media networks to spend advertising dollars with. Of these four factors, which is MOST important and which is LEAST important to you?*
[2]Importance compared with average is calculated as the absolute factor utility score divided by the average of 7.7. Importance utility is calculated as a weighted score of importance for all 13 factors, and the sum of factor utility factors equals 100, hence an average of 7.7.
[3]Pain points grouping by rank: high = rank of 1–4, medium = rank of 5–9, low = rank of 10–13.
Source: Retail Media Network Survey (2022, n = 188)

**What this means for retailers:**
With these myths dispelled, now is the time for retailers to embrace the future of retail media. Leaders can take initiative with the following five actions:

1. *Dive in.* The best way to start is to just get on with it. Retailers should take an agile approach with a cross-functional team (for example, marketing, tech, data, and merchandising), treat early failures as the price of new knowledge, and share positive results and learnings with their organization and its advertisers.

2. *Capitalize on uniqueness.* What separates your RMN from the pack? Is it your audience and associated customer insights? Is it your brand or e-commerce experience that makes advertisers want to join? Your chosen minimum viable product (MVP) feature set has implications for your team's skill set and for which tech, operations, and agency partners are most appropriate. Plan properly to add value for all players in a distinctive way.

3. *Rally the organization.* Buy-in to the RMN vision from key parties—marketing, merchandising, e-commerce, product, and analytics—is critical. Tell a compelling story that shows how the proposed RMN will drive the core retail business and e-commerce. Develop a plan to leverage internal and external resources to implement it.

4. *Choose the right partners.* Leaders must determine who will be responsible and accountable for key RMN activities, across sales, managing supply and demand, planning campaigns and making buys, and delivering on reporting and measurement? How will these differ across key ad-inventory types, such as sponsored listings, onsite display and video, or offsite audience targeting? Partners with the right underlying capabilities and mindsets to help build the RMN business are crucial.

5. *Build a media business.* The retailer's plan must recognize a simple truth: there is a business to build beyond simply enabling ad products. It entails financial planning, billing and reconciliation processes, legal and accounting ramifications, and new processes around campaign planning and execution. Media customers expect many of these behind-the-scenes capabilities, and brands, too, demand credible media expertise and sound campaign operations.

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