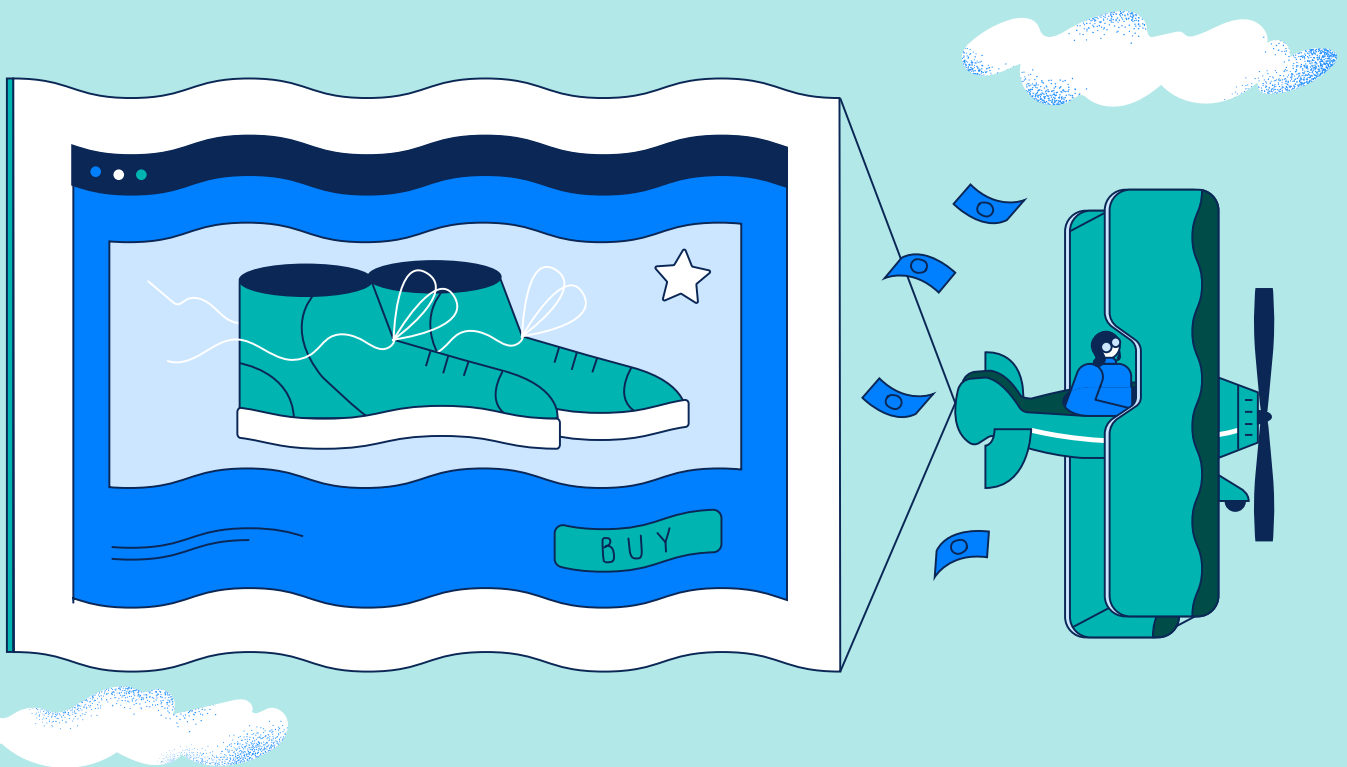


Raconteur

Unlocking opportunities in retail media



group^m

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The retail media evolution

Everyone's talking about retail media but what is it and why is it suddenly such a big opportunity?

Morag Cuddeford-Jones

Retail media is currently enjoying its moment in the sun. Alongside AI, it is one of the hottest topics at advertising conferences and festivals, and new launches and partnerships are constantly popping up in this space. The latest is Tesco's announcement that it is forming a 'first of its kind' partnership with GroupM, the world's largest media investment group, to make the most of the retailer's extensive digital and in-store platforms and customer data.

It's a welcome boost to retailers' finances, which already operate on razor-thin margins. Rising costs, inflation and a cost-of-living crisis are making for even tougher operating conditions. Even the big names are struggling, with the *Financial Times* reporting that iconic US retailer Target has seen declining sales across the last financial year.

So, what exactly is retail media? And how do advertisers and retailers cope with the switch to becoming what is effectively a new media business, seemingly overnight?

Why retail media, and why now?

Retail media is an all-encompassing term for advertising carried out on or around a retailer's owned media. That could be on digital screens in-store, in customer communications such as emails or door-drops, or on its own website in the form of sponsored ads or brand advertising. It also includes social media content such as YouTube 'how-to' videos or ads.

But retail media is no 'overnight success'. Indeed, Boston Consulting Group is referring to this era as 'Retail Media 3.0' – an evolution, not a revolution.

Brands advertising in-store and latterly on retailer websites is a common form of shopper marketing. The combination of access to consumer data for brands and retailers' unique ability to reach consumers at every point in the customer journey is fuelling the retail media boom.

Amir Rasekh, managing director at Nectar360, refers to retail media as "a marketer's dream" because of its relevance and measurability. "The range of different channels through which retail media can reach customers means that it can connect the customer journey from top of funnel awareness and inspiration through to conversion and long-term loyalty."

Measurability is a particular boon. Advertisers often struggle to understand the particular levers that drive customers to purchase. Retail media allows for ‘closed loop’ measurement, giving brands much better visibility of customer behaviour.

“Closed loop measurement is key,” explains Tash Whitmey, group managing director, Tesco Retail Media. “It ties ad exposure data to actual sales data so we can attribute sales uplift directly to ad campaigns. It lets advertisers continuously optimise strategies, messaging and spend allocation.”

Retail media is also attractive to advertisers because of the audience. “Advertising networks like PayPal and Tesco are qualified audiences,” explains Colin Lewis, director at Retail Media Works. “Privacy first, brand safe. You get access to audiences, tapping into different shopper missions.”

When is a retailer not a retailer?

The mention of PayPal is key. Despite the name, retail media isn’t limited to pure retailers. Rapid delivery services such as Deliveroo and Uber Eats are already offering their own retail media networks. PayPal, as Lewis mentioned, taxi services, such as Uber, and now even airlines are getting in on the act. United Airlines announced in early June that it would launch a retail media network, using travel behaviour data to create more personalised ads and content.

“Retail media tends to be categorised as grocery, but there’s a broader definition which is probably commerce,” explains Paul Wright, head of international, Uber Advertising. “There are a lot of finance, travel and all sorts of other companies who have a degree of consumer information and the ability to serve ads against that data.”

Amazon has been leading the evolution of retail media. It is, by far, the biggest retail media network, earning \$46.9bn from advertising in 2023. This also makes it the third biggest advertising platform in the US, behind Google and Facebook.

“When we talk about retail media we’re talking about on-site, off-site and in-store. Off-site and in-store are the fastest growing areas,” says Lewis.

The reason, he suggests, is because of what he terms “the fab four of marketing”: brand marketing, trade marketing, shopper marketing and digital marketing. “Retail media spreads across all of these because it’s not just pure digital marketing. People think retail media is just this lower funnel, boring sponsored search. But the concept

\$46.9bn

from advertising earned by Amazon in 2023

Amazon, 2024

of the fab four is so important because retailers have the data to really help brands grow better.

“That data is being used in four different ways. It’s being used to create insights using customer behaviour and category trends. It’s now much more integrated and much more usable,” he insists.

Across the entire funnel

Retail media presents a far bigger opportunity than simply selling ad space next to product inventory. As Rasekh mentioned, there is scope for a ‘full-funnel’ approach, which means considering where the consumer is in their purchase journey and how best to target them. It could be with a sponsored post, tailored content or a more brand-led campaign.

Wright outlines how retail media can target consumers at different purchasing stages using the contrasting examples of Uber Eats and Uber rides. “Uber Eats is a very traditional retail media brand, attaching advertising opportunities to transactions based on restaurants, products or convenience delivery partners. There are sponsored products as well as brand and promotional elements.

“Advertising on Uber rides is ‘real-world intent in a digital world’. If someone is going to Heathrow, their intent is to fly somewhere, and they have purchase opportunities at the airport. Journey ads, products that sit within the Uber rides app, can drive to a transaction in-store because you know where the consumer is going to be.”

He adds that retail media networks such as Uber can offer personalisation based on aggregated customer data. The company can build up a picture of the consumer for advertisers. For example, these could be based on whether they go to music venues a lot or visit certain restaurants.

There’s no question that retail media is becoming an attractive prospect for advertisers. However, it is evolving rapidly – and with that comes challenges. Retailers are still trying to figure out how to incorporate what is effectively a fully-formed media business into a traditional retail organisation. As they build this, they must ensure they are creating a great customer experience. ●

Making the most of retail media's surge to the top spot

How can data-starved advertisers make the most of retail media opportunities?

Commercial feature
in association with

groupm

Morag Cuddeford-Jones

A ccording to GroupM's latest This Year, Next Year advertising forecast, UK retail media advertising revenues are expected to grow by 12.7% by the end of 2024, accounting for 12.8% of total UK ad revenues by 2029.

In fact, retail media is the fastest-growing media channel both in the UK and worldwide within digital pure-play advertising. According to GroupM, it is expected to exceed TV ad revenue globally by 2028. The Grocer reports that Tesco is even more enthusiastic, claiming it will be bigger than TV by the end of 2025, only trumped by paid search and social media.

Retail media is a seemingly overnight success that has been years in the making. Starting with shopper marketing, then on-site

sponsored ads, it is arguably the pandemic that thrust it into the limelight. An opportunity was born when digital commerce garnered a much larger slice of the customer's attention at different points in the funnel.

But it goes much further than just converting customers on retailer sites. Retailers have a specific opportunity to refine advertisers' ability to target customers with the right message at the right time – and that comes down to data. In a truly privacy-first environment, advertisers can use retail media to deliver real relevance, and then measure their campaigns' impact in a deeply granular and integrated way, which includes closed loop sales attribution. The customer insight gap that has plagued marketers since the dawn of advertising could be no more.

Retailers need the growth generated from building their own media networks. Back in 2022, Boston Consulting Group stated that ad sales in retail media could garner margins of between 70% and 90% on retailers' own channels. The incentive for a move into media for retailers – and the brands and advertisers making use of these new networks – could not be clearer.

Clear, perhaps. Simple is another matter entirely.

“The modern retail landscape has been evolving rapidly over the last decade, from the growth of Amazon and ecommerce to DTC brand ‘adoption’ and now the rise of AI and the next chapter of data,” says GroupM's global business intelligence analyst, Nidhi Shah. “Success for some companies who are trying to scale will increasingly rely on partnerships to push innovation and sustainable growth for advertisers globally.”

“Amazon currently dominates the retail media space in terms of investment, largely because of its closed ecosystem. It is able to offer full-funnel opportunities all linked directly to sales,” says David Fieldhouse, head of commerce at GroupM UK.

But, like Amazon, retailers' USP in this area is their direct relationship with the customer. Typically, fast-moving consumer goods (FMCG) or consumer packaged goods (CPG) partners rarely have the insight into customer needs and behaviours that retailers do. “Retailers are now



on a journey to provide a full-funnel approach from broadcast media right down to sponsored ads. This very much follows the Amazon and Walmart model. It allows brands to extend their targeted reach with full sales attribution,” Fieldhouse explains.

Erase complexity, support the ecosystem

There are plenty of options for brand advertisers in this space, but with this comes fragmentation and complexity. “With so many potential retail media networks to reckon with, it becomes a huge distribution challenge,” Fieldhouse warns. “Unlike Amazon, which is arguably the only retail media owner in the UK to have a full, top-to-bottom retail funnel, most other retailers are retail-first, media-second operations. As a result, they have siloed business models that, when faced with such rapid growth, need significant organisational and cultural change to keep up. It’s a big opportunity, but there’s an awful lot to consider.”

With such complexity, companies need guidance and the right networks to make the most of the retail media opportunity. This is where media investment companies come in. For example, Forrester has recognised GroupM for excelling in overall commerce, with special strengths in content production and retail media. It received the highest score possible in data, analytics and AI criteria. This isn’t just down to its already extensive experience and reach in the sector, or its intelligent marketing operating system that supports retailers and advertisers, but also an ongoing ability to build the necessary partnerships to serve this emerging space.

Earlier this year, GroupM announced a partnership with Tesco Media and Insight Platform, which is powered by Dunhumby. “GroupM will benefit in numerous key areas in retail media across data, insights, and strategic planning, which will enable its clients to truly harness the power of retail media – in all its forms – for measurable commercial advantage,” said Nick Ashley, client development director at Tesco Media and Insight Platform.

The partnership is Tesco Media and Insight Platform’s most significant single deal to date.

Similarly, a collaboration with Incremental, which provides retail media forecasting, planning and measurement, will help GroupM’s client teams begin that vital process of integration, allowing them to holistically plan and manage retail media alongside other digital media for maximum impact.

A three-step approach

Given the sector is still evolving – and so quickly – there is not yet a single model that all retailers should follow to solve this issue. Until the sector matures a little more, Fieldhouse suggests the most appropriate approach could be: “Crawl, walk, run”.

‘Crawl’ means starting with owned, online assets. “It’s relatively simple to work with ad tech providers and organisations such as GroupM, who can bid into sites and drive more sales for advertisers. In-store is also a consideration at this stage. Many retailers have already installed screens which can be used for advertising. It’s a good first step, particularly if they are programmatically enabled.”

‘Walk’ is when retailers begin to look at their own customer data. Where does it sit? What are the permissions? How is it structured? What needs to be done to this data to ensure it’s of value and can easily be activated by those advertisers – while remaining carefully guarded and respected?

“Remember, retail media’s USP is visibility of the customer but in a privacy-first environment, always,” Fieldhouse insists. “It’s where FMCG and others can finally close the loop between advertising, targeting, personalisation and measurement.”

‘Run’ means taking this out into the open web and other major platforms, as well as dialling up the in-store experience, and looking at moving from endemic to including non-endemic advertisers that have no direct relationship with the retailer beyond their relevance to that retailer’s customer.

Retail media may have existed in a basic form for a while, but now there’s a seismic shift in how these tools are used and by whom.

Bringing customer shopper data into the advertising spotlight, retail media today offers deep personalisation, crucial insights into the customer journey and complete measurability. The path from ‘crawl’ to ‘run’ might be challenging, but for those who master it, the rewards could be great. ●

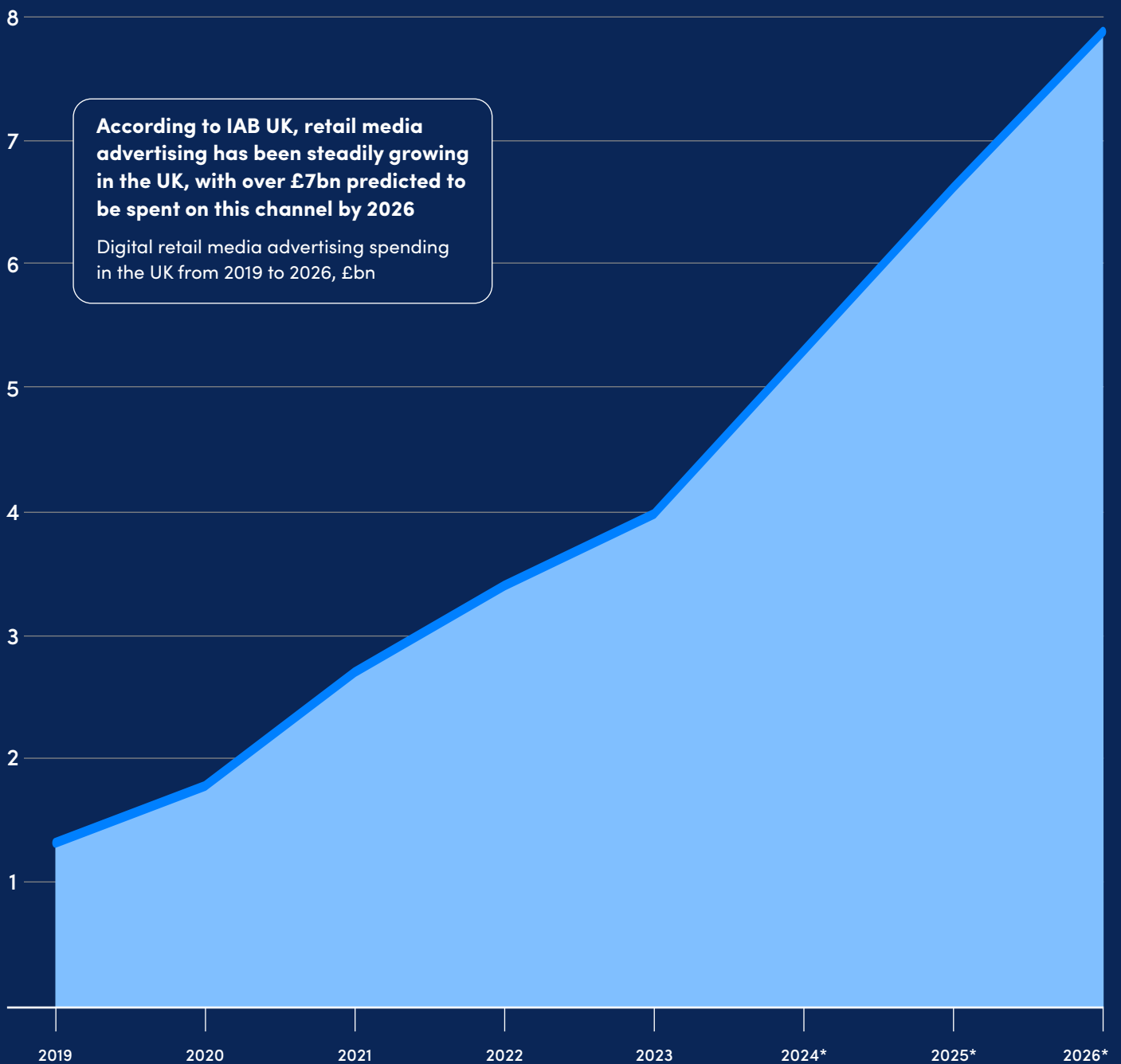
70% to 90%

margins could be achieved from advertising spend on retailers’ own channels

Boston Consulting Group, 2022

The development of digital advertising and rise of retail media

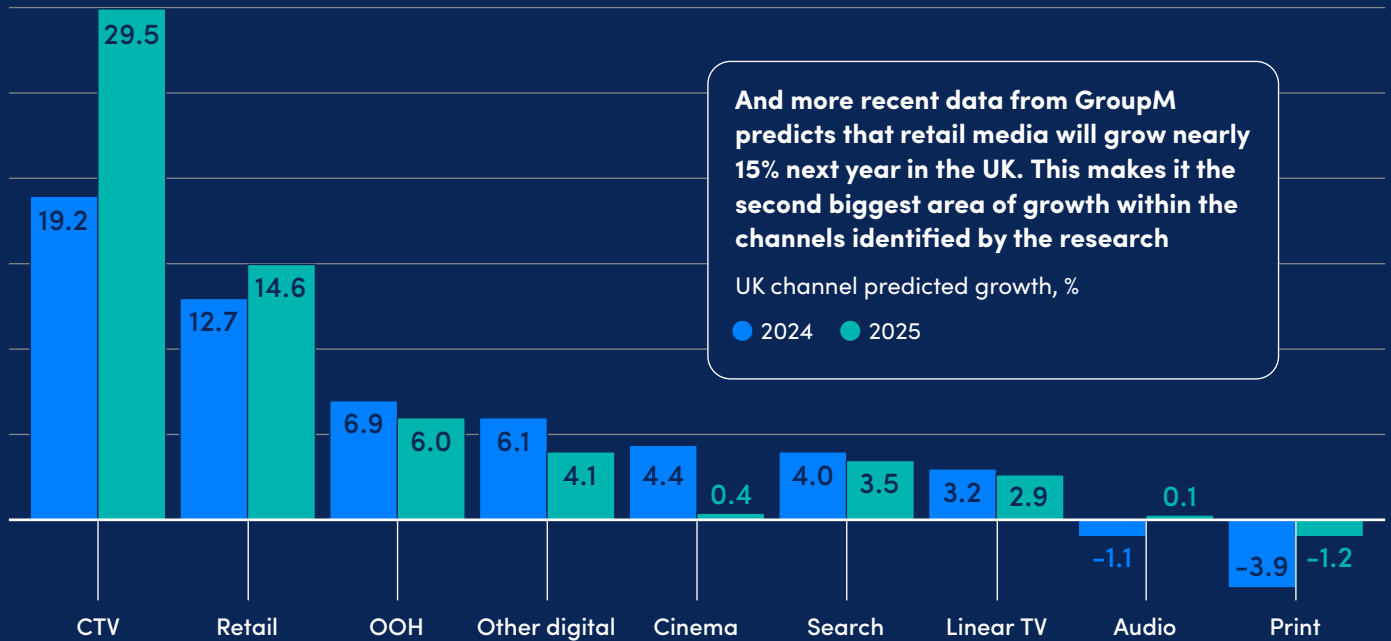
How are UK channels changing and growing, and what opportunities exist within the retail media space?



According to IAB UK, retail media advertising has been steadily growing in the UK, with over £7bn predicted to be spent on this channel by 2026

Digital retail media advertising spending in the UK from 2019 to 2026, £bn

*Forecast figures | IAB UK, 2022

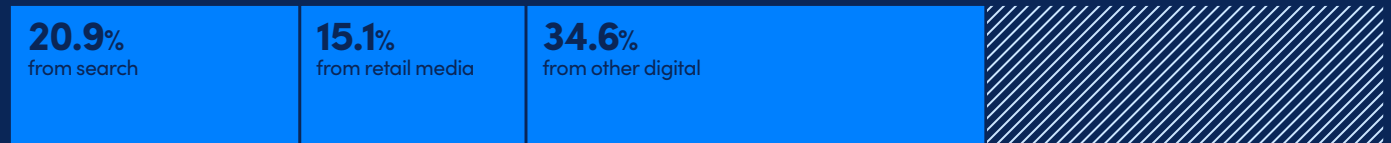


And more recent data from GroupM predicts that retail media will grow nearly 15% next year in the UK. This makes it the second biggest area of growth within the channels identified by the research

GroupM, 2024

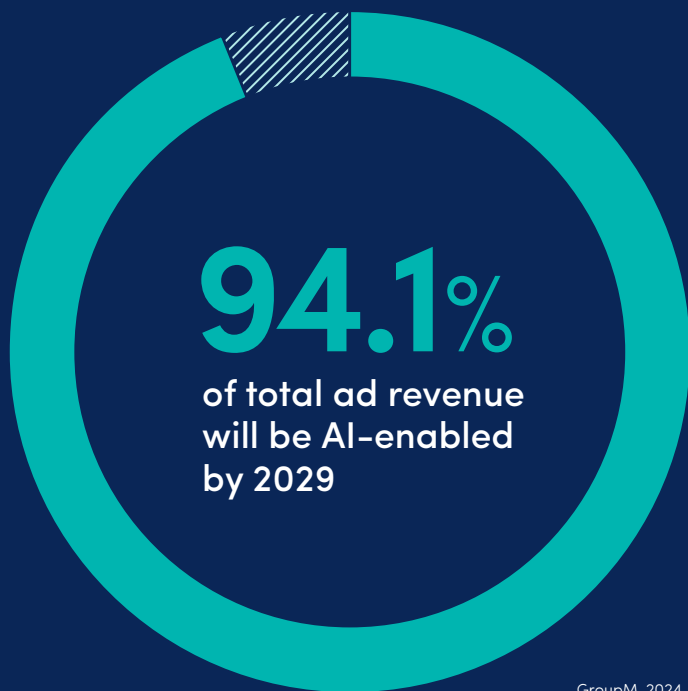
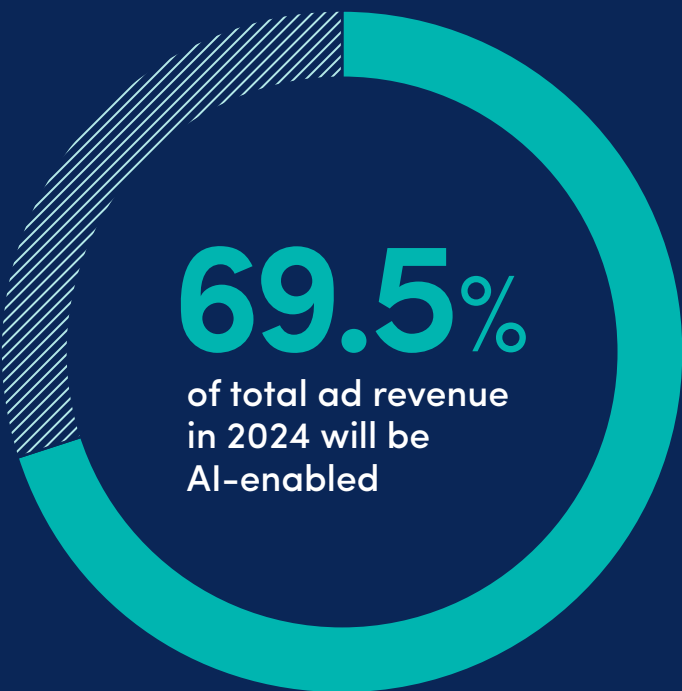
Digital advertising as a whole has grown significantly over the last few years and now makes up over two-thirds of UK ad revenue

70.6% of total ad revenue in 2024 will come from digital pure-play advertising



GroupM, 2024

Emerging technology will play a big part in digital ad spend growth, including the rise of retail media



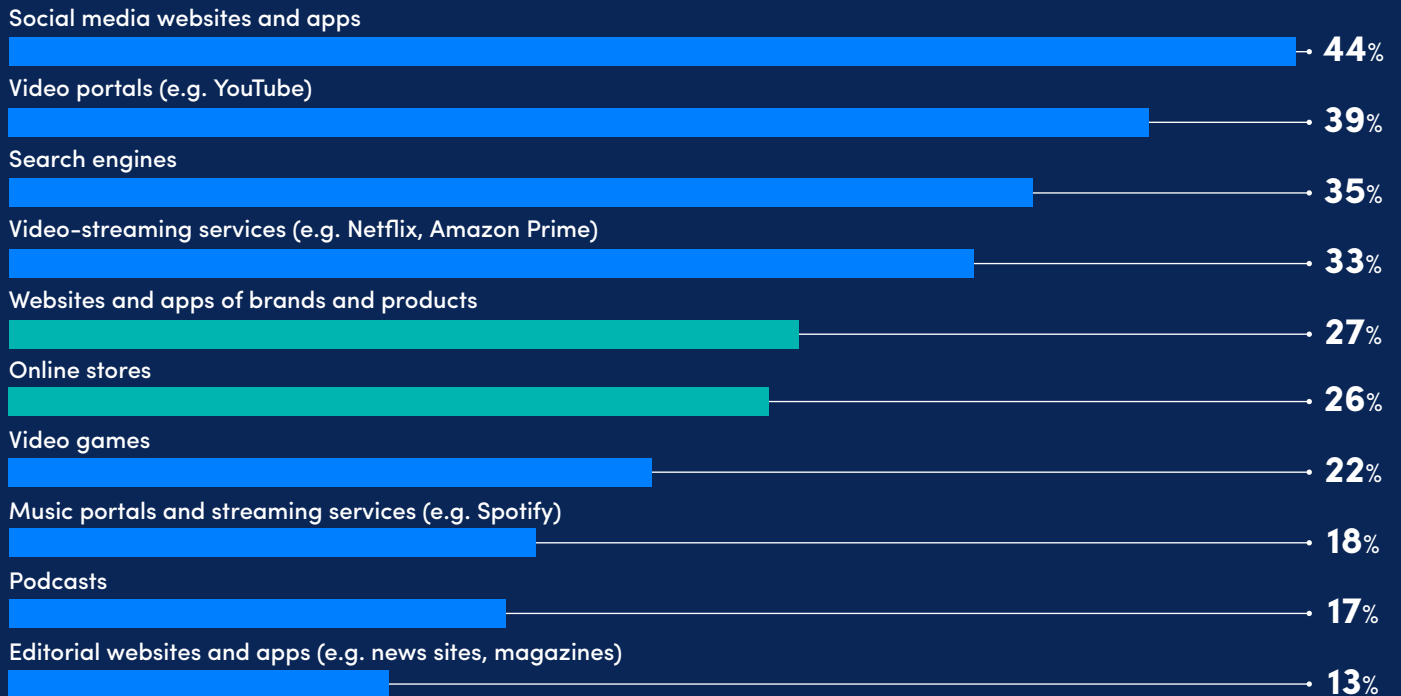
GroupM, 2024

So, how big of a digital advertising touchpoint is retail media for UK consumers?

Currently, around a quarter of UK consumers are aware of ads on online stores and brand and product sites

'Where have you come across digital advertisements in the past 4 weeks?'

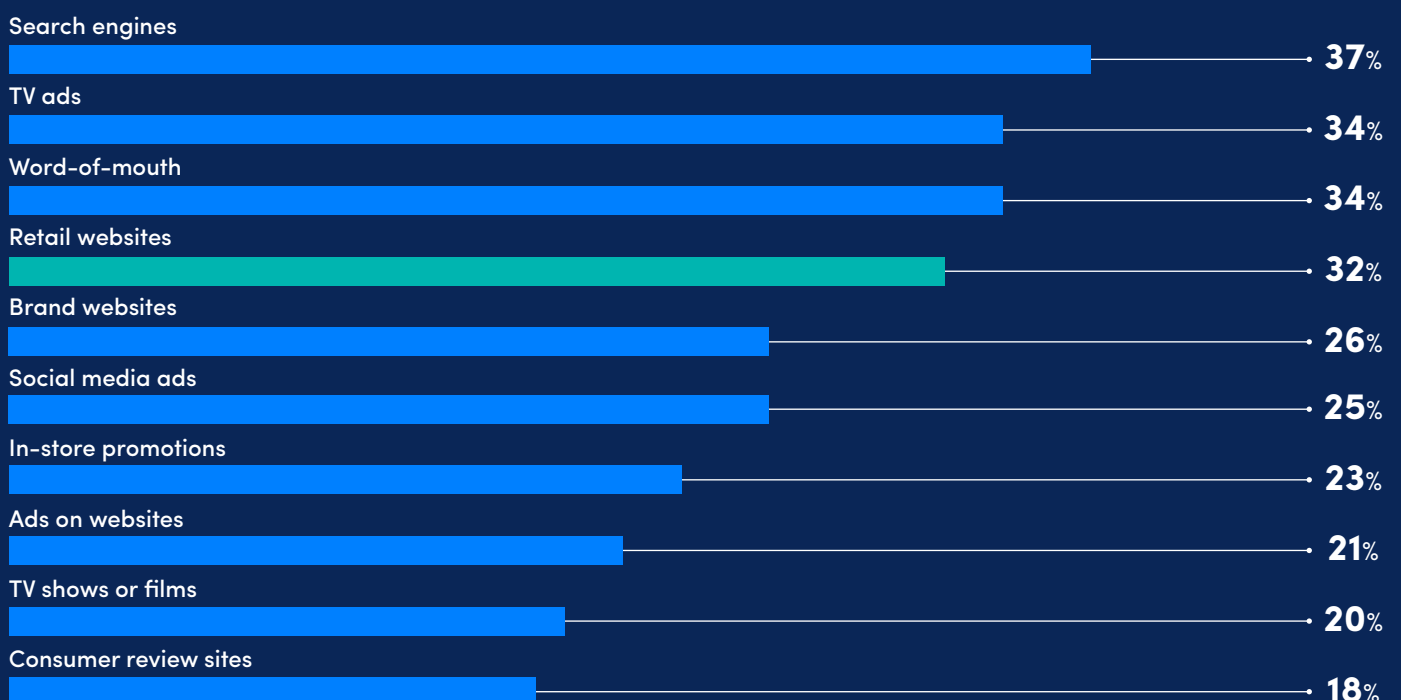
Consumers in the UK as of March 2024, top 10 answers



Statista Consumer Insights, 2024

And nearly a third of UK consumers discover new products and services on retail websites, suggesting this is an important channel for finding new customers

Most common sources of new brand, product and service discovery among internet users in the UK as of the 3rd quarter of 2023



DataReportal; GWI; Meltwater; We Are Social, 2023



Building the retail media customer experience

Advertising has a valuable role to play in smoothing the customer journey but it must work in balance with the retail media environment

Morag Cuddeford-Jones

Amid the retail media gold rush, advertisers and retailers must exercise caution. In September 2024 alone, Tesco recorded more than 27 million visits to its website. A great customer experience is what keeps those customers coming back. It follows that, if Tesco – and retailers like it – are going to use their sites, apps and other digital media as ad platforms, they’re going to have to make sure it adds to the customer experience, rather than taking away from it.

Ed Dinichert is chief revenue officer at adtech firm TripleLift, having spent 10 years in adtech at Amazon. “Retailers should be constantly analysing conversion rates. If the navigation breaks down because there are too many ads on the page, marketers have to work backwards from that. Customer obsession means doing A/B tests before launching each new position to make sure it’s delivering better results for shoppers.”

There’s no doubt that advertising is a useful tool for the consumer when used in the right way. According to research from Criteo, shoppers who actively click on ads have a higher average order value. In other words, they’re more likely to spend more overall. There also isn’t any evidence to suggest that, when done right, retail media ads put consumers off coming back. The same research showed that shoppers who had made an original purchase from an ad continued to buy from that brand five more times over a six-month period.

Advertising as a research assistant

The experience most people will have had with retail media is Amazon’s sponsored listings. It’s a basic but highly successful tool to get products in front of consumers that otherwise might come far down a list of search results. But what if the customer isn’t entirely sure what they’re looking for?

Carwow is an automotive marketplace that generates leads for car retailers and allows individuals to sell their own car. It covers the full car-buying journey from valuing a car, to selling

a car, to buying another car. Buying a car requires significantly more consideration than a bottle of fabric softener, so customers want to research.

As the company's global chief customer and marketing officer, Ben Carter, explains, the car-buying funnel is "a very long and squiggly one".

"We get a huge amount of signals from customers in that process. Manufacturers work with us to build their brands at the top of the funnel. You've got lots of new brands coming from Asia who've never been heard of before in Europe so they use us as a gateway.

"We also operate in the mid-funnel – the customer doesn't really know what they're looking for so we stimulate ideas. And then at the bottom of the funnel we offer 'conquest products' where a manufacturer can appear on page while a customer is configuring one of its rivals."

For advertisers, the benefit is getting in front of consumers at a key point in their journey. For consumers, it's getting access to tailored information when they most need it. Win-win.

Standing out on the virtual shelf

"Marketers 20 years ago didn't have a lot of ways to differentiate themselves from established products," notes TripleLift's Dinichert. "If they did, they had to spend an insane amount of money on TV ads to access the mass market. Now, there are so many ways to be smart about their brand story and find the right customer journey."

Being smart is what water brand Liquid Death has done. It can't differentiate by product – it's just water – but Dinichert reveals that by communicating its story through social media and retail media, it has managed to differentiate itself from established brands. "If you have the right price, story and combination of social, retail, video, retargeting and loyalty, you can elevate your brand and take back market share."

Qaiser Bachani is consumer experience lead for Europe and global brands at Mondelez. He believes brand marketers need to reconsider how they view retail media, moving away – ironically – from the notion of 'retail'. "Don't consider this

a sales channel, but as somewhere you can build your brands as well."

Using retail media as a full-funnel channel means varying the messaging for different parts of the customer journey. "Don't work in isolation because the multiplier effect can be significant. It helps you both from a brand perspective and a performance perspective," Bachani adds.

"Brand teams have traditionally been very focused on the top-of-funnel activity, creating a great outdoor ad, for example, and not so much on the commerce side. We have a broader vision of driving nearly 20% of our business from commerce channels by 2030, and retail media is one way of doing that. If we can do it full-funnel, that's even better," Bachani suggests.

Cohesion and collaboration

The challenge facing both brands and retailers in delivering this full-funnel vision to customers is that neither has typically worked this way before. On the retail side, the media business has usually been built independently. On the brand side, marketing teams tend to be siloed into brand teams, performance teams and so on.

For retail media to be executed successfully, everything needs to be much more closely integrated. "There are various models depending on the maturity of the organisation," suggests Bachani.

"In general, performance marketers are much more evolved in that space because it's their bread and butter. But in a lot of CPG (consumer packaged goods) companies you have an ecommerce team that also manages retail media. You also have dedicated media and digital organisations who are planning media and working with partners like Meta and TikTok. Our goal is to make sure these teams work as closely as possible. But to accelerate the retail media journey, we need to make sure the experts are sitting in the right area."

For the consumer's experience of retail media to be smooth on the outside, the operation has to be smoother on the inside, too. With the space still evolving, there is no single answer to what those models look like but there are three key pillars that will form its foundation.

The first is focusing on testing and adapting to understand how the ads are received. The second is making the most of all the advertising tools and formats at your disposal, from brand building at the top to performance marketing at the bottom of the funnel. And the final pillar is breaking down barriers between teams so retail media strategies work together to create that magical multiplier effect. ●



Now, there are so many ways to be smart about their brand story and find the right customer journey



Retail media gives data its time to shine

The real value to advertisers from working with retail media networks isn't just the platform, it's the data and insight that will tell them more than ever before about how best to target their ideal customer

Morag Cuddeford-Jones

Retail media may be about online shop fronts, it might be about responsive digital media in-store, but above all, it's about data. Over the past 30 years, since Dunhumby and Tesco began working together on Clubcard data, retailers have had access to a wealth of customer information. Brands, particularly consumer packaged goods (CPG) advertisers, have seen what's possible with that data but it has been just out of reach – until now.

Colin Lewis, director of Retail Media Works, explains what's changed: "Retailers have a lot of first-party data through their loyalty schemes, which aren't really about loyalty,

they're about capturing purchase behaviour. That information has already been approved by the shopper so, by using retail media networks, you've solved the privacy problem."

Merge the streams

Enriching that data even further is an opportunity the advertisers are keen to latch on to. "If retailers bring their data and we bring our own that we've captured via CRM and marry them together, I think there's huge potential there," suggests Qaiser Bachani, consumer experience lead for Europe and global brands at Mondelez.

It's not been without its challenges, however. Bachani feels "there's been slow progress, probably because the retailers are concerned about privacy and they need to make sure they're not sharing data with other enterprises." Bachani reveals that Mondelez has been working with Carrefour in France to find a way to access the data in a privacy-first format but admits "it's been sort of hit and miss".

One option is data clean rooms. This is software that allows brands to run targeted campaigns by uploading their data to the 'clean room', where it can be compared with other companies' data without exposing any unauthorised customer information.

Paul Wright, head of international, Uber Advertising, agrees that clean rooms could be a useful tool. He says that clean rooms allow a lot more than walled gardens. "In the case of CPG, teams are starting to get rich data that they probably haven't had access to for many years. Now, they can use it to inform decision-making going forward."

Integrate at speed

How advertisers manage campaigns in retail environments could start changing very fast. "The cycles between insight, planning and activation are collapsing very fast because of technology," claims Frampton-Calero. "With digital, in principle, you can have campaigns live in minutes, and AI means you can create



Integration is giving advertisers access to connections and insights that simply weren't possible before

creative assets in minutes too. You could run campaigns within an hour."

Amir Rasekh, managing director at Nectar360, explains just how fast the landscape is changing. "Over the last 12 months, we have seen an explosion of digitising the in-store environment. We must ensure that this is done in a smart, connected way with customer experience at the heart of decision-making – it must add to the customer experience. The same applies to the entire retail media offering."

He adds that integrating all data-led campaigns is delivering results and reveals that a recent integrated campaign for a leading frozen food brand delivered a 9% sales uplift from in-store media and £8.57 return on ad spend from the online element.

Integration is the key to making data retail media's superpower. It is giving advertisers access to connections and insights that simply weren't possible before. Step outside grocery (it's not all about CPG) and its potential becomes even clearer.

"In automotive retail, historically manufacturers have dislocated their marketing. They do the big brand piece and then hand activation over to dealers," explains Carwow's global chief customer and marketing officer, Ben Carter.

"There's a massive disconnect both in terms of marketing assets and marketing effectiveness. On Carwow, as soon as the customer has finished browsing and chooses to contact a dealer, it triggers a charge of inquiry. That gives the dealer your consent for them to contact you or, in the case of Tesla, for example, the manufacturer can contact you," he adds.

Closing the loop is the value marketers are really going to drive from retail media, on top of reach and full-funnel opportunities. Being able to see what consumers want at every stage of their purchasing journey, connecting those behaviours to purchasing actions and being able to use that information to inform future campaigns is the gold dust advertisers have been seeking. And for retailers, it's finally a tangible way to monetise the wealth of data they've accumulated that's been sitting, waiting for its moment to shine. ●



The cycles between insight, planning and activation are collapsing very fast because of technology



GroupM is WPP's media investment group, with a mission to shape a new era of media where advertising works better for people. GroupM's agencies - Mindshare, Wavemaker, EssenceMediacom, and T&Pm - are the front door to the advertising industry's most advanced media strategy, innovation, and activation capabilities. Responsible for more than \$60 billion in annual media spend and the leading partner to the world's largest media platforms, GroupM leverages a unique combination of global scale, expertise, and innovation to connect brands with their audiences and grow their businesses.

For more information please visit [groupm.com](https://www.groupm.com)

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