

Retail Media: Meeting Consumers Where They Shop

Retail media is rapidly growing, providing brands with opportunities to reach consumers while they're actively shopping. With a compound annual growth rate of more than 30% from 2020 through 2024, retail media is the second-fastest-growing ad category after connected TV. In fact, U.S. retail media spending is **expected to reach \$40.81 billion in 2022**, which is more than triple its pre-pandemic total. That figure is projected to hit **\$61.15 billion in 2024**, aligning retail media with traditional TV ad spending.



SPENDING SPIKE

82%

of U.S. advertisers plan to increase their retail media spending this year. The top categories anticipating increasing their spending are:

- Jewelry and luxury (100%)
- Consumer electronics (92%)
- Beauty (87%)
- CPG (87%)



Image Sources: Hermès

AMAZON LEADS THE PACK...

With more than **76% of the retail media net ad revenue share** in the U.S. market, Amazon is the clear leader in this space.

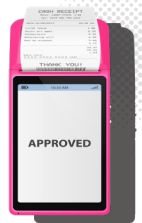
- In 2022, this e-commerce giant will be about **12X larger in share** than Walmart —its nearest competitor
- In 2021, Amazon's retail media network had an **ARPU of \$111—nearly 4X higher** than Instacart, the runner-up at \$29
- However, Amazon's competitors are **growing their ad businesses at a faster rate** in 2022: Walmart by an estimated 58% and Instacart by about 44%, compared to 30% for Amazon



IN-STORE REACHES MORE

The number of consumers who shop in-store outpaces those who shop in the digital space, making physical stores monetizable media assets.

- With approximately **85% of retail sales occurring in-store**, delivering ads closer to the point of purchase helps brands reach a mass audience
- **18- to 49-year-olds** are hard to reach on TV, but this audience does shop in-store
- In June 2022, **212.4M consumers visited a Walmart store**, while only 125.3M visited the retailer's websites



...BUT WALMART IS GAINING STEAM

Smart shifts by the retailer resulted in an impressive performance in Q2:

- Walmart's ROAS **increased by nearly 83% YoY** thanks to two key updates: enhanced search relevancy and changing to a second-price auction model
- The retailer improved the relevance of sponsored ad listings and expanded the amount of inventory available, **giving brands more opportunities to reach shoppers**
- In addition, **CPCs fell about 23%**, and clickthrough rates rose around 43%



GROWTH OUTLOOK

By 2026, it's estimated that the retail media market will account for **over 25% of total digital media spending**.

- Retail media revenue is projected to reach **\$100 billion by 2026**
- **60-70% of this revenue** will be net new dollars for retailers to capture
- Amazon is expected to account for **60% of retail media during this time frame**, holding firmly onto its position as the biggest player in this space



RETAIL MEDIA ROADBLOCKS

Poor retailer relationships are a hurdle that will need to be addressed in order for retail media to succeed.

37%

of marketers are frustrated because their retail media partners don't help them overcome challenges

- 47% believe that **growing privacy regulations** will prevent optimization of their retail media practice
- **34% don't trust the quality of the data** from retail media partners

Sources: eMarketer, "Retail Media Ad Spending Forecast 2022," 2022, McKinsey & Company, "Busted! Five myths about retail media," 2022, eMarketer, "Why physical stores are the next major media channel," 2022, eMarketer, "Walmart's retail media network enhancements gave it an edge over Amazon in Q2," 2022, Boston Consulting Group, "How Retail Media Is Reshaping Retail," 2022, eMarketer, "Privacy, measurement, and undeveloped relationships hinder success of retail media," 2022.