The Retail Media Almanac

2024

The seven stories that chart the rise of an industry

COLIN LEWIS

In partnership with Internet Retailing, Retail Media X, RetailX

Welcome to the **Retail Media Almanac 2024**

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2024 was the year that Retail Media transitioned from a niche interest to being a central part of the discussion across retail, marketing, advertising and advertising technology around the world.

Here at Internet Retailing and RetailX, we tried to capture all of the insights, all of the stories and, most of all, curate the content that matters to marketers, retailers and technology vendors.

Retail Media stories come and go, but there are some underlying themes that never go away – and the result is this Retail Media Almanac, a collection of the year's most impactful columns and thought leadership.

Think of it as the 'Retail Media Annual 2024' in the spirit of Christmas annuals from the past – a collection of the best content on Retail Media in 2024 from Internet Retailing, that you can read and revisit as you think through your 2025 Retail Media strategies.

Hope you enjoy it.

Contents

The impact of Retail Media on marketing structures

There are a variety of different combinations of marketing structures used to run retail media – which do you need?

The 2023 Retail Media Benchmarks from the Digital Shelf Institute and Stratably looked at a sample of 52 brands and found 22 different functional combinations, with ecommerce typically 'owning' the agenda.

Stratably and DSi point out reasons why this is the case:

- Compared to alternative media offerings, retail media is relatively new, which means there isn't one playbook approach that works for all companies.
- Many advertisers are experimenting by bringing different groups together in different ways.
- Advertisers find that it requires cross-functional teams to execute well.

More mature marketing teams with lots of experience in Retail Media are finding that they MUST change as different parts of the marketing team were often competing with for the same ad unit.

Ecommerce	31%
Shopper marketing, ecommerce	10%
Brand marketing, ecommerce	10%
Digital center of excellence, ecommerce	6%
Trade marketing, ecommerce	4%
Shopper marketing, ecommerce, digital center of excellence, retail media center of excellence	4%
Shopper marketing, ecommerce, digital center of excellence	4%
Shopper marketing	4%
Digital center of excellence	4%
Trade marketing, brand marketing, ecommerce	2%
Shopper marketing, trade marketing, ecommerce, digital center of excellence	2%
Shopper marketing, retail media center of excellence, integrated marketing unit	2%
Shopper marketing, retail media center of excellence	2%
Shopper marketing, digital center of excellence	2%
Shopper marketing, brand marketing, ecommerce, digital center of excellence	2%
Shopper marketing, brand marketing, ecommerce	2%
Integrated marketing unit	2%
Ecommerce, digital center of excellence, retail media center of excellence	2%
Ecommerce, digital center of excellence, integrated marketing unit	2%
Brand marketing, ecommerce, integrated marketing unit	2%
Brand marketing, ecommerce, digital center of excellence	2%

Digital Shelf Institute/Stratably

What drives this change in marketing team structures?

Marketers have had to develop internal centres of expertise in brand, trade, shopper and digital. FMCG brands typically break down their teams and budgets into the follow 'buckets':

- **Brand:** Brand budgets are to build and promote a brand – to enhance brand reputation and visibility to drive salience and consideration.

- **Trade:** Trade budgets are used as an investment tool to influence the performance of suppliers at retail.

- **Shopper:** Shopper marketing budgets are about affecting shopper behaviour instore to generate purchase decisions.
- **Digital:** Digital Marketing budgets go to fund search and social campaigns – mostly Google and Meta.

Where does the Retail Media 'bucket' fit into all of this? Sure, Retail Media targets shoppers near the point of sale using first party data online or offline.

However, if Retail Media has ad units that can build brands, change trade terms and affect shopper behaviour in store and online, where does the budget actually sit?

Then again, these silos are now causing co-ordination issues as no-one now knows who controls the budget. This is at the core of the challenge facing CMOs – how do they reduce silos, optimise budgets and improve retail media's effectiveness?

Lessons in marketing silo reduction:

- **Kenvue: Kenvue** – formerly the consumer healthcare division of Johnson & Johnson – has talked about how it addressed these challenges by changing internal media teams. Jordan Witmer, Associate Director, Omnichannel Retail Media at Kenvue talks about how the company combined brand, agency and shopper marketing stakeholders into one embedded model. "We're six months into what we're calling an embedded model. That means we've pulled our whole media ecosystem into one organisation," Witmer says. Kenvue believes that this has helped develop a more unified approach to its media spend and helped make quicker, more informed decisions. "Now, as soon as the team uncovers something that will help contribute towards a business outcome, they are able to act on it, as opposed to previously when it would have to get run up the ladder before anything happened," says Witmer.

- **Colgate Palmolive:** Colgate-Palmolive USA talked about its challenges with Retail Media and how the company addressed them at the Cannes Lions in June 2024. Diana Haussling, Chief Marketing Officer, North America, spoke about how Colgate Palmolive is "Really trying to modernise and think about the challenge differently." She continued: "Instead of having retail media, this type of media, that type of media sits in all these different silos and have budgets sit separately, they actually all sit under one team and in one organisation we call 'Consumer Experience and Growth'." She added: "What this enables us to do is actually not focus on the tactic or focus on the P+L or budgets, instead but allows us to think about what we're trying to accomplish and then pull the appropriate levers and have SMEs lead those components across the team."

TLDR

- **Segregation:** Marketing teams are restructuring on the back of Retail Media because trade, shopper, digital media & brand marketing teams work with different objectives, different KPIs, different datasets and are segregated as a result.

- **Structures:** Many different structures are being tried – but all of them are about driving collaboration.

- **Collaboration:** The basic starting point is to just get the teams together in one room. Because silos exist, no-one talks to each other and, in many cases, don't even know what the others are doing – or were even in the same building. Start from there and see magic happen – once they know each other!

Showrooming, webrooming, ROPO and ROPES – and the ROAS Trap

Think you know your ROAS from you ROI, your ROPES from your ROPO? Here is what you really need to know

Everyone talks about measurement, measurement frameworks, data, incrementality, ROI, ROAS, iROAS, or standardisation as though they are talking about the same thing. However, no-one is ever talking about the same thing. Instead, they are talking about:

- Different marketing goals require varied metrics
- Marketers do not use the same metrics in every category and industry to measure success, such as alcohol versus clothing
- Retailer do not have access to metrics as the information is buried in POS
- Instore retail measurement is impossible to measure reliably.

All the complaints will be addressed as measurement standards have evolved significantly over the past year due to the various IAB chapters releasing new standards for retail media for online, offsite and instore. The more these are adopted, the more the complaints should – in theory – go away. However, the complaint about standards will continue forever. As the pace of technology changes, such as shoppable ads, means that measurement methods will be needed.

The biggest culprits: ROAS and ROI

A lot of brands use ROAS and ROI as their main KPIs – mainly because they were championed by Google and Facebook as measures for advertising, but are they the best way to measure retail media. Marketers like the immediacy and predictability of ROI and ROAS. However, the marketing community is recognising that these measures – although common – are far from perfect. ROI is a very different metric than ROAS, but they are the bread and butter of Retail Media.

ROI and ROAS are critical metrics to track. The key piece to understand is that ROI is a very different metric to ROAS.

Let's look at the differences between ROAS and ROI:

ROAS	ROI
• As % of non-branded spend increases, ROAS decrease and top-line grows. • ROAS is calculated using digital attribution, which can vary from platform to platform. • ROAS decreases with increased incremental sales. • ROAS can foster a sense that channels 'compete' rather than work together. • Focusing on high ROAS can lead to you targeting more and more heavy buyers, so limiting growth.	• ROI inversely correlates with profit growth. • ROI decreases as you spend more, and increases as you spend less. • The easiest way to increase ROI is to decrease spend. • Focusing on increasing ROI limits growth. • ROI is not actually a measure of effectiveness but how efficiently you achieved it.

So, ROAS and ROI are imperfect KPIs if you wish to grow.

What is another way of thinking about this?

This quote from Steve McGowan, Head of Shopper Activation & Strategic Partnerships, Mondelez, is insightful:
"We look at our investments across the entire ecosystem to deliver against our ultimate objective: incremental volume and sales growth. We use retail media to maintain, and more importantly grow, online and in-store incremental sales. This is crucial since a huge portion of our sales is still completed in-store, while a huge portion is digitally influenced".

Ready for ROPO?

The concept of being digitally influenced is called ROPO (research online, purchase offline). There are numerous of peer reviewed papers in marketing journals on the impact of Retail Media and the ROPO effect. For example, Professor Koen Pauwels, Professor of Marketing at Northeastern University in Boston, has written and collaborated on numerous papers on the topic.

In a paper called "Amplifying Off-Site Purchases with On-Site Advertising", Pauwels and his colleagues introduced two key metrics to measure ROPO. They combined Amazon internal data from customers' browsing behaviour on Amazon.com and matched these with survey responses for the same customers about their offsite behaviour across twelve product categories.

Professor Pauwels and his colleagues created two brand-level measures to quantify the magnitude of off-site purchases among on-site researchers: Research on-site purchases elsewhere share (ROPES) and Amplifier Ratio (AR).

- **ROPES (Research On-site, Purchase Elsewhere Share):** The ratio of off-site buyers to on-site researchers within a category.

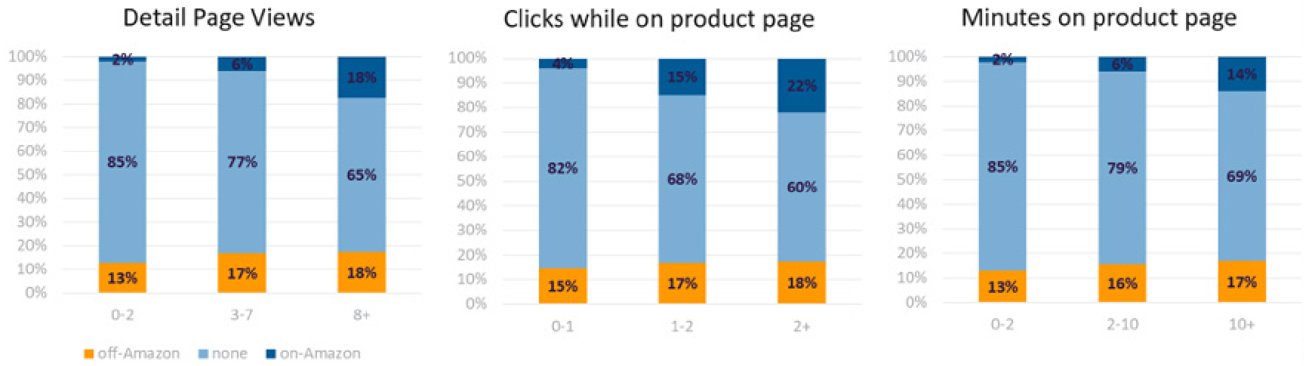
- **Amplifier Ratio (AR):** A proxy for amplifying ROAS by comparing on-site purchases to off-site purchases within the same category.

Professor Pauwels' research was based on serious data sizes: they collected survey responses of 41,946 Amazon customers across 10 categories in 2021 (audio speakers, computer printers, doll toys, laptop computers, microwaves, power drills, running shoes, smartphones, tablet computers, and televisions).

Their papers showed that ROPO is "economically substantial". Among the consumers who researched a product on Amazon, more end up buying it off-Amazon than on-Amazon – in every analysed category. In other words, off-site purchases often exceeded on-site purchases, with ROPES varying from 0.5% to 10% across categories. Doll toys, printers, and running shoes had higher ROPES than laptops or smartphones.

Customers who research more than average are not only more likely to buy on Amazon but also off-Amazon

Total percentage of buyers on Amazon, off-Amazon and non-buyers in different activity groups



Amazon Advertising

Moreover, consumers who visit more product pages (PDPs), click more and spend a longer time on the product's Amazon page, are more likely to buy the product, both on and off Amazon.

Upper funnel advertising ROPO

Professor Pauwels and his colleagues found that upper funnel advertising such as Display Ads, Video Ads or Sponsored Display ads tends to have a relatively larger share of off-site sales contribution relative to lower funnel advertising such as Sponsored Products advertising that affects mainly on-site sales.

They also found that always-on advertising strategies on Amazon showed greater impact on off-site purchase behaviour compared to time-limited campaigns.

TLDR

1. **ROPO is measurable and important:** ROPO is significant for understanding the full impact of retail media not only on Amazon but also sites like Boots.com.
2. **Upper Funnel and 'Always-on'** drives greater off-site purchase contributions.
3. **The Shopper:** Retail media search does not operate in a vacuum: discounts, promotions, seasonality, non-retail media investments, and other factors meaningfully impact retail media performance.
4. **Be Creative:** breakthrough results come not from ROI, not from ROAS, not from efficiencies, but creativity.

Retail Media's "Cambrian Explosion"

Retail media in 2024 has seen an explosion of 'life' akin to the 'Cambrian Explosion' seen 540 million years ago – and much like the boom in technology a decade ago

About 540 million years ago something amazing happened: lifeforms began to multiply, leading to what is known as the "Cambrian explosion". Until then, sponges and other simple creatures had the planet largely to themselves, but within a few million years the animal kingdom became much more varied. It was a moment in Earth's biological history when diverse life forms emerged.

During January 2014, *The Economist* magazine published a very long article likening the growth of digital startups to this Cambrian explosion. In this new digital age, "Cheap and ubiquitous building blocks for digital products and services have caused an explosion in startups" and that "digital startups are bubbling up in an astonishing variety of services and products, penetrating every nook and cranny of the economy. They are reshaping entire industries and even changing the very notion of the firm".

They even quoted Marc Andreessen, the famed Silicon Valley venture capitalist: "Software is eating the world".

The Economist talked about "software that is eating away at the structures established in the analogue age. They are using "application programming interfaces (APIs), digital plugs that allow one service to use another, for instance maps (Google) and payments (PayPal). The most important are platforms that can host startups' offerings (Amazon's cloud computing), distribute them (Apple's App Store) and market them (Facebook, Twitter)."

From a remove of 10 years, we can see how prescient *The Economist* article was. Since 2014, software has 'eaten the world'. Today, cloud services, open-source software and application programming interfaces (APIs) are ubiquitous and are seen as having democratised entrepreneurship, enabling new businesses to be built with minimal resources and time.

What it means for Retail Media

Retail Media is similarly eating away at earlier 'structures' such as Trade Marketing, Shopper Marketing, Google and Meta. The use of widely available tools and technologies that can be used as building blocks for new Retail Media capabilities is just starting.

The core retail media technology landscape has been dominated by Criteo and Citrus Ads (now Epsilon). However, there are a new generation of built-for-purpose RM technologies that are either seeking to replace these incumbents or to unbundle valuable component parts.

There are lots of great examples – and they don't come from Silicon Valley – or even the USA. They come from Turkey, they come from Australia, they come from France, they come from the UK.

The challenges of Retail Media, whether it is measurement, creative, analytics mean that a whole slew of new technology is inevitable.

And investors are taking note.

The investor thesis on Retail Media

Mark Boidman, a partner in Solomon Partners investment bank, spoke at a Stratacache event called "What's Instore for Retail Media Networks" at the NRF in January 2024. His talk was titled *"The Multiplier Effect of In-Store Retail Media on Overall Enterprise Value".*

Boidman pointed out why Retail Media is interesting for investors:

- Retail media is one of the fastest-growing segments in the advertising market.
- Retail Media offers the ability to reach targeted audiences and accurately measure advertising effectiveness.
- This capability enhances the enterprise value of retail media companies.
- Retail media is gaining market share from traditional offline advertising channels.
- New retail media strategies present significant growth opportunities for networks that adapt effectively.
- Retail Media is interesting for investors as it is a growth market with a large total addressable market (TAM), with lots of opportunities for new value to be created.

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The Retail Media "primordial soup"

Retail media is experiencing its own version of a Cambrian moment, driving a fundamental shift in how brands connect with consumers. The last sentence of the original *Economist* article said: "Today's digital primordial soup contains the makings of the economy of tomorrow".

Applied to Retail Media, today's primordial soup of Retail Media 1.0 and 2.0 contains the seeds of startups to solve these problems.

What next?

Marc Andreessen, the famed Silicon Valley venture capitalist who wrote "*software is eating the world*" says today that *"AI is eating the world".*

There you have it: the building blocks of the future of Retail Media will come through the disruption that the rest of the world is already getting with AI.

Imagine a world where advertisers can:

- Create TV-quality advertising using AI tool on their phone (Now available with Sora and Runway)
- AI powered video creation at scale (Now available with Heygen
- AI powered influencer ads with perfect lipsyncing in multiple langages (now available with LipDub.ai)

This is the real future of AI in Retail Media: new tools – in particular, video – that are cheap to use and implement.

TLDR

- As new technologies and startups rise to meet the challenges, they're laying the groundwork for the future of retail and advertising.
- Innovations in Retail Media won't slow down as the industry is so 'early' in its development.
- AI Video tools are the perfect match for Retail Media as they are perfect for brand building, product discovery and conversion.

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The ad-load trap: the hidden threat to Retail Media?

Avoiding trapping consumers in a spiral of sign-ups, pop-ups and ads is key to a valuable retail media proposition – and the key lies in relevance

You might be familiar with this story: you are a regular user of an app, or a media site, or a sports site. Gradually you notice that it is harder to get to the content you want, as you appear to be trapped in an obstacle course of sign-ups, pop-ups and ads.

Eventually you sidle off sullenly to another site promising the same content – only to find that it too gradually succumbs to the same cycle of 'more': more ads, more pop-ups and more things that get in the way.

This gradual degradation happens as a result of the site prioritises revenue at the expense of user experience.

It's a trap.

Retail media expert Raj Redij-Gill believes the trap emerges when relevance is ignored in the rush for higher revenue.

In the case of Retail Media, the simplest analysis of the problem is one of 'ad load' – an increase in the number of advertisings 'units' per page.

Redij-Gill points out the sequence of events that leads to this trap:

- **Stage #1:** Retail media initiatives start with great promise. By adding a few sponsored product slots, retailers can generate immediate revenue without dramatically altering the shopping experience.
- **Stage #2:** The retailer is conservative and the balance between organic and sponsored products remains intact, and the shopper experience doesn't suffer.
- **Stage #3:** Initial success is achieved, everyone gets excited and senior management – who don't know the outcomes of increasing the number of advertising units per page, asks the Retail Media team to increase revenue and by adding more ad slots.
- **Stage #4:** The Retail Media Network starts prioritising revenue over relevance, targets over customer experience.
- **Stage #5:** As more ad slots are introduced, ad load per page increases and relevance starts to slip. Organic listings end up below the fold. Sponsored products take priority. Shoppers get frustrated with irrelevant result.
- **Stage #6:** Trust is eroded and shoppers set-off for other sites to get what they actually want, not what the retailer wants to sell them

Initially, nothing happens. There are immediate gains. Long term, it's another story. Click-through rates and conversions gradually drop, and advertisers get poorer results for their investment.

Lead us not into temptation: avoiding the trap

The keyword – if you will forgive the pun – *relevance.*

Redij-Gill points out that "shoppers don't mind sponsored products, as long as those products meet their needs. When relevance is prioritised, engagement increases, click-through rates improve, and conversions rise. Advertisers also benefit, as their ads reach a more targeted, engaged audience, driving higher returns on their investment".

Redij-Gill continues: "Relevance is more than just a filter on which products to show—it's about keeping the customer experience central to every decision. Without relevance, even the most sophisticated retail media efforts will struggle to maintain long-term value."

Here are five steps that retail media networks should take according to Redij-Gill:

#1 Define your retail media principles: view every decision through the lens of relevance

Many retailers already use bidding systems to prioritise sponsored products. However, it's not enough to simply reward the highest bidder. Sponsored placements must also serve the shopper's needs, not just the advertisers. Retailers should move beyond standard bidding models means using data-driven algorithms to assess customer behaviour, shopping patterns, and contextual signals to ensure that the products being promoted align with shopper expectations.

#2 Balancing sponsored and organic: refocus on relevance

Relevance needs to be the driving force behind how retailers balance sponsored and organic products. Standard metrics such as ad-to-organic ratios, click-through rates, and conversions should be looked at, but the most important question is “are these metrics reflecting relevance to the shopper”? Analysing all metrics through the lens of relevance improving the overall shopping experience

#3 Personalisation: elevating relevance, not just performance

Personalisation is one of the key capabilities behind Retail Media. AI and machine learning are being used to create personalised product placements is great, but, again, the lens we must look through all if these is relevance. Ask yourself ‘is our personalised advertising making our ads appear as natural, useful recommendations that align with what the shopper wants as opposed to random insertions?

#4 Reframe A/B testing and metrics: monitor their success through relevance

A/B testing, monitor click-through rates, and track conversion rates are great tools for optimising performance, but the key differentiator is how these tactics are applied with relevance as the primary focus.

Raj Redij-Gill gives an example: “if you are running A/B tests to optimise ad placements, the goal shouldn’t just be to maximise clicks—it should be to determine how relevant those clicks are to the shopper’s intent. Metrics like click-through rates and conversion rates are essential, but they need to be interpreted with relevance in mind. “

#5 Align with advertisers on relevance

The final point is that Retail Media Networks should collaborate with their advertisers to align relevance as core strategy. Advertisers may want results, but they also need to reach shoppers who are engaged and want to buy. Make sure you communicate with your advertising partners that campaigns that prioritise relevance over volume are what matters. Use the data and insights capability to share what resonates with shoppers to build trust.

TLDR

- Relevance matters: While it’s tempting to add more ad slots and push revenue higher, this will lead to trust going down.
- Never prioritise revenue over relevance.
- The long-term success of Retail Media for every part of the industry – retailers, advertisers, AdTech, marketers, agencies – hinges on relevance.
- Relevance drives engagement and engagement drives revenue.

The rise and rise of non-retail media networks

The allure of retail media hasn't been lost on all other consumer-facing businesses. Commerce media anyone?

Eric Seufert of Mobile Dev Memo is famous for saying that "everything is an ad network". First we started with retailers monetising their data. Now it's the turn of the non-retail media networks to grab the limelight.

Airlines are joining banks, hotels and others in leveraging their first-party customer data to sell ads on their sites.

Indeed, the range of ad networks appearing means that we might have to come up some new labels as 'Retail Media Networks' clearly apply to retailers.

So, where do this year's (2024's) announcements from PayPal, Uber, Chase or Revolut fit in? These new Non-Retail Media Network are yet more walled garden networks like Meta or Amazon who have become a publisher with an ad network as they have an incredibly rich data set.

Regardless of labels, the new announcements are very interesting. Let's look at them in detail.

Chase Media Solutions by JP Morgan Chase
JPMorgan Chase's new media business, Chase Media Solutions claim that their solution can deliver targeted advertising to their 80 million customers.
What's the driver? According to Rich Muhlstock, President of Chase Media Solutions: "Chase reaches across brands, merchants and shopping verticals, providing a comprehensive view of purchase behaviour; this strengthens the degree of personalisation, helping brands deliver offers that stoke consumer interests."
Using consumers' payments data, Chase will display ads on its owned digital properties — such as website and mobile apps—from advertisers who provide products and services that Chase consumers have already purchased.

PayPal Ads
PayPal is developing an advertising sales business built on the vast amount of data collected from tracking purchases and spending habits of its users. 36 million merchants use PayPal in more than 165 countries worldwide and it has about 400m users.
PayPal's aim is to sell advertisements not only to its customers but also to external advertisers who do not sell products through PayPal.
PayPal Advertising is one of the newer networks that can really offer media-like propositions to non-endemic advertisers. Non-endemics are advertisers that do NOT sell through the channel with whom they are advertising.

Revolut Advertising Network
Revolut – one of the many app-only banks that have taken Europe by storm – is also planning an advertising sales network. Revolut's head of growth Antoine Le Nel told the Financial Times that: "Revolut could become a media business . . . a place where you have an audience and data about the audience and you monetise this. We could in the near future derive a 'proper chunk' of its total revenue from targeted advertising. We know from how users navigate inside the app, we know some of their interests that they have because they've clicked on this and that".
Revolut has hired a sales team of about 30 people for its media strategy and have an internal target for revenue derived from advertising of about £300mn by 2026.

Marriott Media Network
Hotel and hospitality group Marriott International launched the Marriott Media Network.51 The network offers a cross-platform advertising solution across omnichannel touchpoints including digital owned media, email, in-room television, editorial sponsorship and digital screens.
The network launched initially in the US and Canada, but the intention is to extend the programme globally to include the Marriott Bonvoy loyalty programme which has 164 million members.

TLDR

- Any business with lots of good first party data and insights can aggregate that an create a Retail Media Network.
- Non-Retail Media Networks might end up having a unique winning proposition, as they are privacy-safe, deep with data and in enclosed environments that can capture attention.
- Many of these Non-Retail Media Networks have loyalty programmes that skew ABC1 with audiences that are very hard to reach by any other media.
- Luxury brands, automotive, financial services might find all these unique audiences much more attractive than, say, a Tesco Media and Insights audience.

How Retail Media Networks are impacting retailer share prices

Retailers with reach that got on the Retail Media ladder early are reaping huge rewards – as are their shareholders

Back in 2021, investment bankers Goldman Sachs wrote an investor report called '*The Merchant-Media model: A new era for retailers as ad platforms*' about Retail Media. It was the first investment bank to see the opportunity.

But how has that opportunity evolved since?

The quote from Goldman in its report that mattered was: "We [Goldman Sachs] believe retailers in the US are positioned to generate \$15bn to \$20 bn of e-commerce oriented retail media revenue from CPG manufacturers by 2025; the figure should be substantially larger when we contemplate the potential to tap into media streams from electronic, apparel, sporting goods and other manufacturers for some retailers. While AMZN has to date captured a disproportionate share of the income, we believe Walmart, Target and Kroger are brick-and-mortar leaders where the opportunity appears underappreciated. For Walmart specifically, we believe this new media income stream from CPG could provide a 6-7% EBIT growth tailwind".

Walmart has grown to a be a \$3bn-plus retail media business with a very high margin due to the percentage of sponsored products. Target is claiming its retail media business, Roundel, was close to \$1bn in 2023, on the back of \$106bn revenues.

The Goldman report was remarkably prescient. At the time, Goldman said that it believed Walmart's growth targets, which many investors viewed with scepticism, were reachable through this lens and gave it a 'buy' rating. Walmart share price has grown 31% year to date and 86% in the past five years.

A new report in 2024 came out from Deutsche Bank about Walmart and the impact that Retail Media could have on its share price.

The Deutsche Bank report claims that Walmart is growing due to its alternative value streams, which are boosting revenue and driving profits, which the bank calls "Five pools of opportunity within the ecommerce world". These include:

- Walmart Connect, the Retail Media Network.
- Membership Fees.
- Marketplace transactions.
- Walmart Fulfilment Services.
- Data Monetisation.

According to Deutsche Bank, "these five value streams are fast growing with high margins and management emphasised that these categories are key drivers in the underlying transformation of the business".

The Walmart flywheel

Walmart has flagged this monetisation approach over the years and called it a 'flywheel', echoing the Amazon Flywheel that the retailer has been talking about for years.

The CEO of Walmart Inc, Doug McMillon, describes it as follows: `"Our ecosystem is made up of omni-channel capabilities, stores, service offerings, ecommerce and marketplaces as well as our supply chain combined with 2.3 million associates.

"Together, we believe these elements produce a flywheel effect which creates relationships where customers view Walmart as their primary destination."

Walmart announced multiple enhancements to its marketplace, working on increasing their assortment strategy with demand in mind, which in turn increases the opportunity for advertising.

Walmart say this clearly: "Our flywheel is accelerating through offerings such as the Walmart Connect advertising business, Walmart Fulfilment Services, Walmart Health, and our financial services business. These offerings represent mutually reinforcing pieces of our flywheel cantered around our customers."

Back to the question: can retail media networks affect the share price of retailers?

Deutsche Bank says that "advertising is a significant component" as it is a $3.4bn business growing at 20% to 25% annually, with about a 70% contribution to margin.

The bank says it believes that the contribution of ad sales to the company's gross merchandise volume could grow as high as 8% to 10%, which Deutsche Bank notes is roughly in line with Amazon.

Beyond boosting margins

Retail Media provides an opportunity for retailers to increase their minuscule margins, but it is insufficient on its own. It is just one part of a wider reinvention of retailing that coalesces around monetising all their potential B2B assets into an overall strategy.

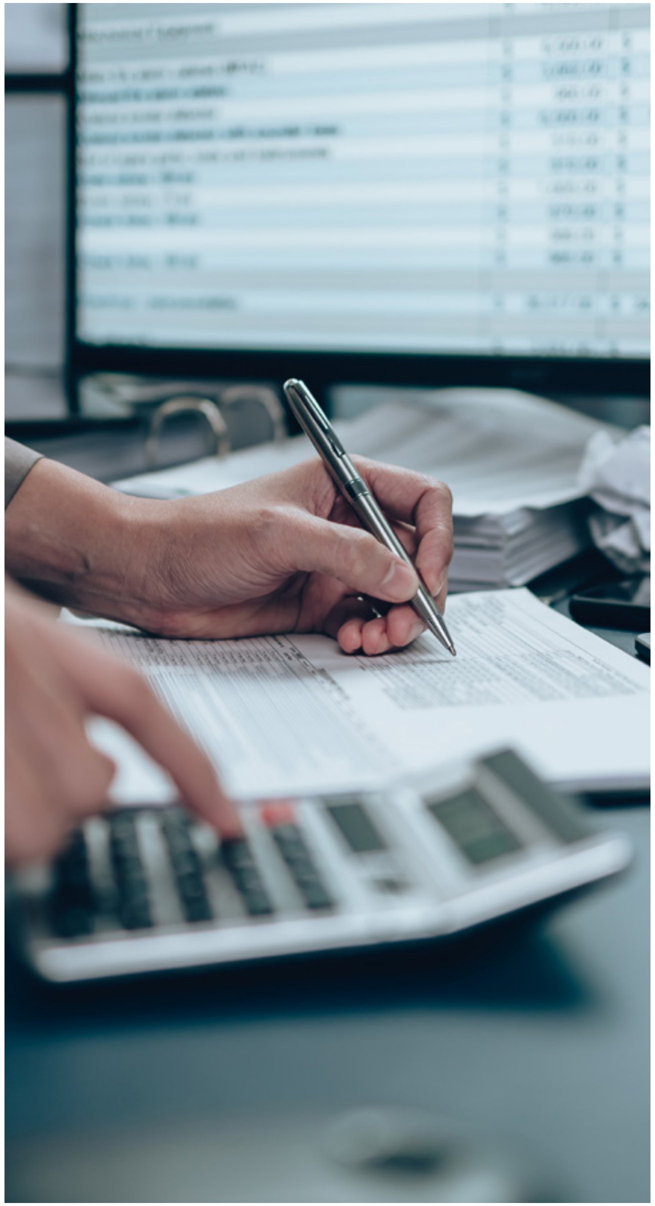
What are the constituent parts of this reinvention? Walmart is showing the way as it now talks of itself as more than just a big box retailer: in its 2022 annual report, it makes the claim that it is "creating an ecosystem with our omni-channel capabilities, stores, service offerings, ecommerce websites and marketplaces as well as our supply chain".

In other words, the combination of a marketplace capability, a delivery and fulfilment network, additional services and Retail Media can contribute to share growth.

Most retailers do not have marketplaces and have a poor delivery and fulfilment network. The opportunity for Retail Media, in other words, has barely started.

TLDR

- Retail Media boosts margins for retailers, but its not enough on its own.
- Retailer move beyond a pure store-only model and instead create a series of building blocks that combine together to increase overall margins and cashflows – the latter is what ultimately drives share prices.
- Selling advertising is another important piece of a retailer's business model because it not only helps suppliers but also creates a new profit opportunity for the retailer.



As seen on TV... How CTV will deliver for SMBs

Get ready to extend Retail Media advertising to streamed TV – and reach even more people on the 'big screen'

TV advertising has always been seen as the ultimate in advertising: the place where you can tell longer form brand stories, reach a wide audience and have the signalling effect of being a brand on TV. The phrase "as seen on TV" still carries historical significance.

Advertisers always needed big budgets to afford the costs of production and cost per slot of a TV ad. And buying these sorts of ads was always tricky as there were lots of insider knowledge required in order to actually book a TV ad and get it live. It was all a bit opaque with language like 'GRPs' 'OTS 1+' and so on.

It all meant that smaller brands were kept out of TV.

On the other hand, Google, Meta, Amazon and TikTok openly embraced these lower budget SMEs to with performance advertising using self-serve platforms that serve millions of advertisers. These platforms offer a low barrier to entry for SMBs (small and medium-sized businesses) around the globe.

In a blog post, Roku predicted that "A meaningful fraction of these digital advertisers will launch their first streaming TV campaigns, bringing an estimated 20,000 new marketers to the biggest screen in the home.' In other words, new digital-first advertisers, but now 'seen on TV".

According to Roku, this trend has already begun: Paramount currently serves thousands of advertisers, with plans to more aggressively court the SMB market, Paramount Advertising COO Steve Ellis told *The Current*.

One of the drivers is the availability of self-serve tools—such as Roku Ads Manager—that make it easy to set up, activate, and pause TV campaigns. Other companies are solving the production cost challenge, such as Waymark and Streamr.ai, who use AI to create complete video ads.

Why does this mean for retail media?

Andrew Lipsman of Media, Ads and Com explains it as follows: "Streaming TV is finally ready for primetime in retail media. The streaming TV opportunity has been held back by several factors, including lack of available inventory, lack of familiarity with the ad buying process, and lack of integration between RMNs and ad-supported streaming TV content providers. That's all changing."

In the US, a number of retailers have a partnership with Roku, just like in the UK, local RMNs have a partnership with ITVx.

Insider Intelligence analyst Sara Lebow explains: "It will become increasingly hard to delineate between CTV ad spend and retail media ad spend, as retail media moves increasingly off-site."

How much is this opportunity worth?

Brian Wieser, media analyst/writer of Madison and Wall, estimate that the 20,000 largest advertisers who don't buy television at present have annual advertising budgets of around $500,000. If these advertisers shifted half of their spend into television, this would represent $5 billion, which equates to 7% of all TV advertising or 24% of CTV advertising.

Wieser points out that this will take many years, so underlying declines would only be slightly mitigated.

Let's look at how Retail Media and its army of SMB users could create a brand-new opportunity – Retail Media – and make it work combined with the power of TV advertising:

- The biggest – Amazon Advertising – has already been experimenting with Prime TV advertising – and it has the largest self-serve SMB users of the lot. And, it has one benefit that few have: many of these brand's advertising on Amazon Advertising are SMBs owner-operated businesses, who know how to use self-serve, know how to make fast decisions and are open to creating their own creative.

- Roku has TV-centric ACR data (Automatic Content Recognition) and access to major audiences from retailers.

- TV inventory would expand Retail Media ad inventory availability and offering better transparency than most TV networks. Zero TV networks offer closed loop reporting now.

- Ideally, the RMNs would recognise that the high cost of TV advertising – the barriers to entry that put off others for so long – can now be addressed through new tools as well as lower ad pricing to act as a temptation.

Perhaps we are looking at this the wrong way: just like low-cost airlines created a new market for travellers that simply did not exist before, perhaps Retail Media audience powered TV advertising, using AI tools for production, would simply create a new market that we could not have imagined before?

Perhaps the future of TV is actually retail media driven growth?

TLDR

- Digital advertising networks have long had self-serve capabilities for the long tail of advertisers
- A 'democratisation' of access to high-impact advertising channels such as a TV is now about to happen.
- Retail Media will be part of this democratisation, as using the powerful audiences that retailers have, and combining them with lower entry costs through new technology means an explosion in creativity – and growth for Retail Media.