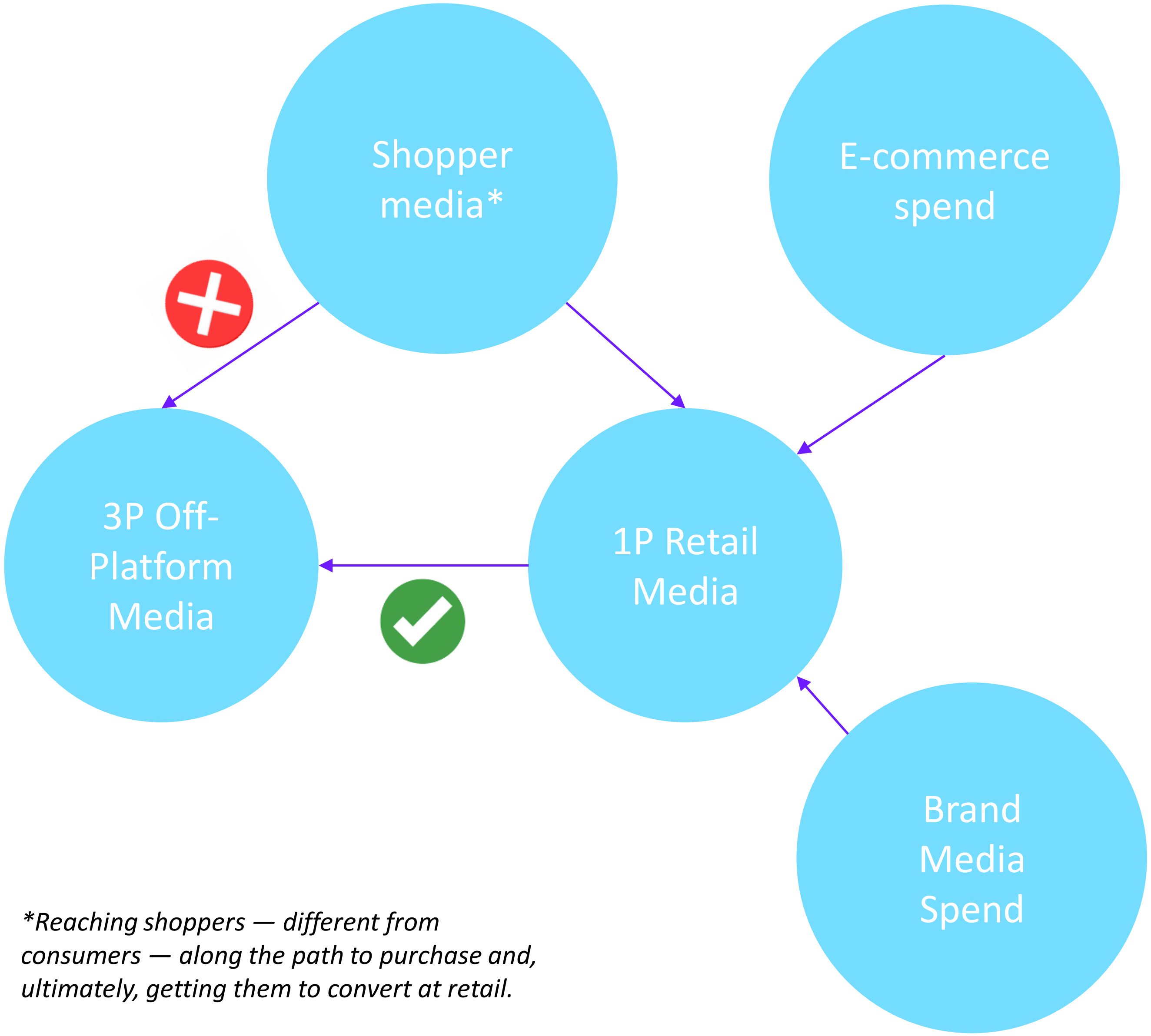
Retail Media – Megatrend for the next Digital Decade?

Dr. Daniel Knapp
Chief Economist, IAB Europe

25 May 2022

Evolving definition of retail media



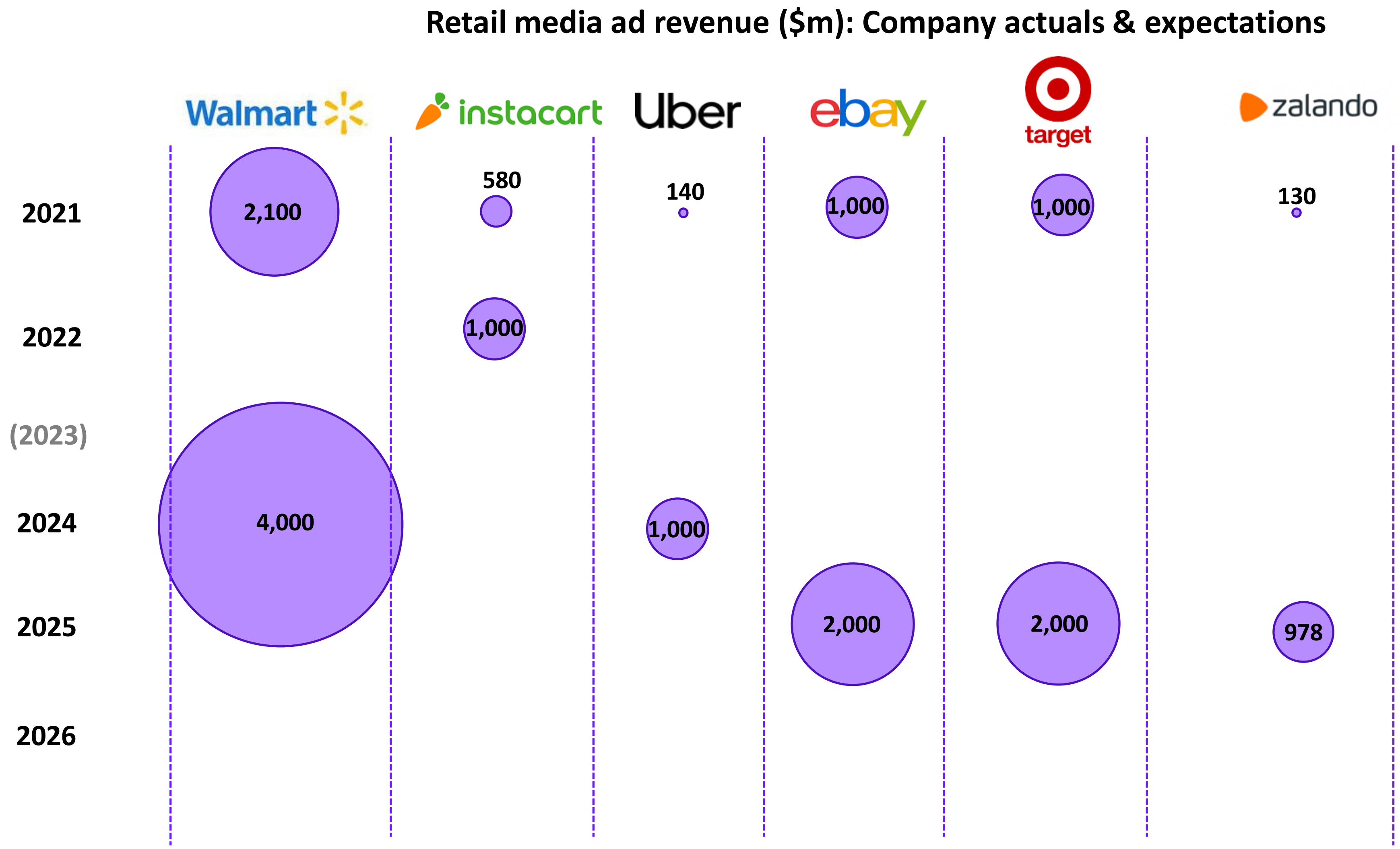
**Reaching shoppers — different from consumers — along the path to purchase and, ultimately, getting them to convert at retail.*

Retail media is ~~shopper~~ media bought directly from a retail media network, or in some cases directly from the retailer's dot-com team:

1. Proprietary first-party shopper data that can be used for targeting.
2. Unique on- and off-site inventory opportunities.
3. Closed-loop attribution capabilities for measurement.

iab.europe

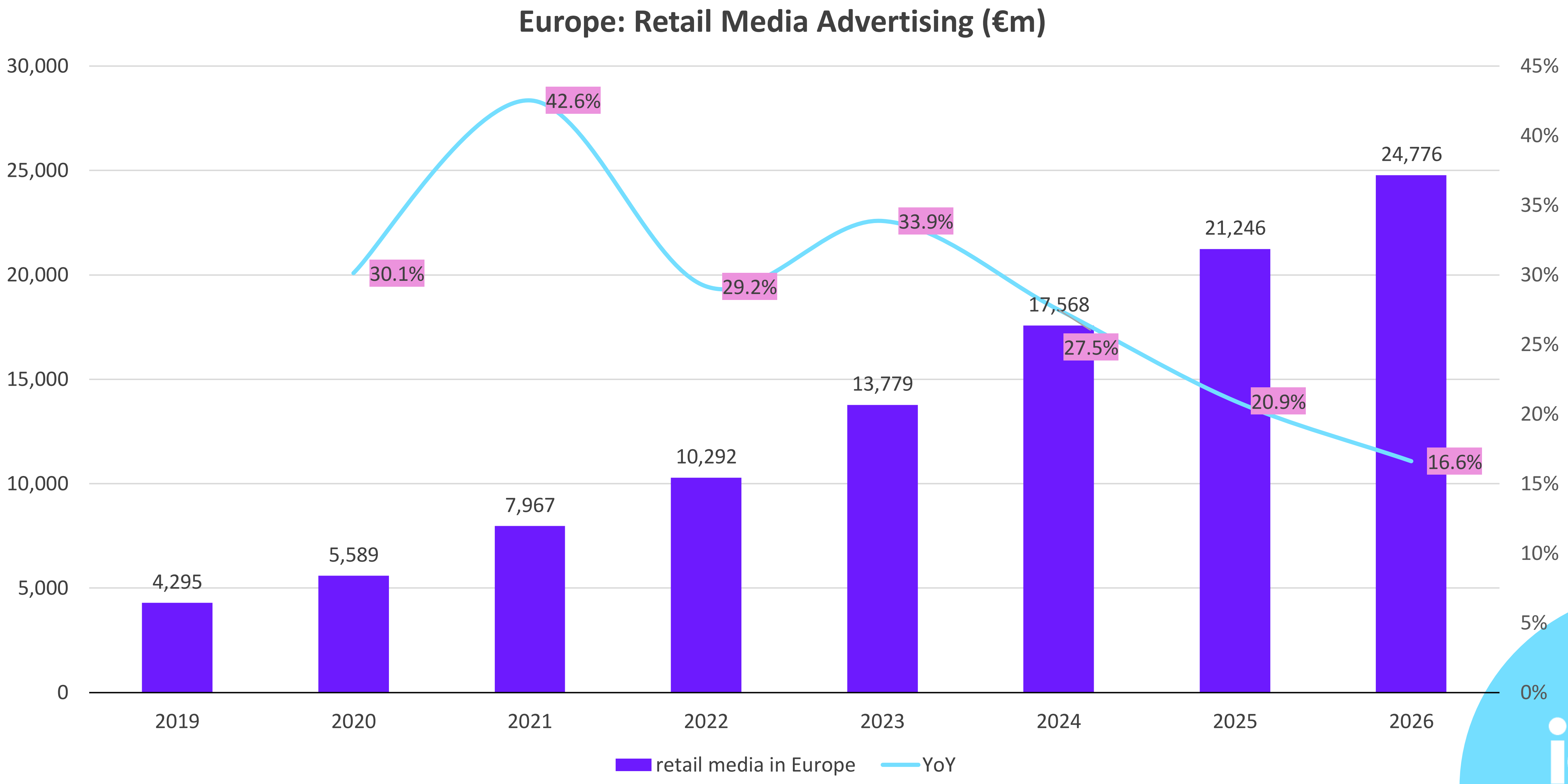
US data and European company reports are bellwethers for size of opportunity



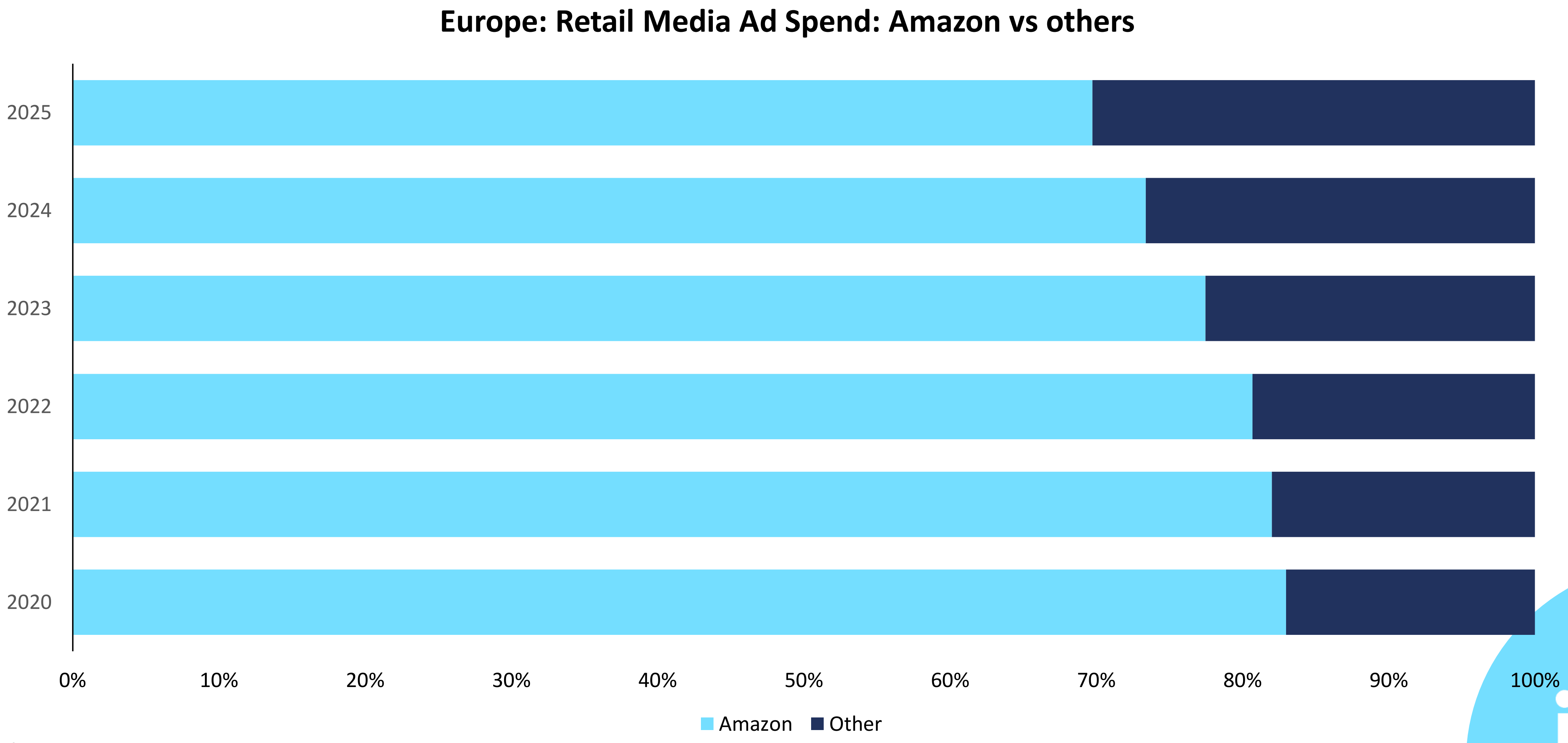
**includes other digital services such as AI, but we assume mainly retail media – driven by US market investment*

Source: company reports & investor conference call statements, press interviews

The European market is accelerating quickly

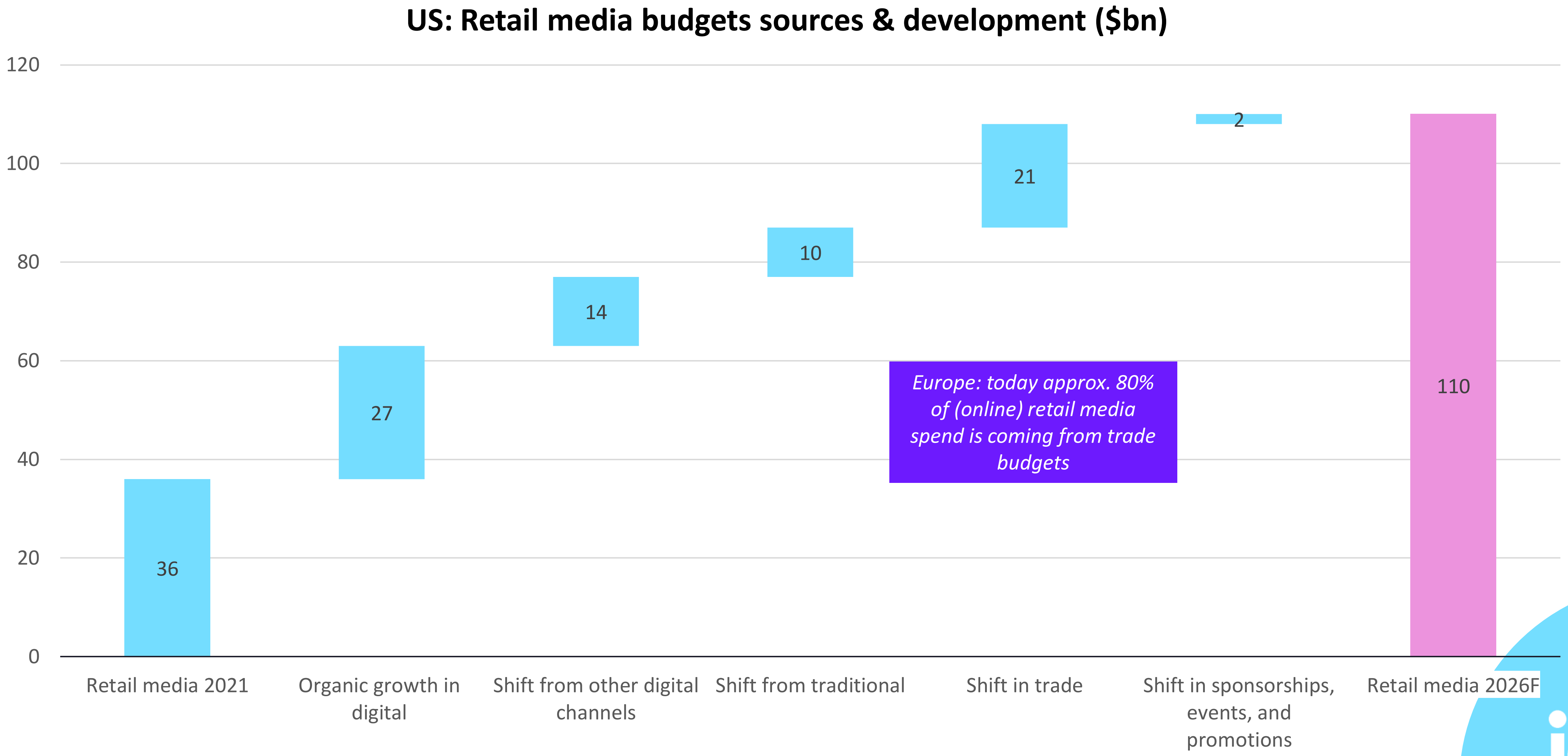


Significant opportunity outside Amazon



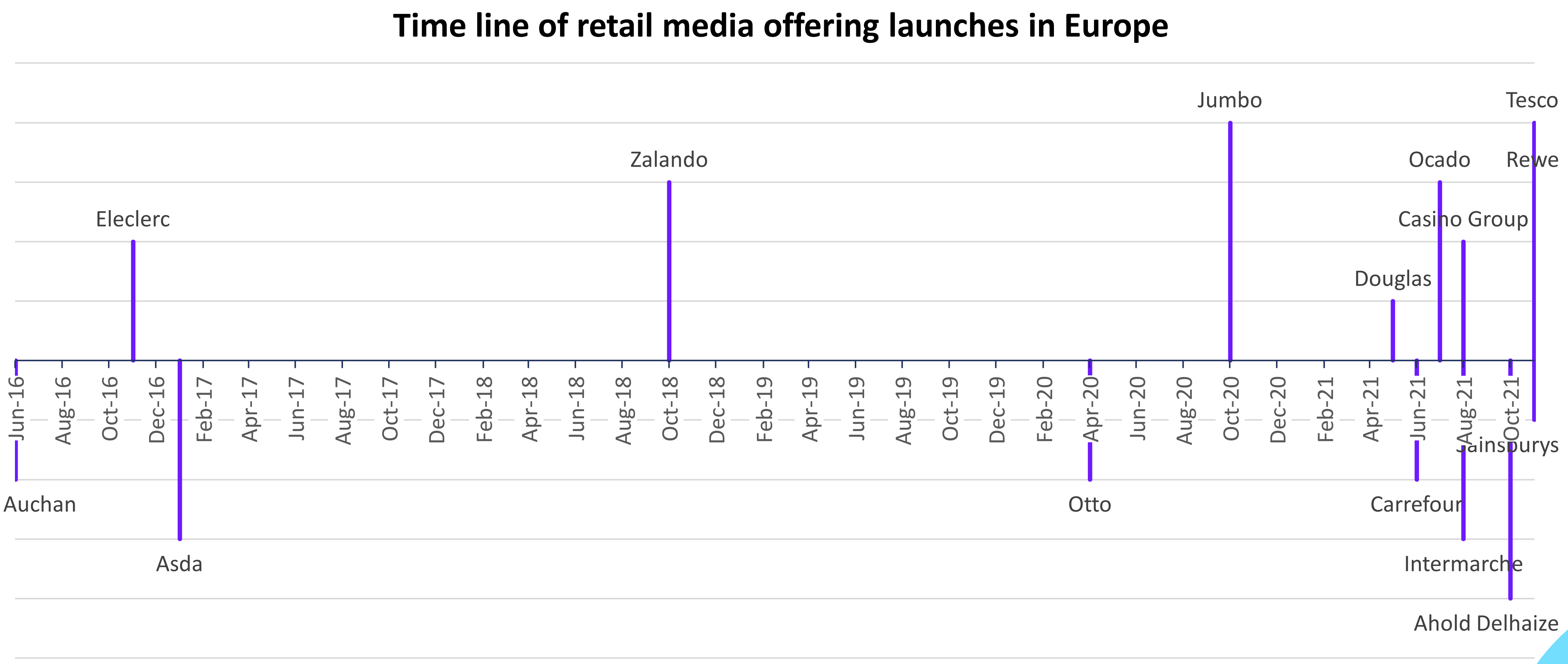
Source: IAB Europe

Where is the ad spend coming from?



Source: BCG

2021 has been a firestarter year for retail media networks



Source: IAB Europe analysis of company data

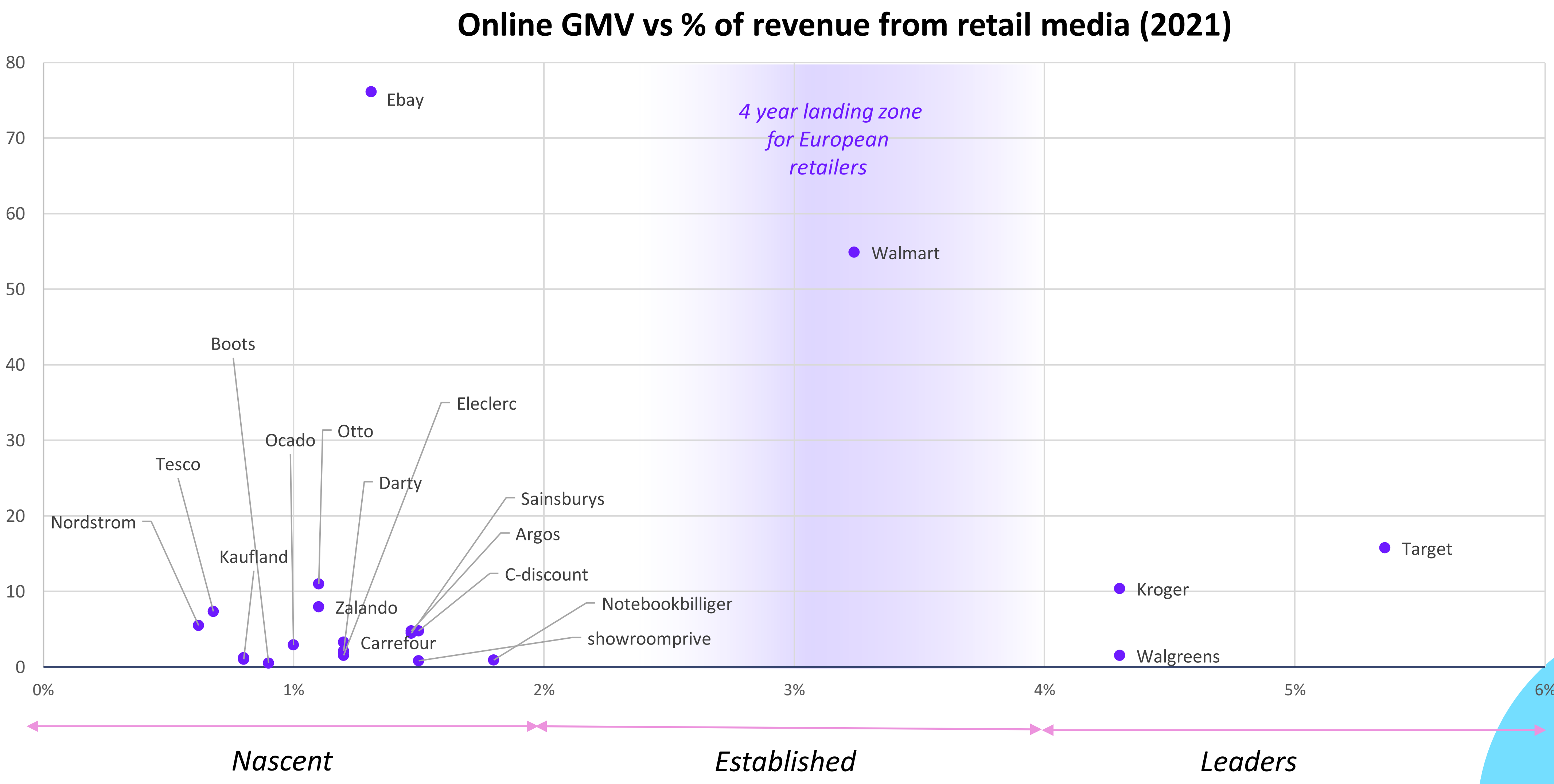
How much do European retailers make from retail media, and how can we find out?

Projected % of e-commerce revenue made from advertising (example)

Retailer	Category	Online GMV (€bn)	Ad revenue (€m) as % of online GMV 0.5%	1%	1.50%	2%
Tesco	Supermarket	€ 7.33	€ 36.7	€ 73.3	€ 109.9	€ 146.6
Fnac Darty	Multi-sector	€ 2.09	€ 10.5	€ 20.9	€ 31.4	€ 41.8
Zalando	Fashion	€ 7.98	€ 39.9	€ 79.8	€ 119.7	€ 159.6
Ocado	Supermarket	€ 2.91	€ 14.6	€ 29.1	€ 43.7	€ 58.2
Otto	Fashion	€ 10.99	€ 54.9	€ 109.9	€ 164.9	€ 219.8
Ahold Delhaize	Supermarket	€ 4.94	€ 24.7	€ 49.4	€ 74.1	€ 98.8
			Conservative	*Likely*		*Aggressive*

While more retailers break out retail media revenue, data remains scarce. We modelled revenue based on known relationship between online GMV and retail media. Actuals from European companies and US retailers gives us robust ranges. We added inflators and deflators taking into account country, ad market and a retailer's specific offering which we assessed qualitatively. The above snapshot shows key baseline assumptions.

Established retail media offerings are at 3%+ of online GMV

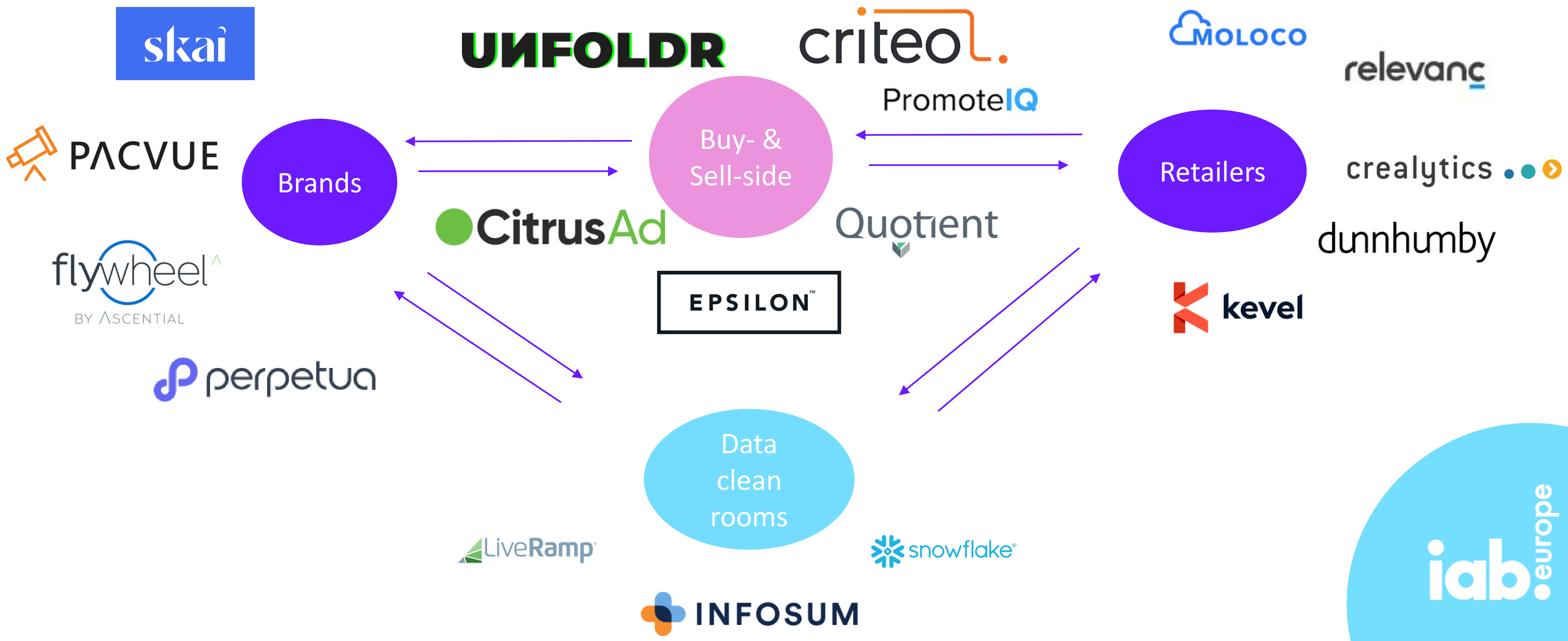


France and UK ahead of the rest

Source: IAB Europe analysis of top 91 retailers in terms of e-commerce revenue in Europe's Top 5 countries, in whether they have a retail media offering or not. Excludes retailers that do not sell third-party products. Multi-sector includes companies like Amazon that sell across categories.

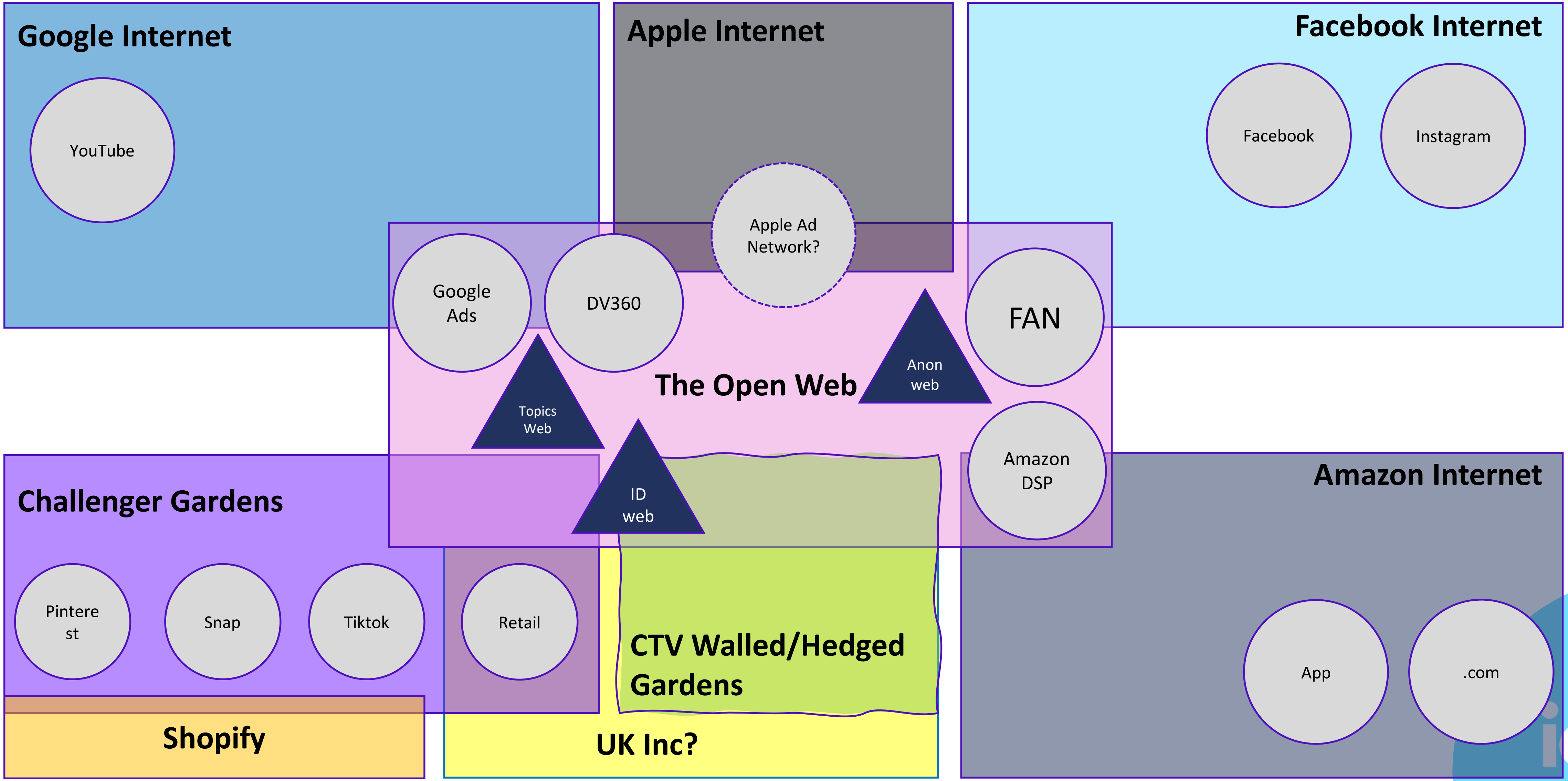
Emerging ecosystem: industry innovation in a microcosm

Sample players



iab.europe

Why now?

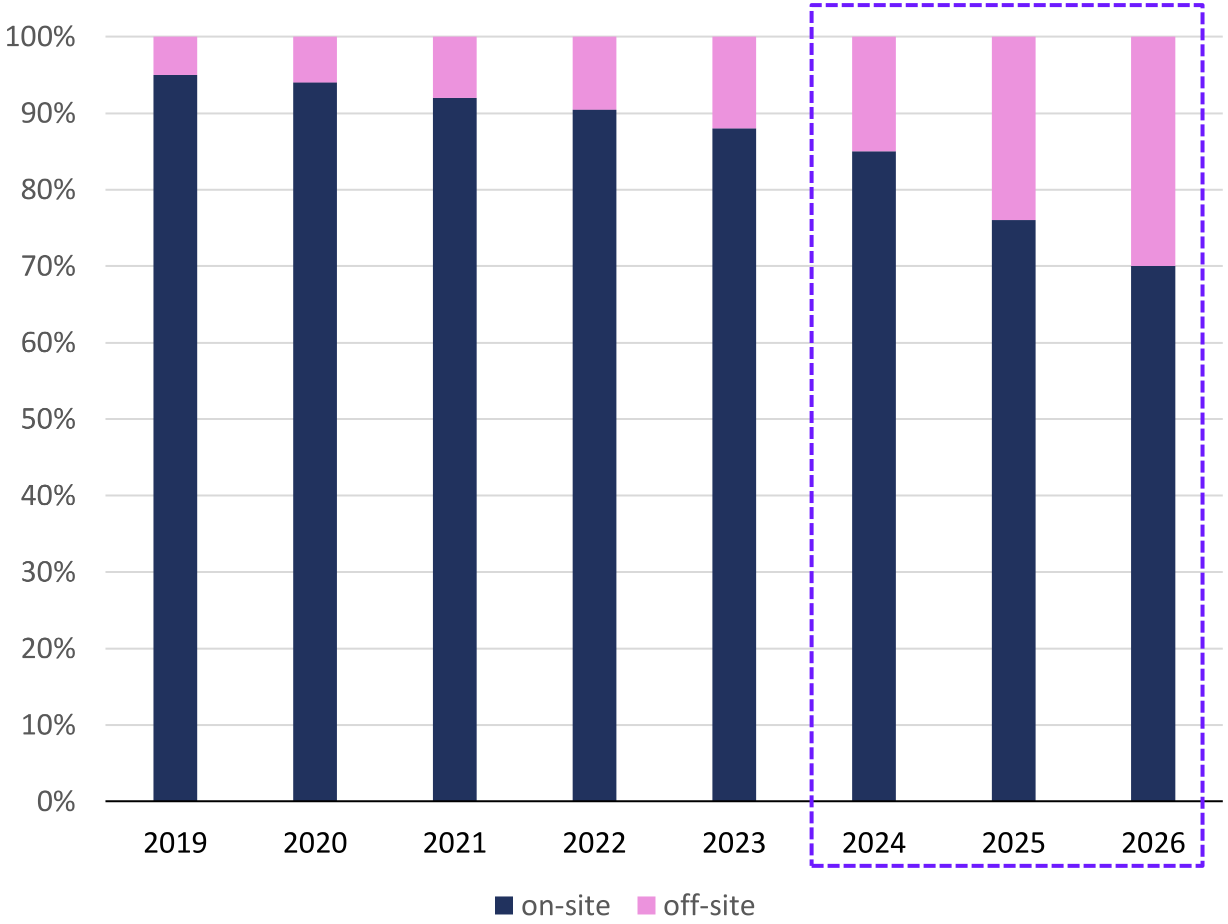


Source: format after Jounce Media, own modifications

*Brad Stone (2021) “Amazon Unbound”, p. 246: recounting OP1 meeting in autumn 2017

“Retailers must go from 30/70 to 70/30 in favour of off-site”

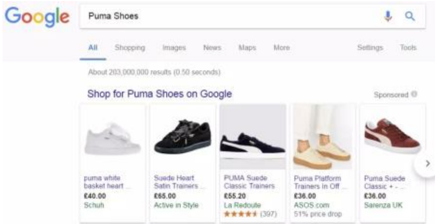
Share of retail media revenue (European endemics)



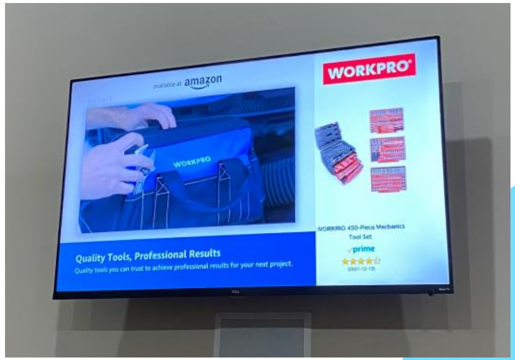
From ‘Frontier’ to New Video

Social commerce & Live Shopping

Search, SEO

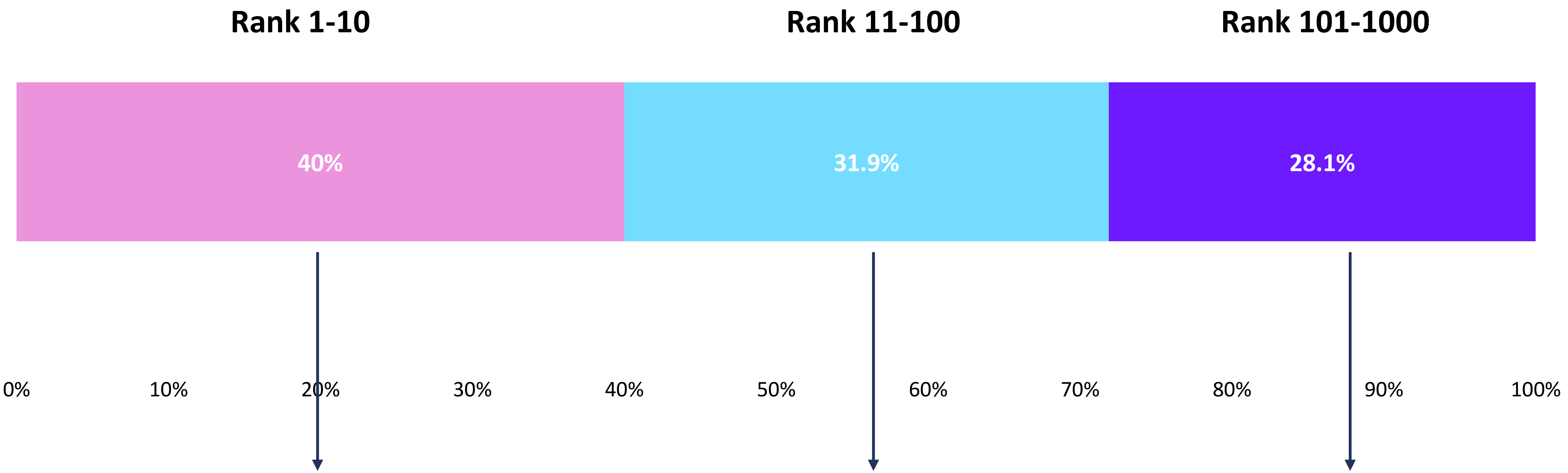


Programmatic Display, Video, CTV



But can every retailer really launch their own network?

Germany: retailers ranked by share of national e-commerce revenue (2021)



Rank 1-10

- Potential to be retail media leader
- Ability to build marketplace & platform
- Enhanced buy-side capabilities
- Data clean room & tech services
- Can build & acquire (still limited to rank 1-3)

Rank 11-100

- Needs to be category leader for retail media offering as core to business
- Marketplace & platform via 3rd party services
- Can be aggregator/team up in ‘mid-tail’ network
- Buy-side capabilities only if category leader
- Need strong partner leads on data tech

Rank 101-1000

- Retail media as add-on, not core
- Reliance on 3rd parties for fully managed services (think Google Ads)
- No buy-side capabilities
- Limited to no team

Large players & sectors to enter the retail media game in new ways

1.

New industries such as airlines will tap into retail media to consolidate travel experience using existing loyalty schemes: $100m opportunity in US for airlines by 2025 (McK)

2.

shopify

Shopify to enter the market with a buy- and sell-side ad product leveraging merchant data for post-ATT targeting

3.

Uber

Uber, Instakart et all will usher in a new wave of ad tech consolidation with ad tech acquisitions – LiveRail/Brightroll days revisited

4.

83% of B2B companies to increase digitalization budget

Large market in equal size to B2C market but with much lower digital maturity eyes a digital marketplace model to sell goods

iab.europe

Thank you!

communication@iabeurope.eu