



REPORT

Retail Media: State of the Industry Report 2022

dunnhumbymedia

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Explaining the rise (and rise) of retail media

Around the world, money is pouring into the grocery sector – and not a penny of it from shoppers.

Retail media is enjoying an unprecedented surge in investment right now. In 2021, marketers were projected to have upped their spending on retail websites and apps by around 55% in EMEA¹, and between 28%² and 38%³ in the United States. In the latter territory alone, that's equivalent to some \$31.49 billion spent just on retail media⁴.

This year looks to be no different, either. By the end of 2022, the global industry could be worth around \$50bn according to Forrester⁵. For consultancy firm BCG, the long-term value will top out closer to \$100bn per year⁶. Should that latter estimate prove to be correct, retail media would be generating advertising revenues worth around four times that of YouTube⁷.

A substantial amount of this income is – and will continue to be – generated through sales to consumer packaged goods (CPG) companies. While Amazon attracts ad revenues from a wide variety of sources, the majority of grocery media revenues are driven by CPG brands, understandably keen to reach out to shoppers in as many ways as possible as they move through their retail journeys.

Those journeys, of course, have changed dramatically over the past two years. Covid has had a fundamental, and in many cases lasting, impact on the way that we shop. But while much has been made of the link between the pandemic's spread and retail media's growth, a closer look reveals that there's more afoot than simply a shift in customer behaviours.

Instead, we see four key trends behind retail media's gathering momentum:



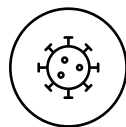
A more challenging commercial environment for retailers



An evolution in the needs of CPGs



A changing advertising landscape



The short – and long – term implications of Covid

Many issues here overlap, and many retailers and CPGs are undoubtedly facing a different future to the one they were planning for two years ago. That said, understanding the specifics of each of these four areas also helps us understand retail media's skyward trajectory.

By the end of 2022, the global industry could be worth around \$50bn according to Forrester

A more challenging commercial environment for retailers

To the casual observer, the past two years may have looked like a golden period for grocery. The market grew by 8.5% in the UK in 2020⁸, 6.7% in China⁹, and 12% in the US¹⁰. The reality, of course, is much more complicated.

Grocery stores operate on incredibly slim margins, between 1 and 2% in most instances¹¹. As a result, even the slightest change to the balance sheet can have a huge impact on profitability – and the impact of Covid was anything but slight.

For grocers in the US, total expenses accounted for 31% of sales in 2020 – an increase from 28.9% in 2019 – with pandemic-related costs reaching \$24bn

For grocers in the US, total expenses accounted for 31% of sales in 2020 – an increase from 28.9% in 2019 – with pandemic-related costs reaching \$24bn¹². Expanded payroll, benefit, and incentive programmes all played a role here, as did additional sanitation and personal protective equipment costs. In the UK, in spite of 8.1% growth in like-for-like sales Sainsbury's saw a £261m pre-tax loss, driven heavily by its £485m spend on Covid response¹³.

Rather than helping to offset these losses, the explosive growth of online only served to deepen them. The average picking cost for an online shop is somewhere between €12 and €14, equating to a -15% margin on those orders and something that not even a delivery fee of €6 can counterbalance¹⁴. Even with the ramping up of delivery infrastructure, more online orders means more cost for the majority of grocery retailers today.

While rising costs haven't driven the rise of retail media per se, they do help to explain why it will have started to look like a more compelling proposition to retailers over the course of the past 24 months. As well as helping to drive sales and satisfaction through relevance and personalisation, retail media can also offer margins in the region of 80%¹⁵ – a step change in profitability compared with the traditional grocery model.

As well as helping to drive sales and satisfaction through relevance and personalisation, retail media can also offer margins in the region of 80%



An evolution in the needs of CPGs

Retailers aren't facing these challenges alone. CPGs have endured a similarly disruptive couple of years, bookending what has been an already turbulent decade.

Even before the pandemic, CPGs were struggling to grow. Aggregate revenue growth across the US' largest food and drink suppliers was just 1.9% in 2019, down from 4.3% in 2018¹⁶. The long-term trajectory was similarly troubling. Between 2000 and 2009, the sector's profit growth averaged 10.4% per year; over the next 10 years, that figure dropped to 3.2%¹⁷.



Against this backdrop, CPG priorities have begun to change – with deep implications for their marketing teams. A Gartner survey published in July last year revealed that marketing budgets have reached their lowest levels in recent history, at just 6.4% of a company's revenues on average¹⁸. One year earlier, an IPA Bellwether report posited that the pandemic was proving more destructive to marketing spend than the 2008 recession did¹⁹.

With funding falling fast, it's only logical that practices like zero-based budgeting (ZBB) have begun to take hold. ZBB is hardly a new concept, but it is one that is uniquely attuned to the realities of a mid-pandemic economy. Around a quarter of CEOs around the world say they're either planning on, or are already, employing ZBB to help with their recovery²⁰.

Part of the challenge here is that, compared to their retail counterparts at least, CPGs are relatively poor when it comes to customer data. Other than a select number of brands that sell direct to consumer, CPGs are naturally disintermediated from shoppers. As a result, while the world's 10 largest packaged goods brands spend around \$800m on advertising per year, their customer database is around 90% smaller than the retailers they sell through²¹.

Unaddressed, that situation is unlikely to improve. 80% of the information that CPGs do have goes unmined, meaning that valuable insights are being missed²². Perhaps worse, more than half of those businesses say that their retail partners don't share their customers' behavioural data with them²³. In a market where every cent, penny, or jiao counts, many brands still don't have a firm grasp on what shoppers really want.

All of this goes some way to explaining why retail media has become such an attractive option for brands, even beyond the Covid-related reasons noted above. As well as being a highly accountable form of advertising, with many retail media programmes able to provide a direct link between marketing spend and sales, campaigns tend to be planned using a combination of retailer loyalty and purchasing data.

80% of the information that CPGs do have goes unmined, meaning that valuable insights are being missed

The net result for brands is threefold:

1. They can formulate highly specific, objective-based campaigns around real shoppers.
2. They can target those shoppers using a variety of touchpoints, all the way from sofa to store.
3. They can say with a high degree of certainty that their marketing investments made a direct contribution to sales.

This winning combination almost certainly underpins the dramatic shift in CPG budgets. Kearney analysis of Cadent's Marketing Spending Industry Study for 2020-21 notes a six point rise in digital marketing investment at the expense of a five point drop in trade equivalents²⁴. With the lines between shopper and brand marketing continuing to blur, there's little doubt that retail media accounts for a large portion of that reallocated spend.

A changing advertising landscape

The cookie has crumbled – or soon will, at least. While Google’s temporary reprieve on cookies from third-party advertisers has given the marketing industry a little more time to plot its path forward, that extra year means relatively little in the grand scheme of things.

When the search giant does bring that order into effect in 2023, advertisers will no longer be able to implement audience targeting on around 99% of Chrome users (or, two-thirds of the world’s internet users based on current browser trends²⁵).

That has huge implications for advertisers, of course, many of whom rely on that data to plan their online campaigns effectively. 44% say that they’d need to spend more to achieve the same results that they did in 2021 when cookie blocking does finally go through²⁶.

Equally relevant today is the concept of brand safety, a vital protective measure for those who advertise online. In principle, brand safety technology is meant to protect marketers from having their campaigns run on sites that feature unsavoury – or even contextually inappropriate – content.

In practice, that doesn’t always work. The proliferation of mysterious ad banners filled with blue and white clouds

on some of North America’s biggest news sites in 2021 was actually revealed to be brand safety tech working overtime, seeking to protect advertisers from mentions of the word “virus”²⁷. Acceptable content can change dramatically during a global pandemic, it turns out.

As a marketing tactic, retail media offers a way to navigate both of those challenges. With data coming direct from retailers, brands have a direct route to communicate with real shoppers at a crucial moment on their buying journey. And from a brand safety perspective, grocery websites represent some of the most trusted digital properties on the market²⁸.

With data from retailers, brands have a direct route to communicate with shoppers at a crucial moment



The short – and long – term implications of Covid

All three of the trends above are set against the very specific backdrop of a global pandemic, of course – one which has caused its own share of changes.

Firstly, Covid sparked a huge shift in buying habits, with customers stocking up and substituting social activities like dining out with “moments at home” – cooking from scratch and experimenting with new lines. Around three-quarters of shoppers in the US tried out a new product during 2020, for instance²⁹. Value also became a significant driver, with many shoppers looking for deals and promotions wherever available.

Secondly, the curfew on out-of-home activity had a crippling effect on a large part of the global advertising industry. In the US, outdoor advertising revenue decreased by more than 30% in the fourth quarter of 2020 as compared to the previous year³⁰. Average monthly spending

in the UK declined by 80% between April and July³¹, advertisers understandably keen to reallocate funds elsewhere.

Then, of course, there’s online. Ecommerce-based grocery sales soared to new heights in 2020, driven primarily by shoppers seeking to limit their exposure to

others. **Online accounted for almost nine percent of all grocery sales in the UK at the end of 2020³², and grew by a staggering 54% in the US³³.** In China and Korea, meanwhile, more than half of all shopping trips made by respondents to dunnhumby’s Consumer Pulse survey in October 2020 were made online³⁴.

For retail media, this environment was the veritable perfect storm. Grocery stores suddenly became one of the only effective ways to reach shoppers away from home. The surge in online grocery presented brands with a gigantic audience, many of them new to the channel. And all the while, those same customers were on the lookout for inspiration, deals, and helpful, useful communications.

With the world gradually beginning to reopen, the impact of some of these trends is dwindling. Shopping behaviours have largely normalised, and spend is flowing back into out-of-home. In other areas though, particularly online, we’re past the tipping point – which means that so too is the scale of the media opportunity.

Setting up for the future

As easy as it may be to chalk the recent surge in retail media activity up as a response to the pandemic, the truth is that Covid has been little more than a catalyst for a much bigger shift in the marketing landscape.

As more retailers and brands begin to experiment with the inherent possibilities of retail media, the growth we've seen in the past two years will only continue to snowball – bringing about new ideas, greater collaboration, and a better experience for customers.

It might not be the new kid on the block anymore, but in terms of what's possible, retail media's just getting started.

¹Who's really driving the increase in retail media? – The Drum, 26th April 2021

²Retail Media Advertising 2021 – eMarketer, 22nd September 2021

³Growth rate for ad spending on e-commerce sites will max out in 2020, eMarketer finds – Marketing Dive, 23rd October 2021

⁴US retail media ad spending will reach \$31.49 billion in 2021, up 53.4% from 2020 – eMarketer, 17th November 2021

⁵Predictions 2022: Advertisers Lean Into Retail Media Momentum, New Modes, And, Yes, The Metaverse - Forrester Blog, 28th October 2021

⁶The \$100 Billion Media Opportunity for Retailers – BCG, 19th May 2021

⁷Worldwide advertising revenues of YouTube as of 3rd quarter 2021 - Statista

⁸UK retail food and grocery market growth to slow sharply in the short term, according to latest IGD market forecasts - IGD

⁹Market size of fresh groceries and daily necessities retail in China from 2016 to 2020 with estimates until 2025 - Statista

¹⁰The state of grocery in North America – McKinsey & Co

¹¹What Is the Profit Margin for a Supermarket? – AZ Central

¹²FMI sizes up pandemic's financial impact on food retailers – Supermarket News, 16th September 2021

¹³Sainsbury's: Cost of Covid has been high – BBC, 28th April 2021

¹⁴Why supermarkets are struggling to profit from the online grocery boom – The Financial Times, 23rd July 2020

¹⁵The \$100 Billion Media Opportunity for Retailers – BCG, 19th May 2021

¹⁶The true cost of upheaval: the OC&C Top 150 Supplier Index 2020 report – The Grocer, 26th October 2020

¹⁷What got us here won't get us there: A new model for the consumer goods industry – McKinsey, 30th July 2020

¹⁸Marketing Budgets Drop to Lowest Levels in Recent History – Gartner, 20th July 2021

¹⁹Coronavirus pandemic drives record decline in marketing budgets – Marketing Week, 15th July 2020

²⁰Companies Turn to Zero-Based Budgeting to Cut Costs During the Pandemic

²¹Maximizing the Value of Data for CPG Marketers – Boston Consulting Group, 27th August 2020

²²Customer Data Analytics and Insights Key to Post-Pandemic CPG Success – Treasure, 27th August 2020

²³How can consumer products companies stay relevant and be future-ready with analytics? – Deloitte, 12th June 2020

²⁴Retail media is hot, but retailers are still leaving money on the table - Kearney

²⁵The end of third-party cookies: How it will affect advertisers and publishers – Marketing Tech, 20th April 2021

²⁶The Death of the Third-Party Cookie: What Marketers Need to Know About Google's 2022 Phase-Out

²⁷The Importance Of Brand Safety In Digital Advertising—It's Not What You Think – Forbes, 19th June 2020

²⁸Grocers gain trust from consumers as online shopping grows in popularity

²⁹US consumer sentiment and behaviors during the coronavirus crisis – McKinsey & Co

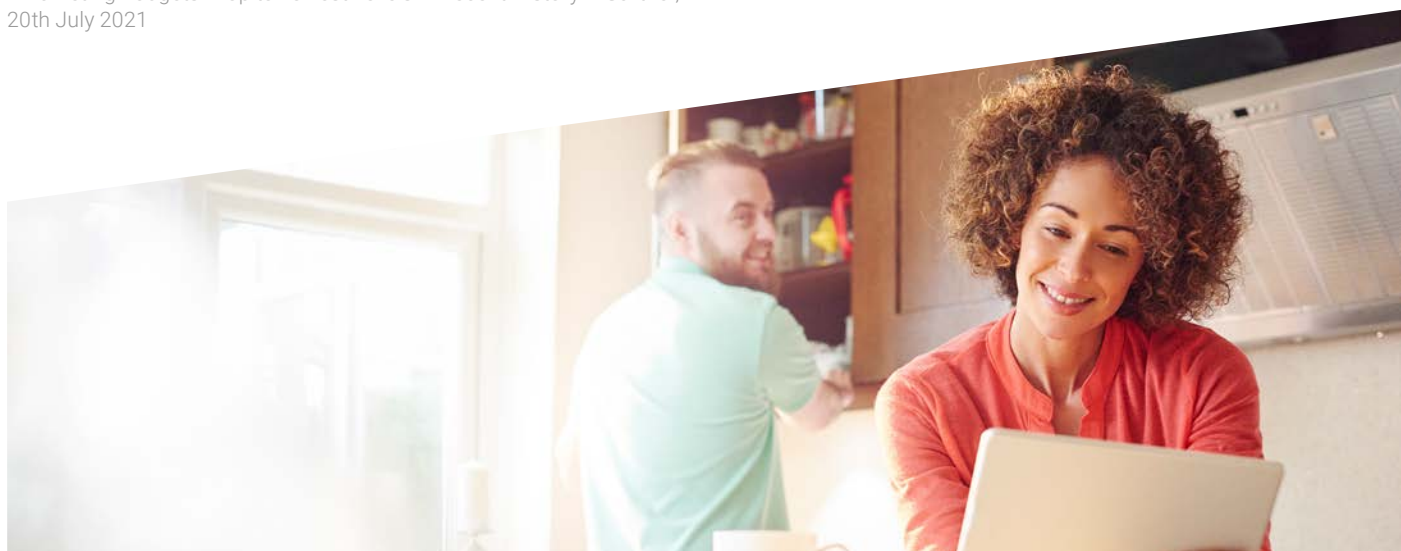
³⁰Has COVID-19 Changed the Impact of Out-of-Home (OOH) Advertising? – American Express

³¹COVID-19's effect on out of home advertising – All Response Media

³²Pandemic year brings about huge growth for online grocery - AHDB

³³In 2021, online grocery sales will surpass \$100 billion – Insider Intelligence

³⁴Consumer Pulse Wave 4 - dunnhumby



Mapping the new media networks

Over the past year, a number of retailers have announced the launch of their own dedicated retail media networks. These range from proprietary, “from the ground up” platforms built by internal teams through to hybrid solutions that combine multiple products from some of the many retail media vendors on the market.

In this section, we look at some of the most notable recent launches. In the interests of full disclosure, two of these platforms – Tesco and Éxito – are powered by products and solutions from dunnhumby’s own portfolio.

Tesco Media and Insight Platform.

>> Powered by dunnhumby

Tesco Media and Insight Platform

While retail media is not new to Tesco, having been helping brands understand shopper behaviour through customer insight for over 20 years, they continue to evolve their offering with the launch in November 2021 of Tesco’s Media & Insight Platform.

Fuelled by insights generated from the 20 million-strong base of Clubcard holders³⁵, the platform helps brands with category development, new product innovation, and multi-media measurement. In the case of the latter, this extends beyond Tesco’s own media portfolio and includes “walled garden” sites and social media.

Covering broadcast, digital and in-store channels, the Tesco Media and Insight Platform offers a range of solutions for onsite and offsite media (including display advertising, sponsored search and sampling), as well as Tesco magazine, direct mail, coupon-at-till, and connected store opportunities like point-of-sale and radio. A focus on closed-loop measurement enables advertisers to connect the dots between media exposure and customer behaviour, to understand the full impact of their marketing activities on sales.



Kroger Precision Marketing

Kroger’s media platform provides advertising opportunities across the retailer’s own media channels, as well as the ability to target the store’s customers across the web with co-branded digital campaigns.

Kroger-focused products within the platform include email, digital coupons, brand pages on kroger.com, static

and targeted listings, as well as sponsored product listing “boosts”. Additional campaign opportunities exist for influencer marketing (including Instagram, Twitter, and real-world events), ads that run across the open web, and loyalty-based programmes that employ the retailer’s direct-to-consumer communications channels.

In October 2021, Kroger launched its Private Marketplace. This programmatic advertising marketplace allows marketers to utilise Kroger data via demand-side platform (DSP) of their choice³⁶.



Walmart Connect

While Walmart Connect technically launched in January 2021, in truth it represents an evolution of the US giant’s existing Walmart Media Group. Walmart serves more than 90% of US households, providing advertisers with the opportunity to reach shoppers at enormous scale.

Leveraging data from 150 million weekly shoppers, Walmart Connect presents advertisers with media opportunities across search, display, in-store, and brand interactions – bespoke content featuring “top influencers and A-list talent” designed to drive shopper engagement. One of the key selling points is Walmart’s ability to correlate online ads with actual purchases as the company’s network of 4,700+ stores³⁷.

In August last year, the platform expanded with the launch of Walmart DSP. Unlike Kroger’s DSP solution, Walmart DSP is a standalone platform built in partnership with adtech vendor The Trade Desk. Combining Walmart data with inventory including display, streaming video, mobile, audio and CTV, the DSP offering is designed to help advertisers “engage with customers wherever they are and bring them back to the Walmart ecosystem”³⁸.



Carrefour Links

A more hybridised model than the platforms discussed above, Carrefour Links was co-developed with vendors including Criteo, Google, and LiveRamp. Each of those companies plays to its specialist strengths, with Criteo assisting on the adtech front, Google with cloud, and LiveRamp in terms of data collaboration and analytics.

The platform is the result of a major digital transformation programme by the French retailer, and the culmination of three years of work that saw it hire hundreds of data scientists while transitioning 25% of its software applications to the cloud.

Links is built around a “Four Cs” proposition – capture, convert, converse, and comprehend. Carrefour touts the platform as being able to help brands find new and prospective customers, increase the likelihood of them making a purchase, build a relationship with those shoppers, and understand their retail journeys³⁹.

Notable mentions:



Nectar 360

Nectar is a UK-based loyalty scheme. Run by grocery retailer Sainsbury's, the scheme extends to multiple other companies including Argos, British Airways, Esso, and eBay, allowing cardholders to earn and redeem loyalty points with a number of non-grocery businesses (as well as Sainsbury's itself).

In February 2020, the existing loyalty programme was merged with B2B marketing agency i2C under the new name of Nectar 360. The expanded offering allows the company to offer insights and data-driven marketing services to its 400 business partners. As well as in-store campaigns, Nectar 360 provides brands with the ability to run targeted social media campaigns.



DG Media Network

Launched in April 2021, Dollar General's DG Media Network (DGMN) employs a similar model to Carrefour Links in that it utilises services from Quotient, Inmar, and Vestcom. The platform focuses on Dollar General Marketable Profiles – “known Dollar General shoppers who can be reached via paid media.”

Services within the DGMN include offsite media, onsite media (including apps), digital offers, programmatic digital out of home, instore signage, and smart shelf tags. The network served more than 14 billion ad impressions in 2020, and boasts a 17,000-strong bricks and mortar footprint that sees a Dollar General store located within five miles of 75% of the US population⁴⁰.



Éxito Media powered by dunnhumby

Dating back to October 2020, Grupo Éxito's Éxito Media platform is one of the earliest examples of a retailer “productising” its media offering to the market. Éxito Media provides access to the largest addressable audience in Colombia, giving advertisers access to more than 8 million known shoppers across the group's physical and digital storefronts⁴¹.

Éxito Media builds on a longstanding relationship between Grupo Éxito and dunnhumby, with the platform built using both our data science capabilities and a selection of our retail media products. As with the Tesco Insight and Media platform, the Éxito Media offering extends beyond the retailer's own media inventory and allows advertisers to reach out to shoppers across the open web.



Albertsons Media Collective

Developed in partnership with CitrusAd and Merkle, Albertsons Media Collective will act as a replacement for the outgoing Albertsons Performance Media platform. Technically launched in November 2021, campaigns delivered through the new network will begin running in February this year.

Albertsons Media Collective enables advertisers to reach out to 100 million customers, 27 million of whom are members of the company’s Just for U loyalty programme⁴². Key aspects of the platform are said to include local advertising opportunities for CPGs, partnerships with connected TV and video companies, and a desire to include non-grocery brands such as car manufacturers⁴³.

ROUNDEL™

Roundel

Roundel is Target’s in-house media company – a part of the business that has been in operation since 2016, but was relaunched with updated branding in the spring of 2019. With data from 30m+ weekly in-store shoppers (and “even more” online), Roundel offers a variety of media solutions spanning social, search, programmatic, display, and connected TV.

Naturally, this means that campaigns booked through the company can run on third-party sites away from Target’s own properties – something that Roundel addresses with the guarantee of “brand-positive environments”. As with Kroger’s offering, Roundel enables users to connect the DSP of their choice to its programmatic offering.

wag – Walgreens Advertising Group

Leveraging data from 9,000 stores and 100+ million loyalty members, wag is described by parent company Walgreens as a “full-service, personalization-driven advertising offering”. Analytics, personalisation, measurement, and a range of channel-based media solutions are included.

In November 2020, just a few weeks before the launch of wag, Walgreens also introduced myWalgreens – a reinvention of the company’s health and wellbeing-focused loyalty programme. As a result, wag offers what Walgreens describes as “unparalleled insight into consumers’ needs and shopping preferences when it comes to health and wellness items and everyday needs”.

³⁵Tesco launches the UK’s largest closed loop grocery Media and Insight platform, powered by dunnhumby – tesco plc.com, 30th November 2021

³⁶Kroger Launches Private Marketplace to Connect Brands With Consumers – Winsight Grocery Business, 20th October 2021

³⁷<https://www.walmartconnect.com/content/wmg/home/solutions.html>

³⁸Walmart Connect Launches Its New Demand-Side Platform, Walmart DSP, To Expand Its Off-Site Media Offerings at Scale – walmart.com, 25th August 2021

³⁹The Carrefour Group launches its new data and retail media strategy with the Carrefour Links platform – carrefour.com, 15th June 2021

⁴⁰<https://dgmedianetwork.com/>

⁴¹<https://exitomedia.co/>

⁴²Albertsons Companies Unveils New Retail Media Network – Business Wire, 11th November 2021

⁴³Albertsons launches its own retail media network – Grocery Dive, 15th November 2021



A channel-by-channel guide to retail media in 2022

While the exact nature of the opportunities on offer can vary from retailer to retailer and platform to platform, most retail media networks tend to offer a selection of the following channels.

I Digital



Digital onsite media

Digital onsite typically refers to any web-based property owned directly by the retailer. This can include websites and apps, and may extend to cover multiple banners in the case of broader “group” offerings.

Key examples:

- **Banner ads** – placed in key locations such as the homepage, product listings, and checkout.
- **Video ads** – usually featured as part of a wider marketing campaign (see Co-brand campaigns below).
- **Carousels** – these can be used to display multiple products or a variety of information on a single SKU



Digital personalisation

One of the key advantages of retail media is that it allows brands and agencies to engage with customers based on their prior shopping behaviours. That can make it a great way to get the right product in front of the right person at the right time, something that can be done in real time via the use of digital personalisation.

Key examples:

- **Recommendations** – relevant product suggestions that can be surfaced within search results.
- **Complements** – sponsored listings for products that go well with items that a shopper has already added to their basket.
- **Reminders** – a final nudge for customers to add a regular item to their basket, typically delivered at checkout.



Digital offsite media

Offsite media uses first-party data to deliver targeted digital advertising delivered away from the retailer’s own properties. This can include news or entertainment websites, or social media sites like Facebook, Instagram and YouTube. Sites tend to be pre-curated, ensuring brand safety for retailers and advertisers alike.

Specific placements and formats vary from site to site, but banner and video ads are amongst the most commonly employed.



I Physical



Store media

The oldest form of retail media is still a hugely effective way to reach out to shoppers, even with the growth of online grocery. One of the key benefits of store media is its sheer versatility, stretching from printed and digital signage through to sampling, experiential, and more..

Key examples:

- **Aisle fins** – printed dividers that are fitted to shelves, typically used to highlight a new product or offer.
- **Interactive screens** – for use in everything from store navigation and personalised offers through to recycling and recipe inspiration.
- **Radio** – in-house radio channels provide the opportunity to deliver key messages to customers throughout the store.



Multichannel

Direct-to-customer (DTC)

Activities here can be spread across multiple formats, stretching from printed materials sent to the customer's home through to digital coupons and vouchers delivered through an app. While untargeted, mass market campaigns to continue to dominate in some markets, many DTC campaigns now use loyalty data to ensure that shoppers receive relevant offers and promotions.

Key examples:

- **Direct mail** – usually in the form of reward vouchers or coupons tailored to a customer's purchasing history.
- **Coupon-at-till** – generated on checkout, providing a discount on future purchases.
- **App notifications** – sent direct to a shopper's mobile device to encourage them to go online or visit a store.



Co-brand campaigns

The past few years have seen a growing number of retailers embark on co-branded campaigns in partnership with suppliers. These tend to take the shape of inspirational content programmes, providing customers with new ideas or helpful advice on a range of grocery-related topics.

Key examples:

- **Recipe ideas** – featuring products from a brand sponsor.
- **Meal planners** – particularly relevant for convenience or wellbeing-focused brands.
- **Lifestyle guides** – coaching shoppers towards a specific goal with expert advice from a brand partner.



The trends shaping future innovations

Retail media is anything but static. As a growing number of retailers and brands begin to explore its potential, we're seeing new ideas begin to spring up around the world. Here are a few that we think have the potential to shape the future of retail media.

Data expands beyond the grocery channel

The customer data that retailers hold isn't just useful for grocery-based advertising. As evidenced by the new partnership between Kroger and Roku, there's an increasing opportunity for retailers to monetise their data away from their own platform.

Going forwards, marketers running campaigns via Roku's TV platform will be able to use Kroger's shopper data "for targeting and closed-loop attribution to measure campaign performance"⁴⁴. We wouldn't be surprised to see more retailers bridge the gap between the data they own and other forms of media.

Interactive video goes mainstream

Shoppable ads have been part of the wider retail landscape for some time now, helping to engage customers with interactive videos that allow them to view specific items featured in the reel. While ads of this kind are yet to proliferate in the grocery space, that could change quite rapidly.

Walmart and interactive video firm eko recently partnered on the creation of Walmart Cookshop – an interactive site that features celebrity guests and brand-sponsored videos that showcase products and ingredients as part of a recipe. The beta version of the site generated an 8.7% click-through rate according to Walmart⁴⁵.

Data clean rooms become commonplace

Retail media is powered by first-party data, which can be used to gain deep insights into the behaviours of actual shoppers. While this real-world element is one of the things that makes retail media so successful, it also has obvious implications from a privacy point of view – and customer anonymity is key.

Companies like Infosum and Habu offer data "clean rooms" – privacy-first environments which allow marketers to use that real-world data in a safe and compliant way. New clean room companies are springing up all the time, speaking to the growing demand for audience targeting that adheres to increasingly strict regulation.



⁴⁴Roku Announces New Shopper Data Program; Kroger Named Launch Partner – Business Wire, 8th June 2020

⁴⁵'The returns are impressive': How eko's partnership with Walmart is making interactive video more mainstream – Digiday, 1st March 2021

Why retail media needs to put the customer first

With its ability to drive sales, generate ad revenues for retailers, and give brands a way to speak to high-intent shoppers, retail media presents a clear commercial opportunity. At the same time, there's much more to retail media than money; done right, it can also deliver huge improvements to the quality of the customer experience.

Today, the majority of commercialised retail media offerings are powered by first-party data. When you combine that with the omnichannel nature of a grocery retailer's media portfolio, you have everything you need to reach out to customers with highly-personalised content at multiple points on their shopping journey. That's one of the main reasons that retail media is as effective as it is.

As important as that is in terms of advertising performance, however, retail media also presents the opportunity to create a truly additive experience for customers – one that delivers greater value, convenience, and inspiration.



Value

Value – or the perception thereof – has become an increasingly crucial matter for shoppers over the past two years. dunnhumby's Customer Pulse, a global research programme designed to track changing behaviours in the wake of the pandemic, has shown a growing trend towards "value seeking" strategies during that time.

While retail media isn't linked directly to price, it can still play a key role in helping customers get more value from their shop. As well as highlighting cost saving opportunities more generally, retail media can also be used to deliver personalised offers and discounts tailored specifically to the products that shoppers actually buy on a regular basis.



Convenience

Whether they're online or in-store, grocery shoppers usually want to get what they came for as quickly and easily as they can. As a result, anything that retailers can do to make the shopping experience as convenient as possible is likely to go a long way towards meeting expectations.

Both online and off, retail media provides abundant opportunities to improve the flow of a visit. Smart use of in-store assets can be used to improve navigation and callout deals and offers, ensuring that shoppers can manoeuvre around a branch as quickly as they want. From a digital point of view, personalised recommendations, substitutes, and favourites can all help a customer get to the checkout faster.



Inspiration

Cooking at home was one of the major trends to emerge during the height of the pandemic, even in countries where eating out is usually a significant cultural norm. As a result, many customers were looking for extra inspiration in their shop, something intensified by the shift to online.

Here too, personalised recommendations have presented retailers and brands with a way to aid product discovery while simultaneously helping to provide a better service to customers. Complementary product suggestions, based on what similar shoppers have added to their baskets, offer another opportunity to inspire.



The importance of making retail media a customer-centric endeavour can't be underestimated. While shoppers tend to be more willing to share their data with grocery retailers than others⁴⁶, that doesn't make them any less conscious that their experience should improve as a result.

More than anything, a customer first approach to retail media ensures its sustainability over the long term. So long as shoppers continue to receive a genuine benefit from the communications they receive – whether in terms of time, money, or anything else – they're that much more likely to remain receptive to the messages they're presented with. If that dynamic changes, retailers risk the entire operation coming undone.

⁴⁶The consumer data give and take – Deloitte, 2020

Building a winning media proposition

The proliferation of data science and retail media technologies means that retailers are no longer faced with the daunting prospect of building their entire offering from scratch. Core competencies can be complemented with third-party products and services, helping retailers build next-generation media platforms without needing to develop the skills and software required to run them.

Even with that being the case, there are still some key considerations to take into account when building – or expanding – a retail media platform:



Reimagine the aisle to improve the shopper experience.

The more expansive your retail media offering becomes, the more advertising technology you'll need in order to power it. Sometimes, this can be simple – with one vendor managing everything from data through to each of the channel-specific applications that form your portfolio. When multiple solutions from different third-parties are involved however, that diversity can quickly translate into complexity.

If your own platform incorporates a range of technologies from different vendors, it's important to ensure that they all tap into the same, consistent data source. That's as vital to audience identification as it is campaign measurement, and should be one of the major priorities no matter how large your retail media offering grows.



Maintain Customer First principles

Some commentators have suggested that retail media fatigue may be something to watch for in the future, with shoppers struggling to engage with ads due to oversaturation. We maintain that this won't be a problem so long as retailers – and their brand partners – adhere to Customer First principles.

At dunnhumby, we advocate for the use of retail media as an additive tool in the shopping experience. Can it boost sales and generate revenues? Of course. But with the right sentiment, and by using data to understand which actions are of the greatest benefit to customers, retail media can also play a role in loyalty, satisfaction, and engagement.

Ensuring that every decision is taken with the customer's best interests in mind, and that the content they see is relevant, helpful, and contextually appropriate, will help to ensure that a retail media platform delivers long-lasting benefit to all.

dunnhumby

THE WORLD'S FIRST

CUSTOMER DATA SCIENCE PLATFORM

dunnhumby is the global leader in Customer Data Science, empowering businesses everywhere to compete and thrive in the modern data-driven economy. We always put the Customer First. Our mission: to enable businesses to grow and reimagine themselves by becoming advocates and champions for their Customers.

With deep heritage and expertise in retail – one of the world's most competitive markets, with a deluge of multi-dimensional data – dunnhumby today enables businesses all over the world, across industries, to be Customer First.

The dunnhumby Customer Science Platform is our unique mix of technology, software and consulting enabling businesses to increase revenue and profits by delivering exceptional experiences for their Customers – in-store, offline and online. dunnhumby employs over 2,000 experts in offices throughout Europe, Asia, Africa, and the Americas working for transformative, iconic brands such as Tesco, Coca-Cola, Meijer, Procter & Gamble, Raley's, L'Oreal and Monoprix.



Connect with us to start the conversation

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