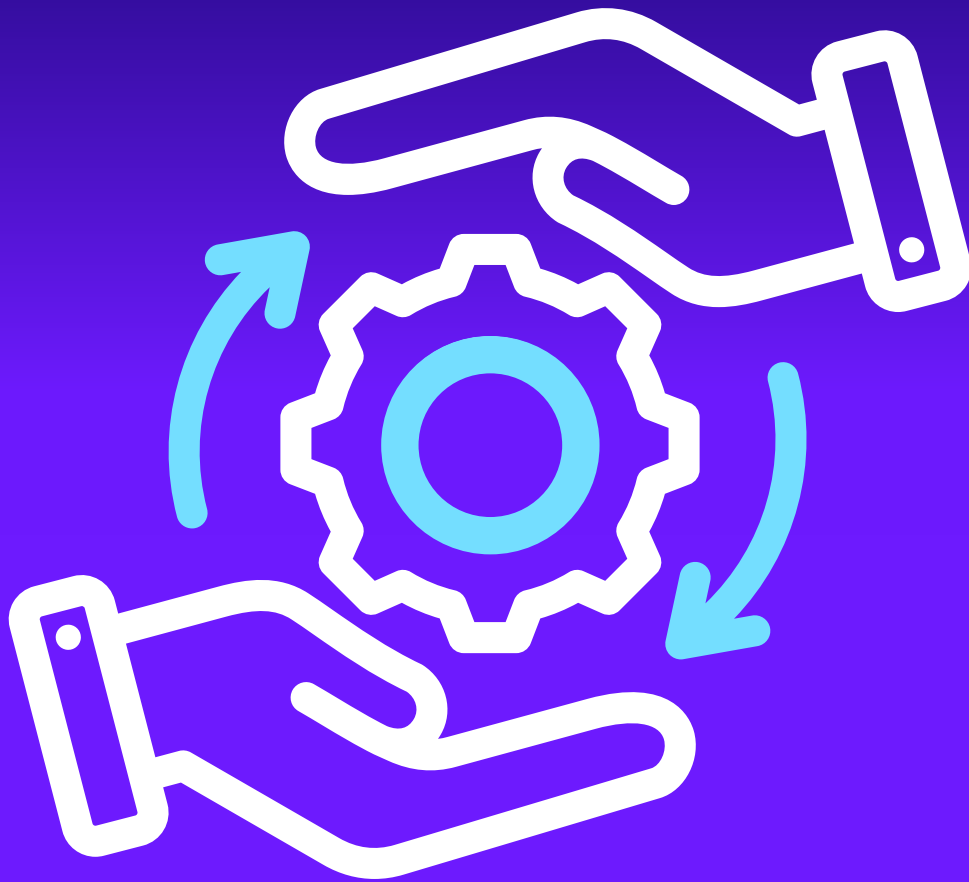




IAB EUROPE'S BITESIZE GUIDE TO CHANGE MANAGEMENT IN RETAIL MEDIA SERIES:

THE LEADERSHIP CHALLENGE OF CHANGE MANAGEMENT

This instalment of our Bitesize Guide to Change Management in Retail Media series has been written as a guest contribution by Colin Lewis, Founder of Commerce Media Works and a leading Retail Media practitioner.

Retail Media is a Change Management Challenge

Retail Media is a combination of several marketing and commercial disciplines: brand marketing, trade marketing, digital marketing, shopper marketing, as well as being part of the commercial engagement that a brand supplier has with a retailer.

Retail Media has different buyers, different metrics and different operational requirements — treating it as an extension of existing commercial activity tends to limit what it can deliver. The unique attributes of Retail Media mean that it cannot be seen as a ‘bolt-on channel’ for advertisers or a ‘cash grab’ for retailers (as Retail Media has sometimes been accused of.)

Retail Media is, in fact, a ‘Trojan horse’ for transformation for brands, retailers and agencies.

This transformation means:

- Retail Media Networks need new organisational structures as retailers race to become media businesses, which, in turn, means that strategic, operational and cultural shifts are required.

New talent models, specialist roles, upskilling and flexible organisational responsibilities are required for both brand advertisers and retailers.

Why is this important?

Transformation efforts don’t fail purely through poor execution. The signs of failure are there much earlier,

when either or both of the following occur:

Leadership misjudges or misdiagnoses the nature of the challenge of Retail Media.

Launches an ambitious Retail Media programme without evaluating whether the organisation possesses the capabilities or capacity to deliver.

Let’s dive into why Retail Media should be seen as a change management challenge first and foremost.

The Challenge for Brand Marketing and Commercial Leaders

Many brand advertisers don’t know how to make their Retail Media investments work for them and are beginning to understand that Retail Media is a new dynamic.

- Current marketing and commercial team structures are not set up for retail media. Many CPGs typically allocate their teams and budgets into the following “buckets”:

- Brand budgets to build and promote the brand — creating visibility to drive mental availability and consideration.
- Trade budgets to influence supplier performance in retail channels.

Shopper-marketing budgets to impact in-store behaviour and generate purchase decisions.

- Digital-marketing budgets to convince and convert on search, social, video, email and other digital channels

Each team tends to operate in silos:

- Budgets reside within individual teams.

KPIs are tied to those teams.

Expertise is confined to those teams and is often non-transferable.

Retail Media affects every one of these teams and budgets. And Retail Media executions must meet the same efficiency and effectiveness standards as all other media investments that the brand spends its budget on.

In many brands, the marketing teams do not 'run' the Retail Media campaigns – they are left to the commercial team to negotiate and operate. However, no commercial team is set up to either assess or execute media plans, yet they are making multi-million-euro decisions on topics that they acknowledge are beyond their expertise.

There are challenges from the marketing teams as well:

- Retail Media is perceived as a performance medium. Being seen as a performance channel means retail media is regarded as a lower priority, particularly for brand teams.
- Retail Media is not on the CMO's radar – CMOs may see themselves primarily as brand custodians, not drivers of sales results in stores or online.
- The Retail Media industry's internal debates about AdTech, measurement or data clean rooms, none of which address senior marketers' real need: driving brand growth.

Brand marketing and commercial leaders will have to address these challenges sooner or later – and it will require change management skills.

The Challenge for Retailers and Retail Media Network Leaders

Setting up or scaling a Retail Media Network requires capabilities very different from retailers' core operations, such as buying, merchandising and logistics.

What creates these challenges for retailers?

- Retail teams such as buyers, category and trade are used to negotiating with brand suppliers about cost of goods sold (COGS), margin, and commercial funding. The trade 'budgets' that often came attached to their negotiations have to change, as retail media requires different types of both technical and personal capabilities.
- Category buyer KPIs differ from those of the Retail Media team responsible for selling media space. Now, buying and trade teams must agree clear guidelines, boundaries and KPIs with Retail Media teams.
- Retail Media Networks are in the media business rather than purely retail. RMNs must recruit media expertise — sales executives, campaign planners and advertising operations specialists.
- For retailers wishing to create a Retail Media Network, buying specialist technology to power their Retail Media business is challenging. Even selecting a vendor is often a completely new experience.
- Integrating Retail Media Network technologies with existing legacy systems is difficult.
- Beyond initial build and integration, many retailers and Retail Media Networks lack automation and the capability to leverage first-party data effectively.
- Retail Media also impacts in-store operations, if screens are adopted on premises.
- A more subtle challenge is this: a Retail Media Network can be seen as a threat to other parts of a retailer's business, particularly if it is perceived as taking away from another division.

Just like the brand side, Retail Media acts as a trigger for change management in retailers — arguably even more so than in brands.

Retailer and Retail Media Network leaders have to address these challenges and these require change management skills. Change management must be seen as a workstream to ensure that the Retail Media programmes are embedded in the organisation.

Understanding Change Management Skills

Guides 2 and 3 from our series point out that leaders build the right culture by setting vision, running training, and encouraging behaviours. These require change management skills from leadership, and fortunately, leading change is something that has been studied and written about in detail. There is a lot of abstract change management theory that should remain in journals, but there are also a lot of useful tools to draw from.

Let's start with the reality of change management:

1. Changes or transformations like a Retail Media programme only work when the wider organisation both believe and commit to it.
2. Leading transformations do have a recognisable series of steps that can be followed with common success factors.
This does not mean they are easy – but there are distinctive recognisable steps.
3. Factors such as team capabilities, skills, leadership quality, commitment from executive leadership, and frontline & operational buy-in reliably predict success.
4. Resistance to transformation is often driven by hidden competing commitments and misaligned incentives.
5. Transformations fail when leaders misdiagnose the problem, applying simple fixes to what are really alignment or cultural issues.

Successful change implementation is difficult, regardless of the approach you use.

However, research shows that a structured framework can drive more successful change.

Two of these frameworks may be familiar to you already:

- **McKinsey 7S** diagnoses what must change across strategy, structure, systems, shared values, skills, leadership style and staff.
- **John Kotter's 8 Steps to Leading Change** process mobilises the organisation through urgency, a guiding coalition, a clear vision, obstacle removal, early wins and cultural embedding.

In Part 5 of this series, we will be discussing the various change management frameworks that are available and giving guidance on how to apply them as well as how to communicate.

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