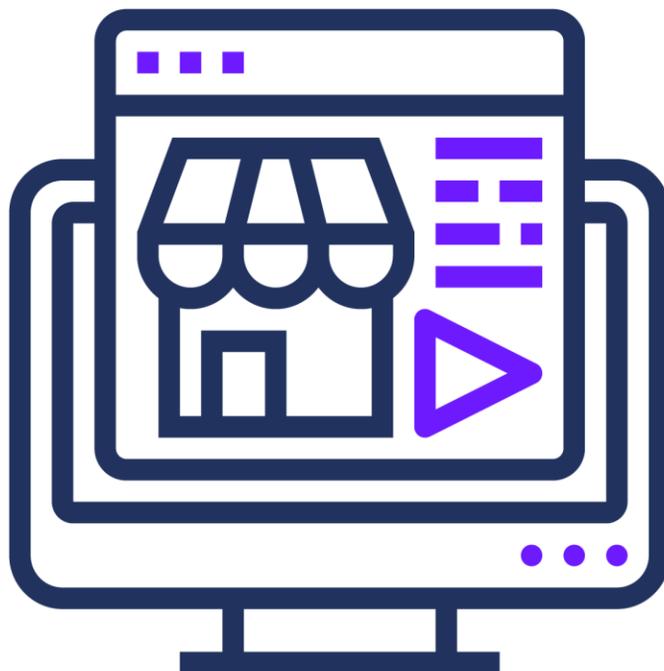


IAB EUROPE INDUSTRY INSIDER WITH MICROSOFT

# THE RETAIL MEDIA OPPORTUNITY IN EUROPE



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## Executive Summary

The insights from the survey demonstrate that retail media is now a key part of advertising strategies; in turn this means other channels will now have to compete with retail media for budget dollars. Additionally, the deprecation of third-party cookies is a key driver of the growth of retail media ad spend; buyers want access to retailers first-party data which is a valuable resource. As a result, retail media presents a real opportunity for advertisers providing closed loop attribution, on and off-site channels, and in-depth insights.

As with any new advertising channel, retail media is not without its challenges. The key ones highlighted in the study findings, are scale and integration with other advertising technology. Buyers want to be able to purchase their advertising via one or a few technology partners and the lack of retail media ad tech integration is currently a stumbling block.



## Introduction from IAB Europe

Retail media is one of the hottest topics within the digital advertising industry right now. IAB Europe forecasts retail media ad spend to reach €25bn in Europe by 2026.

The COVID-19 pandemic fundamentally changed consumer shopping habits and the percentage of online shoppers in Europe has now reached 75%. Looking at the UK market as an example, ONS data shows that online sales as a percentage of total retail sales surged and accounted for close to 40% of total retail sales in 2021.

To understand this exciting new advertising sector, IAB Europe and Xandr surveyed over 800 buyers across Europe in Q4 2022 to understand their current use and experience leveraging retail media including the drivers and, barriers and how they plan to use it in the future.

Most respondents were Brand Directors, Media Directors / Planners and Programmatic Media Directors. 54% have been working in digital advertising for 4+ years.

## Introduction from Microsoft

Despite delays to the deprecation of third-party cookies, marketers have already been exploring alternative ways to target and measure their ad campaigns without dependence on third-party cookies or personal identifiers.

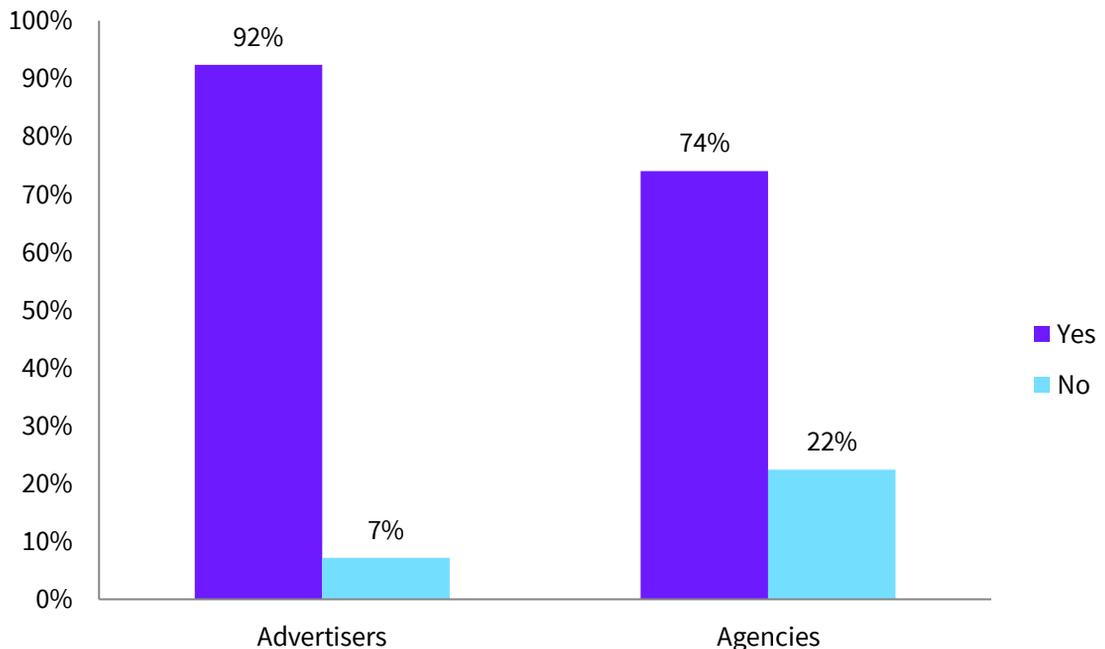
At the same time, retailers realised that they are sitting on a treasure trove of first-party audience data that many brands are eager to access. As a result, a growing number of retailers are developing new, high-margin revenue streams via 'retail media' platforms, opening up their existing digital platforms to external brand advertisers

Brands now have a valuable opportunity to partner with retailers and take advantage of their consumer first-party connections. Advertising against a bespoke audience built from retailers' data is an attractive proposition, as marketers increasingly seek future-proofed media planning, activation and measurement in a 'cookieless' online advertising environment.

## The Current Retail Media Landscape in Europe

The survey results show that retail media advertising is already a key part of buyer's advertising strategies. 92% of advertisers and 74% of agencies are currently partnering with retailers to reach consumers. Of the small amount that aren't, 88% of advertisers and 77% of agencies plan to partner with retailers in the next 12 months. 67% of those that are currently partnering say their experience has either been very good or good.

**Figure 1 - Percentage of Advertisers and Agencies That Are Currently Partnering with Retailers to Advertise To / Reach Consumers**



Within the retail media landscape, we see two key types of advertisers:

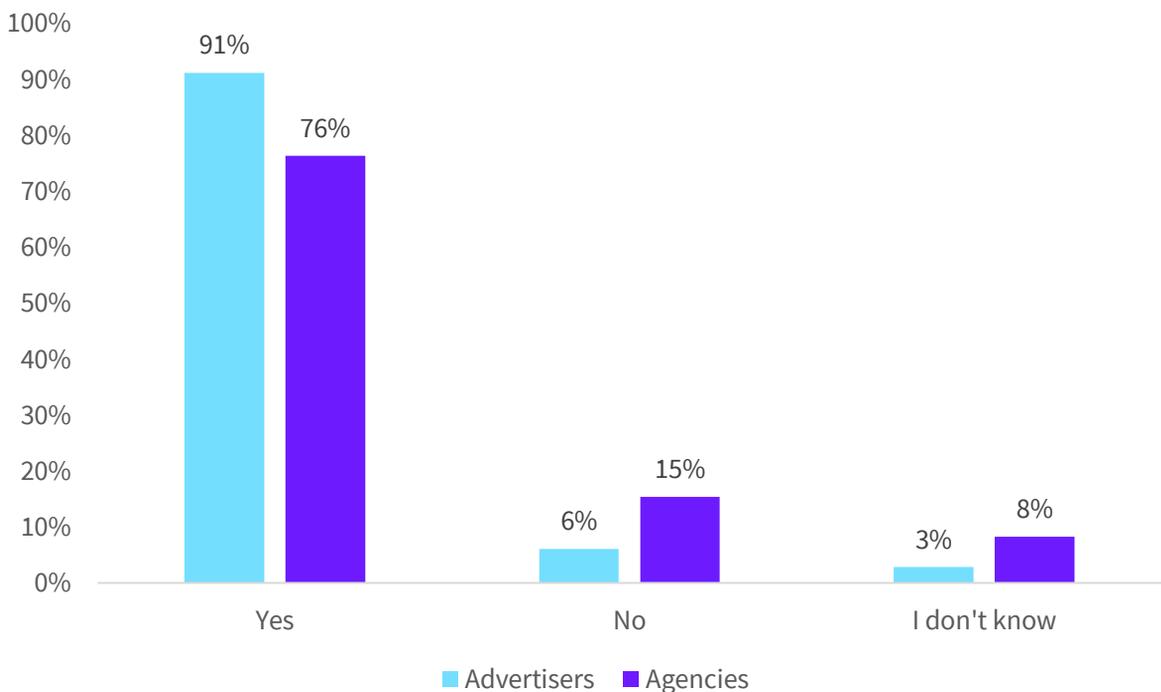
- **Endemic Brands:** These are brands that are already selling their products on retailers' properties. Brands active in retail media could also prepare to use data clean rooms: these tools can help brands see how much of their audience was reached, for example, or which brand-built audience segments responded best to a particular ad.
- **Non Endemic Brands:** These are brands that are not yet selling via a retailer (e.g. financial services, automakers etc.) Many of these brands are realising that retailers have valuable data and they can find their audiences on a retailer's platform.

## Retail Media Opportunities

### Buyers' see retail media as a solution following the deprecation of the third-party cookie

We asked respondents how worried they are about the deprecation of third-party cookies. The results show that overall, the majority of buyers, (72% of advertisers and 54% of agencies) are worried about the deprecation, likely a main driver for investment in retail media. When asked whether they see retail media as being a key part of their advertising strategy following the deprecation of the third-party cookie, 91% of advertisers and 76% of agencies said yes.

**Figure 2 - Percentage of Advertisers and Agencies That See Retail Media As a Key Part of Their Advertising Strategy Following the Deprecation of the Third-Party Cookie**



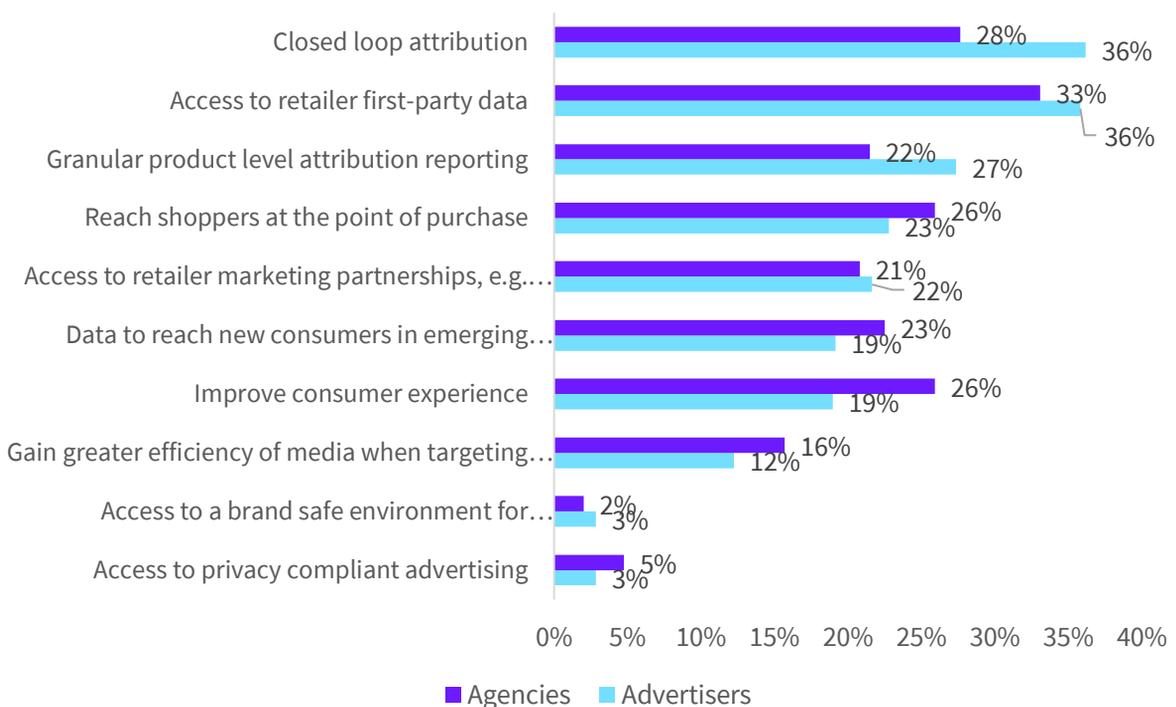
### First-party data strategy is a key opportunity

Data, in particular first-party data, is a key opportunity within retail media. More than a third of buyers cite this as one of the key drivers of retail media adoption. Whilst 91% of buyers have a first-party data strategy in place, 49% are still working towards scaling their first-party data strategy.

### Closed loop attribution is also key to growth

36% of advertisers and 28% of agencies cite closed loop attribution as a key opportunity of partnering with retailers. In terms of important elements within attribution, category vs. product level is key with 52% of buyers citing this as most important for a retailer proposition.

**Figure 3 - Key Opportunities of Partnering with Retailers**



### Considerations for Brands

- Leverage retailers' data assets as an alternative to third-party cookies
- Use retailer marketplaces to run high-scale, insights-driven media campaigns
- Create data-enabled, personalised ad campaigns tailored and measured against key objectives with the aid of retailer customer data
- Enable co-marketing campaigns that augment and enhance buying strategies with retailer data assets

### Considerations for Retailers

- Use retail media advertising as an opportunity to develop a new, high margin revenue model
- Replicate a proven advertising business model that is paying off for major retailers (e.g. Amazon, Walmart, etc.) without the need to build a tech stack from scratch
- Grow and evolve relationships with brands into a meaningful strategic partnership to gain a competitive advantage
- Enhance the customer experience by offering customers data-driven targeted offers based on their buying habits

## Retail Media Challenges

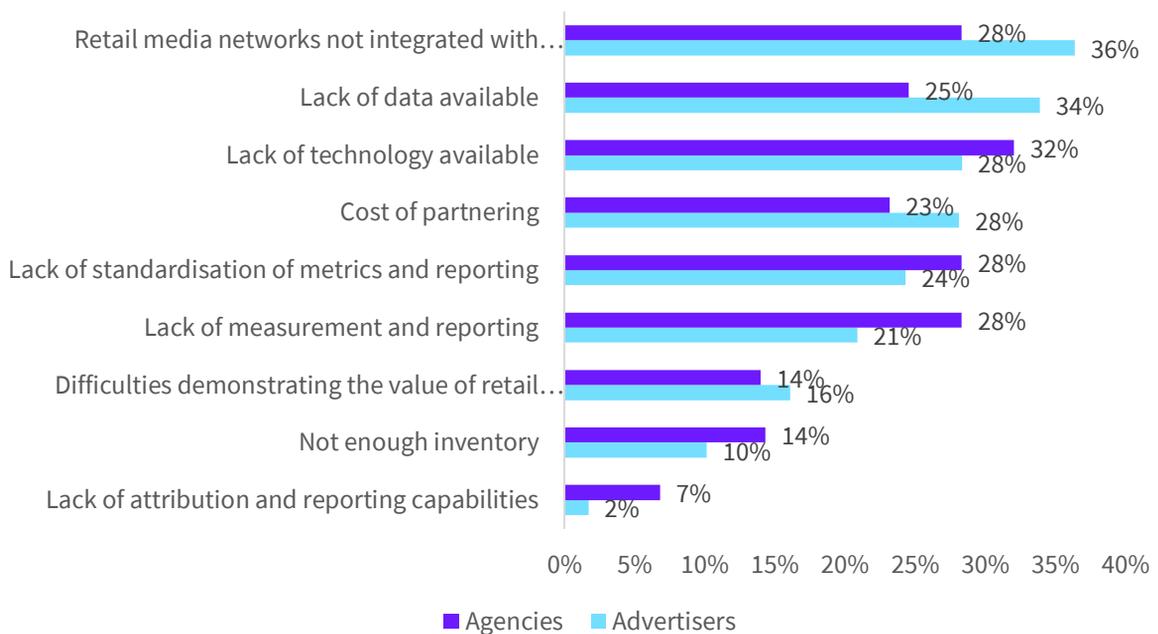
### Integration with other advertising technology is a stumbling block

Retail media is still a relatively new ad channel so it is not surprising to see that the integration with other ad tech still has a way to go. 33% of buyers cite the fact that retail media networks are not integrated with other ad tech as a barrier to investment. 30% also cite the lack of technology and data available, suggesting that retailers need to focus on their tech and data offering to continue their strong growth.

### Cost and standardisation are also barriers for investment

The cost of partnering with retailers was cited by 26% of buyers as a barrier to investment followed closely by the lack of standardisation of metrics and reporting (25% of buyers).

Figure 4 - Key Barriers to Partnering with Retailers



### **Considerations for Brands**

- Identify the right partners and assess costs upfront
- Consider how retailer partner technology works and integrates with other ad tech

### **Considerations for Retailers**

- Consider ad tech offerings and how they might integrate with other ad tech in the digital ecosystem

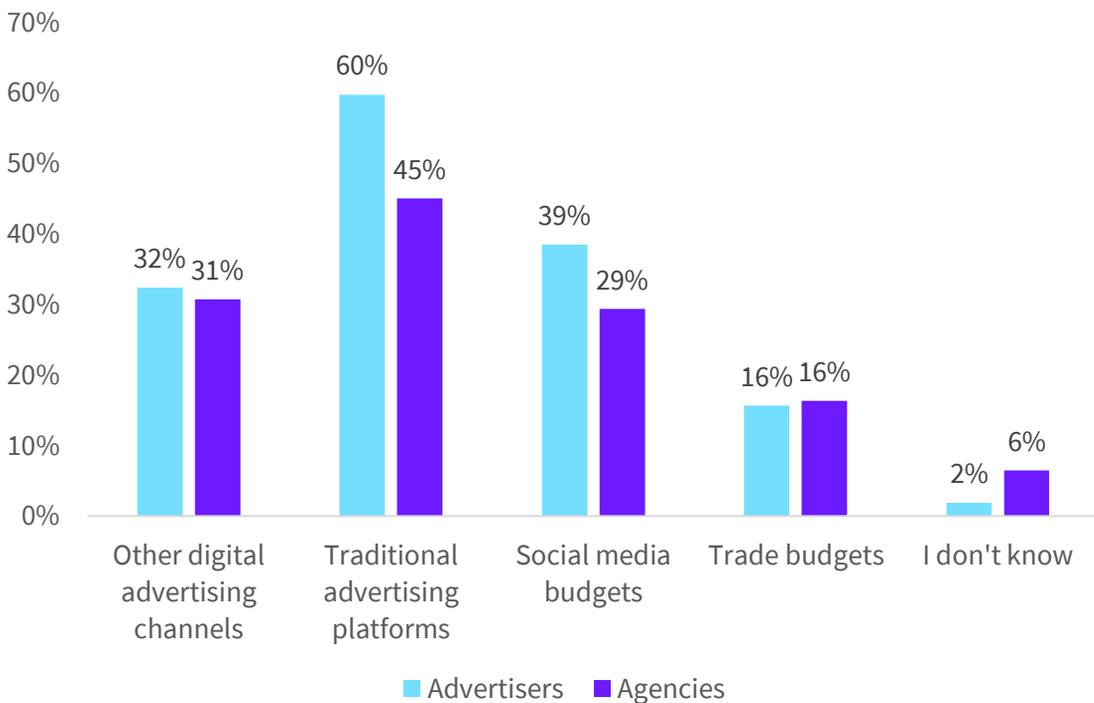
## Retail Media as Part of the Overall Advertising Mix

The survey shows that retail media is now an integral part of the media plan with 92% of advertisers and 74% of agencies currently partnering with retailers to reach consumers.

When asked whether retail media ad spend was being reallocated from other advertising channels, 62% said yes.

Traditional advertising channels are most likely to take a hit when it comes to reallocation of spend. 60% of advertisers and 45% of agencies are shifting budgets from traditional channels into retail media, followed closely by social media with 39% of advertisers shifting budgets away from social channels.

**Figure 5 - Advertising Channels that Budgets are Being Shifted From for Retail Media Ad Spend**





### **Industry Expert Viewpoint**

**Paul Longo, Global Head of Retail Media Sales, Microsoft Advertising**

Retail media is a powerful channel, as it generates brand consideration while being hyper-performative given its shopping context and proximity to the purchase stage of the shopper journey. Closed-loop ecosystems like retail media networks, provide clear and proven attribution reporting that draws a direct line to sales and Return on Ad Spend (ROAS).

As the advertising industry becomes more privacy-centric, sales attribution across the open web will become even more art than science. Through a retailer's program, brands can tap into a wealth of proprietary, relevant, and high quality first-party data. Leveraging data from sources like loyalty programs and purchase channels enables brands to personalize ad experiences and drive more conversions.

With retailers investing in omnichannel experiences across onsite, offsite, and in-store, retail media will facilitate a true omnichannel buying and attribution experience for brands. Managing these omnichannel experiences through a single portal will help drive scale, efficiency, and performance for brands.

## Summary

This Industry Insider from IAB Europe and Microsoft highlights the fact that Retail Media is now a key part of the media marketing mix. It presents a real opportunity for brands to reach consumers effectively and gather actionable insights.

IAB Europe's new Retail Media Working Group brings together stakeholders from across the ecosystem in order to enable collaborative conversations, provide education and insights and create recommendations to shape and define this exciting advertising space.



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