Retail Media – Megatrend for the next Digital Decade?

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25 May 2022
Evolving definition of retail media

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.

*Reaching shoppers — different from consumers — along the path to purchase and, ultimately, getting them to convert at retail.
US data and European company reports are bellwethers for size of opportunity

Retail media ad revenue ($m): Company actuals & expectations

*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

Europe: Retail Media Advertising (€m)

- Europe: Retail Media in Europe
- YoY

- The European market is accelerating quickly.
Significant opportunity outside Amazon

Europe: Retail Media Ad Spend: Amazon vs others

Source: IAB Europe
Where is the ad spend coming from?

US: Retail media budgets sources & development ($bn)

Source: BCG
2021 has been a firestarter year for retail media networks

Time line of retail media offering launches in Europe

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)

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Category</th>
<th>Online GMV (€bn)</th>
<th>Ad revenue (€m) as % of online GMV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tesco</td>
<td>Supermarket</td>
<td>€ 7.33</td>
<td>0.5%: €36.7</td>
</tr>
<tr>
<td>Fnac Darty</td>
<td>Multi-sector</td>
<td>€ 2.09</td>
<td>0.5%: €10.5</td>
</tr>
<tr>
<td>Zalando</td>
<td>Fashion</td>
<td>€ 7.98</td>
<td>0.5%: €39.9</td>
</tr>
<tr>
<td>Ocado</td>
<td>Supermarket</td>
<td>€ 2.91</td>
<td>0.5%: €14.6</td>
</tr>
<tr>
<td>Otto</td>
<td>Fashion</td>
<td>€10.99</td>
<td>0.5%: €54.9</td>
</tr>
<tr>
<td>Ahold Delhaize</td>
<td>Supermarket</td>
<td>€ 4.94</td>
<td>0.5%: €24.7</td>
</tr>
</tbody>
</table>

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

% of European retailers with a retail media offering by country

France 65%
UK 48%
Spain 33%
Germany 32%
Italy 8%

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

Brands
- skai
- PACVUE
- flywheel
- perpetua

Buy- & Sell-side
- UNFOLD
- CitrusAd
- criteo
- PromoteIQ
- Quotient

Data clean rooms
- Infosum

Retailers
- MOLOCO
- relevanc
- crealytics
- dunnhumby

Epsilon
Why now?

Google Internet
- YouTube

Apple Internet
- Google Ads
- DV360
- Apple Ad Network?

Facebook Internet
- Facebook
- Instagram

Challenger Gardens
- Pinterest
- Snap
- Tiktok
- Retail
- Shopify

CTV Walled/Hedged Gardens
- UK Inc?

Amazon Internet
- Amazon DSP
- App
- .com

The Open Web
- Topics Web
- Anon web

FAN

Source: format after Jounce Media, own modifications
“I wonder what unit profitability was in 2017 without advertising.”*

"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**
  - 40%
  - 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**
  - 31.9%
  - 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**
  - 28.1%
  - 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 to enter the market with a buy-and sell-side ad product leveraging merchant data for post-ATT targeting

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

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
Thank you!

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