

FUTURE OF COMMERCE

The Rise of Retail Media on the Open Web

Technology giants have long worn the digital ad space crown.

In fact, according to the [Competition and Markets Authority](#), 80% of all UK digital ad spend goes to the so-called 'walled gardens' of digital advertising, despite accounting for just 33% of time spent online.

As data privacy regulations have brought about changes in how advertisers can operate within these closed ecosystems, marketers and agency professionals are beginning to explore and find success elsewhere. One such area is retail media, whereby retailers enable endemic and non-endemic brands to advertise across category pages and search listings.

Forrester estimates that by the end of 2022, the retail media category will top [£37.5bn in global revenue](#), putting it on track to outpace the likes of Netflix and YouTube.

To better understand how the landscape is shifting, Criteo asked 250 brand marketers and 250 decision makers in media agencies in the UK for their perspective on retail media.

Respondents were surveyed to understand their level of investment in the category, the performance they've seen to date and how they feel open web retail media compares to the advertising options offered by walled gardens.

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The truth behind the walled gardens

On the surface,

it appears ad investments in walled gardens are on an upward trajectory, with the likes of Facebook and Apple seeing year-on-year investment growth of 29%. In the UK, it's estimated that marketers will invest an average of £303,000 in walled gardens this year, with the largest brands – those with more than 1,000 employees – investing as much as £459,000 on average.

Conversely, marketers also report a 23% rise in their cost per conversion through these channels. So it would seem much of the increase in spend on these platforms is to counteract the decrease in performance.

According to 91% of the media agency respondents interviewed in the study, the cost of campaigns in walled gardens is expected to increase further over the next 12 months. Among the top causes, 51% attribute rising costs to audiences on these platforms being harder to understand. It's a problem being compounded by sweeping changes in online privacy, including the proposed end of support for third-party cookies by Google.

Another challenge is the increasing competition for user attention on social media platforms. Half (50%) of respondents not only think this competition is contributing to the increased cost per conversion, but also believe that audiences are generally spending less time on social platforms.

Media agencies report the cost per conversion within walled gardens including social media platforms has risen 27% in just one year. It now costs an average of £11.75 across all verticals.

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Leaping over the wall

As a direct result of their feelings towards the advertising options offered by walled garden platforms, 78% of marketer respondents expressed their desire to increase spend on retail media.

Among the key advantages retail media offers marketers is the ability to blend product adverts natively with other product listings at the point of sale. More than half (53%) of marketers report this as a distinct advantage over other walled garden campaigns, along with sharper audience targeting, relevance to the actual purchase, and even sales growth.

Media agency professionals say open web retail media has greater impact than 'Walled Gardens' i.e. Facebook, Amazon & Apple in:

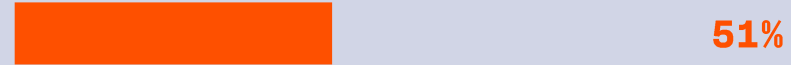
Relevance to the actual purchase



Sales growth



Audience targeting



Retail media's accomplishments in these areas come from its use of first-party data to drive relevancy. With audience insights drawn from a retailer's first-party data, retail media can immediately scale advertising campaigns, identifying in-market, new shoppers for advertisers.

Advertising on retail sites is also an inherently brand safe environment, relying on long-established, trusted retailer domains. Around 68% of brand marketers surveyed said they consider retail media to be a much safer advertising environment than apps (64%), social (65%), search (65%) and marketplaces (66%). Only connected TV is viewed as equally safe in this regard, at 68%.

Brand safe and driven by first-party data, retail media is a future proof proposition that has many marketers allocating more budget to the category than just one year ago, with an average increase of 50% across survey respondents. This enthusiasm is echoed by their agency counterparts who, on average, have increased the retail media allocation of annual budgets by an additional 30%.

96% of UK brand marketers report investing in retail media this year.

Interestingly, media agency professionals report the average cost per sale for an ad campaign using retail media can still be more expensive than walled gardens, however, 88% of respondents say retail media's conversion rates will become more cost-effective over the next 12 months.

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Retailers are
playing catch-up
with demand

Surging appetite from advertisers has, for now, left retailers playing catch-up. Agencies point to the nascency of retailer expertise and knowledge when it comes to retail media, as well as low technology adoption among ecommerce sites, apps and other digital platforms, as two of the most substantial hurdles (57% and 53% respectively).

Issuing a call-to-action for the industry, around half of agency respondents (52%) expressed too few retailers currently offer brands attractive advertising environments. Many (55%) warned that retailers who fail to update their ad strategies and only offer traditional subsidy options will miss out on the opportunities of retail media.

While retail media still holds so much potential for thousands of retailer sites and apps, there are many pioneers of the category today. As part of the study, Criteo asked media agency professionals which retailers they felt are currently the most desirable to have ads displayed on. In fact, Amazon (40%) topped the media agency list, but retail competitors such as Boots (30%), Asos (27%) and AO (26%) now follow very closely.

Notably, there's only a 10-percentage point difference between Amazon and Boots, highlighting healthy competition among leaders and the potential for new entrants to rise to the top. For advertisers, the opportunity to diversify spend across these vendors to optimise performance presents a big step forward.

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30%

Boots

27%

Asos

26%

AO

Key takeaways

- 1 Rising investment within walled gardens is being mirrored by rising costs associated with regulatory – and non-regulatory – changes
- 2 Retail Media offers a host of advantages to advertisers by connecting brands to relevant audiences right at the point of purchase
- 3 Advertising on retail sites is inherently a brand-safe environment with first-party data and strong performance
- 4 Supply of advertising inventory among retailers is still playing catching up with marketer and agency demand, but the gap is closing

With ecommerce on the rise and big ad industry changes on the horizon, marketers need help building, scaling, and activating first-party audiences and media owners need more ways to add value to their inventory and create addressability.

Criteo helps brands and retailers get the most from their advertising with future-proof, first-party data led solutions.

By working across both demand and supply sides of the advertising ecosystem, Criteo connects the two to allow brands to better understand their shoppers and buying behaviour. This unique perspective drives greater relevancy in the advertisements shown throughout the customer journey and has the power to transform end user experiences.

Get in touch today to find out more.