Brands Are Spending More Ad Dollars With Retailers

Retail media — which, in its simplest form, refers to digital ad placements on eCommerce websites bought by consumer goods brands to influence the customer at the point of purchase — is booming during the pandemic. In fact, Amazon’s advertising revenue didn’t miss a beat in Q2, growing at 48% year over year, while Google’s ad revenue declined for the first time ever. One big reason retail media is growing. Brands are allocating more dollars to it because of changing consumer behavior. Specifically:

- **eCommerce sales are growing during the pandemic.** Walmart’s eCommerce sales skyrocketed by 76% year over year in Q1, and eBay is predicting that global online retail sales will grow 30% despite several retail sales lockdown to decelerate due to the pandemic. This has made retail media even more important for brands by influencing shoppers in markets where their product is not available.

- **More retailers are offering-media platforms.** We made a prediction late last year that 2020 will see 275 more US retailers with over 50 million monthly site visitors would build their own retail media networks. And so, we’ve been right. Out[side of retail, Walmart — which already sells ads on its site — is testing display ads on its in-store coolers. Amazon’s ad sales increased 52% year over year in Q3. (2) Other large retailers including Kroger, Albertsons, and CPG brands like P&G and Procter & Gamble are also testing ad networks.

- **CPG advertisers have money to spend.** Consumer packaged goods (CPG) businesses typically have very large shopper and trade marketing budgets, which is where they are putting most of their retail media funding from. In fact, as much as 65% of some firms’ Amazon ad budget comes from the category in-lure dollars that endemic advertisers are spending with Google and Facebook. (2) This is because retail media offers effective returns than other digital display media and even paid search by providing shoppers with rich digital content and o

The Potential For Further Growth In Retail Media Hinges On Three Questions

The jury is still out on whether the increase in dollars flowing to retailers’ media networks is here to stay or just a blip due to the current situation. Three factors will influence whether retail media will grow even more post-pandemic:

- **Will online shopping continue to grow?** Early in the pandemic, customers were all but forced to shop online due to national and local shutdowns. Younger consumers indicate that some behaviors may have long-term staying power: 23% of US online adults ages 18 to 34 plan to shop more online in the future. And there are positive signs that CPG advertisers have money to spend. (2) And CPGs use the retailer’s chosen adtech, which these advertisers are not sold on. That could change, however, if retailers were to get innovative and pool resources. For instance, several big retailers could bind together to compete against Amazon’s demand-side platform (DSP) with a multi-

- **Will endemic advertisers move dollars from Google and Facebook to retail media?** Google and Facebook have to be worried: Amazon accounted for roughly 68% of global online digital advertising revenue in Q4 of 2019. (2) With retail media growing, there is greater competition for advertisers’ wallets. And Google and Facebook have to be worried: Retailer-led media networks will look to diversify their business and roll out their ad tech solutions with retailers like Walmart and Target beefing up their digital ad offerings. (2) With the triopoly of Google, Facebook, and Amazon’s ad tech, advertisers will be forced to diversify into retail media. (2) Retail media platforms will continue to grow as advertisers follow where the customer goes — which will be primarily Amazon in the near term. (2)

- **Will nonendemic advertisers finally buy into retail media?** The greatest potential for retailers to capture greater share of the digital ad pie has been to tap into advertisers that don’t sell products on retailer sites, which is where you are putting most of your retail media funding from. But the real growth potential for the retail media category is attracting dollars that endemic advertisers are spending with Google and Facebook. Brands partnering in the Facebook boycott may test the waters with greater investment in retail media.

Will nonendemic advertisers finally buy into retail media? The greatest potential for retailers to capture greater share of the digital ad pie has been to tap into advertisers that don’t sell products on retailer sites (such as airlines, insurers, etc.). But that would require those brands to exclusively use the retailer’s chosen adtech, which these advertisers are not sold on. That could change, however, if retailers were to get innovative and pool resources. For instance, several big retailers could bind together to compete against Amazon’s demand-side platform (DSP) with a multi-

Sources

(1) Forrester Analytics Consumer Technographics COVID-19 Survey (Wave 1)
(2) Forrester Analytics Consumer Technographics COVID-19 Survey (Wave 2)

Related Resources

Zapier, “The Next Media Moguls: Retail Media Accelerates Q1 Earnings: Google, Amazon, Facebook, Twitter, Snapchat Advertising Decelerates While Usage Rises: US online adults told us they are likely to order more from Amazon post-pandemic.”

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