

The Future of Retail Media

Navigating the “Messy Middle” Phase

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Introduction



Retail Media is about to hit an inflection point. It's been going through early growing pains, in part caused by hyper growth in its formative years, and is now heading into the 'messy middle' (*a phrase coined by Google¹ for the purchase journey, and appropriate here also*) of the Retail Media maturity roadmap.

The next phase could be hyper growth again, but that's dependent upon a number of factors. Here we'll explore each phase and discuss the key drivers that will influence future growth rates.

¹ <https://www.thinkwithgoogle.com/consumer-insights/consumer-journey/navigating-purchase-behavior-and-decision-making/>

STAGE 1

Immature but Growing at Pace

Every media publication, and indeed most general business publications, have referenced the growth of Retail Media Networks (RMNs). The latest forecast from Magna² confirms that Retail Media is still growing at pace, with an expectation of **\$146bn in 2024**.

This translates to double digit growth rates for both this year and last (>12%), which given the relative shakiness of the global economy is truly stellar.

However, in the last two years many RMNs knew they had real value to add but couldn't necessarily prove it, or just didn't see a need to.

But the core message from nearly every survey undertaken in the last two years is finally sinking in: measurement, accountability and transparency are the path to future growth. Most retailers have recognized they need to change if they want to continue to reap healthy profits from media, and they've begun that transformation.

Despite this, very few networks have made the leap into adulthood, and most find themselves in the messy middle of Retail Media's evolution.

² <https://magnaglobal.com/global-ad-forecast-june-2024-update/>

STAGE 2

The Messy Middle : Retail Media Approaches Maturity

It's debatable whether Retail Media is already in the messy middle or heading towards it. Progress varies by geography and by sector. Amazon, Walmart and some other large retailers arguably hit maturity some time ago, along with some of the eCommerce stalwarts outside the US like TESCO in EMEA, Mercado Libre in LATAM, and Temu in APAC.

Regardless of the location or industry, the messy middle is being shaped by several drivers that are likely to further disrupt the Retail Media landscape.

Standardization of Measurement Will Become Table Stakes

As RMN choice increases, brands and their agencies will naturally shift spend to Retailers that provide measurement transparency. In other words, market forces should drive standardization and in turn avoid any unwanted headlines that could stifle growth. However, if Retailers are too slow to adapt or resist this change, they may find brands' patience runs out.

Trade Dollars May Run Dry

In some markets we're seeing this already; retailers want more trade dollars for their RMNs, but brand manufacturers have no more to give. Without further innovation, RM spending will quickly stagnate.

Some Trade Dollars are Moving to the Media/Marketing Pot

Many organizations are battling, quite literally, on where Retail Media spend should sit. Its origin is typically trade budgets -- and therefore sales departments -- but given the rest of media spend sits in marketing, there is a strong argument to combine. However, this can require significant organizational change. For example, should digital media managers sit in Joint Business Planning sessions between retailers and brands? Our view is they should, or at least someone with the capability to truly evaluate Retail Media's effectiveness should be there.



Retailers' Barrier to Entry Will Lower

A handful of VC-backed startups will power the RMNs of the mid-tier and smaller retailers. Some will provide the tech, some will provide media aggregation, and some will do both. The net result is even more supply, increasing the need to innovate to attract more than just trade dollars.

Retail Data Eats up the Cookie Crumbs

Despite recent announcements by Google³, the power of cookies is still crumbling. But marketers' desires to precisely target high-value audiences will not. Retail data can be part of the solution, as retailers collect huge amounts of first-party data. Some retailers are already leveraging this data through DSPs, but mainly for endemic CPGs.

As cookie-based audience pools shrink further, we'll see non-endemics turn their focus to retail data, and KINESSO Commerce will use this data to continue targeting their clients' high-value audiences.

Non-Retail Media Networks

RMNs are not just for retail. We've already seen this – it's been well publicized⁴ that Uber makes upwards of \$900m from its media network and, more recently, we've seen financial services businesses leverage the value of their first-party data. PayPal⁵ was one of the first to make progress, and the likes of Chase Bank are also on the path to monetization.

We've also seen the first airline launch a RMN, with United Airlines promoting their recent foray⁶ into the media world at Cannes Lions.

³ <https://digiday.com/marketing/after-years-of-uncertainty-google-says-it-wont-be-deprecating-third-party-cookies-in-chrome/>

⁴ <https://newdigitalage.co/programmatic/uber-advertising-on-track-for-1bn-revenues-next-year/>

⁵ <https://www.wsj.com/articles/paypal-is-planning-an-ad-business-using-data-on-its-millions-of-shoppers-cc5e0625>

⁶ <https://www.adexchanger.com/marketers/uniteds-new-ad-network-has-programmatic-on-its-flight-plan/>

So Where Does It All End?

Barring potential regulatory and privacy limitations, it ends when the last sector that holds first-party data enters the space. In our increasingly digitized world, there are *a lot* of sectors yet to come. Most of these businesses won't have media sales, activation, and measurement capabilities, so we anticipate many of KINESSO Commerce's future clients will leverage our teams and technology to launch their media networks.



USE CASE

Pharma Companies and Retail Media

On the face of it, Retail Media doesn't seem like a great fit for Pharma Companies. However, there are situations where they will benefit.

Consider a business that provides an over-the-counter cholesterol control drug. Their high value audience is anyone who needs to manage their cholesterol intake. Grocery stores can help pinpoint those individuals by creating an audience group that adds low cholesterol or cholesterol-friendly products to their baskets.



USE CASE

Automotive Media Networks

While it may sound like a stretch, consider that nearly all new cars have a screen and a connection to the internet. Given this, the ability to show an in-car ad (when it's safe) such as food stops, hotels, or entertainment is already there. The industry has the infrastructure and abundant, interesting location data.

The biggest barrier, of course, is customer consent. If 100 people were asked if they wanted ads in their car, 99 would probably say no. However, if we offered an over-the-air upgrade to their satellite navigation system in exchange for showing ads when they power down, the uptake might be quite high. With over 1 billion cars on the road globally, automotive media networks could be huge.

STAGE 3

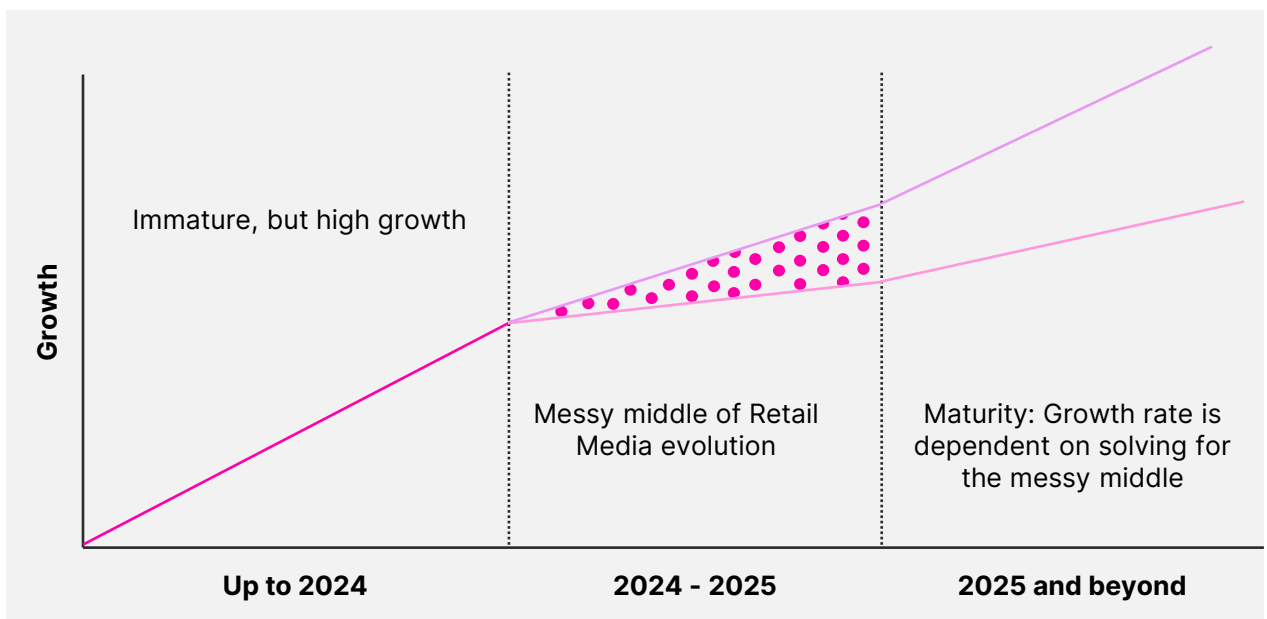
Retail Media Maturity

How long the messy middle lasts, and more importantly what growth looks like as we go through it and come out of it, depends on how quickly the above drives progress. Our expectation is progress will be rapid, 6-12 months is likely, with 18 months the maximum, especially given the continual decline of cookies.

The net effect of the developments outlined above is the glass ceiling constraint of trade media dollars will be broken, and the discipline will no longer be at the mercy of CPG's spend as brand dollars come in. We'll see an increase in non-endemics using retail data for targeting, non-retailers setting up media networks, smaller retailers creating retail networks and an overall level up in the operational maturity of the media networks.

Of course, during this period there will be winners and losers.

The 'messy middle' of RM evolution is where we are today. It could be short or long depending on how quickly Retailers innovate, exactly when 3rd party cookies deprecate, when and how many other first party data rich businesses stand up media network and, because of the above, when brand dollars start to flow in at pace.



Retailers

The retailers on the winning side will be the ones that invest in measurement. Retailers will need to go beyond reports that are consistent and easy to interpret by making their data accessible via APIs and providing tools to slice and dice the data sets. Data richness will also be key, whether onsite or offsite or for endemic or non-endemic clients.

Non-Retail Media Networks

We've just seen the start of the Non-Retail Media Networks, with many more on the horizon. Those that succeed will be the ones that truly leverage the value of their first-party data-- not just make it available but provide tools to dissect it and help brands craft bespoke audiences. Leveraging DSP partnerships to make those audiences available offsite and onsite will also be crucial.

Endemic Brands

The endemic brands that win will be the ones that work closely with their

retailer and agency partners to truly understand what's working and what isn't and use that analysis in their Joint Business Planning sessions with retailers. Bringing robust data to these sessions will also encourage innovation from retailers.

Non-Endemic Brands

The non-endemic brands that stand out will be those that embrace the opportunity first. Although cookies are still with us, brands need to start experimenting now, and Retail Media has the potential to offer even better targeting than cookies ever have.

Agencies

From an agency perspective, our view is that those that work hard to build end-to-end platforms for all media, not just Retail Media, will be the ones that brands increasingly look to engage with. In the end, Retail Media is still media. Planning, activating, optimizing, and measuring in a silo makes little sense.

The Messy Middle is an exciting time for both brands and retailers.

If you'd like to hear how KINESSO Commerce's global team of experts can help you navigate, [please get in touch.](#)