

RETAIL MEDIA

The Third Wave of Advertising

Roundtable Summary

- With over 20 advertising networks (AholdDelhaize, Carrefour, Sainsbury's, REWE as major examples) being established in the last 3 years, Retail Media has become a vital part of the European retail EBIT playbook generating between 50-70% margins
- Growing at a CAGR of over 40%, Retail Media is expected to represent 15% (approx. €25BN) of all media spend by 2025
- Growth is driven by retailers being able to 'close the measurement loop' providing real time ROAS measurement and 1p targetable audience segments

Over the past three years, retailers have taken significant steps to embrace the commerce-media trend by launching Retail Media Networks (RMN'S) aided by their large and stable user bases, new real estate for ad placements, and the proliferation of privileged first-party data. What used to be considered a side business generating supplemental revenue from "sponsored products" is now a strategic way for retailers to drive consumer loyalty. In the United States, the growth of RMNs could represent as much as \$100 billion in ad spending by 2026. Europe is quickly catching up and is estimated to reach €25BN by 2026. With the overall operating margins of RMNs in the 50 to 70 percent range, companies across the retail spectrum are fully awake to the economic potential.

The idea of RMN's is to target marketing and media spend as an incremental revenue source to traditional trade spend which represents around 40-50% CPG and FMCG of commercial expenditure usually managed by media agencies. In Europe, predominate media channel offerings range from onsite display and sponsored listings to offsite audience targeted display and in store digital signage and DOOH suitable for endemic retail brands. Since retailers, operating in the end of the customer journey funnel - they know what customer buy on an SKU-level basis efficient ROAS measurement and attributional models can be developed. In contrast to other content driven platforms like Google and Meta who can guess what users might buy – retailers offer a highly attractive and competitive performance and brand marketing proposition. Recent McKinsey research clearly confirms this with 81% of CPG and FMCG media buyers consider Retail Media as a 'very' to 'extremely' important part of their channel mix with 71% of media buyers stating that Retail Media performs better than other marketing channels.

Guiding questions:

- Is Retail Media just a hype and how will it develop over the next 3-5 years?
- How will CPG's and FMCG's utilize this opportunity and does this channel have the power to change the commercial expenditure budgeting process?
- How will big tech and media agencies respond to this trend? Will retailers remain competitive over time?
- How will mid- to long-tail retail and commerce players adapt to this trend?

Roundtable Chair



Johan Thorbjörnsson
Partner
McKinsey & Company
<https://www.linkedin.com/in/johan-thorbjornsson/>

Johan leads McKinsey's European Retail Media Service Line and McKinsey's Digital Marketing Technology and Operations EMEA guild. 15 years in Advertising Technology and Digital Marketing/Sales in Scandinavia and the UK, leading sales and specialist teams for global companies like Google, AOL and startups like Criteo.

Extensive experience in advising clients across consumer driven industries on advertising- and marketing technology platform architecture, governance and structure. Highly experienced within the global media agency industry