

Expertgroup

Digital Retail Media

The third wave of Digital Advertising



shopping
tomorrow

Takeaways

1. Retailers should consider the following seven pillars when organising digital retail media: strategy, partner management, data, technology, campaign management, measurability and daily operation.
2. The following applies to all market parties within digital retail media: embrace the opportunities now, create a plan, start with the (internal) organisation, work together and invest in knowledge and people.
3. Test & learn: work together in the trinity of retailer, advertiser and (media) agency. Be transparent and set goals and KPIs. Scale up if something works well.

Chairs



EPSILON®



The third wave of Digital Advertising

Digital retail media (hereafter also referred to as DRM) is also known as *trade marketing of the digital era* and is one of the biggest current trends in media and e-commerce. For example, the rapid growth in e-commerce due to the Covid pandemic, the changing browsing habits of the consumer, the shift in (trade) marketing budgets, the creation of platforms and technological developments have accelerated the focus of retailers and online marketplaces on this new high margin revenue stream. The transition for retailers, brands and (media) agencies is in full swing and this understandably creates some associated challenges. This is enough reason for the Digital Retail Media expert group to go more in-depth this year and share the findings in this blueprint. By bringing together different sources and the findings of the expert group itself, the group hopes to provide all relevant parties in the chain with knowledge and advice to help the entire industry move forward.

This blueprint highlights as much as possible the perspective of the retailer, marketplace, brand and (media) agency. DRM consists of all digital touchpoints at which a retailer communicates with consumers. This can therefore vary from a banner on the website to a digital screen in the physical store. All touchpoints within a retail platform, both digital and non-digital (such as shelf cards, displays and in-store wobblers) are included in this blueprint under the definition retail media.

The research question of this expert group is:

how do I get the maximum result from digital retail media?

“Retail media is digital advertising’s 3rd wave. The wave is now cresting, and budgets are ready to be unleashed”
eMarketer

1. Market and general developments

America is, in terms of assortment, media sales and maturity, a frontrunner in retail media. eMarketer estimates total sales for 2022 at \$41.37 billion, i.e. 17.2 percent of total digital media spending in the US¹. In recent years, retail media has grown rapidly there, and its share of the total digital advertising market has steadily increased. This trend is expected to continue in the coming years.

¹ EMARKETER, RETAIL MEDIA NETWORKS ROUNDUP MARCH 2022

Despite a strong performance focus within the retail media channel, more than half of the US budget goes to more awareness-related propositions suitable for building brands². These formats are becoming increasingly popular and what is offered is also becoming more diverse. A striking trend to reach consumers outside the platforms is the collaboration of retailers with other parties, such as Walmart & The Trade Desk, Kroger & Roku and Amazon & NFL Thursday Night Football. Within the total retail media market, Amazon is the dominant player in America with an estimated market share of 67.9 percent³ and the most comprehensive self-service assortment. This is also reflected in Europe, where Amazon is a dominant player in Germany, the UK, Spain and France.

Despite the presence of Amazon, the maturity of the European market can be classified as low, because many players are not yet optimally organised and what is on offer is limited.⁴ There are, however, already many examples of players who are well on the way to expanding their position in the European retail media market. During the Covid-19 pandemic, many retailers in Europe have expanded their propositions for advertisers even further. For example, Sainsbury's, Tesco, Ocado, Argos, REWE, METRO, Albert Heijn, MediaMarkt and many other companies are now offering new propositions such as *sponsored products*, where a product is promoted on the retailer's search results pages or other pages. This is often done using the technology and services of parties such as CitrusAd, Criteo or PromoteIQ.

In the Dutch market, the main leaders in the field of retail media include, alongside international players such as Amazon and Zalando, Bol.com and Albert Heijn. Both retailers have long been offering different propositions, such as sponsored products and other opportunities to reach consumers on and off their platform. This sometimes happens through self-service technology, where advertisers and/or agencies can set up and optimise their own campaigns. Or it is done through a *managed service* where the retailer sets up and optimises the campaigns and provides campaign reports. Of course, a hybrid approach is also used. With regards to on-site and off-site display, both players mainly have resources managed by the retailers themselves. Therefore, there is limited or no use of self-service platforms.

Since 2022, Albert Heijn has been testing a self-service platform and has indicated that in future, they would like to place more of their advertising propositions on this platform. In turn, Bol.com is one of the first retailers to offer a possibility for video ads based on their first-party data via an off-site proposition (displaying advertising on other websites, using retailer data) and collaboration with publisher DPG Media. Bol.com customers will be presented with a relevant video ad if they visit a site such as Nu.nl.

2. Digital retail media: where are we now?

Change and transition are generally seen as exciting. This also applies to the parties involved in the (digital) retail media chain. Retailers and marketplaces, for example, find it difficult to organise themselves in a good way and are struggling with retail media's position in the organisation. In turn, brands and advertisers have become accustomed to the possibilities, transparency and accurate measurability of digital advertising and thus set the bar high for retailers who are only just getting involved in this domain.

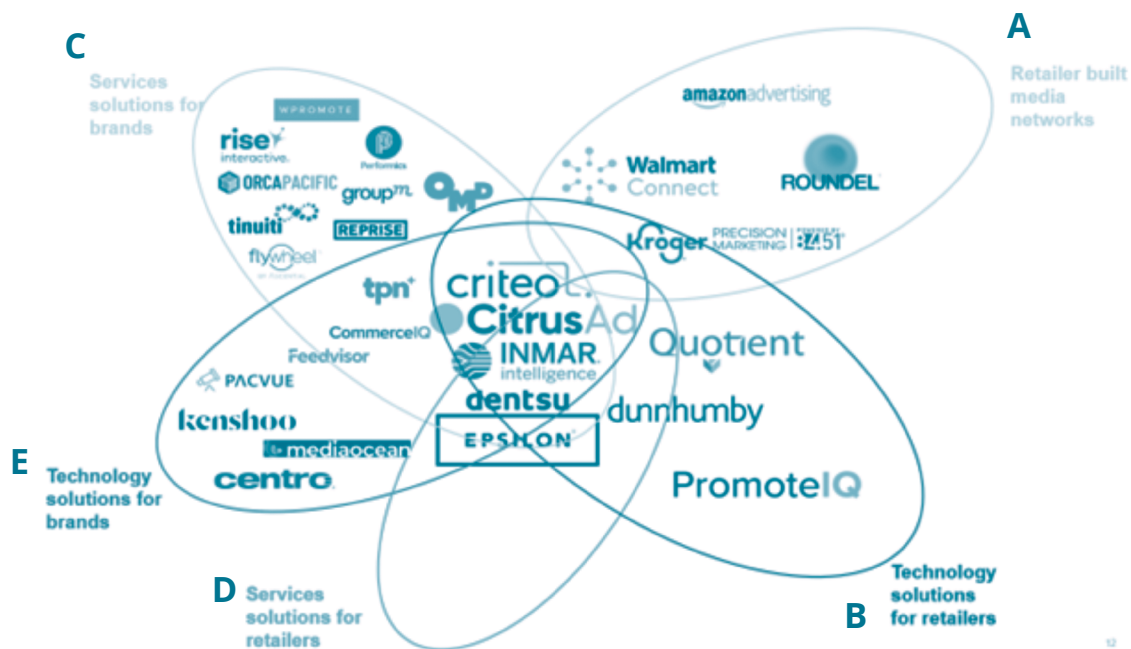
2 EMARKETER WEBINAR 28-04-2022, COMMERCE MEDIA: HOW RETAIL MEDIA IS EVOLVING INTO AN EVEN BIGGER OPPORTUNITY

3 AMAZON DOMINATES THE FAST-EMERGING RETAIL MEDIA AD MARKET - INSIDER INTELLIGENCE TRENDS, FORECASTS & STATISTICS

4 STATE OF RETAIL MEDIA IN 2022: EUROPE

Traditional Trade Marketing collaborations are therefore put under additional pressure. (Media) agencies are also facing challenges. For example, agencies would like to be kept better informed by retailers about opportunities and innovations, so that they can better advise advertisers and better position DRM in the overall media mix. The expert group has listed the most common challenges and obstacles:

- strategic anchoring of DRM in the company;
- support from the executive board;
- culture and structure;
- fear of cannibalisation;
- provision of information;
- demonstrability that budgets are additional;
- internal resistance and non-cooperating silos;
- reservations about transparency and data sharing;
- lack of specific knowledge and skills (technology, data, media, etc.);
- lack of people;
- data management not in order;
- limited inventory and opportunities for awareness and brand objectives.



The five sub-sectors of the international ecosystem

As a result of further maturity, the sub-sectors are constantly moving and overlapping in all kinds of areas. There are increasing numbers of parties that want to add value in one or more sub sectors.

In the Netherlands, there are companies like Summit Retail Media Group, which offers various services to retailers. Examples of *Retailer built media networks* in the Netherlands are Albert Heijn Media Services and Bol.com Retail Media Group. Both Albert Heijn (AH) and Bol.com have already overcome many obstacles and challenges and are leading the Dutch market in (digital) retail media. When it comes to organisation, structure, strategy and knowledge and experience, they are already well ahead of other retailers. AH and Bol.com are also ahead in terms of product range. For example. Bol.com has a broad range of propositions and solutions for advertisers, such as sponsored products, on-site and off-site display, specific targeting possibilities, and clear campaign reports. Albert Heijn offers, in addition to this, digital screens in shops, sampling and campaigns on digital hand scanners.

Bol.com and AH have therefore built up a strategic advantage over other retailers. However, parties such as Wehkamp, Blokker, Jumbo and MediaMarkt have accelerated their development in product assortment, organisation, structure, market approach and so on. This is underlined by the increasing demand for technology solutions, services and consultancy. In the coming years, a more *level playing field* is expected to emerge, therefore creating more opportunities for advertisers.

3. Joint ambitions of market parties

Due to the enormous market potential of \$100 billion, almost all parties in the DRM chain have great ambitions. However, due to the above-mentioned obstacles and the additional complexities, major differences will remain in the years to come. Some are capable of quicker changes than others. This applies to all market parties which together have to bring the market to the next level. The DRM expert group is a reflection of these market parties and has as such discussed the joint ambitions.

The following are the main ambitions of all market players together:

- more transparency: campaign results, data sharing, etc.;
- better communication between internal silos: for example, make trade marketing and brand marketing work better together;
- better provision of information between retailer, agency and advertiser: to achieve success, all parties must be well aware of the (im)possibilities;
- more focus on propositions higher in the marketing funnel: in addition to performance marketing, more cooperation in the field of full funnel marketing;
- investing in Test & Learn (both retailer, brand and agency): gain learnings and scale up if something works well;
- sharing best practices: what works for one often works for the other;
- retailers need to work together more, just like other media companies work with advertisers and agencies;
- a solid position in the total media mix alongside search, social and other (offline) media.

The expert group agrees that the largest transition is taking place on the retailer's side. The retailers who are able to organise themselves fastest, will also benefit faster from the additional revenue stream. So, in order to achieve these ambitions and to capitalise on them, retailers will need to focus clearly on seven areas. The figure of BCG gives a good insight into these areas⁵:

5 [HTTPS://WWW.BCG.COM/PUBLICATIONS/2021/HOW-TO-COMPETE-IN-RETAIL-MEDIA](https://www.bcg.com/publications/2021/how-to-compete-in-retail-media)



Source: BCG analysis

4. Being successful with digital retail media

In chapter 4 and 5 we will focus on the key critical success factors and try to answer the central research question: "How do I get the most out of digital retail media?"

Over the past year, a lot of research has been carried out into what brands, agencies and retailers are facing. Consultancy companies such as McKinsey & company, BCG and Bain have published whitepapers about this and the expert group has considered in depth the critical success factors. The following success factors are therefore from multiple sources, including the findings of the expert group. Critical success factors for retailers are⁶:

- powerful and well-organised **customer data**: data allows the retailer to display relevant ads to consumers and provide advertisers/agencies with successful campaigns;
- **transparency**: advertisers using their marketing and media budgets in retail media can therefore see the ROI of their media campaign;
- **technology**: to scale up efficiently and quickly;
- **people, knowledge & skills**: Specific knowledge and skills are key.

The *State of Retail Media Report in 2022: Europe*⁷ also clearly describes the critical success factors for retailers and includes some additional aspects.

⁶ <https://www.bcg.com/publications/2022/how-media-is-shaping-retail> <https://www.mckinsey.com/business-functions/growth-marketing-and-sales/our-insights/opportunities-for-e-commerce-success-in-europe-retail-media-networks>

⁷ <https://www.innovell.com/retail-media-europe/>

5 STEPS TO RETAIL MEDIA SUCCESS

1	PUT RETAIL MEDIA IN THE ORG CHART
2	BUILD YOUR GO-TO-MARKET MIX
3	LINE UP YOUR DIGITAL ASSETS
4	CONNECT THE DATA DOTS
5	ACCELERATE WITH ADVERTISING 

As mentioned earlier, advertisers are beginning to embrace DRM. The most common reasons are:

- selling more products;
- be where consumers make their buying decision;
- market share (growth or retention);
- insights into consumer behaviour;
- strengthening top-of-mind awareness.

But how can you do this successfully as an advertiser? The group of experts thinks and speaks from the trinity within the media landscape, namely that of advertisers (brands), whether or not in cooperation with their media agencies and retailers or publishers. By working in that trinity, (D)RM grows faster and knowledge is shared on a larger scale. To be successful as an advertiser and to give retail media a fully-fledged position in your total media mix, the expert group offers the following tips:

- Start **partnerships** with strategically important retailers who are willing to work together in a transparent way.
- Define **clear objectives and KPIs** (both qualitative and quantitative) and share them with the retailer.
- Create a **multidisciplinary team** and let all stakeholders work together (commerce, trade marketing, brand marketing, etc.).
- Allocate **test budgets** per retailer.
- **Be transparent** about the arguments on whether to invest/or not to invest (more) with the retailer.
- Focus on a **showcase** for more internal consensus. If something works well, scale it up.
- Work with a **(media) agency** for a holistic view and specific knowledge.

“We invest in retail media because it has proven to have effect in all the funnel, not only in conversation but also in the upper funnel...”
Lorena Gonzalez, E retail Capabilities Manager at Mattel

5. Do it yourself or outsource

Both retailers and advertisers will have to ask the question what they want and can do themselves and what they prefer to outsource. In this section we will discuss some of these possibilities. For retailers, the outsourcing of (part of) the marketing operation can lead to a dividing line between existing trade (marketing) agreements and additional revenue streams. This can reduce the risk of cannibalisation.

The advertiser, who has agreements with the retailer in his role as a vendor, may find it convenient to include his DRM spending in the larger scheme of things. If the Retailer includes part of the media resources in trade marketing and another part in DRM, it will be more difficult to create an overall media strategy as an advertiser for a campaign with the retailer. After all, a well-thought-out, overarching media strategy is visible through all touchpoints between consumer and retailer. This is an argument to consider when deciding if and where you as a retailer will draw the dividing line in your media offering.

Placing the media offering with a third party can also have a number of other benefits. For example, a third party may consist of a network of multiple retailers. A retailer who starts with DRM can join such a network and boards a moving train. The third party can also provide technical expertise, which the retailer does not have. This includes the implementation of advertising technology and connections to online marketplaces where advertising space is traded. The third party may also have contacts with, for example, media agencies, other key stakeholders, and any advertisers who do not sell products with the retailer, but for whom a partnership may be relevant and who may generate additional sales for the retailer (such as the National Postcode Lottery or CenterParcs)

Do it yourself or outsource

The retailer and supplier already have a direct relationship, so the retailer can also decide to have their own discussion about additional marketing collaborations and budgets with the supplier. The relationship with the supplier changes and in this case the supplier should be treated as a customer/advertiser. When outsourcing media sales, the retailer relinquishes part of this relationship. It is therefore necessary to make clear agreements before outsourcing and to have structural communication lines with the external party.

Other benefits for retailers of outsourcing (part of) their marketing operation are:

- no additional resources on the payroll;
- specific knowledge, skills and experience in technology, data, digital media, media industry, etc.;
- test & learn;
- quickly scale up (internationally).

It may also be interesting for advertisers to outsource certain things. Certainly, in a relatively new industry such as DRM, opportunities could be created if specific things are outsourced to a specialised (media) agency. Media agencies know the standards in the media industry and have contacts with all media companies. These agencies also have an increasing relationship with retailers about their DRM offerings and are therefore able to compare the offerings, prices and performance to give advice to advertisers and optimise the purchase of DRM. The advertiser can therefore choose to train the current trade marketeers in digital media or outsource this to an agency. The agency will generally have more knowledge of the entire media mix and the value of retail media therein. Finally, an agency can help connect trade/e-commerce departments and marketing/branding departments with the advertiser to achieve a more holistic DRM approach.

6. Vision & takeaways

According to various (international) surveys and also the Digital Retail Media expert group, it is clear that digital retail media is *the next big thing in e-commerce and digital advertising*, and that it pays to invest in this as a retailer, advertiser or agency. Whether you're big or small, new opportunities can be capitalised upon, right now. But also in the future, DRM will be able to do so much more. In order to be successful in the coming years, we expect the most successful players in the Dutch market will do the following:

- **Performance as an important basis:** an increasingly large group of retailers and brands use sponsored products through search results from a category or keywords. The number of retailers implementing this will increase and the positions available in this format will be further expanded (for example, through previously purchased products and positions just before checkout).
- **Focus on upper funnel propositions:** large growth opportunities lie in the further implementation of upper-funnel propositions. This enables retail media to become a solid proposition throughout the media mix. These include banners with a strong brand focus, videos or live streaming/shopping from the retailer, owned social media from the retailer or off-site advertising (based on retail data). The stores will also continue to play their part in DRM with digital screens in and around the stores with extensive targeting opportunities.
- **Further investment in people, technology and knowledge:** Hybrid is the key here. The top retailers of the future integrate the best advertising technology into their own (built) tech stack, use (at the beginning) external parties to offer their media and invest in knowledge of their people and a short line with advertisers and agencies to stay well-attuned to the market. Agencies will also invest (further) in people, knowledge and technology to provide added value in retail media advice and campaign execution.
- **Standards & evidence:** self-service platforms will become the norm and API links will become a standard. This is to intelligently drive campaigns and share results with agencies and customers quickly and transparently. In addition, transparency is required for the accountability of the CPM price, attribution, viewability and tracking.

In five to ten years' time, we expect even more far-reaching changes in the DRM landscape. Through the elimination of third-party cookies, alternative methods are a must to identify and reach online consumers. When you are very accurate in identifying online consumers, you will also become better in (personal) communication and measurability in both on and off-line touchpoints.

The most important method of identification is through first-party consumer data (obtained with permission). Publishers use an email address or, for example, a mobile phone number and these data are processed in a bundled ID. However, traditional publishers lack an important form for *accurate* identification at scale, i.e. transactional data in combination with name, address and residence. This is exactly the added value of DRM and it shapes the *third wave of digital advertising*: a new foundation for a new open web where personal communication is possible in a *privacy-compliant* environment. Our vision is that the explosive growth of DRM will further contribute to the new digital advertising on the open web in the following ways:

- A unique way of identification, powered by DRM consumer data for a highly accurate & uniform ID, where all technology providers are interoperable. As a result, personalised communication at scale remains possible when buying and selling online ads.
- Through the same uniform ID, a better insight will be gained into the allocation of an online ad to a purchase on the shop floor. This means that campaigns are assessed on the added value of the media effort, expressed as an incremental return on the use of ads. This answers the question: "Would I have achieved the same if I hadn't used media?"
- Current major technology providers with their own ID eco-system like Google and Meta see sales shift as a result of the emergence of a new open web powered by DRM.

In conclusion, the biggest challenges are in the organisation of DRM, both internally and externally. Internal support, both from the management team and the board, as well as lower down in the organisation, and the decision to outsource or not, are crucial in realising the basis that leads to the optimal return from DRM.

Takeaways for retailers:

- Organise: justify the existence of (D)RM internally, determine your method of operation (self-service or outsourcing) and test & learn.
- Build relationships with your consumers; the use of first-party data is invaluable for good campaigns.
- Scalability: invest in a future-proof tech stack and team.
- Sharing is caring, especially for retailers: share the results of your campaigns in a transparent manner with your advertisers.

Takeaways for suppliers/brands/advertisers

- Organise: justify the existence of (D)RM internally and determine your method of operation (self-service or outsourcing).
- Predefine clear goals and KPIs.
- Determine a (test) budget and invest to learn what works for your brand

Takeaways for media agencies

- Check the DRM requirements of advertisers to determine to what extent you can offer added value in consulting and purchasing in this area.
- Connect with retailers, retail networks and sales agencies: learn about the current DRM proposition and even contribute to the shaping as a consultant for retailers.
- Train specialists with knowledge of the different platforms and technology to bring those advertisers into the added value of your agency and DRM as part of the total media plan.
- Engage with your advertiser and, in addition to the marketing department, engage with the trade department and learn from the efforts already made in the direct advertiser-retailer relationship.

Perhaps the most important takeaway applies to all parties involved in DRM processes: collaborate, test, learn, manage and professionalise the DRM industry together for the future!

CHAIRS



Bas Oudejans
Managing Director
N-Europe
CitrusAd



Jerry Rustveld
CEO
Summit Retail
Media Group



Brian von Mansfeldt
Head of Insights,
data & tech
Epsilon

Members expertgroup



Bas van Opdorp
eRetail Specialist & PIM
Product Owner
Dr. Oetker Nederland



Maarten Dubbelman
Head of Digital Marketing
Zuiver



Christel Plant
Shopper Activation Manager
Vrumona



Marc Liem
Marketing Manager Bol.com
Retail Media Group
bol.com



Deli Bom
Head of Retail Media &
Trade Marketing
MediaMarkt Benelux



Martine Dol
Shopper Marketeer SDA
BSH Huishoudapparaten



Dominique Tang
Proposition Developer
Jumbo Supermarkten



Michael Zwart
Lead Online Sales
Azerty



Els Peijnenburg
National Account Manager
KraftHeinz Company



Philippine van Unnik
Project Manager E-commerce
Decathlon Nederland



Florine de Laat
Lead Campagnes en Retail
Media Solutions
fonQ.nl



Rutmer Faber
E-commerce Consultant
Publicis Groupe



Guido Weisfelt
Media Manager
FrieslandCampina U.A.



Sander van der Staak
Sell Out Manager
BSH Huishoudapparaten



Jelmer Helderman
Product Manager E-commerce
Reprise Digital



Sarah Reintjes
Retail Media, Digital Marketing
& Transformation leader
Adviesbureau Sarah Reintjes



Justin Sandee
Head of Retail Media
Management
bol.com



Thomas Woerdenbag
E-commerce Specialist
Arla Foods



Linda Amroussi
Lead Marketing Media
Services & Gift Cards
Wehkamp



Vera Koopmans
E-commerce Manager Retail
& Gifting
Royal Swinkels Family Brewers