ExchangeWire
The business of media, marketing and commerce

Industry Review

2024: An era-defining year

In association with:

CLEARCODE
PART OF QINSHIFT

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Retail

Retail Media: Buy-Side, Sell-Side & Programmatic

THE SELL-SIDE COMMERCIAL MODEL

There are three monetisation models. Difficult to see offsite targeting and non-endemic ads generating frictionless revenue.

Reasons include: user experience (huge friction point), privacy and scale.

Endemic is the biggest opportunity – specifically from programmatic demand.

RETAIL/COMMERCE MEDIA WEBSITES & APPS

OFFSITE TARGETING | NON-ENDEMIC ADVERTISING SPEND | ENDEMIC ADVERTISING

MONETISATION MODELS

AUDIENCE EXTENSION | DIRECT SOLD/IO | PROGRAMMATIC DEMAND

DEMAND

THE BUY-SIDE VIEW & WHY ALLOCATE SPEND

AGENCY/CPG/DTC

RETAIL MEDIA SUPPLY

SSP | AD NET | WALLED GARDEN | RETAIL MEDIA NETWORKS

Tighter attribution is what matters to buyers in retail media, which will grow the category. It's all about outcomes and accounting for allocated spend.

SSPs and DSPs will converge when programmatic gets traction

AGGREGATED SUPPLY

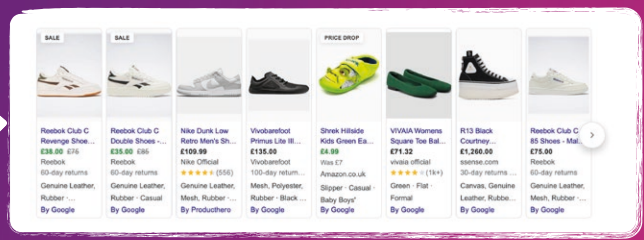
Retail is so nascent in its development. But there is clearly an opp for SSPs to aggregate retail and commerce media supply – disrupting CPG trade budgets and giving DTC options outside of Amazon.

PROGRAMMATIC PLA (PRODUCT LISTING ADVERTISING): AD TECH'S IMMEDIATE OPPORTUNITY

SSPs can pass specific data to DSPs – mostly contextual and product content). DSP ingests product skews and builds standardised PLA formats to SSP to serve against aggregate supply. It's pure performance.

DSP → SSP →

New open RTB protocol will allow buyers to target product and context



SSPs aggregate PLA inventory retail and commerce inventory

Retail and commerce media are obsessed about UX. And rightly so. PLAs are native to sites, enabling sell-side to access more spend.

→ Retail

Should retailers rent, buy or build their retail media network (RMN)?

Piotr Banaszczyk
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Every few years, certain topics, trends, and themes dominate the programmatic advertising industry. For the past couple of years, the dominant theme has been retail media.

But unlike some trends that were simply full of hype and no substance, like blockchain in ad tech, the enthusiasm surrounding retail media is backed by some very promising opportunities that are already being realised.

Understanding the rise of retail media

While some of the major retailers launched their retail media networks a few years ago, it seems that market factors are accelerating interest in this new digital channel and the opportunities it brings.

The rise of retail media can be attributed to three key factors:

1. **The end of third-party cookies in web advertising.**
2. **The shift towards first-party data.**
3. **The potential of building an advertising business as a new revenue stream.**

Let's take a closer look at those three factors.

The end of third-party cookies in web advertising means it will be harder for brands to find their target audiences across the web, display relevant advertising to them, and measure the performance of their campaigns.

While most brands will simply turn to the various alternatives available to them, such as universal IDs, there are some brands that stand to benefit from branching out and introducing retail media into their media mix. After all, retail media is essentially another digital advertising channel.

The move towards first-party data is directly connected to the first point. The end of third-party cookies means companies on both sides of the media supply chain need to utilise their first-party data for audience targeting, measurement, etc. For companies that sit on a treasure trove of valuable first-party data, this represents a massive opportunity.

And retailers are one of the main types of companies that possess this valuable first-party data.

The potential for retailers to build an advertising business is probably one of the most underrated and least talked about points.

In fact, retailers could have benefited from building their own advertising business years ago. However, given all that's happening with the end of third-party cookies and the move to first-party data, it seems that the timing is just right.

The opportunity for retailers to build an advertising business also comes from one of the biggest challenges for any retailer: increasing profit margins on retail sales.

Most retailers have done all they can to increase profit margins on retail sales in a highly competitive and economically challenging environment. To grow and increase revenues, retailers need to look for other revenue streams. And when it comes to finding a simple, straightforward and high-margin revenue stream, it's hard to go past advertising.

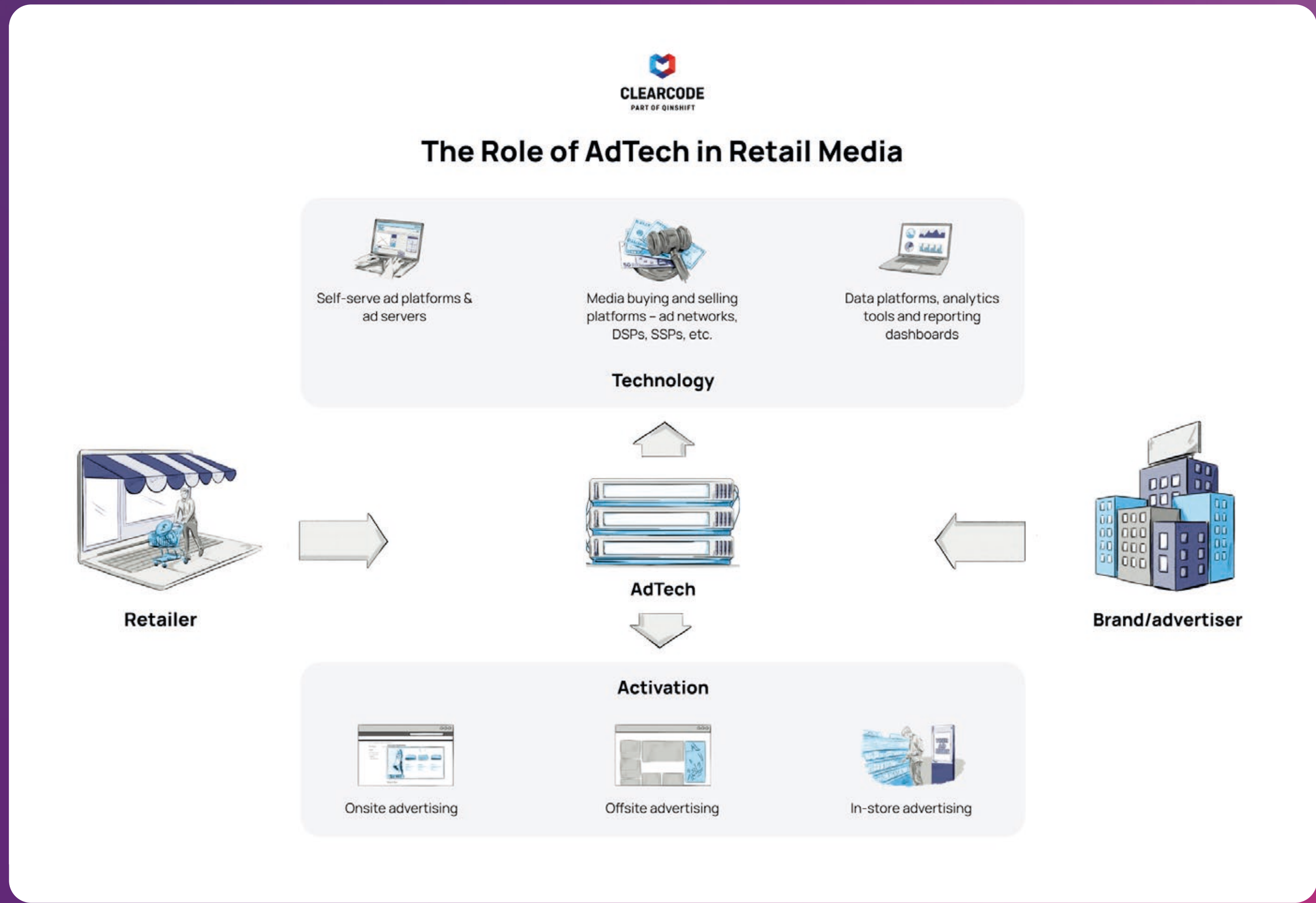
It's these three key forces that are leading retailers to build their own retail advertising business.

In order to power their advertising business, retailers will need to develop their own retail media network — an advertising technology (ad tech) platform that facilitates the targeting, buying, selling and measurement of retail media, as well as activates advertising campaigns across different channels (as illustrated on the accompanying image).

When it comes to developing a retail media network, retailers have three main options: rent, buy, or build.

Should retailers rent, buy or build their retail media network (RMN)?

Using an existing ad tech platform (the 'rent' option) provides retailers with a ready-to-use tool that can get their advertising business off the ground in a short period of time. However, retailers may find that the ad tech platform doesn't integrate well with their existing retail systems and lacks the flexibility to build new features and integrations they need to generate the most value from their advertising business. There's also the concern that the retailer's valuable customer data may be leaked to their competitors — a situation that is all too common for premium publishers in programmatic advertising.



Another option retailers could consider is acquiring an existing ad tech company — i.e. the 'buy' option. The main problem with this option is that retailers will just need the tech; they'll likely have no need for the ad tech company's existing client base, which is often one of the selling points of any acquisition. That means that the retailer will have acquired 100% of a company but only needed one part of it. Additionally, acquiring an ad tech company just for its tech also brings the same technical challenges as the 'rent' option, such as issues around system integrations.

The last option retailers have at their disposal is the 'build' option.

For many retailers, this option makes the most business sense. By building the technology, retailers can not only develop it to fully integrate into their existing retail systems but can build all the features and integrations they really need.

The 'build' option also allows retailers to maintain full control and ownership of their value customer data, preventing it from being leaked to the open web and their competitors.

It's the only option that gives retailers the control, ownership and flexibility they require to launch and grow their advertising business.

For these reasons, I believe that in 2024, many retailers will opt for the 'build' option to power their advertising business

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