Retail Media
Back to the Future

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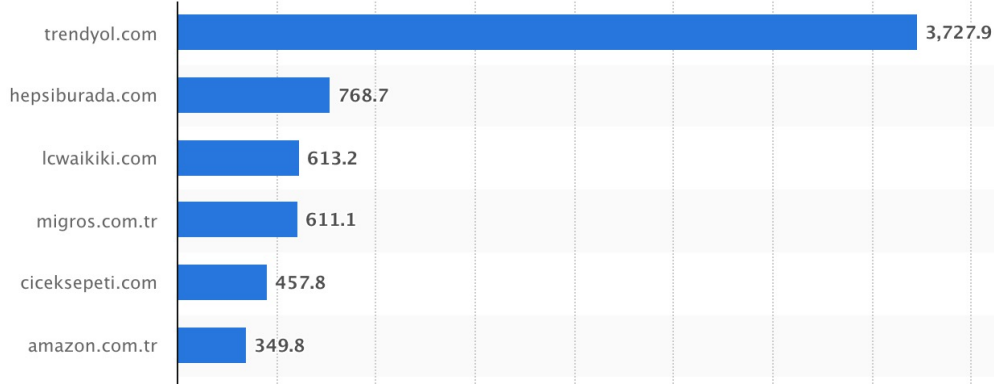Best Marketing Academic on the Planet (Ritson, MktgWeek, 11/13/2023)

Outline

1. How large and how different from offline retail ads?
2. Why brands and consumers like retail media
3. Lower and upper funnel retail ads for advertiser goals
4. How to get started and move to full funnel advertising
5. Retail media questions for consumers, brands, and retailers
6. Case studies answering some of these questions
7. Q & A

> Retail Media is the digital advertising sold to brands by retailers using their 1st party data as for targeting onsite, instore or on social or programmatic channels

Rise of Retail Media: WARC, Sept 2021

Top online stores in Turkey in 2022, by e-commerce

(in million U.S. dollars)

Store	Value
trendyol.com	3,727.9
hepsiburada.com	768.7
lcwaikiki.com	613.2
migros.com.tr	611.1
ciceksepeti.com	457.8
amazon.com.tr	349.8

Retail media on the rise

GroupM (biggest media buyer), expects retail media will grow 9.9% to reach $125.7 billion in 2023 and

surpass television revenue in 2028, when it will represent 15.4% of total ad revenue.

RETAIL MEDIA: US/ WMT - DEEP DIVE

US DIGITAL RETAIL MEDIA MARKET[1]

US Digital Retail Media Market size ($bn)

~20%

46%

2019	2020	2021	2022	2023	2024	2025	2026
13	21	31	41	51	61	70	80-90

% of US digital retail media net revenue, split by company[1]

	2019	2020	2021	2022	2023
amazon	77.1%	76.7%	77.7%	76.9%	75.6%
Walmart	3,5%	4,9%	5,4%	6,1%	7,0%
instacart		1,4%	1,7%	1,9%	2,2%
Others	19.4%	17.0%	15.2%	15.1%	15.2%
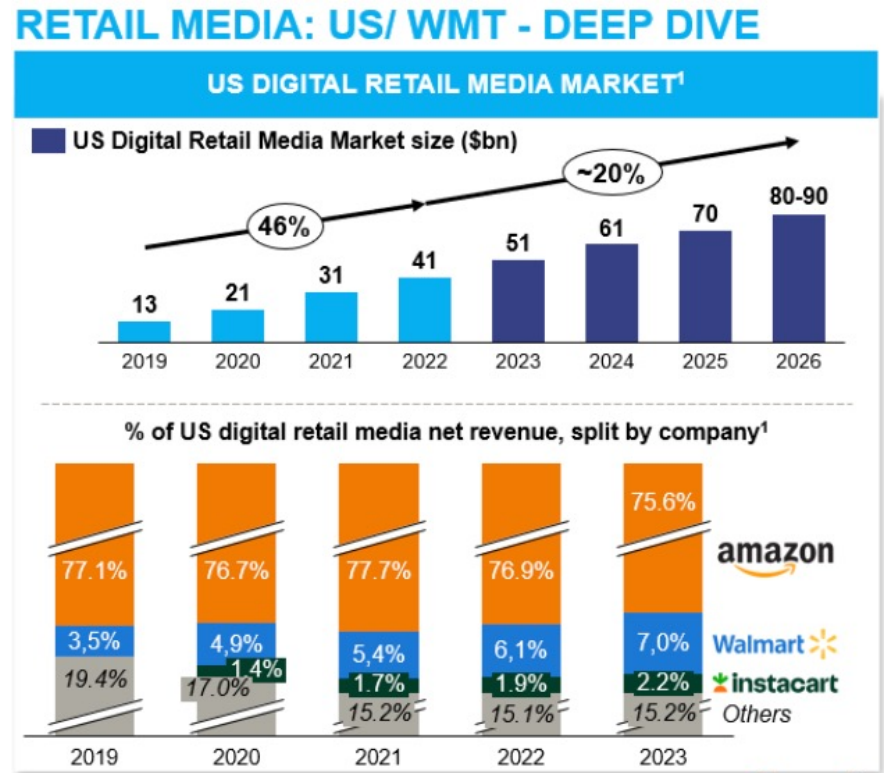
To the delight and $$ of retailers

"An efficient, well-run grocery store will *lose money on the business,*

but more than make up for it by selling direct or indirect ads to the companies that make those products.

Kroger reported vendor allowances of $8.7bn, or 7% of revenue"

(Hobart 2023)

Global Retailer Operating / EBITDA Margins

amazon	7.1%	Sainsbury's	2.74%
Walmart	2.4%	TARGET	4.4%
Carrefour	3.11%	Kroger	3.11%
MiGROS	3.45%	Ahold Delhaize	4.3%
TESCO	3.23%	EDEKA	2.7%
Woolworths	2.54%		

What's new, pussycat?

- **Data:** "*Instacart knows consumers' ordering patterns, knows the cross elasticities of demand across different products and categories, and can capture the upside from consumers trading up or trying new brands via ads.*" This allows online retailers to both offer consumers large and personalized assortments, and offer brands ads targeted at the right consumer in the right buying mood.

- **Consumer ad awareness:** The offline consumer is typically unaware that the store organization and eye-level shelf placements are driven by such manufacturer payments and retail profit calculations. In contrast, *retail media ads are denoted as such to the online consumer*.

Why brands want retail media: data is key

Motivations for US CPG Brands to Work with Retail Media Networks, 2020 & 2021

% of respondents in each group

	2020	2021
Gain access to a retailer's first-party data	33%	62%
Build a stronger partnership with the retailer	49%	51%
Better understand the shopper at the retailer	19%	51%
Leverage owned and operate retailer inventory	29%	49%
Open co-branding opportunities	38%	37%
Deliver more personalized communications	43%	34%
Access reporting tied to sales (closed loop)	48%	28%
Oblige merchants as part of negotiations	48%	14%

Note: 2020 n=100; 2021 n=100
Source: Merkle, "The Evolution of Retail Media Networks" conducted by Ugam, Oct 11, 2021

270408   eMarketer | InsiderIntelligence.com

Category	Share
Gain access to a retailer's first-party data	62%
Build a stronger partnership with the retailer	51%
Better understand the shopper at the retailer	51%
Leverage owned and operate retailer inventory	49%
Open co-branding opportunities	37%
Deliver more personalized communications	34%
Access reporting tied to sales (closed loop)	28%
Oblige merchants as part of negotiations	14%

Share of respondents

Why do some consumers like it, and Amazon?

- Content-integrated: fits with the reason consumer visits the site
- 3x more effective than content-separated (DeHaan et al 2016)
- 1P and 1-click shop convenience

-> More effective than video site, search, social media ads for most

Preference	Global consumers	Marketers
1.	amazon	YouTube
2.	Google	Google
3.	TikTok	Instagram
4.	Instagram	TikTok
5.	Spotify	Spotify

Largest players

Amazon: ~75%

Walmart: ~7%

Instagram: ~2%

Amazon's Advertising business is bigger than Google Display and YouTube Advertising and Global Newspaper Advertising Revenues

Global advertising revenues

Comparing different retail media networks

	Amazon.com	Walmart.com	Instacart	Kroger	Target
Advertising auction type	2nd price	1st price	2nd price	2nd price	1st price
Placement types	Sponsored Products, Sponsored Brands, Sponsored Display, Amazon DSP (Offsite and Onsite)	Sponsored Products, Brand Amplifier, POV, Marquee, Skyline	Sponsored Products (Search & Browse), Search Keyword Banner (Display)	PLAs (Search & Browse, Savings, Basket Builder) and Targeted Onsite Ads (Display Banner)	Sponsored Products
Cost structure	CPC by product and keyword Amazon DSP is CPM	CPC by product and keyword for all except POV, Marquee, Skyline that are CPM	CPC by product and keyword; Display is CPM	CPC by product and category for everything but TOAs; TOAs are CPM	CPC by SKU
Minimum bid ($)	0.02c	0.2 automatic 0.3 manual	0.15 CPC for SP, 15 CPM for display	0.5 for S&B, 0.6 for BB,0.30 for Savings, $28 CPM for TOA	Set by retailer at category level
Targeting options	Keyword, Category, and Individual SKU Targeting	Keyword Targeting	SP: Keyword Targeting SKB: Keyword and Audience	Category Targeting	Keyword and Auto Targeting
Product eligibility	Must be in stock, no minimum, must have positive contribution profit to Amazon	Must be in stock and base item (no variants), no minimum, item must meet relevancy hurdles to appear in-feed	Must be in stock, no minimum, must be loaded up by retailer	Must be in stock, no minimum	Must be in stock, no minimum
Sales attribution	14-day click attribution, same brand	3, 14, or 30-day click attribution, same brand	14-day click attribution, same item, "sales" are based on the order not the delivery	14-day click attribution, same brand, in store and online	Customizable attribution 1, 7, 14, 30-day direct click, 1, 7, 14, 30-day direct view

Amazon Advertising's view on its Propositions

Build awareness

Amazon DSP (display and video)
OTT (over-the-top)
Audio ads

5 Expend your reach

Increase consideration

Amazon DSP (display and video)
Sponsored Brands video
OTT (over-the-top)

4 Build your brand

Own your aisle

Sponsored Brands
Sponsored Products
Sponsored Display

3 Stand out in your category

Drive purchase

Sponsored Products
Sponsored Display
Amazon DSP

2 Reach shoppers who are most likely to purchase

Retail & brand readiness

A+Content
Stores
Posts

1 Make sure your products are ready to buy

Sponsored Products

Placements within Amazon search results and on related detail pages

- Created from product detail page content

- Direct shoppers directly to a product detail page

- Contain native-looking creative elements familiar to Amazon

- Reach shoppers with high purchase intent

amazonadvertising

Sponsored Brands

Top placement above the search results, as well as within search results

- Direct shoppers to a page with a collection of products or the brand's Amazon store

- Feature a custom headline, logo and set of products

- Contain native-looking elements familiar to the Amazon shopping experience

- Reach shoppers with high purchase intent

amazonadvertising

Display ads

Convey key product attributes or brand differentiators

- Direct to a product detail page, brand website or custom landing page

- Tailor ad creatives

- Use eCommerce creatives with Amazon features
  - for products sold ON Amazon

- Use custom creatives

Offline to Online

Offline Equivalent

TV, Print, Outdoor.

End of aisle, Point-of-sale, checkout.

End cap aisle, shelf wobblers, signage.

Loyalty or Rewards systems

Retail Media Equivalent

Offsite, CTV, Display, Social & Programmatic, YouTube

Sponsored Display

Sponsored Products / Search

Sponsored Display as Retargeting Sponsored Search as reminder.

Awareness

Consideration

Purchase

Loyalty

Use the Shopper Funnel

Awareness

Consideration

Purchase

Loyalty

Start here...

Sponsored Search to target shoppers' intent.

Start with Sponsored Search, Move to Sponsored Display

Awareness

Consideration

Purchase

Loyalty

Move here...

Sponsored Display Retargeting.

Sponsored Search.

Think 'Full Funnel'

End up here...

Offsite, Social &
Programmatic, YouTube

Awareness

Consideration

Sponsored Display
Retargeting.

Purchase

Sponsored Search.

Loyalty

Go Full Funnel

Awareness — Offsite, CTV, Display, Social & Programmatic, YouTube

Consideration — Sponsored Display

Purchase — Sponsored Products / Search

Loyalty — Sponsored Display as Retargeting Sponsored Search as reminder.

Key retail media questions for market players

Consumers	Brands	Retailers
• Ad response • Optimal exposure frequency • Tradeoff privacy, convenience, price	• Retailer fit? • Incremental or zero-sum game? Metrics? • Budget allocation upper/lower funnel?	• Education vs fatigue • Build in house or outsource? • How I fit into the brand's ecosystem?

Higher or lower optimal ad frequency?

- Compared to other settings, are retail consumers more welcoming to ads (content integrated) or do they get annoyed sooner because they are paying more attention (leaning forward vs leaning backward)?

- Inform/Educate: Higher ad frequency may allow brands to increase conversion probabilities, and retailers to enjoy more ad revenue.

- Persuasion fatigue: ads are seen more as manipulative persuasion rather than as information, and should be employed sparingly to balance customer experience with ad revenue for the retailer

Lower funnel or upper funnel?

- Upper funnel costs more but also has higher click-through rate

- Lower funnel has higher conversion rate: ready-to-buy

- Return on Ad Spend ($ revenue for $1 spend) similar: $6 - $7

- Upper funnel works especially well in high season (Q4 in USA)

CPC by type :: Amazon

Average Cost per Click (CPC)

	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021

— Sponsored Brands   — Sponsored Products

CTR by type :: Amazon

Clickthrough Rate (CTR)

— Sponsored Brands   — Sponsored Products

CVR by type :: Amazon

Conversion Rate (CVR)

— Sponsored Brands   — Sponsored Products

ROAS by type :: Amazon

Return on Advertsing Spend (ROAS)

— Sponsored Brands   — Sponsored Products

How retail media fits in the brand's omni-ecosystem

Making the e-commerce business model more scalable

"Retail Media is a way of making the e-commerce business model more scalable. Let's not forget 80% of all of our sales come from the bricks and mortar. So omnichannel is still going to be where this is won and lost.

"Being able to take rich first-party data, connect it to in-store shoppers, and then look at your technology and advertising in-store to look at how you have different messages in different stores on different days of the week and different times of day, based on the weather."

Alex Crowe,
Head of Media Partnerships, Asda UK

Revlon's 'omni-ecosystem'

E-RETAIL
ADVANTAGES
- Built-in high traffic
- Supports in-store traffic
DISADVANTAGES
- Not as sophisticated/forthcoming with data for joint business planning with brands (Lux)

AMAZON
ADVANTAGES
- Product search leader and HERE TO STAY
- Built-in high traffic
DISADVANTAGES
- Subpar for Beauty shopping experience
- Luxury categories are disadvantaged by price in algorithms
- Has not figured gifts with purchase, sampling or limited editions; also not the best at launching innovation
- 3P sellers expose Gray more than ever before

BRAND.COM
ADVANTAGES
- First party data mining
- Control on consumer journey
- 1 on 1 consumer connection
- Great commerce opportunity for Luxury (but challenging for Mass)
DISADVANTAGES
- Need to build traffic from scratch
- Mass is disadvantaged due to vast distribution, low price points vs. expense of DTC shipping & operating expenses

CONSUMER

SPECIALIST PURE PLAYERS
ADVANTAGES
- High equity and high relevance
DISADVANTAGES
- Potential to scale is limited

STORES
ADVANTAGES
- Touch and feel
- Instant pick up
- Experience
- Service
DISADVANTAGES
- Declining store traffic
- Uncertain business model post Covid-19

WHOLESALERS/DISTRIBUTORS
ADVANTAGES
- Quick revenue gains
DISADVANTAGES
- Creates tremendous pricing conflicts online (that could potentially be everlasting!)
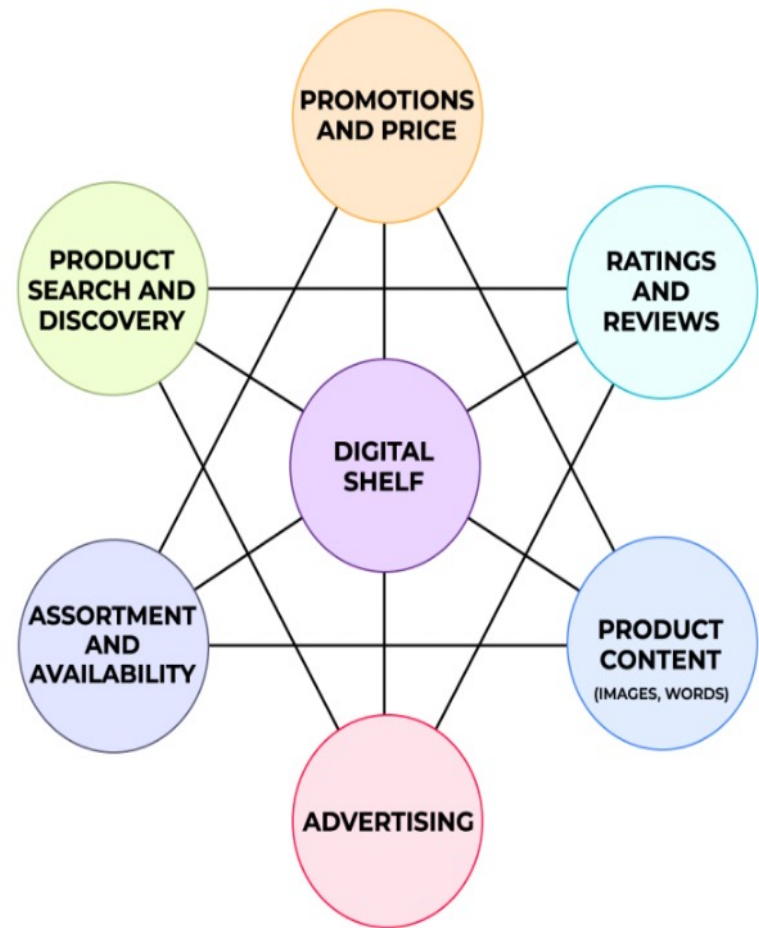
Case Study
How to win on Amazon:

Product page views
Conversion
Reviews

Source: Colin Lewis

Why reviews key to Amazon?

"A seller wrote to me and said, 'You don't understand your business. You make money when you sell things. Why do you allow these negative customer reviews?' And when I read that letter, I thought, we don't make money when we sell things. We make money when we help customers make purchase decisions" Jeff Bezos

Jeff Bezos 2013 interview with Adi Ignatius, HBR Ideacast

+108% average sales lift going from 1 review to 2-50 reviews on Amazon.com

+188% average traffic lift when at least one review is added to a product page on Amazon.com

+206% average sales lift increasing review velocity (avg. new reviews a month) from 1-5% to 5-10% on Amazon.com

+92% average sales lift improving your average star rating from 3.5-4 to 4.1-4.5 stars

How to measure product growth: Traffic, Conversion Rate & Reviews

We defined 3 milestones in a new product's growth

Number of weeks to reach
the top 50 most viewed
products within peer set

Number of weeks to reach
the average conversion rate
for peer products

Number of weeks to reach
15 verified reviews

Sources go here.

Criteria to assign products to the two groups

Advertised Group:

Received advertising support in the form of **traffic brought to the detail page.**

Advertising support started **within 5 weeks** from the launch on the website.

Control/Peer Group:

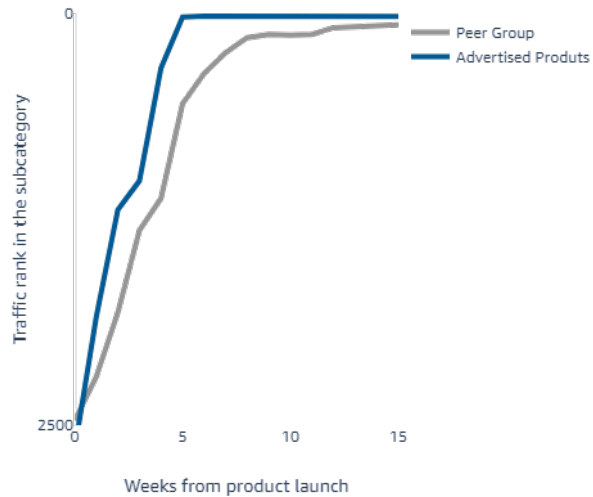The products **reached the milestones on their own.**

The products are similar to advertised products:
- Same launch period
- Similar in price
- Similar average rating and number of reviews
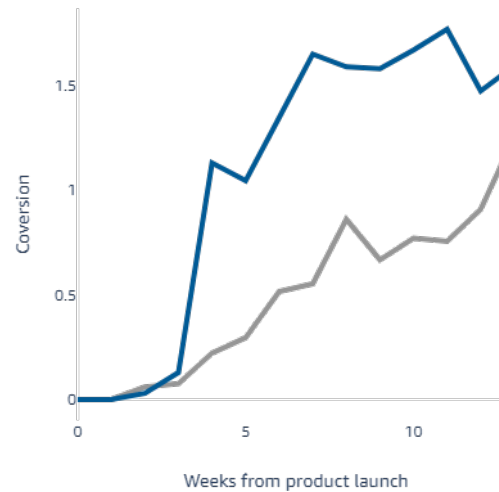- All products in the control group are from the top five brands within the peer set

All products studied reached the 3 milestones for traffic, conversion rate and reviews.

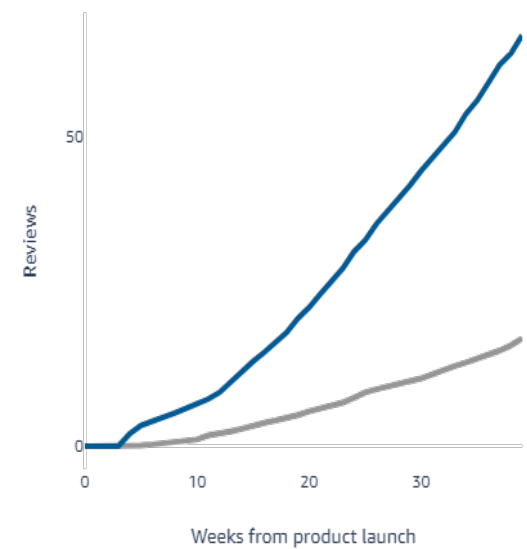# Mean evolution for the 3 milestones

Product Traffic Rank - Mean position of the product studied

Mean Conversion Rate Index vs Category

Reviews - Mean numbers of reviews of the product studied

Advertised products grow faster

Based on 3 key milestones:

Average number of weeks to reach the milestones

■ Peer Group ■ Advertised Products

Weeks to reach the top 50 most viewed products within peer set — 77% time reduction

Weeks to reach the average conversion rate for peer products — 53% time reduction

Weeks to reach 15 customer reviews — 58% time reduction

0   5   10   15   20   25   30   35   40   45

Number of Weeks to reach the milestone

All results are statistically significant at 95% confidence level – Tested with ANOVA

Advertising reduces variance in speed of growth
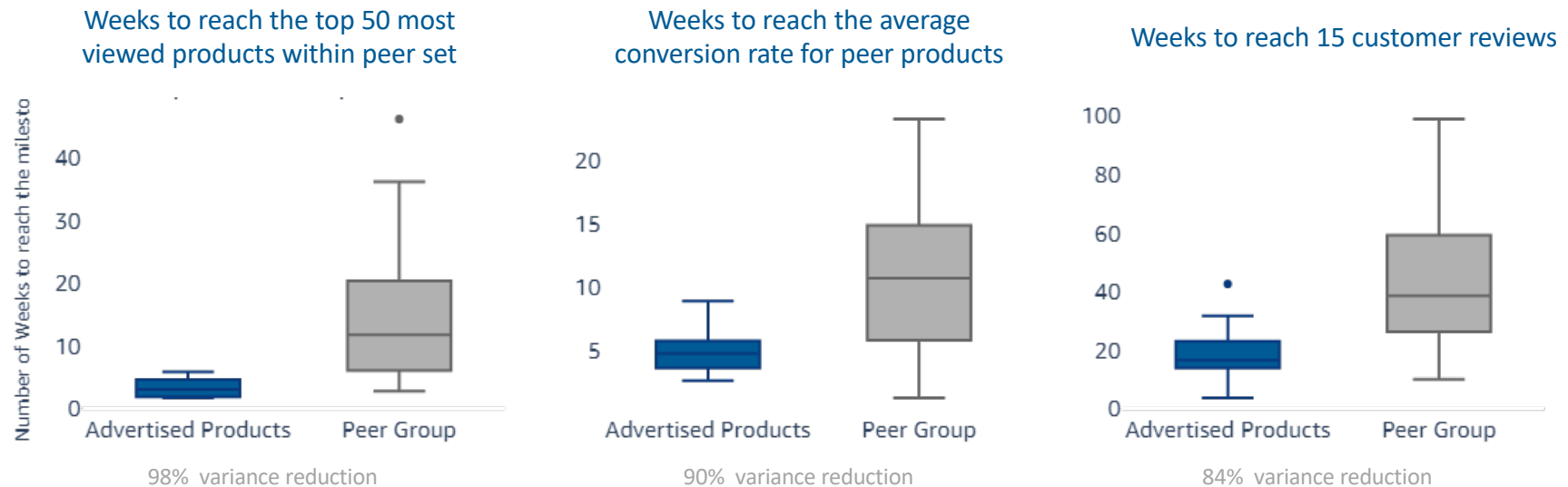
Lower variance means lower uncertainty in the weeks following product launch

Weeks to reach the top 50 most viewed products within peer set

98% variance reduction

Weeks to reach the average conversion rate for peer products

90% variance reduction

Weeks to reach 15 customer reviews

84% variance reduction

All results are statistically significant at 95% confidence - Tested with Brown–Forsythe Test

Take away: Advertising accelerates the success of new products

Growth in
Traffic

Growth in
Conversion Rate

Growth in
Number of Reviews

Advertising
accelerates growth
by more than 50%

Advertising
reduces the variance of growth
by more than 80%

Plan and justify your advertising campaigns for product launches
Advertising can cut in half the time needed to achieve key product growth milestones

On average advertised products grew faster in three dimensions:

Traffic:

11 weeks faster

To reach the **top 50 most viewed products within peer set**

Conversion rate:

5 weeks faster

To reach the average **conversion rate** for peer products

Reviews:

25 weeks faster

To reach **15 verified reviews**

Amazon Internal Data

If you need speed, **advertise!**

Expanding the scope of Amazon Ads research

| SALES Advertising	On-Amazon	Off-Amazon
On-Amazon	Ads halve time for new product to reach search, sales, reviews milestones (Bertozzi et al. 2022)	Needs data from brand managers (clean rooms, Amazon Marketing Cloud, Nielsen, Kantar)
Off-Amazon	This paper (Netzer et al.)	Outside vendors

Quantifying webrooming: Data and Method

Off-Amazon Amplification: Customers who research products on Amazon but buy them elsewhere (US Survey in 2/2020)

Analytical approach to compute Amplier Ratio and ROPES

- Survey of Amazon visitors in categories of laptops and smartphones

- Use **ML model to predict** off-Amazon purchases with Amazon action

- Amplifier Ratio (AR)= webrooming customers / on-Amazon buyers

- ROPES = webrooming customers / on-Amazon category searchers

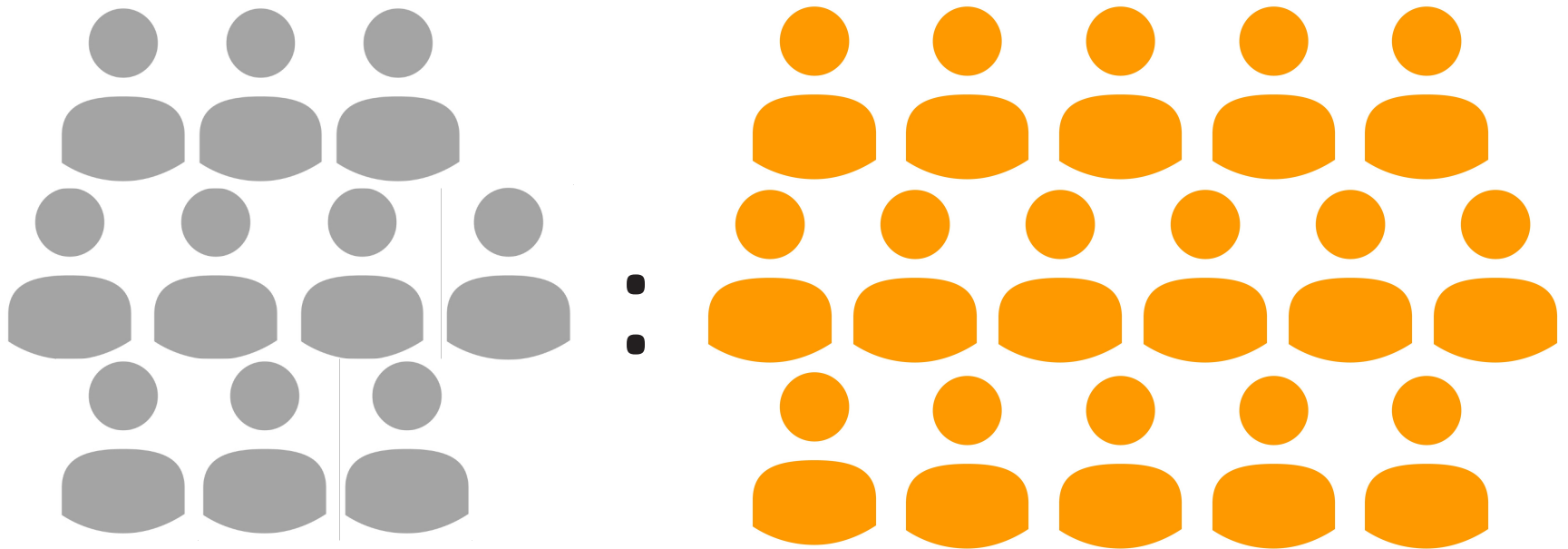- Regress ROPES on different Amazon ads to quantify drivers

Amplifier Ratio

Purchase off-Amazon

Purchase on Amazon

No Purchase

Amplifier Ratio =

$$\frac{\text{Purchases off–Amazon}}{\text{Purchases on Amazon}}$$
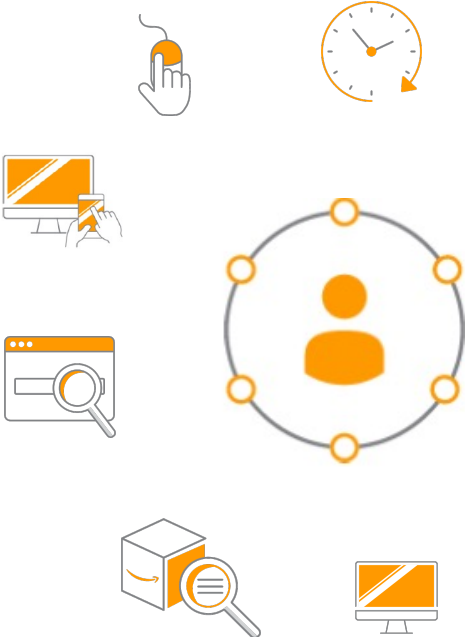
Observed user research and purchase behavior on Amazon

For every 10 Amazon buyers of Laptops (Smartphones), 16 (21) users research on Amazon.com and purchase elsewhere

ROPES: Share of off-Amazon buyers (baseline on-Amazon shoppers)
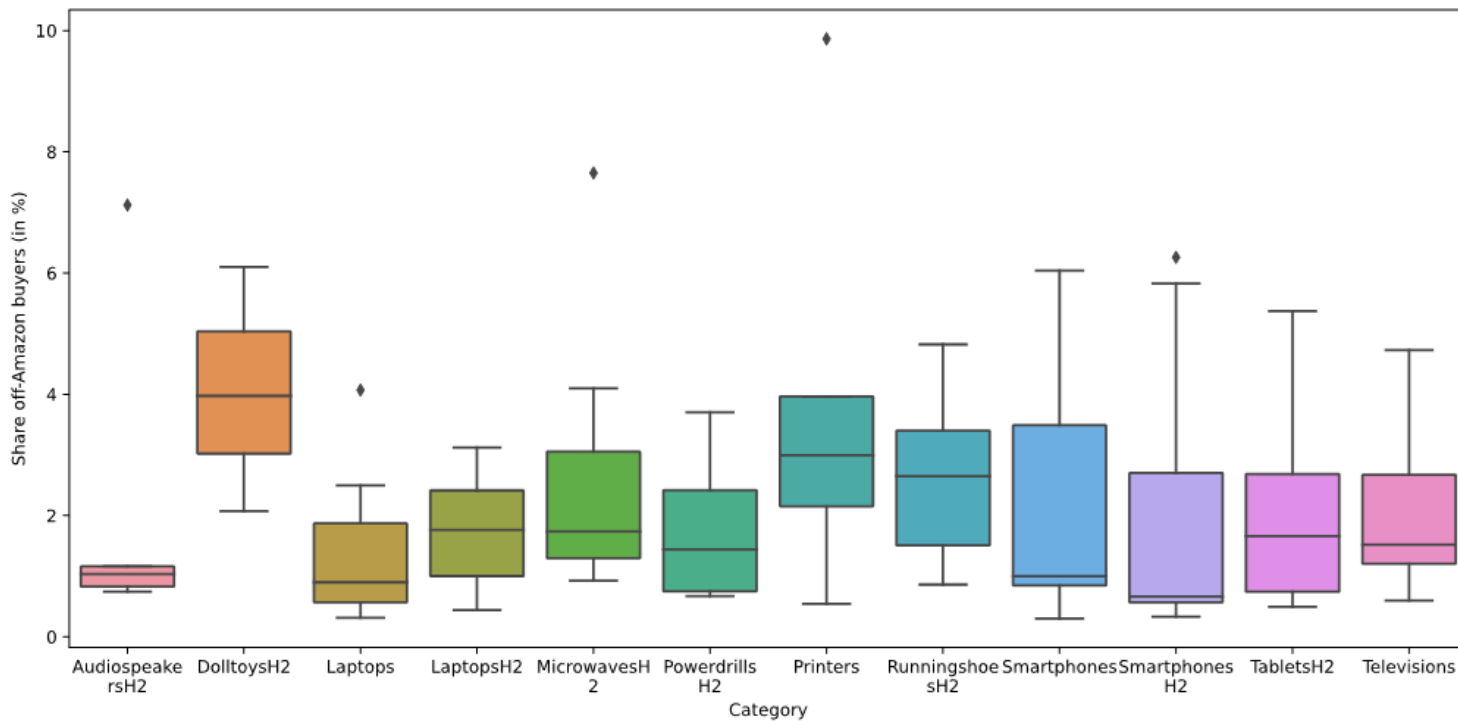
Total survey sample: 42K Wave 2 (H2) in 2021

Example: The median share of off-Amazon buyers was ~4% vs. on-Amazon buyers in Doll Toys category, with lower quartile ~3%, upper quartile ~5%, min 2% and max 6% for all brands in this category covered by the survey responders

* _H2 notation at the end of a brand name indicates that this is the observation from the second wave of surveys

Machine Learning model to predict ROPES

We train a Random Forest model to predict ROPES across categories - based on observed customer and browsing behavior variables related to:
(1) Customer journey on Amazon in focus product category,
(2) Past purchase behavior,
(3) Demographic information.

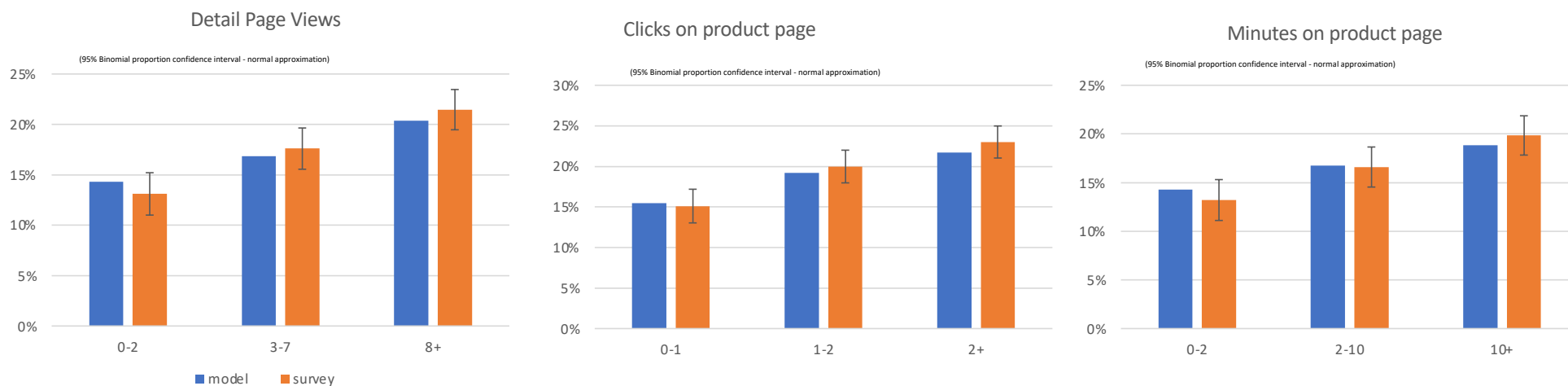RF model as good as Gradient Boosting and Deep Learning Neural Nets
(a) Achieves high level of accuracy of less than 1% error,
(b) Accurately predicts proportion of off-Amazon buyers in each activity group,*
(c) Accurately predicts ROPES across categories, time periods and brands (92.1% no significant difference, average Pearson correlation = 0.83
(d) Feature importance confirmed by 2SLS Instrumental Variables (Endogeneity)

*although it predicts somewhat lower differences across activity groups than were actually observed.

Customers who research more but do not buy on Amazon are more likely to purchase off-Amazon

**Share of off-Amazon buyers (among customers who did not buy on Amazon) in different activity groups**

(Off-Amazon share calculated as off-Amazon buyers divided by off-Amazon buyers plus non-buyers)


Detail Page Views
(95% Binomial proportion confidence interval - normal approximation)

Clicks on product page
(95% Binomial proportion confidence interval - normal approximation)

Minutes on product page
(95% Binomial proportion confidence interval - normal approximation)

Source: Amazon data warehouse

Customers who research are not only more likely to buy on Amazon but also off-Amazon

Total percentage of buyers on Amazon, off-Amazon and non-buyers in different activity groups
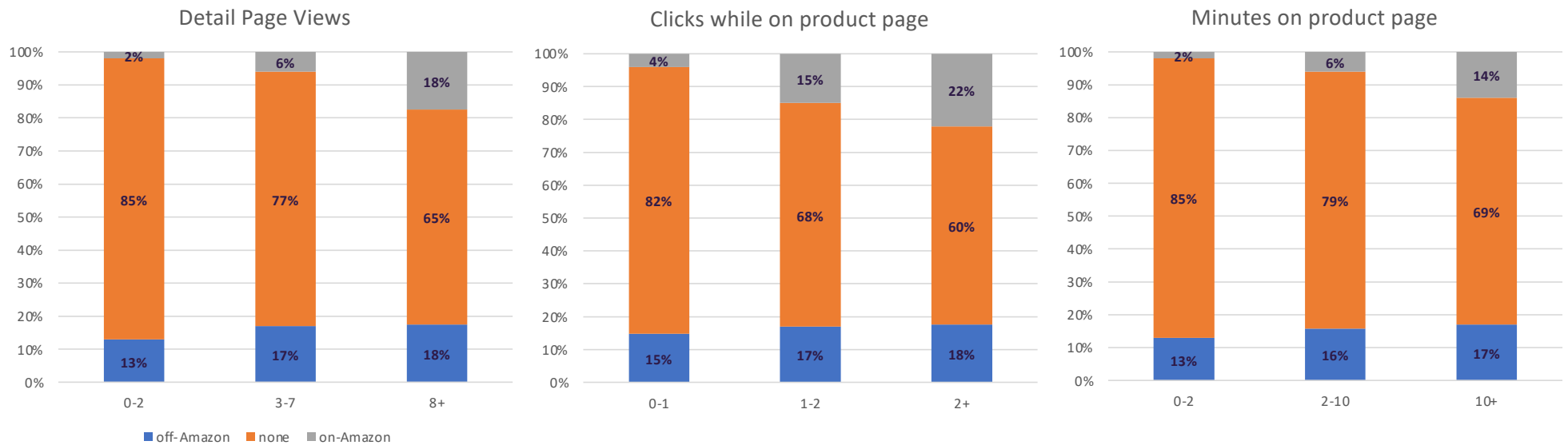
Upper funnel ads, especially always-on, show most Off-Amazon sales contribution to on-Amazon sales

What have we learned?

1 Amazon Ads helps to reach customers that purchase elsewhere.

2 Customers who research more but do not buy on Amazon are more likely to purchase off-Amazon.
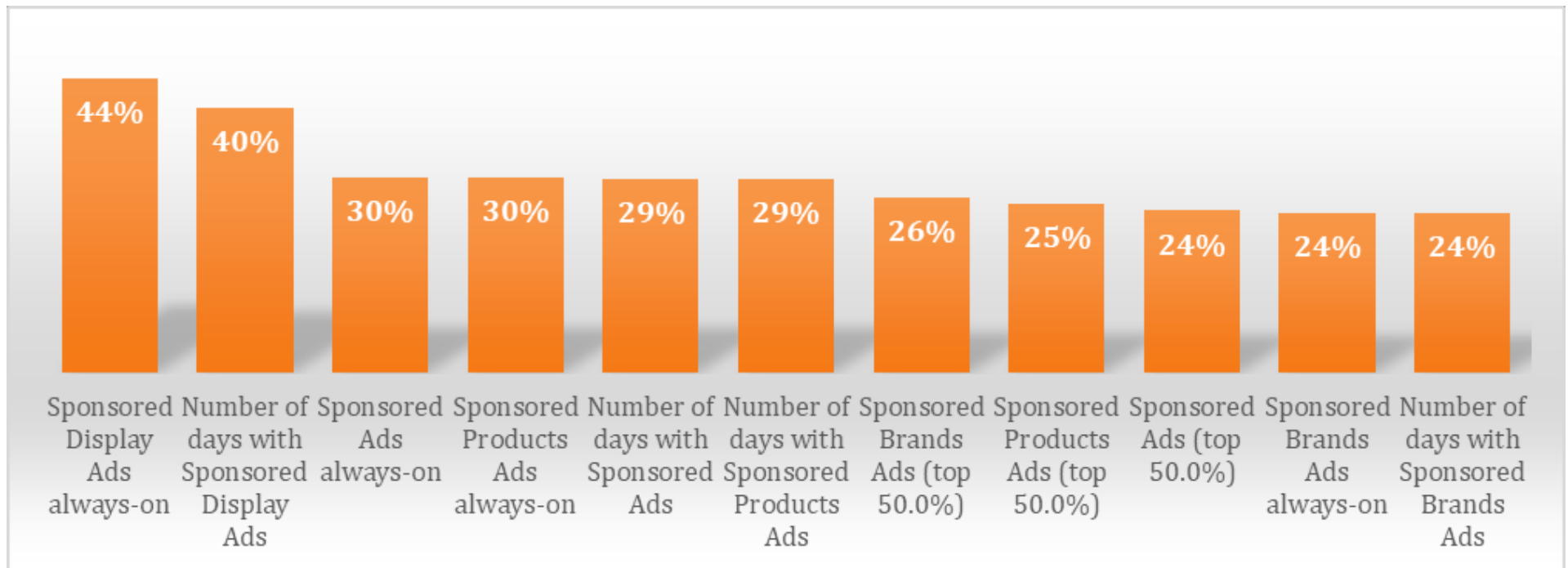
Source: Amazon internal data 2021 USA.

Thank You!

QUESTIONS?