

The US Retail Media Market: Understanding the Ad Buyer's Perspective in CPG



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Executive Summary

In this report, we explore shortfalls and opportunities in the retail media market, including personalized promotions, from a brand advertiser’s perspective, and discuss their implications for retailers and the overall market.

Market Scale and Opportunity

- We estimate that the US retail media market generated \$43.3 billion in revenue in 2022 and will reach \$51.9 billion by the end of this year.

Coresight Research Analysis

- The evolution of the retail media market has led to brand advertisers experimenting with newer formats and including a wider array of promotional formats in their marketing mix. Recent Coresight Research survey data reveal that over half of US-based brand advertisers plan to spend more in their next marketing budget than they currently do across promotional formats.
- While much of the growth in retail media dollars is from incremental dollars, it is important for retailers to address the shifts in trade and brand advertising budgets. A huge 94% of brand advertisers plan to divert some of their planned dollars from trade marketing to fund retail media in their upcoming marketing budget, according to our survey.
- Our survey data reveal that brand advertisers used six RMNs on average in the past 12 months, with almost every brand advertiser (96%) using at least three RMNs. The large number of RMNs in the market means there is a lot of choice for brand advertisers, making it more important than ever for retailers to differentiate their offering. We expect brand advertisers to limit the number of RMNs they use once they have identified their optimal advertising media mix—resulting in a more competitive environment for retailers that offer RMNs.
- The most widespread challenge among brand advertisers when it comes to RMNs is a lack of collaboration with retailers. Enhanced collaboration can positively impact revenues for retailers and suppliers, and improved data sharing can help solve challenges such as brand advertisers’ inability to understand ROAS (return on advertising spend) and limited visibility of target audience.
- Trust and collaboration have the most widespread positive influence on brand advertisers’ spend, with 99% of respondents reporting that trust has at least “some” positive influence. We believe that fostering trust will require solving intrinsic retail media challenges—retailers must not work in siloes and must ensure that their attribution metrics are clear, channel-specific and easy-to-understand.
- Meaningful steps that retailers can take to build trust among brand advertisers include offering a shared collaboration platform to enable real-time communication and data sharing. Our survey revealed that less than one-quarter of retailers share data and analysis with brand advertisers in real time during ad campaigns. Among surveyed brand manufacturers that do not receive data in real time, a massive 97% reported that real-time data sharing would prompt them to increase their advertising investments.
- Brand advertisers expect a holistic retail media offering with 3.4 promotional tools, on average, our survey found. The top two tools expected by brand advertisers are digital/physical coupons and social promotions, each cited by around two-thirds of respondents. Retailers should look to offer multiple promotional tools to provide a more compelling and wide-ranging retail media solution.
- Most brand advertisers (95% in our survey) are using non-digital coupons in their marketing mix. Transitioning to more digital coupons can strengthen retailers’ first-party data as they can be incorporated into retailers’ loyalty app and improve brand advertisers’ understanding of ROAS while allowing them to run personalized offers and promotions. Our survey data reveal that among the brand advertisers that currently use non-digital coupons, 96% would divert their marketing budgets from non-digital coupons to digital coupons if they were able to target their audience via a self-serve platform, and 91% would be more likely to do more retailer-specific offers if they had more control over the process via a self-serve platform.

What We Think

Retail media presents huge opportunity for both brand advertisers and retailers, but companies must realize that the market is far from mature and is developing quickly. While there will be ongoing opportunities in the market, few are likely

to translate to long-term trends; retailers must be proactive in capitalizing on budding trends. Having a communication and data-sharing portal that enables the transfer of information in real time can give brand advertisers more control and confidence in an RMN. Allowing them to make real-time changes to their ad campaigns based on reporting metrics can further benefit ROAS.

Retailers Poised To Gain Advantage

- Well-positioned retailers in the retail media market are those with large store footprints that also incorporate digital platforms in their retail media channels and focus on diversification in their RMNs.
- Retailers including Walmart and Dollar General have taken meaningful strides toward incorporating social and digital in their overall retail media mix, which will attract brand advertisers.

Retailers That Risk Losing Advantage

- Retail media is not just top-of-funnel brand advertising; brand advertisers are focused on measurable returns, so targeting the right consumer is essential. Retailers that do not provide a unified ad experience (with minimal disruption to consumers' search-to-purchase journey) can fall out of favor with brand advertisers and/or consumers. Personalization initiatives, or lack thereof, will impact which retailers lose advantage in the retail media market.

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Introduction

The adoption of [retail media](#) continues to surge, but ad buyers increasingly expect more from retailers’ retail media networks (RMNs), including more personalized and targeted ads. Retailers must align their offering with market shifts to forge the best path forward in reaping incremental benefits from the fast-growing retail media market.

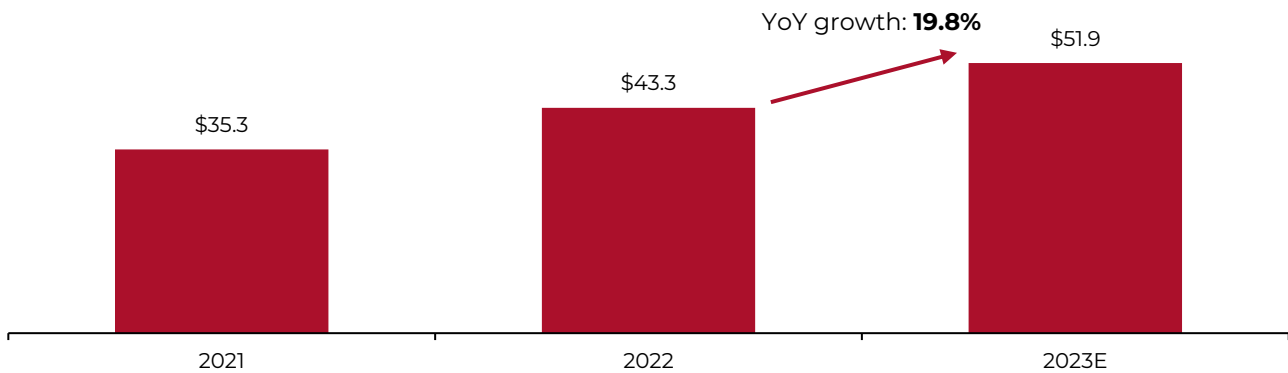
In this report, we explore the US retail media market from the perspective of brand advertisers to understand how retailers can improve their offerings and gain a competitive edge. Our analysis is based on a recent Coresight Research survey of advertising decision-makers at US-based CPG (consumer packaged goods)/FMCG (fast-moving consumer goods) brand manufacturers.

This report is produced, and made available to non-subscribers of Coresight Research, in partnership with NIQ, a leading consumer intelligence company that partners with global consumer goods companies and retailers to provide a forward-looking “Full View™” into consumer behavior through comprehensive data sets and actionable insights.

Market Scale and Opportunity

Retail media is a fast-growing market in the US and presents a near-\$9 billion incremental opportunity in 2023 alone: Coresight Research estimates that the market generated revenue of \$43.3 billion in 2022 and will reach \$51.9 billion by the end of this year.

Figure 1. US Retail Media Market Size (USD Bil.)

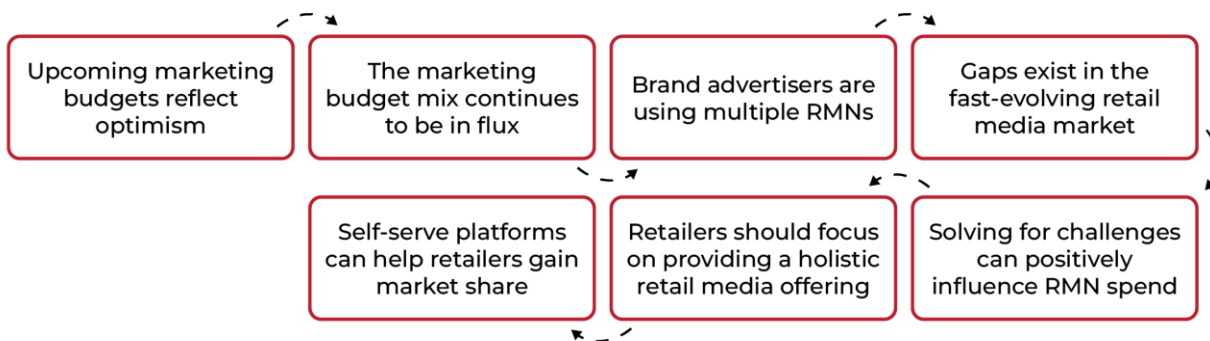


Source: Coresight Research

The US Retail Media Market—Understanding the Ad Buyer’s Perspective: Coresight Research Analysis

In Figure 2, we highlight the key themes that our survey data have unveiled, which we delve into through this report.

Figure 2. Key Themes in the US Retail Media Market



Source: Coresight Research

Upcoming Marketing Budgets Reflect Optimism; Digital Underlines Significant Opportunity

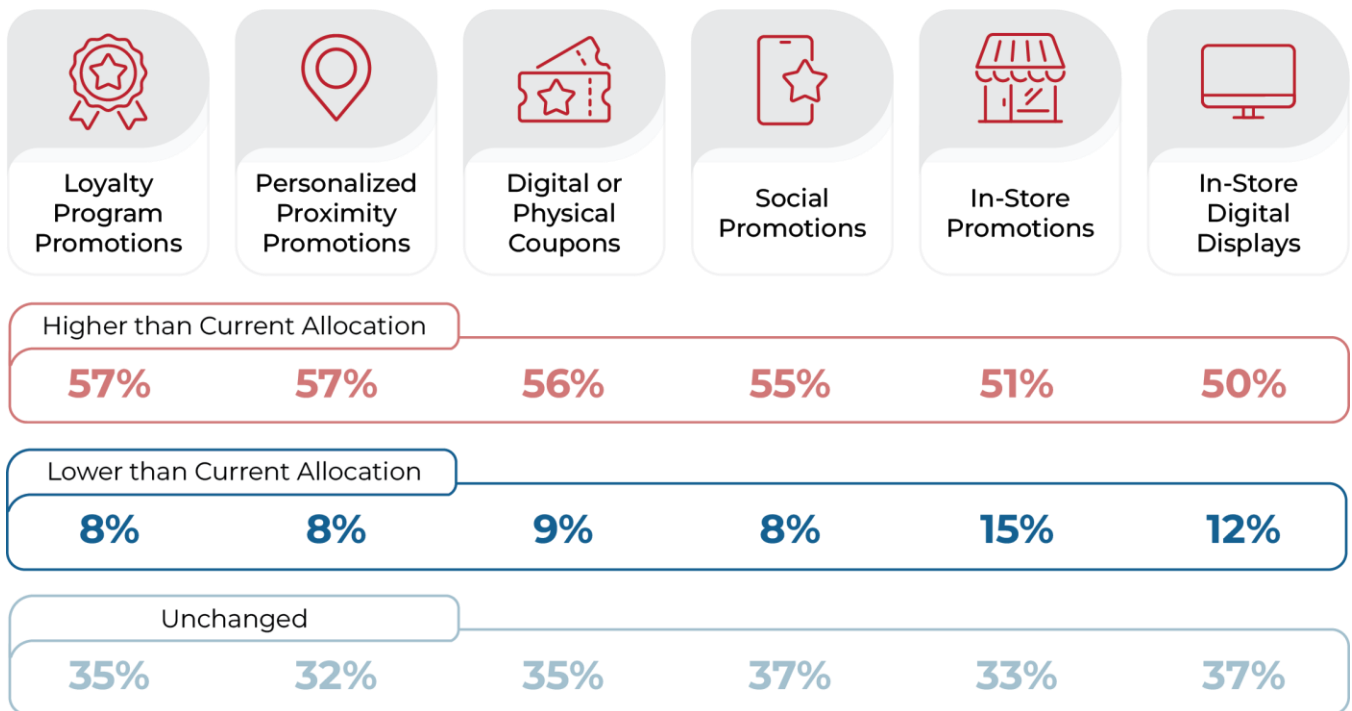
The evolution of the retail media market has led brand advertisers to experiment with newer formats and include a wider array of promotional formats in their marketing mix. Our survey data reveal that over half of total respondents plan to spend more in their next marketing budget than they already do across promotional formats.

- Loyalty program promotions and personalized proximity promotions are set to see the most widespread increases in investment among brand advertisers, with 57% of our survey respondents reporting that they will increase their investment level in each of these tools in their next marketing budget.

These findings align with the market trend of continued improvements in loyalty programs and highlight advertisers’ increasing appetite to provide personalized offers. With the help of loyalty programs, brand advertisers can harness the power of retailers’ first-party data and offer engaging and relevant ads to shoppers in a highly personalized way. In addition, an increased focus on personalized proximity promotions—offering personalized and targeted ads based on how close a consumer is to a specific location—reinforces the importance of personalization for brand advertisers. To enhance personalization and location relevance, retailers should consider partnering with location analytics companies that support localized targeting, which can improve return on advertising spend (ROAS) for brand advertisers.

More brand advertisers plan to cut back on spending on in-store formats (promotions and digital displays) than in any other category, underlining the increasing importance of the digital channel. Even major retailers that have a huge store footprint are turning to digital: Dollar General’s retail media arm partnered with Meta in March 2023 to enable advertisers to leverage the retailer’s first-party data to reach 90 million unique customer profiles through an array of placements on social media platforms Facebook and Instagram.

Figure 3. Selected Promotional Tools: Planned Change in Investment Levels in the Next Marketing Budget (% of Respondents)



Note: “Don’t know/can’t say” not charted

Ordering in the chart is based on “higher than current allocation” percentages, highest to lowest

Base: 100 CPG/FMCG brand manufacturers in the US, surveyed in August 2023

Source: Coresight Research

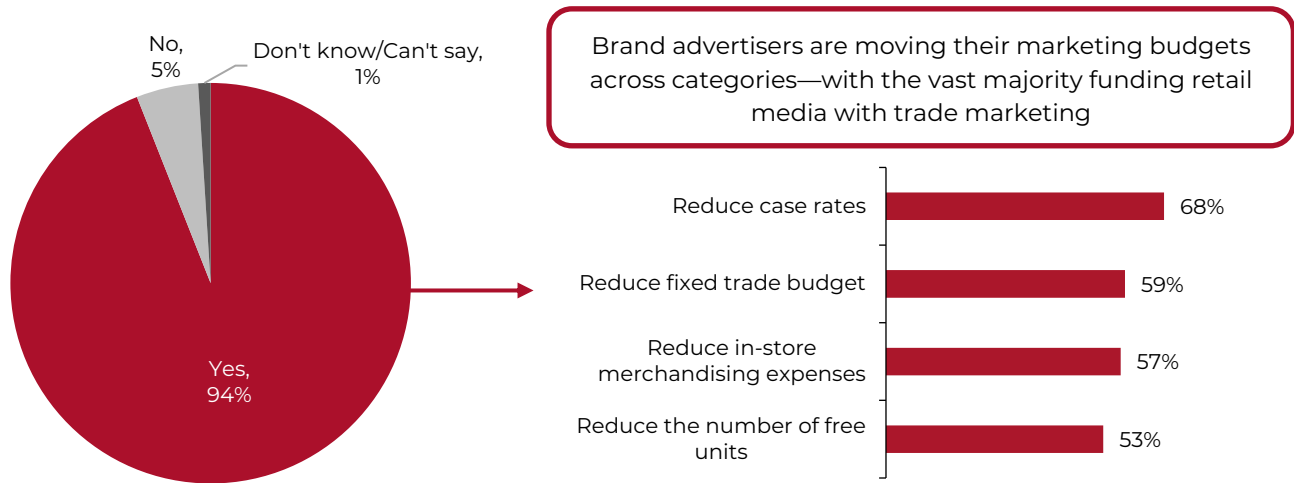
Marketing Budget Mix Continues To Be in Flux

There is a lot of movement within advertising budgets as some categories, including retail media, are proving to be more effective in terms of targeting and returns than others. While trade budgets have traditionally been very sizeable, brand advertisers appear to be more mindful of how they expect to spend their trade and brand advertising budgets. Our survey found that brand marketers are shifting some of their trade and brand marketing budgets to digital advertising through retail media:

- 94% of respondents reported that they would fund retail media advertising with trade marketing dollars in their upcoming marketing budget.
- The most popular method of doing so is to reduce case rates (discounts at which a manufacturer sells product crates/case to retailers), cited by 68% of respondents that plan to reallocate funds, followed by reducing fixed trade budgets (59%) and reducing in-store merchandising expenses (57%).

It will be important for retailers to address these shifts as they should expect to see less favorable discounts from brand manufacturers.

Figure 4. Whether Brand Advertisers Plan To Fund Retail Media Advertising with Trade Marketing (Left) and Methods They Will Use To Reallocate These Funds in the Next Marketing Budget (Right) (% of Respondents)



Base: 100 CPG/FMCG brand manufacturers in the US (left), 94 of which plan to fund retail media advertising with trade marketing (right), surveyed in August 2023

Source: Coresight Research

We are seeing retailers expand their retail media offering to attract brand advertisers. For example, Walmart announced the expansion of its in-store advertising capabilities in August 2023 to include more ads on in-store displays and 30-second radio spots, which the retailer plans to make available to brand advertisers by the end of 2023. Similarly, in a move to simplify the activation and measurement of ad campaigns, Kroger announced in June 2023 that it is building an in-house advertising platform that will be available to all its brand advertising partners by the end of 2023.

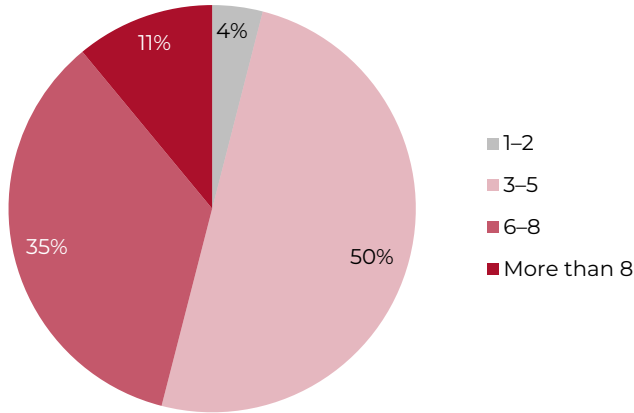
Brand Advertisers Are Using Multiple RMNs

The large number of RMNs in the market means that there is a lot of choice for brand advertisers, making it more important than ever for retailers to differentiate their offering. Our survey data reveal that brand advertisers use multiple RMNs (as shown in Figure 5):

- On average, brand advertisers used six RMNs in the past 12 months.
- Almost every brand advertiser (96%) used at least three RMNs, and nearly half (46%) used at least six RMNs, in the past 12 months.

We expect brand advertisers to continue to leverage RMNs extensively as they shift their focus to retail media to drive sales and better understand which channel and touchpoint led to a sale via retail media’s closed-loop attribution. However, we expect brand advertisers to limit the number of RMNs they use once they have identified their optimal advertising media mix—resulting in a more competitive environment for retailers that offer RMNs.

Figure 5. Number of RMNs That Brand Advertisers Leveraged in the Past 12 Months (% of Respondents)



Brand advertisers used **six RMNs** on average in the past 12 months

Base: 100 CPG/FMCG brand manufacturers in the US, surveyed in August 2023
Source: Coresight Research

Gaps Exist in the Fast-Growing Retail Media Market

There are multiple challenges and shortfalls in the retail media market. Our survey data reveal that the most widespread challenge among brand advertisers is a lack of collaboration with retailers: 62% of respondents ranked this as one of their top five retail media challenges, and weighted averages (where Rank 1 carries the highest weight) also show that a lack of collaboration is the most challenging, as shown in Figure 6.

Through enhanced retailer-supplier collaboration, improved business operations positively impact around one-fifth of total revenue for retailers and suppliers, according to a [previous Coresight Research study](#). Furthermore, collaborating through data sharing can help solve other challenges such as brand advertisers’ inability to trust ROAS.

Figure 6. Top Challenges in Working with RMNs (% of Respondents)



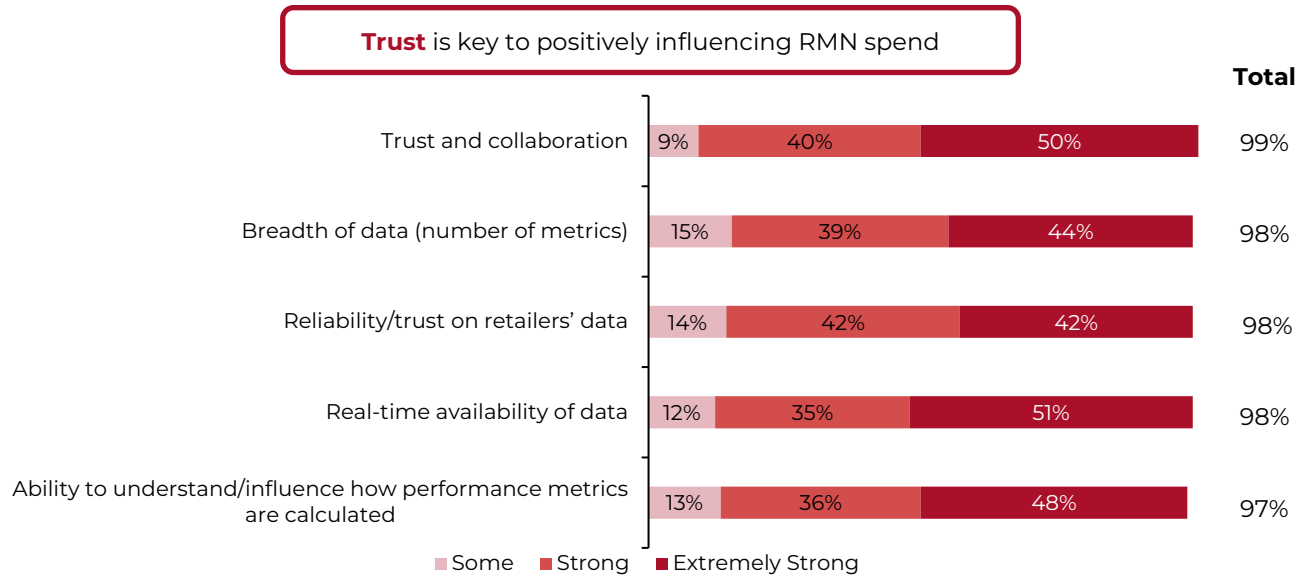
Respondents were asked to select and rank the top five challenges they face when working with RMNs, with Rank 1 being the most challenging factor.
Base: 100 CPG/FMCG brand manufacturers in the US, surveyed in August 2023
Source: Coresight Research

Solving for Challenges Can Positively Influence Advertisers' Spend on RMNs

It is pivotal for retailers to ensure they provide a competitive return on investment and a differentiated offering to brand advertisers. While challenges exist, our survey data reveal that solving these challenges has a direct positive impact on advertiser spend:

- Trust and collaboration have the most widespread positive influence on brand advertisers' spend, with 99% of respondents reporting that trust has at least "some" positive influence. We believe that fostering trust will require solving for intrinsic retail media challenges—retailers must not work in siloes and need to ensure that their attribution metrics are clear, channel-specific and easy-to-understand. In fact, the third-most influential factor on advertiser spend is brand advertisers' trust and reliance on retailer data, cited as having at least "some" positive influence by 98% of respondents.

Figure 7. Top Five RMN Attributes That Have the Strongest Positive Influence on Amount Spent on RMNs (% of Respondents)



Totals represent proportions of respondents that cited each attribute as having "some," a "strong" or an "extremely strong" positive influence on the amount they spend on RMNs

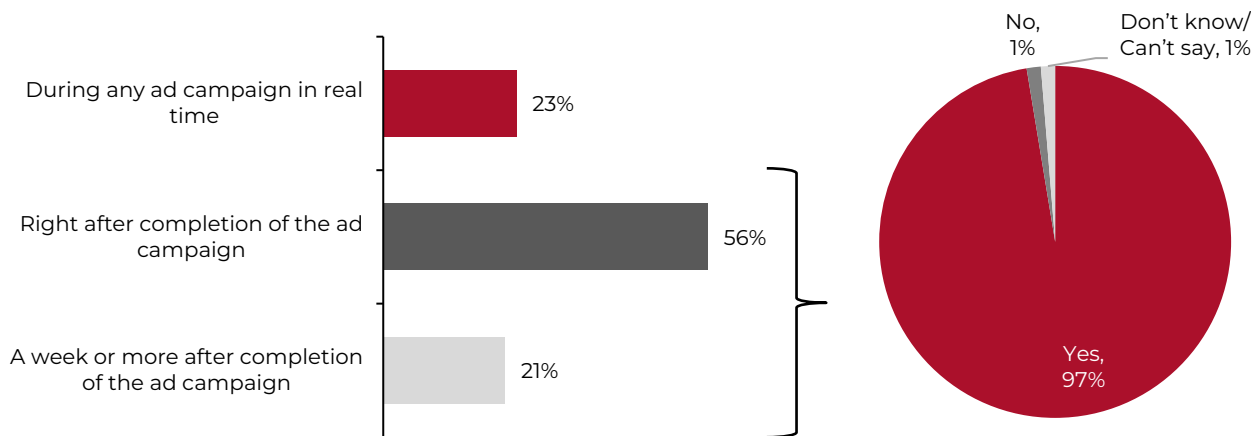
Base: 100 CPG/FMCG brand manufacturers in the US, surveyed in August 2023

Source: Coresight Research

Building trust is an ongoing exercise, not something that can be achieved instantly. Meaningful steps that retailers can take to build trust among brand advertisers include offering a shared collaboration platform to enable real-time communication and data sharing. Sharing real-time data has numerous benefits for brand advertisers, too: it can help identify why an ad campaign may not be working and offer insights on types of shoppers that are interacting the most with ads, for example—fundamentally enabling them to make decisions more quickly to get the most out of their investments. Additionally, brand advertisers can choose to showcase their ads on a specific platform or channel based on the performance of their ad across channels.

As shown in Figure 8, our survey revealed that less than one-quarter of retailers share data and analysis with brand advertisers in real time during ad campaigns. Among surveyed brand manufacturers that do not receive data in real time, a massive 97% reported that real-time data sharing would prompt them to increase their advertising investments.

Figure 8. Time at Which Retailers Share Data with Their Brand Advertisers (Left) and Whether Real-Time Data Sharing Would Increase Advertising Investments (Right) (% of Respondents)



Percentages may not sum to 100% due to rounding

Base: 100 CPG/FMCG brand manufacturers in the US (left), 77 of which do not receive data in real time (right), surveyed in August 2023

Source: Coresight Research

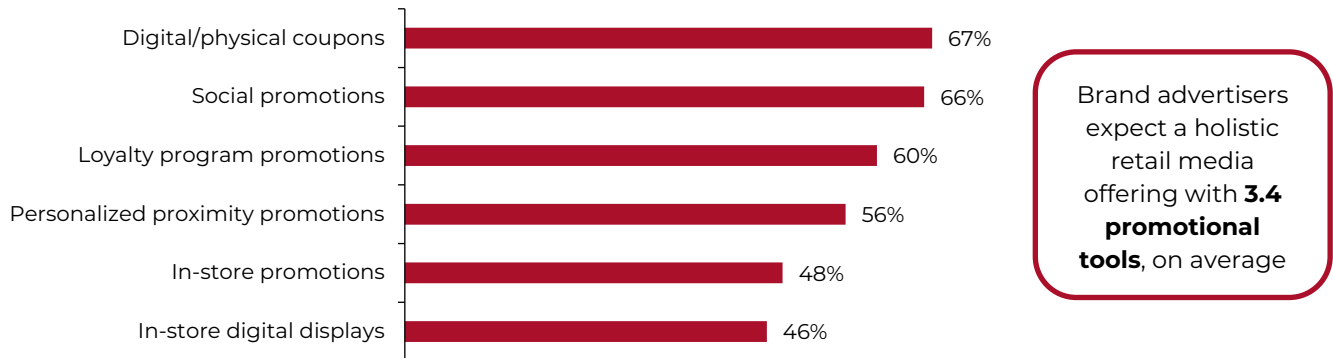
Retailers Should Focus on Providing a Holistic Retail Media Offering

Brand advertisers expect wide-ranging promotional formats from RMNs, according to our survey:

- Brand advertisers expect around three promotional tools (3.4), on average, from RMNs.
- The top two tools expected by brand advertisers are digital/physical coupons and social promotions, each cited by around two-thirds of respondents.

Retailers should look to offer multiple promotional tools to provide a more compelling and holistic retail media solution. Including a wide range of promotions (some of which retailers may already be doing) under retail media can allow brand advertisers to attribute their promotional spends to specific channels.

Figure 9. Promotional Tools Which Brand Advertisers Expect To Be a Part of Retail Media (% of Respondents)



Respondents could select multiple options
Base: 100 CPG/FMCG brand manufacturers in the US, surveyed in August 2023
Source: Coresight Research

Self-Serve Platforms Increase the Likelihood of Earning Incremental Dollars

Most brand advertisers (95% in our survey) are using non-digital coupons in their marketing mix. The challenge with doing this is that a retailer may miss out on first-party data/insights on consumers (as they are not loaded into user accounts) and attribution may be challenging for brand advertisers.

Transitioning to more digital coupons can strengthen retailers’ first-party data as they can be incorporated into retailers’ loyalty app and improve brand advertisers’ understanding of ROAS. Brand advertisers understand the opportunity that digital channels hold, and a centralized self-serve platform can be a big influence in retailers switching from physical to digital coupons. Our survey data reveal that among the brand advertisers that currently use non-digital coupons:

- 96% would divert their marketing budgets from non-digital coupons to digital coupons if they were able to target their audience via a self-serve platform.
- 91% would be more likely to do more retailer-specific offers (versus nationally available) if they had more control over the process via a self-serve platform.

We believe that these findings highlight the underlying desire among brand advertisers to have more control over marketing campaigns and offer a more personalized experience to their shoppers through improved targeting. Retailers should continue to incorporate a wide variety of ad formats throughout the shopper journey, and they can drive sales through exclusive offers by giving brand advertisers more control.

What We Think

Retail media presents huge opportunity for both brand advertisers and retailers, but companies must realize that the market is far from mature and is developing quickly. While there will be ongoing opportunities in the market, few are likely to translate to long-term trends; retailers must be proactive in capitalizing on budding trends. Having a communication and data-sharing portal that enables the transfer of information in real time can give brand advertisers more control and confidence in an RMN. Allowing them to make real-time changes to their ad campaigns based on reporting metrics can further benefit ROAS.

Implications for Brands and Retailers

- The retail media market is growing quickly, and optimism around increasing advertising budgets means that there is a lot of opportunity for retailers to offer a differentiated solution and attract multiple brand advertisers to their platform.
- Movement of budgets across advertising strategies means that brand advertisers are channeling their focus to retail media and are trying to add funds to their retail media budget from sources such as trade marketing. Retailers must focus on strengthening the positioning of their retail media offering to attract new retail media dollars.
- Brand advertisers are challenged in collaborating with retailers. By building a long-term partnership through fostering trust and sharing insights and data through their RMNs, retailers can drive loyalty from brand advertisers.
- Data sharing has a positive influence on RMN spend, presenting revenue opportunity for retailers. Real-time data sharing through a shared platform/dashboard enables brand advertisers to understand how their campaign is performing and make changes during any ongoing ad campaign.
- Brands expect a holistic retail media offering. Retailers should leverage first-party data and provide flexibility and control for brand advertisers on how and where they want to place their ads.

Retailers Poised To Gain Advantage

- Well-positioned retailers in the retail media market are those with large store footprints that also incorporate digital platforms in their retail media channels and focus on diversification in their RMNs.
- Retailers including Walmart and Dollar General have taken meaningful strides toward incorporating social and digital in their overall retail media mix, which will attract brand advertisers.

Retailers That Risk Losing Advantage

- Retail media is not just top-of-funnel brand advertising; brand advertisers are focused on measurable returns, so targeting the right consumer is essential. Retailers that do not provide a unified ad experience (with minimal disruption to consumers' search-to-purchase journey) can fall out of favor with brand advertisers and/or consumers. Personalization initiatives, or lack thereof, will impact which retailers lose advantage in the retail media market.

Types of Solutions for Retail Media and Personalized Offers

Leveraging data is vital in optimizing media spending. Retailers and suppliers can consider working with solution and data providers that offer:

- SaaS (software-as-a-service) platforms that provide retailers and suppliers with precise targeting capabilities, allowing them to reach the right audience at the right time, where they shop, while offering more affordable pricing options compared to traditional media channels and personalized offers
- A single collaborative platform that takes retailers all the way from AI (artificial intelligence)-based insights to offers and ad activations to closed-loop measurement—enabling retailers and suppliers to continuously and automatically optimize their campaigns and efficiently adjust media spending

Such platforms allow retailers to measure the uplift of their offers and ad campaigns across all channels to ensure that budgets are directed toward the channels that deliver the highest ROAS for both retailers and their brand partners.

Retailers therefore have an opportunity to invest in a collaborative AI cloud-based platform with robust data analytics that provides valuable insights to make the most informed decisions on media allocation.

Implications for Technology Vendors

- Retail media encompasses ad creatives, data analytics, centralized communication and media optimization, among other processes, providing ample opportunity for technology vendors across multiple areas to support retailers in providing holistic RMN offerings.
- Technology vendors that solve for key challenges in the retail media market can attract retailers looking to gain share in the fast-growing market.

- Technology companies offering retail media solutions can gain a competitive advantage by offering digital platforms/tools that allow brands and retailers to provide personalized offers and promotions to consumers.

Methodology

Informing the data in this report is an online survey of 100 CPG/FMCG brand manufacturers based in the US, conducted by Coresight Research during August 16–29, 2023. The results have a margin of error of +/-10%.

Respondents in the survey satisfied the following criteria:

- Company—revenues of at least \$100 million in the most recent financial year
- Position—involved in strategic decision-making for advertising and holding responsibility across C-suite, Division President/GM, EVP/SVP/VP and Director/Senior Director
- Departments—e-commerce, marketing, merchandising and executive team

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