

2024 Finalist Essay Combined



## Joe Berry Award 2024 Final

### Presentation #3

Topic: 1A Question: Retailer Media New Opportunities

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### Executive Summary:

Amid today's macroeconomic turbulence, retailers have been challenged with new ways to drive revenue. The emergence of retailers creating their own media houses has been a pivotal development; one with significant financial benefits.

Retail media – where retailers sell advertising to brands – is a strategic revenue channel with the power to dominate industry-wide media spend. As always, suppliers are looking to maximise their return on investment (ROI) and are now exploring what retail media can offer. This essay explores strategies retailers can use to set themselves apart when competing for trade and marketing wallets. These include improved performance tracking, first-party data informed decision making and addressing the omnichannel shopper. It also explores the considerations suppliers should weigh up when choosing where to spend their dollars.

*The full impact of retail media in Australia will take longer than 5 years to be realised but if the strategies discussed are acknowledged and executed well, I predict almost half of today's investment into traditional agencies is at risk of being redirected to retailers.*

### Part 1: The Global Rise of Retail Media

Retail media is second to television as the fastest growing media channel<sup>86</sup>. There have been structural shifts in the media industry globally over the past few years with traditional agencies in the US-FMCG market rapidly displaced by retail media. In the US, retail media is already worth \$45.15 billion with Amazon (75% of market) pioneering and dominating the space<sup>87</sup>. *Whilst differing to the US, retail media in Australia remains a lucrative and expandable opportunity. The local implications will be just as significant with the duopoly of Coles and Woolworths establishing their own media houses setting fire to the Australian media market.*

In 2022, Woolworths recorded \$550 million from its retail media arm, Cartology, and Coles 360 made \$250 million in its first year of *trade*<sup>88</sup>. *This strong growth and momentum from the beginning has analysts predicting a 40% leakage of media budgets away from traditional agencies like Seven, oOH! Media and ARN, representing up to \$1.1 billion of advertising revenue by 2027<sup>2</sup>. With profit margins for retailers at 70-90% this means, if successful, Coles and Woolworths will inherit even more power within the Australian market. The impact of this redirection of revenue will disrupt the industry and lead to further concentration of Australia's grocery duopoly. This is one for the ACCC to add to their watch list.*

*Coles 360 and Cartology are in their infancy, but suppliers are already feeling the pressure to buy in to retail media. With no other way to activate in-store, suppliers risk the*

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<sup>86</sup> [What's driving the rise and rise of retail media](#)

<sup>87</sup> [The power of Amazon's advertising](#)

<sup>88</sup> [Morgan Stanley: Retail Media will steal \\$1.1b from Aussie media owners](#)

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*opportunity cost of reaching shoppers at point of purchase. The immediate impact on perceived product listing opportunities<sup>89</sup> and Advantage Group survey results (AGS) from non-participation is being felt by suppliers.*

*As investments are scrutinized, the speed at which retailers steal market share will be stifled unless they can demonstrate how every dollar spent with them is more performant in comparison.*

### **Part 2: How the Retailers can win against traditional media**

To influence supplier investment, setting up campaigns must be seamless, efficient and more cost effective than alternate media agencies. Instead of operating retail media as a separate function to the rest of the business, if retailers can establish a business that productively engages in trade operations and advertising simultaneously this will be attractive to suppliers as fewer conversations are required for the same output.

#### a. Effective measurement metrics, to demonstrate strong supplier ROI

Once foundational ways of working are established, retailers should turn their attention to providing robust insights and evidence of ROI. There is a clear disparity of measuring metrics used across the media industry making it almost impossible for suppliers to compare campaign performance and make informed decisions<sup>90</sup>. In January 2024, to standardise reporting across the industry, *the Interactive Advertising Bureau released a playbook on the general principles that should be followed<sup>91</sup> thereby creating a clearer navigation system for suppliers. To win against traditional media, it is recommended that Coles and Woolworths adopt this language. Doing so would set them apart by demonstrating their genuine desire to provide suppliers with a clear ROI for their investment. Note that any action retailers take to deliver genuine value to suppliers will also work to build supplier's trust in retailer's product offer.*

*What makes measuring ROI challenging is the array of factors that can influence the success of a campaign. Beyond the creative itself, any competitor supply issues, conflicting promotions, or even the impact of the cost of living can positively or negatively influence how retail media performs. This makes it challenging to understand the true impact of a campaign and the metrics used today are often based on standard uplifts or benchmarks for similar activity. To attract further investment, retailers should take responsibility for improving the metrics available using physical store environments to their advantage. With the large number of stores across the country available to test different techniques, activities such as store clustering, eye-tracking and motion sensors are examples of ways to accurately track the impact of advertising. Artificial intelligence can also be used to enhance data collection and determine advertising success.*

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<sup>89</sup> [Retail Media Networks – The Future Of Shopper Marketing Or A Retail Revenue Play?](#)

<sup>90</sup> [Retail media standardization could be detrimental to the industry](#)

<sup>91</sup> [IAB/MRC Retail Media Measurement Guidelines January 2024](#)

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### b. Using first-party data to enhance campaign effectiveness.

The first step in influencing investment is to show the customer the data that can be measured from a campaign. The rich data pool from supermarkets can then be used to create more targeted, personalised advertising with better cut through.

With the demise of third-party cookies, now is the time for retailers to leverage their competitive advantage of their access to first-party data. Through credit card information and loyalty programs retailers have unlocked a treasure trove of information that can be used to yield better results. If retailers are willing to transparently share de-identified shopper data we will see a significant money shift into retail media (Figure 1)<sup>92</sup>.

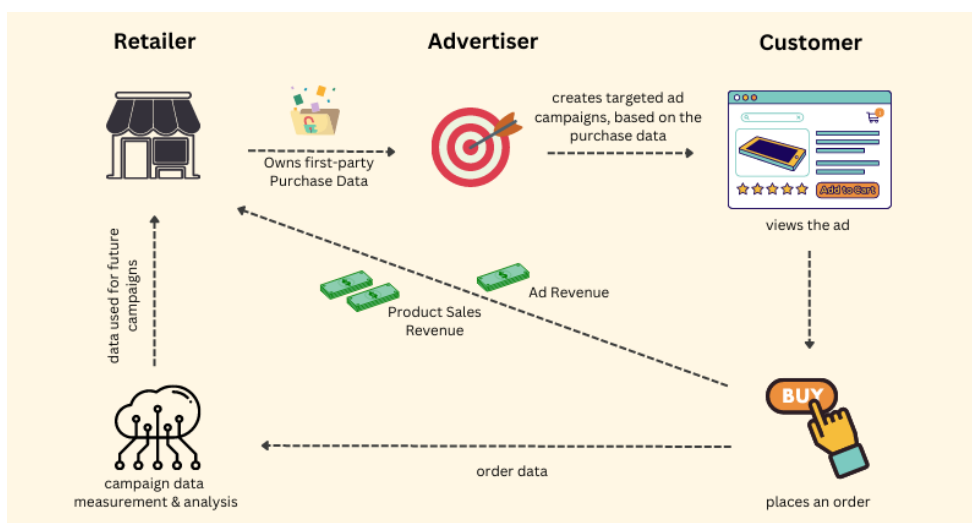


Figure 1: Retail Media Network: How it works

The depth and breadth of first-party data enables clear audience segmentation that is important to suppliers when making commercial investments. Over two-thirds of shoppers scan their loyalty cards in Australia<sup>93</sup> (Figure 2) giving retailers and suppliers access to invaluable intel for generating impactful advertising. For example, US grocer Kroger has reported 51% fewer impressions now required for the same sales impact by using first-party data to inform advertising decisions<sup>94</sup>.

Do you collect the following points?



Chart: Finder • Source: Finder Consumer Sentiment Tracker, July 2022 • [Embed](#)



Figure 2: The use of loyalty cards to grocery stores in Australia, 2022.

The level of detail that first-party data can provide allows advertising to be dynamic and targeted. If retailers go further and re-invest revenue from retail media into personalized

<sup>92</sup> [Retail Media Networks](#)

<sup>93</sup> [Supermarket statistics 2023](#)

<sup>94</sup> [Inside Kroger precision marketing's plans for retail media dominance](#)

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pricing and loyalty schemes these will drive sales uplifts and brand awareness<sup>95</sup>. First-party data is also helpful in connecting the dots between shopper behaviour online and offline. Leveraging this data in omnichannel marketing gives suppliers the opportunity to expand their audience reach and engage in all touchpoints. The dynamism this data unlocks makes retailers more agile and able to spend supplier's dollars more strategically.

*First party data is a powerful mechanism that retailers should use transparently with their customers to win share of media investment.*

### c. Utilising retailer physical and online real estate

Given the insights first-party data can provide on the omnichannel shopper, retailers are now looking at how they can access the shopper journey from sofa to store<sup>96</sup> (Figure 3).

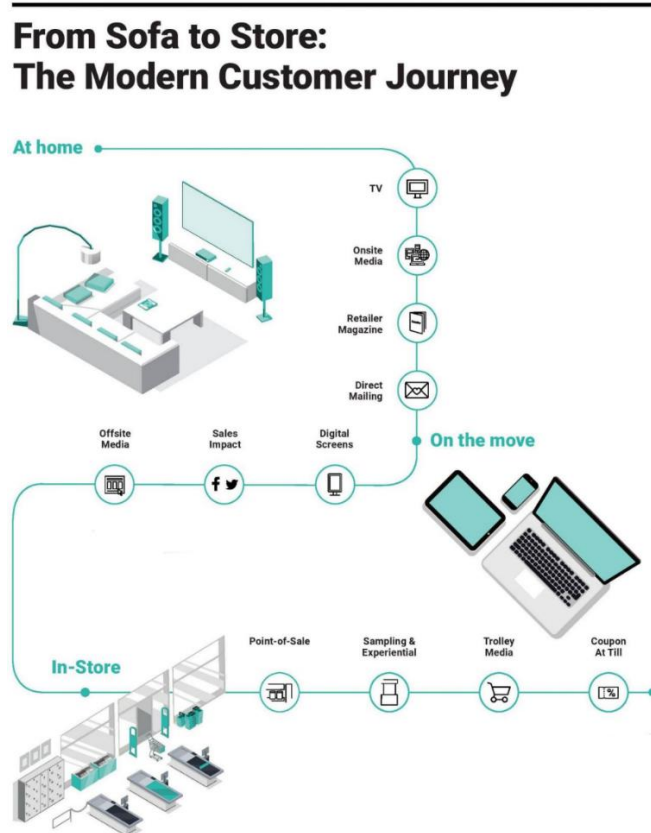


Figure 3: Examples of different touchpoints where retail media can be present along a shopper's journey.

<sup>95</sup> [First party data is the new FMCG retail battleground](#)

<sup>96</sup> [The power of personalisation for suppliers](#)

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Whilst expanding online and increasing out of home capabilities will help drive market share, the most significant competitive advantage retailers have over traditional agencies remains their physical store environment. As shoppers return to brick-and-mortar stores post covid (73% prefer instore shopping<sup>97</sup>) the significance of point-of-sale advertising strengthens. As this is a unique feature retailers can offer compared to traditional agencies, we will see suppliers continue to invest in retail media in order to access all available touchpoints.

As retailers then extend their media reach to online, digital, and out-of-home advertising this will be a significant contributor to their projected future growth. By retailers creating more opportunities to build creative, targeted pieces of shopper engagement, suppliers will seek to invest for better continuity across the journey.

Cartology are already making moves to expand their digital footprint with their Vicinity Centres partnership<sup>98</sup>. By increasing their digital presence across 5,300 screens Cartology will be able to reach over 400 million customers outside of their physical shop environment. This is a progressive development and one that will give Woolworths an edge when negotiating investment.

Unique omnichannel advertising packages offered by retailers is the biggest competitive advantage that puts traditional agencies at risk of being redundant as they cannot address the shopper at all touchpoints of their journey. This unique offering is set to disrupt the media industry, and shift trade and marketing wallets towards retail media.

### **Part 3: Treat your suppliers like real customers:**

- a. Don't punish suppliers for diversifying their investments

Whilst there are limitations to retail media reach and ROI evaluation, suppliers should continue to invest with both retailers and traditional media agencies. The changes required to take over 100% of media budgets would be complex and take several years and resources to get right. Retailers need to acknowledge these limitations and not punish suppliers for diversifying their investments for greater consumer reach.

In their study of advertising, Field and Binet suggest a balance of sales activation and brand building campaigns are essential for sustainable growth<sup>99</sup>(Figure 4). Retail media predominantly focuses on short-term sales uplift with limited capabilities to grow the top of the funnel<sup>100</sup> (Figure 5). Traditional media however, is responsible for the bigger, broader, brand-building campaigns. With thousands of different brands looking to invest media

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<sup>97</sup> [Back to the future as retailers reclaim bricks and mortar presence](#)

<sup>98</sup> [Cartology and Vicinity Centres partnership expand digital screen footprint](#)

<sup>99</sup> [The Greatest Hits of Binet and Field](#)

<sup>100</sup> [Building a marketing funnel that drives valuable action](#)



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spend with Coles and Woolworths, fixed rate cards are used to manage the demand. Rate cards however do not allow for differentiation, and this is a key priority for brands looking to distinguish themselves in the market and grow brand awareness.

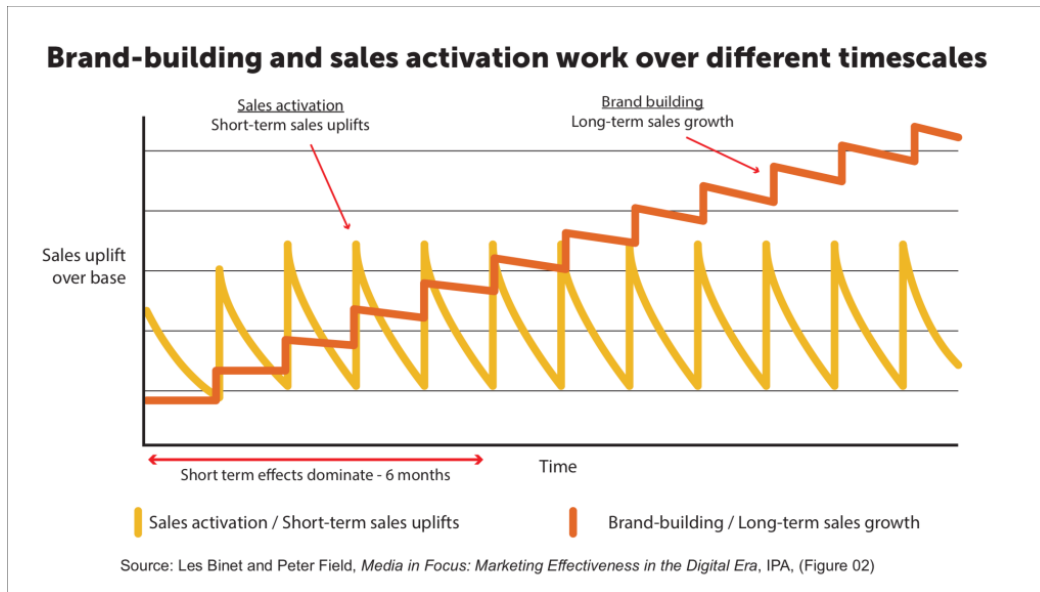


Figure 4: Field and Binet's study of sustainable brand growth.

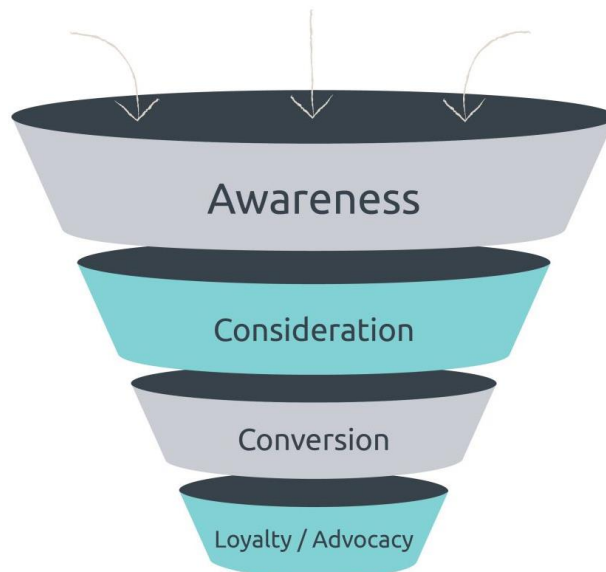


Figure 5: Four stages of a marketing funnel

Fundamentally Coles and Woolworths are grocery stores, not media agencies, so significant structural shifts would be required if the intention is to overthrow the entire media industry. What is more realistic is that suppliers engage retailers to maximise their short-term activation tactics and continue to work with traditional agencies on more unique, differentiating advertising.

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### b. Trust

If retailers are to win a share of trade and marketing wallets, they must build their retail media businesses upon a foundation of trust. The competitive tension for profit between suppliers and retailers is no secret; particularly since *that* Four Corners interview.

Behaviours that impact supplier trust include (but are not at all limited to); linking ranging opportunities or AGS results to a supplier's level of retail media investment, and limiting branding or retail investment opportunities because the supplier and retailer are currently in a disagreement about a different commercial issue.

As is often discussed, trust is the key to any strong relationship. The growth of retail media businesses will be limited if their success is underpinned by coercion rather than genuine, unbiased, value creation for both businesses.

### Conclusion

From starting out as small variety stores, Coles and Woolworths operate as a powerful duopoly in Australia and have demonstrated their ability to corner the market and concentrate their bottom line. With the expansion into retail media, they now threaten the future of traditional media agencies. If retailers improve performance measurement capabilities, leverage first-party data, and use their access to the omnichannel shopper to their advantage, we will see a significant proportion of media spend shift in favour of retail media. The true intention of this business model is being questioned however, so to win over marketing wallets retailers must first prioritise establishing trusting, transparent relationships with suppliers. How is trust maintained in an economic crisis? Well, that's something I'll explore in next year's essay.