

2024 Finalist Essay Combined



Joe Berry Award 2024 Final

Presentation #2

Topic: 1A Question: Retailer Media Supplier's Perspective

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Executive Summary

With 75% of shopping decisions made online, and 80% of retail purchases in physical stores, omnichannel marketing must now form part of a supplier's marketing strategy.²⁶ Retail Media Networks (RMNs) allow suppliers to reach consumers in an omnichannel world, with two types of advertising available:

- a) On-network: branded advertising on a connected set of retailer-owned media, including online (e.g. sponsored ads on retailer apps) and in-store (e.g. POS)
- b) Off-network: targeted ads served programmatically around the web, leveraging retailer data but served through third-party publisher partnerships like Meta and YouTube.²⁷

Spending on RMNs in Australia is forecast to grow to \$2.1 billion by 2026, with a CAGR of 20% over the next five years (*Figure 1*).²⁸ The latest results from two major Australian RMNs, Woolworth's Cartology and Coles360, support this trend, with both reporting growth above 25% YOY,²⁹ and both increasing media inventory.³⁰ Interestingly, BCG estimates on-network gross margins to be 70-90%, with off-network margins between 20-40%.³¹ With retailers under growing pressure to manage pricing to consumers from their core business, growth in retailer media will help improve profitability for the major supermarkets.

Growth in RMNs is not just being fueled by growing inventory though, but also demand from advertisers. A recent Interactive Advertising Bureau (IAB) Australia survey of stakeholders involved in advertising spend revealed that 81% of respondents had used retail media, while a further 11% had plans to use it.³² This is reflective of several advantages, including access to first-party shopper data for better targeting and personalisation, focus on bottom-of-funnel sales conversions, and opportunities for collaboration between suppliers and retailers.

However, while RMNs are considered the 'next big wave in digital advertising',³³ suppliers must navigate several challenges: privacy concerns, access to timely and measurable results, ability to target the top of the marketing funnel and cannibalisation of marketing

²⁶ Coles360 Shopfully Brand Amplification 28 September 2023

²⁷ Circana: Retail Media Networks to replace cookies to help retail sector drive online growth in *Invigorate PR*. 17 August 2023, viewed 24 February 2024, <https://prwire.com.au/pr/110593/circana-retail-media-networks-to-replace-cookies-to-help-retail-sector-drive-online-growth>

²⁸ C Pash, PwC drops its annual media forecasts in the face of scandal' in *AdNews*. 28 June 2023, viewed 18 February 2024, <https://www.adnews.com.au/news/pwc-drops-its-annual-media-forecasts-in-the-face-of-scandal>

²⁹ D Song, 'Woolworths, Coles retail media earnings soar' in *Mumbrella*. 23 August 2023, viewed 18 February 2024, <https://mumbrella.com.au/woolworths-coles-retail-media-earnings-soar-798140>

³⁰ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 34

³¹ L Wiener, L Kelman, K Hungerson, and M Abraham, 'How Retail Media Is Reshaping Retail' in BCG. 28 March 2022, Viewed 17 February 2024, <https://www.bcg.com/publications/2022/how-media-is-shaping-retail>

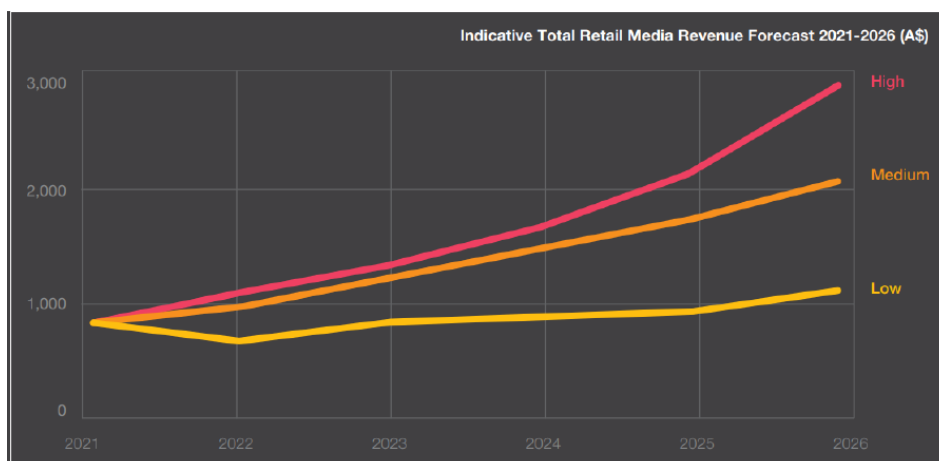
³² IAB Retail Media Industry Survey 2023 n=117

³³ J Myers, 'Future of retail media: disrupting the consumer purchase funnel' in *Mumbrella*. 27 April 2022, Viewed 24 February 2024, <https://mumbrella.com.au/future-of-retail-media-disrupting-the-consumer-purchase-funnel-734484>

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spend. This essay will explore these benefits and challenges, looking at opportunities for improvement and taking learnings from overseas markets where RMNs are more established.

Figure 1:



Privacy vs. performance

Undoubtedly, a key benefit of retailer advertising is access to first-party data, with half of advertisers seeing it as the top opportunity when partnering with RMNs.³⁴ Retailer advertising uses first-party data to measure campaign performance by matching ad exposure data to retailer purchase data to help demonstrate Return On Investment (ROI) – also known as closed-loop attribution.³⁵ The looming death of third-party cookies will make it more challenging for traditional media agencies to demonstrate campaign performance,³⁶ and so 6 in 10 advertisers see retail media as a critical component of advertising strategy moving forward.³⁷

Through the ability to create bespoke customer segmentation and analyse buying behaviour, RMNs can deliver brands a highly targeted audience and deliver consumers more personalised offers to help strengthen relationships, entice them into stores and increase dollars per order.³⁸ In *Figure 2*, Cartology promotes looking 'at over 100 data points of individual purchasing behaviour to capture and incentivize members',³⁹ (which is both sophisticated and slightly unnerving), while Coles 360 GM Paul Brooks sees first-

³⁴ A Leathwood, *op cit*.

³⁵ B Tatta, 'How retail Media networks are applying first-party data to connective TV' in *Operative*. Viewed 24 February 2024, <https://www.operative.com/resources/how-retail-media-networks-are-applying-first-party-data-to-connected-tv/#:~:text=Closed%2Dloop%20attribution%3A%20in%20addition,to%20optimize%20campaigns%20going%20forward.>

³⁶ M Brodherson, T Chen, J Flugstad and Q George, 'Commerce media: The new force transforming advertising' in *Mckinsey & Company*. 05 July 2022, viewed 18 February 2024, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/commerce-media-the-new-force-transforming-advertising>

³⁷ IAB Retail Media Industry Survey 2023 n=117

³⁸ Circana 2023 FMCG Outlook Pt 1: Winning in the new age of customer experience

³⁹ Woolworths Group, Member engagement with Cartology Everyday, October 2023

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party data as the growth driver for RMNs.⁴⁰ And no wonder, when 9 in 10 online shoppers are signed up for at least one rewards program⁴¹ and 1 in 2 have an Everyday Rewards Card.⁴² Walmart has even started selling shopper behaviour insights to suppliers.⁴³

Sounds like a win for retailers, consumers, and suppliers. Perhaps not, with concerns over data privacy. Over 50% of Australian online shoppers are somewhat or very concerned about retailers' use of data from their transactions and loyalty cards.⁴⁴ According to a global Epsilon survey brands and retailers, data leakage and privacy risk was the top barrier to RMN adoption for brands.⁴⁵ And with 81% of retailers experiencing a rise in customer acquisition costs⁴⁶, these costs will be shared with suppliers to improve ROI of loyalty schemes.⁴⁷

However, there are good results to be had when brands and retailers collaborate and share data. A case study for this is the 2022 Bat.Bowl.Dettol campaign where Reckitt partnered with Cartology and Cricket Australia for an omichannel activation that leveraged customer insights to increase total Dettol sales by 200%.⁴⁸

Ultimately, suppliers will need to weigh up the cost-benefit of first-party data depending on their marketing strategy, leading to our next topic.

Figure 2:

Targeted Offers underpinned by **exclusive first party data**

Our sophisticated predictive modelling looks at over 100 data points of individual purchasing behaviour to capture and incentivise the **right members**, at the **right time** in the **right way**.



⁴⁰ B Coyne, "Nail CX, growth follows" – Coles 360 bids to reel in Cartology by lifting Tesco template, Ocado fulfilment model will 'double advertising opportunity', but FMCGs must align trade and marketing to win' in *Mi3*. 01 March 2023, viewed 17 February 2024, <https://www.mi-3.com.au/01-03-2023/nail-cx-growth-follows-coles-360-bids-reel-cartology-lifting-tesco-template-ocado-0>

⁴¹ IAB Australia and Pureprofile Australian Ecommerce Report August 2022 (n=1,000 per wave)

⁴² Woolworths Group Cartology Introduction 2023

⁴³ S Eikelmann, Dr. M Schlemmer, J Langkammer, 'The ROI of customer data in retail; 'Highway to hell' or 'stairway to heaven' in PWC Strategy&. 27 April 2023, viewed 18 February 2024, <https://www.strategyand.pwc.com/de/en/industries/consumer-markets/roi-of-customer-data.html>

⁴⁴ IAB Australia and Pureprofile Australian Ecommerce Report August 2022 (n=1,000 per wave)

⁴⁵ Epsilon The State of Retail Media Survey 2023 n = 689

⁴⁶ N Jolly, 'Retailers need data, but shoppers have privacy concerns: Deloitte' in *Mumbrella*. 18 September 2023, viewed 17 February 2024, <https://mumbrella.com.au/retailers-need-data-but-shoppers-have-privacy-concerns-deloitte-800554>

⁴⁷ B Coyne & S Buckingham-Jones, *Retailer Media Next*, *Mi3*, 2023, page 71

⁴⁸ J Koning, Omnichannel, the new retail media frontier: Reckitt's Dettol sales surge 200%, showing FMCG marketers how to clean up; while marketing teams structure for e-commerce in *Mi3*. 29 March 2022, Viewed 18 February 2024, <https://www.mi-3.com.au/28-03-2022/omnichannel-new-retail-media-frontier-reckitts-dettol-sales-surge-200-showing-fmcg>

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Funnel Vision

According to IAB, almost nine in ten advertisers are using retail media for lower-funnel sales conversion objectives,⁴⁹ while a study from digital measurement platform DoubleVerify revealed 37% of brands and agencies used RMNs to reach consumers at the point-of-purchase.⁵⁰

However, several industry voices caution against using retailer media at the expense of upper-funnel, awareness-driving tactics. While Yash Gandhi, CMO of Baiada, acknowledges that retailer media can help to drive trial, he warns that investment into brand building is critical, particularly for commoditised categories competing with private label alternatives.⁵¹ Similarly, for PepsiCo, which has brands with higher penetration, mass-reach channels are more critical than niche consumer targeting.⁵²

Professor John Dawes, of the Ehrenberg-Bass Institute, agrees.⁵³ He argues that while RMNs are growing, they are low-reach.⁵⁴ Investing in short-term conversion tactics will inevitably mean targeting existing category buyers rather than all potential buyers and will come at the expense of building long-term mental availability in high-reach channels, which is critical to brand growth.⁵⁵

On the other hand, US Media Ecologist Jack Myers is predicting the 'collapse of the funnel', suggesting advertising for awareness is less relevant in a world where consumers are moving through the funnel faster than ever before, and where RMN's are well placed to reach customers pre, during and post shop.⁵⁶ Cartology, for example, is already marketing itself as a complete funnel solution.⁵⁷

An area to watch will be off-network advertising, a large part of Amazon's RMN overseas. Australian RMNs see off-network as the next wave of growth, evidenced by Cartology's acquisition of Shopper Media and Coles 360's partnership with Meta and Zitcha in 2023.⁵⁸ Integrating retailer data with BVOD programmatic advertising can help shift retail media up

⁴⁹ IAB Retail Media Industry Survey 2023 n=117

⁵⁰ DoubleVerify 'The Rise of Retail Media: What to expect in 2024' Survey 2023, n = 401

⁵¹ 'Steggles and Lilydale CMO: The funnel is not collapsing, brand investment trumps everything' in *Mi3*. 22 March 2023, viewed 18 February 2024, <https://www.mi-3.com.au/22-03-2023/steggles-and-lilydale-cmo-funnel-not-collapsing-brand-investment-trumps-everything>

⁵² B Coyne, 'Pepsico CMO: Australia has 'long runway' before big marketing bucks shift to retailer media – but agencies, publishers must prepare for disruption' in *Mi3*. 28 February 2023, viewed 18 February 2024, <https://www.mi-3.com.au/28-02-2023/pepsico-cmo-australia-has-long-runway-big-marketing-bucks-shift-retailer-media-agencies>

⁵³ School of Marketing at the University of South Australia

⁵⁴ K Racovolis, 'The not-so-secret rise and rise of retail media network' in *The Australian Business Review*. 07 march 2023, viewed 20 February 2024, <https://www.theaustralian.com.au/business/growth-agenda/the-not-so-secret-rise-of-retail-media-networks/news-story/dbf61d774c18aea3c07d06fd68fb9922>

⁵⁵ Ibid.

⁵⁶ B Coyne, 'The revenue declines at Snap, Twitter, Facebook, even YouTube are down to retailer media' - who's next?' in *Mi3*. 30 May 2023, viewed 25 February 2024, <https://www.mi-3.com.au/30-05-2023/revenue-declines-at-Snap-Twitter-Facebook-YouTube-due-to-retailer%20media-whos-next>

⁵⁷ Woolworths Group, Member engagement with Cartology Everyday, October 2023

⁵⁸ Mediaweek, 'Coles 360 partners with Meta and Zitcha to integrate Managed Partner Ads' in Mediaweek. 15 November 2023, viewed 25 February 2024, <https://www.mediaweek.com.au/coles-partners-with-meta-and-zitcha-to-integrate-mpa/>

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the funnel and improve its effectiveness as a marketing channel, as long as retailers can demonstrate accurate audience targeting further away from the point of purchase.⁵⁹ Interestingly, 26% of respondents in the IAB survey said they had not used off-network retail media but were planning to.⁶⁰

Suppliers will need to evaluate whether retailer media will help deliver against marketing objectives and Key Performance Indicators (KPIs), whether it be upper or lower funnel. This requires retailers to share clear benchmarks and post-campaign results, leading into the next discussion area.

The data dilemma

While access to first-party data is a benefit of retail media, a lack of data sharing and limited reporting of key success metrics are key pain points to using RMNs.⁶¹ The Epsilon survey reported that total sales and return on ad spend (ROAS) are the top metrics for retail media campaigns.⁶² Brands ranked RMN quality and performance as the top two factors when determining where to spend, with transparent and timely campaign reporting considered an essential RMN capability.⁶³

According to IAB, only 6 in 10 rated their experience with RMNs as good or very good, highlighting opportunities for improvement around proof of ad effectiveness.⁶⁴ Looking to the US, where RMNs are further advanced, only 6% fully trust retailers' reported media metrics,⁶⁵ and advertisers felt that search, email and social media all delivered better-perceived returns than retail media (*figure 3*).⁶⁶ Interestingly, most US RMNs receive a low Net Promoter Score (NPS), something not currently measured in Australia but worth considering as things evolve.⁶⁷

⁵⁹ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 61

⁶⁰ IAB Retail Media Industry Survey 2023 n=117

⁶¹ M Brodherson, J Flugstad, Q George, and J Trotter, 'Six secrets of unleashing the power of retail media' in *Mckinsey & Company*. 18 May 2023, viewed 24 February 2024, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/six-secrets-of-unleashing-the-power-of-retail-media>

⁶² Epsilon The State of Retail Media Survey 2023 n = 689

⁶³ Ibid.

⁶⁴ IAB Retail Media Industry Survey 2023 n=117

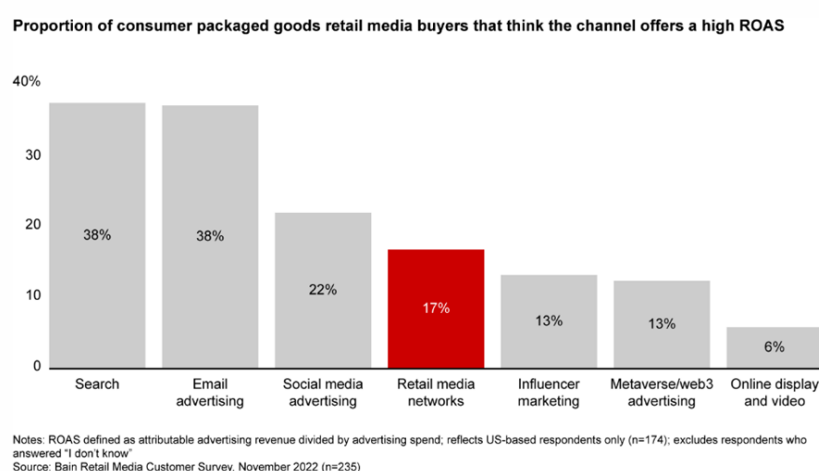
⁶⁵ S Mewborn, J Livesey, R Zöhrer, and N Alford, 'No More Easy Money on the Side: Retail Media Enters the Performance Era' in *Bain & Company*. 13 December 2023, viewed 24 February 2024, <https://www.bain.com/insights/no-more-easy-money-on-the-side-retail-media-enters-the-performance-era/>

⁶⁶ Ibid.

⁶⁷ Ibid.

Figure 3

Advertisers think retail media is lagging more mature channels on the key measure of return on ad spend (ROAS)



Brooks argues that closed-loop reporting is an advantage of RMNs over traditional agencies, but he acknowledges reporting and analytics as an area for improvement if they are going to be held to the same standards as traditional media agencies, with Coles360 recently partnering with IRI to bolster measurement.⁶⁸

RMNs could gain a greater share of ad dollars by improving post-campaign reporting, with 95% of US advertisers willing to pay more than a 10% premium for timely reporting and measurement accuracy.⁶⁹ One approach is for brands to invest in marketing mix modelling (MMM) to understand what tactics are delivering the best ROI; PepsiCo has done this in the US, with PepsiCo and Nestle initiating this locally.⁷⁰ Another is for brands to leverage traditional media agencies, which will be covered in the next section of this essay.

As spending increases for retailer media, costs will also increase for suppliers. And with marketing budgets under pressure to show a ROI, RMNs will need to collaborate with suppliers to understand their reporting needs and embrace third-party verification to help build trust and transparency.⁷¹

Budget Tension

Regarding budgets, the final consideration is where RMN investment should come from: marketing or sales budgets. Traditionally, these budgets have sat separately. However, when suppliers invest in off-network advertising to drive the upper funnel, where should spending sit? Jacobs Douwe Egberts (JDE), for example, considers retailer media as

⁶⁸ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 24

⁶⁹ M Brodherson, J Flugstad, Q George, and J Trotter, 'Six secrets of unleashing the power of retail media' in *Mckinsey & Company*. 18 May 2023, viewed 24 February 2024, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/six-secrets-of-unleashing-the-power-of-retail-media>

⁷⁰ B Coyne, PepsiCo CMO: Australia has 'long runway' before big marketing bucks shift to retailer media – but agencies, publishers must prepare for disruption' in *Mi3*. 28 February 2023, viewed 25 February 2024, <https://www.mi-3.com.au/28-02-2023/pepsico-cmo-australia-has-long-runway-big-marketing-bucks-shift-retailer-media-agencies>

⁷¹ DoubleVerify 'The Rise of Retail Media: What to expect in 2024' Survey 2023, n = 401

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marketing spend, because it is 'bought as media'.⁷² In fact, most advertisers consider RMNs to be part of holistic media mix planning.⁷³ Though for some FMCGs, like Nestle, retailer media sits separately from marketing, but marketing remains part of the retailer conversations around measurement and effectiveness.⁷⁴

According to Bradley Moran, founder of CitrusAd, retailer media is attractive to retailers because it allows them to tap into marketing and trade spend.⁷⁵ For Coles 360, 99% of revenue is from trade budgets. However, they are expanding into areas like recipe inspiration to tap into marketing budgets and drive incremental growth.⁷⁶

And incrementality is likely: according to IAB, 31% of RMN spending comes from new budgets.⁷⁷ Where spend is coming from existing budgets, it is shifting from trade and advertising budgets (*figure 4*).⁷⁸ Morgan Stanley predicts RMNs will steal 40% of traditional media budgets by 2027.⁷⁹ However, Aaron Wall, Marketing Manager at JDE, acknowledges that 'taking marketing budget away from marketers...can get a little bit heated'.⁸⁰

To tackle the debate, Goodman Fielder, as an example, combined trade-marketing and media marketing budgets and handed the spend to their media agency, Initiative, to manage. CMO Christine Fung, who follows Ehrenberg Bass principles, notes that traditional media agencies could help avoid duplication of reach across the two budgets, with a centralised budget driving accountability for advertising dollars.⁸¹ With expertise in managing publishers, and with access to measurement tools and data, media agencies could be well-placed help clients develop through-the-line media strategy and negotiate retail media costs.

However, Initiative has acknowledged that understanding trade rules and navigating non-standardised offers from RMNs has been challenging.⁸² The IAB survey revealed the top barrier to RMN adoption was RMN's not integrating with other technology,⁸³ interestingly differing from the Epsilon survey results noted earlier where the top barrier to adoption was

⁷² B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 37

⁷³ IAB 'Retail Media Industry' Survey 2023 n=117

⁷⁴ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 33

⁷⁵ B Howarth, 'What's driving the rise and rise of retail media' in *CMO*. 07 July 2022, viewed 26 February 2023, <https://www.cmo.com.au/article/699598/what-driving-rise-rise-retail-media/?pp=2>

⁷⁶ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 24

⁷⁷ IAB Retail Media Industry Survey 2023 n=117

⁷⁸ *Ibid.*

⁷⁹ K Welch, " 'We're cracking into multibillion dollar opportunity': Australian retail media gearing up for a big 2024' in *Mumbrella*. 20 December 2023, viewed 26 February 2024, <https://mumbrella.com.au/were-cracking-into-multibillion-dollar-opportunity-australian-retail-media-gearing-up-for-a-big-2024-810846>

⁸⁰ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 47

⁸¹ B Coyne, 'Goodman Fielder breaks ranks, hands trade marketing budgets to Initiative; CMO says retailer media 'a significant opportunity for agencies'; Initiative plots dedicated retailer division' in *Mi3*. 11 April 2023, viewed on 25 February 2024, <https://www.mi-3.com.au/11-04-2023/goodman-fielder-breaks-ranks-hands-trade-marketing-budgets-initiative-cmo-says-retailer>

⁸² *Ibid.*

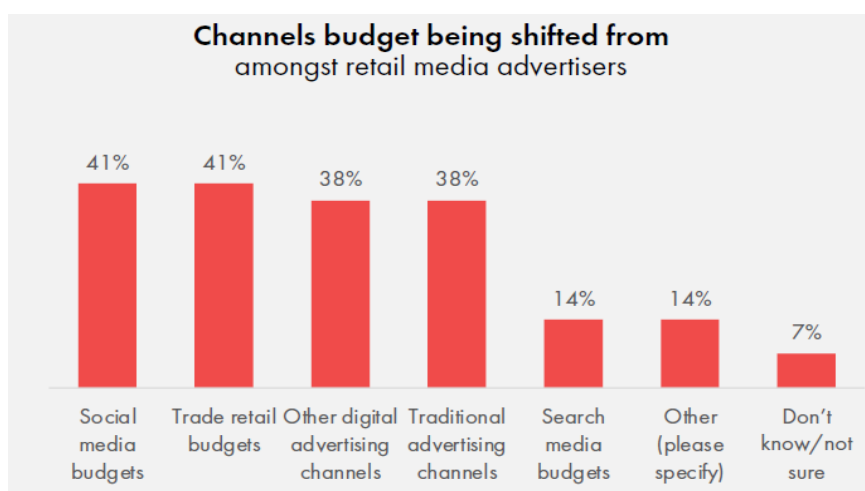
⁸³ IAB Retail Media Industry Survey 2023 n=117

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privacy. Currently, there are no centralised ways to programmatically buy cross-retailer other than CitrusAd for e-commerce, leaving a gap for aggregators to play in this space.

While there could be some tension around budgets, this also creates an opportunity for better collaboration between marketing, sales, retailers and agencies. Nestle notes that the growth of retailer media has led to the development of new tools and ways of working between marketing and sales, with each team clear on its role in communications through the end-to-end customer journey.⁸⁴ Some businesses, like Reckitt, have even set up omnichannel teams. And according to Epsilon, 80% of retailers and brands feel that RMNs are essential for improving collaboration.⁸⁵

Figure 4



Conclusion:

As the cost of doing business increases, and consumers become savvier, the key challenge for suppliers is being able to reach consumers throughout the path-to-purchase in a cost-effective, measurable way. Retailer media is one solution to reach omnichannel shoppers, however this should be weighed up against other traditional channels as part of a brands' overall strategy, regardless of whether the budget sits with sales or marketing. This will avoid duplication of spend and reach, maximising ROI and encouraging cross-functional collaboration. Suppliers will also need to partner with retailers to extract meaningful insights, or ensure rigor in reporting, such as using third parties, to understand whether the channel warrants the additional investment retailers will be striving for.

⁸⁴ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 33

⁸⁵ Epsilon The State of Retail Media Survey 2023 n = 689