

Retail media's momentous moment

March 2025



Why retail
media is
having a
moment

But will it
help you
sell more
stuff?

Bothism
matters
more than
ever

Q&A

Why retail media is having a moment

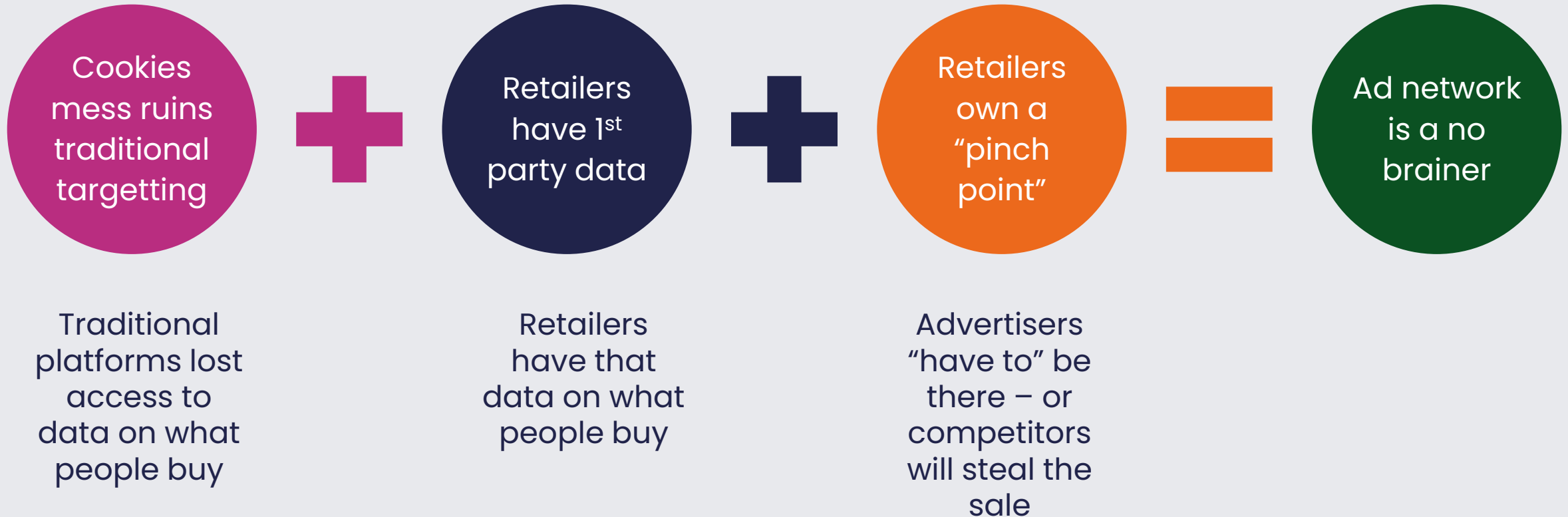


“A very specific moment in time in which
the digital advertising landscape
convulses in a state of momentous
change”

Eric Seufert, Mobile Dev Memo

If you're a retailer in 2025, selling ads is a no brainer

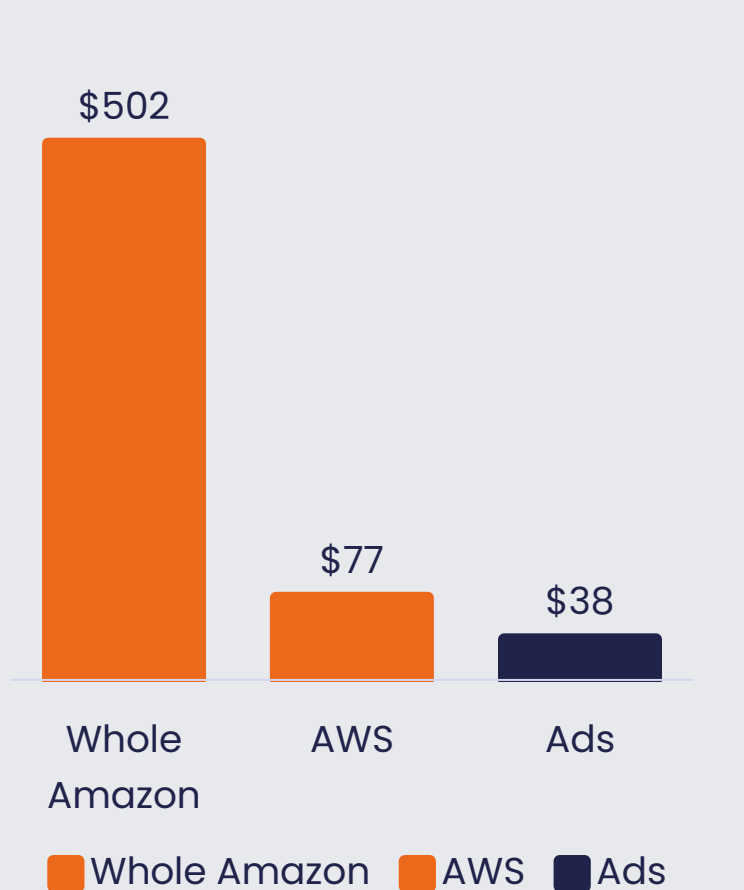
Because of this, every search page on the internet with decent traffic is now being monetised



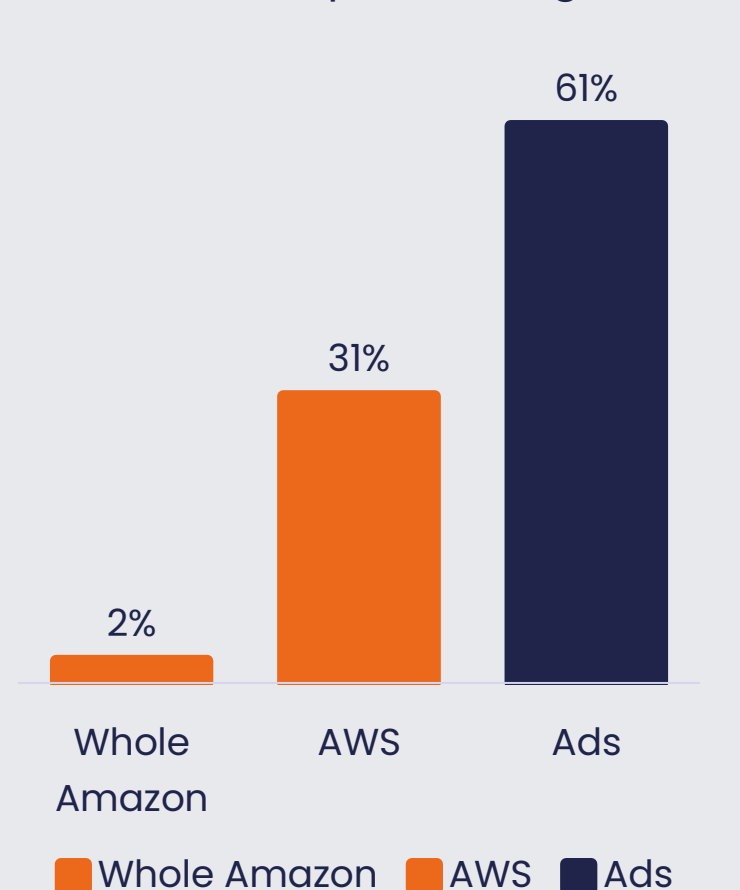
It's very profitable indeed

And doesn't need a lot of expensive capital to get up and running

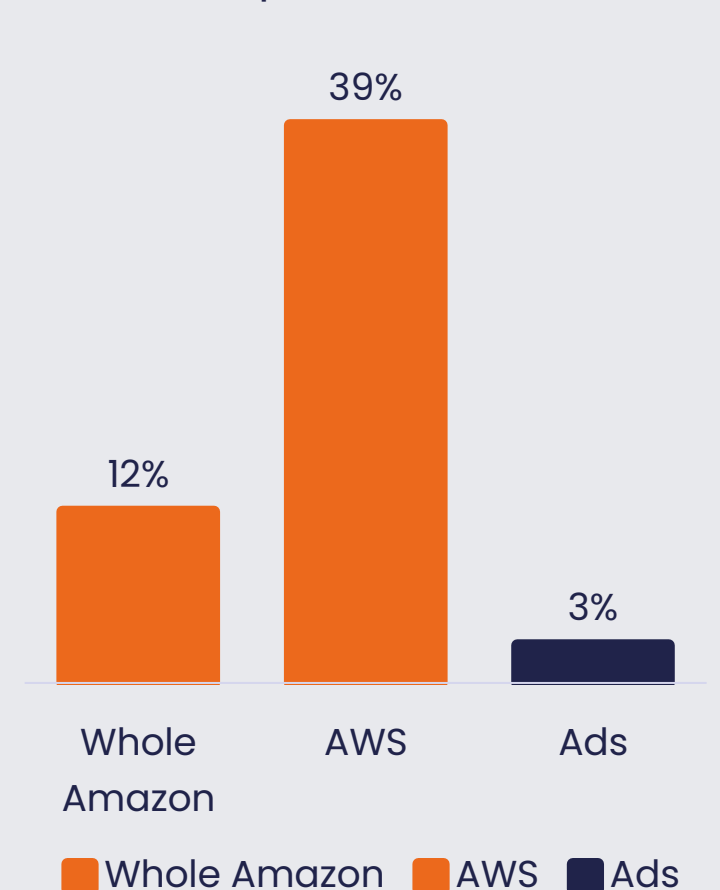
Amazon revenue (\$,bn)



Amazon's profit margin



CAPEX per \$bn revenue



Source: Amazon in 2022, profit is EBIT, Estimates by Benedict Evans



“ ”

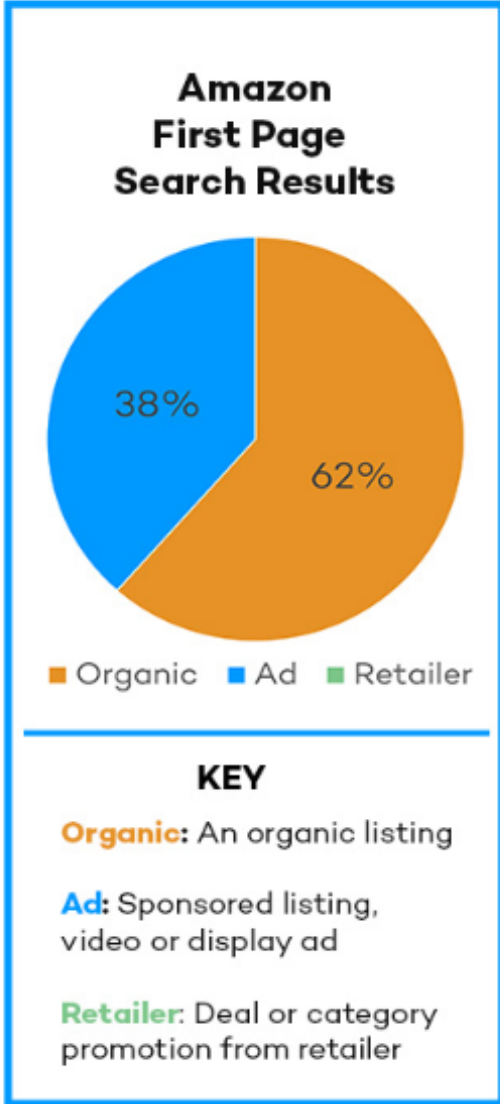
We have a good value product. Exactly what Amazon say that want to deliver to their customers.

But that's not enough now. We've got to spend about 20% of the retail price on ads there.

You spend any less, you see sales drop off.

Director at an Amazon reseller

Filters Free Shipping by Amazon Get it by Tomorrow ★★★★★ & Up Brands Top Brands in Pet S... Price Deals & Discounts Material Color Theme Flavor 10,000+ results Sort by Featured



70% of the important bit at the top of the page is now ads – so you have to pay if you want access to customers

My case study is not an isolated example

Amazon is extremely powerful

50%

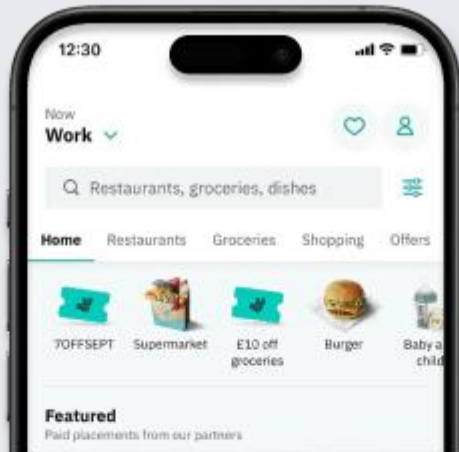
of all product searches
online go through
Amazon

70%

of top of search page is
now space you have to
pay for

50%

of Amazon sellers'
revenue goes straight to
Amazon



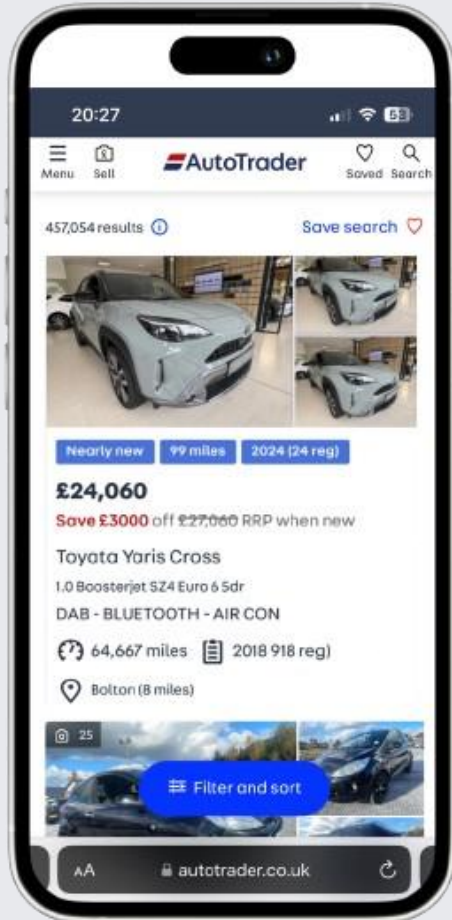
“ ”

We helped build Deliveroo. In its early years, we were one of the reasons people came to it

Now, with fewer people eating out, we need the money from delivery

They're charging us millions for a package we used to get for free.

Head of media for food & beverages company



“ Autotrader has 75% of car search time in the UK. So, we have to advertise there, and we have to accept their terms. ”

This year we will absorb an 8% price increase for the same package we bought in 2024

Head of performance at car dealership



The three reasons why retail is having a moment

Not all of them bode well for marketers

01:

It allows you to continue to target customers using powerful 1st party data

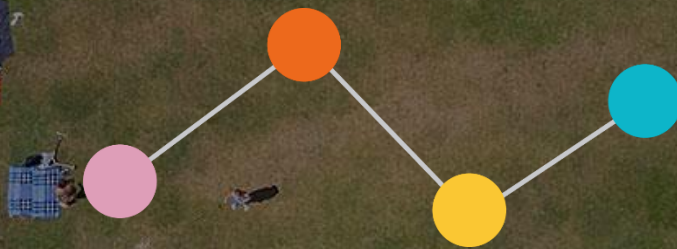
02:

It's very profitable for retailers, so if they can monetise their search page they will

03:

Advertisers need customers to flow through these pages and buy... So, retailers can raise prices, a lot

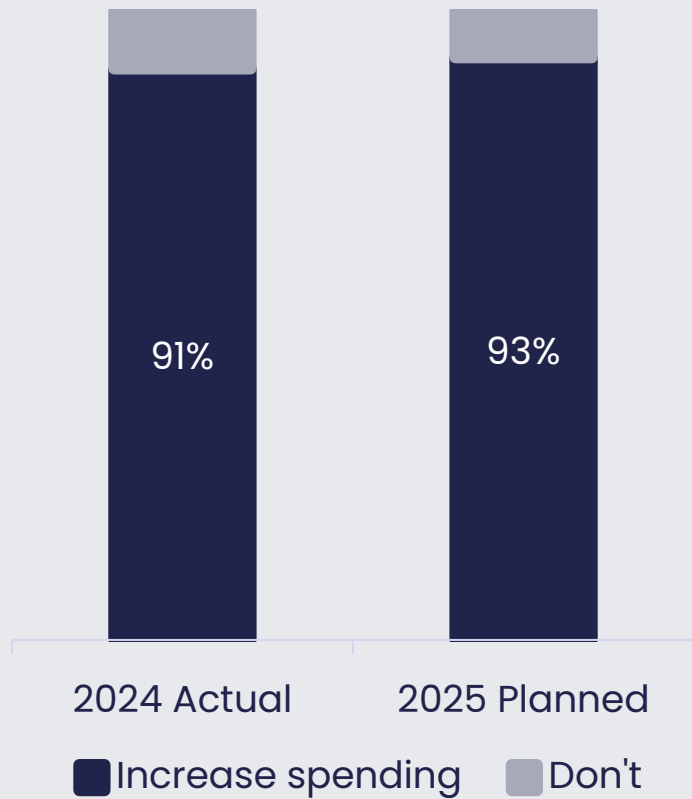
Will it help you sell more stuff?



Fast growth in retail media will continue

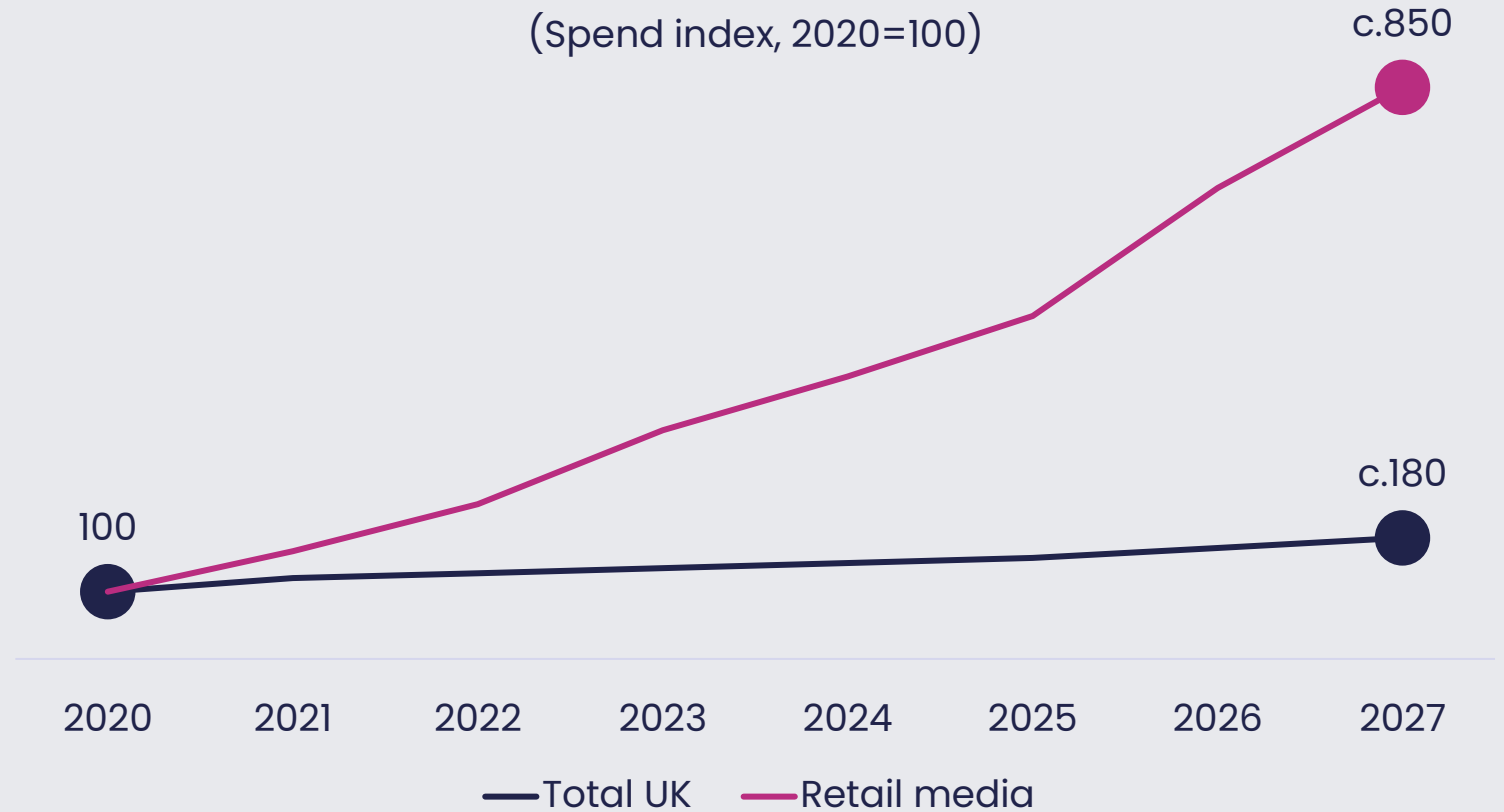
All the data, and all the clever analysts agree

Everyone is increasing spend



Analysts forecast that retail growth will massively outstrip general adspend

(Spend index, 2020=100)

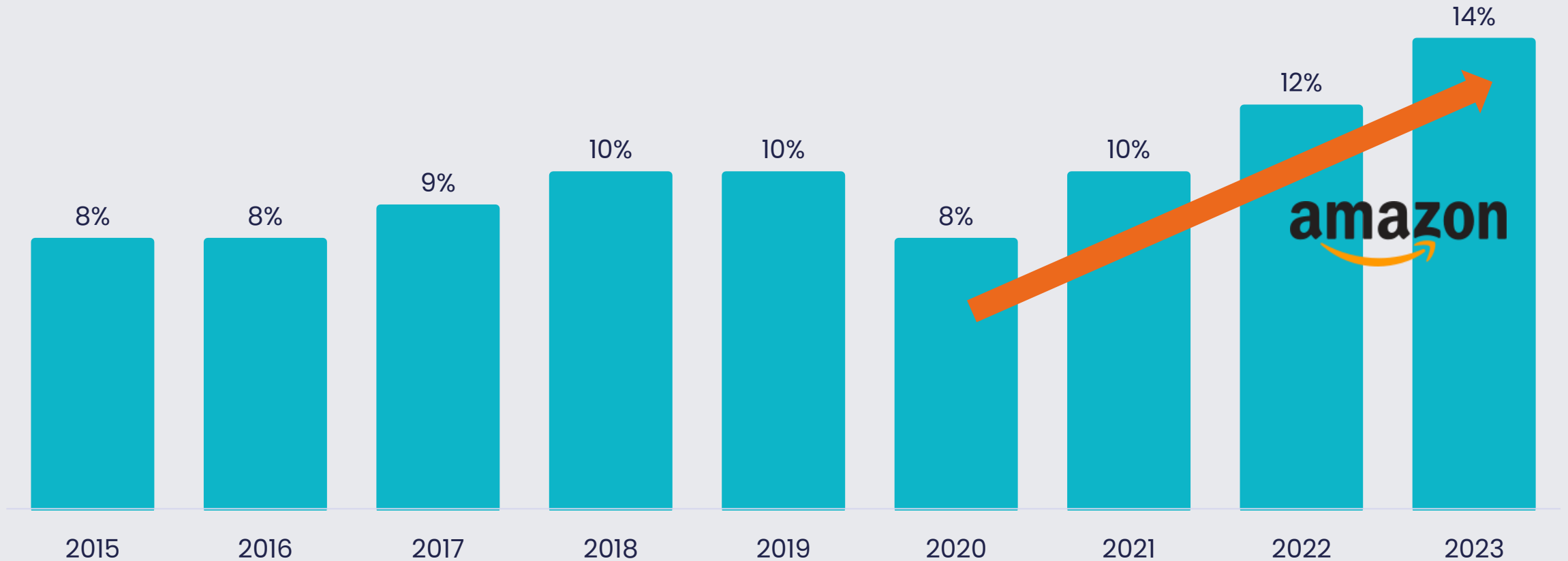


Source: Left, Survey by Winterberry. Right, Enders Analysis based on AA/WARC, Insider intelligence, eMarketer

The evidence shows it doesn't add to sales

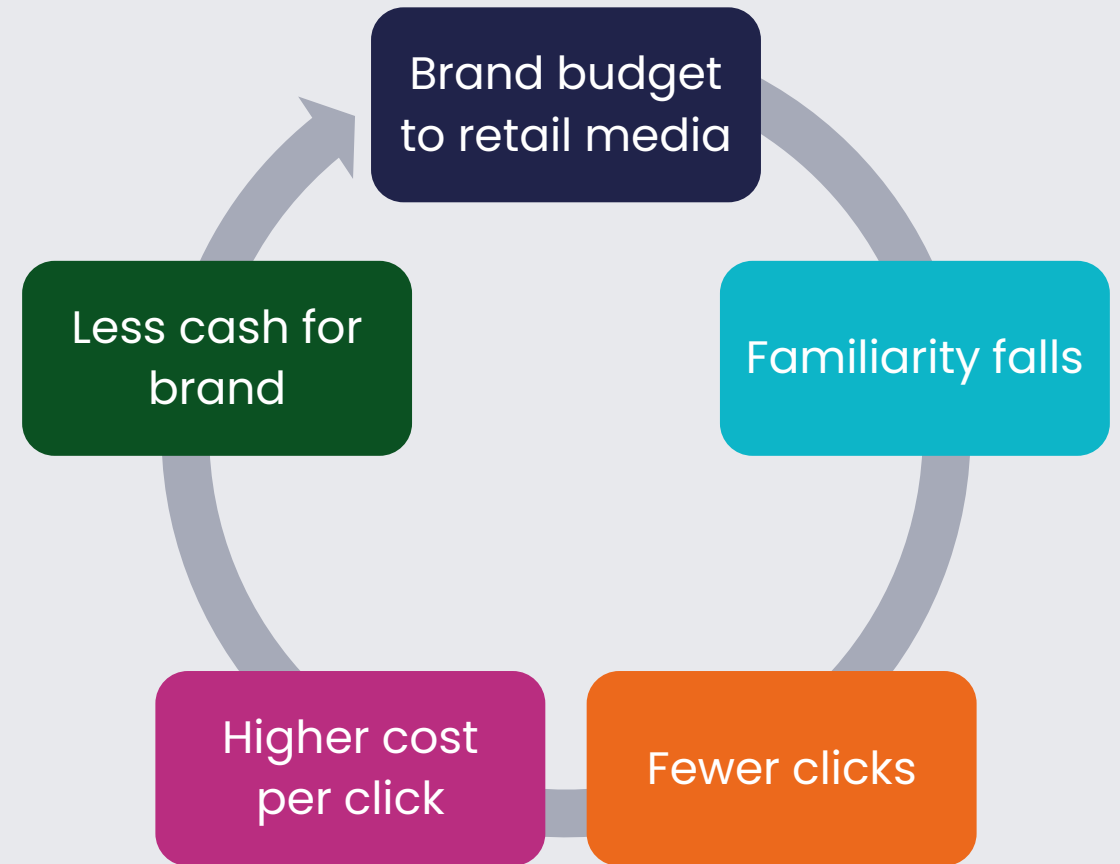
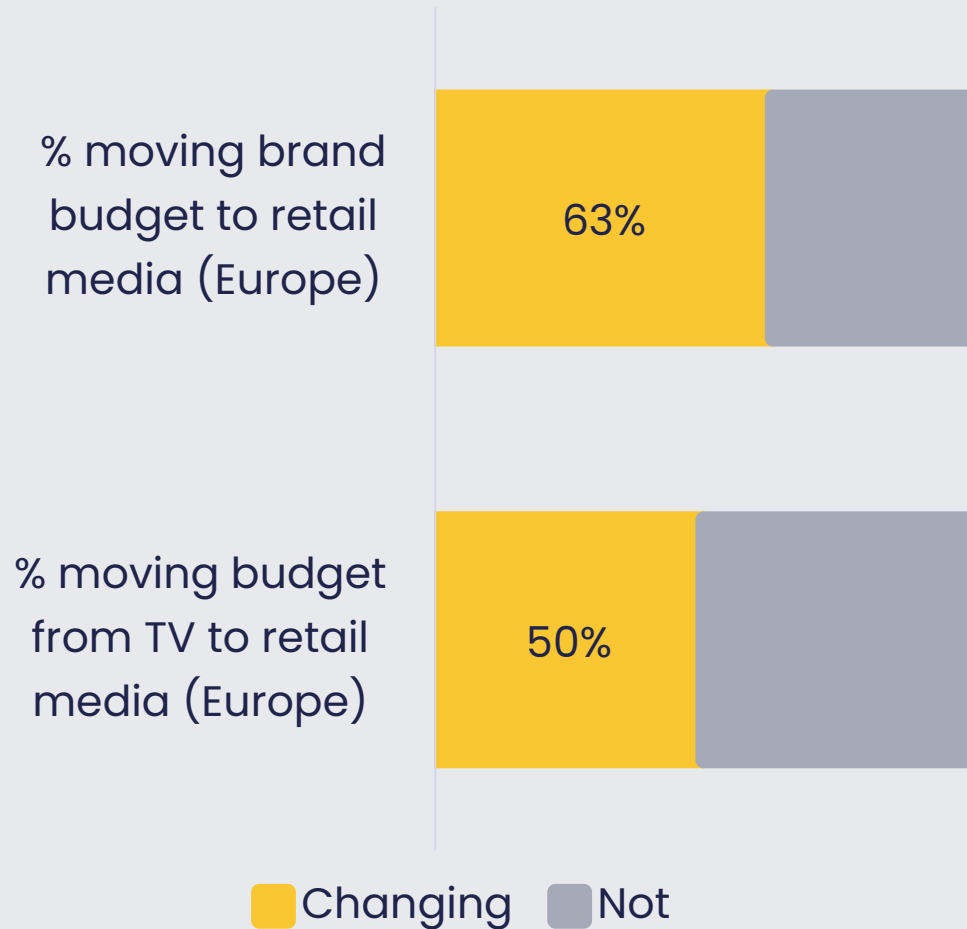
If it did, this chart wouldn't be increasing

Investment in search or retail media as % of UK ecommerce revenues



Part of the reason is that there's an opportunity cost

Advertisers are moving money out of brand/TV and that's costly



It's also that we're using measurement that's straight up wrong

Attribution overstates the effect of ads in high intent environments by c.3x

Offline 'touchpoints' not included



Online touchpoints only partly included



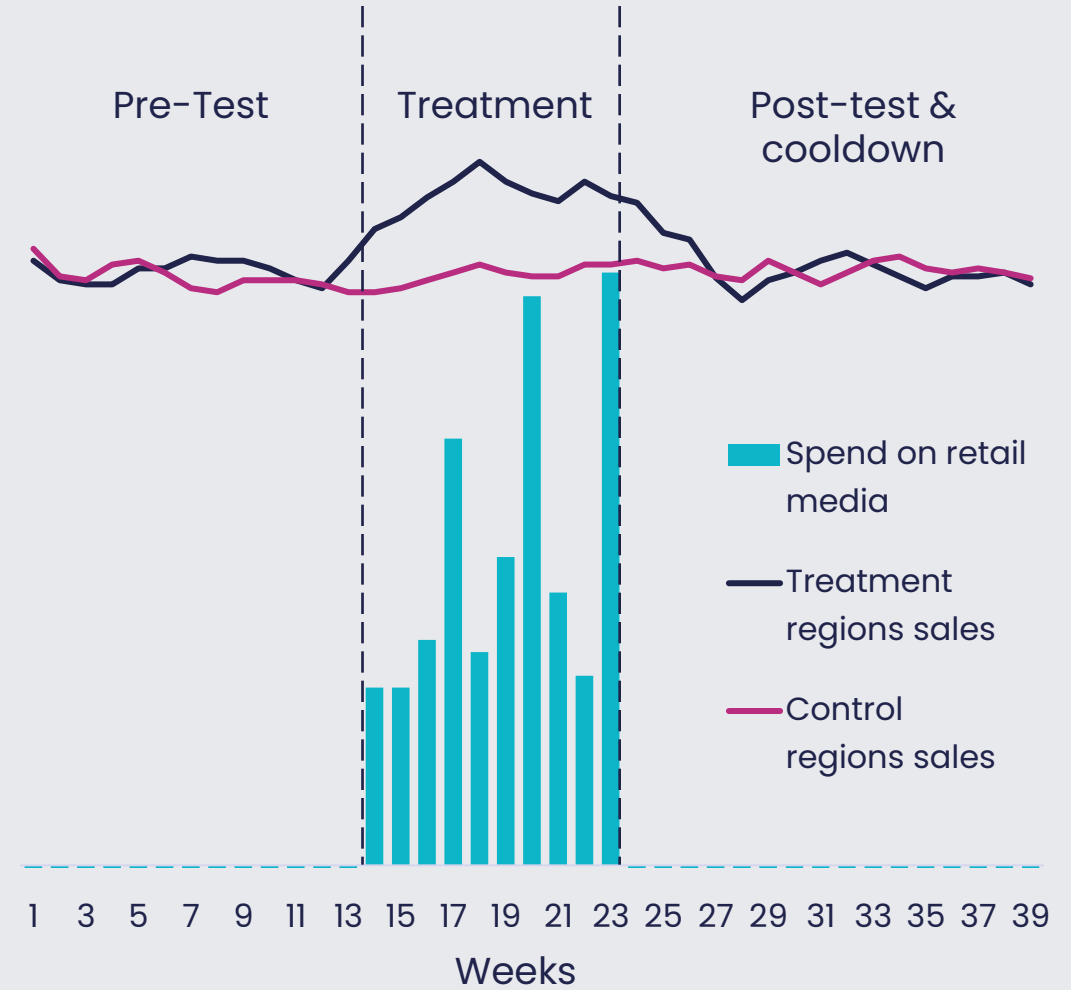
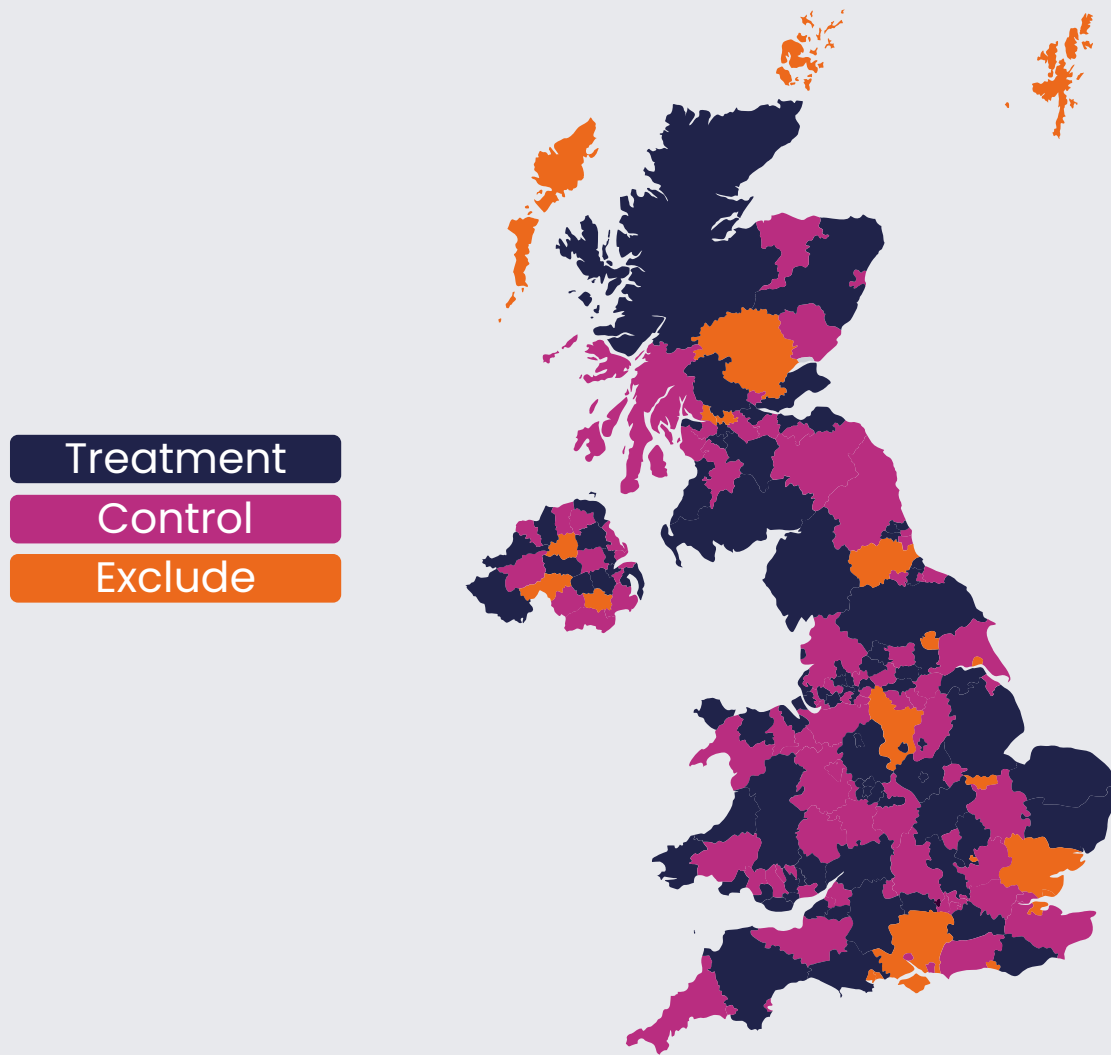
Sales



Attribution over-estimates the effect of ads which appear late in the purchase journey – so, it over-estimates the effect of retail media search

Incrementality tests are part of the solution

In this example, we assigned part of the country to have retail media and part of the country to not have it



Good quality MMM also helps

Use it estimate incrementality for everything and simulate the future you want to see



Three ways to avoid spending that just makes you poorer

Make these part of your retail media strategy in 2025

01:

Don't plunder your brand budget. It sets off a vicious circle which makes things worse

02:

Don't trust attribution. It's no use for evaluating ads that appear in high intent environments like retailers' search page

03:

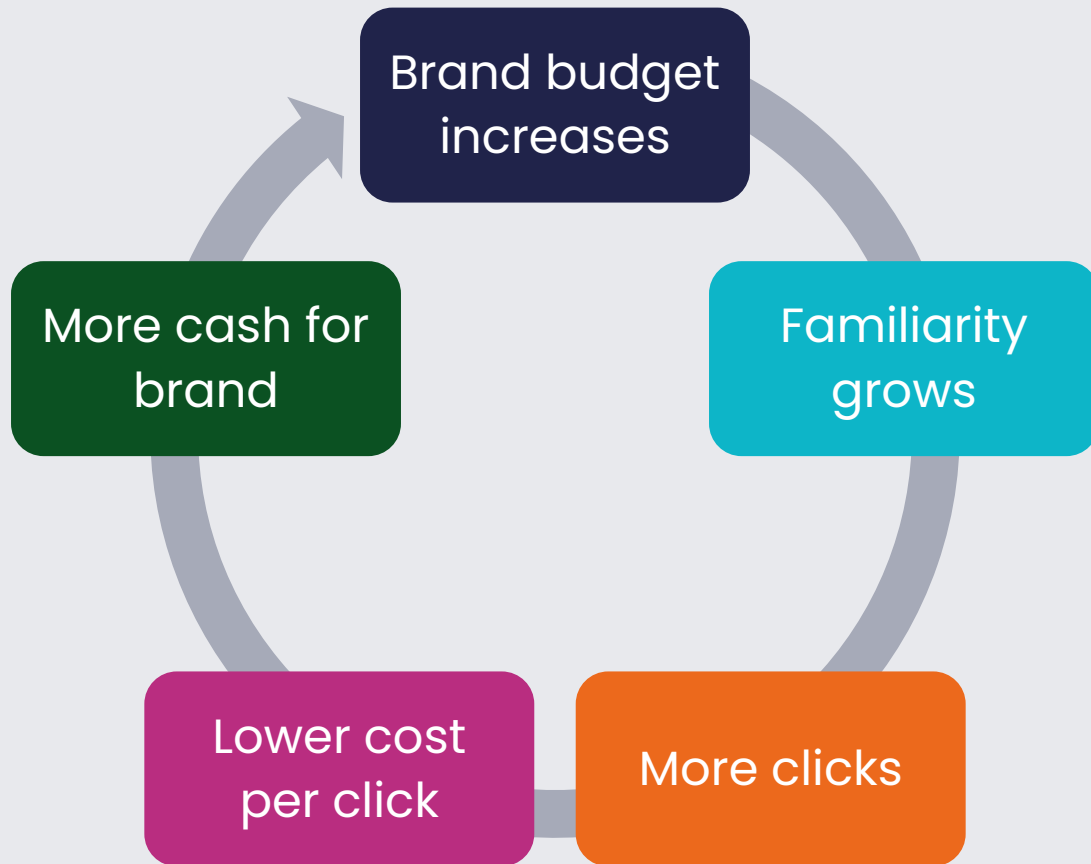
Use incrementality tests and MMM to get a read on where it genuinely is bringing new customers

Bothism matters more than ever



Investing into brand flips the vicious circle into a positive one

So do both things, and importantly, do them together



ROI increase for moving from performance to bothism

+90%

% of companies that are beating competitors that integrate brand and performance

90%



QR code leads to today's slides and my course
on how to balance brand and performance
at magicworks.training



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