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Tap Into the Retail Media Boom to Maximize Profitability

Retail media advertising is experiencing explosive growth, with projections for spending in this channel to surpass global television and streaming advertising by 2028. This boom is primarily driven by the expansion of the third-party e-commerce model, which allows brands to compete for consumer attention with more product offerings and digital, offsite and in store ad real estate from retailer marketplaces.

Consumer shopping has evolved drastically over the last few years, spurred by pandemic-era challenges such as supply chain shortages. Recent data shows that brand loyalty is fading, with half of consumers willing to switch to alternative products or brands if a brand or retailer doesn't meet their purchasing needs. In fact, according to a 2023 Rithum study of 6,000 global consumers, 83% of worldwide consumers now visit two or more websites on their buying journey before making a purchase decision.

Moreover, online tracking of user behavior has sparked concerns and has led to the instatement of new privacy laws, resulting in the deprecation of third-party cookies. Retail media offers a profitable option for targeted advertising, allowing sellers to boost sales by leveraging valuable first-party data funneled by the retailer. This approach allows brands to meet consumers where they are, offering highly personalized shopping experiences that cater to individual preferences and needs, thereby enhancing loyalty in a competitive market.

But as e-commerce rapidly advances, how can brands and sellers capitalize on retail media to reach consumers during key moments of their buying journey?

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Source: 2023 Online Consumer Behavior Global Report

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Third-party (3P) marketplaces are creating a surge in retail media opportunities

The expansion of the third-party (3P) e-commerce model drives this growth, enabling brands to compete for consumer attention with diverse product offerings and digital ad real estate from retailer marketplaces.

What are 3P marketplaces?

3P marketplaces are e-commerce channels where sellers can list and sell their products alongside the marketplace's own offerings.

Unlike first-party (1P) marketplaces, where the platform owns the inventory and sells directly to consumers, a 3P commerce model allows brands to sell directly to consumers through a retailer storefront via a dropship or marketplace approach. Today, 3P commerce enables immense scalability, offering retailers reduced inventory risks and expanded customer choice while providing brands with increased market reach and deeper consumer connections.

Benefits of 3P marketplaces:

Many of today's most successful retailers and brands leverage a 3P model as their most profitable e-commerce model. These marketplaces offer extensive opportunities for brands to reach consumers at critical points in their buying journey, making their businesses more resilient and profitable. These platforms provide more advertising real estate and allow for direct competition, making them a vital channel for modern retail advertising.

The difference between 1P and 3P

	1P	3P
Channel Owner	Company A	Company A
Inventory Owner	Company A	Company B

Modern challenges of the retail media channel

Navigating the complex landscape of multiple marketplaces for integrated ad strategies:

With so many online marketplaces out there—such as Amazon, Walmart, and eBay—retailers and brands have their hands full. Each marketplace comes with its own set of rules, ad formats, niche audiences and algorithms, making it challenging to maintain a consistent strategy. Additionally, integrating data from multiple sources can be tough to integrate into one seamless advertising strategy. Brands and retailers must ensure their messaging is consistent while tailoring content to suit each platform's specific audience and ad formats. This balance can be difficult to achieve without advanced technology and comprehensive data analytics.

Measuring and analyzing the effectiveness of retail media campaigns:

Accurately measuring the ROI of ad campaigns remains a significant challenge. Traditional metrics such as click-through rate (CTR) and impressions provide some insight but are limited in capturing the entire consumer journey, from awareness, consideration and ultimately to purchase. Advanced analytics and attribution models are required to understand the full impact of retail media on sales and customer engagement. However, as a new advertising option, some programs may currently lack the sophistication of reporting that digital marketers have come to expect, resulting in inaccurate campaign performance and missed growth opportunities.

Building a healthy retail media ecosystem:

One major challenge in retail media is the ability to create robust retail media networks (RMNs) that attract advertisers, which can create retail media "ghost towns." A robust ecosystem provides benefits to both retailers and advertisers that create competitive advertising opportunities that keep RMNs active and profitable. Balancing elements such as catalog segmentation, keyword harvesting, and brand protection are all crucial for maintaining an efficient and effective ecosystem.

- **Catalog segmentation:** Organizing products into specific categories based on attributes like category type, price, or target audience
- **Keyword harvesting:** Identifying and collecting relevant keywords that consumers use to search for products
- **Brand protection:** Defending a brand's market position by bidding on branded keywords and securing product detail pages against competitors while serving as an educational tool for consumers

Lack of data consistency for retail media:

The absence of standardized metrics and benchmarks across different retail media networks makes it challenging for brands to compare programs and measure success. This inconsistency complicates decision-making for advertisers looking to allocate retail media budgets effectively across various RMN options. Once industry standards are more established across the industry, there will be more transparency in the retail media landscape, helping to facilitate stronger strategies and creating more efficient budget allocation.

Types of retail media channels

Onsite media channels:

Sponsored product listings: Sponsored product listings are a significant driver of retail media revenue. This allows brands to place their products in prominent positions within search results and category pages on a retail platform.

Benefits:
- **Increased visibility:** These ads allow ads to appear in highly visible positions, directly influencing consumer purchase decisions at the point of sale.
- **Higher conversion rate:** These ads tend to have a higher conversion rate than other ad types because they target consumers actively seeking specific items.
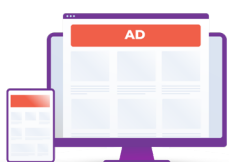
Banner ads: Banner ads are leveraged retail sites to build brand awareness and promote products across various sections of retail websites. While banners can feature products from both first-party and third-party sellers, the vast range of offerings from 3P commerce can make these ads more dynamic.

Benefits:
- **Brand awareness:** Banner ads help brands stay top-of-mind and reinforce brand identity among shoppers.
- **Promotional campaigns:** Retailers can use banner ads to promote seasonal sales and new product launches, driving significant traffic and boosting sales.

Video ads: Video ads are another form of building brand awareness and leveraging onsite (which has historically been more of a lower funnel channel) to be in upper funnel. Video ads oftentimes pair a video player with a selected SKU product to feature in search results or category feed pages.

Benefits: Video is a more engaging way to tell a brand story and bring awareness to a specific product. Video ads tend to have high performance due to mastering the art of engagement and breaking up the page of other product listings.

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Types of retail media channels

Offsite media channels:
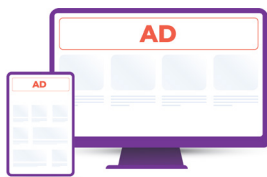
Programmatic: Programmatic media can span many different executions, from display banners, online video (OLV) to connected TV (CTV). Driving shoppers to a specific retailer with offsite media is a win for both the brand and the retailer, as both entities are featured in the creative. It's an opportunity to tell a compelling co-brand story across the retailer and partner brand.

Benefits: Offsite media can be a significant driver in traffic, coupled with the ability to target nuanced, new and niche audiences that may be new to the brand, but owned by the retailer. Beyond CRM audiences, the ability to create look alike (LAL) audiences can help drive incremental traffic and interest.

Social commerce ads: Social commerce is a growing segment of retail media, with platforms like Instagram and TikTok leading the charge. According to eMarketer, social commerce sales in the U.S. are expected to reach $79.64 billion by 2025. These ads are designed to drive direct sales and can tap into the influencer marketing trend to reach broader audiences.

Benefits:
- **High engagement:** Social platforms offer unique visual and interactive experiences that drive higher engagement rates.
- **Influencer marketing**: Brands can leverage creators on the platforms to extend their reach and credibility to new audiences in an authentic way.
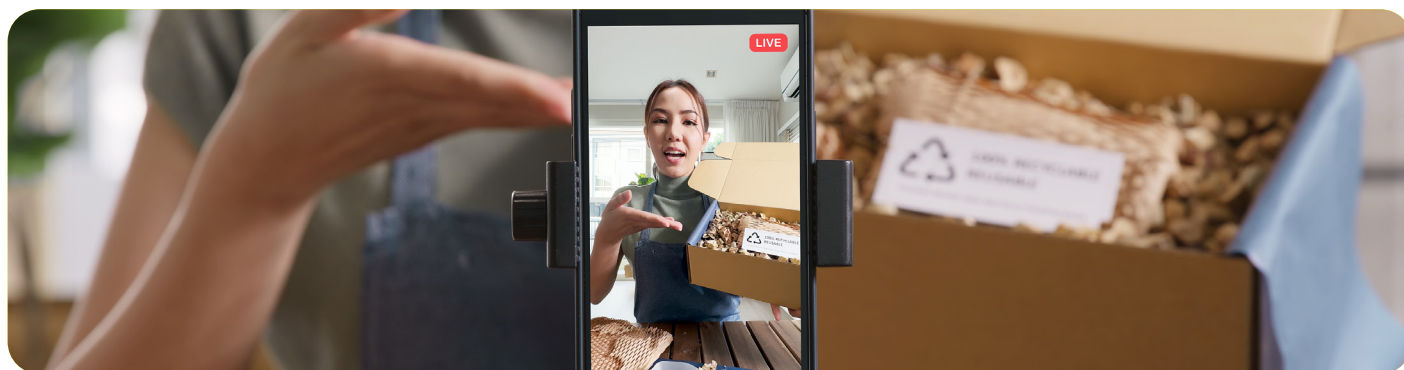
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Maximizing impact with Rithum

While 3P commerce presents a significant opportunity for brands and retailers, it can be complex as it may require multiple e-commerce systems. Rithum enables global brands, retailers, and suppliers to survive and thrive within a healthy e-commerce ecosystem.

As an expert in 3P commerce, Rithum provides a unified commerce network that streamlines complex technologies, optimizes marketplaces, and streamlines the retail journey from end to end. With our integrated approach, brands and sellers gain the adaptability they need to stay competitive in any market condition, leveraging our advanced technology and expertise to sell and expand without risk or disruption.

The Rithum advantage

According to a recent study by Forrester, commissioned by Rithum, Rithum's solutions increased the speed of scaling to new marketplaces by 50%, significantly reducing the time required to enter a new market. Rithum's tools and resources support retail media programs for brands to optimize ad spend and grow sales.

Product-level optimization:
Rithum's Retail Media services simplify the placement of ads across various marketplaces and retailers, saving time and reducing complexity. This ensures optimal positioning to reach target audiences effectively. Rithum directly connects product SKU and inventory data to advertising programs, allowing fine-tuned control over advertising spend and reducing the risk of spending ad dollars on low-inventory products.

Rithum's solutions increase scaling speed to new marketplaces by

50%

Real-time data insights:
Rithum provides comprehensive analytics and real-time data, enabling informed decision-making by tracking performance, understanding consumer behavior, and adjusting strategies promptly.

Advanced targeting capabilities:
The services teams utilize sophisticated targeting options within each retailer ecosystem to reach specific demographics, interests, and behaviors, enhancing the relevance of ads and boosting engagement and conversion rates.

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The Rithum advantage

Performance optimization:
Rithum's services teams continuously monitor ad performance and make real-time adjustments to maximize ROI, ensuring efficient and effective use of advertising budgets by analyzing key metrics and trends. Using AI and algorithmic optimizations to follow market trends and automate bidding keeps customers ahead of the competition.

Organic and paid alignment:
Using platform insights, Rithum's managed services team monitors organic and paid campaign performance within the marketplace ecosystem, providing greater advertising context, actionable insights, and durable growth.

Retailer accessibility:
Rithum integrates with a network of 40+ retail channels across seven publishers from one platform, providing extensive reach and streamlined advertising management.

Display and offsite media:
Rithum helps clients use broader, full-funnel media to cast a wider net across the shopper journey, leveraging offsite media, including display. The combination of Rithum's industry-leading technology, an expert advertising team, extensive channel and marketplace connections, and long-standing expertise means accelerating and achieving a global scale faster than ever.

Actionable insights:
Rithum thoroughly analyzes data to uncover the bigger picture, providing valuable insights that accelerate reaction time, profitability, and growth opportunities.

Global context and reach:
Rithum provides a comprehensive view of e-commerce across various markets, deeply understanding regional and category-specific dynamics. It helps brands and retailers make informed decisions and identify growth opportunities.

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How Draper Tools revitalized its digital marketing strategies to boost e-commerce performance

Many brands today face challenges in keeping up with the evolving landscape of retail, which requires them to not only maintain their online presence but enhance it to fit shifting consumer demand. Many brands today face challenges in keeping up with the evolving landscape of retail, which requires them to not only maintain their online presence but enhance it to fit shifting consumer expectations. For tools supplier Draper Tools, this was no exception.

The advertising team experienced capacity constraints and struggled with the complexities of digital marketing. They sought Rithum to manage their digital marketing and retail media strategies, aiming to optimize their e-commerce platform:

Challenges

- **High customer acquisition costs:** The cost of acquiring customers through online channels quickly exceeded manageable levels.

- **Capacity constraints:** Internal teams were stretched thin and lacked the expertise to fully manage the digital marketing strategy effectively.

The Solution

Reduced ACOS by

50%

Increase in revenue

77%

Order growth

470%

- **Significant cost reduction:** Rithum's Managed Advertising services team reduced Draper Tools' Advertising Cost of Sales (ACOS) by 50% in just six months.

- **Revenue growth:** Within the first half of the year, Draper Tools saw a 77% increase in YoY revenue.

- **Order Growth:** Draper Tools achieved a 470% YOY in orders, which the company viewed as a testament to the collaboration with Rithum.

- Safe environment for future experimentation: The partnership provided a platform for effective testing and refinement of new strategies that align with industry change.

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A look ahead: Emerging trends and the future of retail media

The retail media boom is reshaping the advertising landscape, offering brands new revenue streams and targeted ways to reach consumers. New technologies are taking hold and consumer preferences are shifting, allowing brands and sellers to reach a pivotal moment where innovation meets opportunity. Looking ahead, here are a few emerging trends and predictions that are expected to take hold in the next few years:

Retail Media Networks (RMNs) will continue to launch and grow

RMNs have become popular, with our projections indicating that the U.S. retail media market will surpass $60 billion by the end of 2024. This surge is largely fueled by RMNs ability to enhance sales and gain deeper in-sights into the effectiveness of various channels through a closed-loop attribution. According to eMarketer, RMNs are expected to grow by 20% annually, reaching $100 billion by 2027. This growing trend underscores the increasing importance of RMNs in aligning marketing efforts with direct consumer engagement and sales conversion. As retailers and sellers refine their advertising strategies, they are likely to concentrate their investments on fewer, more effective RMNs, intensifying competition among platforms that provide these services.

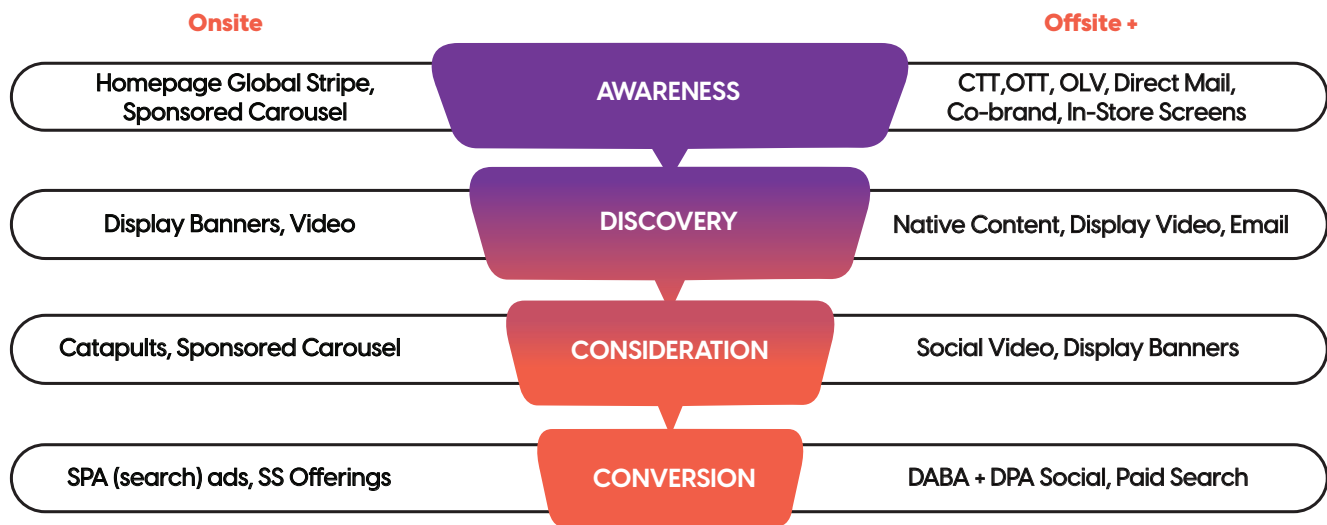### RMNs annual growth

20%

Integration of AI for personalization

In less than 3 years, AI has already changed the manual process of how we once updated campaigns, with many companies leveraging the technology to shift to advanced automation within a single interface. This advanced technology allows for more precise targeting and automation, significantly enhancing ad personalization and overall campaign effectiveness. Furthermore, emerging technologies are enhancing the depth of information available for incrementality and retargeting efforts. For instance, platforms like Amazon and Google are now offering AI-driven tools directly to advertisers, reducing the need for external automation solutions. This shift is moving towards more integrated, AI-driven platforms that can handle complex data operations like audience creation and multi-touch attribution internally. This may diminish the relevancy of third-party software in the coming years. As major retailers enhance their capabilities, we can expect a significant transformation in how campaigns are managed and optimized using AI within the retail media space.

Retail media is a full funnel strategy

Retail media is expanding to include offsite channels such as CTV, OLV, Display and social advertising, allowing brands to reach consumers through new touchpoints such as targeted ads for streaming services and non-retail websites. This diversification helps brands engage audiences with dynamic, personalized content across various platforms. This expansion is driven by the need to reach audiences where they are increasingly spending their time. As competition and cost-per-click (CPC) rates rise on platforms like Amazon, brands such as Walmart, Target and Macy's are enhancing their ad management platforms to attract advertising dollars. These platforms are adapting to new consumer behaviors, placing a greater focus on multi-touch attribution and further helping to track consumer interactions both on and off the platforms. This shift is also prompting a strategic adjustment in what sellers can advertise, aiming to better manage CPCs and improve the profitability and effectiveness of advertising spends.

As the rise of retail media continues and new ad formats increasingly cover the full depth of the sales funnel, brands' e-commerce success hinges on a robust digital advertising program backed by a data-driven strategy. Contact Rithum for a consultation and discover how its solutions and team of experts can transform your retail media strategy.

Onsite **Offsite +**

Onsite		Offsite +
Homepage Global Stripe, Sponsored Carousel	**AWARENESS**	CTT,OTT, OLV, Direct Mail, Co-brand, In-Store Screens
Display Banners, Video	**DISCOVERY**	Native Content, Display Video, Email
Catapults, Sponsored Carousel	**CONSIDERATION**	Social Video, Display Banners
SPA (search) ads, SS Offerings	**CONVERSION**	DABA + DPA Social, Paid Search

KEY

SPA	Sponsored Product Ads	OLV	Online Video Ads
SS	Self-Service	DABA	Dynamic Ads for Broad Audiences
CTT	Connected TV	DPA	Dynamic Product Ads
OTT	Over-the-Top Ads		

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