

RETAIL MEDIA

THE REVOLUTION
OF ADVERTISING IN ASIA

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C O N T E N T S

Chapter one

What is Asia's retail media landscape like?

02

Chapter two

Kickstart your retail media advertising journey

06

Chapter three

What are the solutions out there?

09

Chapter five

Key takeaways

15

Chapter four

Case studies

11



Chapter one

What is Asia's retail media advertising landscape like?

As a form of advertising, retail media stands out from the traditional approach of a media network which just sells impressions. It has emerged as a more effective strategy as customers are more compelled to purchase an item advertised when they are in the midst of shopping versus when they are browsing or reading news online.

Retail Media Advertising 101

Retail media has exploded onto the scene in Asia. In a nutshell, this new form of commerce refers to advertisements placed on a retailer's eCommerce website or app by the retailer or another brand within its network, which helps to influence sales throughout the customer's journey. These advertisements, similar to in-store advertising, can be placed at the point of purchase such as during checkout, within the home page or across search results or product detail pages.

As a form of advertising, retail media stands out from the traditional approach of a media network which just sells impressions. It is a more effective strategy as customers are more compelled to purchase an item advertised when they are in the midst of shopping versus when they are browsing or reading news online. Retail media helps to improve a brand's effectiveness by creating a stronger brand recall and awareness for new products that are in the market, while at the same time driving a higher purchase intent for customers.

At a time when eCommerce is rapidly growing, retail media advertising also provides a convenient and straightforward way for customers to shop, especially when the advertisements are relevant to their interests and purchase behaviours. This enables brands to target customers with a higher propensity to buy. This also enables full-funnel solutions for a brand on a high purchase-intent audience. Moreover, access to first-party data also ensures seamless targeting and reaching of the right audiences.

In a 2022 report, McKinsey found that retailers are taking significant steps to embrace the commerce media trend by embracing retail media networks. Retail media networks are estimated to represent as much as US\$100 billion in ad spending by 2026. The report said adding that "companies across the retail spectrum are fully aware of the economic potential" with overall operating margins of retail media networks in the 50% to 70% range.



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What has led to the rise of popularity in retail media?

While the shift to retail media was already happening, the COVID-19 pandemic was a global catalyst that jump-started spending, with eCommerce sales worldwide in 2020 rising by 45%.

A key driver for the retail media boom is the wealth of valuable first-party data that retail networks can collect and offer to advertisers.

Meaningful insights into demographic and biographic data – as well as information on buying behaviour, both online and in-store – can now be obtained. This includes impressions and visit levels right through the final purchase – depending on the type and amount of information collected. This data can be activated and shared with partners, enabling marketers and retailers to match their anonymised data and close the loop between sales and the marketing data.

Brands can leverage first-party data and purchase intent signals from retail media networks in various ways. This makes it easier for brands to track sales, identify a more accurate ROI and improve conversions for their advertisements. First-party customer information also enables retailers to build direct relationships with their customers, bringing more efficiency to

the buying process and improving a brand's reach and effectiveness.

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The future is bright for retail media. McKinsey sees the rapid growth of retail media will have far-reaching effects on advertisers, ad agencies, traditional publishers, ad-technology providers, and retailers.

Similarly, Boston Consulting Group (BCG) said retail media represents a seismic shift that is already 'well on the way to establishing a major new advertising option – a once-in-a-generation sea change, not unlike the move from traditional to digital media over the past decade.'

BCG estimates that the retail media market will account for over 25% of digital media spending by 2026. Personalised ads on retail media networks create a targeted and seamless experience for consumers and high returns for advertisers.

The strength of retail media reflects the fact that advertisers like the visibility of performance provided by closed-loop measurement capabilities – the ability to tie a media campaign back to omni-channel sales.

A timeline of retail media's explosion and popularity



2018

Amazon first pioneered retail media advertising in 2018 in the US when it launched Amazon Advertising, the world's first bid-and-buy sponsored marketplace. Other brands that capitalised on retail media early included Walgreens Advertising Group and CVS Media Exchange. Since then, new players such as Walmart, Tesco, Kroger and Carrefour have followed suit with their own platforms.

2020

When the pandemic struck globally in 2020, an eCommerce boom began, and it has continued to accelerate over the past few years. Today, customers are very comfortable buying online.

2022

Since 2022, retailers and brands globally have continued to take steps to embrace this commerce-media trend by embracing retail media networks and trialling cutting-edge technologies to bolster their retail media efforts.

Across the region, Asia is growing not on the heels of the US, with China being a key growth market.

2023

In 2023, customers in Southeast Asia are shifting their habits from buying from malls to shopping on foodpanda, lazada, Shopee, and others. A surge in advertising dollars has since followed, giving a further boost to retail media in this region.