

Retail Media: customer contact at the POS proves attractive for the advertising industry

Retail media proved one of the high-flyer categories on the advertising market last year. The reasons are the dwindling data available for digital advertising and the turn-key infrastructure now accessible for retail media. But while market entry may seem easy, it can prove complex in practice.

Amazon Germany Online GmbH is known to have generated sales worth just under three billion with advertising in 2023. Far less known in Germany is the Walmart model. The world's largest retailer is already making just under four million dollars with advertising. Their advertising revenue only accounts for a fraction of their total turnover but it has outgrown Amazon's for the first time in the second quarter of 2024. So their focus proved right. Retail media is a hot ticket. Advertising space in stores, in shop windows or at least close to the Point of Sale is increasingly attracting advertisers' attention.

This is not new but some parameters have changed that shine a new light on it:

1. The **digitalisation of advertising spaces** eases handling noticeably.
2. **The digital advertising infrastructure** ensures that monitors at the POS can be booked as easily as banners on websites.
3. The third development makes the difference: retailers have understood that **the quality of customers contacts** is worth more than just selling products.
4. Retailers have started to monetarise the **data treasure trove** they are sitting on. At the same time, advertisers are losing more and more data on existing channels.

Retail media or advertising cost subsidies?

Getting started in this new discipline is extremely easy: you set up a few monitors – preferably at places where shoppers wait, i.e. at the empties collection counter at the supermarket or in the check-out zone – and run your suppliers' advertising on them. This is an approach similar to your classic advertising cost subsidies – and proves especially interesting when shoppers only “follow through” with their purchasing decision at the POS. 70% of consumers buying beer and 50% of those buying pet food only decide in favour of a brand instore. These numbers were gathered by the Düsseldorf-based retail-media agency 'Marketing of Moments'; and explain why 38% of

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all customers of the pet supplies store 'Kölle Zoo' remembered a campaign for cat food in the entrance concourse. Brewer Bitburger Brauereien has also measured how retail media impacts shoppers' propensity to buy. Their market research says that retail media increased consumer's intention to buy by 27 percentage points. This means shoppers are open to in-store advertising, which is positive news for manufacturers. At the same time, retailers generate additional revenue without losing turnover.

Whether the additional reimbursement for the extra exposure at the POS is paid direct or by means of discounts makes no great difference for the balance sheet. Where it does play a role though is when determining the right person to talk to on both sides. The advertising cost subsidy is managed by the sales department on the brand side and by the purchasing department on the retail side while the media budget is often managed by an agency. This means retailers first have to create the relevant sales structures. Advertising subsidies are familiar territory, while retail media is unfamiliar.

Large retail outfits leading in this field in Germany such as Obi, MediaMarktSaturn or the Schwarz Group, for example, establish stand-alone companies for this purpose – separating advertising subsidies and media from each other to ensure clean operations. This separation is largely arbitrary and handled differently by many retailers. Some voices on the market even call for this differentiation to be done away with entirely. "A successful retail media campaign depends on the integration and harmonisation of both elements – advertising subsidies and retail media. Both have to seamlessly interlock and be tuned to each other," says Carina Müller from the media agency Mediaplus Performance.

Advertising clients not selling in the store

Another differentiation here is even more important – namely between so-called endemic clients and non-endemic clients, i.e. advertisers whose products are not sold by the respective retailer.

Endemic clients, i.e. the clients whose products are sold in the respective store, find it easy to work with their retailers' data. Retailers can use their loyalty cards to collect check-out data to measure whether a campaign has worked. This data is of paramount importance for agencies since it is required for optimising their media plan. This data also makes it pretty easy for advertisers to try out retail media.

Non-endemic clients do not have this impact measuring tool at their disposal. With one exception: for e-commerce dealers each screen can become a POS. One of Germany's biggest online retailers placed ads on displays close to supermarket entrances and was impressed with the performance. Even when shoppers passing by obviously have "tunnel vision" they can be distracted by well-executed advertising for at least a short time. And online retailers can measure this direct.

Those without hard performance indicators at their disposal or those launching a campaign aimed at brand perception have no other choice but to conduct classic market research to gauge the success of a campaign. Beyond this, it is important to bear in mind that – as of today – retail media placements are often more expensive than standard outdoor advertising. These extra costs must be covered by the campaign.

This leads to two exciting movements on the market observed by Carina Müller: "We in fact see that non-endemic brands act more flexibly, since they primarily consider retailers as additional sales channels thereby easing integration into their marketing strategy." But not all non-endemic advertisers are welcomed with open arms. Patricia Grundmann, the boss at OBI First Media, is vigilant about ensuring these do not interfere with her shoppers' customer journey. The companies she likes the most are those with products that match the DIY theme one way or the other. "I assume our shoppers would not be bothered by a telecom company advertising for glass fibre connection on our parking lot." Dennis Götze of Marketing of Moments is sure more media companies will use retail media in the long run: "The launch of a new Netflix series perfectly matches weekend shopping at the beverage market." Here the customer journey is not affected either. At the same time, however, the market as a whole is focusing more on endemic customers. "I think in the non-endemic segment the impact is not yet entirely measurable," says Felix Schmidt, Commercial Director at Epsilon, a data subsidiary of the Publicis network of agencies.

Retail data

Endemic clients can benefit especially from retail media not only because of "lower-funnel" marketing, but also because retailers' data is ideal for modelling and reaching out to target groups. "The focus was on interactively targeting four clearly delimited groups: Garden Beginners, Urban Gardeners, Self-Sufficiency Lovers, and Fiskars Brand

Lovers,” says an OBI spokeswoman describing the granular approach for a campaign for garden tool producer Fiskars. The elaborate planning paid off: Fiskars collected 19 million contacts and generated sales twice as high during the campaign run-time than in a comparable period. This is far from enough for Chris Riegel, Chairman of Scala: “When we know the product categories shoppers are interested in instore, we can do corresponding retargeting via connected TV.” How does this work? Via the shopper’s smartphone, which is often linked with the loyalty programme and operates on the same WiFi as the smart TV in the shopper’s home.

In summary: retail media is a fascinating field but also comes with some challenges

Getting started is easy but what comes next? “We are often the second port of call,” says Chris Riegel meaning that retailers who have tried to run their own retail media sooner or later end up with the professionals. Felix Schmidt echoes this view: “Many retailers do collect plenty of data about their shoppers but hardly use it.” Patrick Schröder, Director Sales Retail & Digital Signage at dimedis, shares this view: “Successful retail media requires precise data that should be available in real time, if possible.” In real time? This, of course, also presupposes a very high-performance infrastructure, a sales team or at least a connection with such existing advertising systems as Programmatic Advertising. Beyond this, these have to be monitored, for instance to ensure “no advertising for a dating App is screened in the baby department” says an experienced consultant who has observed this occurring with a potential customer. So it does not come as much of a surprise that Poco recently enlisted not one but three professional firms to install its retail media network. Dimedis supplies the screens, MoM strikes a balance between advertising and their own advertising and the OneTechGroup sees to the technical infrastructure. And this works for Poco not only on 500 screens but also – on demand – on 125,000 electronic labels on shelves.

This still young discipline holds enormous creative potential but you should not engage in retail media just “in passing.”

About EuroCIS 2025:

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February 2024 from 10 am to 6 pm. Online day tickets cost 28 euros, season tickets 50 euros and discounted online tickets 15 euros per day. Tickets and further information about the trade fair are available at www.eurocis-tradefair.com.

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