

# Future of Retail Report



# ABOUT THIS REPORT

**THIS REPORT COMPRISES AND SUMMARIZES THE RESULTS OF ADVERTISER AND CONSUMER SURVEYS REGARDING RETAIL TRENDS.**

The Trade Desk conducted an advertiser study with Material+, surveying more than 150 brand marketers in the United States. Brand marketers are defined as those who work in the marketing area of a consumer goods manufacturing company that sells its products through all types of retailers. Respondents’ teams are responsible for brand (e.g., digital marketing, CRM marketing) and/or shopper marketing. All respondents held a position of director or above and have a role in deciding where advertising dollars are spent. Fieldwork was conducted between September 1–13, 2021.

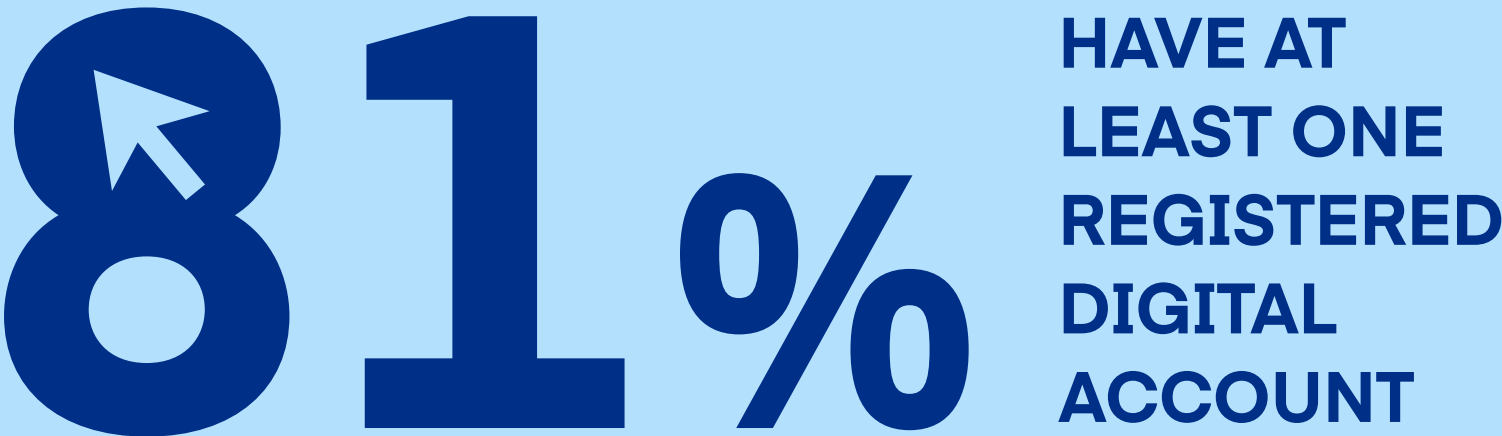
For the consumer study, we partnered with YouGov to survey more than 5,000 adult (18+) shoppers in the U.S. Fieldwork was conducted between September 17–23, 2021. We qualified “shoppers” as consumers who purchased an item within the past three months in either the home improvement, apparel and clothing, pharmaceuticals, beauty and personal care, or grocery categories.



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# KEY FINDINGS

I 81 percent of consumers have at least one registered digital account with a retailer.



II Brands see retail data as effective in both building brands and driving conversions: 39 percent of those marketers surveyed said they use it to drive brand equity scores, while 44 percent said they now use retail data to track sales growth.

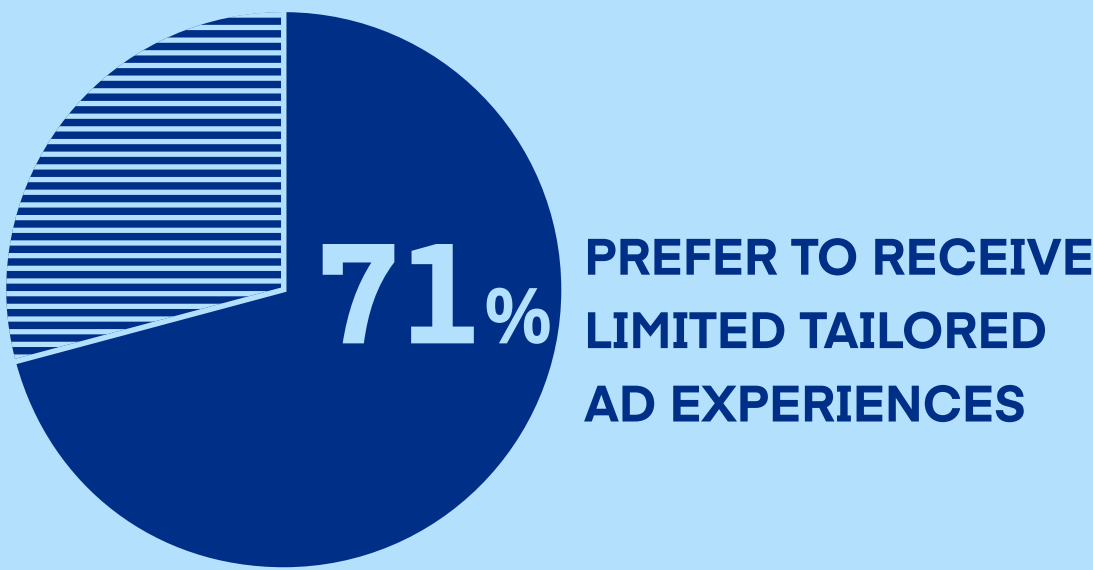


III Consumers cite easy check out (47 percent), purchase history (41 percent) and access to discounts or promotions (34 percent) as among their top reasons for having a login with a retailer.

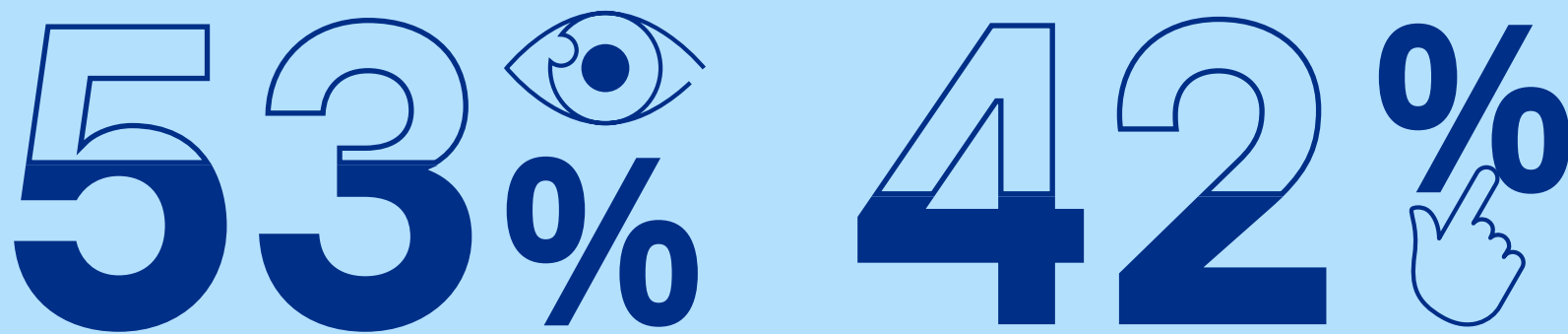


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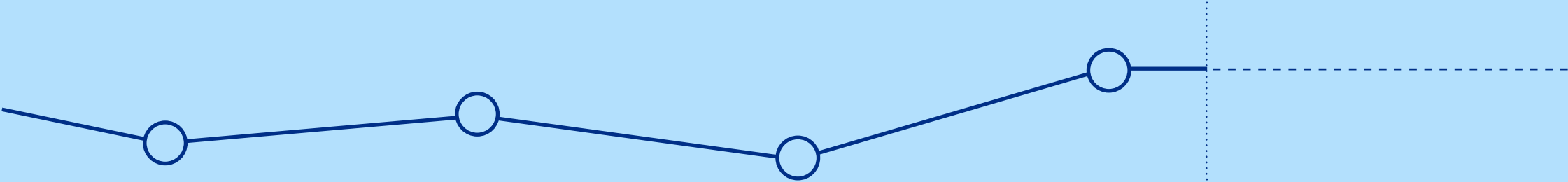
IV 71 percent of consumers say they'd prefer to receive limited, tailored ad experiences instead of paying to avoid ads.



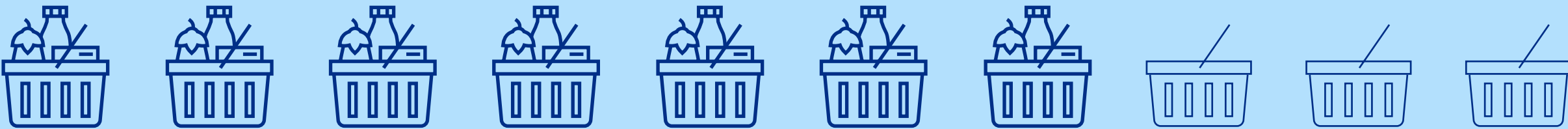
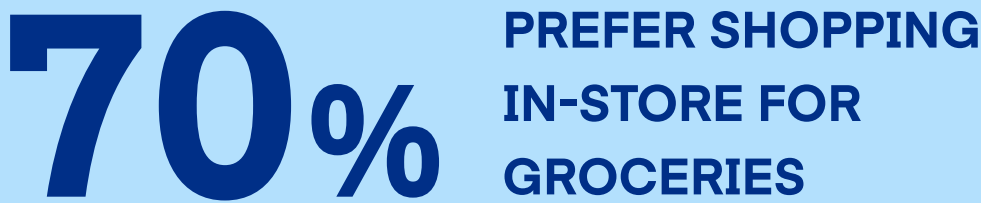
V Over half of consumers (53 percent) said they recognize or notice sponsored products or ads on retail sites. Among those that recall seeing these products or ads, 42 percent claim to frequently or sometimes click to make a purchase.



VI 76 percent of marketers plan to use sales data either frequently or very frequently over the next year to connect advertising activity to consumer purchases, whether it happens online or in the store.



VII Despite all the hype surrounding grocery delivery, 70 percent of consumers say they still prefer shopping in-store for their weekly supermarket run.







# The next frontier of retail is here

**IF 2020 WAS THE YEAR THAT ECOMMERCE SURGED ACROSS NEARLY EVERY BRAND CATEGORY, 2021 HAS BEEN THE YEAR THAT CONSUMERS' PURCHASE HABITS HAVE SETTLED INTO A NEW SHOPPING NORM.**

This emerging retail landscape features a blend of physical and digital shopping, and increasingly savvy consumers who traverse both worlds. And as a result, with new habits and raised expectations, the consumer relationship with brands is evolving.

It's no surprise then that this new normal also has major implications for marketers, who must now address changing consumer preferences relating to retail advertising, personalized shopping experiences and loyalty.

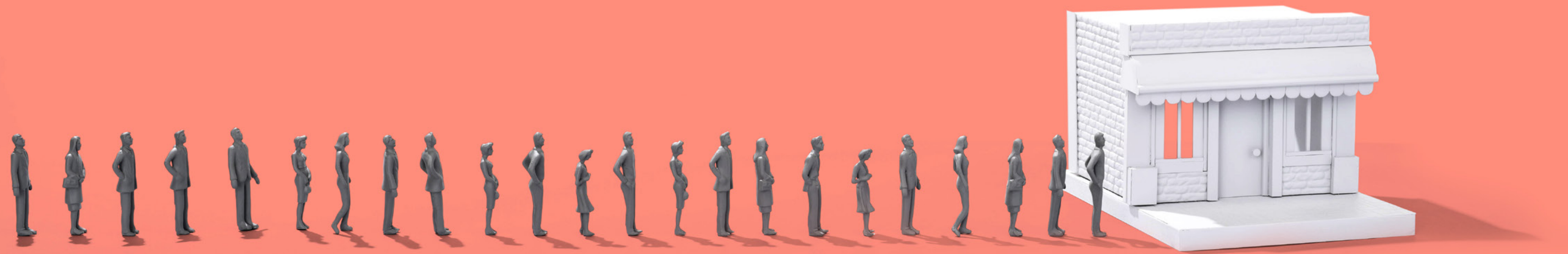
The good news is that despite growing concerns about digital privacy, consumers are interested in brand relationships that incorporate advertising. For example, they are generally receptive to targeted ads — particularly from retail brands they like. 71 percent of shoppers surveyed say they'd prefer to receive limited, tailored ad experiences instead of paying to avoid ads.

And those brand relationships are now firmly entrenched on retail ecommerce sites. Over half of consumers (53 percent) said they notice sponsored products or ads on retail sites. Among those that recall seeing these sponsored products or ads, 42 percent claim to frequently or sometimes click to make a purchase.

As brands pioneer new approaches to retail marketing, retailers themselves are making more of their valuable shopper data available so that brands can finally make the connection between advertising activity and consumer action, whether online or in the store. And our survey indicates a surge in interest in leveraging this data in order to finally achieve that holy grail of marketing.

Across the board, our survey finds that brands are ready for this new retail normal. Indeed, more than 90 percent feel very confident in their ability to adapt successfully to changing consumer behaviors and expectations.

# INTRODUCTION



# Modern retail consumers still value the in-store experience

THOUGH MUCH ATTENTION HAS BEEN GIVEN TO THE RAPID ACCELERATION OF ECOMMERCE DRIVEN BY THE PANDEMIC, CONSUMERS ARE STILL VACILLATING BETWEEN DIGITAL AND REAL-WORLD SHOPPING.

According to eMarketer, while ecommerce spending in the U.S. is expected to surge 18 percent year over year in 2021 — netting out at \$933 billion — that figure is still just 15 percent of total retail sales. In fact, eMarketer predicts that brick-and-mortar retail spending will grow 6 percent in 2021, its strongest growth rate in a decade.

Indeed, as much as online shopping promises convenience and speed, many consumers still appear to value the in-store experience, whether it's the immediacy of picking up items they need when they need them, or the ability to assess products before purchase. For instance, 53 percent of respondents say they still mostly shop in physical store locations, with 51 percent and 59 percent citing specifically doing most of their home improvement and pharmaceutical shopping, respectively, in stores.

A store's location is the primary reason that an average of 25 percent of consumers would choose to

shop in-store. The popularity of shopping online and picking up in-store may play a role, as 21 percent of consumers listed this option as a top factor for making a purchase online or via a retailer's app.

Despite all the hype surrounding grocery delivery, 70 percent of shoppers say they prefer shopping

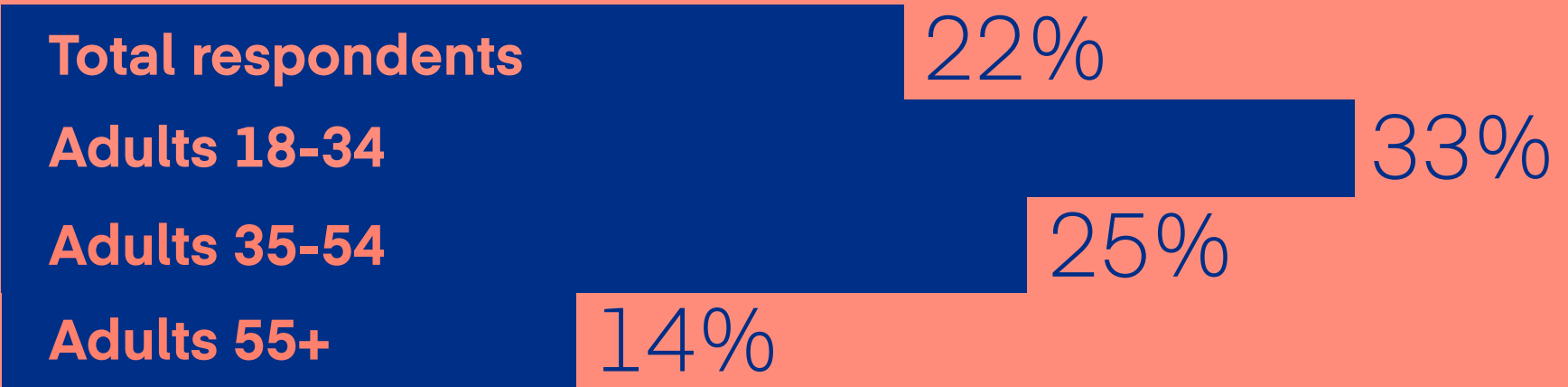
in-store for their weekly shop. Along those same lines — although grocery delivery services and apps such as Instacart, Doordash, Amazon Fresh, Whole Foods, Postmates and GoPuff have generated increased traction and attention, they are used by just 22 percent of consumers to purchase groceries each month.

For most shopping categories, however, it's clear consumers' in-store and online habits are evolving. For instance, consumers are demonstrating an increased willingness to engage with a broad set of preferred retailers, with 81 percent saying they have at least one registered digital account with a retailer. They cite easy check out (47 percent), purchase history (41 percent) and access to discounts or promotions (34 percent) among the top benefits for having a login with a retailer.

Building trusted, long-term consumer loyalty has long been a major goal for retailers and brands alike. Given the complexity of the modern retail consumer, the fact that consumers are open to engaging with retailers means brands have an opportunity to evolve those relationships in new ways.

It's this realization that's driving growing demand for retail media among brands — with access to richer consumer data and purchase data.

Monthly use of grocery delivery apps and services, by age demographic:





# Brands increasingly rely on sales data to close the loop

RETAIL MEDIA IS POISED TO BECOME ONE OF THE MOST POTENT AND WELL-FUNDED AREAS OF MARKETING INVESTMENT AMONG BRANDS. AND THE ROLE OF RETAIL MEDIA IS EVOLVING.

What started as a way for brands to engage shoppers during their in-store experience, has now grown to allow brands to find new ways to engage shoppers throughout their customer journey. Increasingly, marketers are looking to retail media to close the loop between broader campaign activity and consumer purchases.

That’s why 76 percent of marketers say they plan to use point-of-sale data either frequently or very frequently over the next year. Moreover, the number of marketers who said they intend to use point-of-sale data very frequently is expected to nearly triple in the next 12 months (from 16 percent to 44 percent, respectively).

76%

OF MARKETERS PLAN TO USE POINT-OF-SALE DATA EITHER FREQUENTLY OR VERY FREQUENTLY OVER THE NEXT YEAR

In fact, retail data is viewed by marketers as effective in both building brands and driving conversions: 39 percent of those surveyed said they use it to drive brand equity scores, while 44 percent said they now use retail data to track sales growth.

Why? Because retail data is rooted in valuable sales data — or the data associated with a purchase. This typically includes product information, SKU-data, the time of purchase, payment used, location, among other details. Access to past purchase data helps marketers best predict future purchase behavior or habits. These details enable marketers to understand what media tactics are leading to sales.

As a result, sales data is crucial for brands, especially as the marketers surveyed noted their top challenges as measuring business outcomes (32 percent), understanding the increased complexity of the customer journey (32 percent) and optimizing cross-channel campaigns (32 percent).

Retail data addresses many of these challenges. This data also opens new avenues for more accurate and actionable attribution tracking across digital and physical environments. While tracking the impact of search-based ads placed on retailers’ sites is fairly straightforward and immediate, marketers can use shopper data to connect digital ad exposures on the

web to real-world, in-store purchases. This is great news for the 43 percent of brands surveyed who noted sales growth as a top KPI of marketing success.

What was once abstract is now possible — consumer packaged goods (CPG) brands can connect ad exposures to in-store purchases made by specific target audiences. Additionally, CPGs can work with retailers to advertise specific products to consumers by leveraging SKU-level insights and then measure the sales impact across a wide array of distribution outlets. This levels the playing field for a sector of the industry that is looking to leverage its valuable data, such as insights from loyalty programs, in a privacy-conscious manner.

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You can see a world where you're no longer making choices based on publisher inventory, but instead leveraging data to target customers and measure campaigns that actually drive sales.

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Mic Zavarella, VP Marketing and ecommerce Sales, PepsiCo



# Attribution-savvy brands consolidate offsite retail media buys

**ALREADY, 74 PERCENT OF BRANDS SAY THEY HAVE DEDICATED BUDGETS FOR RETAIL MEDIA NETWORKS, AND THESE NETWORKS NOW RANK FIFTH IN TERMS OF BUDGET ALLOCATION, BEHIND DIGITAL VIDEO, PAID SOCIAL, DIGITAL DISPLAY, AND PAID SEARCH.**

The majority of brands (89 percent) are reporting they're satisfied with the retail media networks they use. Currently, 48 percent of brands are already spending between 10 and 19 percent of their digital ad budgets on retail media.

Given that level of potential investment, a long and growing list of major retailers have entered the advertising business, selling both ad space on their

"availability and fragmentation of retail sales data" as a marketing challenge.

For marketers wanting to take full advantage of retail media's potential for reshaping attribution, and their overarching strategies for guiding consumers through the purchase funnel — or true "closed-loop marketing" — managing across retail data environments will be key. The most attribution-savvy brands will likely look

**89%** OF BRANDS REPORT THEY ARE VERY OR EXTREMELY SATISFIED WITH THE RETAIL MEDIA NETWORK THEY USE

own ecommerce sites, as well as unleashing their shopper data to the brands who sell in their stores.

The list of pioneer retail media companies includes early entrants such as Walmart, Kroger and Target, as well as more recent contenders including CVS, The Home Depot, Albertson's, Tesco and Carrefour.

If there is an obstacle in the way of this attribution-rich future, it's that there are so many new players in retail media, each with their own product sets. Currently, 55 percent of those marketers surveyed employ three or more retail media networks, and the list of options is only growing. 34 percent see the

to bring various networks' data sets together to fully realize this sector's potential. Thus, expect brands to look to consolidate their offsite retail media spend on a single buying platform that unifies these data sets, expands reach, enables them to control the frequency of messages, and optimize towards what's driving sales.

This becomes more pressing for brands as they execute an increasing share of their digital campaigns programmatically. Almost three quarters (73 percent) of those brands surveyed said that they run more than 40 percent of their campaigns programmatically via a demand side platform.





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Attribution-savvy brands consolidate offsite retail media buys

**Brand teams prepare for the holy grail of marketing**

# Brand teams prepare for the holy grail of marketing

THE RISE OF RETAIL MEDIA, INITIALLY FRAMED AS AN EXTENSION OF PERFORMANCE MEDIA VEHICLES, IS ALSO PROVING TO OFFER BRANDS A FULL-FUNNEL SOLUTION — ALL WITH UNRIVALED MEASUREMENT AND ATTRIBUTION CAPABILITIES.

When used as a complementary tactic, offsite retail media — and its growing pool of consumer data — promises to deliver what marketers have been searching for since the digital ad era began. CMOs can finally arrive at a clear picture of how their advertising impacts consumer actions, with retail data providing that critical connective tissue.

Though historically shopper marketing has been treated as a distinct tactic by brands — specialized teams that are focused on in-store tactics and thus responsible for KPIs that are far different than that of the digital ad teams — leading marketing organizations are

evolving their team structure to bring these two areas closer together. Already, 19 percent of brands have combined these divisions, and over the next year, 89 percent of those surveyed say it is very or extremely likely that shopper and digital marketing budgets will be blended.

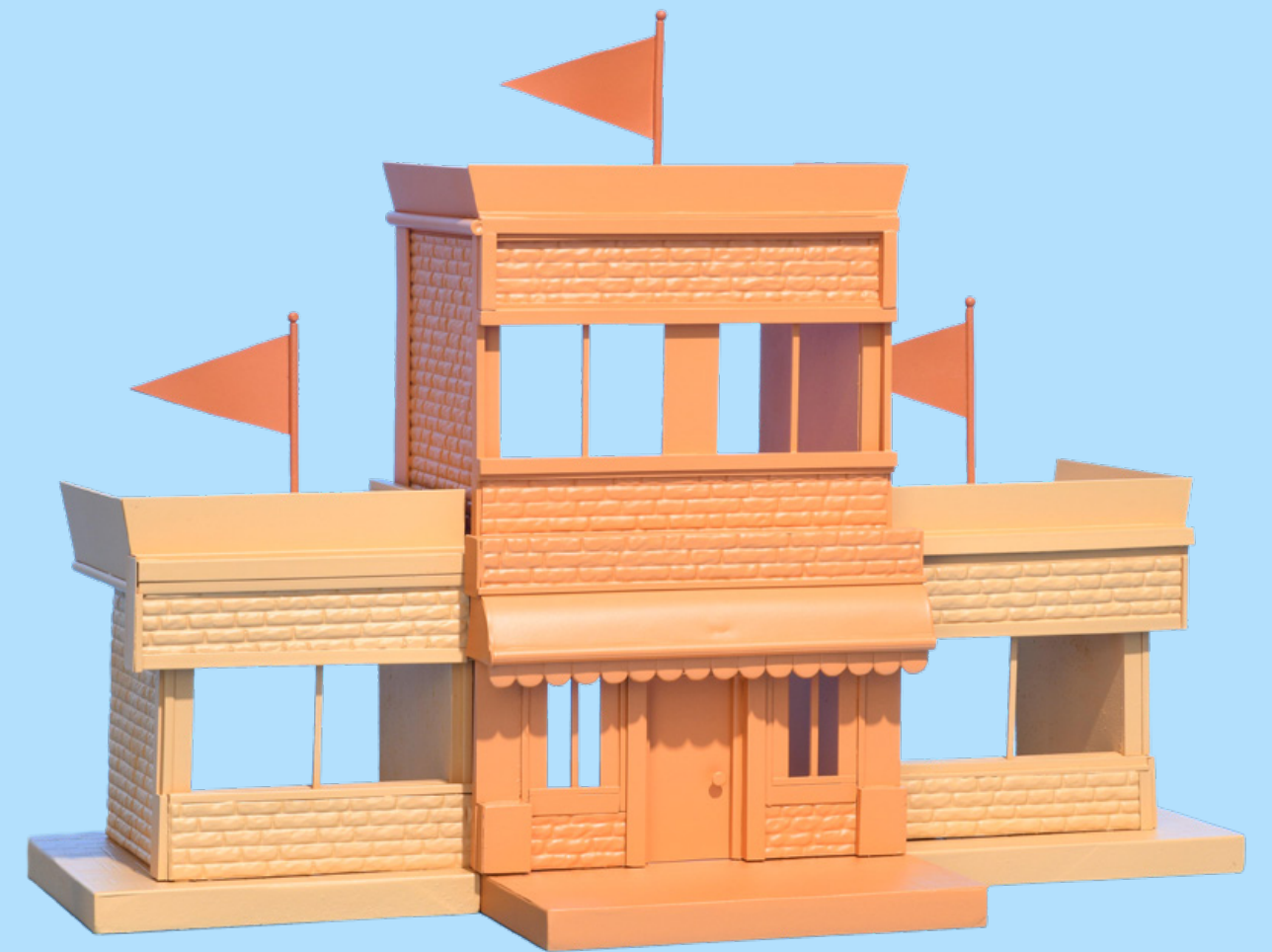
And perhaps that's why a mere 1 percent of marketers surveyed indicated that they are unprepared for this opportunity. Indeed, they are excited. Brands will now be able to use this full picture and adjust their ad spending and tactics in a far more strategic fashion both online and offline.

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***Every digital point of contact with our consumer is a commerce opportunity. As consumer behavior changes, we want to meet our shoppers' needs with innovative marketing and easy ways to get their favorite products delivered to their home in a matter of minutes.”***

Jackie Guarini (Nothacker), Head of Commerce Media, US Portfolio, Anheuser-Busch

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# CONCLUSION

