

IN-STORE RETAIL MEDIA

Current Utilization Challenges, Measurement and Future Innovations



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Acknowledgements

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Methodology

IAB's Jeffrey Bustos and P2PI conducted 12 interviews in May and June 2024 with CPG brand and retailer executives to understand how they're leveraging in-store technologies, measuring success, addressing challenges and foreseeing future innovations.

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In-store retail media has emerged as a vital component of the modern retail environment, effectively bridging the gap between physical and digital shopping experiences. This whitepaper aims to provide insights into how retailers and brands leverage in-store technologies, measure success, address challenges and foresee future innovations. By prioritizing customer needs, maintaining privacy, and fostering collaboration, retailers can navigate the complexities of in-store digital media and create meaningful, impactful experiences for their customers. This whitepaper provides a roadmap for future developments in this dynamic field, highlighting the critical role of in-store technologies in modern retail strategies.

Current State of In-Store Technologies

“Retailers and advertisers are discovering how in-store retail media is transforming the industry by enhancing customer experiences and bridging the gap between physical and digital shopping. With advanced technologies, like self-checkout systems and sensors that define foot traffic to optimize store layouts, the future of in-store retail media looks bright. And of course, the ability to measure effectiveness is crucial, enabling more impactful and targeted strategies.” - Parbinder Dhariwal, VP, GM, CVS Media Exchange (CMX)

Retailers are increasingly integrating various in-store technologies to enhance customer experiences and operational efficiency:

- **Digital and Audio Signage:** Utilized for dynamic messaging and real-time updates, digital and audio signage are employed across various retail touchpoints. These technologies offer flexibility in content delivery, catering to specific customer needs and enhancing the shopping journey.
- **Interactive Displays and Kiosks:** Positioned at store entries and key aisles, these technologies provide product information, educational content and promotional messaging. They are particularly effective in engaging customers and driving sales by highlighting product benefits and use cases.
- **Planogram and Pricing Technologies:** Retailers are evaluating these technologies to optimize store layouts and pricing strategies, ensuring that products are placed strategically and priced competitively to meet customer expectations and increase sales.
- **Mobile and Beacon Technologies:** These are employed to gather data on customer movements and preferences, enabling localized and consistent experiences across digital and physical environments.

Brand Perspective

Brands perceive in-store digital media as a powerful tool to enhance customer engagement and drive sales. This perception has evolved significantly with the increased investment in digital screens and innovative in-store technologies by major retailers. Many brands have been employing in-store retail media tactics for years, but the adoption of digital screens is a more recent development.

This scale-up reflects a growing recognition of the potential impact of digital media on the shopping experience. The introduction of self-checkout systems, intelligent carts and other advanced features has further added new dimensions to in-store digital media. However, the measurement of their effectiveness is still developing.

- **Role in Advertising Strategy:** In-store digital media currently constitutes a smaller portion of the overall advertising strategy but is expected to grow as targeting and measurement capabilities improve. Brands find value in the high consideration and purchase intent of in-store shoppers.
- **Effective Formats and Technologies:** Formats like endcap screens with products underneath have proven particularly effective in engaging and converting target audiences.
- **Consumer Mindset:** The high consideration and purchase intent of in-store shoppers make in-store digital media a valuable channel. If executed well, it can significantly enhance brand visibility and drive sales.
- **Agility and Sustainability:** Digital displays offer dynamic and visually appealing presentations that stand out against the competition. This contributes to a seamless omnichannel experience, integrating the digital and physical shopping journeys.
- **Capabilities and Measurement:** The ability to target relevant audiences and measure success accurately are key criteria. Retail partners must demonstrate strong capabilities in these areas to be considered valuable partners.

"Given this context, it's crucial for retailers to develop and refine omnichannel attribution models. These models should provide a comprehensive view of the impact of brand communication strategies, enabling more informed decision-making. By adopting an omnichannel perspective, retailers can accurately assess the effectiveness of their investments, understand the full customer journey, and optimize future strategies for greater overall impact." - Camila Contreras, Head of Data Monetization & Business Insights, Sodimac Media

Challenges and Considerations

Retailers and brands face several challenges in implementing and scaling in-store digital media:

- **Cost and Operational Efficiency:** Balancing the costs of new technologies with their potential ROI is a constant challenge. Retailers seek solutions that are cost-effective and easy to integrate into existing workflows.
- **Privacy and Data Security:** Maintaining customer trust through robust data governance and privacy practices is paramount. Retailers prioritize technologies that comply with privacy regulations and offer secure data handling.
- **Internal Alignment and Collaboration:** Successful implementation of in-store media requires close collaboration between marketing, merchandising, IT, and retail media teams. Aligning their objectives and strategies is essential for cohesive and effective media deployment.
- **Testing and Perception:** While the impact and priority of in-store retail media have accelerated significantly in recent years, challenges in measurement and agency staffing still hinder widespread adoption.

Brands face several challenges in executing in-store digital media campaigns.

- **Targeting Limitations:** Limited targeting capabilities and the separation of functions within retailer organizations can hinder the effectiveness of in-store digital media.
- **Budget Flexibility:** The impact of digital screens on joint business plans and the need for alignment on who gets credit and pays for in-store media are significant challenges.

“Brands must set clear objectives to ensure success. While real-time measurement of in-store digital media poses challenges, enriched historical data enables brands to pursue goals beyond ROI, such as acquiring new customers, increasing basket size, and boosting category share. Brands can then allocate budgets and tailor strategies to each location or region, overcoming the limitations of in-store audience segmentation.” - Camila Contreras, Head of Data Monetization & Business Insights, Sodimac Media

Budget Allocation

Determining the allocation of advertising budgets depends on several factors.

- **Business Objectives:** The brand's overall business objectives, target audience coverage, and the capability of reaching this audience compared to other media channels influence budget decisions.
- **Retailer Specifics:** The specific objectives and priorities of retail partners, as well as the level of interest from merchants and category buyers, also play a crucial role.

Measuring Success

Effective measurement is crucial for assessing ROI and optimizing strategies:

- **Customer Impressions and Engagement:** Tracking impressions and dwell time provides insights into customer interactions with digital media. Heat maps and A/B testing refine content and placement strategies.
- **Sales Data and POS Integration:** Analyzing sales data at SKU, brand and category levels helps correlate in-store media exposure with purchasing behavior. POS data guides investment in technologies that drive sales.
- **Customer Sentiment and Feedback:** Surveys and qualitative feedback help understand customer perceptions and refine messaging to better align with their needs.

"By analyzing omnichannel purchasing behavior, retailers can predict in-store actions and display personalized ads tailored to customers' interests and habits. This approach enhances the shopping experience, driving higher engagement and increasing conversions." - Felipe Barbé, Head of Product and Development, Cencosud Media

Brands utilize various metrics and methods to track and analyze the performance of their in-store digital advertisements.

- **Control Groups and Test Stores:** Brands often use control groups versus test stores to measure sales uplift, return on ad spend (ROAS) and impressions.
- **Layered Approach:** Evaluating in-store digital media as part of a layered strategy, alongside national advertising and price promotions, helps assess its cost-effectiveness and total lift potential.
- **Incremental Sales:** Brands have observed incremental sales and increased engagement through in-store digital media campaigns.

Future Innovations and Trends

"Looking ahead, further integrating advertising opportunities with in-store technology will revolutionize retail media. Unifying the inspiration of browsing the aisles with the precision of online advertising can create an unparalleled, engaging shopping experience for consumers. Retailers and brands must embrace and drive this technological advancement to deliver a truly omnichannel shopping experience." - Jamie Reed, Director of Retail Media at Instacart

Over the next few years, retailers foresee significant advancements in the capabilities of in-store technologies:

- **Enhanced Customer Engagement:** Technologies will increasingly focus on creating meaningful connections with customers, reducing noise and complexity while fostering trust and satisfaction.
- **Localized Content:** Leveraging AI and dynamic content generation, retailers aim to offer localized experiences that resonate with community events and customer preferences, enhancing the relevance and impact of in-store media.
- **Integration of Omnichannel Strategies:** Retailers will continue to merge digital and physical touchpoints, ensuring seamless and consistent customer journeys that drive engagement and sales across all channels.
- **Augmented Reality (AR) and AI:** These technologies offer opportunities to enhance the customer experience through interactive content. AR can provide immersive product demonstrations, while AI can drive dynamic content based on real-time data.
- **Enhanced Mobile Experiences:** Improving app functionalities to seamlessly integrate with in-store experiences will continue to be a focus. Mobile passports and notifications can guide customers through their shopping journey and enhance engagement.
- **Sustainability and Efficiency:** Retailers are exploring sustainable technologies that reduce waste and energy consumption while providing clear benefits to customers and brands.

"For retailers to unlock the true power of in-store media, technologies must be nimble enough to create localized shopping experiences through content – like inventory at the store level, community events at the zip code level or weather and major events at the demographic level. Similar to online digital content, AI creates relevancy, purchase motivation and loyalty. And just like online digital innovations, in-store technology and advertisements should only enhance the shopper's experience. As soon as we lose sight of what's best for the shopper,

*we've lost the shopper's trust and ultimately, wallet." -Evan Hovorka,
VP Product Innovation, Albertsons Media Collective*

Brands are excited about several innovations in in-store retail media:

- **Programmatic Targeting:** Using digital screens programmatically to target relevant audiences at the store level and accurately measure ad impact.
- **Integration of Online and In-Store:** Better integrating online and in-store experiences, leveraging the digital shelf to drive conversion, and using apps to enhance engagement.
- **AI and Localization:** Advances in AI will enable real-time localized messaging, enhancing relevance and impact.
- **Incrementality and Closed-Loop Measurement:** The ability to measure true incrementality and provide closed-loop measurements will be crucial for continued investment in in-store digital media.

Brands plan to continue testing and learning with in-store digital media, focusing on training teams for multifaceted discussions and integrating new technologies into their overall marketing strategies.

For Walgreens, its stores play a pivotal role in the company's strategy, serving as a place to deliver the right customer experience and message and as micro-distribution centers. Abi Subramanian, Group VP, Customer Loyalty and Media Monetization, Walgreens, shared that the company believes the introduction of Digital In-Store will help raise adoption of its key programs, such as one hour delivery and buy online, pick up in store (BOPIS), plus drive cross-category shopping and impulse purchasing by influencing customer decisioning.

"The next 6+ months will be a key learning period to test and learn from our Digital In-Store technology and find the ideal mix of placements and messaging that resonates with our customers," Subramanian said.

The Crawl-Walk-Run Approach

"If we all keep the customer experience paramount, then the next-generation of in-store media will succeed greatly. We're excited to apply technology that inspires shoppers while bringing new touchpoints and insights to brands." - Michael Wessel, Director, In-Store Media at Kroger Precision Marketing

Retailers should adopt a phased approach to implementing in-store technologies:

Crawl Phase: Think Large, Test Small

- **Vision and Testing:** Have a vision for scalable experiences/technology but test and measure smaller sample sizes that provide statistical significance. Implement initial metrics to assess the effectiveness of foundational technologies and pilot programs.
- **Business Model:** Create a detailed business model for scaled deployments to establish a long-term vision. This model should include a roadmap of shopper experience, revenue, and retailer business goals.
- **Sentiment and Training:** Gather sentiment from customers and store operations. Establish foundational technologies such as high-reach basic digital signage and pilot programs. Train employees and gather initial data.

Walk Phase: Inform Smart Content Programming

- **Data Utilization:** Use Crawl learnings from pathing data to optimize screen locations. Continuously measure the performance of advanced features and content programming to refine strategies.
- **Advanced Features:** Introduce advanced features like interactive displays and mobile apps. Scale successful pilot technologies and integrate data for informed decision-making.
- **Strategy Development:** Develop a dedicated in-store sales strategy and tactics, including a go-to-market (GTM) plan.

Run Phase: Fully Leverage In-Store Digital Technologies

- **Localized Experiences:** Employ AI and machine learning for personalized experiences. Engage with customers on their terms, through their channels, and based on how they choose to shop in your stores.
- **Omnichannel Integration:** Integrate omnichannel strategies for a seamless customer journey. This phase involves fully utilizing in-store digital technologies to create localized and interactive experiences.
- **Measurement:** Use advanced analytics and machine learning to measure the impact on engagement and sales and implement incrementality testing.

About IAB

[The Interactive Advertising Bureau](#) empowers the media and marketing industries to thrive in the digital economy. Its membership comprises more than 700 leading media companies, brands, agencies, and the technology firms responsible for selling, delivering, and optimizing digital ad marketing campaigns. The trade group fields critical research on interactive advertising, while also educating brands, agencies, and the wider business community on the importance of digital marketing. In affiliation with the IAB Tech Lab, IAB develops technical standards and solutions. IAB is committed to professional development and elevating the knowledge, skills, expertise, and diversity of the workforce across the industry. Through the work of its public policy office in Washington, D.C., the trade association advocates for its members and promotes the value of the interactive advertising industry to legislators and policymakers. Founded in 1996, IAB is headquartered in New York City.

About Path to Purchase Institute

For more than 30 years, the Path to Purchase Institute has given commerce marketers a holistic, 360-degree view of the shopper journey through its share groups, in-person events, educational courses, B2B magazine, newsletters and website, [P2PI.com](#) — which hosts thousands of in-store and digital images, campaign case studies, proprietary research reports, news stories and more than 30 in-depth profiles on leading retailers across the globe. Existing at the intersection of brands and retailers, P2PI is the go-to retail media resource for commerce marketers. As the creator of P2PI Retail Media Summit — the industry’s first-ever US event devoted to the subject — the organization has led the charge in pioneering this rapidly evolving realm of commerce marketing for the community.