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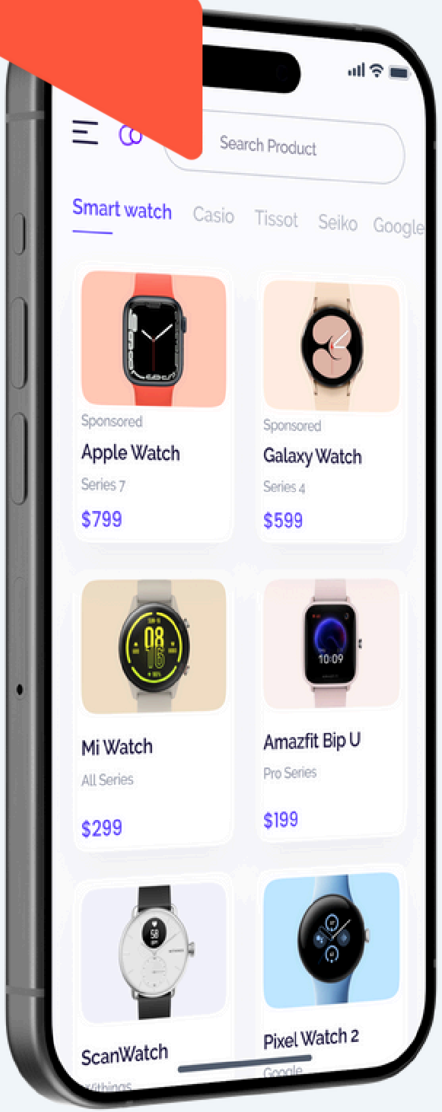

2024

Retail Media Performance Optimization

How to stay on advertiser plans while increasing your own GMV

kevel

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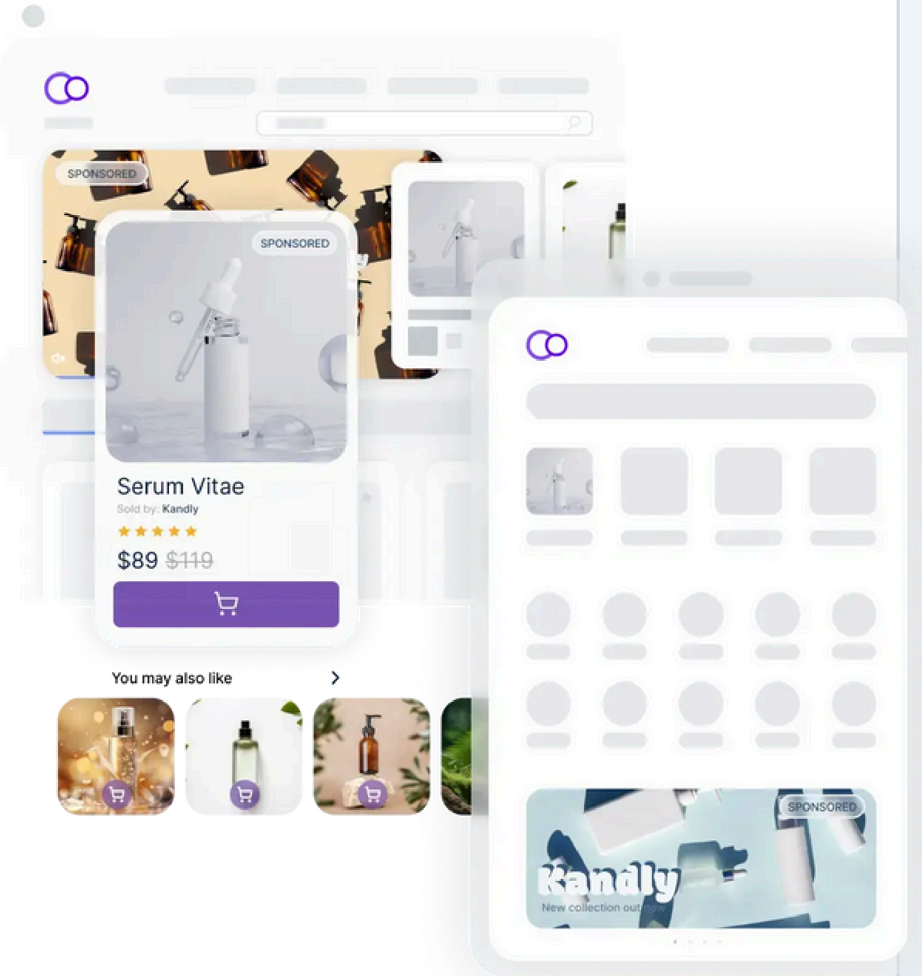
Introduction

With most advertisers looking to work with [5-10 retail media networks], and with those networks constantly competing with other channels for spend, retailers must prove clear ROI in order to keep winning media budgets.

In this ebook, we outline three main ways retail media networks can stay on advertiser budgets while still prioritizing their own GMV. Retail media networks that promote attribution, incrementality, and traditional metrics like ROAS position themselves well to rise to the top. Advertisers are comparing performance across their networks and channels, and without explicitly and transparently showcasing key performance metrics, retailers will get left behind.



Overview

Though Google and Meta still dominate ad spend, with 27% and 19% market share in 2023 respectively, their share is trending downward as Amazon rises. Retail media overall is the fastest growing ad channel, with an anticipated worldwide growth of 20% YoY. Advertisers are increasing onsite retail media spend in the form of sponsored listings because of one main thing: performance. Retail media can offer first-party data targeting in a closed-loop attribution environment, leading to clear ROI, while Google is losing their third-party data and has murky attribution tracking at best.

Performance is what matters most to advertisers – 56% say it's the #1 factor for spending with RMNs, and ROI is the main reason that advertisers would spend with retailers over other channels.

But today, retailers are not rising to the occasion. In the United States, Bain reports that 0 RMNs had a positive advertiser NPS score besides Amazon. Retailers are struggling to provide a quality experience to advertisers with clear performance. Advertisers are willing to test with RMNs, but not forever, and not without performance.

Advertisers look for ROI in the forms of attribution, incrementality, and traditional retail media metrics like ROAS. Even still, the most common metric used among advertisers is simple media cost. ROI isn't just in simple spend and gain analysis. Advertisers will analyze if they need to hire more people to manage more channels, how much new training will cost, and how much different creatives will cost. The following metrics are the most important in determining if they'll keep spending, and are essential for retail media networks that want to remain competitive with Amazon.

56%

of advertisers say performance is the #1 factor they consider for spend with RMNs

Chapter 1

Step 1

Attributing sales to ad campaigns

Unlocking ROI with Attribution

98% of retail marketers cite attribution as a key part of their tech stack. It remains critical to demonstrating ROI and attracting and retaining advertisers. And yet, attribution varies by network, and is deemed untrustworthy by advertisers as retailers tend to overemphasize their attribution.

Ad attribution explained

Ad attribution is the process of determining which user actions led to a desired outcome, like a sale or conversion, from an initial user ad click to the final conversion.

When talking about ad attribution, other key terms to know include:

- **Customer journey:** According to ClearCode, a customer journey is the path from initial brand awareness to the completion of a goal (e.g. a purchase or download). All customer journeys differ, so it's crucial to understand how different stages influence a user's buying decision.
- **Touchpoint:** A touchpoint is any interaction a user has with a brand during their customer journey. This includes both active engagements, like clicks, and passive ones, like simply viewing an ad. Touchpoints are anything that might influence someone's perception of a brand (website visits, reviews, videos, e-mails, etc.)

Benefits of Ad Attribution

Ad attribution isn't a simple metric your retail media network needs to check a box -- it's integral to several parts of your business and can help with initiatives outside of advertising alone. The following are key benefits to ad attribution for you and your advertisers alike:

- **Easier planning:** The more you can learn from past campaigns, the better you and your advertisers can plan for future strategies. Attribution can help identify which keywords, ads, and campaigns generate the most leads and revenue, taking the guesswork out of campaign planning.
- **Improved reporting:** Attribution creates detailed, data-backed reports showcasing ROI and justifying your budgets and strategies. It clearly demonstrates to advertisers how their campaigns drove sales results.
- **Customer journey insights:** On average, it takes eight touchpoints to close a sale. The right attribution model will provide a detailed understanding of these touchpoints and how each one contributes to conversions.
- **Cost-effective:** Attribution helps identify underperforming campaigns so you and your advertisers can reallocate resources, focusing budgets on the most impactful touchpoints. Advertisers will be grateful you're not wasting their dollars and can prove how your network specifically drives results.
- **Reach customers sooner:** Attribution allows you to reach customers earlier in their purchase cycle, finding opportunities to influence them sooner on their path to conversion.
- **Optimize bidding:** Use insights on ad performance to improve bidding strategies for maximum impact.
- **Focus on revenue:** Ad attribution is focused on revenue generation. While vanity metrics like clicks, traffic, and time on site are important, attribution focuses on the ultimate goal: driving sales.

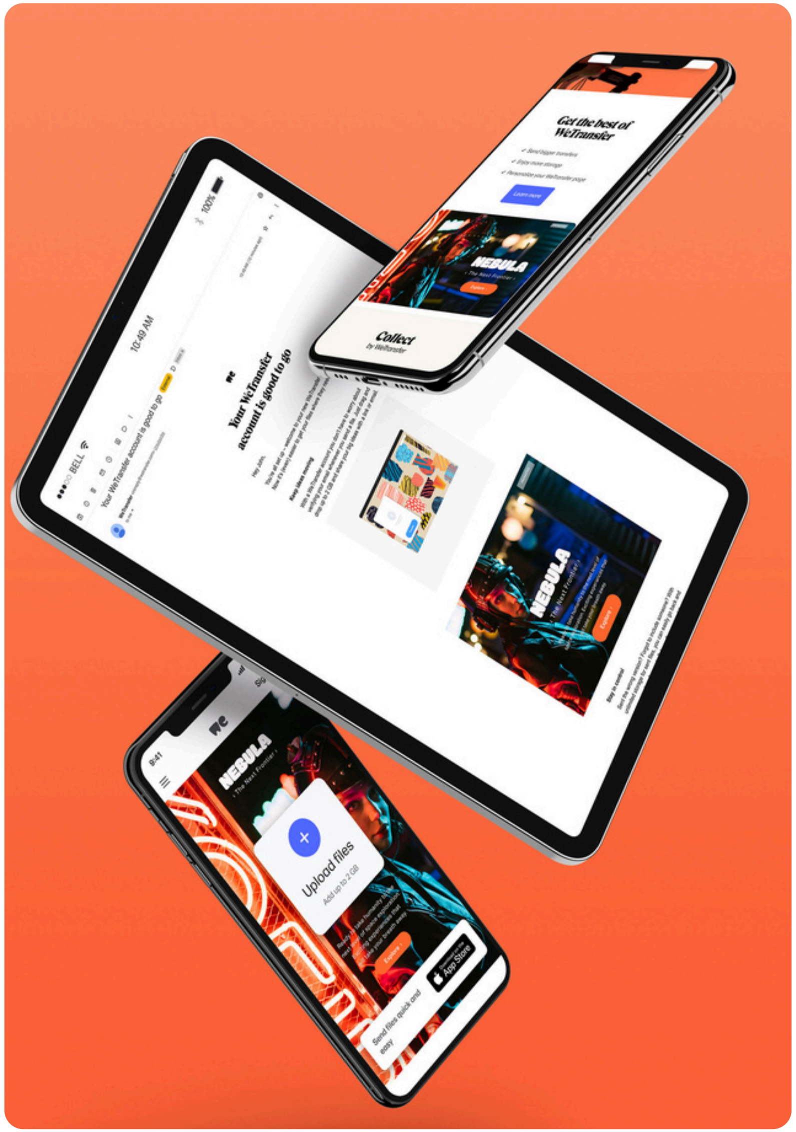
Types of Ad Attribution

Your goals, business, and customer interactions will determine which kind of attribution model is the best fit. Let's explore each model and its pros and cons.

- **Last click attribution:** Last-click attribution is the oldest and simplest attribution model. In a last-click attribution model, 100% of the credit for a conversion is assigned to the last known interaction or click before the conversion.
- **First-click attribution:** The opposite of last-click attribution, a first-click model assigns all credit for a conversion to the first interaction or click.
- **Linear attribution:** Linear attribution models evenly distribute credit across all touchpoints in the customer journey, offering a comprehensive overview of the entire path to conversion. While it may give a fuller picture of customer interactions than first or last-click models, it's also rarely the case that every touchpoint is equal.
- **Lead-conversion touch attribution:** A lead-conversion touch attribution model is relatively complex, assigning conversion credit to touchpoints based on perceived impact on the conversion process. It highlights the moments consumers are inspired to take action, but neglects pivotal touchpoints that may indirectly contribute to a conversion.
- **Time decay attribution:** An offshoot of the linear attribution model, the time decay attribution model gives the most credit to the touchpoint that is closest in time to the conversion, with remaining touchpoints given credit based on how far they are from the conversion. The further a touchpoint is from a conversion time-wise, the more its credit "decays."
- **Position-based attribution:** A position-based attribution model is more complex, giving 40% credit to the first and last interactions in the customer journey, with the remaining 20% divided among the remaining touchpoints. It tracks every touchpoint, giving an overview of the customer journey, but assigns the most importance to the first and last touchpoints. Graphically, this creates a "U" shape.
- **W-shaped attribution:** Similar to U-shaped models, W-shaped attribution assigns varying degrees of credit to multiple touchpoints. 30% credit is attributed to the first touchpoint, lead conversion, and opportunity creation, with the remaining 10% divided among other touchpoints. It charts a "W" shape it takes when charted on a graph.

Types of Ad Attribution

- **Z-shaped attribution:** Like W- and U-shaped models, Z-shaped attribution models are named from the shape they make when you take a graphical-level view of how each channel receives credit. Z-shaped attribution models give equal attribution (22.5%) to all four crucial stages of a customer journey: first touch, lead conversion, opportunity creation, and customer close. The remaining 10% is distributed equally among any other touchpoints.
- **Custom attribution:** Custom attribution models allow advertisers to create their own rules for attributing credit to touchpoints based on specific campaign, customer, and journey characteristics. Although it's one of the most complex attribution models, custom attribution is also the most tailored, giving marketers the ability to assign their own weights to each touchpoint.



Type	Pros	Cons	Best for
Last-click	Understand final touchpoints	Ignores other influences	Converting anonymous visitors
First-click	Easy	Oversimplified	<2 advertising channels
Linear	Full customer picture	Treats touchpoints equally	Long-term measurement
Lead conversion	Pinpoints lead generation	May not credit weights correctly	Determining channels for brand goals
Time decay	Reflects real life	Emphasizes later touchpoints	Long sales cycles
Position-based	Full customer picture	Not time-efficient	Repeat purchases
W-shaped	Considers all funnel stages	Weights opportunity creation	Long sales cycles
Z-shaped	Full customer picture	Credit apportioned formulaically	Complex sales cycles
Custom	Tailored to specific company	Complex and lacks transparency	Sophisticated retailers

Chapter 2

Step 2

Growing ad budgets through incrementality

Incrementality testing for advertiser growth

Incrementality is now dubbed “gold standard in terms of showing the actual impact or casual impact of ads on driving sales for our advertisers and brands” according to retail media experts, and is key to proving advertiser performance on your retail media network today.

Incrementality explained

According to the Interactive Advertising Bureau (IAB), incrementality in retail media “...quantifies the causal impact of marketing strategies on outcomes such as sales, isolated from other business influences and attributed to advertising campaigns.” The IAB’s Jeff Bustos also explains incrementality as the ability to isolate the media spend when looking at things like sales, ROAS, or any other kind of conversion measure a brand is tracking.

Put simply, incrementality, sometimes also called “incremental lift”, is a measure of true value; the potential causal impact of marketing.

In formulaic terms, incrementality is the difference between the number of sales that would have occurred without the campaign and the number of sales or engagements that actually occurred with the campaign:

(Test Conversion Rate - Control Conversion Rate) / (Test Conversion Rate) = Incrementality

The importance of incrementality

Incrementality allows advertisers to measure the true impact of their retail media campaigns. According to a report by the Association of National Advertisers (ANA), advertiser reception to RMNs has been relatively lukewarm, with 42% of advertisers feeling "on the fence" regarding their RMN investments. The same report found that brands believe a lack of measurement standardization and transparency is "preventing advertisers from deriving full value from their RMN investments."

That's where incrementality plays an important role: unlike return on ad spend (ROAS), which only measures total sales or engagement generated by a campaign, incrementality focuses on the additional sales or engagement that is directly attributable to the campaign. This distinction is why some feel that a high ROAS can be misleading -- a sentiment reflected in the 56% of advertisers surveyed who cite incremental sales as their most used KPI for RMNs, just behind 58% that cite ROI and ROAS.

Incrementality in practice

Here's a more functional example of what incrementality testing can look like:

- You'll select a market or region in which you want to examine the effectiveness of an advertising campaign. This is the treatment group.
- Select a market or region, or derive an artificial market or region, which serves as a baseline for comparison. This is the control group.
- Run ads in the treatment group only, ensuring everything in the control group remains as constant as possible.
- Once the test has finished, analyze results and calculate the incremental uplift and its associated ROI.

Incrementality Measurement Methods

The IAB suggests these incrementality measurement methods:

- **Randomized control trials (RCT).** Also called A/B tests, this method randomly assigns individuals to different conditions to assess their impact using statistical techniques like tests, covariance analysis, and regression analysis to compare effectiveness across two groups.
- **Synthetic controls.** Synthetic controls are used to calculate campaign sales lift by creating a post-campaign control group of non-exposed consumers with characteristics similar to those of exposed ones. When employing such controls, remember to consider factors like purchase and digital behavior, employ propensity scoring, and criteria to avoid bias.
- **Matched-market tests.** This method is common for in-store media, comparing two similar markets - one targeted in a marketing campaign and the other untargeted - to observe incremental impact. Methodological rigor in order to isolate the incremental sales effect and minimize data bias is important.
- **Other machine learning models.** Other ML models are used to measure the increase of specific outcome metrics caused by a campaign. (This usually involves building a more complex predictive model.)

New methods for measuring incrementality in retail media are still being developed. This includes:

- **Closed-loop measurement:** This method measures the impact of a campaign by tracking the entire customer journey from awareness to purchase. This is a highly accurate way to measure incrementality.
- **Econometrics:** This is a statistical method that can be used to estimate the impact of a campaign on sales. Econometrics is more complex than closed-loop measurement, but in some cases, it can offer more accuracy.

How retailers can increase incrementality

Improving incremental sales lift will involve stepping up your overall advertising and marketing efforts. While some factors that impact incrementality are out of your control, like market trends or your competitors, there are some straightforward ways retailers can help increase incrementality.
Here are some of them:

- **Offer unique ad units.** Engaging ad units, like native ads or video shelf placements, are more likely to capture user attention than traditional ad formats. To increase the likelihood of consumer engagement (and conversion), launching standout ads is a good place to start. This allows for brands to appear where they might not organically, promoting new-to-brand customers.
- **Utilize targeting.** Targeting the right audience with tailored messaging can not only lead to higher conversions but also help brands showcase their lifetime value.
- **Optimize audience segmentation.** Segmenting users based on incremental visits improves your understanding of a campaign's impact on each consumer and reveals how each channel may have influenced users differently. If you find that a campaign was more effective on mobile than TV, you may want to adjust your campaign parameters to focus more on mobile in the future.
- **Understand campaign frequency.** Optimizing the frequency of your campaigns can encourage users and drive action, so long as you're careful to avoid inundating users and generating ad fatigue. It can also help to maintain campaign consistency across all channels to reinforce brand messaging and enhance marketing efforts.

Chapter 3

Step 3

Showcasing performance through traditional metrics

Back to basics: key ad metrics advertisers can't live without

Despite flashy metrics, advertisers will still compare basic retail media metrics accross RMNs to determine the best places to spend their budgets. Having ROAS, market share, and new-to-brand metrics readily available is key.

Traditional retail media metrics explained

There are several other key metrics that appeal to advertisers as they work with new retail media networks: ROAS, market share, new to brand, and adds to cart.

ROAS

ROAS is by far the most looked at metric among advertisers and agencies, with 78% currently using the metric today. ROAS is defined as "return on ad spend," and is calculated as =(Net profit / Net spend) x 100. When advertisers look at different channels and RMNs, this is the biggest metric they will use to compare them with when deciding where to continue and stop spending.

Advertisers are constantly trying to determine if the retailer they increase their ad spend with will provide the best conversions and sales.

While metrics like brand awareness always remain important to advertisers, with retail media networks in particular, ROAS is key. For a channel like retail media, when advertisers pay to promote a listing or pay for a homepage carousel, they expect a substantial return in sales.

Market share

Market share, or share of wallet, is key to advertisers as they look to add new customers to their brand. Share of wallet is defined as "the amount an existing consumer regularly spends on a specific brand as opposed to its competitors." For example, if a person spends $20/month on cheesy snacks, Goldfish and Cheezits are constantly competing for the share of that person's wallet allocated to cheesy snacks. If retailers can prove to advertisers that by advertising with them, they are gaining more market share, that will be especially valuable to advertisers.

New to brand

In the ANA survey among advertisers, nearly a quarter listed "new to brand" as a key metric. While new to brand seems similar to incrementality, advertisers still view it differently, with the ANA reporting: "This suggests that brands may see the role of RMNs as driving incrementality through winning more share of shopping occasions than attracting new users." "New to brand" is the shoppers who purchase an advertiser's product who have not done so previously. Advertisers are trying to attract new customers through their ad campaigns who have never previously considered their brand before.

Adds to cart

Adds to cart is another easy one--simply showing advertisers the amount of adds to cart that came as a result of their ad campaign. This is of smaller interest to advertisers, as ultimately the goal is sales, but it can still be a valuable insight to advertisers as they make their campaigns. That data might help them optimize their campaigns in the future--if customers are adding to cart and not converting, exploring why that might be can be of incredible value to brands.

Case Study: Sonae

Since their launch, Sonae boasts 478% ROAS. This performance is driven in part through their 160 ad formats onsite and in store. Their diverse and easily attributable ad units make Sonae a premier destination for advertiser dollars.

A key way Sonae showcases attribution is through ROPO (research online, purchase offline). As a major retailer with a large share of purchases in store, Sonae needs to show advertisers that their online spend is worthwhile. ROPO allows Sonae to show that every ad dollar counts towards a conversion.

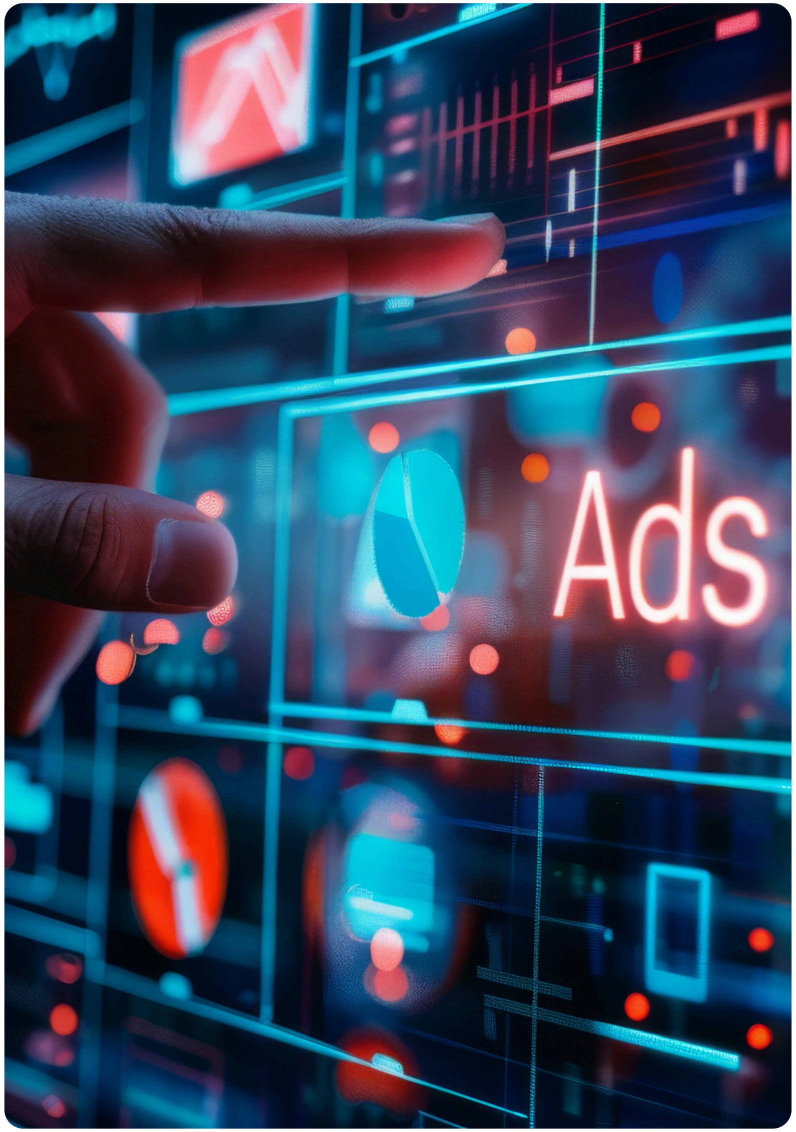
“Being a physical grocery store, we are not a purely online player. We have a lot of information that we built these past 15 years regarding our loyalty card and our own segmentations,” said Cardoso. “It was very important for us to find a solution that has the ability to bring that on and mix [it all] together, so we can have the richest information about the client.”

Conclusion

Brands want to work with retail media networks who provide unique formats, data insights, and ultimately showcase the best ROI. While retailers still have a long way to go to prove their value to advertising partners, brands still remain hungry to invest in this rising ad channel. Retailers have a limited time to rise to the top, as advertisers won't test unproven and poor-performing channels forever. The retailers that continue to prove their ROI in the forms of attribution, incrementality, and traditional metrics like ROAS will rise to the top.

The key to unlocking this performance is by harnessing your first-party data in a privacy safe way. That's why brands like Sonae choose to work with Kevel, knowing The Retail Media Cloud™ was the ultimate choice to power machine learning segmentation that drives ad serving performance.

For a personalized strategy on improving your ROI to advertisers, contact us today.



About Kevel

About Kevel

Kevel's Retail Media Cloud™ empowers retailers to launch differentiated retail media networks using the Kevel Ad Server and Kevel Audience. Always committed to the mission of every digital retailer scaling their own a distinctive ad platform with unique ad units and first-party data segmentation, Kevel helps multi-brand retailers, marketplaces, and ecommerce companies launch innovative onsite and in-store ad experiences in as little as 14 days.

Learn more about Kevel

Thank you

Contact our team sales@kevel.com