GUIDE

3 STRATEGIES FOR A SUCCESSFUL RETAIL MEDIA NETWORK

Grow revenue and relationships in the new digital frontier

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THE NEW OPPORTUNITY FOR RETAILERS

When we think back to the rise of trade budgets in the '70s, we recall something that was top-of-mind for retailers: **the opportunity to increase margins through symbiotic—and costly—relationships with their manufacturers.** These relationships were built around advertising in offline channels: in-store slotting fees, newspaper circulars and promotions. These relationships still exist today, but in a new format: retail media networks.

We're now in a post-pandemic world where consumer dynamics have rapidly accelerated the shift to e-commerce, delivery and direct-to-consumer. The buying ecosystem is more online than ever before—and this balance is shifting in favor of retailers. Backed by a wealth of first-party data, retailers have new means to monetize their customer relationships and prove the impact of their advertising partnerships with brands, thanks to new methods of tracking and measurement. This all amounts to improved ROI on media investments, driving category and SKU-level sales for retailers and brands—and creating shared success for all.

The retail-media ecosystem is poised to benefit. That's why we've seen an industry-wide rise in media networks. And it's why there's never been a more urgent time to build and refine yours.

In this guide, you'll learn:

1. **Why now is the time to build a strong media network**
2. **What the retail media network of tomorrow needs to succeed**
3. **Questions to consider along all phases of the maturity model**

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NOW IS THE TIME TO BUILD A STRONG MEDIA NETWORK

According to new data from IBM's U.S. Retail Index, COVID-19 has accelerated e-commerce growth by five years. Consumers who prefer in-store shopping have had new motivation to transition to online. For retailers, this means a spike in digital data that shouldn't go overlooked.

Retailers are already capitalizing on this data. Brands like Walgreens have recently launched media networks, and others, such as ULTA, have been using this model for years. In many ways, retailers can be considered the new publishers in digital media.

> *"From a marketing and communications standpoint, it's enabling us to unlock the value of our first-party data—which is easy to say and not so easy to do."*
>
> **–Luke Kigel, VP of integrated media, head of Walgreens Advertising Group, Walgreens** on the value of their retail media network

Quite a lot needs to go into a media network strategy. Amazon essentially built the category, and they reportedly have a thousand employees in that organization today. But the retailers now looking to build networks don't have Amazon's scale—and that's OK. **The future of retail media hinges on new strategies that complement existing success.**

DEFINITION: RETAIL MEDIA NETWORK

A retail media network allows a retail brand to give their partner brands access to customers, using the retailer's key assets: their first-party customer data and channels (including their website). With the retailer's first-party data, brands can reach in-market buyers at the point of purchase, across formats and owned channels. A successful media network is one that can effectively monetize all addressable channels in a brand-safe, privacy-compliant environment—all the way through to the end consumer.

You have a new opportunity to build a media network *right*, and to do it now.

THE BIG CHOICE: IN-HOUSING OR OUTSOURCING

Many retailers feel inspired to start building their own media network in-house. But as they begin the process, they should understand their needs by asking the following questions.

How is your data currently managed, and can it be leveraged for activation?

Can you effectively identify and reach your customers off your website? Across devices?

Are creative resources available to support your efforts?

How aligned are your marketing and merchandising teams to drive these opportunities into a sustained revenue stream for years to come?

Do you have the staff to source the wealth of opportunity across your brands for on-site and off-site activation?

Will your network come to life through your business driving demand of your digital shelf space—on-site and off-site?

"Where a lot of leaders fail is they think the exact same composition of team can achieve the exact same outcomes on totally new ideas, right? And the truth is that's just not the way it works. So, first you have to assess: does your team have the resources and the capabilities to do it? That doesn't mean that people you have today are bad, but are you first augmenting your team to ensure they can pull off what you're asking them to do? That's on the leadership to recognize that."

– Vineet Mehra, Chief Growth and CX Officer, Good Eggs

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WHAT'S NEEDED TO BUILD A MEDIA NETWORK

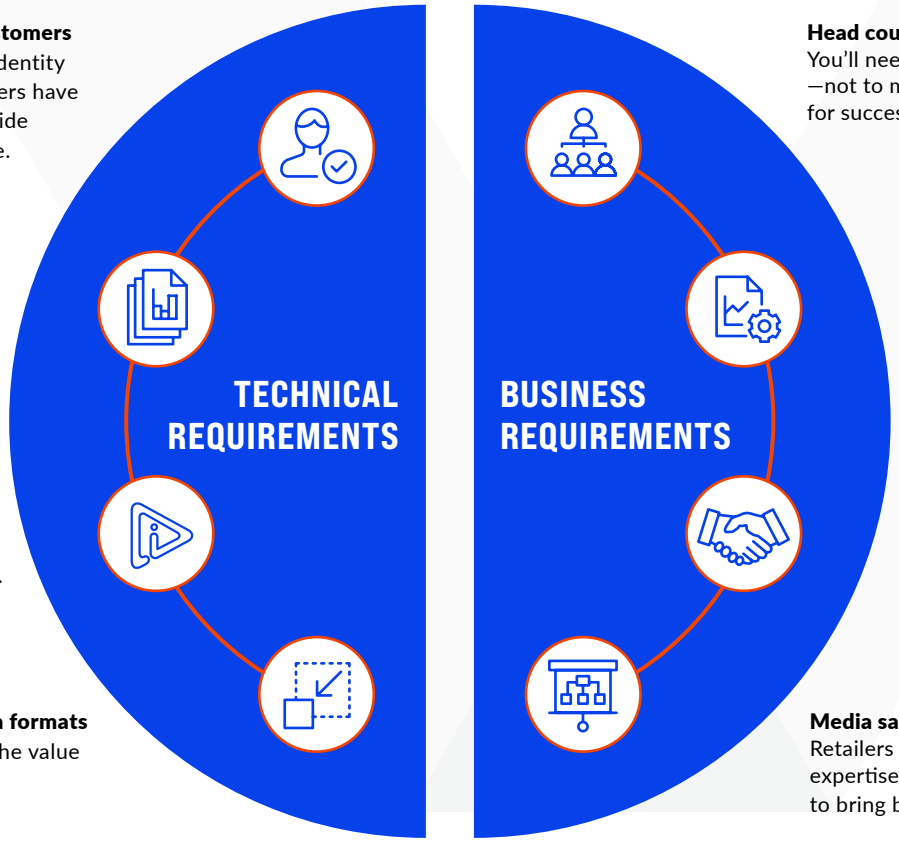
You may have a lot of questions about getting started with retail media. When it comes to building a media network, here's what you'll need.

Strong understanding of customers
Your approach to customer identity likely is incomplete. Consumers have many more interactions outside your brand that you can't see.

Data management
You'll need to either hire or build all the components, including data onboarding, DMP, DSP, dynamic creative optimization and measurement.

Ad delivery
On-site and off-site ads will need to be delivered in a way that serves the full customer journey. This is complex and difficult.

Creative execution for all rich media formats
Without proper creative execution, the value of your data is shot.



Head count
You'll need more time and new resources —not to mention the experience required for successful management.

Implementation
You'll need to put into place a managed service piece and measurement layer.

Internal alignment
There must be alignment between marketing and merchandising to understand the available investments.

Media sales and marketing team
Retailers often don't have the capacity or expertise to source all the dollars needed to bring brand demand and a network to life.

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THE 3 KEYS FOR LONG-TERM SUCCESS

Faced with so many requirements, it's crucial to consider working with outside partners to build your media network. Even in that scenario, there's a few key principles you'll need for long-term success:

A strong, future-proof identity solution that protects brand safety and consumer privacy

An on-site *plus* off-site solution for demand generation

Activation and measurement that get to your brand partners' bottom line

DON'T BUILD ANOTHER FRAGMENTED TECH STACK

Many retailers have built media networks using fragmented tech stacks to meet all their needs. These disconnected partnerships created data loss at every step of the process—from data onboarding to DMP to DSP to creative optimization.

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KEY #1

IDENTITY FOR UNIQUE REACH & MEASUREMENT

To achieve the greatest possible revenue and avoid wasting ad dollars, it's time to get personal.

If you're not connecting with people who are truly in-market for your products, you're wasting your brand partners' money. Especially with today's identifier deprecation, your identity solution must not rely on third-party cookies or any single identifier if you want to see long-lasting impact. Reach is plummeting across the adtech ecosystem as many don't have a true, scalable cookieless solution.

How does this activate in practice? With strong first-party data (down to the SKU level), matched with a persistent third-party identity layer in a privacy-safe way, you can **recognize your customers and prospects across their digital experiences.** And with continuously updating AI models, you can reach everyone on a 1:1 level based on their real-time signals.

Without full knowledge of your customers, and the ability to recognize them across their digital channels, your retail media network is no better than contextual advertising.

"AI is right at the center of everything we do. We use machine learning to build profiles and create models that predict what people are going to do, what they're going to buy, even in some cases what kinds of images they're going to respond to most strongly."

– Steve Nowlan, SVP, Decision Sciences, Epsilon

WHAT ABOUT DATA ONBOARDERS, DMPs AND DSPs?

There's enormous potential data loss through a fragmented execution with a data onboarder, data management platform (DMP) and demand-side platform (DSP). This means you're only able to reach a fraction of your total in-market audience, and you're losing valuable consumer information.

KEY #1 (CONT.)

A TRUE 1:1 IDENTITY SOLUTION IN ACTION

People can seem the same but have vastly different needs that change on a dime. It's important to have always-on AI models that keep up with their real-time browsing and buying behaviors, so you can determine who's in-market for a specific SK.

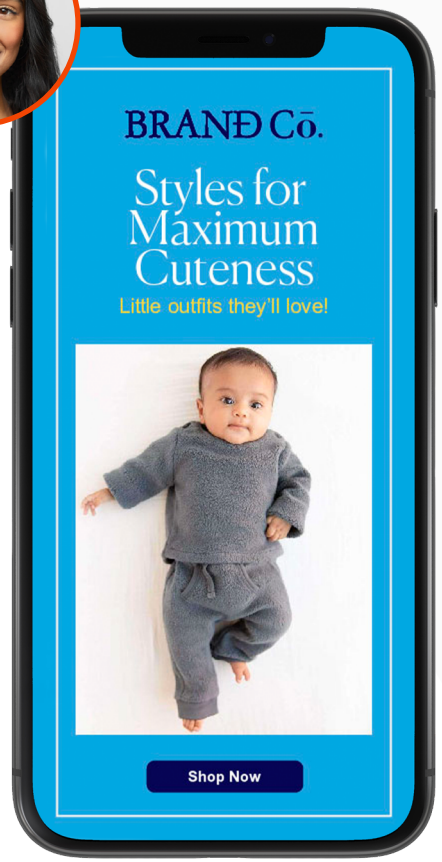
The new mom

ID# 28Y334

DEMOGRAPHIC
Female, 30
Married
Income: $120K
Chicago, IL

RECENT BROWSING
Baby food
Daycare

RECENT PURCHASES
Infant car seat
Childproofing outlet covers



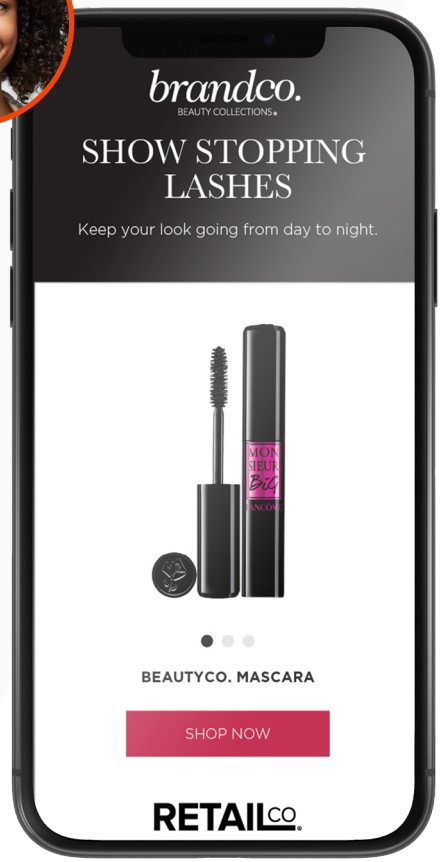
The beauty guru

ID# 11RY22K7

DEMOGRAPHIC
Female, 30
Married
Income: $120K
Chicago, IL

RECENT BROWSING
Eyeliner tips and tricks
How to curl hair

RECENT PURCHASES
New lipsticks
Hair curler



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KEY #2

ON-SITE + OFF-SITE ADVERTISING FOR DEMAND CREATION

Many retail media networks prioritize on-site monetization for a few reasons:

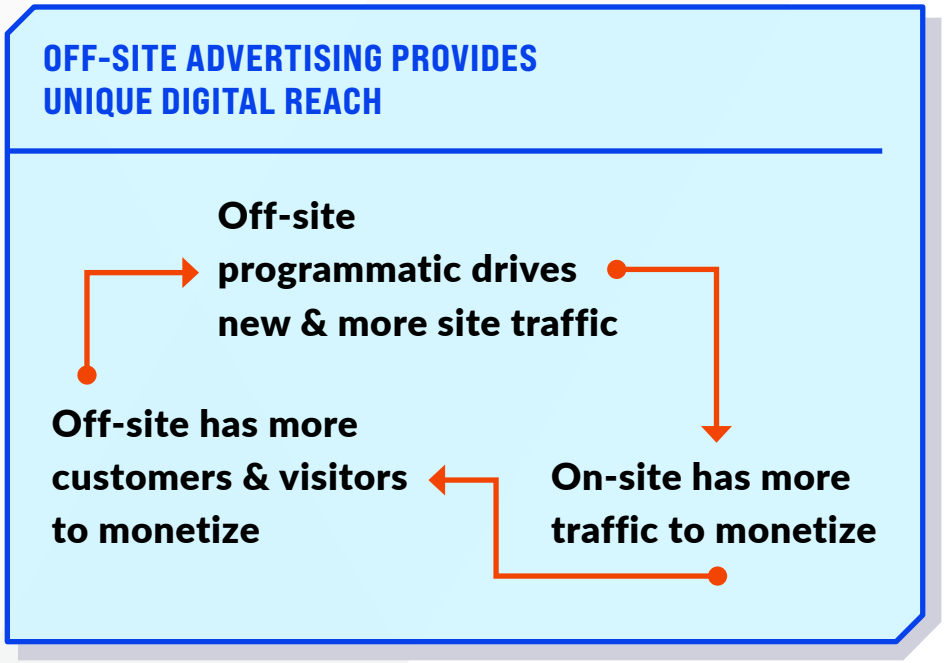
- It provides more control over the end-to-end native user experience.
- When someone is on a retail website, they're in shopping mode and considered more likely to convert.
- The ability to personalize the experiences and monetize the media creates a balanced value chain across retailers, brands and consumers.
- It's what everyone else is doing. The brands that built the retail media network category—Amazon, Walmart and Target—all saw on-site as the primary opportunity.

A 2019 Forrester report predicted that U.S. retailers with 50+ million site visitors would launch retail media networks within a year. Although that's a good amount of traffic, it's far from the nearly 200 million average monthly users that Amazon sees.

Today's retail media networks need to build their site traffic to succeed. They can easily do that with off-site advertising that connects to their on-site advertising. Both are needed for a successful media network—and in fact, they enhance each other to create exponential monetization growth. That's because off-site expands your reach and drives new traffic.

Retailers need off-site advertising to deliver to customers and prospects at scale. But it takes effort to build a solution that connects the reach and efficiency of off-site ads to the on-site experience.

We did an analysis for a retail media client and found that of the 53 million consumers in their file, 88% were only reachable off-site. That's 46 million people the retailer can't reach by only using on-site advertising.



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KEY #2 (CONT.)

BY THE NUMBERS: HOW OFF-SITE DRIVES ON-SITE SUCCESS

Here's how we know that connecting on-site with off-site advertising drives a bigger audience (and thus, more revenue opportunities).

Manufacturer brand:

42%
of visitors messaged off-site had never visited the retailer's site before

Retail media network client:

11%
of site traffic was driven by off-site advertising

Plus, 30% of messaged visitors from off-site programmatic hadn't visited the site before.

Convenience store:

30%
of visitors messaged off-site had never visited the retailer's site before

DRIVING NEW WEBSITE TRAFFIC IS CRUCIAL

Consumers don't go to the average retailer's website to search for products like they do on Amazon. **The modern retail media network needs off-site advertising that drives traffic to the website.**

OFF-SITE ADVERTISING IN ACTION

If someone is health-conscious, they're probably reading health-related articles on their favorite news sites, following relevant blogs about holistic nutrition, and purchasing organic, natural products when shopping. A retailer like Walgreens, with their new Walgreens Advertising Network (which Epsilon powers), could reach this person with messages about vitamins and supplements that complement their diet, encouraging them to purchase. And then they could measure overall, category and SKU-level impact across both online and in-store sales.

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KEY #3: BUILD FOR YOUR BRAND PARTNERS

KEEP BRANDS INVESTED WITH DEEP PERFORMANCE INSIGHTS

Retailers are excited about building a new revenue stream, but they also have a fiduciary responsibility to the brands trusting them with their ad dollars.

Brands believe that retail media networks offer strategic change in the commerce experience (both online and offline) that they need to actively participate in. To brands, these networks will:

- Affect commerce at the "digital shelf" point of consideration, to influence shelf placement, sales and share.
- Build affinity among retailers and their shoppers.
- Fulfill the promise of lower-funnel advertising and help achieve performance transparency—closing the measurement loop and improve the returns on their media investment.
- Create a convergence between their merchandising, promotion and advertising budgets.

Yes, brands want access to retailers' brand experience and audience data, but they also need a measured outcome. Retailers should seek a partner that can help them drive performance and also deliver measured transactions at the product level—at scale.

A successful retail media network needs a full-front, long-term strategy. It's important to find everyone who's in-market for specific SKUs and drive them to purchase. Then, once your media network is a couple years in, you'll know more across the funnel, and apply those learnings to drive more sales.

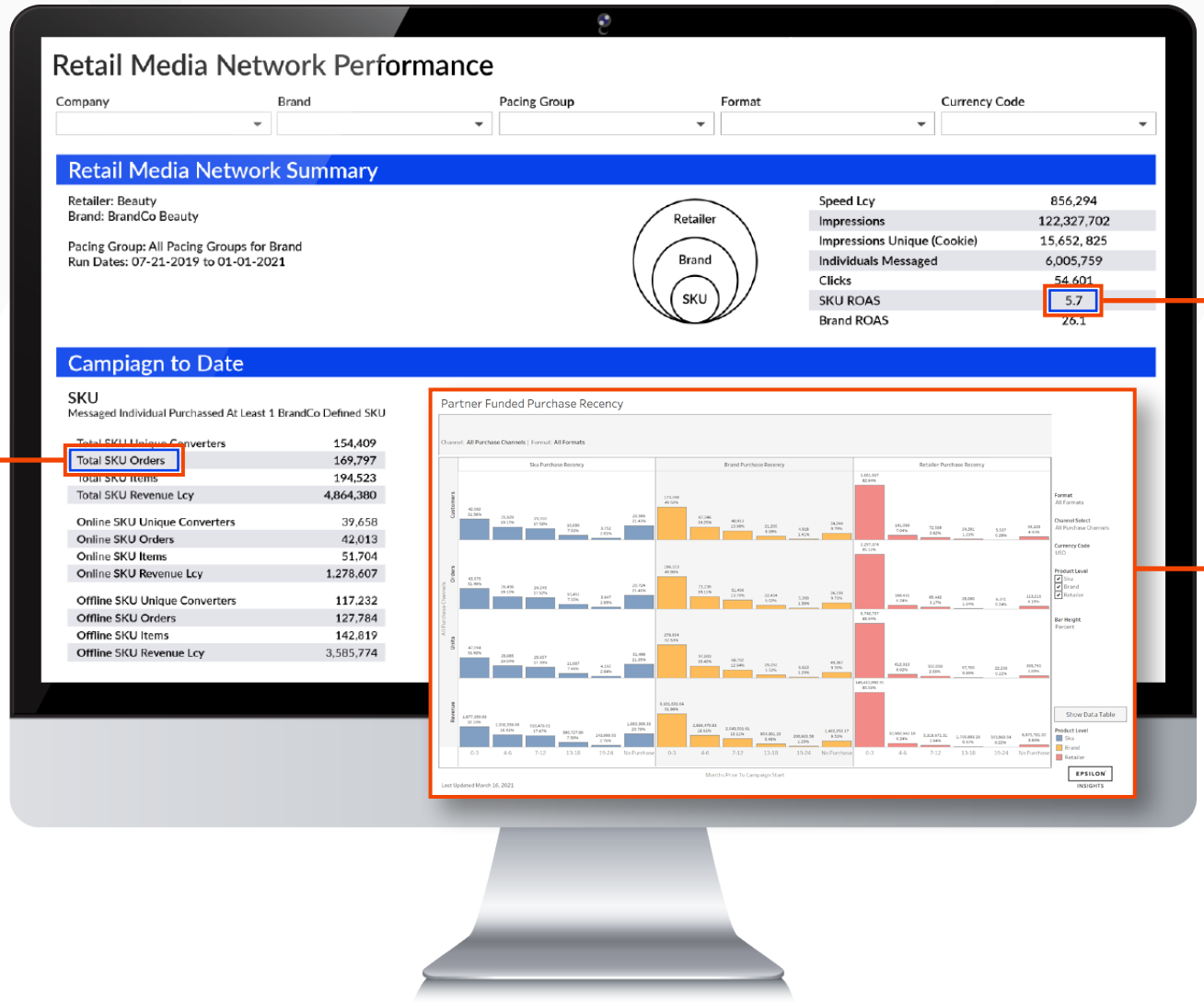
These unique customer insights will keep brands re-investing in your network.

Your retail media campaigns have to perform, and you must provide customer insights such as demos and the timing of their SKU- and brand-level purchases. It's not enough just to retarget.

KEY #3: BUILD FOR YOUR BRAND PARTNERS (CONT.)

PROVE YOUR VALUE WITH DETAILED VIEWS

Here's an example of performance insights reporting you could share with your brand partners, to keep them invested in your media network.



DELIVERY METRICS

Impressions, unique converters and clicks

PERFORMANCE METRICS

SKU and brand ROAS for both online and in-store sales

PURCHASE RECENCY

SKU and brand purchase recency, including new-to-brand customers

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FIND THE RIGHT PARTNER (SO YOU CAN GET STARTED QUICKLY)

You're not in the business of adtech—you're in marketing. Focus on your core competencies and leverage strong partners for the rest.

For its 2020-launched media network, Walgreens Advertising Group (WAG), Walgreens partnered with Epsilon to house all of the company's loyalty and SKU-level transaction data. Epsilon powers the Walgreens DSP, which enables real-time execution and optimization for the brand's dynamic creative, audience segmentation and reporting.

"First-party data—and the ability to use it—is a big part of the value we bring to the table in the conversations we're having with brands and media agencies....And from a targeting, measurement and performance standpoint, we know that it performs better than third-party targeting."

–Luke Kigel, VP of integrated media, head of Walgreens Advertising Group, Walgreens on the value of their retail media network

The opportunity is now. Retailers' first-party data is a huge asset. They just need the right partner—one that knows first-party data, brands, retailers and digital performance—to build the next generation of retail media.

HOW EPSILON CAN HELP

Your own retail media network is within reach. We'll help you quickly build a win-win solution for you and your brand partners.

Scale
With both on-site and off-site solutions, we can deliver the scale you need to make this worth your while.

2–3x more reach = more revenue
With access to more customers than other media partners, brands can reach more in-market shoppers—generating more revenue for you.

Go live in days, not months
After first-party data onboarding, your retail media network can be running in days—no fees, tech development or resources needed.

Full managed service
Our team of retail media experts serves as extension of your team, doing everything from campaign forecasting and strategy, sourcing brand budgets and creative execution to measurement and reporting.

Clearly show your value to brand partners
With robust reporting down to the SKU level, both online and offline, your brand partners will know their ROI—so you can advocate for more funding.

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QUESTIONS FOR EACH PHASE IN YOUR JOURNEY

Media network implementation can be a long process, so we've broken it out into three phases. No matter where you are in the maturity model, here are some questions you should ask to assess if you and your adtech partners are capable of unlocking your full potential.

PHASE 1:

Internally assessing getting into the media network space

How are you currently activating your first-party customer data?

What's your marketing mix (internally and with partner advertising)?

Consider your brand partners:

- How do they support your marketing efforts? Promos? In-store? On-site?
- Do they have budget?
- Are they sourcing their own brand dollars?
- What's their expectation for return? (SKU-level results?)

How do you measure performance of offline and online sales?

What are your goals, KPIs and business needs (e.g., internal bandwidth for support)?

What are your roadblocks to success?

PHASE 2:

Deciding on first steps: Ask these questions of your potential vendors

What are your media sales, account management and creative support capabilities?

What do your measurement capabilities look like?

Do you offer both on-site and off-site advertising capabilities?

What are your technological capabilities? Can you stand up a media network? How quickly?

If we hired you, would we need to cover additional overhead internally? Would we need to hire anyone?

PHASE 3:

Maximizing the value of your first-party assets

What's your tech stack? How are you handling your data today?

Who are you partnering with for your on-site strategy?

Does your current partner only offer on-site advertising, or on-site plus off-site?

Notes

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For more on our solutions for retailers, visit epsilon.com/retail-media

Ready to create real connections between your customers and brand partners? Reach out to retailmedia@epsilon.com

Epsilon is the leader in outcome-based marketing. We enable marketing that's built on proof, not promises™. Through Epsilon PeopleCloud, the marketing platform for personalizing consumer journeys with performance transparency, Epsilon helps marketers anticipate, activate and prove measurable business outcomes. Powered by CORE ID®, the most accurate and stable identity management platform representing 200+ million people, Epsilon's award-winning data and technology is rooted in privacy by design and underpinned by powerful AI. With more than 50 years of experience in personalization and performance working with the world's top brands, agencies and publishers, Epsilon is a trusted partner leading CRM, digital media, loyalty and email programs. Positioned at the core of Publicis Groupe, Epsilon is a global company with over 8,000 employees in over 40 offices around the world. For more information, visit epsilon.com. Follow us on Twitter at @EpsilonMktg.

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