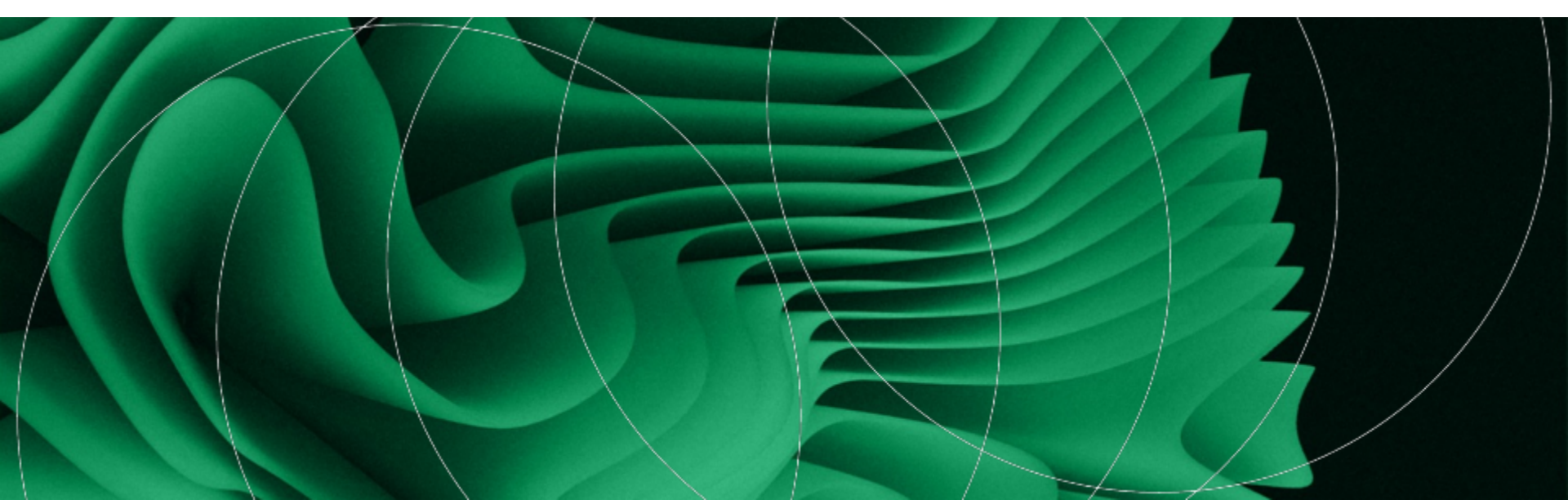


Who Will Win Their Fair Share Of Commerce Media?

A COMMISSIONED STUDY CONDUCTED BY FORRESTER CONSULTING ON BEHALF OF PUBMATIC, SEPTEMBER 2023



Executive Summary And Key Findings

The retail landscape is undergoing rapid change, and retailers need to adapt or risk falling behind. Changes in customer expectations, increased need for high-margin revenue streams, and the devaluing of third-party cookies have led retailers to turn to commerce media as a significant part of their future strategies and a significant source of revenue going forward.

In August 2023, PubMatic commissioned Forrester Consulting to explore what the commerce media landscape looks like today, what challenges retailers are facing, what there is to be gained from expanding or beginning commerce media programs, and what the keys are to a successful commerce media network. We found the following:

1. Commerce media is growing rapidly. Data shows it nearly doubling in a two-year span, and retailers are hoping to nearly double it again going forward after that.
2. Commerce media offers transformational benefits to the business. Retail leaders see commerce media as a way to significantly increase high-margin operating income, diversify their revenue streams, improve CX for end customers with more relevant ads, and improve relationships with brands.
3. Early returns are exceedingly positive. Ninety-five percent of retailers that have adopted commerce media say their programs are exceeding or meeting ROI expectations. However, there are still varying levels of success. This study examines what separates retailers with the greatest ROI from their lower-success peers to understand what effective commerce media looks like.
4. Retailers face significant barriers to success. Despite commerce media programs performing well compared to expectations, retailers still struggle with considerable challenges across technology, processes and logistics, and people and organizations.
5. Knowledge and strategy are key. The most consistent issue retailers face is a lack of internal expertise to deploy their commerce media programs strategically, which leaders cited as the greatest key to success. Going forward, organizations are turning to their technology partners to fill in knowledge and expertise gaps and to help retailers build their commerce media networks in both tactical and strategic ways.



~~1. The Current State Of Commerce Media~~

2. Challenges

3. The Future Of Commerce Media

1.1 The Commerce Media Landscape

How is commerce media growing?
Why now? What successes are
retailers seeing?

Commerce media:

Media that enables both retail and non-retail advertisers to connect with audiences throughout the buying journey on retailers and publishers across the open internet, leveraging large-scale commerce data to improve experiences and driving ad spend



The retail landscape is evolving ...

87%



say their organization needs high-margin income from advertising to support its overall

Retailers are feeling the need to adapt by diversifying their revenue streams and creating more personalized customer experiences.

87%



say the first-party data retailers collect has more value today than ever

86%



say customers want and expect more personalized advertising and shopper experiences than they did in the past.

87%



say times of economic
uncertainty have increased
their organization's
urgency to diversify its

Base: 309 commerce media strategy decision-makers at retail and/or travel organizations based in the US and UK

Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, August 2023

... and this has resulted in a significant increase in demand for commerce media over the past 12 months.



90%

say demand from advertisers for commerce media has increased significantly during the past 12 months.

Base: 309 commerce media strategy decision-makers at retail and/or travel organizations based in the US and the UK

Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, August 2023

Retailers have been able to turn this demand into a reasonably large increase in revenue, but there is still significant work to be done.

“What percentage of your overall revenue comes from commerce media ads **today**? What would you expect this percentage to be **12 months from now**? What percentage was it **12 months ago**? What percentage would you ideally like it to be?”



Base: 190 commerce media strategy decision-makers at retail and/or travel organizations based in the US and the UK

Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, August 2023

Effective commerce media networks can create transformational benefits to retail organizations.

Decision-makers expect significant or transformational benefits to key areas of focus, like higher margin income, better CX, and diversification of revenue streams needed to compete in the evolving retail landscape and times of economic uncertainty.

“To what extent can your organization achieve the following benefits from having an effective commerce media network?”

U Significant/transformational benefit



Base: 309 commerce media strategy decision-makers at retail and/or travel organizations based in the US and the UK

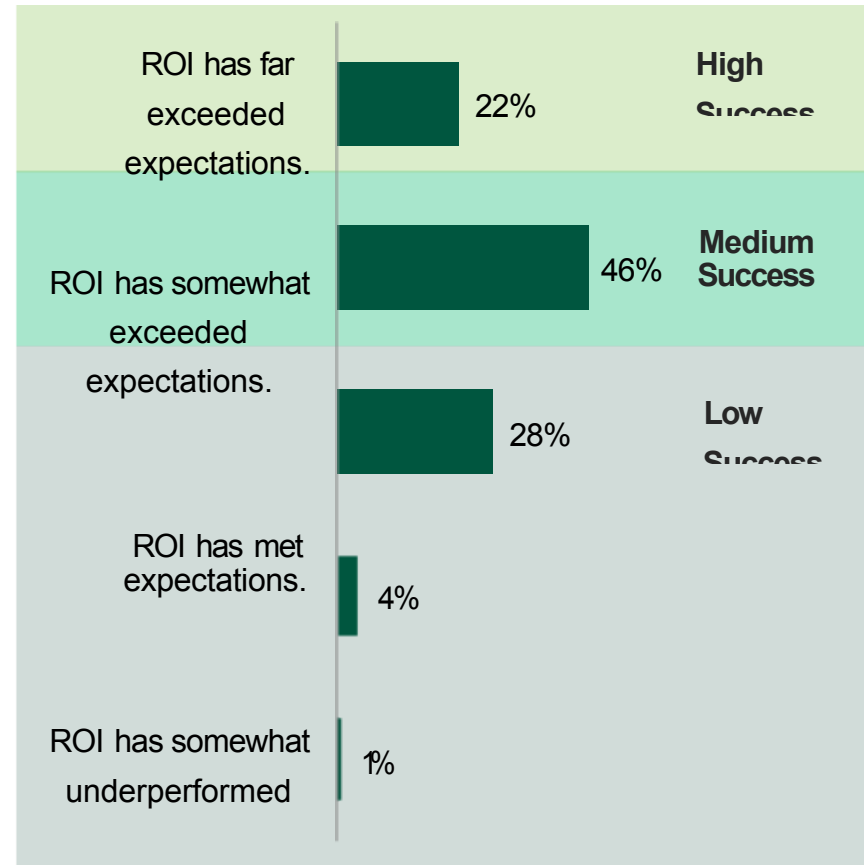
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, August 2023

Return on investment for commerce media thus far has been great, although there are varying levels of success.

In this study, we will compare retailers with “high success” in commerce media to those with “low success” to better understand what a mature commerce media program looks like.

What separates organizations that are already thriving from those that are just

“Thus far, how has your organization’s return on investment (ROI) for its commerce media network compared to your expectations?”



Base: 257 commerce media strategy decision-makers at retail and/or travel organizations based in the US and the UK

“Which of the following are motivating factors behind your organization expanding its use of commerce media?”



Base: 309 commerce media strategy decision-makers at retail and/or travel organizations based in the US and the UK

Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, August 2023

High-success retailers are more focused on improving relationships with suppliers and consumers and monetizing first-party data.

Low-success organizations are more focused on finding revenue streams or they are just piloting commerce media.

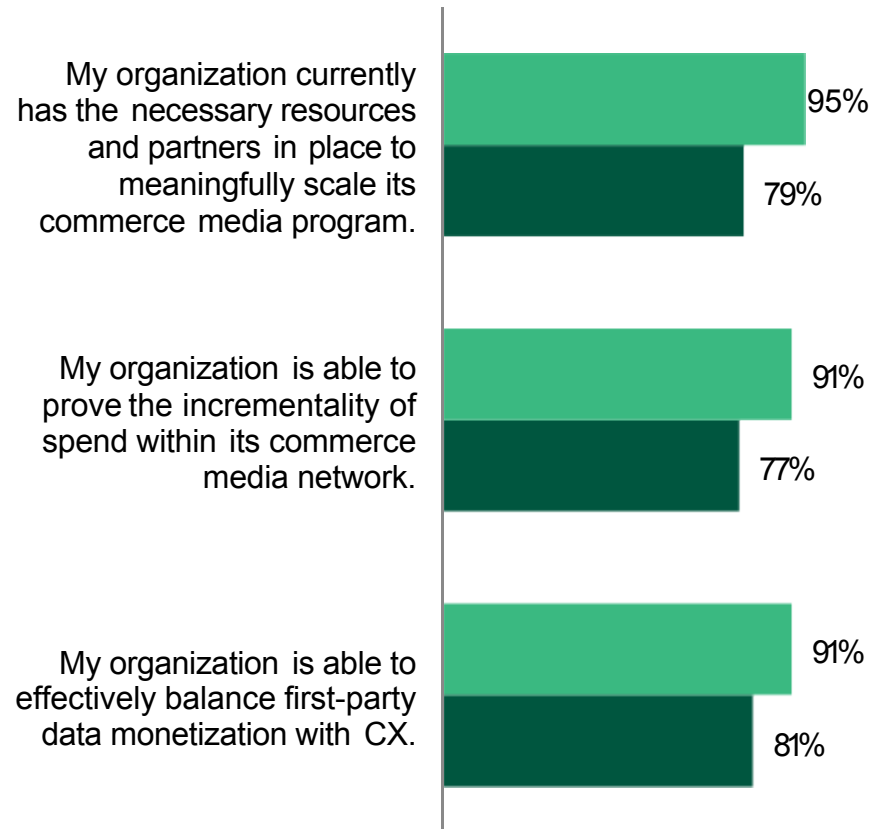
High-success organizations are considerably more effective in three core components of commerce media strategy:

1. Securing the necessary resources and partners to scale
2. Ability to prove ROI
3. Ability to balance monetization

“To what extent do you agree with each of the following statements?”

(Showing percent “Agree/completely agree”)

■ High Success ■ Low Success



Base: 309 Commerce media strategy decision-makers at retail and/or travel organizations based in the US and the UK

Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, August 2023

1.2 Commerce Media Offerings And Buyers

What do commerce media offerings look like today? How are they changing? What do commerce media buyers look like today? Where are they sourcing their budgets? What do they care about? How many buyers are retailers selling to?

While most revenue today comes from onsite search, there is a significant push toward offsite going forward.



Say most of their organization's commerce media revenue comes

from **onsite** search.

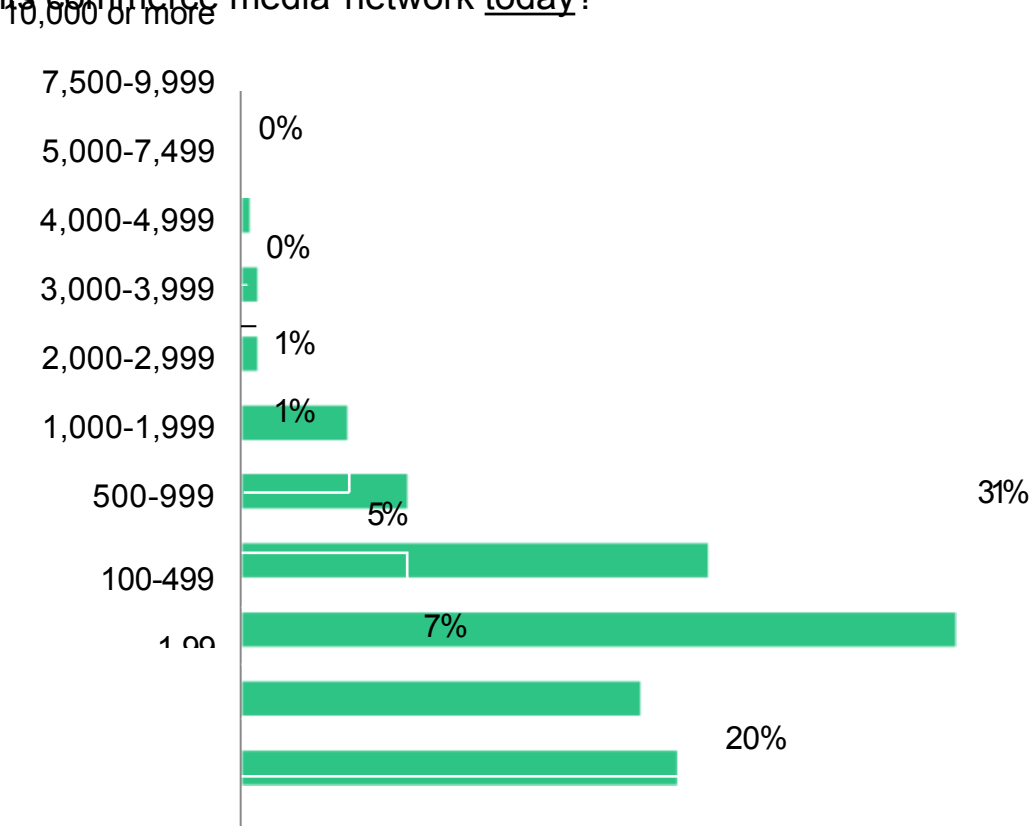


81%

Expect the proportion of their commerce media revenue that comes from **offsite** to grow significantly during the next year.

Retailers are managing an average of more than 1,000 end clients as part of their commerce media networks ...

“How many end clients does your organization manage as part of its commerce media network today?”

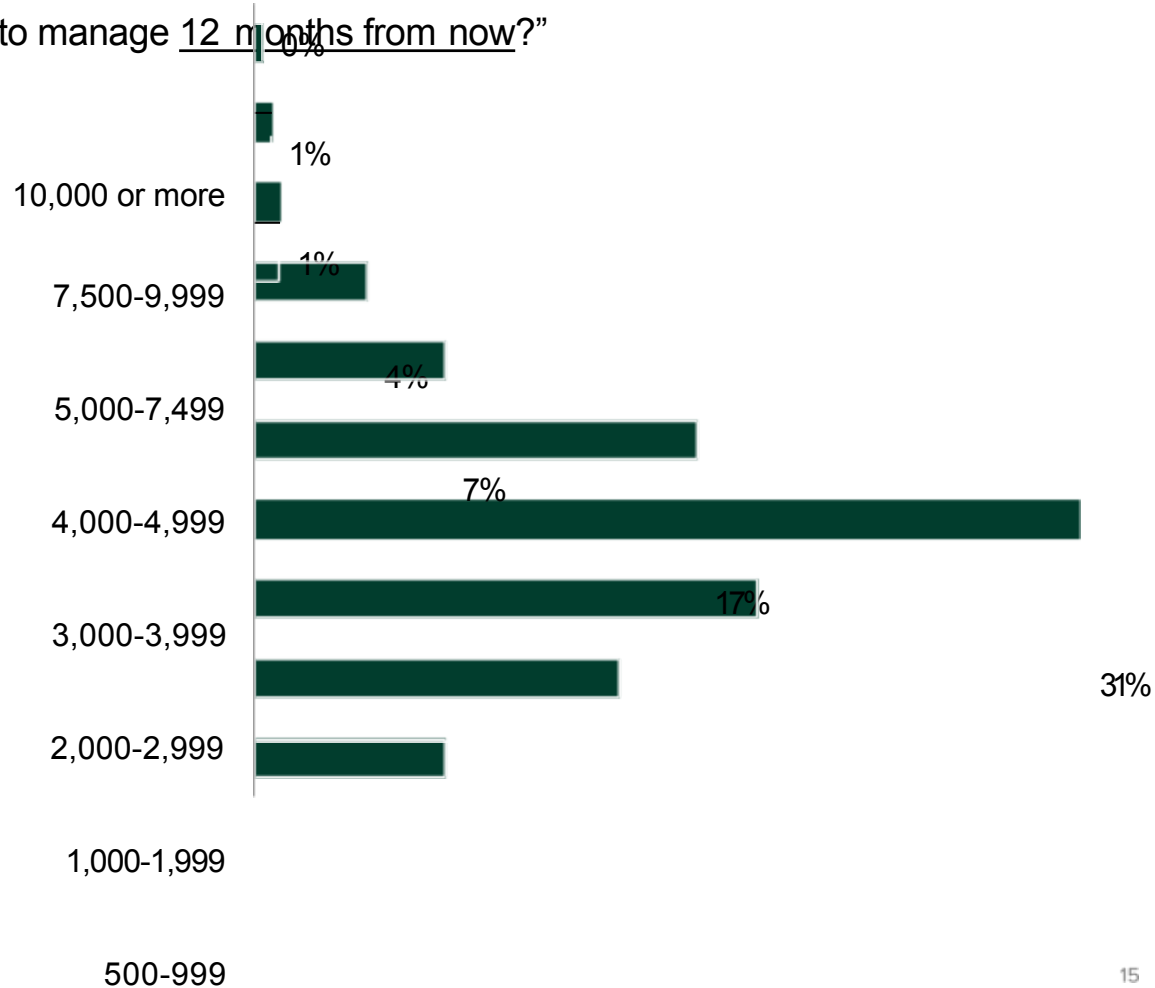


1,035

Average number of end clients

... and that number is only increasing.

“How many end clients does your organization expect to manage 12 months from now?”



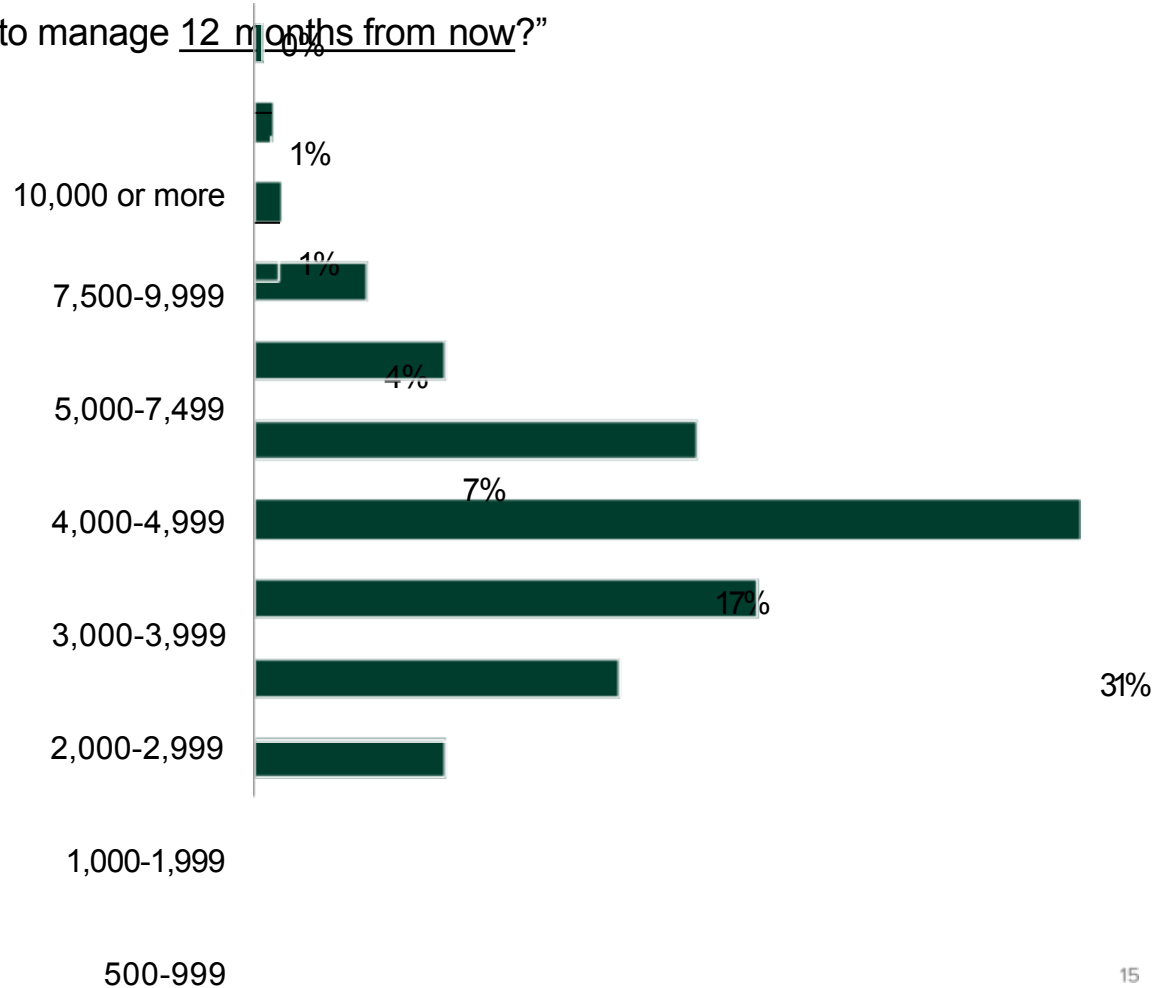
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Base: 309 commerce media strategy decision-makers at retail and/or travel organizations based in the US and the UK

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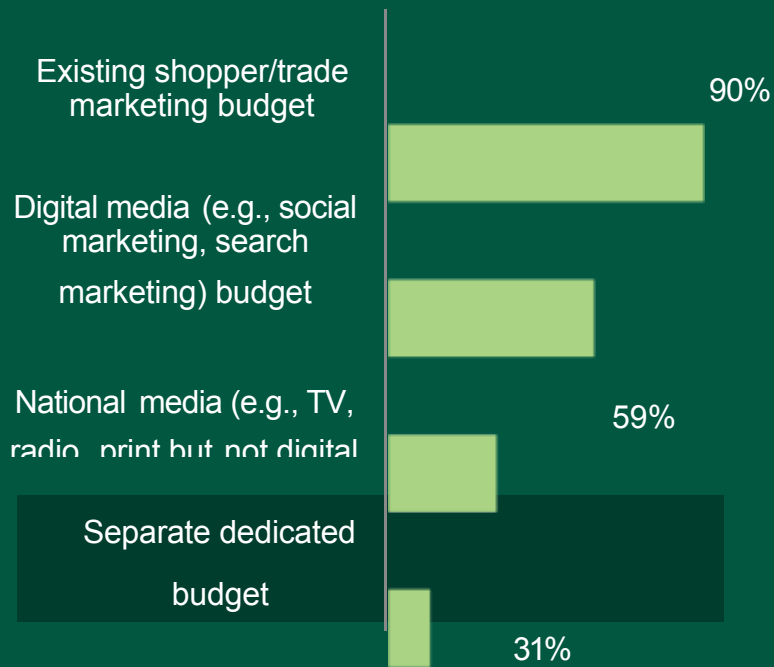


1,660

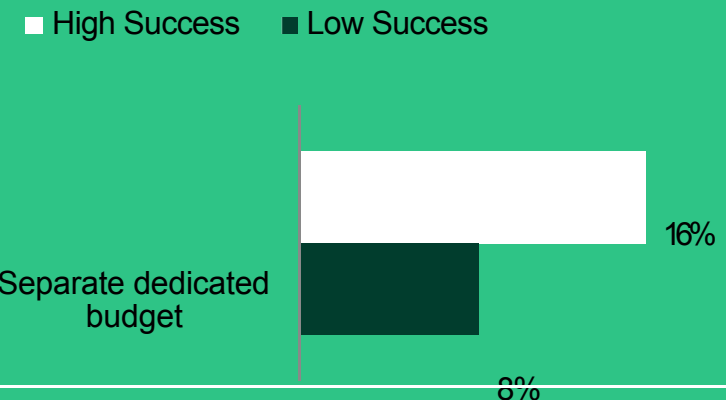
Average number of
end clients expected
12 months from now.

Today, advertisers mainly pay for commerce media with existing digital media, trade marketing, and shopper marketing budgets. Very few have separate dedicated budgets.

“How are your organization’s advertisers most commonly sourcing their budgets for commerce media today?”



High-success orgs are twice as likely to work with buyers with access to a dedicated commerce media budget, although percentages are still low.



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Advertisers want more transparency than retailers want to offer when it comes to first-party data.

The balance with this data can be challenging, and this may inhibit the ability to unlock dedicated budgets and incremental funds.

This conflict, among others, creates friction in the relationship with advertisers.

“To what extent do you agree with each of the following statements regarding first-party data use within your organization’s commerce media network?”

Advertisers want transparency with first-party data.

92%

Advertisers demand more transparency with first-party data than my organization wants to offer

87%

My organization prefers to limit advertisers’ use of first-party data to onsite placements.

85%

51%

There is significant tension

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