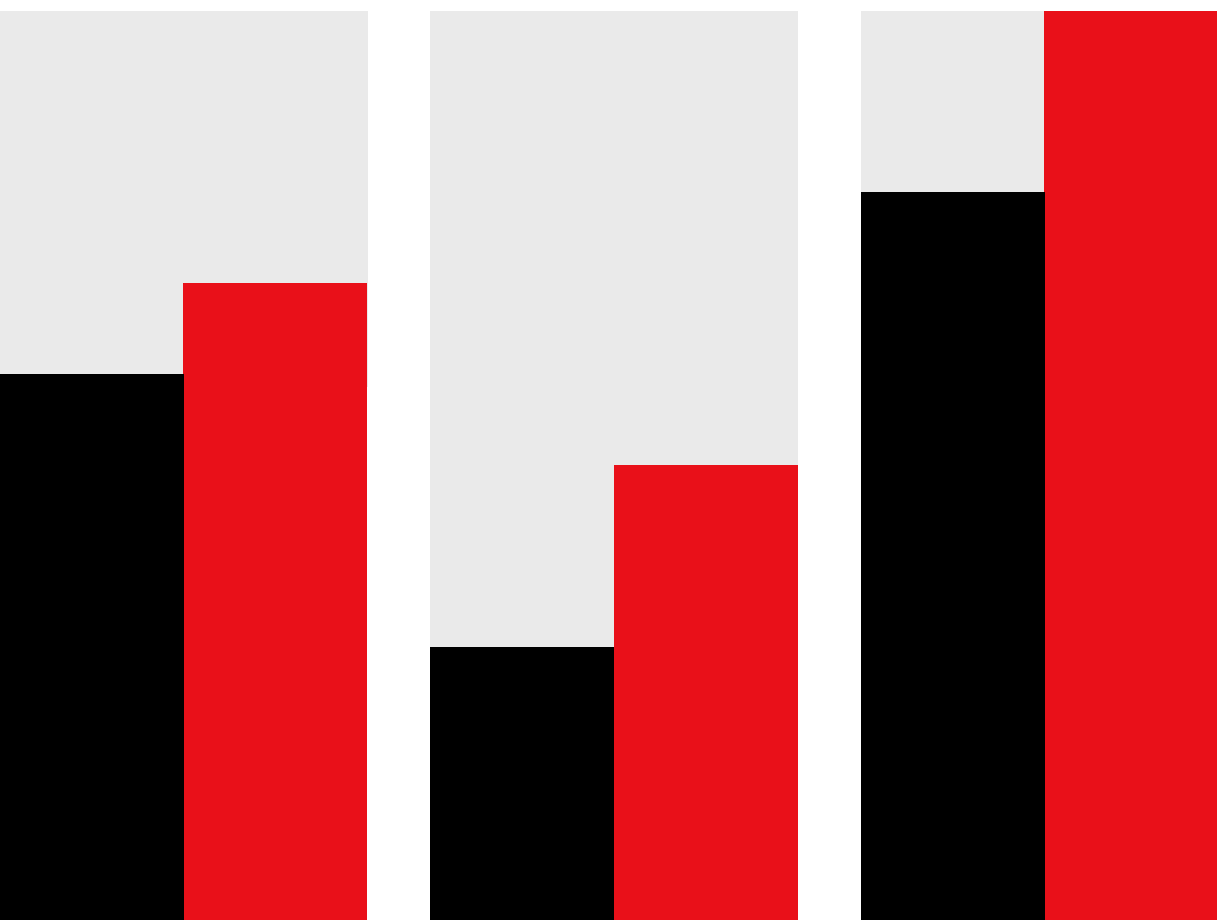


Commerce Media Explainer

Can the Success of Retail Media Translate Into New Arenas?

On the heels of explosive growth in spending on retail media networks, nonretail verticals are adapting the media model in an effort to monetize their own first-party data. However, advertiser interest remains untested, and unique challenges across verticals suggest an uncertain future for commerce media networks. This EMARKETER analyst report explores what commerce media is, and which verticals beyond retail are positioned for success.



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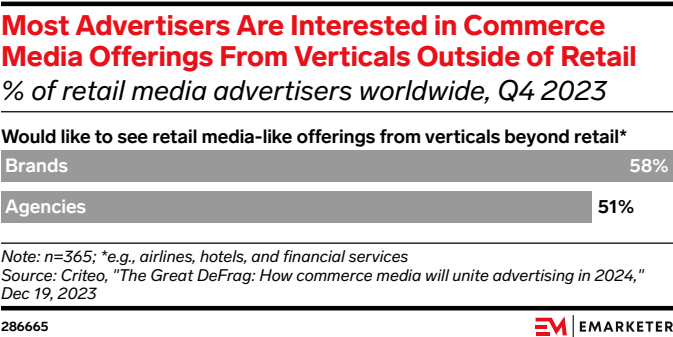
The logo for Koddi, featuring the word "Koddi" in a stylized, blue, cursive font.

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Commerce Media Explainer

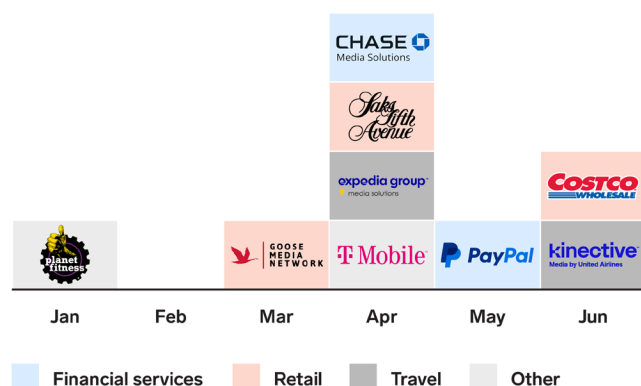
- **Advertisers have embraced retailers’ rich first-party data, and other verticals are taking notice.** As retail media ad spending continues to grow, verticals such as financial services and travel are endeavoring to monetize their own first-party data.
- **Commerce media includes RMNs as well as media networks run by companies in other industries.** Commerce media networks are knit together by the use of first-party purchase data to power targeted advertisements.
- **Many companies entering the commerce media space are not retailers, and they will encounter different challenges.** While certain foundational elements of the retail media model are replicable across verticals, there are unique dynamics that present differentiated opportunities, as well as challenges, for new players.
- **Advertisers’ willingness to spend meaningfully on commerce media with new verticals remains to be seen.** Companies launching commerce media networks are entering a crowded landscape, regardless of the industry. New players need to articulate a strong value proposition in order to get buy-in from advertisers, who have their own budget constraints and limited resources for working with additional networks.
- **Consumers have limited tolerance for being advertised to in digital settings.** Wariness toward digital advertising becomes more pronounced outside of shopping environments, which creates a significant challenge for nonretail verticals that have to work harder to ensure advertisements don’t alienate core consumers.



Retail media's success has paved the way for the emergence of commerce media

Retail media ad spend is on track to claim nearly 1 in every 5 dollars spent on US digital advertising in 2024, as advertiser demand for first-party data fuels growth. Verticals outside of retail are taking notice and adapting the retail media playbook in order to monetize their own first-party data.

Commerce Media Network Launches, 2024



Source: EMARKETER, July 2024

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What is commerce media?

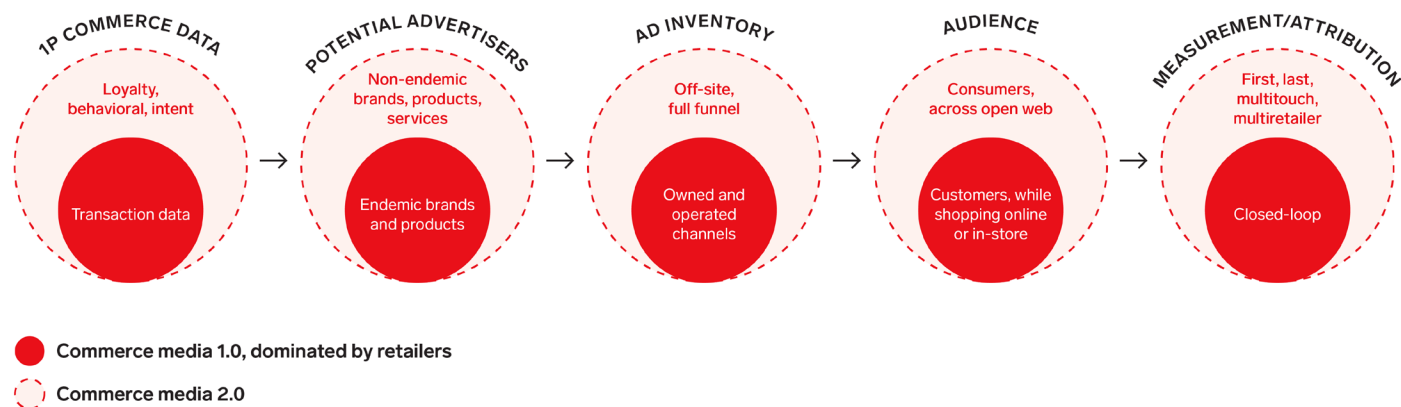
At its core, “commerce media” refers to digital advertising powered by first-party transaction data.

Advertisements can appear on owned and operated digital channels (e.g., websites, apps) or off-site on other platforms or websites leveraging a company's first-party data for targeting. Commerce media networks are powered by companies whose core business is selling products or services versus selling advertisements.

All retail media is commerce media, but not all commerce media is retail media. While retail is the most prominent vertical within the commerce media ecosystem, there are other emerging players, including financial services, travel, and commerce intermediaries such as Instacart, Uber Eats, and DoorDash.

The evolution and expansion of commerce media has created opportunities for other industries. Retailers launching media networks began by catering primarily to endemic advertisers (those promoting brands and products sold directly by the retailer) and selling ad inventory on owned and operated digital channels. As the retail media landscape has evolved, the model has expanded, casting a wider net and opening the door for additional verticals with their own first-party purchase data.

Retailers Wrote the Commerce Media Playbook, but Its Evolution Has Created Opportunities for Nonretail Verticals



Source: EMARKETER, July 2024

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How is commerce media different from retail media?

Commerce media is knit together by the use of first-party commerce data to power targeted advertising. But beyond that foundation, the strengths, use cases, and challenges can vary depending on the vertical. Key differences include:

- **Depth and breadth of purchase data.** Retailers and commerce intermediaries are most likely to have access to granular, SKU-level data, which can unlock precise targeting capabilities—and attract the budgets of consumer packaged goods (CPG) brands that make up a significant share of digital ad spend. On the other hand, financial media networks (FMNs) are less likely to have access to SKU- or brand-level data but can tout their holistic view into consumers' cross-merchant purchase behavior. There is another benefit: visibility into information like mortgages and loans, casting a wider net for potential advertisers.
- **Closed-loop attribution capabilities.** Companies that directly facilitate transactions can offer endemic advertisers closed-loop attribution, painting a clear picture of an ad's impact on conversion. New verticals entering the commerce media space include companies that do not directly sell the products they are advertising, which creates a more complex path for measuring campaign performance.
- **Many companies that are launching media networks aren't building digital advertising businesses from scratch.** For many new players in commerce media, launching a media network is not their first foray into advertising. Instead, these companies are revamping existing advertising solutions by incorporating first-party purchase data, enabling more relevant targeted ads, and using that data for both on- and off-site advertising.

Not All Commerce Media Networks Are Created Equal

key differences in commerce media networks data and audience insights

	First-party commerce data	SKU/brand level data	Cross-merchant data	Closed-loop attribution	Audience in shopping mindset
Commerce intermediaries (e.g., Instacart, Uber/Uber Eats, DoorDash)					
Retail media networks (e.g., Walmart Connect, Amazon Ads)					
Financial media networks (e.g., Chase Media Solutions, PayPal Media Network)					
Travel media networks (e.g., Expedia Media Solutions)					

Always available

Sometimes available

Never available

Source: EMARKETER, July 2024

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Who are the key players?

Retailers made commerce media mainstream. Retail media ad spending is on track to exceed \$54 billion this year. Within retail media, Amazon commands more than three-quarters of the market, with Walmart coming in at a distant second. The remaining market is highly fragmented, with nearly 200 RMNs competing for less than 20 points in market share.

Back-to-back announcements from Chase and PayPal have cemented financial services as a formidable part of the commerce landscape. With their respective commerce media network announcements in spring 2024, Chase and PayPal joined buy now, pay later (BNPL) fintech Klarna and neobank Revolut in the burgeoning world of FMNs. Financial services companies boast their cross-merchant, holistic view of consumer spending behavior as a key differentiator to advertisers. By 2026, we anticipate spending on FMNs to [quadruple in growth](#) to \$1.50 billion.

Travel companies are evolving their advertising businesses to capitalize on the commerce media momentum. Many travel companies have sizable advertising businesses already, but some are seizing the opportunity to incorporate their first-party purchase data to strengthen ad targeting and extend into off-site and upper-funnel environments. Marriott International led the pack, announcing its media network in 2022. In H1 2024, Expedia and United Airlines announced their own travel media networks.

Commerce intermediaries, such as Instacart and DoorDash, have the advantage of being able to combine granular SKU- and brand-level purchase data with cross-merchant shopping behavior. Thanks to their unique positioning as middlemen between consumers and merchants, commerce intermediaries can combine the strengths of other verticals.

Beyond retail verticals, however, commerce media faces challenges

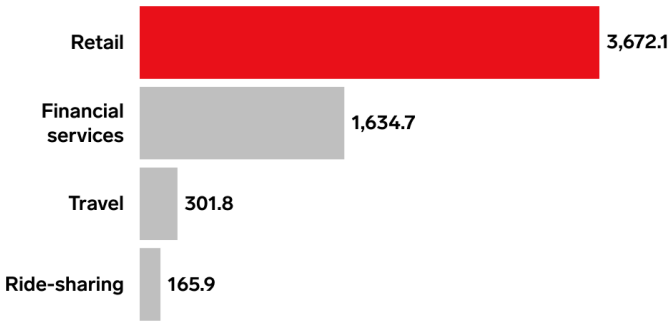
Many of the top challenges that nonretail verticals will encounter in commerce media are thematically similar to those faced by retailers, albeit cast into even sharper focus because of variances in scale and audience behavior.

Owned and operated channels have a limited runway for monetization

The value of ad inventory on owned and operated channels is intrinsically tied to traffic volume. Although advertiser benefits include a more tightly controlled, contextual environment and cleaner attribution, the channels also have substantial limitations. Traffic volume is an important factor in qualifying the value of an on-site advertising campaign investment, because of its direct correlation with the volume of potential impressions.

Retail has a scale advantage over other verticals. Analysis of top websites across retail, financial services, travel, and ride-hailing companies reveals that retail has a significant advantage over other verticals when it comes to the volume of site traffic. Advertisers value the ability to reach scaled audiences: This means that the on-site ad inventory of retailers who can demonstrate traffic volume is at a premium. In 2024, more than 80% of the \$54.48 billion spent on retail media will be allocated to on-site ad placements.

Retailers Crush Their Commerce Competitors on Traffic Scale
millions of US total visits to top brand/commerce sites, by industry, March 2024



Note: desktop ages 2+; mobile ages 18+; retail includes Amazon, Walmart, eBay, Temu, and Etsy; financial services includes PayPal, Intuit, JPMorgan Chase, Capital One, and Bank of America; travel includes TripAdvisor, Expedia, Priceline.com, Airbnb, and Southwest Airlines; ride-sharing includes Uber and Lyft; total visits are the total number of times a unique person accessed content within the website with at least a 30-minute (or longer) break between access times
Source: Comscore Media Metrix Multi-Platform, May 9, 2024

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Consumer behavior on-site matters as well: Longer dwell times and higher page views contribute to potential ad impressions. Travel and retail boast some of the highest average page views per session, while financial services rank among the lowest, according to Q4 2023 research from ContentSquare. Verticals with lower on-site engagement will likely be challenged to demonstrate the differentiated value of their audiences to advertisers. Furthermore, as investment increases, ad placements on platforms with substantially less on-site inventory may become prohibitively expensive because of heightened competition.

For advertisers, interest does not guarantee investment

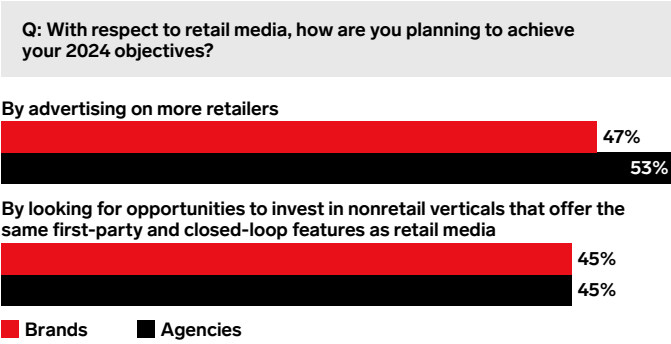
Retailers have established points of entry into budget allocation that other verticals can't necessarily replicate. A joint business plan (JBP) is a long-standing practice in which retailers and their brand partners come together to develop strategies aimed at mutual growth. Marketing activities are a pillar of JBP meetings, and retailers are well versed in coaxing the trade and shopper marketing dollars of brands to fund retail media. Nearly two-thirds (63%) of advertisers say that retailers have a lot of influence over their decision to use RMNs, according to a July 2024 report from ANA.

Retail media is a natural fit for endemic advertisers. In adjacent verticals, the dynamics become more complex.

For example, a travel company that functions as a marketplace, such as Expedia, has a slew of potential endemic advertisers—including hotels and airlines. On the other hand, travelers seeing ads on seatback screens (via United Airlines' Kinectic Media, for example) aren't in the active midst of shopping and (for now at least) can't act on an ad by purchasing the promoted item directly from United Airlines.

Advertisers contending with a growing number of options are fatigued. More than 4 in 10 brands and agencies will seek opportunities to invest in nonretail verticals that offer the same features as retail media, per a Q4 2023 survey by Criteo. Still, scaling media buys across multiple networks is a top friction point among advertisers—who cite complexity in the buying process and lack of standardization across platforms as barriers they face. These issues will likely persist (and may even be exacerbated) by new, unfamiliar verticals. To cut through the noise, players must work to streamline the buying process and make a compelling case for their own differentiated value proposition.

More Than 4 in 10 Brands and Agencies Will Seek Opportunities to Invest in Nonretail Commerce Media
% of retail media professionals worldwide, Q4 2023



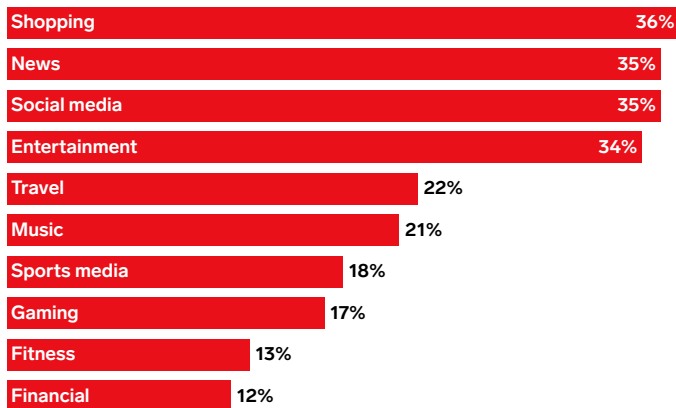
Note: n=366
Source: Criteo, "The Great DeFrag: How commerce media will unite advertising in 2024," Dec 19, 2023

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For on-site advertising to be effective, consumers must be open to engage. Financial services and travel websites were among the lowest ranked in terms of consumer receptiveness to advertising, according to Q3 2023 research from Integral Ad Science. Shopping websites, on the other hand, were ranked as the top choice, which gives retailers a natural advantage. Companies whose customers aren't in a shopping mindset will have to work even harder to ensure the ads they feature are relevant, engaging, and, crucially, not disruptive.

Websites on Which US Consumers Are Most Receptive to Advertising, Q3 2023

% of respondents



Note: ages 18+; top 3 responses

Source: Integral Ad Science (IAS), "The State of Brand Safety," Jan 24, 2024

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What will it take to carve out success in a crowded commerce media landscape?

Advertisers accustomed to investing with RMNs will have high expectations for their ROI.

Commerce media players can no longer count on the tailwinds of third-party cookie deprecation to fuel demand. Google's reversal could slow momentum for emerging commerce media networks, as advertisers' urgency to seek privacy-safe advertising solutions may dwindle.

The limitations of owned and operated channels will increase the off-site imperative. Although most retail media ad dollars are spent on-site, retailers facing the finite nature of their on-site ad inventory and direct traffic are increasingly seeking growth off-site. Commerce media players from other industries are likely to face similar challenges and will need to embrace off-site to achieve scale.

Commerce media is in the early innings. Building upon an established playbook won't necessarily translate into linear success. Verticals outside of retail must do more than present a differentiated first-party data set to advertisers.

The future of advertising lies in commerce media

This sponsored article was contributed by [Koddi](#).



Eric Brackmann
Vice President, Commerce Media
Koddi

Commerce media is emerging as one of the most significant shifts in advertising, predicted to become the top channel by 2027. Its expansion goes far beyond traditional retail media, reaching into a broader range of industries and channels. However, for commerce media to reach its full potential, the industry must overcome key challenges and focus on sustainable growth.

It's clear that the old playbook no longer applies. Commerce media demands a fundamental rethinking of how brands connect with consumers and measure success. It's not just about monetizing data—it's about transforming digital interactions into meaningful experiences. Commerce media creates a holistic ecosystem where every point of purchase becomes a monetization opportunity.

While first-party data and closed-loop attribution offer marketers unparalleled targeting and performance measurement, the landscape becomes increasingly fragmented and complex as more verticals join the ecosystem. This complexity opens new avenues for reaching consumers but also risks overwhelming marketers with various platforms, each with unique data sets and capabilities.

The solution lies in embracing a new paradigm of adaptive, data-driven marketing. For commerce media to thrive, the industry needs to focus on effective execution, outlined in the following pillars:

Prioritize consumer experience and understanding:

Marketers must educate consumers on how their data enhances the shopping experience while providing clear opt-in and opt-out opportunities. By prioritizing transparent, long-term relationships, advertisers can create more meaningful engagements and lasting value. Consumer education, transparency, and control over

personal data are no longer optional; they are essential for building trust and ensuring sustained engagement in evolving channels.

Expand programmatic and inventory diversification:

While commerce media is already capturing marketing budgets, integrating supply-side platforms (SSPs) and demand-side platforms (DSPs) unlocks new opportunities for advertisers. These programmatic tools empower agencies to more easily manage campaigns across multiple retailers—a significant challenge today.

With capabilities like frequency capping to minimize ad waste, enhanced attribution control, and access to inventory across smaller commerce media programs, SSPs and DSPs put powerful levers in advertisers' hands. Additionally, they open up access to non-endemic demand, driving more diversified and impactful ad strategies. Together, these benefits provide a more streamlined, efficient way for advertisers to tap into the full potential of commerce media.

Commerce media kaizen: One of the most exciting aspects of commerce media is the control it gives back to retailers. They can continuously innovate, experiment, and refine their commerce media strategies. The most successful programs will run multiple concurrent experiments, testing new ad formats, quality scoring algorithms, targeting parameters, and measurement capabilities. Retailers should push their tech partners to innovate quickly and replace them if they don't deliver.

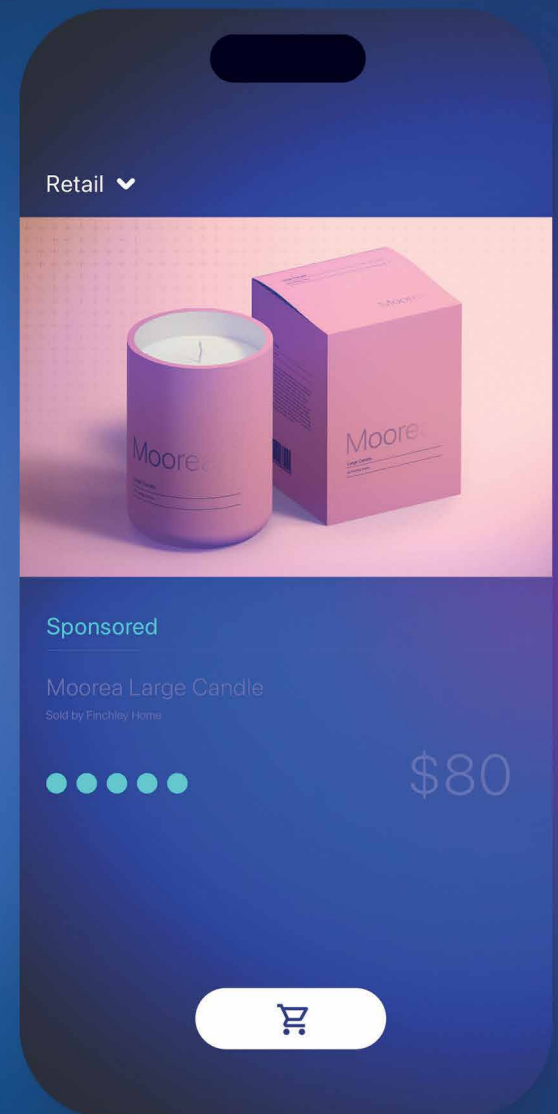
Connected commerce and partnerships: No single entity can navigate this complex landscape alone. Brands, agencies, and technology providers must collaborate to fully realize the potential of commerce media.

The stakes are high, with commerce media set to claim a significant share of digital ad spend. Those who embrace this new paradigm, invest in the right technologies, and build strategic partnerships will be best positioned to lead in the new commerce media era. The question is: Are you ready to take charge, or will you be left playing catch-up?



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EMARKETER Interviews

EMARKETER research is based on the idea that multiple sources and a variety of perspectives lead to better analysis. Our interview outreach strategy for our reports is to target specific companies and roles within those companies in order to get a cross-section of businesses across sectors, size, and legacy. We also look to interview sources from diverse backgrounds in order to reflect a mix of experiences and perspectives that help strengthen our analysis. The people we interview for our reports are asked because their expertise helps to clarify, illustrate, or elaborate upon the data and assertions in a report.

Eric Brackmann

Vice President, Commerce Media

Koddi

Interviewed June 5, 2024

Glen Conybeare

Global President, Kinesso Commerce, Interpublic

Kinesso

Interviewed June 20, 2024

Sean Crawford

Managing Director, North America

Threefold

Interviewed June 6, 2024

Ethan Goodman

Executive Vice President, Global Digital Commerce

Mars United Commerce

Interviewed July 2, 2024

Hashim Mian

Vice President, Commerce Media

PubMatic

Interviewed July 12, 2024

Amie Owen

Global Chief Growth Officer, Kinesso Commerce

KINESSO

Interviewed June 28, 2024

Donna Sharp

Managing Director

MediaLink

Interviewed July 11, 2024

Katrina Smart

Vice President, Digital Commerce, Europe

Mars United Commerce

Interviewed June 10, 2024

Sherry Smith

Executive Managing Director, Americas

Criteo

Interviewed July 15, 2024

Michelle Urwin

Vice President, Marketing

Skai

Interviewed July 15, 2024

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