

Retail Media the Italian Way: FMCG's New Frontier

Francesca Negri, Faculty of Economics and Law, Università Cattolica del Sacro Cuore, Campus di Piacenza, Via Emilia Parmense 84, 29122, Piacenza, Italy.
francesca.negri1@unicatt.it

Alessandro Iuffmann Ghezzi, Faculty of Economics and Law, Università Cattolica del Sacro Cuore, Campus di Piacenza, Via Emilia Parmense 84, 29122, Piacenza, Italy
alessandro.iuffmannghizzi@unicatt.it

Edoardo Fornari, Faculty of Agriculture, Food and Environmental Sciences, Università Cattolica del Sacro Cuore, Campus di Piacenza, Via Emilia Parmense 84, 29122, Piacenza, Italy
edoardo.fornari@unicatt.it

Sebastiano Grandi, Faculty of Economics and Law, Università Cattolica del Sacro Cuore, Campus di Piacenza, Via Emilia Parmense 84, 29122, Piacenza, Italy
sebastiano.grandi@unicatt.it

Daniele Fornari, Faculty of Economics and Law, Università Cattolica del Sacro Cuore, Campus di Piacenza, Via Emilia Parmense 84, 29122, Piacenza, Italy
daniele.fornari@unicatt.it

ABSTRACT

This study explores the emergence of Retail Media within the Fast-Moving Consumer Goods (FMCG) sector in Italy, with a focus on the role of Regional Retail Media Networks (RRMNs). Employing an empirics-first approach, data were collected through LinkedIn surveys and structured interviews with professionals from key industry stakeholders, including Brands, Retailers, and Agencies. The research aims to assess the expectations, experiences, and satisfaction levels of these actors, identifying any alignment or divergence in their goals. The findings suggest that Retail Media offers opportunities for innovation in advertising strategies, particularly in targeting local, highly personalized audiences. However, there are significant organizational challenges, especially regarding coordination between online and offline media efforts. The research also highlights a misalignment in objectives between Brands, which focus on differentiation and efficiency, and Retailers, who prioritize revenue growth and channel partnerships. The study's originality lies in its focus on Italy's regional market dynamics and its investigation into the practical applications of Retail Media, particularly in terms of its potential to enhance loyalty programs and integrated marketing strategies. The paper concludes by suggesting key managerial actions to align objectives and metrics across stakeholders to maximize Retail Media's effectiveness in the FMCG sector.

Keywords

Regional Retail Media Networks, Retail Media, Grocery, Italy, Empirics-first Approach.

Introduction

In the ever-evolving world of grocery retail, a revolutionary concept is taking center stage: Retail Media. It is an innovative subject of strong managerial relevance but little research attention that involves retailers transforming their physical properties and/or digital platforms into advertising and marketing channels. It is not just about selling products; it is about creating dynamic ecosystems that foster brand affinity and personalized interactions with shoppers; it is about leveraging the storefront as a powerful marketing channel that allows retailers to boost their revenue through strategic advertisement placements (Ciligot, 2023). The Retail Media phenomenon is on the rise, reaching \$125.7 billion in 2023 and expected to surpass television in 2028, when it will represent 15.4% of total ad revenue (Davey 2023). Across Europe and US, brands and agencies are planning to up their spend and embrace the wide range of opportunities that Retail Media presents (Bell et al., 2023). Practically speaking, retailers are becoming media networks by providing new advertising forms that include display advertising, responsive banner ads, video advertising, and branded contents. Retailers then monetize this media by using the data management platform to create audience segments and then push those audiences to demand-side platforms where targeted media opportunities are purchased (Zenetti et al., 2024). An articulated Retail Media strategy might lead to (i) strategic and effective Ads placement, carefully chosen to maximize visibility and engagement; (ii) customized targeting to ensure that Ads

reach relevant audiences; (iii) e-commerce integration to mitigate web-/showrooming behaviors; (iv) real-time adjustments to keep Ads relevance and efficacy. A Retail Media Network offers advertisers a diverse media ecosystem, but also the authorization to utilize it; this implication could become strategic in the light of the cogent evolution of privacy protection legislation. Leaders have already emerged in retail media. Amazon will continue to be the biggest player in the space, accounting for 60% of retail media (BCG, 2023). Behind Amazon a few major retailers, such as Walmart and Target, will mount media networks in excess of \$1 billion, accounting for 25% of the space. A recent study by eMarketer¹ also suggested that smaller local networks, like those offered by regional retailers, may play a pivotal role in this scenario, providing something larger networks cannot: a highly targeted, loyal audience, online and offline. Why Regional Retail Media Networks (RRMNs) are worth considering? Because of (a) Audience advantages for brands: National Retail Media networks have scale, while Regional Retailers Networks reach a specific local audience, namely first-party data, essential to create more tailored, personalized campaigns b. Greater opportunities and easiness of long-lasting profitable relationship: while for many companies it is not easy to approach big players such as Amazon (because they are distant from their sector and operate according to very different competitive logics), speaking with local players is simpler, and these practices happen in well-established business relationships (for example, because of the previously gained trust, regional retailers and brands will also be more willing to exchange customer data with each other). Finally, (c) the supposed greater effectiveness and efficiency of these RRMNs can lead to a greater competitive advantage, which, at a macro level, represents an important competitive asset in the local/international arena. The reflections above seem to indicate that for one sector in particular, RRMNs represent a great opportunity in terms of greater effectiveness, efficiency and innovation: the Italian grocery market. This market is in fact characterized by a strong local characterization (Tab. 1).

Table 1. FMCG Retailer territorial concentration (% sales on total LCC value in the Regions, 2024). Source: RemLab, Circana

¹ <https://www.emarketer.com/content/regional-retail-media-networks-should-not-be-overlooked>, accessed August 2024.

Regioni	1° Impresa		2° Impresa		3° Impresa	
Abruzzo	Conad Adriatico	25,5%	Magazzini Gabrielli	17,1%	Eurospin	10,9%
Basilicata	GDA	23,9%	Maiora	10,3%	Eurospin	8,9%
Calabria	PAC 2000	26,1%	Gruppo AZ (Coop)	1,6%	Eurospin	8,6%
Campania	PAC 2000	17,2%	Multicedi	14,9%	Megamark	14,2%
Emilia Romagna	Coop Alleanza 3.0	21,2%	Conad C.I.A.	10,7%	Conad Centro Nord	7,6%
Friuli Venezia Giulia	Aspiag	21,6%	Conad C.I.A.	10,1%	Coop Alleanza 3.0	9,3%
Lazio	PAC 2000	23,6%	Ce.Di.Gros.	20,7%	Eurospin	8,1 %
Liguria	Coop Liguria	18,0%	SoGeGross	17,7%	Carrefour	9,3%
Lombardia	Esselunga	23,1%	Iperal	6,6%	Lidl Italia	5,6%
Marche	Conad C.L.A.	15,7%	Conad Adriatico	10,5%	CEDI Marche	10,4%
Molise	Conad Adriatico	14,3%	Megamark	11,5%	Eurospin	11,2%
Piemonte	Dimar	12,1%	Novacoop	9,9%	Esselunga	9,3%
Puglia	Megamark	23,9%	Conad Adriatico	10,7%	Eurospin	10,6%
Sardegna	Conad Nord Ovest	26,9%	MD	13,5%	Eurospin	11,9%
Sicilia	F.lli Arena	15,9%	PAC 2000	12,6%	Ergon	11,3%
Toscana	Unicoop Firenze	31,6%	Esselunga	17,3%	Conad Nord Ovest	14,4%
Trentino Alto Adige	Seven (Poli)	23,8%	Aspiag	21,7%	Consorzio SAIT	16,5%
Umbria	PAC 2000	34,4%	Coop Centro Italia	12,1%	Eurospin	10,5%
Valle d'Aosta	GROS Cidac	22,6%	Conad Nord Ovest	22,0%	Carrefour	22,0%
Veneto	Ali	12,2%	Unicomm	9,8%	Aspiag	8,0%

Structurally speaking, some more characteristics such as reduced margins and the often-traditional approach to communication seem to push practitioners to search for an innovation that allows them to increase the effectiveness of communication and, at the same time, support the revenue model, in a channel partnership.

Starting from these premises, the objective of the paper is to understand the state of the art of Retail Media in Italy with specific regard to the FMCG sector, investigating two aspects in particular: 1. The point of view (expectations, experience, level of satisfaction, organizational solutions) of the three main actors involved (Brands, Retailers and Agencies) on the one hand and, on the other, 2. highlight any alignments and/or deviations to evaluate the real extent of the contribution of RRMNs to the market.

Brief Literature Review

Recent literature about Retail Media is still limited and focused on retailers' issues with poor margins: in line with Abhishek, Jerath, and Zhang (2016), who found that the marketplace format reduces double-marginalization channel cannibalization, a game-theory model by Fei Long (2023) reveals that sponsored advertising as a form of retail media can help mitigate the issue of double marginalization by allowing the platform to earn additional advertising revenue, which in turn reduces its reliance on the sales margin. Only few recent papers are based on interviews and surveys focusing on how retail media and retail media networks work (Bartholomew, Hampton, and Briegel 2023; Bartholomew and Williamson 2022), using structured interviews to explore retailers' exchanges of customer data and personalization through targeted advertising on retail media networks. They find that large retailers are transforming into retail media networks by offering new advertising formats such as display ads, banner ads, video ads, and branded pages. They monetize this by giving suppliers and agencies access to anonymized consumer data within their media networks. Retailers use data

platforms to create audience segments and deliver them to demand-side platforms for targeted media buys. Key advantages of retail media for brands include the retail access to point-of-sale data (in contrast to social media sites or general search engines) and the content-integrated nature (De Haan, Wiesel, and Pauwels 2016) of retail media ads: “Unlike other ads that tend to be disruptive to customers, this is not the case for retail ads, since customers desire purchase goods on retail websites and are seeking product information from the retail media sites, so the purchase intent is congruent with the desired ad information for the brands that they are shopping for” (Bartholomew and Williamson, 2022). Gees (2023) proposes that the rise of retail media presents brands with a multi-layered challenge, for which they need a full-funnel strategy that addresses all components of a consumer’s buying journey. His paper identifies where consumers have been beginning their buying journeys and where they are conducting research about the products in which they are interested.

Methodology

To achieve our research goal, we adopted an empirics-first approach. “Empirics-first refers to research that (1) is grounded in (originates from) a real-world marketing phenomenon, problem, or observation, (2) involves obtaining and analyzing data, and (3) produces valid marketing-relevant insights without necessarily developing or testing theory” (Golder et al., 2023). The “ground” from which our research originated was LinkedIn, where Retail Media is a much-discussed topic internationally. The first questions and contacts originated from two LinkedIn quick surveys, posted and shared by the authors on their personal profile pages; the brief surveys were then refined and implemented into a structured interview protocol. Such research strategy allowed us to collect opinions and experiences of professionals, in an attempt to obtain insights that are most in line with reality and constructive. The results of the first, purely indicative, LinkedIn online surveys are represented in Tab. 2 and Tab. 3. In analyzing the responses, we realized that different actors had different points of view, three main clusters emerged: Retailers, Brands and Agencies. For this reason, it was decided to proceed by interviewing each of the three main clusters of respondents following different set of questions.

Starting from LinkedIn respondents to the two surveys, once merged the audiences and deleted Bachelor/Master student from the population, each unique profile was assigned to one of the three identified clusters (Retailers, Brands, Agencies). Secondly, professionals from non-FMCG retailers and brands were deleted. Each of the remaining was privately contacted, inquiring whether he/she would be willing to respond to a few additional questions via email, following a structured interview protocol, specifically designed per-each cluster, containing both closed-ended and open-ended questions. Seventeen professionals expressed their willingness to participate. To date, three interviews have been fully completed (one per-cluster), ten are in the process of being finalized, and four have not responded further to the investigation.

Results

Unlike other topics, the response from the informants was very fast and present, a proxy for the interest in the topic discussed.

Tab. 2 – The main goals of Retail Media. Source: 75 respondents on LinkedIn, 2024

To gain market insight	31%
To arise efficacy/efficiency	25%
To innovate communication strategies	23%
To improve channel partnership	21%

Tab. 3 - Channel that is considered most relevant for Retail Media. Source: 25 respondents on LinkedIn, 2024

Online and Offline	46%
Especially Offline	27%
Especially Online	25%
In neither	2%

Starting from these first insights LinkedIn grounded we then continued with structured interviews to the professionals that expressed their willingness to participate; the main results of which are discussed below.

Main aims/goals

As emerged from the analysis of the respondents in Tab. 2, the interviews also confirm that there is a certain misalignment between the main expectations and objectives of Brands and Retailers in approaching Retail Media campaigns. For Brands, Retail Media confirms itself, in terms of objectives, as the path to innovate advertising campaigns, improving effectiveness, distinguishing itself from competitors and investing in tools that are safe from a legal point of view. At the funnel level, Retail Media represents an opportunity to increase awareness and at the same time conversion. On the other hand, for Retailers, the focus is instead more on improving efficiency, increasing sources of revenue, and strengthening channel relationships with Brands. Among the objectives perhaps most underestimated currently by all the actors, there is the possibility of improving the effectiveness and efficiency of loyalty programs, with joint actions. While for Brands and Agencies, retail media is destined to function equally online and offline, for some Retailers the offline environment appears to be the most promising.

Feedback on experiences

The majority of those interviewed have already activated at least one Retail Media program. Among them, the level of satisfaction is generally high: Brands are generally more satisfied than Retailers, but they also seem to have clearer ideas about “what” and “how” to measure, which leads to a higher level of awareness.

All interviewees agree that the quality of “targeting” is crucial in Retail Media projects.

At the KPI level (which some players are still defining), mainly sales ones were indicated: incremental sales, ROAS, uplift promo/promo sales, ROI, and various digital KPIs. It immediately becomes clear that there is an important disconnect between the objectives sought and the KPIs used to measure the results themselves. Furthermore, joint channel KPIs are missing.

Organizational aspects

The major source of efforts in the experiences discussed is the organizational management. It is a common belief that Retail Media projects require multifunctional teams, internal and external to the companies. People from Agencies, Sales, Marketing, Trade Marketing, and Digital participate in these tables: in facts, creative, operational, technical/IT skills are required. In particular, defining the media brief and objectives/KPIs is mainly challenging. For some large Brands, a further critical aspect is linked to the territoriality/size of some Retail customers: international brands must in fact develop ad hoc projects on specific territories, lacking presence/coordination at a national level.

Conclusions and Managerial Implications

RRMNs are a great opportunity for the entire grocery supply chain, both online and offline. However, from the interviews carried out, a clear objective and organizational misalignment emerges, that must be filled in order to develop effective, efficient and measurable programs. Among the first actions that we would like to recommend are those of: 1) opening discussions table that involve all the actors 2) defining with attention (shared) objectives and coherent KPIs 3) developing actions that integrate online and offline, in full respect of territorial diversity.

Main References

- Abhishek, V., Jerath, K., & Zhang, Z. J. (2016). Agency selling or reselling? Channel structures in electronic retailing. *Management Science*, 62(8), 2259-2280.
- Bartholomew, D. E., & Williamson, M. (2022). Retail media networks. *Journal of Retailing and Consumer Services*, 69, 103119.
- Bartholomew, D., Hampton, S., & Briegel, H. (2023, May). How Are US Retailers Protecting Their Customer Data While Growing Their Ad Promotions Business?. In *National Brand and Private Label Marketing Conference* (pp. 50-56). Cham: Springer Nature Switzerland.
- Ciligot, C. (2023). Demystifying retail media in grocery retail: What is retail media? Invafresh. <https://invafresh.com/what-is-retail-media/>
- Davey, J. (2023, June 12). Retail media ad revenue forecast to surpass TV by 2028. Reuters. <https://www.reuters.com/business/retail-consumer/retail-media-ad-revenue-forecast-surpass-tv-by-2028-2023-06-12/>
- Gees, C. (2023). Navigating the world of retail media. *Journal of Brand Strategy*, 11(4), 358-366.

- Giesen, E., Berman, S. J., Bell, R., & Blitz, A. (2007). Three ways to successfully innovate your business model. *Strategy & leadership*, 35(6), 27-33.
- Golder, P. N., Dekimpe, M. G., An, J. T., van Heerde, H. J., Kim, D. S. U., & Alba, J. W. (2023). Learning from Data: An Empirics-First Approach to Relevant Knowledge Generation. *Journal of Marketing*, 87(3), 319-336.
- Long, F. (2023). Retail Media at Online Platforms as Resellers or Marketplaces. *Available at SSRN 4507593*.
- Zenetti, G., & Pauwels, K. (2024). Amplifying Off-Site Purchases with On-Site Retail Media Advertising. *Journal of Interactive Marketing*, 10949968241246257.