PubMatic

GUIDE:

BUILDING A COMMERCE MEDIA STRATEGY – NOW AND BEYOND

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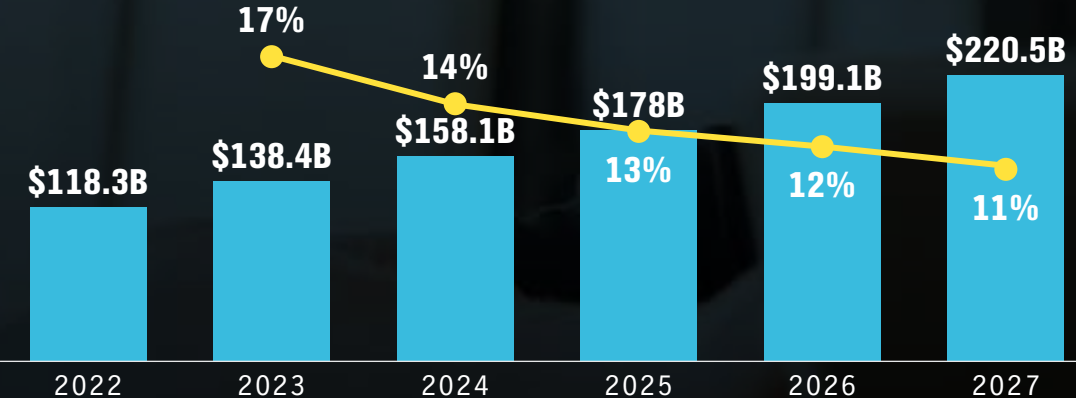# COMMERCE MEDIA GROWTH

By 2027, commerce media ad sales are predicted to exceed $220B globally — an increase of more than 86% since 2022.[1] Furthermore, offsite ad sales will drive this future growth; it is expected to grow 30% YoY in 2024. While the on-site placements will continue to constitute most of the spending. In 2023, they will account for 85.5% in 2023, and will remain north of 80% for the next few years (81.3% in 2027).[2]

When it comes to online shopping, consumers are increasingly moving away from Amazon and Google. Research shows that a growing number of consumers begin their path to purchase on retailer and brand websites. In fact, time spent on the open web exceeds that spent on marketplaces and search engines such as Amazon and Google. According to YouGov, only 34% of consumers' time online is spent within walled gardens.[3]

**GLOBAL COMMERCE
MEDIA REVENUES**[1]

	2022	2023	2024	2025	2026	2027
Revenue	$118.3B	$138.4B	$158.1B	$178B	$199.1B	$220.5B
Growth		17%	14%	13%	12%	11%

[1] MAGNA Global Commerce Media Forecast, 2023; [2] eMarketer: Retail media is dominated by on-site advertisements—for now, April 2023;
[3] YouGov report quoted in Business Reporter, 2020

RISE OF COMMERCE MEDIA

In line with consumer behaviour trends, brands and retailers are embracing the growing commerce media opportunity.

Research examining media buyer attitudes towards commerce media published by IAB Europe found that the vast majority (92%) of brands have already established advertising partnerships with retailers to reach customers via those retailers' websites and apps.

Similar levels of adoption have been observed on the sell-side. A recently published report from ExchangeWire and PubMatic found that 91% of European retailers expect to maintain or increase their commerce media investments through 2024, and according to research from Forrester and PubMatic, retailers are planning to double their media commerce business in the 12 months from August 2023 to 2024. Moreover, 80% of retailers are also open to working with third-party technology providers to aid them in their commerce media endeavours. The development of these retailer-technology partnerships is vital to the growth of commerce media as it makes it easier for smaller, vertical-specific retailers to enter the market and compete on a level playing field with the larger players.

As we head towards 2024 and beyond, the strong alignment of the buy- and sell-sides of commerce media offers retail marketers with a real opportunity to unify and strengthen marketing efforts using first-party, privacy-compliant sales data. In an increasingly fragmented media landscape, this places commerce media in a very strong position when it comes to channel selection.

FLEXIBILITY AND BALANCE ARE KEY

In commerce media there are no metaphorical one-size-fits-all jumpers. Brands need to take a flexible approach and accommodate retailers' needs and expectations. The best partnerships emerge when there is a mutual understanding and appreciation of each side's expectations, expertise, and insights.

Technology partners will be key to enabling retailers and advertisers to strike the right balance between advertising and customers' satisfaction with their path-to-purchase. This can be tricky to navigate in real-time which is where technology helps by providing an automated way to constantly maximise the effectiveness of available inventory.

On the buy-side, the key challenge in the days ahead will be overcoming the inevitable fragmentation and complexity that comes with a growing sell-side. Auction packages and commerce media marketplaces enable buyers to avoid difficulties navigating sprawling supply chains by providing a single point of access which adds significant value to commerce media buying.

This guide explains how media buyers can successfully tap into the commerce media opportunity and build a scalable, privacy-centric audience strategy.

WHAT DO ADVERTISERS WANT?

Within the commerce media landscape, we see two key types of advertisers:

- **Endemic Brands:** These are brands that are already selling their products on retailers' properties. Brands active in commerce media could also prepare to use data clean rooms: these tools can help brands see how much of their audience was reached, for example, or which brand-built audience segments responded best to a particular ad.

- **Non-Endemic Brands:** These are brands that are not yet selling via a retailer, or are from a relevant adjacent category (e.g. financial services, automakers, etc.). Many of these brands are realising that retailers have valuable data and they can find their audiences on a retailer's platform.

According to the IAB Europe Retail Media Opportunity in Europe Guide:

ADVERTISERS	AGENCIES	
72%	**54%**	are worried about the deprecation of the third-party cookie, likely a significant driver for investment in commerce media.
91%	**76%**	said they see commerce media as being a key part of their advertising strategy following the deprecation of the third-party cookie.
60%	**45%**	are shifting budgets from traditional channels into commerce media. Also, according to the latest Forrester research, 85% of advertisers are sourcing their budgets for commerce media from "existing shopper/trade marketing budgets."

WHAT ARE THE CURRENT COMMERCE MEDIA OPPORTUNITIES?

Commerce media audience extension allows buyers to access and reach high-valued first-party shopper audiences across premium inventory to deliver on ROI in the open web.

COMMERCE MEDIA AUCTION PACKAGE

A collection of open marketplace inventory specified by commerce media targeting criteria set by a media buyer or a sell-side platform. The targeting is applied at the SSP-level and passed via Deal ID, which typically represents a multitude of domains. Media buyers can curate highly effective audiences from a massive global commerce dataset and their own first-party data.

COMMERCE MEDIA MARKETPLACE

A private marketplace where advertisers can access premium inventory before it becomes available to the open marketplace, and this marketplace also can be curated by applying commerce media datasets and a buyer's own first-party data.

KEY BENEFITS

Commerce media auction packages and marketplaces are ideal for buyers who want more control and transparency when buying inventory for their commerce media campaigns. The advanced targeting options enable media buyers to increase the efficiency of programmatic campaigns by targeting consumers across inventory via verticals, audience, or other demographics at scale.

THE ROLE OF COMMERCE MEDIA DATA

Commerce data refers to purchase and intent data that provides insights into consumer behaviours and journeys that can be used to deliver superior outcomes. Examples of commerce data include:

- Page views
- Product views and add-to-cart/basket data
- Online and offline purchase data
- Ad clicks and click through rate (CTR)
- Contextual data from publishers such as URLs, contextual categories, and keywords
- Product details such as category, SKU, price, and description
- Identifiers such as hashed emails, hashed phone numbers, and visitor IDs (such as random IDs stored in first-party cookies)

Commerce data combined with programmatic tools increase the effectiveness and efficiency of advertising, it enables marketers:

- Better understand audience and consumer behaviour and more accurately predict outcomes driven by advertising
- More effectively reach consumers who are in-market for specific products
- Show the best products and set the optimal bid for every impression based on the value-to-cost ratio
- Increase sales, bolster loyalty, and attract new customers
- Measure performance and optimise campaigns in real-time

BIGGER IS BETTER

The bigger the commerce data set, the more insights you can get.

FIRST-PARTY IS BEST

Optimal addressability and personalisation are achieved using first-party data.

In a rapidly evolving media and regulatory environment, brands need to ensure they are embracing a privacy-first mindset while engaging with their target audience. By applying commerce signals from third-party data providers, buyers can expand their privacy-friendly advertising strategy and engage vast new audiences by leveraging accurate, correlated, complementary consumer information.

THE VALUE OF MOVING TO THE SUPPLY SIDE

When buying on the open exchange, you have access to a vast number of impressions. With sell-side targeting, you can apply your campaign targeting directly on the sell-side and activate those impressions through a Deal ID. Sell-side targeting works across various formats including web display, mobile, in-app, and connected TV (CTV) for a seamless advertising experience.

By applying audience targeting on the sell-side, buyers can increase match rates against their first- and third-party data segments in all environments. This approach maximises scale against these audiences, drives a more efficient cross-media CPM by eliminating wasted spend, and provides brands with added brand-safety protection.

THIRD-PARTY DATA CAN KICK-START YOUR COMMERCE MEDIA JOURNEY

For many brands, third-party data provides a way to quickly start experimenting.

Some of our partners:

experian.

Nielsen

BEST PRACTISES FOR COMMERCE MEDIA CAMPAIGNS

CASE #1

AUTOMOTIVE ADVERTISER

A car manufacturer wants to bring a new electric vehicle to market.

TARGET

Environmentally conscious consumers with young families

SOLUTIONS

Work with data providers to create a segment using:

- DVLA data (The Driver and Vehicle Licensing Agency data) for drivers of family vehicles
- In-market auto intenders
- Data to source families who shop from sustainable brands

HOW TO ACTIVATE

- Single Deal ID utilising the targeting on PubMatic side to increase match and win rates
- Auction packages to include premium publishers, who have direct integrations, as well as our carbon efficient streaming solution with SeenThis to reduce carbon emissions across the activation

CASE #2
FAST-MOVING CONSUMER GOODS BRAND

A cereal brand wants to use supermarket shopper data to drive reach for a new product launch.

TARGET

Active adults who are interested in healthy eating

SOLUTIONS

- Work with PubMatic to target first-party retail audiences from multiple taxonomy categories, cereal shopping intenders and active, healthy lifestyle shoppers
- Use retailers' data to identify cereal shoppers (target brand and competitors)
- Expand further by looking at shoppers of other healthy food items/SKUs
- Create additional, non-endemic, segments from alterative commerce media network data that align with the target audience; fitness clothing shoppers, bicycle shoppers, active holiday goers, active families, etc.

HOW TO ACTIVATE

- Two Deal IDs (1 for Supermarket Shopper data and 1 for non-endemic shopper data) to be targeted across PubMatic's premium video inventory
- Work with buyer team to measure reach results based on their Nielsen DAB tags across other tactics

CHRISTMAS GIFTING FOR A BRAND

A prestige fragrance brand wishes to launch their Christmas-fitting range from mid October to mid-December to drive awareness and sales at this important point in the marketing calendar.

TARGET

Main household shopper aged between 25-55 years old

SOLUTIONS

Work with some main retailers' first party data to understand shoppers who:

- Fit the demographic profile
- Buy luxury brand items on and off category
- Purchase gifting items seasonally

HOW TO ACTIVATE

- Single Deal ID utilising the targeting on PubMatic side to increase match and win rates plus consider data privacy
- Auction packages to include premium publishers

CHRISTMAS GIFTING AUDIENCE FOR RETAILERS

Retailer wants to run brand co-op gifting offers with a Beauty CPG on and off platform, to drive awareness and sales online and instore.

TARGET

Brand loyalists who shop at this retailer, plus customers of the brand in competitor retailers

SOLUTIONS

- Work with first party and third-party data to identify new and lapsed customers plus brand loyalists who shop at competitor retailers

- Create segments that will address existing/new/lapsed customers for the retailer

HOW TO ACTIVATE

Target each audience segment with a personalised message that will address the part of the purchase funnel they sit within

FUTURE-PROOF
YOUR ADVERTISING

The commerce media landscape will continue to fragment as more vertical specialists enter across various markets. More collaboration, especially data partnerships, will form as the industry matures and retailers and publishers will benefit from this 'hedged' approach where data is shared in a controlled way rather than each party maintaining their own walled garden which could potentially throttle growth. Whatever happens, it will be crucial for the commerce media industry — marketers, agencies, retailers, technology providers, and industry associations alike — to continue to work closely together. Key requirements for success are standardisation in terminology, robust attribution models, and consistent measurement standards. Maintaining the right balance between marketers' and retailers' goals will be key to avoiding the mistakes of the past and ensure there is a healthy level of trust throughout the supply chain and among consumers.

WHAT EXCITES YOU ABOUT THE FUTURE OF COMMERCE MEDIA? WHAT DO YOU WANT TO SEE MORE OF WHEN IT COMES TO COMMERCE MEDIA?

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What better data to indicate which goods and services people may buy, than shopper behavioural data from retailers? Commerce media is about using deterministic data (i.e. what categories, brands or products have customers bought or considered buying) to target individuals with various messages along their path to purchase. Commerce media will evolve by offering more audience sources to target, more platforms on which to buy, and a greater variety of ad formats to serve. Shaking its reputation as lower funnel advertising only, and challenging industry norms, it is already squashing the purchase funnel. The evolution is exciting but will need balance from solutions that help simplify access and activation, in a space inevitably becoming more complex.

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JASON WESCOTT
GLOBAL HEAD OF COMMERCE SOLUTIONS
GROUPM NEXUS

groupm nexus

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The pace of development and broadening of involvement is exciting with the opportunity it presents.

Being able to deliver relevant 1st or 3rd party audiences at scale across a wide range of retail partners, giving buyers the choice and scale to deliver their brand messages to the right audiences at the right time, in a privacy compliant and more sustainable way is exciting, making the commerce media landscape more dynamic and customer centric. The addition of third-party audiences from data partners enables further scale and options to retailers off site and offline as well as audience extension onsite.

We would like to see more choice, consistency and transparency. Choice (and expanded supply), lean into the broader remit of commerce media extending it far beyond just retail. We need to keep in mind how this breadth can potentially complicate planning and therefore should ensure that supply is effectively tiered and grouped. Consistency or Omnichannel consistency both on messaging and targeting is also needed. If we can deliver targeting and messaging that works across the inventory nuance it should allow for better cross functionality.

Finally, transparency because by sharing learnings between channels and retailers then the measurement will be more effective.

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IAN COUPLAND
PROPOSITION MANAGER
EXPERIAN

experian.

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As commerce media continues to scale there will be more opportunities for advertisers to engage directly with their consumers in ways that have not been possible before and that's really exciting. Retailers who are able to motivate consumers to share their data will be critical to the success of digital activations. For advertisers, I think the most value will come from having the ability to understand the true impact of their campaigns through end-to-end measurement. Whether this is inside or outside the retailer's environment and/or includes physical stores this is a big step forward for the digital industry and definitely one to watch closely.

The commerce media landscape is already very fragmented and will become even more so as it grows and retailers and advertisers are going to need to embrace intelligence tools that will help create a consolidated view of performance. As an agency or a brand, the ability to understand the impact of your campaigns by retailer and channel is going to be vital. Furthermore, there is already there is a big need for globally recognised standardisation to give advertisers confidence that their investment in commerce media will deliver the results they're looking for and the pressure to deliver this is only going to intensify.

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RICARDO HONING
PERFORMANCE MEDIA DIRECTOR
AMSTERDAM, DENTSU GAM

dentsu

GLOSSARY

AUDIENCE TARGETING

The method of separating consumers into groups based on different criteria, including online behavioural characteristics, demographics, interests, and intent.

COMMERCE DATA

Attributes of consumer data that enable marketers to understand a customer's purchase and intent behaviours.

COMMERCE MEDIA

A subset of digital advertising that uses a customer's transaction and behavioural data to drive sales across physical and digital touchpoints.

COMMERCE MEDIA DATA

Data that is used to plan, activate, and optimise commerce media investments. This can include first- second- and third-party data.

COMMERCE MEDIA NETWORK

An extension of retail media as it allow both retailers and advertisers to reach audiences on the open web, not just across a retailers digital properties.

COMMERCE MEDIA AUCTION PACKAGE

A collection of open marketplace inventory specified by commerce media targeting criteria set by media buyers or a supply-side platform.

COMMERCE MEDIA MARKETPLACE

A private marketplace, where advertisers can access premium inventories before they become available to the open marketplace, and this marketplace also can be curated by applying commerce media datasets and their own first-party data.

CLOSED LOOP MEASUREMENT

A method of measuring the impact of ads on consumer purchase data (online and offline)

CTR (CLICK-THROUGH RATE)

The ratio of the number of times an ad is clicked to the number of times an ad is viewed (CTR = Clicks/Impressions)

ECOMMERCE

A business model that allows consumers to buy and sell products and services online.

FIRST PARTY DATA

User information collected and stored by social media sites, website publishers, retailers, and others after the user visits a digital property.

MARKETPLACES

Ecommerce sites that connect buyers and sellers across one platform.

OMNICHANNEL

A type of multichannel approach that ensures the user has a seamless shopping experience irrespective of the channel used.

PROGRAMMATIC ADVERTISING

The use of software to improve the buying and selling of advertising through workflow automation and algorithms.

RETAILER

A business or person that sells good to the public for consumption use.

RETAIL MEDIA

A form of marketing to consumers at or near their point of purchase, or point of choice between competing brands or products.

SELL SIDE TARGETING

A privacy-safe strategy advertisers use to streamline audience targeting through sell-side vendor tools to gain greater control over how inventory and data are packaged and transacted to drive greater ROI.

SKU (STOCK KEEPING UNIT)

A unique code attributed to a unit of measure to manage product inventory.

SPONSORED PRODUCTS

Ads that promote individual product listings on eCommerce marketplaces – usually brands will sponsor these slots.

WALLED GARDEN

A closed advertising platform where the owner or publisher controls and manages the buying, serving, tracking, and reporting of ads within the platform.

About PubMatic

PubMatic (Nasdaq: PUBM) is an independent technology company maximizing customer value by delivering digital advertising's supply chain of the future. PubMatic's sell-side platform empowers the world's leading digital content creators across the open internet to control access to their inventory and increase monetization by enabling marketers to drive return on investment and reach addressable audiences across ad formats and devices. Since 2006, our infrastructure-driven approach has allowed for the efficient processing and utilization of data in real-time. By delivering scalable and flexible programmatic innovation, we improve outcomes for our customers while championing a vibrant and transparent digital advertising supply chain.

PubMatic's commerce offering is a holistic solution for commerce media networks and advertisers. It brings together onsite and offsite capabilities powered by PubMatic's owned and operated infrastructure. Commerce media networks and shopper marketers no longer need to rely on multiple, sales-driven point solutions that result in opaque and inefficient advertising activations. PubMatic's commerce media offering includes the **Convert** and **Connect** solutions.

Convert solves for commerce media networks and buyers interested in running media with them on their properties as well as leveraging commerce data to reach audiences across the open internet in one-to-one relationships. With the Convert platform, commerce media networks can convert their media inventory and data assets into scalable and durable revenue streams through one-to-one relationships with their advertisers. Buyers can transform shoppers into customers through one unified platform with high-conversion ad campaigns across sponsored product listings and display on commerce properties and multiple formats across omnichannel inventory through audience extension.

For commerce media networks and buyers interested in leveraging commerce data to reach audiences across the open internet in one-to-many relationships, PubMatic's Connect provides the ability for campaign extension at scale.

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