Retail Media Reality

Advertising Age takes aim at retail media — and misses the point.

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A recent, front-page article in *Advertising Age* took aim at in-store media, arguing that while retail is "mass … it's not really media," and that in fact it may be a waste of money.

The article claimed that people go to stores "to buy their stuff and get the hell out." It poked fun at Saatchi & Saatchi's CEO Kevin Roberts, who has "termed retail the theater of dreams," suggesting that retail may be dreamy where Roberts shops but not where the great unwashed in retailing go.

This article should come as no surprise to anyone who is watching the networked digital sign/interactive industry. What this article really represents is another manifestation of the shortness of breath that signals the current struggles of the advertising industry.

As most people in the media industry are aware, even as prime-time ratings fell by 41.5% from 1977 to 2003, network TV's advertising revenues rose nearly fivefold. New technologies such as the internet and TiVo have only served to accelerate this decline of audiences.

Clearly, the stakes are huge. Today, total media spending is about $180.0 billion a year. On the other side of the table are the "once lowly" (*Ad Age's* words) in-store "merchandisers" who work with a total spend of $18.0 billion a year.

As networked digital media start to gain traction, there is a simmering debate about how to tap into that $180.0 million pot, as opposed to just the $18.0 billion. The *Ad Age* article looks like a shot from the folks who are currently sitting on the bigger number.

Some in the digital media industry, such as PRN, which sold-in Wal-Mart TV, have positioned themselves as "in-store television." They have adopted the language, content, sales techniques, measurement systems and even sales people from the broadcast industry.

But, as Bill Gerba, ceo of in-store media company WireSpring points out in his recent blog post on this issue: "For years, agencies were paid a percentage of the overall ad budget. P&G changed that model several years ago because it worried agencies would naturally gravitate toward costly TV ads. It now ties agency compensation to product-sales increases."

But it certainly seems like some in the advertising industry are trying to distance their efforts from that kind of accountability, as well as the vehicles (including many types of in-store media) that provide it.

The advertising industry has tended to question anything that seeks to tie sales uplift directly to a marketing/media campaign. At a Strategy Institute conference in Chicago last year, media buyers were asked to critique "pitches" from various digital media operators. One of the media buyers advised: "never talk about sales uplift; we just do not care about that."

Neither networked digital media nor anything else will ever totally supplant television, radio or print advertising. However, the more networked digital media can align itself with the client-side, which does care deeply about sales uplift, the better off it will be.

Today the success stories (with the exception of PRN) are based on in-store networks that are owned or partially owned by the client, such as Nike's network. The evidence is overwhelming that when properly deployed, these systems deliver sales uplift, in most instances at an average rate of about 20%.

As the industry matures and starts to hit a true point of inflection, more and more money will naturally start to move to the "once lowly" in-store environment. ■

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