DSI AND STRATABLY REPORT

# THE ROLE OF PRODUCT DETAIL PAGES (PDPS) IN RETAIL MEDIA BUDGET DECISIONS

How Grocers can Use High Quality PDPs in Their Efforts to Attract Brand Dollars (and Other Key Budgeting Considerations)

DIGITALSHELF INSTITUTE | Stratably

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# Introduction

Retail media networks (RMNs) continue to proliferate as consumers (and therefore media) spend more time in digital channels, and as retailers see its incredible impact on the P&L.

On paper, this is good news for brands as more levers to access shoppers and drive sales is always welcomed. But in reality, resources and budgets to support retail media are limited as it is still an emerging marketing tool (especially in today's budget-constrained environment).

To date, this has resulted in the majority of resources being spent on a small number of sizeable RMNs, most commonly Amazon Ads, Walmart Connect, Target Roundel, Kroger Precision Marketing, and Instacart Ads. In contrast, smaller grocers and other retailers are launching retail media offerings but struggling to get the attention of, and ultimately dollars from, consumer brands.

With this in mind, Stratably conducted research that gets under the hood of brands' retail media investment strategies with a particular view into how aspiring retail media networks in the grocery space can win greater investments from brands – and how product detail page (PDP) content quality plays a role in retail media.

This report shares the key data points and overarching learnings from surveying 78 Food & Consumer Packaged Goods (CPG) brands and conducting 12 interviews with eCommerce and marketing leaders inside those brands.

# Key Learnings

## For Grocers With Retail Media Networks

### 1 Retail Media's Contribution to Profitability

Within the U.S. grocery market, digital is forecasted to drive 54% of incremental growth between now and 2027.

Alongside that, retail media offers grocers a compelling growth opportunity and, most notably, significant tailwinds to profitability.

### 2 Dollars up for Grabs as Brands Increase Spend

Brands are investing 7.2% of sales, on average, on retail media, and that figure is steadily climbing.

This means there's an opportunity for grocers to unlock more budget, but brands remain focused on a small number of RMNs and therefore, competition among RMNs is fierce.

While there are several factors at play, size, strategic importance, in-store impact, reach, and return on ad spend (ROAS) are key considerations in investment decisions.

### 3 PDP Content Quality is a Part of the Equation

The quality of the PDP is integral to conversion rates, and subsequently to ROAS – the key performance metric brands use for retail media.

Brands also believe great PDPs lead to higher quality reach, another key investment consideration.

PDP quality is a lever grocers must pull when up against larger RMNs with size advantages and certainly when up against other long tail RMN peers.

### 4 Where to Focus First for Stronger PDPs

Brands believe images, product descriptions, and videos are most commonly lacking or inaccurate on grocers' PDPs.. This can serve as a prioritized list for grocers looking to improve PDP quality .

Just as critical as having these attributes on the PDP is the ability to keep them up to date and accurate. Challenges here can be a nonstarter for brands presented with an RMN investment opportunity.

# Research Methodology

**To conduct this research, we surveyed 78 consumer brands** to better understand the role PDPs play in their retail media investment decisions:

- Brands spanned a wide variety of Food and CPG categories, with the heaviest representation in Personal Care, Health & Wellness, Beverages, and Snacks
- All revenue ranges were represented but brands skewed large with a weighted average annual company revenue of $4.6bn
- Individual respondents were in a variety of marketing- and eCommerce-related roles such as Digital Marketing Managers, Customer Account Managers, and Chief Digital Officers

**We also conducted in-depth interviews** with 12 eCommerce and marketing leaders inside brands for qualitative context around the survey data. The report shares key takeaways from our research, particularly for grocers looking to grow their retail media businesses and their overall eCommerce channels.

### Product Categories

- Personal care
- Health & wellness
- Beverages
- Snacks
- And 10+ other Food & CPG categories

### Company Size

- Representatives from under $100mm to over $10bn
- Annual revenue weighted average of $4.6bn
- 37% of respondents in the $1-$10bn range

### Individual Roles

- Digital marketing managers
- Customer account managers (e.g. Amazon account managers)
- Chief digital officers
- And 5+ other eCommerce and marketing roles

# Retail Media's Incredible Impact on the P&L

It's difficult to overstate the importance of retail media when it comes to making retailers' digital businesses profitable.

**Amazon has led the way, reaching $46 billion in ad sales in 2023.** This translates to $18.5 billion in operating income using conservative margin estimates of 40%.

In contrast, its retail media business excluding advertising is projected to lose $9.2 billion this year, the third-straight year of losses. 2023 is not an anomaly either considering Amazon's retail business excluding advertising has seen an average operating income loss of 1.2% over the last 27 quarters.

**Even though Walmart provides less clear insight into the specific P&L impact from Walmart Connect, it consistently describes an improving P&L model as it shifts more of its business to digital channels.**

As for the most recent example of this, Doug McMillion stated during Walmart's third-quarter 2023 earnings call:

> "When I look at our P&L, it's continuing to change shape. Mentally, I break it down as a combination of a traditional retail P&L and a newer version that starts with our digital businesses. It flows from first and third-party eCommerce, pickup and delivery to businesses like membership, advertising and fulfillment as a service. It includes some faster-growing, higher-margin components (i.e., retail media) that, combined with the more traditional P&L, gives us a business model that's more profitable in percentage terms as it grows…And when you put it together…you get a more sustainable business that can grow more effectively over time and create a better mix along the way."
>
> **Doug McMillion**

**Instacart, too, relies on advertising to make its unique business model work.**

In 2022, the most recent period available for full-year results, the company generated $2.6 billion in total revenue, comprised of transaction revenue of $1.8B and Ad revenue of $740 million, resulting in operating profit of $62 million.

Utilizing a 40% operating profit margin assumption, this implies its advertising revenue stream brought in $296 million, while the retail component lost $234 million (-13% operating margins). Thus, like Amazon, Instacart's model relies on advertising as the critical revenue stream to making the business model work.

**Kroger is also relying on retail media to make eCommerce margin neutral.**

Rodney McMullen stated in 2023, "When you look at our digital business long term, we wouldn't see the profitability to be any different...what we're really focused on is having an ecosystem (that when) the customer thinks food, they think Kroger."

To date, Kroger's eCommerce business is projected to be generating a negative 6% operating margin, and possibly steeper. But its $1.2 billion operating profit from alternative revenue streams, like retail media, are helping it reach Mr. McMullen's longer-term goals.

"When you look at our digital business long term, we wouldn't see the profitability to be any different...what we're really focused on is having an ecosystem (that when) the customer thinks food, they think Kroger."

**Rodney McMullen**

Put simply, Amazon, Instacart, Walmart, and Kroger wouldn't be able to be in the eCommerce business for long if it weren't for the high margin promise of selling advertising. This will be true too for its smaller grocery peers, which are unable to benefit from the massive scale needed to have a shot at generating enough operating leverage to turn a stand-alone profit on the sale of groceries.

**In other words, retail media is the key to making this business model work for grocers of all sizes.**

## Compelling Growth in eCommerce and Retail Media

# U.S. Grocery Outlook

**Over the next five years, the grocery market is projected to compound at 2.8% per year.**

Assuming online penetration increases between 100-150 basis points per year (a reasonable estimate based on the last several years of online gains), physical stores are projected to compound 1.5% per annum and online channels are forecast to compound 10.7% over that period.

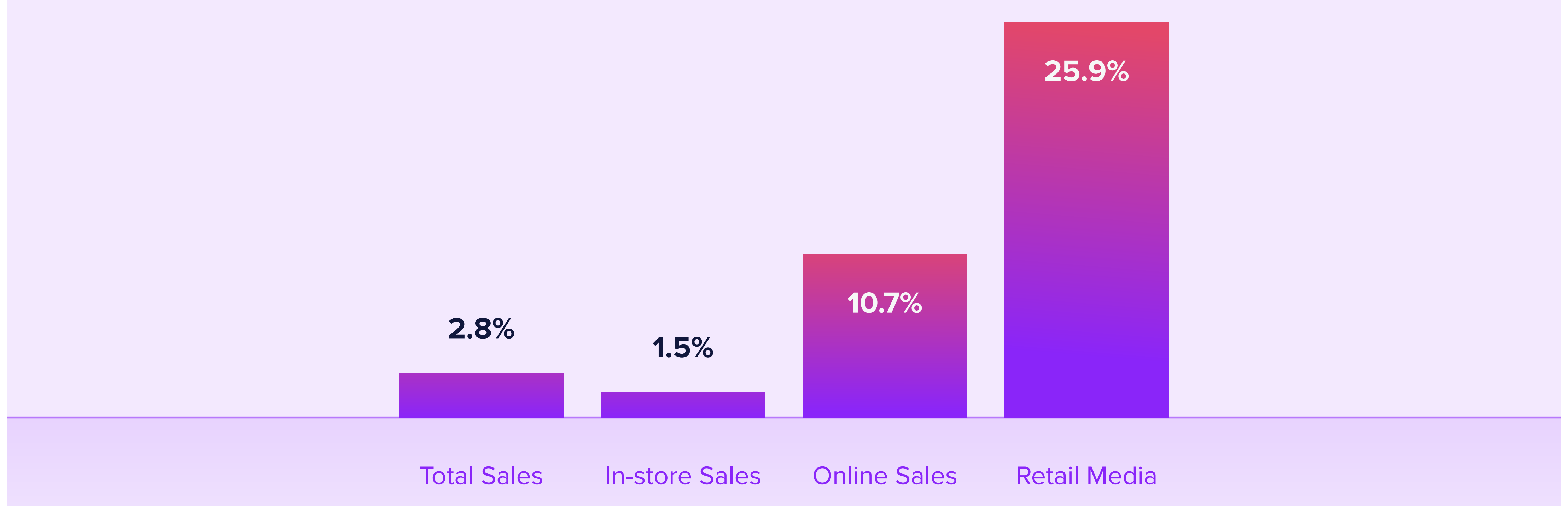
**This translates to digital channels accounting for 54% of incremental growth between now and 2027.**

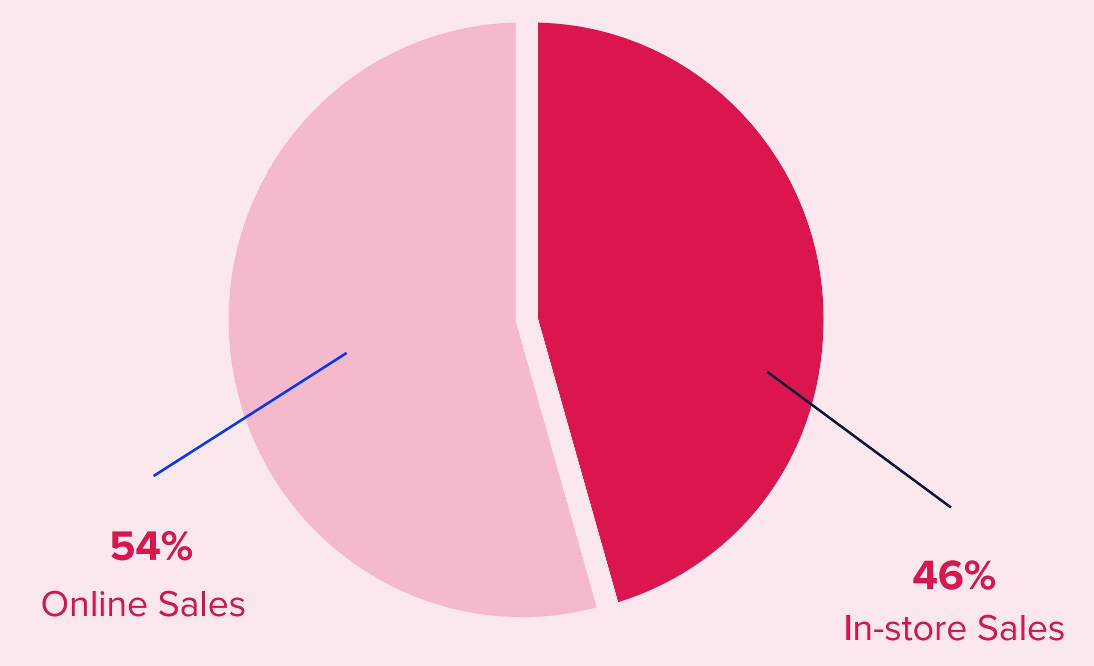
This large contribution from digital channels provides retail media an opportunity to grow rapidly during this time. Retail media is projected to compound at 26% per annum between now and 2027, outpacing online sales growth as brands are consistently increasing the percentage of their digital sales allocated to it.

**Competition for this retail media growth is expected to be fierce with Amazon, Walmart, Kroger, Target and Instacart leading the way.**

With billions of retail media dollars up for grabs, smaller grocers must prioritize developing their online businesses and associated traffic to their sites, along with corresponding retail media capabilities to have a shot at earning enough of the retail media market to offset, or ideally more than offset, the challenging economics associated with selling groceries online.

### U.S. Grocery Market Compound Annual Growth '23-'27




### U.S. Grocery Market Share of Incremental Dollar Growth '23-'27

Source: Stratably Channel Forecasts, '23-27

### As a Percentage of eCommerce Sales, Brands are

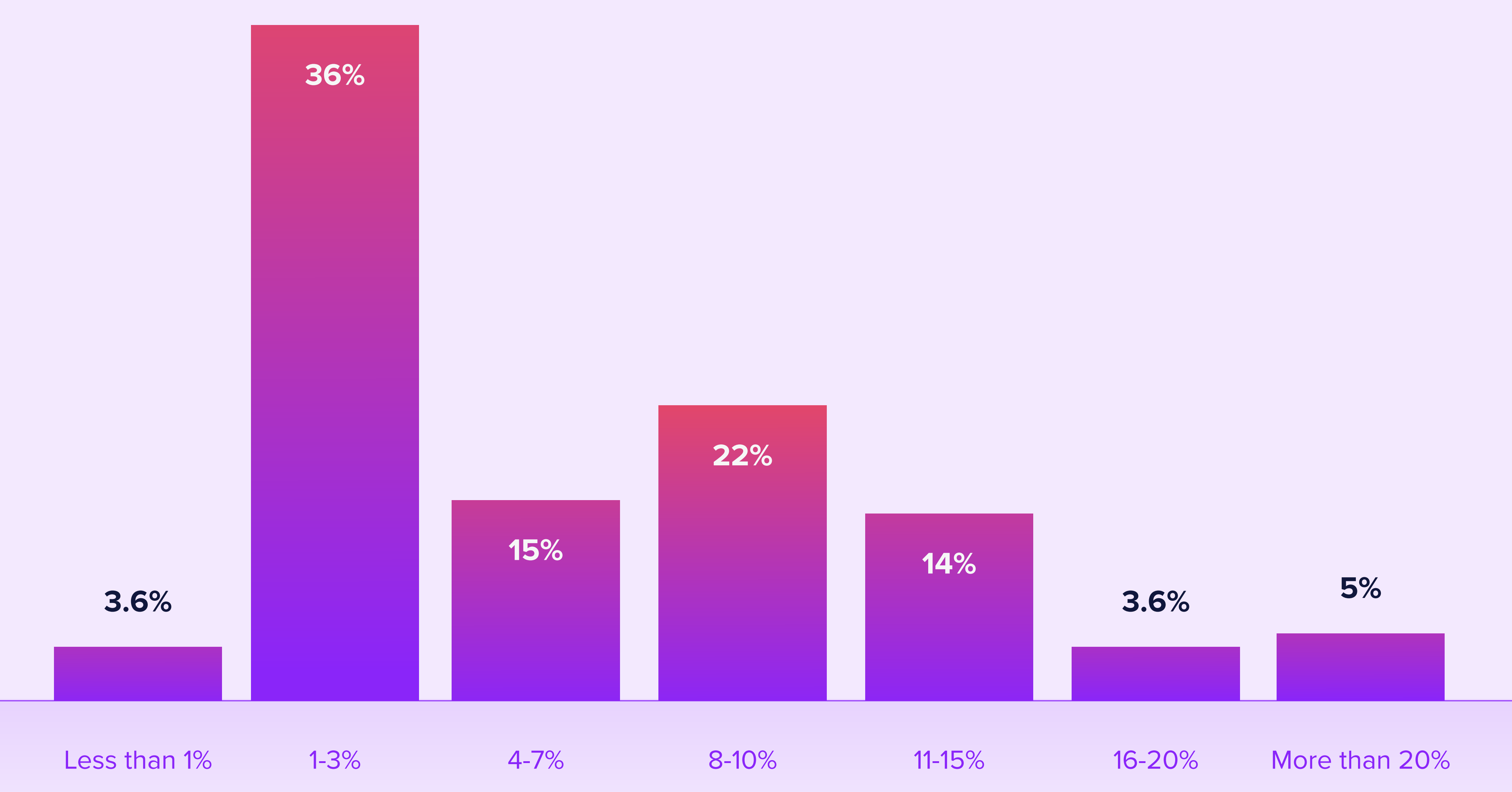
# Increasing Retail Media Budgets

**The survey revealed brands reinvest, on average, 7.2% of their digital sales into retail media, although there is a wide degree of variance.**

This figure has steadily increased over each of the last several years, particularly for the largest retail media destinations like Amazon, Walmart, and Instacart.

**A major driver to increasing retail media budgets is the incorporation of retail media into holistic marketing plans according to the feedback we heard in our interviews.**

As a percentage of your eCommerce sales, what does your company invest in retail media?



More publically, Jon Moller, CEO of P&G, offered this perspective during its recent earnings call, stating:

> “For us, any type of media spend, whether it’s digital, online, OTT, TV, print, or, as you say, customer media, is part of the total mix. So, what we’re looking to do is optimize our reach effectively with a target and the frequency across all of those different touchpoints.... There are plenty of opportunities in data sharing combining transaction data with media data to optimize. And that is a strong reason why retailer-based marketing spending can make sense.”

Brands tell us they are planning to continue to invest more into digital media channels broadly, and retail media is a share gainer within digital, fueling the significant growth opportunity for grocers that can take advantage.

### Limited Retail Media Resources Drive Brands to

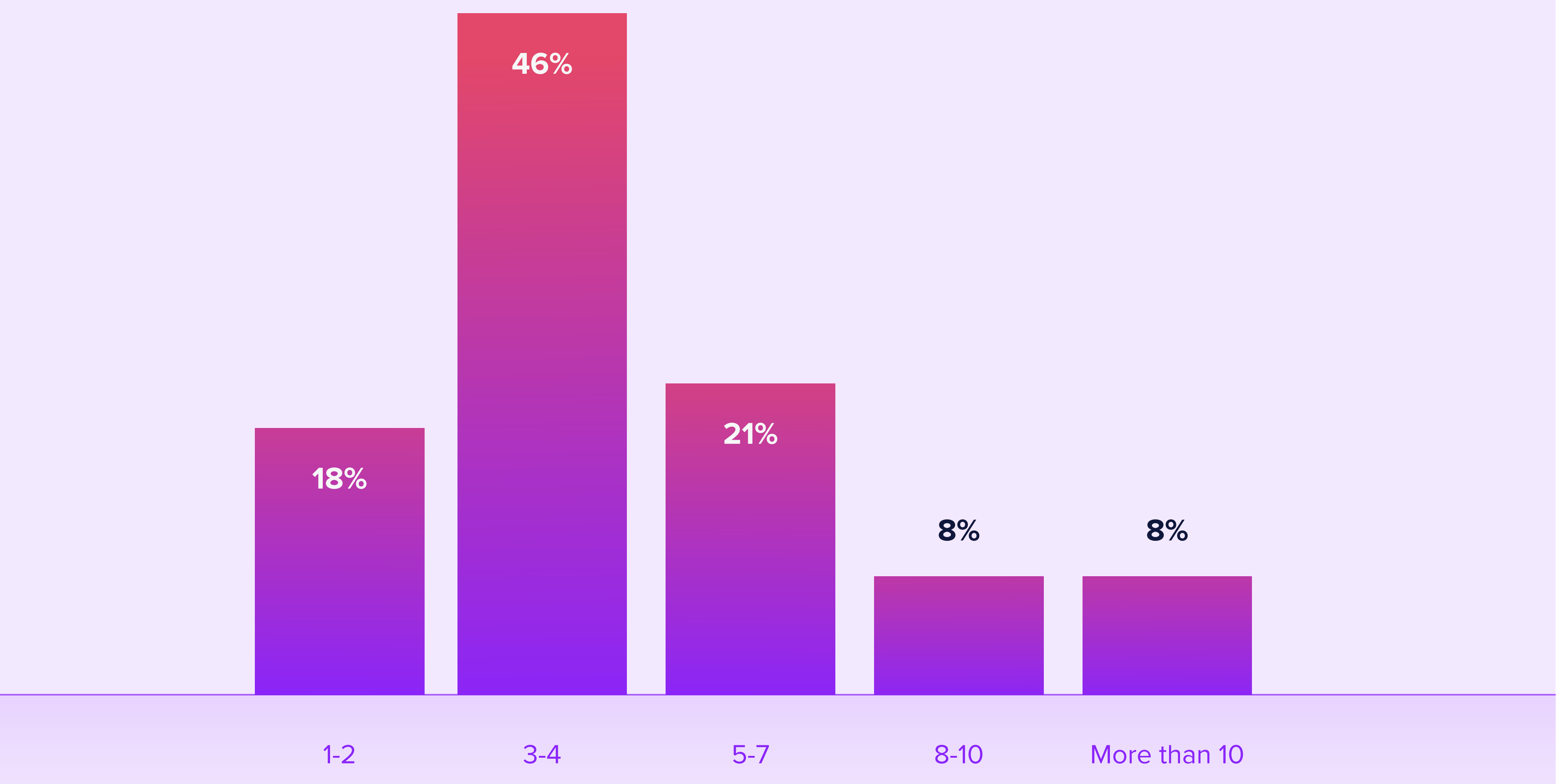
# Focus & Prioritize

**Our research suggests brands remain focused on a small number of retail media networks given limited budgets and people resources – 4.7 networks, on average.**

As we explore on the next page, strategic importance is one of the top determining factors in brands deciding which retailers' media networks to invest in. Amazon, Walmart, Target, Kroger, and Instacart are the most common given their size and importance to brands.

**This leaves a competitive environment for the remaining retailers.** Our research indicated brands are receiving investment asks from more RMNs than they can reasonably support with their existing budgets and teams, although broad-based hiring for retail media roles creates opportunities for brands to expand to more networks in the future.

**How many retail media networks do you have a meaningfully active strategy on (spend time, resources, and effort to win)?**



## To Invest or Not to Invest?

# Key Factors Driving Decisions

Here, we highlight the most cited factors driving brands' RMN investment decisions. **Grocers should be working to improve upon and showcase capabilities in any of these areas that are in their control.**

PDP quality plays a role (see more on next page) although it's not the first nor only factor. However, our interviews suggested **in an ideal state, brands would integrate PDPs even further into the decision-making process.**

Several brands called out a lack of resources on their end and/or a lack of synergy between the retail media team and product content team. Thus, a focus on content quality can fall to the wayside in some brands that lack cohesive teamwork, but that is likely to change over time as brands gain resources and maturity.

1. **Internal Resources:** Before even considering a given RMN, brands need the resources to support it. A lack of resources is oftentimes the first limiting factor and drives a preference to focus on top platforms rather than spreading thin across several RMNs.
2. **Size and Strategic Importance:** Brands invest based on size of the total business, size of the eCommerce business, and overall strategic importance of their retail relationships.
3. **In-Store Impact:** Impact can come in the form of online spend driving B&M sales but less direct impact is often cited, like a RMN spend requirement to maintain in-store distribution or RMN spend provides data that proves valuable to the in-store business.
4. **Reach (Quantity and Quality):** Brands focus on RMNs that have the largest reach and an attractive consumer base that fits their brand.
5. **Advertising Performance:** Key performance indicators guide investment decisions. ROI/ ROAS is most commonly evaluated, although increasingly brands are relying on incrementality metrics (e.g. iROAS, new-to-brand) and longer-term metrics (e.g. CLV).
6. **Advertising Capabilities:** RMNs with multiple and sophisticated ad levers and optionality are prioritized over rudimentary RMN offerings.
7. **Reporting Capabilities:** Clear and actionable reporting is crucial, particularly on the performance metrics brands care most about (below).
8. **PDP Content Quality:** Brands want to drive shoppers towards PDPs that make their brand look good and are most likely to convert to a sale. As one retail media leader put it, "We're spending to convert to a sale, so if the PDP doesn't help us do that, we won't invest".

## PDP Quality Plays a Role in

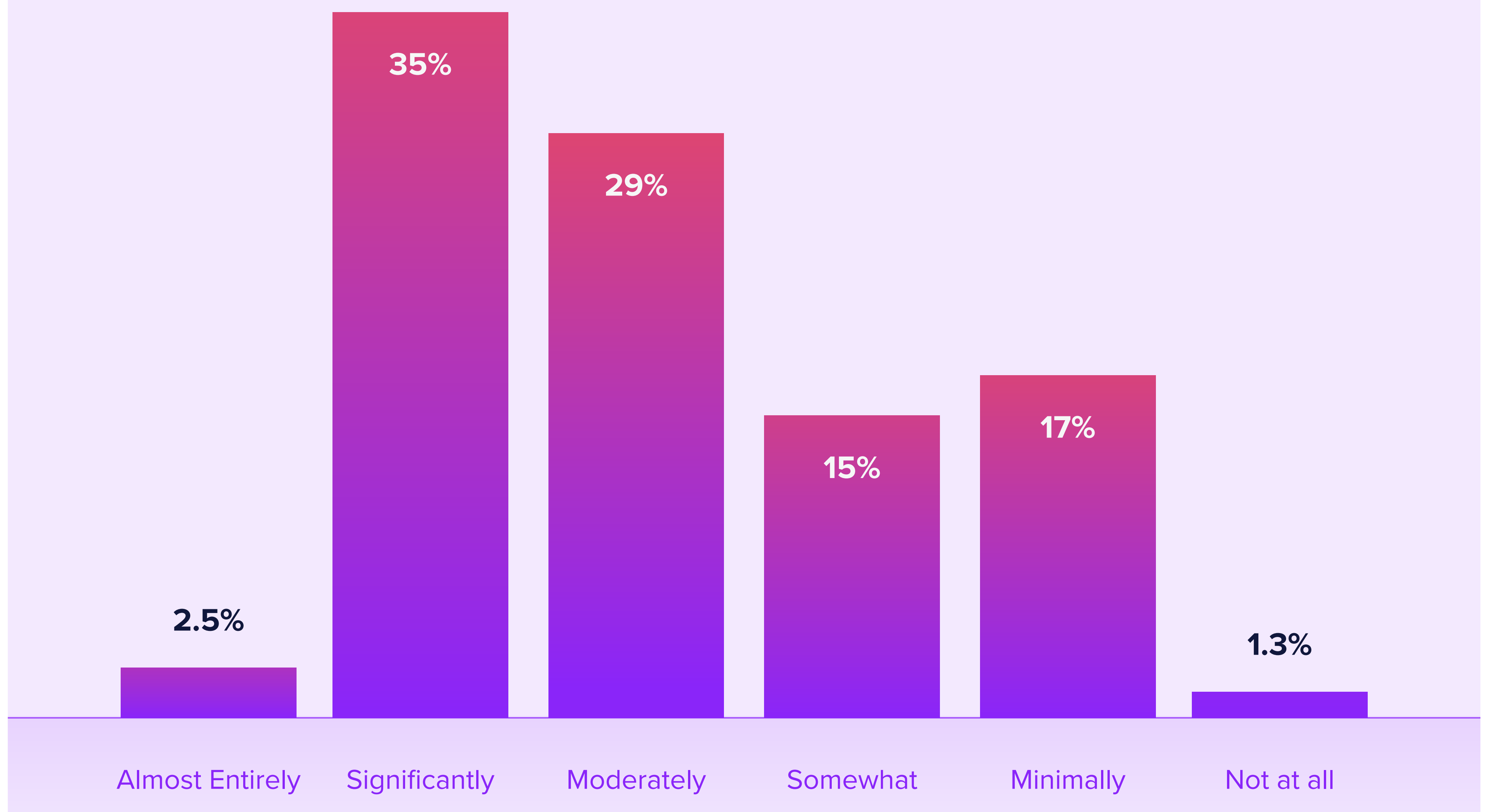
# Investment Decisions

In addition to factors like strategic importance and reach, **content quality is a meaningful part of the investment equation for 67% of brands,** as it's counter-productive to drive consumers to poor PDPs.

In fact, we heard in our interviews that adequate PDPs are often thought of as a prerequisite before even considering a potential retail media investment and running it through the other factors outlined on the page 12.

"Before we invested in Instacart retail media, we wanted to clean up the PDPs. We focused on simple clean-ups like making sure title was right and it had at least one clean hero image. We saw massive organic sales lift after two months of that."

**How much does the completeness and accuracy of your PDPs influence the amount you spend on a media network?**



**Our research found 50% of brands have reduced ad spend on a product due to poor PDP content.** We heard very direct feedback such as "We don't invest in Meijer or Publix because of poor content." Poor PDPs can mean several things, such as incomplete, inaccurate, or otherwise unengaging to the viewer. Low content quality can decrease conversion rates, hurt brand perception among shoppers, or pose legal risk – all reasons brands will hesitate to spend under these circumstances.

> "If pages are inaccurate, that can cause a legal issue and it would be an obstacle to investment. If there were glaring issues across the board, then we likely wouldn't be having conversations around increasing investment – we would be working with the retailer to fix their content first."

On the flip side, brands will prioritize retail media networks with compelling content capabilities, and will shift spend towards products that have complete and accurate PDPs:

74%

**74% assess** their PDP content quality before deciding to invest more dollars into an existing grocer's RMN

74%

**74% assess** their PDP content quality before deciding to invest into a new grocery RMN

66%

**66% allocate** more ad spend to products with higher-quality PDP content

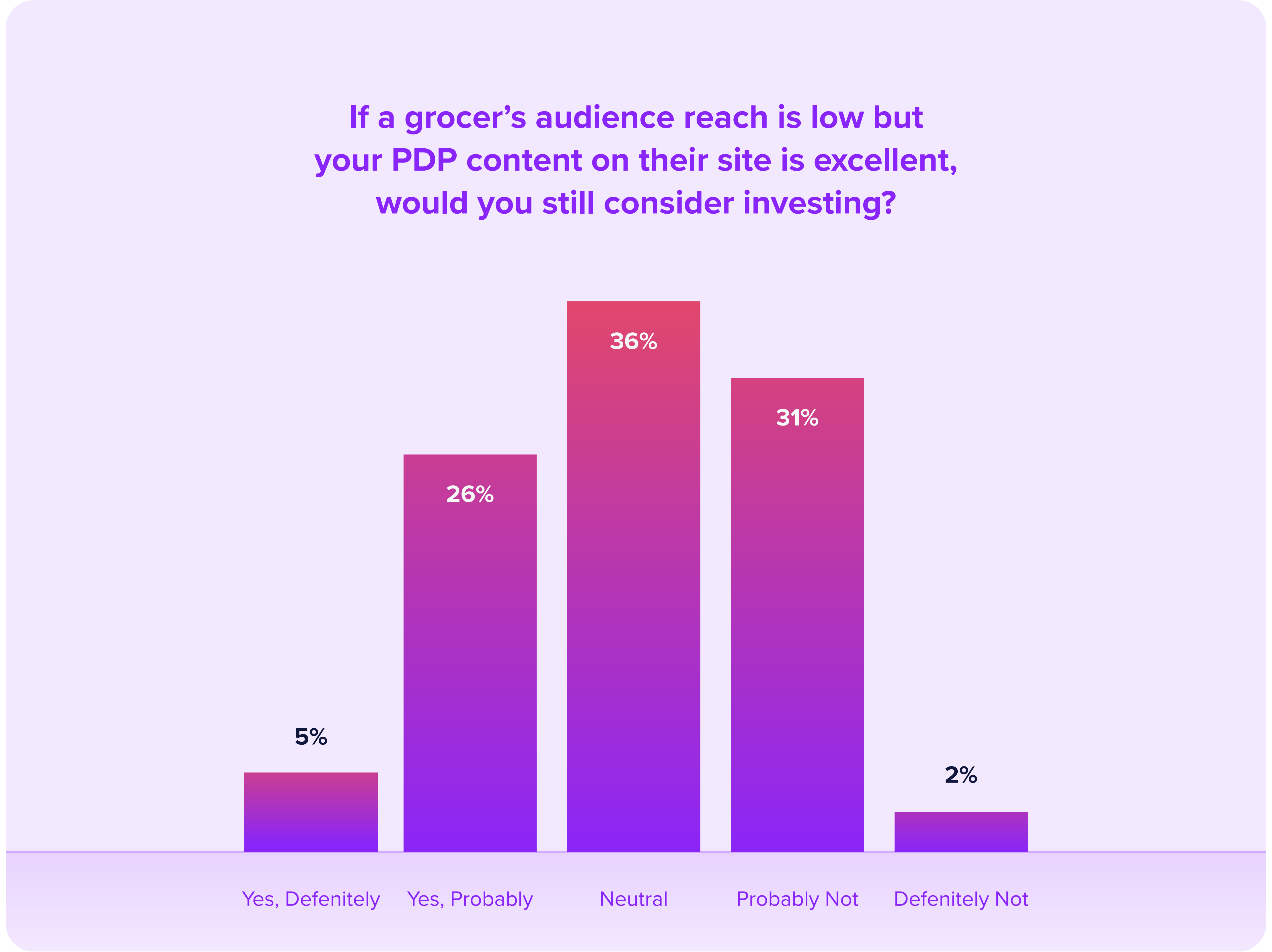
## Leverage Strongs PDPs to

# Overcome Low Reach

Sizeable reach is a key factor in brands' RMN investment decisions. In our interviews, some brands reported not investing at all or pulling back after test-and-learns that showed not enough consumer traffic to warrant retail media investment.

However, survey data suggests **31% of brands would still consider investing if a grocer's audience reach was low but PDP content was excellent.** This could be because the quality of reach matters too, beyond just quantity – and 89% of brands believe grocers with richer and more accurate product detail pages attract a higher quality audience, such as shoppers that are more engaged and willing to spend more (page 16).

While reach can only grow so quickly for grocers early in their eCommerce journeys, **PDP quality is a lever grocers have more immediate control of,** and it can give grocers a chance for brands' budgets even if other factors like size and advertising capabilities are under-pacing larger networks.



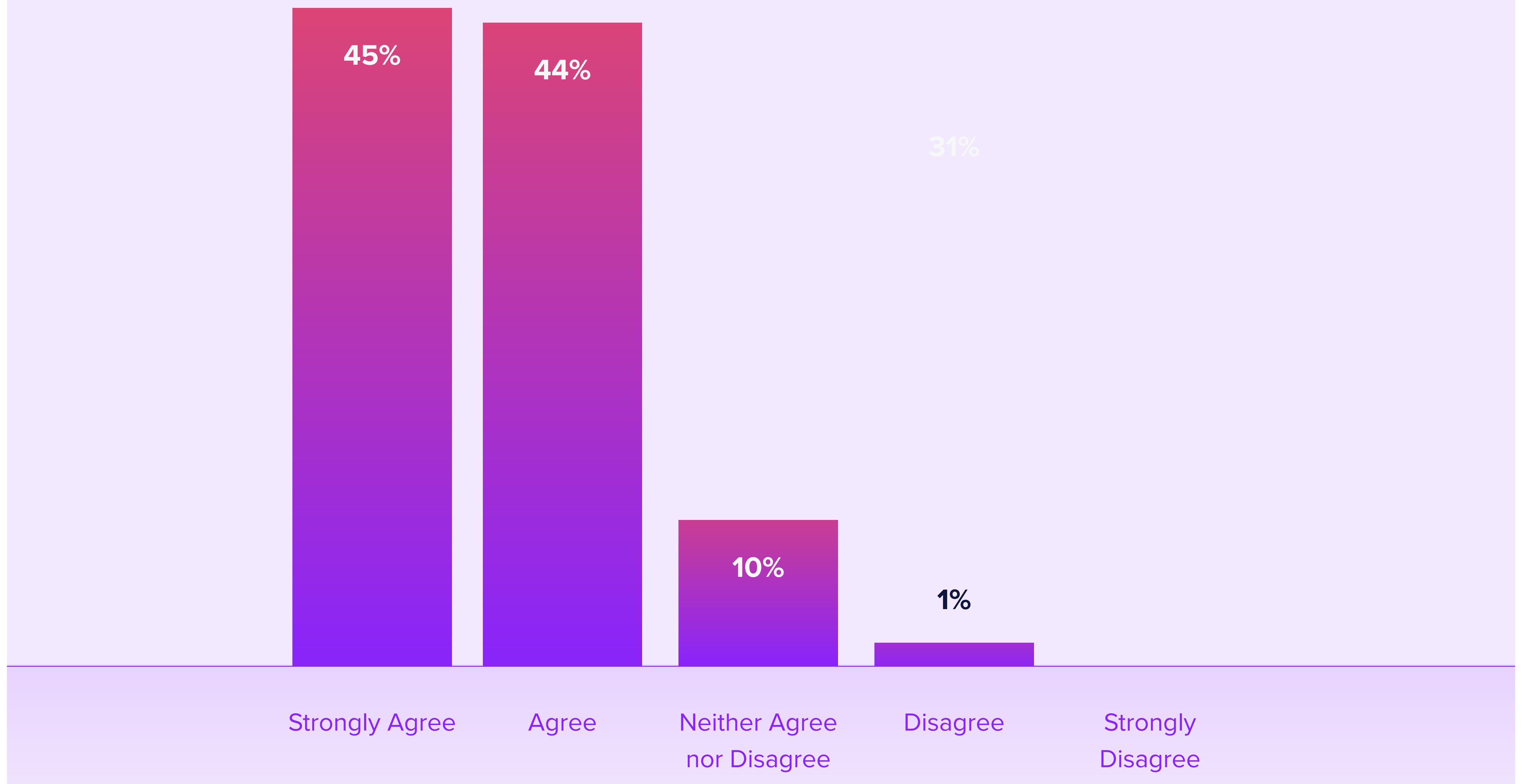
### High Quality PDPs Signal

# High Quality Audiences

**89% of brands believe grocers with richer and more accurate product detail pages attract a higher quality audience,** such as shoppers that are more engaged and willing to spend more.

This is relevant as our research suggests the quality of reach matters, and brands are increasingly focused on understanding and driving customer lifetime value (CLV) beyond the initial purchase. **As eCommerce and retail media give brands more visibility into CLV and the ability to influence it,** grocers that attract sticky and high-value customers are poised to win more investment dollars versus competitive networks.

**Do you agree that a grocer with richer and more accurate PDPs attracts a higher quality audience (e.g., more engaged, willing to spend more)?**



### Strong Performance can Unlock More Investment;

# ROAS - The Most Common Metric

Of course, brands need to see a return on their investment, which is why advertising performance is one of the key decision-making factors brands cited in our interviews. This is where digital advertising – and retail media specifically – shines, as it offers closed loop reporting, more granular targeting, and more granular analytics compared to other ad types. These benefits are driving brands to shift more of their marketing budgets here broadly.

**To win investment dollars, compelling returns are even more critical for emerging retail media networks that don't yet boast the same benefits of established networks like scale, strategic importance, and significant reach.**

ROAS is the most common metric brands use to understand performance and plan future investments accordingly. A strong ROAS is a function of serving relevant ads to the right shoppers, in the right places, at the right time, and then converting those ad clicks into sales. **Our research on the next page illustrates high quality PDPs are a necessary ingredient in conversion, and thus critical for healthy ROAS that drives brands to want to invest further.**

## The ROAS Formula

- [x] Content and catalog matter!

### Connect Product to Shopper

- [ ] Right Ad
- [ ] Right Shopper
- [ ] Right Place
- [ ] Right Time

+

### Drive Conversion

- [ ] Price
- [ ] Buybox
- [ ] In-Stock
- [x] Listing Content
- [x] Ratings and Reviews
- [x] Catalog Management

### PDP Content Quality

# Impact ROAS

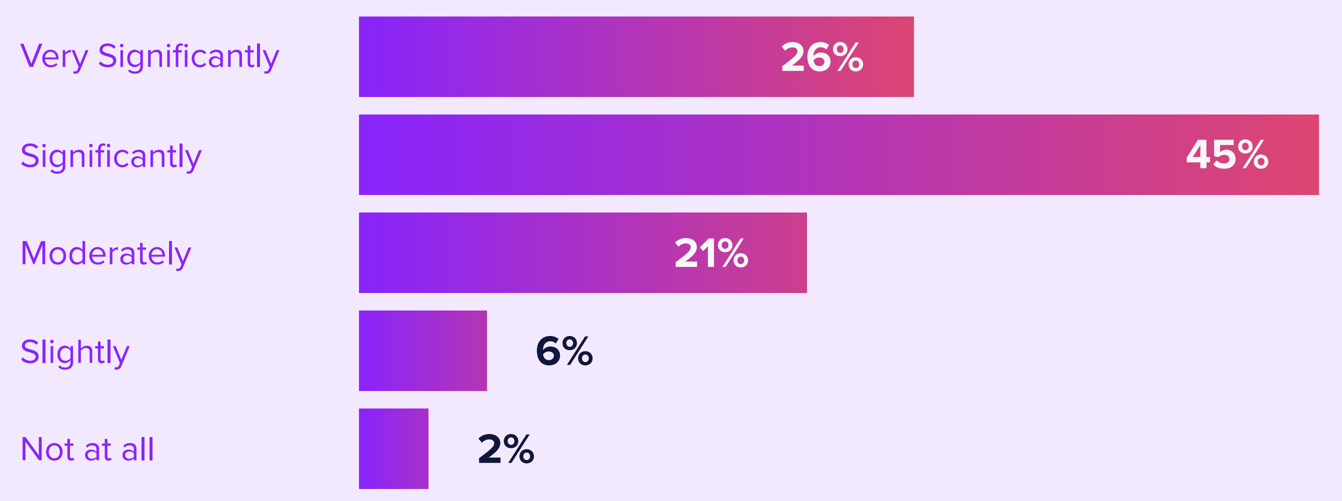
Our research shows there is a strong link between PDP content quality and ROAS – and subsequently investment levels. This is primarily due to the impact PDP quality has on conversion rates, a critical component in the ROAS formula (page 17).

We heard direct examples in our interviews of brands looking at conversion rates before investing more spend, and successfully seeing lifts after a concerted effort to clean up PDPs alongside retailers, which the brand required before making an investment into the RMN. We also heard from brands that more robust brand and SKU conversion rate data would unlock more investment.

> “We compare performance and impact of media across channels and shift funds into the stronger players. If PDPs were causing decreasing conversion rates, we would say no to an increased investment ask and likely be actively moving money out of that channel until the issue was fixed.”

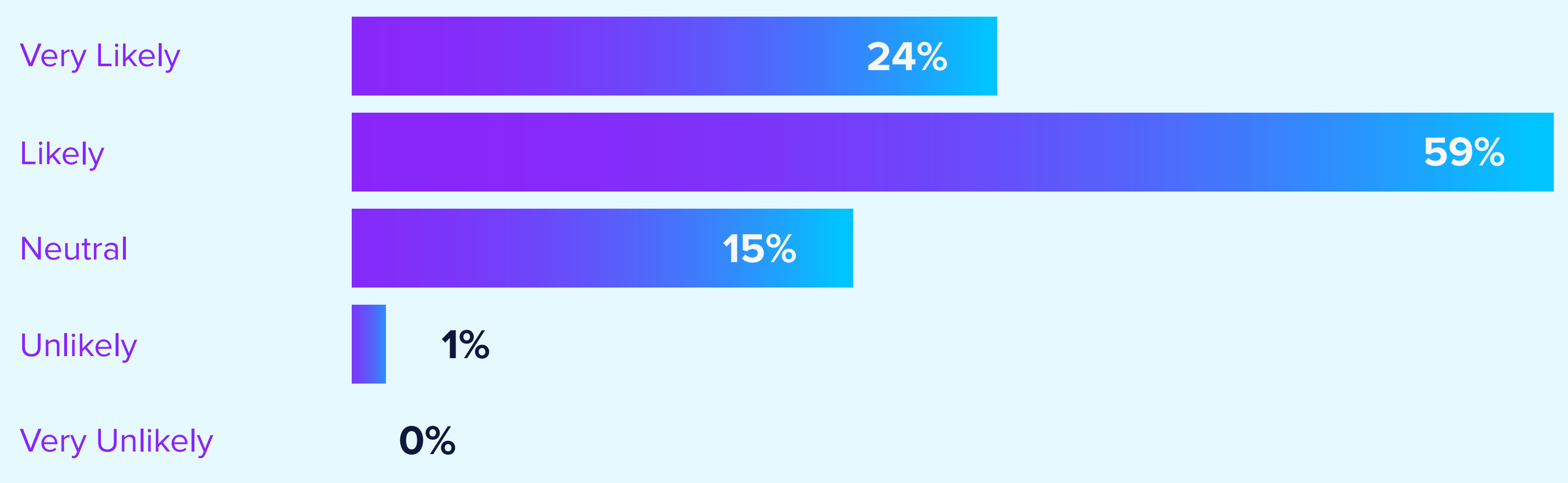
The other component in the ROAS formula – connecting product to shopper – requires serving relevant ads to the right shoppers, in the right places, at the right time. **Digital shelf relevancy plays a large role here, in which content is the primary input.**

**How significantly does the quality of PDP content influence your ROAS?**



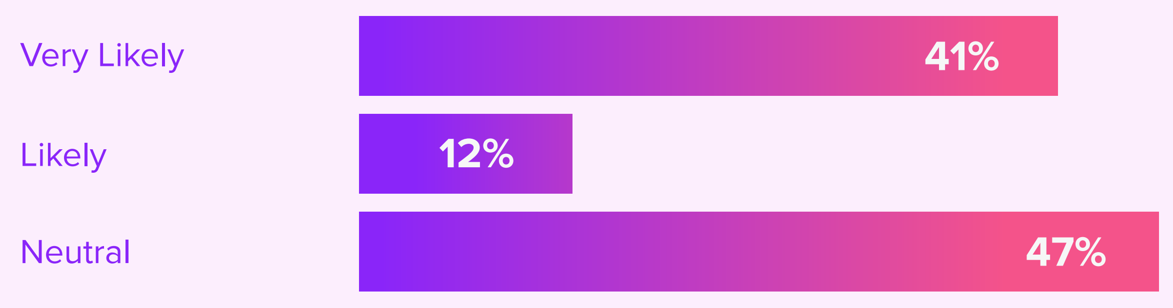

**71%** believe PDP quality significantly influences ROAS

**If PDP content is improved on an item, how likely is it you’ll see a higher ROAS?**




**83%** indicate ROAS improves as PDP content improves

**Have you ever seen a decrease in ROAS for an ad connected to an incomplete PDP?**




**47%** “Not Sure” suggests direct measurement can be challenging

## Grocer's First Order of Business:

# Images & Product Descriptions

According to brands, the low hanging fruit on grocers' PDPs are images and product descriptions, with 73% and 64% of brands, respectively, reporting these attributes are often lacking or inaccurate. Our interviews revealed sentiments such as "PDP content is table stakes in a way – it needs to be there in order to even be considered."

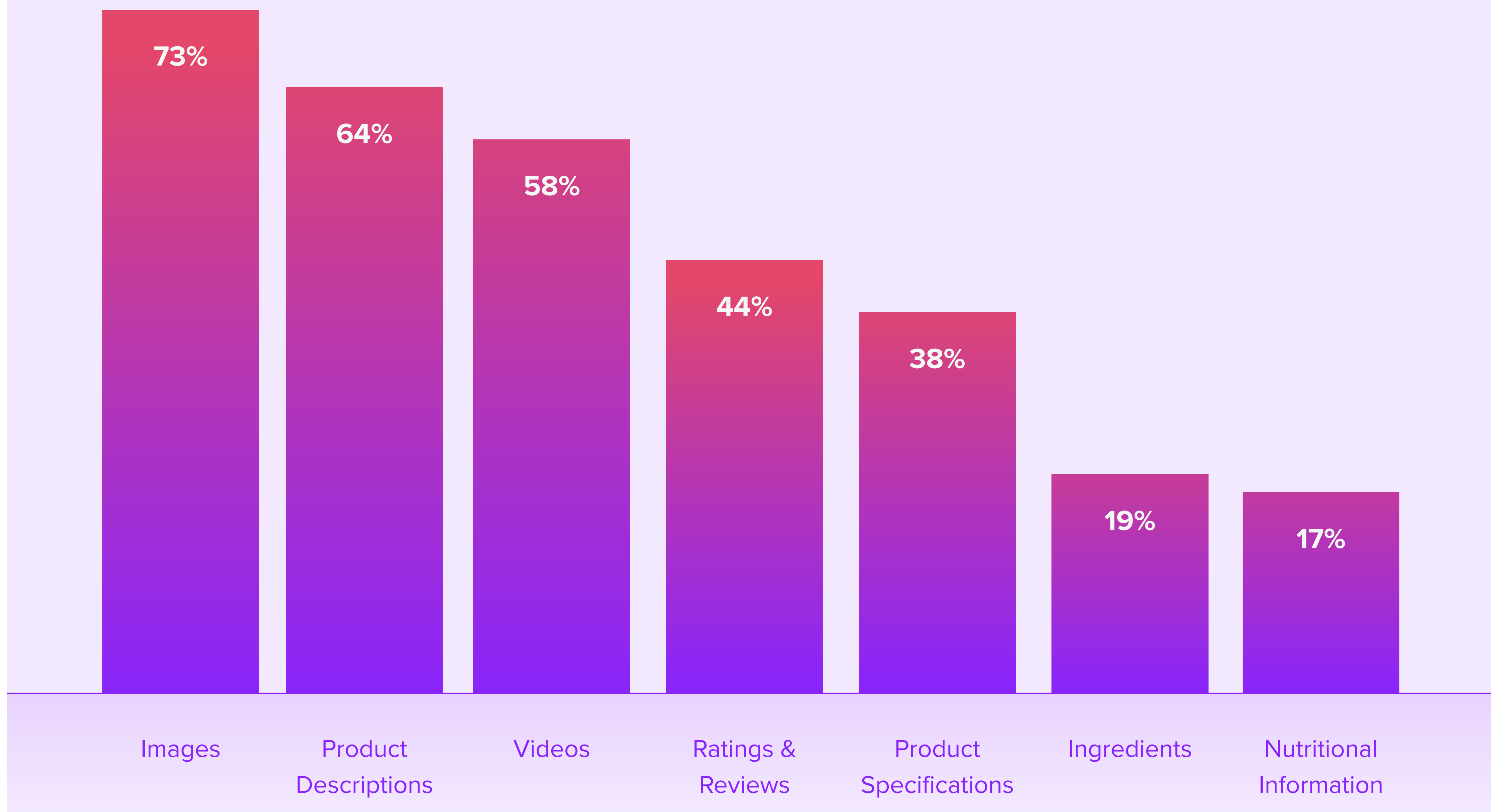
For starters, **one clean hero image on the search engine results page (SERP) is critical** to drive a shopper to click into the PDP, let alone add to their basket. Additional images showing relative size of the product, ingredients, and other pertinent information like preparation instructions or safety information are all additive to the online grocery shopper.

After images, product descriptions are often the next place the consumer goes on the PDP to understand the product, and thus the importance brands place on it. 58% of brands also reported videos as lacking.

These findings should provide a helpful checklist or roadmap for grocers looking to improve PDP quality for both the consumer and the brand, potentially driving greater appetites from brands to invest.

Furthermore, just as critical as having these attributes on the PDP is the ability to keep them up-to-date and accurate. In our research, brands commonly called out challenges with refreshing PDPs and correcting issues once identified, which can be a nonstarter when considering an RMN investment. This is especially true if the inaccuracies pose a legal risk to the brand.

**Which elements of a PDP do you believe are often lacking or inaccurate on grocer platforms? (Select all that apply)**



# Conclusion

Retail media is poised for further growth, but the market will remain extremely competitive, so retailers must do everything they can to stand out from their peers.

Brands' retail media investments and prioritizations consider several factors, including PDP content quality as it has a meaningful impact on conversion rates and therefore return on ad spend (ROAS). For many brands, accurate, up-to-date, and compelling PDPs are a prerequisite for even considering an investment.

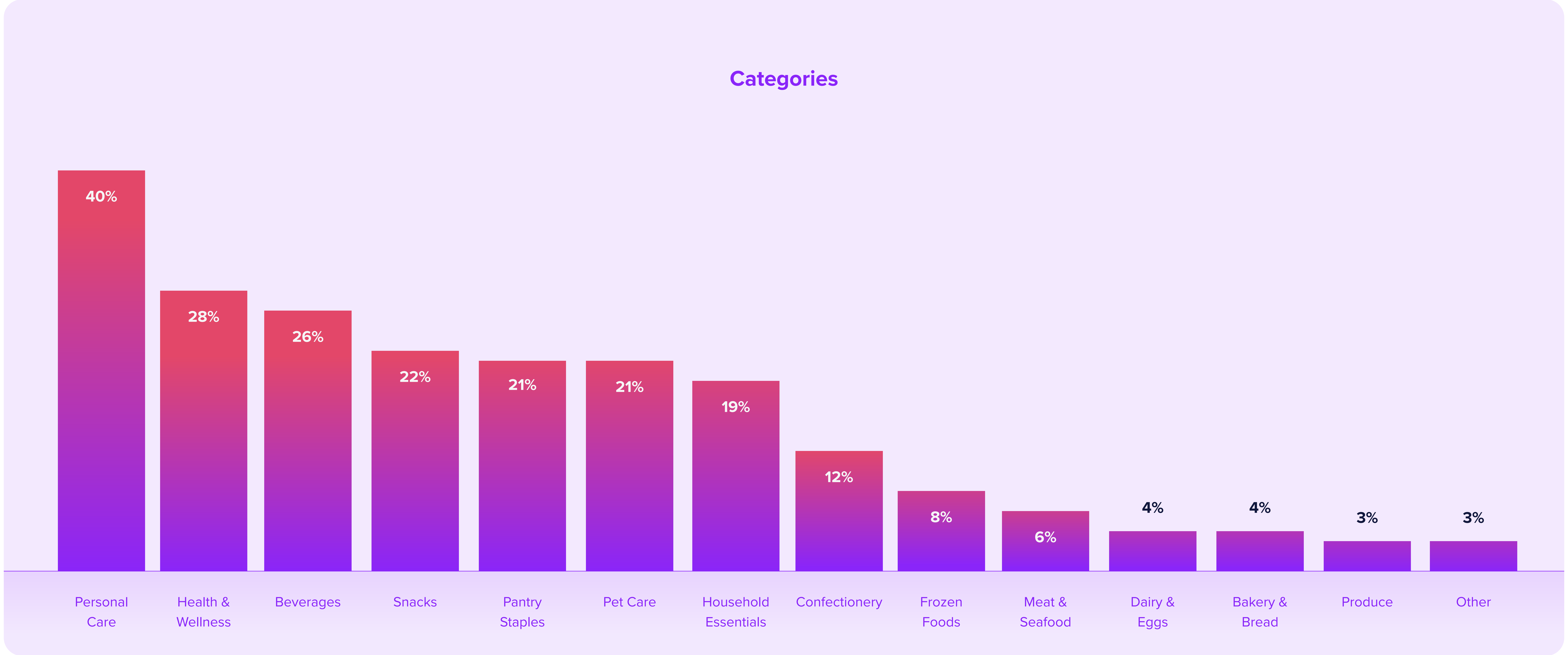
An eCommerce leader inside a large food brand put it succinctly: "We NEVER drive visibility of a PDP with investment unless the content is up to date. Ever."

While table stakes for brands, this ideal PDP state is not commonplace across the digital grocery channel.

Thus, PDP quality is a competitive edge opportunity for grocers looking to gain share of retail media budgets.

Total Sample Size n=78

# Appendix: Survey Background

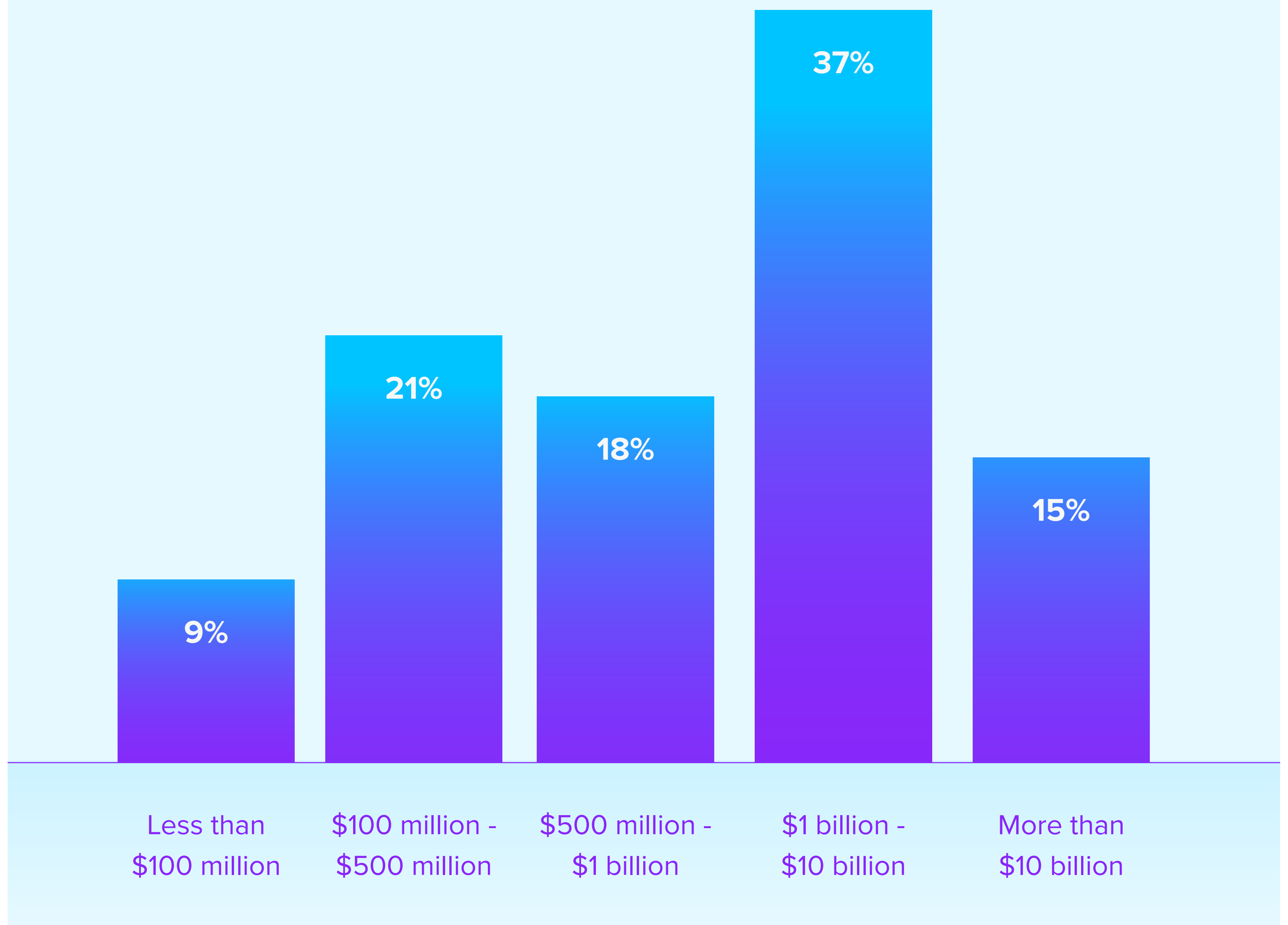


Total Sample Size n=78

# Appendix: Survey Background

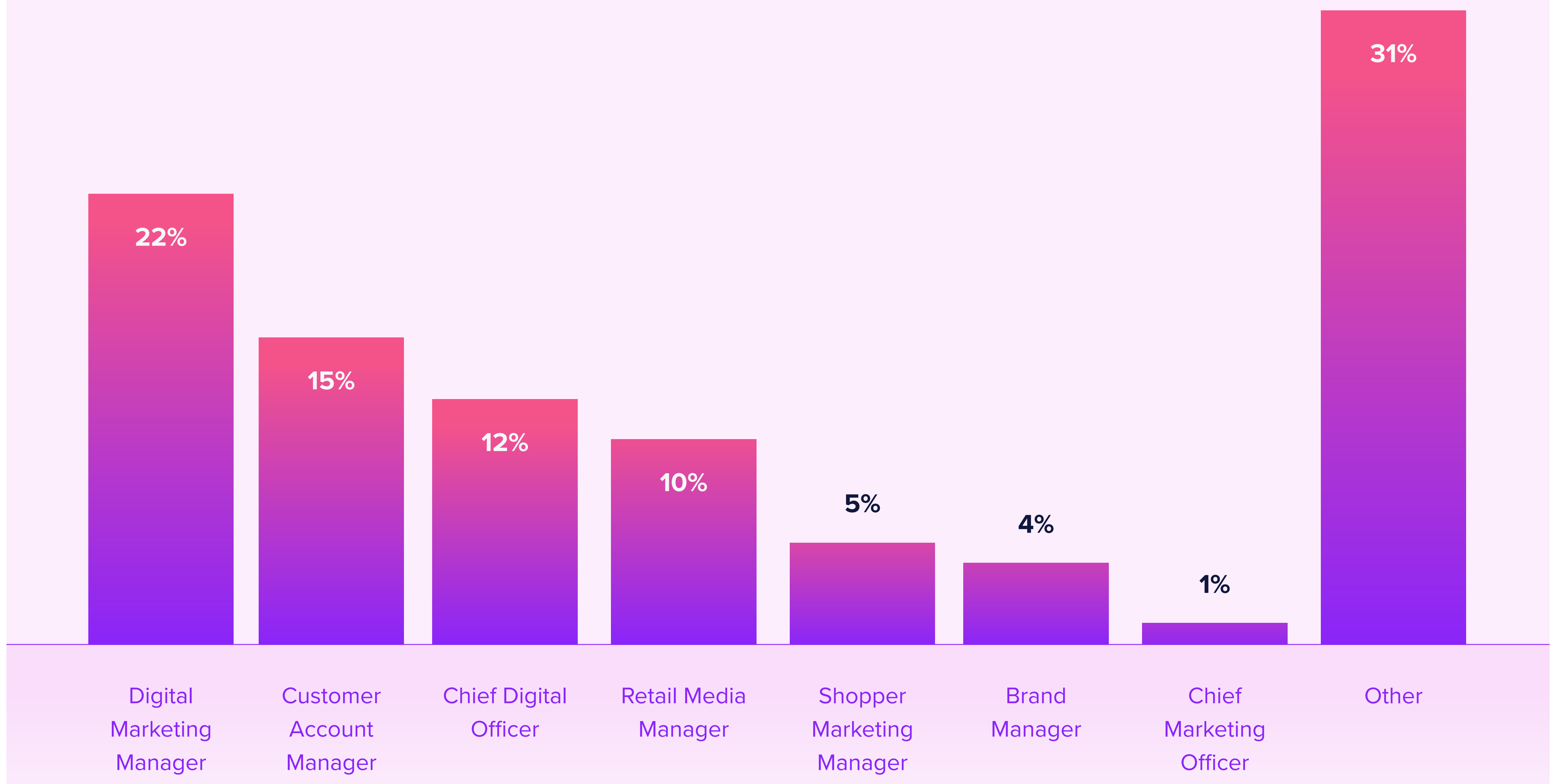
## Company Size

Annual Revenue | WTD AVG: $4.6BN




## Roles

"Other" included various eCommerce and Marketing Titles



## Digital Shelf Institute

The Digital Shelf Institute (DSI) is a community dedicated to developing and sharing the best actionable insights and strategies for brand manufacturers to win on the digital shelf.

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## Stratably

Digital commerce will contribute more than half of all retail growth over the next 10 years, yet 95% of the organization knows very little about how it works and where it's headed. Stratably closes this eCommerce Knowledge Gap with its enterprise membership program that delivers impactful, practical, and easy to digest insights, live events and personalized education to smart enterprises each and every week.

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