Retail Media Networks

Accelerating retail's high-margin
revenue opportunity with gen AI

Capgemini

Making the business case for retail media networks—the high-margin revenue opportunity retailers may be overlooking.

Think back to the early days of social media. Some companies, including retailers, didn't realize the value of their own first-party data. Now, as **retail media networks (RMNs)**—platforms that leverage retailers' rich customer data and owned channels to deliver highly targeted ads—begin to infiltrate the marketing mix, some organizations may, once again, be underestimating the value of their data and the opportunity of this asset as a whole.

Retail media networks offer a high-margin revenue opportunity for an industry that typically operates on a razor's edge. These networks deliver personalized digital experiences to high-intent customers, aligning perfectly with brands seeking to expand their advertising strategies beyond traditional media and established marketplaces. They also enable retailers to track and measure the customer journey from the initial point of exposure all the way through to the final purchase, providing greater visibility into customer behavior and offering new ways to optimize outcomes for both the retailer and its brand partners.

With retail media network ad spend expected to reach nearly $110 billion by 2027 in the U.S. alone, retailers must act now to capture their share of the market by delivering highly targeted ads supported by reliable product availability.

In this POV, we explore how retailers can create a winning RMN strategy, bolstered by strong data capabilities and enabling technologies, to turn this often overlooked revenue opportunity into a high-margin revenue stream.

Margin stats: RMN market at a glance

$109.4B	20%	$31B
U.S. RMN ad forecast spend by 2027[1]	Estimated YOY channel growth of RMN through 2027[2]	Europe RMN market by 2028[3]

1   eMarketer: https://www.emarketer.com/content/retail-media-fastest-growing-ad-channel-not-invincible
2   eMarketer: https://www.emarketer.com/content/retail-media-fastest-growing-ad-channel-not-invincible
3   IAB Europe: https://iabeurope.eu/the-retail-media-revolution-2024-state-of-play-and-outlook-in-europe/

Overcoming data challenges in RMNs

One of the biggest challenges retailers struggle with when launching an RMN revolves around data—access, analysis, integration, insights generation, governance and so much more.

To scale an RMN, retailers must establish a strong data strategy and processes to ensure data is properly prepared, formatted and integrated. Without this, companies may face issues such as incorrect segmentation, flawed insights, and difficulties in integrating data sources.

Beyond that, many companies will need to overcome legacy technology limitations that hamper integration efforts as well as the adoption of more advanced technologies, like AI and generative AI. This is a critical component to enabling continuous innovation and drawing the maximum value from the RMN investment.

Finally, data-driven insights must be tied to operational outcomes. Simply knowing what customers want is meaningless without the ability to deliver. For instance, if the data reveals that consumers want a specific product, the ad will only be effective if the retailer has the product in stock. In fact, advertising a product that can't be delivered will only reduce the return on investment by the consumer brand, which lessens the value of the retailer's service.

Here we look at the steps retailers must take to define the data strategy and build a flexible and scalable architecture, setting the organization up for long-term RMN success.

1. Unify data for a better understanding of the customer

To create an effective RMN, retailers must unify data from various sources, including in-store purchases, loyalty programs, and online interactions across digital and social channels. Most often this involves leveraging data models including customer data platforms (CDPs) or clean rooms to house data and convert it into a single usable format. Integrating data in this manner enables companies to build comprehensive 360-degree customer profiles, offering valuable insights into both purchasing and browsing behaviors that drive competitive advantage and enable high levels of personalization.

2. Leverage data to drive segmentation

Once retailers have consolidated their data estate, they can use resulting insights to create customer segments based on behaviors, demographics, or preferences. This will allow retailers to deliver highly targeted ads that resonate with specific groups, which will help drive better engagement and increase conversion rates. This data-driven approach allows retailers to optimize ad spend and create more personalized experiences, increasing the overall effectiveness of their campaigns.

3. Use segmentation to enable personalization

An effective segmentation strategy also allows retailers to personalize ad campaigns. These segments help marketers tailor their messaging and offers to meet the specific needs and interests of each group, improving the relevance of ads. By targeting smaller, more focused segments, businesses can boost engagement, increase conversion rates, and enhance customer satisfaction. This approach also helps allocate marketing resources more efficiently by concentrating efforts on high-potential customer groups.

4. Unlock a predictive capability

Just as data can be used to recommend products by analyzing past actions and patterns, so can it be used to develop personalized ads that feature those products. For example, if a customer browses products related to bathroom renovations, such as flooring or faucets, predictive models can infer that they may soon be interested in purchasing vanities or lighting. Retailers can use this insight to serve targeted ads or product recommendations, increasing the likelihood of a sale.

Accelerating the path to RMN value with gen AI

Another significant obstacle some retailers face when launching an RMN relates to talent and skills. Generally speaking, marketers with expertise in RMNs are in short supply and often come at a high cost, prompting some retailers to postpone even a basic minimum viable product (MVP), despite growing interest and demand.

This is where AI, and more specifically generative AI, can provide transformative benefits by simplifying and expediting RMN development while also streamlining operations.

Although generative AI is most commonly associated with content creation, its impact on the RMN strategy extends beyond creative tasks, offering substantial value in automating and enhancing upstream processes essential for overall success.

Take quality assurance (QA) and approval workflows, for example. Traditionally, checking an ad against brand standards—such as color, size, wording, and imagery—required manual oversight and approval. However, with AI-driven automation, the process of QA can be streamlined, allowing AI to review and approve content submitted by brands quickly and efficiently.

This shift has two main advantages: it significantly reduces the cost associated with enabling campaigns, and it accelerates the speed at which campaigns go live. In turn, this means that more personalized campaigns can be launched within the same timeframe, enabling even higher margins.

For example, our team recently worked with a client to build an AI-powered tool that automates the QA process for content submitted to the RMN. With AI, these assets can be bulk-uploaded and reviewed in a matter of hours—a process that previously would have taken days. The generative AI solution not only expedites time-to-market but also allows RMNs to treat each campaign as a scalable product, increasing flexibility and profitability.

How gen AI is revolutionizing key aspects of RMN development and operations

Gen AI has the ability to optimize every aspect of RMNs, from segmentation to reporting. Here we explore how this technology is helping retailers accelerate campaign lifecycles and enhance overall program efficiency and effectiveness.

Audience segmentation

- Analyzes large datasets from multiple data sources to uncover clear, actionable customer segments.
- Creates more precise audience segments based on a wider range of data sources and enhanced pattern recognition across behaviors, demographics and preferences.
- Continuously refines and updates audience groups based on real-time data and trends, ensuring campaigns remain relevant.

Campaign planning

- Generates data-backed strategies for optimal media placement and timing.
- Predicts performance outcomes based on historical campaign data and simulations.
- Streamlines decision-making by offering AI-generated recommendations for content and channels.

Campaign development

- Automates content creation, including ad copy and creative assets, using AI tools.
- Personalizes ad variations at scale to match different audience segments.
- Reduces the time required for A/B testing by simulating various ad scenarios.
- Adapts existing ads to meet language and visualization requirements in other markets.

Operations

- Automates the deployment and scheduling of campaigns across multiple channels.
- Reduces manual intervention through automated monitoring and adjustments based on performance metrics.

Reporting

- Provides real-time insights and predictive analytics for campaign performance.
- Summarizes complex data into easily digestible reports, highlighting key metrics and areas for improvement.
- Identifies trends and opportunities for future campaigns through AI-driven analysis.

Success story:

How one top U.S. retail media network improved campaign time to market by 20%

Capgemini is partnering with a top U.S. RMN to streamline their media and content operations and deliver scaled managed services. Our integrated team of 80+ retail media and creative experts take an AI-driven approach, leveraging this technology to deliver hundreds of customized media campaigns and thousands of creatives per month, automating key activities to deliver productivity enhancements of more than 20%. Through our comprehensive service offering, the team has dramatically reduced the standard campaign cycle, improving time-to-market and increasing sales.

>40%
Increased speed of creative operations

>20%
Reduced time-to-market

45%
Lowered operational costs

Enter the RMN partner

Retailers and brands are home to some of the most innovative and creative advertising and marketing teams in the world. But developing, executing and operating an RMN is a new challenge unlike any other, requiring an incredible amount of manpower and specialized skills not just in digital advertising, but also data, integration and digital technologies.

While many ad firms are eager to take on these challenges, success hinges on more than just digital marketing expertise. An effective partner should also offer robust data engineering, cloud infrastructure, system integration, tech partnerships and brand alliances to develop this capability and bring it to life.

With hundreds of billions of dollars in ad revenues at stake over the next several years, retailers must act quickly to develop a solution that not only offers brands a way to connect with shoppers, but also demonstrates the value of their investment. Choosing the right partner can accelerate this journey and amplify the outcomes for both retailers and brands.

Unlocking the transformative opportunity of RMNs

Retail media networks represent a transformative opportunity for retailers to unlock new revenue streams, enhance customer experiences, and strengthen partnerships with brands. While building and operating an RMN requires significant investment in resources and capabilities, the potential rewards far outweigh the challenges.

By adopting a strategic approach, leveraging emerging technologies like gen AI, and collaborating with an experienced end-to-end service provider, retailers can not only accelerate the path to value but also optimize their return and capture a larger share of the increasingly competitive retail media network market. With this foundation, RMNs can become a cornerstone of every retailer's long-term plan, fueling satisfaction, value and growth for customers, brand partners and their own organization.

Key takeaways:
Making retail media networks a reality

- Engage an RMN partner and leverage third-party solutions, services and accelerators to streamline the planning and development process.
- Engage a partner that has strong experience in data engineering, cloud infrastructure and system integration to ensure a solid foundation.
- Ensure the partner possesses strong digital expertise, most notably in generative AI, to support more advanced use cases and enhance program scalability.
- Outsource operations to offer scale and optimize costs.
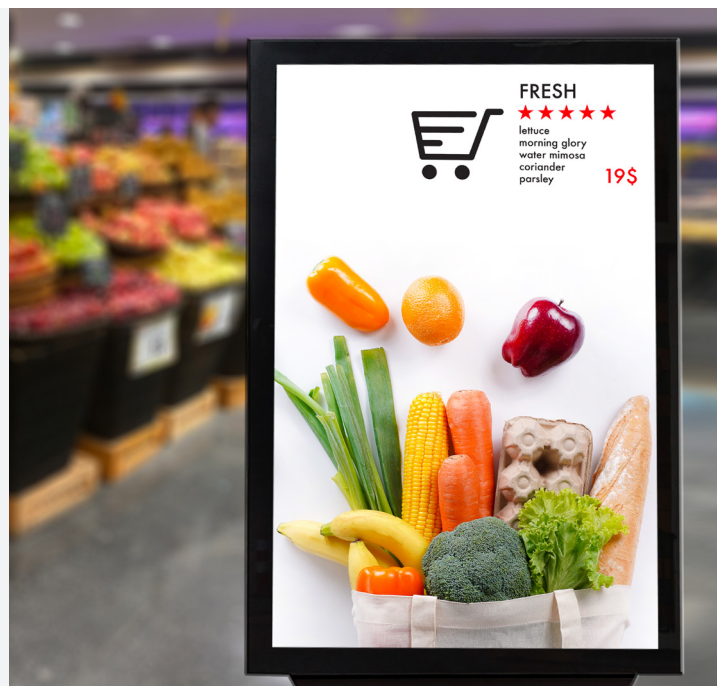
Scaling your RMN capability with Capgemini

Capgemini is an end-to-end transformation partner that supports retailers through every stage of their retail media network transformation journey, from planning and execution to ongoing operations and innovation. We take a flexible and collaborative approach, meeting retailers where they are in their RMN program—whether it's developing an MVP or implementing advanced predictive capabilities.

With robust data, analytics, and integration services, we help teams unify their data and create a flexible but firm digital foundation from which to build their retail media networks. We also leverage market-leading AI and generative AI technologies, to accelerate the transformation process and enable retailers to scale their operations effectively.

Finally, our unique Right-Shore service model, which blends on-shore, near-shore, and off-shore resources, helps retailers overcome talent shortages, optimize budgets and deliver maximum results.

Key services

- Strategy development
- Tech integrations
- Inventory configuration
- Data engineering
- Audience profiling
- Implementation
- Gen AI use case development and deployment
- Operations

Taking action:
Unleashing the power of RMNs

Why retail media networks

- Meet the demands of brands and strengthen relationships across the value chain
- Enable new ways to personalize and enhance the customer experience
- Leverage existing assets to unlock a new revenue stream
- Develop an advertising capability that can help optimize inventory or respond to market needs

Why Capgemini

- Comprehensive service offering that provides support to retailers across every stage of the RMN transformation journey, including media planning, execution, operations and innovation
- Robust data, analytics, and integration capabilities to enable teams to unify data and create the foundation of the retail media network
- Market-leading AI and generative AI capabilities that help organizations accelerate the journey and scale operations through our extensive investment in AI with Google and Microsoft
- Unique Right-Shore service model blends on-shore, near-shore and off-shore resources to optimize budgets and maximize results
- A collaborative partner that meets customers where they are—whether that is MVP development or scaling an existing program
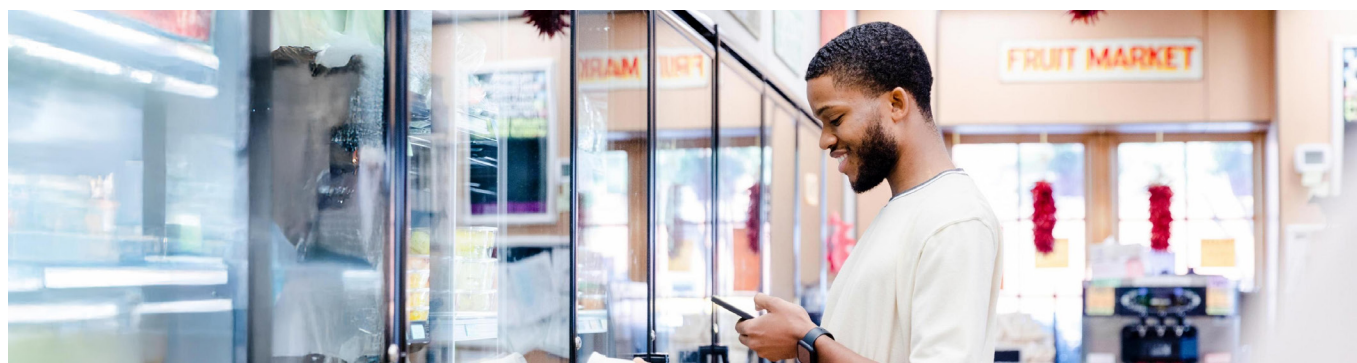
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About Capgemini

Capgemini is a global business and technology transformation partner, helping organizations to accelerate their dual transition to a digital and sustainable world, while creating tangible impact for enterprises and society. It is a responsible and diverse group of 340,000 team members in more than 50 countries. With its strong over 55-year heritage, Capgemini is trusted by its clients to unlock the value of technology to address the entire breadth of their business needs. It delivers end-to-end services and solutions leveraging strengths from strategy and design to engineering, all fueled by its market leading capabilities in AI, cloud and data, combined with its deep industry expertise and partner ecosystem. The Group reported 2023 global revenues of €22.5 billion.

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