

Point of View

Building a Commerce Media ecosystem for the Next Stage of Digital Advertising



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How Data is Changing Advertising

“You’re not in the burger business; you’re in the real estate business,” Harry Sonneborn famously tells Ray Kroc in the film *The Founder*. And so, the McDonald’s legend began, moving from a 1.4% cut of a 15-cent burger to owning the land upon which that burger is cooked.

It is a lesson well learned by the digital ad industry. “You’re not in the eyeball business; you’re in the data business” would be the possible equivalent rallying cry.

Initiated by Google and perfected by Meta, the data-rich targeting revolution, principally by third-party cookies, has driven a golden age for the digital advertising ecosystem. As with all revolutions, it has been contentious and has permanently altered the media landscape, culminating in the attention of the regulators. And, as with all golden ages, it inevitably has an end.

With Apple’s strategic decision to protect users from third-party tracking on iOS, and with Google’s announcement (though it has been postponed several times) to end third-party cookies, a new arms race

is developing. The focus is now on maximizing first-party data in a responsible and compliant manner—and at scale. As this promised deprecation of third-party cookies moves inexorably towards reality, the opportunity for advertisers to target customers online will take a sharp turn towards those providers who can connect owned data (first party) with platforms and networks that have the flexibility and functions to utilize those assets.

Retailers are in the vanguard of this shift, having built e-commerce capabilities that were fast-forwarded through the disintermediation by Amazon and the consumer flight to online buying provided by Covid lockdowns. Not only were classic retailers, such as Walmart and Tesco, forced to double down on their direct-to-consumer digital capabilities, but they were joined in the retail media suite by other providers of D2C services; the likes of Uber and Deliveroo are fast evolving their Commerce Media networks to take advantage of their positions as vertical app of choice for many customers.

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What is Commerce Media?

Until recently, it has been easiest to explain this new wave of opportunity as retail media – utilising the digital footfall and point of sale data of the largest retailers, of course, led by the e-commerce market-maker, Amazon. The next in line are retailers such as Walmart, Target, Tesco, and Boots – classic brick and mortar stores with a substantial customer base that’s increasingly data-informed.

In a nutshell, Commerce Media refers to advertising and marketing efforts integrated into the e-commerce shopping experience. This can include product placement, sponsored content, display ads, and other forms of advertising that appear on retailer websites, mobile apps, and in-store digital displays.

The goal of Commerce Media is to influence purchasing decisions and drive sales within the context of the shopping journey, making it a valuable component of digital marketing strategies for brands and retailers alike.

So, why not call it retail media? It’s easy to understand and fills an obvious gap in CPG companies’ trade and marketing budgets. Well, the answer lies in the Harry Sonneborn quote – any owner of large swathes of customer data, with a clear digital route to market (i.e., not reliant on Google or Meta for traffic), has the opportunity to monetise their owned (and partnered) real estate. So, it brings into play the digital-native, pure-play service providers, from Uber to Deliveroo and JustEat Takeaway.

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Size and Scope of the Opportunity

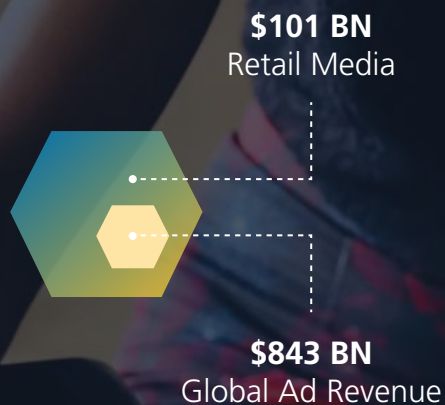
Termed by some as the third wave of digital advertising (after the search and social revolutions), Commerce Media is estimated to be the highest form of advertising growth globally in 2023 and to increase by over 60% through to 2027.

Globally, this is a market that is already estimated by GroupM (the world's largest buyer of advertising) to have hit \$101 billion in 2022, rising to \$160B in the next five years. And this number doesn't even take into account the significant new entrants into this market, all of whom are digitally native and data-rich. They number Uber, Deliveroo, and Zoopla.

Global Retail 2022



Global ad Revenue 2022



Source: GroupM Ecommerce & Retail Media Forecast 2022

Where once retail media was a stable and largely traditional supply chain negotiation, dominated by shelf placement add-ons, it is now fast becoming a key opportunity for real-time data and insight – from geo-targeting to search to basket content to customer shopping history.

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Best Practice Demystified

Launching and managing a Commerce Media network would seem easy, wouldn't it? You have the inventory, you have the data, and you have the demand. There are also some extremely capable ad tech vendors out there who can provide the "pipes to market."

But, "best-in-show" networks will need to manage not only their inventory but the relevance, compatibility, and immediacy of customer data, both in a monetisable and compliant manner; and across the enterprise, as it will have a significant ripple effect on other parts of the business, from fulfilment to procurement. It is not just a route to market that needs building but a managed ecosystem driven by all the levers that tech modernisation delivers.

This is a moment in time where there is a real market opportunity to drive a game-changing revenue stream; to be best-in-class and future-proof a business line that can quickly become 5% of e-commerce GMV, at a margin probably unheard of since the day that Marks & Spencers opened their first store.

As McKinsey* notes, "Advertisers may expect managed-service capabilities, and retailers will likely benefit from partners that help deliver them, such as technology partners, content partners, sales partners, campaign-planning/buying partners, and reporting and measurement partners."

There are 3 significant levels of consideration:



Strategy

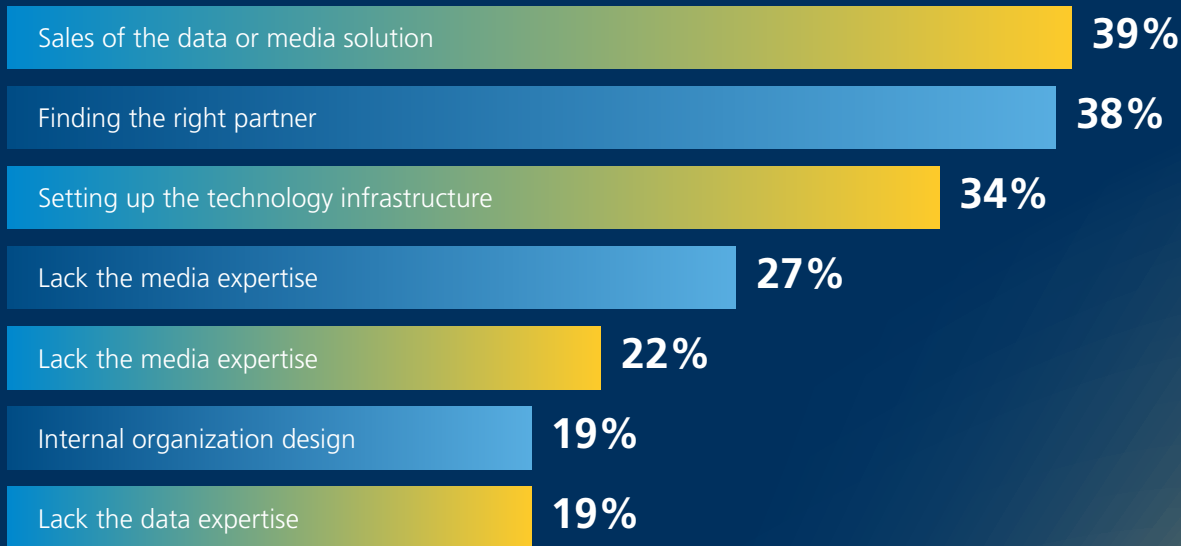


Operations



Data & Tech

Biggest challenges in scaling



Source: *The Growth of E-Retail*, Merkle



Strategy

Determining the best inventory mix to create solutions for clients requires a deep understanding of the efficacy, availability, and flexibility of your estate, from CRM applications to media planning requirements.

There are multiple go-to-market considerations – whether to trade direct with key customers, maximize yield for premium inventory, sell programmatically via ad exchanges; or of course do both. Media agencies and vanguard ad tech providers like Criteo will act as enablers in this implementation, but of key

consideration will be how to manage inventory.

A CRM solution that has built-in capability to both manage inventory and the end-to-end customer journey, will create a market advantage in both the short and long term.

Potential Solutions - LTIMindtree has a deep relationship with Salesforce and is an expert at implementing CRM solutions, notably in this instance, a joint GTM proposition with Salesforce Media Cloud.



Operations

Retail is a low-margin industry, with well-established supply-side sales channels, for the most part selling non-perishable space to product owners. Advertising sales is high margin, with a product that expires immediately, and a complicated buyer-seller ecosystem.

The ability to share knowledge, information and measurement, and to create a platform-based UX that caters to specialists and non-specialists alike, engenders a full understanding across the enterprise.

Add to that the “heavy lifting” required in both ad

and data operations, where responsibilities around managing campaigns and the ongoing need to maintain the health of your data will help or hinder your success. First-party data requires tender care to retain maximum relevance, and its usefulness needs a partner who understands how to maintain its market health, alongside all the necessary regulatory & privacy governance.

Potential Solutions – LTIMindtree is highly experienced in the expertise and scalability required in both ad ops and data ops.



Data & Tech

All the normal questions around a tech strategy for market leadership are relevant in this space – do you build or buy; how can you exploit the SaaS offerings out there and tailor them to suit; what levels of data governance, the flexibility of

ingestion, clean room availability and feedback loop for measurement and results will be optimal? How do you minimise tech debt? What market developments do you need to plan for? The list goes on.

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How to Make Your Money Work Harder

A channel for all-comers

The promise of Commerce Media is not just of interest to the retail supply chain. Endemic advertisers (those whose principal B2C sales channel is through the classic retailer model) rightly view this as the potential to close the loop on their trade and marketing investments – to influence the point of sale within their biggest route to market, the retail outlet. This is all fed by on-point data – basket content, geo-tagging, and customer purchase history.

Yet there are increasing opportunities for non-endemic advertisers, as we will increasingly see the division of data and ad inventory. Data will be commercialized both within and without the ad sell, giving rise to scaled opportunities across the web; marketing to consumers beyond the retailer's owned estate with rich data that can be applied with partner networks, such as publishers or streaming giants via CTV.

A Tech implementation strategy

For a sophisticated Commerce Media network, along with the promise of new insights and actionable data comes the requirement of the highest service level, from data access to campaign performance measurement. A new channel needs to offer something additional to the current advertising ecosystem, and CMNs will major in brand and shopper insights.

To do that, a data and insight strategy will need to be built, from ingesting, cleaning and managing data to how best to implement a Customer Data Platform (CDP), to an integrated CRM platform, and through to a "single pane of glass" UX.

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How LTIMindtree Leads the Way

Our suite of services encompasses all the key pinch points in a GTM Commerce Media strategy.

From cloud and infrastructure expertise, managing the needs of data and inventory, to the implementation of premier customer relationship management platforms and the inventory requirements that sit within.

LTIMindtree offers a variety of services and solutions for Commerce Media that includes (but not limited to) –



Omnichannel Campaign Journeys

Integrate Commerce Media efforts across multiple channels, including in-store, online, and mobile.



Campaign Management

Services to manage and optimize Commerce Media campaigns, including planning, execution, and reporting.



Pre-built Integrations

Integration to Adtech, social channels and media planning platforms.



Personalization

Solutions that enable Commerce Media owners and brands to deliver personalized advertising experiences based on customer data and behavior.



Data Management

Data management and analysis solutions to help Commerce Media owners and brands better understand their shoppers and target them with relevant advertising.



Segmentation

Solutions that help Commerce Media owners and brands segment their customer base for more targeted advertising efforts.



Consumer Insights

Consumer insights and research to inform Commerce Media strategies and optimize campaign performance.



Compliance and Security

Ensuring that Commerce Media efforts comply with data privacy and security regulations, such as GDPR and CCPA.

Our consulting services and solutions can help media owners and brands effectively leverage Commerce Media to drive sales, increase customer engagement, and improve the shopping experience.

How Do We Do It?



Assessment

We conduct an assessment of the current technology stack and identify areas for improvement to support Commerce Media efforts.



Requirements gathering

We define the specific requirements for the Commerce Media technology solution, including data management, adtech, and omnichannel integration.






Solution selection

We help evaluate and select the most appropriate technology solutions to support Commerce Media efforts, considering factors such as cost, capabilities, and integrations.

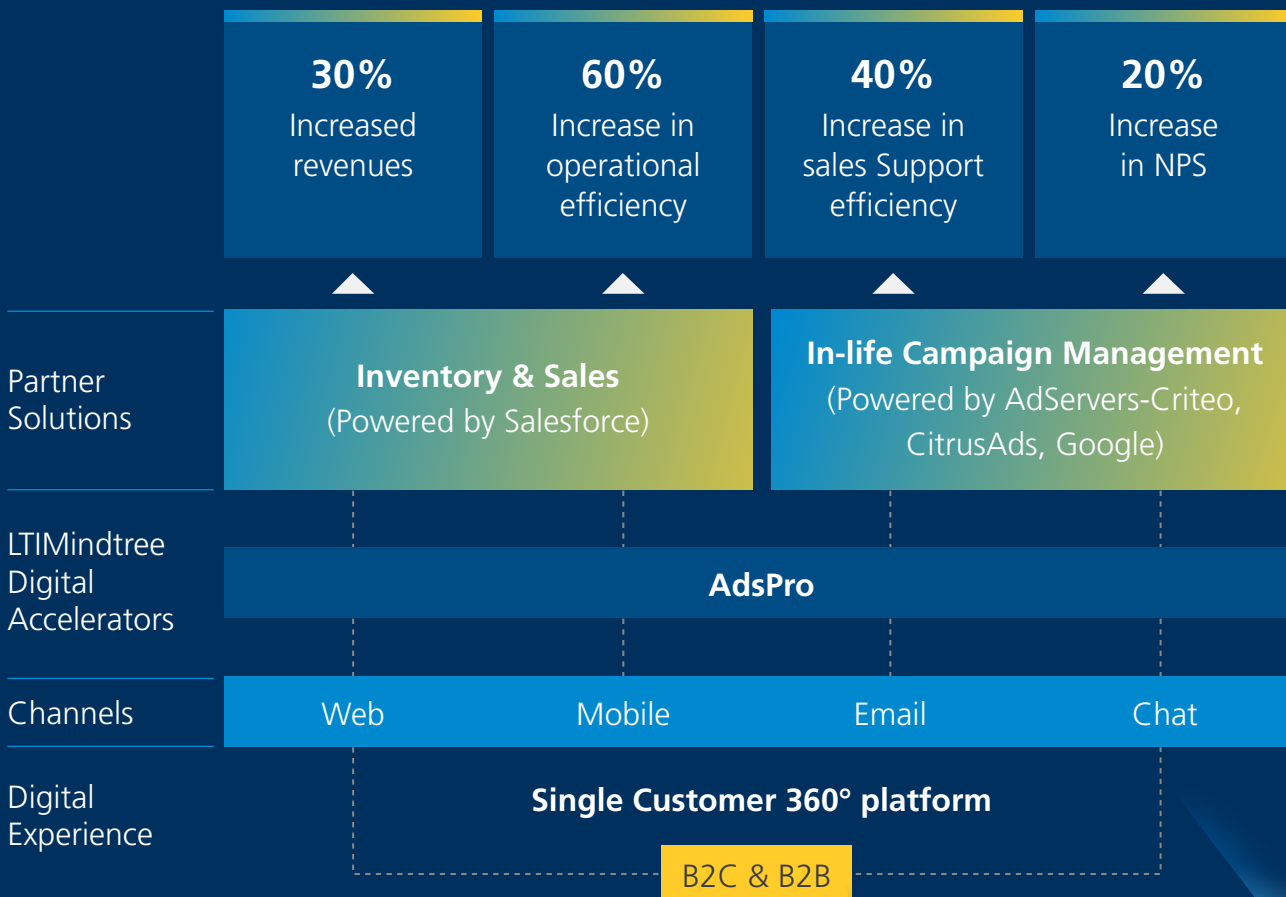


Implementation

We help implement the selected technology solutions, including data management platforms (DMP), demand-side platforms (DSP), Customer Data Platforms (CDP), and omnichannel integration solutions.

	Testing and optimization	We conduct thorough testing of the technology solutions and optimize them as needed to ensure that they are delivering the desired results.
	Training and support	We provide training and support to ensure that the technology solutions are being used effectively and efficiently by the relevant teams.
	Continuous improvement	Continuously monitoring and improving the technology solutions to stay ahead of the competition and meet evolving shopper expectations.

LTIMindtree's Solution combining best of breed products in the market helps improve ops efficiency & accelerate growth



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Conclusion

The process of media planning and buying typically remains constant, with dollars following the audience's attention. However, as the era of third-party tracking comes to an end, brands will likely seek out the largest accumulation of impressions and first-party data from a trusted provider, with scale, privacy, and transparency as top priorities.

At LTIMindtree, we are well-positioned to help nascent Commerce Media networks, sophisticated audience providers, agencies, and brands looking to automate their investment strategies through technology. With expertise in strategy, operations, data, and tech, we can provide the necessary foundation for the third age of digital advertising and beyond.

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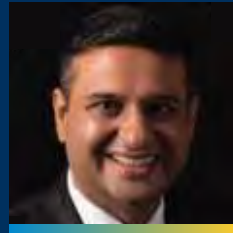
Authors



Jonathan Gillespie
Principal Director,
Media & Tech

Jonathan, a media and tech industry expert with 25+ years of experience, has played a significant role in major sector developments. With expertise in consulting, commercial skills, and tech, he understands the industry's language and how technology presents business opportunities and challenges for clients.

Jonathan.Gillespie@ltimindtree.com



Darshan Radia
Consulting & Solutions Lead,
MarTech & AdTech

With over 20 years of industry experience, Darshan has a demonstrated track record of providing consulting and solutions to global Media Agencies, AdTech providers, Media, and Publishing companies in various regions, including the USA, Europe, the UK, Nordics, and APAC. He has also made significant contributions to AdTech and MarTech industry thought leadership and obtained an EMBA from the NUS Business School.

darshan.radia@ltimindtree.com



LTIMindtree is a global technology consulting and digital solutions company that enables enterprises across industries to reimagine business models, accelerate innovation, and maximize growth by harnessing digital technologies. As a digital transformation partner to more than 700+ clients, LTIMindtree brings extensive domain and technology expertise to help drive superior competitive differentiation, customer experiences, and business outcomes in a converging world. Powered by nearly 90,000 talented and entrepreneurial professionals across more than 30 countries, LTIMindtree — a Larsen & Toubro Group company — combines the industry-acclaimed strengths of erstwhile Larsen and Toubro Infotech and Mindtree in solving the most complex business challenges and delivering transformation at scale. For more information, please visit www.ltimindtree.com.