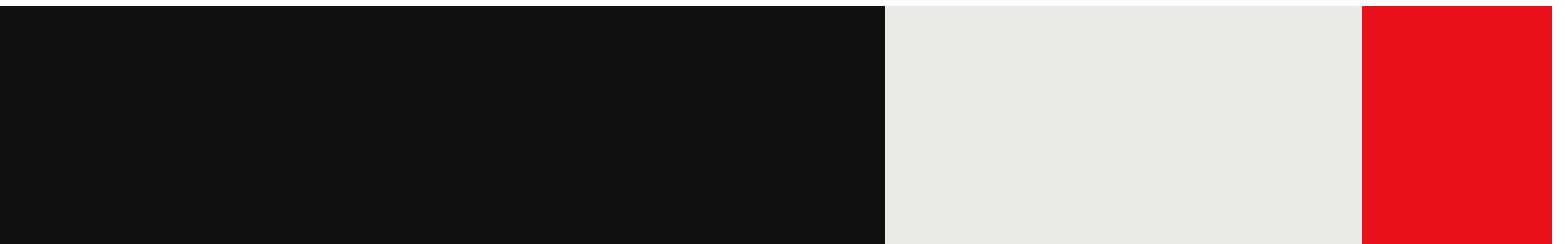


The Daily: The power of full funnel activation, a shifting path to purchase, and what's next for in-store retail media

Audio



On today's podcast episode, we discuss the main ways the shopper journey is evolving, how retail media is shifting to encompass the full funnel, and how in-store retail media can help bring a brand's shopping message to life, particularly during holidays and events. Tune in to the discussion with our analyst Sarah Marzano and Nikhil Sharma, senior director of performance and insights at Roundel.

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Episode Transcript:

Marcus Johnson (00:00):

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Nikhil Sharma (00:23):

When people drive up to Target to pick up their order, one out of every five guests will actually step outside their car, go into the physical store and buy another product. So it's a great example of a digital transaction spawning an omnichannel purchase behavior.

Marcus Johnson (00:44):

Hey gang, it's Tuesday, June 25th. Sarah reminded me it's not May, Sarah, Nikhil and listeners, which I should have known already to be honest. Welcome to the Behind the Numbers Daily, an EMARKETER video podcast made possible by Roundel. If you're listening where you normally listen, you can head over to YouTube to watch us. Just search for EMARKETER or keep listening without the video. It's up to you if you are already watching on video. Hello, welcome. I'm Marcus. To them, I'm joined by two people. One of them is our principal analyst covering everything retail media based, I think in New York. This is admittedly a guess, or even though I've worked with her for a very long time. It's Sarah Marzano.

Sarah Marzano (01:22):

You got it. I'm in Brooklyn.

Marcus Johnson (01:24):

Yes, I knew it. I didn't know it.

Sarah Marzano (01:26):

Great job.

Marcus Johnson (01:27):

And also joining us is the senior Director of Performance and Insights at Roundel, based, I want to guess Chicago, but I don't know that either. Nikhil Sharma.

Nikhil Sharma (01:38):

Yes.

Marcus Johnson (01:38):

Is that right?

Nikhil Sharma (01:39):

That is correct, yes.

Marcus Johnson (01:40):

Yes, I should have asked before we hit record. What am I doing?

Sarah Marzano (01:44):

We corrected you on the month, but you're doing good. Otherwise guess the locations.

Marcus Johnson (01:47):

Yeah, welcome, Nikhil, to the show. Thank you for being with us. Alright folks, we're going to start with the Speed Intro to get to know our guests a little better before we get to the topic. So, one minute on the clock. Let's do it. Nikhil, I just guessed that you're based in Chicago, but where are you from?

Nikhil Sharma (02:07):

I was born in New Delhi. I was raised on a little island called Nauru in the Pacific, and I live in Chicago right now.

Marcus Johnson (02:15):

Very nice. New Delhi, beautiful city. I also spend time in Chicago throughout the year, so you're making some good choices, sir. Sarah. Oh, I know this, but the folks don't living in New York, but you are from

Sarah Marzano (02:26):

Born and raised in Austin, Texas.

Marcus Johnson (02:28):

Yes indeed. Nikhil, what do you do in a sentence?

Nikhil Sharma (02:31):

I lead insights and analytics for Roundel, which is Target's retail media network.

Marcus Johnson (02:36):

And Sarah,

Sarah Marzano (02:37):

I cover retail media here at EMARKETER.

Marcus Johnson (02:39):

Nikhil, what's your morning drink of choice?

Nikhil Sharma (02:42):

I quite like an English breakfast tea, a splash of milk and sugar.

Marcus Johnson (02:47):

That's the correct answer, Sarah,

Sarah Marzano (02:49):

Hold on. Set me up for good luck. I have a caffeine addiction, so I've moved on. I'm a seasonal coffee drinker. We're in cold brew season.

Marcus Johnson (02:57):

Cold Brew. Okay, what else? Are you a pumpkin spiced individual too?

Sarah Marzano (03:03):

No, not at the moment at all. I don't do a flavored coffee.

Marcus Johnson (03:07):

Okay, alright. Thank goodness. What are these people thinking? Pumpkin, Nikhil pumpkin spiced. You're a big fan.

Nikhil Sharma (03:14):

Not really, not pumpkin spice.

Marcus Johnson (03:15):

It's also the correct answer. You are crushing this segment. If you had to move Nikhil, where would you go?

Nikhil Sharma (03:21):

Oh, that's a good one. Probably Rome. I love the blend of the old and new that Rome has to offer.

Marcus Johnson (03:27):

Sarah, there's really no point of you even going and he's definitely, this wasn't even a game, but I just made it

Sarah Marzano (03:32):

One set up. Yeah. Well I can meet you there though. I had my honeymoon in Rome and it was lovely. I'm going to say Paris though. If we're doing a fantasy, I'm moving to Paris, but I'll come visit Nikhil in Rome.

Marcus Johnson (03:47):

Well played.

Sarah Marzano (03:48):

Yeah, big fans looking forward to it.

Marcus Johnson (03:49):

Well played. All right. They are two guests. Today's fact, humans don't just name elephants. Elephants name each other, so they give each other names. Wild African elephants call each other by their names. According to a study published in Nature Ecology and Evolution, making them the only non-human animals known to use language in this way notes Celia Ford, at Vox. She was pointing out the researchers trained a machine learning algorithm to match the rich low frequency rumbles. Elephants used to call out to each other. So the elephants they were directed towards. So the receiver and they figured out that they give each other names.

Sarah Marzano (04:33):

I wonder if there's popular elephant name lists, like a bunch of Olivias.

Marcus Johnson (04:40):

I was wondering if they call each other the same things that we name them or if they're like, no.

Sarah Marzano (04:46):

They're like, he gets it wrong every time. Every time.

Nikhil Sharma (04:50):

I heard they have fantastic memories. So this would make a lot of sense.

Marcus Johnson (04:55):

Oh yeah, see? Yeah. It's better than my dad's memory. I wonder if they do. I was wondering if they have trouble remembering names because humans obviously sometimes have trouble remembering people's names. My dad would just cycle through names until he got to my actual

Sarah Marzano (05:09):

Name of your siblings or any just people

Marcus Johnson (05:11):

kind of. Sometimes it would be like a sister. Even Nicole, Beverly, Philip Marcus. Marcus. That's the one. That's it. One time he called me. Boy Johnson a terrible person. I'm kidding. I love you.

Sarah Marzano (05:23):

You knew who he met though.

Marcus Johnson (05:24):

I did. That's what I just started responding to. Everything.

Sarah Marzano (05:28):

Chaos.

Marcus Johnson (05:30):

Anyway, today's real topic, the power of full funnel activation. So in the lead, we are talking about retail media today, and we wanted to start with this question because round hell isn't it in a unique position in that it's not new to the game. Retail media as a term has been popular for a very short time it seems. But Roundel has been around longer than a lot of retail media players and as one of the first to launch a network. And so it would be an understatement to

say that the landscape has grown considerably more crowded in recent months and years. But Nikhil, what to you sets Roundel apart?

Nikhil Sharma (06:13):

It's a great question and you're right in saying, Marcus, that retail media has attracted a lot of new market entry in recent years. We believe it's a wonderful thing for the industry because competition drives innovation. It ultimately creates value for the consumer. So we welcome this. I would say that Roundel's competitive differentiation arises in three main ways. So the first is our history and experience. We've as a retail media network, been in business for 15 plus years. We have invested significantly over that time in building the technology, the skills, the processes to make a large retail media network function. We're able to use that installed base to drive innovation at a fairly rapid clip. And we've been topping up in terms of our skills and expertise over time too. So when you think about vertical expertise in areas like insights and analytics, in commercial strategy, in product development, these are all areas that we continue to invest in.

Nikhil Sharma (07:23):

So the history and experience certainly is one area of differentiation. The second area I'd say is the culture of collaboration that exists at Target. It truly is a fantastic company. Everyone at Target seems like they're invested in winning together. One example is Roundel's collaboration with the Target Circle teams. Target Circle being our loyalty program. We all know that loyalty data drives the ads business and vice versa. The ads business has a positive effect on loyalty at Target. So there's some natural synergy within the business, but the target culture really helps us to bring that to life in a fairly seamless way. So I'd say that's the second advantage. The third one I'd say is the ability to curate at scale. We have incredible scale within the target ecosystem. We have 165 million guests, we see 30 billion of them every week. We operate nearly 2000 stores nationwide, running thousands of campaigns for brands across the year. And so our ability to manage that scale but also personalize media in service to the guests so that we're connecting them with the brands they love, that truly is something that is unique. So in response to your question, I'd say the history and experience, the culture of collaboration as well as the ability to curate at scale, these are differentiation points for Roundel.

Marcus Johnson (08:56):

Yeah, I mean it really is remarkable that you guys have been a retail media network for so long, given that you've only just recently seen this explosion in growth in the market. I mean, we have some numbers on omnichannel retail media and we have it at about 18 billion space in 2020 this year, a 55 billion space. So even if just those few years, it's really exploded and become a real sizable market. But the fact that you've been going for so long is quite remarkable. And you mentioned that over that time you've been working hand in hand with Target. And so I'm curious what kind of some of the main ways that Target has seen the path to purchase change and how is Roundel evolving its offerings to reflect the changing shopper journey?

Nikhil Sharma (9:42):

The path to purchase is anything but static. We've seen significant change in the path to purchase over time. If I had to identify the main ways in which it's changed, I'd say they are twofold. So one is the level of digital adoption along the path to purchase that's really increased over time. If you look at social, for example, three quarters of our target guests are on social. 40% of our purchase journeys at Target, they originate on social platforms, target's the number one brand on TikTok. It's tagged twice as often as other retailers on Instagram. So we certainly welcome the move towards social. The same thing we see in terms of in-store digital behaviors as well. So we see 76% of target guests actually using the app when they're shopping with us in a physical store. So the level of digital influence over the past to purchase certainly has gone up.

Nikhil Sharma (10:43):

The second area is how omnichannel behaviors are manifesting really across the past to purchase. So one good example of that is the drive up service. It's possible that Sarah, you or Marcus have used it. It's a very popular service at Target and what we see is when people drive up to Target to pick up their order, one out of every five guests will actually step outside their car, go into the physical store and buy another product. So it's a great example of a digital transaction spawning an omnichannel purchase behavior literally in a matter of minutes.

Sarah Marzano (11:19):

Yeah, no, I love that you touched on so much of what we see here at EMARKETER. Nikhil, we've got a great proprietary survey that we field on the path to purchase. I'll plug my colleague Blake's coverage on the topic. But I think you sort of hit on some of the main

themes that we see. One is sort of the enduring power of the store, right? This traditional channel. I think anyone who covers or pay attention to retail won't be surprised by me saying that because we know that over 80% of sales take place in a physical store. But one of the things that really stands out as well, how great the store is for facilitating product discovery, then we take a step back. And I think that's just because the inherent nature of moving through a store lends itself really well to product discovery. But then to your point, what's interesting is to see how the digital channels sort of have this really important role that connects with traditional channels.

Sarah Marzano (12:16):

So within our survey we saw that even if a customer discovered a product in store, they were really likely to then turn to a digital action, whether that be a traditional search engine or looking at a retailer or brand website or increasingly for younger generations moving to social right for some of that information gathering. And I think for me what that really shows is that shoppers have become really sort of accustomed to the expanded information that the digital ecosystem enables, right? We know that this is where to go if we want more content, whether that's formal merchandising content or informal content like user generated content. Building that social proof to make a purchase or price comparisons online is a great place to make sure that you're getting the right price. And I'm so glad you brought up, Target has some really impressive stats around how connected your in-store shoppers are to the app. So I'd love to hear more how you're thinking about the mobile phone and your app as this way to facilitate more connection, more touch points for brands to reach your customers, whether that's in store or out of store. We all have our mobile phone in our hands every day and it just seems like this is a very exciting opportunity to explore.

Nikhil Sharma (13:35):

Yeah, I love that. In fact, EMARKETER ranked our app as the top ranked app last year. So objectively it certainly makes sense and there's an extremely high usage of our app. Not only when shoppers are in store, our guests are in store, but also really along the entire path to purchase, which is where this notion of a full funnel activation truly comes into play. I'd say it's incredibly important for any retail media network to be a student of this evolving path to purchase and organize their full funnel activation approach to delight the consumer, inspire the consumer, educate the consumer, as well as drive conversion along the entire path for purchase. So it's really key. And that's something we are leaning into. If we think of Roundel as

a retail media network, I would say that 35% of our advertising, it's actually done off of our platforms. So we're truly committed to operating a full funnel media strategy and we're leading into data science, we're leading into data collaborations to bring the power of targeting and closed loop measurement to our full funnel platform so that a consumer, regardless of how they're consuming media and certainly app is, the vector on app is very strong, but regardless of how they're consuming media, that full funnel proposition actually comes to life. So I love what you mentioned, Sarah.

Sarah Marzano (15:13):

Yeah, yeah, absolutely. And I think that gets us into a super interesting topic, which is just retail media's move offsite and up funnel in general. And I think based on the information you just provided you over index relative to what we're forecasting for the total industry. So I'm so excited to hear your perspective here because I think even we talk so much about retail media that it can be easy to forget that it is sort of nascent compared to a lot of other parts of retail. And for so long it feels like retail media was really focused on a couple formats, really on site. And that still is where we see the large, the most volume cutting, right? When it comes to things like sponsored search listings, things that are happening really close to the point of purchase, but recently we're seeing all this exciting evolution and this realization of the potential to take the data and the targeting capabilities that retailers have access to and extend that across the entire funnel.

Sarah Marzano (16:20):

But I think there's two big elements that happen here. One is the notion of getting comfortable with the different campaign metrics that are possible as you move up funnel, right? The performance is inevitably going to look a little bit different. And how do you get everyone really used to speaking that language and evolving expectations and navigating through what might be different budget structures with your advertising partners. And that's one side of it that I'd love to hear from you how you see your role as a retailer in partnering with advertisers. But then there's this other side of it too, which is that with the power of partnerships and really sophisticated data collaborations, we're also getting into a space where the upper funnel doesn't really look like the upper funnel anymore, right? Because you can make a purchase on social media and you can make a purchase while you're watching video. So that's a giant ramble of an incoherent question on my part. But stuff that I'd love to

hear more from you Nikhil, on how Target is looking at being a really good partner moving off funnel

Nikhil Sharma (17:26):

Offsite. Absolutely. Yeah, I think you're right. Roundel sits in the middle with brands on one side and partners on the other side. And we're working in unison to bring that full funnel experience to life in service of the target guest at the end of the day. So I'll do two things. I'll describe our role in terms of how Roundel is engaging with brands as well as partners. But I'll also give you an example of a recent campaign we ran to bring this concept to life. So when I think of how we engage, obviously the concept of a panel is not new, it's existed for decades. What's unique about retail media networks is that we are a one-stop shop when it comes to activating against the full funnel. And I see Roundel's role coming to life with brands almost every day. So one example would be when we are meeting with a brand, it's very common for us to be engaging with different personas on the brand side.

Nikhil Sharma (18:32):

So you could be talking to someone in a shopper marketing role, a category management role, an e-commerce persona, et cetera. And so we act as a connective tissue in facilitating thoughtful discussions across different personas. On the brand side, we're also an objective way of anchoring to the true business objectives that acts as a rallying cry for brands internally. So you could be running media to prevent shoppers from lapsing from your brand where you could be running media to convert new guests to the brand. You could be running media to create upsell amongst existing guests, leveraging the power of your portfolio. So all of these are really important business objectives that act as a north star. And then of course, our ability to bring a closed loop measurement which attaches accountability to every dollar that is invested in retail media. That becomes really key. You're absolutely right that conversations may start with kind of a lower funnel focus because that is the legacy of retail media.

Nikhil Sharma (19:40):

But what we're quickly finding is that with data insights and proof points, we're able to shape that narrative intelligently to ensure that brand objectives are maximized when you leverage a full funnel approach. So for example, when we engage with brands, we recommend that they invest 10% or more of their overall budget in social because in doing so, they can actually

improve their return on ad spend by up to 35%. So that's an example of an insight, a data, a proof point that helps us to shape the conversation the right way. The campaign example I'll mention is this past holiday we worked closely with Apple. Apple launched their series nine watch, it had the double tap feature, it was a new product that was entering the market, and we worked hand in hand with Apple to design a campaign that was full funnel in nature. So we were taking guests from awareness to building consideration for the new Apple Watch to driving conversion. And in that process also amplifying other parts of the Apple portfolio so that the brand as a whole shines within the target ecosystem. And that campaign drove an incredible increase in new guest rates. So very proud of the partnership and also the ability to leverage the full funnel to bring a magical brand to life in a really resonant way. With the target guest,

Sarah Marzano (21:10):

You can really tell the entire story, which I think lends itself so well to something like a newer product launch.

Marcus Johnson (21:18):

Yeah, I mean I want to end the episode by talking about that, which is you're talking about a story and talking about, you also mentioned the holiday I want to talk about in-store for a second because it's still a very small piece of this pie. In two years time, our forecasting team thinks it's a \$700 million business in the US in terms of in-store retail media. It won't break the billion dollar mark until the next Olympics 2028, but it is something that's gaining a lot more interest and conversation. And so I'm wondering, Nikhil, how can in-store retail media can help bring a brand's shopping message to life, particularly during events, holidays, back to school coming up and then holiday right after that. And what is Roundel excited about in the in-store retail media space?

Nikhil Sharma (22:06):

Yeah, that's a great question. When we at Target, we absolutely love events and holidays. Target shines during these moments. For example, if you're looking at back to school as a moment or the 4th of July and hosting a party, these are moments where Target really shines. And beyond the full funnel narrative that I talked about, there's two areas where we lean into further to make sure that we're making sure that guests have a fantastic experience with Target during key events and holidays. So one would be leveraging the power of a multi-

category portfolio. Let's say you have a 4th of July party coming up. We have the ability to offer barbecue sauce and kitchen accessories and beverages, all in a one-stop shopping experience to the guests. So it's occasion based marketing that becomes really feasible through the power of the multi-category portfolio. And that's an area we lean into. The other piece is we do have a lot of shoppers that are actually shopping with us in store during these old days and events. So 75% of our guests or higher are actually transacting with us in stores when it comes to these special moments and events. And so for us, it's really critical to serve advertising as well as physical experiences the right way when it comes to these moments. We've done research that indicates that 40% of our guests actually notice ads when they're shopping with us during holidays and events. Interesting. And so it's really important for us to blend those digital and physical experiences like sampling programs in a smart way to create the right experience for the guest.

Sarah Marzano (23:56):

Yeah, I love thinking about the power of the store to create a really layered experience. There's so many more dimensions that can be brought to that in-person shopping. So thinking about something like a sample that you can actually test and try in real time or thinking about maybe in-store audio that's complimenting that and just all the different ways that someone could absorb the story that a brand is looking to tell. But I think there's also a considerable challenge for retailers looking to execute this in an in-person setting because for me, the notion of noticing an advertisement, it has to be also a good experience. It has to be really positive. You don't want someone necessarily noticing an advertisement in a way that's because it's adding friction or disruption, which I know is what you're getting at. But I think it's important to consider when we think about all the methods for bringing retail media into the in-store shopping environment, as the store becomes a more digital place, how do you continue to think about facilitating the customer's purchase journey in store in a way that again, is sort of additive and brings in product discovery when the moment is right, but also brings in some of that convenience and the ability to sort of get the job done, for lack of a better term.

Marcus Johnson (25:16):

Let's end with this question Nikhil real quick. What does in-store retail media look like to you in let's give it two years time?

Nikhil Sharma (25:24):

It's a great question. If you have a crystal ball, by the way, Marcus, I'd love to borrow it. I do and reflect, but as I think a few years out within retail media, we can be reasonably certain that perhaps two dynamics will persist. So one is that the in-store shopping experience, it will continue to be a point of differentiation. We are looking at a consumer today that is very cautious, that is very discerning because of the macroeconomic conditions that exist. And so that in-store experience will continue to be a differentiator. The other aspect is we can expect that the digital influence over the paths to purchase will continue to grow even further. So as you look at Gen Z for example, as they progress through different life stages, they are native digital in their experiences. And so we can expect that the level of digital engagement will continue to grow. In fact, when we look at target app usage within the store, while 76% of target guests use the app while they're in store, that number jumps up to 90% for Gen Z. So you can expect this dynamic continue to grow.

Marcus Johnson (26:44):

Yeah, I mean that continued digital growth and usage is reflected in just the digital advertising space. 77% of all advertising this year and somehow continuing to grow to close to 85, 80 6% by the end of our forecast in four years time. So it does seem like digital is eating everything. Sarah, how about for you is one thing that you're paying attention to in the in-store retail media space

Sarah Marzano (27:07):

In the next couple years? One thing, oh my gosh, it's so many things. I think one thing, you always do this to me too, just half a thing. I'm not going to say just one thing. I'm going to say this brings me back to some of what we were talking about at the head of this episode, which is the differentiation of various retailers within this space. And I think what the quick evolution of retail media that's happening right now is going to do is it's going to pressure test various retailers success in terms of building up strong foundations. So who is at a starting point of having a really pleasant in-store shopping experience. You don't want to load a lot of new digital capabilities on top of an in-store shopping experience that maybe is subpar, right? And who's been investing in and keeping up their app to give it a reason for consumers to be plugged in and using it in order to use that app as a vehicle for bringing brand storytelling and messaging to customers where it matters the most. So it's all about going back to the foundations of your business as a retailer and have you been maintaining that and thinking about your brand and your reason for being. And I think the retailers that have that really

strong brand identity and that connection to their consumers are going to be best positioned to sort of wade into these new water. So a very vague answer to how this is going to develop. Cause I think we're all really in a kind of wait and see phase for Instore retail media. Yeah,

Marcus Johnson (28:33):

The future's vague. Don't worry about it. I thought you nailed it. Sure is. Excellent. Final thought to end our episode on. Thank you so much to my guests for joining me today. Thank you to Sarah.

Sarah Marzano (28:42):

Thanks for having me.

Marcus Johnson (28:43):

Of course. Thank you to Nikhil.

Nikhil Sharma (28:45):

Thank you, Marcus. Great to be with you, Sarah.

Marcus Johnson (28:47):

Yes sir. And thank you to Victoria who edits the show. Stewart, who runs the team. Sophie does our social media, and Lance who runs our video podcast. Thanks to everyone for listening in to the Behind the Numbers Daily, an EMARKETER video podcast made possible by Roundel. You can tune in tomorrow to hang out with Sarah and Becky as they try to defend the latest version of their top eight most interesting retailers of the month list, June edition from Susie and Jeremy.