February 2025

Solving underperforming retail media networks: 🔓 Unlocking more value

zitcha

RETAIL GAZETTE

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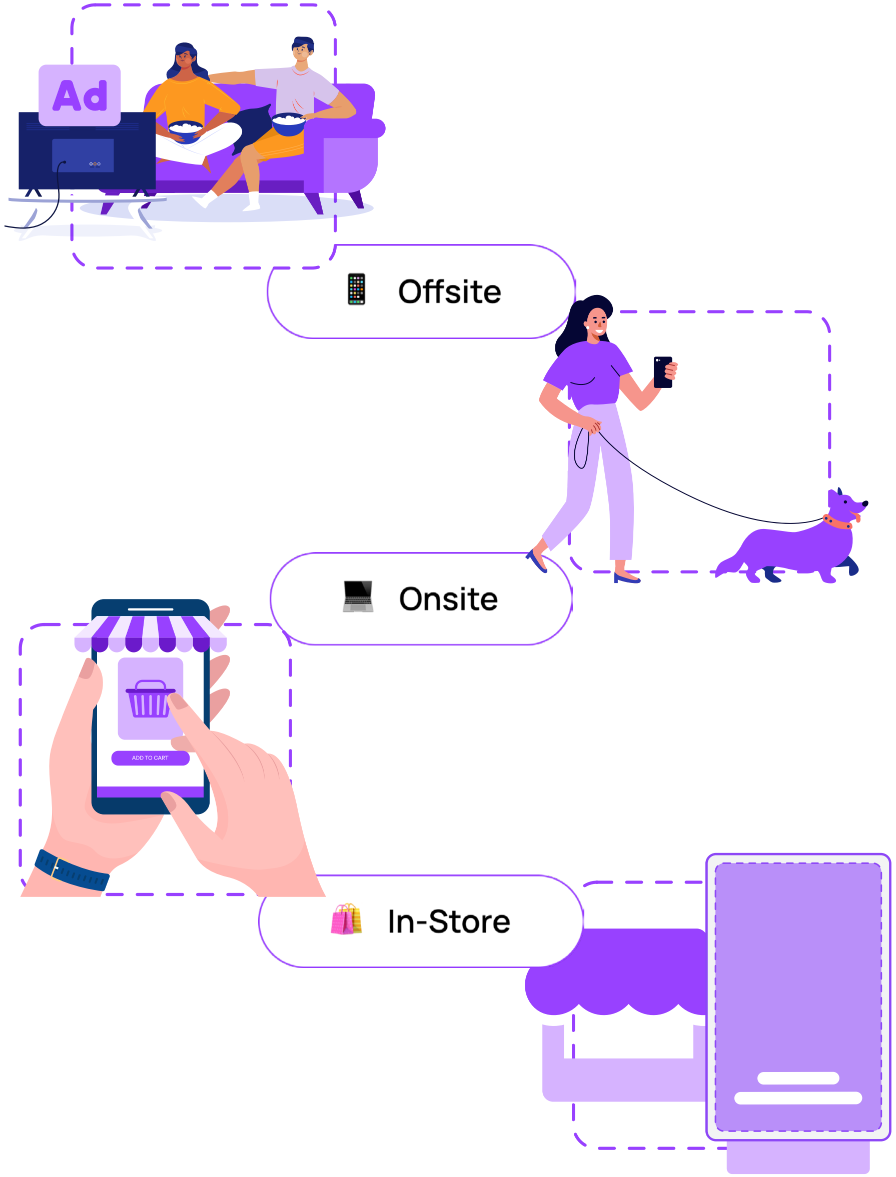
Introduction: The state of retail media networks



Retail media is not just the next big thing in retail advertising – it's rapidly becoming the thing. But what is it? In short, retail media networks (or RMNs) are advertising platforms operated by retailers, leveraging their own digital and physical assets - such as websites, apps, email channels, and even in-store displays - to provide advertising opportunities for third-party brands.

At their core, RMNs enable retailers to monetise their first-party shopper data, offering advertisers highly targeted access to consumers who are already engaged in the shopping journey. By placing ads on these platforms, brands can directly influence purchase decisions, whether through sponsored products on an ecommerce site or promotional banners in-store. RMNs often extend beyond a retailer's owned properties, with some integrating off-site channels like social media or connected TV, using their shopper data to inform and deliver personalised campaigns. This convergence of retail and advertising creates a powerful, closed-loop system, where retailers gain incremental revenue, brands improve their return on ad spend (ROAS), and shoppers benefit from more relevant and timely offers.

So, why should we be paying attention to this growing solution today? Well, with a staggering **£89.2 billion** spent globally in 2023, retail media now accounts for over ten per cent of global digital advertising. But what's even more striking is its projected growth: by 2027, this figure is expected to reach **£127 billion**, climbing by nearly **60%** in just five years.

For retailers, this growth could prove to be a golden ticket to move beyond the razor-thin margins of traditional retail operations and tap into high-margin advertising revenues. For advertisers, retail media networks (RMNs) represent a treasure trove of first-party data, connecting them to high-intent shoppers like never before.

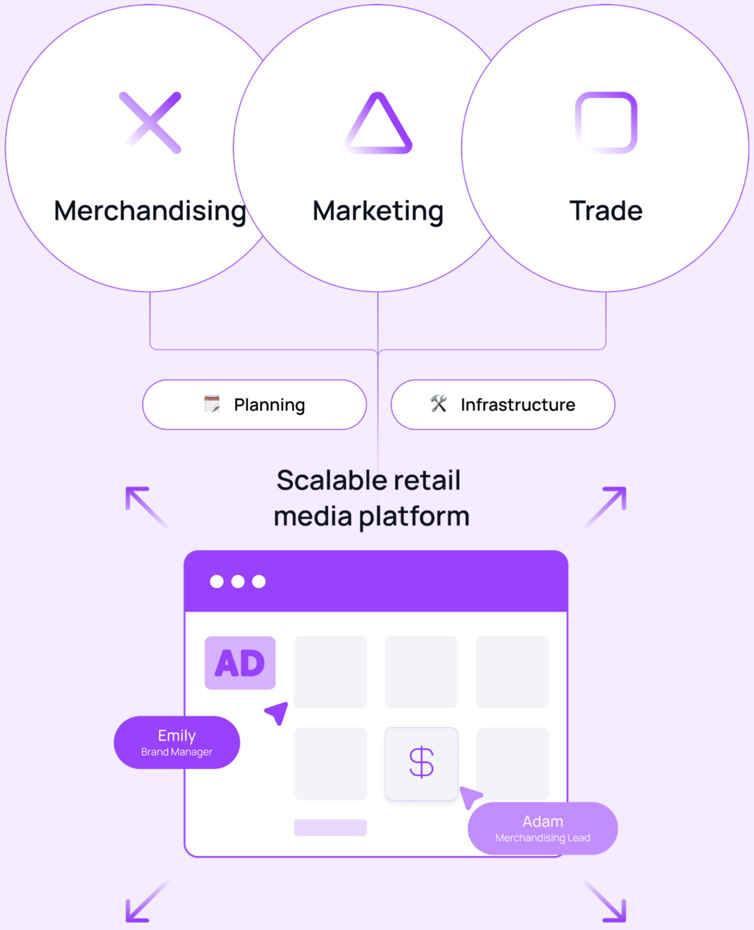
Yet for all its promise, retail media isn't without its challenges. While titans like Amazon and Tesco dominate the field, many RMNs are underperforming. Fragmented tech stacks (often referred to as "frankenstacks", misaligned strategies, and inefficiencies prevent these networks from delivering on their potential. Advertisers are often left unimpressed, wondering if their investments are worth it, while retailers miss out on revenue and risk damaging critical relationships with brands.

This leaves retailers with a conundrum. How can you gain maximum value out of the burgeoning potential of the retail media market? This is exactly

what we'll cover in this resource. It delves into the common challenges that prevent retail media networks from achieving their promise, explores innovative solutions, and provides practical strategies for building future-proof networks. By focusing on delivering value to retailers, advertisers, and customers alike, this report offers the insights and tools needed to stay ahead in this fast-evolving space.

We'll also benefit from the knowledge of Troy Townsend, Co-Founder and CEO of Zitcha, Colin Lewis, Director at Retail Media Works and Hugh Cameron, Chief Platform Officer at Zitcha, who collectively have spent decades honing their insight in retail media networks, and in turn crafted a solution that could well offer the solutions that businesses are searching for.

> **"You can't sell a pound's worth of media for 80p and expect to sustain your network,"** says Townsend. "This is one of the biggest issues we see in underperforming RMNs - an obsession with top-line growth at the expense of operational efficiency and profitability. Retailers need to shift their mindset and approach these networks as long-term revenue generators. That requires proper planning, the right infrastructure, and a commitment to getting the basics right before scaling."



The evolution of retail media: From in-store promotions to digital powerhouses

Retail media has come a long way since the days of in-store endcap displays and checkout aisle promotions. Historically, brands relied on these physical touchpoints to catch the eye of wandering shoppers. While the effectiveness of these strategies has never been in doubt, their reach was limited by the constraints of in-store environments. Fast-forward to the digital age, and retail media has expanded into a vast and complex ecosystem encompassing eCommerce sites, apps, and off-site digital advertising.

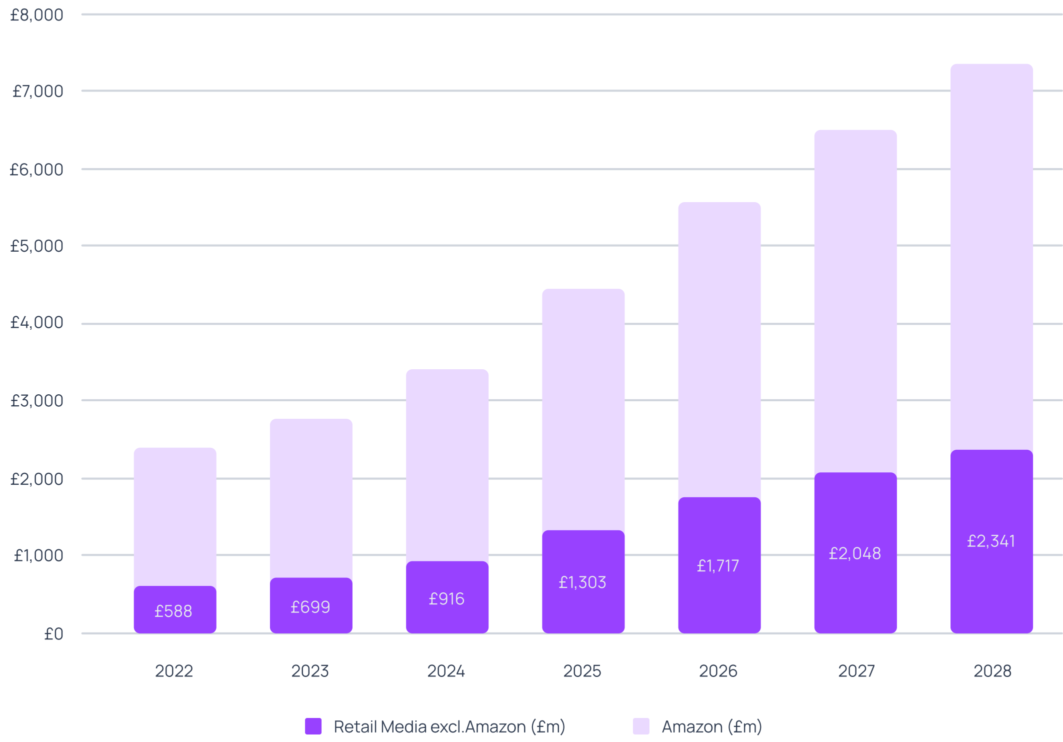
> What's exciting about retail media is how it's evolved into a multi-channel ecosystem," notes Cameron. "Back in the day, retail media was limited to in-store shelf wobblers and aisle-end promotions. It worked, but it was limited by physical constraints. Today, we're talking about campaigns that span from digital screens in-store to connected TV ads delivered to a shopper's living room - all informed by the same unified data set. It's a game-changer for retailers and advertisers alike.

The COVID-19 pandemic was a watershed moment. With online retail sales skyrocketing - peaking at **30%** of total retail sales in the UK during 2021 - retail media networks surfaced as indispensable tools for connecting with consumers. Two-thirds of online product searches now begin on retailer websites, making RMNs a crucial component of the modern shopper's journey.

Take Amazon as a case study. The company's ad revenue surpassed **£38 billion** globally in 2023, highlighting just how lucrative retail media can be when executed effectively. However, Amazon's success is not easily replicated. For many retailers, the path to a high-performing RMN is fraught with challenges, from disjointed tech systems to poorly defined metrics.

"Amazon's dominance in retail media is often seen as an unattainable benchmark," says Townsend. "But the reality is, any retailer can build a high-performing RMN if they focus on their unique strengths. Amazon has scale, yes, but smaller retailers can compete by being more agile, more creative, and more integrated in how they approach their networks."

UK Retail Media Ad Spend (£m)



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The key is to avoid trying to copy Amazon, and instead focus on what makes your brand and your customer base unique.

Troy Townsend,
Co-Founder and CEO, Zitcha.

Why retail media networks fall short

Despite the potential, the reality for many RMNs is far less rosy. Retailers that have rushed to launch networks often find themselves grappling with underperformance. But why do so many networks fail to live up to expectations?

The efficiency problem

The most immediate issue facing many RMNs is operational inefficiency. Research by Circana shows that RMNs frequently underreport their return on ad spend (ROAS) by as much as **35%**, primarily because they fail to account for the "halo effect." This refers to incremental sales that occur outside the retailer's ecosystem - sales that might be influenced by an ad but completed in-store or through a competitor.

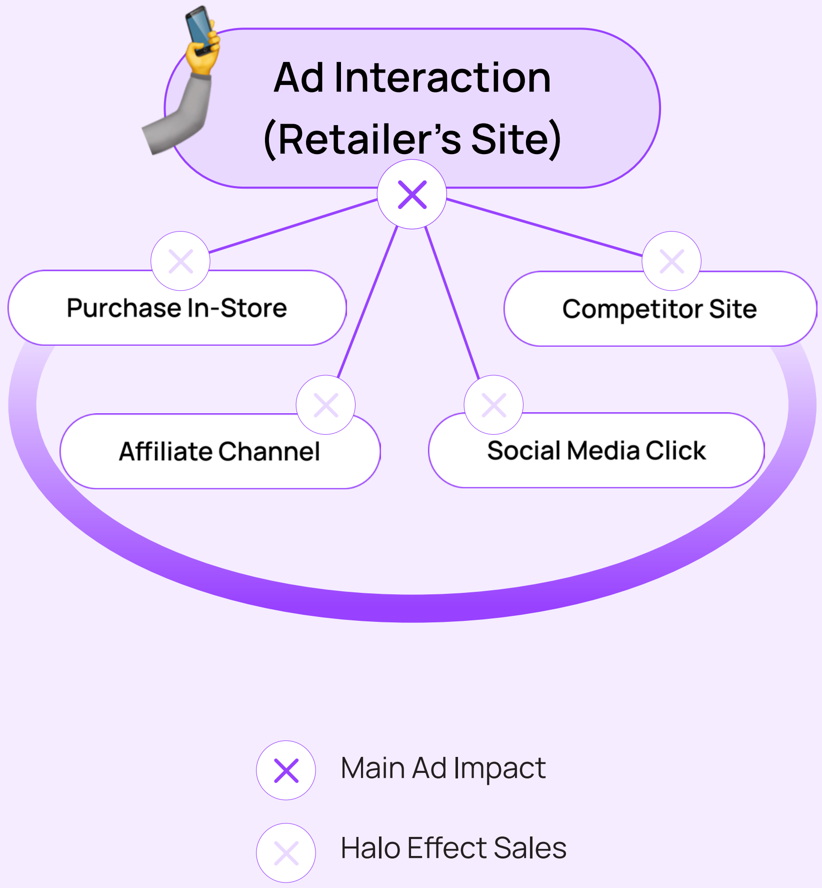
> "The halo effect is one of the most overlooked aspects of retail media measurement," explains Cameron. "An ad might drive a purchase, but if that purchase happens in a competitor's store or through a different channel, many retailers don't have the tools or strategies to account for it. This leads to underreporting and undermines trust with advertisers. Retailers need to think beyond their walls and consider the broader ecosystem when evaluating success."

This inefficiency doesn't just hurt advertisers; it damages trust. Advertisers are increasingly cautious, demanding better transparency and more robust measurement frameworks. One UK supermarket chain learned this lesson the hard way: its fragmented RMN setup resulted in campaign rollouts taking **25%** longer than expected, leading to missed opportunities during key trading periods like Christmas.

Overreliance on first-party data

First-party data is often hailed as retail media's secret weapon, offering direct insights into customer behaviours and preferences. However, a key issue for many businesses is the struggle to make it usable. "Retailers often don't have their data in a shape that brands can easily access or use. That's a huge barrier," says Lewis. "Leveraging first-party data requires significant

The Halo Effect in Retail Media



investment on the brand's side, and not every company is prepared for that," he adds.

In addition, relying solely on this data can lead to a narrow understanding of consumers. While purchase histories reveal past behaviours, they don't provide the broader context of a customer's lifestyle, interests, or future intentions. This limited perspective can result in campaigns that lack depth and fail to resonate on a personal level.

> "First-party data is invaluable, but it's only part of the puzzle," says Townsend. "It tells you what a customer has done - what they've purchased, how often they shop - but it doesn't tell you who they are as a person. What are their broader interests? What's their lifestyle like? Without that context, campaigns risk feeling one-dimensional, failing to connect on a deeper level."

Integrating first-party data with second and third-party data enriches customer profiles, enabling more nuanced and effective marketing strategies. For instance, combining transactional data with demographic and psychographic information allows for precise audience segmentation and personalised messaging. This comprehensive approach enhances engagement and drives higher conversion rates.

> "Privacy regulations are tightening, and third-party cookies are on the way out," notes Cameron. "This puts even more pressure on retailers to make the most of their first-party data. But the solution isn't to rely on it in isolation - it's to build partnerships and invest in tools that provide a more holistic view of the customer. The retailers that get this right will not only survive but thrive in the next era of retail media."

As privacy regulations tighten and third-party cookies phase out, the strategic use of first-party data becomes even more critical. Retailers must invest in robust data collection and integration practices to build a holistic view of their customers. By doing so, they can deliver more relevant and timely marketing efforts, ultimately fostering stronger customer relationships and achieving better business outcomes.

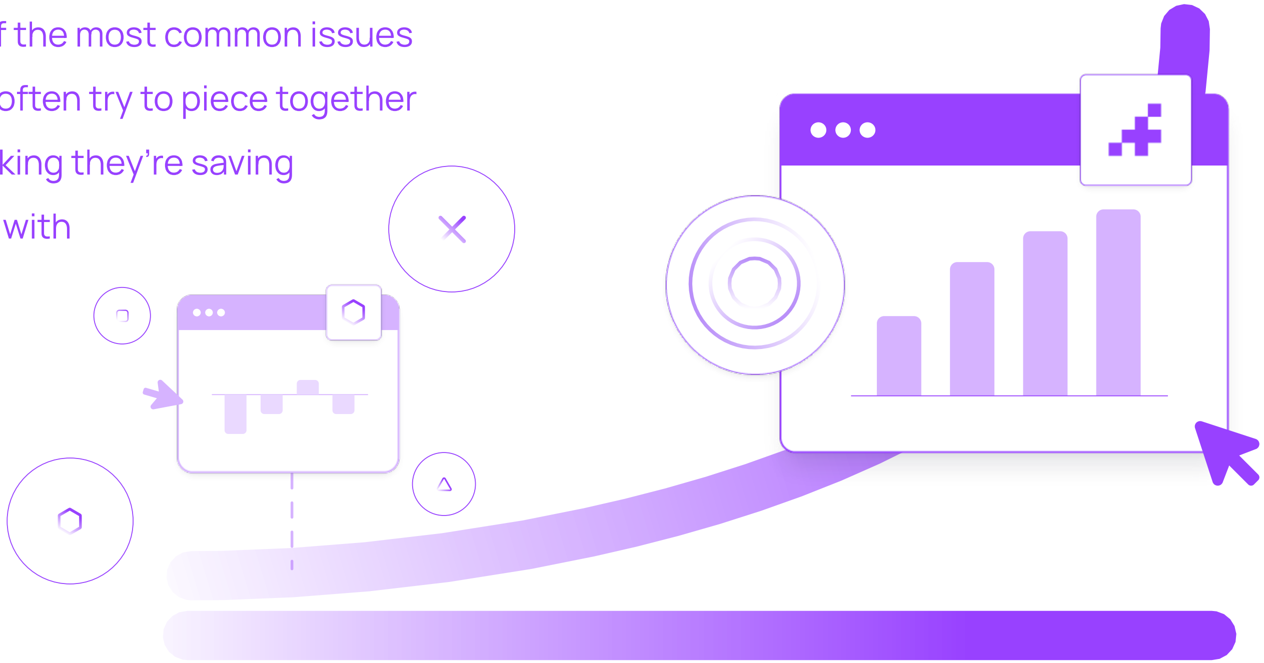
Fragmented technology: The "frankenstack" problem

The technology powering many RMNs is an amalgamation of disconnected systems. Supply-side platforms (SSPs), demand-side platforms (DSPs), analytics tools, and data cleanrooms often operate in silos, creating inefficiencies that ripple through every stage of a campaign.

"Retailers are in logistics, real estate, merchandising—each of these areas demands different capabilities and tech stacks. Fragmentation is inevitable," Lewis says. This so-called frankenstack approach hinders real-time optimisation and makes seamless omnichannel execution nearly impossible.

Take a retailer attempting to launch a coordinated campaign across on-site banners, off-site display ads, and in-store digital screens. If each channel relies on a different system, with no centralised data flow, the result is fragmented messaging, delayed reporting, and underwhelming performance.

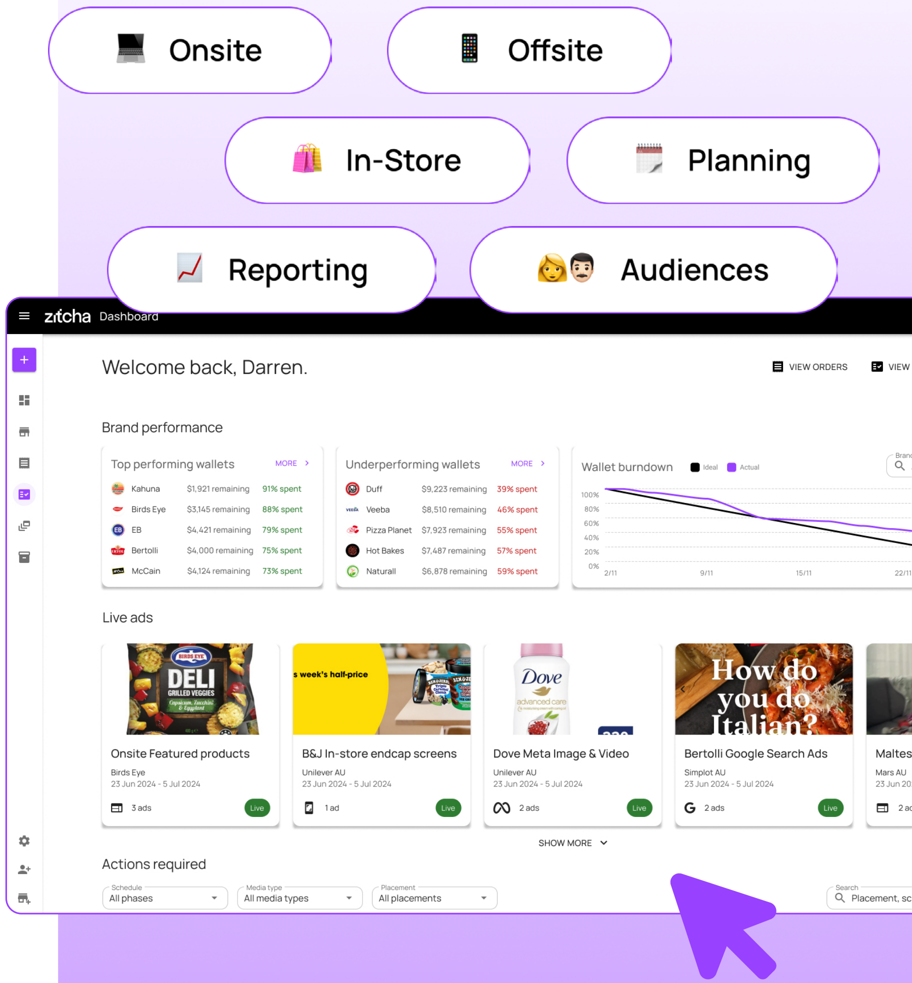
> "The frankenstack problem is one of the most common issues we see, explains Cameron. Retailers often try to piece together solutions from multiple vendors, thinking they're saving time or money. But what they end up with is a system that's slow, error-prone, and unable to scale. The result is frustration for everyone involved - retailers, advertisers, and, ultimately, consumers."



A single pane of glass

If fragmentation is the problem, integration is the solution. “Rather than trying to fix everything, look for tools that overlay and unify these disparate systems,” notes Lewis. This is where solutions such as Zitcha come in. The platform offers a unified approach to retail media, consolidating campaign management, analytics, and reporting into a single system - a **“single pane of glass”** solution.

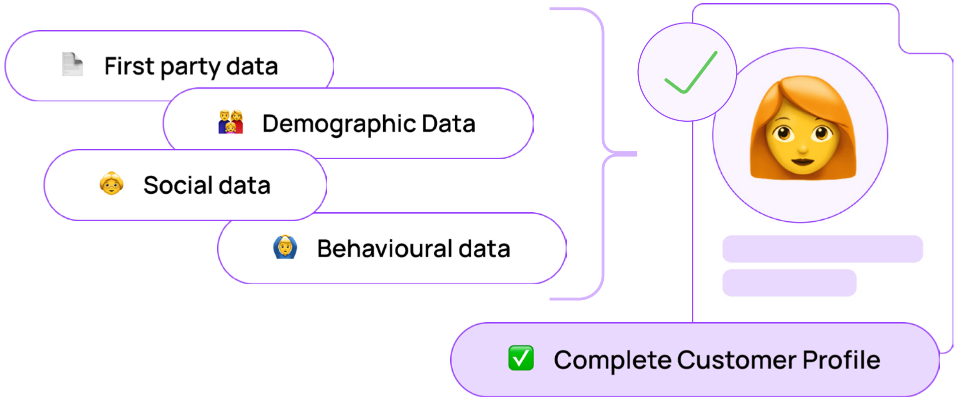
This integration delivers tangible benefits. Retailers using Zitcha have reported up to a **40%** reduction in campaign setup times and a **20%** increase in ROAS. The platform simplifies workflows, reduces errors, and provides real-time insights, enabling retailers to deliver seamless omnichannel campaigns. For advertisers, the result is a more consistent experience and clearer metrics, building trust and encouraging repeat investment.



> "Zitcha's platform isn't just about technology - it's about creating confidence," explains Cameron. "Advertisers want to know that their campaigns are being managed efficiently and delivering results. A unified system provides that assurance. It's not just a tool; it's a foundation for building long-term, successful partnerships."

Zitcha's approach is particularly effective for mid-sized retailers looking to scale. By eliminating the inefficiencies of frankenstacks, it allows these retailers to compete with larger players like Amazon, levelling the playing field in an increasingly competitive market.

Emerging trends in retail media



Identity platforms: Expanding the data horizon

Identity platforms are increasingly pivotal in retail media, enabling the integration of first-party data with broader demographic and behavioural insights to construct comprehensive audience profiles. This holistic approach allows retailers to craft messages that resonate more deeply with consumers, leading to enhanced engagement. For instance, a study by Sprout Social revealed that **89%** of consumers will buy from a brand they follow on social media, and **84%** will choose that brand over a competitor.

> “Identity platforms are the key to unlocking the next level of personalisation,” says Troy Townsend. “By combining transactional data with external insights, retailers can move from simply understanding what their customers buy to understanding why they buy it. That’s where the real magic happens—when campaigns speak to the customer’s broader needs and aspirations.”

The strategic use of identity platforms facilitates more precise targeting and measurement, optimising marketing spend and improving return on investment. By understanding not just what customers purchase but also their interests and behaviours across various channels, retailers can deliver personalised experiences that foster loyalty and drive sales.

In an era where consumers expect tailored interactions, leveraging identity platforms to expand the data horizon is not just advantageous but essential for retailers aiming to stay competitive and relevant.

Generative AI: The future of personalisation

Generative AI is revolutionising retail media by enabling the creation of dynamic, personalised advertisements in real time, tailored to individual consumer preferences. Early adopters of AI-driven strategies have reported increased personalisation in their campaigns, resulting in a **41%** rise in click-through rates for SMS and a **25%** increase for emails, according to data from Unite.

Beyond enhancing personalisation, AI optimises bidding strategies by analysing vast datasets to allocate budgets more effectively, ensuring maximum impact. This data-driven approach allows retailers to deliver more relevant content, improving customer satisfaction and driving higher conversion rates.

The integration of generative AI in retail is not just a trend but a significant shift towards more efficient and effective marketing practices, for brands of all sizes. “Generative AI allows brands to produce high-quality creative at a fraction of the cost and time, removing a significant barrier to entry for many advertisers,” Lewis says. By leveraging AI capabilities, retailers can stay competitive in an increasingly digital marketplace, offering personalised experiences that resonate with consumers and drive business growth.

> “AI is changing the game in ways we couldn’t have imagined five years ago,” notes Hugh Cameron. “It’s not just about automation—it’s about creativity at scale. Generative AI allows retailers to deliver hyper-relevant campaigns that connect with customers on a deeply personal level, while also optimising budgets and improving ROI.

Customer Data Inputs → **AI Analysis & Insights** → **Personalised Content Generation** → **Optimised Engagement & Conversion**

AI Powered Personalisation Funnel

Actionable recommendations for retailers

To unlock the full potential of retail media, retailers should consider adopting a proactive, forward-thinking approach:

🚀 Streamline technology

Conduct an audit of current systems and eliminate inefficiencies. Unified platforms like Zitcha can centralise operations, enabling seamless omnichannel execution.

🎯 Expand data strategies

Move beyond first-party data. Identity platforms can provide the context needed for more nuanced targeting, improving campaign effectiveness.

📈 Adopt full-funnel metrics

Measure success across the entire customer journey, from awareness to purchase. This includes capturing the halo effect and off-site sales to provide advertisers with a complete picture of campaign impact.

💸 Invest in innovation

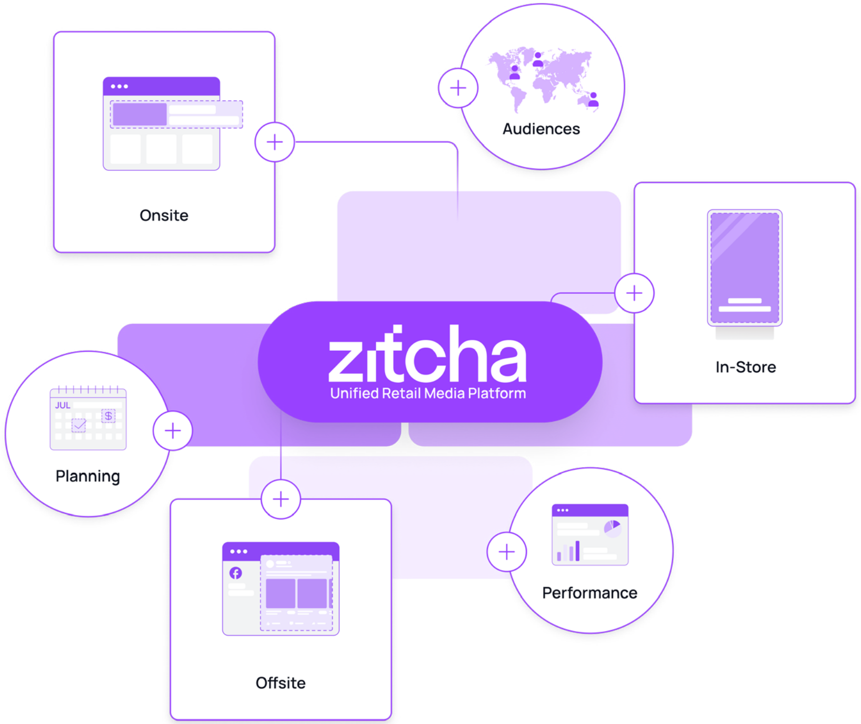
Embrace cutting-edge tools like generative AI to enhance personalisation and optimise campaigns in real time.

Conclusion: A blueprint for retail media success

Retail media is no longer an ancillary part of retail strategy; it's become the backbone of modern retail growth. With global spending set to reach **£127 billion** by 2027, retail media networks offer retailers an extraordinary opportunity to diversify revenue streams, drive profitability, and redefine their role in the broader advertising ecosystem. Yet, as this report has shown, the path to retail media excellence is not without its challenges.

For many retailers, underperforming networks remain a significant obstacle, driven by inefficiencies, disjointed systems, and unmet advertiser expectations.

What emerges from this report is a clear picture of retail media's immense potential and the steps required to unlock it. Retailers must focus on integration, innovation, and a customer-centric approach. They must shift their perspective from seeing retail media as a way to boost their own

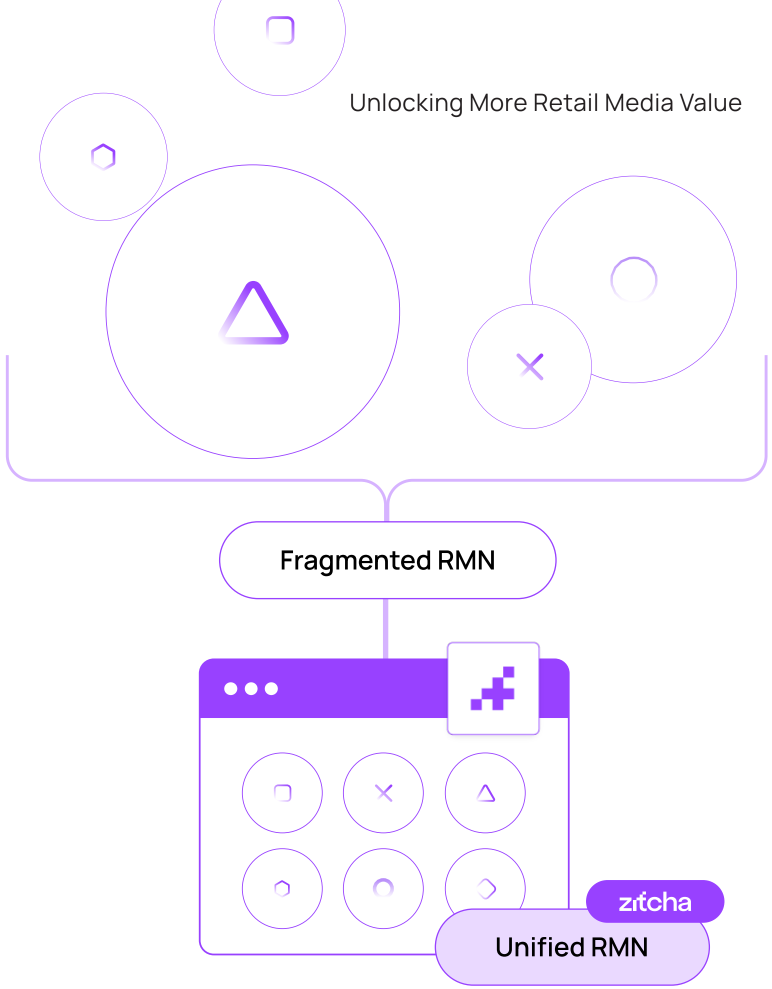


Current State
The Evolution
Challenges
Future State
Conclusion

sales to viewing it as a comprehensive advertising platform that delivers measurable value for advertisers.

The future of retail media is about more than just ad spend – as Lewis notes, it's about relationships, trust, and long-term growth. "Platforms that unify fragmented systems not only simplify campaign management but also encourage brands to spend more with you." As the sector matures, those who prioritise transparent reporting, advanced data strategies, and cutting-edge technologies will not only succeed but also set the standard for the industry. Platforms like Zitcha are enabling retailers to make this leap, providing the tools to turn fragmented networks into cohesive ecosystems that deliver value at every level.

For retailers in the UK and beyond, the message is clear: the retail media revolution is already underway, and the time to act is now. Those who seize this opportunity will not only unlock new revenue streams but also redefine the future of retail itself.



> "Retail media isn't just a new revenue stream - it's a complete transformation of how retailers interact with brands and customers. Those who embrace it with the right tools and strategies will not just keep up; they'll set the pace for the entire industry. The time to act is now because tomorrow's leaders are making those changes today.

Troy Townsend,
Co-Founder and CEO, Zitcha.

About Zitcha

Retail Media. Unified.

Zitcha is the only retail-first, full-solve retail media platform designed to seamlessly integrate onsite, offsite, and in-store media into a single pane of glass. By unifying planning, trade, and marketing, Zitcha empowers retailers to maximise media revenue, enhance customer engagement, and streamline operations from one trusted solution.

Retailers today face fragmented systems, disconnected teams, and underutilised first-party data. Zitcha eliminates these inefficiencies, bringing all retail media channels together for collaborative and strategic planning, real-time insights, and seamless execution.

From digital display and programmatic ads to in-store screens, Zitcha enables retailers to launch, scale, and optimise omnichannel campaigns with precision and automation.

zitcha

www.zitcha.com

Why Zitcha?

A single pane of glass

A fully integrated platform connecting onsite, offsite, and in-store media.

Collaborative strategic planning

Aligns Merch and Marketing teams for seamless, unified execution across all channels.

Data-driven growth

Turns first-party data into measurable ROI and incremental revenue.

Unified and streamlined operations

Simplifies planning, activation, and reporting across all media channels.

Retailer-first design

Built for retailers, not just advertisers, ensuring full control over media strategy.

Scalable and flexible

Works with existing systems or as a full-stack retail media solution.