THE CURRENT STATE AND OUTLOOK FOR RETAIL MEDIA

— DIRECTIONS FOR NEW VALUE CREATION IN THE DISTRIBUTION SECTOR —

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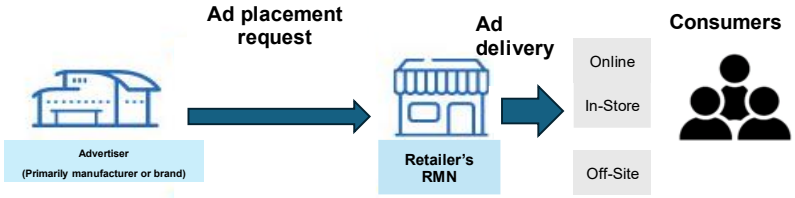
SUMMARY

- Against the backdrop of regulations on third-party cookies aimed at protecting personal information, attention is increasingly focused on “retail media,” which delivers advertisements using first-party data held by retailers.
- The development of retail media has followed different paths in the US and Japan. In the US, it has grown from online search advertising centered on e-commerce (EC), while in Japan, the focus has been on in-store formats, such as digital signage.
- In Japan, intermediary distributors play a significant role and have strong ties to both manufacturers and retailers. In retail media, new business opportunities may emerge through roles and contexts in which they serve as a bridge between the two.

1. WHAT IS RETAIL MEDIA? (CURRENT STATE AND FUTURE POTENTIAL)

Retail media refers to a system in which retailers use their consumer purchasing data to deliver advertisements. The platforms that provide advertising space to advertisers (mainly manufacturers and brands) within this system are called retail media networks (RMNs) (Figure 1). The advertisements delivered through RMNs can be categorized into three types based on touchpoints [1] (Figure 2). By providing information at a location near the point of purchase and at the moment of decision-making, these ads are expected to effectively engage customers, increase purchase intent, and improve the probability of purchase (conversion rate).

Figure 1: Retail media network (RMN)



Source: Compiled by MGSSI

Figure 2: Types of advertisements delivered via retail media networks

Type	Distribution Location	Examples
Online	Retailer-operated online media	Company EC sites, apps
In-Store	In-store locations operated by retail companies	Digital signage, electronic shelf labels, POP displays
Off-Site	External media not owned by the retailer	Social media, video sites

Source: Compiled by MGSSI

[1] Refers to opportunities or situations in which customers come into contact with a brand, influencing both their experience and brand awareness.

In 2024, the market size of retail media was around USD 60 billion[2] (approx. JPY 9 trillion) in the US and about JPY 470 billion[3] in Japan. By 2027, it is projected to grow to over USD 100 billion (approx. JPY 15 trillion) in the US and over JPY 900 billion in Japan. In fact, retail media ad spending in the US is expected to surpass television advertising by 2025, highlighting its growing importance as an advertising channel for advertisers.

One factor behind the growing attention to retail media is the tightening of regulations targeting third-party cookies[4] aimed at protecting personal data. A third-party cookie is issued by a domain other than the website a user is visiting. Because these cookies can track user behavior across multiple websites, companies have conventionally used them to support promotional activities. However, regulations such as the European GDPR[5] enacted in 2018 and the US CCPA[6] have made such practices more difficult. In Japan, the revised Act on the Protection of Personal Information (2022) and the revised Telecommunications Business Act (2023) have further accelerated the shift toward privacy protection. In this environment, manufacturers acting as advertisers have shifted away from relying on third-party cookies and are instead turning to first-party data, which can be collected through retailers' brick-and-mortar stores or websites, and is easier to collect with user consent.

Another reason retail media is attracting attention is its potential impact on retailer performance. At Walmart (US), advertising[7] accounts for just under 1%[8] of total revenue but contributes roughly one-third[9] of the company's total operating profit. This has raised expectations for retail media as a high-margin revenue source in an industry often characterized by low profit margins.

While retail media is attracting attention in both the US and Japan, the development paths by which retailers have leveraged brick-and-mortar stores, EC sites, and apps to build out retail media vary between the two markets. The next section examines how retail media has developed in each country.

2. RETAIL MEDIA IN THE US AND JAPAN

2-1. DEVELOPMENT PATHS

In the US, retail media began with online search ads centered on EC and online supermarkets, led by Amazon. The spread of EC during the COVID-19 pandemic fueled rapid growth. However, retail media in the US still mainly operates outside of brick-and-mortar stores, with advertising placed on EC sites and apps. In-store advertising, such as digital signage, has yet to gain significant traction.

In contrast, retail media in Japan has developed primarily in brick-and-mortar stores, as seen with FamilyMart's in-store signage system, FamilyMartVision (FMV). This reflects Japan's relatively low EC adoption compared to the US. FamilyMart has installed digital signage in around 10,000 stores (approximately 60% of its network) and integrated it with its proprietary app FamiPay, which has been downloaded 26 million times, thereby enabling coordination of online and in-store ad delivery at the point of sale. By combining types of advertising through its RMN, the company has successfully boosted awareness and sales of beverages and its signature product, Famichiki fried chicken[10] (Figure 3[11]).

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[2] Data from the eMarketer presentation at NRF 2024: Retail's Big Show.
[3] https://cartaholdings.co.jp/news/20250123_2/
[4] A cookie is a mechanism for storing user information about users who visit a website in their browser.
[5] General Data Protection Regulation.
[6] California Consumer Privacy Act. Came into effect in January 2020. In 2023, it was strengthened by the amended California Privacy Rights Act (CPRA), which made corporate compliance requirements even more complex and demanding.
[7] The RMN offered by the company is called Walmart Connect.
[8] https://www.adexchanger.com/commerce/walmarts-ad-business-cleared-4-billion-in-2024-and-is-only-getting-started/
[9] https://www.modernretail.co/marketing/almost-a-third-of-walmarts-profit-now-comes-from-selling-ads/
[10] Presentation by the company at Retail Future Days 2025 held on September 17, 2025.
[11] Hotters refers to the heated display cases that hold fried items such as Famichiki.

2-2. MARKET CONCENTRATION IN THE RETAIL AND RETAIL MEDIA SECTORS

In the retail market, the top 10 companies in the US account for 44% of the total market, indicating a higher level of market concentration compared to Japan, where the figure is 30%. Moreover, market concentration among US retailers has increased since 2015 (Figure 4). This environment has driven manufacturers and other advertisers to make greater use of RMNs. For these advertisers, the customer base, store footprint, and MAU [12] of leading companies' EC sites make them particularly appealing. In Japan's fragmented market, achieving similar reach requires working with multiple retailers. In the more consolidated US market, placing ads through the RMNs of top retailers makes it easier to reach a broader audience.

In the US retail media market, Amazon Advertising and Walmart Connect, the RMNs operated respectively by two of the largest retailers, Amazon and Walmart, together account for roughly 85% of the total market share. These two companies operate business models leveraging economies of scale, expanding their advertising businesses based on their sheer size to increase profits.

Figure 3: Example of sales floor integration with online and in-store advertising at FamilyMart

Source: Presentation by FamilyMart at Retail Future Days 2025 held on September 17, 2025

Figure 4: Share of total retail market held by top retailers in Japan and the US (2024)

	Japan	US
Top 5 companies	22%	33%
(compared to 2015)	+6%	+9%
Top 10 companies	30%	44%
(compared to 2015)	+7%	+10%

Source: Compiled by MGSSI based on data from Euromonitor

Among lower-ranked retailers, a different direction for RMN development is emerging compared to the top two companies. For example, they are exploring ways to differentiate themselves by further enhancing customer loyalty through advertising initiatives and promotional activities that target their own customer base, offering added value that the top two players cannot replicate. Also, retailers outside the top two could collaborate to launch a shared RMN, linking their networks to achieve a scale that would be difficult for any single company to reach on its own.

2-3. RETAILER OBJECTIVES

For advertisers such as manufacturers and brands, the purpose of using RMNs is to increase awareness of their products through ad placements and ultimately drive customer purchases. For retailers, the goal is to secure more ad placements from advertisers and generate revenue from advertising as a business. However, the way this is viewed differs between the US and Japan.

In the US, RMNs are increasingly seen not only as an advertising business offering a new, high-margin revenue stream, but also as a tool to enhance customer satisfaction and leverage the retailer's core business. In other words, by using retail media to strengthen customer loyalty, retailers aim to encourage visits and purchases, thereby contributing to sales in their core operations. Ulta Beauty[13], a major cosmetics and beauty retail chain in the US, has highlighted the importance of customer loyalty in connection with RMNs with the words "Loyalty is the new cookie," suggesting that information obtained from loyal customers and its utilization are key to retail media.

In addition, retail media is no longer seen by retailers as something pursued solely to increase revenue, unrelated to their main business. Instead, the dominant view is that it is pursued because it complements the core business, such as helping customers discover value they may not have noticed. Costco, the US membership warehouse retailer, has developed and deployed an RMN to strengthen its relationships with

[12] Monthly Active Users: The number of users who accessed an app or web service within a one-month period.
[13] A statement made by Josh Friedman (SVP, Ecommerce & Digital) during his presentation at NRF 2024: Retail's Big Show held in January 2024.

members, both existing and new. Costco places emphasis on working with manufacturers, who serve as both suppliers and advertisers, to help customers rediscover the convenience and value that come with being a member through its RMN.

In contrast, in Japan, RMNs are still primarily viewed as advertising businesses and are generally seen as non-core operations handled by retailers.

3. THE RELATIONSHIP BETWEEN SALES AND MARKETING

Manufacturers and brands often treat the costs of promotional activities, such as rebates to retailers or in-store product campaigns, as a sales expense. On the other hand, marketing initiatives that aim to raise brand awareness or generate consumer interest are usually budgeted separately. In many companies, these expenses are handled by different departments.

However, going forward, it will be necessary for these separate departments to work together when placing ads through RMNs. It will be important to approach this within the overall business strategy of the company, taking into account the full process from production to distribution to sales, including sales, marketing, and related functions such as logistics.

4. PLAYERS OTHER THAN MANUFACTURERS AND RETAILERS, AND FUTURE POSSIBILITIES

Retail media, which is still in a developmental stage, has gone through different market environments and growth processes in the US and Japan. As it is expected to expand further, it deserves close attention. While retailers and manufacturers are primarily envisioned as the main operators of RMNs, technology vendors responsible for RMN-related technologies will likely play a behind-the-scenes role in supporting these systems.

Intermediary distributors also have the potential to play a key role. Positioned between manufacturers and retailers, they are responsible for functions such as sales promotion, inventory management, and logistics, and their importance is particularly well recognized in Japan’s distribution sector. By leveraging their position as intermediaries, they can help build and operate RMNs in ways that manufacturers and retailers alone cannot achieve. For manufacturers, this means contributing from the perspective of product development and production. For retailers, it involves enhancing brand awareness through touchpoints that extend beyond their existing customer interactions. In addition, information accumulated by intermediary distributors about manufacturers and retailers could be used in creating retail media content. Thus, beyond their traditional roles in logistics and inventory management, intermediary distributors have the potential to develop new businesses in retail media through functions and contexts where they act as a bridge between manufacturers and retailers.