

Retail Industry Digital Ad Budgets Will Stay Just Above Water This Year

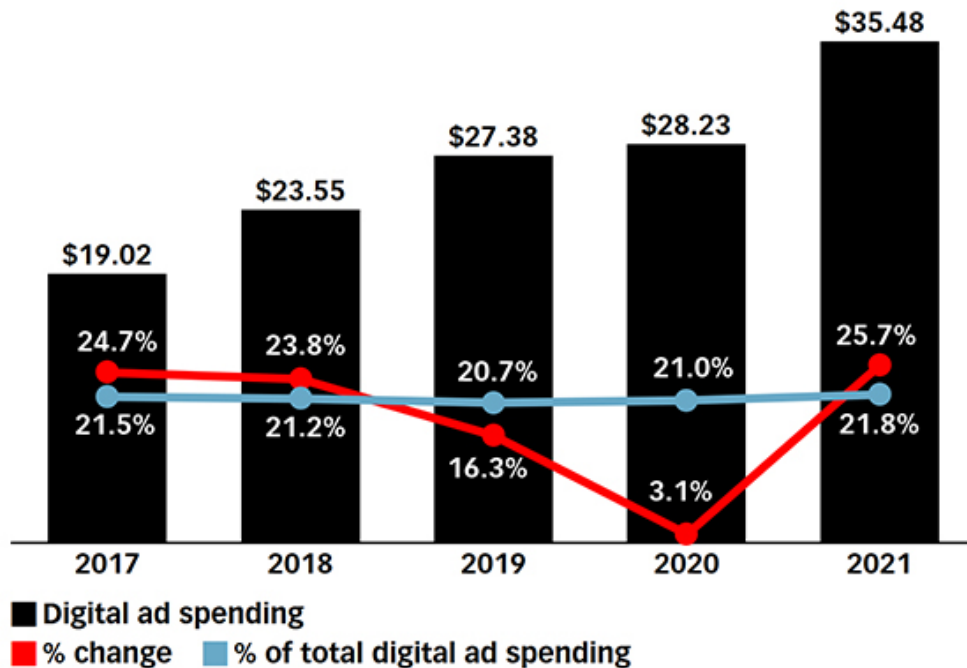
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The US retail industry will remain the largest spender on digital advertising across all verticals, despite a huge deceleration in its digital ad spending growth and a difficult year for retail sales overall.

Nearly every industry in the US will experience dramatic slowdowns—and even contractions, for some—in digital ad spend this year. But thanks to its accelerated embrace of ecommerce, retail will slightly outperform the industry average. We estimate that retail digital ad spend will increase by 3.1% in 2020—to \$28.23 billion—compared with US digital ad spend overall, which will grow by 1.7%.

Retail Industry Digital Ad Spending in the US, 2017-2021
billions, % change and % of total digital ad spending



Note: includes mail order/catalog, restaurants/fast food, drug stores, retail stores, cosmetics stores, and merchants of apparel, home furnishings/textiles, toys, pet food/supplies, appliances, jewelry and general merchandise; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms

Source: eMarketer, August 2020

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Retail digital ad spend had been growing at a healthy clip from 2017 to 2019. Prior to the pandemic, we had forecast a strong 2020, with 16.9% growth and over \$33 billion in spending. Even with our updated estimate of \$28.23 billion in spending (roughly \$5 billion less than previously forecast), retail digital ads will still make up 21.0% of the digital ad market this year. This is a notch down from retail’s highest share in recent years but still enough to keep it in the top position.

We expect ad spending to rebound by 25.7% in 2021, due to pent-up demand, and to reach \$35.48 billion.

Retail will spend \$8.61 billion more on digital ads this year than its next-closest vertical, financial services, and nearly \$25 billion more than the lowest-spending industry, travel. By next year, retail will have extended its lead in digital ad spend, even as most other industries are recovering fairly well.

Given that retail is the largest spender, it follows that its growth rate drives that of digital ad spend overall. In fact, retail's 3.1% boost in 2020 is as close to digital ad spend's 1.7% total growth as any. Nonetheless, retail will be among the harder-hit verticals this year. While its digital ad spending will remain in positive territory—unlike that of travel, auto, media and entertainment—retail will still struggle mightily compared with industries, like telecom and consumer electronics, whose products and services have been more in demand during the pandemic.

eMarketer PRO subscribers can read more about how the rapid shift to ecommerce is keeping retail digital ad budgets above water.

Report by Ethan Cramer-Flood Aug 20, 2020

US Retail Digital Ad Spending 2020

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