

Rachel Tipograph Transcript

Rachel: Our customers are these mass consumer product companies across food, bev, personal care, alcohol, consumer electronics, toys. What we've seen consistently over this calendar year is that consumers are trading down. Instead of buying the \$150 bottle of whiskey, maybe you're going to buy the \$75 bottle whiskey. Making sure that you have a portfolio that speaks to these different price points right now is super important.

Matt: To thrive in a rapidly evolving landscape, brands must move at an ever increasing pace. I'm Matt Britton, Founder and CEO of Suzy. Join me and key industry leaders as we dive deep into the shifting consumer trends within their industry. Why it matters now, and how you can keep up. Welcome to *The Speed of Culture*.

Hey, *Speed of Culture* listeners, it's Matt here. Today we have a special episode with fellow Adweek co-host Rachel Tipograph from the *Brave Commerce Podcast*, where we discuss current holiday shopping and retail trends, insights from Black Friday and Cyber Monday, and predictions on the retail space overall, as we head into 2023. Enjoy.

Hello, everyone. This is Matt Britton, Founder and CEO Suzy. I'm joined today by a very special guest, Rachel Tipograph, the Founder and CEO of MikMak, who I will introduce herself in a second. Today, we are here to talk about the retail and consumer shopping trends that are impacting the current day. It's been another whirlwind of a year this year that's slowly coming to an end 2022, really flew by fast. There's been a lot of ups and downs and especially as a marketer, a lot of headwinds to contend with. Today we're going to really dive into some of those headwinds and trends and some optimism as well that we're seeing coming out of Cyber Monday that happened yesterday.

Rachel, first of all, thanks so much for joining us, as always probably my favorite webinar on digital that I do every year, just because I really love collaborating with you, and I really have so much admiration and respect for your knowledge in the space. Thanks for joining. I'd love to hear a little bit about how your year's going and tell our audience who might not know a lot about MikMak, what MikMak actually does.

Rachel: Well, thanks for having me, Matt. Always love doing this with you and love the team at Suzy. MikMak we're an e-commerce enablement and analytics company. We work with major consumer product companies, so picture any brand that's available at places like Amazon, Target, Walmart, Drizly, Minibar, Sephora, Ulta, those are our customers, and we help them understand the end-to-end customer journey across every major media channel: Meta, TikTok, Snap, Pinterest, programmatic, your brand website, all the way down to basket level sales data at places like Amazon, Target, Walmart. We like to think that we dispel the black box that a lot of big brands used to live in.

Matt: I mean the retail landscape has gotten so much more challenging over the last decade really, where it used to be, if you got a lot of shelf space at Walmart you were taking your family to Aruba over Christmas because you knew that, that couple extra inches of shelf space, you were going to move enough product that you're going to have a great year. While the big-box retailers are still incredibly powerful, it's a little bit more complex in terms of an omnichannel approach, and we'll unpack what that means especially over the holiday season. I'm sure a lot of the companies that you work with are really confused and really trying to unpack all this.

Rachel: There's more retailers than ever before, and there's more media channels than ever before and, as a result, there's still the same amount of consumers. The population hasn't really changed, and so how you gain those people's attention in such a competitive environment is the major challenge.

Matt: Innovation, as they say, is not evenly distributed across the country. There are some consumers— you look at Gen Z and they're completely different species, so to speak, in the way how they shop and how they consume products versus boomers who are still a huge percentage of the population and especially the spending pool. You almost have to approach those generations or consumers in different parts of the country completely differently.

Rachel: 100%.

Matt: We're going to talk about retail. Retail growth overall has slowed in 2022 as people have probably read ad nauseum at this point. We have entered an economic downturn coming out of COVID. It has been sort of a slingshot effect as we all know, where COVID hit, we were told that we're going to be entering the next great depression, then interest rates went to zero, consumers got flooded with fiscal stimulus from the government and, as a result, everyone felt rich.

It propped up speculative currencies like cryptocurrency, and meme stocks, and collectibles and all sorts of things as people had so much cash and nowhere to spend it. We saw a boom in the stock market. Then almost just as quickly as that happened, we saw a little bit of a bust in the stock market in 2022, where the high-flying technology stocks and cryptocurrencies all of a sudden came crashing down hard, much to the chagrin of maybe younger consumers who have never lived through a boom bust cycle like older people like I have in 2008 and also one after the 911 crisis.

It's been really so much for brand marketers to figure out how to deal with this because, not only has it impacted their business, whether it's the supply chain or pricing et cetera, but most importantly it's impacted the consumer. Inflation is still top of mind for so many consumers, especially holiday shoppers right now because one of the impacts of that boom bust cycle is, during the boom cycle there was so much demand for products that the supply chain got clogged up. There wasn't enough product to meet the demands of consumers. Anytime there's more demand than supply, obviously, that drives up pricing, and inflation has been a huge topic for consumers as well. What we're going to talk about today is— Go on Rachel, please.

Rachel: With inflation, we've also seen certain brands benefit from it.

Matt: Such as?

Rachel: You look at the luxury market or consumer electronics and they've actually been able to lean into inflation during these times. Depending on the customer segment that you're going after, there's a very different outcome.

Matt: How have they been able to lean into it?

Rachel: By raising prices.

Matt: They're taking advantage of it and stretching their margins?

Rachel: 100%. For the high income customer, they're actually spending more than ever before and willing to do it.

Matt: They have the ability to do it. We talk a lot about people are hoping for a V-shape recovery, and what we saw out of COVID and what we might see coming out of 2022 economic issues is more of a K-shape recovery, where you have certain sectors of the economy and socioeconomic classes really faring much differently coming out of this than maybe others. Where there's a big swath of America where if bread and butter and cheese are a couple bucks more, it really impacts what they can afford every month. There's other consumers that don't even look at that. For them, they still have made so much money out of the last decade that they're literally leaning in. I guess the luxury sector would be the biggest indication of that.

Today we're going to talk about the recession and the impacts, some of which we just touched on. Product availability and sort of the byproduct of what we're seeing in terms of demand outstripping supply and how that may have eased up. How the media world is impacting the retail landscape, and how certain merchandisers are looking at different retail opportunities to impart into their manufacturers to basically drive eyeballs, drive awareness through new channels that are popping up as well as most recently Black Friday and Cyber Monday, which was, of course, yesterday. What was the data that we saw coming out of that, and what are the implications for 2023?

First we talked about the recession. There's been news of an impending recession for months. In some ways, it's been wagging the dog in that people read the headlines in the USA or they watch *Today Show* or whatever it may be, mass media, and they think, "Oh, wow, something's coming. I'm going to let the headlines drive my decision versus maybe what I'm seeing in my wallet or what I'm seeing happen with pricing," but over time consumers also have been hit with pricing.

We are seeing signs of slowdown, and we don't really know how long it's going to last. Over the course of this year, the Federal Reserve has consistently raised interest rates, and that's impacted things like credit card, interest rates for consumers. Right now, and we'll talk about it, consumers have record credit card debt in the US. Debt for credit cards has never been as high as it's today. A year ago or maybe a little over a year, savings were never as high as they were today, so it's quite a shift. Brands you're working with seeing the impact of that just in terms of the debt load that consumers have right now, Rachel?

Rachel: 100%. The thing that I'm paying attention to is not the stock market, it's the interest rates. If you talk to different economists, some are more optimistic, but they feel like by June of this upcoming year, interest rates might level around 2.5%, but then they actually believe that they'll go way back up again. If you're planning for 2023, a lot of folks think that there's going to be a window, and it's essentially going to be-

Matt: A double dip almost so to say.

Rachel: Yes, like April to June, we're going to all think that like the economy bouncing back, and it's going to feel like the gold rush again. Then it's going to go back to maybe more normalization.

When you talk about credit card debt there's a big elephant in the room. One of the major causes of this, especially amongst millennials and Gen Z, are the buy now, pay later companies. Everyone was like, "Look at these insane e-commerce conversion rates that we're getting on our site now that

we've installed after pay." If you look at just California, 75% of the credit card debt that's occurring is because of the buy now, pay later companies with this artificial sense that you have money.

Matt: That's disproportionately with younger consumers where they'll go on Aeropostale, and they'll say, "Oh, I'm going to buy one pair of jeans," and instead they can end up buying seven for what is essentially the same cost that day. What they don't realize is that the bills are going to be coming for the next several years. Then multiply that by 5 or 10 other shopping experiences. All of a sudden, consumers have debt loads that have added up, and it's going to impact their ability to do other things.

Rachel: You asked, how's that showing up for our customers? Our customers are these mass consumer product companies across food, bev, personal care, alcohol, consumer electronics, toys. What we've seen consistently over this calendar year is that consumers are trading down, so instead of buying the \$150 bottle of whiskey, maybe you're going to buy the \$75 bottle of whiskey. Making sure that you have a portfolio that speaks to these different price points right now is super important.

Matt: Very interesting. As we've mentioned nearly three quarters of consumers are concerned about a potential recession. You mentioned trading down, Rachel, and some of the research we saw is that electronics and clothing are two of the areas that consumers are most likely to scale back on. Can you elaborate on that a little?

Rachel: I mean, we've certainly seen the data with consumer electronics, so a really telling moment was Amazon Prime, they had two big prime days this year. Both occurred-

Matt: Which is new, right? They usually only have one.

Rachel: -in July and October. Typically during those moments, that's where you see electronics pop, like rise to the top. We didn't see that. We saw household staples top, and so it was a very, very telling moment that right now people are being way more cautious with their spending.

Matt: I think one reason why, I was speaking to an exec of a major consumer electronics retailer who was saying our TVs are stacking up against the ceiling, and the reason they say why is that during the pandemic, people bought a TV for every room in their house and every bathroom in their house. They bought every Sonos speaker, et cetera, so they just don't need things anymore. Everyone has bought everything electronic-wise for their home that needs to be purchased.

Rachel: Well, Matt, you just touched upon something that's so important and significantly impacts the economy. People can't buy houses right now, because of mortgage rates, people are staying put. Typically changing homes is a huge buying moment.

Matt: For furniture, for electronics, for all sorts of different products.

Rachel: Then a lot of different services. You switch doctors, cities, all these things. Then the other part of it is now what we're seeing in big tech, people's jobs are being challenged right now and that was the upper middle class. All of this is going to significantly impact the economy going into 2023.

Matt: You've mentioned this earlier, but shoppers have prioritized the October deal days of Amazon and Target, because Target has their own version of Prime Day now. Shoppers prioritize the essentials over these big ticket items, so is that a shift overall? Just looking at Target, in July, it

was groceries and then toys and electronics. Then in October, it was groceries still number one but then health and personal care. Shifting to necessities, is that a general trend you're seeing really across all retailers?

Rachel: Consistently. Absolutely. When we get later into the presentation and we break down product subcategories by retailer, you will see that the retailers that win are the ones that have the SKUs within grocery, household items, and alcohol.

Matt: Right. The everyday basics. If nothing else, it gets them in the store, and if they're going to sell other higher ticket or discretionary items, they're in the consideration set because they have those core products.

Rachel: Absolutely.

Matt: We've seen this the last couple years, correct me if I'm wrong, but then Prime Day used to be in November. It was closer to the Black Friday, Cyber Monday period, and it got moved up. I think the post-pandemic was in July, wasn't it? Wasn't that super early?

Rachel: The last few fiscals it's been in July.

Matt: I remember that was early. I think before that it was in October.

Rachel: Yes, you're probably right. My memory's jogging, but ever like 2019, it's really been this Christmas in July moment.

Matt: Right. Is that a trend you see to continue, and why are these big retailers doing that?

Rachel: Oh, yes. I mean the thing about retail is about training people to shop. For example, at MikMak, what we consistently see in our data is before any big holiday, Valentine's Day, Cinco de Mayo, Memorial Day weekend, people start shopping for that holiday two weeks in advance. We've essentially trained consumers through promotional messaging, advertising, like, you got to start planning or things are going to sell out.

Matt: Halloween candy, whatever it may be.

Rachel: Exactly. Fast forward Amazon events this holiday Prime Day, and then Walmart joins in and Target joins in, it's Sephora and Ulta, and now it's this huge shopping moment that America has gotten behind. That shopping moment is absolutely here to stay, especially in tough economic times, and we'll get to this, but people will show up for the deals.

Matt: Right. It's really interesting because it's like the definition of consumers and creating a holiday around shopping. I'm a victim of this. I mean, I bought on Amazon on Prime Day things that I really didn't need. It was just, "Oh this is a deal, I should get it." I'm sure that's really what they're feeding into.

Rachel: Yes, of course. Like, who doesn't want to brag about the great deals you got?

Matt: Right. Obviously, we're entering the holiday season and one trend we saw entering this, and we had talked about this in the prep for today, Rachel, is that we are seeing shoppers taking fewer trips to retailers however, their basket sizes are increasing. Does that have to do with rising gas

prices? Why would consumers be putting more in their cart versus less in the wake of an economic downturn?

Rachel: This data right here is very, very important. This is data that MikMak has seen throughout 2022. When news headlines were predicting doom and gloom holiday season, that consumers weren't going to come out to shop, we didn't feel that way. We actually said, "Hey, consumers are going to come out. They're going to come out for the deals. They're going to drive bigger baskets, because that's what we've consistently seen in our data over the calendar year."

Fast forward, if all of you have been seeing the headlines, that's exactly the outcome that happened. What's happened essentially over the last two years, especially in the US, is that people now see e-commerce as a vehicle to drive bigger baskets, drive convenience, so they don't have to shop as often. Average American pre-pandemic was going to the grocery store one and a half times per week. Now they can have the same outcome with three trips. They've essentially reduced their shopping by 30% by driving bigger baskets and having convenience at home.

Then when you see what people are putting in their carts, because we get basket level sales data at MikMak, you see right here it's essentials and baby formula number 10, given the crisis that's happened across the US around baby formula.

Matt: Is what's driving— because obviously, there was this habit that ensued during the pandemic where people were stockpiling essentials. Do you think that was one of the things that became a catalyst for this type of behavior?

Rachel: Well, stockpiling will always happen in times of distress. Snowstorm happening, a hurricane, but what we're seeing right now is more a sign of the times, which is, with the money that I have, I'm going to buy the necessities for my family. Then the hair removal cream I also think is a sign of the times, which is I'm not going to go to my local nail salon to get it.

Matt: Or nail care serum, right?

Rachel: I'm going to do it at home. Exactly.

Matt: That's another thing again, we started to see during the pandemic that people couldn't go to the salon, they couldn't get their pet groomed. They couldn't go get their oil change because there was so much shutdown, so they learned how to do a lot of these things on their own.

Rachel: Exactly. Something that we'll get to in a bit, but what you'll see here is like hair removal cream, nail care serum, this is happening in the same cart where potato chips are happening. What this means is that the big-box retailers are now starting to steal market share from specialty retailers.

Matt: Very interesting. We saw so many, I don't want to call concerning, but so many headwinds with the consumer earlier on. The question is, was that an arbiter? We'll obviously get into what we saw Black Friday, Cyber Monday, because, as I mentioned earlier, it wasn't as much doom and gloom as what we thought which, at least to me, came as a surprise. I was thinking that things were not going to be as rosy as they were, but we'll get into that in a little bit.

Product availability is obviously a huge thing in retail, maybe slightly less so in the e-commerce world. Does e-commerce ultimately, I guess use that as an advantage for them because they don't really have the same shelf space issues? How is that manifested?

Rachel: Oh, product availability is, I want to say as important as it is in e-com. What we've consistently seen in our data is that if the brand SKU is not available, the consumer is willing to put a competitive SKU in the cart, because it's about needs not wants. Then the challenge of e-com is that the user behavior is replenish, replenish, replenish. If your product moves out of the basket because it wasn't available, it becomes infinitely harder to regain that opportunity.

Matt: You're saying, so you'll go to previously purchased items or whatever it may be, once it's in that commerce flow, you're good, but the first time it's out to get back in, you're almost at the top of the funnel all over again.

Rachel: Absolutely. There was this, a lot of the-

Matt: Is that different in physical retail, Rachel? Sorry to interrupt, but I guess physical retail, if you're going into a store, it's a slightly different dynamic. I guess the habit of grabbing this brand exists, but it's not actually in a cart when you log in, it's different.

Rachel: Physical retail it's more in your face. Oh, my favorite thing is available versus just replenishing the cart. The flip side of this is that early in the pandemic when a lot of major brands were out of stock, that's when challenger brands were able to try to gain some market share. They were fulfilling a need, but now they're being hit really hard with supply chain issues because the big brands are always the first ones out of the factory.

Matt: Let's talk a little bit about private labels. Obviously private label has been and will always be in times of economic hardship, a growing category, because some consumers will say, you know what, the premium brand soda or shampoo is great and all, but if I'm trying to make ends meet, I'll just get the store brand, and I won't know the difference anyway. How much have we seen that as a trend this year during what we've all encountered?

Rachel: No, private labels are tough. There's a lot of conversations that are at the FTC level around the efficacy around some of these speculations, but if you-

Matt: Meaning what? Meaning that they say it's just as good as a premium brand, but it's not.

Rachel: If you listen to Andy, the CEO of Amazon, and he had a recent interview with Kara Swisher, a lot of folks are saying, "Hey, your algorithm is favoring Amazon private label brands. Meanwhile you're forcing us to pay all these dollars to beat them in the algorithm. You're making money every which way." The lobbying level, you're going to start to see more and more discussion happen around private labels as you see consumers switch to these brands. It's a really, really tough spot for brand manufacturers.

Matt: Just because basically the retailers control the rails. They control the rails so they're going to push their own products, because they obviously have higher margins, they're pushing the name brand products.

Rachel: 100%. The question is, whether the government is going to help break up big business to change this?

Matt: Right. Really Amazon is the one that has a disproportionate advantage just because of the amount of data that they have.

Rachel: All the big retailers. I think one of the big headlines that happened was two years ago when Target published their earnings. It was the summer of 2020, I'll never forget that. It was the first time that they highlighted the revenue of Good & Gather,, which is their private label grocery line, which they've done a phenomenal job with. It did a billion dollars in revenue, that was 2020. That was the moment where a lot of folks were like, "Ooh," this is going to create a huge ripple effect in the industry. I would say, folks like Amazon, Target, Walmart have a lot of strength in this environment.

Matt: What are some of the categories where disproportionately consumers are flocking towards private labels as of late?

Rachel: It's necessities, it's household items, it's even food. Given what the success that Target has had with Good & Gather,. Where you see it less is more in consumer electronics as you've seen here. Amazon's actually and Target's done a pretty strong job with apparel. Folks for a long time thought that would never happen and it successfully has happened.

Matt: If you're a brand and you're a brand manager of a packaged good multi hundred million or a billion dollar packaged goods brand and you want it to become private label proof so to speak, and make sure that your brand was so alluring that no matter how appetizing it might be for a consumer to switch, they're going to stick with your brand, what are some of the things that you see, I guess consistent across the brands that have been able to weather the private label storm?

Rachel: We have a perfect example, Liquid Death. It's water in a can. It's water, right?

Matt: Worth \$700 million now. New category.

Rachel: They market water the way that you market beer. That's a perfect case study of being ruthless about investing in a brand and executing flawlessly.

Matt: It's about brand and brand trust ultimately, in a world where a lot of companies are really focused on performance, and we'll talk about the shifts in media, it really speaks to the fact that brand still matters.

Rachel: Then you saw this, this is a totally different category, but in Airbnb's earnings, they've pulled so much of their bottom of the funnel. They're, right now, only investing in upper-funnel media.

Matt: Now they've become a verb to be fair. Not every brand has that luxury.

Rachel: No, but these are stories about investing in brands.

Matt: Yes, absolutely. But no, to your point, Liquid Death is in their startup that is a couple years old. If they're able to gain the benefits of the brand, the future proof about private labels just shows the power of it.

Rachel: The founder of Liquid Death, what was his job before? He was a creative director at an agency. That's it. He was never in CPG, advertising.

Matt: Ultimately, they're selling water, which is basically as commoditized as it gets in terms of consumer packaged goods. There's one ingredient in it. If there's any way where you can truly see the power of the brand and the storytelling in the packaging, it's in the bottled water space or in their instance the canned water space. I think it's a great insight for sure.

We're obviously also seeing shifts. You talked about this a little bit, in terms of where consumers are shopping differently this year versus last and who some of the winners are in 2022. Can you talk about on a category basis where you're starting to see consumers gravitate towards this year?

Rachel: I think the big thing to takeaway from this slide is Walmart. Walmart is gaining real market share-

Matt: I mean, look at 2021, beauty was Ulta last year. Then you had an Instacart. Now you have grocery with Walmart, and now you have beauty as Walmart as well as personal care. You see the data from 2021, 2022, how much share Walmart's gaining, which is crazy, because their stock has not had a good year. They've had trouble messes on over inventory, et cetera so it's-

Rachel: We can not use the stock market as an indication of business success.

Matt: That's not just the stock market. They basically said they over ordered, they had too much inventory. I guess you're saying that's disconnected.

Rachel: Matt, I don't know about you, but I like to think that we're like-minded. I think founders, CEOs, you're always going to be optimistic.

Matt: Yes.

Rachel: We all believe that we are going to grow a certain amount in 2022. We knew it wasn't going to be like 2021 and 2020, but we didn't think it was going to be what the year actually ended up being. Everyone misforecast in that way. I think the most important thing about Walmart here is that the investments that they've made in omnichannel, the investments that they've made in grocery. The key thing here is grocery is the anchor. We showed you the basket level sales data. People are looking to buy household products. They then obviously have millions of other SKUs that they can cross-sell into that customer that's shopping for their family. Then the investments that they've made in retail media. It is a perfect storm for Walmart to continue to gain market share. This is all MikMak first-party data. Then if you've seen the news headlines, what did we learn from the news headlines around Black Friday? Walmart was the winner. Right now, America prefers Walmart even over things like Amazon.

Matt: It's so interesting because Walmart was so relatively late to the game in digital. There are many that were predicting Walmart's demise because walmart.com was a shell of what it's today as recently as maybe five years ago when Amazon started to dominate. Have they caught up in digital? Is that really what's happened? Because I know they have their own membership program now as well.

Rachel: They have made massive strides. They made some really smart hires. They went all in on omnichannel. They call it Walmart Connect. It's one team. You're meeting with the merchants of brick-and-mortar and online at once. You're meeting with the media team of brick-and-mortar and online at once. I think that they're making some really aggressive moves to continue to keep this

market share. For Amazon to change the game here, Amazon actually needs to make way bigger strides in grocery, and they're struggling right now.

Matt: Very interesting. It's something that, in 2020 you probably didn't think you'd be saying as kind of dominated.

You mentioned retail media last year, you were one of the first people that turned me on to the power of retail media. A mutual friend of ours, Mark Edmondson is the CMO of GoGo squeeZ I interviewed him for our *Speed of Culture Podcast*, and he was talking about how important and impactful and really how much of a prerequisite that is now becoming for them to be able to play in some of these retailers. I really want to dive into retail media. First of all, what is retail media for those who don't know? Why has it taken on such great momentum here in 2022?

Rachel: Retail media is retailers like Amazon, Target, Walmart using their first-party consumer data. People are completing purchases. They know my name, my household address, my credit card, and are now building an advertising platform on top of that data. All of a sudden, retailers' competition is not just each other, it's also Meta and Google and The Trade Desk and anywhere else that you could buy media.

What's happened is a few things. If everyone remembers the headlines, this all started around summer of 2019, when Apple woke up and realized that companies were building billion dollar businesses inside their hardware. Meaning like Google and Meta these huge advertising businesses. Apple wasn't seeing a piece of it. What did Apple decide to do? It just changes to make it increasingly more difficult to retarget consumers through their hardware. This is all the trends around the cookieless internet. All of a sudden advertisers were not seeing the same CPM effectiveness in channels like Meta and Google. Then the CFO was like, "Wait a second, we're spending all of this money, we're not seeing the same results, either I'm cutting your budget or you have to come up with new strategies."

Matt: By the way, Rachel, didn't that really impact a lot of that huge wave of direct to consumer brands that popped up, whether it's Casper Mattress, Warby Parker, et cetera. They were all doing incredibly well before these changes took place, and then they started to see really depleted ROI.

Rachel: DTC businesses, everyone was using the same playbook, which was to use Facebook ads or Meta ads to drive customer acquisition on the back ownership funds. That playbook no longer works. This created a perfect opportunity for retailers to fill the gap because, what does Amazon, Target, Walmart sit on? They sit on all of the purchase data. "Hey, I know who purchased diapers on this day last week. They probably need to replenish. Let me go hit them with an app." I shared this because so much of the rise of retail media happened because of the changes in iOS 14 cookieless internet, it started to fill this gap. That was number one.

Number two is that retailers have a different advantage over advertisers than traditional digital and social platforms. That is, if a laundry detergent company wants to do business, they have to make the retailers happy because without the shelf space, I have no business. I see this because the retailers come from a position of strength and negotiation power, and so if they say, "Hey, laundry detergent, you now need to give us 20% more advertising dollars than you did this day last year." The advertiser says, "Okay. Let me write a check right now." The advertiser has no strength in these negotiations.

This chart that Matt has right here is, again, MikMak data. We work with over 600 brands, and we have the privilege of working with some of the biggest executives at the biggest consumer brands. They sit on our customer advisory board. In one of our customer advisory board meetings this year, I asked them, "What percentage of your media spend today goes to brand versus retail media?" They told me, "Rachel, 25% goes to retail media, 75% goes to brand media." I then asked them to project that into the year 2025 and it was the inverse. They said that 75% of their media spend would go to retail media and 25% to brand.

Matt: This is kind of crazy. Think about it. If I'm a CPG, if I'm Procter & Gamble, I'm basically building my own retailer because we're basically— Earlier we were saying that the retailers are creating their own products and now they own the rails, and now they're creating their own media channels. They're essentially going vertical. How are the traditional CPG companies going to be able to compete? Ultimately, they're going to need to create their own rails. You see how this is all playing.

These guys have air cover. Target and Walmart have air cover because they're not going to get— they may get antitrust concerns on the private label stuff, but ultimately Amazon is the 800-pound gorilla in the room, and ultimately no one's going to say, "Target or Walmart, you're getting too big because of them."

Rachel: This is my perspective on all this, and I know we'll get some predictions. Retail media has essentially been given a hall pass the last few years. It's this new channel and no one was really looking at the efficiency of it.

Matt: It was pay to play. It was almost a means to an end to get the distribution, and because of that, they can write the checks because they know they were getting the sales on the back end.

Rachel: Exactly. For my most sophisticated customers, this year is the first year, really for many of them, that they're starting to build retail media into their media mix models, primarily with Amazon and Walmart data. What they're learning is that retail media is not as profitable as you might believe it is. That is because to do retail media, you actually have to do lots of other things. You have to pay slotting fees. That's essentially paying rent to the retailers for shelf space. Then you have to pay fines, if your product shows up late to the distribution center. You have traditional shopper marketing—

Matt: Hidden costs that all go into the ROI analysis.

Rachel: They're putting it all there versus Meta where you can log into Facebook ad manager and buy an ad for \$1 and it just literally costs you \$1. That, I truly believe, will become the conversation going into 2023 as more people become more educated around the expense around retail media. I believe that more brands will start to come together. You're starting to see it at the ANA and the IAB, they will create a more of a collective force to create more balance in the ecosystem. That's why I believe if you went back to those pie charts, we're not going to end up at 75/25, but yes, I do believe we're going to end up at 50/50.

Matt: Which is just a shocking number compared to where we were just a couple years ago when retail media wasn't a thing. There were Sunday circulars back in the day. Maybe slightly for your time where brands had to buy ads and Best Buy Sunday circular in order for them to be sold at Best Buy. This is basically that rebuilt for the digital generation. That's the best way to put it but seems like they have more leverage than ever before to impose these channels. On the retail side, it

probably just stretches their margin even further, because they must have incredibly high margins on selling this retail media.

Rachel: 100%.

Matt: Let's talk about social because that's the area that MikMak really specializes in terms of social commerce and driving those social interactions into e-commerce. How has social media and social commerce fared this year? There's been so much negative publicity. There are articles now saying we're at the end of social media. To think about it, we have the Twitter debacle, which is a whole other webinar in its own right. You obviously have all the challenges that's going on at Meta as Mark Zuckerberg tries to take Facebook into the Metaverse, and maybe moves away from their core business. Then you have TikTok and all the concerns that regulators have about their connections to China. There's just so many headwinds in the world of social media, but despite all that, how is it performing as an actual channel for brands in terms of driving commerce?

Rachel: Well, first, yes, we started in social commerce, but we get trafficked everywhere, programmatic, brand websites, you name it. It's been a really interesting year for social commerce. First headwind, as I alluded to, was the changes that occurred in iOS 14 that happened last year really carried over into this year. For most brands, all of a sudden, they said to themselves, "Okay, social is really an upper and mid-funnel channel. We can't rely on it for lower-funnel campaign objectives. We'll do that in search. We'll do that in retail media." That started some shift in spending.

The second was the continued rise of TikTok. I would say in 2020 and 2021 most brands still considered it an experiential channel, and they probably were putting less than 1% of their total media spend into TikTok. We've seen an astronomical rise in spending. We're seeing that spend, essentially move from Meta and Snap at streaming video into a platform like TikTok. TikTok has done a really good job of building out its DR ad products. Its direct response ad products. Twitter, Twitter was-

Matt: Are brands concerned about TikTok at all, about all the rumblings about their connections to China and security risks, or is that just fluffy headlines that don't really impact the way they do business?

Rachel: There has been that. We've had some customers who chose not to invest in TikTok because of that, but for most folks, they're moving money into TikTok. That's also because there are not so many options right now. Essentially, everyone that I know has pulled spend out of Twitter. If you guys have seen some of the MikMak data, because it's made the national news headlines, we've seen essentially now a 100% decline in our Twitter traffic. On October 27th, when Musk took ownership of Twitter, we immediately saw 75% decline. Overnight, brands just paused, and during that time we saw a rise in TikTok traffic. Brands were reallocating spend-

Matt: TikTok has been, as you've seen, the biggest beneficiary of what's been going on.

Rachel: Yes, so far. The other interesting thing about social is that you're starting to see social and retail media blend. I think that is what is going to continue to evolve over 2023. This has been going on since 2019. Kroger did a deal with Pinterest in 2019 where you could buy Pinterest ads against Kroger data. Since then you've started to see these types of programs be built out. The challenge is, it's happening in a bespoke manner.

I think the conversation that will happen, going into 2023, is, are you buying the same audience over and over at a premium on different platforms? Like you buy the Walmart audience and The Trade Desk, and then you buy it in Meta, and then you buy it on TikTok and you're just literally reaching that same consumer over and over and over.

I think the new metric in all of this that brands are going to be holding the platforms as well as the retail media groups accountable to is, are you driving incremental revenue? Is the net new-

Matt: Really, what's the return on ad spend, and how is that different than other channels-

Rachel: Exactly.

Matt: -ultimately?

Rachel: If there was a pie chart you had before where you saw around 63% of our traffic is still occurring in social and then a lot of it after that is in programmatic. Programmatic is also inclusive of CTV. A lot of our customers are essentially buying on Trade Desk and it ends up on Roku. Social is still strong, but if I made this pie chart for you two years ago, it probably would have said 75% social.

Matt: Got you. We are seeing some headwinds overall in society, given everything we discussed. Let's switch gears a little bit and round out this presentation about Black Friday, Cyber Monday. Obviously, it's a combination of the shopping year for brands. Many big brands and big businesses have a disproportionate amount of their business happen during a very small period of time between Thanksgiving and the Christmas holidays. Really curious to see your take on what we've seen consumers intended to shop on Black Friday, Cyber Monday, about the same levels we've seen in the past. 45% had intended to shop Black Friday, 37% Cyber Monday.

This is an interesting thing we pulled up in terms of which trending topics we saw from consumers. This is just a side thing, but we had stuff like low-content books, coffee table, fluffy books, mushroom decor and gaming sleeves. It's always interesting to see some of these new exploding topics that consumers see. What do we actually see? Let's start with Black Friday in terms of consumer shopping, Rachel.

Rachel: We actually saw record sales. It was modest growth, so it was around 2.5% year-over-year growth.

Matt: What was the growth last year, if you can remember? From 2020.

Rachel: It was higher. It was like 16% growth has certainly slowed, but it hasn't.

Matt: Is this online growth you're talking about or just shopping in general?

Rachel: This is online.

Matt: Online.

Rachel: That's consistent with what we've seen throughout the calendar year at MikMak is that it's been a modest growth year. News headlines were speculating the end of the world and shopping as we know it. What we saw on Black Friday is that consumers were willing to show up for deals, and

then a lot of what they bought were against staples. I think it continues to speak to the tough economic times, and it speaks to why Walmart is becoming the Trojan horse over Amazon. If you think about Walmart, they're America's biggest grocery store.

Matt: A lot of the Black Friday sales were actually groceries and staples versus people buying gifts. What many would probably think Black Friday's for is holiday shopping, was really shopping for staples masked within a holiday shopping period. That's fascinating.

It's no surprise to your point, in terms of Walmart, Amazon, Target continuing to dominate. How about some of these other platforms that we had at the bottom of the list here, Drizly and Instacart? Because those are obviously startups that haven't been around for that long. Talk to me about why they are so popular and have such a big share.

Rachel: Brands, especially in the categories where their SKUs are available in Drizly and Instacart, they see a really high conversion rate with the promise of same-day delivery. When they're buying media or they're doing influencers or even organic, that's a value proposition that they really shout to consumers and, as a result, drive traffic to those retailers that can deliver on the promise of same-day delivery.

A particular customer who's in the beauty category, saw around a 70% lift in e-com conversion by just simply communicating, get it today. That's really the power of that. Folks speculate what's the longevity of these platforms. Especially if Walmart can come to market with their own solution and not have to rely on a third-party, which they are experimenting with their high-value loyalty program, but it goes to show what people are buying and where advertisers are directing traffic to.

Matt: It's fascinating. Obviously, during the pandemic they had a huge push for Uber Eats, and they bought Drizly. It's a huge piece of their business as well. What do you think about Uber and their future in the e-commerce space?

Rachel: I think Uber is a retail media platform to watch.

Matt: I do too.

Rachel: They brought in some heavy hitters to build out their ad business. In Q4 as someone who is an active Uber user, it is very clear they are coming out guns ablazing with their ad program. The amount of time that one spends with an ad in Uber is a lot. Just knowing the investments that they're making, I think it's one to watch.

Matt: Another thing we saw during Black Friday, which goes against some of the trends we talked about earlier today, is electronics actually had a nice little surprising bump both during Black Friday and Cyber Monday. What do you think was behind that?

Rachel: I think it has to do with folks wanting to show up for deals and take advantage of this moment and potentially not shop the rest of the season. I think that what's yet to be known is what it's going to look like between now and then.

Matt: Pull forward, where is the pull forward? Because the deals were so good, and then we're going to see a huge drop-off for the rest of the holiday season.

Rachel: Exactly.

Matt: In terms of Cyber Monday, is there really a distinction anymore? Because there used to be a distinction, obviously the background was people didn't go to work on Black Friday, so they would go into stores. Cyber Monday, everyone's back in the office and they're doing eCommerce shopping. Now we're in a work from home, Zoom-based world. Is it all blended together? Is the distinction really worth discussing?

Rachel: No, I think it's now the opportunity for consumers to have deals over four days. Use that as an opportunity to build their baskets, make decisions. When the clock strikes midnight, they ultimately decide where they want to spend their dollars.

Matt: Totally makes sense. Buy now, pay later, we can just bring it up again because I see this being one of the biggest bubbles yet to burst because what's happening is the quality of this debt from consumers in the buy now— and Peloton was the first huge beneficiary with the firm where Peloton's business exploded.

Very few people, if any, put down the \$2,400 for a Peloton bike, they're all still paying \$48 a month and they're going to be for a very long time. That's one reason why Peloton was able to take advantage of the COVID boom. There's so many other smaller examples of that. Do you see this going away? Do you see maybe the retailers taking over this financing themselves?

Rachel: There's a business there. Listen, this is my personal opinion as Rachel Tipograph, this headline scares me to my core.

Matt: Yes, me too.

Rachel: We're training consumers continually to spend money that they don't have. I don't think that is wise for them or the economy. For me, it's a question of ethics. As a retailer, do you want to support this type of behavior because it's going to have long-term negative effects for consumers as well as society

Matt: Couldn't agree more. I think ultimately, we're in a boom cycle, no one thinks about it. Then when things start to unravel as sell with crypto, you start to see some chinks in the armor. Ultimately some of these buy now, pay later companies will probably go under. They're probably selling off their debt to other financial institutions.

You're right, it's training consumers to not think about what they can afford. What we're starting to see is that while we're in a period of record-high savings 18 months ago, now we have record-high consumer debt. The cost of debt is going up as interest rates go up. To me, that really could be the black swan of 2023 is massive consumer debt defaults, consumers not being able to pay their mortgages, et cetera. There's a lot that can go wrong.

I think for the government, it's going to be a balancing act between wanting to tame inflation, which they can do by raising interest rates. If you do it too much, then you obviously can tip the economy over and really put consumers in a position where they can't afford even the daily necessities, the staples, which has really been the saving grace, it sounds like, during the holiday shopping season.

I'm going to just try to get this deck off so you can see our screen. I'd love to take some questions from our audience. We have a really highly engaged audience and some really amazing brands here. One question we had is, what do you think the move back to basics will mean for specialty retailers, Rachel?

Rachel: If you look at some of the interesting moves like Sephora, Kohl's, I think for specialty retailers, they really need to think about their marketplace strategy. To win in this hyper-competitive environment, you need to have a wide breadth of SKUs. I have concerns, unless you're super top of the market like Bergdorf, where you're catering to a special consumer and you can meet their luxury needs. If you're a specialty retailer that is targeting mass America, I really think that you need to focus on your marketplace strategy.

Matt: Basically, go niche. Try to find that tribe, so to speak, if you're going to be a specialty retailer, but specialty at scale, it sounds like, it's where some of the challenges are.

Rachel: A good example would be Petco. When our mutual buddy Tariq Hassan was CMO, that was really when Petco started to rebrand itself as a pet wellness company and invest in the services. You go to Petco, there's a vet there.

I think that's the other part of the specialty retail model. How do you make it about experience and services that can cater to that group?

Matt: I think that is going to be a trend that we're to continue to see. We saw the announcement from Amazon who's really deeply investing in content to get consumers in movie theaters again. I wouldn't be surprised if Amazon bought a movie theater chain, and used a video as a catalyst to get people to maybe shop. Do you see Amazon having physical retailers at scale? I know they've had fits and starts with that, but are they going to need to go in that direction ultimately to fend off the Walmarts of the world?

Rachel: I think they need to do another thing in the grocery. I'll say that with significant confidence. I can't tell you exactly what that'll look like.

Matt: Of course.

Rachel: If I were leading Amazon, that's where I would make another investment.

Matt: Absolutely. In terms of the positioning of a Walmart— obviously, everyday low prices in a down market is going to be a positioning that's going to work. Target very famously went up market in the '90s and early 2000s to try to be more fashionable, appeal to a younger, more contemporary consumer. Do you see Target and other brands that maybe had moved away from value positioning, going back to that value positioning, to try to capture maybe the consumer that they're losing? It's not just about Target, it's about other brands as well. Seeing the success of Walmart, do you see other retailers changing their course?

Rachel: I think they already have. I think that a lot of folks are focusing on price. They're also encouraging, they're trying to drive profitable growth. The thing we didn't talk about is how e-commerce can often be unprofitable. The other value proposition that they're really focusing on is buy online, pick up in store. That's a high value, very profitable consumer.

Matt: Makes sense. Really interesting question we got from Danielle who said, why wouldn't we consider— well, basically what she's saying is since brands have to pay slotting fees regardless, why should the slotting fees be factored into the retail media fees? Why should that play into the ROI equation?

Rachel: This isn't me, this is what I see across our customers, across 650 brands, is that when they're having conversations with their CFO, it's about total cost to serve the customer. They do not divorce media from the rest of the investments because the reality is they can't do the media without doing these fundamental other things. They create a line item, total cost to serve Walmart, total cost to serve Kroger. That's the conversation that is being heard between the people who are managing the media budgets and the finance department at these brand manufacturers.

Matt: Yes, totally makes sense. What are some of the changes that you think you're going to see heading into next year in terms of newer channels, whether it's TikTok, et cetera, continue to gravitate? A lot of brands are thinking about the metaverse and things like that. Are there any emerging things that you have your eye on that you really see actually making it to mainstream next year?

Rachel: I think CTV is going to continue to grow.

Matt: CTV, meaning programmatic television targeting consumers over—?

Rachel: Yes. Like ads showing up on your connected TV and those apps that you're playing with. I think that's going to be a continued area of growth.

Matt: What about influencers?

Rachel: Influencers are 100% here to stay. We live in a creator-driven economy, and that's a big part of how you go to market. TikTok will continue to grow. I think a platform that doesn't get enough love, and we're already seeing growth because a lot of the changes that are happening in the ecosystem is Pinterest. I think I'll fall back in love with Pinterest as a platform to consider. Programmatic will continue to have a large play. Retail media will have a large play. Gaming and the metaverse, I would say, when applicable to the right customer base. For example, we work with a lot of toy manufacturers. A lot of investments within the metaverse make a whole lot of sense for that consumer.

I think other brands that just like playing around, just for branding purposes in tough economic times, you might not see them do that again. I think you'll see brands, and we've seen it over years, but as more money shifts to retail media and they lose more control of their customer, I do think that brands are going to try to come to market with more inventive loyalty programs.

Matt: I was about to ask about subscription. Do you see that coming back?

Rachel: They'll figure out a way to still have some level of a one-to-one connection with their consumers.

Matt: They need it. I think that my main takeaway from this, and I'm curious to hear everyone else's in the weeks that come, is that the retailers are doing what Apple did with the iPhone is they understand that they control the rails. Once you control the rails and you have the data, you can create your own products, which they're doing with private labels, and they can basically force anybody else who wants to play on their rails to pay to play. You really have just a huge competitive advantage.

You really put these traditional consumer packaged goods companies really on their heels. Companies that used to not be the case. If you had a big brand, you used to be able to dictate a lot

more because consumers would seek you out when you went into a store. In an economic downturn, maybe not so much anymore. That's the biggest takeaway. It's going to be fascinating to see how that evolves over the next couple years.

Rachel: There is a nuance that we didn't really touch upon, but it's the challenging place that small, medium businesses are in. The only retail media that they can participate in today is Amazon, because Amazon. It's a really, really challenging place for them to be. I think that you're going to continue to see acquisitions, but not at favorable terms for some of these more challenger brands by the big holding companies. Then you're going to see a lot of them go out of business. The question is

Matt: It's really sad, right?

Rachel: Yes. What happens to product innovation when that happens?

Matt: Absolutely. Well, it's going to be interesting to see. We're running out of time. First of all, Rachel— for those of you who obviously gave so many comments where you can hear more from Rachel, Rachel hosts an amazing podcast called *Brave Commerce* with a mutual friend of ours, Sarah Hofstetter. They do an incredible job of diving deep into this stuff. Just like my *Speed of Culture Podcast* is part of the Adweek Podcast Network. Be sure to tune into that. We'll send out a link to that as well.

It's just amazing having you on every year. I think we need to move this to a biannual, so I'm going to make for you to do that. Just wishing you all the best as you wrap up the holiday season. Thank you so much for joining us today.

Rachel: Thank you for having me. Always the best.

Matt: Absolutely. Talk soon. Thanks, everyone for joining. Until next time, we'll see you soon. Take care, everyone.

The Speed of Culture is brought to you by Suzy as part of the Adweek Podcast Network and A Guest Creator Network. You can listen, subscribe to all of Adweek's Podcasts by visiting adweek.com/podcast. To find out more about Suzy, head to suzy.com, and make sure to search for *The Speed of Culture* at Apple Podcast, Spotify, and Google Podcast, or anywhere else podcasts are found. Click follow so you don't miss out on any future episodes. On behalf of the team here at Suzy, thanks for listening.