MEDIA & ENTERTAINMENT

The Performance Imperative

Part 1: Advertising Strategies for Digital Out of Home and Retail Media Networks

Performance Trends

On April 2nd 2025, a sweeping tariff policy was announced by the Trump administration, setting off volatility on the stock market and ambiguity, even insecurity, for business decision makers. Though tariff policy continues to be fluid, concerns about recession are already impacting advertiser spending and ad industry outlook. A survey by the Interactive Advertising Bureau (IAB) in February 2025 reported that 94 percent of U.S. advertisers are concerned about tariffs and the impact to ad budgets, with 45 percent planning reductions.[1] Since the advertising industry generally moves in concert with the overall economy, tariff policy is expected to upend forecasts, budgets and traditional strategies.

In times of turbulence, uncertainty or recession, marketers pull back on brand-building and focus more on performance and ROI. The shift from branding to performance strategies by advertisers will likely accelerate in the coming months given the uncertainty of tariff policy and market risk. We believe traditional channels and campaigns focused on awareness versus performance could be most vulnerable to ad budget cuts, while Digital Out of Home (DOOH) and Retail Media Networks (RMN) could uniquely have new opportunity.

In this environment of uncertainty, we believe the companies and networks that embrace the performance imperative will be most resilient and even increase share.

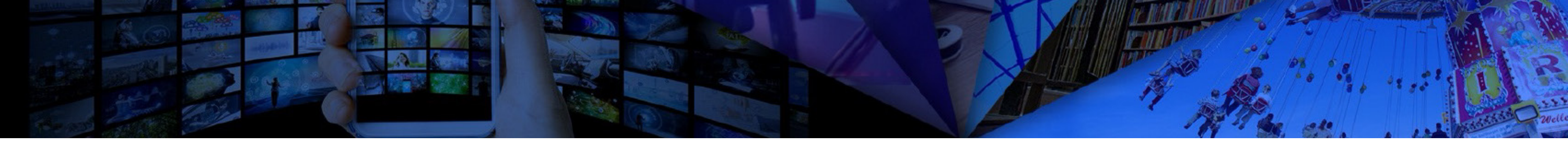
Despite economic challenges, Digital Out of Home and Retail Media Networks can have resilience through innovation and measurable performance.

Opportunities and Risks

All participants across the advertising ecosystem will have to navigate a landscape shaped by inflation, tariffs and ongoing market instability. Against this volatility, performance-based solutions linked to business outcomes, including DOOHs and RMNs, should be positioned to defend their share, even increasing their standing at the expense of traditional channels without measurable performance. However, participants dependent on foreign manufacturing, like DOOH networks, will have increased risk and pressure on costs and margins.

Retail Media Networks (RMNs)

Prior to the tariff policy announcements, RMNs were projected to grow significantly in 2025, with U.S. ad spend expected to increase by 20 percent to $62.4 billion.[2] While this forecast will be at risk with potential recession, the fundamentals will remain strong given their ability to uniquely connect advertising directly to sales outcomes, making them a top priority for consumer goods brands.



Tariff-induced inflation can reduce consumer spending, potentially affecting retail sales growth and, by extension, ad budgets to RMNs. For those RMNs that continue to focus on measurable outcomes, they will be shielded from significant cuts compared to less accountable channels.

Digital Out-of-Home Networks

DOOH networks face direct and indirect impacts from tariffs, primarily due to increased costs of hardware components like digital screens and media players, many of which are imported from tariff-affected countries such as China and Mexico. These higher costs could delay network expansions and new innovative placements and squeeze profit margins.

Despite economic challenges, DOOH networks can have resilience through innovation. They need to continue to leverage technologies like artificial intelligence (AI), machine learning (ML), programmatic advertising, and augmented reality (AR) to create localized, interactive campaigns. These innovations help maintain advertiser interest by offering high engagement rates and measurable ROI. Of course, they could face reduced ad spending in line with the ad market, as advertisers tighten budgets. However, their ability to provide targeted, data-driven solutions will position them well relative to traditional channels.

Strategic Recommendations

Despite tariff-related challenges and market volatility, we believe areas of the advertising industry will be resilient. The channels that focus their solutions and messaging on performance and accountability will defend, even increase, share. Those areas of advertising without measurable accountability and data-driven ROI could see their decline beyond the overall market.

Retail Media Networks

For RMNs, their ongoing success and defense of revenues will hinge on enhanced measurement tools to address advertiser needs for ROI and incrementality. Further, with an ongoing focus on integrating data across platforms to provide seamless attribution models, they can emphasize flexibility for client campaigns and provide fast adaptation. With the help of new AI and ML tools, data models, predictive forecasting, campaign personalization and revenue optimization can propel the RMNs to the next level. In this year's potential shakeup, RMNs have an opportunity to leverage economic uncertainty to position their channel as cost-effective alternatives to traditional media.

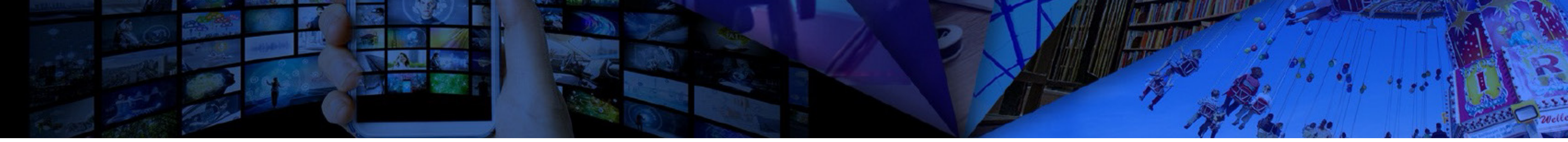
Digital Out-of-Home Networks

For DOOH networks, there will be an immediate need to focus on supply chain and cost optimization. In order to mitigate hardware delivery risk and uncertain costs, DOOHs will have to localize manufacturing and find alternative supply chains. Though costly and disruptive, digital transformation, scenario planning and diverse investment strategies will be the foundations of renewed stability. Further, their success will hinge on doubling down on programmatic capabilities enabled by AI and ML, and interactive technologies like AR to differentiate offerings and attract ROI-focused brands.

The Bottom Line

The tariff policies implemented in April 2025 have roiled the markets, eliminating any lingering optimism in key sectors, from consumer brands to advertising, tech and beyond. As economic uncertainty deepens, organizations across industries must prepare for volatility, shifting demand patterns and new pressures on growth.

Success for each player will depend on their ability to enhance, invest and solidify its performance levers and bring to market unique data- and results-driven solutions. Against this backdrop of turbulence and uncertainty, RMNs and DOOHs can fare well with innovation and performance at their core.



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[1] Ryan Barwick, "Tariffs and uncertainty to pull down ad spend, analyst predicts," Marketing Brew, March 18, 2025, https://www.marketingbrew.com/stories/2025/03/18/tariffs-and-uncertainty-ad-spend-forecast-madison-and-wall

[2] Patrick Coffee, "Failure of Kroger-Albertsons Merger May Curb Grocers' Advertising Ambitions," Wall Street Journal, Dec. 12, 2024, https://www.wsj.com/articles/kroger-albertsons-merger-advertising-sales-_12544035?mod=Searchresults_pos1&page=1

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