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Beyond the Privacy-Competitiveness Paradox

Scaling Retail Media in Europe

In his thorough analysis of the future of European competitiveness, Mario Draghi identifies the root causes of Europe's slower growth relative to the United States in a comprehensive series of gaps: productivity, innovation, skills, scale-up financing, investment, energy costs and research spending.[1]

One gap he omits, however, is advertising expenditure: European businesses invest approximately 0.75% of gross domestic product (GDP) in advertising, compared to roughly 1.5% in the United States – a ratio of approximately 2:1.[2]

'European businesses invest 0.75% of GDP in advertising, compared to 1.5% in the United States.'

This omission reflects a European tendency to treat advertising as an optional cost rather than a strategic lever for growth. Yet research shows that advertising is essential to scaling businesses, particularly for fast-growing firms, and that late-stage venture capital is predominantly allocated to marketing. Lower ad spending is both a symptom and a cause of Europe's capitalisation deficit, and addressing it is instrumental to closing the dynamism gaps identified by thinkers like Mario Draghi and Philippe Aghion.[3]

Policy debates often pit business growth against privacy, but the two are complementary. When advertising is relevant rather than intrusive, both sides win: businesses expand, while consumers benefit from broader product choice and free, ad-funded services (valued at €212 per month). It is precisely this delicate balance that the general data protection regulation (GDPR) has tried to foster through robust safeguards and regulatory requirements. A decade on, new solutions that deliver both effectiveness and privacy at scale are finally reaching maturity.

1 This policy brief is the result of a six-month research project led by Lisbon Council Research and financially supported by Amazon. Special thanks for their contributions to the participants in the High-Level Roundtable "Beyond the Privacy-Competitiveness Paradox: Scaling European First-Party Data Economy" held on 21 April 2026, whose names are listed in the annex. Any errors of fact or judgement are the lead authors' sole responsibility.

2 See IAB Europe, Adex Benchmark Report 2024 (IAB Europe, 2025); DataReportal, "Digital 2025: global advertising trends;" and dentsu, "Global Ad Spend Forecasts 2025". See also Mario Draghi, The Future of European Competitiveness (Brussels: European Commission, 2024).

3 For the importance of late-stage capital for marketing, see Reid Hoffman and Chris Yeh, *Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies* (New York, 2018). For data on the overall finance gap, see European Investment Bank (EIB), *The Scale-Up Gap: Financial Market Constraints for Innovative European Companies* (EIB, 2023).

A prime example is "retail media" – advertising served directly across retailer websites, apps and digital screens. This type of advertising relies on direct, first-party data, bypassing the need for third-party cookies and safeguarding privacy. Its integration into the shopping journey yields higher conversion rates for advertisers, higher margins for retailers and relevant suggestions for consumers. An evolution of traditional supermarket-aisle promotions, retail media is now Europe's fastest-growing advertising segment: an ecosystem worth over €16.9 billion in 2025. Today, it forms a core growth strategy for legacy brands like Unilever and L'Oréal, major retailers like Carrefour and marketplaces like Zalando. Retail media brings advertising at the point of purchase so that advertisers can tie their spend directly to commercial results. This outcome-oriented model confirms that advertising is not a separate and niche policy discussion, but it is at the core of commerce, business creation and competitiveness.

The picture is not entirely rosy, however. The development of these new solutions has been slow and much more challenging than the GDPR originally envisioned. The European market remains fragmented, and growth must be balanced against the quality of the customer experience. Measurement standards are also underdeveloped. Nevertheless, retail media is a prime example of how digital markets can innovate over time within strong regulatory frameworks.

'Retail media shows digital markets can innovate within strong regulatory frameworks.'

How can Europe further foster this delicate balance between data protection and innovation that enables new advertising models such as retail media to emerge? How can fragmentation be reduced to allow these new approaches to make a tangible contribution to European competitiveness?

This policy brief, based on desk research, interviews and case studies, starts by presenting the evidence on the benefits and drawbacks of advertising. It then explores how retail media changes these trade-offs and presents case studies to illustrate the effects in practice. Finally, it sets out a series of policy recommendations.

These recommendations argue that now more than ever, Europe needs to preserve the stable regulatory ecosystem that enabled the growth of these new advertising models. New proposals such as the digital omnibus and the digital fairness act should be designed to bring clarity and avoid disruption in a market that is evolving in the direction originally envisioned by the GDPR.

The brief draws four conclusive recommendations for policymakers, each of which is further expanded later in the document:

1. **Prioritise enforcement over new legislation.** Before introducing additional rules, as contemplated in the digital fairness act, policymakers should demonstrate that existing frameworks have been fully enforced and that evidence shows persistent market failures those frameworks cannot address.

2. **Maintain a technology-neutral, risk-based approach.** Proposed restrictions on personalised advertising should be evaluated against the GDPR's existing consent framework and its enforcement record, taking into account the indirect effects for European advertising and in particular on emerging models such as retail media.

3. **Support standardisation efforts at the global level.** Europe is leading in the industry space, and other jurisdictions such as Australia are considering adopting European standards. Harmonised approaches reduce compliance complexity and enable businesses to scale privacy-protective innovations across markets.

4. **Invest in evidence-based research on the adoption and impact of new marketing practices.** Bring together commerce, industry representatives, researchers, statistical offices and policymakers on comprehensive studies to assess both the positive and negative impacts of new marketing practices on business growth, competition and consumer outcomes.

Benefits and Risks of Advertising for Businesses and Consumers: A Nuanced Picture

Advertising has long been the subject of heated debate about its benefits and risks, which have evolved over time.

The benefits of digital advertising for businesses are well documented in both market research and academic literature. Advertising is widely recognised as a key investment for corporate growth. While traditionally accessible only to larger companies, digitisation and personalisation have made advertising more accessible to small and medium-sized enterprises (SMEs). Eurostat reports that a staggering 32.6% of European companies advertised online in 2024.

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The most significant impact lies in the new opportunities it creates for SMEs, enabling them to launch new products, expand internationally and grow their businesses. Relatively low advertising costs provide access to markets that would previously have been beyond reach, allowing SMEs to target niche audiences in a way that is both more effective and more affordable. Some 76% of European Union SMEs agree that personalised digital advertising enables them to compete with larger businesses and 73% believe that finding the customers their business needs would be difficult or impossible without personalised digital advertising. For SMEs, personalised advertising is often the only viable way to reach international customers without a massive traditional marketing budget. According to Deloitte, SMEs using personalised ads are twice as likely to report that most of their sales come from overseas. Digital advertising is also tightly integrated with e-commerce adoption, as the case study on Sabbiarelli later in this policy brief shows.[4]

Advertising is particularly important when a new business launches a product. Without a recognisable brand, sales history or customer reviews, new products lack the signals that help customers assess their value. Natural experiments show that advertising can help overcome this "cold start" problem by making new products visible and indirectly signalling their quality

4 For the impact of personalised advertising on small business, see Sophie C. Boerman, Sanne Kruikemeier, and Frederik J. Zuiderveen Borgesius, "Online Behavioral Advertising: A Literature Review and Research Agenda." Journal of Advertising 46, no. 3 (2017); Abdel-Aziz Ahmad Sharabati, Ahmad Ali Atieh Ali, Mahmoud Izzat Allahham, Alhareth Abu Hussein, Ahmad Fathi Alheet, and Abdelaziz Saleh Mohammad, "The Impact of Digital Marketing on the Performance of SMEs: An Analytical Study in Light of Modern Digital Transformations." Sustainability 16, no. 19 (2024); Dirk Bergemann and Alessandro Bonatti, "Targeting in Advertising Markets: Implications for Offline versus Online Media." The RAND Journal of Economics 42, no. 3 (2011); Jianqing Chen and Jan Stallaert, "An Economic Analysis of Online Advertising Using Behavioral Targeting." MIS Quarterly 38, no. 2 (2014); Kantar Media, *Optimisation over Reform: Understanding EU Consumers' Perception and Knowledge of the Ad-Funded Internet and Related Privacy Rights Issues* (Brussels: IAB Europe, 2025).

– the underlying logic being that investing in advertising for a low-quality product makes little sense as disappointed customers would not buy again or would leave negative reviews.[5]

When it comes to the impact of advertising on consumers, the picture is more mixed. In the late 20th century, concerns focused primarily on "what" advertising claimed, with regulation aimed at preventing misleading statements. Over the past two decades, attention has increasingly shifted to "how" products are advertised: restrictions on promoting potentially harmful products, such as tobacco, alcoholic beverages and junk food, have expanded alongside tighter controls over the use of personal data in advertising. These concerns stemmed from the risk that personal data could circulate widely, making it impossible for individuals to control who had access to their data, thereby potentially threatening their fundamental rights.[6]

Although the GDPR introduced strong safeguards against the misuse of personal data, new challenges have emerged. The European Commission's 2023 consumer conditions scoreboard reported that 70% of consumers were concerned about inappropriate use and sharing of personal data.[7] Today, however, concerns about personalised advertising have extended beyond privacy to the risk of manipulation: critics argue that it can exploit vulnerabilities and steer consumers towards choices that do not serve their best interests, particularly among groups such as the elderly or those in debt. The European Commission's fitness check reports that "37% of consumers had the impression that the company had knowledge about their vulnerabilities and used it for commercial purposes." However, when it comes to personalised pricing – a contested but not illegal practice – the same report highlights that "the Commission's 2018 and 2022 studies did not find consistent and systematic evidence of personalised pricing or offers."[8]

Advertising also brings a wide range of benefits to consumers. While they remain concerned about data privacy, consumers appreciate the advantages of greater personalisation: some 80% of European consumers prefer more relevant advertising, which reduces the volume of irrelevant messages they encounter. Academic research shows an inverted-U relationship between personalisation and effectiveness, with consumers preferring smart and privacy-compliant personalised ads over both generic and excessively personalised ads.[9] Additionally, advertising helps consumers find new, cheaper products. Already in 1972, a landmark paper by Lee Benham showed that in industries where advertising was banned (like eyeglasses), prices were significantly higher.[10] More recently, 68% of Europeans consider that personalised ads help local small businesses connect with customers who find their products and services useful.[11]

'80% of European consumers prefer more relevant advertising.'

5 Joonhyuk Yang and others, "Advertising as Information for Ranking E-Commerce Search Listings," *Marketing Science*, 43.2, 2024, pp. 360–77.

6 Tim Wu, *The Attention Merchants: The Epic Scramble to Get Inside Our Heads* (New York, NY: Alfred A. Knopf, 2016).

7 European Commission, Directorate-General for Justice and Consumers, *Consumer Conditions Scoreboard: 2023 Edition*. (Luxembourg: Publications Office of the European Union, 2023).

8 European Commission, *Commission Staff Working Document Fitness Check on EU Consumer Law on Digital Fairness*, SWD(2024) 230 final, 03 October 2024.

9 Alexander Bleier and Maik Eisenbeiss, "Personalized Online Advertising Effectiveness: The Interplay of What, When, and Where," *Marketing Science*, 34.5, 2015, pp. 669–88.

10 Lee Benham, "The Effect of Advertising on the Price of Eyeglasses," *The Journal of Law & Economics*, 15.2, 1972, pp. 337–52.

11 Ipsos, "People Globally View Personalized Ads as a Valuable Tool for Finding Relevant Goods and Services," 23 June 2021.

Consumers also appreciate the unpaid services co-funded by advertising. Personalised advertising is estimated to support services worth €212 per month for European users. Meanwhile, 74% of publishers report that they would increase the number of advertisements shown to users if they could no longer use personalised digital advertising.[12]

Overall, the evidence shows a nuanced picture. Advertising is a crucial driver of business growth, and digital technologies have made it increasingly accessible to small, fast-growing companies. Consumers appreciate the greater choice, product discovery and access to advertising-funded services but remain concerned over data misuse.

What is most interesting is that these trade-offs are evolving. The GDPR, despite its practical shortcomings identified in the Draghi report, has also been a catalyst for innovation. It has accelerated development of privacy-preserving technologies that allow personalisation while maximising data protection. It has also given rise to new business models and redrawn the advertising landscape to favour businesses that can use their direct customer relationships and owned media, content and advertising channels to offer privacy-conscious advertising. This has increased the benefits and lowered the costs of personalised advertising.

The clearest example of this shift is retail media.

How Retail Media Balances the Trade-Offs

Retail media is a form of advertising run by commerce, retail and media platforms. These companies increasingly offer advertising across their own digital platforms and physical locations through their dedicated business arms for advertising, known as retail media networks. Ads are targeted based on the data and signals the companies hold about their customers. Typically, these ads appear near the point of purchase, such as sponsored products when conducting a search on the platform, banners for a custom-branded product page on the retailer's store or ads at the checkout. Because the ads are targeted at customers who already have a strong purchase intent, they are particularly effective, resulting in higher conversion rates than traditional advertising. By leveraging a retailer's direct relationship with its customers, this model provides advertisers with a privacy-conscious way to reach shoppers at just the right moment.[13]

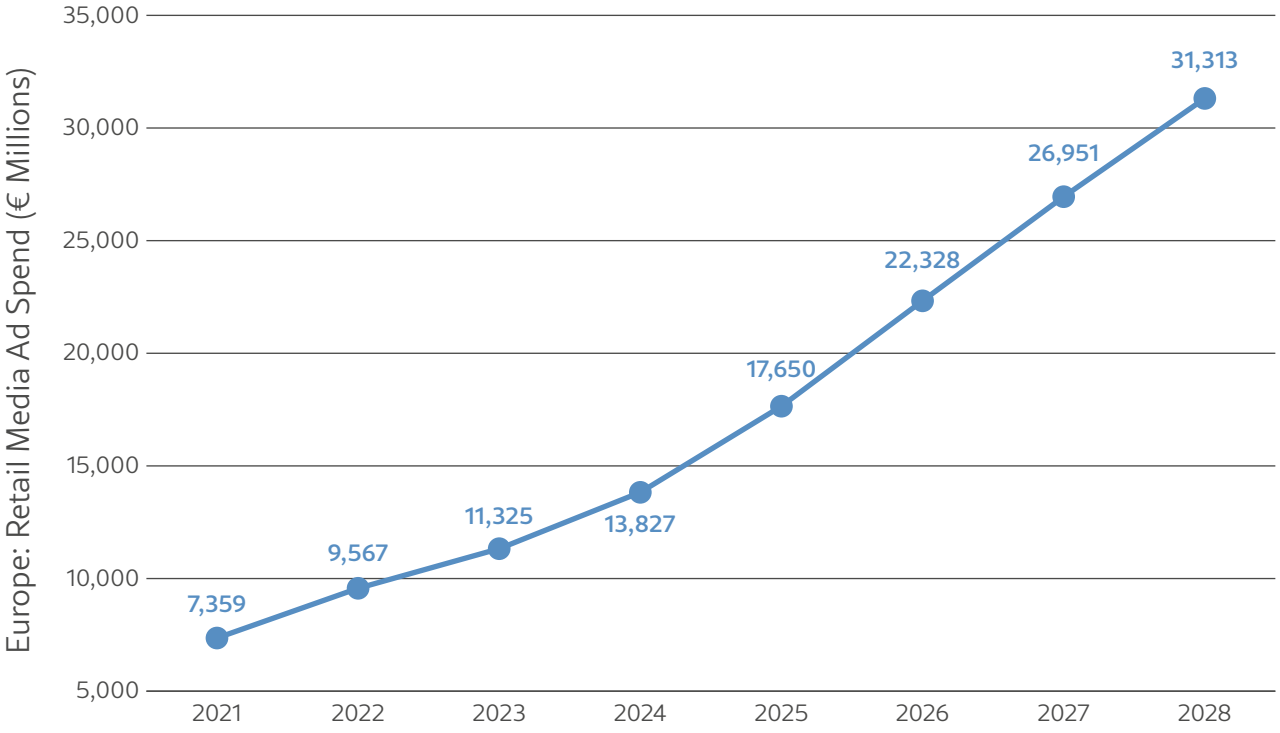
Retail media is not a new phenomenon. In-store promotions, such as displays at the end of supermarket aisles, are one of the oldest forms of advertising. What has changed is the convergence of several trends: the growth of e-commerce, evolving privacy concerns and regulations, greater pressure to measure the financial return of advertising and demand for alternatives to established platforms. Together, these forces have made retail media one of the fastest-growing advertising channels.

12 Kantar Media, *Optimisation over Reform: Understanding EU Consumers' Perception and Knowledge of the Ad-Funded Internet and Related Privacy Rights Issues* (Brussels: IAB Europe, 2025).

13 Benedict Evans, "TV, Merchant Media and the Unbundling of Advertising," 18 March 2022.

In Europe, revenue from retail media surged to €16.9 billion in 2025, more than doubling from €7.4 billion in 2021 when trade association IAB Europe first sized the market. Retail media now represents 20% of Europe's digital advertising market. In 2024, it grew at a rate of 21%, significantly outpacing the 16% growth recorded across digital advertising as a whole.[14]

Figure 1. Retail media expenditure in Europe



Source: IAB Europe, *Adex Benchmark Report 2024* (IAB Europe, 2025)

On the supply side, adoption is widespread: European retail leaders like beauty chain Douglas, grocers such as Albert Heijn, Carrefour and REWE, and electronics or Do It Yourself (DIY) specialists like MediaMarkt and Leroy Merlin have embraced the model; digital-native marketplaces and delivery firms like Allegro, bol.com, Glovo and Zalando increasingly see retail media as an integral component of their offering; while traditional news media and content publishers such as Axel Springer are also diversifying beyond classic advertising models, integrating commerce as a monetisation strategy and developing their own retail media offerings.

'By 2025, 149 retail media networks were active in Europe.'

In fact, retail media has such allure that by 2025, 149 retail media networks were active in Europe. This shows that retail media is not a winner-takes-all market. As the sector grows, it creates incremental demand from advertisers, enhancing the commercial success potential of every retail media network in Europe.[15]

On the demand side, retail media is a meaningful channel for advertisers of all sizes, from small upcoming brands selling products on retailers' platforms to established brands.

14 See IAB Europe, *Adex Benchmark Report 2024* (IAB Europe, 2025).

15 See Mimbi, *Top 2025 Commerce Media Networks Database*.

Increasingly, advertisers outside traditional consumer goods categories, such as travel or insurance companies, are using retailers' channels to reach the retailers' customers.

Many retailers also operate third-party marketplaces, allowing external sellers, including SMEs, to list and sell their products through the retailer's e-commerce platform. This gives smaller brands access to the retailer's customer base, trusted shopping environment, fulfilment options and retail media tools without needing to build comparable scale themselves.

The reason behind this success is that retail media offers tangible benefits to all stakeholders, as shown in Table 1.

Table 1. Benefits of retail media for stakeholders

	Stakeholder	Benefits	Examples of adopters
Advertising supply	Commerce platforms	• New revenue sources • Compliance with data protection	Allegro, Amazon, Wolt, Vinted, Glovo, Delivery Hero, Otto, Zalando, Kleinanzeigen
	Traditional retailers	• Greater margins • Compliance with data protection	Delhaize, Carrefour, OBI, REWE, MediaMarkt, Tesco, Media Saturn
	Media publishers	• New revenue sources • Compliance with data protection	Onet.pl, DPG Media, Schibsted Marketplaces, Axel Springer, Bauer Media Audio
Advertising demand	SMEs	• New market opportunities • A more level playing field • Compliance with data protection	Millions of SMEs, e.g., Sabbiarelli
	Established brands	• Better conversion rates • Compliance with data protection	Nestlé, Ferrero, Coca-Cola, Diageo, Henkel

In addition to gaining a new channel through which they can offer customers relevant promotions, retailers gain a new source of revenue that can be reinvested in their business. Grocery retailers typically operate on recurring operating margins of just 1% to 2%, while the broader retail sector in Europe averages around 3.8%. By contrast, retail media, such as sponsored product listings and banners on a retailer's own digital assets, can yield margins as high as 50% and beyond. This additional income is particularly valuable given the high costs of digitalisation, e-commerce infrastructure, data systems and fulfilment. In Europe, Ahold Delhaize reported around €500 million in annual revenue from advertising and data as early as 2023. In November 2024, Walmart Chief Financial Officer John David Rainey told investors that advertising had grown to represent almost a third of the company's overall operating income.[16]

'Retailers gain a new source of revenue, advertisers a new way to reach shoppers when purchase intent is at its highest.'

Advertisers gain a new way to reach shoppers when purchase intent is at its highest. Retail media often outperforms traditional channels because ads appear close to the point of purchase, for example in search results, product pages or category environments where consumers

16 See Stefan Van Rompaey, "Ahold Delhaize Reaches Half a Billion from Ad Revenue," *RetailDetail,* 12 June 2023 and Mitchell Parton, "Almost a Third of Walmart's Profit Now Comes from Selling Ads," *Modern Retail,* 19 November 2024.

are already considering what to buy. While consolidated evidence remains limited because measurement is often platform-specific, self-reported and not fully comparable, available benchmarks and expert opinions point to a stronger return on advertising spend compared to traditional digital advertising. Industry associations are working to standardise measurement approaches to further enhance comparability. This performance advantage is one of the main reasons brands are shifting budgets towards retail media.

Crucially, consumers benefit from greater transparency and control over data use by an entity they have a direct relationship with. Retail media relies largely on data that retailers already have, such as account, loyalty or purchase data. This enhances consumer trust as it is clear and transparent who is using the data, why it is being used and where consumers can manage their preferences. Because retailers depend on customer trust and repeat purchases, they also have a strong incentive to use data responsibly and avoid advertising practices that undermine the shopping experience.

'Retail media relies largely on data that retailers already have, such as account, loyalty or purchase data.'

These individual benefits for each stakeholder also translate into a collective one: an intrinsic alignment of the retail media model with data protection rules.[17]

Retail media can also be seen as yet another step in the democratisation of advertising. Digital display advertising democratised the hosting of ads, allowing any website or blog to generate advertising revenue. Personalised advertising has democratised the running of ads, giving even small businesses access to this powerful lever for growth. Retail media takes this democratisation even further by allowing SMEs to benefit from retailers' existing audience and reach, while staying on the safer side of data protection compliance rules.

Most importantly, it also democratises the advertising market by enabling any online platform (commerce, retail or media) to run its own advertising business based on proprietary data and bring in new high-margin revenue.[18]

The next section illustrates how retail media works in practice through case studies from both the demand and supply sides.

The Real-Life Opportunities and Challenges of Retail Media

This section explores how different players across the retail media value chain are adopting the model, what motivates them and what they stand to gain. It also looks at the case of an SME for whom retail media played a key role in the company's development, as well as a cross-analysis of emerging bottlenecks.

The Supply Side: Traditional Retail and Commerce

The shift from traditional retail to sophisticated media networks is perhaps the most significant structural change in the sector. Retailers have successfully moved beyond being mere distributors of physical inventory to becoming curators of high-intent audience

17 See Koen Pauwels and Ladipo Fagbola, "Understanding Retail Media: Perspectives and Implications for Stakeholders," *Journal of Retailing*, 101.3, 2025, pp. 315–30.
18 See Kimeko McCoy, "How Smaller Retail Media Networks Are Stepping Out from the Shadow of Amazon and Walmart", *Digiday*, 31 March 2025.

data. This allows them to effectively bridge the gap between digital product discovery and purchasing, both online and in physical stores.

Carrefour is perhaps the most well-known example. It has evolved from a traditional grocer into one of Europe's most advanced retail media players. Its platform allows brands to activate campaigns across Carrefour's websites, apps and stores, and to measure impact from visibility through to sales transactions. The strength lies in Carrefour's first-party shopper data: the group cites 8 billion transactions and 80 million customers globally. In November 2021, Carrefour made its financial ambition explicit, setting the target of €200 million in additional recurring operating income from Carrefour Links by 2026, relative to 2021. The 2026 strategic plan, presented a year later, stated that the retail media business should enable the group to exceed that target.[19]

'The strength lies in Carrefour's first-party shopper data.'

Carrefour's retail media strategy connects digital browsing, physical shopping and closed-loop measurement across three core areas. Firstly, for instance, when a customer searches for "pasta" on Carrefour.fr, the platform shows "sponsored products" based on the user's past purchase history (e.g., gluten-free or premium bronze-cut preferences). Secondly, Carrefour can extend campaigns beyond its own channels, for example across social platforms, publisher environments or the open web. This allows brands to reach defined shopper segments elsewhere online while still measuring outcomes against Carrefour sales data. A pasta brand like Barilla, for example, could target an Instagram ad specifically to "Carrefour shoppers who haven't bought pasta in the last 30 days." Finally, Carrefour is also extending retail media into the store environment through digital screens, in-store placements and other physical retail touchpoints.

Carrefour is also seeking to expand beyond its own retail media and data platform through Unlimitail, a joint venture between Carrefour and advertising agency Publicis designed to scale retail media across a broader network of retailers and markets. Launched in 2023 with Carrefour and 13 other retailers, Unlimitail aims to create a wider alliance to help address one of Europe's biggest retail media challenges: fragmentation across retailers, markets and measurement systems.[20]

Alongside traditional retailers, commerce platforms are pursuing a similar strategy, integrating advertising into their broader services and using data and algorithms to optimise relevance and conversion.

As central and eastern Europe's largest marketplace, Allegro exemplifies retail media as an equaliser for SMEs. Its low-barrier, self-service advertising tools allow over 150,000 predominantly Polish small merchants to compete for visibility on equal terms with major brands. Allegro Ads has become a core profit driver, generating 1 billion Polish złoty (around €230 million) in 2024 and expanding roughly 30% in 2025 to reach 2.24% of gross merchandise value. The platform operates entirely on privacy-safe, first-party data and its 7.5 million-member loyalty programme rather than depending on cross-site tracking, giving

19 See Carrefour, "Carrefour Aims to Be a Global Leader in Digital Retail", press release, 9 November 2021; Carrefour, "Carrefour 2026 Strategic Plan", press release, 8 November 2022 and Kantar Retail IQ, "Carrefour posts impressive 2024 growth despite headwinds", February 2025, reporting figures from Carrefour's FY 2024 full-year results.

20 See Business Wire, "Carrefour, Carmila, Unlimitail and JCDecaux Join Forces to Accelerate the Development of Retail Media Across Carrefour and Carmila Sites in France and Spain", 9 December 2025; and Publicis Groupe, "Carrefour Group and Publicis Groupe Launch Unlimitail with Its First 13 Retail Partners", press release, 15 June 2023.

small businesses national reach without needing their own advertising data infrastructure. However, growth also faces constraints: the supply of high-intent ad placements among organic listings is finite and smaller merchants have limited budgets to spend on advertising.[21]

Last but not least, the media sector has also been contributing considerably to the adoption of retail media. Onet.pl, part of the Ringier Axel Springer portfolio, illustrates the convergence of traditional publishing and retail media. By integrating retail transactional data into its news and lifestyle portal, Onet.pl allows advertisers to target readers based on their actual consumption habits. For instance, a reader engaging with travel content may be served ads for seasonal retail goods based on their recent purchase history at a partner retailer. This functionality transforms a standard news site into a data-rich extension of the retail media network, resulting in higher engagement rates. It also suggests that the future of the open web may be increasingly reliant on retail data to maintain advertising relevance. Axel Springer CEO Mathias Döpfner has described these commerce-driven businesses as the group's economic backbone and one of two strategic pillars alongside journalism.[22]

The Demand Side: Global Brands and SMEs

For global brands, retail media represents a radical shift towards accountability in marketing spend by linking campaigns more closely to sales. Brands such as Nestlé have reallocated their advertising investment towards retail media, which now accounts for nearly one fifth of Nestlé's total digital expenditure in Europe. L'Oréal uses purchase frequency data to trigger automated replenishment reminders for skincare and cosmetic products, addressing the cyclical nature of beauty consumption and reaching consumers at the optimal point in their product lifecycle. Unilever, meanwhile, places advertising for brands like Hellmann's within the context of digital recipe suggestions and meal-planning tools on grocery websites, resulting in higher click-through rates than standard display advertisements.[23]

If brands are benefiting, retail media is proving particularly important for SMEs and local producers, giving them access to high-intent shoppers, retailer data and measurable campaign tools that were previously available mainly to large national or multinational brands. Amongst the strongest SME use cases is local or category-specific advertising. A regional food producer, for example, could promote products to shoppers in relevant stores or catchment areas rather than buying broad national media.

Sabbiarelli: Diversification and Growth for an Italian Manufacturing SME

Founded in 1986, Ferrari Granulati is an Italian industrial company specialising in the production of high-quality marble granules, powders and calcium carbonate. Based in one of Italy's "marble districts," the company has become a leading global player and technical standard-setter in the industrial mineral and natural stone market. Its production process uses advanced technology, such as opto-electronic selection (the use of high-speed cameras to remove impurities) and laser-based particle analysis to ensure the consistency and extreme whiteness of its calcium carbonate.

21 See AIM Group, "Allegro's Advertising Revenue Surges by 32% in 2024," 29 April 2025 and Allegro.eu, "Allegro's GMV Nears PLN 70 Bln in 2025 as It Enters New Market Segments", press release, 12 March 2026.

22 Tomorrow's Publisher, "Axel Springer Wants To Double Value by 2030 with AI-Driven Journalism", 23 June 2025.

23 See Retail Media Breakfast Club, "How Nestlé Decides Which Retail Media Networks Get Budget," podcast, 12 March 2026, drawing on a LiveRamp RampUp panel with Nestlé's frozen division and dentsu X Germany; and dentsu, "Eis Trifft Innovation" [Ice Cream Meets Innovation - Ferrero x REWE case study], n.d.

In the aftermath of the 2008 housing market crisis, the company decided to diversify beyond its core business by creating Sabbiarelli, a creative sand-painting toy. Innovative, eco-friendly and 100% "made in Italy," the product is created by reusing a by-product of the production process. Since its inception in 2011, the company has evolved from a niche manufacturer into a digitally driven European brand.

Because sand-painting was virtually unknown in its target markets, Sabbiarelli had to build awareness of the product category and educate consumers. The company experimented with traditional television advertising, but found it too expensive and difficult to measure for a small business. It subsequently shifted to a 100% digital strategy, focusing on two key pillars:

1. **Discovery:** Using search, videos and social media to showcase the visual "wow" effect and inspire new customers.

2. **Conversion:** Leveraging retail media to target high-intent shoppers, for instance those searching for "arts and crafts present for a five-year-old." This approach coincided with increasing reliance on direct e-commerce to consumers.

The results were impressive. The company now exports across Europe, with Germany among its early markets followed by France, Spain, the Netherlands, Belgium, Sweden and Poland. Sales grew fast, doubling between 2021 and 2025, and seven out of the 25 company employees are now dedicated to Sabbiarelli.

Advertising has become central to Sabbiarelli's growth. As the company CEO and Founder Alberto Ferrari puts it, "Over the years, advertising has evolved from being primarily a tool for market awareness and education into an increasingly central lever for business development, international expansion and organisational maturity."

'Advertising has evolved from a tool for market awareness into a central lever for business development and international expansion.'

Retail media has played a key role in the company's development. It delivers higher conversion rates and performs better in terms of total advertising cost of sale (TACOS), which measures ad spend against total revenue. It also provides clear data about the performance of ads and gives the company greater control over its advertising budget. Its close integration with e-commerce allows the company to connect advertising to online sales, making it easier to measure returns and optimise campaigns. Retail media can also reduce reliance on external tracking by prioritising first-party data and signals internal to platforms (like Amazon search behaviour), offering greater resilience amid changing privacy regulations. While Sabbiarelli uses external consultants for social media, it manages its retail media strategy entirely in-house due to the need for close, daily coordination between advertising, inventory and logistics.

Emerging Bottlenecks

While these success stories illustrate why retail media is growing rapidly, they also reveal the limitations it encounters. Continued growth is by no means guaranteed. Four key obstacles stand out:

- **The lack of standardisation across retail media networks.** Unlike platforms like Google or Meta, retail media is fragmented across many retailers, each with its own reporting standards, attribution windows, sales definitions and campaign metrics. A brand active on both Zalando and Amazon may therefore need to manually reconcile different performance reports before it can understand what worked. This creates a "tax on time" for advertisers and agencies, limiting comparability, slowing optimisation and making it harder to shift larger budgets into retail media. IAB Europe's retail media measurement standards, first published in 2024 and expanded in 2026, are a step toward solving this by creating common definitions for media metrics, attribution and insights across networks.

'Retail media is fragmented across many retailers, each with its own reporting standards.'

- **The saturation effect.** Retail media works best when advertising is close to the point of purchase. However, there is a natural limit to how many sponsored products, banners or recommendations a shopper will tolerate before the experience becomes cluttered or less trustworthy. Retailers such as Delhaize or Carrefour, and commerce media players such as Onet.pl, therefore face a trade-off between advertising revenue and customer experience. More ad placements can increase high-margin revenue in the short term, but excessive advertising can reduce usability, weaken product discovery and risk pushing consumers away. The constraint is not only available placements, but also consumers' attention and trust. Sustained growth will therefore depend less on finding ways to add more placements and more on better targeting, stronger relevance, improved formats and careful measurement of the impact on the customer experience.

- **A shortage of specialist skills.** Retail media requires a hybrid skill set that is still scarce in the market, blending brand strategy, performance marketing, shopper behaviour, retailer data, e-commerce operations, measurement and campaign optimisation at once. These skills, which were previously largely siloed, now need to be applied horizontally in retail media. The same challenge applies within organisations, where retail media brings together functions that historically sat apart, such as "buying" teams (who negotiate shelf space) and "marketing" teams (who sell digital ads). The retail media model also touches on other functions, from trade marketing and buying to e-commerce, data, media sales, store operations and supplier negotiations. Scaling the model therefore requires new commercial processes, governance, and – crucially – the retraining of employees.

- **Fragmentation of the single market.** Retail media campaigns in France, Poland or Spain need consistent metrics and buying logic, but must also adapt to differences in consumer behaviour, retailer systems, currencies, media habits and privacy rules. These differences create friction for global advertisers that want comparable campaign planning and reporting across markets.

Policy Recommendations

In an increasingly unstable world, Europe should stand firm on its values: evidence-based policymaking, removing barriers to the single market and predictable legal safeguards that protect consumers and sustain business innovation.

The evidence and the cases presented in this policy brief show clearly that advertising in general, and retail media in particular, can contribute to European competitiveness. They help SMEs grow and export, enable retailers – both physical stores and online commerce – to strengthen their profitability, and allow media platforms to be more financially sustainable. They also provide benefits to consumers while ensuring greater control over data.

New solutions such as retail media have emerged thanks to a combination of technological progress, business model innovation and regulatory clarification. More than a decade after the adoption of the GDPR, Europe is finally getting closer to its original ambition: the emergence of business models that combine economic growth with respect for data protection. This represents an opportunity for scaling up that is compatible with European values. Yet it is fair to recognise that it took far more time and investment than originally envisaged by the designers of the GDPR for such "fair data economy" solutions to emerge.

'Ten years after the adoption of the GDPR, Europe is finally seeing the emergence of business models that combine economic growth with respect for data protection.'

The impressive growth of retail media is certainly a positive sign in this sense, but it is not free from challenges. The lack of measurement standards, the saturation effect, the shortage of specialist skills and the fragmentation of data protection enforcement across member states are permanent risks to the development of privacy-conscious solutions.

Europe must therefore carefully cultivate the conditions for these new markets to mature and scale. Most digital ventures take years to become profitable, and retail media is no exception. While the GDPR made first-party data much more valuable when it came into force in 2018, it was only after the COVID pandemic that retail media gained significant momentum and became a compelling investment for retailers. Europe now has a genuine opportunity to scale a new generation of advertising businesses. This requires an environment of "clarification and tinkering" rather than constant legislative intervention. By stabilising the regulatory environment and fostering innovative models like retail media, Europe can move past the ideological stalemate and build a digital ecosystem where competitiveness and rights coexist.

Concretely, policymakers should focus on four areas:

1. **Prioritise enforcement over new legislation.** Before introducing additional rules, as contemplated in the digital fairness act, policymakers should demonstrate that existing frameworks have been fully enforced and that clear evidence exists of persistent market failures that current rules cannot address.

2. **Continue to apply a technology-neutral, risk-based approach.** This principle should guide any regulatory intervention, preserving flexibility and interoperability by avoiding prescriptive technical solutions. For instance, proposals for additional opt-out rules for personalised advertising should be evaluated against the GDPR's existing consent framework and its enforcement record. Similarly, the digital omnibus proposal that mandates centralised privacy controls and questions the validity of consent should be assessed in light of the broader impacts on European advertising and retail sectors. This proposal risks undermining the commercial incentives for retail media as browser-based consent will make it harder for consumers to choose solutions using first-party data (such as retail media) rather than third-party data by bundling them in a single yes/no choice. Together, these proposals threaten the viability of business models like retail media – that demonstrate how personalisation can deliver high privacy standards while benefiting users – before fully testing whether existing rules, properly enforced, already address the concerns.

3. **Support standardisation efforts at the global level.** Harmonised approaches reduce compliance complexity and enable businesses to scale privacy-protective innovations across markets. Europe is leading in the industry space through the IAB Europe standard framework which is gaining traction abroad, including collaboration with IAB U.S. as well as with IAB Australia, where a local adaptation of the IAB Europe retail media certification programme has been developed.[24]

4. **Invest in evidence-based research on the adoption and impact of new marketing practices.** This requires collaboration between commerce firms, industry representatives, researchers, statistical offices and policymakers on comprehensive studies examining the positive and negative impacts. Such research should quantify the benefits for businesses – such as incremental sales growth, enhanced brand recognition and alleviation of the "cold start" challenge that new market entrants and SMEs face when building customer awareness – as well as actual benefits and drawbacks for consumers – such as personalised experiences that match their expectations and access to relevant offers and promotions.

The value of digital advertising lies in helping businesses to focus on bottom-line outcomes, not clicks. Along the same lines, policymakers would do well to focus on the ultimate effects of policies in the real world.

24 See IAB Europe, *IAB Europe Commerce (Incl. Retail) Measurement Standards V2.1* (IAB Europe, 2026) and IAB Europe, "Retail Media Certification Expands to Australia: A Global Signal for Measurement Maturity," 24 February 2026.

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Annex – Roundtable Participants

Michele Appello	Strategic advisor, digital performance and adtech	Independent (formerly senior director global performance marketing, adidas)
Valda Beizītere	Legal and policy officer, data protection, directorate general for justice and consumers	European Commission
Vasco Pereira da Silva	Head of policy	Allied for Startup
Victoria de Posson	Secretary general	European Tech Alliance
Danielle Dias	Assistant	SME Europe
Samir El Kasmi	Founder	Kasmi Food Distribution
Alberto Ferrari	CEO	Sabbiarelli
Mathilde Fiquet	Special advisor	European Publishers' Council (EPC)
Annalaura Gallo	Senior manager, European Union public policy	Wolt
Marine Gossa	Deputy managing director, public and legal affairs	Alliance Digitale
Renata Guizzetti	Head of marketing and communications	Sabbiarelli
Horst Heitz	Executive director	SME Europe
Daniel Knapp	Chief economist	IAB Europe
Anna Lachambre	Legal and policy advisor	E-commerce Europe
Anna Mazur	Director, Brussels policy office	Allegro
Stefan Moritz	Secretary general	European Entrepreneurs CEA-PME
Greg Mroczkowski	Public policy manager, ads and international public policy	Amazon
Hélène Paterson	Adviser, digital transformation	EuroCommerce
Gadiza Saaidi	Retail media lead Benelux	Unilever
Werner Stengg	Member, cabinet of executive vice-president and commissioner Henna Virkkunen	European Commission
Nadia Vallenari	Founder and managing director	Sabbiarelli
Wout van Wijk	Executive director	News Media Europe

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Lisbon Council Research is the scientific arm of the Lisbon Council for Economic Competitiveness and Social Renewal asbl, a Brussels-based non-profit association committed to making Europe "the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion," as European leaders vowed to do in Lisbon, Portugal at a landmark 2000 summit. Lisbon Council Research conducts ongoing research into Europe's economic and social challenges.

Lead Authors:
Vittoria Barbieri and David Osimo

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Lisbon Council Research sprl
Résidence Palace
Rue de la Loi 155
1040 Brussels, Belgium