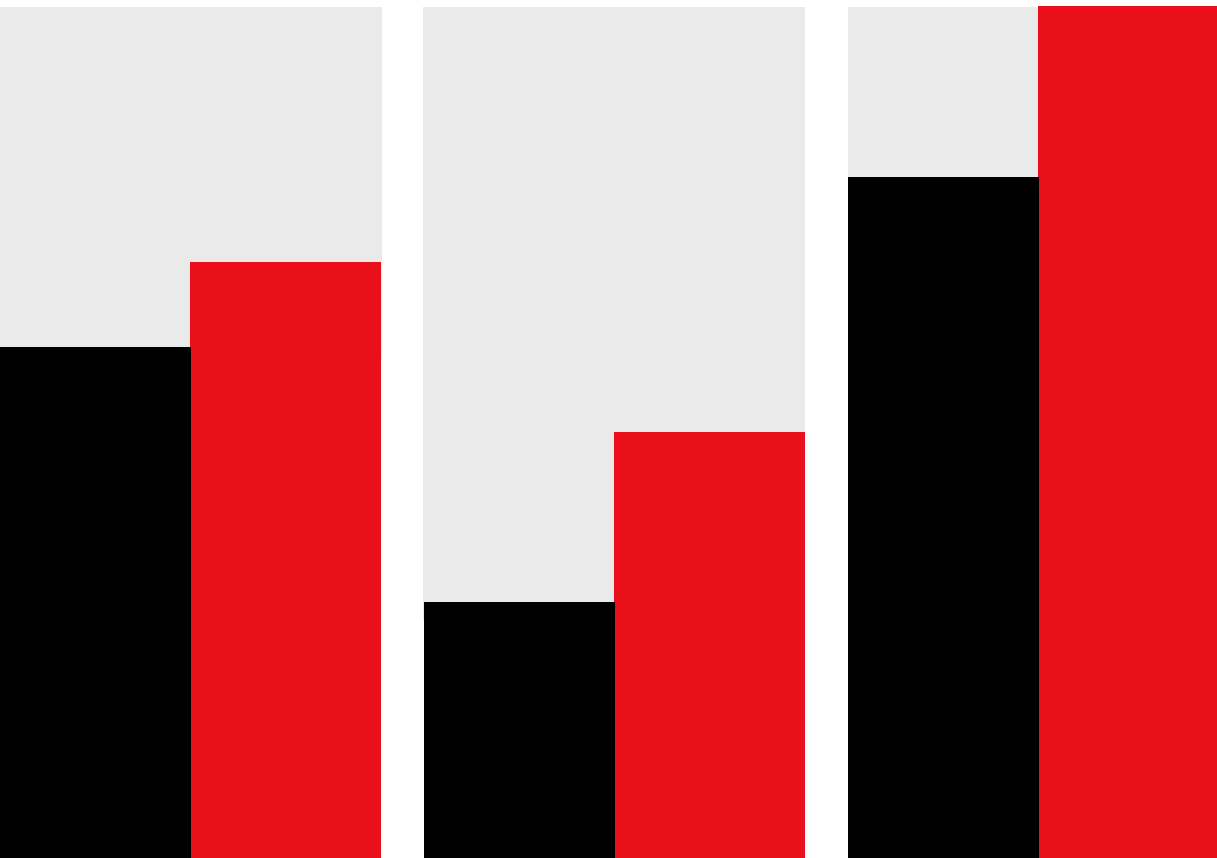


Retail Trends to Watch in 2025

Retailers Look to Supercharge Growth and Reignite Loyalty Programs With AI, Gamification, and Strategic Partnerships

As competition intensifies and consumers continue to seek value, retailers will need to double on how to differentiate themselves and offer shoppers what they want, wherever they are. This EMARKETER analyst report covers the top five retail trends to watch in 2025, including how retailers can stand out and stay ahead by leveraging generative AI (genAI), broadening loyalty programs, and shoring up membership perks.



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GenAI will unlock the potential of predictive AI to supercharge business growth

AI-forward enterprises are combining genAI with predictive AI. The genAI frenzy continues apace, and businesses are already reporting productivity gains. But for all of genAI's conversational and creative capabilities, it also has limitations. Rather than focusing on genAI in isolation, tech-savvy companies are using it to leverage predictive AI more effectively:

- **GenAI can improve the accuracy of predictive AI models.** It can be used to incorporate unstructured data, generate synthetic data, and simulate possible business scenarios.
- **GenAI can create actionable strategies** based on the foresight predictive AI provides.

By using the two technologies in tandem, businesses can make faster, more informed decisions. They can unlock revenue growth by reducing customer churn, identifying new business opportunities, and forecasting demand—and they can improve profitability by identifying inefficiencies and optimizing operations.

AI Use Cases Used by US Ecommerce Decision-Makers, Aug 2024

% of respondents

Detecting fraud	94%
Personalizing advertising and marketing	93%
Forecasting or predicting demand	91%
Maintaining quality assurance	91%
Providing customer support	91%
Deciding how much money to save	90%
Finding job candidates	89%
Choosing what to invest in	88%
Negotiating discounts	88%
Optimizing supply chain	88%
Adding new suppliers	82%

Source: Commcertools, "Unwrapping Success: Key Investments Driving Holiday Sales" in partnership with Savanta, Sep 26, 2024

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More businesses will harness the power of genAI and predictive AI. While tech firms will take the lead in pushing out-of-the-box solutions, overall investment in genAI will increase by 50% in 2025, per a September 2024 report by ISG. Companies will shift focus from using the technology solely to improve customer and employee experiences toward using it for core retail functions—especially merchandising.

As consumers become more finicky and savvy, retailers that supercharge their data analytics capabilities will win. GenAI use cases could increase the economic impact of traditional AI within the consumer packaged goods (CPG) industry by 15% to 40%, according to a March 2024 McKinsey & Company study. Retail executives agree: 75% view genAI as instrumental to their business revenue growth, per a June 2024 report by Accenture.

Predictions

- **Retailers will make incremental gains on product gross margin with more precise inventory and assortment planning.** Merchants will become more agile and able to react to complex inputs, including weather, price elasticity, and social listening data, to ensure they have the right product in the right channel.
- **New products will come to market faster—with fewer resources and less waste.** The combined power of genAI with predictive AI will speed up development by, among other things, using pop culture signals to predict future trends.

Click here to read "[Top Trends to Watch in 2025](#)," the first in our series of reports on the trends to watch in the coming year.

China's ecommerce disruptors will be disrupted

Shein, Temu, and TikTok Shop face a reckoning following breakneck expansion. These mobile-first ecommerce players with roots in China have taken off with consumers thanks to a combination of ultra-low pricing, relentless digital marketing, and addictive shoppability. But all three now face mounting pressure from authorities and competitors that will drive further innovation in how they do business.

Chinese Ecommerce Players Have Established a Presence Across Most of the Biggest Markets
top 10 ecommerce markets outside of China, ranked by billions in retail ecommerce sales, and availability of select China-based ecommerce platforms, 2024

	Ecommerce sales	AliExpress	Shein	Temu	TikTok Shop
US	\$1,192.91	✓	✓	✓	✓
UK	\$219.58	✓	✓	✓	✓
Japan	\$168.78	✓	✓	✓	-
South Korea	\$136.07	✓	✓	✓	-
India	\$115.76	-	-	-	-
Germany	\$97.98	✓	✓	✓	-
France	\$87.37	✓	✓	✓	-
Canada	\$83.58	✓	✓	✓	-
Indonesia	\$79.40	✓	-*	-	✓**
Brazil	\$76.36	✓	✓	✓	-

Note: ecommerce includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales; ecommerce figures from EMARKETER Forecast; availability as of Oct 23, 2024; *ceased operations in July 2021; **operating via acquisition of Tokopedia
Source: EMARKETER Forecast, Oct 2024; AliExpress, Shein, Temu, and TikTok as cited on company websites, Oct 23, 2024

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Authorities are threatening their presence in the US. The companies are facing scrutiny on grounds of unfair competition, data privacy, national security concerns, sustainability violations, and improper labor practices.

- The Biden administration wants to quickly advance plans to abolish the import tariff loophole for goods shipped directly to consumers from China, which helps keep prices low, while President-elect Trump has proposed massively higher tariffs on Chinese goods.
- Under an April 2024 law, TikTok faces a January deadline to divest or be banned on the grounds that the Chinese government could access user data and use the app to spread propaganda.
- Temu and Shein face a growing number of class-action lawsuits and investigations spanning data privacy, copyright infringement, and product safety.

Retail's incumbents are fighting back against the new players. Amazon has several initiatives to maintain its dominant ecommerce share, including lower commissions for apparel sellers; a newly launched Temu-like discount storefront, Haul; and even a shoppable ads deal with TikTok. Walmart is rapidly growing its online marketplace with third-party sellers from China and offering shipping services.

Sustained growth demands creative reinvention. With roots in China's highly competitive market, Shein, Temu, and TikTok are moving quickly to stay ahead. They are diversifying, forging partnerships, and evolving their business models.

Predictions

- **TikTok Shop is here to stay.** Trump has signaled opposition to a ban, although it's unclear what action (if any) the incoming administration may take. As TikTok Shop grows, parent ByteDance may look to spin off the ecommerce business, leveraging the power of creators and livestreaming to drive social commerce.
- **Shein will dive deeper into "supply chain as a service."** More brands will take up Shein's on-demand technology and marketplace to compete with larger fast-fashion players.
- **Temu will challenge the "everything" store.** The next front in Temu's campaign against Amazon will revolve around low-cost grocery. Temu could appeal to inflation-weary consumers by introducing the gamified, group-buying grocery shopping concept that made sister app Pinduoduo enormously popular in China.

Mounting pressure will squeeze the long tail of retail media networks

Even an influx of new retail media networks (RMNs) will not chip away at the share of ad spending allocated to the top two powerhouses. Amazon and Walmart combined will gobble up more than 84% of all retail media ad spending in 2025, representing a pervasive and unyielding dominance within the channel. The share of ad spending allocated to all other RMNs increased by less than 1 percentage point between 2019 and 2024. While the pie has grown nearly five times larger since 2019, it has also grown significantly more crowded, with more retailers competing for advertiser investment.

Retailers have yet to act on advertisers' calls for standardization and transparency. While industry trade associations have laid the groundwork with guidelines for standardization, not all retailers are motivated to put in the work. Ultimately, slow progress stands to reinforce the biggest players. Deepening the challenge: RMNs that depend on investment from CPG advertisers will face headwinds in 2025, as the industry's digital advertising spend is set to grow just 6.1%, a stark slowdown from the double-digit growth that defined 2023 and 2024, per our forecast.

In 2025, RMNs that make up the long tail of ad spending will face harsh realities. Most small and midsize retailers simply lack the digital footprint necessary to generate meaningful revenues solely by monetizing their owned and operated digital channels. Many are branching into arenas that enable a more scaled reach, including off-site digital channels with the potential to tap into budgets typically reserved for upper-funnel awareness. But success off-site or in-store requires a tough-to-stomach investment to fund capabilities, expertise, and technology.

Dozens of Retail Media Networks Are Fighting Over a Small Slice of the Pie
% of US retail media digital ad spending, by company, 2025



Note: only select US companies with retail media networks shown; examples of retail media networks include Amazon's DSP and Etsy's Offsite Ads; includes ads purchased through retail media networks that may not appear on ecommerce sites or apps; digital ad spending includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms
Source: EMARKETER Forecast, Nov 2024

Predictions

- **Resource-strapped advertisers will consolidate RMN spending across fewer networks.** RMN heavy hitters will benefit at the expense of newer entrants.
- **Ad tech platforms will reap rewards as small and midsize retailers look to turnkey solutions.** As the cost and complexity of RMNs come into focus, some of the retailers that have attempted to build in-house will outsource to third-party providers.
- **Retailers that fail to act decisively will be left further behind.** Some will elect to abandon their RMN ambitions beyond outsourcing basic capabilities, while others will fold entirely.

Retailers will take a greater stake in media and entertainment content

From in-app games to feature films, brands and retailers want to engage customers with exclusive content. In a fragmented and increasingly ad-free media landscape, companies are figuring out new ways to reach audiences and build brand affinity. Many brands and retailers are also using entertainment content to bolster loyalty programs, drive app downloads, and boost engagement.

Gamified loyalty programs are becoming more sophisticated. Quick-service restaurants (QSRs) and other retailers have evolved beyond spin-the-wheel and digital punch cards. Ulta Beauty capitalized on the word-game trend with a new loyalty game that resembles The New York Times' Wordle, part of a pilot that tested dozens of different loyalty games. Burger King released two games this year to promote a new product and its 70th anniversary.

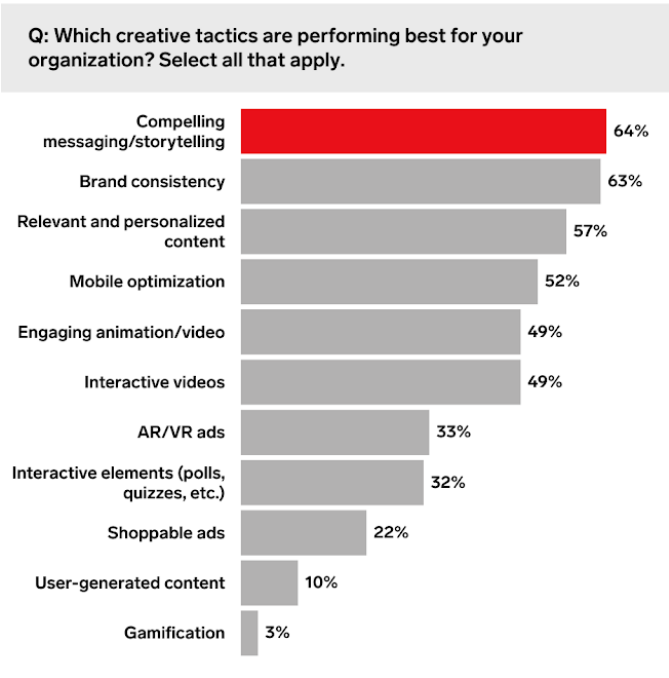
Owned and operated digital platforms are being used to host content. Chick-fil-A announced its upcoming Play app, which will feature a slew of video, audio, and gaming content geared toward families with young children. An animated series on the app will feature Chick-fil-A's cow mascot.

Some brands and retailers have even launched their own production companies. Starbucks and LVMH joined a slew of other brands by launching production companies that will fund premium video content. In some instances, such as LVMH, the goal is to create content that tells the brand's story. Starbucks Studios, meanwhile, is

producing original content to better align the brand with the creative arts.

Despite Digital Advancements, Messaging and Storytelling Remains a Top Creative Priority

% of US brands and agencies, July 2024



Note: n=111
Source: Digiday, "The state of ad creative: The evolution of production and optimization in the age of AI and automation" sponsored by Celtra, Aug 29, 2024

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Predictions

- **More brands will launch production companies, blurring the line between branded content and entertainment.** Aspirational brands—particularly in beauty, luxury automotive, and fashion—will create video content, including brand-adjacent content for product placement and other marketing initiatives.
- **Retailers will use their owned and operated channels in new ways to keep audiences engaged.** Episodic content and daily games will emerge as key engagement drivers for apps and websites.
- **Streaming content and other in-app entertainment will be used for performance marketing—and eventually retail media.** Brands and retailers will glean consumer insights to better target customers and then eventually sell advertising space around the content powered by first-party data.

Partner perks will be the new pillars of paid retail memberships

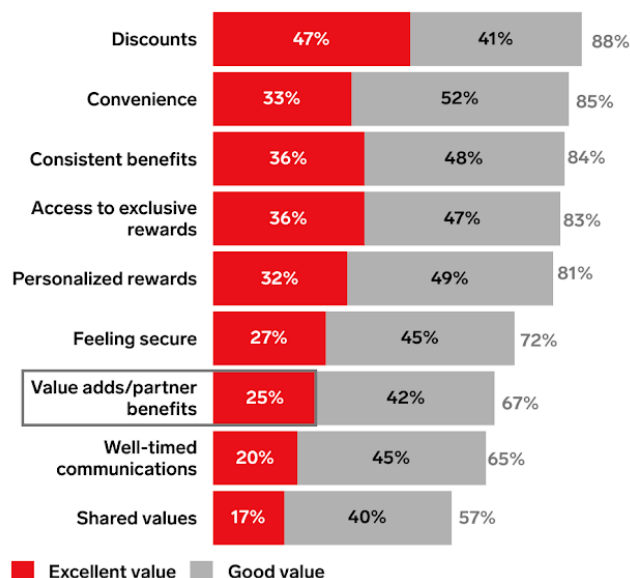
Retailers are giving customers more bang for their buck with discounts and freebies included in their premium loyalty programs. In the battle for customer loyalty, retailers are hoping to stand out by rounding out their subscriptions with offerings from partnered companies.

- **Walmart is leading the way.** To compete with Amazon's Prime Video, Walmart+ forged an early partnership with Paramount+. The company has since expanded to include special perks and discounts from Burger King, veterinary service Pawp, and rotating limited-time offers.
- **This sparked the trend of strategic partnerships, with paid memberships adding access to ancillary services.** Instacart followed in Walmart's footsteps with a streaming partnership, giving Instacart+ members access to NBCUniversal's Peacock. It also partnered with Uber Eats on free restaurant delivery, a move that will make Instacart+ more competitive with DoorDash's DashPass. In turn, DoorDash partnered with Lyft to give its DashPass members rideshare discounts.
- **Now, even Amazon is doubling down on partnerships.** This year, Amazon made access to Grubhub+ a permanent feature of its Prime membership, making it the platform's first significant partnership perk.

1 in 4 Consumers View Partner Benefits as Adding Excellent Value to a Paid Loyalty Program

% of US consumers, Oct 2023

Q: How valuable to you are these offerings in premium subscriptions?



Note: ages 18-65

Source: Merkle, "2024 Loyalty Barometer Report," Feb 14, 2024

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Predictions

- **Walmart will partner with Uber on ride discounts and meal delivery for Walmart+ members.** The lack of a meal-delivery benefit is a glaring gap in Walmart's list of perks. Ride discounts would be the proverbial icing on the cake.
- **QSRs will be the next big industry for retail partnerships.** Walmart may expand its partnership with Burger King's parent company, Restaurant Brands International, to bring banners like Popeyes to its membership offerings. Target could bolster its Circle 360 membership with Starbucks discounts, as there are already Starbucks Cafes in more than 1,700 Target locations.

Read Next

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[Commerce Media Trends to Watch in 2025](#)

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[Commerce Media Explainer 2024](#)

Reaching consumers when (and where) they're ready to buy: In-store opportunities give new life to 'long-tail' RMNs

This sponsored article was contributed by [Quad](#).



Ameet Srivastava

*Vice President, CPG Sales,
In-Store Connect, Quad*

My entire 25-year career has been in and around consumer packaged goods (CPG). The amount of change the industry has experienced during the last ten years is exponentially greater than the previous 50, when national brands really started to emerge post-WWII and resonate with baby boomers.

Interestingly, two major retail dynamics have had the biggest impact on CPG brands. First, the rise of national retail chains in the 1980s—Walmart, most notably—helped increase the leverage they have on CPGs since these giants account for a significant portion of a CPG brand's revenues. The second major dynamic was the emergence of Amazon. For consumers, Amazon's value proposition is centered around convenience and choice, but on the backend, its collection of first-party data and purchase data gave it a springboard to launch the retail media network (RMN) phenomenon.

Over time, brick-and-mortar retailers that compete with Amazon realized they, too, could monetize the vast amount of data they sit on and start a new revenue stream in the form of retail media advertising that can have a 70% to 90% margin (versus the 3% to 4% average retail margin), according to BCG estimates.

Today, CPGs of all sizes are tasked with driving trial and repeat purchases and are "encouraged" to invest in a retailer's media network. While big CPGs can afford to pay to play, this isn't always the case for smaller or emerging CPGs. Meanwhile, from a consumer perspective, the dirty little secret is

that while website or app advertising can be highly effective in the ecommerce space, many shoppers aren't necessarily visiting a given retailer's digital platforms before a brick-and-mortar shopping trip.

Still, [EMARKETER](#) expects that the major RMNs will continue to dominate, with the two biggest players in the space—Amazon and Walmart—forecasted to capture 84.2% of retail media ad spending in 2025. Which, of course, creates a challenging environment for what EMARKETER calls "long-tail" RMNs.

The good news is that there are emerging platforms, centered around in-store retail media, that can help "long-tail" RMNs stay competitive—while giving CPGs of all sizes fresh opportunities to reach the shoppers they're missing.

CPGs have, of course, always invested in-store with shelf banners, shelf talkers, endcaps, and at checkout. Now, Quad is modernizing the in-store experience with [In-Store Connect](#), which places networked digital screens that serve high-impact creative throughout stores—with a laser focus on the grocery sector in 2025.

In-Store Connect also solves the problem of scale through a growing network of regional grocers that, taken together, will serve as a nationwide platform for CPGs with the potential to compete with the biggest single-retailer RMNs.

With In-Store Connect, Quad is building a game-changing platform that leverages the advantages of "IRL," brick-and-mortar "moment of truth" retail settings—where 83.8% of brand purchases still happen, per EMARKETER—while bringing digital rigor, flexibility, and scale to in-store retail media.

In other words, it's time for CPGs and retailers to re-think "long-tail" RMNs—because retail media is ready for its next revolution.

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