



## Reimagining Customer Value:

Navigating Retail Profitability  
and Digital Disruption

August 2025

“ Social commerce is redefining retail, blurring the traditional funnel between discovery and purchase. **Retailers** can **now profit** from **customers** who don't fill carts but **power campaigns** because even if they don't buy, they help brands sell. ”





On a Saturday morning, Sophie is winding down from a busy week and opens Instagram for a quick scroll on her phone. Her feed shows her a video from an influencer she likes, who's trying out a new face cream and giving it rave reviews. Sophie's approaching her 30th birthday – the prime target age range that this product benefits, the influencer explains. Sophie clicks a link that takes her to the Instagram shop storefront, where she reads more about the cream and browses descriptions and reviews of similar products. Sophie decides to splurge on one of them as an early birthday gift to herself. Why not? It's as easy as one click to the storefront's checkout page, where she pays and returns to her feed.

After the purchase, Instagram captures Sophie's transaction data, tracking her behaviour and sharing insights with the cream's brand and the influencer, who will use the information to adapt their targeting and potentially offer Sophie a reward for her loyalty. This all occurs within 20 minutes, and began with a social media user who had no intention to purchase anything that morning. The customer journey as we once knew it has completely evolved and the marketing funnel has collapsed; individuals are now becoming consumers and converting at the same stage of the customer journey.

In a world where scrollers and influencers have replaced traditional shoppers and sellers, retail economics has also taken on a new identity. Sellers must accept the hard reality that retail today requires more than just sales. Even as social media platforms take over product sales and mega-retailers bid to buy media platforms, retailers' operating costs rise and profit margins fall. Before retailers succumb to the unprofitable position of being third-party fulfilment centres – handling other companies' sales and returns – an evolution in business model is needed.

Tapping into retail media as a new source of business can unlock dual revenue potential, enabling a model that blends transaction-based revenue and media-based revenue. It requires that retailers recalibrate their traditional perspectives related to customers and products. To secure loyalty and future revenue, it's time to start seeing customers as monetisable audiences, and products as content.



# Retail Media and the Race to the Top

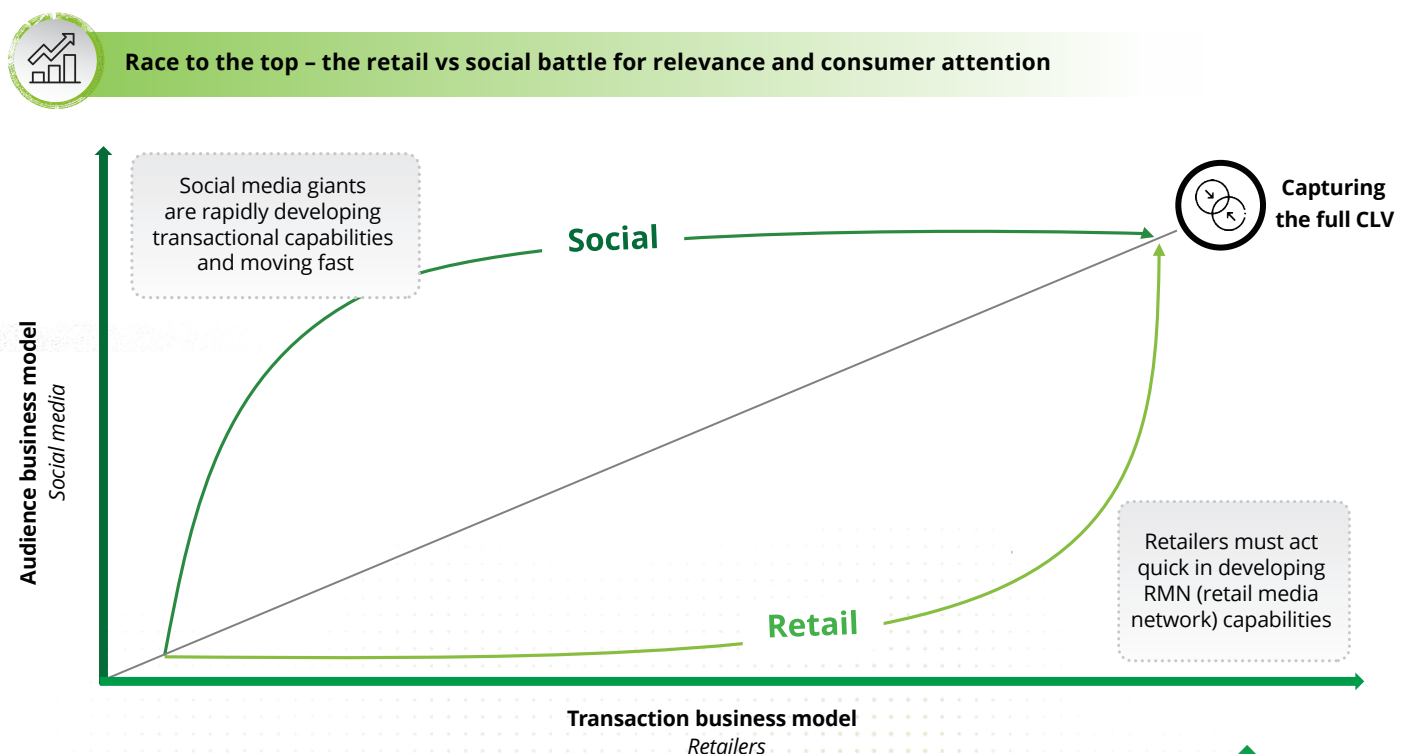
This is a transformational period for retailers who evolve their model and think ahead. We're fast approaching a world where retailers can profit from customers who don't fill carts but instead power campaigns. Even if they don't buy, they help brands sell, which is highly lucrative for those retailers who are ahead of the curve. In other words, it's time for retailers to start thinking like media company executives.

From niche to necessity, the rise of retail media didn't happen by accident – it was driven by seismic changes in the digital landscape. The phasing out of third-party cookies and increased consumer privacy demands have made first-party data more valuable than ever. At the same time, consumer behaviour has shifted dramatically, with shoppers expecting more personalised, relevant experiences across digital touchpoints – further increasing the value of owned data. And retailers now face stiffer competition

from global platforms and direct-to-consumer brands. In this environment, retailers' ownership of rich, first-party customer data has turned into a competitive advantage, and retail media networks are the perfect way to monetise it. That's why we're seeing an explosion of retail media investments across Europe and beyond.

We're now witnessing a race to own the future of customer value, as social media platforms and retailers converge – and compete – for control of the full customer journey. Social giants are rapidly advancing transactional capabilities, and retailers must accelerate the development of retail media networks to keep pace. The window to act is narrowing. Those who hesitate risk being outpaced by more agile, digitally native competitors who are redefining customer lifetime value and capturing a disproportionate share of future growth.

**Figure 1: Race for Consumer Value**

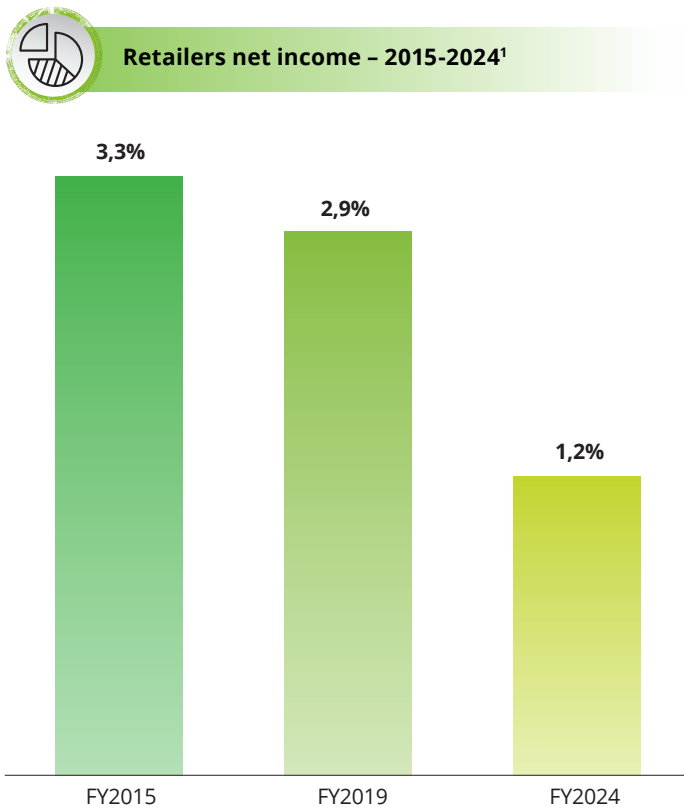




# The New Retail Game and Unlikely Players

No retail leader is unfamiliar with the consistent decline in direct-to-consumer retail margins over the past 10 years, weighed down by rising costs across commodities, labour, online fulfilment and distribution. It's a situation created and sustained by macroeconomic volatility and ongoing supply chain disruptions. But it's also distinctly marked by a tangible shift in the behaviour of customers, who are gravitating toward private labels, discount formats and cheaper alternatives. They're also shopping in unexpected places: Online platforms are expected to capture over 21% of global retail sales by 2028<sup>2</sup>.

**Figure 2: Retailers Net Income**



This rapid shift to digital comes at a steep cost: Profitability is eroding. Online retail margins typically hover between -5% and 5%, meaning many digital sales are either barely profitable or actively losing money. By contrast, in-store margins remain healthier, at 3% to 7%, exposing a dangerous imbalance in the economics of

modern retail<sup>3</sup>. Against this backdrop of margin pressure and changing consumer dynamics, one solution has moved from the periphery to the core: retail media.

## Retail Media: A High-Profit Growth Engine

Retail media isn't new, but it's now entering a phase of mainstream adoption and strategic urgency. What started as a test-and-learn initiative has evolved into a high-margin profit engine. It enables retailers to monetise first-party data and digital real estate – websites, apps, loyalty programmes and even in-store displays – by selling premium ad space to brands seeking more targeted, performance-driven channels.

The return on investment speaks volumes: Retail media delivers up to four times the ROAS of traditional digital channels. In 2024, 80% of brands and agencies reported retail media spend to be more effective than TV, print, influencer marketing and even social media ads<sup>4</sup>.

Despite this, retail media remains underutilised across Europe. While players like Amazon already generate over 10% of total revenue from retail media – and could see that grow to 70% in advanced models – many European retailers are still in early stages of adoption<sup>5</sup>. The gap between the potential and the reality is broad, but so is the opportunity.

The key challenge lies in measurement fragmentation. With inconsistent attribution models and reporting standards, it can be hard for advertisers to assess value across different retail networks. But industry efforts to harmonise metrics are well underway, and those who move early to build robust, transparent platforms will be first in line to capture brand spend.

Retail media is no longer a bolt-on experiment. It's a structural shift in how retailers drive growth, monetise attention and compete in a world where the battle for consumer relevance is won through data, not just products.

<sup>1</sup> Deloitte analysis on 105 European retailers, based on Capital IQ data

<sup>2</sup> Statista 2025 | Revenue share of the e-commerce market worldwide from 2019 to 2029, by sales channel

<sup>3</sup> Deloitte analysis 2025

<sup>4</sup> Criteo 2024 | The state of retail media today: How does your maturity level compare

<sup>5</sup> eMarketer 2025 | Retail Media & Deloitte analysis 2025

# Social Commerce Is Booming

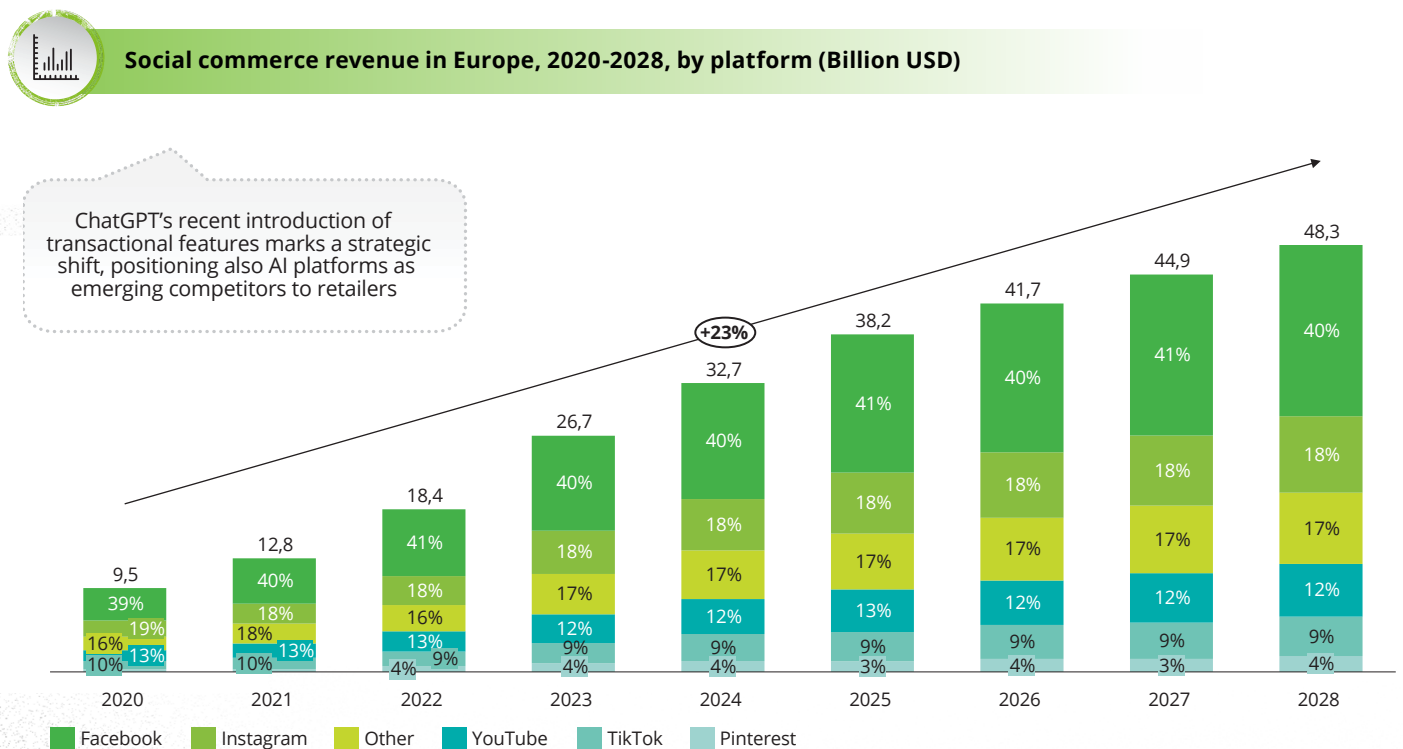
Somewhere along the way, social media companies realised the immense opportunity available to them, being able to control the attention of billions of users. They began embedding transactional features, such as the digital storefront Sophie used to buy face cream. We are fast moving towards the era of social commerce, and it's enabled them to capture direct sales through their platforms and eat up a big share of the retail pie.

Around the world, social commerce is seeing a massive surge, with some countries leading the charge. In the United States and China, social commerce has already reached impressive levels of maturity, with platforms like TikTok Shop, Instagram Shopping and WeChat's Mini Programs turning social media platforms into full-fledged marketplaces. In Europe, we're still catching up, but current growth is the highest around the world: approximately 20% in Europe versus about 16% in the United States, year on year<sup>6</sup>.

The social commerce phenomenon is bringing in about USD 38 billion a year at the moment – up from USD 9.5 billion in 2020. In another three years, it's forecast to earn over USD 48.3 billion<sup>7</sup>. As if that projection isn't a big enough wake-up call, AI companies also seem to be jockeying for a market share, with OpenAI's recent introduction of transactional features in ChatGPT. Platforms like Perplexity and PayPal are even partnering to enable instant in-app purchases – further blurring the lines that distinguished content, commerce and conversation.

Age demographics play a major role in social commerce adoption. Younger consumers – particularly millennials and Gen Z – are the driving force behind social commerce's surge, with surveys showing nearly 80% of Gen Z shoppers in Europe have made purchases directly within emarketer 2024<sup>8</sup>. These digital natives view social media as their primary shopping arena, with platforms like TikTok and Instagram not just driving inspiration but also closing the purchase loop. But it's important to note that older shoppers still lean more heavily on traditional e-commerce sites and in-store experiences, highlighting the generational divide that retailers must navigate.

**Figure 2: Social Commerce Revenue, Europe**



<sup>6,7</sup> Statista 2025 | Social commerce revenue in Europe from 2018 to 2028

<sup>8</sup> Deloitte 2024 | Social Commerce



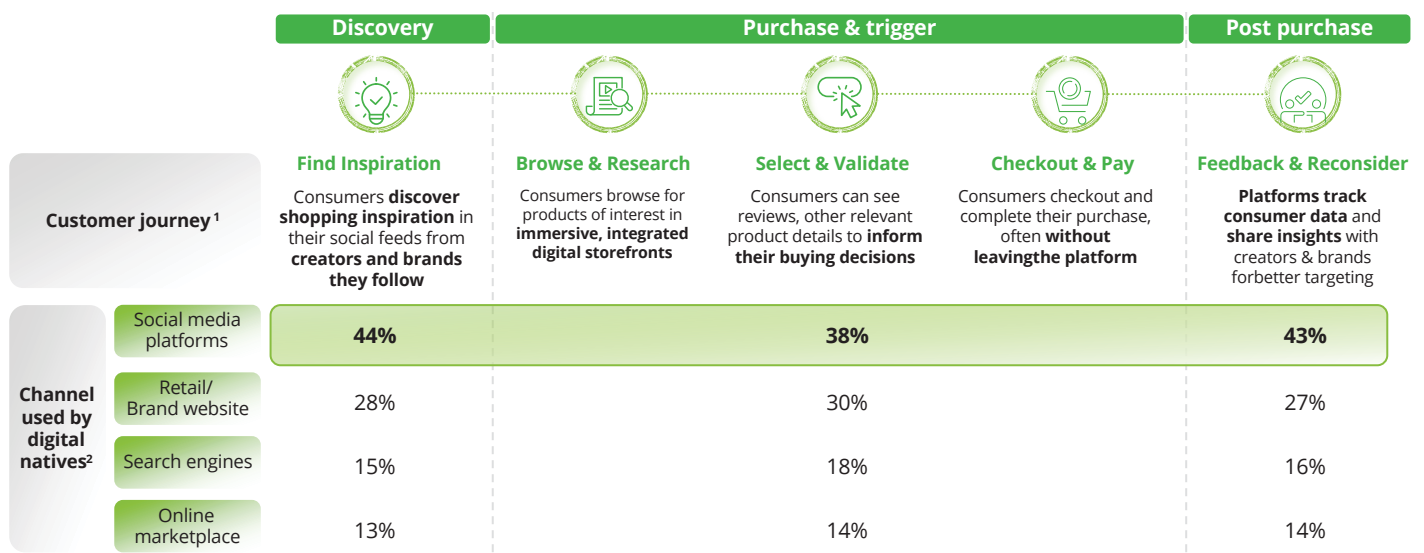
In this new era, it's irrelevant whether or not a social media user had shopping on their mind when they logged in. All users are enticed to follow a consumer journey that starts with content creators, influencers and brands, which spark desire with product reviews and advertisements. They fill social feeds with shopping inspiration and then point the way to immersive, integrated digital storefronts existing on the same platform.

At this point the journey is underway, with many passive users becoming motivated shoppers. They read reviews and relevant product details, which is often enough to sway them to add a product to their cart. As we saw with Sophie, it's often not even

necessary to leave the platform to pay for a purchase. And the data gleaned from those transactions is invaluable, revealing behaviours and preferences that let brands and creators tweak their targeting and reward buyers and followers for their loyalty. That data is the fuel buyers are throwing directly onto the social commerce fire, making it even bigger and hotter.

As social commerce carves out a growing share of digital spend, retailers must find ways to compete for shopper attention and recapture lost margins. This is where retail media emerges as the counterweight, offering a way for retailers to monetise their own channels and compete more effectively with social platforms.

**Figure 3: Collapsed Consumer Journey**



### The Seductive Sales Potential of Social Interaction

From the consumer's perspective, where's the incentive to visit retail-owned channels to compare and purchase products? If there is a good reason, it's getting buried under an avalanche of direct advertising coming from apps that consumers willingly open and depend on for entertainment, social stimulation and news. Today, these platforms aren't just about mindless scrolling – they're where consumers spend the majority of their time, and that attention translates directly into dollars. People are increasingly influenced not only by aspirational influencers but also by their friends and communities on these platforms.

Authenticity and credibility are driving this shift, as influencers and trusted peers provide relatable, inspiring content that feels far more genuine than traditional advertising. Social media has become the space where consumers don't just discover products; rather, they're genuinely inspired and motivated to buy. For those captive social media audiences, the platforms offer discovery, inspiration and seamless conversion in a single app

(and sometimes even a single tap). They're reshaping the funnel and intensifying the challenge for retailers to convert on owned channels.

Once upon a time, social platforms focused on advertising sales as their core business model, but their users have come to see them as primary channels for a complete customer journey – from awareness to purchase. This evolution blurs the line between social interaction and commerce, solidifying social media platforms as a direct threat to traditional retailers.

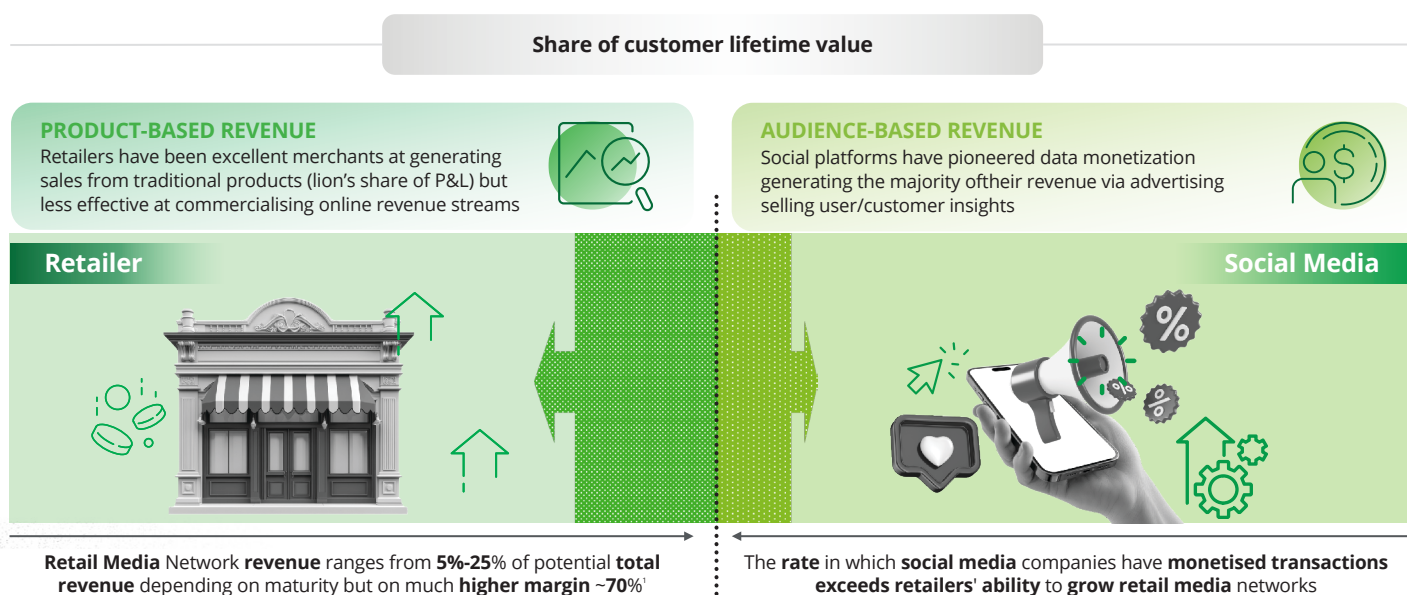
Social commerce's trajectory of growth has been steady and rapid, changing the distribution of digital consumer spend. That trajectory doesn't have an end in sight, and it's a problem that retailers can't step around, swim under or leap over. The only way is through it, by immersing your business in retail media, opening up revenue streams beyond transactions.

# Tapping into an Audience-Based Model

Retailers have long excelled at generating sales from traditional products – the core of their P&L – but have been slower to monetise digital channels, compared to social platforms. Social media companies have pioneered audience monetisation, building billion-dollar businesses by selling advertising and customer insights, often without needing to sell physical products at all. Today, we're witnessing a convergence: social platforms rooted in audience monetisation are rapidly moving into transactional commerce. The imbalance presents both a threat and an opportunity.

For retailers, the opportunity is profound. Embracing an audience-based business model, through retail media, unlocks a dual-revenue stream: one from transactions, the other from monetising attention. But doing so requires a fundamental shift in mindset. Customers are no longer just buyers; they are engageable, monetisable audiences. Their behaviour, preferences and influence are valuable assets you can activate to amplify your brand.

**Figure 4: Business Model Convergence**



The same transformation applies to products. What was once static inventory is now dynamic content – strategic assets that appear in advertisements, social posts, influencer campaigns and retail media placements. Products today don't just fulfil demand; they create it. They drive awareness, tell stories, build brand equity and influence purchase decisions. Future growth will rely on this perspective shift: seeing audiences where you once saw customers, and content where you once saw products. This is the foundation of a business model that blends commerce with media to unlock new value.

Retail media not only boosts revenue, it strengthens customer loyalty. By integrating retail media with loyalty programmes, retailers can create richer, more personalised customer relationships. Loyalty data becomes a powerful enabler of audience segmentation, allowing precise, relevant messaging that rewards existing customers and encourages repeat purchases. In fact, combining retail media and loyalty efforts has been shown to deliver up to 20% more value from a retailer's most engaged customers<sup>9</sup> – a compounding gain that reinforces long-term success. It's a powerful reminder: Retail media isn't just a new revenue line; it's a lever to optimise the entire customer lifecycle.

<sup>9&10</sup> Deloitte analysis 2025



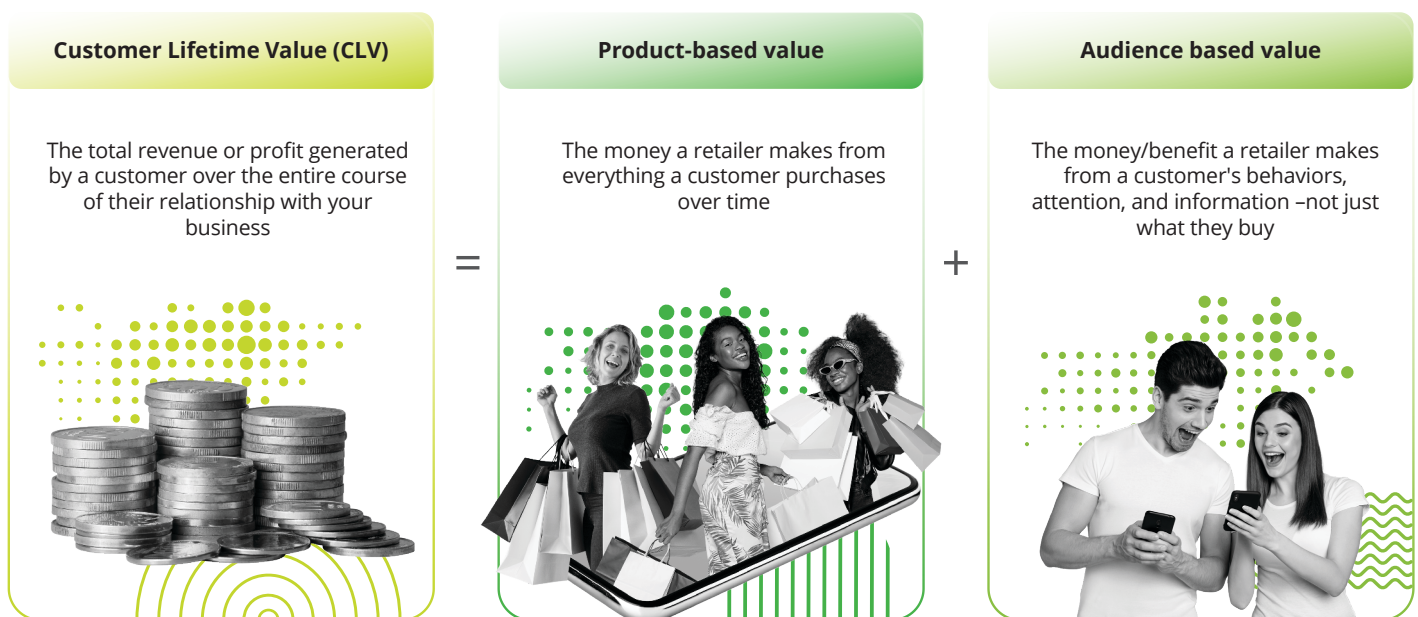
### Beyond the Basket: The Rise of Audience-Based Value

To fully capitalise on this shift, retailers must evolve how they define and apply Customer Lifetime Value (CLV). It's a common metric, but one that some retailers struggle to define, either because data isn't available or teams have different definitions across the business, which impacts digital investments.

But CLV can no longer be treated as a static, back-office calculation. It must be reimagined as a dynamic, strategic metric and one that reflects the full spectrum of customer value, from purchases to influence, engagement and media impact. This is not just an update; it's a new way of thinking about customer relationships. CLV should unify commercial, marketing and digital teams around a shared view of value, serving as the foundation for smarter investment, sharper targeting, and long-term growth in an audience-driven retail landscape.

Traditionally, CLV focused almost exclusively on purchase-based metrics: how much a customer spends over time. Although product-based value remains critical, it's no longer the whole story. The future value of your customers is not solely defined by the products you sell; in this digital and social commerce-led world, it's a combination of audience-based value and product-based value, adding up to the total revenue or profit a customer generates over their entire relationship with your business. Product-based value is what traditional retailers excel at, making money off each of your customer's purchases. But audience-based value will be a new concept to many retail leaders.

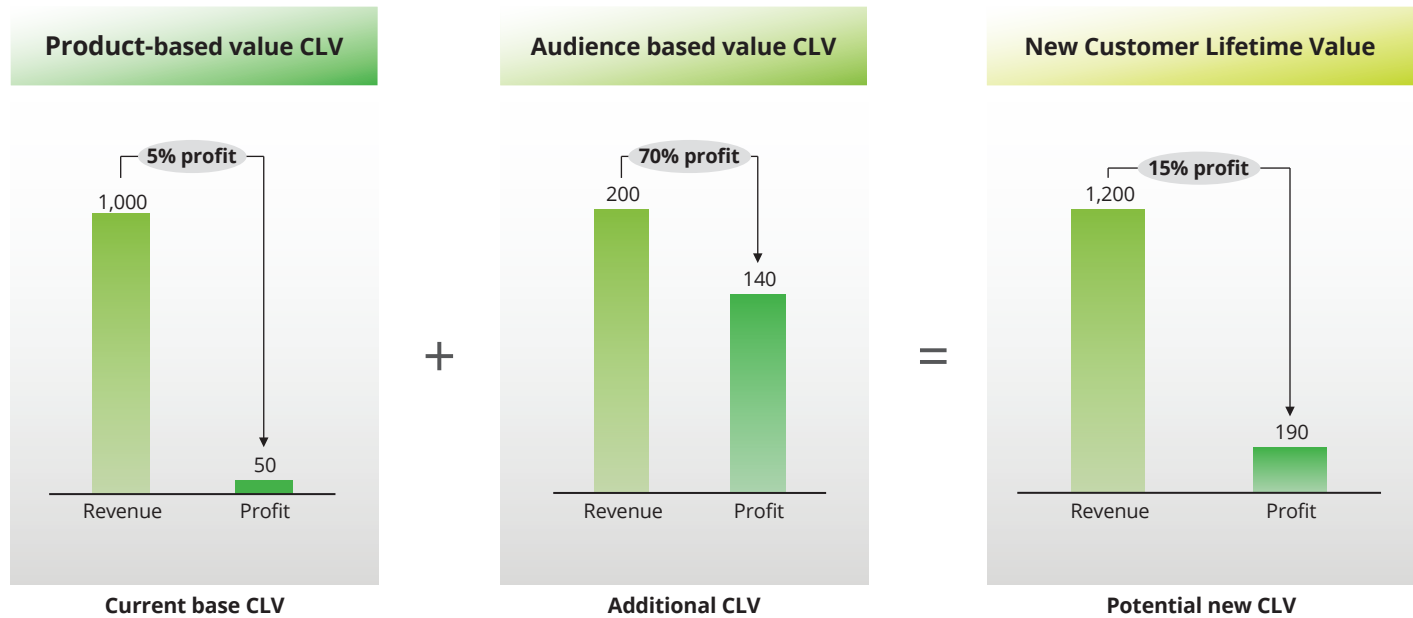
**Figure 5: Modern Customer Lifetime Value**



Audience-based value comes from what customers buy, what captures their attention, and how their data drives advertising performance. To unlock this, retailers must invest in owned digital platforms, like websites, apps and retail media networks, that fuel smarter marketing and monetisation.

Value is realised through clear revenue tracking from media impressions, content engagement and ad placements. This visibility enables better decisions and supports ongoing investment in these high-margin channels. Depending on digital maturity, retailers can expect an uplift of 5% to 25% in total revenue from these audience-based strategies<sup>10</sup>.

Social media platforms have been the pioneers of data monetisation, essentially turning eyeballs and attention into dollars – big dollars, at that – and doing it incredibly well. Take for example, Meta’s advertising revenue of \$160 billion in 2024 alone, a 21% increase on the previous year and continuing to grow (according to their annual report)<sup>11</sup>. Platforms are generating the majority of their revenue via advertising and selling insights about their user-consumers, monetising transactions faster than retailers can grow retail media networks. Fortunately, it’s not too late for retailers to achieve a symbiosis of product value with audience value, gaining back the ground lost to savvy social media executives.



Incorporating audience-based revenue into CLV calculations significantly boosts total customer value, particularly through high-margin media income streams. Retailers can expect an uplift of 15% or higher depending on digital maturity.

### From Value Metrics to Human Connection

This shift toward audience-based value and monetising attention is more than just a data or revenue play. It marks a fundamental redefinition of what it means to build customer relationships in the digital age. It goes beyond calculating lifetime value through transactions, and recognises every moment of engagement as

a signal of potential. And it brings us back to where we started: with Sophie. Because behind every data set and every conversion metric is a person. And the future of retail belongs to those who learn to understand, engage and grow with them.

<sup>11</sup>Meta 2024 | Q4 and FY24 results



# From Value Metrics to Human Connection

Sophie is actually more than a person. She's a data point, a signal and a source of recurring value if you know how to listen. The more we understand about Sophie – her preferences, her timing, her digital touchpoints – the more we can build journeys that resonate, convert and keep her coming back.

It means retailers must move beyond the products and focus on Sophie. Not just what she buys, but what she clicks, follows and lingers on. We want Sophie to stay with us, engage with us (and our partners and friends), and ultimately speak for us, we have to build systems that connect those signals, using loyalty data, media exposure and behavioural insights to create value across every channel. It means rethinking what we value about each customer; their preferences and behaviours should be at the core of retail companies.

Retailers who embrace this model, who invest in audience understanding and media monetisation, won't just recover margins. They'll build ecosystems where customers like Sophie choose to stay, engage, and advocate. Where content drives commerce, and every interaction strengthens the brand. Retail success in the digital age isn't defined by what's sold; it's defined by how deeply we understand, connect with and serve people.

The funnel is gone. The journey is collapsed. And Sophie's already on the move. Retailers who rewire their businesses to move with her – and for her – will own the future of customer value. The question is: Will your brand be where she lands next?

**Special thanks for various contributions and supporting analysis from the wider team.**

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## Sources

<sup>1</sup>Deloitte analysis 2025 | 105 cross category European retailers, based on Capital IQ data

<sup>2</sup>Statista 2025 | Revenue share of the e-commerce market worldwide from 2019 to 2029, by sales channel<sup>11</sup>

<sup>3</sup>Deloitte analysis 2025

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