Differences in Price-to-Earnings Ratios between Retail Media and Social Media in Diversified Advertising Channels

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Abstract. In today's internet-driven society, retail media and social media are gradually becoming the main channels for advertising. To further explore the differences between these two, this article will compare the price-to-earnings ratios and internal operations of these two types of media companies, mainly analysing the market expectations' differences regarding the future growth potential of media companies across different advertising channels. By selecting 10 global retail media companies and 10 social media companies as samples on the same day to analyze data characteristics, the results shows that the mature e-commerce companies in the retail media sector have relatively low valuations, while the retail companies that are undergoing transformation have a certain premium. At the same time, the market has high growth expectations for emerging e-commerce companies. From the perspective of social media, mature giants have relatively stable valuations, and growth companies enjoy high premiums. Meanwhile, companies in the transformation period have sensitive valuations with some volatility. Therefore, based on the above results, the following conclusion will be drawn: to some extent, the PE ratio can reflect a company's life cycle and serve as a reference for investors' cross-domain decision-making as well as a source of differentiated strategic guidance for corporate managers.

Keywords: Advertising Channels, Retail Media, Social Media, PE Ratio, Corporate Life Cycle.

1 Introduction

In today's internet age, advertising channels are increasingly diversified. Among all of these, retail media and social media are gradually becoming the mainstream channels for advertising. They have some similarities, but also some differences. In this case, the capital market uses the price-to-earnings ratio (PE ratio) to reflect the differences in people's expectations for the future growth of different advertising media companies. This study explores the PE ratio characteristics of retail media and social media companies and the market expectations they reflect to further analyze the divergence in PE ratios between the two types of media companies and the differences in market

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expectations behind them. To be more specific, the study selected 10 globally representative retail media companies and 10 social media companies as samples, collected their price-to-earnings ratio data as of February 6, 2026. The average PE ratio was also calculated. Besides, comparative analysis was used to compare and analyze the data distribution characteristics. Generally, the research objective of this study is to reveal the overall distribution characteristics and internal differences of retail media and social media companies' PE ratios, while also focusing on the ability of PE ratios as a market expectation indicator to reflect the life cycle of enterprises, and pointing the way for future research.

2 The Concept and Classification of Advertising Channel Types

The types of advertising channels refer to the general term for different media platforms or technical paths chosen by enterprises, which aim to convey the brand, spread product information, and reach target audiences. In short, advertising channels are the places where brands put advertisements.

In the past, the traditional channels for advertising were television, radio, newspapers, etc. However, in today's era, when the Internet is gradually developing, advertising mainly takes the forms of social media advertising, e-commerce advertising, and collaborating with Internet celebrities, whereas traditional advertising has become an auxiliary means of communication. All online and offline channels are connected and complement each other, increasing the probability of customers' exposure to brand information, fully integrating into customers' lives, and ultimately facilitating purchases.

As mentioned above, there are various types of advertising channels. This article will mainly study the price-earnings ratios of two advertising channels, that is, the market's expectations for the social media and retail media.

2.1 Advertising Channels

Retail Media Advertising Channels. In today's world, e-commerce is gradually occupying an important position in the business field. More and more businesses are choosing to advertise on online platforms that offer retail function. By leveraging data that is generated from users' personalized shopping behavior, the platform can achieve more precise ad matching and delivery, such as Amazon, Jingdong Mall, Taobao Mall. While some platforms combine retail and social functions, this article will focus more on media platforms that are primarily retail-oriented as advertising channels.

The two kinds of characteristics that are common in retail media are behavioral drive and visual appeal. In terms of behavioral driving, retail media advertising is somewhat correlated with real-time web browsing contents of the users. System will estimate the intentions of a user to make a purchase by examining the content the user clicks such as time spent on a page, the time spent in a cart and others and then narrows on the advertisement based on those features [1]. Moreover, such a media advertising is more focused on the visual clarity and appeal of product representation, since buyers visiting such media retail stores have a high purchasing intention in advance. Through visual imagery of high definition, shots of multiple angles, event as an action, and layouts of scenarios, the level of immersion in consumers could be boosted. These strategies are employed by merchants in order to elevate consumer satisfaction hence resulting in trial of the product or re-buying it [2].

Social Media Channels of advertising. The social media has proven to be one of the most important advertising avenues. Whenever a brand posts videos or written information in the social media, the brand is likely to expose itself to much information as well as create a wide reach. Consequently, adoption of social media as an advertising tool has become a business strategy. Examples of popular social media platforms are Red Note, Face book, Instagram, Tik Tok etc. In the case of social media, the interaction between the user is important when deciding the success of social media advertising [3].

In general, social media can be described as three primary features including context relevance, experience orientation, and multidimensional complexity. In terms of context-relevance the Social media adverts are connected to the content the consumers are watching at the moment. As an example, individuals watching fashion videos on Instagram will notice adverts of different brands of clothes appearing. This is what the consumers find relevant and they are compelled to go and click on the advertisements leading them to make purchases. On experience-related advertising, social media is more focused, as it seeks to offer emotional benefits to social media users. Our product can be subtly marketed by invoking their attention towards the media itself, which will translate into consumers buying the products. Simultaneously, the social media will also become more focused on interactivity, including likes, comments, and shares [4]. In the context of multidimensional complexity of social media, this type of platform puts effectiveness in the first place. To an extent, its spreadability is based on the ability of the advertising content to be practical, entertaining and interactive at the same time, thus satisfying multiple needs of users at the cognitive, emotional, and social systems.

Overall Differences. Retail media is a direct and immediate means of earning advertising. Since the target customers are there specifically to shop, retail media can gain a competition edge by precisely targeting advertisements, thereby directly promoting customer purchases. On the other hand, social media offers an indirect and long-term way to generate advertising revenue. Through releasing highly interactive advertisements, brand can directly increase the their fan base, thus increasing the likelihood of purchase when launching new products in the future.

2.2 Price-to-Earnings Ratio

Concept. The Price-to-Earnings Ratio, namely PE ratio, is an important financial indicator for assessing a company's value.

Its calculation formula is:

The price-earnings ratio = the company's stock price ÷ earnings per share.

From another aspect, this formula can also be understood as:

The price-earnings ratio = the total market value of the company ÷ the net profit of the company.

Hence, in short, PE ratio reflects how much investors are willing to pay for each unit of a company's net profit.

This study will use the price-to-earnings ratio to observe the market's expectations for the future growth of two different advertising channels: retail media and social media. A high price-to-earnings ratio may indicate that the market has some kinds of confident in the company's future earnings growth, and its stock price is relatively expensive, but a high price-to-earnings ratio may also indicate that the valuation is too high and there is a certain risk. Besides, a low price-to-earnings ratio may show that the market is pessimistic about its future prospects, or that the company is facing operational difficulties. However, similar to high price-to-earnings ratios, this may also be due to the company's value being underestimated. In fact, such companies may have certain investment value sometimes.

3 Case Analysis

3.1 Retail Media's PE Ratio

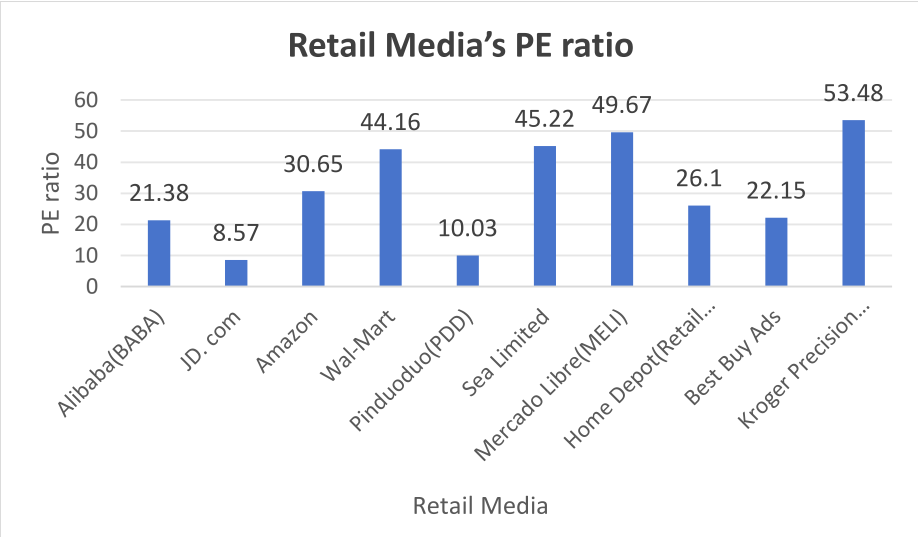

Fig. 1. Retail Media's PE Ratio. (Picture credit: Original)

As shown in Figure 1, the bar chart displays the PE ratios of the 10 most influential retail media companies in the world as of February 6, 2026. For the distribution of the data, the overall PE ratio ranges considerably, from a maximum of 53.48 for Kroger Precision Marketing to a minimum of 8.57 for JD.com. The overall data spans approximately six times, demonstrating a certain gap in market expectations for the growth of different retail media companies. Of them, there is an average PE ratio of retail media companies, excluding the maximum and minimum values, of 31.17. Overall, firms that have a definite growth pattern or high probability of business paradigm shift have a higher PE ratio, and the market is highly demanding towards such firms.

Figure 1 shows that the average of PE ratios of mature e-commerce companies is lower than the average. To illustrate, the price to earnings ratio of Alibaba is 21.38, Amazon 30.65 and JD. com is 8.57. First, these kinds of markets are often flooded with users and it is not easy to acquire new forms of users. As a result, it is difficult to suppose that the corporate profits will increase exponentially within the nearest future and the corporation has embarked on a stage of stable rampant revenue growth. In addition, the level of competition in the market is already quite stiff. The firms have moved the competitive aim to their goal of getting more users to retain them hence the price wars as well as the subsidy wars. Additionally, the products are so homogenous that it is a struggle to the company to allow it to grow. This makes the valuation low in the market [5].

PE ratios of undergoing metallic retailers that include home depot and War-Mart are in the range of 22.15- 53.48 higher than those of most mature e-commerce firms. The majority of firms in this sort of market are long-established and have introduced online and offline retailing platforms to fit the current sales model of big data. Changing the traditional methods of retail served by retailers will take advantage of offline traffic and tap into the information, thereby earning money. Meanwhile, electronic advertising not only makes the process more accessible to customers when buying products online, but also increases the sales outreach of the brand [6]. As an example, Kroger Company is a conventional supermarket that is highly geared with PE ratio of 53.48 which can be attributed to the confidence the market has on its precision marketing business. This implies that the market anticipates that Kroger company will capitalize on its food shopping data, which will result in high profitability in the future. To demonstrate the lifestyles and purchasing patterns of customers, the company will capture the items that they purchase at Kroger every week. Subsequently, it can be growing the purchase rate and revenue by narrowing down online and offline advertisements to customers with the highest likelihood of purchasing these products. Speaking precisely of the above, in case a customer has been purchasing milk regularly during the last three weeks, Kroger will present some milk adverts to this identical customer via its application, receipt emails. This does not only enhance the effectiveness of advertisement in terms of drawing audience, but also provides Kroger with an alternative means of multiplying its earnings [7]. Also, the fact that the PE ratio of War-Mart is greater than the PE ratio of Amazon indicates that the market is more likely to pay a premium on transformative companies as opposed to the companies that have constant businesses [6]. Therefore, the higher the potential of business transformation in a company, the higher the PE ratios will be.

E-commerce in the emerging markets has been associated with a high expectation of profit. The PE ratios are normally above average. As an illustration, the PE ratio of Sea limited is reported to be 45.22, and that of Mercado Libre is 49.67. The future of the emerging e-commerce can take either a successful or a failure form. When the price earnings ratio is high it means that the market is quite ready to invest in such emerging e-commerce companies at a higher price with a belief that they have a great chance of getting colossal profit in future. Another characteristic observable about Sea and

Mercado is that they duplicate the successful e-commerce experience of other parts of Southeast Asia and Latin America, including developing online shopping platforms, settling mobile payments, and extending e-commerce logistics. This is a very effective means of minimizing the risk of failure. Meanwhile, Sea and Mercado are expanding their businesses in all aspects and have strong development potential. Sea owns the e-commerce platform Shopee and the e-wallet SeaMoney. Sea's data and operations are interconnected, providing customers with greater convenience. Mercado also has e-commerce, payments, logistics, and credit services, which is similar to Sea. Southeast Asia and Latin America are regions where the contemporary data society is relatively untapped. Although the companies that are looking to develop these areas may not have an ability to make much money now, investors are willing to pay a high price for their shares in exchange for the potential for huge profits in the future. Therefore, the PE ratio of e-commerce companies in emerging markets is relatively higher than that of the other two types of retail firms mentioned above.

Overall, in the era that data drives business to transform, the capital market uses the PE ratio to express its preference for pricing a company's future value. Market expectations for future earnings growth generally exceed confidence in the company's current profitability.

3.2 Social Media's PE Ratio

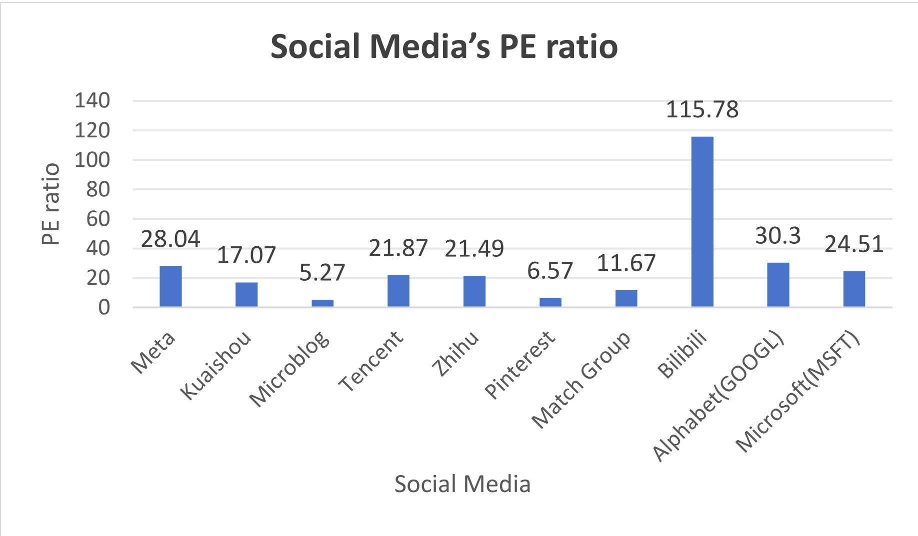

Fig. 2. Social Media's PE Ratio (Picture credit: Original).

The bar chart in Figure 2 shows the price-to-earnings ratios of 10 of the world's most representative social media companies as of February 6, 2026. The distribution of the data shows a significant divergence in PE ratios. Bilibili's PE ratio is as high as 115.78, while Microblog and Pinterest are only around 6. In contrast, social media giants' PE ratio, such as Meta, Alphabet, and Microsoft, tend to fall within a relatively stable range of 20-30. Moreover, the average PE ratio of social media companies is 20.19.

Generally, market expectations differ regarding the future growth potential, profitability, and stage of development of different companies.

According to this chart, the PE ratios of established industry giants are relatively stable, such as Meta, Alphabet, Microsoft, Tencent, etc. As mature companies, having a diversified and highly sticky ecosystem and strong cash flow is one of the reasons why their PE ratios are relatively steady. For example, Alphabet Company's revenue comes not only from Google's advertising revenue, but also from YouTube subscriptions and advertising revenue, Google Drive System, and so on. Meanwhile, customers can seamlessly use a variety of convenient services, like Google Docs, Drive, and Calendar by logging in with their Gmail account, making the entire service chain interconnected and playing an important role in people's daily lives [8]. Futhermore, these types of companies usually have a certain amount of cash reserves. This is also an crucial reason why giants like Microsoft, Google, and Tencent are able to gain market trust and enjoy stable, high PE ratios. Broadly speaking, market believes that the business models of established social media giants are both safe and have the potential for continued growth, resulting in relatively stable PE ratios.

The low price-to-earnings ratios of Microblog and Pinterest may be due to difficulties, such as stagnant user growth and increased competition, which lead to lower expectations for market growth and consequently lower PE ratios. This is similar to the situation of established e-commerce companies in the retail media sector. In contrast, Bilibili Company, with its extremely high price-to-earnings ratio, may be in a growth phase with strong profit potential, so people are willing to pay a higher premium for the future.

Kuaishou, Zhihu are representative of firms that are undergoing transformation. They are in the stage of transitioning from spending on expansion to making profits. Thus, its price-to-earnings ratio may be quite sensitive, falling within a range that is neither high nor low. However, the internal differences are relatively large. For instance, Match Group's PE ratio is 11.67, while Zhihu's ratio is 21.49, which is almost twice that of Match Group.

In general, the price-to-earnings ratio is generally regarded as one of the comprehensive reflections of the market's expectations for a company's future earnings growth, rather than the only method of judgment. Compared to retail media, the price-to-earnings ratio of social media companies is more likely to reflect their growth stage. From the perspective of the corporate life cycle, companies in the introduction or growth stage often receive a higher valuation premium due to high growth expectations, while the valuation of mature companies tends to stabilize, and valuation compression may occur in the decline stage [9]. From Bilibili (growth stage) to Meta (maturity stage) and then to Microblog (slowing growth stage), the PE ratio perfectly depicts the enterprises' whole life cycle. Besides, the PE ratios of leading social media companies are relatively concentrated within a stable range.

3.3 General Characteristic

Overall, mature industry giants, such as Meta and Alibaba, have relatively steady price-to-earnings ratios, reflecting the market's belief that their future development prospects are relatively stable. Moreover, transformational companies, such as Sea and Mercado, have higher market valuations, which shows that market have certain confidence in their future profitability. However, this does not mean that these companies will necessarily reap high profits in the future, because risks and opportunities coexist. Besides, the low market valuations of mature companies that have encountered bottlenecks, such as Jingdong Mall and Microblog, indicate that the market believes their core growth phase has passed. They may be facing challenges, like user stagnation, increased competition, or an unclear profit model.

4 Recommendation

To the investor, one can recommend that companies be considered in various industries prior to making an investment. In the case of high-PE firms that are in the transition phase in the retail media business, these firms hold enormous opportunities to transform the value of their traditional offline traffic into online one, depending on whether their offline clients will remain loyal or not. As such, they can be profit elastic in the future. In the meantime, the large, low-PE ratings companies in the social media, including stagnant user growth, but high profitability media, might suggest the value stocks representing stable cash flows. Nevertheless, PE ratio is not the sole parameter of making judgements about the capabilities of a firm and therefore, there are additional aspects that need to be looked into by the investors before investing in a firm. Tersely, it can be observed that the above two categories companies can have potential to undergo valuation recovery and some investment attraction given of some market conditions.

The retail media strategy and social media strategy are slightly different to the business managers. Regarding social media, it is to ensure that the customer interaction duration is maximized and push-based data-driven revenue policies are implemented. The thing to do with companies that have high PE ratios is to achieve as many users as possible and use them to determine a long-term profit model, but the thing to do with companies with a more stable PE ratio is to have the opportunity to invest in next-generation data technologies, including AI and VR, to stabilize the revenues of the company and avoid embedding the company in a mature decline curve. Furthermore, as a retail media corporation, the trick is to leverage the benefits of offline retail data and create an open space to advertise. The strategic emphasis of companies in the retail sector that are undergoing transformation is capitalizing on the benefits of offline data to enhance the efficiency of online promotion of products, precisely deliver advertisements to customers that match their requirements and make more profit. Otherwise, there are global opportunities and advantages offered to various companies by the emergence of a cross-border e-commerce as well. Thus, international growth can help mature e-commerce companies to eliminate bottlenecks and increase their competitiveness by addressing the global audience with their products [10].

5 Conclusion

Based on the above analysis, the price-to-earnings ratio performance of retail media and social media reflects both some common characteristics and differentiated trends. Excluding extreme cases, the overall valuation of retail media is larger than that of social media, and its growth prospects are more obvious. Among them, mature e-commerce companies generally have low valuations, while traditional retail companies undergoing transformation receive valuation premiums. At the same time, e-commerce in emerging markets is expected to see high growth. For social media, a relatively obvious characteristic is that the price-to-earnings ratio reflects the company's expectations for future profit growth to a certain extent. The valuations of established industry giants are relatively stable, but the valuations of some established companies with stagnant user growth are lower, which is somewhat similar to the situation of established e-commerce companies in the retail media sector. Futhermore, growth-stage companies enjoy a high valuation premium, while social media companies in the transition phase are more sensitive and display certain differences.

According to the conclusion mentioned above, this study not only can provide a reference for investment decisions and corporate strategies, but also offers various valuable insights for future research in this direction. That is, it can offer other academic research with some understanding of the valuation logic of digital media companies, and also provide some analytical frameworks for subsequent cross-industry valuation comparison research.

The research in the future will also dwell more on how various kind of firms can further integrate online and offline channels in enhancing their data monetization capabilities to create greater valuation of such firms by the market. Moreover, another important area that can be advanced in the future in reference to media operations is how companies utilize the emerging technologies to create transformative opportunities.

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