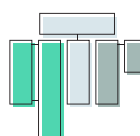


# THE SKAI Q2 2020 QUARTERLY TRENDS REPORT

**Search, Social, and Ecommerce Advertising Metrics and Insights**



# The Skai Q2 2020 QTR

Q2 2020 was the first full calendar quarter with the world under the COVID-19 pandemic.

We've seen dramatic swings in consumer behavior in a very short amount of time. How is digital advertising faring now that we have a little more perspective? Some advertisers have remained cautious while others are back to full strength.

Setting aside rumors and hearsay, it's time to sort through the numbers to unpack what really happened, by industry and media channel, in Q2.

This edition of the Skai Quarterly Trends Report for Q2 2020 is drawn from an analysis of nearly \$7B in annualized marketer spend, over 800 billion ad impressions, and 12 billion clicks. As one of the most well-respected datasets by those who follow advertising performance closely, it includes many proprietary insights about what's happening in the digital advertising industry on a macro level.

**In this report, learn quarter-over-quarter (QoQ) and year-over-year (YoY) digital advertising campaign performance trends from Q2 2020, including:**

- **Key performance indicators for the second quarter of the year across Search, Social, and Ecommerce Advertising**
- **A drill-down into the current state of key industries affected by the global health crisis**
- **Signs of recovery using spending trends across channels and verticals**

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### About Skai

Skai is the leading marketing activation and intelligence platform for brands looking to drive growth by engaging customers across digital touchpoints. Skai offers the only marketing solution that combines augmented analytics for actionable consumer and market insights with campaign orchestration and marketing measurement for success on Google, Facebook, Microsoft, Amazon, Walmart, Apple Search Ads, Pinterest, Snapchat, Instagram, Verizon Media, Instacart, Target, Yandex, Yahoo Japan, and Baidu. Skai's machine learning algorithms leverage market signals and internal data, enabling brands and agencies to predict trends and keep pace with customers. Skai has seven international locations and is backed by Sequoia Capital, Arts Alliance, Tenaya Capital, and Bain Capital Ventures. Please visit [skai.io](https://skai.io) for more information.

## Key Takeaways

**Paid Search and Social Advertising down, but climbing back.** Many advertisers either slowed or paused their online marketing efforts at the beginning of the pandemic in Q2, but are starting to show signs of recovery that may put budgets on track to reach pre-COVID-19 levels by the end of the year.

**Shoppable Ads were a bright spot for Q2.** Across channels, product-specific shopping ads saw robust spending growth in the second quarter of 2020 despite the challenges of COVID-19. The entire category of Ecommerce Ads increased, while spending on these product-specific ads in both the Search and Social channels was up in Q2 compared to last year, even as total spending on Search and Social declined over the same period.

**Advertisers who kept spending saw efficiencies.** Ad costs dropped as marketers paused, slowed or otherwise modified spending which created an opportunity for those remaining to buy more impressions at a lower cost.

**The use of automation grows during the pandemic.** Practitioners leaned on publisher automation to help them navigate the challenges they faced during Q2 in order to make every ad impression count.

## More Resources from Skai

### [Quarterly Trends Hub](#)

View the current infographic, long-form report and highlights, along with previous quarters, all in one place

### [Covid-19 Resource Hub](#)

Updated regularly with new analysis and category views

### **Other insights are posted regularly to**

[skai.io/blog](https://skai.io/blog)

[skai.io/case-studies](https://skai.io/case-studies)

**Key takeaways from Q2 2020**

Here are some of the key digital marketing trends from Q1 2020's advertising data.

COVID-19 clearly had an impact on the quarter, but year-over-year spending still grew across all channels through the end of March. Search, social, and ecommerce advertising were all poised to have a return to mid-2019 form before the pandemic. Within this report, you will see our growth projection on how these channels would have likely performed without the disruption.

Since the initial impact on digital ad budgets, weekly spending has stabilized across advertising channels, and recovery will vary by industry category. See how Q2 is shaping up based on the most recent advertising performance data and if there are signs of recovery across channels.

# Q2 2020 Channel Trends

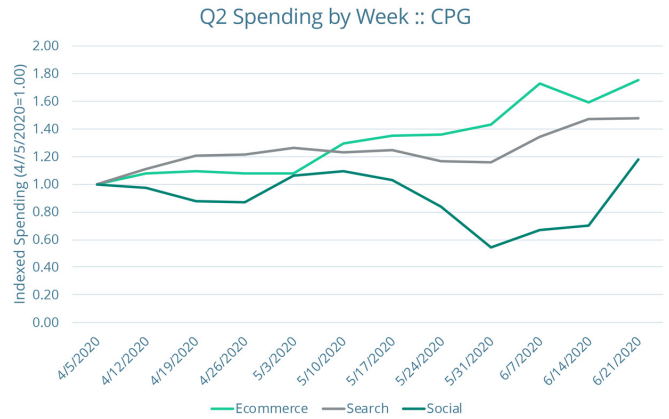
## Paid Search

Spending in paid search was down 5% quarter-over-quarter and down 9% year-over-year. However, at the same time that spend was decreasing, both impressions and clicks were up QoQ (52% and 22%, respectively) and YoY (62% and 28%).

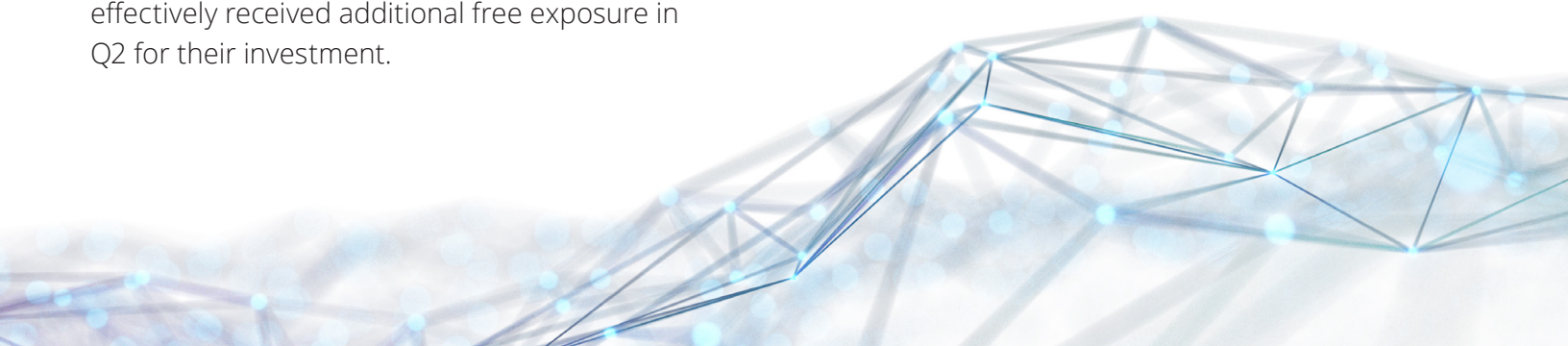
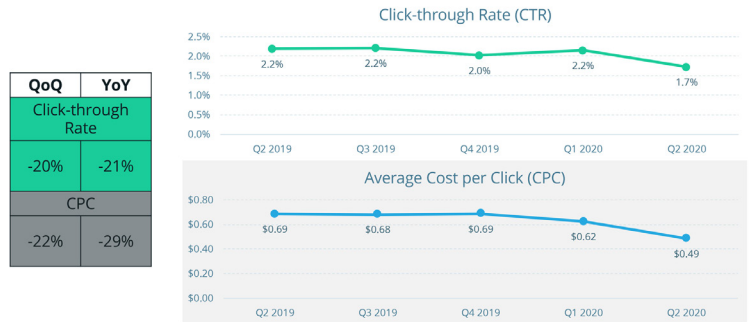
How can total spending on paid search be down QoQ and YoY while clicks were up? That's because CPCs dropped 22% quarter-over-quarter and 29% year-over-year. As an auction-based media model, the withdrawal of advertisers can lead to lower CPCs. With click costs down, the advertisers who pushed through the pandemic were able to buy clicks in Q2 at the lowest cost recorded in the past 15 months. Another of the main drivers of the drop in click costs in Q2 was that marketers moved their investments into cheaper search formats (like shopping campaigns). The mix of ad types and formats is frequently a bigger influence on aggregate CPC than linear changes to specific ad prices.

Not only did the Search media mix shift to search formats with cheaper clicks, it also shifted towards lower click-through rates (CTR) as well. CTR was down 20% QoQ and just a hair more YoY (21%) which along with the increase in clicks, helps explain why impressions were up so much in Q2. This can actually be seen as a benefit for marketers as unclicked SEM impressions do not cost anything. As a result, many search advertisers effectively received additional free exposure in Q2 for their investment.

### Paid Search Key Metrics (Q2 2019 to Q2 2020)



### Paid Search CTR & CPC Trends (Q2 2019 to Q2 2020)



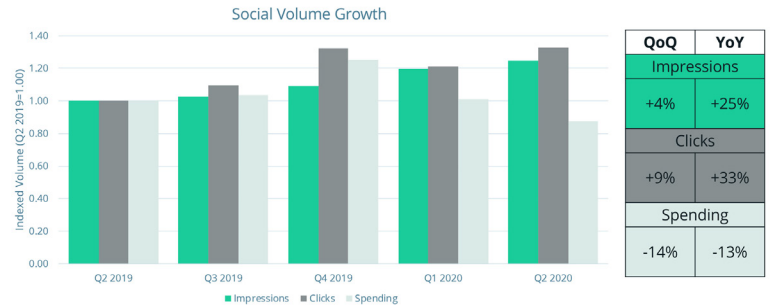
## Social Advertising

Spending on social advertising was down 14% quarter-over-quarter and 13% year-over-year. As with paid search, ad costs dropped as marketers slowed or paused spending.

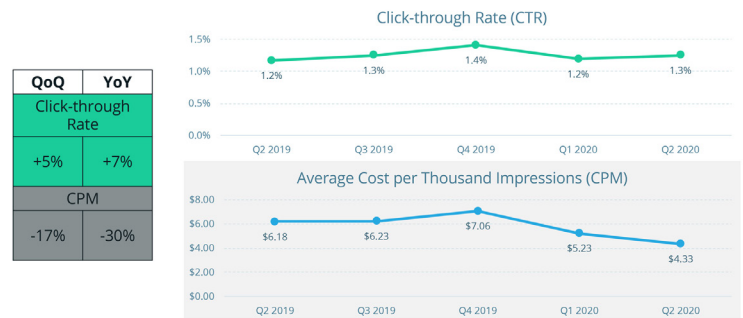
Also like paid search, with less auction competition and a marketer shift to cheaper ad formats or campaign objectives, social ad costs dropped—CPMs were down 17% QoQ and 30% YoY. This opened the opportunity for others as clicks were up 9% QoQ and 33% YoY and impressions increased 4% QoQ and 25% YoY.

However, unlike in paid search, the click-through rate of social ads in Q2 saw a moderate increase of 5% QoQ and 7% YoY. When buying ads via a CPM model, clicks aren't guaranteed, so the fact that CPMs were down but CTR was up can indicate that social advertising was more efficient (more clicks at a lower price) for those who continued to spend through the crisis.

### Social Advertising Key Metrics (Q2 2019 to Q2 2020)



### Social Advertising CTR & CPM Trends (Q2 2019 to Q2 2020)



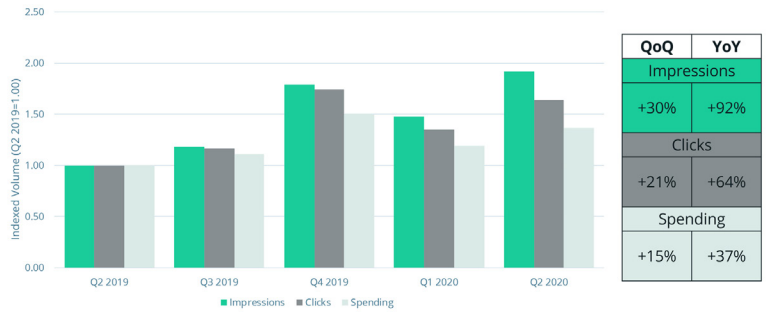
### Ecommerce Advertising

One of the highly-publicized shifts in consumer behavior during the pandemic was an increased use of online shopping. Not only were many consumers sheltering-in-place at the beginning of the pandemic, but this shift has remained even as regions began to open, and more people are ordering online than ever before as a result. [Nearly four out of five \(79%\) consumers reported in a recent survey](#) that they have shopped online for groceries since the COVID-19 outbreak, up 39% from before the pandemic. 57% also said that they shop for groceries online more often now than before the pandemic.

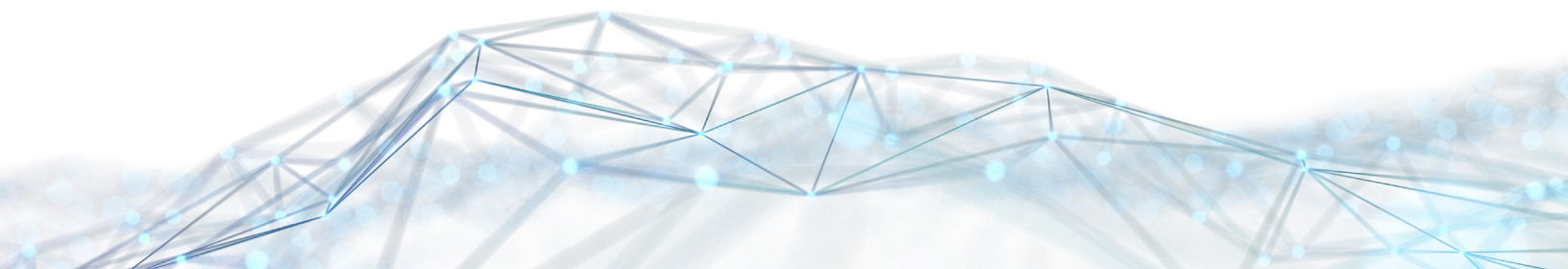
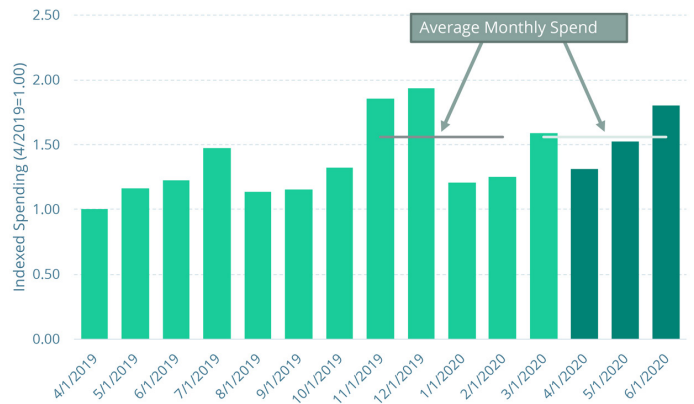
Ecommerce advertisers recognized this trend and the channel has been a clear bright spot among the chaos. Marketers spent 37% more in the channel in Q2 2020 than they did in Q2 2019. Impressions were up 92% YoY with clicks up 64% as well.

A deeper analysis of the month-over-month spending trends shows just how big this channel is getting. Spending in Q2 almost hit the 2019 holiday shopping peak, with the advertiser investment in June 2020 just 7% less than the biggest seasonal peak in the channel last December. What’s more, the average monthly spend from March to June 2020 was equal to that of November 2019 to February 2020.

### Ecommerce Advertising Key Metrics (Q2 2019 to Q2 2020)



### Ecommerce Advertising Month-over-Month Spending April 2019 to June 2020



## Q2 2020 Industry Trends

### Consumer Packaged Goods

The CPG space is a mixed bag across essential and non-essential items. Essentials, of course, have been where consumers have continued to spend during the pandemic. Non-essentials took more of a back seat at the beginning of the crisis but are starting to come back as consumers have opened up their wallets and pocketbooks to spend beyond just the necessities.

CPG spending has been strongest for Ecommerce Advertising, where the rubber hits the road—in the channel closest to the end of the purchase funnel. Social, which is generally farther from the bottom of the funnel than the other two channels presented here, was not as strong in this category.

### Intra-quarter (April to June) Spending Growth:

- Ecommerce up 50%
- Search up 24%
- Social down 5%

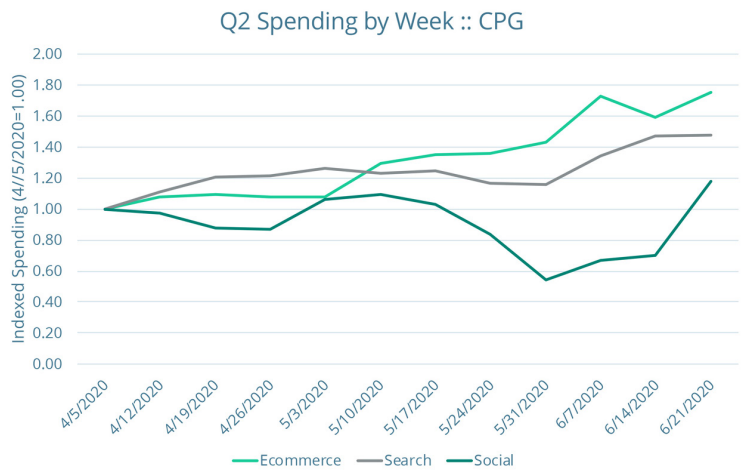
### Shopping & Retail

After two historically consecutive low months due to consumers pulling back spending, Retail bounced back in May [with a record 17.7% month-over-month increase](#), more than double what many economists had predicted. Based on this growth, some experts predict that consumer spending with Retail may be back to pre-COVID levels sometime in Q3.

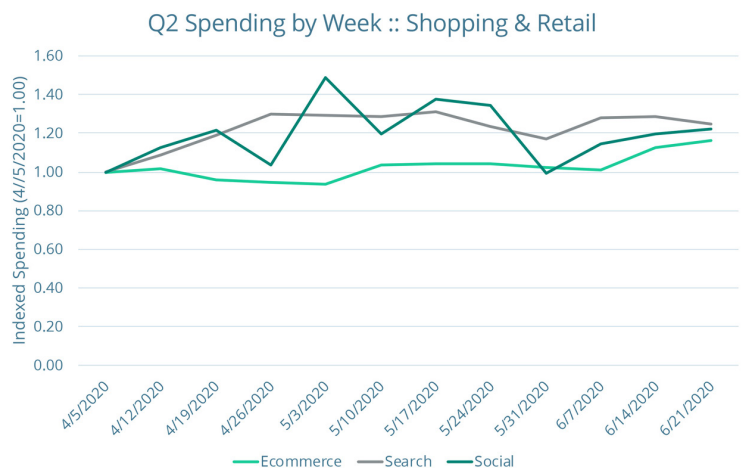
### Intra-quarter (April to June) Spending Growth:

- Ecommerce up 11%
- Search up 14%
- Social up 7%

### Q2 2020 Consumer Packaged Good Spending by Week (4/5/20 to 6/21/20)



### Q2 2020 Shopping & Retail Spending by Week (4/5/20 to 6/21/20)



## Branded Manufacturers

This is a category of advertisers that makes products for sale under their own brand name, whether they sell through their own channels or not. CPG, Auto, and Pharmaceuticals typically fall in this category, while advertisers who are considered primarily as retail stores (Gap, Banana Republic, etc.) do not.

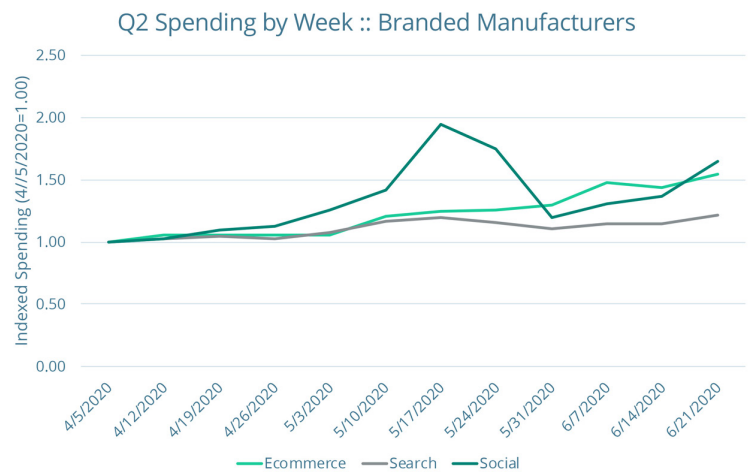
There has been a trend developing for the last decade of branded manufacturers moving away from solely brand advertising and getting more into performance advertising with digital's biggest channels—paid search, social advertising, and ecommerce ads—playing key roles as part of this shift.

Social spending spiked in late May for this overarching category and ended strongest compared to the beginning of the quarter, while Ecommerce had the most sustained growth.

### Intra-quarter (April to June) Spending Growth:

- Ecommerce up 41%
- Search up 14%
- Social up 36%

## Q2 2020 Branded Manufacturers Spending by Week (4/5/20 to 6/21/20)





## Trendspotting: Shoppable Ads

Product-specific shopping ads on Search (shopping campaigns) and Social (dynamic product ads) are a highly effective form of advertising where marketers can connect their digital catalog feeds to publishers who then build ads on the fly with each product's pictures, descriptions, options, and features.

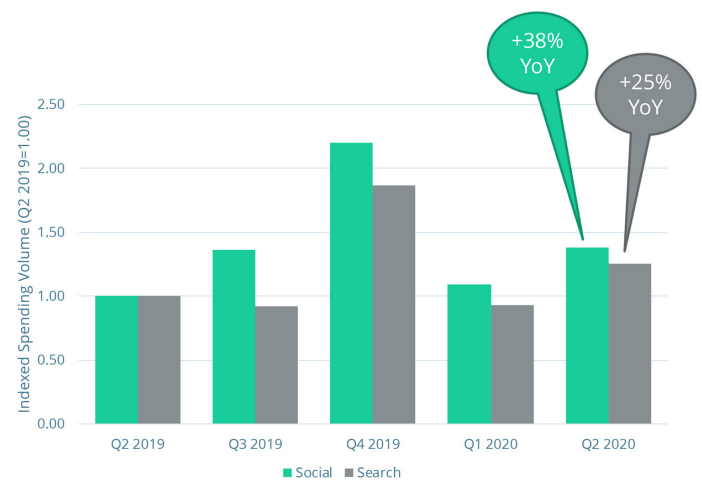
Skai has been tracking the rise of these shoppable ads within digital advertising for some time and spending growth on these ads in Q2 for Social (up 38% YoY) and Search (up 25% YoY) outperformed the rest of the channel by a wide margin in both cases. Overall, these product ads comprised 41% of Q2 spend for "shopping and retail" advertisers in both Social and Search.

To put the popularity of this ad type in context, in both the Social and Search channels, impressions on shoppable ads exceeded the 2019 end-of-the year holiday seasonal high from Q4 at some point in Q2

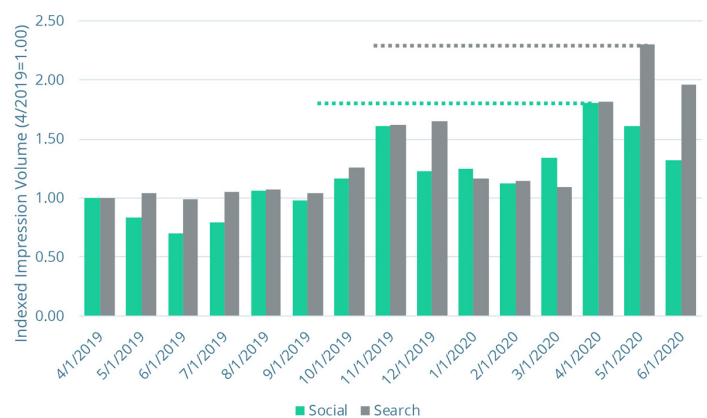
### Other notable shoppable ad numbers:

- Search shopping campaign **impressions increased 101% YoY** in Q2 as demand for online shopping surged post-COVID. Clicks increased by 78% as well.
- There was a **29% spending increase** on Dynamic Ads for Products (DPA) from March to April, a point when spending on all other paid social ads decreased by 9%.

**Search & Social Shopping Ads Spending (Q2 2019 to Q2 2020)**



**Search & Social Shopping Ads Impressions (April 2019 to June 2020)**



## Trendspotting: The Growth of Automation

Over the last several years, digital advertising publishers have been providing automation options for marketers to tap into the deep intelligence they have on their users which they can't directly share due to consumer data privacy regulations.

Some of these include:

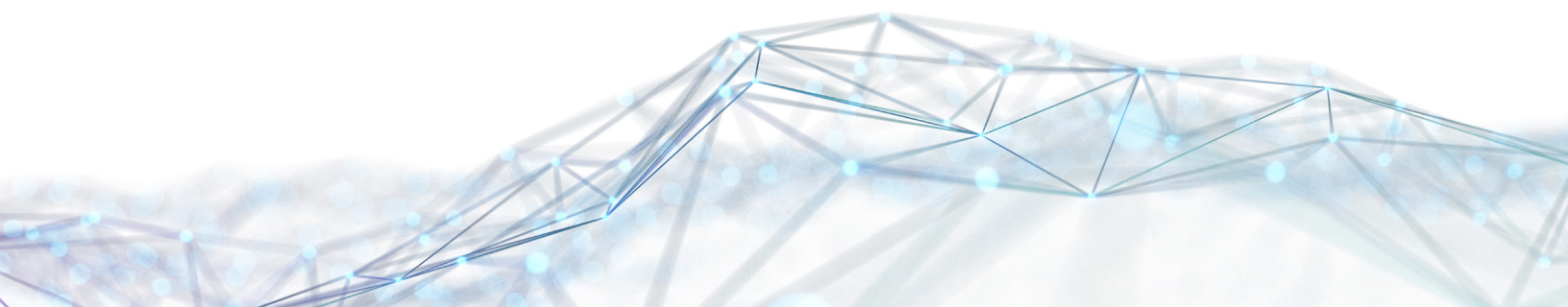
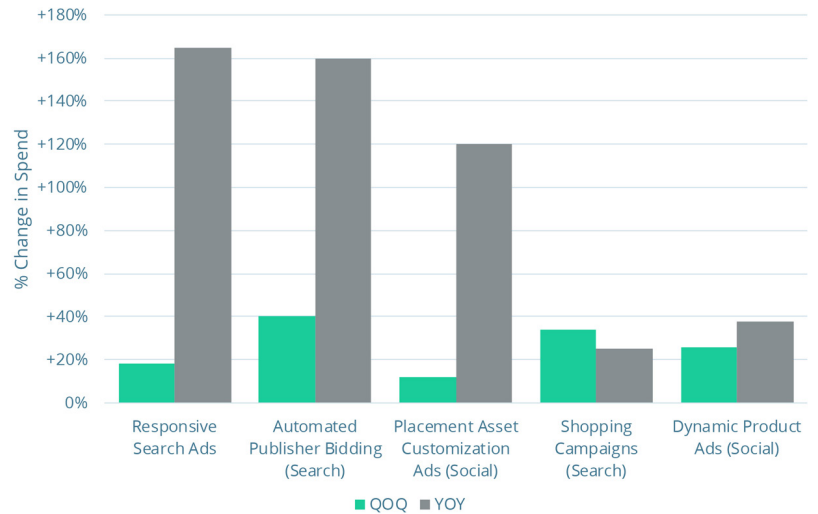
- **Automated publisher bidding (paid search).** Marketers turn their bidding over to the search engine which uses a myriad of user signals to determine the right bid cost for each and every keyword auction.
- **Responsive search ads (paid search).** Marketers can enter multiple headlines and descriptions when creating ads and the publisher will automatically test different combinations and learn which combinations perform best.
- **Shoppable ads (paid search & paid social)** include dynamic product ads and product catalog sales.
- **Placement asset customization (paid social).** A time-savings feature which marketers can leverage to tailor each ad for the placement.

What became apparent in Q2 was that marketers relied even more heavily on these publisher features in order to remain efficient and make every ad investment count.

### Notable signs of the growth in automation during Q2:

- There was a 155% year-over-year growth in spending on paid search's Responsive Search Ads in Q2, despite a 31% drop in CPCs compared to the same quarter last year.
- In April 2020, the share of Search campaign spending using Automated Publisher Bidding exceeded that of non-optimized spending in the channel.
- The share of Placement Asset Customization ads across Paid Social in Q2 2020 was 11%—up from just 4% in the same quarter last year.

**Search & Social Automation Growth (Q2 2020)**



## Signs of Recovery

One of the things that has been clear about a world facing COVID-19 is that nothing is certain. However, given some of the monthly spending trends in paid search and social advertising, there are some positive signs of the channels climbing back to pre-pandemic levels before the end of the calendar year.

### Paid Search

While spending on the channel was down overall by 5% QoQ and 9% YoY in Q2, a deeper dive into the monthly numbers shows an upward trend:

- April was down 13% YoY
- May was down 9% YoY
- June was down 6% YoY

If this trajectory continues, paid search spending will be back to flat year-over-year on a monthly basis sometime in Q3. In contrast, before the pandemic, eMarketer's forecast for 2020 was for paid search budgets to grow by 14.4% in the U.S. year-over-year.

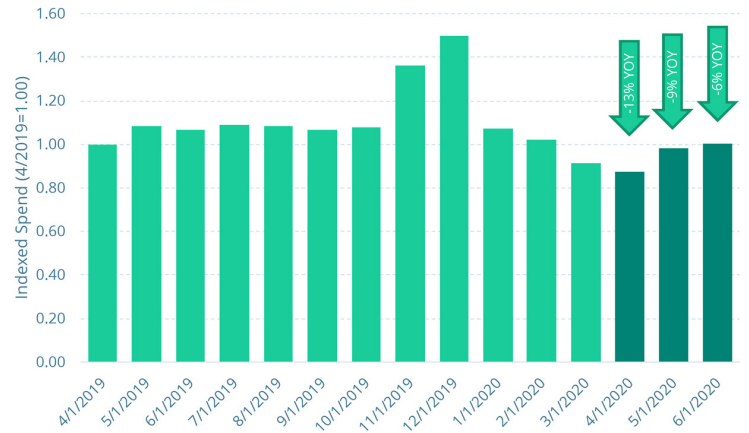
### Social Advertising

Social advertising also began to recover in Q2, where the YoY spending by month was:

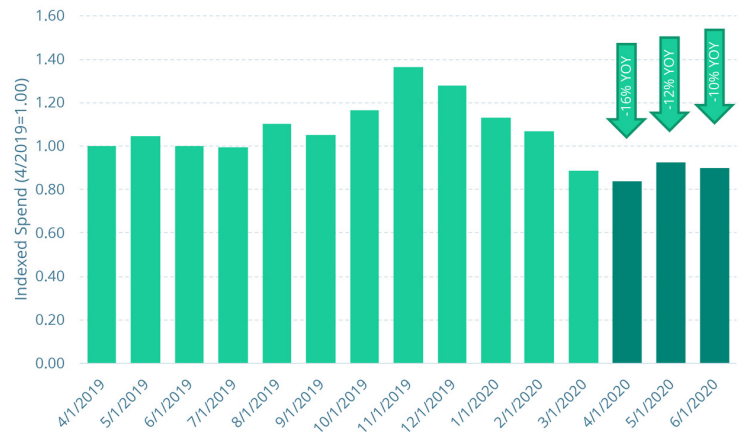
- April was down 16% YoY
- May was down 12% YoY
- June was down 10% YoY

While still being down year-over-year may not seem like much to celebrate, the gap is narrowing. For a channel that has been very negatively impacted by the pandemic, this can be interpreted as a hopeful spending trend that could potentially rebound in time for a relatively healthy Q4.

**Paid Search Spending by Month  
April 2019 to June 2020**



**Social Advertising Spending by Month  
April 2019 to June 2020**



## Methodology

The analysis within this report is based on advertiser campaign data managed through the Skai platform on Google, Microsoft, Yahoo!, Yahoo Japan, Baidu, Yandex, Pinterest, Walmart, Apple, Facebook, Instagram, Snapchat and Amazon between April 2019 and June 2020, except where noted. The data is sampled from a universe containing over 800 billion impressions, 12 billion clicks, and nearly \$7 billion in advertiser spending on an annual basis

For charts showing spending and impressions/clicks, volume metrics have been normalized to a factor of one based on the initial volume for the first quarter of data shown. Data points from subsequent quarters are based on a multiplier from the first quarter. For example, 1.6 means that volume is 60% greater than the volume on the initial quarter measured. Except where noted, advertisers must have 15 consecutive months above a minimum spending threshold in the channel (a “constant-advertiser” approach) to be included in the analysis. Some outliers were removed as necessary

For more information and to interact with the Skai QTR dataset, please visit our Quarterly Trends Report Snapshot that can be found at [skai.io/digital-trends-research/](https://skai.io/digital-trends-research/).

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