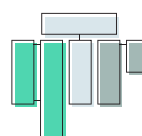


THE SKAI Q1 2021 QUARTERLY TRENDS REPORT

Search, Social, and Retail Media Metrics and Insights



The Skai Q1 2021 QTR

Digital marketers finished strong in 2020.

The results were clear. Online publishers, one after another, reported better results than expected. We witnessed levels of growth that we had not seen in quite some time. In a year filled with uncertainty, it gave us a sense that, at least in our little corner of the universe, we were righting the ship.

There were many factors. Budgets that were deferred from earlier in the pandemic needed to be spent. Audiences were ready to engage online. The holidays. The election. And underlying it all, a migration to shopping online that has been described as compressing years of growth into months.

Now, with the first three months of 2021 complete, we can start to see just how steady that path is and how durable the growth. The fourth quarter provides momentum going into a new calendar year, and the open question is always just how much of that momentum will continue to affect spending across industries and digital marketing channels.

This edition of the Skai Quarterly Trends Report for Q1 2021 is drawn from an overall population 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, it includes unique insights about what's happening in the digital advertising industry on a macro level.

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About Skai

Skai is the leading marketing technology platform for brands looking to plan, activate and measure growth strategies across the most-engaging digital channels. Skai offers the only marketing solution that combines data-driven insights and best-of-breed optimization to help make informed decisions, scale and measure performance across Google, Facebook, Microsoft, Amazon, Walmart, Apple Search Ads, Pinterest, Snapchat, Instagram, Verizon Media, Yandex, Yahoo Japan, and Baidu. Skai's machine-learning algorithms and artificial intelligence leverage market signals and enable companies to predict and keep pace with the omnichannel customer journey. Skai has 27 international locations and backing by Sequoia Capital, Arts Alliance, Tenaya Capital, and Bain Capital Ventures. Please visit [Skai.com](https://www.skai.com) for more information.

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In This Report

Learn quarter-over-quarter (QoQ) and year-over-year (YoY) digital advertising campaign performance trends from Q1 2021, including:

- Key performance indicators for the first quarter of the year across Search, Social, and Retail Media Advertising
- Details on what drove notable trends and changes over time in each advertising channel
- The impact of online shopping across the entire advertising landscape

Key Takeaways

Online shopping is having far-reaching effects across the digital advertising ecosystem. Spending within the Retail Media channel continued to grow at elevated levels, while total spending in paid search and social advertising for commerce-driven advertisers was up by similar amounts. Spending on shopping ads in those channels also showed comparable behavior.

The key factors that drove prior growth in Search and Social spending continued to assert themselves. Search was buoyed by much higher clickthrough rates than a year ago, coupled with the impact of changes to shopping ad inventory that did not kick in until April of last year. Social ad pricing continued to stabilize after the big shocks of 2020, which has fueled continued healthy growth in the channel.

More Resources from Skai

Quarterly Trends Hub

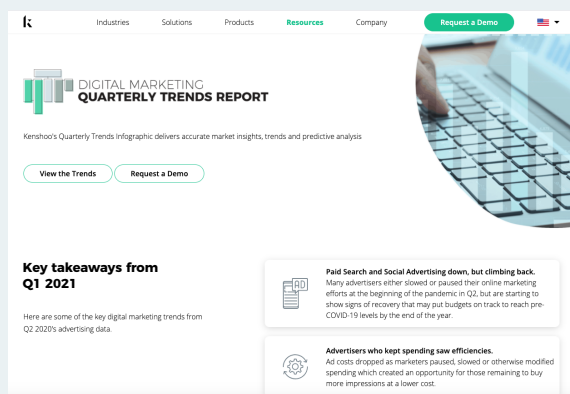
[Skai.com/digital-trends-research](https://skai.com/digital-trends-research)

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

Other insights are posted regularly to

[Skai.com/blog](https://skai.com/blog)

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



Q1 2021 Channel Trends

Retail Media Advertising

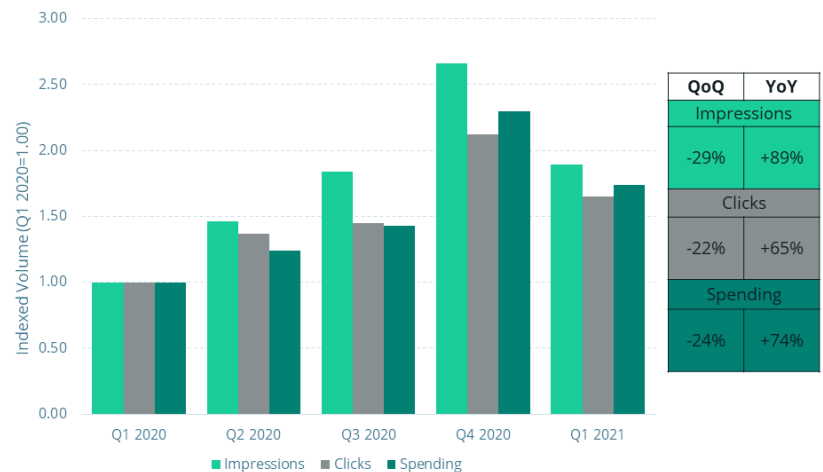
- **74% YoY Spending Growth.** Another strong quarter for Retail Media spending, with new retailers compensating for a lack of key events.
- **89% Amazon Share of Spend in Q1.** The universe is starting to expand beyond the retail giant, which comprised 98% of spend a year ago.

With so much of the story coming from online commerce this quarter, we start with the channel at the center of that universe. Coming off of such a strong Q4, it would be reasonable to expect ad spending across Retail Media networks to soften. Not only was there a very online holiday season last quarter, but the rescheduled Prime Day provided additional lift, and there were no comparable shopping events this quarter.

As it turns out, even as spending decreased 24% from the high-flying fourth quarter, total investment in Retail Media ads grew 74% year-over-year in Q1, down just a few percentage points from last quarter.

Impressions grew 89% year-over-year, which is more in line with spending growth, and may signal some stabilization in ad inventory compared to the disproportionate increases seen last quarter while clicks were up 65%.

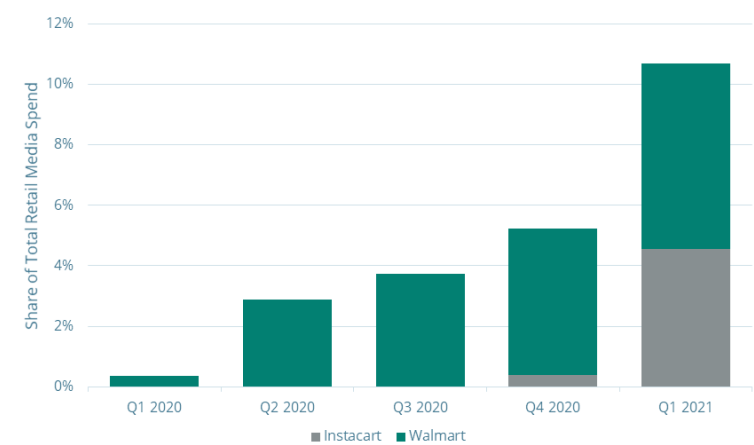
Retail Media Advertising Key Metrics Q1 2020 to Q1 2021



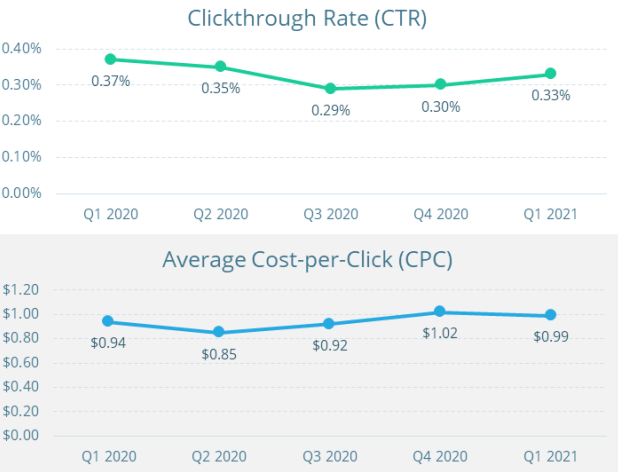
The biggest driver of this sustained growth is that Retail Media advertisers are taking advantage of the increasing opportunities across publishers. While Amazon dominated this space one year ago, now we see advertisers expanding beyond that single property. As Skai has added the ability to run similar ad campaigns on Walmart and Instacart in the last year, those retailers have grown to where they accounted for 11% of total spending in Q1, driven largely by fast-moving consumer goods.

If we look to trends in clickthrough rate (CTR) and cost-per-click (CPC), we see some variation over time, but for the most part, those metrics have remained steady. This implies that the growth we are seeing in this channel is primarily due to more ads, on more retailer sites and apps, reaching more people. This is a mode of digital advertising that is still very much in a growth stage. Because the ads and the sales happen in the same place, it is perhaps much easier for advertisers to connect those dots in order to justify additional budget.

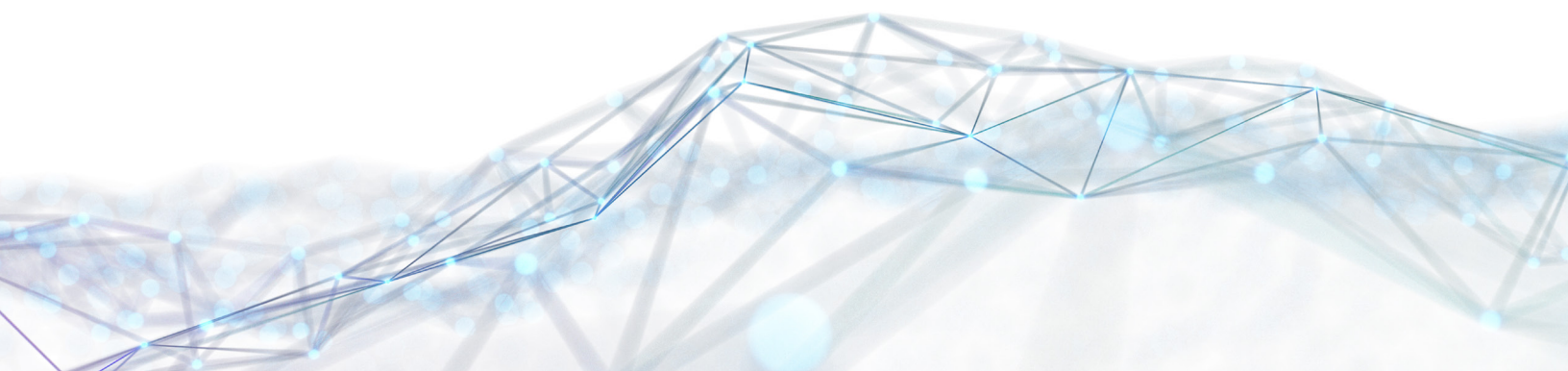
Retail Media Expansion



Retail Media Advertising CTR and CPC Trends Q1 2020 to Q1 2021



QoQ	YoY
Clickthrough Rate	
+10%	-11%
CPC	
-3%	+5%



Paid Search

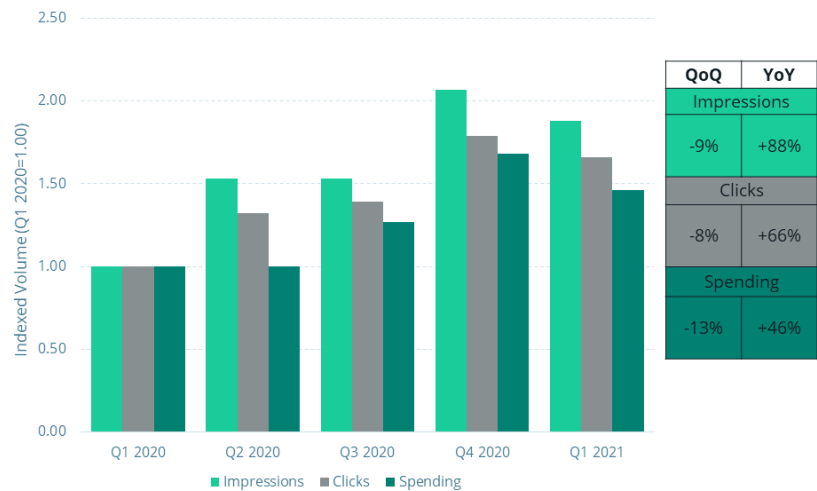
- **46% YoY Spending Growth.** A “perfect storm” of conditions drove record growth for paid search advertising dollars.
- **42% Increase in Keyword Clicks.** As was the case in Q4, higher clickthrough rates for non-shopping search ads drove significantly more clicks YoY despite flat impression volume.

Total paid search spending was particularly strong in the second half of last year, and that momentum clearly carried over into 2021. Marketers increased their investment in the channel by nearly half in Q1 as shopping campaigns continued to reach more shoppers and keywords continued to drive more clicks.

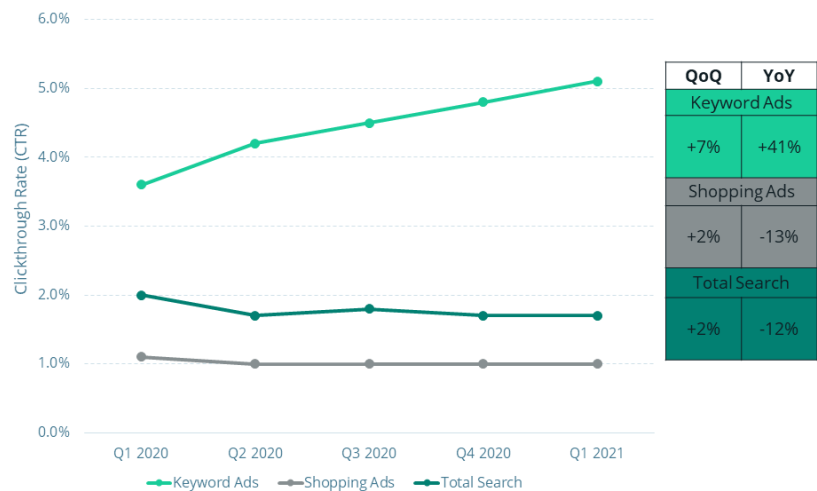
Impressions were up 88% mostly due to increases in shopping ad inventory that started appearing in April of 2020. The growth of clicks, on the other hand, came mostly from keyword ads, and that was the direct result of clickthrough rate for those text ads going from 3.6% to 5.1%, an increase of 41%.

The increase in engagement with keyword search ads represented by this higher clickthrough rate may have multiple causes. The pandemic has caused us to need more things online, which means searching more and clicking more. We have also seen advertisers availing themselves of more advanced management tools, whether those are publisher options like Smart Bidding (Google) or Auto Bidding (Bing), or Skai options like Auditing or Experiments.

Paid Search Key Metrics Q1 2020 to Q1 2021



Paid Search Clickthrough Rate Q1 2020 to Q1 2021



These features can and often do drive higher CTR, but also reflect the desire of advertisers to make their programs more efficient, particularly in the context of the uncertainty that has dominated the last year.

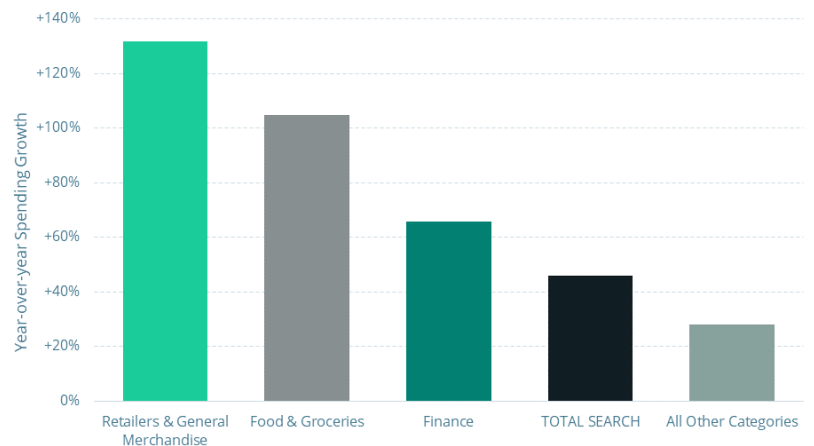
If we also break average cost-per-click out by type, we can see how the pandemic depressed keyword ad prices in Q2 of last year, while shopping ads saw a seasonal premium last quarter.

Several Search categories stood out as particularly high-growth this quarter, and when we look more closely, each of them can be tied back to pandemic-related growth in some way. The biggest driver of **Retailers & General Merchandise** is the *Shopping Portals & Search Engines* subcategory, which fits in with the overall impact of online shopping. **Food & Groceries** growth is dominated by *Online Grocery Shopping & Grocery Delivery*, which has soared since the beginning of the pandemic. And the fastest-growing subcategory in **Finance** is *Credit & Lending*, which could speak to financial concerns during the pandemic as well as opportunities around stimulus payments. Any one of these could be seen as an outlier, but multiple accounts across categories indicate a broader trend.

Paid Search Cost-per-Click Q1 2020 to Q1 2021



Paid Search Growth Key Categories



Social Advertising

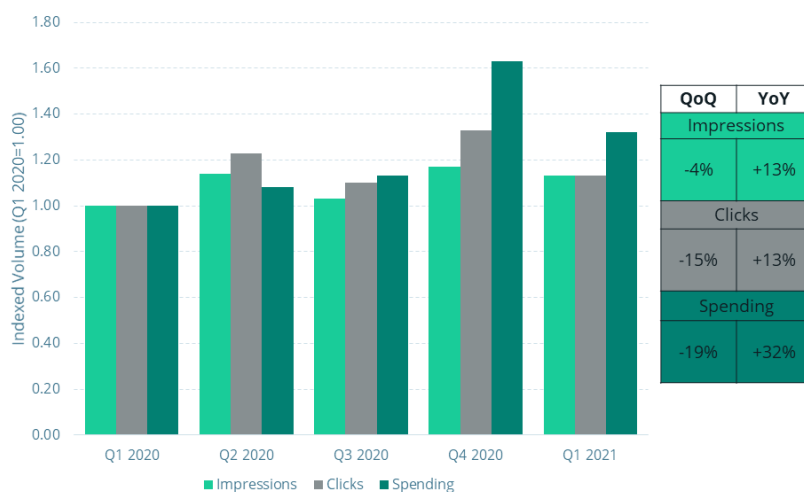
- **32% YoY Spending Growth.** With the holidays and the election behind us, year-over-year spending grew slightly less than last quarter.
- **67% of Q1 Facebook Spend uses CBO.** Two out of three Facebook ad dollars were managed using Campaign Budget Optimization (CBO) in Q1, with spending in this segment growing 77% year-over-year.

For social advertising, the dominant theme in 2020 was volatility. Advertisers generally have more control over spending levels in this channel compared to Search or Retail Media, in that they are more empowered to turn campaigns on or off when pressed to do so. In contrast, dollars aren't spent in the other channels until someone exhibits a certain behavior like a related search or a click, so spending is more tied to consumer behavior. So, we saw Social advertisers explicitly pull back during times of uncertainty and unrest in 2020, more so than in previous years without such external pressures.

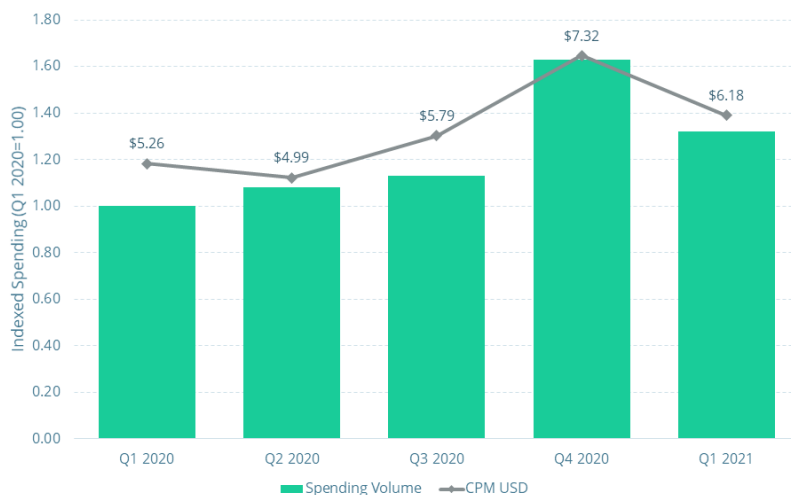
As we round the corner into 2021, things are looking more stable. Impressions and clicks are up modestly over last year, while spending increased 32%.

That stability can be seen when we look at ad pricing in the channel against spending. Broken out by quarter, spending largely goes up when prices rise, and vice versa. When we analyze them at weekly levels, the two metrics turn out to be highly correlated.

Social Advertising Key Metrics Q1 2020 to Q1 2021



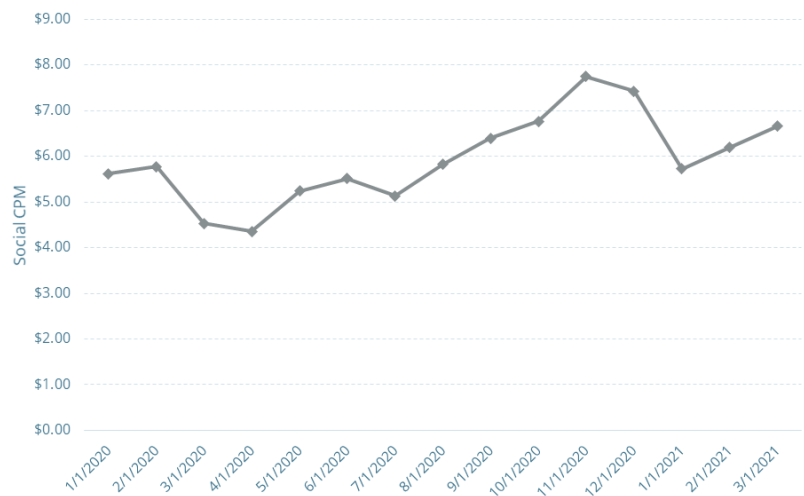
Social CPM vs Spending Q1 2020 to Q1 2021



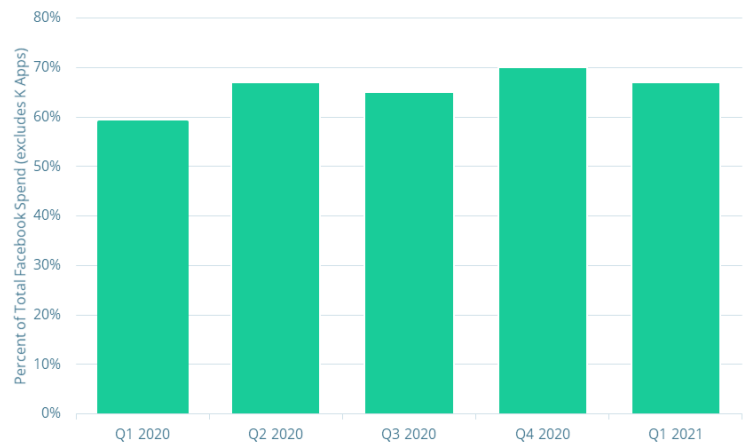
Without any obvious structural causes, like the rise or fall of a particular ad type or placement, this strongly suggests that CPM can be a proxy for the overall level of competition in the channel, because more advertisers competing for impressions will bid up prices, while fewer advertisers will likely pay less for the same audience. If we look at CPM by month, we can see where the initial throes of the pandemic affected pricing in Q2 of last year, where social justice efforts came to bear in July, and then how the holiday season and the 2020 election ratcheted up the competition in November and December and receded immediately afterwards.

Another point worth noting is that for Facebook advertisers on the Skai Social platform, two-thirds of spending in Q1 was under Facebook's Campaign Budget Optimization. While the original mandate that all campaigns use CBO has been relaxed, it has still become dominant across much of the platform, providing advertisers with the ability to manage the increasing complexity of the advertising ecosystem at scale.

Social CPM by Month 1/2020 to 3/2021



Campaign Budget Optimization



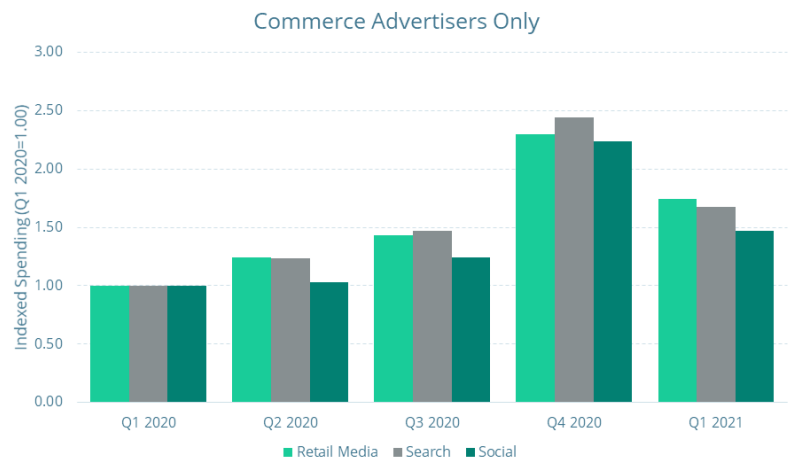
Trendspotting

Trendspotting: Commerce Advertisers

When we look across all advertisers who derive any of their revenue from selling physical goods to consumers online, we can see certain common trends across digital advertising channels. Year-over-year, spending from this segment grew 74% for Retail Media, 68% for Search, and 47% for Social.

The similarities in spending across these channels emphasizes that the rise of digital commerce since the outset of the pandemic has rippled beyond those channels and online properties dedicated solely to commerce.

Commerce Advertiser Spending Growth Q1 2020 to Q1 2021



Trendspotting: Shopping Ads

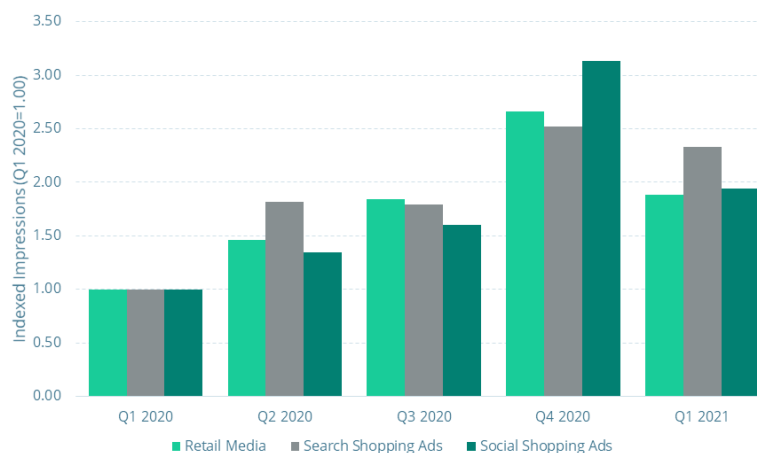
In addition to comparing commerce advertisers across channels, we can also look at specific ad types that focus on shopping, typically at the individual product level. By channel, the format includes:

- Search Shopping Campaigns
- Social Dynamic Product Ads
- All Retail Media Advertising formats

By definition, 100% of Retail Media ads are Shopping Ads, and if we consider only the Commerce Advertisers defined in the previous section, the share of spending for shoppable ads in Q1 was 42% for Search and 40% for Social.

One major trend for shopping ads is the proliferation of those ad impressions across channels, which is roughly 2X what it was at this point last year across all channels. Put simply, shopping ads are delivering a lot more eyeballs.

Shopping Ad Impression Growth Q1 2020 to Q1 2021



Trendspotting: Apple Search Ads

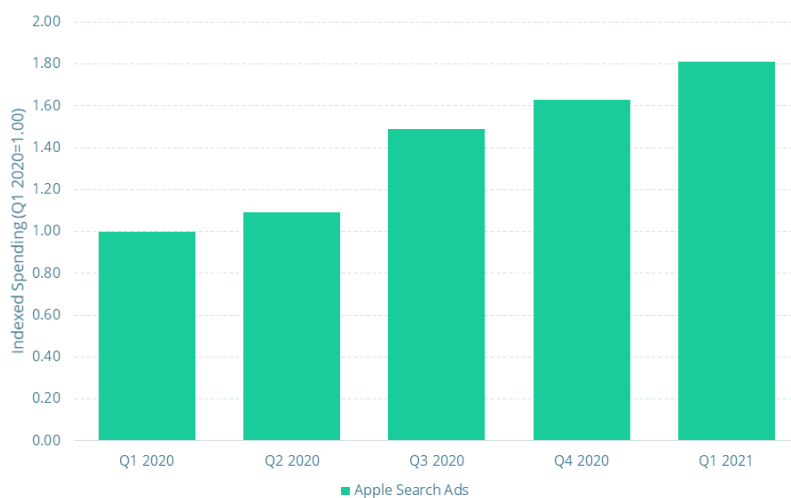
Another key trend in Q1 2021 was the increasing investment from app advertisers in Apple Search Ads. Not only has spending increased by 81% year-over-year, but spending on ads in the App Store increased from Q4 to Q1, bucking the normal seasonal trends.

On the one hand, Facebook has been the dominant platform for gaming and mobile apps for quite some time, so it may simply be that the category is finally ready to diversify. Apple Search Ads provides that opportunity, and advertisers flocked to it accordingly.

On the other hand, with Facebook navigating the challenges of Apple's IDFA updates, increased ASA adoption could signify that gaming and mobile app companies are proactively shifting spending down the conversion funnel, closer to where users buy or download their apps, as an explicit response to those challenges.

Future quarters may clarify whether this is just opportunistic diversification or a lasting strategic change in media investments for this category of advertisers.

Apple Search Ads Spending Growth Q1 2020 to Q1 2021

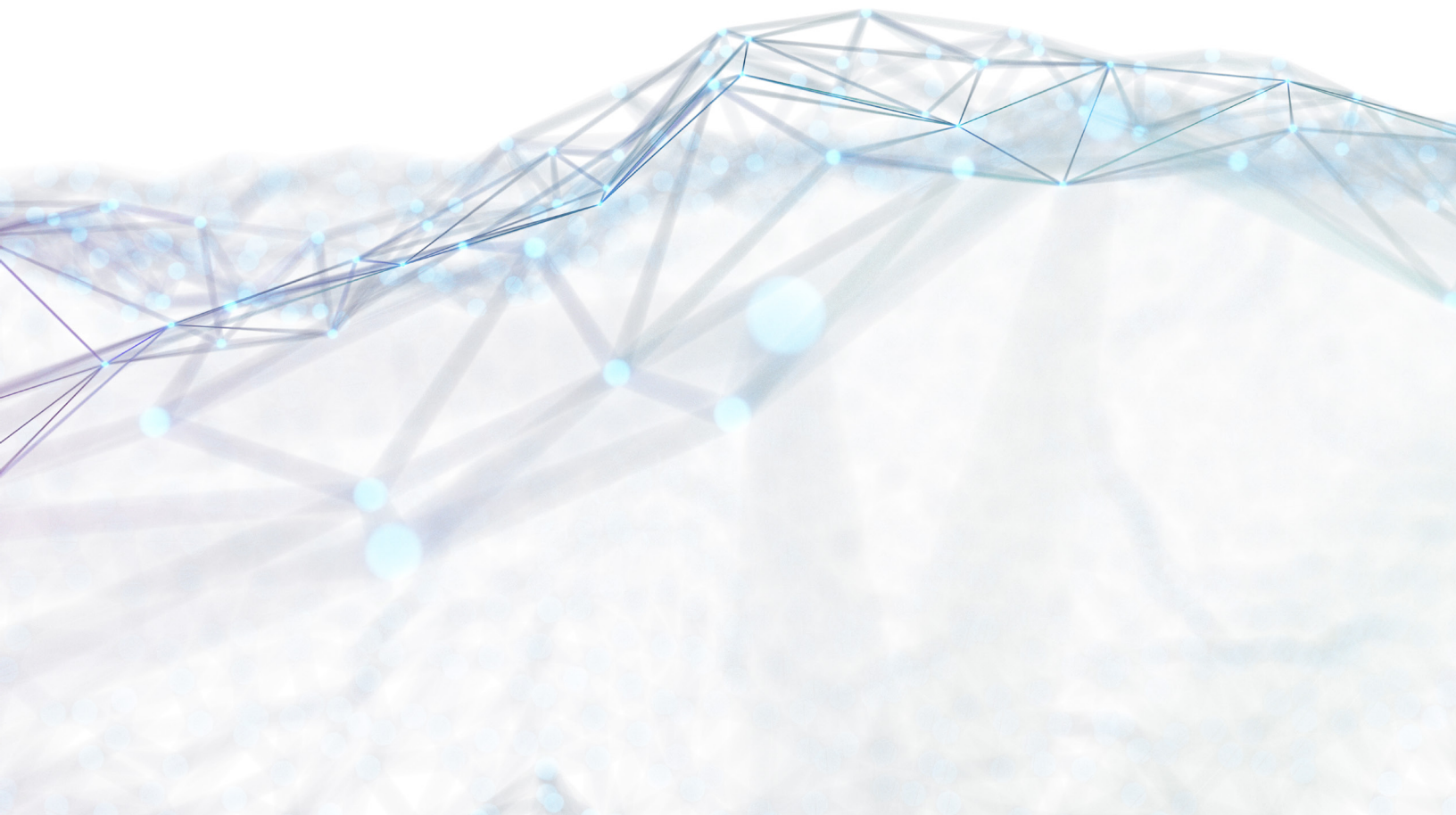




The Road Ahead

Digital advertising remained strong in the first quarter across channels, which sets up some interesting possibilities for the rest of the year. Much like the pandemic has become a race between vaccinations and variants, online ad spending is now a race between the recovering economy and tougher comparisons to the beginnings of that recovery in the second half of last year. And that is before we even factor in the recovery of categories like Travel & Tourism or Entertainment which will eventually return to prior spending levels and then likely exceed them.

One thing that is becoming very clear is that the increase in online shopping has made finding those products and those online stores even more important, which means that other digital channels that coax shoppers to those purchases will be just as vital for advertisers as the retailers themselves. These things have always been connected, but those connections are getting stronger.



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, Instacart, Criteo and Amazon between January 2020 and March 2021, 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 over 5 quarters.

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.

Ad spending, CPC and CPM are translated to common currency before aggregation, and do not use Ex-FX or “Constant Currency” adjustments.

For more information and to interact with the Skai QTR dataset, please visit our Quarterly Trends Report Snapshot that can be found at Skai.com/digital-trends-research/.

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