



SHOPPING ADS:

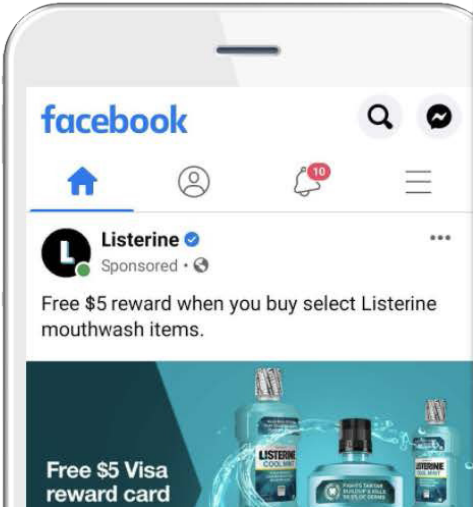
From Awareness to Purchase in an Instant

Stop forcing your customers through the old-school funnel;
use digital shopping ads to collapse the purchase path and sell
wherever and whenever your customers wish to transact

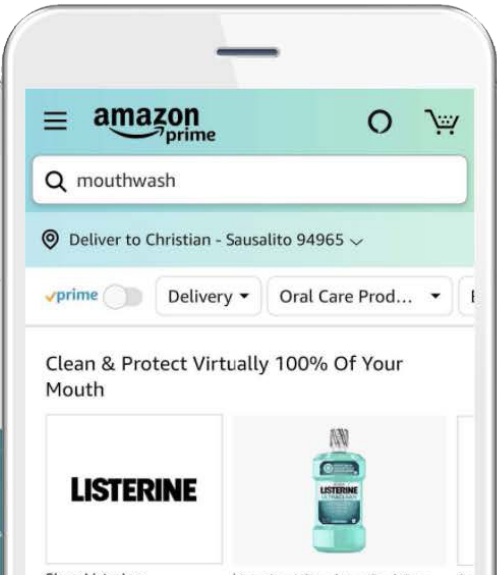
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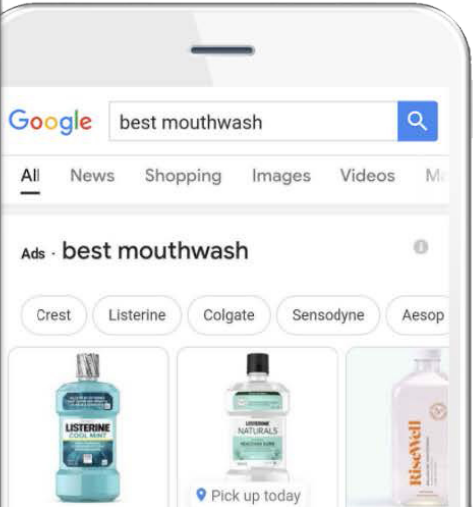
Paid Social



Retail Media



Paid Search

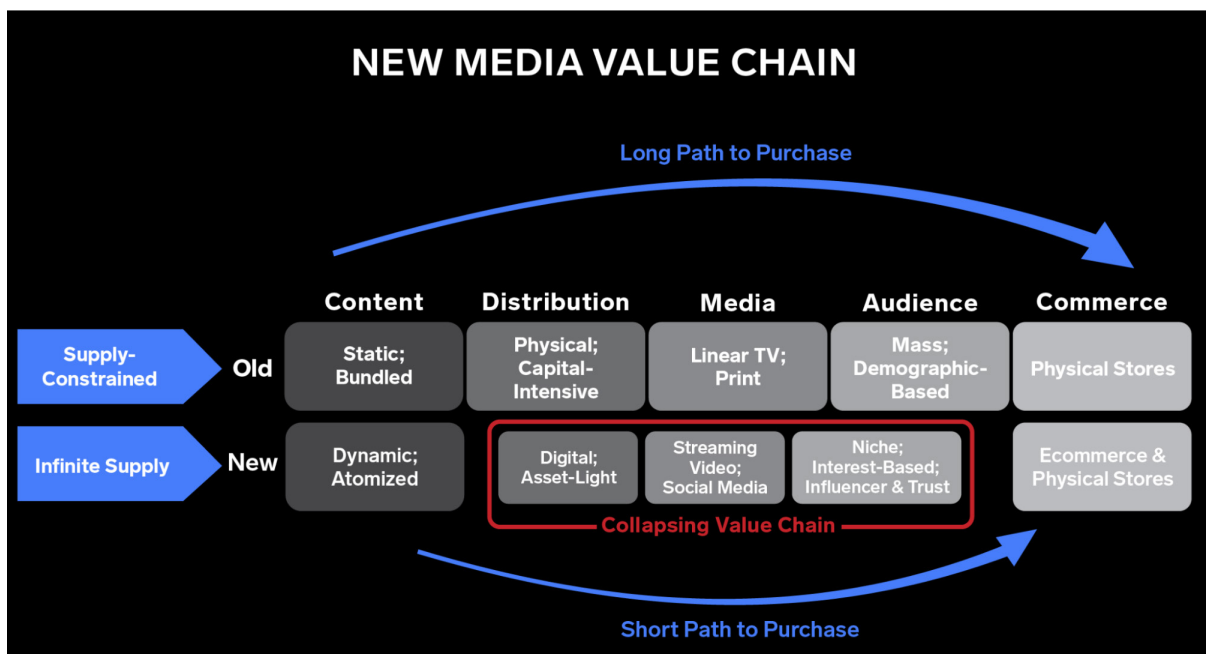


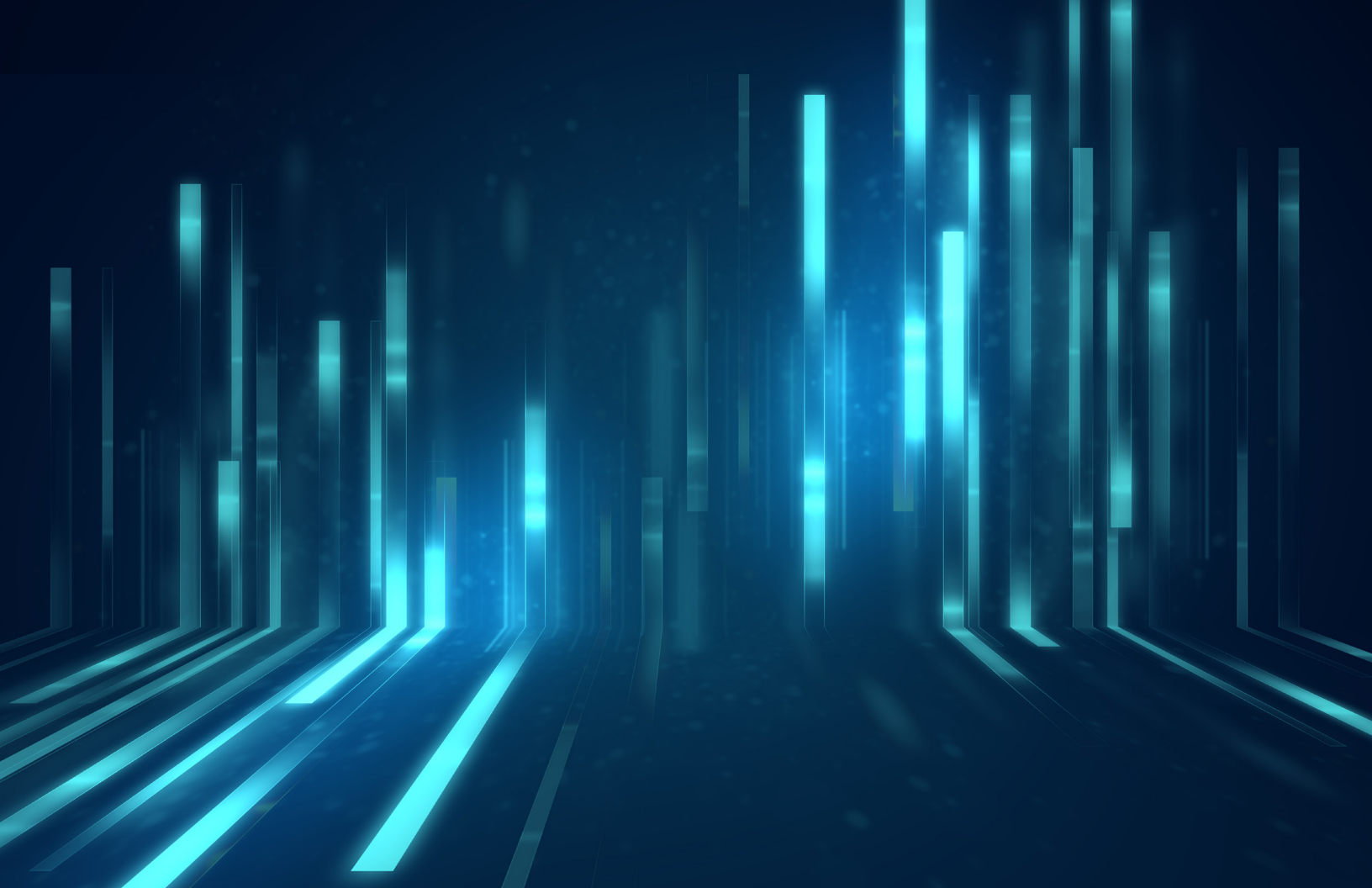
Introduction

The traditional marketing funnel that many of us learned in school is quickly becoming an outdated way to model out the interaction between brands and consumers. While philosophically, consumers must be **aware** of a solution to **consider** and then **purchase** it, today's highly targetable and interactive digital advertising does not need to focus on such a linear construct.

Investing in the upper funnel has traditionally been seen as an effective way to drive bottom-funnel activity. That's why most big product launches begin with large, mass-reach programs such as a television ad campaign or out-of-home buy in order to first build upper-funnel awareness followed by more targetable, efficient marketing tactics employed to push consumers to purchase down the funnel.

But, today, **shopping ads** across key digital channels offer brands a powerful way to let consumers immediately click to purchase goods. With these ads, the purchase journey essentially occurs right there in the ad unit, taking consumers straight from awareness to purchase and collapsing the traditional funnel in seconds.





Today's market reality is that the path to purchase can be shortened to just a few steps.

The new media value chain shortens the path to purchase from ad to commerce without relying on the old process of filling the funnel at the top and then pushing audiences to physical stores. Reaching today's elusive and distracted consumers across channels and devices is becoming increasingly difficult and shopping ads are a way to make every interaction count to its fullest potential.

Marketers must not just utilize the shopping ads format, but master it. This opportunity is an important area for all brands that sell goods that cannot be overlooked. Because shopping ads are able to immediately drive consumers to purchase, brands that don't embrace this valuable ad type may lose customers to savvy rivals who swoop in and steal the sale.

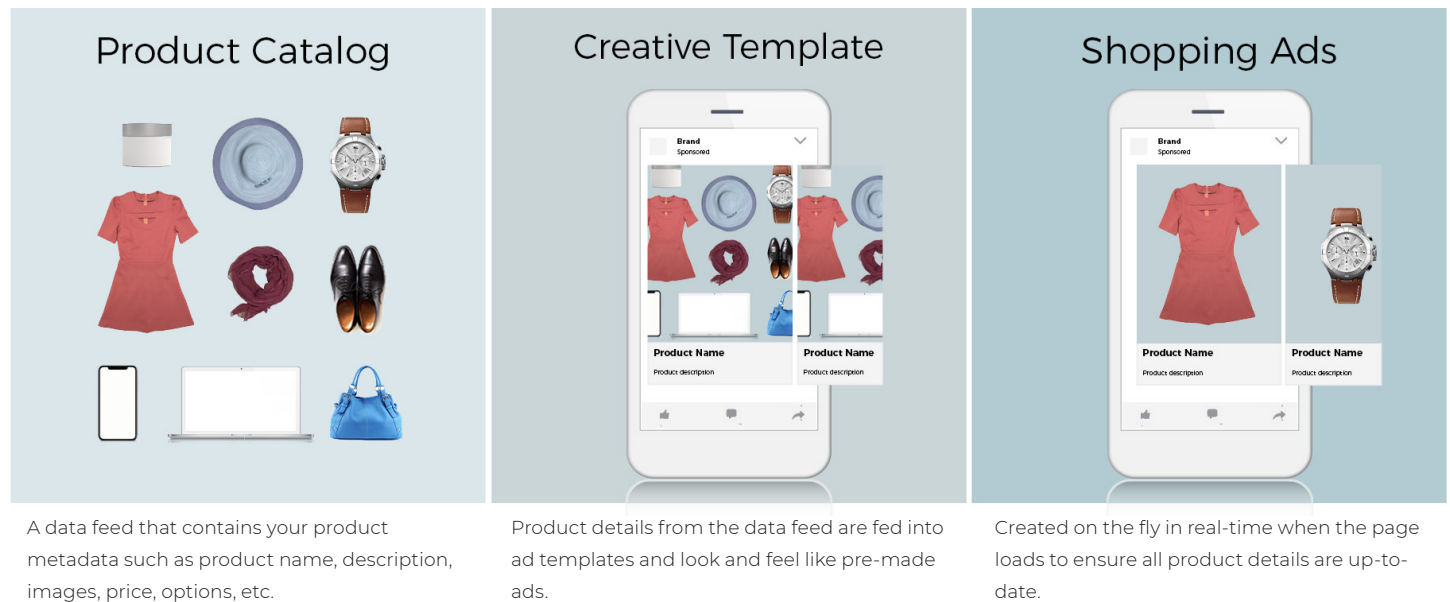
With over fifteen years of orchestrating and measuring billions of intelligent advertising dollars across search engines, social media, and retail media, Skai is uniquely positioned to help retail marketers understand the unique and complex opportunity of shopping ads.

Shopping Ads 101

What are shopping ads?

Shopping ads, also known as **product ads**, are dynamic, digital ad units built “on the fly” the moment they are shown. They start as blank ad templates in which elements from a brand’s product feed are inserted (i.e. product name, images, prices, options) in real-time. All of the information a consumer needs to decide to buy

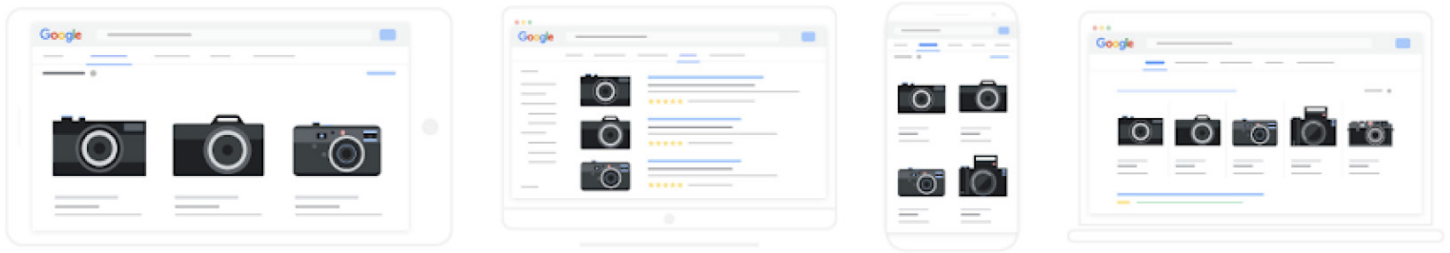
Shopping Ads 101



Some shopping ads display single products, while others can host a carousel of multiple products, generally all in the same category. They can be targeted by a keyword search or retargeted to people who have looked at products on your website or app.

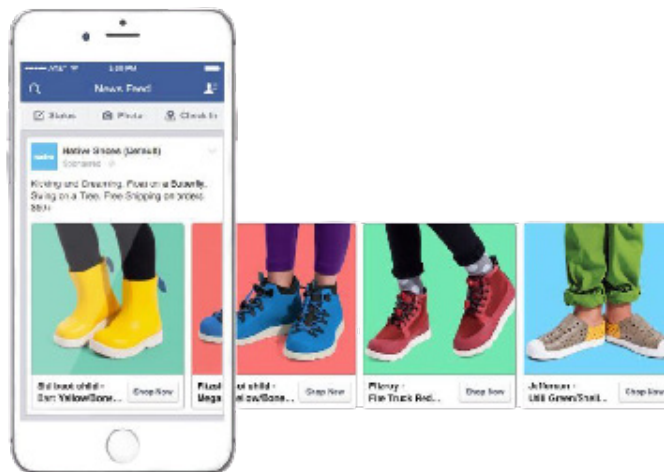
Shopping Ads across key digital channels

In Paid Search (Google, Microsoft), shopping ads are known as **Shopping Campaigns**.



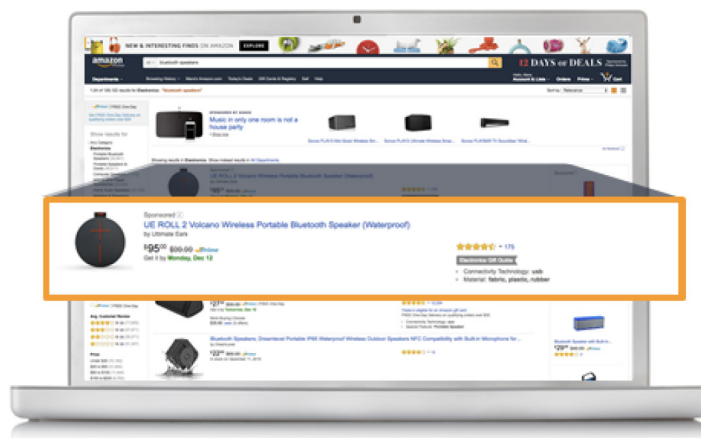
Examples of shopping campaign ads on Google Search

In Social Advertising (Facebook, Instagram, etc), shopping ads are called **Dynamic Ads**.



Example of a Dynamic Product Ad carousel on Facebook

In Retail Media (Amazon Advertising, Walmart Connect, Instacart Ads, etc.) shopping ads are called **Sponsored Products Ads**.



Example of a Sponsored Product Ad on Amazon

How do they work?

While they work somewhat differently depending on which channel they originate, the basic steps are to connect a digital product feed, define campaigns, and then manage them throughout the flight.

Step #1: Connect a digital product feed to the publisher

A **product feed** (also known as a catalog feed) is a table or spreadsheet made up of a list of products and attributes of those products including product image, title, product identifier, prices, options, etc. Generally, the feed can be auto-exported from a brand's internal inventory system without any extra preparation needed by the marketing team. The feed is a source file that can be shared with every shopping ads partner instead of needing a unique one for each.

A	B	C	D	E	F	G	H	I
	description	product category	product type	link	image link	condition	availability	price
	22" LED TV - 1080	Electronics > Video > Televis	Consumer Electronics > TV	http://www.televi	http://images.tel	used	in stock	159 USD
	- Volume 2- 3 DVD Episodes 7-13 from the third s	Media > DVDs & Videos	DVDs & Movies > TV Series	http://www.televi	http://images.tel	new	in stock	11.99 USD
	Ultimate Wrinkle C Dior Capture XP Ultimate Wrin	Health & Beauty > Personal	health & Beauty > Personal	http://www.televi	http://images.tel	new	in stock	99 USD
	Beach Bootcut Je A smart pair of bootcut jeans ir	Apparel & Accessories > Clo	Women's Clothing > Jeans	http://www.televi	http://images.tel	new	out of stock	20.5 USD
	Beach Bootcut Je A smart pair of bootcut jeans ir	Apparel & Accessories > Clo	Women's Clothing > Jeans	http://www.televi	http://images.tel	new	in stock	29.5 USD
	Ladies Long Sleeve A ladies' cycling jersey design	Apparel & Accessories > Clo	Women's Clothing > Jeans	http://www.televi	http://images.tel	new	in stock	33.99 USD

Example of a digital product feed

The key here is that a **feed** is a file that is continuously updated, whether in real-time (instantaneously) or what's known as "near real-time" (which could simply be a once-a-day refresh). This is extremely important because a brand's product catalog changes often as old products are deprecated, new products are added, and details such as prices or options change.

An important benefit of a continuously updated product feed is that it can accurately reflect the most recent in-stock and out-of-stock information. This ensures that consumers won't be shown unavailable items which can waste the advertising budget and create a negative customer experience.



Step #2: Create a shopping ads campaign

After the product feed is loaded and accepted by a digital advertising publisher, practitioners can start building their campaigns. First, they choose which products should be part of the program. While this step varies by publisher, generally the process is fairly straightforward. In some cases, a marketer creates a filter that designates which products by ID, name or even keyword to include in the campaign.

Once the products have been selected from the product feed for the ad campaign, the practitioner continues on with the normal campaign setup including targeting settings (geography, device, audience, etc.) and standard information such as flight dates, budgets, and bids.

Unlike standard ad campaigns, no ads are needed for shopping ad campaigns. Those ads will be compiled live, on the fly, as the product feed details are inserted into a blank ad template one by one for each impression. To consumers, this process is seamless—the end result is a professional and polished ad promoting a product that certainly doesn't look or feel like it was compiled just moments before.



Example of a blank shopping ad template

Step #3: Launch and optimize

From this point, managing shopping campaigns is as simple as managing non-shopping campaigns—easier, in fact, because no new ads are required for the life of the campaign. These campaigns can even be left “always-on” for years because new products will be added via the feed. Marketers optimize campaigns the same way they would with standard ad campaigns—by increasing/decreasing bids/budgets, narrowing or widening targeting, and pausing low-performing products so that the highest performing products receive the bulk of the budget.

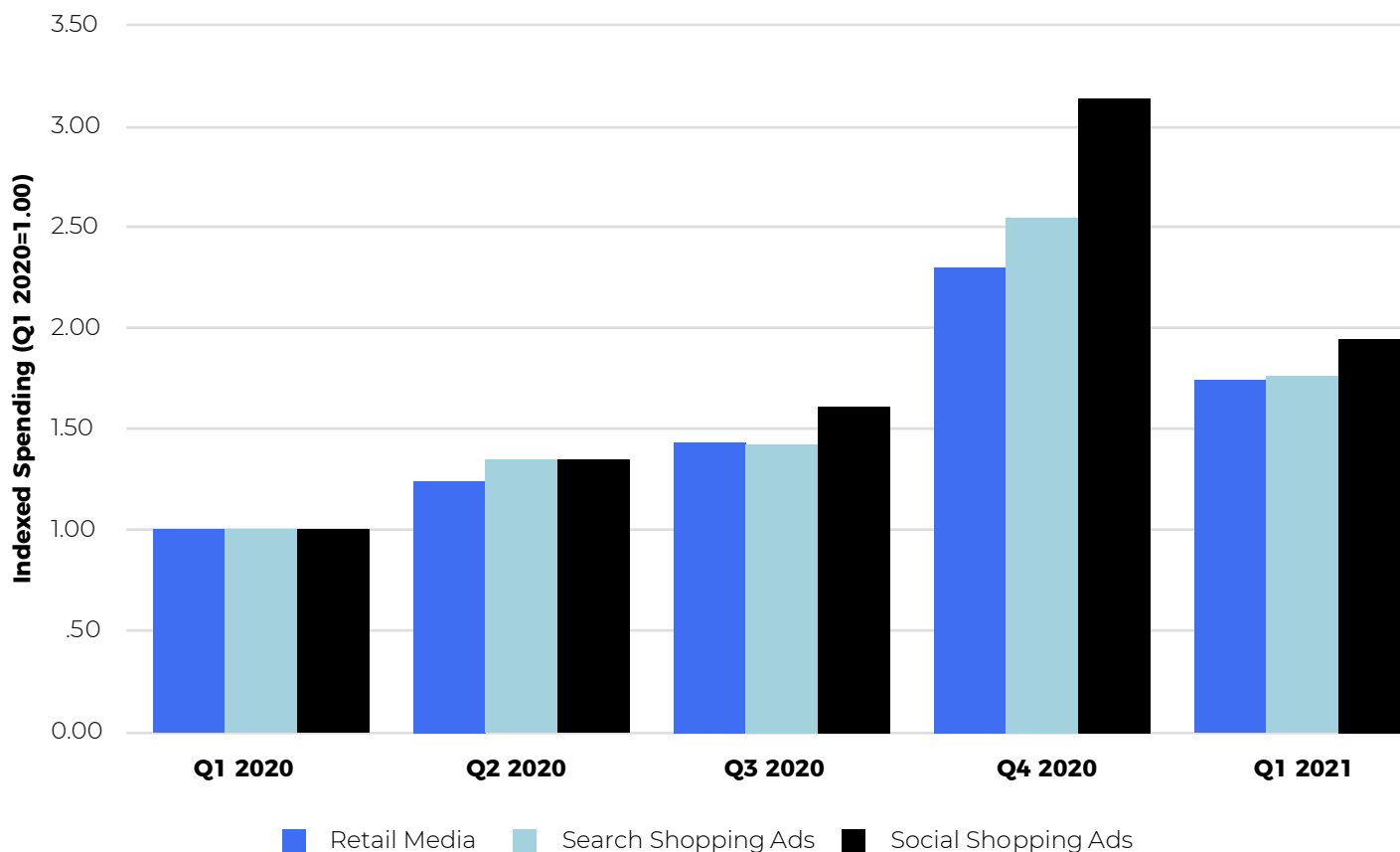
The Rise of Shopping Ads

As an ad format, shopping ads have organically been growing quickly since they were first offered some years ago. However, with the growth of ecommerce brought on by the COVID-19 pandemic, marketers have accelerated their investments in this type of advertising to align with consumers who are buying more of their purchases online.

Shopping ads spending growth

Based on data from [Skai's Q1 2021 Quarterly Trends Report](#), shopping ads in Q1 2021 were:

- Up 170% year-over-year in Paid Search
- Up 175% year-over-year in Social Advertising
- Up 190% year-over-year in Retail Media



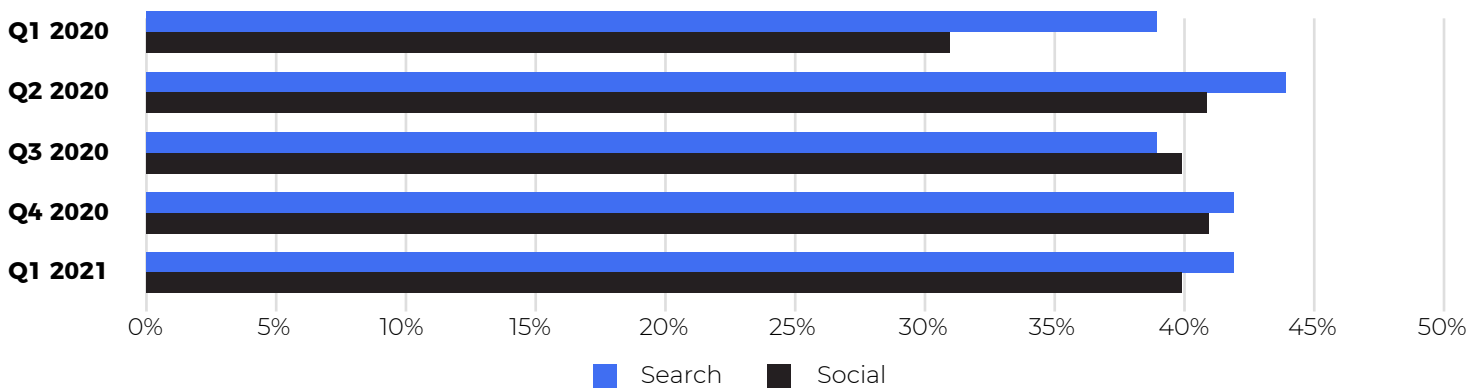
In a sense, *marketers vote with their wallets*. The increased investments in shopping ads across Paid Search, Paid Social, and Retail Media are a strong indication that brands are getting a desirable return-on-investment from the shopping ads format.

Shopping ads spending share

In terms of the share of spend between shopping ads and other advertising by ecommerce advertisers in [Q1](#):

- Shopping Ads comprised 43% of total Paid Search spending
- Shopping Ads comprised 40% of total Social Advertising spending
- All ads within Retail Media are considered to be Shopping Ads

There was a spike in Q2 2020 from the first quarter of the pandemic, but since then, these numbers have remained fairly stable. It's hard to predict just how much ecommerce advertisers are willing to dedicate to shopping ads, but 40%+ of their Paid Search and Social Advertising budgets equate to billions of dollars in the US alone.

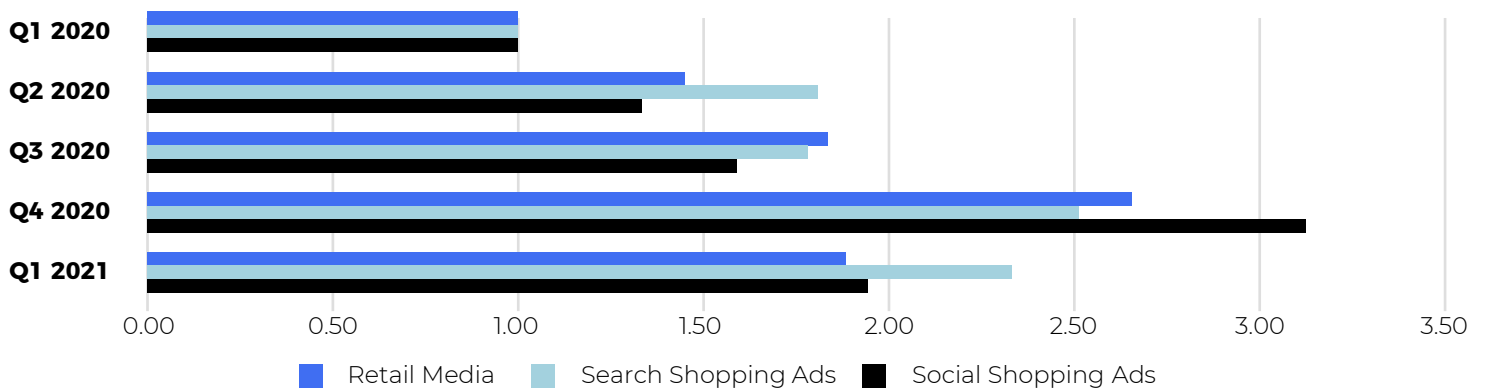


Shopping ads impression share

The percentage of total impressions dedicated to Shopping Ads has grown steadily over the last 15 months including a major spike in Q4 2020's end-of-the-year holiday shopping season.

[In Q1 2021, Shopping Ads impressions grew:](#)

- 240% year-over-year in Paid Search
- 180% year-over-year in Retail Media
- 190% year-over-year in Paid Social



The interesting thing to note about impressions is that shopping ads are generally purchased via an auction-based, cost-per-click model—which means that impressions don't cost advertisers anything.

The 3 Key Benefits of Shopping Ads

While using shopping ads can provide a variety of advantages to a brand, there are three key and distinct benefits of using this ad format for companies who sell products.

Activates consumers ready to buy

While non-shopping ads still convert users, the experience of clicking an ad and browsing a website can create unnecessary steps in the transaction process that create friction along the path to purchase. When you have an interested consumer who is ready to convert, it's best to take advantage of that opportunity immediately. Shopping ads can remove friction in the buying process such as:

- **Time constraints.** Today's consumers are time-poor and brands must convert them as quickly as possible before they must get back to whatever they need to do. This holds true especially with mobile commerce as users might just have a few minutes to shop while they're on the go.
- **Too many questions.** Given more time to consider the purchase, consumers may start building up a list of questions that could prevent them from pulling the trigger on your sale.
- **They might reconsider.** Shopping ads help to facilitate impulse buying. If the buying process takes too much time, a consumer may begin to come up with reasons why they shouldn't buy at that moment.



Campaign management efficiency

Building, stewarding, and maintaining digital advertising campaigns can be incredibly time-consuming. Digital marketers prefer to have a variety of creative to test, which is why the ad creation process for a large online campaign can take weeks or months to complete. Then, campaigns and ad groups/sets need to be built, and updating those ads as things change can be arduous for sizable accounts.

Not only are shopping ads a valuable way to maximize product sales, but they can be a much more efficient way to advertise. Because shopping ads are compiled from a brand's product feed, they don't need to be hand-crafted the way that most ads are manually built. If a company adds 1000 new products to their feed, the change is seamlessly reflected in their shopping ads campaigns. This saves tremendous time—especially if a brand has hundreds, thousands, or even millions of products to sell.

In terms of “bang for the buck” compared to the time and effort it takes to build and manage standard ad campaigns, shopping ads are clearly a highly efficient tactic.

Shopping ads...are still ads

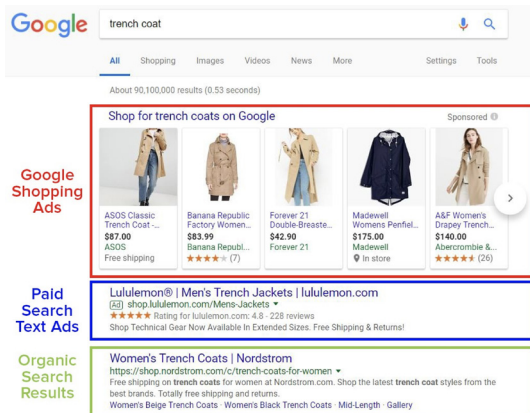
Even if a shopping ad doesn't immediately trigger a click-and-buy, it doesn't mean they don't have value. They can absolutely help consumers build and expand their consideration set along the purchase path.

In the awareness stage, consumers perform an initial round of research to gather a small group of products to explore—called the consideration set. Shopping ads can help marketers get their products into the early group of products & brands that a consumer begins their purchase journey. Being in the initial consideration set can mean that those products have a considerable advantage when it comes down to purchase. Studies have shown that shoppers are [up to three times more likely to purchase brands that were in their initial consideration set](#) versus the ones that weren't.

In the consideration stage, consumers compare and contrast the features of the products in their initial consideration set to figure out which ones to scratch off the list as they determine the final two or three to eventually purchase. Although getting into the consideration set is considered advantageous, today's consumers will expand their options more often than they did before the Internet. In fact, [research has shown that consumers are likely to expand their options by 50%-60%](#) at this point. For example, if a consumer had three products in their consideration set, they may end up evaluating five before finally purchasing.



Paid Search: Shopping Campaigns



Search engines are one of the most important tools for consumers to research product purchases. [According to Forrester](#), more than 90% of consumers say they use search engines when discovering, exploring, and engaging during their purchase decision making:

95%
of respondents
use at least one
search channel for
discovery
(top-funnel)

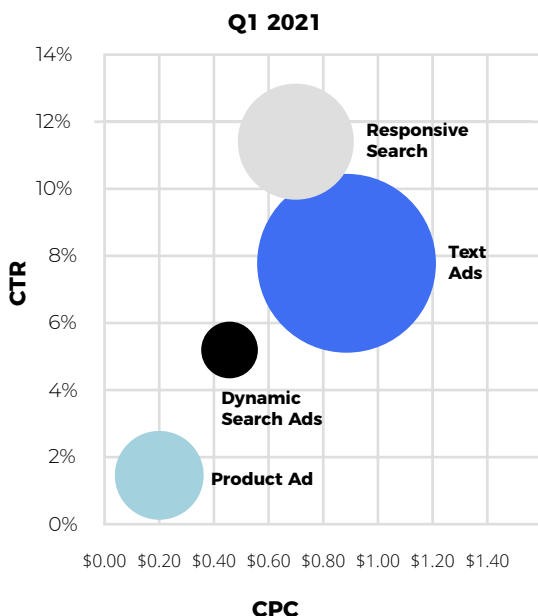
94%
of respondents
use at least one
search channel
for consideration/
purchase (mid-
funnel)

93%
of respondents
use at least one
search channel
for engagement
(bottom-funnel)

Visibility on search engines when consumers research product decisions are critical to today's web-first success. And **every relevant search should be considered a potential future sale**, whether it's at the beginning of the purchase path, near the end, or anywhere in between.

Paid Search Shopping Campaigns have a few advantages over standard text ads:


- They appear above paid and organic search listings on Search Engine Results Pages (SERPs)
- They are bigger and more visual than standard text ads
- They capture bottom-funnel demand by instantly transporting interested users directly to a product page



Shopping Campaigns cost less and convert higher

According to [Skai's Q1 2021 Quarterly Trends report](#), product [shopping] ads averaged just \$0.21 per click in the first quarter of 2021, compared to standard text ads that averaged over \$1.

Why so low?



Search

In Paid Search, the most commonly searched keywords usually have more competitors in the ad auction and thus have more bidders which drives up the price. Instead of keywords, shopping ads use the product attributes defined in the product feed to show ads on relevant searches. These keywords are generally more specific and less popular than commonly searched terms—thus with fewer competitors bidding for them, their costs are lower.

Consider terms related to televisions: popular terms like *tv*, *television*, and *flatscreen* are bid upon by every business that sells TVs. However, niche, product terms such as television models *TCL 43S305*, *Samsung Q60T*, and *Vizio M65Q7-H1*, are searched less often and will have a lower average cost-per-click because fewer brands are bidding on them.

Another axiom of Paid Search is that more specific keywords tend to convert higher because they are more relevant to the users who search for them.

For example, if a user does search for the television model *Samsung Q60T*, there's a much more likely chance that they are interested in that model to buy than from simply searching for the generic keyword *flat screen tv* or even the branded term, *Samsung TV*.

[Based on recent data from Q1 2021](#), brands can afford nearly 5 shopping ad clicks for every 1 text ad click. That's an incredible value especially when shopping ads generally have higher conversion rates than standard text ads as well.

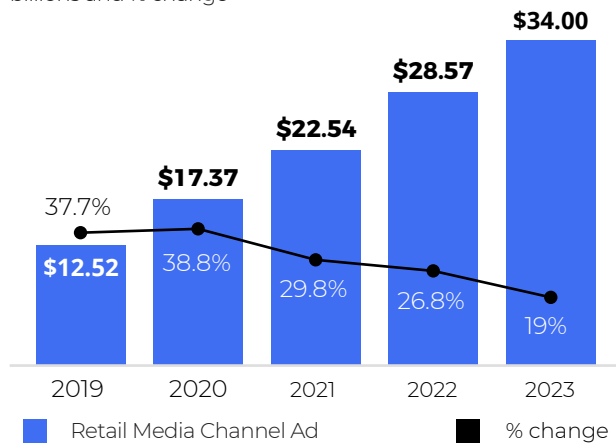
The Bottom Line on Paid Search Shopping Campaigns

- **You must be there.** Consumers use search engines as a primary product purchase research tool
- **More impactful than standard text ads.** Bigger & more visual and appear above paid/organic listings
- **Highly valuable.** Cost less and convert higher than standard ads

Retail Media: Sponsored Products

US Retail Media Channel Ad Spending, 2019-2023

billions and % change



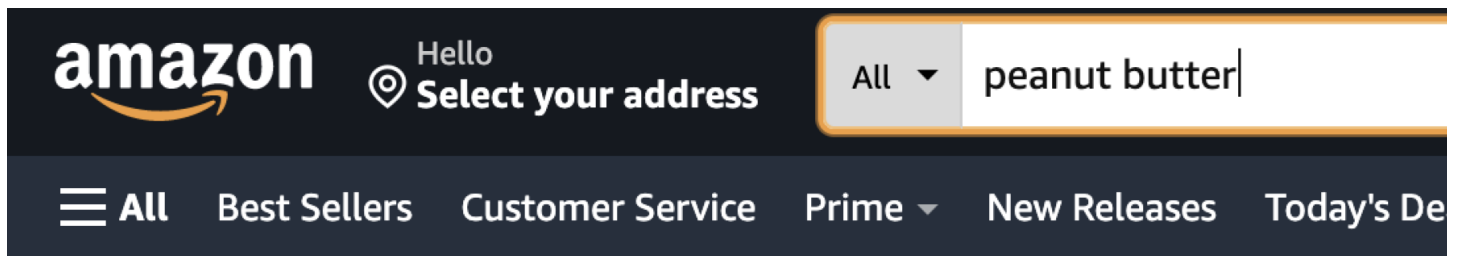
Note: digital advertising that appears on websites or apps that are primarily engaged in retail media; examples include advertising on Amazon, Walmart, and eBay; excludes advertising on social networks or search engines
Source: eMarketer, Oct 2020 | 259640

In Retail Media, all of the ads are shopping ads in one form or another. And it is one of the fastest-growing channels in advertising [with 49.8% growth in 2020](#) compared to the year before. Spending in this channel is expected to go from \$12.5 billion in 2019 to \$34 billion in just five years.

Led by the digital advertising programs of Amazon, Walmart, Target, Instacart, and others, the channel enables marketers to reach consumers as they shop within online stores. These ads are triggered by user keyword searches but also targeted by historical purchase data and other strong, first-party signals that online retailers have on their customers.

Retail Media shopping ads are critical for brand visibility

While selling online can help brands bypass traditional offline middlemen, one of the challenges with online retailers is that the “digital shelf” for any given product search can be virtually limitless. Take for example a search on Amazon.com for peanut butter and you will be served more than a thousand results! This is why it is so important for brands who sell via online retailers to invest in Retail Media. Without these ads, consumers may never see their products.



1-48 of over 1,000 results for "peanut butter"

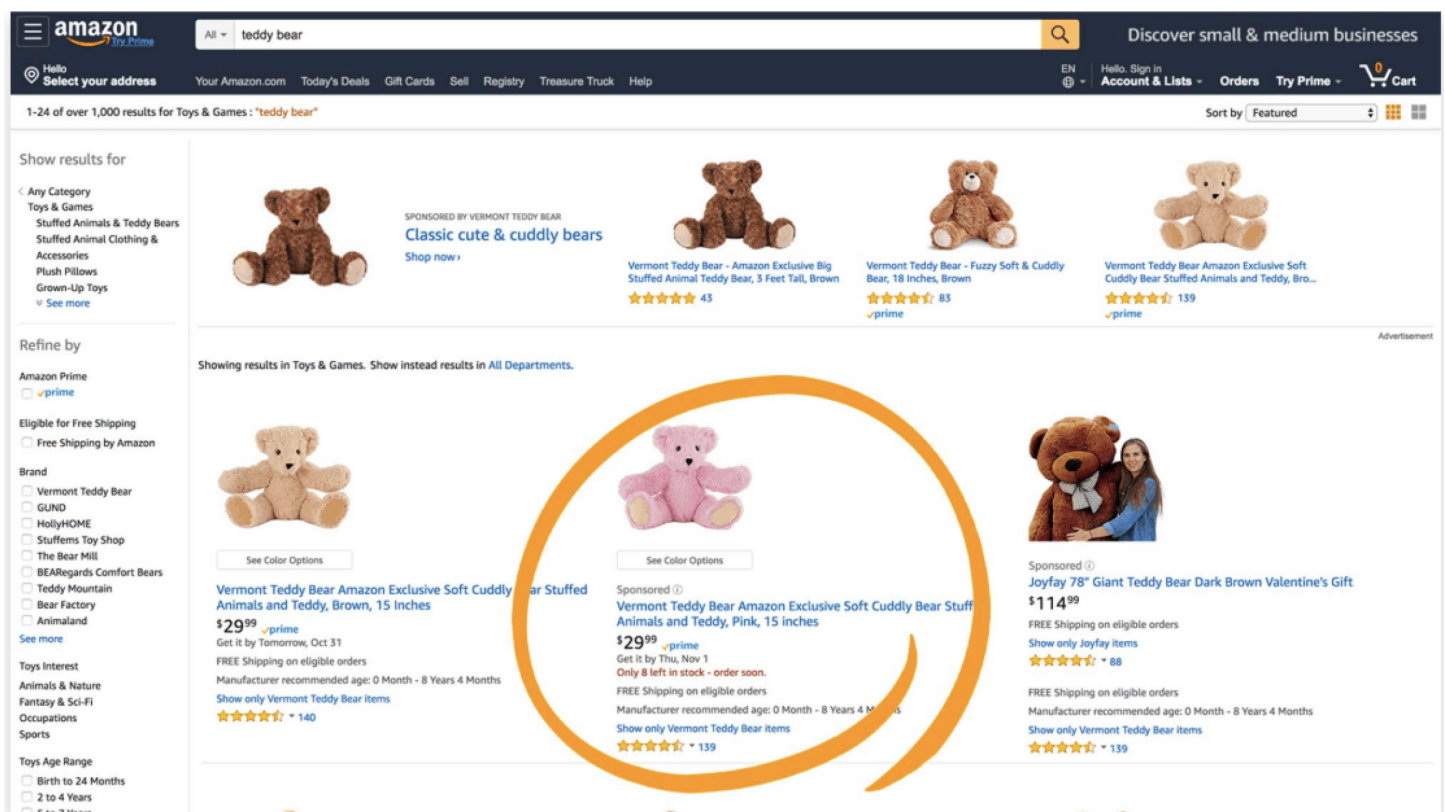
Shopping Ads can help marketers stand out in a cluttered online marketplace

Another critical reason for brands to invest in Retail Media is that even if a small portion of their total sales occur offline, the majority of consumer research happens online—and online retail sites have become product research tools for consumers. Some studies even show that [more product searches start on Amazon than anywhere else](#). And brands across a range of verticals—from consumer packaged goods to electronics to fashion—want in on those queries.

Ad placements in front of this audience are particularly appealing for brands and can be quite effective. And because the consumer is already in the online store, they're already in shopping mode which makes them even more valuable. Other channels must transport consumers to the store, which disrupts the user experience and can add friction to the sales process.

Sponsored Products ads

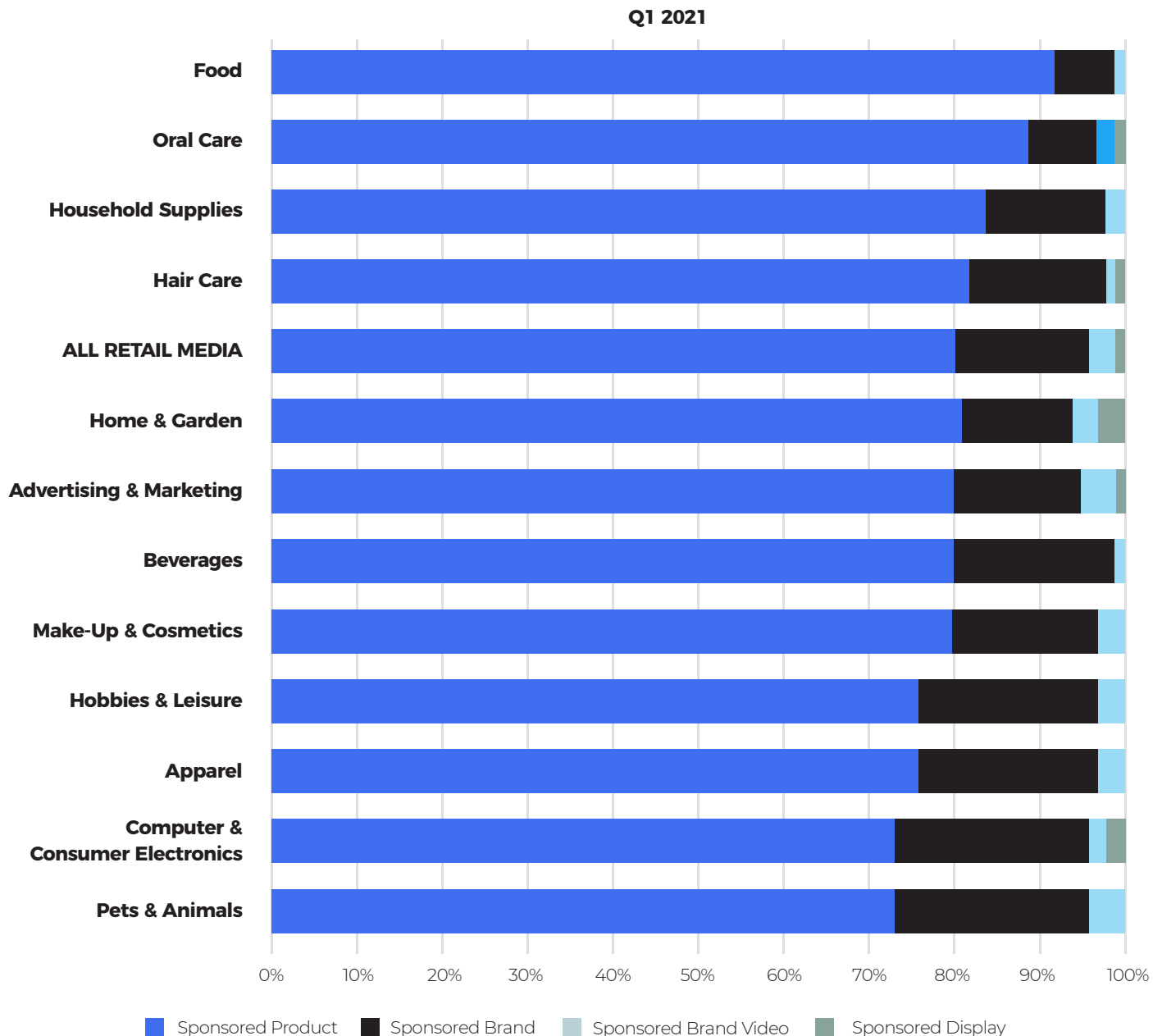
Sponsored Products on Retail Media publishers can be both search-triggered and pushed to users that the available first-party data has identified might be interested in seeing. They can appear in search results as well as throughout the online retailer—even on competitor's products pages.



Example of a Sponsored Product Ad on Amazon

While there are a variety of ad types available in Retail Media, Skai data from Q1 2021 shows that between 70% and 90% of investments in the channel are for Sponsored Product Ads.

Retail Media—Spend by Ad Type by Category



The Bottom Line on Retail Media Sponsored Products Ads

- **Ads to shoppers, not just online consumers.** The users are already in the store and ready to buy.
- **Ensure visibility.** The digital shelf is a limitless aisle. Sponsored Product ads help brands get in front of consumers who have endless choices.
- **Be there for research, as much as direct sales.** Online retailers are one of the first places consumers go to research their product purchases.

Social Advertising: Dynamic Ads

Advertising products via social media has proven value in the digital media mix. It is estimated that there are [3.6 billion social media users](#) across the world—with around 70% of Americans reported using a social service. Social Advertising's dynamic ads are a great way to market products to this highly engaged audience.

How Would US Social Buyers Describe Their Most Recent Social Commerce Purchase

% of Respondents, June 2020

It was an impulse purchase that I wasn't previously aware of or considering purchasing the product / service before

35%

Had already been considering buying a product / service from any brand, and I purchased the product when I saw it randomly on social media feeds

29.1%

Was ready to buy the specific product from the specific brand and the social media ads offered a reminder to finish purchasing the product

19.7%

Compared the products among several brands (on social media) which I'd been considering purchasing, and I finally purchased the product when I saw the post on social media

16.2%

Note: n=451 ages 18+ who have purchased products via social media in the past year
Source: "The eMarketer Facebook Fast Survey" conducted in June 2020 by Bizrate Insights, June 29 2020 | 256618

Unlike shopping ads on Paid Search and Retail Media which are triggered to show via user searches, dynamic ads on social media can be pushed to consumers based on a variety of targeting factors. Because of this, social media is one of the most important digital environments to drive consumer discovery and engagement for product companies.

"If you look at why stores exist, they've always been a place of inspiration, convenience, immediate gratification, a place for taction, for discovery, confidence in purchase, and the experience," [said Chris Walton of Red Archer Retail](#). "Physical retail still holds the experiential aspect of being there, but digital can do almost all those other things just as well—especially if there's the taction part. Social media is now becoming the place where we can discover or get inspired by products as well as—if not better than—physical stores."

Dynamic Product Ads and Dynamic Ads for Broad Audiences

There are two flavors to Facebook/Instagram dynamic ads, DPAs and DABAs. They both build ads on the fly from a brand's product feed and loaded into ad templates, but they differ by targeting mechanism.

Launched in 2015, **Dynamic Product Ads (DPA)** use the Facebook remarketing pixel to track which pages and products users visit on your website or app and then retargets them with ads based on what they viewed. Retargeting has proven to be a very valuable tool to reach users who have expressed an interest in your products and may just need a few more clicks to drive a purchase.

Launched in 2017, **Dynamic Ads for Broad Audiences (DABA)** are similar to DPAs but don't require a user to have visited your app or website. Instead of a retargeting use case, these ads leverage the social publisher's deep first-party data such as interests, demographics, and behaviors into consideration when targeting a user.

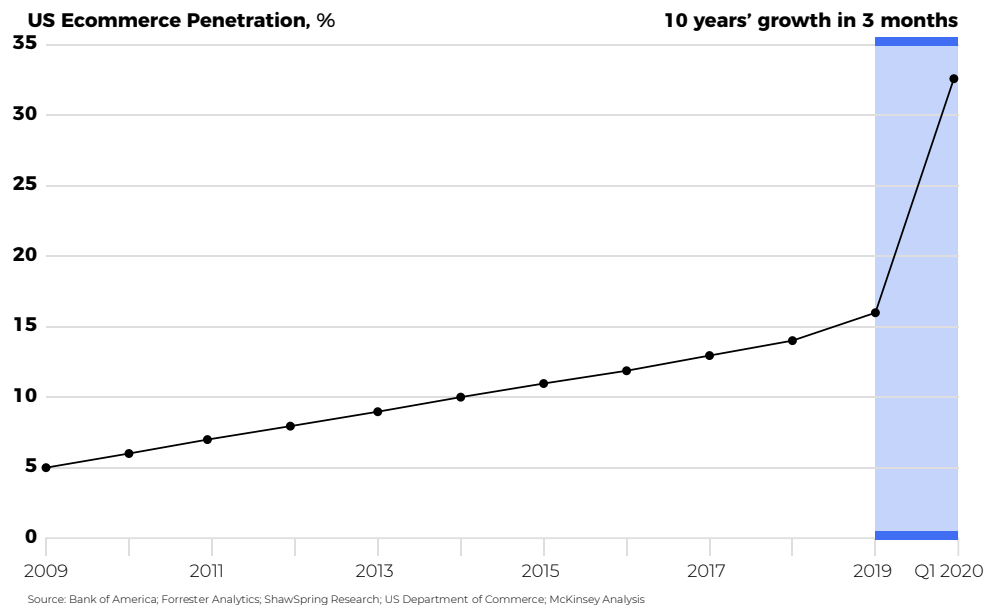
DPAs are generally used to help users "over the last mile" of a purchase, while DABAs are ways to help acquire new users who haven't interacted with your brand before.

The Bottom Line on Social Advertising Dynamic Ads

- **Drive product discovery.** Paid Search and Retail Media shopping ads require a user to perform a search to trigger them to be shown, but Paid Social can reach consumers that aren't yet even thinking about your product or brand
- **Leverage powerful first-party data.** Social publishers have tremendous interest, demographic, and behavioral data brands can leverage to target their Social Dynamic Ads.
- **Shopping Ads + Retargeting.** Reach social users with shopping ads featuring the products they've already viewed or added to their carts on your site or app



Conclusion: Shopping ads mastery is a requirement for the 'new normal'



While online shopping was already growing organically, the first three months of the COVID-19 pandemic drove the same amount of ecommerce adoption as the previous decade. Most industry experts believe that much of this consumer behavior will continue even after the pandemic is over.

Brands are struggling to quickly adapt to what has become the new normal. They thought they had at least two to three years before they had to be ready for this level of online commerce, and some are more ready than others to take advantage of the opportunity it has created. And those who aren't as ready risk falling further behind.

Certainly, digital shopping ads are one of the important new marketing types that brands must master in the 'new normal.' They are already investing significant budgets into this ad format, but with the meteoric rise of ecommerce growth, competition is heating up. Success will be for those who not just embrace how shopping ads can move the needle, but build expertise, best practices, and processes to take the most advantage of it.

To win, marketing science and insights are needed to maximize this opportunity. After all, simply running shopping ads is just the first step. In order to beat the competition, marketers must rely on a technical foundation.

About Skai

Skai is a go-to-market engine that powers brand decisions and execution with actionable intelligence for accuracy, speed and agility in making customer connections. Skai's platform includes a suite of data-driven products for market intelligence, omnichannel media activation, testing and measurement, enabling product developers, consumer and market insights teams, brand managers and marketers to make predictions, plan strategies and benefit from connected omnichannel launches. Skai merges the former Kenshoo and Signals Analytics capabilities and for more than a decade, has been trusted by an impressive roster of global brands including Procter & Gamble, Nestle, Johnson & Johnson, Mars and others. With its expanded product suite, Skai is unifying data and helping companies better understand their consumers in real-time. It has seven international locations and is backed by Sequoia Capital, Arts Alliance, Tenaya Capital, Bain Capital Ventures, Qumra and Pitango. For more information visit <https://skai.io>.