

# Digital Marketing **Quarterly Trends Report** Q2 2022

The following proprietary presentation is given for general informational purposes only and shall be strictly confidential.

# Executive summary

## Top line:

Ad spending across retail media, search, and social grew both quarter over quarter (QoQ) and year over year (YoY).

- Retailer expansion continued to fuel retail media advertising growth.
- Search spending growth was driven more by services than goods.
- Social spending growth accelerated in Q2 as the market response to IDFA outpaced last year's disruption from the new Apple app privacy rules.

## Highlights:

Commerce ads across retail media and social channels showed robust growth, emphasizing the bottom and the top of the conversion funnel.

Compared to the same quarter last year, social advertisers have many solutions and workarounds for IDFA signal loss in the market, which has allowed advertisers to maintain steadier spending levels.

Over the last two quarters, Responsive Search Ads (RSA) have overtaken Expanded Text Ads (ETA) as the dominant search ad format as a percentage of search spend.

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What you need to  
know



Core trends

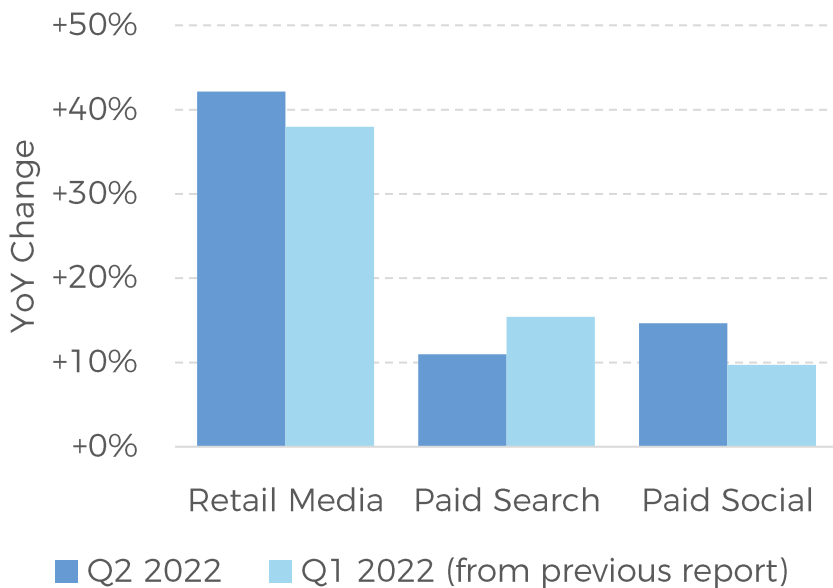


Omnichannel  
commerce



About this report

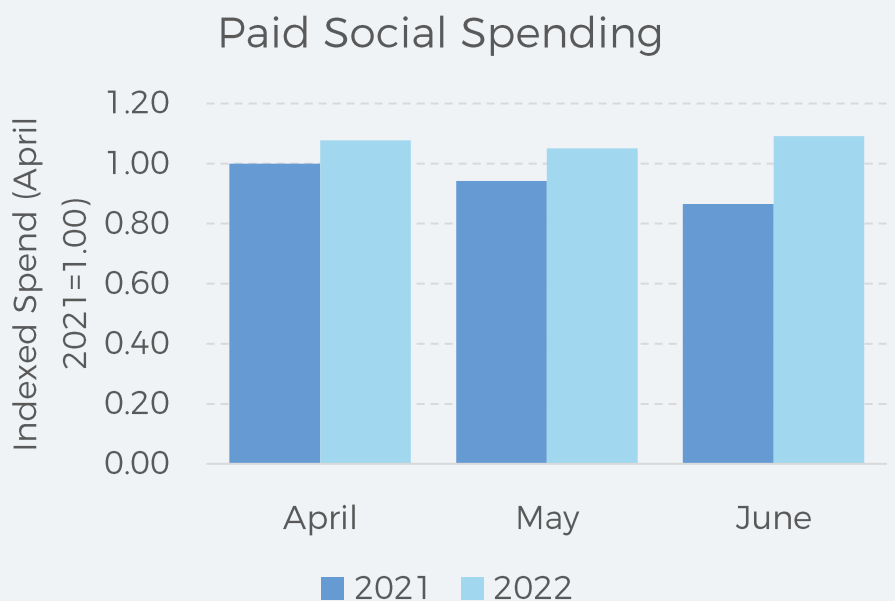
# Growth continues across channels



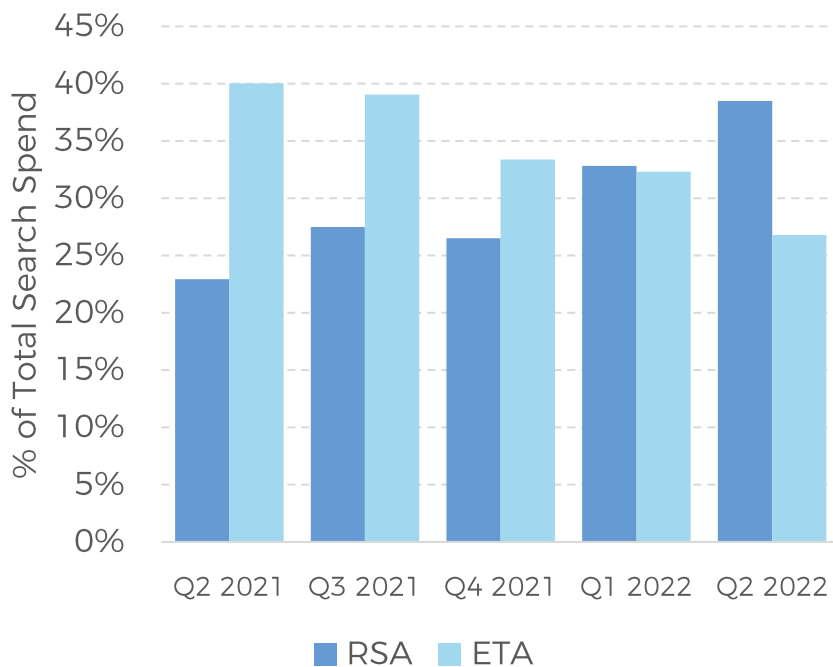
- Retail media expansion fueled brisk growth in the channel.
- Search spending was not as sharp as in 2021.
- Social spending compared favorably to the intro of IDFA last year.

## IDFA one year later

Monthly numbers show how marketers pumped the brakes post-IDFA last year but spent more consistently this year as solutions to signal loss have picked up steam.



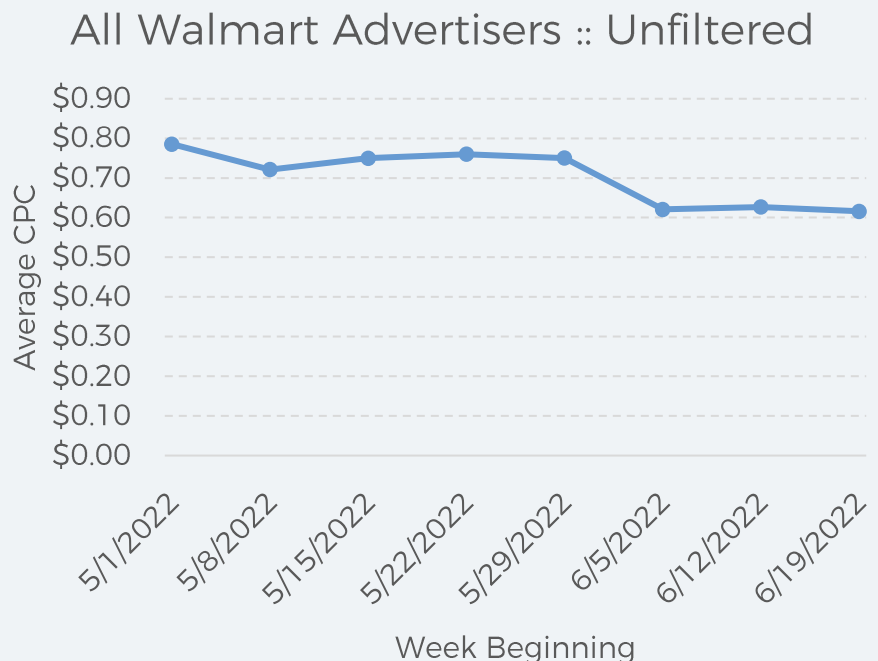
# RSA replacing ETA in search



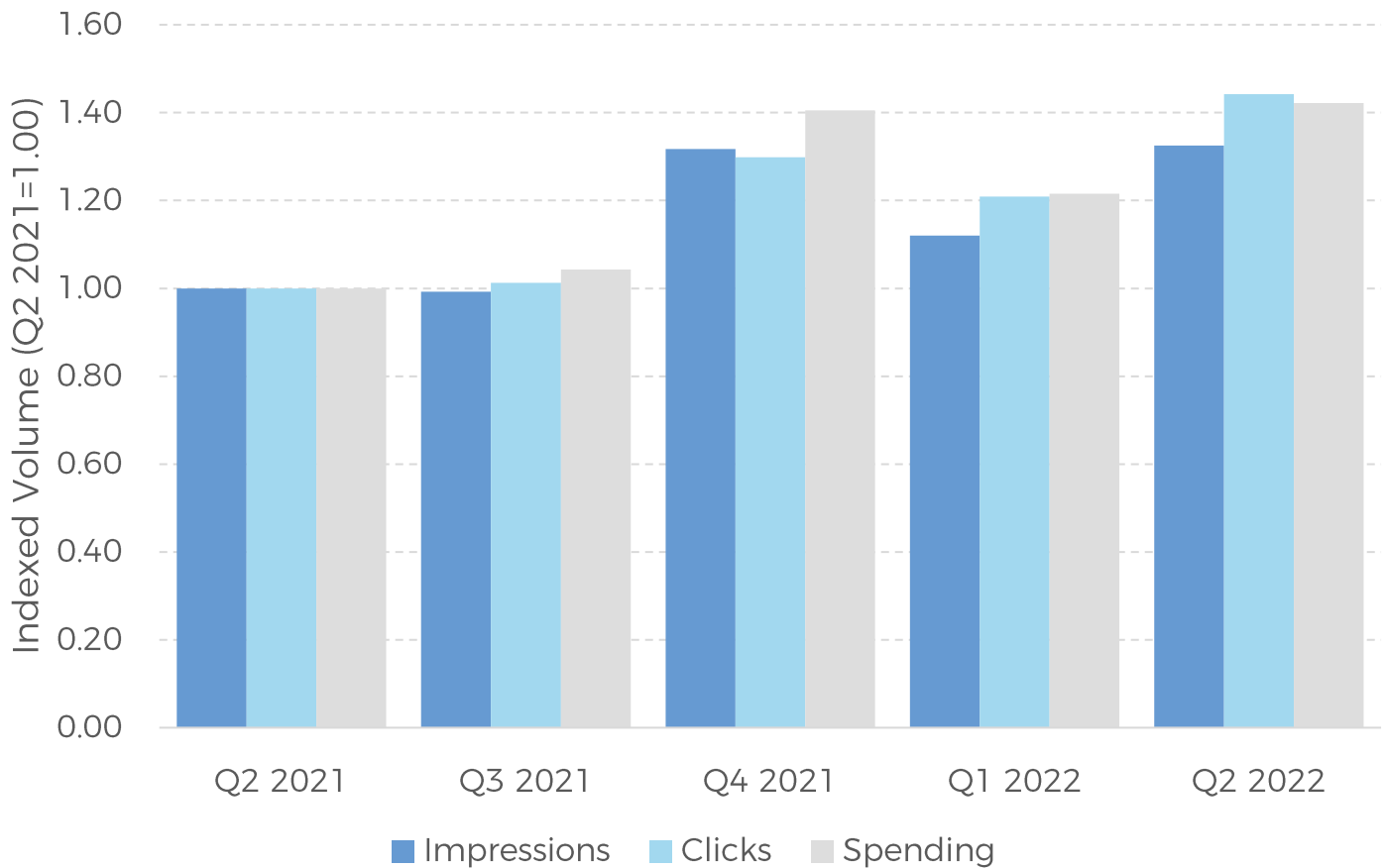
Over the last two quarters, Responsive Search Ads (RSA) have overtaken Expanded Text Ads (ETA) as the dominant search ad format as a percentage of search spend.

# Walmart adopts second-price auctions

Walmart changed its bidding process to use a “second-price auction” starting on June 6, resulting in a drop in cost-per-click (CPC) of 17% for the week of the switch.



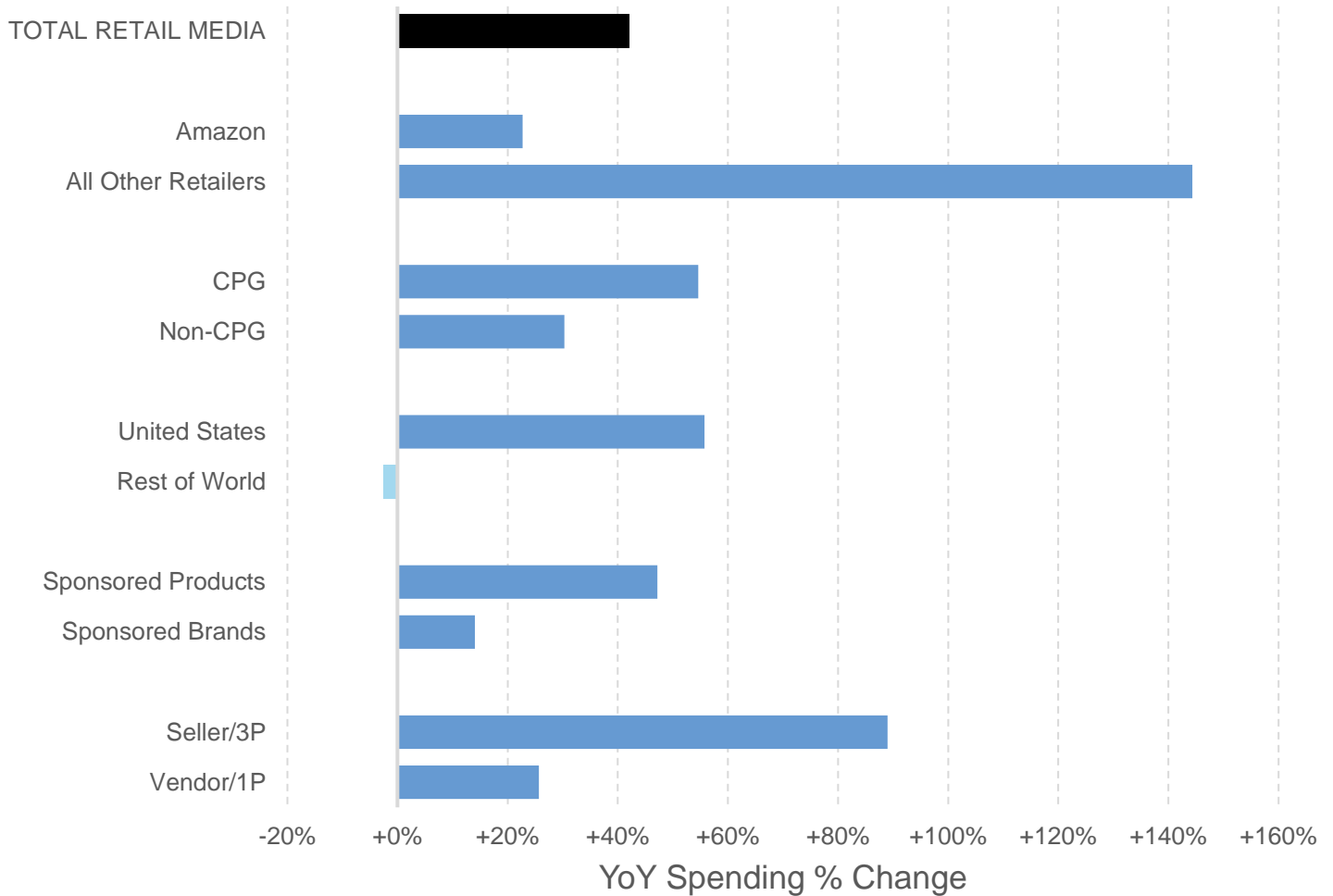
# Retail media trends



- Advertisers continued to invest in retail media ad spending, driving total expenditures up 42% over Q2 of last year.
- Ads for CPG products are proliferating on newer retail media networks like Instacart and Kroger, driving overall growth.

QoQ	YoY
Impressions	
+18%	+33%
Clicks	
+19%	+44%
Spending	
+17%	+42%

# Retail media spending drivers



Newer retailers to the retail media space were the biggest driver of growth, which drove follow-on effects like stronger CPG and U.S.-based spending.

# Retail media CPC and CTR trends

## Average CPC

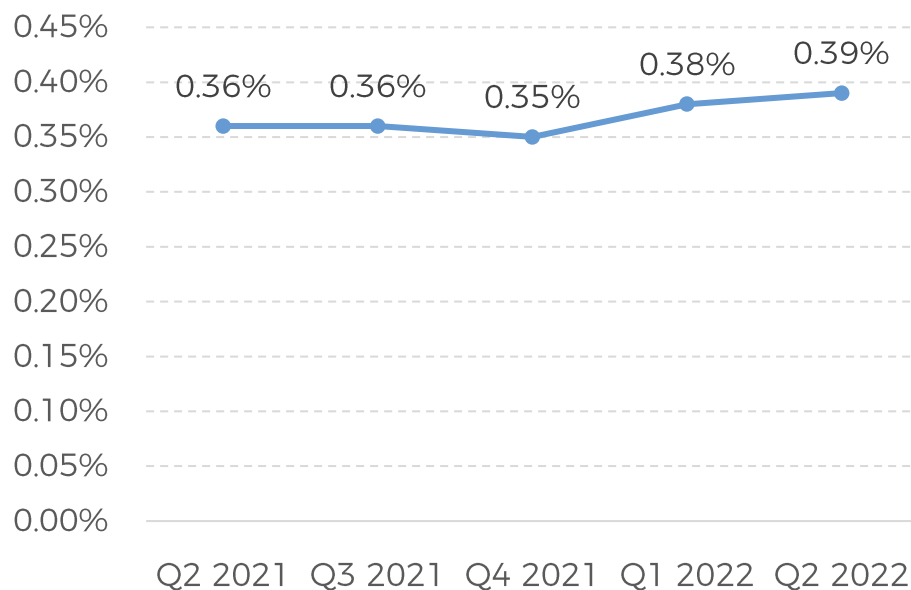


CPC	
QoQ	-2%
YoY	-1%

Average CPC across all retail media publishers was mostly unchanged both QoQ and YoY.

## Clickthrough Rate (CTR)

CTR	
QoQ	+3%
YoY	+8%

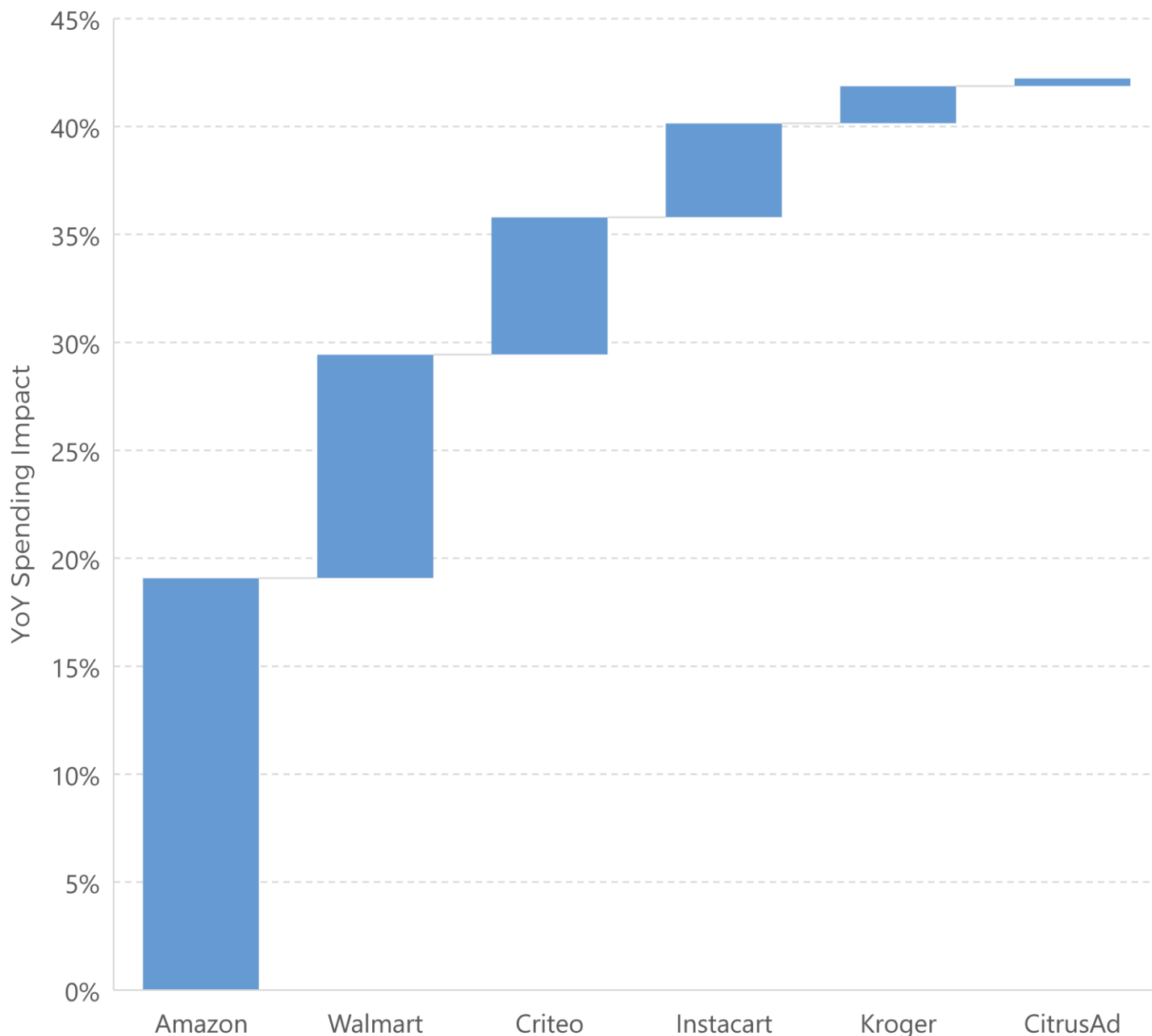


Engagement with retail media ads picked up slightly.

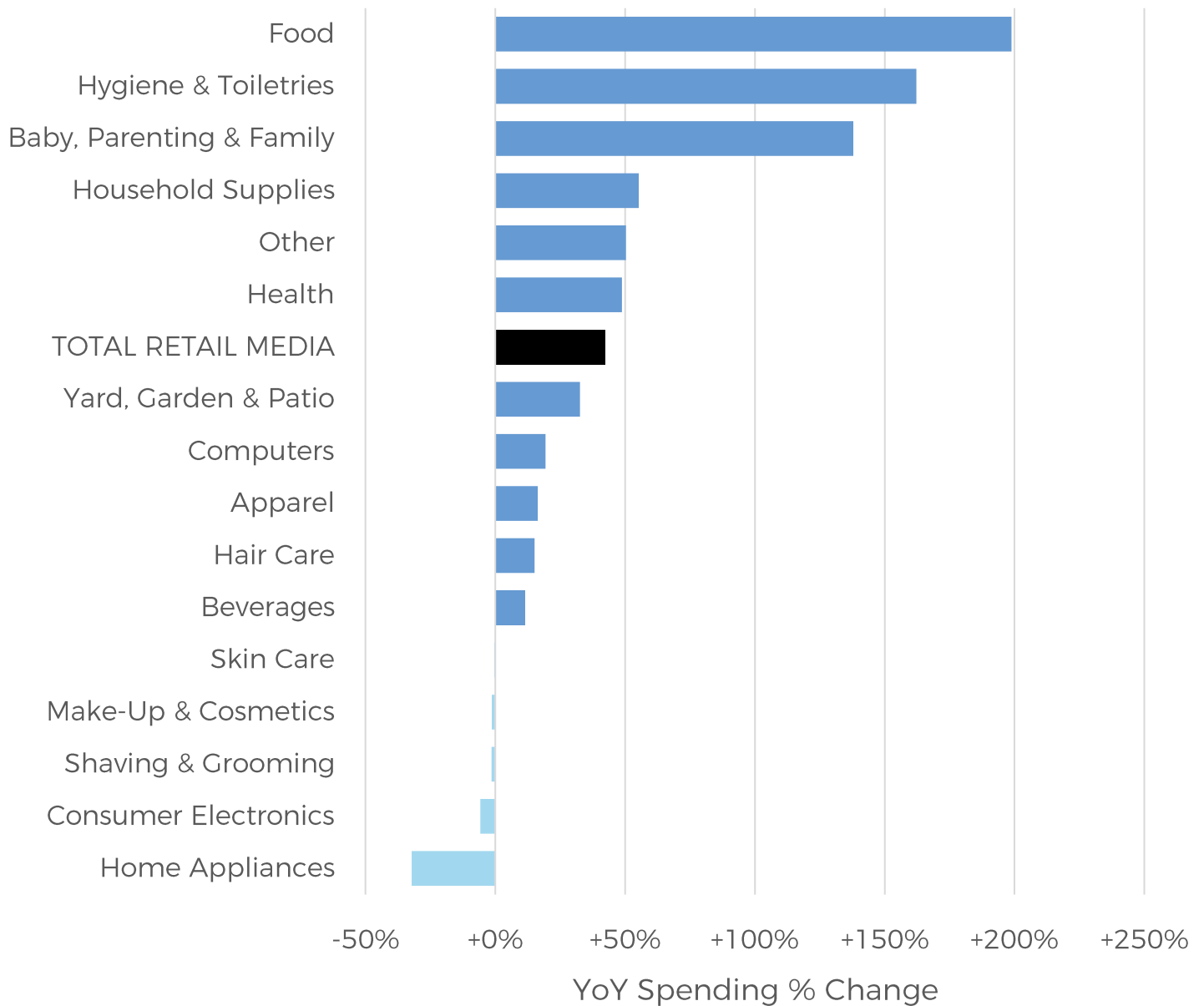


# Retail media growth by retailer

Amazon still provided the largest contribution to YoY growth at the retailer level, twice as much as its closest competitor, Walmart.

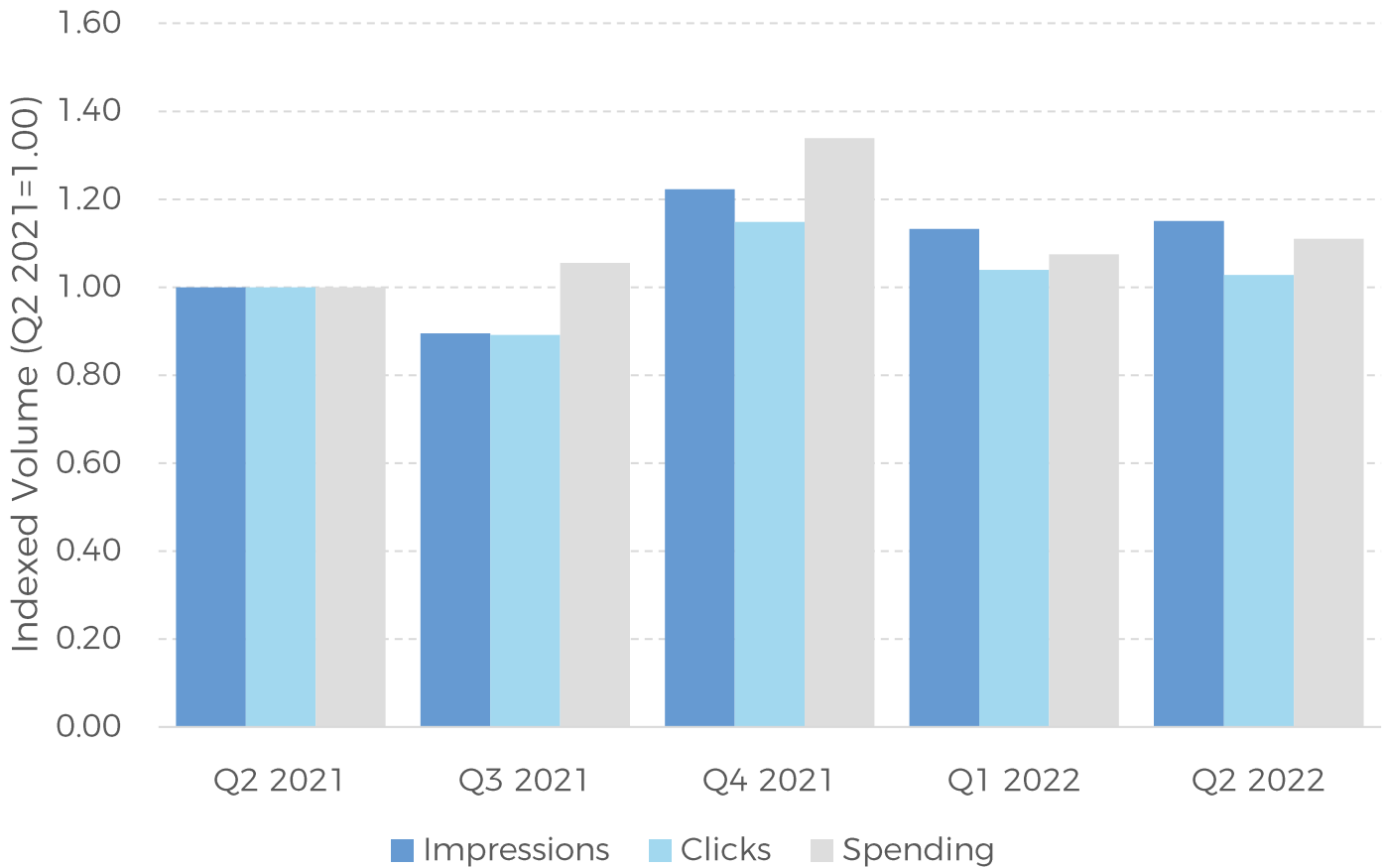


# Retail media growth by category



The addition of grocery-focused retailers (Kroger, CitrusAd, Instacart) may skew growth toward certain CPG categories.

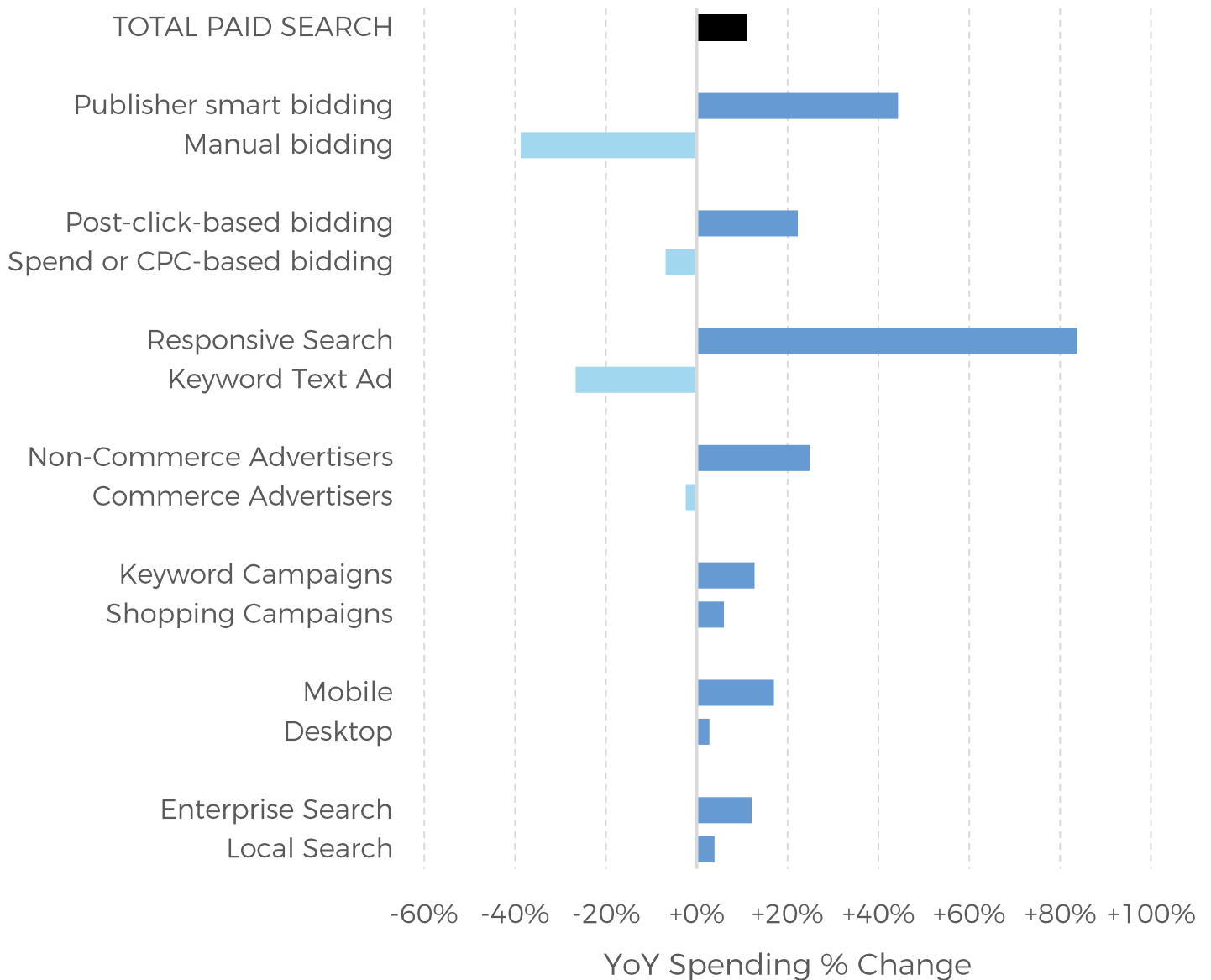
# Paid search trends



- Spending levels were mostly unchanged from last quarter, yielding growth of 11% over last year.
- More sophisticated ad formats and bidding strategies continue to drive growth as they replace legacy options.

QoQ	YoY
Impressions	
+2%	+15%
Clicks	
-1%	+3%
Spending	
+3%	+11%

# Paid search spending drivers



- Publisher-based algorithmic bidding continues to replace manual bidding rules.
- More specifically, we are still tracking structural shifts from spend and CPC-based bidding to bidding that considers post-click activity.

# Paid search CPC and CTR trends

## Average CPC



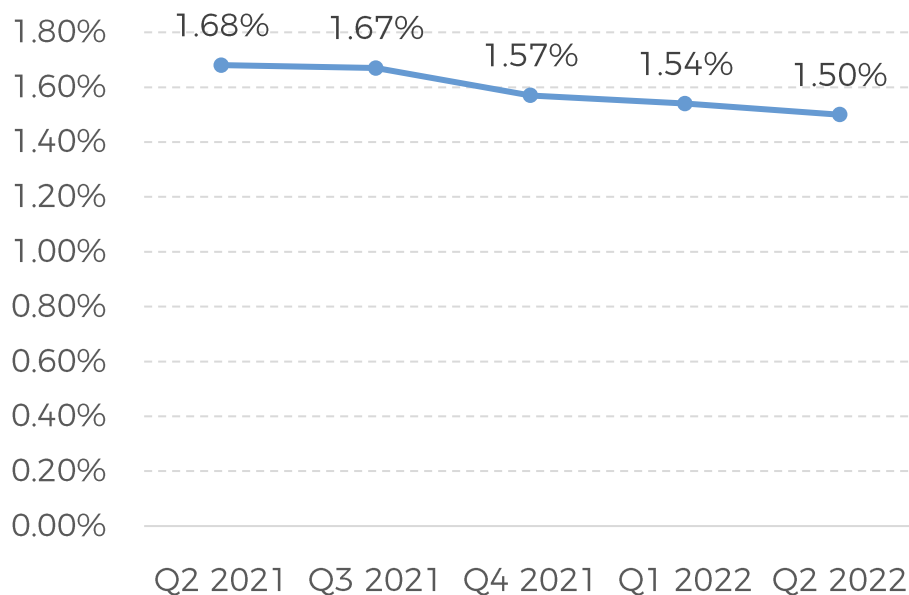
CPC	
QoQ	+4%
YoY	+8%

Growth from non-commerce advertisers, who have higher CPCs, have edged overall ad prices higher.

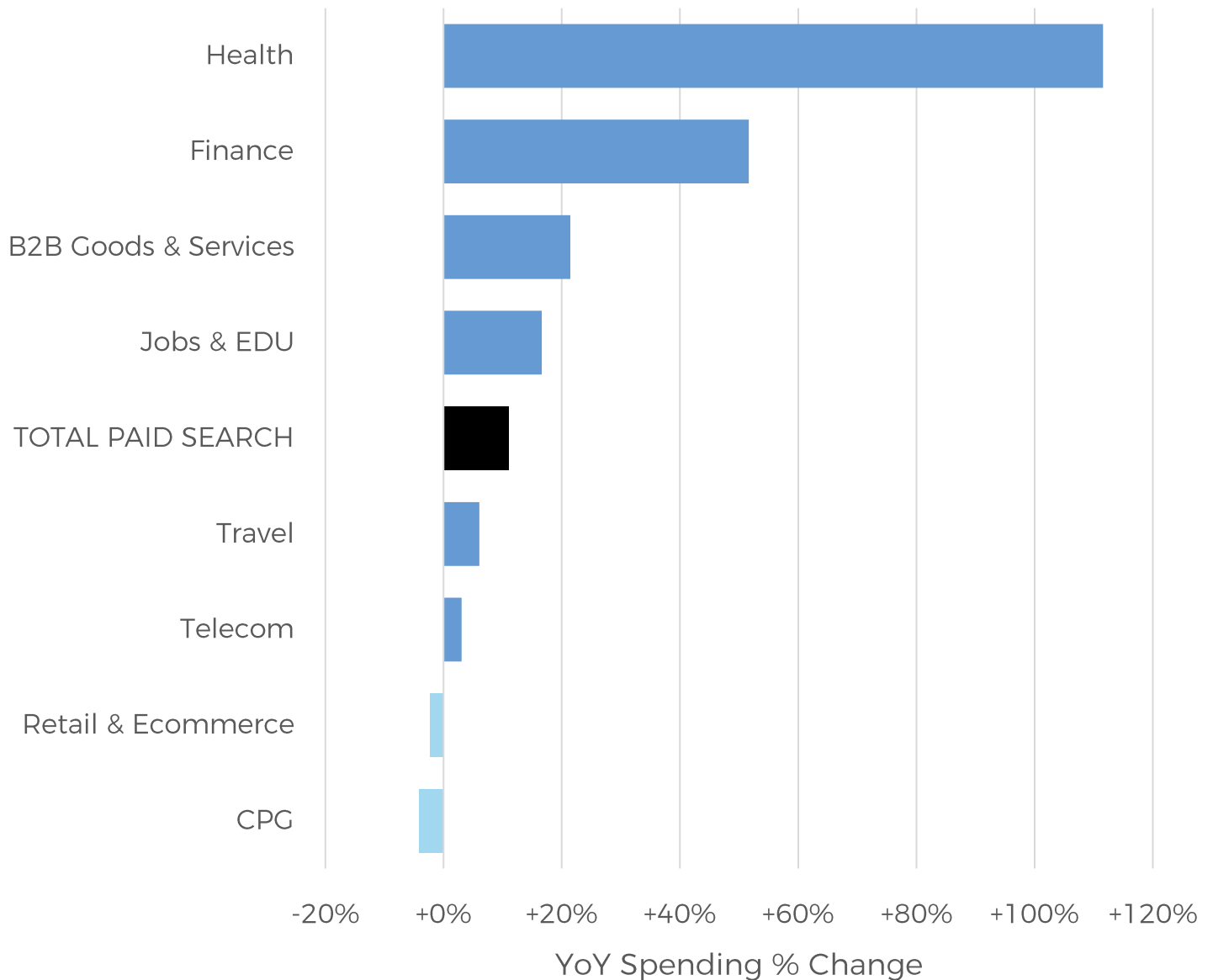
CTR	
QoQ	-3%
YoY	-11%

Changes in search CTR are often dependent on the overall mix of brand versus non-brand keywords and keyword versus shopping campaigns.

## Clickthrough Rate (CTR)

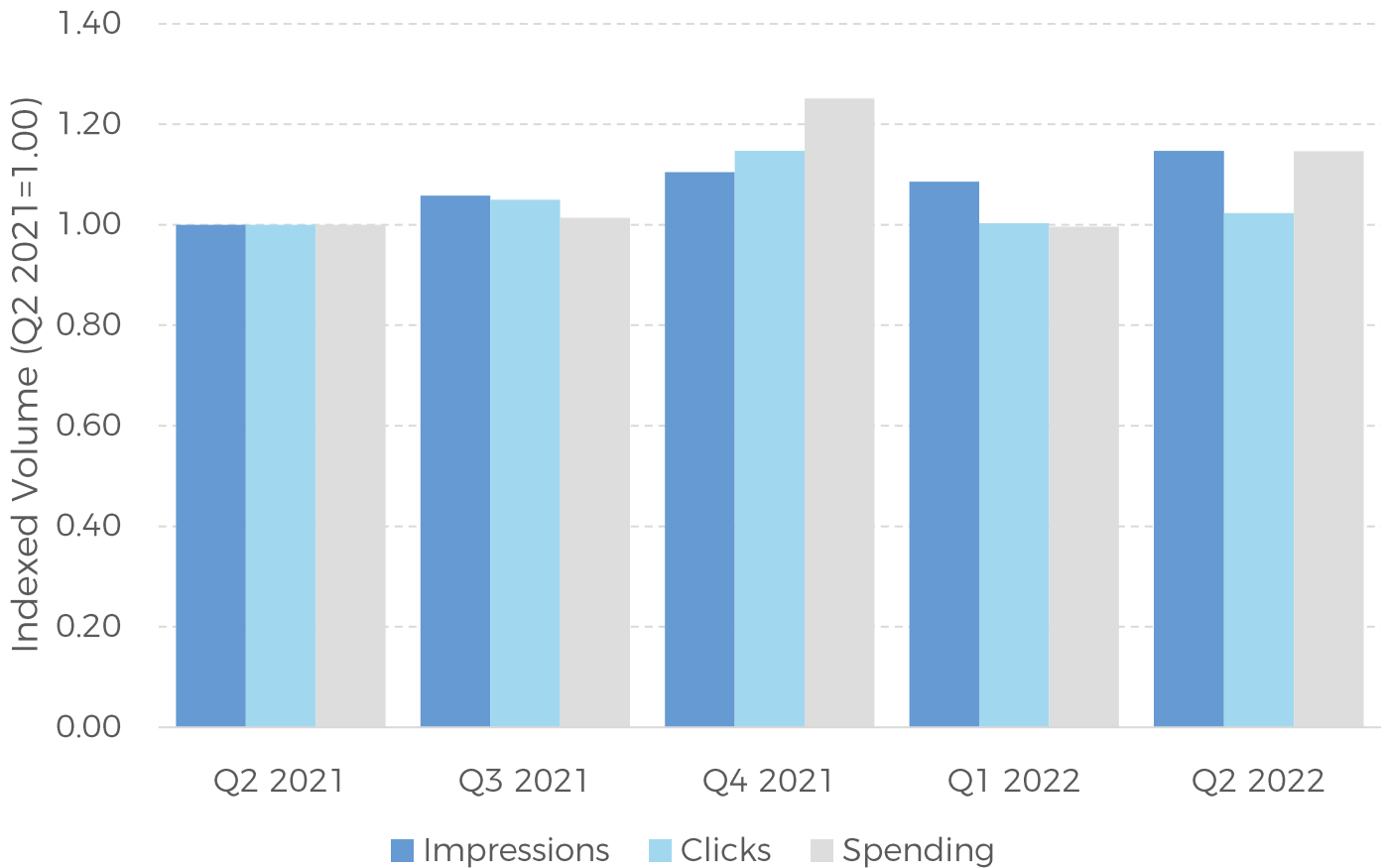


# Paid search growth by category



Broadly speaking, we see a similar pattern to the macroeconomic shift from goods (Retail & Ecommerce and CPG in this view) to services (everything else).

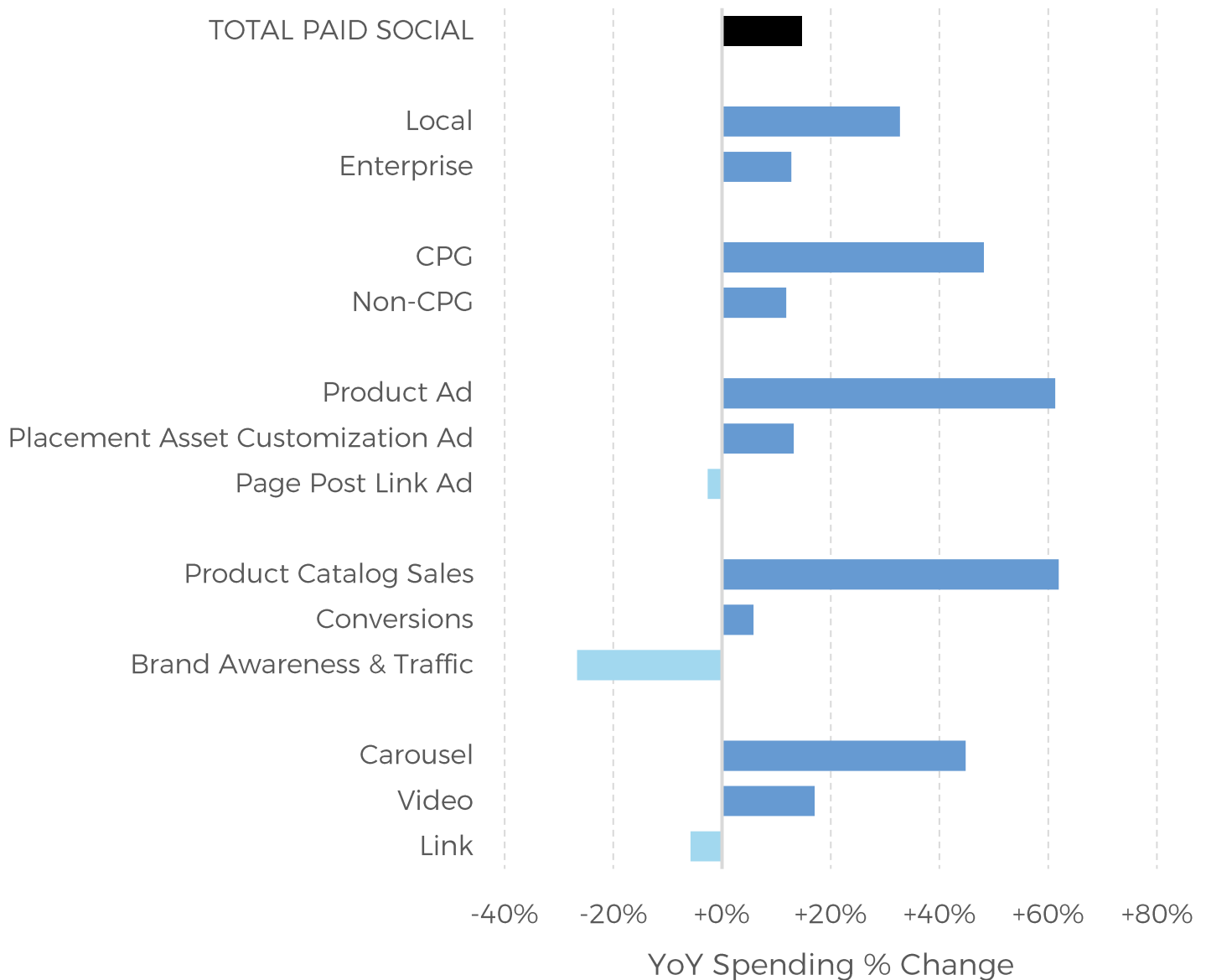
# Paid social trends



- Spending grew faster than expected, as emerging solutions to new online privacy controls encouraged more consistent spending than last year.
- Segments that were heavily disrupted by IDFA seem to be snapping back, particularly Local/SMB and Commerce.

QoQ	YoY
Impressions	
+6%	+15%
Clicks	
+2%	+2%
Spending	
+15%	+15%

# Paid social spending drivers

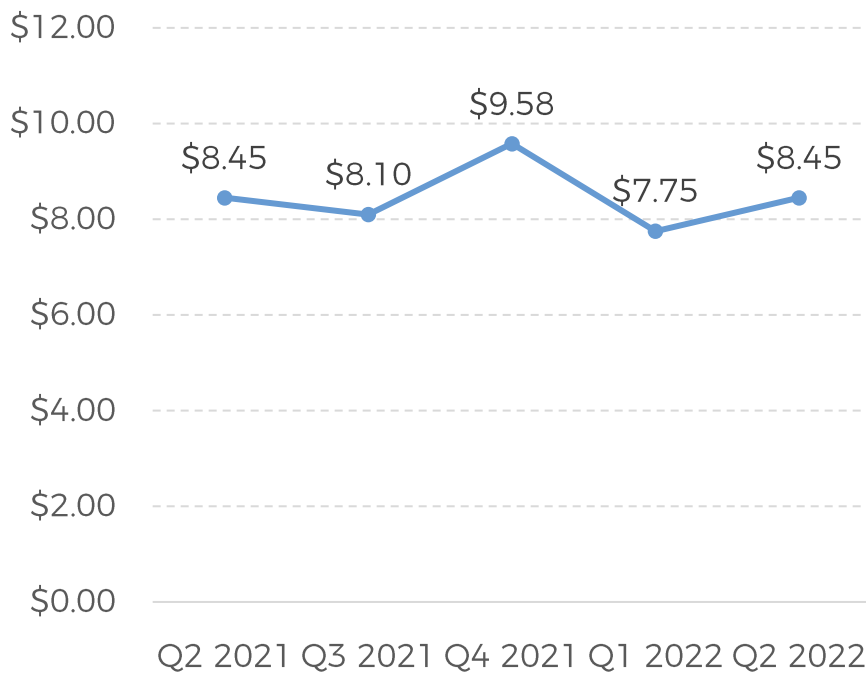


- Local and SMB advertisers saw considerable disruption from iOS 14.5 during this quarter last year but have rebounded.
- There was also a big swing toward Brand Awareness & Traffic last year which has faded in favor of direct response objectives.



# Paid social CPM and CTR trends

## Average CPM



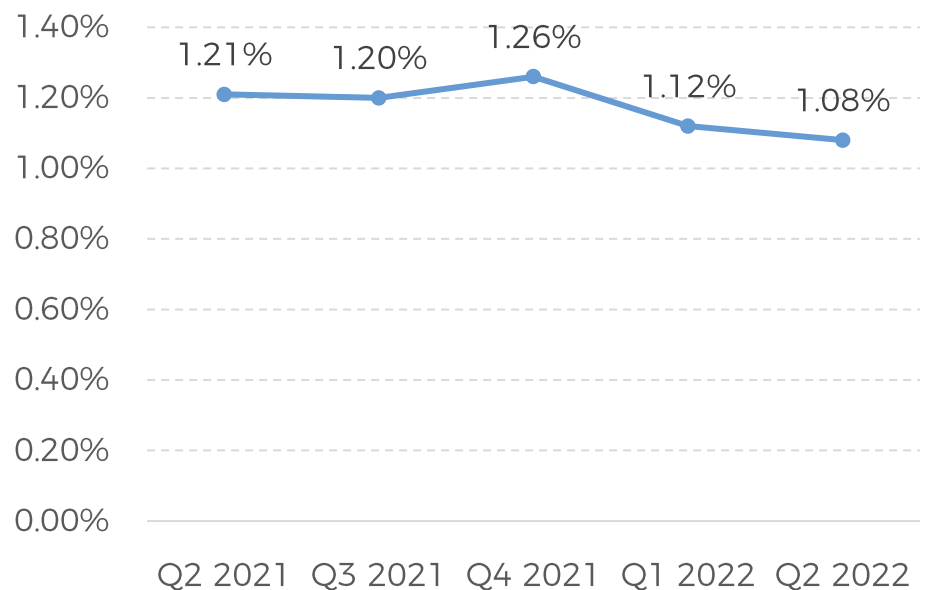
CPM	
QoQ	+9%
YoY	0%

Ad prices are up compared to last quarter, but flat compared to last year.

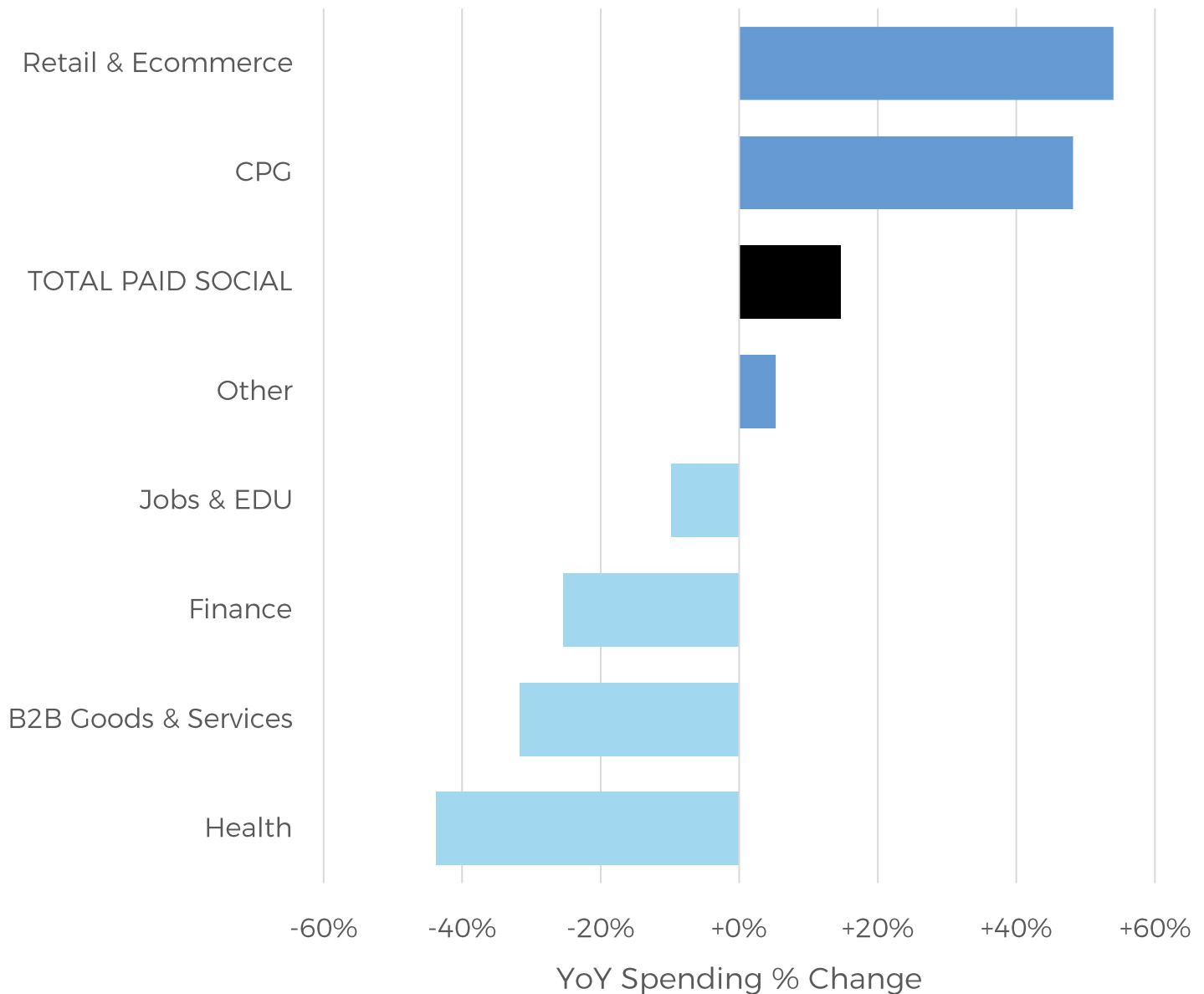
CTR	
QoQ	-4%
YoY	-11%

CTR shows both QoQ and YoY declines, which could point to the increasing importance of (low CTR) video formats.

## Clickthrough Rate (CTR)



# Paid social growth by category



- The two weakest categories in paid search were the strongest in paid social.
- Advertisers may be moving up the purchase funnel to stimulate softening demand.

# Commerce spending across channels

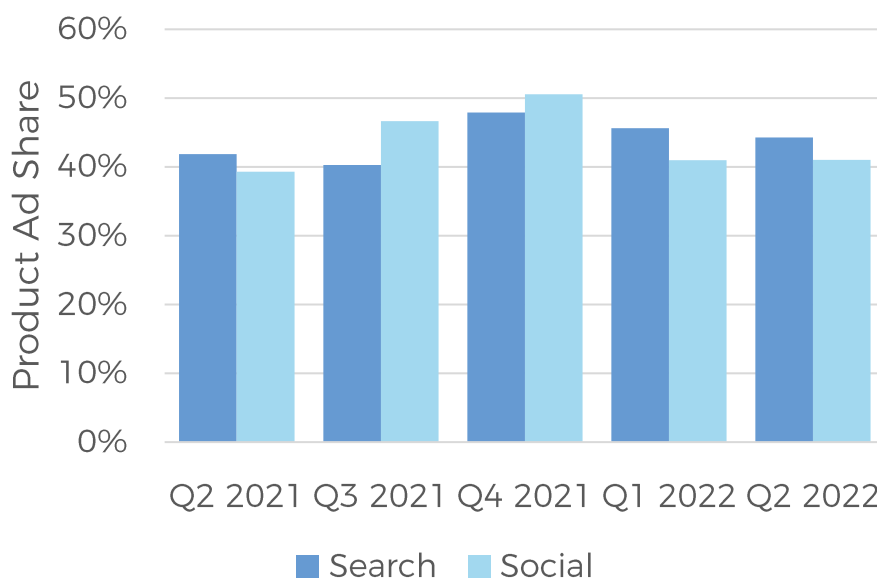
Commerce Advertisers Only



- Commerce spending growth was focused on retail media and paid social channels.
- Paid search growth was driven by services more than goods in Q2.

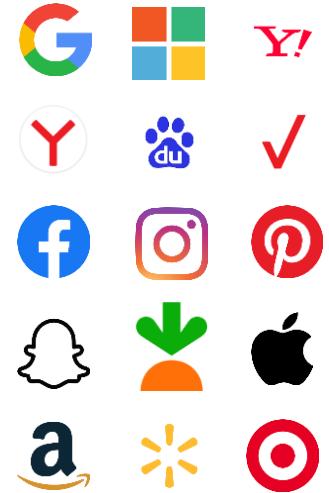
Retail and Commerce advertisers in paid search and paid social spent a comparable share of their budgets on shopping-specific campaigns and ad types.

Commerce Advertisers Only



# About the data

- Analysis is based on advertiser campaign data managed through the Skai platform on Google, Microsoft Advertising, Yahoo!, Yahoo! Japan, Baidu, Yandex, Facebook, Instagram, Pinterest, Snapchat, Apple, Amazon, Walmart, Instacart, and Criteo.
- Sample is drawn from a total population of more than 1 trillion impressions, 12 billion clicks, and \$9 billion in spending over five quarters, across multiple countries and industry categories.
- Analysis is based on advertisers with 15 consecutive months of spending unless otherwise noted. Additional outliers have been removed, as necessary.
- Ad spending and CPC are translated to common currency before aggregation and do NOT use Ex-FX or “Constant Currency” adjustments.



## Additional resources

### [Quarterly Trends Hub](#)

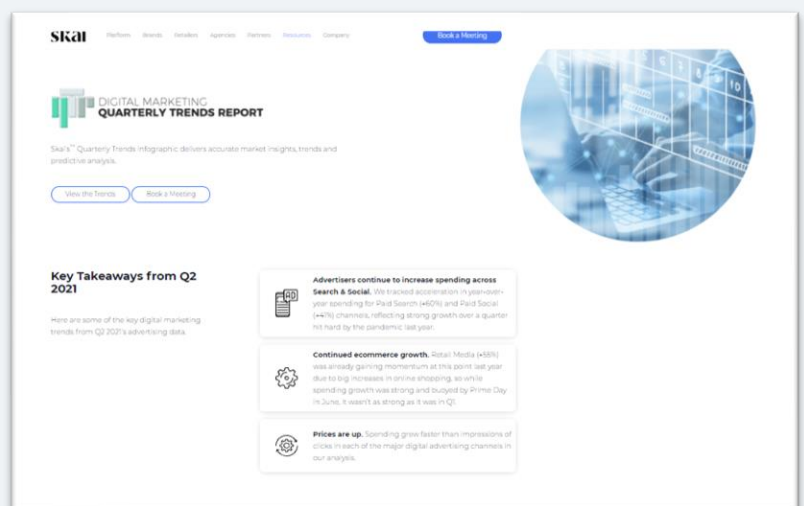
View the current infographic, long-form report, and highlights, along with previous quarters, all in one place.

Other insights are posted regularly to:

[Skai's Blog](#)

[Case Studies](#)

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## About Skai™

Skai™ (formerly Kenshoo) is a leading omnichannel marketing platform that uniquely connects data and media for informed decisions, high efficiencies, and optimal returns.

Its partners include Google, Meta, Amazon Ads, TikTok, Snap, Walmart Connect, Instacart, Roundel, Criteo, CitrusAd, Pinterest, Microsoft, Apple Search Ads, and more.

For over 15 years Skai™ has been trusted by an impressive roster of brands including Pepsico, Michaels, Reckitt, Daimler, LG, and Vodafone.

The company is headquartered out of Tel Aviv, with seven international locations, and is backed by Sequoia Capital, Arts Alliance, Tenaya Capital, Bain Capital Ventures, Pitango, and Qumra Capital.

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