

Digital Marketing **Quarterly Trends Report** Q3 2022

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

Executive summary

Top line:

Advertisers grew ad spending in Q3 to find customers in a challenging economy.

Performance marketing channels responded to shifting customer demand by increasing ad volume at lower prices.

Highlights:

Retail media spending benefitted from continued retailer expansion and incremental advertiser investment for Amazon Prime Day in July.

Search has seen consistent spending levels through most of the year across all campaign types, although shopping campaigns in particular saw a decrease in investment as average cost-per-click (CPC) dropped.

Shopping and commerce were the main story for social advertiser spending increases, but another growth segment offset lower CPM with bigger gains in impressions.

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What you need to
know



Core trends

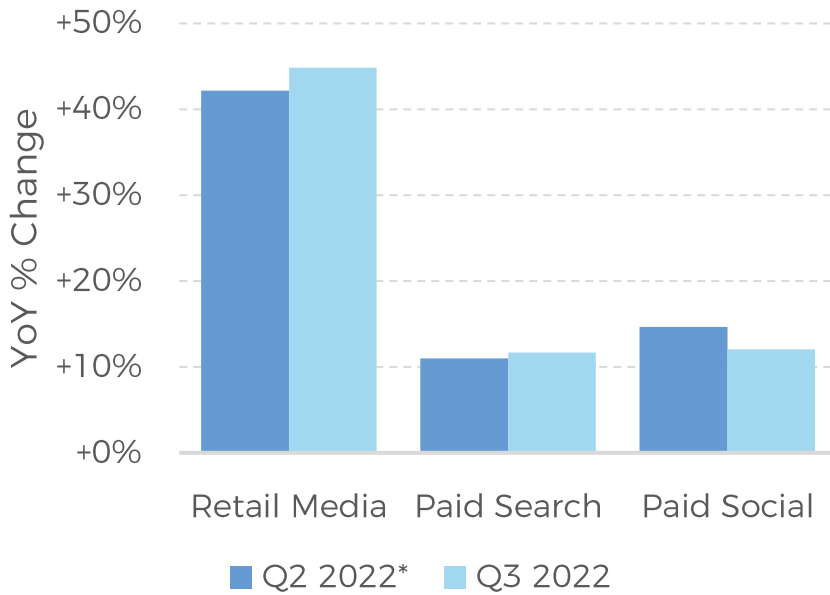


Omnichannel:
Commerce



About this report

Omnichannel digital marketing continues growth trajectory

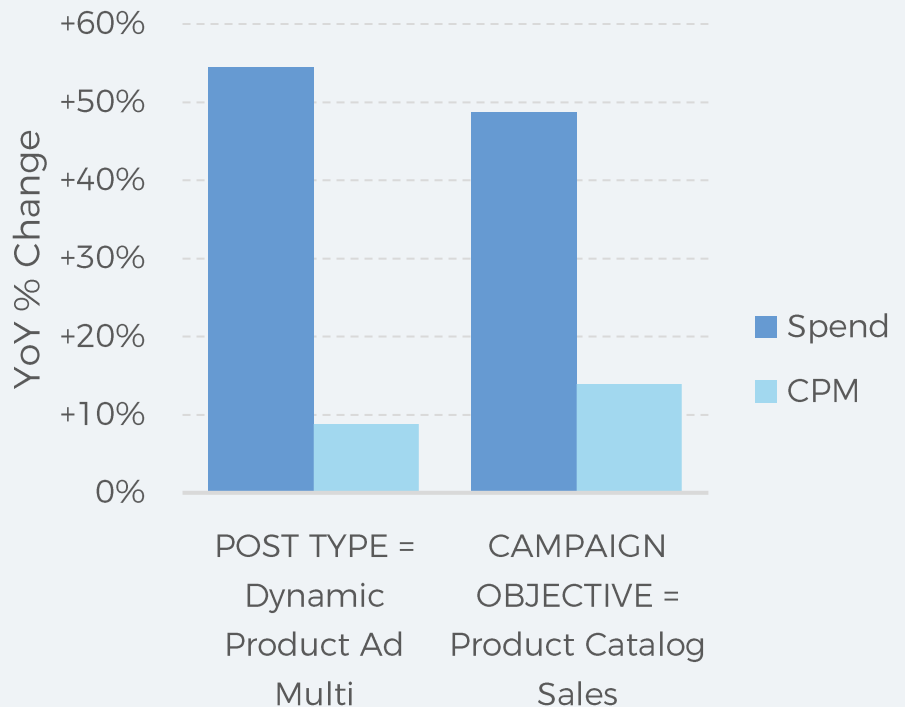


* Denotes analysis from previously released report

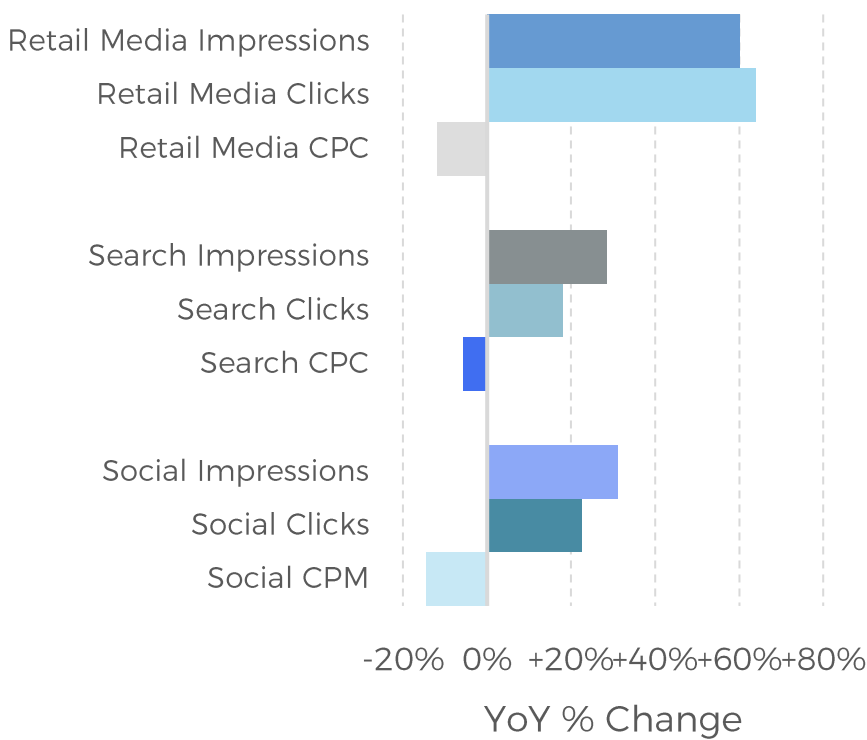
- Spending growth in Q3 was broadly similar to last quarter, despite economic headwinds.
- The common thread may be that algorithms will make *adjustments* to spending rather than cuts, especially when targeting direct response outcomes.

Social commerce flex

- Social spending and ad prices for commerce-related post types and campaign objectives both jumped in Q3.
- This may reflect a key difference between direct response and brand marketers in the social channel.



More ads at lower prices

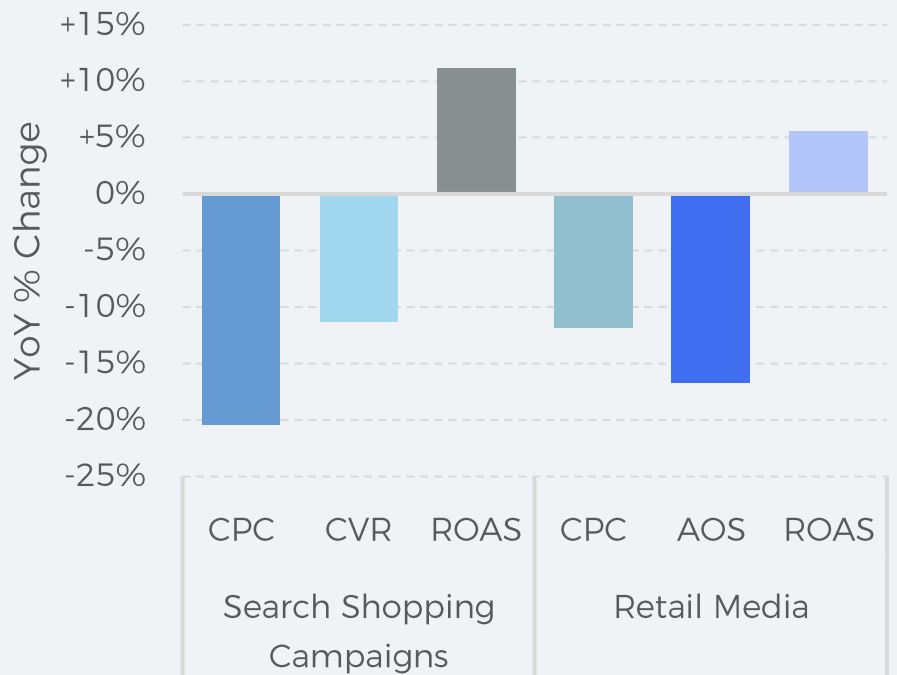


Ad prices declined across all channels, while the volume of ad impressions and clicks increased.

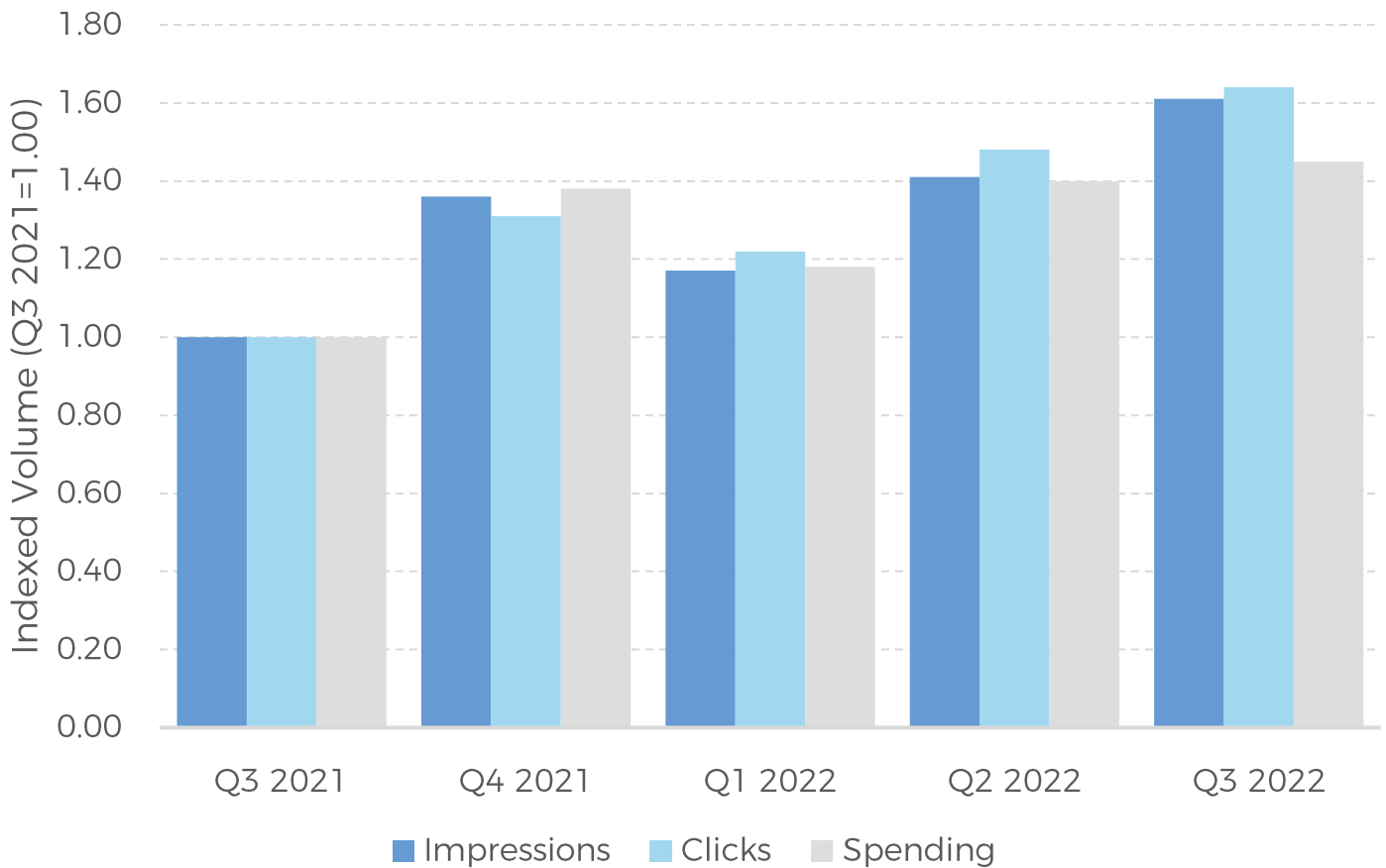
Likely causes of these price decreases include market conditions (retail media, search) and additional inventory (social).

Prices adapt to market conditions

Lower CPC for search shopping campaigns and retail media ads balanced lower conversion rate (CVR) and average order size (AOS) to maintain or improve return on ad spend (ROAS).



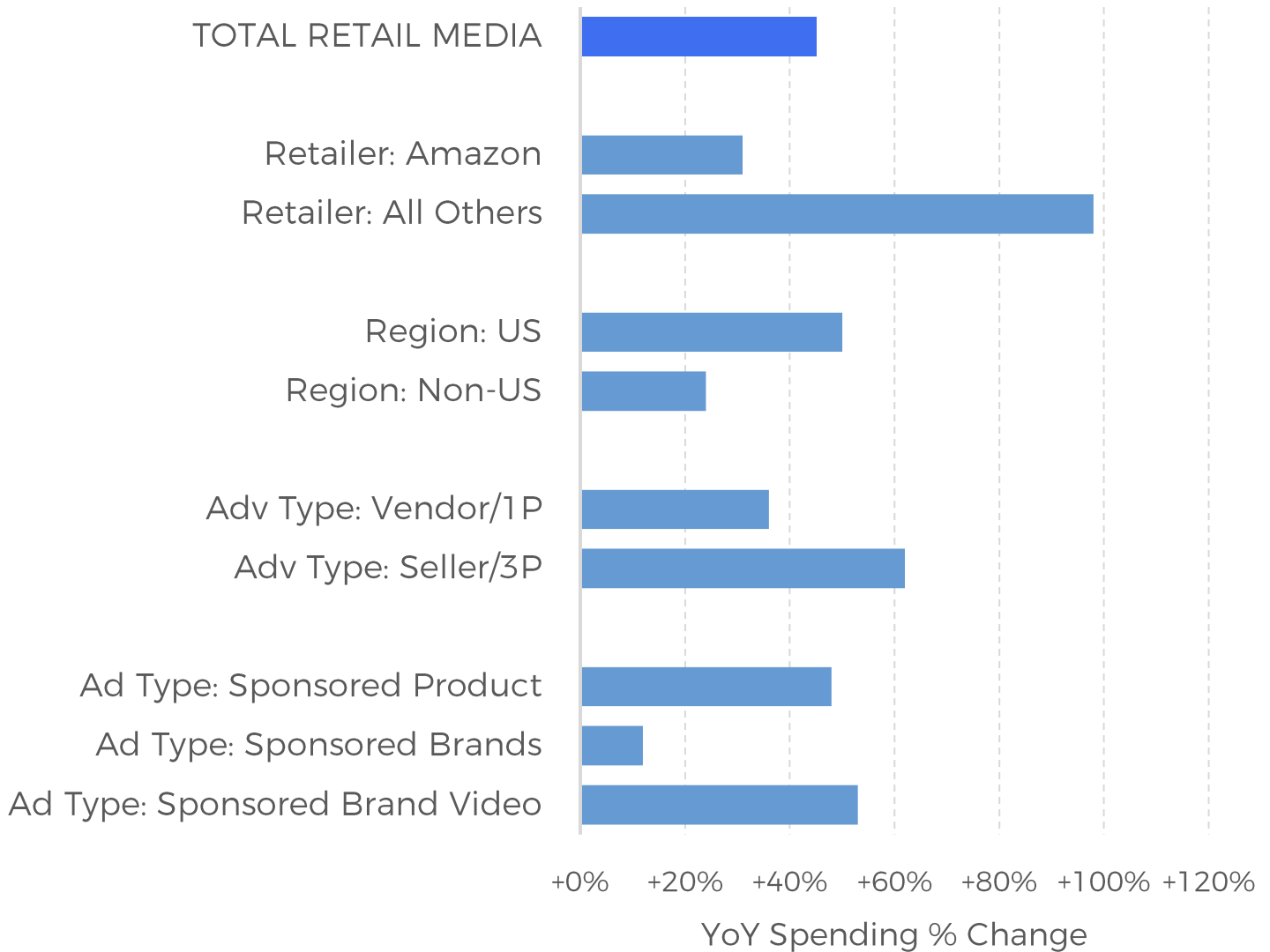
Retail media trends



- With the July Amazon sales event providing extra momentum, retail media advertisers increased spending by 45% over last year.
- Average order size (AOS) has trended downward throughout 2022, which could be driving lower CPC levels.

| QoQ | YoY |
|-------------|------|
| Impressions | |
| +13% | +60% |
| Clicks | |
| +11% | +64% |
| Spending | |
| +3% | +45% |

Retail media spending drivers



- The U.S. region and Sponsored Brand ad type are the largest segments and are subsequently closest to the overall average.
- Third-party sellers and retailers who followed Amazon into the retail media space—which may overlap—are providing spending momentum.

Retail media CPC and CTR trends

Average CPC

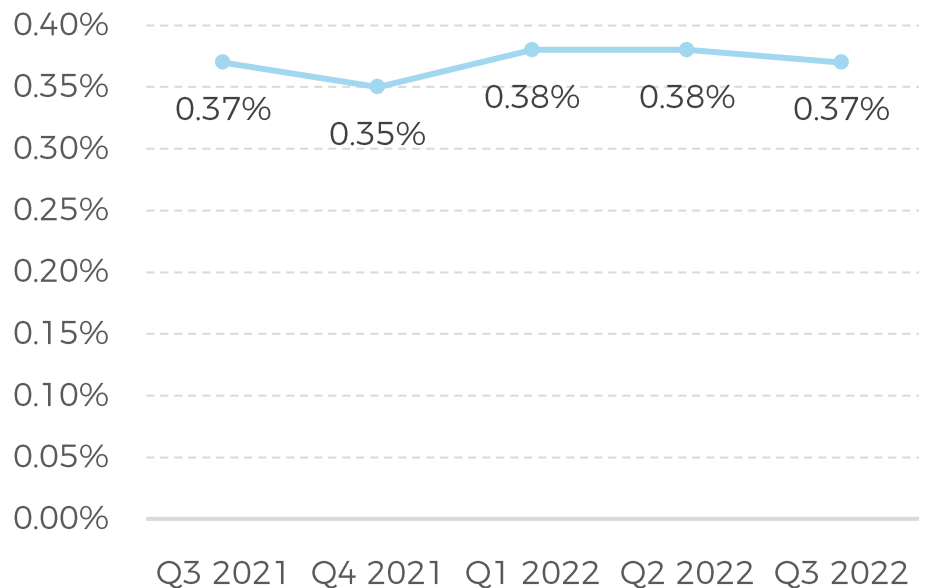


| CPC | |
|-----|------|
| QoQ | -7% |
| YoY | -12% |

Walmart adopting second-price auctions in mid-Q2 is part of the drop in CPC, but likely not the whole story.

Clickthrough rate (CTR)

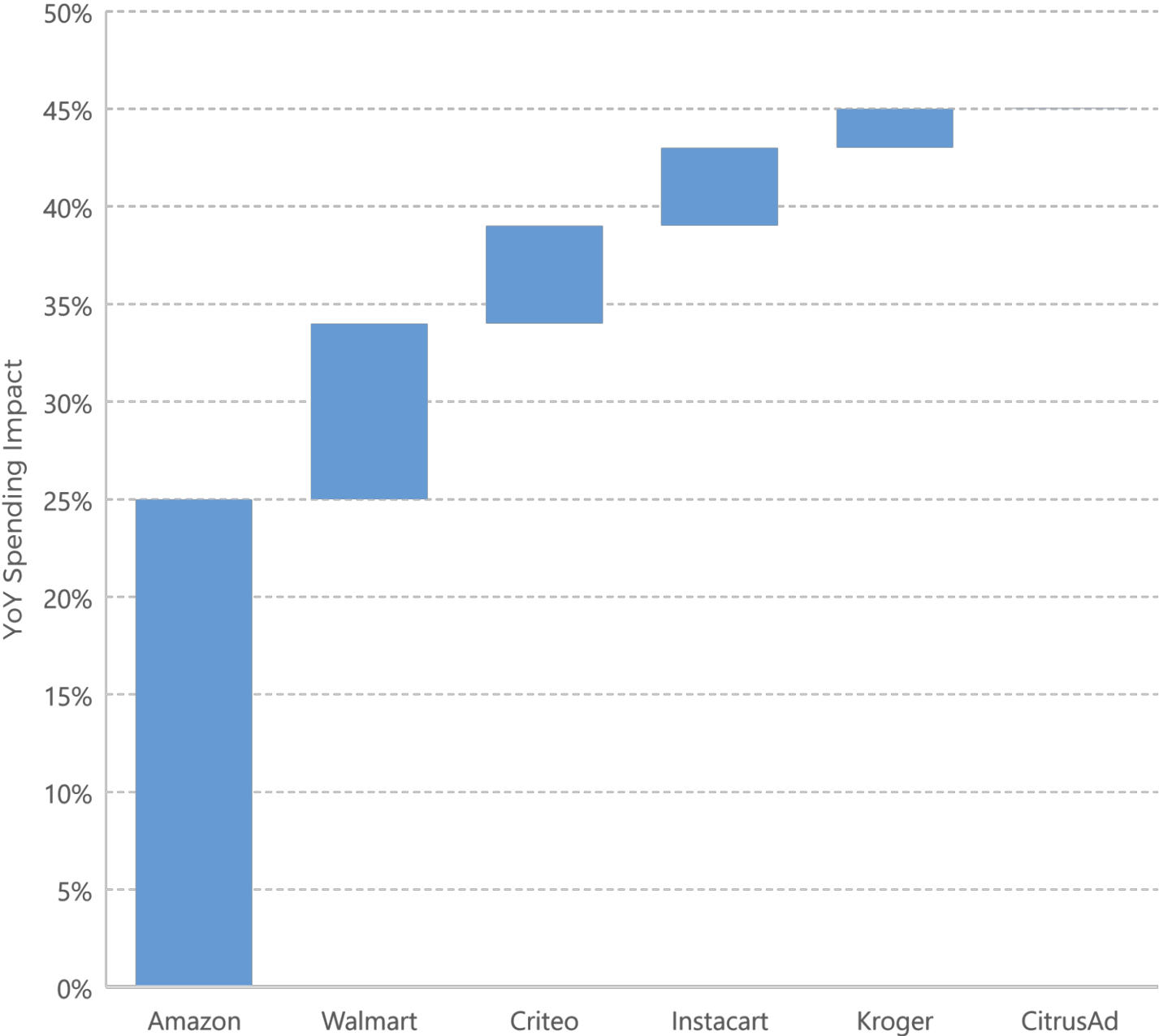
| CTR | |
|-----|-----|
| QoQ | -3% |
| YoY | +0% |



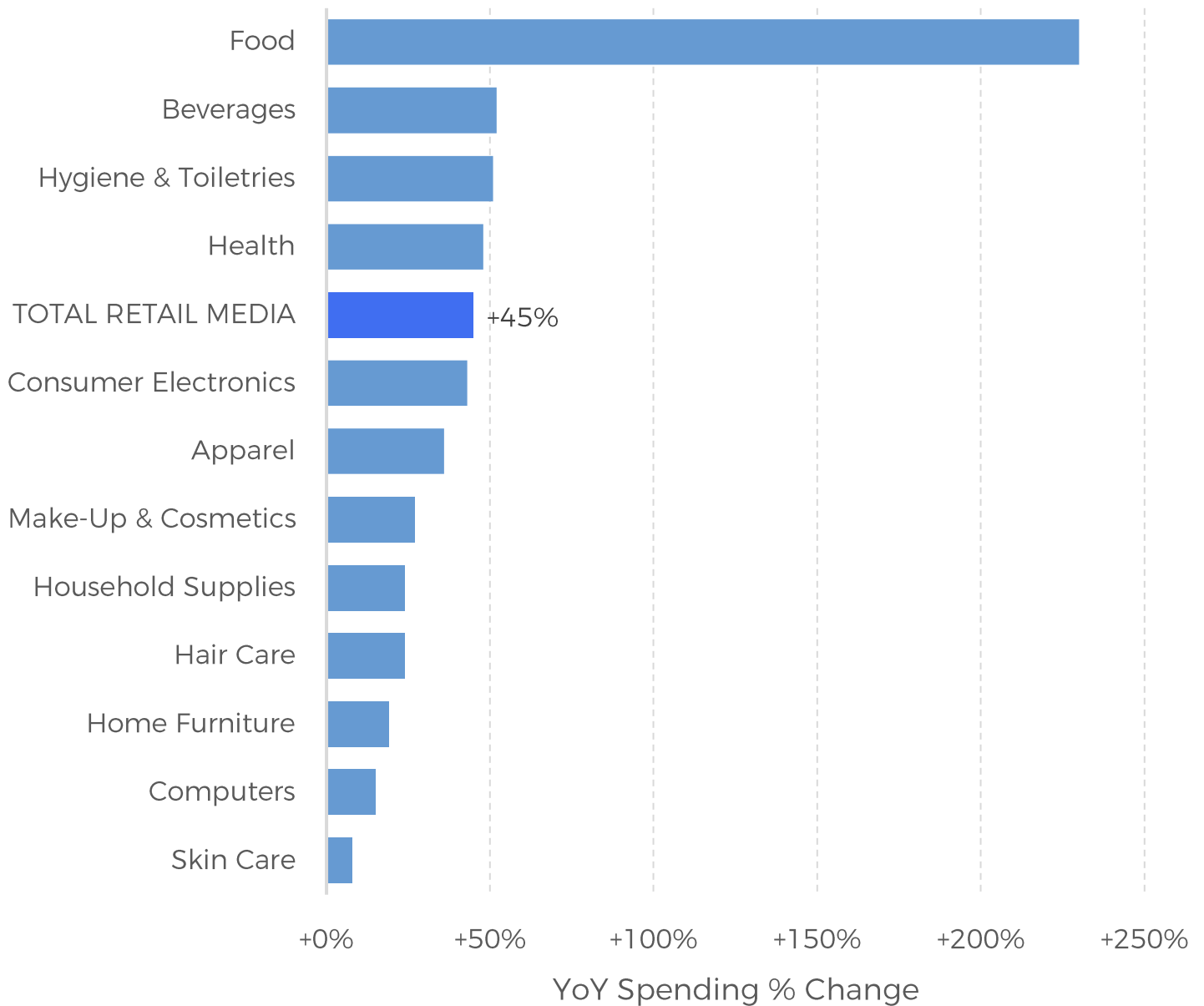
Engagement with retail media ads has not fundamentally changed QoQ or YoY.

Retail media growth by retailer

Amazon accounted for 56% of the total spending growth in the retail media channel, followed by Walmart with 19%.

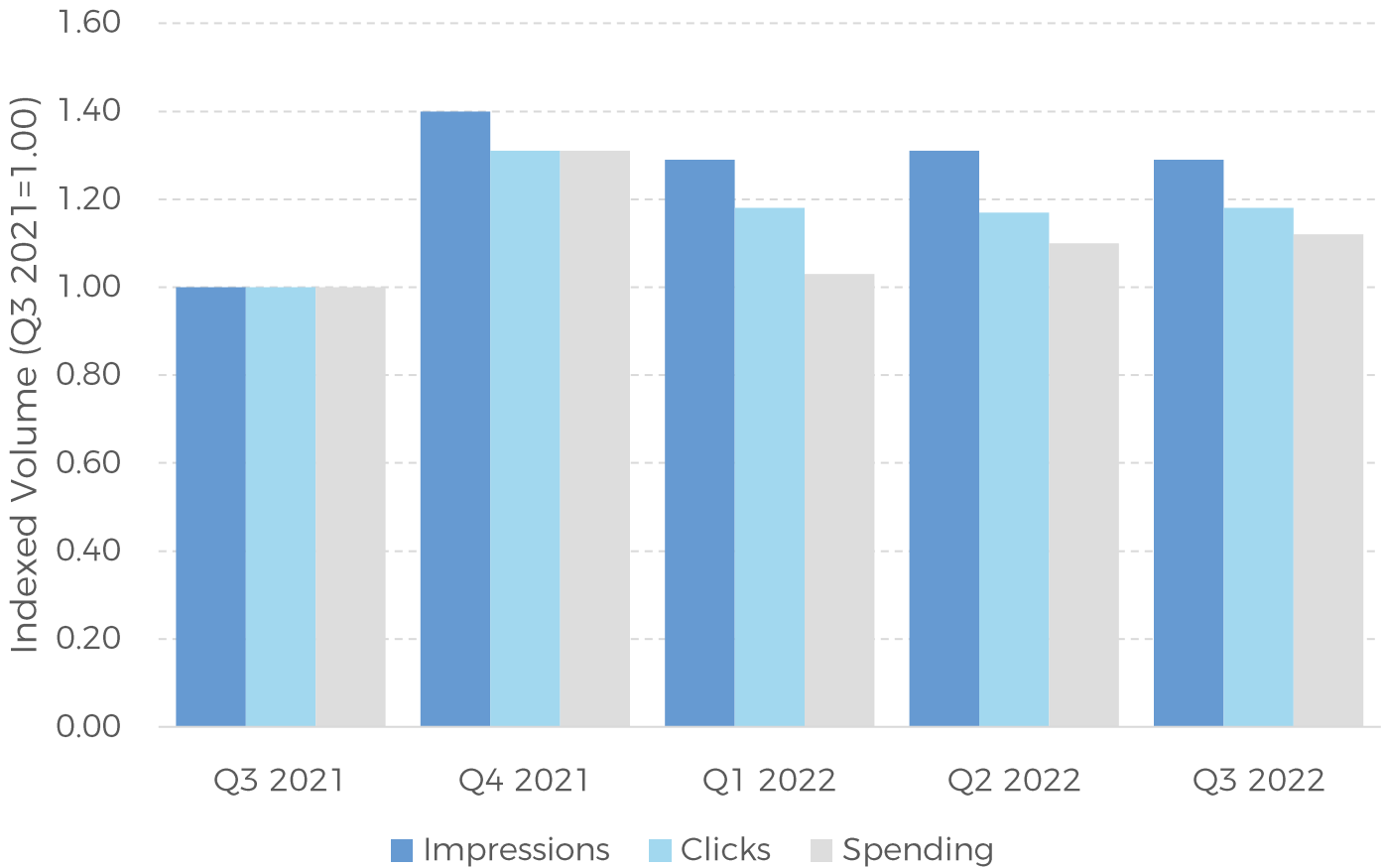


Retail media growth by category



- The impact of new grocery-focused retailers (Kroger, CitrusAd, Instacart) is even more pronounced in Q3.
- With Prime Day providing a boost, all major categories saw increased YoY spend.

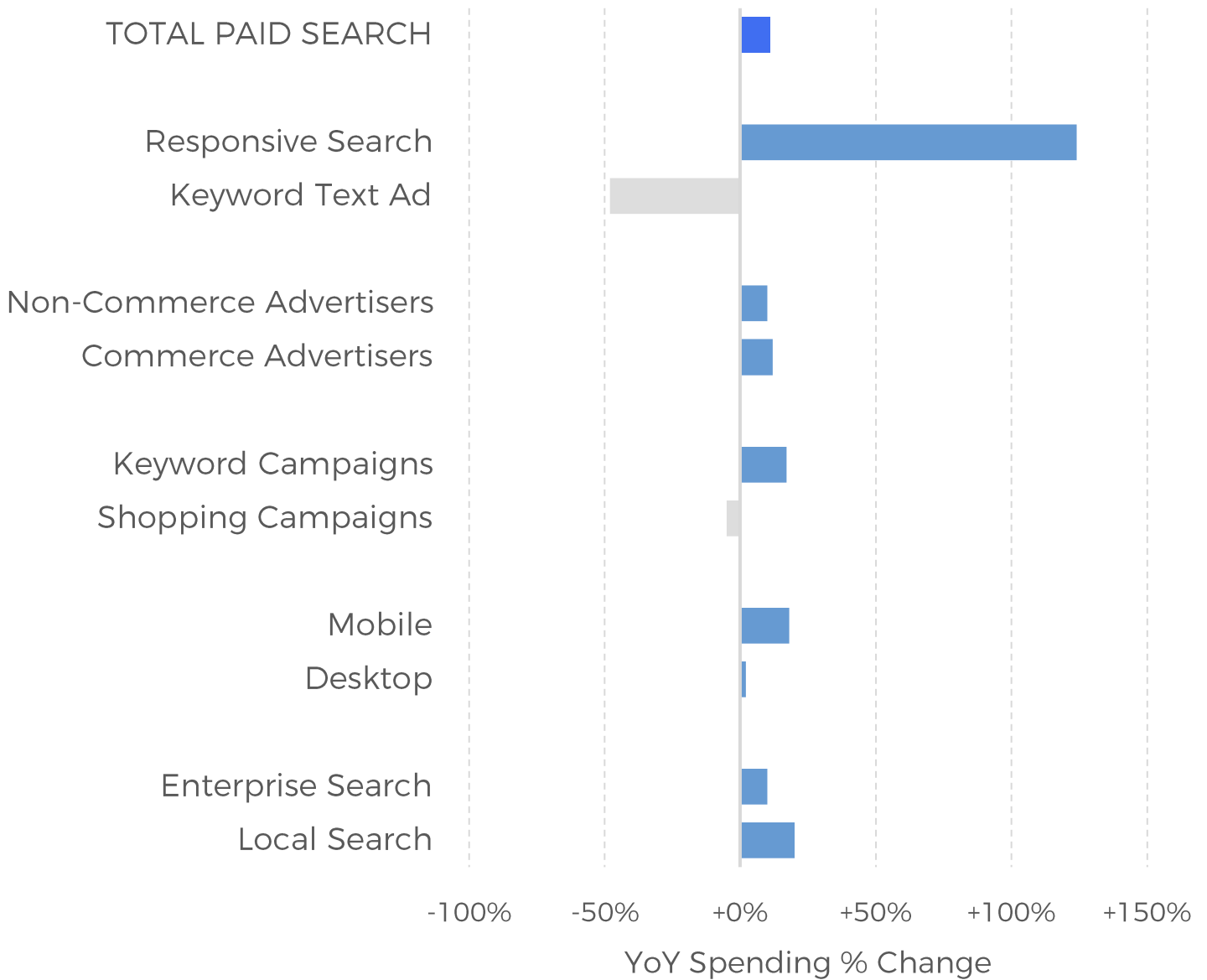
Paid search trends



- Overall paid search spending increased 12% over last year and has shown little variance over the middle six months of 2022.
- Lower ad prices for search shopping campaigns was the main reason overall spending dipped for this segment of search advertising in Q3.

| QoQ | YoY |
|-------------|------|
| Impressions | |
| -2% | +29% |
| Clicks | |
| +1% | +18% |
| Spending | |
| +2% | +12% |

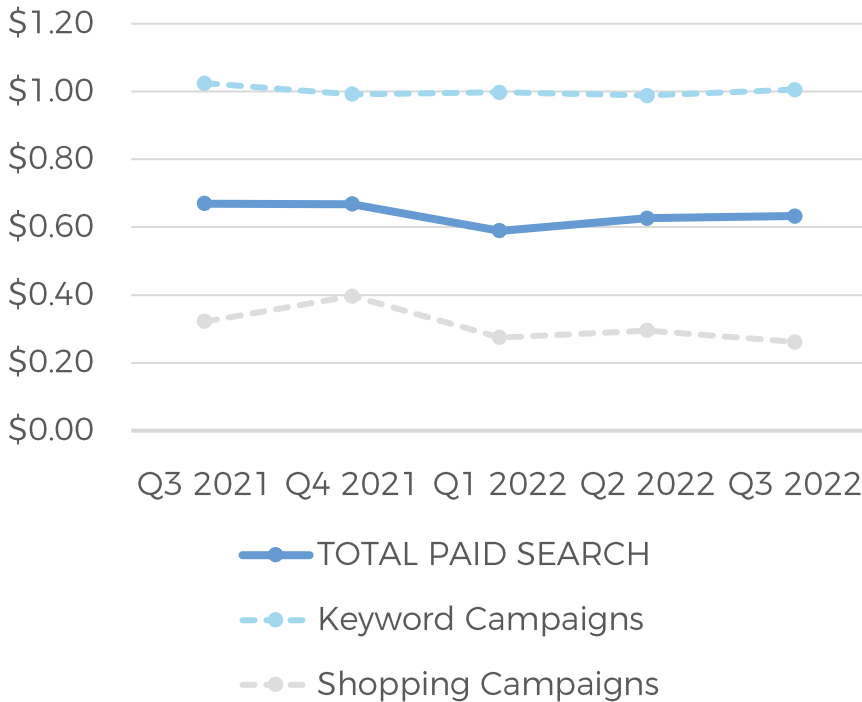
Paid search spending drivers



- Responsive search ads (RSA) continue to replace legacy text ads.
- Shopping campaign spending was down YoY, even as overall commerce advertiser spending held close to the overall trend.

Paid search CPC and CTR trends

Average CPC



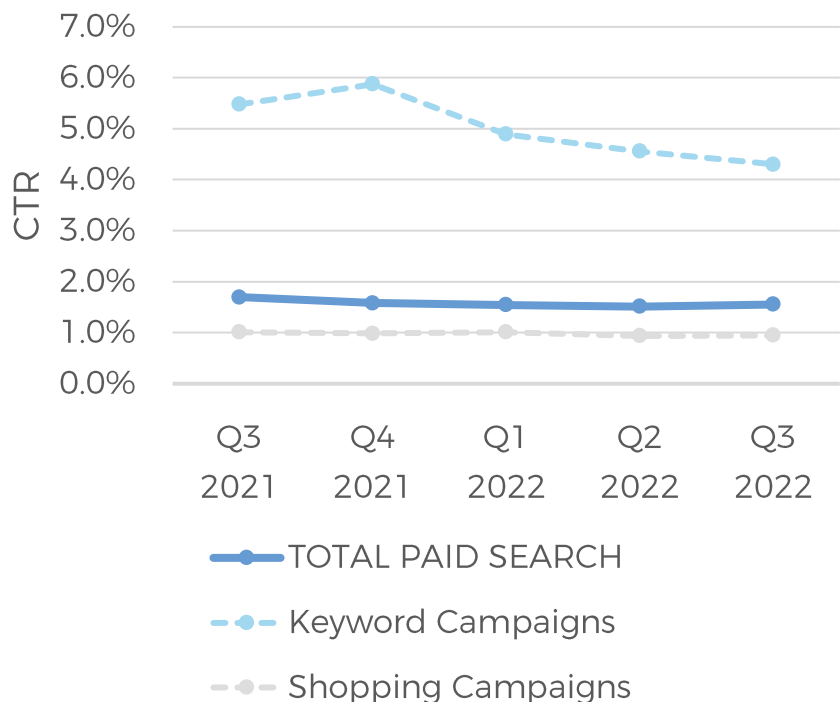
| Overall CPC | |
|-------------|-----|
| QoQ | +1% |
| YoY | -6% |

While overall CPC rose slightly in Q3, shopping campaigns saw big drops both QoQ and YoY.

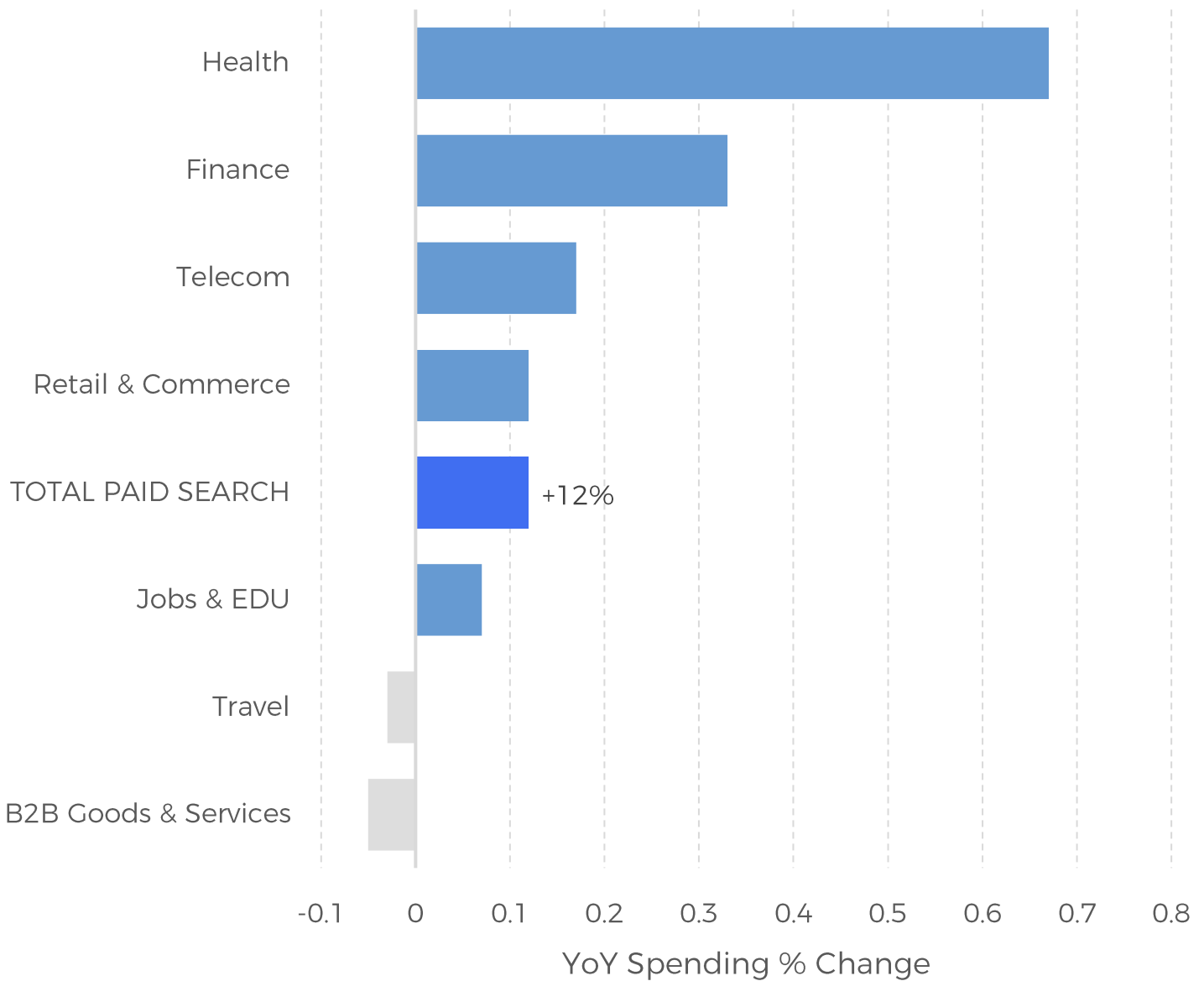
| CTR | |
|-----|-----|
| QoQ | +3% |
| YoY | -8% |

Average CTR for *keywords* has dropped more than 20%, while shopping campaigns have remained steady.

Clickthrough Rate (CTR)

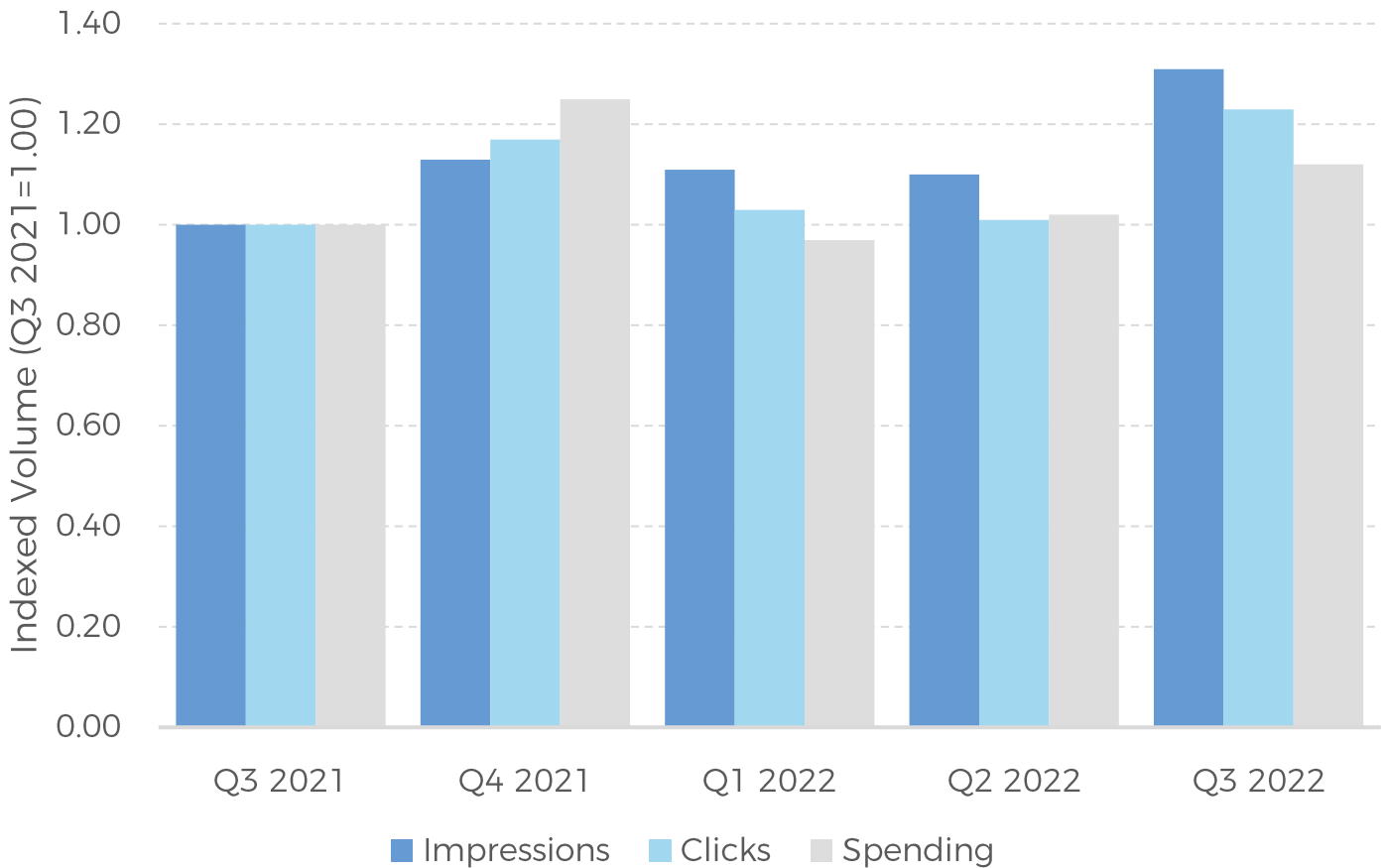


Paid search growth by category



- Health and Finance were the two highest-gaining categories across paid search.
- Retail & Commerce was much closer to the channel average this quarter.

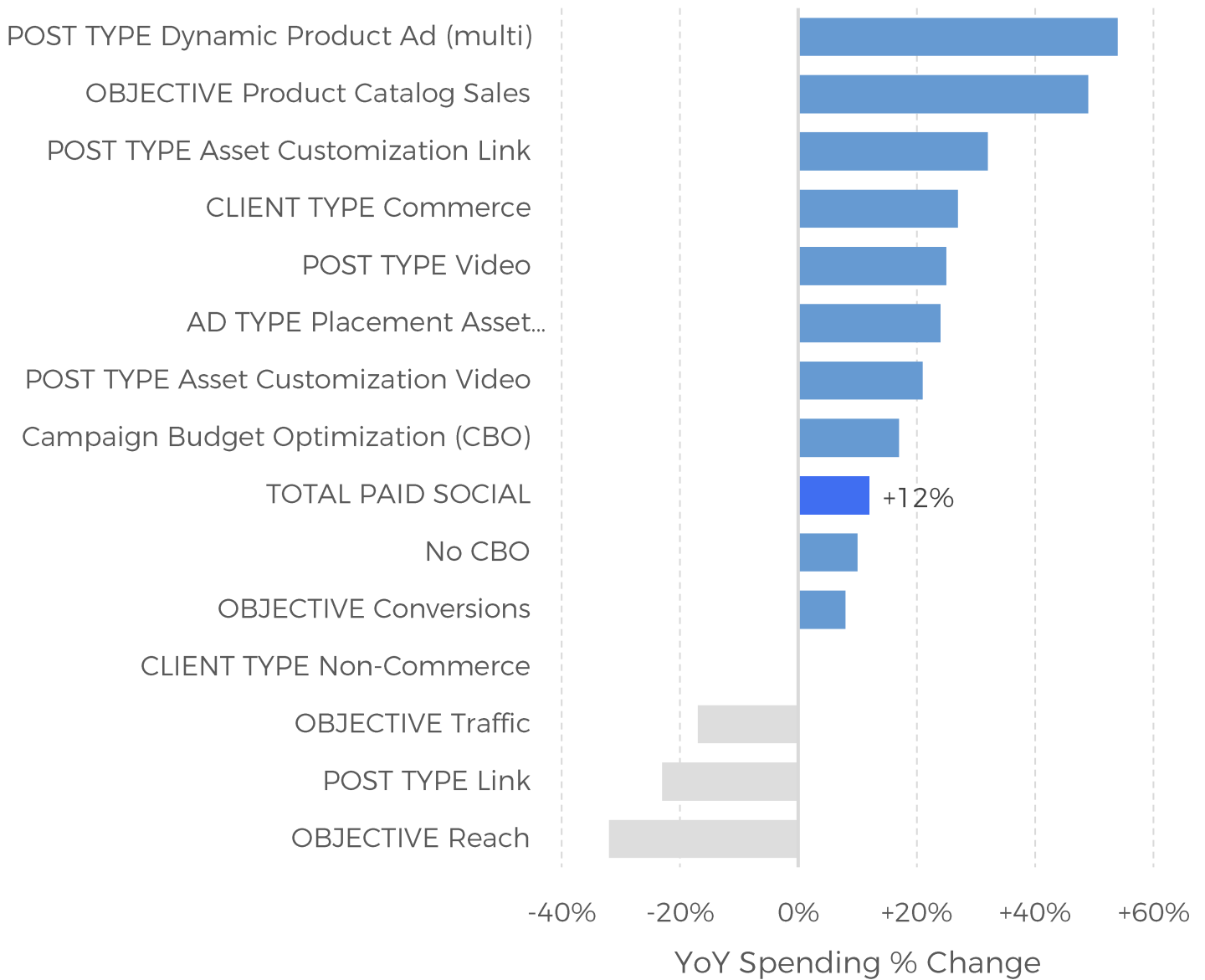
Paid social trends



- More than one-fourth of social spend came from advertisers who increased spending YoY despite lower CPM, which strongly suggests additional inventory.
- Commerce advertisers drove overall spending growth higher, as more ads combined with higher ad prices within this segment.

| QoQ | YoY |
|-------------|------|
| Impressions | |
| +19% | +31% |
| Clicks | |
| +21% | +23% |
| Spending | |
| +10% | +12% |

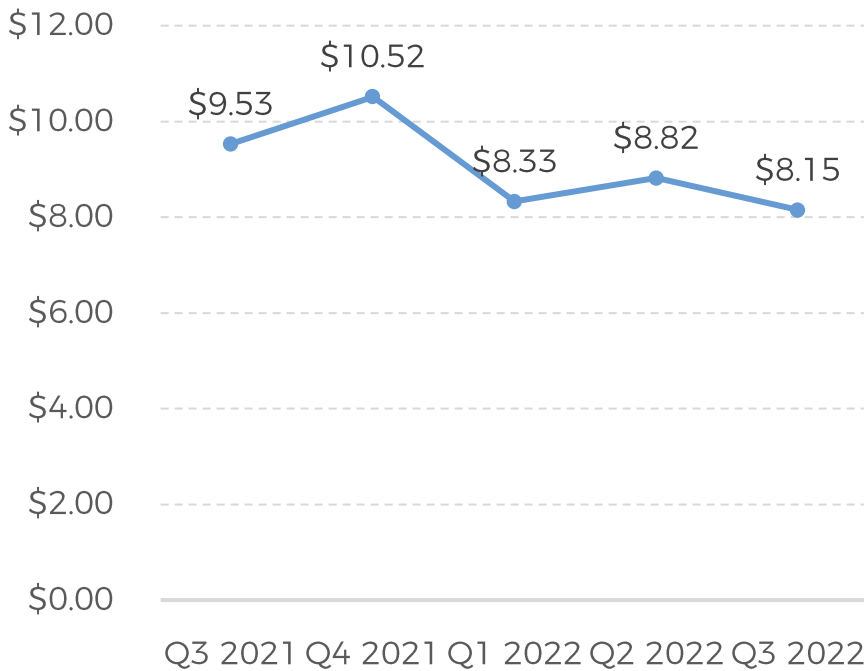
Paid social spending drivers



Three of the top four spending growth segments are different ways of isolating commerce.

Paid social CPM and CTR trends

Average CPM



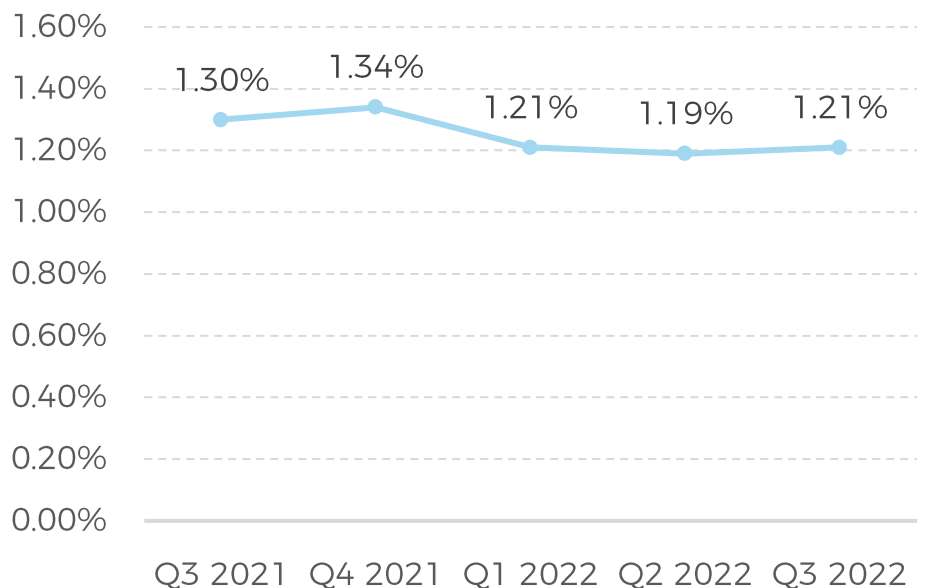
| CPM | |
|-----|------|
| QoQ | -8% |
| YoY | -15% |

Social ad prices have remained below \$9 all year, on average.

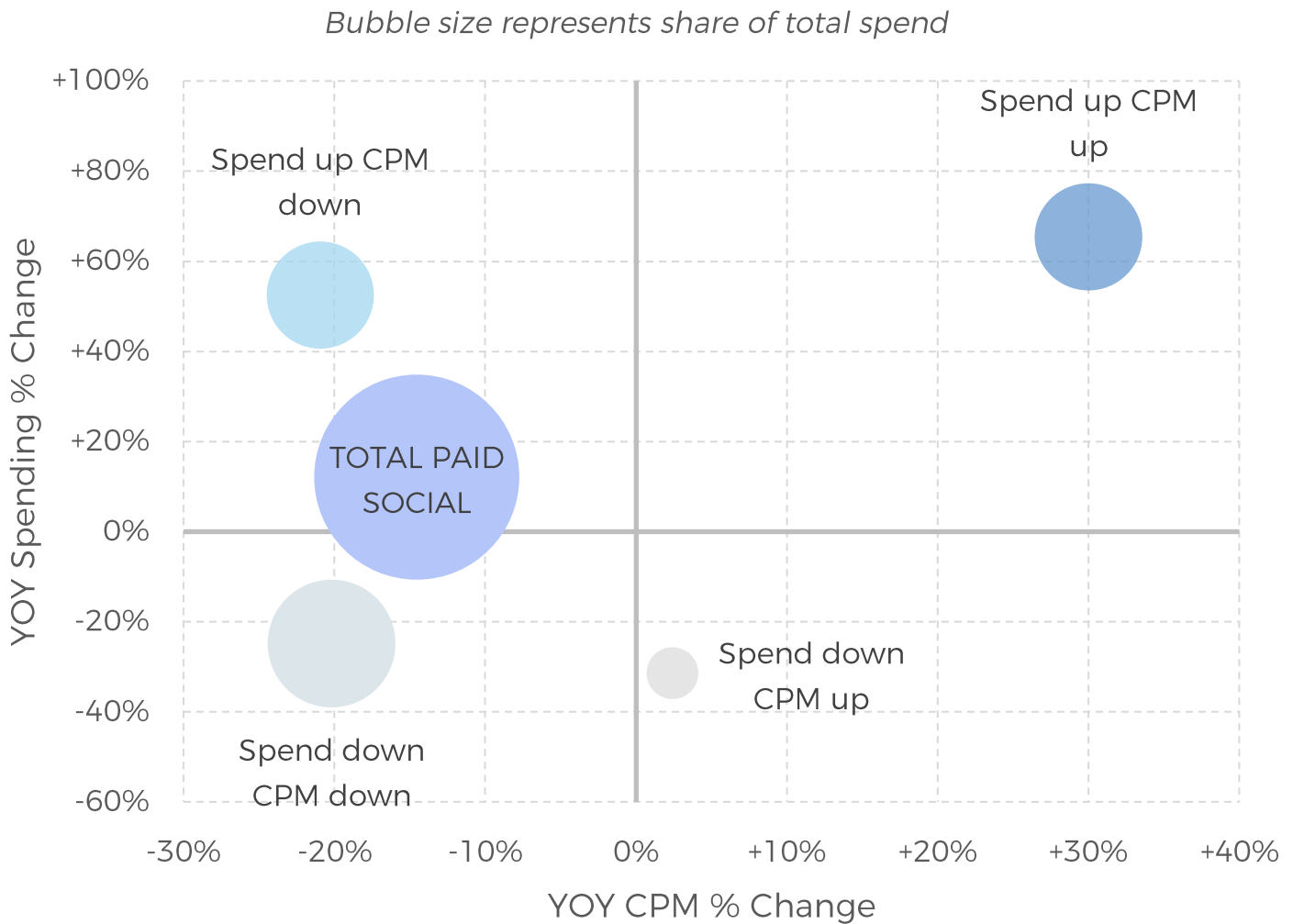
| CTR | |
|-----|-----|
| QoQ | +2% |
| YoY | -7% |

Clickthrough rate has remained steady through most of 2022.

Clickthrough Rate (CTR)

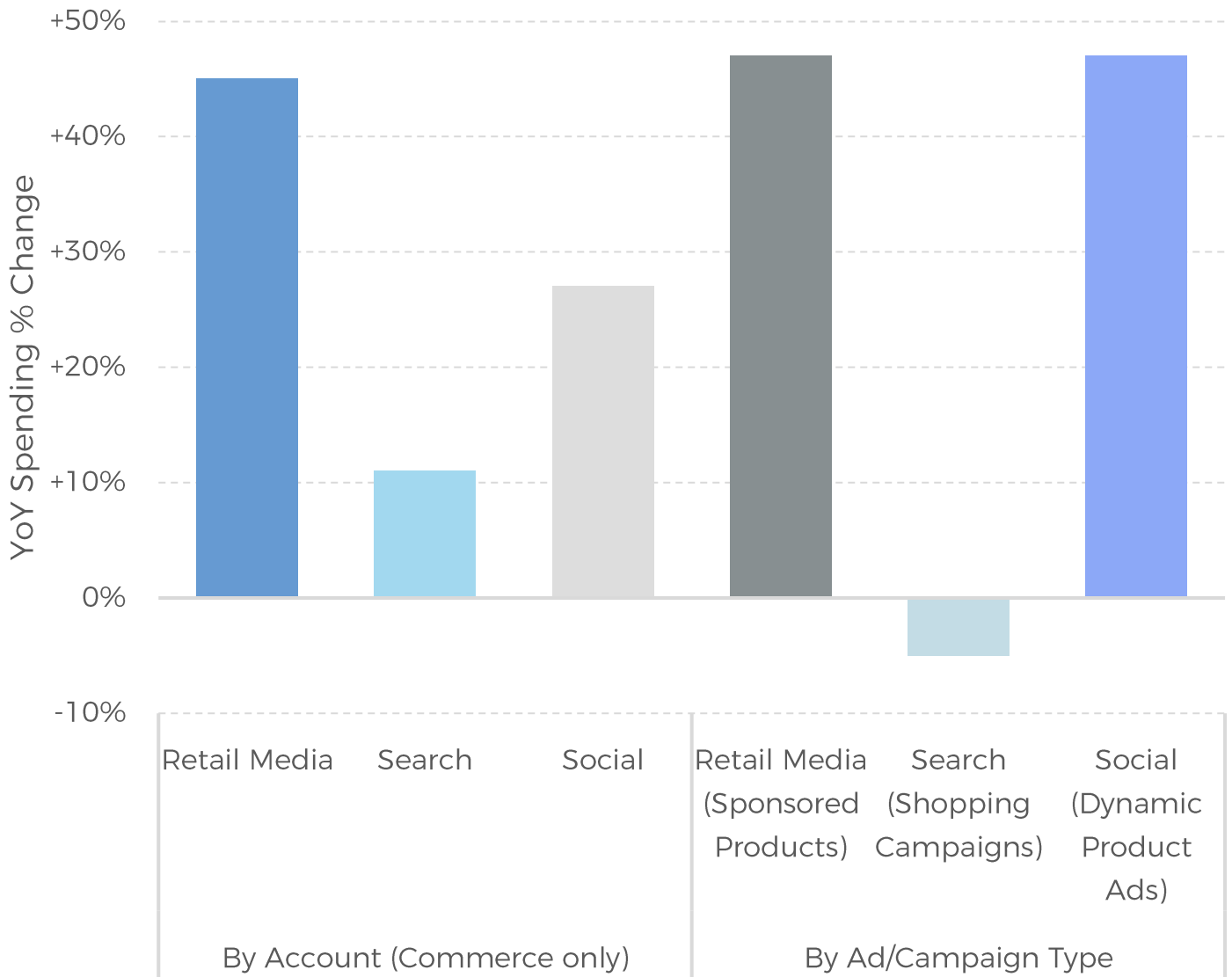


Paid social behavioral segments



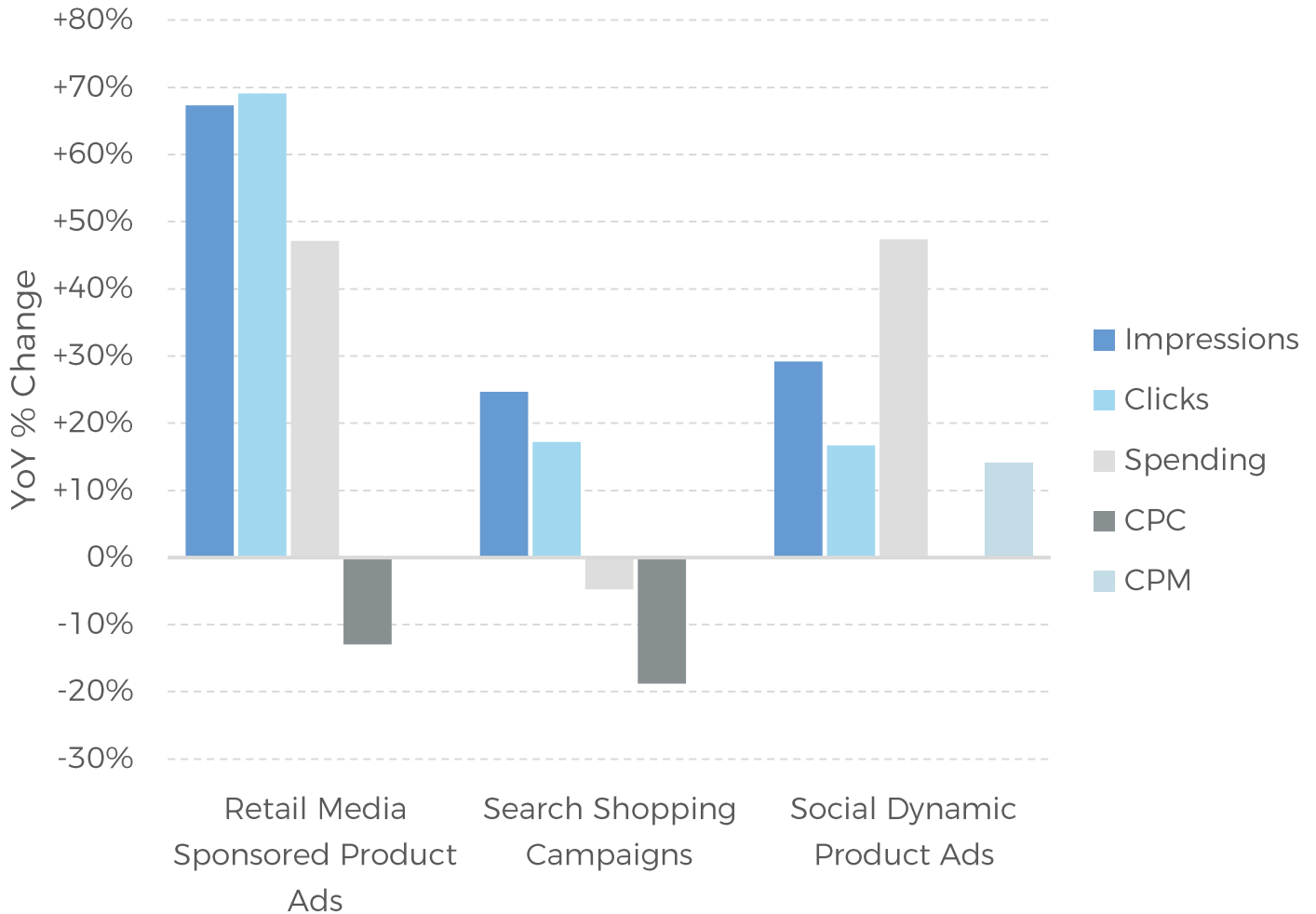
- Segmenting social channel advertisers based on YoY changes in spend and CPM reveals several key points:
 - More than half of social spend came from accounts that increased spend YoY.
 - These were evenly split into one group that had higher CPM and one that had lower CPM.
 - “Spend up, CPM up” accounts were very heavy on shopping ads, while “Spend down, CPM down” had a very low share of spend from this ad type.

Commerce spending across channels



- Spending increased across channels for accounts focused on commerce, across all ad and campaign types.
- Based on just the commerce-specific ad and campaign types in market, search shopping campaign spending dipped YoY.

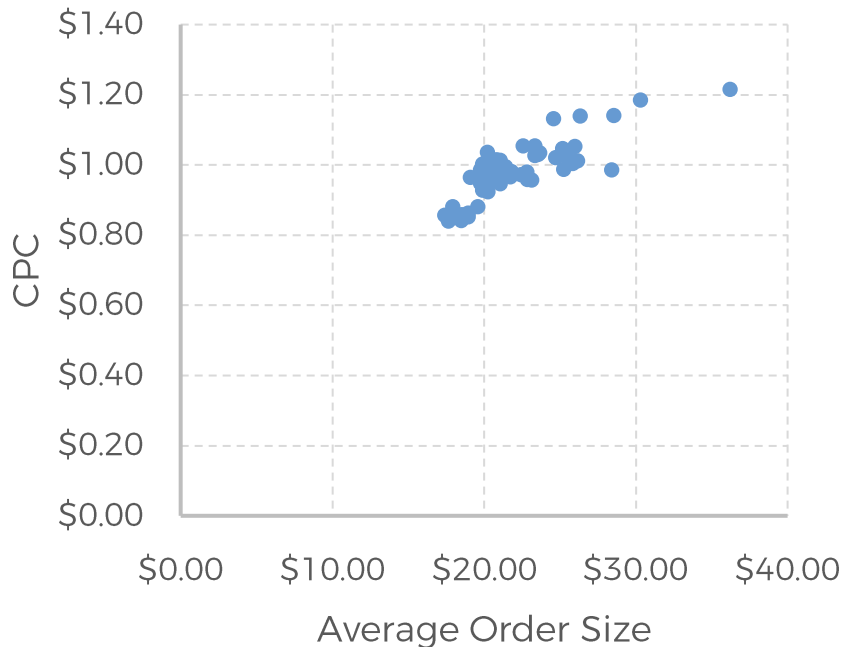
Shopping ad volume vs. pricing



- Retail media and search both saw ad prices decline for shopping-specific ads, while impressions and clicks increased.
- Retail media saw a lower price decrease with greater volume.
- Social product ads saw both increases in volume and unit pricing.

Uncovering CPC drivers

Retail Media CPC vs. AOS

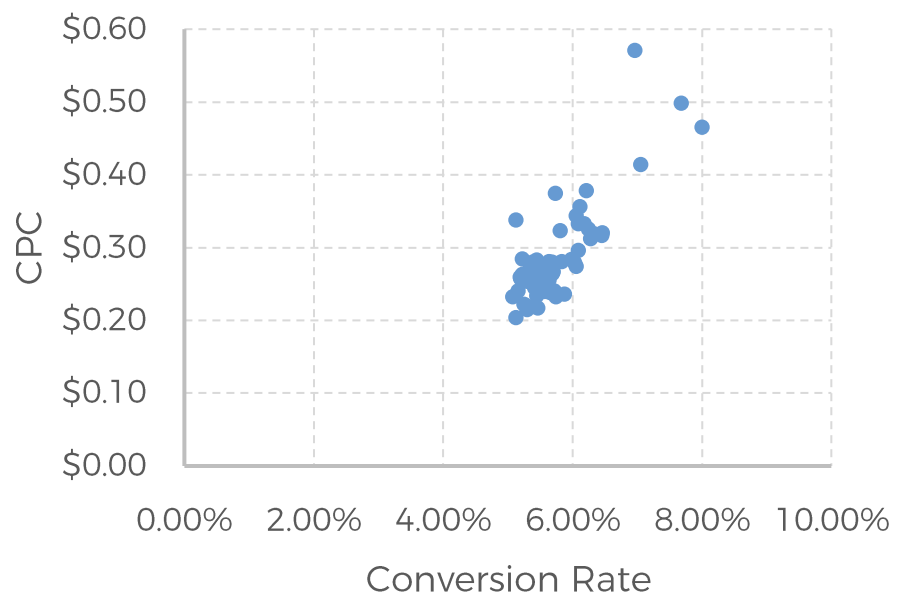


Comparing weekly retail media CPC to average order size, we can see a positive relationship that suggests ROAS optimization is a factor in lower prices.

Similarly, for search shopping campaigns, there is a positive relationship between weekly conversion rate and CPC, which also points to optimization adjustments.

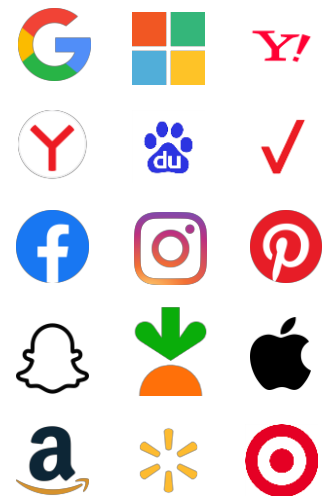
Understanding how channels interact differently in similar circumstances is a key element of omnichannel marketing.

Search shopping campaign CPC vs. conversion rate



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, Kroger 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](#)

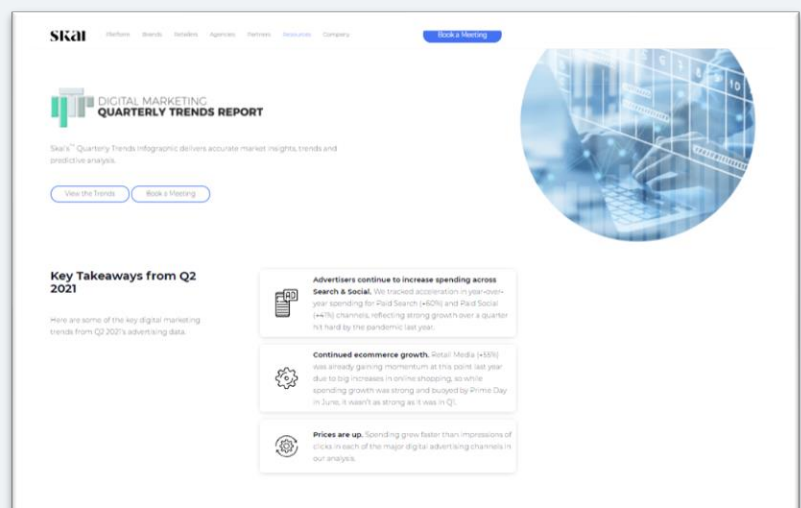
View the current infographic, long-form report, and highlights, along with previous quarters, all in one place.

Other insights are posted regularly to:

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[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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