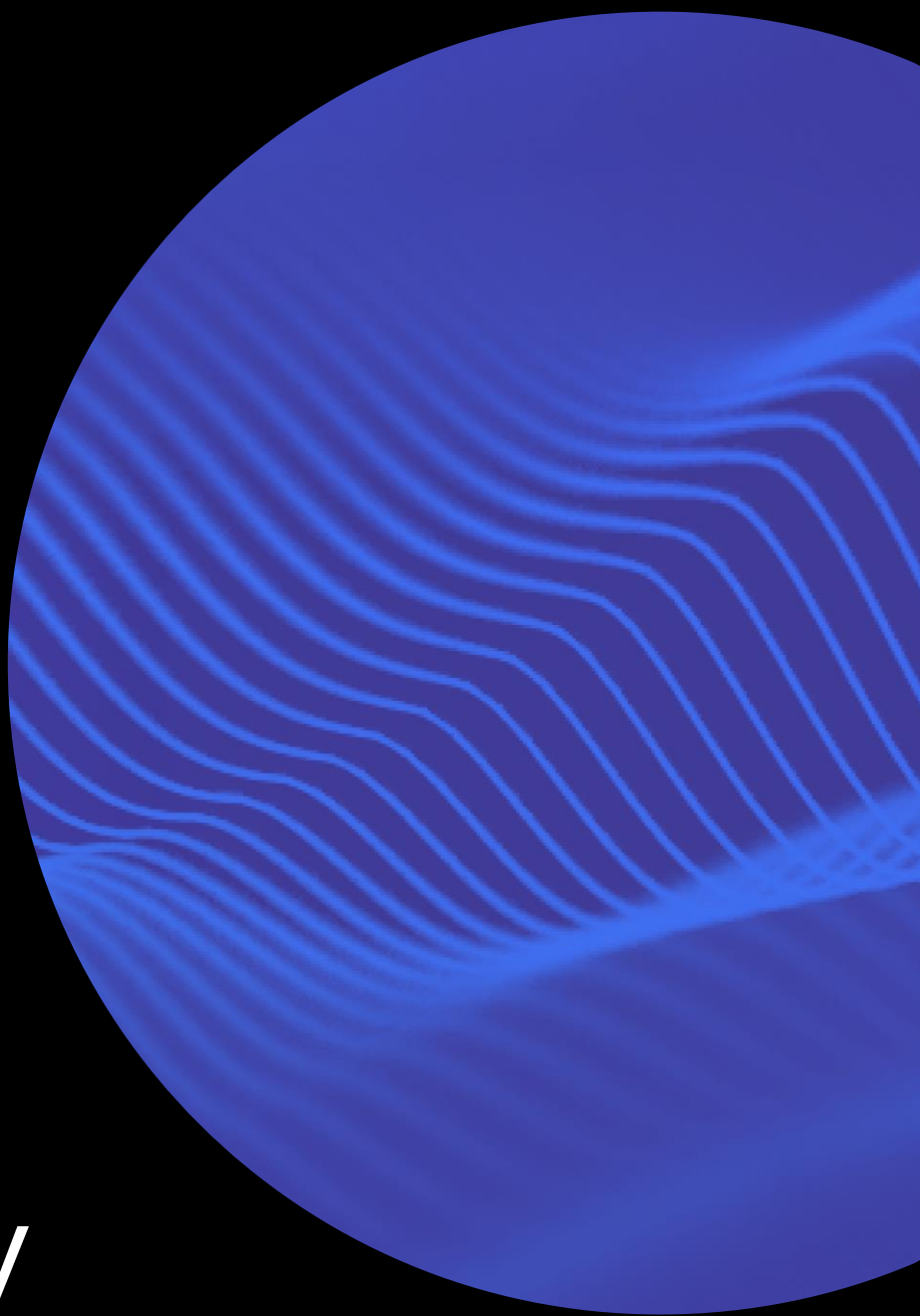


skai

Q4 2022

Quarterly Trends Report



Executive Summary

Top line:

Key digital ad channels served more ads at lower prices in Q4, pushing overall spending growth higher over the same quarter last year. Strategy, diversification, competition and the economy all may have helped drive aggregate prices down.

These lower prices may present an opportunity for advertisers in 2023.

Highlights:

Last quarter, more ads were shown and clicked on across digital media channels, with a 57% increase in paid social impressions over Q4 2021 being the prime example. Part of this was typical holiday seasonality, but there were several other undercurrents. However, ad spending did not grow at the same rate as those impressions and clicks, meaning that the unit pricing for ads declined.

This pricing trend has many origins. Retail media is still experiencing an expansion of publishers, increasing overall supply of ads in the channel. Paid search and paid social both recovered from historic high prices throughout most of 2021 and have also evolved bid strategies and campaign objectives in 2022, offering advertisers an opportunity to diversify and fine-tune their programs even within the “walled gardens.” Short-form video has taken many channels by storm as TikTok has forced competitive responses across the market.

The net result is that brands have been able to parlay those changes into growing their advertising without simply throwing money at the problem. The range of options available within each channel allows for greater flexibility and more customer-centric strategies as digital advertising moves to a new, more omnichannel future.

Table of Contents



What you need to
know



Core trends

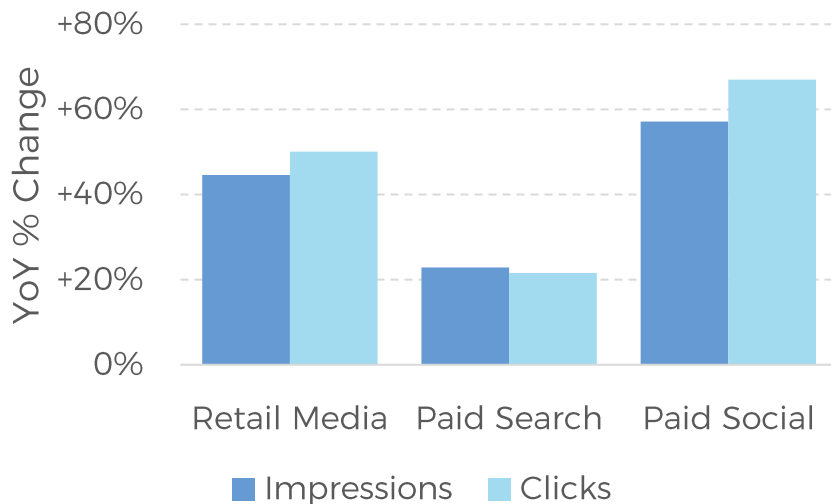


Omnichannel:
Commerce



About this report

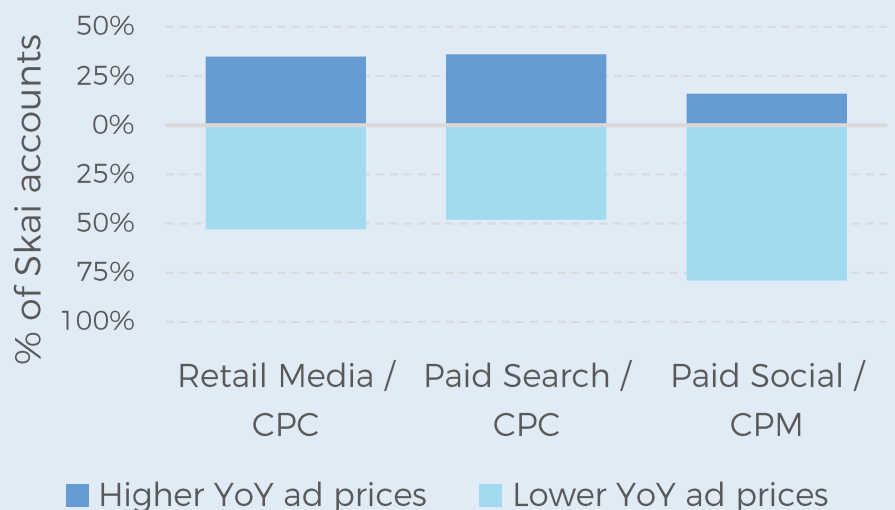
Ad volume grows across channels



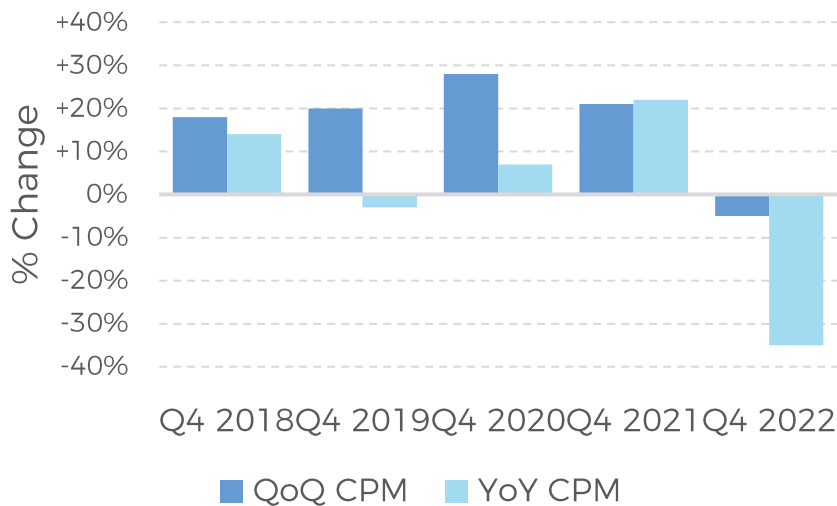
The number of ads and ad interactions measured by impressions and clicks, respectively, grew at a healthy pace in Q4.

Most advertisers saw lower ad prices

Advertisers were more likely to see lower YoY ad prices in Q4 than higher prices, compared to 2021 across channels, particularly paid social advertisers.



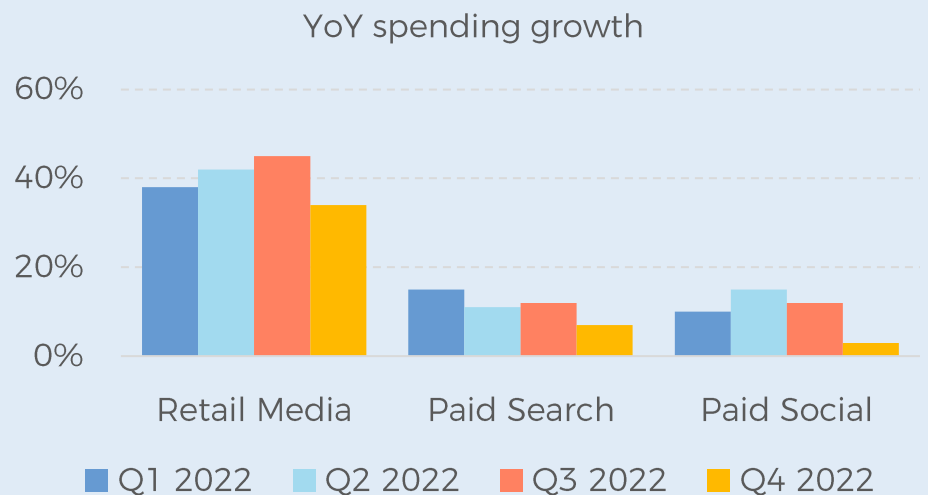
A brief history of Q4 social ad prices



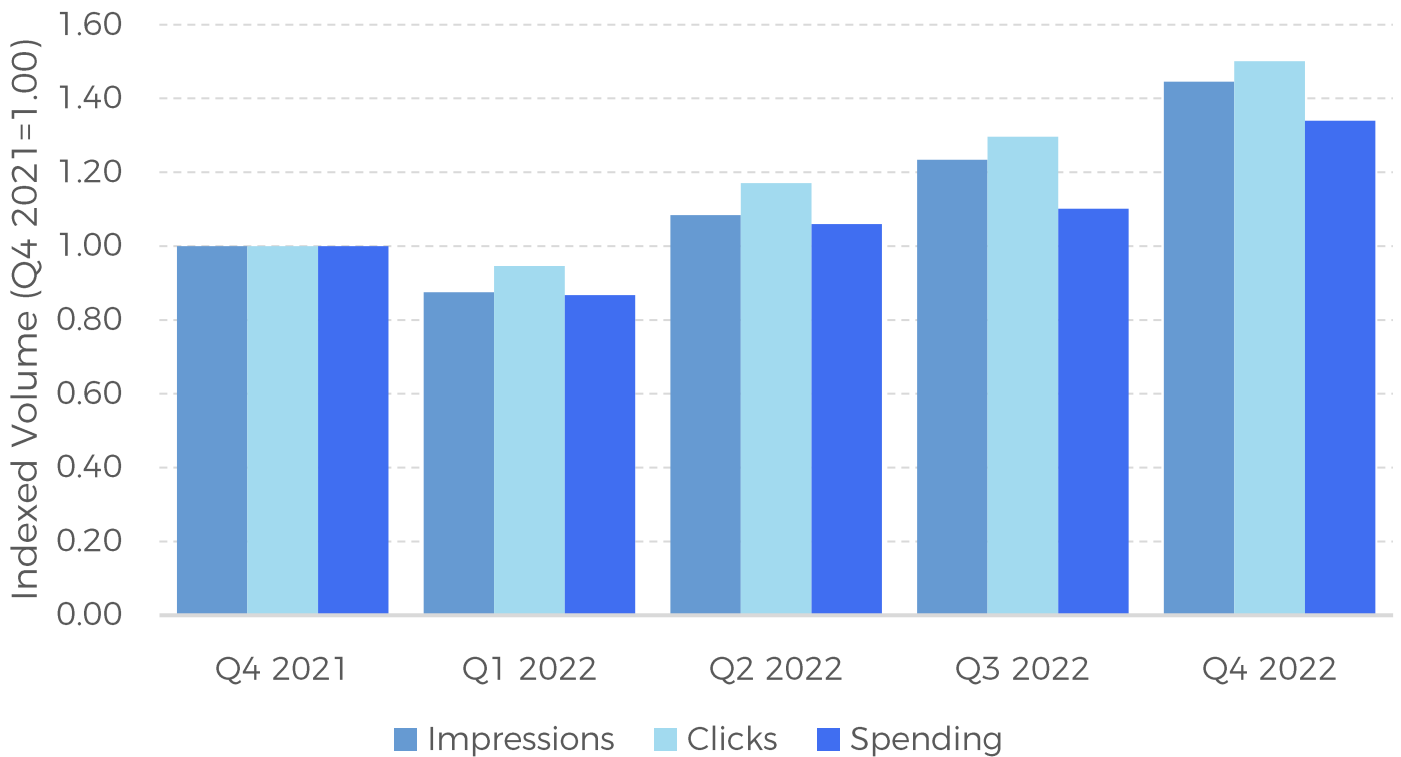
2021 saw the highest Q4 YoY CPM growth in five years, which may have set the stage for a big drop in 2022 even without the additional impact of other factors.

Spending growth moderates across channels

Spending increased over Q4 of last year in all channels, but lower ad prices have meant lower growth rates than previous quarters.



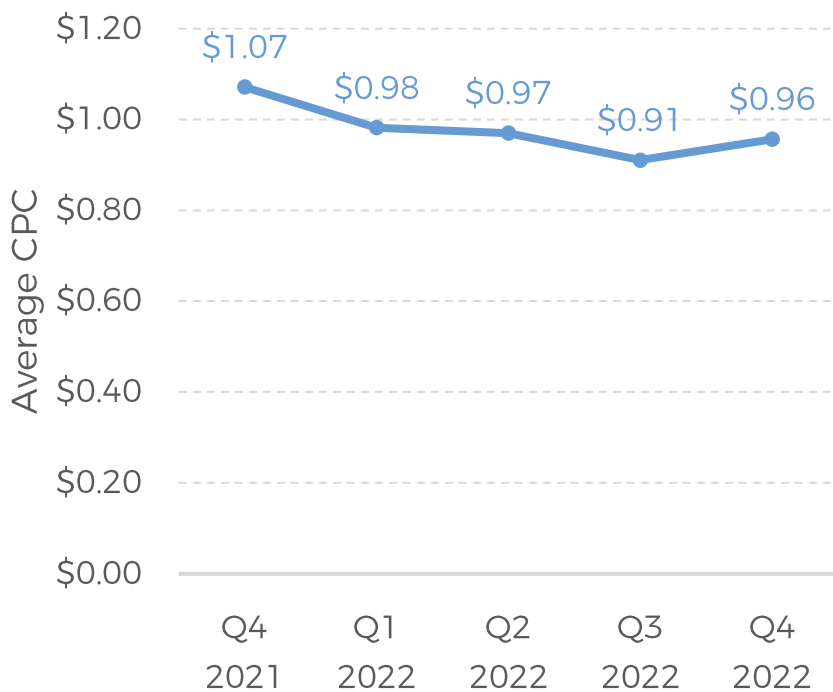
Retail media trends



- Retail media ads were cheaper in Q4 2022 than in the previous year.
- The volume of retail media clicks increased over the same period, driving overall spending up by 34%.

QoQ	YoY
Impressions	
+17%	+45%
Clicks	
+16%	+50%
Spending	
+22%	+34%

Retail media CPC and CTR trends

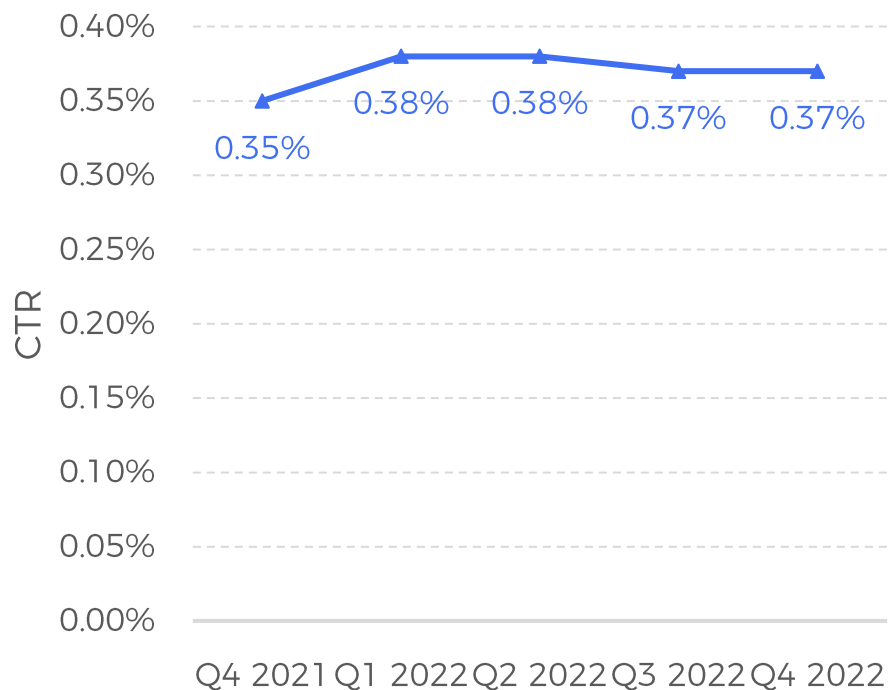


CPC	
QoQ	+5%
YoY	-11%

Retail media CPC dipped in Q3 as Walmart changed its auction format, then rebounded for the holiday season.

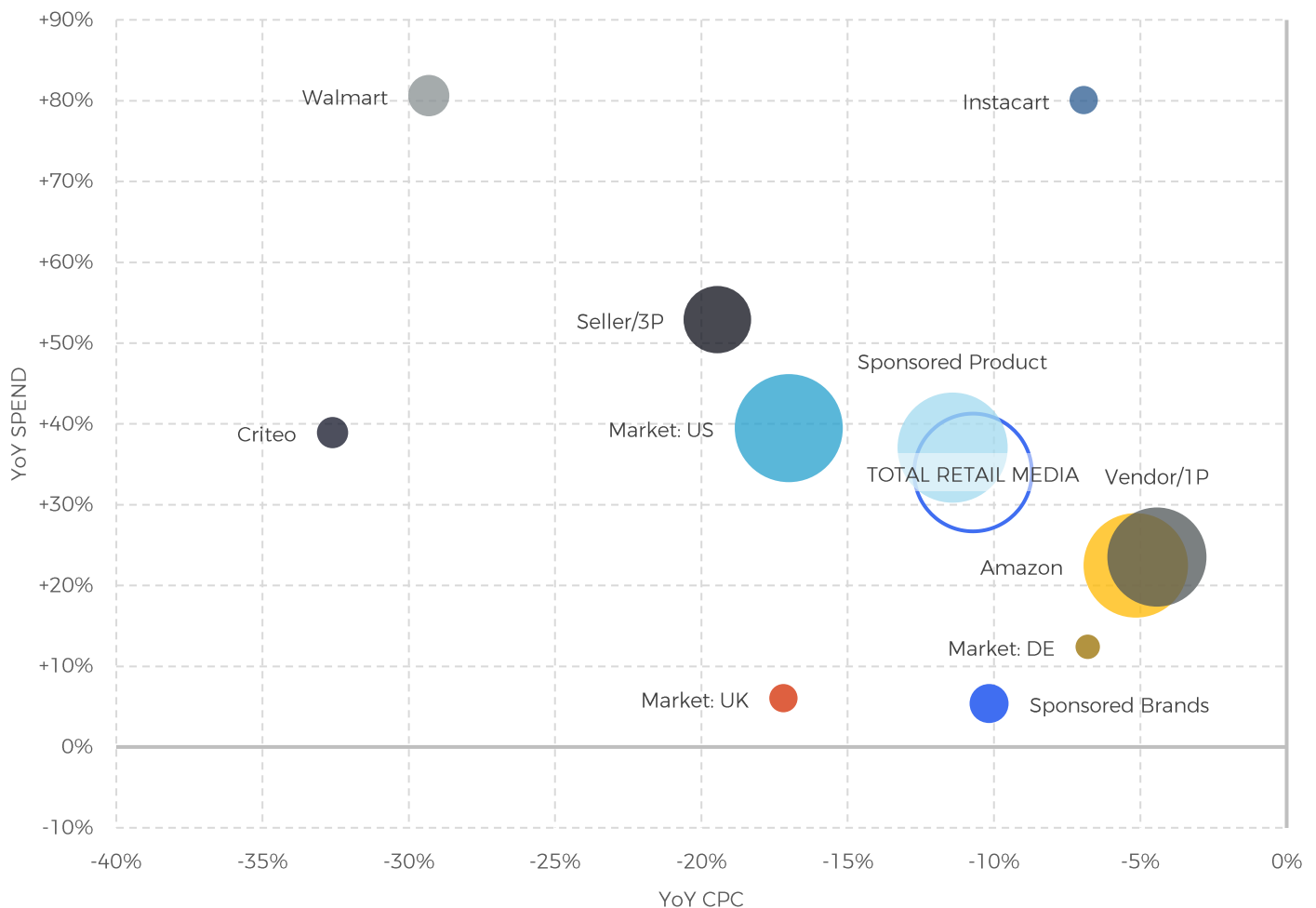
CTR	
QoQ	0%
YoY	+6%

After increasing in Q1, overall engagement with retail media ads has remained consistent throughout the year.



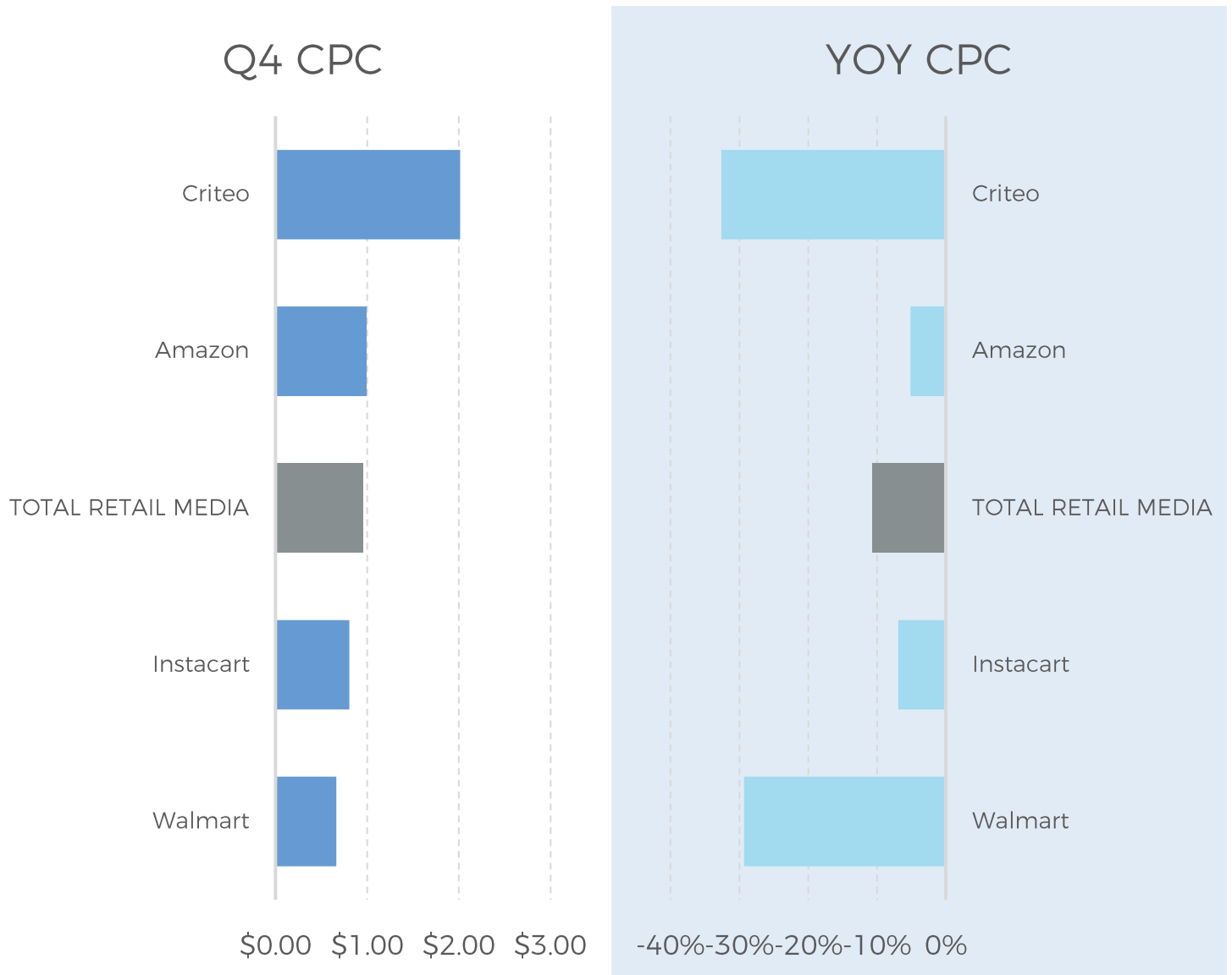
Retail media key drivers

Every segment of note saw lower CPC than in Q4 of 2021, which emphasizes the role of click volume in the growth of ad spending in the channel.



HOW TO READ THIS CHART: A bubble in the upper right or lower left quadrant relative to the origin (0%, 0%) represents a segment that increased in spend in line with the YoY change in price for that segment. The upper left quadrant would consist of segments which increase in spend despite lower pricing, and the bottom right quadrant had higher prices, but still dropped YoY spend levels. Bubble size represents share of total spending.

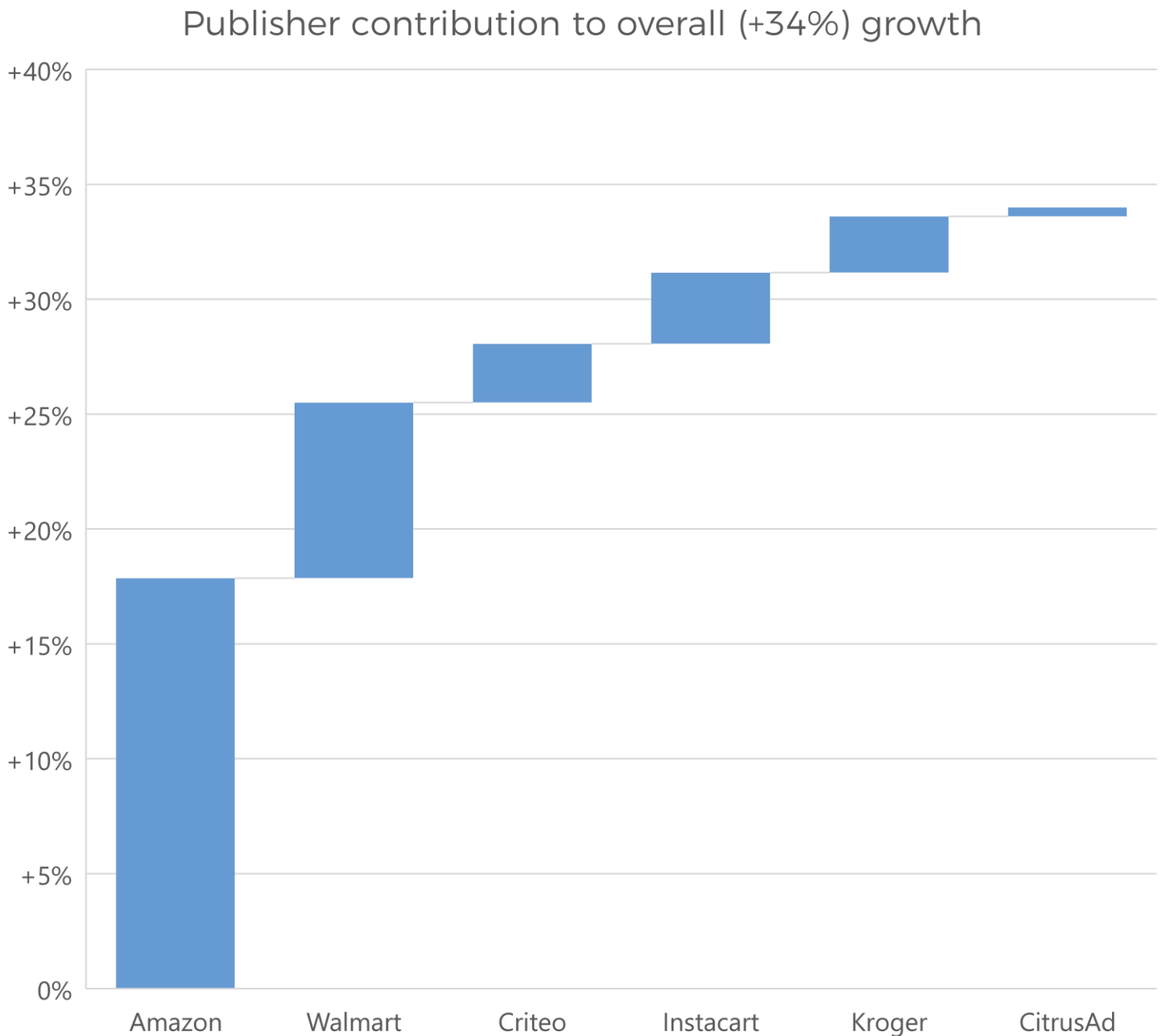
Retail media CPC by publisher



While CPC dropped for all retail publishers, Walmart and Criteo—the lowest-priced and highest-priced in the channel—saw larger drops and pushed the overall YoY decrease to more than 10% for the channel.

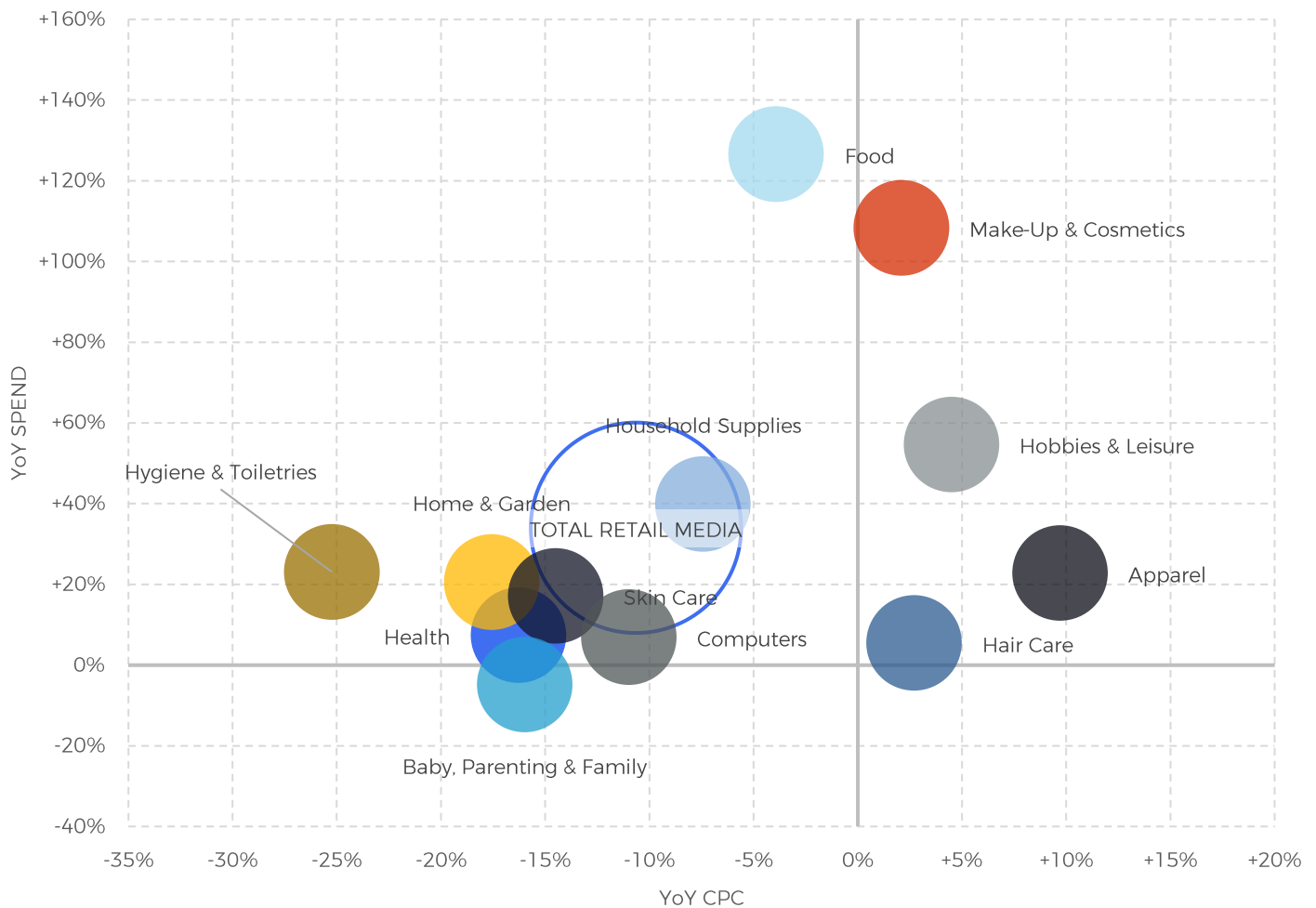
Retail media growth by publisher

Amazon continues to drive most of the overall spending growth for the retail media channel.



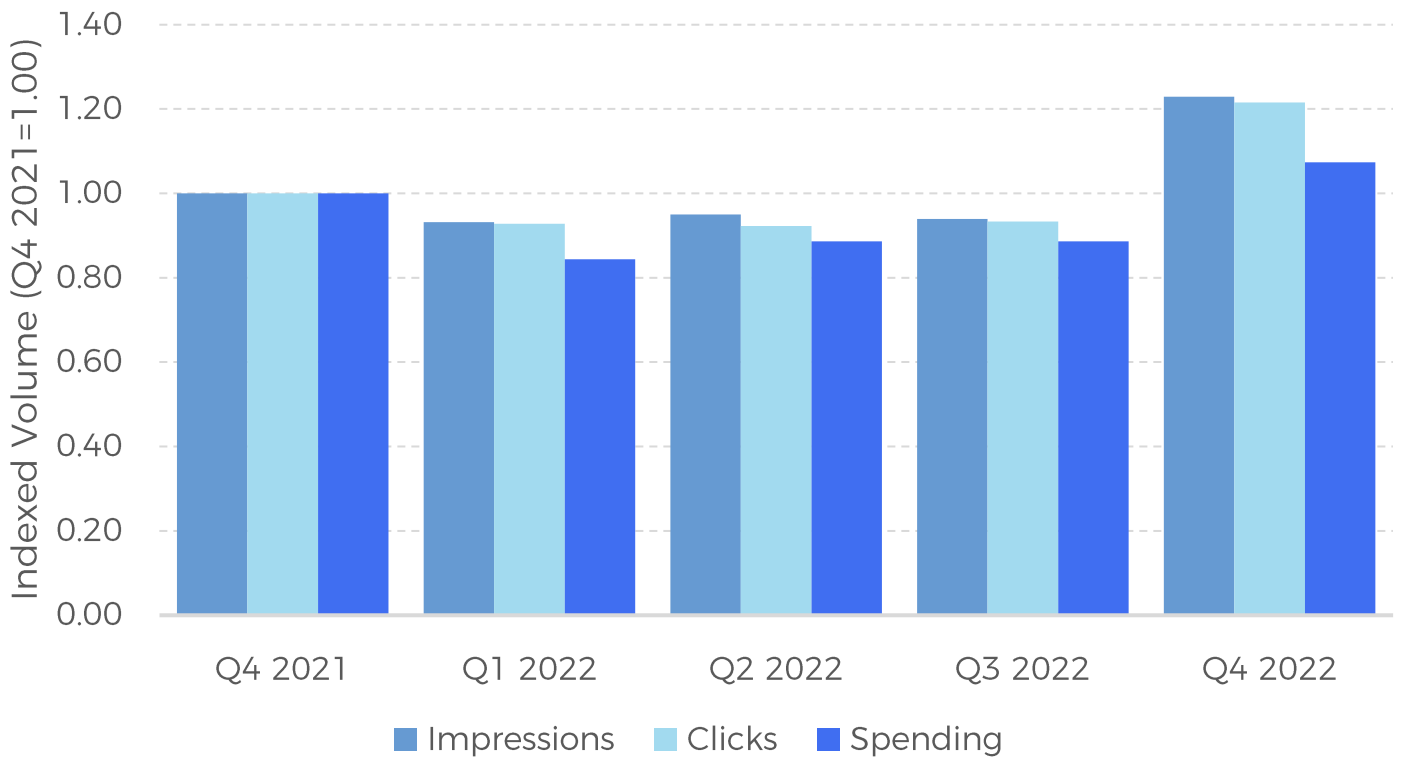
Retail media by industry

- Food and Make-Up & Cosmetics gained the most as more CPG-focused retailers grew rapidly in 2022.
- Split by industry, we do see some segments with YoY CPC increases.



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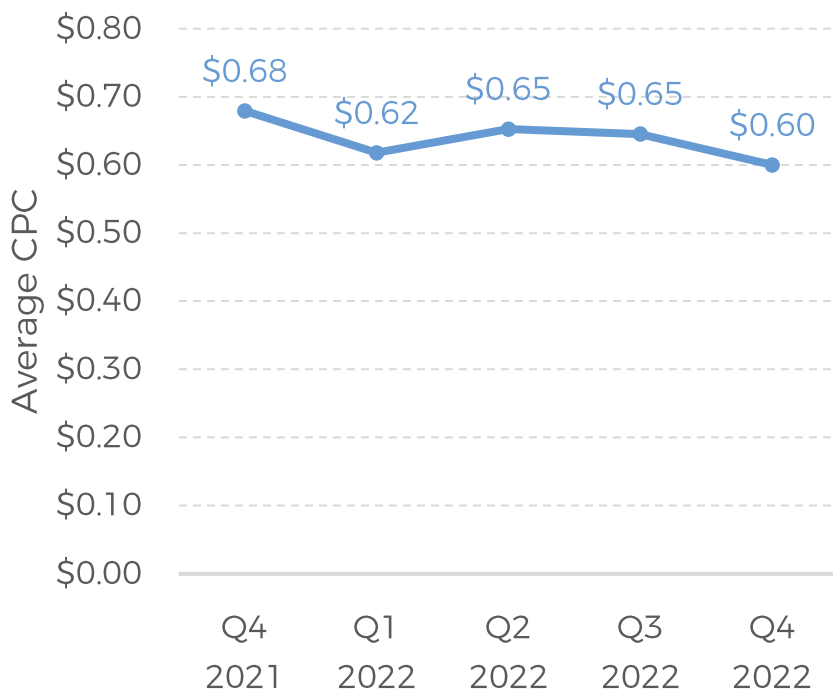
Paid search trends



- Paid search impressions grew by 23% and clicks grew 22% over Q4 of 2021.
- Average CPC declined 12%, yielding a 7% YoY increase in total search spending.

QoQ	YoY
Impressions	
+31%	+23%
Clicks	
+30%	+22%
Spending	
+21%	+7%

Paid search CPC and CTR trends

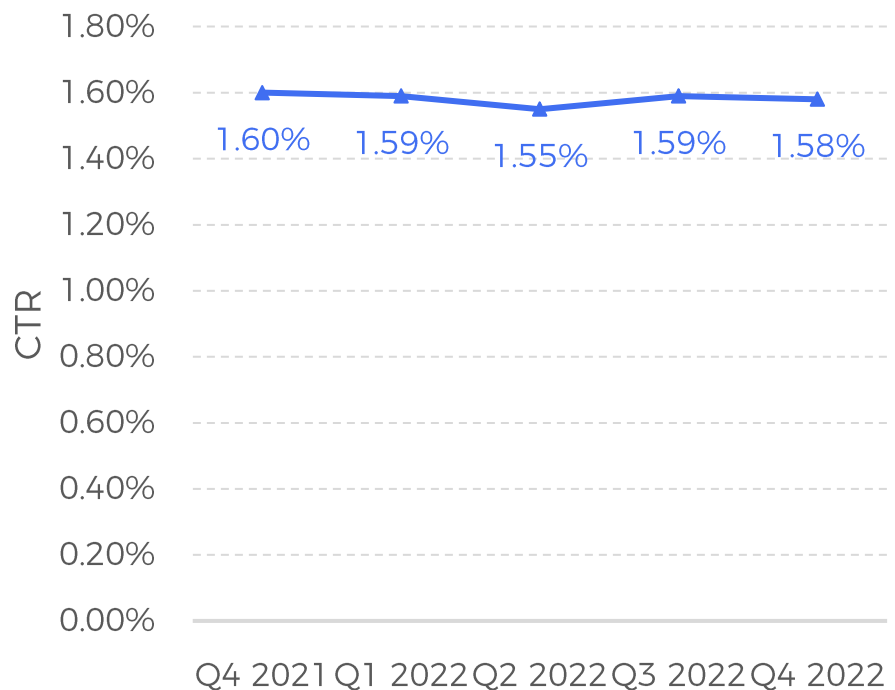


CPC	
QoQ	-7%
YoY	-12%

Search CPC typically drops from Q3 to Q4 as lower-priced shopping campaigns increase in share.

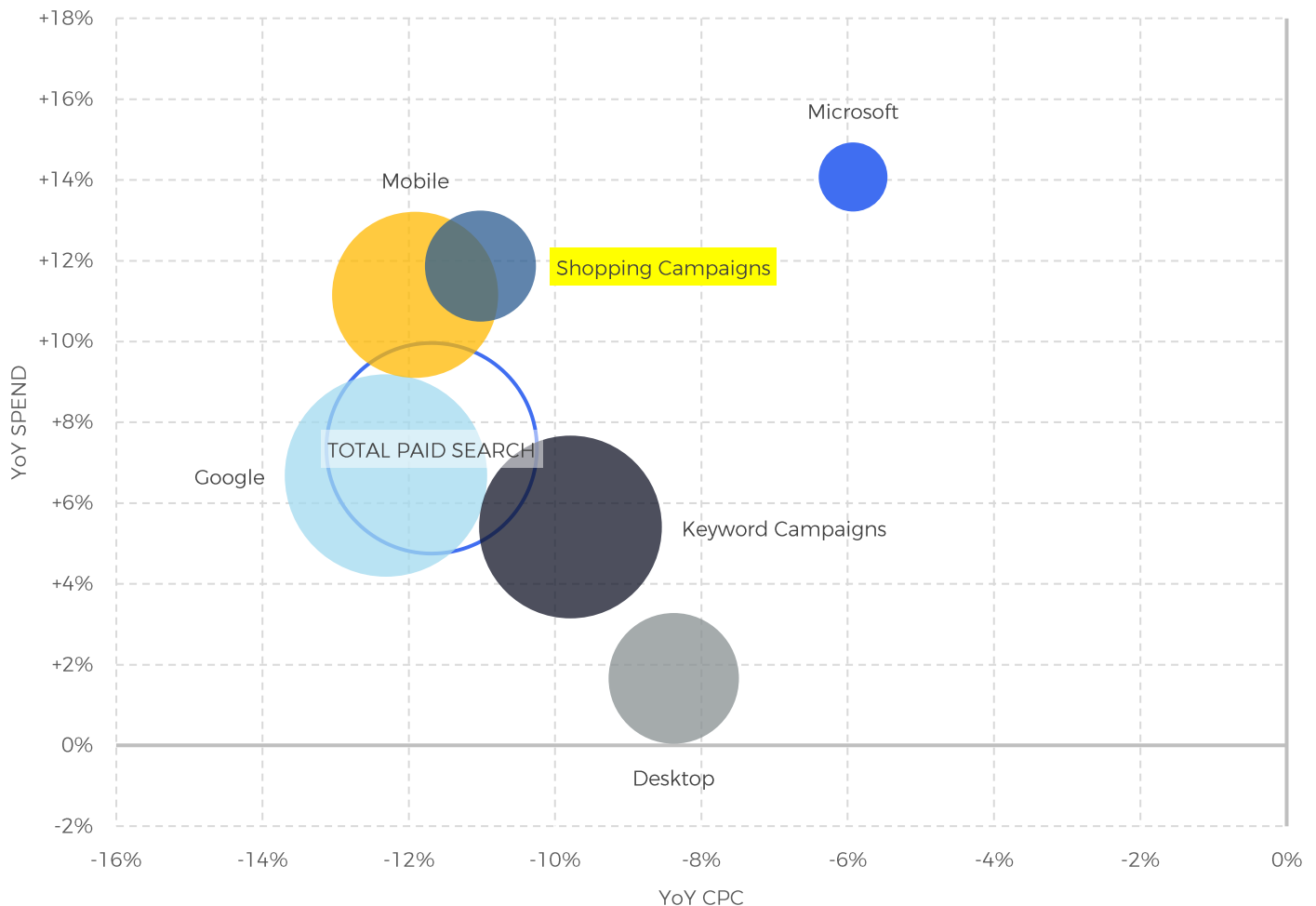
CTR	
QoQ	-1%
YoY	-1%

The rate at which search ads deliver clicks from search impressions has been undiminished throughout 2022.



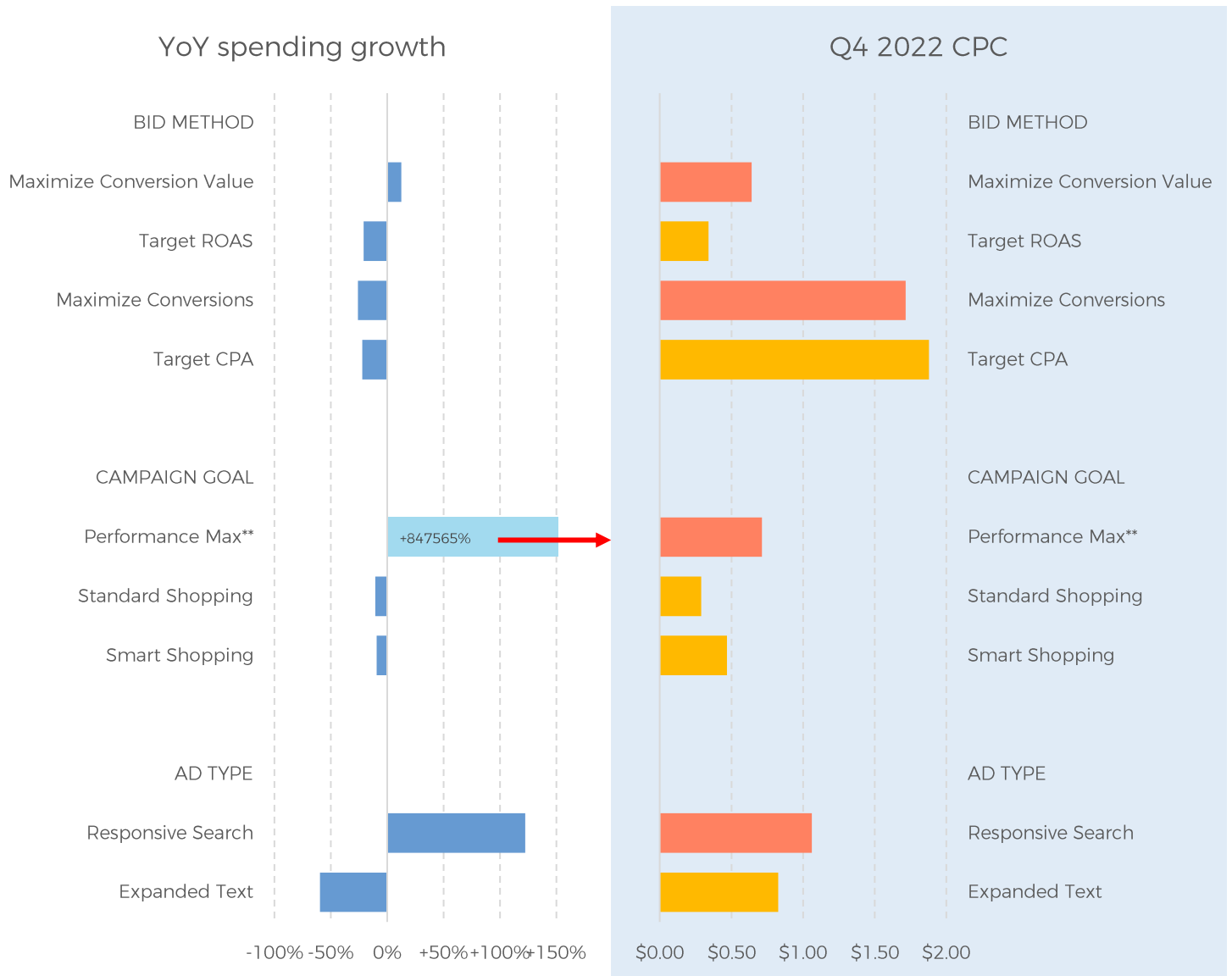
Paid search key drivers

Shopping campaigns saw both a bigger percentage drop YoY in CPC and a bigger increase in spend than keywords.



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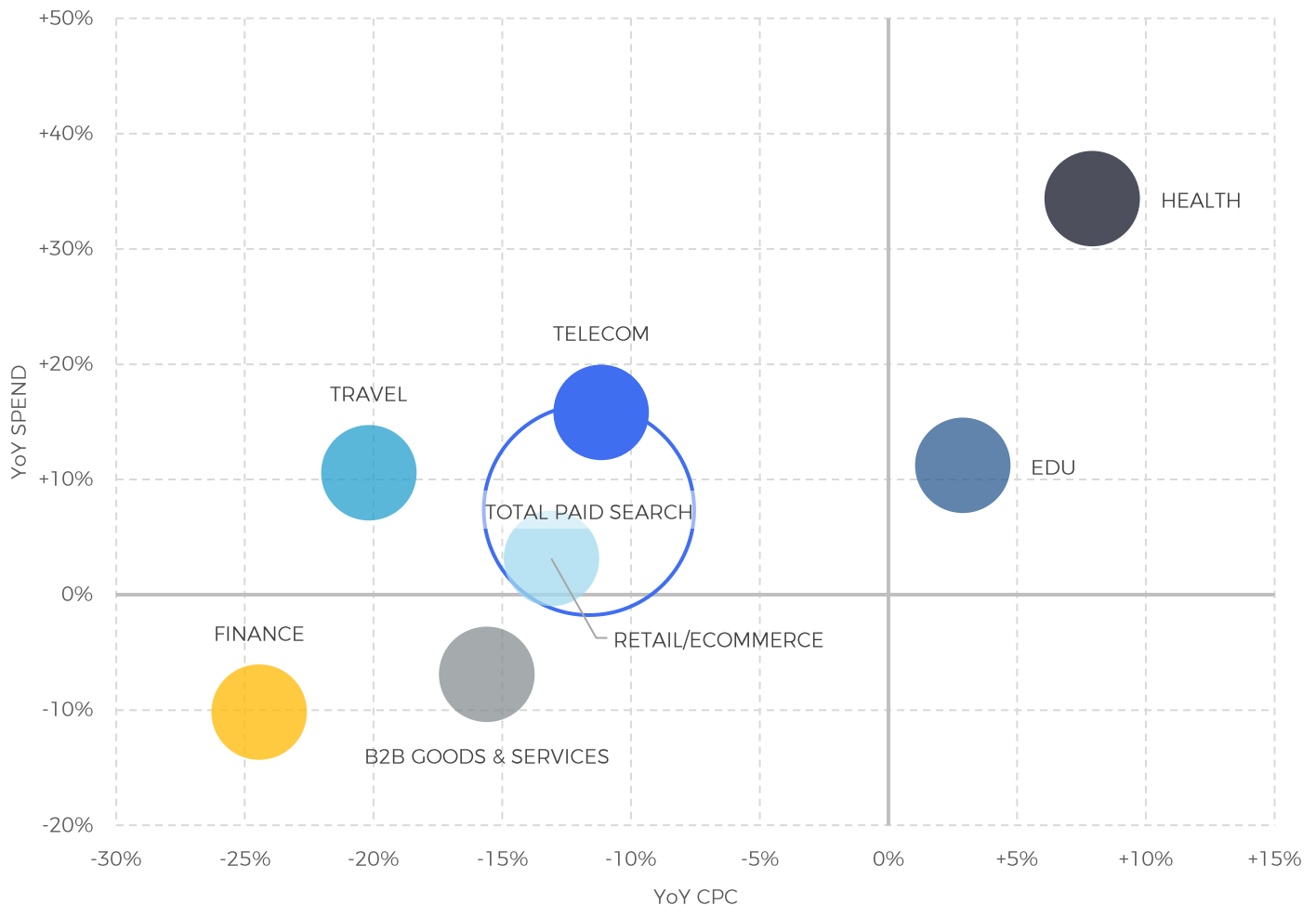
Search platform migrations



Performance Max growth is literally off the charts on a YoY basis, and both PMAX and Responsive Search have higher CPC than their predecessors. Bid method migration has been less consistent, with Maximize Conversion Value growing, but Maximize Conversions seeing a drop in YoY spend.

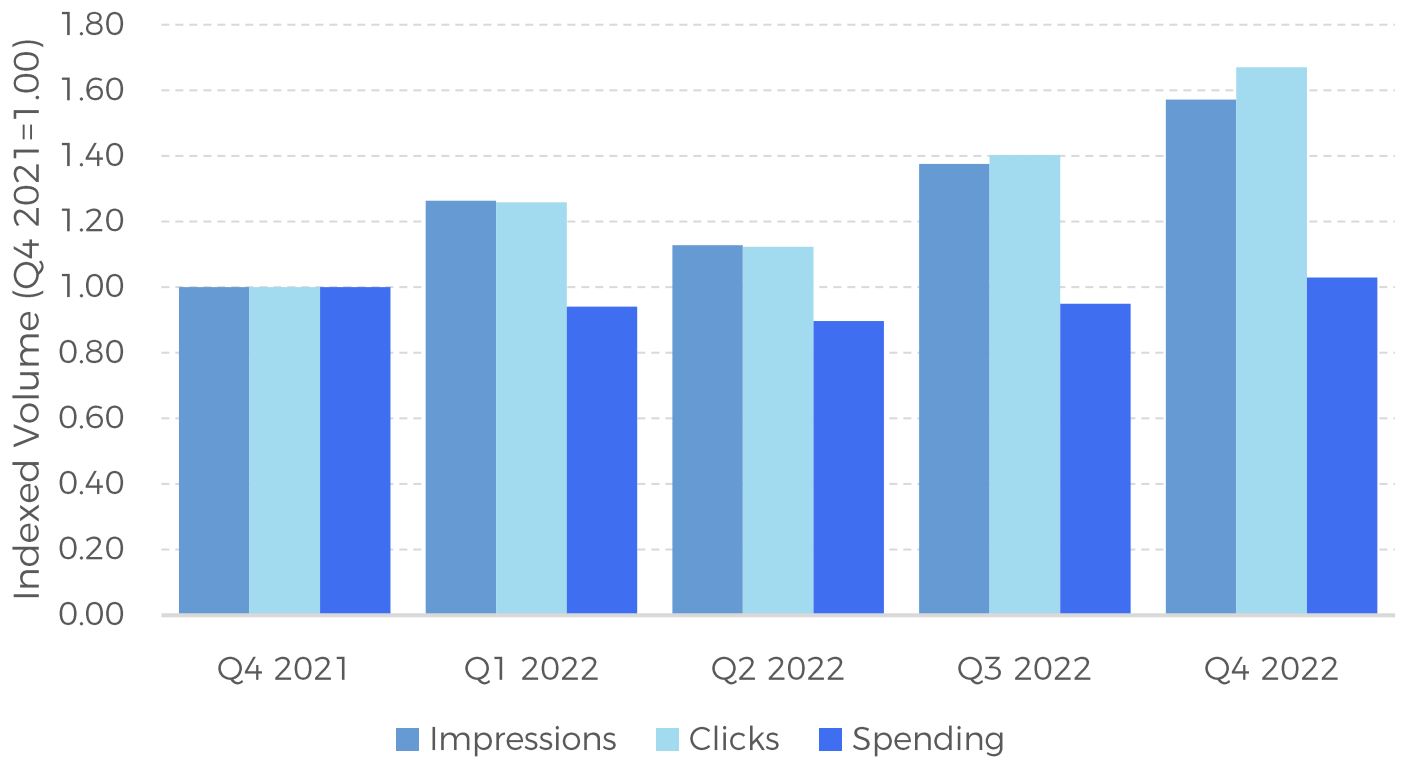
Paid search by industry

Health and EDU were the only breakout categories that saw increases in both CPC and Spend compared to Q4 of 2021.



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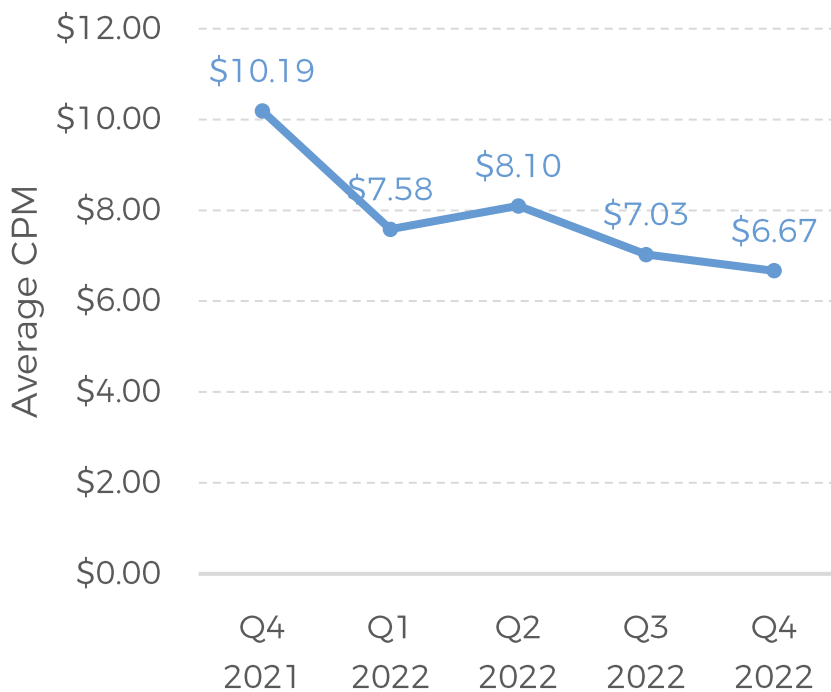
Paid social trends



- Impression volume soared by over 50% compared to Q4 of 2021.
- Several factors contributed to much lower prices for those impressions, resulting in modest YoY spending growth.

QoQ	YoY
Impressions	
+14%	+57%
Clicks	
+19%	+67%
Spending	
+8%	+3%

Paid social CPM and CTR trends

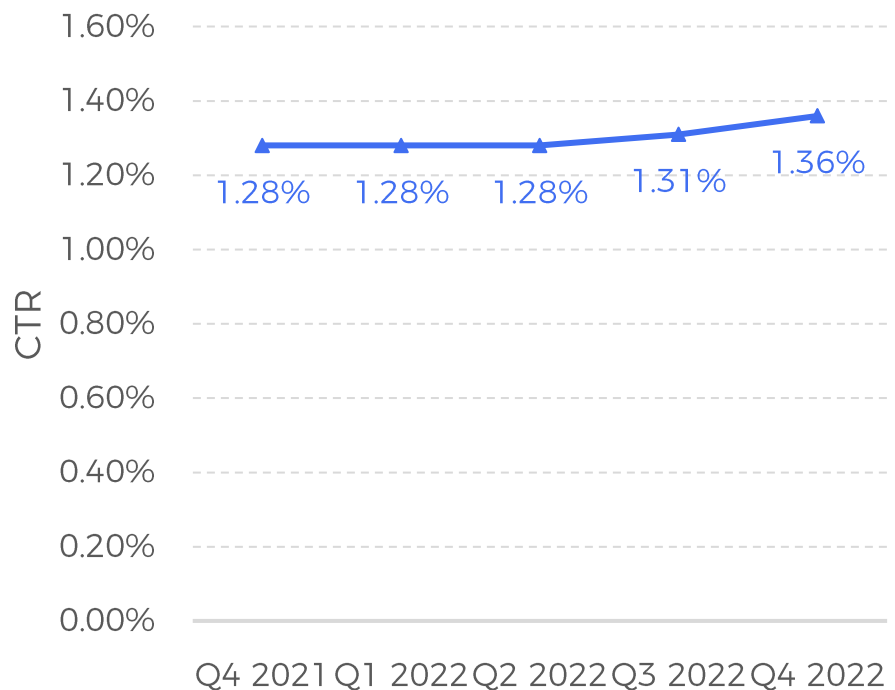


CPM	
QoQ	-5%
YoY	-35%

Video placements within the Facebook app were just one of many segments driving social ad prices lower.

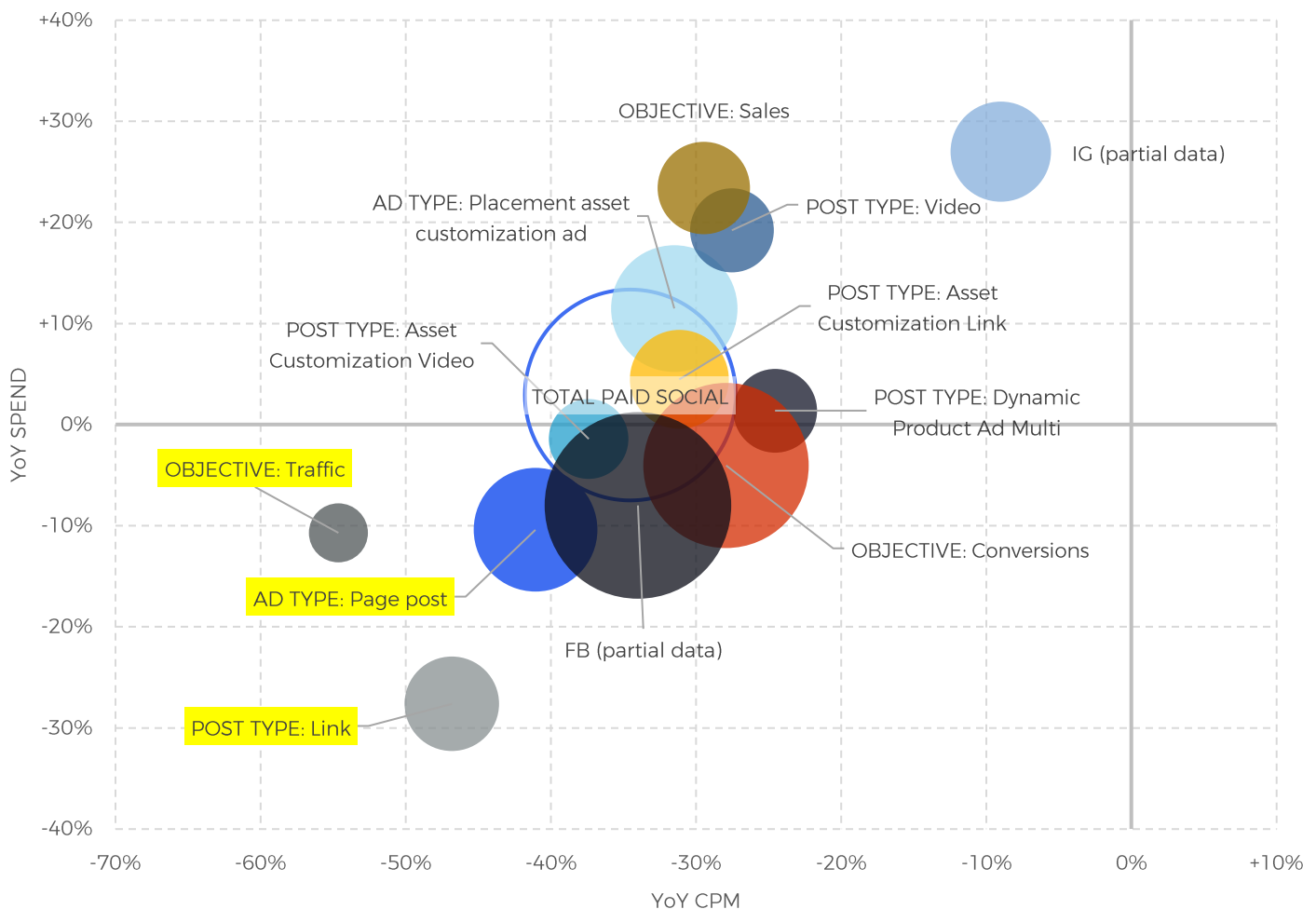
CTR	
QoQ	+4%
YoY	+6%

Clickthrough rate for social ads has crept higher over the last three quarters.



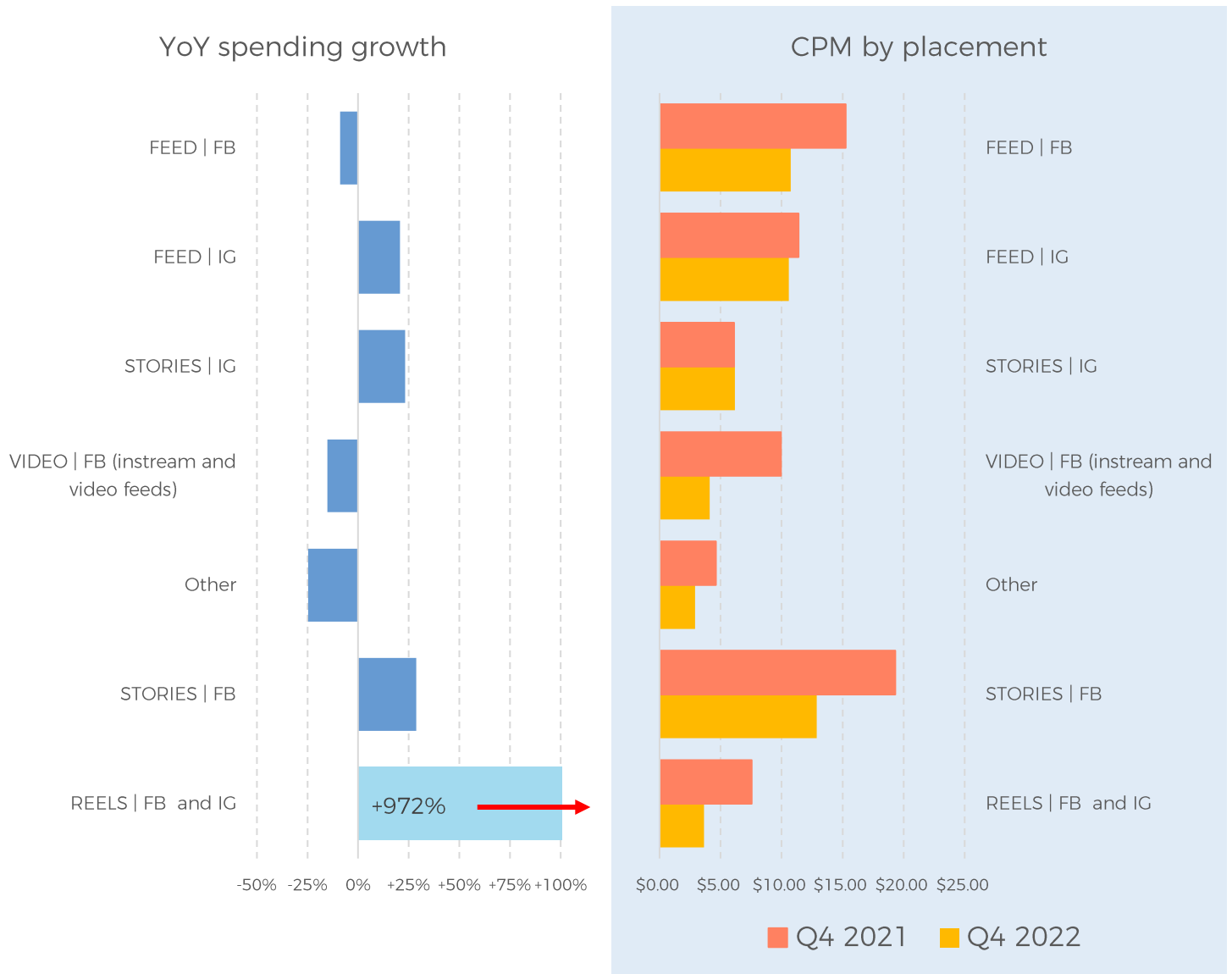
Paid social key drivers

- Every major segment of paid social advertising (except Instagram) saw a YoY CPM drop of over 20%.
- The biggest decline was for the most “basic” ad forms: Page posts, link ads, and traffic objectives, which also saw lower YoY spending.
- Note: Facebook and Instagram segments are based on a subset of total data where those segments are available



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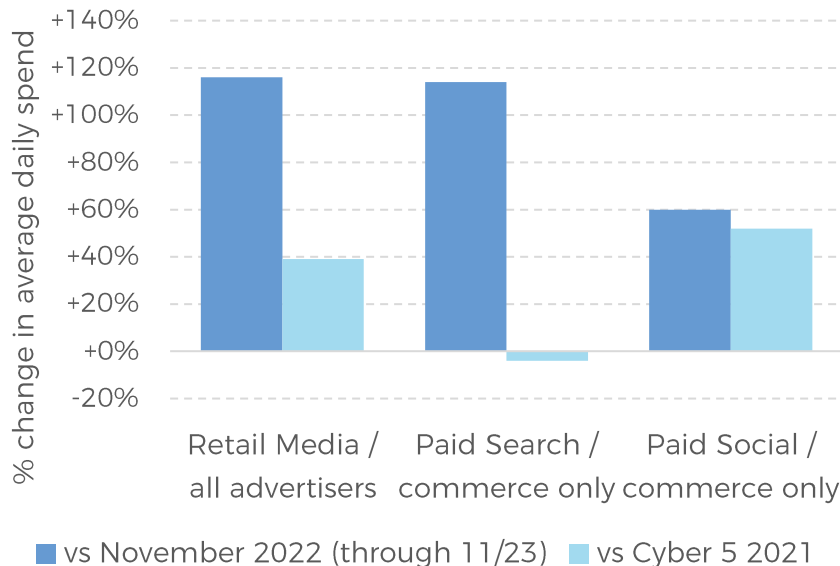
Facebook by placement



- Reels only comprised 1% of total Meta spending across five quarters, with YoY spending up 20X.
- Facebook video placement CPM dropped by more than 50% YoY.
- NOTE: Analysis based on a subset of total data where placement segments are available

Holiday performance by channel

Cyber 5 (11/24-28)

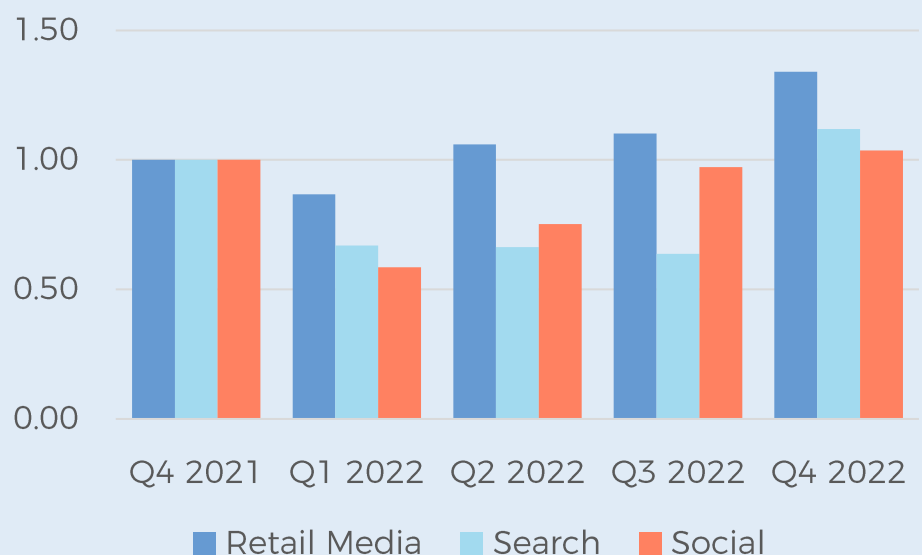


Ad spending more than doubled across the Cyber 5 for retail media and paid search advertisers compared to pre-Thanksgiving November, while lower prices kept YoY search spending flat.

Product ad spending across channels

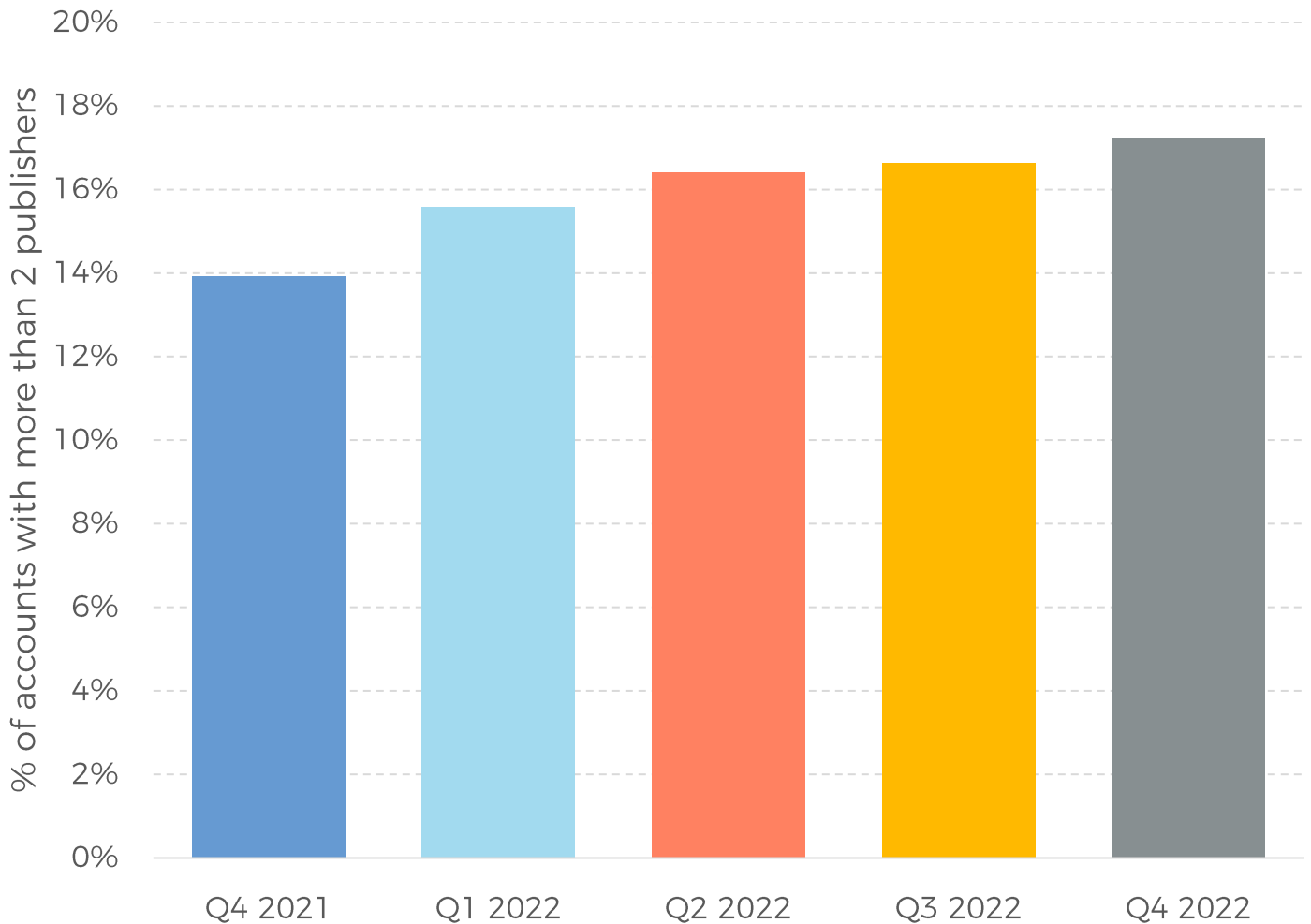
Search shopping campaigns did not increase spending until the holiday-focused fourth quarter, while retail media and paid social showed QoQ growth throughout the year.

Product ads only



Omnichannel growth

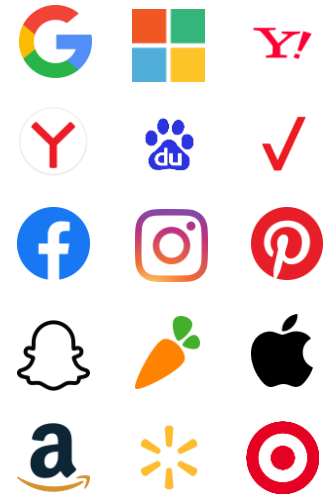
Commerce accounts only (all channels)



Commerce advertisers are slowly but surely increasing the number of active publishers as they focus on where they can most effectively find their customers.

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 over 1 trillion impressions, 14 billion clicks, and \$9 billion in spending over five quarters, across multiple countries and industry categories.
- Advertisers must have 15 consecutive months above a minimum spending threshold in the channel to be included in the analysis. Additional outliers will be removed, as necessary. Some analysis may use different filters and are labeled accordingly.
- 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](#)

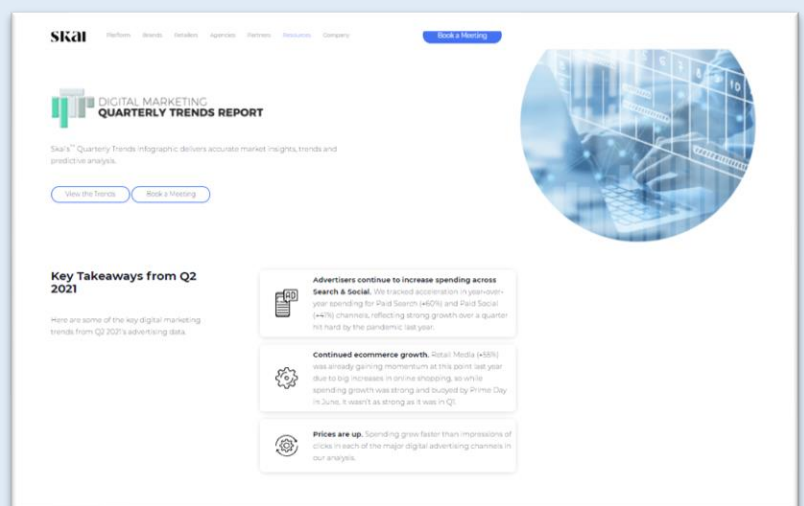
View the current infographic, long-form report, and highlights, along with previous quarters, all in one place.

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 performance 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. Visit skai.io for more information.