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Q1 2023

Quarterly Trends Report

Executive Summary

Top line:

The overall trend of more ads at lower prices continued into the first quarter of 2023. This can be interpreted as advertisers taking a more cautious approach amid economic uncertainty, one which focuses on efficiency and optimization rather than growth. In this report, we'll show you why we think this interpretation is on the mark across the retail media, paid search and paid social digital marketing channels.

Highlights:

Does anyone really know what's going on with the global economy so far in 2023? Our data would suggest not, as advertisers mostly avoided any sudden movements to start the year, keeping budgets at an even keel across retail media, paid search, and paid social channels. For the first two, that meant continued growth at a slower rate than recent quarters, and for paid social, we saw a slight decline in spending compared to Q1 of 2022.

None of which means advertisers are retreating from digital advertising. In fact, ad volumes continue to increase while prices continue to drop for nearly every publisher in every channel. The reasons for this phenomenon vary, but in many cases, marketers are being given more and newer ways to control how and to whom their ads are shown. As a result, we see a lot of change "under the hood" that is maximizing the efficiency of these campaigns without driving up spend.

All these signs point to potential for the second half of this year. If there are clear signs of economic improvement, ad spending could kick into high gear as soon as June or July. Even if the outlook doesn't change, holiday budgets will likely start to flow by the midway point of the third quarter. Either way, the fine-tuning and optimization being put into place now means advertisers will be well-positioned to meet their customers wherever they are across channels.

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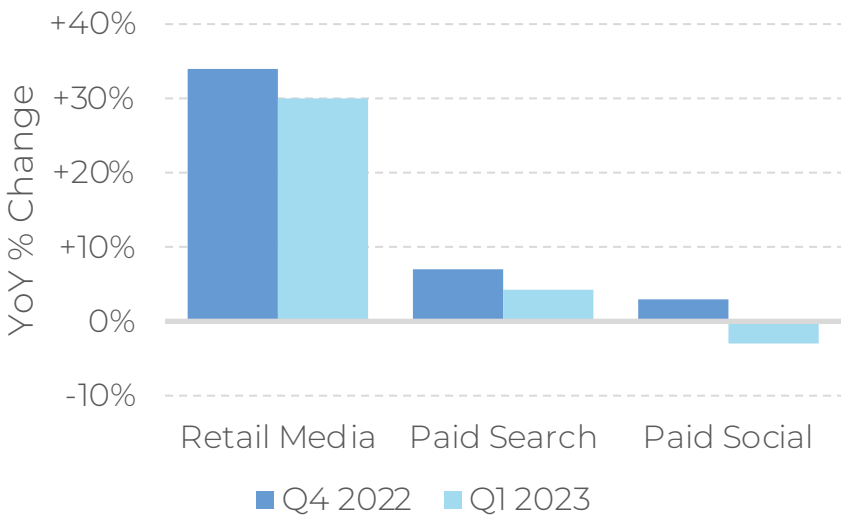
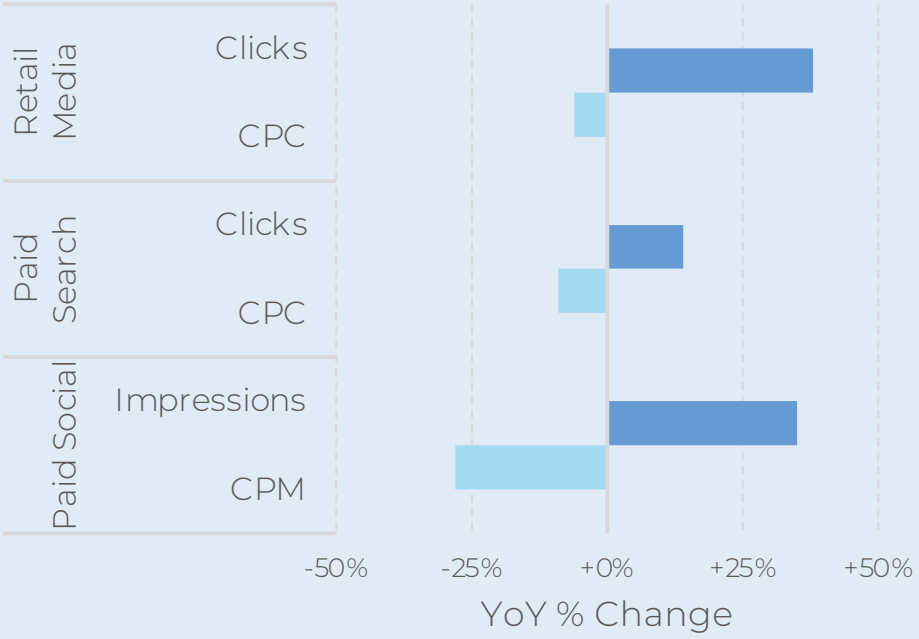
Cautious spending affects growth



Spending growth across channels slowed in Q1 as advertisers continued to tread carefully amid economic uncertainty.

Advertisers focus on efficiency

In each channel, the volume of ads rose, while unit pricing dropped, implying that while advertisers are still focused on digital channels, that doesn't necessarily mean spending growth.



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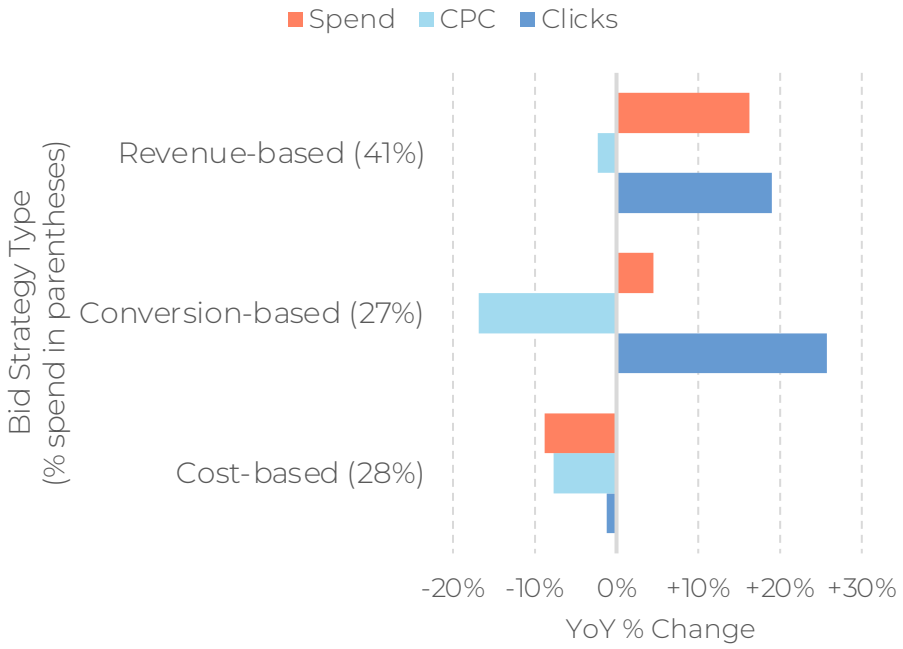
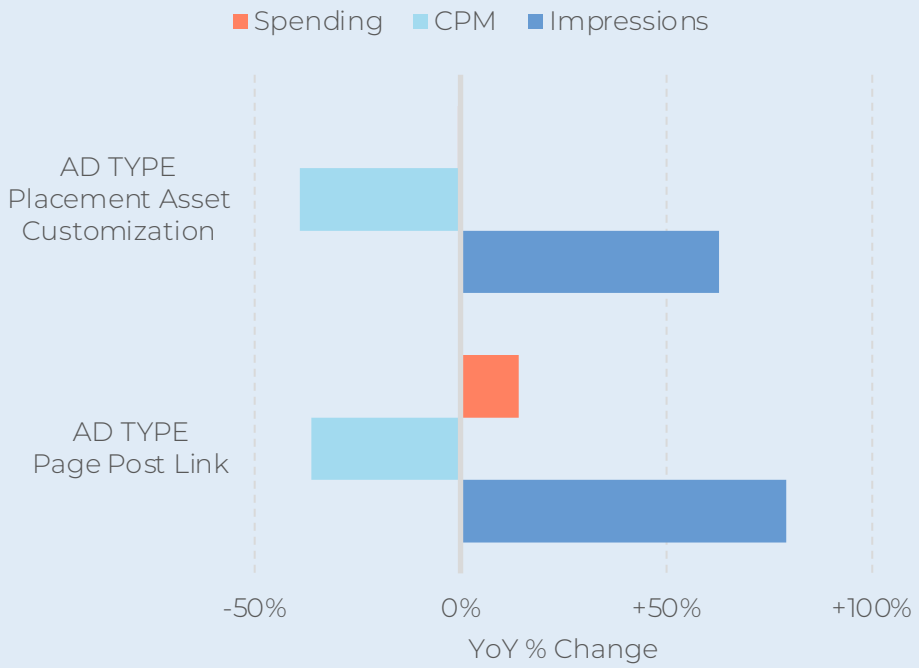
Revenue-based strategies drive search spending



Search spend fell into three main buckets based on strategy, and revenue-based strategies showed robust growth.

Social spending differs by ad type

Spending on the more traditional page post link ads grew by double digits year-over-year, while newer, more complex ads were flat.



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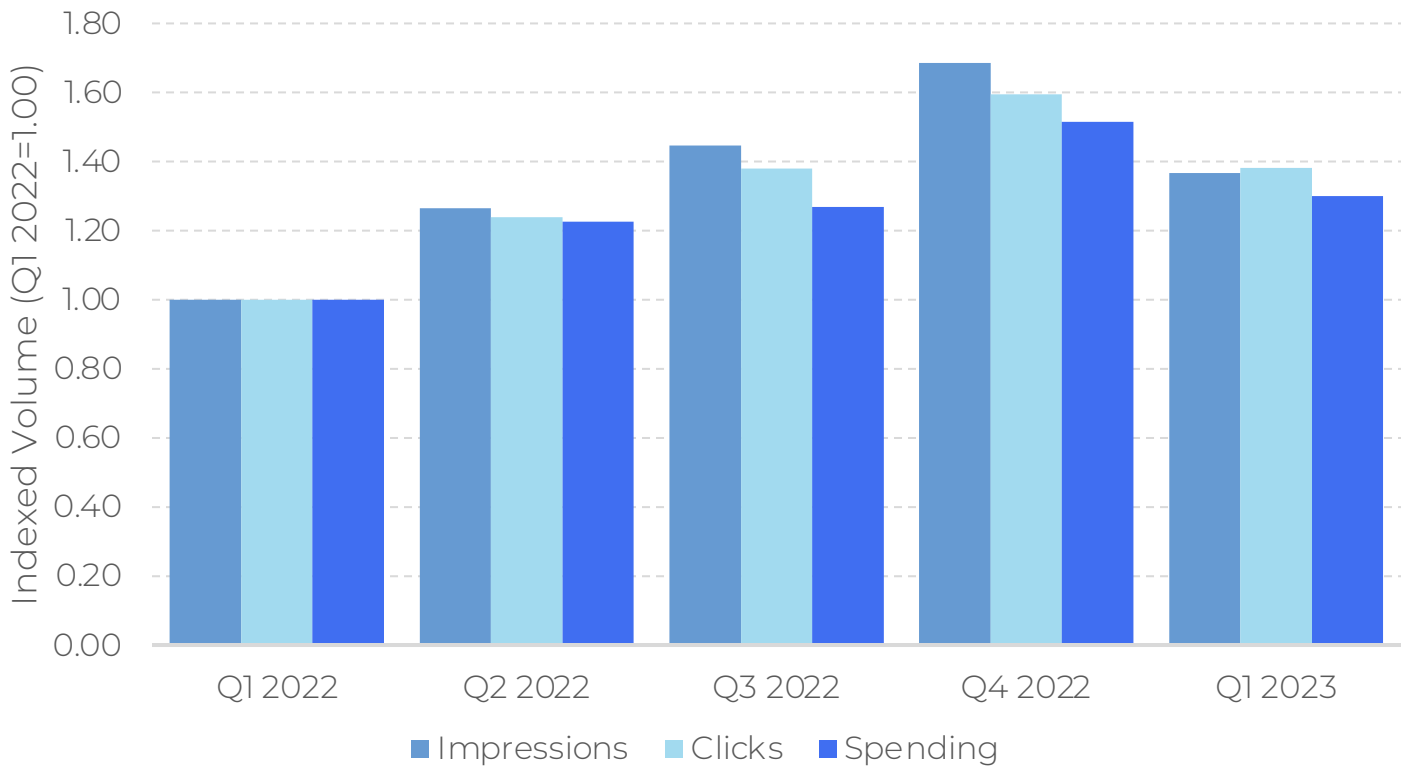
Retail media trends



- Retail media continued to grow faster than either paid search or paid social, with spending up 30% YoY.
- Performance metrics have held steady or even improved during that time.

QoQ	YoY
Impressions	
-19%	+37%
Clicks	
-13%	+38%
Spending	
-14%	+30%

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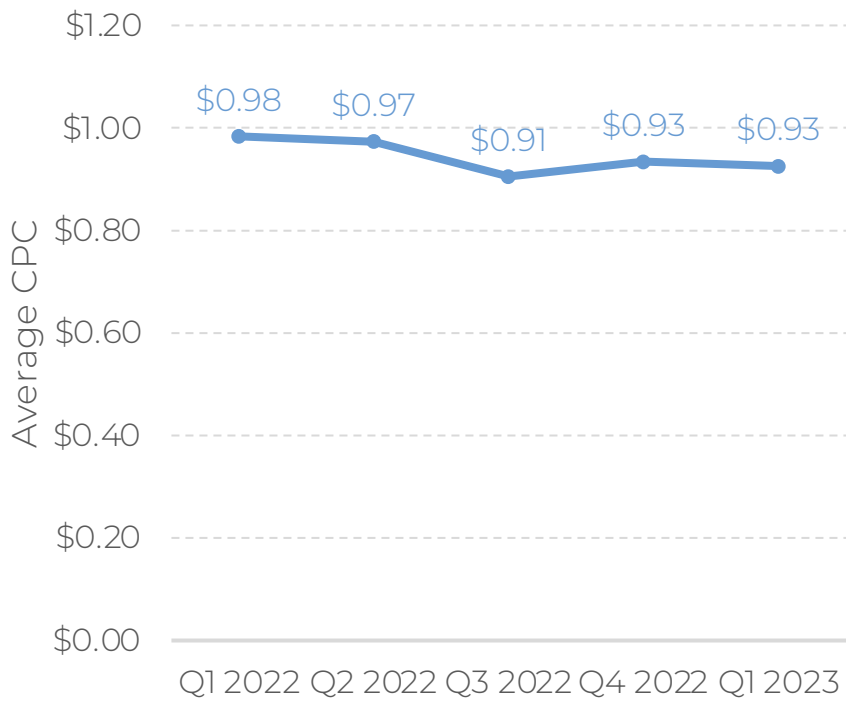
Retail media CPC and CTR trends

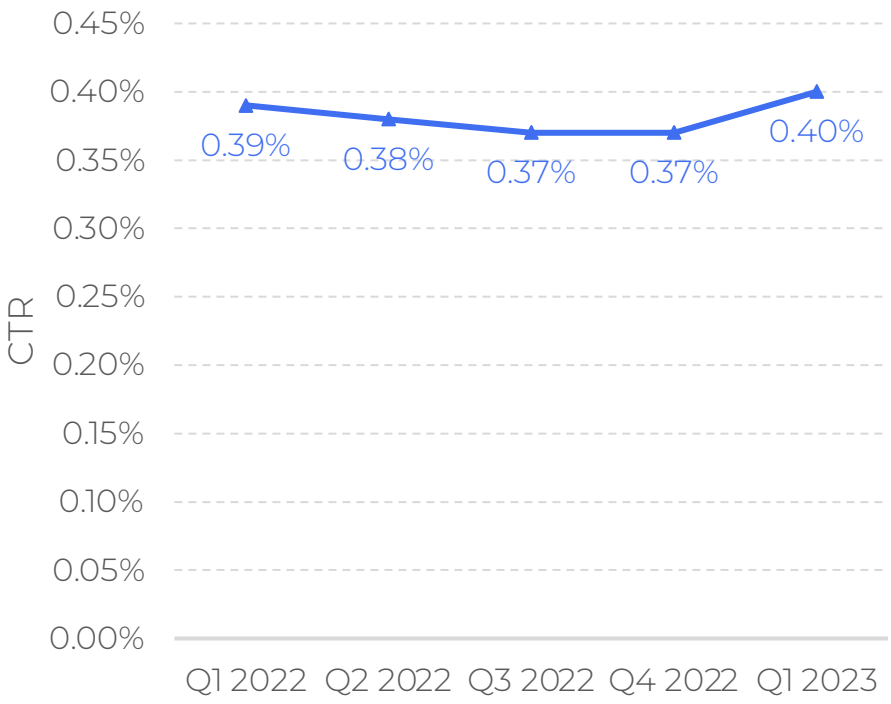


CPC	
QoQ	-1%
YoY	-6%

Retail media ad prices did not show much seasonal fluctuation.

CTR	
QoQ	+8%
YoY	+3%

Engagement ticked up slightly compared to last quarter.



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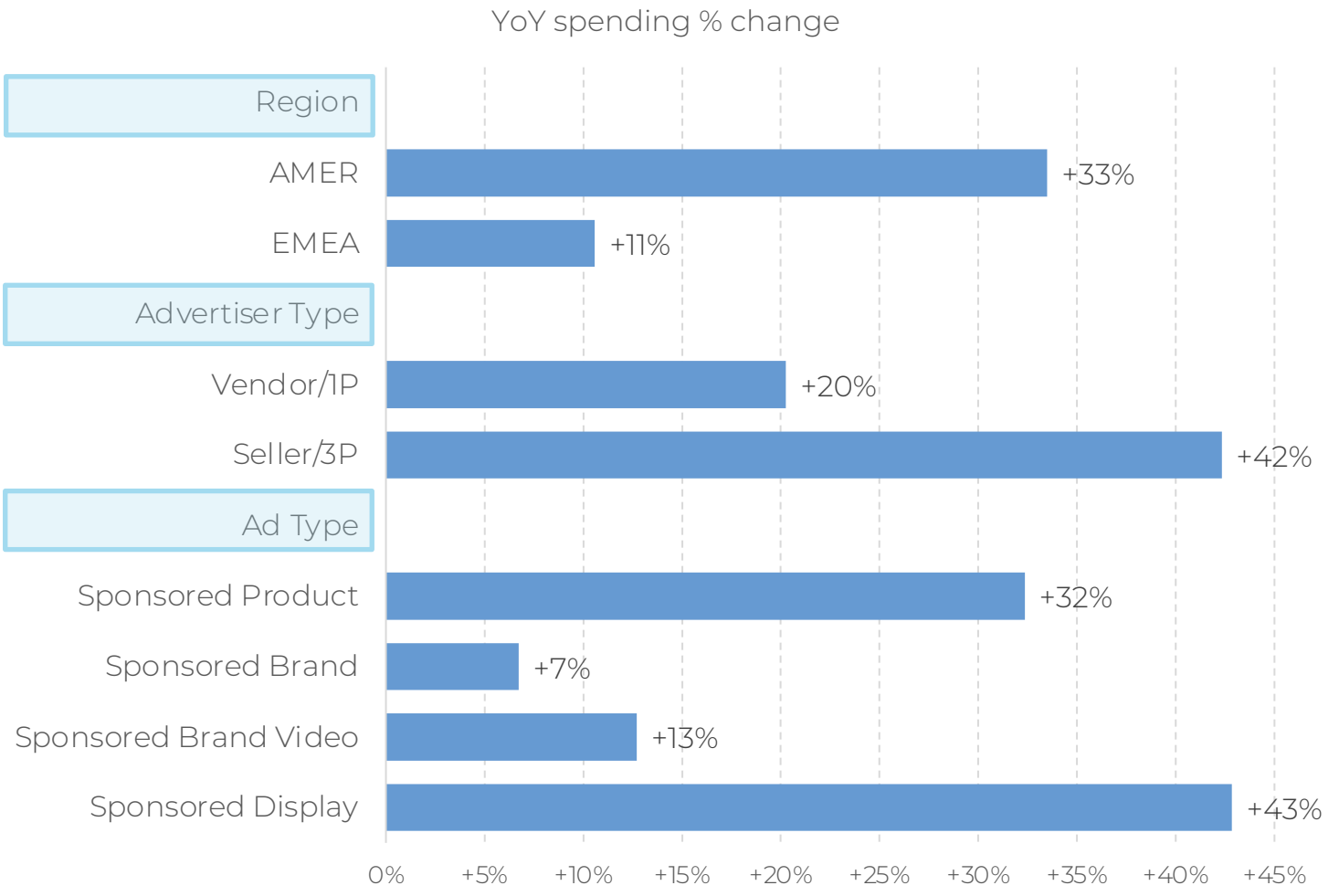
Retail media key drivers

The Americas region, Third-party sellers and Sponsored Display ads showed the largest YoY spending growth.



EMEA is still very Amazon-centric compared to the Americas, so it doesn't get the same lift from retailers like Walmart.

Newer retail media networks are more focused on third-party sellers, helping grow that segment.

While Sponsored Brand and Sponsored Brand Video ads grew the least across Retail Media, they have higher CPCs than other ad types.

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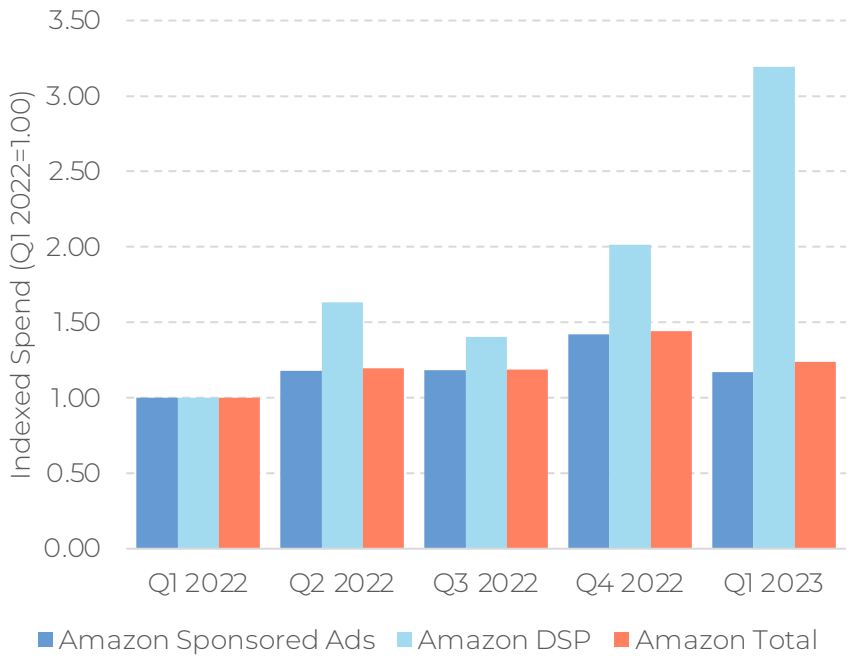
Amazon Sponsored Ads vs Amazon DSP

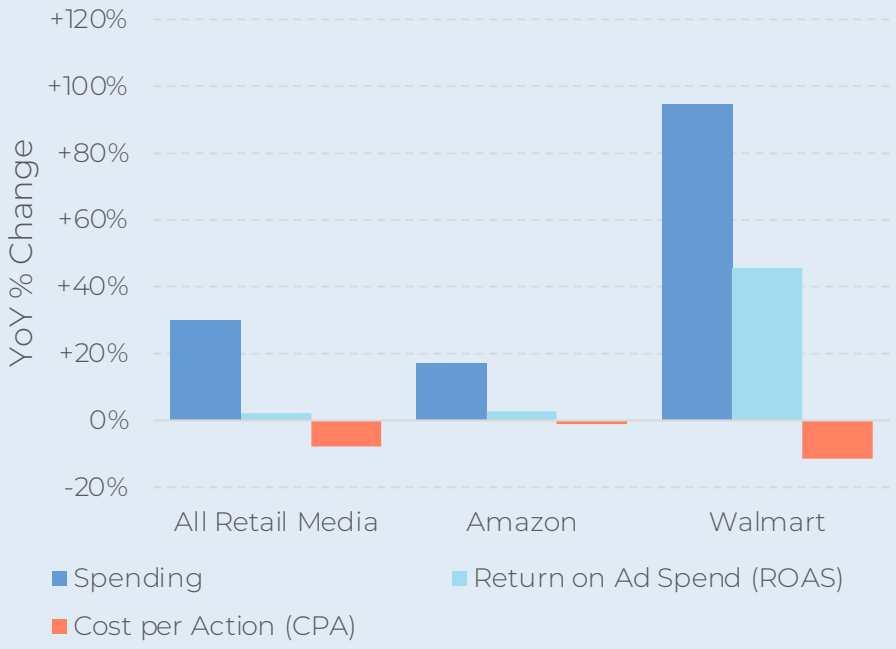


Looking at Amazon DSP spending from accounts who qualified for our retail media analysis shows Amazon DSP growing 3X over Q1 2022.

Note: Amazon DSP is considered part of the Display channel and is not included in Retail Media analysis elsewhere in this report.

Return on Ad Spend

Both Amazon and Walmart were able to maintain or improve performance despite spending growth that might imply diminishing returns.



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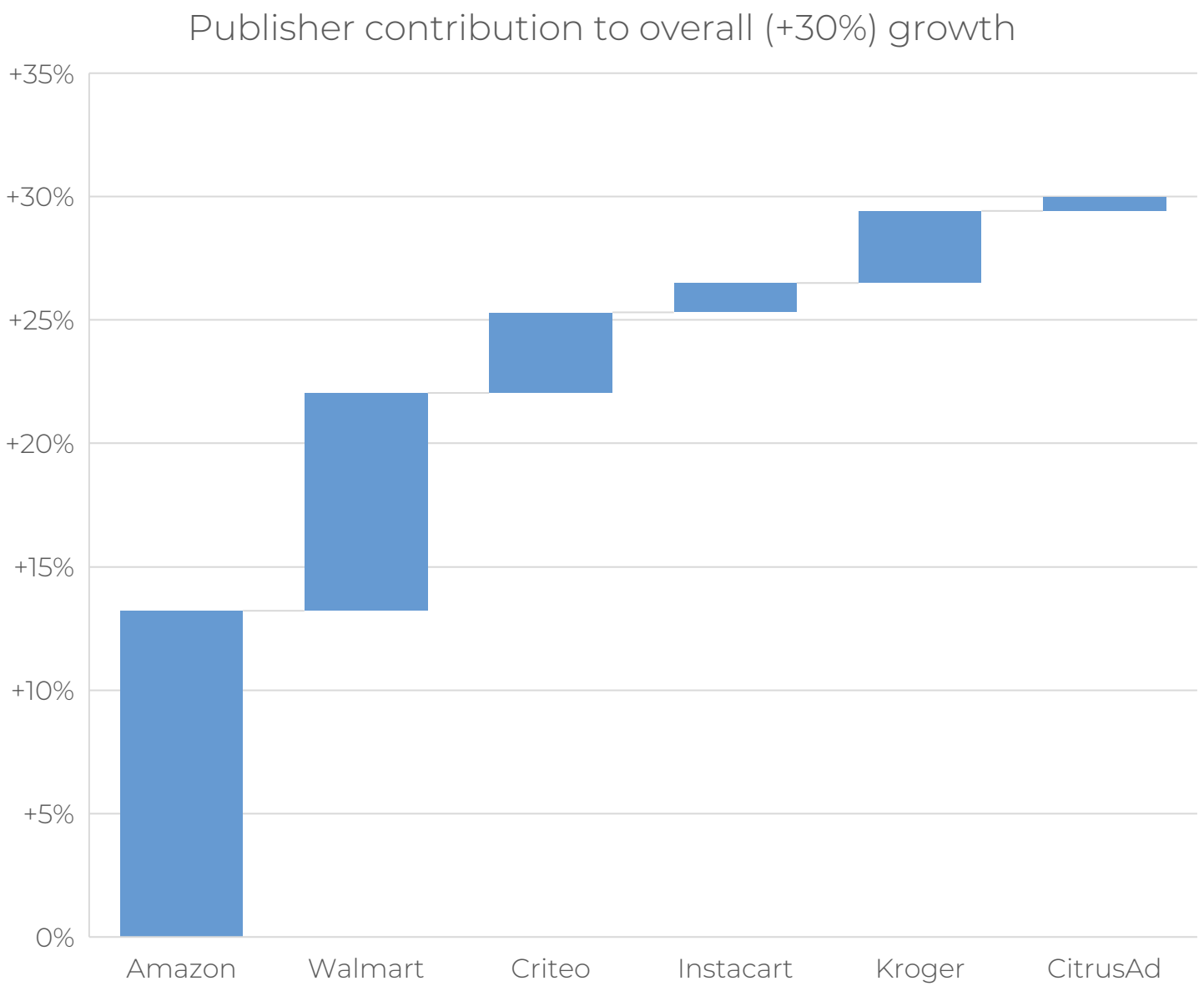
Retail media growth by publisher

While Amazon is the still the largest individual contributor to channel growth, it was less than half of the total increase. When combined, Criteo, Instacart, Kroger and CitrusAd contributed almost as much to channel growth as Walmart.



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Retail media by industry

- Food & Groceries was the fastest-growing category in Q1 2023.
- Just over half of categories had a lower CPC compared to Q1 of 2022, helping bring the overall average CPC down as well.

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.

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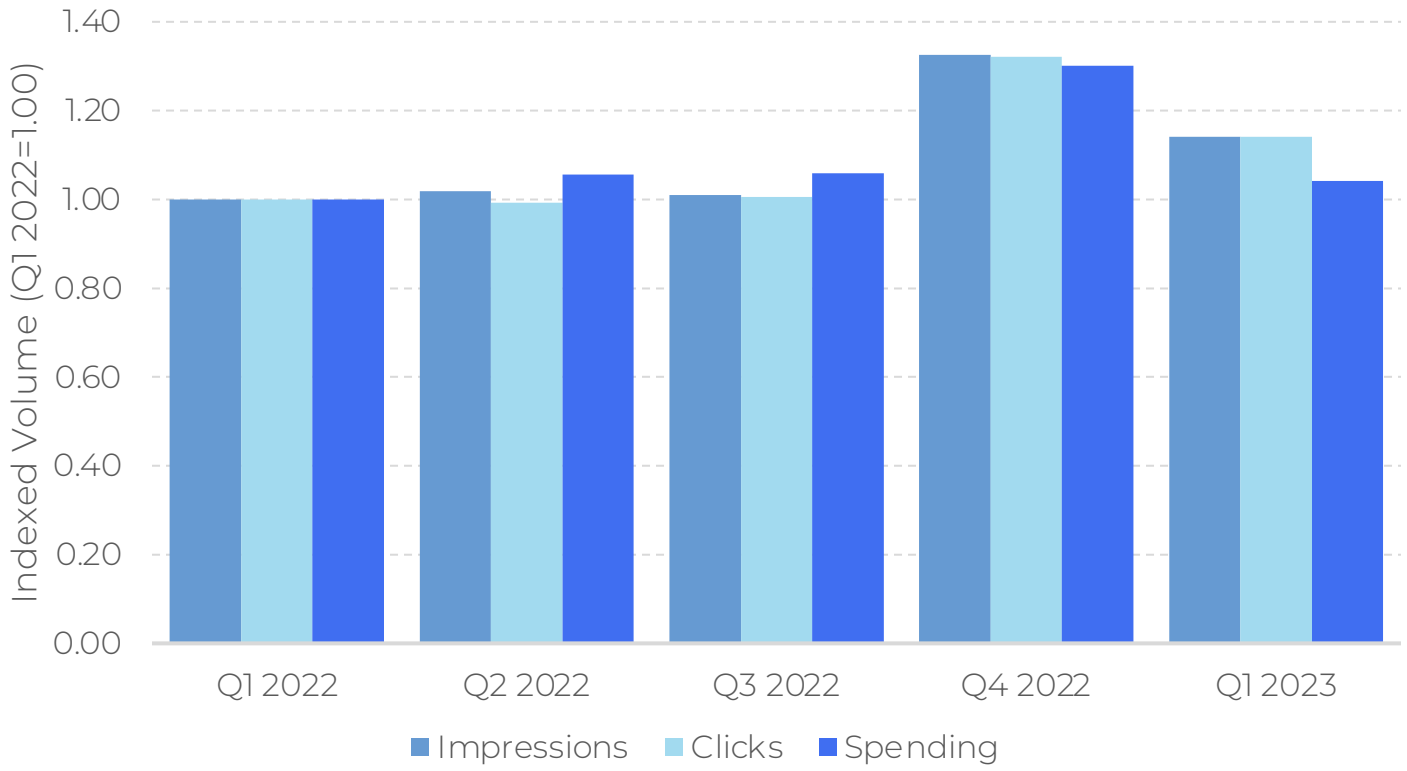
Paid search trends



- Paid search spending grew 4% year-over-year, even as average cost-per-click dropped 9%.
- Campaigns that optimized towards revenue goals grew faster than the rest of search, while campaigns that focused on costs shrank.

QoQ	YoY
Impressions	
-14%	+14%
Clicks	
-14%	+14%
Spending	
-20%	+4%

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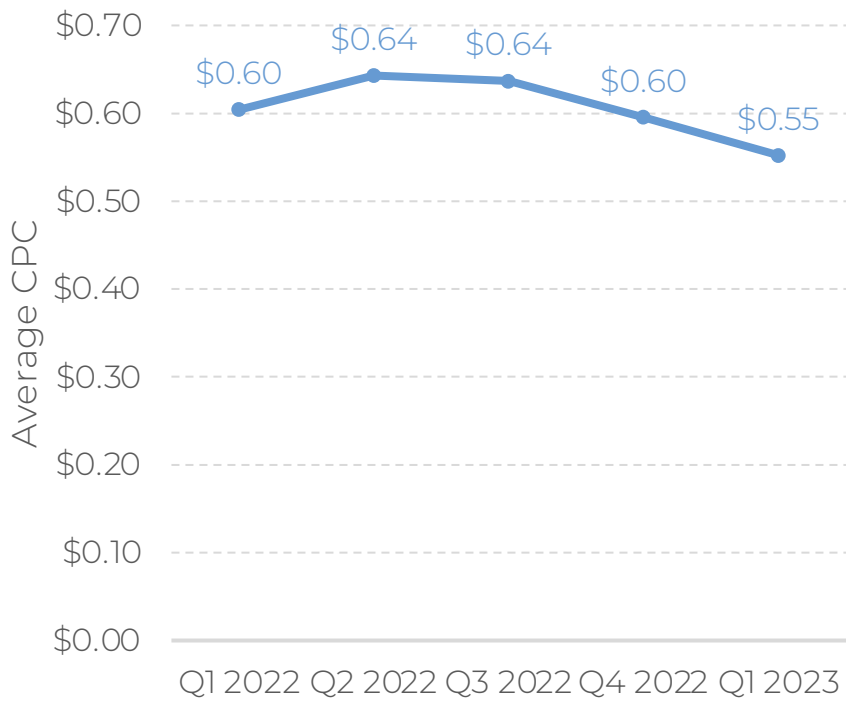
Paid search CPC and CTR trends

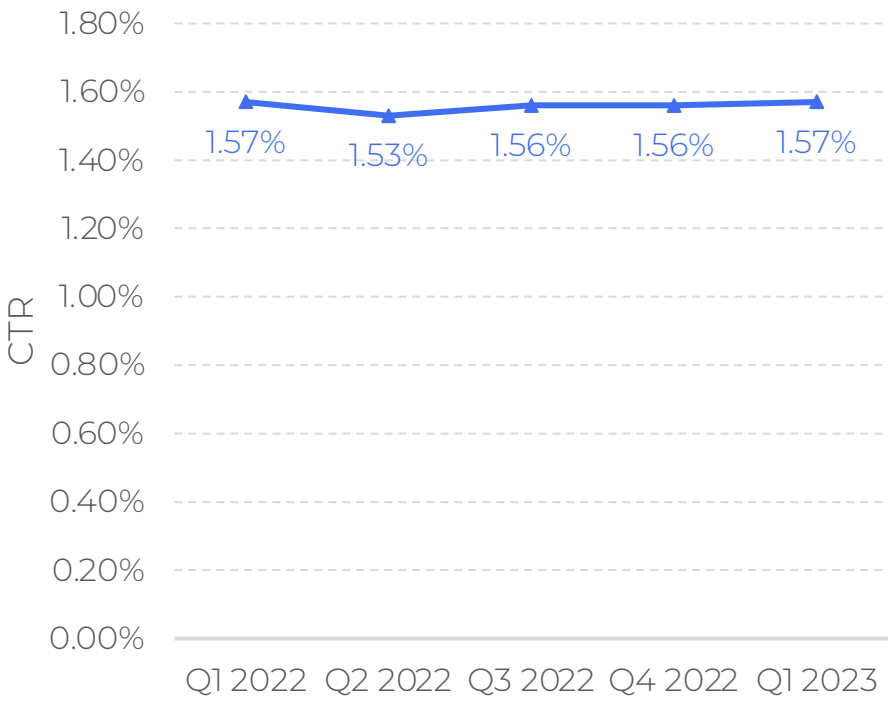


CPC	
QoQ	-7%
YoY	-9%

As Expanded Text Ads cycle out of the search mix, they are pushing CPCs lower, especially on mobile devices.

CTR	
QoQ	+1%
YoY	0%

Clickthrough rate for paid search ads has been remarkably stable over the last five quarters.



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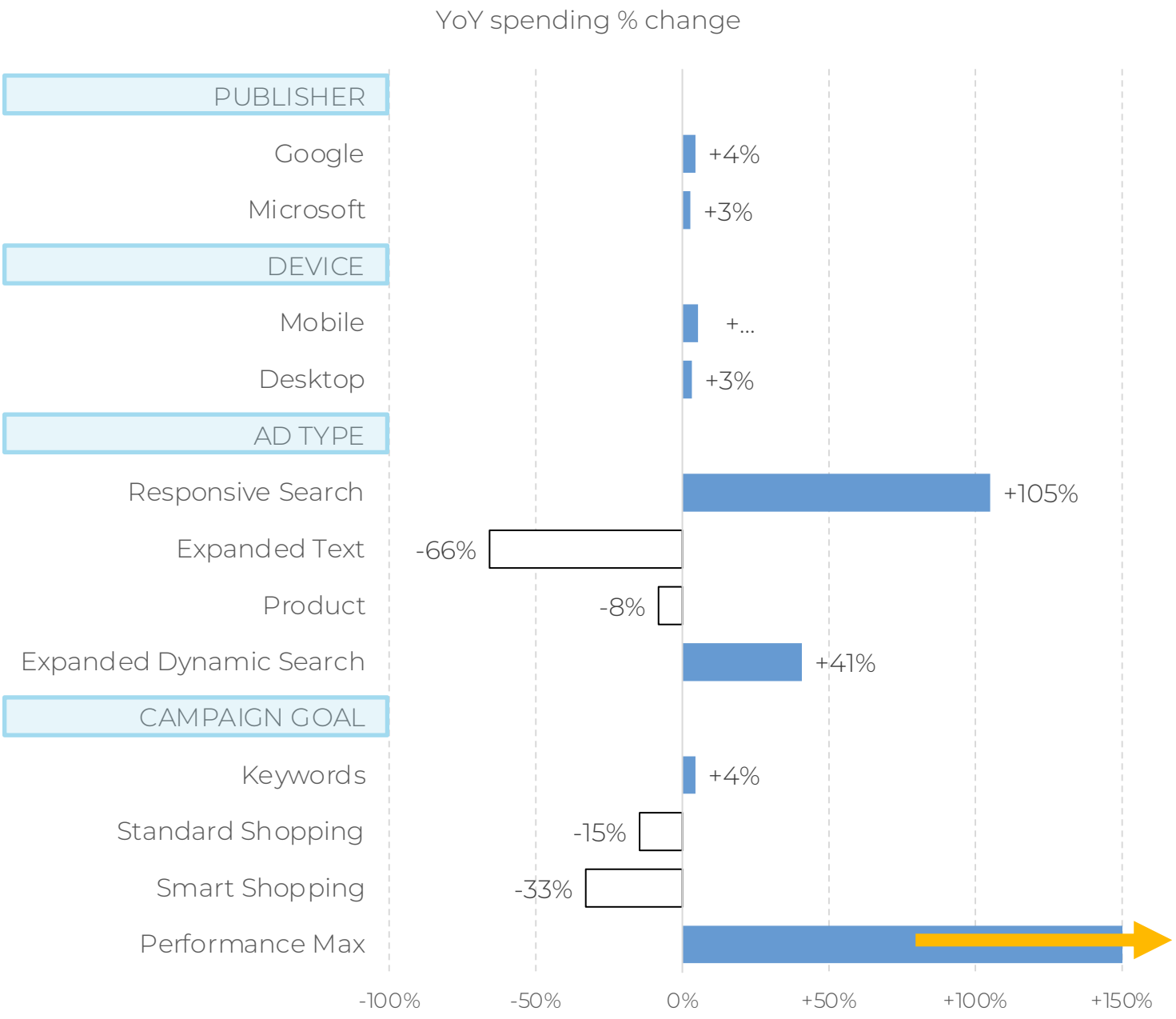
Paid search key drivers

The biggest percentage changes in paid search continue to be new features (Responsive Search, Performance Max) that are superseding legacy formats & campaign types (Expanded Text, Smart Shopping).



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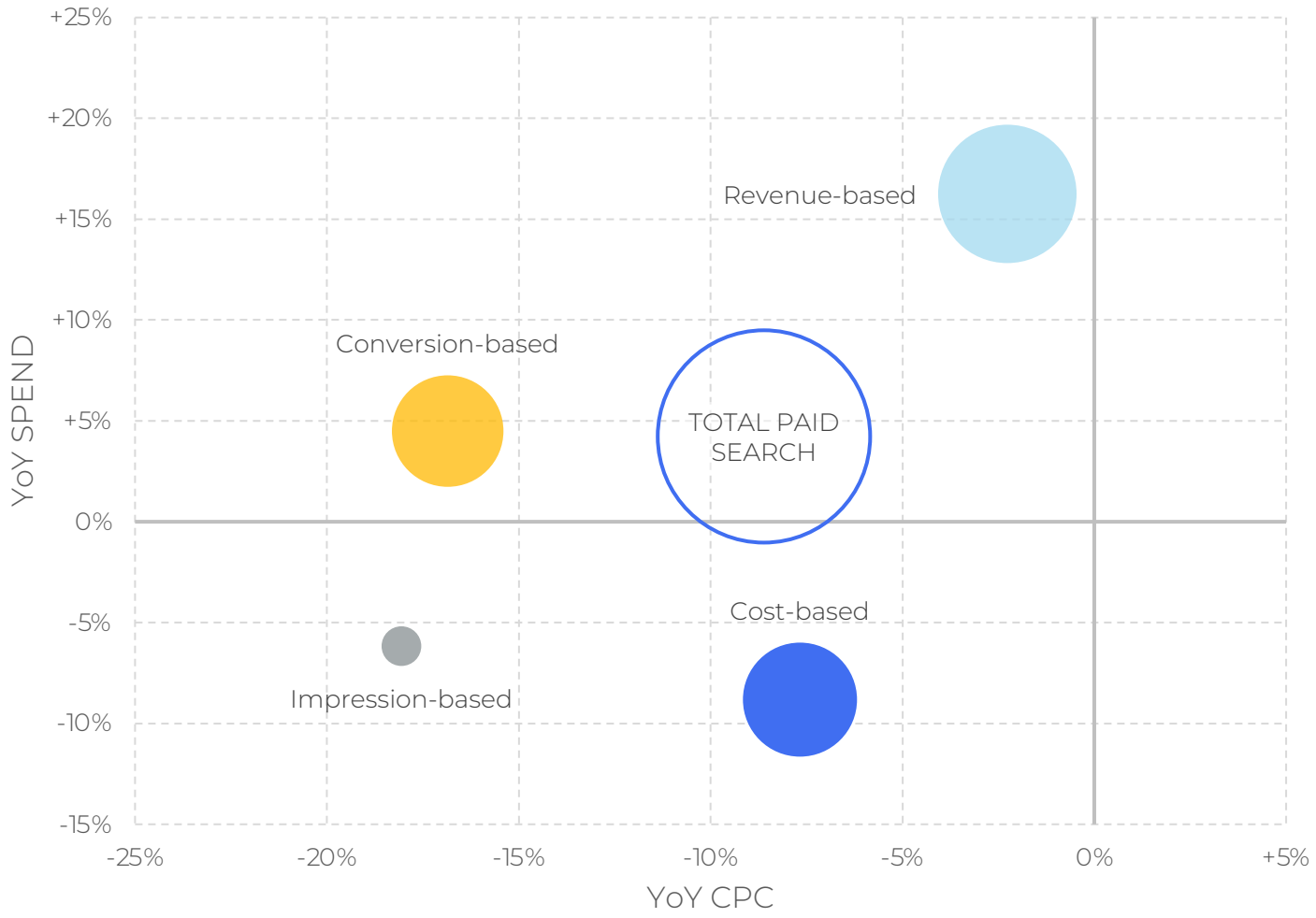
Paid search key drivers

Bidding strategies can be broadly classified into four categories based on their target variable. For example, “Target ROAS” and “Maximize Conversion Value” are both revenue-based strategies, which saw healthy YoY spending growth, while cost-based strategies pulled back.



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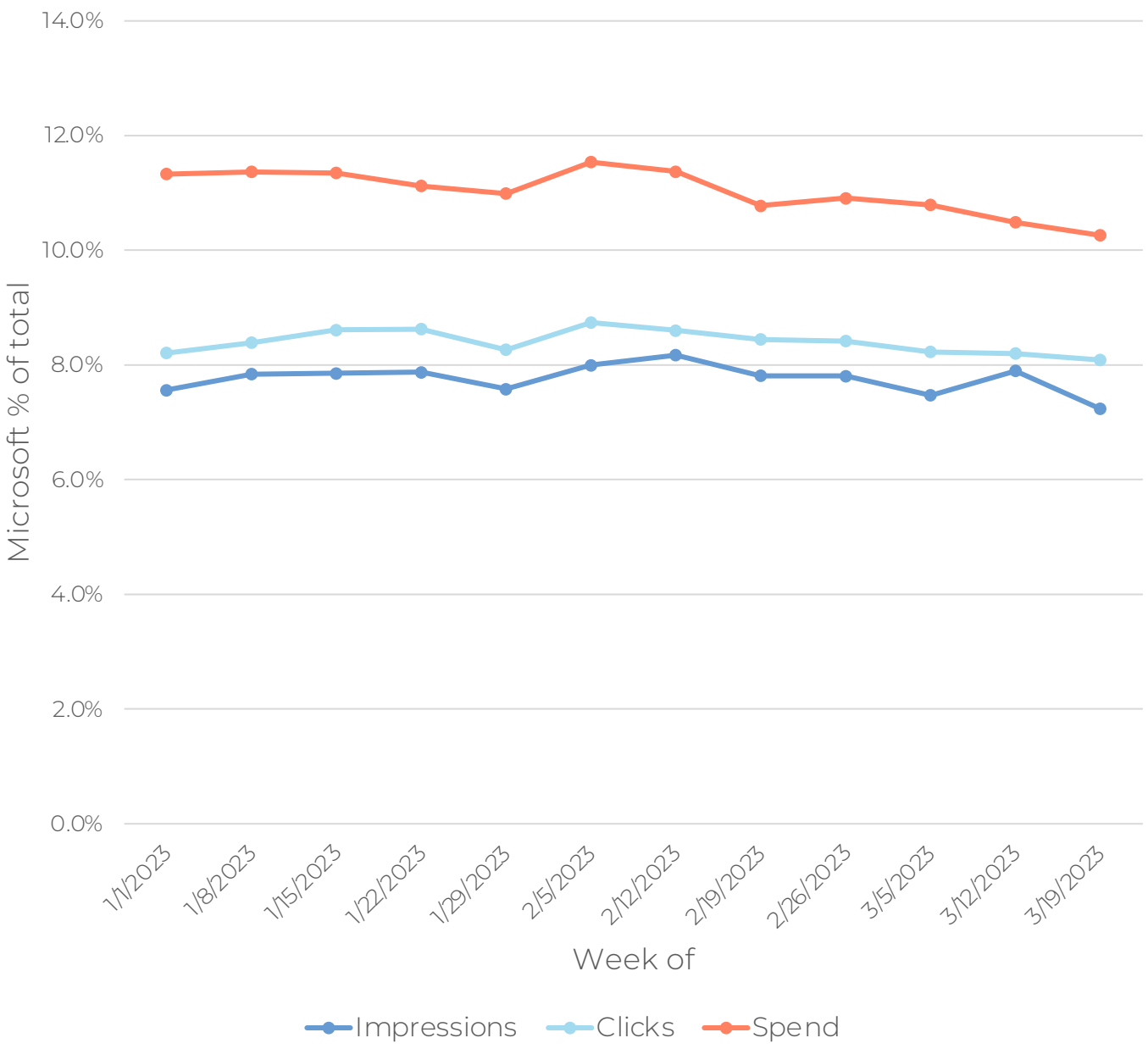
Microsoft and ChatGPT

To date, there is no evidence of Microsoft gaining any “first-mover advantage” in the paid search space due to generative AI.



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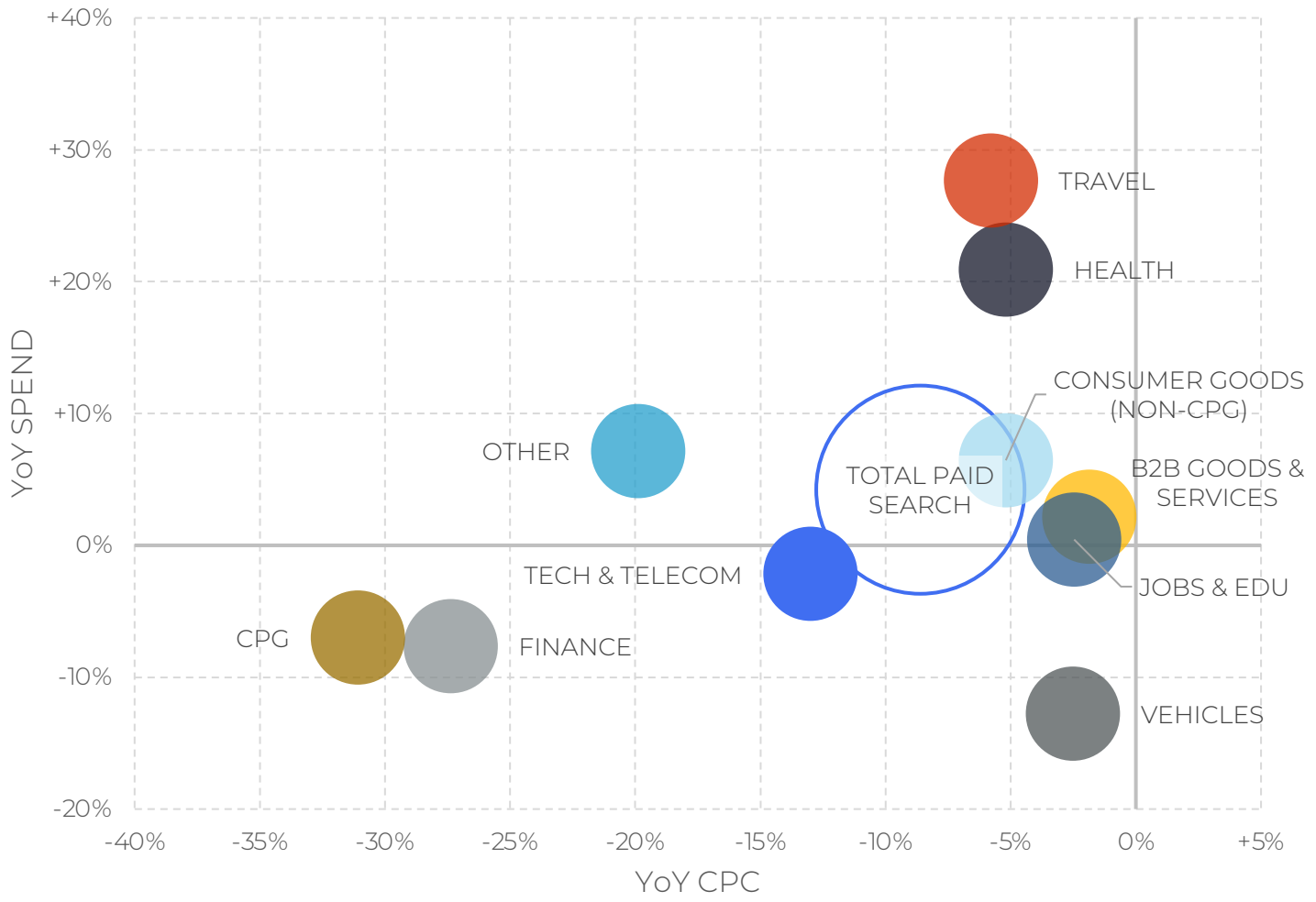
Paid search by industry

CPC was down YoY for all major categories, with Finance, CPG and Tech & Telecom seeing some of the biggest declines.



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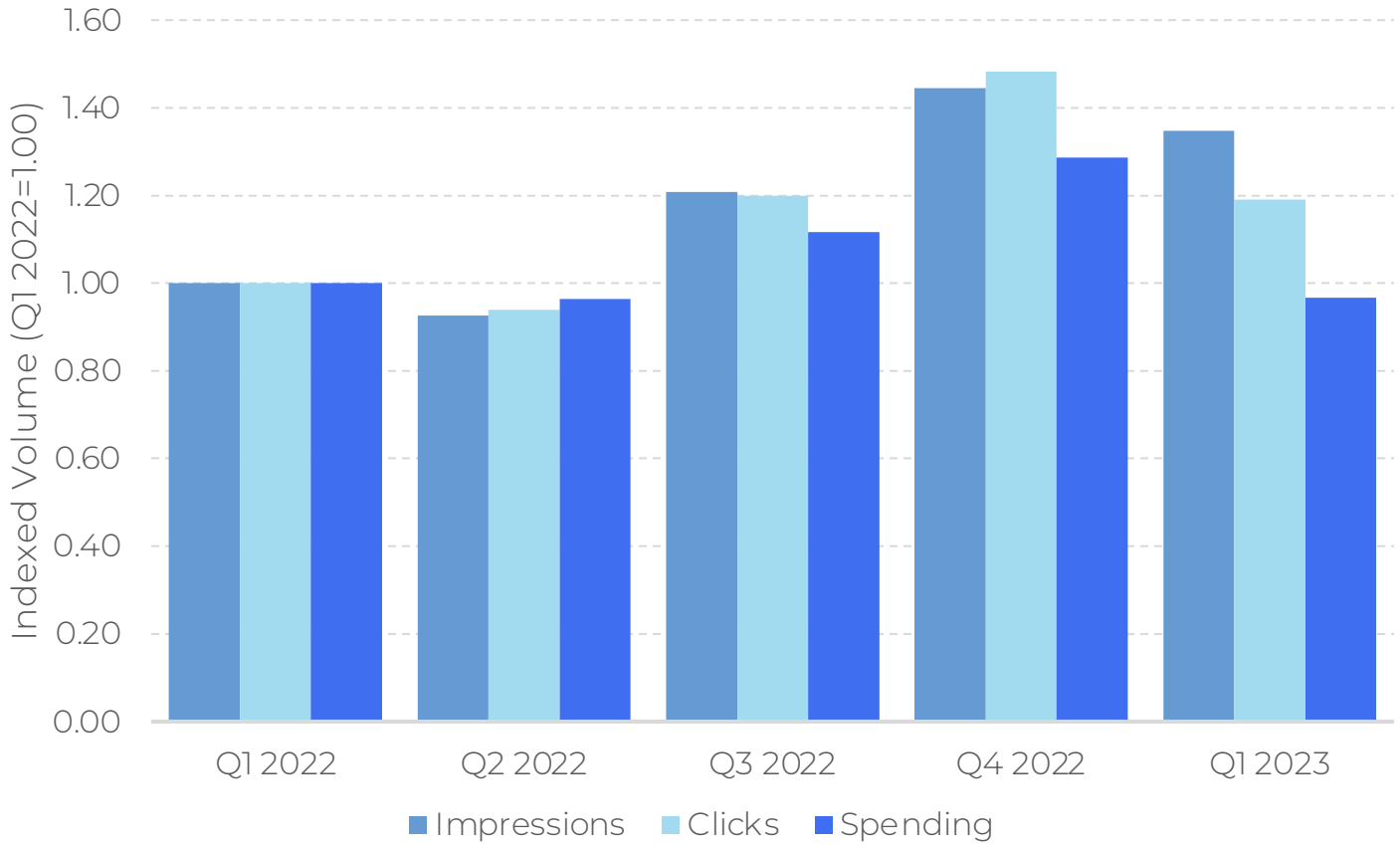
Paid social trends



- Multiple factors are providing both headwinds and tailwinds for paid social spending.
- Once again, CPM dropped year-over-year while impression volume grew, but the latter was not enough to yield positive spending growth.

QoQ	YoY
Impressions	
-7%	+35%
Clicks	
-20%	+19%
Spending	
-25%	-3%

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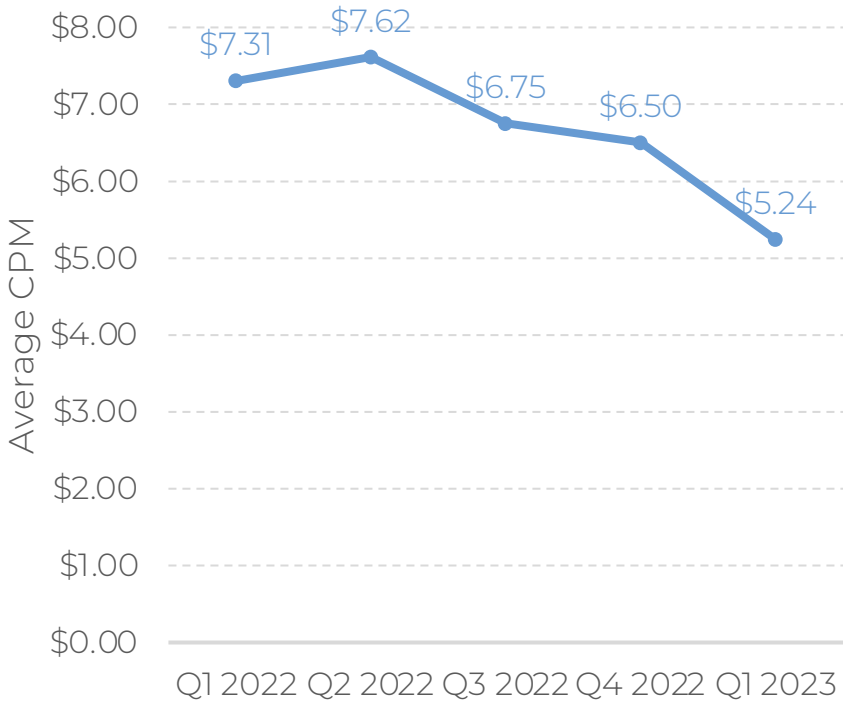
Paid social CPM and CTR trends

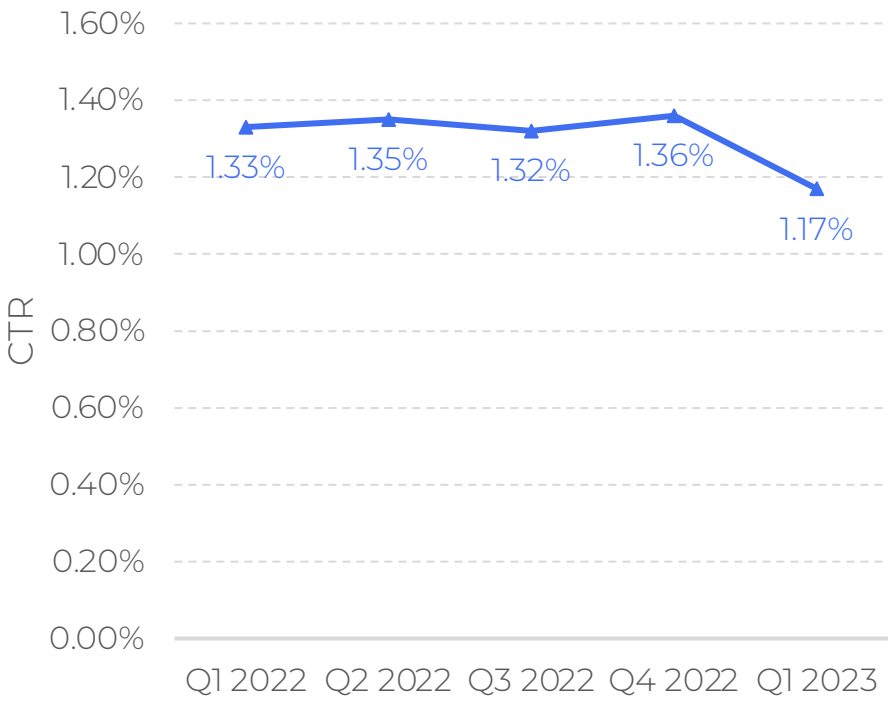


CPM	
QoQ	-19%
YoY	-28%

The shift to updated campaign objectives is a major factor in the overall dip in CPM.

CTR	
QoQ	-14%
YoY	-12%

Stories and Reels ads have increased their share of impressions over time with a lower CTR than other placements.



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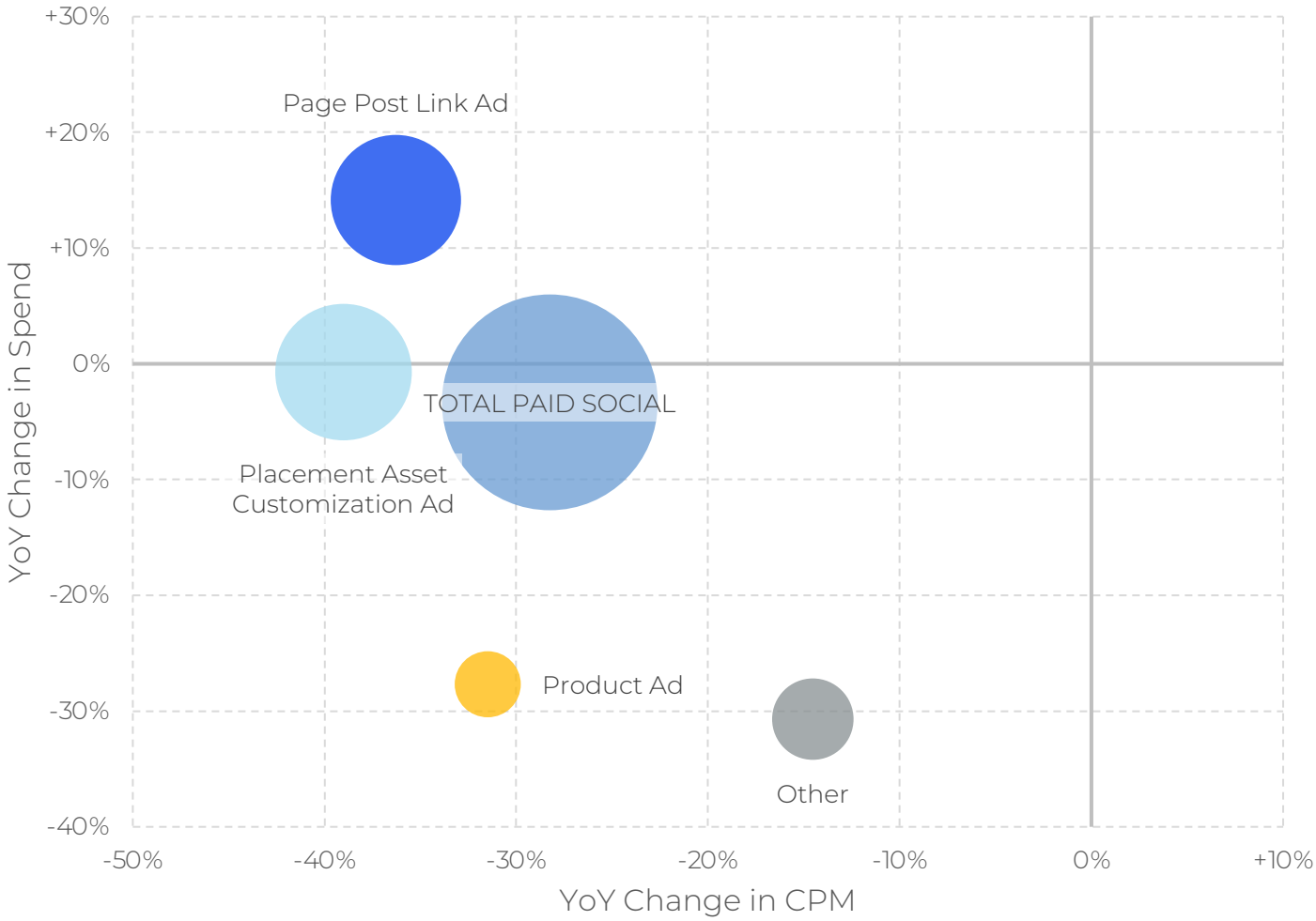
Paid social by ad type

- The two largest segments are Page Post Link ads and Placement Asset Customization ads.
- Page Post Link spending grew YoY despite Placement Asset Customization being the newer ad type.
- What's more, accounts with a majority of spend on Placement Asset Customization saw spending decline 23% YoY.



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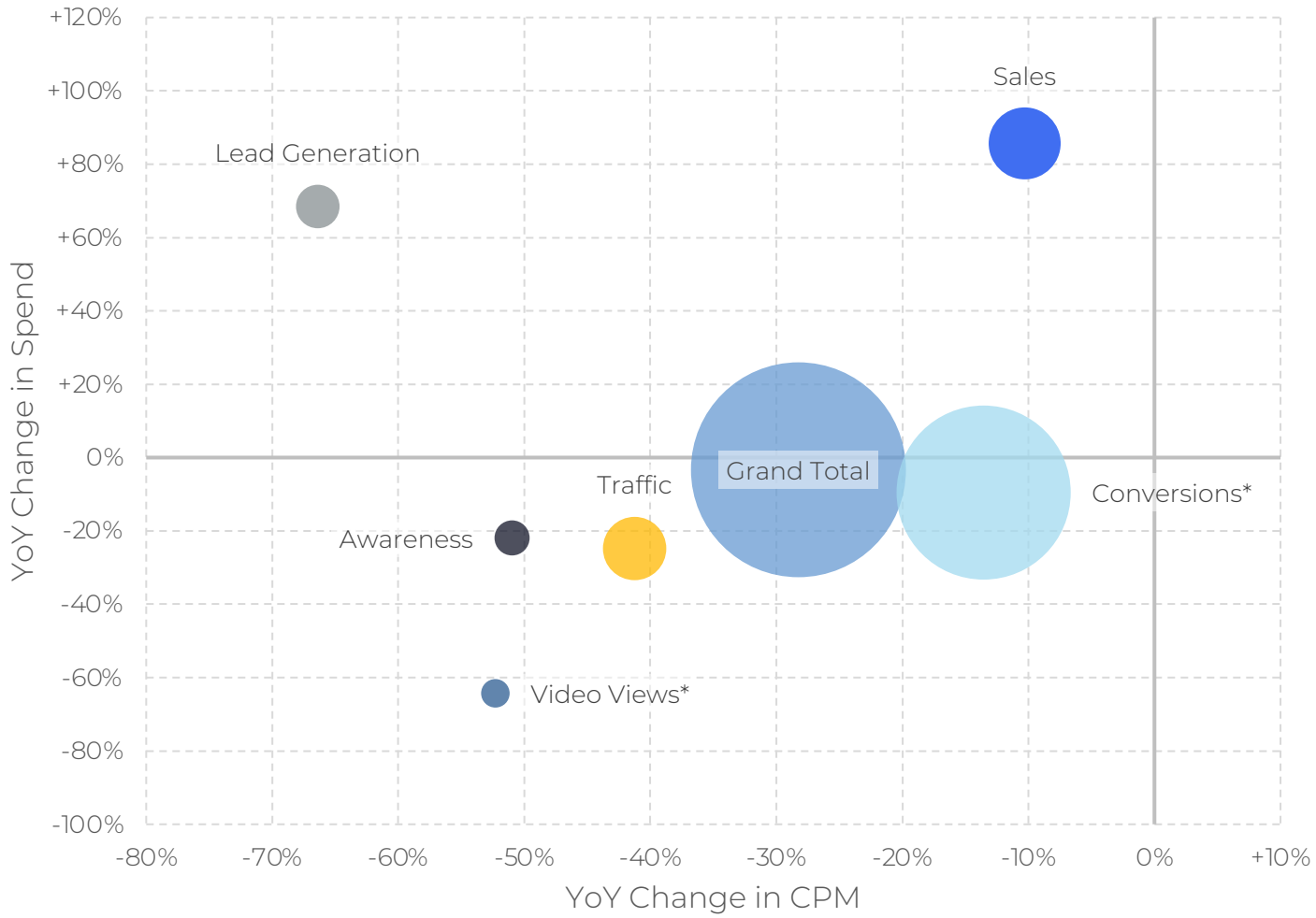
Paid social by campaign objective

- Sales and Lead Generation objectives are both siphoning off campaigns from the Conversions objective, which contributes to their robust spending growth.

- Within several of these objectives, there has been a changeover from the legacy version to a newer version.



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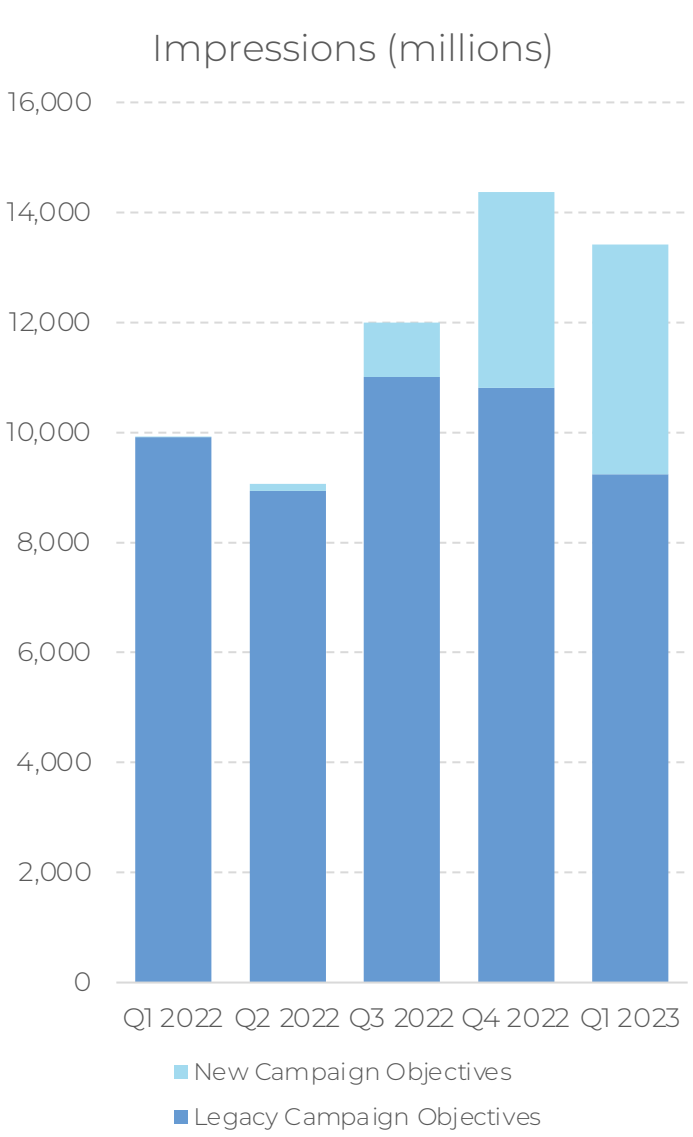
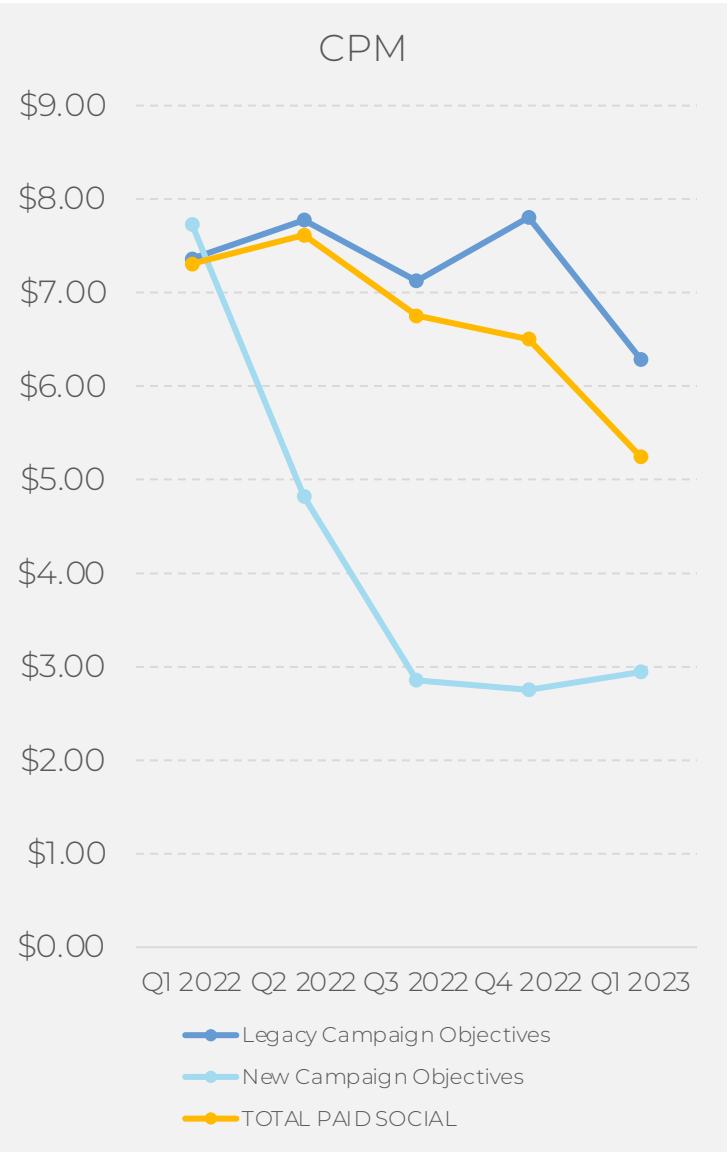
Campaign objective migration





- The changeover to the new campaign objectives has been a major factor in the rise of lower-priced impressions across the channel, putting downward pressure on overall social CPM.

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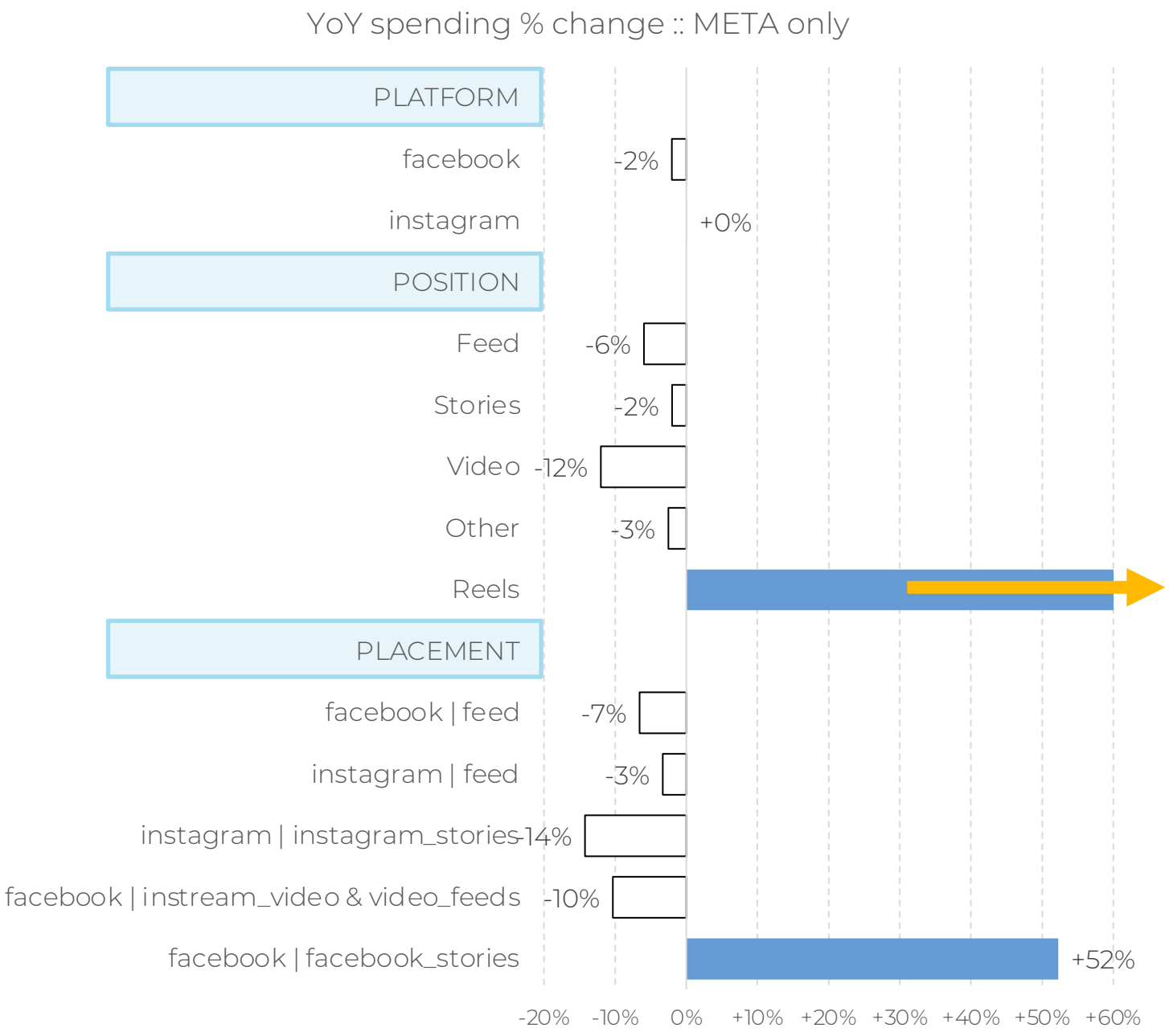
Meta spending growth by placement

Reels is obviously the fastest-growing segment for Meta, but still only comprised 4% of total Meta spending in Q1 2023.



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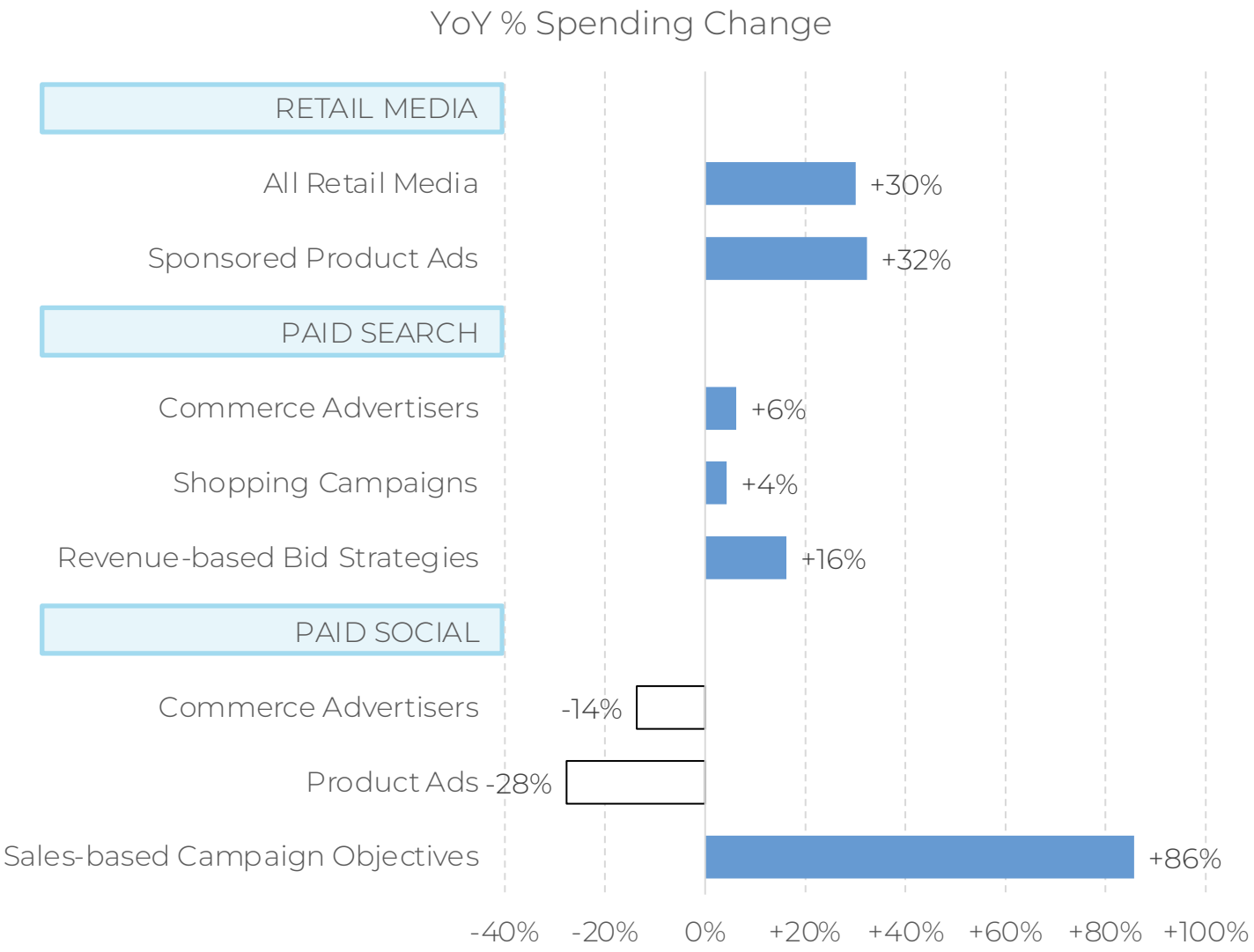
Commerce spending growth across channels



Spending across social commerce segments dipped except at the objective level, implying that Social advertisers did not think their target audiences were in a buying mood.

Growth across retail media and commerce segments of search cast doubt on that assumption, demonstrating the value of a more omnichannel approach.

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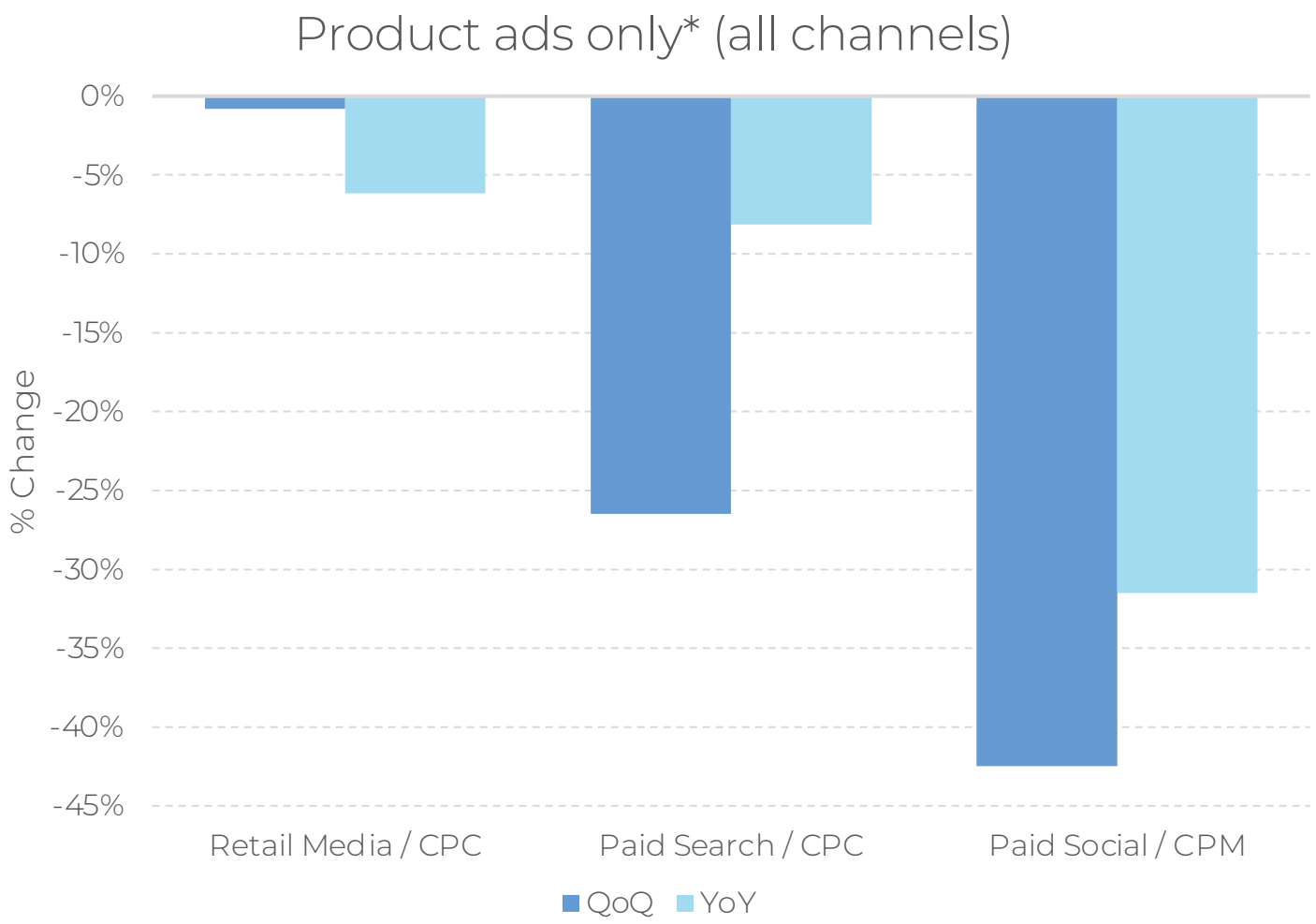
Product ad pricing across channels



While pricing is down for product ads in all channels, there are different underlying reasons.

Paid search "gave back" seasonal increases from last quarter.

Paid social prices combined seasonality with disinvestment in product-specific ads.

The economy likely provided additional YoY headwinds in all cases.

** "Product ads" are defined here as Sponsored Product ads in Retail Media, Shopping Campaigns in Paid Search, and Dynamic Product Ads in Paid Social*

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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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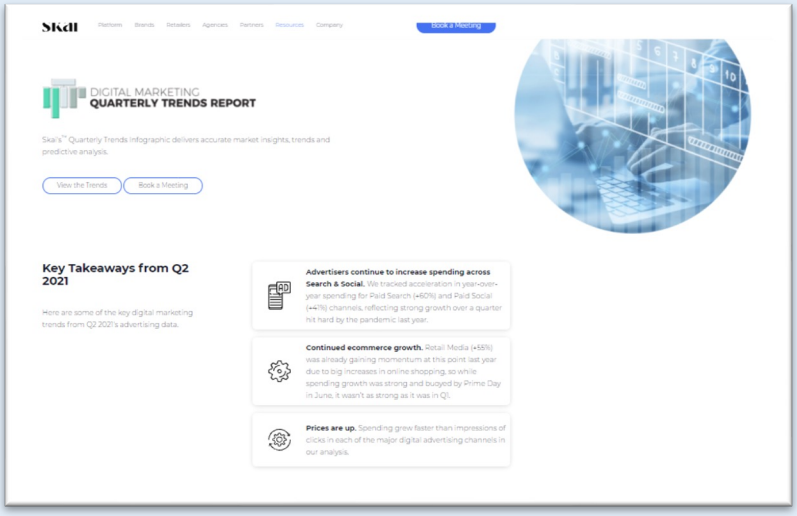

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