

skai

Q2 2023

Quarterly Trends Report

Introduction

Key takeaways

- Improved economic conditions are beginning to spur ad spending growth.
- Increasing conversion rates in retail media and paid search in H1 2023 are allowing for higher short-term ad prices, which can unlock increased ad volume.
- Paid social is still undergoing a transition to higher impression volumes and lower unit prices, although some segments are showing signs of growth.

Q2 2023 in summary

At this time last year, the first signs of high inflation were beginning to take their toll both across the broader economy and for digital advertising specifically. As consumers got more selective, conversion funnels got longer and ad prices dropped, bringing overall spending down. Going into the new year, many advertisers were taking a “wait and see” approach to their ad budgets, saving money until the overall picture became clearer.

Fast forward one year, and we’ve waited. We’ve seen. And we are ready to spend again. Multiple indicators in our data point to a strong H2 as economic conditions improve. Retail media is already showing clear signs of accelerating spending growth, while both paid search and paid social look like they are hitting the end of recent deceleration trends. Shopping and commerce formats are on the upswing across channels.

We are also towards the end of a period of changes in paid social and paid search, that have aimed to streamline and simplify goals and objectives under the hood, while embracing new developments like short-form video and algorithmically-generated ads. Now that this transition is mostly behind us, advertisers can build and optimize from their new baseline. With the backdrop of a growing economy, that growth should bolster digital ads through at least the end of the year, if not beyond.

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What you need
to know



Core
trends



Omnichannel:
Commerce



About this
report

Retail media growth accelerates while other channels hold

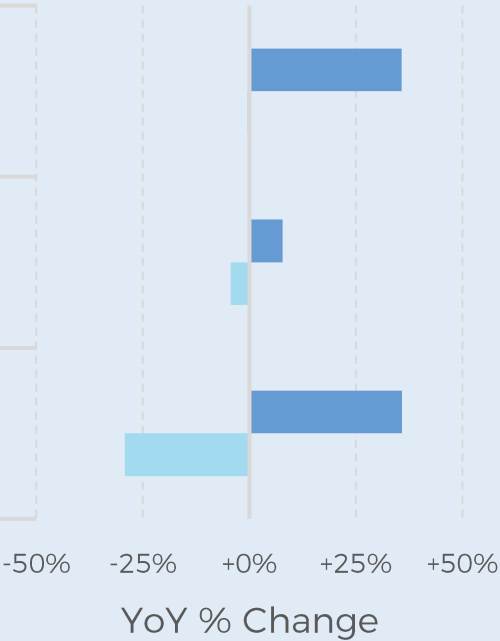


Year-over-year (YoY) spending grew 35% for retail media, up from 30% last quarter, while paid search and paid social only varied slightly from last quarter's trend.

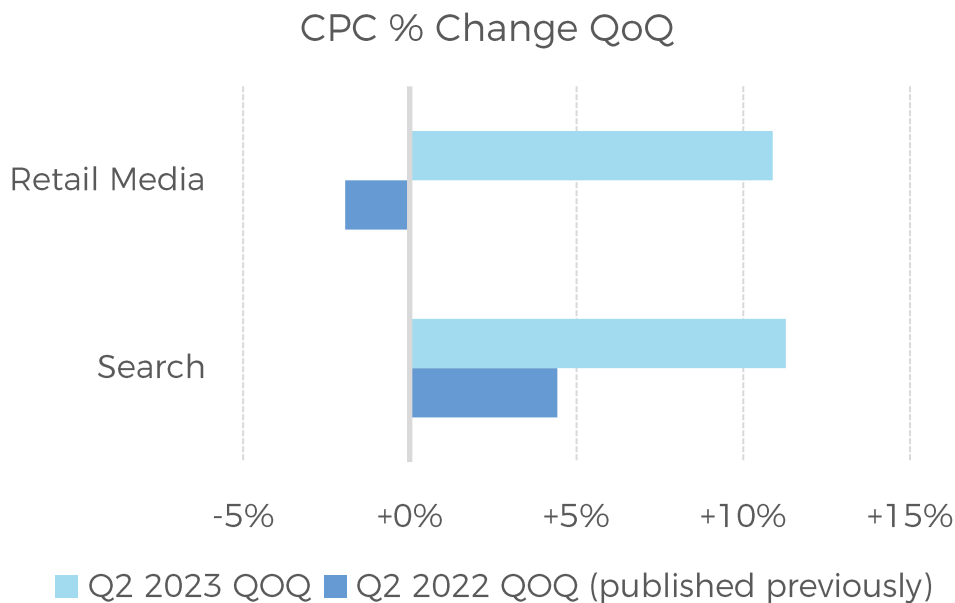
Ad volume grows, with less resistance from pricing

In previous quarters, lower YoY ad pricing kept spending growth in check despite more clicks and impressions. While that is still true for paid social, pricing had much less impact on retail media and paid search.

Retail Media	Clicks
	CPC
Paid Search	Clicks
	CPC
Paid Social	Impressions
	CPM



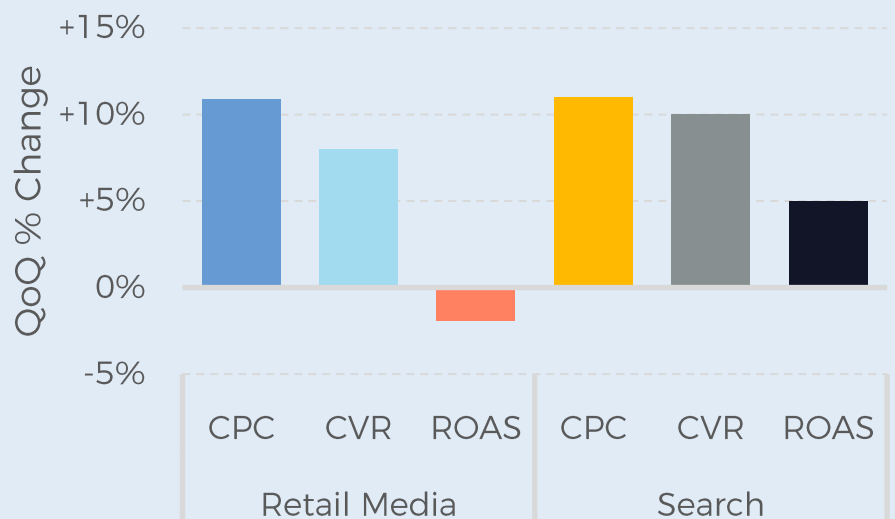
Sequential price increases in retail media and search



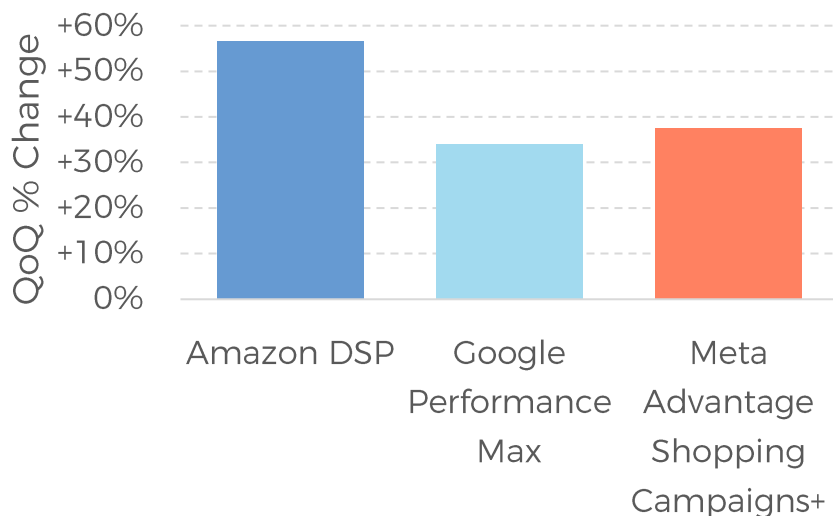
Compared to last quarter, both retail media and search CPC grew by more than 10%.

Virtuous cycle drives retail media, paid search

For both retail media and paid search, higher retail media conversion rate (CVR) in H1 2023 has allowed CPC increases without much effect on overall return on ad spend (ROAS).



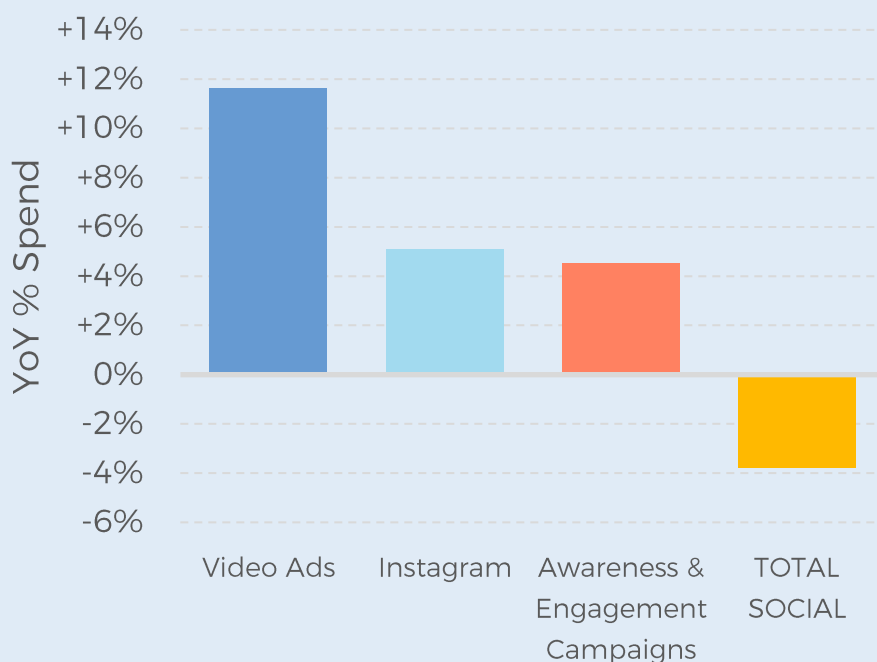
Expansion of formats and placements for commerce ads



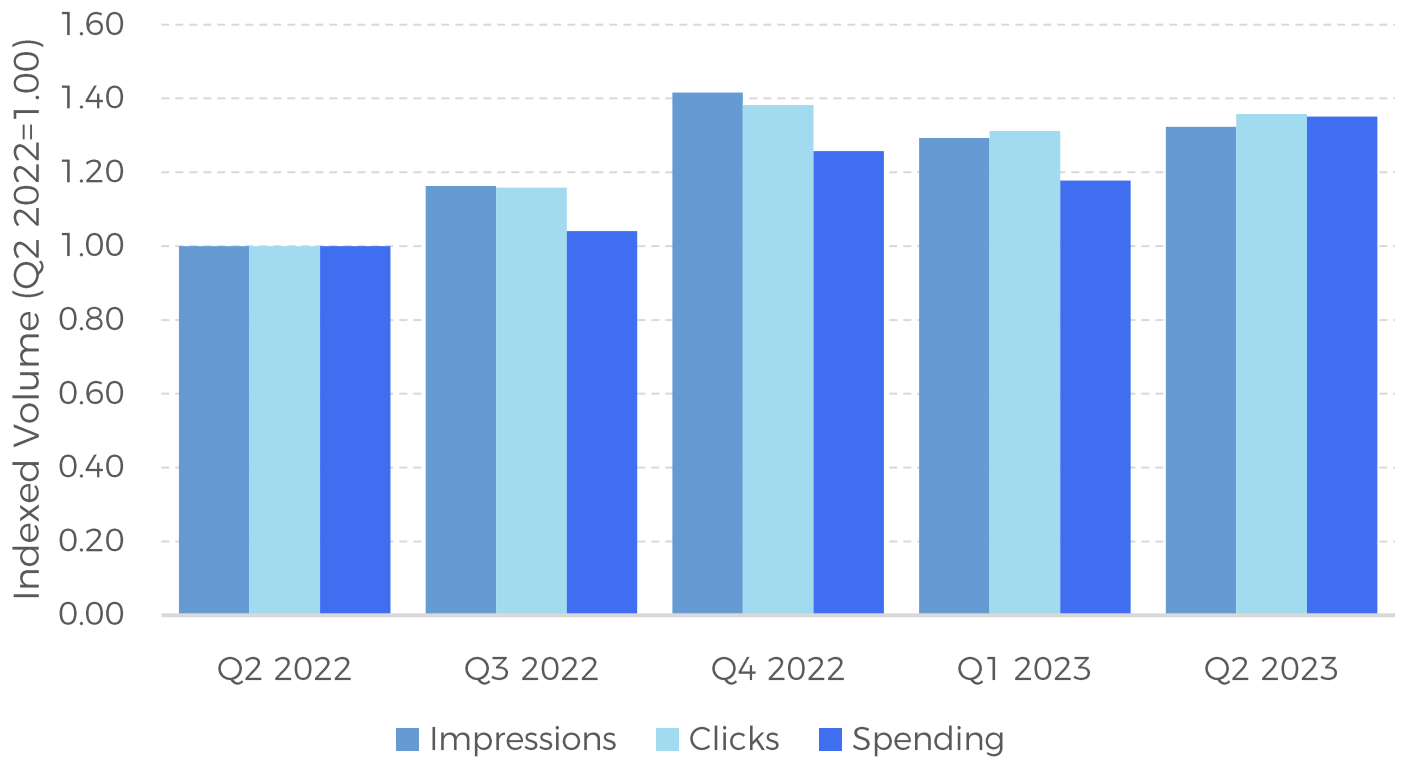
In each channel, commerce ads that are taking new forms and reaching new audiences showed robust QoQ growth.

Bright spots in paid social

While overall social spending was down, several segments saw growth over Q2 2022.



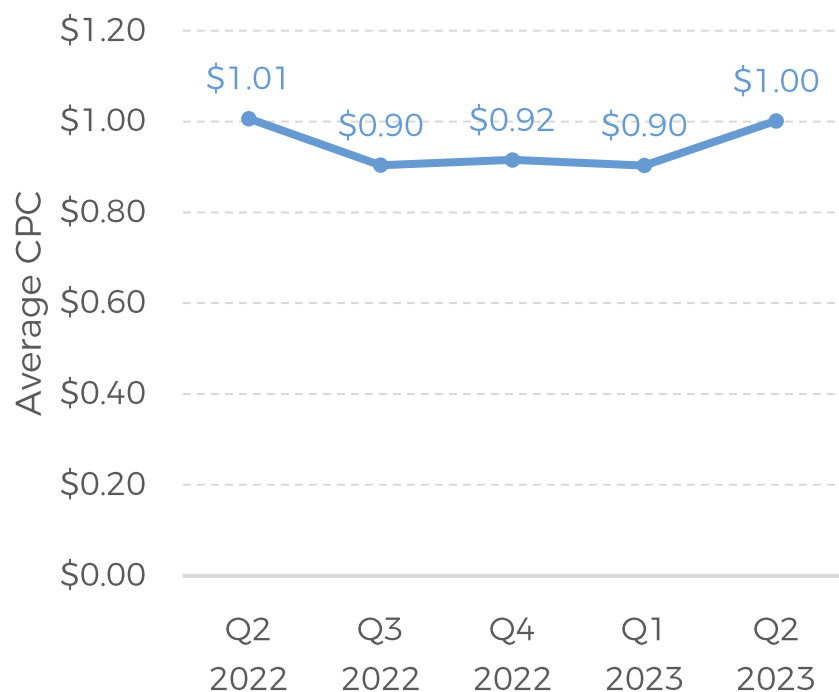
Retail media trends



- Retail media spending growth accelerated to 35% year-over-year.
- Average CPC was stable YoY, which means that increasing click volume was the primary driver of growth over that period.

QoQ	YoY
Impressions	
+2%	+32%
Clicks	
+3%	+36%
Spending	
+15%	+35%

Retail media CPC and CTR trends

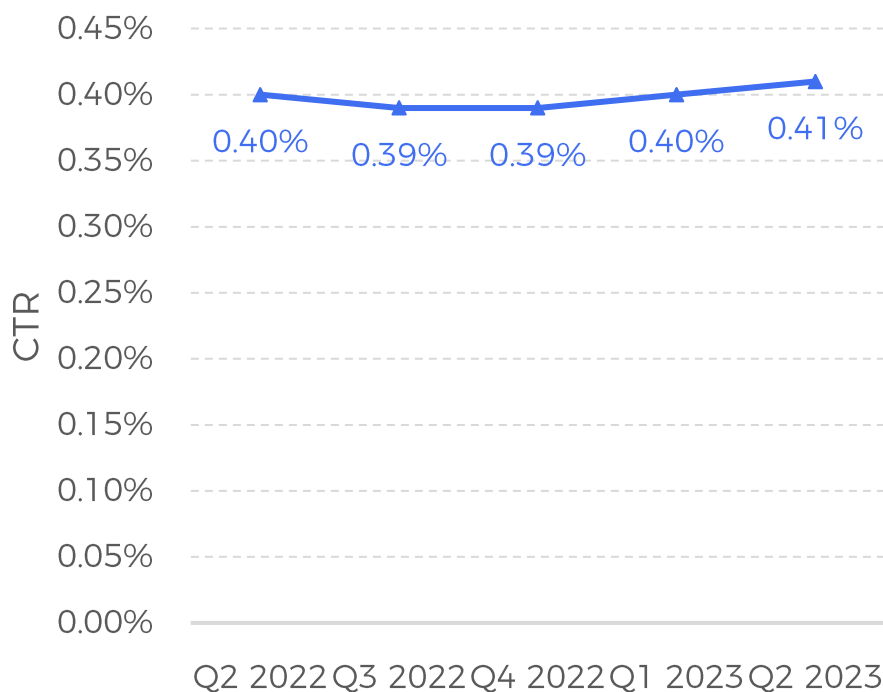


CPC	
QoQ	+11%
YoY	0%

Retail media click prices have returned to where they were a year ago before inflation concerns took hold.

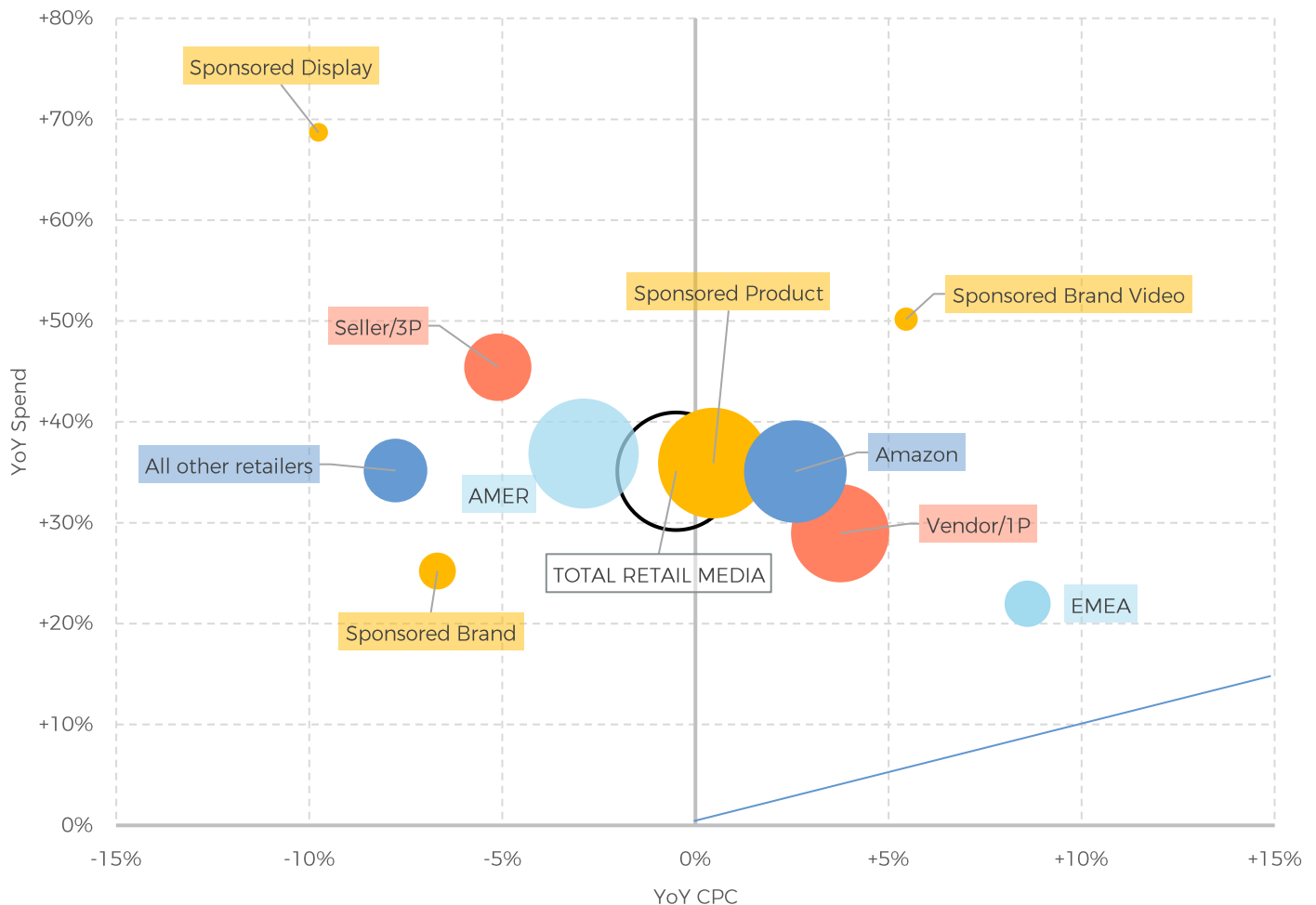
CTR	
QoQ	+3%
YoY	+3%

Engagement with retail media ads has crept up over the last three quarters.



Retail media key drivers

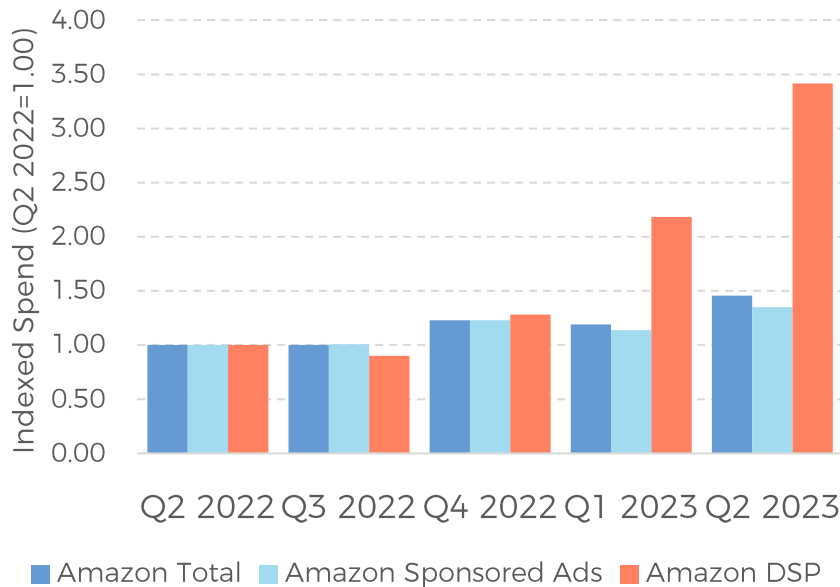
There is a wide swath of segments growing between 30% and 40% YoY, while the smaller Sponsored Display and Sponsored Brand Video segments grew the fastest.



HOW TO READ THIS CHART: The x-axis is YoY change in CPC and the y-axis is YoY change in spend, so the upper right quadrant, for example, will include segments who saw both an increase in CPC and spend. The diagonal reference line represents a change in spend solely due to a change in ad price. Anything above that line had YoY growth in clicks and anything below had lower click volume. Bubble size represents share of total spend.

Legend
Retailer
Region
Advertiser Type
Ad Type

Amazon DSP spending growth



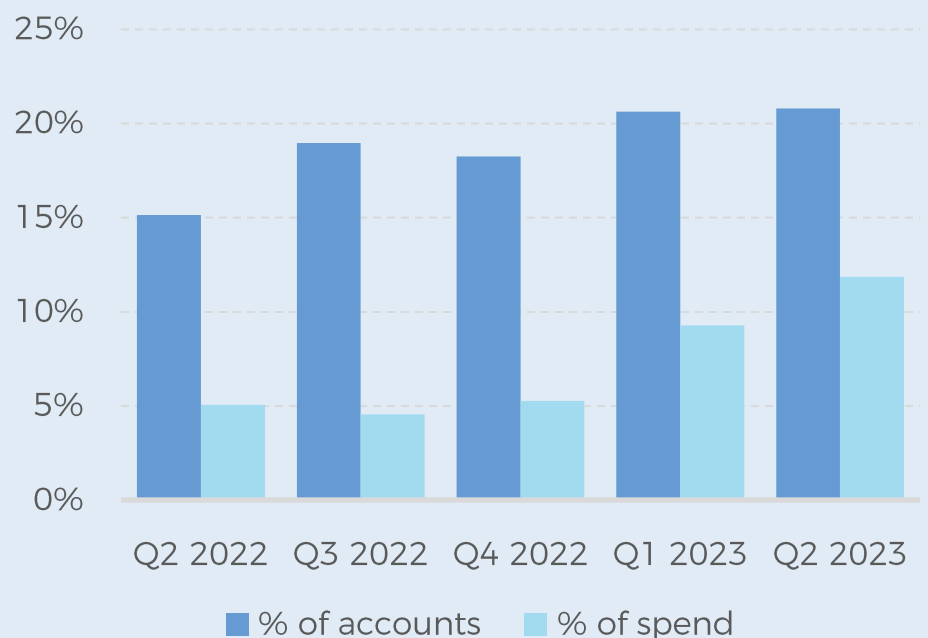
Looking at Amazon DSP spending from accounts who qualified for our retail media analysis shows Amazon DSP growing 3.4X over Q2 2022.

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

Amazon DSP market penetration

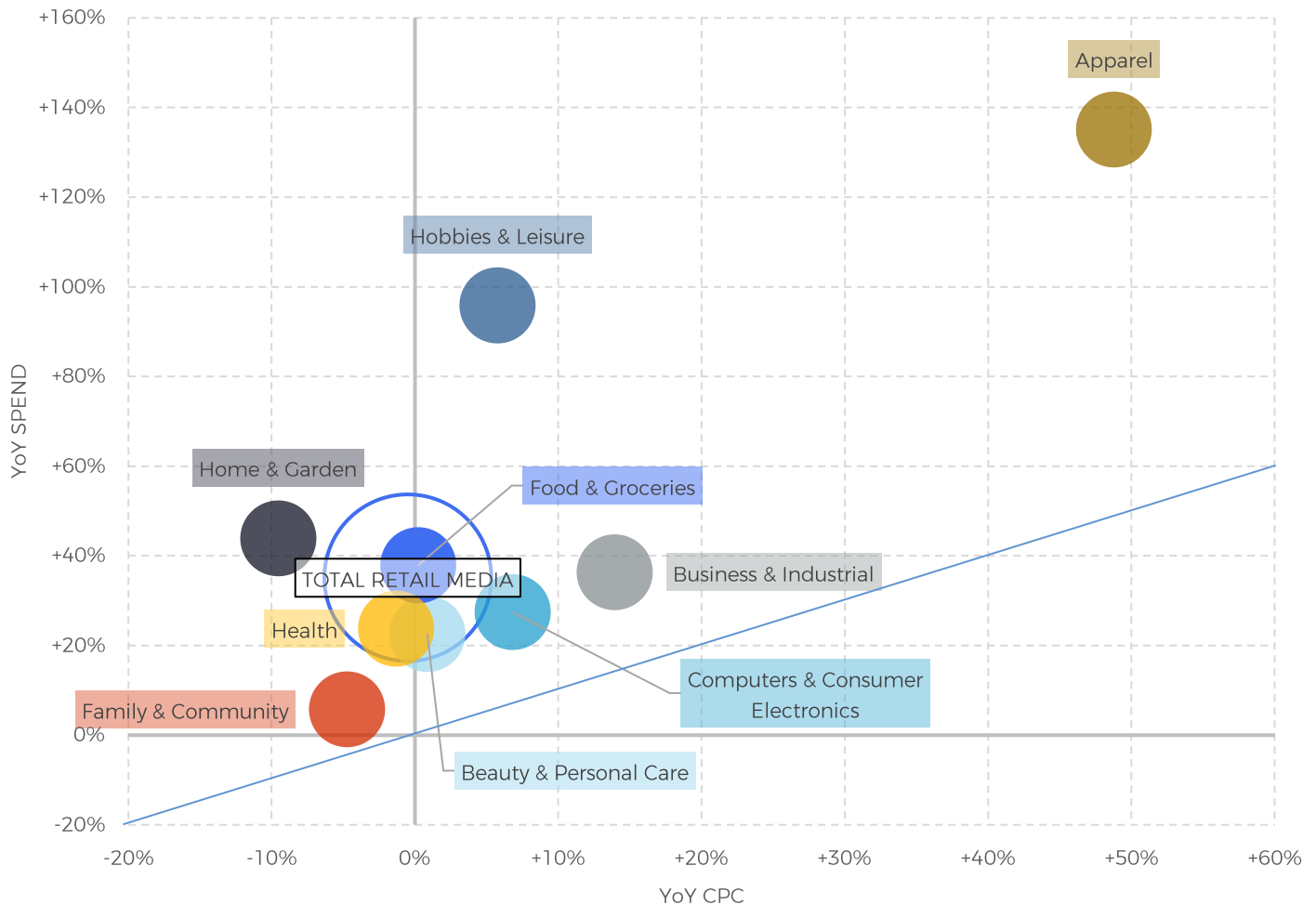
Amazon DSP accounted for 12% of total Amazon spending in Q2 2023.

The maximum share of Amazon spending for any individual advertiser in Q2 2023 was 53%.



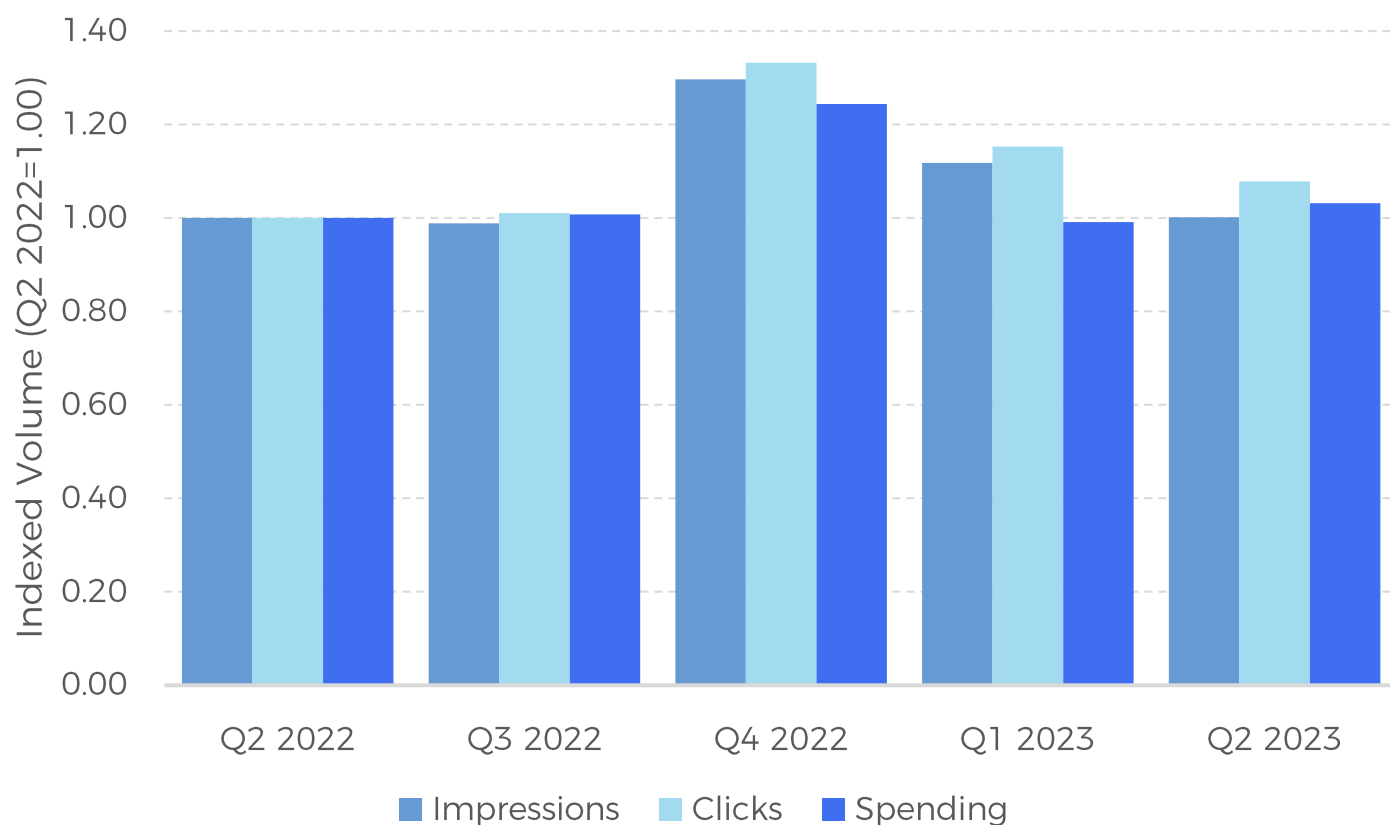
Retail media by industry

- Apparel and Hobbies & Leisure saw the highest YoY growth in spending, with Apparel also seeing nearly a 50% increase in CPC.
- Family & Community, which includes baby products, saw the lowest growth.



HOW TO READ THIS CHART: The x-axis is YoY change in CPC and the y-axis is YoY change in spend, so the upper right quadrant, for example, will include segments who saw both an increase in CPC and spend. The diagonal reference line represents a change in spend solely due to a change in ad price. Anything above that line had YoY growth in clicks and anything below had lower click volume. Bubble size does NOT represent share of spend in the industry category view.

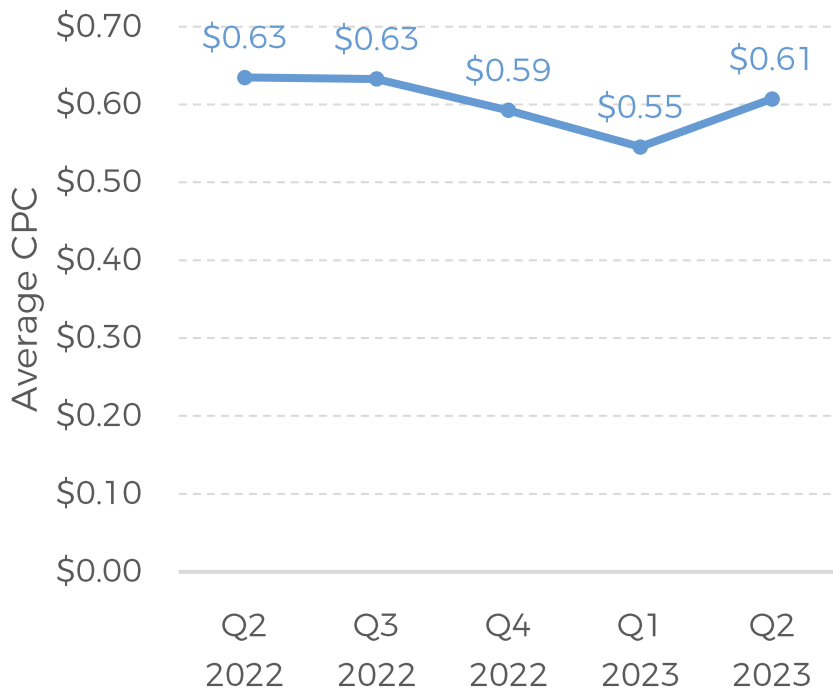
Paid search trends



- Search spending grew 3% year-over-year.
- Performance Max helped move the needle for shopping campaigns, and for search spending as a whole.

QoQ	YoY
Impressions	
-10%	0%
Clicks	
-6%	+8%
Spending	
+4%	+3%

Paid search CPC and CTR trends

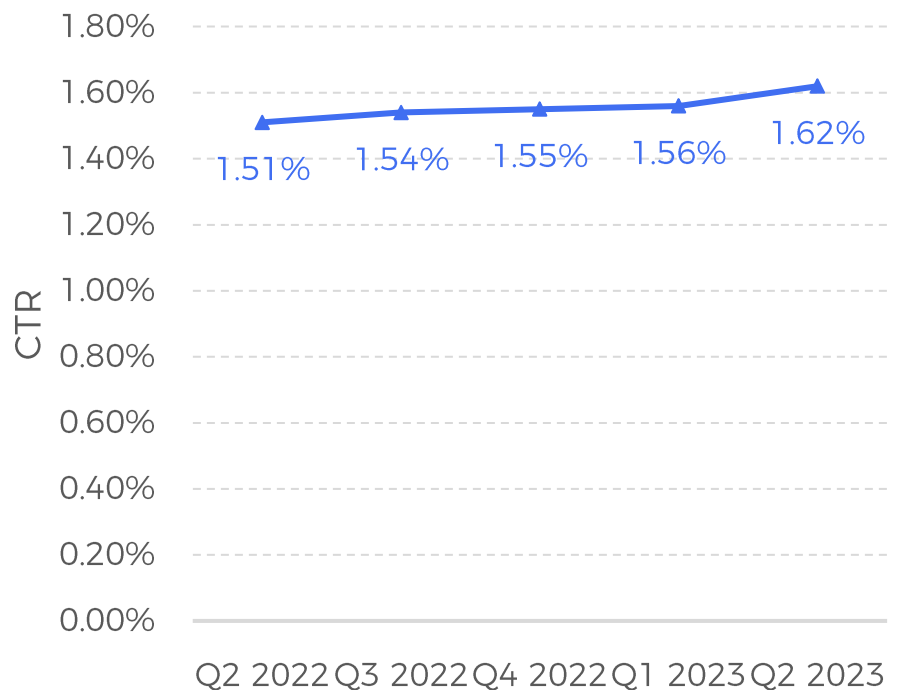


CPC	
QoQ	+11%
YoY	-4%

Average CPC rebounded in Q2 after two quarters of decline.

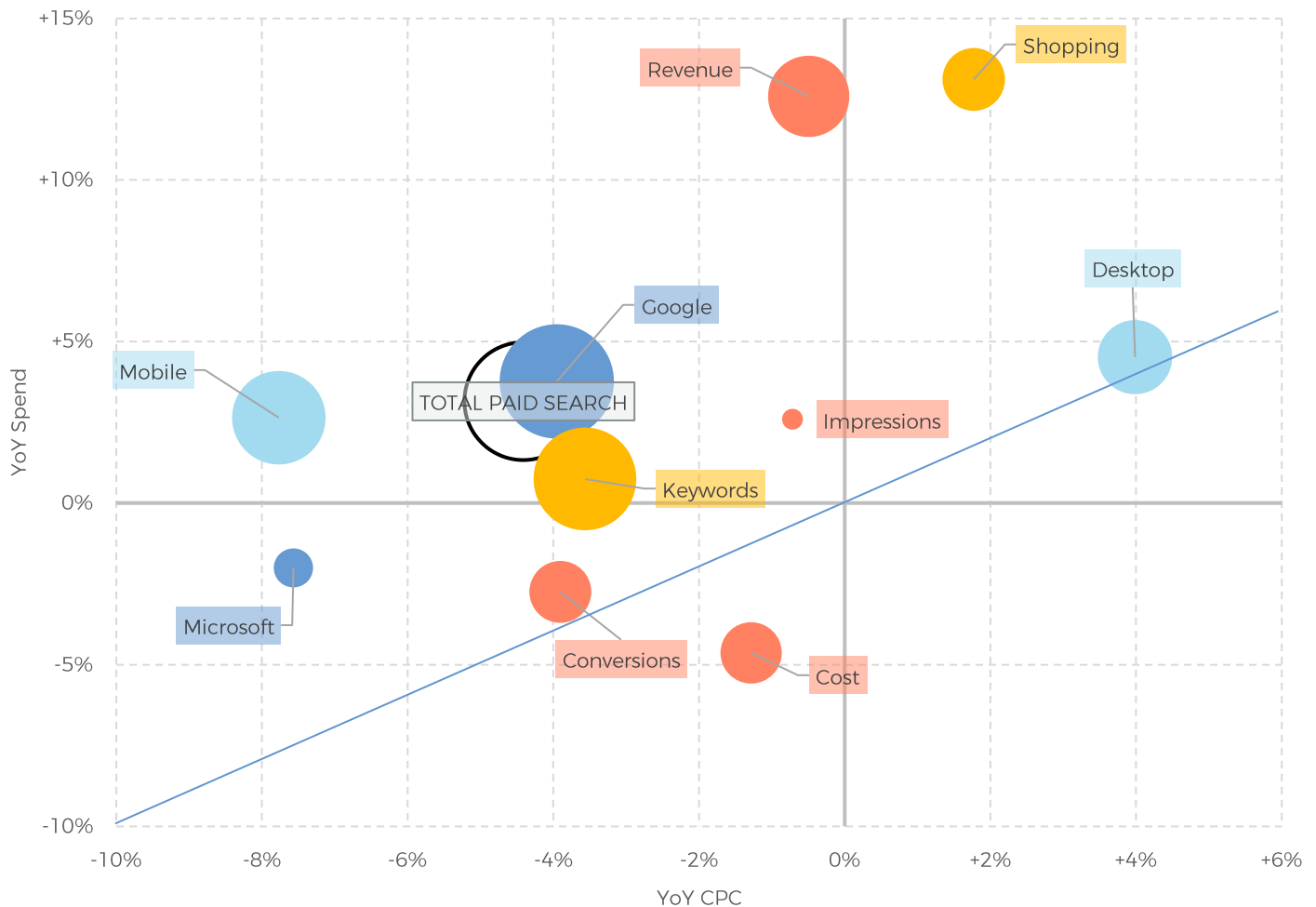
CTR	
QoQ	+4%
YoY	+7%

Clickthrough rate has edged higher in each of the last four quarters.



Paid search key drivers

Microsoft and mobile search saw the largest YoY drop in CPC, and these segments saw a YoY decline in spending or slower growth than their opposite segments, respectively.



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Legend
Publisher
Device
Bidding Target
Campaign Type/Goal

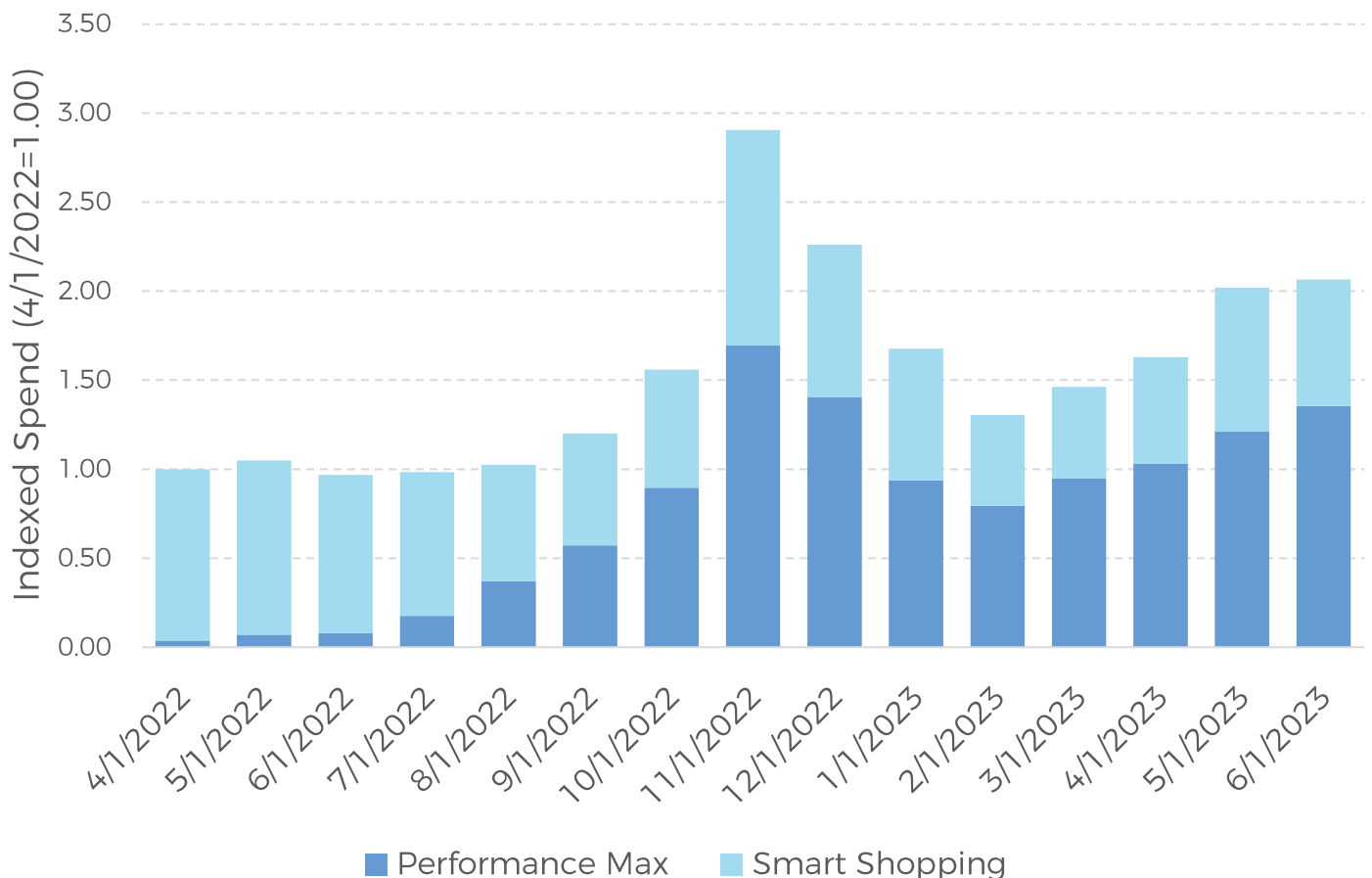
Performance Max

Performance Max has outspent Smart Shopping Campaigns in aggregate since October, and now enjoys nearly a 2-to-1 spending advantage over its predecessor.

Total spending on PMax increased 34% from Q1 to Q2.

Nearly 2 in 5 Google accounts are using Performance Max, although share of spend is still just 7%.

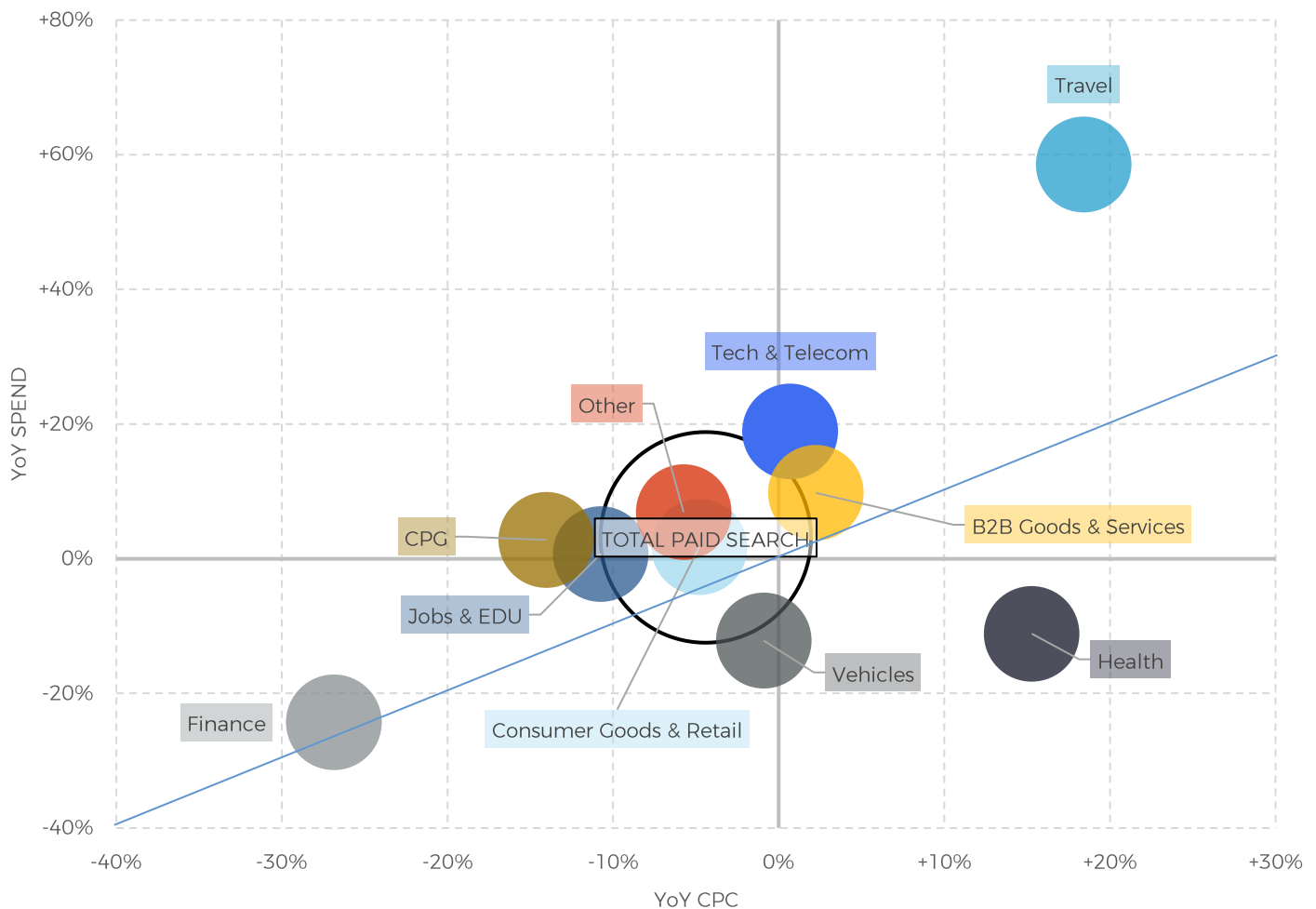
Performance Max + Smart Shopping :: Google only



Paid search by industry

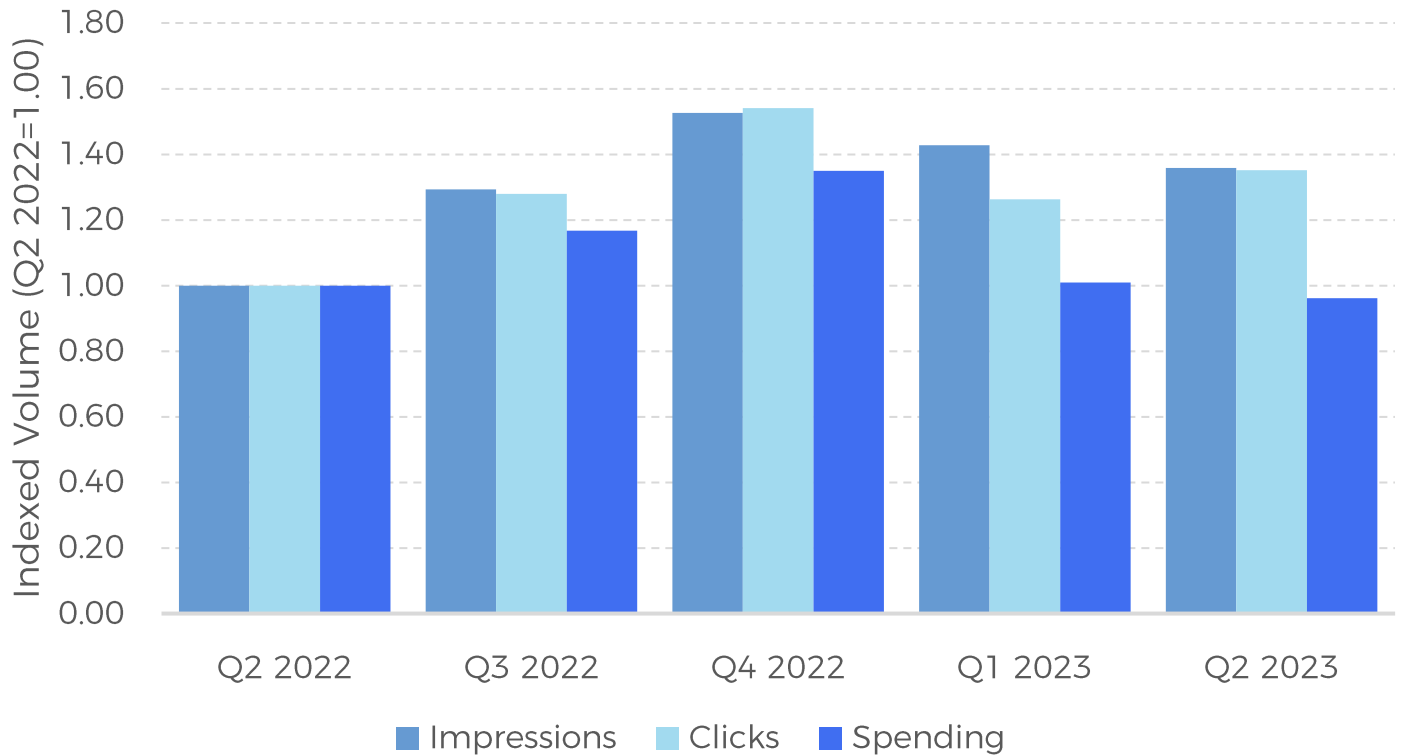
Travel continues to see the largest increases in both spend and CPC.

Finance is close to the reference line, which means the drop in spend was almost entirely due to lower ad prices.



HOW TO READ THIS CHART: The x-axis is YoY change in CPC and the y-axis is YoY change in spend, so the upper right quadrant, for example, will include segments who saw both an increase in CPC and spend. The diagonal reference line represents a change in spend solely due to a change in ad price. Anything above that line had YoY growth in clicks and anything below had lower click volume. Bubble size does NOT represent share of spend in the industry category view.

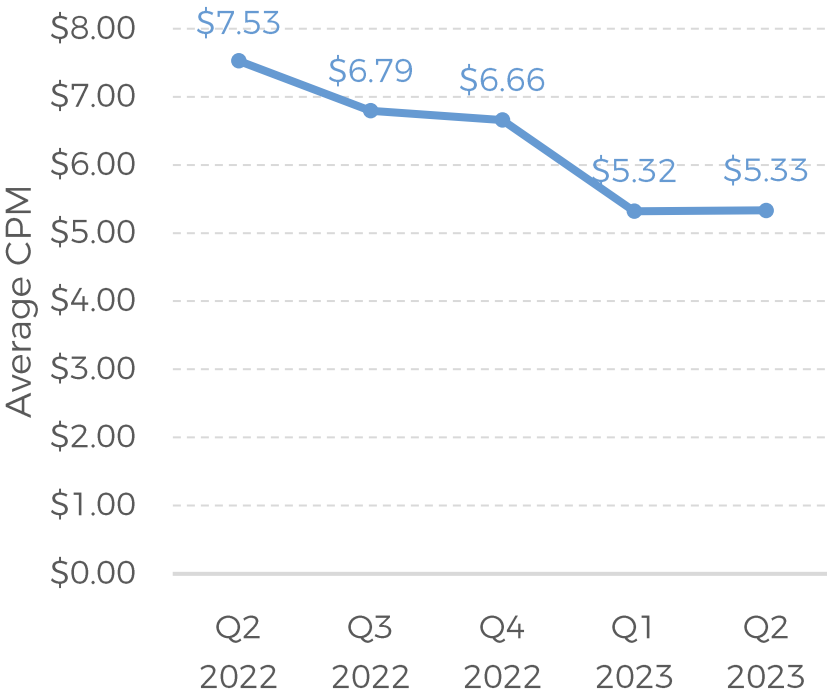
Paid social trends



- The fundamental trend of “more impressions at lower prices” continued into Q2, resulting in an overall 4% dip in YoY spending.
- Awareness & Engagement campaign objectives, video ads and Instagram bucked that trend, with positive spending growth.

QoQ	YoY
Impressions	
-5%	+36%
Clicks	
+7%	+35%
Spending	
-5%	-4%

Paid social CPM and CTR trends

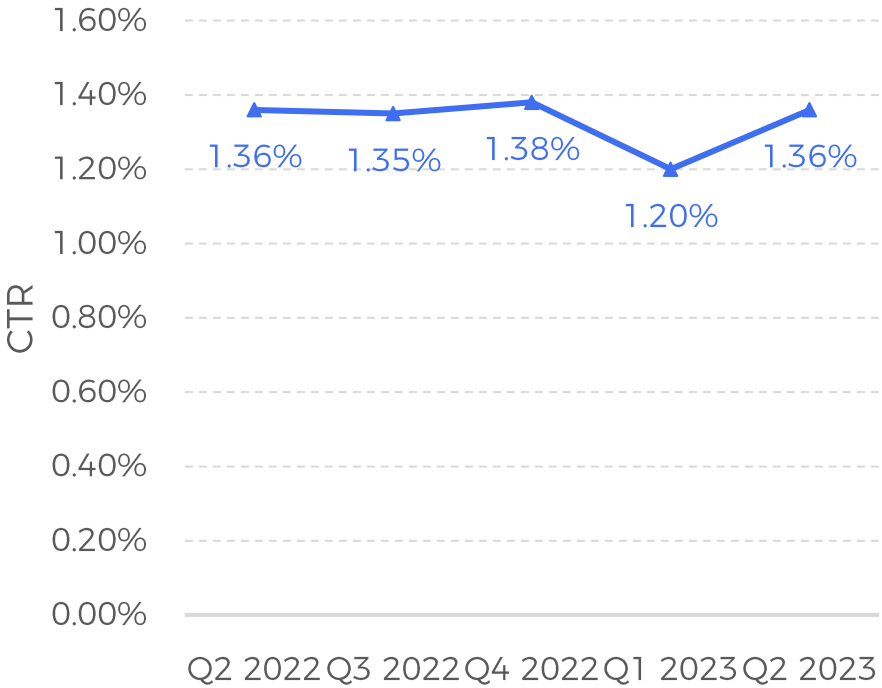


CPM	
QoQ	0%
YoY	-29%

Average CPM has been stable through the first half of the year, which may mean the current downward pricing trend has hit its lowest point.

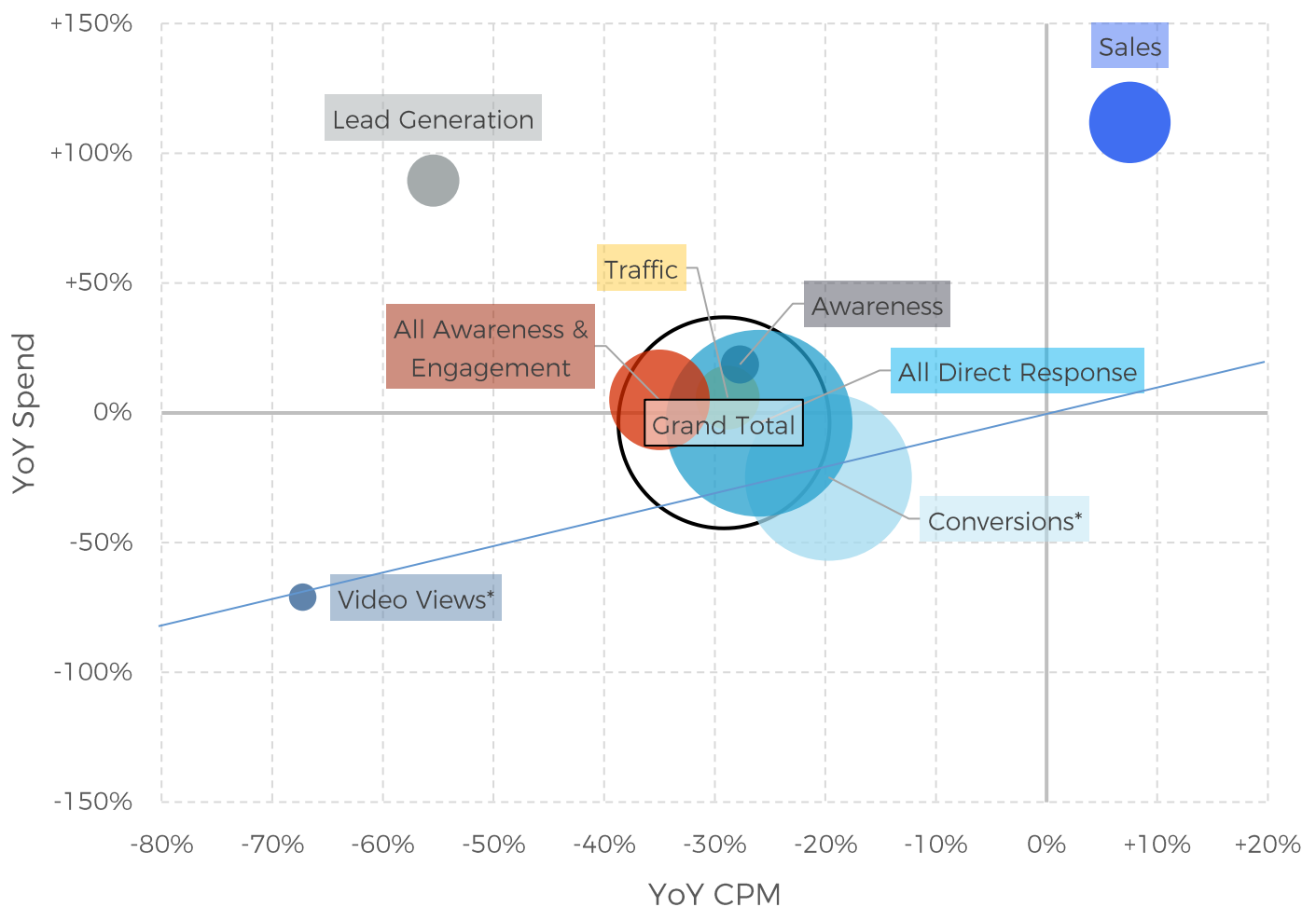
CTR	
QoQ	+13%
YoY	0%

Newly launched campaign objectives, along with video ads, drove the QoQ jump in clickthrough rate.



Paid social by campaign objective

- Sales and Lead Generation objectives continue to siphon off campaigns from the Conversions objective, which contributes to their robust spending growth.
- If we reduce campaign objectives into either Direct Response or Awareness & Engagement, we see a very clear split in YoY trends.



HOW TO READ THIS CHART: The x-axis is YoY change in CPM and the y-axis is YoY change in spend, so the upper right quadrant, for example, will include segments who saw both an increase in CPM and spend. The diagonal reference line represents a change in spend solely due to a change in ad price. Anything above that line had YoY growth in impressions and anything below had lower impression volume. Bubble size represents percent of total spend.

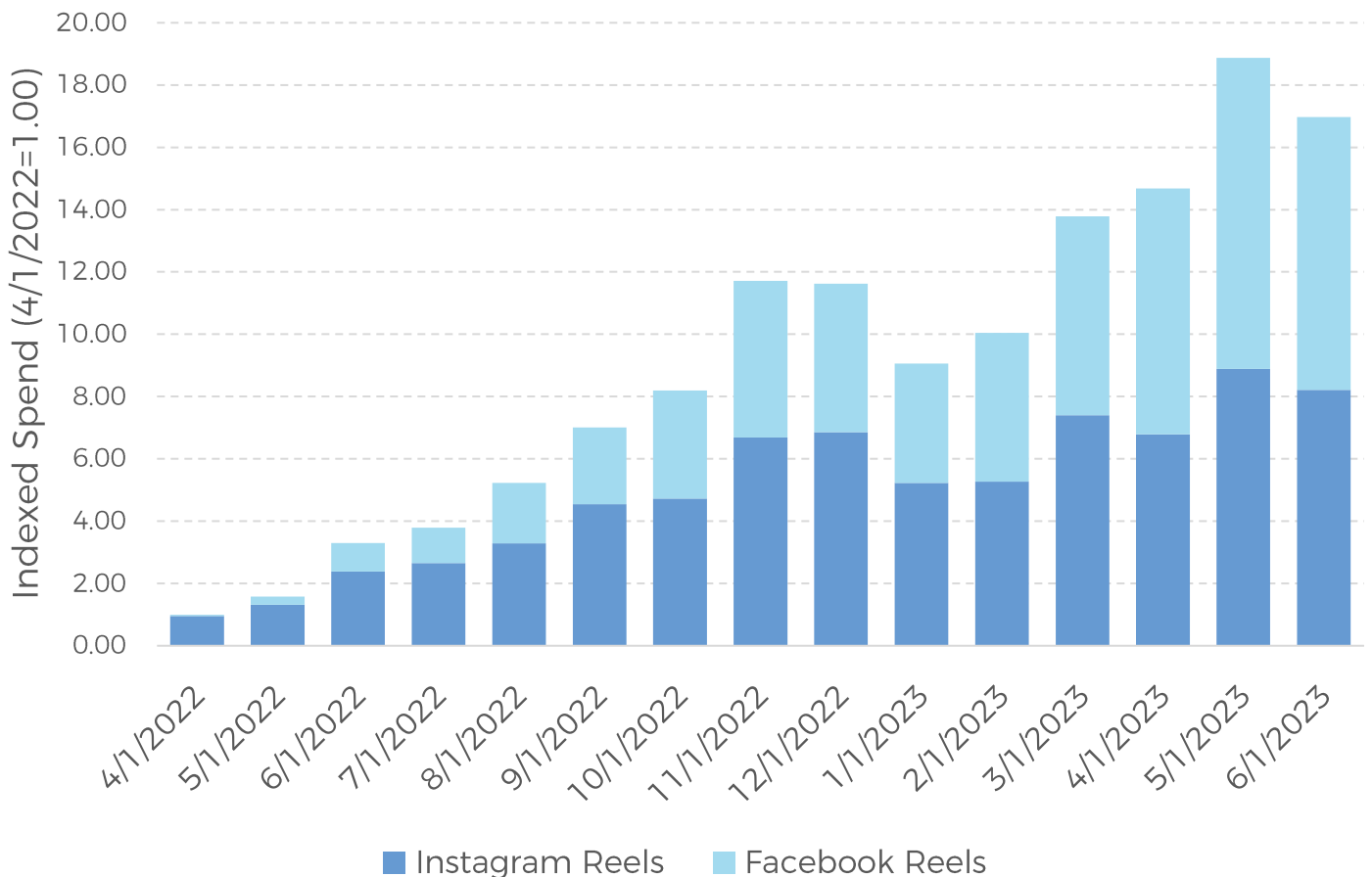
Reels

Reels ads on Facebook got off to a slower start but overtook Instagram in April.

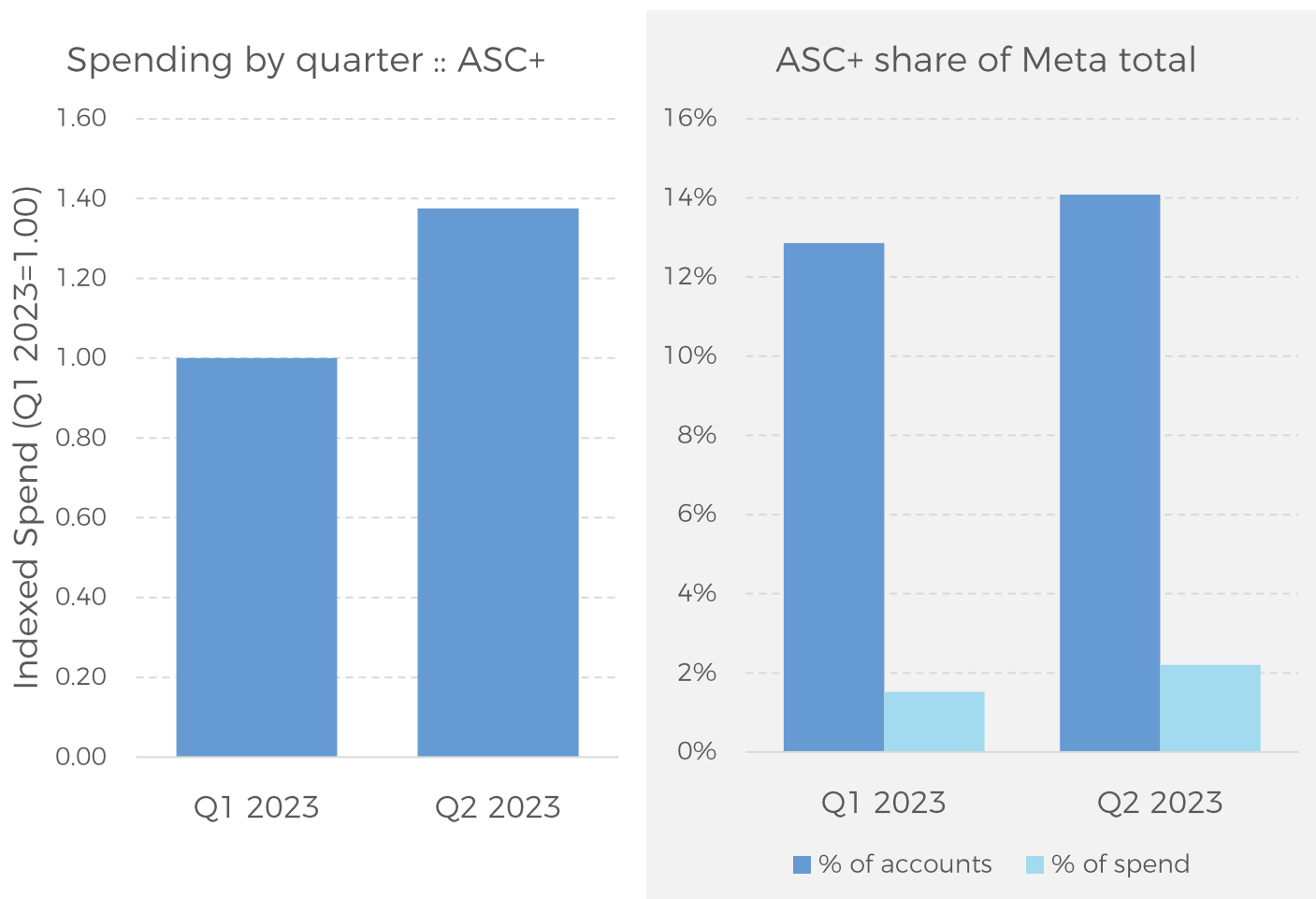
QoQ spending on Reels increased by 23%, while all other placement positions saw spending decline over the same period.

Total share of spend was 7% in Q2 2023 and has increased over 2X since Q4. At an individual account level, share of total spend can reach as high as 31%.

Instagram + Facebook Reels spending by month



Advantage Shopping Campaigns+

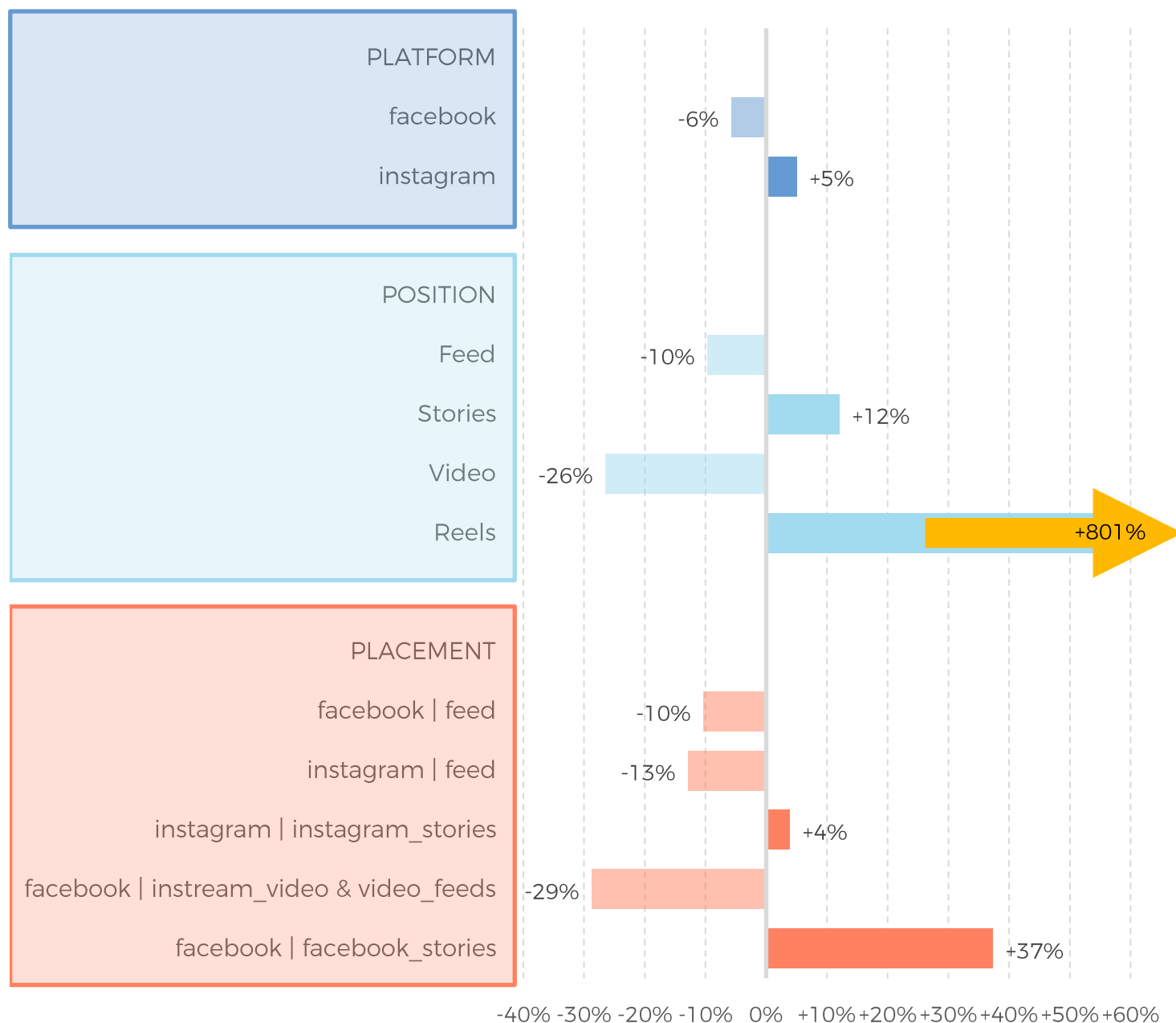


- The new shopping campaign format grew spend by 38% from Q1 to Q2 and are starting to establish a foothold in the Meta ecosystem.
- While these campaigns only accounted for 2% of total Meta spend in Q2, individual accounts approached 50% of their total Meta budget.

Meta spending growth by placement

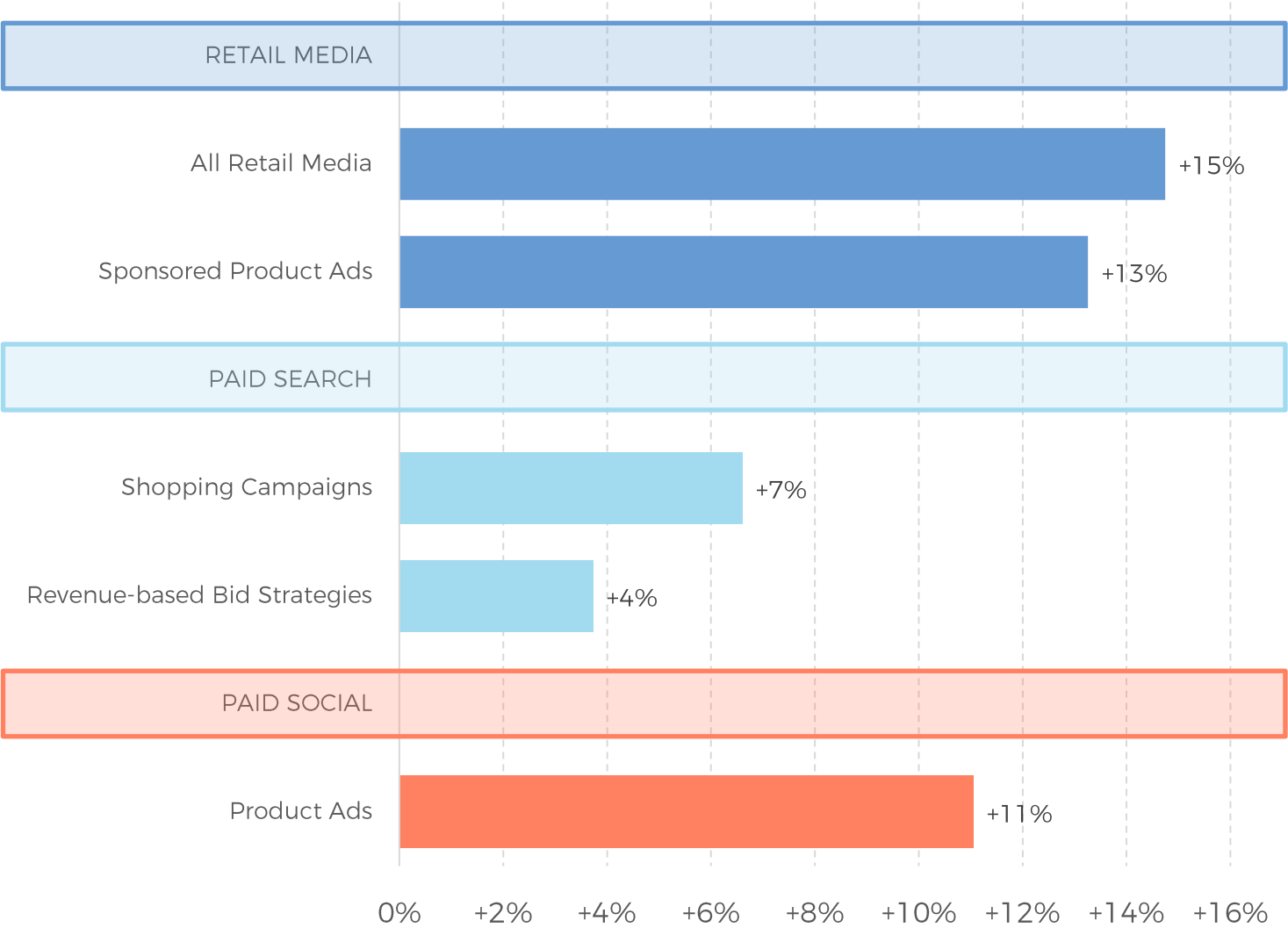
Reels continues to be one of the fastest-growing segments for Meta, even as it only comprised 7% of total spending for the publisher in Q2 2023.

YoY spending % change :: META only



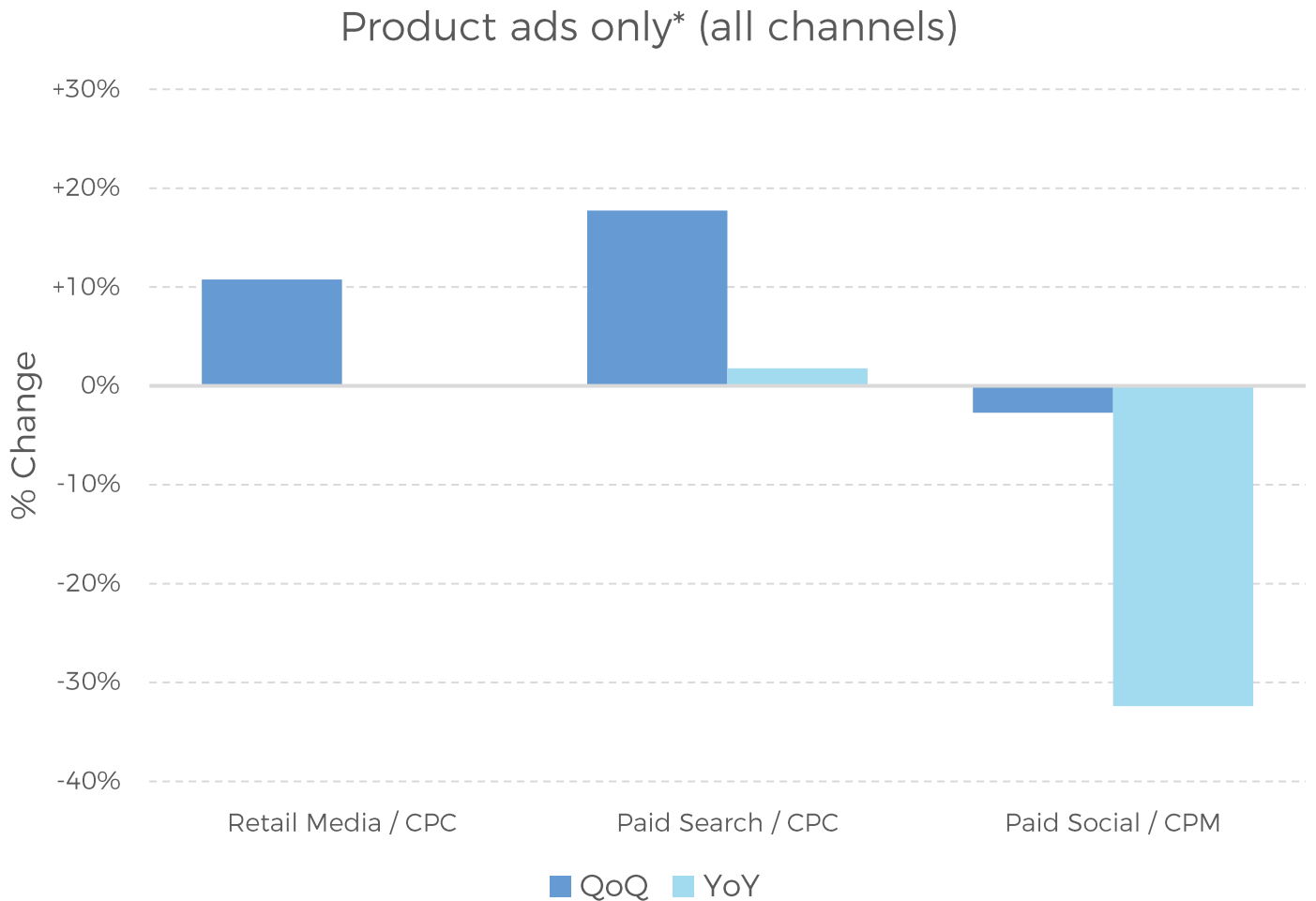
Commerce spending growth across channels

QoQ % Spending Change



Looking at QoQ trends for commerce-specific segments filters out some of the global long-term social trends and shows more alignment between the channels, suggesting an even broader response to increased consumer activity.

Product ad pricing across channels



Pricing for product ads is turning around.

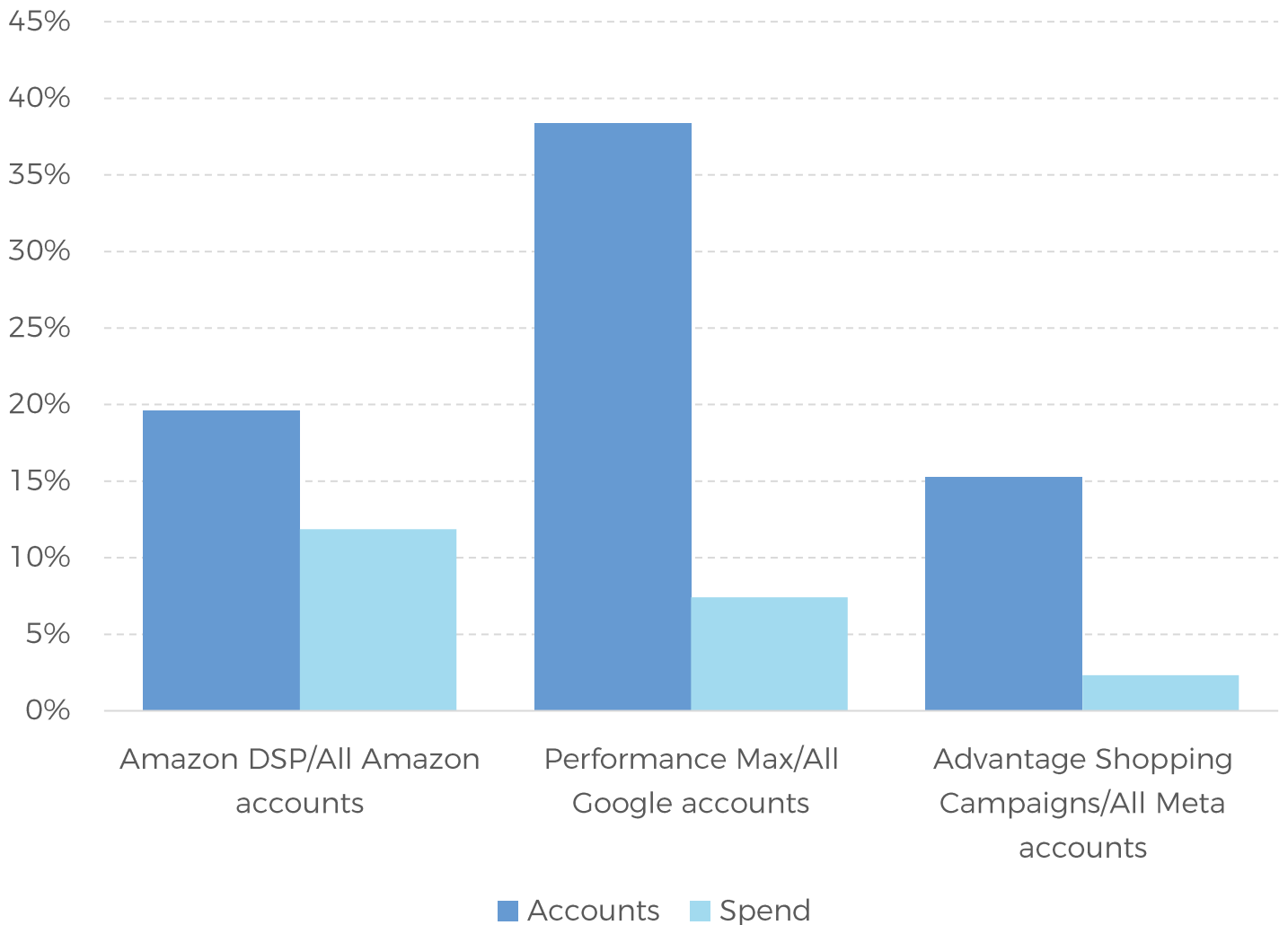
Retail media and paid search saw QoQ increases in CPC after mostly flat prices YoY.

Paid social saw similar movement, but from a lower starting point. In other words, QoQ prices were flat, which was an improvement from the bigger YoY decline that has been part of the overall social story.

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

Commerce ads expand footprint across channels

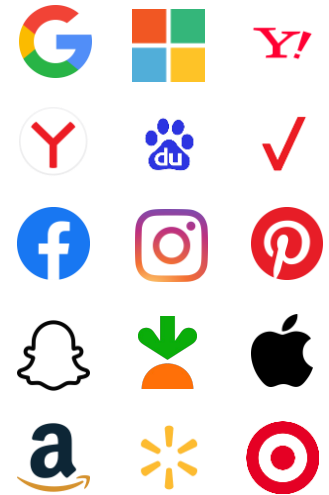
% of total (Q2 2023)



Across channels, newer commerce-related placements are gaining adoption in terms of number of accounts, while share of total spend trails behind as advertisers test these new avenues.

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](#)

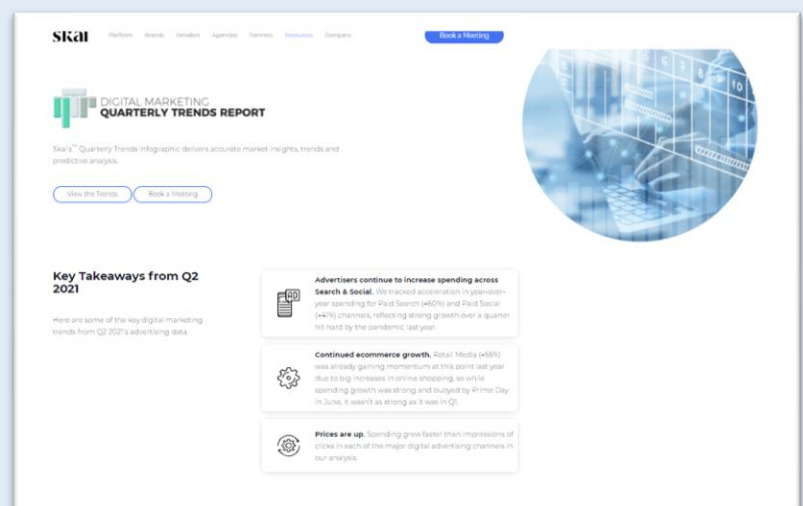
View the current infographic, long-form report, and highlights, along with previous quarters, all in one place.

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[Case Studies](#)

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