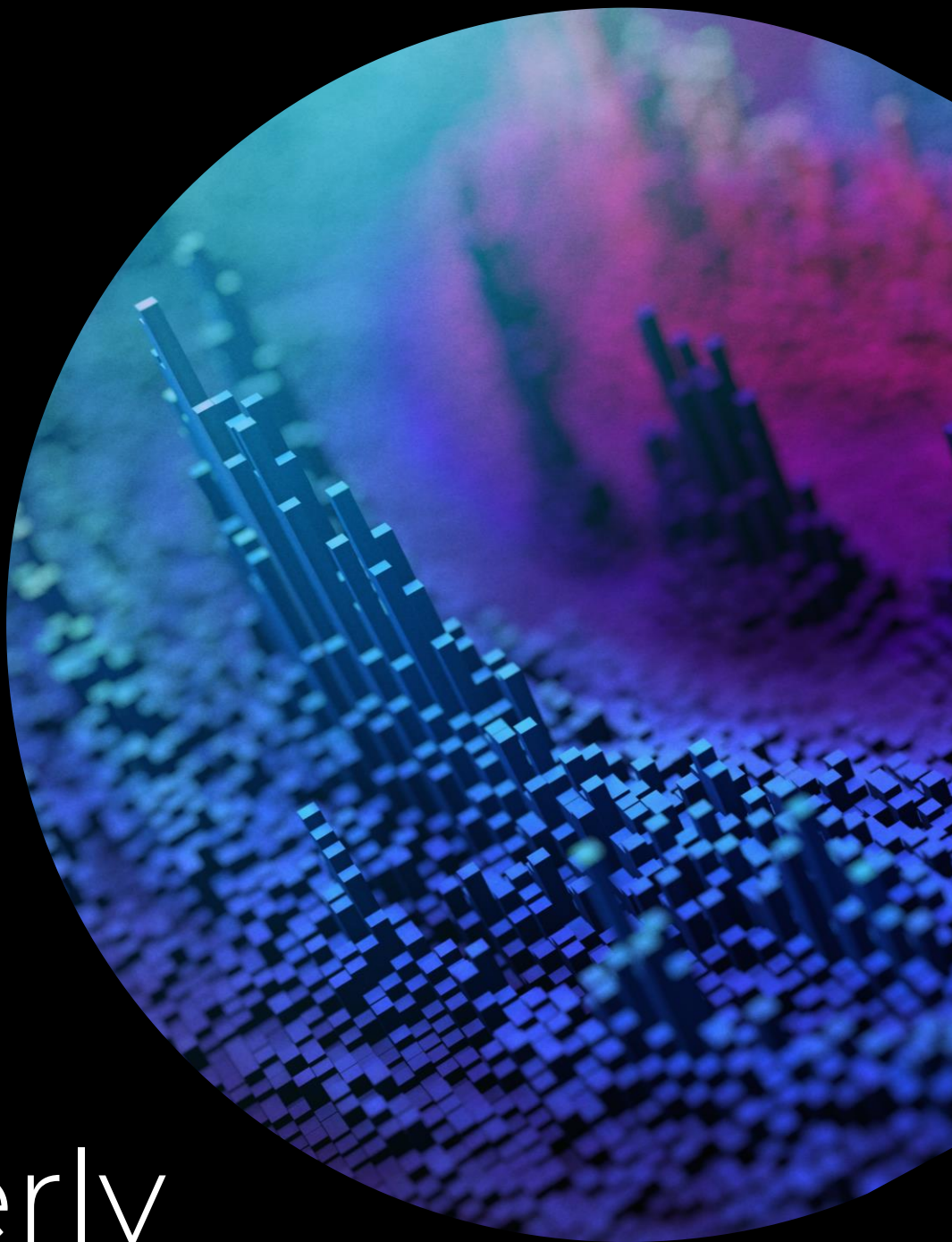


skai™

Q1 2024

Quarterly

Trends Report



Introduction

Key takeaways

- Q1 2024 digital ad spending grew year-over-year across all channels, with most advertisers spending more in the first quarter this year than last year.
- Higher ad prices played a role in growth across retail media, paid search and paid social while higher ad volume also factored into retail media and paid social.
- New campaign types and campaign settings continued to affect trends in paid search and paid social.

Q1 2024 in summary

Heading into 2024, most of the fundamental growth trends across digital channels from 2023 remain intact. There is still broad-based growth across retail media, with similar contributions from all manner of ad types, industries and advertisers. What's more, this growth is not coming at the expense of performance, which is one of several signals that point to both the value placed on ecommerce by consumers as well as the continuation of a strong macroeconomic environment.

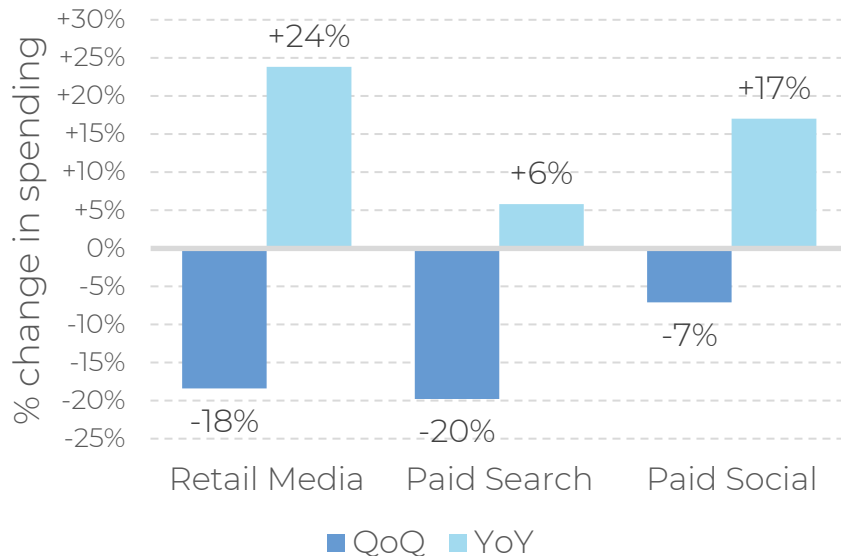
Meanwhile, paid search is in the midst of a major transition, where Performance Max campaigns have fully replaced smart shopping campaigns and continue to chip away at standard shopping and keyword campaigns. This has led to big drops in search impression and click volume over the last two quarters, but higher click prices have made up the difference, allowing the channel to grow investment.

If this major paid search transition is in the middle, the paid social transition is mostly at an end. With the new year and a hard deadline approaching, advertisers shifted spending away from legacy campaign objectives on Meta into a more streamlined structure that, in conjunction with the explosion of short-form video, saw impression volume go up and CPM go down sharply over the last year and a half. With the old campaign objective system being retired in Q2, expect to see prices start to rise and impressions grow more naturally for the rest of 2024.

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Spending up over last year and down from last quarter



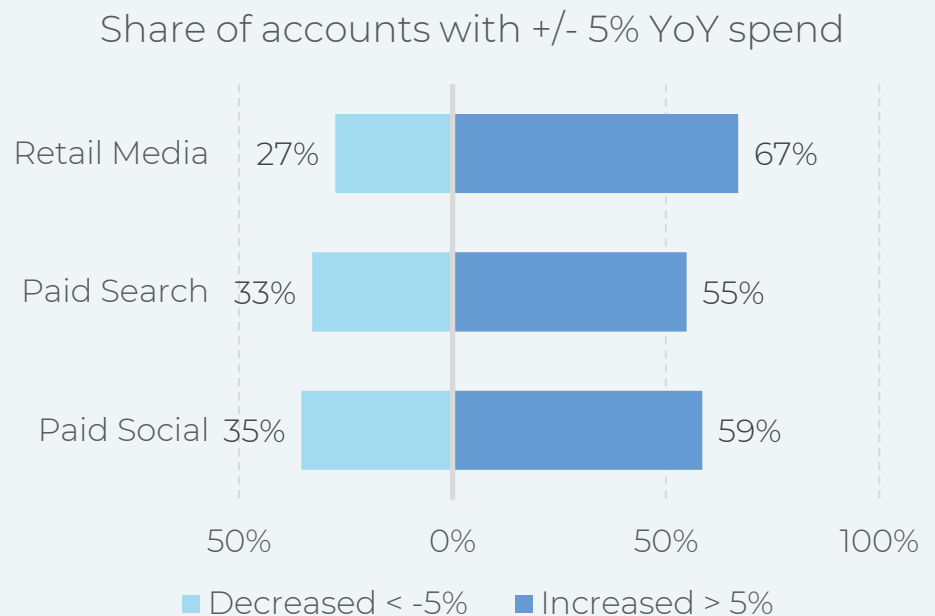
Spending increased year-over-year (YoY) in all channels even as quarterly spending dropped sequentially with the end of holiday seasonality.

NOTE: Growth rates for paid social may not be directly comparable to previous reports due in part to the inclusion of new publishers.

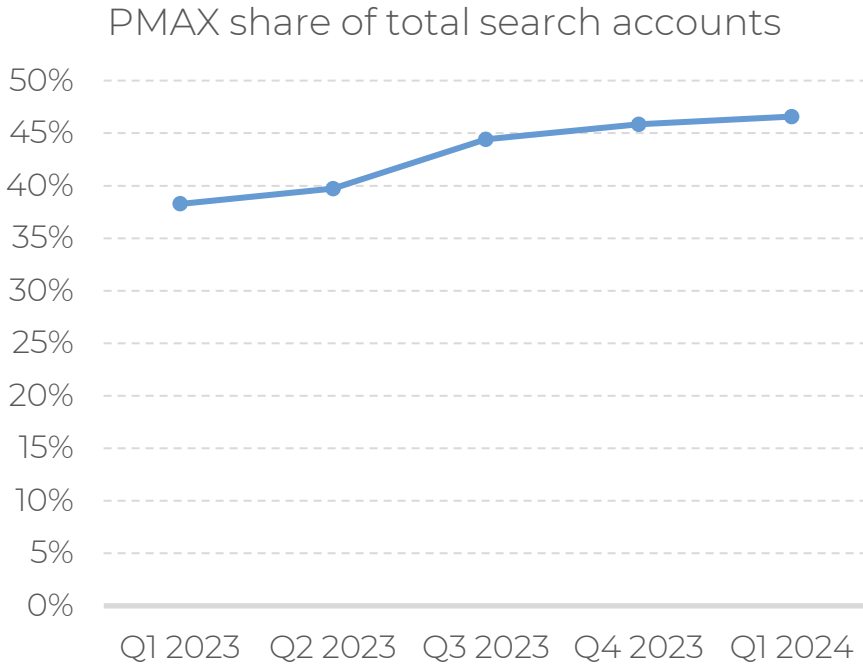
Most advertisers spent more in Q1 of this year than last year

Over 50% of accounts increased channel spending by at least 5% over Q1 of last year.

Two-thirds of retail media advertisers spent more YoY.



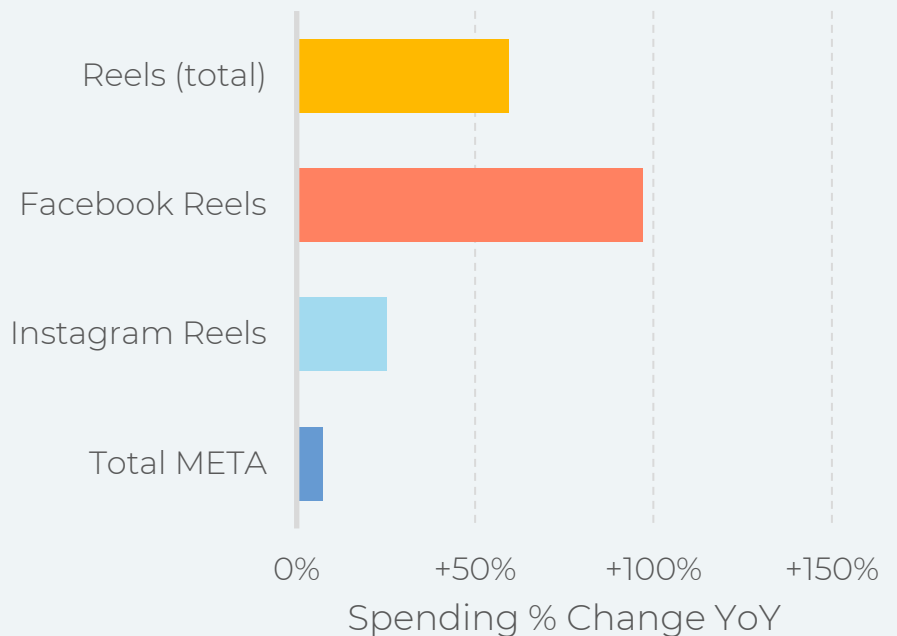
Performance Max maxes out?



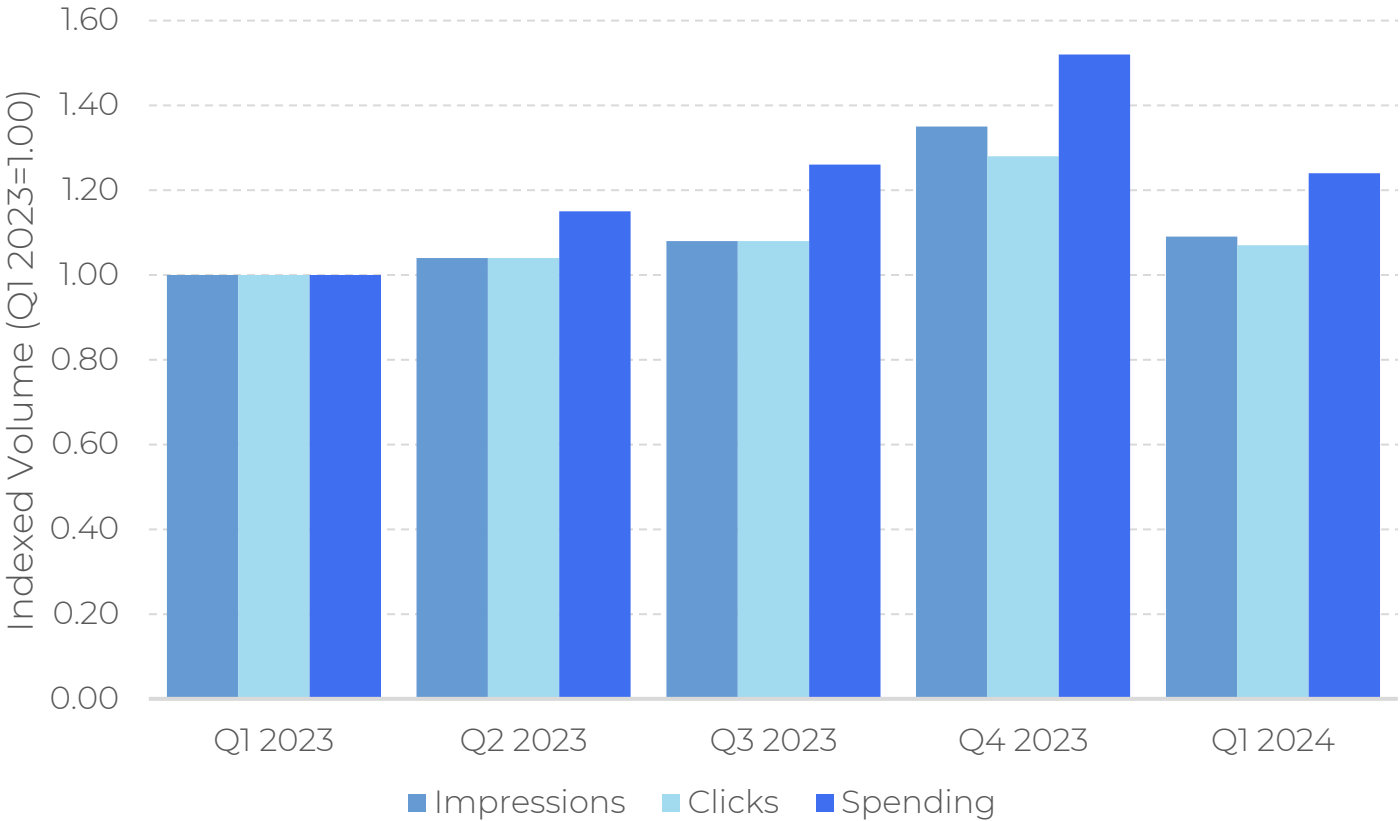
Even as spending has more than doubled YoY, adoption of Performance Max campaigns as a share of total search accounts has slowed since the pre-holiday jump from Q2 to Q3 of last year.

Reels gains share across Meta ecosystem

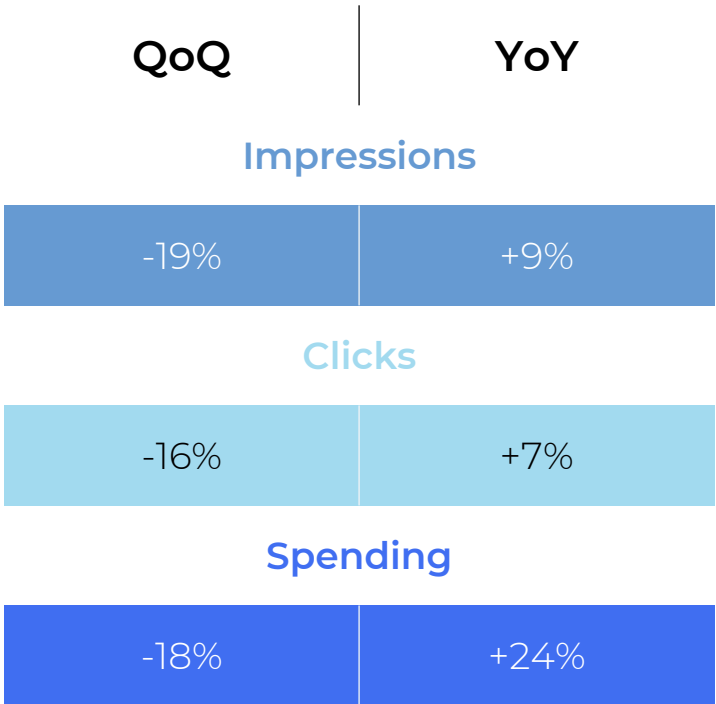
Reels placements across both Facebook and Instagram grew much faster than overall Meta spending and reached 10% of total spending in Q1.



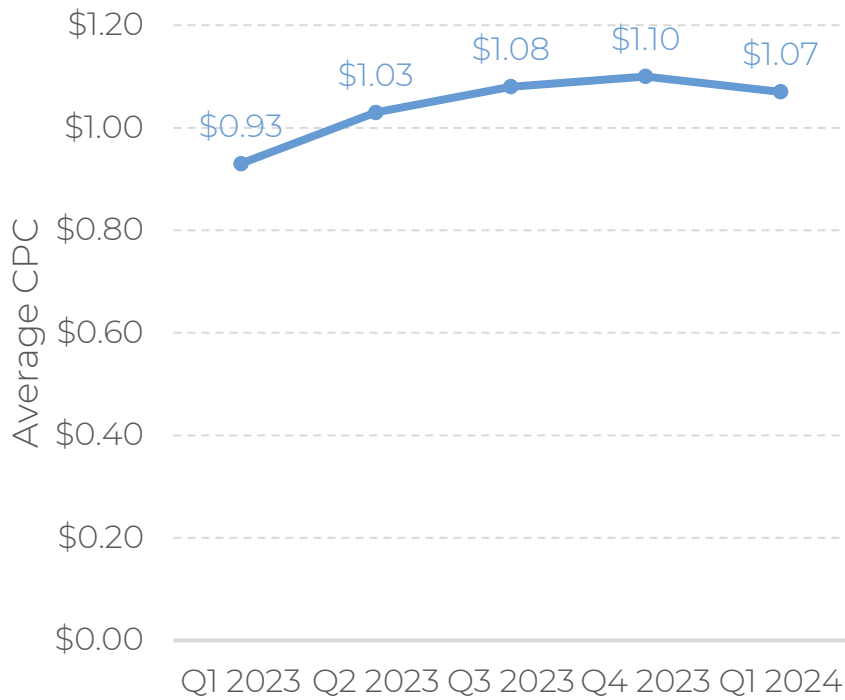
Retail media trends



- Retail media spending continues to lead growth in digital ad channels.
- A combination of higher click volume and increased cost-per-click drove spending up 24% over Q1 of last year.
- Channel growth is evenly distributed across both functional and category segments.



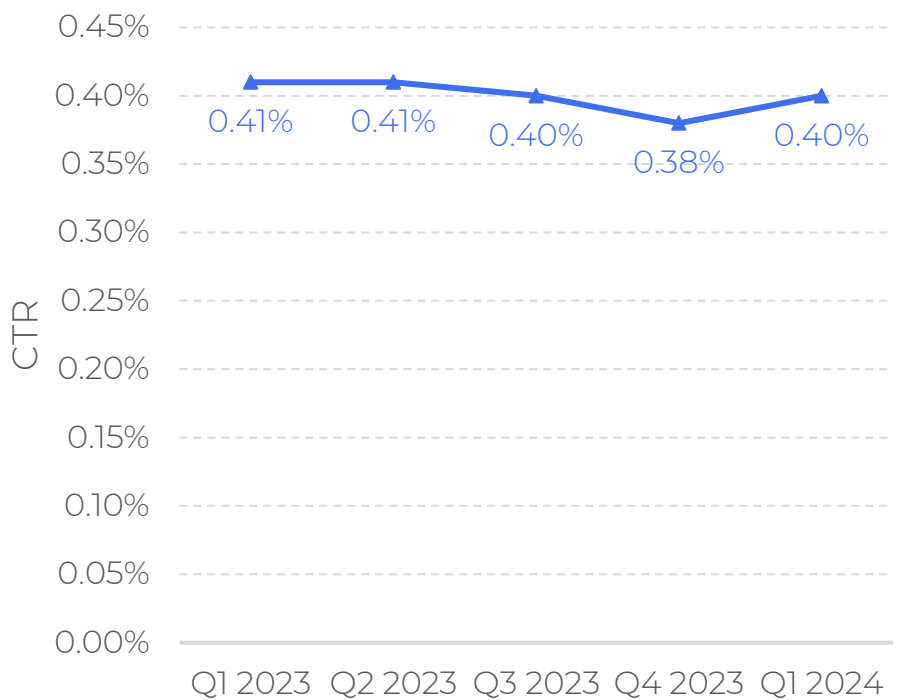
Retail media CPC and CTR trends



CPC	
QoQ	-3%
YoY	+15%

Increases in CPC may tie back to concurrent increases in conversion rate that allow for higher prices without sacrificing ROAS, kicking off a virtuous cycle.

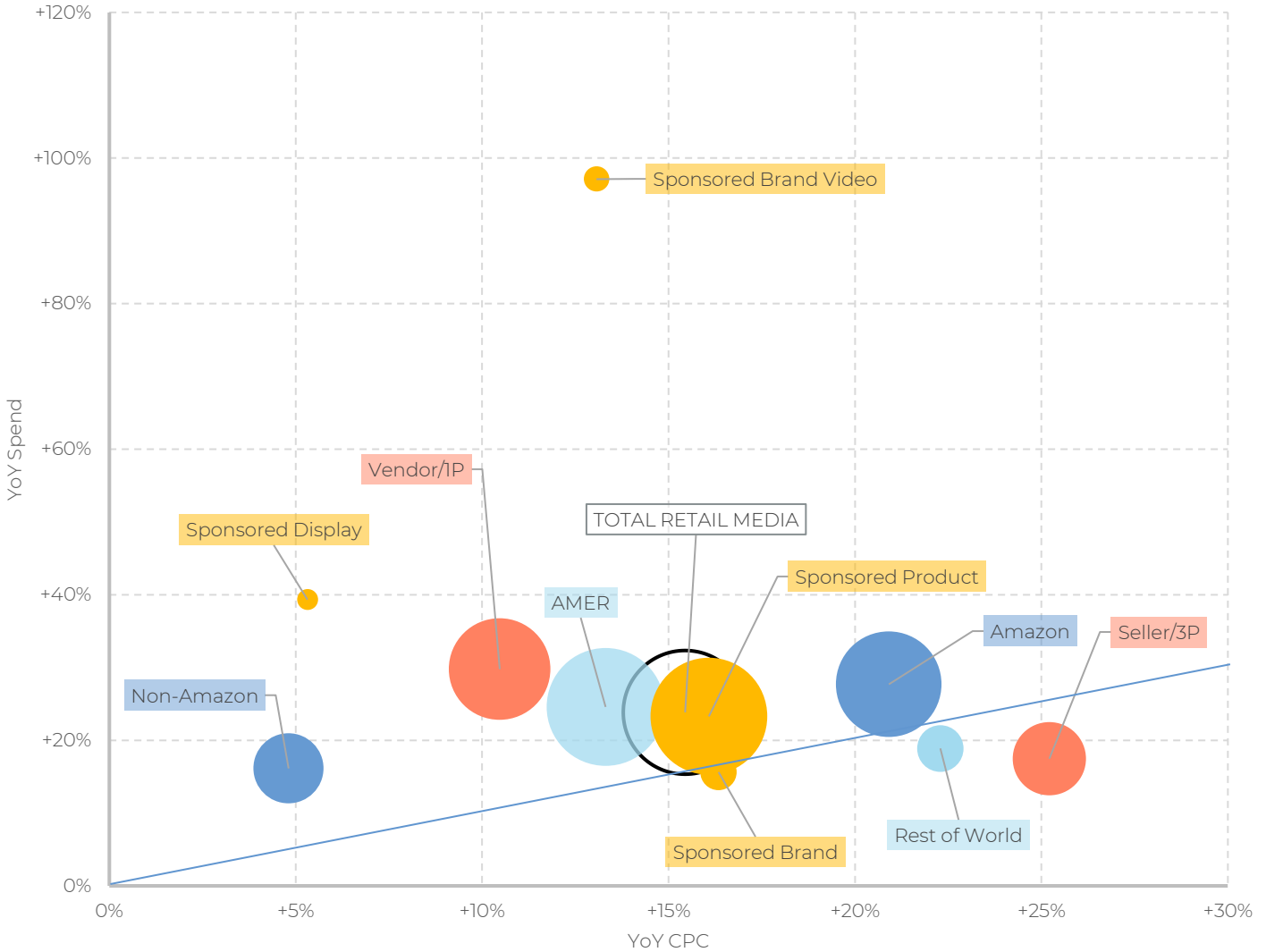
CTR	
QoQ	+5%
YoY	-2%



The fourth quarter typically activates the “long tail” of ecommerce, driving impressions more than clicks and lowering aggregate clickthrough rate during the holiday season.

Retail media key drivers

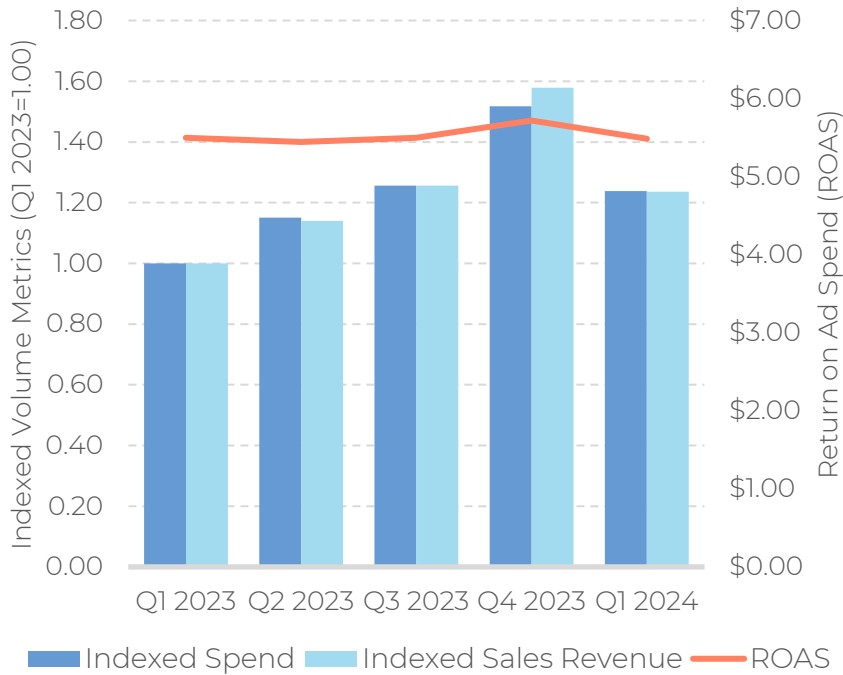
Every functional segment in retail media saw YoY increases in both spending and CPC, which supports the notion that macroeconomic growth is affecting the performance of the channel.



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 over all five quarters.

Legend	
Blue	Retailer
Light Blue	Region
Red	Advertiser Type
Yellow	Ad Type

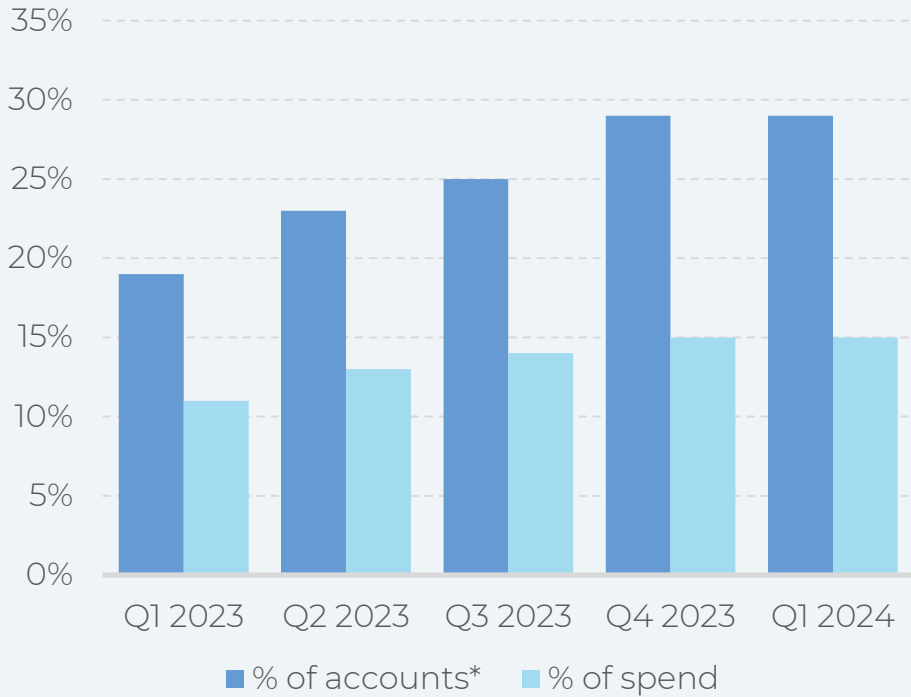
Retail media spend vs ROAS



Sales revenue has kept pace with growth in retail media spend, allowing ROAS levels to stay level as the channel continues to scale.

Amazon DSP market penetration

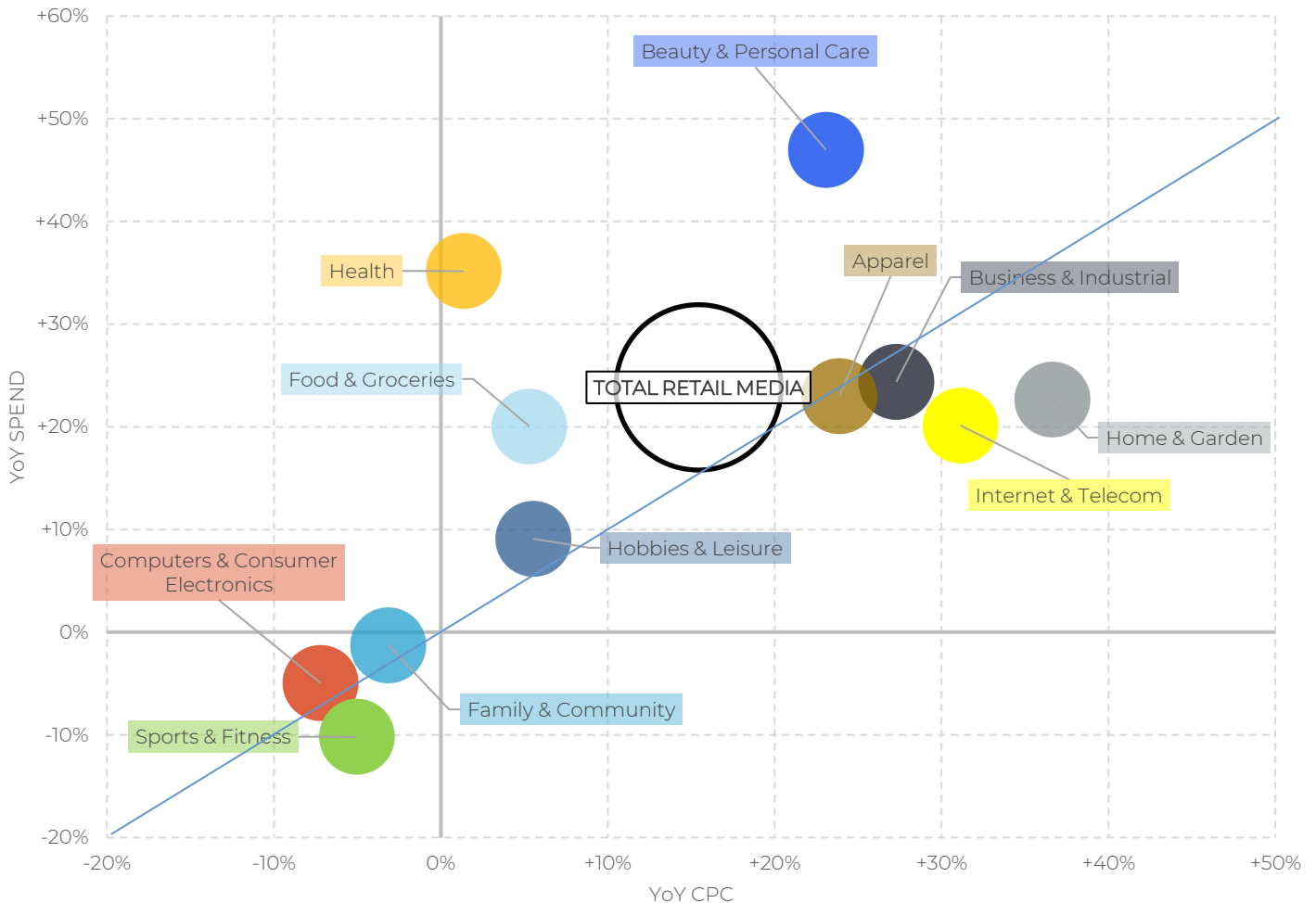
Both the share of accounts using Amazon DSP and the share of total Amazon ad spend from DSP have remained steady from Q4 to Q1.



* Skai accounts with 15 months of Sponsored Ads spending

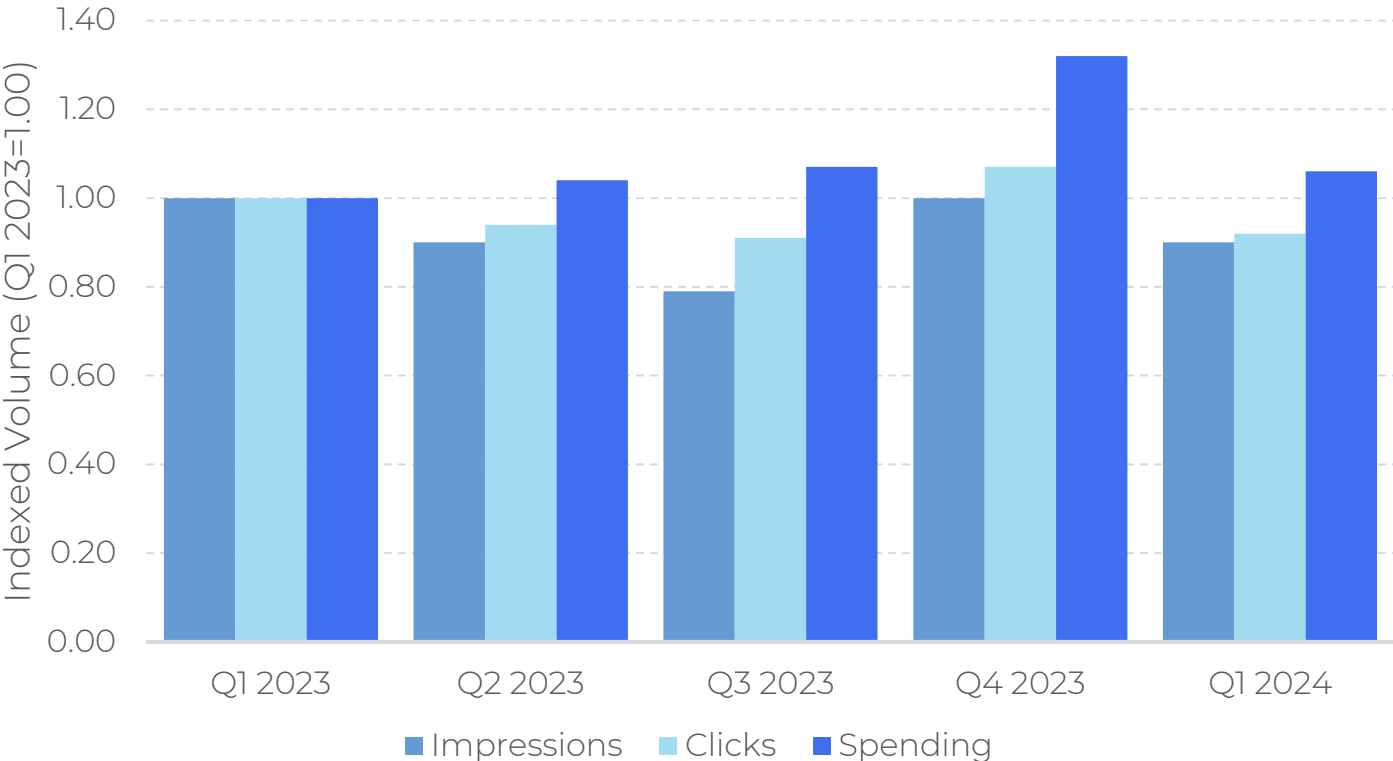
Retail media by industry

- All three categories that saw a decrease in YoY spending also saw a drop in CPC.
- Beauty & Personal Care saw the biggest increase in investment, jumping by almost 50%. Home & Garden saw the largest price increase.

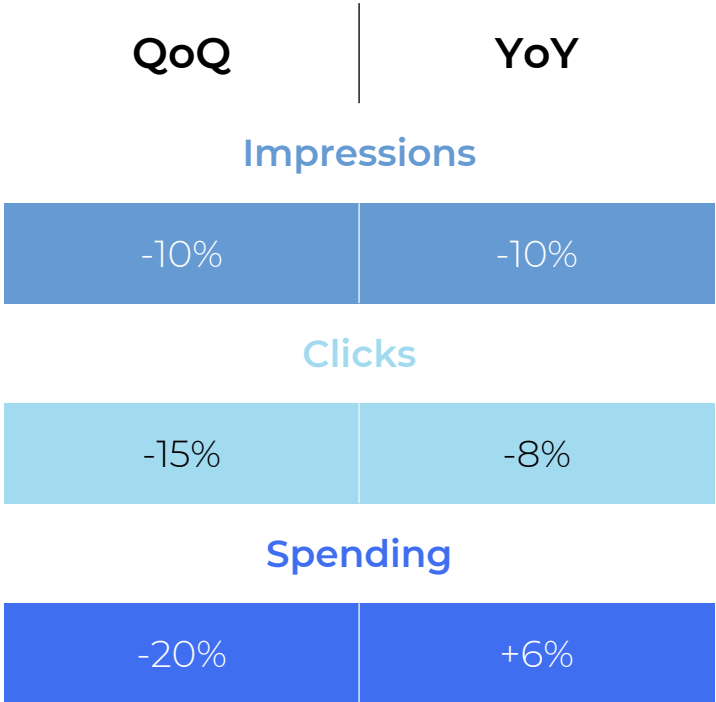


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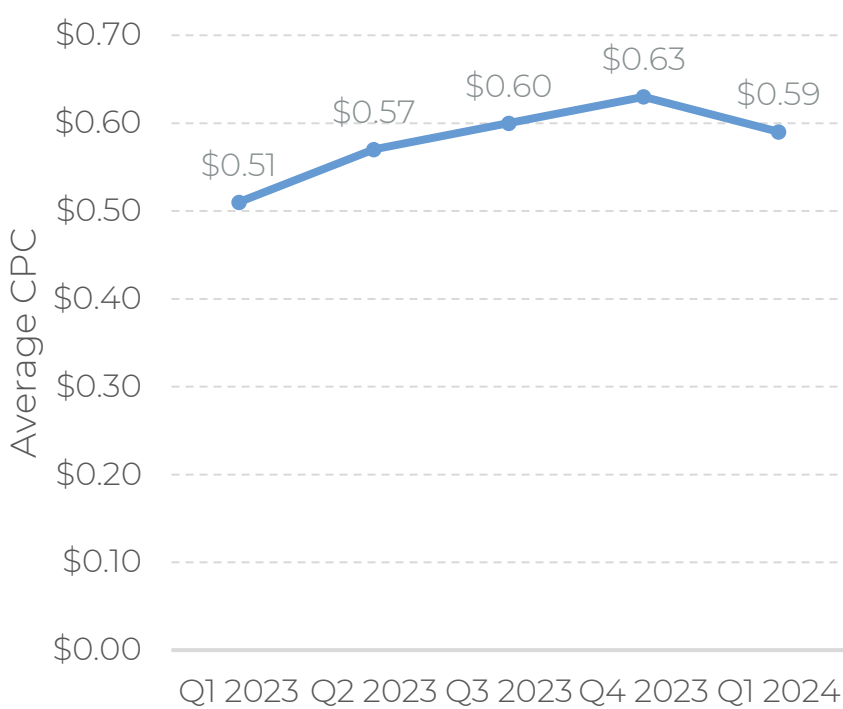
Paid search trends



- Search spending increased 6% over Q1 of last year, with YoY growth up slightly over last quarter.
- Google search grew 8% YoY, putting it slightly ahead of the overall channel.
- The transition to Performance Max continues to drive fewer impressions and clicks, but with a higher CPC such that overall growth remains steady.



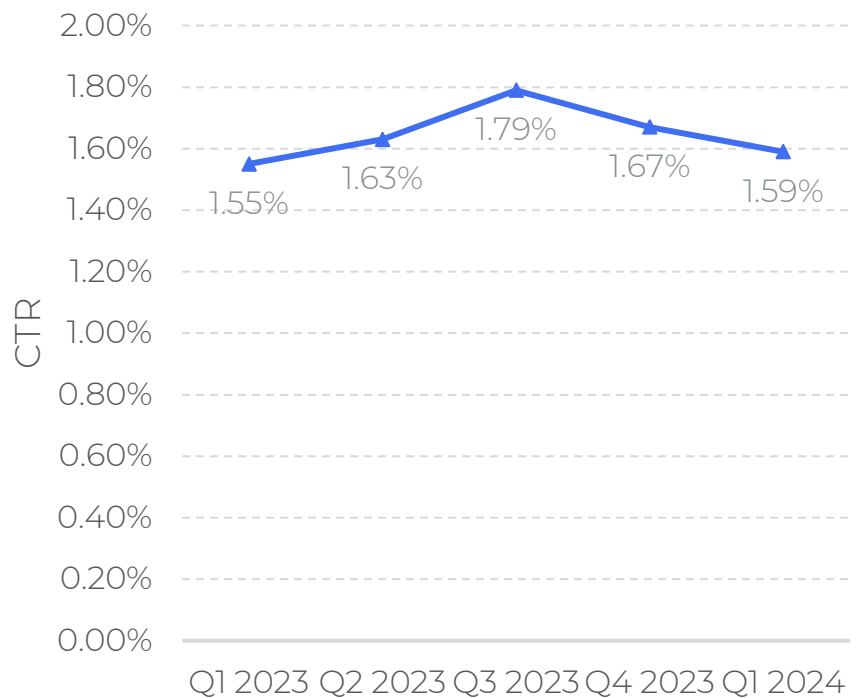
Paid search CPC and CTR trends



CPC	
QoQ	-6%
YoY	+15%

Holiday premiums on CPC retreated in Q1, leaving ad prices close to where they were in the third quarter.

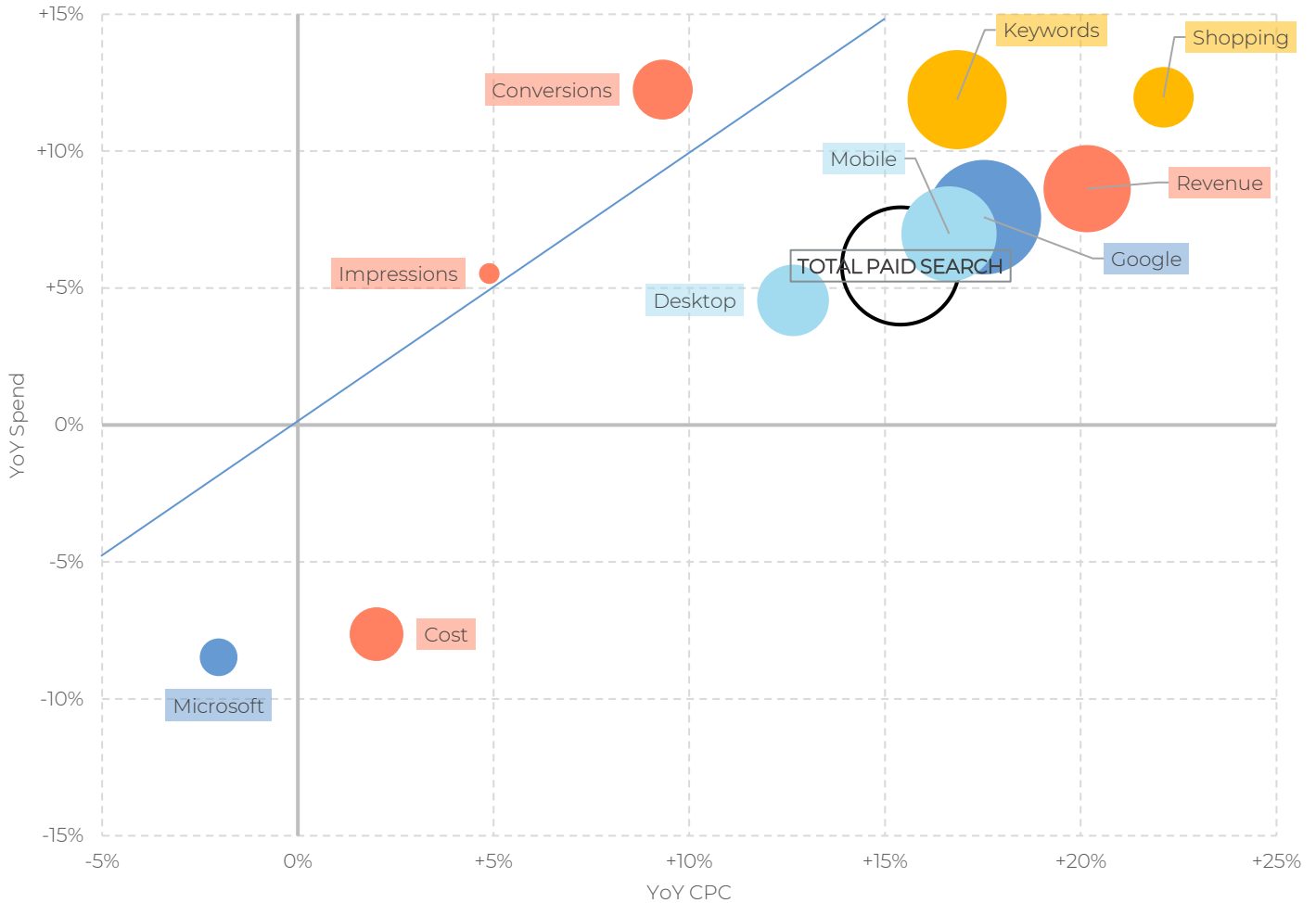
CTR	
QoQ	-5%
YoY	+3%



The PMax transition shrank impression volume faster than clicks, leading to a peak in Q3 as smart shopping was deprecated.

Paid search key drivers

Microsoft and cost-based bidding strategies reduced spend YoY, every segment except Microsoft saw higher YoY CPC, and shopping campaigns grew ad prices the fastest due to the growth of Performance Max.

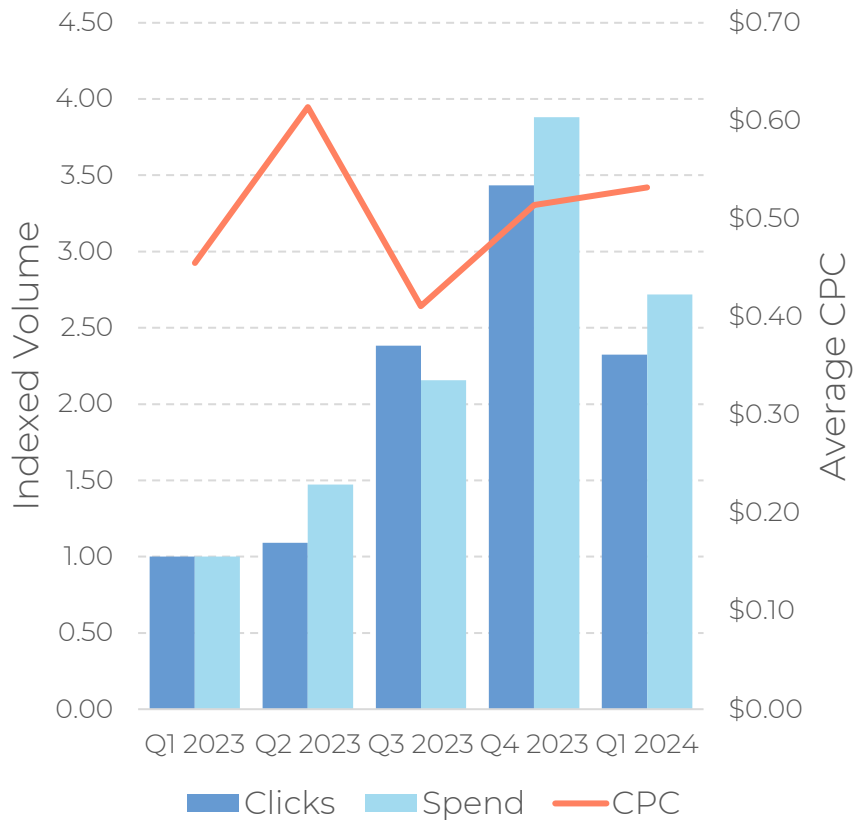


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Legend
Publisher
Device
Bidding Target
Campaign Type/Goal

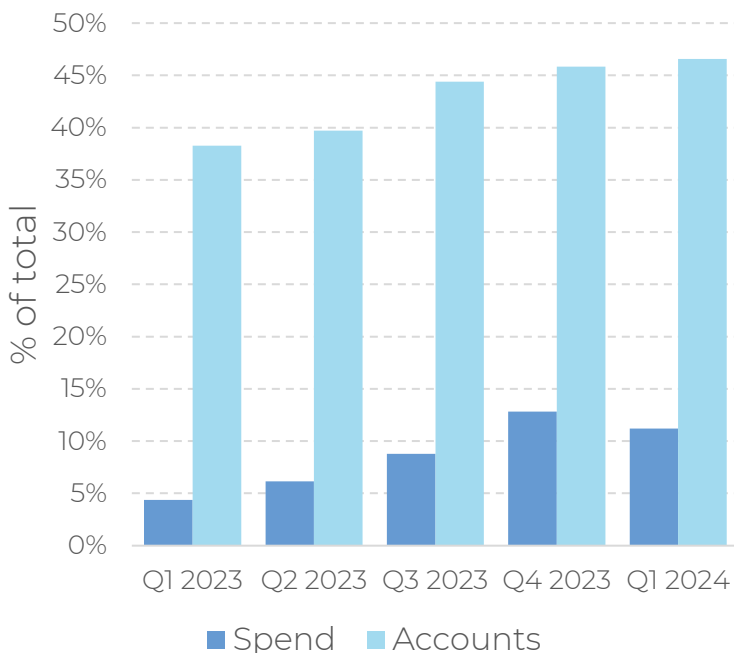
Focus on: Performance Max

PMAX growth



Performance Max spending almost tripled YoY, while the influx of holiday campaigns in Q3 brought CPC down before rising again over the last two quarters.

PMAX share

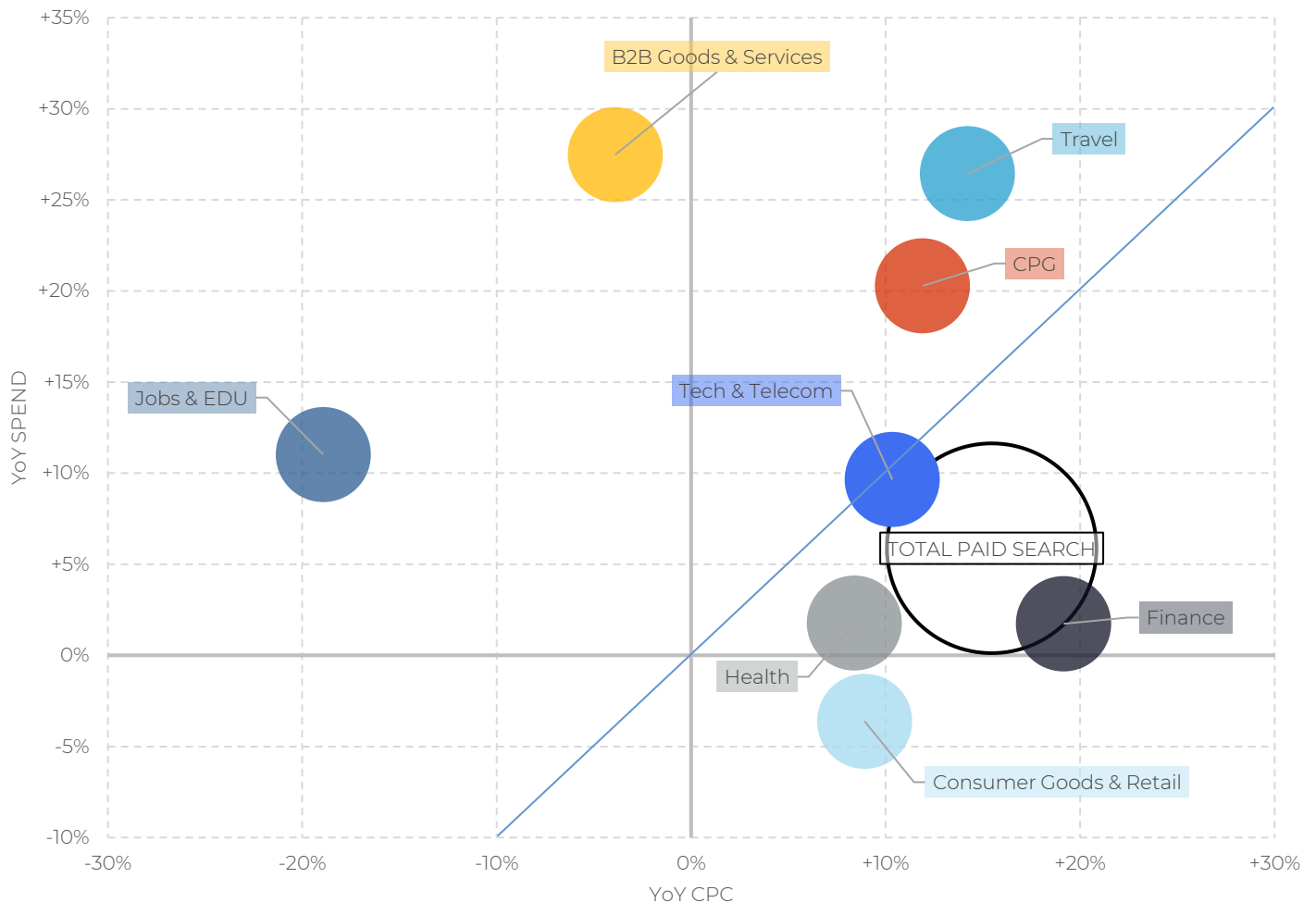


Even as total spending on PMAX grew over last year, share of spend dipped from its holiday-fueled high point in Q4 and share of accounts ticked up by just one percentage point.

Paid search by industry

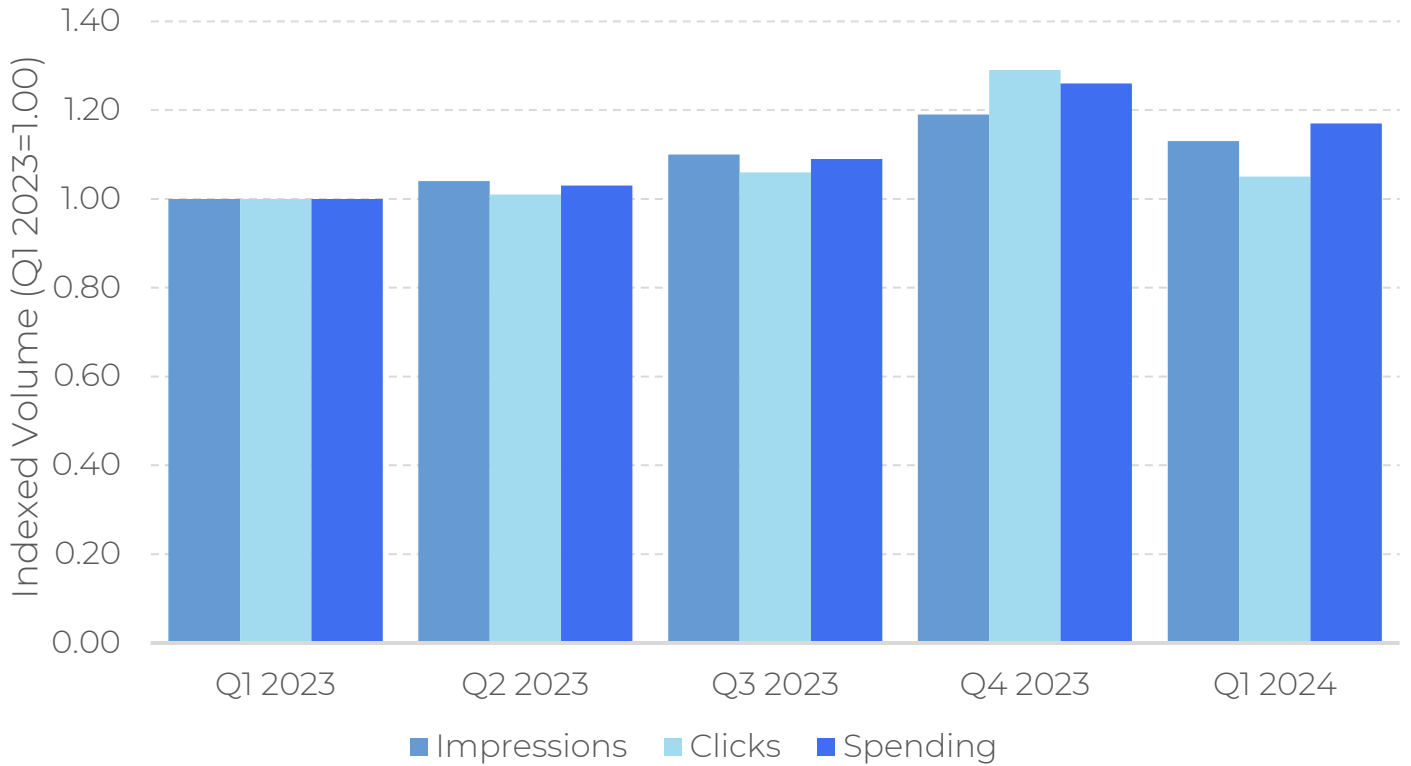
Consumer Goods & Retail was the only category where spending went down YoY, resulting primarily from PMax transition and possibly competitive pressure.

Jobs & EDU saw spending go up even as CPC dropped.

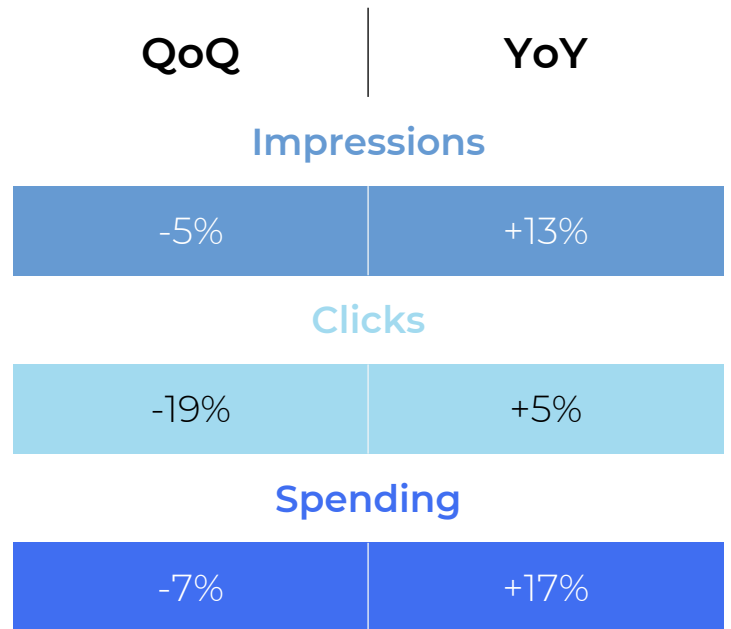


HOW TO READ THIS CHART: The x-axis is YoY change in CPC and the y-axis is YoY change in spend, so the upper right quadrant, for example, will include segments who saw both an increase in CPC and spend. The diagonal reference line represents a change in spend solely due to a change in ad price. Anything 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

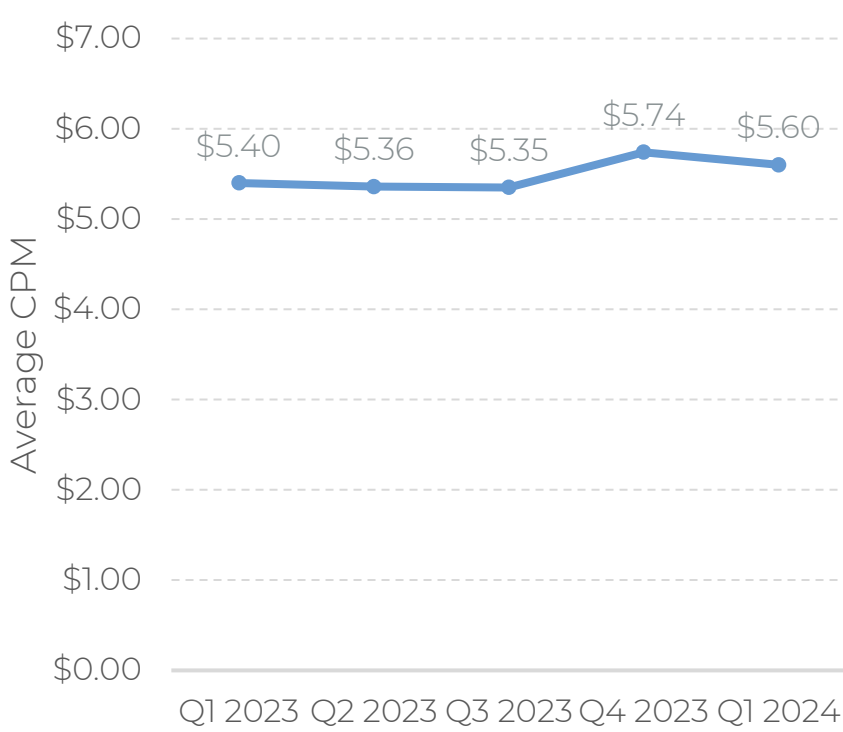


- The overall paid social channel increased spend 17% YoY with Meta growing 8%. A surge in YouTube spending January kept spending higher QoQ relative to other channels.
- Year-over-year CPM grew in our data for the first time since Q1 2022 while impression growth was the lowest since that same quarter.



As of Q4 2023, paid social analysis has expanded beyond Meta and Pinterest to include performance from TikTok, YouTube and LinkedIn. Snap was added as of this report. Growth rates may therefore not be directly comparable to previous reports.

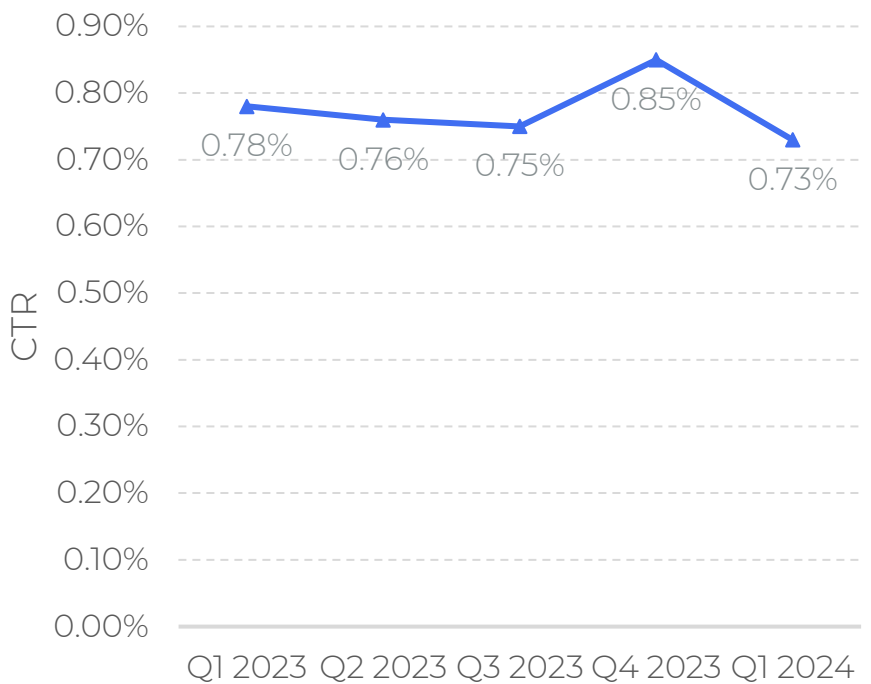
Paid social CPM and CTR trends



CPM	
QoQ	-2%
YoY	+4%

Paid social ad prices have remained stable over the last five quarters following a period of CPM declines throughout 2021 and 2022.

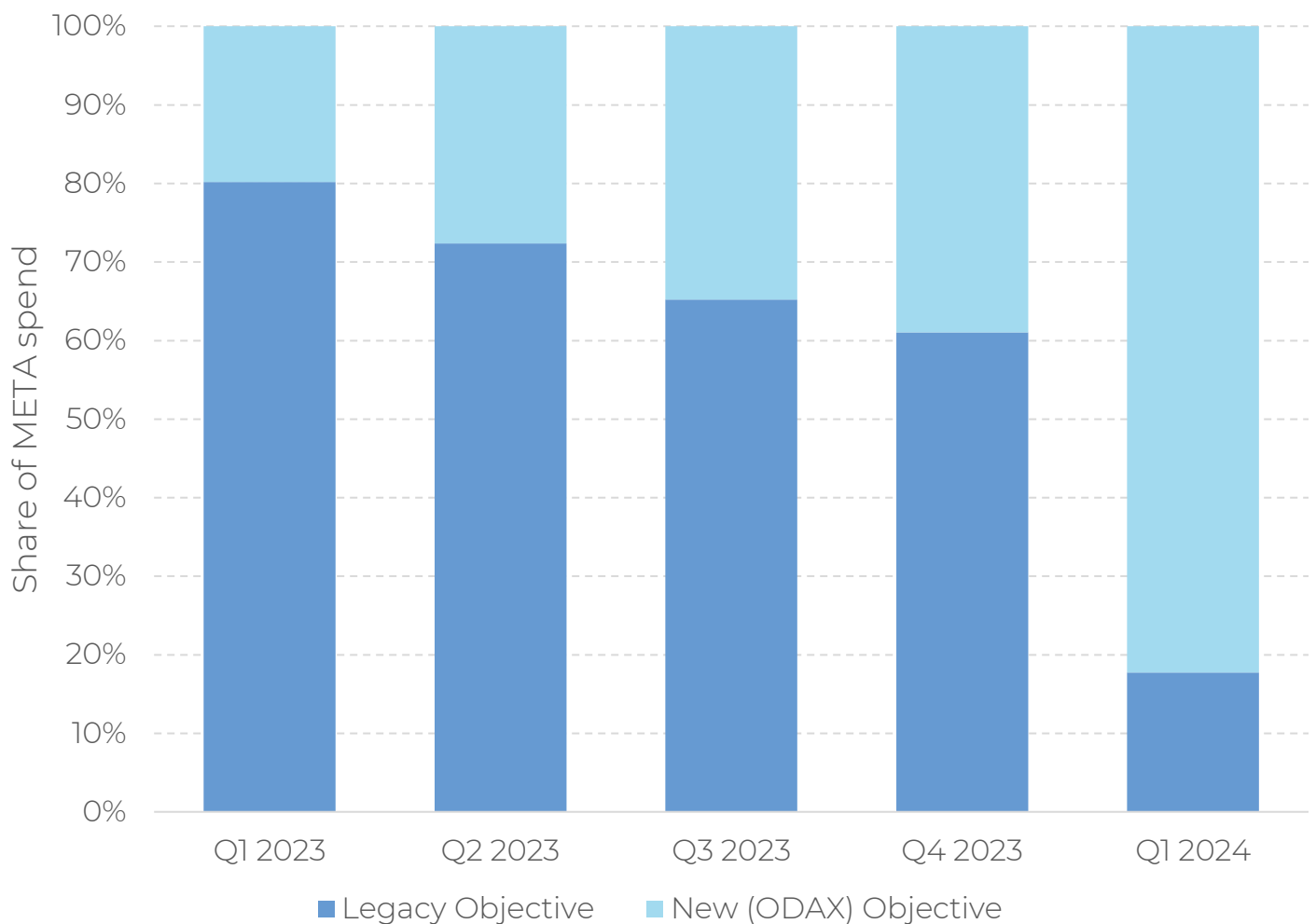
CTR	
QoQ	-14%
YoY	-6%



Engagement-heavy commerce ads came to the fore in Q4, while there was a surge in video ads in Q1, sending clickthrough rates lower.

A big shift to ODAX campaigns on Meta

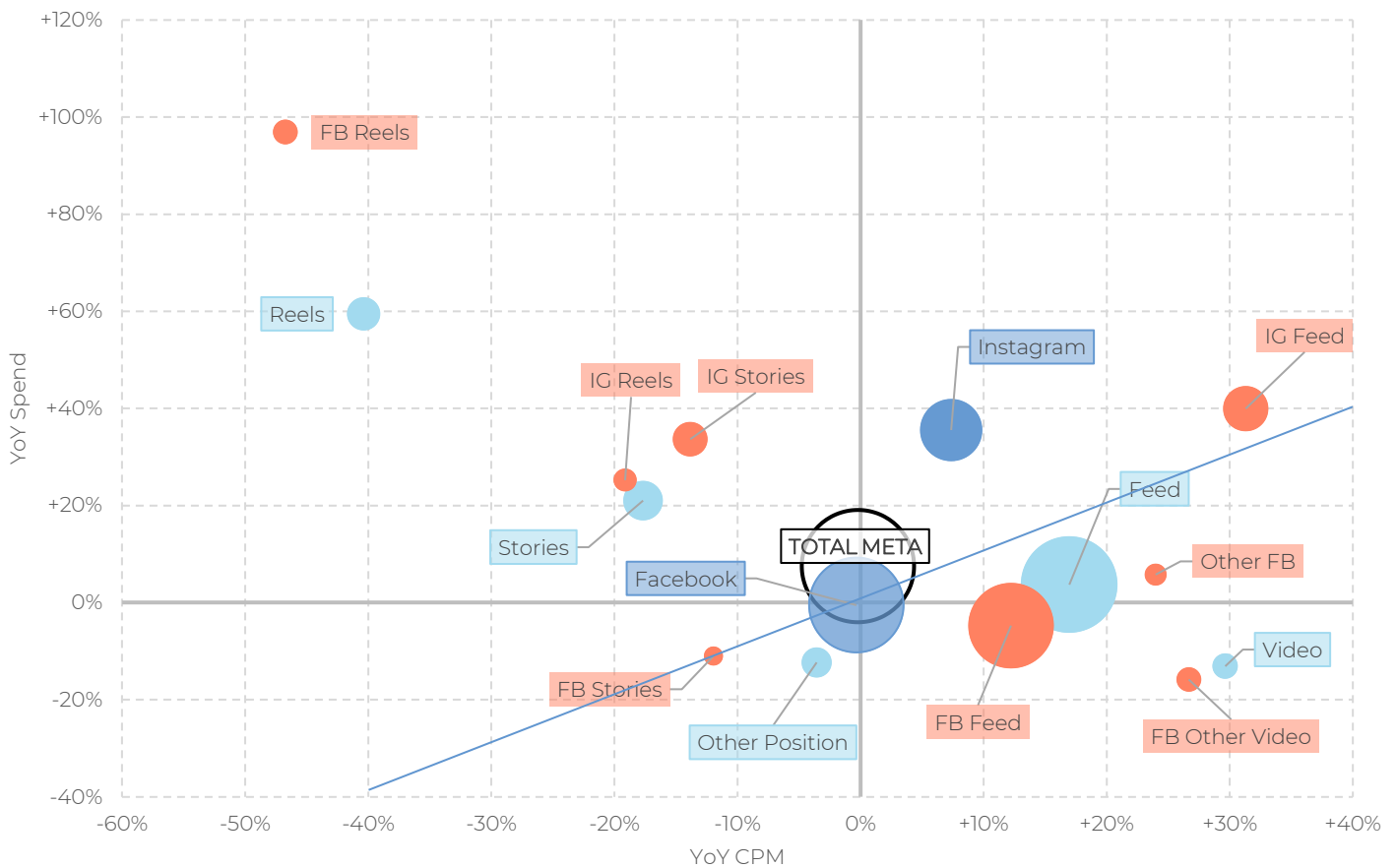
- Meta unveiled a streamlined set of campaign objectives over the last two years called “Outcome-Driven Ad Experiences,” or ODAX.
- Advertisers are no longer able to create new campaigns with legacy objectives as of January; legacy campaigns are scheduled to stop delivering ads in Q2.
- With that end date looming, there was an accelerated effort to transition from legacy campaign objectives to the new ODAX objectives in the first quarter.



Focus on Meta ad placement

- Plotting individual YoY placement performance against summaries by platform or position, we can see that, while Facebook Reels grew the fastest in that time, all Instagram placements grew faster than all Facebook placements.
- Instagram Feed ads saw the biggest increase in YoY CPM.

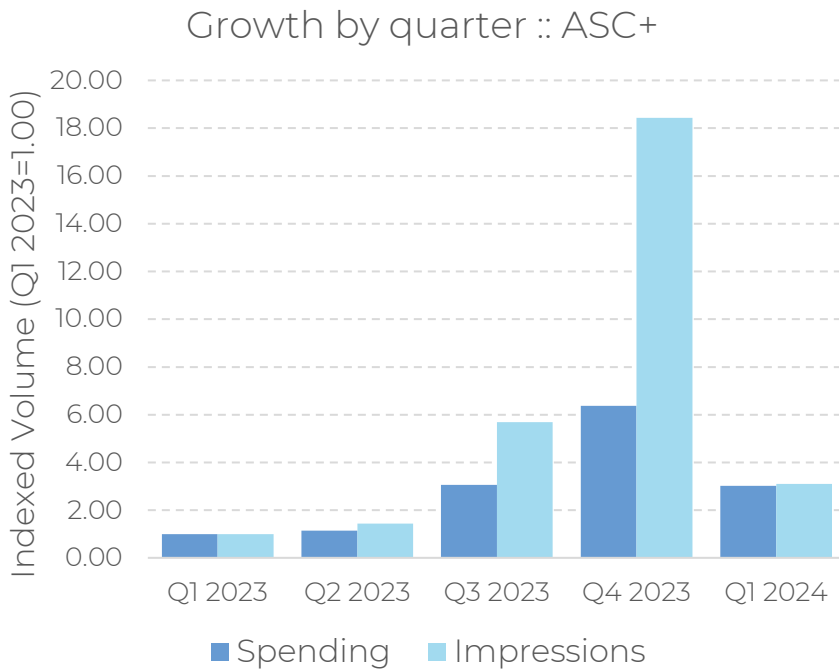
Meta only



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 share of total spend over five quarters.

Legend
Platform
Position
Placement

Advantage Shopping Campaigns+

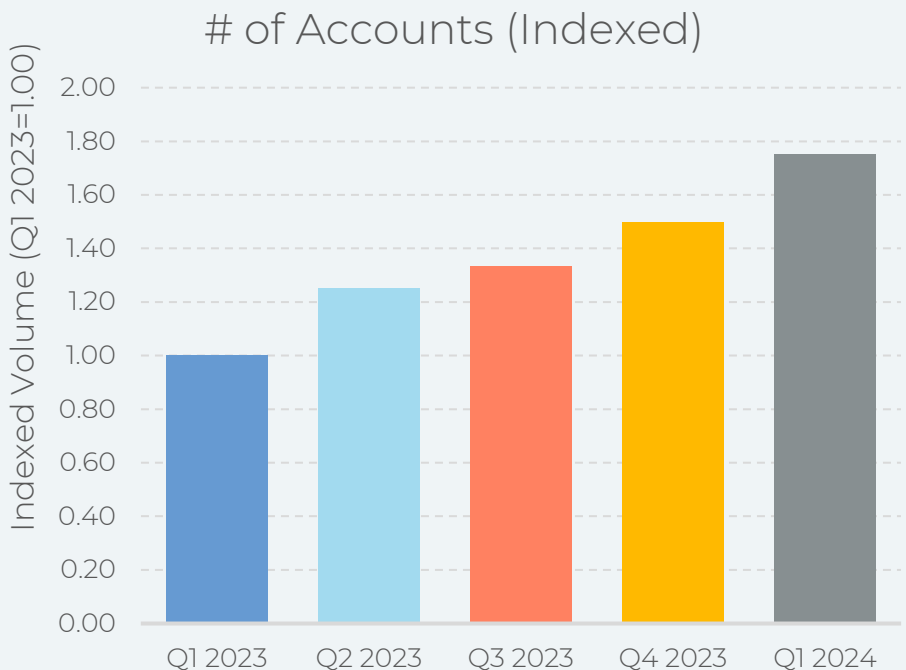


After spiking during the holiday season, spending on ASC+ fell back to pre-Q4 levels, while impressions dropped to half of that.

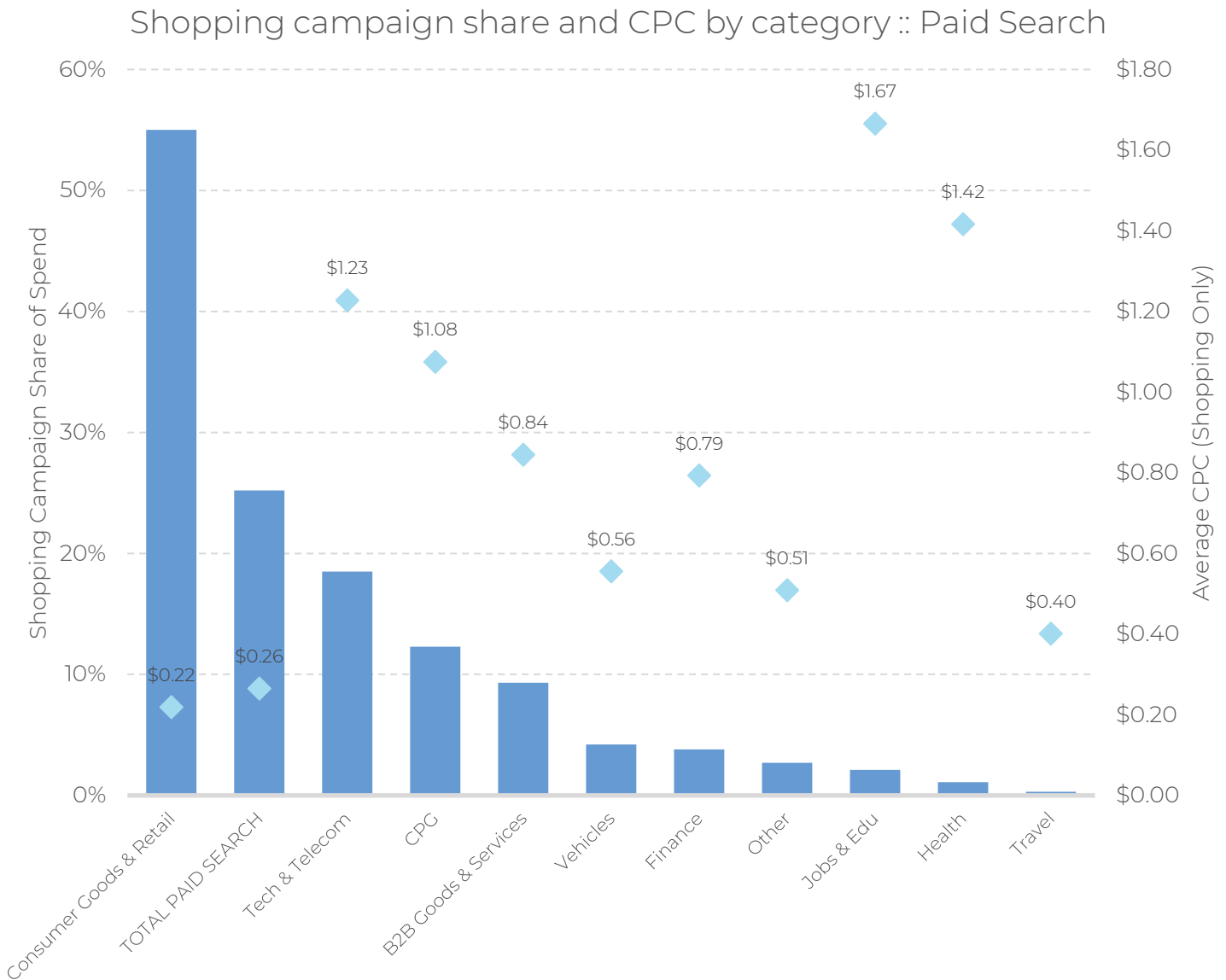
Almost one-third of Meta accounts spent on ASC+ in Q1.

TikTok advertiser adoption growth

The number of Skai social accounts running TikTok programs increased 64% year-over-year.



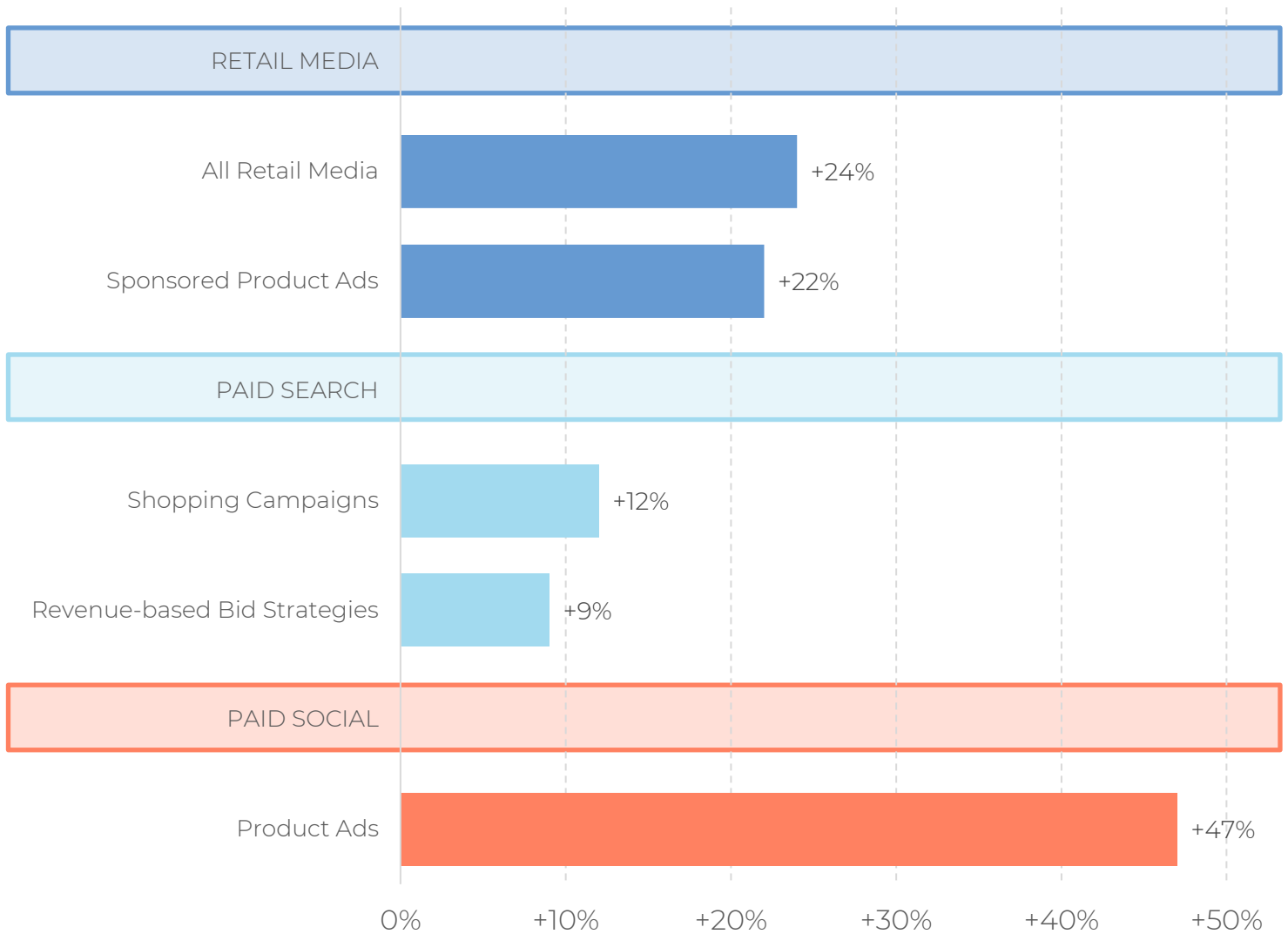
Search shopping campaigns by industry category



As Performance Max blurs the definition of commerce media within paid search, categories where commerce might be a secondary or tertiary priority do see some activity, typically at higher price points than core retail and commerce.

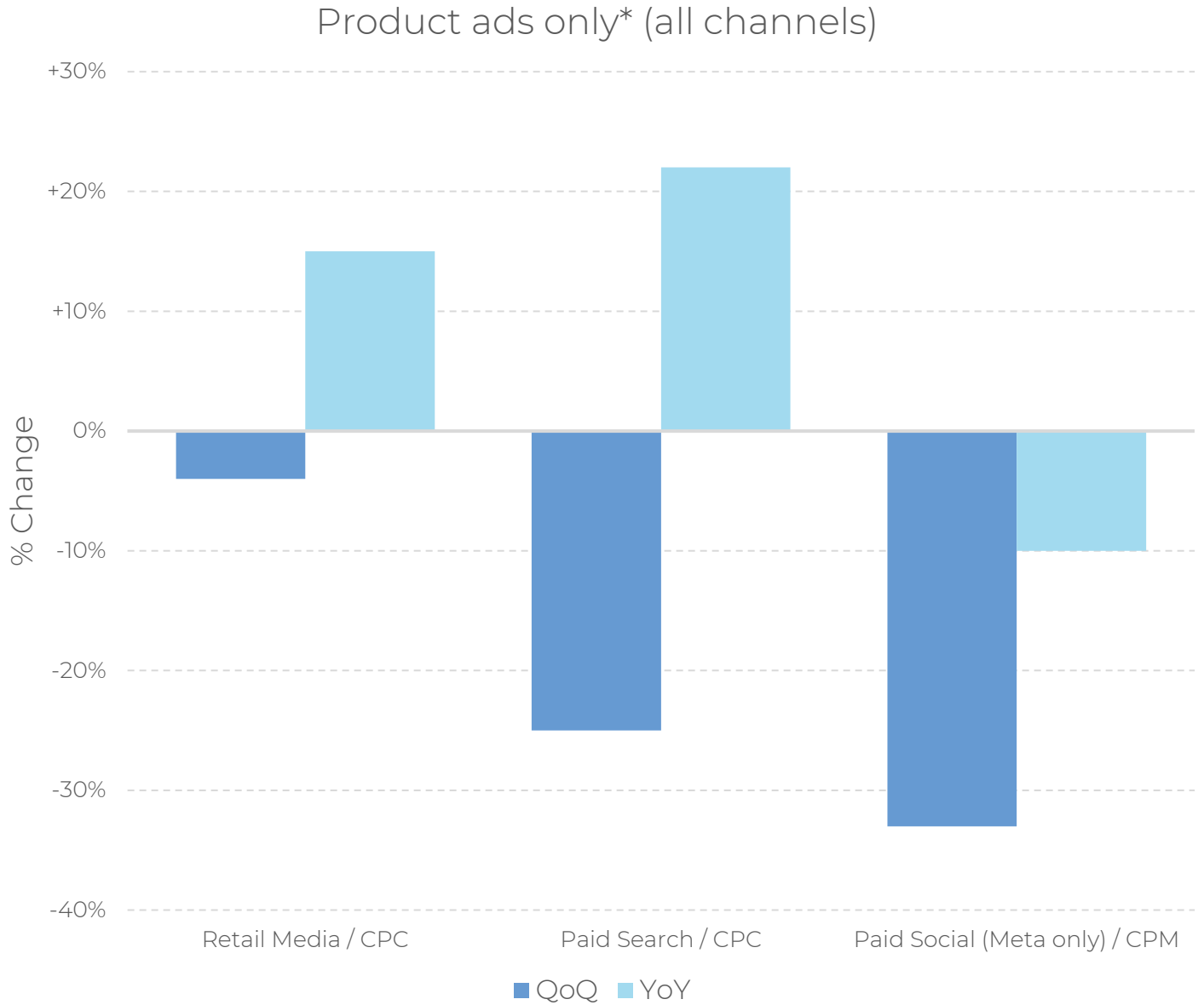
Commerce spending growth across channels

YoY % Spending Change



Paid social saw a very large increase in designated product ads, persisting even after the holiday season. Search shopping campaigns and social product ads both outperformed the overall channel.

Product ad pricing across channels

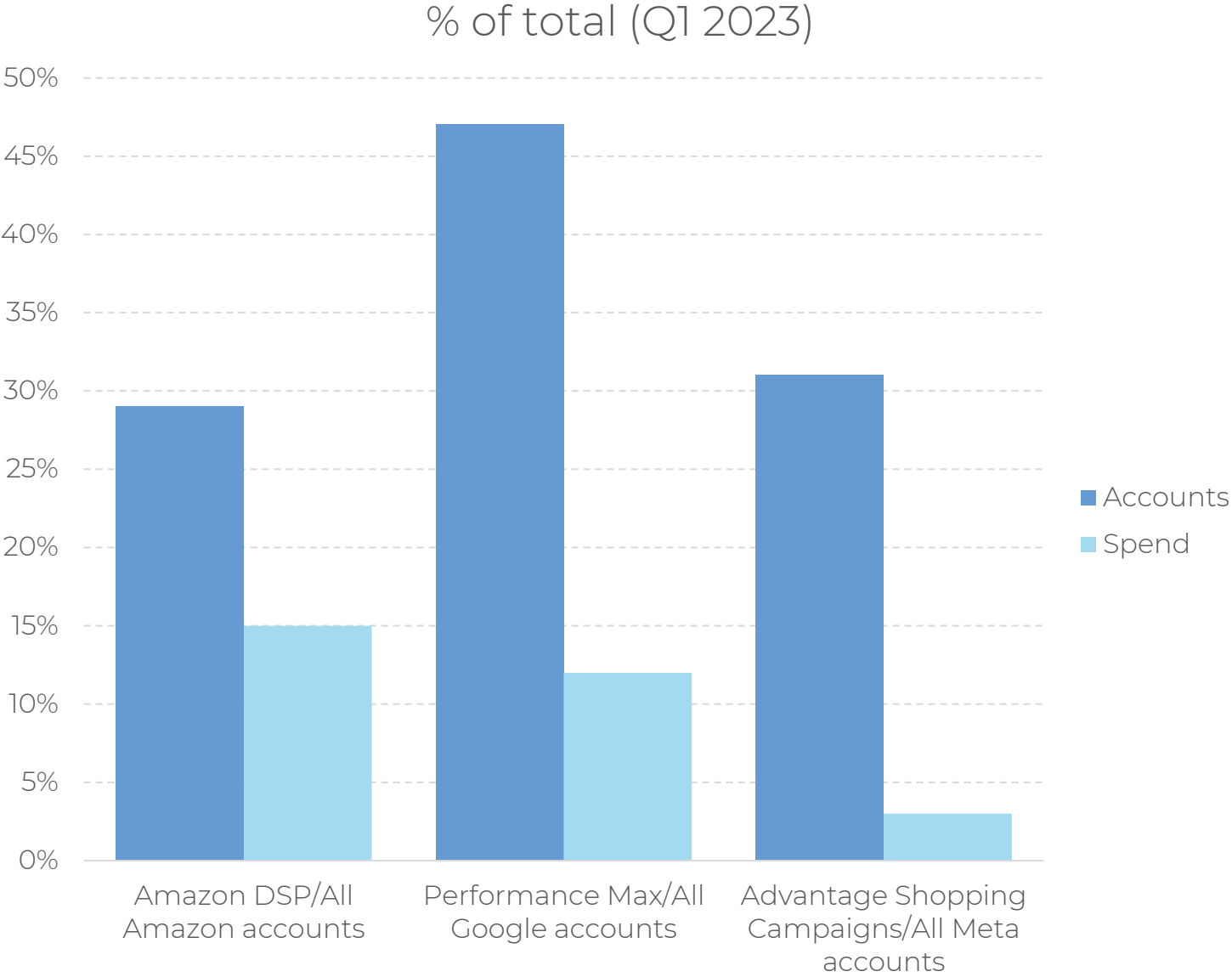


Seasonal price “premiums” receded across channels, with retail media moving the least just as prices in that channel grew the least in Q4.

YoY prices for shopping ads were up in Retail Media and Paid Search.

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

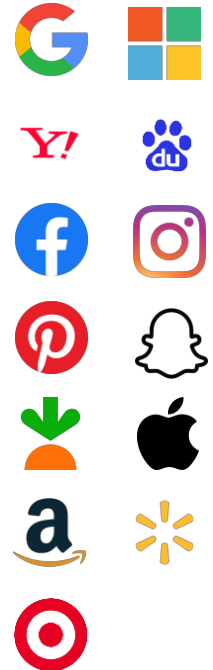
Commerce ads expand footprint across channels



Share of the newer shopping placements dropped for both Google and Meta, while Amazon DSP held steady compared to last quarter.

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.

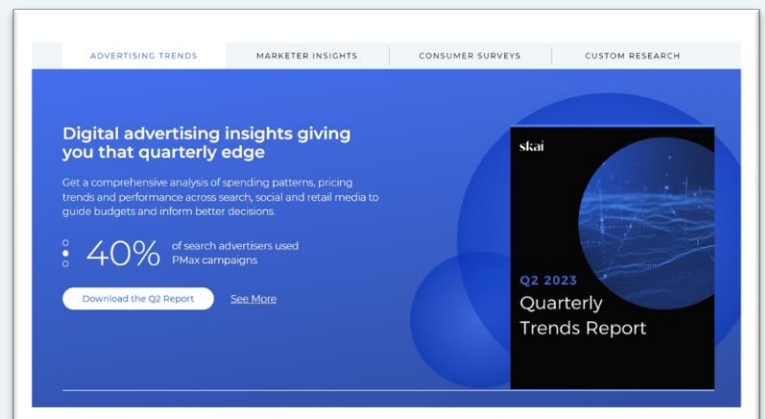


Additional resources

[Skai Research Center](#)

Curated advertising benchmarks, in-depth quarterly trends analysis, valuable marketer insights and consumer research on some of the industry's hottest topics.

- Advertiser Trends
- Marketer Insights
- Consumer Surveys
- Custom Research



About Skai

Skai is an omnichannel advertising platform, uniquely enabling brands and agencies to run data-driven programs across walled garden media. It empowers both media leaders and activation teams to drive impactful results from their advertising program with AI-powered decisioning, activation, and optimization solutions. Its partners include Google, Amazon Ads, Microsoft, Walmart Connect, Apple Search Ads, Instacart, Criteo, TikTok, Snap, Pinterest, Meta, and more.

For over a decade, Skai has earned the trust of notable brands such as HP, Doordash, Sony, Philips, and L’Oreal. Renowned for innovation and a values-driven culture, Skai is headquartered in San Francisco and Tel Aviv with eight international locations.

Visit skai.io for more information.