



Q2 2024

Quarterly Trends Report



Introduction

As we continue into 2024, a dominant theme across digital advertising has been rising prices. There have been anecdotal reports that search advertisers are turning to other channels like paid social because search clicks have become too expensive, but also reports that social advertisers are doing the opposite for the exact same reason.

Clearly, we are in a period of rising ad prices. The analysis of Skai data that follows bears that out. However, there is important context. This is not the first time prices have been up for a period of time, nor will it be the last. Over the history of our quarterly research, we have seen several cycles where prices oscillate between being up and being down. When this happens, ad volumes typically slow down (or speed up) to compensate. Either advertisers buy fewer clicks and impressions because they cost more, or some other forces in the market shrink the available pool of clicks and impressions, driving prices up.

What's more, we have seen evidence that those more expensive clicks are working harder. Conversion rates in segments like Amazon Sponsored ads and search keyword ads are experiencing higher conversion rates. This means advertisers need to mind their performance KPIs perhaps more than ever, to make sure that balking at higher prices sacrifices conversions and sales revenue that might have been realized by those more expensive ads.

Meanwhile, sea changes of ad types and formats continue to work their way through the system, spurring on some of these pricing vs volume tradeoffs as advertisers acclimate to the “new normal” and start to optimize against it.

Fundamentally, digital advertising spending is up across all channels, with ad prices acting as a bigger tailwind than the volume of clicks and impressions, but those year-over-year price increases seem to be narrowing, so the winds could shift in the second half to the point where clicks and impressions are once again on the front foot.



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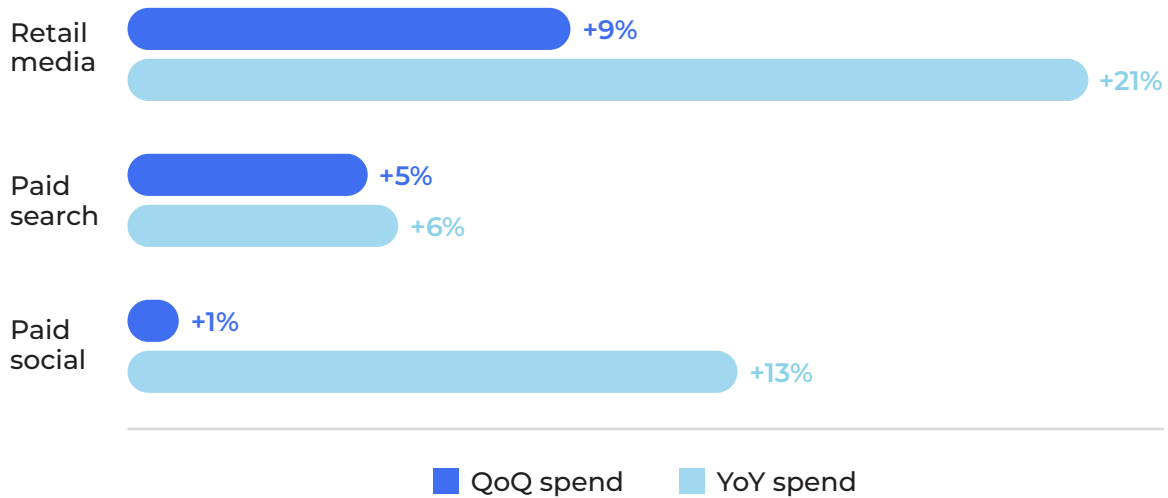
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About this report

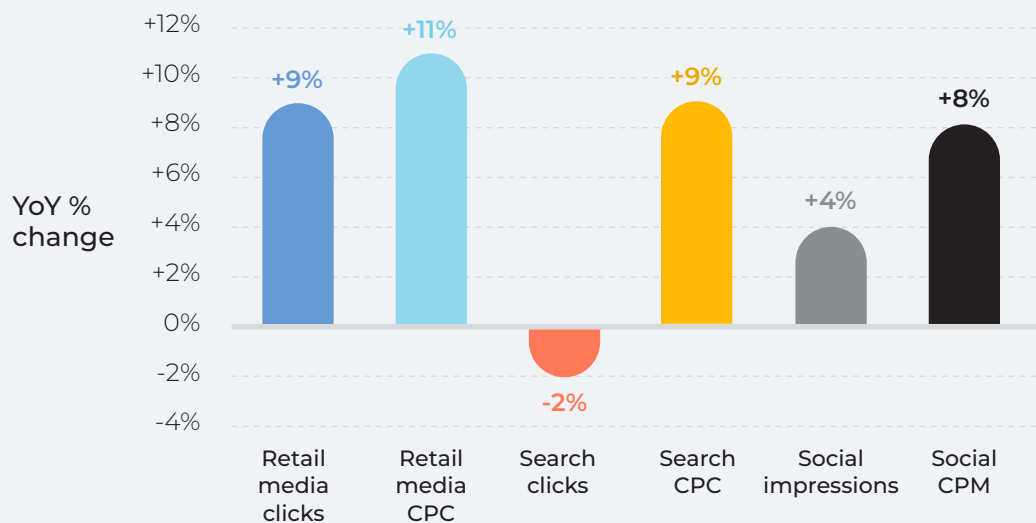
Spending growth by channel

In Q2, we saw total spending increase both year-over-year (YoY) and quarter-over-quarter (QoQ) across the board. Marketers vote with their budgets, and these channels continue to drive results. Retail media continued its reign as the fastest-growing channel with a 21% increase.



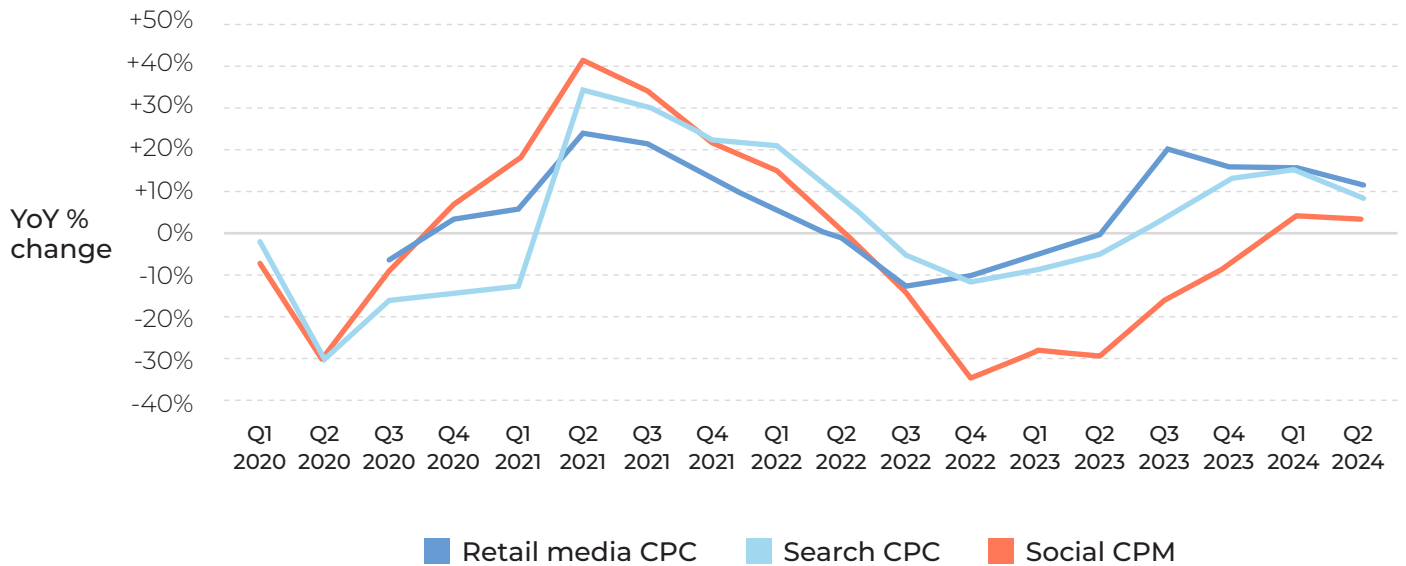
Volume and pricing trends

There are always two components to changes in spend—ad volume and pricing. This quarter, ad prices moved the needle more than volume, meaning that changes in CPC for retail media and paid search, and CPM for paid social, all grew faster than clicks or impressions. Retail media clicks and social impressions still grew, but at a slower rate than pricing, and somewhat slower than we've seen in recent quarters.



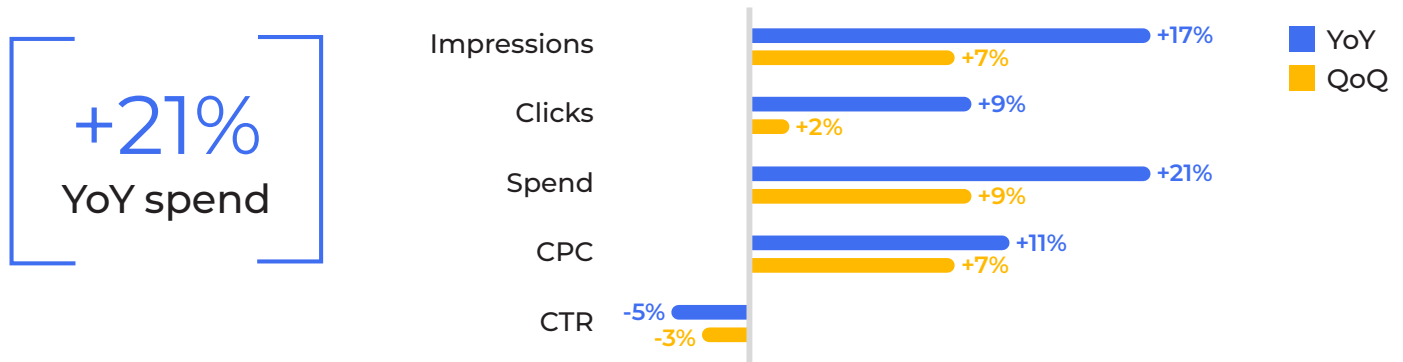
Price change history

With concern in the marketplace about rising prices, Skai looked back across the last four and a half years of our published trend reports and found that while we have experienced stretches of YoY price increases before, they eventually lead to periods of lower prices. In fact, Q2 YoY price increases were less than last quarter in all channels, signaling that price relief may come soon.



Retail media % change

Spending growth for Retail Media was still the highest of our three key channels but came in slower than last quarter even as nearly two-thirds of accounts showed increased investment levels.



“As Amazon ads continues to mature [as a channel], it becomes more saturated, and being more strategic in both where and how to compete will be key to hit business goals on the platform.”

Nico Batista

Director Strategic Services, Skai

Retail media by the numbers

One big reason is a slowdown in year-over-year click volume from Amazon that began in Q3 of last year, which meant rising click prices had to carry most of the growth. Higher ad prices played a slightly bigger role in YoY spending growth than increased clicks, which has been the case since Q3 of 2023. Prior to that, however, faster click growth was the norm. In Q2 of last year, for example, clicks grew 36% YoY while CPC was flat.

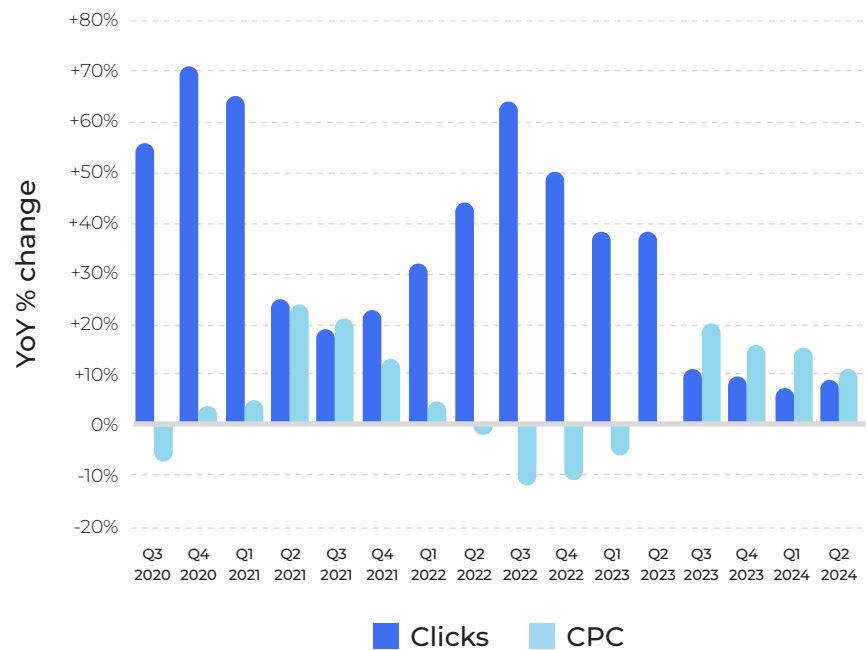
	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Impressions*	1.00	1.06	1.28	1.00	1.17
Clicks*	1.00	1.06	1.21	1.07	1.09
Spend*	1.00	1.11	1.30	1.11	1.21
CPC	\$1.07	\$1.12	\$1.15	\$1.11	\$1.19
CTR	0.41%	0.41%	0.39%	0.40%	0.39%

*Indexed volume (Q2 2023=1.00)

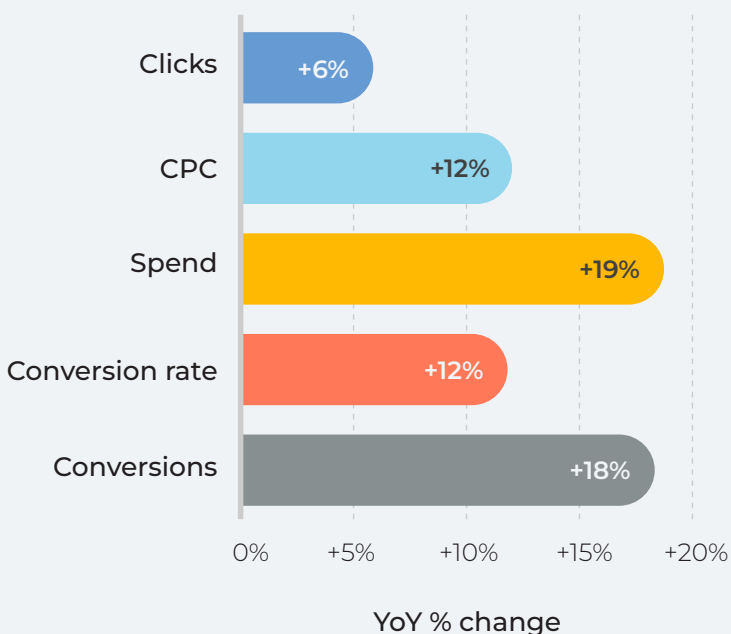
Retail media clicks and CPC history

We can explore this change in clicks and CPC further by looking across previous Skai Quarterly Trend Reports. What we find is not only have CPCs risen and fallen in the past, but they also are typically accompanied by either a slowdown or an acceleration in the growth of clicks, respectively.

At some level, this may just be supply and demand. As click prices rise, marketers buy fewer of them, and vice versa. Budget caps, dayparting and narrower audience targeting are all ways to adapt your retail media programs to changing prices.



Retail media: Amazon only

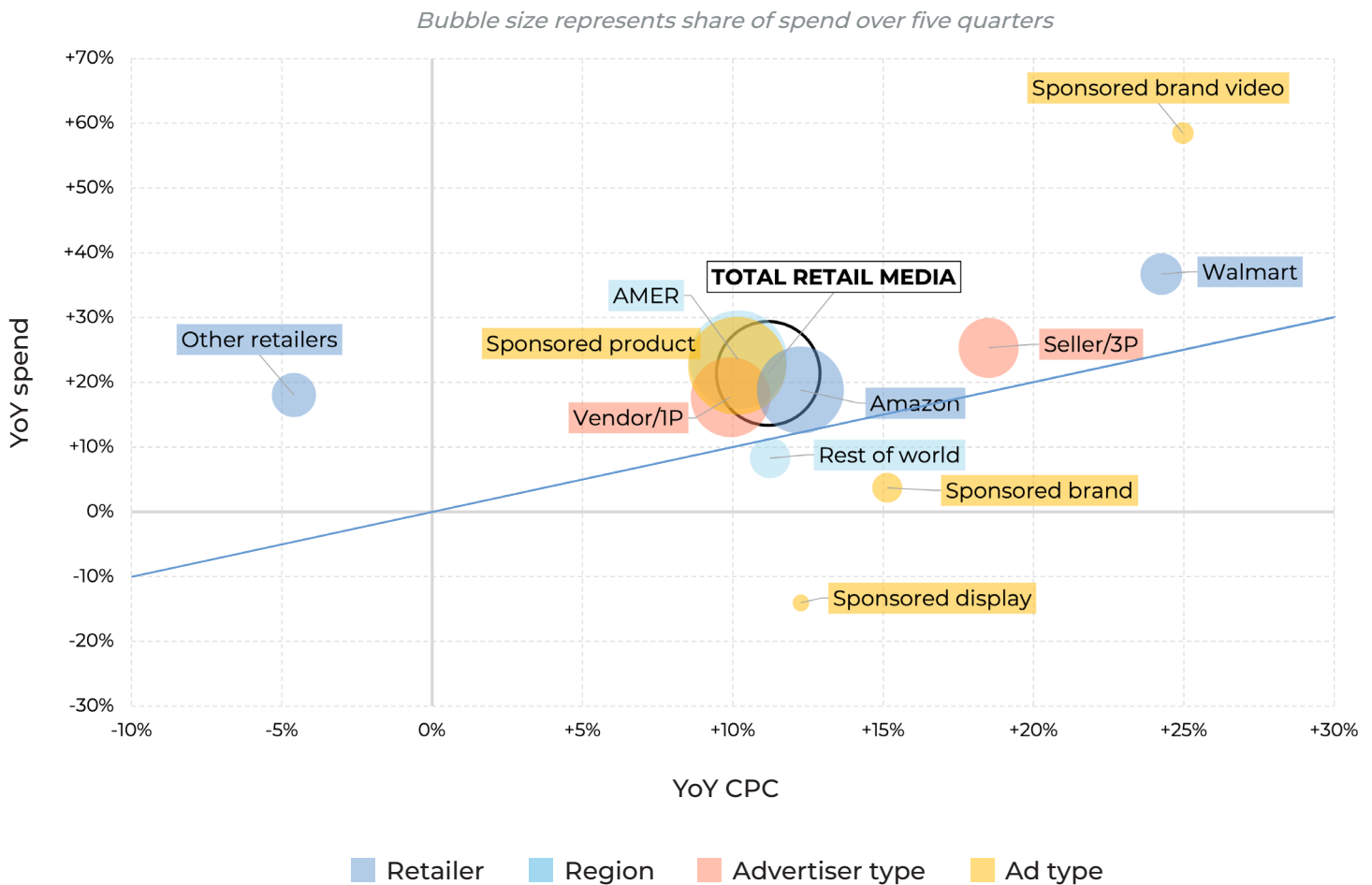


However, this approach focuses on the delivery of ads, and does not consider performance. In fact, if we look at Amazon in particular—conversion metrics are cleanest there—we see that there has been a YoY change in conversion rate that matches the increase in CPC, yielding an increase in total conversions that matches the rise in spending.

This is a critical point. Don't obsess over ad prices without considering the overall effectiveness of your retail media program. You might actually be getting extra bang for that extra buck!

Retail media key segments

Key segments within retail media can be identified using a bubble chart. By plotting the YoY change in CPC on the x-axis and the YoY change in spend on the y-axis, we get a “map” of which segments are driving overall spending change, and how much the price of those segments plays a role in spending. The diagonal line represents where all of the change in spending can be attributed to the change in price.



When we consider the size of each segment—represented by the size of the bubble—then both Walmart and third-party sellers had the greatest “pull” on the overall trends. On the other hand, Sponsored Brand Video is relatively small, so even though it saw a 25% increase in CPC and nearly a 60% increase in spending, it did not move the overall needle as much.

Nearly every segment is in the upper right quadrant, which speaks to how broad the growth of retail media is as a channel.

Paid search % change

Spending on paid search grew 6% over last year, which is the same rate of growth as last quarter. Google budgets were up 8%, also the same as in Q1.

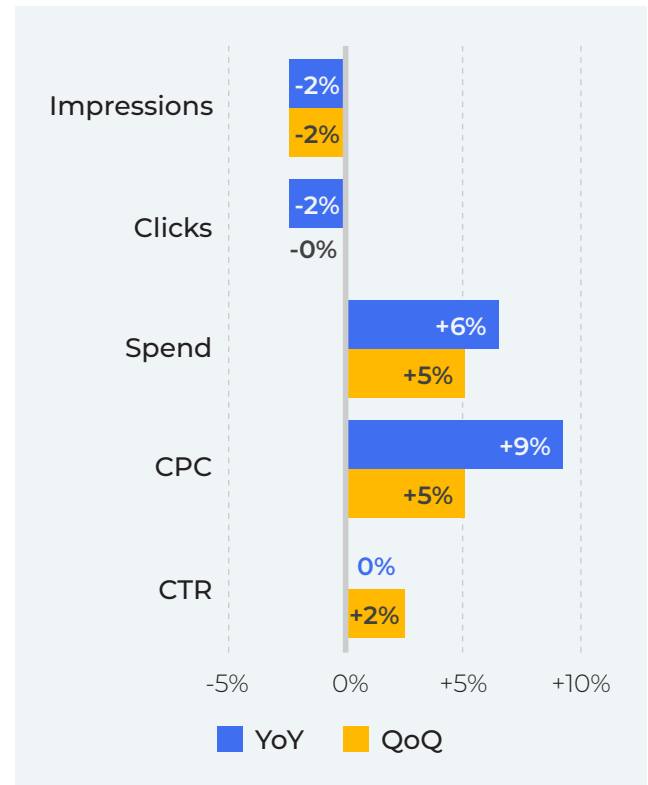
Even as spend grew, the volume of both impressions and clicks dropped slightly, which means that higher CPC drove the entirety of the YoY spending increase and then some. This fits into the overall pattern of higher prices and lower volumes that we have seen across channels.

Keyword ads echoed the overall trend, with clicks down by a greater percentage (-5%) and CPC up more sharply (+14%). Branded keywords seem to be one factor of higher keyword CPC, which could be the result of changes around match type and/or rules around bidding on competitors' brand names.

Another driver of spending growth was Performance Max campaigns, which more than doubled YoY as the new algorithmic shopping format has almost completely replaced Smart Shopping by this point in time.

Just over half of Skai search accounts increased spending by at least 5% over Q2 of last year.

+6% YoY spend



Paid search by the numbers

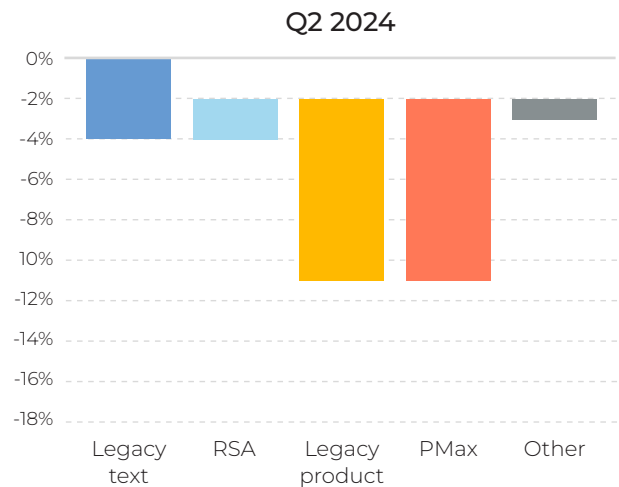
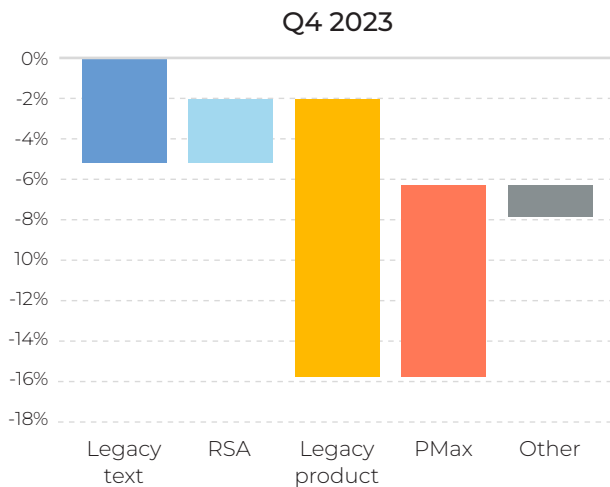
	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Impressions*	1.00	0.87	1.11	1.00	0.98
Clicks*	1.00	0.97	1.14	0.98	0.98
Spend*	1.00	1.03	1.29	1.01	1.06
CPC	\$0.56	\$0.60	\$0.63	\$0.58	\$0.61
CTR	1.63%	1.81%	1.68%	1.60%	1.63%

*Indexed volume (Q2 2023=1.00)

YoY Search Clicks

In previous quarters, the mix shift from legacy product ads (standard and smart shopping campaigns) to Performance Max drove the overall drop in clicks. Now that this has stabilized, we must look to other causes for YoY click trends, particularly the transition from legacy text ads to Responsive Search Ads.

Read waterfall charts from left to right



“Google Ads recently announced that broad match is the default for new search campaigns moving forward, so advertisers should be vigilant in verifying their broad match keywords campaign setting upon creation; to ensure that it aligns with their intent.”

Jenna Stevens

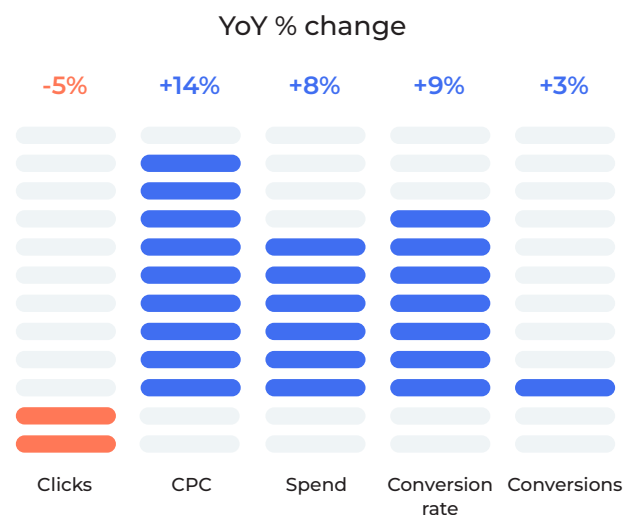
Expert Services Director, Skai

Paid search: keyword text ads only (Legacy + RSA)

If we isolate all clicks—both legacy and RSA—we see that while clicks dropped faster for keywords than for overall search, higher CPC pushed spending higher than the overall channel. We also see that conversion rate grew by 9%. Not as much as CPC, but still a healthy improvement.

The higher conversion rate means fewer clicks are necessary to achieve similar or better conversion volumes, which suggests improving efficiency for keyword text ads as Responsive Search replaces Expanded Text Ads.

Keep in mind that conversion metrics for the search channel can be imprecise, as different advertisers can designate different conversion events.



Paid social YoY trends

Social spending grew at a slower rate than last quarter, but some of that difference was the result of removing one outlier with disproportionate spend on YouTube. Meta, on the other hand, grew slightly faster than last quarter, although one percentage point could be considered as noise in our data.

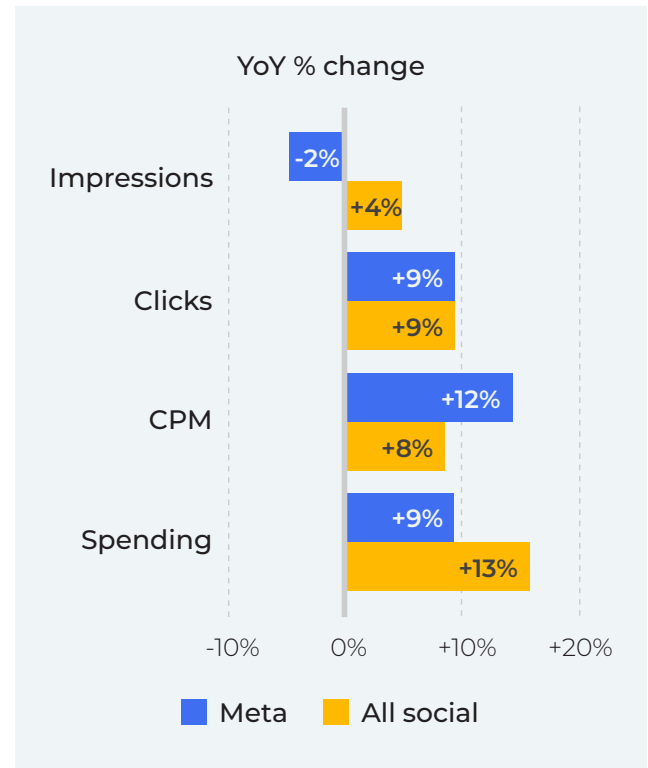
Even as it has slowed from last quarter, the segment of other social publishers continues to grow at a faster clip than Meta. This is likely a mix of market forces and increasing Skai support across the whole channel.

Meta has largely moved into the “second phase” of its campaign restructuring, with CPM going up while impressions slow down.

While overall social channel growth was balanced between impressions, clicks and CPM, impressions for Meta flipped negative in Q2 after slowing for several quarters.

Meta CPM, on the other hand, has been growing sequentially throughout most of the last 12 months and is now providing a tailwind for YoY spending growth. This provides a similar dynamic to what we've seen across channels.

+13% YoY spend



Paid social by the numbers

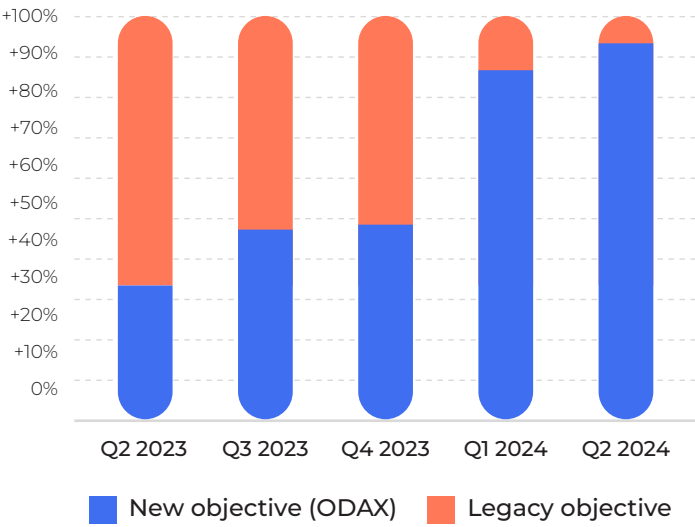
	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Impressions*	1.00	1.08	1.29	1.10	1.04
Clicks*	1.00	1.13	1.34	1.08	1.09
Spend*	1.00	1.18	1.36	1.12	1.13
CPM	\$4.06	\$4.46	\$4.28	\$4.15	\$4.40
CTR	0.64%	0.66%	0.66%	0.63%	0.66%

*Indexed volume (Q2 2023=1.00)

Share of spend: Meta only

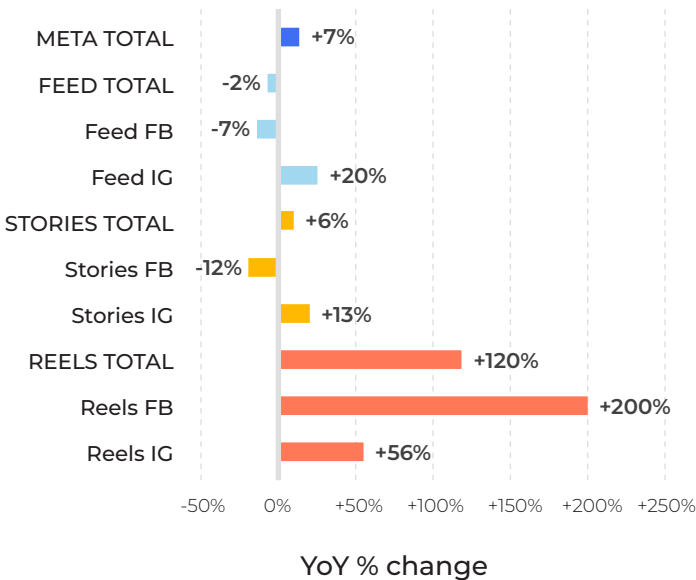
While the overall price/volume dynamic for Meta is similar to other channels, one key difference is the flood of new inventory that came with the restructuring of campaign objectives. The new set of objectives are formally called “Outcome-Driven Ad Objectives,” or ODAX, and they streamline what used to be 11 different objectives into 6. More importantly, the transition to these new objectives is nearly complete, as 94% of total Q2 spend went to ODAX, and just 6% still lingered in the legacy formats.

For much of last year, however, this led to much higher impression growth and lower CPMs. It has only been since mid-2023 that ad prices started to build again. Now, as our year-over-year comparisons start to include more of these ODAX campaigns, the growth dynamic is already starting to change, with CPMs getting higher and impressions slowing down. It seems to be conforming somewhat to what we’re observing in other channels, but from a higher volume and lower CPM as a starting point.



“ODAX campaigns could be finding more people to convert at higher cost than legacy objectives, but advertisers aren’t minding because they’re getting the conversions they want even at higher CPMs.”

Blue Derkin
Senior Director, Product Marketing, Skai



YoY spend by position platform: Meta only

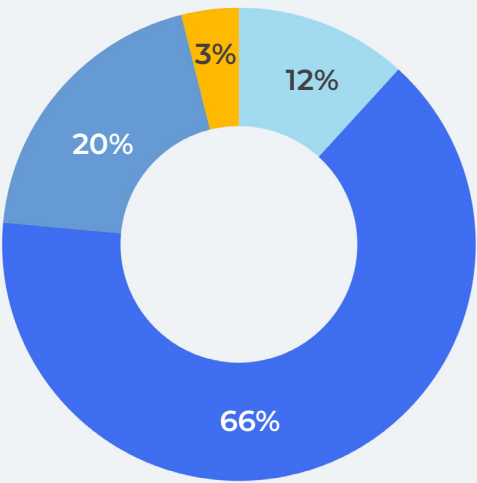
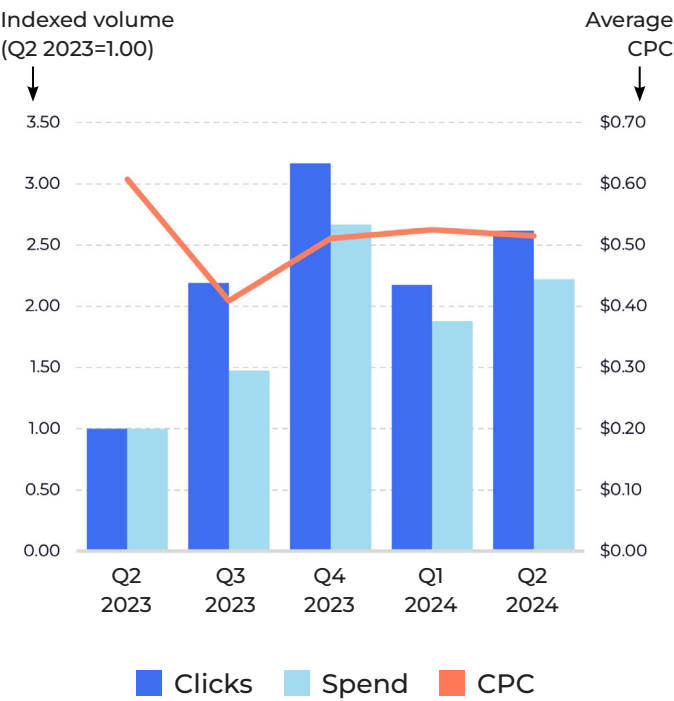
One of the other prime movers within Meta has been, undoubtedly, the Reels format. While CPMs for the short-form video ads are generally lower, they are still growing considerably faster than any other Meta placement, both on Facebook and Instagram.

PMax growth

While we have already discussed retail media, commerce ads exist across all channels. This includes newer ad and campaign formats in paid search and paid social that have seen rapid growth and adoption, and these warrant a closer look.

In paid search, the biggest shopping story has been Performance Max campaigns, which have gradually replaced Smart Shopping on both Google and Microsoft. Spending on these accounts has more than doubled YoY. Fully half of Skai accounts are now running Performance Max. As a percentage of total search spend, PMax accounted for 13% of search dollars in Q2 2024.

Why the disparity? First off, shopping campaigns generally have lower CPC than keyword campaigns, so keywords end up dominating share of spend even as shopping makes up a greater percentage of clicks and impressions. Second, PMax is, at least primarily, a shopping campaign type, and not every search marketer is selling products.



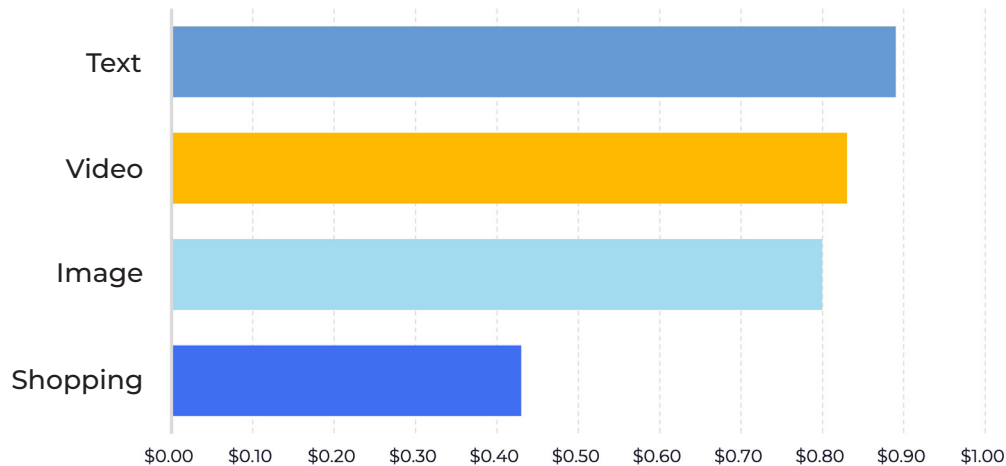
Share of H1 PMax spend

To see just how much of PMax is focused on shopping, we have begun to investigate data at the “asset” level. As an algorithmic campaign format, PMax dynamically assembles ads based on what the search engine knows about the search and the searcher in a particular instant, and it can take the form of a shopping ad, an image, a text ad, or a video. Using a new, somewhat experimental data set at Skai, we can start to see a picture of what was under the hood of PMax in the first half of 2024.

Text Video Image Shopping

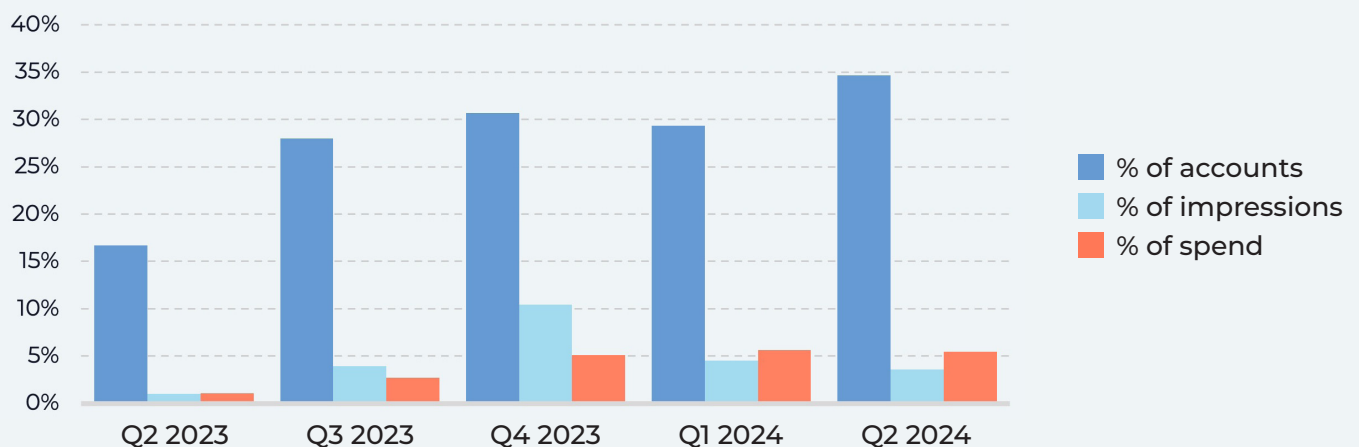
PMax H1 CPC

Not only did shopping account for two-thirds of PMax spending in H1, but we also see the differential between CPC for shopping assets and everything else, which contributes to the lower share of overall spending. What's more, 90% of accounts using PMax have some amount of shopping assets in their program, so considering it as a shopping format seems warranted. Or at least defensible.



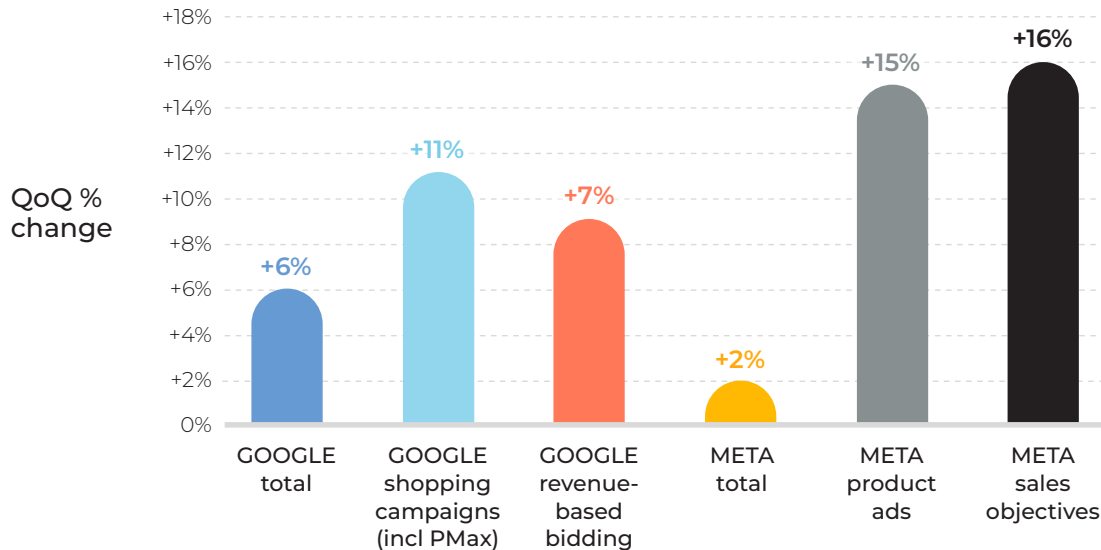
Advantage Shopping Campaigns+: Meta only

And while social commerce is nothing new, Meta's Advantage Shopping Campaigns+ have provided marketers with new tools to help them focus on shopping. Spending on these ads increased nearly 6x YoY, and yet only accounted for 5% of total Meta spending in Q2 from Skai accounts. Still, over one-third of those accounts are using the ad format, and both adoption and share of spend should grow as advertisers start preparing for the holidays beginning in Q3.



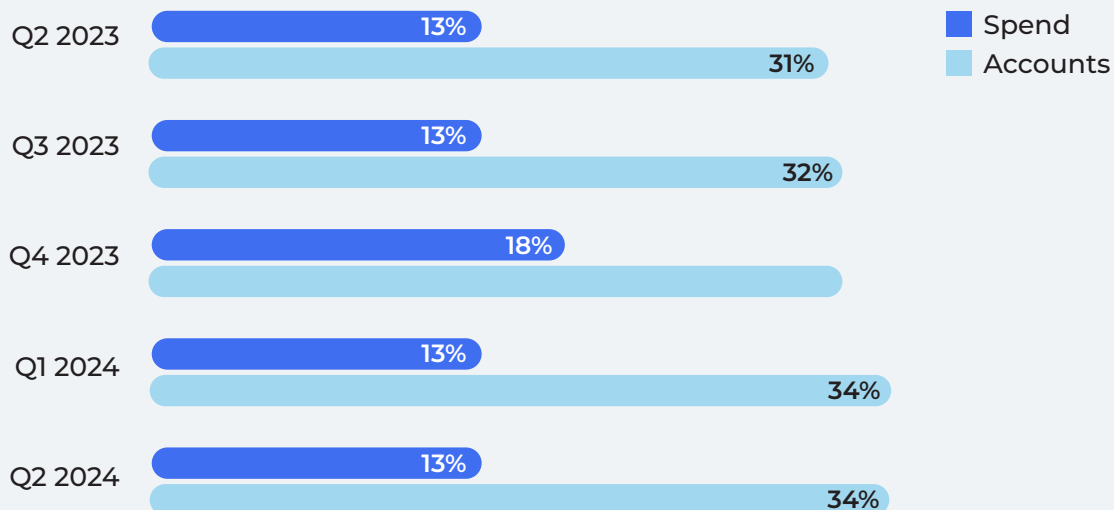
Commerce media quarterly growth

Zooming out from specific ad formats, commerce has been a big driver of overall spending levels across channels outside of retail media. Specifically, across Google and Meta, shopping formats and objectives grew quarter-over-quarter spending faster than the overall channel.



Paid search: standard shopping campaigns

And least we focus too much on new offerings, plain old standard shopping campaigns still maintain a consistent footprint within paid search, even as Performance Max continues to gain share. Standard shopping comprised 13% of total search spend in Q2, equal to that of PMax. And 1 in 3 search marketers continue to use the campaign format, which can be attractive due to more granular control and better visibility into performance.



Conclusions

There is a common element across digital channels where ad volume is either slowing its growth or decreasing while ad prices go up both sequentially and year-over-year. Whether this is primarily due to high prices reducing the quantity of ads purchased, or some structural change in the quantity of available ads making them more scarce and more expensive is beside the point. The change is real.

In many cases, performance has not been affected. KPIs such as conversion volume and ROAS have largely kept pace. This implies an increase in efficiency that could be subsequently due to “mix shifts” in ad inventory where newer formats (PMA, RSA, ODA) have gone through their initial, more disruptive transition phase and are now being optimized.

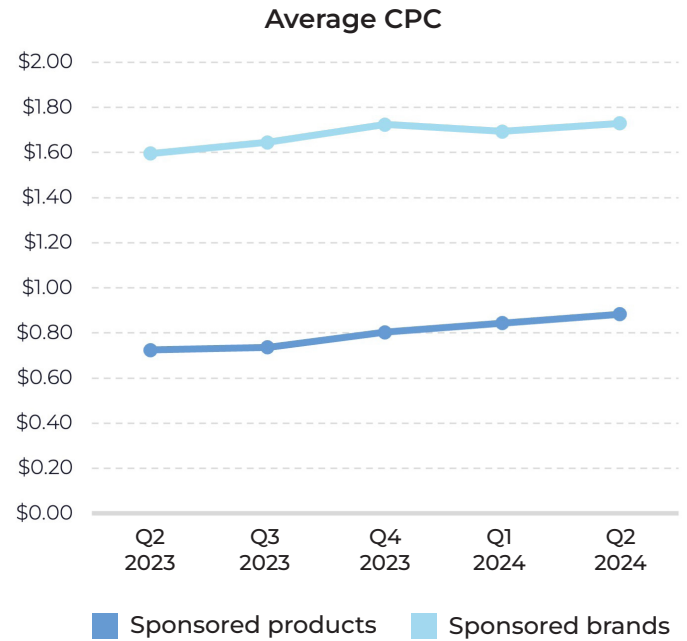
This shows how marketers can and will adapt to this change with their advertising strategies. Tools like dayparting, audience targeting and budget capping, along with changes to KPI goals, can help maintain the performance of ad programs in the face of these prices. As it happens, these strategies all limit ad volume, which is inevitably why these periods of high prices have been somewhat temporary across a longer historical view.



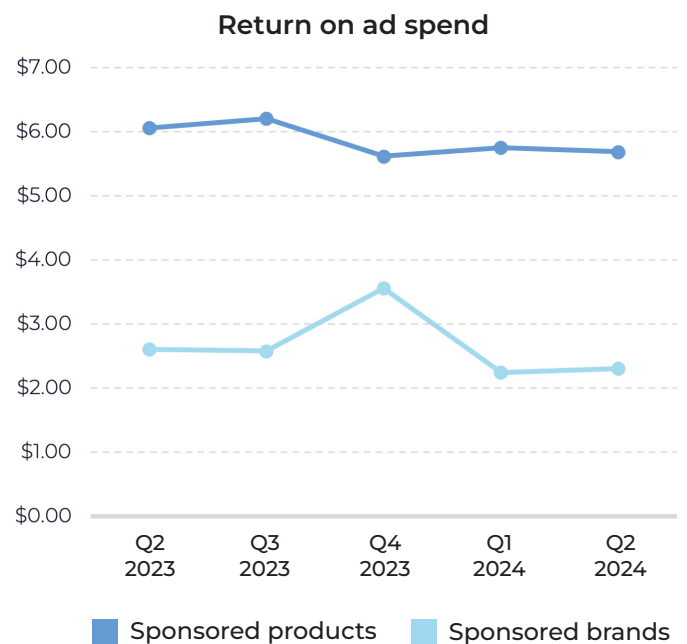
Appendix

Sponsored Brand ads on Walmart command a higher premium over Sponsored Product Ads, and the higher CPC for Sponsored Brands mean lower ROAS than Sponsored Products, but with the same seasonal spike seen in overall spend.

Walmart CPC by ad type		
	Sponsored products	Sponsored brands
Q2 2023	\$0.72	\$1.60
Q3 2023	\$0.74	\$1.65
Q4 2023	\$0.80	\$1.72
Q1 2024	\$0.84	\$1.69
Q2 2024	\$0.88	\$1.73
QoQ	+5%	+2%
YoY	+22%	+8%



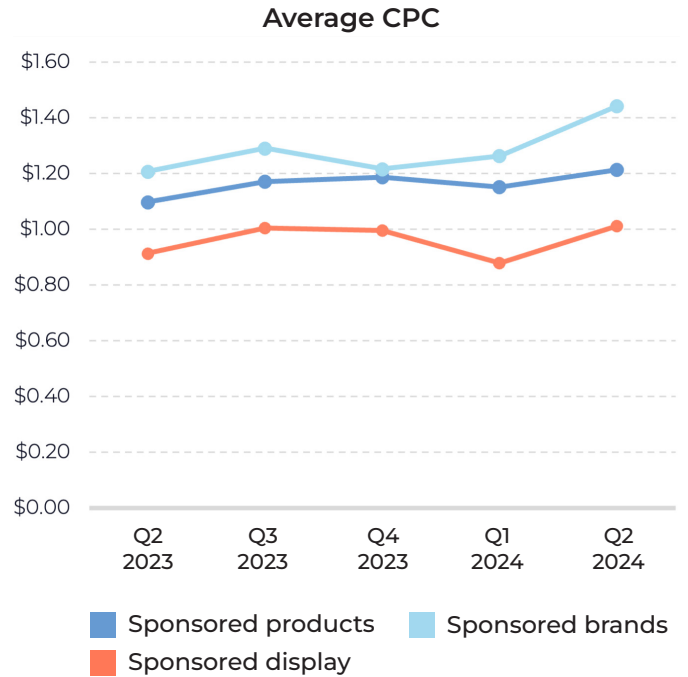
Walmart ROAS by ad type		
	Sponsored products	Sponsored brands
Q2 2023	\$6.06	\$2.60
Q3 2023	\$6.21	\$2.58
Q4 2023	\$5.62	\$3.56
Q1 2024	\$5.76	\$2.24
Q2 2024	\$5.69	\$2.31
QoQ	-1%	+3%
YoY	-6%	-11%



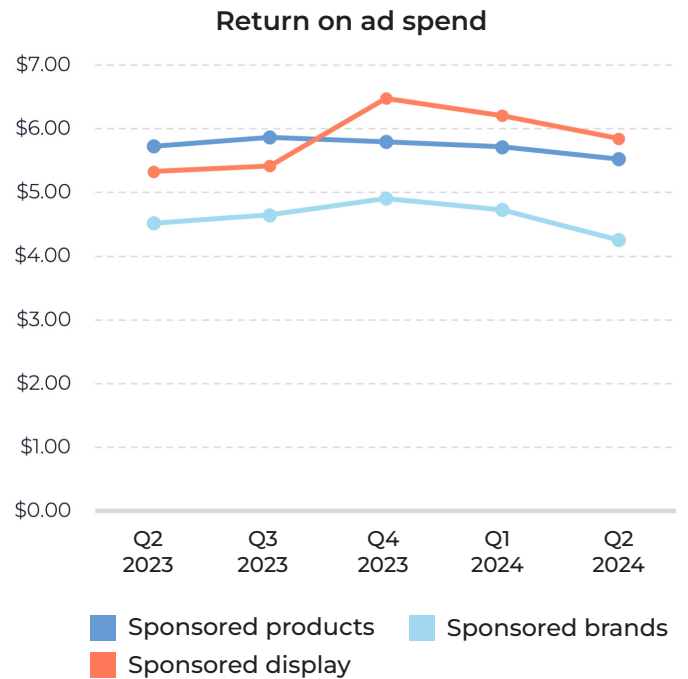
Appendix

All ad types increased in CPC both QoQ and YoY, with Sponsored Brands increasing the most compared to last year. Advertisers need to balance higher CPCs against ROAS goals and other KPIs.

Amazon CPC by ad type			
	Sponsored products	Sponsored brands	Sponsored display
Q2 2023	\$1.10	\$1.21	\$0.91
Q3 2023	\$1.17	\$1.29	\$1.00
Q4 2023	\$1.19	\$1.22	\$1.00
Q1 2024	\$1.15	\$1.26	\$0.88
Q2 2024	\$1.21	\$1.44	\$1.01
QoQ	+5%	+14%	+15%
YoY	+11%	+19%	+11%



Amazon ROAS by ad type			
	Sponsored products	Sponsored brands	Sponsored display
Q2 2023	\$5.73	\$4.52	\$5.33
Q3 2023	\$5.87	\$4.65	\$5.42
Q4 2023	\$5.80	\$4.91	\$6.48
Q1 2024	\$5.72	\$4.73	\$6.21
Q2 2024	\$5.53	\$4.26	\$5.85
QoQ	-3%	-10%	-6%
YoY	-3%	-6%	+10%



ABOUT THE REPORT

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.



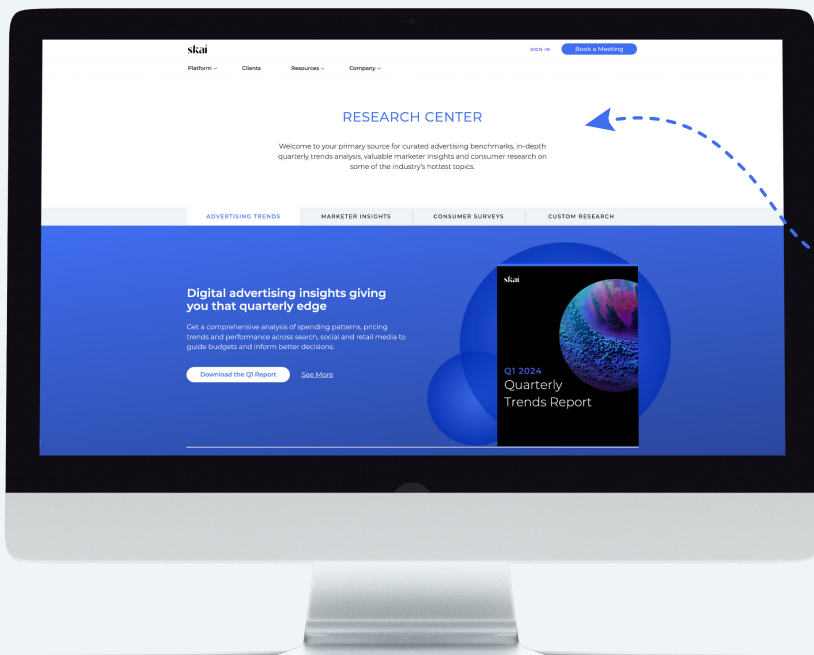
Sample is drawn from a total population of over 1 trillion impressions, 14 billion clicks, and approximately \$8.6 billion in spending over five quarters, across multiple countries and industry categories.



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

This analysis is based on spending from Skai clients only and should not be interpreted as a fully accurate representation of channel or individual publisher performance.

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 trust from notable brands such as Reckitt, 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.