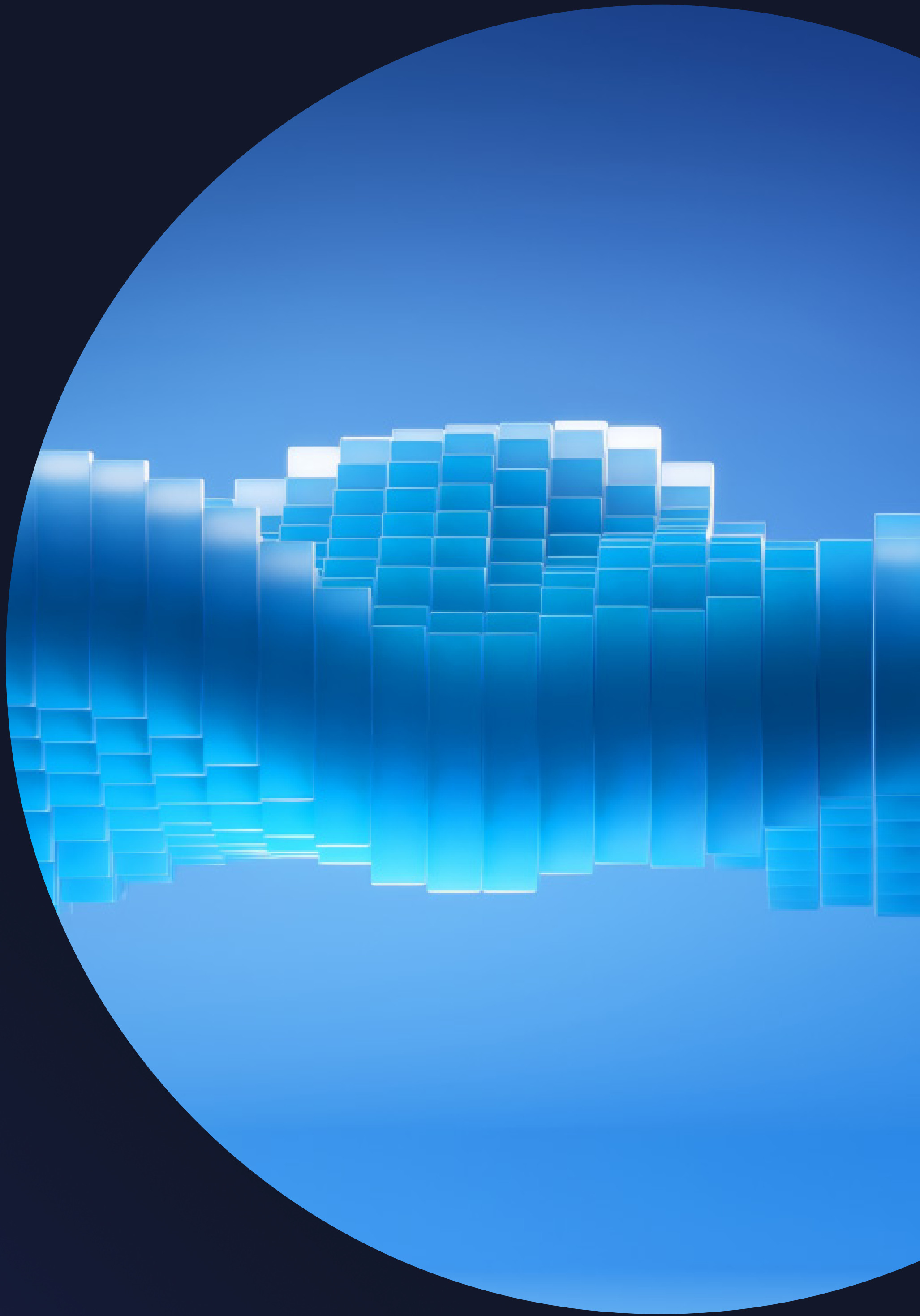

Q1 2025

Quarterly Trends Report

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Introduction

Thanks to the post-holiday reset, the first quarter of the year is typically marked by a pullback in ad spending compared to the fourth quarter, as annual budgets start anew. Despite economic headwinds—including persistent inflation and tariff uncertainty that impacted consumer confidence in the mid-to-late quarter—2025's kickoff showed that digital advertising's momentum is far from cooling. Marketers remained focused on efficiency as retail media and paid search delivered strong YoY growth.

For the third straight quarter, pricing volatility remained low. CPCs in retail media were up just 1% year-over-year (YoY), and paid search saw a modest 2% increase. Paid social CPMs rose by +5%, but volume declined, keeping overall spend in check. The result: a healthier balance between cost and performance across all three channels.

Retail media was once again the standout. With spend up 21% and clicks up 20%, advertisers leaned into this channel for both performance and scale. CTRs improved significantly, suggesting better alignment between creative and placement. Even without a tentpole shopping moment, brands stayed active, driven by the continued rollout of full-funnel inventory across leading retail media networks (RMNs).

Paid search saw an 11% year-over-year increase in spend, the highest in over a year. CTR grew by +10%, and CPCs held mostly steady, supporting efficient growth. Performance Max adoption reached 57% of accounts, up 11 points YoY, and now accounts for a growing share of Shopping and Search activity. Spending grew consistently month over month, with January and February each posting double-digit gains.

Paid social steadied after a noisy Q4, with overall spend slightly down YoY. Meta remained the anchor platform, but TikTok's footprint expanded: 44% of Skai advertisers used TikTok in Q1, up from 32% YoY. Advantage+ Shopping Campaigns adoption also spiked, signaling marketer interest in automation and commerce-forward formats.

What unified all three channels was the growth of commerce media ad formats. Amazon DSP (+54%), Performance Max (+115%), and Meta's Advantage+ Shopping Campaigns (+82%) outpaced their broader categories by wide margins. Marketers are embracing tools that can work across the entire funnel, driving awareness, engagement, and conversion without having to switch between disconnected strategies.

As commerce media evolves—blending retail, search, and social—marketers are leaning on automation and AI to manage complexity. It's no longer about choosing the right channel; it's about orchestrating cohesive customer journeys.

Note: This analysis is based on Skai client ad spending and should not be interpreted as a complete view of all market activity.

What you need to know

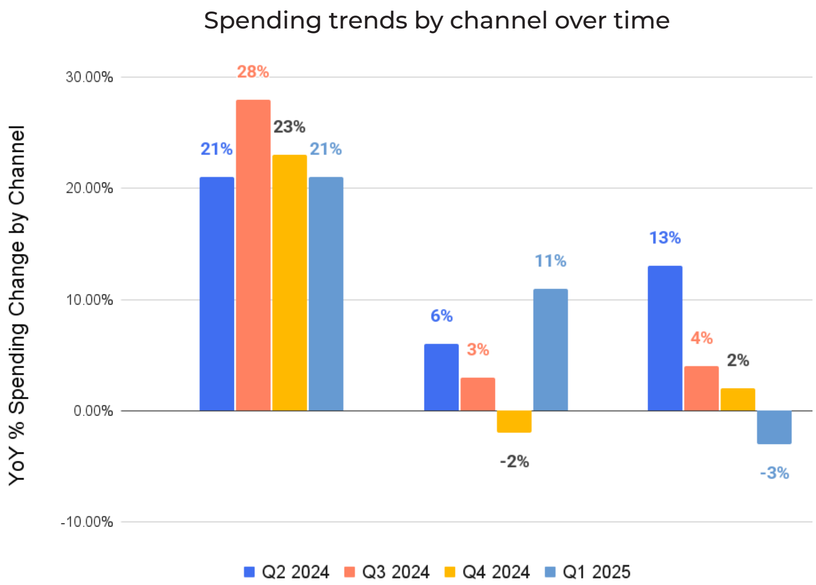
Digital advertising doesn't stand still, especially when budgets are under pressure. This quarter's data shows that marketers are moving money with intent: prioritizing scalable formats, revisiting fundamentals, and doubling down where they see momentum. Retail media and search led the way, but the bigger story may be how advertisers are branching out.

When things get tough, marketers look for value everywhere—and the platforms seeing growth this quarter earned that investment. From Walmart's rising share of retail media to TikTok's expanding footprint in social, increased spending is more than a trend—it's a vote of confidence. Teams aren't just exploring new platforms—they're making them work.

WHAT YOU NEED TO KNOW

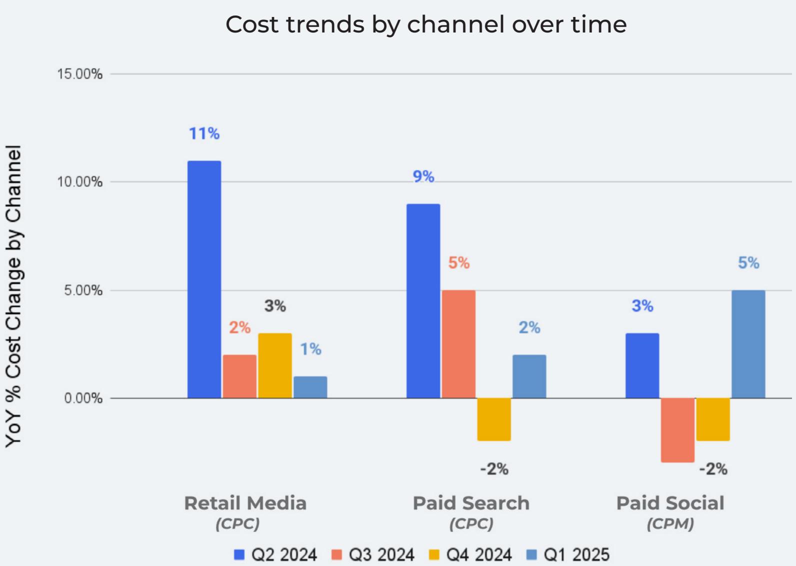
Retail and search pulled ahead—marketers followed

Retail media led Q1 with +21% YoY growth, driven by a surge in click volume and steady costs. Paid search followed with an +11% YoY increase—its best quarter in over a year—while paid social was relatively flat. This spread reflects strategic budgeting, not contraction. Brands clearly made targeted choices about where performance was strongest.



These shifts suggest marketers are doubling down on the channels where performance is most consistent. With paid social stabilizing and retail media accelerating, there's a clear opportunity to rebalance toward the formats that show reliable ROI. For teams still anchored in traditional media splits, this is the quarter to ask: are we investing where consumers are converting?

Stable costs gave marketers more room to optimize



Pricing shifts were muted. CPCs rose by +1% in retail media and by +2% in paid search. Paid social CPMs were up +5%. Marketers seem to be making deliberate trade-offs: investing in quality rather than reach.

When there's less price pressure, marketers have historically been able to focus more time on true optimization levers: refining creative, advancing bid strategies, and tailoring audience segments. Now is a good time to revisit how efficiently your media mix is performing and maybe even try out a few other tactics without worrying about cost implications.

WHAT YOU NEED TO KNOW

Performance-first formats are becoming category leaders

The standout growth came from commerce/performance formats. Amazon DSP spend was up +54%, Performance Max +115%, and Meta's Advantage+ Shopping Campaigns +82%. These formats are expanding rapidly, offering full-funnel efficiency and integration. Marketers aren't just buying impressions—they're buying paths to purchase.

	YoY Spend %
Amazon DSP	54%
Total Retail Media	**21%**
Performance Max	115%
Total Paid Search	**11%**
Advantage Shopping Campaigns+	82%
Total Paid Social	**-3%**

These gains aren't just a phase—they reflect a shift in how commerce campaigns are being built. With measurable performance across the funnel, these formats allow marketers to consolidate spending while hitting upper- and lower-funnel goals. Expect to see even more investment in these tools as retailers and platforms expand their offerings.

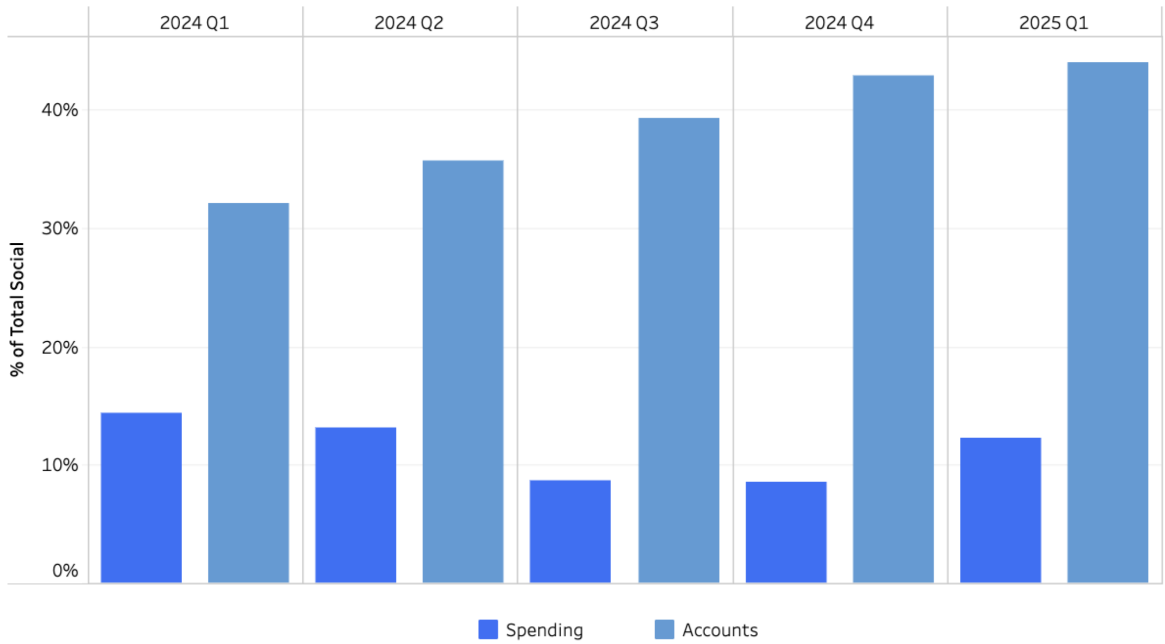
As expected for the start of the year, Q1 2025 wasn't a reset—it was a recalibration. Marketers aren't overhauling their media strategies with each new plan anymore, as we saw even just five years ago. Instead, budgets are shifting toward the tools and channels that consistently deliver measurable results. Commerce media continues to stand out as a scalable growth engine. With pricing relatively stable and volume on the rise, advertisers are unlocking new ways to drive performance across retail, search, and social.

WHAT YOU NEED TO KNOW

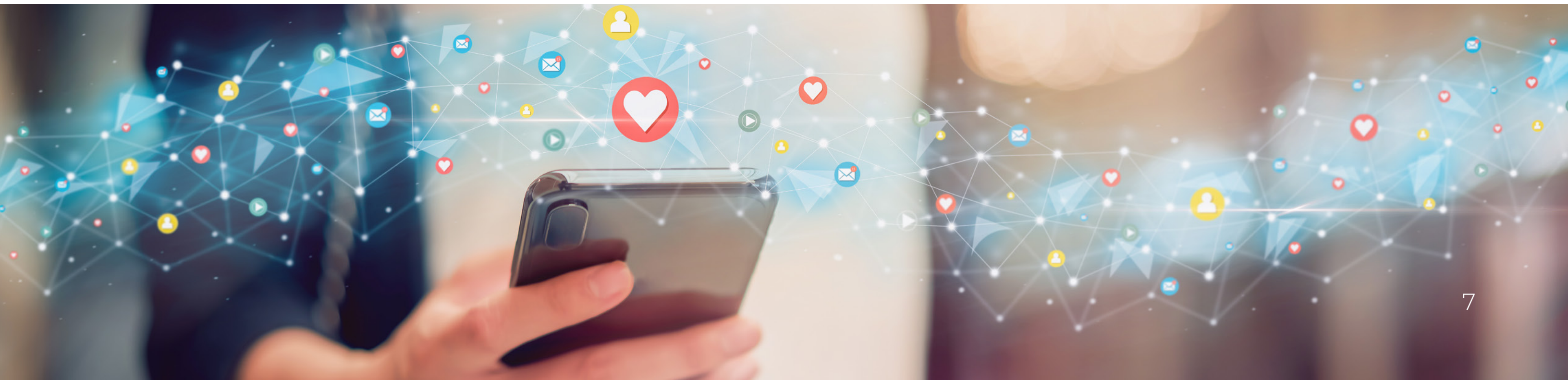
Marketers are diversifying with intent—not just testing

As pricing stabilizes and performance gaps emerge, marketers are moving their budgets with purpose. Growth in Walmart and other RMNs, along with TikTok's rebound in social, points to a broader shift: advertisers aren't just sticking with what's familiar—they're putting real spend behind solid opportunities with lower costs. In Q1, Walmart's retail media growth outpaced the category average, and TikTok climbedto 44% advertiser adoption across Skai's social index. These aren't experiments—they're strategic moves.

TikTok adoption and share-of-wallet



When markets tighten, value becomes the driver. Teams are learning how to make new platforms work, adapting creative, measurement, and bidding strategies to unlock performance in places they hadn't leaned on before. The fact that spend is flowing to newer or second-tier platforms isn't a sign of fragmentation—it's a sign of conviction. Marketers are investing where they believe they can grow, and they're not waiting for perfect conditions to get started.



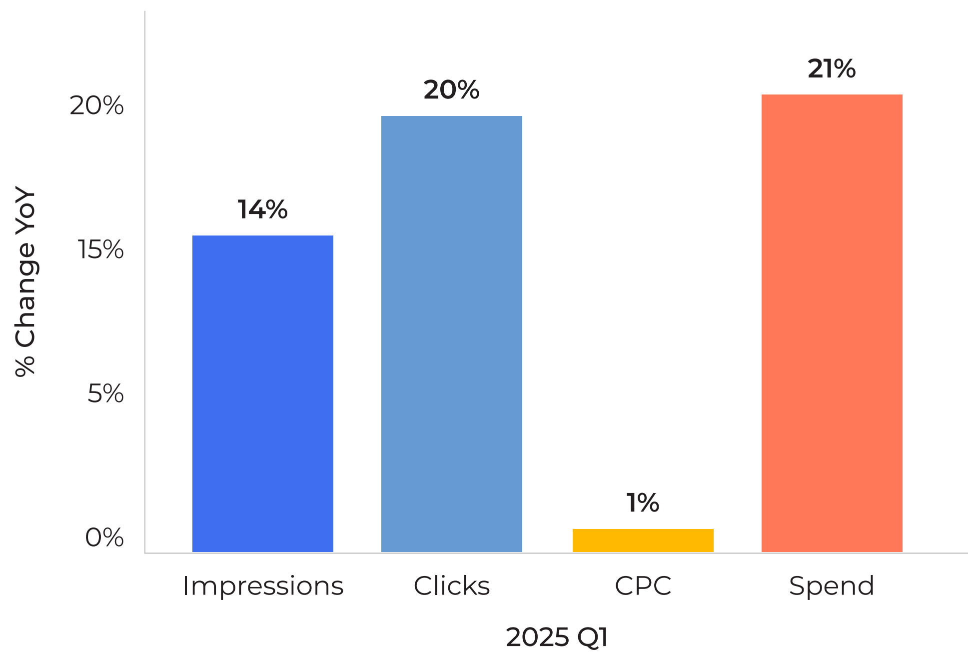
Retail media

Marketers continue to treat retail media as more than just a performance lever—it's becoming foundational to how full-funnel strategies are built and at the heart of the commerce media evolution. This section explores what's driving growth, where efficiency is holding, and how different formats and categories are evolving.

Retail media stayed hot—and more efficient

Retail media delivered another strong quarter, continuing its trend as the most resilient and fastest-growing digital advertising channel. Spend rose +21% YoY, with clicks up +20% and impressions up +14%, reinforcing the channel's ability to scale performance without increasing cost.

Retail media spending growth



What's notable isn't just the scale—it's the consistency. Efficiency gains were maintained even as spending climbed, suggesting that retail media is maturing into a channel that can deliver volume without sacrificing ROI. For marketers, that makes Q1 a signal to lean further into full-funnel strategies, especially in categories where performance historically dips outside of holiday moments.

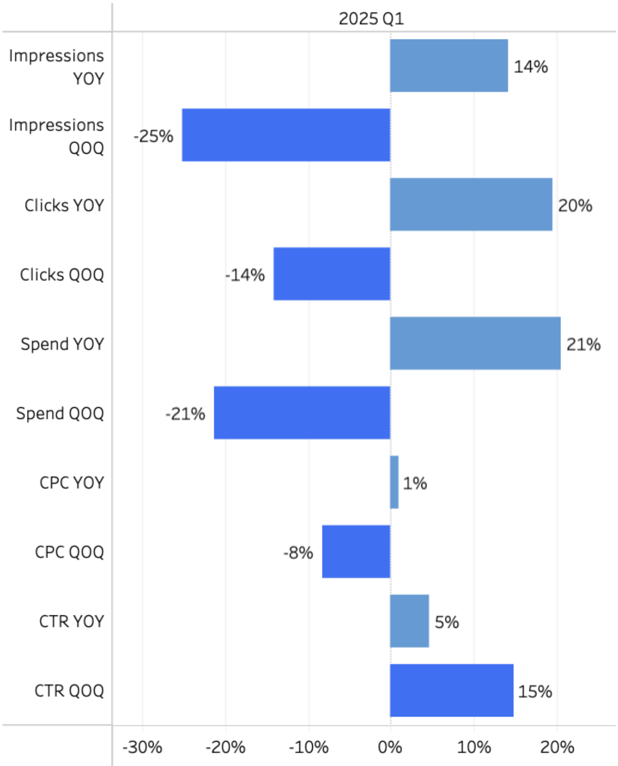
Efficiency gains kept stacking

CPCs remained stable at +1% YoY, while CTR climbed +5% YoY and +15% QoQ—an indication that advertisers are not only reaching more shoppers, but doing so more efficiently. This balance of scale and efficiency has made retail media an anchor in many marketers' investment strategies, especially during non-peak quarters like Q1.

Retail media core trends

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Impressions*	1.00	1.19	1.22	1.53	1.14
Clicks*	1.00	1.14	1.19	1.39	1.20
Spend*	1.00	1.17	1.28	1.53	1.21
CPC	$1.05	$1.08	$1.13	$1.15	$1.06
CTR	0.38%	0.36%	0.37%	0.35%	0.40%

*Indexed volume (Q1 2024=1.00)



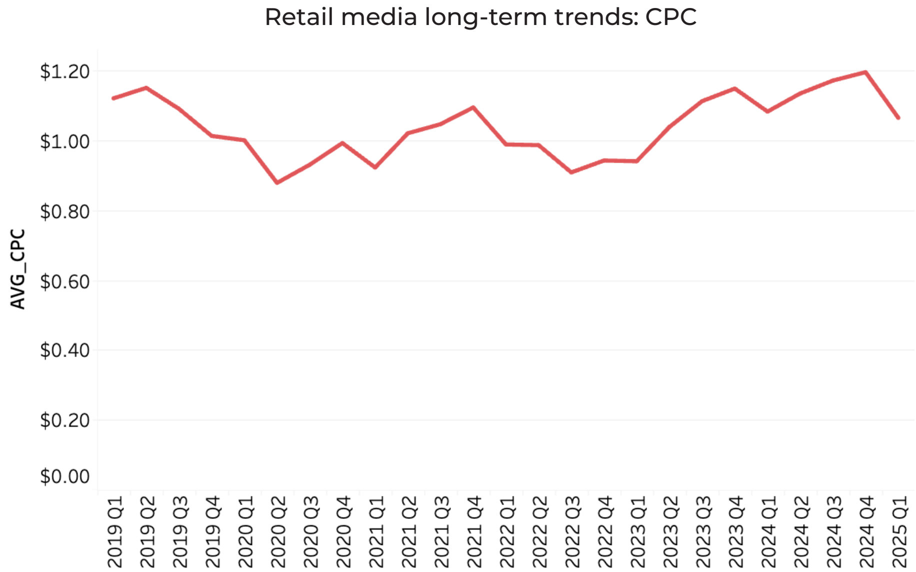
That CTR jump isn't just a performance highlight—it's a sign that recent optimizations are hitting the mark. But for marketers, it raises an important follow-up question: *what's actually driving the lift?* Is it stronger creative that's resonating better with audiences? Or is it improved targeting—fueled by sharper segmentation, better signals, or more refined bidding strategies?

Understanding the root cause matters. Not just to replicate success, but to scale it. If the lift is creative-led, teams might double down on testing formats, messaging, or product imagery. If targeting is the driver, it could point to opportunities in audience modeling or channel mix. Either way, digging deeper here can help turn one strong quarter into a repeatable playbook.

With CPCs holding steady, now's the time to test and scale

After a long run of rising costs, retail media CPCs dipped slightly in Q1 2025—offering a welcome breather for marketers. It's the first sign in several quarters that pricing may be leveling out, creating more room for experimentation without the risk of inflated spend.

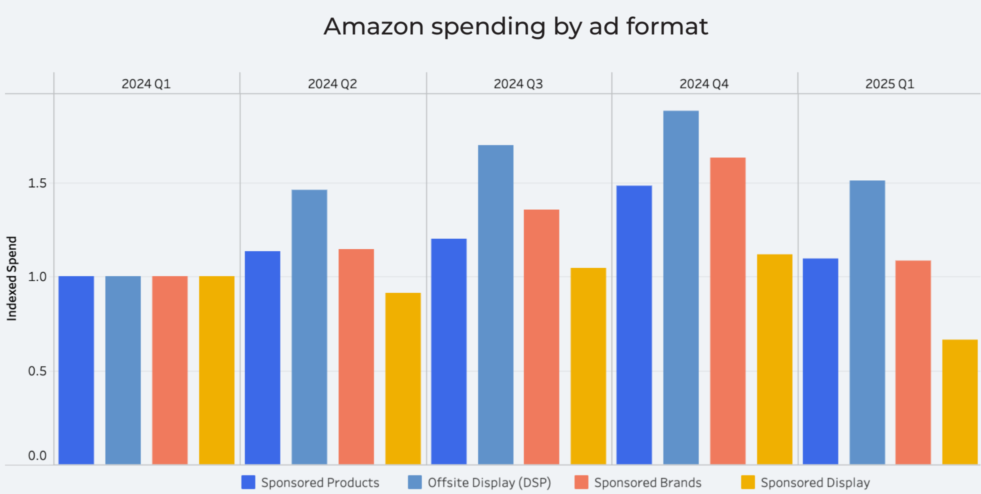
For brands looking to expand reach, try new formats, or test new partners, this is a window of opportunity. With CPCs no longer climbing, now's the moment to pilot fresh approaches—whether that's investing in full-funnel activations, rebalancing to emerging RMNs, or layering on creative tests. Lower risk means higher learning potential.



Retail media continues to be a full-funnel vehicle

The drivers behind growth were diverse. Sponsored Products maintained their dominant share of investment, but Sponsored Brands and offsite formats, such as Amazon DSP, contributed significantly to year-over-year growth. Sponsored Display did dip slightly over last year's numbers, but likely offset somewhat with more investment into Sponsored Brands, Amazon DSP, and increased prioritization of Walmart and other retail media networks.

This chart is a reminder that success isn't pinned to one tactic. Marketers can diversify beyond Sponsored Products to scale across objectives, without sacrificing efficiency. Testing new formats like display or DSP, especially when tied to high-intent signals, can unlock incremental audiences without cannibalizing core spend.



Retail media's ROI story is holding strong

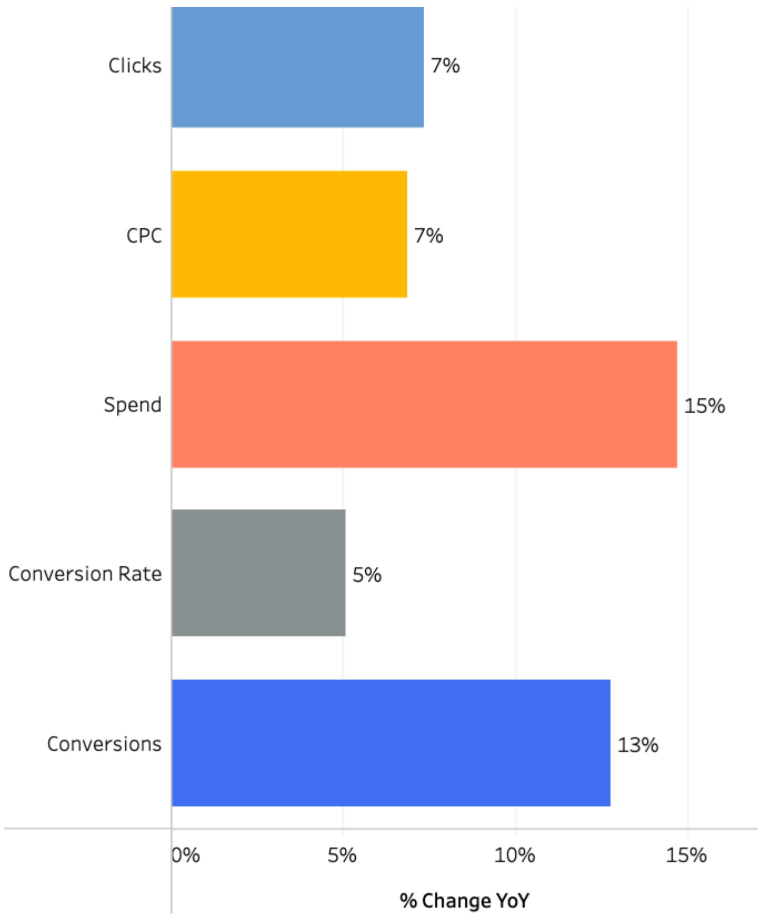
We're past the point of proving retail media works. The focus now is on maintaining efficiency while scaling impact—and so far, that's exactly what's happening. Despite shifts in spend and strategy, ROAS has stayed remarkably consistent over the past five quarters. For a channel that's still evolving fast, that kind of reliability stands out. It's a sign that retail media is becoming a stable foundation in the broader performance mix, not just a high-potential experiment.

Retail media spend vs ROAS

A flat ROAS isn't a sign of stagnation—it's a signal of sustainability at scale. For marketers, this is validation that investments in retail media are holding their ground even as volume grows. That stability also makes Q2 an ideal time to test creative iterations or reallocate budget by tactic without risking baseline efficiency.

Amazon shows steady momentum with deeper value signals

Amazon key metrics



Amazon continued to deliver consistent gains in Q1, with spend up +15% YoY and conversions up +13%. That's a strong signal that performance is holding even as investment scales. CPCs rose +7%, in line with broader cost trends, but conversion rates improved +5%, helping to offset any efficiency concerns.

The gap between spend and clicks (+15% vs. +7%) may look wide at first glance, but the uplift in conversions tells a deeper story. Marketers are getting more from each visit—suggesting better audience targeting, stronger creative, or improved landing experiences. For performance-driven brands, that's the kind of stability that makes planning more predictable.

Network diversification momentum is broadening

Amazon remains a key player, but momentum is clearly building elsewhere. Walmart saw a nearly 30% increase in spend and strong click volume growth, while "Other" RMNs collectively posted even bigger gains. These lifts point to the growing importance of diversified investment strategies across multiple retail partners.

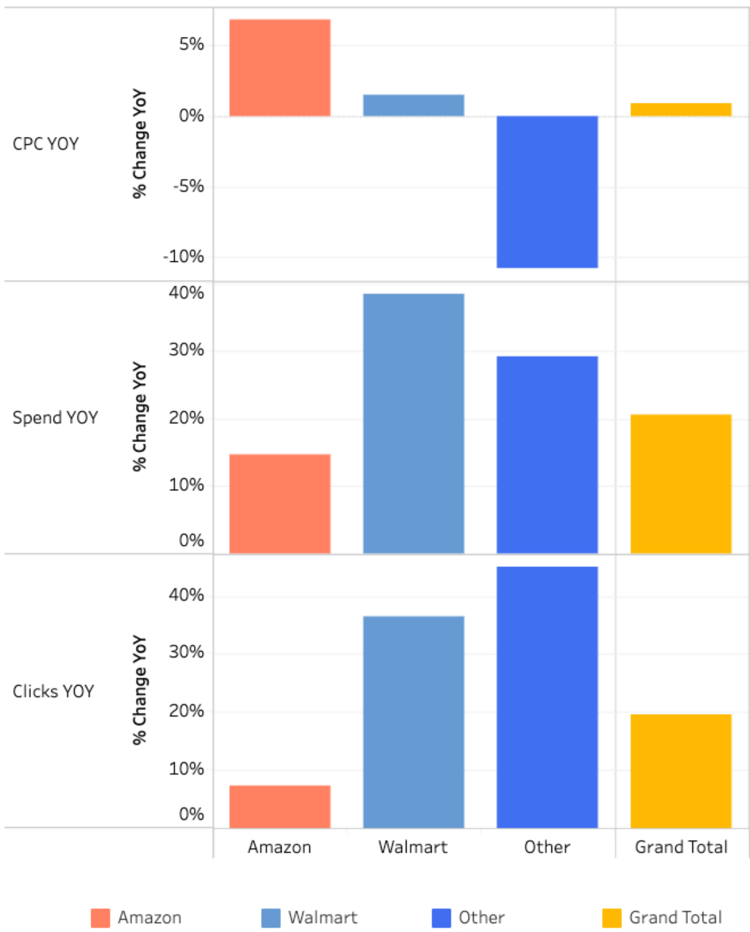
Marketers are increasingly seeing value in a broader mix of RMNs, where cost structures may be more favorable and competition less dense. For brands looking to scale efficiently, this kind of platform diversification opens up new pathways for growth and performance.

WALMART GAINED GROUND AND AMAZON EXPANDED

Walmart saw the fastest YoY growth among major RMNs at +38.5%. Notably, Sponsored Brands CPCs dropped –10% YoY, signaling improved efficiency and offering advertisers new ways to scale mid-funnel messaging. Amazon remained the volume leader, with Sponsored Products accounting for the largest share of spend, though DSP is now its second-largest format by investment.

Marketers should watch how these shifts evolve. Walmart's CPC declines make mid-funnel experimentation more affordable, while Amazon's DSP growth suggests that brands are finding value in off-site reach and upper-funnel measurement. The opportunity isn't either-or—it's smart sequencing across both.

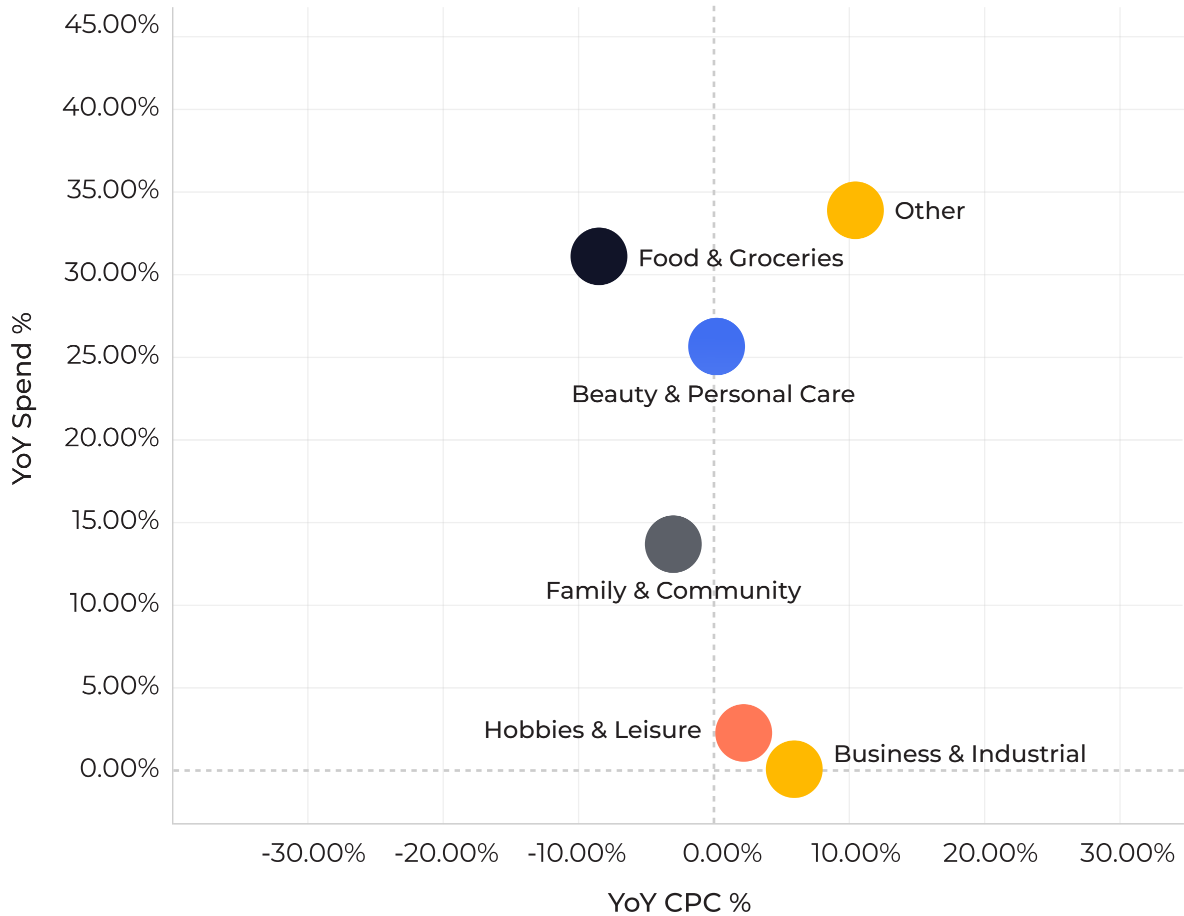
Retail media spend vs ROAS



Category leaders made the most of Q1

Grocery and Beauty led the way in category-level investment. Grocery spend jumped +31% YoY, while Beauty was up +26%. Both achieved this growth while maintaining or lowering CPCs. Health was slower to scale, posting just +2% YoY growth despite the highest CPC at $1.80. Apparel and Hobbies & Leisure held steady with modest gains. These results reflect how different verticals are evolving in their retail media maturity.

Retail media by industry



If you're in a high-growth category like Grocery or Beauty, now is the time to push further on share of voice. For slower-growth verticals like Health, the high CPCs may warrant a sharper focus on incrementality—ensuring each click is driving real value, not just visibility.

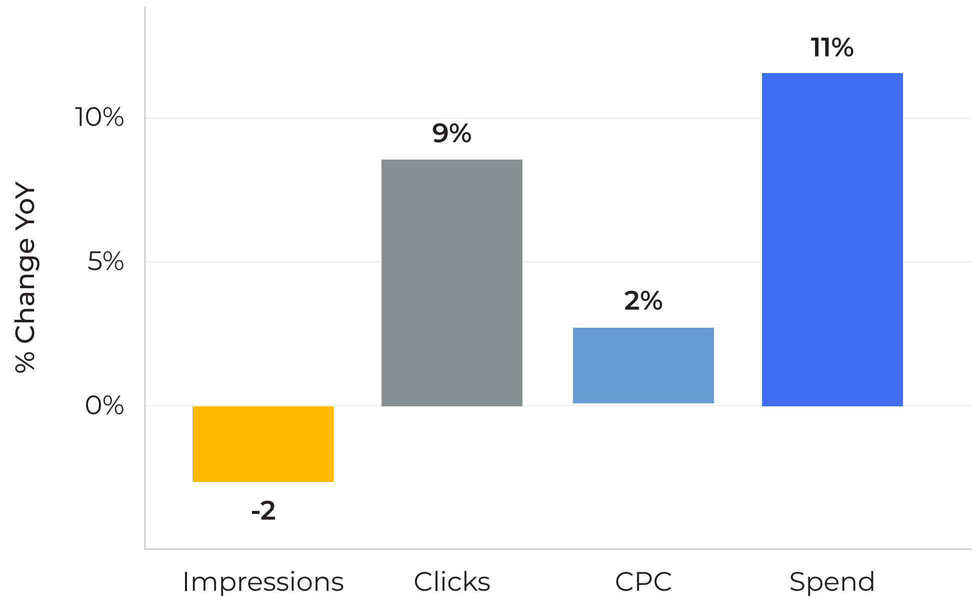
Paid search

Search has stabilized—but it's still evolving. This section highlights how marketers are getting more from each click, how Performance Max is becoming a standard, and what format-level CPC trends suggest about broader strategy shifts.

Paid search performance is rising without cost pressure

Paid search had a strong start to 2025, with spend rising +11% YoY in Q1. That growth came despite relatively flat impression volume. That makes it the best-performing quarter for the channel in over a year, driven by higher CTRs and only modest increases in CPCs. This is exactly what marketers look for—ads that drive more engagement and at less cost.

Paid search spending growth

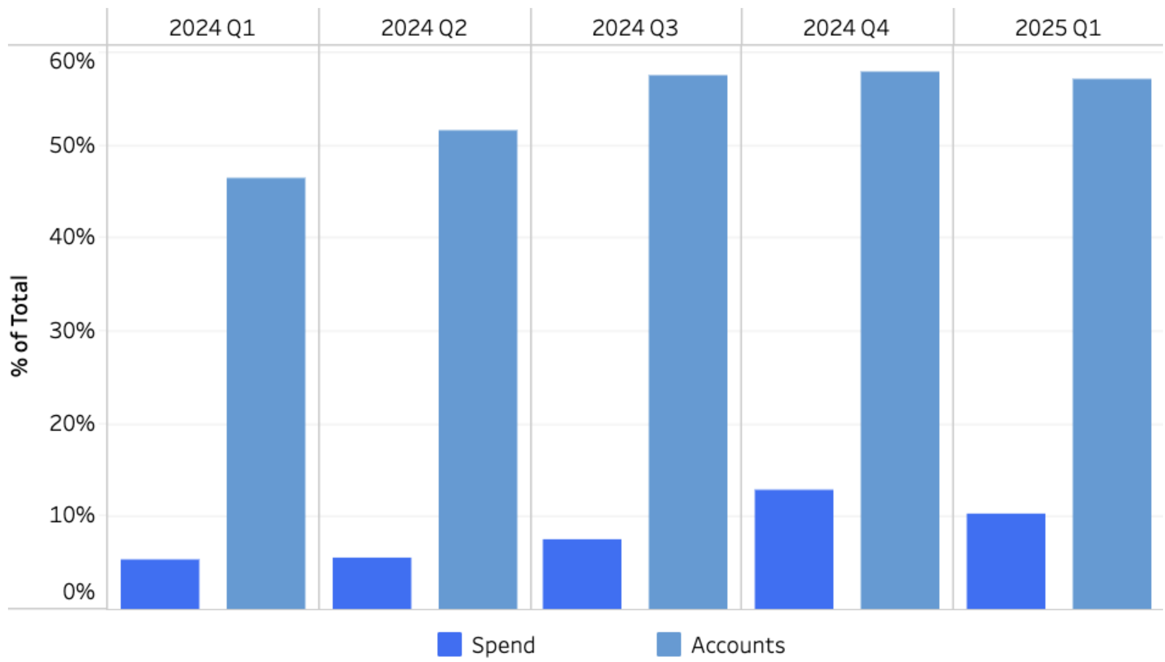


Click-through rates jumped +10% YoY, while CPCs rose just +2%, enabling advertisers to generate more engagement without substantial cost pressure. This suggests gains came from better audience alignment and bid strategy. Impressions were relatively flat, indicating that most of the growth came from stronger targeting and better creative execution, not broader reach alone.

Performance Max is becoming the default for many

Performance Max continued its steady climb, with 57% of Skai accounts using the format in Q1—up 11 percentage points YoY. That expansion helped drive more automation-led performance in Shopping campaigns. PMax now represents a meaningful portion of Google Shopping and Search budgets, providing cross-channel visibility and access to more diverse inventory. As more advertisers shift toward full-funnel goals, PMax is helping them unify prospecting and conversion strategies.

Performance Max adoption

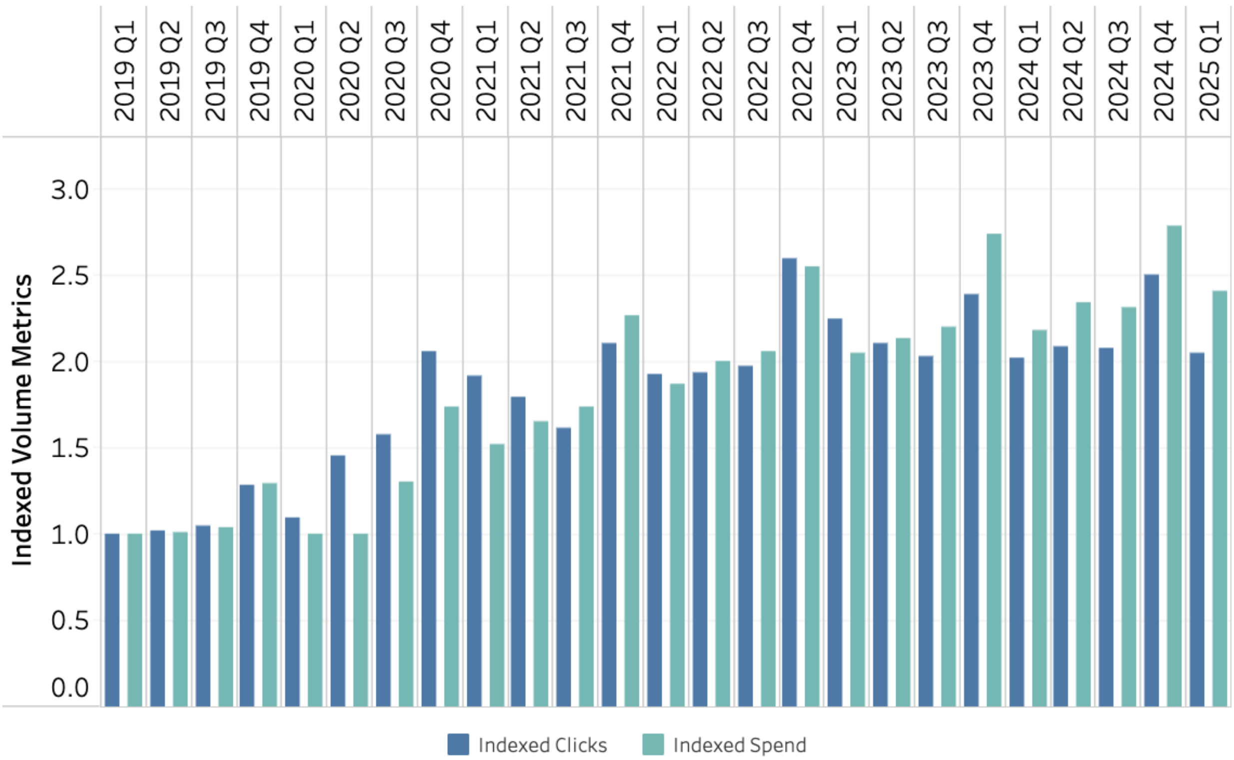


PMax's growth isn't just adoption—it's influence. The AI-fueled format is changing how search strategies are structured. Marketers who haven't yet explored Performance Max might consider low-risk tests, especially for product-driven campaigns where automation can surface previously hidden demand.

Search remains a steady performer—built on sustained volume growth

Despite occasional dips, paid search continues to post long-term gains. Indexed clicks and spend have both more than doubled since 2019, with Q1 2025 showing a clear return to growth. Notably, most of that lift came from increased engagement rather than higher CPCs—pointing to stronger targeting, creative, and conversion intent.

Paid search long-term YoY trends: spend and clicks



This consistency is what makes search so valuable. It doesn't need a seasonal boost or headline moment to perform. Marketers can rely on it quarter after quarter to deliver scale and efficiency, especially when layered with tools like Performance Max or enhanced bidding strategies.

Paid social

Social spending has found its footing—but the role of each platform is shifting. This section dives into evolving CPMs, platform-level shifts, and how commerce-forward formats are reframing what performance looks like in social.

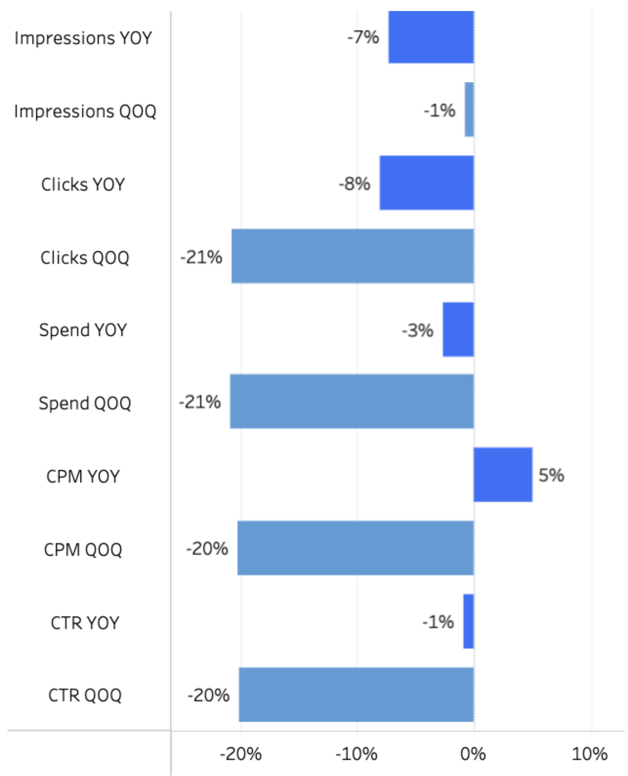
Paid social steadied while marketers prioritized quality

Paid social held relatively steady in Q1. Overall spend declined just –3% YoY, while CPMs rose +5% and impressions fell –7%. Though not a growth quarter, the results point to strategic recalibration rather than pullback. Marketers prioritized quality over volume, shifting spend into higher-performing formats and platforms.

Paid social core trends

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Impressions*	1.00	0.87	0.94	0.93	0.93
Clicks*	1.00	0.99	1.06	1.16	0.92
Spend*	1.00	0.90	1.02	1.23	0.97
CPM	$4.16	$4.29	$4.54	$5.48	$4.37
CTR	0.64%	0.74%	0.73%	0.80%	0.64%

*Indexed volume (Q1 2024=1.00)



Social may not be leading in growth right now, but it's showing signs of a new role—bridging engagement and commerce. For marketers, this means reevaluating social's placement in the funnel: not just for brand awareness, but as a mid-funnel driver of discovery and shopping behavior.

TikTok remains resilient and increasingly essential

TikTok started 2025 with strong advertiser momentum, despite regulatory turbulence. In Q1, 44% of Skai's paid social clients ran TikTok campaigns—up from 32% a year ago. While spending dipped amongst the various platform uncertainties last year, it rebounded in Q1, reaching 12% of total social ad spend.

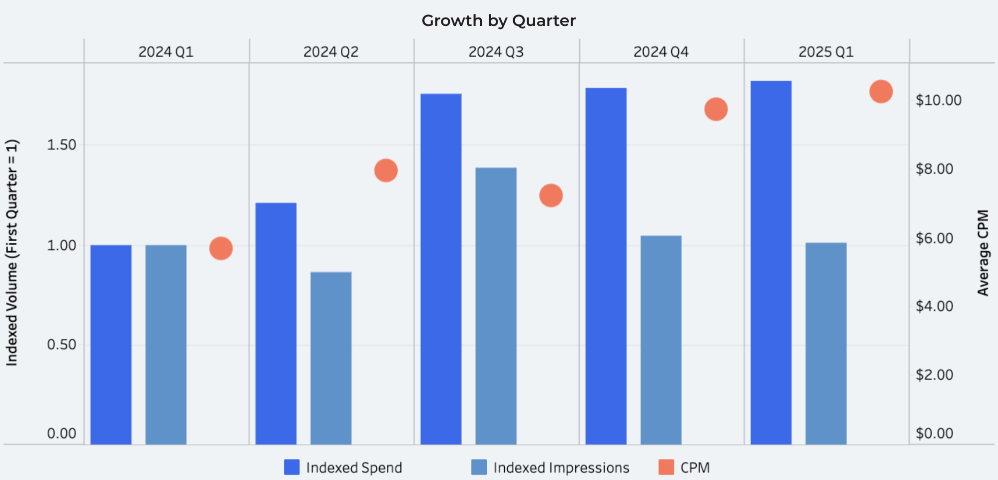
TikTok adoption and share-of-wallet

Marketers clearly aren't waiting on certainty. TikTok's share gains show that the platform continues to earn its place in media plans, especially for brands focused on discovery, creator partnerships, and lower-funnel commerce experiences. Regardless of what's going on in the news, social advertisers are pushing ahead with TikTok, but are likely prepared to shift budgets if needed.

Advantage+ Shopping is gaining ground—with rising investment

Meta's Advantage+ Shopping Campaigns continued their upward trajectory in Q1 2025. Spending rose for the fourth straight quarter, a fairly remarkable trend given that the previous quarter was the Q4 holiday shopping season. Marketers are clearly prioritizing this format as a reliable driver of performance, even as costs trend upward.

Meta Advantage Shopping Campaigns



This kind of consistency signals trust in the platform's automation. As more teams lean on AI-driven targeting and consolidated learning, Advantage+ has become a go-to for brands looking to scale mid-funnel impact and drive commerce outcomes without having to micromanage campaign setup.

Conclusion

Q1 2025 confirmed that digital advertising has entered a more measured, performance-conscious phase. Retail media and paid search both delivered strong year-over-year growth, while paid social held somewhat steady despite platform shifts and a more cautious investment posture. Advertisers moved with purpose—consolidating around high-performing formats and leaning into commerce-led tactics that connect upper-funnel visibility with lower-funnel results.

The breakout momentum came from commerce media formats. Amazon DSP (+54%), Google Performance Max (+115%), and Meta Advantage+ Shopping Campaigns (+82%) all outpaced their parent channels, offering marketers ways to simplify execution while increasing reach and personalization. These tools are no longer just experimental—they're becoming central pillars of modern digital programs.

Looking ahead, the focus won't be on recovering volume—it will be on refining strategy. Retail media is set to expand its influence as more advertisers adopt full-funnel planning. Paid search is proving it can still deliver meaningful growth through optimization and automation. And social is adjusting to a new baseline, where format diversity and cross-platform agility define success. For marketers, the opportunity is clear: stop thinking in silos, and start building a connected commerce strategy across all three.

Methodology

Data in this report is based on Skai's client index and is supplemented by cited industry sources for broader context. All growth rates are year-over-year except where noted as QoQ. The currency is USD. The sample is drawn from a total population of over 12.6 billion clicks, 1.4 trillion impressions, and $8.6 billion in spending over five quarters, across multiple countries and industry categories.

Analysis is based on advertisers with 15 consecutive months of spending unless otherwise noted. Additional outliers have been removed, as necessary. 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 commerce 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, Instacart, Criteo, TikTok, Snap, Pinterest, Meta, and more.

For over a decade, Skai has earned trust from notable brands such as Adidas, DoorDash, Sony, Philips, and WaterWipes. Renowned for innovation and a values-driven culture, Skai is headquartered in San Francisco and has eight international locations. Visit skai.io for more information.