



Q4 2023

Quarterly Trends Report

Introduction

Key takeaways

- The holiday surge drove quarter-over-quarter spending higher in all channels. Year-over-year spending was up everywhere in Q4 as well, led by retail media at +27%, paid social at +15% and paid search at +4%.
- Double-digit growth in cost-per-click helped propel robust year-over-year increases in spending for retail media, and modest growth in paid search.
- A quarter-over-quarter surge in social commerce ads pushed spending higher for social media overall versus Q4 of last year.

Q4 2023 in summary

The fourth quarter is always going to be primarily about the role of commerce media, and this year was no different. Advertisers continue to see the value of these programs and reward them with increased investment. But while the role of commerce media is consistent across channels, the details in Q4 were very different.

Retail media has continued to grow at a steady clip across all segments even as CPC has started to plateau. The channel continues to expand, moving into programmatic display to provide a more full-funnel approach while more and more retailers add commerce media to their overall repertoire on the heels of strong performance from the first wave of entrants to the space.

Meanwhile, new ad products like Performance Max in paid search and Advantage Shopping Campaigns Plus in paid social have transformed those channels in opposite directions. Overall, shopping ads in search saw fewer impressions and clicks at higher click prices compared to the fourth quarter of last year, while in social, CPMs are still down year-over-year while impression volume is up.

And while commerce provided most of the storylines for the quarter, non-commerce spend in paid search and social saw even more growth, unbound by some of the pricing and volume tradeoffs seen on the shopping side.

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Spending up across channels in Q4



The holiday surge drove quarter-over-quarter spending higher in all channels.

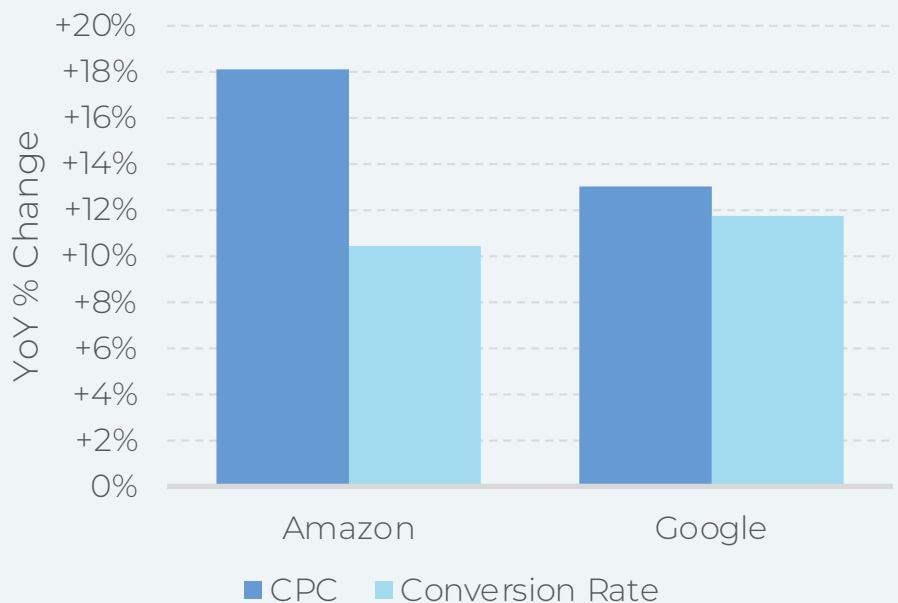
Year-over-year (YoY) spending was up everywhere in Q4 as well, led by retail media at +27%.

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

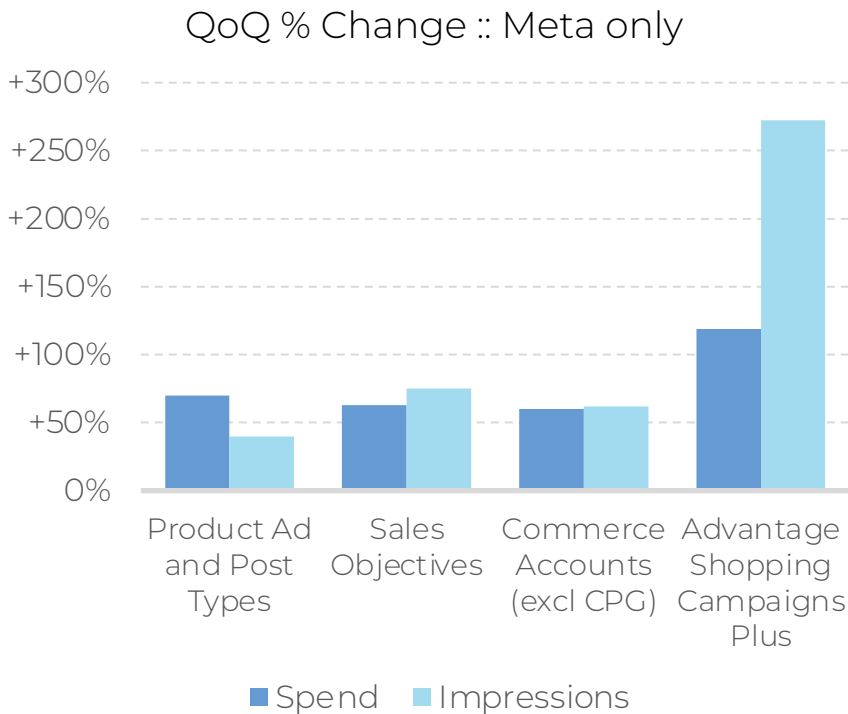
Ad prices, conversion rates up in retail media and search

Higher conversion rates can lead to higher cost-per-click as algorithms adjust to meet ROAS goals.

The opposite can also be true, where higher CPCs drive better performance.



Race to the bottom (of the funnel)

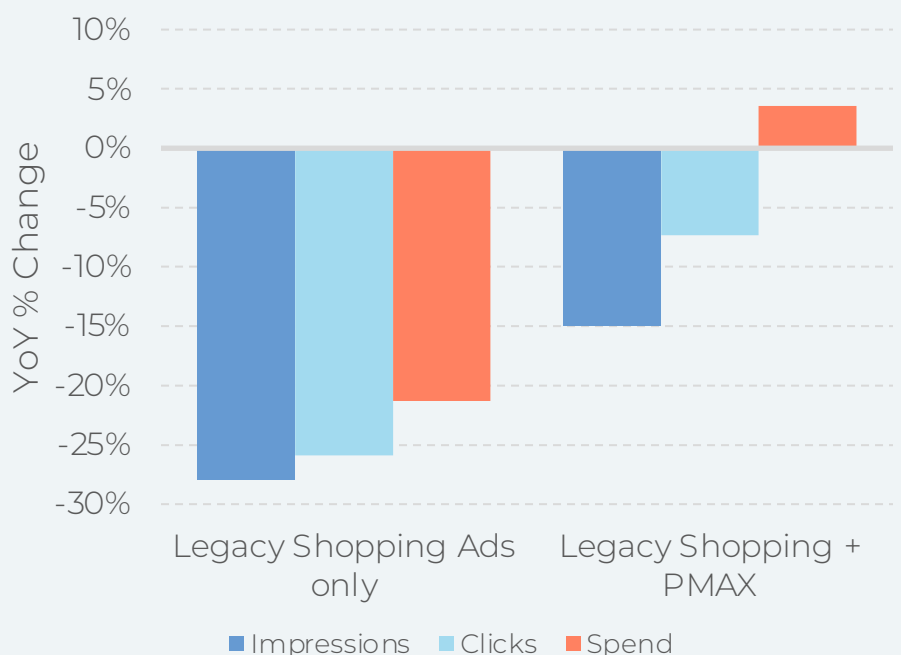


While still a small share of total spend, the new Advantage Shopping Campaigns+ saw robust growth in the format's first full holiday season as part of a wave of lower-funnel spending on Facebook and Instagram.

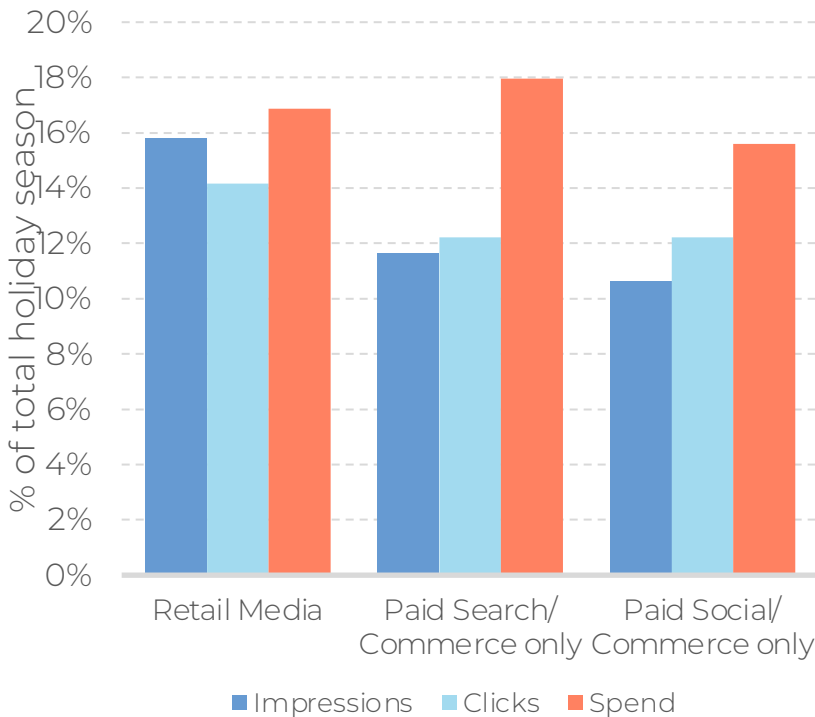
Search shopping evolution

Q4 saw a large drop in impressions and clicks in the search channel due in large part to the shift from legacy shopping campaigns to Performance Max.

When combined, the old and new campaign formats grew spending, but with fewer impressions and clicks.



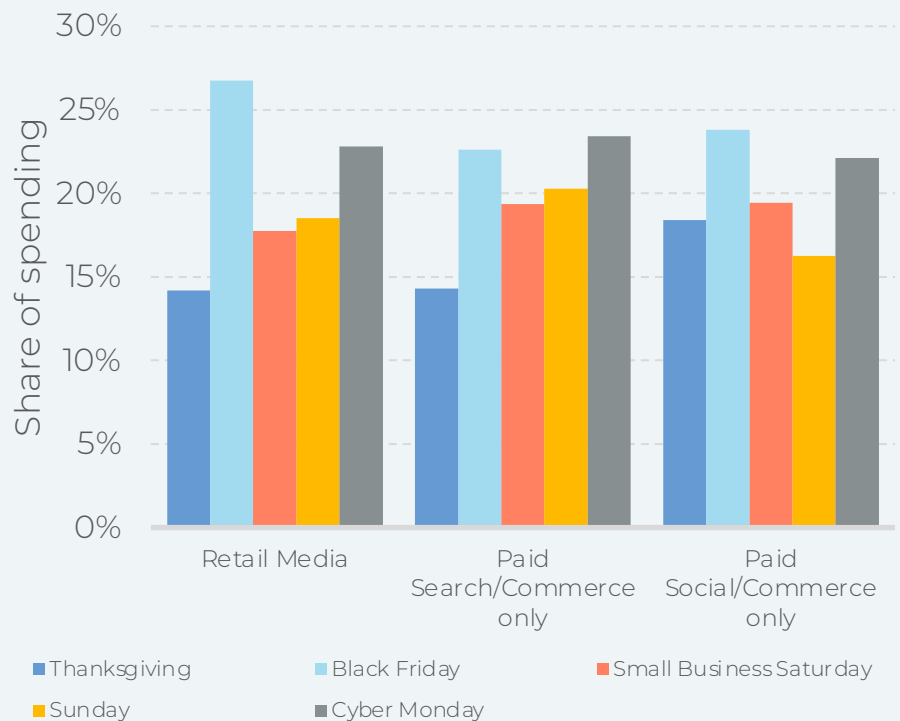
Cyber five focus



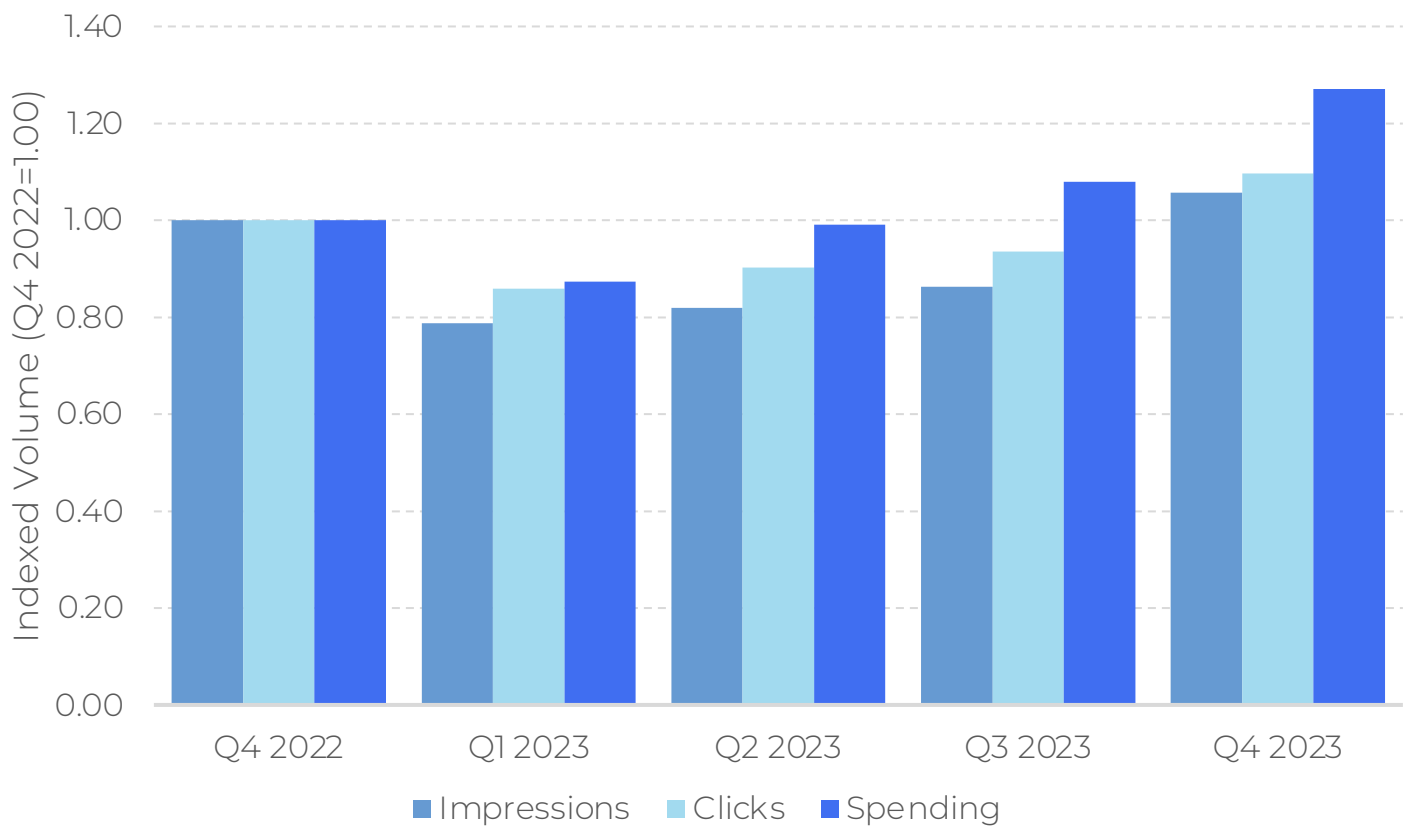
The Cyber Five comprises just 9% of the total days between November 1 and Christmas Day, but accounts for a greater share of impressions, clicks and spending in each channel.

Black Friday vs Cyber Monday by channel

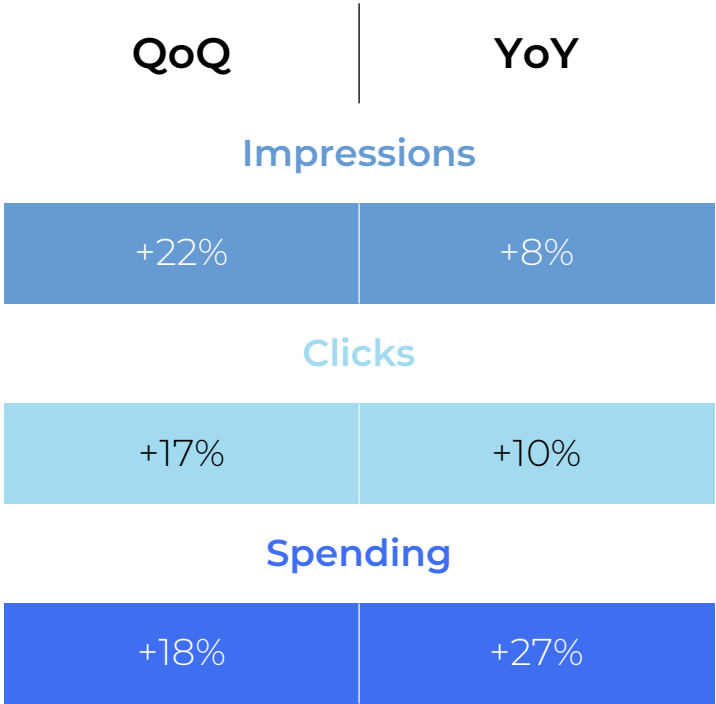
Black Friday saw the highest spending of the holiday weekend in retail media and paid social, while Cyber Monday had a slight edge in paid search.



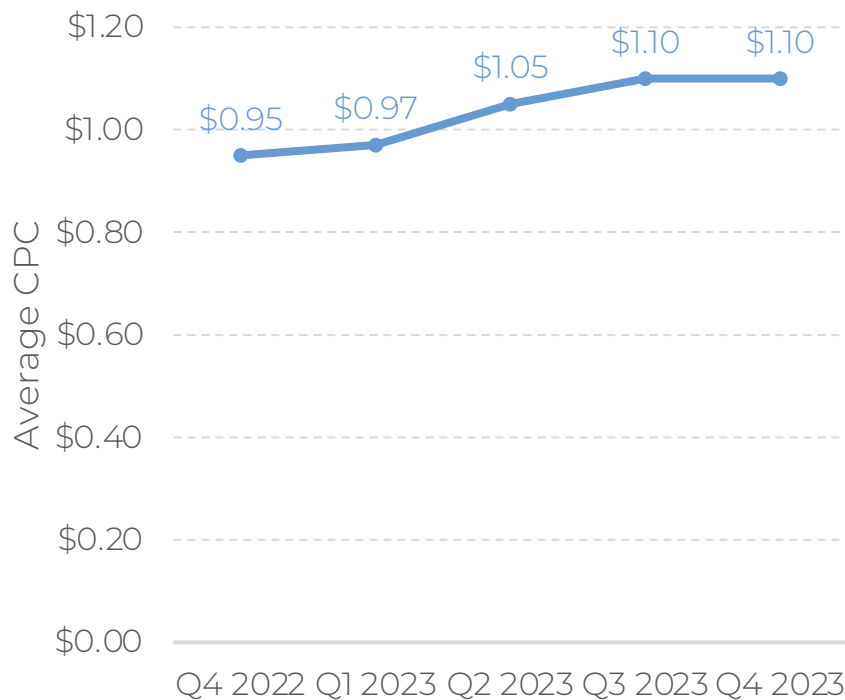
Retail media trends



- Retail media spending continued to grow faster than search or social.
- Expenditures for retail media increased 27% over Q4 of last year, with little variation across segments.
- Average cost per click grew 16% over Q4 of last year but was flat compared to last quarter.



Retail media CPC and CTR trends

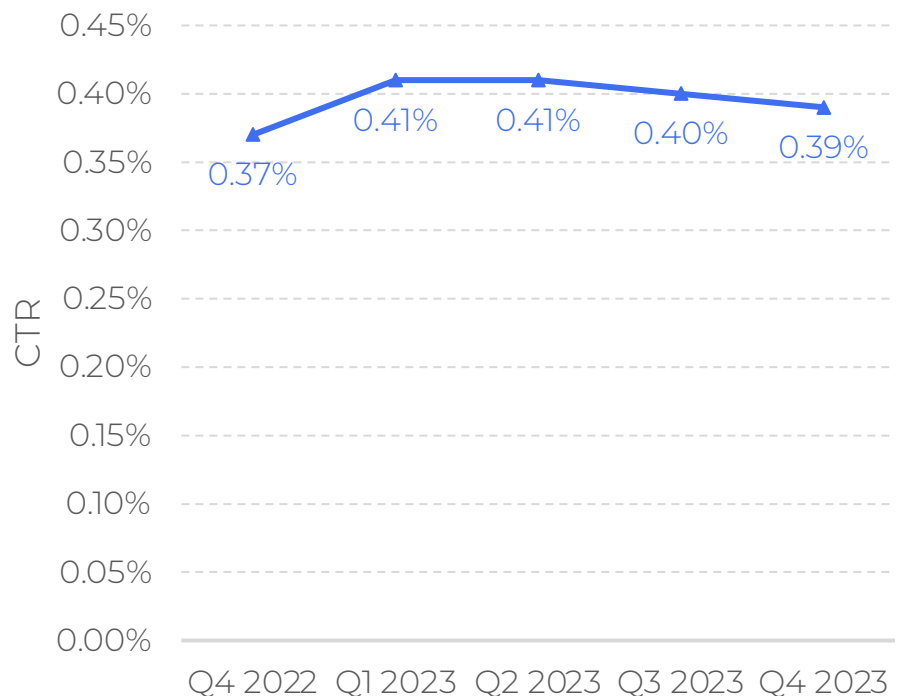


CPC	
QoQ	0%
YoY	+16%

Although there were spikes in pricing for the second Prime Day event and the Cyber Five, CPC plateaued from Q3 to Q4.

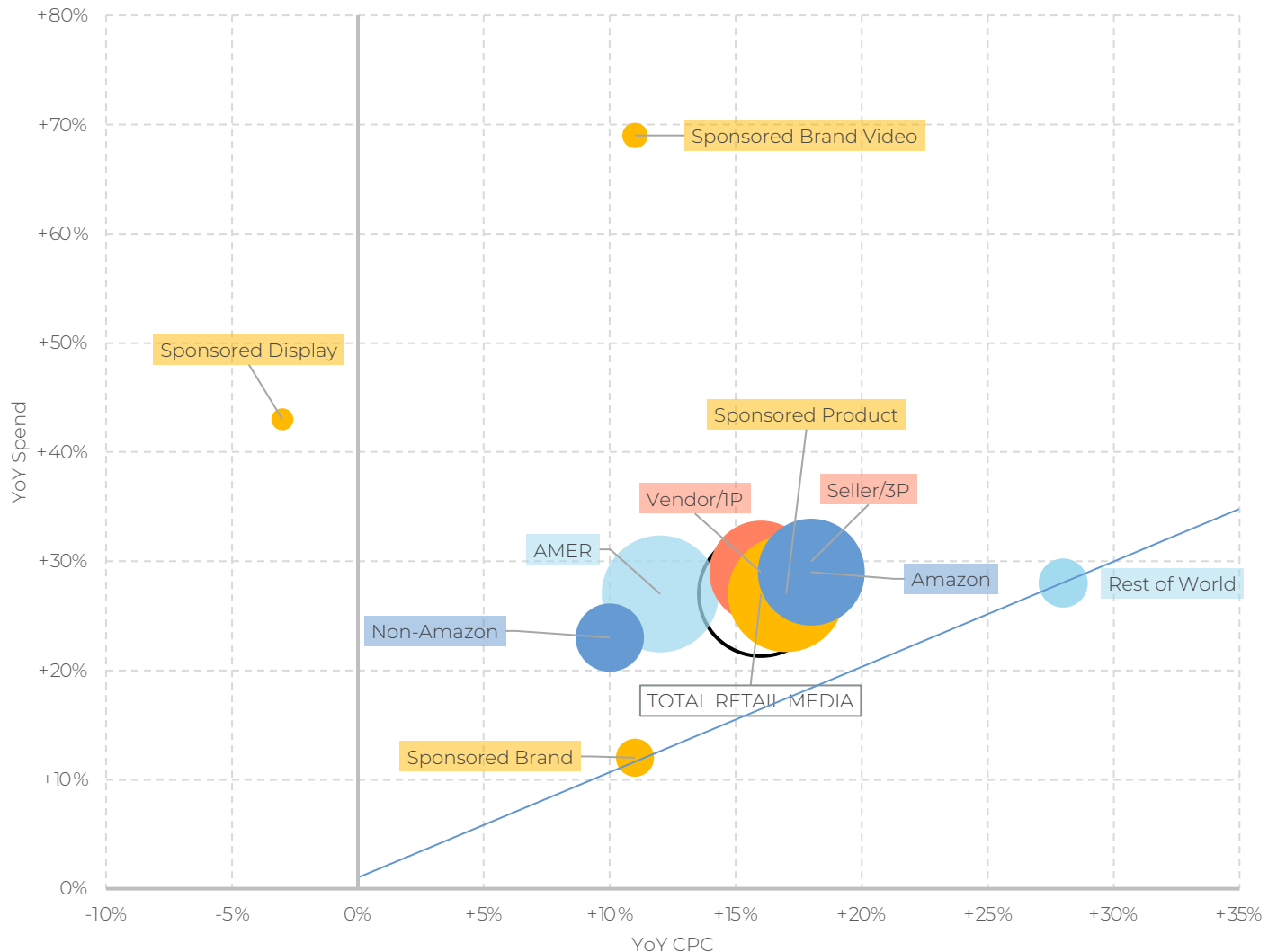
CTR	
QoQ	-3%
YoY	+5%

Clickthrough rates have declined slightly throughout 2023.



Retail media key drivers

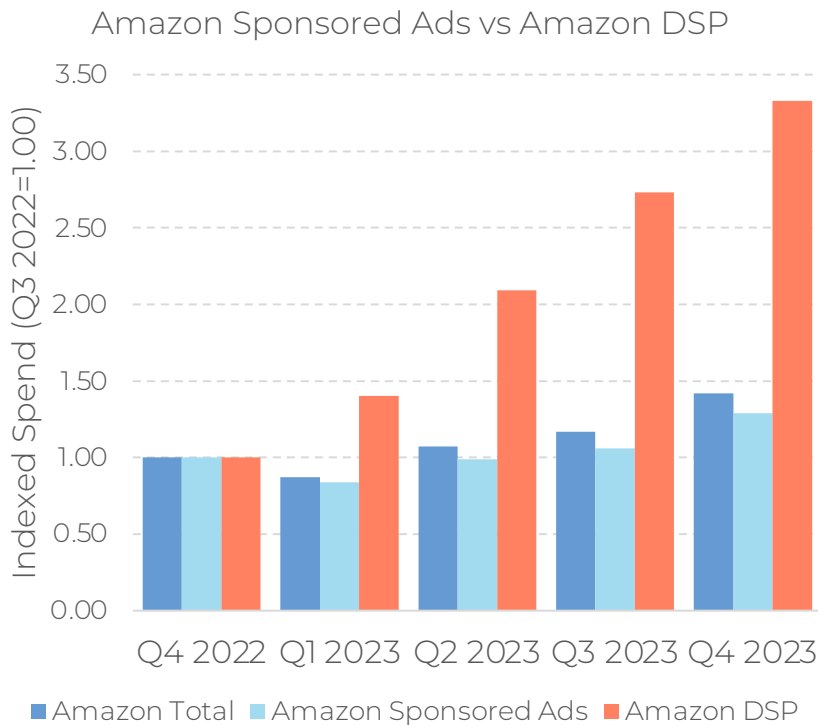
Spending was up across all segments, and apart from ad type, YoY spending in most segments grew between 25% and 30%.



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
Retailer
Region
Advertiser Type
Ad Type

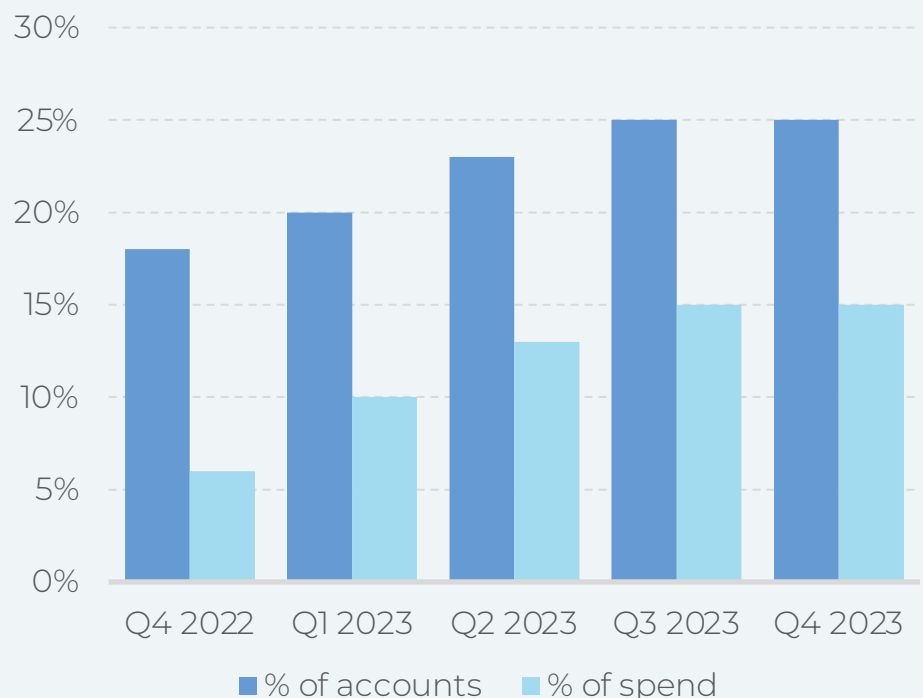
Amazon DSP spending growth



Amazon DSP spending from qualified accounts* continue to outperform Sponsored Ads on the retail platform, increasing Amazon overall growth from +29% for Sponsored Ads only to a combined +42% YoY.

Amazon DSP market penetration

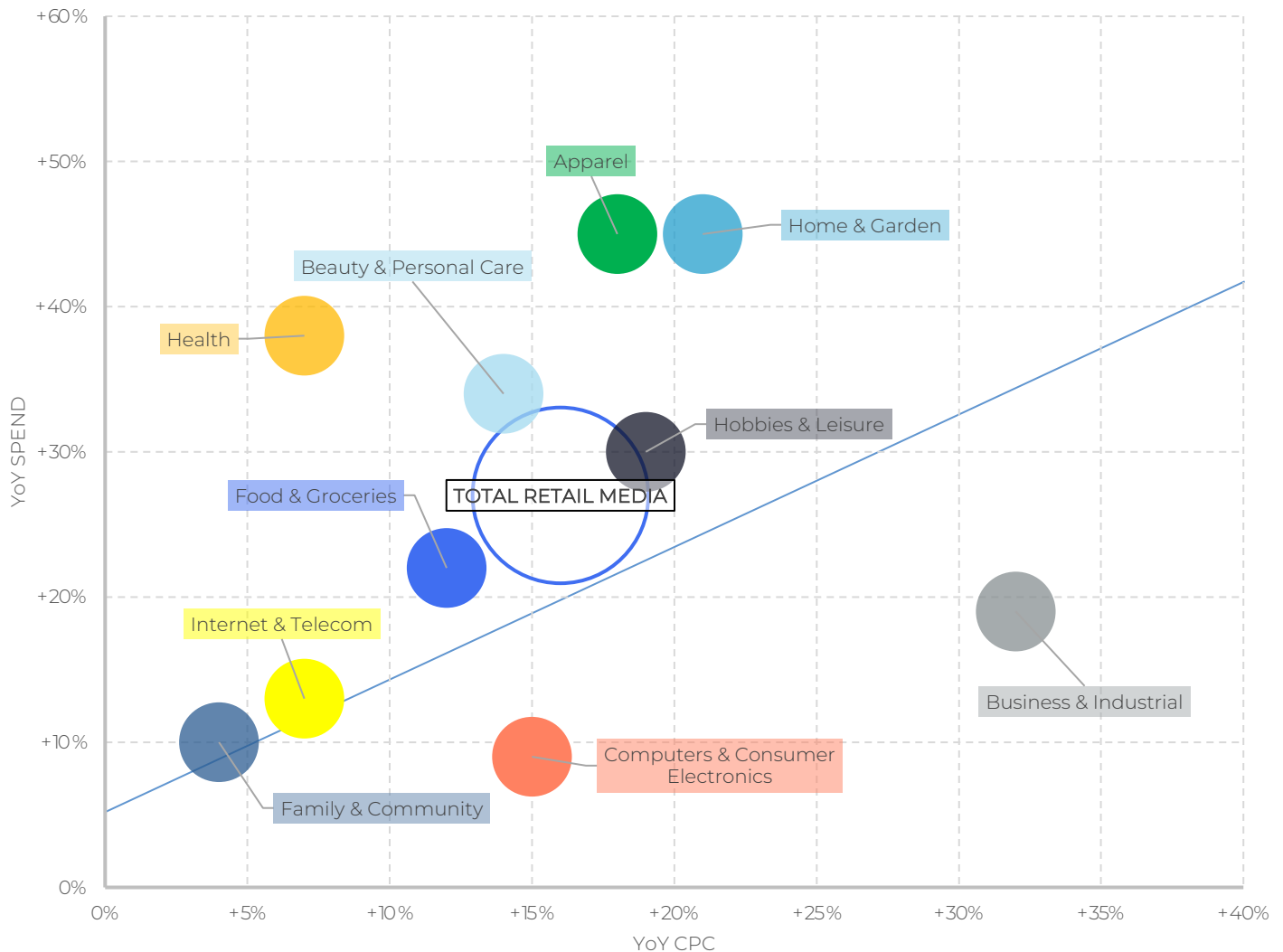
Both the share of accounts using Amazon DSP and the share of total Amazon ad spend from DSP have remained steady from Q3 to Q4.



* Accounts with 15 months of Sponsored Ads spending

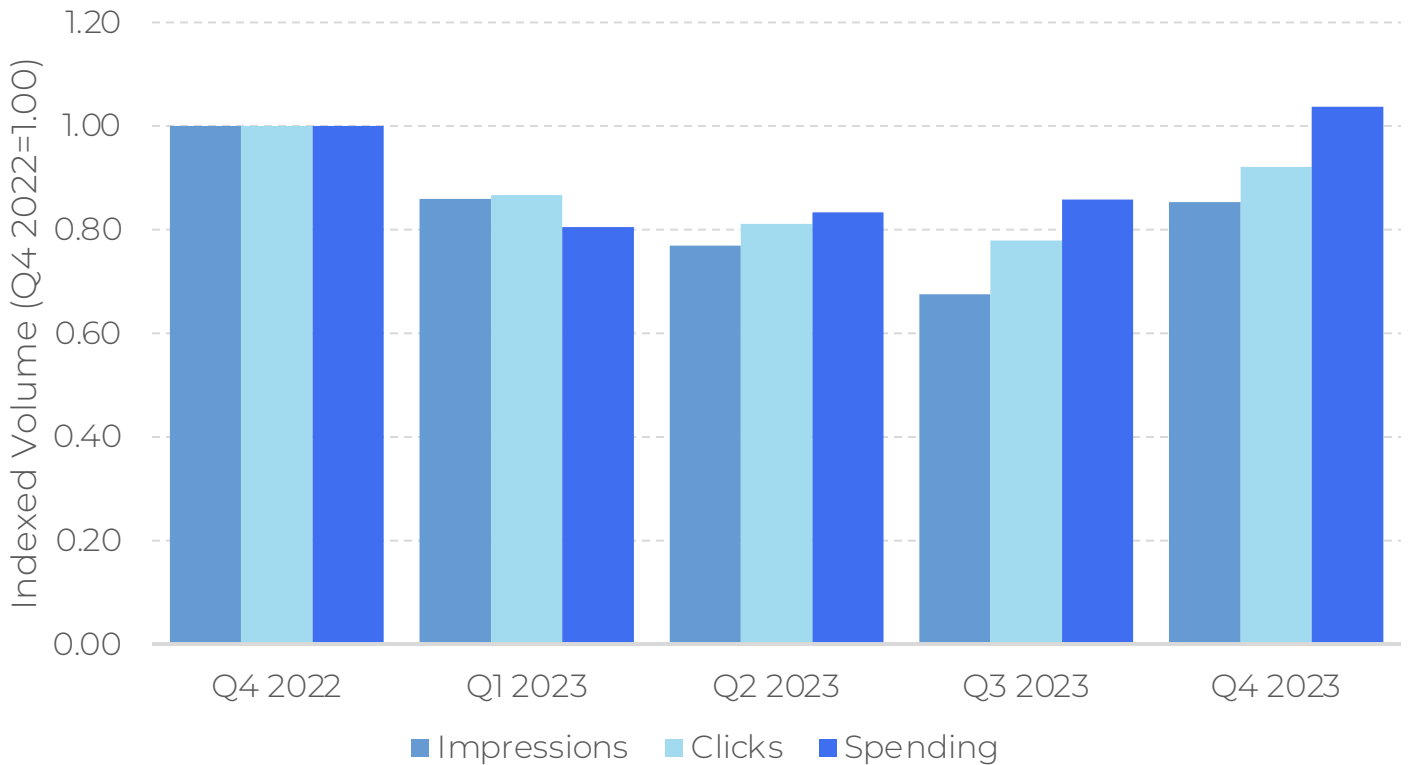
Retail media by industry

- Every category in Retail Media increased YoY in both spend and CPC.
- Most categories are above the diagonal reference line as well, meaning that they also saw click volume increase.

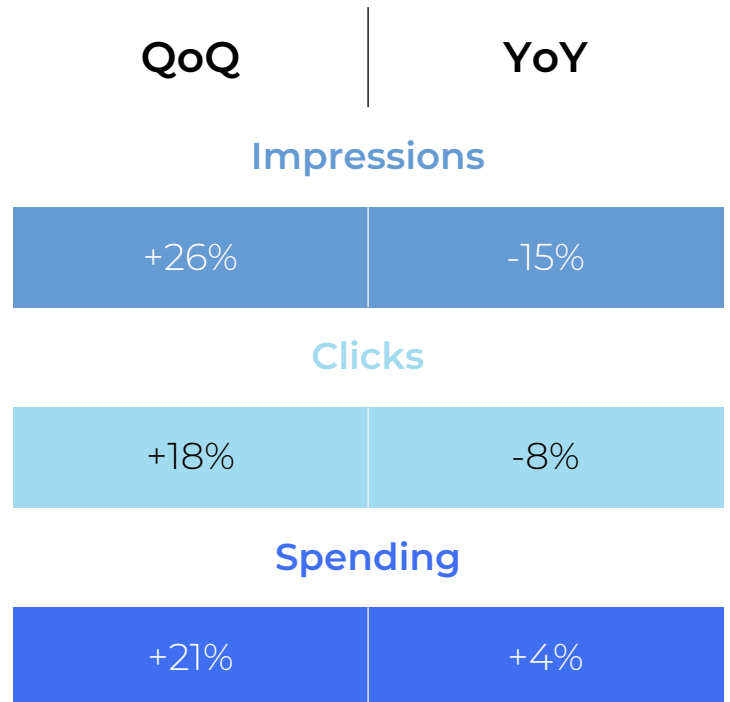


HOW TO READ THIS CHART: The x-axis is YoY change in CPC and the y-axis is YoY change in spend, so the upper right quadrant, for example, will include segments who saw both an increase in CPC and spend. The diagonal reference line represents a change in spend solely due to a change in ad price. Anything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

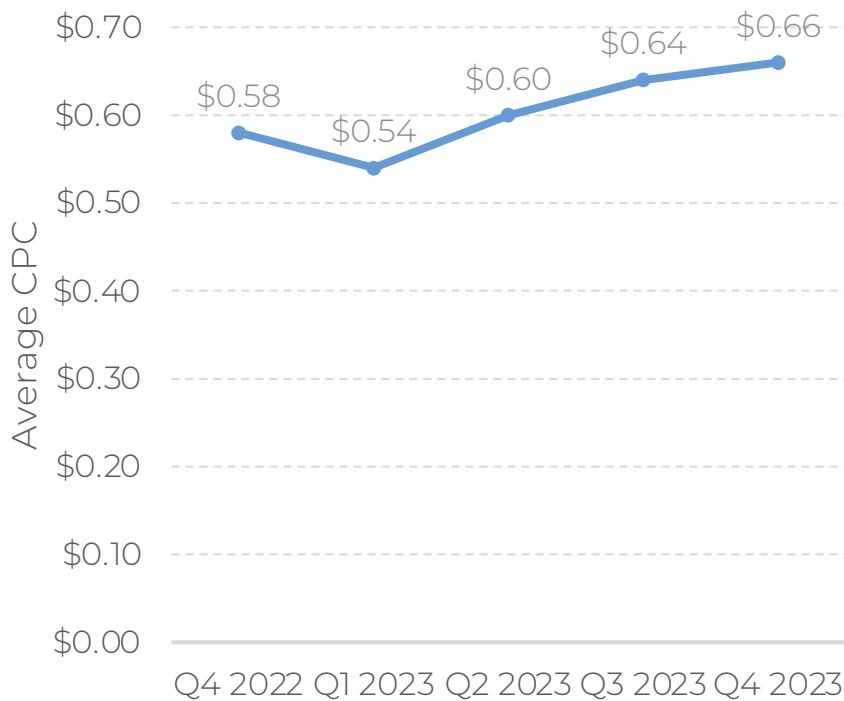
Paid search trends



- Search spending grew 4% year-over-year while impressions and clicks dropped.
- Across all metrics, paid search looks more efficient, with fewer impressions, higher clickthrough rate and higher CPC.
- Transitions from Expanded Text Ads to Responsive Search Ads and from Smart Shopping to Performance Max, along with adjustments to bidding targets, seem to be fueling these efficiency gains.



Paid search CPC and CTR trends

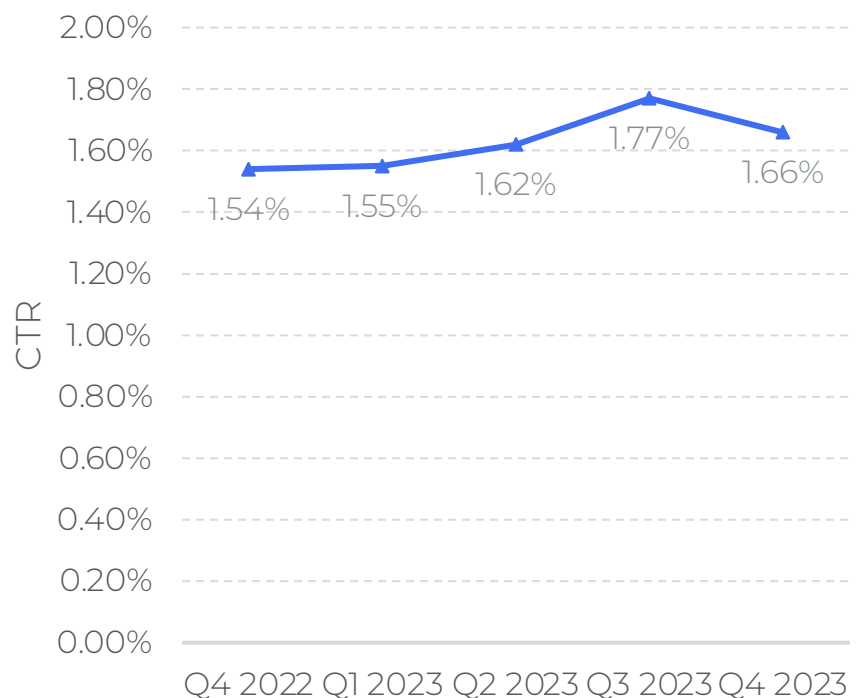


CPC	
QoQ	+2%
YoY	+13%

Responsive Search and Performance Max campaigns, which have higher CPC than their legacy counterparts, continue to dominate growth trends.

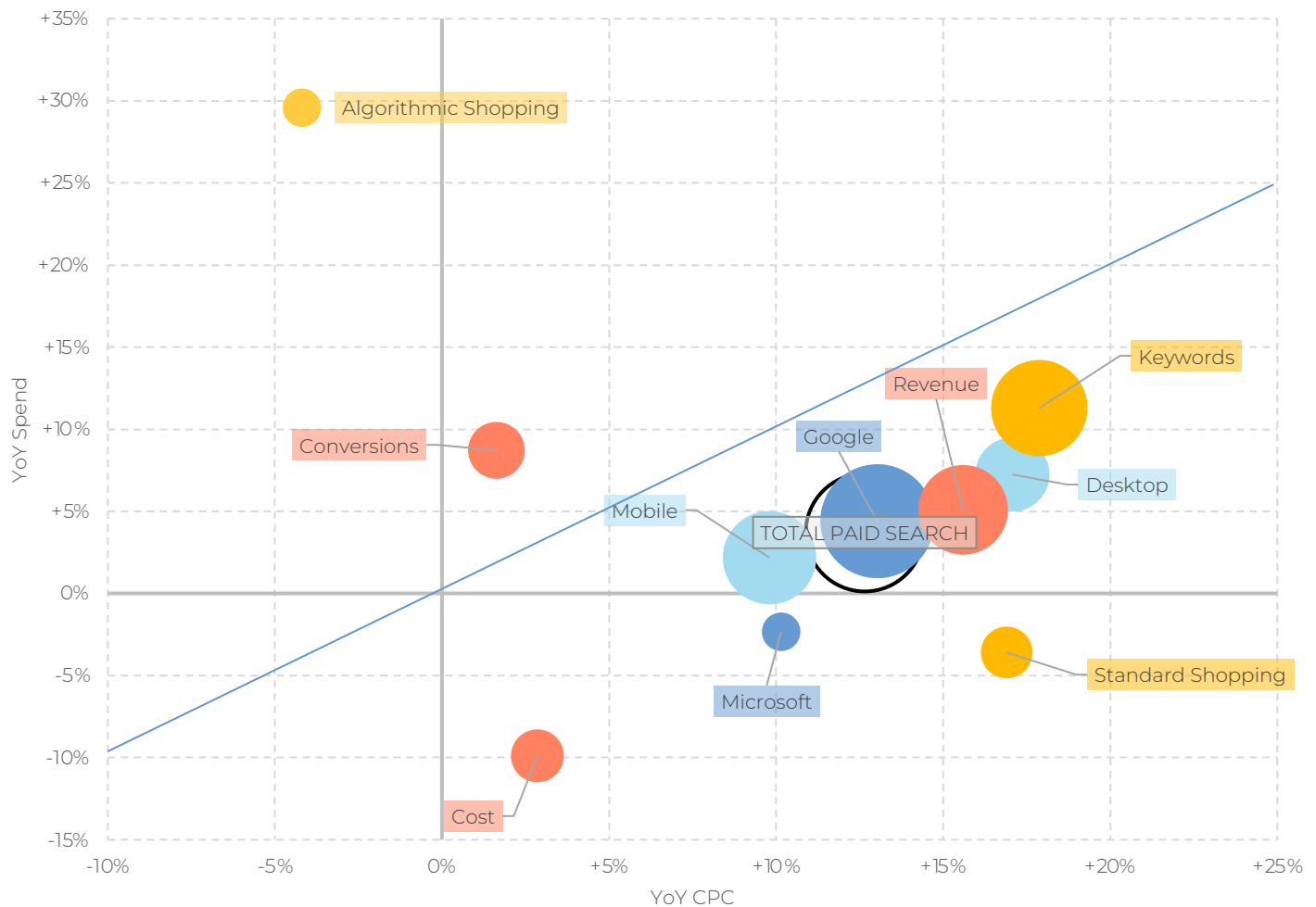
CTR	
QoQ	-6%
YoY	+8%

Performance Max is also a factor in the rise in clickthrough rates through the first three quarters of 2023.



Paid search key drivers

“Algorithmic Shopping” combines legacy Smart Shopping campaigns with Performance Max and does seem to be taking share away from standard shopping campaigns. There is overlap between the performance of Microsoft and mobile searches relative to Google and desktop, respectively.



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 five quarters.

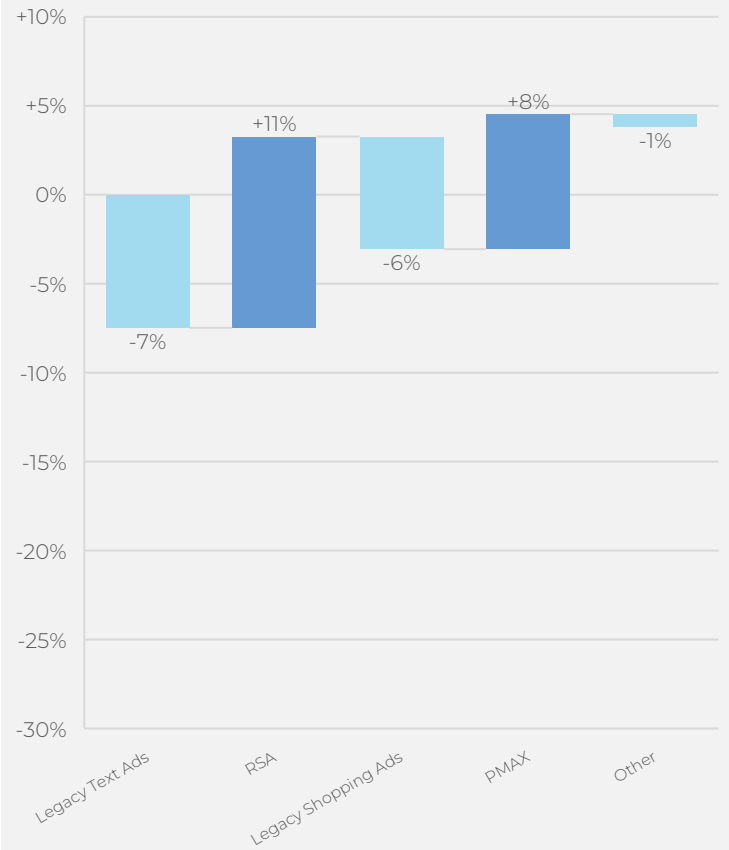
Legend
Publisher
Device
Bidding Target
Campaign Type/Goal

Ad and Campaign Transitions

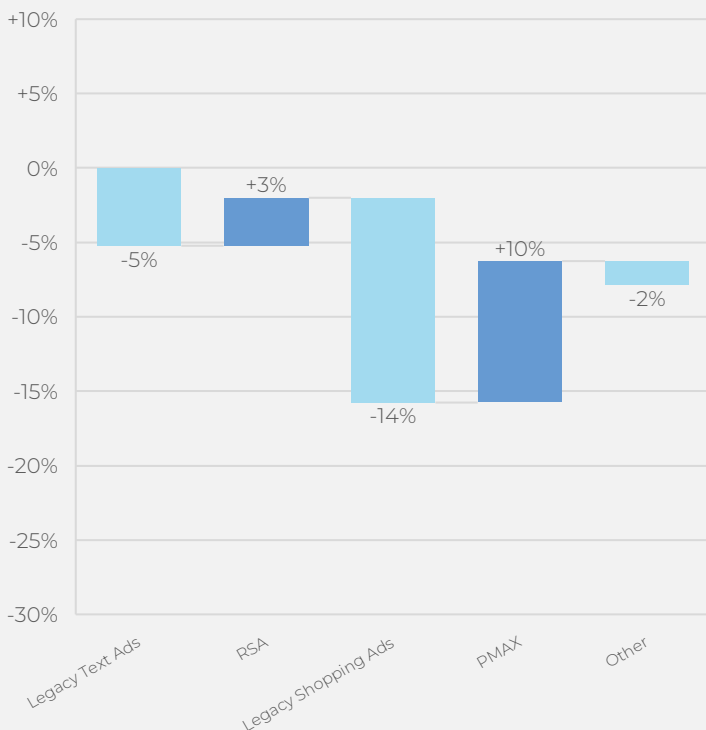
Performance Max chipping away at standard shopping is not the only ad format transition in the paid search channel. Legacy text ads have also been largely replaced by Responsive Search Ads (RSA).

These waterfall charts show that while Responsive Search ads and PMAX campaigns more than offset spending declines from legacy text and product ads, both new types generated fewer overall clicks, and PMAX did not even make up half of the loss of impressions. For shopping ads, in particular, this looks like an inventory shift or better targeting.

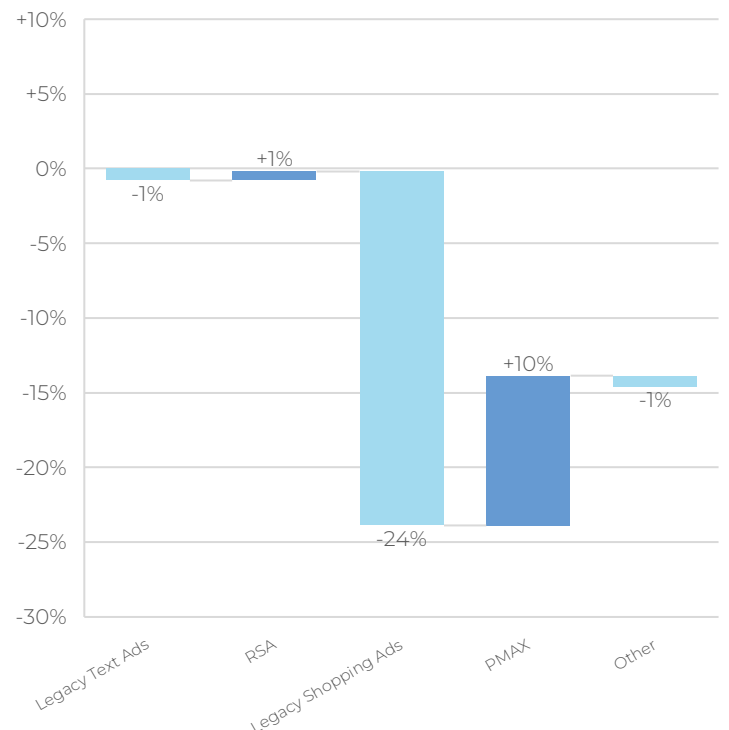
YoY Spend Contribution



YoY Click Contribution



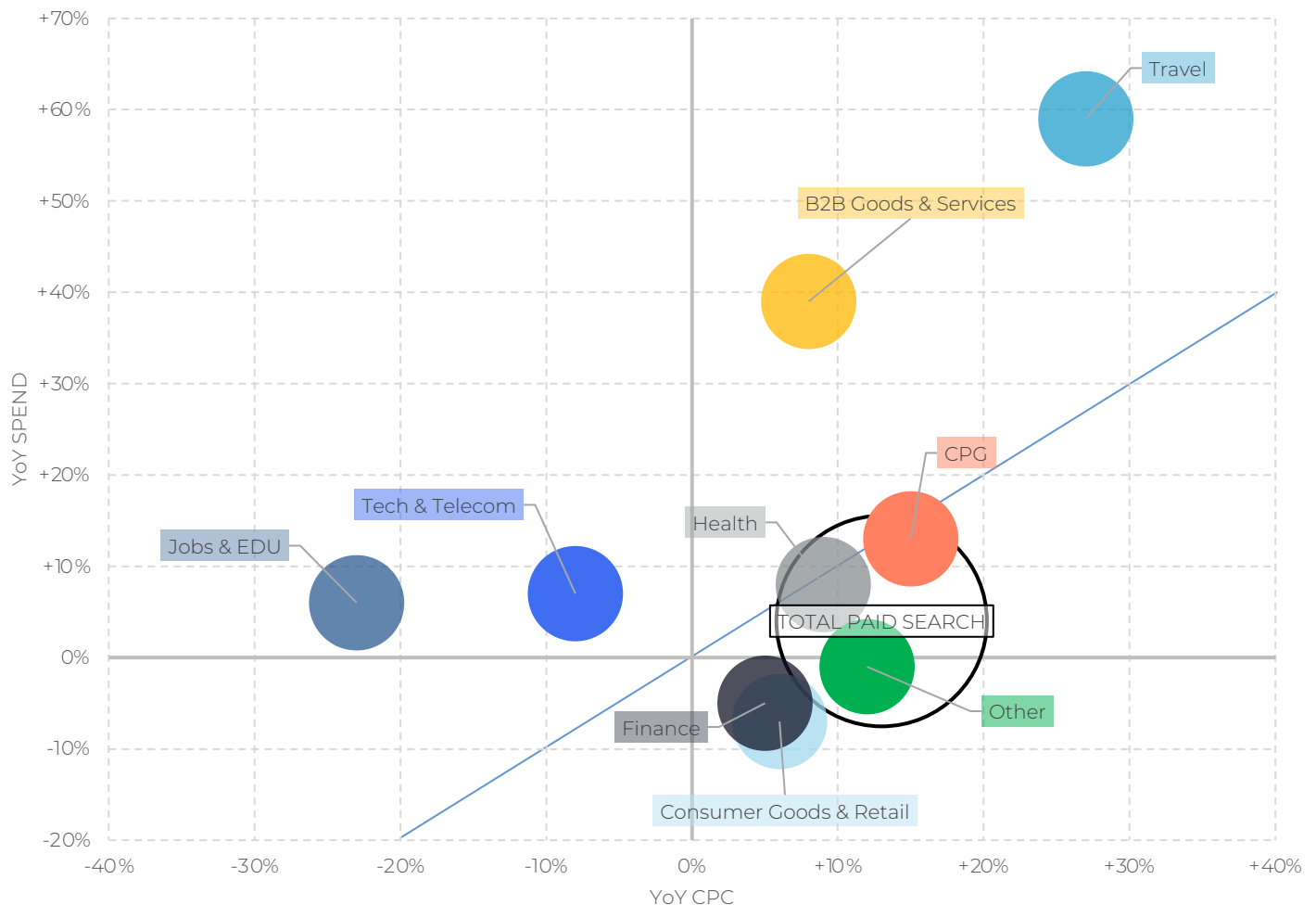
YoY Imps Contribution



Paid search by industry

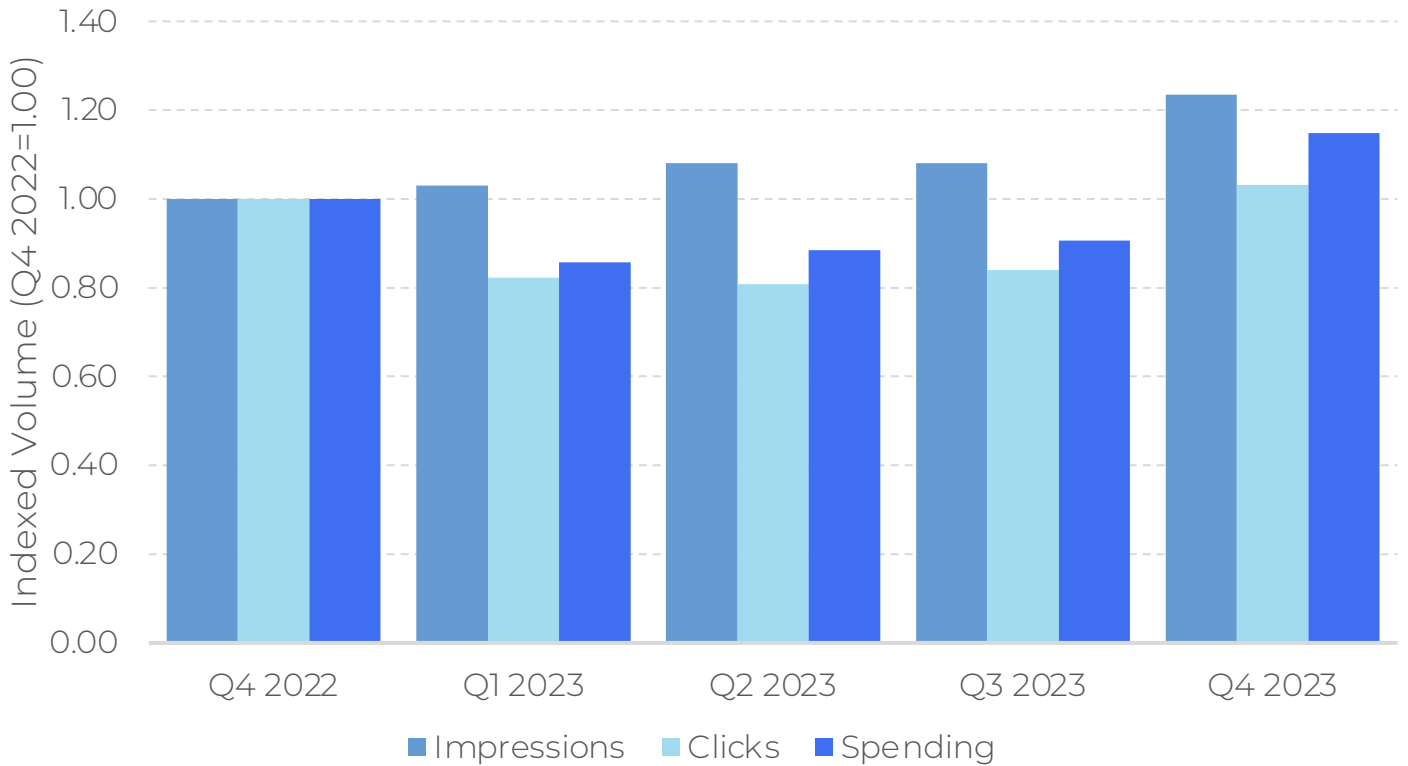
Travel and B2B Goods & Services continue to grow spending faster than other categories across paid search.

Consumer Goods & Retail spending dipped 7% YoY despite the holiday season and growth from shopping ads.

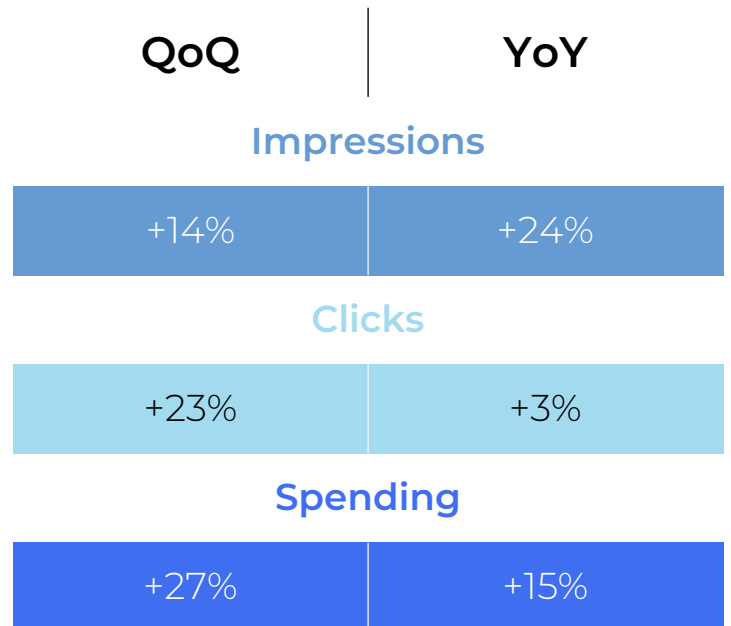


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Paid social trends

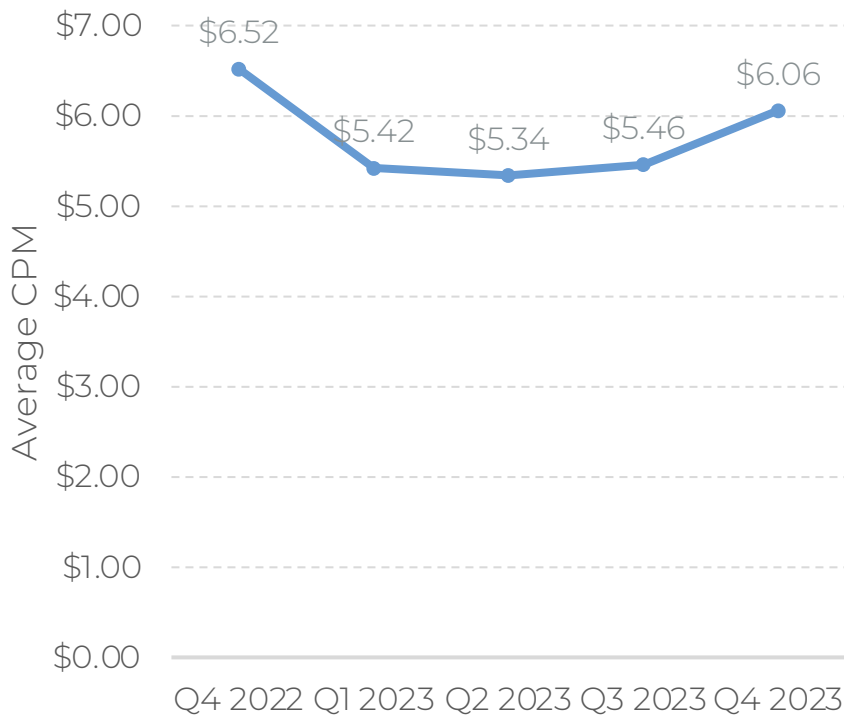


- A surge in social commerce ads has pushed QoQ and YoY social spending higher.
- Spending jumped 27% overall and 70% just for shopping ads compared to last quarter, resulting in overall year-over-year spending growth of 15% for the social media channel and 10% for Meta.



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

Paid social CPM and CTR trends

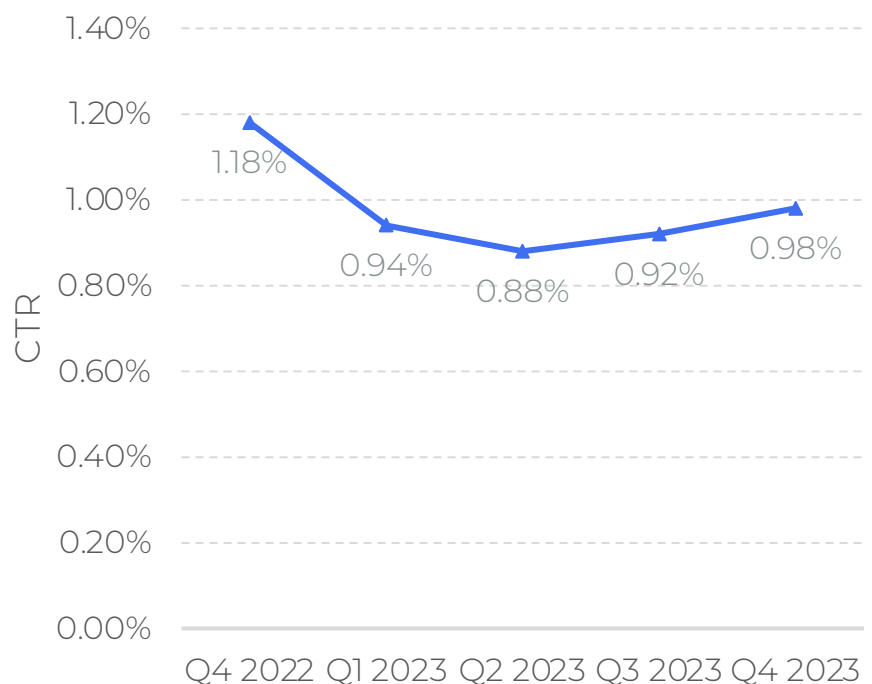


CPM	
QoQ	+11%
YoY	-7%

Social ad prices saw a seasonal spike consistent with the jump in commerce ads for the holiday season but were still lower than last year.

CTR	
QoQ	+7%
YoY	-17%

Clickthrough rate has grown steadily since Q2, while an influx of YouTube ads at the beginning of the year has rates lower than they were in 2022.



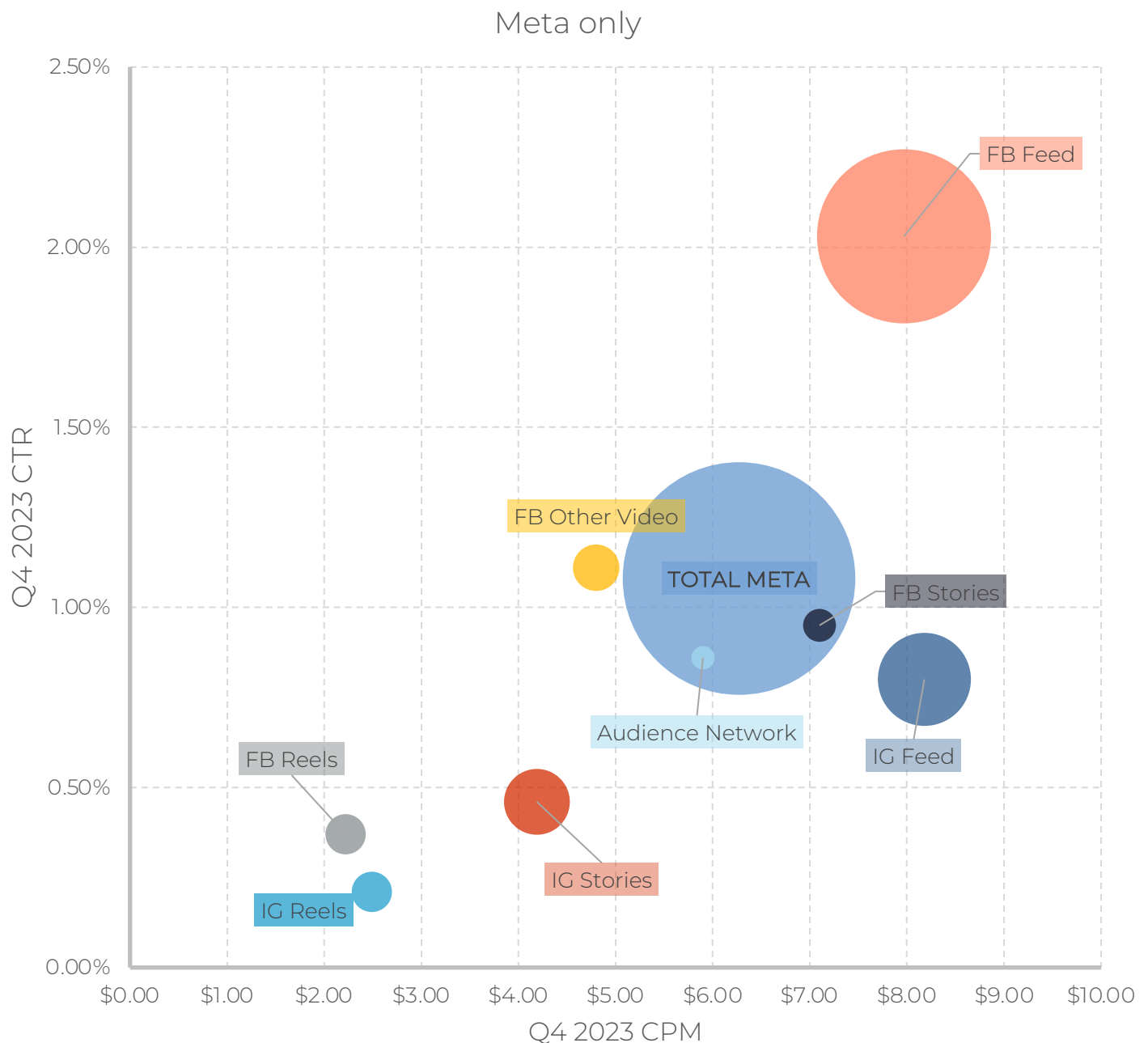
Short-term impact of campaign objective

- Using a waterfall chart, we can isolate the impact that Sales campaign objectives had on the overall 30% QoQ spending growth for Meta.
- Sales objectives had a positive impact on YoY Meta spending as well, but of smaller magnitude as CPM for that segment dropped by 44%.
- Nearly every objective had a positive impact on QoQ spend.

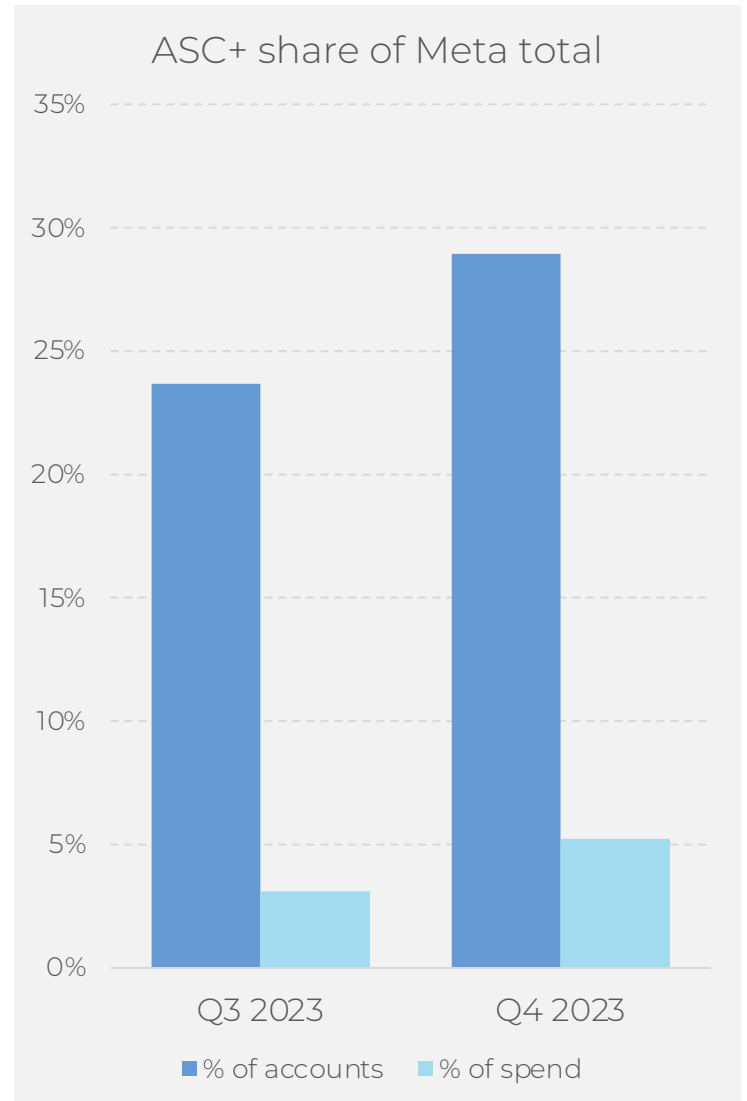
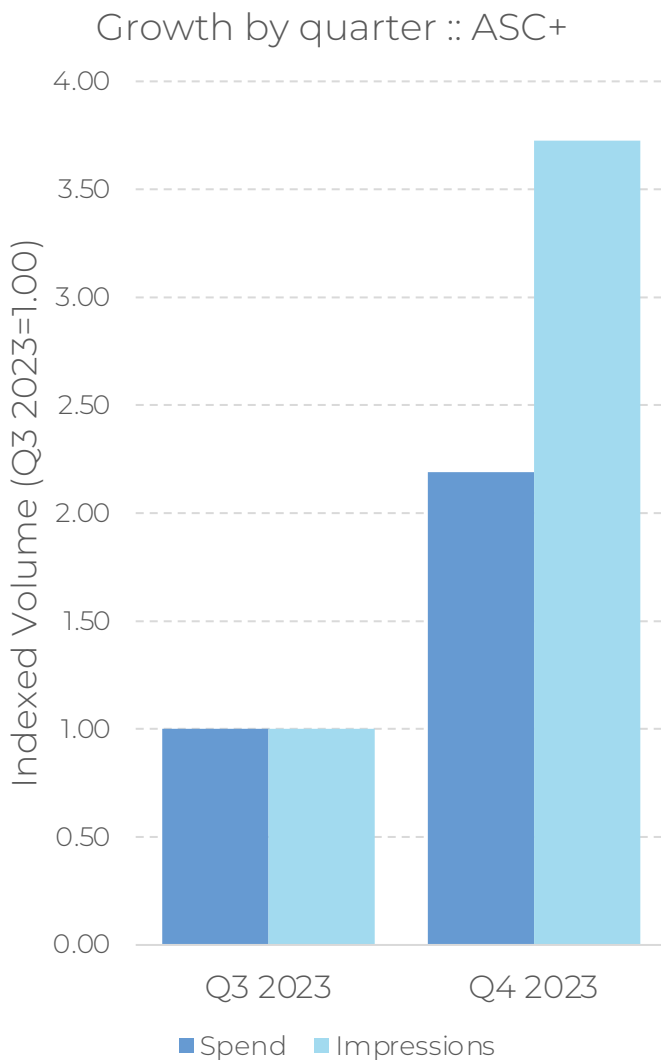


Focus on ad placement

- The main Facebook feed continues to be the largest segment of spending across the Meta ecosystem.
- Reels, across both Facebook and Instagram, still have significantly lower CPM and CTR than other placements.

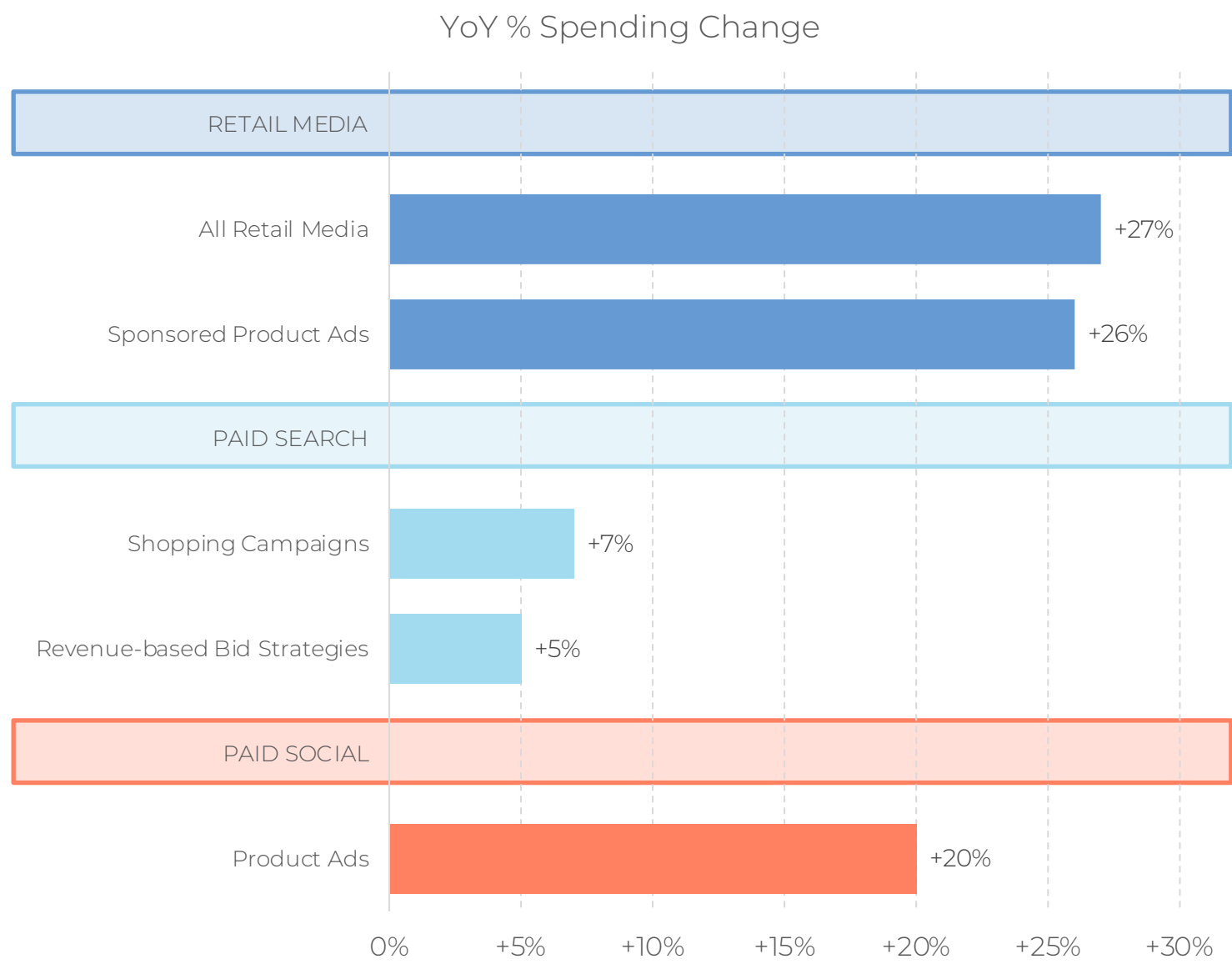


Advantage Shopping Campaigns+



- With the holiday season placing an emphasis on commerce media, spending on ASC+ more than doubled from Q3 to Q4, while impressions almost quadrupled.
- While the total share of ASC+ spend was only 5%, that includes accounts who did not use the format at all. Among ASC+ users, share of Q4 spend was 20%.
- Nearly 1 in 3 Skai accounts ran ASC+ in the fourth quarter.

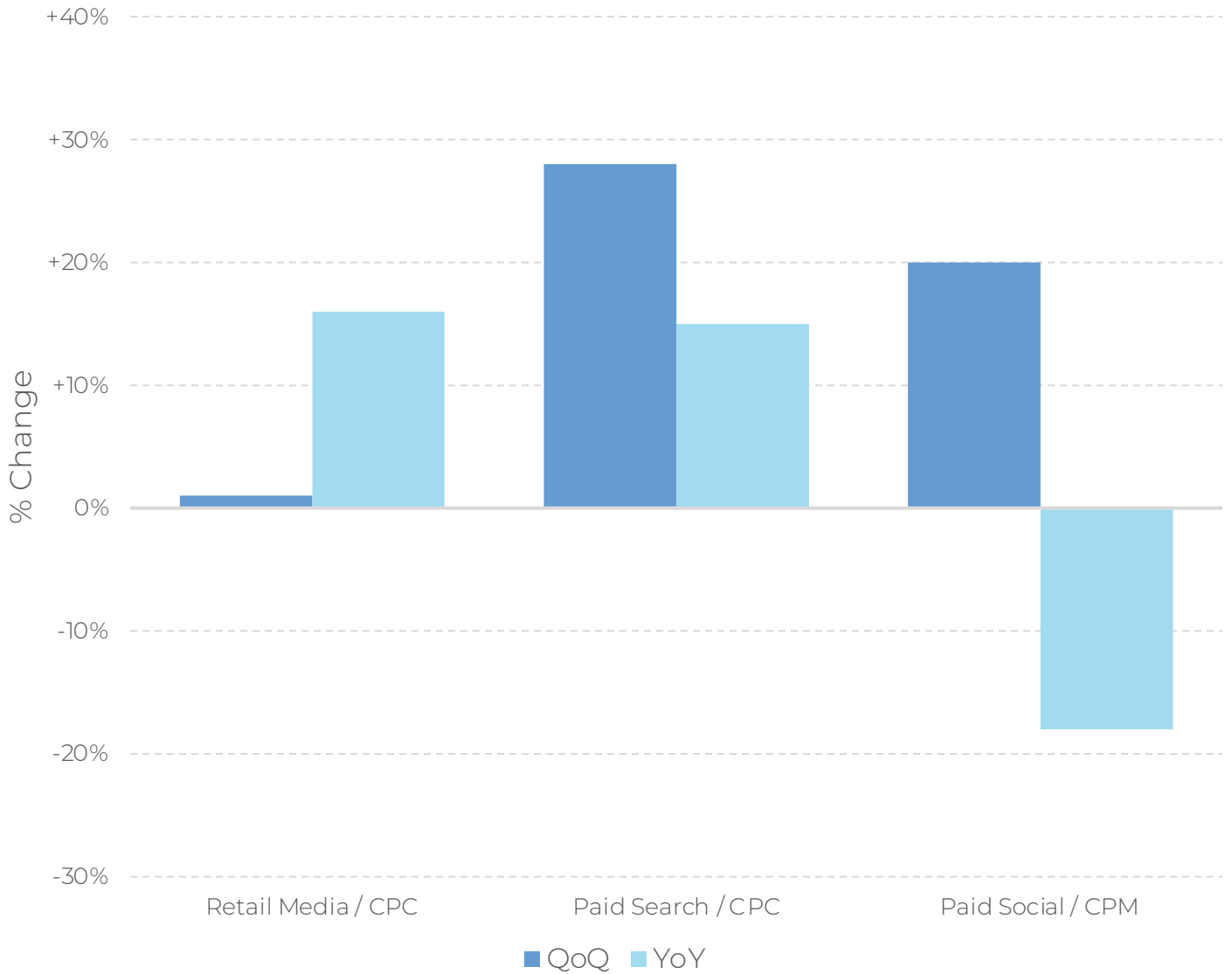
Commerce spending growth across channels



Both paid search and paid social commerce media segments outperformed their overall respective channel.

Product ad pricing across channels

Product ads only* (all channels)



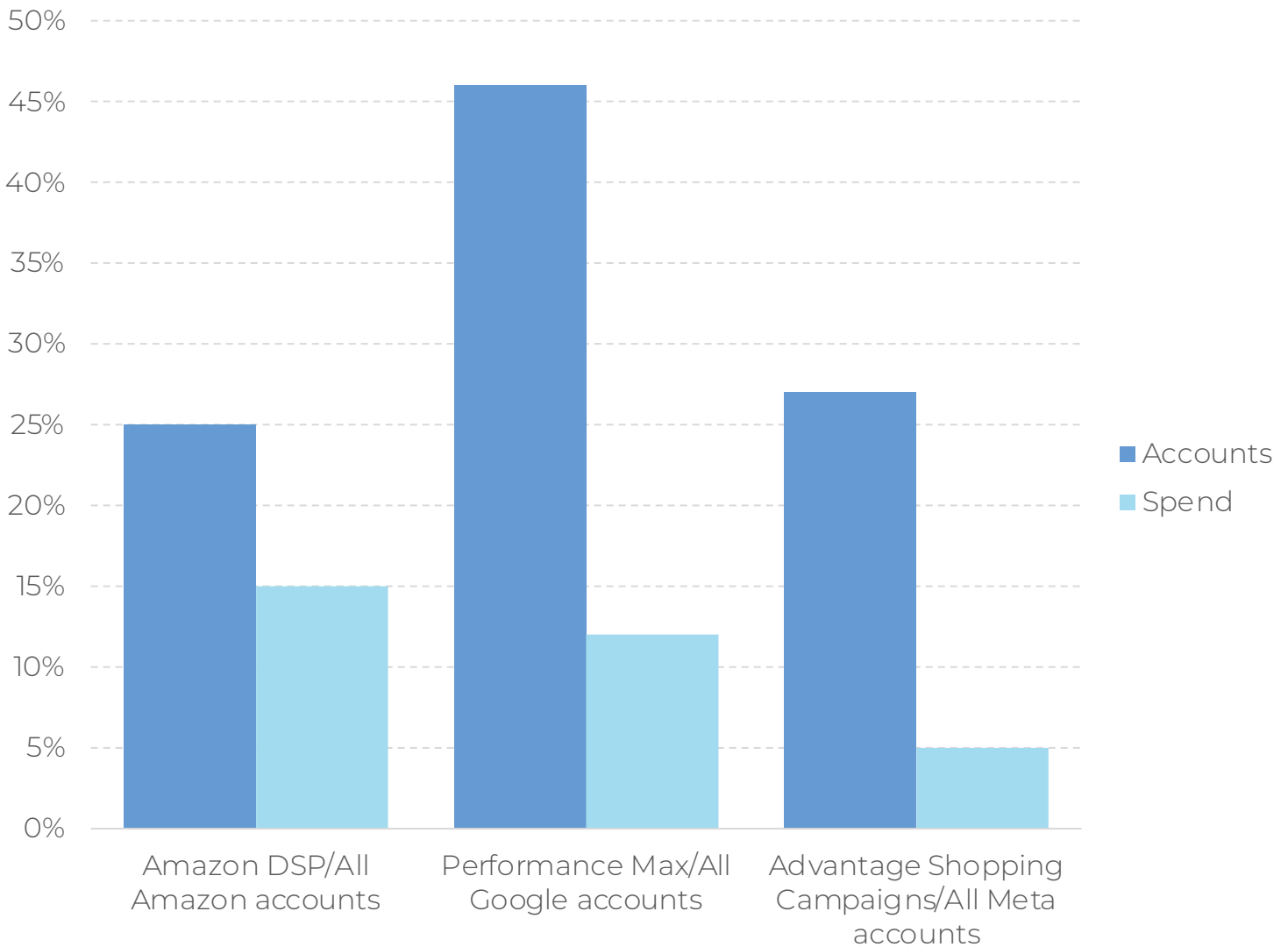
Paid search and paid social ad prices grew from Q3 to Q4, while retail media CPC stayed mostly flat.

Social commerce ads are still priced lower than at this time last year.

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

Newer commerce ads continue growth across channels

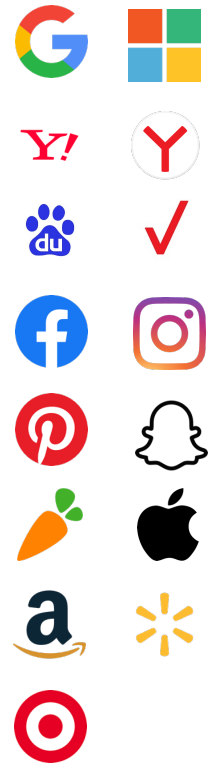
% of total (Q4 2023)



Amazon DSP penetration was unchanged since last quarter, while PMAX and ASC+ gained slightly in adoption and share of spend.

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.

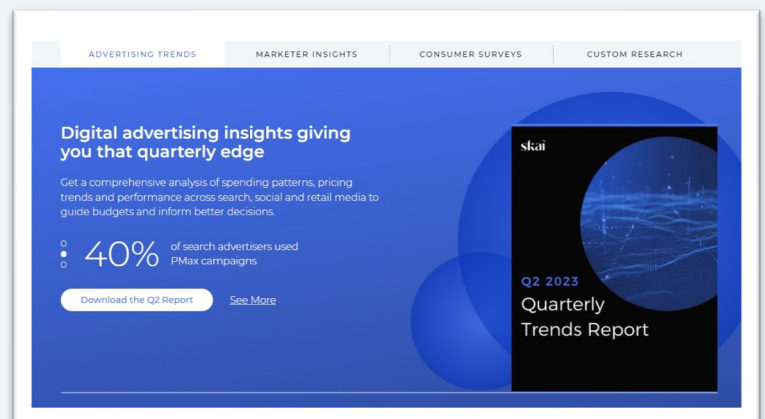


Additional resources

[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 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.

Visit skai.io for more information.