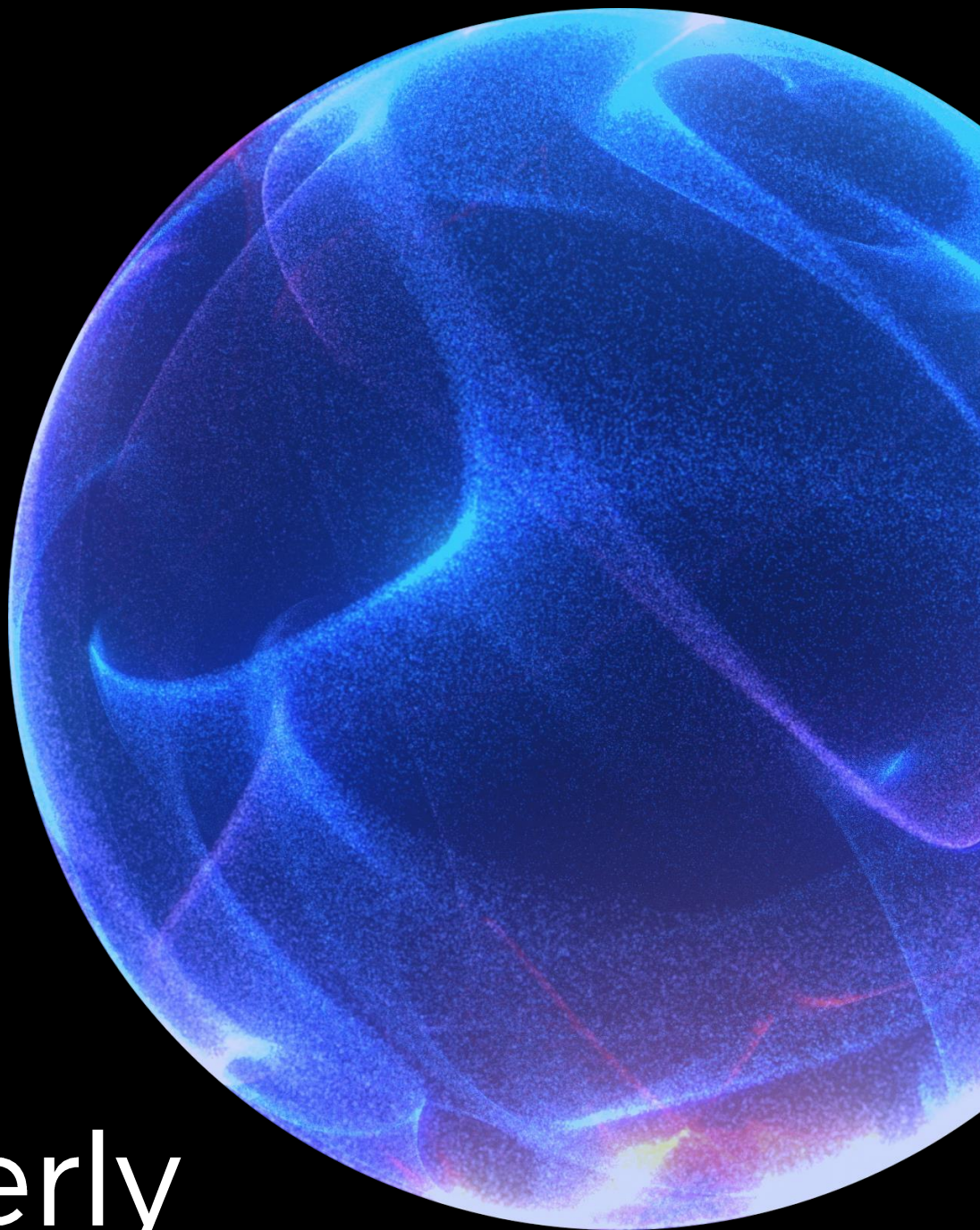


skai™

Q3 2023

# Quarterly Trends Report



# Introduction

## Key takeaways

- Commerce led the way to quarter-over-quarter digital media spending growth.
- Ad spending in retail media, paid search and paid social grew from Q2 to Q3, with every channel seeing its strongest spending month of 2023 during the third quarter.
- Higher ad prices contributed to these increases, leading to year-over-year spending growth in both paid search and retail media.

## Q3 2023 in summary

If the first six months of 2023 showed bright spots where consumer behavior drove gains in digital ad performance, the third quarter extended the story of how an overall improving economic picture is reflected in the similarities and differences between channels, acting as a prelude to what looks to be a strong finish to the year for digital advertising.

Common threads include the expansion of the commerce footprint across digital. Retail media has extended its reach via DSP, and both paid search and paid social are well into the deployment of new product ads that take advantage of more placements within their respective channels which, in turn, behave differently enough in-market to affect overall trends.

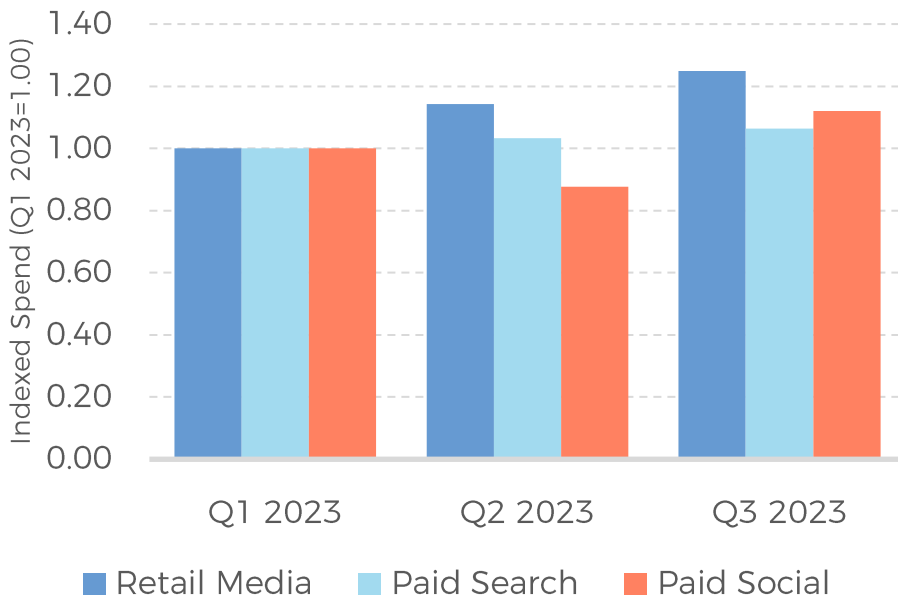
Ad prices have also been on the rise throughout the year in all channels, but only in retail media are they notably higher than last year. And commerce ads—a segment which admittedly includes all of the hot retail media channel—have been steadily growing across channels, even if social advertisers may have waited until the other channels proved out the improving outlook in the first half to loosen the purse strings.

Overall, it looks like there are more tailwinds than headwinds across the market as we head into the home stretch of 2023, and we expect the positive trends documented in this report to continue into the fourth quarter.

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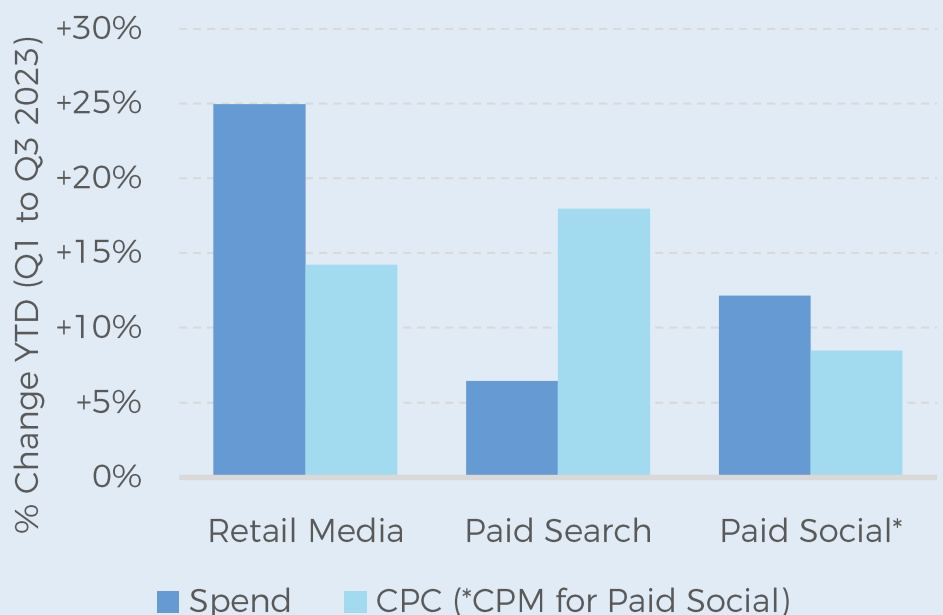
## Strong sequential spending growth across channels



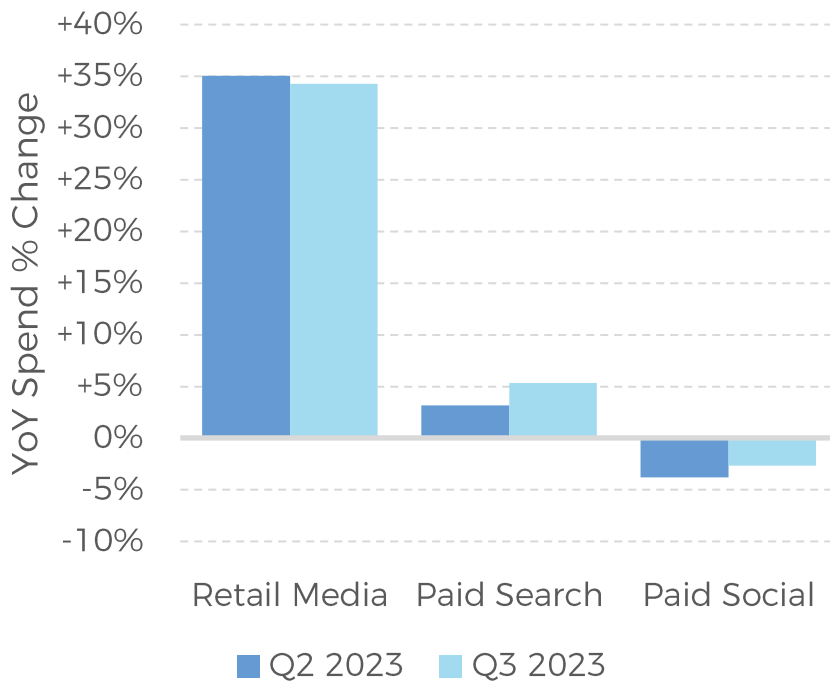
Quarter-over-quarter (QoQ) spending grew 9% for retail media, 3% in paid search and 28% in paid social. Spending in Q3 also exceeded that of the first quarter of 2023 in each of these channels.

## Consumer demand, higher prices drive YTD growth

Increases in ad prices are a key factor in understanding spending growth throughout 2023, and these higher prices are likely to continue through the end of the year.



# Healthy overall outlook for ad spending

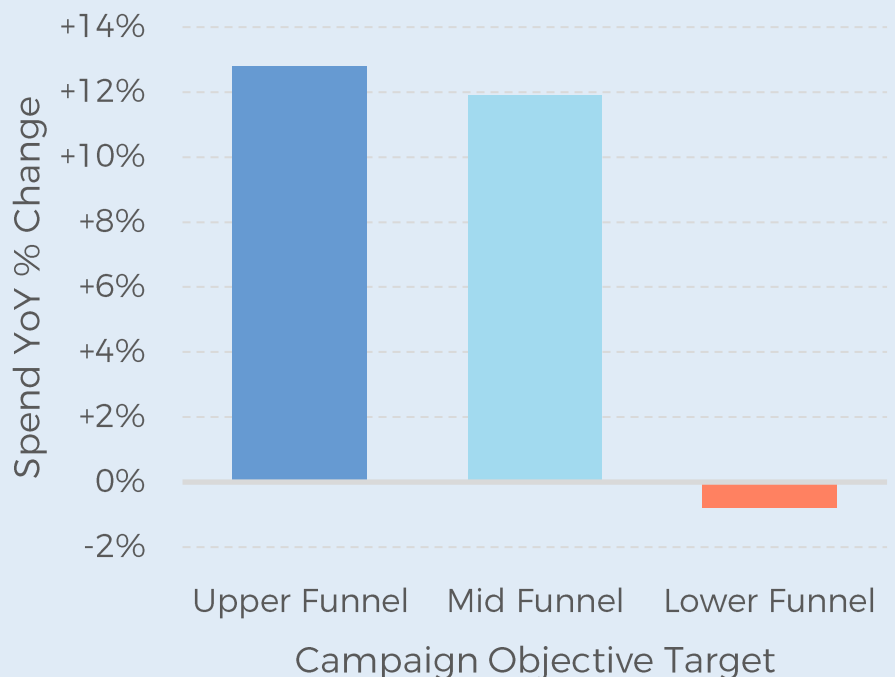


Year-over-year (YoY) spending accelerated from +3% to +5% in paid search, while retail media extended its run of robust growth rates at +34%.

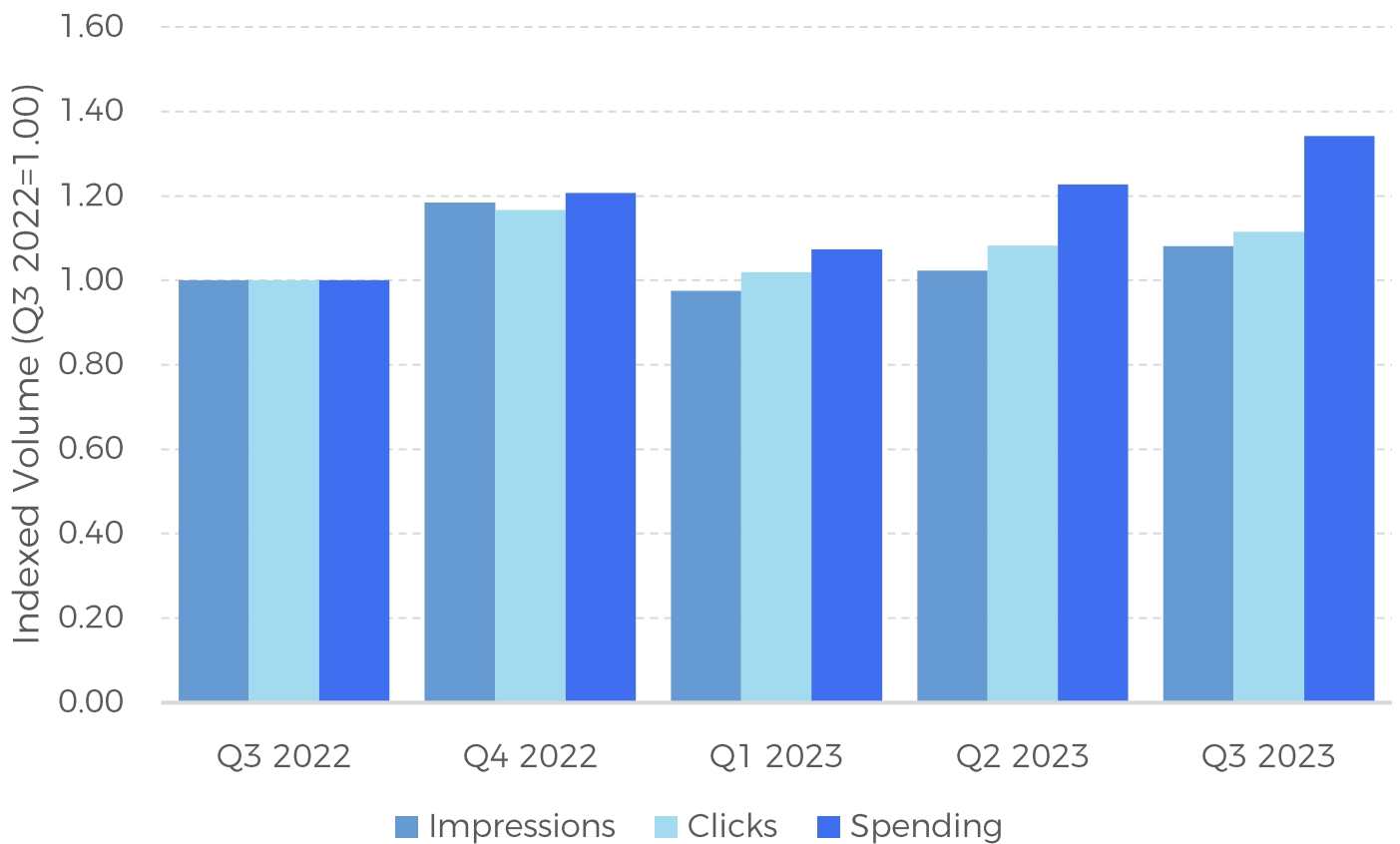
While short-term and segment results were positive, social spending of -3% YoY was a clear outlier to the overall market trend for the channel.

## Social spending grows up the funnel

There is a clear split in our data between growth rates of social campaigns based on objectives, suggesting a stronger social rebound for upper- and mid-funnel activity.



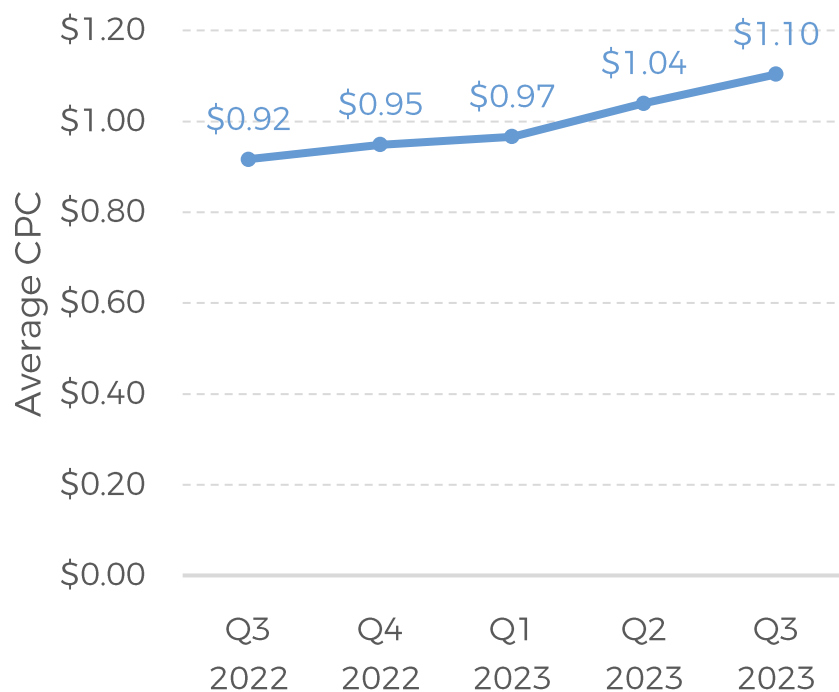
# Retail media trends



- More clicks and higher click prices yielded strong spending growth in the retail media channel.
- Total spend for retail media increased 35% over Q3 of last year, equaling the YoY growth rate from last quarter.
- Average cost-per-click was up 21% over last year, while click volume grew by 12%.

QoQ	YoY
Impressions	
+6%	+8%
Clicks	
+3%	+12%
Spending	
+9%	+34%

# Retail media CPC and CTR trends

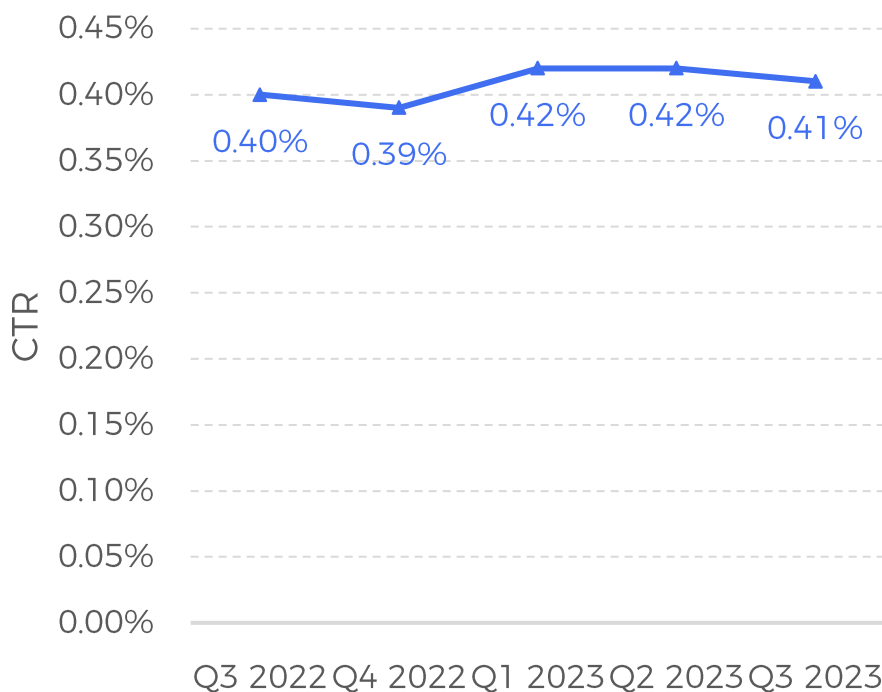


CPC	
QoQ	+6%
YoY	+20%

Improving macro economic conditions have been one component of higher unit prices across retail media.

CTR	
QoQ	-2%
YoY	+3%

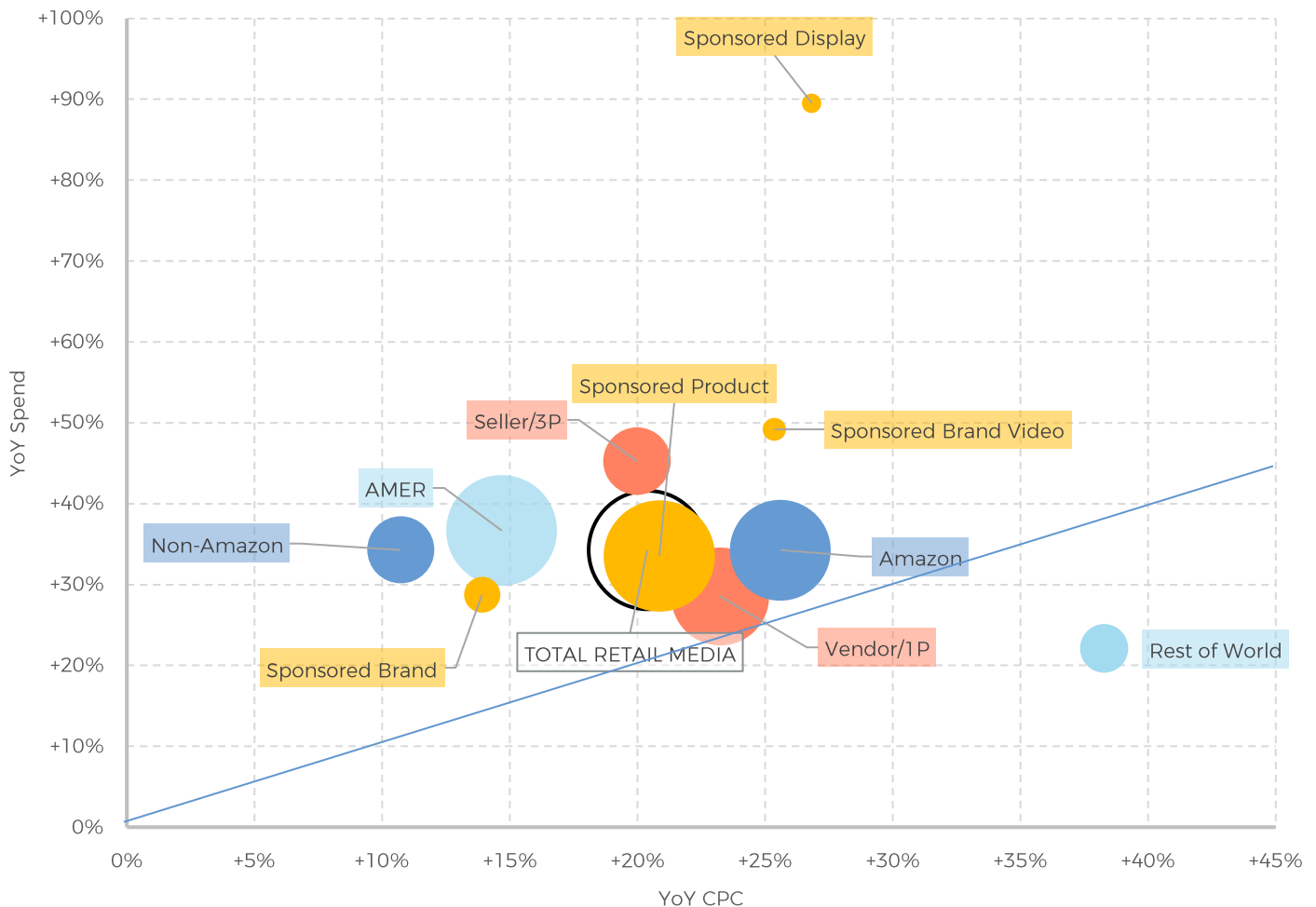
Clickthrough rates for retail media are low relative to other channels and do not show much variance over time.





# Retail media key drivers

Every functional segment in retail media saw YoY increases in both spending and ad pricing, while nearly every segment is above the diagonal reference line, meaning clicks increased as well.



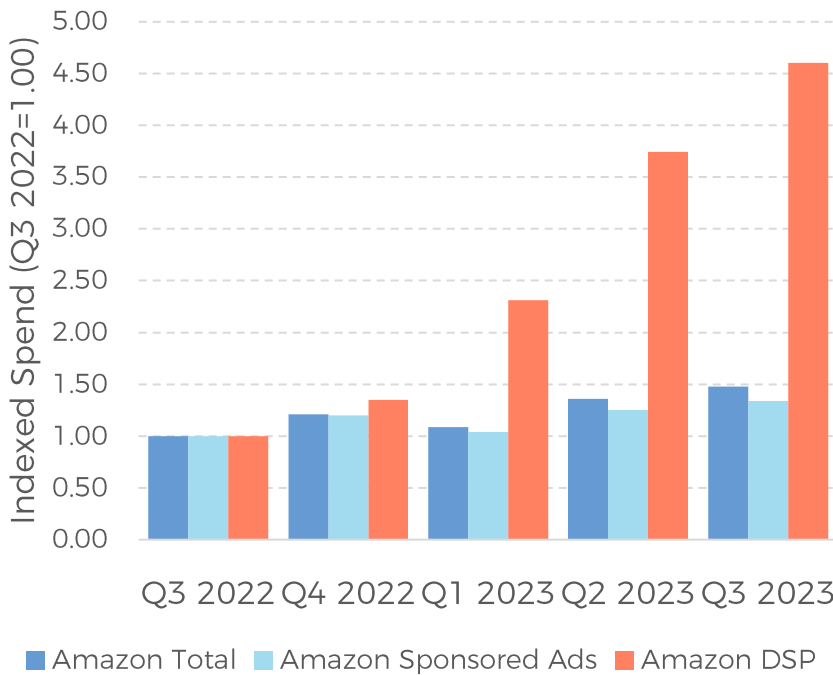
HOW TO READ THIS CHART: The x-axis is YoY change in CPC and the y-axis is YoY change in spend, so the upper right quadrant, for example, will include segments who saw both an increase in CPC and spend. The diagonal reference line represents a change in spend solely due to a change in ad price. Anything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



While “core” Amazon spending grew in the mid-thirties YoY, if we include DSP spending from qualified accounts\*, total Amazon spending (Sponsored Ads + DSP) grew closer to 50%, with the DSP segment up more than 4X.

## Amazon DSP market penetration

Amazon DSP accounted for 13% of total Amazon spending in Q3 2023 among qualified Amazon accounts\*.

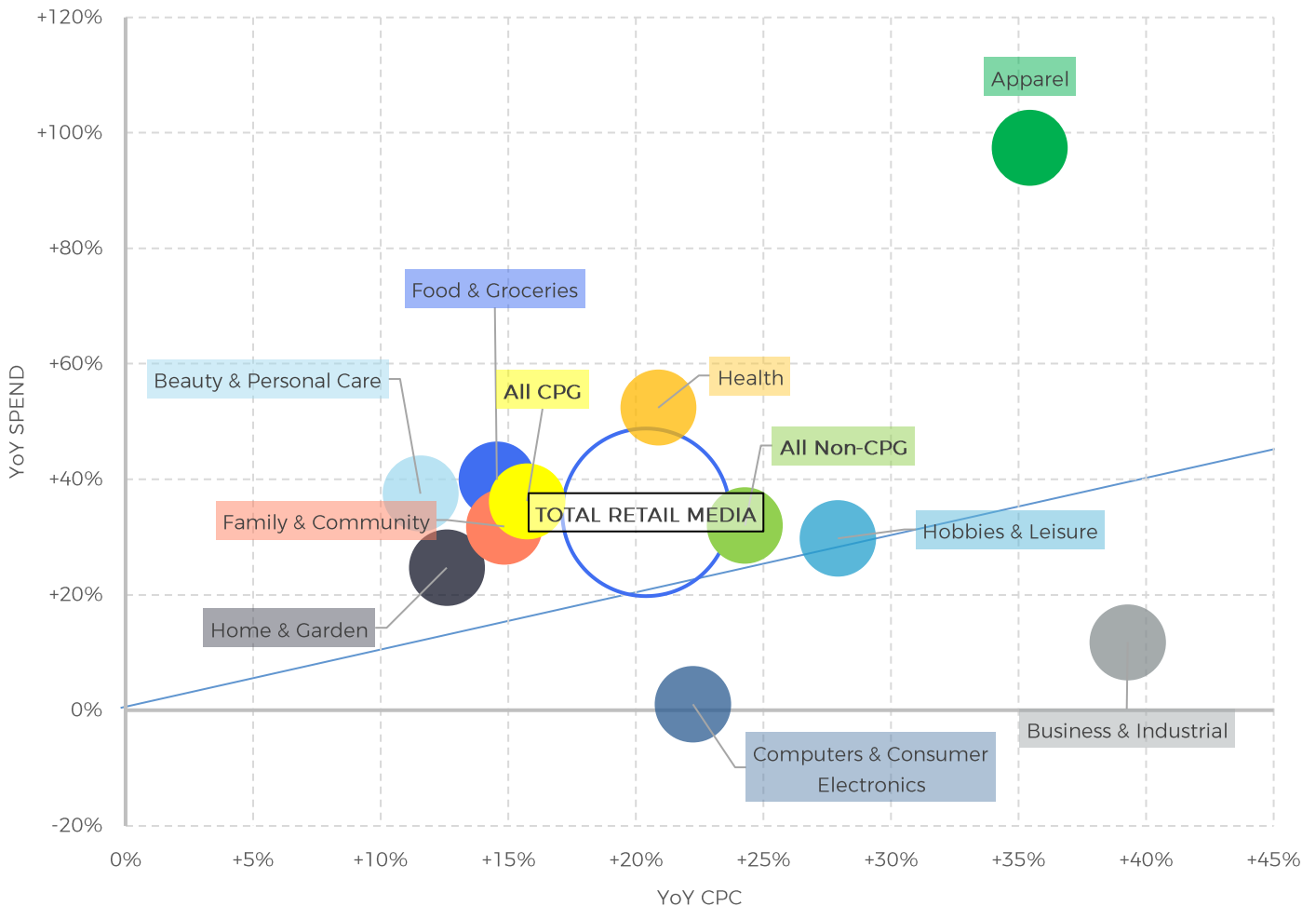
The maximum share of Amazon spending in Q2 2023 was 53%.



\* Accounts with 15 months of Sponsored Ads spending

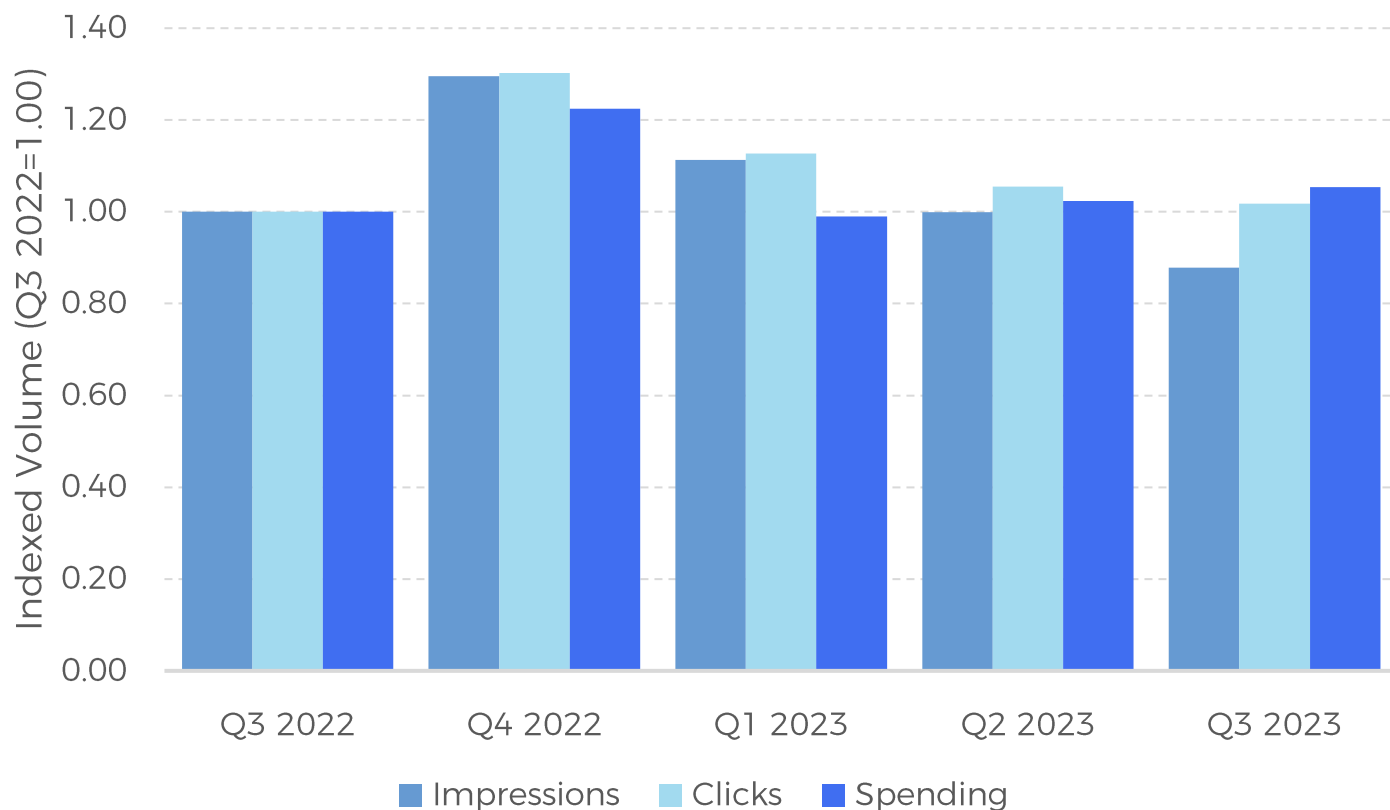
# Retail media by industry

- Apparel continues to dominate YoY growth, while the Tech category was flat.
- CPG in total saw less of a CPC increase than non-CPG.



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.

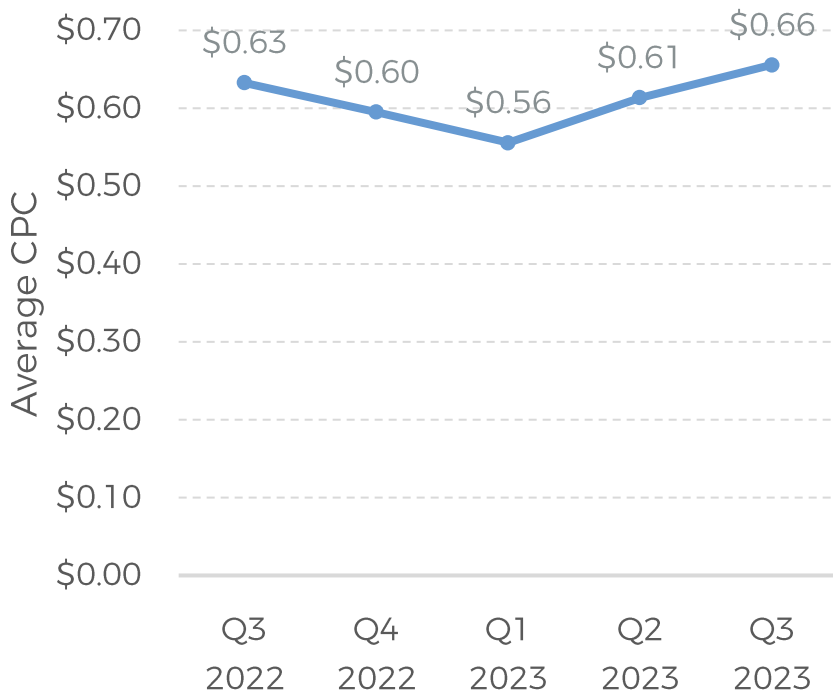
# Paid search trends



- Search spending grew 5% year-over-year.
- Spending growth was higher for search programs targeting revenue—driven in part by adoption of Performance Max campaigns—but also for a small segment maximizing impressions and impression share.

QoQ	YoY
Impressions	
-12%	-12%
Clicks	
-4%	+2%
Spending	
+3%	+5%

# Paid search CPC and CTR trends

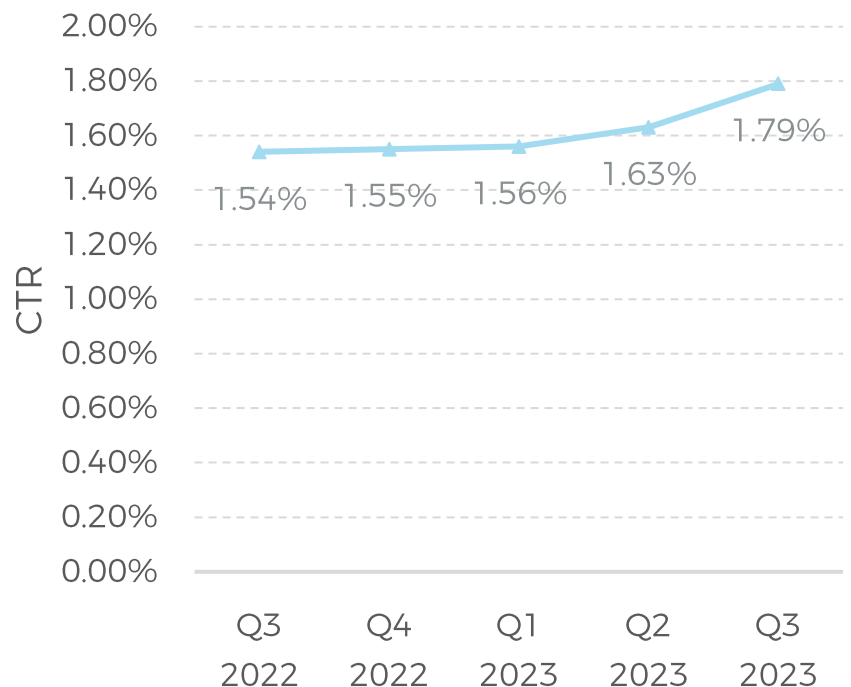


CPC	
QoQ	+7%
YoY	+4%

Ad prices have been increasing since the beginning of the year but are only modestly higher than Q3 of 2022.

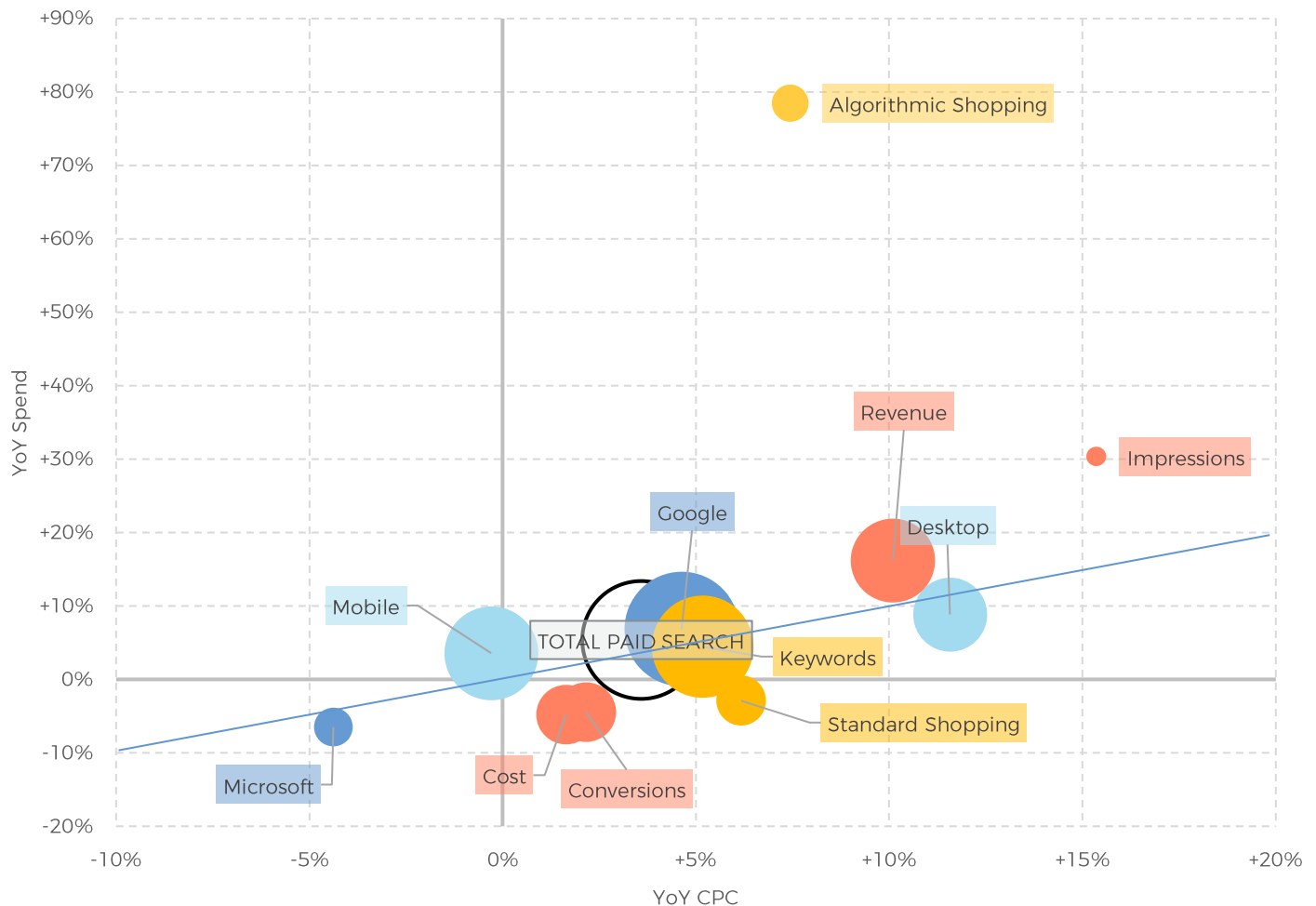
CTR	
QoQ	+10%
YoY	+16%

The replacement of legacy smart shopping campaigns with the new Performance Max campaign format has helped drive clickthrough rates higher.



# Paid search key drivers

The drop in spending from Microsoft came almost entirely from mobile and tablet searches. Most segments saw YoY increases in CPC. “Algorithmic Shopping” combines legacy Smart Shopping campaigns with Performance Max.



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.

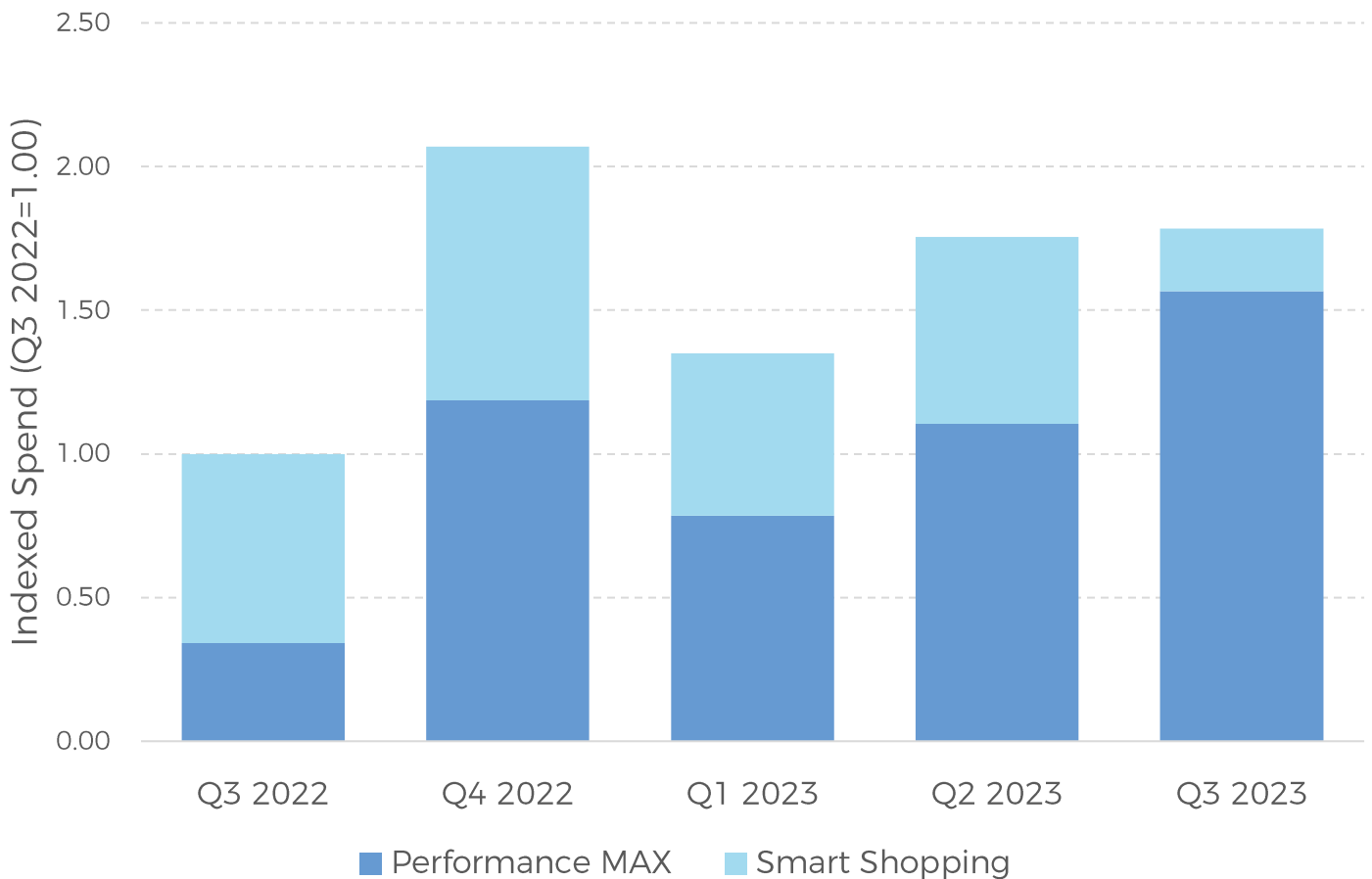
Legend
Publisher
Device
Bidding Target
Campaign Type/Goal

# Performance Max

As advertisers began to prep for the holidays in Q3, we saw a big shift from the legacy Smart Shopping to the new Performance Max campaign format.

The total “algorithmic shopping” segment grew spending by 78% YoY, and PMax comprised 9% of Q3 search spending.

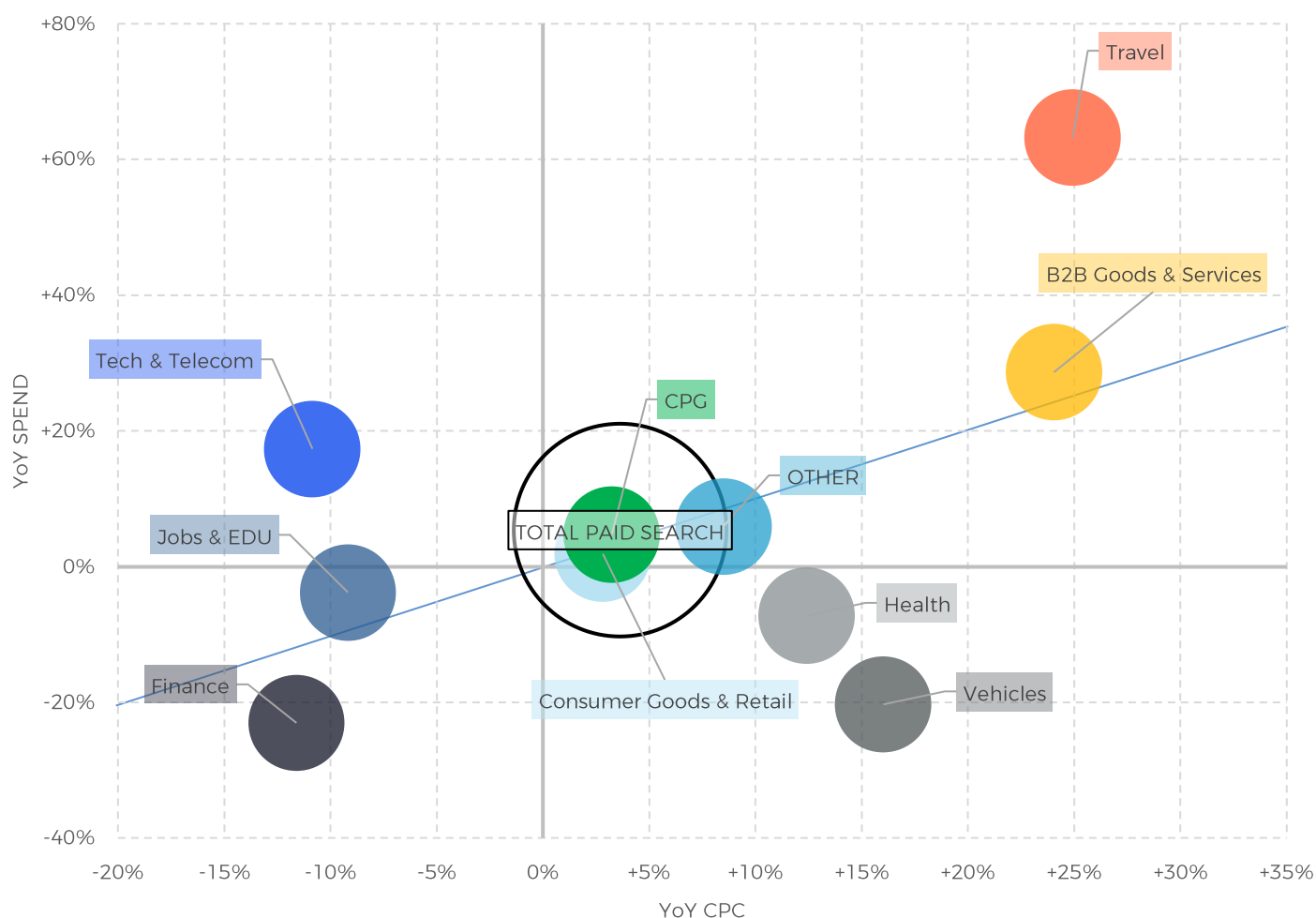
Performance Max + Smart Shopping :: Google only



# Paid search by industry

Travel once again had the largest increases in spend and the biggest jump in CPC. B2B Goods & Services also had a strong showing.

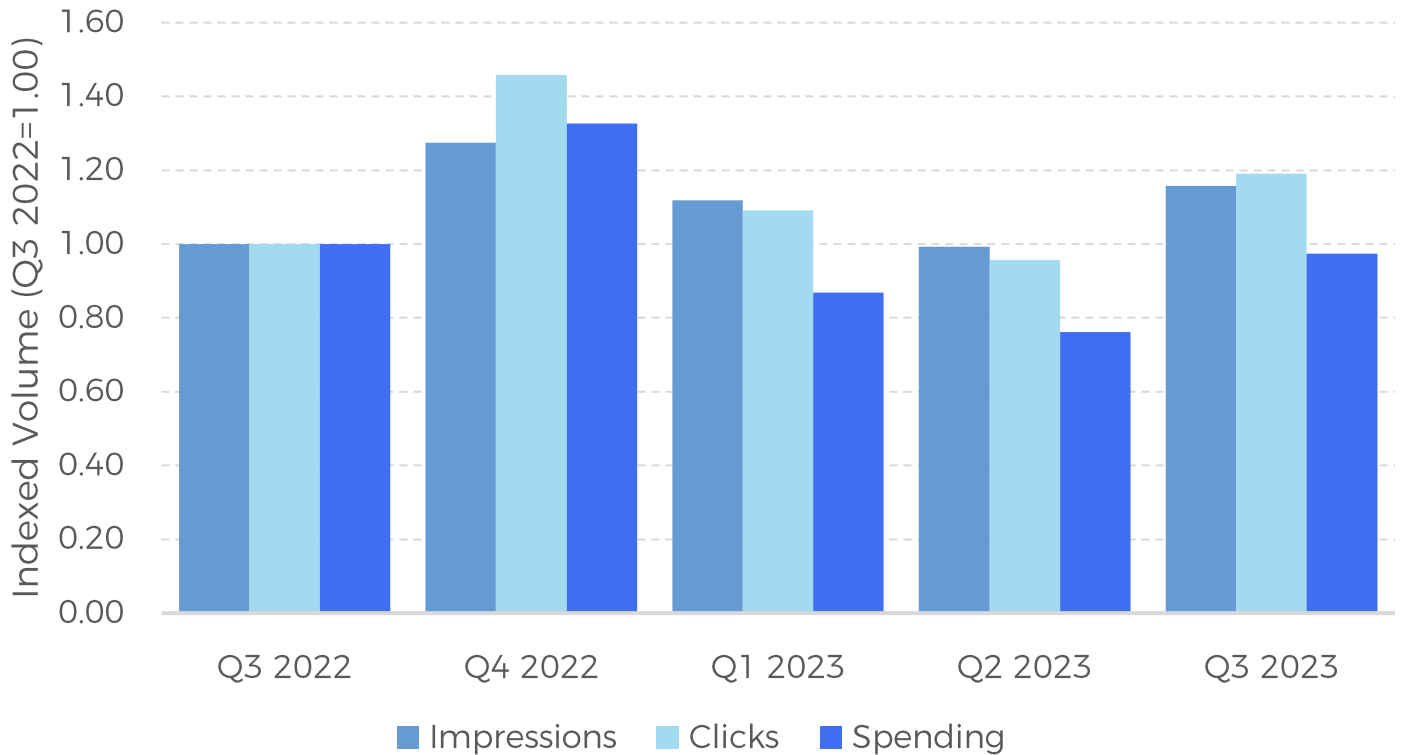
The Finance and Vehicles dropped the most YoY, the former with lower ad prices and the latter with higher.



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.



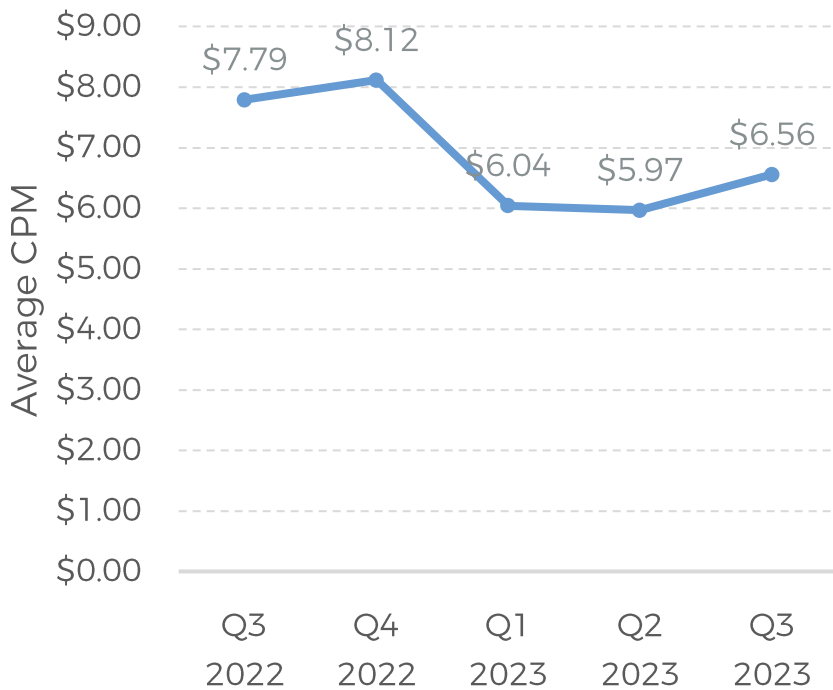
# Paid social trends



- Paid social advertising is showing a clear split between upper- and lower-funnel activity.
- While upper- and mid-funnel campaigns showed double-digit YoY growth, lower-funnel campaigns on Skai™ were flat to slightly down, bringing overall spending down 3%, which is a clear outlier to overall channel trends.

QoQ	YoY
Impressions	
+16%	+16%
Clicks	
+25%	+19%
Spending	
+28%	-3%

# Paid social CPM and CTR trends

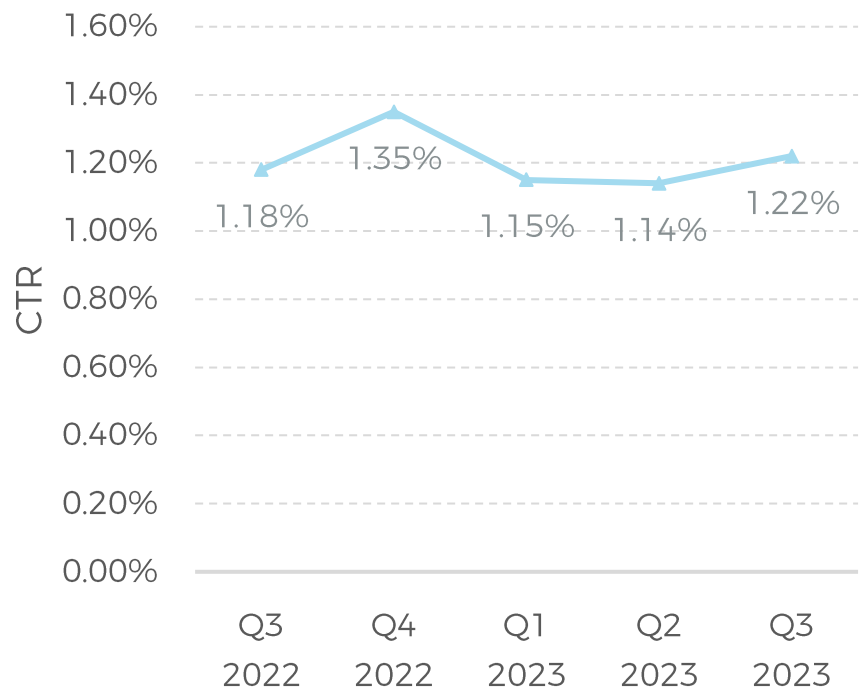


CPM	
QoQ	+10%
YoY	-16%

Social ad prices have started to climb in Q3 after stabilizing last quarter but are still over one dollar lower than this point last year.

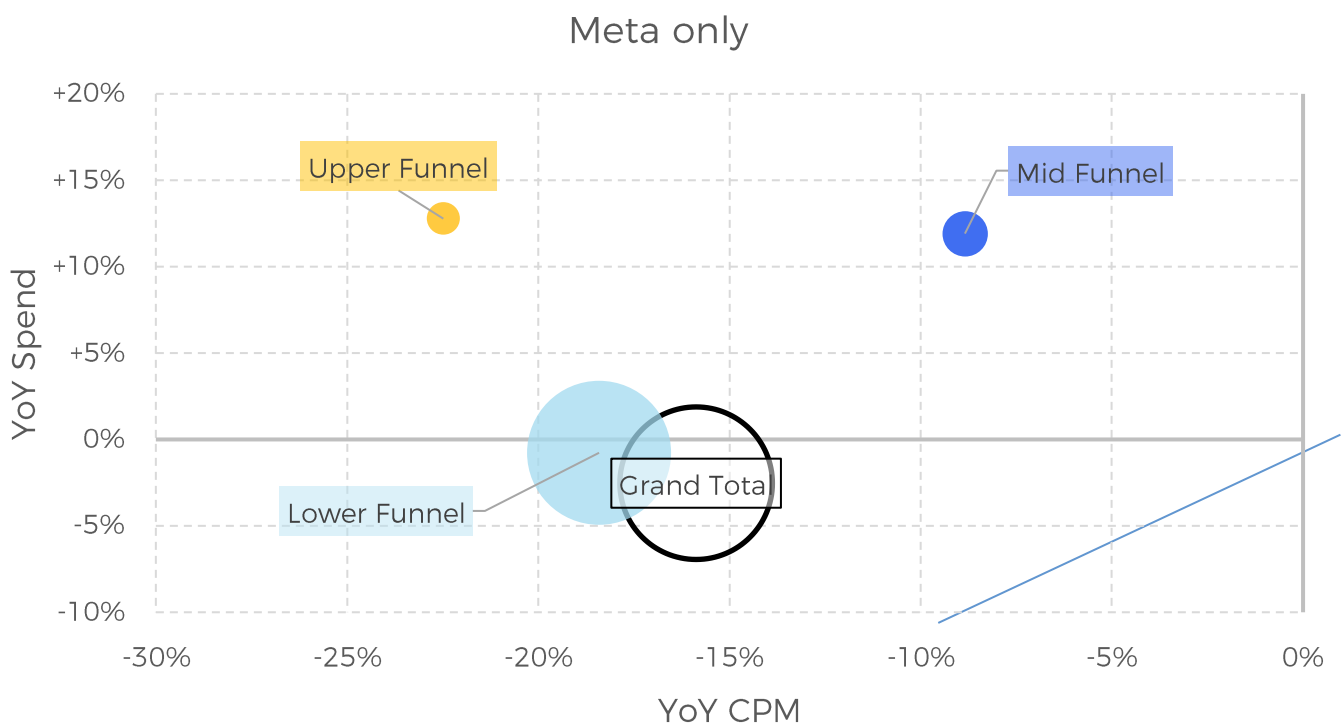
CTR	
QoQ	+7%
YoY	+3%

Clicks grew faster than impressions both QoQ and YoY, leading to increases in clickthrough rate.



# Paid social by campaign objective

- Separating campaign objectives into upper-, mid- and lower-funnel categories reveals how those strategies are showing clearly divergent behavior.
- Upper- and mid-funnel strategies are showing double-digit growth, and upper-funnel pricing dropped the most YoY, while the lower-funnel category shrank slightly.

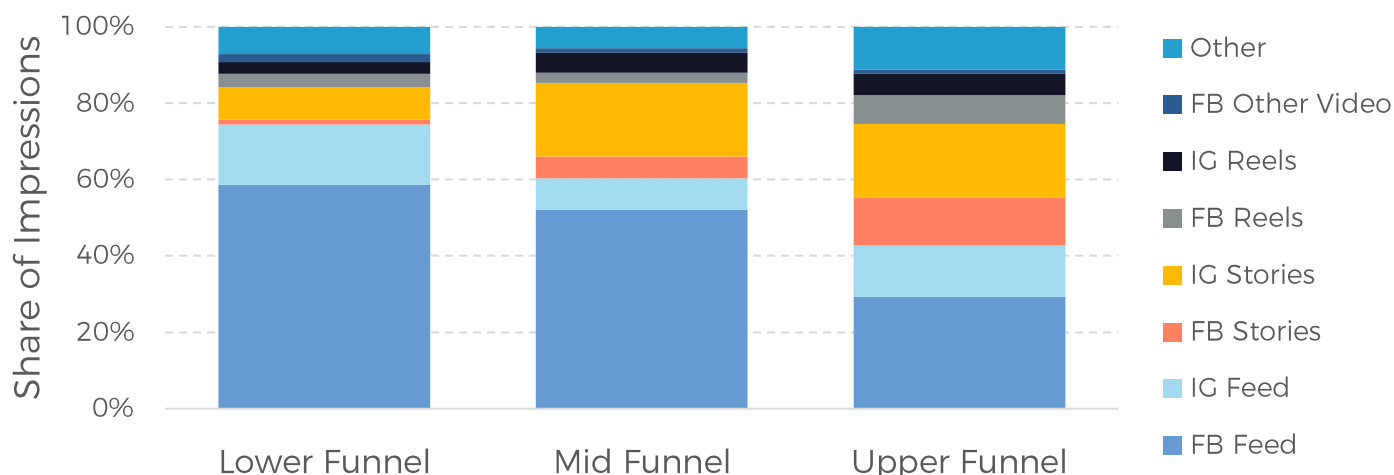


Lower Funnel	Mid Funnel	Upper Funnel
App Install	Traffic	Video Views
Conversions	Outcome Engagement	Reach
Lead Generation	Outcome Traffic	Outcome Awareness
Product Catalog Sales	Post Engagement	Brand Awareness
Outcome Leads		
Outcome Sales		

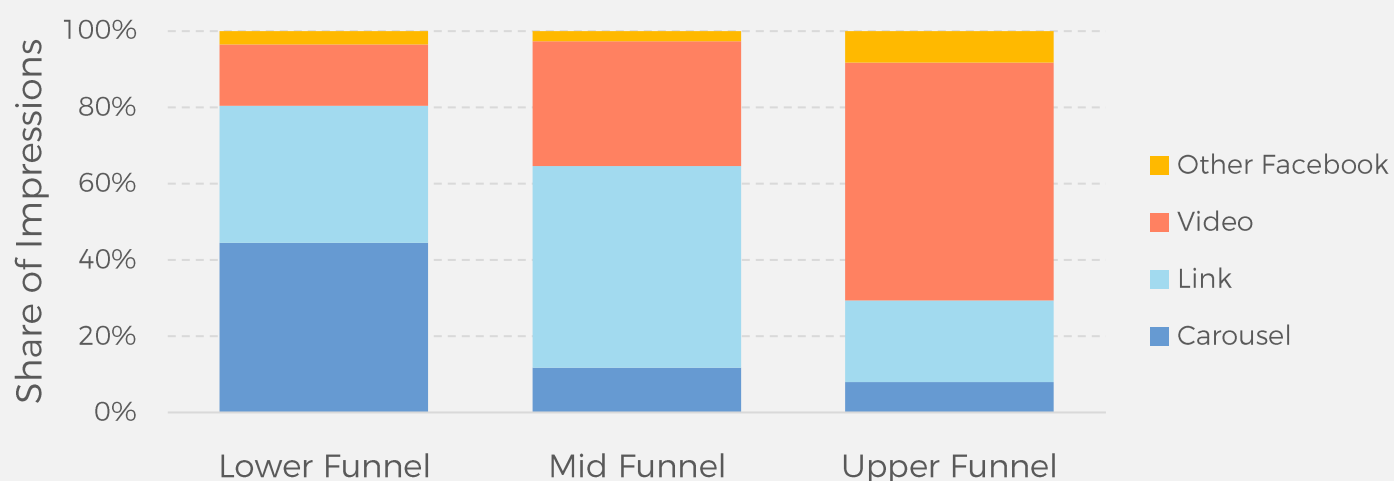
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# Profiling campaign objective categories

Objective by Placement :: Meta only :: Q3 2023

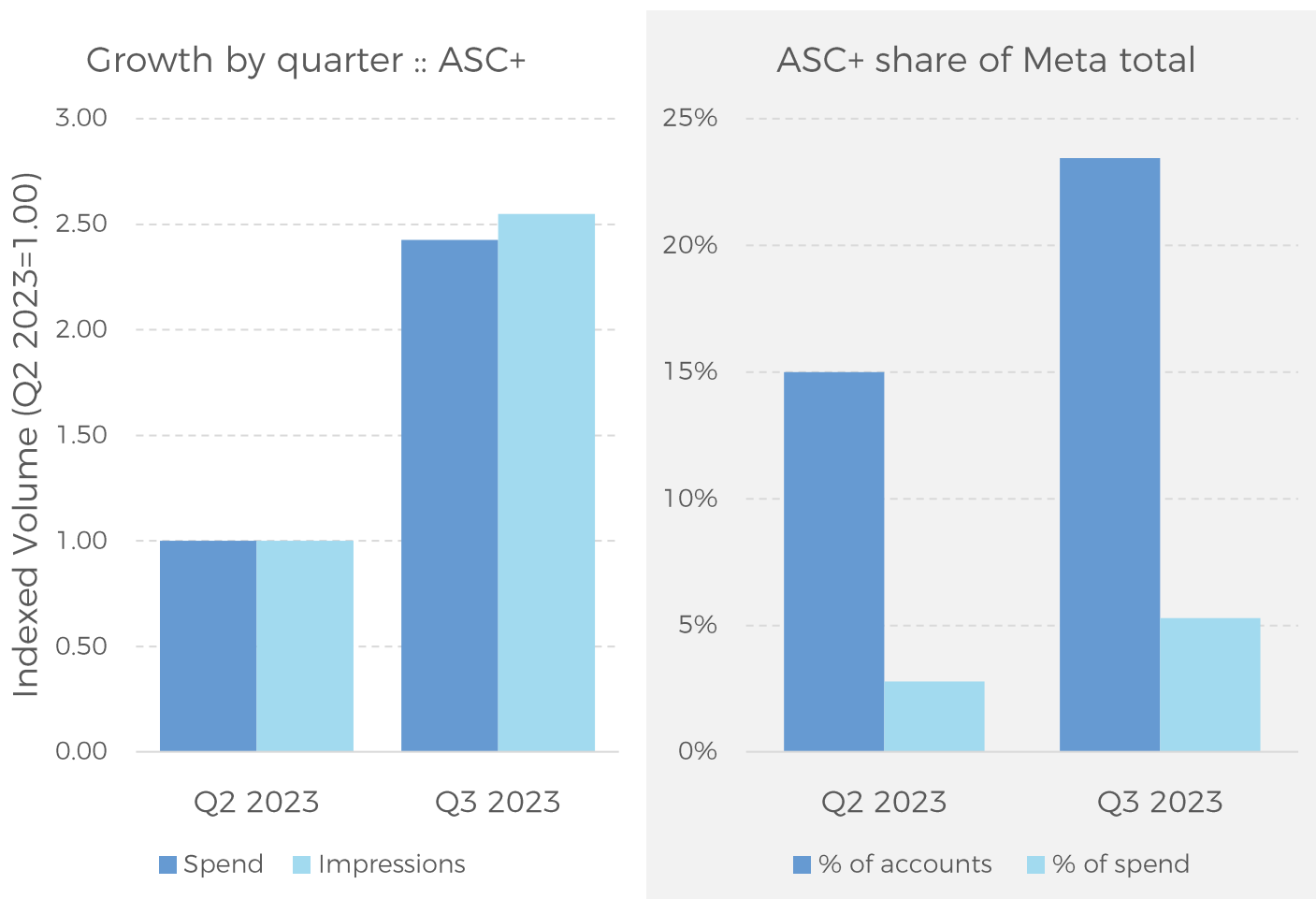


Objective by Post Type :: Meta only :: Q3 2023



- Looking at the share of voice for different placement types and post types for these groupings of campaign objectives shows how they differ.
- As expected, upper funnel campaign objectives rely much more heavily on Video ads, Stories and Reels.

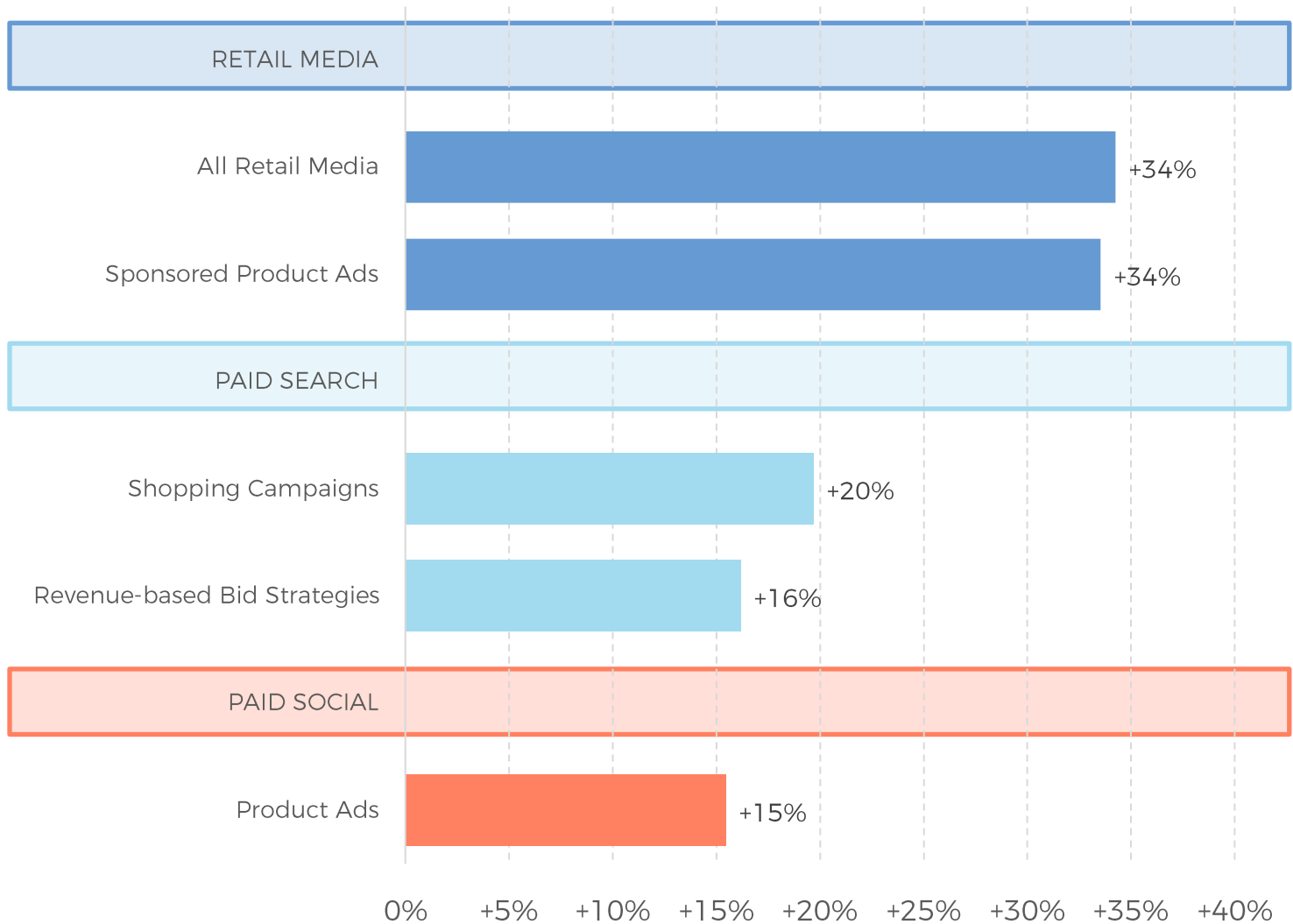
# Advantage Shopping Campaigns+



- Both spending and impression volume for Advantage Shopping Campaigns+ more than doubled since last quarter.
- These campaigns accounted for 5% of total Meta spend in Q3, emphasizing that the ecommerce-focus of this new format is most appropriate for commerce advertisers, which is only one segment of Meta advertising.
- At an individual account level, share of spend got as high as 48% in Q3.

# Commerce spending growth across channels

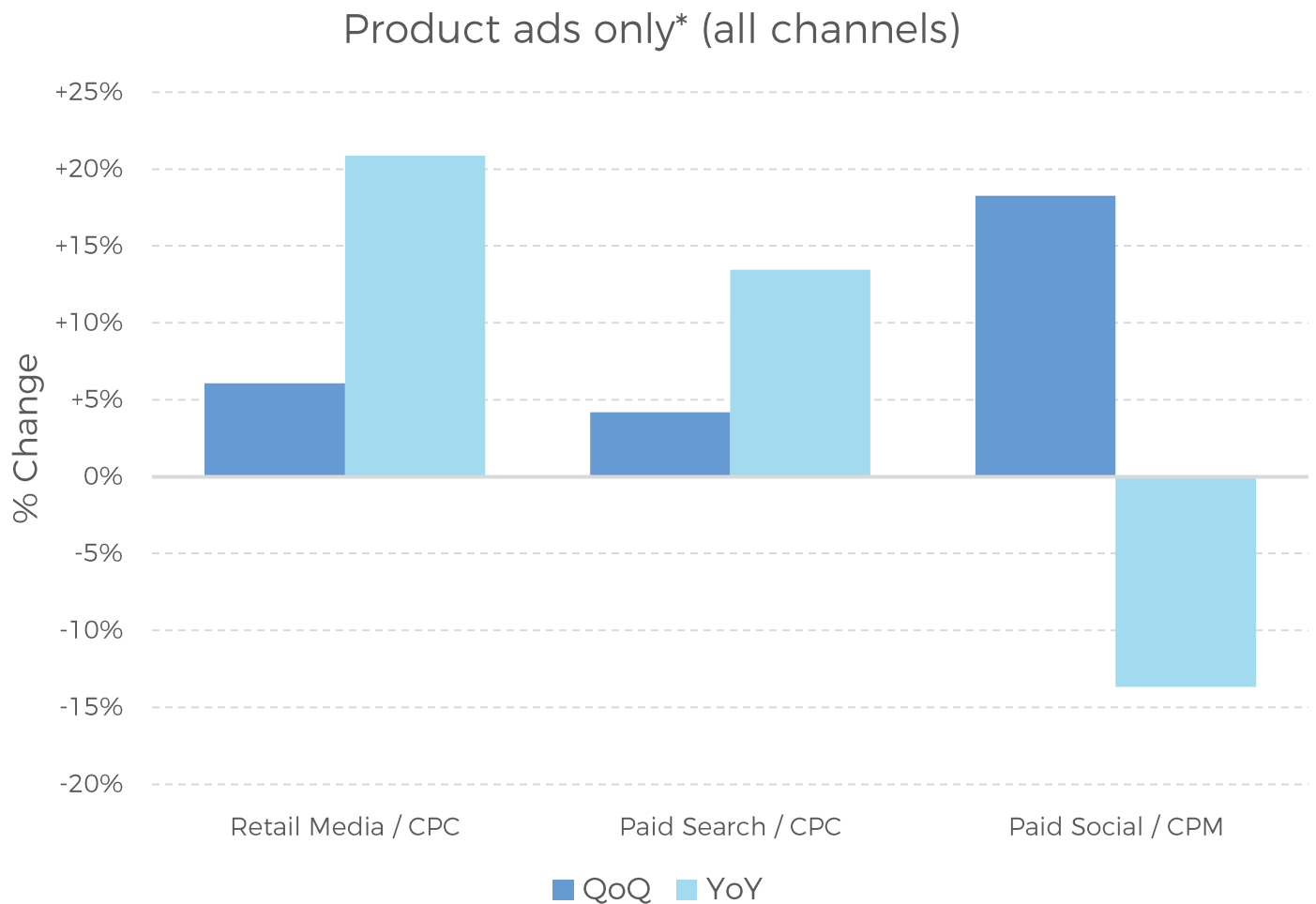
YoY % Spending Change



The disconnect between Retail Media/Paid Search and Paid Social on retail and commerce has largely evaporated, suggesting that perception has caught reality.

QoQ spending on social product ads, as well as sales-based objectives, surged in Q3 to help close that gap.

# Product ad pricing across channels



Pricing for product ads increased QoQ in all channels.

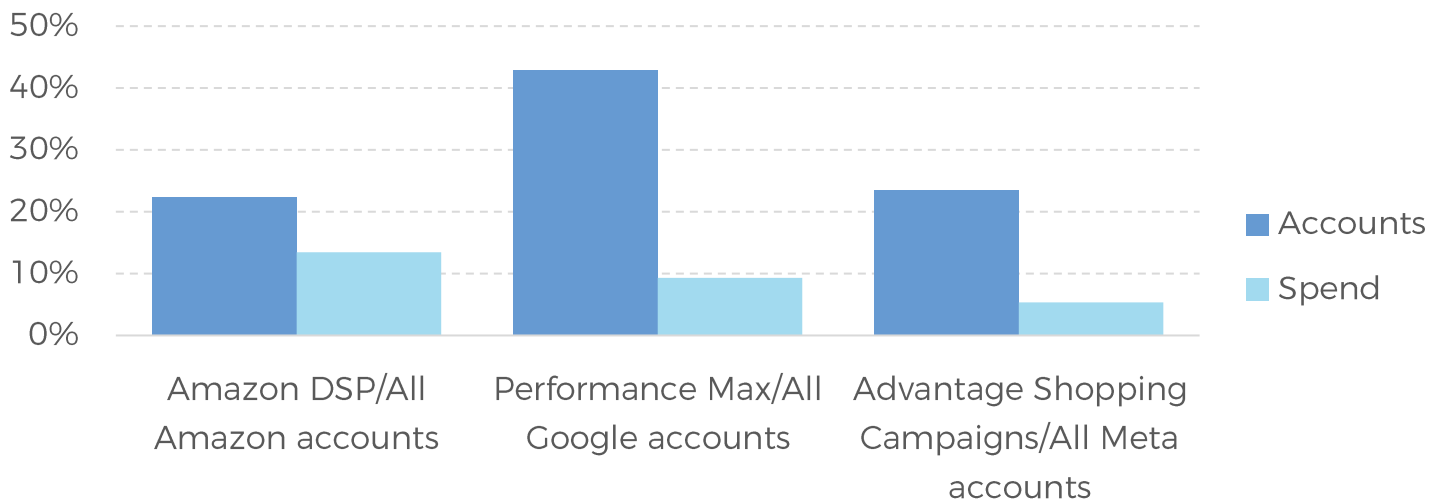
While social product ads grew at a faster rate than retail media or paid search compared to last quarter, they are still at a lower price than at this time last year. This is consistent with the performance of the paid social channel as a whole.

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

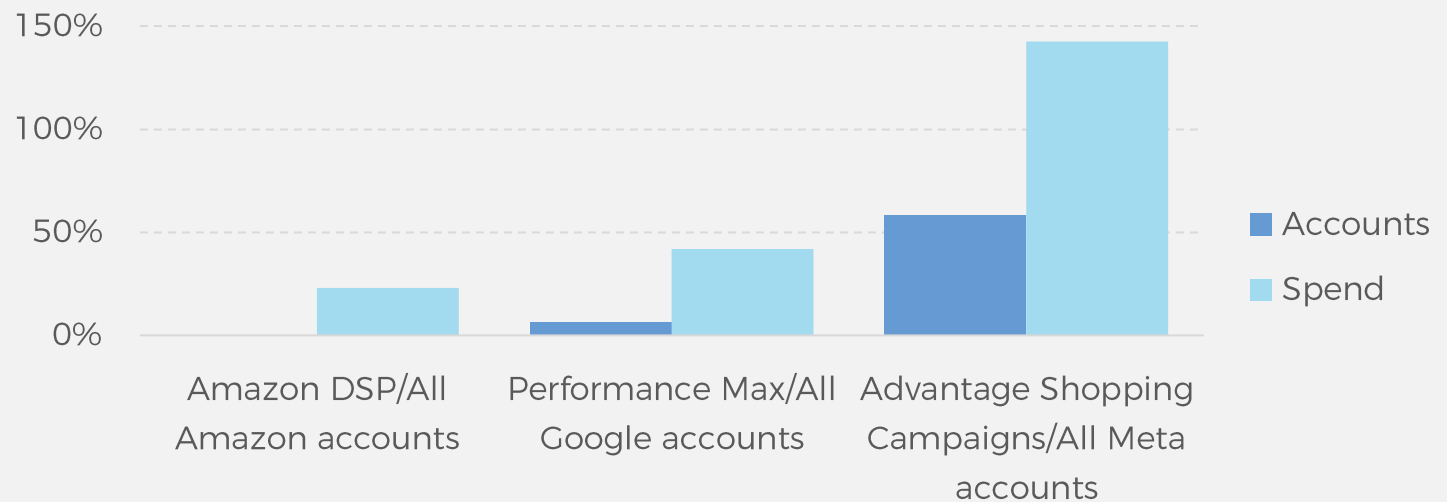


# Newer commerce ads continue growth across channels

% of total (Q3 2023)



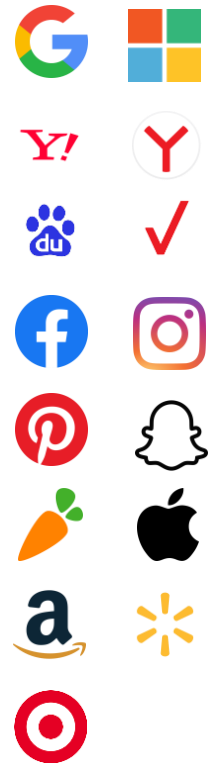
QoQ growth



While all the newer, footprint-expanding shoppable formats and campaign types grew investment across all channels, how they achieved that is somewhat different, with retail media and paid search seeing greater investment from previous adopters while paid social saw growth in both adoption and spending.

# 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.

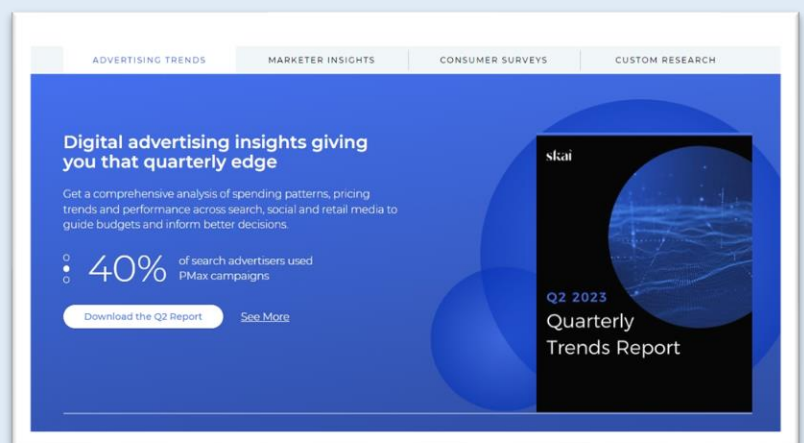


## Additional resources

### [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 (formerly Kenshoo) is a leading omnichannel marketing platform that uniquely connects data and performance media for informed decisions, high efficiencies, and optimal returns. Its partners include Google, Meta, Amazon Ads, TikTok, Snap, Walmart Connect, Instacart, Roundel, Criteo, CitrusAd, Pinterest, Microsoft, Apple Search Ads, and more. For over 15 years Skai has been trusted by an impressive roster of brands including Pepsico, Michaels, Reckitt, Daimler, LG and Vodafone. The company is headquartered out of Tel Aviv, with seven international locations, and is backed by Sequoia Capital, Arts Alliance, Tenaya Capital, Bain Capital Ventures, Pitango and Qumra Capital. Visit [skai.io](https://skai.io) for more information.