

DIGITAL MARKETING REPORT

Q4 2021

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Key Themes

1. Advertising costs were less extreme Y/Y than the previous two quarters. In Q2 and Q3, CPC and CPM across channels were up significantly year over year on strong competition. Advertisers were relieved to see this trend discontinue in Q4. In paid search, CPC was up just 13% Y/Y versus 41% in Q3. CPC was less discounted in Q4 2020 than in Q2 and Q3 2020, leading to a less dramatic Y/Y increase for this quarter.

Paid social saw a similar trend. Facebook CPM was up just 8% Y/Y compared to 46% in Q3, while Instagram CPM was actually down 9% Y/Y in Q4. In addition to competing against less-discounted CPM in Q4, paid social advertisers also didn't have to contend with major election campaign ads in 2021, like they did in 2020.

2. This holiday shopping season was pulled forward and more spread out, with more activity happening offline. Trends across channels suggest that retailers saw a more spread-out holiday season in 2021, with less online activity. In search, retailers across both SEM and SEO saw their greatest Y/Y declines in December, at -11% and -19%, respectively. On Amazon, Sponsored Products and Sponsored Brands only saw Y/Y click declines in the month of December.

The trend of an earlier shopping season started in 2020, with Amazon holding Prime Day in October. In 2021, after experiencing shipping challenges in 2020 and with warnings of major supply chain issues, consumers continued to shop for the holidays earlier in the quarter. Staffing challenges and inventory issues caused some advertisers to set shipping deadlines and reduce ad presence earlier than usual. There was also more Y/Y in-store activity, as indicated by Google Local Inventory Ads – they made up 35% of Google Shopping clicks for the quarter, compared to just 18% in Q4 2020.

3. Travel continued to show strong Y/Y performance. In paid search, clicks for travel increased 25% Y/Y, spend was up 40% Y/Y, and CPC rose by 12% Y/Y. SEO saw similar strength, with visits up 41% Y/Y. Visit growth was highest in November at 55%. According to [TSA data](#), passenger numbers in the 10 days surrounding Thanksgiving reached 89% of pre-pandemic levels. This growth brought both SEM click traffic and SEO visits for travel above Q4 2019 levels.

4. Smaller and emerging segments within digital gained some ground. Within paid social and display, TikTok captured 4% of advertisers' spend, compared to 2% in Q3. Though currently small, TikTok's advertising share will likely continue growing as it evolves its capabilities for brands to reach its estimated [79.6 million US users](#) in 2022.

Connected TV also gained more traction, capturing 22% of display/paid social spend share for advertisers investing at least \$1K on the device. This marks a two-point increase over Q3. Advertisers will continue to prioritize connected TV in 2022, building on the momentum streaming gathered early in the pandemic.

On Amazon, Sponsored Display grew to 6% of spend share and 8% of impression share. Though it's been around for a couple of years, advertisers are increasingly seeing it as an off-the-shelf option to access Amazon's display inventory.



VERTICAL SNAPSHOT RETAIL

Retailers faced several unique challenges this quarter. Consumers shopped earlier, well-aware of potential supply chain issues and haunted by the shipping woes experienced late in the season in 2020. Additionally, external factors, like inventory and staffing challenges, led to some brands pausing or reducing media investment in December. As a result, Y/Y click traffic was stronger in October and November than in December. Overall, however, clicks were down Y/Y for the quarter on Google SEM (-7%), Google SEO (-14%), Amazon Sponsored Products (-11%), and Amazon Sponsored Brands (-33%).

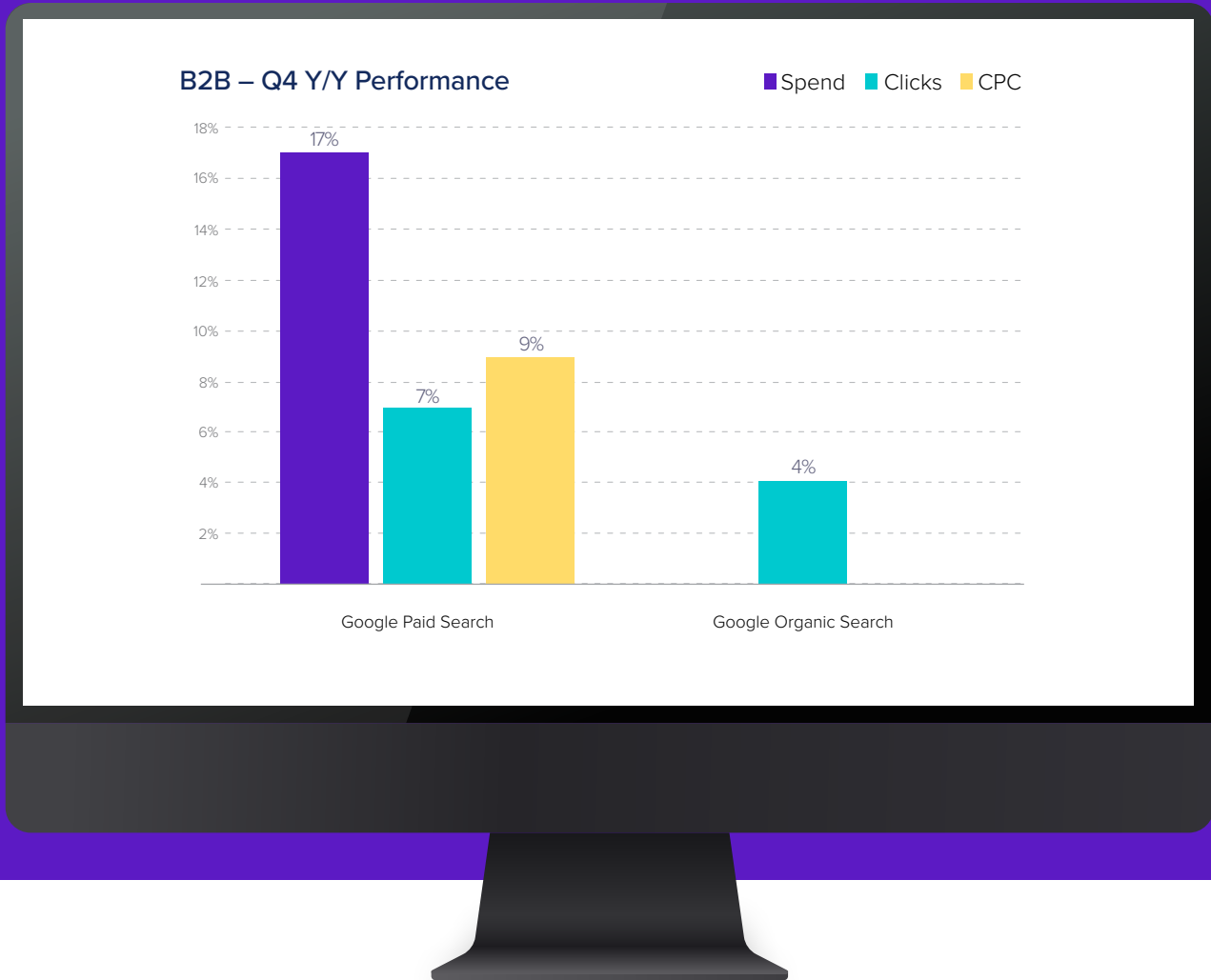
As we forge ahead in the new year, retailers should closely monitor any new COVID surges, like Omicron, and pay attention to how they shift consumers' preferences for shopping online versus in store. Continue to communicate options and protocols through site messaging and ad copy to meet customers where they are.



VERTICAL SNAPSHOT TRAVEL

Travel continued to experience Y/Y gains across both paid and organic search. On Google organic search, visits were up 41% Y/Y. On Google paid search, clicks were up 25% Y/Y, spend grew 40%, and CPC increased 12%. Organic traffic was up most in November, as travelers left home for holiday visits and booked end-of-year trips. With these increases, traffic levels across search were higher than in Q4 2019.

In 2022, travelers are prioritizing trips that are fun and relaxing and give them the opportunity to spend time with loved ones. However, while promoting these types of trips, advertisers also need to be aware of current COVID numbers, as we've seen consumer behavior impacted by recent surges. (Source: [Update on American Travel Trends & Sentiment—Week of January 3rd: What's In Store for Travel in 2022](#))



VERTICAL SNAPSHOT B2B

B2B experienced modest Y/Y traffic growth across both Google paid search (+7%) and Google organic search (+4%) in Q4. CPC also increased on Google paid search (+9%), leading to Y/Y spend growth of 17%. On organic search, November was a highlight, with visits up 13% Y/Y.

Based on [Merkle's 2021 B2B Superpowers research](#), being “quick to respond and adapt” and “consistently delivering on time and as specified” are two of the elements that are more important to creating superior customer experiences compared to in 2020. In a shifting environment, B2B customers want dependability and flexibility – and marketers should continue to look for ways to deliver that.



VERTICAL SNAPSHOT FINANCIAL SERVICES

On Google paid search, financial services experienced modest Y/Y traffic declines (-3%) that, when combined with a 4% decrease in CPC Y/Y, led to 7% lower spend. On Google organic search, visits decreased 1% Y/Y, with October showing the greatest Y/Y performance (+4%).

In 2022, financial services advertisers should focus on their smartphone capabilities and digital accessibility. The pandemic made more banking customers turn to mobile, and brands that can offer a great experience will be best positioned to compete with new players entering the space.

PAID SEARCH

Paid search spend growth decelerated to 6% Y/Y after CPC growth dropped from 41% in Q3 to 13% in Q4. Y/Y click performance tracked similarly to Q3, decreasing 7%. Both Google and Microsoft followed similar Q/Q trends, though to differing degrees.

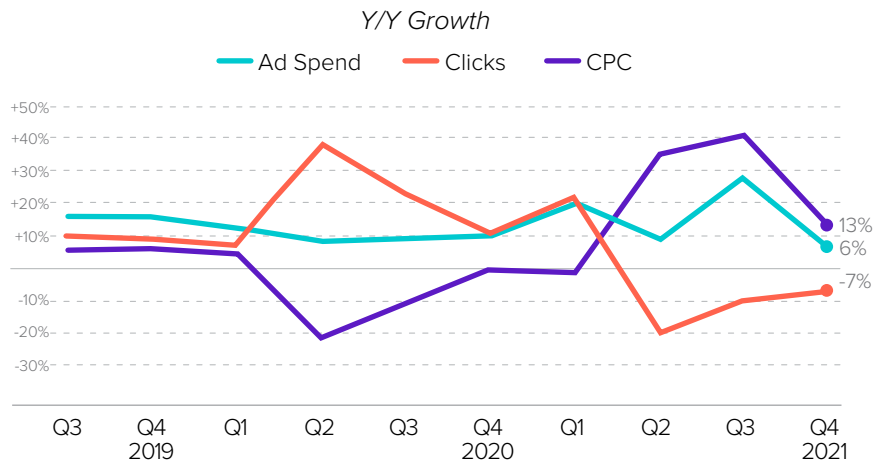
Amazon's impression share on Google Shopping finally reached 2019 levels again, averaging 58% over the course of Q4. Impression share peaked at 69% in the week leading up to Christmas to capture last-minute holiday orders that other retailers may not have been able to fulfill.

Local Inventory Ads averaged 35% of Google Shopping click share for the quarter and reached 50% in the days leading up to Christmas. This reflects more consumer willingness to shop in store and brands' desires to invest in the local-focused format.

CPC Growth Slowed to 13% Y/Y

After extreme Y/Y CPC increases in Q2 and Q3, Q4 experienced just 13% growth over last year. A major factor was the comps – 2020 Q4 CPC was less discounted Y/Y compared to Q2 and Q3. Click traffic remained down Y/Y, to the tune of 7% for Q4. In combination, modest CPC increases and modest click decreases led to single-digit Y/Y spend growth of 6%.

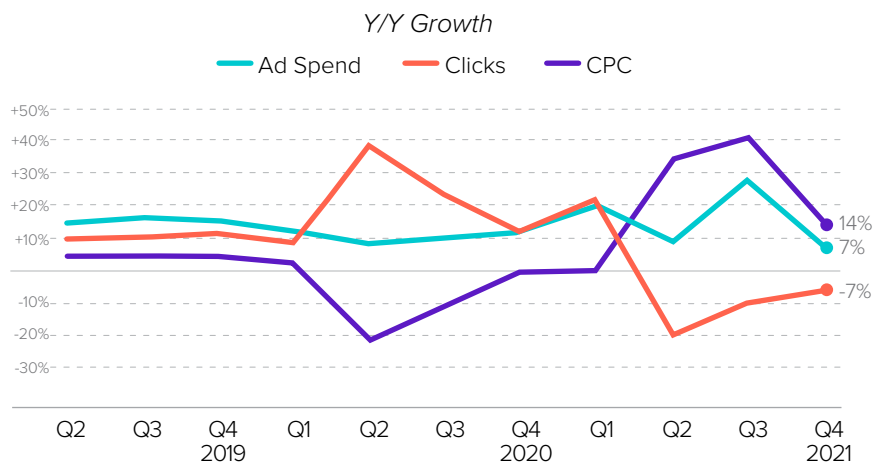
Overall US Paid Search



Google Y/Y Figures Were Less Extreme in Q4

Google experienced lower spend growth this quarter of just 7% Y/Y, thanks to much softer CPC growth compared to Q3. Though lower than the past two quarters, double-digit Y/Y CPC growth was still significant, considering the consistently low single-digit increases in the quarters leading up to the pandemic. Clicks continued to see Y/Y declines, but to a lesser degree than in Q2 and Q3.

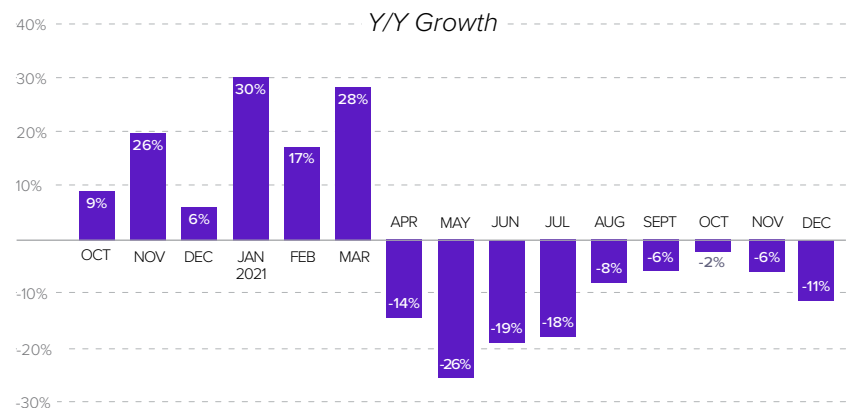
Google Overall US Paid Search



Retail Click Declines Lowest in October

Retailers continued to experience Y/Y click declines on Google as they dealt with more expensive traffic. October saw the best Y/Y performance, down just 2% compared to last year. Holiday shopping demand seeped into October, with consumers wary of supply chain challenges and a potential repeat of the shipping issues experienced in 2020.

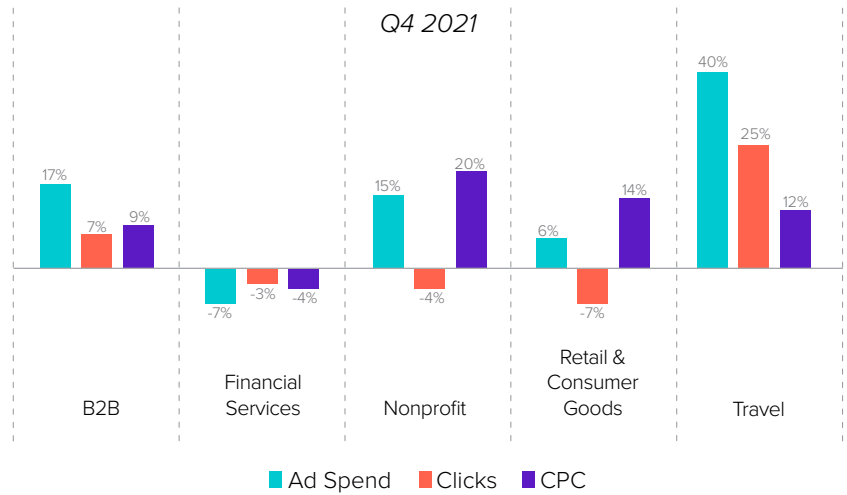
Retail Paid Search Click Growth by Month



Travel Clicks Grew 25% Y/Y Thanks to Holiday Gatherings

Travel again saw click growth Y/Y as the industry continued to rebound from 2020. Holiday travel likely provided a significant boost. Despite click declines, ad spend for both retail and non-profit grew Y/Y, due to higher CPC. In fact, all industries analyzed experienced Y/Y CPC increases in Q4, with the exception of financial services.

Google Overall Paid Search Spend Growth by Industry



Google Shopping's Share of Retail Clicks Bounced Back to 58%

For participating retailers, Google Shopping's click share improved four percentage points over Q3, reaching 58% in Q4. Shopping saw more modest Y/Y CPC growth than text ads, making it a more cost-effective space for advertisers. Local Inventory Ads, a prominent shopping format, also surged in Q4 as in-store shopping became more prevalent compared to last year.

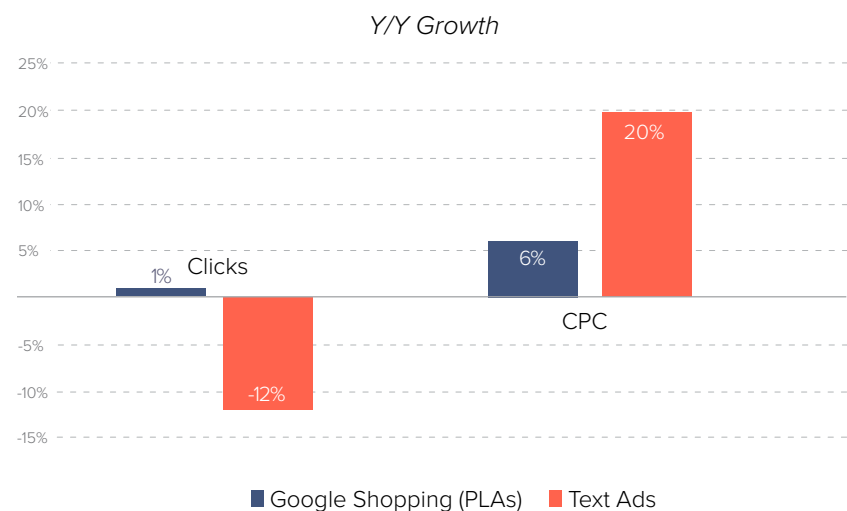
Google Shopping Share of Google Paid Search Clicks



Google Text Ad CPC Increased 20% Y/Y

CPC across the Google ecosystem continued to increase Y/Y, though to a much lesser degree than in the previous quarter. Shopping ad CPC grew just 6%, compared to 36% in Q3; text ad CPC grew 20%, versus 44% in Q3. Retail and nonprofit drove the CPC increases in text ads. With traffic more expensive, advertisers drove 12% fewer text ad clicks Y/Y.

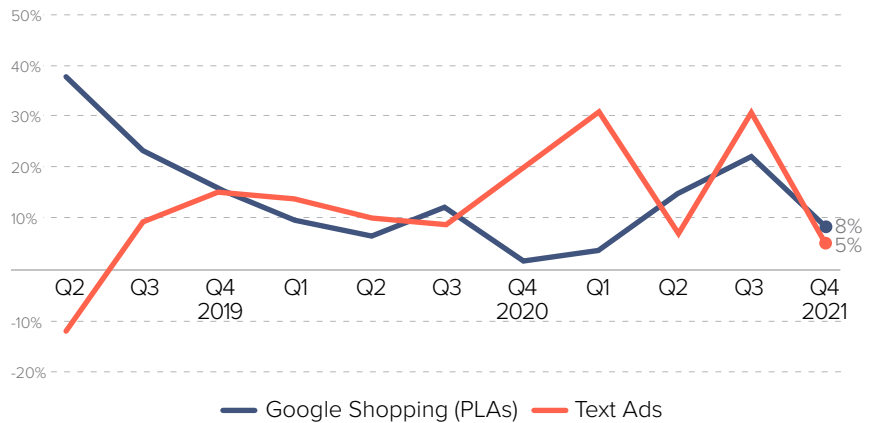
Google Clicks and CPC by Ad Type



Google Shopping Spend Growth Outpaced Text Ads

Both shopping and text ads saw single-digit spend growth Y/Y, with shopping edging out text ads by three percentage points. A 20% Y/Y increase in text ad CPC was offset by a 12% Y/Y decline in clicks, netting out to just a 5% increase in spend.

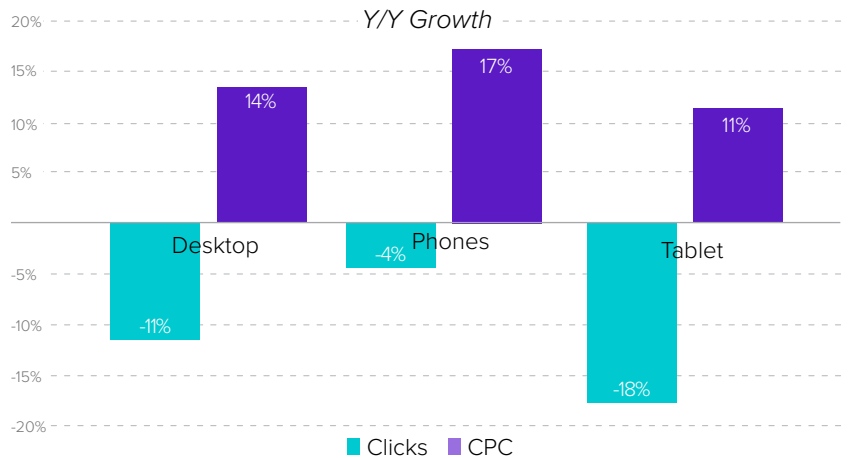
Google Spending Growth Y/Y by Ad Format



CPC Up, Clicks Down Y/Y Across Devices

Q4's trend of higher CPC and lower clicks across devices is a continuation of performance from Q3. CPC increases were lower this quarter, in the 11 to 17% range for Q4 versus 40 to 43% in Q3. Quarter-to-quarter click declines were also more modest on phones (-4% versus -9%) and tablets (-18% versus -24%), but remained similar on desktop.

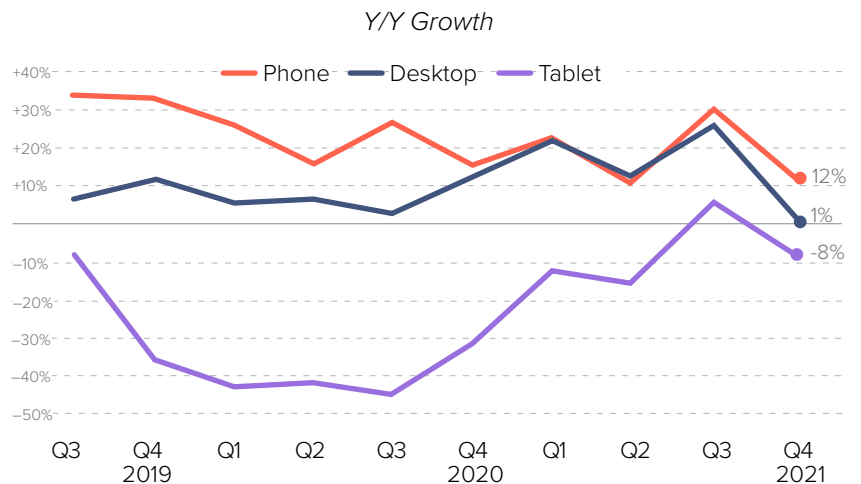
Google Clicks and CPC by Device



Spend Growth Decelerated Across Devices

Less extensive CPC growth on all devices translated to lower Y/Y spend growth as well. Tablet spend declined 8% Y/Y, after seeing one quarter of positive growth in Q3. Phone spend was up 12% Y/Y, similar to what was seen in Q2, while desktop spend was nearly flat Y/Y. This was the largest gap between phone and desktop spend growth observed since Q3 2020. In Q4 2020, desktop usage was unusually high due to more consumers staying home during the holiday season.

Google Search Spending Growth by Device Type



Amazon Impression Share on Text Ads Jumped Ahead of Christmas

For much of Q4, Amazon’s impression share on text ads remained similar to its levels throughout the rest of 2021. Impression share peaked during the week of 12/20, as Amazon swooped in to capture last-minute shopping demand that other retailers couldn’t necessarily fulfill in time for Christmas. Overall, Amazon’s impression share on text ads remains below pre-pandemic levels.

Amazon Google Text Ad Impression Share vs. Retailers



Amazon’s Google Shopping Impression Share Reached 2019 Levels

Amazon’s impression share on Google Shopping auctions averaged 58% over the course of Q4, exceeding Q4 2019’s average by two percentage points. Similar to what occurred in text ads, Amazon’s impression share on shopping ads peaked leading up to Christmas, reaching 69%. Y/Y, Amazon’s impression share on shopping auctions was 16 percentage points higher in Q4.

Amazon Google Shopping Ad Impression Share vs. Retailers



Google Local Inventory Ad Share Exceeded Early 2020 Levels

Google Local Inventory Ad (LIA) click share reached its highest levels in two years, averaging 35% for the quarter and peaking at 50% in the days leading up to Christmas. Advertisers captured consumer demand for more in-store shopping, particularly between the second week of November and the end of the year.

Local Inventory Ads Share of Google Shopping Clicks by Day



Spend on Microsoft Ads Declined 3% on 4% Fewer Clicks

Microsoft trended similarly to Google again this quarter, with Q/Q spend and CPC growth decelerating and click growth improving. Both product ads and text ads contributed to the Y/Y spend decline of 3% Y/Y. Clicks dropped 4% Y/Y, while CPC saw very modest gains of 1% Y/Y.

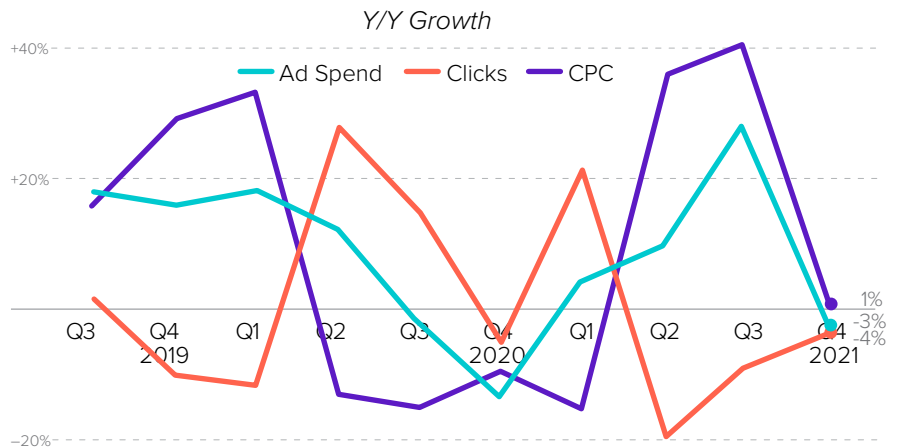
Microsoft Product Ads, Text Ads Saw Similar Spend Drops

Microsoft product ads and text ads experienced Y/Y spend drops of 2% and 3%, respectively. Though similar in number, the makeup of the declines differed by format. CPC on product ads actually increased 16% Y/Y, but a 16% drop in click traffic led to negative spend growth. Meanwhile, both CPC and click traffic declined Y/Y on text ads, by 3% and 1%, respectively.

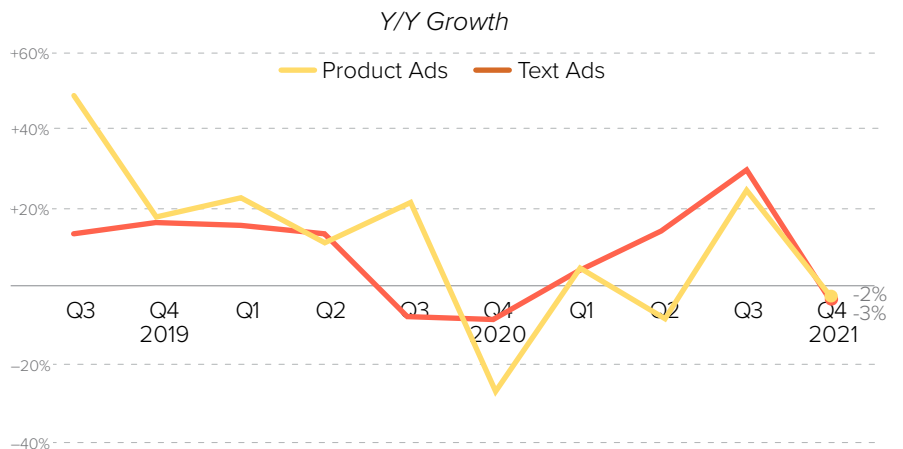
Product Ads Were 32% of Microsoft Advertising Clicks

Product ads' click share held steady in Q4, declining just one percentage point from Q3. Product ad clicks, which declined 16% Y/Y, decreased at a greater rate than text ad clicks, which only dropped by 1% Y/Y. Despite some ups and downs over the past seven quarters, product ad click share remains similar to pre-pandemic levels.

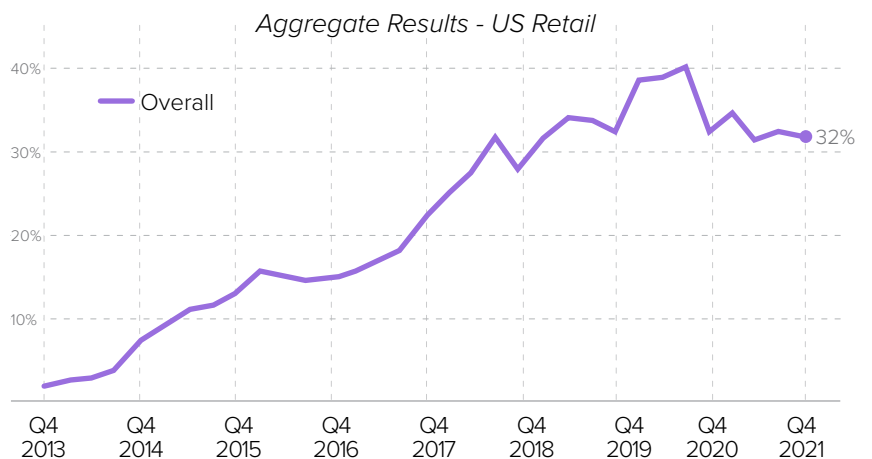
Microsoft Advertising - Overall US Paid Search



Microsoft Advertising Spending Growth by Ad Format



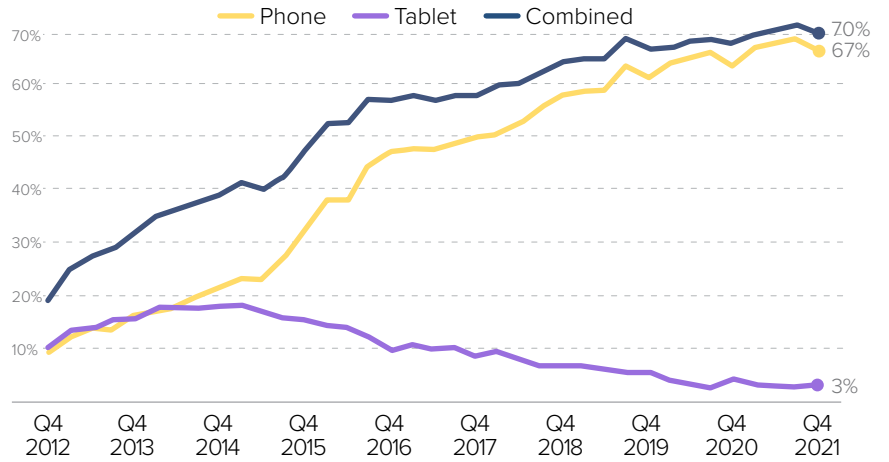
Microsoft Product Ad Share of Microsoft Advertising Paid Search Clicks



Phones and Tablets Made Up 70% of Search Clicks

Phone and tablet click share dropped from its all-time high of 72% in Q3 to 70% in Q4. Even with the Q/Q decline, phone and tablet click share reached 70% for the first time in 2021 and remained at that level or higher for all four quarters. Tablet's click share was steady throughout the year at 3%.

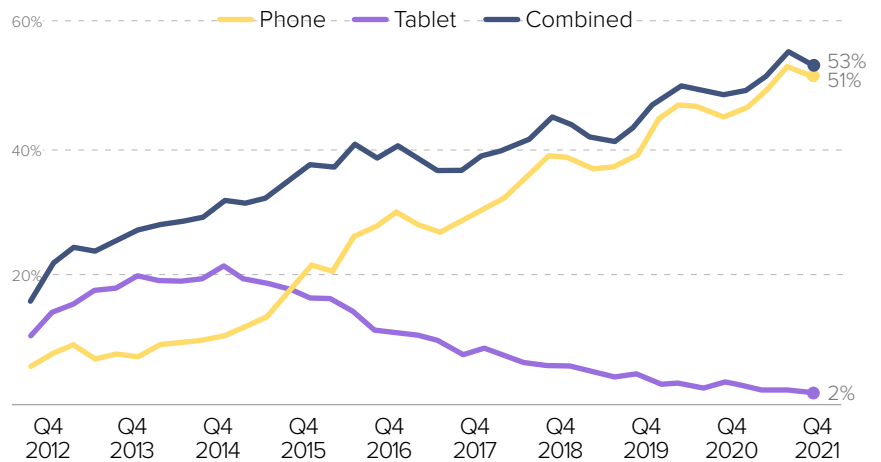
Phone and Tablet Share of Paid Search Clicks



Phone and Tablet Accounted for 53% of Spend

Phones and tablets combined to make up 53% of search spend share, down two percentage points from last quarter. Desktop traffic on Google increased by five points Q/Q, which contributed to the drop in overall spend share for phones and tablets.

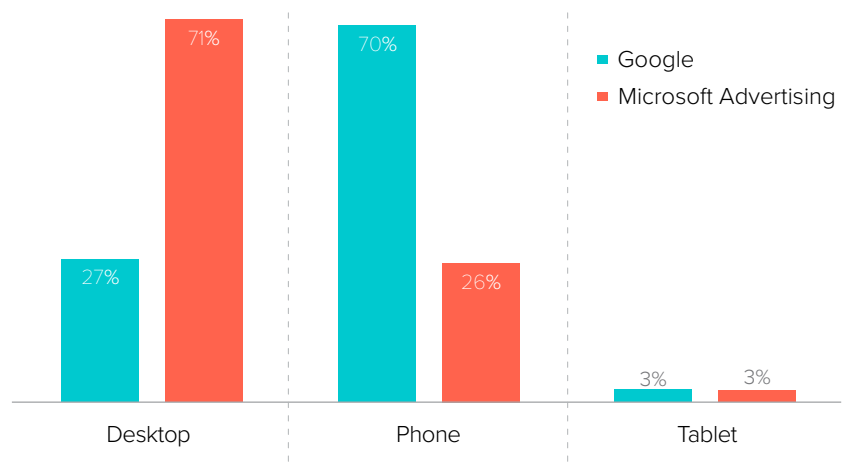
Phone and Tablet Share of Paid Search Ad Spend



Phones Accounted for 70% of Google Search Clicks

Microsoft and Google continued to show opposite trends for device-level click share. Phones generated 26% of Microsoft clicks, staying flat compared to Q3. Phones lost share on Google, moving from 76% in Q3 to 70% in Q4. Desktop generated 27% of clicks on Google and 71% of clicks on Microsoft. Q/Q, tablets gained one percentage point on Microsoft and lost a percentage point on Google.

Device Share of Paid Search Clicks by Platform
Q4 2021



ORGANIC SEARCH

Total Y/Y organic search visits declined by 1% Y/Y, showing better performance than in Q2 and Q3. Mobile visits, measured as phones and tablets combined, grew 6% Y/Y, driven entirely by growth on phones.

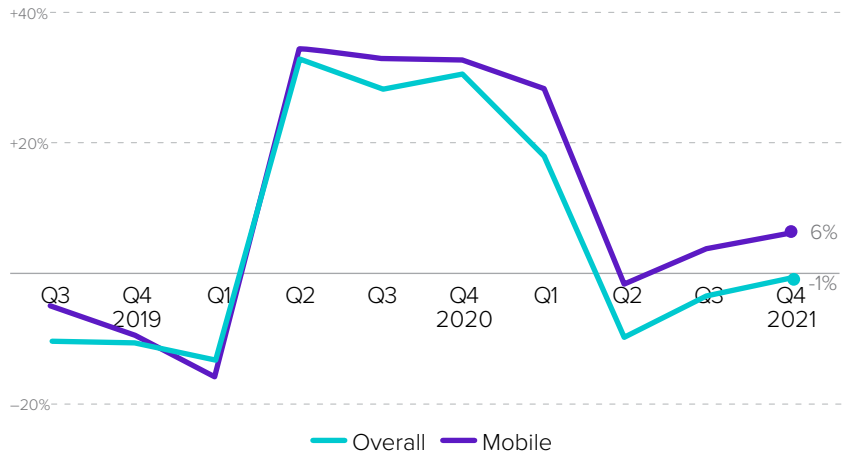
Organic travel visits continued to rebound Y/Y, with growth of 41% in Q4. Retail and consumer goods saw 14% fewer Y/Y organic visits, driven by declines in non-essential goods. High tech/B2B saw modest improvements of 4%, while financial services visits were nearly flat Y/Y.

Mobile share, defined as phones and tablets combined, stayed at a level similar to that observed for the previous nine quarters. Within mobile, phone share of clicks increased by 5% Y/Y.

Organic Search Visits Decreased 1% Y/Y

Total Y/Y organic search visits declined by 1% Y/Y, showing better performance than in Q2 and Q3. Mobile visits, measured as phones and tablets combined, grew 6% Y/Y, driven entirely by growth on phones. Marketers continued to face strong Y/Y comps after seeing 31% Y/Y growth in Q4 2020. Though not depicted in the chart, when compounding growth from Q4 2020 and Q4 2021, organic visits are up 30% compared to Q4 2019.

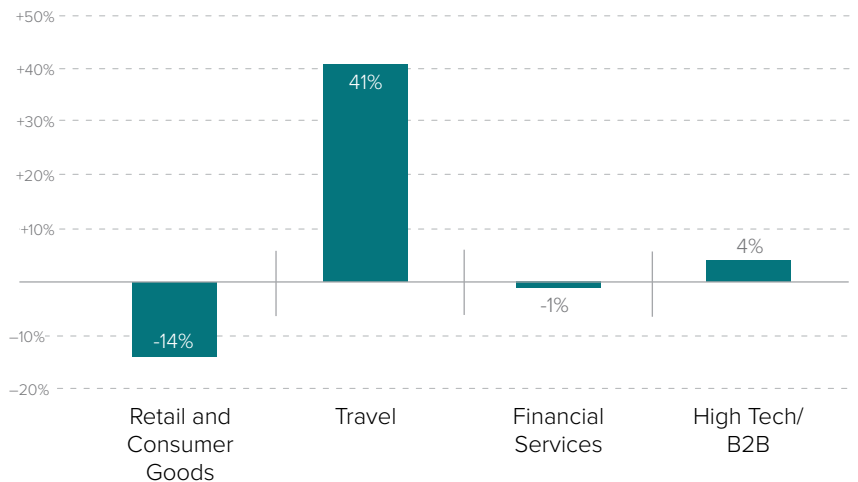
Y/Y Growth in Google US Organic Search Visits



Organic Search Visits to Travel Sites Grew 41% Y/Y

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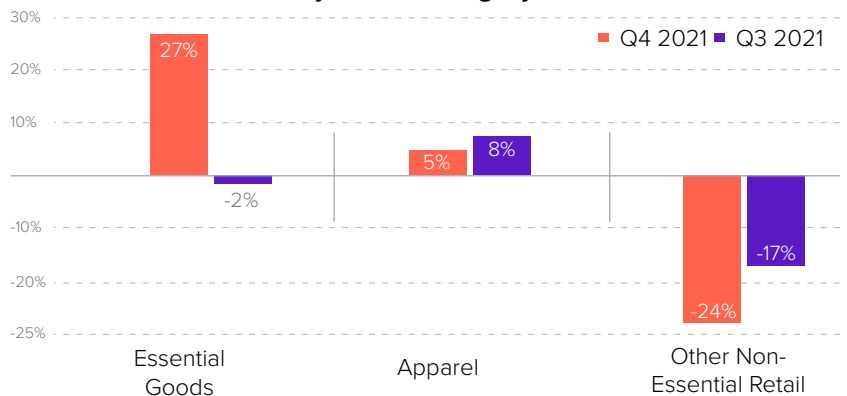
Y/Y Growth in Google US Organic Search Visits by Vertical



Essential Goods Visits Increased 27% Y/Y

The essential goods category rebounded to see strong Y/Y growth, driven largely by grocery retailers. Shoppers may have turned to online grocery options for the big Q4 holidays for convenience or safety. Apparel continued to see Y/Y increases, with 5% growth in Q4, while other non-essential goods saw steeper Y/Y declines.

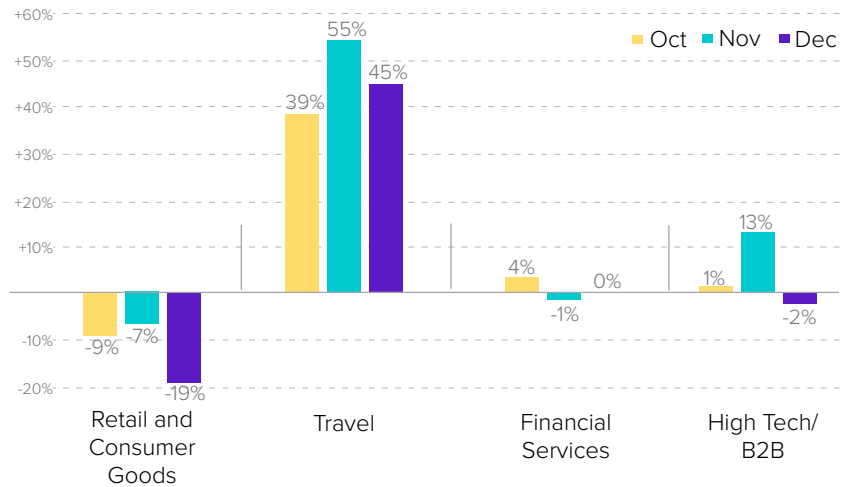
Y/Y Growth in Google US Organic Search Visits by Retail Category



Travel, High Tech Experienced Strong November

Travel visits saw positive Y/Y growth every month in Q4, with a particularly strong November. [According to TSA data](#), passenger numbers in the 10 days surrounding Thanksgiving reached 89% of pre-pandemic levels. Despite a record holiday season for ecommerce, organic retail visits declined Y/Y in each month of the quarter. Financial services visits were fairly consistent Y/Y in each month, while high tech/B2B saw a jump of 13% Y/Y in November.

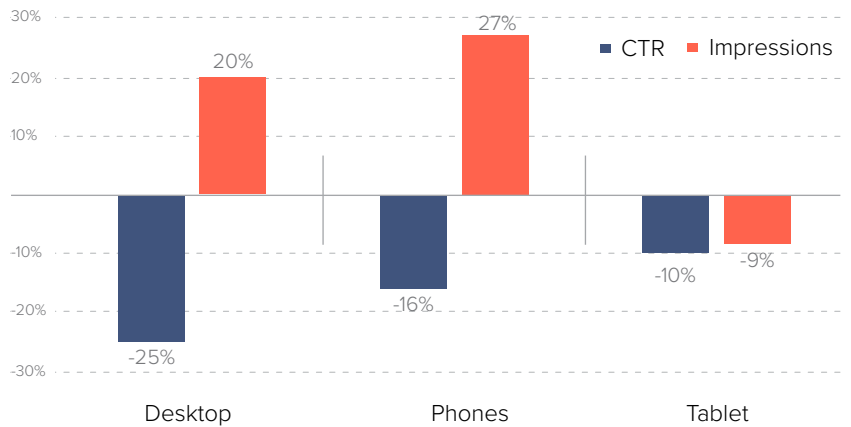
Y/Y Change in Visits by Month by Vertical



Click-Through Rates Dropped Due to Higher Impression Volume

This trend persisted through each quarter in 2021, with more impression volume leading to lower click-through rates on both desktop and phones. Tablets also saw lower click-through rates, but bucked the trend of the other two devices with Y/Y impression declines.

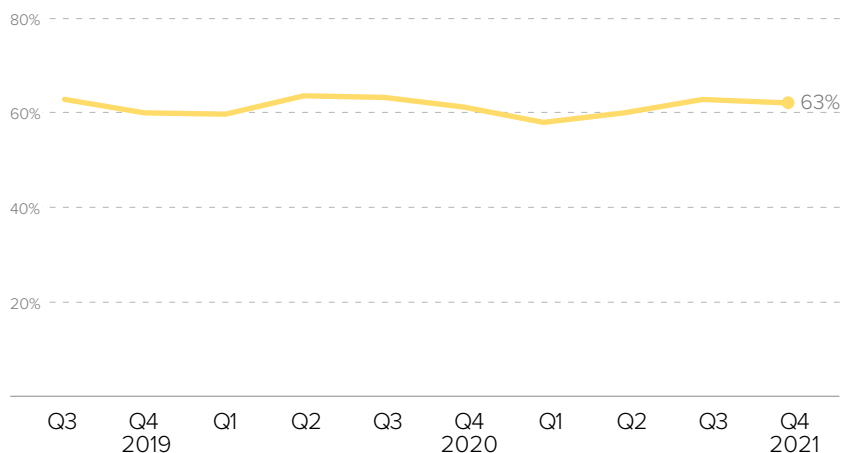
Y/Y Change in Click-Through Rate and Impressions by Device



Mobile Drove 63% of Organic Search Visits

Mobile share, defined as phones and tablets combined, stayed at a level similar to that observed for the previous nine quarters. Within mobile, phone share of clicks increased by 5% Y/Y. Organic mobile traffic share continues to lag behind paid traffic, which saw 73% of clicks come from mobile in Q4.

Mobile Share of Google Organic Search Visits



AMAZON ADS

Sponsored Products saw Q/Q improvements across nearly all metrics. Clicks were down just 11% Y/Y, while a 27% Y/Y reduction in CPC drove Y/Y spend down 35%. With sales up 12% Y/Y, advertisers achieved better return on ad spend compared to Q4 2020.

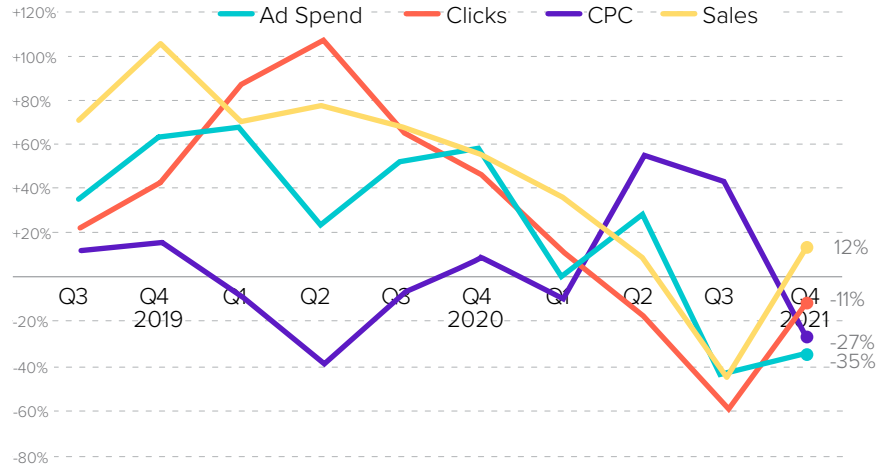
Sponsored Brand Ads CPC fell 4% Y/Y, a welcomed change after two quarters of around 75% Y/Y growth. Click traffic was also down Y/Y (-33%), leading to a spend drop of 35%. Sales also declined Y/Y, but to a lesser degree (-20%).

Sponsored Products continued to lead with the strongest sales per click. Sponsored Brands' relative sales per click (89%) experienced a three-point jump from Q3. Sponsored Display's relative sales per click also increased, from 50% in Q3 to 59% in Q4.

Sponsored Products Sales Increased 12% Y/Y

After a challenging Q3, Sponsored Products saw improvements across nearly all metrics in Q4. Clicks were down just 11% Y/Y, while a 27% Y/Y reduction in CPC drove Y/Y spend down 35%. With sales up 12% Y/Y, advertisers achieved better return on ad spend compared to Q4 2020. In 2020, Prime Day fell in Q4 for the first time, likely causing elevated spend and CPC versus 2021.

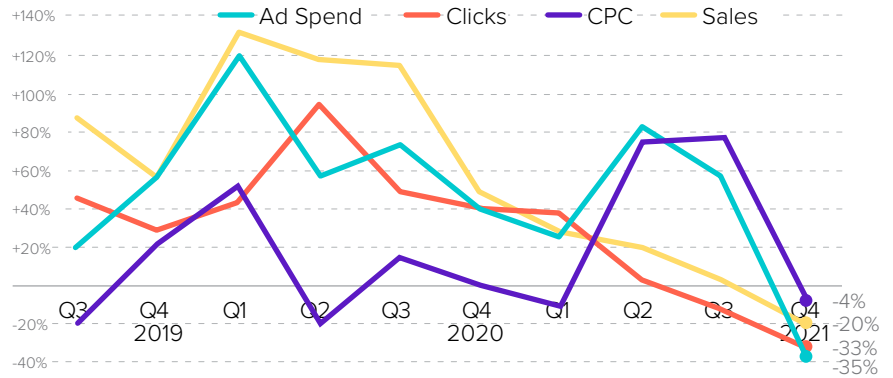
Amazon Sponsored Products Y/Y Growth



Sponsored Brand Ads CPC Dropped 4% Y/Y

Sponsored Brand Ads CPC fell 4% Y/Y, a welcomed change after two quarters of around 75% Y/Y growth. Click traffic was also down Y/Y (-33%), leading to a spend drop of 35%. Sales also declined Y/Y, but to a lesser degree (-20%), meaning advertisers saw greater efficiencies than in Q4 2020. Like Sponsored Products, Sponsored Brands' changes in spend metrics may have been influenced by Prime Day happening in Q4 2020, but not Q4 2021.

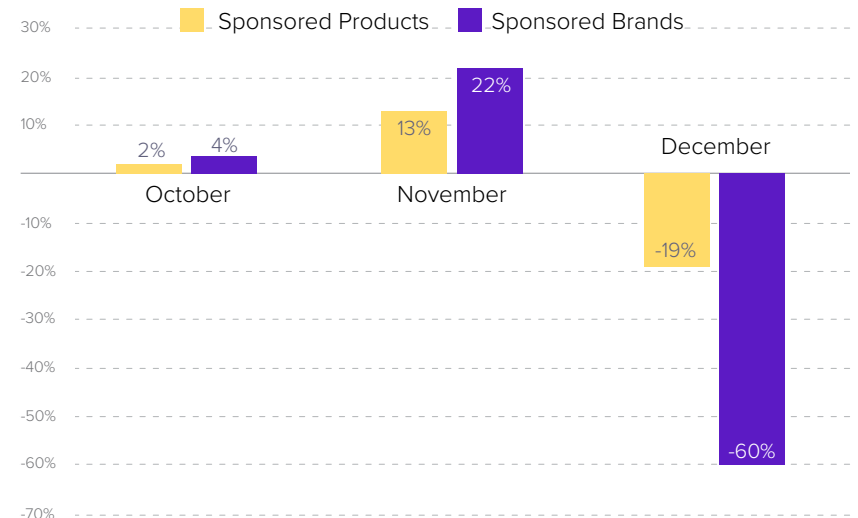
Amazon Sponsored Brands Y/Y Growth



Y/Y Click Gains Occurred in October and November

Looking month by month, December was the source of click declines on both Sponsored Products and Sponsored Brands. October saw modest Y/Y gains from early holiday shopping, despite no Prime Day in October in 2021. With demand pulled forward, December saw sharp Y/Y declines in clicks. In 2021, more consumers turned in store for late-season holiday shopping than in 2020, and some online businesses ran into inventory constraints from supply chain issues.

Amazon Y/Y Click Growth by Month



Sponsored Products Generated 75% of Amazon Search Impressions

Sponsored Products continued to drive the lion's share of impressions on Amazon Ads, with Sponsored Brands following in a distant second with 17% of impressions. Compared to Q3, Sponsored Products and Sponsored Display both gained impression share, while Sponsored Brands lost 11 points. Along with lost impression share, Sponsored Brands also experienced fewer clicks and lower spend and sales compared to last year.

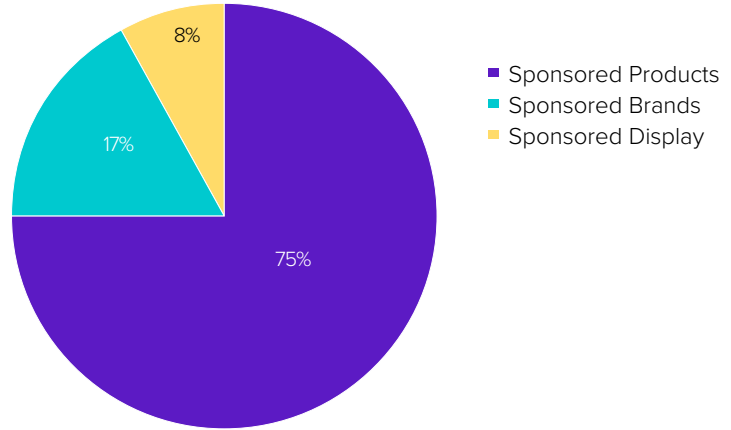
Sponsored Products Spend Share Grew to 68%

Sponsored Products regained two percentage points in spend share from Q3, rising up to 68% in Q4. It remains an attractive format for advertisers, with greater impression share relative to spend share. Sponsored Display, though still a small piece of the pie, gained two percentage points Q/Q. More brands are using sponsored display as an out-of-the-box solution to drive more brand/product awareness.

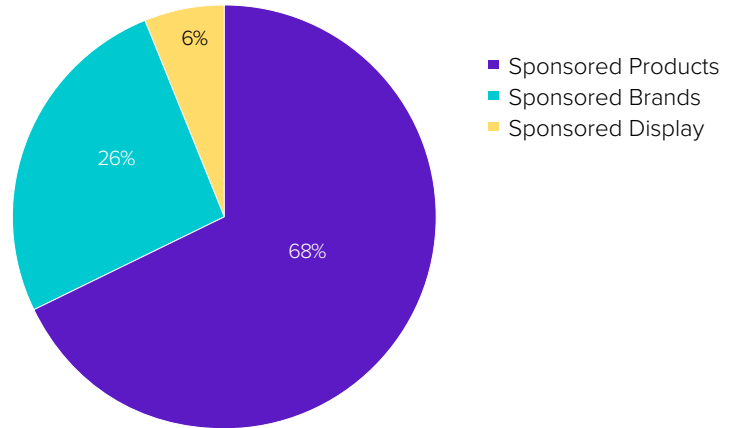
Sponsored Brands Relative SPC Increased Q/Q

Sponsored Products continued to lead with the strongest sales per click. Sponsored Brands' relative sales per click (89%) experienced a three-point jump from Q3. Sponsored Display's relative sales per click also increased, from 50% in Q3 to 59% in Q4, but remains far behind the other two formats.

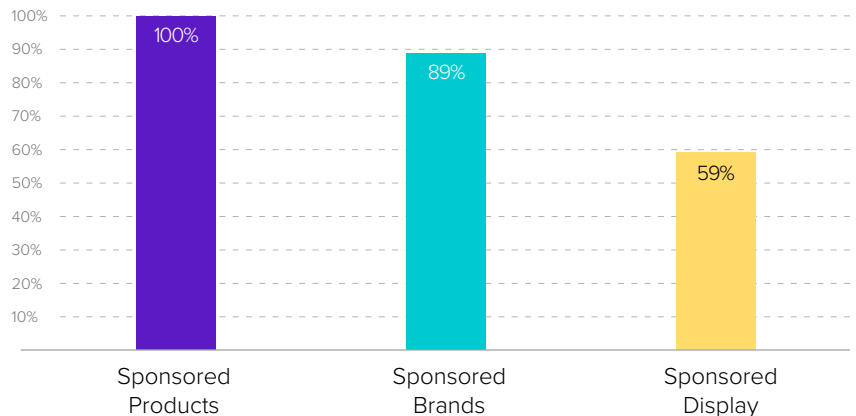
Amazon Impression % by Ad Format
Q4 2021



Amazon Spend Share by Ad Format
Q4 2021



Relative Sales Per Click by Amazon Ad Format
Q4 2021



DISPLAY & PAID SOCIAL

Facebook's Y/Y CPM growth decelerated in Q4, down to 8% compared to 46% Y/Y growth in Q3. With impressions down just 1% Y/Y, spend increased 7%.

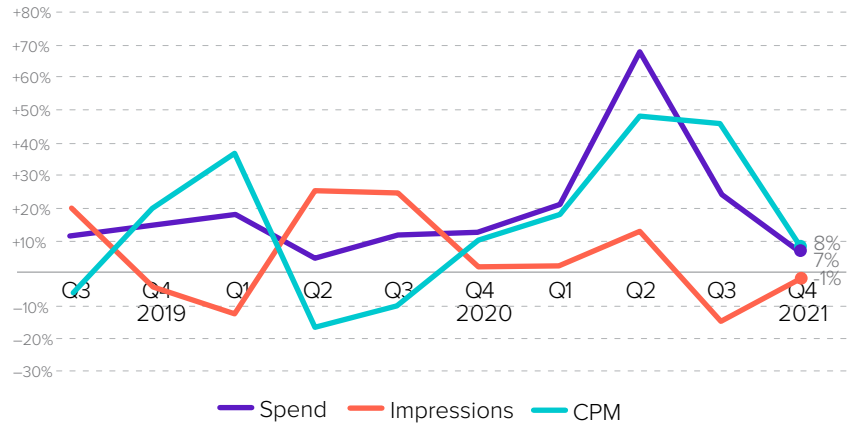
After seeing increases last quarter, Instagram CPM resumed its more typical behavior of Y/Y declines with a 9% decrease for Q4. Advertisers saw more traffic on that lower CPM, driving 40% more impressions Y/Y. CPM declines and impression growth combined to drive 27% higher spend Y/Y.

Connected TV accounted for 22% of spend for advertisers investing at least \$1K in media on that device. The number of streaming platforms in market is ever increasing, and viewership remains strong after the surge in activity during 2020, making connected TV a continued priority for advertisers across all verticals.

Facebook Ad Spend Grew 7% Y/Y on Lower CPM Increases

To the delight of advertisers, Y/Y CPM growth decelerated in Q4 to 8%. With impressions down just 1% Y/Y, spend increased 7%. Retailers in particular faced some unique challenges this quarter. External factors, like inventory issues and staffing shortages, impacted supply and contributed to an earlier shopping season. Consumers also had more appetite to shop in store this holiday season versus last year.

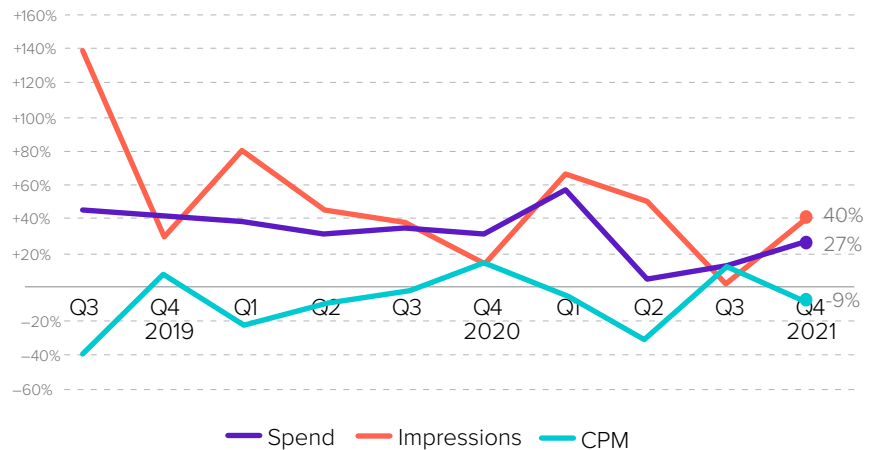
Facebook Ads
Y/Y Growth



Instagram Ad CPM Decreased 9% Y/Y

After seeing increases last quarter, Instagram CPM resumed its more typical behavior of Y/Y declines with a 9% decrease for Q4. Advertisers saw more traffic on that lower CPM, driving 40% more impressions Y/Y. That 40% impression growth was more in line with figures observed before Q3 2021. CPM declines and impression growth combined to drive 27% higher spend Y/Y.

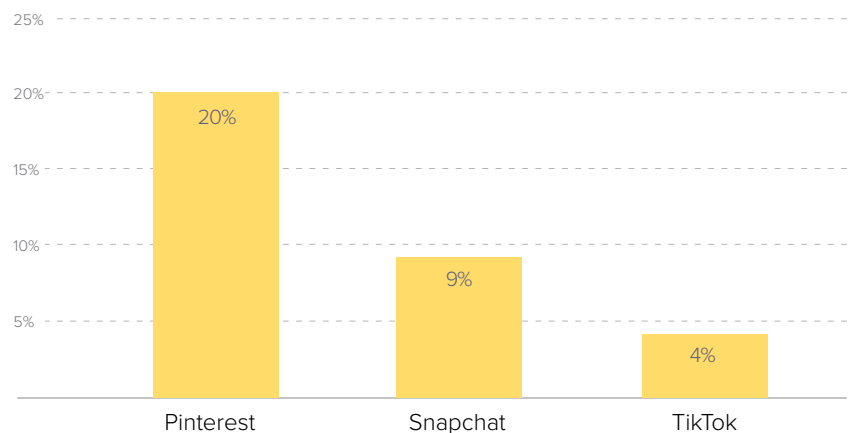
Instagram Ads
Y/Y Growth



Pinterest Dominated the Smaller Social Platforms

Outside of the Facebook ecosystem, Pinterest had the highest spend share for social platforms in Q4 at 20%. Social ads fit very seamlessly within Pinterest’s UI from a user perspective across verticals like retail and travel, and its program is more established (and sometimes cheaper) than some of the other social platforms. Snapchat garnered 9% of social spend for participating brands, while TikTok had 4% share.

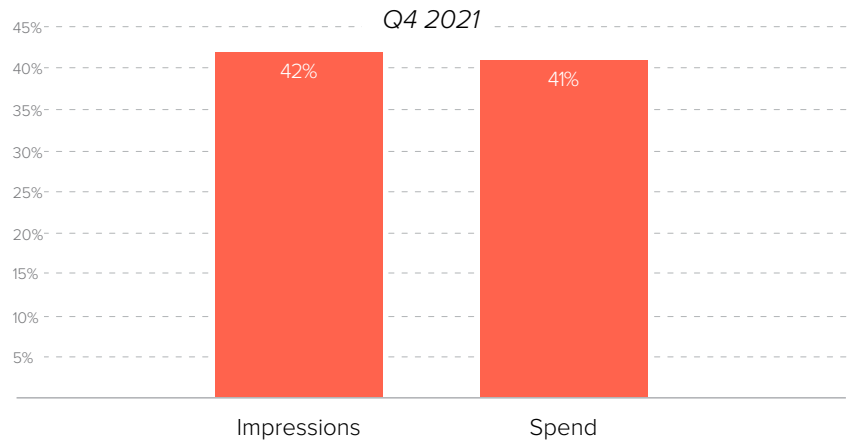
Average Share of Paid Social Ad Spend
Among Participating Brands - Q4 2021



Instagram Stories Increased Spend and Impressions Q/Q

In Q4, Stories made up 42% of impressions generated on Instagram and 41% of Instagram spend. Both metrics increased significantly from Q3, with Instagram as a whole receiving 40% more impressions Y/Y. Stories' share metrics for Q4 were higher than any other quarter in 2021.

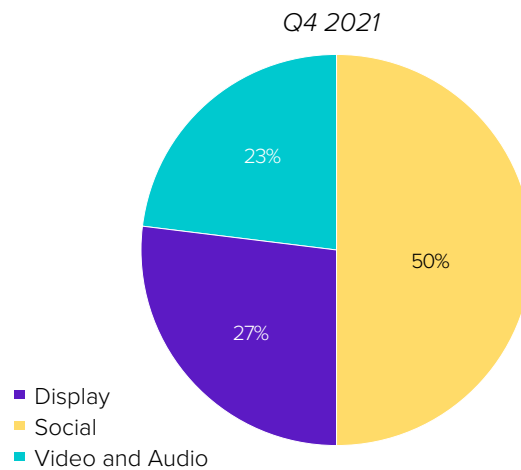
Instagram Stories Ads Share of Instagram



Video and Audio Spend Held Steady Q/Q

For brands running ads on display, social, and video and/or audio, social spend share increased eight points Q/Q to 50%. Within social, Facebook and Instagram both saw Y/Y spend growth in Q4. Share for video and audio ads changed very little, decreasing just one point from Q3. Advertisers continue to see video and audio as opportunities for the coming year.

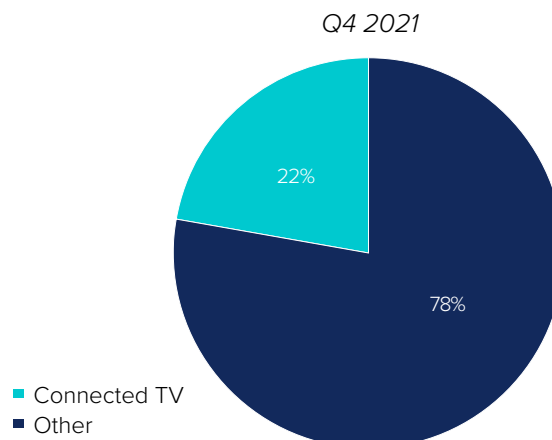
Digital Audio and Video Channel Share



Connected TV Was 22% of Spend for Participating Advertisers

Connected TV accounted for 22% of spend for advertisers running at least \$1K of media in that channel. The number of streaming platforms in market is ever increasing, and viewership remains strong after the surge in activity during 2020, making connected TV a continued priority for advertisers across all verticals.

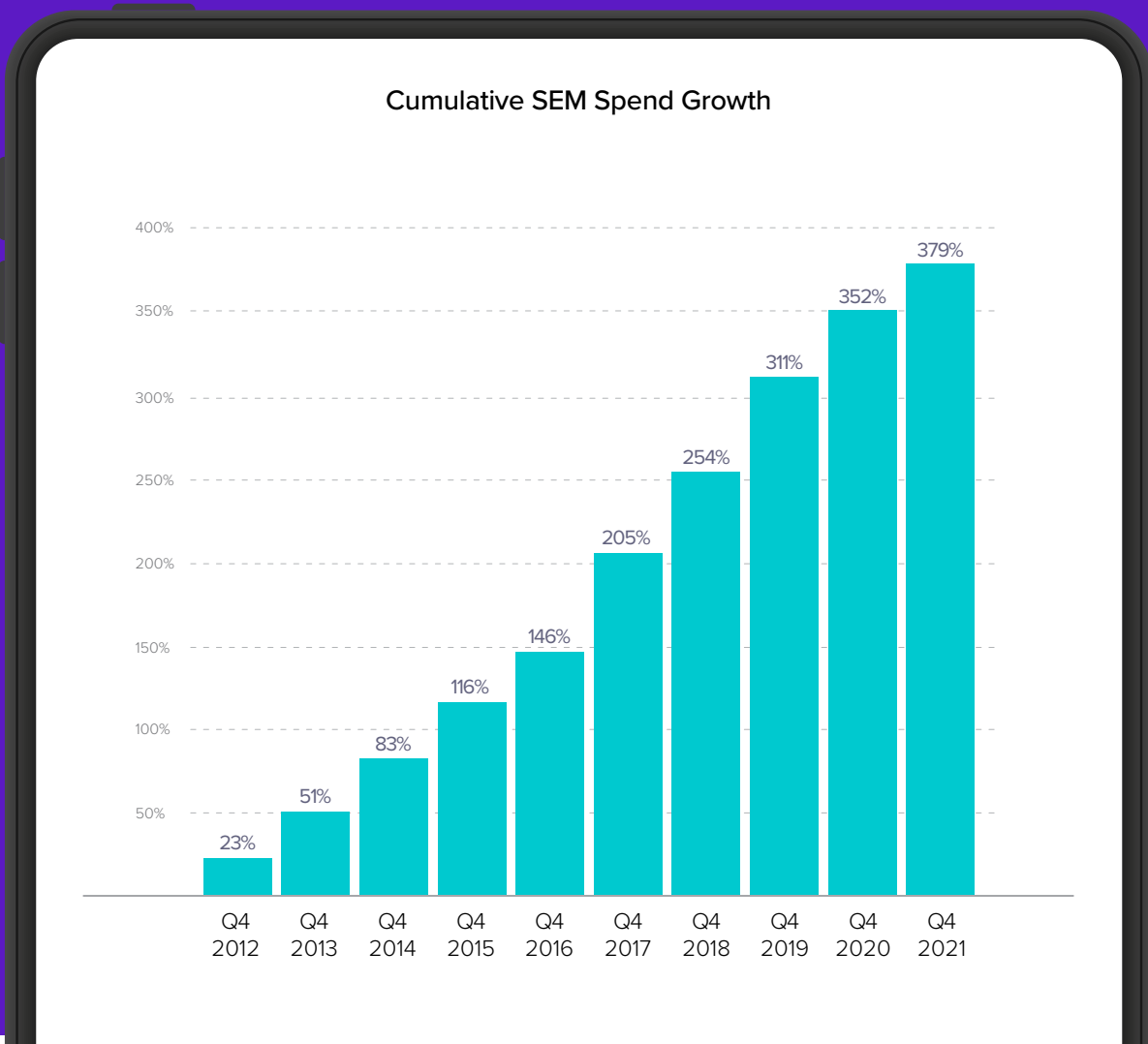
Device Share of Video Spend



TEN YEARS IN THE MAKING



This release marks the 41st edition of the Digital Marketing Report, meaning we have a decade's worth of data under our belts. To celebrate, we've sifted through the archives to compile long-term data points and trends from the past ten years of digital to understand shifts in the landscape and how the marketing world has materially changed. While it's sometimes hard to recognize in the day-to-day of campaign management, the data makes it clear – we've come a long way.



SEM Spend Grew 379% From Q4 2011 to Q4 2021

Over the course of ten years, SEM spend grew a cumulative 379% across Google and Microsoft. The trajectory has been fairly stable, despite curveballs that included the introduction of new formats, updates to bidding options and capabilities, changes to text ad formats, depreciation of a match type, new privacy regulations, and the pandemic.

Throughout this time period, Google frequently released either new formats or new extensions to help ads garner more attention and take up more real estate. From Expanded Text Ads to Merchant Promotions, advertisers had more visibility at the top of the SERP than in the decade prior. With the rise of mobile, that top-of-page real estate became even more important, with users often seeing only paid ads on their screens, unless they scrolled down the page.

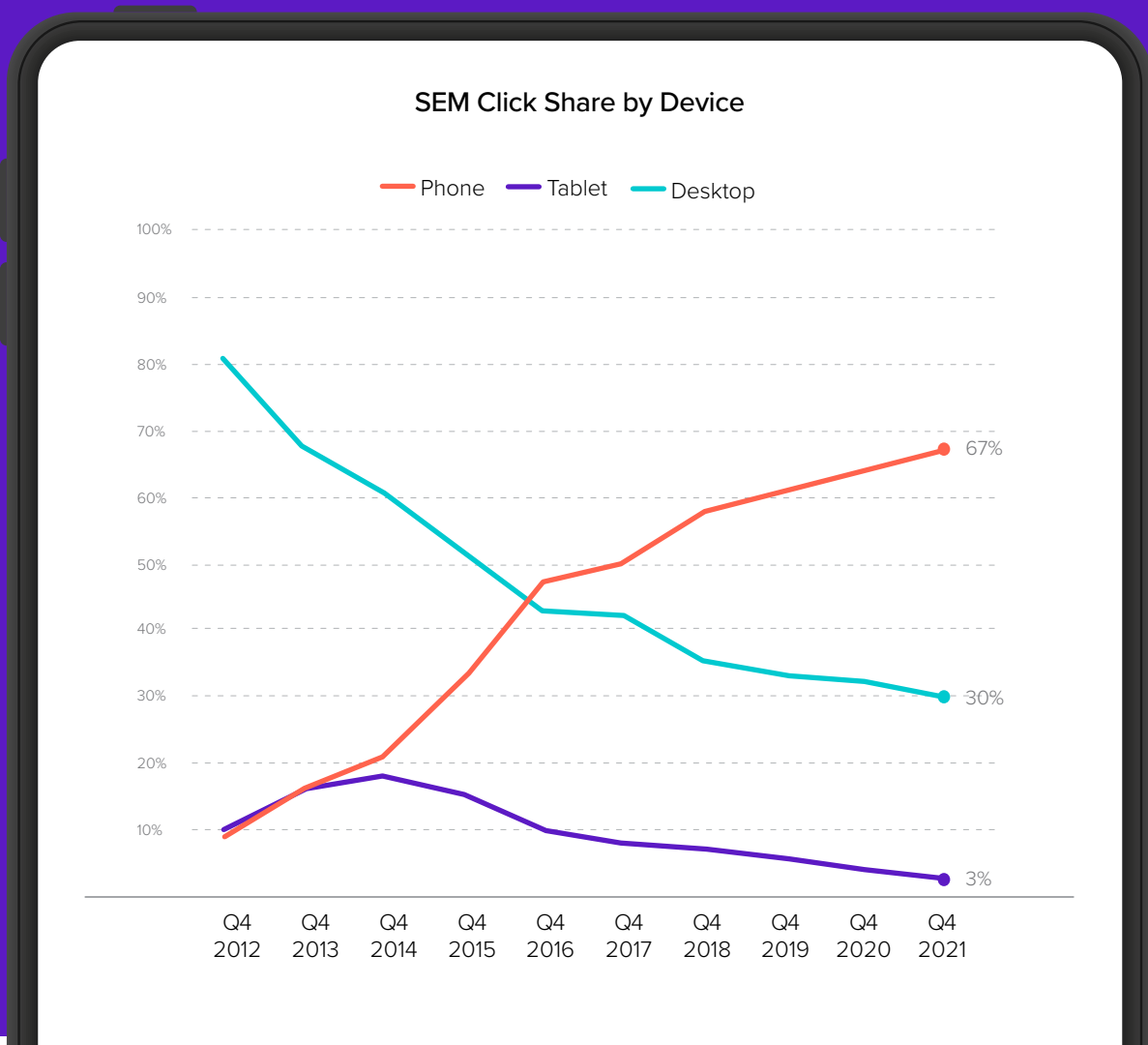
The growth curve has flattened a bit since 2019, as the space has continued to mature. Google’s recent changes and announcements, from Performance Max campaigns to depreciation of Expanded Text Ads, show a lean toward automation. Future growth will likely depend on advertisers embracing automation and shifting their focus to innovation in areas like first-party data and measurement.



Organic Visits Bounced Between Y/Y Growth and Declines

While SEM experienced a steady, positive growth trajectory, SEO saw more volatility in its Y/Y growth trends. As Google increasingly monetized the SERP, especially in the 2015-2016 timeframe, space that was previously occupied by organic ads was taken over by paid formats. However, since 2013 we’ve also seen a richer variety of organic content on the SERP, from videos and quick answers to structured snippets and “people also ask.” That, and increased traffic on mobile, contributed toward positive Y/Y growth during select Q4 periods.

While all channels were impacted by the pandemic, organic search’s traffic increase stands out in stark contrast to the largely single-digit shifts in the years leading up to 2020. The overall increase in online commerce activity occurred across all channels, but organic search was uniquely positioned to pick up traffic for brands and industries that needed to pull back on or pause ad spend entirely. As of Q4 2021, organic traffic growth appears to have normalized.

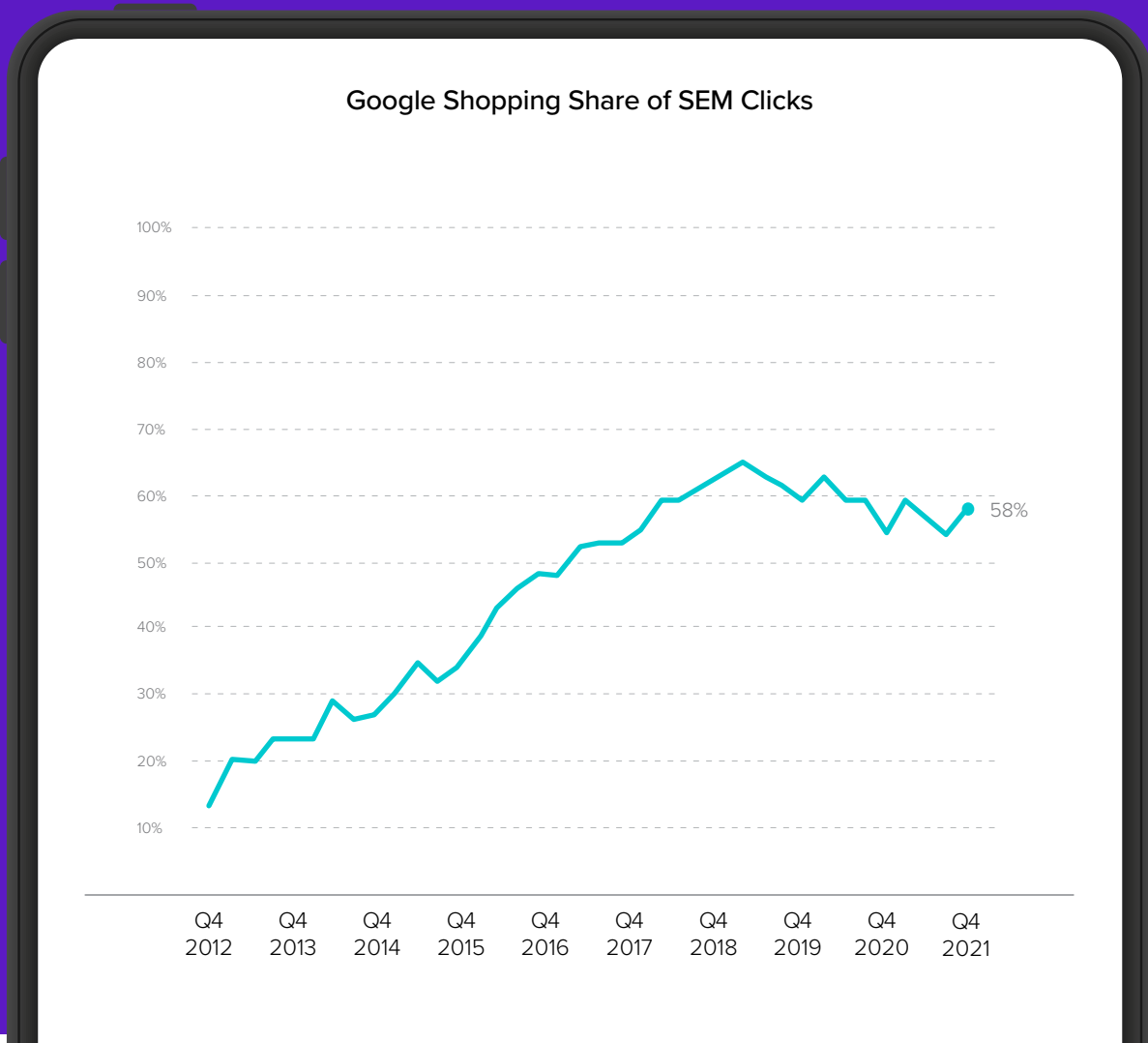


Phone Traffic Surpassed 50% Click Share in SEM in Q4 2017

Anyone who has been in digital marketing for a while has probably started one year or another with a joke declaring that *this* would be the year of mobile; after all, we’ve been hearing and talking about it since at least 2012. A quick search tells us that there’s still debate around this topic, which makes sense. The year of mobile depends on how one defines it.

From a paid search perspective, we can use our data to make a couple of definitive statements around mobile behavior. First, phones crossed over the halfway mark in Q4 of 2017 to make up more than 50% of total SEM traffic. Second, we saw the biggest jump in traffic between Q3 2015 and Q1 2016, with phone share moving from 27% to 39%.

It’s worth noting that the trends above reflect overall search traffic, influenced heavily by Google. In our data, Microsoft has yet to pass the halfway mark for phones, which made up 26% of traffic in Q4 2021.

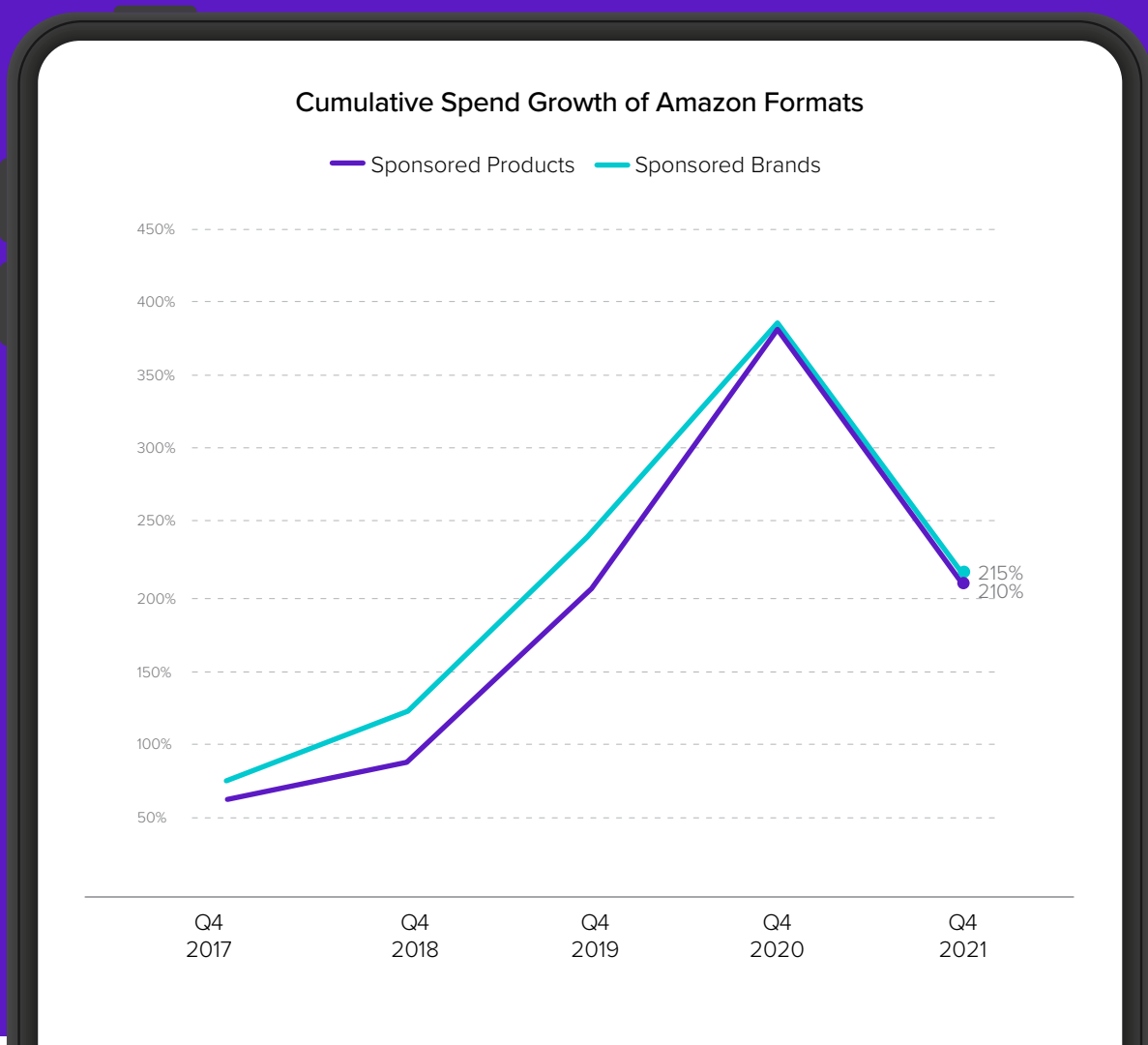


Google Shopping Share of SEM Clicks Grew 47 Points Since Q4 2012

Google Shopping completely changed the face of the SERP, as the first paid component that expanded beyond traditional blue links. Up until 2012, Google Product Search (formerly known as Froogle) was a free format. When Google chose to monetize these units, click share was fairly low, around 13%. The format quickly took off for the 2012 holiday season, though, and has hardly looked back since.

In 2016, we saw a notable ramp up in share as Google opened up the number of Shopping impressions it was serving on Google.com, particularly on mobile. Since then, Google has expanded shopping ads through new formats, including Showcase and Local Inventory Ads, and on different properties, such as image search.

Shopping remains a wildly popular format for retailers, though click share seems to have peaked at the 65% mark in Q1 2019. Google will likely need to open up more inventory for click share to surpass that level in the future.

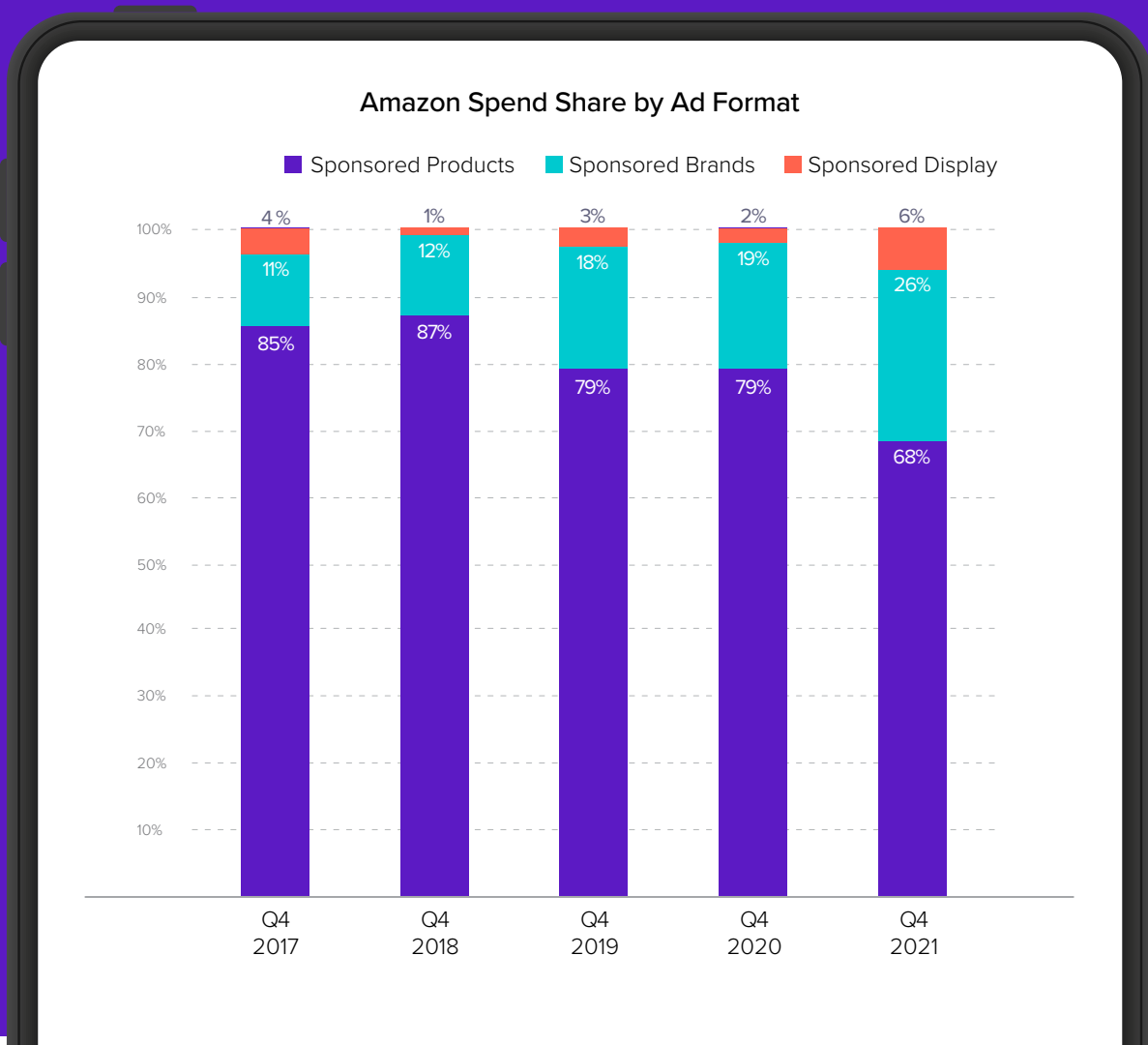


Amazon Sponsored Products, Sponsored Brands Up 200%+ Since 2017

Though their paths haven't been entirely identical, Amazon Sponsored Products and Sponsored Brands both reached around 210% cumulative growth between Q4 2017 and Q4 2021. Both peaked in Q4 2020, due to heightened demand during the first year of the pandemic, as well as Amazon Prime Day happening in Q4 for the first time.

Since 2017, Sponsored Brands' growth has slightly outpaced that of Sponsored Products, likely because it hasn't been widely available for as long. The format, previously reserved for first-party Amazon sellers (also known as vendors), opened up to third-party sellers in Q3 2017. Sponsored Products was available before that.

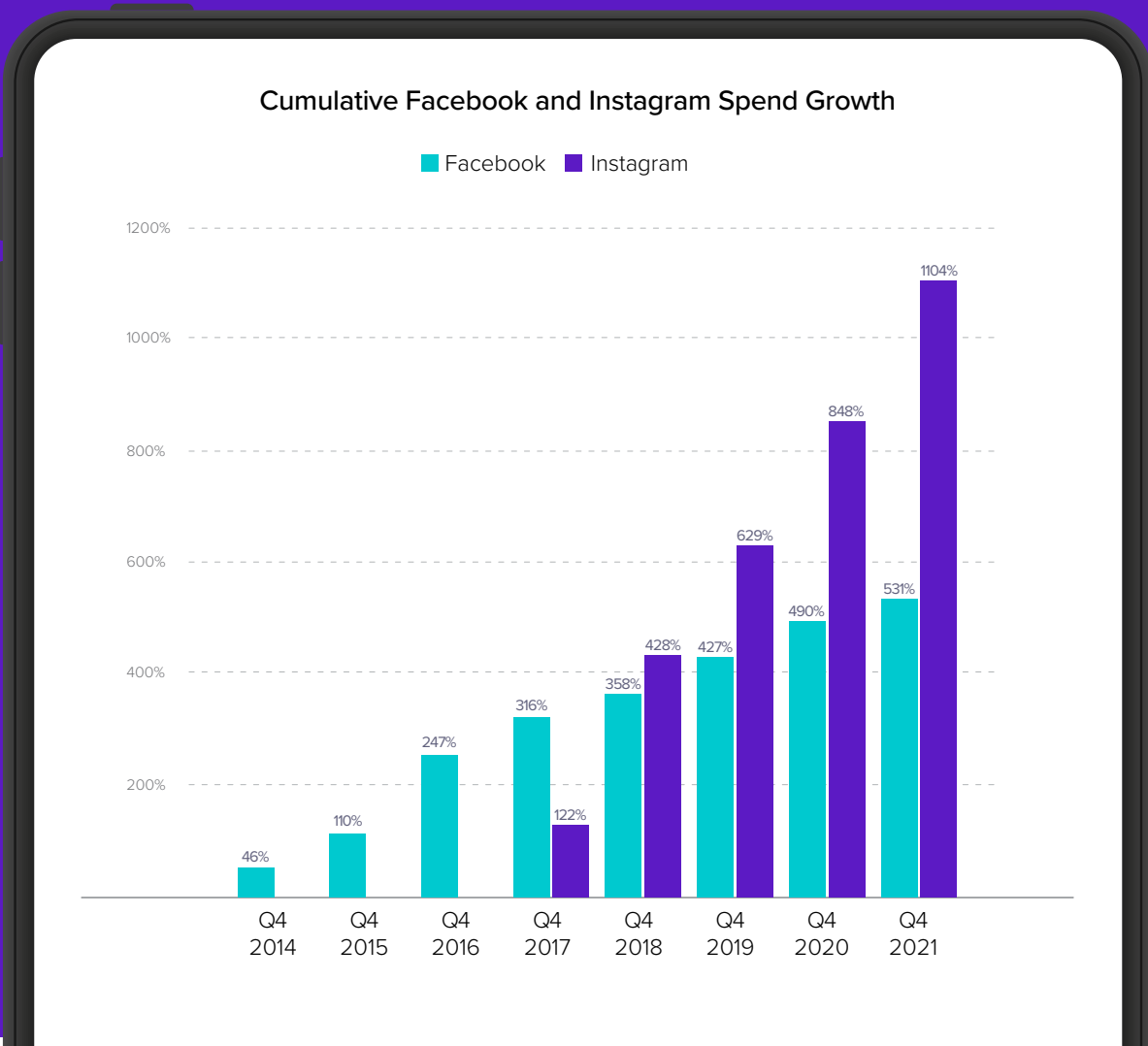
Earlier in the 2010s, Amazon had another format, Amazon Product Ads, that performed very well for participating advertisers. It followed a comparison shopping engine (CSE) format, with ads taking shoppers away from Amazon to convert on the advertiser's domain. Amazon discontinued this format in October 2015, choosing to keep shoppers within their ecosystem for the entire journey.



Sponsored Brands Gained 15 Points from 2017 to 2021

Sponsored Brands moved from just 11% spend share on Amazon to 26%, making positive gains each year. As previously mentioned, Amazon’s vast third-party seller network became eligible for Sponsored Brands in Q3 2017, which undoubtedly helped spur the growth that we’ve seen since. Amazon also encouraged growth by expanding Sponsored Brands inventory in August 2019. At launch, the format appeared almost exclusively at the top of results pages; now, ads can appear on other areas of the page, including the left rail and below the fold.

Amazon’s sponsored display ad option, which evolved from Product Display Ads to Sponsored Display, has slowly but steadily gained share over the past several years. Sponsored Display Ads give advertisers an off-the-shelf option to wade into display tactics and access Amazon’s inventory. Though share is still low at 6%, it’s five points higher than Q4 2018’s 1% share and on a positive upward trajectory.



Instagram Achieved Over 1100% Cumulative Growth in 5 Years

Viewed in isolation, Facebook’s cumulative spend growth of 531% since Q4 2013 appears quite impressive. However, it’s dwarfed by the growth of its 2012 acquisition, Instagram, which has managed to achieve more than 2x the cumulative growth of Facebook in three fewer years.

Instagram has seen success on some placements, like Stories, that have not caught on as quickly for Facebook. It’s important to note that, while Instagram’s growth has been faster and stronger, Facebook still accounts for a much greater portion of advertiser spend than Instagram. Many advertisers today are utilizing Facebook’s tools to optimize spend across the two platforms.

Looking ahead, Facebook and Instagram (and their advertisers) face significant challenges when it comes to user privacy restrictions and third-party cookie deprecation. Between that and the vision for the Metaverse, it will be exciting to see how these platforms morph and grow over the next five years.

ABOUT MERKLE

Merkle is a leading data-driven customer experience management (CXM) company that specializes in the delivery of unique, personalized customer experiences across platforms and devices. For more than 30 years, Fortune 1000 companies and leading nonprofit organizations have partnered with Merkle to maximize the value of their customer portfolios. The company's heritage in data, technology, and analytics forms the foundation for its unmatched skills in understanding consumer insights that drive hyper-personalized marketing strategies. Its combined strengths in performance media, customer experience, customer relationship management, loyalty, and enterprise marketing technology drive improved marketing results and competitive advantage. With 14,000+ employees, Merkle is headquartered in Columbia, Maryland, with 50+ additional offices throughout the Americas, EMEA, and APAC. Merkle is a dentsu company. **For more information, contact Merkle at 1-877-9-Merkle or visit www.merkleinc.com.**

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REPORT METHODOLOGY

Figures are derived from samples of Merkle clients who have worked with Merkle for each marketing channel. Where applicable, these samples are restricted to those clients who 1) have maintained active programs with Merkle for at least 15 months, 2) have not significantly changed their strategic objectives or product offerings, and 3) meet a minimum ad-spend threshold. All trended figures presented in this report represent same-site changes over the given time period. Unless otherwise specified, the data points in this report are derived from the United States.