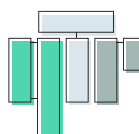


THE SKAI™ Q2 2021 QUARTERLY TRENDS REPORT

Search, Social, and Retail Media Metrics and Insights



Foreword

Welcome to Skai!

Thank you for downloading our Q2 2021 Quarterly Trends Report. For those of you who have been following the Kenshoo research for some time, you may notice our new branding.

In June, we made the exciting announcement that our company has a new name: **Skai** (pronounced just like sky). At Kenshoo, we've evolved our brand several times before with logo updates, new taglines, messaging and more. I've even been around to lead a few of those. But this time—it has to be said—is different. This time, we're not just changing our look, but our name. This time, we're not just changing our message, but our mission.

The Skai logo is rendered in a bold, lowercase, sans-serif typeface.

Formerly **kenshoo** +  **SIGNALS**
ANALYTICS

The name Kenshoo is wordplay based on Japanese terms for strength and enlightenment, and in that vein, since its founding, Kenshoo has been focused on helping brands to both recognize and realize their potential. Our earliest clients (many of whom we are still humbled to service) were design partners that helped shape the performance marketing execution products for which Kenshoo became industry-known, and they included household name brands that pioneered ecommerce—think: Zappos, Macy's, eBay, Expedia.

As consumer behavior evolved, shifting the balance from offline to on, Kenshoo has empowered brands to keep pace with solutions for engaging audiences as intelligently and efficiently as possible on varying digital channels. Along the way, we've had a front-row seat to strategic conversations about the more existential challenges many brands face today.

And in the course of those conversations, Kenshoo did something I consider to be pretty smart—we listened. What we heard: Leveraging data in a privacy-safe, post-cookie, walled-garden-dominant universe is easier said than done. Owning customer relationships is a wildly new discipline to brands making the pivot from traditional retail. Understanding the online-offline connection with an omnichannel customer is impossible to track. Communication and collaboration between product, marketing, shopper marketing, and fulfillment is practically nil. Optimizing the channel mix between retail, D2C, and Big Tech platforms is a Netflix special-grade unsolved mystery.

When competition is rife—and thanks to the digital shelf, it is, in nearly every product category today—go-to-market decisions are higher stakes. There's little margin for error, and when data, processes, and teams are disjointed, error abounds.

So we've been laser-focused on it. [Acquiring Signals Analytics earlier this year](#) allowed us to connect rich internal and marketing data to a powerful breadth of external sources, numbering in the tens of thousands. From this comprehensive base, we can, of course, enrich our marketing execution applications with better smarts. But we can also do so much more, addressing the needs for agility and connectivity between the stages of go-to-market that come both BEFORE and AFTER marketing execution for better planning, and accurate measurement.

Rebrands are tricky things, especially with already well-established companies, like Kenshoo. We arrive at this moment strong. But as proud as we are of the company we've built, we're even more so of the one we're building. Skai's footprint within your organization will be wider than was Kenshoo's, and our sole aim is that each function—data analytics, consumer insights, product, and, yes, all facets of marketing—will be more strategic and successful for it.

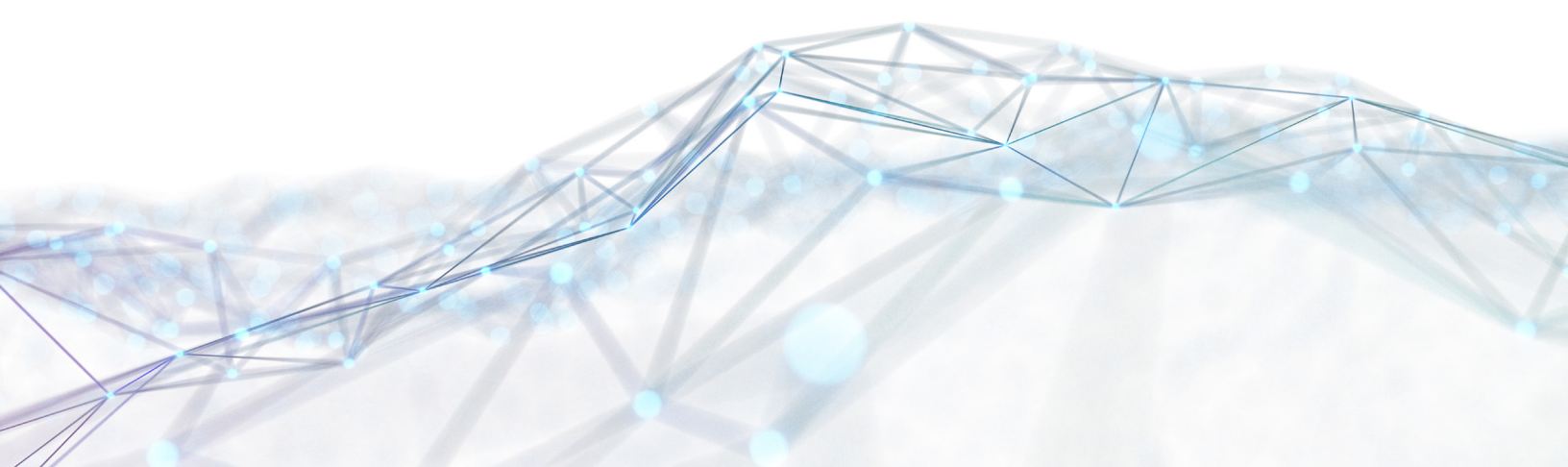
Our promise is smarter, faster go-to-market for better commerce outcomes. The brands that can achieve it are probably the only ones we, as consumers, will remember in a few years' time. The ones that ride the wave of change and get there first will pave the way, creating the norm for everyone else—but in the process, they'll dominate markets and win hearts and minds for the long haul.

The *skai's* the limit, and we're here to help.



Margo Kahnrose

CMO @ Skai



The Skai Q2 2021 QTR

It has now been over a year since the onset of COVID-19. The impact has been wide-ranging, both across society at large and across marketing and commerce.

The recovery of digital advertising has led to impressive growth numbers for the major online platforms in [Q4 2020](#) and [Q1 2021](#), and as we hit the first anniversary of what was probably the worst month for advertising from last year in April, that growth has continued and even improved.

But what does this spending growth mean for brands?

Are ad prices going up, and if so, why? How can the agile marketer navigate these trends to maximize the impact of their programs in an environment that is still changing as we emerge from a once-in-a-lifetime pandemic while simultaneously negotiating with evolving data privacy rules and policies?

This edition of the Skai Quarterly Trends Report for Q2 2021 is drawn from an overall population of over \$7B in marketer spend, 1 trillion ad impressions, and 12 billion clicks. As one of the most well-respected datasets by those who follow advertising performance, it includes unique insights about what's happening in the digital advertising industry on a macro level.

Contents

The Skai™ Q2 2021 QTR	4
About Skai™	4
Key Takeaways	5
More Resources from Skai™	5
Q2 2021 Channel Trends	6
Retail Media	6
Paid Search	8
Paid Social	10
Trendspotting	12
Cross-Channel Commerce	12
Social Campaign Objectives	13
Layering in Market Intelligence	14
The Road Ahead	15
Methodology	15

About Skai

Skai is a commerce intelligence platform that powers brand insights, decisions and execution for faster, more predictable go-to-market outcomes. Skai's platform includes a suite of data-driven products for market intelligence, omnichannel media activation, testing, and measurement, enabling product, insights and marketing teams to accurately plan strategies and benefit from connected omnichannel launches. Skai merges the former Kenshoo and Signals Analytics capabilities and for more than a decade, has been trusted by an impressive roster of global brands including Procter & Gamble, PepsiCo, Estée Lauder, Nestle, Johnson & Johnson, Mars and others. With its expanded product suite, Skai is unifying data and helping companies better understand their consumers in real-time. It has seven international locations and is backed by Sequoia Capital, Arts Alliance, Tenaya Capital, Bain Capital Ventures, Pitango and Qumra Capital. For more information visit <https://skai.io>.

In This Report

Learn quarter-over-quarter (QoQ) and year-over-year (YoY) digital advertising campaign performance trends from Q2 2021, including:

- Key performance indicators for the second quarter of the year across Search, Social, and Retail Media Advertising
- Details on what drove notable trends and changes over time in each advertising channel
- The impact of iOS 14.5 and Apple's App Tracking Transparency changes on Paid Social spending

Key Takeaways

Advertisers continue to increase spending across channels. We tracked acceleration in year-over-year spending for Paid Search (+60%) and Paid Social (+41%) channels, reflecting strong growth over a quarter hit hard by the pandemic last year. Retail Media (+55%) was already gaining momentum at this point last year due to big increases in online shopping, so while spending growth was strong and buoyed by Prime Day in June, it wasn't as strong as it was in Q1.

Prices are up. Spending grew faster than impressions of clicks in each of the major digital advertising channels in our analysis. For example, Paid Search saw a 34% YoY increase in the average cost-per-click (CPC), while CPM prices for Paid Social grew 41% over the same period. Both of these, in part, marked returns to pre-pandemic pricing levels, although social advertisers also may be buying audiences differently in light of industry changes to data privacy.

More Resources from Skai

The Skai Quarterly Trends Hub

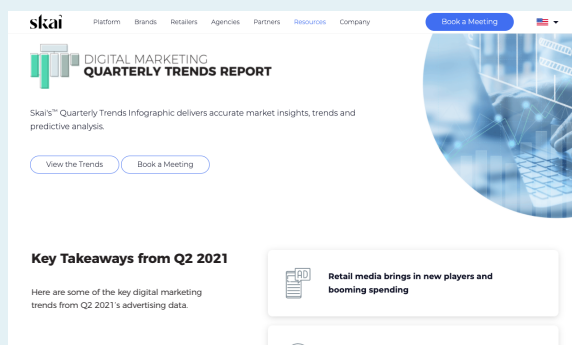
skai.io/digital-trends-research

View the current infographic, long-form report, and highlights, along with previous quarters, all in one place

Other insights are posted regularly to

[The Skai Blog](#)

[Skai Case Studies](#)



Q2 2021 Channel Trends

Retail Media Advertising

- **55% YoY Spending Growth.** Investment in Retail Media ads was still very strong, albeit not as strong as Q1. Prime Day provided an extra boost.
- **4.1x Spending on Prime Day.** Amazon Prime Day saw average daily spending increase by over 300% compared to an average day in June.

At this point last year, a great deal of shopping behavior had already moved online, and advertisers shifted budgets accordingly. Now, we are past the anniversary of that shift, and so year-over-year comparisons get a little tighter. Total spending across Retail Media ads grew 19% over last quarter (see Figure 1), which translates to a 55% increase over the same quarter last year.

Impressions were flat compared to Q1, which could mean that marketers were zeroing in on more targeted audiences, generating 6% more clicks. Compared to last year, both metrics were up 25%, as the overall volume in the channel continues to expand.

Prime Day Impact

A big story for Retail Media in Q2 was Amazon Prime Day, which took place on June 21st and 22nd after a delayed appearance last year in October. Advertisers didn't just double-down on spending for the online shopping event—they quadrupled down—increasing average daily spending by 4.1x (see Figure 2) over a typical day in June before the big promotion.

Figure 1: Retail Media Advertising Key Metrics Q2 2020 Through Q2 2021

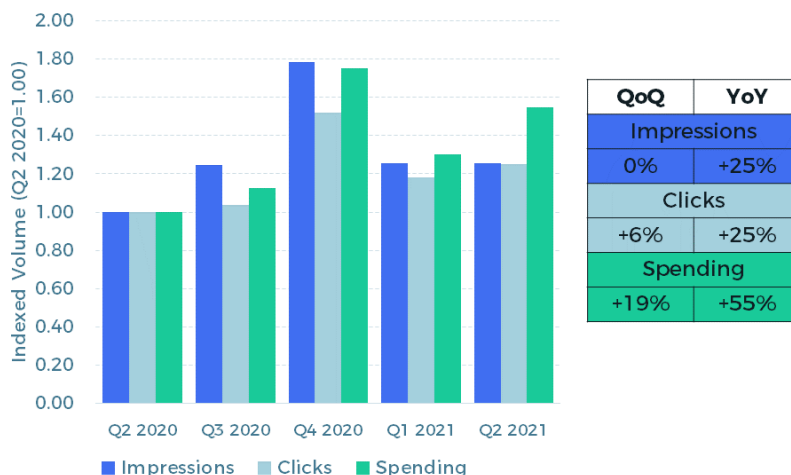
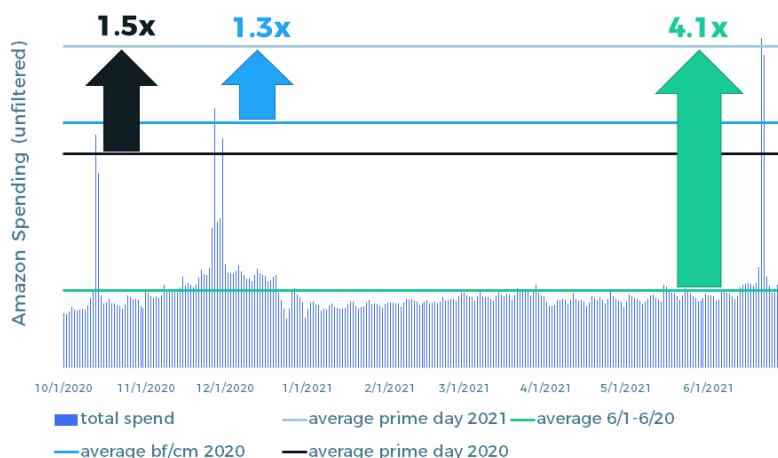


Figure 2: Prime Day 2021 Spending Comparison



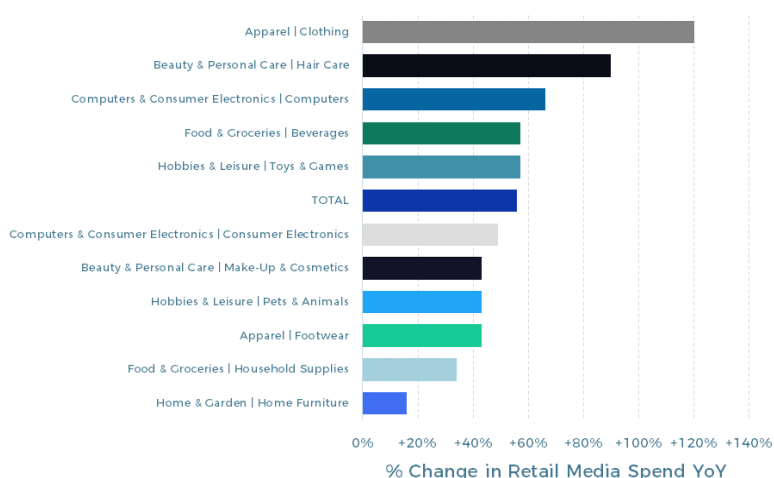
Average daily spending was also up 1.3x compared to the combined average of Black Friday and Cyber Monday of last year, and up 1.5x compared to the October installment of the event. This continues a cycle where Black Friday/Cyber Monday and Prime Day play a version of “Can You Top This?” with each subsequent event, where the holiday outspends Prime Day, only to have Prime Day turn around and outspend that key holiday period the next time around.

Retail Media Growth by Category

The three biggest winners in Q2 regarding year-over-year spending growth were *Clothing*, *Hair Care*, and *Computers* (see Figure 3). Clothing is historically a smaller category for Retail Media, possibly due to the differences between shopping online and trying on clothes in a store. However, considerable progress has been made to replicate that in-store experience, and with the pandemic forcing the issue, consumers and advertisers flocked to more online clothing purchases.

Hair Care and *Computers* are both in larger categories that typically have seen high levels of investment around Prime Day, which accounts for some of that growth.

Figure 3: Retail Media Growth by Category



Paid Search

- **Search spending smashes records.** After a record-high growth rate last quarter, Paid Search budgets continued to surge, especially when compared to depressed levels from the worst part of the pandemic last year, at least in terms of ad spending.
- **Clicks cost more in Q2 than last quarter and last year.** The average price of a Paid Search click rose 17% vs Q1 and 34% vs Q2 of last year, marking a return to pre-pandemic levels.

We have been tracking the “perfect storm” that has led to increased levels of investment across Paid Search advertisers since July of last year, and that growth may have hit its maximum point during the second quarter. As the fundamentals that drove that increase—higher clickthrough rates, breakout categories, and increasing importance to the online shopping universe—combined with the severe reductions in spending levels last year at this time, it is not entirely surprising that budgets have risen by this much.

Ad spending growth on a same-advertiser basis peaked at +76% in April—the lowest point for spending last year—and has tightened each month after that. Across the entire quarter, that increase in Paid Search investment ended at a historic high of +60% (see Figure 4).

During that same period, impressions have grown by 18% over Q2 of last year and clicks by 19%—although both measures saw modest decreases compared to last quarter.

Figure 4: Paid Search Key Metrics Q2 2020 Through Q2 2021

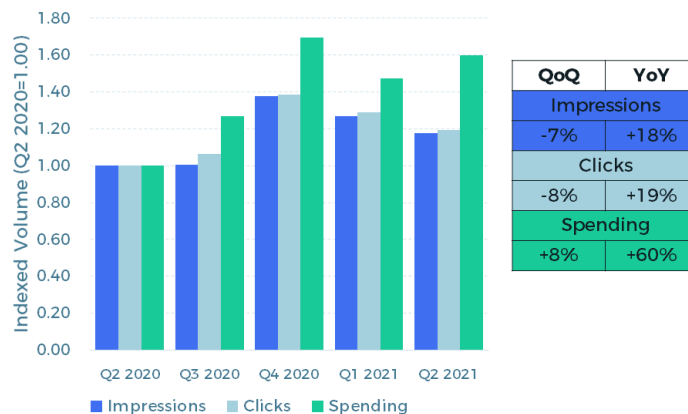
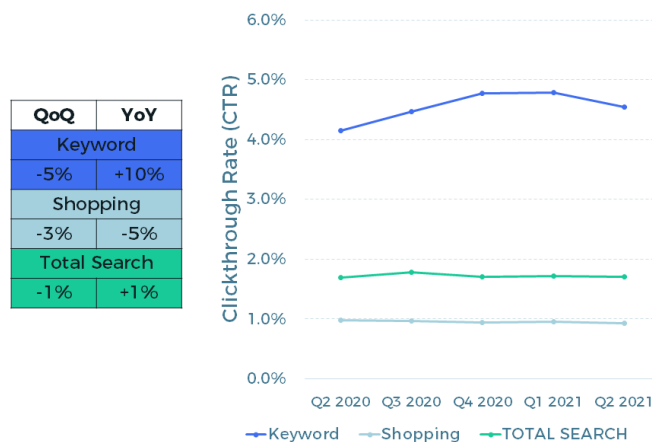


Figure 5: Search CTR by Quarter



One element of this surge has been the rising clickthrough rates for keyword search ads, which drove more clicks, and as a result, more ad dollars. That trend is reflected in CTR for keywords up 10% versus last year (see Figure 5). However, this measure of engagement declined by 5% compared to the first quarter of the year.

This cooling-off *could* be linked to restrictions easing around COVID-19, which could, in turn, make internet searches less urgent now that more and more offline options are becoming available again after more than a year of lockdowns.

Another key component to Paid Search growth—not to mention a hugely important metric for advertisers—is the average cost-per-click. Average CPC rose relative to last quarter and the second quarter of 2020 for both keywords and shopping ads (see Figure 6), which has caused anxiety for some brands and advertisers.

While the short-term impact of those price increases is very real, extending this view back a few months adds valuable context. Let's look at advertisers with Paid Search spend in the first six months of both 2020 and 2021 (see Figure 7). We can see that this pricing trend represents a return to pre-pandemic levels, and the price decrease from Q1 to Q2 of last year is a major factor in why overall prices have risen this past quarter.

Figure 6: Search CPC by Quarter

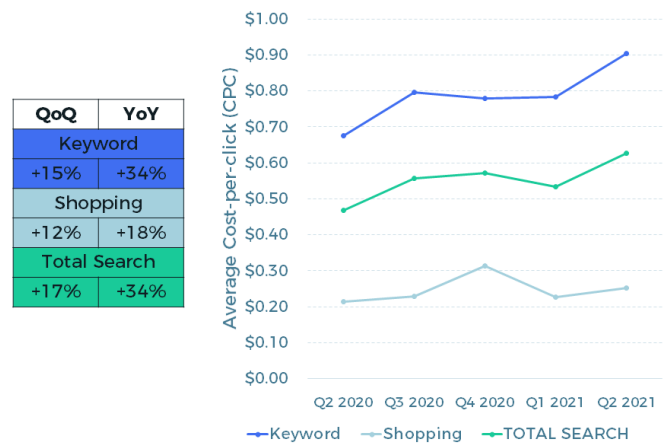
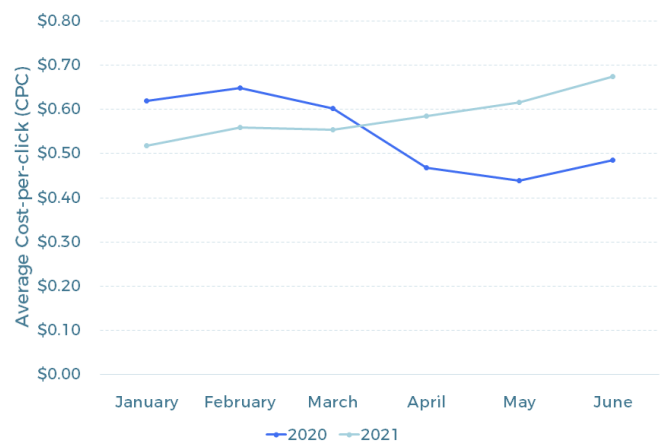


Figure 7: H1 Paid Search CPC vs 2020



See what percentage of advertisers saw prices rise or fall, and by how much, every month in the [Skai™ Monthly Paid Media Spend Snapshot series](#).

Paid Social

- **Social spending continues to rebound.**

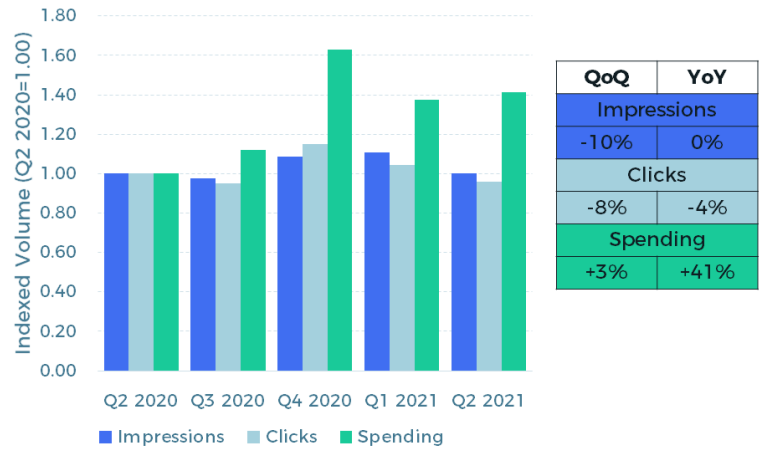
Total investment in Paid Social rose 41% over the same period last year.

- **Flat impressions and rising prices.**

As advertisers grapple with changes in how they purchase audiences on social media networks, one outcome is that they are paying higher prices for about the same number of impressions as last year.

Total spending from social advertisers grew 41% year-over-year (see Figure 8), even as impressions remained flat and clicks were slightly down. This may reflect the impact of Apple iOS 14.5, which rolled out in April, and changed marketers' ability to track ad effectiveness.

Figure 8: Paid Social Key Metrics
Q2 2020 Through Q2 2021

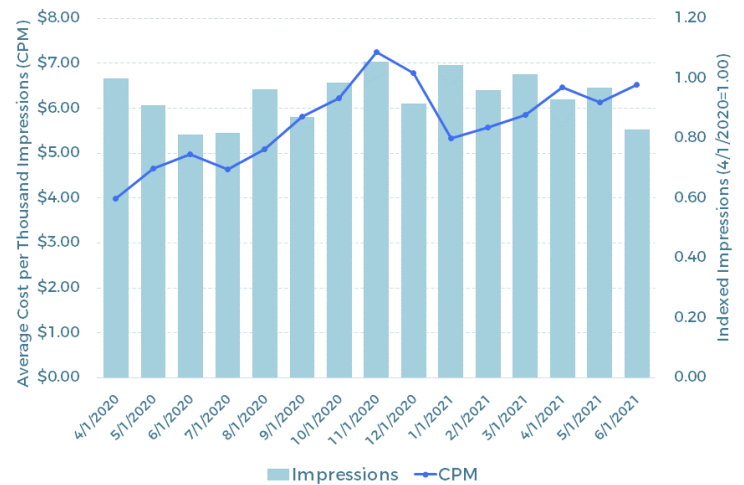


How, you ask? If we look at the average cost per thousand impressions (CPM) by month and overlay the volume of impressions (see Figure 9), we can see that in the first half of 2021, impression levels have been going down as prices have been going up.

Think of it as the difference between buying at a warehouse club versus a high-end grocery store. You may have a budget of \$100 in both cases, but you can get more items at a lower unit price at the warehouse club. What the changes to data privacy are forcing social advertisers to do, effectively, is to shop at that “high-end grocery store.” So, while your marketing plan may call for \$100,000 in social spend in a given month, how you spend it may have changed, and many (but not all) marketers still use a more top-down approach to budgeting.

We will explore this further in the Trendspotting section.

Figure 9: Paid Social CPM and Impression Volume



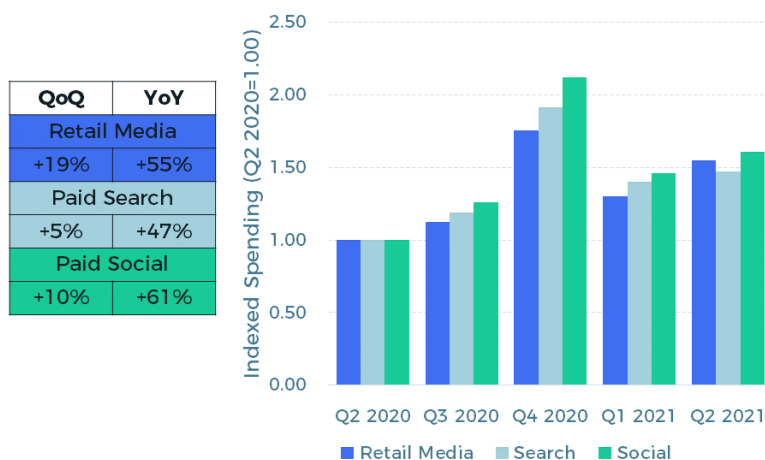
Trendspotting

Trendspotting: Cross-Channel Commerce

A consistent theme in our analysis has been the similarity of spending trends across channels when we consider advertisers involved in [predominantly online] commerce. By isolating these accounts in our sample, we can see a broad agreement in growth levels, both at the quarter-over-quarter and year-over-year level (see Figure 10).

In our Q1 2021 Quarterly Trends Report, we teased out how this reflects the overall growth of online commerce during the pandemic, but more than that, it shows that commerce is a genuinely cross-channel experience. Shoppers will buy from the online store where they see Retail Media ads for your product after they find that store via a Paid Search ad for the store (or for the product itself), and after Paid Social ads give them a reason to look in the first place. All of these things are connected in the online commerce experience as advertising trends move largely in unison.

**Figure 10: Cross-Channel Commerce
Commerce Advertisers Only**



Trendspotting: Social Campaign Objectives

Since Apple introduced changes to their App Tracking Transparency framework—starting with the recently-released iOS 14.5—we have been looking for trends in the data that might shed light on the industry response.

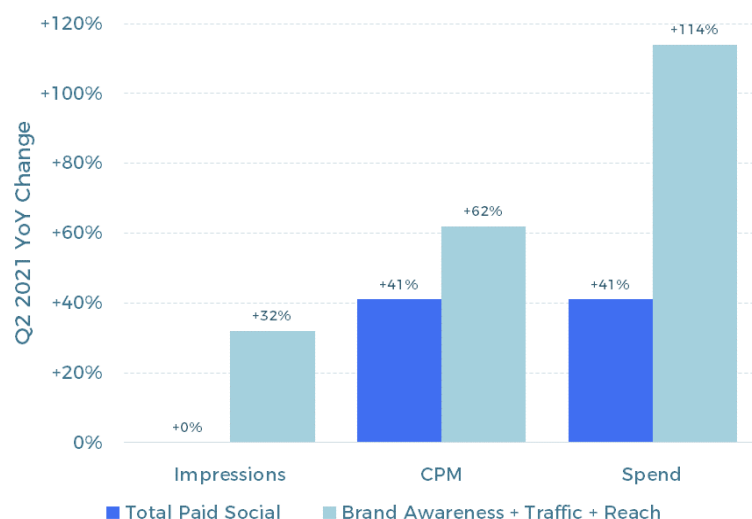
Fundamentally, the iOS 14.5 changes affect audience targeting and measurement—two areas near and dear to digital marketers’ hearts and bottom lines. For example, acquiring audiences based on behavior from other apps is no longer allowed once users opt-out of tracking, and measuring from impression to click to conversion across mobile apps is increasingly difficult.

So what is a digital marketer to do? Or, rather, what have digital marketers done so far this year?

One clear trend is that marketers are broadening their approach to the channel. Rather than targeting a particular audience to garner a conversion, some are shifting budget up the funnel towards other objectives. For example, across the social campaign objectives of Brand Awareness, Traffic and Reach, year-over-year growth for impressions, CPM, and spending was higher than the overall growth for the channel (see Figure 11).

The net result of this growth is that the share of impressions across these objectives grew from 14% in Q2 2020 to 18% in Q2 2021, while the share of spend rose from 6% to 10%. Conversion-based objectives still hold the majority, but this is a clear change in the overall mix.

Figure 11: Paid Social Campaign Objectives



Trendspotting: Layering in Market Intelligence (MI)

As Skai expands its universe of data to include millions of data points across consumer posts and reviews about specific product categories, online product descriptions, key opinion leaders, and even research and development data, we can dig deeper into what consumer behavior may be responsible for changes in advertiser campaign trends.

For example, we examined earlier in this report that *Hair Care* was a high-growth category for Retail Media ads. We can drill down into Retail Media data and see which product types drove the most spending in the quarter (see Figure 12). In this case, *Shampoo & Conditioner* accounted for 44% of Retail Media spending in the *Hair Care* category in Q2 2021.

From here, we can mine consumer discussions to identify which brands those consumers are talking about and how those discussions are changing over time. For example, in Figure 13, we can see that L'Oréal had the most consumer discussions but that Maple Holistics gained quite a bit of ground in the past month. This would be valuable information to either of those brands—or those further down the list—and might dictate how you allocate budgets to grow or close that gap. It can also help explain changes in aggregate advertising spending as a brand with a growing number of discussions may have launched a new campaign or gone viral.

Armed with this kind of information, brands can inform their go-to-market strategy across multiple stages of the process with greater confidence, from product development to strategy and planning, to marketing, measurement, and back again.

Figure 12: Hair Care Product Insights

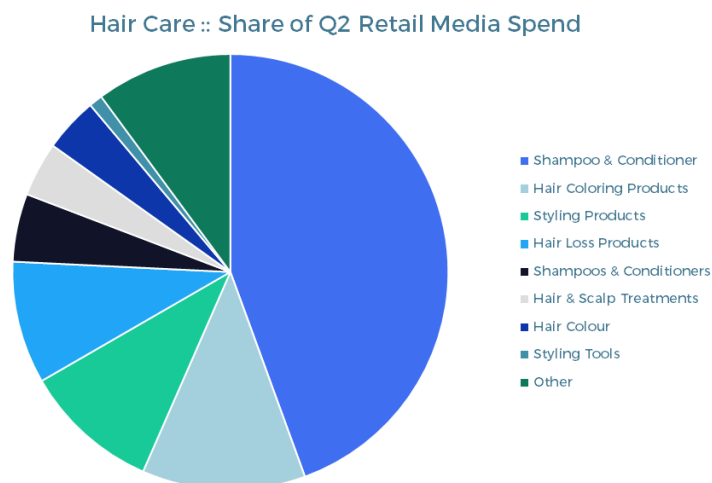
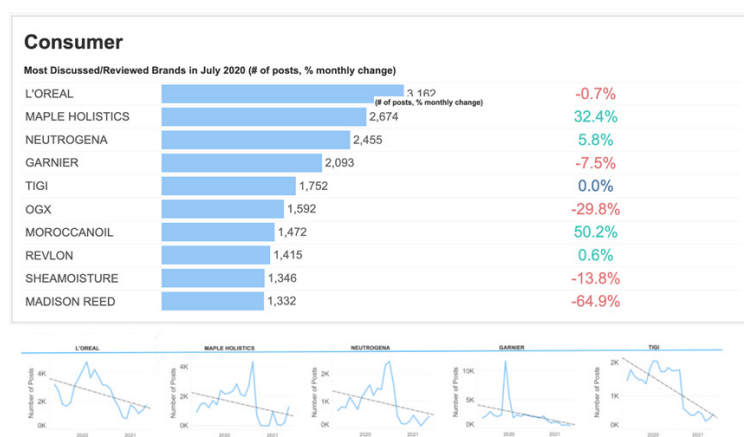


Figure 13: Hair Care Consumer Insights



The Road Ahead

The second half of the year contains many unknowns. For example, what looked like a fully booming economy may now have to contend with virus variants that could once again have a disproportionate impact depending on both channel and category. This is on top of a backdrop of shifting rules around data privacy and a previous year that was unlike any other in history.

Brands and marketers will have to be vigilant to detect changes in consumer intent and behavior from both campaign performance and from consumers themselves. Skai will be here to help as we endeavor to provide more insights across all of these touchpoints on both the advertiser and consumer sides of the ledger.

Methodology

The analysis within this report is based on advertiser campaign data managed through the Skai platform on Google, Microsoft, Yahoo!, Yahoo Japan, Baidu, Yandex, Pinterest, Walmart, Apple, Facebook, Instagram, Snapchat, Instacart, Criteo, and Amazon between April 2020 and June 2021, except where noted. The data is sampled from a universe containing over 1 trillion impressions, 12 billion clicks, and \$7 billion in advertiser spending over five quarters.

For charts showing spending and impressions/clicks, volume metrics have been normalized to a factor of one based on the initial volume for the first quarter of data shown. Data points from subsequent quarters are based on a multiplier from the first quarter. For example, 1.6 means that volume is 60% greater than the volume on the initial quarter measured. Except where noted, advertisers must have 15 consecutive months above a minimum spending threshold in the channel (a “constant-advertiser” approach) to be included in the analysis. Some outliers were removed as necessary.

Ad spending, CPC, and CPM are translated to common currency before aggregation and do not use Ex-FX or “Constant Currency” adjustments.

For more information and to interact with the Skai QTR dataset, please visit our Quarterly Trends Report Snapshot found at skai.io/digital-marketing-trends