



Q2 2020



Google Ads Benchmark Report

Triopoly Series ○●○

→ Report Highlights

While many advertisers that remained active through Q2 2020 decreased Google search spend for the quarter year over year, overall investment in Google search ads increased 19%, as some advertisers focused efforts on digital promotion and took advantage of a thinner competitive landscape. This was especially true for retailers, which saw Amazon exit US Google search auctions for text ads and Shopping in mid-March across all product categories.

Amazon returned to US Google text ad and Shopping auctions in mid-June after getting its fulfillment capabilities back in line with the explosion in demand, though it isn't back to the impression share levels observed earlier in 2020 for most product categories. In particular, its presence appears minimal against competitors in high-demand categories such as CPG and health/personal care products, though it's essentially back to full strength against competitors in the office supplies and sports equipment categories. Q3 will likely present a much tougher competitive landscape for many retail advertisers with Amazon's return.

Another meaningful shift in auction dynamics occurred with Google's move to release inventory on the Shopping tab to non-advertisers in late-April, producing free clicks for many brands that don't advertise as well as those that do. Immediately following the announcement, the average number of distinct competitors in desktop Shopping auctions rose 41% relative to the roughly year and a half prior, and many new brands are now getting free clicks from the Shopping tab. That said, the update didn't meaningfully impact advertisers' ability to invest in Shopping, with spend growing 34% year over year driven by 53% click growth.

Spend on text ads grew 11% with a 33% increase in clicks, also helped along by strong growth in online commerce. Google has steadily expanded the definition of close variants over the last couple of years, which has led to an expansion in the number of different queries more restrictive match types like phrase and exact match are exposed to. In Q2 2020, more than 40% of all queries deemed exact match came from close variants, up from 12% in Q1 2016.

Google Shopping now accounts for 60% of Google paid search clicks for the median retail advertiser, up from 55% last Q2. Shopping growth has outpaced text ad growth for most advertisers for several years, as iterations such as Showcase Shopping Ads, which typically show for shorter, more general queries, have allowed Google to inject Shopping ads into a wider variety of search auctions.

The share of Google text ad spend attributable to targetable audiences rose from 54% in Q2 2019 to 62% in Q2 2020, while the same share rose from 50% to 52% for Shopping. Notably, the share of spend attributed to Customer Match audiences, which are based off of lists comprised of email addresses, phone numbers, and/or physical addresses, rose across desktop, phones and tablets.

The share of Google paid search clicks attributed to the Search Partner Network is now below 1% for both Shopping and text ads. Google's 2019 move to change image search from the Search Partner Network to the core search network, as well as Yahoo's move around the same time to begin showing only Microsoft Ads, both contributed to a significant decline over the last 15 months. Search Partner spend share is even lower than click share, as this traffic comes with an inherent discount relative to google.com clicks.

The number of advertisers deploying Google Discovery campaigns more than doubled between January 2020 and June 2020. Announced in May 2019, Discovery campaigns allow advertisers to target placements in the Google Discover feed, YouTube home feed, and Gmail social and promotions tabs. Adoption has steadily expanded over the last year.

→ Methodology

The Tinuiti Google Ads Benchmark Report is based on anonymized performance data from Google programs under Tinuiti management, with annual Google ad spend under management totaling over \$700 million. Samples are restricted to those programs that have remained active and maintained a consistent strategy over the time periods studied. Unless otherwise noted, all figures are based on same-client growth. The trends and figures included are not meant to represent the official performance of Google advertising or the experiences of every Google advertiser.

→ About Tinuiti

Tinuiti is a performance and data-driven digital marketing leader focused on every aspect of the customer journey. We are the largest independent digital performance marketing agency, with more than \$1.5 billion in ad spend managed across Amazon, Google and Facebook.

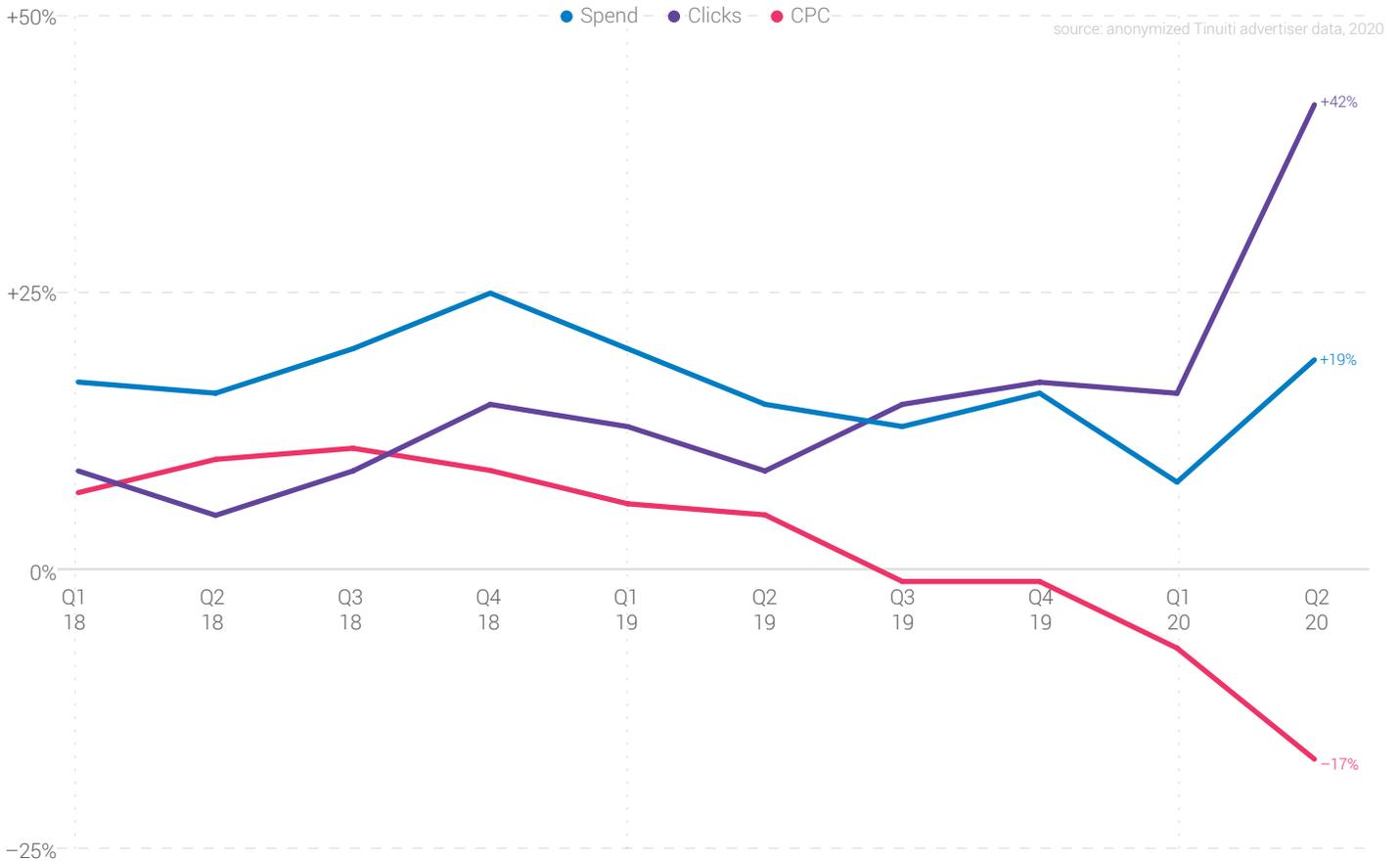
Google Search

➔ **Google spend grows 19% in Q2 after slowing to 8% in Q1, even as CPC declines.**

Same-store, year-over-year Google paid search spend growth accelerated to 19% in Q2 even as cost per click declined 17% year over year, with click growth surging to 42%. The story was certainly not the same for all advertisers given the wide-ranging effects of COVID-19 on marketers' ability to invest in paid search, and many of the brands studied decreased spend year over year.

However, with Amazon exiting ad auctions for several weeks and Walmart pulling back for a stretch in Q2, many retailers saw an opportunity to gain market share through paid search efforts and leaned into both Shopping and text ads, though Shopping was the clear primary driver of overall growth for Tinuiti advertisers.

Google US Paid Search Y/Y Growth



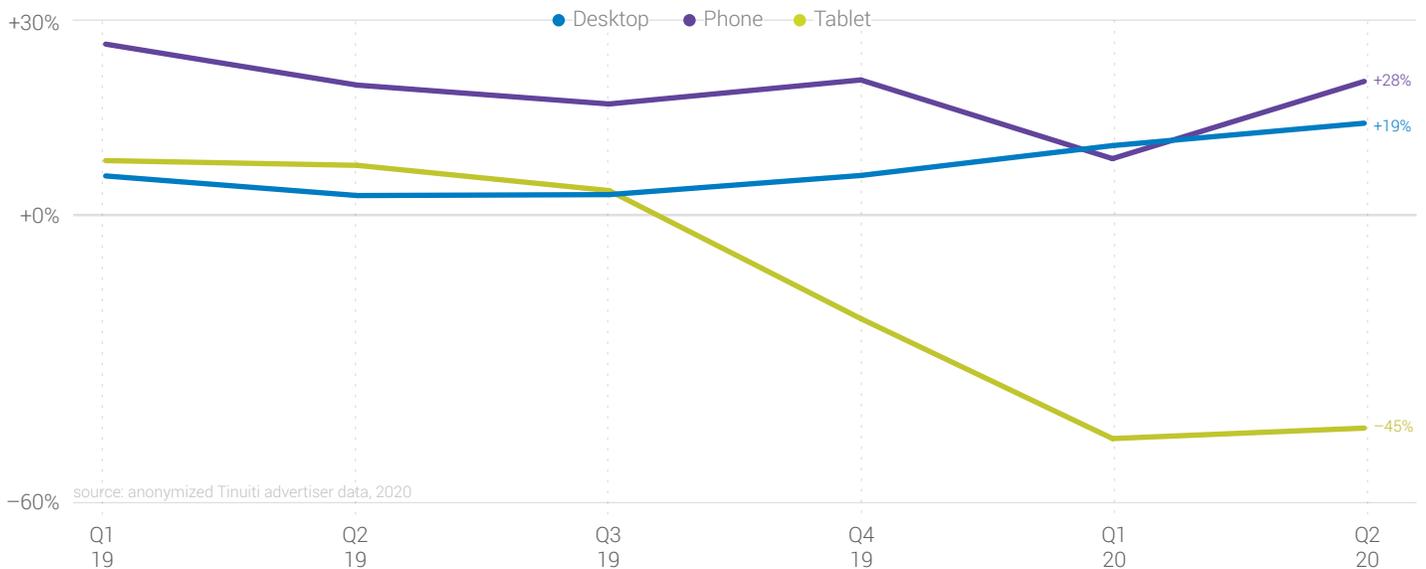
While CPC declines weren't uniform across all advertisers and the 17% figure was affected by a mix shift towards Shopping, most advertisers saw significant declines for each device type and ad format in Q2. With Amazon returning to Google search ad auctions in mid-June, there will be stiffer competition in Q3 for the increased search interest in online commerce from consumers that has come as a result of social distancing and work from home trends.

The potential for a Q3 stimulus looms large, with the last stimulus leading to a significant surge in searches and purchases in mid-April around the time of initial deposits. Additionally, with the potential for brick-and-mortar shopping to pick up steam in the second half of the year relative to Q2, it's possible that online shopping sees some decline in the coming months.

➔ **Phone spend growth is back to 28% in Q2 2020 after slowing in Q1.**

Spend growth for phones across Google Shopping and text ads rose from 11% in Q1 to 28% in Q2, while desktop spend growth rose from 14% to 19% over the same time period. Tablet spend growth continued to fall dramatically, a trend that started in Q4 2019, as these devices have taken a backseat to other device types in terms of usage in recent years. After four straight quarters of single digit year-over-year spend growth, desktop growth has now topped 10% two quarters in a row.

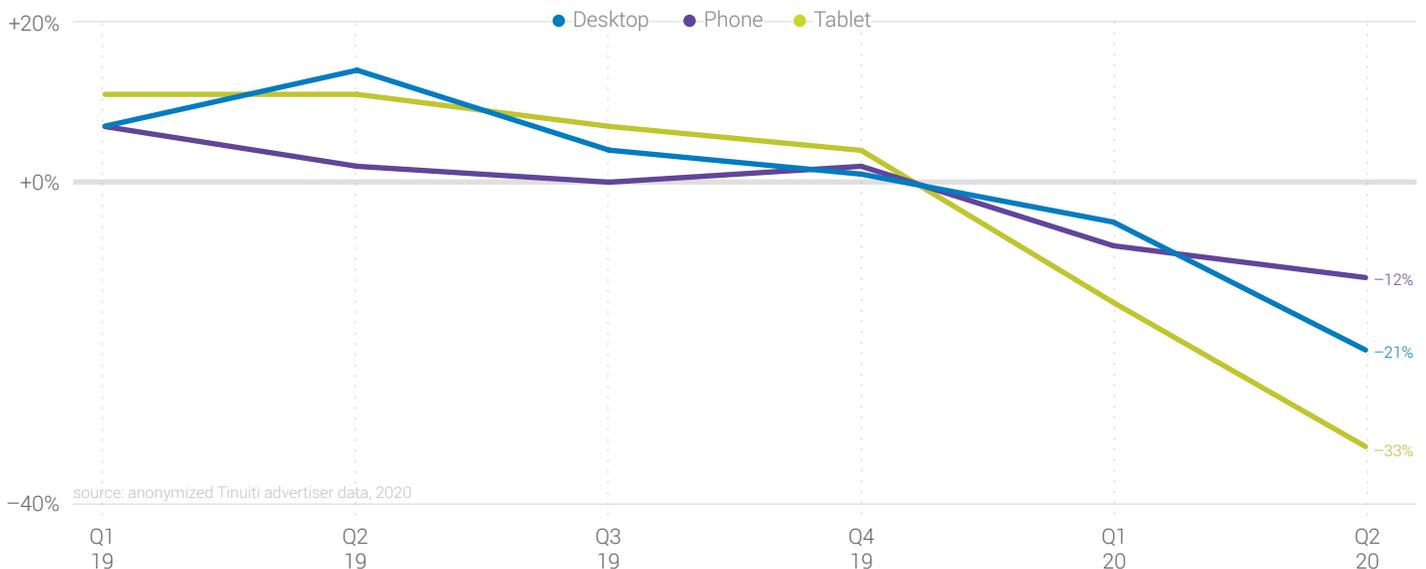
Google US Paid Search Y/Y Spend Growth by Device Type



➔ **Average cost per click declines significantly across all device types.**

With some advertisers such as Amazon pausing paid search investment in late March and into Q2, competition in many product categories declined, as did average cost per click. While Q2 certainly presented a meaningful step down in terms of CPC declines, CPC growth actually started slowing in the second half of 2019 across device types.

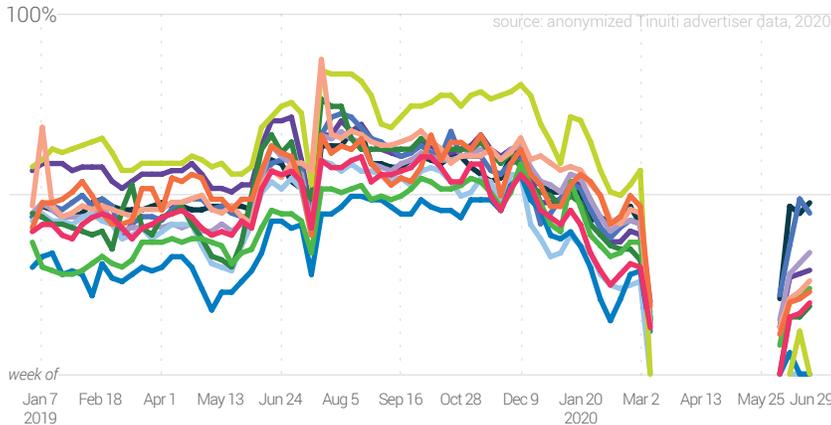
Google US Paid Search Y/Y CPC Growth by Device Type



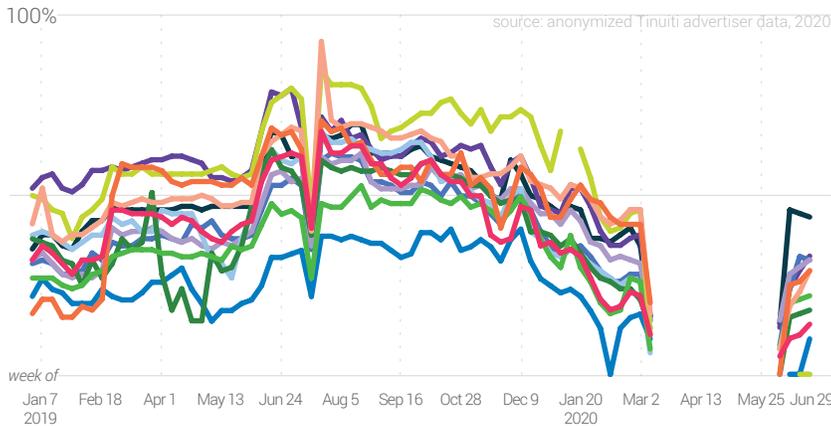
➔ **Amazon is back in Google Ads after twelve straight weeks out of the auction, but with a lighter presence than in early 2020.**

- Apparel ● Baby ● Consumer Electronics ● CPG ● Crafts ● Furniture ● Gifts
- Health & Personal Care ● Home & Garden ● Office ● Pet ● Sports Equipment

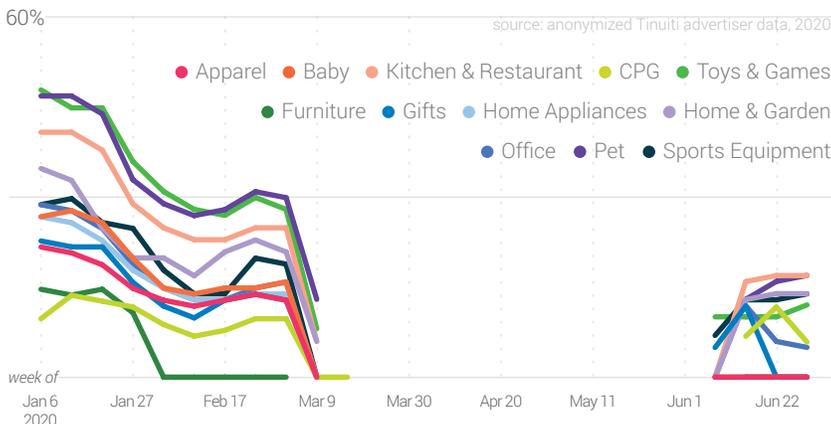
Amazon US Google Shopping
Phone Impression Share by Product Category



Desktop Impression Share by Product Category



Amazon US Google Text Ads
Impression Share by Product Category



Across device types and ad formats, Amazon paused Google search ads in the US in mid-March as it focused its operations on fulfilling orders in essential categories such as grocery, baby, health, and personal care products. While Amazon has periodically paused Shopping over the last couple of years around Prime Day and during other brief periods, the move to pause text ads is the first in recent memory. Given the flood of demand Amazon saw as Americans started restricting brick-and-mortar shopping and movement in general, it made sense that the eCommerce giant wouldn't need to boost demand with paid search listings. Amazon's move to pause allowed other advertisers to gain impression share as online commerce soared, and some shoppers turned to search upon finding extended delivery estimates on Amazon.

In mid-June, advertisers started to see Amazon flowing back into auctions as it appears to have brought its fulfillment capabilities in line with demand, though it remains far less visible in terms of Google Shopping and text ad impression share than it did in January 2020 in many product categories. Two categories where Amazon appears to be roughly back on par with its impression share earlier in the year are Office Supplies and Sports Equipment. In the case of CPG and Health & Personal Care products, categories with especially high demand on Amazon ever since more restricted movement, it has only barely returned to the Shopping auction on phones and desktop devices and remains far below its early-2020 presence.

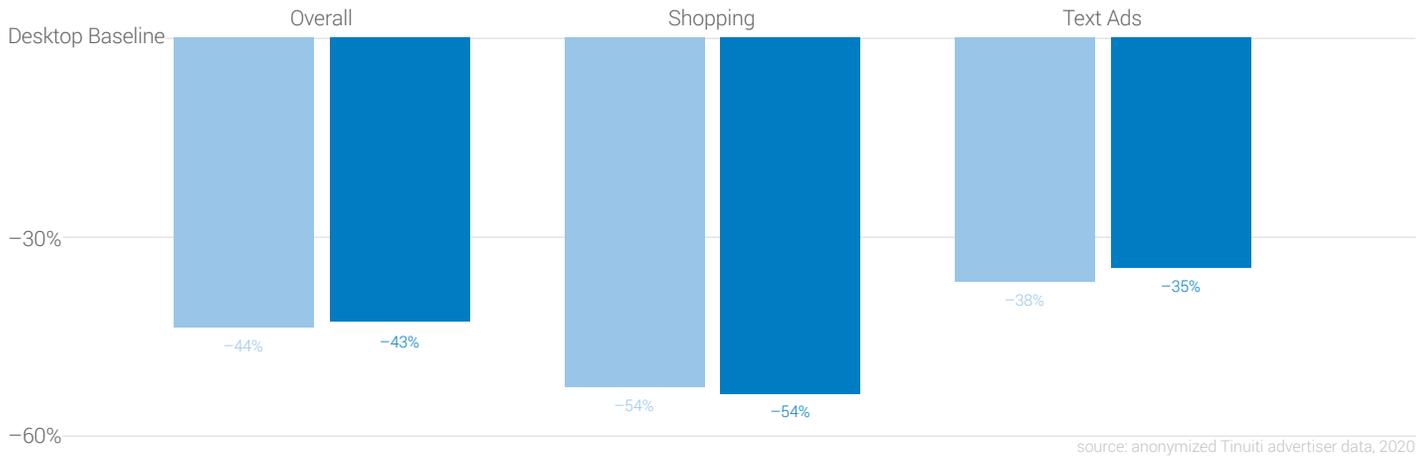
➔ **Phone cost per click is 43% lower than desktop in Q2 2020 for Google paid search.**

Phone cost per click was 43% lower than desktop for the median advertiser studied in Q2 2020, nearly identical to the median relative cost per click last year. This is certainly not the case for all advertisers and industries, and can heavily depend on the specifics of each advertiser’s strategy as well the expected value of phone traffic relative to desktop for different brands, since the cost of traffic by device type is within advertiser control. That said, less than 10% of advertisers studied saw phone cost per click equal to or higher than desktop for Q2 2020.

Google US Paid Search Phone CPC Relative to Desktop

Median Advertiser

● Q2 2019 ● Q2 2020



source: anonymized Tinuiti advertiser data, 2020

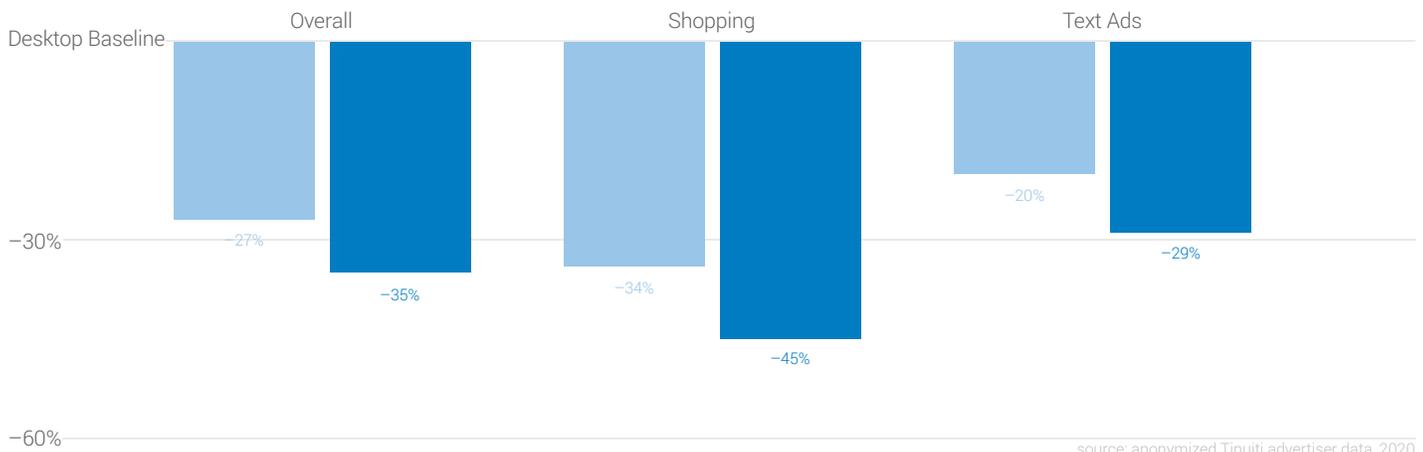
➔ **Tablet cost per click is 35% lower than desktop across ad formats in Q2.**

Tablet cost per click slipped to 45% lower than desktop for Shopping ads and 29% lower than desktop for text ads in Q2 2020, continuing a trend of divergence in the two device types that has played out over the last decade. While Google launched Enhanced Campaigns way back in 2013 with the thought that tablet and desktop performed similarly and should be grouped together for bidding and optimization purposes, by 2016 it chose to reverse that decision in light of the significant differences in performance many advertisers see between these two device types.

Google US Paid Search Tablet CPC Relative to Desktop

Median Advertiser

● Q2 2019 ● Q2 2020

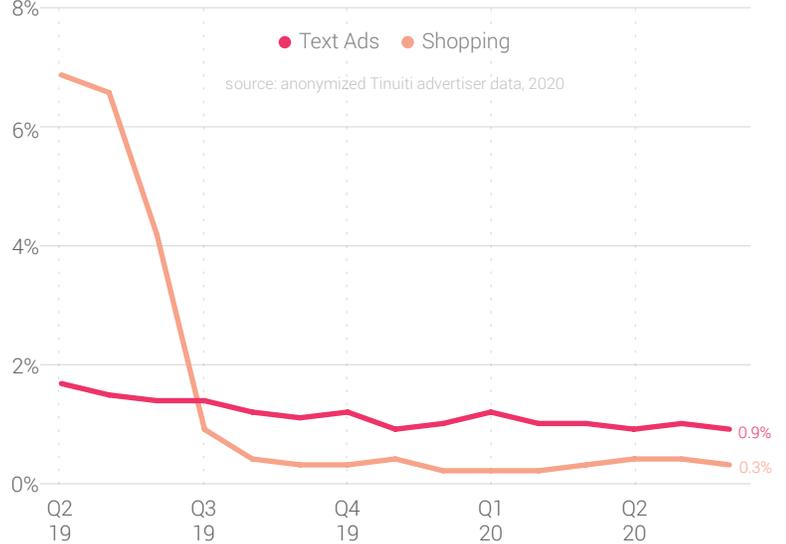


source: anonymized Tinuiti advertiser data, 2020

➔ **The Search Partner network now accounts for less than 1% of paid search clicks.**

Search Partner sites still accounted for 7% of Shopping clicks back in April 2019, but that share quickly fell with Google’s move to assign the Shopping ads featured on Google image search as part of the core search network, announced in March 2019. Additionally, Yahoo announced in January 2019 that it would only serve Microsoft Ads and would be severing its relationship with Google, a change said to have rolled out through March of 2019 which also eliminated some inventory attributed to the Search Partner Network. By June 2020, Search Partner Network click share was less than 1% for both Shopping and Text Ads.

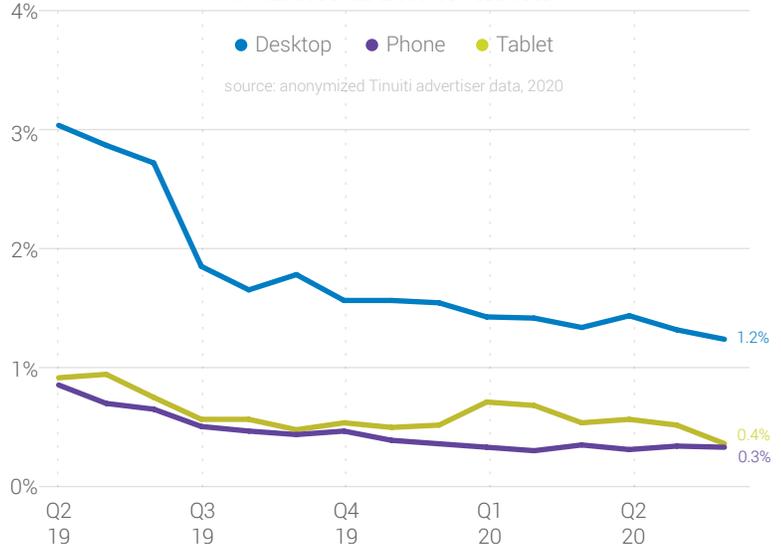
Google US Paid Search Click Share from Search Partner Network



➔ **Desktop maintains the highest spend share coming from Search Partners.**

Spend share attributed to the Search Partner Network continues to be highest on desktop, but has been in steady decline over the last fifteen months across all device types. Spend share for the Search Partner Network is lower than click share as this traffic comes with an inherent discount relative to the core search network, which helps to ensure that this traffic typically remains in line with clicks from google.com in terms of efficiency since the Partner Network also typically converts at a lower rate.

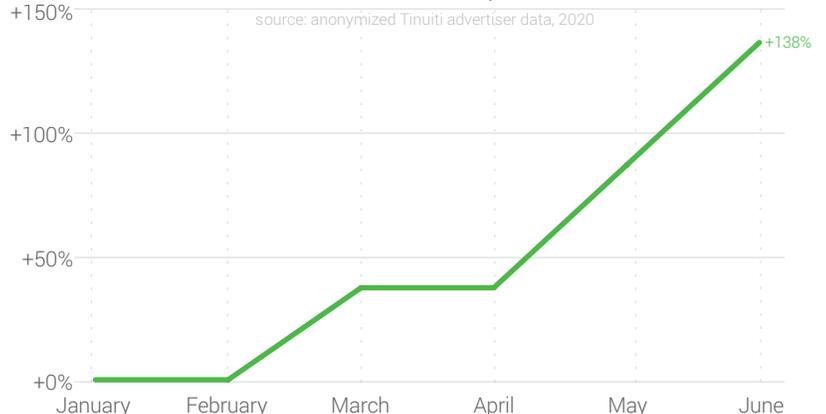
Google US Paid Search Spend Share from Search Partner Network



➔ **Advertisers are increasingly deploying Google Discovery campaigns.**

Google announced Discovery campaigns in May 2019 to allow advertisers to run campaigns across Gmail, YouTube, and the Discover Feed using audience targeting, including in-market, interest, affinity, and custom intent audiences. Adoption of these campaigns picked up throughout the first half of 2020, and in June the number of advertisers deploying Discovery campaigns to some extent was 138% higher than in January 2020.

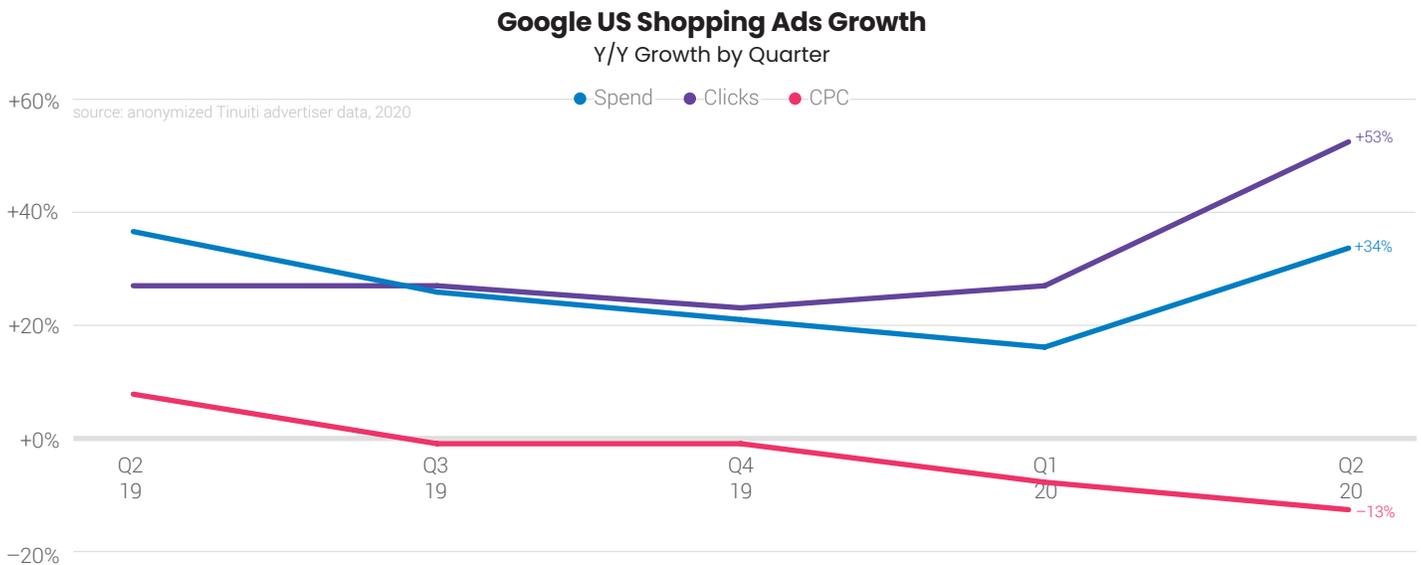
Number of Advertisers Using Discovery Campaigns Relative to January 2020



Google Shopping Ads

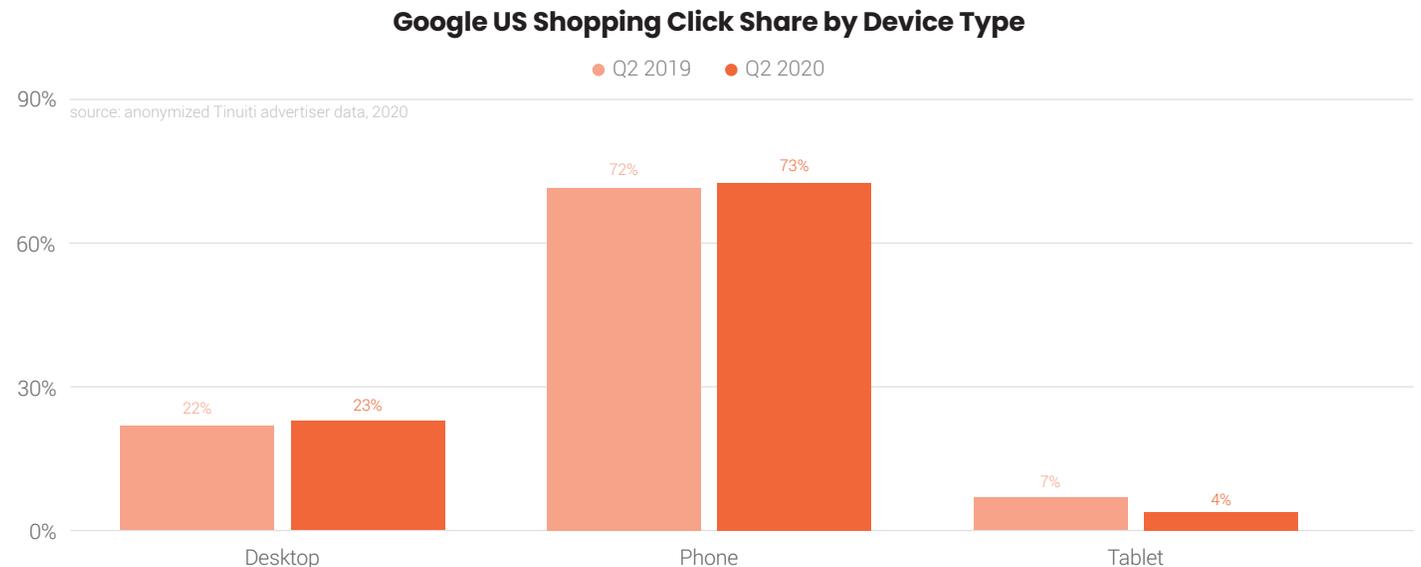
➔ **Shopping Y/Y spend growth soars to 34% on the strength of click growth.**

The average cost per click of Google Shopping Ads dipped 13% year over year in Q2, but a 53% rise in clicks propelled spend growth to 34% - the strongest spend growth of the last four quarters. Advertisers benefitted from a surge in online shopping demand as well as some large advertisers like Amazon pausing and/or pulling back on ads in the quarter. In addition to Amazon, major retailers like Walmart and Bed Bath & Beyond also appeared to pull back significantly on paid search advertising for meaningful stretches during Q2.



➔ **Phone and desktop share of Google Shopping clicks rises Y/Y as tablets decline.**

Phones grew from accounting for 72% of all Google Shopping clicks in Q2 of last year to 73% in Q2 2020, as desktop share increased from 22% to 23% and tablet share declined from 7% to 4%. More recent innovations in Shopping such as Showcase Shopping Ads and Local Inventory Ads are primarily focused on mobile searches, with more than 90% of clicks on these Shopping variations coming from phones.

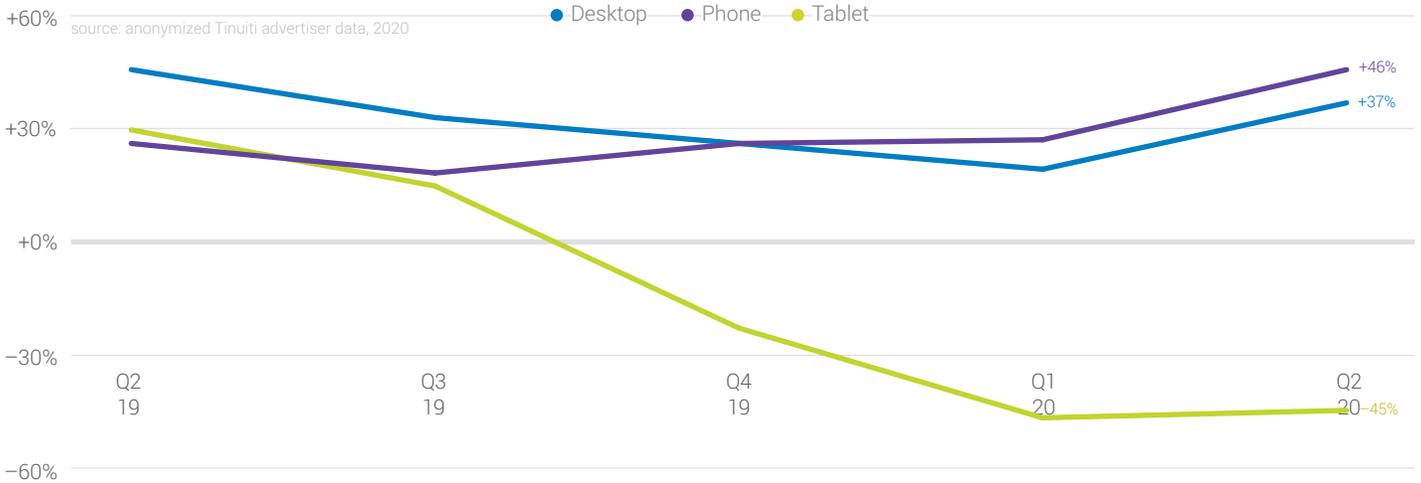


➔ **Q2 2020 desktop spend growth is the strongest of the last five quarters.**

Google Shopping spend growth for phones accelerated from 19% in Q1 to 37% in Q2, while desktop growth went from 27% last quarter to 46% in Q2. In the case of desktop, this is the strongest spend growth observed in the last five quarters, with major advertisers like Amazon ceding valuable ad real estate that other retailers were able to capture. With Amazon back in ad auctions starting in June, Q3 will likely present a more competitive landscape in Shopping auctions.

Google US Shopping Ads Spend Growth By Device Type

Y/Y Growth by Quarter

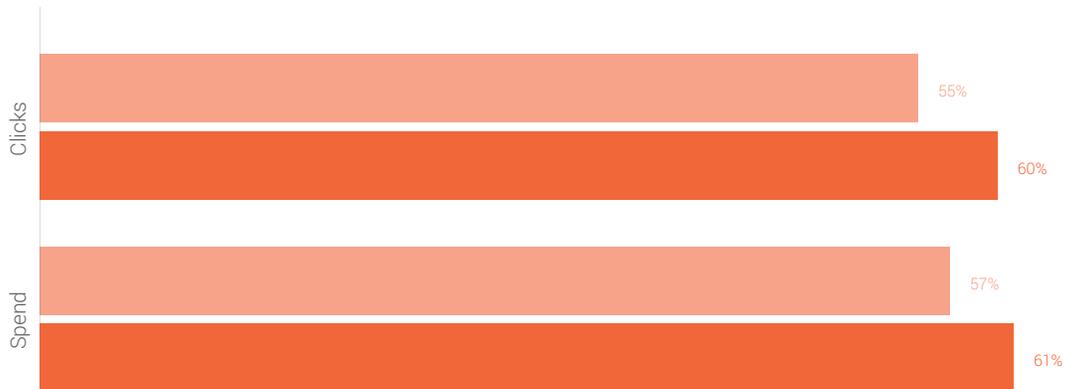


➔ **Most retailers spend more than 60% of their Google paid search investment on shopping ads.**

The median retailer studied spent 61% of Google paid search investment on Shopping ads in Q2 2020, up from 57% last year. A similar increase was observed for click share, which went from 55% last Q2 to 60% this Q2. There have been several key advancements that have helped Shopping share continue to grow over the years. For example, Showcase Shopping Ads typically appear for more general searches in which Google determines it's better to present searchers with tiled cards for different retailers as opposed to ads for specific products.

Google US Shopping Share of Paid Search for Retailers

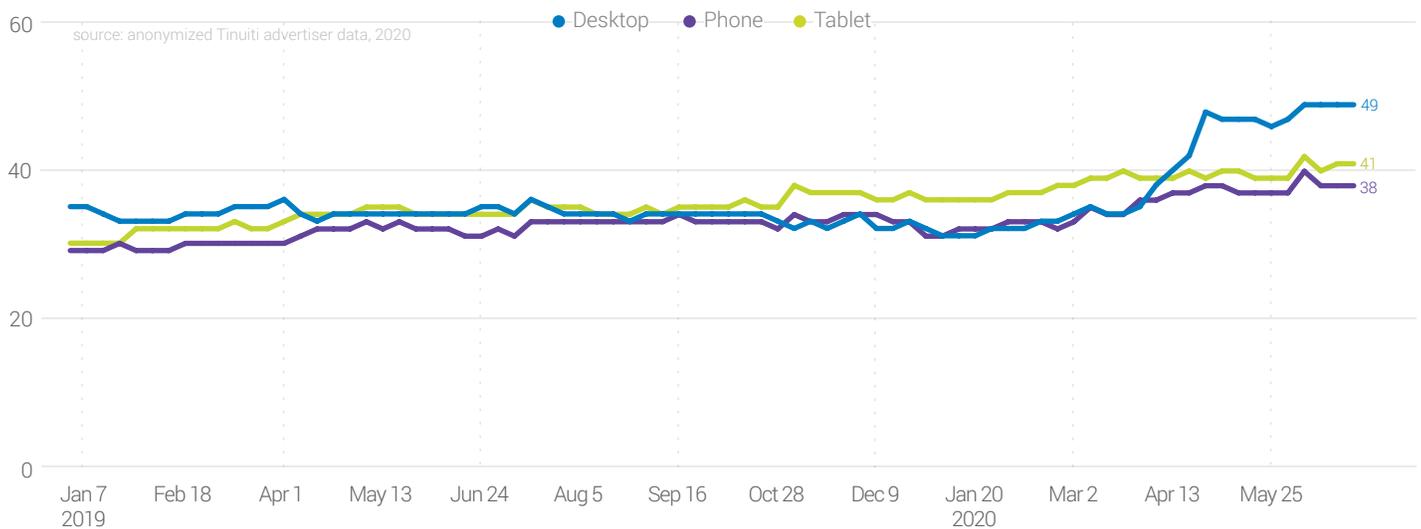
● Q2 2019 ● Q2 2020



➔ **Free Google Shopping listings appear to significantly expand the number of brands featured in results.**

Google announced on April 21 that beginning the following week search results on the US Shopping tab would consist largely of free listings to give merchants who aren't advertising through Google a chance to appear in results. Looking at the average number of distinct competitors shown in Google Shopping Auction Insights reports in the US, the number of sites from the week of 4/27 onwards was 41% higher for desktop computers than it was from the beginning of 2018 through the update. The average was 17% higher on phones and 15% higher on tablets comparing the same time frame. This occurred despite advertisers like Amazon pausing altogether, and the timing of the leap seems to indicate that it was the free listings update that caused the expansion.

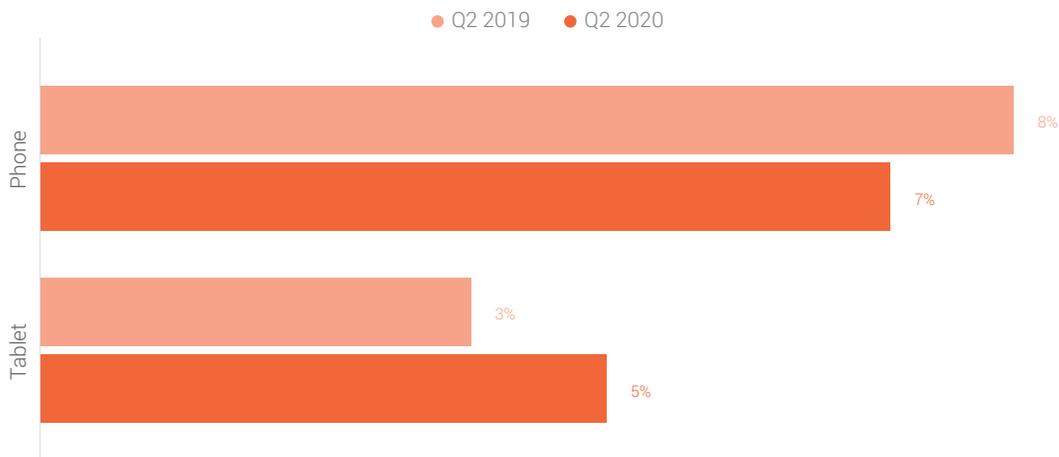
Average Number of Competitors in US Google Shopping Auction Insights Reports



➔ **Showcase Shopping ads click share slips on phones but ticks up on tablets.**

The share of Google Shopping phone clicks attributed to Showcase Shopping Ads went from 8% last Q2 to 7% in Q2 2020 for advertisers deploying Showcase ads, with phones accounting for more than 90% of all Showcase clicks. Tablet click share rose over the same time frame from 3% to 5%. While Showcase ads are eligible to show on desktop devices, desktop accounts for only a small fraction of a percent of click traffic for the vast majority of advertisers.

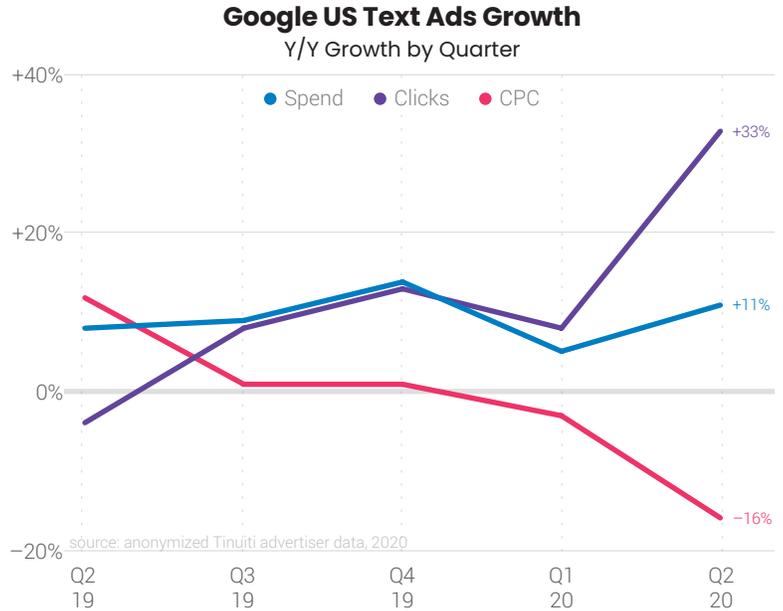
Google US Shopping Click Share by Device Type



Google Text Ads

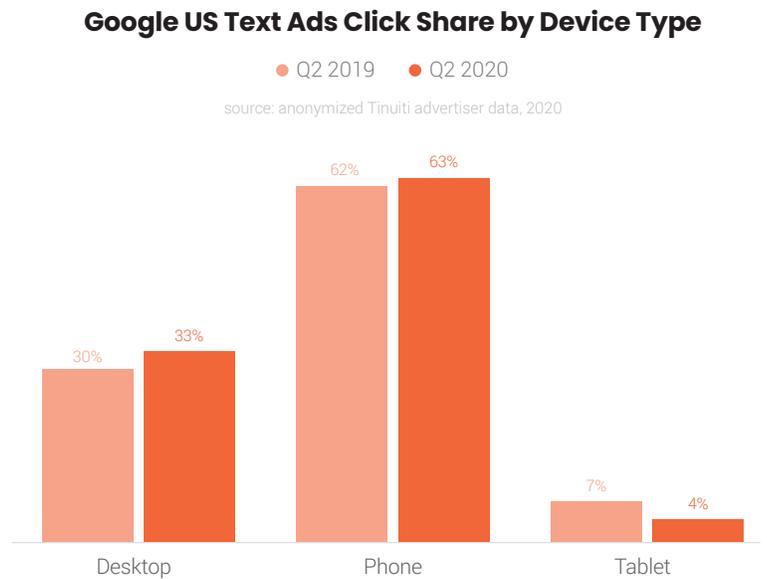
→ Text ad spend growth rebounds to 11% in Q2 with a 33% increase in clicks.

Spend growth for Google text ads slowed to 5% in Q1, the lowest growth rate of the last five quarters for the format, before rebounding to 11% in Q2 - the second-highest growth figure of the last five quarters. Click growth far outpaced previous quarters as some advertisers took advantage of the thinner competitive landscape to increase their presence and drive up impression and click volume, while cost per click declined 16%. As with overall Google spend growth, many advertisers decreased spend year over year on text ads but those that invested more heavily kept total spend growth strong.



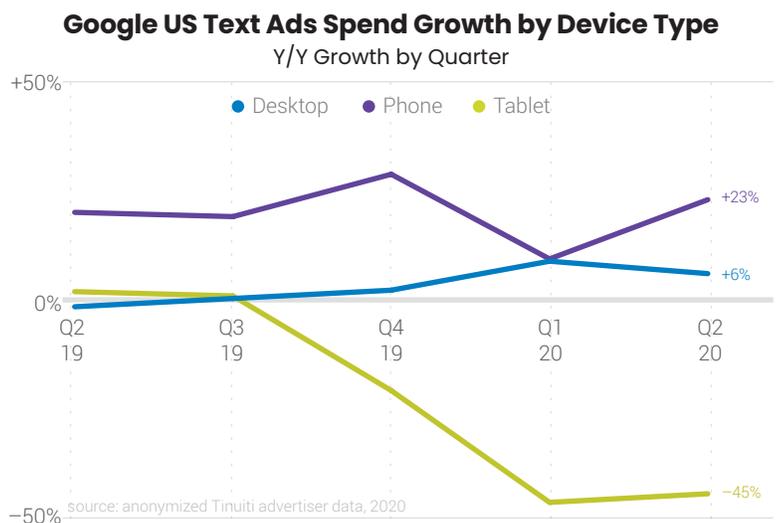
→ Phone and desktop click share edge upwards as tablets decline.

Phone click share of Google US text ad traffic rose from 62% in Q2 2019 to 63% in Q2 2020, as desktop increased from 30% to 33%. Tablet share declined from 7% to 4% over the same time frame, and tablet traffic has been in decline for over a year now with tablet market share slipping in the US. Spend share for desktop outpaces click share given the lower cost per click most advertisers pay for mobile traffic.



→ Phone spend growth outpaces desktop by a significant margin in Q2.

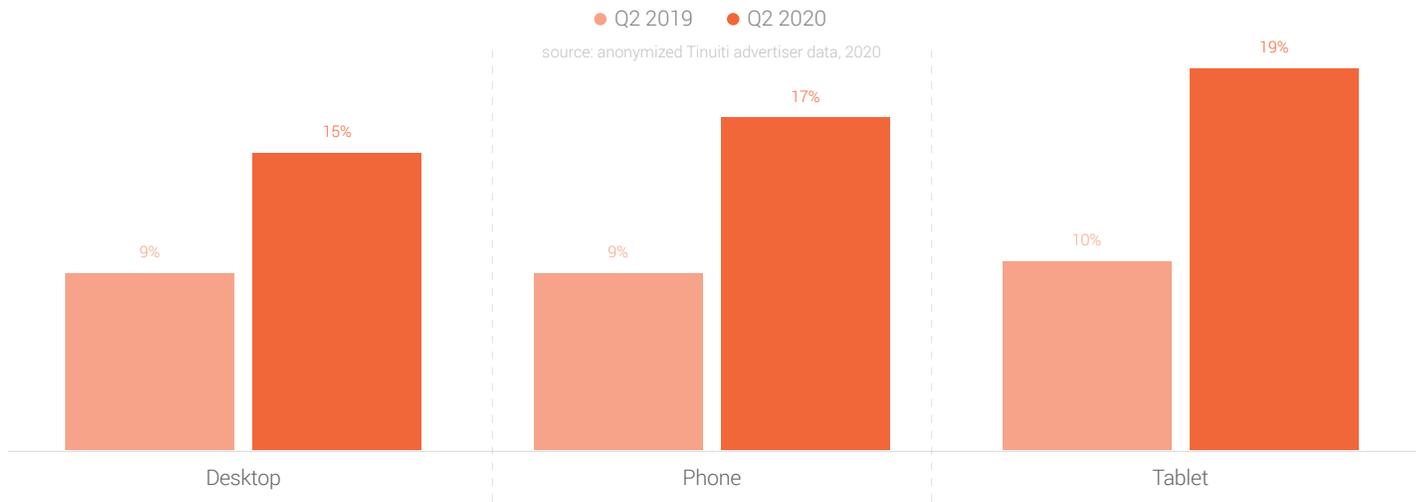
While desktop and phone spend growth were roughly even in Q1 for Google text ads for the first time in years, phones once again returned as the primary spend growth driver in Q2 with 23% growth, compared to just 6% growth on desktop. Desktop click growth actually outpaced phone click growth, but cost per click fell more on desktop year over year for Google text ads. Tablet spend fell 45% for the quarter, with huge declines in both pricing and click volume on these device types.



➔ **Advertisers are increasingly wielding Dynamic Search Ads to target searchers with text ads.**

Text ad click share attributed to Dynamic Search Ads, which allow Google to identify relevant queries for different pages on an advertiser’s website to show ads for, increased across all device types year over year. While these campaigns can be a smart way to reach searchers using queries that haven’t been built out as unique keywords within an account, they should be monitored closely to ensure the queries driving traffic are relevant. Of course, the same is now also true of all keyword match types given the influx of close variant traffic to exact and phrase match over the last couple of years.

Dynamic Search Ads Share of Google Text Ads Clicks

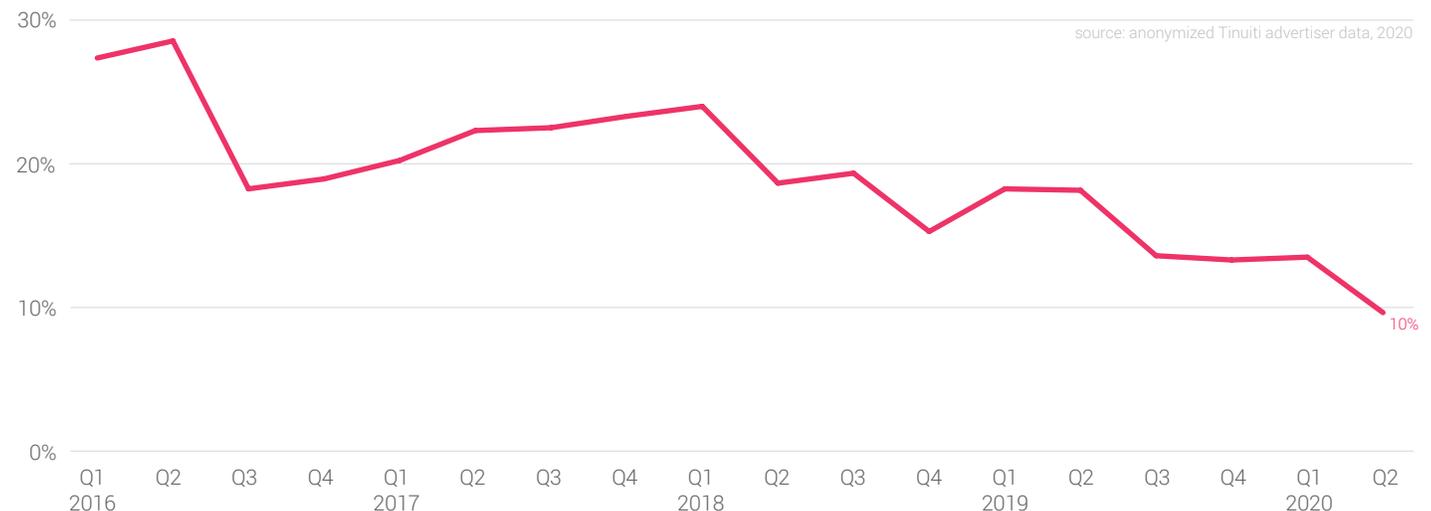


➔ **Broad match click share declines as the definition of close variants expands over time.**

In early 2016 more than 25% of non-brand keyword traffic was driven by queries attributed as broad matches by Google search term reports, but in Q2 2020 that figure was down below 10%. While advertiser keyword strategy can certainly change over time, this shift appears to be largely the result of Google’s changes over the years to the rules surrounding what constitutes a close variant for different match types. With phrase and exact match keywords now pulling in more queries that would have formerly been considered broad matches, advertisers must remain vigilant across keywords of all match types to ensure proper negative strategy is being deployed.

Broad Match Share of Google Paid Search Clicks to Non-Brand Keyword Campaigns

Median Advertiser

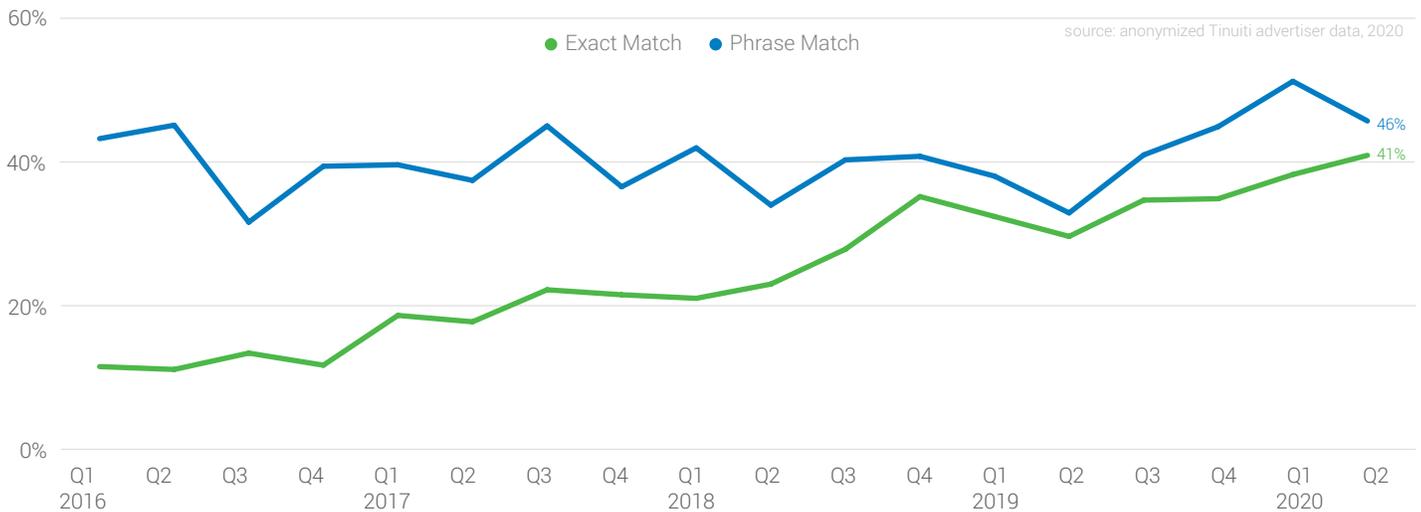


➔ **Close variants now account for over 40% of non-brand exact and phrase match clicks.**

The share of total Google non-brand keyword clicks assigned as exact match that came from close variants rose from 12% in Q1 2016 to 41% in Q2 2020, as the definition of exact match close variants went from being limited to misspellings and plurals to including any phrase deemed by Google to have the same meaning as the keyword. Phrase match has long had a significant share of clicks attributed as close variants, but share increased from 33% in Q2 2019 to 46% in Q2 2020, with Google announcing the expansion of same-meaning close variants to phrase match in July 2019. Given the cannibalistic nature of close variants indicated by the decline of broad match traffic share over time, it's difficult to measure the incremental increase in clicks from close variants.

Close Variant Share of Google Non-Brand Exact and Phrase Match Clicks

Median Advertiser

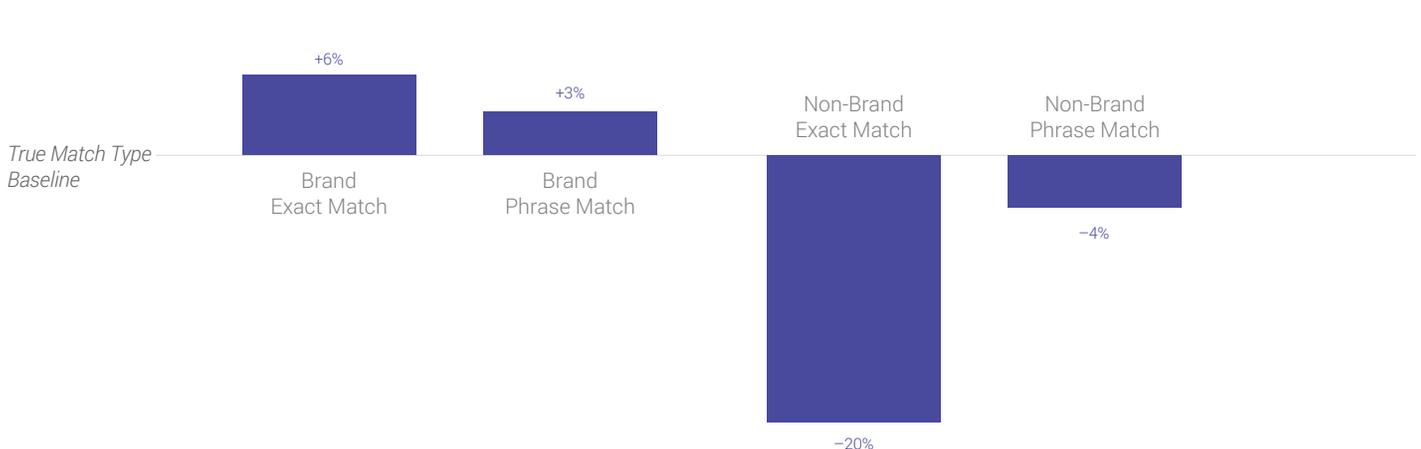


➔ **Brand close variants perform nearly the same as true match types.**

For brand keywords, the median advertiser found close variants actually slightly outperformed true exact and phrase matches in Q2, as Google is usually very good at identifying query variations which have the same meaning as branded keywords. For non-brand keywords, exact match close variants underperformed true exact matches in conversion rate by 20% for the median advertiser, which is why advertisers should be paying close attention to the queries matching as close variants in order to ensure traffic is relevant. Conversion rate for phrase match close variants also underperformed true phrase match for non-brand keywords, but only by 4%.

Google Paid Search Close Variant Conversion Rate Relative to True Match Types

Median Advertiser

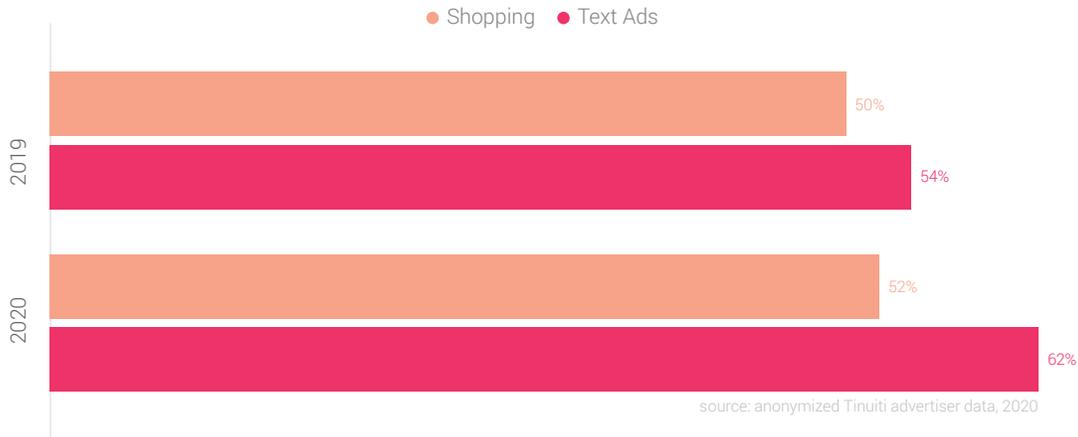


Google Search Audiences

→ **The share of spend attributable to target audiences rises across Shopping and text ads.**

Across the different audience targeting capabilities available to advertisers in paid search, the share of spend attributable to these audiences rose from 54% last Q2 to 62% this Q2 for text ads. The share attributable for Shopping ads also rose, going from 50% to 52%. Over the years Google’s targeting options have become much more expansive in allowing advertisers to layer segmentations on top of keyword and product targets across text ads and Shopping, making for stronger bidding and copy to maximize the effectiveness and efficiency of ads reaching remarketing lists and new prospects alike.

Share of Google Search Spend Attributed to Targetable Audiences



→ **Key audience segments regularly outperform non-audience members in conversion rate across device types.**

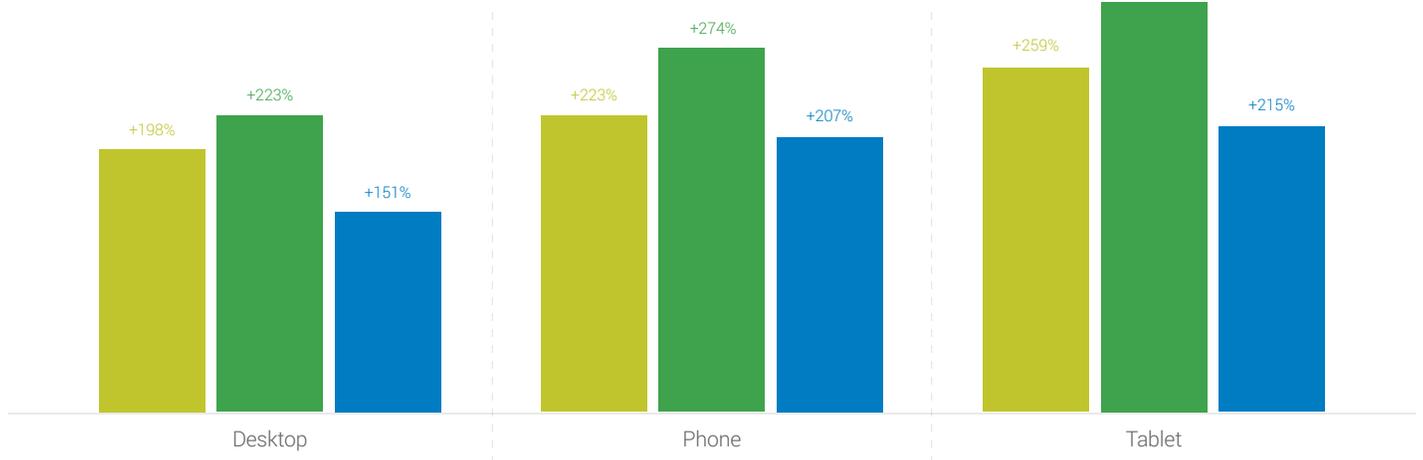
One of the key reasons to optimize for Google audiences is that groupings like website visitors, customer lists, and similar audiences built off of website visitor and customer match audiences often drive greater value for brands in terms of directly measured conversion rate. The question of incrementality is an important one to address in determining how one should adjust bid strategy with regards to the audiences, and advertisers should also be looking at how they can produce a customer experience that will drive an even higher customer lifetime value for these searchers. A key component of this is also recognizing that a lot of traffic coming from remarketing or customer lists comes from branded queries.

Google Paid Search Audience Conversion Rate

Relative to People Not in Audiences by Device Type

● Website Visitors ● Customer Match ● Similar Audiences

source: anonymized Tinuiti advertiser data, 2020



➔ **Website visitor spend share slips on phones year over year.**

The share of Google paid search spend attributed to website visitors, commonly referred to as Remarketing Lists for Search Ads (RLSA), remained roughly the same on desktop and tablet devices year over year in Q2 at 14%, though spend share did slip on phones from 13% to 11%. The share of spend attributed to these audiences is naturally heavily dependent on how much website traffic an advertiser gets, as well as advertiser strategy, which can include variations as disparate as targeting only website visitors or excluding website visitors entirely.

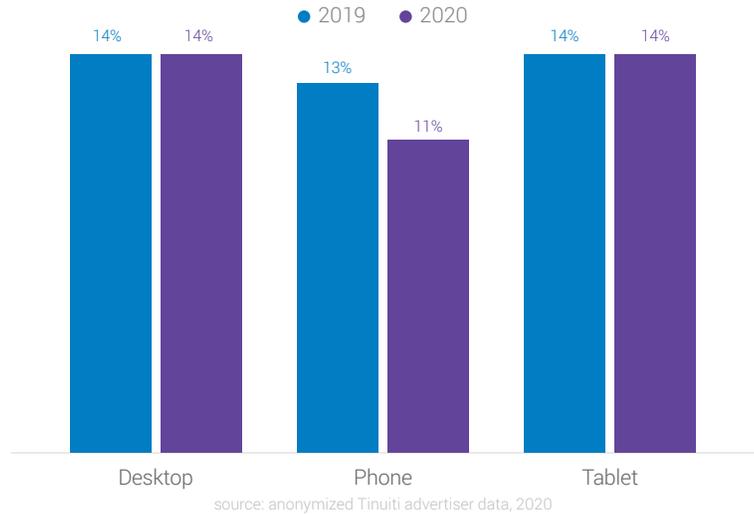
➔ **Customer Match paid search spend share is up across device types year over year.**

Customer Match audiences continue to account for a small share of spend overall, with no device types showing higher than 3.5% of spend attributed to them. However, share rose over the last year across desktop, phone and tablet. These audiences allow advertisers to deploy customer lists comprised of email addresses, phone numbers, and/or physical addresses as audiences in ad targeting. Spend share depends heavily on the size of an advertiser’s CRM lists, as well as how likely Google is able to match the identifying information to users in search. Given the often extensive information brands might have tied to this PII, advertisers can wield Customer Match audiences to provide highly relevant experiences to the customers they know the best.

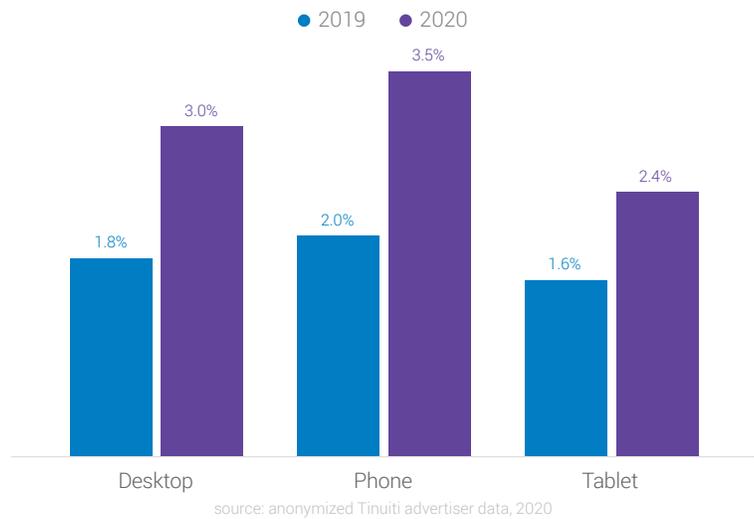
➔ **Similar Audiences spend share is roughly steady across device types year over year.**

Similar Audiences accounted for between 8% and 10% of spend across device types in Q2 2020, nearly identical to the figures observed for the same quarter last year. Similar Audiences are groups of users who display similar search behavior as members of Customer Match or Remarketing Lists for Search Ads audiences, and help advertisers to drive incremental sales from users which usually have a propensity to perform better than average, non-audience members.

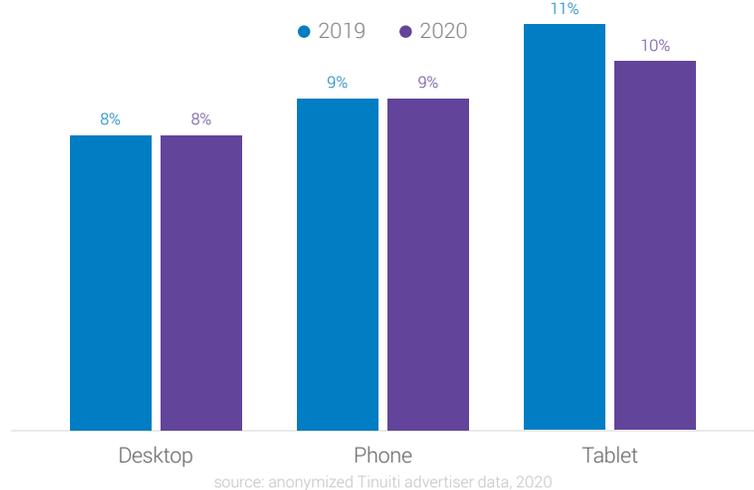
Google Paid Search Spend Share Attributed to Website Visitors



Google Paid Search Spend Share Attributed to Customer Match



Google Paid Search Spend Share Attributed to Similar Audiences



TAKE THE NEXT STEP

Schedule Your Google Ads Strategy Evaluation

Schedule a complimentary analysis of your existing Paid Search, Shopping, and Display campaigns to identify areas for improvement and opportunities for growth.

[TINUITI.COM/CONTACT-US](https://tinuiti.com/contact-us)

