Google Ads
Benchmark Report

Triopoly Series

→ Report Highlights

Advertisers increased spend on Google search ads 28% year over year in Q3, an acceleration from 19% growth in Q2. CPC declined just 1% in Q3, a far cry from the 17% decline observed in Q2, as many advertisers such as Amazon ramped up search investment in the quarter, increasing competition. Click growth slowed with more advertisers vying for searchers.

Shopping spend growth once again outpaced text ad spend growth for the quarter, with advertisers increasing Shopping investment 34% year over year compared to a 25% increase for text ads. Text ads CPC recovered more quickly than Shopping, going from a 16% decline in Q2 to a 4% increase year over year in Q3.

The biggest Google Ads buyer to ramp up spend in Q3 was Amazon, which returned to both Google Shopping and text ads in early June. By the end of the quarter, Amazon's impression share against retailers approached pre-pandemic 2020 levels for Google Shopping. Its impression share in text ad auctions ended Q3 at only about half of the highs observed earlier in the year, but was on the rise to end the quarter. Notably, Amazon did not pause its Google search ads during Prime Day this year as it did in 2019.

Many advertisers saw a big boost in performance after the end of the quarter coinciding with Prime Day, October 13 and 14, when sales attributed to Google Shopping ads grew 109% on desktop year over year. Retailers also saw sales attributed to desktop text ads rise 89%, and many retailers ran concurrent discounts to capitalize on Amazon's biggest shopping holiday.

In Q3 2020, there were more than six times as many search advertisers deploying Amazon Attribution as in Q1 2019, as Amazon sellers are increasingly including these measures in helping to account for the full value of marketing channels. For Google advertisers that sell on Amazon, Amazon Attribution is a tracking tool which gives brands insight into the impact that marketing through channels other than Amazon has on Amazon sales.

In September, Google made a significant update to its search terms reports, stripping out queries which were deemed to not have been searched for by enough unique searchers in a move to protect privacy, according to Google. In turn, the share of spend attributable to search queries tumbled meaningfully across device types and ad formats, and advertisers now have less visibility into the terms users search for prior to clicking ads.

Similar Audiences are growing quickly in importance for search advertisers, and in Q3 2020 these audiences accounted for 17% of phone clicks, compared to just 11% last Q3. Built from users that display similar search behavior as those individuals included in Remarketing Lists for Search Ads (RLSA) and Customer Match audiences, Similar Audiences can help to further segment the overall search population and help identify individuals that are more similar to previous customers than the average searcher. The share of traffic from RLSA audiences declined on both phone and desktop year over year, while Customer Match audience click share held roughly steady.

12% of Smart Shopping campaign spend was attributed to the Google Display Network in Q3 2020. Smart Shopping campaigns target inventory across Gmail, YouTube, and other Google Display Network properties by default, and advertisers cannot exclude specific placements.

→ 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.
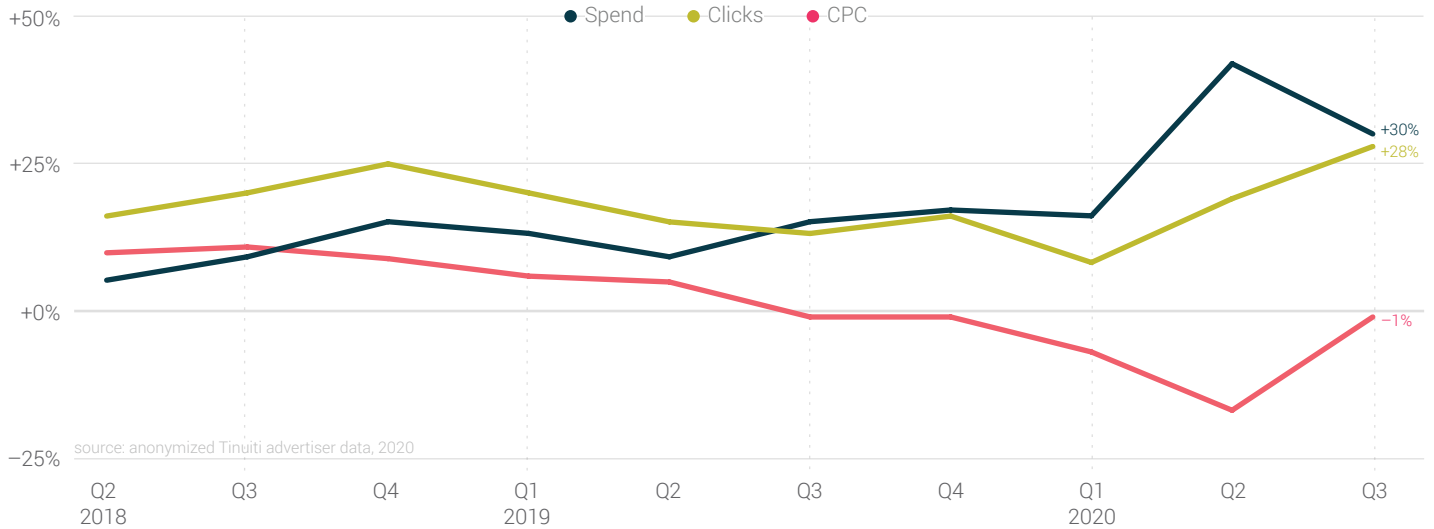
→ About Tinuiti

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 Overall

➜ CPC declines just 1% in Q3 as Google paid search competition ramps back up.

Average cost per click declined 17% year over year in Q1, as major advertisers like Amazon pulled out of ad auctions for significant stretches of the quarter, leaving a less competitive landscape. With Amazon's return to auctions in June as well as other advertisers reactivating and/or ramping up ad spend, CPC declined just 1% in Q3. Click growth slowed from 42% in Q2 to 30% in Q3, but was still significantly higher than any other quarter over the last two years as ecommerce continues to see expanded demand during the pandemic.
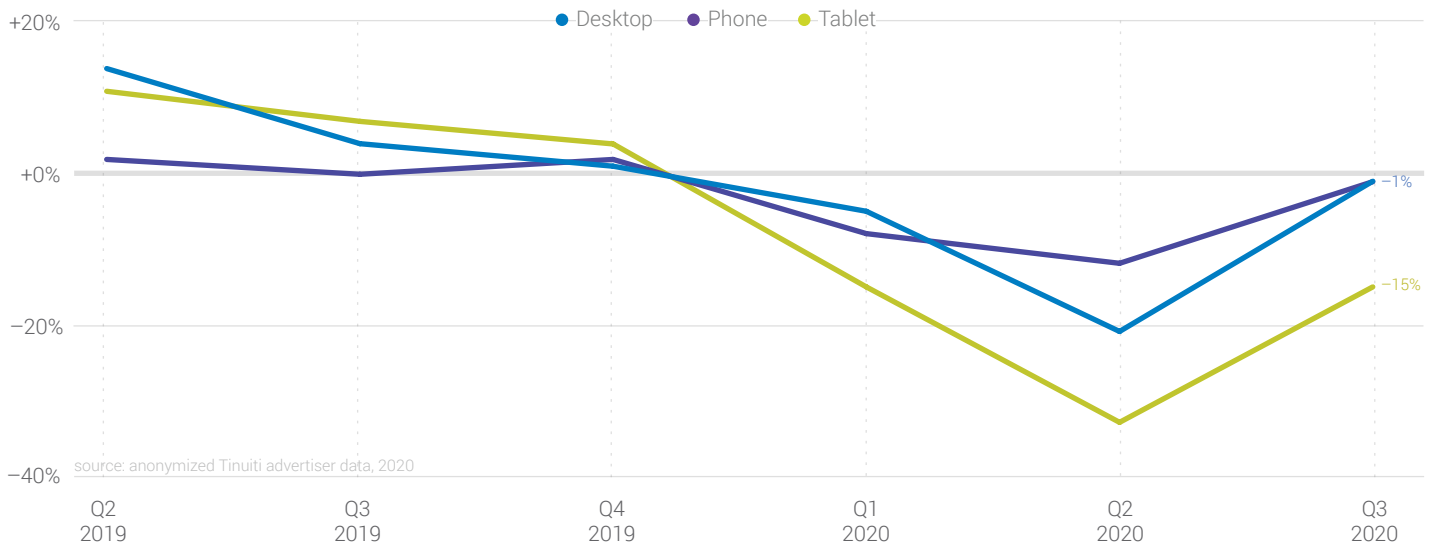
Google US Paid Search Y/Y Growth

● Spend   ● Clicks   ● CPC

+30%
+28%

−1%

source: anonymized Tinuiti advertiser data, 2020

| Q2 2018 | Q3 | Q4 | Q1 2019 | Q2 | Q3 | Q4 | Q1 2020 | Q2 | Q3 |

➜ Average CPC growth rebounds across device types.

Desktop and phone CPC each decreased just 1% year over year in Q3 after falling 21% and 12%, respectively, in Q2. Year-over-year declines in tablet CPC also slowed significantly, going from -33% in Q2 to -15% in Q3. Some advertisers that were forced to pull back or go dark in the early months of the pandemic have returned to auctions and ramped up spend in Q3, a group headlined by Amazon. While pandemic-related shifts in the auction are certainly important in understanding recent CPC movement, it should be noted that CPC growth was largely trending downward prior to Q1 2020.
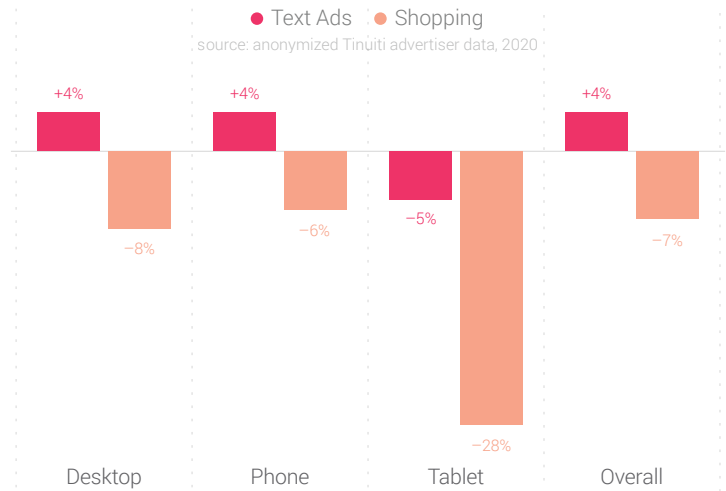
Google US Paid Search Y/Y CPC Growth by Device Type

● Desktop   ● Phone   ● Tablet

−1%

−15%

source: anonymized Tinuiti advertiser data, 2020

| Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 |

→ Text ads CPC is up 4% year over year in Q3 as Shopping CPC decline slows from Q2.

After declining 16% year-over-year in Q2, Google text ads CPC rebounded to grow 4% overall, with the same growth figure observed for text ad traffic from both phones and desktop computers. While Shopping ads CPC declined 7% year-over-year in Q3, that figure marks the smallest decline of the last three quarters, and in Q2 CPC declined 13%. Paid search auctions have become much more competitive relative to the early weeks of the pandemic, when Amazon paused campaigns for about three months and other advertisers like Walmart also pulled back for stretches.
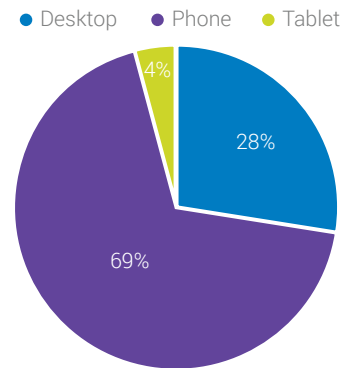
→ Phones account for 69% of all Google paid search clicks in Q3.

The share of total Google paid search clicks attributed to mobile phones stood at 69% in Q3 2020, with desktop accounting for 28% of clicks and the remaining 4% coming from tablets. Tablets have been in steady decline in terms of paid search click share over the last year. While desktop accounted for only 28% of clicks, it accounted for 40% of spend, as average cost per click is higher for desktop than phones.
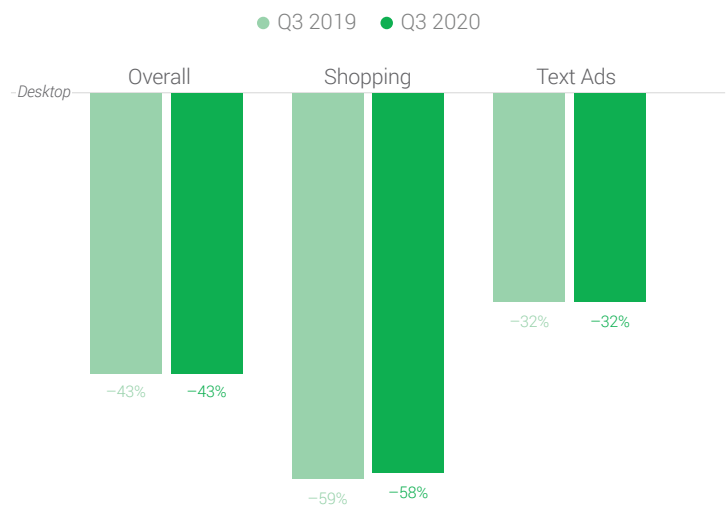
→ Phone CPC relative to desktop remains nearly identical year over year.

With CPC for both desktop and phones falling 1% year over year in Q3, it's no surprise that phone CPC relative to desktop remained nearly identical year over year for the quarter. Phone cost per click remains lower than desktop largely due to the expected value (for example, ecommerce orders created) of phone clicks remaining lower than desktop for many advertisers, and advertisers are able to control the price paid for phone traffic relative to desktop. Fewer than 10% of advertisers studied had an overall phone cost per click greater than desktop in Q3 2020.

Google US Paid Search CPC Growth
Q3 2020

● Text Ads   ● Shopping
source: anonymized Tinuiti advertiser data, 2020

Google Paid Search Click Share by Device Type
Q3 2020

● Desktop   ● Phone   ● Tablet

source: anonymized Tinuiti advertiser data, 2020

Google US Paid Search Phone CPC
#### Relative to Desktop

● Q3 2019   ● Q3 2020

source: anonymized Tinuiti advertiser data, 2020

➜ The number of advertisers deploying Amazon Attribution is up more than 500% since Q1 2019.

Compared to the first quarter of 2019, the number of Tinuiti paid search advertisers deploying Amazon Attribution was up more than 500% in Q3 2020, as brands that sell on Amazon are increasingly using this tracking tool to measure the impact of marketing channels like paid search on Amazon sales. Amazon attribution can be used to track the effects of both Google ads that link directly to an Amazon page as well as those that lead to non-Amazon landing pages.
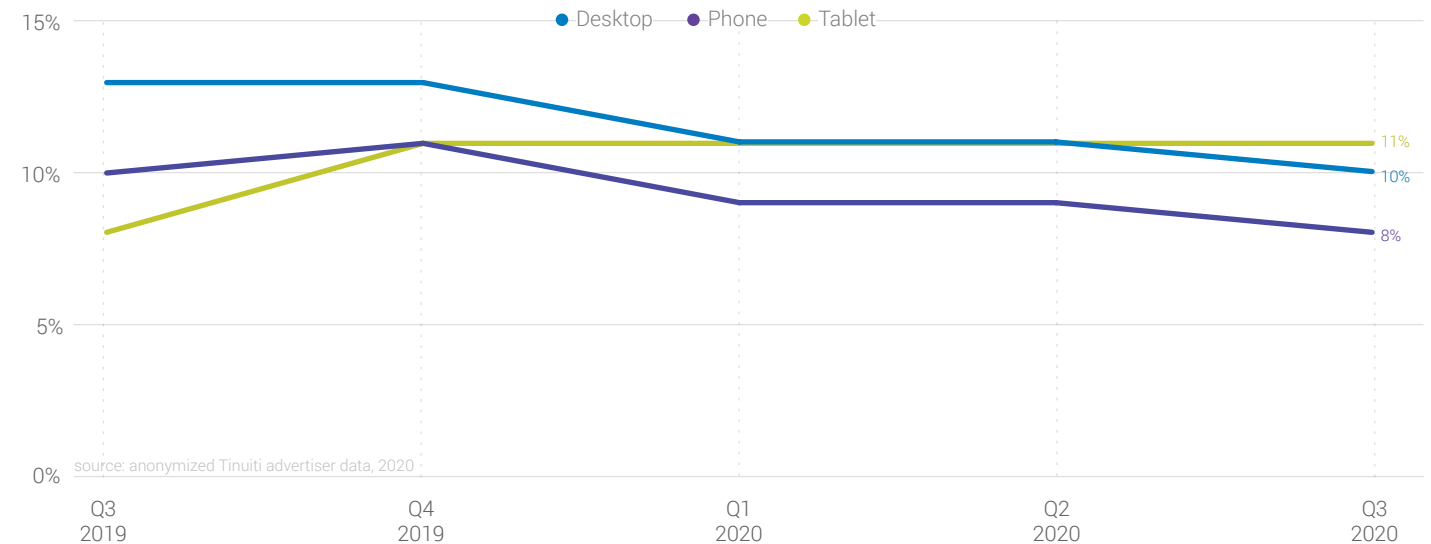
Number of Google Search Advertisers Deploying Amazon Attribution

source: anonymized Tinuiti advertiser data, 2020

| Q1 2019 | Q2 | Q3 | Q4 | Q1 2020 | Q2 | Q3 |
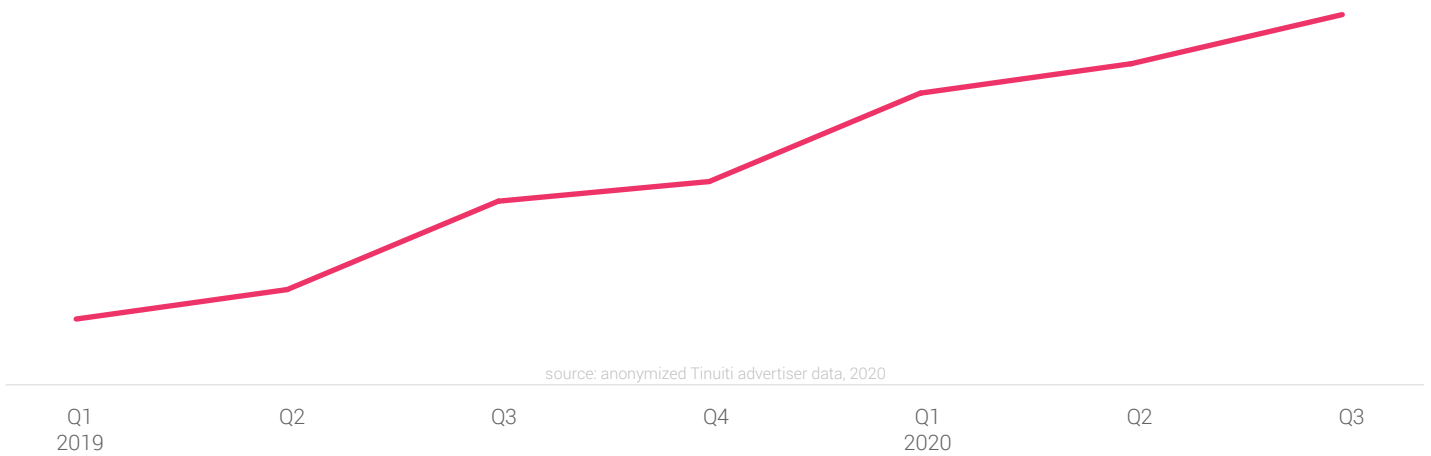
➜ Share of Google paid search clicks attributed to RLSA slips year over year.

The share of clicks attributed to Remarketing Lists for Search Ads (RLSA) audiences declined from 12% to 10% on desktop computers and from 10% to 8% on phones from Q3 2019 to Q3 2020. RLSA audiences are created based on an advertiser's website visitors, with tracking reliant on cookie-based technology. With the steady tightening of what types of cookies can be placed and how long they can remain active currently happening across device types and browsers, RLSA lists may continue to slip in traffic share moving forward.
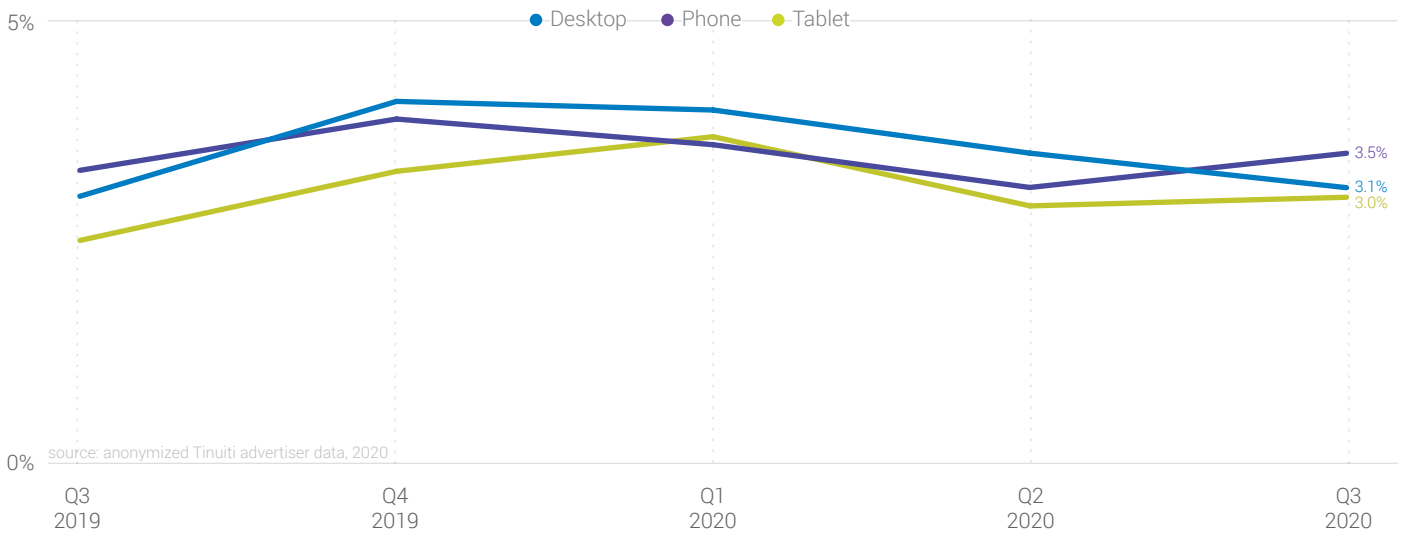
RLSA Share of Google Paid Search Clicks by Device Type

● Desktop ● Phone ● Tablet

source: anonymized Tinuiti advertiser data, 2020

| Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 |

Customer Match audiences account for 3% of paid search clicks across device types.

Customer Match allows advertisers to create targetable audiences using lists of email addresses, phone numbers, and physical addresses of customers that have provided this information to the advertiser first hand. In Q3 2020, these audiences accounted for about 3% of Google paid search clicks across device types, about the same as last Q3. These audiences tend to contain customers that are familiar with the brand advertising and who are more likely to convert than other searchers, and brands can get the most out of them by optimizing ad copy, landing pages, and website experience based on prior knowledge of the customer.
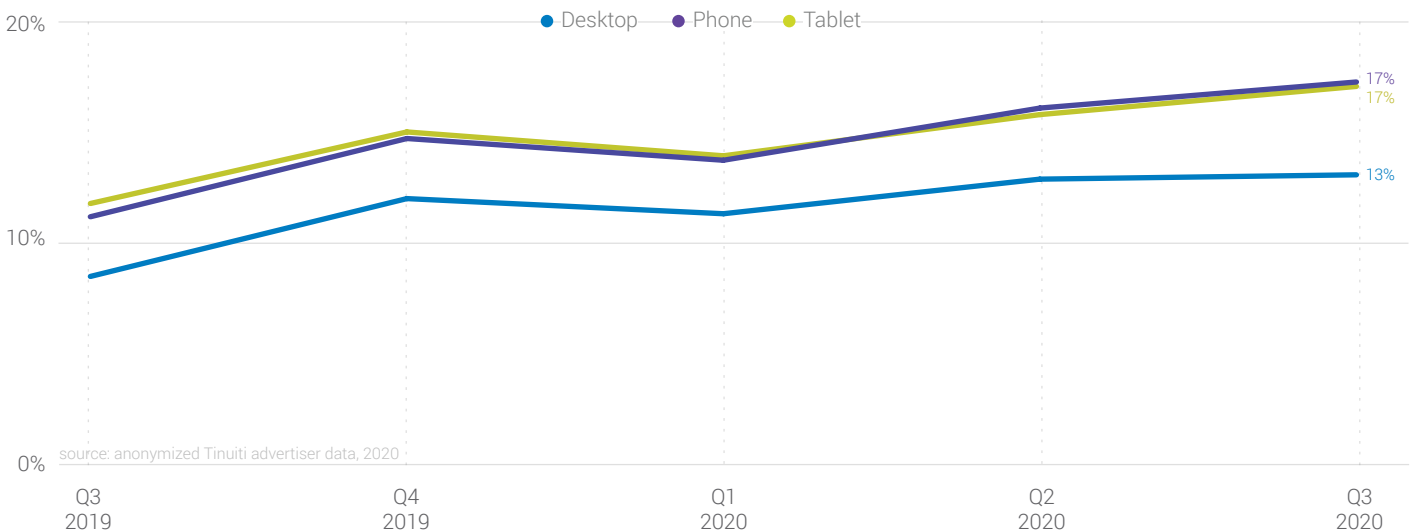
Customer Match Share of Google Paid Search Clicks by Device Type

Desktop ● Phone ● Tablet

source: anonymized Tinuiti advertiser data, 2020

3.5%
3.1%
3.0%

5%

0%

Q3 2019   Q4 2019   Q1 2020   Q2 2020   Q3 2020

Similar Audiences click share is on the rise in paid search.

Similar Audiences are created based on users that share similar search behavior as members of RLSA and Customer Match audiences, and over the last year have gone from accounting for 11% of Google paid search clicks on phones to 17%, with an increase from 8% to 13% on desktop. These audiences can be useful in identifying searchers who might behave more similarly to previous website visitors and Customer Match audiences than non-audience members, particularly as RLSA click share is starting to decline.

Similar Audiences Share of Google Paid Search Clicks by Device Type

Desktop ● Phone ● Tablet

source: anonymized Tinuiti advertiser data, 2020

17%
17%
13%

20%

10%

0%

Q3 2019   Q4 2019   Q1 2020   Q2 2020   Q3 2020

The Fallout
## from Google's September Search Terms Update

→ The Fallout from Google's September Search Term Update

In a September update, Google moved to reduce the queries included in Google Ads search terms reports, thereby limiting advertiser visibility into the specific queries driving ad traffic. Google cited privacy concerns in its rationale, stating that only terms that a 'significant number of users searched for' would continue to be included in reporting.

Taking a look across dozens of long-standing Tinuiti advertisers spending millions on Google search ads per month, there was a significant drop in the share of spend attributed to search queries across ad formats and device types from August to September.

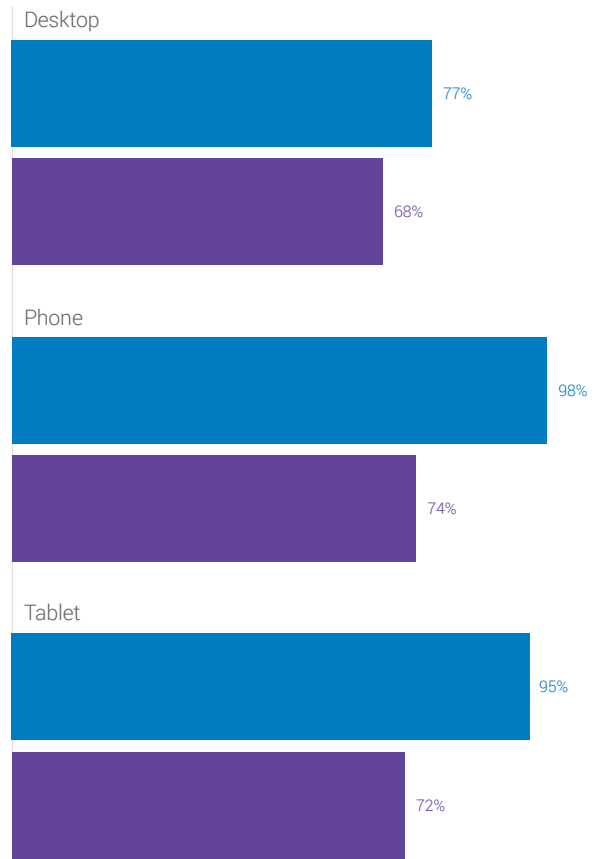### Google US Text Ads
Spend Share Attributed to Search Queries

● August   ● September

Desktop
98%
74%

Phone
96%
75%

Tablet
94%
76%
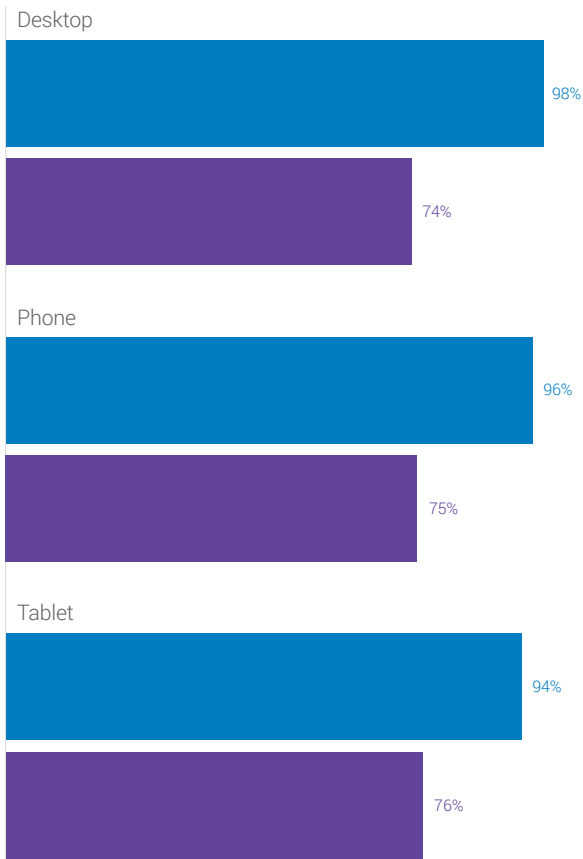
source: anonymized Tinuiti advertiser data, 2020

Google US Shopping
Spend Share Attributed to Search Queries

● August   ● September

Desktop
77%
68%

Phone
98%
74%

Tablet
95%
72%

source: anonymized Tinuiti advertiser data, 2020

Aside from Shopping ads on desktop, which unexplainedly had only 77% of spend attributed to search queries even in August, all other device-ad format combinations saw at least 94% of spend reported in search terms reports in August. By September, no device-ad format combination saw more than 76% of spend attributed in search terms reports, and Shopping campaigns saw lower spend share attributed to search queries in September than text ads across device types.

This is a massive decrease in query visibility, making it more difficult for paid search marketers to effectively identify poor-matching queries to weed out via keyword negatives. It also makes it more difficult to identify new query variations driving traffic which might be performing well and should be launched as new keywords.

As many in the industry have noted, Google is still reporting queries which have only a single ad impression and no clicks, which might on its face seem to contradict the privacy goals Google mentioned. However, the performance attributed to each query in a search query report is only for a single advertiser, and does not speak to how many times a particular search query has been used in the broader search universe. Again, Google stated that it is looking to limit visibility into those searches that have not been searched for by a 'significant number of users.'

What concerns many in the industry is the potential for the queries that aren't being reported to be of lower quality than those that are being reported, such that advertisers won't have visibility into the least efficient queries.

Google Cost per Conversion of Traffic Not Attributed to Search Queries
Relative to Traffic Attributed to Search Queries

● Desktop   ● Phone   ● Tablet
source: anonymized Tinuiti advertiser data, 2020
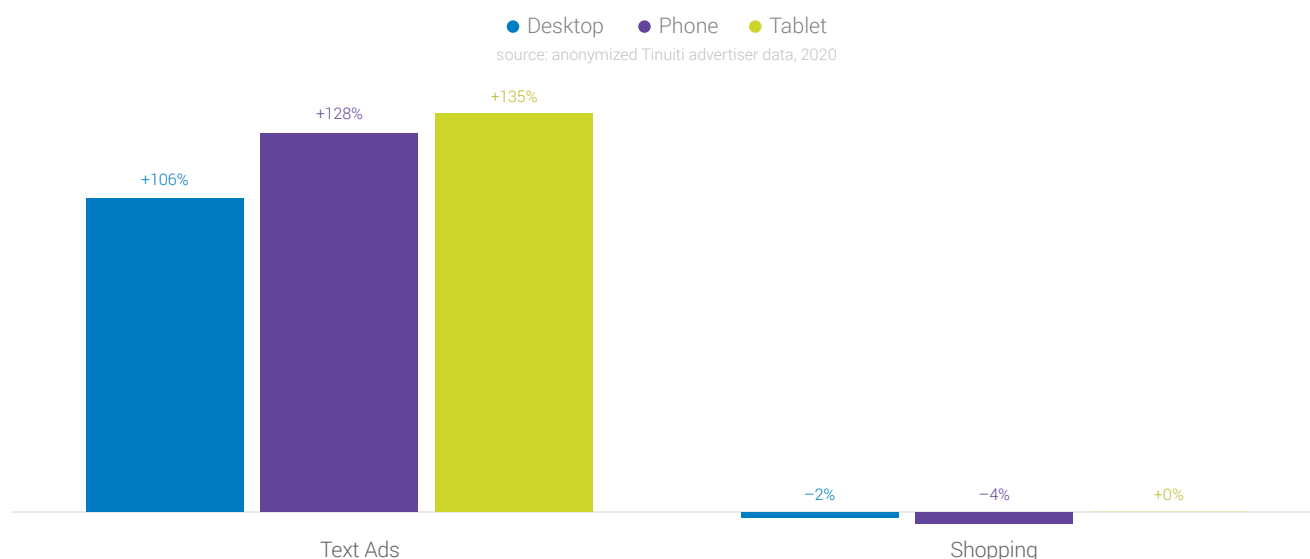
Examining the cost per conversion of ad clicks not attributed to search queries in September compared to those attributed to search queries, we find that conversions for non-search query traffic are significantly more expensive for text ads, but roughly the same for Shopping.

The significant difference in cost per conversion for text ads is likely due to mix differences in the types of queries still included in query reports, such as the share of queries that are branded in nature relative to non-brand and how likely those two different classes are to be reported in search terms reports moving forward. Given that there is almost no difference in cost per conversion for Shopping campaigns, it's unlikely that Google's motive with the change was to simply hide poor-performing queries, especially since Shopping accounts for a majority of paid search traffic for most retail advertisers in 2020.

Advertisers may be more inclined to tighten the match types which they deploy for text ad targeting in light of less visibility into the queries driving spend, in the hopes of limiting the types of queries which might trigger ads. However, even if one were to use only exact match keywords, the steady expansion of the definition of close variants has eroded the boundaries of what kinds of queries might be deemed exact matches.

The share of queries attributed as close variants went from accounting for 12% of exact match clicks in Q1 2016 to 41% in Q2 2020. Meanwhile, queries deemed to be broad matches by Google accounted for only 10% of paid search clicks in Q2 2020, down from more than 25% in the first half of 2016. As such, limiting keywords to only exact match might limit some of the matching possibilities, but close variants are now pulling in many queries that would have been considered broad matches a few years ago.

In terms of what advertisers should do as a result of this change, we offer the following recommendations:

- When comparing performance of ad traffic attributed to search queries relative to traffic not attributed to search queries, segment by device, campaign, and even ad group/keyword to get the best sense of how these comparisons really look. Just as the difference in cost per conversion was markedly different for text ads compared to Shopping when looking across our robust sample, there are also going to be nuances when zooming in at a more granular level.

- Keep monitoring search query reports to identify poor matches for keyword negatives and top performing iterations for new keyword opportunities. The vast majority of spend is still being attributed to search queries for most advertisers, and marketers will continue to benefit from regular query vigilance and smart optimizations.

- Use the Google Keyword Planner to surface what kinds of queries might be considered similar to the keywords you're launching in order to preemptively identify keyword negatives. This will help prevent poor matches before a keyword is even getting ad clicks.

- Use insights gleaned from Microsoft Ads search query reports to help identify poor-performing queries which might not be visible through Google's reporting.

- For agencies and marketers that haven't already, it's important to start recording institutional knowledge on the types of queries that tend to perform poorly for different types of advertisers. For example, knowing that keywords for a particular product/service category have a high propensity to be triggered by queries that are similar in some ways but indicate a totally different vein of interest. Given that queries may be further culled in updates down the road, the more that advertisers can know going into launching new campaigns and where poor matches tend to spring up, the better able they'll be to weed those matches out even if they're not as measurable in search terms reports.

For the most part, this update isn't a deal-breaker in terms of driving advertisers away from Google, but it is an annoyance. Particularly given the rise of close variants over the last couple of years, advertisers have increasingly been reliant on search query reports to find poor matches and prevent them with keyword negatives. Any limitations to how many queries are being reported is an obstacle to such control.

That said, advertisers still have visibility into most of the queries accounting for ad spend. Paid search marketers should continue using search query reports for optimizations today, as well as in recording any known query types which tend to cause issues to use for reference in the long run. If Google's trend towards broader definitions of close variants is any indicator of how Google might end up widening the pool of queries that are excluded from search query reports over time, it may not be long before we see a further reduction in visibility.

Google Shopping Ads

→ Google Shopping spend growth holds steady as CPC growth rebounds.

Google Shopping ads click growth slowed from 53% in Q2 to 44% in Q3, while CPC growth slowed from a 13% decline in Q2 to a 7% decline in Q3. With growth of these two metrics moving in opposite directions, spend growth held steady from Q2 to Q3 at 34%. The click growth of the last two quarters is the largest since 2018, and the ongoing elevated ecommerce demand stemming from the pandemic continues to drive elevated search interest for many products.
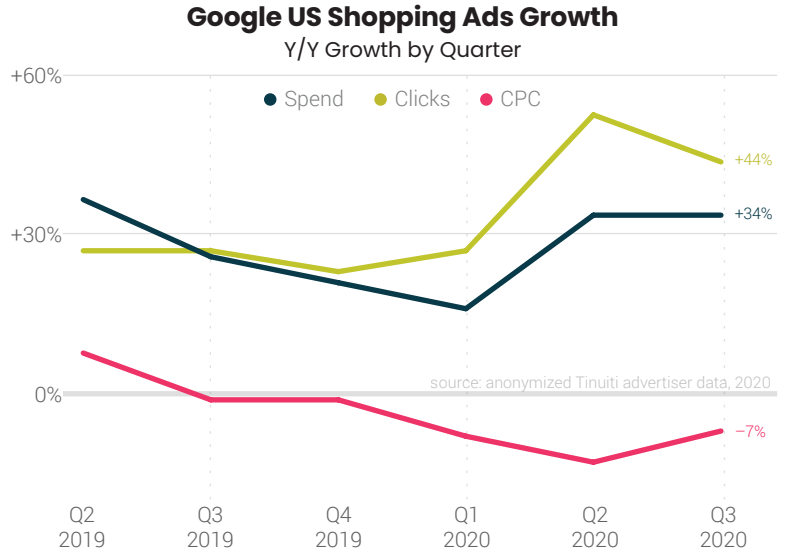
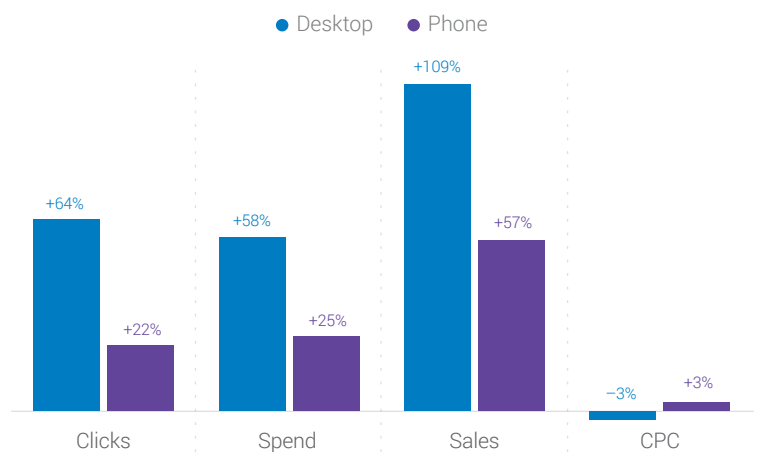## → Amazon's Google Shopping impression share is nearly back to pre-pandemic 2020 levels.

After twelve weeks of absence from Google Shopping auctions in Q1 and Q2, Amazon returned to bidding on Google Shopping ads in early June. Amazon's impression share steadily climbed throughout Q3, though was still lagging its January impression share levels at the end of the quarter. In contrast to Prime Day 2019, Amazon kept its Google Shopping ads active during its Prime Day event on October 13-14.

→ Sales attributed to desktop Shopping ads more than double year over year on Prime Day.

Amazon held its 2020 Prime Day event on October 13 and 14, creating a surge in shopping demand that spilled over into channels outside of Amazon, such as traditional search, where competing retailers ran their own deals during the event. For the two days of the event, Google Shopping advertisers saw sales more than double year over year on desktop, while phone sales increased 57%. Both figures were stronger than spend growth on the two device types, and return on Google Shopping spend improved meaningfully during the event for many retailers.

Google US Shopping Ads Growth
Y/Y Growth by Quarter

source: anonymized Tinuiti advertiser data, 2020

Amazon US Google Shopping Impression Share by Device Type
Median Amazon Competitor

source: anonymized Tinuiti advertiser data, 2020

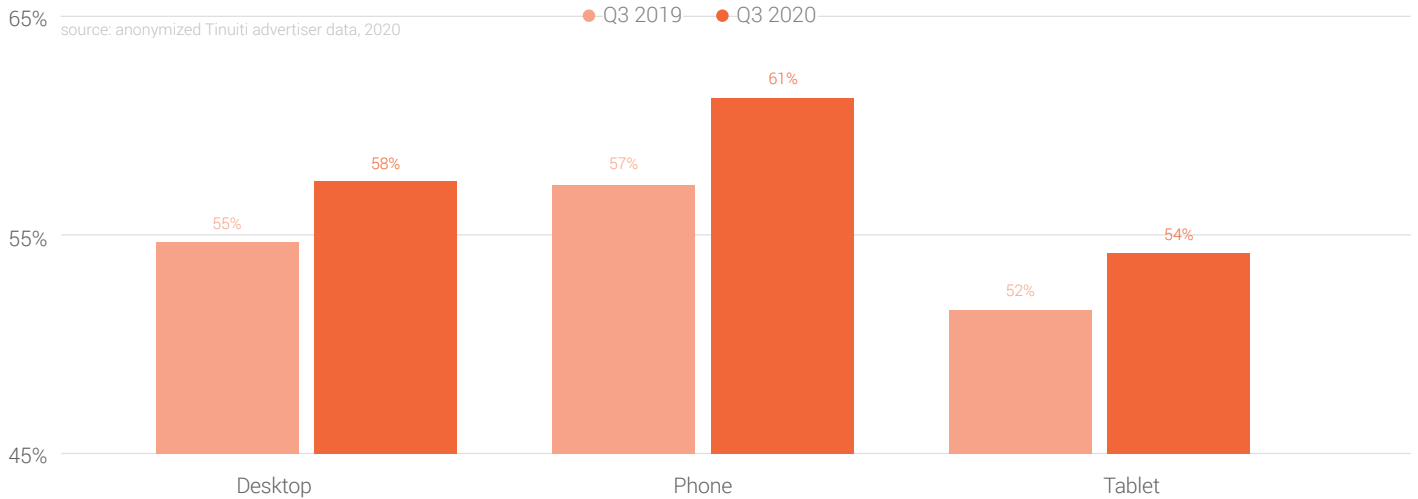### Google US Y/Y Shopping Ads Growth During Prime Day
October 13-14, 2020

➜ Shopping share of Google paid search spend is up year over year in Q3 2020.

Shopping spend growth has long outpaced text ad spend growth for retailers, and in Q3 2020 the share of total Google paid search spend for the median retailer studied increased across all three device types. The biggest jump occurred on phones, where Shopping went from 57% of spend in Q3 2019 to 61% in Q3 2020. Newer Shopping formats like Local Inventory Ads and Showcase Shopping Ads were rolled out with a focus on mobile results.

Google US Shopping Share of Paid Search Spend
Median Retail Advertiser

● Q3 2019   ● Q3 2020

source: anonymized Tinuiti advertiser data, 2020

| Device	Q3 2019	Q3 2020
Desktop	55%	58%
Phone	57%	61%
Tablet	52%	54%

➜ The Display Network accounts for 12% of all Smart Shopping campaign spend in Q3.

Smart Shopping campaigns target the Google Display Network (GDN) in addition to traditional search and partner placements, and in Q3 2020 the GDN accounted for 12% of spend attributed to these campaigns. This share can be much higher for some advertisers, topping 50% of Smart Shopping spend in some cases. As such, it's important to take this into account when comparing Smart Shopping campaign performance relative to traditional Shopping campaigns.

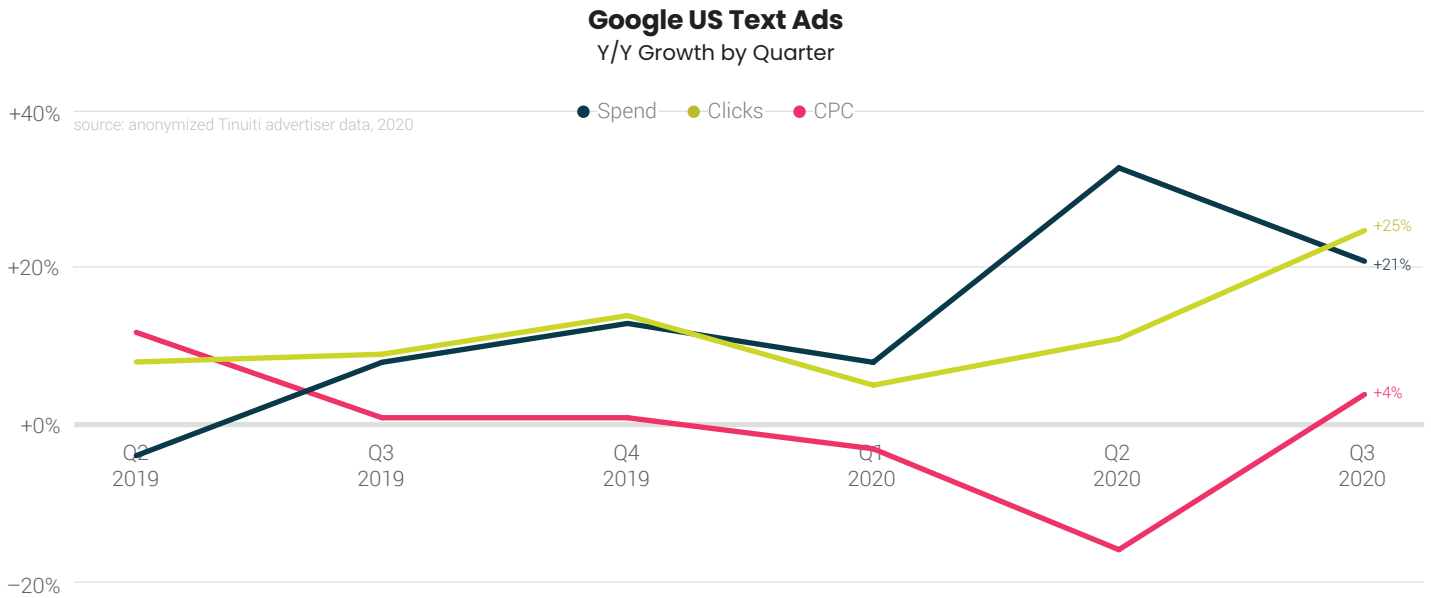**Amazon US Smart Shopping Spend Share**
Q3 2020

● Google Shopping   ● Display Placements

- Google Shopping: 88%
- Display Placements: 12%
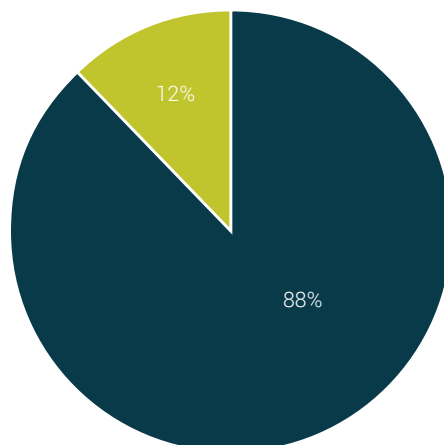
Google Text Ads

➔ Text ads CPC grew 4% year over year in Q3 after a 16% Q3 decline.

Much like Google Shopping ads, click growth for text ads slowed from Q2 to Q3, going from 33% to 21%. Text ad CPC increased 4% year over year in Q3 following a 16% Q2 decline, as spend growth accelerated to 25% in Q3. The 4% increase marked the highest CPC growth since Q2 2019 and followed four straight quarters of deceleration in year-over-year growth. Notably, CPC growth dropped from a 12% year-over-year increase in Q2 2019 to just 1% growth in Q3 2019, and the softer year-ago comparison likely played into the acceleration in CPC growth from Q2 to Q3 of 2020.

Google US Text Ads
Y/Y Growth by Quarter

● Spend   ● Clicks   ● CPC

source: anonymized Tinuiti advertiser data, 2020

➔ Amazon text ad impression share is on the rise heading into Q4.

Amazon returned to text ads in early June along with its return to Google Shopping, and while its impression share remained stagnant for several weeks in Q3, its presence started to ramp up towards the end of the quarter. Still, Amazon appears to be far less visible in Google text ad auctions than it was earlier in 2020, with impression share the last week of the quarter coming in at around half of what was observed in early January.

Amazon US Google Text Ads Impression Share
Against Median Amazon Competitor

source: anonymized Tinuiti advertiser data, 2020

### ➔ Retailers see a surge in sales driven by text ads during Prime Day.

Much like in the case of Google Shopping ads, retailers found that sales attributed to text ads rose significantly year-over-year on Prime Day, with desktop sales up 89% and phone sales up 62%. Notably, average cost per click leapt more than 20% during the event, but sales growth still outpaced spend growth for both desktop and phones.

Google US Retail Text Ads Y/Y Growth During Prime Day
October 13-14, 2020

● Desktop   ● Phone
source: anonymized Tinuiti advertiser data, 2020

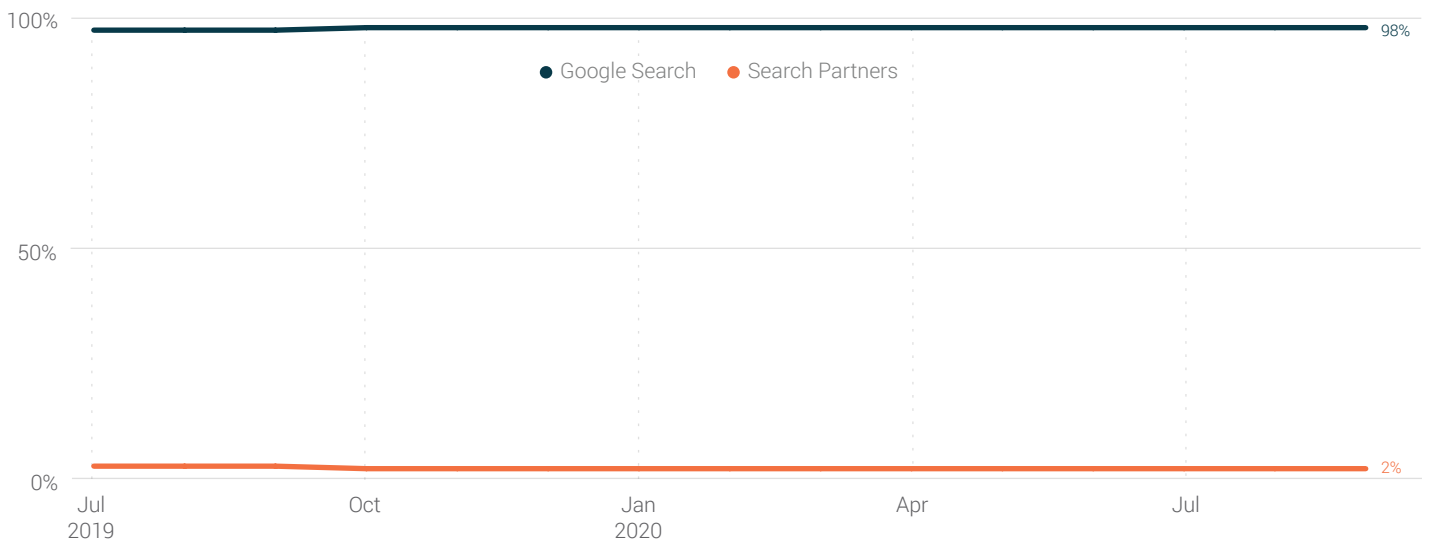|	Clicks	Spend	Sales	CPC
Desktop	+43%	+82%	+89%	+26%
Phone	+9%	+33%	+62%	+22%
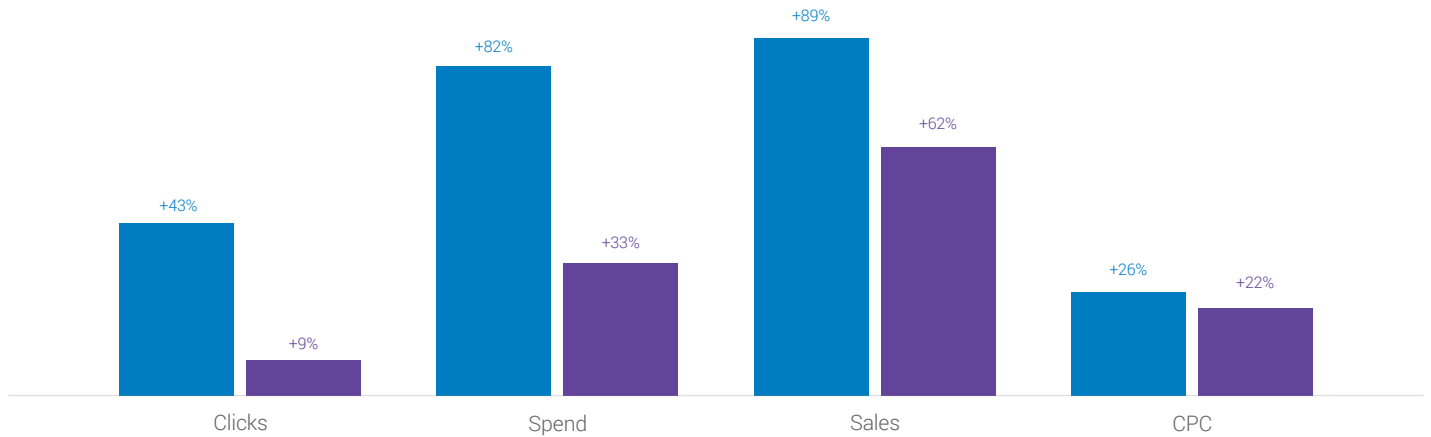
➔ Search Partners account for just 2% of Google text ads spend in September 2020.

While the Search Partner network is a bigger part of Google text ad spend than it is for Shopping, it still accounted for just 2.4% of spend in September 2020. To put that figure in perspective, the Search Partner Network accounted for 22% of all text ad spend (and 22% of all paid search spend given Shopping didn't exist at the time) for the full year 2010 for Tinuiti advertisers, and its importance has been in steady decline over the years.

Google US Text Ads Spend Share by Network
source: anonymized Tinuiti advertiser data, 2020

● Google Search   ● Search Partners

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