

Google's massive ad growth fueled by retail spending

Article

The news: Google boosted its ad revenues by **32.6%** year over year to **\$61.24 billion** in Q4 2021, **per** parent company Alphabet's earnings release on Tuesday.

- Full-year revenues for Alphabet rose by 41.2% to \$257.64 billion—a rate of increase that Google hadn't achieved since 2007, when it was much smaller.

- Its search business led the charge with 35.7% growth in Q4, while YouTube ad revenues climbed 25.4%.

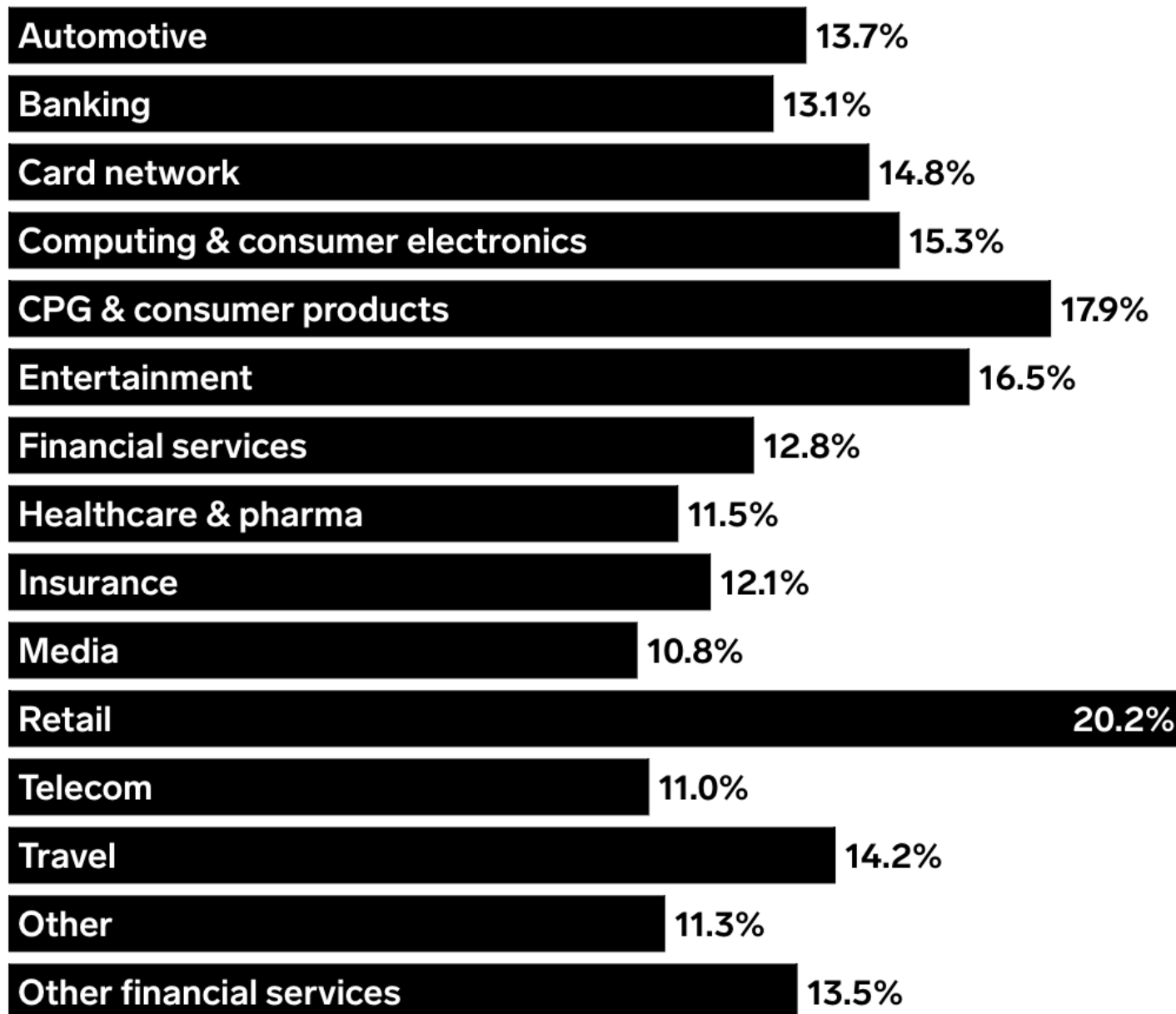
Key quote: Google chief business officer **Philipp Schindler** said in the earnings call that “retail was again, by far, the largest contributor” to ad growth, followed by finance, media and entertainment, and travel.

Why it matters: With the massive boom in online shopping over the pandemic, the retail industry’s importance in the digital ad market has rapidly increased. Retailers have always been the biggest spenders, but the sector is still expanding its share strongly.

- The industry accounted for almost a quarter (24.9%) of all US digital ad spending in 2021, **per** our estimates.
- Last year, retail grew its ad spend the second fastest of all industries we measure, by 34.5%, behind only entertainment. This year, retail ad spending growth will be the fastest, at 20.2%.
- It’s also staking its claim in formats most important to Google. Retail’s share of **search ad spending** will grow by more than 5 percentage points between pre-pandemic 2019 and 2023, from 23.4% to 28.7%. The industry’s share of **video ad spend** will rise from 19.1% to 24.0% over the same period.

Digital Ad Spending Growth, by Industry

US, 2022, % change



Source: eMarketer, June 2021

[InsiderIntelligence.com](https://www.insiderintelligence.com)

What this means: The numbers make clear why Google and other platforms like **Meta**, **TikTok**, and **Twitter** have taken great pains to court the retail industry over the past few years, and why so many retailers have tacked on advertising to their websites.

On Google's end, that meant pushing into social commerce with features like **livestream shopping** on YouTube, as well as **improving** its Google Shopping product with visual search integration and better filtering options.

- Those efforts appear to be paying off: The share of respondents who said they turn to Google or YouTube first to research a new product jumped from 54% to 57% in the six months between May and November 2021, **according to** a survey by Morgan Stanley cited by Insider.

Worth remembering: Google doesn't owe all its success to new features and product improvements. Apple's privacy changes in iOS 14.5, which rolled out in April, had only a "modest" impact on its business, **per** Alphabet's Q3 earnings call. Google's access to first-party data means its ability to track and target ads was relatively unaffected, making its platforms especially attractive to marketers who were left scrambling after iOS 14.5.