

# Retail media ad growth outpaces search and social ad spending in Q2, despite rising costs

Article

**The news:** Retail media, paid search, and paid social all experienced increases in spending, according to Skai's Q2 2024 digital marketing quarterly trends report, despite rising costs

across channels.

- Retail media led the charge with 21% year-over-year (YoY) growth. Our own forecast has US retail media ad spending **rising 26% this year** to \$54.28 billion, reaching \$128.87 billion by 2028.
- Paid search and paid social followed suit, with YoY spending up by 6% and 13%, respectively.
- These gains have come with a notable rise in ad costs; the cost-per-click (CPC) for retail media and paid search, as well as the cost-per-thousand impressions (CPM) for paid social, have all increased consistently over the past year. This price surge has slowed click and impression growth as marketers navigate the higher expenses in these advertising channels.

Retail media, in particular, has shown resilience, with a 12% YoY increase in conversion rates, nearly matching the rise in CPC.

- Despite the increased costs, conversion volumes jumped by 18%, underscoring the continued effectiveness of retail media campaigns.
- Still, the declining ROAS across all ad types on **Amazon** suggests that marketers need to optimize their campaigns more carefully, focusing on audience targeting and efficient budget allocation to maintain profitability.

#### Amazon Return on Ad Spend (ROAS) Worldwide, by Ad Type, Q2 2023-Q2 2024

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Sponsored display	\$5.33	\$5.42	\$6.48	\$6.21	\$5.85
Sponsored products	\$5.73	\$5.87	\$5.80	\$5.72	\$5.53
Sponsored brands	\$4.52	\$4.65	\$4.91	\$4.73	\$4.26

Note: represents activity on the Skai platform; broader industry metrics may vary  
Source: Skai, "Q2 2024 Digital Marketing Quarterly Trends Report," July 31, 2024

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Commerce media also played a significant role in driving growth within paid search and paid social, with formats like **Google's Performance Max** and **Meta's Advantage Shopping Campaigns+** gaining traction among advertisers.

**Why it matters:** Rising costs in digital advertising costs reflect a broader trend of higher prices across all major channels, posing challenges for marketers who must balance increasing ad expenses with maintaining effective campaign performance.

- The consistent growth in retail media, despite these cost pressures, highlights its importance as a core channel to drive conversions and revenues.
- The study highlights that the continued shift toward more sophisticated, data-driven offerings, like Performance Max and Advantage Shopping Campaigns+, is key to staying ahead.

**Our take:** While advertisers can still grow in the face of rising costs, the continued uptick in CPCs and CPMs suggests that marketers need to be more vigilant in their campaign management. Tools such as dayparting, audience targeting, and budget caps are likely to become even more critical as advertisers navigate these cost pressures.

- Considering the primary expectation from marketing according to CMOs is top-line revenue growth, it's no surprise that marketers are investing in high-performance channels despite rising costs.
- The strong performance of commerce media within search and social channels emphasizes the need for brands to adapt quickly to new ad formats.
- It remains critical for marketers to balance increasing ad volume with improving ad content to maximize conversions and overall performance.

**Social, Search, and Retail Media Clickthrough Rates (CTRs) Worldwide, Q2 2023-Q2 2024**

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Search	1.63%	1.81%	1.68%	1.60%	1.63%
Social	0.64%	0.66%	0.66%	0.63%	0.66%
Retail media	0.41%	0.41%	0.39%	0.40%	0.39%

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Source: Skai, "Q2 2024 Quarterly Trends Report," July 31, 2024*

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