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The Rise of Google Shopping

Adthena Search Advertising Report

Benchmarking Google Shopping (PLA) ad spend
and performance across 40mil ads in the US/UK.

www.adthena.com

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Executive Summary

This report reveals the extent to which Google Shopping ads, commonly referred to as Product Listing Ads (or PLAs), have become the most popular ad format for retail advertisers, with ad spend now far in excess of text ads in retail categories.

As of Q1 2018, Google Shopping ads now drive **76.4% of retail search ad spend**. Adthena's Q1 Search Advertising Report, which encompassed 40 million ads from over 260,000 advertisers, reveals that this 76.4% of search spend generated **85.3% of all clicks** on Adwords or Google Shopping campaign ads between January to February 2018.

The data reveals the true extent of Google Shopping ad format adoption in the US/UK, among advertisers across retail categories such as *Fashion and Apparel, Consumer Electronics and Home & Garden*.

Google Shopping ad spend eclipsing text

While text ads are undoubtedly still the predominant ad format in a number of search specific categories, the story is clearly very different in retail search¹.

Coinciding with the 76.4% figure in the US, the data revealed that In the UK, retail advertising spend on Google Shopping Ads now amounts to 82% of retail ad spend, attracting 87.9% of clicks.

These figures confirm retailers in both the US and UK are investing significantly more advertising dollars in Google Shopping ads than text ads, and that shopping ads still offer good value in terms of spend/click ratio.

“

The bigger picture here is the shift in which audiences are consuming new ad formats. As retailers move ad spend into Google Shopping or mobile campaigns, the retailers who master the nuances of specific categories will be the ones who shape consumer's ad experiences."

ASHLEY FLETCHER - VP MARKETING, ADTHENA

Google Shopping ad spend vs text (US/UK)

	PLA AD SPEND	% OF PAID SEARCH CLICKS
US	76.4%	85.3%
UK	82%	87.9%

"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

¹ Adthena defined 'retail search' as search data categorized in the following Adwords taxonomies: apparel, beauty and personal care, health, home & garden, occasions & gifts and sports & fitness.

Consumer electronics retailers are the biggest spenders

In retail specific verticals, the proportion of Google Shopping ad spend ranges between 64.4% and 86%.

At the top end, advertisers in **consumer electronics (US)** have the greatest Google Shopping ad spend, with PLA ad spend amounting to 86.1% of all search advertising dollars (just 13.9% of ad spend in the category is now being spent on text ads). In **consumer electronics (UK)**, 78.3% of ad spend is now being spent on Google Shopping ads.

The retail category which has seen the lowest adoption of Google Shopping ads has been **beauty and personal care (US)**, where 64.4% of ad spend is on PLAs.

Desktop still best for product based search (but only just)

Our research supports evidence that mobile search is serving as crucial touchpoint for product purchasing decisions². Analysis revealed that Google Shopping ad spend on mobile now matches desktop, accounting for 38.5% of overall retail search budgets, although shopping ads on desktop do still generate a greater share of clicks.

Google Shopping Ad Spend

	DESKTOP PLA	DESKTOP CLICKS	MOBILE PLA	MOBILE CLICKS
US	37.8%	43.5%	38.5%	41.8%
UK	47.2%	52.3%	34.8%	35.6%

"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

The trends were broadly similar across all retail. Within specific categories, there was a varying level of investment in mobile Google Shopping ads. In fashion and apparel (US), ad spend amounts to 36.9%, and in consumer electronics (US) this figure is 48.4%; the equivalent Google Shopping figures on desktop were 47.7% and 37.6% respectively.

Across US online retail, Google Shopping ad spend on mobile makes up 38.5% of retailer's total Google Shopping campaign ad spend, with shopping ads on mobile receiving 41.8% of the share of clicks on average.

² "How mobile has redefined the consumer decision journey for shoppers", www.thinkwithgoogle.com

Google Shopping Ad Spend by Category

	DESKTOP PLA	DESKTOP CLICKS	MOBILE PLA	MOBILE CLICKS
APPAREL (US)	47.7%	50.9%	36.9%	38.8%
CONSUMER ELECTRONICS (US)	37.6%	40.2%	48.4%	50%
APPAREL (UK)	54.2%	55.1%	35.4%	35.2%
CONSUMER ELECTRONICS (UK)	43.9%	49.2%	34.5%	36.9%

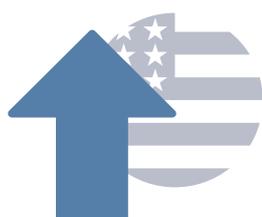
"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

The figures show that in the largest retail verticals, such as consumer electronics in the US, retailers now invest a greater proportion of ad spend into mobile Google Shopping ads than any other device specific ad format.

Shopping ads driven by non-brand search terms

Our research indicates that the adoption of Google Shopping ads has been driven by non-brand or generic search terms. When it comes to high-volume branded search terms, US brands invested just 33.6% of budgets on shopping ads, as opposed to the 76.4% across all search. UK brands invested even less proportionally on brand terms, spending just 20.5% of search ad spend on Google Shopping ads.

What keywords drive Google Shopping ads?



BRANDED SEARCH TERMS (US)

33.6% ad spend on Google Shopping ads



BRANDED SEARCH TERMS (UK)

20.5% of ad spend on Google Shopping ads

This may be due to the broad diversity of generic, product-based search terms which retailers are targeting with shopping ads.

The future of Google Shopping

If the current trend continues, the influence of Google Shopping advertising formats will continue to increase across categories and product-based consumer searches. Advertisers can expect greater levels of competition, as PLA adoption continues to grow among advertisers looking to optimize campaigns, and their spend-to-click ratio.

The extent to which Google Shopping ads have been adopted as the most significant part of retail ad spend budgets is indicative of how advertisers must continuously adapt to new formats and opportunities. For advertisers who depend on search, it is especially important to optimize campaigns for the changing landscape and intricacies of the SERP.

As search advertising practices continue to change, and new developments such as the recently announced Shopping Showcase³, are introduced, advertisers will need to be especially agile in their advertising practices in order to stay ahead of the game.

³ 'What makes up a Showcase Shopping ad', Google

Key Stats

Share of ad spend / impressions

- In the US, **advertising spend** on Google Shopping Ads now makes up 76.4% of retailer's total search budgets, and wins 85.3% of clicks.
 - In the UK, **advertising spend** on Google Shopping Ads now makes up 82% of retailer's total search budgets, and wins 87.9% of clicks.
 - Advertisers in the **fashion and apparel (US)** category were the most dedicated users of Google Shopping ads, with ad spend fueling 84.6% of all ads in the category, and winning 89.7% of clicks.
 - Just 14% of ad spend in **consumer electronics** is now being spent on text ads in the US, with the equivalent figure being 21.7% in the UK.
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Mobile

- **Mobile shopping ads** now make up 38.6% of retailer's total search ad spend, with these campaigns receiving 41.8% of the share of clicks across all search (US).
 - Google shopping ads **on mobile** fuel 79% of device ad spend, and win 87.2% of clicks (US).
-

Search behavior

- Clicks on shopping ads are being driven by **non-brand search terms**. In the US, branded search terms fuel 33.6% of Google Shopping ad spend, as opposed to the 76.4% figure across all search.

Introduction

For some advertisers, it may be a surprise that Google Shopping ad spend makes up 76.4% of total ad spend in retail search, however this has been a growing trend for some time. As Google has gradually scaled up its Google Shopping products in recent years, there has been a growing consensus in the industry is that shopping ads are extremely effective in influencing retail purchases.

In June 2017, an EU antitrust commission fined Google \$2.7B for "abus[ing] its market dominance as a search engine by promoting its own comparison shopping service in its search results"⁴. As a result, Google opened up the Google Shopping service to rival shopping comparison services last year.

Additionally, between Jan 2015 and June 2016 the influence of Google Shopping in contributing to site orders in the US grew from 5% to 14%. Especially for the generic search queries (the non-branded search terms) that are typical for the early stages of consumer purchase journeys, Google Shopping ads are regarded to be a crucial means of engaging consumers early, and winning new customer acquisitions⁴.

The screenshot shows a Google search for "cuisinart toaster". The search bar contains the text "cuisinart toaster" and a microphone icon. Below the search bar are tabs for "All", "Shopping", "Images", "Videos", "News", "More", "Settings", and "Tools". The "Shopping" tab is selected. Below the tabs, it says "About 544,000 results (0.55 seconds)". The main content area is titled "Shop for Cuisinart toasters" and features five sponsored product listings. Each listing includes an image of a toaster, the product name, price, and the retailer. The products are: 1. Cuisinart 2-Slice Metal Classic ... (£49,95) by John Lewis; 2. Cuisinart The Bakery Artisan ... (£69,95) by Harts Of Stur; 3. Cuisinart Custom Select 4-Slice ... (£79,95) by eCookshop.co.uk; 4. Cuisinart 4-Slice Metal Classic ... (£69,95) by Curry's; 5. Cuisinart @ Classic 4-Slice ... (£69,95) by John Lewis. At the bottom of the results, there is a banner for "Cuisinart Toasters - Make Your House Into A Home - crateandbarrel.com" with an ad icon and a URL.

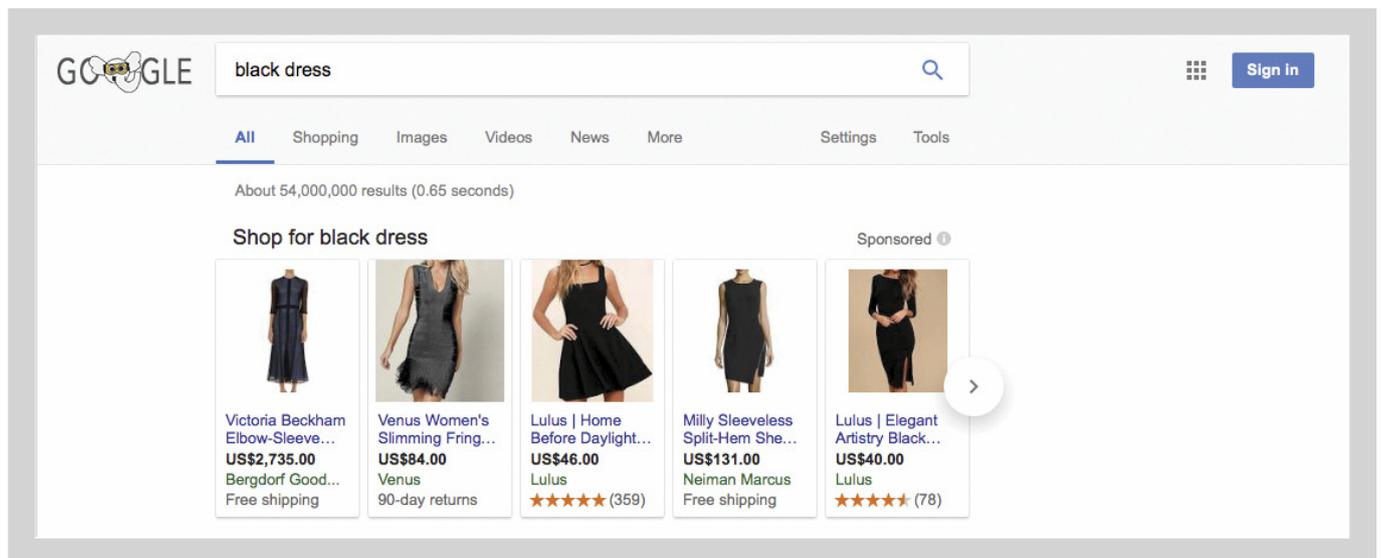
⁴ Antitrust: Commission fines Google €2.42 billion for abusing dominance as search engine by giving illegal advantage to own comparison shopping service, European Commission

⁵ How important is Google Shopping for retailers?, www.searchengineland.com

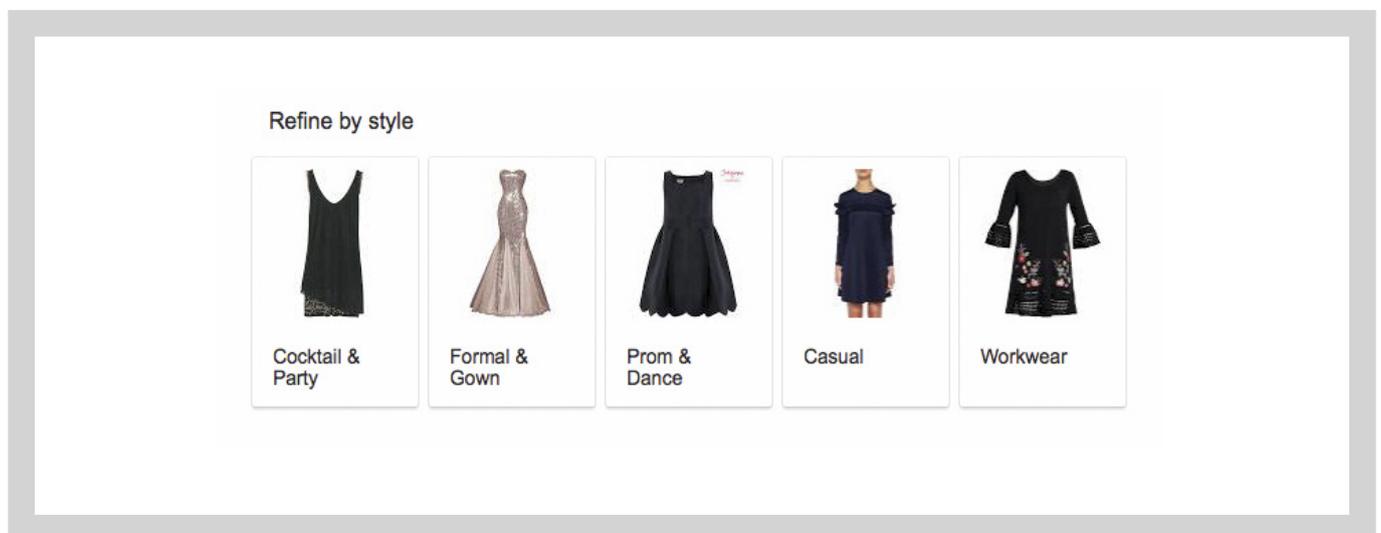
Increasing ad-space for Google Shopping ads

The growth in Google Shopping ad spend is supported by an increasing amount of ad space in search engine results pages (SERPs). There have been a number of developments in recent years which afford additional prominence to Google Shopping listings.

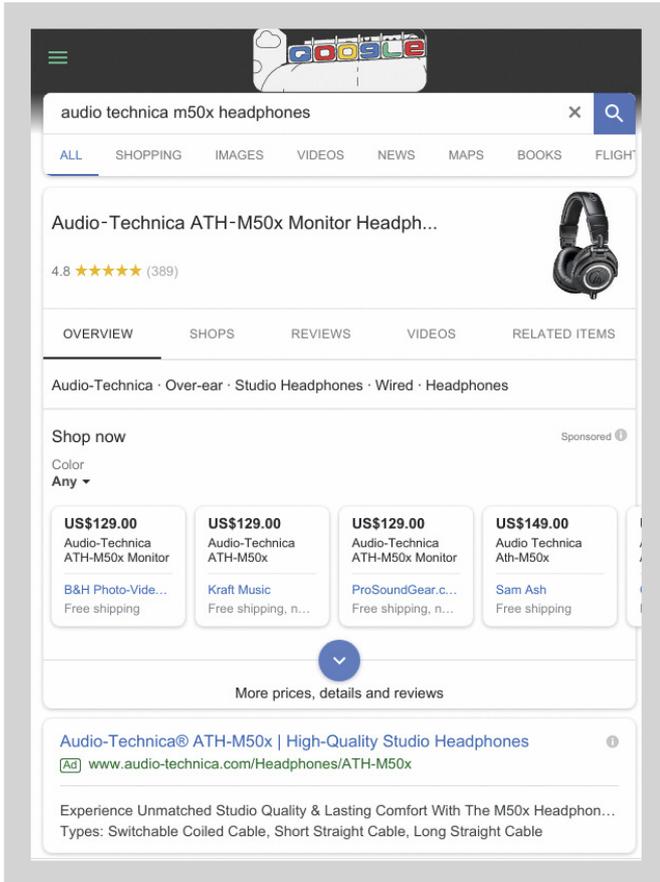
The carousel: First appearing in the October 2016⁵, the Google Shopping carousel initially extended the number of shopping listings to 15 listings. In the US and UK this has now doubled and the carousel now surfaces 30 paid listings (Feb '18).



Product groups: Especially on generic or non-brand search, Google offers a 'Refine by product group' section which further categorizes the types of products consumers are searching for. Especially for the research-driven stages of consumer purchase decisions, this further increases the depth and diversity of advertisers' product listings.



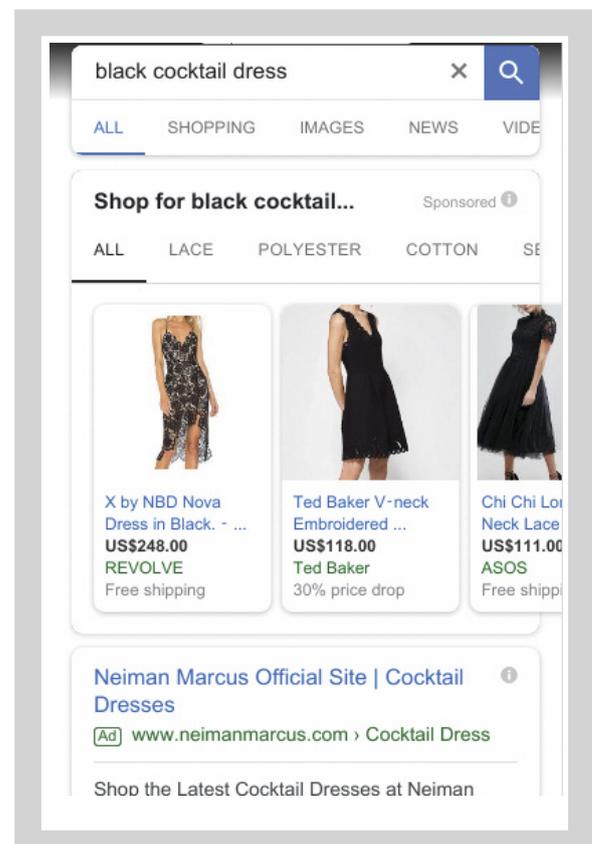
⁶ Google Changes Product Listing Ads to Carousels on Desktop, www.thesempost.com



Product cards: On mobile and tablet devices, product cards invite users to evaluate products decisions with further product information and comparison. This is common for specific branded product searchers and model names.

Back to black dresses...

And finally, going back to our black dress example, we can see that on certain searches, the carousel now offers an additional level of categorization -- in this case for the types of materials searchers may be interested in..



What does the growth of Google Shopping mean for retailers?

The recent changes to Google Shopping ad formats have dramatically increased the depth and breadth of the product ads that consumers are served in search-based purchase journeys. For advertisers in search-driven retail categories, it will be important to monitor the competition, and the search landscape as retailers scale up their Google Shopping ad campaigns.

This report benchmarks the current state of search advertising within retail search in the US and UK, gauging currently usage and ad spend for both Google Shopping and text ads, in various categories and search verticals. The results incorporate data from over 40 million unique search ads collated and analyzed by Adthena's machine-learned data collection.

Methodology

Adthena's research incorporated approximately 20.7 million US and 20.1 million UK ads between Jan-Feb 2018. In total, our study encapsulated 40.85M ads, from 267,000 competitors, encompassing over 1mil search terms.

Adthena's patented machine learning technology was used to categorize competitive search terms; a convolutional neural network, trained on massive existing datasets was utilized to map a dataset of search terms to Google's defined Adwords taxonomies.

Typical retail keywords included branded search terms such as "burberry coat" or "sonos play 5", and generic or comparative search terms such as "wireless headphones" or "red kettle".

Data was collected for text or Google Shopping ads being served daily on each search terms, month-on-month, and across the whole of US / UK retail search. For paid listings, data incorporates the top four ads (T4) and bottom four (B4) text ads, and any Google Shopping sponsored advertising displayed on a first page Google SERP.

An estimated number of impressions was calculated using Adthena's proprietary click-through rate data, giving an average proportion of ad spend and clicks by device, ad format (text/PLA), and further segmented by Adwords taxonomies.

Overall click share is intended to be representative of a domain's paid search visibility and ad spend, and not of overall financial performance.

Google Shopping (PLA) vs Text Ads

Search Advertising benchmark,
Q1 2018

Text vs Google Shopping Ads

Key insight

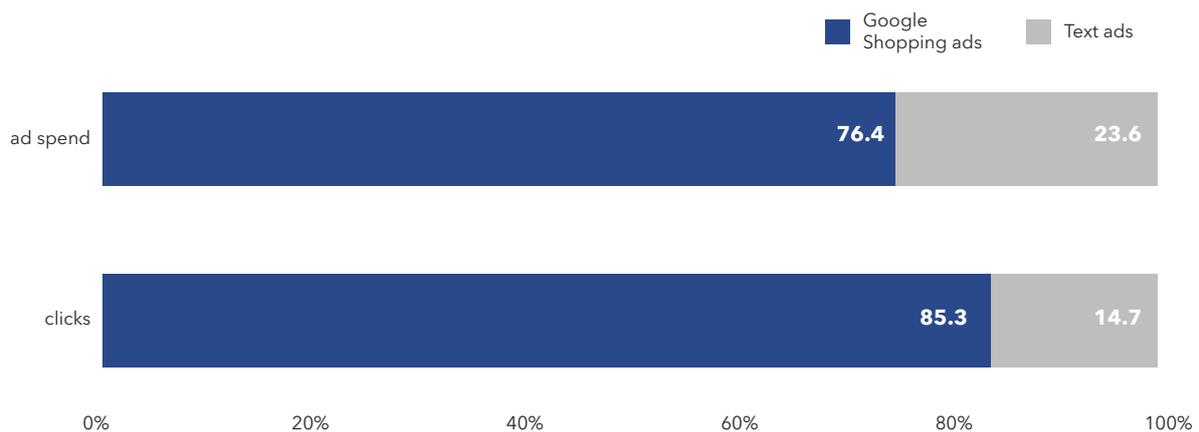
In online retail, **share of ad spend** and **share of clicks** are much greater on Google Shopping campaigns than Adwords in both the US and UK..

US

While text ads are undoubtedly still the predominant ad format in a number of search specific categories, the story is clearly very different in retail search⁶.

Across US online retail, Google Shopping Ads now make up 76.4% of retail search ad spend, and win 85.3% of all clicks.

Ad spend/clicks, Google Shopping vs text ads, retail (US)



⁶ "The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

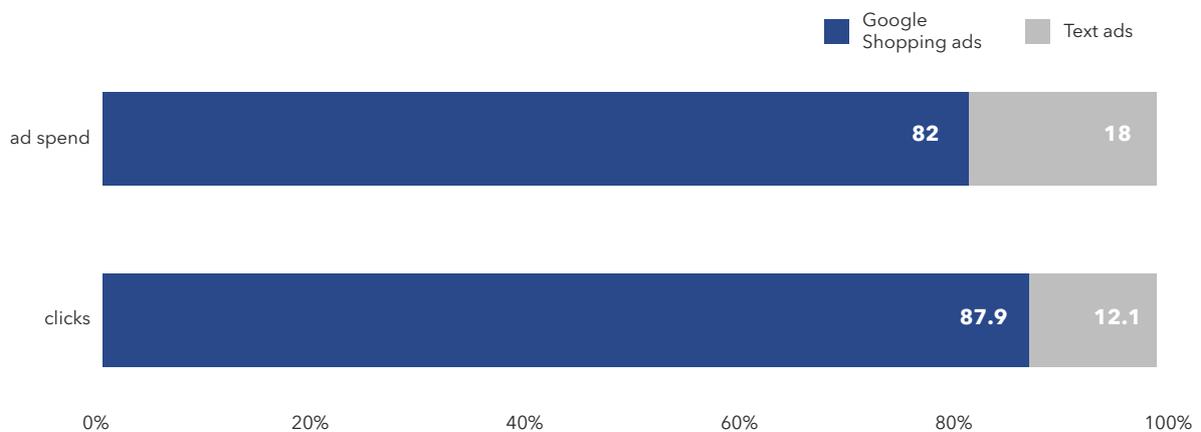
Overall, 76.4% of ad spend generated 85.3% of clicks on shopping ads, and 23.6% of ad spend generated 14.7% of clicks on text ads.

⁷ Adthena defined 'retail search' as search data categorized in the following Adwords taxonomies: apparel, beauty and personal care, health, home and garden, occasions and gifts, and sports and fitness.

UK

In the UK, retail advertising spend on Google Shopping Ads now amounts to 82% of retail ad spend, attracting 87.9% of clicks.

Ad spend/clicks, Google Shopping vs text ads, retail (UK)



"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

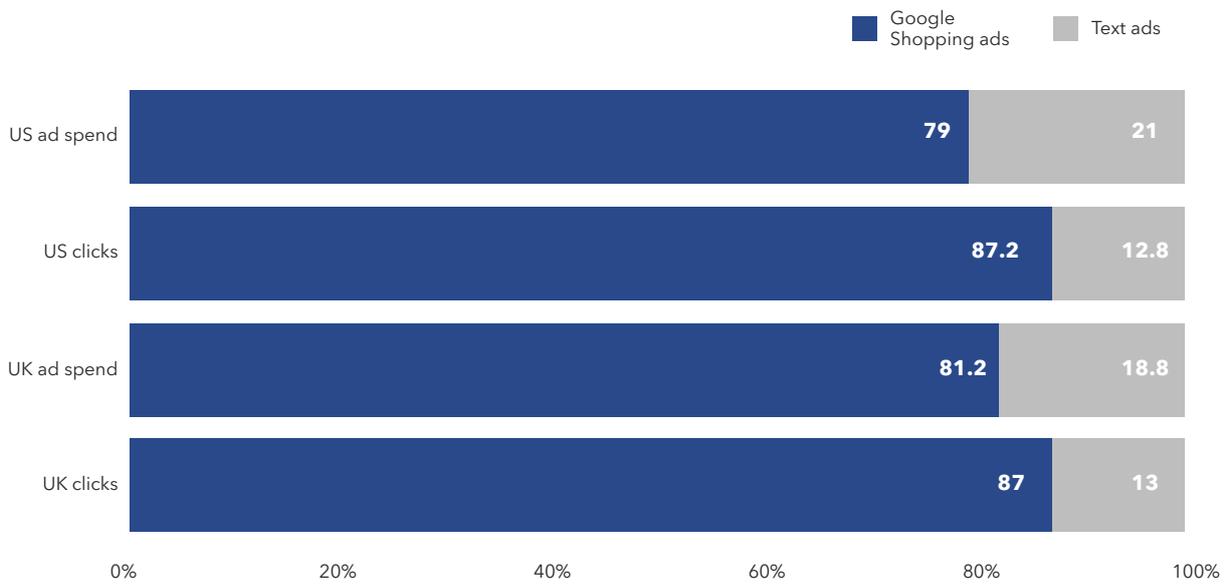
UK Google Shopping ad spend was even higher, 82% of ad spend was responsible for driving 87.9% of clicks on shopping ads, and 18% of ad spend drove 12.1% of clicks on text ads.

Mobile

Drilling down into mobile campaigns reveals that the majority of mobile search budgets in retail are now being spent on Google Shopping ads.

On mobile campaigns, 79% of US and 81.2% of UK ad spend is spent on Google Shopping ads.

Mobile ad spend/clicks, Google Shopping vs text ads, retail (US/UK)



"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

The focus on mobile PLAs for retailers seems to be winning clicks, generating 87.2% and 87% of the share of clicks in the US and UK respectively.

Category specific ad spend

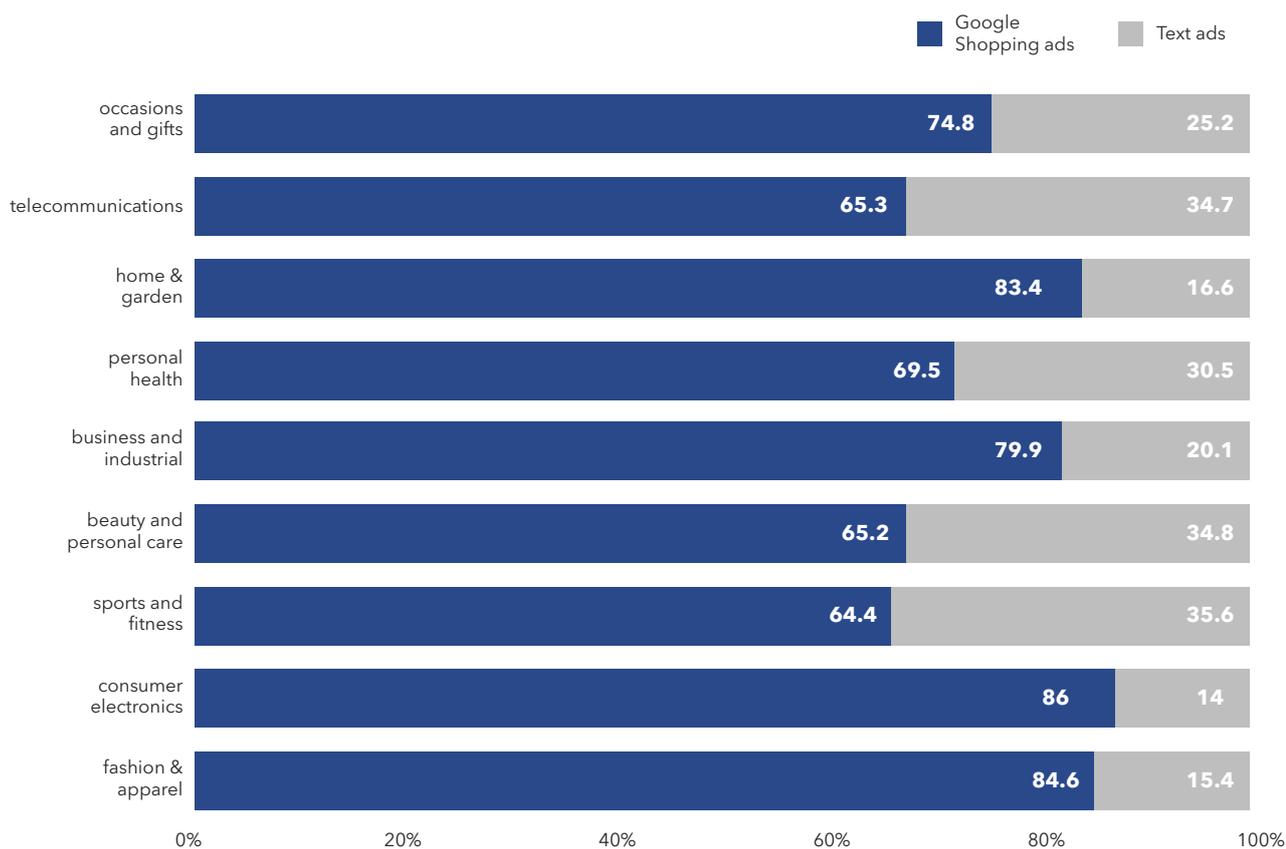
Key insight

In both the US and UK, **Google Shopping campaigns offer better spend/click ratio** than Adwords/text ads within key retail categories.

US

Within individual categories, ad spend on Google Shopping varied between 64.4% and 86%:

Ad spend, Google Shopping vs text ads, by category (US)



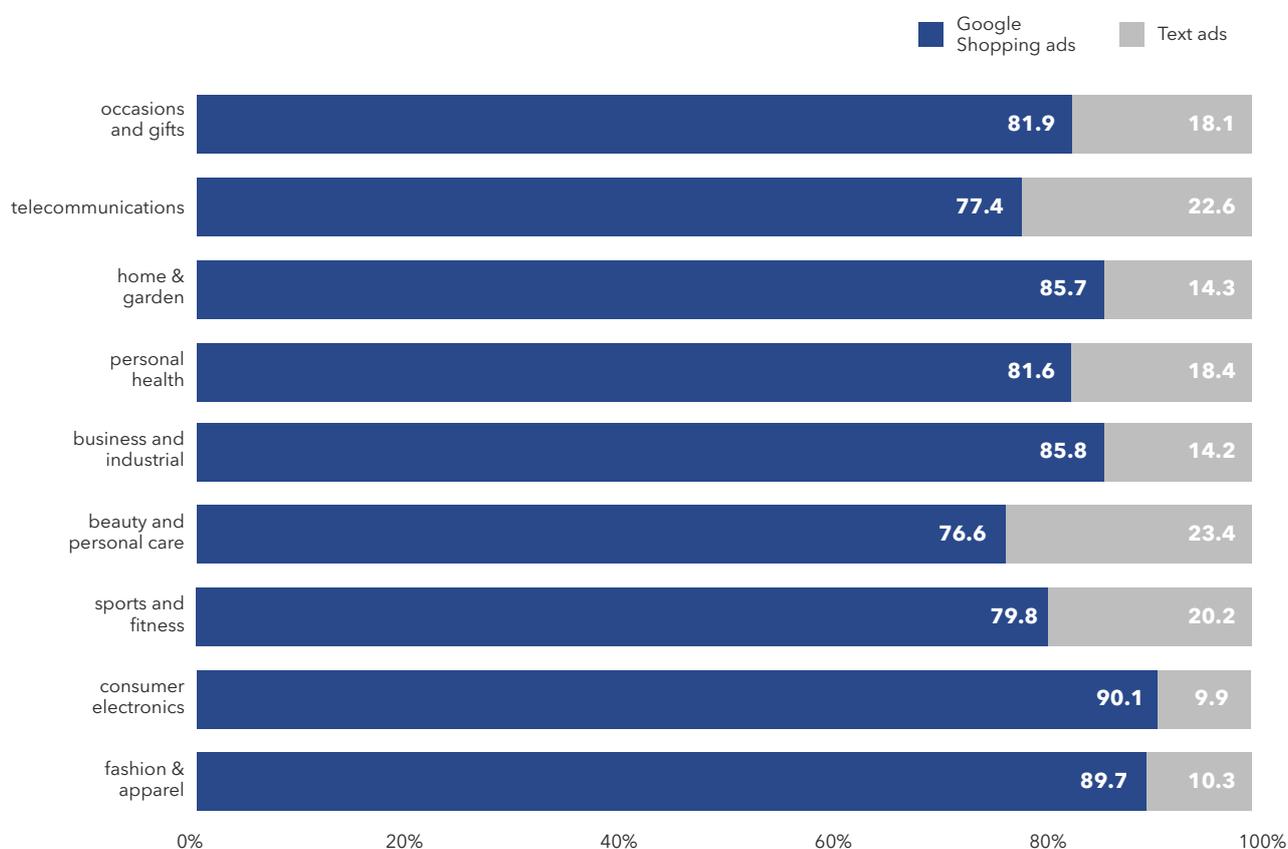
"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

Advertisers in **consumer electronics (US)** have the greatest Google Shopping ad spend, with PLA ad spend amounting to 86% of all search advertising dollars (just 13.9% of ad spend in the category is now being spent on text ads).

The retail category which has seen the lowest adoption of Google Shopping ads is **beauty and personal care (US)**, where 64.4% of ad spend is on PLAs.

Fashion and apparel, and **home and garden** are also notable for strong usage of Google Shopping ads, drawing over 80% of overall search ad spend.

Share of clicks, Google Shopping vs text ads, by category (US)



"The Rise of Google Shopping"; Adthena Search Advertising Report, Q1 2018

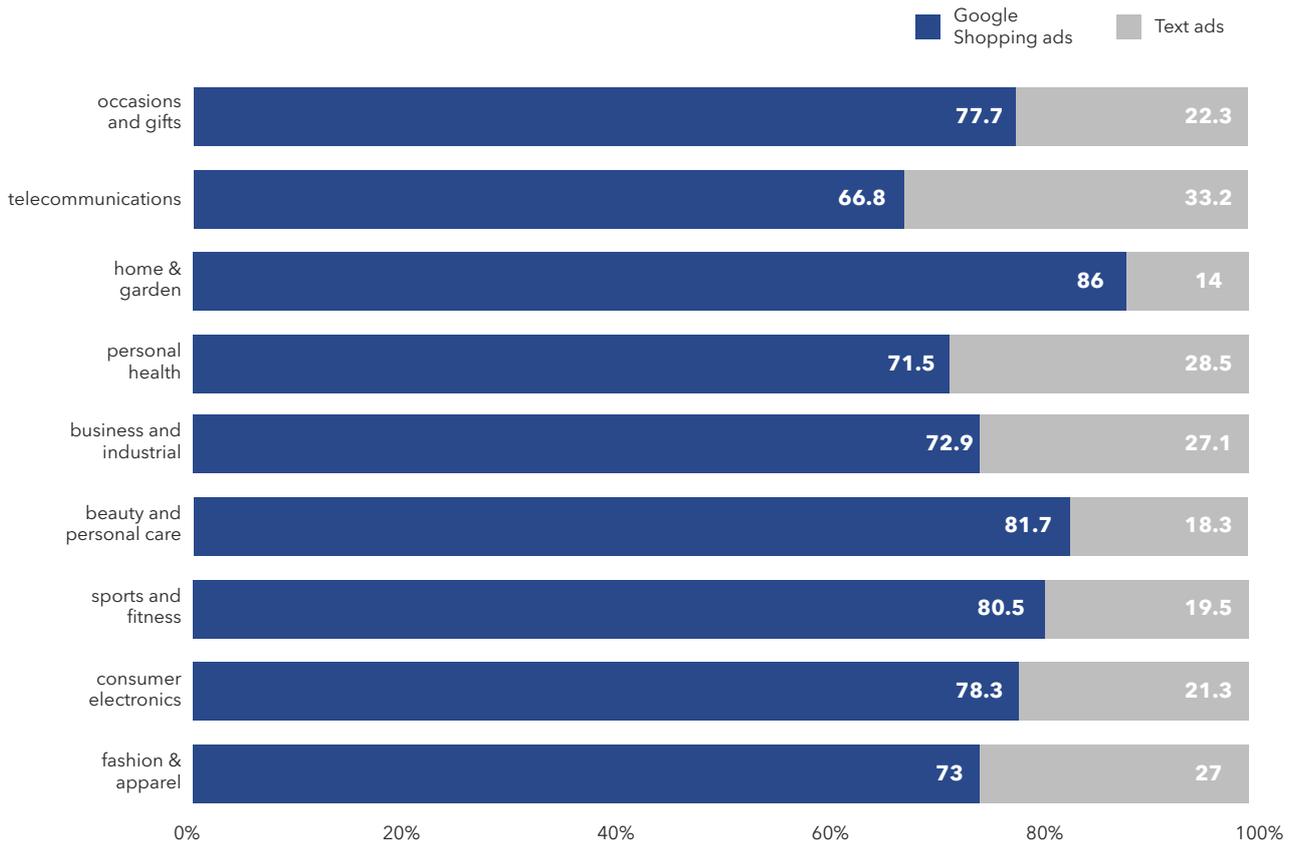
Across all categories, Google Shopping ads achieved a positive click/spend ratio. In **beauty and personal care** for example, 76.6% of all search clicks are being won by PLA's despite the fact that just 64.4% of ad spend is invested on such ads.

This suggests that the value of Google Shopping ads has still not reached saturation point, and there is **still scope for advertisers to grow** Google Shopping campaigns.

UK

UK ad spend on Google Shopping is broadly similar to the US. However, the proportion of ad spend on Google Shopping ads within **home and garden**, **beauty in personal care**, and **personal health** is even higher than in the US.

Ad Spend, Google Shopping vs text ads, by category (UK)

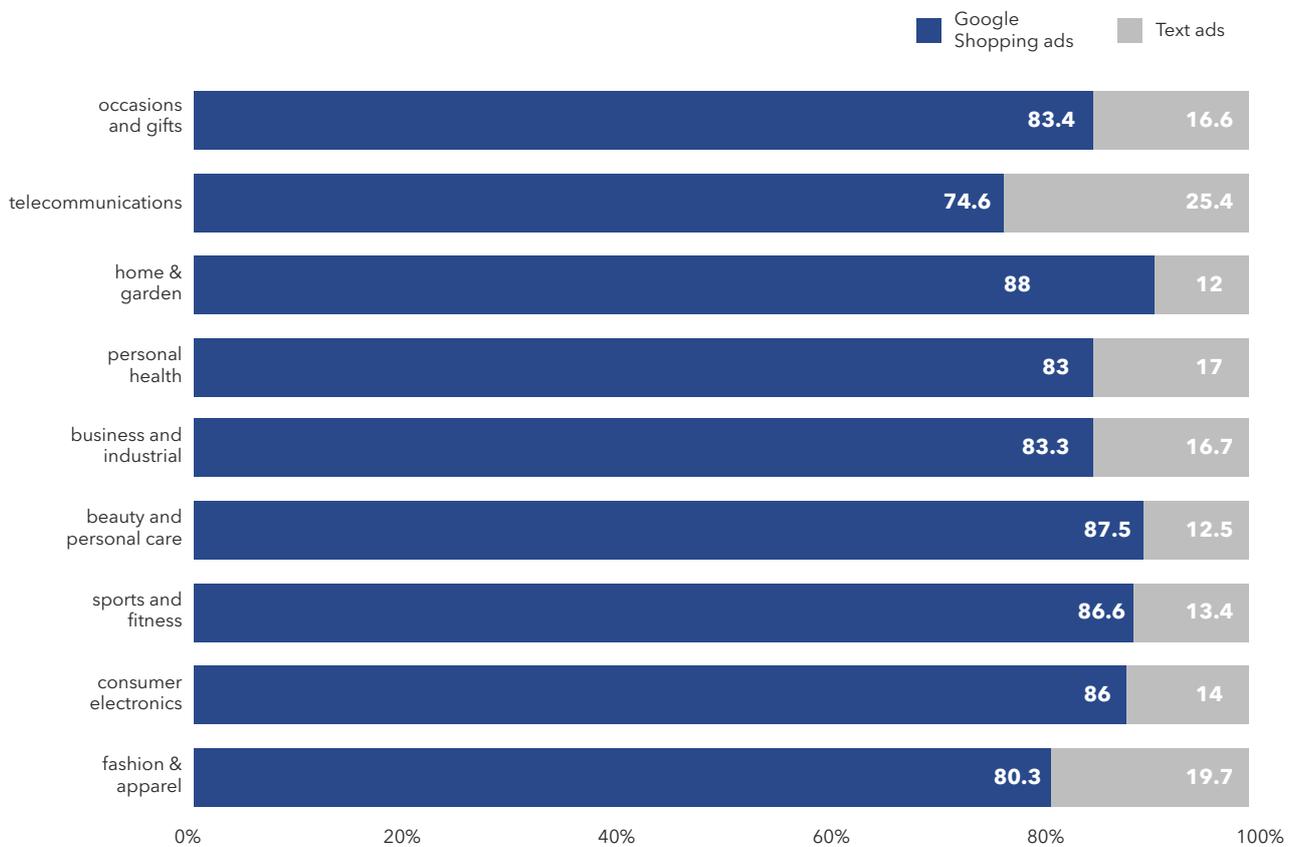


"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

In **consumer electronics (UK)**, 78.3% of ad spend is now being spent on Google Shopping ads.

In the UK, **home and garden**, **beauty and personal care**, and **personal health** have a higher proportion of PLA adoption than in the US.

Share of clicks, Google Shopping vs text ads, by category (UK)



"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

Similarly to the US, all categories show positive click/spend ratios, suggesting Google Shopping ads win more clicks proportionate to spend, than text ads.

Google Shopping ad spend by device

Key insight

Google Shopping ad spend is likely to grow further as retailers continue to seize search advertising opportunities, especially on mobile.

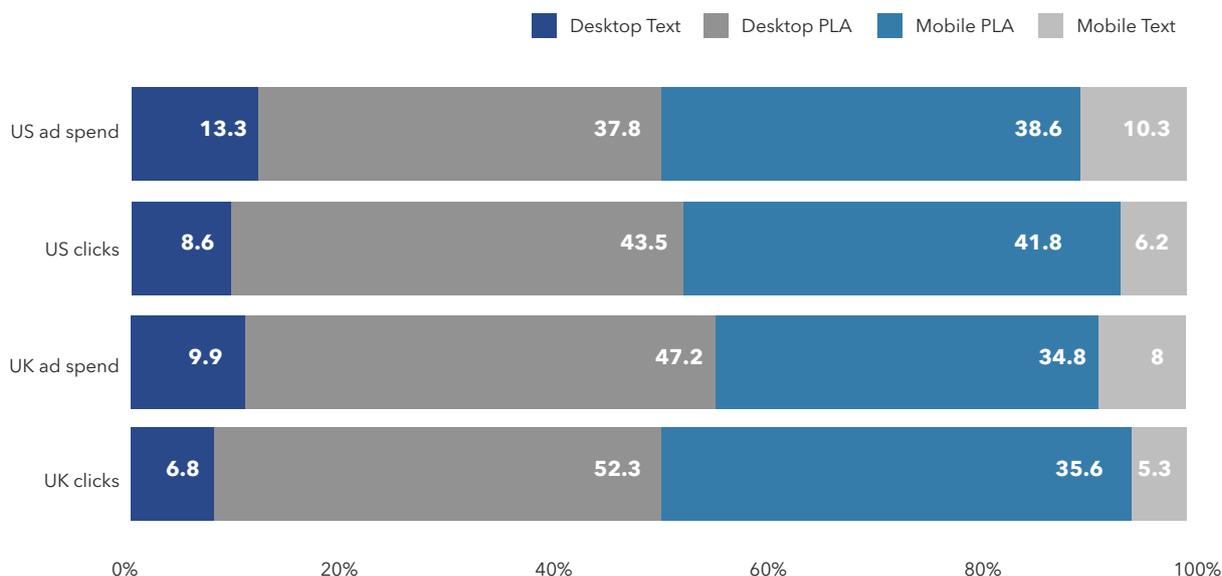
Mobile PLA spend now makes up 38.5% of retailer's total search ad spend, with these campaigns receiving 41.8% of the share of clicks across all search.

Our analysis revealed that Google Shopping ad spend on mobile now matches desktop, accounting for 38.5% of overall retail search budgets; although shopping ads on desktop still generate a slightly greater share of clicks.

Google Shopping ads also generated a greater proportion of clicks relative to ad spend, than text ads, which broadly indicates that there is still growth potential and opportunity for further ad spend investment in Google Shopping ads.

How much ad spend / click share is being driven by Google Shopping Ads?

Ad Spend, Google Shopping vs Text, by device (US/UK)



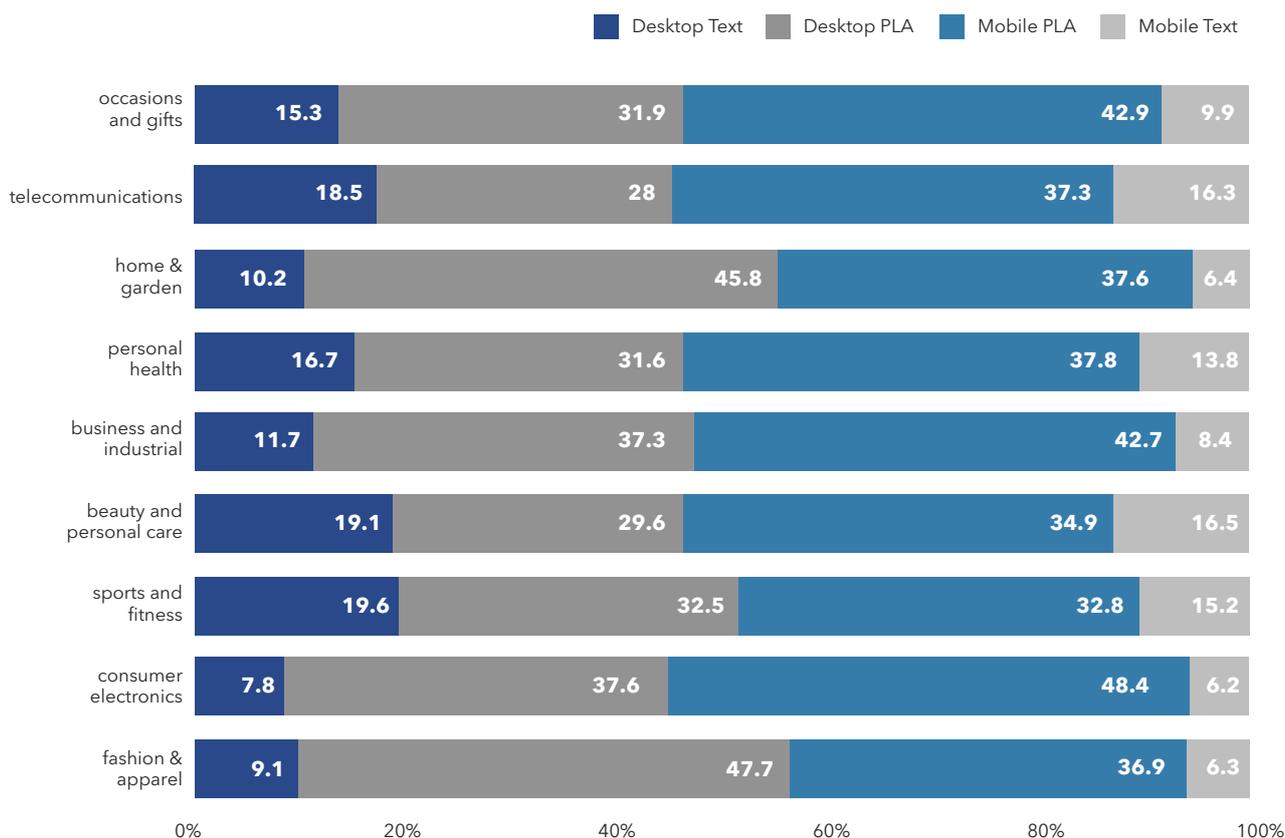
"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

Category specific ad spend, by device

US

Drilling down into category specific ad spend by device, reveals that **consumer electronics** retailers spend the greatest proportion of ad spend budgets on Google Shopping ads for mobile.

Ad Spend, Google Shopping vs Text, by category device (US)



"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

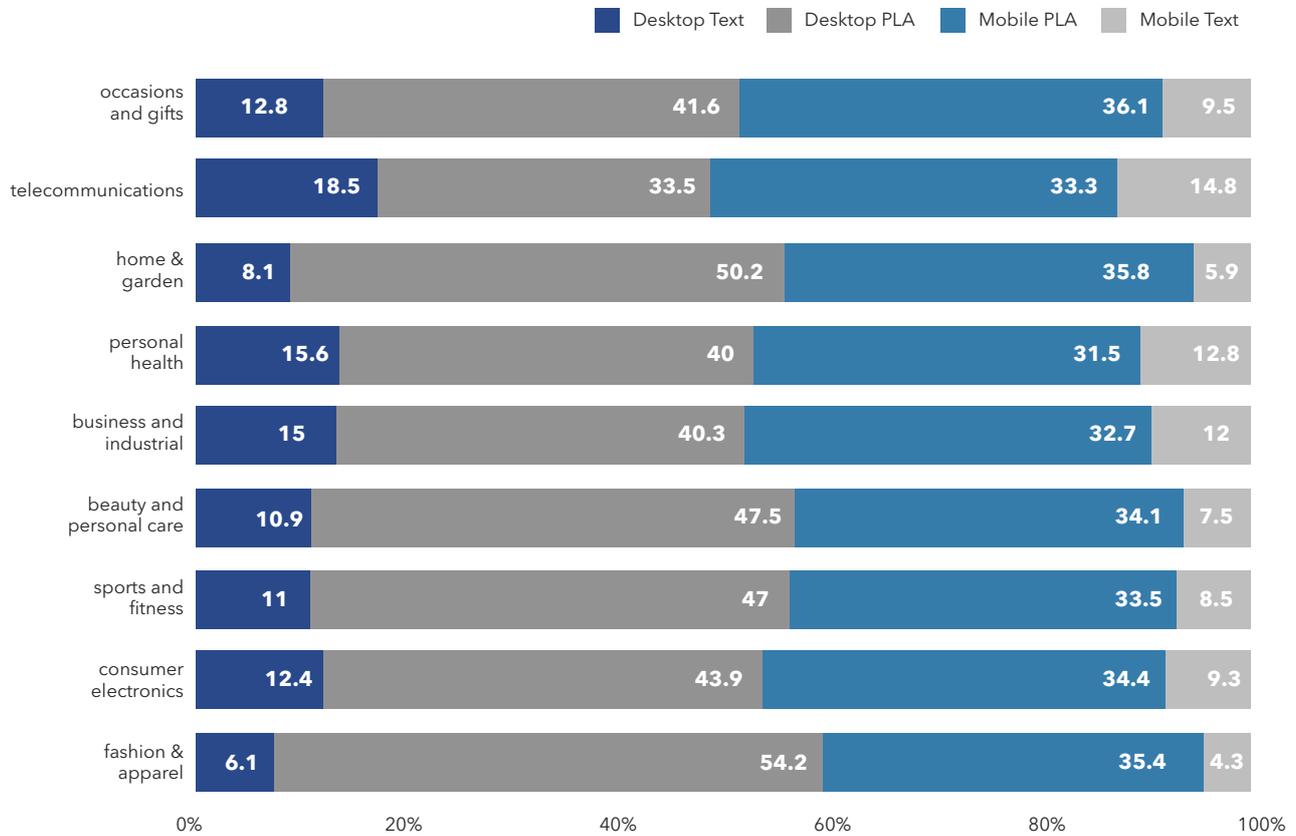
Within specific categories, the data shows a varying level of investment in mobile Google Shopping ads. In **fashion and apparel**, ad spend amounts to 36.9%, and in **consumer electronics** this figure is 48.4%.

Notably:

- **Fashion and apparel** advertisers appear to focus their ad spend on desktop PLAs, with 47.7% of ad spend.
- Retailers advertising in the **occasions and gifts** sector invest a sizable 42.9% of ad spend in mobile PLAs.

UK

Ad Spend, Google Shopping vs Text, by category device (UK)



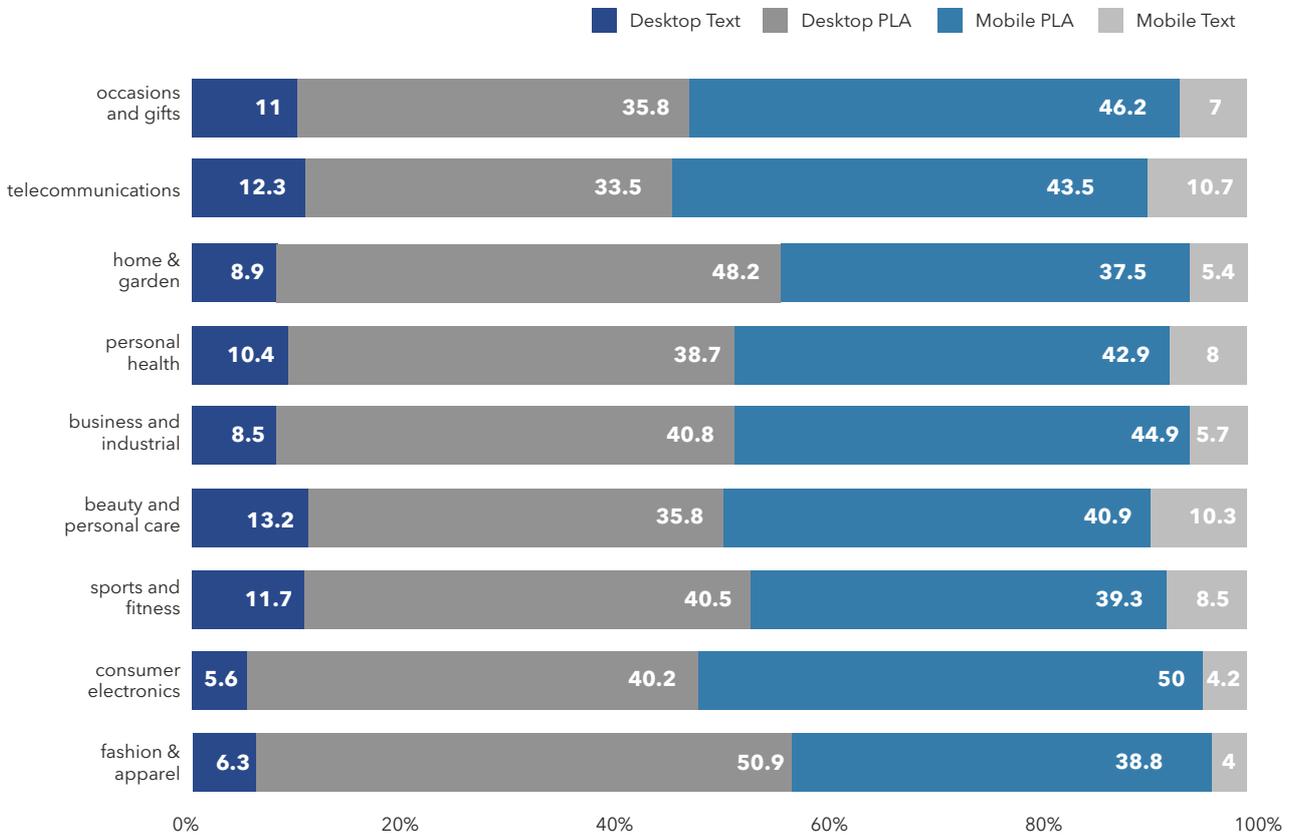
"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

Google Shopping ad spend on mobile was generally lower in the UK than in the US, especially in verticals such as **consumer electronics** and **occasions and gifts**.

If UK search advertising follows a similar direction to the US, we can expect **mobile shopping ads** to be a focus for advertisers, and for mobile PLA ad spend to increase as retailers look to capitalize on the new opportunities in mobile product searches.

Category specific share of clicks, by device

Share of Clicks, Google Shopping vs Text Ads, by category device (US)

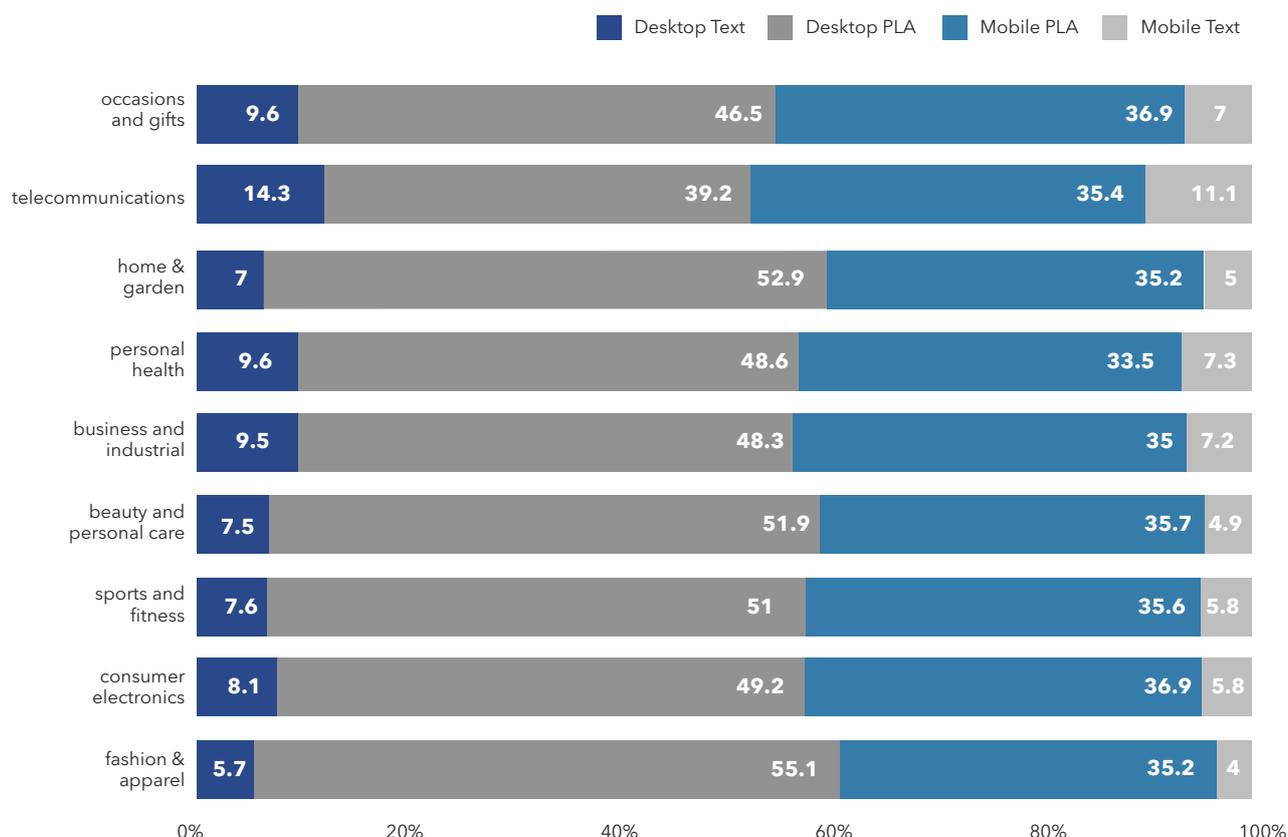


"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

Google Shopping ads outperformed text ads in terms of click/spend ratio, on both desktop and mobile.

Sports and fitness retailers have the greatest growth potential, especially if they expand Google Shopping ads on mobile. In this category, retailers are currently winning 39.3% of clicks on mobile PLA, despite only spending 32.8% of search budgets on such ads.

Share of Clicks, Google Shopping vs Text Ads, by category device (UK)



"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

The disparity between device ad spend and device click share was smaller in general than in the US, however there are still some interesting observations to be made.

Share of clicks from mobile text ads, was relatively small for the proportion of ad spend invested in the channel. In **consumer electronics** for example, despite mobile shopping ads commanding 9.3% of overall ad spend, this drove just 5.8% of clicks. Similarly, this was also true for **beauty and personal care**, and **sports and fitness**.

Overall takeaways

- At a category level, the data indicates that there is still **return on investment** to be gained from cross-device Google Shopping ads in both the US and UK.
- In both territories, we can expect **spend on PLAs to increase** on both desktop and mobile, as retailers continue to test the format, and move proportionate spend from text ads.
- In the UK especially, the proportion of search **ad spend on mobile PLAs** is lower than in the US; this may increase in 2018.

Subcategory specific ad spend

Key insight

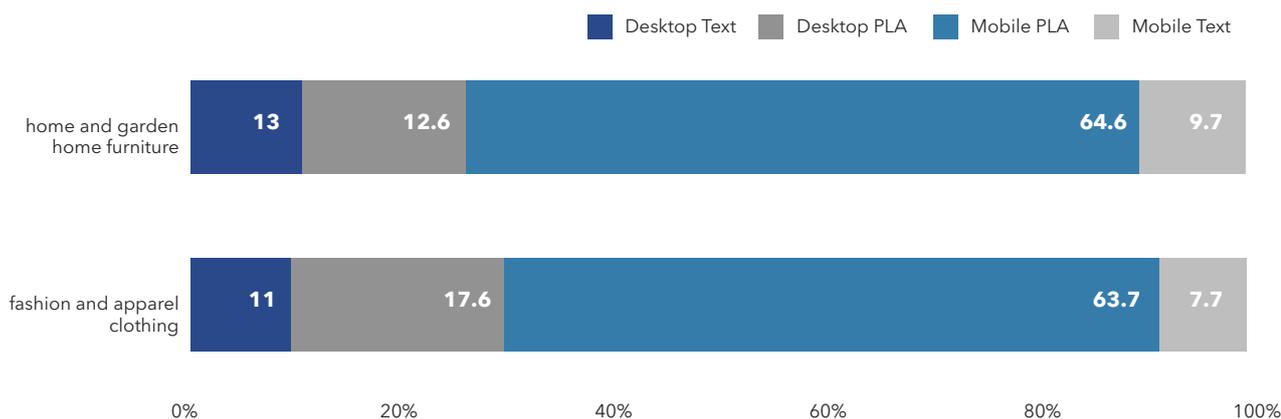
Current data indicates that UK retailers in the most competitive retail categories are **increasing spend on mobile PLAs**.

To find out more about how retailers are focusing ad spend in the most competitive retail verticals, Adthena looked closer at the specific search terms which correspond to specific Adword taxonomies, in particular, the two subcategories which receive the greatest PLA ad spend: **'Fashion and Apparel ↳ Clothing'** and **'Home and Garden ↳ Home Furniture'**.

Between Jan-Feb '18, mobile PLA ad spend in the **clothing** subcategory was 63.7% of the total search ad spend, yet the greatest share of clicks is still being won on desktop PLAs (55.5%). The same was true for **home furniture** where 57.4% of ad spend is spent on mobile PLAs, but the greatest share of clicks is still being won on desktop PLAs (50.5%).

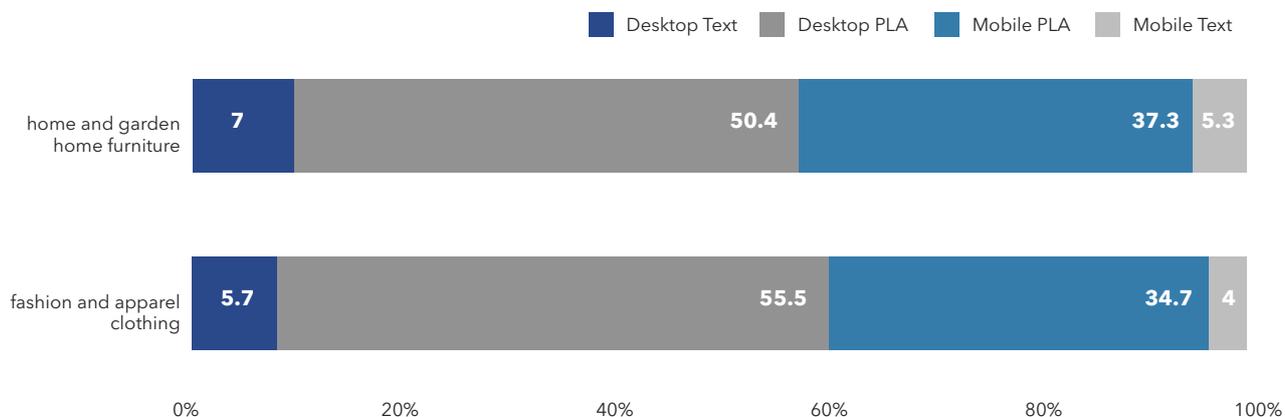
If retailers continue to increase ad spend focus on mobile PLAs, UK retailers can expect a corresponding increase in mobile PLA share of clicks in the coming months.

Share of Ad Spend, Google Shopping vs Text Ads, by device (US)



"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

Share of Clicks, Google Shopping vs Text Ads, by device (US)



"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

Key Takeaways

- The two Adwords subcategories with the highest mobile PLA ad spend, **Fashion and Apparel → Clothing** and **Home and Garden → Home Furniture**, somewhat surprisingly, appear to receive a greater share of clicks on desktop PLAs.
- This may indicate that retailers are still **testing new mobile PLA campaigns**, and we may see increases in mobile PLA share of clicks in 2018.

Keyword diversity

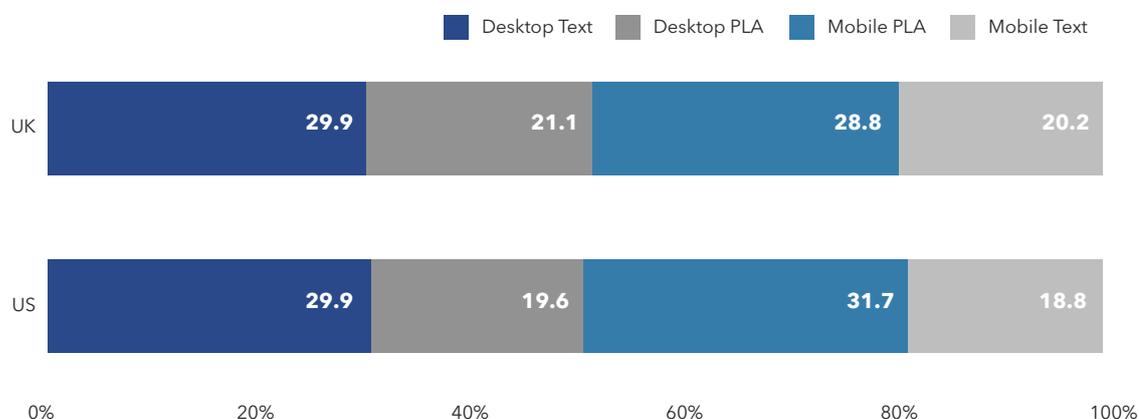
Key insight

- In the US, the largest campaigns are being run on mobile PLAs, in terms of the **number of search terms** being advertised on.
- Shopping ads are being driven by **non-brand search terms**. In the US, 66% of Google Shopping ads are being driven non-brand keywords.

In terms of the number of keywords that advertisers are utilizing in their campaigns, the data indicates that the trend is broadly similar in both the US and the UK.

In the US, retail advertisers advertise on more search terms for mobile PLAs, in proportion to all search terms that they advertise on. This would suggest there has been slightly greater adoption of mobile PLAs in the US than in the UK.

Keyword Diversity, Google Shopping vs Text Ads, by device (US/UK)



"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

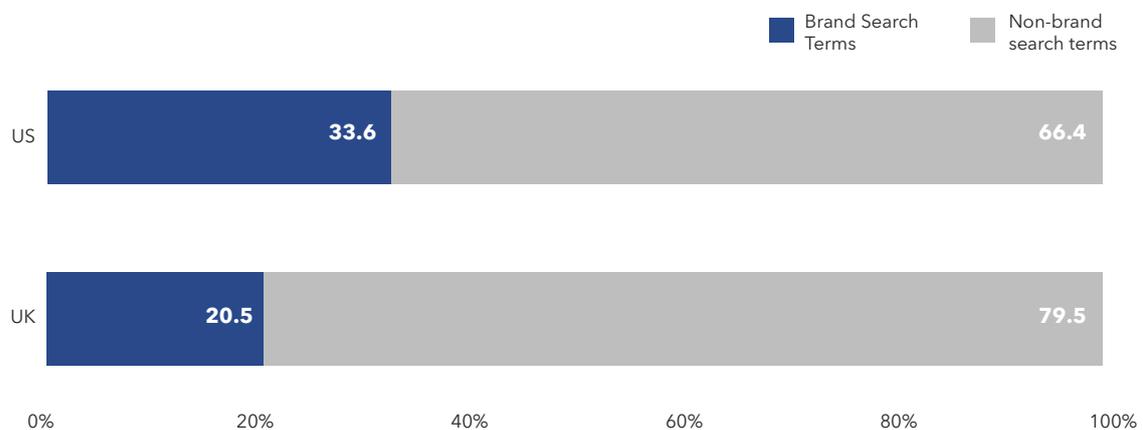
The fact that Google Shopping ads are being advertised on a large variety of keywords suggests that Google Shopping ads are reaching consumers across a range of touchpoints, and is another signal for the extent of PLA ad adoption in retail search.

The fact that keyword diversity matches that of desktop text ads is an indication that these ads are influencing the broad spectrum of consumer purchase decisions, and not just at the point of purchase.

Brand and non-brand keywords

To investigate what kinds of search terms are driving Google Shopping ads, Adthena categorized branded and non-branded search terms using a machine learning technique known as a convolutional neural network.

Keywords which drive Google Shopping ads (US/UK)



"The Rise of Google Shopping", Adthena Search Advertising Report, Q1 2018

The process revealed that in the US, 66% of all Google shopping ads are being driven by non-brand search terms such as 'wireless headphones', or 'black dress'; with the equivalent figure in the UK being 79.5%.

Conclusion / Key Takeaways

For retail advertisers in the US and UK, the shifting of search ad spend into mobile PLAs has changed the search landscape. It has been a change fueled by changes in the SERP that have increased the amount of retail ad space for Google Shopping ads.

Adthena's analysis of over 40 million search ads suggests that there is still opportunity for retail advertisers to grow Google Shopping campaigns across the board, which is evidenced by the fact that retailers currently investing in Google Shopping ads receive a greater number of proportionate clicks from Shopping ads, relative to ad spend.

The effectiveness of Google Shopping ads will naturally vary by category, and also subcategory specific niches in retail, however the precedent is being set by the most competitive segments in search.

For leading retailers in retail, scaling and optimizing existing Google Shopping campaigns will be a focus for 2018, as the industry streamlines the iterative testing of new keywords, ads, and bidding strategies.

Key Takeaways

A key theme of this report has been the extent to which the competitive search landscape is changing, and 2018 will undoubtedly see further changes in the landscape. For advertisers in the retail space, Adthena recommends five key takeaways:

- Investigate the value of **competitive intelligence**. Conduct gap analysis across a retail market in order to analyze the value of opportunities around Google Shopping.
- **Leverage machine learning** for search term categorization. Build a comprehensive understanding of consumer search behavior.
- **Optimize, streamline, and get more value** from Google Shopping campaigns. Integrate Google Shopping campaigns with Adwords/text ad campaigns, and respond to changes in the competitive market.

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