High Performer
SUMMER
2023

FOSPHA

The State of eCommerce Advertising

A Fospha Research Report

Q2 2023

www.fospha.com

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Introduction

State of eCommerce Q3 2022

Change continues to be the new normal in eCommerce. In previous reports the massive changes faced within digital commerce have been largely driven by external forces – a global pandemic and lockdowns in 2020, privacy legislation in 2021 and European war in 2022. In contrast, the change of the last twelve months has been primarily driven from within the advertising industry. In the last year we have seen a massive acceleration in channel and platform disruption and diversification, with a number of channels stepping up to take on Meta and Google Search's dominance.

Performance Max and TikTok have been the stand out stories in terms of growth, with TikTok spend up 10X year over year and PMAX replacing pure Search as the highest-investment Google channel. Yet we have also seen significant movement from other channels too – even in the last few months we have seen early signals of a performance shift from Snapchat, and (although not featured in this report) Twitter is beginning to enter the conversation as an ad channel again.

Of course, while channel diversification is consistently appearing as the best strategy for delivering high returns, it brings challenges as well. More platforms for marketers to log into, so a higher operational overhead, particularly as Google spend (centralized under the Google Ads platform) falls. Spend is also being redirected fastest into Paid Social, up from 51% to 68% of total media spend year-on-year. Paid Social channels are typically view-first, so are impossible to effectively measure in platforms like Google Analytics or Triple Whale which only track clicks. That means that most marketers are further than ever from having the right tools to measure their performance spend and know which channels are really working.

Fospha is here to help. With our market leading attribution model and coverage across many of the best-known eCommerce brands in the US, UK and EU, our platform is uniquely positioned to shine a light into exactly which platforms and strategies are really performing. This report contains a breakdown of some of the most interesting cross-brand data we have collected in the last 3 months.

Who are Fospha?

The ultimate answer to your eCommerce measurement problem.

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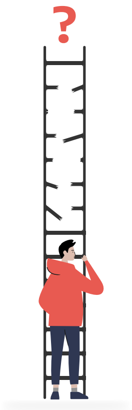

1. Increased eCommerce competition is pushing up costs, squeezing margins and threatening growth targets.
2. Headwinds like iOS 14, cookie deprecation and the privacy-first movement make it harder than ever to reliably see what's going on.
3. Cross channel reporting with a single source of truth becoming more difficult as the number of channels increases, each with their own attribution methodology.

Fospha is the future of marketing measurement.

Using machine learning to combine multi-touch attribution and marketing mix modelling in one view, Fospha gives clear, actionable insights on where to spend to maximize your growth.

Our cutting-edge approach shows you the impact of all clicks and impressions, restoring visibility you lost with iOS 14 and future-proofing you against further privacy changes.

Fospha clients achieve on average:

+75%	+33%	-9%
Spend growth	Return on advertising spend	Customer acquisition cost

Getting started with Fospha:

1. Fast, with a live platform in **under a week**
2. Easy, requiring just **10 minutes** setup
3. Affordable, with pricing from just **$1,250/month**

Click here to get started with a with a one month money-back guarantee.

Huel®

"If you're trying to scale a D2C brand – invest in Fospha!"
Ben Bokaie, Head of Performance

SPOKE

"The most sophisticsted attribution model I've ever worked with"
Jake Higgins, VP Growth

CUUP

"The reporting I've been looking for my whole career"
Karthik Paramasivam, VP Growth

Meta and TikTok dominate for scale and ROI

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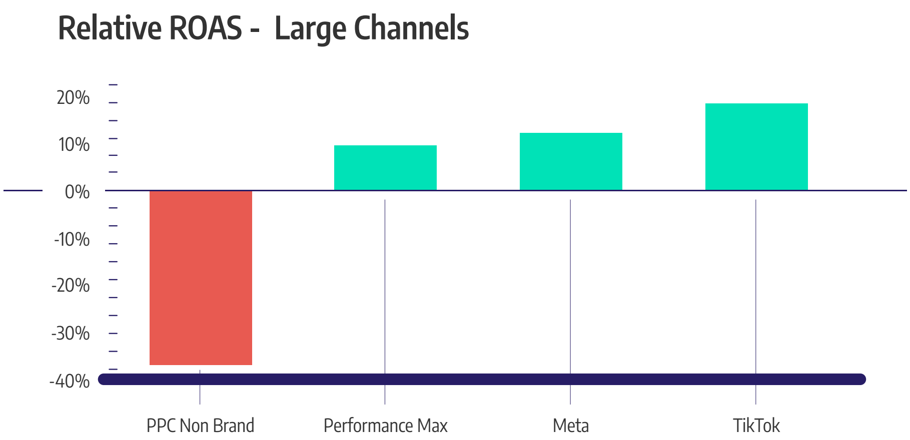
One of the big challenges of managing Paid Media for an eCommerce brand is not being able to see the genuine relative impact of your channels on revenue. Google Analytics and Ad Platform data both report inaccurately and inconsistently on performance, making it really hard to know where to invest. Because of Fospha's market-leading click and impression attribution model and our access to data from many brands, Fospha are in a unique position to counteract this problem. To start this report we are going to look at the performance of all the biggest Paid Media channels.



This chart features the four channels that each have over 5% of the total spend in this study, and contains a breakdown of each channels' performance through a metric we are calling 'Relative ROAS'. Firstly, let's introduce what that term means.

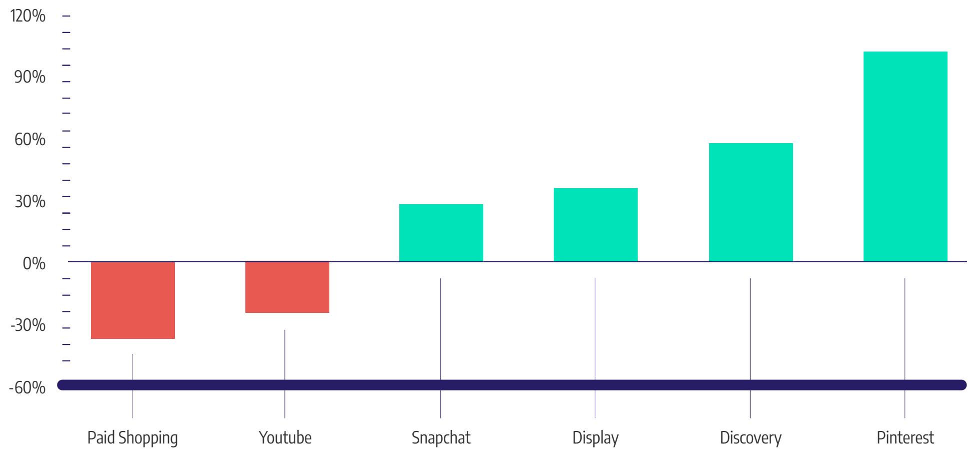
One of the big challenges with aggregating performance metrics across multiple brands is presenting the data in a way which is meaningful. Numbers like raw CPA, CAC and ROAS have very different meanings for different brands, so comparing them directly doesn't always make sense. At Fospha, we use 'Relative' metrics for this type of analysis. As an example, Relative ROAS gives each channel a score for whether it has a positive or negative impact on each brands' Paid Media ROAS. This allows us to normalize for each brands' own targets and context. As an example, a brand with a Blended Paid ROAS of 1 and a Snapchat ROAS of 1.2 will have a Relative ROAS for Snapchat of +20%. If the same brand has a ROAS of 0.8 in Affiliates, their Affiliate Relative ROAS will be -20%.

This allows us to compare data across brands with very different backgrounds, objectives and media mixes. And when we do, we clearly see that Paid Social offers the best performance, with Meta and TikTok standing as the highest performing channels. Performance Max is also a positive contributor to ROAS performance. Perhaps surprisingly for those used to relying on Google Analytics or Google Ads for measurement, non-brand PPC is the lowest performing big channel.

Of course, although these channels comprise over 90% of total spend in this study between them, there are other channels that contribute too. The below chart shows the Relative ROAS of the biggest of them.

Pinterest outperforms all channels for ROAS

Relative ROAS - Small Channels



As in previous reports, here we see Pinterest continue to deliver excellent performance for almost all brands using it. Interestingly it remains very niche, with ~1% of total spend being directed towards this channel. However for brands using it, Pin is a stellar performer. Likely this is because of its focused appeal – Fospha customers using Pinterest tend to be fashion and homeware retailers, who have products that are incredibly well-suited to the platform's visual search. Although Pinterest is used by some brands outside of these verticals with success, if you are a fashion or homeware retailer not yet spending on Pinterest, it should be your next channel.

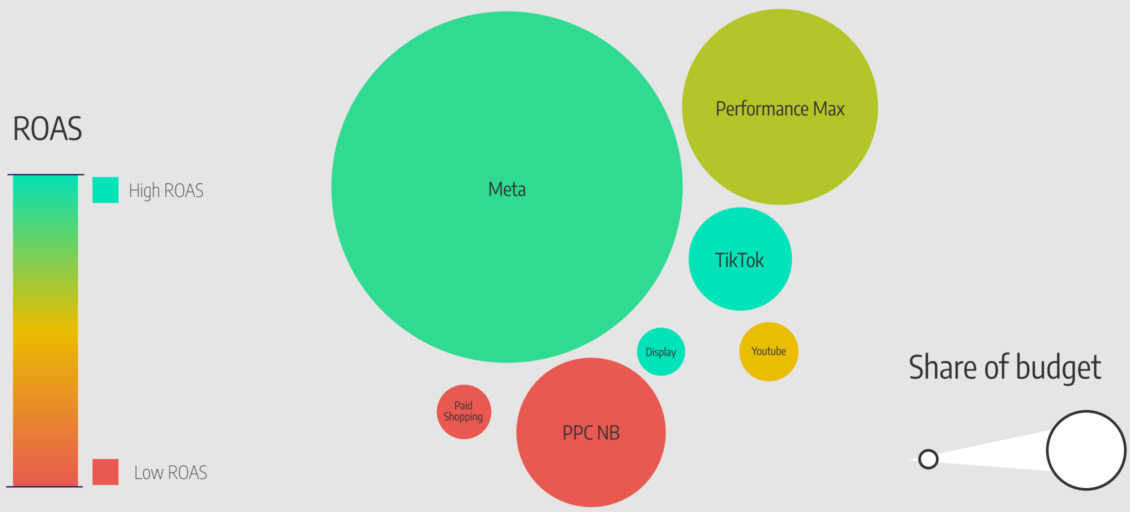
Snapchat is another interesting story in this report. Despite seeing generally below-average performance on this channel over the previous 18 months, since the end of Q4 2022 Fospha has measured an uptick in performance on Snapchat. It's possible this is due to ad updates made in Q1 2023 – we will monitor how this unfolds over the next few months.

Despite some specific success stories on YouTube, on average it continues to bring in revenue at a much higher cost than average for other channels.

Total Media Spend Breakdown

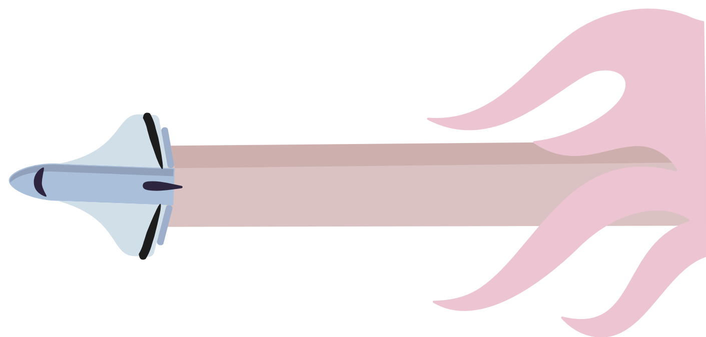
Another interesting way to cut this data is to review it with a sense of scale factored in. Some channels are powerhouses, able to single-handedly establish brands and grow businesses. Others are support channels with great performance and no real ability to scale. The below chart adjusts for this.

Relative ROAS & Share of Budget



From this we can clearly confirm that Meta remains the dominant play for eCommerce advertisers. Although there are channels with a bigger positive impact on ROAS, Meta stands out for its incredible ability to positively influence ROAS at scale. An incredible +12% Relative ROAS while comprising 60% of total media investment in this study is a massive contribution to these brands' success.

Performance Max also delivers strong performance at scale. We have included more details on some of the benefits and pitfalls of Performance Max on page 9.



Paid Social Spend Breakdown

ROAS up in Meta and TikTok – but Meta spend falling

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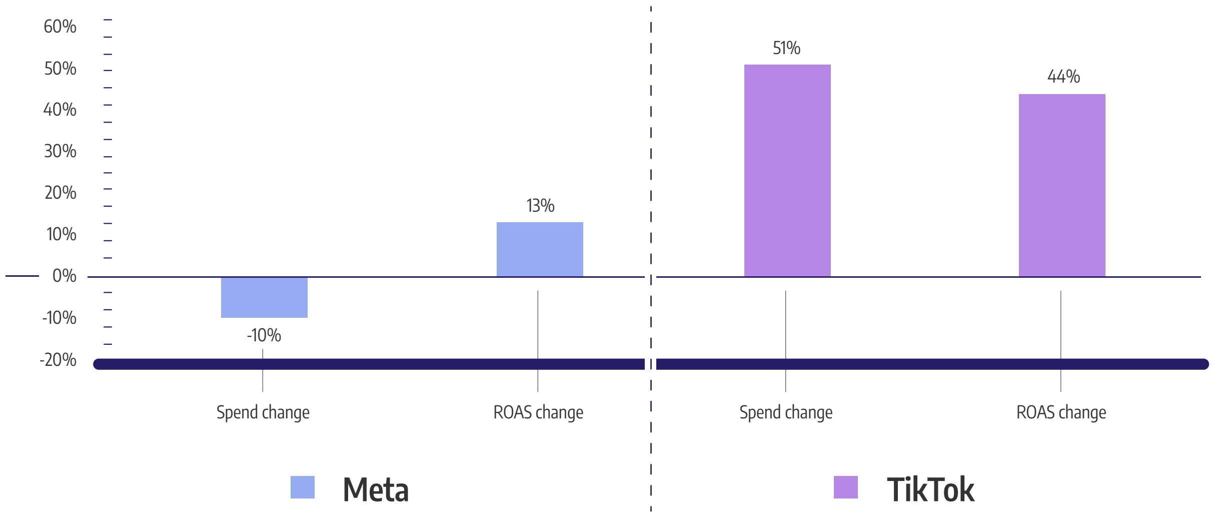
Honing in on the big two in Paid Socials, Meta and TikTok, we see a very interesting trend emerge.

Spend in TikTok continues to rise dramatically – up 50% in the last 6 months and 400% year on year. Although Meta remains the dominant platform, TikTok is fast developing into a serious contender for its crown. As it rises TikTok has also seen a stunning 45% lift in ROAS as its young ad product continues to develop and deliver value. Although TikTok still only receives 10% of the ad dollars that Meta does, being able to post these kinds of results while significantly growing spend is a very promising sign that the platform will continue to develop and deliver at scale.

Spend & ROAS change in Meta and TikTok - Last 6 months



Meta has also seen a ROAS improvement in the last 6 months, however this has come in the face of falling spend. After a turbulent few years following iOS 14, with repeated model changes in Meta Ads Manager alongside significant real-world controversy, Meta is struggling with damaged trust. As marketers seek to tighten their belts or explore new channels, Meta spend has taken a slight hit. The interesting thing is that this is not measurement-backed – when measured using Fospha Meta delivers great ROAS, and marketers would be better pulling from channels like Paid Search and Affiliates.

Performance Max performance heavily reliant on Brand PPC

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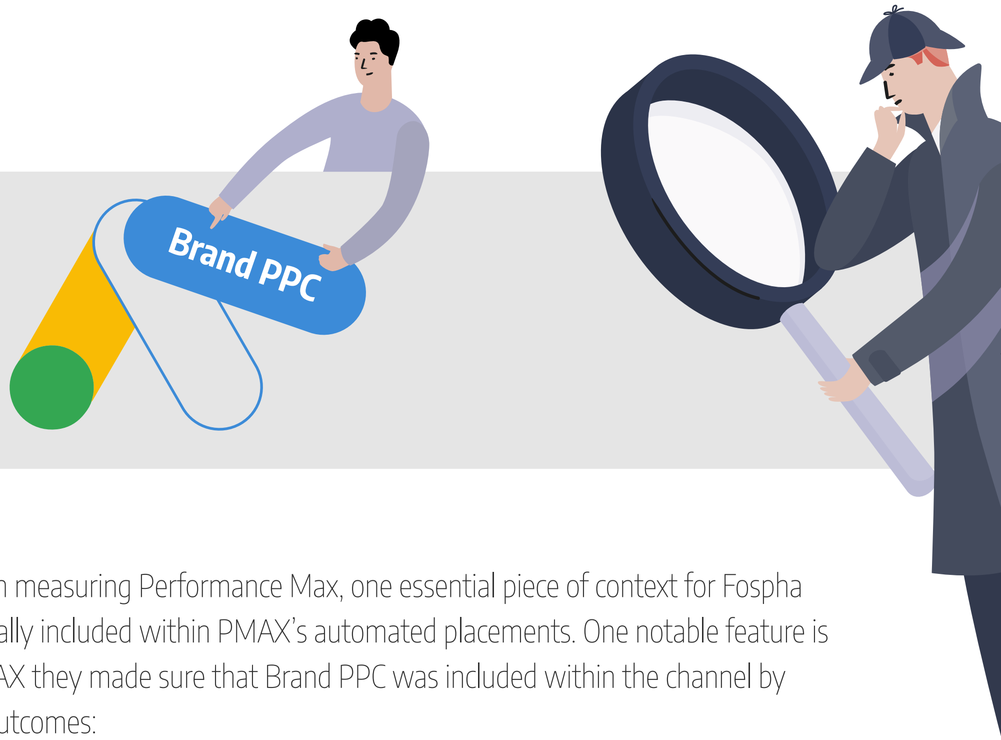
Performance Max, Google's latest ad product, was one of the darlings of 2022. As Google reps pushed this format hard it saw rapid uptake from eCommerce brands, growing quickly to become 18% of overall spend in H2 2022. Performance looked excellent too, with the format appearing to pick up many of the most successful features from other Google media like Smart Shopping, as well as adding incremental performance.

Performance Max

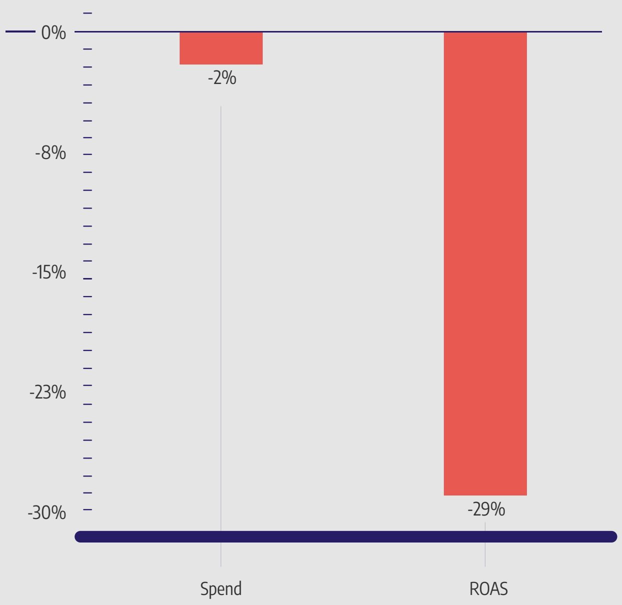


When calculating how to approach measuring Performance Max, one essential piece of context for Fospha was to review what media is actually included within PMAX's automated placements. One notable feature is that when Google introduced PMAX they made sure that Brand PPC was included within the channel by default. This had two significant outcomes:

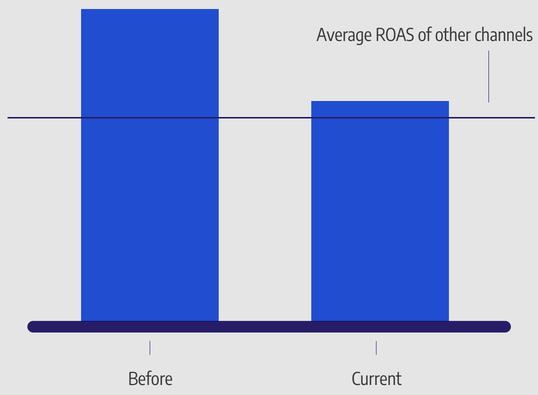
1. Many brands who had previously decided not to run Brand PPC were now investing in this media type again.
2. PMAX performance was seriously boosted – particularly when measured using Last Click, but in fact in every model because people Googling your brand terms have a very high conversion intent.

At Fospha we have advised that all of our clients remove Brand PPC from their PMAX campaigns to get an accurate view of performance. In the last 6 months we have seen most of them take us up on that, which is reflected in this chart.

Google PMAX change, last 6 months



But ROAS still outperforms average



PMAX spend has fallen by 2% as many brands have unrolled Brand PPC from it. In the same time we have seen a massive 29% drop in the ROAS being attributed to Performance Max. This clearly shows how much of the power of Performance Max was in the Brand PPC autoplacement – and how brands urgently need to make sure this is separated out to get a clear view of performance.

Interestingly, when measured using Relative ROAS we see PMAX average a positive contribution of +9%. The message here is clear – done carefully and with the appropriate set up of Brand PPC, investing in PMAX is a good move that will likely deliver revenue and improve your overall business health metrics. However it is nowhere near as strong a performer as Google Ads data would imply, and delivers less bang for buck than a channel like TikTok (which has a comparable level of penetration).

Summary of key conclusions

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1. Meta remains the true champion for delivering cost-effective revenue at massive scale.

2. However, there is some advertiser reluctance to invest in the platform despite a slight rise in performance over the last year, losing some market share in this report.

3. Despite spend in TikTok rising astronomically over the last 12 months, the platform has continued to deliver – and improve – on its ROAS numbers.

4. Pinterest is the most effective Paid Social platform outright, particularly for Fashion and Home retailers – although it is untested for scale.

5. Performance Max's initial very strong performance was heavily inflated by Google's default inclusion of Brand PPC into this channel. It still delivers an OK return but initial reports of how transformative it could be are unlikely to play out.

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