

The pandemic promises search ad spending short-term pain but long-term gain

ARTICLE | **NOVEMBER 18, 2020**

Nicole Perrin

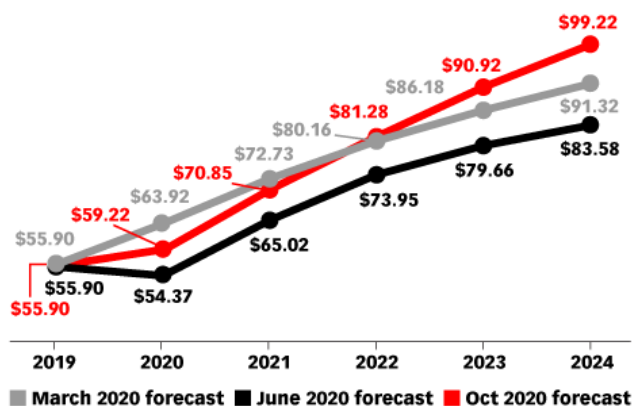
Prior to the pandemic, we expected search ad spending in the US to grow by 14.4% this year as part of a trend of gradually slowing growth from 2018 through the end of our forecast period in 2024. When the pandemic upended that expectation, we revised our outlook in anticipation of a virtual halt to travel industry search spending. But as more information has come in throughout the summer and early fall about the pace of consumer ecommerce spending, we have again updated our estimates of search ad spending in 2020—this time, in a positive direction.

We now forecast 5.9% growth in search ad spending this year. But the changes are farther-reaching than that. As the pandemic is permanently shifting more retail sales to digital channels, it's also driving more search advertising by digital merchants.

The overall level of economic disruption means our current forecast for search spending in 2020 and 2021 is lower than we predicted before the pandemic. But our new forecast for search actually exceeds our pre-pandemic expectations for 2022. We now expect advertisers will spend \$99.22 billion on search in 2024—up from the \$91.32 billion we expected at the beginning of this year.

How Our Forecast for Search Ad Spending in the US Has Changed This Year, 2019-2024

billions



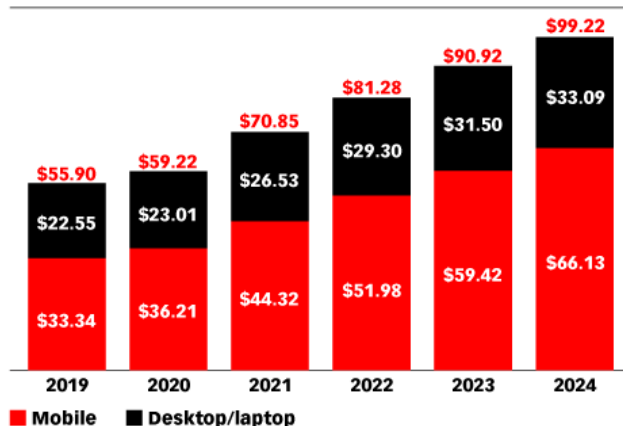
Note: includes advertising that appears based on specified keywords or search terms in response to a user's query; includes paid listings, paid inclusion, and contextual text links; examples include text ads in Google search results, Product Listing Ads in Google search results, and Amazon Sponsored Products and Sponsored Brands; includes advertising that appears on desktop and laptop computers, as well as mobile phones, tablets, and other internet-connected devices
Source: eMarketer, Oct 2020

259345

www.eMarketer.com

Most of that spending will go to placements on mobile devices, with the share growing to about two-thirds by 2024. Desktop and laptop search ad spending will barely go up this year due largely to a decline in big-ticket, high-consideration searches for travel services as a result of the pandemic. Categories that are holding up well in the pandemic, like consumer packaged goods (CPG), are more likely to be searched and shopped for on mobile devices.

Search Ad Spending in the US, by Device, 2019-2024 billions



Note: includes advertising that appears based on specified keywords or search terms in response to a user's query; includes paid listings, paid inclusion, and contextual text links; examples include text ads in Google search results, Product Listing Ads in Google search results, and Amazon Sponsored Products and Sponsored Brands; numbers may not add up to total due to rounding

Source: eMarketer, Oct 2020

259344

www.eMarketer.com

Those categories are also relatively likely to be shopped for on Amazon. Early on in the pandemic, consumers came to count on “the everything store” so much that it was forced to become the “essential items only” store and turn off its own search advertising on Google for a time to dampen demand.

Even so, Amazon reported strong growth in its “other” revenues—the category under which the company’s advertising revenues fall in its earnings reports—in Q1 and Q2 of this year. This led us to revise our forecast for Amazon’s net search ad revenue growth in the US upward to 43.0% this year—an acceleration compared with 2019. Amazon then reported an acceleration of growth in its “other” revenues to 49% in Q3—higher than we expected and faster than the segment has grown since 2018, when a change in accounting had sent growth rates artificially high.

We also revised upward our expectations for US net search ad revenues at Google after better-than-expected results in Q2. Google executives reported consumer queries trending in a more commercial direction and relatively strong spending by ecommerce advertisers, and our October forecast showed flat growth for Google search. In late October, Google reported better-than-expected

results again, including 6.5% year-over-year (YoY) growth in search ad revenues in Q3.

Net Search Ad Revenue Growth in the US, by Company, 2019-2022
% change

	2019	2020	2021	2022
Amazon	35.6%	43.0%	29.4%	27.2%
Google	13.1%	0.0%	17.3%	11.0%
Microsoft	9.4%	-9.2%	6.0%	4.0%
Verizon Media	-5.6%	-14.8%	1.0%	-0.7%
Yelp	7.9%	-19.4%	15.1%	10.2%
IAC	23.9%	-22.7%	9.5%	3.5%
Other	18.6%	12.0%	25.1%	18.5%

Note: includes advertising that appears based on specified keywords or search terms in response to a user's query; includes paid listings, paid inclusion, and contextual text links; examples include text ads in Google search results, Product Listing Ads in Google search results, and Amazon Sponsored Products and Sponsored Brands; includes advertising that appears on desktop and laptop computers, as well as mobile phones, tablets, and other internet-connected devices
Source: eMarketer, Oct 2020

259349 www.eMarketer.com

Although this forecast includes better expectations for Google search ad revenue growth than before, we expect that Amazon will ultimately benefit more from the overarching trend of a larger share of commerce happening online, thus driving more search spending with the company. In June, we expected Google's net share of US search ad spending to fall from 61.3% last year to 57.5% by 2022. We now predict Google's share will be down to 54.9% in 2022. Amazon, meanwhile, will net 21.5% of US search ad spending that year—up from our previous forecast of 19.0%.

To learn more about how search advertising is poised for growth, eMarketer PRO subscribers can read our recent report:

Report by Nicole Perrin Nov 02, 2020

Search Marketing 2020

