

# DYNAMICS OF ADVERTISING IN DIGITAL SPACE – US





## OVERVIEW

Prominent e-commerce giants, social commerce and search engine platforms in the US, such as Amazon, Walmart, Ebay, Target, Tik Tok, Meta, Google and Bing, face intense competition and significant challenges amid a slowdown in economic growth. These platforms, which are vital for the success of e-commerce brands, have adopted a cautious outlook in light of the prevailing circumstances.

Before the pandemic, the Digital Advertising market was expanding at a steady pace. However, the pandemic has accelerated digital adoption, and this effect will be permanent, resulting in a more substantial expansion of the Digital Advertising market across the coming years.

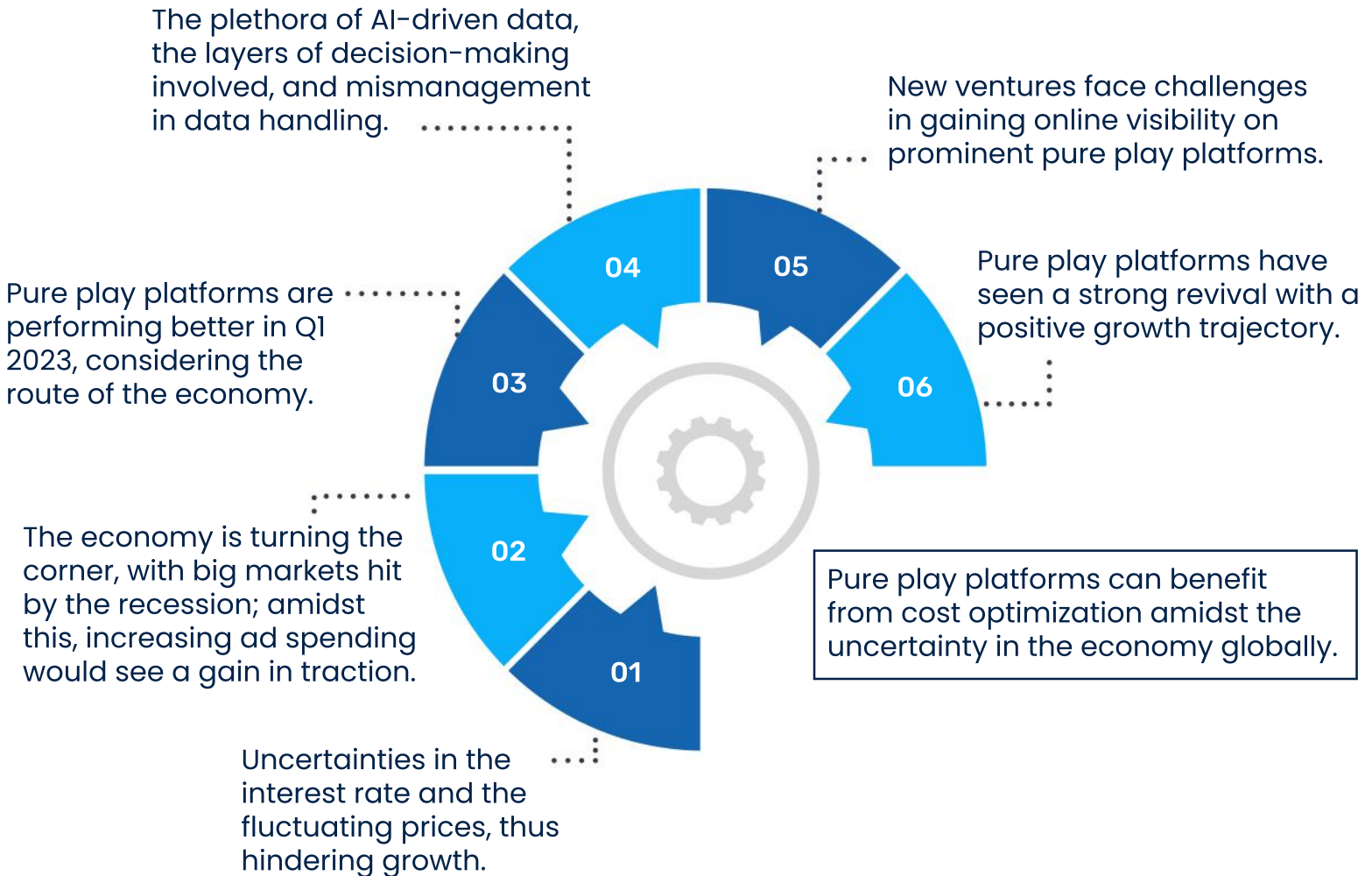
This report depicts the scenario of these three powerful platforms based on data from reliable sources on their digital ad spending and advertising.

1. Pure Play Platforms
2. Search Engine Platforms
3. Social Commerce Platforms

Over the last two years, the economic environment has been challenging in many ways for brands and pure play platforms.

As per a research, after post-pandemic times, the pure play platforms have seen the steadiest growth but due to the slow economy which is so prolonged and has been elevated, there has been a plethora of changes in the ad spending across various platforms.

In contrast to the downturn observed in the last two quarters of 2022, the first quarter of 2023 has demonstrated resilience with an upswing in ad spending. Notably, there has been an increase in investment on e-commerce marketplaces in comparison to Social Commerce. On the other hand, digital ad spending on various social media platforms has witnessed an increase.



# SEARCH ENGINE PLATFORMS

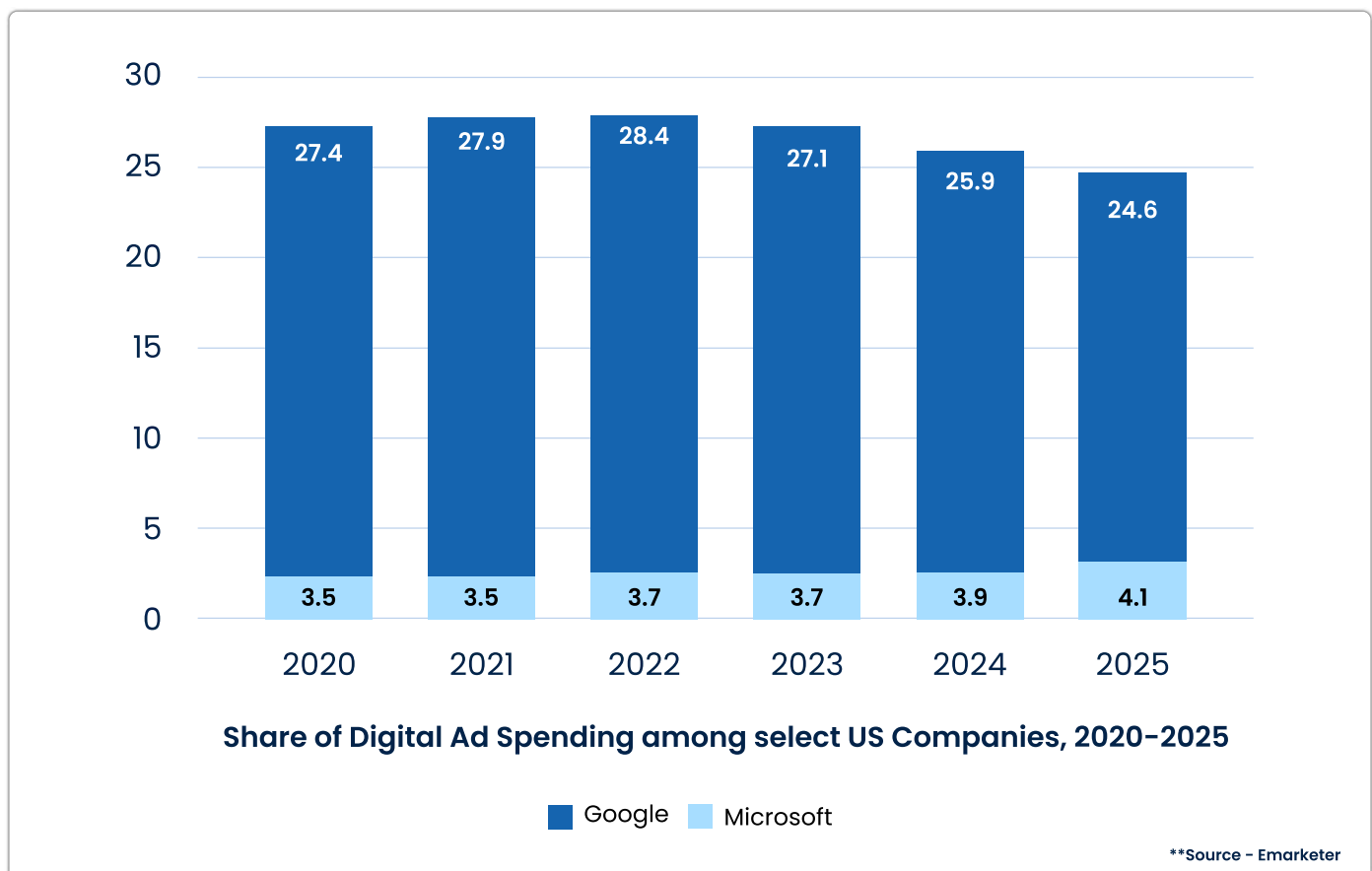
**Search Engine Platforms growth, along with CPC, has decelerated in comparison to the ecommerce pure play platforms.**

As per the latest reports from industry researchers, In Q1- 2023 one of the advertising channels' ad spending has grown to 9% year-on-year in comparison to a 10% increase in the previous quarter. in the period of Jan-March 2023, and the clicks have seen an 11% increase.

But the Cost-Per-Click has seen a drop to 1% compared to 2022.

Many categories in the US Retail have seen a significant downfall in their Search average order value. The brands have resorted to cuts in production costs, the result of which the Advertisers have been seeing a difficult time with the decline in CPC.

Things have turned in favor of Amazon, with more than 50% of the searches happening on this platform as users directly search on the pure play platforms rather than search engines which are nearly 25-30%.



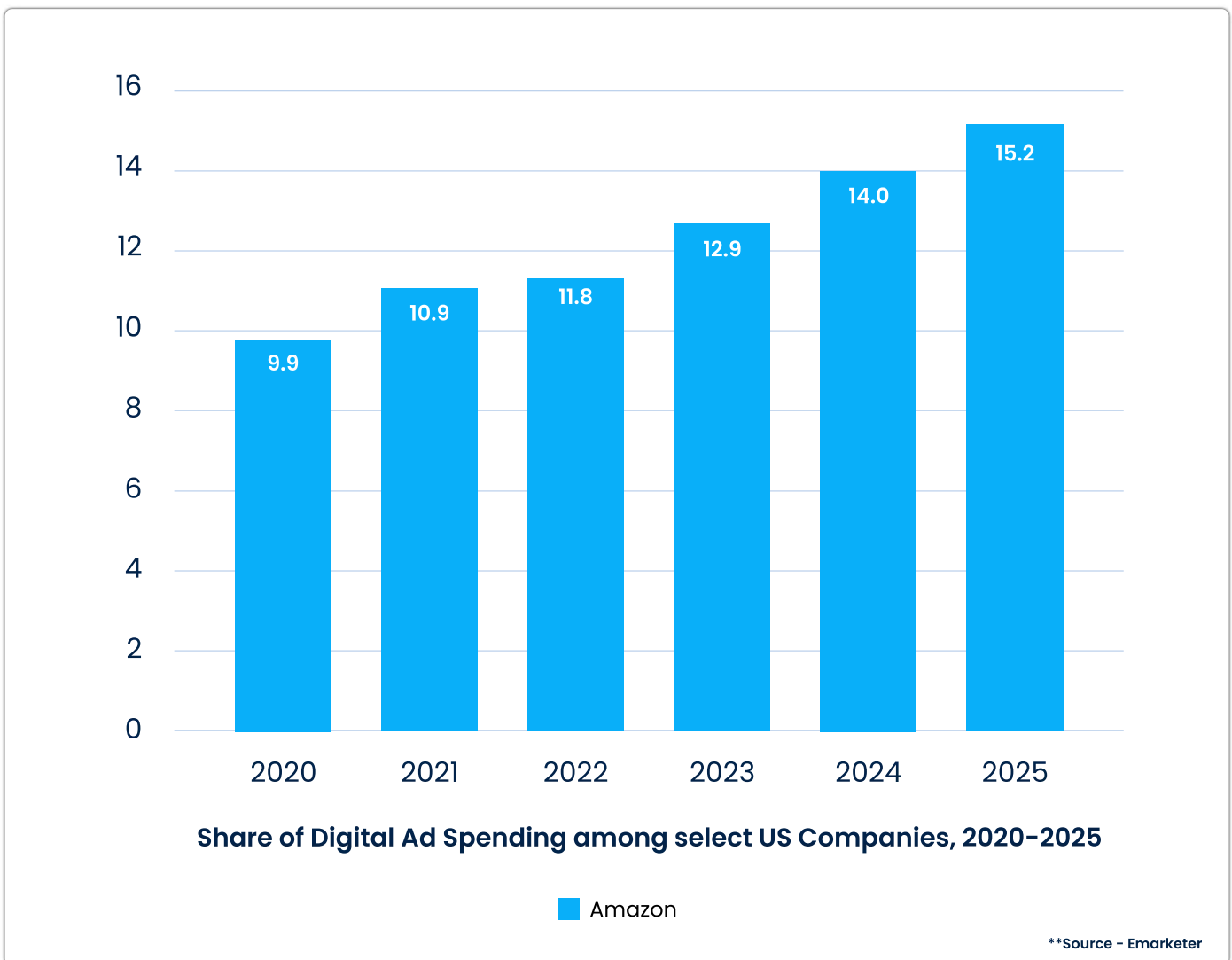
# PURE PLAY PLATFORMS

**Amazon's advertising revenue is anticipated to more than double to \$30 billion by 2023, from \$15.73 billion in 2020.**

It doesn't come as a surprise that Amazon has been dominating the ecommerce market in terms of advertising, followed by Walmart. According to research, Amazon is anticipated to have approximately twelve times the market share of its closest rival, Walmart.

Amazon advertising accelerated almost 19% in Q4 2022; online advertising is growing and challenging social commerce and search engine platforms.

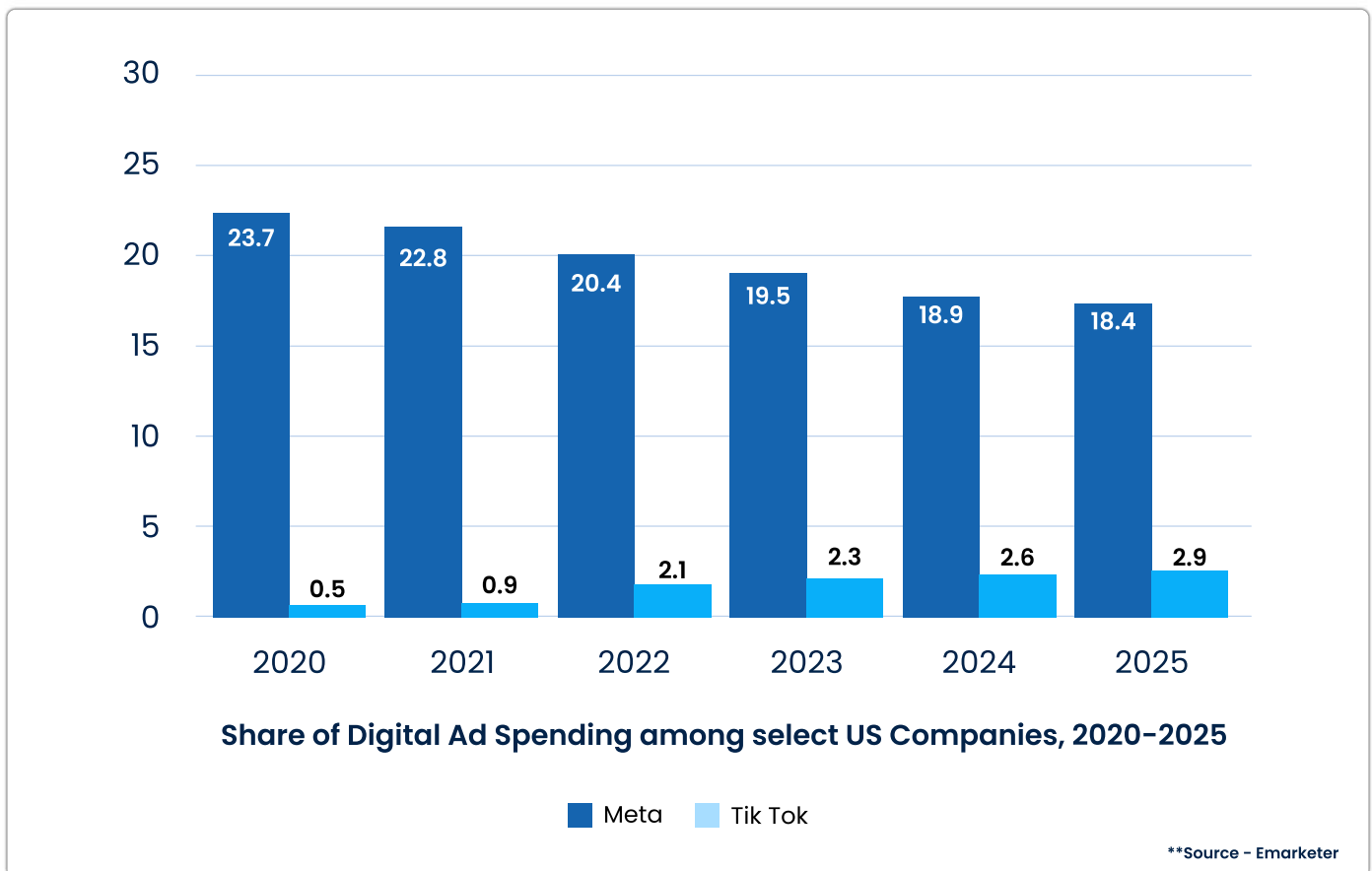
Amazon currently has a share of 7.3% of the total online advertising market, leaving behind Search Engine and Social Commerce Platforms. (Source cnbc-2023)



# SOCIAL COMMERCE PLATFORMS

**In 2023, Ad spending in social commerce is anticipated to reach US\$207.10bn with US spending the most - US\$72,330.00m**

Paid Social Media has been witnessing a downfall in ad spending, hinting that advertisers are not choosing this platform to promote their products. However, Tik Tok has increased its ad spend by over 80% in the last quarter of 2022, and in Q1 2023, it has increased the spend by almost 25% with a 44% increase in the CPM. On the other hand, one of the other popular channels has also rebounded and saw a growth of almost 50% in Q1 2023 compared to the last quarter. Also, one platform has seen the best growth since 2020 with over 15% increase.



# EFFECTIVENESS AND ROI OF AD SPENDS ON ECOMMERCE PURE PLAY PLATFORMS

In 2023, global advertising expenditures are anticipated to increase by only 2.6%, compared to 8.3% in 2022. On the other hand, social media ad spending is projected to decline to half in 2023, compared to a growth rate of 11.5% in 2022.

The markets have turned volatile, instigating the channels to act wisely on their ad spending.

The channels define their own parameters to create a distinction and drive revenue.

Let's look at some metrics that define the effectiveness and ROI of ad spending on e-commerce pure play platforms.



# GLOBAL EXPENDITURE

2023

The economy in 2023 will be a mixture of positive and negative trends, both of which will have an impact on ad spending.

2023

The market for Social Commerce ad spend is anticipated to reach \$207.10 billion by 2023.

2023

In comparison to the rest of the world, the United States will spend the most on advertising \$72,330.00 million in 2023.

2023

As per the predictions, the U.S. advertising market will increase by 3.4% in 2023, reaching a record high of \$326 billion. It is anticipated that digital media will increase by 9%, contributing to growth.

2026

In 2021, global expenditure on digital advertising was estimated to amount to 522.5 billion U.S. dollars. The source projected that ad spending would reach \$836 billion by 2026.

2027

Mobile will generate \$247.30 billion in total ad expenditure in the Social Media Advertising market in 2027.

\*\*Source - (Statista, Magna & Forbes)

## COMPARISON OF COSTS AND BENEFITS OF ECOMMERCE PURE PLAY PLATFORMS VS. SOCIAL COMMERCE

More than fifty percent of anticipated advertising expenditures for the current year will likely be allocated to digital advertising.

Amazon Prime Day, Amazon's annual online shopping event featuring bargains and discounts for its Prime members has become one of the most extensively advertised e-commerce spectacles worldwide. It is second in line after the Black Friday sale to generate the highest number of sales.

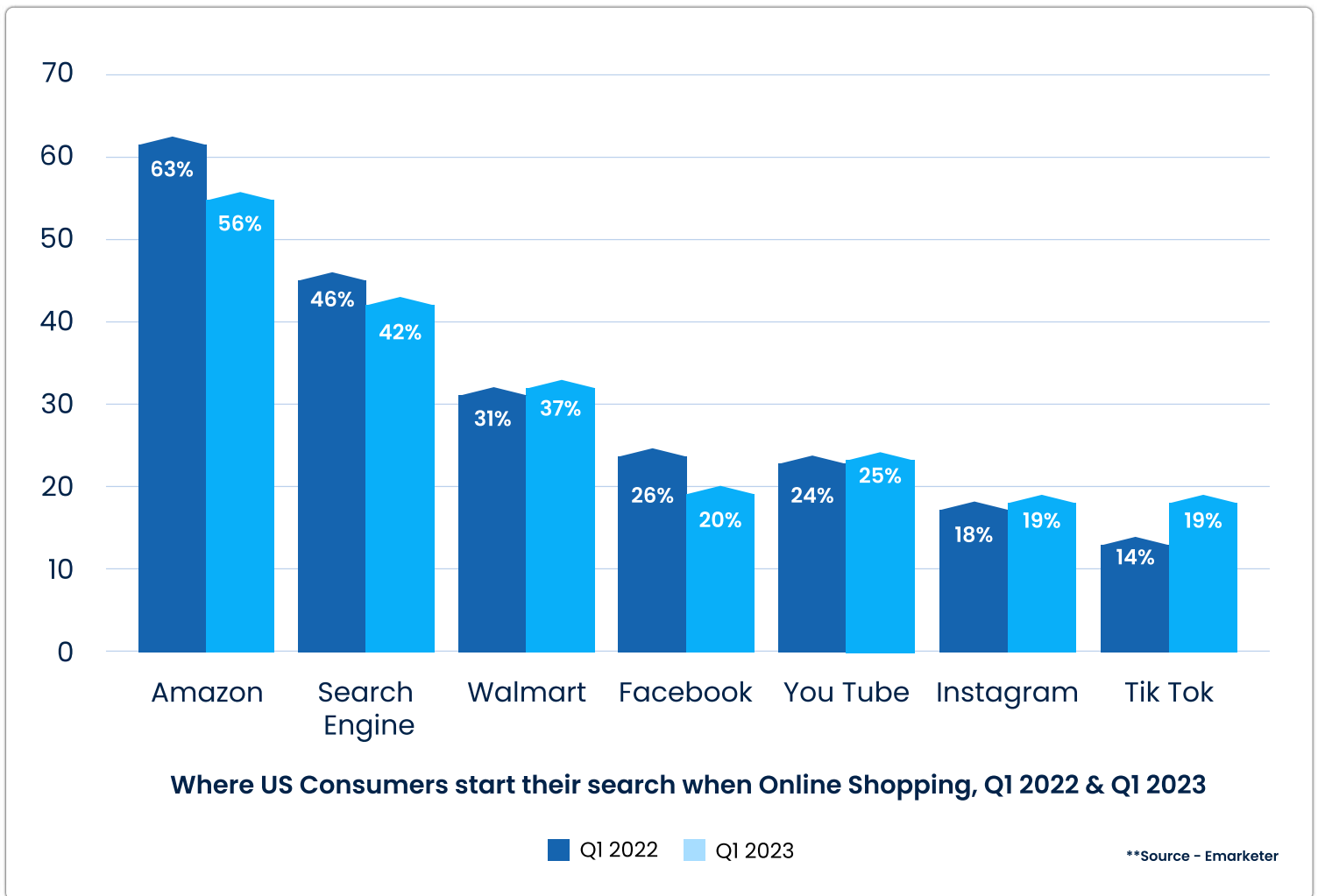
Black Friday is the shopping event generating the highest increase in sales.



# CONCLUSION

According to the World Advertising Research Centre, retail media ad spending is anticipated to reach \$121.9B globally in 2023, an increase of 10.1% from the previous year.

The digital advertising landscape in the US is undergoing a seismic shift, with pure play platforms like Amazon emerging as dominant forces. With their exponential growth and projected revenue doubling by 2023, these platforms present unparalleled opportunities for e-commerce brands. While social commerce platforms show glimpses of potential, the real approach lies in harnessing the strength of pure play platforms and leveraging the benefits of an integrated marketing strategy across multiple channels. This strategic approach enables brands to tap into the vast potential of the digital landscape, ensuring maximum reach, audience engagement, and optimal returns on ad spend.



## ABOUT PAXCOM

Paxcom is a technology company specializing in comprehensive e-commerce automation solutions. It offers suite of services ranging from creating and managing e-stores to advanced data analysis, revenue growth, and customer satisfaction. Their proprietary technology, Kinator, collects and analyzes data from major platforms worldwide to provide data-driven analytics and insights for brands selling on various e-retailers and marketplaces. Paxcom helps businesses make data-driven decisions on pricing, promotions, placement, and more, while also offering **Amazon management, marketing strategy, campaign management, and payment analysis.**

Trusted by leading brands like PepsiCo, Britannia, Lenovo, Wipro, and Abbott, Paxcom provides data, analytics, consulting, and solutions for e-commerce-driven retail strategies.

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