

# Alphabet Inc.'s Google

## Advertisers Seek Out Search, YouTube

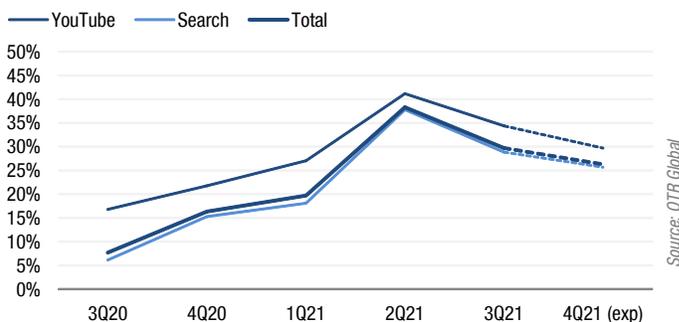
Spending on Google search and YouTube remained robust during 3Q21 because of positive ROI fundamentals and strong demand for search and digital video, and Apple's iOS 14 privacy update caused a surge in search and YouTube demand.

- Search: U.S. ad spending up 27%–30% yy in 3Q21 (vs. up 36%–39% in 2Q21, up 17%–20% in 1Q21), expected up 24%–27% in 4Q21; European 3Q21 spending up 28%–31% (vs. up 68%–71% in 2Q21); growth moderation blamed on tough comps
- YouTube: U.S. ad spending up 33%–36% yy in 3Q21 (vs. up 40%–43% in 2Q21, 26%–29% in 1Q21), expected up 28%–31% in 4Q21; European sources reported robust 3Q21 yy growth trends
- AMZN: U.S. ad spending up 49%–52% yy in 3Q21 (vs. up 60%–63% in 2Q21, 48%–51% in 1Q21), expected up 39%–42% in 4Q21; AMZN not taking share from GOOGL
- Area to Watch: AAPL's iOS 14 privacy update pressuring FB measurement, helped drive spending on GOOGL search, YouTube in 3Q21, expected to continue to help in 4Q21

### KEY DATA

#### U.S. Google Ad Spending YY

(on average)



“Retail, CPG and ecommerce advertisers used search more in 3Q21 because of signal loss on Facebook. App-install advertisers are also leaning into Google's Universal App Campaigns.”

*U.S. agency source*

BY ROBBIE SCOTT

### SOURCES & BACKGROUND

**32 sources** at full-service and digital advertising agencies in the United States (21) and Europe (11), comprising 13 search specialists (8 in the United States and 5 in Europe), 7 video specialists (3 in the United States and 4 Europe) and 12 search and video specialists (10 in the United States and 2 in Europe)

**REPEAT SOURCES** 24 (15 in the United States and 9 in Europe) from OTR Global's prior research

**INTERVIEWS** Sept. 17 through Oct. 7

**AVERAGES** Straight

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## U.S. GOOGLE SEARCH

### 3Q21 growth tracking ahead of 1Q21

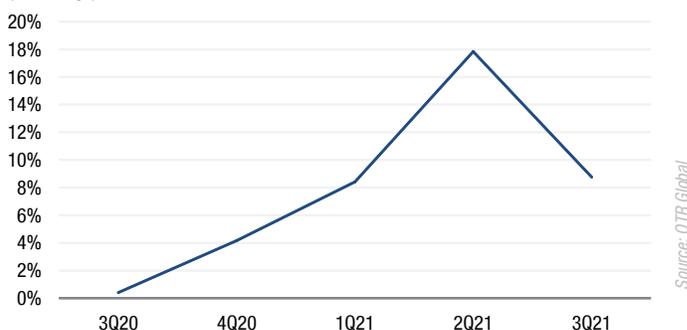
U.S. advertising spending on **Alphabet Inc.**'s Google search increased an average 27%–30% yy during 3Q21, slowing compared with up 36%–39% in 2Q21 but tracking better than up 17%–20% in 1Q21 and in line with 3Q21 expectations in OTR Global's July report. Sources said strong spending growth in 3Q21 was fueled by surging demand for Google search, ecommerce activity and robust SMB trends, despite toughening comparisons. "Google search demand is huge, and in 3Q21 our spending increased [yy] and ended ahead of our expectations. We are moving more budgets to search because of performance," one said. Another said, "Spending on Google search increased [yy] in 3Q21 and was in line with our expectations. Ecommerce remains a very big driver of growth. We're also seeing more SMB categories and local services expand spending aggressively on Google search."

*Editor's Note: OTR Global estimates 3Q21 advertising revenue grew 28%–31% yy (compared with 37%–40% in 2Q21) using a combination of the spending growth rates for Google search and YouTube.*

**iOS 14 Helping:** Six sources reported spending on Google search benefitted during 3Q21 from **Apple Inc.**'s iOS 14 privacy update as measurement and reporting remained pressured on **Facebook Inc.** campaigns. Sources stressed Google search benefitted primarily from incremental spending being more heavily weighted to search as opposed to budgets being directly pulled out of Facebook. "The Apple iOS 14 update definitely helped drive a bit more demand for Google search. SMB and direct-response advertisers were actively looking for alternatives in 3Q21, and search is such an easy activation and delivers results," one said. Another said, "The rising interest building toward search has been aided by the fluctuations in our Facebook measurement and targeting. Retail, CPG and ecommerce advertisers used search more in 3Q21 because of signal loss on Facebook. App-install advertisers are also leaning into Google's Universal App Campaigns."

### U.S. Google Search CPCs YY

(on average)



**CPCs:** CPCs on Google search increased an average 8%–11% yy during 3Q21, slowing compared with up 16%–19% in 2Q21 but similar to up 7%–10% in 1Q21. Robust competition for inventory — brand keywords specifically — was cited as a key driver of CPC inflation during 3Q21. "CPCs on Google search increased 10% year over year and about 30% quarter over quarter, mainly driven by higher branded keyword CPCs. Heavy competition for inventory is driving brand and non-brand keyword costs up," one said. Another said, "Branded keywords are moving up [yy] on Google search. We're seeing more advertisers competing aggressively for other brand terms, which is making it more expensive."

**ROI:** All U.S. sources at least met their ROI expectations during 3Q21, although fewer exceeded (five of 18) compared with OTR Global's 2Q21 findings (when eight of 20 exceeded). Despite higher CPC

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costs, sources reported strong performance results on Google search during 3Q21, and positive ROI was cited as a driver of incremental spending. "Led by ecommerce, ROI has exceeded our expectations across our client base. The results are motivating more spending increases. Despite the costs going higher, we're seeing stronger increases on returns, which makes it easy to expand budgets," one said.

## Travel, automotive improving

Sources reported positive recovery trends for travel and leisure advertising spending on Google search during 3Q21, which boosted spending compared with 2020 and 2019 levels. Sources also reported increases in CPCs on travel and leisure inventory on Google search, driven by stronger competition for inventory, specifically from major OTAs. "With summer vacations ending, you'd expect to see a drop off after Labor Day, but we continued to see strong booking volumes. Bookings for 60–90 days out were strong and helped us expand our presence in Google search. The short-term bookings are still not all the way back to 2019 levels, but they are improving. OTAs are surging back into the Google search auction and driving CPCs up," one said. Another said, "Travel- and leisure-related demand is increasing on Google search, and we ended up tracking ahead of spending in 3Q21 versus 3Q19."

**Automotive Progress:** Despite intense supply chain constraints, sources reported positive automotive advertising trends on Google search during 3Q21, primarily focused on building intent audiences. "PLAs for automotive are growing. Automotive brands are using PLAs for customer research and lead forms. Despite every dealership lot looking bare, the automotive brands are still spending aggressively on digital ads. They don't want you to forget about them," one said.

## Facebook pressure helps 4Q21 forecasts

U.S. advertisement spending on Google search in 4Q21 is expected to increase an average 24%–27% yy, moderating slightly compared with 3Q21 trends. Despite tougher comparisons, sources expect 4Q21 spending to be supported by robust ecommerce demand, strong performance fundamentals and new client additions. "We're expecting only a slight moderation in spending growth on Google search in 4Q21 because of strong volume from new advertisers. Ecommerce demand is also building toward a robust year-end," one said. Another said, "We're not expecting demand to slowdown in 4Q21. We are going against tougher comparisons, so the year-on-year growth levels won't be as high, but we aren't seeing any weaknesses in our Google spending."

*Editor's Note: OTR Global estimates 4Q21 advertising revenue will grow 25%–28% yy, using a combination of the spending growth rates for Google search and YouTube.*

**iOS 14 Supporting Outlook:** Strong 4Q21 spending forecasts on Google search were supported by direct-response, SMB and app-install advertisers shifting a larger share of budgets to Google search in light of challenges on Facebook after Apple's iOS 14 privacy update. "We're seeing a tipping point for Google search demand, and we expect 4Q21 to be huge. The issues on Facebook and the shift for more advertisers to rely on first-party data is going to favor Google search," one said. Another said, "Google Shopping and demand from ecommerce advertisers is going to boost our spending in 4Q21 ahead of last year. We're seeing strong demand in the pipeline, and the pressure on Facebook direct-response initiatives will help Google search."

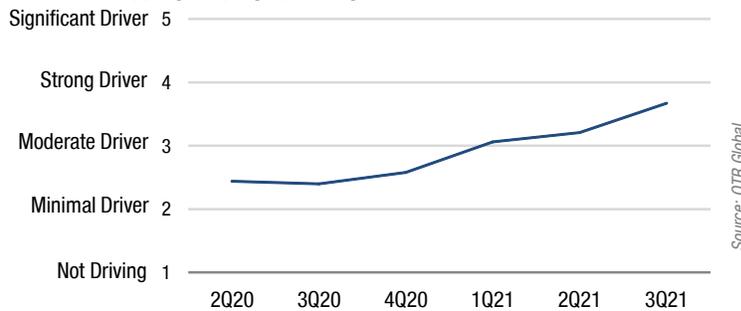
## Solid ecommerce activity

Google Shopping demand was cited often as a top factor helping spending on Google search during 3Q21, consistent with OTR Global's previous findings. Sources said despite slightly softer ecom-

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merce activity during 3Q21, the COVID-19 Delta variant triggered higher than expected demand from ecommerce advertisers in the second half of 3Q21. “The spikes in coronavirus cases in the United States led to more demand for Google Shopping. We were expecting things to slow down in 3Q21, but ecommerce advertiser demand kept charging,” one said. Another said, “Google Shopping is seeing more and more demand. Bidding is intense, and competition for inventory is high. PLAs remain the top growth driver for our Google spending.”

## Is Smart Shopping Helping Spending? (on average)

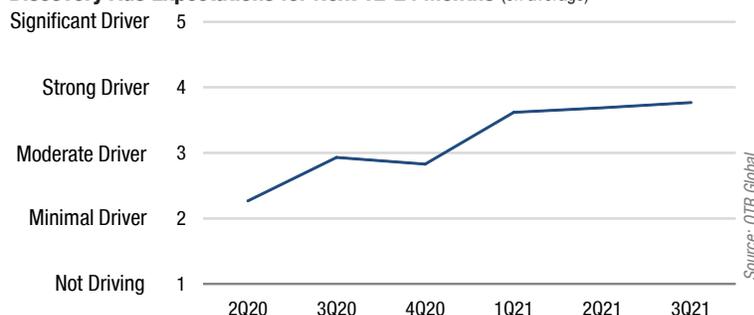


**Smart Shopping:** All nine responding U.S. sources said Google’s Smart Shopping was at least a moderate driver of budgets expansion, including four who cited it as a strong driver and one as a significant driver (and improvement compared with OTR Global’s 2Q21 findings). As in OTR Global’s previous findings, incremental reach and solid performance helped drive Smart Shopping adoption. “We are now about 50% Smart Shopping and 50% manual PLAs. Smart Shopping has been effective, and we’re seeing the tool drive incremental growth,” one said. Another said, “We are positioning Smart Shopping to our clients as an entirely separate tool from PLAs. Smart Shopping delivers incremental reach, and the conversion rates have been strong. The pricing has to be watched closely because when you get to a certain point with budgets volume and goals, the costs can begin to spike.” Sources also said Smart Shopping adoption has been positively influenced by new client additions. “Smart Shopping has been effective in ramping up new clients and capturing incremental reach beyond PLAs in search,” one said.

## Discovery ad adoption persists

Twelve of 18 U.S. sources were actively spending on Google’s Discovery advertisements during 3Q21, with positive engagement and conversions aiding adoption. Sources said spending on Discovery advertisements was mostly incremental and not coming at the expense of Google search campaigns. “Our spending on Discovery ads have come in the form of incremental additions to our overall Google spending. We are not drawing search or YouTube budgets to build for Discovery ads,” one said. Another said, “We are using Discovery ads, and it has been effective in providing reach and volume. It’s more mid-funnel. We can’t use search budgets for Discovery ads, so it requires incremental spending.”

## Discovery Ads Expectations for Next 12-24 Months (on average)



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**Robust Outlook:** All 13 responding sources expect Discovery advertisements to help drive spending during the next 12–24 months, similar to OTR Global's findings in July, aided by positive adoption trends, demand for mid-funnel tactics and strong performance. "Over the next 12–24 months, Discovery ads could develop into a key driver of spending on Google. We are seeing strong engagement and site traffic driven from Discovery ads. It's not going to compete for bottom of the funnel ads, but as brands begin to build the top or middle of the funnel back up, Discovery ads will be important," one said. Another said, "Discovery ads have been successful in conversions and remarketing. Remarketing, specifically, is becoming harder throughout all of digital because of privacy changes, so Discovery ads could be a strong solution."

## EUROPEAN GOOGLE SEARCH

### Search demand remains strong

European advertisement spending on Google search increased an average 28%–31% yy during 3Q21, slowing compared with up 68%–71% in 2Q21 but better than the 18%–21% growth OTR Global reported in 1Q21. Sources attributed strong growth to demand from ecommerce and SMB advertisers and positive increases in new advertisers. "Our Google search spending increased [yy] in 3Q21. We had fewer clients last year, and this year we have been scrambling to hire new staff. We are happy with search returns and had a successful 3Q21," one said. Another said, "Spending on Google search clearly increased [yy] in 3Q21. We are happy with the results, and we are growing in line with performance. We are also adding on new clients and seeing generally higher demand for search. We're seeing a broader and more aggressive shift of linear TV budgets to digital."

#### European Google Search ROI vs. Expectations

(number of sources)

	2Q21	3Q21
<b>Exceeded</b>	3	2
<b>Met</b>	5	4
<b>Fell below</b>	1	1

**CPCs, ROI:** Five of six sources said CPCs increased yy on Google search during 3Q21. "Prices on Google search were up [yy] in 3Q21. We are seeing more frequently that we are having to pay higher premiums on keywords than we did a year ago because the marketplace is so active," one said. Another said, "There is a lot of pressure on retail brands to perform well in 2H21, and we are seeing solid increases on CPCs, especially in 3Q21. This is the highest number of retail brands that we have ever seen in the auction." Six of seven sources at least met their ROI expectations on Google search during 3Q21, including two who exceeded, aided by positive results for ecommerce, retail and CPG advertisers. "ROI was strong in 3Q21 and exceeded our expectations. Google's introduction of SA360's value-based bidding aided a positive improvement in ROI. Our retails and consumer brands especially saw robust returns in 3Q21," one said.

**Outlook:** European sources expect Google search spending to increase yy during 4Q21 but moderate because of tough comparisons. "Despite some moderation in spending growth in 4Q21, we are still expecting budgets to increase near 30% [yy]. Consumers continue to shop online and demand from retail and ecommerce advertisers starts earlier every year," one said. A source at a large, global agency also expects Apple's iOS 14 privacy update to help spend-

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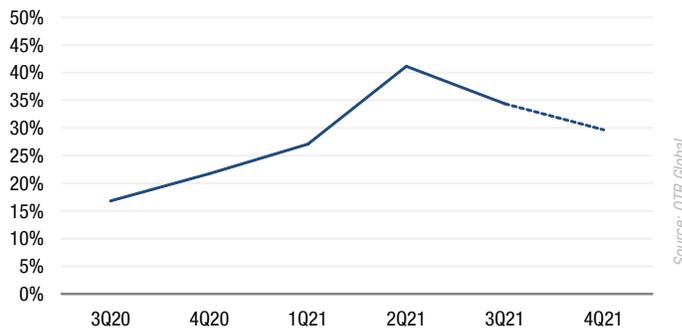
ing on Google search during 4Q21. “The impact of iOS 14 on Facebook could possibly have a positive impact on Google search because it offers a better measurement environment for advertisers,” the source said.

## U.S. YOUTUBE VIDEO

### Linear TV migration, SMBs fuel YouTube

#### U.S. YouTube Spending Growth YY

(on average)



U.S. advertisement spending on YouTube increased an average 33%–36% yy during 3Q21, moderating compared with 40%–43% in 2Q21 but still better than the 26%–29% growth OTR Global reported in 1Q21 and in line with expectations July. Sources attributed spending growth on YouTube to strong digital video demand, linear TV budgets migrating to digital and positive direct-response performance. “Advertisers are leveraging YouTube more because the results are strong and it hasn’t experienced significant pricing increases, which have been widespread through most digital platforms. YouTube is also attracting more direct-response advertisers, which is helping drive more spending,” one said. Another said, “We saw strong spending growth on YouTube during 3Q21. More budgets from brands and SMBs are coming in from linear TV and being allocated to YouTube.”

**Apple iOS 14 Effects:** Sources said YouTube benefitted from Apple’s iOS 14 privacy update negatively impacting measurement on Facebook during 3Q21. “YouTube is benefiting from the measurement issues on Facebook. We are seeing brands that need to reallocate or grow on other platforms away from Facebook chose YouTube because the reach is comparable,” one said. Sources stressed YouTube’s broad reach and positive execution on branding and direct-response positioned the platform to take share from Facebook.

**TrueView Demand:** Six sources said demand for TrueView advertisements on YouTube was a top factor helping spending for direct-response advertisers during 3Q21, similar to OTR Global’s findings in 2Q21. “We have had success delivering low-funnel messaging in TrueView ads to in-market audiences on YouTube and have seen positive direct-response results,” one said. Another said, “Brand demand and SMB adoption helped drive our spending in 3Q21. TrueView for Actions is opening more opportunities for direct-response advertisers, and we’re seeing strong results.”

**Pricing:** Pricing on YouTube during 3Q21 was up yy for 12 of 13 U.S. sources, similar compared with OTR Global’s 2Q21 findings. Although pricing was characterized as being efficient compared with competing digital media placements, sources said stronger competition for inventory pushed prices higher during 3Q21. “Pricing is efficient on YouTube from a CPA and CPM standpoint. The costs are increasing [yy], but it hasn’t come at the expense of ROI because results are still positive,”

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one said. Another said, "Pricing remains an advantage on YouTube, but with the increase in volume from SMBs on the platform, we have seen prices on CPMs and CPAs increase slightly [yy] in 3Q21."

**ROI:** All 13 sources at least met their ROI expectations on YouTube during 3Q21, including five who exceeded, similar compared with OTR Global's 2Q21 findings, based on efficient pricing and strong results on conversions and engagement. "ROI on YouTube tracked ahead of our expectations. We weren't expecting much from our direct response campaigns on YouTube, but they ended up being robust," one said. Another said, "YouTube's efficient pricing and solid returns pushed our ROI beyond expectations in 3Q21."

## YouTube TV adoption

Four sources reported strong adoption of YouTube's CTV service, YouTube TV, during 3Q21, compared with only one in OTR Global's July report. Sources cited positive adoption from large brands and strong engagement results. "YouTube is becoming a strong CTV partner for our brands. We are seeing strong results from YouTube TV, and there is more YouTube [proper] viewing happening on large screens. The growth of YouTube TV since the beginning of 2020 has made it a strong component of our CTV strategy," one said. Another said, "We worked our upfront agreements between our brands and YouTube TV. The audiences are well qualified and engagement has been positive. There isn't as much reach as YouTube mobile, but it's a solid supplement in a CTV strategy."

## Solid 4Q21 forecasts

Sources expect U.S. advertisement spending to increase an average 28%–31% yy during 4Q21, aided by demand for Google Shopping for YouTube, SMB adoption and positive direct-response trends. "We're expecting very strong growth on YouTube in 4Q21. This is the first year where our clients feel fully confident in running product listing ads and more direct-response formats on YouTube during the holiday season," one said. Another said, "Some of our brands and SMBs are going to begin running against tough comparisons in 4Q21, so we do expect a slight slowdown in growth. But overall, demand keeps increasing [yy] because the inventory is cheap for SMBs and direct-response advertisers and the returns have been positive."

## EUROPEAN YOUTUBE VIDEO

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### Strong performance aiding growth

European sources reported robust yy spending growth on YouTube during 3Q21, aided by demand from ecommerce, direct-response and brand advertisers. "Our budgets on YouTube grew between 25% and 30% [yy] during 3Q21. We are seeing higher demand for mid-funnel and low-funnel campaigns on YouTube. We are also seeing more direct-response purpose on YouTube. The performance has been robust, and we are seeing budgets increase [yy]. Recovering industry segments like travel and leisure are also returning to YouTube," one said. Another said, "We had easy comparisons to spending in [3Q20] and saw 400% [yy] growth on YouTube in 3Q21. We had brands execute product launches successfully on YouTube. The increases were dramatic because our brands are pulling large portions of their linear TV spending into YouTube." European sources also said pressure on Facebook from Apple's iOS 14 privacy update helped spending on YouTube in 3Q21. "We added accounts and are growing YouTube with existing accounts. Entertainment, retail and ecommerce brands are increasing their exposure to YouTube. Most clients typically focused

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on Facebook and Instagram for video campaigns, but more is being shifted to YouTube because of iOS 14," one said.

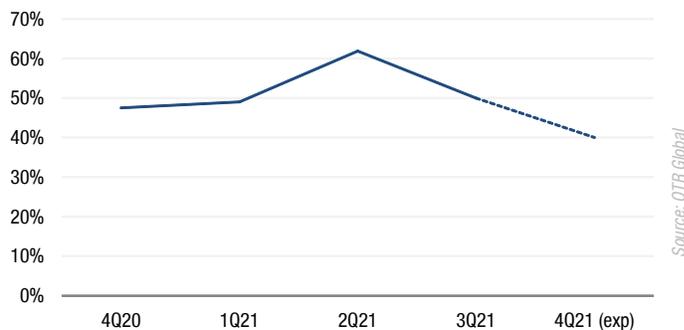
**Outlook:** Five of six sources expect spending on YouTube to increase yy during 4Q21, with three of four expecting stable yy growth trends and one expecting a moderation. "We are forecasting growth to be strong in 4Q21 because of heavy demand for YouTube related to the holiday season. We're also expecting to see more linear TV spending shift into digital and the demand for YouTube continues to improve," one said. Another said, "The growth on YouTube will continue to be massive [yy] as we are going to have easy comparisons for most of our clients based on their current spending levels. We are not concerned about iOS 14 on YouTube. In fact, it'll likely be a positive driver. We are able to effectively remarket and build target audiences through TruView."

## U.S. AMAZON.COM ADVERTISING

### Spending remains strong

#### U.S. Amazon Ad Spending Growth YY

(on average)



U.S. advertising spending on **Amazon.com Inc.** increased an average 49%–52% yy during 3Q21, slowing compared with 60%–63% in 2Q21 but similar to the 48%–51% growth OTR Global reported in 1Q21, primarily aided by persistent demand from ecommerce advertisers and robust performance results. "Amazon remains the fastest growth area in our digital strategy. We continue to add on new clients, and our existing clients have easy comparisons," one said. Another said, "Amazon has been a phenomenal platform for our ecommerce, retail and CPG advertisers. There are still a lot of opportunities for our clients to expand and room to grow."

**Pricing, ROI:** Seven of eight sources said CPCs increased yy on Amazon in 3Q21, similar to OTR Global's 2Q21 findings. "Amazon is still adding inventory, so the pricing hasn't increased significantly, but it is growing [yy]," one said. Another said, "By nature of more advertisers being involved on Amazon, we're seeing the CPCs go up. The brand term CPCs continue to increase rapidly." ROI on Amazon at least met expectations for seven of eight sources during 3Q21, including two who exceeded. "The ROAS on Amazon was strong during 3Q21 and exceeded our expectations. There are added considerations for the costs to do business on Amazon, but overall, ROI fundamentals are strong," one said.

**No Threat to Google:** All seven sources said spending growth on Amazon advertising was not coming at the expense of Google search spending, consistent with OTR Global's previous findings. "We have never considered sacrificing Google search budgets for Amazon. If we did, we would see a direct impact, negatively, on our overall digital performance," one said. Another said, "We are not taking Google search budgets and moving them into Amazon. To balance profits for our clients, we need traffic being driven directly to their websites and capturing sales in Google Shopping."

#### U.S. Amazon Search ROI vs. Expectations

(number of sources)

	2Q21	3Q21
<b>Exceeded</b>	-	2
<b>Met</b>	8	5
<b>Fell below</b>	1	1

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Another said, "Our Amazon spending is not coming at the expense of Google search budgets. It's mostly coming at the expense of Facebook."

**4Q21 Outlook:** U.S. Amazon advertising spending is expected to moderate to up 39%–42% yy on average during 4Q21 because of tough comparisons, but holiday ecommerce demand is expected to keep spending strong. "Ecommerce demand in digital is going to be robust in 4Q21. Ecommerce shopping is still a big growth area for consumers. Our expectation is to see robust growth on Amazon in 4Q21," one said. Another said, "Ecommerce demand is poised to remain robust in 4Q21. The increase in coronavirus cases has definitely pushed more ecommerce advertisers to increase more than expected."

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## Google Search in the United States

### ON HELPING FACTORS

"The resurgence in demand for Google search continued through 3Q21 and is closely tied to sustained ecommerce demand and return to physical commerce."

"Search demand keeps rolling. Impressions were up 6%–7% [qq] in 3Q21, and clicks were up 23% [qq]."

"3Q21 demand for Google search advertising was high and tracked well ahead of even 3Q19. Our goal was to exceed 2019 spending levels, but we ended up exceeding expectations."

"We have seen Google search experience the largest growth in terms of budget expansion and client expansion. It's a bigger priority now than it has been in previous years."

"Google Shopping demand is very robust. PLAs are a big source of incremental budgets expansion in our Google spending. The ecommerce marketplace is very packed when you consider the rapid growth in Amazon and Walmart. But Google has a strong position in the mix. Ecommerce brands want more control over their first-party data, and Google is able to provide that."

"Increased demand works through Google Shopping. There was a lot of activity in 3Q21, and we're planning to scale more in 4Q21."

"RLSA demand and performance increased in 3Q21. Because of tracking and measurement issues on Facebook, advertisers are leaning on remarketing lists for search more."

"Responsive ads for search are performing ahead of what we expected. We have seen a direct lift in click volumes and conversions from adoption of Responsive ads."

"We had a big run in the 90 days of 3Q21. There were more A.I.-driven audience campaigns and negative keyword analysis using our own technology. We're seeing big performance, which is helping drive spending increases. We're doing six to eight audits a week and uncovering lots of opportunities for expansions."

"We're seeing an increase in search demand across the board and strong performance. Google search is expanding as a percentage of our digital media mix. The more money we put into Google search, the bigger the results are."

"We are still experiencing strong client roster growth. Many of our new clients under-invested on digital — specifically, search — and are now seeing the power it has."

"PLA demand is high among our B2C clients. Costs are rising in PLAs, and it remains one of the highest growth areas in our search spending."

"Retail, CPG and ecommerce demand for Google Shopping remained high in 3Q21. The price increases have been on our radar, but the results have warranted more spending."

"We have been aggressively launching hiring and recruiting campaigns on Google search because hiring has been such a challenge for our clients. We maxed out our spending and traction on LinkedIn and the recruiting websites. Google is also a much more reasonable place to drive leads for recruiting. And the results have been positive."

"Energy and clean-energy advertisers are growing like crazy on Google search. We have solar energy brands spending aggressively on search."

### ON APPLE IOS 14 UPDATE

"Data and privacy changes are helping Google search and hurting social media, specifically Facebook. We are seeing a reallocation of new budgets from offline sources favor search advertising."

"Search has a much easier attribution cycle, and given the underreporting Facebook is experiencing, brands are leaning into search more."

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"CPC inflation, incremental demand for search as a result of the iOS 14 update and new client additions helped our spending on Google search expand significantly [yy]."

"RLSAs for search have been great. We haven't experienced any impact on RLSAs from the Apple iOS 14 update. RLSAs are a threat to Facebook spending because we're able to effectively remarket existing customers and in-market audiences."

"RLSA demand kicked up in 3Q21, primarily because remarketing is getting tougher on other digital media platforms. Google isn't having any issues from the privacy update and iOS 14, so there is more demand and use of RLSAs happening."

"Facebook performance is down because of Apple's iOS 14 privacy update, so our clients are shifting their spending to Google because Facebook isn't getting any better."

## ON DISCOVERY ADS

"Each quarter we're launching new campaigns and tests on Discovery ads. We have seen strong success among fin-tech, B2B and lead generation. The bottom funnel results are not there on Discovery ads, but mid-funnel prospecting and audience building is massively successful."

"Discovery ads on Google are a new buzzword. We have seen positive results and reach with our early testing."

"Our larger advertisers love Discovery ads. The results we're getting from our larger advertisers on Discovery ads are positive, and it may become a necessity for smaller advertisers to expand budgets."

"Our testing of Discovery ads has been positive, and based on our plans for 4Q21 and early 2022, we're expecting to see it become a bigger part of our media mix."

"We are seeing success with B2B and lead generation on Discovery ads and we expect those categories to use Discovery ads as a key growth driver in 2022."

## ON 3Q21 SPENDING

"Spending on Google search was solid in 3Q21 and grew [yy]. Retail demand is high and more advertisers are looking to search as a way to scale targeting digital media campaigns."

"Ecommerce and retail demand for Google search was strong in 3Q21, and we saw solid spending growth increases [yy]."

"Demand for Google search advertising is high. Search has become a big priority for digital media strategy in 2021. We are seeing that translate into robust spending growth in 3Q21."

"Our spending on Google search increased [yy] in 3Q21, but it was a slowdown versus 2Q21 because the comparisons are tougher."

"Our spending increased [yy] in 3Q21 on Google search. Returns are growing faster than our budgets, which makes it easier to get clients to grow their spending."

## ON 3Q21 PRICING, ROI

"Part of our increased spending on Google search has been because of rising costs for CPCs."

"Price inflation on Google search continues to be a primary driver of additional spending during 3Q21. We're seeing branded keyword CPCs go up. Since Google changed keyword match to broad match, we've seen brand keywords get more expensive. Non-brand keywords are up as well, which is a product of more competition in the auction."

"CPC inflation continued in 3Q21. There is lots of competition for inventory. And with broad match, we have fewer tools at hand to control pricing because we aren't able to be as precise."

"The biggest standout change in CPCs was for our fin-tech clients. They saw sharp increases in CPCs during 3Q21."

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“Overall, pricing continued its upward trends during 3Q21. The increases were on par with what we were expecting. There is so much competition for brand keywords and non-brand keywords keep increasing as well.”

“Results on performance was higher than we expected it to be on Google search in 3Q21, but the costs were also increasing rapidly. ROI was in line with our expectations.”

“We are beginning to see some negative impacts on ROI as a result of the persistent increases in CPCs on Google search. ROI ended up in line with our expectations, but we have seen some diminished ROI among our clients. We are not to the point of diminished returns or a situation where we need to look elsewhere.”

“The results and conversion volumes we’re seeing from our retail, CPG and ecommerce clients exceeded the increases in costs on Google search during 3Q21. ROI was in line with our expectations in 3Q21.”

## ON 4Q21 SPENDING

“There is this fear among advertisers that if you lay off the accelerator right now, you could miss out big on revenue and presence. That fear is keeping 4Q21 planning in a very robust place.”

“The comparisons in 4Q21 are going to be much tougher than what we experienced in 3Q21, [but] we are expecting spending in 4Q21 to be quite strong and expand compared 4Q20.”

“The aggressive shift to search and demand from SMBs is going to help support strong spending in 4Q21.”

“We are expecting a slight moderation in growth because we will be comparing off of a huge Q4 last year. 4Q21 is going to be big, though. Based on what we have in the pipeline, digital media is going to be highly active.”

“We are expecting only a slight slowdown in spending growth. With the volume of new clients coming in and search gaining share of digital budgets, we’re going to see strong growth in 4Q21.”

“Comparisons to spending on Google search in Q4 last year are going to be tough, but we are seeing robust demand for search. We are expecting only a slight slowdown in spending [yy] growth in 4Q21.”

“Due to new clients and a stronger than usual end-of-year push, we’ll be up [yy] on our Google search spending in 4Q21.”

## YouTube in the United States

“Compared to search, YouTube prices are great. We are able to get really efficient conversions and engagement on YouTube. When search gets too expensive for specific clients, we typically invest in YouTube to balance.”

“Performance on YouTube was strong in 3Q21. We have experienced the most client growth on YouTube than any other digital media network in 2021.”

“The ability to run search style campaigns and re-target intent audiences on YouTube is helping drive a lot of spending. It has become easier for SMBs to develop their own video content, and that is helping demand for YouTube because we have more creative to put in front of audiences.”

“We experienced lots of growth on YouTube during 3Q21. Brands are using it more because TV audiences are diminished and inventory in linear is overpriced.”

“Our spending growth on YouTube increased [yy] faster than we previously expected. We could see budgets coming out of linear TV following upfront negotiations, and YouTube was on the receiving end.”

“Our spending on YouTube was strong in 3Q21 and increased [yy]. We ended up seeing stable [yy] growth trends compared to 2Q21 because more SMBs spent aggressively on YouTube.”

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“Our forecasts for 4Q21 spending on YouTube are strong. We’re going to be activating more low-funnel campaigns on YouTube, and our brands are going to be active in building audiences.”

“Some of our brands and SMBs are going to begin running against tough comparisons in 4Q21, so we do expect a slight slowdown in growth. But overall, demand keeps increasing because the inventory is cheap for SMBs and direct-response advertisers and the returns have been positive.”

“We will begin competing against more spending on YouTube in 4Q21, but we are expecting to see strong growth because many of our clients are in adoption mode on YouTube.”

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## Google Search

### 1. What factors helped or hindered your 3Q21 Google search spending?

HELPED	UNITED STATES	EUROPE
Performance:	14	3
Google Shopping:	9	2
Apple iOS privacy update:	6	-
Innovations:	3	1
Re-marketing lists (RLSA):	3	-
Audiences:	1	2
Price:	2	-
Automation/A.I.:	1	1
New client additions:	1	1
Vertical: travel and leisure:	1	-
Channel related:	-	1
Vertical related:	-	1
<b>HINDERED</b>		
Channel related:	2	1
Price:	1	1
Ad innovations:	1	-
Innovations:	1	-
Pandemic:	1	-
Transparency:	1	-
Economic:	-	1
Vertical related:	-	1
Vertical: travel and leisure:	-	1
Other:	-	2
None:	13	1

*Note: Some sources gave more than one answer while others did not respond.*

### 2. Which industry verticals were most actively spending during 3Q21?

Ecommerce:	7	6
Retail:	8	3
B2B:	6	3
Consumer packed goods:	3	1
Automotive:	3	-
Technology:	2	1
Manufacturing:	2	-
Financial services:	1	1
Telecommunications:	1	1
Attorneys and law:	1	-
Education:	1	-
Home goods and services:	1	-
Restaurant and dining:	1	-
Travel and leisure:	1	-
Entertainment:	1	-

*Note: Some sources gave more than one answer while others did not respond.*

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### 3a. Did your 3Q21 spending on Google search increase, remain the same or decrease yy?

	UNITED STATES	EUROPE
Up 61%–70%:	1	-
Up 41%–50%:	-	1
Up 31%–40%:	4	1
Up 26%–30%:	4	-
Up 21%–25%:	2	-
Up 16%–20%:	2	1
Up 11%–15%:	1	1
Up 6%–10%:	1	-
Up:	2	2
Flat:	-	-
Down:	-	1
Down 1%–5%:	1*	-
<b>Average:</b>	<b>Up 27%–30%</b>	<b>Up 28%–31%</b>
<b>2Q21 average:</b>	<b>Up 36%–39%</b>	<b>Up 68%–71%</b>

\* Outlier excluded from average

### 3b. Do you expect 4Q21 spending on Google search to increase, remain the same or decrease yy?

Up 61%–70%:	1	-
Up 26%–30%:	2	1
Up 21%–25%:	5	-
Up 16%–20%:	5	-
Up 11%–15%:	2	1
Up 6%–10%:	1*	2
Up:	2	2
Flat:	-	-
Down:	-	1
<b>Average:</b>	<b>Up 24%–27%</b>	<b>Not averaged</b>

\* Outlier excluded from average

### 4. Did 3Q21 CPCs for Google keyword pricing increase, remain the same or decrease yy?

Up 11%–15%:	1	1
Up 6%–10%:	9	1
Up 1%–5%:	2	-
Up:	5	3
Flat:	-	1
Down:	-	-
No response:	-	1
<b>Average:</b>	<b>Up 7%–10%</b>	<b>Not averaged</b>
<b>2Q21 average:</b>	<b>Up 16%–19%</b>	<b>Not averaged</b>

### 5. Did 3Q21 ROI on Google search exceed, meet or fall below your expectations?

Exceeded:	5	2
Met:	13	4
Fell below:	-	1

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## 6. Are Google's A.I. tools for search helping expand budgets?

	UNITED STATES	EUROPE
Yes, significantly:	-	3
Yes:	15	1
Marginally:	-	1
Not at all:	3	1
No response:	-	1

## 7a. Are you spending on Discovery ad campaigns?

Yes:	12	2
Marginally:	-	2
No:	6	2
No response:	-	1

## 7b. On a 5-point scale, are Discovery advertising campaigns helping drive incremental spending on Google?

5 (entirely incremental):	1	-
4 (mostly incremental):	3	-
3 (moderately incremental):	5	1
2 (slightly incremental):	-	1
1 (not incremental):	1	2
No response:	8	3
<b>Average:</b>	<b>3.30</b>	<b>Not averaged</b>

## 7c. On a 5-point scale, do you expect Discovery advertising campaigns to drive material spending during the next 12–24 months?

5 (significant driver):	1	-
4 (strong driver):	8	-
3 (moderate driver):	4	1
2 (minimal driver):	-	1
1 (not a driver):	-	2
No response:	8	3
<b>Average:</b>	<b>3.77</b>	<b>Not averaged</b>
<b>2Q21 average:</b>	<b>3.69</b>	<b>Not averaged</b>

## 8. On a 5-point scale, is Google's Smart Shopping helping expand budgets?

5 (significant driver):	1	3
4 (strong driver):	4	2
3 (moderately driver):	4	1
2 (minimal driver):	-	-
1 (not a driver):	-	-
No response:	8	1
<b>Average:</b>	<b>3.67</b>	<b>Not averaged</b>
<b>2Q21 average:</b>	<b>3.21</b>	<b>Not averaged</b>

# Alphabet Inc.'s Google

## YouTube Video

### 9. What factors helped or hindered your YouTube advertisement spending during 3Q21?

HELPED	UNITED STATES	EUROPE
Performance:	10	3
TrueView Ads:	6	2
Direct response:	5	-
Price:	3	2
Ad targeting:	-	2
Audiences:	-	2
Linear to digital migration:	1	-
Ad targeting innovations:	-	1
Channel related:	-	1
In-market audiences:	-	1
Similar audiences:	-	1
Other:	1	1
<b>HINDERED</b>		
Brand safety:	-	4
Engagement:	1	-
New brand adoption:	1	-
Performance:	1	-
Competition:	-	1
Other:	1	-
None:	10	2

*Note: Some sources gave more than one answer while others did not respond.*

### 10a. Did your 3Q21 YouTube video spending increase, remain the same or decrease yy?

Up more than 100%:	1*	1
Up 31%–40%:	6	-
Up 26%–30%:	1	-
Up 21%–25%:	-	1
Up 11%–15%:	1	-
Up 6%–10%:	-	1
Up 1%–5%:	2*	-
Up:	1	2
Flat:	-	-
Down:	1	-
Down 1%–5%:	-	1
<b>Average:</b>	<b>Up 33%–36%</b>	<b>Not averaged</b>
<b>2Q21 average:</b>	<b>Up 40%–43%</b>	<b>Up 29%–32%</b>

\* Outliers excluded from averages

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## 10b. Do you expect your 4Q21 YouTube video spending to increase, remain the same or decrease yy?

	UNITED STATES	EUROPE
Up more than 100%:	-	1
Up 71%–80%:	1*	-
Up 31%–40%:	4	-
Up 26%–30%:	1	-
Up 21%–25%:	2	-
Up 16%–20%:	1	1
Up 6%–10%:	2*	1
Up:	1	2
Flat:	-	-
Down:	1	-
Down 1%–5%:	-	1
<b>Average:</b>	<b>Up 28%–31%</b>	<b>Not averaged</b>

\* Outliers excluded from averages

## 11. Did 3Q21 pricing on YouTube increase, remain the same or decrease yy?

Increased:	12	3
Flat:	1	3
Decrease:	-	-

## 12. Did 3Q21 ROI on YouTube exceed, meet or fall below your expectations?

Exceeded:	5	-
Met:	8	6
Fell below:	-	-

## 13. Are you spending on YouTube TV?

Yes:	4	1
No:	7	2
Don't know:	-	1
No response:	2	2

## 14. Is brand safety a concern for YouTube spending?

Yes, significantly:	1	-
Yes:	3	2
Marginally:	-	3
Not at all:	9	1

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## U.S. Amazon Advertising

15. Did your 3Q21 advertising spending on Amazon increase, remain the same or decrease yy? Do you expect 4Q21 advertising spending on Amazon to increase, remain the same or decrease yy?

	3Q21	4Q21
Up more than 100%:	1*	1*
Up 61%–70%:	1	1
Up 41%–50%:	3	-
Up 31%–40%:	2	3
Up 21%–30%:	-	2
Up:	1	1
Flat:	-	-
Down:	-	-
No response:	10	9
<b>Average:</b>	<b>Up 49%–52%</b>	<b>Up 39%–42%</b>
<b>2Q21 average:</b>	<b>Up 60%–63%</b>	

\* Outlier excluded from average

16. Did 3Q21 CPCs for Amazon advertising increase, remain the same or decrease yy?

Up 26%–30%:	-
Up 6%–10%:	-
Up:	7
Flat:	1
Down:	-
No response:	10

17. Did 3Q21 ROI on Amazon advertising exceed, meet or fall below your expectations?

Exceeded:	2
Met:	5
Fell below:	1
No response:	10

18. What portion of your 3Q21 Amazon spending came at the expense of Google?

Up 1%–5%:	-
Flat:	8
Down:	-
No response:	10

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