

2018

SEARCHMETRICS

WHITEPAPER



GOOGLE SHOPPING 2018

Analysis and Market Overview



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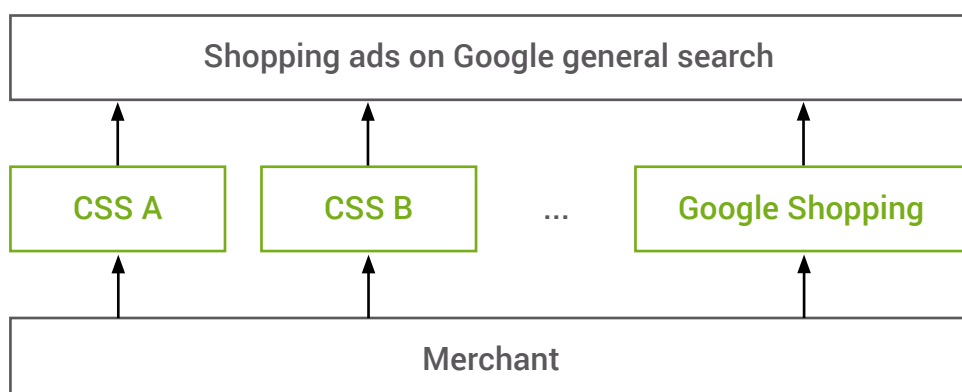
Introduction: Google Shopping 2018

Google Shopping and its Product Listing Ads (PLA) are Alphabet's alternative to the growing status of Amazon as a product search engine. Google's shopping service responds to product search queries with adverts that include an image, price, ratings and shop information.

After Google Shopping became a pay service in 2013, merchants had to place their product ads via Google; the ad places in the shopping units went to whoever bid the highest CPC. If a user then clicked on an ad and was directed to an online shop, then Google retained a margin of 20 percent of the CPC.

The European Commission determined this practice to be an abuse of Google's market dominance in the online shopping advertising sector, and, in June 2017, hit Google with a fine to the tune of 2.42 billion Euros. Google was ordered to allow for more competition and to enable other Comparison Shopping Services (CSS) to have better access to the shopping market. A CSS is a website that collates product offers from merchants, and directs users who click on a product ad to the corresponding online shop.

Following the European Commission's demands, Google Shopping was partitioned off into a separate entity and shopping adverts were opened up to Comparison Shopping Services. Since October 2017, external comparison sites have been able to bid – against Google Shopping itself, for adverts within the shopping units.



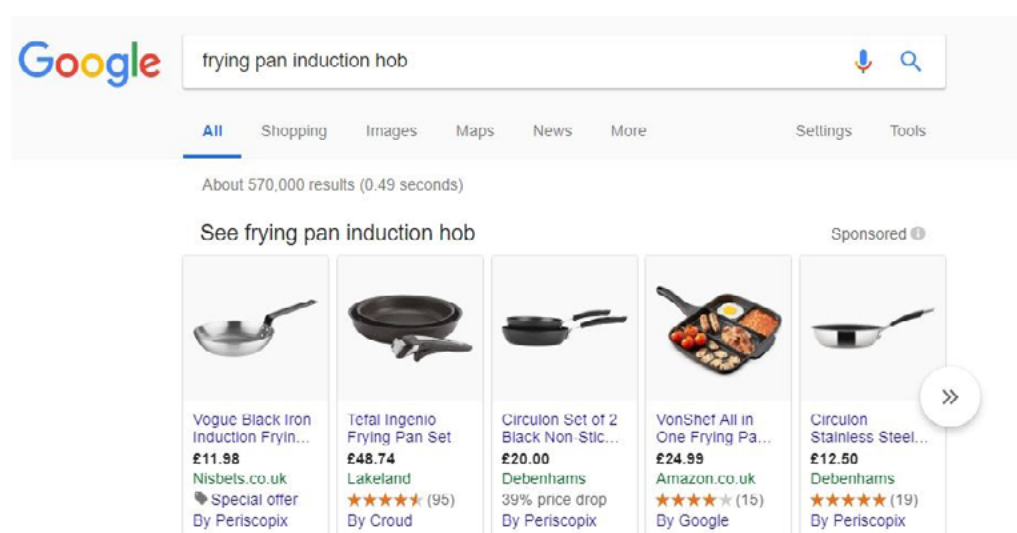
Source: <https://support.google.com/merchants/answer/7558973?hl=EN>

Merchants can now place their ads via Google or via another CSS, with Google itself now effectively being just one competitor in the race for advertising spots. A bidding process determines which merchant's advert is shown by which comparison service. The CSS bidding the highest CPC wins the auction.

Another significant development is Google's introduction of the incentive programme "SpendMatch". This gives merchants who book their shopping ads via external comparison services a cashback credit on their ads account. This incentive programme has been announced as running for a limited period, and is expected to expire at the end of 2018.

At the same time, the overall CPC has dropped, because Google used to retain a 20% margin on merchant ads and external CSSs now undercut Google Shopping's prices by working with zero – or significantly lower margins.

Even a casual glance at the Google Shopping adverts reveals a much greater diversity in the comparison shopping services. In this example we see ads by Periscopix and Croud, as well as Google.



The new model has engendered the emergence of numerous new comparison shopping services. Most of these are not traditional comparison sites. Their role is exclusively the management of the Google Shopping auction process for merchants. We will continue to follow developments beyond the end of Google's incentive programme, to see if there is any consolidation in the CSS market.

Further reading:

<https://blog.adference.com/en/google-css-comparison-shopping-services>

<https://support.google.com/merchants/answer/7558973?hl=en>

Google Shopping 2018: Analysis and Market Overview

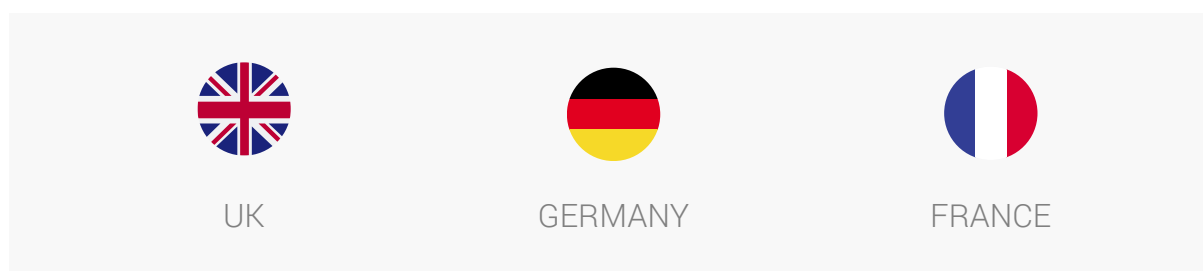
It is Searchmetrics' mission to enable ever increasing transparency for the modern marketer. A big part of this mission is conducting analyses into the state of search and content marketing, from SEO ranking factors to best practices and content strategies. Data and analyses can be accessed in the [Searchmetrics Knowledge Base](#) and on the [Searchmetrics blog](#).

Google Shopping Study: Methodology

To provide an overview of the current market situation around Google Shopping, this Searchmetrics analysis answers the following questions:

1. What impact have the changes to Google Shopping, which were introduced to comply with the European Commission's demands, had on the comparison shopping market?
2. How has the proportion of Google ads and competitor ads changed?
3. Which product comparison pages are most frequently found in the shopping units?

Using this data, we can construct a market overview of the state of Google Shopping in three countries:



To provide a solid data basis for the analysis, a large, general keyword set was taken, and search results were examined in each of the three Google indexes at four separate dates in the autumn of 2018. The results given in this paper represent an average of the four data points.

A Short History of Google Shopping



2002

Google launches its product search engine, Froogle.



2008

Google integrates this vertical search engine into its regular search results and renames it "Google Product Search".



2013

The service is renamed "Google Shopping" and is restructured as a pay auction model, for which merchants have to submit their offers via Google Shopping. A merchant's ad is shown if they win the auction by bidding the highest CPC. Google retains 20% of the offered price as a margin for its service. Searchmetrics' [Universal Search Studies](#) have tracked the developments and prevalence of Product Listing Ads since 2013.



June 2017

June 2017: [The EU orders Google to pay a fine of 2.42 billion Euros](#) for market manipulation in the area of shopping advertisements and for unfairly disadvantaging its competitors. The European Commission demands that Google make improvements within 90 days that will allow more competition amongst comparison shopping services.



September 2017

Searchmetrics' [Google Shopping Study](#) shows that many price comparison sites lost [SEO Visibility](#) between 2015 and 2017.

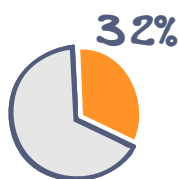
End of September 2017

Google introduces changes to its shopping service in response to the EU's demands that it create a more competitive environment. The changes include opening the service up to external Comparison Shopping Services (CSS). Google Shopping is now effectively operating as a CSS, with ads marked "By Google", and participates as a CSS competing with other product comparison platforms in the auction process, bidding for advertising spots. At the same time, Google announces the introduction of its time-limited incentive programme, SpendMatch. This cashback programme for merchants gives them a rebate of up to 30 percent of their shopping budget, if they place their ads via an external CSS – and not via Google itself.



January 2018

Searchmetrics' follow-up analysis of the impact of the changes to Google Shopping found that under 1% of the PLAs displayed in the United Kingdom came from external product comparison sites. With over 99% of PLAs, Google Shopping remained extremely dominant.

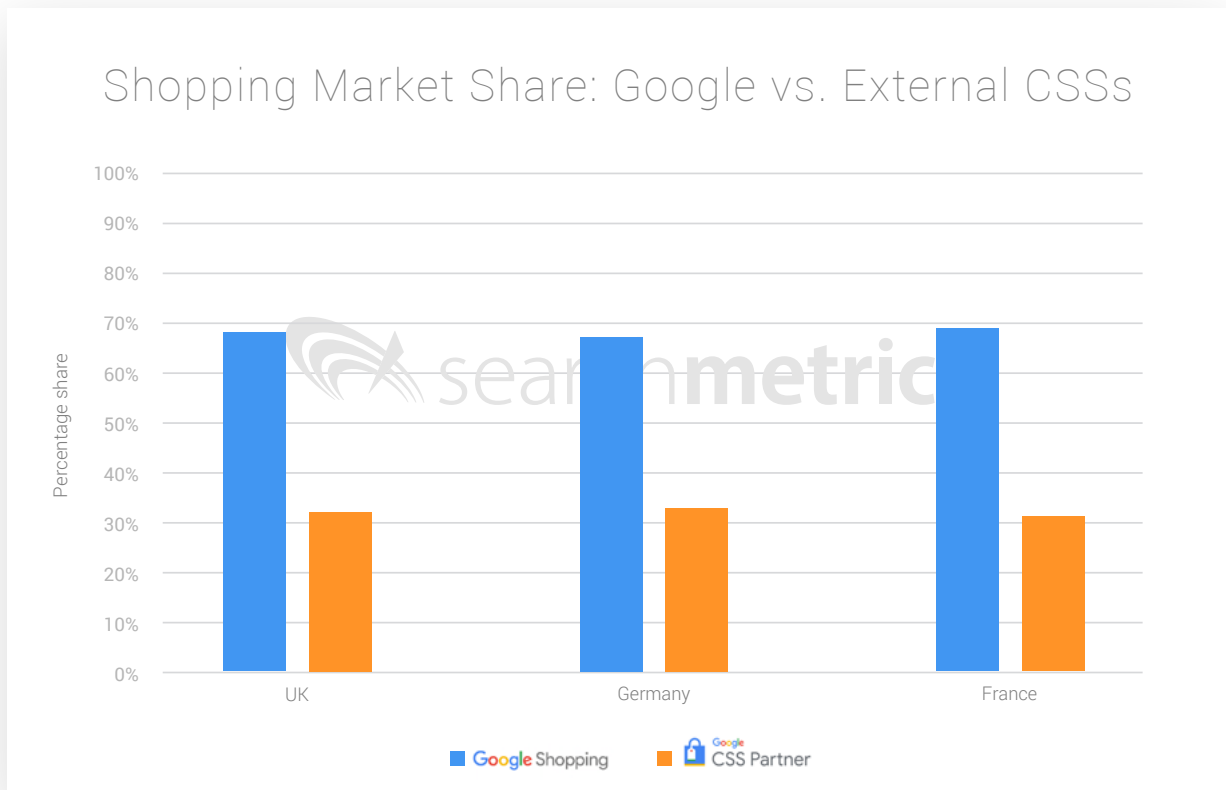


December 2018

The current Searchmetrics study, "Google Shopping 2018", shows that there is now a completely different competitive landscape. In the United Kingdom, 68% of ads still come from Google Shopping but 32% come from other CSSs. A similar picture is seen in Germany and France, with external CSSs occupying 33% and 31% of PLA slots respectively.

Overview: Key Findings at a Glance


The chart shows how heavily Google itself is represented in the Google Shopping units displayed in the United Kingdom, Germany and France. The graphic below shows the top three most present CSSs (besides Google, which is always far and away the most heavily-represented) in each of the three markets.



We see that, in all markets, around a third of shopping ads are provided by competitor CSSs, with Google Shopping occupying around two thirds of the market in the UK, Germany and France.

This immediately shows a huge increase in the amount of competition, when comparing the results with our Google Shopping analysis published in January 2018, which looked at the markets in Germany and the UK. That study found that competitor CSSs were minimally represented in the PLAs. In the UK they occupied only 0.4 percent and in Germany only two percent of the ads in shopping units.

Top 3 CSSs per Market

 UK	 GERMANY	 FRANCE
1 periscopix.co.uk	1 shopping24.de	1 productcaster.com
2 productcaster.com	2 twenga.de	2 keyade.com
3 swoop.eu	3 smec.shopping	3 feed-price.com

The analysis of the leading competitors shows that, in all three markets, numerous online marketing agencies that place their clients' products in Google Shopping are amongst the most visible CSSs. "Traditional" price comparison sites are much less well-represented. We will have to see, and Searchmetrics will certainly investigate, whether this current market situation will change in 2019, once the incentive programme "SpendMatch" is discontinued, as shopping placements will no longer be as attractive for external CSSs.

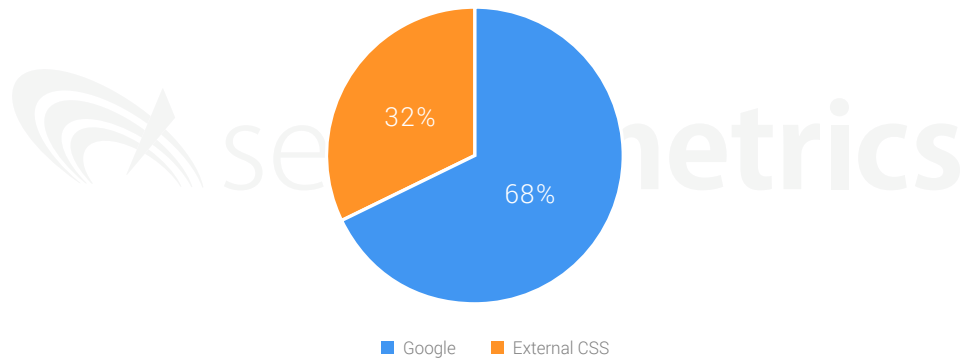
You can pre-order your copy of the Google Shopping Study 2019 now – sign up and receive the whitepaper as soon as it is released.

[SHOPPING STUDY 2019 – PRE-ORDER NOW!](#)

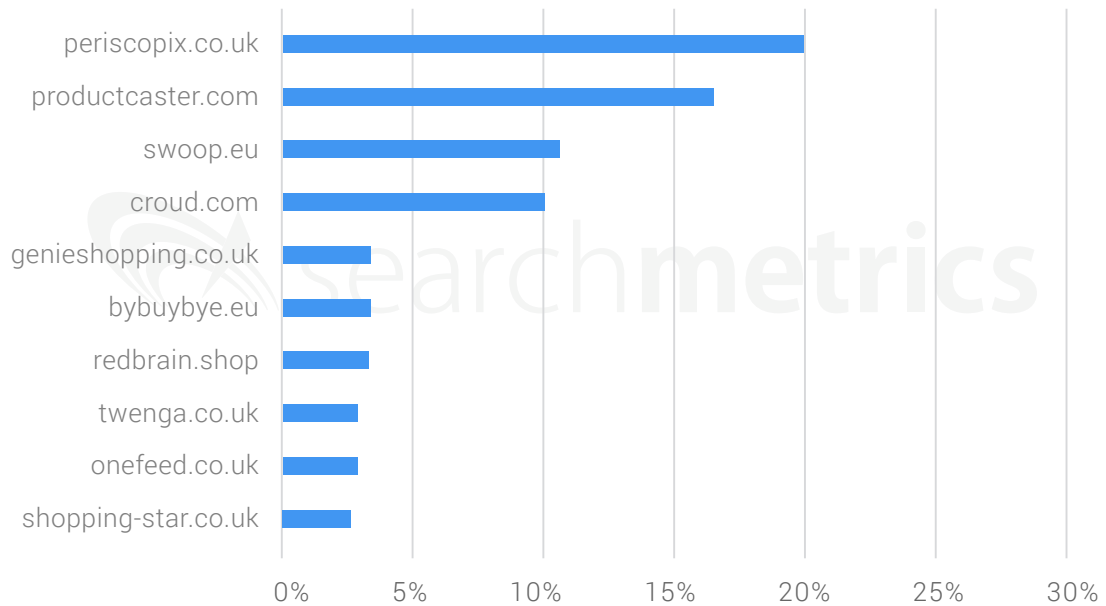


Market Overview UK

Shopping Market Share: Google vs. External CSSs – UK



Top 10 External CSSs – UK





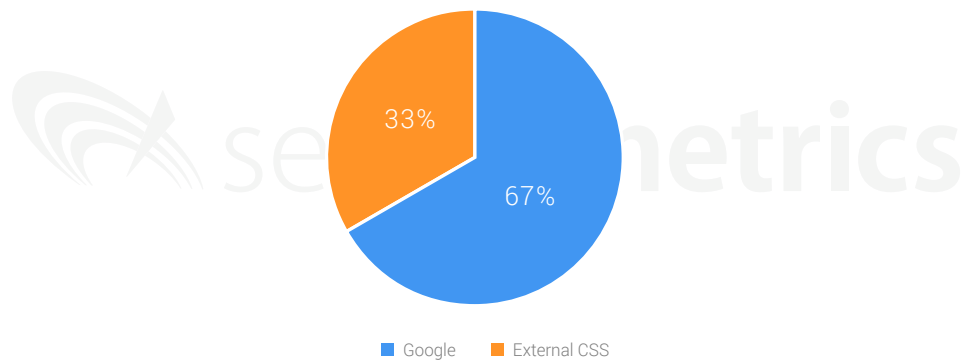
Google Shopping in the UK: Top 5 Facts

1. At the start of 2018, only 0.4 per cent of shopping ads were occupied by competitor CSSs. Now, 32% of the PLAs displayed come from competitor CSSs.
2. The online marketing agency, periscopix.co.uk, with 20% of external CSS ads, is the best-represented competitor CSS.
3. The UK displays the largest CSS diversity of all three analyzed markets. Four of the top 10 competitor CSSs have at least 10 percent of all CSS ads. In Germany and France only three CSSs have 10%+.
4. Six of the 10 competitor CSSs are new and only started being listed by Google in the paid and/or unpaid search results in 2018.
5. By contrast, at the start of 2018, it was still a “traditional” price comparison site, kelkoo.co.uk, that had the highest number of PLAs amongst the competitor CSSs.

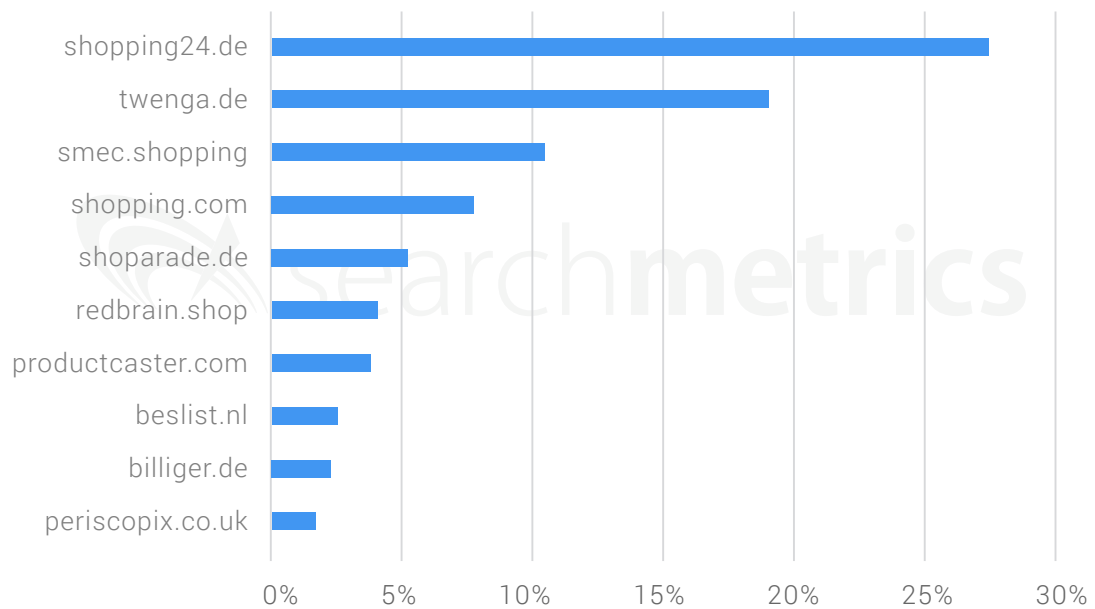


Market Overview Germany

Shopping Market Share: Google vs. External CSSs – Germany



Top 10 External CSSs – Germany





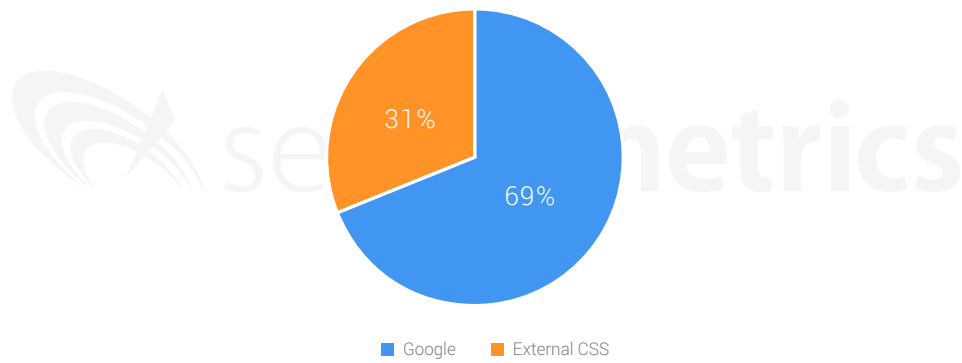
Google Shopping in Germany: Top 5 Facts

1. In early 2018 only two percent of the shopping ads came from competitor CSSs, but now competitor CSSs have a third (33%) of the ads displayed in the shopping units.
2. With 27 percent, Shopping24 has the most shopping ads of any CSS. The product search engine is part of the Otto Group, and directs users to website of the German retail giant, Otto (otto.de).
3. The top 10 only includes two “traditional” product or price comparison sites. billiger.de is also highly visible in the organic, unpaid search results and enjoys a high level of [SEO Visibility](#). Although much less visible, twenga.de can also be found in the organic search results.
4. Four of the top 10 German CSS have only started appearing in Google’s paid and/or organic search results in 2018. They are beneficiaries of Google’s SpendMatch programme.
5. In early 2018, the classic product and price comparison sites, guentstiger.de, kelkoo.de and moebel.de all commanded a relevant share of the shopping comparison market.

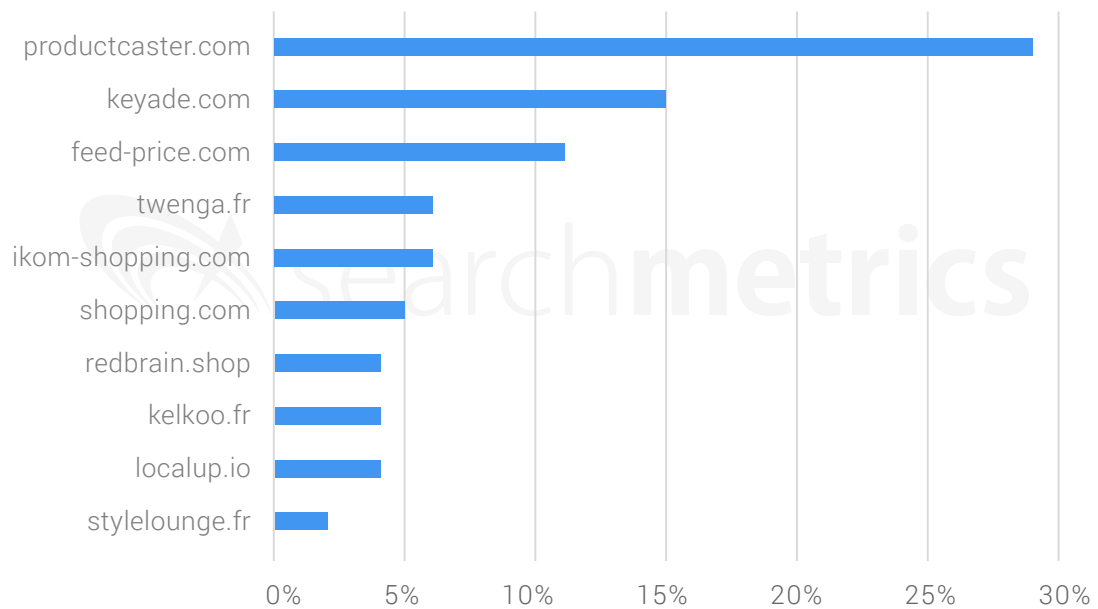


Market Overview France

Shopping Market Share: Google vs. External CSSs – France



Top 10 External CSSs – France





Google Shopping in France: Top 5 Facts

1. This is the first study to analyze the presence of external CSSs in the French Google Shopping market.
2. With 31 percent, the competitor CSSs occupy an almost identical share of the market as in the other two analyzed countries, UK and Germany.
3. The CSS agency, productcaster.com, is the most visible CSS in France, with 29% of external CSS ads.
4. In France, some "traditional" price comparison sites remain active amongst the new CSS agencies. The top 10 includes the familiar names, kelkoo.fr, shopping.com and twenga.fr.
5. Six of the top 10 competitor CSSs only began being listed by Google in 2018. These are new market players and are yet to establish any notable visibility in the organic (unpaid) search results.

Conclusions

What impact have the changes to Google Shopping, which were introduced to comply with the European Commission's demands, had on the comparison shopping market?

For its abuse of its market dominance, Google was not only issued with a record fine of 2.4 billion Euros from the European Commission, it was also required to restructure Google Shopping to guarantee more competition. Now, Google itself has to bid for ad placements, and external CSSs have been incentivized to participate in shopping auctions with the cashback programme, SpendMatch.

Searchmetrics' analysis shows that Google's efforts have led to significantly greater competition. The diversity of ad providers, measured in autumn 2018, has dramatically increased, when compared with the previous analysis published in January 2018.

Market	January 2018	December 2018
UK	0.4%	32%
Germany	2.0%	33%
France	Not analyzed	31%

Comparison of market share of competitor CSSs: January 2018 vs. December 2018

The most obvious and significant finding of the analysis is that the number and diversity of comparison shopping services appearing in Google Shopping units has dramatically increased.

At the same time, it is notable that a large number of the CSSs represented in the Google Shopping units are not established online price comparison sites, but new providers who have emerged and/or adjusted their business model to take advantage of Google Shopping's revamped auction model.

How has the proportion of Google ads and competitor ads changed?

The changes introduced by Google to its shopping service have led to the emergence of numerous new market players. Many external CSSs with a high level of visibility in the shopping results are not established online price comparison sites, but rather online agencies whose product comparison pages are otherwise largely irrelevant.

Because Google only allows CSSs to bid for ads, merchants have to go through one of these comparison sites when placing their ads. The comparison site then manages the bidding process. These new CSSs only list the products of those merchants, for whom they are managing the Google Shopping bidding process.

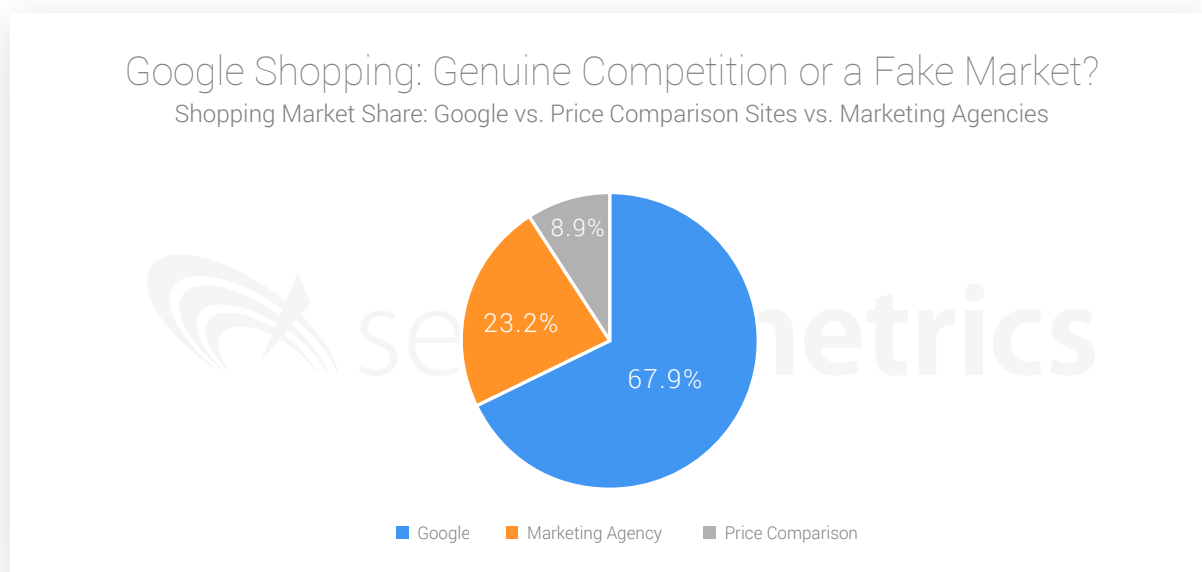
This makes Twenga the only “traditional” price comparison site that makes it into the top 3 of any of the analyzed markets and also enjoys any kind of organic visibility in Google’s unpaid search results.

 UK	 GERMANY	 FRANCE
1 periscopix.co.uk	1 shopping24.de	1 productcaster.com
2 productcaster.com	2 twenga.de	2 keyade.com
3 swoop.eu	3 smec.shopping	3 feed-price.com

Which product comparison pages are most frequently found in the shopping units?

The European Commission criticized Google for systematically disadvantaging comparison portals and demanded that changes be made. The disadvantaged parties, at this time, were the established product comparison websites.

The following graphic shows how the market is divided between traditional price comparison sites, CSS marketing agencies and Google Shopping.



Which competitor CSSs are active in the top 10s of all three markets?

Three competitor CSSs are present in the top 10s of the UK, Germany and France. As well as the classic price comparison site, Twenga, two CSS agencies, redbrain.shop and productcaster.com are active in all three markets. These CSS agencies only began operations in 2018.

Competitor CSS	Search Engine or Agency?	Year Founded
twenga (.de/.co.uk/.fr)	Online Shopping Search Engine	2006
redbrain.shop	CSS Agency	2018
productcaster.com	CSS Agency	2018

Competitor CSSs present in the Top 10 in all three markets

What does 2019 have in store for Google Shopping?

In 2018, Google tried to inject life into the competitive landscape with its incentive programme, SpendMatch. This included its cashback offer, which credited merchants with a proportion of the budget spent on shopping ads.

Merchants, who spent more than 10,000 euros on shopping ads via external competitor CSSs within a 30-day period, received up to 30% of their spend back.

In 2019, the market can be expected to consolidate, and CPCs are likely to rise. When the cashback programme comes to an end, the competitor CSSs will have to retain a proportion of the CPC as commission – just as Google currently does, keeping 20% of the CPC as its margin. This will reduce the competitive advantage that Google currently concedes to the external CSS partners.

The size of the CSS will likely become a decisive factor determining how competitive an external competitor CSS is able to be. A CSS that manages the shopping auction process for more merchants (and more budget) will be able to operate with lower margins. We will see over the course of 2019 who blinks first.



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