

# Google Ads' cost per lead is going up and conversion rates are falling

Article

**The news:** The cost per lead for Google Ads has gone up in 91% of sectors year over year, according to Wordstream's industry benchmarks report.

- **Conversion rates fell in 21 of 23 of industries**, with a typical overall decline of 14%—a greater decline than last year's, but relatively in line with 2019's 12% decline.

**Up, up, and away:** The price of each lead has gone up drastically. Cost per lead increased in 21 of 23 industries, with an average total increase of 19%. While this is comparable to 2019's increase of 21%, it is substantially greater than the 5% rise and 4% drop that occurred in 2021 and 2020, respectively.

Some of the largest CPL increases were in the following sectors:

- Arts/entertainment (+134%)
- Travel (+69%)
- Furniture (+54%)

The only two sectors with CPLs going down were education/instruction (-29%) and finance/insurance (-2%).

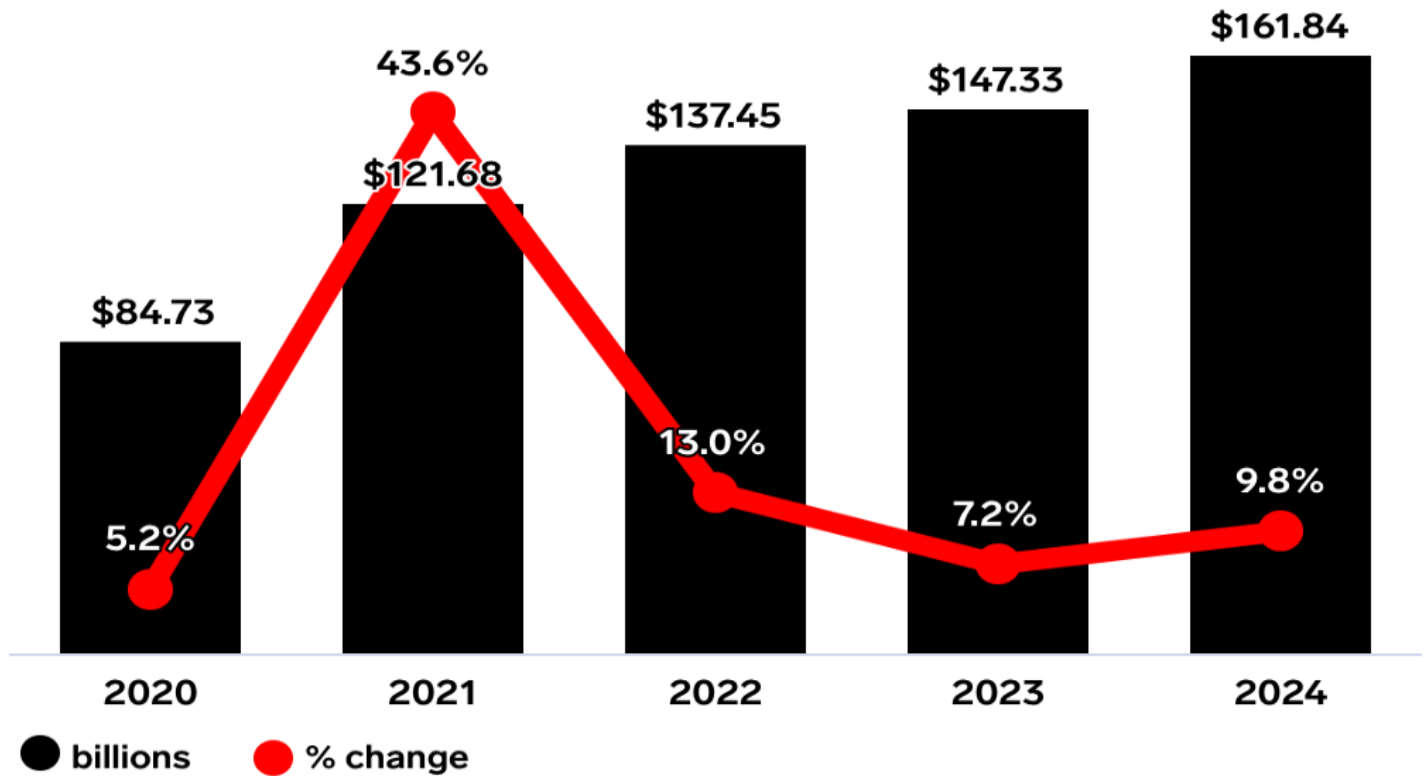
**Our take:** As with many other things these days, inflation is driving changes in the advertising sector. Consider the following:

- **DraftKings' recent earnings** reinforced that company's high customer acquisition costs (CAC), causing its stock to crater.
- Some direct-to-consumer (D2C) natives have even **taken to retail expansion** to protect themselves against rising customer acquisition costs, while others are **leaning into wholesale**.
- Players **like Poshmark** have even been acquired after struggling with CAC while others, including **Outdoor Voices**, are still on the market for the very same reasons.

With Google having had a **weak Q3** in part on account of its ad business, this doesn't bode well for its Q4 results—and its search ad revenue growth will be nearly half of what it mustered this year.

## Google Search Ad Revenues

Worldwide, 2020-2024



Note: Exchange Rate; includes search advertising that appears on desktop and laptop computers as well as mobile phones and tablets; net ad revenues after company pays traffic acquisition costs (TAC) to partner sites

Source: eMarketer, October 2022

eMarketer | InsiderIntelligence.com

This article originally appeared in Insider Intelligence's Marketing & Advertising Briefing—a daily recap of top stories reshaping the advertising industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.

- Are you a client? [Click here to subscribe.](#)
- Want to learn more about how you can benefit from our expert analysis? [Click here.](#)