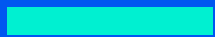


# The Pulse of Performance Advertising: **Diminishing Returns**



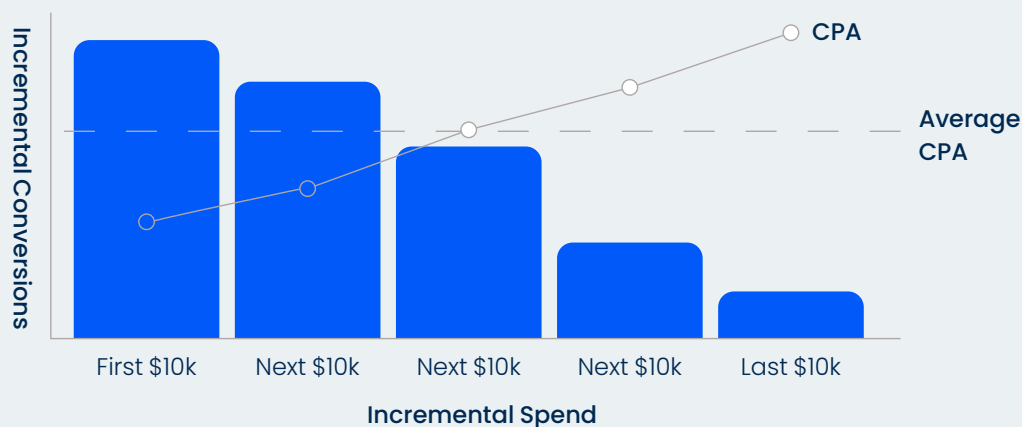
Q1/2025

## Why Scaling Paid Social Isn't Scaling Results

Paid social is an essential part of the performance marketing mix, but scaling it efficiently has become a challenge. As budgets increase, advertisers are seeing diminishing returns—more spend isn't necessarily translating to better results. Ad fatigue, competition, and platform changes are making it harder to sustain performance over time. This report, based on a study we conducted with Qualtrics, explores the key factors behind diminishing returns in paid social, the prevalence of this issue and what performance advertisers can do to optimize their strategy.

### What are diminishing returns?

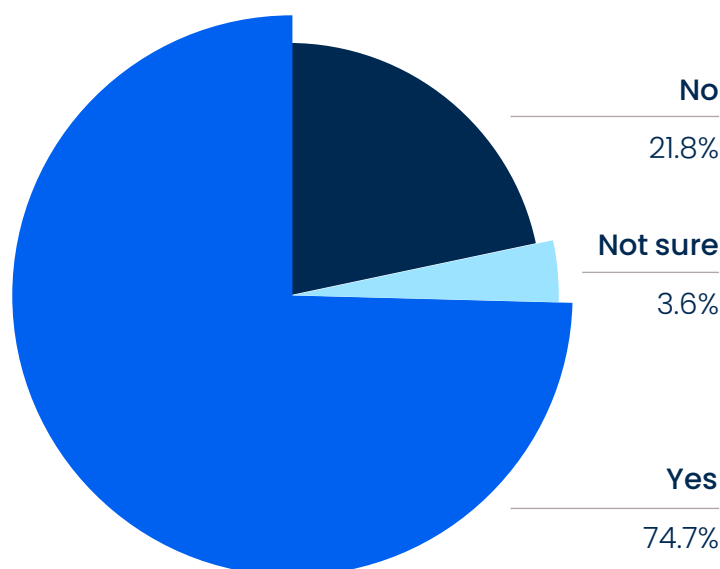
In performance advertising, spending more doesn't always mean better results—CPA rises as spend increases. For example, the first \$1K might get 100 conversions, but the next \$1K only 80, and so on.



### Reality of Paid Social: ~75% of Respondents Report Diminishing Returns

The Paid Social Plateau: Performance marketers struggle to maintain ROAS with the vast majority experiencing diminishing returns on social media.

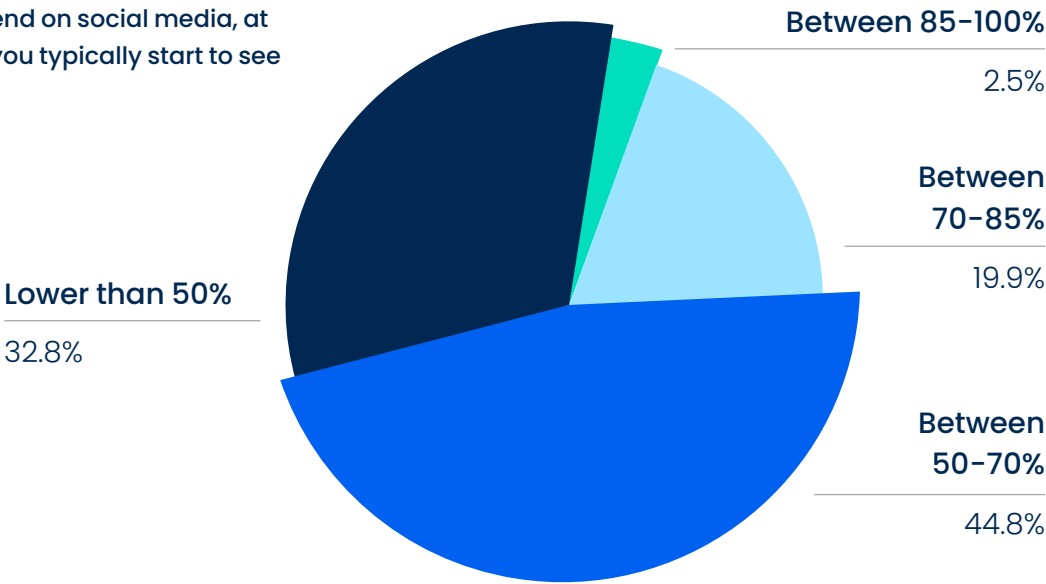
Have you noticed diminishing returns on your social media advertising budgets?



**Paid Social Struggles: Performance Declines Hit Before Budget is Maxed**

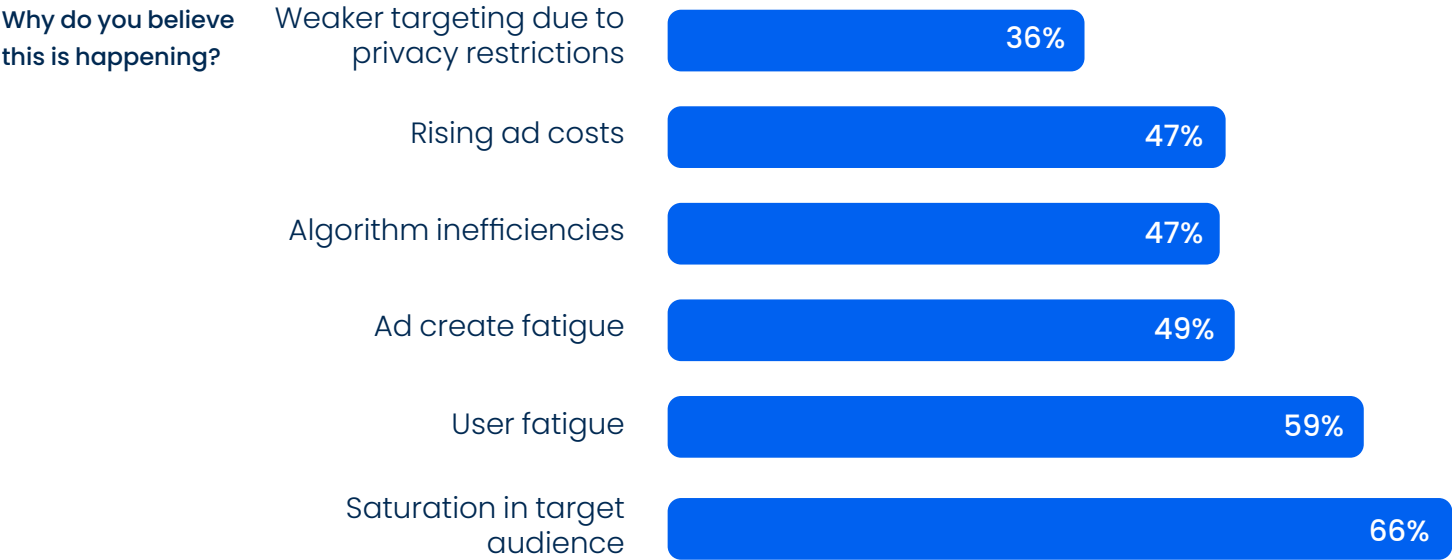
Returns decline long before budgets are depleted. In fact, nearly 80% of respondents experiencing diminishing returns report the impact isn't limited to the final stretch of their budget—it starts early, for some affecting more than half of their total spend.

Of the budget you spend on social media, at what percentage do you typically start to see diminishing returns?



**The Limits of Paid Social: Most Performance Marketers Blame Overexposure**

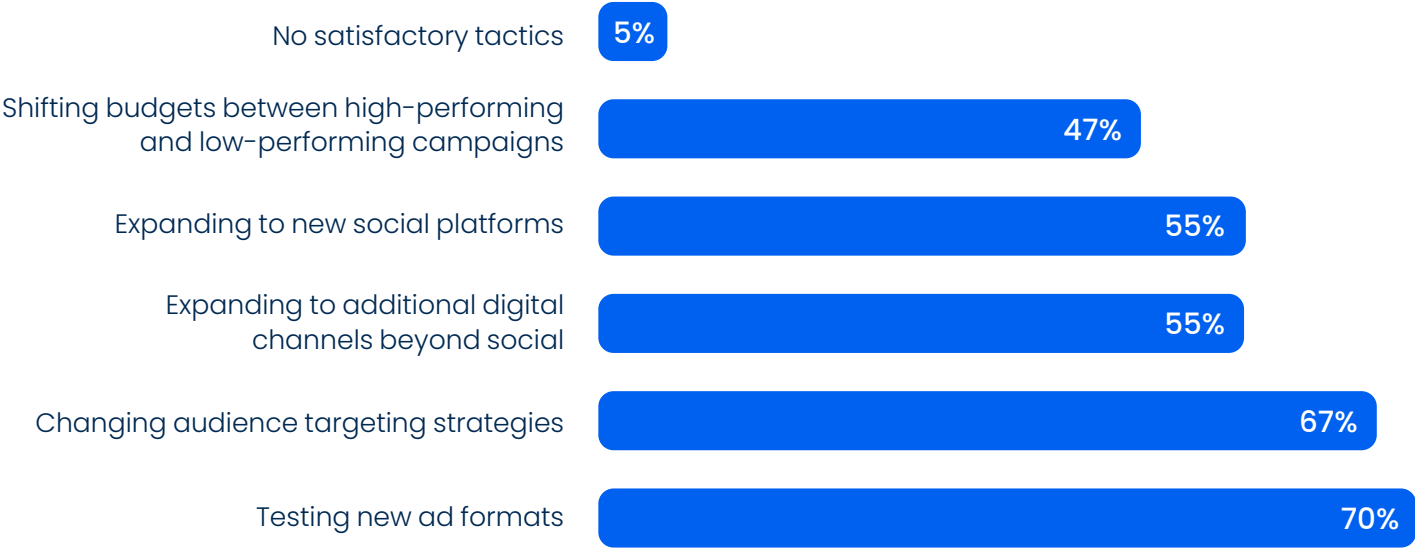
When it comes to diminishing returns, performance marketers point to audience saturation and user fatigue from their ads as the primary culprits—over 60% of respondents believe their ads are losing impact because potential buyers have already been reached or have seen the same creatives too often.



## Beyond Social: Over 50% Expand Into Additional Channels

Performance marketers are actively seeking solutions through diversification and experimentation. Over 80% of respondents are using multiple tactics, with more than 50% expanding into additional digital channels beyond social media.

Have you identified mitigation tactics to effectively combat diminishing returns on social?



## Conclusion

While social media continues to command a significant share of performance advertising budgets, its effectiveness is showing signs of strain.

To stay ahead in an evolving paid social landscape, marketers need to adopt a more strategic approach. Diversifying beyond social media can help reduce reliance on a single channel and open up new opportunities for growth. Continuous testing and experimentation are key to identifying what resonates with audiences and optimizing performance. And in a fast-changing environment, agility is essential—marketers who quickly adapt to shifting trends and platform dynamics will be best positioned for long-term success.

## Methodology

This study surveyed 307 US-based performance marketers, focusing on a mix of small to large advertisers from both brands and agencies. All respondents manage performance advertising campaigns on digital platforms and run paid campaigns on social media. The findings provide a snapshot of current trends and challenges in performance marketing, particularly in the context of diminishing returns in social media advertising.