

RKGD MR

DIGITAL MARKETING REPORT

Q4 2013

RKG

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EXECUTIVE SUMMARY

HOLIDAY 2013

- Online retail sales driven by paid search advertising rose 16% year over year (Y/Y) during the holiday shopping season, with Cyber Monday ranking as the top online sales day in the U.S. for the fourth year in a row.
- Black Friday retail sales were up 38% Y/Y, while Cyber Monday sales rose 19%. Thanksgiving and Christmas Day were the biggest days for mobile traffic share, which hit 43% and 45% of paid search clicks respectively.

PAID SEARCH

- Google paid search spending grew 19% Y/Y in Q4. Traffic growth drove those gains with paid clicks up 15% and CPCs up just 3%. Google Ad Rank changes in early Q4 may have suppressed Y/Y CPC growth.
- Spending on Bing Ads, which includes Yahoo, grew 43% Y/Y in Q4. The platform continues to better monetize its traffic through more expansive ad matching logic. Bing Ads' new Product Ads format showed potential in Q4, generating 7% of non-brand ad spend for participating retailers.
- Retailers running both Google Product Listing Ads and text ads generated 23% of their overall traffic from the PLA format, but an impressive 42% of their non-brand traffic. The average retailer found PLA CPCs outpacing non-brand text CPCs for the first time in Q4.
- Smartphones and tablets generated a combined 32% of paid search clicks and accounted for 25% of paid search ad spend. Smartphone CPCs remained 60% lower than desktop and tablet CPCs.
- Desktop traffic growth continued to hover around zero as smartphone clicks rose 104% Y/Y and tablet clicks rose 93%. Google's Enhanced Campaigns model has helped advertisers more easily scale mobile keyword coverage.

ORGANIC SEARCH & SOCIAL

- Not Provided query share has plateaued at an average of 84% of Google search visits. Query data that remains available to site owners is skewed towards Android devices and desktop Safari users.
- Following the release of iOS 7, site owners are no longer seeing Google organic searches being misattributed as direct site visits due to iOS not passing referrer information. In Q2 2013, 16% of Google searches were incorrectly classified by web analytics packages due to this issue.
- Mobile devices generated 29% of all organic search visits in Q4. For Google, 32% of organic visits were mobile, while Yahoo saw 30% and Bing saw 14%.
- For social media sites, 31% of referral traffic produced occurred on mobile devices. Compared to organic search, social media users showed a relative preference for smartphones over tablets.
- Facebook generated 57% of social media referrals in Q4 2013, up from 55% a year earlier. Pinterest generated 14% of social media referrals, up from 9% in Q4 2012.

EXECUTIVE SUMMARY

COMPARISON SHOPPING ENGINES

- Amazon Products Ads' share of total CSE spending increased to 26% in Q4 2013, from 18% a year earlier. Nextag has seen its share fall precipitously in the past year.
- Among advertisers running both Amazon Product Ads and Google PLAs, RKG finds PLA CPCs running 22% higher than Amazon's. For those same advertisers, Amazon Product Ads volume is 11% that of PLAs.

DISPLAY ADVERTISING

- Advertisers utilizing the Facebook Exchange increased their investment by 20% from Q3 to Q4. FBX cost-per-click ran 37% lower than that for display ads overall.

MULTI-CHANNEL

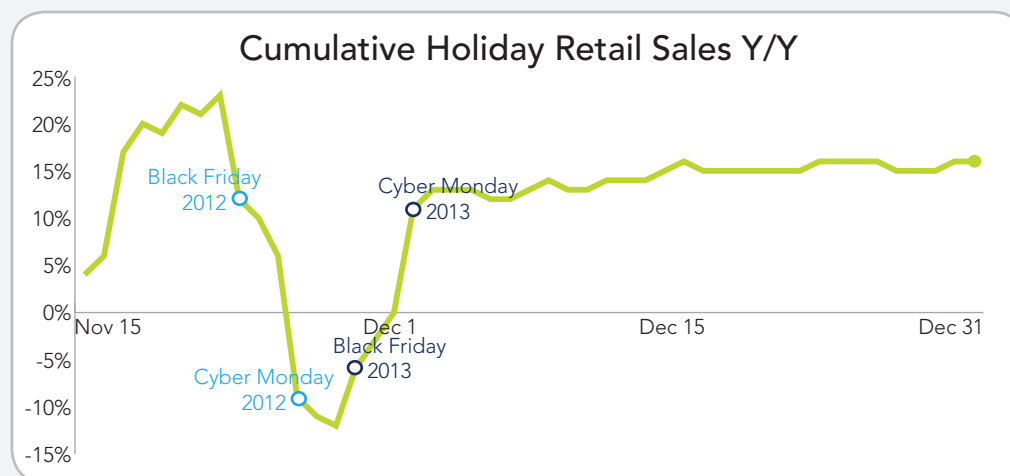
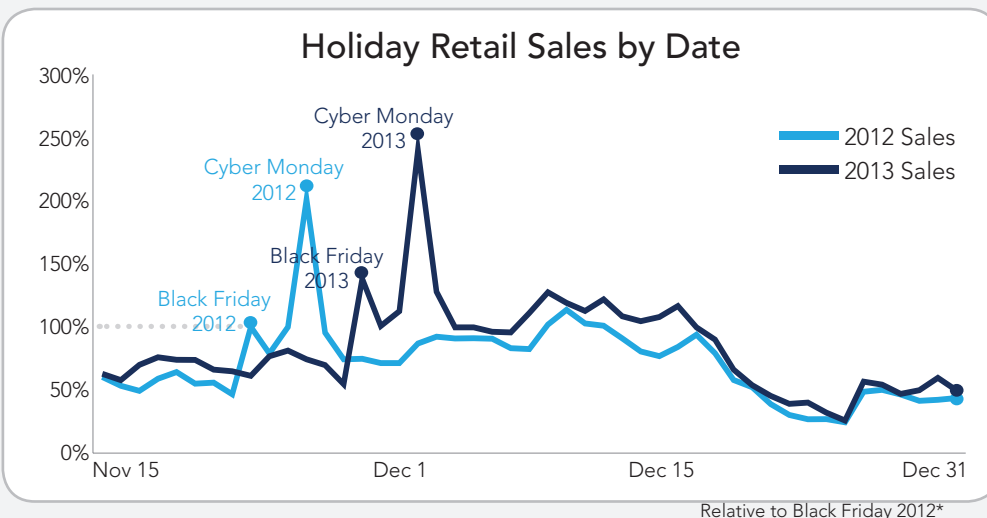
- While a typical online conversion followed an average of 3- 4 marketing touches in Q4, 76% involved interaction with just one online marketing channel. Only 6% of all conversions interacted with 3 or more different online channels, a figure that has remained consistent over time.

HOLIDAY 2013

HOLIDAY 2013 WRAP-UP

Holiday Sales Move Later, Post Big Gains on Key Days

With Thanksgiving coming six days later in 2013 than the year before, holiday shopping followed suit. But comparing Black Friday sales in 2013 to 2012, retailers saw a 38% lift in sales year over year. Cyber Monday was the biggest U.S. online shopping day of the year for the fourth year in a row, with sales up 19%.

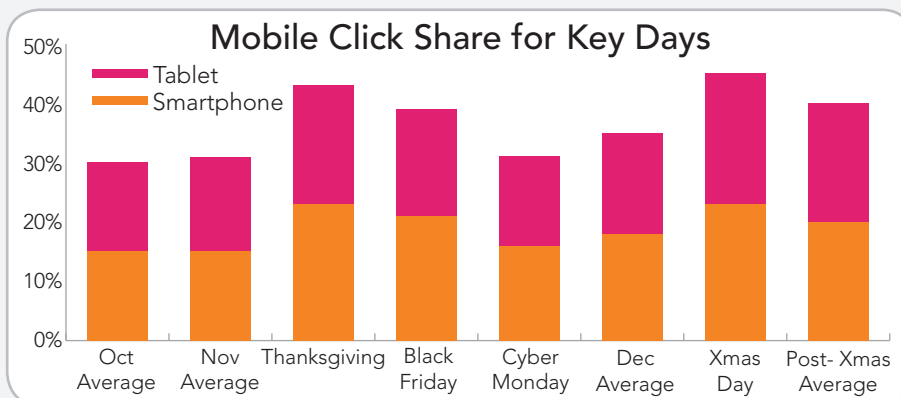


Retailers Post 16% Lift in Sales Over Holiday Shopping Season

Looking at cumulative sales growth throughout the holiday shopping season, we can see how the shift in the calendar put retailers in the hole for a few days before Cyber Monday 2013 gains brought Y/Y sales growth back into the black. The shorter shopping season may have put a slight damper on sales growth, as the 16% lift retailers saw from mid-November on was lower than gains seen earlier in the quarter.

Mobile Traffic Shifts Over Holidays, Spikes on Christmas

Mobile traffic share spiked on Thanksgiving and Christmas Day, hitting 43% and 45% respectively. Generally, mobile made big gains over the fourth quarter, rising from 30% of traffic in October to 40% in the week after Christmas. In years past, mobile has held onto most of its Q4 traffic share gains into the following year.



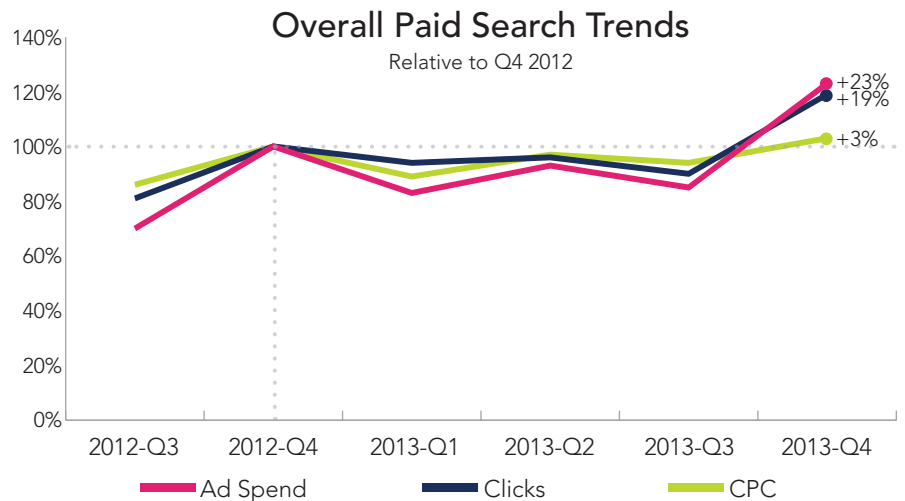
PAID SEARCH

While retailers faced some uncertainty about how the shorter holiday shopping season would impact consumer buying behavior in the fourth quarter, on the whole, advertisers were able to increase their paid search investment at greater year-over-year rates than they did in the third quarter. With desktop traffic growth hovering around zero, smartphones and tablets are driving all paid search volume gains and Google's Enhanced Campaigns model appears to be having a positive impact in this area by helping paid search advertisers more easily scale their mobile keyword coverage and segmentation.

Google's Product Listing Ads (PLAs) have also been critical to paid search growth as many retailers are finding traffic to traditional text ads running flat or even down year over year. The impact of PLAs varies considerably across retail sub-industries, but the trajectory is clear with RKG finding PLA cost-per-click outpacing that for comparable text ads for the first time. Bing Ads has also moved towards image-based product listings with its Product Ads format, but RKG's results suggest that Bing Ads is still generating impressive text ad growth by better monetizing their existing traffic.

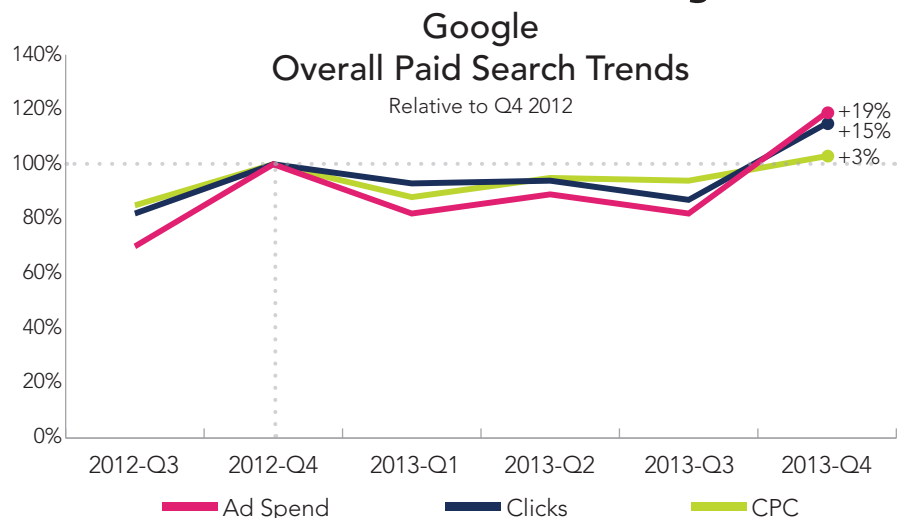
Paid Search Spending Grows 23% on Higher Traffic Volume

Paid search advertisers increased their spending 23% year over year in Q4 2013, a slight acceleration from Q3 growth. We have seen a shift towards traffic gains driving spending growth as click volume rose 19% in Q4 while average CPC was up just 3%. Our retail-leaning client sample saw spending grow nearly 45% from Q3 to Q4 due to holiday shopping volume.



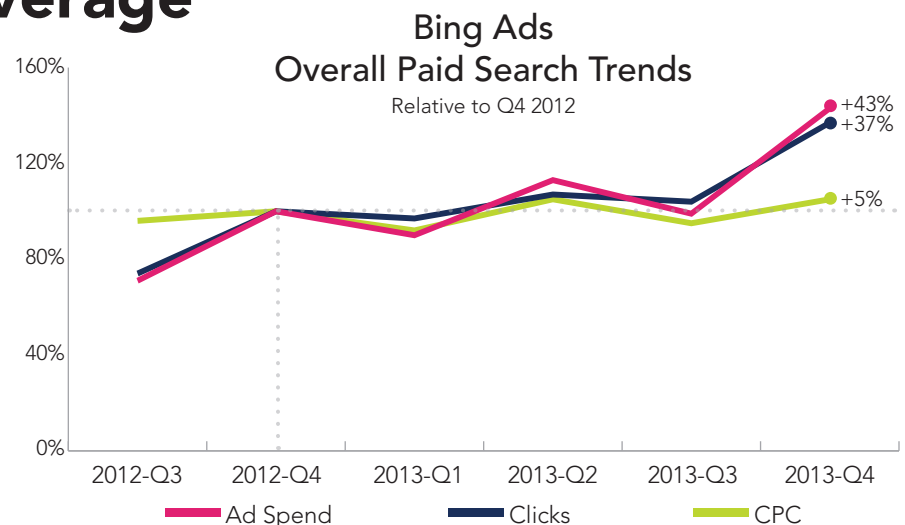
Google Spending Growth Remains Steady at 19%

As reflected in the overall trends above, we saw traffic growth driving more of advertisers' increased investment on Google in Q4. In October, Google announced a change in their Ad Rank logic to favor programs utilizing ad extensions and formats well. Many sites saw a clear decline in CPC around that time, particularly around brand keywords.



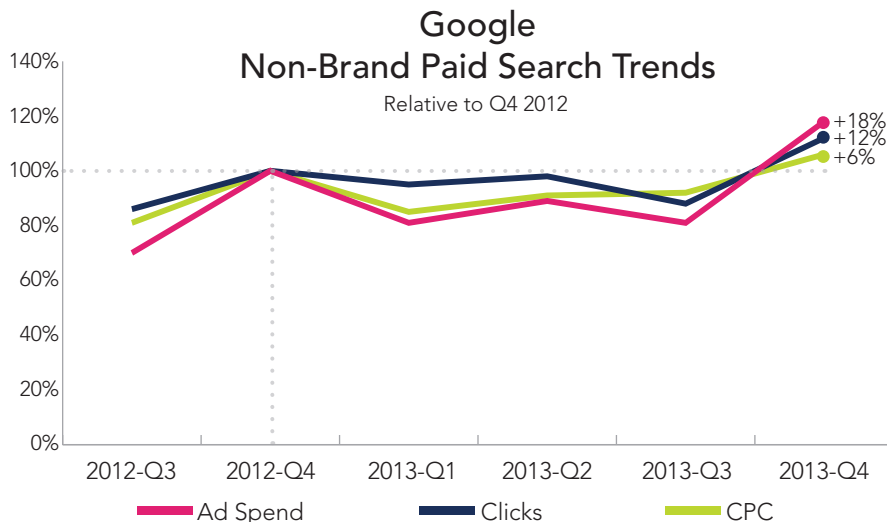
Bing Ads Growth Picks Back Up, Remains Well Above Industry Average

Spending growth on Bing Ads accelerated to 43% Y/Y in Q4, up from 39% in the previous quarter. The platform continues to deliver large traffic gains even as it faces increasingly strong comparable numbers from the year prior. RKG data continues to point to improving monetization as the key growth driver for Bing Ads paid search.



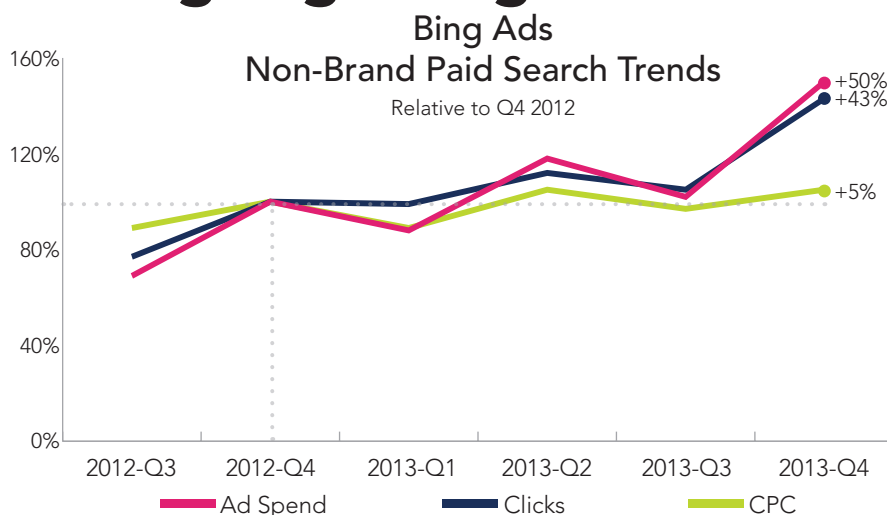
PLA Cost-Per-Click Acceleration Drives Up Non-Brand Costs

As we will show in a special section below on Product Listing Ad metrics, CPCs for the PLA format accelerated in Q4, driving CPC growth for Google non-brand search to 6% Y/Y in Q4. Text ad CPC growth decelerated, likely due to the Google Ad Rank changes noted above. Across RKG's client sample, PLA spending increased 72% Y/Y in Q4.



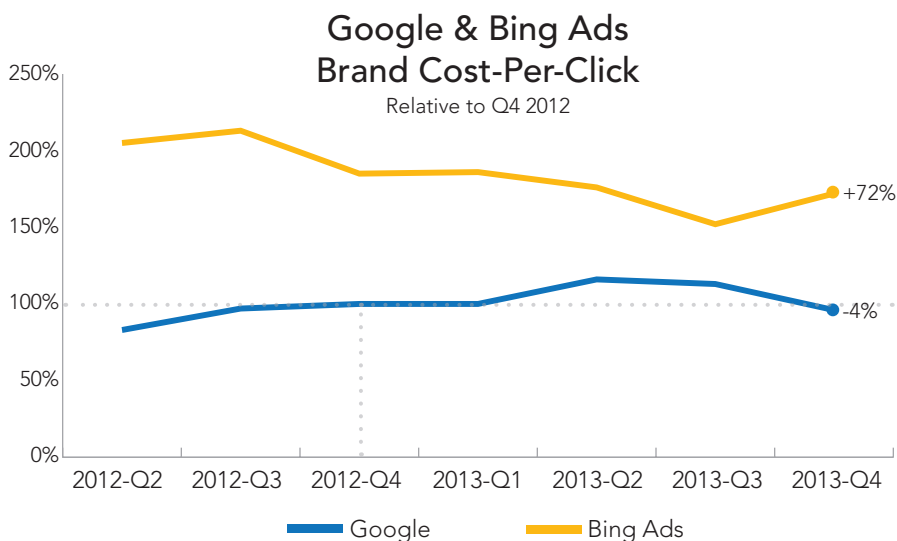
Non-Brand Traffic Driving High Bing Ads Growth

Non-brand click volume rose 43% across the Bing Ads platform. With CPCs up 5% Y/Y, total non-brand spending rose 50%.



Algorithmic Changes Drive Down Brand CPCs

Google brand CPCs rose considerably over late 2012 and early 2013, likely due to an unannounced algorithmic change. That trend was quickly reversed following Google's officially announced Ad Rank changes in October. In Q2 2013, Google brand CPCs were up 40% Y/Y. In Q4 2013, brand CPCs fell 4% Y/Y. We've seen sharper declines in Bing Ads brand CPCs, but they remain well above those for Google.



HOW IMPORTANT are PLAs to RETAILERS?

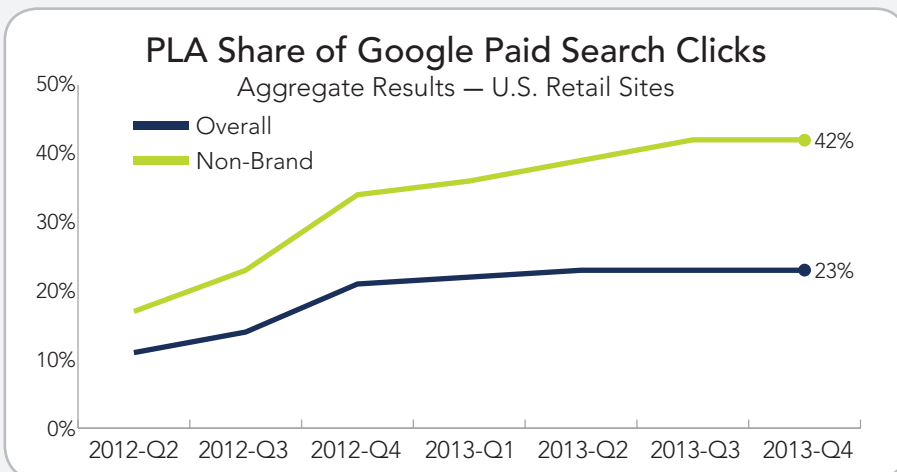
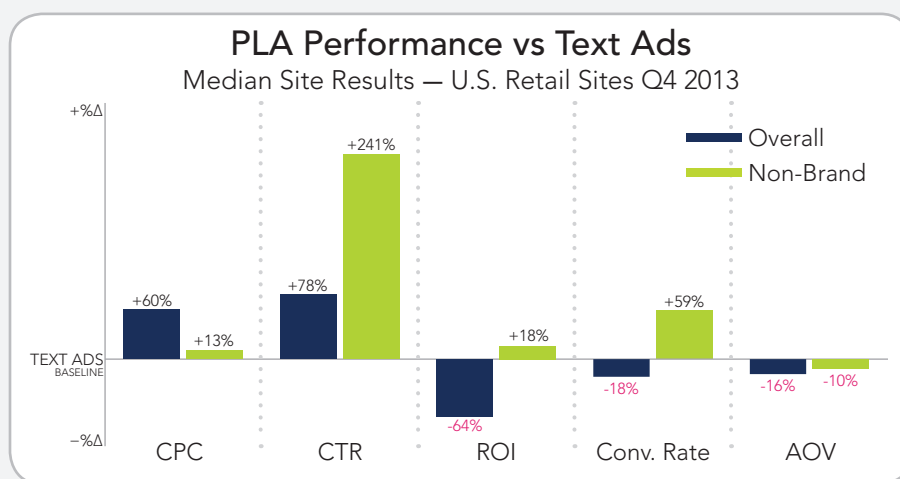
Industry reports on the impact of Google Product Listing Ads in the paid search space often differ significantly from one to the next. As most of the data released is provided with little context, it's important to understand why these differences exist in order to gain a greater understanding of the real role of PLAs.

In this and other RKG Digital Marketing Reports, PLA data is presented in comparison to non-brand text ads, with brand text ad data excluded. This is because brand queries typically perform much differently than non-brand queries, with lower average cost-per-click (CPC), higher click-through rate (CTR), and better return on investment (ROI).

Because brand queries account for 30% of text ad clicks for the median RKG client vs just 2% of PLA clicks, including brand data skews any comparison between PLA and text ads considerably.

ROI and conversion rate both look worse for PLAs than text ads when including brand ads, but are 18% and 59% higher for PLAs respectively when compared to just non-brand text ads. The CTR, CPC, and average order value (AOV) of PLAs also all look better compared to text ads when brand data is excluded.

The percentage of Google traffic attributed to PLAs also varies significantly depending on whether brand ads are included in the analysis, with PLAs accounting for a much greater share of traffic when taken solely as a percentage of non-brand clicks.



Since PLAs require that a site sell physical products, analyses of PLA volume share which include advertisers in industries such as travel and finance don't give retailers a very accurate gauge of what other advertisers like them are seeing in the space. Even within retail, sub-industries are garnering very different shares of Google traffic through PLAs.

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— HOW IMPORTANT are PLAs to RETAILERS? —

PLA Share of Non-Brand Google Paid Search Clicks

Aggregate Results — U.S. Retail Sites Q4 2013

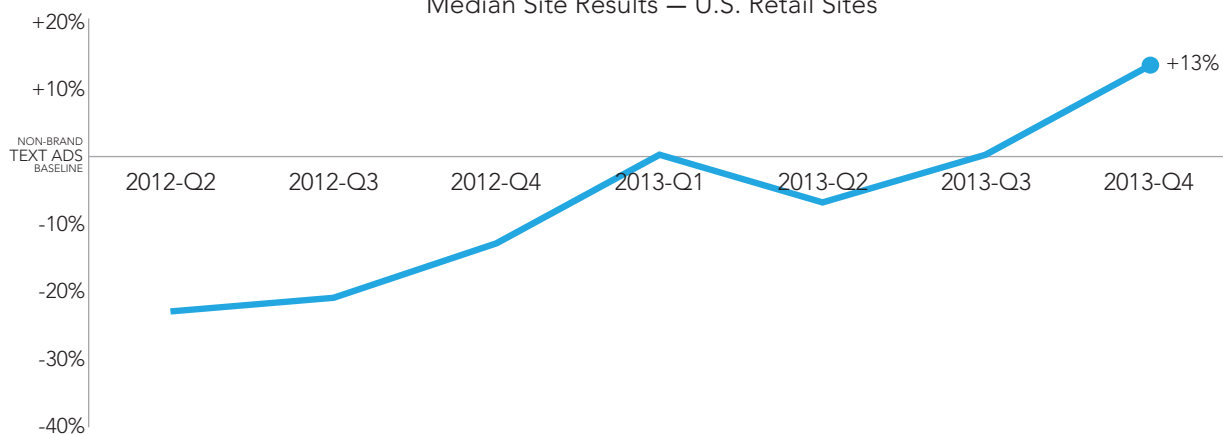


While automotive retailers generate just 22% of Google non-brand traffic from PLAs, that figure is over 50% for electronics, health and beauty, and home and garden retailers. Performance within these sub-industries can and does vary, but PLAs generally stand to provide the greatest value to sites with SKU-heavy product offerings and search programs.

As noted earlier, ROI for PLAs is better than that of non-brand text ads, causing competition to heat up in the space and the average CPC of PLAs to surpass that of text ads in Q4:

Google PLA CPC vs Non-Brand Text Ads

Median Site Results — U.S. Retail Sites

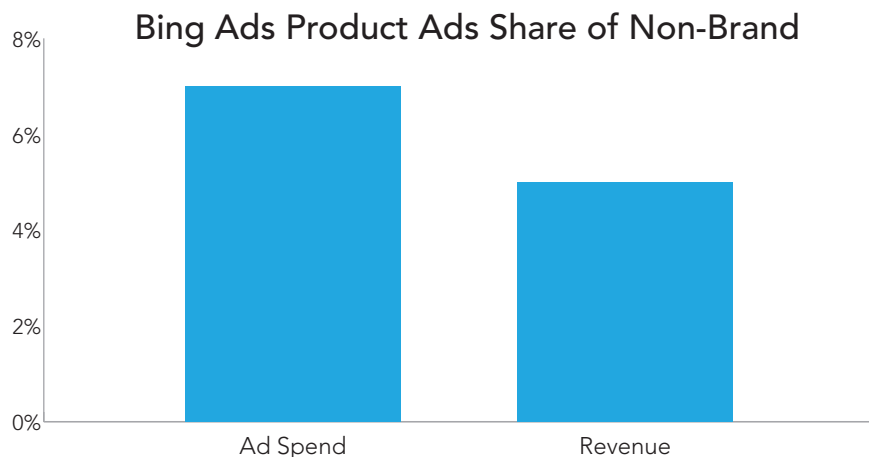


As Google continues to test out more prominent placement of PLAs on the top left of the SERP and enhancements like 360-degree product views, PLAs will likely continue to take click and spend share away from text ads as 2014 gets under way.

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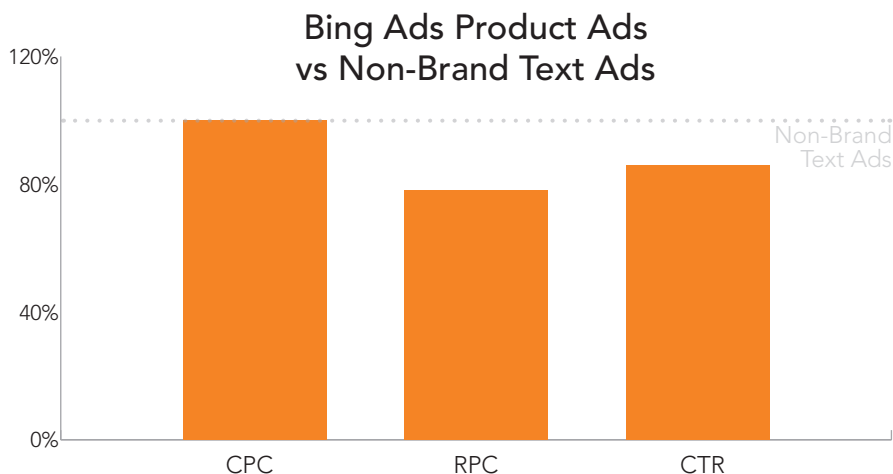
Bing Ads Product Ads Show Potential in Q4

For advertisers that were able to get into Bing Ads' closed beta for Product Ads, the PLA-like format had an appreciable impact on Q4 performance. Advertisers in the beta saw Product Ads generate an average of 5% of their non-brand Bing Ads paid search revenues, albeit at a lower ROI than text ads.



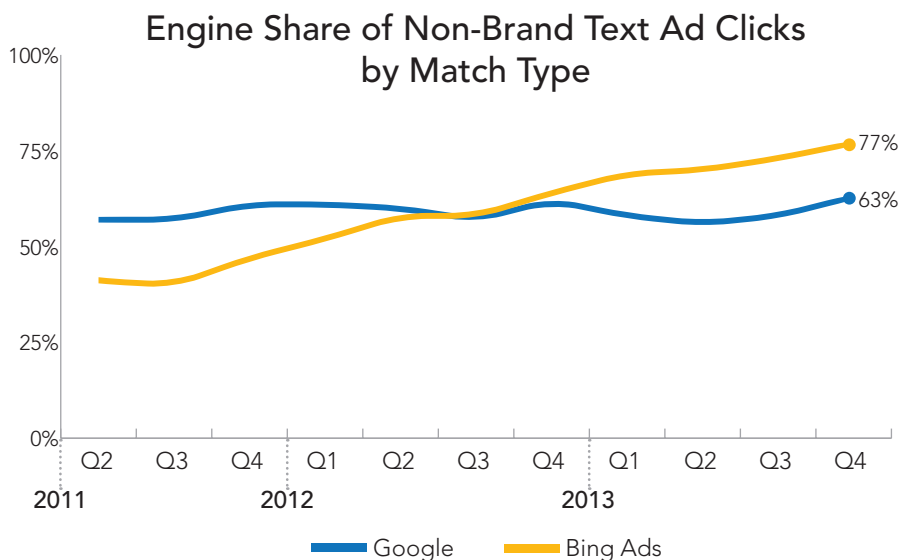
Bing Ads Product Ads Contrast With PLAs in Key Metrics

It is still very early for Bing Ads Product Ads, but we found their revenue-per-click and click-through rates running lower than those for Bing Ads non-brand text ads. This is in clear contrast to Google PLAs where RPC and CTR have fared very favorably to comparable non-brand text ads.



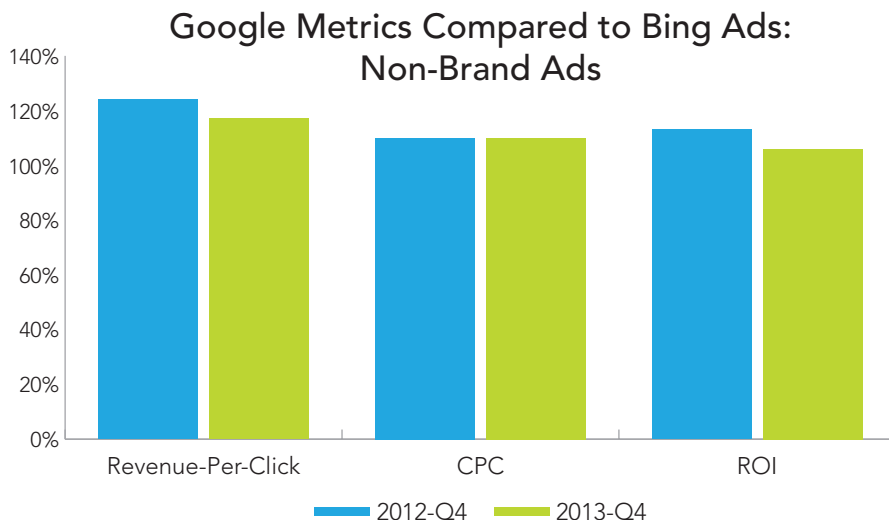
Bing Ads Broad Match is Still Expanding

It has been six quarters since we first saw Bing Ads outpace Google in the share of traffic each generates from broad matched queries. In the interim, we have seen Bing Ads' total traffic growth rate running well above Google's. In Q4 of 2011, Bing Ads generated just 41% of its traffic via broad match compared to Google generating 57%. In Q4 2013, 77% of Bing Ads clicks were broad matched, compared to 63% for Google.



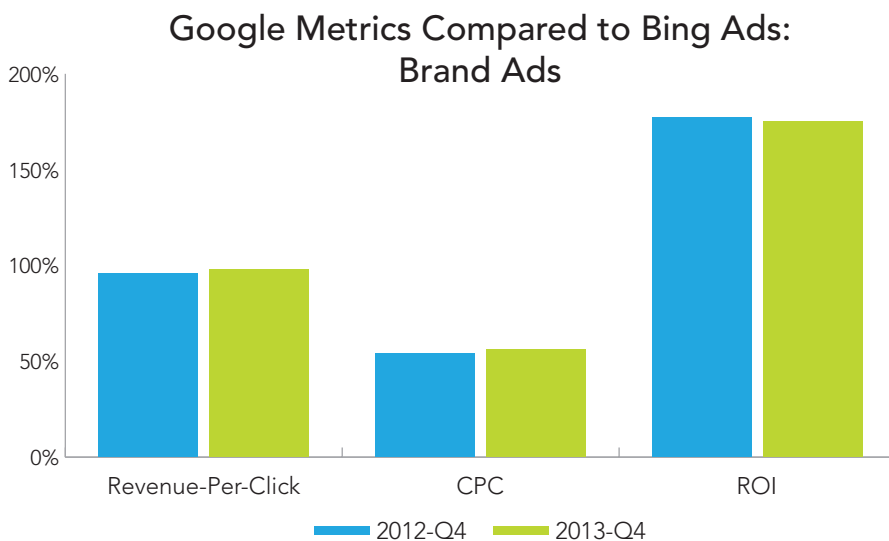
Google Holds a 6% Non-Brand ROI Advantage Over Bing Ads

Due in large part to the contribution of PLAs, advertisers generated a 6% higher ROI on Google compared to Bing Ads for non-brand search ads last quarter. Google produced a 17% higher average revenue-per-click in Q4 2013, but that was down from 24% the year before.



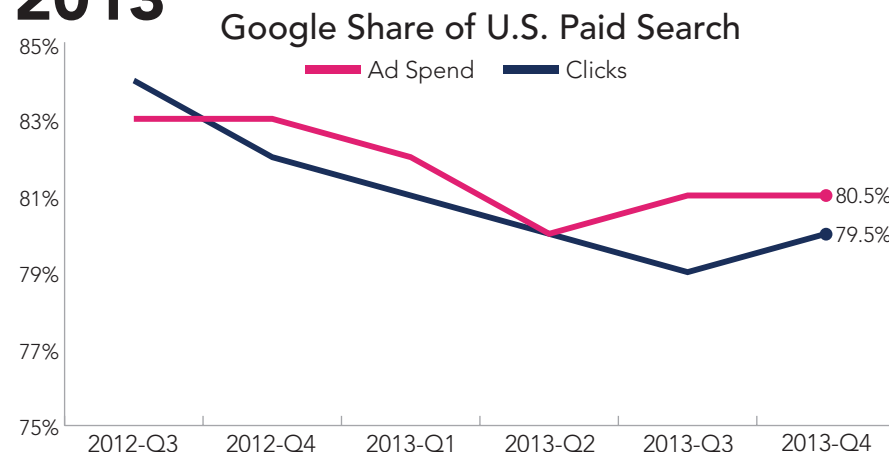
Higher Bing Ads Brand CPCs Lead to Lower ROI for Advertisers

Although revenue-per-click is nearly identical on Bing Ads and Google for brand searches, Google's far lower brand CPCs allow it to generate a 75% higher ROI. While we have seen a great deal of movement in brand CPCs in the past year for each engine, the comparison between the two in Q4 is little changed between 2012 and 2013.



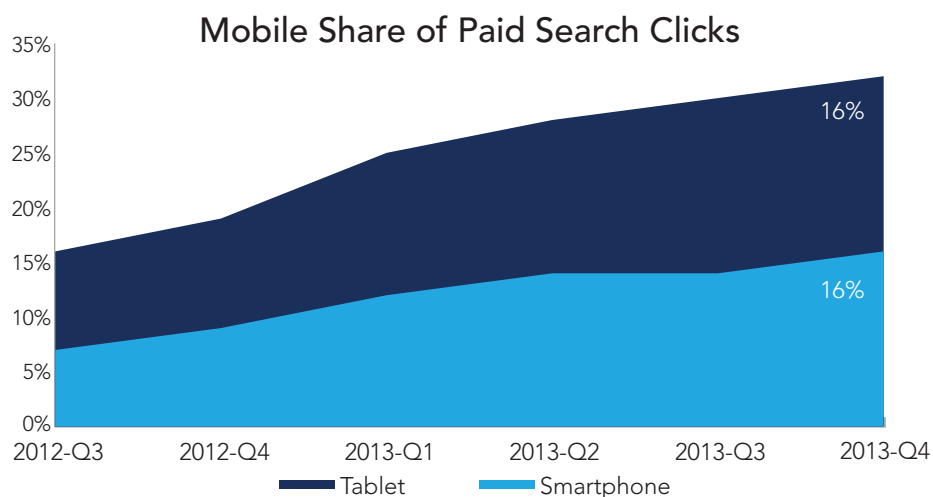
Google Loses 3% of Paid Search Spend and Traffic Share Over 2013

Google's share of U.S. paid search spend and traffic was stable from Q3 to Q4, standing at 80.5% and 79.5% respectively. Over the course of the year though, Bing Ads was able to gain a little under 3% share for both metrics.



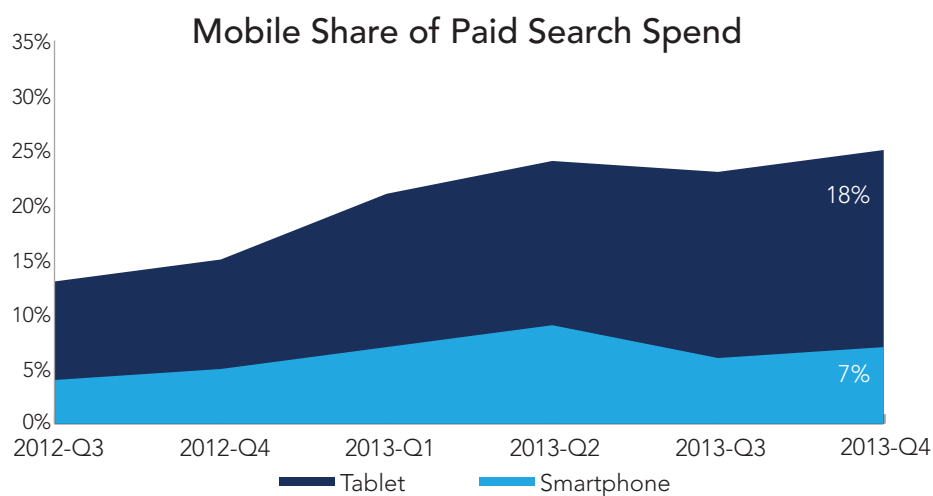
Smartphones and Tablets Combine for Nearly a Third of Paid Search Traffic

After holding flat from Q2 to Q3 at 14%, smartphone paid search click share jumped to over 16% in Q4 2013. Google's Enhanced Campaigns model has made it easier to scale mobile keyword coverage and the gains for smartphones have come in spite of many advertisers lowering smartphone CPCs to improve ROI.



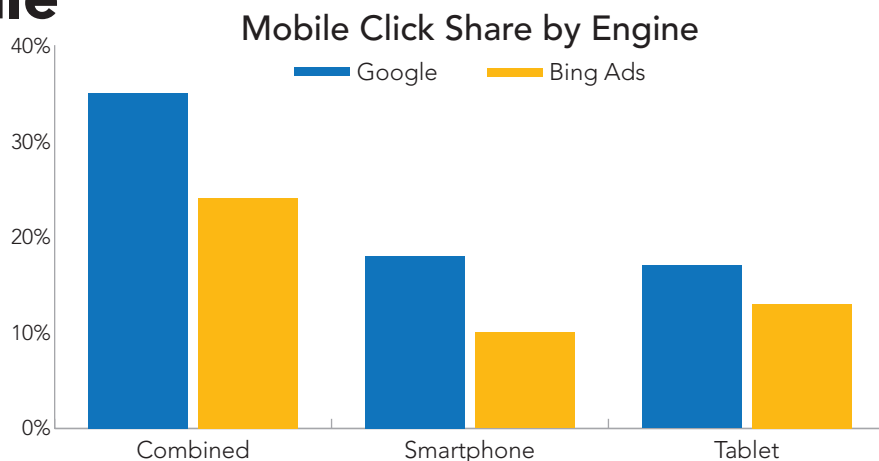
Tablets Driving 71% of Mobile Search Spending

Although tablet and smartphone click share is roughly equal, tablets accounted for 71% of spending on mobile devices in Q4. Smartphone spend share was up from Q3 to Q4, but was still down from the levels we saw prior to the Enhanced Campaigns transition.



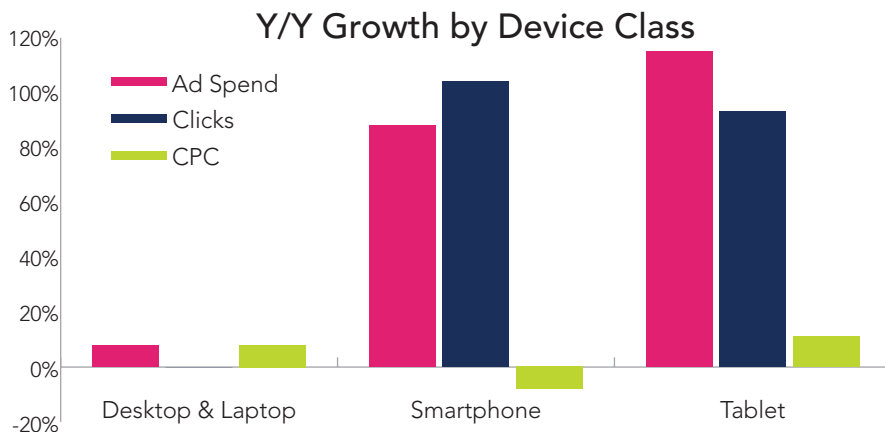
Google Continues to See Much Larger Share of Volume from Mobile

Nearly 35% of Google paid search clicks took place on either a smartphone or tablet in Q4. The same figure for Bing Ads was just 24%. Google's advantage in the mobile space was larger on smartphones than tablets.



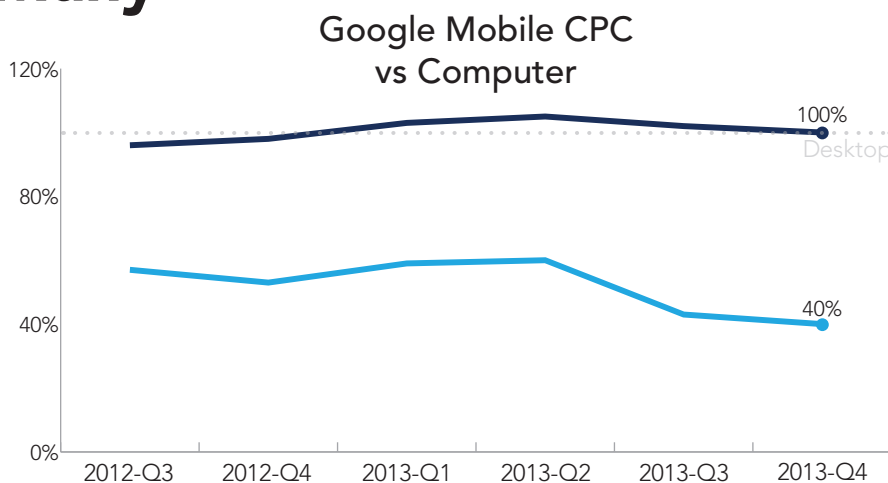
Smartphone CPCs Down 8% Year-Over-Year

Reflecting advertiser efforts to improve mobile ROI, smartphone CPCs were down 8% Y/Y in Q4. At the same time, the Enhanced Campaigns model has made it easier to scale mobile coverage for the long tail, which generally has lower competition and CPCs. Desktop and laptop click growth continued to hover around zero as tablets and smartphones delivered all advertiser traffic gains.



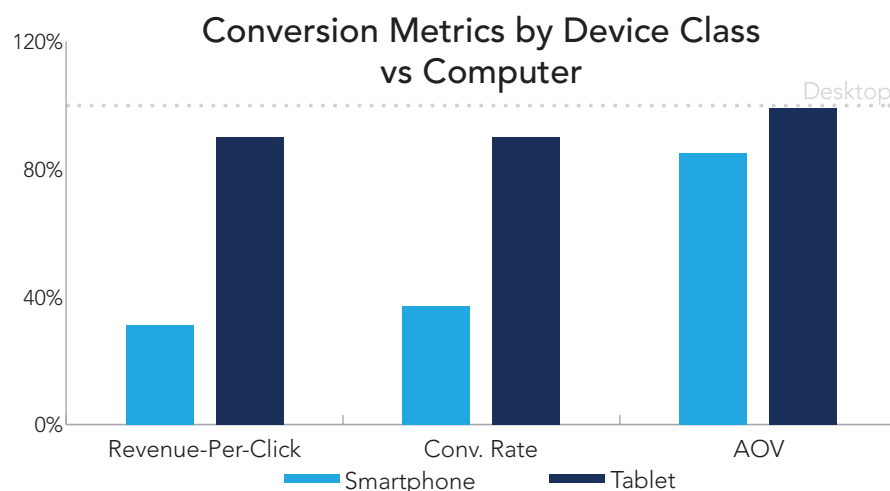
Smartphone CPCs Running at 40% of Desktop Levels, Lower for Many

Before the mandatory Enhanced Campaigns transition at the beginning of Q3, smartphone CPCs were running at roughly 60% of desktop levels. In Q4, that rate stood at 40% with many advertisers opting to allow an even larger gap to reflect the differences in conversion performance between smartphone and desktop users.



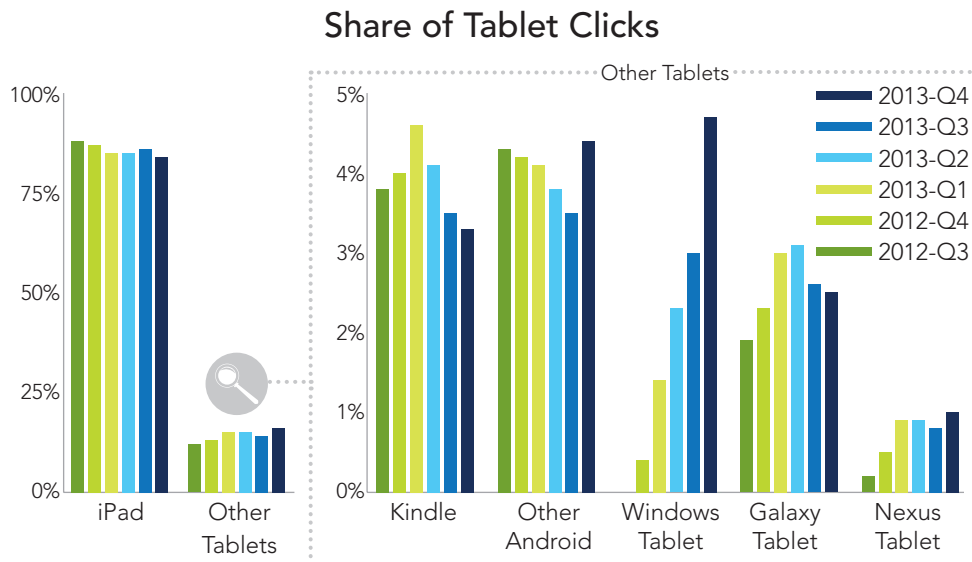
Smartphone Revenue-Per-Click Improves Compared to Desktop in Q4

Although average smartphone revenue-per-click was just 31% that of desktops in Q4, that marked an improvement from the 26% rate we saw in the prior quarter. It's too early to say whether there's a real trend here, but historically, the gap between smartphone and desktop conversion performance had not moved much in the past few years.



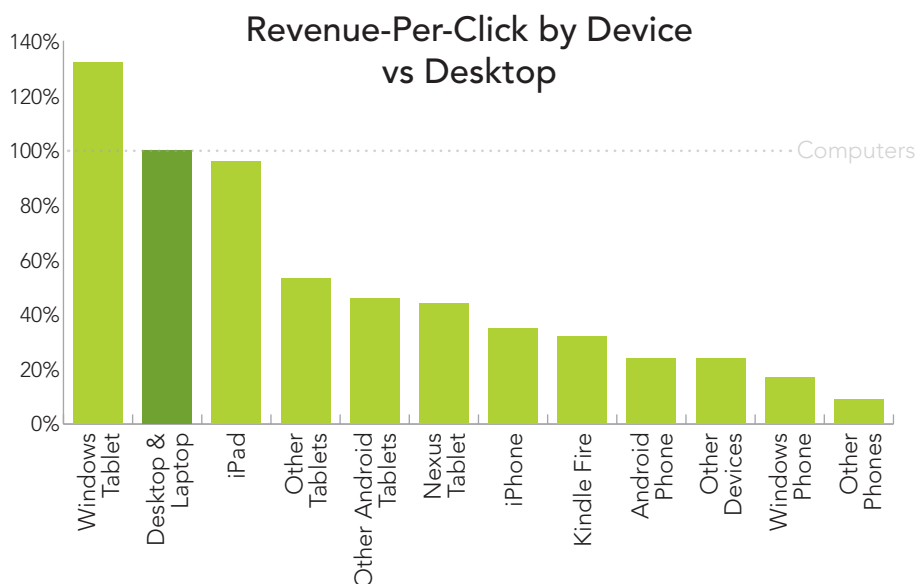
iPad Paid Search Traffic Share Slips to 84%

The iPad accounted for 84% of tablet traffic in Q4 2013, down from 87% a year earlier. Those figures include the quickly growing touch-compatible Windows segment, which includes the Surface, but also a number of devices that may have more in common with traditional laptops. Drawing those exact distinctions will become less meaningful over time, but that's not to say we can't see obvious performance differences across certain device categories (see below).



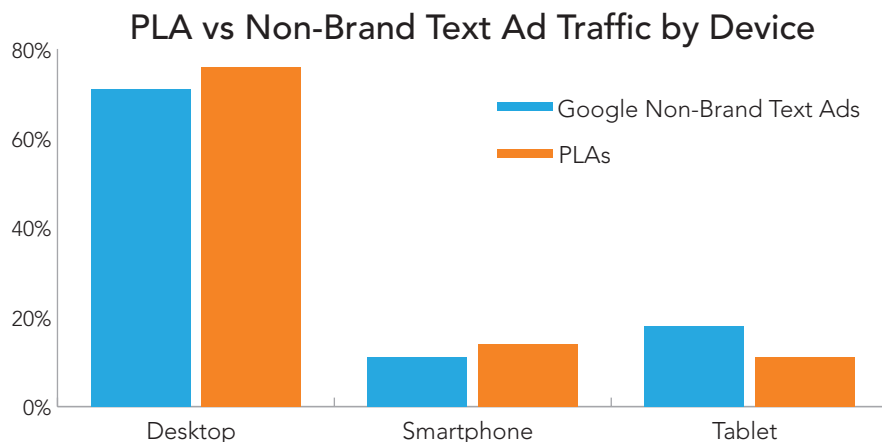
Wide Gulf in Revenue-Per-Click Remains Across Devices

Along with traditional computers, windows tablets and iPads generate double the revenue-per-click of every other type of device, including other tablets. The Kindle Fire line was a particularly poor performer for advertisers in Q4, generating a 68% lower RPC than desktops, which may speak to both demographics and Amazon's strategic tack with the product.



PLAs Well-Represented on Smartphones, Running Behind on Tablets

Although smartphones accounted for just 11% of Google non-brand text ad traffic in Q4, they generated 14% of PLA visits in the quarter. On the other hand, tablets made up 18% of non-brand text ad traffic, but just 11% of PLA traffic suggesting an opportunity for growth.



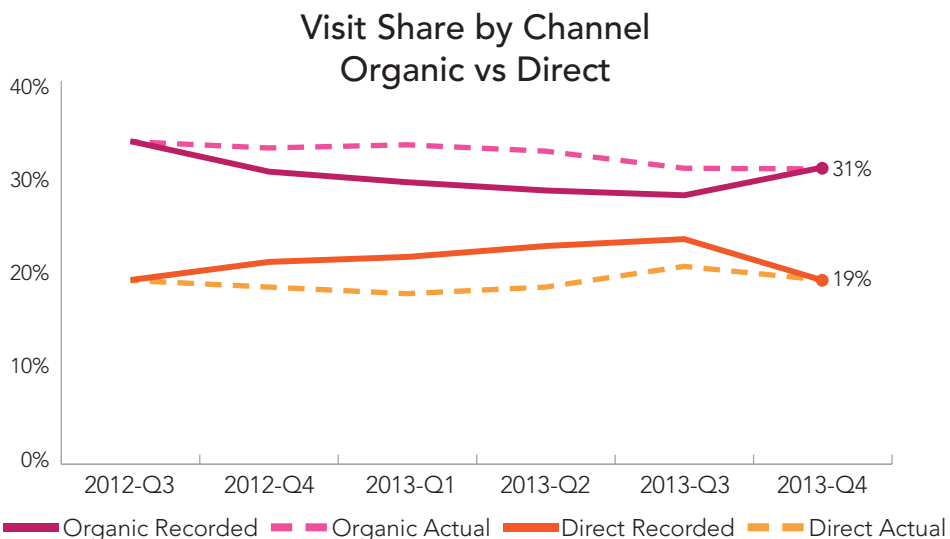
ORGANIC SEARCH & SOCIAL

Organic search analytics took a big hit in 2013 with Google's push to move nearly all users to secure search. The result was a dramatic increase in the number of Google organic searches that did not pass queries to site owners. Over the course of the year, we found that Not Provided share rose from 28% for the average site to 84%, where it has plateaued for the past few months. Marketers are left to make ends meet with search query data sources that may be biased by their limitations.

On a positive note, Google has recently thrown site owners a bone by providing precise, rather than bucketed, traffic figures for the limited query set within Google Webmaster Tools, a move they first made with the Paid & Organic report in AdWords. Also, another major impediment to organic search analytics was removed with the release of iOS 7 in mid-September, which brought back the correct attribution of Google organic searches within web analytics packages. That issue sprang up a year earlier with the release of iOS 6, and we explore it in detail on page 19.

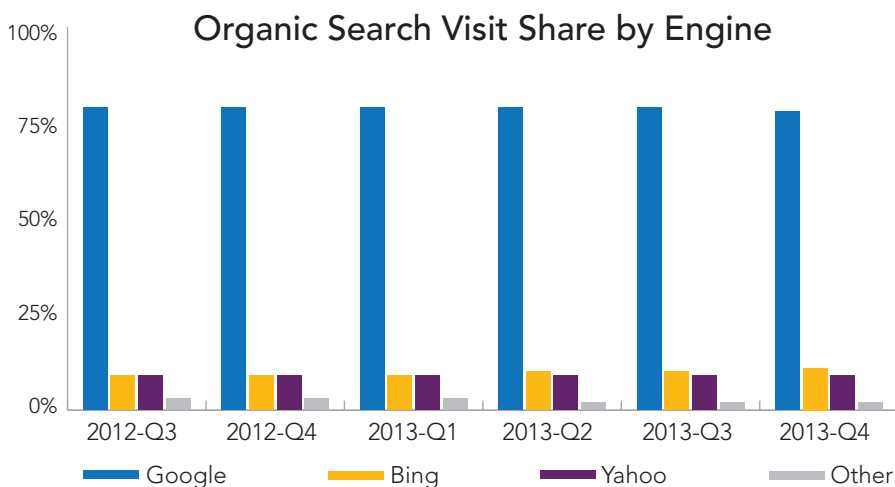
Organic Search Cedes Traffic Share to Other Channels

Organic search accounted for 31% of site visits on average in Q4 2013, down from 33% the previous year. That trending had appeared worse in analytics packages, which recorded most iOS searches as direct visits from September 2012 until September 2013. For a detailed breakdown on the impact of iOS on organic search metrics see [page 19](#).



Bing's Share of U.S. Organic Search Edges Up to 11%, Yahoo Flat at 9%

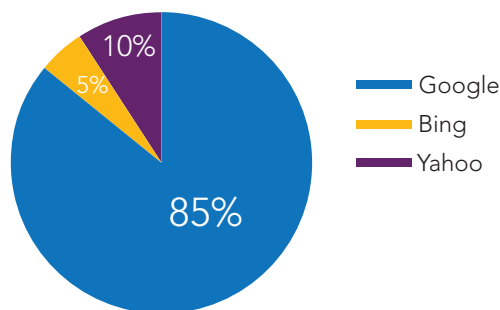
For the third quarter in a row, we found Bing improving its share of organic search visits, which now stands just under 11%. Google's share has slipped from 79% in Q4 2012 to 78% in Q4 2013, but it has retained its dominant position. Yahoo's share of search has hovered around 9% for the past year.



Google Retains Relative Organic Search Advantage in Mobile

Among the big three U.S. search engines, Google still holds a relative advantage in the mobile search space, generating 85% of organic search visits on smartphones and tablets. That figure is down from 90% a year prior as Bing Ads and Yahoo have both made up ground.

Share of Q4 Mobile Organic Search by Engine

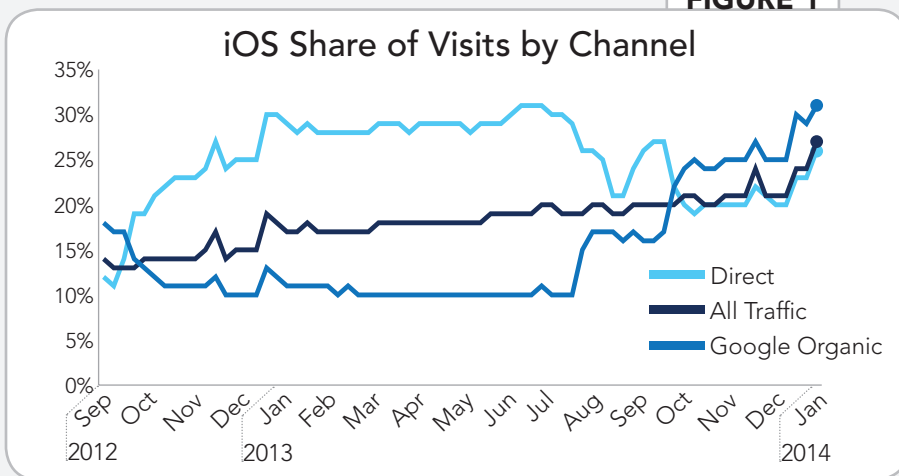


THE SAGA of MISSING ORGANIC SEARCHES DUE to iOS6

With the release of iOS 6 in mid-September of 2012, it quickly became apparent that Apple's move to default its devices to Google's secure search resulted in search referrers not being passed to site owners. Without this referring information, web analytics could not determine the source of most iOS 6 searches, leading those visits to be recorded as direct.

We can clearly see the impact in Figure 1, as iOS dropped from 18% of Google organic traffic to approximately 10% as more users migrated to Apple's new OS. Concurrently, iOS' share of direct visits spiked to roughly 30%. In late July of 2013, an Apple change led to referrers being passed for iPhones running iOS 6, but the issue persisted for iPads.

FIGURE 1

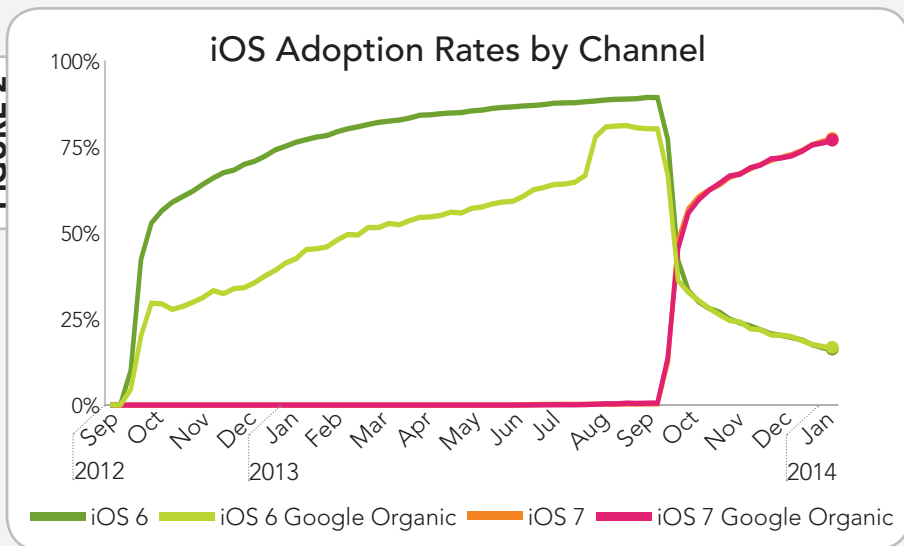


Looking at the adoption rates of iOS versions in Figure 2, we can see how iOS 6 was consistently underrepresented in Google organic search. By mid-July of 2013, iOS 6 accounted for nearly 90% of all iOS visits, but just 65% of Google searches on iOS devices.

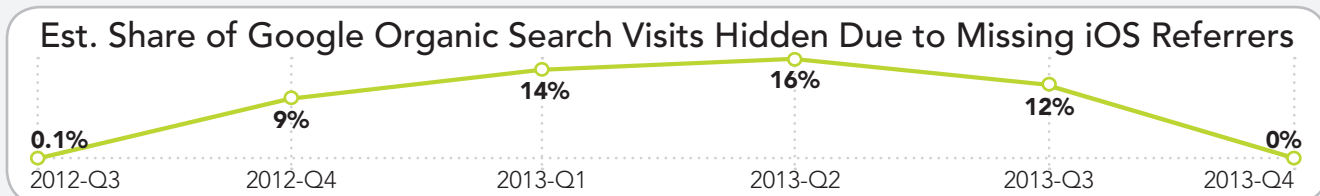
By using this differential, marketers could estimate the true level of iOS and total organic searches with a high degree of accuracy, but this was far less convenient than having the visits correctly attributed in the first place.

Fortunately, Apple's changes with the release of iOS 7 in September of 2013 led to referrers being passed again across all of their devices, bringing recorded iOS version adoption rates back into alignment across channels.

FIGURE 2

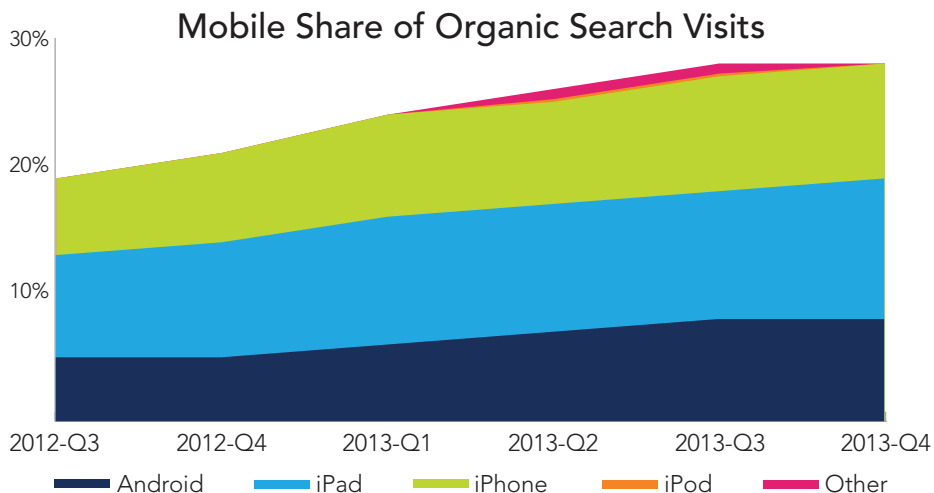


The good news is that after reaching as high as 16% of Google visits in Q2 2013, the share of Google organic traffic hidden due to missing iOS referrer information is once again effectively zero.



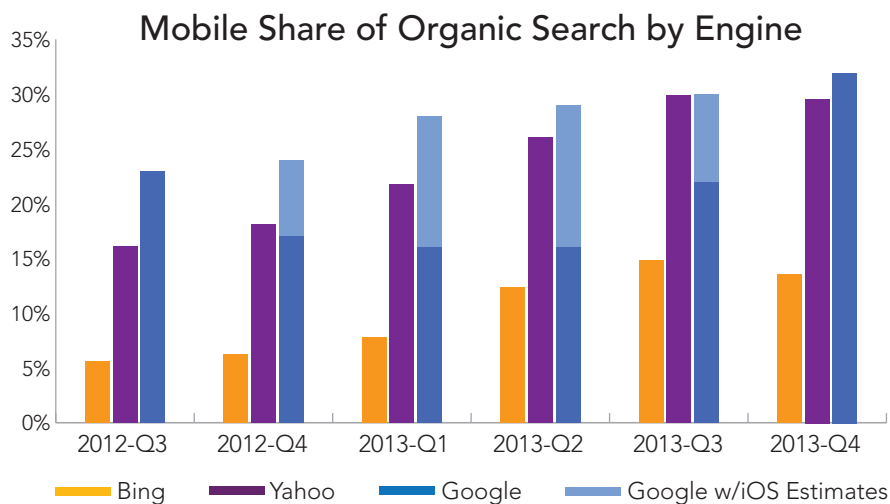
Tablets and Smartphones Combine for 29% of Organic Searches in Q4

Although mobile's share of organic search visits continues to rise, that growth decelerated in the second half of 2013. This likely reflects the engines' efforts to better monetize mobile traffic and advertisers' more aggressive stance with paid listings during the busy Q4 holiday season.



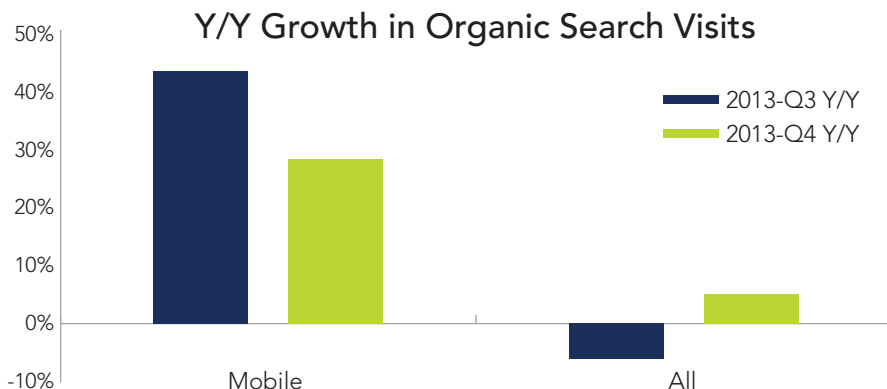
Google Leads with 32% Mobile Share of Organic Search

After running neck and neck with Yahoo in Q3 2013, even including estimates for missing iOS visits, Google once again took the lead in mobile search share at 32%. For Yahoo, 30% of the search visits it generated were from smartphones and tablets in Q4, while the same figure for Bing was just 14%.



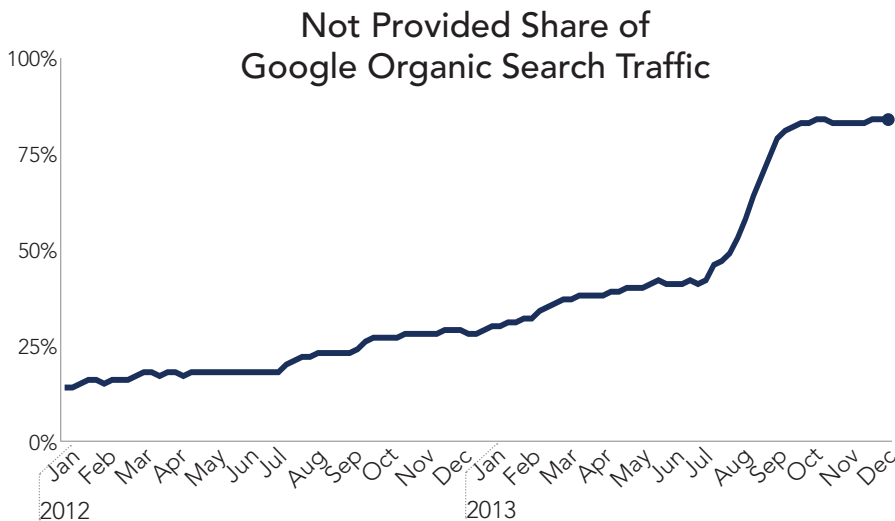
Mobile Driving Organic Search Growth with 28% Y/Y Increase in Visits

Although year-over-year mobile search visit growth decelerated from quarter to quarter, at 28% in Q4 it far outpaced total organic search visit growth, which stood at 5%. This distinction is critical, but some industry reports are still based on desktop traffic only.



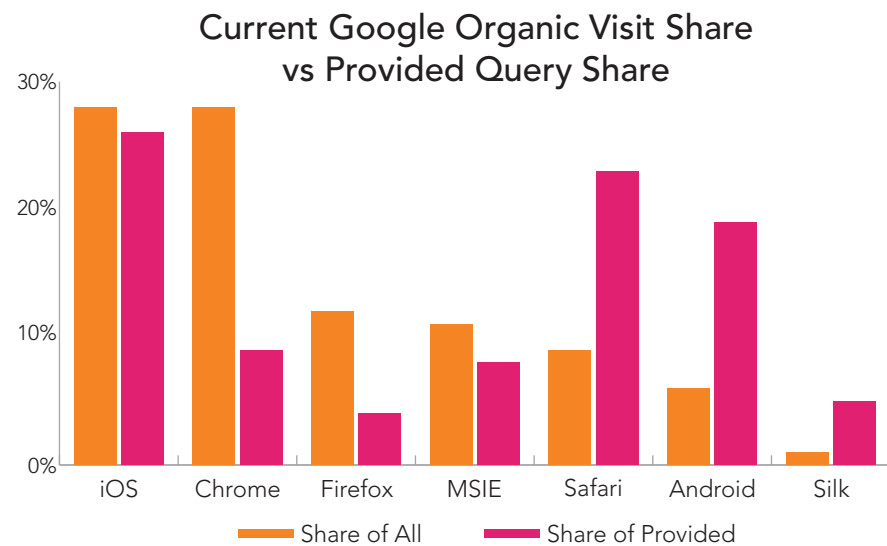
Not Provided Visit Share Plateaus Around 84%

The share of Google searches that did Not Provide the search query to site owners roughly doubled over the latter half of Q3 2013, but Not Provided share remained flat throughout Q4. Over the course of the entire year, the average site saw Not Provided increase from 28% of searches to 84% as Google moved to push more users to secure search.



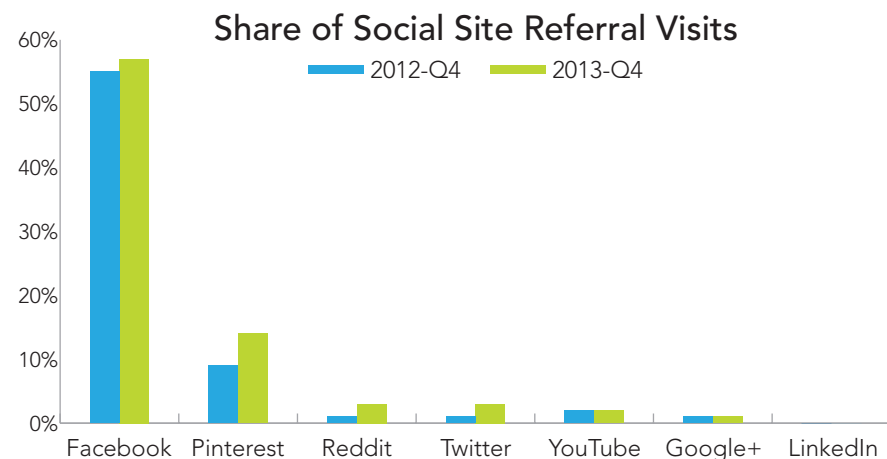
Safari and Android Users Overrepresented in Provided Queries

In cases where Google organic query data is still provided to site owners, we find that Android devices account for 19% of visits, triple Android's 6% share of total Google organic traffic. Desktop Safari users account for 23% of provided visits, but just 9% of all Google organic visits. To the extent that user behavior differs across platforms, provided queries will give site owners a distorted view of their incoming search traffic.



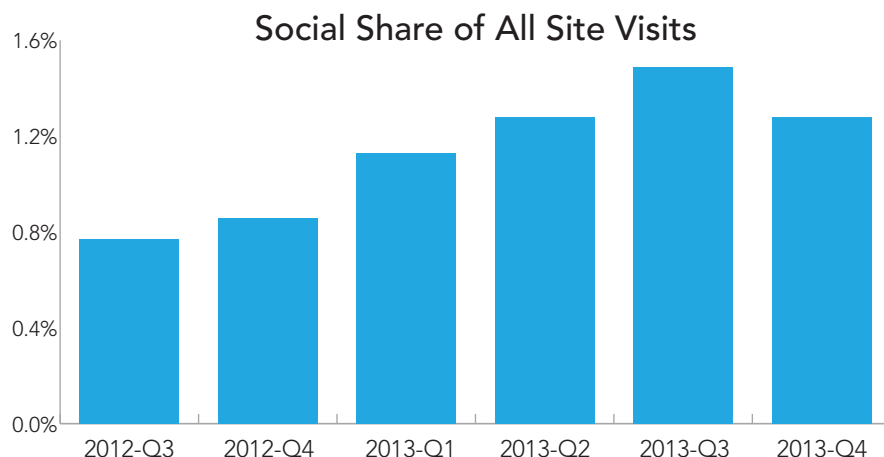
Facebook Share of Social Visits Rises to 57%

Nearly all of the largest social media sites saw gains in referral traffic share comparing Q4 2012 to Q4 2013. We saw no obvious signs of Facebook fatigue as the dominant social media site saw of its share of social referrals increase from 55% to 57%. Pinterest saw the largest gains from a year prior, with its share of social visits increasing from 9% to 14%.



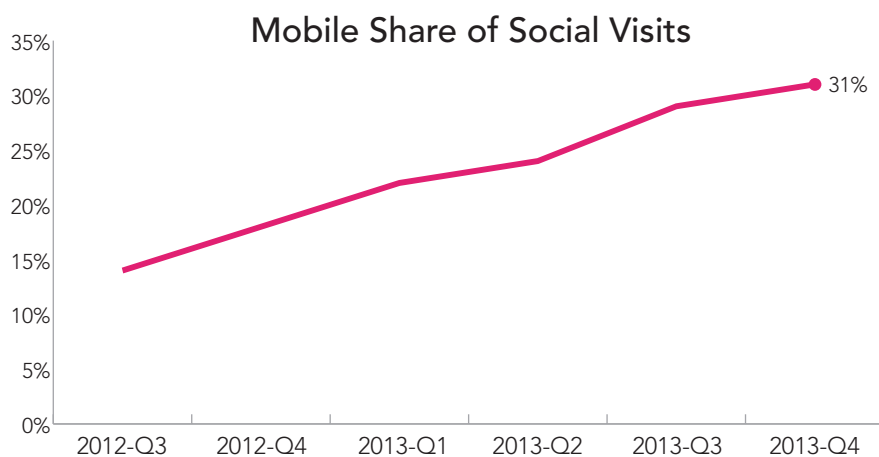
Social Sites Generate an Average of 1.3% of All Site Visits

While referrals from social media sites show a clear upward trend over the long-term, we saw a small dip in social's share of site visits from Q3 to Q4. This likely reflects the relatively more aggressive efforts marketers employed in other channels throughout the Q4 holiday season.



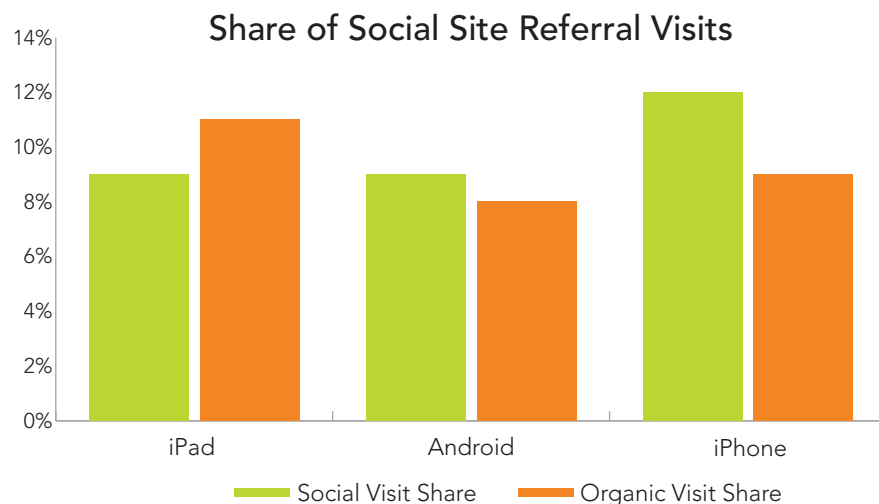
Mobile Devices Deliver 31% of Social Media Referrals

As we see across other channels, mobile continues to be a rapidly growing segment of the social media audience. In Q4 of 2012, smartphones and tablets accounted for 18% of social media referral visits. The same figure rose to 31% in Q4 of 2013.



Users Show Smartphone Preference for Social, Tablets for Search

We see contrasting device usage preferences for social referrals and organic search, with users more likely to use tablets for search and smartphones for social. In Q4 2013, the iPad accounted for 11% of organic searches and 9% of social media referrals. Conversely, the iPhone accounted for 9% of organic searches and 12% of social visits.



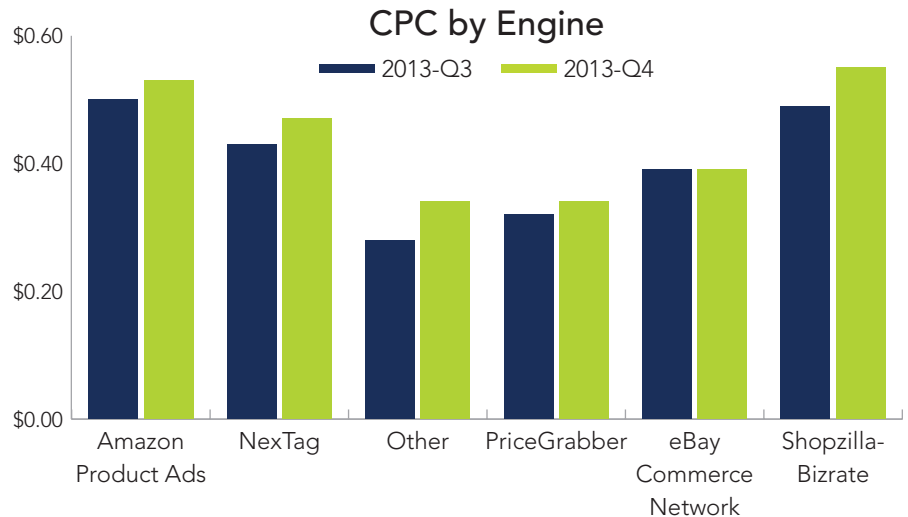
COMPARISON SHOPPING ENGINES

CSE growth was strong overall in Q4, but we saw appreciable differences across engines. Nextag spend share decreased significantly as poor return led to less investment across the board for advertisers. Nextag's increased rate card minimums in the midst of decreasing traffic quality both hurt ROI.

This edition of the RKG Digital Marketing Report also highlights the differences between Google Product Listing Ads and Amazon Product Ads. Differences between the two are heavily impacted by Amazon's rate card system, as well as Amazon's restrictions against showing ads for categories like apparel which are allowed in Google PLAs. Thus, while many are eager to compare these two engines, variance in scale and guidelines make the two dissimilar.

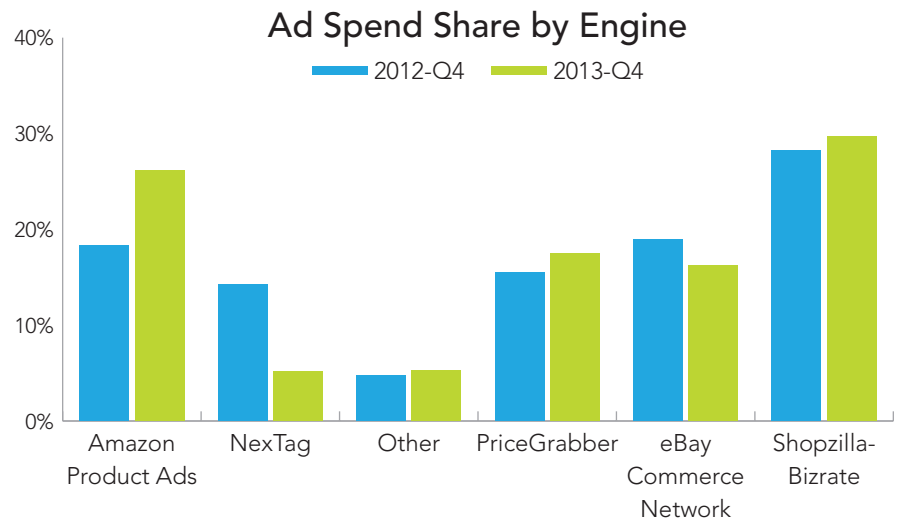
Q4 CPCs Up Across All CSEs

As in years past, cost-per-click was up across all comparison shopping engines from Q3 to Q4 in 2013 as CSE's raised their rate card minimums and traffic became more valuable. PriceGrabber's CPC increased by less than it could have due to their 'Holiday Premium Program,' which allowed advertisers to lock in lower CPCs by paying up front.



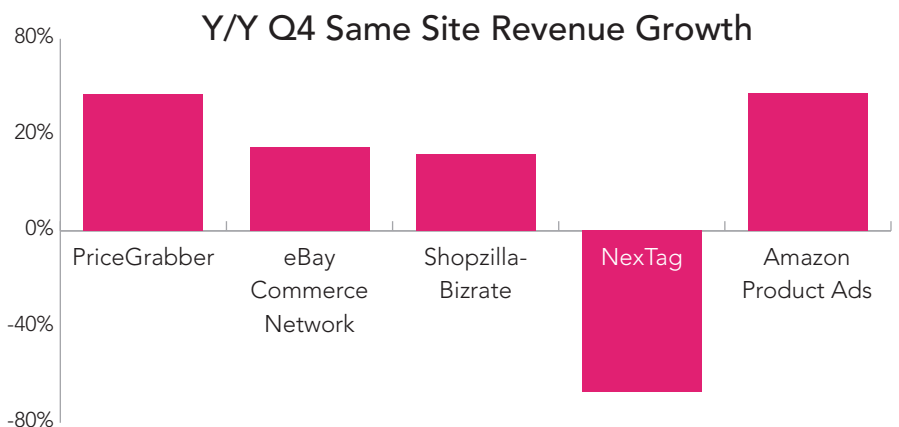
Amazon Spend Share Up Big Year-Over-Year

While Shopzilla-Bizrate accounted for the highest spend share among CSEs for the fifth consecutive quarter, Amazon showed the largest year over year gains and accounted for over 26% of spend. Nextag's share is now just 5% of total CSE spend, down from 14% last year.



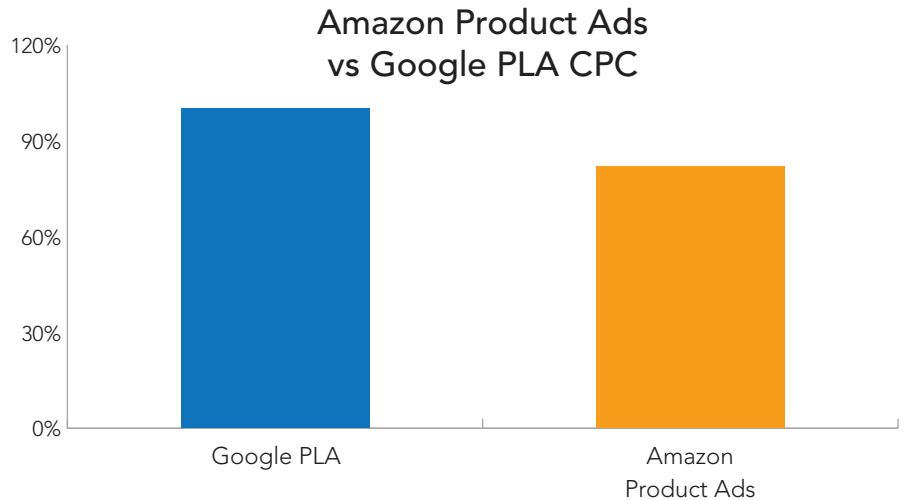
Y/Y Revenue Growth Positive for All Major CSEs Except Nextag

Nextag revenue volume fell 67% year over year as advertisers have increasingly moved ad dollars elsewhere in search of better ROI. All other engines saw growth of at least 32%, as top growers Amazon Product Ads and PriceGrabber each produced revenue gains for advertisers of 57% year over year.



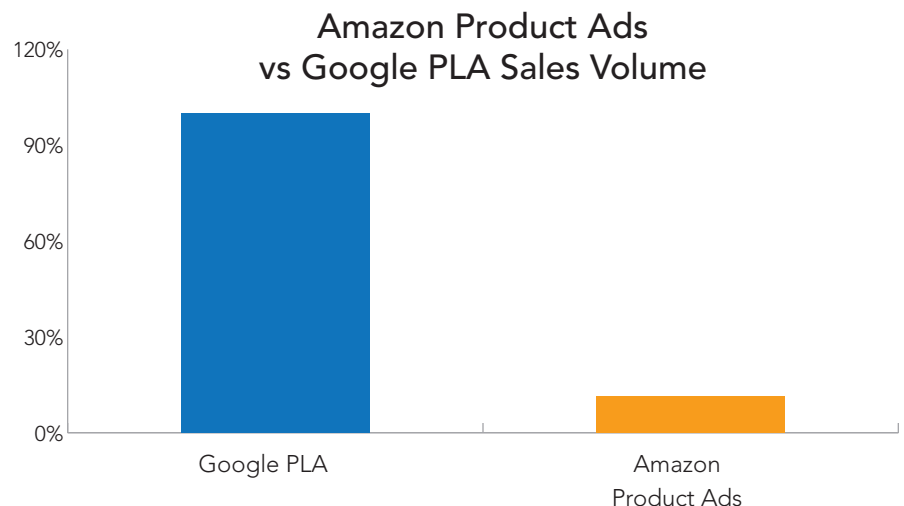
Average CPC 18% Lower for Amazon Product Ads than Google PLAs in Q4

Average CPC is lower on Amazon for clients advertising on both platforms as products which cannot profitably be bid at the rate card minimum are removed from the feed sent to Amazon. PLAs have no such rate card restrictions, allowing advertisers to keep all products in their PLA feeds and bid them appropriately.



Sales Volume on Amazon Product Ads is 11% that of Google Product Listing Ads

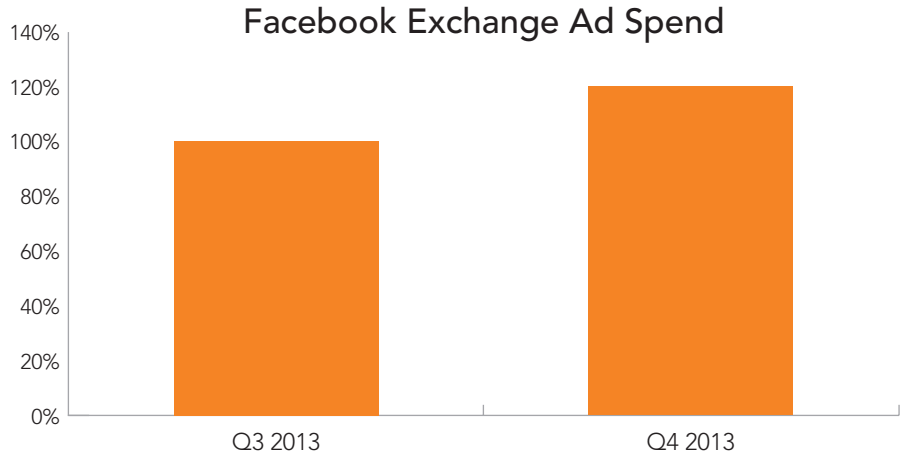
Advertisers running on both platforms are driving about nine times as much sales volume from PLAs as Amazon Product Ads. PLAs are even more dominant for some retailers who carry products that are in restricted categories on Amazon but are not restricted in Google PLAs, such as apparel.



DISPLAY ADVERTISING

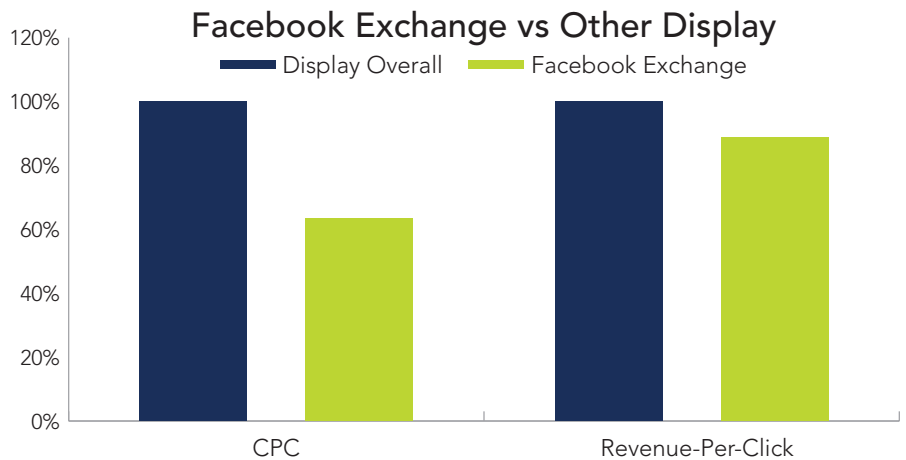
Ad Spend on FBX Increased 20% from Q3 to Q4

Ad spend on the Facebook Exchange increased in Q4 as inventory became more expensive due to increased competition. This is partly the result of advertisers who don't have year-long display budgets boosting spend in the space to increase visibility during the holidays.



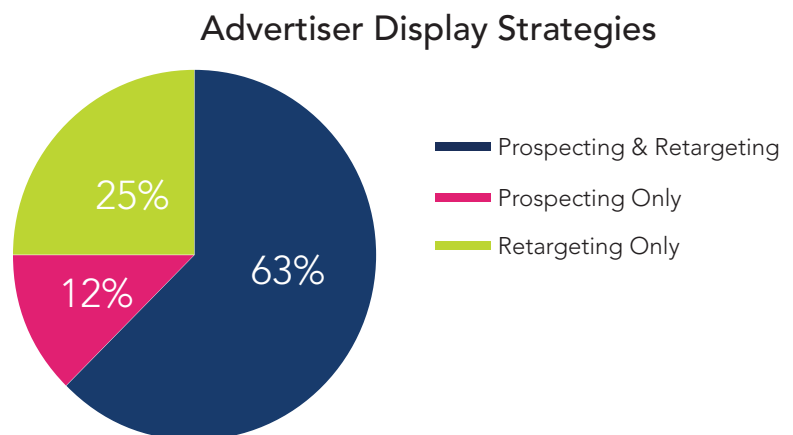
Lower CPCs on FBX Result in Better ROI than Display Overall

Cost-per-click for the Facebook Exchange was 37% lower than display overall in Q4, as FBX continues to offer superior ROI for advertisers despite bringing in 11% less revenue-per-click than display overall.



Majority of Advertisers Use Mixed Prospecting and Retargeting Display Strategy

Most RKG clients utilize the display space in order to both attract new customers as well as remarket to existing converters and site visitors. Among those not pursuing a mixed strategy, retargeting is more popular with its stronger ROI and eye towards customer retention.

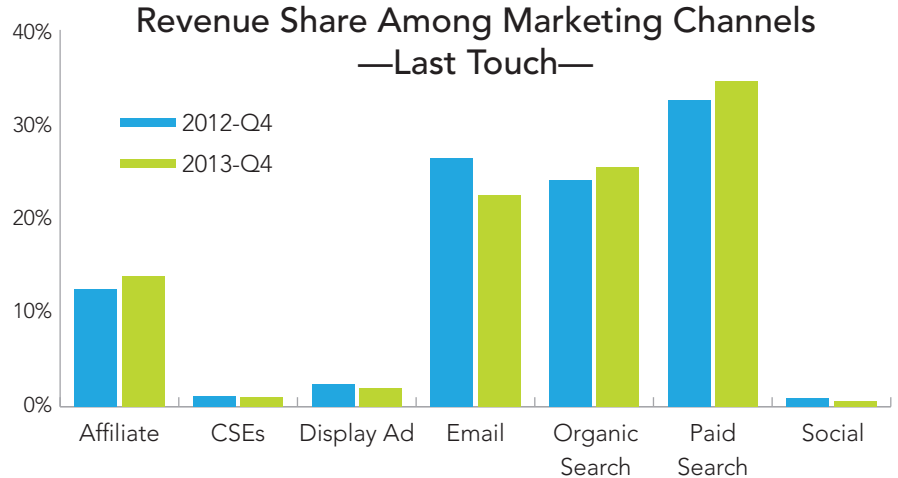


MULTI-CHANNEL

In a change from past Digital Marketing Reports, our analysis of Q4 multichannel data includes touches from brand paid and organic search which were formerly omitted. This adjustment comes as the increase in Not Provided Google organic search queries now impedes efforts to parse organic search data into brand and non-brand precisely.

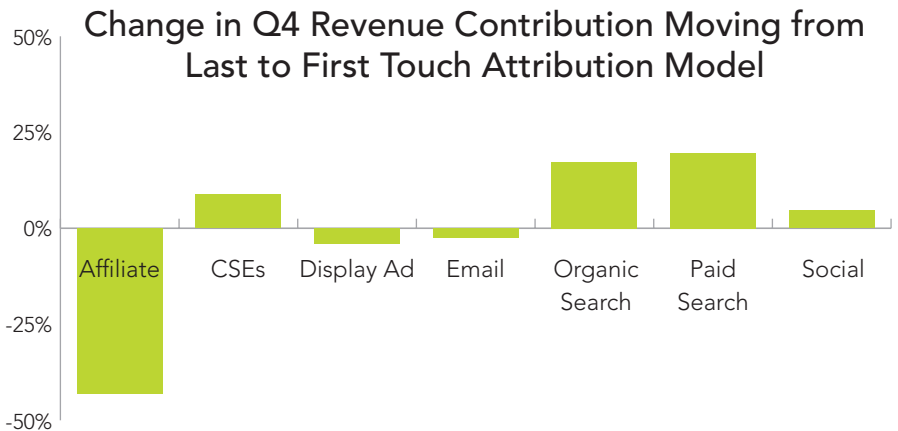
Email Share of Last Touch Revenue Down Y/Y

Last touch attribution models show the share of Q4 revenue attributed to email is down from 26% last year to 23% this year. Increased mobile email checking as well as Gmail's tab system, which relegates marketing emails to the promotional tab, may both have played a role in email's decline. Both paid and organic search increased last touch revenue share year over year.



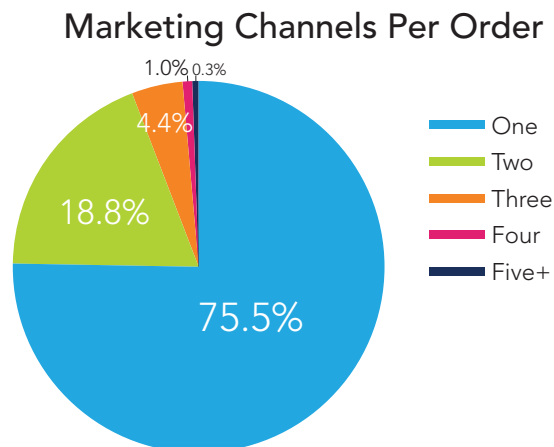
Affiliates Most Impacted by Switching from Last to First Touch Model

Revenue attributed to affiliates falls 43% when switching from a last touch to first touch model. Paid and organic search see the largest positive gains from switching to a first touch model, indicative of the frequent role search plays as the first step in the purchase funnel for consumers researching products.



Vast Majority of Orders Still Involve Interaction with Only One Channel

While the average order involves between three and four marketing touches, 76% involve interaction with just one channel. Only 6% of all orders interact with 3 or more different marketing channels, a figure that has remained roughly the same since we began reporting on it two years ago.



■ ABOUT RKG

RKG is a search and digital marketing agency that combines superior marketing talent with leading-edge technology to create the industry's most effective data-driven digital marketing solutions. RKG drives business to clients by maximizing a full range of opportunities including paid search, SEO, social media, display advertising, product listing ads and comparison shopping engine management services.

Founded in 2003, RKG partners with clients in retail, travel, financial and B2B organizations ranging in size from small startups to Fortune 500 companies, including CareerBuilder, Drugstore.com, Express, Herman Miller, Jones Group and Urban Outfitters. In 2013, Advertising Age ranked RKG the fastest growing search agency. A privately held company, RKG is headquartered in Charlottesville, VA with offices in San Francisco, CA, Bend, OR and Boston, MA. For more information visit www.rimmkaufman.com or follow the company on Twitter @rimmkaufman.



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■ METHODOLOGY

Figures are derived from samples of RKG clients who have worked with RKG for each respective marketing channel. Where applicable, these samples are restricted to those clients who 1) have maintained active programs with RKG for at least 19 months, 2) have not significantly changed their strategic objectives or product offerings, and 3) meet a minimum ad spend threshold. All trended figures presented in this report represent same-site changes over the given time period. Unless otherwise specified, the data points in this report are derived from the North American market region.



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