

RKG > DMR

Digital Marketing Report

RKG

rimmkaufman.com | rkblog.com

info@rimmkaufman.com

(434)970-1010

Table of Contents

3	Executive Summary	
4	Paid Search	
	Engine Trends	4
	Google PLAs	6
	Google vs Bing	6
	Mobile Trends	8
	Enhanced Campaigns	9
11	Organic Search & Social	
	Organic Search	11
	Mobile Trends	13
	Social	14
15	Comparison Shopping Engines	
17	Attribution	
19	About RKG & Methodology	

Executive Summary

Paid Search

Google paid search spending growth decelerated slightly to 18% Y/Y. After nearly unprecedented CPC declines and click growth in 2012, advertisers are seeing a reversal with CPCs up 10% in Q2 2013 and clicks up 7%.

Bing Ads search costs rose 58% Y/Y in Q2, the third quarter in a row where its growth rate more than doubled that of Google. Bing's growth has been driven by a surge in non-brand clicks, which rose 49%, while ROI has remained stable.

Tablets and smartphones drove 28% of paid clicks and combined for 22% of spend. With desktop and laptop clicks down 7% year over year, 178% growth for smartphones and 115% growth for tablets drove total clicks up 12%.

Smartphone CPCs accelerated from 55% of desktop levels to 60% as more advertisers transitioned to Google Enhanced Campaigns. The impact to total CPC growth was negligible though.

Tablets generated an average revenue per click that was 8% lower than that for desktops and laptops, while smartphone RPC was 78% lower.

Google Product Listing Ads generated 33% of paid search clicks in Q2 at CPCs that were an average 10% lower than non-brand text ads. PLAs continue to be a large growth driver in the retail space with some sites seeing 50-60% of their Google spend going to the format.

Organic Search & Social

Analytics packages misattributed an estimated 14% of Google organic searches on average in Q2 due to an issue with iOS 6 searches not passing referring URLs.

After accounting for hidden iOS searches, **organic traffic share maintained its level of 35%.**

Across all engines, **26% of organic search visits took place on tablets and smartphones.** On both Google and Yahoo, nearly 28% of visits were mobile, while Bing's mobile share trailed at 13%.

Facebook's share of social referrals to sites was 58% in Q2, far ahead of other players in the space.

Comparison Shopping Engines

Total comparison shopping spending increased 10% Y/Y in Q2, while clicks rose 19%. Advertiser ROI improved across nearly all major CSEs.

Despite concerns about its new \$4 minimum bid policy, Shopzilla CPCs were down slightly. Across other engines, CPCs were also flat to down from quarter to quarter.

Attribution

Roughly 3 out of 4 orders only involved a single marketing channel in Q2, excluding navigational brand searches, which is consistent with results from previous quarters.

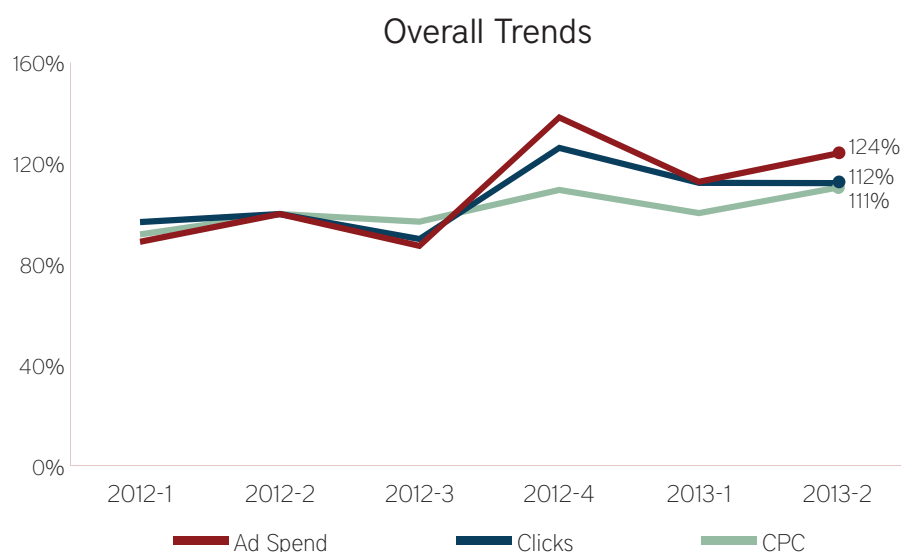
Paid Search Marketing

While the transition to Google's Enhanced Campaigns model has meant more behind-the-scenes work for paid search managers and their IT teams, it has so far failed to produce a disruptive inflection point in the larger performance trends RKG has observed over the last several quarters. Smartphone click costs gained some ground on desktops and tablets in Q2, but mobile continues to depress overall CPC growth for Google, which has been on the rebound since hitting a low in early 2012.

Bing Ads continued to bolster total paid search spending growth in Q2 by delivering large increases in quality traffic through smarter and more effective ad matching. Bing has also reduced barriers to advertising on their platform in the last year by bringing their systems more in line with the industry standards set by Google.

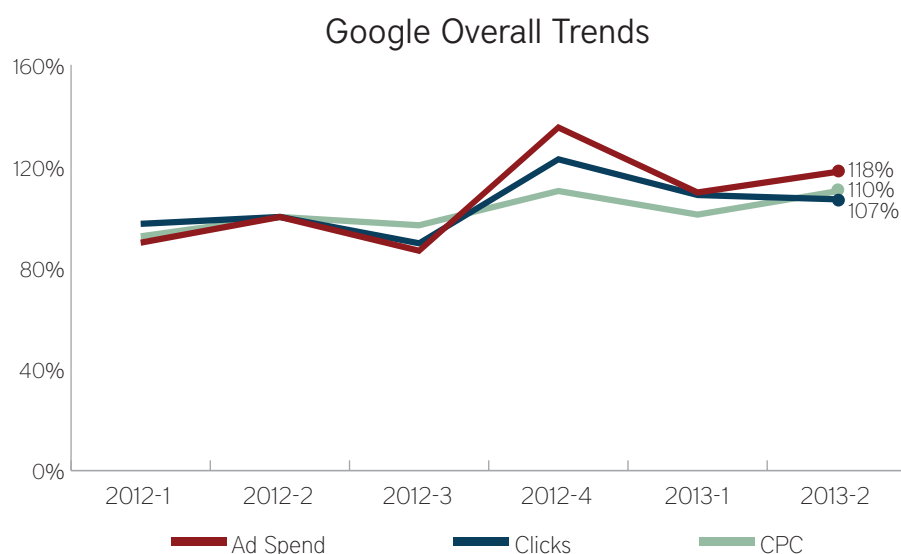
Paid Search Spending Growth Stable, Driven Equally by CPCs and Clicks

► Across all engines, same-site year over year paid search spending growth was 24%, marking a small deceleration from Q1 growth for this client sample. Click growth was 12% Y/Y, while average cost-per-click (CPC) was 11% higher.



No Major Disruptions from Enhanced Campaigns on Google Long-Term Trends

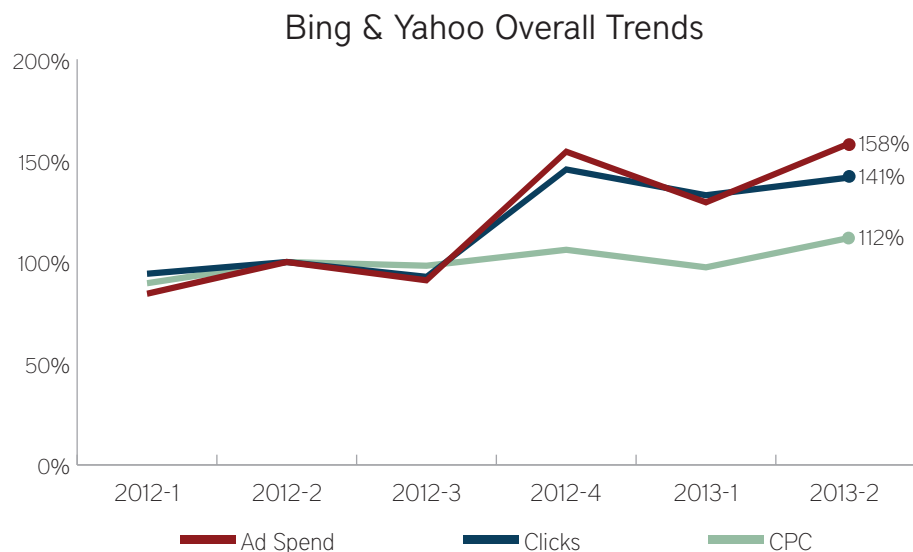
► Including performance for Product Listing Ads (PLAs), Google search spending grew nearly 18% Y/Y with clicks up 7% and CPC up 10%. Enhanced Campaigns appear to be having only minor effects to date, as we'll examine in more detail below.



Paid Search Marketing

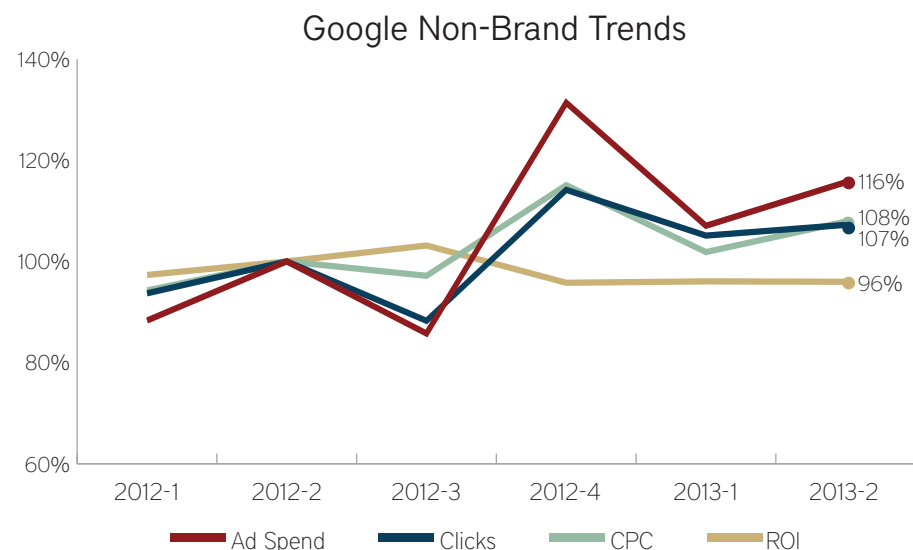
Bing Ads Maintains High Growth Rates, Driven by Click Gains

▶ Spending growth on Bing & Yahoo was more than double that for Google for the third quarter in a row, coming in at 58% Y/Y in Q2. While CPCs increased 12%, most of Bing's gains have been driven by click growth, which hit 41% in the second quarter.



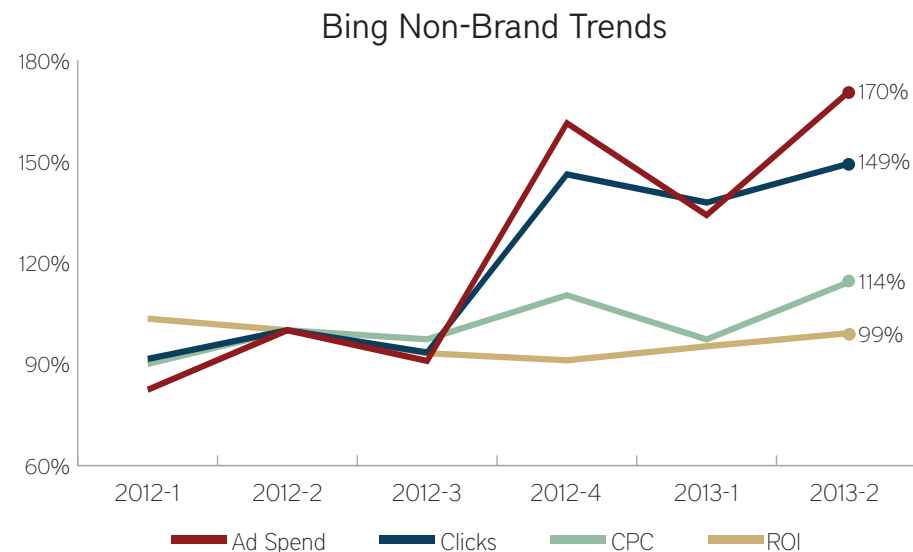
Google ROI Steady Despite Increasing Click Costs

▶ Google's non-brand spending growth was slightly lower than its overall growth at 16%. Although CPCs have been on the rise, advertisers have been able to maintain their efficiency as ROI has been flat for three straight quarters.



Advertisers See Huge Non-Brand Traffic Gains on Bing, with No Decline in Quality

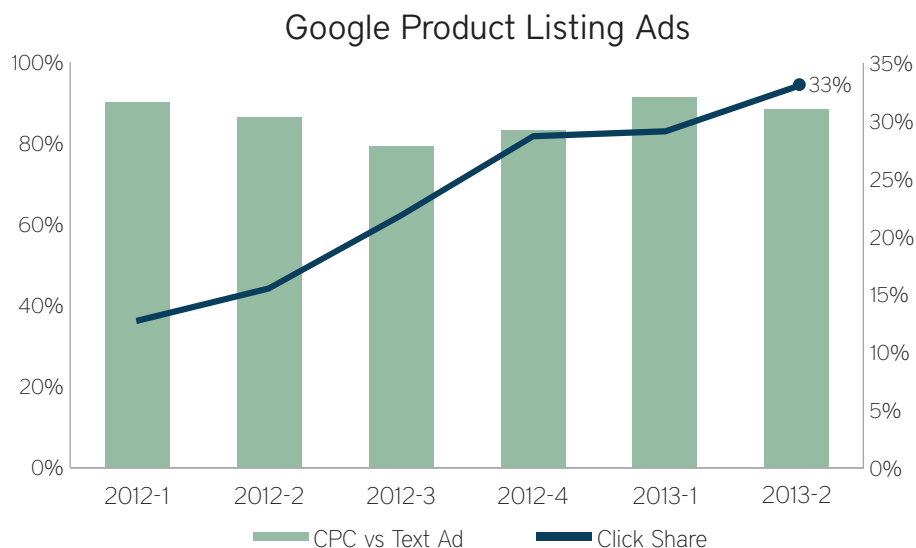
▶ Bing and Yahoo volume growth on non-brand traffic has been even more impressive than their overall growth rate. In Q2, spending was up nearly 70% Y/Y, driven by a 49% increase in clicks. With CPCs up 14%, advertisers saw traffic quality improve, as ROI was flat Y/Y.



Paid Search Marketing

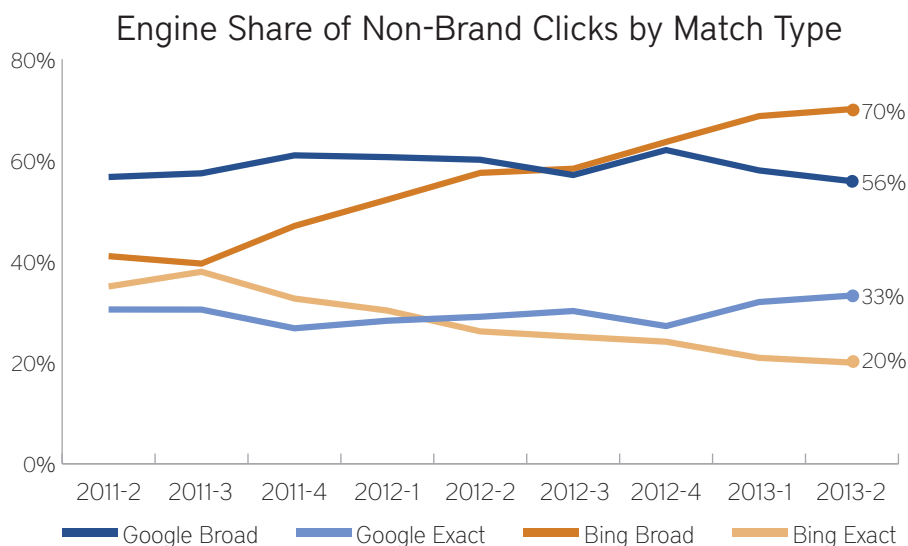
PLAs Continue to Drive Most Google Traffic Gains for Retailers

► Across our client sample, PLAs generated 33% of Google search ad clicks in Q2, with CPCs running 10% lower than non-brand text ads. Sites with a heavily SKU-based product selection are seeing 50-60% of their Google spend go to PLAs, while a level of 15-20% is more typical in areas like apparel and home goods.



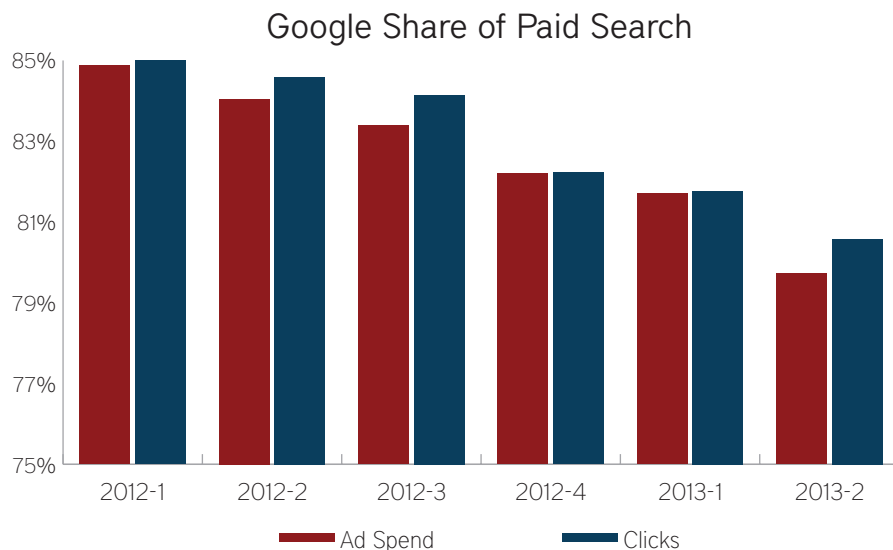
Bing Growth Driven by Broader Ad Matching

► Microsoft's engineers continue to deliver more traffic to advertisers through the expansion of Bing Ads' broad matching capabilities. In Q2, 70% of Bing Ads traffic was from broad matches, compared to 56% for Google. Two years ago, only 41% of Bing traffic was generated by broad match, compared to a steady 57% for Google.



Google Loses Spend Share for Sixth Quarter in a Row

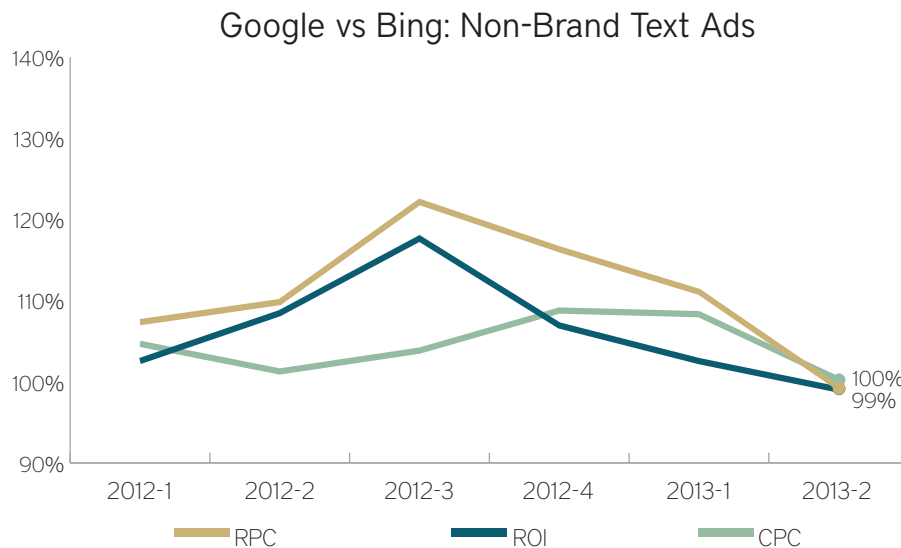
► Google commanded 80% of search spend and 81% of search clicks in Q2 as Bing Ads continued to chip away at both metrics. In the same quarter last year, RKG clients generated 85% of their paid search clicks from Google on 84% of their spend.



Paid Search Marketing

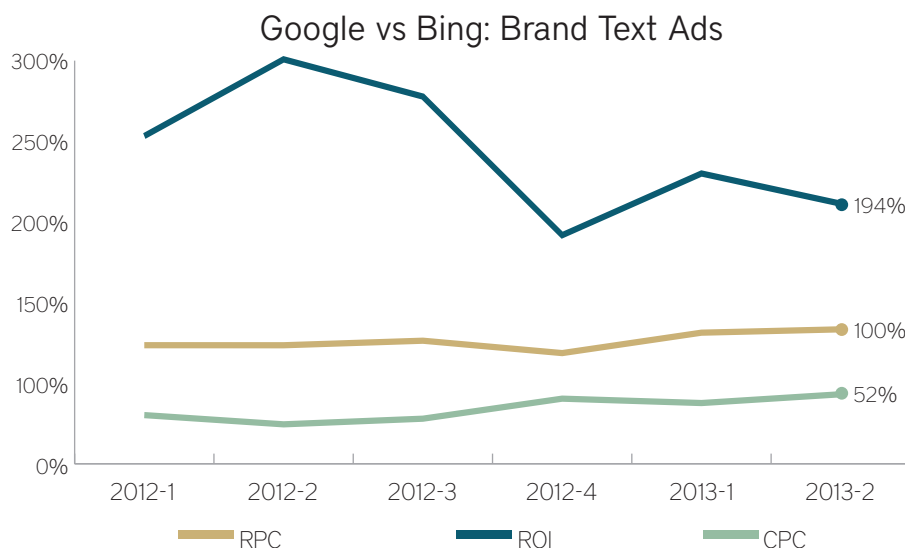
For Non-Brand Text Ads, Bing and Google at Parity on Key Metrics

► Excluding PLAs, Google and Bing are roughly at parity on the three key metrics of revenue per click, cost per click, and return on investment for non-brand ads. Given that PLAs tend to favor longer tail queries with lower competition and better performance, advertisers are still posting better ROI on Google overall.



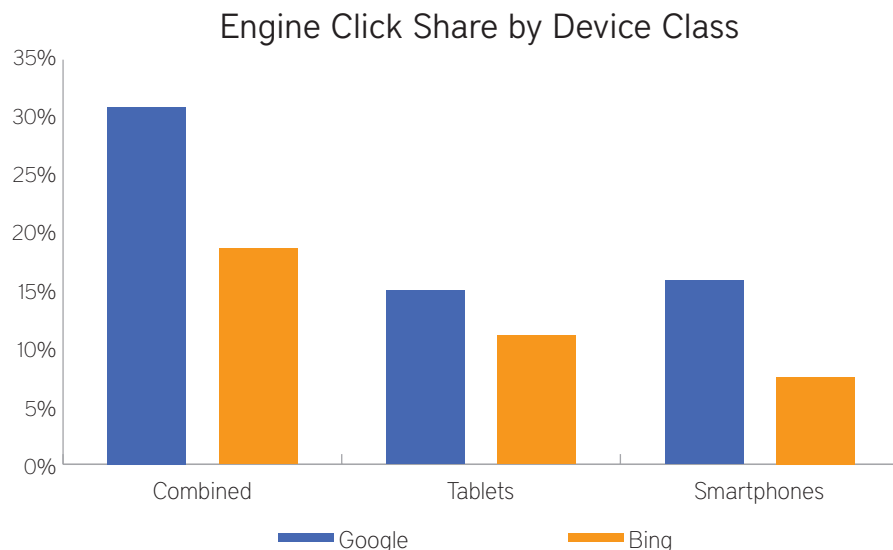
Maintaining Brand Ad Presence Still Much More Economical on Google

► For brand queries, advertisers are still paying considerably lower CPCs on Google, although that gap has narrowed over the past three quarters. Revenue per click is roughly equal between the two, but ROI is roughly double on Google.



Google's Mobile Share Continues to Far Outpace Bing Ads'

► Google generated 31% of its paid clicks from tablets and smartphones in Q2, up from 28% in Q1. For Bing and Yahoo, these devices generated a combined 19% of clicks, up from 16%. Our organic search figures suggest that Bing's mobile traffic lags that for Google and Yahoo by a wide margin, bringing down the total Bing Ads number.

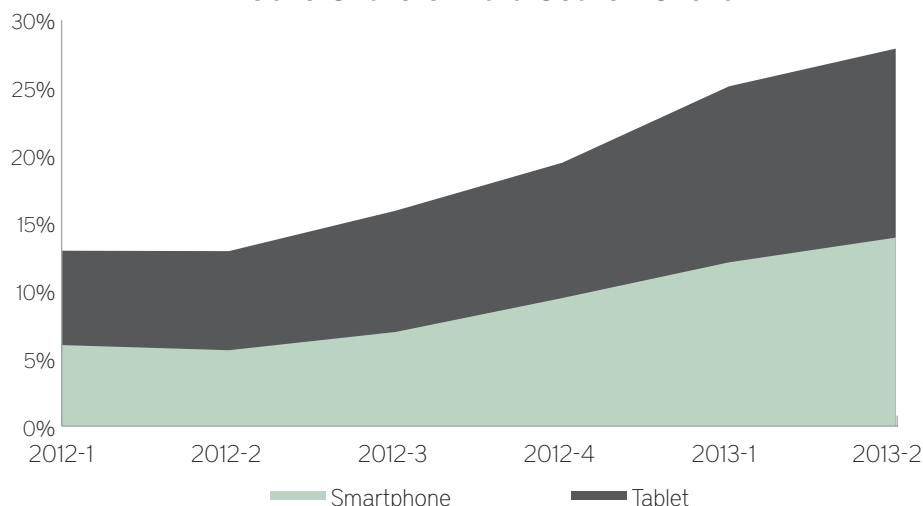


Paid Search Marketing: Mobile

Mobile Growth Continues Apace, Reaching 28% of Clicks

► Across all engines, tablets and smartphones combined to generate nearly 28% of paid search clicks in Q2, up from 25% in Q1. Tablets saw a larger jump following the Q4 holiday season, while smartphone growth has been steadier. Traffic was split roughly even between the two device classes in Q2. In 2012, mobile share remained flat from Q1 to Q2.

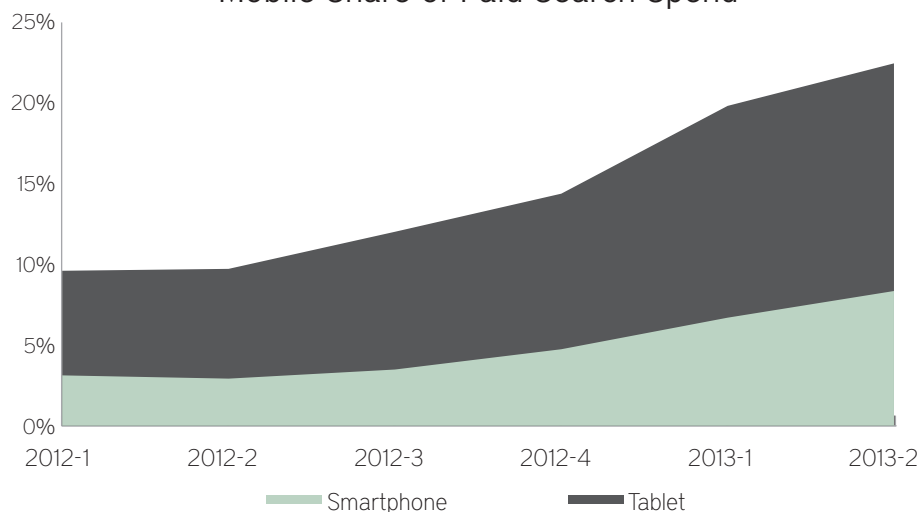
Mobile Share of Paid Search Clicks



Tablets and Smartphones Combine for 22% of Paid Search Spend

► The share of spend going to tablets doubled from 7% in Q2 2012 to 14% in Q2 2013. Smartphone spend share rose even faster, moving from 3% to 8%. For the full quarter, phone CPCs were 60% of desktop and laptop, while tablet CPCs were 1% higher than those for PCs.

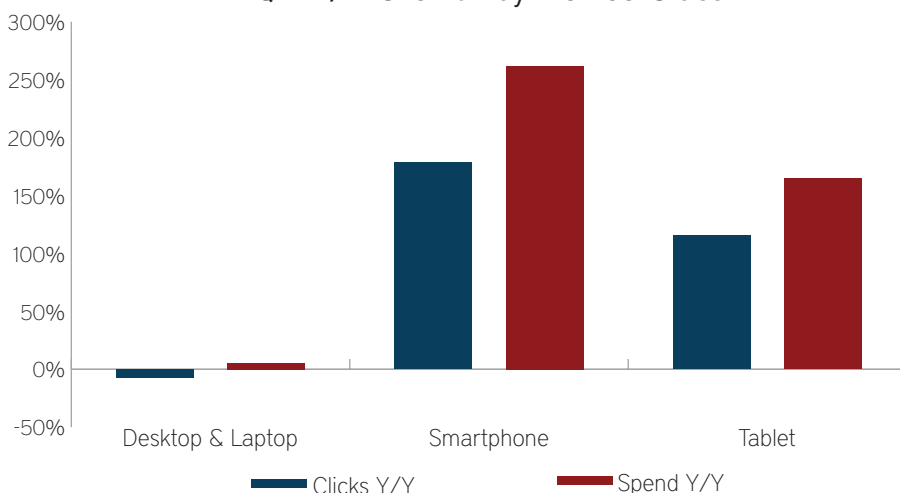
Mobile Share of Paid Search Spend



Desktop Traffic Falls, Mobile Traffic Up a Combined 143%

► All told, desktop and laptop clicks fell 7% in Q2, but higher CPCs pushed spend up 5% Y/Y. Smartphone spend grew 261% on 178% higher clicks. Tablet spend grew 165% on 115% higher clicks.

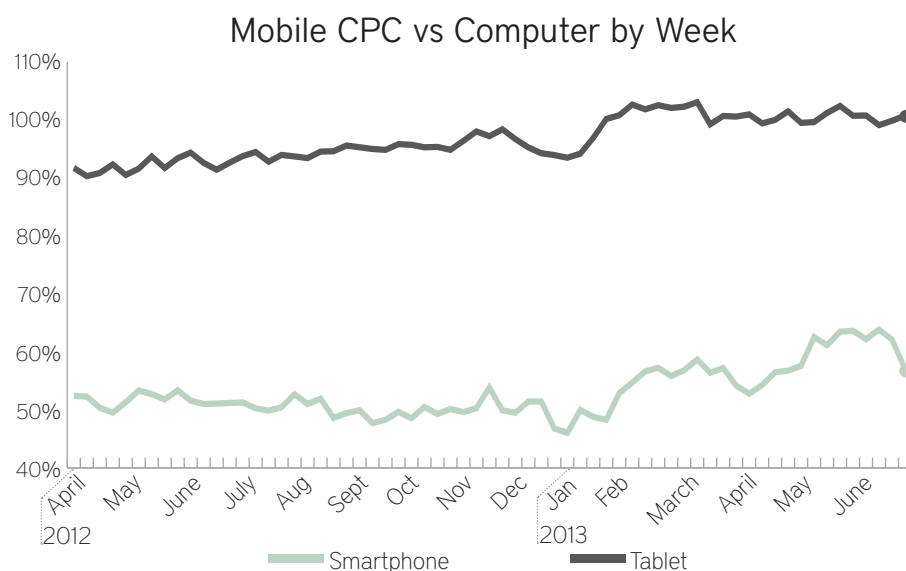
Q2 Y/Y Growth by Device Class



Paid Search Marketing: Mobile

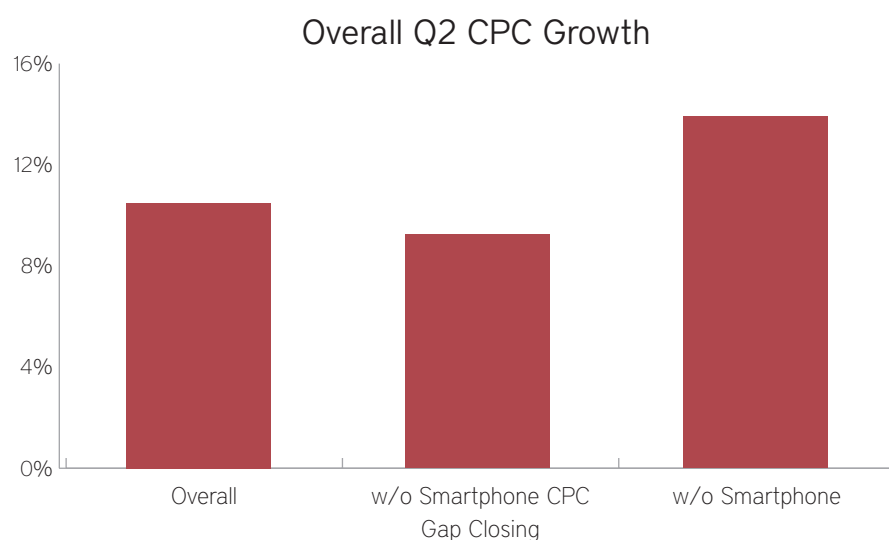
Advertisers See Small Spike in Smartphone CPCs, Tablets at Parity with Desktop

▶ With Enhanced Campaigns likely increasing competition for mobile traffic by bringing more small advertisers into the space, we have seen the CPC gap between smartphones and computers close at a faster pace in the last two months. This effect could be short-lived, however, as advertisers adapt to the new landscape and continue to make adjustments to maintain their ROI performance.



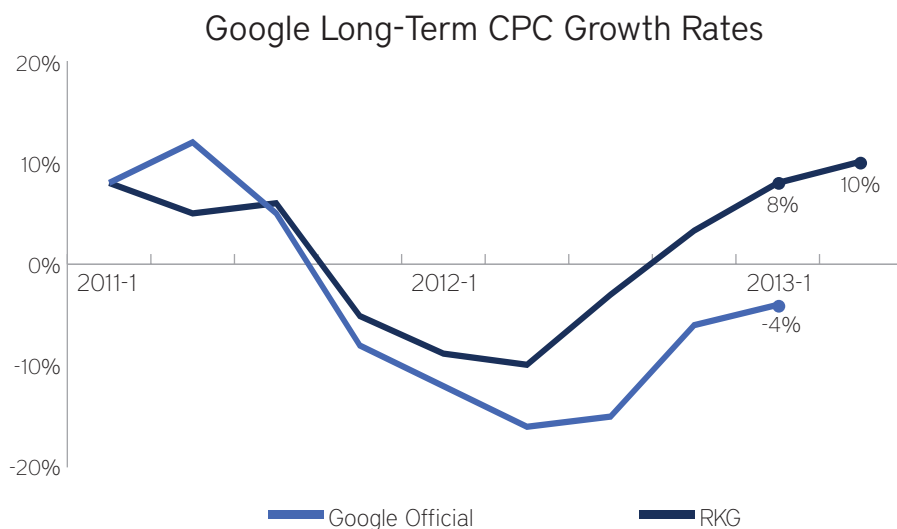
Impact of Enhanced Campaigns on Total CPC Growth is Negligible

▶ Total CPC growth has accelerated over the past year to hit 10% in Q2, but the smartphone CPC gap closing is just a small contributor to that trend. Had smartphone CPCs not gained any ground on desktop, CPC growth would still have been 9%. In fact, smartphones continue to be a considerable net drag on overall CPCs as tablet and desktop CPC growth was nearly 14% in Q2.



Trend of Increasing CPC Growth Dates Back to Q2 2012 Low

▶ Although RKG CPC growth rates have run higher than Google's official numbers for the past couple of years, the trends for both figures have been similar. Since hitting unprecedented declines a year ago, CPC growth has been on the rebound. Despite concerns about Enhanced Campaigns driving up CPCs, that rebound actually slowed in the past quarter.

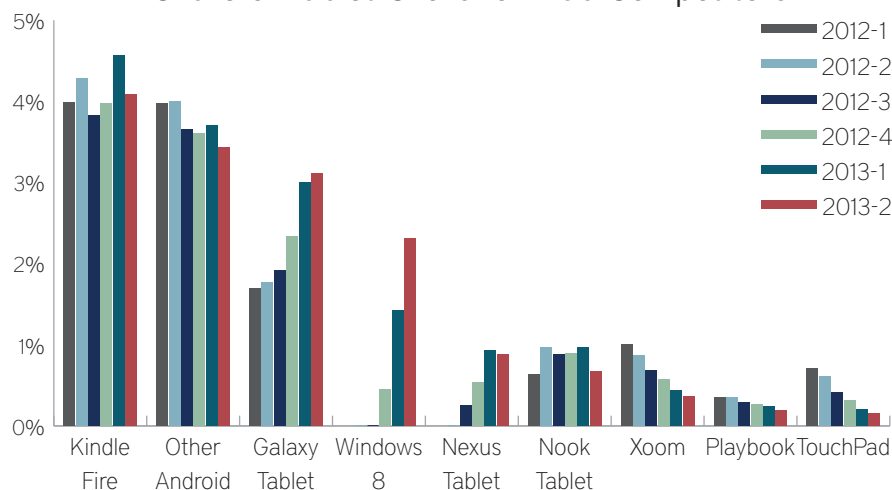


Paid Search Marketing: Mobile

iPad Tablet Share Steady, Despite Gains for Windows, Samsung

▶ Although the iPad saw its share of tablet traffic slip from Q4 to Q1, it has held steady since then, generating 85% of tablet clicks. Windows 8 computers with touchscreen capabilities have made decent gains in this space, but still trail Samsung's Galaxy Tab line and Amazon's Kindle Fire.

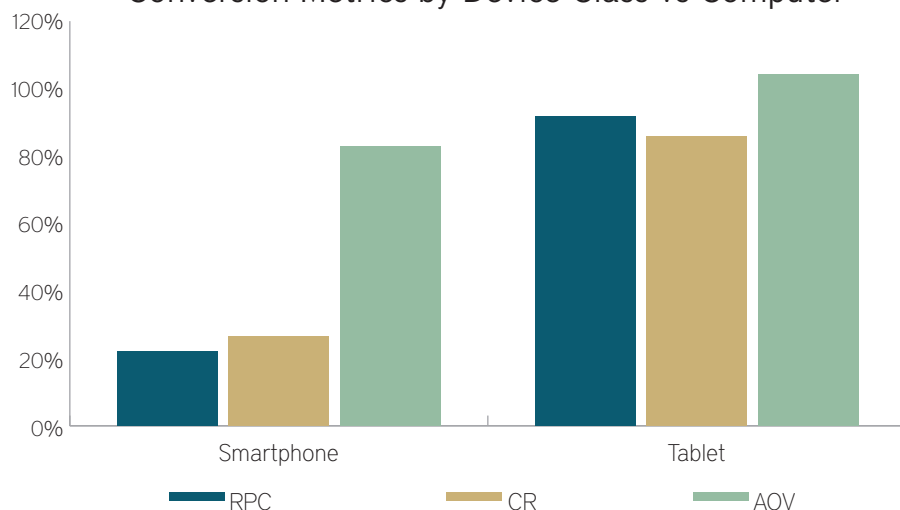
Share of Tablet Clicks for iPad Competitors



Smartphone Clicks Still Converting at Far Lower Rates than Desktops and Tablets

▶ Smartphone ad clicks generated an average revenue per click that was just 22% of that for traditional computers. Phone average order size was 83% of computer levels, but conversion rates were considerably worse. Tablet RPC came in 8% lower than desktop and laptops, an improvement over Q1.

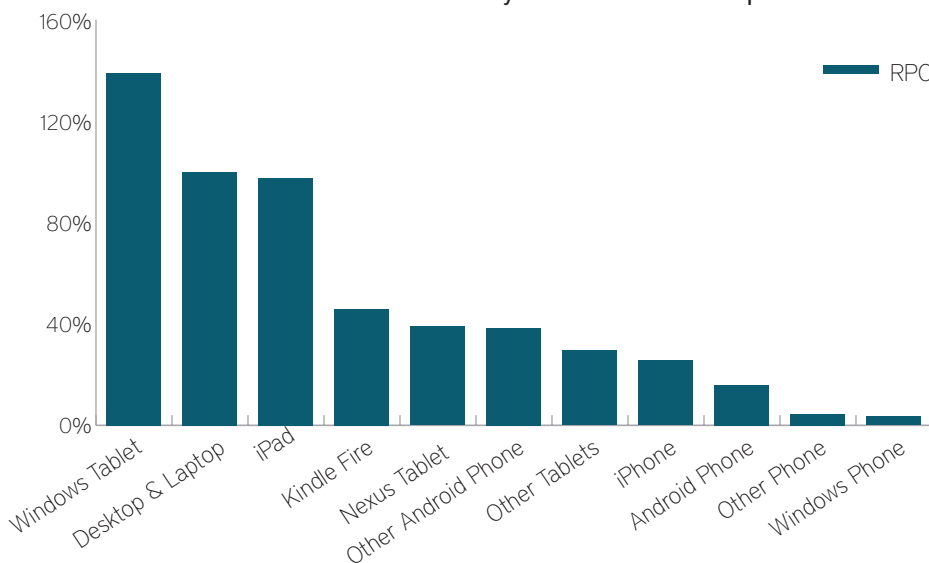
Conversion Metrics by Device Class vs Computer



iPad and Windows 8 Revenue Per Click More than Double That for Other Tablets

▶ Once again, RKG found a large gulf between the conversion performance of different tablet models, calling into question the notion they should be grouped together with desktop for bidding purposes, as they are under Enhanced Campaigns, without additional contextual controls.

Revenue Per Click by Device vs Computer



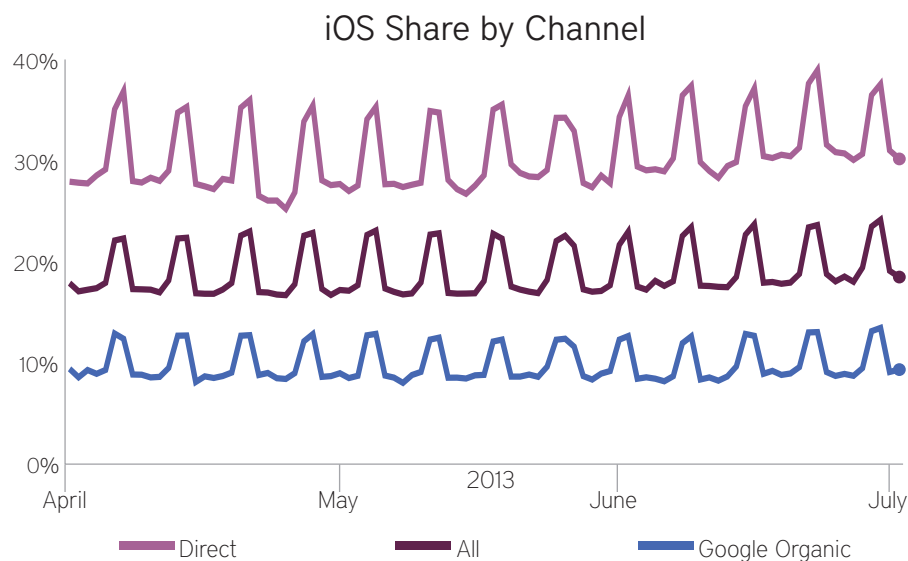
Organic Search

As we have stressed in past editions of the RKG Digital Marketing Report, obscured, missing or incorrect organic search data is a growing impediment for SEO analysis. Perhaps no other issue has had a greater impact on how organic search performance is perceived than iOS 6 defaulting to Google Secure Search. With that change last September, a significant portion of organic search visits suddenly and conspicuously appeared to be direct site visits.

Because the ongoing impact is so great, we have strived to clearly contrast organic search metrics as they are recorded by most analytics packages with accurate estimates of their actual values.

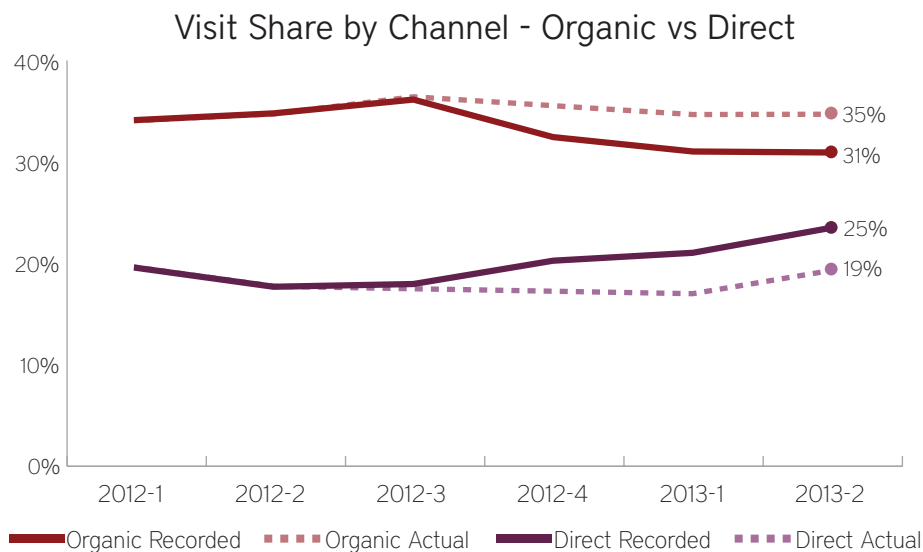
iOS Direct Site Visits Highly Overstated Due to Google Secure Search

► We see no indication that referrers are being passed at greater rates for iOS 6 Google organic searches, even though referrers are now appearing for nearly all paid search clicks. As a result, popular analytics packages continue to overstate the amount of direct traffic a site receives, at the expense of organic search.



Organic Search Stable After Factoring in iOS 6 Traffic

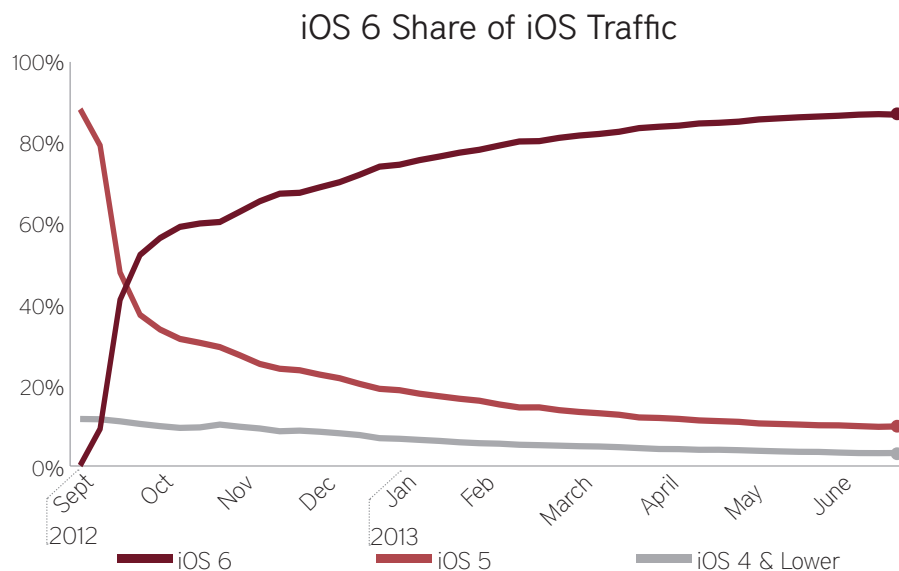
► After accounting for the iOS 6 search traffic that appears to be direct, because it fails to pass a referring URL, organic search traffic share is stable. On average, the iOS 6 issue is causing organic's actual traffic share of 35% to be seen as only 31% by analytics packages.



Organic Search

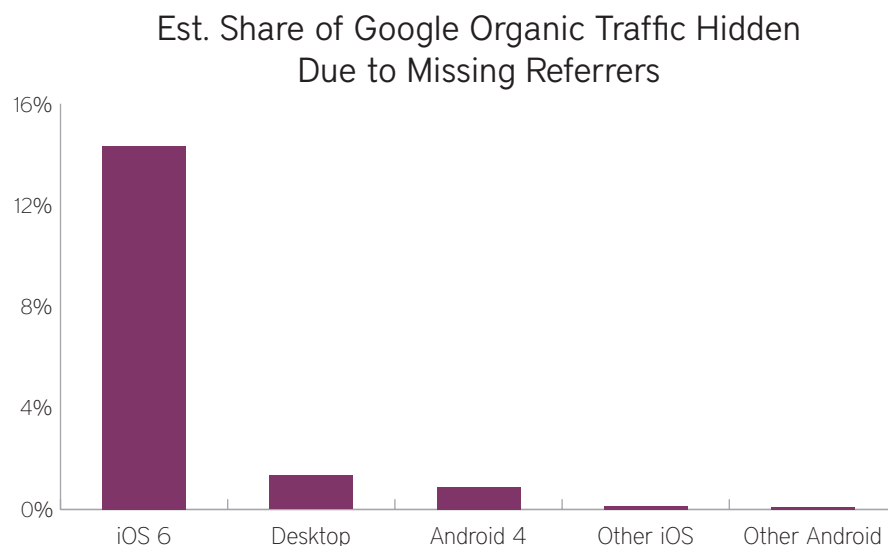
iOS 6 Accounts for Nearly 90% of iOS Search Visits

► The iOS issue has continued to grow as more Apple users have made the switch to version 6. At the end of the second quarter, nearly 90% of iOS traffic occurred on devices running the latest version of the operating system.



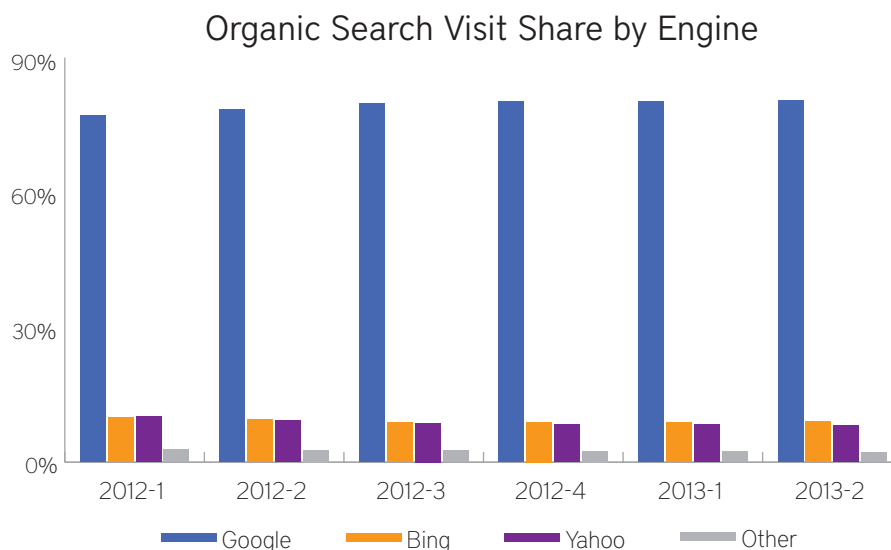
Over 14% of Google Organic Searches Hidden on Average by iOS 6 Issue

► iOS 6 isn't the only operating system to fail to pass a referrer in some cases, but it has by far the biggest impact on hiding the true level of organic search visits. In Q2, an estimated 14.3% of Google organic searches were hidden by the iOS 6 issue.



Google Maintains its Wide Lead in Organic Search Share

► Again, if we account for the iOS 6 issue, organic search traffic share among the major engines appears to be stable. Google's share stands at just over 80%, compared to 9.1% for Bing and 8.2% for Yahoo. Among this client sample, Yahoo has seen its share slip each of the last five quarters.

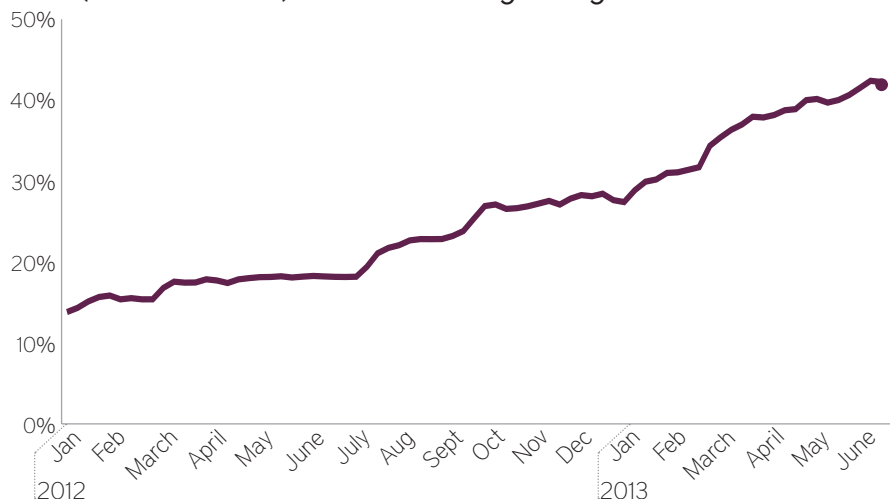


Organic Search: Mobile

Missing Query Trend Punctuated by Browser Adoption of Secure Search

▶ Although it often runs much higher for individual sites, the average share of Google organic search visits that do not pass the search query reached 42% at the end of Q2. Notably, we can see spikes in this rate when popular browsers began defaulting to secure search, including Chrome 25 in late February 2013 and Firefox 14 in July 2012.

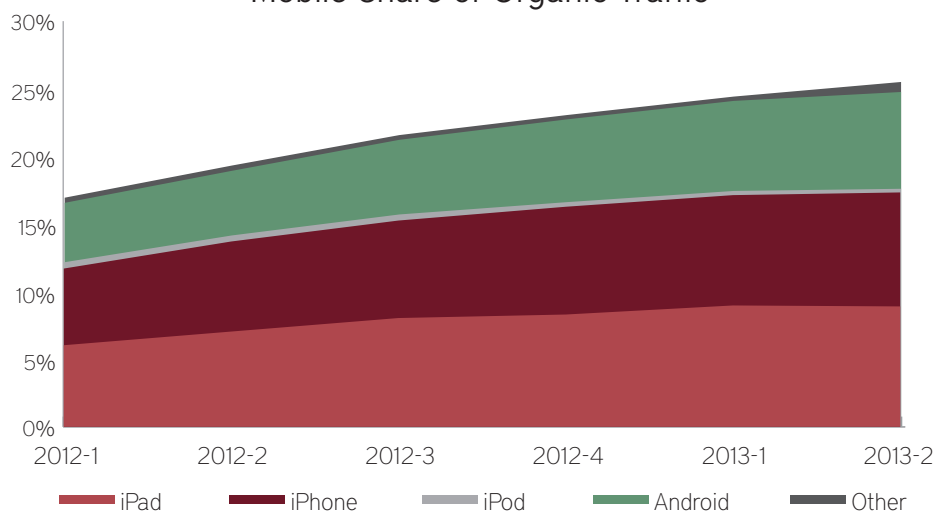
(Not Provided) Share of Google Organic Search Traffic



Mobile Devices Contribute 26% of Organic Search Visits

▶ Tablet and smartphone visits accounted for a combined 26% of organic search traffic in Q2, up from 24% in Q1. Nearly 18% of organic search visits occurred on iOS devices, compared to 7% on Android devices. The iPad's share was flat Q/Q at 9%.

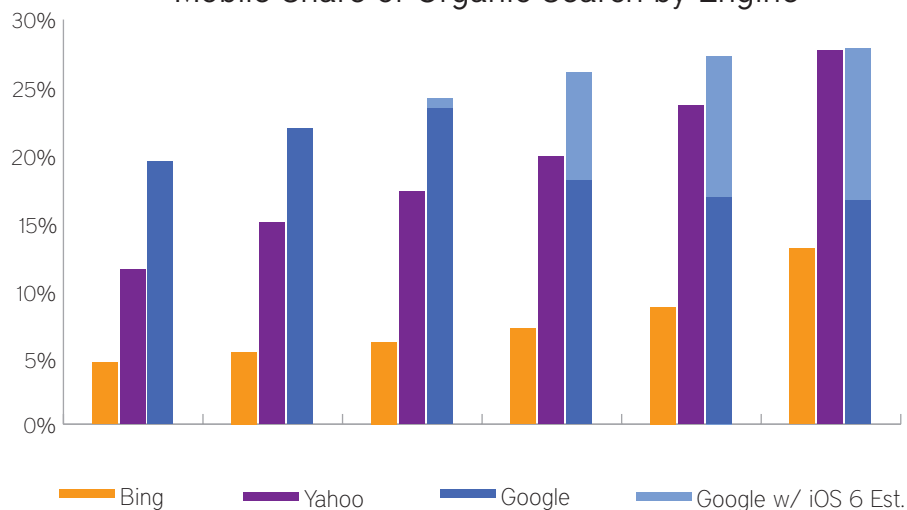
Mobile Share of Organic Traffic



Yahoo and Google Neck and Neck in Mobile Share of Organic

▶ Our results suggest that Yahoo gained ground on Google in the share of traffic each generates from mobile devices, with both engines near 28%. This may reflect Google monetizing mobile traffic at greater rates, as we saw it generate nearly 31% of its paid clicks from mobile. Bing continues to trail in this area by a large margin, but did see a large Q/Q increase.

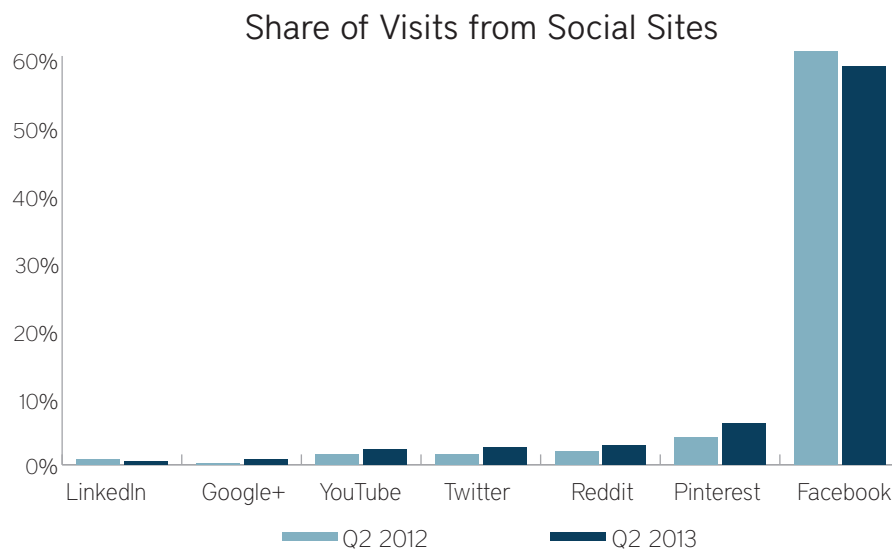
Mobile Share of Organic Search by Engine



Organic Search: Social

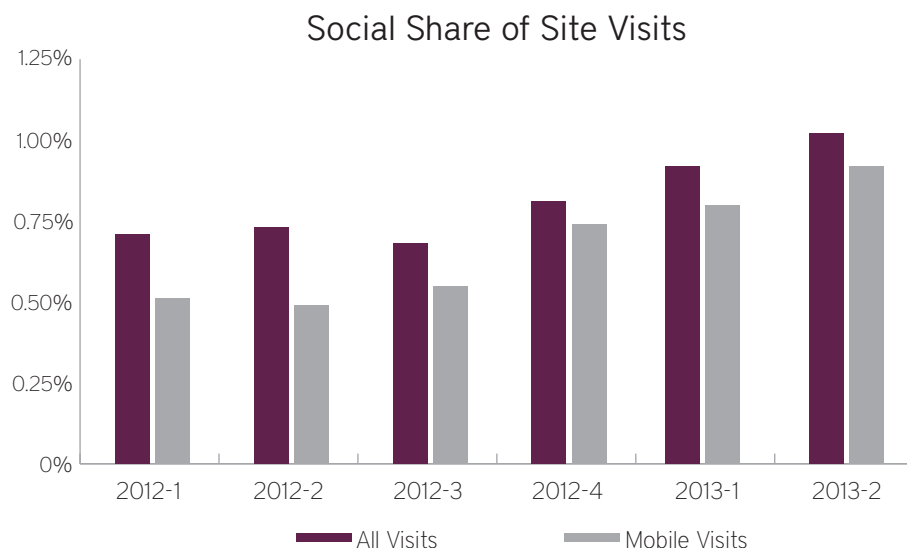
Facebook Remains Without Serious Challenge as Top Social Referrer

► Facebook may have seen its share of social referrals decline from the same quarter last year, but it remains the dominant source of traffic from social sites. In Q2, 58% of visits from social sites were generated by Facebook.



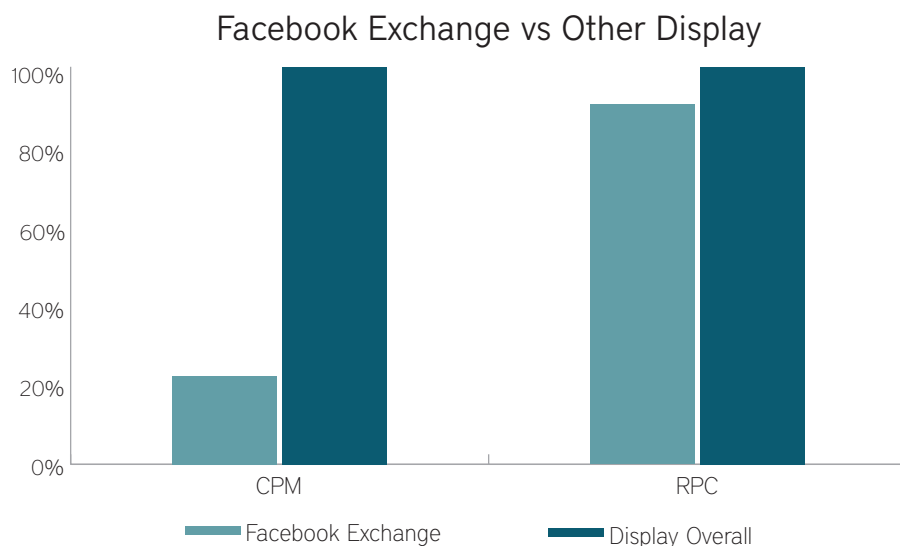
Social Visit Share Growing, Mobile Lags Desktop

► While there is a clear growth trend for social as a traffic referrer, it is still a small segment of mobile and overall traffic. It should be noted that marketers face a number of challenges with tracking social traffic precisely including: URL shortener redirects, third-party app usage and browser security protocols.



FBX Continues to Deliver Impressive ROI Compared to Other Display

► While revenue per click for FBX ads ran 9% lower than RPC for other display efforts in Q2, CPMs for Facebook Exchange ads remained comparatively low, running 78% below CPMs for other display ads, resulting in a greater value to advertisers.



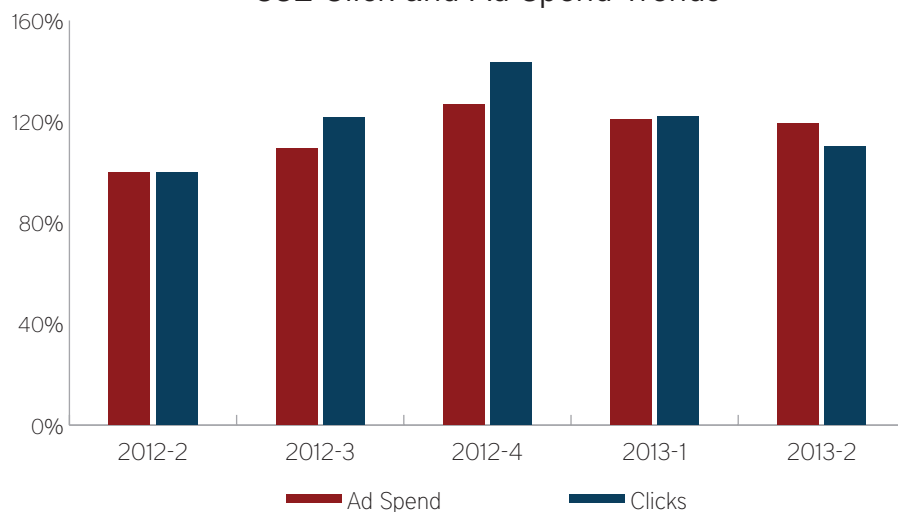
Comparison Shopping Engines

As we've done with recent editions of the RKG Digital Marketing Report, we have chosen not to include figures from Google Shopping in the comparison shopping section of this report. Product Listing Ads, which power Google Shopping, generate most of their traffic on the main Google.com results page, where they appear along with, and often in place of, paid search text ads. For PLA results, please see the paid search section of this report.

CSE Advertisers Seeing More Bang for Their Buck

▶ Same-site click growth on paid comparison shopping engines was 19% in Q2 among RKG clients. Lower overall click costs kept spending growth at 10%.

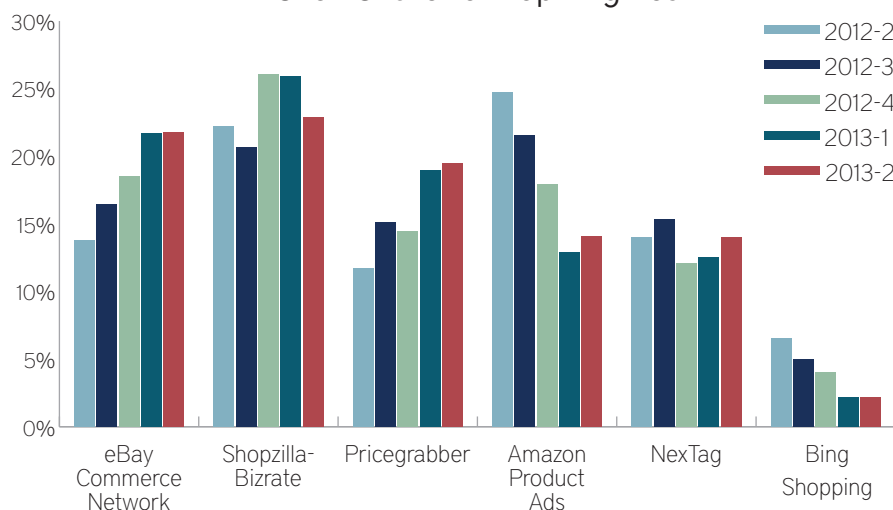
CSE Click and Ad Spend Trends



Traffic Share Stable from Quarter to Quarter Among Major CSEs

▶ After showing large gains over the previous year, the eBay Commerce Network's (formerly Shopping.com) share of clicks was flat from Q1 to Q2 at 22%. Bing Shopping's share of clicks has declined over time as RKG clients have invested more in paid CSEs, while sponsored offers from Shopping.com are likely siphoning some traffic on Bing Shopping product pages.

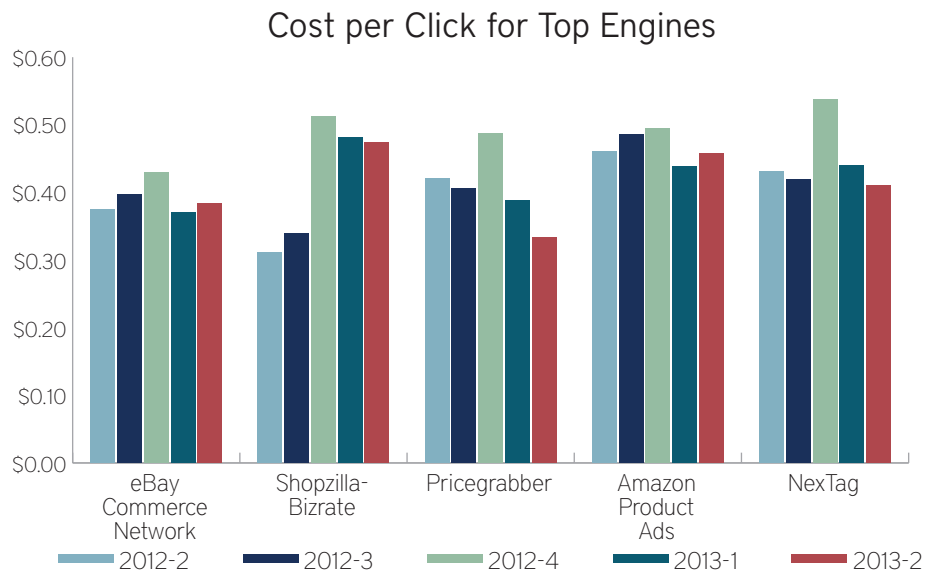
Click Share for Top Engines



Comparison Shopping Engines

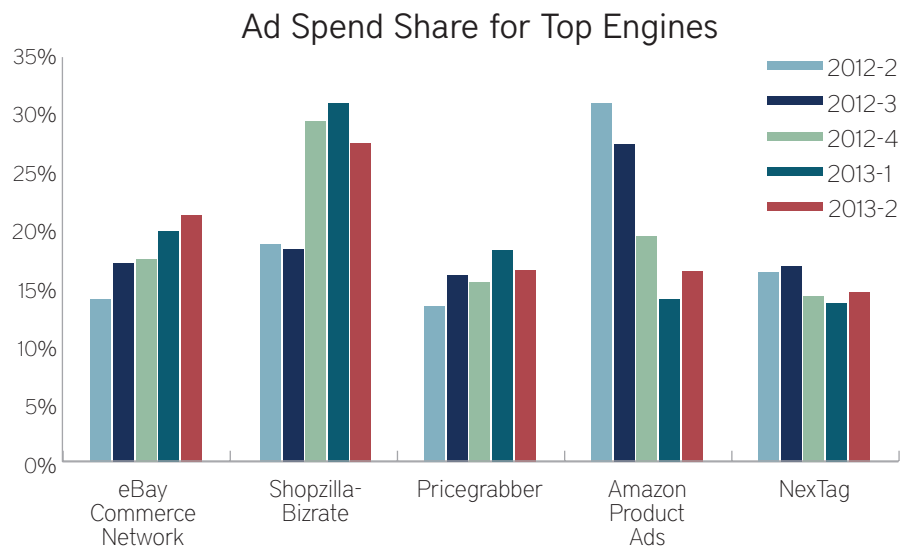
Shopzilla CPCs Down After Introduction of Single Rate Smart Pricing Model

► There was some concern when Shopzilla introduced \$4 minimum bids in mid-June, but, as expected, advertisers' actual click costs have been running far below that figure and have actually fallen slightly. CPCs for all CSEs are down from a Q4 2012 peak, and flat to down from Q1 to Q2.



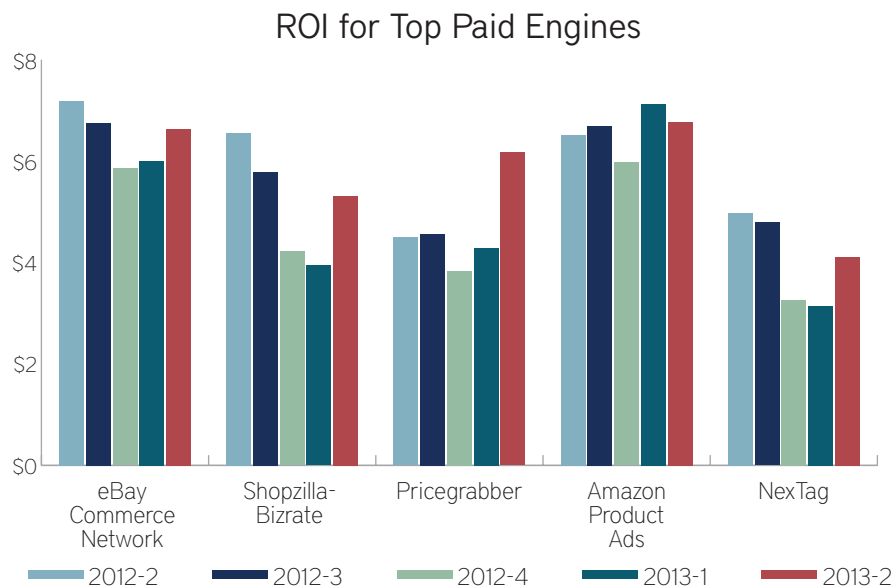
eBay & Shopzilla See Biggest Spend Gains Y/Y, Amazon Down

► Spend Share for Amazon Product Ads is down markedly among RKG clients over the past year. This is partly due to a heavier presence of apparel retailers in our sample, an area where Amazon inventory has been more limited.



ROI Up an Average of 23% from Q1 to Q2 on Top CSEs

► The eBay Commerce Network is currently delivering among the strongest ROIs for the RKG client base as its click costs are running below those of most of the other major CSEs. ROI approved almost across the board from Q1 to Q2.

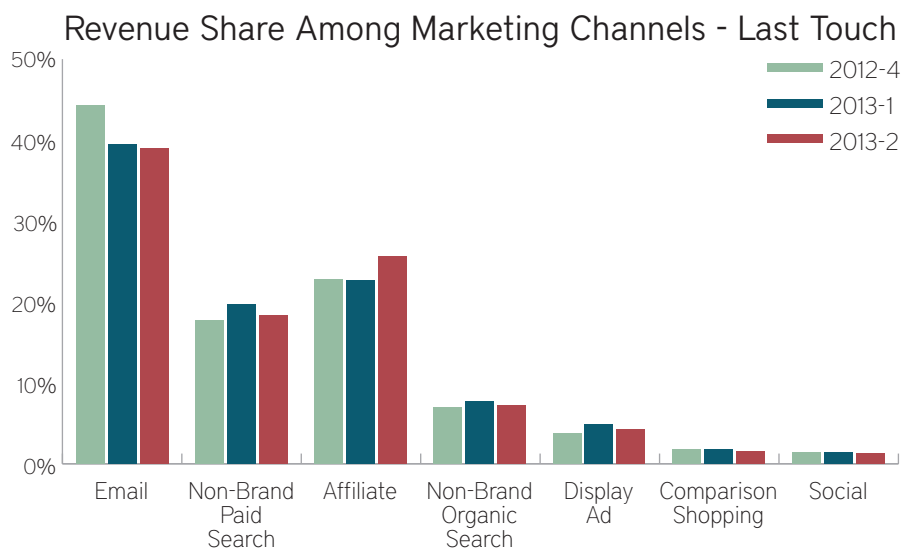


Attribution

As we have done with past editions of the Digital Marketing Report, our analysis of Q2 2013 multi-channel attribution data ignores direct site visits and touches from navigational brand searches via either paid or organic search. This helps provide a clearer view of the incremental impact of each channel. This data also represents a subset of the RKG client base that is distinct from others represented in previous sections of this report.

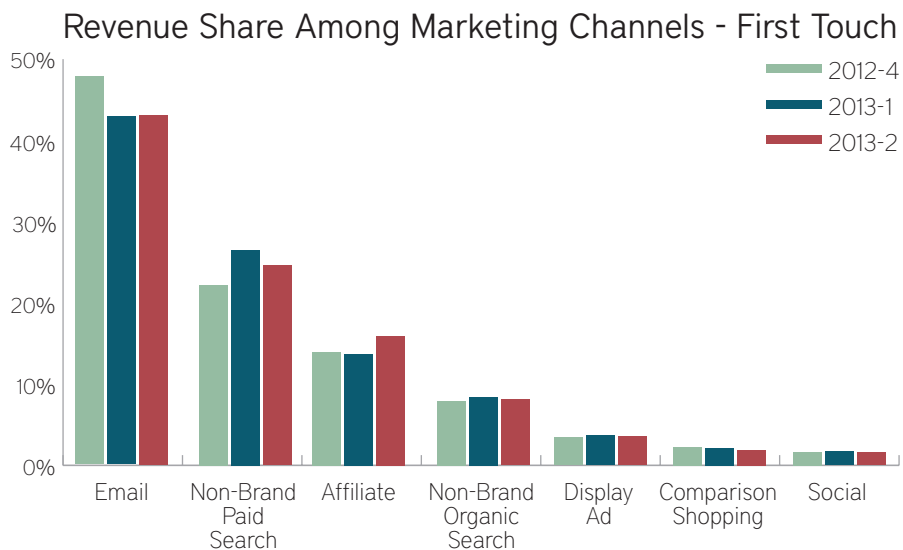
Email the Last Touched Channel for 39% of Marketing Revenue

► Under a simple last touch attribution scheme, Email received credit for generating 39% of revenues from marketing efforts on average in Q2. Affiliates are credited with nearly 26% of revenue. While marketers may consider both of these as quasi-brand channels, the lines are less clear cut than those for brand searches, which are excluded here.



Non-Brand Paid Search is the First Touch for a Quarter of Marketing Revenues

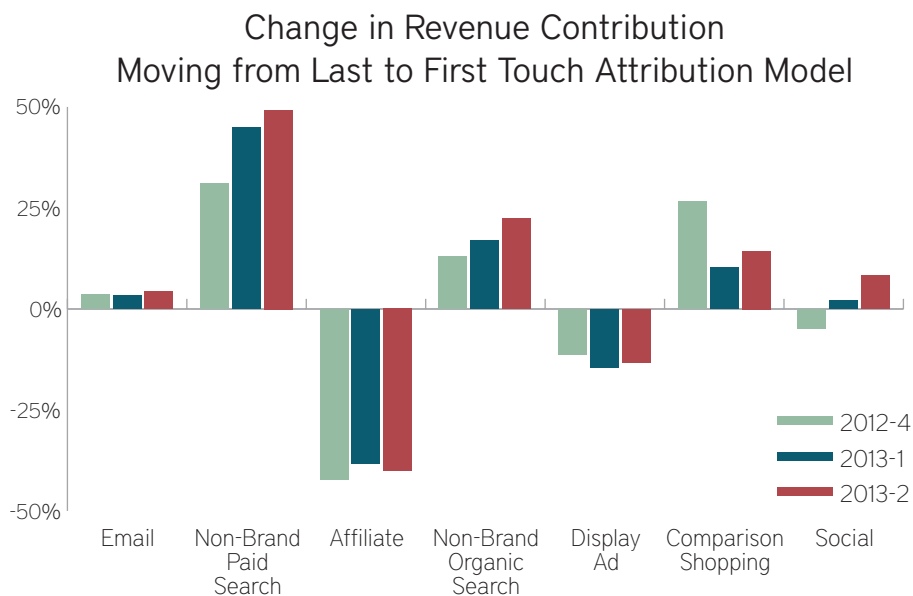
► Under a simple first touch attribution scheme, email still receives the largest credit for revenue, but non-brand paid search becomes the second largest channel with a share of revenue of 25%.



Attribution

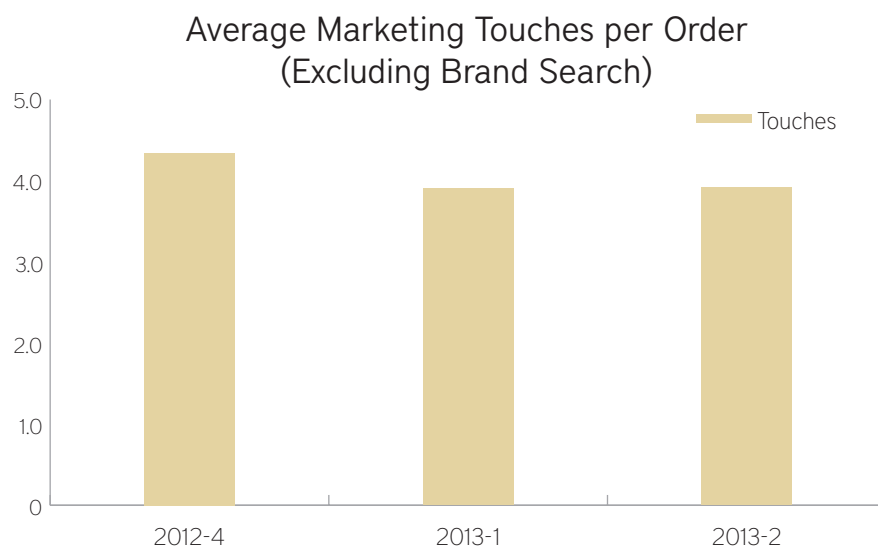
Affiliates and Paid Search Subject to Greatest Shifts in Revenue, Depending on Attribution Model

▶ A site utilizing a last touch attribution model would see revenue attributed to affiliates fall by 40% if they were to adopt a first touch model. Display revenue would fall 13%. On average, all other major online marketing channels would see their attributed revenues increase.



Marketing Touches Per Order Steady in Early 2013

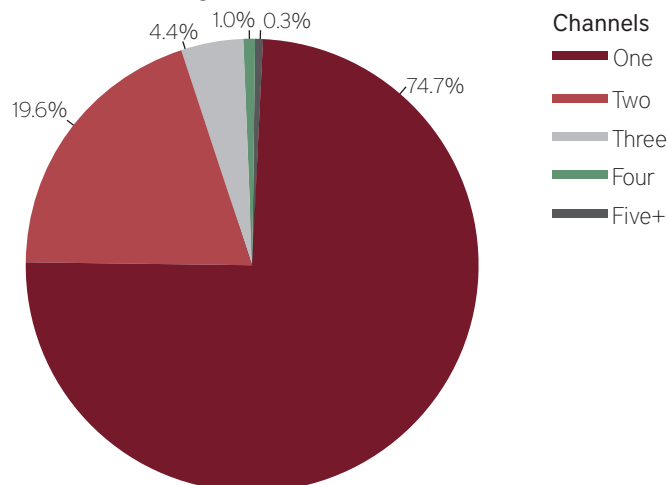
▶ Again excluding navigational brand searches, average marketing touches per order were flat from Q1 to Q2 at 3.9. This is down from the 4.3 touches consumers made on average during the fourth quarter holiday season.



Orders Involving Multiple Marketing Channels Remain the Exception

▶ Average marketing touches per order may give a misleading impression of the amount of interaction across channels. As we have consistently found, roughly 3 out of 4 orders only involved interaction with a single marketing channel in Q2.

Marketing Channels Per Order (Excluding Brand Search)



About RKG & Methodology

Contact RKG

Interested in learning more? Contact us today to learn how RKG's smart marketers and proprietary technology can help drive better results for your digital marketing programs:

info@rimmkaufman.com
(434) 970-1010
rimmkaufman.com | rkgblog.com

-  RSS Feed
-  Twitter
-  Facebook
-  LinkedIn
-  Google Plus

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 online marketing solutions. Founded in 2003, RKG specializes in working with clients in retail, travel, financial and B2B organizations ranging in size from small startups to Fortune 500 companies.

Advertising Age ranked RKG the fastest growing top 25 U.S. search agency in their 2013 Agency Report. A privately held company, RKG is headquartered in Charlottesville, VA with offices in Seattle, WA, San Francisco, CA, Bend, OR and Boston, MA.

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 the average same-site change over the given time period.